



**Bank of Zambia**

# Zambia

## Direction of Trade Report

**(Fourth Quarter 2012)**

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## 1.0 INTRODUCTION

This report shows Zambia's direction of merchandise trade for the fourth 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 33.8 percent to US \$5,330.4 million from US \$3,984.9 million recorded during the corresponding period in 2011. The Republic of South Africa ranked first as Zambia's top major trading partner during the period under review, as trade with that country increased by 25.9 percent to US \$1,183.0 million from US \$939.6 million, explained by a rise in exports of cotton and brans, sharps and other residues of maize. Switzerland ranked second, following an increase in trade with that country by 14.6 percent to US \$1,061.5 million from US \$926.0 million registered during the fourth quarter of 2011, largely explained by high volumes of metals purchased from Zambian mining companies by Swiss-based metal traders<sup>1</sup> (*see Chart 1*).

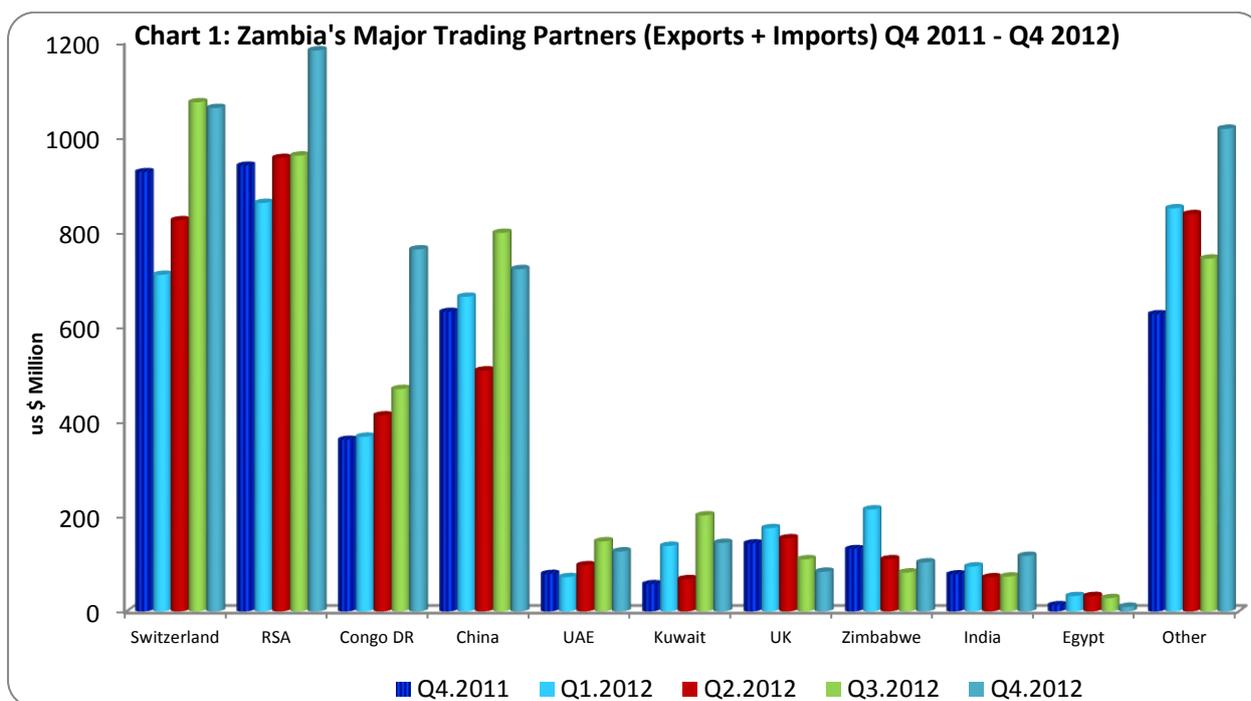
Congo (DR) ranked third, as trade with that country more than doubled to US \$763.2 million from US \$361.3 million during the corresponding period in 2011, largely attributed to an increase in imports of copper ores, slag and ash from that country and exports of wood and articles of wood; food items, chemicals and cement to that country. China was ranked fourth following a rise in trade with that country by 14.3 percent to US \$721.5 million from US \$631.2 million recorded during the same quarter of 2011. This outturn was explained by increased export of metals to that country and special imports.

Kuwait remained the fifth position, as trade with that country significantly increased to US \$144.2 million from US \$57.2 million recorded in the corresponding quarter of 2011, following increased imports of petroleum products. The United Arab Emirates (UAE) ranked sixth, as trade with that country increased by 60.2 percent to US \$126.2 million from US \$78.8 million registered during the corresponding period in 2011, driven by increased exports of base metals to that country and imports of industrial boilers, machinery and mechanical appliances. India ranked seventh up from ninth, following a growth in trade with that country by 50.1 percent to US \$116.8 million from US \$77.8 million recorded during the fourth quarter in 2011. This outturn was explained largely by imports of pharmaceutical products, industrial boilers and equipment, motor vehicles from that country and exports of metals to that country.

Zimbabwe ranked eighth, following a decline in trade with that country by 21.3 percent to US \$103.1 million from US \$131.1 million recorded during the corresponding quarter in 2011, largely attributed to a decline in export of maize to that country. The United Kingdom ranked ninth down from seventh, attributed to a fall in trade with that country by 41.6 percent to US \$83.5 million from US \$142.9 million. This outturn was explained by a decline in exports of copper cathodes and articles thereof. The United Kingdom was followed by Egypt, as trade with that country declined by 24.7 percent to US \$9.7 million from US \$12.9 million recorded during a corresponding period in 2011. This outturn was explained by a decline in imports of electrical machinery and equipment parts thereof.

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<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.



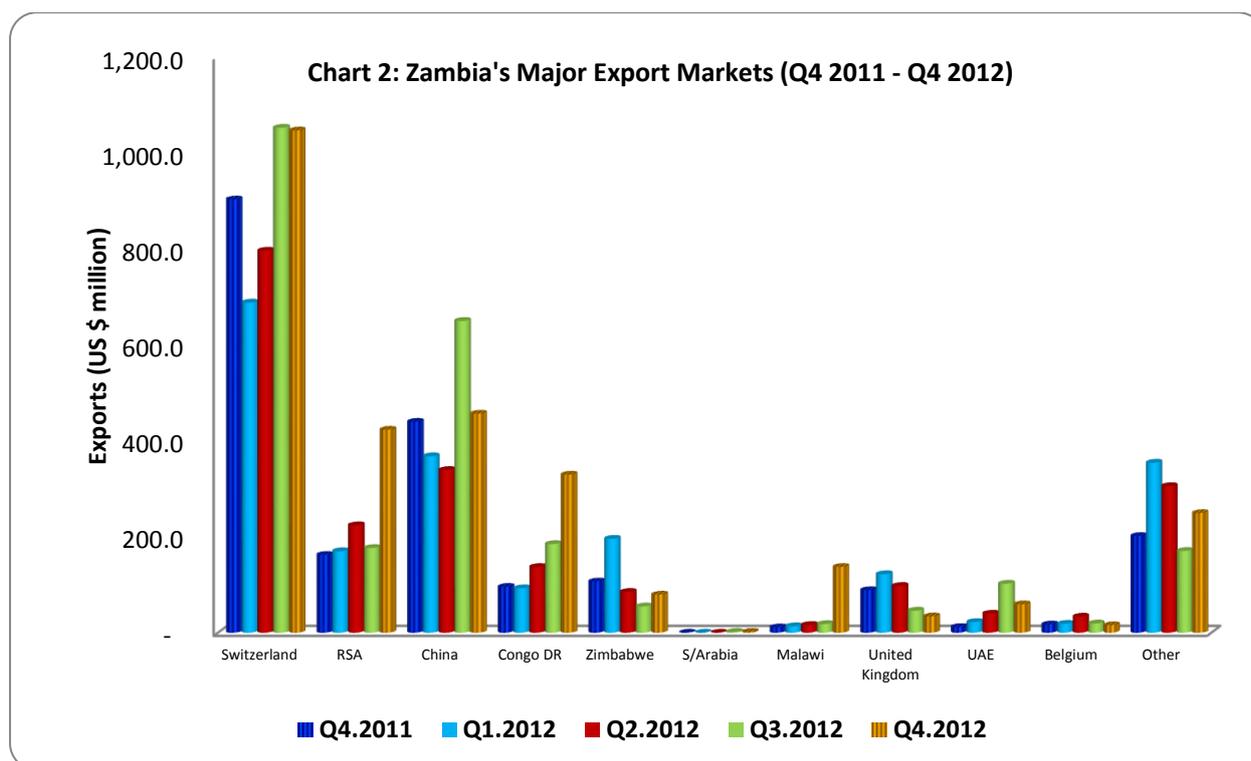
Source: Central Statistical Office

### 3.0 ZAMBIA'S MAJOR EXPORT MARKETS

During the period under review, Zambia's exports increased by 39.0 percent to US \$2,845.7 million from US \$2,047.3 million, recorded in the fourth quarter of 2011. Switzerland was top ranked as Zambia's major export market, as exports to that country increased by 15.9 percent to US \$1,047.3 million from US \$903.9 million (*see Chart 2*). Higher volumes of metals purchased by Swiss-based metal traders from Zambian mining companies during the period under review explained this outturn. China remained in second position, following an increase in exports to that country by 3.8 percent to US \$458.8 million from US \$441.9 million. This outturn was explained by increased metal exports to that country. South Africa regained the third position, following a significant increase in exports to that country amounting to US \$425.4 million from US \$163.8 million recorded during the same period in 2011, largely on account of unprecedented rise in cotton and brans, sharps and other residues of maize exports to that country. Congo (DR) ranked fourth, following a phenomenal increase in exports to that country amounting to US \$332.2 million from US \$96.4 million registered during the corresponding period in 2011. This outturn was largely explained by increased exports of wood and articles of wood, food items, chemicals and cement to that country.

Malawi ranked fifth up from eighth, following a surge in exports to that country amounting US \$138.3 million from US \$11.3 million during the corresponding period in 2011, following extraordinary increase in exports of wood and articles of wood, and candles, tapers and the like to that country. Zimbabwe ranked sixth, following a decline in exports to that country by 25.6 percent to US \$80.2 million from US \$107.7 million in the corresponding period in 2011, explained by a drop in exports of maize to that country. The United Arab Emirates ranked seventh, following a significant growth in exports to that country amounting to US \$59.8 million from US \$11.9 million recorded during the corresponding period the previous year. This outturn was explained by increased exports of base metals to that country. The United Kingdom ranked eighth, following a fall in exports to that country by 61.7 percent to US \$34.3 million from US \$89.4 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.

Over the same period, Zambia's exports to Belgium declined by 9.0 percent to US \$15.9 million from US \$17.4 million, following reduced export of metals to that country. Exports to Saudi Arabia, however, increased.



Source: Central Statistical Office

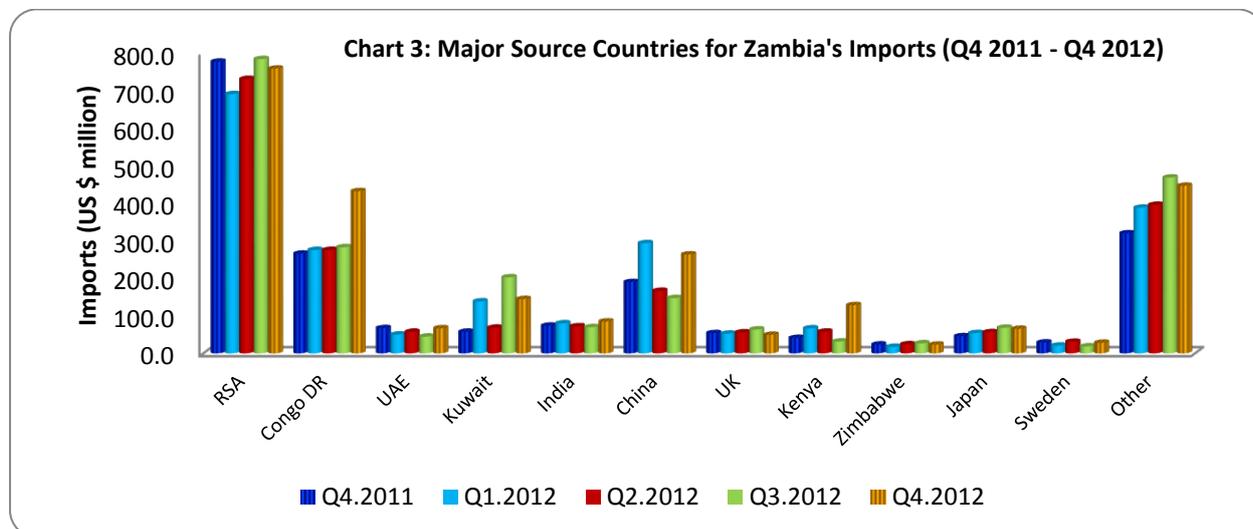
#### 4.0 MAJOR SOURCE COUNTRIES OF ZAMBIA'S IMPORTS

During the fourth quarter of 2012, Zambia's imports from the rest of the world grew by 28.2 percent to US \$2,484.7 million from US \$1,937.6 million recorded during the corresponding period in 2011. South Africa maintained the top rank as Zambia's main source of imports, despite recording a decline in imports from that country by 2.4 percent to US \$757.6 million from US \$775.8 million recorded in the corresponding quarter of 2011 (*see Chart 3*), largely attributed to a decline in food items. Congo (DR) remained in second position, following a rise in imports from that country by 62.7 percent to US \$431.0 million from US \$264.8 million recorded during the same period in 2011. This outturn was explained by higher imports of copper ores, slag and ash, and semi-processed copper from that country. China ranked fourth, following a 38.8 percent increase in imports to US \$262.7 million from US \$189.2 million. This outturn was driven by an increase in imports of manufactured goods, machinery and special imports. Kuwait ranked fifth, as imports from that country surged to US \$144.2 million from US \$57.2 million in the corresponding period in 2011. This was explained by increased imports of petroleum products from that country.

Kenya ranked sixth, following a phenomenal increase in imports from that country to US \$127.9 million from US \$40.7 million registered during the corresponding period in 2011, largely attributed to a surge in mineral fuels, oils and product of their distillation. India ranked seventh, as imports from that country grew by 14.9 percent to US \$84.4 million from US \$73.4 million recorded during the corresponding period in 2011. An increase in imports of pharmaceutical products, industrial boilers and equipment, motor vehicles from that country explained this outturn. The United Arab Emirates ranked eighth, following a marginal decline in imports to US \$66.4 million from US \$66.8 registered during the corresponding period in 2011, driven by a decline in imports of fertiliser. Japan ranked ninth, following an increase in imports from that country by 43.9

percent to US \$65.1 million from US \$45.2 million, largely driven by increased imports of motor vehicles from that country.

The United Kingdom ranked tenth, as imports from that country declined by 8.1 percent in imports to US \$49.2 million from US \$53.6 million from that country, largely driven to a decline in imports of industrial boilers. Similarly, imports from Sweden and Zimbabwe declined by 2.8 percent and 1.7 percent, to US \$27.8 million and US \$23.0 million, respectively.



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

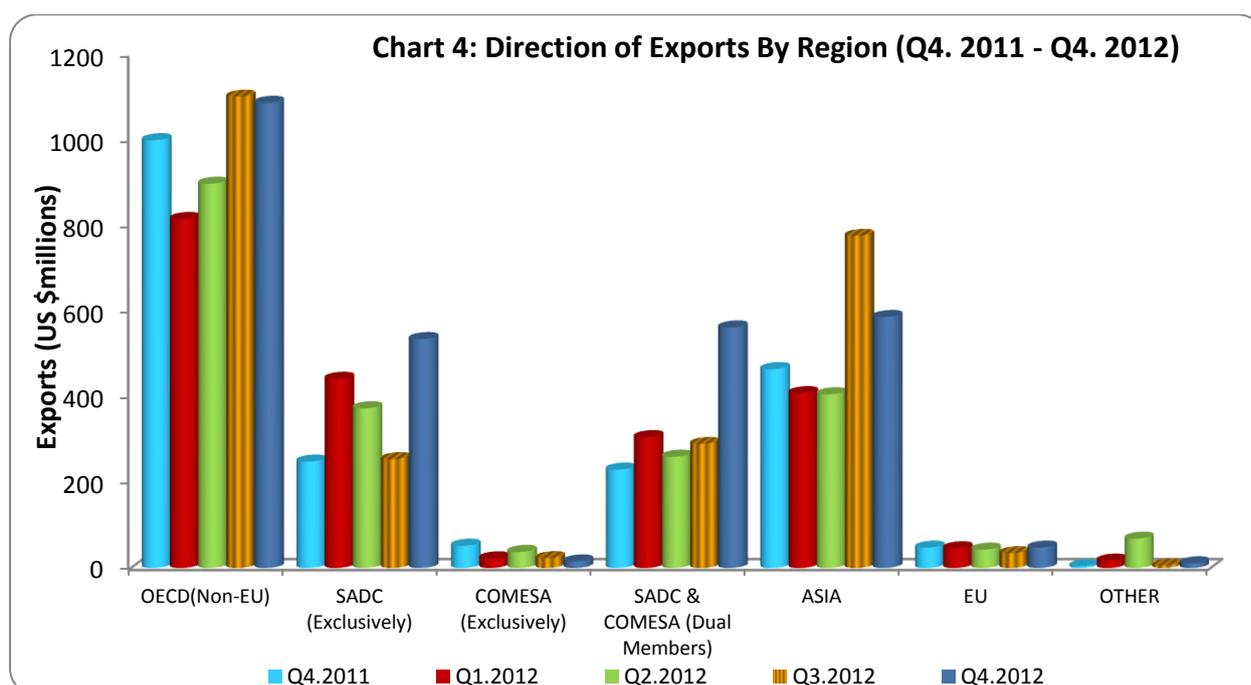
During the fourth quarter of 2012, Zambia registered increases in exports to five regions namely; Asia, the EU, the Non-EU OECD region, SADC (*exclusively*) and SADC and COMESA (*dual members*). Exports to the COMESA (*exclusively*) region, however, declined. The Non-EU OECD region, was ranked top as Zambia's major export market, accounting for 38.2 percent of total exports (*see Chart 4*). Exports to the Non-EU OECD region recorded an increase of 8.8 percent to US \$1,088.1 million in the fourth quarter of 2012 from US \$1,000.6 million recorded during the corresponding period in 2011, largely driven by high metal exports to Switzerland.

Asia remained in second position, accounting for 20.6 percent of total exports, following an increase in exports to that region by 26.3 percent to US \$586.5 million from US \$464.4 million, largely driven by higher metal exports to China and the United Arab Emirates. SADC & COMESA (*dual members*) ranked third, accounting for 19.7 percent of Zambia's total exports, as exports to

<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

the region more than doubled to US \$562.0 million from US \$229.7 million recorded during the same quarter in 2011. This outturn was largely explained by an increase in exports of wood and articles of wood, food items, chemicals and cement to Congo DR and wood and articles of wood, and candles, tapers and the like to Malawi. SADC (*exclusively*) ranked fourth, accounting for 18.8 percent of Zambia's total exports, following a surge in exports to the region amounting to US \$534.8 million from US \$248.5 million recorded during the corresponding quarter in 2011, explained by increased cotton and brans, sharps and other residues of maize exports to South Africa. The EU ranked fifth, accounting for 1.7 percent of total exports, following a marginal rise in exports to the region amounting to US \$47.7 million from US \$47.5 million, following increase exports of fresh flowers to the Netherlands. COMESA (*exclusively*) remained in sixth position accounting for 0.5 percent of total exports, following a 70.3 percent decline in exports to the region amounting to US \$15.5 million from US \$52.1 million. Low exports of cereals to Kenya explained this outturn.

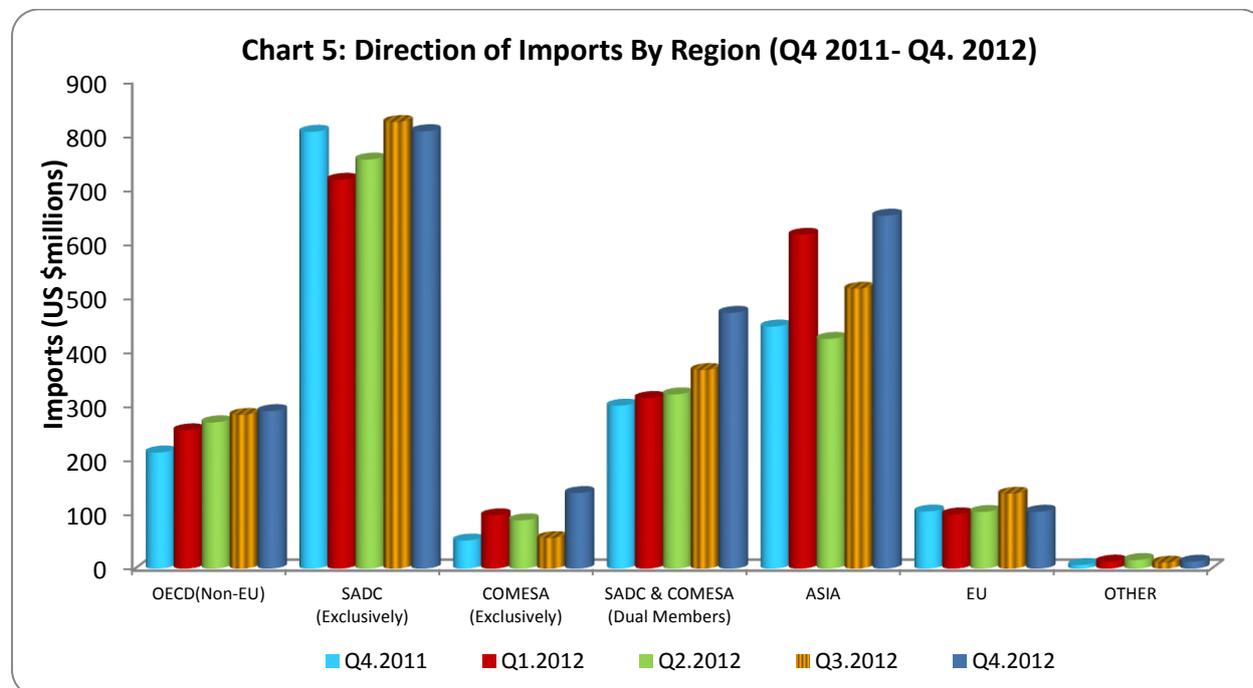


Source: Central Statistical Office

## 5.2 DIRECTION OF ZAMBIA'S IMPORTS BY REGION

In the fourth quarter of 2012, Zambia recorded an increase in merchandise imports from all the regions, with an exception of the EU. SADC (*exclusively*) continued to dominate as Zambia's major source of imports accounting for 32.5 percent of total imports, following a marginal rise in imports amounting to US \$808.3 million from US \$807.2 million recorded during the corresponding quarter in 2011 (*see Chart 5*). Increased imports of industrial boilers, machinery and mechanical appliances from Botswana and fertiliser from Mozambique explained this outturn. Asia retained the second position, accounting for 26.3 percent of Zambia's total imports, following an increase in imports from that region of 45.6 percent to US \$652.4 million from US \$448.1 million, registered during the same period in 2011. This outturn was explained by an increase in imports of manufactured goods, machinery and special imports from China and petroleum products from Kuwait. SADC & COMESA (*dual members*), ranked third, accounting for 19.1 percent of total imports, following an increase in imports by 56.7 percent to US \$473.4 million from US \$302.2 million, explained by higher imports of copper ores, slag and ash, and semi-processed copper from Congo DR.

The Non-EU OECD region ranked fourth, accounting for 11.8 percent of Zambia’s imports, as imports from that region grew by 35.6 percent to US \$292.1 million from US \$215.3 million recorded during the corresponding period in 2011. This was largely attributed to increased imports of motor vehicles from Japan and industrial boilers and special imports from the United States of America. The COMESA (*exclusively*) and EU were ranked fifth and sixth, accounting for 5.6 percent (US \$140.1 million), and 4.3 percent (US \$ 105.6 million) of Zambia’s total imports, respectively.



Source: Central Statistical Office

## 6.0 CONCLUSION

During the period under review, Zambia recorded an increase in both the merchandise exports earnings and merchandise imports. Similarly, the country registered an increased trade surplus due to higher export earnings which outweighed the increase in imports bill. Significant increases in exports were registered to Switzerland, South Africa, Congo DR and Malawi, while increases in imports were registered from Congo DR, the United Arab Emirates, China, Kenya, India and Japan.

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 first quarter of 2013, Zambia’s exports are expected to remain strong 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**

| <b>COUNTRY</b>               | <b>Q4 2011</b> | <b>Q1 2012</b> | <b>Q2 2012</b> | <b>Q3 2012</b> | <b>Q4 2012</b> |
|------------------------------|----------------|----------------|----------------|----------------|----------------|
| Angola                       | 0.5            | 0.9            | 8.1            | 1.2            | 14.4           |
| Australia                    | 0.4            | 0.2            | 0.4            | 0.4            | 0.7            |
| Belgium                      | 17.4           | 18.6           | 33.7           | 19.5           | 15.9           |
| Botswana                     | 12.5           | 16.0           | 7.0            | 5.4            | 32.1           |
| Burundi                      | 5.8            | 4.4            | 7.4            | 6.2            | 6.8            |
| China                        | 441.9          | 370.4          | 341.8          | 651.5          | 458.8          |
| Democratic Republic of Congo | 96.4           | 118.4          | 160.1          | 186.6          | 332.2          |
| Egypt                        | 1.8            | 2.75           | 2.2            | 3.7            | 0.0            |
| France                       | 0.1            | 0.0            | 0.8            | 0.9            | 3.0            |
| Germany                      | 5.3            | 3.0            | 3.1            | 2.9            | 3.3            |
| Hong Kong                    | 1.3            | 0.3            | 4.9            | 10.8           | 10.2           |
| India                        | 4.4            | 14.8           | 18.1           | 4.0            | 32.4           |
| Kenya                        | 36.8           | 10.6           | 28.5           | 10.5           | 6.5            |
| Korea, Republic of           | 0.1            | 0.0            | 0.0            | 0.0            | 0.2            |
| Kuwait                       | 0.0            | 0.0            | 0.0            | 0.0            | 0.1            |
| Luxembourg                   | 21.5           | 20.9           | 1.9            | 7.1            | 5.4            |
| Madagascar                   | 0.2            | 0.0            | 0.0            | 0.0            | 0.1            |
| Malawi                       | 11.3           | 14.3           | 16.8           | 18.1           | 138.3          |
| Malaysia                     | 0.0            | 0.0            | 0.0            | 0.0            | 0.0            |
| Mozambique                   | 43.4           | 4.8            | 5.1            | 5.5            | 4.8            |
| Namibia                      | 5.5            | 72.6           | 7.4            | 39.3           | 31.5           |
| Netherlands                  | 3.0            | 3.5            | 3.4            | 3.6            | 19.9           |
| Pakistan                     | 0.0            | 0.0            | 0.0            | 0.0            | 0.0            |
| Philippines                  | 0.0            | 0.4            | 0.0            | 0.1            | 0.0            |
| Republic of Thailand         | 0.0            | 0.04           | 0.0            | 0.1            | 0.0            |
| Rwanda                       | 5.9            | 0.6            | 1.4            | 2.1            | 1.8            |
| Saudi Arabia                 | 0.0            | 0.01           | 0.0            | 1.9            | 1.8            |
| Singapore                    | 4.5            | 14.8           | 1.6            | 4.5            | 22.2           |
| South Africa (Republic of)   | 163.8          | 185.7          | 233.1          | 178.2          | 425.4          |
| Sudan                        | 0.0            | 3.9            | 0.0            | 0.0            | 0.0            |
| Swaziland                    | 7.2            | 0.5            | 1.2            | 10.5           | 0.4            |
| Sweden                       | 0.3            | 0.0            | 2.0            | 0.0            | 0.7            |
| Switzerland                  | 903.9          | 958.0          | 908.9          | 1,053.0        | 1,047.3        |
| Tanzania, United             | 22.2           | 3.3            | 48.6           | 23.5           | 24.5           |
| United Arab Emirates         | 11.9           | 23.0           | 40.1           | 103.1          | 59.8           |
| United Kingdom               | 89.4           | 131.4          | 99.8           | 46.4           | 34.3           |
| United States of America     | 0.3            | 1.9            | 0.8            | 1.9            | 3.4            |
| Zimbabwe                     | 107.7          | 185.7          | 87.1           | 55.4           | 80.2           |
| Other                        | 20.5           | 37.9           | 22.8           | 27.8           | 27.3           |
| <b>Total</b>                 | <b>2,047.3</b> | <b>2,223.6</b> | <b>2,098.1</b> | <b>2,485.7</b> | <b>2,845.7</b> |

*Source: Central Statistical Office (CSO)*

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

| <b>COUNTRY</b>               | <b>Q4 2011</b> | <b>Q1 2012</b> | <b>Q2 2012</b> | <b>Q3 2012</b> | <b>Q4 2012</b> |
|------------------------------|----------------|----------------|----------------|----------------|----------------|
| Australia                    | 11.8           | 18.1           | 12.2           | 9.5            | 19.8           |
| Austria                      | 0.5            | 1.3            | 1.0            | 1.8            | 0.8            |
| Belgium                      | 16.4           | 16.9           | 12.1           | 27.4           | 13.9           |
| Botswana                     | 6.4            | 5.7            | 4.8            | 5.5            | 12.6           |
| Brazil                       | 2.4            | 1.7            | 3.2            | 1.9            | 2.0            |
| Canada                       | 7.2            | 7.6            | 9.2            | 18.9           | 10.0           |
| China                        | 189.3          | 294.8          | 166.0          | 146.6          | 262.7          |
| Democratic Republic of Congo | 264.8          | 277.8          | 274.7          | 282.0          | 431.0          |
| Denmark                      | 2.8            | 11.8           | 7.7            | 5.9            | 5.4            |
| Egypt                        | 11.1           | 29.5           | 30.2           | 24.4           | 9.7            |
| Finland                      | 22.0           | 18.1           | 11.4           | 10.0           | 6.7            |
| France                       | 14.2           | 9.8            | 16.4           | 10.8           | 5.5            |
| Germany                      | 17.8           | 20.1           | 23.9           | 38.7           | 29.4           |
| Hong Kong                    | 8.4            | 21.4           | 19.9           | 12.0           | 10.2           |
| India                        | 73.4           | 79.9           | 71.8           | 69.4           | 84.4           |
| Indonesia                    | 2.3            | 2.2            | 11.2           | 4.0            | 9.2            |
| Ireland                      | 14.5           | 14.8           | 21.1           | 4.0            | 18.0           |
| Israel                       | 1.8            | 0.4            | 0.6            | 0.7            | 0.5            |
| Italy                        | 6.1            | 5.7            | 6.3            | 4.0            | 9.3            |
| Japan                        | 45.2           | 53.7           | 56.2           | 67.9           | 65.1           |
| Kenya                        | 40.7           | 66.6           | 57.5           | 31.2           | 127.9          |
| Korea, Republic of           | 5.4            | 8.6            | 7.2            | 8.8            | 9.4            |
| Kuwait                       | 57.2           | 137.9          | 68.0           | 202.0          | 144.2          |
| Lebanon                      | 0.5            | 1.2            | 3.0            | 4.3            | 1.6            |
| Malawi                       | 2.7            | 5.9            | 4.5            | 52.4           | 6.6            |
| Malaysia                     | 2.6            | 2.7            | 3.2            | 3.0            | 3.6            |
| Mauritius                    | 6.1            | 12.7           | 15.1           | 5.5            | 5.9            |
| Mozambique                   | 6.4            | 1.5            | 1.4            | 7.0            | 11.3           |
| Namibia                      | 4.3            | 4.4            | 5.9            | 7.4            | 7.3            |
| Netherlands                  | 12.0           | 11.9           | 9.6            | 24.2           | 15.4           |
| Pakistan                     | 1.6            | 2.2            | 1.2            | 1.5            | 1.1            |
| Republic of Thailand         | 5.4            | 4.6            | 2.5            | 5.2            | 5.9            |
| Singapore                    | 29.3           | 18.5           | 7.5            | 11.9           | 18.0           |
| South Africa (Republic of)   | 775.9          | 696.8          | 730.0          | 782.8          | 757.6          |
| Spain                        | 1.2            | 1.6            | 2.2            | 3.5            | 5.8            |
| Swaziland                    | 5.1            | 6.4            | 5.3            | 1.3            | 7.0            |
| Sweden                       | 28.6           | 20.5           | 30.5           | 18.4           | 27.8           |
| Switzerland                  | 22.1           | 19.8           | 27.2           | 20.6           | 14.2           |
| Taiwan, Province of China    | 2.4            | 3.0            | 2.8            | 2.5            | 30.8           |
| Tanzania, United             | 14.2           | 18.7           | 13.3           | 22.5           | 16.8           |
| United Arab Emirates         | 66.8           | 52.2           | 57.1           | 44.3           | 66.4           |
| United Kingdom               | 53.7           | 52.2           | 55.6           | 55.6           | 49.2           |
| United States of America     | 35.6           | 52.2           | 55.6           | 63.4           | 82.5           |
| Zimbabwe                     | 23.4           | 20.2           | 23.4           | 26.5           | 23.0           |
| Other                        | 16.0           | 17.3           | 36.5           | 50.8           | 39.2           |
| <b>Total</b>                 | <b>1,937.6</b> | <b>2,130.9</b> | <b>1,986.0</b> | <b>2,202.0</b> | <b>2,484.7</b> |

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