



**Bank of Zambia**

# Zambia

## Direction of Trade Report

**(Third Quarter 2013)**

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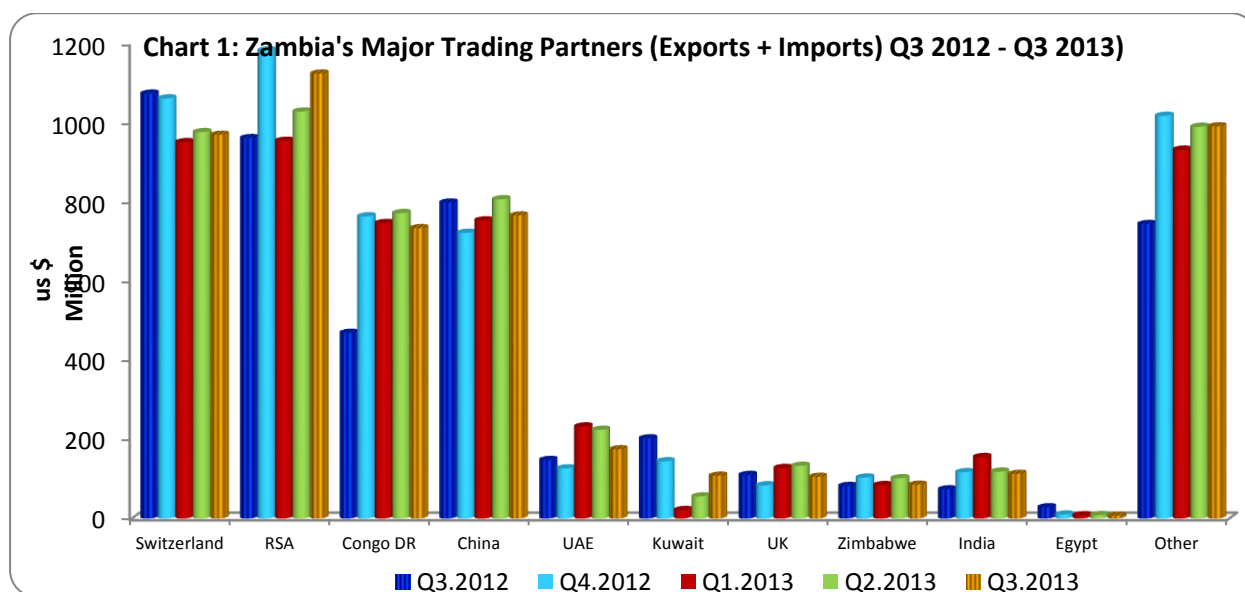
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## 1.0 INTRODUCTION

This report shows Zambia's direction of merchandise trade for the third 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

During the third quarter of 2013, Zambia's trade (exports plus imports) grew by 10.4 percent to US \$5,174.4 million compared with US \$4,687.69 million registered during the corresponding period in 2012. The Republic of South Africa remained as Zambia's top major trading partner during the review period, on account of a 17.0 percent rise in trade with that country to US \$1,124.2 million compared with US \$961.1 million registered during the same quarter of 2012, driven by increased exports of metals, cigarettes, alcoholic beverages and cotton to that country. Switzerland rank second, as trade with that country declined by 9.7 percent to US \$969.5 million compared with US \$1,073.6 million registered during the third quarter of 2012, largely driven by lower volumes of metals purchased from Zambian mining companies by Swiss-based metal traders<sup>1</sup>, coupled with a decline in global metal prices (*see Chart 1*).



Source: Central Statistical Office

China continued to rank third, although trade with that country declined by 4.1 percent to US \$765.4 million from US \$798.1 million recorded during the third quarter of 2012. This outcome was explained by a decline in base metal exports to that country. Congo (DR) remained in fourth position, as trade with that country grew by 56.5 percent to US \$733.3 million from US \$468.6 million recorded during the corresponding period the previous year. This was largely attributed to higher imports of copper and cobalt ores and concentrates from that country and a rise in exports of food items, chemicals, cement and lime, miscellaneous articles of metals and industrial boilers to that country.

<sup>1</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.

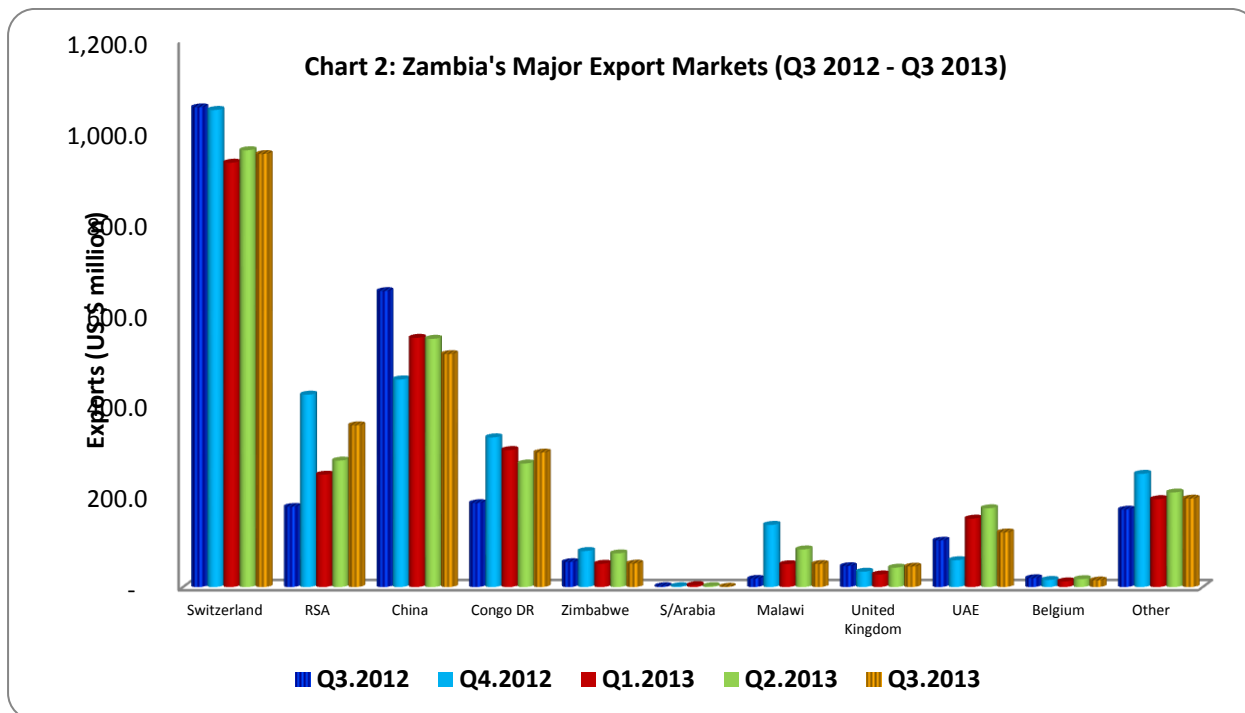
The United Arab Emirates (UAE) remained in fifth position and trade with that country rose to US \$174.5 million from US \$147.5 million registered during the third quarter in 2012. Increased exports of base metals, beverages, spirits and vinegar and tobacco to that country and imports of chemicals and industrial boilers, explained this outturn. India ranked sixth, up from seventh, on account of a rise in trade with that country by 53.1 percent to US \$112.4 million from US \$73.4 million registered during the same quarter in 2012. This was explained in part by a rise in imports of industrial boilers and equipment and pharmaceutical products from that country. Kuwait ranked seventh, up from ninth position, although trade with that country declined by 46.7 percent, driven by lower imports of petroleum products.

The United Kingdom ranked eighth, down from sixth position, following a decline in trade with that country by 4.4 percent to US \$104.9 million from US \$109.8 million recorded during the corresponding quarter of 2012. This outturn was driven by a decline in exports of copper cathodes and articles thereof to that country and imports of industrial boilers from that country. Zimbabwe ranked ninth and trade with that country grew by 3.8 percent to US \$85.0 million from US \$81.9 million recorded during the same quarter in 2012, largely driven by a rise in imports of fertiliser and mineral fuels from that country. During the period under review, trade with Egypt declined by 76.5 percent to US \$6.6 million from US \$28.1 million recorded in the same period in 2012, on account of lower imports of electrical machinery and equipment parts thereof from that country.

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

During the quarter under review, Zambia's exports grew by 4.8 percent to US \$2,604.2 million from US \$2,485.7 million, registered during the corresponding period in 2012. Switzerland continued to top the list as Zambia's major export market, although exports to that country declined by 9.7 percent to US \$951.0 million from US \$1,053.0 million (*see Chart 2*). Lower volumes and prices of base metals purchased by Swiss-based metal traders from Zambian mining companies, explained this outturn. China remained in second position, despite a decline in exports to that country by 21.1 percent to US \$514.0 million from US \$651.5 million, driven by lower exports of base metals to that country. South Africa ranked third, following a significant increase in exports to that country to US \$358.4 million from US \$178.2 million registered during the corresponding period the previous year. This outturn was explained by increased exports of metals, cigarettes, alcoholic beverages and cotton to that country. Congo (DR) ranked fourth, following a surge in exports to that country by 60.1 percent to US \$298.8 million from US \$186.6 million recorded during the corresponding period of 2012, driven by increased exports of food items, chemicals, cement and lime, miscellaneous articles of metals and industrial boilers to that country.

The United Arab Emirates maintained the fifth position, on account of increased exports to that country by 17.7 percent to US \$121.4 million from US \$103.1 million recorded during the same period in 2012. Increased exports of base metals, beverages, spirits and vinegar and tobacco to that country, explained this outturn. Zimbabwe ranked sixth, replacing Malawi, despite registering a decline in exports to that country by 5.9 percent to US \$52.1 million from US \$55.4 million, explained by lower exports of tobacco, manufactured tobacco substitutes, cereals, sugars and sugar confectionery. Malawi ranked seventh, down from sixth, although exports to that country grew significantly to US \$51.2 million from US \$18.1 million recorded during the third quarter in 2012, largely attributed to increased exports of tobacco. The United Kingdom ranked eighth, following a marginal decline in exports to that country to US \$45.5 million from US \$46.4 million, on account of a lower exports of copper and articles thereof to that country. During the quarter under review, exports to Belgium declined by 25.3 percent to US \$14.6 million from US \$19.5 million recorded during the third quarter in 2012, explained by a decline in exports of copper ores, slag and ash to that country. Zambia's exports to Saudi Arabia substantially declined to US \$0.6 million from US \$1.9 million recorded during the corresponding period in 2012.



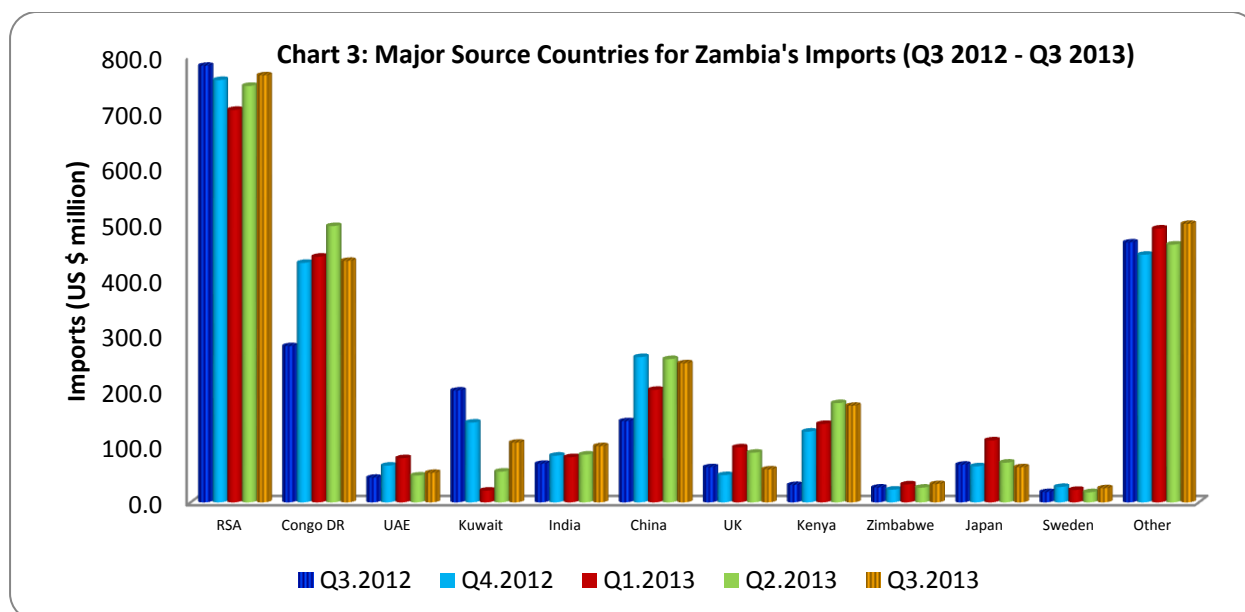
Source: Central Statistical Office

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

Zambia's imports from the rest of the world during the third quarter of 2013 grew by 16.7 percent to US \$2,570.2 million from US \$2,202.0 million, recorded during the same quarter in 2012. The Republic of South Africa continued to be Zambia's major source of imports, despite recording a decline in imports from that country by 2.2 percent to US \$765.8 million from US \$782.8 million, recorded during the third quarter in 2012 (*see Chart 3*). This outturn was largely explained by a decline in imports of manufactured goods, machinery and mechanical appliances and motor vehicles. Congo (DR) ranked second, on account of increased imports from that country by 54.1 percent to US \$434.5 million from US \$282.0 million, driven by higher imports of copper and cobalt ores and concentrates from that country. China remained in third position, as imports from that country grew by 71.4 percent to US \$251.4 million from US \$146.6 million due to higher imports of industrial boilers and equipment, and iron and steel and items thereof. Kenya ranked fourth, following a substantial increase of imports from that country to US \$174.5 million from US \$31.2 million recorded in the third quarter of 2012, following a surge in imports of gas oils.

Kuwait ranked fifth, up from eighth, despite recording a decline in imports from that country by 46.7 percent to US \$107.8 million from US \$202.0 million registered during the third quarter in 2012. This was largely attributed to a decline in imports of petroleum products from that country. India ranked sixth, following an increase in imports from that country by 46.2 percent to US \$101.4 million from US \$69.4 million recorded during the third quarter of 2012, driven by increased imports of industrial boilers and equipment and pharmaceutical products from that country. Japan ranked seventh and imports from that country declined by 6.7 percent to US \$63.4 million from US \$67.9 million, recorded during the third quarter in 2012. A decline in imports of motor vehicles from that country, explained this outturn. The United Kingdom ranked eighth, down from fifth, following a 6.2 percent decline in imports from that country to US \$59.5 million from US \$63.4 million, largely driven by a lower imports of industrial boilers and equipment from that country. The United Arab Emirates ranked ninth, following a 19.8 percent rise in imports from that country to US \$53.1 million from US \$44.3 million recorded during the corresponding period in 2012, driven largely by an increase in imports of fertiliser, chemicals and electrical machinery and equipment parts from that country.

During the quarter under review, Zambia's imports from Zimbabwe grew by 24.1 percent to US \$32.9 million from US \$26.3 million registered during the third quarter in 2012, following an increase in imports of fertiliser and mineral fuels. Imports from Sweden increased by 38.1 percent to US \$25.4 million from US \$18.4 million recorded in the third 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)<sup>2</sup> and Non-EU<sup>3</sup>.

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

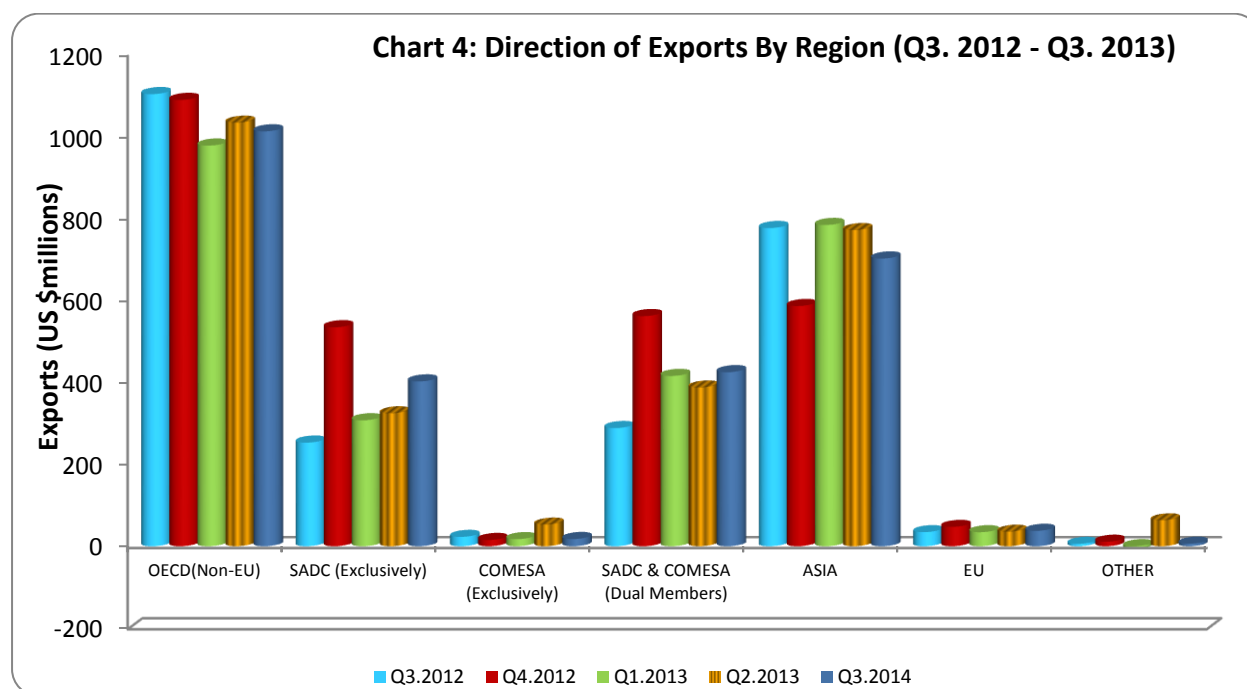
Preliminary data shows that Zambia recorded increases in exports to three regions namely; the EU, SADC *exclusively* and the SADC and COMESA *dual members*), whilst exports to Asia, COMESA *exclusively* and the Non-EU OECD region declined. Notwithstanding, the Non-EU OECD region continued to rank as Zambia's top major export market, accounting for 38.8 percent of total exports (*see Chart 4*), despite recording a decline in exports to that region by 8.2 percent to US \$1,011.7 million from US \$1,102.4 million registered during the corresponding period in 2012, largely driven by low metal exports to Switzerland. Similarly, Asia maintained its second position, accounting for 27.0 percent of Zambia's total exports, although exports to that region declined by 9.6 percent to US \$702.1 million from US \$776.3 million, on account of declines in exports of base metals to China.

SADC & COMESA *dual members*) ranked third, accounting for 16.3 percent of Zambia's total exports, following an increase in exports to the region by 47.0 percent to US \$425.5 million from

<sup>2</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>3</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

US \$289.5 million. This outturn was explained by increased exports of food items, chemicals, cement and lime, miscellaneous articles of metals and industrial boilers to Congo (DR) and tobacco to Malawi. SADC (*exclusively*) ranked fourth, accounting for 15.5 percent of Zambia's total exports, largely attributed to an upswing in exports to the region by 58.6 percent to US \$403.0 million from US \$254.0 million. Increased exports of metals, cigarettes, alcoholic beverages and cotton to South Africa, explained this outturn. The EU ranked fifth, up from sixth, following an increase in exports to that region by 9.5 percent to US \$37.9 million from US \$34.6 million, representing 1.5 percent of total exports, driven by a rise in exports of cathodes and sections of cathodes of refined copper to Luxembourg. COMESA (*exclusively*) ranked sixth, down from fifth, accounting for 0.7 percent of Zambia's total exports, as exports to the region declined by 22.7 percent to US \$17.8 million from US \$23.0 million, driven by low exports of base metals to Egypt.



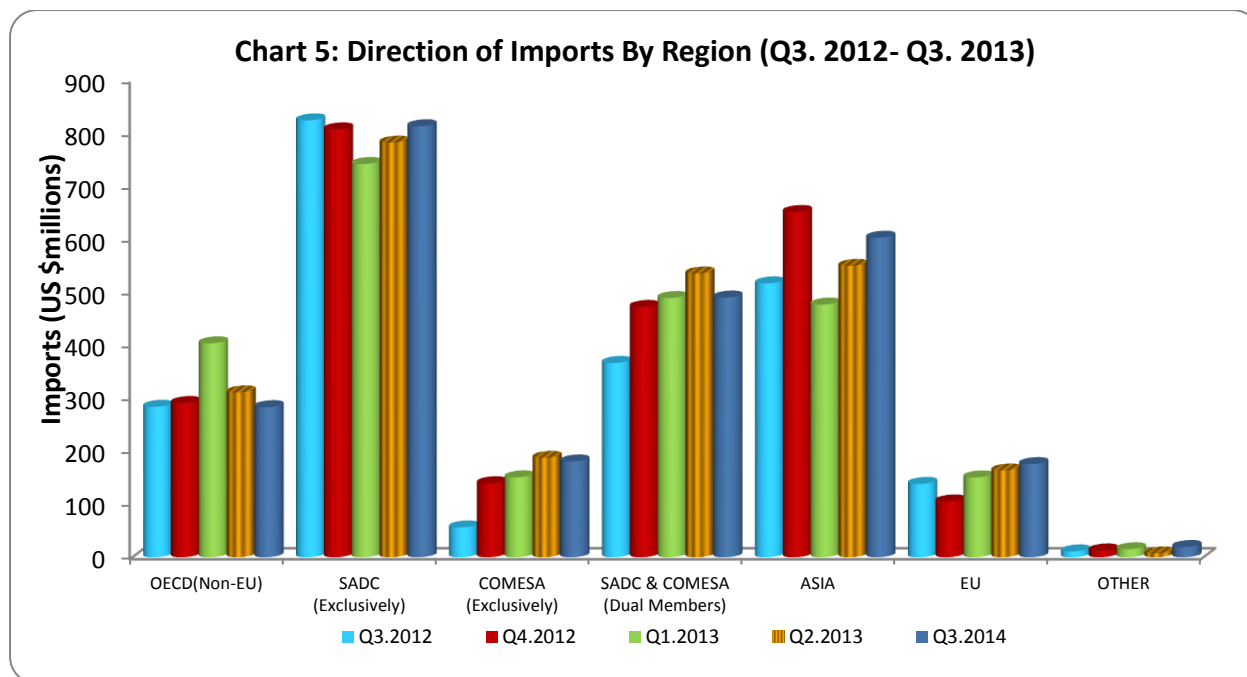
Source: Central Statistical Office

## 5.2 DIRECTION OF ZAMBIA'S IMPORTS BY REGION

In the third quarter of 2013, Zambia recorded increased merchandise imports from four regions namely: Asia, COMESA (*exclusively*), the EU and SADC & COMESA (*dual membership*). SADC (*exclusively*) continued to rank first as Zambia's major source of imports accounting for 31.7 percent of total imports, although imports from the region declined by 1.3 percent to US \$814.1 million from US \$825.2 million registered during the corresponding quarter the previous year (*see Chart 5*). This outturn was largely explained by a decline in imports of manufactured goods and machinery, machinery and mechanical appliances and motor vehicles from South Africa. Asia ranked second accounting for 23.5 percent of total imports, as imports from that region grew by 16.6 percent rise to US \$603.8 million from US \$517.8 million. Increased imports of industrial boilers and equipment, and iron and steel and items thereof from China, explained this outturn. SADC & COMESA (*dual members*), remained in third position, following a 33.5 percent growth in imports from that region to US \$491.0 million from US \$367.7 million recorded during the corresponding quarter in 2012, representing 19.1 percent of total imports. This was largely attributed to higher imports of copper and cobalt ores and concentrates from Congo DR

The Non-EU OECD region ranked fourth accounting for 11.1 percent of the total imports, following a marginal decline in imports from that region to US \$284.2 million from US \$284.9 million, registered during the same quarter in 2012. A decline in imports of industrial boilers and

machinery from Canada, explained this outturn. This was followed by COMESA (*exclusively*) whose imports a surge imports to US \$181.3 million (accounted for 7.1 percent), from US \$56.5 million recorded during the third quarter of 2012, largely attributed to increased imports of gas oils from Kenya. The EU ranked sixth, accounting for 6.9 percent of total imports. Imports from the EU grew by 27.0 percent to US \$176.4 million from US \$138.8 million recorded during the corresponding period in 2012. Increased imports of parts of industrial or laboratory furnaces and ovens from Germany explained this outturn.



Source: Central Statistical Office

## 6.0 CONCLUSION

During the third quarter of 2013, Zambia registered growth in both merchandise exports earnings and merchandise imports to and from the rest of the world. Switzerland, China, South Africa and Congo DR continued to dominate as the country's major export destinations, accounting for 81.5 percent of total exports, and exports to these countries (collectively) grew by 2.6 percent. During the same period, notable increases in exports to the United Arab Emirates and Malawi were recorded. South Africa, Congo DR and China, remained as the country's top major sources of imports, accounting for 56.5 percent of the total imports, with a combined growth of 19.8 percent. During the same period, Zambia recorded notable increases in imports from Kenya.

During the quarter under review, Zambia's exports by region continued to be dominated by the Non-EU OECD, while the SADC (*exclusively*) remained as the country's top major source of imports. During the fourth quarter of 2013, the country's international trade is expected to be buoyed by high merchandise export earnings, from both metal and non-traditional exports, supported by relatively high metal prices on the global market. Similarly, merchandise imports are projected to remain high, on the backdrop of growing foreign direct investment related imports of machinery and equipment, as well as the festive season related imports.



**ANNEX 1: ZAMBIA'S EXPORTS TO THE REST OF THE WORLD (IN US \$'MILLION; FOB), Q3 2012 – Q3 2013**

<b>COUNTRY</b>	<b>Q3 2012</b>	<b>Q4 2012</b>	<b>Q1 2013</b>	<b>Q2 2013</b>	<b>Q3 2013</b>
Angola	1.2	14.4	0.9	0.3	1.9
Australia	0.4	0.7	1.3	1.6	0.4
Belgium	19.5	15.9	12.6	17.6	14.6
Botswana	5.4	32.1	4.2	3.5	7.9
Burundi	6.2	6.8	1.8	3.3	2.4
China	651.5	458.8	549.5	547.4	514.0
Democratic Republic of Congo	186.6	332.2	304.5	274.8	298.8
Egypt	3.7	0.0	0.0	0.0	0.0
France	0.9	3.0	1.6	0.4	0.7
Germany	2.9	3.3	1.8	3.1	2.4
Hong Kong	10.8	10.2	2.7	11.4	4.8
India	4.0	32.4	73.3	31.9	10.9
Kenya	10.5	6.5	14.5	49.5	12.3
Korea, Republic of	0.0	0.2	0.0	0.0	0.1
Kuwait	0.0	0.1	0.0	0.0	0.0
Luxembourg	7.1	5.4	10.7	8.2	17.4
Madagascar	0.0	0.1	0.0	0.0	0.0
Malawi	18.1	138.3	50.9	83.7	51.2
Malaysia	0.0	0.0	0.0	0.2	0.9
Mozambique	5.5	4.8	13.0	6.1	4.4
Namibia	39.3	31.5	29.0	18.8	12.7
Netherlands	3.6	19.9	7.6	6.0	2.8
Pakistan	0.0	0.0	0.0	0.0	0.0
Philippines	0.1	0.0	0.0	0.0	0.6
Republic of Thailand	0.1	0.0	0.0	0.0	0.3
Rwanda	2.1	1.8	0.8	0.0	2.8
Saudi Arabia	1.9	1.8	4.2	2.1	0.6
Singapore	4.5	22.2	1.4	2.5	46.8
South Africa (Republic of)	178.2	425.4	250.0	281.7	358.4
Sudan	0.0	0.0	0.0	0.0	0.0
Swaziland	10.5	0.4	0.2	0.2	0.2
Sweden	0.0	0.7	0.3	0.8	0.9
Switzerland	1,053.0	1,047.3	932.1	959.3	951.0
Tanzania, United	23.5	24.5	12.2	16.6	17.7
United Arab Emirates	103.1	59.8	152.2	175.3	121.4
United Kingdom	46.4	34.3	28.0	43.2	45.5
United States of America	1.9	3.4	4.8	7.3	0.4
Zimbabwe	55.4	80.2	52.1	74.9	52.1
Other	27.8	27.3	17.2	38.1	62.3
<b>Total</b>	<b>2,485.7</b>	<b>2,845.7</b>	<b>2,531.3</b>	<b>2,669.8</b>	<b>2,604.2</b>

*Source: Central Statistical Office (CSO)*

**ANNEX 2: ZAMBIA'S IMPORTS FROM THE REST OF THE WORLD (US \$'MILLION); CIF Q3 2012 – Q3 2013**

<b>COUNTRY</b>	<b>Q3 2012</b>	<b>Q4 2012</b>	<b>Q1 2013</b>	<b>Q2 2013</b>	<b>Q3 2013</b>
Australia	9.5	19.8	19.4	22.43	21.3
Austria	1.8	0.8	0.4	1.6	2.8
Belgium	27.4	13.9	16.4	12.7	27.0
Botswana	5.5	12.6	6.2	7.0	7.5
Brazil	1.9	2.0	6.8	2.9	2.4
Canada	18.9	10.0	14.2	9.4	7.8
China	146.6	262.7	203.5	259.1	251.4
Democratic Republic of Congo	282.0	431.0	442.0	496.8	434.5
Denmark	5.9	5.4	8.7	3.9	8.5
Egypt	24.4	9.7	7.8	8.4	6.6
Finland	10.0	6.7	3.9	18.4	6.8
France	10.8	5.5	10.2	7.5	7.1
Germany	38.7	29.4	63.1	65.0	77.6
Hong Kong	12.0	10.2	10.3	12.1	15.8
India	69.4	84.4	81.7	86.3	101.4
Indonesia	4.0	9.2	8.3	14.8	22.6
Ireland	4.0	18.0	21.8	25.1	24.0
Israel	0.7	0.5	0.7	0.4	1.2
Italy	4.0	9.3	6.5	8.7	7.4
Japan	67.9	65.1	112.0	71.8	63.4
Kenya	31.2	127.9	141.8	179.4	174.5
Korea, Republic of	8.8	9.4	9.8	10.6	12.3
Kuwait	202.0	144.2	21.2	55.5	107.8
Lebanon	4.3	1.6	2.9	10.4	1.8
Malawi	52.4	6.6	9.3	5.5	5.8
Malaysia	3.0	3.6	7.9	3.1	3.9
Mauritius	5.5	5.9	2.3	2.3	12.7
Mozambique	7.0	11.3	3.4	3.4	7.9
Namibia	7.4	7.3	7.0	9.8	10.3
Netherlands	24.2	15.4	18.0	20.0	19.4
Pakistan	1.5	1.1	0.4	0.8	2.3
Republic of Thailand	5.2	5.9	9.6	2.4	5.6
Singapore	11.9	18.0	23.3	34.8	18.9
South Africa (Republic of)	782.8	757.6	704.3	747.1	765.8
Spain	3.5	5.8	8.3	3.9	3.2
Swaziland	1.3	7.0	4.1	5.2	4.8
Sweden	18.4	27.8	22.5	18.3	25.4
Switzerland	20.6	14.2	18.8	17.0	18.5
Taiwan, Province of China	2.5	30.8	4.8	6.5	7.9
Tanzania, United	22.5	16.8	22.0	15.6	22.5
United Arab Emirates	44.3	66.4	79.9	48.4	53.1
United Kingdom	63.4	49.2	99.4	89.7	59.5
United States of America	63.4	82.5	90.9	61.3	58.4
Zimbabwe	26.5	23.0	32.4	26.5	32.9
Other	43.0	39.2	44.8	73.4	37.9
<b>Total</b>	<b>2,202.0</b>	<b>2,484.7</b>	<b>2,433.0</b>	<b>2,542.5</b>	<b>2,570.2</b>

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