



Standard Bank

# AFRICA TRADE BAROMETER

Highlights  
of the current  
cross-border  
trade landscape  
in Zambia



**Zambia**  
COUNTRY FOCUS

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# EXECUTIVE SUMMARY

Being Africa's largest bank, Standard Bank (trading in Zambia as Stanbic Bank) has leveraged its presence and expertise across the continent to create the Stanbic Bank Africa Trade Barometer (SB ATB). The SB ATB was launched in 2022 with the intent of creating Africa's leading trade index to address the information vacuum of reliable African trade data and to support and enable the growth of intra-Africa trade. Availability of trade data remains a challenge across Africa and the SB ATB aims to fill part of this data gap through up-to-date survey data on the views of African businesses on the environment they operate in, their trade behaviour, trading activities and their perceptions on trade.

**This is Issue 3 of the SB ATB.** The SB ATB focuses on 10 countries: Angola, Ghana, Kenya, Mozambique, Namibia, Nigeria, South Africa, Tanzania, Uganda and Zambia.

**In order to construct the SB ATB index rankings, seven broad thematic categories of data are collected from both primary and secondary data sources.** These thematic categories are trade openness, access to finance, macroeconomic stability, infrastructure, foreign trade, governance and economy and traders' financial behaviour. From a primary data perspective, the Stanbic Bank Firm Survey Trade Barometer (SB STB) is constructed. The SB STB scores and ranking by country are the averages of all the data collected only from the primary research surveys conducted with over 2,500 businesses across the 10 countries of interest. From a secondary research perspective, the Stanbic Bank 3-Year Quantitative Trade Barometer (SB QTB) is constructed. The SB QTB scores

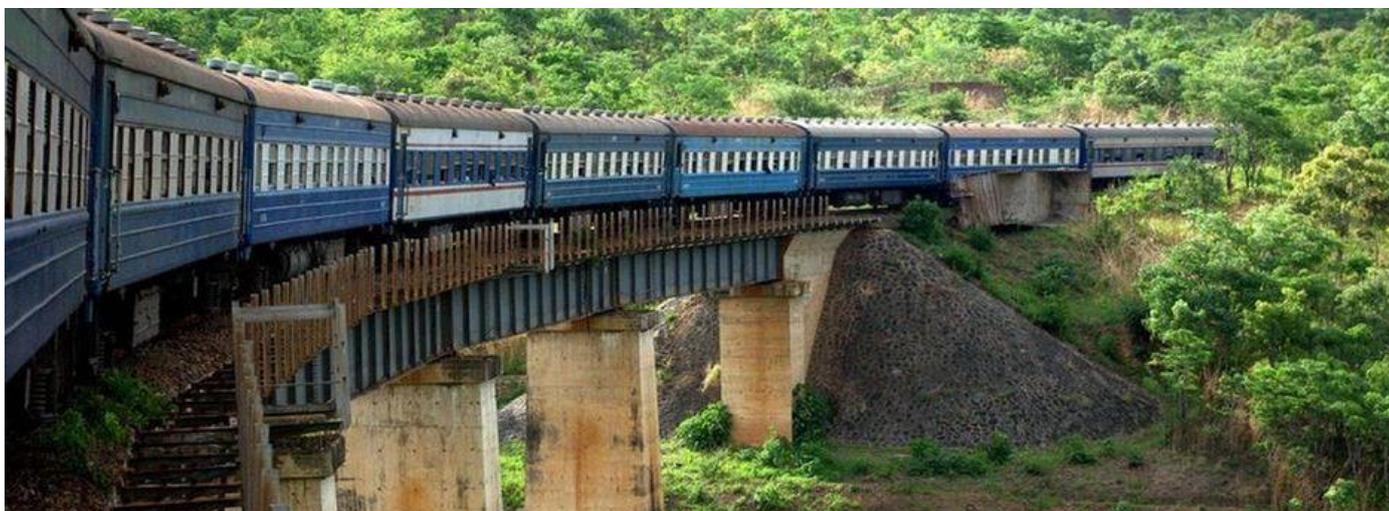
and ranking by country are the averages of all the selected indicators collected only from existing secondary data sources. **The SB ATB is an aggregate of the SB QTB and the SB STB.**

**This is the country report for Zambia. It contains analysis of the primary and secondary data gathered specifically for Zambia between March and May 2023 and showcases trends and opportunities in trade within the country.**

**Zambia has maintained position 9 in the overall SB ATB ranking for the second time in a row.** Zambia's macroeconomic conditions relative to the other nine countries have improved, resulting in the country making headway from position 9 in September 2022 to position 7 in May 2023 in the SB QTB ranking. On the other hand, Zambia has declined by 5 positions in the SB STB in this iteration of the survey, from position 5 in the previous iteration to position 10.

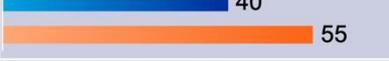
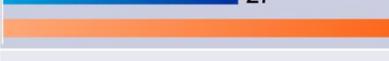
**Zambia maintained position 9 in the SB ATB, as the country ranked 7th in the SB QTB and 10th in the SB STB.**

The table below shows Zambia's relative performance in the seven broad thematic categories of the SB ATB.



Tanzania-Zambia Railway. Source: The Citizen

## SB STB ranking for Zambia across seven thematic areas

Thematic category	Indicator	Ranking out of 10 countries
Macroeconomic Stability	Business Confidence 	7 ↓ (-5)
	Government Support on Trade 	3 ↓ (-1)
Infrastructure	Quality of infrastructure 	7 ↓ (-3)
	Infrastructure obstacles 	2 (unchanged)
Access to Finance	Access to Credit 	4 (unchanged)
Traders' Financial Behaviour	Credit Terms Extended to Clients 	4 ↑ (+1)
	Credit Terms Advance from Suppliers 	7 ↑ (+3)
Foreign Trade	Ease of Trade 	8 ↓ (-6)
Trade Openness	Trade openness 	4 ↓ (-1)

 Sep'22  May'23

Note: All indicators have an index score ranging from 0 to 100, where 0 represents a low score and 100 the highest score.

**Zambia's overall macroeconomic conditions are moderately positive.** As such, Zambia's macroeconomic conditions have moderately impacted her tradability attractiveness. Zambia's relatively high GDP, GDP growth rate, and merchandise trade have a positive impact on the country's tradability attractiveness. On the other hand, the significant decline in FDI inflows in recent years fuelled by low investor confidence due to Zambia defaulting on its Eurobonds in November 2020, a depreciating Kwacha and high inflation have negatively impacted the country's tradability attractiveness. While these factors have adversely affected the country's tradability, positive changes were noted in 2022: FDI net inflows increased, the Kwacha gained value and inflation decreased by 50%, and are expected going forward.

**Business confidence among Zambian businesses is low relative to the other 9 markets in the SB ATB.** Zambia's business confidence index score declined from 67 in September 2022 to 54 in this iteration of the survey—which falls below the average of SB ATB markets of 58. For this reason, and the fact that optimistic views of businesses in some of the other nine markets improved, Zambia's ranking with regards to business confidence declined from position 2 in September 2022 to position 7 in May 2023 (see the table above). Low optimism appears to be supported by the overall macroeconomic conditions and the future economic outlook for Zambia. Although real GDP growth has recovered to pre-Covid-19 levels, the Zambian economy is facing relatively high downside risk to growth stemming from perennial drought, fluctuating copper prices, and the negative impact of Russia's invasion of Ukraine on fertiliser

and fuel prices. However, this trend contrasts with the confidence exhibited by surveyed businesses in their own operations as 75% expect their business revenue to increase over the next three years.

**Over the past three surveys, businesses in Zambia have continuously exhibited relatively positive perceptions on the Government's role in supporting cross-border trade activities.** While Zambia's Government support index score remained steady at 59 between September 2022 and May 2023, her ranking declined from position 2 in September 2022 to position 3 in the latest iteration of the survey. This shift in ranking is attributed to Angola's notable increase in the government index score, rising from 53 in September 2022 to 68 in the latest survey. Nevertheless, Zambia's relatively positive perceptions of Government support likely reflects pro-business policies that have been implemented by the new Government administrations such as the mining tax incentive. These measures are expected to boost economic activity and encourage cross-border trade, especially since surveyed businesses find taxation high, and thus an impediment to trade.

**With regards to the quality of infrastructure, Zambia declined relative to the other 9 markets in the SB STB, from position 4 in September 2022 to position 7 in May 2023.** On average, the perceived quality of infrastructure by Zambian businesses declined relative to the survey conducted in September 2022, and power outages were identified as the most significant infrastructure related obstacle constraining business operations. Some relief from the burden of infrastructural challenges on traders may be forthcoming with the British and Middle Eastern private investment in renewable energy that is anticipated to triple Zambia's generation capacity.<sup>1</sup>

**In general, businesses still perceive access to credit to be relatively difficult.** This result is not surprising, given the broader macroeconomic environment where interest rates have been on an upward trajectory, reaching 9.5% in May 2023. Despite this, credit conditions have remained relatively relaxed in 2023, primarily attributed to the high level of liquidity in the money market, and more businesses are offering credit to their clients, 55% in May 2023 compared to 40% in September 2022.

**Complex business policies and high importation/exportation tax rates continue to negatively affect the ease of trading with other African countries for most Zambian businesses.** The percentage of firms reporting trade with the rest of Africa to be difficult increased significantly from 30% in September 2022 to 44% in this iteration of the survey. This resulted in Zambia dropping position 2 in September 2022 to position 8 in May 2023 with regard to the ease of trade (**see the table above**). This indicates that relative to most other SB ATB markets, Zambian businesses find it more difficult to trade with other African countries.

**Zambia's trade openness index score declined from 59 in September 2022 to 55 in May 2023, as a result Zambia dropped down one position to rank 3 (see the table above).** Surveyed businesses in Zambia prefer trading within Africa, particularly countries in the Southern Africa Development Community (SADC). This is likely a result of the SADC Protocol on Trade which has facilitated the elimination of tariff and non-tariff barriers between SADC countries, thus encouraging SADC countries to trade with each other more frequently.<sup>2</sup>

**Zambia is one of the 54 signatories to the African Continental Free Trade Agreement (AfCFTA).** Awareness of the AfCFTA amongst surveyed Zambian businesses has significantly improved, increasing to 33% in May 2023 from 17% in September 2022. However, compared to countries such as South Africa, awareness remains low.

**In conclusion, one aspect that will be interesting to track in future issues of the Stanbic Bank Africa Trade Barometer (SB ATB) in Zambia is the state of infrastructure in the country, and its effects on businesses going forward.** As already highlighted, in this issue of the SB ATB, the perceived quality of infrastructure dropped among surveyed businesses in this iteration of the survey. However, renovations are underway to improve the state of transport infrastructure in Zambia. Specific initiatives include the renovation of the 327 km road connecting the northern commercial hub of Ndola with the capital Lusaka as well as well investments in renewable energy. Future iterations of the SB ATB will shed light on the repercussions of these infrastructure enhancements and how they translate into shifts in business perspectives.

<sup>1</sup> Sparkman & Tobin, 2023. Available [here](#)

<sup>2</sup> Edwards, Nchake & Rankin, 2018. Available [here](#)

# 1. INTRODUCTION

Being Africa's largest bank, Standard Bank (trading as Stanbic Bank in Zambia) has leveraged its presence and expertise across the continent to create the Stanbic Bank Africa Trade Barometer (SB ATB). The SB ATB was conceived with the intent of creating Africa's leading trade index to address the information vacuum of reliable African trade data and to support and enable the growth of intra-Africa trade.

## Definition of trade in the context of the SB ATB

Trade—in the context of the SB ATB—should be understood as the process of production and transfer of goods and services that is enabled by solutions that effectively connect the supply chain domestically and internationally to create economic value.

Launched in 2022, this is Issue 3 of the SB ATB. Issue 1 and Issue 2 were published in June 2022 and November 2022 respectively. The SB ATB focuses on 10 countries: Angola, Ghana, Kenya, Mozambique, Namibia, Nigeria, South Africa, Tanzania, Uganda and Zambia.

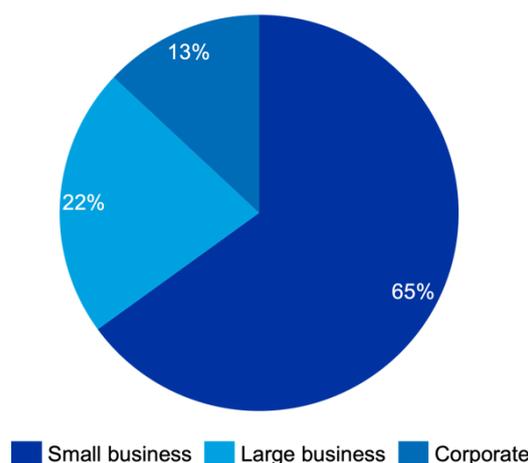
The objective of the SB ATB is to provide dynamic and insightful analysis that can intelligently inform and grow Africa's trade ecosystem. Updated annually, the data enables stakeholders to take the pulse of African trade in near real-time to measure improvements or declines in business confidence, track operational challenges and identify shifts in overall tradability. To do so, the SB ATB covers seven broad thematic categories of data that impact on trade. These are: trade openness, access to finance, macroeconomic stability, infrastructure, foreign trade, governance and economy and traders' financial behaviour. These are the seven variables on which the trade barometer scores for each country are constructed.

The SB ATB is based on primary and secondary data sources. Primary research is gathered through a survey of over 2 500 firms representing small businesses, large businesses and corporates across the 10 countries.<sup>3</sup> The survey is augmented by in-depth interviews (IDIs) with select thought leaders in respective countries, and secondary data

from sources such as the World Bank, the International Monetary Fund (IMF) and central banks of the respective countries. This is the country report for Zambia. It contains analysis of the primary and secondary data gathered specifically for Zambia, and showcases trends and opportunities in trade within the country. Primary and secondary data was gathered in Zambia between March and May 2023 for this third issue of the SB ATB.

A total of 289 businesses were surveyed in Zambia. In order to be representative, the majority of these (65%) were small businesses (see Figure 1) given that most businesses in the country fall in this category. The reader should bear this in mind as it has a commensurate impact on the insights highlighted in this report. The surveyed businesses were located in Lusaka, Kitwe, Kabwe, Chingola and Ndola.

Figure 1: Breakdown of surveyed businesses in Zambia by business segment



Source: Stanbic Bank Africa Trade Barometer Issue 3

The fact that the majority of surveyed businesses were small businesses is the central value-add of the Stanbic Bank Africa Trade Barometer (SB ATB). Aggregate trade data and information on the African continent is skewed by large businesses who trade specific commodities in large volumes. The trading activities and behaviour of small businesses is therefore not adequately represented. The SB ATB is different because, due to the underlying sample composition being majority small businesses, the emphasis and findings relate to small businesses, their trade behaviour, trading activities and their perceptions on trade. The SB ATB also makes a contribution in understanding the trade perceptions of small businesses in Africa that do not

<sup>3</sup> The business size definitions by turnover bands, as used in the context of the SB ATB, can be found in the 'About the Research' section later in this report.

necessarily engage in cross-border trade. This is important because this understanding is helpful in the quest for Africa to transform herself from a poorly integrated trade environment to more trade integration where a large diversity and scope of the overall economy trades with each other.

**Because of the intentional bias of the SB ATB on smaller businesses, the reader may notice that in certain instances the survey findings may differ from data at the aggregate level.** This is to be expected as in many cases data at the aggregate level (from sources such as the Statistics Bureaus of individual countries, World Bank, etc.) is skewed by a few large businesses (multinationals, etc.) that trade large volumes of specific commodities. This is pointed out in the report, as relevant.

**There were two IDIs conducted in Zambia as part of this third issue.** One interview was with a representative from the Ministry of Finance and the other with a representative from the Ministry of Infrastructure.

**Please note that although this is Issue 3 of the SB ATB and hence there are three data points for all variables from the surveys conducted so far (January 2022, September 2022 and now May 2023), this report predominantly compares September 2022 and May 2023 data points in most cases.** This is done for ease of analysis and comparison with recent market trends in order to make contextual sense of the data. That said, all data points from the last three surveys of the SB ATB are available on request.



*Copperbelt. Source: DHI Group*

## 2. COUNTRY RANKINGS

### Zambia has maintained position 9 in the Stanbic Bank Africa Trade Barometer

In order to construct the Stanbic Bank Africa Trade Barometer (SB ATB) index rankings, seven broad thematic categories of data are collected from both primary and secondary data sources. These thematic categories are: trade openness, access to finance, macroeconomic stability, infrastructure, foreign trade, governance and economy and traders' financial behaviour.

From a secondary research perspective, the Stanbic Bank 3-Year Quantitative Trade Barometer (SB QTB) is constructed. The SB QTB scores and ranking by country are the averages of all the selected indicators collected only from existing secondary data sources / reported facts.

From a primary data perspective, the Stanbic Bank Firm Survey Trade Barometer (SB STB) is constructed. The SB STB scores and ranking by country are the averages of all the data collected only from the primary research surveys conducted with 2,636 businesses.

The SB ATB is an aggregate of the SB QTB and the SB STB. Changes in a country's ranking on the three indices (SB ATB, SB QTB and SB STB) are driven by changes in both the aggregate score for that country, as well as their relative ranking against the other countries included. Changes in the SB ATB rankings over the past 6 months, are driven mostly by the changes in the SB STB scores.

**It is important to emphasise that the SB ATB ranking of countries is relative to the 10 countries themselves. In other words, countries are ranked against each other i.e., relative scores to each other. This is pegged on a scale of 0 - 100. When indexed between this range, South Africa has the highest Tradability Index while Angola has the lowest. This does not imply that one cannot trade in Angola or that South Africa is perfect, it only implies that at a common starting point of 0 and maximum point of 100, this is how the two markets fared.**

Zambia has maintained position 9 in the Stanbic Bank Africa Trade Barometer for the third time in a row (see Figure 2). This is partly due to the fact that the country has maintained position 9 in the SB QTB ranking—a position it has held in all three issues of this barometer.

Notably, Zambia has fallen from position 5 to position 10 in the Stanbic Bank Survey Trade Barometer (SB STB) (see Figure 2). This continues a trend in the negative direction for the country as it had fallen from position 3 to position 5 between Issue 1 and Issue 2 of this barometer. This dramatic fall in Zambia's ranking in the SB STB is due to significant decline in the perceptions of businesses (in comparison to other countries) with respect to:

- Export tariff regulations (Zambian businesses consider the country's export tariff regulations to be relatively punitive)
- Foreign exchange liquidity (scarce foreign exchange liquidity borne from insufficient supply has led to Zambian businesses being unable to access forex timeously and efficiently)
- Business confidence (Zambian businesses have relatively low confidence in the country's economy as it relates to their businesses)
- Quality of infrastructure (Zambian businesses consider the country's infrastructure to be of relatively poor quality)

These results are explored further in the rest of this report.

The rest of this report unpacks Zambia's performance in the Stanbic Bank Africa Trade Barometer Issue 3 from both a primary and secondary research perspective, in line with the seven broad thematic areas referenced earlier.

Figure 2: ATB, QTB and STB ranking, by country



Source: Stanbic Bank Africa Trade Barometer Issue 3

Notes: All values are shown so that a higher value is 'better' for trade, with the best to least ranking economies being ranked 1, 2, 3, etc., and how this has changed over time | Red border indicates that the country has declined in the relevant ranking from September 2022, Green border indicates that the country has improved in ranking from September 2022, while Grey border indicates that the country has remained in the same position as in September 2022.

## 3. MACROECONOMIC ENVIRONMENT

### Zambia's tradability attractiveness is moderately positively impacted by her macroeconomic conditions

A country's macroeconomic environment plays an important role in how attractive it is with regards to trading activities. A country has a high tradability attractiveness if it is characterised by: high GDP (many goods and services are produced in the country); high GDP per capita (residents have a high spending power); stable inflation (a stable local currency so that it does not disadvantage importers, for instance); high foreign direct investment (FDI) (generally conducive for business and investment); high merchandise trade as a percentage of GDP (imports and exports are high); and so on.

As part of the calculation of the SB QTB, a tradability attractiveness score is calculated for each country using relevant macroeconomic indicators, including those highlighted in Table 1. The three-year average (2020, 2021 and 2022) of each relevant indicator in a country is first normalised<sup>4</sup> which allows for the relative impact of each indicator on overall tradability attractiveness to be compared and converted to a score. The same macroeconomic indicators can be used to understand the macroeconomic environment of a country, which is done in this section of the report.

**Macroeconomic conditions in Zambia improved in 2022 as year-on-year inflation fell by 50%, interest rates declined, and the Kwacha gained value.**

Zambia's overall macroeconomic conditions are moderately positive, having a similar impact on her tradability attractiveness (see Table 1). Notable variables that have a high positive impact on the country's tradability attractiveness include GDP and GDP growth rate that have returned to pre-pandemic levels. At 70% in 2022, merchandise trade (as a percentage of GDP) is quite high relative to other SB ATB markets, having a positive impact on the country's tradability attractiveness. On the other hand, FDI net inflows into Zambia are relatively low (and were actually negative in 2021), having a negative impact on her tradability attractiveness. FDI inflows have fallen as a result of higher debt repayments made to creditors outside Zambia by the mining sector which more than offset a rise in retained earnings.<sup>5</sup> In addition, FDI outflows in 2021 were mainly fuelled by low investor confidence due to Zambia defaulting on its Eurobonds in November 2020 while also accumulating arrears to other creditors.<sup>6</sup> The war in Ukraine has increased prices of fuel and fertiliser, amplifying pressures on Zambia to manage its sovereign debt further. Other factors that have a negative impact on Zambia's tradability attractiveness include rising inflation (which will likely constrain consumer demand due to rising cost of living), relatively high lending interest rates to contain inflation and a depreciating Kwacha. While these factors have adversely affected the country's tradeability, positive changes were noted in 2022: inflation decreased significantly by 50% compared to 2021, interest rates fell by 16.7 percentage points and the Zambian Kwacha gained value.

**Table 1: Zambia's macroeconomic indicators and their impact on tradability attractiveness**

Variable	2018	2019	2020	2021	2022
GDP (current USD)	USD 26 billion	USD 23 billion	USD 18 billion	USD 22 billion	USD 30 billion
Real GDP growth (%)	4.0%	1.4%	-2.8%	4.6%	4.7%
Inflation (annual, period average, %)	7.5%	9.2%	15.7%	22%	11%
Lending interest rate (%)	24.0%	25.6%	26.8%	25.7%	9.0%
Exchange rate (ZMW:USD, period average)	10.5	12.9	18.3	20.0	16.9
FDI net inflows (BoP, current USD)	USD 408 million	USD 548 million	USD 245 million	USD -823 million	USD 116 million
Merchandise trade (% of GDP)	70%	61%	73%	82%	70%
Imports of goods & services (% of GDP)	37%	34%	33%	34%	27%
Exports of goods & services (% of GDP)	38%	35%	47%	52%	38%

Source: Bank of Zambia; United Nations Comtrade; Stanbic Bank analysis

Note: Some percentages and figures are rounded to the nearest whole number

<sup>4</sup> Normalisation here means calculating the deviation of a particular macroeconomic indicator in a specific country from the mean of that indicator in all 10 SB ATB countries

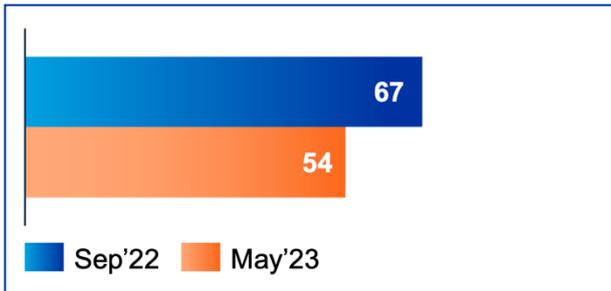
<sup>5</sup> Bank of Zambia, 2023. Available [here](#)

<sup>6</sup> IMF, 2022. Available [here](#)

# 4. MACROECONOMIC STABILITY

Confidence in the economy has declined—reflecting the high downside risk to growth facing the Zambian economy

Zambia's business confidence index score

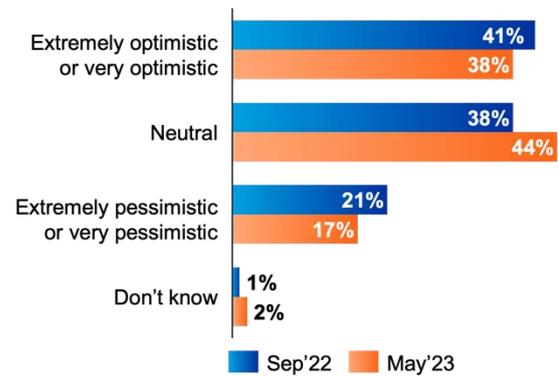


Business confidence can vary between 0 and 100, where 0 indicates an extreme lack of confidence, 50 neutrality and 100 extreme confidence. In the May 2023 SB ATB survey results, Zambia's business confidence index score declined from 67 to 54. This means that compared to September 2022, surveyed businesses in Zambia had less confidence in the performance of the economy in relation to business in this iteration of the survey.

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Figure 3: Outlook of businesses on the performance of the Zambian economy over the next three years

Question: Please indicate how you feel about the performance of the economy in relation to business in the next 3 years.



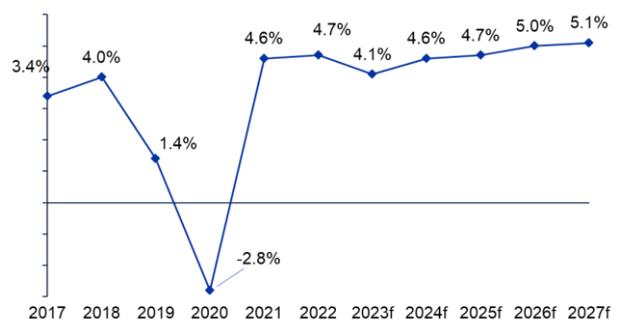
Source: Stanbic Bank Africa Trade Barometer Issue 3

In contrast, optimism in the future performance of the economy among Zambian businesses has declined (see Figure 3). Only 38% of the surveyed businesses are optimistic about Zambia's economic performance over the next three years. This is a significant decline relative to the September 2022 survey, whereby 57% of the businesses were optimistic. At the same time, the proportion of businesses who are pessimistic about the performance of the economy in the medium-term increased from 6% to 21%. Negative business sentiments were also reported by the Bank of Zambia in the third quarter of 2022 as most firms reported a decline in output, domestic sales, new orders, capacity utilisation, and level of investment largely on account of high cost of borrowing in the Survey of Business Opinion and Expectations.<sup>7</sup> Thus explaining the sluggish economic activity observed.

**Adverse macroeconomic conditions in Zambia resulted in an increase in negative business sentiments in the first half of 2023. However, signs of improving business confidence have started to emerge.**

This low optimism appears to be supported by the overall macroeconomic conditions and outlook for Zambia. Although real GDP growth has recovered to pre-Covid-19 levels (see Figure 4), the Zambian economy is facing relatively high downside risk to growth. Headwinds such as perennial drought, fluctuating copper prices, and the negative impact of Russia's invasion of Ukraine on fertiliser and fuel prices, dampen economic growth prospects, and consequently consumer and business confidence.<sup>8</sup>

Figure 4: Real GDP growth (% , 2017 - 2027)



Source: Fitch Solutions; IMF

Note: 'f' represents forecasted data points

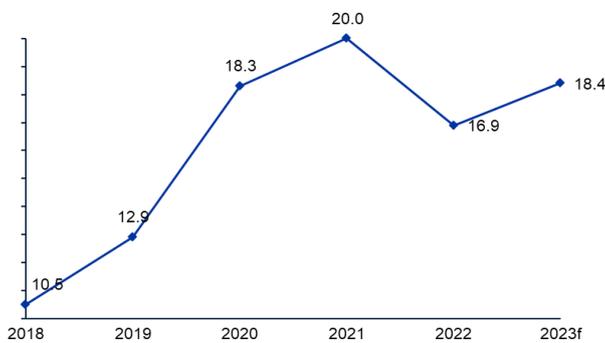
<sup>7</sup> Bank of Zambia, 2023. Available [here](#)

<sup>8</sup> African Development Bank, 2023. Available [here](#)

In particular, businesses with pessimistic views believe the performance of the Zambian economy will be hindered by poor economic conditions, high inflation, and the ongoing depreciation of the local currency (see Figure 5).

After having improved in 2022 (food and non-food inflation declined to 12% and 7% in December 2022 from 20% and 12% in December 2021, respectively), Zambia's inflation rate returned to double digits for the first time in 11 months in April 2023.<sup>9</sup> Rising inflation was triggered by sharp increases in import prices as a result of a depreciation in the Kwacha in the last quarter of 2022, fuelled by slow progress in debt restructuring talks, and increased procurement of agricultural and petroleum imports amid low foreign exchange supply.<sup>10</sup>

**Figure 5: Foreign exchange (ZMW: USD, period average, 2017 - 2023)**



Source: Bank of Zambia; African Markets Revealed Report  
 Note: 'f' represents forecasted data point

Negative business sentiments reported in the May 2023 survey were also fuelled by continued delays in external debt restructuring negotiations.<sup>11</sup> However, with the agreement to restructure USD 6.3 billion of Zambia's bilateral debt passed in June 2023 which paves the way for the release of USD 188 million in IMF financing to support the Zambian economy, businesses have become more positive.<sup>12</sup> The

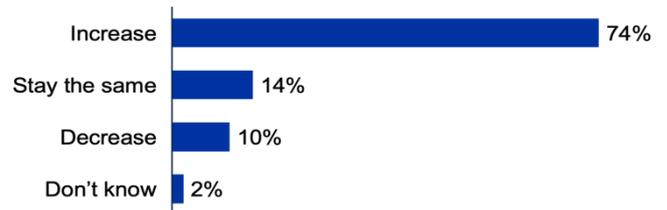
Stanbic Bank Purchasing Managers' Index (PMI) survey reported an increase in headline PMI to 50.5 in July 2023 from 49.9 in June 2023, signalling a modest improvement in the health of the private sector, and the first improvement in three months.<sup>13</sup>

**75%** of surveyed businesses expect their business turnover to increase in the next year, despite negative sentiments on economic performance

Despite their pessimism over the economy, the majority of Zambian businesses (75%) in the May 2023 survey expect their revenue to increase over the forthcoming year (see Figure 6). Businesses that were confident about their future performance attributed their expectations to increased demand and sales for their goods and services and increased marketing activity. This renewed confidence reflects the waning impact of the Covid-19 pandemic on businesses operations.

**Figure 6: Businesses revenue expectations over the next year**

Question: Thinking ahead, do you expect business turnover to increase, decrease or remain the same.



Source: Stanbic Bank Africa Trade Barometer Issue 3

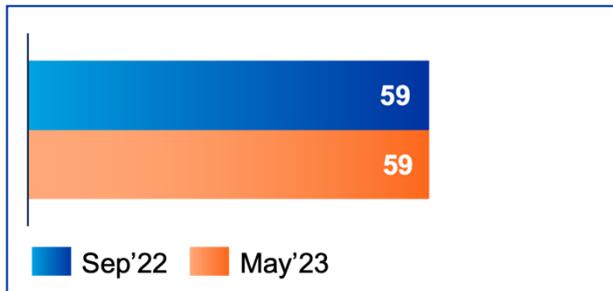
<sup>9</sup> Zambia Statistics Agency, 2023. Available [here](#) | Bloomberg, 2023. Available [here](#)  
<sup>10</sup> Bloomberg, 2023. Available [here](#) | Bank of Zambia, 2023. Available [here](#)

<sup>11</sup> Bank of Zambia, 2023. Available [here](#) | Fitch Solutions, 2022. Available [here](#)  
<sup>12</sup> Fitch Ratings, 2023. Available [here](#).  
<sup>13</sup> Stanbic Zambia, 2023. Available [here](#)

# 5. GOVERNMENT SUPPORT

## Perceptions of Government support on cross-border trade remain relatively positive

### Zambia's government support index score



Government support index can vary between 0 and 100, where 0 indicates an extreme lack of Government support, 50 neutrality and 100 extreme Government support. In the May 2023 SB ATB survey results, Zambia's Government support index score remained at 59. This means that compared to September 2022, surveyed businesses in Zambia feel the Government has been equally supportive of cross-border trade activities in this iteration of the survey.

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### Overall, businesses in Zambia continue to have relatively positive perceptions on the Government's role in supporting cross-border trade activities (see Figure 7).

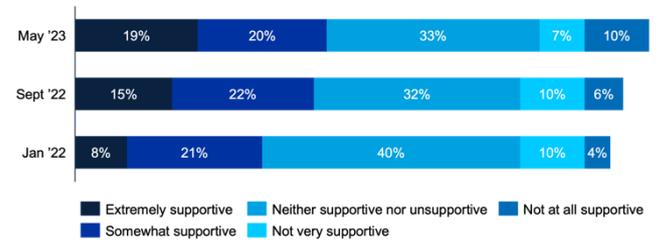
In this iteration of the survey, 39% of the surveyed businesses stated that the Government was supportive (either somewhat supportive or extremely supportive) of their cross-border trading activities while 17% felt the government was not supportive. Over the three surveys, the share of businesses with neutral views has declined, accompanied by an increase in the share of businesses with both positive and negative sentiments on Government support. Overall, positive sentiments outweigh negative sentiments. These relatively positive perceptions likely reflect Government incentives such as the mining tax incentive and other fiscal reforms being implemented by the new Government regime sworn into power in August 2021 that are expected to boost economic activity and encourage trade. The mining tax incentive refers to the restructuring of the taxation of Mineral Royalty to tax only the incremental value in each price range when the price crosses each Mineral Royalty price threshold.<sup>14</sup> This reduces the effective tax rate on the mining sector. Moreover, talks about the planned expansion of the Zambia - and Democratic

Republic of Congo main border post to ease truck queues of up to 60 km that copper miners have faced due to increased production and inadequate infrastructure have also positively influenced business perceptions on Government support.

Positive sentiments about the **Zambian Government's** role in supporting cross-border trade continue to outweigh negative sentiments

**Figure 7: The extent the Government has supported cross-border trade activities as identified by businesses**

Question: Please indicate how supportive your government is with regards to cross-border trading activities.



Source: Stanbic Bank Africa Trade Barometer Issue 3

**Larger businesses have a more positive perception of the Government's support for cross-border trade relative to smaller businesses.** During the May 2023 survey, 55% of corporates and 44% of big businesses reported that the Government was supportive (either somewhat supportive or extremely supportive) of their cross-border trading activities, compared to 33% of small businesses. This difference may be explained by the fact that larger businesses have better access to information about Government programs, more resources and capacity to navigate complex regulatory environments and Government support being more accessible and tangible to larger businesses.

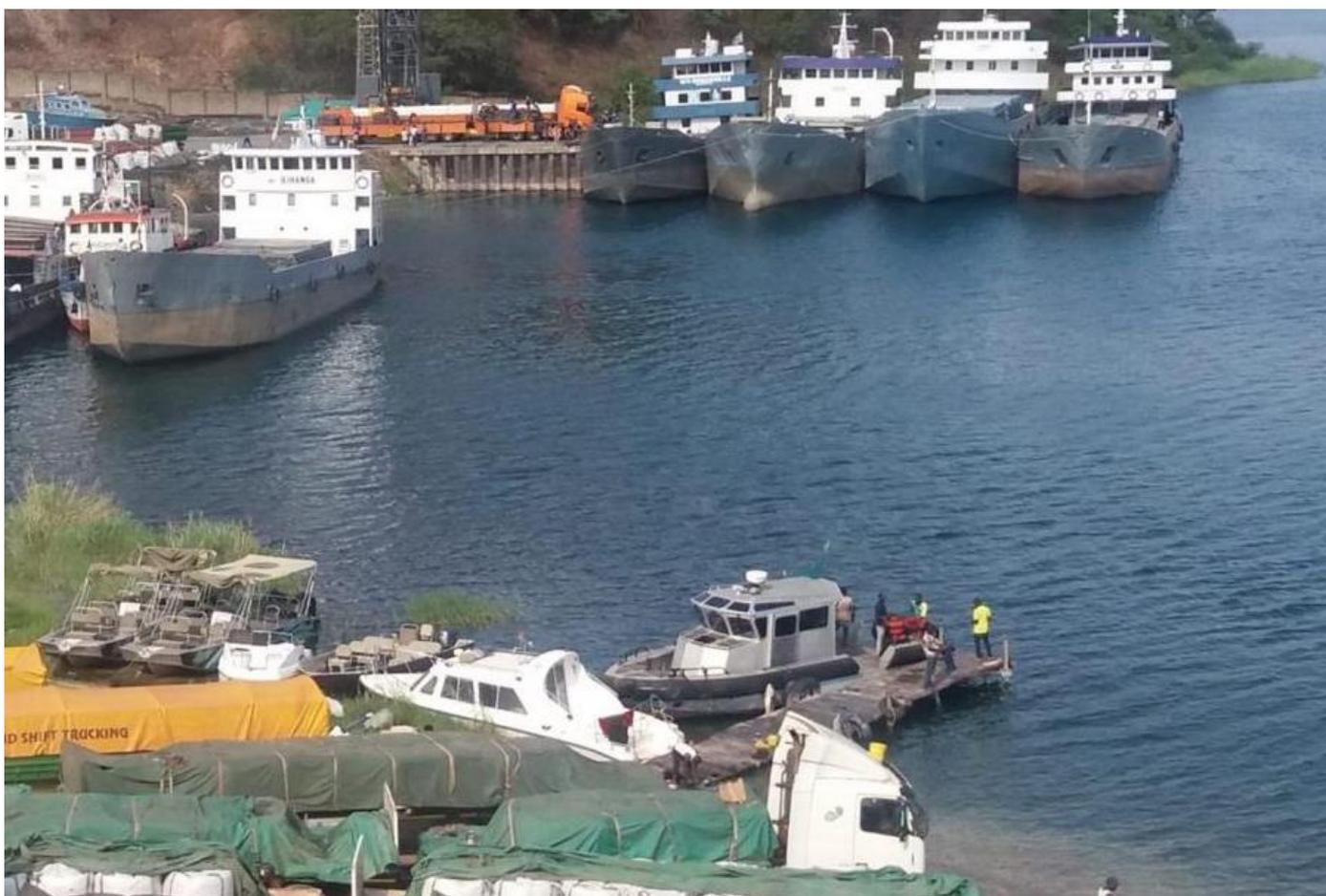
<sup>14</sup> Zambia Revenue Authority, 2022. Available [here](#).

**Businesses highlighted customs clearance as the most important area in which they require Government support in order to boost their cross-border trading activities.** Delays associated with customs procedures have a significant negative impact on imports and exports. They increase the cost of trade for businesses and the Government, damaging Zambia's international competitiveness. Considering the importance of reducing customs clearance, in 2021, Zambia introduced a new framework for licensing customs clearing agents.<sup>15</sup> This will reduce customs processing time, physical inspections and errors in classification, origin or valuation, and ultimately reduce the time and cost of cross-border trade in Zambia.<sup>16</sup>

**Taxation and customs duty were cited as other key areas in which Zambian businesses require Government support.** Businesses find that taxes as well as customs duty on imports are high, thus impeding their ability to engage in cross-border trade. However, the possibility that the Government will decrease taxation and custom duty

relies on Zambia's ability to manage and improve its fiscal deficit. For the period 2023 to 2025, Zambia's fiscal deficit is projected to trend downwards due to expected improvement in revenue performance and improved fiscal management. This is projected to be underpinned by expedited external debt resolution and essential structural reforms in the energy, agriculture, health and education sectors.<sup>17</sup> Such developments, if successfully implemented, would enable the Government to support business through the lowering of taxes and custom duties.

**A shortage of foreign currency impedes the ability of businesses to engage in cross-border trade.** The US dollar is the dominant currency in international transactions and countries rely on it to pay for imports. Given the ongoing depreciation of the Kwacha, which contributes to the erosion of Zambia's foreign reserves, it is unlikely that the Government will be able to provide businesses with adequate foreign currency liquidity necessary to ensure the flourishing of cross-border trade in the near-term.



Port of Mpulungu Source: [www.idc.co.zm](http://www.idc.co.zm)

<sup>15</sup> Zambia Revenue Authority. 2022. Available here.

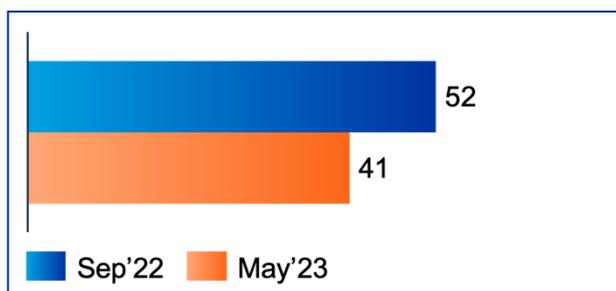
<sup>16</sup> Global Alliance Trade. Available [here](#)

<sup>17</sup> Bank of Zambia, 2023. Available [here](#)

# 6. INFRASTRUCTURE CONSTRAINTS AND ENABLERS

## The perceived quality of infrastructure in Zambia has declined

### Zambia's quality of trade-related infrastructure index score



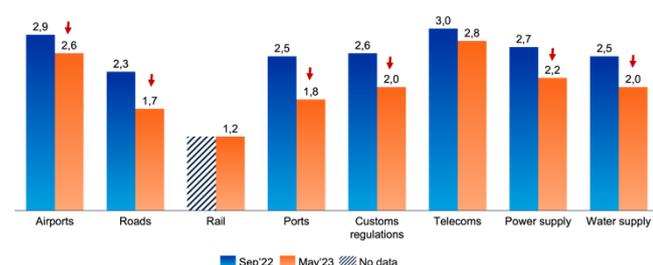
The quality of trade-related infrastructure index can vary between 0 and 100, where 0 indicates poor quality, 50 indicates fair quality and 100 indicates excellent quality. In the May 2023 SB ATB survey results, Zambia's quality of trade-related infrastructure index score declined from 52 to 41.

\*\*\*

On average, the perceived quality of infrastructure by Zambian businesses declined relative to the survey conducted in September 2022 (see Figure 8). This overall decline was driven by significant decreases in the perceptions of quality of six of the eight infrastructural aspects—particularly those relating to transportation.

**Figure 8: The perceived quality of various infrastructural aspects by Zambian businesses (5-point scale)**

Question: How would you rate the quality of each of the following aspects in your market?



Source: Stanbic Bank Africa Trade Barometer Issue 3.

Note: Rating is on a 5-point scale, where 5 = excellent quality and 1 = poor quality. Arrows denote whether the value of the variable is significantly higher / lower than in the previous survey.

The perceived quality of transport and logistics infrastructure in Zambia, in particular, has notably declined (see Figure 8). Zambia's rail, road and port infrastructure are the most poorly perceived infrastructure indicators by businesses. In addition, these infrastructure aspects were reported by businesses to be amongst the most significant challenges constraining their operations. Insights from interviews with thought leaders indicate that the poor quality of the transportation infrastructure presents numerous limitations to Zambian traders, including delays in the receipt of inputs, high transportation costs, and isolation from remote markets.<sup>18</sup>

“Transport has been a very key issue undermining trade in Zambia. For example, the road infrastructure is poor—so you would find that people don't want to go to certain areas to trade because they would need to use the road network and incur high costs. It has really been a huge barrier for most business entities.”

Representative from the Ministry of Finance

Businesses identified the state of the power supply as the most significant obstacle constraining their operations in terms of infrastructure. 37% of surveyed businesses identified the state of the power supply to be a major or severe obstacle undermining their operations, representing an increase relative to the previous survey in September 2022. This change is likely driven by the rationing of the electricity supply from December 2022 to February 2023 which saw households and businesses in Zambia having no electricity for large portions of the day.<sup>19</sup> These outages disrupt the normal functioning of businesses resulting in declines in productivity, damage to equipment, loss of raw materials and production delays.<sup>20</sup> Whilst the rationing exercise came to an end on the 28th of February 2023, the power situation in Zambia remains precarious due

<sup>18</sup> Mwale et al., 2018. Available [here](#)

<sup>19</sup> Mutale, 2023. Available [here](#)

<sup>20</sup> Ahmed, 2019. Available [here](#)

to the ongoing low water levels at Lake Kariba from which the majority of the country's power is sourced.<sup>21</sup>

**37%** of surveyed businesses feel that power outages are a major or severe obstacle to their current operations.

“Another important issue is power outages. Some months ago, we faced a lot of power outages which interrupted many businesses’ production processes.”

*Representative from the Ministry of Finance*

**Some relief from the burden of poor quality infrastructure on traders may be forthcoming.** Investment in export promotion is one of the key pillars of the incumbent Government's public policy agenda.<sup>22</sup> To this end, various initiatives have been planned or implemented to improve trade facilitation in the country. Work is underway, for instance, to improve the state of transport infrastructure in the country. Specific initiatives include a renovation of the 327 km road connecting the northern commercial hub of

Ndola with the capital Lusaka. The road is one of Zambia's most important trade corridors, carrying almost all of the country's mineral exports to ports in Tanzania.<sup>23</sup> Rail infrastructure is also a priority: including a Public-Private Partner (PPP) with the Government of Tanzania to revamp the Tanzania-Zambia Railway in a bid to improve bilateral trade ties.<sup>24</sup> In addition, the Government is looking to collaborate with Angola and the Democratic Republic of Congo to redevelop the Lobito corridor - a rail corridor linking Southern and Central Africa's inland markets (such as Zambia) with the Port of Lobito and providing the shortest export route for goods flowing to Europe and America.<sup>25</sup>

**The Zambian Government is also increasingly looking to improve the reliability of the country's power supply, and is aiming for universal access by 2030.** To this end, the Government has sought to diversify the energy mix by attracting private investment to deploy clean energy projects. This has seen some success, with the recent announcement of significant British and Middle Eastern private investment in renewable energy projects across the country that is anticipated to triple Zambia's generation capacity.<sup>26</sup> Critically, it is hoped that these developments will bolster the Zambian grid's ability to generate electricity when hydropower generation is low.<sup>27</sup>



*Truck on the M10 between Kazungula and Sesheke, Livune, Zambia*

<sup>21</sup> Sparkman & Tobin, 2023. Available [here](#)

<sup>22</sup> National Assembly of Zambia, 2022. Available [here](#)

<sup>23</sup> Mushingi, 2023. Available [here](#)

<sup>24</sup> Christopher, 2022. Available [here](#)

<sup>25</sup> Onyango, 2023. Available [here](#)

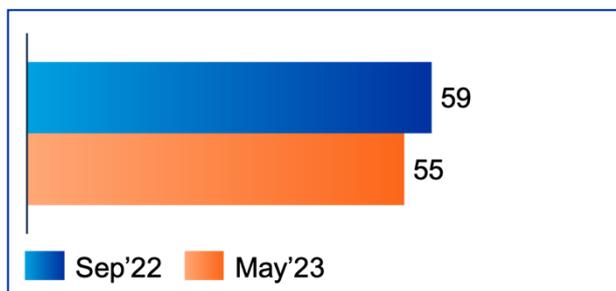
<sup>26</sup> Sparkman & Tobin, 2023. Available [here](#)

<sup>27</sup> Sparkman & Tobin, 2023. Available [here](#)

# 7. TRADE OPENNESS

## SADC member countries are important markets for smaller cross-border traders in Zambia

### Zambia's trade openness index score

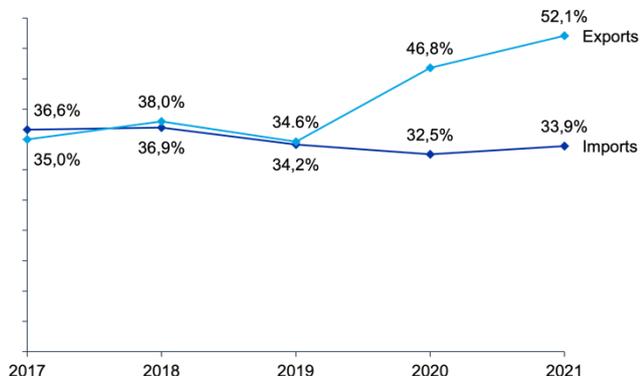


The trade openness index score can vary between 0 and 100, where 0 indicates a high burden of obstacles inhibiting trade, 50 indicates a moderate burden of obstacles inhibiting trade and 100 indicating a low burden of obstacles inhibiting trade. In the May 2023 SB ATB survey results, Zambia's trade openness index score declined from 59 to 55.

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**A notable proportion of businesses in Zambia source their inputs from other countries.** 37% of surveyed Zambian businesses import their inputs, with the majority of these importers operating in the consumer goods sector. These businesses source their goods from an international wholesaler and use a transport or freight company to deliver to their premises. The high appetite for imports relative to other African markets reflects data at the aggregate country level where Zambia is one of the largest importers per capita with aggregate import values equal to 38% of GDP (see **Figure 9**).

**Figure 9: Imports and exports (% of GDP, 2017 - 2022)**



Source: World Bank

**Countries in the Southern Africa Development Community (SADC), particularly South Africa, are integral import partners for Zambian importers.** 65% of surveyed importers source their inputs from at least one country in Southern Africa, while 58% import from South Africa. In addition, the import relationship with South Africa for most businesses appears to be relatively deep - with 40% of the average importer's import basket being accounted for by imports from South Africa. These findings correspond to data at the aggregate country level, where South Africa is Zambia's largest import partner (accounting for 33% of imports).<sup>28</sup> The relatively high level of imports from South Africa is likely driven by their relative competitiveness due to the SADC Protocol on Trade which has facilitated the elimination of tariff and non-tariff barriers between SADC countries.<sup>29</sup>

**In contrast, imports from other parts of Africa are low.** For example, only 10% and 1% of Zambian importers source their inputs from East and Central Africa respectively. Imports from other regions in Africa also make up a very low proportion of the average importer's gross imports.

**Other notable import partners are from Asia—particularly China.** Roughly 33% of Zambian importers source their inputs from China; while Chinese imports constitute 20% of the average importer's gross imports. When these businesses were asked why they chose to purchase goods from China, the most important factors identified were fast response times from Chinese exporters as well as the low cost and high quality of their products.

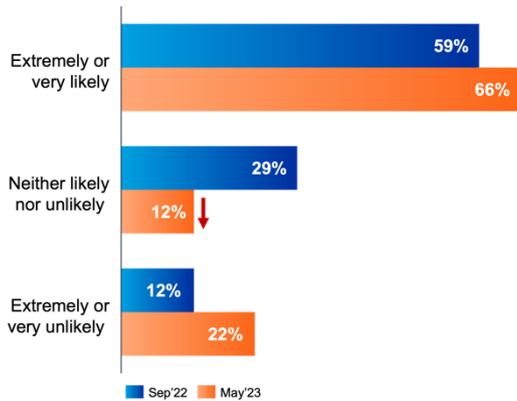
**The majority of importers (66%) expect the volume of their imports to increase over the next two years** (see **Figure 10**). These businesses primarily expect their import relationship with established import partners such as South Africa and China to deepen by an average of roughly 40% of their current volumes. This reflects businesses' confidence in the economy as well as their revenue prospects.

<sup>28</sup> WITS, 2020. Available [here](#)

<sup>29</sup> Edwards, Nchake & Rankin, 2018. Available [here](#)

**Figure 10: Importers perceptions on their likelihood to increase import volumes over the next 2 years**

Question: How likely are you to increase the volume of imports in the next 2 years?



Source: Stanbic Bank Africa Trade Barometer Issue 3  
 Note: Arrows denote whether the value of the variable is significantly higher/lower than in the previous survey

**Most Zambian importers (41%) report a significant negative impact of import taxes on the capacity of their businesses to grow** (see Figure 11). The share of respondents reporting this effect remained relatively stable from the survey conducted in September 2022. This result is in line with sentiments shared in the interviews with thought leaders, which reveal that the import taxes levied on particular goods are relatively high and impose a financial burden on businesses.

“Tariffs are a key challenge impacting cross-border trade in the country. There are certain products where we pay a lot of tariffs when we are importing.”

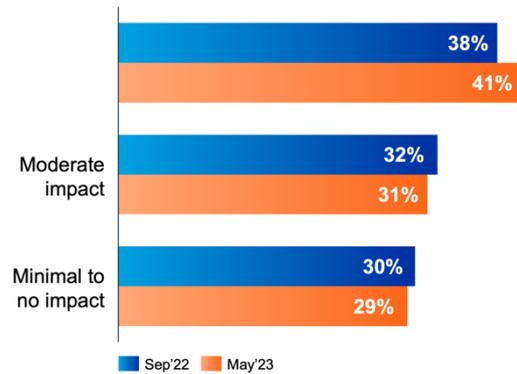
Representative from the Ministry of Infrastructure



Harry Mwanga Nkumbula international airport in Livingstone

**Figure 11: The impact of importation-related taxes on importers**

Question: To what extent do importation-related taxes, including tariffs, impact your business growth?



Source: Stanbic Bank Africa Trade Barometer Issue 3  
 Note: sample includes importers only. Arrows denote whether the value of the variable is significantly higher / lower than in the previous survey

**In terms of businesses selling activity, 12% of Zambian businesses export their goods to foreign markets.** This represents an increase in the proportion of businesses that export relative to September 2022 and January 2022 where the share of exporters was 3% and 5% respectively. For those businesses that export, the majority operate in the consumer goods sector and sell directly to international end consumers.

**A large share of the average exporter’s exports are concentrated in African countries.** 50% and 32% of Zambian exporters export to at least one country in Central and Southern Africa respectively. Similarly, exports to the rest of Africa make up a large proportion (75%) of the average exporters gross exports. Amongst the most important of these export partners are the Democratic Republic of Congo (DRC) and South Africa, with which the majority of exporters trade large volumes with (31% and 14% respectively) and also trade frequently with. Note that these countries are not entirely consistent with Zambia’s top export partners at the aggregate country level, which include Switzerland and China.<sup>30</sup> However, this may be reconciled by the fact these countries are primarily purchasers of copper—Zambia’s chief export—which is sold by a select few large businesses. As such, the firm-level data presented in this report may be more representative of the foreign markets in which the majority of Zambian exporters sell their goods and services.

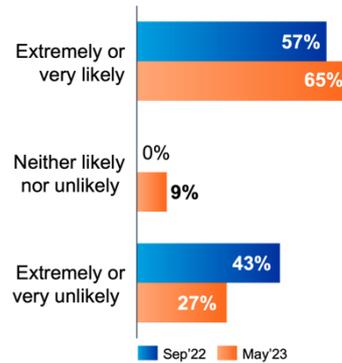
<sup>30</sup> WITS, 2020. Available [here](#)

Most exporters expect the volume of their exports to increase in the near-term (see Figure 12). Signalling an anticipated increase in demand for Zambian goods and services, 65% of Zambian exporters feel that they are likely (either very likely or extremely likely) to increase the scale of their exports in the next two years. Most of these exporters expect their export sales to large incumbent export partners (such as DRC and Zimbabwe) to increase. This suggests that the rise in exports in recent years is expected to persist, particularly given that intra-regional trade is expected to increase over the coming years.

**65%** of surveyed businesses feel that it is likely that the scale of their exports will increase over the next two years.

**Figure 12: Exporters perceptions on their likelihood to increase export volumes over the next 2 years**

Question: How likely are you to increase the volume of exports in the next 2 years?



Source: Stanbic Bank Africa Trade Barometer Issue 3

Note: Arrows denote whether the value of the variable is significantly higher/lower than in the previous survey

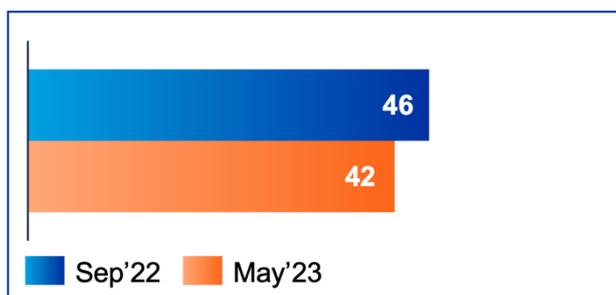


Lusaka Zambia, Credit: Mondoko Zambia

## 8. TRADERS' FINANCIAL BEHAVIOUR & ACCESS TO FINANCE

Cash is widely used for payments in Zambia, and access to finance remains a challenge

### Zambia's access to finance index score



Access to finance can vary between 0 and 100, where 0 indicates an extreme difficulty in accessing finance, 50 neutrality and 100 indicates no difficulty in accessing finance. In the May 2023 SB ATB survey results, Zambia's access to finance index score declined to 42 from 46 in September 2022. This means surveyed businesses in Zambia found it more difficult to access finance compared to September 2022.

\*\*\*

**Cash remains the primary method of payment for facilitating cross-border sales in Zambia.** 43% of payments are received in cash. Small businesses and corporations are particularly reliant on cash, with 48% and 54% of their cross-border sales transactions conducted in cash, respectively.

**56%** of surveyed corporations facilitate payments for international goods and services through EFTs

**Digital payment methods, such as electronic fund transfers (EFT) and international transfers, have emerged as the dominant choices for Zambian businesses when facilitating cross-border purchases.** EFTs constitute a substantial share, representing 37% of total cross-border purchases. Corporations are particularly heavy users of EFTs, as they use this method in 56% of their cross-border purchases. International transfers—which facilitate the direct movement of funds between two banks located in different countries—account for 33% of all

transactions. This trend underscores the convenience and reliability of digital payment solutions, particularly for corporations engaged in frequent cross-border trade.

**Large businesses in Zambia use digital payment solutions (such as EFTs) more, as compared to small businesses that mainly use cash**

**Cash remains the dominant payment method for domestic transactions in Zambia,** representing 62% of all sales and 60% of purchases of domestic goods. This payment method is particularly dominant among small businesses, with 66% of their domestic transactions being facilitated through cash. There is an apparent shift from cash towards digital payment methods such as EFTs as businesses grow in size. EFTs account for 55% of domestic purchases of corporations.

**That said, the adoption and usage of mobile money for domestic transactions in Zambia is on the rise.** Mobile money has a pivotal role amidst the evolving Zambian payments landscape. The increasing adoption of mobile money is evident in the year-on-year growth of active subscribers, as well as the escalating volume and value of transactions being facilitated. The number of active subscribers surged by 14%, climbing from 9.9 million in 2021 to 11.2 million in 2022. Moreover, transaction volume and value experienced substantial growth of 90% and 75% respectively, expanding from 834 million transactions worth ZMW 169 billion in 2021 to 1.6 billion transactions valued at ZMW 296 billion in 2022.<sup>31</sup>

**Limited internet access remains a significant constraint to the widespread adoption of digital financial services.** The percentage of the Zambian population using the internet has grown over the last decade, reaching 21% in 2021. However, Zambia's digital footprint remains relatively low compared to the rest of the sub-Saharan African region, which stands at 36%.<sup>32</sup> That said, mobile internet

<sup>31</sup> ZICTA, Available: [here](#)

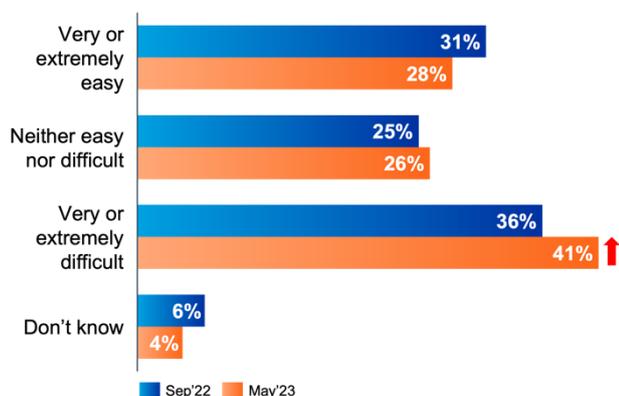
<sup>32</sup> World Bank. Available [here](#)

subscriptions increased from 10.4 million in 2021 to 11.1 million in 2022. Ongoing investments from both the Government and service providers to expand the coverage of 3G/4G networks, coupled with the growing adoption of these emerging technologies, are expected to drive the continuous advancement of internet adoption among the Zambian population.<sup>33</sup>

**In general, businesses still perceive access to credit to be relatively difficult** (see **Figure 13**). There was a notable 5-percentage point increase in businesses that indicated that access to credit from financial institutions is difficult (either very difficult or extremely difficult). This result is not surprising, given broader macroeconomic events in recent times. The Monetary Policy Committee (MPC) rate has been increasing lately, reaching 9.5% in May 2023. The Committee's decision to raise the MPC rate is a response to inflationary pressure caused by factors such as delays in external debt restructuring negotiations, tighter global conditions, higher maize prices, and the impact of the Russia-Ukraine war on food and energy prices.<sup>34</sup> A growing trend is the heightened demand among businesses for credit in foreign currency, particularly the US Dollar. This preference is driven by the perception of foreign currency as being more stable and less costly.

**Figure 13: The level of difficulty in accessing credit**

**Question: Please indicate how difficult or easy it is to get credit from a financial institution.**



Source: Stanbic Bank Africa Trade Barometer Issue 3  
 Note: Bars do not add up to 100% as 'Refused' has been excluded from the graph

**That said, the domestic credit growth prospects in Zambia are optimistic.** There has been a significant increase in foreign currency denominated credit, with a major portion allocated to the wholesale and retail trade sector. The trade sector accounts for 14% (USD 0.9 billion) of total foreign currency denominated credit which is primarily utilised for capital investment and working capital requirements. The survey results underscore this optimism in the domestic credit landscape. There was an increase in the percentage of businesses offering credit to their clients from 40% in September 2022 to 55% in May 2023. There was also an increase in the proportion of businesses that engage in credit arrangements with their suppliers from 27% in September 2022 to 48% in May 2023.

In terms of support from financial institutions (FIs) in facilitating cross-border trade, **businesses highlighted the need for assistance in funding and insuring their goods.** Particularly, businesses emphasised the importance of quicker access to funds, along with flexible loan terms and a general need for FIs to better understand their business operations. Additionally, businesses recognise the need for insurance coverage to mitigate climate-related risks. Insurance plays a crucial role in helping the agricultural sector in Zambia—which constitutes more than half of the population—manage the risks posed by extreme weather events like drought and heavy rainfall. These events currently affect around 11% of the population, with projections indicating a rise to 25% by 2050. However, despite the evident need, climate risk insurance remains limited in Zambia due to factors such as the lack of insurance products, insufficient knowledge, and limited demand.<sup>35</sup>

“For trading to happen effectively, it means people must have money. We want the financial institutions to give as many loans as possible to entrepreneurs at reasonable interest rates so that the entrepreneurs are not suffocated when it comes to repayment of those loans.”

Representative from the Ministry of Infrastructure

<sup>33</sup> ZICTA, Available: [here](#)

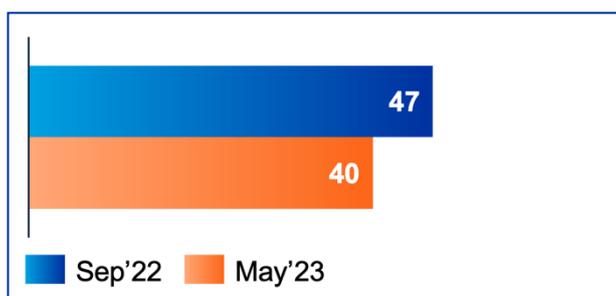
<sup>34</sup> Bank of Zambia. Available [here](#)

<sup>35</sup> GIZ, Available: [here](#)

# 9. FOREIGN TRADE & TRADING IN AFRICA

Initiatives to create awareness of the AfCFTA appear to be bearing fruit—although businesses still find trading with the rest of Africa difficult

## Zambia’s ease of trade index score



Ease of trade can vary between 0 and 100, where 0 indicates an extreme difficulty when trading with other countries, 50 neutrality and 100 indicates no difficulty when trading with other countries. In the May 2023 SB ATB survey results, Zambia’s ease of trade index score declined to 40 from 47 in September 2022. This means surveyed businesses in Zambia found it more difficult to trade compared to September 2022.

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**60%** of gross imports for surveyed importers in Zambia come from South Africa and China

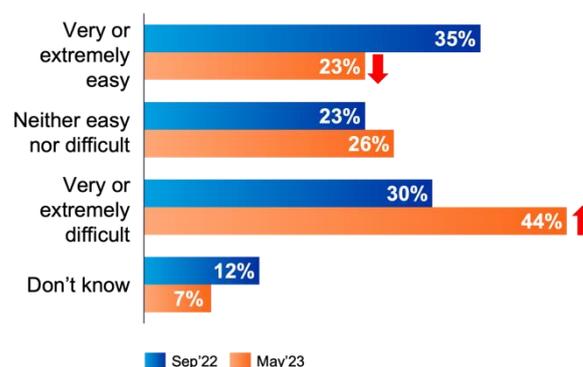
Zambian businesses prioritise a partner country’s quality of goods (30%), market prices (29%), and sufficient supply of goods and services (20%) when considering which partners to conduct cross-border trade with. This explains the strong preference for South Africa and China as a source of inputs, representing a combined 60% of the gross import proportion. Zambian exports to African markets have witnessed a significant shift towards diversification, moving away from traditional sectors like agriculture and mining. The percentage of service sector exporters has more than doubled from 7% to 19% between January 2022 and May 2023. This shift reflects the growing need to diversify the export sector at the aggregate country level, particularly in light of declining global commodity prices. Copper alone accounts for 60% of total Zambian exports.<sup>36</sup>

<sup>36</sup> Trading Economics. Available [here](#)

The latest primary research findings suggest that barriers, such as complex business policies and high importation / exportation tax rates, have negatively impacted the perception of Zambian businesses with regard to the ease of trading with other African countries. The percentage of firms reporting trade with the rest of Africa to be difficult (either very difficult or extremely difficult) increased significantly from 30% in September 2022 to 44% in this iteration of the survey (see Figure 14). More granular analysis reveals that this is driven by the percentage of businesses reporting obstacles such as complex business procedures (13%), high importation / exportation tax rates (10%), high transport cost (6%) and language barriers (6%). Most notable is the perceived difficulty of complex business procedures increased by 6-percentage points between September 2022 and May 2023. These complex procedures have a direct impact on a businesses’ daily operations, often resulting in forgone sales revenue. Delays caused by minor errors in paperwork or missing information can disrupt timelines and affect revenue outcomes.

Figure 14: Businesses perceptions of the ease of trading with other African countries

Question: In your view would you say trading with the rest of Africa ...?



Source: Stanbic Bank Africa Trade Barometer Issue 3

Note: Arrows denote whether the value of the variable is significantly higher / lower than in the previous survey

“We shouldn’t have problems moving goods and services from one African country to the next African country as Africa is trying to become one by linking ourselves through the use of the same trade channels.”

Representative from the Ministry of Infrastructure

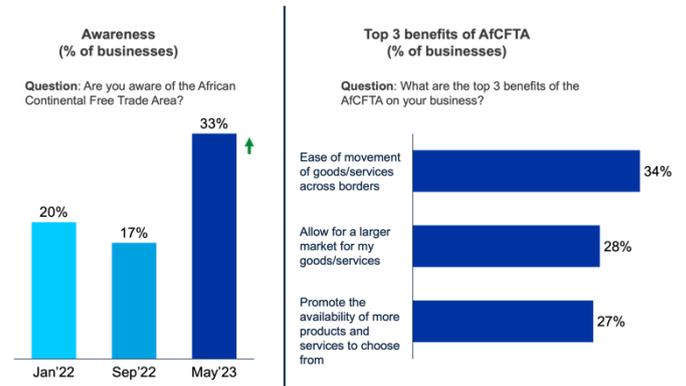
Zambia is one of 54 signatories to the African Continental Free Trade Agreement (AfCFTA). AfCFTA is an initiative which looks to, amongst other things, improve the level of intra-African trade by creating a single market for goods and services and lower some of these aforementioned trade barriers. To this end, members of the AfCFTA are committed to eliminating tariffs on most goods and services that are traded between African countries over a given period following the AfCFTA entering its operational phase in July 2019.

**33%** of surveyed businesses are aware of AfCFTA, increasing from 17% in September 2022.

**Awareness of the AfCFTA amongst Zambian businesses has significantly increased** (see Figure 15). The percentage of respondents that are aware of the AfCFTA increased to 33% from 17% in September 2022—a statistically significant change. The Government has been active in raising awareness of the AfCFTA with their recent introduction of Zambia’s National AfCFTA Implementation

Strategy, aimed at expediting the implementation of the AfCFTA. As part of this broader strategy, the communication strategy focuses on ensuring widespread and detailed dissemination of information to all stakeholders through various channels such as radio, television, newspapers, billboards, the internet, and flyers strategically placed in key locations.<sup>37</sup>

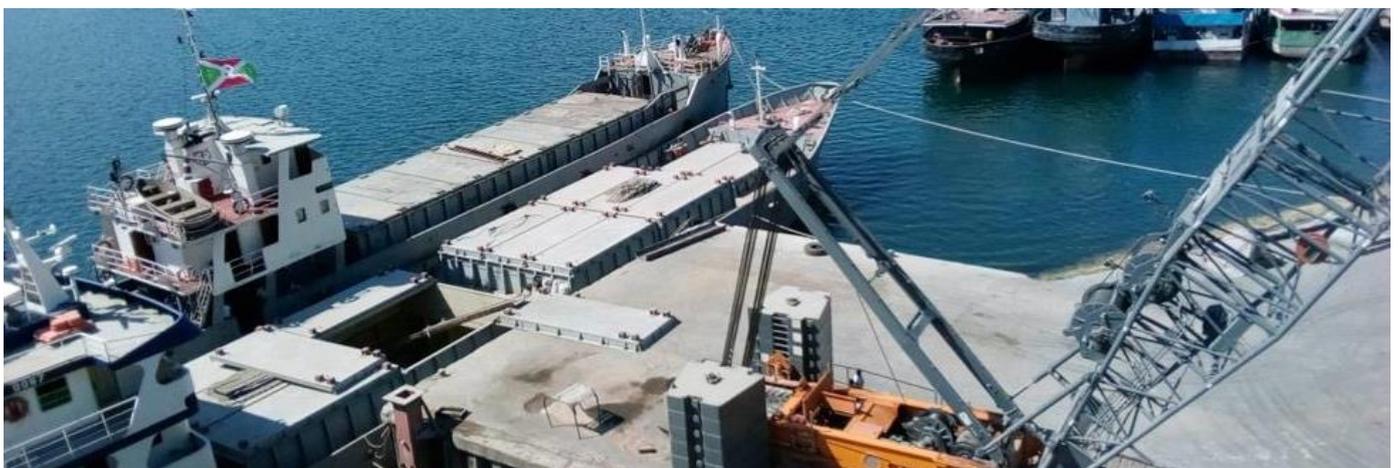
**Figure 15: Businesses awareness and expected benefits of the African Continental Free Trade Area**



Source: Stanbic Bank Africa Trade Barometer Issue 3

Note: Arrows denote whether the value of the variable is significantly higher / lower than in the previous survey

In general, **most Zambian businesses believe that the implementation of the AfCFTA will reap benefits for their businesses** (see Figure 15). Since the commencement of trading under AfCFTA in January 2021, the AfCFTA has gained significant awareness as businesses increasingly recognise the benefits of a unified African market. The most commonly identified benefits are increased access to larger markets for goods and services, facilitated movement of goods and services across borders, and enhanced product and service choices for businesses and consumers alike.



Port of Mpulungu Source: www.idc.co.zm

<sup>37</sup> Ministry of Commerce, Trade and Industry. Available [here](#)

## 10. MAIN OBSTACLES TO TRADE

### Zambian businesses continue to face significant obstacles to trade

The most significant obstacle undermining surveyed businesses' capacity to trade with the rest of Africa is Zambia's road infrastructure. 47% of surveyed businesses identified road infrastructure in Zambia as a major or severe obstacle undermining their ability to engage in trade with other African countries. This is punctuated by the poor quality and coverage of the country's rail network, which leaves businesses with little choice but to haul their goods using roads.<sup>38</sup> As such, the planned investment in the country's road infrastructure by the incumbent Government (detailed above) may be integral to improving intra-African trade in Zambia and permitting Zambian businesses to realise the benefits of the AfCFTA.

**47%**

*of surveyed businesses indicated that road infrastructure in Zambia represents a severe obstacle inhibiting their ability to trade with other African countries.*

In addition, customs requirements and trade regulations continue to pose significant obstacles to Zambian traders. Prohibitive customs requirements and legislation were identified by Zambian businesses as the second most prominent obstacle undermining their ability to trade with the rest of Africa as well as with the rest of the World. This may also serve as a barrier to exporting for businesses that sell agricultural goods due to their time-sensitivity, a point further compounded by the lack of storage facilities and truck houses in the country. **When looking to trade with the rest of the World, the largest obstacle facing Zambian businesses is the shortage of foreign currency liquidity.** This is likely driven by recent shortages in the availability of US Dollars that has seen the Kwacha depreciate significantly relative to the US dollar which has significantly increased the cost of doing business for Zambian traders.<sup>39</sup>

<sup>38</sup> Mwale et al., 2018. Available [here](#)

<sup>39</sup> Reuters, 2023. Available [here](#)

# 11. CONCLUSION

In conclusion, a theme that will be interesting to track in future issues of the Stanbic Bank Africa Trade Barometer (SB ATB) in Zambia is whether any changes in the perceived quality of transportation infrastructure is associated with any changes in the scale and nature of trade with other countries. In this issue of the SB ATB, the perceived quality of transportation infrastructure amongst surveyed businesses declined across multiple indicators; whilst surveyed businesses also identified the state of road infrastructure in Zambia as the largest obstacle inhibiting their ability to trade with other African countries.

However, investment in trade facilitation—which in turn includes improvement of trade infrastructure—is one of the key pillars of the incumbent Government’s public policy agenda. This includes several road construction and rehabilitation projects, as well as the revamping of key railway corridors such as the Tanzania-Zambia Railway and the Lobito Corridor. Future iterations of the SB ATB will shed light on the repercussions of these infrastructure enhancements and how they translate into shifts in business perspectives.

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## 12. APPENDIX

### Appendix 1: Stanbic Bank Africa Trade Barometer (SB ATB) Country Ranking for Issue 3, 2023

The Stanbic Bank Africa Trade Barometer (SB ATB) scores are an aggregate of the Stanbic Bank 3-Year Quantitative Trade Barometer (SB QTB) scores and the Stanbic Bank Survey Trade Barometer (SB STB) scores. Countries are ranked against each other, i.e., relative scores to each other. This is pegged on a scale of 0 - 100. When indexed between this range, South Africa has the highest Tradability Index while Angola has the lowest. This does not imply that one cannot trade in Angola or that South Africa is perfect, it only implies that at a common starting point of 0 and maximum point of 100, this is how the two markets fared.

SB ATB scores remained the same for Angola, Namibia, South Africa and Tanzania, while the majority of scores for other countries have dropped from September 2022 (see **Table 2**).

Countries that have retained their ranking from September 2022:

- South Africa (1st position)
- Namibia (2nd position)
- Tanzania (7th position)
- Angola (10th position)

Countries that have improved in their ranking from September 2022:

- Ghana (5th to 3rd position)
- Kenya (8th to 6th position)
- Uganda (9th to 8th position)

Countries that have declined in their ranking from September 2022:

- Mozambique (3rd to 4th position)
- Nigeria (4th to 5th position)
- Zambia (6th to 9th position)

**Table 2: Stanbic Bank Africa Trade Barometer (SB ATB) scores by country**

Country	Africa Trade Barometer (ATB) Score	ATB Ranking	
		September 2022	May 2023
Angola	0 0	10	10
Ghana	74,3 19,5	2	5
Kenya	55,8 19,3	7	6
Mozambique	57,5 30,5	6	3
Namibia	60,2 43,1	3	2
Nigeria	48,4 25,9	8	4
South Africa	100 100	1	1
Tanzania	58,9 15,3	5	7
Uganda	58,9 14,8	4	8
<b>Zambia</b>	43,2 14,1	9	9

Sep'22 May'23

Note: The scores denote the performance of each country relative to the full country list on the specified measures

## Appendix 2: Stanbic Bank 3-Year Quantitative Trade Barometer (SB QTB) Country Ranking for Issue 3, 2023

The Stanbic Bank 3-Year Quantitative Trade Barometer (SB QTB) scores and ranking by country are the averages of all the selected indicators collected only from existing secondary data sources / reported facts.

SB QTB scores remained the same for South Africa, while the majority of scores for other countries have dropped from September 2022 (see **Table 3**).

Countries that have retained their ranking from September 2022:

- South Africa (1st position)
- Namibia (2nd position)

Countries that have improved in their ranking from September 2022:

- Ghana (5th to 3rd position)
- Kenya (7th to 6th position)
- Tanzania (8th to 7th position)
- Uganda (10th to 9th position)

Countries that have declined in their ranking from September 2022:

- Mozambique (3rd to 4th position)
- Nigeria (4th to 5th position)
- Zambia (6th to 8th position)
- Angola (9th to 10th position)

**Table 3: Stanbic Bank 3-Year Quantitative Trade Barometer (SB QTB) scores by country**

Country	Africa Quantitative Barometer (QTB) Score	QTB Ranking	
		September 2022	May 2023
Angola	0 0	10	10
Ghana	86,2 26,6	2	5
Kenya	63,9 26,4	5	6
Mozambique	67,4 36,9	3	3
Namibia	64,7 46,2	4	2
Nigeria	56,1 32,4	7	4
South Africa	100 100	1	1
Tanzania	59,2 23,1	6	8
Uganda	51,8 17,6	8	9
<b>Zambia</b>	51,8 23,1	9	7

Sep'22 May'23

Note: The scores denote the performance of each country relative to the full country list on the specified measures

### Appendix 3: Stanbic Bank Survey Trade Barometer (SB STB) Country Ranking for Issue 3, 2023

The Stanbic Bank Firm Survey Trade Barometer (SB STB) scores and ranking by country are the averages of all the data collected only from the primary research surveys conducted with 2,636 businesses.

Except for South Africa, Tanzania, Uganda and Zambia, SB STB scores have improved for this wave for all countries (see **Table 4**).

Countries that have retained their ranking from September 2022:

- South Africa (2nd position)
- Namibia (4th position)

Countries that have improved in their ranking from September 2022:

- Angola (6th to 1st position)
- Nigeria (8th to 5th position)
- Mozambique (9th to 6th position)
- Ghana (10th to 7th position)

Countries that have declined in their ranking from September 2022:

- Tanzania (1st to 3rd position)
- Kenya (7th to 8th position)
- Uganda (3rd to 9th position)
- Zambia (5th to 10th position)

**Table 4: Stanbic Bank Survey Trade Barometer (SB STB) scores by country**

Country	Africa Survey Barometer (STB) Score	STB Ranking	
		September 2022	May 2023
Angola	 22,6 / 100	6	1 
Ghana	 0 / 18,4	10	7 
Kenya	 10,3 / 18,2	7	8 
Mozambique	 1,2 / 21,6	9	6 
Namibia	 34,1 / 52,7	4	4 
Nigeria	 8,4 / 22,5	8	5 
South Africa	 84,0 / 66,8	2	2 
Tanzania	 100 / 65,2	1	3 
Uganda	 57,0 / 12,2	3	9 
<b>Zambia</b>	 26,6 / 0	5	10 

 Sep'22  May'23

Note: The scores denote the performance of each country relative to the full country list on the specified measures

### Appendix 4: The relative impact of selected macroeconomic indicators on the tradability attractiveness of Stanbic Bank Africa Trade Barometer Countries for Issue 3, 2023

In the table below, the ranking (between position 1 and position 10) as well as the respective colour coding highlight the impact of a specific macroeconomic indicator (e.g., FDI net inflows) on the tradability attractiveness of the respective country. To arrive at this ranking, the three-year average (2020, 2021 and 2022) of each indicator in a country is first normalised<sup>40</sup> which allows for the relative impact (relative to the other nine countries) of each indicator on overall tradability attractiveness for that country to be arrived at.

**Table 5: Country ranking on the impact of macroeconomic indicators on tradability attractiveness**

	Merchandise trade (% of GDP)	GDP (Current USD)	GDP growth (% average annual)	Imports (% of GDP)	Exports (% of GDP)	Inflation	Lending interest rate (%)	FDI Net Inflows
Angola	4	4	10	9	2	10	8	10
Ghana	6	5	4	5	6	9	10	3
Kenya	9	3	1	7	9	6	3	7
Mozambique	2	9	6	1	4	5	6	2
Namibia	1	10	9	2	3	2	1	8
Nigeria	10	1	7	10	10	8	4	4
South Africa	5	2	8	4	5	4	2	1
Tanzania	8	6	3	8	7	1	5	6
Uganda	7	7	2	6	8	3	7	5
<b>Zambia</b>	3	8	5	3	1	7	9	9

Key: Negative relative trade impact      Positive relative trade impact



Construction of Kazungula bridge over Zambezi River

<sup>40</sup> Normalisation here means calculating the deviation of a particular macroeconomic indicator in a specific country from the mean of that indicator in all 10 SB ATB countries

## 13. ABOUT THE RESEARCH

The Stanbic Bank Africa Trade Barometer is based on both primary and secondary research sources. This is Issue 3 of the SB ATB. Issue 1 was released in June 2022 and Issue 2 was released in November 2022. The data collection (both primary and secondary research) for Issue 3 happened between March and May 2023 in all 10 countries of interest.

The primary research component involves the administration and analysis of a firm survey (i.e., a survey of sample businesses in the countries of interest) and holding of in-depth interviews (IDIs) with key stakeholders. The sample is stratified by size (small, big and corporate), region and industry. For Issue 3, 2 636 businesses were surveyed and 30 IDIs were conducted across the 10 countries.

In Zambia, 289 businesses were surveyed. 44% of these businesses were in Lusaka, 22% in Kitwe, 12% in Kabwe,

12% in Chingola and 9% in Ndola. The breakdown of surveyed businesses in Zambia by business segment was as follows:

- 65% were small businesses
- 12% were big businesses
- 13% were corporates

In the context of the SB ATB, small businesses are defined as those with a turnover of less than ZK 10 million, large businesses as those with a turnover of between ZK 10 million and ZK 200 million and corporates as those with a turnover of more than ZK 200 million.

The breakdown of surveyed businesses in Zambia by industry was as in **Table 6**:

**Table 6: Breakdown of surveyed businesses in Zambia by industry**

Industry	%	Industry	%
Wholesale and retail trade; repair of motor vehicles and motorcycles	44%	Activities of extraterritorial organisations	1%
Accommodation and food service activities	17%	Human health and social work activities	0.4%
Manufacturing	12%	Public administration and defence; compulsory social security	0.4%
Agriculture, forestry and fishing	7%	Education	0.4%
Financial and insurance activities	6%	Electricity, gas, steam and air conditioning supply	0.4%
Construction	3%	Administrative and support service activities	0.4%
Mining and quarrying (includes oil & gas)	2%	Services	0.4%
Information and communication	2%	Arts, entertainment and recreation	0.4%
Professional, scientific and technical activities	1%	Activities of households as employers; undifferentiated goods- and services-producing activities of households for own use	0.4%
Transportation and storage	1%	Water supply; sewerage, waste management and remediation activities	0%
Real estate activities	1%		

The breakdown of surveyed businesses by staff complement was as follows:

- 27% had below 5 employees
- 28% had 5 - 10 employees
- 13% had 11 - 20 employees
- 8% had 21 - 50 employees
- 6% had 51 - 100 employees
- 1% had 101 - 1,000 employees
- 0% had 1,001 - 5,000 employees

With regards to individual respondent characteristics within the businesses, 72% were male and 28% were female. The breakdown by their job titles is as follows:

- 30% were general managers
- 15% were chief executive officers
- 11% were owners
- 5% were chief accountants
- 4% were heads of departments
- 3% were managing directors
- 3% were directors general
- 3% were financial directors
- 2% were chief financial officers
- 2% were executive directors
- 1% were deputy directors general
- 20% held other job titles

Further details by region, business segment, industry, staff complement, age of firm, the firms' corporate and strategic decision-making structures as well as individual respondent characteristics (gender, job title, etc.) are available on request.

There were two IDIs conducted in Zambia as part of this third issue. One interview was with a representative from the Ministry of Finance and the other with a representative from the Ministry of Infrastructure. These interviews are quoted in this report, as relevant.

The survey and IDIs were conducted on a confidential basis.

The secondary research component involves the gathering and analysis of quantitative data. This data is primarily collected from World Bank sources, although additional data is obtained from the International Monetary Fund (IMF), the International Trade Center and individual country central banks and statistics bureaus.

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In-depth details on how the Stanbic Bank Africa Trade Barometer scores for each country are calculated, and the resultant country rankings, are available on request.

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The research was produced by Standard Bank Business and Commercial Banking Research and Insights. For any questions or information requirements on this report please contact [tradebarometer@standardsbg.com](mailto:tradebarometer@standardsbg.com).

# 14. ENDNOTES

The main secondary sources used to construct the Stanbic Bank Africa Trade Barometer are listed below in alphabetical order.

1. Bank of Zambia
    - a. Available [here](#)
    - b. Available [here](#)
  2. Fitch Solutions. Available [here](#)
  3. IMF. Available [here](#)
  4. National Assembly of Zambia. Available [here](#)
  5. News Articles
    - a. Available [here](#)
    - b. Available [here](#)
  6. Stanbic Bank Analysis. Available [here](#)
  7. United Nations Conference on Trade and Development (UNCTAD) World Investment Report 2022. Available [here](#)
  8. UN Comtrade
    - a. Available [here](#)
    - b. Available [here](#)
  9. World Bank. Available [here](#)
  10. Zambia Statistics Agency. Available [here](#)
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