

Quarterly Survey of Business Opinions and Expectations



May 2024

Disclaimer:

The opinions and expectations presented herein are of the respondents and not the Bank of Zambia



Bank of Zambia



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Summary

The *May 2024 Survey of Business Opinion and Expectations* indicated a slowdown in economic activity in the first quarter of 2024. Businesses contended with an escalation in inflationary pressures and persistent exchange rate depreciation as well as constrained access to credit due to elevated borrowing costs and more stringent collateral requirements. Economic prospects for the second quarter of 2024 and 12 months ahead remain pessimistic owing to adverse impacts of the drought as well as persistent demand pressures in the foreign exchange market which are expected to result in a sustained depreciation of the exchange rate and further propel an increase in prices. This notwithstanding, growth may be supported by recovery in the mining sector and increased availability and uptake of irrigation facilities due to deliberate Government policy put in place to mitigate adverse consequences of climate change.

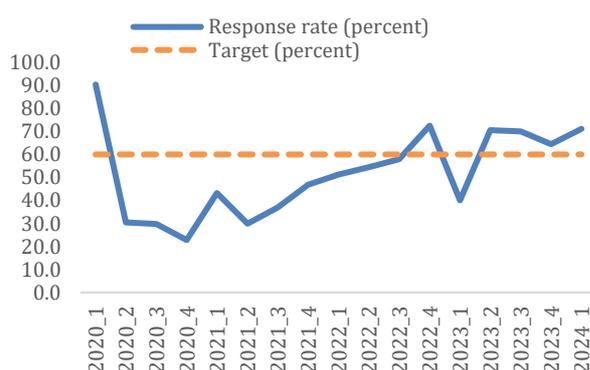
1.0 Introduction

The Bank of Zambia Quarterly Survey of Business Opinion and Expectations (QSBOEs) assesses perspectives of the business community on macroeconomic conditions in the review period and expectations for the next quarter and a year ahead. This assessment forms part of monetary policy decisions.

This Report presents views of firms regarding macroeconomic developments in the first quarter of 2024 and expectations for the second quarter and 12 months ahead.

A total of 249 responses were received out of the 350 questionnaires administered. This represents a response rate of 71.1 percent compared to 64.5 percent achieved in the fourth quarter of 2024 (Chart 1 and Table 1).

Chart 1: Response Rate



Source: Bank of Zambia

Table 1: Distribution of Responses by Province

Province	Frequency	Percent
Central	40	16
Copperbelt	34	14
Eastern	22	9
Lusaka	33	13
Luapula	20	8
Muchinga	15	6
Northern	23	9
Northwestern	19	8
Southern	20	8
Western	23	9
Total	249	100

Source: Bank of Zambia

The tourism sector had the highest number of responses (27 percent) followed by the wholesale and retail (25 percent) and services (16 percent) sectors. The construction sector remained the lowest at 7 percent (Table 2).

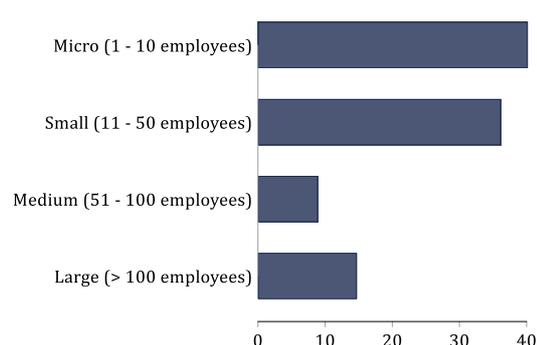
Table 2: Distribution of Responses by Sector

	Frequency	Percent
Manufacturing	32	13
Wholesale and Retail (Merchant)	63	25
Services	39	16
Tourism	67	27
Agriculture	31	12
Construction	17	7
Total	249	100

Source: Bank of Zambia

Based on the number of employees, most of the respondent firms were micro in size (40 percent), while large firms accounted for 15 percent of the sample (Chart 2).

Chart 2: Distribution of Responses by Firm Size (percent)



Source: Bank of Zambia

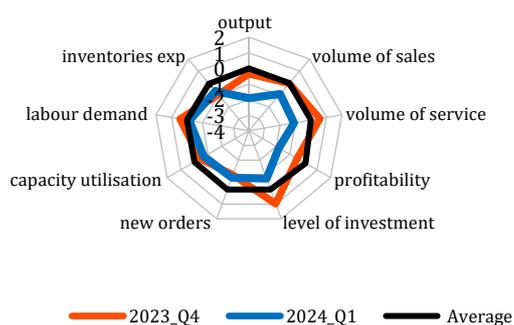
The rest of the Report is organised as follows: Section 2 presents opinions of firms about economic performance during the first quarter of 2024 as well as expectations for the second quarter of 2024 and 12 months ahead. Section 3 provides opinions on input costs, wages, and prices. Section 4 presents macroeconomic prospects 12 months ahead. Section 5 presents opinions on the impact of drought and electricity shortages on enterprises. Section 6 concludes. A description of the survey methodology is provided in the appendix.

2.0 Current Economic Performance and Expectations

... economic activity declines as inflationary pressures and exchange rate depreciation persist

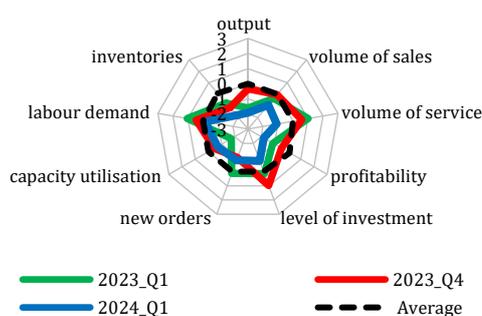
Economic activity slowed down in the first quarter of 2024, dampened by escalation in inflationary pressures partially induced by exchange rate depreciation. Consequently, output, new orders, volume of sales, volume of service, profitability, capacity utilisation and level of investment declined. Negative spillovers from the drought weighed on output for firms in the manufacturing and agriculture sectors while higher prices of goods and services constrained consumer demand (Chart 3A and 3B).

Chart 3A: Business Opinion Response Patterns



Source: Bank of Zambia

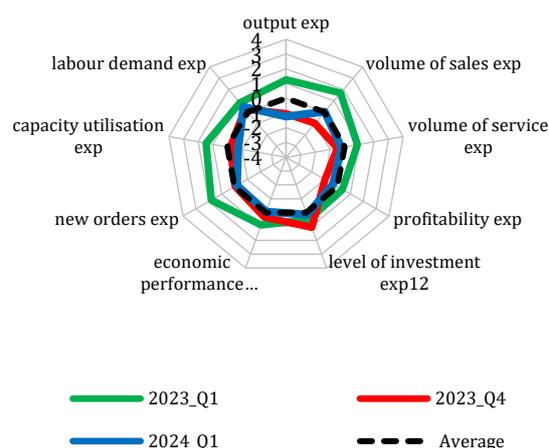
Chart 3B: Business Opinion Response Patterns*



Source: Bank of Zambia

In the second quarter of 2024, economic activity is expected to remain weak. This is largely due to expected poor performance of the mining and agriculture sectors as well as adverse consequences of loadshedding on business activity. Low foreign exchange supply and a rise in net imports underpin expectations of a weak exchange rate and subsequent higher input costs (Chart 4). The anticipated increase in interest rates may further stifle economic activity. This notwithstanding, activity in the services sector is expected to improve on account of the commencement of the agricultural marketing season.

Chart 4: Business Expectations Response Patterns



Source: Bank of Zambia

Opinions and expectations about economic performance over the next 12 months worsened for the third consecutive quarter, largely attributed to the expected reduction in production and surging operational costs due to the drought and loadshedding, persistent depreciation of the Kwacha and rising fuel prices. Those who were optimistic cited the expected pick-up in mining production and exports, following the resolution of challenges at Konkola Copper Mine Plc and Mopani Copper Mine Plc, as well as the opening of new mines such as Mimbula Copper Mine, as supportive of a stronger Kwacha. Firms also expect the conclusion of external debt restructuring to result in higher fiscal spending that is supportive of domestic

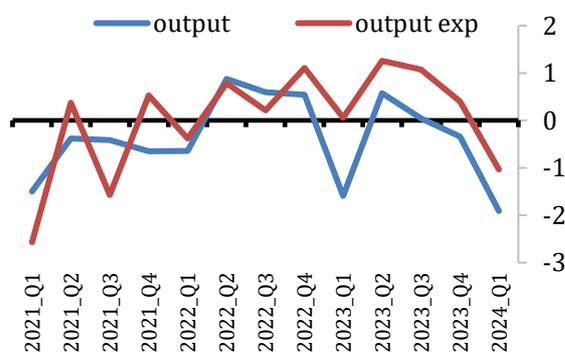
growth and increase in foreign direct investment inflows on the back of improved sentiments. Further, irrigation interventions being implemented in the agriculture sector following the declaration of the national disaster are expected to support crop production, particularly maize, over the next 12 months.

2.1 What has been your firm's experience with respect to output?

(Net balance, -0.40; Q4 2023, -0.14)

Output contracted further in the first quarter, reflecting lower demand, higher production costs owing to loadshedding, and increased input costs due to a weaker Kwacha (Chart 5). Further, a shortage of maize grain affected production amongst private milling companies. In the next quarter, output is expected to continue to be constrained by demand and loadshedding. Nonetheless, the commencement of the crop marketing season should increase the supply of raw materials and support higher output in the manufacturing sector.

Chart 5: Opinion on Output



Note: The line at zero (0.0) represents the long-term average
Source: Bank of Zambia

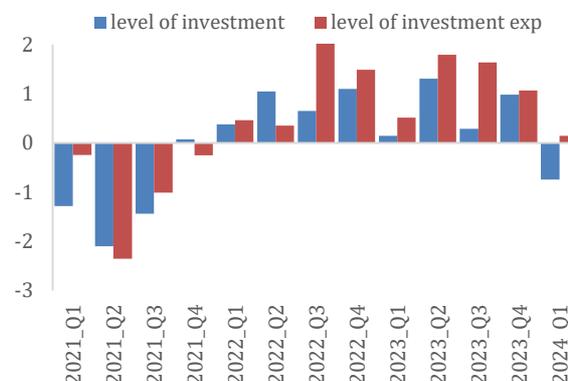
2.2 How was your firm's level of investment?

(Net balance, -0.12; Q4 2023, 0.13)

Total investment fell during the first quarter, attributed to lower demand, a weak exchange rate and lower profits to provide for investible surplus in view of higher operating costs (Chart 6). Higher lending rates further constrained investment capacity. However,

total investments are expected to improve in the second quarter on account of increased activity, including in the agricultural sector (for tobacco and wheat production), as well as a recovery in demand.

Chart 6: Level of Investment



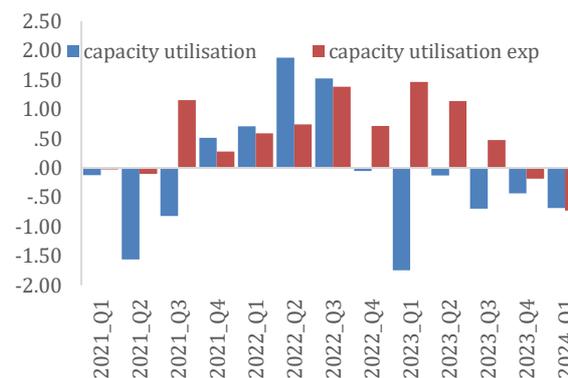
Note: The line at zero (0.0) represents the long-term average
Source: Bank of Zambia

2.3 What has been your firm's experience with respect to capacity utilisation?

(Net balance, -0.31; Q4 2023, -0.26)

Capacity utilisation deteriorated as production reduced due to higher operational costs and escalation in input prices (Chart 7).

Chart 7: Capacity Utilisation



Note: The line at zero (0.0) represents the long-term average
Source: Bank of Zambia

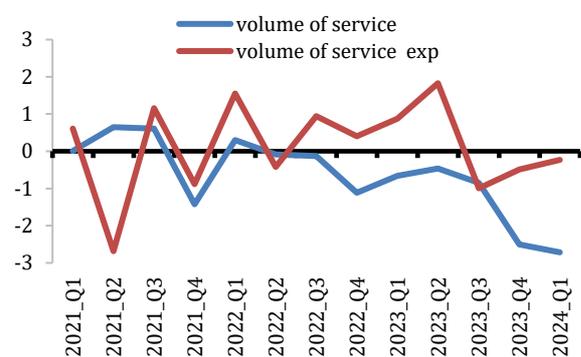
Capacity utilisation is expected to reduce further in the second quarter on account of higher production costs occasioned by loadshedding, increases in electricity tariffs and exchange rate depreciation.

2.4 What has been your firm's experience with respect to the volume of service?

(Net balance, -0.38; Q4 2023, 0.01)

Contrary to expectations in the previous quarter, the volume of service deteriorated in the first quarter, particularly for the tourism sector, largely attributed to higher operating costs, stiffer competition and lower consumer demand (Chart 8).

Chart 8: Volume of Service



Note: The line at zero (0.0) represents the long-term average
Source: Bank of Zambia

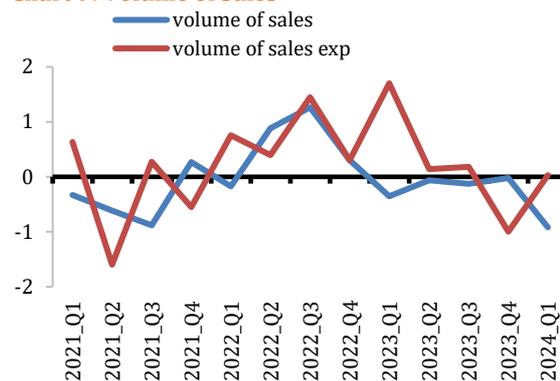
The increase in meetings and conferences as well as an upturn in mining sector activity on the Copperbelt are expected to turn around the volume of service in the next quarter.

2.5 What has been your firm's experience with respect to the volume of sales?

(Net balance, -0.59; Q4 2023, -0.32)

Firms in the agriculture sector generally reported a decline in the volume of sales because of seasonal effects (cultivation period) and reduced output due to the poor rainfall pattern, while those in the wholesale and retail sector were negatively affected by lower demand (Chart 9).

Chart 9: Volume of Sales



Note: The line at zero (0.0) represents the long-term average
Source: Bank of Zambia

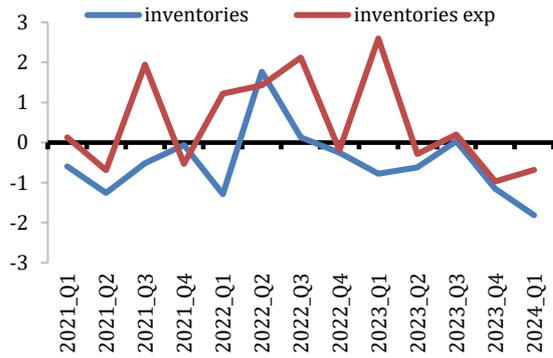
Nonetheless, an improvement in the volume of sales for the agriculture sector is expected as the crop marketing season commences in the second quarter. Equally, expected improvements in the macroeconomic environment, partly supported by positive developments in the mining sector, will spur demand in the wholesale and retail trade sector.

2.6 What has been your firm's experience with respect to inventories?

(Net balance, -0.30; Q4 2023, -0.22)

Inventories of both input and finished products declined further due to subdued demand, higher production costs, as well as lower availability of inputs because of the drought (Chart 10). However, inventories are expected to rise in the next quarter as the harvest season commences and demand for inputs for use during the winter farming season, namely for wheat production, increases. An expected uptick in demand in the wholesale and retail sector is also expected to support inventories in the manufacturing sector.

Chart 10: Level of inventories



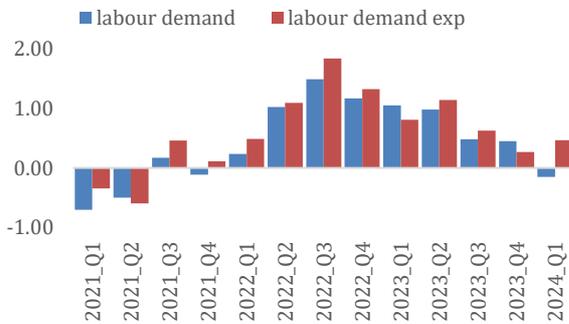
Note: The line at zero (0.0) represents the long-term average
 Source: Bank of Zambia

2.8 How do you rate your firm’s labour demand?

(Net balance, -0.09; Q4 2023, 0.00)

Demand for labour deteriorated as most firms experienced lower productivity as hours of operation fell due to loadshedding leading to the reduction in the workforce. Seasonal reduction in labour demand, coupled with the drought and resultant poor crop yield, also resulted in reduced hirings in the agriculture sector (Chart 11).

Chart 11: Labour Demand



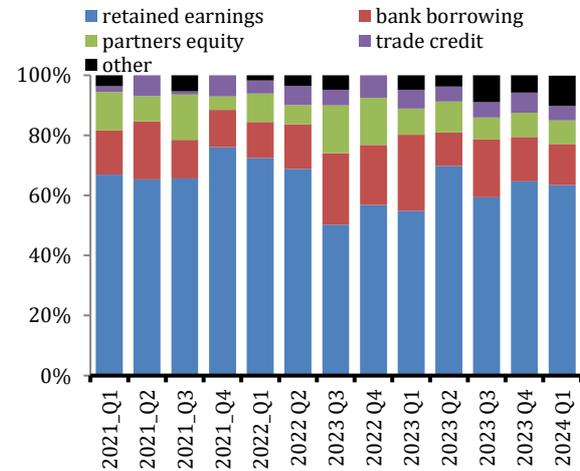
Note: The line at zero (0.0) represents the long-term average
 Source: Bank of Zambia

In the next quarter, demand for labour, particularly in the agriculture and tourism sectors, is expected to increase, underpinned by the start of the harvest season and increase in local tourism activities as weather conditions improve.

2.9 What is your current main source of working capital and investment finance?

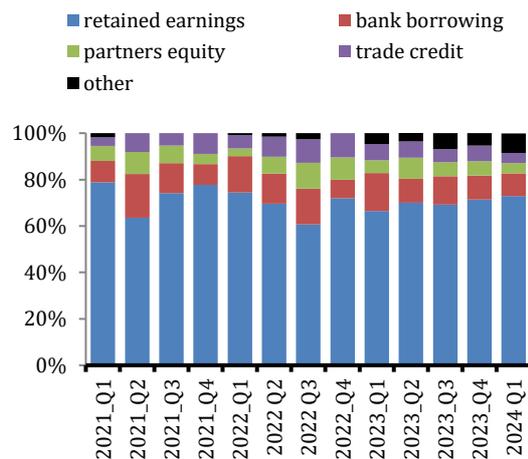
Retained earnings continued to be the main source of financing for working capital and investment for surveyed firms followed by bank borrowing (Charts 12A and 12B). However, the share of trade credit and bank borrowing moderated owing to the rise in lending rates. Other sources of investment and working capital finance (grants, prepayments received and settled against future sales, as well as shareholder loans) increased.

Chart 12A: Sources of Investment Finance



Source: Bank of Zambia

Chart 12B: Sources of Working Capital



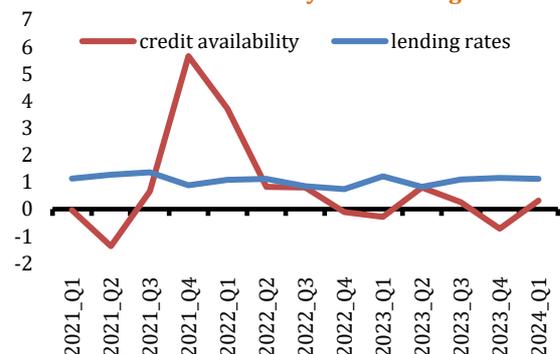
Source: Bank of Zambia

2.10 What is your perception of the current availability of credit?

*(Credit Availability, -0.57; Q4 2023, -0.72)
(Lending Rates, 0.88; Q4 2023, 0.89)*

Credit conditions remained tight as higher lending rates and stringent collateral requirements continued to limit accessibility (Chart 13). Nonetheless, availability of credit marginally improved as loan facilities on offer increased.

Chart 13: Credit Availability and Lending Rates



Note: The line at zero (0.0) represents the long-term average
Source: Bank of Zambia

The rise in lending rates is largely due to higher credit default risk and adjustment in the Monetary Policy Rate (MPR).

3.0 Evolution of Costs, Wages and Prices

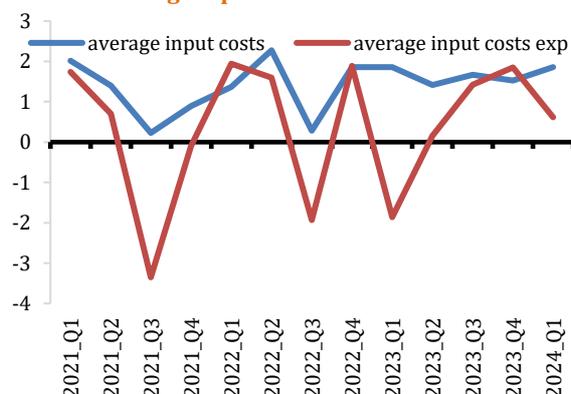
3.1 What has been your firm's experience with respect to average input costs?

(Net balance, 0.67; Q4 2023, 0.64)

Average input costs rose in the first quarter, particularly prices of raw materials, wages, electricity, fuel, and transportation, owing to a depreciated Kwacha (Chart 14). Wages also rose as most firms implemented annual salary increments. The rise in fuel prices further weighed on transport and operating costs. This was exacerbated by the shortage of raw materials, particularly maize grain, due to the drought while interruptions in electricity supply led to the use of more expensive alternative energy sources. Average input costs are expected to continue rising, though

at a slower pace, in the next quarter as the Kwacha remains weak, fuel costs remain high and load management continues.

Chart 14: Average Input Costs



Note: The line at zero (0.0) represents the long-term average.

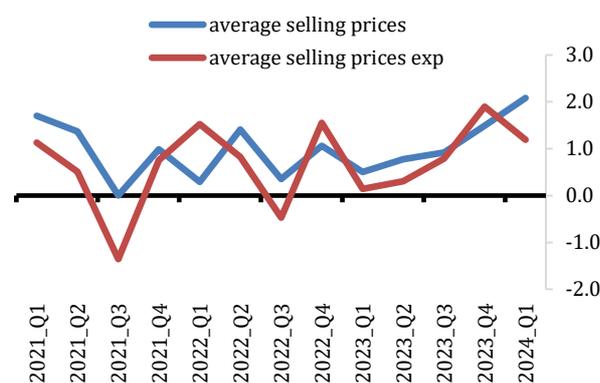
Source: Bank of Zambia

3.2 What has been your firm's experience with respect to average selling prices?

(Net balance, 0.45; Q4 2023, 0.34)

Selling prices rose further as input costs increased and the Kwacha depreciated (Chart 15). These factors are expected to maintain upward pressure on output prices in the second quarter.

Chart 15: Evolution of Average Selling Prices



Note: The line at zero (0.0) represents the long-term average

Source: Bank of Zambia

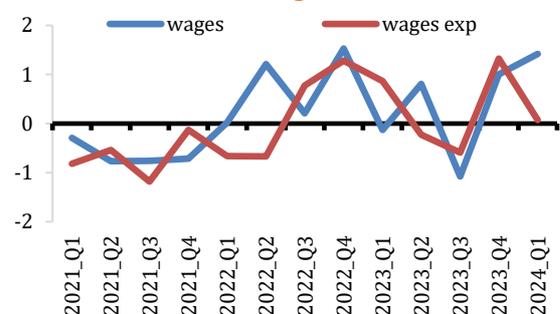
3.3 What has been your firm's experience with respect to the wage bill?

(Net balance 0.26; Q4 2023, 0.23)

The total wage bill increased despite a reduction in demand for labour (Chart 16). This was largely on account of annual salary

reviews as well as the coming into effect, on January 1, 2024, of the revised minimum wage and conditions of service for domestic workers, shop keepers and other non-categorized workers¹.

Chart 16: Evolution of Wages



Note: The line at zero (0.0) represents the long-term average
Source: Bank of Zambia

Wages are expected to moderate in the next quarter as most businesses adjust to the revised minimum wage requirements.

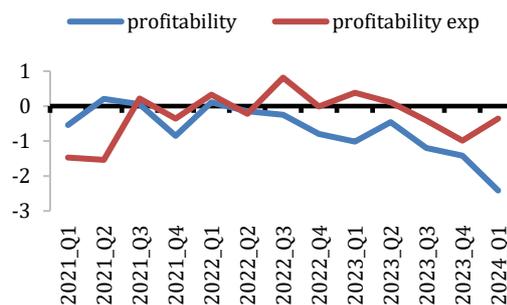
3.4 What has been your firm's experience with respect to profitability?

(Net balance, -0.60; Q4 2023, -0.35)

As anticipated in the previous quarter, profit margins deteriorated on account of reduced demand after the festive season (Chart 17). Higher costs of production due to loadshedding also reduced profit margins. Firms expect profitability to improve in the next quarter as the volume of sales pick-up, bolstered by a peak in the tourism season and the commencement of the crop marketing season.

Chart 17: Profitability

Note: The line at zero (0.0) represents the long-term average



Source: Bank of Zambia

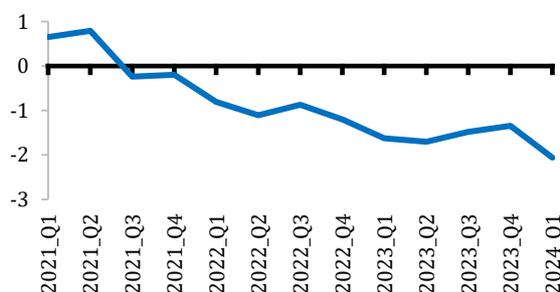
4.0 Macroeconomic Prospects One Year Ahead

4.1 What is your expectation of the performance of the economy in the next 12 months?

(Net balance, 0.16; Q4 2023, 0.29)

Firms were less optimistic about prospects for economic activity in the next 12 months (Chart 18). Expectations were dampened largely by sluggish mining sector growth and the effect of the drought. Despite the resolution of some impediments in the mining sector, respondents were of the view that the benefits would take time to materialize. Nonetheless, the conclusion of external debt negotiations and long-term interventions implemented to address the adverse consequences of the drought are expected to boost growth.

Chart 18: Economic Performance in the Next 12 Months



Note: The line at zero (0.0) represents the long-term average
Source: Bank of Zambia

¹ On November 6, 2023, Government announced an upward adjustment in the minimum wage and conditions of service for non-unionized and vulnerable workers across all the sectors. This

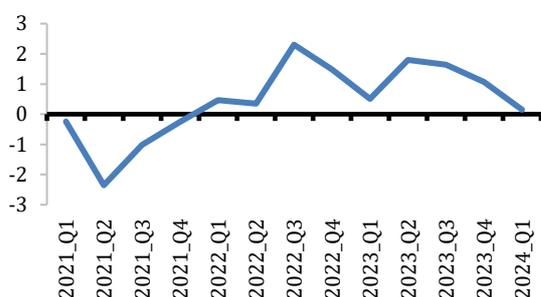
followed the approval of Statutory Instrument No. 48 of 2023, Statutory Instrument No. 49 of 2023 and Statutory Instrument No. 50 of 2023 of the Employment Code, effective January 1, 2024.

4.2 What is your expectation of the level of investment in the next 12 months?

(Net balance, 0.20; Q4 2023, 0.30)

Investment plans in the next 12 months waned as the business community expect to reallocate resources towards countering the adverse effects of the drought (loadshedding), and as the depreciation of the Kwacha and inflation persist. The high cost of credit is further expected to reduce borrowing for expansion and operations (Chart 19).

Chart 19: Level of Investment in the Next 12 Months



Note: The line at zero (0.0) represents the long-term average
Source: Bank of Zambia

4.3 What do you expect the price level to be over the next quarter?

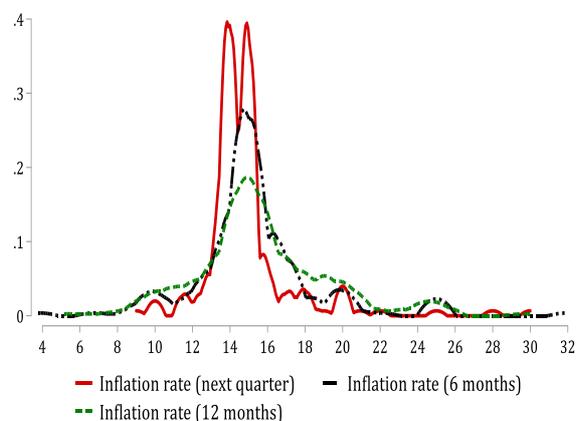
(Net balance, 0.85; Q3 2023, 0.81)

Inflationary pressures are expected to continue rising in the second quarter as firms face the adverse effects of the drought, such as reduced availability of raw materials and electricity supply shortages (Charts 20, 21 and 22). The depreciation of the Kwacha and persistent inflation also underpin expectations of high rates of inflation expected to average 14.9 percent in the second quarter.

Inflation is expected to average 15.3 percent in the next 6 months. Underpinning this expectation are the negative effects of loadshedding on firms' cost of production and general economic activity, high cost of raw materials due to lower agricultural production, further increases in fuel prices and the depreciation of the Kwacha. At the end of 12 months, economic agents expect inflation to rise further to an average of 15.7 percent due to persistent depreciation of the

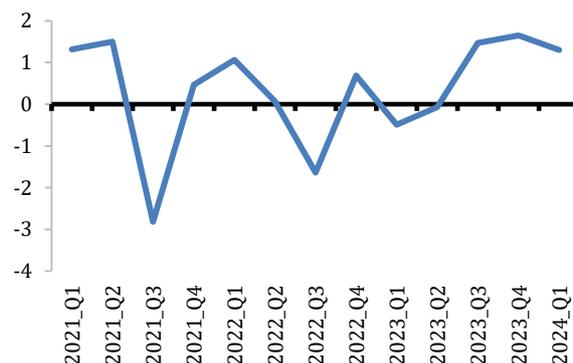
Kwacha on account of higher imports and escalation in the cost of production and credit.

Chart 20: Kernel Density Plot - Expected Inflation Rate at the end of the Next Quarter, 6 and 12 months



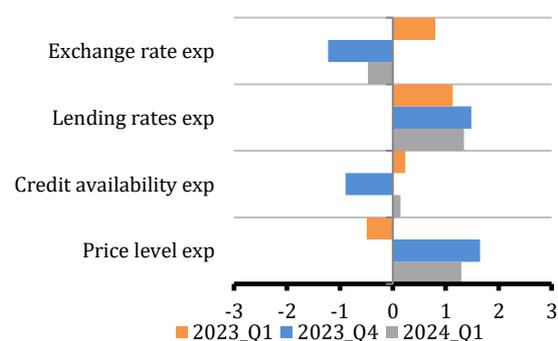
Source: Bank of Zambia

Chart 21: Inflationary Expectations Next Quarter



Note: The line at zero (0.0) represents the long-term average
Source: Bank of Zambia

Chart 22: Inflation, Exchange Rates and Lending Rates Expectations



Notes:

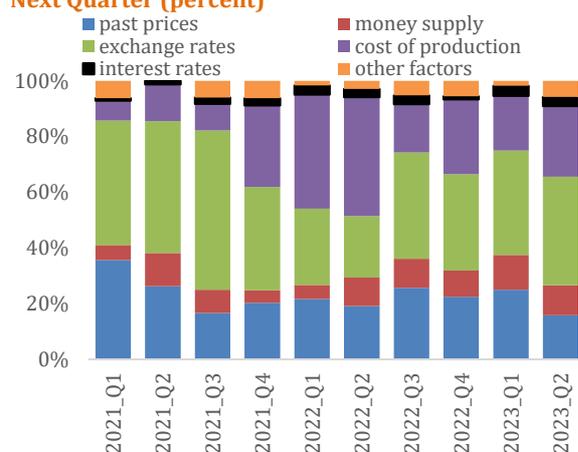
- Exchange rate = appreciation, strong (+)/depreciate, weak (-)
- Lending rates = increase, high (+)/decrease, low (-)
- Credit availability = tight (-)/ loose (+)
- Inflation expectations = increase, high (+)/decrease, low (-)

Note: The line at zero (0.0) represents the long-term average
Source: Bank of Zambia

4.4 What are the main factors explaining your expectations of inflation?

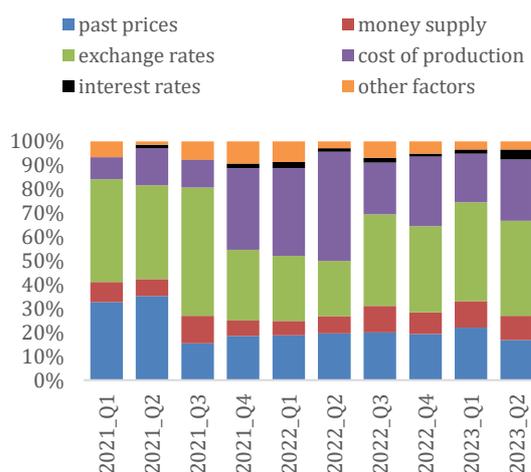
The weak performance of the Kwacha and persistent past inflation are expected to continue to be the key drivers of inflation in the second quarter and 12 months ahead (Charts 23A and 23B). Loadshedding and the drought are other factors expected to drive inflation.

Chart 23A: Key Drivers of Inflationary Expectations Next Quarter (percent)



Source: Bank of Zambia

Chart 23B: Key Drivers of Inflationary Expectations next 12 Months (percent)



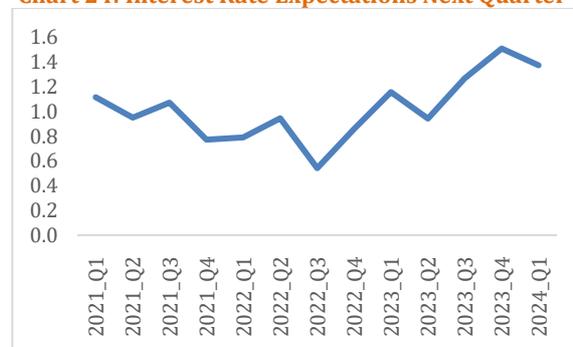
Source: Bank of Zambia

4.5 What do you expect to happen to commercial bank lending rates over the next quarter?

(Net balance, 0.84; Q4 2023, 0.89)

Lending rates are expected to remain high in the second quarter as financial institutions increase interest rates in line with continued tightening of monetary policy. Nonetheless, some firms expect lending rates to marginally reduce in the next quarter as economic activity picks up due to improved sentiments following recent significant progress on external debt restructuring and mining sector recovery (Charts 22 and 24).

Chart 24: Interest Rate Expectations Next Quarter



Note: The line at zero (0.0) represents the long-term average

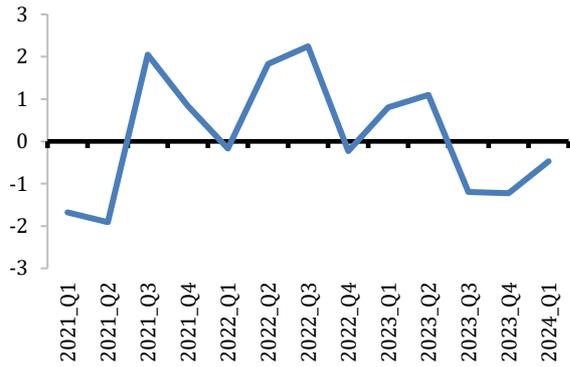
Source: Bank of Zambia

4.6 How do you expect the performance of the Kwacha against the US dollar to be at the end of the next quarter?

(Net balance, - 0.37; Q4 2023, -0.63)

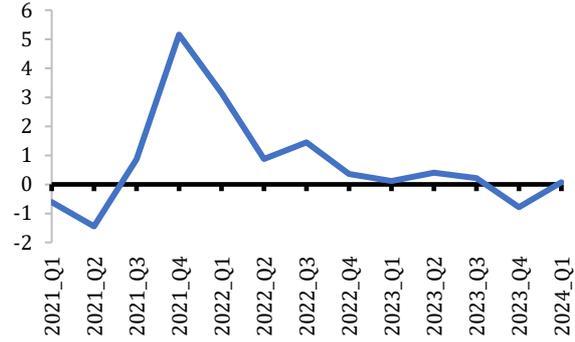
The Kwacha is expected to remain weak against the US dollar in the second quarter due to persistent foreign exchange supply constraints (Chart 25). This is attributed to sluggish mining sector performance and expected lower production in the agriculture and manufacturing sectors due to the drought and subsequent loadshedding, leading to lower exports and higher imports. Nonetheless, some firms were optimistic that the resolution of challenges at Mopani Copper Mines Plc and the conclusion of the external debt restructuring would help strengthen the Kwacha. As a result, firms expect the Kwacha to be valued at approximately K25.38 per US dollar (Chart 26).

Chart 25: Exchange rate expectations next quarter



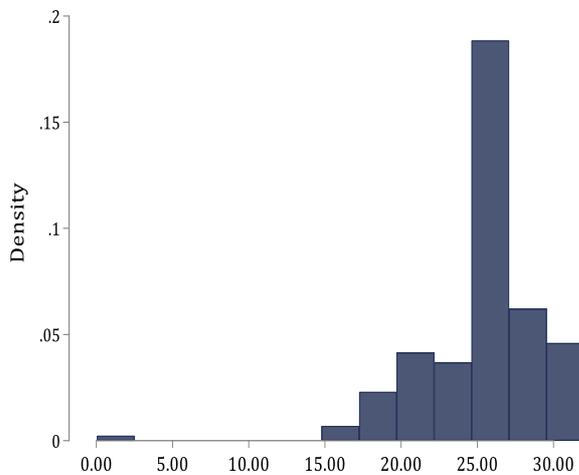
Note: The line at zero (0.0) represents the long-term average
 Source: Bank of Zambia

Chart 27: Credit availability expectations next quarter²



Note: The line at zero (0.0) represents the long-term average
 Source: Bank of Zambia

Chart 26: Histogram - Expected Exchange Rate at the end of the Next Quarter (Q2 2024)



Source: Bank of Zambia

4.7 How do you expect credit availability to be over the next quarter?

(Net balance, -0.56; Q4 2023, -0.68)

Credit conditions are expected to remain tight due to expected further increases in the Policy Rate and constrained economic activity, in part due to load shedding and exchange rate fluctuations. Elevated credit risk also underpins the outlook (Charts 22 and 27).

5.0 Impact of Drought and Electricity Shortages on Enterprises

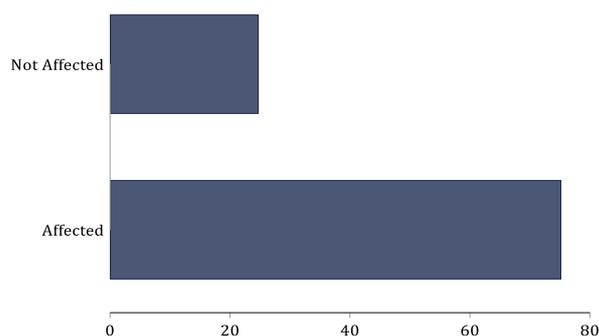
On February 29, 2024, Zambia declared the drought a national disaster. The drought was due to climate change and the El Nino weather phenomenon. The crisis has negative implications for national food security as well as water and energy supply. As a result, ZESCO, on March 8, 2024, announced the commencement of loadshedding effective March 11, 2024. A snapshot survey was conducted among respondent firms to obtain their views on the impact of the drought and loadshedding on their operations.

5.1. Impact of the Drought

Most surveyed firms indicated that they had been negatively impacted by the current drought (Chart 28 and Table 3). With 75 percent of the firms distressed by the drought, the effect was most severe in the agriculture sector where all the firms reported having been negatively impacted.

² Credit availability = tight (-)/ loose (+)

Chart 28: Impact of the Drought on Firms (percent)



Source: Bank of Zambia

Table 3: Summary Statistics of Firms impacted by the Drought

	Not Affected Number	Percent	Affected Number	Percent
Sector				
Manufacturing	6	21	23	79
Wholesale and Retail (Merchant)	14	23	46	77
Services	10	33	20	67
Tourism	18	28	46	72
Construction	8	57	6	43
Agriculture	0	0	29	100
Size of the Firm				
Micro	23	27	61	73
Small	17	23	56	77
Medium	5	28	13	72
Large	6	21	23	79
Province				
Central	5	14	31	86
Copperbelt	13	43	17	57
Eastern	3	14	18	86
Lusaka	6	21	22	79
Luapula	6	35	11	65
Muchinga	2	13	13	87
Northern	11	48	12	52
Northwestern	3	19	13	81
Southern	1	5	19	95
Western	6	30	14	70
Total	56	25	170	75

Source: Bank of Zambia

This was followed by the manufacturing, merchant, and tourism sectors where 79 percent, 77 percent and 72 percent of firms reported being affected by the drought. Firms in the construction sector were the most insulated with only 43 percent reporting being affected by the drought. Firms of all sizes were all affected in a similar manner, though a larger proportion of the larger firms reported being affected (79 percent).

Firms in Northern Province reported to be the least affected by the drought than other Provinces. However, 95 percent of firms in Southern Province, which received lower

rainfall in the 2023/2024 rainy season, were affected³.

Generally, firms pointed to higher prices of raw materials due to less availability of agricultural produce, reduced water availability for irrigation, higher production costs due to loadshedding, and slowdown in patronage as some of the effects of the drought. A summary of sectoral responses is provided in Table 4.

Table 4: Sectorial Effects of the Drought on Firms

Sector	Main effects
Agriculture	<ul style="list-style-type: none"> Reduced crop yield – dried up fields. Less available dam water in reservoirs for irrigation – may impact winter production. Loadshedding impeding ability to irrigate/ run maize driers. Increases incidence of pests and diseases.
Manufacturing	<ul style="list-style-type: none"> Loadshedding – adoption of alternative sources of power (higher production costs). Less availability of raw materials, especially maize.
Merchants	<ul style="list-style-type: none"> Loadshedding - reduced operating hours, wastage of stock dependent on refrigeration, alternative electricity source driving up operating costs. Shortage of raw materials from the agriculture sector. Reduction in clientele (especially those in the agriculture sector).
Tourism	<ul style="list-style-type: none"> Shortage of raw materials (food produce) from the agriculture sector and increased prices of mealie meal. Loadshedding – increased operational costs. Loss of clientele for establishments with no alternative power source and less customers in general due to reduction in real incomes. Less tourist activities on offer due to low water levels, affecting patronage.
Services	<ul style="list-style-type: none"> Higher risk of default to credit extended to those in the agriculture sector due to losses incurred in the sector. Loadshedding – increased operational costs. Reduced clientele.
Construction	<ul style="list-style-type: none"> Reduced availability of blocks, a key raw material. Loadshedding affecting operational costs. Loss of clients.

Source: Bank of Zambia

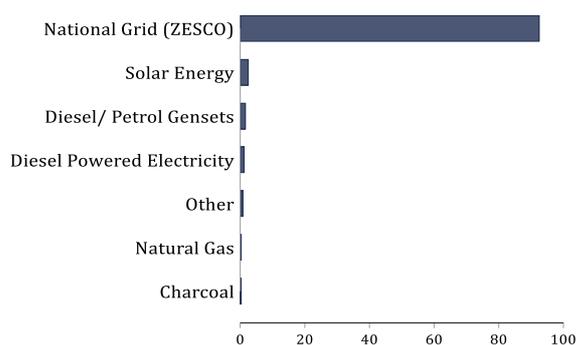
the impact of the drought between sectors and provinces, but not based on the size of the firm.

³ The Pearson Chi-Square Test shows a statistically significant difference in the firm's perception of

5.1. Impact of Electricity Shortage (Load Management)

Loadshedding is one of the key effects of drought that cuts across different sectors. Up to 93 percent of respondents cited the national grid (ZESCO) as being the main energy source of their businesses, hence any disruptions to electricity supply has significant consequences on their operations (Chart 29).

Chart 29: Distribution of Main Energy Sources



Source: Bank of Zambia

Due to the rationing of electricity, 85 percent of the surveyed firms reported having been impacted by reduced supply of electricity (Table 5). Loadshedding was announced for periods of up to eight hours per day. Firms which reported being most affected by the electricity rationing were in the tourism sector (92 percent) followed by agriculture, manufacturing and merchant sectors. There was also no difference in loadshedding impact based on firm size or location, though all the enterprises in Northwestern Province reported being affected as opposed to only 68 percent of firms in the Copperbelt Province.

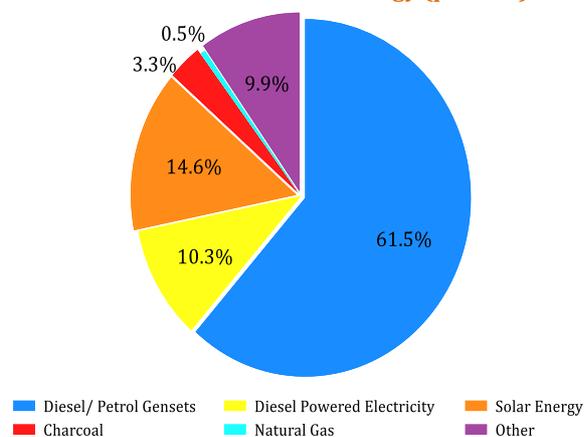
Table 5: Summary Statistics of Firms impacted by Loadshedding

Sector	Not Affected		Affected	
	Number	Percent	Number	Percent
Manufacturing	4	13	26	87
Wholesale and Retail (Merchant) Service	10	16	52	84
Tourism	8	24	25	76
Construction	5	8	59	92
Agriculture	4	29	10	71
	3	11	25	89
Size of the Firm				
Micro	14	16	72	84
Small	13	17	63	83
Medium	1	6	16	94
Large	4	13	26	87
Province				
Central	3	8	34	92
Copperbelt	10	32	21	68
Eastern	4	19	17	81
Lusaka	3	11	24	89
Luapula	3	17	15	83
Muchinga	1	7	14	93
Northern	3	14	19	86
Northwestern	0	0	17	100
Southern	2	10	18	90
Western	5	22	18	78
Total	34	15	197	85

Source: Bank of Zambia

The main effects of the loadshedding were higher operational costs faced by firms due to the use of alternative sources of energy. Most of the firms surveyed were reliant on diesel/petrol gensets as their alternative source of power, and they pointed to the rationing of electricity being compounded by the high cost of fuel (Chart 30).

Chart 30: Alternative sources of energy (percent)



Source: Bank of Zambia

Other effects of loadshedding include reduced operating hours for those in the merchant and services sectors, reduced irrigation of crops in the agriculture sector and loss of clients for those in the tourism sector without alternative sources of power.

In the next quarter, firms expect loadshedding to further increase their costs of operation through the use of other energy sources, reduced production of winter crops, particularly wheat, a decline in working hours and ultimately less profits to enterprises. Wastage of some inventory supplies was also mentioned as a risk, although some firms noted that if the national supplier (ZESCO) adheres closely to the loadshedding schedule, they would be able to adapt their working hours accordingly and reduce disruptions to their operations.

6.0 Conclusion

The decline in economic activity in the first quarter of 2024 was attributed to rising inflationary pressures, a weak exchange rate, and negative spillovers from the drought. These factors are expected to have an impact on economic activity in the next quarter of 2024 and over the next 12 months. On the upside, a boost in mining production and exports due to the resolution of issues at Konkola Copper Mine and Mopani Copper Mine, the completion of external debt restructuring, and irrigation interventions being implemented in the agriculture sector are expected to support growth.

Appendix – Survey Methodology

Data collection for the Quarterly Survey of Business Opinions and Expectations is done through a questionnaire designed to capture information on economic performance, sources of finance, and operational constraints for the current quarter as well as expectations for the following quarter and 12 months ahead. The questionnaire is administered to a sample of respondents in manufacturing, wholesale and retail, tourism and services, construction, and agriculture sectors selected based on their contribution to GDP.

The Survey covers the Copperbelt (Luanshya, Ndola, Kitwe and Chingola), Southern (Mazabuka, Choma, Kalomo and Livingstone), Central (Chisamba, Chibombo, Kabwe, Mumbwa and Mkushi Farming Block), Eastern (Petauke, Chipata and Mfuwe), North-Western (Kasempa and Solwezi), Northern (Kasama, Mbala and Mpulungu), Muchinga (Mpika, Chinsali, Isoka and Nakonde), Luapula (Samfya and Mansa), Lusaka (Lusaka, Chongwe and Kafue) and Western (Mongu, Kaoma and Kalabo) Provinces.

Data analysis is based on net balance statistic (N) methodology where qualitative responses are converted into quantitative measures as follows:

$$N = \frac{U - D}{U + D + S}$$

where U, D and S represent the number of respondents indicating up, down and same, respectively.

The net balance statistic method is widely used in the analysis of survey data and has the advantage of detecting the directional changes in performance/expectations of respondents in surveys. It indicates the predominance of either an improvement or deterioration in a variable. A positive (negative) net percentage indicates that more respondents reported/expected an increase(decrease)/improvement (deteriorating) /tightening (loosening).