



Bank of Zambia

Zambia

Direction of Trade Report

(Third Quarter 2012)

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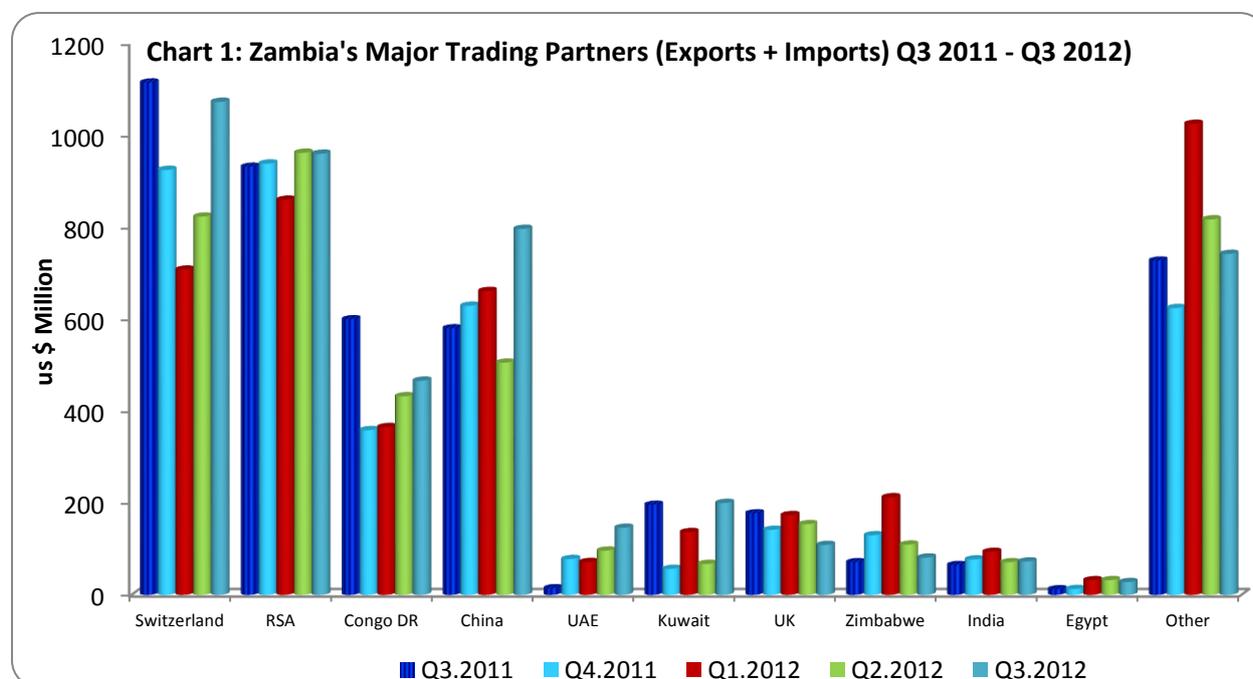
1.0 INTRODUCTION

This report shows Zambia's direction of merchandise trade for the third 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 Zambia's trade (exports plus imports) grew by 4.1 percent to US \$4,687.7 million from US \$4,502.7 million recorded during the corresponding period in 2011. Switzerland ranked first as Zambia's top major trading partner during the period under review displacing the Republic of South Africa, despite recording a decline in trade by 3.8 percent to US \$1,073.6 million from US \$1,115.5 million registered in the third quarter of 2011. This outcome was largely explained by low volumes and prices of metals purchased from Zambian mining companies by Swiss-based metal traders¹. The Republic of South Africa ranked second, as trade with that country increased by 3.0 percent to US \$961.1 million from US \$932.7 million, explained by the continued rise in imports of manufactured goods from that country² (see Chart 1).

China maintained the third position following a growth in trade with that country by 37.1 percent to US \$798.1 million from US \$582.2 million recorded during the third quarter of 2011. This outcome was explained by increased export of metals to that country. Congo (DR) ranked fourth, following a decline in trade with that country by 22.1 percent to US \$468.6 million from US \$601.8 million during the corresponding period in 2011. This outcome was largely attributed to a decline in exports of chemicals and cement to that country.



Source: Central Statistical Office

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.

² Manufactured goods largely explained by the following categories; industrial 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.

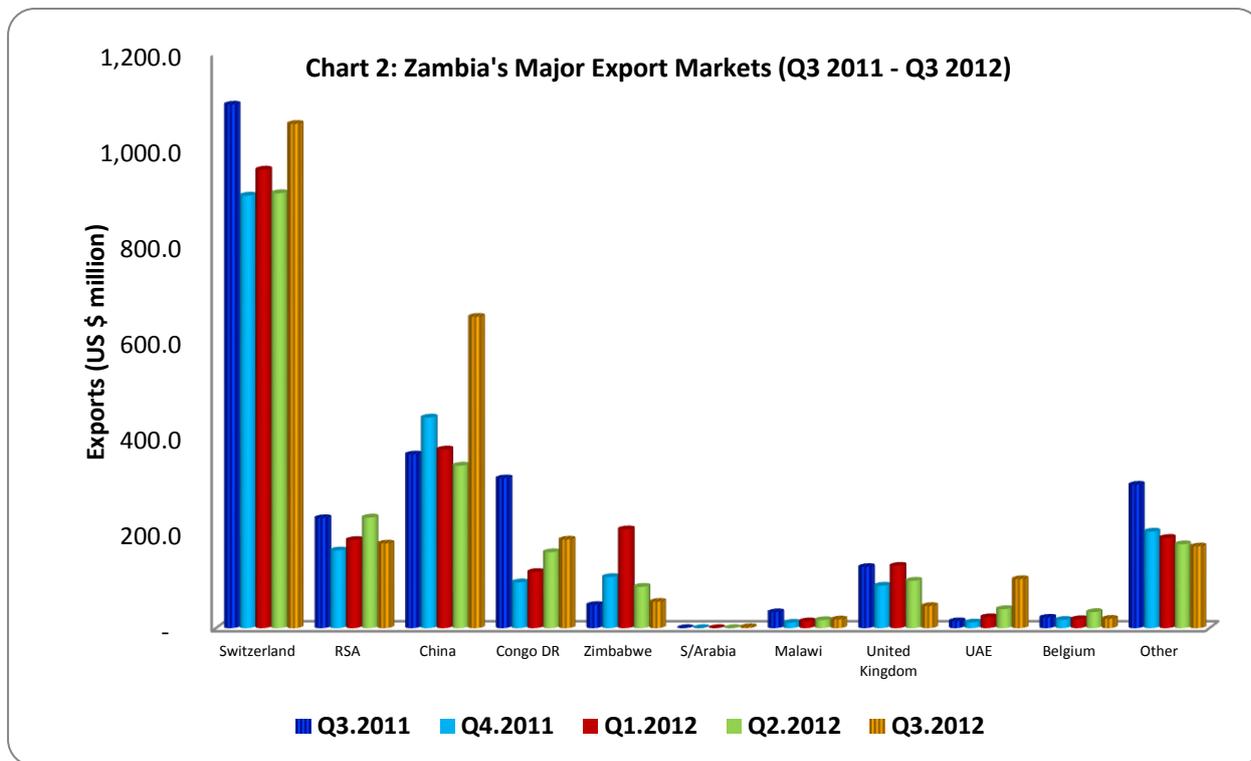
Kuwait ranked fifth, up from ninth position as trade with that country grew by 2.0 percent to US \$202.1 million from US \$198.0 million recorded in the third quarter of 2011, following increased imports of petroleum products. The United Arab Emirates (UAE) ranked sixth as trade with that country significantly increased to US \$147.5 million from US \$14.5 million registered during the corresponding period in 2011, explained by increased exports of copper to that country. The United Kingdom ranked seventh, dropping from fifth position recorded in the second quarter of 2012, explained by a fall in trade with that country by 38.8 percent to US \$109.8 million from US \$179.2 million. This outturn was explained by a decline in exports of copper cathodes and articles thereof. Zimbabwe ranked eighth position following an increase in trade with that country by 14.1 percent to US \$81.9 million from US \$71.8 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. India ranked ninth as trade with that country grew by 12.0 percent to US \$73.4 million from US \$65.6 million recorded over the same quarter in 2011, explained largely by imports of pharmaceutical products, industrial boilers and equipment, electrical machinery and equipment parts thereof from that country. India was followed by Egypt, as trade with that country more than doubled to US \$28.1 million from US \$12.4 million recorded during a corresponding period in 2011. This outturn was explained by increased imports of electrical machinery and equipment parts thereof.

3.0 ZAMBIA'S MAJOR EXPORT MARKETS

During the period under review, Zambia's exports declined by 2.7 percent to US \$2,485.7 million from US \$2,554.4 million, recorded in the third quarter of 2011. Switzerland maintained its top rank as Zambia's major export market, although exports to that country declined by 3.7 percent to US \$1,053.0 million from US \$1,093.0 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, following an increase in exports to that country by 78.4 percent to US \$651.5 million from US \$365.1 million. This outturn was explained by increased metal demand in that country. Congo (DR) ranked third displacing South Africa despite trade with that country declining by 40.8 percent to US \$186.6 million from US \$315.3 million recorded over the same period in 2011. This outturn was largely explained by lower exports of sugars and sugar confectionery; cement and lime and chemicals to that country. South Africa ranked fourth down from third, following a 23.1 percent decline in exports to that country to US \$178.2 million from US \$231.8 million recorded over the same period in 2011, largely on account of lower metal exports to that country.

The United Arab Emirates ranked fifth following phenomenal growth in exports to that country to US \$103.1 million from US \$14.5 million recorded during the corresponding period the previous year. This outturn was explained by increased exports of base metals to that country. Zimbabwe ranked sixth as exports to that country increased by 14.0 percent to US \$55.4 million from US \$48.5 million in the corresponding period in 2011, explained by a rise in exports of tobacco, manufactured tobacco substitutes, cereals, sugars and sugar confectionery to that country. The United Kingdom dropped to seventh position from fifth following a fall in exports to that country by 64.0 percent to US \$46.4 million from US \$128.8 million recorded during the corresponding period in 2011. This outturn was explained by a decline in volumes of copper cathode exports coupled with the low metal prices.

During the same period, Zambia's exports to Belgium declined by 10.9 percent to US \$19.5 million from US \$21.9 million, following reduced export of metals to that country. Similarly, exports to Malawi declined by 45.7 percent to US \$18.1 million from US \$33.4 million during the corresponding period in 2011. Exports to Saudi Arabia, however, increased.



Source: Central Statistical Office

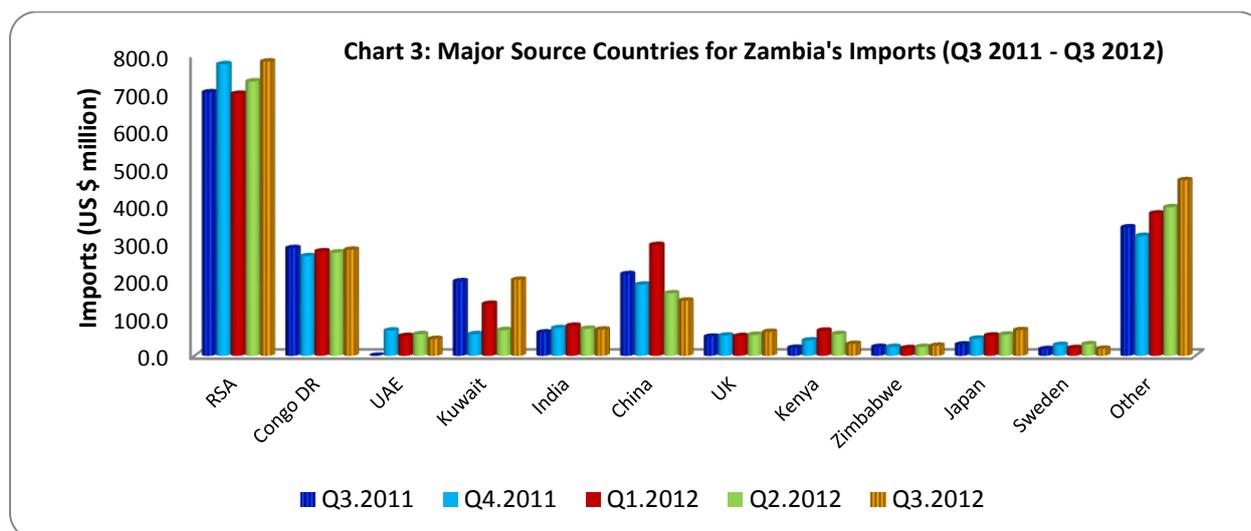
4.0 MAJOR SOURCE COUNTRIES OF ZAMBIA'S IMPORTS

During the third quarter of 2012, Zambia's imports from the rest of the world grew by 13.0 percent to US \$2,202.0 million from US \$1,948.3 million recorded during the corresponding period in 2011. South Africa maintained its top rank as Zambia's main source of imports, following an 11.7 percent increase in imports from that country to US \$782.8 million from US \$700.9 million recorded in the corresponding quarter of 2011 (*see Chart 3*). The major imports included manufactured goods and machinery, electrical equipment, industrial boilers, machinery and mechanical appliances and vehicles. Congo (DR) remained in second position despite a marginal decline in imports from that country to US \$282.0 million from US \$286.5 million recorded during the same period in 2011. This outcome was explained by lower imports of copper ores, slag and ash, and semi-processed copper from that country. Kuwait ranked third, following a 2.0 percent rise in imports to US \$202.0 million from US \$198.0 million in the corresponding period in 2011. This was explained by increased imports of petroleum products. China dropped to fourth position, following a 32.5 percent decline in imports to US \$146.6 million from US \$217.1 million. This outcome was driven by a decline in imports of manufactured goods and machinery.

India ranked fifth as imports from that country grew by 12.5 percent to US \$69.4 million from US \$61.7 million recorded during the corresponding period in 2011. An increase in imports of pharmaceutical products, electrical machinery, equipment parts thereof, sound recorders and industrial boilers explained this outcome. Japan ranked sixth as imports more than doubled to US \$67.9 million from US \$29.8 percent, largely driven by increased imports of motor vehicles from that country. The United Kingdom ranked seventh following a rise of 25.6 percent in imports to US \$63.4 million from US \$50.5 million from that country. This was explained by a rise in imports of motor vehicles and industrial boilers. This was followed by the United Arab Emirates which registered imports of US \$44.3 million from none during the corresponding period in 2011, driven by imports of fertiliser, chemicals and electrical machinery and equipment parts.

During the period under review, imports from Kenya, Zimbabwe and Sweden increased to US \$31.2 million, US \$26.5 million and US \$18.4 million, respectively. This outcome was explained by

increased imports of fuels and oils, animal and vegetable fats from Kenya, fuels and oils from Zimbabwe and industrial boilers and motor vehicles from Sweden.



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)³ and Non-EU⁴.

5.1 DIRECTION OF ZAMBIA'S EXPORTS BY REGION

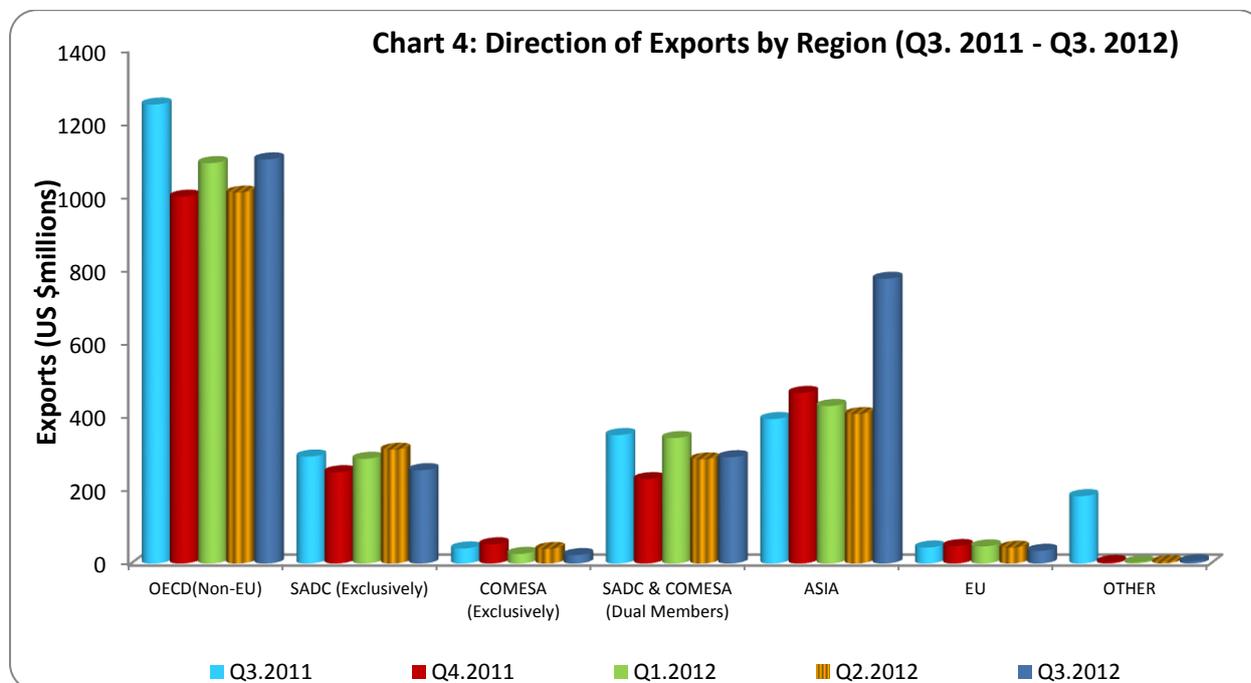
During the period under review, Zambia recorded declines in exports to five regions namely; COMESA (*Exclusively*), the EU, the Non-EU OECD region, SADC (*exclusively*) and SADC and COMESA (*dual members*). Exports to Asia, however, increased. Notwithstanding, the Non-EU OECD region, retained its top rank as Zambia's major export market, accounting for 44.3 percent of total exports (*see Chart 4*). Exports to the Non-EU OECD region recorded a 12.0 percent decline to US \$1,102.4 million in the third quarter of 2012 from US \$1,252.3 million recorded during the corresponding period in 2011. This outturn was largely driven by low metal exports to Switzerland coupled with lower prices during the period under review.

Asia maintained the second position, accounting for 31.2 percent of total exports, as exports to that region nearly doubled to US \$776.3 million from US \$393.2 million, largely driven by higher metal exports to China and the United Arab Emirates. SADC & COMESA (*dual members*) ranked third, displacing SADC (*exclusively*), accounting for 11.6 percent of Zambia's total exports, despite registering a fall in exports by 17.2 percent to US \$289.5 million in the period under review from US \$349.8 million recorded during the same quarter in 2011. This outturn was largely explained by a decline in exports of sugar, cement and chemicals to Congo DR. SADC (*exclusively*) was relegated to fourth position, and accounted for 10.2 percent of Zambia's total

³ 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.

⁴ 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

exports, following a decline in exports to the region by 12.8 percent to US \$254.0 million from US \$291.2 million recorded during the corresponding quarter in 2011, explained by lower metal exports to South Africa. The EU ranked fifth, accounting for 1.4 percent of total exports, although the exports to the region fell by 20.5 percent to US \$34.6 million from US \$43.5 million, following reduced metal exports to Belgium and Luxembourg. COMESA (*exclusively*) remained in sixth position accounting for 0.9 percent of total exports, following a 43.8 percent decline in exports to the region to US \$23.0 million from US \$41.0 million. Low exports of copper and cereals to Kenya explained this outturn.

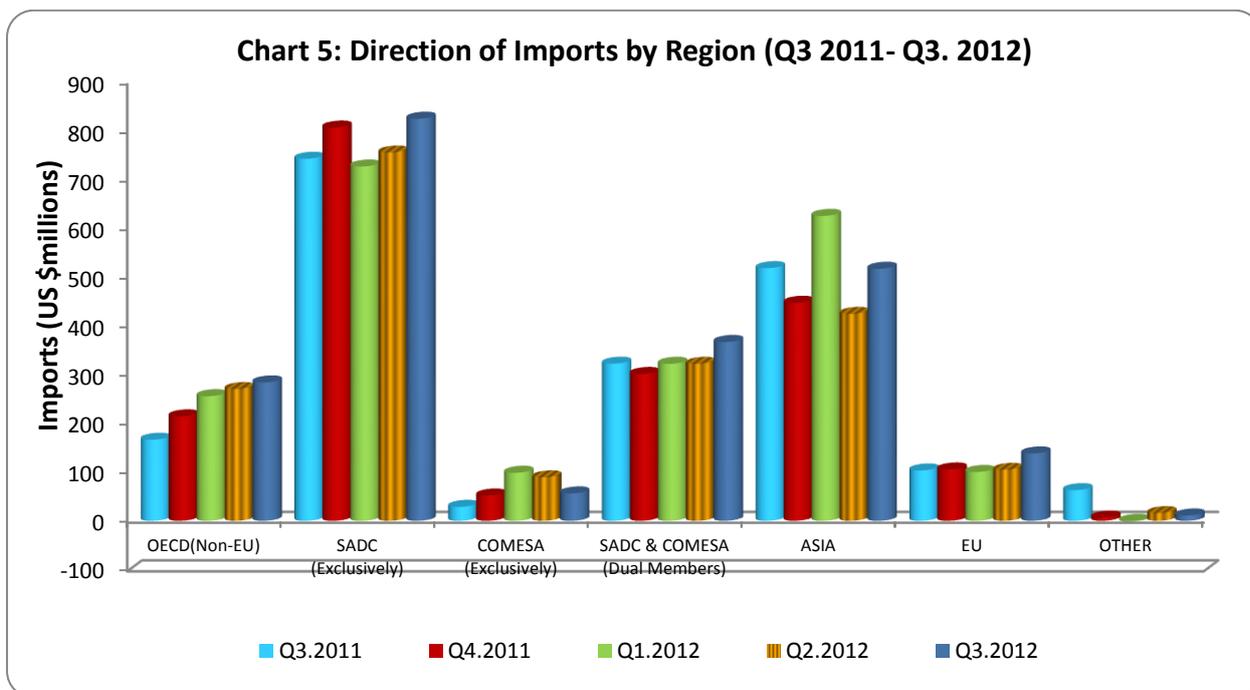


Source: Central Statistical Office

5.2 DIRECTION OF ZAMBIA'S IMPORTS BY REGION

During the third quarter of 2012, Zambia recorded an increase in merchandise imports from all the regions, with an exception of Asia. SADC (*exclusively*) continued to dominate as Zambia's major source of imports accounting for 37.5 percent of total imports, following an 11.0 percent rise in imports to US \$825.2 million from US \$743.1 million recorded during the corresponding quarter in 2011 (*see Chart 5*). This outturn was explained by the increased imports of manufactured goods and machinery, electrical equipment, industrial boilers, machinery and mechanical appliances and vehicles from South Africa. Asia remained in second position accounting for 23.5 percent of Zambia's total imports, despite a marginal decline in imports from that region to US \$517.8 million from US \$519.0 million, recorded during the same period in 2011. This outturn was explained by a decline in imports of manufactured goods and machinery from China. SADC & COMESA (*dual members*), was ranked third and accounted for 16.7 percent of total imports, following an increase in imports by 13.8 percent to US \$367.7 million from US \$323.2 million, explained by higher imports of oil seed and fruits from Malawi.

This was followed by the Non-EU OECD region, which accounted for 12.9 percent of Zambia's imports. Imports from that region grew by 70.5 percent to US \$284.9 million from US \$167.1 million recorded during the corresponding period in 2011. This was largely attributed to increased imports of motor vehicles from Japan and motor vehicles and industrial boilers (from the United Kingdom and the United States of America). The EU and COMESA (*exclusively*) were ranked fifth and sixth, accounting for 6.3 percent (US \$138.8 million), and 2.6 percent (US \$56.5 million) of Zambia's total imports, respectively.



Source: Central Statistical Office

6.0 CONCLUSION

During the quarter under review, Zambia recorded a decline in exports earnings, while merchandise imports registered an increase, thereby narrowing the country's trade surplus. Zambia registered significant increases in imports from South Africa, the United Arab Emirates, Kuwait, India, the United Kingdom, Kenya, Zimbabwe, Japan and Sweden. During the same period, Zambia's six major export destinations were Switzerland, China, Congo DR, South Africa, the United Arab Emirates and Zimbabwe.

On a regional basis, the Non-EU OECD continued to dominate as Zambia's top export market, while SADC (*exclusively*) continued to be the major source of Zambia's imports. During the fourth quarter of 2012, Zambia's exports are expected to edge upwards on account of increased traditional and non-traditional exports. Imports are also expected to continue rising due to high growth prospects in the country and, therefore, strong demand for imports.

ANNEX 1: ZAMBIA'S EXPORTS TO THE REST OF THE WORLD (IN US \$'MILLION; FOB), Q3 2011 – Q3 2012

COUNTRY	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012
Angola	1.0	0.5	0.9	8.1	1.2
Australia	3.0	0.4	0.2	0.4	0.4
Belgium	21.9	17.4	18.6	33.7	19.5
Botswana	6.5	12.5	16.0	7.0	5.4
Burundi	7.4	5.8	4.4	7.4	6.2
China	365.1	441.9	370.4	341.8	651.5
Democratic Republic of Congo	240.8	96.4	118.4	160.1	186.6
Egypt	4.9	1.8	2.75	2.2	3.7
France	1.4	0.1	0.0	0.8	0.9
Germany	2.8	5.3	3.0	3.1	2.9
Hong Kong	0.7	1.3	0.3	4.9	10.8
India	3.9	4.4	14.8	18.1	4.0
Kenya	24.7	36.8	10.6	28.5	10.5
Korea, Republic of	0.0	0.1	0.0	0.0	0.0
Kuwait	0.0	0.0	0.0	0.0	0.0
Luxembourg	15.0	21.5	20.9	1.9	7.1
Madagascar	0.1	0.2	0.0	0.0	0.0
Malawi	33.4	11.3	14.3	16.8	18.1
Malaysia	0.0	0.0	0.0	0.0	0.0
Mozambique	27.3	43.4	4.8	5.1	5.5
Namibia	3.4	5.5	72.6	7.4	39.3
Netherlands	2.3	3.0	3.5	3.4	3.6
Pakistan	0.4	0.0	0.0	0.0	0.0
Philippines	0.0	0.0	0.4	0.0	0.1
Republic of Thailand	0.2	0.0	0.04	0.0	0.1
Rwanda	4.0	5.9	0.6	1.4	2.1
Saudi Arabia	0.0	0.0	0.01	0.0	1.9
Singapore	8.0	4.5	14.8	1.6	4.5
South Africa (Republic of)	231.8	163.8	185.7	233.1	178.2
Sudan	0.0	0.0	3.9	0.0	0.0
Swaziland	1.9	7.2	0.5	1.2	10.5
Sweden	0.1	0.3	0.0	2.0	0.0
Switzerland	1,093.0	903.9	958.0	908.9	1,053.0
Tanzania, United	14.8	22.2	3.3	48.6	23.5
United Arab Emirates	14.5	11.9	23.0	40.1	103.1
United Kingdom	128.8	89.4	131.4	99.8	46.4
United States of America	2.0	0.3	1.9	0.8	1.9
Zimbabwe	48.6	107.7	185.7	87.1	55.4
Other	240.7	20.5	37.9	22.8	27.8
Total	2,554.4	2,047.3	2,223.6	2,098.1	2485.7

Source: Central Statistical Office (CSO)

ANNEX 2: ZAMBIA'S IMPORTS FROM THE REST OF THE WORLD (US \$'MILLION); CIF Q3 2011 – Q3 2012

COUNTRY	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012
Australia	10.4	11.8	18.1	12.2	9.5
Austria	1.4	0.5	1.3	1.0	1.8
Belgium	14.2	16.4	16.9	12.1	27.4
Botswana	9.0	6.4	5.7	4.8	5.5
Brazil	2.1	2.4	1.7	3.2	1.9
Canada	9.0	7.2	7.6	9.2	18.9
China	217.1	189.3	294.8	166.0	146.6
Democratic Republic of Congo	286.5	264.8	277.8	274.7	282.0
Denmark	0.8	2.8	11.8	7.7	5.9
Egypt	7.5	11.1	29.5	30.2	24.4
Finland	31.0	22.0	18.1	11.4	10.0
France	13.1	14.2	9.8	16.4	10.8
Germany	12.1	17.8	20.1	23.9	38.7
Hong Kong	10.6	8.4	21.4	19.9	12.0
India	61.7	73.4	79.9	71.8	69.4
Indonesia	1.5	2.3	2.2	11.2	4.0
Ireland	10.7	14.5	14.8	21.1	4.0
Israel	0.4	1.8	0.4	0.6	0.7
Italy	3.5	6.1	5.7	6.3	4.0
Japan	29.8	45.2	53.7	56.2	67.9
Kenya	21.2	40.7	66.6	57.5	31.2
Korea, Republic of	0.0	5.4	8.6	7.2	8.8
Kuwait	198.1	57.2	137.9	68.0	202.0
Lebanon	0.9	0.5	1.2	3.0	4.3
Malawi	6.0	2.7	5.9	4.5	52.4
Malaysia	1.7	2.6	2.7	3.2	3.0
Mauritius	4.5	6.1	12.7	15.1	5.5
Mozambique	4.7	6.4	1.5	1.4	7.0
Namibia	8.3	4.3	4.4	5.9	7.4
Netherlands	15.9	12.0	11.9	9.6	24.2
Pakistan	1.1	1.6	2.2	1.2	1.5
Republic of Thailand	2.0	5.4	4.6	2.5	5.2
Singapore	13.6	29.3	18.5	7.5	11.9
South Africa (Republic of)	701.0	775.9	696.8	730.0	782.8
Spain	1.1	1.2	1.6	2.2	3.5
Swaziland	2.9	5.1	6.4	5.3	1.3
Sweden	17.7	28.6	20.5	30.5	18.4
Switzerland	22.5	22.1	19.8	27.2	20.6
Taiwan, Province of China	3.4	2.4	3.0	2.8	2.5
Tanzania, United	11.3	14.2	18.7	13.3	22.5
United Arab Emirates	0.0	66.8	52.2	57.1	44.3
United Kingdom	50.5	53.7	52.2	55.6	55.6
United States of America	16.3	35.6	52.2	55.6	63.4
Zimbabwe	23.3	23.4	20.2	23.4	26.5
Other	87.9	16.0	17.3	36.5	50.8
Total	1,948.3	1,937.6	2,130.9	1,986.0	2,202.0

Source: Central Statistical Office (CSO)