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Accelerating Export Growth in Zambia

Based on the ZIPAR Working Paper "Birth, Death and Survival of Exports in Zambia: 1999-2011"
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Export-transactions data for the period 1999-2011 in Zambia suggests that much of the growth in the value of exports has been driven by the contribution of new exporters than pre-existing exporters. The catastrophic growth among pre-existing exporters is explained by the high death rate that occurs within the first two years of exporting. Approximately between 50%- 60% of exporters will not survive beyond the year of export commencement. We discuss the potentially important policy implications of these rather surprising results relative to the sizeable evidence that shows it is the deepening of export values among existing exporters that drives much of the year-on-year growth in exports for many advanced and developing countries.

There are many reports that provide a descriptive and comparative assessment of Zambia's export performance. They provide a great deal of knowledge on the growth and concentration of exports in particular products, markets and economic sectors. What has been missing, however, is an analysis of the export dynamics that account for the entry, exit and persistence of exports overtime. Consequently, it is unknown what matters most between promoting new exporters and sustaining pre-existing exporters in propelling export growth in the nation.

Evidence from ASYCUDA data

The data collected from the ASYCUDA system used by the Zambia Revenue Authority to process export transactions indicates that the nominal value of exports has been rising year-on-year although growth has been sporadic in some years with a significant drop recorded during the financial meltdown in 2008/9 as shown in Figure 1. Based on a framework that has recently proliferated in international trade, we decompose the growth of exports into the *"intensive margin"* and the *"extensive margin"*. Our results suggest that it is the value from new exporters that drives the growth in the value of exports in Zambia or the extensive margin. The growth in the value of exports at the intensive margin which is the percentage change in the value of pre-existing exporters is predominantly negative although it improves in some periods as shown in Figure 2.

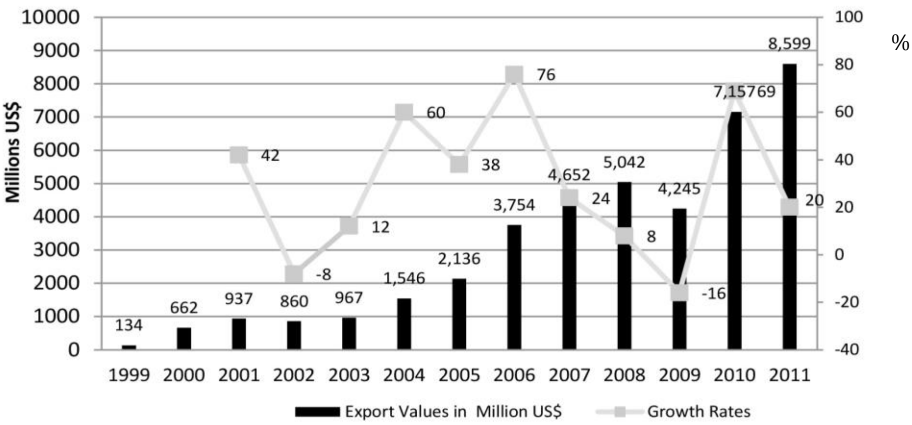

Figure 1 - Growth of Exports in Nominal Value

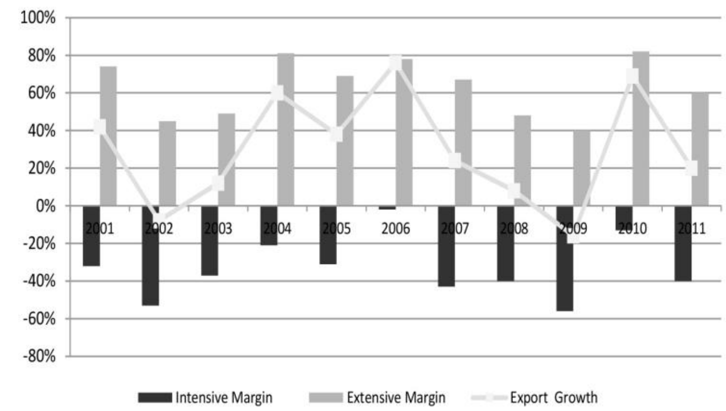

Figure 2 - Decomposition of Export Growth 2000-2011

Zambia's export performance on the intensive margin is relatively poor, mainly owing to low survival rates and a decline in export deepening. Specifically, the country's poor performance on the intensive margin can mainly be attributed to the decline in export values for firms that survive and to some extent the value lost to firms that exit the export market. The year on year survival rates mainly lie between 50% and 60% while the deepening rates are mostly very low and in some cases negative. This implies that almost half of the exporters in any particular year exit the export market by the following year while the surviving firms tend to record a decline in the value of their exports in the subsequent years they continue to exist.

The pattern at the sectoral level mimics the observation at the aggregate level. The extensive margin dominates the growth of exports across all the sectors. In most years, the intensive margin is negative indicating a decline in the value of exports for surviving exporters and due to mortality among exporters in the past year. On average survival rates are similar across all sectors ranging between 50% and 60% except for the machinery, electronics and transportation equipment sector where survival rates over the period are lower averaging 39%. The predicted likelihood of survival for any exporter in a particular period following export commencement is shown in Figure 3. The likelihoods are shown for all exporters combined together labelled as exporters, thereafter among groups of exporters per given product and market and the triplet of exporters per market per destination. The picture shows that survival in products is extremely low. This probably reflects stiffer competition in exporting new products than venturing into new markets or perhaps, difficulty in competing on quality for export products.

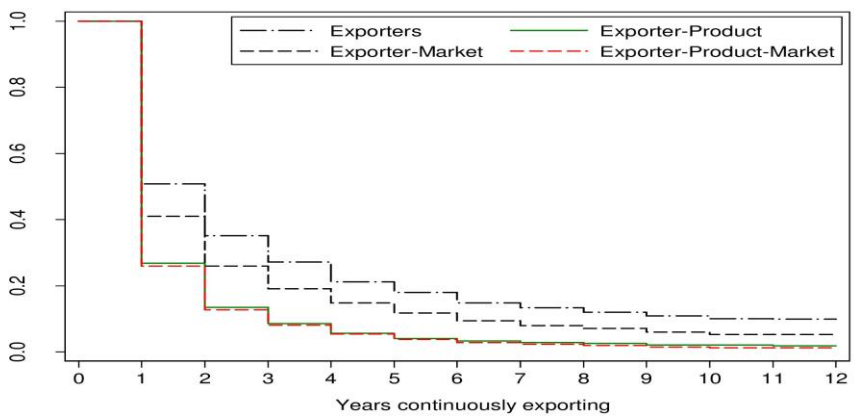

Figure 3 – Duration of Survival in Exporting

Possible Policy Implications

Our most important finding is that, year-on-year nominal value growth in exports came mainly from new exporters. This is a highly policy relevant result as the country seeks to grow the contribution of exports to its Gross Domestic Products that is still below 50%. Our research shows that rapid growth of the export sector is likely to be achieved by a simultaneous implementation of interventions. One set of interventions should be directed at supporting entry into exporting among firms. Another set should target improving the duration of survival by reducing the high level of mortality among exporters. A third set of interventions should target growth or deepening in the value of exports among exporters that survive.

Moving Forward ...

There is urgent need to carefully understand the factors that are responsible for the high mortality among exporters within the first year of birth

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