



External Sector Developments

Trade Update

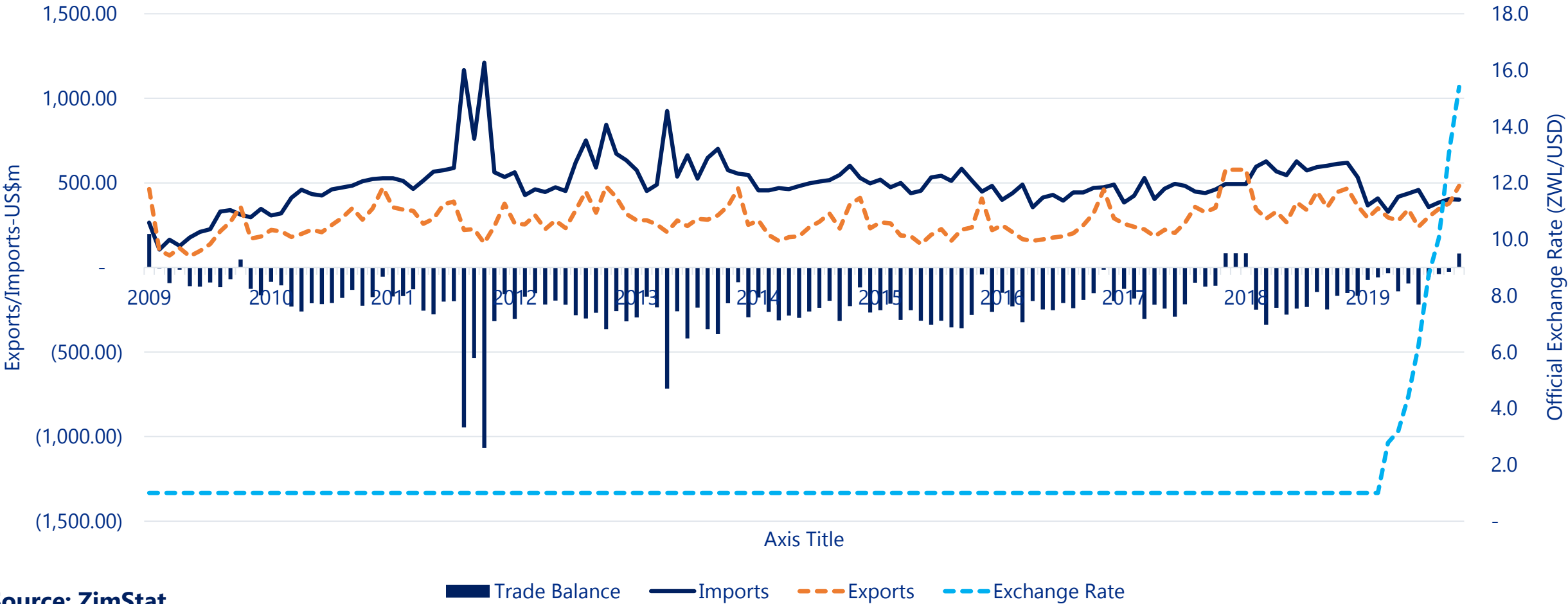
December 2019

External Trade Overview



- Provisional figures from the Zimbabwe National Statistics Agency, "ZimStat", indicate that the country recorded a trade surplus of US\$83 million in October 2019.
- This followed 3 months of consecutive increase in exports to a 2-year high of US\$483.3 million, and a general decline in imports, over the same period- **Fig 1**

Fig 1: Trade Performance



Source: ZimStat

Exports: notable recovery ...

Fig 2: Major Exports

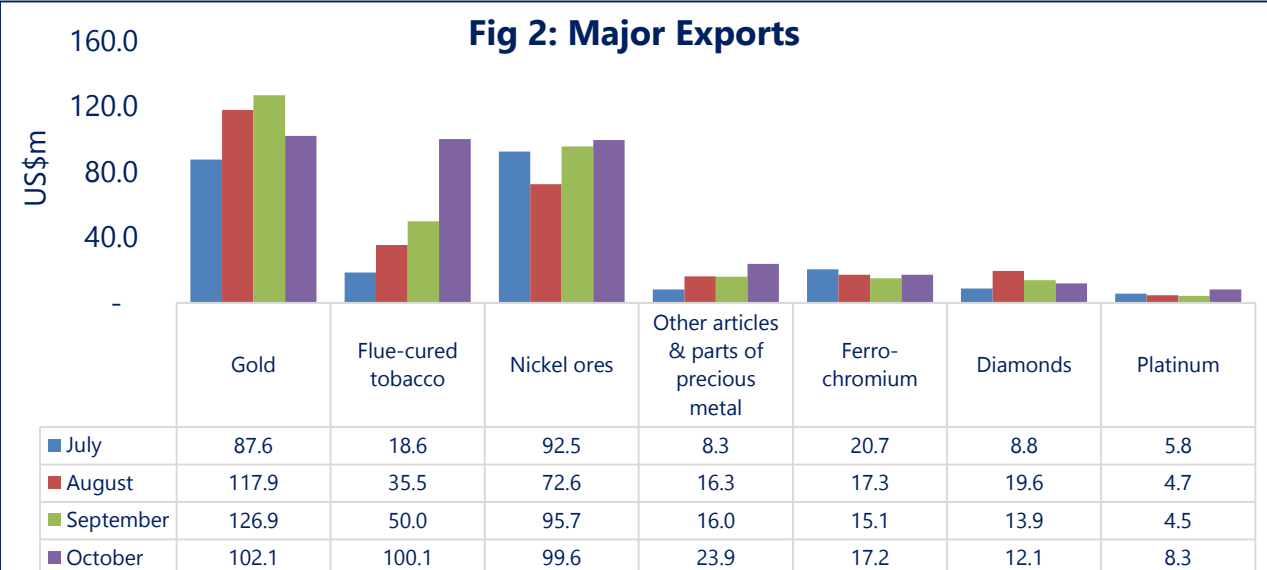
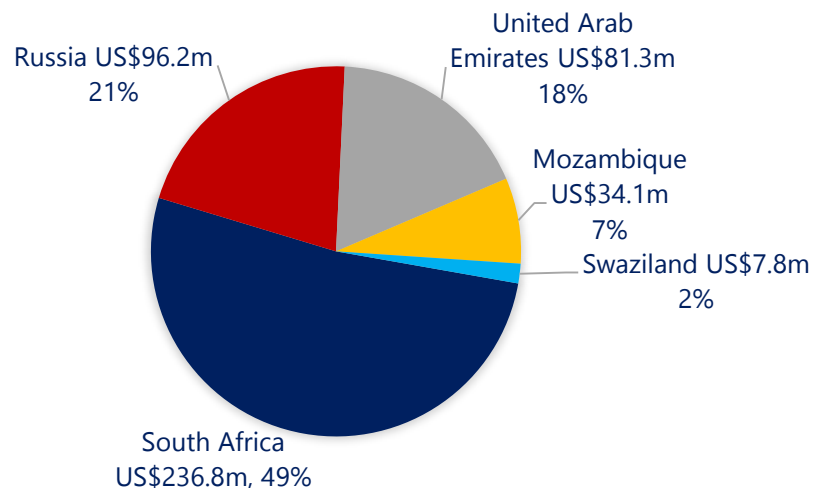


Fig.3: Major Export Destinations

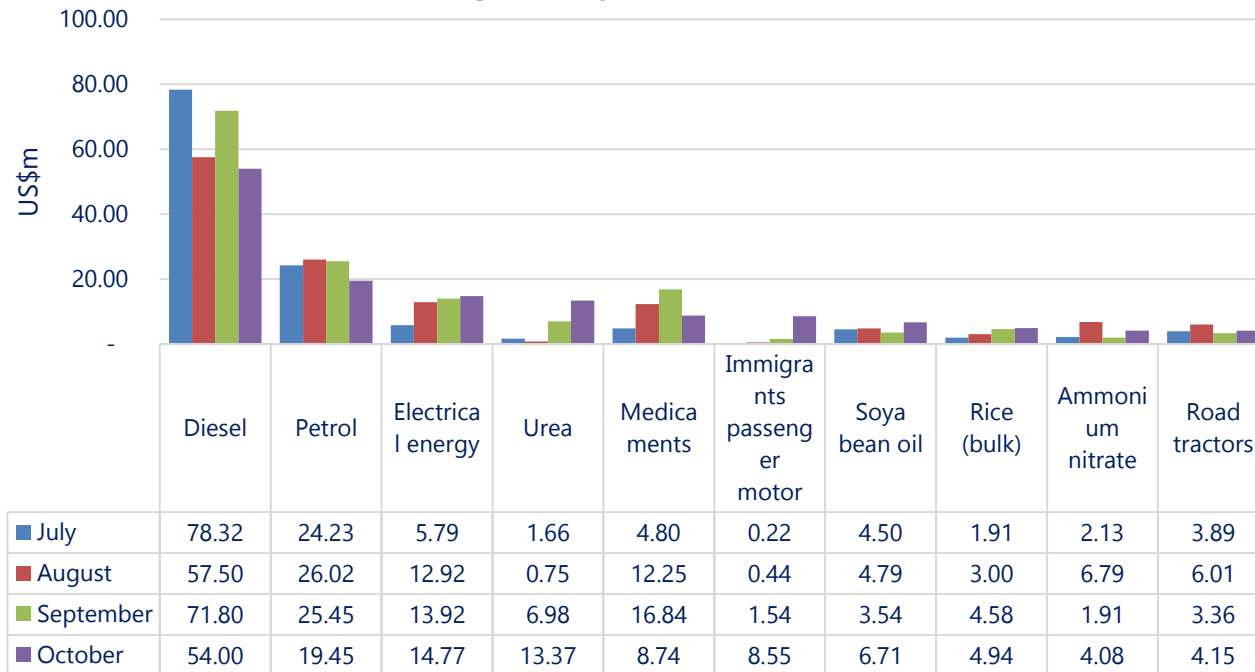


- Total exports grew by 27.7% m/m to US\$483.3m in October 2019. This was driven by seasonal increases in exports of flue-cured tobacco (+100%), as well as increases in exports for nickel mattes (100%), platinum (+86%) and other articles and parts of precious metals (+49%). However, m/m declines were still recorded for gold, diamonds and chrome exports, but these remained among the country’s major export earners – Fig 2.
- Meanwhile, cumulative exports from January to October 2019 stood at US\$3.0b, about 6.0% lower than the comparative period of 2018. Major y/y declines were recorded for gold (-19%), nickel mates (-32%), flue-cured tobacco (-27%) and Ferro-chromium (-18%) exports.
- As shown in **Fig.2** across, the top 7 exports accounted for 75% of total export earnings in October 2019, with the dominance of mineral commodities indicating a relatively low export diversification and beneficiation level.
- Meanwhile, the major export markets and/ gateways were South Africa (49%), Russia (20%), United Arab Emirates (17%), Mozambique (7%) and Swaziland (2%). These countries accounted for 94% of the total exports - **Fig 3** across.

Imports: Shifting consumer habits ...

- Total imports fell by a marginal 0.8% m/m to US\$400.6m in October 2019. This reflected declines in imports of medicaments (-48%), diesel (-25%) and petrol (-24%), which somewhat offset increases in imports of chemical fertilizers (+11716%), aviation spirit (+4,950%), immigrants and emigrants passenger motor (+457%), structures of iron and steel (423%), literature published in brail (393%) and soya bean oil (+90%).
- Resultantly, cumulative imports from January to October 2019 fell by 33% to US\$3.7b. With the exception of immigrants and emigrants passenger motor(+154%) and road tractors (+6%), all the other top 10 imports recorded declines. The decline seemingly reflected the foreign currency shortages and expenditure switching by consumers.
- Fig. 4** below shows the top 10 imports for the month of October 2019.

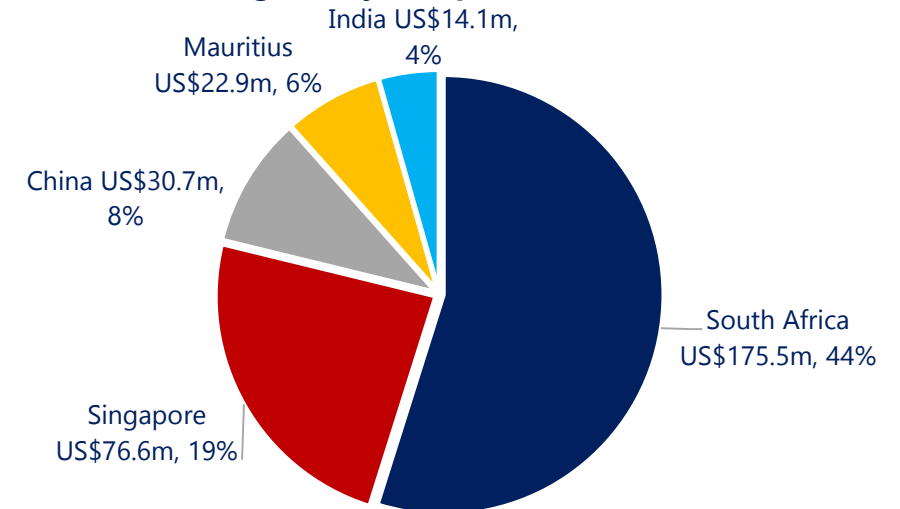
Fig 4: Major Imports



Source: ZimStat

- Meanwhile, the major source markets for imports were South Africa (44%), Singapore (19%), China (8%), Mauritius (6%) and India (4%). **Fig 5**

Fig 5: Major Import Markets



Our Views

- ❑ The consistent growth in exports in the three months to October 2019 is a generally positive development that should encourage the authorities to continue to implement policies that promote export competitiveness, encourage investment towards resuscitation and expansion of the productive base, enhancing the value of exports through local value addition and beneficiation as well as promoting export diversification so as to reduce the seemingly high concentration on the mining sector.
- ❑ Meanwhile, the marginal decline in imports is less encouraging, particularly in terms of both magnitude and the goods that contributed to the decline such as fuel and industrial equipment and machinery – which are critical for industry revival, as well as medicaments – on which human capital wellbeing depends.
- ❑ Finally, the liberalization of the foreign currency market and exchange rate will have both positive effects – e.g. enhanced export competitiveness, and negative effects – e.g. increased cost of imports at a time when the economy needs to import critical raw materials and machinery. As such, it remains imperative for the authorities to, in addressing the country's external sector position, pursue policy mixes that go beyond the exchange rate policy.
- ❑ The authorities should, therefore, be encouraged to follow through on the pronouncements made in the 2020 national budget, among them the drive towards import substitution, enhancing the ease of doing business, promoting macroeconomic stability, etc.

Contact Details

3rd Floor, Sapphire House,
Cnr Speke/Angwa St,
P O Box 3313,
Harare, Zimbabwe,
Tel: +263 4 759 110-6
Website: www.cbz.co.zw
Email: research@cbz.co.zw

Analysts

Andrew Chirewo	achirewo@cbz.co.zw
Victor Makanda	vmakanda@cbz.co.zw
Johane Virima	jvirima@cbz.co.zw

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