



Bank of Zambia

Zambia Direction of Trade Report

(First Quarter 2016)

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ABSTRACT

Preliminary data show that during the first quarter of 2016, Zambia's trade declined from US \$3,526.9 million in 2015 to US \$3,243.2 million representing 8.0 percent fall. This may be attributed to dampened global economic performance due to suppressed growth by China.

Throughout the quarter under review, Switzerland, South Africa, China and Congo (DR) maintained their positions as the country's four major trading partners. This collectively accounted for 61.0 percent of Zambia's total trade. Trade in this regard include exports and imports. Additionally, these countries continued to be Zambia's major export markets, accounting for 71.1 percent share of total exports, although exports to these countries communally fell by 12.3% to US \$1,099.1 million relative to the analogous period in 2015. South Africa, Congo DR, China and Kuwait were the country's topmost sources of imports, mutually contributing about 51.4 percent of the total imports. At regional consortium level, the Non-EU OECD region was Zambia's major export destination, whilst SADC (*exclusively*) continued to be the country's top key source of imports.

During the second quarter of 2016, Zambia's international trade performance is projected to escalate, with export earnings expected to post a marginal increase due to anticipated copper price increases in the short to medium term. Merchandise imports are anticipated to increase as the diminishing effect on imports of the lagged effects of the Kwacha depreciation disperses due to reduced inflation.

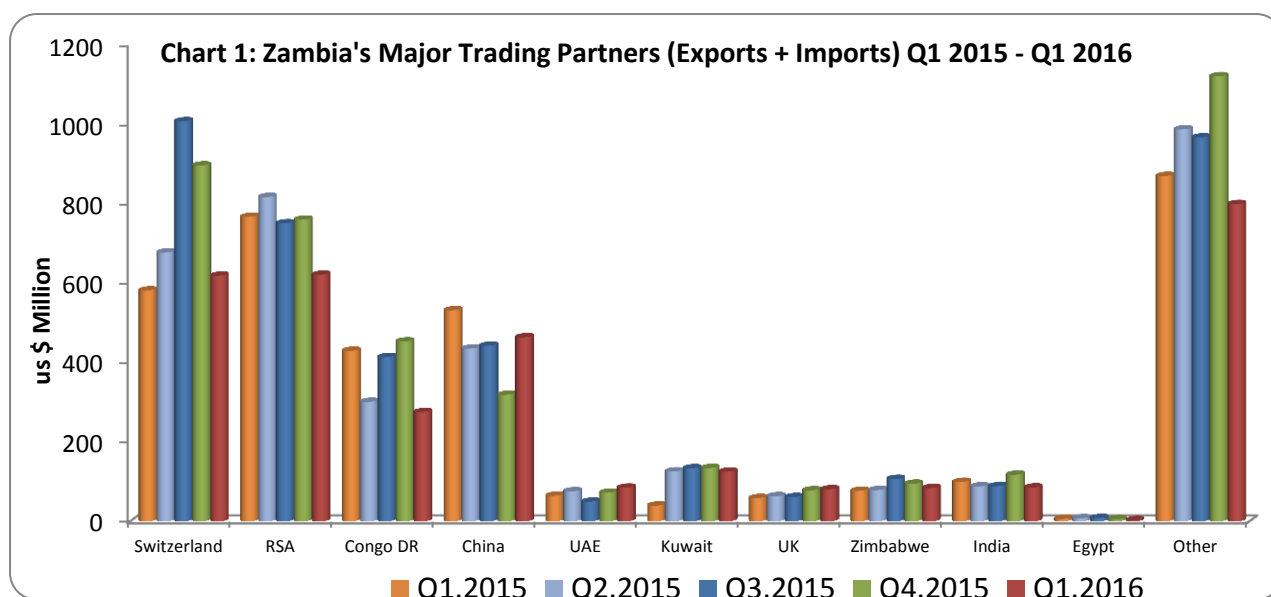
1.0 INTRODUCTION

This report analyses Zambia's direction of merchandise trade for the first quarter of 2016 compared with the corresponding quarter in 2015. 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. Section 1 gives an introduction while section 2 presents the major trading partners. 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 show that during the first quarter of 2016, Zambia's trade (exports plus imports) fell by 8.0 percent to US \$3,243.2 million compared with US \$3,526.9 million recorded during the same period in 2015. South Africa was ranked as Zambia's top major trading partner during the period under review, despite registering a drop in trade by 19.0 percent to US \$621.3 million. The decline in trade was largely explained by a decline in exports earnings from that country mainly on account of reduced earnings from precious stones, base metals (including copper), electrical machinery parts, and sugar and sugar confectioneries. Switzerland ranked second, as trade with that country increased by 6.4 percent to US \$618.9 million, this outturn was explained by an increase in copper export earnings attributed to an increase in export volumes of the commodity.



Source: Central Statistical Office (CSO)

China ranked third, despite trade with that country declining by 12.8 percent to US \$463.9 million. This outturn was largely reflective of a decline in imports of machinery and machinery parts, articles of iron and steel, vehicles and fertilizer. Congo (DR) took fourth position, as trade with that country reduced to US \$275.3 million compared with US \$429.8 million recorded in the first quarter of the previous year largely driven by sharp declines in both imports and exports. There was a marked reduction in the import values of copper ores, slag and ash as well as export earnings from commodities such as inorganic chemicals and sugar and sugar confectioneries. The reduction in the importation of copper ores is largely attributed to a fall in supply from the Congo (DR).

Kuwait maintained the fifth position, as trade with that country increased to by 214.3% to US \$125.4 million due to increase in the importation of petroleum oils. India remained in sixth

position, despite registering a decrease in trade of 13.9 percent to US \$85.6 million, on account of a decrease in the imports bill on items such as nuclear reactors, electrical machinery, articles of iron and steel and furniture.

The United Arab Emirates ranked seventh, as trade with that country increased by 31.5 percent to US \$85.2 million largely attributed to improved export earnings from electrical machinery equipment parts to that country. Zimbabwe was eighth, as trade with that country increased by 9.4 percent to US \$84.4 million, largely due to an increase in export earnings from cereals.

During the period under review, trade with the United Kingdom increased by 37.5 percent to US \$81.1 million. In contrast, trade with Egypt decreased by 52.7 percent to US \$3.1 million from US \$6.5 million during the first quarter of 2015.

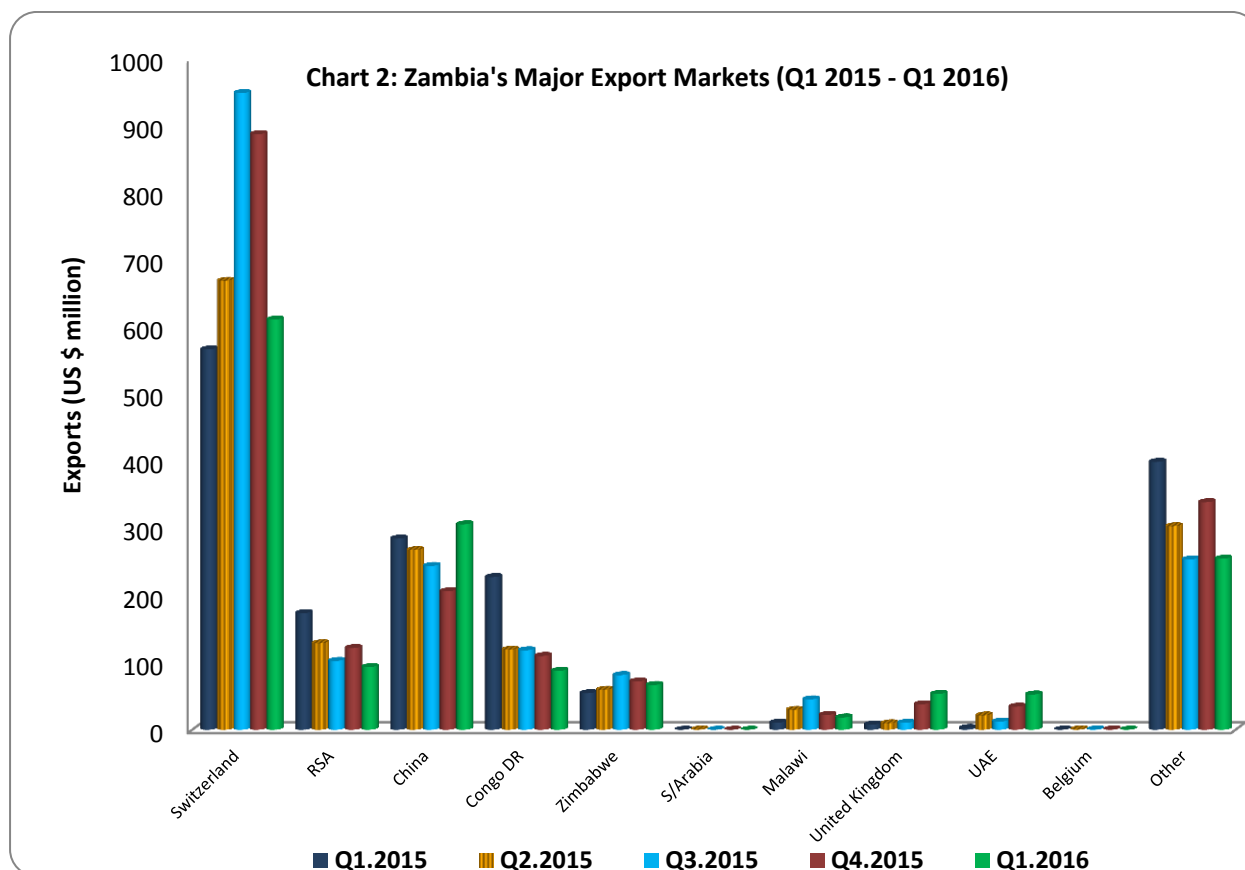
The decline in trade performance could be attributed to global economic performance that has characterised the globe due to suppressed growth by China.

3.0 ZAMBIA'S MAJOR EXPORT MARKETS

During the first quarter of 2016, Zambia's export earnings declined by 10.6 percent to US \$1,545.8 million from US \$1,728.7 million, recorded during the same quarter in 2015. The suppressed export earnings could be attributed to reduced volumes of exports due to electricity load shedding and other operational costs such as high inflation the country has been experiencing. However, Switzerland remained Zambia's top major export market as exports to that country increased by 7.9 percent to US \$611.5 million (*see Chart 2*). This outturn was largely attributed to an increase in copper export volumes. China ranked second, with exports to that country registering an increase of 7.4% to US \$306.2 million, largely credited to an increase in exports of base metals to that country. South Africa ranked third, despite a drop in exports earnings by 46.2 percent to US \$93.5 million, largely on account of a sharp drop in earnings from precious stones, base metals (including copper), electrical machinery parts and sugars and sugar confectioneries to that country.

The Congo (DR) ranked fourth despite a decline in exports to that country by 61.4 percent to US \$87.9 million, predominantly explained by a decline in earnings from inorganic chemicals, sugar and sugar confectioneries, nuclear reactors and other machinery parts. Zimbabwe ranked fifth, following a rise in export earnings from the country of 22.4 percent to US \$66.8 million, largely driven by an increase in earnings from maize. The United Kingdom maintained sixth position, as export earnings from that country grew to US \$53.5 million from US\$ 7.85 million in Q12015, largely attributed to an increase in earnings from copper and copper articles, printed books, and edible vegetables, roots and tubers. The United Arab Emirates remained in seventh position, with export earnings from the country at US \$52.7 million from US \$2.7 million during the corresponding period in 2015, largely reflective of improved earnings from electrical machinery parts, copper and copper articles, salt, sulphur and related items, ores, slag and ash. Malawi remained in eighth position, with earnings from that country registering a growth of 73.4 percent mainly due to better earnings from iron and steel, cereals, salt, sulphur, and cotton.

During the period under review, exports to Belgium decreased by 8.2 percent to US \$0.2 million. Zambia's exports to Saudi Arabia were below a million dollars as in the corresponding first quarter of 2015.



Source: Central Statistical Office (CSO)

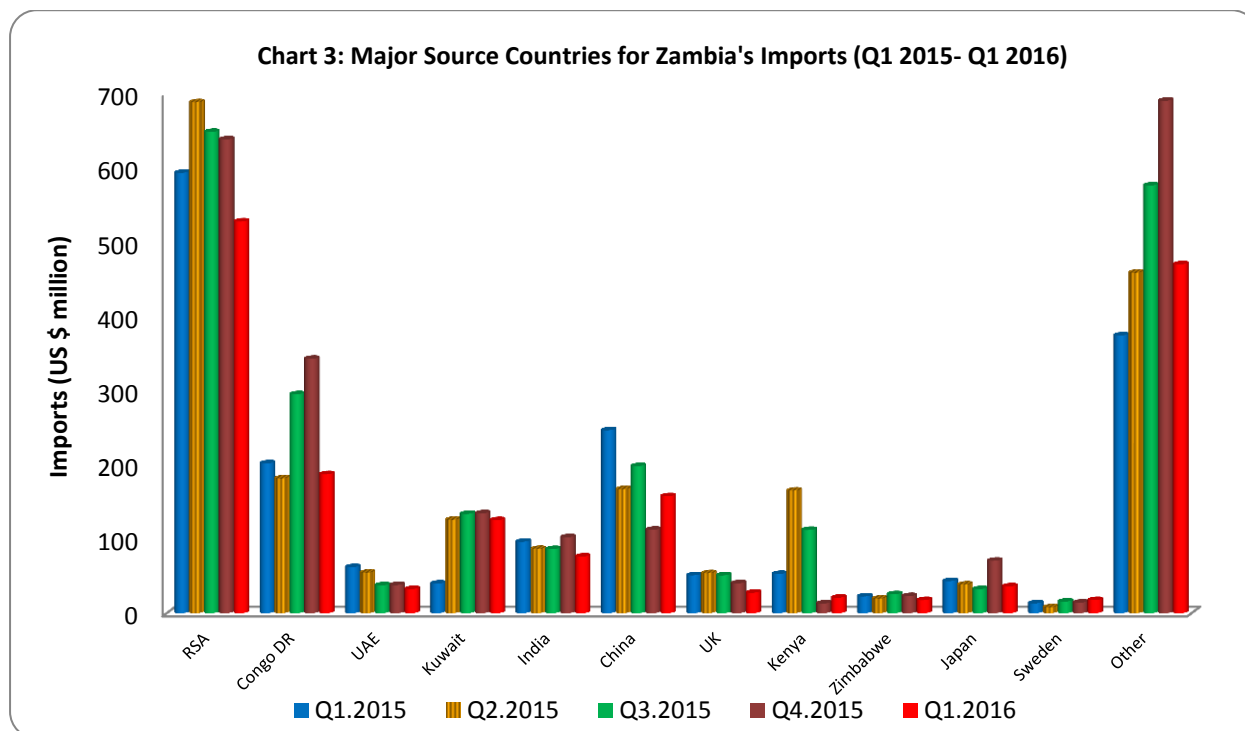
4.0 MAJOR SOURCE COUNTRIES OF ZAMBIA'S IMPORTS

Zambia's imports from the rest of the world during the first quarter of 2016 declined by 5.6 percent to US \$1,697.4 million from US \$1,798.3 million recorded during the same quarter in 2015. Among other reasons, the decline in imports could be attributed to high cost of foreign exchange rate that has made imports for the country uncompetitive. Nevertheless, the Republic of South Africa continued to dominate as Zambia's major source of imports, although the imports bill on commodities from the country weakened by 11.0 percent to US \$527.8 million from US \$593.1 million (*see Chart 3*). This was largely on account of a relatively lower imports bill on nuclear reactors, boilers, fertilizer and articles of iron and steel. Congo (DR) ranked second, following a 7.3 percent reduction in the value of imports from that country to US \$187.4 million from US \$202.1 million, largely reflective of a drop in import values of ores, slag and ash. China ranked third from fourth in the corresponding quarter in 2015, despite the imports bill on Chinese products falling by 36.1 percent to US \$157.7 million from US \$246.8 million, on account of a decrease in the imports bill on nuclear reactors, electrical machinery parts, articles of iron and steel, and vehicles. Kuwait was fourth, as import values on commodities from the country surged by 214.3 percent to US \$125.4 million, largely driven by acceleration in the imports bill on fuel.

India remained in fifth position, as the imports bill on its products tumbled by 20.7 percent to US \$76.4 million from US \$96.3 million registered during the same quarter in 2015. This outturn was largely attributed to shrinkage in the imports bill on nuclear reactors, boilers, electrical machinery parts, articles of iron and steel, and furniture. Japan maintained sixth rank, as the imports bill on its products decreased by 16.5 percent to US \$36.2 million, largely explained by a lower imports bill on vehicles, nuclear reactors, and rubber and associated rubber products. The United Arab Emirates ranked seventh swapping places with the United Kingdom, as the imports bill decreased by 47.7 percent to US \$32.5 million from US \$62.1 million, largely attributed to a sharp decline in the imports bill on nuclear reactors, boilers, ores, slag and ash; inorganic chemicals and related

compounds; and plastic and plastic products. The United Kingdom ranked eighth, following a 46.1 reduction in the imports bill to US \$27.6 million from US \$51.1 million, explained by a drop in spending on vehicles and pharmaceutical products from that country.

During the period under review imports from Kenya dropped by 60.5 percent to US \$20.9 million from US \$52.9 million, largely attributed to a reduction on expenditure on mineral oils, tobacco products, soap, and animal and vegetable fats and oils. In contrast, the imports bill on Swedish products rose by 33.1 percent to US \$17.6 million from US \$13.3 million recorded in the same quarter of 2015.



Source: Central Statistical Office (CSO)

5.0 DIRECTION OF TRADE BY REGION

This section discusses the share of regional groupings in Zambia's total exports and imports. In this analysis, Zambia's trading partners are categorised into major geographic regions or economic groupings, that is, 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 subdivided into European Union (EU)¹ and Non-EU².

5.1 DIRECTION OF ZAMBIA'S EXPORTS BY REGION

Preliminary data show that Zambia recorded a fall in export earnings from half of its major six trading partner regions. The Non-EU OECD region ranked as Zambia's top major export market, accounting for 44.2 percent of total export earnings (*see Chart 4*), with earnings from that region recording a rise of 13.6 percent to US \$683.3 million from US \$601.4 million recorded during the same quarter in 2015. This outturn was largely explained by an increase in export earnings from the United Kingdom and Switzerland, accounting for 7.6 and 7.4 percentage points of the increase

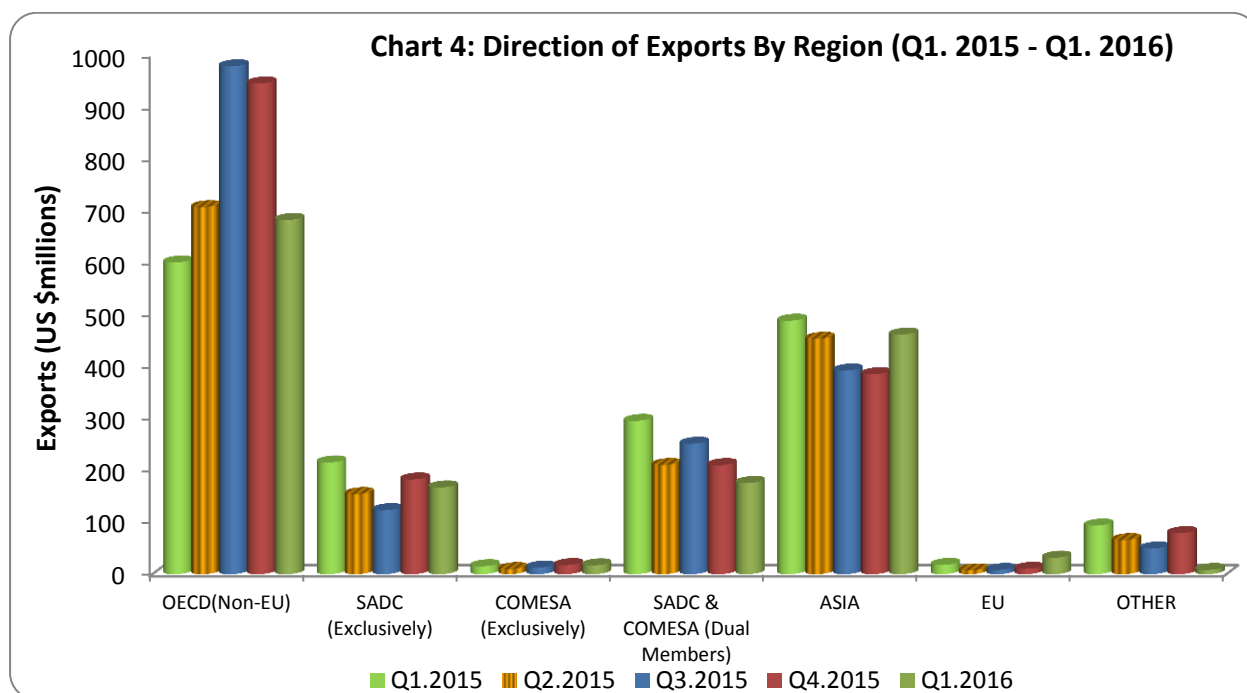
¹ Countries classified as European Union (EU) in this paper are those that adopted the Euro (Euro Area) as their national currency and not simply members of the European Union.

² 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

in earnings from the region. The increase in export earnings from the United Kingdom was due to an upturn in earnings from copper and copper articles, printed books, and edible vegetables, roots and tubers, while an increase in copper export volumes account for the increase in earnings from Switzerland. Asia remained in second position, accounting for 29.9 percent of the country's total export earnings, despite a decrease in earnings from the region by 5.5 percent to US \$462.2 million, mainly driven by a fall in earnings from Singapore that accounted for 18.2 percentage points of the reduction, mostly on account of a fall in earnings from copper and copper products, and precious stones.

SADC & COMESA (*dual members*) ranked third, accounting for 11.4 percent of total export earnings, following a decrease in earnings from the region of 40.5 percent to US \$176.0 million. The outturn was largely due to lower exports earnings attributable to Congo (DR) that accounted for 47.3 percentage points of the reduction in earnings from the region. Subdued export earnings from the Congo (DR) were on account of lower earnings from inorganic chemicals, and sugar and sugar confectioneries. SADC (*exclusively*) ranked fourth, accounting for 10.8 percent of Zambia's total exports as earnings from the region declined by 22.3 percent to US \$167.4 million. This was on account of a reduction in earnings from South Africa on commodities such as precious stones, base metals (including copper), electrical machinery parts and sugars and sugar confectioneries.

The EU swapped places with COMESA (*exclusively*) to rank fifth, with earnings from the region accounting for 2.1 percent of Zambia's total export earnings. Export earnings from the region increased by 77.9 percent to US \$31.8 million, explained by a 70.9 percentage points increase in export earnings from Germany, on account of earnings from tobacco and tobacco products. COMESA (*exclusively*) ranked sixth, accounting for 1.1 percent of Zambia's total export earnings, as exports to the region rose to US \$17.1 million from US \$15.4 million.

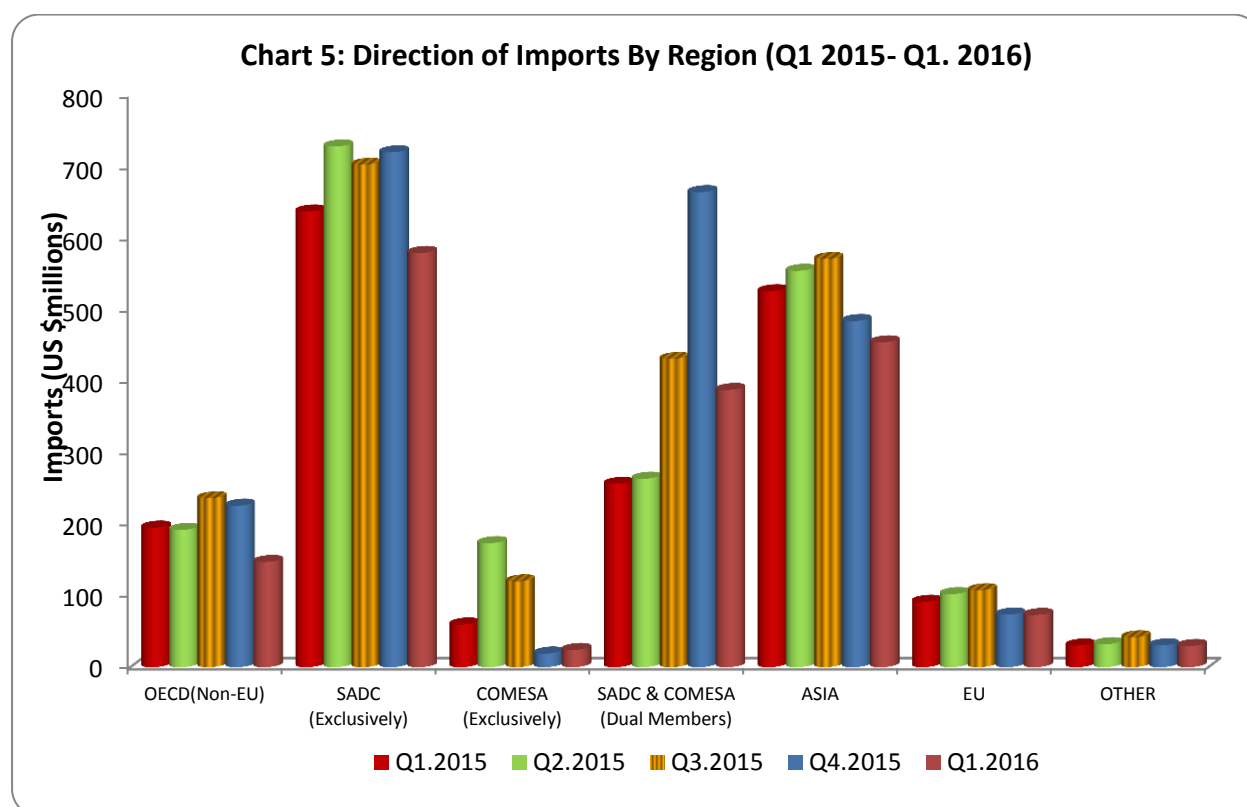


Source: Central Statistical Office (CSO)

5.2 DIRECTION OF ZAMBIA'S IMPORTS BY REGION

Preliminary data show that during the first quarter of 2016, the country registered a decline in the merchandise imports bill from five of its six major trading partners. The Imports bill recorded a slowdown on products from EU, SADC (*exclusively*), Asia, and COMESA (*exclusively*) and Non-EU OECD. However, the imports bill on products from SADC and COMESA (*dual members*) registered an increase. SADC (*exclusively*) remained Zambia's major source of imports accounting

for 34.2 percent of total imports, though they decreased by 9.1 percent to US \$580.0 million (*see Chart 5*). This was largely on account of lower imports bill on nuclear reactors, boilers, fertilizer, and articles of iron and steel from South Africa. Asia ranked second, though imports from the region decreased by 13.6 percent to US \$454.9 million, representing 26.8 percent of total imports. This outturn was mostly explained by a 16.9 percentage point reduction in the imports bill on Chinese products such as nuclear reactors, electrical machinery parts, articles of iron and steel, and vehicles. SADC & COMESA (*dual members*) ranked third, accounting for 22.9 percent of the total imports bill, imports from the region rose by 51.2 percent to US \$388.1 million, with the imports bill on Mauritian commodities contributing 89.5 percentage points to the increase in export values from the region. The commodity items from Mauritius accounting for the increase were mineral fuels, vehicles and nuclear reactors. The Non-EU OECD region ranked fourth, with imports from the region representing 8.7 percent of total imports, although the imports bill fell by 24.6 percent to US \$147.3 million. This outturn was mostly explained by a sharp decrease in the imports bill on UK products such as vehicles and pharmaceutical products. The UK contributed 12.1 percentage points to the total reduction in the imports bill attributable to the region. The EU region ranked fifth, representing 4.3 percent of total imports, following a decline in imports from the region by 20.1 percent to US \$73.2 million. COMESA (*exclusively*) ranked sixth, with imports from the region accounting for 0.9 percent of total imports, following a drop in imports by 59.6 percent to US \$24.1 million.



Source: Central Statistical Office (CSO)

6.0 CONCLUSION

During the quarter under review, Switzerland, South Africa, China and Congo (DR) remained as the four major trading partners, collectively accounting for 61.0 percent of Zambia's total trade (exports and imports). In addition, these countries remained Zambia's major export markets, accounting for 71.1 percent share of total exports, although exports to these countries collectively fell by 12.3% to US \$1,099.1 million compared to the corresponding period in 2015. South Africa, Congo DR, China and Kuwait were the country's top major sources of imports, collectively accounting for 51.4 percent of the total imports. At regional grouping level, the Non-EU OECD

region was Zambia's major export destination, whilst SADC (*exclusively*) remained as the country's top major source of imports.

During the second quarter of 2016, Zambia's international trade performance is expected to improve with export earnings anticipated to register a slight increase due to expected copper prices increases in the short to medium term. Merchandise imports are expected to rise as the dampening effect on imports of the lagged effects of the Kwacha depreciation dissipates.

ANNEX 1: ZAMBIA'S EXPORTS TO THE REST OF THE WORLD (IN US \$'MILLION; FOB), Q1 2015 – Q1 2016

COUNTRY	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016
Australia	52.7	56.4	46.7	52.1	0.3
Belgium	0.3	0.7	0.5	0.6	0.2
Botswana	9.5	4.4	6.0	7.5	5.3
Burundi	0.8	1.4	0.6	1.2	1.6
China	285.0	267.9	244.1	206.4	306.2
Congo (DR)	227.6	119.3	118.5	110.0	87.9
Egypt	0.0	0.0	0.9	0.1	0.0
France	0.9	0.1	0.2	0.1	0.0
Germany	11.4	2.4	5.1	4.4	24.1
Hong Kong	25.2	24.9	21.3	21.2	16.7
India	3.2	1.8	2.4	15.4	9.2
Kenya	11.8	7.0	9.5	12.0	10.4
Korea, Republic Of	2.8	2.1	3.5	1.5	1.4
Kuwait	0.0	0.0	0.0	0.0	0.0
Luxembourg	2.9	0.0	0.0	2.5	0.8
Madagascar	0.0	0.0	0.0	0.0	0.0
Malawi	10.6	29.6	45.3	22.1	18.4
Malaysia	0.0	0.0	0.0	0.0	0.0
Mozambique	7.4	4.7	3.5	25.4	5.9
Namibia	14.5	7.0	2.3	3.3	3.8
Netherlands	2.3	3.6	1.3	2.1	6.4
Pakistan	0.0	0.0	0.0	0.0	0.0
Philippines	0.3	0.5	0.7	0.3	0.0
Republic Of Thailand	0.0	0.1	0.0	23.7	0.2
Rwanda	1.2	0.3	0.3	1.9	4.9
Saudi Arabia	0.0	0.6	0.0	0.0	0.0
Singapore	166.1	136.6	112.1	106.3	77.2
South Africa (Republic Of)	173.8	128.8	102.6	121.8	93.5
South Sudan	0.0	0.0	0.0	0.0	0.1
Swaziland	0.2	1.1	1.3	5.9	1.8
Sweden	0.8	0.7	0.1	1.9	0.6
Switzerland	567.0	669.3	949.4	888.2	611.5
Tanzania, United	8.1	9.0	7.7	23.0	55.9
United Arab Emirates	2.7	21.3	12.2	34.5	52.7
United Kingdom	7.9	9.7	10.4	38.0	53.5
United States Of America	0.3	0.4	1.1	0.5	0.3
Zimbabwe	54.6	59.6	81.5	72.0	66.8
Other	76.8	38.9	27.3	27.2	28.3
Total	1728.7	1610.3	1818.4	1832.9	1545.8

Source: Central Statistical Office (CSO)

ANNEX 2: ZAMBIA'S IMPORTS FROM THE REST OF THE WORLD (US \$'MILLION): CIF Q1 2015 – Q1 2016

COUNTRY	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016
Australia	12.8	11.1	13.2	16.3	13.1
Belgium	9.5	9.4	8.5	8.2	9.4
Botswana	4.4	4.0	4.1	3.6	3.3
Brazil	1.7	1.1	15.9	1.2	1.9
Canada	7.1	8.0	9.8	3.8	2.4
China	246.8	167.4	198.4	112.5	157.7
Congo (DR)	202.1	181.8	295.4	343.2	187.4
Denmark	6.7	4.4	9.3	7.0	6.1
Egypt	6.4	8.0	7.7	5.5	3.1
Finland	12.3	11.6	8.9	11.6	8.5
France	20.0	22.8	7.0	7.4	6.6
Germany	10.5	20.1	28.8	12.2	16.2
Hong Kong	8.9	13.7	22.6	25.9	14.0
India	96.3	86.6	86.4	102.4	76.4
Indonesia	0.8	1.3	1.2	0.8	0.8
Israel	1.0	1.7	1.6	1.1	2.5
Italy	4.1	8.6	14.3	4.0	3.9
Japan	43.3	38.6	32.4	70.8	36.2
Kenya	52.9	165.4	112.2	13.1	20.9
Korea, Republic Of	11.9	13.9	9.8	13.9	9.3
Kuwait	39.9	126.0	134.0	134.7	125.4
Lebanon	3.4	21.2	1.1	1.2	1.4
Malawi	5.4	3.9	3.8	4.5	1.4
Malaysia	2.6	1.9	2.9	3.3	4.4
Mauritius	21.1	55.2	101.6	288.4	178.7
Mozambique	8.1	4.8	20.5	26.6	9.9
Namibia	19.0	19.7	19.6	41.4	19.3
Netherlands	11.0	12.6	23.3	17.0	13.9
Pakistan	1.6	1.8	1.2	0.5	0.7
Republic Of Thailand	0.0	6.3	0.0	2.5	2.3
Singapore	35.2	37.2	37.8	30.4	20.8
South Africa (Republic Of)	593.1	688.1	648.2	638.2	527.8
Spain	4.3	5.0	3.9	0.8	2.6
Swaziland	5.3	3.3	4.9	5.6	2.5
Sweden	13.3	19.9	15.6	14.2	17.6
Switzerland	14.7	7.9	58.3	8.2	7.4
Taiwan, Province Of China	3.7	4.1	3.5	3.1	1.9
Tanzania, United	13.5	12.4	11.0	11.0	19.8
United Arab Emirates	62.1	54.6	37.5	38.0	32.5
United Kingdom	51.1	53.9	51.0	40.3	27.6
United States Of America	32.4	24.2	33.1	51.2	33.2
Zimbabwe	22.6	19.6	25.5	23.0	17.6
Other	75.1	85.6	87.1	71.5	48.9
Total	1798.3	2048.7	2212.8	2220.4	1697.4

Source: Central Statistical Office (CSO)