



**Bank of Zambia**

# Zambia

## Direction of Trade Report

**(Second Quarter 2012)**

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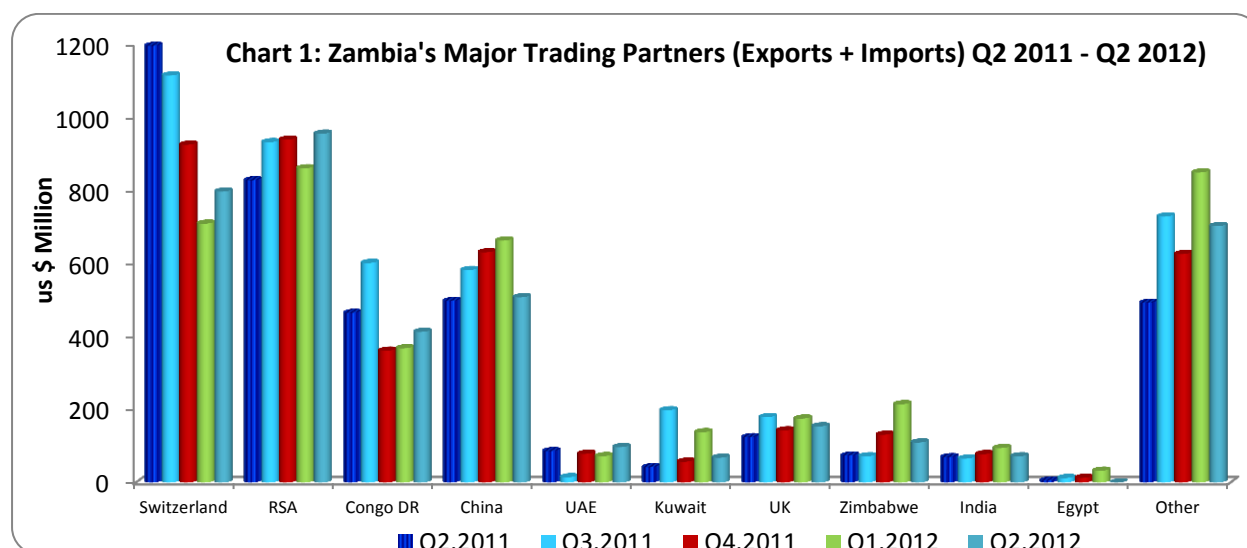
## 1.0 INTRODUCTION

This report shows Zambia's direction of merchandise trade for the second quarter of 2012 compared with the corresponding quarter in 2011. Statistics, based on the Harmonised Coding System (HS), are reported and exports are valued as free on board (f.o.b.) while imports are reported at cost, including insurance and freight (c.i.f.). The report is divided into six sections. In section 2, the major trading partners are presented. Section 3 gives the major export markets and this is followed, in section 4, by the major source countries of Zambia's imports. Section 5 shows direction of trade by region, while section 6 concludes.

## 2.0 ZAMBIA'S MAJOR TRADING PARTNERS

Preliminary data shows that during the second quarter of 2012, Zambia's trade (exports plus imports) grew by 4.9 percent to US \$4,071.9 million from US \$3,880.2 million recorded during the corresponding period in 2011. The Republic of South Africa maintained the first position as Zambia's top major trading partner during the period under review as trade with that country grew by 15.4 percent to US \$956.1 million from US \$828.4 million, explained by continued rise in imports of manufactured goods from that country<sup>1</sup> (*see Chart 1*). Switzerland ranked second for a second consecutive quarter, despite a decline in trade with that country by 33.4 percent to US \$797.4 million from US \$1,196.8 million registered in the second quarter of 2011. This outturn was largely explained by low volumes and prices of metals purchased from Zambian mining companies by Swiss-based metal traders<sup>2</sup>.

China ranked third as trade with that country grew by 2.1 percent to US \$507.8 million from US \$497.4 million recorded during the corresponding period in 2011. This outturn was explained by the export of metals to that country. Congo (DR) ranked fourth despite an 11.2 percent decline in trade with that country to US \$412.9 million from US \$493.1 million. The decline in trade with Congo (DR) was largely attributed to a decline in imports of slag, ash, copper and articles thereof from that country.



Source: Central Statistical Office

<sup>1</sup> Manufactured goods largely explained by the following categories; nuclear reactors, boilers, machinery & mechanical appliances; parts, vehicles rail roll-stock, and accessories; electrical machinery equipment parts thereof; sound recorder; and articles of iron and steel; fertilisers, and plastics and articles thereof.

<sup>2</sup> Large metal traders (e.g. Glencore International AG), headquartered in Switzerland, purchase copper and cobalt from Zambian mining companies off gate and sell the commodity to other foreign markets. Most Zambian companies are not fully aware of the final destination of the copper purchased by these companies.

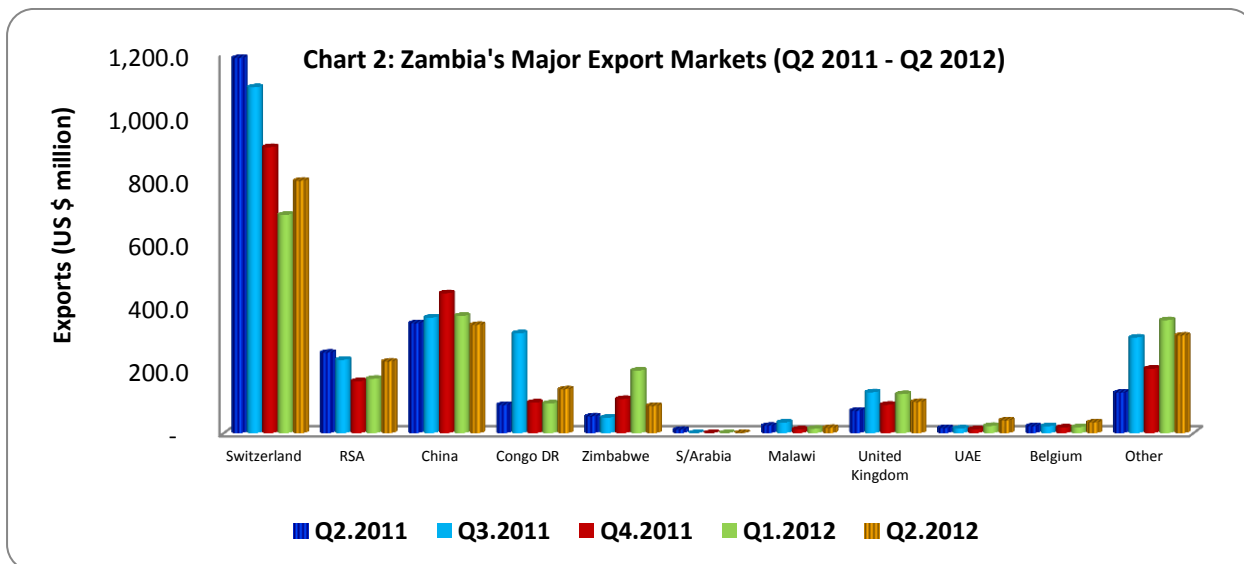
The United Kingdom ranked fifth, rising from the sixth position recorded in the first quarter of 2012, as trade with that country grew to US \$153.9 million from US \$124.2 million, explained by increased exports of copper cathodes and articles thereof. Zimbabwe ranked sixth, from the fifth position recorded in the first quarter, as trade with that country increased to US \$109.8 million from US \$73.9 million recorded during the corresponding quarter in 2011. This outturn was largely explained by increased export of tobacco, manufactured tobacco substitutes, cereals, sugars and sugar confectionery to that country. The United Arab Emirates (UAE) ranked seventh as trade with that country increased to US \$97.1 million from US \$85.9 million registered during the corresponding period in 2011, explained by increased exports of copper to that country. India ranked eighth as trade with that country grew by 3.5 percent to US \$71.8 million from US \$69.3 million recorded over the same quarter in 2011, explained largely by imports of pharmaceutical products from that country. India was followed by Kuwait, which recorded growth in trade of 62.8 percent to US \$68.0 million from US \$41.8 million recorded during the same period in 2011 explained by imports of petroleum products.

### **3.0 ZAMBIA'S MAJOR EXPORT MARKETS**

During the period under review, Zambia's exports declined by 5.0 percent to US \$2,085.9 million from US \$2,196.1 million, recorded in the second quarter of 2011. Switzerland maintained its top rank as Zambia's major export market although exports to that country declined by 32.7 percent to US \$797.4 million from US \$1,185.6 million (*see Chart 2*). This outturn was attributed to lower volumes of metals purchased by Swiss-based metal traders from Zambian mining companies coupled with lower prices during the period under review. China maintained its second position despite a 1.5% decline in exports to that country to US \$341.8 million from US \$346.9 million, explained by lower metal demand in that country. South Africa ranked third displacing Zimbabwe, despite a 10.9 percent decline in exports to that country to US \$226.0 million from US \$253.8 million recorded over the same period in 2011, largely on account of lower metal exports to that country.

Congo (DR) ranked fourth following an increase in exports by 55.9 percent to US \$138.2 million from US \$88.7 million recorded over the same period in 2011. This outturn was largely explained by higher exports of fertilisers, cement and mechanical appliances and parts to that country. The United Kingdom ranked fifth as exports to that country increased by 39.5 percent to US \$98.3 million from US \$70.5 million recorded during the corresponding period in 2011. A rise in volumes of copper cathode exports, largely explained this outturn. This was followed by Zimbabwe, following a 62.9 percent growth in exports to US \$85.9 million from US \$52.7 million in the corresponding period in 2011. This was largely driven by increased export of tobacco, manufactured tobacco substitutes, cereals, sugars and sugar confectionery to that country. The UAE ranked seventh as exports to that country more than doubled to US \$40.0 million from US \$15.8 million recorded during the corresponding period in the previous year.

During the period under review, Zambia's exports to Belgium grew by 56.8 percent to US \$33.7 million from US \$21.5 million, explained by export of metals to that country. However, exports to Saudi Arabia and Malawi declined.

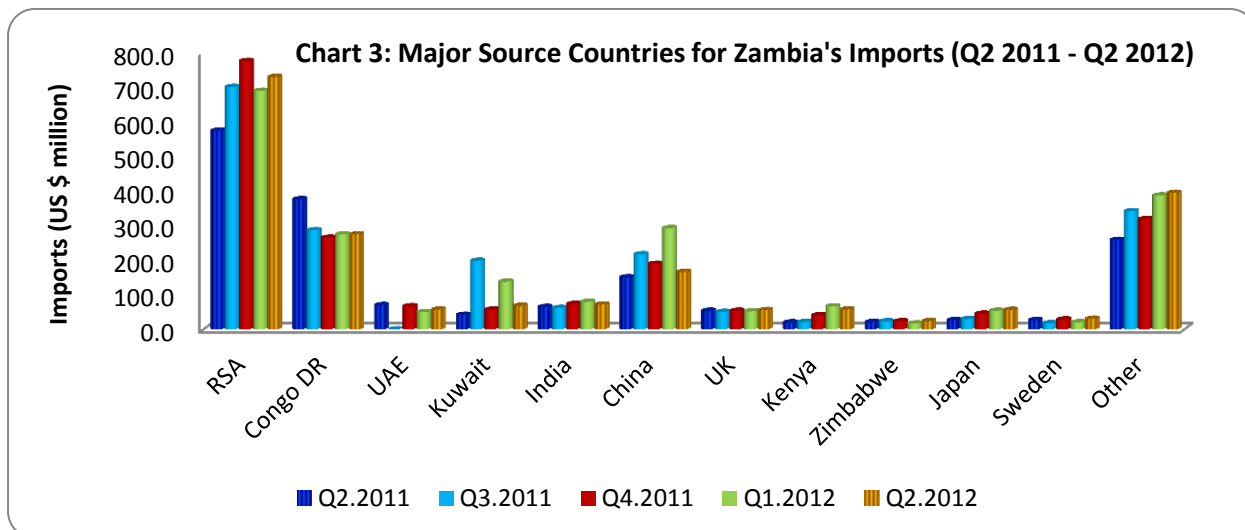


Source: Central Statistical Office

#### 4.0 MAJOR SOURCE COUNTRIES OF ZAMBIA'S IMPORTS

In the second quarter of 2012, Zambia's imports from the rest of the world grew by 17.9 percent to US \$1,986.0 million from US \$1,684.1 million recorded during the corresponding period in 2011. South Africa maintained its top rank as imports from that country grew by 27.1 percent to US \$730.0 million from US \$574.6 million recorded in the corresponding quarter of 2011 (*see Chart 3*). The major imports included manufactured goods and machinery, electrical equipment and fertilisers. Congo (DR) replaced China in second position despite imports from that country declining by 27.0 percent to US \$274.7 million from US \$376.2 million recorded during the same period in 2011, driven by lower imports copper ores, slag and ash, and semi-processed copper. China ranked third as imports of manufactured goods and machinery grew by 10.3 percent to US \$166.0 million from US \$150.5 million in the corresponding period in 2011.

India ranked fourth following an 11.1 percent growth in imports of pharmaceuticals from that country to US \$71.8 million from US \$64.6 million. Kuwait ranked fifth after being displaced by India, although imports from that country grew by 62.7 percent to US \$68.0 million from US \$41.8 million in the corresponding period in 2011. This was explained mainly by increased imports of petroleum products. Kenya ranked sixth as imports from that country more than doubled to US \$57.6 million from US \$20.0 million, explained by increased imports of fuels and oils, animal and vegetable fats, soaps, tobacco and plastics and articles thereof from that country. The UAE ranked seventh following a decline in imports from that country by 27.0 percent to US \$57.1 million from US \$70.0 million as Zambian importers increasingly imported their merchandise from China. Japan ranked eighth as imports more than doubled to US \$56.2 million from US \$26.5 million following increased imports of motor vehicles, mechanical appliances, parts and rubber and articles thereof from that country. In ninth and tenth positions were Sweden and Zimbabwe as imports increased to US \$30.6 million and US \$23.9 million, from US \$26.7 million and US \$21.2 million in the second quarter of 2011, respectively. This outturn was explained by higher imports of machinery, mechanical appliances and parts from Sweden and fuels and oils, fish, wood and wood products from Zimbabwe.



Source: Central Statistical Office

## 5.0 DIRECTION OF TRADE BY REGION

This section shows the share of regions or groups of countries in Zambia's total exports and imports. In this analysis, Zambia's trading partners are categorised into major geographic regions or economic groupings, i.e., the Organisation for Economic Co-operation and Development (OECD), ASIA, Southern African Development Community (SADC) *Exclusively*, Common Market for Eastern and Southern Africa (COMESA) (*exclusively*) and SADC & COMESA (*dual Members*). All other countries not part of these regions are classified as 'Other'. The OECD grouping is further sub-divided into European Union (EU)<sup>3</sup> and Non-EU<sup>4</sup>.

### 5.1 DIRECTION OF ZAMBIA'S EXPORTS BY REGION

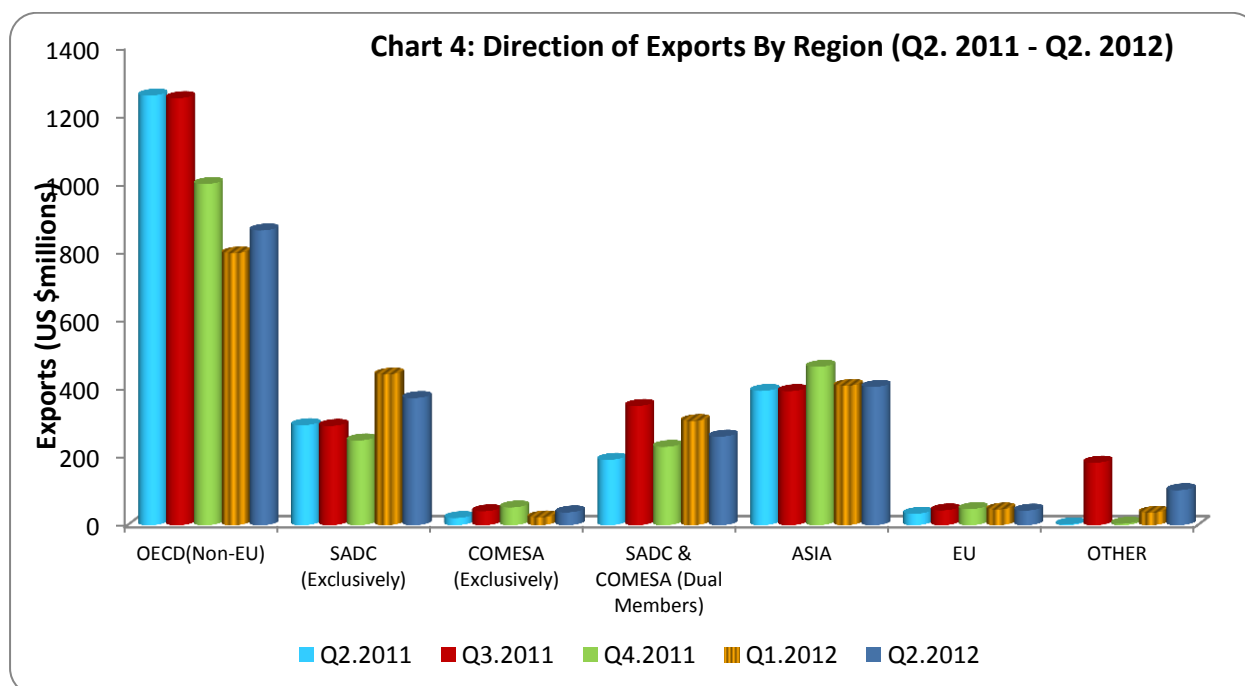
During the second quarter of 2012, Zambia recorded increases in exports to five regions namely; Asia, COMESA (*Exclusively*), EU, SADC (*exclusively*) and SADC and COMESA (*dual members*), whilst exports to the Non-EU OECD region declined. The Non-EU OECD region, however, maintained its top rank as Zambia's major export market, accounting for 41.4 percent of total exports (*see Chart 4*). Exports to the Non-EU OECD region declined by 31.4 percent to US \$864.4 million in the second quarter of 2012 from US \$1,259.8 million recorded during the corresponding period in 2011. Low metal exports to Switzerland coupled with the declining metal prices on the international market, explained this outcome.

Asia ranked second, accounting for 19.4 percent of total exports, although exports to that region marginally grew to US \$405.5 million from US \$393.9 million. This was largely attributed to higher exports of precious stones and metal exports to India and copper exports to the UAE. SADC (*exclusively*) ranked third, accounting for 17.9 percent of Zambia's total exports, following a rise in exports to the region by 27.1 percent to US \$372.9 million in the second quarter of 2012 from US \$293.4 million recorded during the corresponding quarter in 2011. SADC & COMESA (*dual members*) ranked fourth, accounting for 12.5 percent as Zambia's exports to these countries increased by 35.4 percent to US \$259.8 million in the period under review from US \$191.8 million recorded during the same quarter the previous year. Increased exports of fertilisers, cement and mechanical appliances and parts (to Congo DR) and tobacco, manufactured tobacco substitutes, cereals, sugars and sugar confectionery (to Zimbabwe), mainly accounted for the increase. The EU

<sup>3</sup> Countries classified as European Union (EU) in this paper are those that adopted the Euro (Euro Area) as their national currency and not simply members of the European Union.

<sup>4</sup> Non-EU OECD countries are: Australia, Canada, Czech Republic, Denmark, Hungary, Iceland, Korea, Japan, Mexico, New Zealand, Norway, Poland, Slovakia Republic, Sweden, Switzerland, Turkey, UK and USA

ranked fifth (accounting for 2.1 percent of total exports) as exports to the region grew by 27.9 percent to US \$42.9 million from US \$33.6 million, following increased metal exports to Luxembourg. COMESA (*exclusively*) ranked sixth accounting for 1.8 percent of total exports as exports to the region grew by 78.7 percent to US \$37.6 million, driven by a rise in exports of petroleum products, copper and cereals to Kenya.

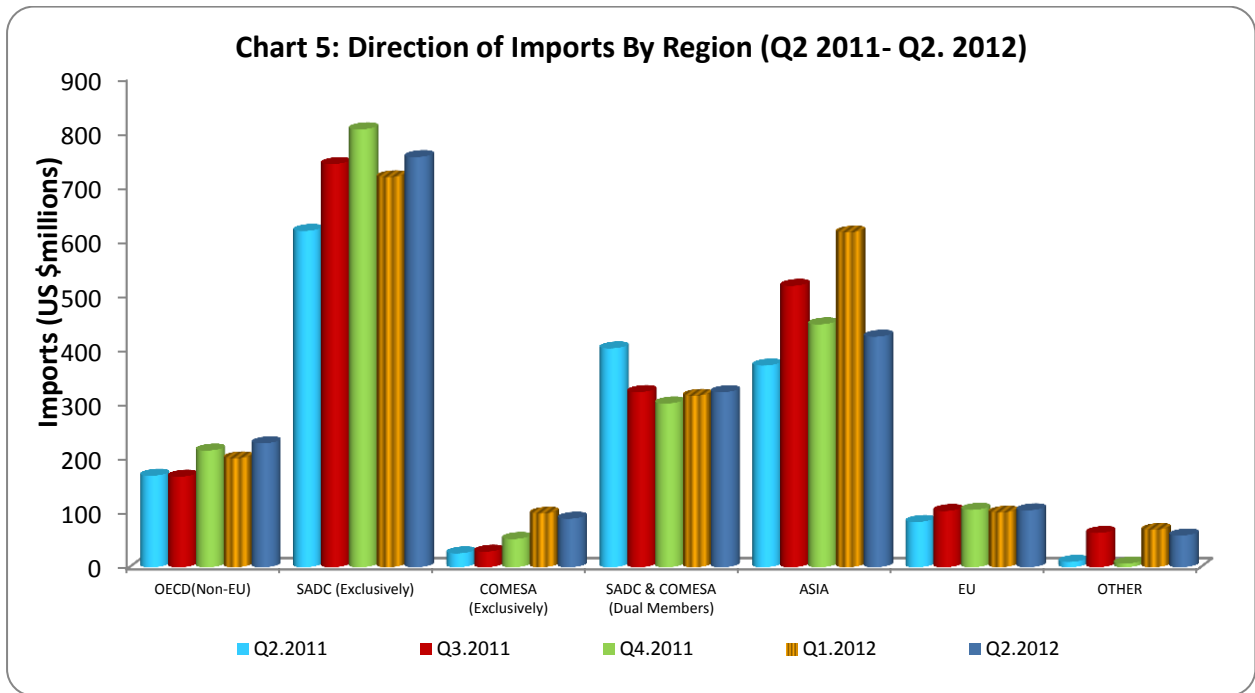


Source: Central Statistical Office

## 5.2 DIRECTION OF ZAMBIA'S IMPORTS BY REGION

During the period under review, Zambia recorded a significant increase in merchandise imports from all regions, except for the SADC & COMESA (*dual members*). SADC (*exclusively*) continued to be the major source of Zambia's imports accounting for 38.1 percent of Zambia's imports. Imports from the region grew by 21.9 percent to US \$755.9 million in the second quarter of 2012 from US \$620.1 million recorded during the same quarter in 2011 (*see Chart 5*), explained by the increased imports of manufactured goods and machinery, electrical equipment and fertilisers from South Africa. Asia maintained its second position accounting for 21.4 percent of Zambia's total imports as imports from that region grew by 14.3 percent to US \$425.3 million from US \$319.0 million, recorded over the same period in 2011. Increased imports of manufactured goods and machinery (from China), pharmaceutical products (from India) and petroleum products (from Kuwait), mainly explained the increase. This was followed by the SADC & COMESA (*dual members*), which accounted for 16.3 percent of total imports although imports from the member countries declined by 20.0 percent to US \$323.0 million, largely on account of lower imports of copper and cobalt ores, concentrates and semi-processed copper from Congo (DR).

The Non-EU OECD region maintained the fourth position, accounting for 11.5 percent of Zambia's imports. Imports from that region grew by 35.4 percent to US \$228.6 million from US \$168.8 million recorded during the corresponding period in 2011. This was largely attributed to increased imports of motor vehicles from Japan, industrial equipment (from the United Kingdom) and parts of machinery and self-propelled machinery (from the United States of America). COMESA (*exclusively*) and the EU maintained their fifth and sixth ranks, accounting for 4.5 percent (US \$89.5 million), and 3.0 percent (US \$58.6 million) of Zambia's total imports, respectively.



Source: Central Statistical Office

## 6.0 CONCLUSION

During the second quarter of 2012, Zambia recorded a narrow trade surplus driven largely by lower export earnings relative to merchandise imports. Zambia registered significant increases in imports from South Africa, UAE, Kuwait, India China, the UK, Kenya, Zimbabwe, Japan and Sweden. During the period under review, Zambia’s six major export destinations during the period under review were Switzerland, South Africa, China, Congo DR, Zimbabwe and the UK.

On a regional basis, the Non-EU OECD continued to dominate the export markets while SADC (*exclusively*) continued to be the major source of Zambia’s imports. During the third quarter of 2012, Zambia’s exports are expected to rise largely on account of likely better global demand prospects for Zambia’s metals. Similarly, imports are expected to remain strong due to better growth prospects of the country and, therefore, continued demand for imports.



**ANNEX 1: ZAMBIA'S EXPORTS TO THE REST OF THE WORLD (IN US \$'MILLION; FOB), Q2 2011 – Q2 2012**

<b>COUNTRY</b>	<b>Q2 2011</b>	<b>Q3 2011</b>	<b>Q4 2011</b>	<b>Q1 2012</b>	<b>Q2 2012</b>
Angola	0.5	1.0	0.5	0.90	8.1
Australia	0.3	3.0	0.4	0.20	0.4
Belgium	21.5	21.9	17.4	18.75	33.7
Botswana	4.1	6.5	12.5	15.95	7.0
Burundi	7.5	7.4	5.8	4.41	7.4
China	346.9	365.1	441.9	370.35	341.8
Democratic Republic of Congo	88.7	240.8	96.4	93.4	138.3
Egypt	0.0	4.9	1.8	2.75	2.2
France	0.4	1.4	0.1	0.04	0.8
Germany	2.4	2.8	5.3	2.99	3.1
Hong Kong	0.8	0.7	1.3	0.28	4.9
India	4.8	3.9	4.4	14.84	16.9
Kenya	12.2	24.7	36.8	10.61	26.7
Korea, Republic of	0.0	0.0	0.1	0.01	0.0
Kuwait	0.0	0.0	0.0	0.0	0.0
Luxembourg	6.5	15.0	21.5	20.85	1.9
Madagascar	0.0	0.1	0.2	0	0.0
Malawi	22.8	33.4	11.3	13.63	16.3
Malaysia	0.0	0.0	0.0	0.0	0.0
Mozambique	3.2	27.3	43.4	4.74	51.9
Namibia	18.1	3.4	5.5	74.53	6.9
Netherlands	2.4	2.3	3.0	3.25	3.4
Pakistan	0.0	0.4	0.0	0.0	0.0
Philippines	0.0	0.0	0.0	0.44	0.0
Republic of Thailand	0.0	0.2	0.0	0.04	0.0
Rwanda	0.8	4.0	5.9	0.60	1.4
Saudi Arabia	10.2	0.0	0.0	0.01	0.0
Singapore	15.3	8.0	4.5	14.79	1.6
South Africa (Republic of)	253.8	231.8	163.8	171.58	226.0
Sudan	0.0	0.0	0.0	3.93	0.0
Swaziland	0.0	1.9	7.2	0.68	1.2
Sweden	0.4	0.1	0.3	0.02	1.5
Switzerland	1,185.6	1,093.0	903.9	689.66	797.4
Tanzania, United	13.8	14.8	22.2	174.04	73.0
United Arab Emirates	15.9	14.5	11.9	22.45	39.9
United Kingdom	70.5	128.8	89.4	123.21	98.3
United States of America	2.6	2.0	0.3	1.79	0.7
Zimbabwe	52.7	48.6	107.7	197.64	85.8
Other	31.4	241.2	20.5	356.8	87.4
<b>Total</b>	<b>2,196.1</b>	<b>2,554.4</b>	<b>2,047.3</b>	<b>2,057.47</b>	<b>2085.9</b>

*Source: Central Statistical Office (CSO)*

**ANNEX 2: ZAMBIA'S IMPORTS FROM THE REST OF THE WORLD (US \$'MILLION); CIF Q2 2011 – Q2 2012**

<b>COUNTRY</b>	<b>Q2 2011</b>	<b>Q3 2011</b>	<b>Q4 2011</b>	<b>Q1 2012</b>	<b>Q2 2012</b>
Australia	10.6	10.4	11.8	18.14	12.2
Austria	0.6	1.4	0.5	1.26	0.0
Belgium	9.7	14.2	16.4	16.83	12.1
Botswana	22.6	9.0	6.4	5.68	4.8
Brazil	1.5	2.1	2.4	7.55	3.2
Canada	9.4	9.0	7.2	1.67	9.3
China	150.9	217.1	189.3	292.78	166.0
Democratic Republic of Congo	376.2	286.5	264.8	274.52	274.7
Denmark	3.7	0.8	2.8	11.80	7.7
Egypt	5.4	7.5	11.1	29.47	30.2
Finland	21.1	31.0	22.0	18.08	11.4
France	8.5	13.1	14.2	9.75	16.4
Germany	13.3	12.1	17.8	20.05	23.9
Hong Kong	8.0	10.6	8.4	21.36	19.9
India	64.6	61.7	73.4	79.66	71.8
Indonesia	1.6	1.5	2.3	2.24	11.2
Ireland	11.0	10.7	14.5	14.81	21.1
Israel	0.2	0.4	1.8	0.44	0.6
Italy	3.9	3.5	6.1	5.70	6.2
Japan	26.5	29.8	45.2	53.72	56.1
Kenya	20.0	21.2	40.7	66.39	57.5
Korea, Republic of	3.7	0.0	5.4	8.65	7.2
Kuwait	41.8	198.1	57.2	137.92	68.0
Lebanon	3.2	0.9	0.5	1.20	3.1
Malawi	3.5	6.0	2.7	4.82	4.5
Malaysia	2.0	1.7	2.6	2.75	3.2
Mauritius	1.2	4.5	6.1	12.69	15.1
Mozambique	5.1	4.7	6.4	1.54	1.4
Namibia	3.2	8.3	4.3	2.90	5.9
Netherlands	14.7	15.9	12.0	11.90	9.6
Pakistan	0.8	1.1	1.6	2.15	1.2
Republic of Thailand	0.0	2.0	5.4	4.57	2.5
Singapore	25.5	13.6	29.3	18.47	7.5
South Africa (Republic of)	574.6	701.0	775.9	689.58	730.0
Spain	0.6	1.1	1.2	1.58	2.2
Swaziland	1.8	2.9	5.1	6.42	5.3
Sweden	26.7	17.7	28.6	20.46	30.5
Switzerland	11.2	22.5	22.1	19.82	27.2
Taiwan, Province of China	1.8	3.4	2.4	2.98	2.8
Tanzania, United	14.6	11.3	14.2	18.86	13.3
United Arab Emirates	70.0	0.0	66.8	49.78	57.1
United Kingdom	53.6	50.5	53.7	52.15	55.6
United States of America	21.6	16.3	35.6	48.82	57.7
Zimbabwe	21.2	23.3	23.4	17.03	23.4
Other	12.4	90.5	16.0	387.0	35.4
<b>Total</b>	<b>1,684.1</b>	<b>1,948.3</b>	<b>1,937.6</b>	<b>2,121.03</b>	<b>1,986.0</b>

**Source:** Central Statistical Office (CSO)