



REVISION OF THE BALANCE OF PAYMENTS STATISTICS, 2020-2022

December 27, 2023

The balance of payments (BoP) statistics published in December 2023 have been revised to incorporate updated data for 2020, 2021 and 2022. These revisions stem from the inclusion of newly available information and improvements to the private capital flows database following better treatment of certain cross-border transactions. In addition, improvements were made to the quality of survey data upon further validation, aided by the availability of financial statements and consultations with firms in the mining and quarrying sector. The revisions are part of the ongoing efforts by the Bank of Zambia (BoZ) to continuously improve its external sector statistics with the collaboration of the International Monetary Fund (IMF). BoZ has been receiving technical assistance (TA) from the IMF on the improvement of external sector statistics. The following revisions were made:

1. Inclusion of accrued interest and principal arrears on the Government's external debt under exceptional financing

After the sovereign debt default in 2020, the Government initiated the external debt restructuring process. Between mid-2020 and end-2021, the Government availed itself of the G20s [Debt Service Suspension Initiative \(worldbank.org\)](https://www.worldbank.org/). The updated statistics offer an improved depiction of the external sector position, highlighting exceptional financing, including interest payments and principal repayments that fell due but were not paid. In 2022, the exceptional financing of USD1,904 million encompassed cumulative arrears, both principal and interest components, related to Eurobonds and commercial loans. The breakdown of accumulated arrears includes principal on bonds (USD750 million) and loans (USD823 million), interest on bonds (USD181 million) and loans (USD150 million). These accumulated arrears are distributed across the distinct categories in the BoP framework: principal amounts are allocated under 'portfolio investments' for Eurobonds and 'other investments' for commercial loans. The interest component, both for bonds and loans, is allocated to the 'primary income' category and finally the full amount is recorded under 'Reserve Related Liabilities/Exceptional Financing' below-the-line.

2. Revised recording of private sector interest payments on external debt, dividends, and intercompany debt repayments

The COVID-19 pandemic significantly disrupted social and economic activities, impacting the compilation of external sector statistics overall, and private capital flow statistics in particular. Data on private capital flows through surveys and other administrative channels was disrupted during the pandemic. Consequently, statistics compiled during the COVID-19 pandemic were revised mainly using information obtained from financial statements and consultations with major respondents. The revisions affected interest payments on foreign loans, transactions in related party loans, payments of dividends as well as reclassification of a portion of other volume changes to transactions following consultations with some major respondents. Overall, the changes mainly affected the 2021 statistics with significant revisions to FDI liabilities flows and stocks. However, it should be noted that the changes were in line and within the scope of the Bank of Zambia revision calendar.

3. Revision to Services

Services are increasingly becoming an important component of the economy. There was a revision to imports of services in 2020 as imports (debits) increased. This was mainly due to revisions to data not previously captured. Further, new services data was incorporated from a new administrative source. In 2019 the Bank of



Zambia operationalised the electronic Balance of Payments Monitoring (e-BoP) System, an international transactions reporting system (ITRS). Going forward, e-BoP data will be used to augment current compilation of services statistics and other cross-border transactions.

The impact of the revisions in (1), (2) and (3) above are highlighted in the appendix below:

Appendix: Summary of Revision Impact - Balance of Payments adjustments 2020 to 2022 (USD millions)

| | <i>Current estimates</i> | | | <i>November 2023 - revised estimates</i> | | | <i>Difference</i> | | |
|--|--------------------------|----------------|----------------|--|----------------|----------------|-------------------|------------------|----------------|
| | <i>2020</i> | <i>2021</i> | <i>2022</i> | <i>2020</i> | <i>2021</i> | <i>2022*</i> | <i>2020</i> | <i>2021</i> | <i>2022*</i> |
| A. Current account balance | 2,174.3 | 2,629.6 | 1,067.2 | 2,144.4 | 2,629.6 | 1,093.0 | (29.9) | - | 21.8 |
| Balance on Goods | 3,216.0 | 4,816.1 | 3,367.8 | 3,216.0 | 4,816.1 | 3,368.9 | - | - | (1.1) |
| Balance on Services | (493.8) | (779.4) | (946.1) | (523.7) | (779.4) | (946.1) | (29.9) | - | (2.9) |
| Balance on Primary income | (769.1) | (1,708.7) | (1,639.5) | (769.1) | (1,708.7) | (1,613.6) | - | - | 25.8 |
| Balance on Secondary income | 221.2 | 301.5 | 284.9 | 221.2 | 301.5 | 284.9 | - | - | - |
| B. Capital account balance | 79.8 | 77.1 | 76.0 | 79.8 | 77.1 | 76.0 | - | - | - |
| C. Financial account balance | 2,001.8 | 3,567.4 | 1,282.0 | 2,427.2 | 1,428.6 | 3,021.3 | 425.4 | (2,138.8) | 1,739.3 |
| Direct investment | (181.2) | (8.6) | (338.2) | (181.2) | (674.3) | (187.6) | - | (665.7) | 150.6 |
| Portfolio investment | (198.7) | (1,001.9) | 150.8 | (198.7) | (1,001.9) | 1,082.1 | - | - | 931.4 |
| Financial derivatives | 10.4 | 25.9 | 31.1 | 10.4 | 25.9 | 31.1 | - | - | - |
| Other investment | 2,812.2 | 3,081.5 | 943.9 | 2,796.8 | 3,078.8 | 2,095.7 | (15.5) | (2.6) | 1,151.9 |
| Reserves and related items | (440.9) | 1,470.6 | 494.5 | (440.9) | 1,470.6 | 494.5 | (0.0) | - | - |
| <i>of which: Exceptional Financing</i> | - | - | 1,904.2 | - | - | 1,904.2 | | | |
| D. Net errors and omissions | (252.3) | 860.7 | 134.8 | (222.4) | 195.1 | 263.5 | 29.9 | (665.7) | 128.8 |

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