



United Nations
Economic Commission for Africa

COVID-19: implications for trade and the role of the AfCFTA

UNU-WIDER

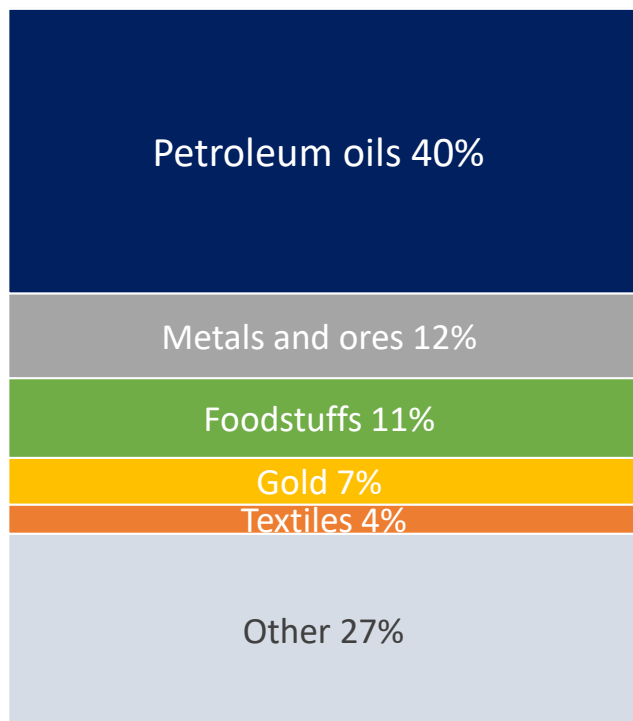


11th February, 2021
Virtual

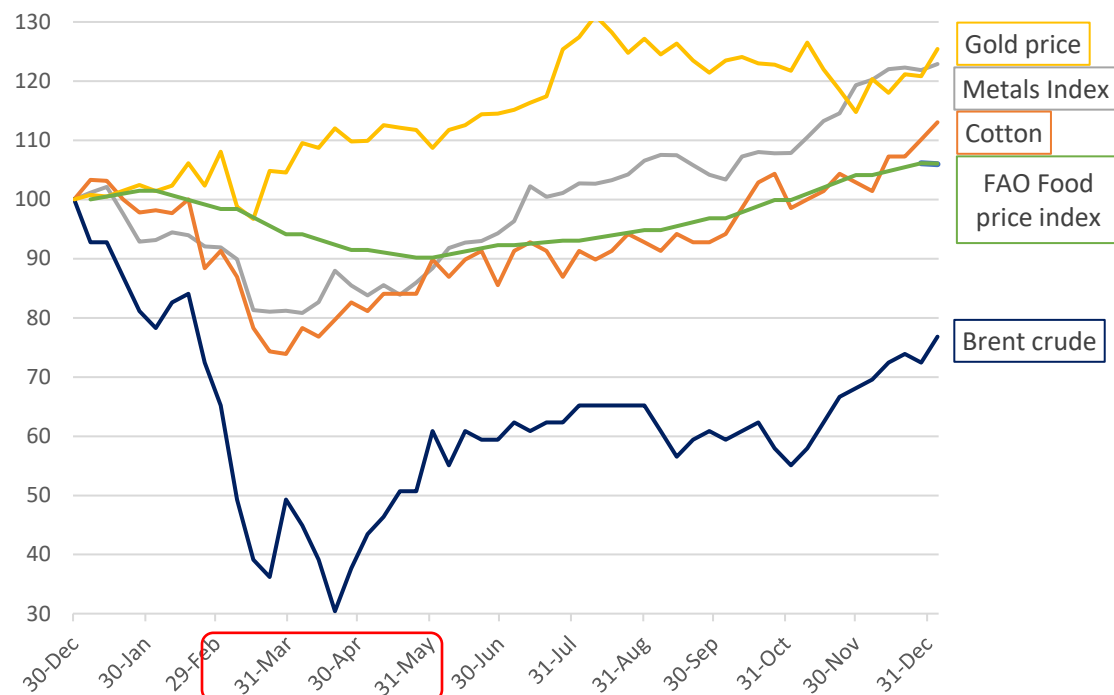
Impact of Covid-19 on African trade

Transmission channel 1: Commodity prices

Composition of Africa's total exports



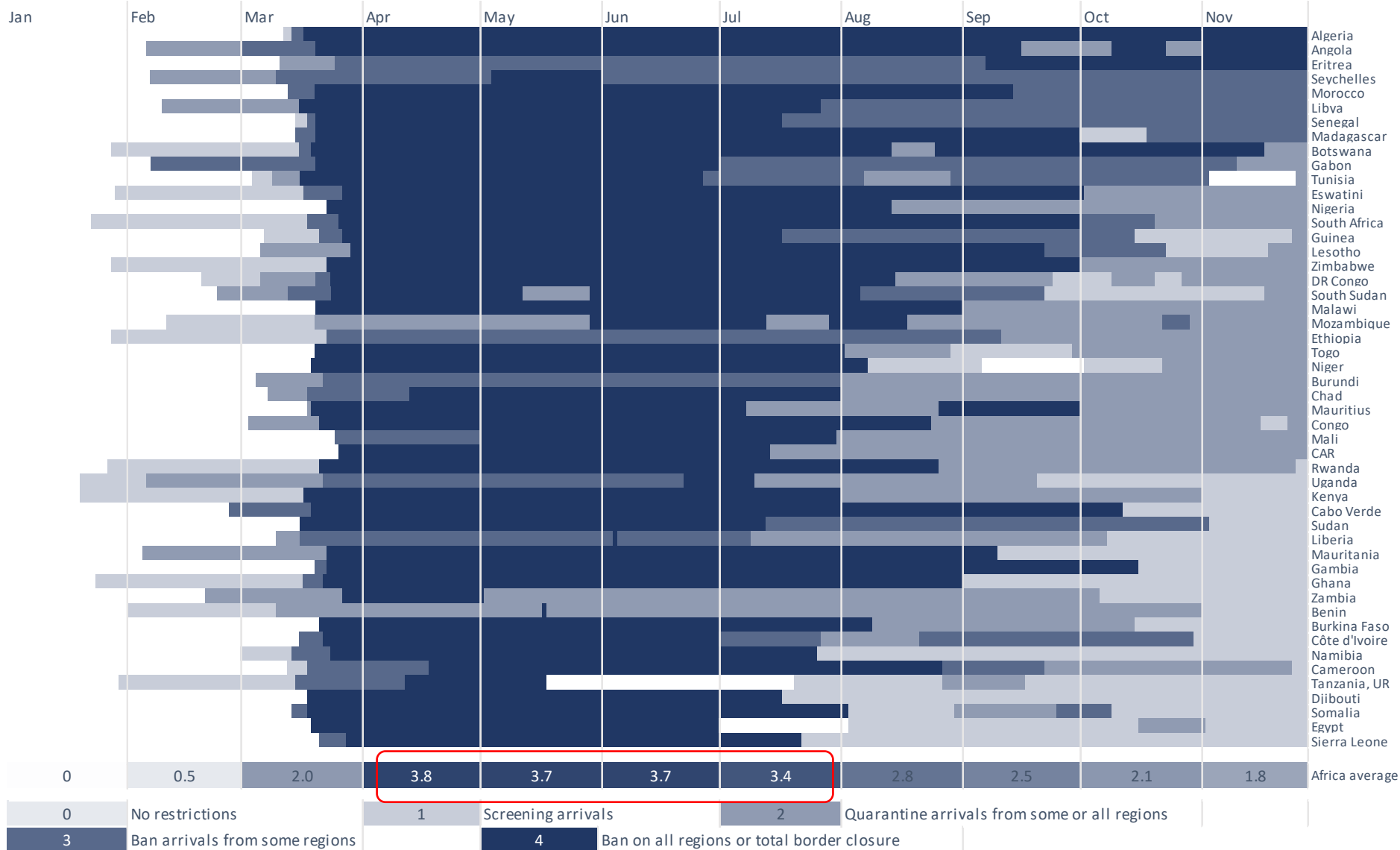
Prices of Africa's most important commodities



Source: Based on ITC TradeMap Data (2016-18 average) and FAO and Trading Economics, February 2021

- As the severity of COVID-19 emerged through Feb-Mar, commodity prices plummeted for more than 67% of Africa's exports, and especially oil
- An improvement from May with many commodities recovering by year end, with notable exception of oil remaining down more than 25%

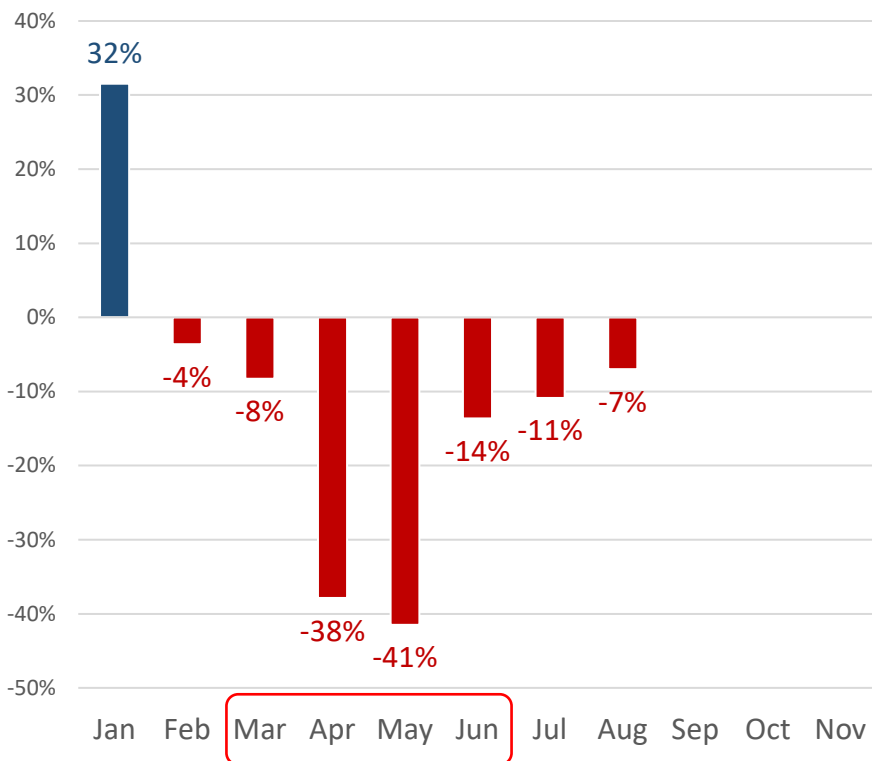
Transmission channel 2: cross-border movement restrictions



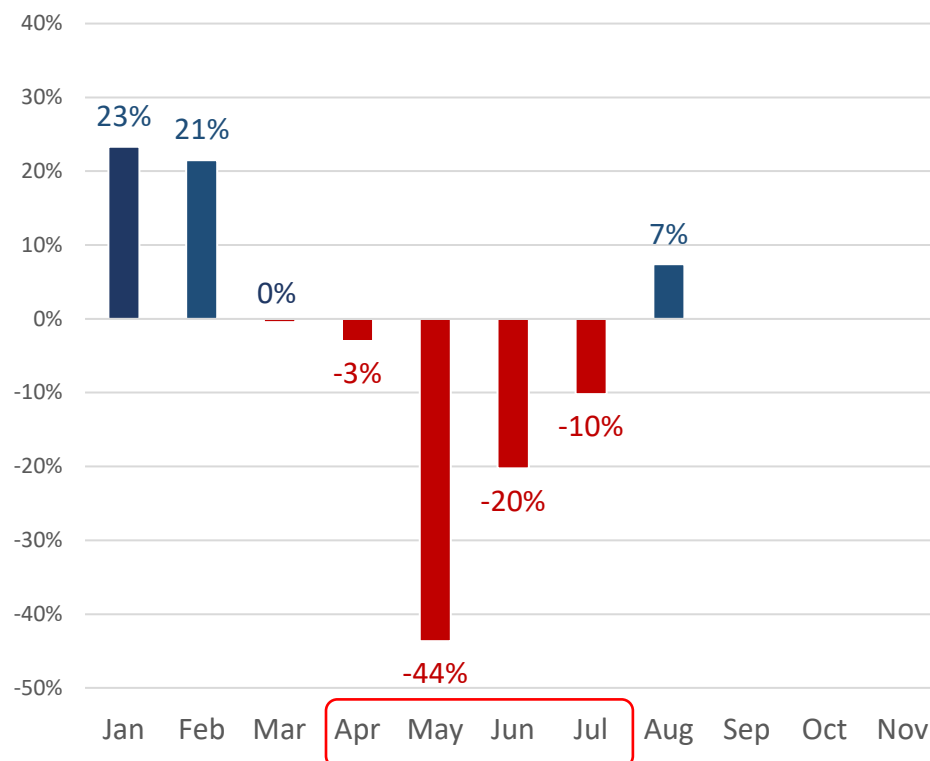
Source: Based on Oxford Coronavirus Government Response Tracker (OxCGRT), November 2020

Impact on Africa's world and regional exports

Africa's exports to the world, 2020 YoY



Intra-African exports, 2020 YoY

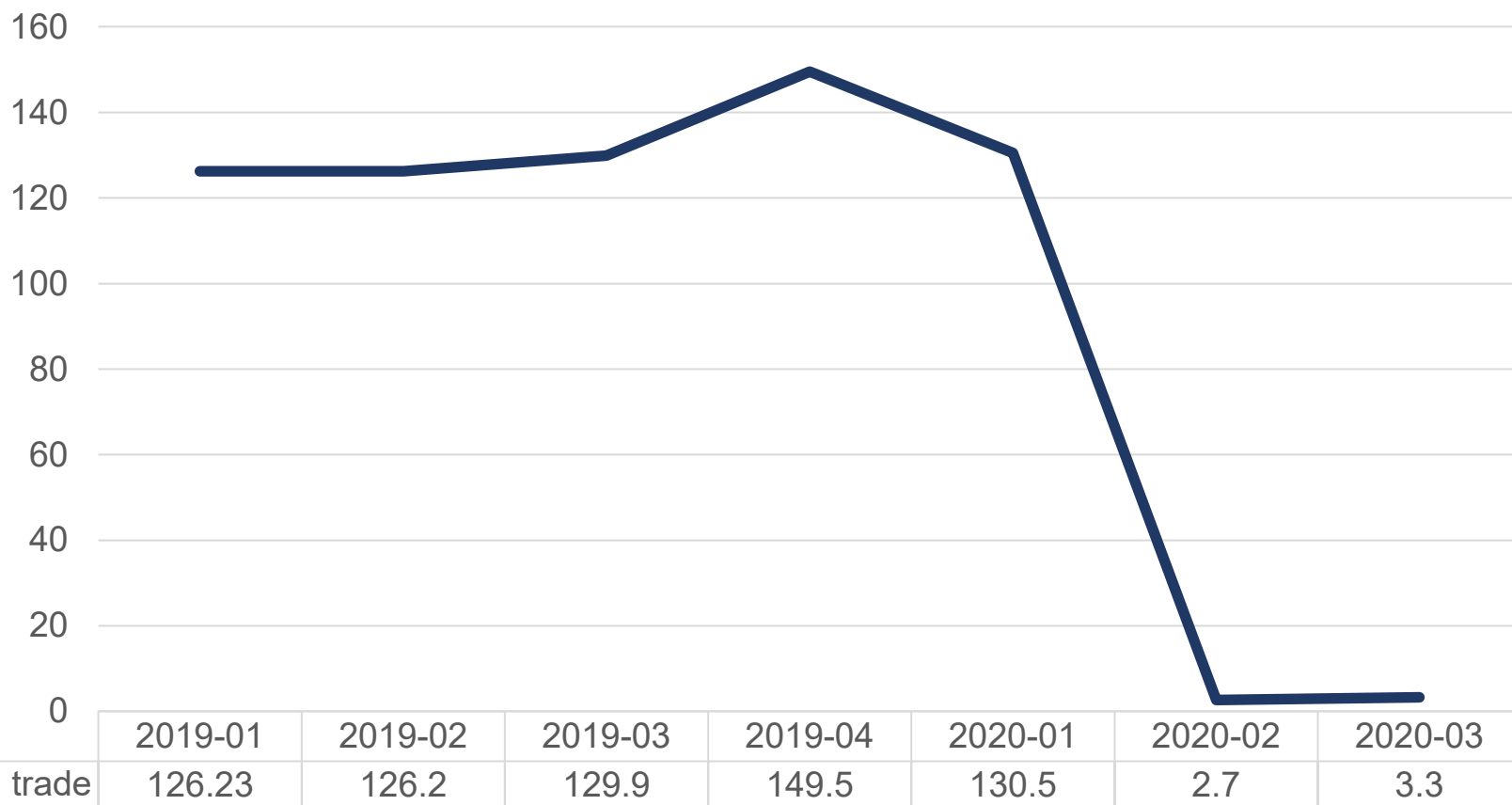


Source: IMF. 2020. DOTS, accessed November

- Intra-African trade *somewhat* more resilient: down 13% vs world exports down 20%, but particularly affected by lockdown border measures
- Compare 2008-09 financial crisis: intra-African exports down 10%, Africa's world exports down 31%

Case example: Uganda

Uganda informal cross-border exports, quarterly (US\$ millions)

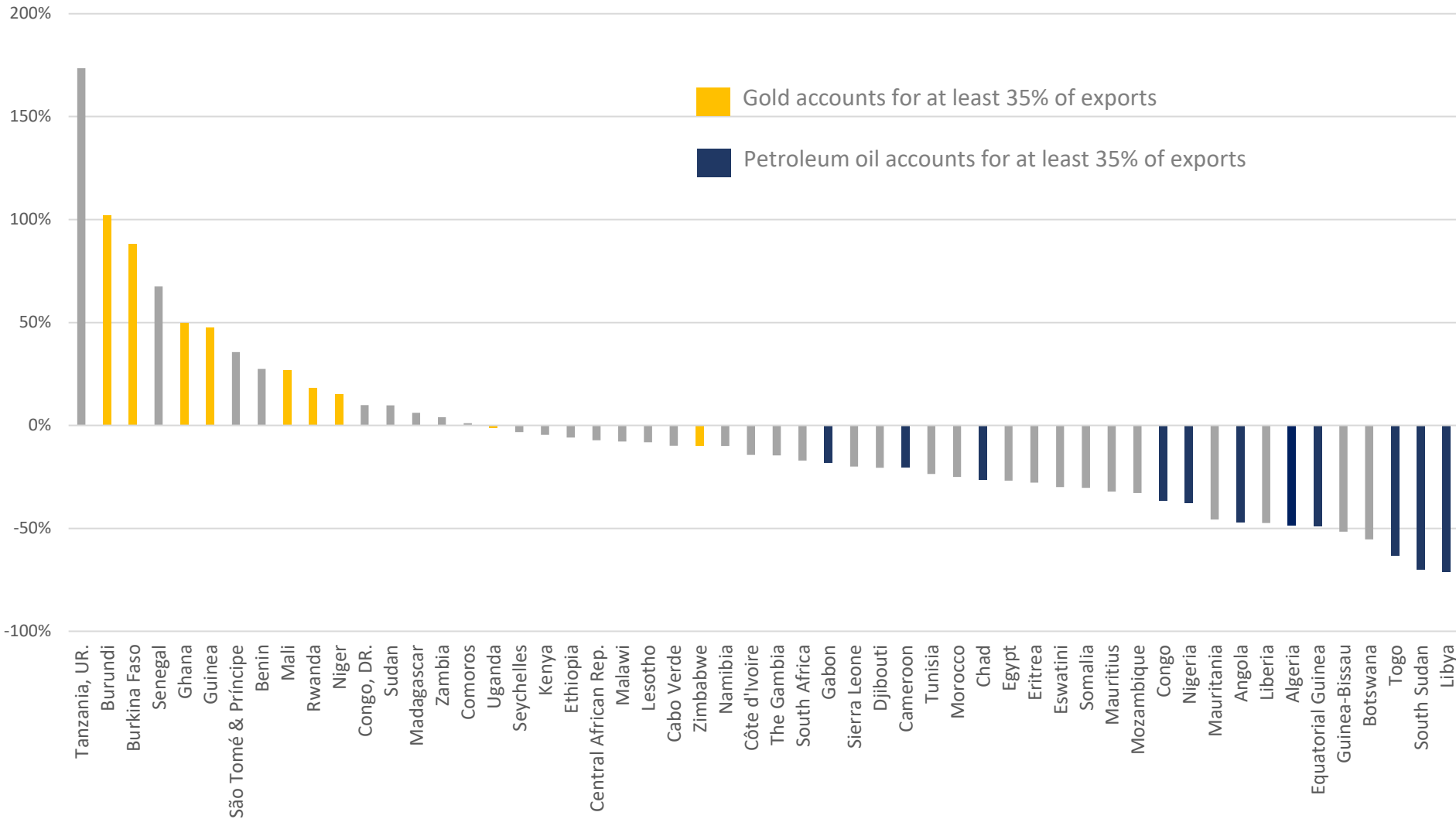


Source: Bank of Uganda

- Informal cross-border trade collapses for Uganda in line with border restrictions enacted in February-March

Not all African countries have had the same impact...

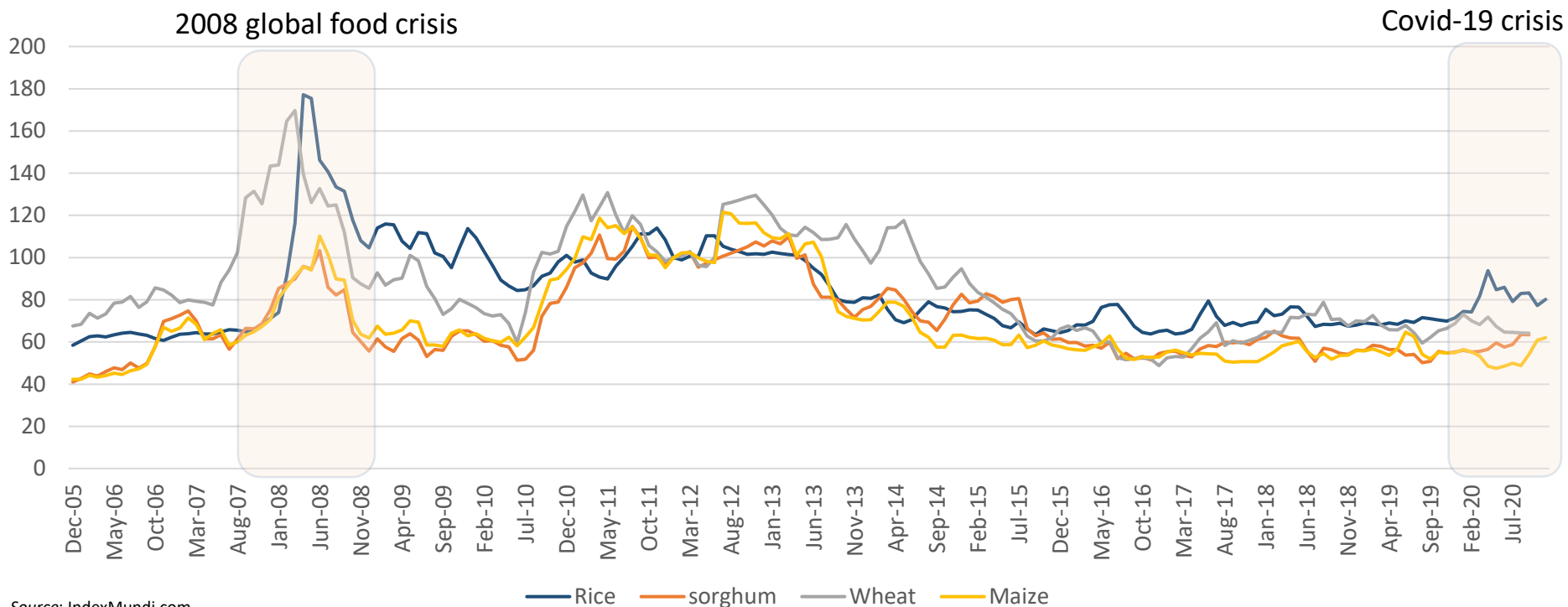
Individual African countries, change in exports, April to August, YoY



Source: IMF. 2020. DOTS, accessed November

Staple food crops

Selected staple crops, international price indices, December 2005 to November 2020



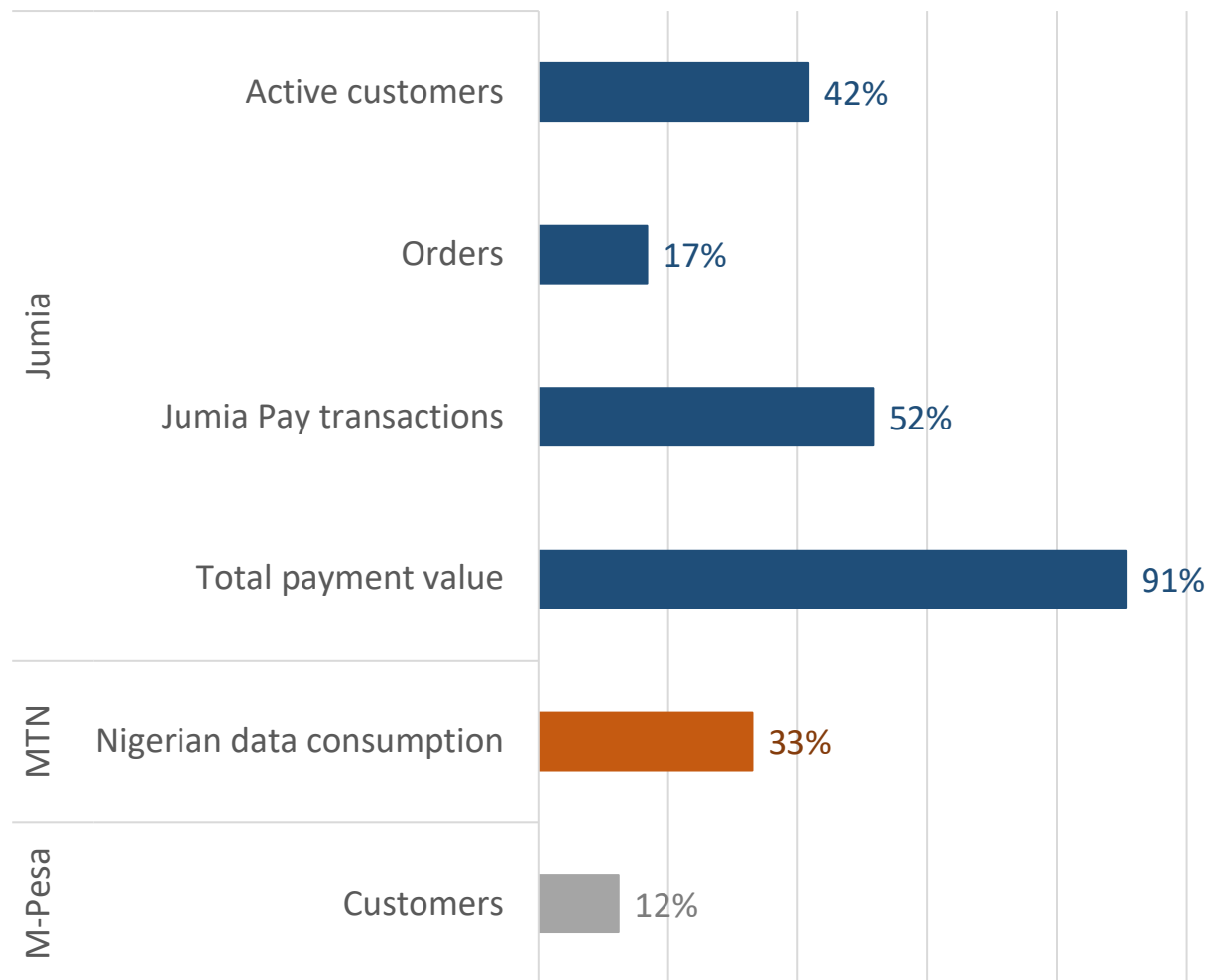
Source: IndexMundi.com

- Moderate rises of 10-15% for global staple food prices; some export restrictions and supply chain disruptions in early 2020 (wheat from Russia and rice from India particularly)
- Food crisis of 2008 largely averted: carry-over stocks are high, the prospects for the next crop are good and, instead of an expansion of demand through a burgeoning biofuels sector, demand is likely to contract with energy prices being low (source, FAO)

Indications of accelerated digitalization in Africa

- High frequency data indicating digital uptake accelerated by Covid-19
- **Not without challenges:**
 - Low (but rapidly rising) internet penetration rate – 28%
 - Electricity – 31 African countries among the bottom 50 in the Getting electricity subcategory of the WB Doing business index 2019
- Validity for AfCFTA e-commerce protocol

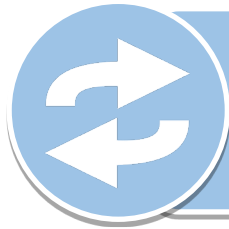
Selected digital growth statistics, 2020 H1, YoY



Sources: Jumia Financial Statements, MTN Financial Statements, M-Pesa Financial Report 2020

Role of the AfCFTA in recovery

Building forward better: role of the AfCFTA



Diversify Africa's trade away from commodity dependence
oil now accounts for as much as 40% of Africa's exports



Drive industrialization
estimated gains to industry of \$36bn - \$43bn with the
AfCFTA



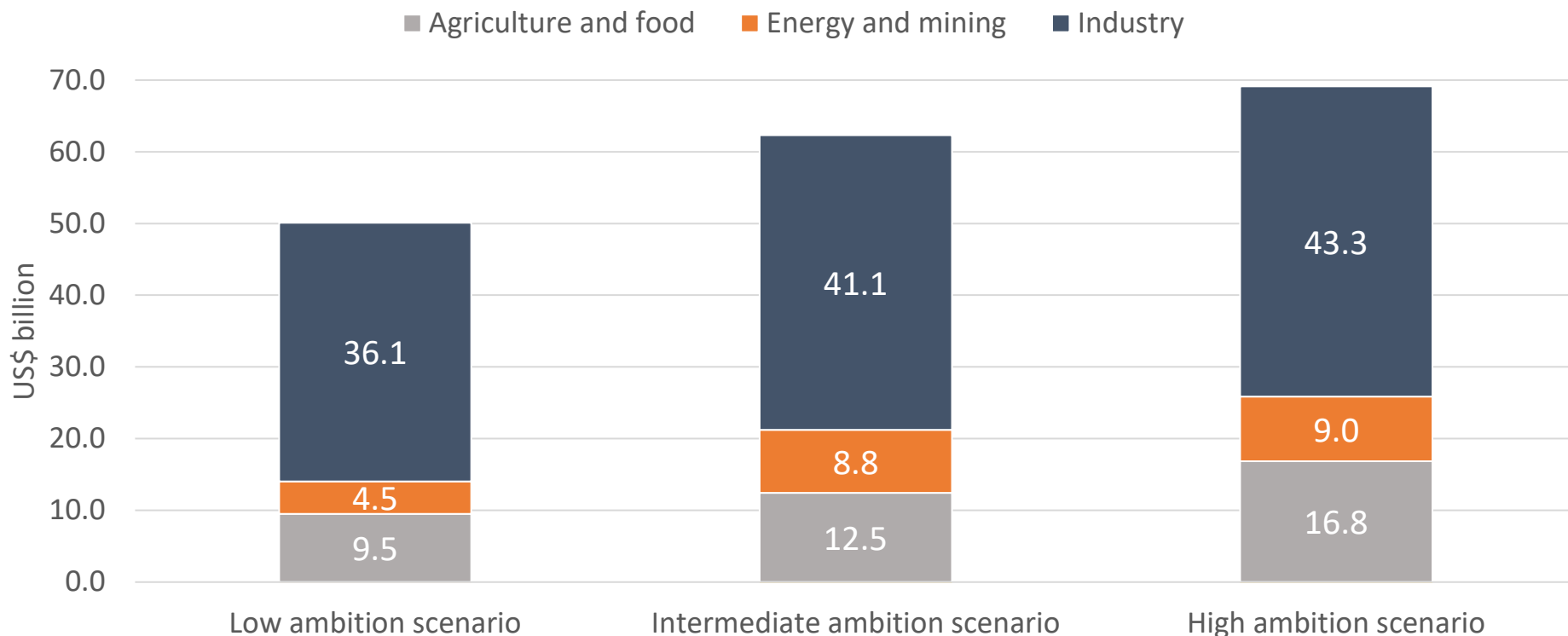
Ease and simplify intra-African trade
Customs Transactions include **20-30** different parties, **40**
documents, **200** data elements



Transition for the digital economy
covid-19 estimated to have accelerated digitalization by
about 7 years globally

Boosting African industrial trade

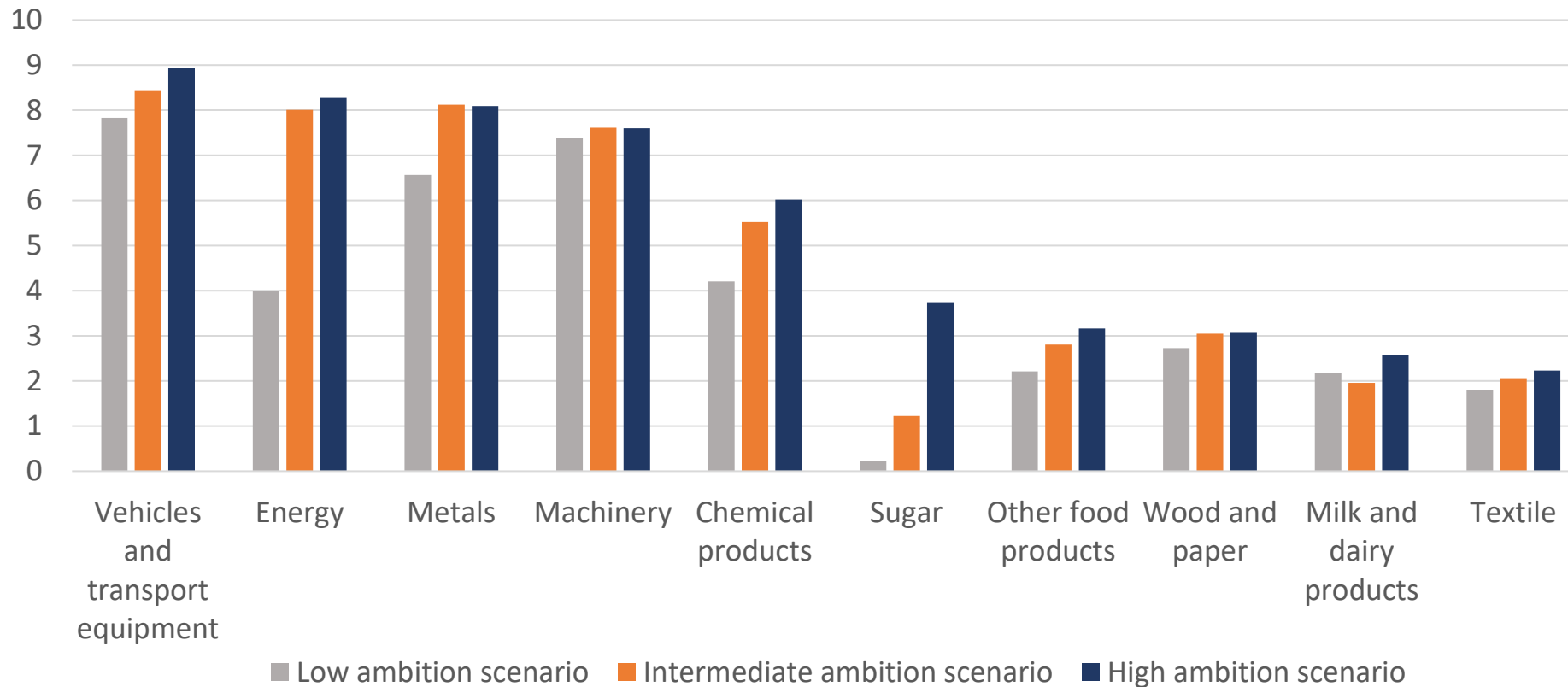
Change in intra-African exports by main sectors, as compared to the baseline without AfCFTA in place - 2040 - US\$ bn (various scenarios)



- Intra-African exports would increase the most for industrial products; with gains ranging between around 25 per cent (or US\$ 36.1 billion) and almost 30 per cent (or US\$ 43.3 billion) under low ambition scenario and high ambition scenario
- Largest increases in exports of vehicles and transport equipment, energy, metals, machinery, chemical products, sugar, other food products, wood and paper, and textiles

Export gains by sector

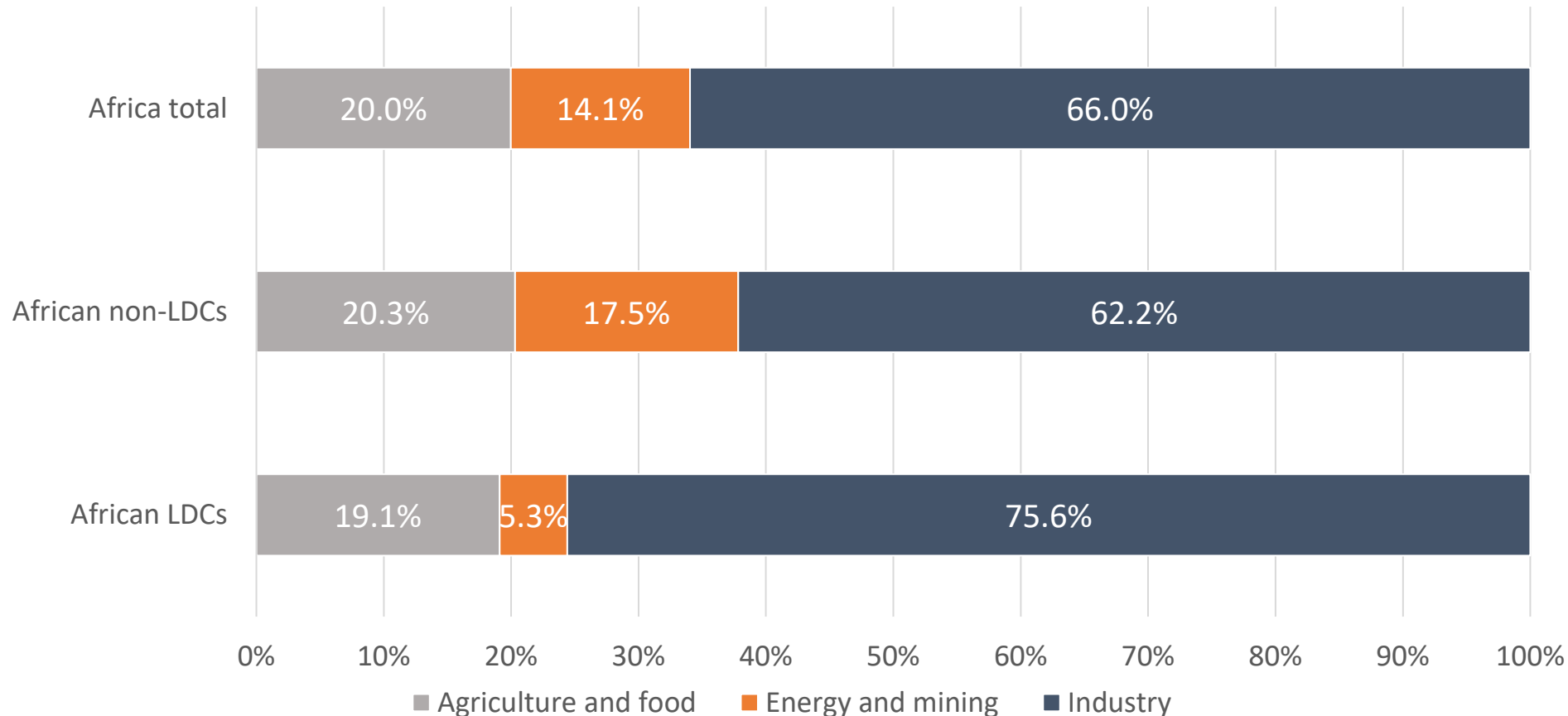
Top 10 gains in intra-African exports by sectors, as compared to the baseline without AfCFTA in place - 2040 - US\$ bn (various scenarios)



- Largest increases in exports of vehicles and transport equipment, energy, metals, machinery, chemical products, sugar, other food products, wood and paper, milk and dairy, and textiles.

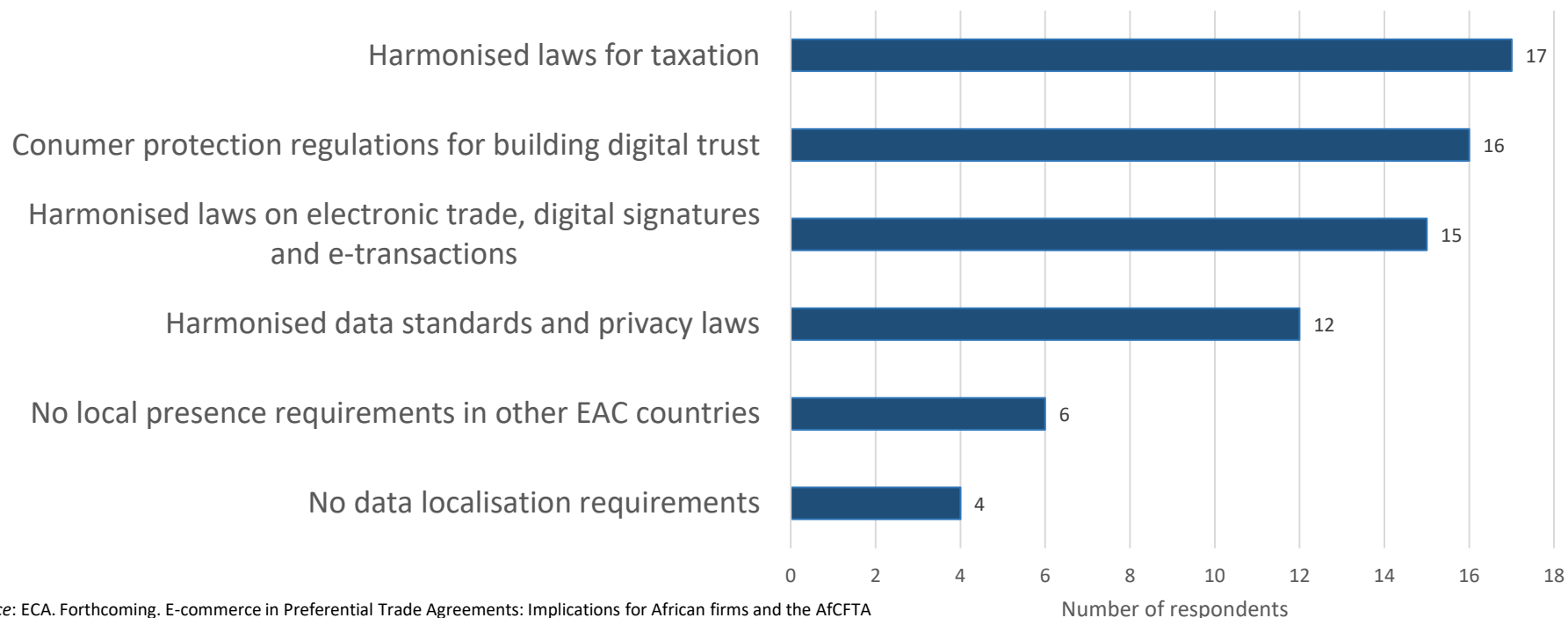
Export gains by level of development

Proportion of total gains in Africa's (non-LDCs vs. LDCs) exports to Africa, by main sectors, under intermediate ambition scenario (as compared to baseline) – in 2040



- African LDCs are estimated to have the greatest forecast boost to industrial exports

We asked firms how the AfCFTA could help cross-border e-commerce



- Indications that **harmonized** rules and regulations would help
- Emergence of **'trust'** as a key issue: consumer protection regulations could help
- Other big 'behind the scenes' issues include: data governance, IPR, liberalization of goods and services sectors important for e-commerce
- **African Trade Exchange (ATEX)**: ECA/Afreximbank initiative to facilitate AfCFTA trade through a B2B e-commerce platform integrating AfCFTA provisions