



Bank of Zambia

Zambia

Direction of Trade Report

(Second Quarter 2013)

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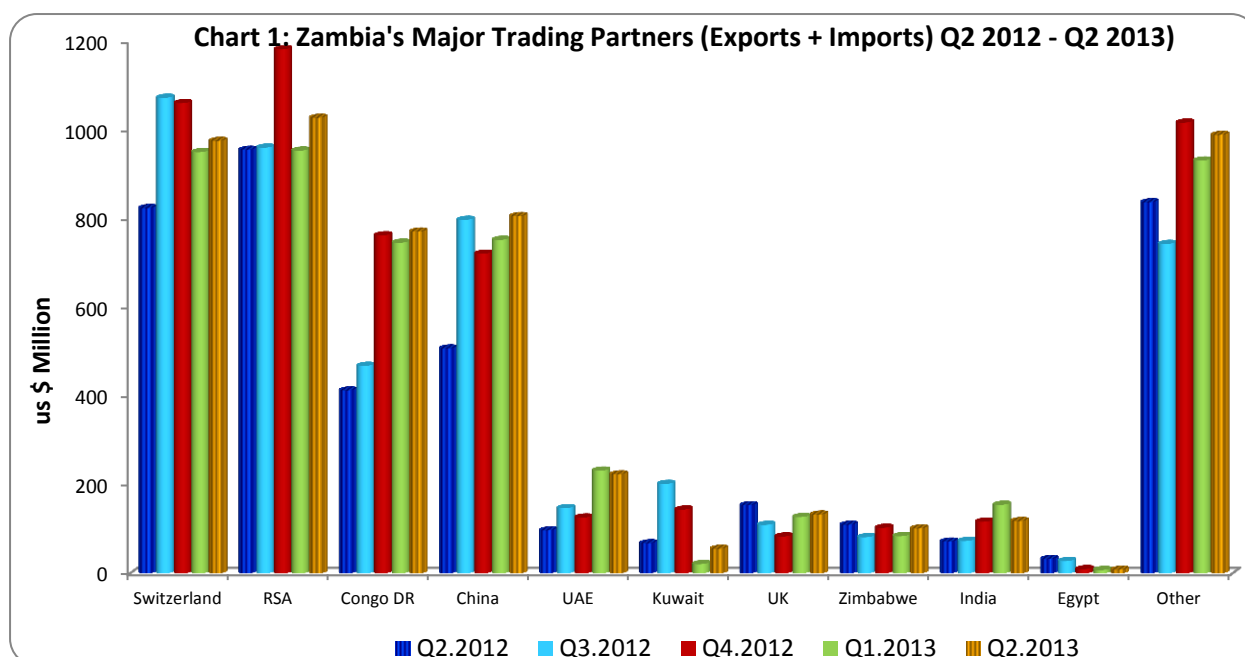
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1.0 INTRODUCTION

This report shows Zambia's direction of merchandise trade for the second quarter of 2013 compared with the corresponding quarter in 2012. 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 the conclusion is presented in section 6.

2.0 ZAMBIA'S MAJOR TRADING PARTNERS

Preliminary data shows that Zambia's trade (exports plus imports) grew by 28.0 percent to US \$5,212.3 million from US \$4,071.9 million recorded during the same period in 2012. The Republic of South Africa continued to be Zambia's top major trading partner during the period under review, following a 7.6 percent growth in trade with that country to US \$1,028.3 million from US \$961.1 million recorded during the corresponding quarter of 2012. This outturn was explained by an increase in exports of metals, chemicals, raw hides and skins to that country and imports of iron and steel and items thereof, petroleum products, industrial boilers and equipment and electrical machinery and equipment from that country. Switzerland ranked second, following a rise in trade with that country by 18.4 percent to US \$976.3 million from US \$824.6 million recorded during the second quarter of 2012, largely attributed to high volumes of metals purchased from Zambian mining companies by Swiss-based metal traders¹ (see Chart 1).



Source: Central Statistical Office

China remained in third position, as trade with that country grew by 58.8 percent to US \$806.4 million from US \$507.8 million registered during the corresponding period in 2012. Increased metal exports to that country and imports of industrial boilers and equipment, and iron and steel and items thereof from that country explained this outturn. Congo (DR) ranked fourth, following a growth in trade with that country by 86.9 percent to US \$771.6 million from US \$412.9 million during the second quarter of 2012. This was largely attributed to a rise in exports of food items,

¹ 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.

chemicals and cement and lime to that country and imports of copper and cobalt ores and concentrates from that country.

The United Arab Emirates (UAE) ranked fifth, as trade with that country more than doubled to US \$223.6 million from US \$97.1 million recorded during the corresponding quarter in 2012. Increased exports of base metals, beverages, spirits and vinegar and tobacco to that country, explained this outturn. The United Kingdom ranked sixth, although trade with that country declined by 13.7 percent to US \$132.9 million from US \$153.9 million registered during the second quarter of 2012, on account of a decline in exports of copper cathodes and articles thereof to that country. India ranked seventh, following a rise in trade with that country by 64.6 percent to US \$118.1 million from US \$71.8 million recorded during the corresponding quarter of 2012, explained in part by a rise in imports of paper and paper products and industrial boilers and equipment from that country.

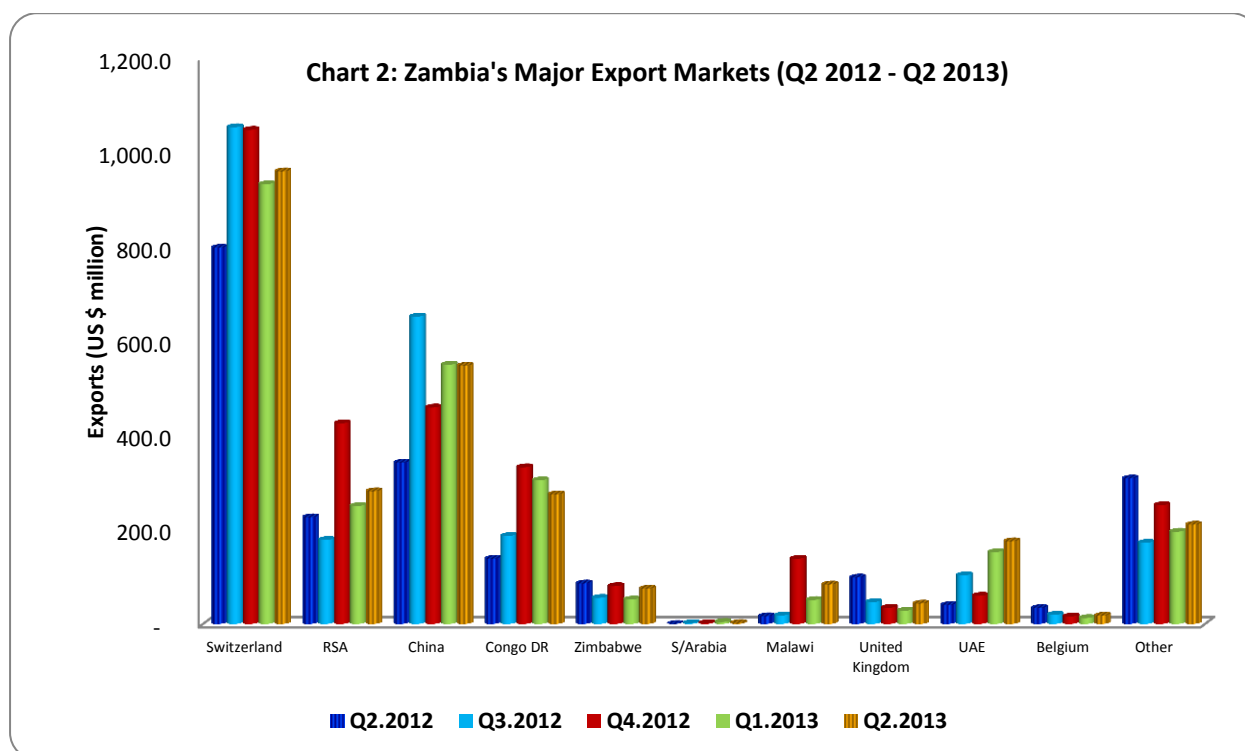
Zimbabwe ranked eighth, as trade with that country declined by 7.6 percent to US \$101.4 million from US \$109.8 million recorded during the second quarter in 2012, largely attributed to a fall in exports of tobacco and manufactured tobacco substitutes to that country. Kuwait and Egypt ranked ninth and tenth, respectively following declines in trade with both countries. Trade with Kuwait declined by 18.4 percent to US \$55.5 million from US \$68.0 million recorded during the second quarter of 2012, driven by lower imports of petroleum products. Similarly, trade with Egypt declined by 74.1 percent to US \$8.4 million from US \$32.4 million recorded in the corresponding period in 2012, due to lower imports of optical, measuring, checking and precision products from that country.

3.0 ZAMBIA'S MAJOR EXPORT MARKETS

Zambia's exports grew by 28.0 percent to US \$2,669.8 million during the second quarter of 2013 from US \$2,085.9 million, registered during the corresponding period in 2012. Switzerland ranked top as Zambia's major export market, as exports to that country increased by 20.3 percent to US \$959.3 million from US \$797.4 million (*see Chart 2*), largely driven by higher volumes of base metals purchased by Swiss-based metal traders from Zambian mining companies. China ranked second, as exports to that country increased by 60.2 percent to US \$547.3 million from US \$341.8 million, largely driven by a rise in exports of base metals to that country. South Africa ranked third replacing Congo (DR), following an increase in exports to that country by 24.4 percent to US \$281.3 million from US \$226.0 million registered during the corresponding period in 2012. An increase in exports of metals and raw hides and skins to that country, explained this outturn. Congo (DR) ranked fourth, down from third position, although exports to that country nearly doubled to US \$274.8 million from US \$138.2 million registered in the second quarter of 2012. Increased exports of food items, chemicals and cement and lime to that country, explained this outturn.

The United Arab Emirates remained in fifth position, as exports to that country significantly rose to US \$175.3 million from US \$40.0 million recorded during the corresponding quarter of 2012. This outturn was explained by increased exports of base metals, beverages, spirits and vinegar and tobacco to that country. Malawi ranked sixth, up from seventh, following a substantial growth in exports to that country to US \$83.7 million from US \$16.4 million recorded during the corresponding period in 2012. This was largely explained by increased exports of cereals, tobacco and manufactured tobacco substitutes. Zimbabwe ranked seventh, down from sixth position, following a decline in exports to that country by 12.7 percent to US \$74.9 million from US \$85.9 million, explained by lower exports of tobacco and manufactured tobacco substitutes. The United Kingdom ranked eighth, as exports to that country declined by 56.1 percent to US \$43.2 million from US \$98.3 million. This outturn was explained by a decline in exports of copper and articles thereof to that country. Similarly, exports to Belgium declined by 47.8 percent to US \$17.6 million during the second quarter of 2013, from US \$33.7 million registered during the corresponding

period in 2012, explained by a decline in export of copper ores, slag and ash to that country. Zambia's exports to Saudi Arabia amounted to US \$2.1 million during the period under review, from close to zero during the corresponding period in 2012.



Source: Central Statistical Office

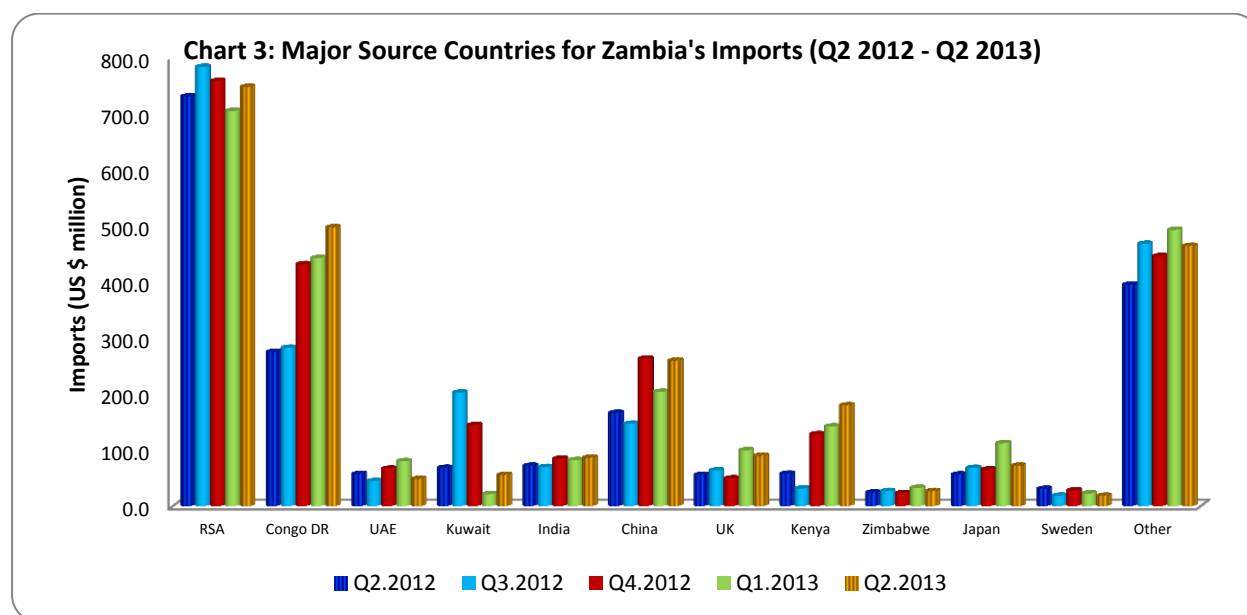
4.0 MAJOR SOURCE COUNTRIES OF ZAMBIA'S IMPORTS

Preliminary data shows that Zambia recorded a rise in imports from the rest of the world by 28.0 percent to US \$2,542.5 million during the second quarter of 2013 from US \$1,986.0 million, recorded during the corresponding quarter in 2012. The Republic of South Africa remained as Zambia's major source of imports, following an increase in imports from that country by 2.3 percent to US \$747.1 million from US \$730.0 million, registered during the corresponding quarter in 2012 (*see Chart 3*). This outturn was largely attributed to a rise in imports of iron and steel and items thereof, petroleum products, industrial boilers and equipment, and electrical machinery and equipment. Congo (DR) ranked second, as imports from that country grew by 80.9 percent to US \$496.8 million from US \$274.7 million, explained by higher imports of copper ores, slag and ash from that country. China maintained the third position, following an increase in imports from that country by 56.1 percent to US \$259.1 million from US \$166.0 million. This outturn was largely explained by higher imports of industrial boilers and equipment, and iron and steel and items thereof. Kenya ranked fourth, as imports from that country significantly increased to US \$179.4 million from US \$57.6 million recorded in the second quarter of 2012. This outturn was explained by an upswing in imports of mineral fuels, oils and products thereof.

The United Kingdom ranked fifth, up from sixth position, following an increase in imports from that country by 61.4 percent to US \$89.7 million from US \$55.6 million, largely attributed to a rise in imports of industrial boilers and equipment. India ranked sixth, as imports from that country grew by 20.2 percent to US \$86.3 million from US \$71.8 million recorded during the second quarter of 2012. An increase in imports of paper and paper products and industrial boilers and equipment from that country explained this outturn. Japan ranked seventh, following an increase in imports from that country by 27.8 percent to US \$71.8 million from US \$56.2 percent, registered during the corresponding period in 2012. This outturn was explained by increased imports of motor vehicles and petroleum products from that country. Kuwait ranked eighth, following a

decline in imports from that country by 18.4 percent to US \$55.5 million from US \$68.0 million recorded during the corresponding period the previous year, largely driven by a decline in imports of petroleum products. The United Arab Emirates ranked ninth, as imports from that country declined by 15.3 percent to US \$48.4 million from US \$57.1 million recorded during the same period in 2012, largely on account to a decline in imports of fertiliser from that country.

During the review period, Zambia's imports from Zimbabwe increased by 10.7 percent to US \$26.5 million from US \$23.9 million registered during the second quarter in 2012, driven by an increase in imports of food items and iron and steel. During the second quarter of 2013, imports from Sweden declined by 40.2 percent to US \$18.3 million from US \$30.6 million recorded in the second quarter of 2012.



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)² and Non-EU³.

5.1 DIRECTION OF ZAMBIA'S EXPORTS BY REGION

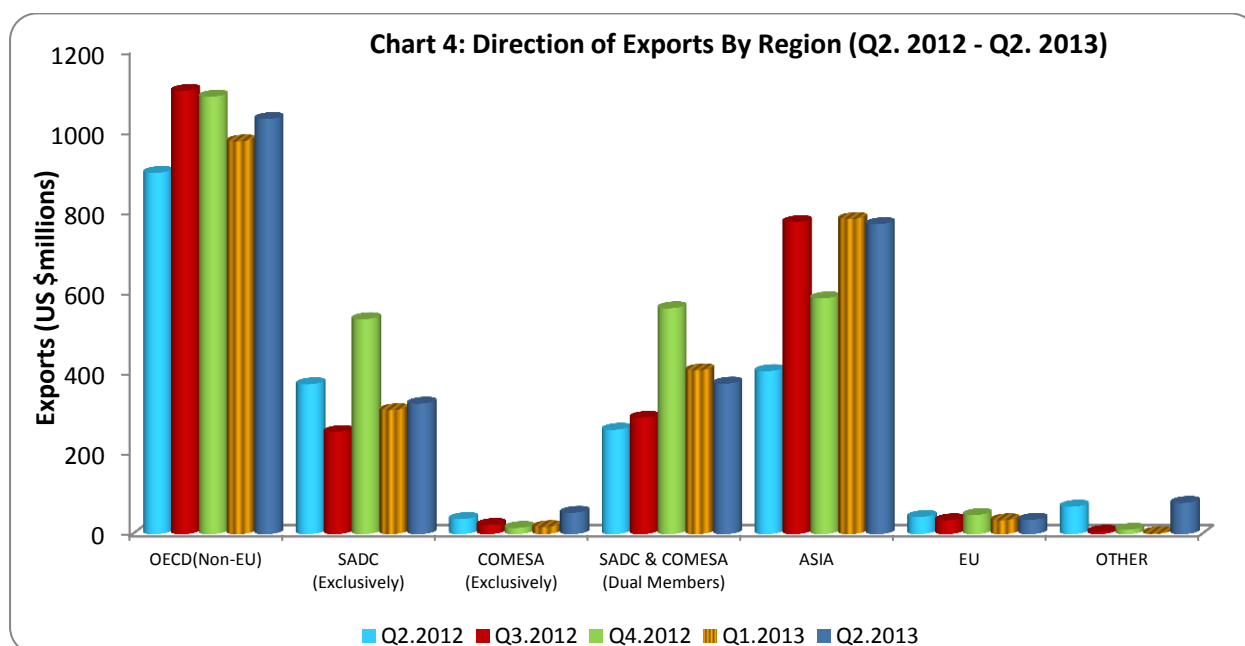
During the second quarter of 2013, Zambia registered increases in exports to four regions namely; Asia, COMESA *exclusively*, the Non-EU OECD region, and the SADC and COMESA *dual members*), whilst exports to the EU and SADC *exclusively* declined. The Non-EU OECD region continued to rank as Zambia's top major export market, accounting for 38.7 percent of total exports (*see Chart 4*), following an increase in exports to that region by 14.9 percent to US

² 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.

³ 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

\$1,032.6 million from US \$898.6 million recorded during the corresponding quarter in 2012, largely on account of high metal exports to Switzerland.

Asia ranked second, accounting for 28.9 percent of Zambia’s total exports, as exports to that region grew by 90.2 percent to US \$771.3 million from US \$405.5 million, largely attributed to a rise in exports of base metals, beverages, spirits and vinegar and tobacco to the United Arab Emirates and base metals to China. SADC & COMESA (*dual members*) maintained the third position, accounting for 14.0 percent of Zambia’s total exports, as exports to the region grew by 44.2 percent to US \$374.5 million from US \$259.8 million. An increase in exports of food items, chemicals and cement and lime to Congo (DR) and cereals and tobacco and manufactured tobacco substitutes to Malawi, explained this outturn. SADC (*exclusively*) ranked fourth, accounting for 12.2 percent of Zambia’s total exports, following a decline in exports to the region by 12.9 percent to US \$324.7 million from US \$372.9 million registered during the corresponding period in 2012. This outturn was attributed to a decline in exports of cereals to Tanzania. COMESA (*exclusively*) ranked fifth, accounting for 2.0 percent of Zambia’s total exports, as exports to the region grew by 41.4 percent to US \$53.2 million from US \$37.6 million, largely attributed to high exports of industrial boilers and equipment and man-made staple fibres to Kenya. The EU ranked seventh, accounting for 1.3 percent of total exports, following a decline in exports to the region by 16.7 percent to US \$35.7 million from US \$42.9 million, on account of a drop in exports of copper ores, slag and ash to Belgium.



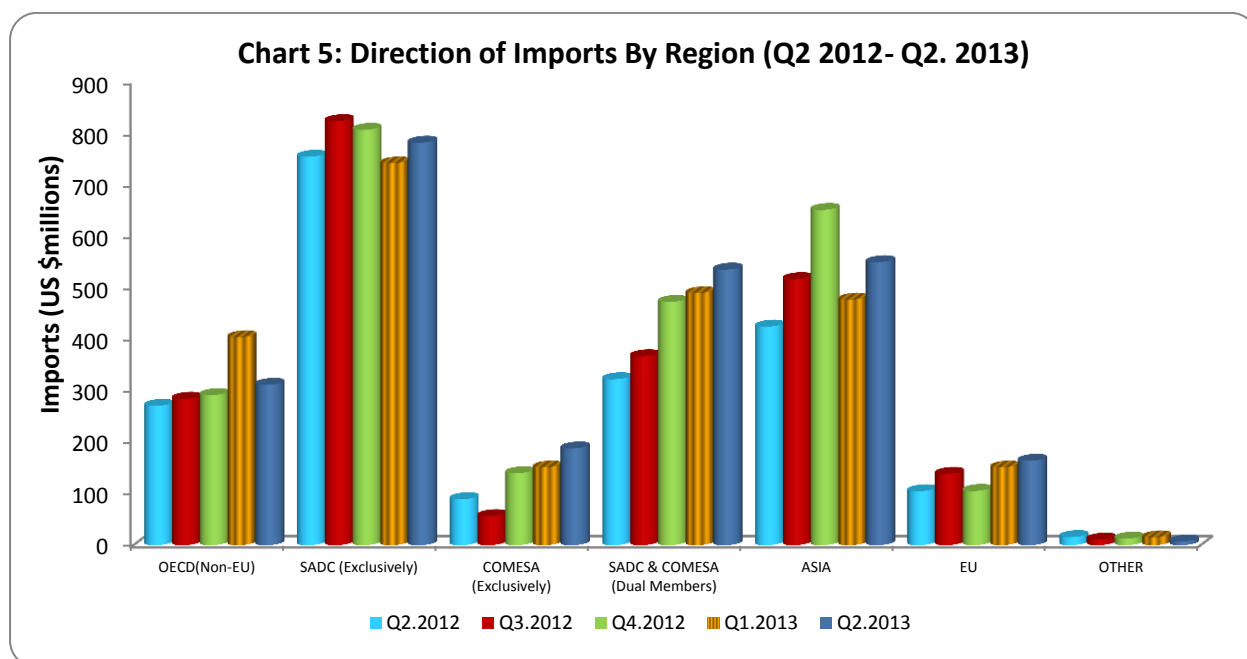
Source: Central Statistical Office

5.2 DIRECTION OF ZAMBIA'S IMPORTS BY REGION

During the second quarter of 2013, Zambia registered an increase in merchandise imports from all regions. SADC (*exclusively*) ranked first as Zambia’s major source of imports accounting for 30.8 percent of total imports, following an increase by 3.6 percent to US \$783.2 million from US \$756.0 million recorded during the corresponding quarter in 2012 (*see Chart 5*). This outturn was largely explained by a rise in imports of iron and steel and items thereof, petroleum products, industrial boilers and equipment and electrical machinery and equipment from South Africa. Asia ranked second, up from third position, accounting for 21.7 percent of total imports, following an increase in imports from that region by 29.5 percent to US \$550.8 million from US \$425.3 million. Increased imports of industrial boilers and equipment, and iron and steel and items thereof from China, paper and paper products and industrial boilers and equipment from India and petroleum products and food items from Singapore, largely explained this outturn. SADC & COMESA (*dual*

members), ranked third, accounting for 21.1 percent of total imports, as imports from that region increased by 66.1 percent to US \$536.3 million from US \$323.0 million, explained by higher imports of copper ores, slag and ash from Congo DR.

The Non-EU OECD region remained in fourth position, accounting for 12.3 percent of the total imports, on account of increased imports from that region by 15.1 percent to US \$312.1 million from US \$271.3 million, recorded during the second quarter of 2012. The growth in imports was attributed to a rise in imports of industrial boilers from Australia. During the period under review, COMESA (*exclusively*) and the EU ranked fifth and sixth, accounting for 7.4 percent and 6.5 percent, respectively, of Zambia’s total imports. Imports from COMESA (*exclusively*) more than doubled to US \$188.3 million from US \$89.5 million recorded during the corresponding period in 2012. Imports from the EU region grew by 56.4 percent to US \$164.3 million during the second quarter of 2012, from US \$105.1 million recorded in the same period the previous year.



Source: Central Statistical Office

6.0 CONCLUSION

During the period under review, preliminary data shows that Zambia recorded an increase in both merchandise exports earnings and merchandise imports to and from the rest of the world. Key export destinations continued to be dominated by Switzerland, China, South Africa and Congo DR, accounting for 77.3 percent of Zambia’s total exports, following a growth in exports of 37.2 percent for all the four countries combined. During the same period, the United Arab Emirates and Malawi recorded substantial increases in exports. South Africa, Congo DR and China, continued to be Zambia’s top major sources of imports, accounting for 59.1 percent of the country’s total imports, with a combined growth of 28.4 percent. Increases in imports were also recorded from Kenya, Japan and the United Kingdom.

During the period under review, Zambia’s top export market at regional level, continued to be the Non-EU OECD, with the SADC (*exclusively*) being the country’s top major source of imports. In the third quarter of 2013, Zambia’s international trade is expected to remain strong, though growth of merchandise export earnings is expected to be moderated by lower commodity prices on the international market, in spite of higher metal export volumes and favourable growth in the non-traditional exports. Merchandise imports are expected to be higher, largely driven by foreign direct investment related imports of machinery and equipment as well as Government infrastructure related expenditure.

ANNEX 1: ZAMBIA'S EXPORTS TO THE REST OF THE WORLD (IN US \$'MILLION; FOB), Q2 2012 – Q2 2013

COUNTRY	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013
Angola	8.1	1.2	14.4	0.9	0.3
Australia	0.4	0.4	0.7	1.3	1.6
Belgium	33.7	19.5	15.9	12.6	17.6
Botswana	7.0	5.4	32.1	4.2	3.5
Burundi	7.4	6.2	6.8	1.8	3.3
China	341.8	651.5	458.8	549.5	547.4
Democratic Republic of Congo	160.1	186.6	332.2	304.5	274.8
Egypt	2.2	3.7	0.0	0.0	0.0
France	0.8	0.9	3.0	1.6	0.4
Germany	3.1	2.9	3.3	1.8	3.1
Hong Kong	4.9	10.8	10.2	2.7	11.4
India	18.1	4.0	32.4	73.3	31.9
Kenya	28.5	10.5	6.5	14.5	49.5
Korea, Republic of	0.0	0.0	0.2	0.0	0.0
Kuwait	0.0	0.0	0.1	0.0	0.0
Luxembourg	1.9	7.1	5.4	10.7	8.2
Madagascar	0.0	0.0	0.1	0.0	0.0
Malawi	16.8	18.1	138.3	50.9	83.7
Malaysia	0.0	0.0	0.0	0.0	0.2
Mozambique	5.1	5.5	4.8	13.0	6.1
Namibia	7.4	39.3	31.5	25.2	14.1
Netherlands	3.4	3.6	19.9	7.6	7.6
Pakistan	0.0	0.0	0.0	0.0	0.0
Philippines	0.0	0.1	0.0	0.0	0.0
Republic of Thailand	0.0	0.1	0.0	0.0	0.0
Rwanda	1.4	2.1	1.8	0.8	0.0
Saudi Arabia	0.0	1.9	1.8	4.2	2.1
Singapore	1.6	4.5	22.2	1.4	2.5
South Africa (Republic of)	233.1	178.2	425.4	250.0	281.3
Sudan	0.0	0.0	0.0	0.0	0.0
Swaziland	1.2	10.5	0.4	0.2	0.2
Sweden	2.0	0.0	0.7	0.3	0.8
Switzerland	908.9	1,053.0	1,047.3	932.1	959.3
Tanzania, United	48.6	23.5	24.5	12.2	16.5
United Arab Emirates	40.1	103.1	59.8	152.2	175.3
United Kingdom	99.8	46.4	34.3	28.0	43.2
United States of America	0.8	1.9	3.4	4.8	7.3
Zimbabwe	87.1	55.4	80.2	51.8	74.9
Other	10.6	27.8	27.3	17.2	41.70
Total	2,085.90	2,485.7	2,845.7	2,531.3	2,669.80

Source: Central Statistical Office (CSO)

ANNEX 2: ZAMBIA'S IMPORTS FROM THE REST OF THE WORLD (US \$'MILLION); CIF Q2 2012 – Q2 2013

COUNTRY	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013
Australia	12.2	9.5	19.8	19.4	22.43
Austria	1.0	1.8	0.8	0.4	1.6
Belgium	12.1	27.4	13.9	16.4	12.7
Botswana	4.8	5.5	12.6	6.2	7.0
Brazil	3.2	1.9	2.0	6.8	2.9
Canada	9.2	18.9	10.0	14.2	9.4
China	166.0	146.6	262.7	203.5	259.1
Democratic Republic of Congo	274.7	282.0	431.0	442.0	496.8
Denmark	7.7	5.9	5.4	8.7	3.9
Egypt	30.2	24.4	9.7	7.8	8.4
Finland	11.4	10.0	6.7	3.9	18.4
France	16.4	10.8	5.5	10.2	7.5
Germany	23.9	38.7	29.4	63.1	65.0
Hong Kong	19.9	12.0	10.2	10.3	12.1
India	71.8	69.4	84.4	81.7	86.3
Indonesia	11.2	4.0	9.2	8.3	14.8
Ireland	21.1	4.0	18.0	21.8	25.1
Israel	0.6	0.7	0.5	0.7	0.4
Italy	6.3	4.0	9.3	6.5	8.7
Japan	56.2	67.9	65.1	112.0	71.8
Kenya	57.5	31.2	127.9	141.8	179.4
Korea, Republic of	7.2	8.8	9.4	9.8	10.6
Kuwait	68	202.0	144.2	21.2	55.5
Lebanon	3.0	4.3	1.6	2.9	10.4
Malawi	4.5	52.4	6.6	9.3	5.5
Malaysia	3.2	3.0	3.6	7.9	3.1
Mauritius	15.1	5.5	5.9	2.3	2.3
Mozambique	1.4	7.0	11.3	3.4	3.4
Namibia	5.9	7.4	7.3	7.0	9.8
Netherlands	9.6	24.2	15.4	18.0	20.0
Pakistan	1.2	1.5	1.1	0.4	0.8
Republic of Thailand	2.5	5.2	5.9	9.6	2.4
Singapore	7.5	11.9	18.0	23.3	34.8
South Africa (Republic of)	730.0	782.8	757.6	704.3	747.1
Spain	2.2	3.5	5.8	8.3	3.9
Swaziland	5.3	1.3	7.0	4.1	5.2
Sweden	30.5	18.4	27.8	22.5	18.3
Switzerland	27.2	20.6	14.2	18.8	17.0
Taiwan, Province of China	2.8	2.5	30.8	4.8	6.5
Tanzania, United	13.3	22.5	16.8	22.0	15.6
United Arab Emirates	57.1	44.3	66.4	79.9	48.4
United Kingdom	55.6	63.4	49.2	99.4	89.7
United States of America	55.6	63.4	82.5	90.9	61.3
Zimbabwe	23.4	26.5	23.0	32.4	26.5
Other	36.5	43.0	39.2	44.8	73.42
Total	1,986.0	2,202.0	2,484.7	2,433.0	2,542.45

Source: Central Statistical Office (CSO)