



ZAMBIA:

## COPPER OUTPUT SURGE BOOSTS GROWTH OUTLOOK AMID LINGERING DEBT CONSTRAINTS

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*Zambia has recorded a sharp increase in copper output in early 2025, signalling renewed momentum in the mining sector and providing a foundation for an optimistic economic outlook. Foreign investors' interest in the country's mining sector continues to support Zambia's economic trajectory. However, the prolonged debt restructuring process continues to strain fiscal space, while the government's constitutional reform agenda is heightening political competition ahead of the 2026 elections.*

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Zambia recorded a 30 percent year-on-year increase in copper production during the first quarter of 2025, reaching 224,104 tonnes. This follows a 12 percent rise in annual output in 2024 to 820,676 tonnes, driven by improved operational performance and the resumption of activity at Konkola Copper Mines (KCM) and Mopani Copper Mines (MCM). The output recovery reflects the effectiveness of stabilisation efforts under President Hakainde Hichilema and reinforces the mining sector's role as a central pillar of economic growth. With gross domestic product (GDP) growth forecast at 6.6 percent for 2025, copper's resurgence, together with regulatory reforms and new investment inflows, is expected to underpin Zambia's short-term economic trajectory. However, delays in finalising the protracted debt restructuring process continue to constrain fiscal flexibility and impede access to additional external financing.

Simultaneously, the government is pursuing constitutional amendments ahead of the 2026 general elections. In March, Justice Minister Princess Kasune introduced 13 proposed reforms aimed at expanding parliamentary representation and enhancing constituency alignment. Nationwide public consultations are scheduled from 21 May to 21 June, with parliamentary consideration expected in July. While the ruling United Party for National Development (UPND) has presented the reforms as measures to strengthen governance, opposition parties have criticised the process as accelerated and politically motivated. As a result, discontent surrounding the amendments is likely to escalate, contributing to increased political volatility in the lead-up to the election.

PANGEA-RISK assesses Zambia's economic and political outlook, focusing on the copper production surge, debt restructuring, and constitutional amendment process.

## Debt deal relieves fiscal pressure

Zambia's public and publicly guaranteed debt reached an estimated USD 28.7 billion by the end of 2024, equivalent to 117 percent of GDP. This represents a 40 percent increase since 2020, driven by external disbursements for infrastructure and social spending, coupled with heightened domestic borrowing. The expanding debt burden has eroded fiscal space, contributed to inflationary pressures, and heightened susceptibility to external shocks.

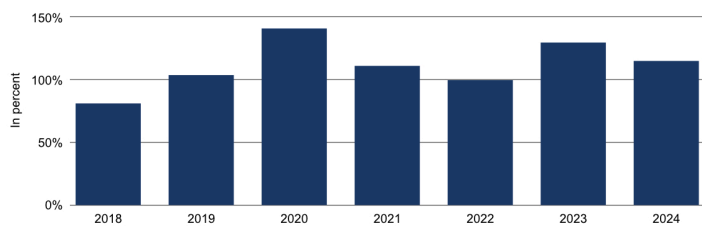
The ongoing debt restructuring process, initiated following Zambia's 2020 default, is entering a pivotal phase. Finance Minister Situmbeko Musokotwane has stated that final bilateral agreements are expected by September. Under the G20 Common Framework, Zambia has already restructured USD 9.3 billion of the estimated USD 13.4 billion subject to restructuring. Agreements have been finalised with India (USD 335 million), France (USD 100 million), Saudi Arabia (USD 130 million), and private bondholders, who accepted a 25 percent haircut. However, negotiations remain incomplete with Chinese creditors, notably USD 4.1 billion owed to China Exim Bank and USD 1.5 billion to other commercial lenders.



FINANCE MINISTER SITUMBEKO  
MUSOKOTWANE

Absent restructuring, Zambia's external debt servicing obligations for 2025 would have exceeded USD 8 billion, over 60 percent of projected government revenue. Following debt relief agreements, the Ministry of Finance now estimates this ratio will decline to approximately 14 percent, providing considerable fiscal reprieve. In the second quarter of 2024, Zambia registered export earnings approaching USD 3 billion, primarily from copper sales, offering short-term relief. Nevertheless, fiscal vulnerabilities remain pronounced due to volatility in commodity markets and persistent drought-induced energy shortages, which risk undermining export performance (see ZAMBIA: COPPER MINING RECOVERS AS DEBT RESTRUCTURING NEARS COMPLETION).

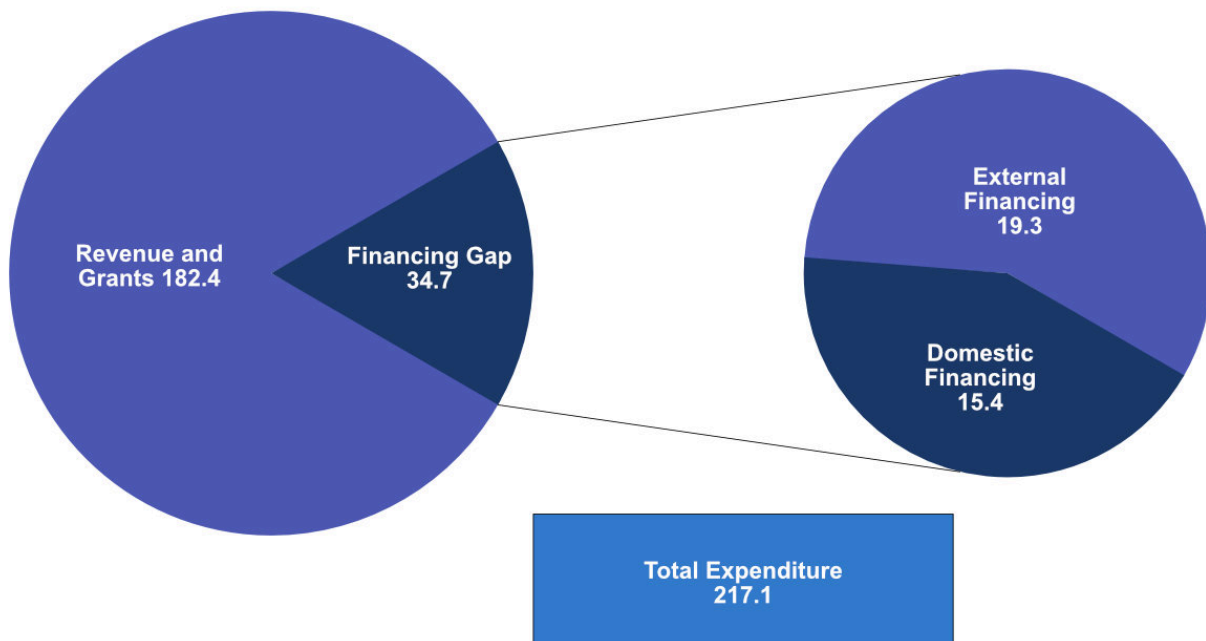
### NATIONAL DEBT TO GDP



Source: statista.com

Zambia remains excluded from international capital markets and is instead reliant on a mix of external concessional financing and domestic bond issuance to cover a ZMW 34.7 billion (USD 1.3 billion) financing gap for 2025. Domestic debt now constitutes 40 percent of total public debt and 42 percent of GDP, and is projected to remain a central component of government funding strategies over the medium term. Concurrently, authorities are evaluating a successor arrangement to the current International Monetary Fund (IMF) Extended Credit Facility, set to expire in October. A follow-on programme would likely aim to reinforce fiscal consolidation, anchor debt sustainability, and support structural reforms required to unlock future investment and financing avenues.

### ZAMBIA'S FINANCING PLAN FOR 2025 (ZWK 'BILLION)



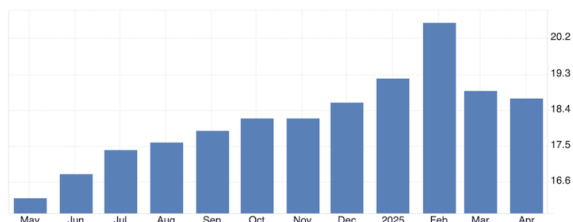
## Reform push strains credibility ahead of elections

The Zambian government is intensifying economic and governance reforms in the lead-up to the 2026 general election. Policy measures include fiscal tightening, tax incentives, and sector-specific interventions in mining and agriculture, all aimed at restoring investor confidence and expanding fiscal space for development spending. However, the protracted debt restructuring process has strained public patience with President Hakainde Hichilema's New Dawn administration. Persisting macroeconomic challenges, including local currency depreciation and elevated inflation, have undermined the administration's ability to fulfil the social and economic commitments made during the 2021 electoral campaign.

The five-year delay in concluding Zambia's sovereign debt restructuring has dissuaded foreign direct investment and reinforced sovereign risk perceptions. Although some progress has been achieved with creditors through the G20 Common Framework, the ongoing impasse has weakened economic sentiment and contributed to rising public dissatisfaction. Consequently, President Hichilema's electoral viability is increasingly contingent upon delivering tangible improvements stemming from macroeconomic stabilisation and securing comprehensive debt relief ahead of the 2026 vote.

The administration's anti-corruption platform has also drawn scrutiny. In early 2025, President Hichilema dismissed 23 government officials, including a senior finance audit official, following the emergence of a scandal involving unaccounted public funds. While the government has launched investigations into alleged corruption under the previous administration, recent whistleblower claims implicating current officials have cast doubt on the credibility of the anti-graft campaign. Critics contend that the administration's response has lacked consistency, thereby undermining its governance credentials.

FOOD INFLATION  
ZAMBIA



SOURCE: tradingeconomics.com

ZAMBIAN KWACHA  
ZAMBIA



SOURCE: tradingeconomics.com

Simultaneously, a proposed constitutional reform process has emerged as a source of political friction. In March, the government introduced 13 draft amendments, with public consultations scheduled between 21 May and 21 June and a parliamentary vote anticipated in July. While the reforms are officially intended to enhance representation and democratic participation, opposition parties and civil society organisations have criticised the process as hurried and lacking transparency. Former President Edgar Lungu's Patriotic Front (PF) has alleged that the reforms are a covert attempt to entrench executive authority, including a potential extension of presidential term limits. However, no substantiated evidence has been presented to support these allegations.

Nevertheless, suspicions surrounding the intent of the constitutional reforms have allowed opposition actors to mobilise against the administration. Calls for anti-government demonstrations are likely to increase in the pre-election period. Although such protests are expected to be localised within urban centres and remain non-violent, they could cause intermittent disruptions to business operations.

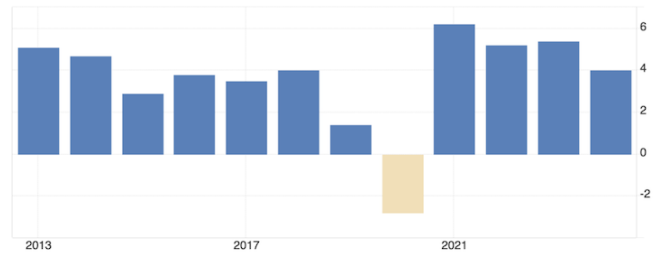
#### PRESIDENT HAKAINDE HICHILEMA CAMPAIGNING IN 2021



## Mining and infrastructure drive recovery

Zambia's economy exhibited resilience in 2024, achieving 4.0 percent growth despite adverse drought conditions and an energy crisis that disrupted output across major sectors. Acute water shortages severely curtailed hydroelectric power generation, resulting in daily load shedding of up to 17 hours and compelling the national power utility to implement emergency tariffs. Inflation peaked at 16.7 percent in January, easing marginally to 16.5 percent by April, primarily driven by increased food and fuel prices stemming from maize production deficits and elevated import costs. The Bank of Zambia (BoZ) responded by tightening monetary policy to mitigate inflationary pressures.

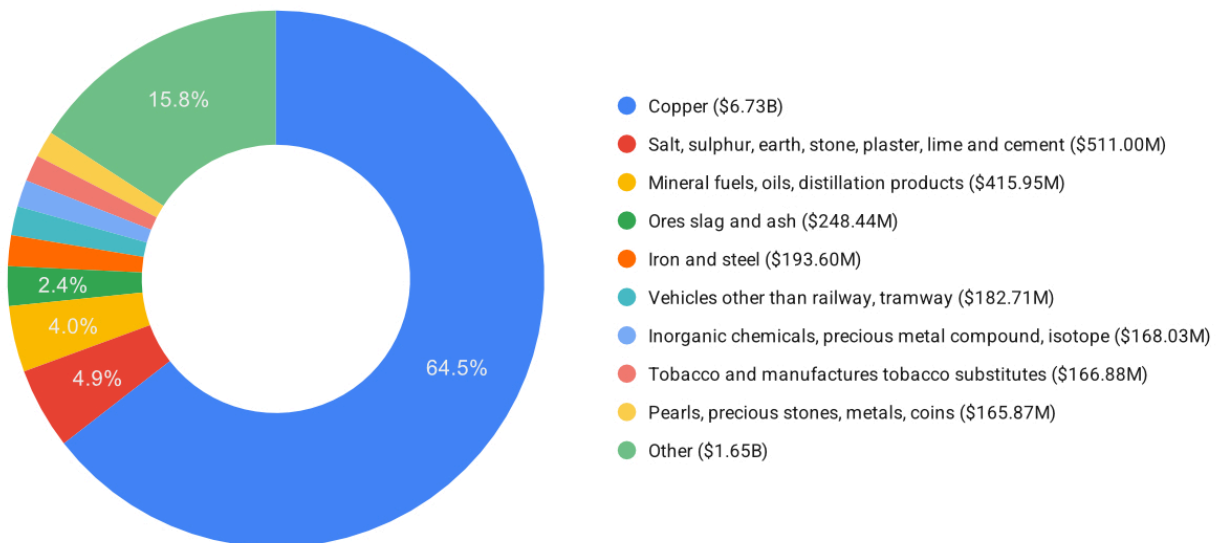
FULL YEAR GDP GROWTH  
ZAMBIA



SOURCE: tradingeconomics.com

Gross domestic product (GDP) growth is forecast to accelerate to 6.6 percent in 2025, underpinned by a strong performance in the mining sector and a partial recovery in agriculture. Copper production increased by 12 percent in 2024 to reach 820,670 metric tonnes, bolstered by the resumption of operations at Konkola Copper Mines (KCM) and Mopani Copper Mines (MCM). This momentum continued into the first quarter of 2025, with a 30 percent year-on-year increase. The government aims to achieve annual copper production of 3 million tonnes by 2031, with volumes expected to surpass 1 million tonnes by 2026. Recent investments by Vedanta Resources and a joint venture with global commodities trader Mercuria reflect sustained foreign investor interest.

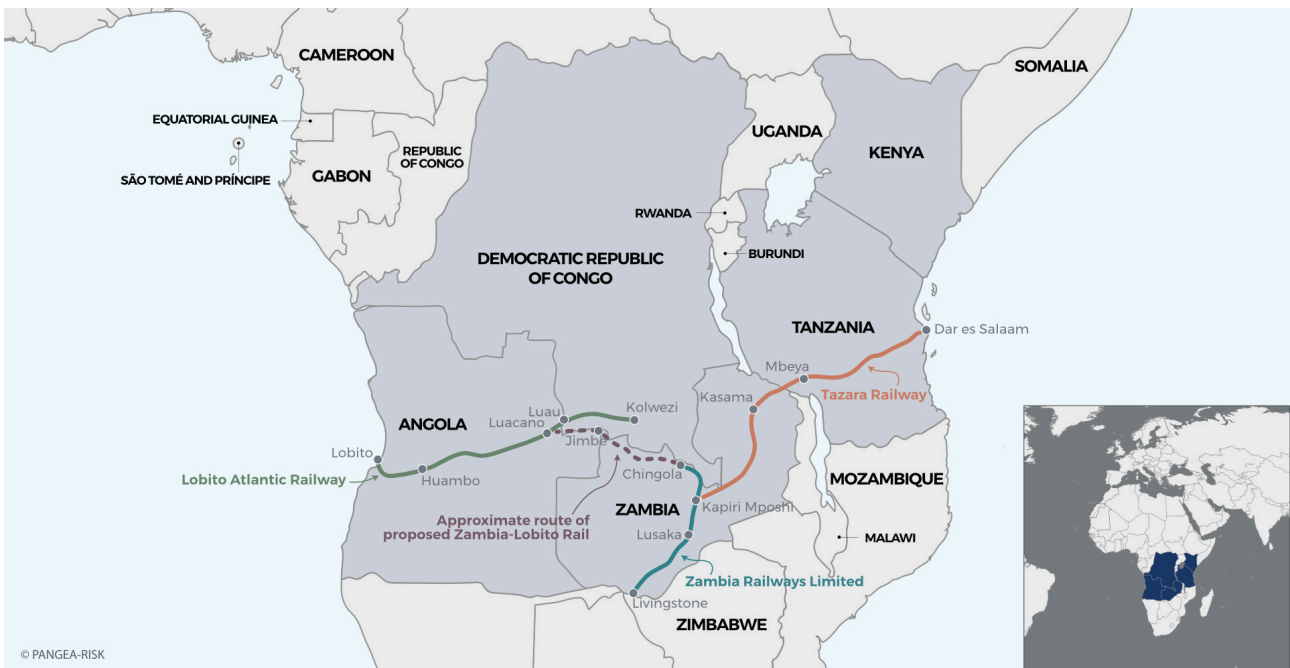
## ZAMBIA EXPORTS BY CATEGORY



Source: tradingeconomics.com

In February 2025, the government suspended the 15 percent export tax on precious stones and metals to enhance competitiveness and attract investment. Gold output rose by 42 percent year-on-year in the first quarter of 2025, although emerald production declined due to market volatility. This policy shift complements broader liberalisation measures, including the establishment of the Minerals Regulation Commission, which is tasked with enforcing local content requirements and streamlining licensing processes.

Externally, Zambia faces emerging trade risks. United States tariff increases on selected metals and uncertainty regarding the future of the AGOA may have marginal effects on export performance and donor-supported development initiatives (see SPECIAL REPORT: WINNERS & LOSERS: US TARIFFS TRIGGER DIVERGING RESPONSES IN SUB-SAHARAN AFRICA). In response, Zambia is intensifying regional integration efforts through infrastructure projects such as China’s rehabilitation of the Tanzania-Zambia Railway Authority (TAZARA) line, the Zambia-Tanzania power interconnector, and the USD 1.5 billion Mozambique-Zambia fuel pipeline. These initiatives are designed to lower import costs, improve energy security, and enhance long-term trade resilience.



**TAZARA AND LOBITO CORRIDOR**



# ZAMBIA

## Country Outlook

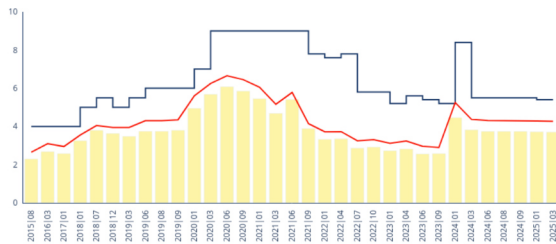
Official Name <b>Republic of Zambia</b>		Capital   Timezone <b>Lusaka   UTC+02:00</b>
Currency <b>ZAMBIAN KWACHA (ZMW)</b>		Real GDP Growth (% change)
Population <b>20,723,965</b>		2023: ▲ +5.4 % 2024: ▼ +4.0 % 2025: ▲ +6.2 % 2026: ▲ +6.8 %

Source: IMF World Economic Outlook.

Zambia's debt outlook is expected to improve following an agreement with international creditors, which will reduce debt servicing obligations and contribute to restoring investor confidence. Having concluded terms with bondholders, the government must now secure agreements with remaining commercial lenders, including Chinese banks. Zambia holds strategic potential to leverage its copper reserves amid rising global demand driven by the green energy transition. However, the ongoing drought-induced energy crisis continues to undermine socio-economic stability, constraining public service delivery and exacerbating hardship for large segments of the population. These conditions will be critical in shaping electoral support for President Hakainde Hichilema and the United Party for National Development (UPND) in the 2026 elections. Despite these challenges, the administration remains committed to fiscal consolidation and continues to engage proactively with the private sector. Ongoing collaboration with major mining stakeholders reinforces Zambia's positioning as an investor-friendly jurisdiction, which will be pivotal in sustaining economic momentum and securing long-term capital inflows.

Last updated Country Outlook: 14 May 2025

## Risk Score History

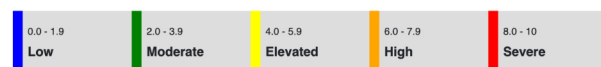


■ Default High Risk Score ■ Normal Average Risk Score ■ Weighted Average Risk Score

## Map of ZAMBIA



## Risk Rating Scale



## Country Risk Rating

<b>ELEVATED</b>	Risk Trend: →
Default High Risk Score	5.3
Normal Average Risk Score	4.30
Weighted Average Risk Score	3.69
Risk Trend: ↑ Risk Increasing ↓ Risk Decreasing → Risk Stable	

## Risk Perils Score

**Political Instability** 2.6 ↓

President Hichilema has earned public approval by successfully negotiating a resolution to the country's debt crisis, and support for his United Party for National Development (UPND) remains strong. His government has established a positive profile for its transparent management of economic affairs amid fiscal consolidation efforts. However, ongoing socioeconomic challenges exacerbated by power cuts may dampen support for his government in the upcoming 2026 elections.

**Confiscation, Expropriation, Nationalisation, and Deprivation (CEND)** 2.8 ↑

There have been no cases of confiscation, expropriation, nationalisation or deprivation against foreign businesses in Zambia. While previous populist-leaning administrations have engaged in nationalist rhetoric regarding the mining sector in the past, this has not resulted in the outright nationalisation or expropriation of privately owned assets. The ruling UPND government has kept away from engaging in such rhetoric and this is unlikely to change as it aims to enhance productivity in the copper mining sector in the coming years.

**State Contract Alteration** 5.0 ↓

State contract alteration risk in Zambia is predominantly concentrated in the mining sector. Previous administrations abruptly adjusted mining policies, indirectly amending existing contract terms. The risk is compounded by the country's weak judicial system. While the judiciary's independence is stipulated in Zambia's constitution, in practice, political interference has undermined the courts' effectiveness in enforcing contracts in controversial cases. President Hichilema has sought to strengthen judicial transparency and capabilities, although such reforms will likely still take several years.

**Taxation Alteration** 5.0 ↓

The politically sensitive mining sector is particularly susceptible to taxation alteration risks in Zambia. Previous administrations have made periodic changes to mining tax and royalties, predominantly driven by the need to promptly increase government revenue while facing challenging economic conditions. While President Hichilema has adopted a business-friendly approach to taxation in the sector, the risk of abrupt alterations persists, particularly in the event that external commodity price movements impact fiscal revenue.

**Bribery and Corruption** 4.5 ↑

Corruption is widespread in public procurement in Zambia. Bribery and the expectation to give gifts to officials are common when bidding for public contracts. Weak adherence to procurement procedures and a lack of transparency across all stages of the process leave room for significant interference, and have enabled such misconduct to persist. While transparency has generally improved under the current administration, there are still vulnerabilities in the procurement procedure that can be exploited by corrupt officials.

**Regulatory and Compliance Burden** 4.8 ↓

The regulatory environment is relatively weak in Zambia, and authorities have previously abruptly imposed changes to regulations impacting foreign investor-dominated sectors, such as mining. These include mining licensing requirements as well as environmental and operational standards. Proposed laws are often made public with little advance notice, limiting the amount of time for businesses to prepare for any possible regulatory amendments. This has contributed to an unpredictable operating environment.

**Strikes, Riots, and Civil Commotion (SRCC)** 5.0 ↓

The increasing cost of living will be the main driver of potential civil unrest over the coming year. Government budget cuts for social support may trigger intermittent public protests, which will likely result in the deployment of security forces and road closures in urban centres. Socio-economic pressures also drive the risk of industrial action to demand pay increases, which may cause disruptions to commercial operations, particularly in the capital city Lusaka and the mineral-rich Copperbelt Province.

**Insecurity** 2.4 ↓

The high crime rate in Zambia predominantly drives insecurity risk. Violent crimes, including carjackings and burglaries, are among the most prominent crimes. The country also has a relatively high homicide rate, with 5.25 deaths per 100,000 people, according to the latest available data from the United Nations. The risk of opportunistic financially motivated crimes will persist as the population continues to face the rising cost of living.

**Non-Payment** 5.3 ↓

Non-payment risk in Zambia is reflected by the government's debt default in 2020. President Hichilema's government has been proactive and transparent as it continues to work through the restructuring of the country's debt, which stood at 144 percent of GDP in end-2023. After reaching an agreement with bondholders, non-payment risk will persist as the government navigates debt restructuring negotiations with its commercial creditors in the coming months.

**Currency Inconvertibility and Non-Transfer (CINT)** 5.2 ↓

There are no major restrictions on foreign exchange transactions, apart from an over-the-counter cash transaction limit of USD 5,000 per day. However, the persistent depreciation of the local currency, the kwacha, has adversely impacted the availability of hard currency in recent years. Such challenges are likely to persist over the coming year, as the kwacha is expected to continue to lose value against major currencies.

Historical Trend: ↑ Risk Increasing ↓ Risk Decreasing



For the full Country Outlook, click here.

For more information on this report or Pangea-Risk, contact [info@pangea-risk.com](mailto:info@pangea-risk.com).

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