External Trade Update – Jan 2019

Trade deficit falls to a 26-month low in Jan 2019…

Trade Indicator	Dec-18	Jan-19	M-o-M Change (%)	Y-o-Y Change (%)*
Exports - US$mln	364.9	292.6	-19.8%	-
Imports - US$mln	494.8	336.8	-31.9%	-
Trade Balance - US$mln	(129.9)	(44.2)	-66.0%	-

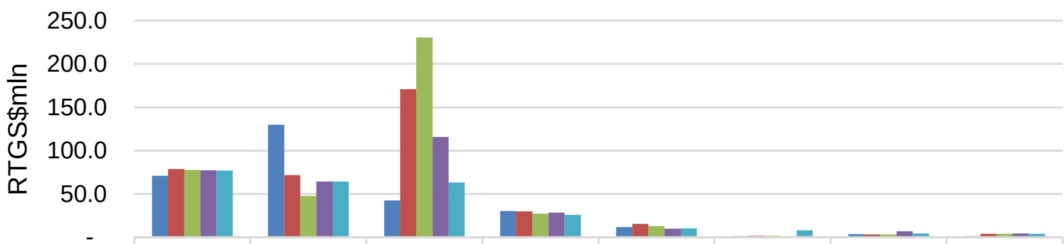
*-*Jan 2018 figures not available from ZimStat*

Exports

- According to the Zimbabwe National Statistics Agency "ZimStat", the country's total exports fell by 19.8% to $292.6m in Jan 2019. This was due to major declines in tobacco (-45%), diamonds (-81%), ferro-chromium (-9%) and cane sugar (-37%). For tobacco, the golden leaf registered its second consecutive monthly decline largely in line with similar cyclical trends in the past. However, increases for tobacco refuse in immediate packings (+669%), black tea (+366%) and ginned cotton (+5%), minimized the overall decline in exports. **Fig.1** below outlines the major exports with the top 8 commanding 88% of total earnings.

…high concentration as Top 5 exports account for 82% of total earnings in Jan 2019…

Fig.1: Major export earners contribution



	Nickel	Gold	FCV Tobacco	Ferro-chromium	Ginned cotton	Tobacco refuse	Cane Sugar	Platinum
Sep-18	71.0	129.7	42.4	30.1	11.8	1.5	3.7	1.5
Oct-18	78.7	71.7	170.8	29.8	15.6	1.9	3.1	3.9
Nov-18	77.6	47.5	230.6	27.4	12.9	1.6	3.3	3.9
Dec-18	77.1	64.4	115.8	28.5	9.9	1.1	6.8	4.5
Jan-19	76.8	64.5	63.1	26.0	10.4	8.1	4.3	4.1

Source: ZimStat

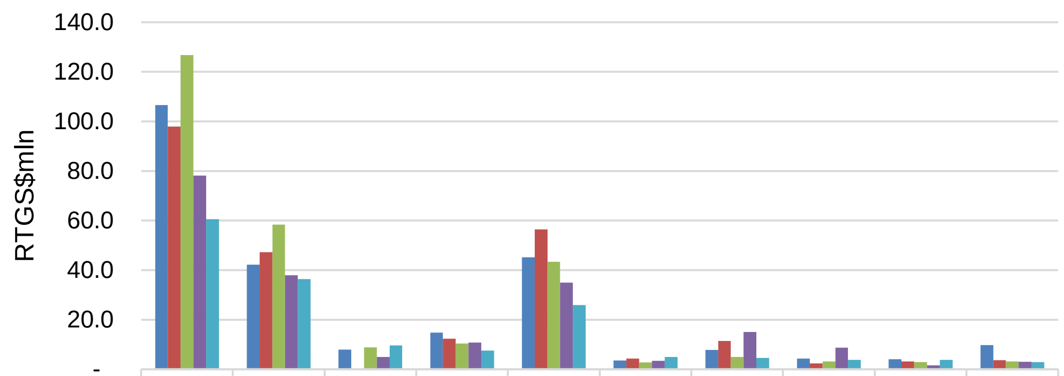
- The major export markets were South Africa (53%), Russia (21%), United Arab Emirates (14%), Mozambique (7%) and Kenya (1%). These top 5 countries accounted for 97% of the export market.

Imports

…Imports reduction due to various factors including import tariffs, fuel price hike, anxiety over 2019 Monetary policy and a traditionally slow January cycle…

- Imports also declined by 31.9% to a 33-month low of US$336.8m in Dec 2018. Major declines were recorded in motor vehicles (-26%), diesel (-22%), soya bean oil (-69%), herbicides (-56%) and wheat (-29%). The slowdown in imports largely reflects the impact of import tariffs (*in particular hard currency duty payment for motor vehicles*), fuel price increase, a cautious approach by economic agents ahead of the 2019 Monetary Policy announcement as well as a traditionally slow January cycle. On the other hand, increases were recorded in medicaments (+129%), aviation spirit (+91%) and pesticide imports (+45%). **Fig.2** on the next page illustrates the top 10 imports accounting for 48% of total imports in Jan 2019.

Fig.2: Major imports



	Diesel	Petrol	Aviation Spirit	Wheat	Motor vehicles-all types	Pesticides	Soya bean oil	Herbicides	Medicaments	Electrical energy
Sep-18	106.6	42.2	8.0	14.8	45.2	3.6	7.8	4.3	4.1	9.7
Oct-18	98.0	47.2	0.2	12.3	56.4	4.4	11.4	2.4	3.1	3.7
Nov-18	126.8	58.4	8.9	10.4	43.4	2.8	5.0	3.2	2.9	3.2
Dec-18	78.1	37.9	5.0	10.8	35.0	3.4	15.0	8.7	1.7	3.0
Jan-19	60.6	36.4	9.6	7.6	25.9	4.9	4.6	3.8	3.8	2.9

Source: ZimStat

...South Africa remained the major export (53%) and import (28%) market...

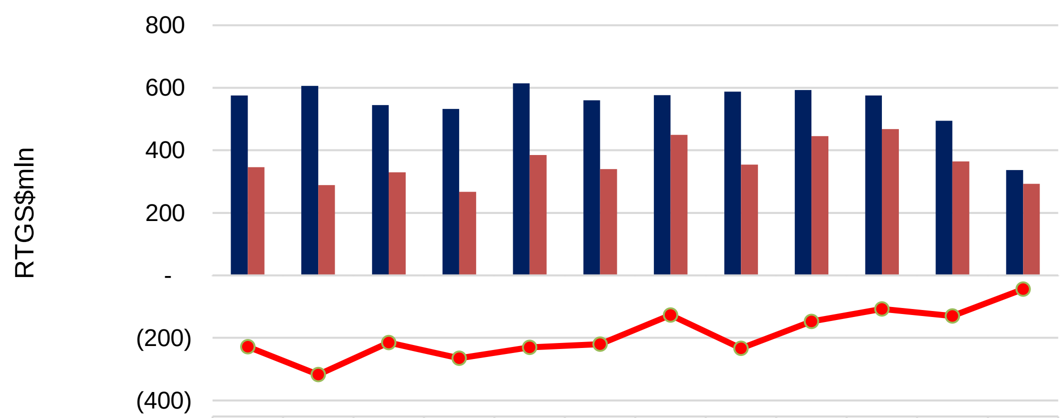
- The major source markets for imports were Singapore (31%), South Africa (28%), China (11%), United Kingdom (4%) and Mauritius (3%).

Trade deficit

....Trade deficit shrank by 66% in Jan 2019...

- The trade deficit fell by 66% to a 26-month low of $44.2m in Jan 2019 from $129.9m in Dec 2018, due to a relatively larger decline in imports (-32%) against that on imports (-20%). Likewise, a cumulative trade deficit of $429m was recorded in the four months between Oct 2018 and Jan 2019 post the introduction of stabilization policies. This was in contrast to the cumulative $810m recorded in the four months to Sept 2018. **Fig. 3** below outlines the trade deficit trend.

Fig.3: External Trade trend



	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19
Imports	575	606	545	532	615	560	576	587	592	575	495	337
Exports	346	289	330	267	385	340	449	354	445	468	365	293
Trade Deficit	(229)	(317)	(215)	(265)	(230)	(220)	(127)	(233)	(147)	(108)	(130)	(44)

Source: ZimStat

Outlook

The trade figures, similar to the monthly public finance figures, somehow reflect the quick-wins from the stabilization measures. Nonetheless, a relatively longer period will truly demonstrate the effectiveness of these measures. Going forward, whereas imports will most likely remain subdued due to the combined effected of import-tariffs and generally suppressed disposable incomes, the authorities need to continuously fine-tune policies targeted at export-promotion to redress the trade deficit and these include; market based reforms on foreign currency allocation and pricing of capital, offshore credit facilities, access to modern technology, increased retentions, tax concessions and strengthening collateral security for the agriculture sector.

Analysts

Andrew Chirewo
achirewo@cbz.co.zw

Victor Makanda
vmakanda@cbz.co.zw

Godknows Muwandi
gmuwandi@cbz.co.zw

Contact Details
3rd Floor, Sapphire House,
Cnr Speke/ Angwa St,
P O Box 3313,
Harare, Zimbabwe,

Tel: +263 4 759101-16
Website: www.cbz.co.zw
Email: research@cbz.co.zw