

Zambia

June 2022

Executive Summary

This country fact sheet provides key trade, investment, and tourism related statistics for Zambia. Specifically, it shows global trade and investment flows including an analysis of top markets and products for Zambia in relation to the Western Cape, highlighting the largest and fastest growing products and sub-sectors. It also investigates tourism trends between Zambia and the Western Cape. The key highlights in the fact sheet are provided below:

Economy

Zambia is one of the world's largest producers of copper and cobalt. It also has considerable reserves of selenium and silver, in addition to minor quantities of gold. Zambia's economy has historically been based on the copper mining industry. Economic growth prospects remain favourable underpinned by a recovery in the mining, tourism, and manufacturing sectors. The recovery in international demand and copper prices are particularly positive developments, while a reduction in COVID-19 cases is likely to boost manufacturing and tourism activity.

Trade

While the country's global merchandise trade balance has recorded both surpluses and deficits over the past decade, the country has seen a consistent increase in this balance from 2015 to date, with the country's global trade position returning to surplus in 2020, widening further to a value of ZAR60.60b in 2021. This was largely due to a combination of rising copper output and booming global copper prices, with the red metal the traditional mainstay of the local economy.

Investment

Between January 2003 and March 2022, a total of 285 FDI projects were recorded into Zambia. These projects represented a total capital investment of ZAR378.43bn. During this period, a total of 69,193 jobs were created. Interestingly, year 2014 recorded a high number of FDI in Zambia both by Capex and projects and this was attributable to a well-managed economy and a peaceful transfer of power, (African Union Forum 2015).

Tourism

In 2020, the Western Cape saw a 76,5% significant drop in Zambian arrivals to reach 1,405 inbound tourists. This was in comparison to the 5,991 inbound tourists recorded in 2019. This revealed the severity of the global pandemic and the devastating effects that resultant restriction measures had on the local economy.

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1. General Information

Zambia is a landlocked country in Southern Africa. The neighbouring countries are the Democratic Republic of Congo to the north, Tanzania to the north-east, Malawi to the east, Mozambique, Zimbabwe, Botswana and Namibia to the south, and Angola to the west. At 752,618 km², Zambia is the 39th largest country in the world, slightly smaller than Chile and slightly larger than the United States' state of Texas. It is estimated that approximately 40% of the water resources in Central and Southern Africa are found in Zambia, which gives the country immense irrigation and hydro-power potential. Zambia has a tropical climate which is modified by the altitude the country has a rainy season between October and April.

Zambia is divided into ten provinces, each administered by an appointed deputy minister. Each province is subdivided into several districts with a grand total of 72 local authorities and councils. Zambia is one of the most highly urbanized countries in sub-Saharan Africa with 44% of the population concentrated in a few urban areas along the major transport corridors, while rural areas are sparsely populated.



Figure 1: Zambia General Information

GENERAL INFORMATION	
Population	19,642,123 (2022 est.)
Capital	Lusaka
President	President Hakainde Hichilema (since 24 August 2021)
Government type	Presidential republic
Official language(s)	Bemba 33.4%, Nyanja 14.7%, Tonga 11.4%, Lozi 5.5%, Chewa 4.5%, Nsenga 2.9%, Tumbuka 2.5%, Lunda (North Western) 1.9%, Kaonde 1.8%, Lala 1.8%, Lamba 1.8%, English (official) 1.7%, Luvale 1.5%, Mambwe 1.3%, Namwanga 1.2%, Lenje 1.1%, Bisa 1%, other 9.7%, unspecified 0.2% (2010 est.)
Ethnic group(s)	Bemba 21%, Tonga 13.6%, Chewa 7.4%, Lozi 5.7%, Nsenga 5.3%, Tumbuka 4.4%, Ngoni 4%, Lala 3.1%, Kaonde 2.9%, Namwanga 2.8%, Lunda (northwestern) 2.6%, Mambwe 2.5%, Luvale 2.2%, Lamba 2.1%, Ushi 1.9%, Lenje 1.6%, Bisa 1.6%, Mbunda 1.2%, other 13.8%, unspecified 0.4% (2010 est.)
Religion(s)	Protestant 75.3%, Roman Catholic 20.2%, other 2.7% (includes Muslim, Buddhist, Hindu, and Baha'i), none 1.8% (2010 est.)
Life expectancy (2022 est.)	66.26 years
Literacy rate	86.7%
HDI (2021)	0.589
Currency	Zambian Kwacha (ZMK)

Source: CIA World Factbook, 2022

2. Economic overview

Zambia has a vast endowment of metals, gemstones, industrial minerals, and potential energy resources including coal, hydrocarbons, and more recently, uranium. Zambia is one of the world's largest producers of copper and cobalt. It also has considerable reserves of selenium and silver, in addition to minor quantities of gold. Historically Zambia's economy has been based on the copper mining industry. However, aware of the risks associated with this dependence, the Zambian government is undertaking economic diversification to reduce the country's reliance on the copper industry and exploit other components of the country's rich resource base by promoting agriculture, tourism, gemstone mining and hydro power generation.

It is vital to note that prior to the COVID-19 pandemic, the Zambian economy was experiencing serious macroeconomic challenges, such as high inflation, widening fiscal deficits, unsustainable debt levels, low international reserves, and tight liquidity conditions, (African Development Bank ADB 2022). Following the outbreak of COVID-19, inflation rose to 17.4% in 2020 and remained above the target range of 6%–8% in 2021. However, looking ahead, economic growth will be supported by higher global copper prices, improved post-election market confidence, and a continued recovery in agriculture.

The growth sectors that the government is presently promoting include mining, agriculture, energy, manufacturing, and tourism. These sectors have experienced exponential growth in recent years and are expected to continue to grow due to the numerous investment opportunities that are available in the country.

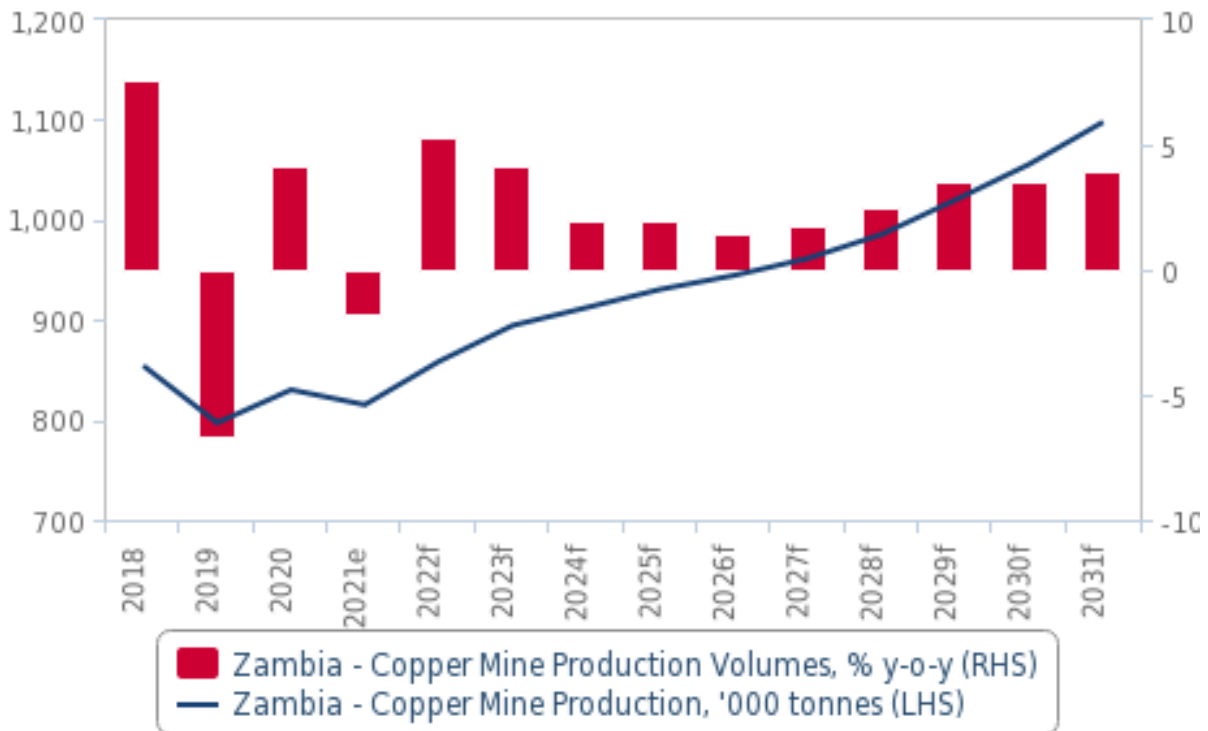
Figure 2: Zambia Economic Information

ECONOMIC INFORMATION	
GDP (PPP) (2022 est.)	USD26.67bn
GDP growth (2022 est.)	3,1%
GDP per capita (2022 est.)	USD1,330.00
Inflation (2022 est.)	15.7%
Prime lending rate (2022est.)	25.6%
Unemployment rate (2021 est.)	13.03%
Exports (2021 est.)	ZAR165,56bn
Imports (2021 est.)	ZAR104.96bn
Current account balance	USD388.60bn

Source: World Bank Group, 2022; CIA World Factbook, 2022; CEIC 2022 & Country Economy 2022

Fitch Solutions has upwardly revised both short-term and long-term copper production forecasts for Zambia. This is based on an expanding project pipeline, a more business-friendly regime, and a stronger global price outlook for the metal. Indeed, a strong production growth is likely as miners ramp up operations to benefit from high global copper prices. To contextualise this, by way of example First Quantum Minerals (FQM)'s Sentinel mine, a dominant player in the country's copper production which contributes an estimated 57% to Zambia's copper output has projected an increase of 30Kt in 2022. Given the favourable long-term copper price outlook, the expectation is that mining houses will accelerate production growth as far as possible over the next couple of years.

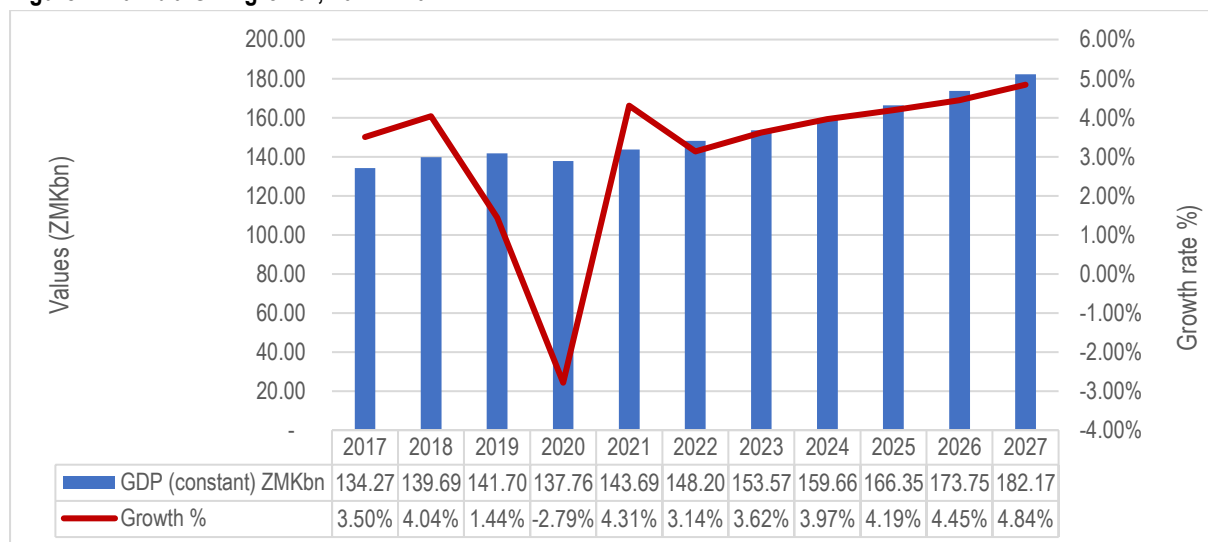
Figure 3: Zambia Copper Production in Volume and Tonnes



Source: Fitch 2022

According to the IMF (2022), Zambian real GDP growth slowed by 2.8% y-o-y in 2020, from the 1.4% recorded in 2019. While economic output recovered strongly to 4.31% in 2021, the country's real GDP growth is forecast to moderate to 3.14% in 2021, underpinned by lower government spending and heightened inflationary pressures which will weigh on private consumption growth. That said, a strong outlook for commodities exports on a combination of higher volumes and global prices may keep growth above pre-pandemic levels, thereby boosting mining revenues.

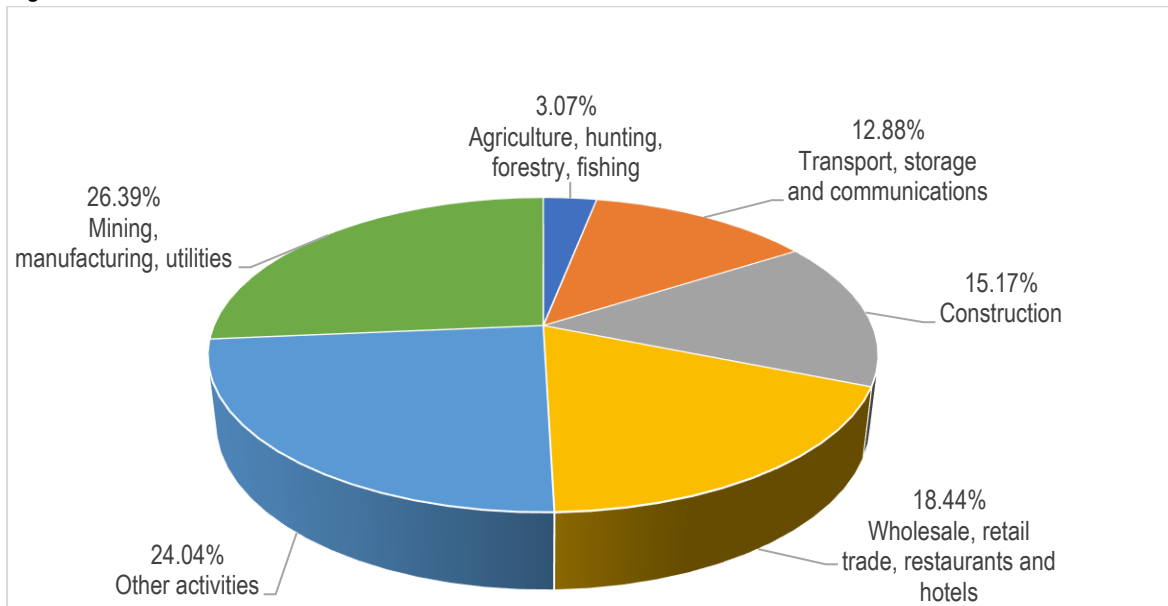
Figure 4: Zambia GDP growth, 2017 – 2027f



Source: IMF, 2017

In 2020 the largest sector contributing to the Zambian economy was the mining, manufacturing, and utilities sector accounting for 26.39% of GDP. This was followed by the wholesale, retail trade, restaurants, and hotels sector at 18.44%, with the construction sector in third position at 15.17%.

Figure 5: Zambia Sector Contribution to GDP, 2020



Source: UNCTADStat, 2022

3. Zambia's Risk Ratings

"A sovereign credit rating is the credit rating of a country or sovereign entity. Sovereign credit ratings give investors insight into the level of risk associated with investing in a particular country and include political risks. At the request of the country, a credit rating agency will evaluate the country's economic and political environment to determine a representative credit rating".

Source: Investopedia

While several credit agencies exist, the three most recognised credit ratings agencies globally are Fitch Ratings, Moody's Investors Services (Moody's) and Standard & Poor's (S&P). Reasons for a country/sovereign to seek a credit rating from one of these three agencies include not only to access funding in international bond markets via the issuance of bonds in external debt markets, but it is a means to attract foreign direct investment. Obtaining a good sovereign credit rating instils confidence in investors seeking to invest in that country, with the credit rating a means for the country to demonstrate financial transparency and credit standing.

Two key rating 'standards' exist, with the highest possible rating category being "AAA" according to S&P, which indicates that the rated country has extremely strong capacity to meet its financial commitments. A wide range of rating categories exists below this, with the categories ranging all the way down to SD (i.e., defaulted), which means the rated country has failed to pay one or more of its financial obligations when it became due.

Table 1: Zambia's Sovereign Credit Ratings

ZAMBIA'S SOVEREIGN CREDIT RATINGS					
STANDARD & POORS SOVEREIGN RATINGS			FITCH RATING		MOODY'S RATINGS
Local Rating LT	Currency	Foreign Rating LT	Currency	T&C Assessment	Credit Rating
CCC+ (Stable)		RD		RD	RD
					Ca (Stable)

Sources: S&P, Moody's

The table below shows Zambia's risk assessment in terms of export transactions and direct investments. Ratings are between 1 and 7, as well as between A and C, with 7 and C being the maximum risk indicators. The table shows that the political risk in the Netherlands is relatively low in the medium long-term. Commercial risk is ranked as I while war risk ranked low as well.

Table 2: Zambia Risk Assessment

ZAMBIA'S' RISK ASSESSMENT		
EXPORT TRANSACTIONS		
Political Risks	Short Term	5
	Medium-Long term	7
	Special Transactions	7
Commercial Risk	C	
DIRECT INVESTMENTS		
War risk	3	
Risk of expropriation and government action	5	
Transfer risk	7	

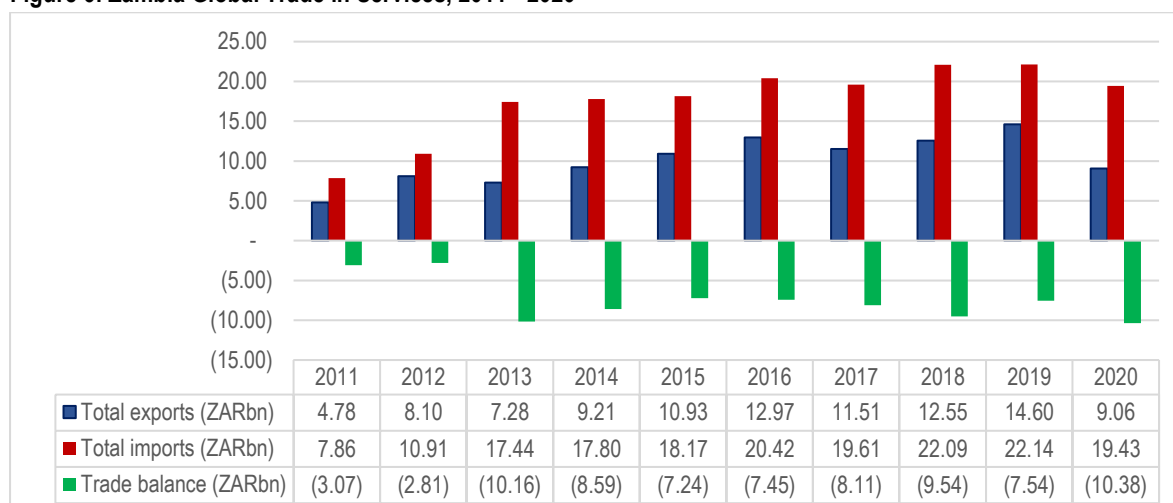
Source; Ondd 2022

4 Trade

4.1 Trade in Services

The figure below illustrates Zambia's trend in global trade in services over the period 2011 to 2020. Over the past decade, Zambia's imports of services have been greater than its exports. Zambia's global trade in services exports had been on an upward trend since 2011, but in 2020 the country saw a 37,98% y-o-y drop in service exports to a value of ZAR9.06m. This was largely due to the advent of the COVID-19 pandemic, which saw the Government of Zambia instituting national lock down measures in a bid to reduce the spread of the virus. A similar trend was also evident on the import front, which realised a 12.23% y-o-y decline in service payments to ZAR19.43m, down from ZAR22.14m recorded in 2019. Again, this was largely due to limited activities within the overall services sector because of COVID-19.

Figure 6: Zambia Global Trade in Services, 2011 - 2020



Source: Trade Map, 2022

Travel services were the country's largest services export at a value of ZAR6,730.46m in 2020, followed by insurance and pension services (ZAR809,90m) and transport (ZAR754.968). Interestingly, on the export front, travel services recorded the highest annual average growth of 14.10% over the 5-year period from 2016 to 2020. This was followed by other business which constitute merchanting and other trade-related services, operational leasing (rental), miscellaneous business, professional, and technical services, and other services, with an annual average 5-year growth of 12.22%.

The top 4 imported services were the same as the top 4 export services with the exception that they had variations on the positioning. Transport services were the largest payments from Zambia at a cost of ZAR10,673.99m in 2020, followed by travel (ZAR3,825.59m) and other business services (ZAR1,517.88m).

Table 3: Zambia Top 10 Traded Services

TOP 10 SERVICES EXPORTED BY ZAMBIA 2020				TOP 10 SERVICES IMPORTED BY ZAMBIA, 2020			
CODE	SERVICE	VALUE 2020(ZARm)	% GROWTH 2016-2020	CODE	SERVICE	VALUE 2020 (ZARm)	% GROWTH 2016-2020
4	Travel	6 730,46	14,10%	10	Transport	10 673,99	-9,52%
10	Insurance and pension services	809,90	9,51%	3	Travel	3 825,59	-11,18%
3	Transport	754,968	3,25%	4	Other business services	1 517,88	75,97%
12	Telecommunications, computer, and information services	305,503	8,51%	8	Insurance and pension services	953,01	-39,42%
7	Personal, cultural, and recreational services	265,142	9,11%	9	Government goods and services	631,27	-27,68%
5	Other business services	163,521	12,22%	12	Telecommunications, computer, and information services	519,95	-51,82%
6	Financial services	26,477	-	7	Construction	331,87	-39,31%
9	Maintenance and repair services	0,72	-	5	Maintenance and repair services.	261,58	2,39%
2	Manufacturing services on physical inputs owned by others	-	-	6	Manufacturing services on physical inputs owned by others	238,21	168,54%

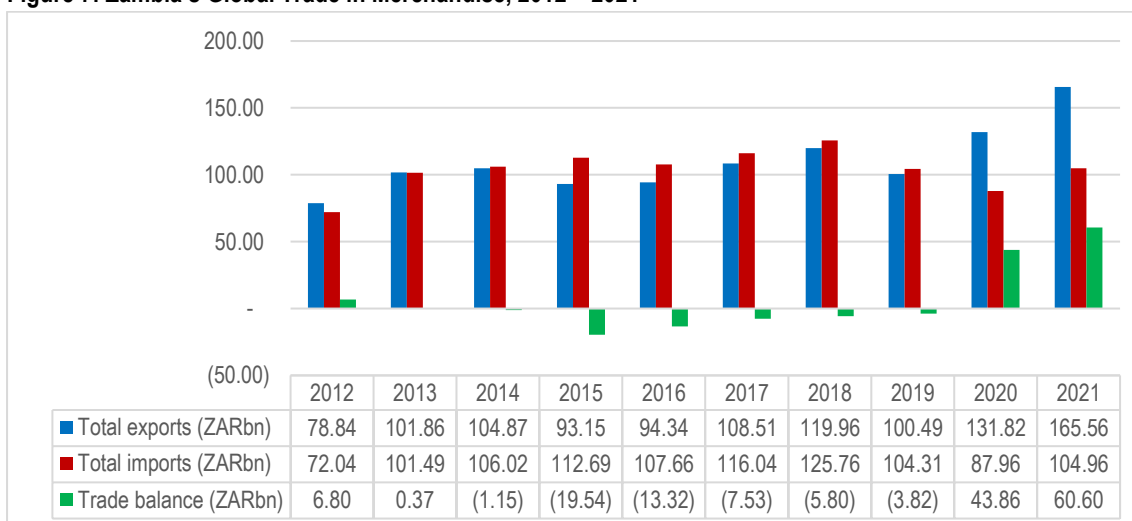
TOP 10 SERVICES EXPORTED BY ZAMBIA 2020				TOP 10 SERVICES IMPORTED BY ZAMBIA, 2020			
CODE	SERVICE	VALUE 2020(ZARm)	% GROWTH 2016-2020	CODE	SERVICE	VALUE 2020 (ZARm)	% GROWTH 2016-2020
8	Government goods and services.	-	-	11	Charges for the use of intellectual property.	234,48	-3,89%
TOTAL IMPORTS		9,06	-1,03%	TOTAL EXPORTS		19 432,17	1,81%

Source: Trade Map, 2022

4.2 Zambia's Global Trade in Goods

While the country's global merchandise trade balance has recorded both surpluses and deficits over the past decade, the country has seen a consistent increase in this balance from 2015 to date, with the country's global trade balance returning to surplus in 2020, widening further to a value of ZAR60.60bn in 2021. Specifically, on the export front, the southern African country recorded a 25,59% y-o-y annual growth in export receipts to a value of ZAR165.56bn in 2021, up from ZAR131.82bn earned in 2020. This was largely due to a combination of rising output and higher global copper prices, with the red metal accounting for 70% of the country's export receipts. In turn, total merchandise imports recorded a 19,33% y-o-y growth to a value of ZAR104.96bn in 2021, from the ZAR87.96bn in 2020.

Figure 7: Zambia's Global Trade in Merchandise, 2012 – 2021



Source: Trade Map, 2022

In terms of key trading partners, Switzerland (ZAR69.71bn) was Zambia's largest export destination market in 2021, accounting for 42.11% of all export receipts earned last year. China (ZAR30.98bn) and Singapore (ZAR22.23bn) were Zambia's second and third largest export destination respectively in 2021. South Africa was Zambia's fifth largest export destination in 2021, which at a value of ZAR4.26bn in 2021 equated to 2.57% of the country's total export earnings in 2021. Of interest is that over the 5-year period 2017 – 2021, exports to Luxembourg surged by a considerable 94.05% annual average growth, underpinned by significant growth in both refined and unrefined copper exports over the period analysed. This was followed by Singapore and India, with both Asian countries attaining a 36.49% and 35.40%, 5-year annual average growth respectively.

Table 4: Zambia's Top 10 Export Destination Markets, 2021

ZAMBIA TOP 10 DESTINATION MARKETS, 2021				
RANK	COUNTRY	VALUE 2021 (ZARbn)	% GROWTH 2017-2021	% SHARE 2021
1	Switzerland	69,71	15,05%	42,11%
2	China	30,98	12,55%	18,71%
3	Singapore	22,23	36,49%	13,42%
4	Democratic Republic of Congo	16,55	24,30%	10,00%
5	South Africa	4,26	-3,99%	2,57%
6	Luxembourg	3,61	94,05%	2,18%
7	Zimbabwe	2,93	5,06%	1,77%
8	Malawi	1,85	3,16%	1,12%
9	Hong Kong, China	1,58	9,98%	0,95%
10	India	1,46	35,40%	0,88%
TOTAL EXPORTS		165,56	13,22%	100,00%

Source: Trade Map 2022

In turn, in 2021, South Africa was Zambia's largest import source market at an associated cost of ZAR33.12bn equivalent to 31.55% of Zambia's total imports in the said year. Mineral or chemical nitrogenous fertilisers and sulphur of all kinds were Zambia's top import products from South Africa at a value of ZAR1.87bn and ZAR1.37bn respectively. China (ZAR13.23bn) was the second largest import source market, while the United Arab Emirates (ZAR11.84bn) ranked third.

Table 5: Zambia Top 10 Import Source Markets, 2021

ZAMBIA TOP 10 IMPORT SOURCE MARKETS, 2021				
RANK	COUNTRY	VALUE 2021 (ZARbn)	% GROWTH 2017-2021	% SHARE 2021
1	South Africa	33,12	-0,47%	31,55%
2	China	13,23	12,37%	12,60%
3	United Arab Emirates	11,84	26,98%	11,28%
4	India	6,52	13,61%	6,21%
5	Congo, Democratic Republic of the	4,65	39,33%	4,43%
6	Japan	3,70	24,71%	3,53%
7	United States of America	3,16	20,84%	3,01%
8	Namibia	1,92	8,97%	1,83%
9	Mauritius	1,67	-17,66%	1,59%
10	United Kingdom	1,63	-0,37%	1,55%
TOTAL IMPORTS		104,96	0,55%	100,00%

Source: Trade Map, 2022

The table below shows Zambia's top 10 traded products in 2021. Copper based products were by far the largest goods exported by Zambia with the said products accounting for more than 75% of the country's top 10 export basket.

Zambia does not have proven reserves of oil and the country's oil needs are met through imports. Zambia's largest import product in 2021 was refined petroleum oils at a value of ZAR9.01bn. Zambia's imports are characterised by goods that are in line with an expanding emerging market. The countries demand for motor vehicles for the transport of goods and machinery

suggests an expanding manufacturing sector while the demand of minerals and chemical are important for the agricultural sector.

Table 6: Zambia Top 10 Traded Goods, 2021

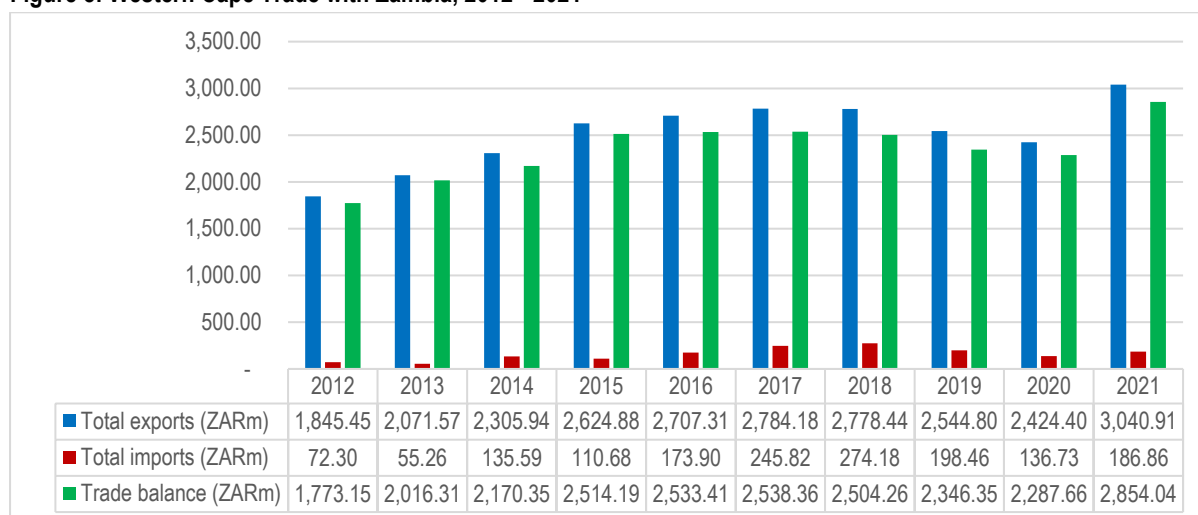
TOP 10 EXPORTS FROM ZAMBIA, 2021				TOP 10 IMPORTS INTO ZAMBIA, 2021			
RANK	PRODUCT	VALUE 2021 (ZARbn)	% GROWTH 2017-2021	RANK	PRODUCT	VALUE 2021 (ZARbn)	% GROWTH 2017-2021
1	Unrefined Copper	91,88	31,63%	1	Refined Petroleum oils	9,01	16,35%
2	Refined Copper	31,99	1,82%	2	Mineral or chemical nitrogenous fertilisers	4,13	17,09%
3	Ferroalloys	2,53	70,91%	3	Medicaments	3,39	0,13%
4	Electrical energy	2,50	-	4	Motor vehicles for the transport of goods	3,14	11,55%
5	Cement	2,08	34,63%	5	Copper ores and concentrates	3,04	0,25%
6	Waters	2,05	0,40%	6	Mineral or chemical fertilisers	1,99	19,99%
7	Unmanufactured tobacco	1,87	19,10%	7	Motor cars for the transport of persons	1,96	11,59%
8	Sulphur of all kinds	1,60	60,18%	8	New pneumatic tyres, of rubber	1,93	13,45%
9	Precious stones	1,49	1365,58%	9	Parts suitable for use with the machinery	1,88	5,52%
10	Oilcake	1,30	126,24%	10	Tractors	1,78	22,73%
TOTAL EXPORTS		165,56	13,22%	TOTAL IMPORTS		104,96	0,55%

Source: Trade Map, 2022

4.3 Western Cape Trade with Zambia, 2012 - 2021

Over the past decade the Western Cape has been a net exporter to Zambia and as a result, has consistently record a positive trade balance with the copper-rich country. Notwithstanding the impact of COVID-19 related restrictions seen in 2020 and the impact this had on the province's trade, the ongoing easing of restrictions in South Africa has resulted in a recovery in provincial trade with Zambia, with exports receipts reaching a value of ZAR3,040.91m in 2021, up from ZAR2,424.40m attained in 2020.

Figure 8: Western Cape Trade with Zambia, 2012 - 2021



Source: Quantec, 2022

The table below shows the top 10 traded products between the Western Cape and Zambia in 2021. Sulphur was the leading export product to Zambia at ZAR494.66m, followed by refined petroleum oils (ZAR122.46m), with other fermented beverages in third place (ZAR104.60m).

Imports from Zambia in 2021 were agriculture-heavy, with the majority of the top 10 products imported from Zambia agricultural products, except for Antiques of an age exceeding one hundred years. This is reflective of the quality and importance of Zambia's agricultural sector as an alternative source of foreign exchange earnings.

Table 7: Western Cape Top10 Traded products with Zambia, 2021

TOP 10 EXPORTS FROM THE WESTERN CAPE TO ZAMBIA, 2021				TOP 10 IMPORTS BY THE WESTERN CAPE FROM ZAMBIA, 2021			
RANK	PRODUCT (HS4)	VALUE 2021 (ZARm)	% SHARE 2021	RANK	PRODUCT (HS4)	VALUE 2021 (ZARm)	% SHARE 2021
1	Sulphur of all kinds	494,66	16,27%	1	Oilcake and other solid residues	107,72	44,88%
2	Refined Petroleum oils	122,66	4,03%	2	Bran, sharps, and other residues	12,56	16,21%
3	Other fermented beverages	104,60	3,44%	3	Cane or beet sugar	7,99	12,07%
4	Trailers and semi-trailers	99,93	3,29%	4	Oilcake and other solid residues	6,56	7,35%
5	Refrigerators, freezers, and other refrigerating equipment	90,27	2,97%	5	Natural honey	6,22	2,72%
6	Fruit juices	87,63	2,88%	6	Molasses resulting from the extraction or refining of sugar	4,93	2,29%
7	Monitors and projectors	86,80	2,85%	7	Leguminous vegetables	3,79	2,16%
8	Mechanical appliances	82,09	2,70%	8	Antiques of an age exceeding one hundred years	2,64	2,04%
9	Compression-ignition	62,84	2,07%	9	Maize (corn)	2,5	1,84%
10	Cheese and curd	44,37	1,46%	10	Other oil seeds and oleaginous fruits	2,36	1,54%
TOTAL EXPORTS		3 040,91	100,00%	TOTAL IMPORTS		186,86	100,00%

Source: Quantec, 2022

5 Tariffs

Below is a list of tariffs imposed by Zambia on South African exports.

Table 8: Zambia's Tariffs imposed on South Africa exports

ZAMBIA'S TARIFF IMPOSED ON SOUTH AFRICAN EXPORTS (HS2), 2021								
HS CODE	PRODUCT	TARIF F, %	HS CODE	PRODUCT	TARIFF, %	HS CODE	PRODUCT	TARIFF F, %
'01	Live animals	0	'33	Essential oils and resinoids	0	'67	Prepared feathers	0
'02	Meat and edible meat offal	0	'34	Soap, organic surface-active agents	0	'68	Articles of stone	0
'03	Fish and crustaceans	0	'35	Albuminoidal substances	0	'69	Ceramic products	0
'04	Dairy produce; birds' eggs; natural honey	0	'36	Explosives; pyrotechnic products	0	'70	Glass and glassware	0
'05	Products of animal origin	0	'37	Photographic or cinematographic goods	0	'71	Natural or cultured pearls	0
'06	Live trees and other plants and ornamental foliage	0	'38	Miscellaneous chemical products	0	'72	Iron and steel	0
'07	Edible vegetables and certain roots and tubers	0	'39	Plastics and articles thereof	0	'73	Articles of iron or steel	0
'08	Edible fruit and nuts	0	'40	Rubber and articles thereof	0	'74	Copper and articles thereof	0
'09	Coffee, tea, mate, and spices	0	'41	Raw hides and skins	0	'75	Nickel and articles thereof	0
'10	Cereals	0	'42	Articles of leather articles	0	'76	Aluminium and articles thereof	0
'11	Products of the milling industry; malt; starches; inulin; wheat gluten	0	'43	Furskins and artificial fur; manufactures thereof	0	'78	Lead and articles thereof	0
'12	Oil seeds and oleaginous fruits	0	'44	Wood and articles of wood	0	'79	Zinc and articles thereof	0
'13	Lac; gums, resins and other vegetable saps and extracts	0	'45	Cork and articles of cork	0	'80	Tin and articles thereof	0
'14	Vegetable plaiting materials	0	'46	Manufactures of straw, of esparto or of other plaiting materials	0	'81	Other base metals; cermet's; articles thereof	0
'15	Animal or vegetable fats and oils and their cleavage products	0	'47	Pulp of wood or of other fibrous cellulosic material	0	'82	Tools, implements, cutlery, spoons, and forks	0
'16	Preparations of meat, of fish or of crustaceans, molluscs or other aquatic invertebrates	0	'48	Paper and paperboard	0	'83	Miscellaneous articles of base metal	0
'17	Sugars and sugar confectionery	0	'49	Printed books industry; manuscripts	0	'84	Machinery boilers; parts thereof	0

ZAMBIA'S TARIFF IMPOSED ON SOUTH AFRICAN EXPORTS (HS2), 2021								
HS CODE	PRODUCT	TARIFF F, %	HS CODE	PRODUCT	TARIFF, %	HS CODE	PRODUCT	TARIFF F, %
'18	Cocoa and cocoa preparations	0	'50	Silk	0	'85	Electrical machinery and equipment	0
'19	Preparations of cereals	0	'51	Wool, fine or coarse animal hair	0	'86	Railway or tramway locomotives	0
'20	Preparations of vegetables, fruit, nuts or other parts of plants	0	'52	Cotton	0	'87	Vehicles other than railway or tramway rolling stock	0
'21	Miscellaneous edible preparations	0	'53	Other vegetable textile fibres; paper yarn and woven fabrics of paper yarn	0	'88	Aircraft, spacecraft, and parts thereof	0
'22	Beverages, spirits and vinegar	0	'54	Man-made filaments; strip and the like of man-made textile materials	0	'89	Ships, boats and floating structures	0
'23	Residues and waste from the food industries; prepared animal fodder	0	'55	Man-made staple fibres	0	'90	Optical, photographic, cinematographic, measuring equipment	0
'24	Tobacco and manufactured tobacco substitutes	0	'56	Wadding, felt and nonwovens	0	'91	Clocks and watches and parts thereof	0
'25	Salt; sulphur; earths and stone; plastering materials, lime and cement	0	'57	Carpets and other textile floor coverings	0	'92	Musical instruments	0
'26	Ores, slag and ash	0	'58	Special woven fabrics	0	'94	Furniture; bedding, mattresses	0
'27	Mineral fuels, mineral oils and products of their distillation	1	'59	Impregnated, coated, covered or laminated textile fabrics	0	'95	Toys, games and sports requisites; parts and accessories thereof	0
'28	Inorganic chemicals	0	'60	Knitted or crocheted fabrics	0	'96	Miscellaneous manufactured articles	0
'29	Organic chemicals	0	'61	Articles of apparel and clothing accessories, knitted or crocheted	0	'97	Works of art, collectors' pieces and antiques	0
'30	Pharmaceutical products	0	'62	Articles of apparel and clothing accessories, not knitted or crocheted	0	'99	Commodities not elsewhere specified	0
'31	Fertilisers	0	'63	Other made-up textile articles	0			
'32	Tanning or dyeing extracts	0	'64	Footwear, gaiters, and the like; parts of such articles	0			

Source: Quantec, 2022

NOTE: Exporters should not take the HS2 tariff as conclusive and as the actual tariff that will be applied to the exported product. The tariffs indicated above are average tariffs and for products within the category it may be higher or lower than indicated. Where the tariff is zero it can be assumed that there is zero tariff applicable to all products within that HS code. Tariffs are determined according to the importing country's national tariff line from the HS6 level and upwards. Exporters are advised to visit www.macmap.org to determine the exact tariff applicable to the product at HS6.

6 Trade Agreements

6.1 Bilateral Trade Agreements between South Africa and Zambia

South Africa and Zambia are members of Free Trade Agreement involving the 15 Southern African Development Community (SADC) countries. The SADC Free Trade Area was achieved in August 2008, when a phased programme of tariff reductions that had commenced in 2001 resulted in the attainment of minimum conditions for the Free Trade Area - 85% of intra-regional trade amongst the partner states attained zero duty.

As the process to remove tariffs on sensitive products was on-going until 2012, there is still potential for further expansion of intra-SADC trade as most of the products on the sensitive list such as textiles and clothing, leather and leather products are highly tradable products.

6.2 Trade Corridors used to access Zambia

As a landlocked country, trade corridors are vital to Zambia. In Zambia's case these are road and/or rail routes which cross international borders to ports, and which are the subject of international agreements on planning, use and management. Below are the various trade corridors:

Dar es Salaam corridor plays a key role of serving need of Malawi, Zambia, and DRC. Dar es Salaam Corridor Group Ltd (DCG) is investing USD6m into a dry port located in Kisarawe, 30km from Dar es Salaam.

The **Trans-Kalahari Corridor** was established with a political and economic vision to pursue or contribute towards deeper regional integration programs of SADC. The corridor connects the port of Walvis Bay (east coast) to the port of Maputo (west coast) and serves southern Africa.

The **Lobito Corridor (South African specific)** offers a strategic location with a big advantage, allowing it to play a key role as a platform in the regional and international network system of transports, particularly in southern Africa. The corridor is based on three main pillars of intermodal transport (land, air, and sea), and the major industries are:

- The Port of Lobito
- The Benguela Railway
- The International Airport of Catumbela

Walvis Bay Corridor: Road via Livingstone/Sesheke/Katima Mulilo to Walvis Bay Port, Namibia.

Beira Corridor: Road to Harare or rail to Bulawayo, then rail via Mutare to Beira, Mozambique.

Nacala Corridor: road to Lilongwe then rail to Nacala, Mozambique.

Tazara Corridor: road or rail via Kapiri Mposhi to Dar es Salaam, Tanzania.

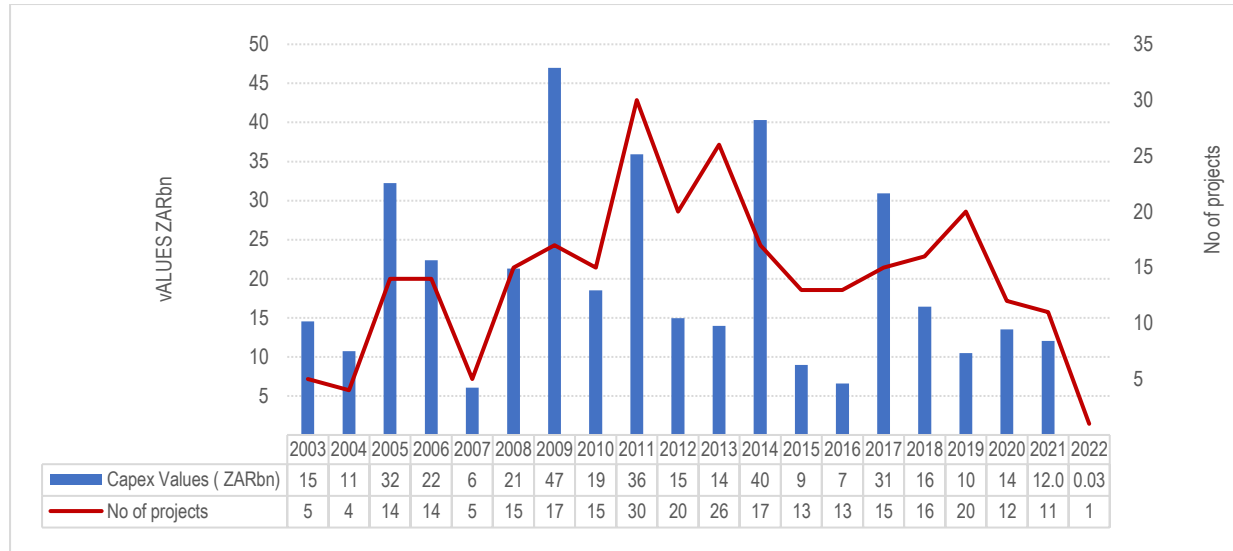
Lobito Corridor: rail via DRC to Lobito Bay, Angola (not currently operational, depends on Benguela Railway re-opening).

7 Investment

7.1 Global Investment into Zambia

Between January 2003 and March 2022, a total of 285 FDI projects were recorded into Zambia. These projects represented a total capital investment of ZAR378.43bn and resulted in the creation of 69,193 jobs. Interestingly, year 2014 recorded high numbers of FDI in Zambia both by Capex and projects and this is attributable to a well-managed economy and a peaceful transfer of power, (African Union Forum 2015).

Figure 9: Zambia Inward Global FDI, 2013 – March 2022

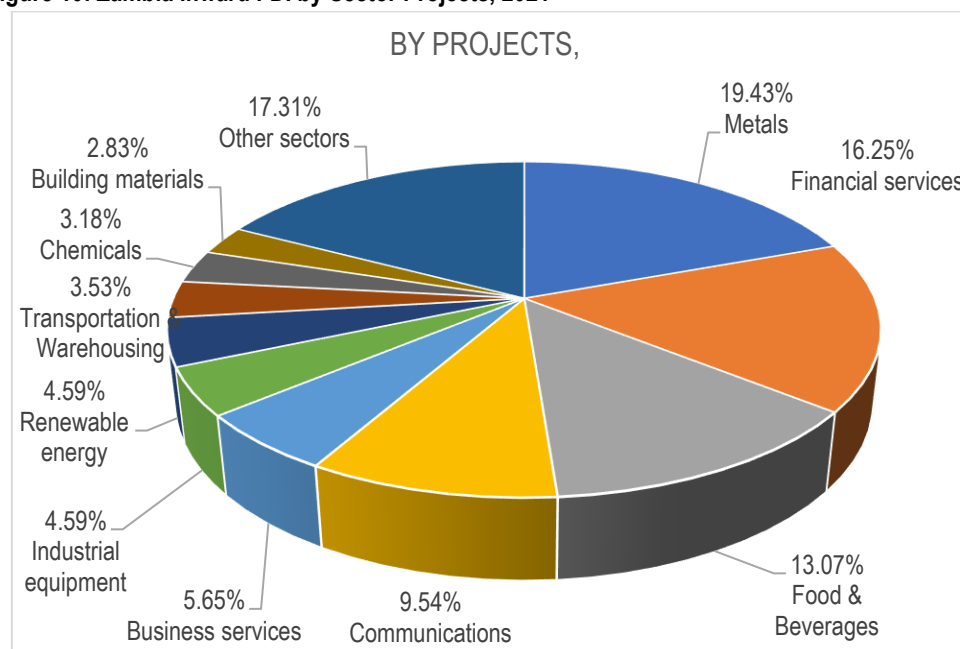


Source: FDI Intelligence, 2022

The figures below show Zambia's sector global inward FDI for the period January 2003 to March 2022 by number of projects and CAPEX.

The metals sector received the largest share in terms of projects accounting for 19.43% followed by financial services and food and beverages sector accounting for 16.25% and 13.07%, respectively.

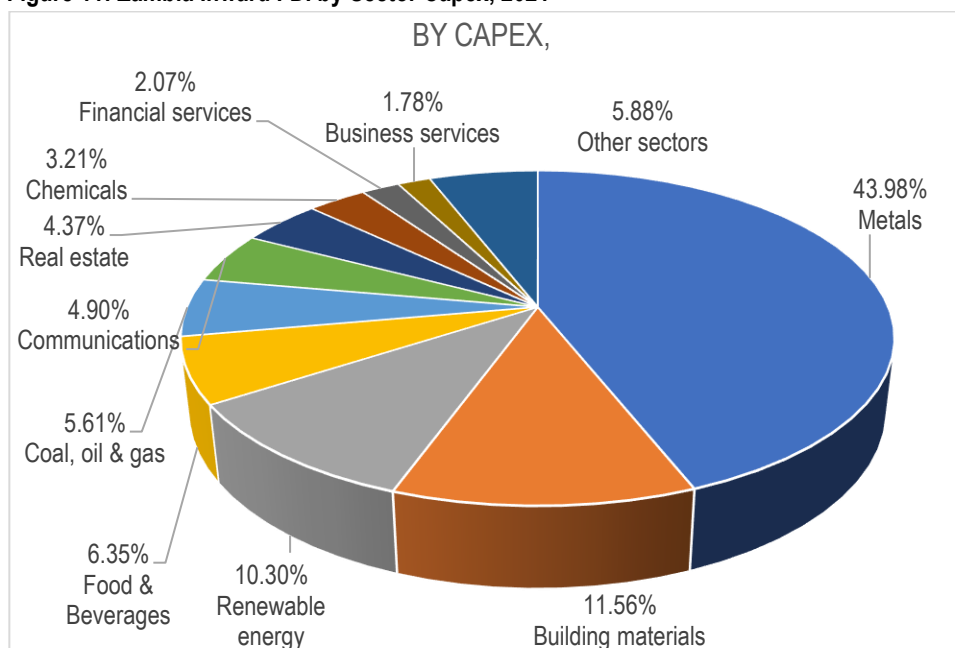
Figure 10: Zambia Inward FDI by Sector Projects, 2021



Source: FDI Intelligence, 2022

The metals sector also received the largest share in terms of CAPEX accounting for 43.98% followed by the building materials 11.56% and alternative/renewable energy accounting for 10.30%.

Figure 11: Zambia Inward FDI by Sector Capex, 2021



Source: FDI Intelligence, 2022

Table 9: Top 10 Companies Investing into Zambia.

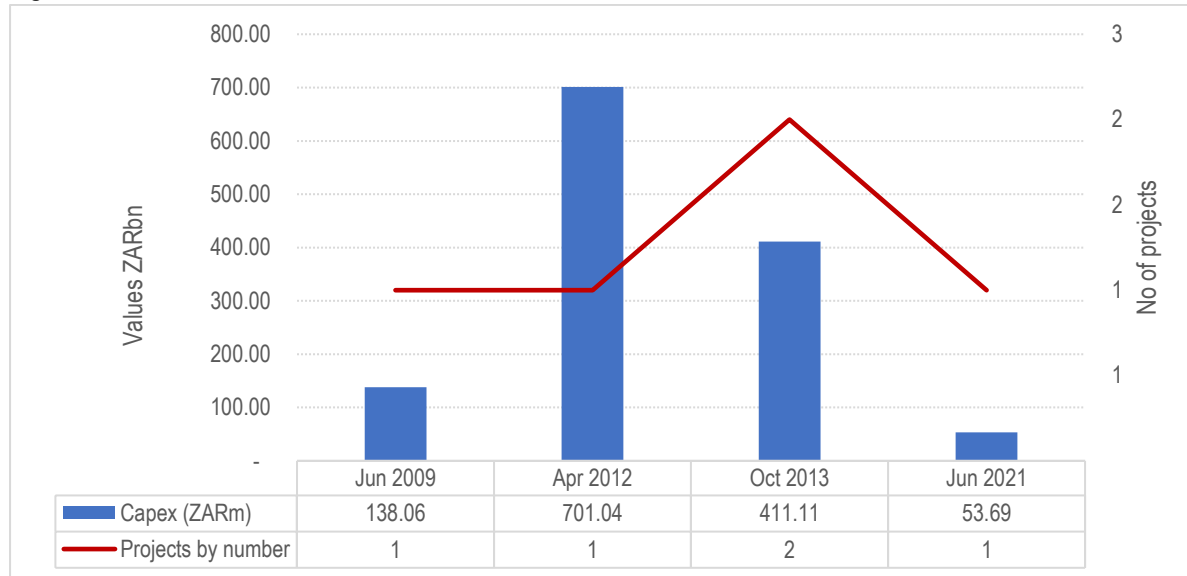
TOP 10 COMPANIES INTO ZAMBIA, 2003 – MARCH 2022					
RANK	INVESTING COMPANY	SOURCE COUNTRY	SECTOR	PROJECTS	CAPEX (ZARm)
1	Konkola Copper Mine	Zambia	Metals	8	25 854,04
2	First Quantum Minerals	Canada	Metals	8	23 553,04
3	Enviro Board	United States	Building materials	1	21 422,31
4	Dangote Cement	Nigeria	Building materials	3	14 873,66
5	China Nonferrous Metals Mining (CNMC)	China	Metals	3	12 655,50
6	Equinox Copper Ventures	Australia	Metals	1	12 609,48
7	Non-Ferrous China Africa (NFCA)	China	Metals	2	12 272,00
8	Mopani Copper Mines	Switzerland	Communications	3	10 412,79
9	Elsowedy Electric (Elsowedy Cables)	Egypt	Electronic components	3	10 135,14
10	Vedanta Resources	United Kingdom	Food & Beverages	1	9 204,00
TOTAL				283	376,75

Source: FDI Intelligence, 2022

7.2 Global Investment from Zambia

Between January 2003 and March 2022, a total of 5 outward FDI projects were recorded from Zambia to the world. These projects represented a total capital investment of ZAR1,303.90m creating 445 jobs.

Figure 12: Zambia Global Outward FDI, 2003 – March 2022



Source: FDI Intelligence 2022

Table 10: Top 10 Companies Investing from Zambia

TOP 10 COMPANIES INVESTING FROM ZAMBIA, 2003 – MARCH 2022					
RANK	INVESTING COMPANY	SOURCE COUNTRY	SECTOR	PROJECTS	CAPEX (ZARm)
1	Zambeef (Zambeef Products)	Zambia	Food & Beverages	3	549,172
2	Basali Ba Liseli Resources	Canada	Transportation & Warehousing	1	701,038
3	LH Agency	United States	Business services	1	53,69
TOTAL				5	1,303.90

Source: FDI Intelligence, 2022

7.3 Investment Relations between Zambia and the Western Cape

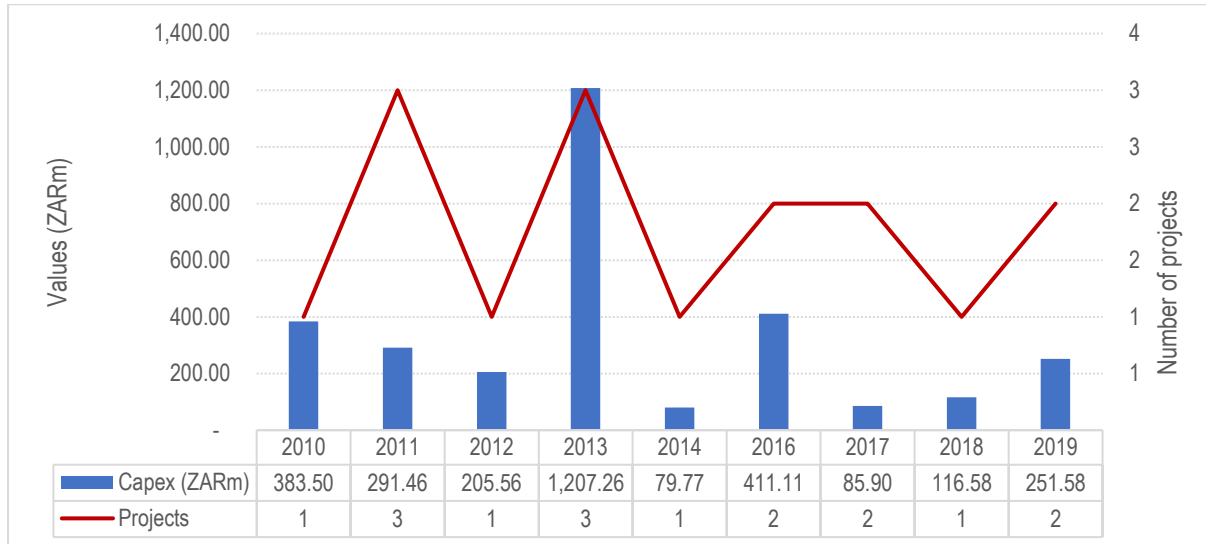
7.3.1 Zambia FDI to the Western Cape

Between January 2003 and March 2022, there were no investments recorded from Zambia into the Western Cape.

7.3.2 Western Cape Outward FDI to Zambia

Over the period Jan 2003 to March 2022, total of 16 FDI projects were recorded from the Western Cape into Zambia. These projects represented a total capital investment of ZAR3,03.72m. During the period, a total of 1,684 jobs were created.

Figure 13: Western Cape Outward FDI to Zambia, 2003 – March 2022



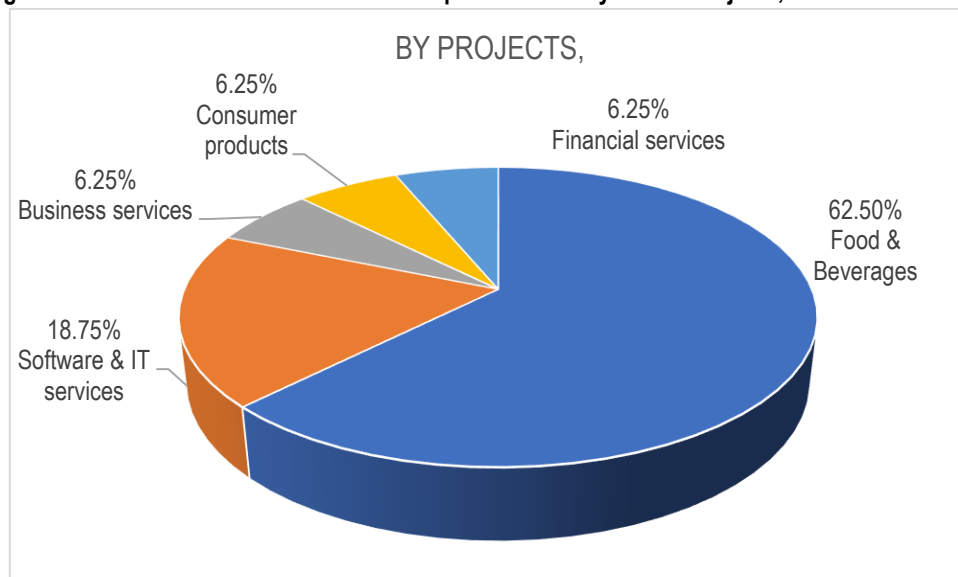
Source: FDI Intelligence, 2022

Figures 14 and 15 below show outward FDI from the Western Cape to Zambia by sector.

In terms of the number of FDI projects, the following were the top three sectors:

- Food & Beverages: 62.50%
- Software and IT services (18.75%)
- Business services, Consumer products & Financial services all contributing (6.25%)

Figure 14: Outward FDI from the Western Cape to Zambia by Sector Projects, 2021

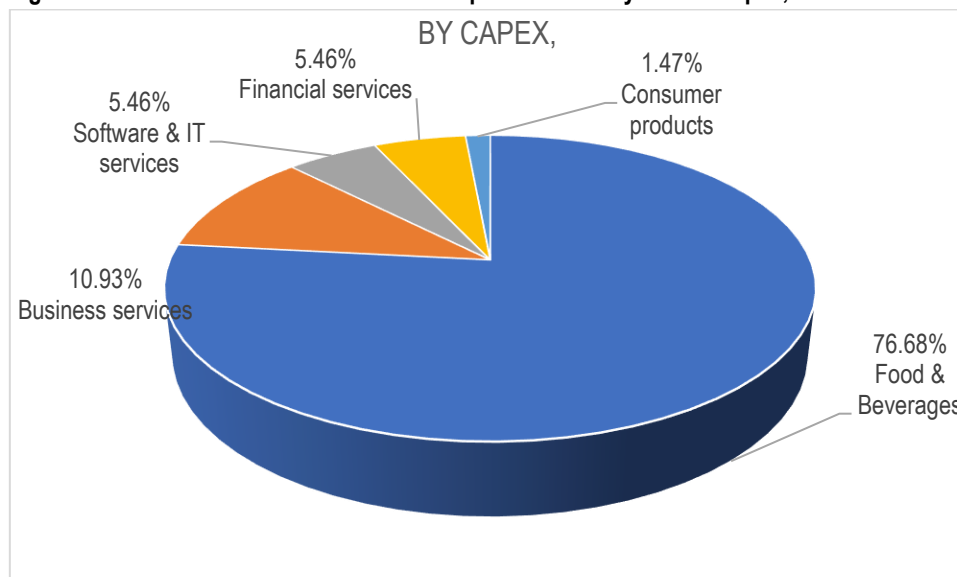


Source: FDI Markets 2022

The following were the top three sector in terms of capex:

- Food & Beverages: 76.68%
- Business services: 10.93%
- Software & IT service and financial services: 5.46%

Figure 15: Outward FDI from the Western Cape to Zambia by Sector Capex, 2021



Source; FDI Markets 2022

7.4 Western Cape Opportunities for Zambian Companies

Table 11: Western Cape Investment Opportunities for Zambian Companies, 2021

WESTERN CAPE INVESTMENT OPPORTUNITIES FOR ZAMBIAN COMPANIES, 2021	
Agribusiness Opportunities:	
<ul style="list-style-type: none"> • Niche markets such as biltong, herbal tea and ostrich meat are likely to find a burgeoning global audience among health-conscious consumers. • The increasing use of genetically modified crops will help to significantly improve yields and output. • Corn production would benefit from a decision to lift the ban on the use of the crop for biofuel. • Sugar consumption is set to rise and, along with disposable incomes, there will be growth in the fast food and casual dining industries. • Development of food supply chain technologies especially in food safety • Growing and exporting of cut and dried flowers. • Expand domestic fruit juice concentrate production. • Extend production of organic products for domestic and export markets. • Expand production of honey bush teas to meet growing consumer demand. • Expand production and processing of ostrich products • Expand production of high-quality wines for export and establish boutique cellars. • Modernise and expand wine and beverage production facilities. • Expand packaging, freezing and canning facilities for export products. • Cuniculture (Rabbit farming). • Agri tourism • Cold storage facilities • Multiple opportunities in agribusiness value chain • Per capita food consumption is forecast to grow dynamically over our forecast period, opening expansion opportunities for existing companies. • Several food segments remain underdeveloped and would benefit from further investment. 	

<ul style="list-style-type: none"> • Many industries sub-sectors, such as energy drinks, tea and coffee, are far from saturated and would benefit from further investment. • Rising health-consciousness is boosting demand for low-calorie soft drinks. • Scope for growth in high-end premium retailing as South Africa gets richer over the long term.
ICT Opportunities:
<ul style="list-style-type: none"> • In the personal devices market vendors will be able to tap demand from first-time buyers and in the upgrade/replacement market as the economic environment becomes more supportive. • Improvements to network infrastructure an enabler for device sales, as well as wider adoption of cloud services and smart infrastructure. • Potential for South Africa to become a cloud services hub in the region due to relative strengths in network connectivity and legal environment. Strong private investment in key industry verticals, including financial services, retail and manufacturing. • Vibrant small- and medium-sized business sector will sustain demand for IT products and services.
Oil & Gas
<ul style="list-style-type: none"> • Considerable offshore exploration opportunities with major companies involved in upstream activity. • Shale gas resources in the Karoo Basin are thought to be among the largest in the world. • Coal-bed methane potential in the Karoo, with positive pilot production displaying upside potential. • The potential development of the LNG IPP Programme presents notable upside to gas imports. • The proposed separation of oil and gas regulation from legislation covering the mining industry could provide greater regulatory clarity. • Considerable offshore exploration opportunities in South Africa • Shale gas resources in Karoo Basin • Services facility: Port development and management. • Onshore and offshore maintenance • Pipeline engineering and construction (both subsea and onshore): • Lack of gas infrastructure: LNG facilities plant required: over reliance on imports and Eskom needed to reduce reliance on diesel due to costs and shift towards gas • Upgrading of refineries required to meet standards • Building a new refinery as future forecast is that the consumption will outstrip production • Storage facilities
Real Estate Opportunities:
<ul style="list-style-type: none"> • Good retail sales, despite a slowing economy, reveal potential for relevant commercial unit developments, as well as distribution space. • A developing REIT market will attract foreign investment further down the line. • The anticipated rebound in GDP growth indicates potential for the broader commercial real estate market, amid improving demographics • Building of boutique hotels (5-star, 4 star and 3 star) due to growing tourism market
Electronics:
<ul style="list-style-type: none"> • Suppliers of parts and components for wind turbines and photo voltaics • Manufacture automotive components • Manufacture Electronic Components • Manufacture of Consumer Electronics

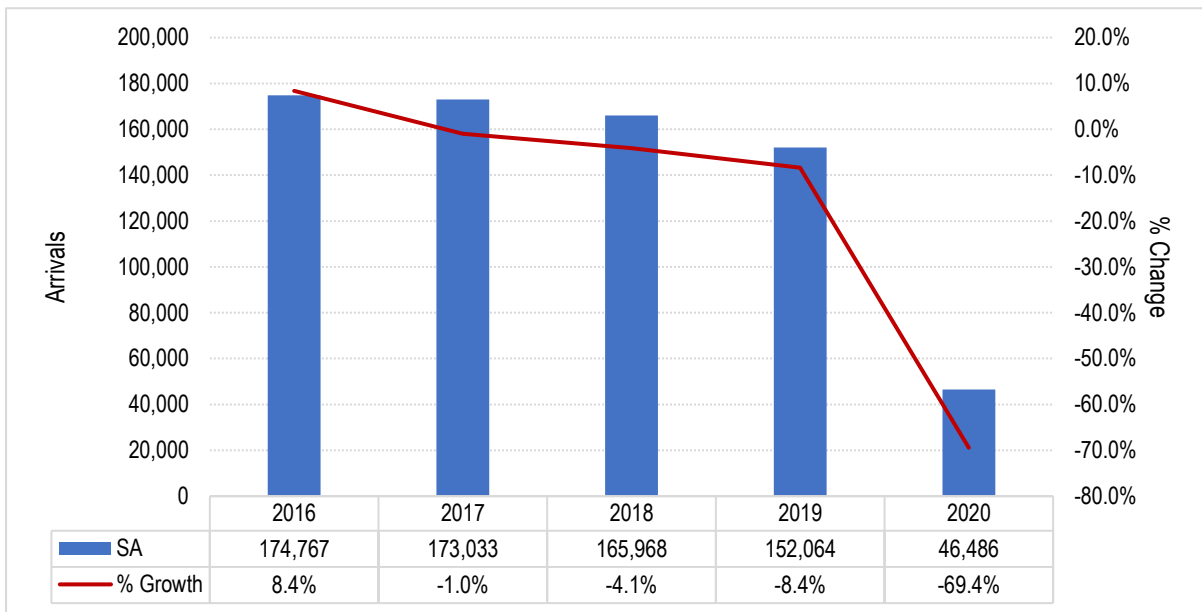
8 Tourism

8.1 Zambia Trends and Travel Patterns

Zambia offers a variety of attractions, most notably Victoria Falls and a range of nature and wildlife viewing opportunities. Yet still, tourist arrivals have been a shadow of those of its neighbors, and Zambia has struggled as a tourist destination. The country has been able to create a more cohesive approach to marketing and development following a difficult six years (with eight tourism ministers) to take advantage of growth in key source markets. Further, improvements are apparent and include the development of multi-facility economic zones, while road and airport infrastructure projects have come online.

Closer to home, South Africa received a total of 2,8 million foreign arrivals in 2020, of which 46 486 were recorded as arriving from Zambia. Zambian tourist arrivals into South Africa have been on a downward trajectory since 2018 with the sharpest decline seen in 2020. Most of these travellers stayed in the country for 9 nights which follows the trend of 9 nights in 2018.

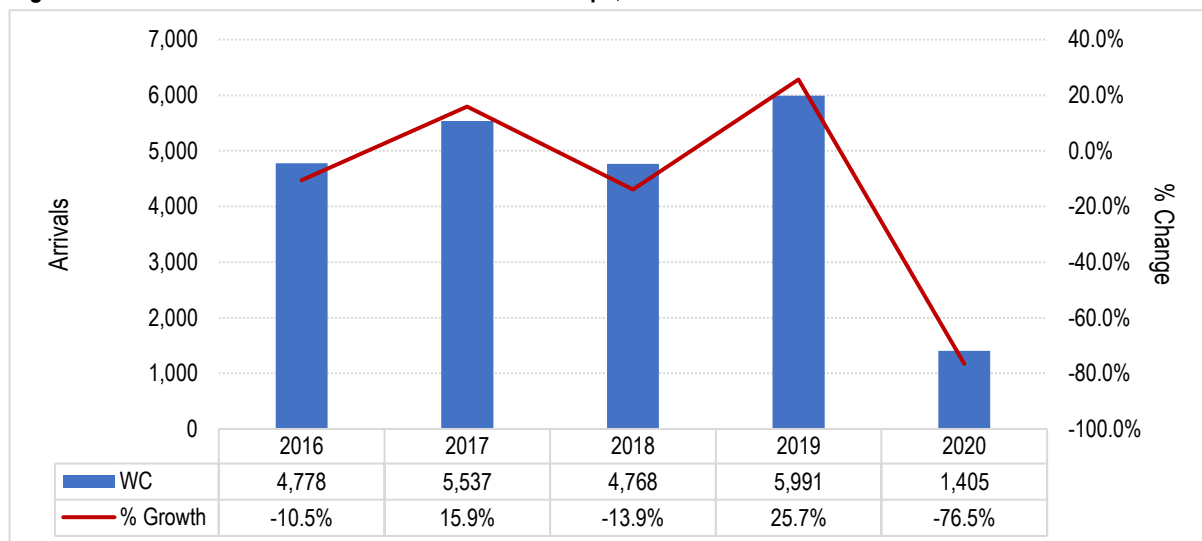
Figure 16: Zambian Tourist Arrivals into South Africa



SAT 2020

The Western Cape saw a significant increase in Zambian visitors in 2017 and 2019. In contrast, 2018 saw a limited number of Zambian arrivals into the Western Cape, recording a 13,9% decline. Such instances maybe attributed to the drought and the negative perceptions raised by this phenomenon during the time. Arrivals decreased again in 2020 by a significant 76,5% to 1,405 due to COVID-19 related restrictions.

Figure 17: Zambian Tourist Arrivals into the Western Cape, 2016 - 2020



SAT 2020

9 Summary

Zambia remains a key trade partner for both South Africa and the Western Cape. In 2021, South Africa was Zambia's largest import source market at an associated cost of ZAR33.12bn equivalent to 31.55% of Zambia's total imports in the said year. Mineral or chemical nitrogenous fertilisers and sulphur of all kinds were Zambia's top import products from South Africa at a value of ZAR1.87bn and ZAR1.37bn respectively. Interestingly, Zambia has a fast-growing agricultural sector, hence the surge in mineral and chemical fertilizers imports from South Africa. South Africa also exports a significant amount of refined petroleum oil to Zambia, which amounted to ZAR1.12bn in 2021.

Turning to trade with the Western Cape, there was a slight decline in exports receipts earned with Zambia in both 2019 and 2020, underpinned by a number of factors including amongst others the impact of COVID-19 related restrictions and a global slowdown in international trade. However, this downtrend was short-lived as the national and provincial economy slowly opened up in 2021 as restrictions eased, with provincial export receipts with Zambia reaching a value of ZAR3,049.91m in 2021, up from ZAR2,424.40m earned in 2020.

Since both countries are members of a Free Trade Agreement involving the 15 Southern African Development Community (SADC) countries, a wide variety of opportunities are available for the local investor to tap into in both the well-established agriculture sector, as well as the booming copper mining industry which continues to benefit from a combination of high global copper prices and increased output. Improved post-election market confidence is of further benefit.

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