

**Statement by the IMF Staff Representative**  
**December 7, 2007**

1. This statement provides information that has become available since the staff report was issued to the Board. The thrust of the staff appraisal remains unchanged.
2. **Macroeconomic indicators remain robust.** Inflation fell further in November, to 8.7 percent year-on-year, mostly on account of lower growth in food prices. International reserves have continued to increase and by mid-November 2007 exceeded US\$900 million (2.5 months of imports). While the kwacha has remained stable against the US dollar since mid-summer, the real and nominal effective rate depreciated by around 3 percent from July to September 2007. Annual broad money growth slowed to 24 percent at end-September 2007 from 36 percent at end-June 2007.
3. **Reserve money growth has remained volatile.** While reserve money declined as projected immediately following the reduction in reserve requirements on October 1, in recent weeks, reserve money has risen to well above the end-year projection.
4. **Revenue performance remained strong through October.** Revenue collections were 0.2 percent of GDP higher than projected, because of higher income tax collections. While current expenditures were broadly in line with the budget, releases for domestically-financed capital expenditure continued to record a shortfall relative to the revised budget projection. Based on preliminary information, the overall fiscal position through October continued to be in surplus due to slow implementation of domestically-financed capital projects.
4. **A recently published living conditions survey indicates a decline in overall poverty.** The poverty headcount declined from 68 percent of the population in 2004 to 64 percent in 2006. While poverty in the urban areas declined significantly, the survey shows a slight increase in poverty rates in the rural areas.



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## **IMF Executive Board Concludes 2007 Article IV Consultation with Zambia**

On December, 7, 2007, the Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation with Zambia.<sup>1</sup>

### **Background**

The Zambian economy has performed well in recent years because of stronger macroeconomic policies, a favorable external environment, and extensive debt relief. The economic expansion has been broad-based and has benefited greatly from the revival of the mining sector and high copper prices. Public finances have improved markedly and inflation has been brought under control. The external position has strengthened significantly, mainly due to booming copper export receipts and debt relief through the HIPC Initiative and MDRI, which have contributed to a substantial real appreciation of the exchange rate and a buildup in international reserves. Poverty has been reduced, but remains high; and while progress has been made in some areas, the achievement of the Millennium Development Goals remains a challenge.

The positive economic performance of recent years continued in 2006 and the first half of 2007. Real GDP accelerated to 6.2 percent in 2006, driven by a vigorous expansion in mining, construction and telecommunications. Inflation, after falling to single digits in 2006, picked up in

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<sup>1</sup> Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board. At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities.