



Bank of Zambia

Zambia

Direction of Trade Report

(First Quarter 2015)

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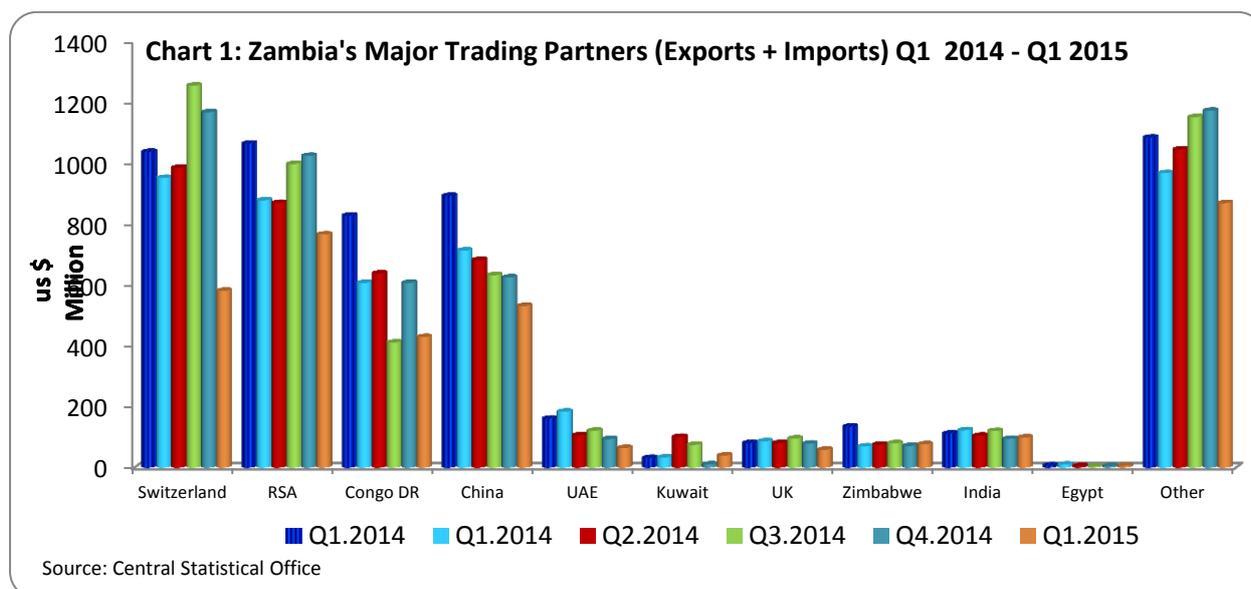
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1.0 INTRODUCTION

This report shows Zambia's direction of merchandise trade for the first quarter of 2015 compared with the corresponding quarter in 2014. 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

Preliminary data shows that during the first quarter of 2015, Zambia's trade (exports plus imports) fell by 23.8 percent to US \$3,526.9 million compared with US \$4,630.6 million recorded during the same period in 2014. The Republic of South Africa was ranked as Zambia's top major trading partner during the period under review, despite registering a drop in trade with that country by 12.8 percent to US \$767.0 million compared with US \$879.4 million registered during the same quarter of 2014, following a decline in exports and imports. The decline in trade was in large part explained by decline in imports of industrial boilers, electrical machinery and equipment, motor vehicles and plastics and articles thereof from that country. Switzerland ranked second, although trade with that country declined by 38.9 percent to US \$581.7 million compared with US \$952.6 million recorded during the corresponding quarter in 2014, largely on account of lower volumes of metals purchased from Zambian mining companies by Swiss-based metal traders¹, coupled with a decline in global metal prices (*see Chart 1*).



China ranked third, despite trade with that country declining by 25.5 percent to US \$531.8 million from US \$714.1 million registered during the corresponding quarter of 2014, largely driven by a sharp decline in base metal exports to that country. Congo (DR) ranked fourth, although trade with that country retreated by 29.3 percent to US \$429.8 million compared with US \$607.6 million recorded in the first quarter the previous year. This outcome was largely reflective of lower imports of ores, slag and ash from that country which offset the increased exports.

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.

India moved to fifth position from sixth position, despite trade with that country falling by 19.2 percent to US \$99.5 million from US \$123.2 million recorded during the first quarter the previous year, largely attributed to a decline in exports of copper and articles thereof and a drop in the imports of electrical machinery equipment parts thereof from that country. Zimbabwe ranked sixth, up from eighth position, following a rise in trade with that country by 10.3 percent to US \$77.1 million from US \$70.0 million recorded during the same quarter in 2014, largely on account of a rise in exports of cereals, soap and organic surface-active agents to that country.

The United Arab Emirates ranked seventh, down from fifth as trade with that country fell by 64.9 percent to US \$64.7 million from US \$184.2 million during the corresponding quarter in 2014, largely on account of a retreat in exports of base metals to that country. The United Kingdom ranked eighth from seventh, as trade with that country slipped by 32.0 percent to US \$59.0 million compared to US \$86.8 million registered the first quarter of 2014, largely attributed to a sharp decline in exports of copper and articles thereof to that country.

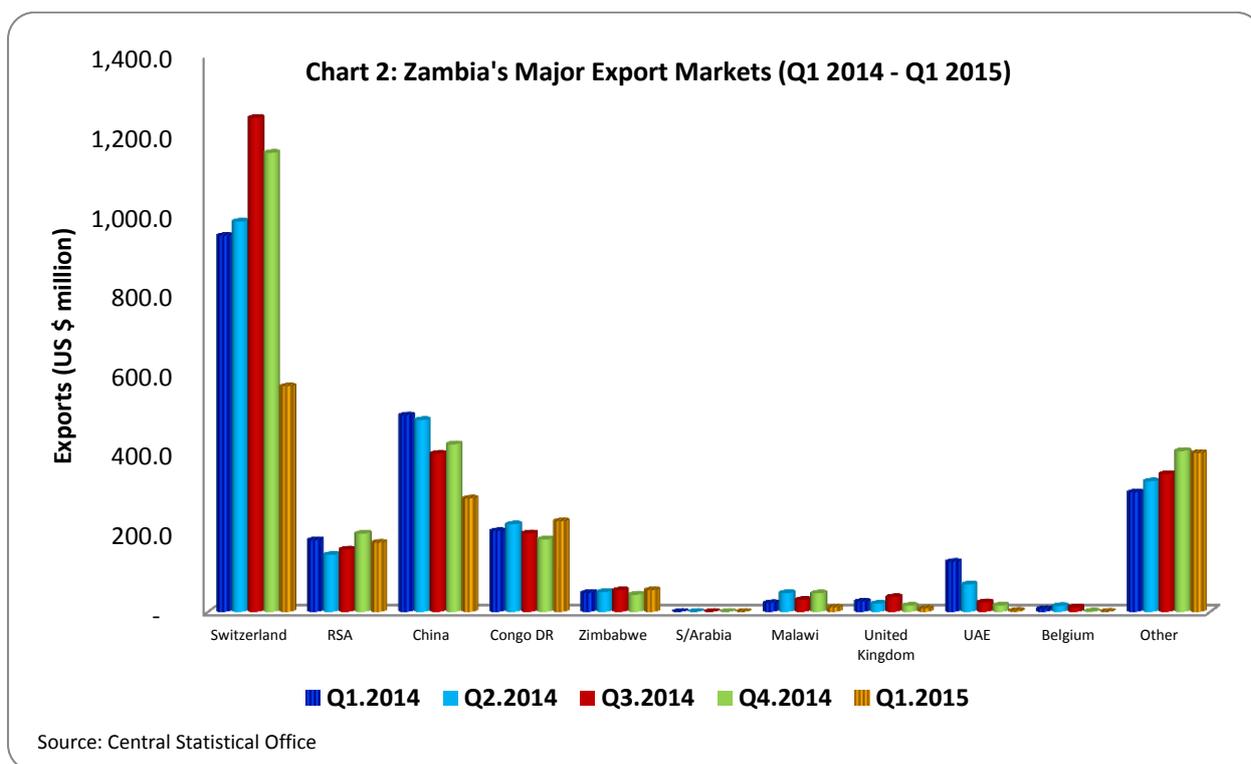
During the period under review, trade with Kuwait increased by 18.1 percent from US \$33.8 million to US \$39.9 million. Trade with Egypt declined by 37.8 percent from US \$10.4 million in the first quarter of 2014 to US \$6.5 million during the first quarter of 2015.

3.0 ZAMBIA'S MAJOR EXPORT MARKETS

During the first quarter of 2015, Zambia's exports declined by 26.5 percent to US \$1,728.7 million from US \$2,351.7 million, recorded during the same quarter in 2014. Switzerland remained as Zambia's top major export market, despite recording a decline in exports to that country by 40.0 percent to US \$567.0 million from US \$945.4 million registered during the corresponding period in 2014 (*see Chart 2*). This outturn was largely attributed to lower volumes of base metals purchased by Swiss-based metal traders from Zambian mining companies, coupled with lower metal prices on the global market. China ranked second, despite a fall in exports to that country by 42.3 percent to US \$285.0 million from US \$494.1 million, largely attributed to reduced exports of base metals to that country. Congo (DR) ranked third, as exports to that country grew by 12.1 percent to US \$227.6 million from US \$203.1 million recorded during the same quarter of 2014, largely explained by increased exports of chemicals.

South Africa ranked fourth despite a decline in exports to that country by 3.6 percent to US \$173.8 million from US \$180.3 million recorded during the same quarter in 2014, on account of a sharp drop in exports of raw hides from US \$41.0 million to US \$1 million, but was moderated by a rise in exports of copper and articles thereof from US \$48.0 million to US \$75.0 million. Zimbabwe ranked fifth, following a rise in exports to that country by 14.5 percent to US \$54.6 million from US \$47.7 million registered during the corresponding quarter in 2014, largely driven by increased exports of cereals and soap and organic surface-active agents to that country. Malawi ranked sixth, up from eighth in the corresponding quarter in 2014, despite exports to that country declining by 51.9 percent owing to decreased exports of industrial boilers and cereals. The United Kingdom ranked seventh, as exports to that country retreated by 69.4 percent to US \$7.9 million from US \$25.6 million, largely attributed to decreased exports of base metals to that country. The United Arab Emirates ranked eighth, down from fifth, following a decline in exports to that country by 97.9 percent to US \$2.7 million from US \$125.7 million, largely reflective of a sharp decline in exports of base metals to that country.

During the period under review, Belgium registered a decrease in exports to that country by 96.3 percent to US \$0.3 million from US \$7.2 million registered during the first quarter of 2014, driven by a decline in exports of precious stones and metals. Zambia's exports to Saudi Arabia were below a million dollars as in the corresponding first quarter of 2014.

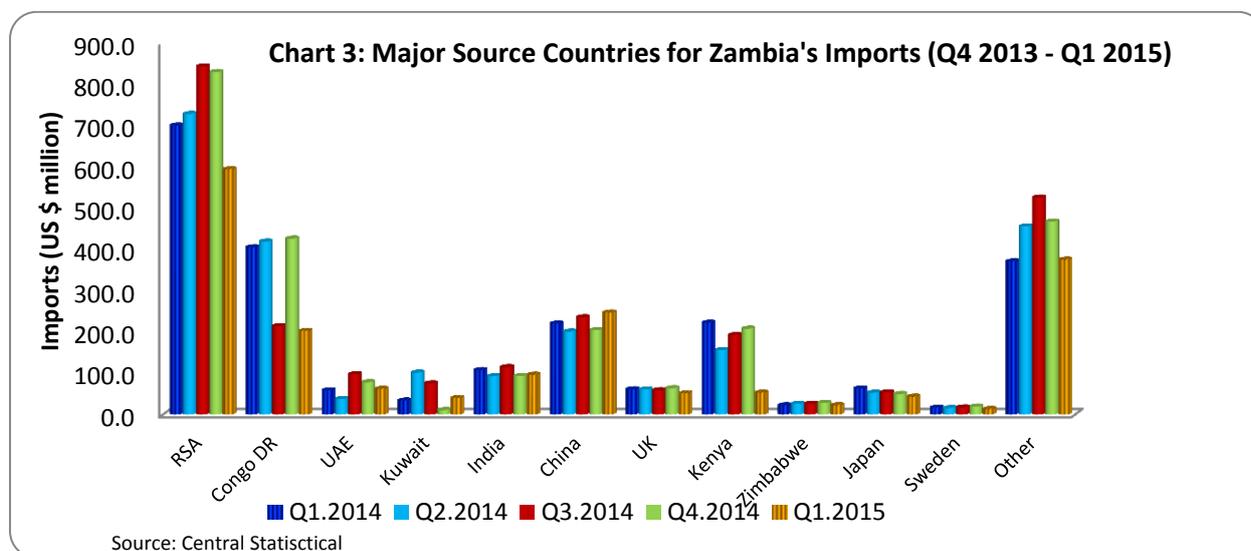


4.0 MAJOR SOURCE COUNTRIES OF ZAMBIA'S IMPORTS

Zambia's imports from the rest of the world during the first quarter of 2015 declined by 21.1 percent to US \$1,798.3 million from US \$2,278.9 million, recorded during the same quarter in 2014. The Republic of South Africa continued to dominate as Zambia's major source of imports; although imports from that country declined by 15.2 percent to US \$593.1 million from US \$699.1 million, registered during the first quarter in 2014 (*see Chart 3*). This outturn was on account of a drop in imports of industrial boilers, electrical machinery and equipment, motor vehicles and plastics and articles thereof from that country. China ranked second, following a 12.2 percent growth in imports from that country to US \$246.8 million from US \$220.0 million, largely attributed to higher imports of electrical machinery parts thereof and industrial boilers. Congo (DR) ranked third, as imports from that country declined by 50.0 percent to US \$202.1 million from US \$404.4 million, largely driven by lower imports of ores, slag and ash from that country. India ranked fourth, as imports from that country fell by 10.3 percent to US \$96.3 million from US \$107.5 million registered during the corresponding quarter of 2014, following a drop in imports of electrical machinery equipment and parts thereof.

United Arab Emirates ranked fifth, up from eighth, as imports from that country grew by 6.2 percent to US \$62.1 million from US \$58.5 million registered during the corresponding quarter of 2014, largely attributed to increased imports of industrial boilers. Kenya ranked sixth down from third, as imports from that country declined by 76.2 percent to US \$52.9 million from US \$222.1 million registered during the same quarter in 2014. This outturn was largely attributed to a decline in imports of mineral fuels, oils and products of their distillations from that country. The United Kingdom ranked seventh, as imports from that country fell by 16.4 percent to US \$51.1 million from US \$61.1 million, largely on account of lower imports of motor vehicles and industrial boilers from that country. Japan ranked eighth, following a decline in imports from that country by 31.6 percent to US \$43.3 million from US \$63.3 million recorded during the same quarter in 2014, explained by a drop in imports of motor vehicles.

During the period under review, imports from Kuwait increased by 18.1 percent to US \$39.9 million from US \$33.8 million recorded during the first quarter of 2014, explained by an increase in imports of petroleum products from that country. Similarly, imports from Zimbabwe increased by 1.2 percent to US \$22.6 million from US \$22.3 million recorded in the same quarter of 2014, driven in part by higher imports of frozen fish.



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

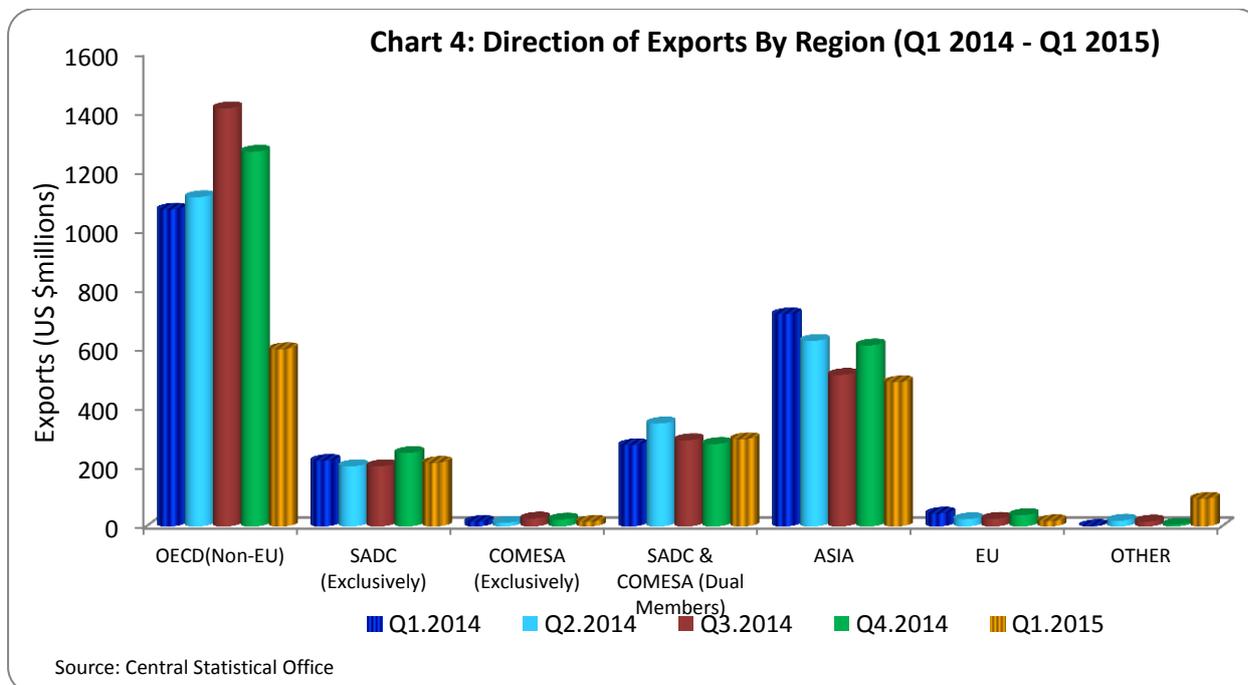
Preliminary data shows that Zambia recorded increases in exports to two regions namely; COMESA (*exclusively*) and SADC and COMESA (*dual members*) and declines in exports to four other regions namely; Asia, the EU, Non-EU OECD and SADC (*exclusively*). Nonetheless, the Non-EU OECD region ranked as Zambia's top major export market, accounting for 34.8 percent of total exports (*see Chart 4*), though exports to that region declined by 44.0 percent to US \$601.4 million from US \$1,074.1 million recorded during the same quarter in 2014. This outturn was largely explained by lower metal exports to Switzerland. Asia remained in second position, accounting for 28.3 percent of the country's total exports, despite a decrease in exports to that region by 32.0 percent to US \$489.0 million from US \$719.6 million, driven by decreases in exports of base metals to China and the United Arab Emirates.

SADC & COMESA (*dual members*) ranked third, accounting for 17.1 percent of total exports, following an increase in exports to the region by 7.5 percent to US \$295.7 million from US \$275.2 million. Higher exports of chemicals to Congo (DR) and cereals and soaps to Zimbabwe explained the outturn. SADC (*exclusively*) ranked fourth, accounting for 12.5 percent of the country's total

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

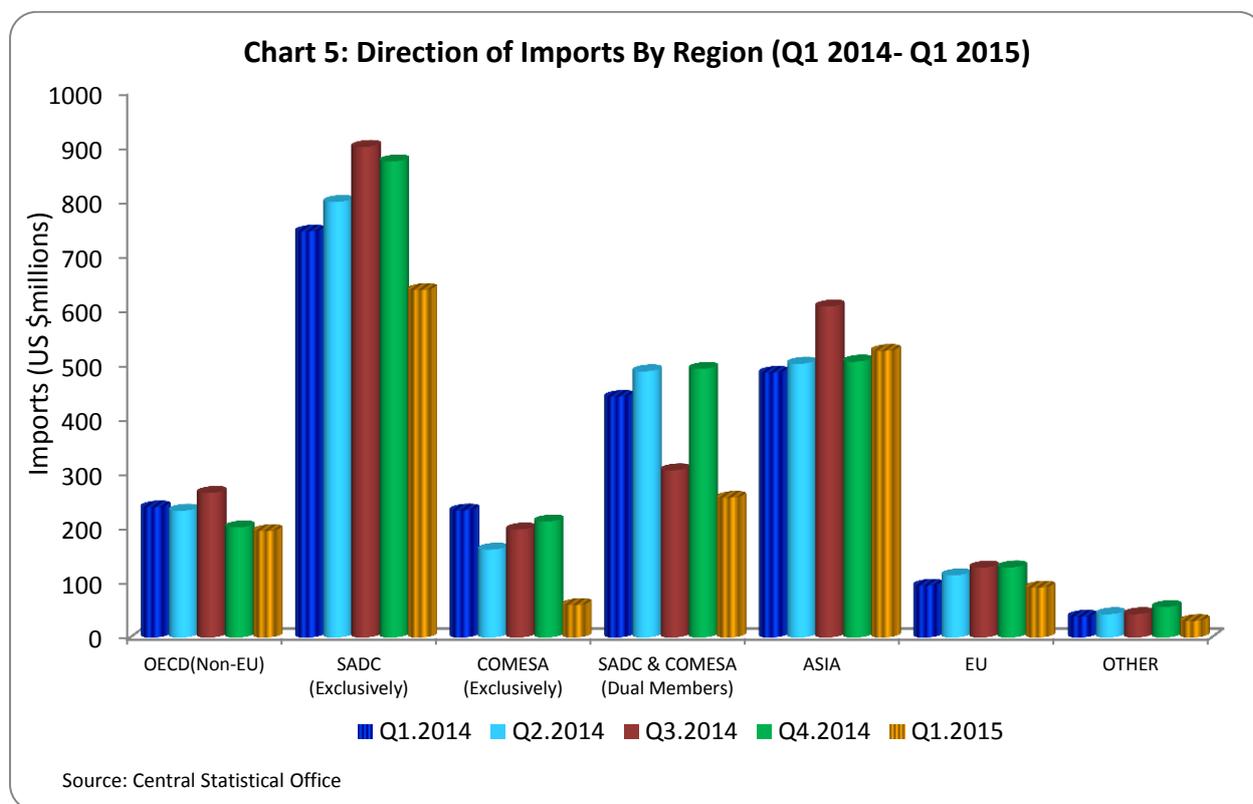
exports, although exports to the region declined by 3.1 percent to US \$215.5 million from US \$222.4 million, largely explained by declines in exports of raw hides to South Africa. The EU ranked fifth, with exports to that region accounting for 1 percent of total exports, as exports to that region declined by 59.1 percent to US \$17.9 million from US \$43.7 million, explained by decreases in exports of cathodes and sections of cathodes of refined copper to Luxembourg and precious stones and metals to Belgium. COMESA (*exclusively*) ranked sixth, accounting for 0.9 percent of Zambia’s total exports, as exports to the region rose by 0.3 percent to US \$15.4 million from US \$15.3 million, explained in part by high exports of sugars and sugars confectionery to Kenya.



5.2 DIRECTION OF ZAMBIA'S IMPORTS BY REGION

Preliminary data show that during the first quarter of 2015, the country registered a decline in merchandise imports from six regions namely; COMESA (*exclusively*), the EU, SADC & COMESA (*dual members*) and SADC (*exclusively*) and the Non-EU OECD region, but recorded increased imports from Asia. SADC (*exclusively*) remained as Zambia’s top major source of imports accounting for 35.5 percent of total imports, despite a decrease in imports from the region by 14.4 percent to US \$638.1 million from US \$745.2 million recorded during the same quarter in 2014 (*see Chart 5*). This outturn was largely driven by a decline in imports of industrial boilers, electrical machinery and equipment, motor vehicles and plastics and articles thereof from South Africa. Asia ranked second, accounting for 29.3 percent of total imports, following an increase in imports from that region by 8.3 percent to US \$526.5 million from US \$486.2 million, explained by increased imports of gas oil from Singapore, petroleum products from Kuwait and industrial boilers from the United Arab Emirates. SADC & COMESA (*dual members*), ranked third, as imports from that region dropped by 41.9 percent from US \$442.0 million registered during the first quarter in 2014 to US \$256.7 million, representing 14.3 percent of total imports. This outturn was explained by decreased imports of ores, slag and ash from Congo (DR). The Non-EU OECD region ranked fourth, with imports from the region representing 10.9 percent of total imports, as imports from the region declined by 18.2 percent to US \$195.4 million from US \$239.0 million recorded during the first quarter in 2014. This outturn was driven by declines in imports of motor vehicles from Japan and industrial boilers from the United Kingdom. The EU ranked fifth, with imports from the region accounting for 5.1 percent of total imports, following a decline in imports by 3.6 percent to US \$91.6 million from US \$95.0 million registered during the corresponding

quarter of 2014, largely reflective of decreased imports of industrial boilers from Germany. The COMESA (*exclusive*) region ranked sixth, representing 3.3 percent of total imports, following a sharp decline in imports from the region by 74.4 percent to US \$59.7 million from US \$233.2 million registered during the same quarter in 2014. Decreased imports of mineral fuels, oils and products of their distillation from Kenya, explained this outturn.



6.0 CONCLUSION

During the quarter under review, South Africa, Switzerland, China and Congo DR remained as the four major dominant trading partners, collectively accounting for 65.5 percent of Zambia’s total trade (exports and imports), despite recording a 26.7 percent decline in combined trade. In addition, these countries were the country’s major export markets, accounting for 72.5 percent share of total exports. Notwithstanding, exports to the Switzerland, China and South Africa fell considerably. South Africa, Congo DR, China and India were the country’s top major sources of imports, collectively accounting for 63.3 percent of the total imports, although imports to these countries declined by 20.4 percent. At regional grouping level, the Non-EU OECD was Zambia’s major export destination, whilst SADC (*exclusively*) remained as the country’s top major source of imports.

During the second quarter of 2015, Zambia’s international trade performance is expected to gather momentum with exports growing due to a prevailing favourable domestic business environment particularly for the mining sector, following the revision of the mineral royalty. Similarly, non-traditional exports are expected to rise following the relatively good harvest. However, positive performance will to a large extent be influenced by the economic performance of the country’s major export destinations such as China and Europe. Conversely merchandise imports are expected to rise to support the expected pickup in the mining sector.

ANNEX 1: ZAMBIA'S EXPORTS TO THE REST OF THE WORLD (IN US \$'MILLION; FOB), Q1 2014 – Q1 2015

COUNTRY	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015
Australia	75.9	90.6	101.7	80.0	52.7
Belgium	7.2	14.9	11.5	0.8	0.3
Botswana	7.7	6.9	8.3	20.4	9.5
Burundi	1.6	1.1	2.3	1.0	0.8
China	494.1	482.4	397.8	421.5	285.0
Democratic Republic Of Congo	203.1	220.0	197.6	182.3	227.6
Egypt	0.0	0.0	0.0	0.2	0.0
France	1.4	0.0	0.0	0.0	0.9
Germany	3.5	3.0	6.0	20.0	11.4
Hong Kong	0.1	0.7	0.8	32.9	25.2
India	15.7	12.5	5.9	2.1	3.2
Kenya	10.4	9.0	19.0	18.2	11.8
Korea, Republic Of	0.0	1.4	3.5	1.8	2.8
Kuwait	0.0	0.0	0.0	0.0	0.0
Luxembourg	27.9	0.8	5.5	15.4	2.9
Madagascar	0.0	0.0	0.0	0.0	0.0
Malawi	22.1	47.2	30.1	46.5	10.6
Malaysia	1.2	0.0	0.0	0.0	0.0
Mozambique	5.2	25.1	11.3	5.5	7.4
Namibia	14.6	15.9	10.0	11.0	14.5
Netherlands	2.2	3.4	1.8	1.7	2.3
Pakistan	0.0	0.0	0.0	0.0	0.0
Philippines	0.3	0.0	0.3	0.3	0.3
Republic Of Thailand	1.1	1.3	0.0	0.1	0.0
Rwanda	0.2	0.4	3.5	1.5	1.2
Saudi Arabia	0.0	0.0	0.1	0.0	0.0
Singapore	81.6	63.8	84.5	140.7	166.1
South Africa (Republic Of)	180.3	143.4	156.8	196.9	173.8
South Sudan	0.0	0.0	0.0	0.0	0.0
Swaziland	1.2	12.2	0.6	3.9	0.2
Sweden	3.8	0.4	1.4	0.7	0.8
Switzerland	945.4	981.5	1,242.6	1,154.4	567.0
Tanzania, United	13.2	10.4	13.4	12.8	8.1
United Arab Emirates	125.7	69.1	24.1	16.1	2.7
United Kingdom	25.6	20.4	37.1	15.4	7.9
United States Of America	0.9	1.5	8.2	2.6	0.3
Zimbabwe	47.7	49.9	54.3	43.4	54.6
Other	29.2	65.1	56.8	29.3	76.8
Total	2,351.7	2,357.0	2,498.6	2,482.1	1,728.7

Source: Central Statistical Office (CSO)

ANNEX 2: ZAMBIA'S IMPORTS FROM THE REST OF THE WORLD (US \$'MILLION); CIF Q1 2014 – Q1 2015

COUNTRY	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015
Australia	22.1	39.1	49.7	21.4	12.8
Belgium	9.5	22.1	21.7	26.9	9.5
Botswana	5.9	6.0	7.6	5.5	4.4
Brazil	1.1	2.1	1.2	1.8	1.7
Canada	8.1	3.5	7.0	3.7	7.1
China	220.0	200.8	235.3	204.1	246.8
Democratic Republic Of Congo	404.4	418.5	214.0	425.6	202.1
Denmark	9.8	3.1	7.5	4.1	6.7
Egypt	10.4	5.4	3.8	5.1	6.4
Finland	5.6	5.9	9.3	9.7	12.3
France	9.3	9.4	9.0	9.0	20.0
Germany	23.0	32.3	49.7	16.6	10.5
Hong Kong	12.0	14.6	16.6	17.3	8.9
India	107.5	92.7	114.8	92.8	96.3
Indonesia	4.2	3.2	1.3	0.9	0.8
Israel	1.1	0.6	1.9	0.4	1.0
Italy	4.9	4.2	3.7	30.3	4.1
Japan	63.3	52.9	53.7	49.8	43.3
Kenya	222.1	155.7	192.2	207.8	52.9
Korea, Republic Of	11.4	11.4	21.8	11.1	11.9
Kuwait	33.8	101.4	75.4	10.9	39.9
Lebanon	0.7	1.3	2.0	11.3	3.4
Malawi	2.4	4.1	4.8	10.5	5.4
Malaysia	3.3	4.7	3.0	4.2	2.6
Mauritius	9.8	36.3	57.6	24.3	21.1
Mozambique	4.6	16.4	12.4	7.3	8.1
Namibia	12.8	14.8	19.8	18.2	19.0
Netherlands	18.1	21.0	23.1	17.4	11.0
Pakistan	1.1	2.4	1.5	1.8	1.6
Republic Of Thailand	7.8	11.7	6.1	2.5	0.00
Singapore	22.3	26.6	41.7	55.1	35.2
South Africa (Republic Of)	699.1	727.1	842.0	828.4	593.1
Spain	4.3	3.4	2.0	1.9	4.3
Swaziland	2.9	3.9	4.5	4.7	5.3
Sweden	16.4	15.6	17.3	19.4	13.3
Switzerland	7.2	5.0	13.8	14.6	14.7
Taiwan, Province Of China	4.5	5.0	6.0	5.6	3.7
Tanzania, United	22.7	35.3	18.8	14.8	13.5
United Arab Emirates	58.5	37.5	97.5	78.2	62.1
United Kingdom	64.1	60.7	58.9	63.7	51.1
United States Of America	37.8	47.0	49.5	37.9	32.4
Zimbabwe	22.3	26.0	26.1	28.3	22.6
Other	66.6	52.9	46.6	71.0	75.1
Total	2,278.9	2,343.6	2,451.9	2,475.6	1,798.3

Source: Central Statistical Office (CSO)