



Bank of Zambia

Zambia Direction of Trade Report

(Fourth Quarter 2015)

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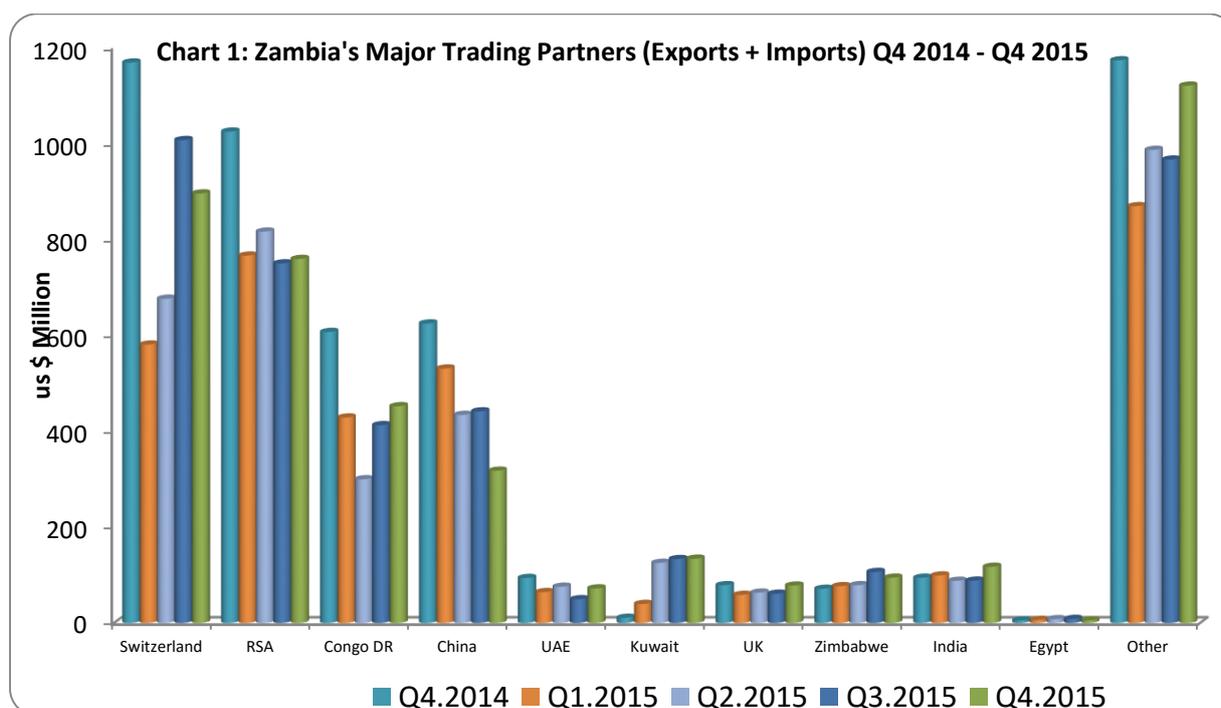
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1.0 INTRODUCTION

This report analyses Zambia's direction of merchandise trade for the fourth 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 show that during the fourth quarter of 2015, Zambia's trade (exports plus imports) fell by 18.2 percent to US \$4,053.3 million compared with US \$4,957.7 million recorded during the same period in 2014. Switzerland was ranked as Zambia's top major trading partner during the period under review, despite registering a drop in trade by 23.3 percent to US \$896.4 million. The decline in trade was largely explained by lower volumes of base metals purchased from Zambian mining companies by Swiss-based metal traders¹, coupled with a decline in global metal prices (*see Chart 1*). The Republic of South Africa ranked second, as trade with that country slumped by 25.9 percent to US \$760.0 million, largely on account of lower imports of iron and steel; dumpers for off-highway use, urea and machinery.



Source: Central Statistical Office (CSO)

Congo (DR) ranked third, despite trade with that country declining by 25.4 percent to US \$453.3 million. This outturn was largely reflective of a decline in imports of copper ore and concentrates. China took the fourth position, as trade with that country reduced to US \$318.9 million compared with US \$625.6 million recorded in the fourth quarter of the previous year largely driven by a sharp decline in base metal exports to that country.

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.

Kuwait moved to fifth position from ninth position, as trade with that country increased to US \$134.7 million, accounted for by an increase in the importation of petroleum oils. India dropped to sixth position from fifth position in the corresponding quarter in 2014, despite registering an increase in trade of 24.2 percent to US \$117.8 million, on account of an increase in both exports and imports. Export earnings rose on account of increased earnings from precious and semi-precious stones whilst the import bill increased on account of higher spending on commodities such as medicaments and first aid boxes.

Zimbabwe ranked one place higher in seventh position, as trade with that country increased by 32.5 percent to US \$95.0 million largely attributed to increased exports of maize. The United Kingdom ranked eighth from seventh, as trade with that country fell by 1.0 percent to US \$78.4 million compared to US \$79.2 million, largely due to a sharp decline in imports of medicaments and road tractors for semi-trailers.

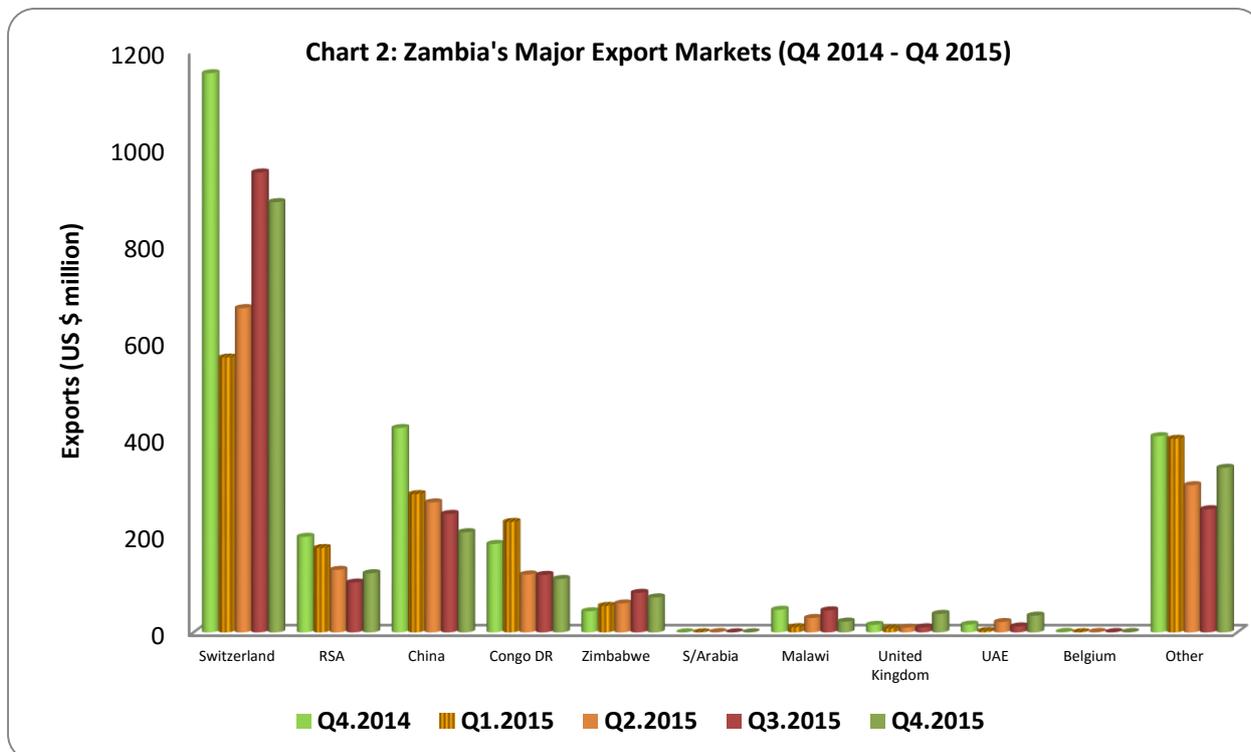
During the period under review, trade with the United Arab Emirates decreased by 23.2 percent from US \$94.3 million to US \$72.4 million. In contrast, trade with Egypt increased by 5.2 percent from US \$5.3 million in the fourth quarter of 2014 to US \$5.6 million during the fourth quarter of 2015.

3.0 ZAMBIA'S MAJOR EXPORT MARKETS

During the fourth quarter of 2015, Zambia's exports declined by 26.2 percent to US \$1,832.9 million from US \$2,482.10 million, recorded during the same quarter in 2014. Switzerland remained Zambia's top major export market, despite recording a decline in exports to that country of 23.1 percent to US \$888.2 million (*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 51.1 percent to US \$206.4 million, largely ascribed to reduced exports of base metals to that country. South Africa ranked third, despite a drop in exports of 38.1 percent to US \$121.8 million, largely on account of a sharp drop in earnings from the exports of cathodes of copper, semi-manufactured gold and cane-molasses.

The Congo (DR) ranked fourth despite a decline in exports to that country by 39.6 percent to US \$110.0 million, predominantly explained by a decline in the exports of sulphuric acid, cement, cane sugar and electricity. Zimbabwe ranked fifth, following a rise in exports to that country by 66.0 percent to US \$72.0 million, largely driven by increased exports of maize. The United Kingdom ranked sixth, as exports to that country increased by 146.2 percent to US \$38.0 million, largely attributed to increased export earnings from new stamps and unrefined copper and copper anodes. The United Arab Emirates ranked seventh, with exports to that country increasing by 113.9 percent to US \$34.5 million, largely reflective of increased earnings from cathodes and sections of cathode of refined copper, and other mineral substances. Malawi ranked eighth, down from sixth in the corresponding quarter in 2014, with exports to that country falling by 52.5 percent mainly owing to decreased export earnings from candles, tapers and insecticides.

During the period under review, Belgium registered a decrease in exports by 23.3 percent to US \$0.6 million. Zambia's exports to Saudi Arabia were below a million dollars as in the corresponding fourth quarter of 2014.



Source: Central Statistical Office (CSO)

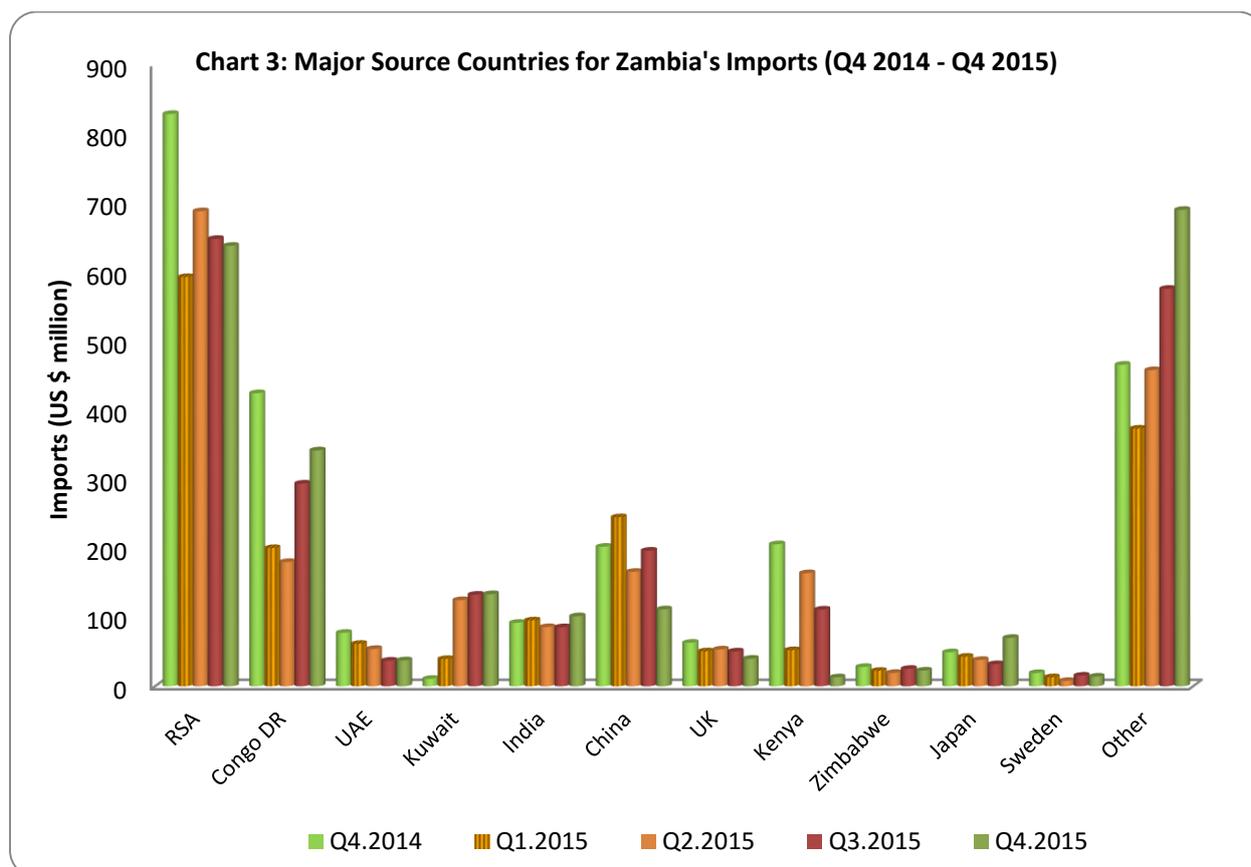
4.0 MAJOR SOURCE COUNTRIES OF ZAMBIA'S IMPORTS

Zambia's imports from the rest of the world during the fourth quarter of 2015 declined by 10.3 percent to US \$2,220.4 million from US \$2,475.62 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 23.0 percent to US \$638.2 million from US \$828.4 million, registered during the fourth quarter in 2014 (*see Chart 3*). This was largely on account of lower imports of structures and parts of iron or steel; dumpers for off-highway use, urea and parts of machinery. Congo (DR) ranked second, following a 19.4 percent decrease in imports from that country to US \$343.2 million from US \$425.6 million, largely reflective of a decline in imports of copper ore and concentrates. Kuwait ranked third, as imports from that country increased to US \$134.7 million from US \$10.9 million, largely accounted for by an increase in imports of petroleum oils. China ranked fourth, as imports from that country declined by 44.9 percent to US \$112.5 million, largely driven by lower imports of generating sets, liquid dielectric transformers and structures and parts of steel or iron.

India remained at fifth position, imports from that country increased by 10.3 percent to US \$102.4 million from US \$92.8 million registered during the same quarter in 2014. This outturn was largely attributed to an increase in spending on medicaments and prefabricated buildings. Japan ranked sixth, as imports increased by 42.2 percent to US \$70.8 million, largely explained by an increase in expenditures on herbicides, anti-sprouting products and plant growth regulators. The United Kingdom ranked seventh, as imports from that country decreased by 36.7 percent to US \$40.3 million from US \$63.7 million, largely attributed to a sharp decline in imports of medicaments, road tractors for semi-trailers and graders. The United Arab Emirates ranked eighth, following a decline in imports from that country by 51.5 percent to US \$38.0 million from US \$78.2 million, explained by a drop in imports of bitumen and asphalt; urea; and petroleum bitumen.

During the period under review imports from Kenya dropped by 93.7 percent to US \$13.1 million from US \$207.8 million, largely attributed to decreased imports of gas oils, motor spirit, and

cigarettes. Similarly, Imports from Sweden slumped by 26.8 percent to US \$14.2 million from US \$19.4 million recorded in the same quarter of 2014.



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)² and Non-EU³.

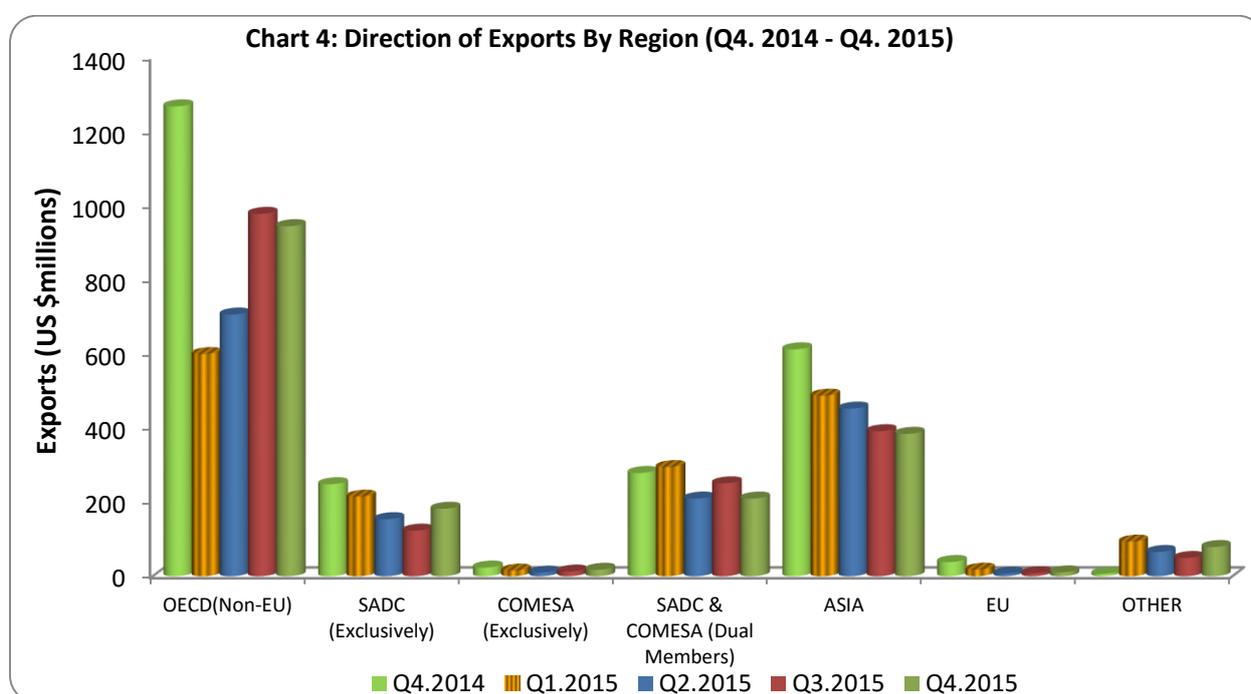
5.1 DIRECTION OF ZAMBIA'S EXPORTS BY REGION

Preliminary data shows that Zambia recorded decreases in exports to all its major trading partner regions. The Non-EU OECD region ranked as Zambia's top major export market, accounting for 51.6 percent of total exports (*see Chart 4*), though exports to that region declined by 25.5 percent to US \$946.7 million from US \$1,270.1 million recorded during the same quarter in 2014. This downturn was largely explained by lower metal exports to Switzerland. Asia remained in second position, accounting for 21.0 percent of the country's total exports, despite a decrease in exports to that region by 37.2 percent to US \$385.8 million, driven by decreases in exports of base metals to China and a sharp fall in precious or semi-precious stones to Singapore.

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

SADC & COMESA (*dual members*) ranked third, accounting for 11.5 percent of total exports, following a decrease in exports to the region by 24.8 percent to US \$210.4 million. The outturn was largely due to lower exports earnings attributed to Congo (DR) and Malawi. Export earnings from the Congo (DR) were subdued on account of reduced earnings from sulphuric acid, cement, cane-sugar and electricity. Similarly, earnings from Malawi were lower due to a reduction in earnings from commodities such as candles, tapers and insecticides. SADC (*exclusively*) ranked fourth, accounting for 10.0 percent of Zambia's total exports as exports to the region declined by 26.7 percent to US \$182.8 million. This was accounted for by reduction in export earnings to South Africa from commodities such as cathodes of copper, semi-manufactured gold and cane-molasses. COMESA (*exclusively*) ranked fifth, with exports to that region accounting for 1.0 percent of Zambia's exports, as exports to that region declined by 25.6 percent to US \$17.5 million, explained by decreases in exports earnings from Kenya on account of reduced earnings from commodities such as raw cane sugar, refined copper-wire and animal or vegetable fat. The EU (*exclusively*) ranked sixth, accounting for 0.6 percent of Zambia's total exports, as exports to the region slumped to US \$10.5 million from US \$38.6 million.

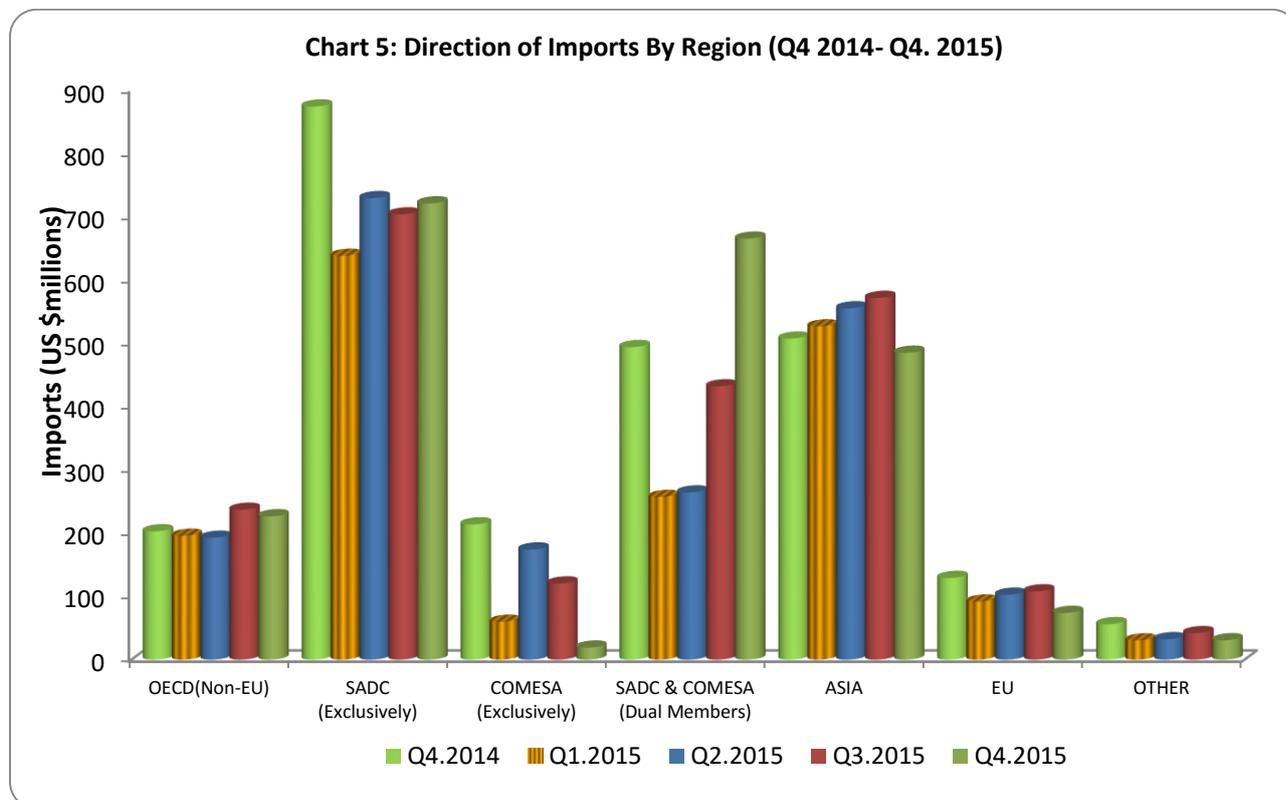


Source: Central Statistical Office (CSO)

5.2 DIRECTION OF ZAMBIA'S IMPORTS BY REGION

Preliminary data show that during the fourth quarter of 2015, the country registered a decline in merchandise imports from four regions namely; EU, SADC (*exclusively*), Asia, and COMESA (*exclusively*) but recorded increased imports from Non-EU OECD and SADC and COMESA (*dual members*). SADC (*exclusively*) remained Zambia's major source of imports accounting for 32.5 percent of total imports. However, imports from that region decreased by 17.5 percent to US \$720.9 million from US \$874.1 million recorded during the same quarter in 2014 (*see Chart 5*). This was largely on account of lower imports of structures and parts of iron or steel; dumpers for off-highway use, urea and parts of machinery from South Africa. SADC & COMESA (*dual members*), ranked second, as imports from that region increased by 34.7 percent to US \$665.2 million, representing 30.0 percent of total imports. This outturn was mostly explained by an increase in imports of gas oils and motor spirit from Mauritius. Asia ranked third, accounting for 21.8 percent of total imports, following a decline in imports from that region by 4.4 percent to US \$484.8 million, explained by lower imports of generating sets, liquid dielectric transformers and structures and parts of steel or iron from China. The Non-EU OECD region ranked fourth, with

imports from the region representing 10.2 percent of total imports, as imports from the region increased by 11.7 percent to US \$226.1 million. This outturn was mostly explained by a sharp increase in imports of herbicides, anti-sprouting products and plant growth regulators from Japan. The EU region ranked fifth, representing 3.3 percent of total imports, following a decline in imports from the region by 42.8 percent to US \$73.7 million. COMESA (*exclusively*) ranked sixth, with imports from the region accounting for 0.9 percent of total imports, following a drop in imports by 91.1 percent to US \$19.1 million, on account of a large fall in imports attributed to decreased imports of gas oils, motor spirit, and cigarettes from Kenya.



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 59.9 percent of Zambia’s total trade (exports and imports).. In addition, these countries remained Zambia’s major export markets, accounting for 72.4 percent share of total exports. Notwithstanding, exports to all four countries fell considerably. South Africa, Congo DR, China and Kuwait were the country’s top major sources of imports, collectively accounting for 55.3 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 first quarter of 2016, Zambia’s international trade performance is expected to be uneven due to low copper prices on the international market, which will adversely impact earnings from copper exports and the adjustment of industrial policy in Congo (DR) aimed at substituting some imported commodities with locally produced items. Merchandise imports are expected to fall owing to the expected lagged effects of the depreciation of the Kwacha in the Q3 and Q4 2014 against other major trading currencies.

ANNEX 1: ZAMBIA'S EXPORTS TO THE REST OF THE WORLD (IN US \$'MILLION; FOB), Q4 2014 – Q4 2015

COUNTRY	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015
Australia	80.0	52.7	56.4	46.7	52.1
Belgium	0.8	0.3	0.7	0.5	0.6
Botswana	20.4	9.5	4.4	6.0	7.5
Burundi	1.0	0.8	1.4	0.6	1.2
China	421.5	285.0	267.9	244.1	206.4
Congo (DR)	182.3	227.6	119.3	118.5	110.0
Egypt	0.2	0.0	0.0	0.9	0.1
France	0.0	0.9	0.1	0.2	0.1
Germany	20.0	11.4	2.4	5.1	4.4
Hong Kong	32.9	25.2	24.9	21.3	21.2
India	2.1	3.2	1.8	2.4	15.4
Kenya	18.2	11.8	7.0	9.5	12.0
Korea, Republic Of	1.8	2.8	2.1	3.5	1.5
Kuwait	0.0	0.0	0.0	0.0	0.0
Luxembourg	15.4	2.9	0.0	0.0	2.5
Madagascar	0.0	0.0	0.0	0.0	0.0
Malawi	46.5	10.6	29.6	45.3	22.1
Malaysia	0.0	0.0	0.0	0.0	0.0
Mozambique	5.5	7.4	4.7	3.5	25.4
Namibia	11.0	14.5	7.0	2.3	3.3
Netherlands	1.7	2.3	3.6	1.3	2.1
Pakistan	0.0	0.0	0.0	0.0	0.0
Philippines	0.3	0.3	0.5	0.7	0.3
Republic Of Thailand	0.1	0.0	0.1	0.0	23.7
Rwanda	1.5	1.2	0.3	0.3	1.9
Saudi Arabia	0.0	0.0	0.6	0.0	0.0
Singapore	140.7	166.1	136.6	112.1	106.3
South Africa (Republic Of)	196.9	173.8	128.8	102.6	121.8
South Sudan	0.0	0.0	0.0	0.0	0.0
Swaziland	3.9	0.2	1.1	1.3	5.9
Sweden	0.7	0.8	0.7	0.1	1.9
Switzerland	1154.4	567.0	669.3	949.4	888.2
Tanzania, United	12.8	8.1	9.0	7.7	23.0
United Arab Emirates	16.1	2.7	21.3	12.2	34.5
United Kingdom	15.4	7.9	9.7	10.4	38.0
United States Of America	2.6	0.3	0.4	1.1	0.5
Zimbabwe	43.4	54.6	59.6	81.5	72.0
Other	29.3	76.8	38.9	27.3	27.2
Total	2,482.1	1,728.7	1,610.3	1,818.4	1,832.9

Source: Central Statistical Office (CSO)

ANNEX 2: ZAMBIA'S IMPORTS FROM THE REST OF THE WORLD (US \$'MILLION); CIF Q4 2014 – Q4 2015

COUNTRY	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015
Australia	21.4	12.8	11.1	13.2	16.3
Belgium	26.9	9.5	9.4	8.5	8.2
Botswana	5.5	4.4	4.0	4.1	3.6
Brazil	1.8	1.7	1.1	15.9	1.2
Canada	3.7	7.1	8.0	9.8	3.8
China	204.1	246.8	167.4	198.4	112.5
Congo (DR)	425.6	202.1	181.8	295.4	343.2
Denmark	4.1	6.7	4.4	9.3	7.0
Egypt	5.1	6.4	8.0	7.7	5.5
Finland	9.7	12.3	11.6	8.9	11.6
France	9.0	20.0	22.8	7.0	7.4
Germany	16.6	10.5	20.1	28.8	12.2
Hong Kong	17.3	8.9	13.7	22.6	25.9
India	92.8	96.3	86.6	86.4	102.4
Indonesia	0.9	0.8	1.3	1.2	0.8
Israel	0.4	1.0	1.7	1.6	1.1
Italy	30.3	4.1	8.6	14.3	4.0
Japan	49.8	43.3	38.6	32.4	70.8
Kenya	207.8	52.9	165.4	112.2	13.1
Korea, Republic Of	11.1	11.9	13.9	9.8	13.9
Kuwait	10.9	39.9	126.0	134.0	134.7
Lebanon	11.3	3.4	21.2	1.1	1.2
Malawi	10.5	5.4	3.9	3.8	4.5
Malaysia	4.2	2.6	1.9	2.9	3.3
Mauritius	24.3	21.1	55.2	101.6	288.4
Mozambique	7.3	8.1	4.8	20.5	26.6
Namibia	18.2	19.0	19.7	19.6	41.4
Netherlands	17.4	11.0	12.6	23.3	17.0
Pakistan	1.8	1.6	1.8	1.2	0.5
Republic Of Thailand	2.5	0.0	6.3	0.0	2.5
Singapore	55.1	35.2	37.2	37.8	30.4
South Africa (Republic Of)	828.4	593.1	688.1	648.2	638.2
Spain	1.9	4.3	5.0	3.9	0.8
Swaziland	4.7	5.3	3.3	4.9	5.6
Sweden	19.4	13.3	19.9	15.6	14.2
Switzerland	14.6	14.7	7.9	58.3	8.2
Taiwan, Province Of China	5.6	3.7	4.1	3.5	3.1
Tanzania, United	14.8	13.5	12.4	11.0	11.0
United Arab Emirates	78.2	62.1	54.6	37.5	38.0
United Kingdom	63.7	51.1	53.9	51.0	40.3
United States Of America	37.9	32.4	24.2	33.1	51.2
Zimbabwe	28.3	22.6	19.6	25.5	23.0
Other	71.0	75.1	85.6	87.1	71.5
Total	2,475.6	1,798.3	2,048.7	2,212.8	2,220.4

Source: Central Statistical Office (CSO)