



Bank of Zambia

**OPENING REMARKS AT THE 2019 DISSEMINATION
WORKSHOP OF THE FOREIGN PRIVATE INVESTMENT AND
INVESTOR PERCEPTIONS SURVEY RESULTS**

BY

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NEW GOVERNMENT COMPLEX – LUSAKA**

Salutations:

- **Permanent Secretaries;**
- **The Chief Executive Officer, Zambia Development Agency;**
- **The Interim Statistician General, Zambia Statistics Agency;**
- **Ambassadors, High Commissioners and Representatives of Development Partners present;**
- **Captains of Industry;**
- **Distinguished invited Guests;**
- **Members of the Media;**
- **Ladies and Gentlemen.**

Let me begin by welcoming you all to this dissemination workshop of the 2019 Survey on Foreign Private Investment and Investor Perceptions in Zambia, the 12th Survey we have conducted so far. We thank the Balance of Payments Technical Committee comprising representatives from the Zambia Development Agency, Zambia Statistics Agency, Bank of Zambia, and other collaborating institutions for successfully conducting the 2019 Survey.

The Bank of Zambia and its collaborating institutions are greatly indebted to the respondents for participating in the Survey. We thank you most sincerely for your cooperation and accommodating our data collectors in your busy schedules. Let me hasten add that we will soon be deploying technology to efficiently conduct Surveys. The use of technology will provide a secure platform on which to exchange sensitive respondent information as well as minimise on-site visits to you.

Ladies and gentlemen, this year's Survey response rate was 82 percent, a reduction from 88 percent recorded last year. While this can be improved upon, it gives an indication of the strong cooperation we have with various enterprises and we hope this rapport will continue going forward.

The continued participation of various enterprises in this exercise is extremely important as it generates information that is critical for policy decisions. The information we collect is key in assessing developments in the Balance of Payments, which has important implications for the formulation of sound monetary, fiscal, and trade policies.

Distinguished participants, the 2019 Survey captured the magnitude, types, sources, and direction of foreign private investment for the year 2018 and the first half of 2019. It also included investor perceptions on the investment climate in Zambia.

Let me now turn to the key findings of the Survey, which will be the subject of detailed discussions later this morning. Private sector foreign inflows into Zambia declined on account of lower foreign direct investment (FDI). FDI flows fell by almost 50.0 percent to

about US\$560 million in 2018. This significant decline was mainly due to losses of almost US\$340 million, mostly in the mining sector where some companies encountered operational challenges. This was in contrast to retained earnings of about US\$650 million recorded in 2017. As a result of declining profitability, borrowing from foreign affiliates increased to about US\$640 million in 2018 from US\$560 million in 2017. This contributed to the increase in the stock of private sector external debt to US\$14.0 billion in 2018 from US\$12.8 billion at the end of 2017. Switzerland continued to account for the largest share of the debt stock as a source country.

Ladies and gentlemen, net equity inflows in 2018 rose to around US\$265 million compared to a net outflow of US\$100 million in 2017. The net inflows were attributed to mergers and acquisitions in both mining and agriculture sectors. The developments in the agriculture sector bodes well for the country's economic diversification agenda.

Turning to sectoral performance, in 2018, at around US\$275 million, the manufacturing sector was the leading recipient of net FDI liability flows. However, the inflows declined by 21 percent, largely due to losses of almost US\$9 million recorded in the sector. Despite recording a marginal drop, deposit-taking institutions were the second highest recipient of FDI, registering about US\$160 million in 2018. The third and fourth largest recipients of FDI were mining and information, communication and technology sectors which recorded receipts of US\$130 million and US\$120 million, respectively.

Distinguished participants, in the first half of 2019, FDI flows were lower at US\$413 million compared to US\$434 million in the corresponding period in 2018. This outturn was explained by a decline in profitability resulting in losses of almost US\$33 million, mostly in the mining sector compared to retained earnings of about US\$210 million.

Further, private sector foreign asset flows decreased marginally in 2018 to US\$645 million from US\$667 million in 2017. This was mainly on account of a reduction in currency and deposits by deposit-taking corporations and mining sectors. However, the stock of private sector foreign assets rose by 15 percent to US\$5.1 billion, on account of a 23 percent increase in the *other investment* category to US\$3.2 billion. Similarly, the stock of assets for FDI increased by 2 percent to US\$1.7 billion in 2018.

Ladies and gentlemen, with regard to investor perceptions, it is encouraging to note that peace and security, political stability, a relatively stable macroeconomic environment, and the ease of doing business continued to feature prominently as the main motivating factors for investing in Zambia. Market potential and good governance were also ranked positively as factors for investing in our economy.

As I conclude, let me share with you some major concerns expressed by the respondents. The Survey revealed that key areas where policy makers need to pay more attention include fostering growth and competitiveness of the private sector as well as encouraging

investment and re-investment. Other areas highlighted include addressing high lending rates, policy inconsistency, perceived high levels of corruption, inefficiency of the public service, and instability in the tax regime. Further, respondents were of the view that Government needs to take appropriate measures to ensure full utilisation of public private partnerships and joint ventures.

Finally, I wish to thank you all for attending this workshop and hope that you will use this opportunity to delve into Survey findings and recommend appropriate response measures to improve the overall business environment in the country.

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

I thank you for your kind attention.

GOD BLESS.