



Republic of Zambia

# The Monthly

## Central Statistical Office

Volume 31

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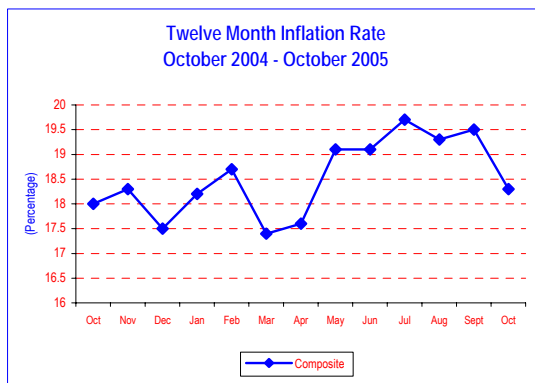
October, 2005

### Economic Indicators

#### October Inflation declines

The annual rate of inflation, as measured by the all items Consumer Price Index (CPI), was recorded at 18.3 percent as at October 2005. This rate is 1.2 of a percentage points lower than the September rate of 19.5 percent. Compared with October 2004, the annual rate of inflation increased by 0.3 of a percentage point, from 18.0 percent in October 2004 to 18.3 percent in October 2005.

Annual inflation rates for the Metropolitan Low, High Income and Non-Metropolitan Groups are recorded at 18.2, 17.8 and 18.7 percent respectively.



Source: CSO, Consumer Price Index, October 2005

#### Contributions of different items to overall inflation

The decline of 1.2 percentage points is accounted for by the fall in the cost of food and transport (domestic air fares and cost of new motor vehicles). There were no shifts in the contribution of other groups to the decline in inflation between September and October 2005.

Furthermore, of the total 18.3 percent annual inflation in October 2005, increases in food prices accounted for 9.9 percentage points while non-food items in the Consumer Price Index (CPI) accounted for 8.4 percentage points.

Items	Percentage Points Contributions of different items to overall inflation									
	Jan 05	Feb 05	Mar 05	Apr 05	May 05	Jun 05	Jul 05	Aug 05	Sep 05	Oct 05
Food Beverages and Tobacco	9.6	9.8	8.6	9.6	10.1	10.1	9.8	10.7	10.8	9.9
Clothing and Footwear	1.3	1.2	1.1	1.0	1.0	1.1	1.0	1.1	1.1	1.2
Rent, Fuel and Lighting	1.8	2.2	2.1	2.5	2.4	2.7	2.8	2.8	2.8	2.9
Furniture and Household Goods	2.0	2.0	2.0	2.0	1.9	1.9	2.0	1.8	2.0	2.0
Medical Care	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Transport and Communication	1.9	1.9	2.0	1.9	2.1	1.8	1.5	1.3	1.3	0.8
Recreation and Education	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9
Other Goods and Services	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.5	0.5
<b>All Items</b>	<b>18.2</b>	<b>18.7</b>	<b>17.4</b>	<b>18.6</b>	<b>19.1</b>	<b>19.2</b>	<b>18.7</b>	<b>19.3</b>	<b>19.5</b>	<b>18.3</b>

Source: CSO, Consumer Price Index, October 2005

#### Food and non-food prices influence October inflation

The increase in the food index was due to the increase in the cost of maize meal, maize grain, other cereals and cereal products. However, these increases were offset by falling prices for fresh vegetables, fresh meat, kapenta, fish, eggs, dried beans and irish potatoes.

Annual food inflation was recorded at 18.8 percent, declining by 1.9 percentage points on the September rate of 20.7 percent. Annual non-food inflation rate fell to 17.8 percent, from 18.2 percent in September 2005. A fall in the cost of airfares and motor vehicles also contributed to the decline in inflation.

#### Your Monthly Food Basket

The food basket as at October 2005 was **K703,029** for a family of six. The same family on average was expected to live on **K1,009,540** for all their food & basic needs.

Serving Your Data Needs

## Vegetable and fish prices decline

A comparison of prices between September and October 2005, shows that the national average price of maize grain measured in a 20litre tin increased by 7.4 percent from K16,404 in September to K17,610 percent in October 2005, while that of a 25kg bag of breakfast meal increased by 3.1 percent from K40,557 in September to K41,813 in October 2005. However, the national average price of 1kg of irish potatoes declined by 9.4 percent, and that of 1kg of tomatoes declined by 3.1 percent.

The nation average price of petrol premium per litre between September and October increased by 4.2 percent from K6,082 in September to K6,335 in October. However, the national average prices per litre of diesel and paraffin registered minor decreases of 1.1 percent and 0.3 percent, respectively. Furthermore, the cost of airfares from Lusaka to Ndola declined by 5.5 percent.

### National Average prices for Selected Products and Months

Product Description	2005										Percentage Changes	
	January	February	March	April	May	June	July	August	September	October	Oct/Jan	Oct/Sep
White breakfast 25Kg	34679	35826	35704	35760	35885	36443	36780	38363	40557	41813	20.6	3.1
White Roller 25Kg	27156	28365	28282	28497	28393	27966	28668	30281	31898	33608	23.8	5.4
White Maize 20 litre tin	14055	15377	15853	14146	12892	13272	13766	15197	16404	17610	25.3	7.4
Sorghum 5 litre tin	3415	3672	4140	4355	3919	3399	3622	3227	3384	3155	-7.6	-6.8
Fillet Steak 1 Kg	19636	19792	20353	20277	20205	20416	20533	20385	20759	20568	4.7	-0.9
Mince Meat 1 Kg	16597	16743	15734	16028	15530	15893	16294	16240	16192	16065	-3.2	-0.8
Mixed Cut 1 Kg	13540	13243	13220	13384	13203	13272	13007	13012	13097	12935	-4.5	-1.2
T-bone 1 Kg	17029	16686	16648	16612	16622	16654	16640	16873	16999	16954	-0.4	-0.3
Beef Sausages 1 Kg	16439	16432	16462	16683	16466	16697	16990	17102	17553	17188	4.6	-2.1
Offals 1 Kg	8410	8518	8484	8594	8389	8227	8315	8413	8610	8552	1.7	-0.7
Bream Fresh/Frozen 1 Kg	10784	10721	9784	10775	9320	9871	10778	10379	11818	11382	5.5	-3.7
Dried Kapenta Mpulungu 1Kg	32312	32913	32522	30591	33130	32670	32670	35735	33539	33202	2.8	-1.0
Dried Kapenta Siavonga 1Kg	32373	32931	34412	34606	34228	34566	34589	36052	34008	33692	4.1	-0.9
Dried bream 1 Kg	26842	26894	24935	25041	22471	24053	24753	24431	25296	24233	-9.7	-4.2
Eggs 1 Unit	5939	6086	6086	5906	5810	5888	5916	6011	5961	5949	0.2	-0.2
Onion 1kg	3379	3652	4430	4628	5314	5266	5258	4870	4542	4199	24.3	-7.6
Tomatoes 1kg	2575	2878	2184	2445	2648	2664	2710	2511	2520	2439	-5.3	-3.2
Spinach 1kg	1120	1149	1136	3246	2156	1720	2468	2321	1913	1719	53.5	-10.1
Cucumber 1kg	2259	2004	1691	2064	2229	2122	2142	3233	3695	3515	55.6	-4.9
Fresh okra 1kg	4706	3680	3261	3193	3759	4296	5130	6268	6666	6564	39.5	-1.5
Dried beans 1kg	5043	4968	4927	5362	5337	5007	5213	5134	5485	5330	5.7	-2.8
Banana 1kg	2663	2517	2411	2485	2580	2530	2737	2514	2999	2658	-0.2	-11.4
Irish potatoes 1kg	2930	2656	2551	2611	2530	2742	2874	3344	3019	2736	-6.6	-9.4
Paraffin 1 Litre	3798	3488	3615	3819	4147	4193	4101	4270	4289	4274	12.5	-0.3
Petrol Premium 1 Litre	5300	4896	5186	5619	5856	5714	5561	5856	6082	6335	19.5	4.2
Diesel 1 Litre	4824	4500	4590	4749	5099	5069	5005	5408	5793	5732	18.8	-1.1
Air Fare Lusaka/Ndola	644800	639600	633100	618800	626600	622700	611000	587500	587500	555000	-13.9	-5.5
Bed & continental Breakfast 3to 5 sta Hotel	485686	484232	476840	532809	552335	543553	599849	599351	620874	617842	27.2	-0.5
Nshima with Beef 2 Star down to Motel	19641	19566	19751	19697	19487	19628	20441	21112	21311	21267	8.3	-0.2

## INTERNATIONAL TRADE

### Exports Down, Imports Up

The month of September, 2005 experienced a significantly large decline in the total value of exports of 19.5 percent from K863 .2 billion in August, 2005 to K695.0 billion in September, 2005. On the other hand, imports increased marginally by 1.2 percent from K1,002.0 billion in August to K1,013.7 billion in September 2005. The large drop in exports had the negative effect of widening the trade deficit from K138.7 billion in August to K318.6 billion in September 2005.

#### Exports and Imports, January to September 2005 (K' millions)\*

Months	Exports FOB				
	Imports (CIF)	Domestic	Re-Exports	Total	Balance
Jan	795,007	567,706	5,431	573,137	-221,870
Feb	680,926	472,494	275	472,769	-208,157
Mar	915,911	583,199	398	583,597	-332,314
Apr	1,116,224	673,989	14,413	688,402	-427,822
May	880,177	691,622	13,272	704,894	-175,283
Jun	1,073,977	865,624	699	866,323	-207,654
Jul	1,007,393	702,714	3,147	705,861	-301,532
Aug	1,001,954	860,165	3,053	863,218	-138,736
Sept	1,013,666	691,084	3,958	695,042	-318,624

Source: External Trades Statistics 2005

Figures are provisional; FOB (Free on Board); CIF (Cost, Insurance and Freight)

#### Exports

The total value of exports between August and September declined mainly due to decreases registered in Chemicals, from K8.4 billion to K6.2 billion, manufactured goods classified chiefly by material, from K543.5 billion to K485.5 billion and from miscellaneous manufactured articles, from K148.9 billion to K6.2 billion. The section mainly responsible for the decline in exports between August and September, 2005 was miscellaneous manufactured articles especially in the following products; handbags, other clothing accessories of leather, other cases and containers and articles of a kind normally carried in the pocket or handbag.

#### Exports by SITC\* Section, August- September, 2005 (K' Millions)

Code	Description	August	September
0	Food & Live Animals	26,190	37,317
1	Beverages & Tobacco	44,217	46,806
2	Crude Materials, (Exc. Fuels)	80,444	99,744
3	Mineral Fuels, Lubricants & Related Materials	2,821	2,595
4	Animal & Vegetable Oils, Fats & Waxes	21	158
5	Chemicals	8,371	6,155
6	Manufactured Goods Classified Chiefly By Material	543,548	485,496
7	Machinery & Transport Equipment	9,481	10,434
8	Miscellaneous Manufactured Articles	147,941	6,182
9	Commodities & Transactions Nec In SITC	230	157
<b>Total</b>		<b>863,218</b>	<b>695,042</b>

Source: External Trades Statistics 2005

\* Standard International Trade Classification

#### Imports

Total imports increased marginally by 1.2 percent between August and September, 2005. However, imports of 'mineral fuels and lubricants and related materials' registered a large drop between the two months. The product responsible for the decline in this section was mainly 'Petroleum oils and oils from bituminous minerals'. The other category of products that registered a decline in the total value of imports was food and live animals. The drop in the total imports bill resulting from mineral fuels and lubricants and related materials' and 'food and live animals' was, however, more than offset by increases in imports of manufactured goods. The main products responsible are parts & accessories of a camera, structures and parts of structures, printed matter and also tyres for buses, lorries, etc.

The chemicals category also registered an increase in total value of imports. The increase could mainly be attributed to the following products: Double salts & mixtures of ammonium, Sulphate & ammonium nitrate, Sulphuric acid, oleum, Urea, whether or not in aqueous solution, 'Mixtures of odoriferous substances for the food or drink industry, Pharmaceutical goods, excluding. Medicaments, herbicides, anti-sprouting products & plant growth regulators and Polypropylene in primary forms, etc.

#### Imports by SITC\* Section, August- September, 2005 (K' Millions)

Section	Description	Aug 2005	Sept 2005
0	Food & Live Animals	33,820	31,246
1	Beverages & Tobacco	1,370	763
2	Crude Materials, (Exc. Fuels)	28,661	31,485
3	Mineral Fuels, Lubricants & Related Materials	133,455	107,009
4	Animal & Vegetable Oils, Fats & Waxes	15,374	14,895
5	Chemicals	160,947	170,531
6	Manufactured Goods Classified Chiefly By Material	133,533	143,568
7	Machinery & Transport Equipment	279,723	279,872
8	Miscellaneous Manufactured Articles	212,408	226,834
9	Commodities & Transactions Nec In Sitc	2,663	7,463
<b>Total</b>		<b>1,001,954</b>	<b>1,013,666</b>

Source: External Trades Statistics 2005

\* Standard International Trade Classification

#### Imports by Broad Economic Categories

Broad Economic Categories (BEC) show how imported goods are used domestically. In September, 2005 the country used 46.8 percent (43.9 percent in August, 2005) of its imports as Industrial supplies, followed by 11.9 percent as capital goods (11.7 percent in August, 2005)

## Imports by BEC August and September, 2005

Section	Description	August (K' Million)	%	September (K' Million)	%
22	Industrial supplies, processed	439,540	43.9	474,251	46.8
41	Capital goods (except transport equipment)	116,975	11.7	120,737	11.9
31	Fuel and lubricants, primary form	126,692	12.6	98,521	9.7
42	Parts and accessories of capital goods	74,395	7.4	84,658	8.4
521	Industrial transport equipment	48,306	4.8	34,588	3.4
63	Non-durable consumer goods nes	28,511	2.8	30,679	3.0
53	Parts & accessories of transport equipment	28,722	2.9	29,546	2.9
21	Industrial supplies, nes, primary form	25,592	2.6	29,160	2.9
122	Food & beverages, processed, mainly for h/hold consumption	19,442	1.9	19,042	1.9
51	Passenger motor cars	20,935	2.1	18,833	1.9
61	Durable consumer goods nes	17,719	1.8	18,652	1.8
62	Semi-durable durable consumer goods nes	18,363	1.8	16,602	1.6
121	Food and beverages, processed mainly for industry	17,051	1.7	16,031	1.6
7	Goods not elsewhere specified	2,905	0.3	7,589	0.7
111	Food and beverages mainly for industry	4,684	0.5	5,227	0.5
112	Food and beverages mainly for household consumption	8,440	0.8	5,023	0.5
322	Fuels and lubricants, processed, other	2,205	0.2	2,519	0.2
522	Non-industrial transport equipment	1,477	0.1	2,008	0.2
<b>TOTAL</b>		<b>1,001,954</b>	<b>100.0</b>	<b>1,013,666</b>	<b>100.0</b>

Source: External Trades Statistics 2005

## Copper Production Slumps!

The Index of Industrial Production (IIP) for the first two quarters of 2005 is provisionally estimated to have risen by 4.2 percent compared with the same period of 2004. This growth, however, is lower by 2.3 percentage points when compared to the 6.5 percent recorded in the first two quarters of 2004. This may be attributed to among other factors the decline in production in the Metal Mining industry.

## Index of Industrial Production (Year 2000=100)

Period	Total Index	Mining & Quarrying	Coal	Non-ferrous Ore	Stone Quarrying	Manufacturing	Electricity
<b>Weight</b>	<b>1.000</b>	<b>0.350</b>	<b>0.005</b>	<b>0.242</b>	<b>0.103</b>	<b>0.511</b>	<b>0.139</b>
2000	100.0	100.0	100.0	100.0	100.0	100.0	100.0
2001	105.1	113.9	66.0	122.1	96.7	96.3	115.3
2002	103.6	111.4	50.2	126.0	79.9	97.3	106.9
2003	113.0	126.7	44.2	140.0	99.1	105.5	106.8
2004	122.2	145.4	61.6	158.2	119.0	111.3	103.5
2004 (Q1+Q2)	120.5	149.8	40.8	166.1	116.2	104.2	106.8
2005 (Q1+Q2)	125.6	157.3	83.0	159.7	155.0	107.9	110.7
<b>Percentage Change</b>							
2001	5.1	13.9	(34.0)	22.1	(3.3)	(3.7)	15.3
2002	(1.4)	(2.2)	(23.9)	3.1	(17.3)	1.1	(7.3)
2003	9.1	13.7	(12.1)	11.1	24.1	8.4	(0.1)
2004	8.0	14.8	39.5	13.0	20.0	5.5	(3.0)
2004 (Q1+Q2)	6.5	14.2	(5.1)	13.3	17.5	2.9	(4.2)
2005 (Q1+Q2)	4.2	5.0	103.4	(3.9)	33.4	3.6	3.6

Source: CSO, Index of Industrial Production

The mining and quarrying sector has three sub sectors namely Coal, Non-ferrous Ores and Stone Quarrying and has a weight of 35 percent in the total Index of Industrial Production. Within 35 percent, non-ferrous ore mining (copper and cobalt) contributes about 69 percent whilst stone quarrying accounts for nearly 30 percent leaving only 1 percent for the coal mining.

Overall, the mining and quarrying output increased by 5.0 percent in the first two quarters of 2005 compared with the same period of 2004. The increase is as a result of positive growth mainly in stone quarrying and also in coal mining.

## Coal Production increases

The last two years have seen resurgence in the production of coal. The Coal Index moved from 40.8 in the first half of 2004 to 83.0 in the first half of 2005. This represents a growth of 103.4 percent in the first two quarters of 2005 compared to a decline of 5.1 percent in the first two quarters of 2004. This increase may be attributed to high production levels resulting from the high demand for coal, mostly from the mines.

## Coal Production 2004- Q2 2005 (metric tons)

	2004				2005	
	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 1	Qtr 2
Production (Mt)	13,418	21,880	36,332	30,710	32,240	40,152

Source: CSO, Index of Industrial Production

## Non-Ferrous Ore

The non-ferrous mining sector comprises copper and cobalt production, which have production weights of 85 percent and 15 percent, respectively. This sector, which has traditionally been the mainstay of the Zambian economy, showed a decline in production of 3.9 percent in the first two quarters of 2005 compared to the first two quarters of 2004, which recorded a growth of 13.3 percent. The negative growth in the non-ferrous mining sector may be attributed to the ore smelter breakdowns and industrial unrest at one of the major producers of the ores. Copper output declined by 4.1 percent from 199,264 metric tons in the first half of 2004 to 191,075 metric tons in the first half of 2005. Cobalt production decreased by 3.3 percent to 2,824 metric tons in the first two quarters of 2005 from 2,920 metric tons in the first two quarters of 2004.

## Copper and Cobalt Production 2004-Q2 2005 (in metric tons)

	2004				2005	
	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 1	*Qtr 2
Copper	96,232	103,032	106,030	105,677	90,639	100,436
Cobalt	1,442	1,478	1,616	1,854	1,457	1,367

Source: CSO, Index of Industrial Production

### Stone Quarrying

The Stone quarrying sector has had strong positive growth in the last three years. The sector showed an increase of 33.4 percent in the index from 116.2 in the period January to June 2004 to 155.0 in the period January to June 2005. This is owing to increased production of sand and crushed stones pushed by higher demand from the construction and metal mining industry.

## LIVING CONDITIONS

### Only 1 In every 4 Households drink Treated Water

In Zambia, water supplied through the public water supply systems is normally chlorinated and safe for drinking. However health authorities, encourage households to boil or treat their drinking water, as an added precaution. This exercise is mainly for those households whose main sources of drinking water are considered unclean and unsafe.

The Living Conditions Monitoring Survey 2002/3 results indicate that treatment of water is not widespread in Zambia and does not vary much by season. At National level, results indicate that about one in every four households treated or boiled water in both the dry and wet season.

Results further indicate that in urban areas, 48 percent of households' boiled/treated their drinking water in wet season while 45 percent did so in the dry season. The proportions of rural households that boiled or treated drinking water were 17 and 15 percent during the wet and dry seasons, respectively.

### Households that Treated/Boiled drinking water during Wet and Dry Seasons by Rural/Urban, and Province, 2002- 2003

Residence/ Province	Proportion that Treated/Boiled Drinking water (Wet Season)	Proportion that Treated/Boiled Drinking water (Dry Season)	Total number of Households
All Zambia	27	25	2,005,677
Rural	17	15	1,329,702
Urban	48	45	675,975
<b>Province</b>			
Central	39	36	194,444
Copperbelt	45	42	315,078
Eastern	12	11	276,600
Luapula	25	25	169,592
Lusaka	49	46	271,421
Northern	22	22	271,237
North western	18	18	117,563
Southern	14	11	224,783
Western	4	3	164,959

Source: 2002/2003 Living Conditions Monitoring Survey III

Analysis at provincial level shows that water treatment in both the wet and dry season is more common in Lusaka. The percentage of households who treated water in both the wet and dry season in Lusaka Province were 49 and 46 percent, followed by those in Copperbelt at 45 and 42 percent, respectively. The least proportions of households that treated water were in Western province with only 4 percent and 3 percent of households' treating/boiling water in the wet and dry season, respectively.

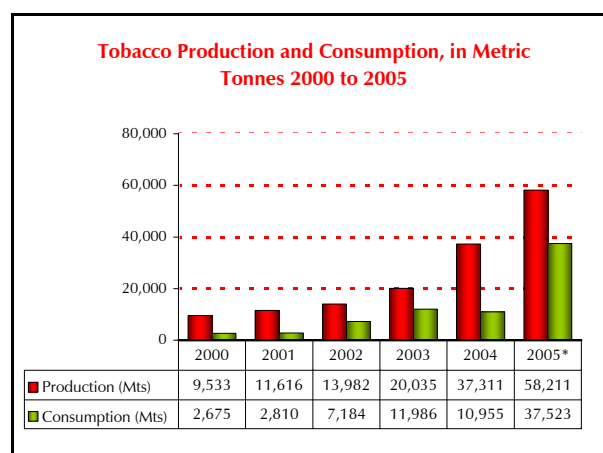
## FEATURE ARTICLE

### The Tobacco Industry in Zambia

Tobacco is one of the emerging key Non-Traditional Exports (NTEs) for Zambia. The favourable climatic conditions and ecology encourage the production of this crop.

In this feature article, an attempt is made to provide an analysis of the production trends, export potential and apparent use/consumption of tobacco by the local industry.

Generally, the production levels of tobacco have had a steady increase from 9,533 metric tonnes in 2000 to 58,211 metric tonnes in 2005. The findings are based on agricultural surveys conducted jointly by CSO and MACO; and other additional information from MACO for the respective years. A closer look at the production levels of tobacco reveals dramatic increases in the recent past. After 2002, significant tobacco outputs were recorded with the highest estimates of 58,211 metric tonnes being realised in 2005.



Source: Production = PHS, CFS and MACO and Trade = International Trade Statistics Unit

The available tobacco for the local industry has been increasing from 2,731 metric tonnes to 37,609 metric tonnes between 2000 and 2005.

This positive scenario indicates a progressive and sustained availability of the much needed raw material for the local tobacco industry, mainly for the manufacture of cigarettes.

### Tobacco Production, exports and imports in metric tonnes, 2000 to 2005

	2000	2001	2002	2003	2004	2005*
Production (Mt)	9,533	11,616	13,982	20,035	37,311	58,211
Exports (Mt)	6,830	8,257	6,575	7,547	26,129	20,645
Imports (Mt)	28	549	223	502	227	43
Apparent Consumption (Mt)	2,731	3,908	7,630	12,990	11,409	37,609

Source: Production = PHS, CFS and MACO and Trade = International Trade Statistics Unit

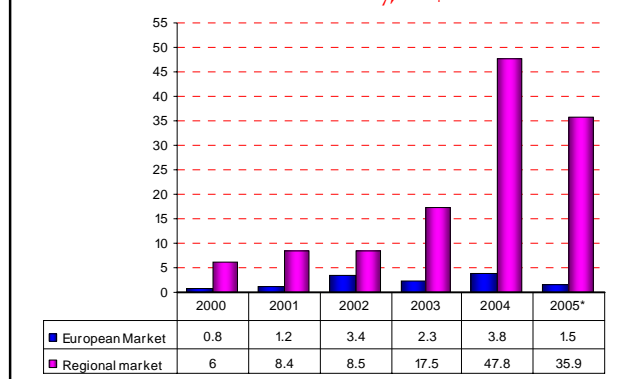
The sale of tobacco to the rest of the world showed gradual growth between 2000 and 2003; before a swift upward trend there after, with the highest export figure of 26,129 metric tones recorded in 2004. However, despite these increases in volumes of exports, Zambian tobacco sector still faces competition from Malawi and Zimbabwe regionally and on the international market from USA and Brazil. These producers equally sale their tobacco to the same buyers like Zambia.

Analysis of the outputs of the tobacco sector, mainly unprocessed/semi-processed tobacco, cigarettes and related products, unveils a trend indicating a general growth in foreign exchange earnings from tobacco and its products between 2000 and 2004.

Trends of the major destinations of Zambia's tobacco and its manufactured products indicate that, there has been more demand regionally than from the European markets over the years.

This trend in demand could be attributed to various factors including the weakness of the Euro against the US dollar and increasing availability of the commodities from European exporters and lower transport costs on the part of the buyers. Consequently, these factors have put pressure on Zambia's exports to the European market; hence the concentration on the regional markets. Through out the period under review, Malawi remains the major market for Zambia's tobacco. Between 2000 and 2002, the Malawian market spent on average about US \$ 3.8 million on Zambian tobacco/products. The average revenue increased drastically to about US \$ 20.6 million between 2003 and 2005.

### Comparison of revenue from Major markets of Zambian Tobacco Industry, US \$ Million



\* Data up-to August 2005

The table below indicates that there was a significant difference between sales to the two markets. Revenue from the European market was US \$ 0.8 million in 2000 and US \$ 1.5 million in 2005; whereas revenue from the regional market was US \$ 6.0 million and US \$ 35.9 million over the same period, respectively.

### Major Destinations of Zambian Tobacco/products Exports in (US \$ Million), 2000 to 2005

Destination	2000	2001	2002	2003	2004	2005*
Belgium	0.0	0.2	0.3	0.8	0.9	0.1
Denmark	0.0	0.1	0.0	0.0	1.6	0.0
France	0.0	0.2	0.4	0.4	0.0	0.1
Germany	0.8	0.7	2.7	1.1	1.3	1.3
Malawi	3.3	3.9	4.1	13.2	25.0	23.7
South Africa	0.3	3.5	3.5	1.1	0.6	0.0
Zimbabwe	2.4	1.0	0.9	3.2	22.2	12.2
Other	3.4	2.1	4.8	2.6	4.3	1.6
<b>Total</b>	<b>10.2</b>	<b>11.7</b>	<b>16.7</b>	<b>22.3</b>	<b>56.0</b>	<b>39.0</b>

Source: International Trade Statistics Unit,

\*Data for 2005 runs up to August only.

### Growth Opportunities

- The industry has potential for expansion in terms of local production especially after the declining contribution of Zimbabwe to the regional stock of tobacco.
- The other positive factor is the pronouncement by government to make agriculture the main stay of the Zambian economy which has had a positive impact on the agricultural industry as whole.
- The vast arable land which still remains under utilized provides an opportunity for expansion.

- Recent political events in the Southern African region have also contributed to the dramatic shift in the fortunes of the Zambian tobacco industry leading to increased foreign direct investment on the local production which is a result of an influx of farmers from neighbouring countries who have settled mostly in central and southern provinces of Zambia. This has had a direct positive impact on the sector; especially with the increased tobacco out put observed after 2001.
- Continued demand of the Zambian brand of tobacco by the international buyers is another indicator of possible growth area.

### Challenges of the Sector

This sector like any other experiences various constraints, some of the major ones being:

- Tobacco production in Zambia is controlled by the buyers. Most of the farmers engage into contracts with tobacco firms who back them in accessing bank loans to produce the crop. For example, the price of Burley tobacco sold in 2004 ranged between US \$ 0.8 to US \$ 1.09 per Kg, while for Virginia tobacco the range was from US \$ 1.13 to US \$ 1.90 per Kg.
- Reliance on old farming techniques which in most cases led to low yield rates. Yield rates usually vary from 2,000 kg/ha to 3,000 kg/ha for well managed crops. Average yield rates for tobacco grown by small scale farmers is usually around 1,000 kg/ha.
- The limited processing capacity of the only plant in Zambia is a major bottleneck for the sector. Currently, the plant handles most of the crop grown domestically. However, it is still not known whether the plant will cope with the current rate of expansion of the industry. In fact, if the rate of expansion continues at the current pace, and with the current processing capacity, the country might resort to start exporting the excess unprocessed leaf, which consequently would lead to lower prices for the local farmers.
- The other major constraint is the International Anti-Tobacco lobby, the movement which poses a future challenge to the industry. Several campaigns have in the past been staged to prevent the expansion of the tobacco industry; mainly citing health reasons such as lung cancers and other related respiratory complications.
- Poor infrastructure like roads, storage facilities are other bottlenecks experienced by the sector.

When the growth opportunities enumerated above are properly harnessed and most of the challenges addressed, through formulation of good agricultural related policies by government, the agricultural sector, and specifically the tobacco sub-sector stands to grow to higher heights and propel the economy of the nation further.

## The Layman and Statistics

**SITC:** Stands for Standard International Trade Classification. It is a trade statistical nomenclature mainly used in trade statistical analysis.

**BEC:** It stands for Broad Economic Categories. This show how imported goods are used domestically.

**Index of Industrial Production** refers to the changes in the volume of industrial production from one period to another compared with a base period.

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