2025 ECONOMIC PERFORMANCE AND 2026 OUTLOOK

Introduction

1. This brief by the Zambia Institute for Policy Analysis and Research (ZIPAR) provides an analysis of Zambia's economic performance in the first three quarters of 2025. In cases where data is unavailable, primarily in the real and social sectors, the analysis is limited to the first half of 2025. The report highlights key macroeconomic performance trends as well as fiscal and monetary developments over the period under review. It also evaluates developments in the real sector, covering mining, agriculture, energy, and transport. It also evaluates their contributions to overall economic stability and growth.
2. Further, the report reviews outcomes in the social sector. Furthermore, the analysis covers climate adaptation and mitigation, comparing actual performance against set targets to highlight achievements and identify areas requiring attention. Looking forward, the brief presents an outlook for 2026, outlining expected developments across economic and social indicators and identifying key risks and policy considerations likely to shape Zambia's economic trajectory.

Macroeconomic Performance

Global Economic Performance

3. Over the first three quarters of 2025, the global economy has remained resilient despite continued geopolitical tensions and trade uncertainties. By the end of 2025, growth is projected to slow to 3.2%, down from 3.3% in 2024, and to decline further to 3.1% in 2026, amid weak investment and productivity. Global trade has exceeded expectations, supported by easing restrictions and supply-chain adjustments, and is projected to surpass US$35 trillion at the end of 2025, a 7% increase from 2024. Commodity markets exhibited mixed trends, with lower oil prices and elevated prices for critical minerals and agricultural commodities.
4. In Sub-Saharan Africa, growth is projected at about 4% at the end of 2025, up from 3.9% in 2024, and is expected to rise further to 4.2% in 2026. This outlook is supported by macroeconomic stabilisation, policy reforms, and improving investor confidence, but remains constrained by high public debt, tight financing conditions, and weak domestic revenue mobilisation, underscoring the need for deeper fiscal, structural, and regional integration reforms to sustain growth.

Domestic Economic Performance

5. The domestic economy continues to show resilience, steadily recovering from the impacts of the drought experienced in the 2023/24 agriculture season. Real Gross Domestic Product (GDP) growth is projected to rise from 4% in 2024 to 5.2% by the fourth quarter of 2025. It is further expected to grow at a projected rate of 6.4% in 2026. The growth is poised on heightened economic activity, more specifically in the mining sector, agriculture increased electricity generation. Further, growth

prospects are reinforced by satisfactory progress in implementing reforms under the International Monetary Fund (IMF) and continued advancements in debt restructuring.

6. With regard to price movements, inflation continued to trend downwards, as it declined from 16.7% in January 2025 to 10.9% in November 2025. The trajectory shows that inflation can stabilise within the 6-8% target. The decline in inflation was a result of the recent bumper maize harvest, which had contributed to lower prices of maize grain and maize meal. Further, the continued appreciation of the Kwacha against major convertible currencies such as the United States Dollar (US$) highly contributed to slower price movements.

7. The Kwacha continued to appreciate against major currencies in the first three quarters of 2025. This is attributed to the additional release of the Special Drawing Rights (SDRS) by the IMF, a weakening US dollar and current account surpluses arising from higher export earnings from copper exports.

8. Gross International Reserves (GIR) in 2025 rose to US$5.2 billion by the end of the third quarter, from US$4.7 billion that was recorded at the end of quarter two, equivalent to 5.2 months and 4.7 months of import cover, respectively. The build-up in GIR was primarily on inflows from the SDR disbursement, project-related receipts, net statutory reserve deposits, continued foreign exchange purchases by the central bank, and interest earnings and gold purchases.

Fiscal Performance

9. In the 2025 National Budget, the Government projected an increase in domestic revenue to at least 21.3% of GDP and a reduction in the fiscal deficit to 3.1% of GDP as part of its macroeconomic objectives. Notably, the IMF's Article IV report under the Fifth Review of the ECF Programme projects an increase in the overall fiscal deficit to 5.3% of GDP, largely reflecting the repayment of accumulated fuel arrears, past due interest on the restructured external debt, and other additional expenditures. Although the 2025 fiscal year has not yet concluded, performance during the first three quarters provides a critical basis for assessing progress toward these targets.

10. During the period January to September, revenue and grants were 4.5% less than the projected amount of K138.8 billion. Domestic revenue collections were 2.7% short of the K132.6 billion target, translating to 15.8% of GDP, which is not far off from the end-of-year target. The lower-than-planned revenue collections were largely driven by under collections from Value Added Tax (VAT) collections, and this was largely due to the underperformance of domestic VAT, which was mainly due to non-payment of arrears by some companies which faced cash flow constraints. In addition, the Government during the period revised the VAT refund ceiling from K1.75 billion to K2.0 billion in 2025 to address the growing backlog of VAT refund claims. Further, foreign grants were 43.3% lower than the projected amount of K6.2 billion, which was projected to be disbursed over the period under review. The negative variance on foreign grants disbursements can be partly explained by the closure of USAID.

11. In terms of expenditure, budget releases amounted to K154.5 billion against the target of K163.1 billion over the period of review, which is a clear sign of spending compression as the Government has had to rationalise expenditure. Notably, foreign-financed expenditure was below the target by 55.0%, which can be attributed to the low disbursement of foreign grants. Expenditure on social benefits was 8.3% below the target. However, within the category of social benefits, the Social Cash Transfer (SCT) budget releases amounted to K6.8 billion against the target of K6.6 billion, and this was largely on account of an increase in funding, which included K1.43 billion in contributions from cooperating partners.

Real Sector Performance

Mining Industry

12. The mining sector recorded strong year-on-year growth in the first half of 2025 compared to the same period in 2024. Copper production increased by 17.8%, reaching 439,644.3 MT, up from 373,263.9 MT, driven by higher output from Konkola, Mopani, Kansanshi, and Chibuluma mines. Despite second-quarter operational challenges at a few mining companies, notably the temporary suspension at Sino Metals Leach following an acid spill linked to a tailings dam failure, overall sector performance remained resilient.
13. Small-scale copper producers experienced a 50.1% increase in output, rising from 26,308.8 MT to 39,477.8 MT, largely due to improved compliance in production reporting. Gold production also increased by 30.3%, supported by an 11.9% rise at Kansanshi Mine. Furthermore, other minerals recorded significant growth during the same period, including cobalt (839.4%), coal (30.1%), and zinc (52.2%).
14. Conversely, ferro-silico manganese production declined by 67.4%, primarily due to load management challenges in electricity supply. Nickel and emerald production also decreased by 20.7% and 16.2%, respectively, owing to operational constraints. There has been some progress in the Countrywide High-Resolution Aerial Geophysical Survey (CHRAGS), as of 30th June 2025, the survey has successfully covered over a quarter (27.6%) of Zambia's total land area. The Government has been carrying out nationwide training programmes for artisanal and small-scale (ASM) miners, with an excess of 400 mining cooperatives trained and gold mining licences issued.
15. In terms of outlook, Zambia produced approximately 820,000 metric tonnes of copper in 2024, and the strong first-half performance in 2025, reflecting year-on-year growth of about 17.8 % suggests that annual copper output is on track to surpass the 2024 level.

Agriculture Industry

16. Following recovery from the 2023/24 drought, growth in the Agriculture, Forestry, and Fishing sector at constant prices rebounded from a –12.8% contraction in the second quarter of 2024 to a positive growth of 42.9 % in quarter two of 2025. The sector contribution to GDP growth also rebounded from -0.6% in quarter two of 2024 to 1.9% in the same quarter of 2025.
17. This improvement reflects the strong performance of the 2024/2025 farming season, during which maize production reached nearly 3.7 million metric tonnes. The increase in maize output was driven by favourable weather conditions, increased private sector participation, and Government reforms, including the Farmer Input Support Programme (FISP) and the electronic Voucher (e-Voucher) system.
18. As of 2025, 730,000 farmers had migrated to the e-Voucher system. Participation among agro-dealers increased from 20% to 50% in districts using the system during the 2024/25 farming season. This expansion drove total input sales from K749 million to K2.2 billion and created over 5,000 rural jobs in retail, logistics, and support services.

Tourism Industry

19. In 2025, Zambia's tourism sector continued to record strong performance, with international arrivals exceeding the mid-year benchmark of 1.1 million visitors, as arrivals reached approximately 1.2 million by mid-2025. This outturn places the sector on a favourable trajectory to meet the annual target of 2.4 million arrivals. This growth is attributed to government policy changes, improved global marketing, and an increase in the number and frequency of Meetings, Incentives, Conferences, and Exhibitions (MICE) hosted in the country.

20. The average length of stay also recorded an increase, rising from three to five days, suggesting enhanced visitor engagement and higher per-visitor spending. Hotel occupancy rates strengthened concurrently, with average occupancy in Livingstone reaching about 70 %, while national average occupancy rose from around 40% in 2023 to approximately 55% by mid-2025.

21. Nonetheless, despite the positive growth trajectory observed in the tourism sector, ZIPAR notes a general relaxation in hotel service standards across a number of establishments. This trend may pose reputational risks to Zambia's positioning as a Meetings, Incentives, Conferences, and Exhibitions (MICE) destination and could undermine the gains already recorded. In particular, declining standards in conference and exhibition facilities risk constraining the sector's current growth momentum. ZIPAR therefore calls on Government to strengthen regulatory oversight and enforcement to ensure compliance with established hotel service standards.

Manufacturing Industry

22. The manufacturing industry recorded a modest recovery in 2025, with its contribution to GDP growth rising to 0.4% in the second quarter of 2025, from a contraction of -0.3% in the second quarter of 2024. This recovery remains fragile and was constrained by persistent electricity load management, which disrupted production and reduced overall industrial output. Electricity reliability remains a critical factor for improving the competitiveness of Zambia's manufacturing base. Despite these challenges, the sector recorded a notable milestone with the commissioning of Zambia's first-ever Urea Plant, a major step toward reducing fertiliser imports and strengthening domestic industrial capacity. The outlook for 2026 is cautiously optimistic, supported by expected improvements in energy stability and increased momentum from new industrial investments.

Transport and Storage Industry

23. Transport infrastructure remains a critical enabler to Zambia's economic transformation agenda under the 8NDP. The 2025 Budget allocated K12 billion to the sector, a 44.6% increase from the K8.3 billion in 2024, with a focus on constructing and upgrading key trade routes like Lusaka-Ndola, Chinsali-Mpika, Serenje-Mpika, and Monze-Niko, among others. Overall, the transport and storage industry grew to 16.4% in the second quarter of 2025 from 2.4% in the same period of 2024, reflecting a resurgence in sector activity and the continued effects of infrastructure reforms. With K14.5 billion allocated to the sector in the 2026 Budget, the goal remains to position Zambia as a regional transport and logistics hub through improved regional connectivity and integration. The concession agreement to revitalise TAZARA was also signed, and a ground-breaking ceremony was held on 20th November 2025. Notably, negotiations for the rehabilitation of Zambia Railways with other cooperating partners, such as the European Union, are still ongoing.

24. Generally, the performance of the transport and storage industry in 2025 indicates strong growth. By mid-year, road freight increased by 16.9% to 18.7 million MT compared to 16.0 million MT during the same period in 2024, driven primarily by increased performance from the agriculture and mining sectors. On the other hand, rail freight reduced by 22.2% to 277,953 MT in 2025 from 357,369 MT in 2024. Equally, rail passenger volumes reduced by 27.6% from 252,848 in 2024 to 183,068 in 2025. This poor performance of the rail sector is attributed to a lack of locomotives and wagons, as well as the poor state of both Zambia Railways Limited (ZRL) and the Tanzania-Zambia Railways (TAZARA). Therefore, the revitalisation agreement for TAZARA is welcome and timely, and we urge the Government to now focus on securing a partner for the rehabilitation of ZRL. On the contrary, the air sub-sector has continued to recover from the post-pandemic era, with passenger numbers increasing by 5% from 1,052,058 in 2024 to 1,100,696 in 2025. Air freight showed similar resilience, increasing by 17.0% from 9,111 MT in 2024 to 10,658 MT in 2025.

Petroleum Sector

25. In the petroleum sub-sector, the Government has been implementing the Tanzania-Zambia Mafuta (TAZAMA) Open Access Policy since April 2025 to improve competition and transparency in the procurement of diesel. Together with the appreciation of the local currency, this has contributed to a lower price of diesel on the domestic market. By mid-year 2025, national diesel consumption increased by 17.0% to 695,351.71 MT from 594,348.96 MT in 2024, on account of growth in the economy and the increased need for power generation. Similarly, petrol consumption increased by 6.3% to 226,887 from 213,296 during the same period in 2024. Going forward, we urge the Government to continue addressing implementation challenges for the TAZAMA Open Access Policy to reduce the recurrence of fuel shortages on the market.

Information, Communication and Technology

26. The Information and Communication industry has remained one of the strongest-performing sectors in 2025, thereby boosting productivity and economic diversification. The industry contributed 2.3% to GDP in the second quarter of 2025, up from 1.2% in the second quarter of 2024. Among the drivers of information, communication and technology (ICT) growth were mobile subscriptions and internet services. Mobile subscriptions rose by 10.8% to 24.5 million in 2025 from 21.9 million in 2024, while internet subscriptions increased by 4.7% to 13.2 million from 12.6 million during the period under review, driven by digital platform adoption, strong demand for mobile money and e-commerce services, and investments in 4G/5G infrastructure. These developments are key to supporting digital inclusion as well as increased ICT platform usage in several sectors like agriculture, education, health, financial services, and public transport.

Environmental Sustainability

27. During the period under review, Zambia had made gradual progress in climate adaptation and mitigation, strengthening systems to reduce vulnerability and support economic stability. In adaptation, the Government expanded early-warning and climate-information services, with over 200 automatic weather stations and rainfall-monitoring equipment in more than 300 agricultural camps, enhancing forecast accuracy and enabling anticipatory measures by farmers and district authorities. Ecosystem restoration also advanced, with approximately 11,600 hectares of wetlands and forests and 3,250 hectares of agricultural land rehabilitated in the Bangweulu and Lukanga systems, involving communities in planning and implementation.

28. In mitigation, renewable energy saw notable gains, highlighted by the commissioning of the 100 MW Chisamba Solar Power Plant, the largest single-site solar installation in Zambia, supporting the national goal of 1,000 MW of solar capacity and reducing reliance on hydropower. Regional energy cooperation progressed through the Zambia–Tanzania Interconnector Project, which will enhance grid stability, electricity trade, and energy security. Looking ahead, the TRALARD II programme, set to start in 2026, aims to rehabilitate 680,000 hectares, improve water-catchment management, strengthen early-warning systems, and promote community-based natural-resource management.

29. Despite these advances, challenges are still looming, and these include the need for sustained funding for early-warning systems and continued expansion of renewable energy infrastructure beyond flagship projects. Zambia targets at least 500 MW of solar capacity by 2026, alongside wind and biomass initiatives, to reduce hydropower pressure and limit load-management measures, requiring coordinated investment and cross-ministerial collaboration.

Social Sector Performance

30. In a bid to reduce poverty levels from the highs of 60% of the population, the Government has continued to fund the social sectors. According to the Human and Social Development pillar of the 8NDP, a total of K36.9 billion was released, and K36.3 billion was spent, reflecting a 98% absorption rate.

Education and Skills Development

31. Education recorded a strong performance supported by free education reforms, Constituency Development Fund (CDF) financing and increased bursary allocations. Technical Education, Vocational and Entrepreneurship Training (TEVET) bursaries reached 17,001 students, which is approximately 218.5% of the annual target of 7,779, reflecting high demand and improved financing. Efforts to reintegrate out-of-school children have been highly successful, with 8,626 children re-enrolled in primary education. This represents 172.5% of the 5,000-child target. Alternative education programs at the secondary level enrolled 83,829 learners, achieving 167.7% of the 50,000-learner goal. Access to higher education loans and bursaries expanded to 42,408 students, more than double the annual target of 20,260. This is 209.3% of the annual target of 20,260 students. The high alternative education enrolment in 2025 is a strong indicator that Zambia is successfully re-integrating excluded learners and strengthening its human capital base. Conversely, it entails the need for greater investment in delivery capacity to sustain the gains.

Health

32. In the 2025 National Budget, K21.5 billion was allocated, and by the end of the second quarter of the year, 45.6% of this amount had been released. This indicates that execution was broadly on track despite fiscal pressures following the withdrawal of US funding. Of the funds disbursed, 56.3% (K5.9 billion) went toward wages. Spending on essential medicines and medical supplies reached K2.5 billion in the first half of the year, fully in alignment with planned targets and representing stronger absorption than in 2024, where the Government underspent by 61% in the same period. This investment helped Zambia surpass the WHO-recommended 80% drug stock availability threshold, although availability remained uneven across levels of care. Concerns in procurement persisted, prompting corrective measures including dissolution of the Zambia Medicines and Medical Supplies Agency (ZAMMSA) Board and initiation of legal reforms.

33. Service delivery reflected mixed but generally positive progress. Core maternal and child health indicators improved. The proportion of pregnant women receiving the five basic antenatal care (ANC) services reached 89% in quarter two and 81% in quarter three, above the national target of 80%. However, structural constraints continue to limit sector performance. Although 4,140 health workers recruited in 2024 were deployed in 2025, the planned recruitment of 2,000 additional personnel for 2025 has not yet commenced. Timely conclusion of the recruitment process and rapid deployment of successful candidates will be critical, particularly when viewed against the significant health sector staffing deficit of 44,287 that must be addressed by 2026 in order to meet the targets in the National Health Strategic Plan. Programme performance was uneven, with the Voluntary Male Medical Circumcision (VMMC) programme underperforming due to donor withdrawal and alcohol-related mental health cases rising, underscoring the need for strengthened domestic capacity and targeted interventions as the year progresses.

Water Supply and Sanitation

34. The Water, Sanitation and Hygiene (WASH) sector received an allocation of K2.3 billion in the 2025 National Budget, representing a 15% nominal increase from 2024. However, budget execution

remained critically low, with only 4.2% of the allocated resources released by mid-year, continuing the trend observed in 2024 when just 45.4% of the annual allocation was disbursed. The slow pace of releases reflects reduced foreign grant inflows, as WASH financing is heavily dependent on external resources. These financing constraints pose a significant risk to sustaining service delivery and expanding access, particularly because the sector is central to mitigating hygiene-related impacts on households and communities.

35. Despite this limitation in financing, the sector registered some of its most significant gains in recent years. The commissioning of the Kazungula and Kafulafuta water projects benefited approximately 13,000 and 9,000 people, respectively, while network expansion added 46.6 kilometres of new pipeline, connecting 5,910 households.

36. The deteriorating state of WASH programming necessitates transformational policy reforms to unlock sustainable financing. WASH should be treated not merely as a social service, but as a critical economic investment with direct implications for public health, labour productivity, and fiscal sustainability, similar to ongoing reforms in the energy sector. Without such reforms, underinvestment in WASH will continue to generate hidden fiscal costs and undermine inclusive growth. In essence, this also requires a shift toward cost-reflective pricing, as highlighted in the 2026 budget speech, the cost of producing water averages K18 per cubic metre, tariffs remain at K7.90, creating a financing gap of K10.10 per unit and an estimated annual revenue shortfall of K1.3 billion. This persistent imbalance undermines utility viability, discourages private sector investment, and perpetuates underinvestment with adverse consequences for inclusive growth.

Social Protection

37. The Social Cash Transfer (SCT) programme continues to remain Zambia's flagship programme for poverty reduction. In the first half of 2025, spending on the SCT amounted to K5.5 billion, which was higher than the K4.3 billion that was projected, and this was driven largely by Emergency Cash Transfers (ECTs) and maintenance of the K400 transfer value introduced during the drought response. Through strengthened digital delivery systems, 78% of beneficiaries (994,041 households) received transfers via mobile money and bank platforms, contributing to sustained support for over 1.3 million households. The programme reached 71% of extremely poor households, surpassing the national target of 50%, while ECTs supported approximately 2.23 million beneficiaries, and the Cash for Work (CfW) programme disbursed K318.45 million to 87 local authorities before being suspended for review. The revised CfW programme has since been officially launched and rolled out across all 116 districts in Zambia, commencing in December 2025.

38. Despite these gains, concerns about transfer adequacy persisted amid elevated inflation, which stood at 14.1% by June 2025. Although the Supplementary Budget Act no.1 of 2025 provided K1.6 billion to maintain the K400 transfer beyond June 2024, the amount remained below the poverty datum line of K517.60 per adult, covering less than 40% of basic needs. Moreover, empowerment initiatives for women underperformed, with only 3,553 women's clubs (11% of the target) accessing grants due to administrative bottlenecks and low awareness. Registration of informal sector workers under NHIMA improved to 8%, though uptake of employment injury insurance remained limited, highlighting persistent gaps in social insurance coverage.

39. Looking ahead, several risks could undermine sector performance in the second half of the year. These include slow budget releases, potential donor funding withdrawals for key programmes such as VMMC, weak ICT and data systems, as well as non-financial constraints such as procurement delays and vandalism of water infrastructure. To consolidate gains in the fourth quarter of 2025, priorities should focus on accelerating budget execution, protecting essential infrastructure, and securing sustainable financing for donor-dependent programmes. Strengthened collaboration

between the Government, the private sector, and development partners will be critical to maintaining delivery momentum and safeguarding progress into 2026.

Conclusion

40. Overall, Zambia's economic performance in the first three quarters of 2025 reflects a cautiously positive trajectory anchored on macroeconomic stabilisation, improved mining and agricultural output, easing inflation, and strengthened external buffers. Progress under the IMF ECF, and a recovery from the 2023/24 drought have supported growth prospects and improved confidence. At the same time, persistent fiscal pressures, underperformance in domestic revenue mobilisation, reduced donor inflows, and uneven budget execution, particularly in WASH and parts of health, underscore the fragility of these gains. The mixed performance across sectors highlights the need to consolidate reforms, protect priority social spending, and address structural bottlenecks in energy, rail transport, and domestic revenue systems to sustain inclusive growth

41. Looking ahead, 2026 will be a pivotal transition year, coinciding with the general elections and the expiration of the Eighth National Development Plan (8NDP). These milestones heighten both risks and opportunities: policy slippages, election-related spending pressures, and reform fatigue could undermine fiscal discipline, while a well-managed transition offers a chance to lock in hard-won macroeconomic gains and shape a credible successor development framework. As Zambia prepares for a new planning cycle beyond the 8NDP, it will be critical to anchor the next National Development Plan in fiscal realism, climate resilience, and productivity-driven growth, while safeguarding social protection and human capital investments. Maintaining policy consistency through the electoral period and ensuring continuity between the 8NDP and the next development framework will be essential to sustaining growth momentum and advancing Zambia's long-term economic transformation agenda