



Bank of Zambia

Zambia

Direction of Trade Report

(First Quarter 2012)

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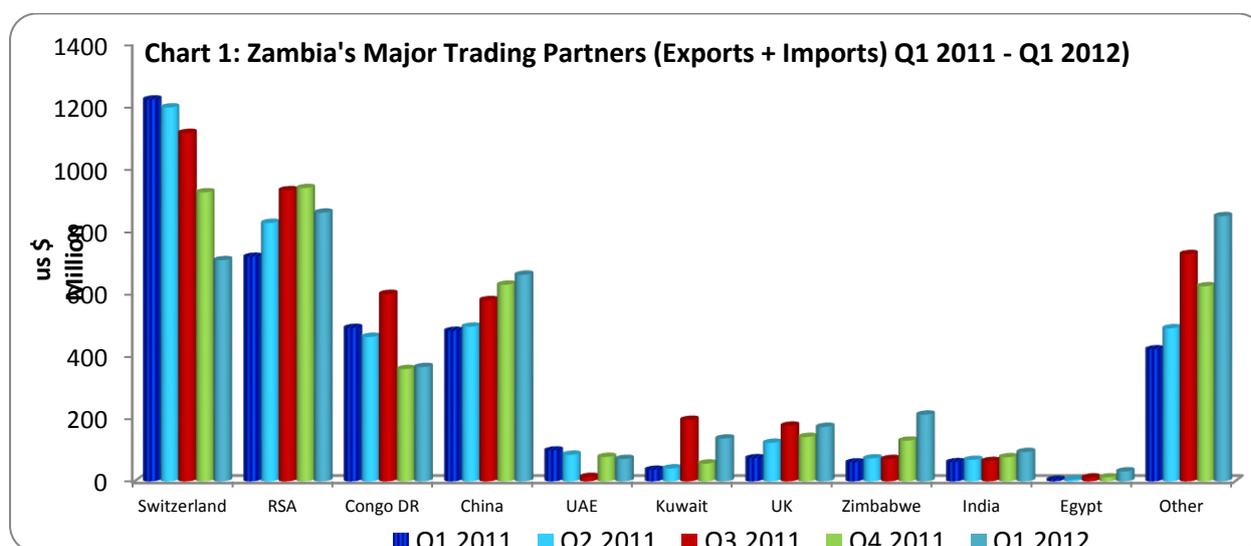
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1.0 INTRODUCTION

This report shows Zambia's direction of merchandise trade for the first 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 first quarter of 2012, Zambia's trade (exports plus imports) grew by 13.5 percent to US \$4,178.5 million from US \$3,681.6 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 19.6 percent to US \$861.2 million from US \$720.2 million, explained by continued rise in imports of manufactured goods from that country (*see Chart 1*). Switzerland ranked second for two straight quarters following a decline in trade with that country by 41.9 percent to US \$709.5 million from US \$1,221.9 million registered in the first quarter of 2011. This outturn was largely explained by low volumes and prices of metals purchased from Zambian mining companies by Swiss-based metal traders¹. China ranked third as trade with that country grew by 37.1 percent to US \$663.1 million from US \$483.7 million recorded during the corresponding period in 2011. This outturn was explained by increased export of metals to that country. Congo (DR) ranked fourth following a 25.4 percent decline in trade with that country to US \$367.9 million from US \$493.1 million. This was largely attributed to a decline in imports of copper ores from that country.



Source: Central Statistical Office

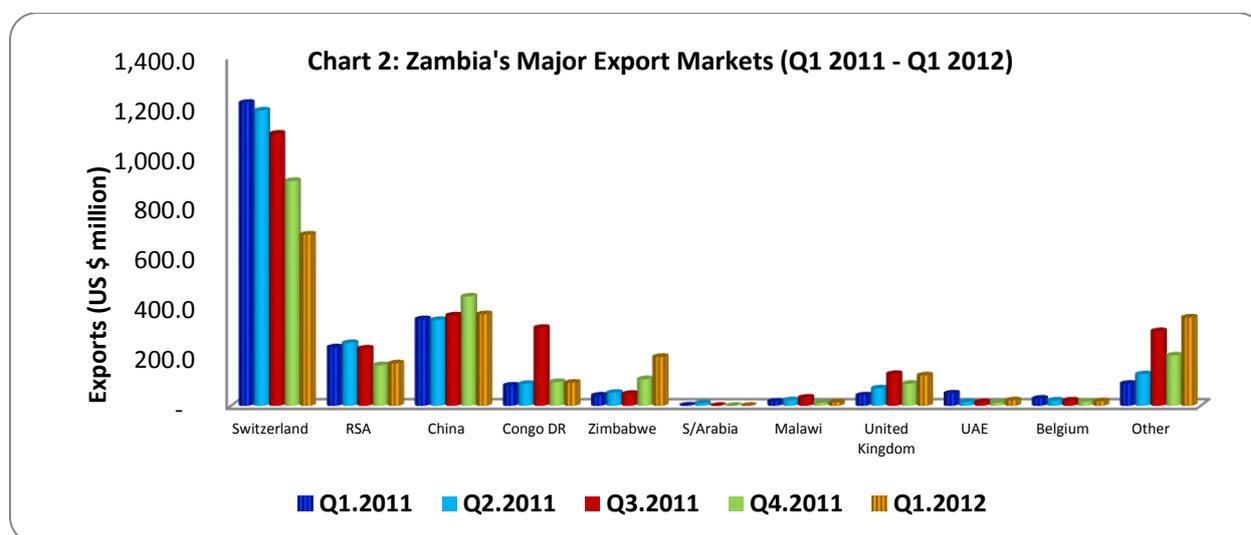
Zimbabwe ranked fifth as trade with that country substantially increased to US \$214.7 million from US \$60.8 million during the corresponding quarter in 2011. This outturn was largely explained by increased export of maize and maize seed to that country. The United Kingdom ranked sixth as trade with that country substantially grew to US \$175.4 million from US \$74.4 million, explained by increased exports of copper cathodes. Kuwait ranked seventh following a massive increase in trade with that country to US \$137.9 million from US \$37.2 million registered during the corresponding period in 2011, explained by increased imports of petroleum oils from

¹ Large metal traders (e.g. Glencore International AG), headquartered in Switzerland, purchase copper and cobalt from Zambian mining companies offgate 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.

that country. India ranked eighth as trade with that country grew by 53.3 percent to US \$94.5 million from US \$61.6 million recorded over the same quarter in 2011, following an increase in imports of pharmaceutical products from that country. This was followed by the United Arab Emirates, which recorded a decline in trade of 27.2 percent to US \$72.2 million from US \$99.2 million recorded during the same period in 2011. Egypt ranked tenth following significant increase in trade with that country to US \$32.2 million from US \$4.8 million recorded in the first quarter of 2011.

3.0 ZAMBIA'S MAJOR EXPORT MARKETS

During the period under review, Zambia's exports declined by 4.5 percent to US \$2,057.5 million from US \$2,155.0 million, recorded in the first quarter of 2011. Switzerland maintained its top rank as Zambia's major export market although exports to that country declined 43.3 percent to US \$689.7 million from US \$1,216.2 million (*see Chart 2*). This outturn was attributed to lower volumes and price of metals purchased by Swiss-based metal traders from Zambian mining companies. China maintained its second position as exports to that country increased by 5.8 percent to US \$370.35 million from US \$350.0 million, explained by higher metal exports to that country. Zimbabwe ranked third displacing South Africa, as exports to that country surged to US \$197.7 million from US \$41.7 million recorded over the same period in 2011, explained by increased maize and maize seed exports to that country. South Africa ranked fourth following a decline in exports to that country by 27.5 percent to US \$171.6 million from US \$236.5 million recorded during the corresponding period in 2011. The United Kingdom ranked fifth replacing Congo (DR), as exports to that country more than doubled to US \$123.2 million from US \$42.2 million recorded during the corresponding period in 2011. A rise in volumes of copper cathode exports, largely explained this outturn. Congo (DR) ranked sixth after being displaced by the United Kingdom in the fifth position, although exports to that country grew by 14.3 percent to US \$93.4 million from US \$81.7 million recorded in the corresponding quarter of 2011, largely driven by high exports of food items, cement and chemicals. During the period under review, Zambia's exports to Belgium, Malawi, Saudi Arabia and the United Arab Emirates, declined.

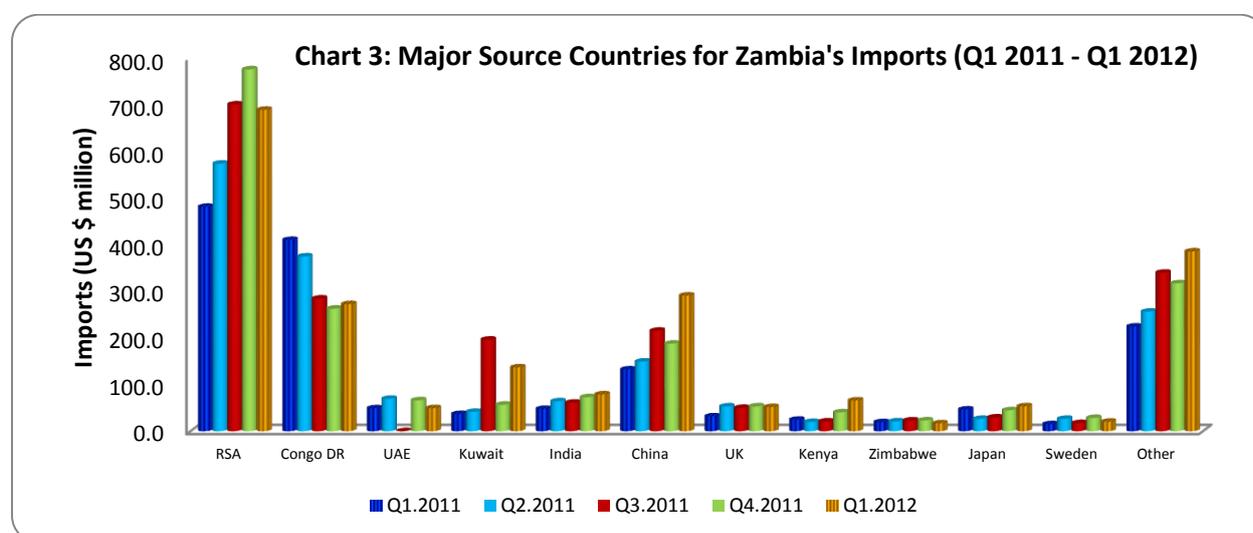


Source: Central Statistical Office

4.0 MAJOR SOURCE COUNTRIES OF ZAMBIA'S IMPORTS

In the first quarter of 2012, Zambia's imports from the rest of the world grew by 38.9 percent to US \$2,121.0 million from US \$1,527.0 million recorded during the corresponding period in 2011. South Africa maintained its top rank as imports from that country grew by 42.9 percent to US \$689.6 million from US \$482.4 million recorded in the same quarter of 2011 (*see Chart 3*). The major imports included food items, chemicals, motor vehicles, manufactured goods and

machinery. China replaced Congo (DR) in second position as imports from that country more than doubled to US \$292.8 million from US \$133.6 million recorded during the same period in 2011, driven by higher imports of manufactured goods and machinery. Congo (DR) ranked third, following a 33.3 percent decline in imports from that country to US \$274.5 million from US \$411.5 million, recorded during the corresponding period in 2011. This outturn was explained by low imports of copper and cobalt ores, concentrates and semi-processed copper. Kuwait ranked fourth following a surge in imports from that country to US \$137.9 million from US \$37.2 million, explained by increased imports of petroleum products. India ranked fifth as imports from that country grew by 65.3 percent to US \$79.7 million from US \$48.2 million, explained by increased imports of pharmaceutical products. Kenya ranked sixth, as imports from that country more than doubled to US \$66.4 million from US \$24.8 million recorded during the corresponding period in 2011. This outturn was explained by increased imports of gas oils from that country. This was followed by Japan as imports increased by 14.8 percent to US \$53.7 million from US \$46.8 million, following increased imports of motor vehicles from that country. Imports from United Kingdom, United Arab Emirates and Sweden increased during the period under review. However, imports from Zimbabwe declined.



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.

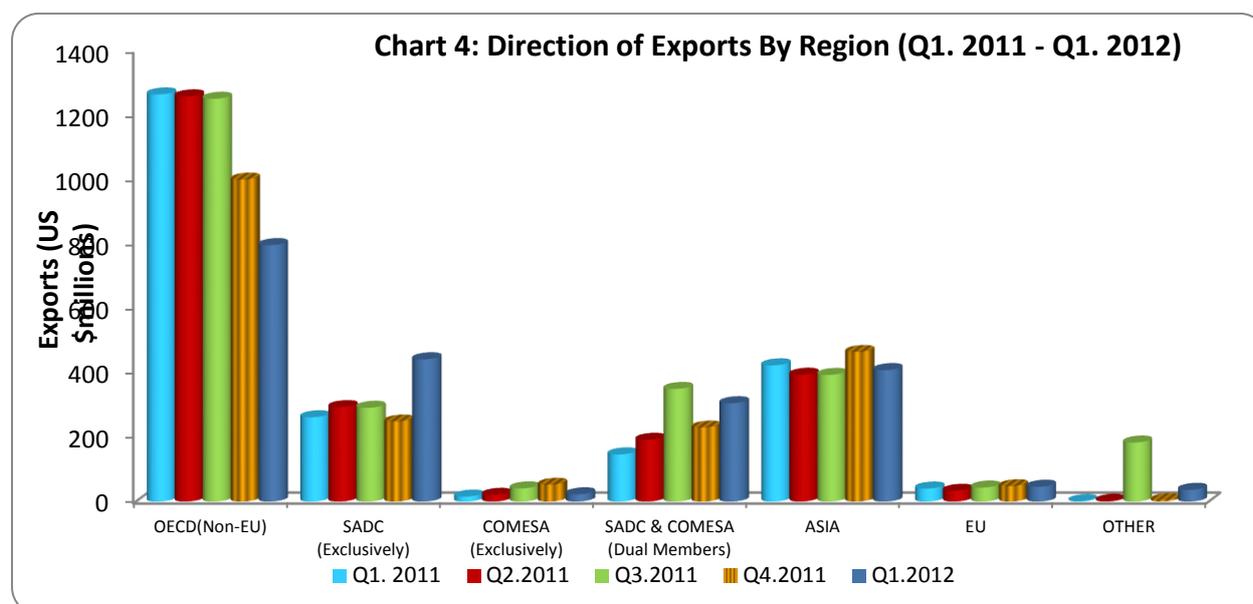
5.1 DIRECTION OF ZAMBIA'S EXPORTS BY REGION

During the first quarter of 2012, Zambia recorded notable increase in exports to four regions namely; COMESA (*Exclusively*), EU, SADC (*exclusively*) and SADC and COMESA (*dual members*), while exports to Asia and Non-EU OECD declined. The Non-EU OECD region,

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

however, maintained its top rank as Zambia's major export market, accounting for 38.7 percent of total exports (*see Chart 4*). Exports to the Non-EU OECD region declined by 37.0 percent to US \$796.9 million in the first quarter of 2012 from US \$1,265.7 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. SADC (*exclusively*) ranked second, accounting for 21.5 percent of exports, following a rise in exports to the region by 68.7 percent to US \$441.7 million in the first quarter of 2012 from US \$261.9 million recorded during the corresponding quarter in 2011. Asia ranked third, accounting for 19.8 percent of total exports, although exports to that region declined by 3.5 percent to US \$408.2 million from US \$423.0 million. This was largely attributed to a decline in exports of petroleum products from the United Arab Emirates. SADC & COMESA (*dual members*) ranked fourth, accounting for 14.8 percent as Zambia's exports to these countries more than doubled to US \$305.4 million in the period under review from US \$146.5 million recorded during the same quarter the previous year. Increased exports of food items, cement and chemicals (to Congo DR) and maize (to Zimbabwe), mainly accounted for the increase. The EU ranked fifth (accounting for 2.2 percent of total exports) as exports to the region grew by 13.9 percent to US \$46.1 million from US \$40.5 million, following increased exports of copper cathodes to Luxembourg. COMESA (*exclusively*) ranked seventh accounting for 1.1 percent of total exports as exports to the region grew by 44.8 percent to US \$22.6 million, driven by a rise in copper wire, petroleum gases and other gaseous hydrocarbons exports to Kenya.



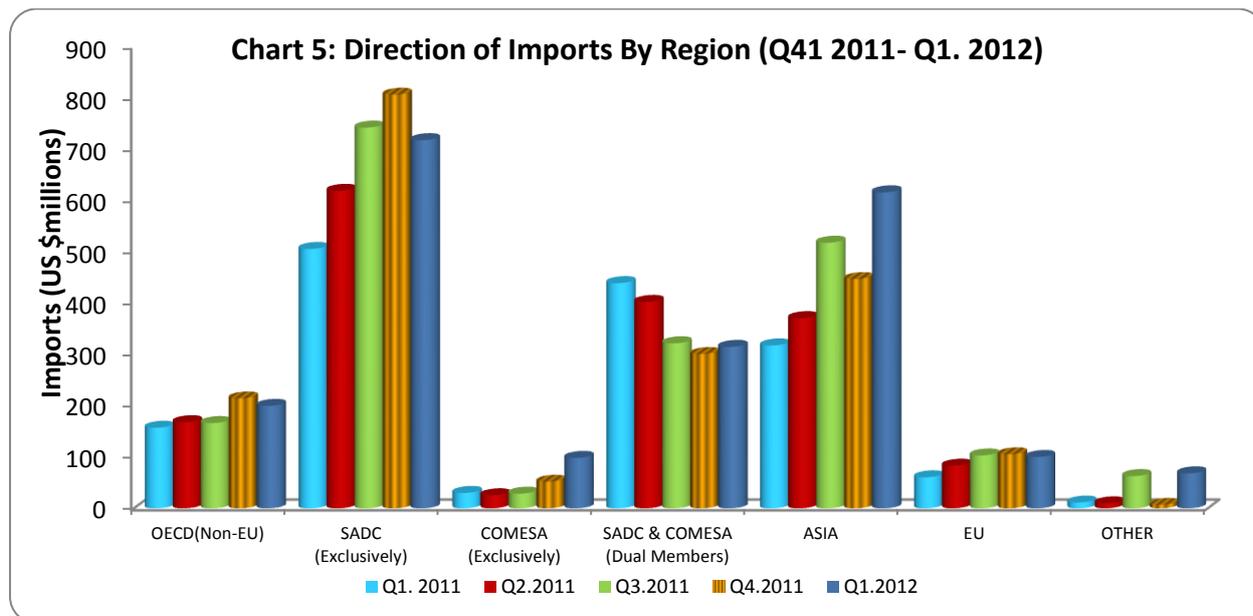
Source: Central Statistical Office

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 33.9 percent). Zambia's imports from that region grew by 41.8 percent to US \$718.7 million in the first quarter of 2012 from US \$506.9 million recorded during the same quarter in 2011 (*see Chart 5*), explained by the increased imports of food items, chemicals, motor vehicles, manufactured goods and machinery from South Africa. Asia maintained its second position accounting for 29.1 percent of Zambia's total imports as imports from that region near doubled to US \$617.1 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 14.9 percent of total imports although imports from the member countries declined by 28.2 percent to US \$316.2 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 9.5 percent of Zambia’s imports. Imports from that region grew by 27.1 percent to US \$200.8 million from US \$158.0 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 the United States of America) and parts of machinery and self-propelled machinery (from the United States of America). The EU and COMESA (*exclusively*) maintained their fifth and sixth ranks, accounting for 4.7 percent (US \$100.7 million), and 4.6 percent (US \$98.8 million) of Zambia’s total imports, respectively.



Source: Central Statistical Office

6.0 CONCLUSION

During the first quarter of 2012, Zambia recorded a trade deficit following the increased imports and a decline in exports to the rest of the world. Zambia registered significant increases in imports from South Africa, China, Kuwait, India, Kenya, Japan and Sweden. During the period under review, Zambia’s six major export destinations during the period under review were Switzerland, China, Zimbabwe, South Africa, the United Kingdom and Congo (DR). All these markets recorded significant improvements except for Switzerland and South Africa. 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 second quarter of 2012, Zambia’s exports projected to rise largely on account of improved supply of metals due to improved capacity utilisation and projected global demand of metal. Similarly, imports are expected to remain strong due to continued demand for imports.

ANNEX 1: ZAMBIA'S EXPORTS TO THE REST OF THE WORLD (IN US \$'MILLION; FOB), Q1 2011 – Q1 2012

COUNTRY	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012
Angola	0.4	0.5	1.0	0.5	0.90
Australia	0.3	0.3	3.0	0.4	0.20
Belgium	29.0	21.5	21.9	17.4	18.75
Botswana	4.5	4.1	6.5	12.5	15.95
Burundi	7.4	7.5	7.4	5.8	4.41
China	350.0	346.9	365.1	441.9	370.35
Democratic Republic of Congo	81.7	88.7	240.8	96.4	93.4
Egypt	0.0	0.0	4.9	1.8	2.75
France	0.4	0.4	1.4	0.1	0.04
Germany	2.3	2.4	2.8	5.3	2.99
Hong Kong	0.3	0.8	0.7	1.3	0.28
India	13.4	4.8	3.9	4.4	14.84
Kenya	7.1	12.2	24.7	36.8	10.61
Korea, Republic of	0.0	0.0	0.0	0.1	0.01
Kuwait	0.0	0.0	0.0	0.0	0.0
Luxembourg	1.0	6.5	15.0	21.5	20.85
Madagascar	0.1	0.0	0.1	0.2	0
Malawi	17.5	22.8	33.4	11.3	13.63
Malaysia	2.4	0.0	0.0	0.0	0.0
Mozambique	3.3	3.2	27.3	43.4	4.74
Namibia	7.8	18.1	3.4	5.5	74.53
Netherlands	6.4	2.4	2.3	3.0	3.25
Pakistan	0.1	0.0	0.4	0.0	0.0
Philippines	0.7	0.0	0.0	0.0	0.44
Republic of Thailand	3.9	0.0	0.2	0.0	0.04
Rwanda	0.8	0.8	4.0	5.9	0.60
Saudi Arabia	1.4	10.2	0.0	0.0	0.01
Singapore	0.7	15.3	8.0	4.5	14.79
South Africa (Republic of)	237.9	253.8	231.8	163.8	171.58
Sudan	0.0	0.0	0.0	0.0	3.93
Swaziland	0.0	0.0	1.9	7.2	0.68
Sweden	1.5	0.4	0.1	0.3	0.02
Switzerland	1,216.2	1,185.6	1,093.0	903.9	689.66
Tanzania, United	8.0	13.8	14.8	22.2	174.04
United Arab Emirates	49.8	15.9	14.5	11.9	22.45
United Kingdom	42.2	70.5	128.8	89.4	123.21
United States of America	1.3	2.6	2.0	0.3	1.79
Zimbabwe	41.3	52.7	48.6	107.7	197.64
Other	13.7	31.4	241.2	20.5	356.8
Total	2,154.8	2,196.1	2,554.4	2,047.3	2,057.47

Source: Central Statistical Office (CSO)

ANNEX 2: ZAMBIA'S IMPORTS FROM THE REST OF THE WORLD (US \$'MILLION); CIF Q1 2011 – Q1 2012

COUNTRY	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012
Australia	12.8	10.6	10.4	11.8	18.14
Austria	2.7	0.6	1.4	0.5	1.26
Belgium	6.5	9.7	14.2	16.4	16.83
Botswana	4.4	22.6	9.0	6.4	5.68
Brazil	1.3	1.5	2.1	2.4	7.55
Canada	6.1	9.4	9.0	7.2	1.67
China	133.7	150.9	217.1	189.3	292.78
Democratic Republic of Congo	411.5	376.2	286.5	264.8	274.52
Denmark	5.9	3.7	0.8	2.8	11.80
Egypt	4.8	5.4	7.5	11.1	29.47
Finland	9.6	21.1	31.0	22.0	18.08
France	9.3	8.5	13.1	14.2	9.75
Germany	15.0	13.3	12.1	17.8	20.05
Hong Kong	9.0	8.0	10.6	8.4	21.36
India	48.2	64.6	61.7	73.4	79.66
Indonesia	6.0	1.6	1.5	2.3	2.24
Ireland	12.5	11.0	10.7	14.5	14.81
Israel	0.3	0.2	0.4	1.8	0.44
Italy	5.3	3.9	3.5	6.1	5.70
Japan	46.8	26.5	29.8	45.2	53.72
Kenya	24.8	20.0	21.2	40.7	66.39
Korea, Republic of	4.2	3.7	0.0	5.4	8.65
Kuwait	37.2	41.8	198.1	57.2	137.92
Lebanon	2.0	3.2	0.9	0.5	1.20
Malawi	5.2	3.5	6.0	2.7	4.82
Malaysia	1.8	2.0	1.7	2.6	2.75
Mauritius	2.4	1.2	4.5	6.1	12.69
Mozambique	2.6	5.1	4.7	6.4	1.54
Namibia	2.8	3.2	8.3	4.3	2.90
Netherlands	0.0	14.7	15.9	12.0	11.90
Pakistan	0.5	0.8	1.1	1.6	2.15
Republic of Thailand	1.5	0.0	2.0	5.4	4.57
Singapore	19.5	25.5	13.6	29.3	18.47
South Africa (Republic of)	482.2	574.6	701.0	775.9	689.58
Spain	0.4	0.6	1.1	1.2	1.58
Swaziland	1.8	1.8	2.9	5.1	6.42
Sweden	15.2	26.7	17.7	28.6	20.46
Switzerland	5.7	11.2	22.5	22.1	19.82
Taiwan, Province of China	2.3	1.8	3.4	2.4	2.98
Tanzania, United	14.8	14.6	11.3	14.2	18.86
United Arab Emirates	49.5	70.0	0.0	66.8	49.78
United Kingdom	32.1	53.6	50.5	53.7	52.15
United States of America	23.7	21.6	16.3	35.6	48.82
Zimbabwe	19.5	21.2	23.3	23.4	17.03
Other	23.4	12.4	90.5	16.0	387.0
Total	1,526.8	1,684.1	1,948.3	1,937.6	2,121.03

Source: Central Statistical Office (CSO)