

# Quarterly Survey of Business Opinion and Expectations



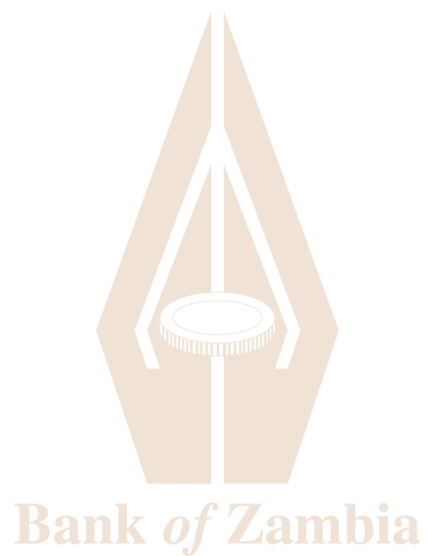
August 2025

**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 *August 2025 Survey of Business Opinion and Expectations* points to improved economic activity in the second quarter of 2025 largely driven by a moderation in inflationary pressures and a stronger Kwacha. This was underpinned by the recovery in the agriculture sector and the expansion in the mining and tourism sectors. Economic outlook for the third quarter of 2025 is positive, largely premised on expected improvements in electricity supply, continued exchange rate appreciation and falling inflation. Respondents remain optimistic about economic performance in the next six to 12 months which will be driven by increased mining activities and return to full of production capacity across sectors.

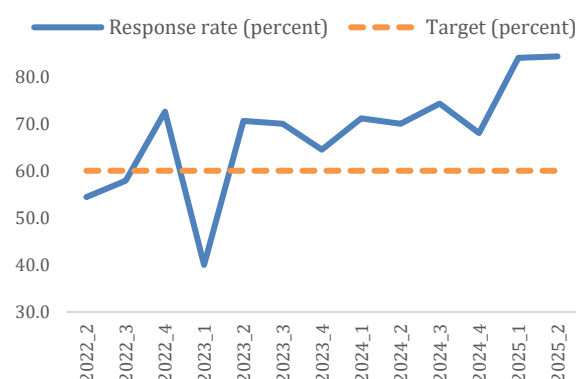
## 1.0 Introduction

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

This Report presents views of firms regarding macroeconomic developments in the second quarter of 2025 and expectations for the third quarter of 2025 and 12 months ahead.

The survey covered 350 companies out of which 295 responses were received. This represents a response rate of 84.3 percent, marginally higher than the 84.0 percent registered in the first quarter of 2025 (Chart 1 and Table 1).

**Chart 1: Response Rate**



Source: Bank of Zambia

**Table 1: Distribution of Responses by Province**

Province	Responses	Percent
Central	50	17
Copperbelt	35	12
Eastern	28	9
Luapula	26	9
Lusaka	40	14
Muchinga	24	8
Northern	17	6
Northwestern	23	8
Southern	33	11
Western	19	6
Total	295	100

Source: Bank of Zambia

The tourism sector had the highest number of responses (27 percent) followed by the service and wholesale and retail trade sectors

(24 percent and 23 percent, respectively) (Table 2). The construction sector remained the lowest at 1 percent.

**Table 2: Distribution of Responses by Sector**

	Frequency	Percent
Tourism	81	27
Service	70	24
Merchant	67	23
Manufacturing	41	14
Agriculture	32	11
Construction	4	1
Total	295	100

Source: Bank of Zambia

Based on the number of employees, the majority of the respondent firms were micro in size (45 percent) while large firms accounted for 13 percent of the sample (Chart 2).

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



Source: Bank of Zambia

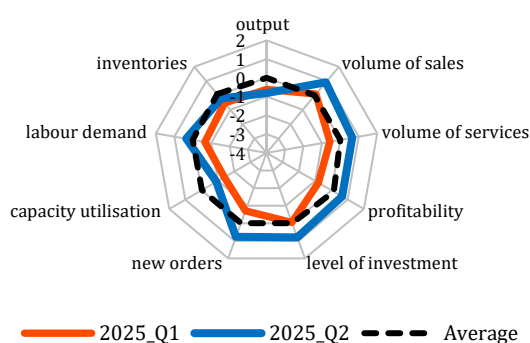
The rest of the report is structured as follows: Section 2 presents opinions of firms on economic performance during the second quarter of 2025, as well as expectations for the third quarter of 2025. Section 3 presents views on firm financing, credit and lending rates while section 4 presents macroeconomic prospects up to one year ahead. Section 5 concludes. A description of the survey methodology and summary of indicator movements is provided in the appendix while a special insert on firms' adoption of alternative sources of energy is presented in the Annex.

## 2.0 Current Economic Performance and Expectations

*... exchange rate appreciation and moderation in inflationary pressures boost economic activity*

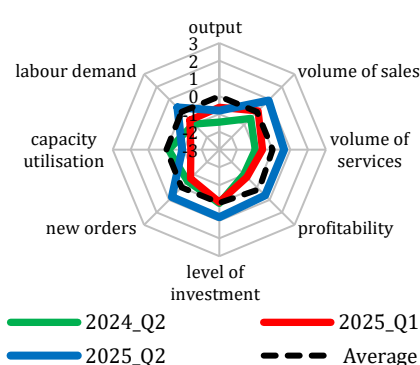
Business conditions improved in the second quarter. This was attributed to the reduction in the cost of production as the exchange rate appreciated, inflationary pressures moderated, fuel prices reduced, and the availability of agricultural inputs increased. As a result, new orders, labour demand, volume of sales and service, profitability and investment rose (Charts 3A and 3B).

**Chart 3A: Business Opinion Response Patterns (q/q)**



Source: Bank of Zambia

**Chart 3B: Business Opinion Response Patterns (y/y)**



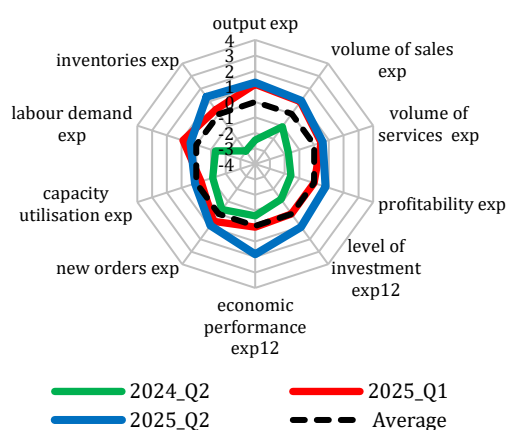
Source: Bank of Zambia

Economic activity is expected to strengthen further in the third quarter as output and capacity utilization recover. This momentum is expected to be supported by sustained improvements in investment, production capacity, volume of sales, volume of service, and new orders. The outlook is largely

anchored on expectations of continued appreciation of the Kwacha and declining inflation, which will lead to lower operational costs and stimulate consumer demand.

Respondents remained optimistic about economic performance over the next six to 12 months (Chart 4). The outlook is largely supported by the anticipated increase in mining activities and mineral exports, which are expected to enhance foreign exchange inflows and strengthen the Kwacha. Increased agricultural production and exports will further augment foreign exchange supply. As fuel prices decline and electricity supply improves, firms expect an uptick in production. Economic activity is also expected to benefit from the completion of major public infrastructure projects, such as, the Lusaka–Ndola dual carriageway, that will improve trade efficiency by reducing travel time. In addition, the projected rise in public expenditure ahead of the 2026 General Elections will further support economic activity.

**Chart 4: Business Expectations Response Patterns**



Source: Bank of Zambia

### 2.1 How was your firm's level of investment?

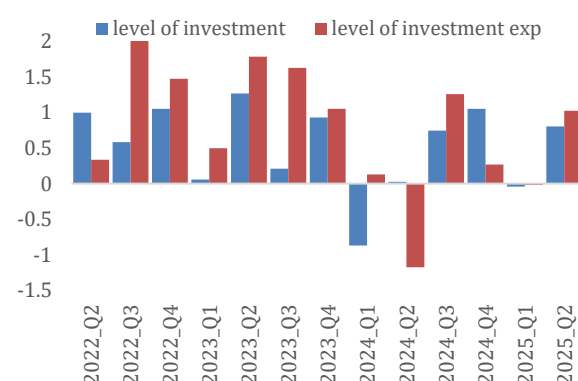
*(Net balance, 0.11; Q1 2025, 0.00)*

The level of investment, comprising working capital, equipment and machinery, as well as buildings, increased in the second quarter (Chart 5). Firms across sectors pointed to branch expansion, installation of alternative

energy sources, purchase of movable and office equipment internet network upgrades, rise in working capital and renovations as some of the main reasons for the increase in investment. For some firms, this was due to improved profitability

In the next quarter, the level of investment is expected to rise further as demand picks up, with most firms citing business expansions, infrastructure renovations and investment in alternative energy sources. Expansion of cultivatable land (acreage) is also expected to lead to increased investment in working capital. In addition, some firms cited macroeconomic stability as another reason for the expected higher investment.

**Chart 5: Level of Investment**



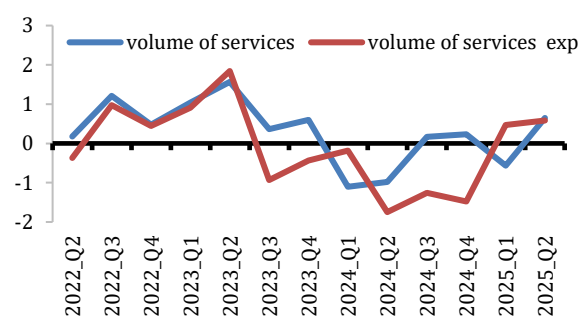
Note: The line at zero (0.0) represents the long-term average  
Source: Bank of Zambia

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

*(Net balance, 0.02; Q1 2025, -0.26)*

The volume of service recovered in the second quarter as the peak season for the tourism sector commenced (Chart 6). Increased informal mining and trading activities in Northwestern Province also bolstered the volume of service in the tourism sector. Further, roll out of agency banking, coupled with increased demand for financial services, supported the higher volume of service in the financial sector.

**Chart 6: Volume of Service**



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

The volume of service is expected to expand further in the next quarter due to sustained demand for tourism services such as Meetings, Incentives, Conferences and Exhibitions (MICE) and the expected continued influx of artisanal gold traders into some places. Further, continued strong demand for financial services as economic activity rises, is expected to sustain the increase in the volume of service in the third quarter.

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

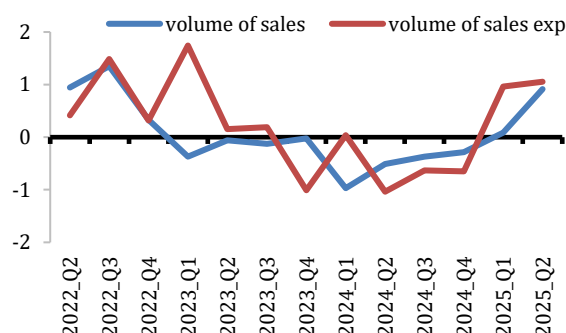
*(Net balance, -0.05; Q1 2025, -0.29)*

In the second quarter, the volume of sales improved but remained weak (Chart 7). The improvement was mainly on account of increased consumer demand. Some firms attributed this to the reduction in selling prices while those operating in areas with informal mining activities linked this to the increase in patronage and higher household income in the post-harvest season. For some firms in the manufacturing sector, the increase in sales was due to higher demand by the mining sector.

However, high levels of competition and sub-optimal production due to electricity shortages constrained the volume of sales.

**Chart 7: Volume of Sales**





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

Sales volumes are expected to increase in the third quarter in line with the anticipated surge in demand. Product diversification for some firms and the expected increase in production due to the improved electricity supply underpins optimistic sales volumes for some firms.

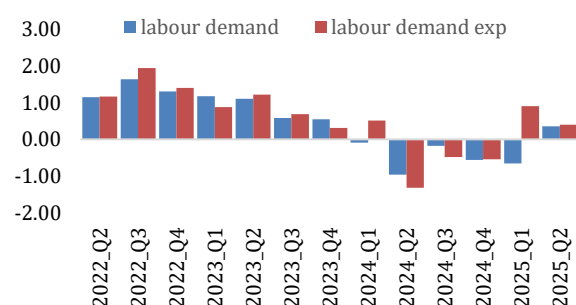
## 2.4 How do you rate your firm's labour demand?

(Net balance, -0.03; Q1 2025, -0.17)

Labour demand improved in the second quarter (Chart 8). Some respondents attributed this to the opening of new branches and diversification into other areas which necessitated the recruitment of additional staff. In the agriculture and tourism sectors, firms cited seasonality as a key factor for improved labour demand while those in the services sector cited increased workload as the reason for more hires.

However, demand for labour remained weak in some industries due to reduced capacity utilisation and low sales.

Chart 8: Labour Demand



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

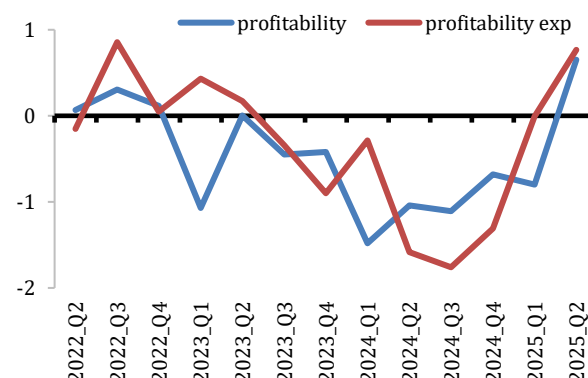
In the third quarter, labour demand is expected to rise across sectors on account of increased economic activity. This will necessitate the need to recruit additional staff.

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

(Net balance, -0.10; Q5 2025, -0.44)

Profitability improved in the second quarter as the volume of sales and service improved (Chart 9). However, the reduction in selling prices by some firms due to stiff competition as well as electricity shortages and the subsequent use of alternative energy sources weighed on profits.

Chart 9: Profitability



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

Profitability is expected to improve further in the third quarter as sales increase and activity in the tourism sector peaks. Expected improvement in consumer demand as the economy improves will also spur profitability. Further, the cost of production/cost of doing business is expected to moderate as electricity generation and supply improves.

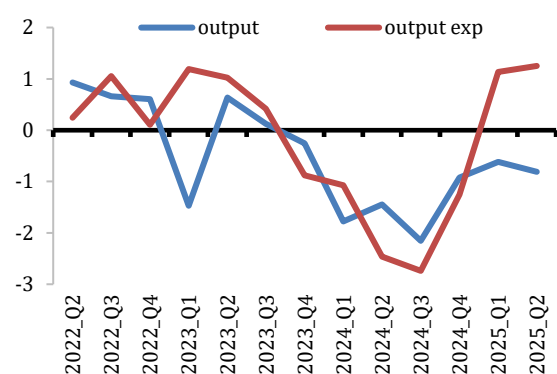
## 2.6 What has been your firm's experience with respect to output?



*(Net balance, -0.23; Q1 2025, -0.20)*

Output reduced further in the second quarter, as industrial production declined with firms in the manufacturing sector shutting down plants for refurbishment and servicing of machinery (Chart 10). In the food, beverages and tobacco subsector, the decline in output was attributed to subdued consumer demand as more alternatives became available with the onset of the agricultural marketing season (e.g. using own maize for mealie meal). In addition, higher production costs due to continued reliance on alternative energy sources weighed on output.

**Chart 10: Output**



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

Source: Bank of Zambia

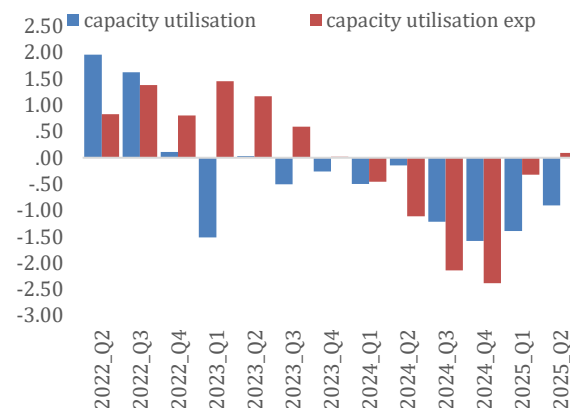
In the next quarter, output is expected to expand on account of higher demand by the mining sector, particularly for firms in the chemicals, rubber and plastic sub-sector. Further, harvest of winter crops such as wheat and potatoes is expected to support output. Firms in the aquaculture sub-sector expect increased fish production as the weather warms up. Output will also be supported by the rise in consumer demand on account of higher income as farmers sell their agricultural produce.

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

*(Net balance, -0.39; Q1 2025, -0.48)*

Contrary to expectations, capacity utilisation continued to decline in the second quarter of 2025 (Chart 11). Persistent power shortages contributed to reduced capacity utilisation. Reduced contract offers, elevated water levels that adversely impacted construction projects in rural areas for firms in the construction sector and a reported reduction in wood prices for firms in the wood and wood products subsector contributed to the decline in capacity utilisation. Some firms producing non-metallic mineral products cited machinery breakdown and refurbishment as the reasons for the decline in capacity utilisation.

**Chart 11: Capacity Utilisation**



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

Source: Bank of Zambia

In the next quarters, capacity utilisation is expected to improve as demand rises. Firms reliant on agriculture-based raw materials also expect an increase in capacity utilization as supply improves.

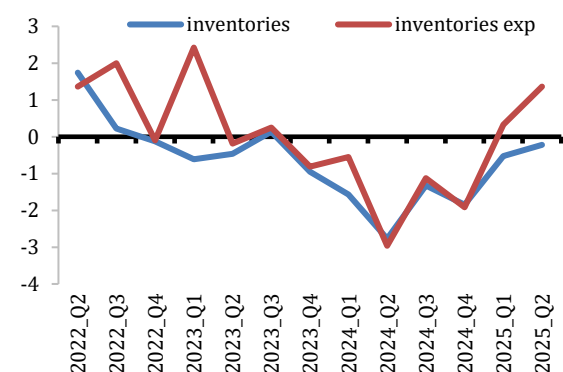
## 2.8 What has been your firm's experience with respect to inventories of finished products?

*(Net balance, -0.12; Q1 2025, -0.16)*

Inventories of final goods continued to reduce, though at a slower pace relative to the first quarter (Chart 12). Some firms attributed this to limited production due to the continued electricity rationing. On the other hand, some firms attributed the decline in the inventory of final goods to improved sales as demand increased, particularly for those in

the wholesale and retail trade sector. The reduction was moderated by some firms who took advantage of the appreciation of the Kwacha to ramp up purchases of imported finished products while expansion in operations also necessitated stock piling.

**Chart 12: Level of inventories**



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

In the third quarter, inventories of finished goods are expected to rise on account of improvements in demand as the economy strengthens.

## 2.9 What has been your firm's experience with respect to inventories of inputs?

*(Net balance, -0.15; Q1 2025, -0.25)*

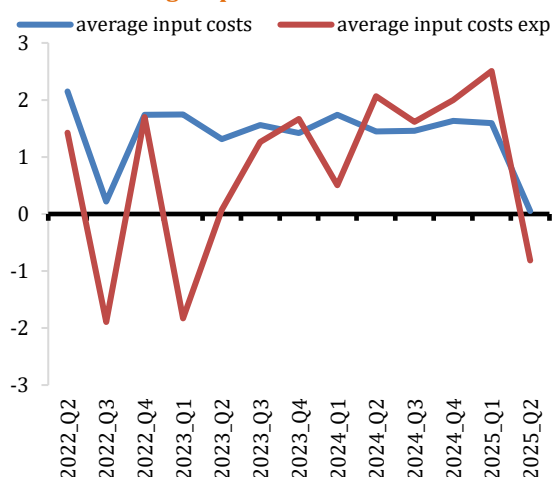
Inventories of inputs also declined in the second quarter due to sub-optimal production occasioned by persistent load management. However, the extent of reduction was lower than in the previous quarter due to the bumper harvest from the 2024/25 farming season. Inventories of inputs are expected to rise in the next quarter as sales improve.

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

*(Net balance, 0.39; Q1 2022, 0.65)*

Average input costs rose in the second quarter but at a slower pace (Chart 13). The increase was mainly attributed to the rise in prices of raw materials. Some firms attributed the high input costs to sticky pricing in the market and the effects of past exchange rate depreciation.

**Chart 13: Average Input Costs**



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

In the third quarter, input costs are expected to remain elevated as firms do not anticipate significant reduction in prices despite the exchange rate appreciating.

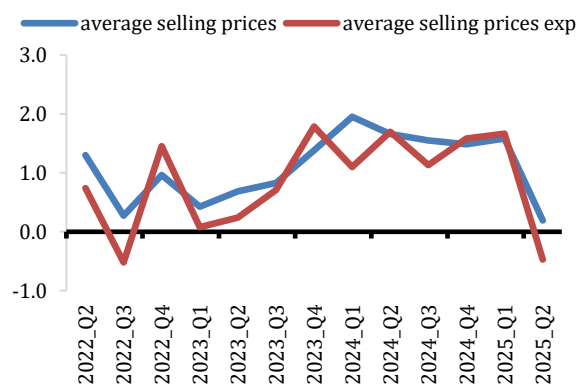
## 2.11 What has been your firm's experience with respect to average selling prices?

*(Net balance, 0.12; Q1 2025, 0.38)*

Average selling prices rose in the second quarter as input costs increased (Chart 14). In addition, some firms attributed the rise in selling prices to the lagged effects of the depreciation of the exchange rate that negatively impacted imported inputs. The continued use of alternative energy sources also contributed to the rise as firms transferred these costs to consumers.

Respondents expect a further increase in selling prices in the next quarter as input costs remain elevated. However, this will likely be moderated by the appreciation of the Kwacha, coupled with the expected increase in the availability of agricultural inputs following the 2024/25 bumper harvest.

**Chart 14: Evolution of Average Selling Prices**



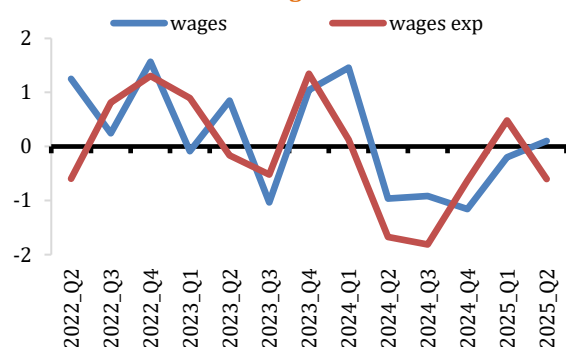
Note: The line at zero (0.0) represents the long-term average  
Source: Bank of Zambia

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

*(Net balance, 0.15; Q1 2025, 0.12)*

The wage bill increased in the second quarter mainly on account of annual salary adjustments intended to cushion employees against the high cost of living (Chart 15). Some firms attributed the increase to hiring of more staff to cope with expanded operations.

Chart 15: Evolution of Wages



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

The wage bill is projected to rise further in the third quarter as labour demand increases.

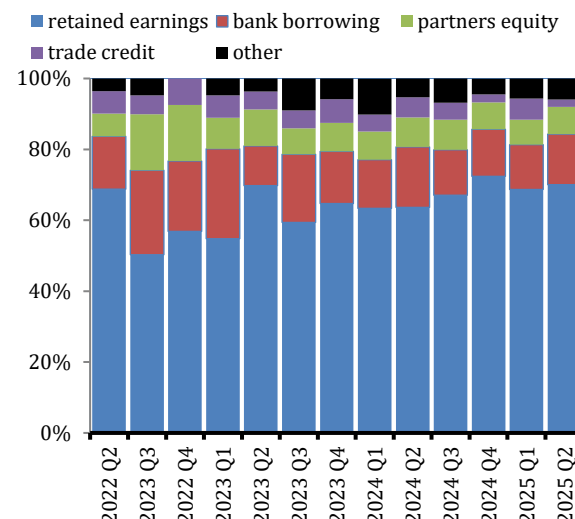
## 3.0 Sources of Financing, Credit and Lending Rates Expectations

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

Retained earnings remained the primary source of financing for both working capital

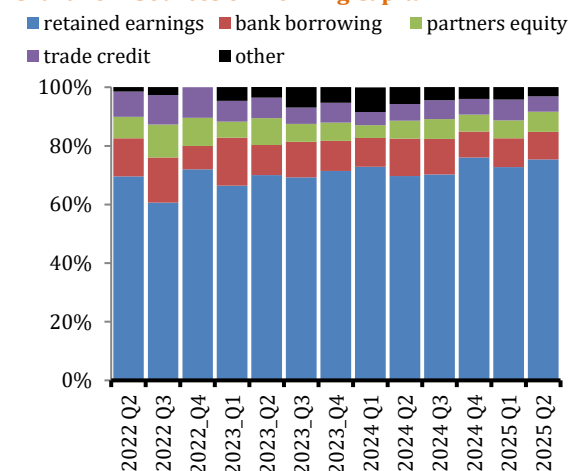
and investment, followed by bank borrowing and partner equity (Charts 16A and 16B). Other sources of financing included donor funding and loans from Government.

Chart 16A: Sources of Investment Finance



Source: Bank of Zambia

Chart 16B: Sources of Working Capital



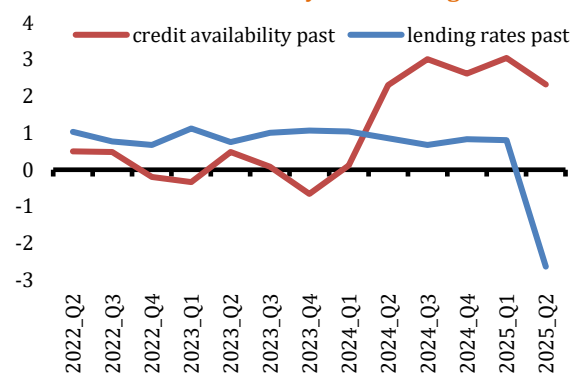
Source: Bank of Zambia

## 3.2 What is your perception of the current availability of credit?

*(Credit Availability, 0.14; Q1 2025, 0.02)*  
*(Lending Rates, 0.53; Q1 2025, 0.80)*

Firms reported improved credit availability in the second quarter as more credit lending facilities were made available with improved economic conditions (Chart 17). Nonetheless, lending rates remained high, largely reflecting the relatively tight monetary policy stance.

**Chart 17: Credit Availability and Lending Rates**



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

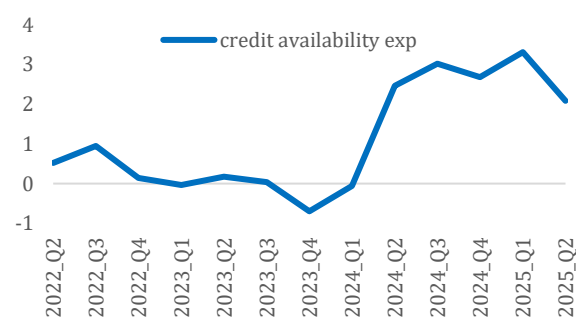
Source: Bank of Zambia

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

(Net balance, 0.14; Q1 2025, 0.09)

Credit availability is expected to improve in the next quarter as respondents anticipate a continued increase in the number of lending institutions in response to the expansion in economic activity (Chart 18). Further, most respondents were expectant that improved market liquidity on account of favourable economic conditions would reduce banks' risk aversion and further support credit growth.

**Chart 18: Credit availability expectations next quarter<sup>1</sup>**



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

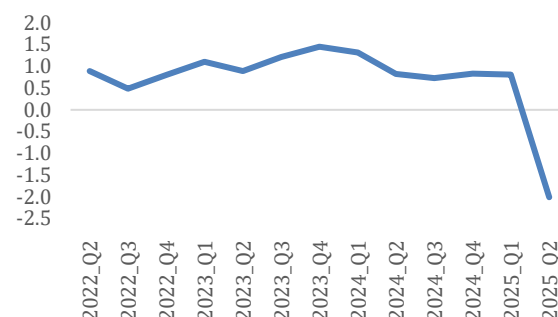
Source: Bank of Zambia

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

(Net balance, 0.36; Q1 2025, 0.65)

Respondents expect interest rates to remain elevated in the third quarter on account of tight monetary policy (Chart 19).

**Chart 19: Lending Rates Expectations Next Quarter**



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

Source: Bank of Zambia

## 4.0 Macroeconomic Prospects

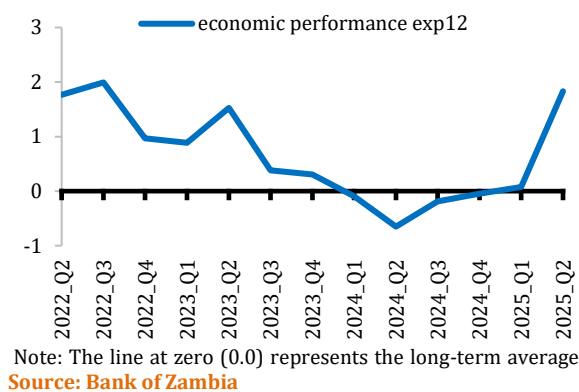
### 4.1 What is your expectation of the performance of the economy in the next 12 months?

(Net balance, 0.76; Q1 2025, 0.22)

Respondents were optimistic about growth prospects over the next 12 months (Chart 20). They expect economic performance to pick-up due to strong performance of the agriculture and manufacturing sectors as well as increased production in the mining sector. Economic activity is also expected to be supported by the moderation in the cost of doing business underpinned by a stronger and more stable exchange rate, falling prices of goods and services and reduced fuel pump prices. Energy sector diversification, sustained performance by the tourism sector and expected increased government spending as we approach the 2026 General Elections are expected to bolster growth in the coming year.

**Chart 20: Economic Performance in the Next 12 Months**

<sup>1</sup> Credit availability = tight (-)/ loose (+)

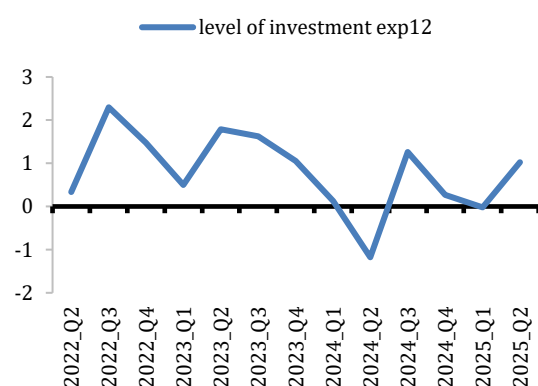


## 4.2 What is your expectation of the level of investment in the next 12 months?

(Net balance, 0.30; Q1 2025, 0.18)

Over the next 12 months, total investment is projected to continue rising (Chart 21). New investments are expected in the transport, energy, agriculture, and tourism sectors, largely on account of the increase in demand as economic activity strengthens. Planned investments include acquisition of equipment and machinery, particularly for alternative energy sources such as generators and solar systems, as well as allocation to working capital supported by improved retained earnings. Additional investment plans encompass technological infrastructure (e.g. fibre and network upgrades), construction of lodging facilities, building renovations, and broader business expansion.

Chart 21: Level of Investment in the Next 12 Months



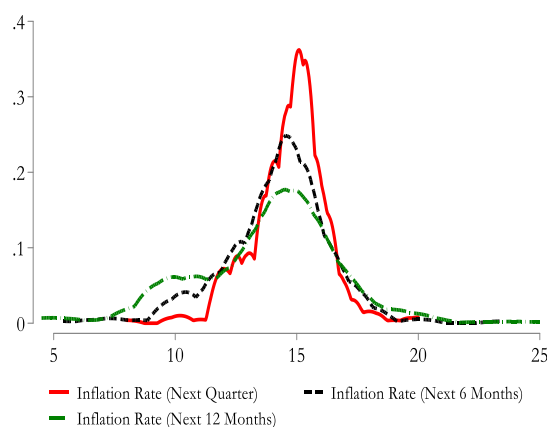
Note: The line at zero (0.0) represents the long-term average  
Source: Bank of Zambia

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

(Net balance, -0.16; Q1 2025, 0.62)

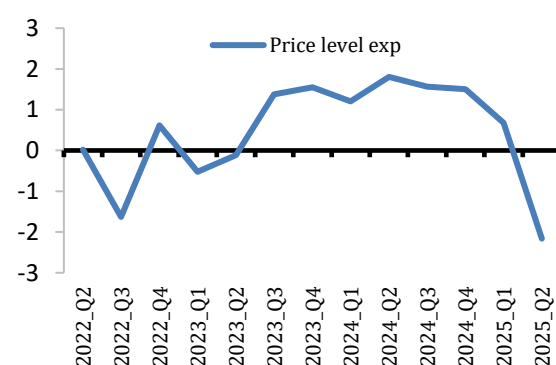
Inflationary pressures are expected to continue easing in the third quarter on account of the reduction in food prices, exchange rate appreciation and lower fuel pump prices. Food prices are expected to reduce due to higher agricultural output recorded in the 2024 farming season while the current appreciation of the Kwacha and reduction in fuel pump prices are expected to lower input costs. Inflation is projected to average 14.7 percent in the third quarter of 2025 (Charts 22, 23, and 24).

Chart 22: Kernel Density Plot - Expected Inflation Rate at the end of the Next Quarter, 6 and 12 months



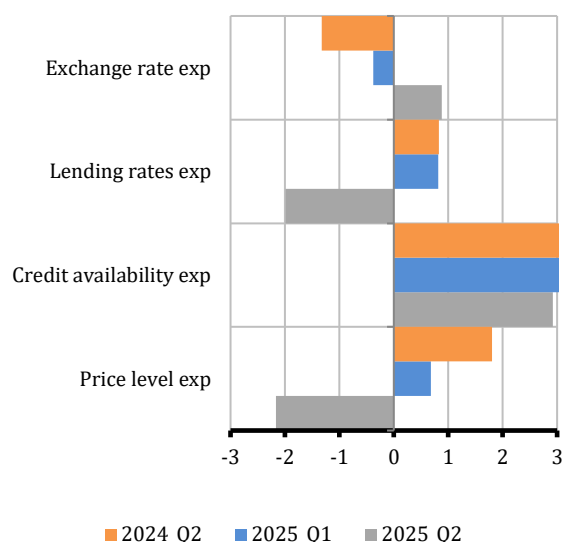
Source: Bank of Zambia

Chart 23: Inflationary Expectations Next Quarter



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

Chart 24: Inflation, Exchange Rate and Lending Rate Expectations



#### Notes:

Exchange rate = appreciation, strong (+)/depreciate, weak (-)

Lending rates = increase, high (+)/decrease, low (-)

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

Inflation expectations = increase, high (+)/decrease, low (-)

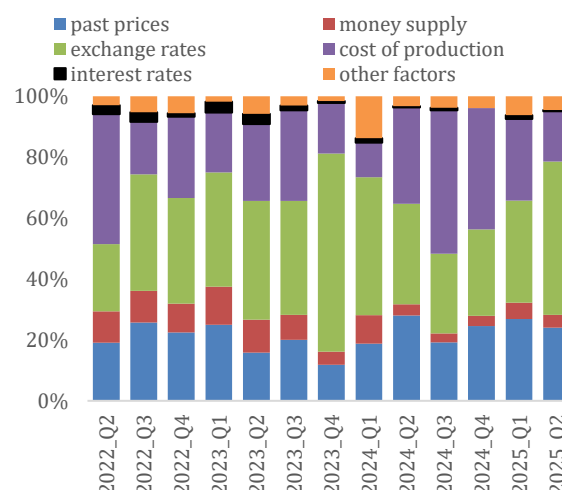
Note: The line at zero (0.0) represents the long-term average

Source: Bank of Zambia

In the next six to 12 months, inflation is expected to continue trending downwards, averaging 14.2 percent and 13.8 percent, respectively. Anticipation of improved electricity supply, a stronger Kwacha and further reductions in fuel prices underpin the projected fall in inflation. However, inflation is expected to remain above the 6–8 percent target range on account of price stickiness, lingering effects from past exchange rate depreciation, and high production costs due to electricity supply constraints. Further upside risks to the inflation outlook include ongoing geopolitical tensions and Government expenditure overruns due to the election cycle.

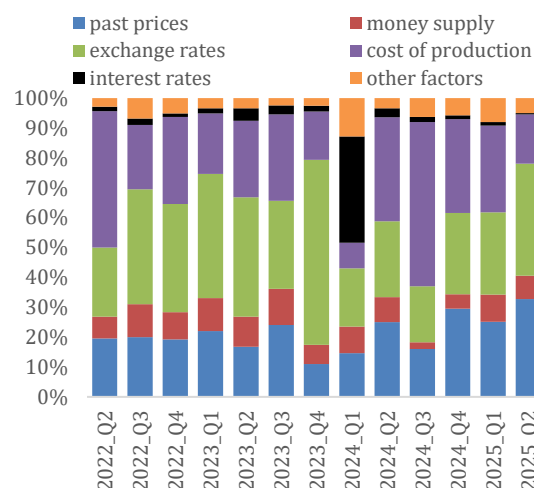
#### 4.4 What are the main factors explaining your expectations of inflation?

Chart 25A: Key Drivers of Inflationary Expectations Next Quarter



Source: Bank of Zambia

Chart 25B: Key Drivers of Inflationary Expectations next 12 Months (percent)



Source: Bank of Zambia

Respondents expect the moderation in inflation to be driven mainly by the appreciation of the exchange rate and past prices (Chart 25A and Chart 25B). The exchange rate is expected to remain stable due to increased mining production and gold mining activities leading to improved foreign exchange earnings. The cost of production, also noted as a driver of the inflation expectations, is expected to be moderated by reduced fuel pump prices and cheaper agricultural raw materials due to the bumper harvest. Respondents also anticipate constrained liquidity, due to tight monetary conditions, to weigh on inflation.



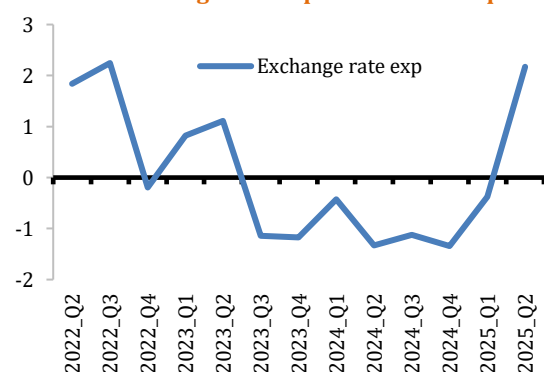
## 4.5 How do you expect the performance of the Kwacha against the US dollar to be at the end of the next quarter?

*(Net balance, 0.52; Q1 2025, - 0.35)*

Respondents were optimistic about the performance of the Kwacha against the US dollar. In the third quarter of 2025, the exchange rate is anticipated to appreciate, averaging K22.86 per US dollar (Chart 26). Increased copper and gold production are largely expected to increase foreign exchange inflows resulting in a stronger Kwacha. Respondents also expect agricultural exports to support exchange rate appreciation and stability. Increased investor confidence due to the favourable macroeconomic environment is also expected to contribute to a stronger Kwacha. However, the appreciation may be moderated by the expected surge in the demand for foreign exchange as procurement of agricultural input for the next farming season begins.

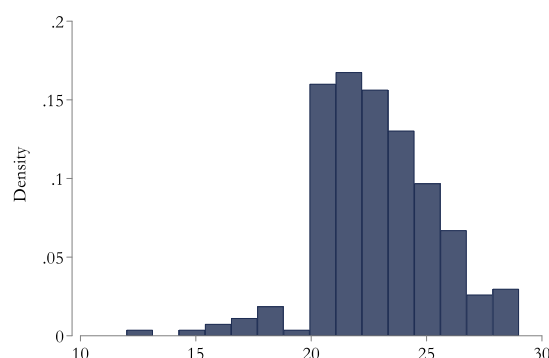
Over the next six to twelve months, the Kwacha is expected to continue appreciating against the US dollar, supported by improved foreign exchange supply arising from sustained mining and agricultural exports. Exchange rate appreciation is also premised on a stable monetary policy stance and higher foreign exchange reserves. Respondents predict the exchange rate to average K22.57 per US dollar in the next six months and K21.97 per US dollar in the next 12 months (Chart 27).

**Chart 26: Exchange rate expectations next quarter**



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

**Chart 27: Histogram - Expected Exchange Rate at the end of the Next Quarter (Q1 2025)**



Source: Bank of Zambia

## 5.0 Conclusion

Economic activity improved in the second quarter of 2025 largely supported by appreciation of the Kwacha and falling inflation which boosted demand. This was underpinned by the recovery in the agriculture sector and improved performance in the mining and tourism sectors. Respondents were optimistic about economic performance over the next six to 12 months premised on expectation of a further increase in mining activity and anticipated optimal production across all sectors.

## Appendix I –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, Solwezi and Zambezi), Northern (Kasama, Mbala and Mpulungu),



Muchinga (Mpika, Chinsali, Isoka and Nakonde), Luapula (Samfya and Mansa), Lusaka (Lusaka, Chongwe and Kafue) and Western Provinces (Mongu, Senanga, Kaoma and Kalabo).

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).

## Appendix II – Summary Indicator Movements

INDICATOR	Y/Y		Q/Q	
	Net Balance Change	Direction	Net Balance Change	Direction
<b>Firm Performance (Past Quarter)</b>				
Output	0.11		-0.03	
Investment	0.11		0.12	
Capacity utilisation	-0.57		-0.34	
Volume of service	0.37		0.28	
Volume of sales	0.41		0.24	
Inventories	0.35		0.04	
Labour demand	0.19		0.14	
Average input costs	-0.23		-0.25	
Average selling prices	-0.28		-0.27	
Wage bill	0.09		0.03	
Profitability	-0.16		-0.36	
<b>Firm Performance (Next Quarter)</b>				
Output	0.67		0.02	
Investment	0.34		0.09	
Capacity utilisation	0.21		0.07	
Volume of service	0.47		0.02	
Volume of sales	0.56		0.02	
Inventories	0.56		0.14	
Labour demand	0.20		-0.06	
Average input costs	-0.41		-0.47	
Average selling prices	-0.41		-0.4	
Wage bill	0.10		-0.10	
Profitability	0.10		-0.10	
<b>Macroeconomic expectations (Next quarter)</b>				
Price level	-1.08		-0.77	
Economic performance	1.17		0.64	
Lending rates	-1.06		-1.05	
Exchange rate	0.76		0.43	
Credit availability	-0.07		-0.23	
<b>Macroeconomic expectations (Next 6 months)</b>				
Price level	-1.16		-0.63	
Economic performance	1.05		0.55	
Exchange rate	0.58		0.34	
<b>Macroeconomic expectations (Next 12 months)</b>				
Price level	-1.27		-0.70	
Economic performance	0.77		0.55	
Exchange rate	1.05		-0.12	
investment	0.26		0.12	

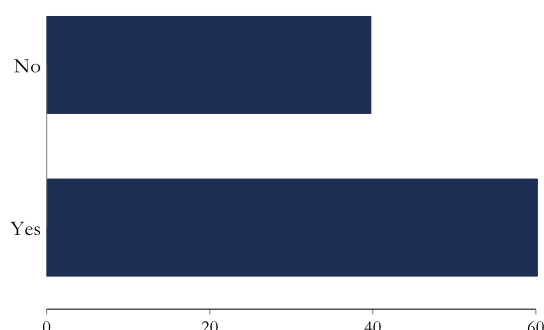
## Annex I - Uptake of Alternative Energy Sources

On March 8, 2024, following the most severe drought in Zambia's history, the Zambia Electricity Supply Corporation Limited (ZESCO) announced the implementation of nationwide loadshedding which became effective on March 11, 2024. A year later, we conducted a snapshot survey of firms to assess the adoption of alternative electricity sources for business continuity.

### Existence of Prior Alternative Energy Source

The survey first assessed the extent to which firms had access to alternative energy sources prior to the onset of loadshedding. Over 60 percent of respondents reported having had some form of alternative energy source before the implementation of loadshedding (Chart A1). These firms were predominantly located in Central, Copperbelt, Lusaka, and Southern provinces.

**Chart A1: Existence of Alternative Energy Source Prior to 2024**



Source: Bank of Zambia

Central, Northwestern, Southern and Western provinces had the highest proportion of firms with pre-existing alternative energy sources while Eastern, Luapula and Muchinga had the lowest (Table A1). Sectoral differences were also evident with firms in the agriculture and construction sectors having had alternative energy sources in place. The majority of these firms were medium to large in size. Gender disparities emerged as well, with a higher proportion of female respondents reporting no access to alternative energy sources prior to loadshedding, in contrast to their male counterparts.

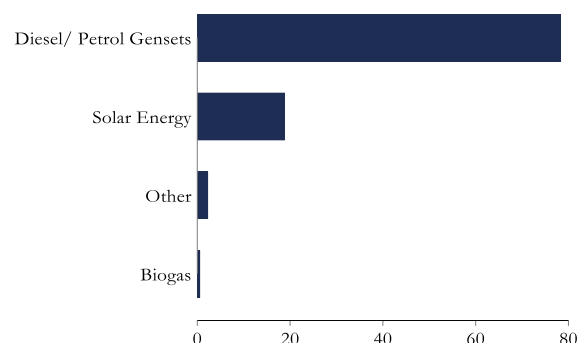
**Table A1: Firm Characteristics - Existence of Prior Alternative Energy**

	No		Yes	
	No.	%	No.	%
<b>Province</b>				
Central	14	29.8	33	70.2
Copperbelt	13	38.2	21	61.8
Eastern	17	63.0	10	37.0
Luapula	16	61.5	10	38.5
Lusaka	13	36.1	23	63.9
Muchinga	12	50.0	12	50.0
Northern	6	35.3	11	64.7
Northwestern	7	30.4	16	69.6
Southern	10	32.3	21	67.7
Western	5	27.8	13	72.2
<b>Gender</b>				
Female	33	54.1	28	45.9
Male	80	36.7	138	63.3
<b>Sector</b>				
Agriculture	8	26.7	22	73.3
Construction	1	25.0	3	75.0
Manufacturing	18	47.4	20	52.6
Service	22	32.4	46	67.6
Tourism	26	33.3	52	66.7
Merchant	38	58.5	27	41.5
<b>Size of the Firm</b>				
Micro	67	53.6	58	46.4
Small	30	33.0	61	67.0
Medium	5	20.0	20	80.0
Large	11	29.7	26	70.3
<b>Total</b>	113	39.8	171	60.2

Source: Bank of Zambia

With regard to the type of alternative energy equipment, most of the firms utilized diesel/ petrol gensets (78.3 %) followed by solar energy (18.9 %) while the least adopted form was biogas (0.6 %) (Chart A2). Other sources mentioned included inverters, power station backups, rechargeable bulbs and batteries.

**Chart A2: Prior Alternate Energy Source**



Source: Bank of Zambia

## Adoption of Alternative Energy Sources

Following the onset of loadshedding, the majority of firms (63.8%) reported adopting additional sources of power. The highest uptake was observed in Southern Province, where 80.6% of firms acquired alternative energy sources, while the lowest was recorded in Luapula Province at 50% (Table A2).

There were no significant gender disparities in uptake, as both male and female respondents indicated that their firms had adopted alternative energy solutions. By sector, all firms in the construction industry, along with most in the tourism and agriculture sectors, reported acquiring additional energy sources.

**Table A2: Firm Characteristics – Adoption of Alternative Energy Sources**

	Did not adopt		Adopted	
	No.	%	No.	%
<b>Province</b>				
Central	20	42.6	27	57.4
Copperbelt	17	48.6	18	51.4
Eastern	11	40.7	16	59.3
Luapula	13	50.0	13	50.0
Lusaka	11	28.9	27	71.1
Muchinga	6	25.0	18	75.0
Northern	6	35.3	11	64.7
Northwestern	7	30.4	16	69.6
Southern	6	19.4	25	80.6
Western	7	36.8	12	63.2
<b>Gender</b>				
Female	29	47.5	32	52.5
Male	75	33.8	147	66.2
<b>Sector</b>				
Agriculture	8	26.7	22	73.3
Construction	0	0.0	4	100
Manufacturing	19	50.0	19	50.0
Service	24	34.3	46	65.7
Tourism	20	25.3	59	74.7
Merchant	33	50.0	33	50.0
<b>Size of the Firm</b>				
Micro	54	42.5	73	57.5
Small	29	31.5	63	68.5
Medium	7	26.9	19	73.1
Large	12	32.4	25	67.6
<b>Total</b>	104	36.2	183	63.8

Source: Bank of Zambia

We also examined the adoption of alternative energy sources by firms that did not have such equipment prior to the 2024 energy rationing crisis. The highest rates of uptake were observed among firms located in Central

Lusaka, and Muchinga Provinces, while no uptake was reported among firms in Northwestern Province.

Sectoral differences were also apparent with high uptake in the agriculture (75%) and tourism (53 %) sectors and lowest among firms in the merchant and service sectors at 32 percent each (Table A3). Firm size also played a significant role in adoption. The majority of micro-sized firms (65.7%) that lacked alternative energy sources prior to the crisis remained without such sources after the onset of loadshedding. In contrast, the majority of large firms adopted alternative energy solutions.

**Table A3: Firm Characteristics – Adoption of Alternative Energy Among Firms Without Prior Access**

	Did not adopt		Adopted	
	No.	%	No.	%
<b>Province</b>				
Central	7	50.0	7	50.0
Copperbelt	10	76.9	3	23.1
Eastern	10	58.8	7	41.2
Luapula	13	81.2	3	18.8
Lusaka	5	38.5	8	61.5
Muchinga	4	33.3	8	66.7
Northern	5	83.3	1	16.7
Northwestern	7	100.0	0	0.0
Southern	2	20.0	8	80.0
Western	3	60.0	2	40.0
<b>Gender</b>				
Female	21	63.6	12	36.4
Male	45	56.2	35	43.8
<b>Sector</b>				
Agriculture	2	25.0	6	75.0
Construction	0	0.0	1	100.0
Manufacturing	11	61.1	7	38.9
Service	15	68.2	7	31.8
Tourism	12	46.2	14	53.8
Merchant	26	68.4	12	31.6
<b>Size of the Firm</b>				
Micro	44	65.7	23	34.3
Small	14	46.7	16	53.3
Medium	3	60	2	40.0
Large	5	45.5	6	54.5
<b>Total</b>	66	58.4	47	41.6

Source: Bank of Zambia

Diesel/petrol gensets constituted the most common form of alternative energy sources uptake at 55.7 percent, followed by solar energy at 37.0 percent (Table A4). Other alternative energy sources cited include battery with inverter backup power solutions and rechargeable lights.

used across the different firm sizes and by respondent gender.

**Table A4: Classification of Alternative Energy Source**

Type of Energy Source	No.	%
Diesel/ Petrol Gensets	131	55.7
Solar Energy	87	37.0
Other	8	3.4
Charcoal	4	1.7
Natural Gas	3	1.3
Wind Power	1	0.4
Biogas	1	0.4

Source: Bank of Zambia

### Financing Options Used

In terms of financing, we asked firms on the various sources of finance used to acquire the alternative energy. The survey shows that majority of firms (78.2 %) used only retained earnings to procure the alternative energy source. This was followed by bank borrowing and partner equity at 5 percent and 4.5 percent, respectively (Table A5). Other financing sources included Green Bonds and loans (from affiliated companies, family members and microfinance institutions).

**Table A5: Financing of Alternative Energy Source**

Financing Option	No.	%
Retained earnings	140	78.2
Bank borrowing	9	5.0
Partners' equity	8	4.5
Other	6	3.4
Trade credit	4	2.2
Hire purchase	3	1.7
Bank borrowing, Other	2	1.1
Retained earnings, Partners' equity	2	1.1
Bank borrowing, Hire purchase	1	0.6
Bank borrowing, Retained earnings	1	0.6
Retained earnings, Bank borrowing	1	0.6
Retained earnings, Hire purchase	1	0.6
Retained earnings, Trade credit	1	0.6
Total	179	100

Source: Bank of Zambia

Firms in Eastern and Western Provinces solely financed their additional electricity source using their retained earnings while those in Muchinga and Northern Provinces also used partner equity and hire purchase, respectively. Bank borrowing was predominantly used by firms in Central Province though other provinces, namely Lusaka, Copperbelt, Luapula, Northwestern and Southern, also had some firms financing their assets using this mode. There were no noticeable disparities in the financing options