

Services snapshot

Zambia



KEY SERVICES DATA¹, 2012

Services ² share of industry value added 2013: **72%**
 Services share of employment: **37.5%**
 Trade in services ³ contribution to GDP: **8%**
 Services share of exports: **5%**
 Services export breakdown: **transportation (52%), travel (33%), other commercial services (15%)**
 Services import breakdown: **transportation (61%), other commercial services (32%), travel (7%)**
 Services exports: **US\$ 467 million**
 Services imports: **US\$ 1.2 billion**
 Services trade deficit: **US\$ 739 million**

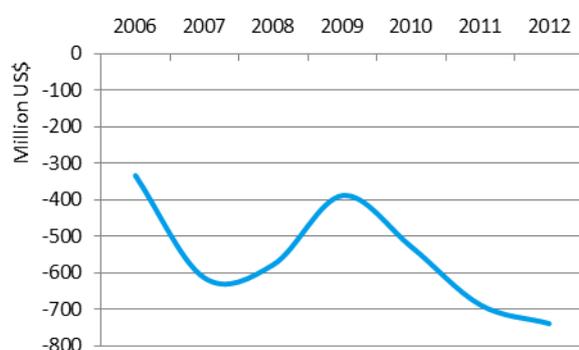
SERVICES AT A GLANCE

Since 2000, GDP growth has been stable at an average rate of 5.7% p.a. ⁴ and is expected to increase to 6.5% for 2016.⁵ Although the economy has been based historically on the copper mining industry⁶, the services sector is dominant, accounting for 69% of the gross value added in 2013.⁷ However, agriculture employs the majority of workforce (56%) followed by services at 37.5%.⁸

Services exports, at US\$ 467 million in 2012, have accounted for roughly 5% of total exports in the past few years. Transportation accounts for the largest share of both services exports (52% in 2012), and imports (61%) and these shares are increasing. In particular, over the 10 years to 2013, the export composition has shifted dramatically towards transport services with travel services becoming less important.⁹

The services trade deficit has been increasing since 2009 to reach US\$ 739 million in 2012 (see Figure 1). It is mostly generated by a net transport services trade deficit, which in 2012 accounted for 67% of the services trade deficit, and by a net trade deficit in financial services which has also been increasing.⁹

Figure 1. Services trade deficit



SERVICES SUBSECTORS

Financial services

The financial sector is among the fastest growing in the economy at a growth rate of 12% p.a. and in the short term it is expected to expand further although at a slower pace. There remains a gap in financial services access between rural and urban areas. The former is characterised by limited financial intermediation whereas the latter is witnessing an expansion of the banking network with increasing availability of ATMs.¹⁰ There are some mobile money services providers such as Celpay and Mobile Transactions (MT). An AudienceScapes¹¹ survey conducted in April 2010 showed that the majority of mobile money users are already banked, have at least some secondary education and live in urban areas in high-income households.¹²

There is a small net trade deficit in financial services which has been increasing to reach US\$159 million in 2012. Insurance and financial services share in services imports has been increasing, accounting for 14% in 2012 (see Figure 2).⁹

Communication services

Communications have been among the most significant GDP growth drivers and they are expected to remain robust in the medium term.¹⁰ Within the communications industry, mobile communication services is the leading subsector. In 2013 there were 71.5 mobile-cellular subscriptions per 100 inhabitants compared with only 0.8 fixed-telephone subscriptions.¹³ This was a substantial increase from the 41 mobile phone subscriptions per 100 inhabitants in 2010.⁴ Slightly less than half of the market is dominated by the mobile network operator Bharti Airtel, whereas the South African MTN provider (with a similarly high market share of 40%) is the fastest growing. Zambia recently accessed the international submarine fibre optic cables, thus gaining significant benefits including an increase in broadband

Figure 2. Financial services share in services trade

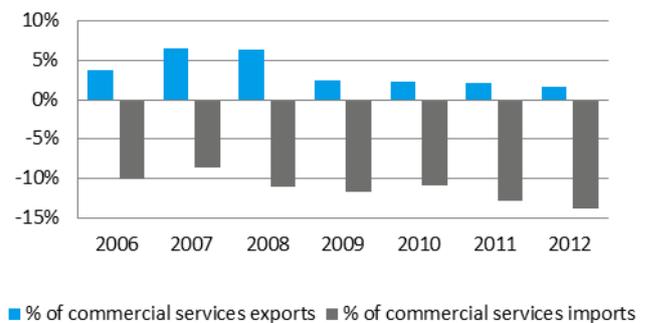


Figure 3. Communication services share in services trade

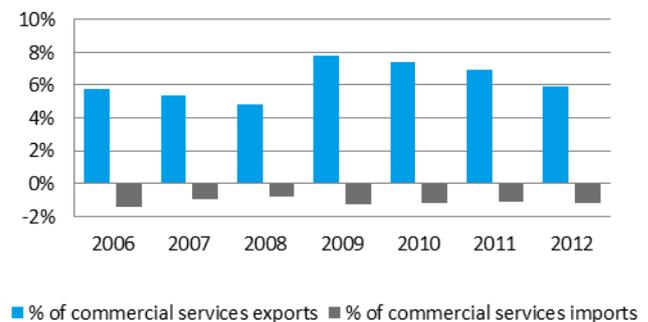
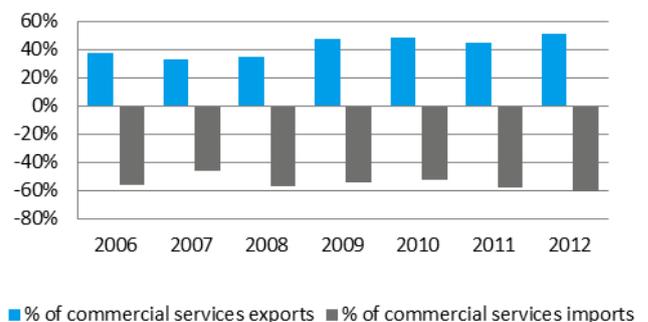


Figure 4. Transport services share in services trade



penetration.¹⁴ In 2012, there were 33 secure internet servers, up from 21 in 2011 (a 57% increase), and 15 Internet users per 100 inhabitants.⁴

Trade in communication services is traditionally in net surplus. In 2012, communication services accounted for 6% of services exports and the share is decreasing (see Figure 3).⁹

Transport services

Although the transport sector is characterised by poor infrastructure and high transport costs, transportation is nevertheless central to Zambia's economic performance.¹⁰ Through the railway network, the landlocked country is connected to regional ports in Mozambique, Zimbabwe and South Africa. The rail network is operated by Tanzania Zambia Railway (Tazara) and Zambia Railways Limited. The road network was badly damaged by the strong rain season in 2006 and 2007 but is slowly rebuilding thanks to investments from donors and the National Roads Board. There are currently 15 private airlines in operation since Zambia Airways collapsed in 1994.¹⁴

Transportation accounts for the largest share of both services imports (US\$ 735 million or 61%) and exports (US\$ 241 million or 52%) (see Figure 4). Freight transport is the main transportation mode that Zambia exports. **Trade is traditionally in net deficit** (US\$ 494 million in 2012, generating 67% of the overall services trade deficit).⁹

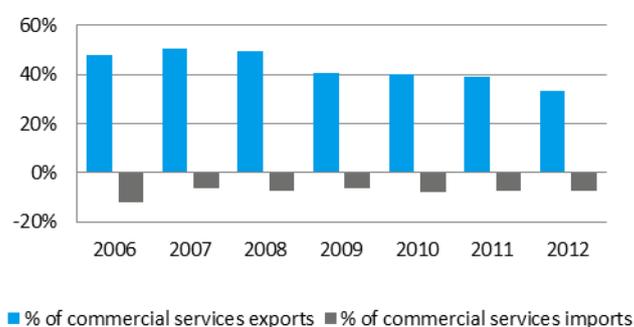
Tourism

Zambia is a unique tourism destination. The country benefits from a warm climate and offers wilderness experiences such as a bath on top of the renowned Victoria Falls. In general international tourist arrivals have been increasing over the last decade although between 2011 and 2012 there was a 7% decline to 859,000 international tourists in 2012.⁴ The industry directly supported 23,300 jobs and this figure is expected to rise. The market is almost equally divided

between leisure travel (51%) and business travel (49%).¹⁵ The largest share of travel spending is still generated by domestic travellers (72%).

Zambia is traditionally a net exporter of travel services, with a trade surplus of US\$ 69 million. Travel services accounted for 33% of services exports, the second largest share of services exports after transportation (see Figure 5).⁹

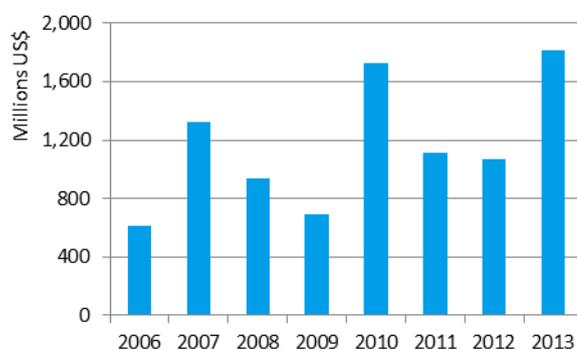
Figure 5. Travel services share in services trade



FOREIGN DIRECT INVESTMENT (FDI)

Inflows of FDI have seen an increase since 2006 but have taken an irregular path (see Figure 6). FDI almost doubled between 2012 and 2013 hitting US\$ 1.8 billion in 2013.⁴

Figure 6. FDI net inflows



In 2013, there was a rise in capital expenditure and in the number of recorded projects, but the number of investing companies remained the same as 2012, at 18.¹⁶ The leading investors are non-African (China, Canada, Switzerland, India, Australia, United Kingdom and others).¹⁷ The mining sector is still the single most important recipient of FDI although growth of FDI directed to the sector is slowing down compared to services.¹⁰

Zambia ranks 111th of 189 economies in the World Bank Ease of Doing Business index of June 2014.¹⁸

FOOTNOTES / SOURCES

1. Key data derived from: UN statistics division – National Accounts Official Country Data, ILOSTAT - LFS - Labour Force Survey, WTO Trade Profile, ITC Trade Map.
2. The services percentage of industry value added includes construction and utilities.
3. All trade data is for commercial services. Data for all figures derived from Trade Map (ITC, UNCTAD, WTO joint dataset).
4. World Bank - World Development Indicators.
5. World Bank – Global Economic Prospects.
6. UN Comtrade and UN ServiceTrade.
7. UN statistics division – National Accounts Official Country Data.
8. ILOSTAT - LFS - Labour Force Survey.
9. ITC Trade Map.
10. African Development Bank - African Economic Outlook, Zambia (2014).
11. AudienceScapes is an online tool and research program providing essential media use and communication information on developing countries from a bottom-up perspective, based on in-depth analysis by the AudienceScapes research team. AudienceScapes Project was conceived by InterMedia, a non-profit research, evaluation, and consulting organization, specializing in transitional and developing societies. InterMedia serves a variety of government, NGO and private sector clients in more than 80 countries.
12. InterMedia Knowledge Center – AudienceScapes - Development Research Series, "Mobile Communications in Zambia. A demand-side analysis based on the AudienceScapes Survey" (2010).
13. ITU, Country Profile, Zambia (2013).
14. KPMG Africa Region 2012/2013, Country profile, Zambia (2014).
15. World Travel and Tourism Council - Travel and Tourism, Economic Impact, Zambia (2014).
16. Jonathan Porter (2014), "Zambian FDI inflows increase in 2013", fDi Intelligence Magazine. Available online: <http://www.fdiintelligence.com/Trend-Tracker/Zambian-FDI-inflows-increase-in-2013>
17. COMESA Regional Investment Agency.
18. World Bank Group – Doing Business Index, June 2014.



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