

Zambia Economic Investment Overview

1. Introduction

Zambia, a landlocked country in Southern Africa, has a rich endowment of natural resources and significant potential for economic diversification. With a GDP of approximately \$28 billion (2023), the economy is largely reliant on mining, agriculture, and energy. Known as Africa's second-largest copper producer, Zambia also offers opportunities in agriculture, manufacturing, and tourism. Its strategic location provides access to regional and international markets, positioning it as a gateway for Southern and Central Africa. Recent policy reforms, ongoing infrastructure development, and renewed focus on sustainability make Zambia an attractive investment destination.

2. Contribution of Key Industries to GDP

Industry	GDP Contribution (%)	Major Outputs
Mining and Quarrying	12%	Copper, cobalt, gold, emeralds
Agriculture and Agro-processing	18%	Maize, cassava, tobacco, sugarcane
Energy	5%	Hydropower, solar, biomass
Manufacturing	8%	Cement, textiles, agro-processing
Tourism	6%	Victoria Falls, wildlife safaris, eco-tourism
Financial Services	7%	Banking, insurance, pension funds
Others	44%	Retail, ICT, construction

3. Business Environment

3.1 Infrastructure

Zambia's infrastructure development is pivotal to unlocking its economic potential.

- **Transport:**
 - The government has invested in road networks, such as the Link Zambia 8000 project, to improve regional connectivity. Rail infrastructure, though limited, includes the TAZARA Railway, connecting Zambia to Tanzania and international ports.
 - Air transport is improving, with expansions at Kenneth Kaunda International Airport in Lusaka to enhance trade and tourism accessibility.
- **Energy:**
 - Hydropower dominates energy generation, but recurring droughts necessitate diversification into solar and biomass projects.
 - Off-grid solar energy solutions are gaining traction in rural areas, supported by international development agencies.
- **ICT:**

- Broadband internet penetration is expanding, facilitating mobile money services and e-commerce. Public-private partnerships are accelerating ICT infrastructure growth.

3.2 Regulatory Framework

The Zambia Development Agency (ZDA) oversees investment promotion with incentives such as:

- Tax exemptions in priority sectors like mining, agriculture, and energy.
- Simplified licensing procedures through a one-stop investment shop.

Stringent local content laws exist in the mining sector, promoting employment and local supply chain development.

3.3 Workforce Dynamics

- **Employment Structure:** Agriculture employs over 60% of Zambia's workforce, with mining and services providing additional significant employment.
- **Skills Development:** Government initiatives, like vocational training programs and industry-academia partnerships, aim to close skill gaps in advanced manufacturing and technology.

4. Detailed Analysis of Major Industries

4.1 Mining and Quarrying

Zambia's economy is heavily dependent on its mining sector, contributing 70% of export earnings.

- **Key Drivers:**
 - Copper production remains dominant, with cobalt emerging as a critical mineral for global energy transitions.
 - Recent exploration in gold and rare earth elements could diversify the sector.
- **Challenges:**
 - Infrastructure bottlenecks, environmental concerns, and price volatility hinder sustained growth.
- **Opportunities:**
 - Establishing smelting and refining facilities for value addition.
 - Partnerships for rare earth mineral development, essential for green technologies.

4.2 Agriculture and Agro-processing

Agriculture forms the backbone of rural livelihoods and is crucial for food security and exports.

- **Key Crops:** Maize (staple crop), sugarcane, cassava, and tobacco dominate agricultural output.
- **Growth Areas:**
 - Irrigation development to mitigate rainfed farming risks.

- Investments in agro-processing for exports, such as cassava-based bioethanol and tobacco products.

- **Challenges:**

- Post-harvest losses due to inadequate storage facilities and limited market access.
- Climate change impacts, such as erratic rainfall patterns.

4.3 Energy

The energy sector is central to Zambia's economic growth but remains vulnerable due to its reliance on hydropower.

- **Current State:**

- Hydropower constitutes 80% of energy generation. Droughts have prompted rolling blackouts, affecting industrial output.

- **Opportunities:**

- Scaling solar farms in rural areas and industrial zones.
- Developing biomass energy projects using agricultural waste.
- Expanding cross-border electricity trade with regional neighbors.

4.4 Manufacturing

Manufacturing is a developing sector with potential to support economic diversification.

- **Key Products:** Cement, textiles, processed foods, and construction materials.

- **Challenges:**

- High operational costs due to energy inefficiencies.
- Limited access to financing for small-scale manufacturers.

- **Opportunities:**

- Agro-processing for export markets, including fruit and vegetable preserves.
- Pharmaceutical manufacturing to meet regional healthcare needs.

4.5 Tourism

Zambia is renowned for its natural beauty, including Victoria Falls, Kafue National Park, and Luangwa Valley.

- **Key Features:**

- Tourism contributes 6% to GDP and employs a growing workforce in hospitality.
- Eco-tourism and cultural heritage tours are underdeveloped but present significant potential.

- **Challenges:**

- Underdeveloped infrastructure limits access to key attractions.
- Lack of robust marketing campaigns to attract international visitors.

- **Opportunities:**

- Expanding eco-lodges and adventure tourism offerings in partnership with private investors.

5. Challenges Across Industries

- **Infrastructure Deficits:**

- Insufficient rural road networks hinder agricultural supply chains.
- Energy shortages increase operational costs for industries.

- **Regulatory Complexity:**

- Frequent policy changes, especially in the mining and agriculture sectors, create uncertainty.

- **Climate Risks:**

- Erratic weather patterns threaten agriculture and hydropower output.

- **Access to Finance:**

- High interest rates and limited availability of affordable loans for small and medium enterprises (SMEs).

6. Opportunities and Growth Enablers

Sector	Opportunities	Examples
Mining	Diversifying into gold and rare earth minerals	Gold mining projects in Central Province
Agriculture	Investments in irrigation and value addition	Agro-processing for maize and tobacco
Renewable Energy	Solar farms and off-grid solutions	Solar mini-grids in rural areas
Manufacturing	Local production of construction materials	Cement and tile production plants
Tourism	Eco-tourism and heritage site development	Lodges near Victoria Falls and Kafue Park

7. Country Risk Review

7.1 Economic Risks

- Public debt at 110.8% of GDP in 2023 requires sustainable fiscal policies for management.
- Inflation remains high due to food and energy costs but is expected to decline with structural reforms.

7.2 Political Risks

- Zambia enjoys relative stability, but investors remain cautious due to policy changes in key sectors like mining.

7.3 Environmental Risks

- Droughts and floods continue to impact agriculture and energy sectors.

8. Market Size and Growth Potential

- **Population:** 19.5 million, with 40% under the age of 25, indicating a youthful and growing consumer base.
- **Urbanization:** Rapid urbanization is driving demand for housing, retail, and infrastructure.
- **Economic Growth:** Projections for GDP growth are 2.3% in 2024 and 6.6% in 2025, supported by mining recovery and diversification efforts.

9. Trade Policies and Regional Integration

Zambia is a member of SADC, COMESA, and AfCFTA, providing preferential market access for exports to Africa and beyond. Recent reforms have eased trade barriers, facilitating smoother cross-border commerce.

10. Conclusion

Zambia's economic landscape offers vast opportunities in mining, agriculture, energy, and tourism. Overcoming challenges like infrastructure deficits, regulatory unpredictability, and skills shortages will be critical. Strategic investments in renewable energy, agro-processing, and eco-tourism can provide long-term growth while supporting sustainable development goals. Investors are encouraged to leverage Zambia's strategic location and natural resource wealth for mutually beneficial partnerships.



Mail :

info@icrallc.com



Phone :

+260 979 053 828



Address :

Plot No. 20848 Corporate Park Alick Nkhata
Road, Mass Media, Lusaka, Zambia