



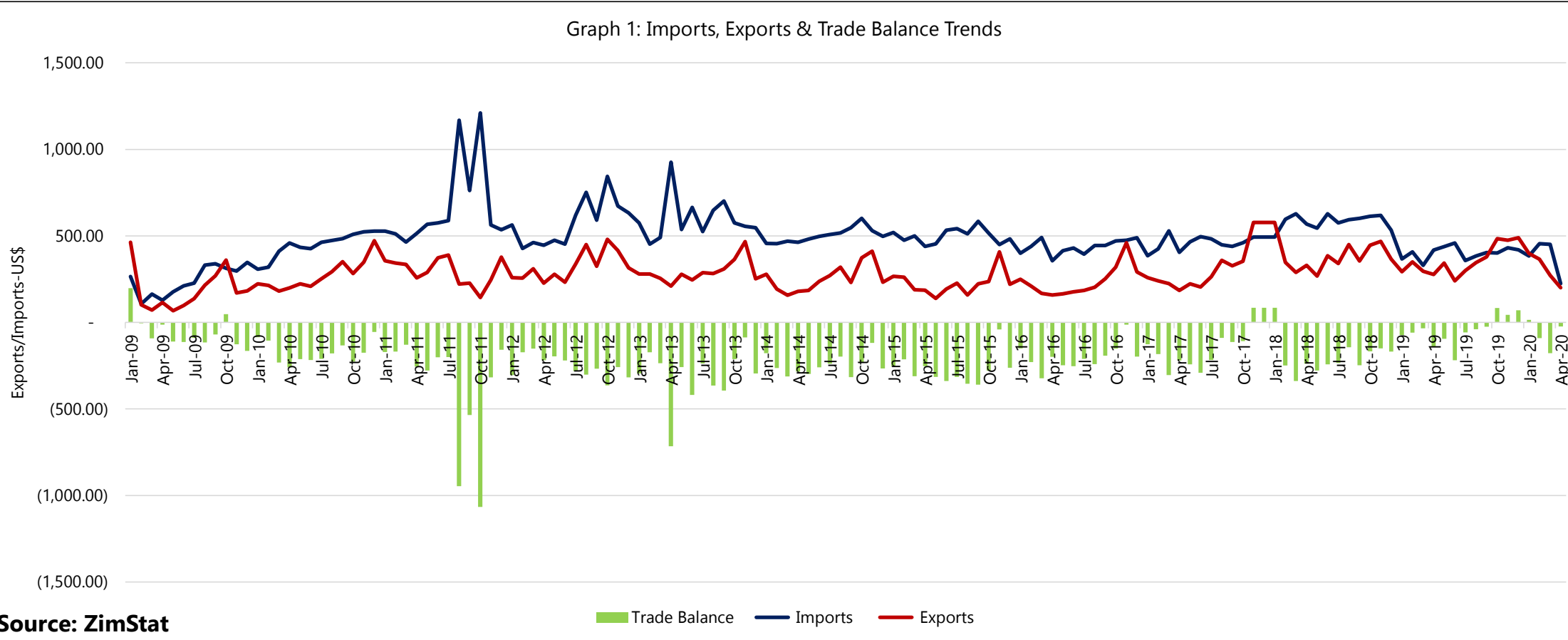
External Sector Developments

Trade Update

April 2020

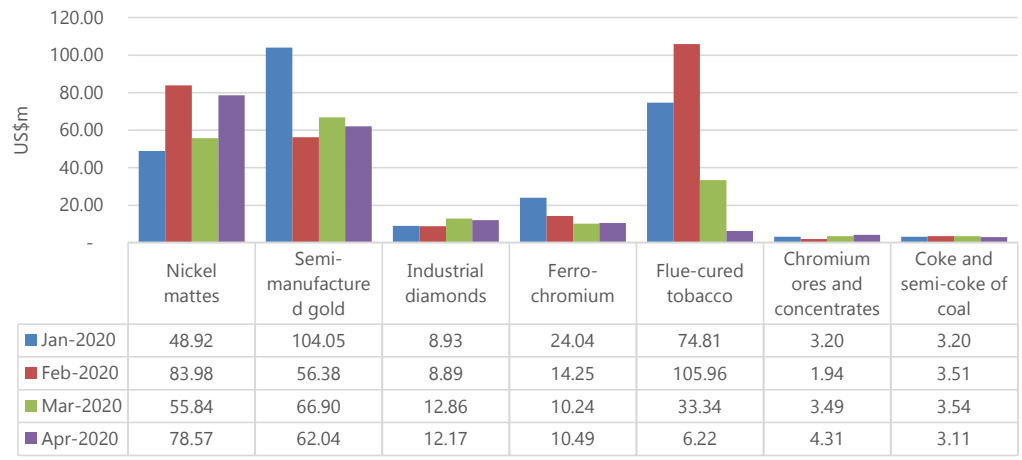
EXTERNAL TRADE | Overview

- According to the ZIMSTAT, the country recorded a narrow trade deficit of US\$24m in April 2020, following reductions in both exports and imports - **Graph 1**.
- Subsequently, the cumulative trade deficit for the four months to April 2020 stood at US\$279m, down from the US\$307m that was recorded during the comparative period of 2019.
- The decline in the trade numbers reflected the slowdown in international trade as a result of trade tensions, foreign currency shortages, the COVID-19 pandemic and a general preference to sell locally after the central bank allowed consumers to use free funds to pay for local goods & services.

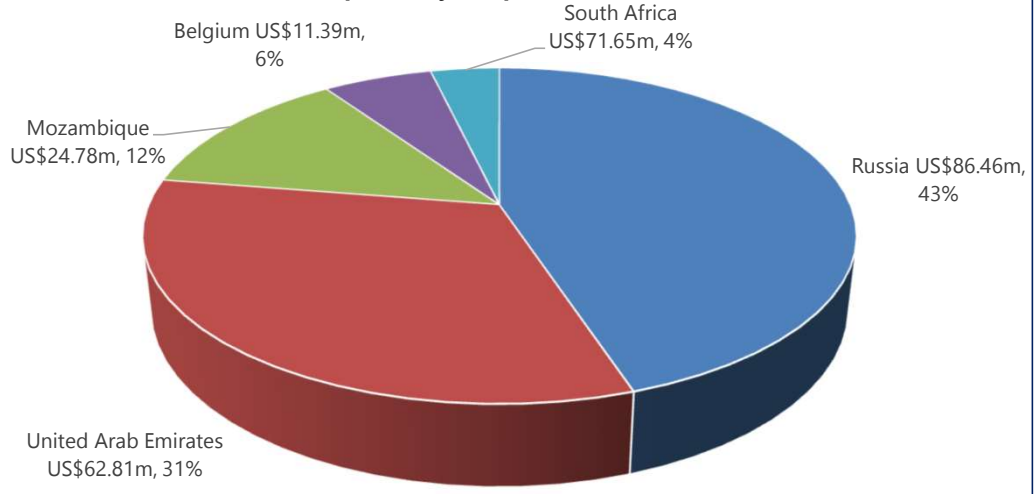


EXPORTS | Lockdown curtailed export growth...

Graph 2: Major Exports



Graph 3: Major Export Destinations



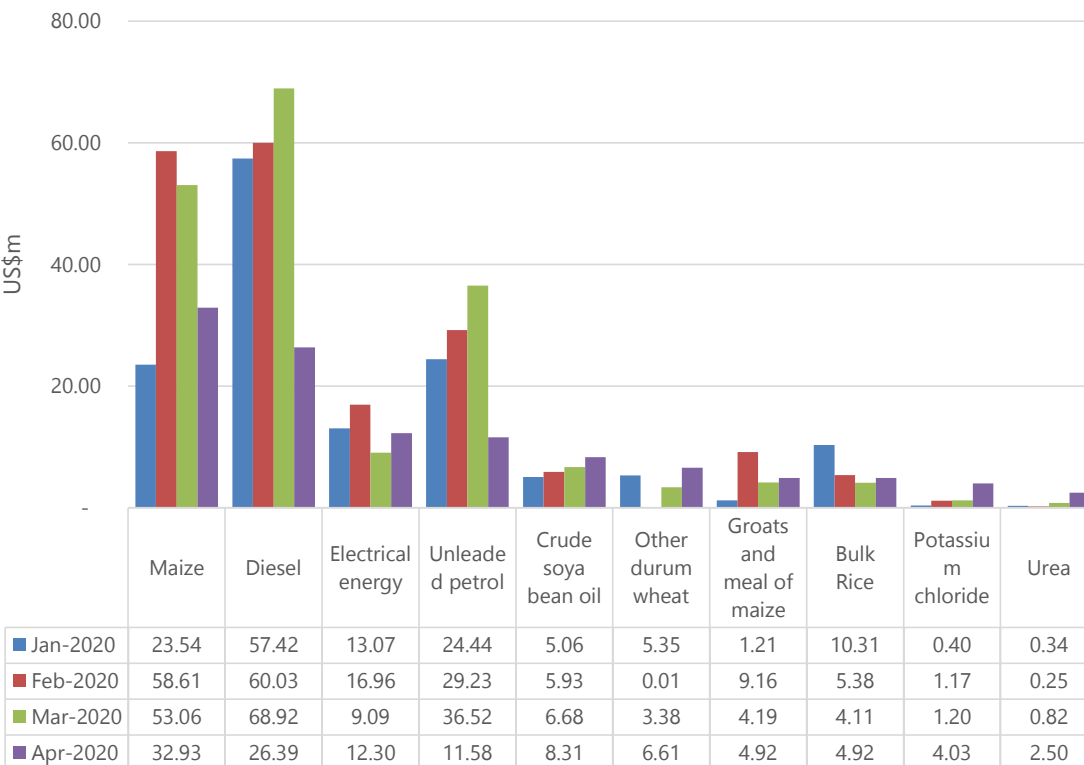
- Total exports shrunk by 26.3% m/m to US\$200.5m in April 2020, the lowest level since April 2017 when goods worth US\$184.50 were exported.
- The decline in exports somewhat reflected the slowdown in domestic and global activity following the coronavirus induced lockdown.
- Significant declines were recorded in the exports of flue cured tobacco (-81%), gold (-7%), other cane sugar (-54%) and black tea (-38%). However, m/m increases were recorded for nickel mattes (+41%), macadamia nuts (167%) and chromium ores and concentrates (+24%) - **Graph 2**.
- Meanwhile, cumulative exports for the four months to April 2020 stood at US\$1.2 billion, about 1.6% higher than the comparative period of 2019.
- The top ten exports accounted for 91% of total export earnings.
- Russia (43%) was the country's top export destination, followed by the United Arab Emirates (31%), Mozambique (12%), Belgium (6%) and South Africa (4%). These countries accounted for 96% of the total exports - **Graph 3** across.
- Notably, there was a significant shift in major export destinations, with the traditional destination, South Africa falling from levels above 60% to just 4%. However, it is too early to ascertain whether this is a permanent shift, given that part of the decline was induced by the hard lockdown in South Africa and the fall in some of the major export products that are usually destined for South Africa such as gold. Nevertheless, new export markets are expected to emerge, going forward, as traders reassess relationships beyond the COVID-19 pandemic.

IMPORTS | Global supply chain disruptions weighed on imports

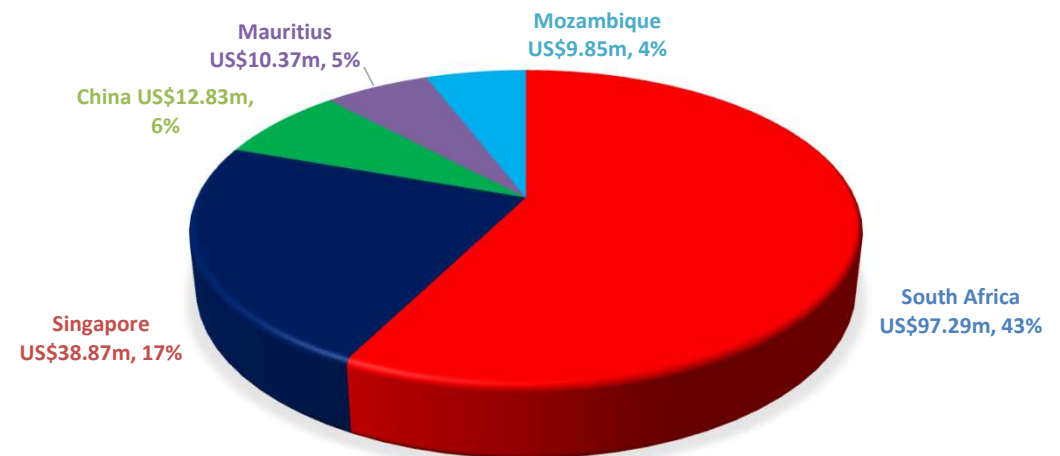
- Imports declined by 50.1% m/m to US\$224.7m in April 2020, dragged by disruptions in the global supply chains due to coronavirus outbreak. The largest declines were recorded in the importation of diesel (-62%), petrol (-68%), maize (-38%), other insecticides (-68%) and vaccine for human medicine (47%). However, increases were recorded in electrical energy (+35%), durum wheat (+95%), potassium chloride (+235%) and Urea (206%) - **Graph 4**.
- Consequently, cumulative imports for the four months to April 2020 decreased by 0.6% compared the same period last year.

- Meanwhile, the major source markets for imports were South Africa (43%), Singapore (17%), China (6%), Mauritius (5%) and Mozambique (4%) - **Graph 5**.

Graph 4: Major Imports



Graph 5: Major Imports Market



- Going forward, whilst the import bill is bound to rise again as the country emerges from the hard lockdown, further pressure is expected to emanate from grains and cereals imports.
- Supply chain disruptions, trade tensions and production cuts by OPEC members are also expected to result in higher imports costs.
- New source markets are also expected to emerge as consumers reassess trade relationships post the COVID-19 pandemic. Local and regional markets are expected to gain prominence.



INTERNATIONAL TRADE | IMPLICATIONS FROM RECENT TRENDS....

- Gradual recovery in global trade as countries begin lifting restrictions.
- Emergence of new trade partnerships, i.e. new source markets and destinations, as traders reassess pre and post COVID-19 relationships, and as the pace of virus control and economic reopening differs across regions.
- Stronger local trade and regional integration as disruptions to global supply chains and logistics, and attendant increase in trade/ transport costs, force consumers to look for closer markets.
- For Zimbabwean private sector players and policy makers, there is a need to, among other interventions:
 - Reassess source markets and export destinations to ascertain business continuity in the event of a global wave of increased trade tensions and future disruptions.
 - Increase online presence, as the COVID-19 has accelerated the adoption of online shopping and digital marketing.
 - Take advantage of the policy measure allowing the use of free funds for local payments, whilst maintaining external markets/ presence in case of depressed local demand.
 - Strengthen local value chains and regional value chains.
 - Assess intra-Africa trade opportunities, leveraging on free trade area initiatives and trade events such as Intra African Trade Fair.
 - Policy makers need to promote policy clarity and consistency, especially on currency regime, as well as stimulate local demand through tax concessions. There is also a need to actively pursue the institutional reforms and policies that promote import substitution.

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