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Market Intelligence

Driving Trade Forward - AfCFTA, AGOA and BRICS

Navigating Trump's tariffs and global uncertainty through AfCFTA's intra-African trade boost, with BRICS' as a complementary force

Ronel Oberholzer

May 8, 2025



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Navigating Trump's tariffs and global uncertainty through AfCFTA's intra-African trade boost, with BRICS as a complementary force

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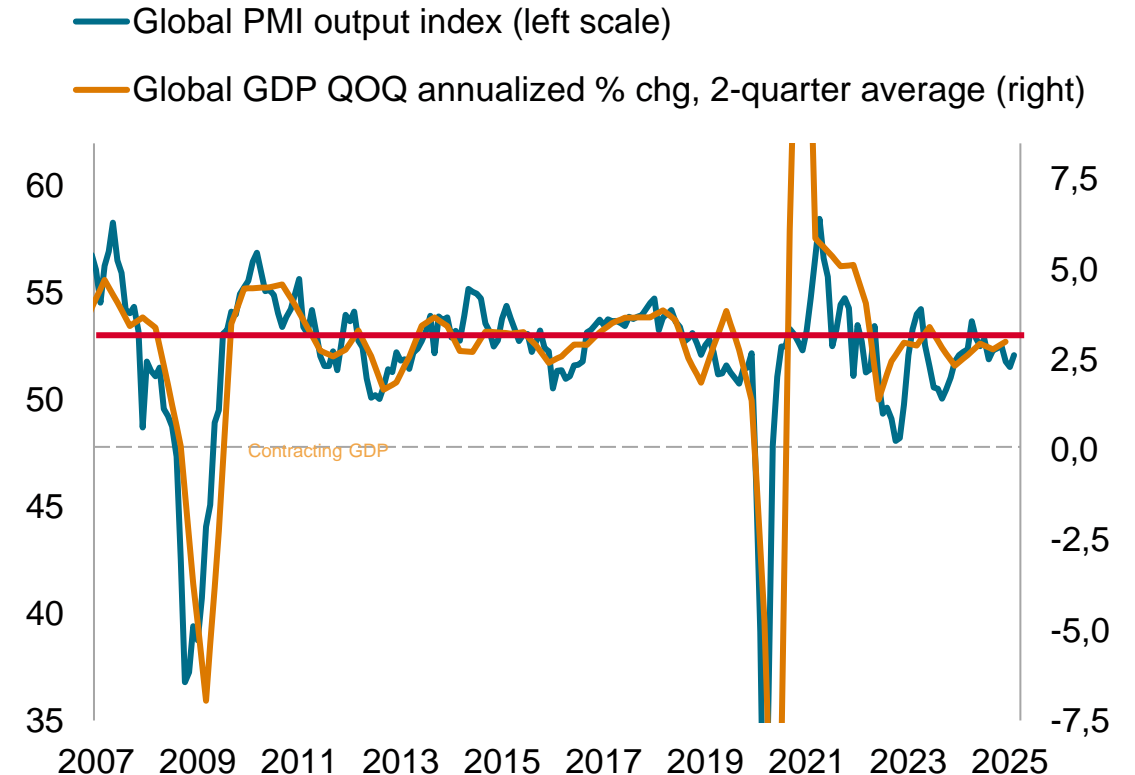
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Global growth momentum already fading before tariff-related turbulence

- Expected world GDP growth: 2.2% in 2025 and 2.4% in 2026
- S&P Global's Purchasing Managers Index™ (PMI®) data are available for over 40 countries, representing around 90% of global GDP.
- The global composite output index is a bellwether for the global real GDP growth trend.
- The index lost ground in the first quarter of 2025 even before April's reciprocal tariff-related turmoil, falling to its weakest level (51.8) in five quarters.
- The declines primarily reflected a deterioration in the previously robust PMI data for the US.
- Composite PMI data for the eurozone and UK indicate weak underlying economic conditions.
- Indications for global manufacturing and trade have been improving since late 2024.
- However, they are likely to have been boosted by the front-loading of production and trade to avoid higher future tariffs.

Global economic growth and the PMI



Data compiled April 3 including PMI data to March 2025.

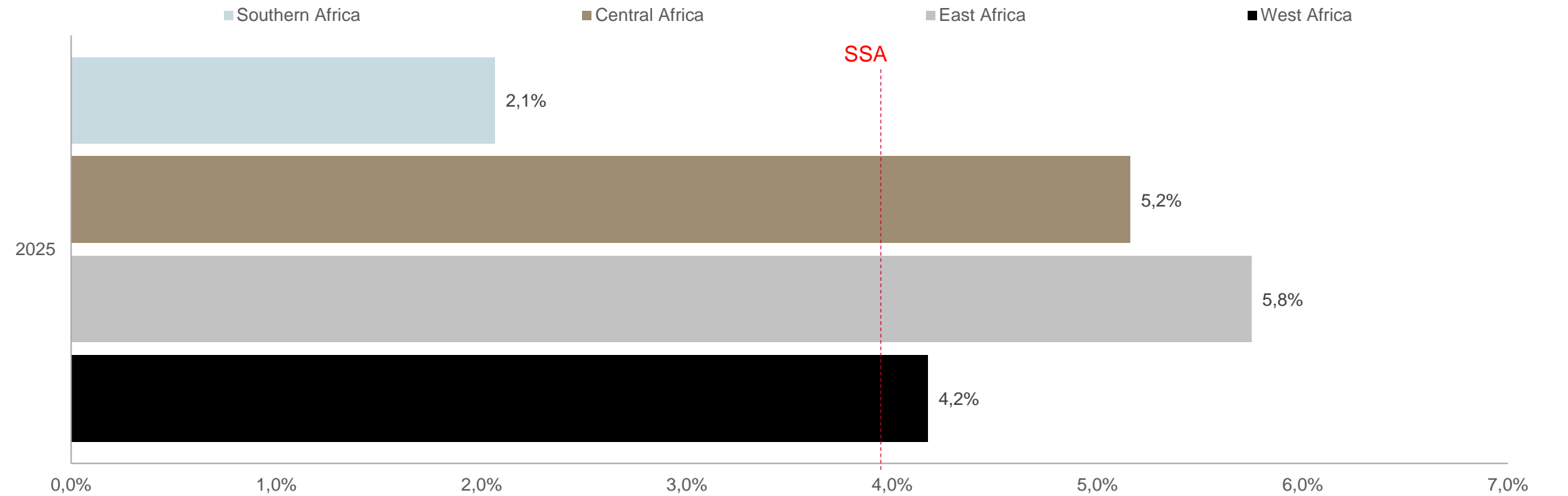
PMI (Purchasing Managers' Index) value of 50 = no change on prior month.

Source: S&P Global PMI with J.P. Morgan, S&P Global Market Intelligence.

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Sub-Saharan Africa: Real GDP growth of 4% in 2025; Fiscal and debt dynamics to shape divergent growth patterns

East and Central Africa to outperform region's average growth in 2025



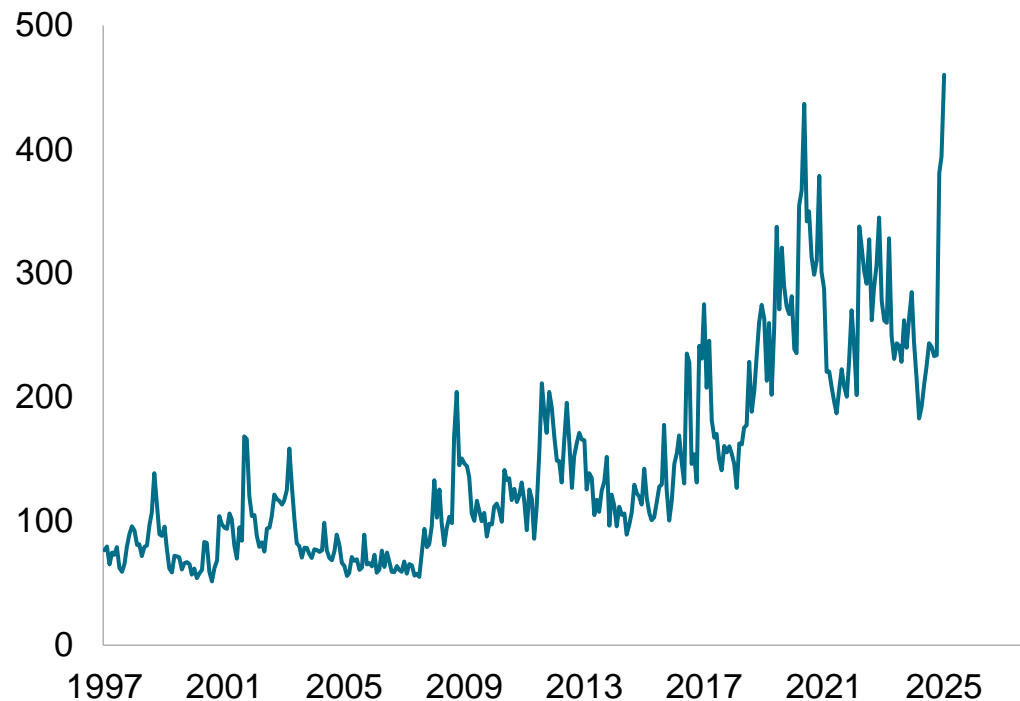
As of April. 14, 2025.
Source: S&P Global Market intelligence.
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Global uncertainty threatens the Sub-Saharan Africa economic landscape

Trump's 10% tariffs on all imports have erased AGOA's benefits

Record high for global policy uncertainty

Global policy uncertainty index*



As of April 2025.

*100= 1% of news articles contain references to policy uncertainty

Source: PolicyUncertainty.com.

Tariffs: Indirect implications for SSA

- Weaker global growth, along with tighter for longer monetary policy, will slow GDP growth in sub-Saharan Africa.
- Increasing fiscal fragility in the sub-Saharan African region by lowering tax proceeds.
- Currency volatility and depreciation risk in sub-Saharan Africa will likely increase.

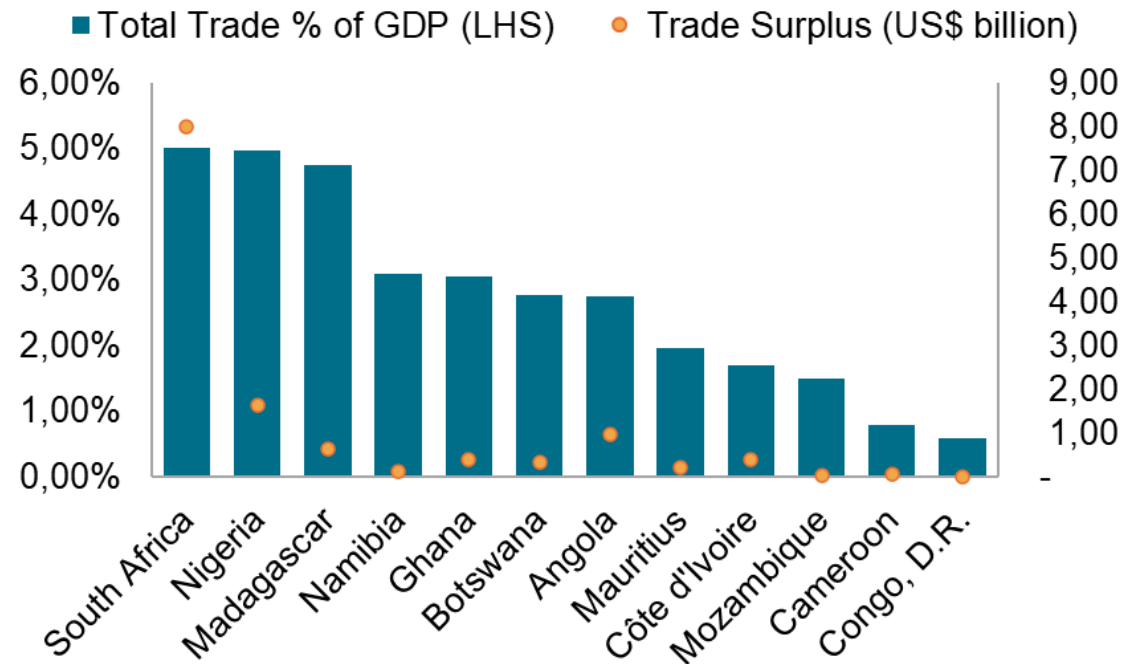
Direct Impacts

- Tariffs inflate the logistics costs of affected products
- Agriculture and textiles could be particularly hard-hit, with increased costs for US buyers likely to reduce sub-Saharan African export revenues.
- Oil and gas exports from major producers are exempt from direct US tariffs but remain vulnerable to indirect impacts from reduced global demand.

South Africa, Nigeria and Madagascar will bear the brunt

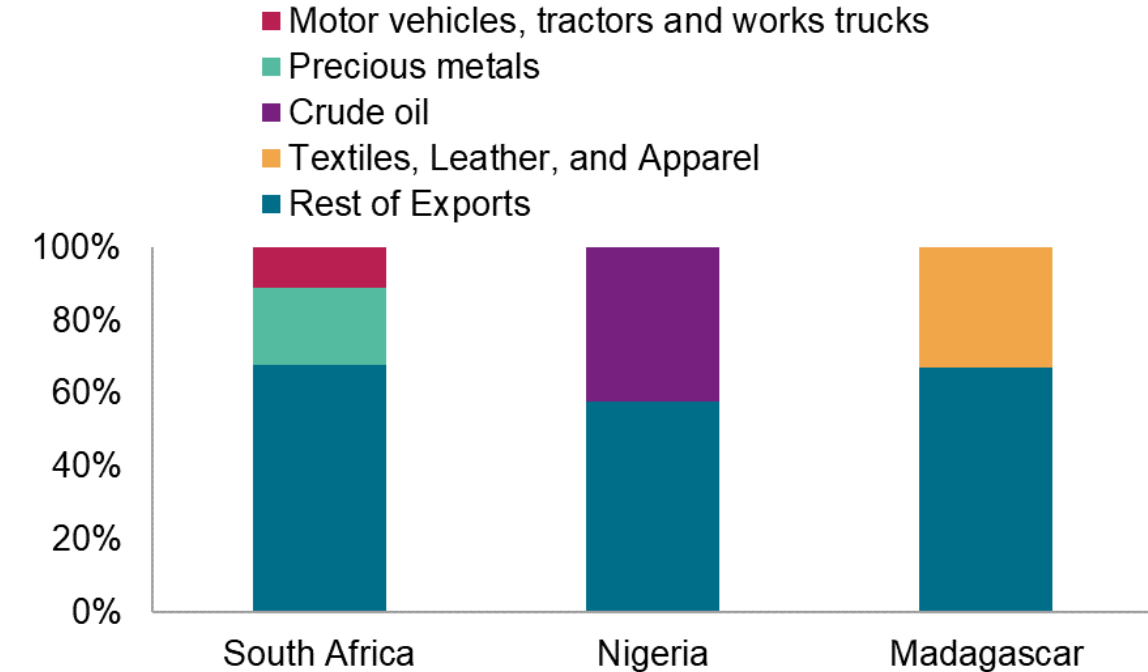
Motor vehicles, agriculture, and textiles will be the most impacted

Top trade surplus countries in Sub-Saharan Africa (US trade as a percentage of GDP)



As of January 22, 2025.
Based on 2024 forecasts.
Source: S&P Global Market Intelligence.
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Sub-Saharan Africa merchandise export composition to the US (US\$ billion, 2024)

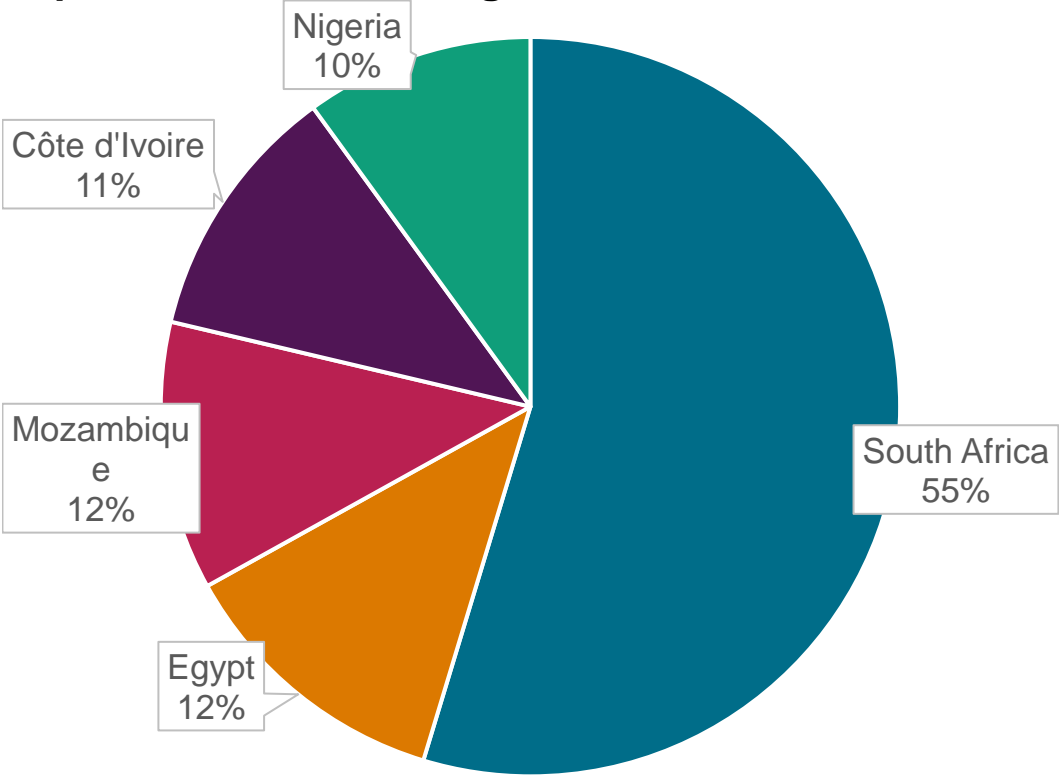


As of January 22, 2025.
Based on 2024 forecasts.
Source: S&P Global Market Intelligence.
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Counter strategy: AfCFTA has expanded over the past 10 years

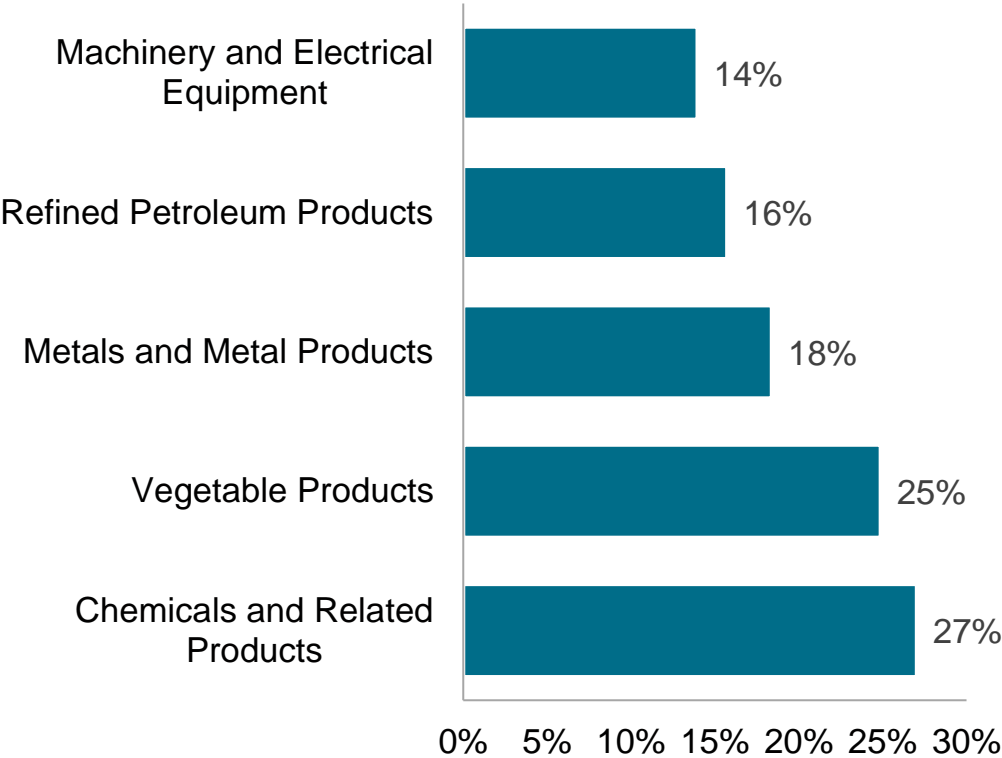
Unites 44 Sub-Saharan African countries, creating a \$3.4 trillion market, eliminating tariffs, boosting intra-SSA trade

Top 5 countries intra-regional trade 2023



As of August. 30, 2024.
Source: S&P Global Market Intelligence, GTAS.
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Top 5 products traded 2023

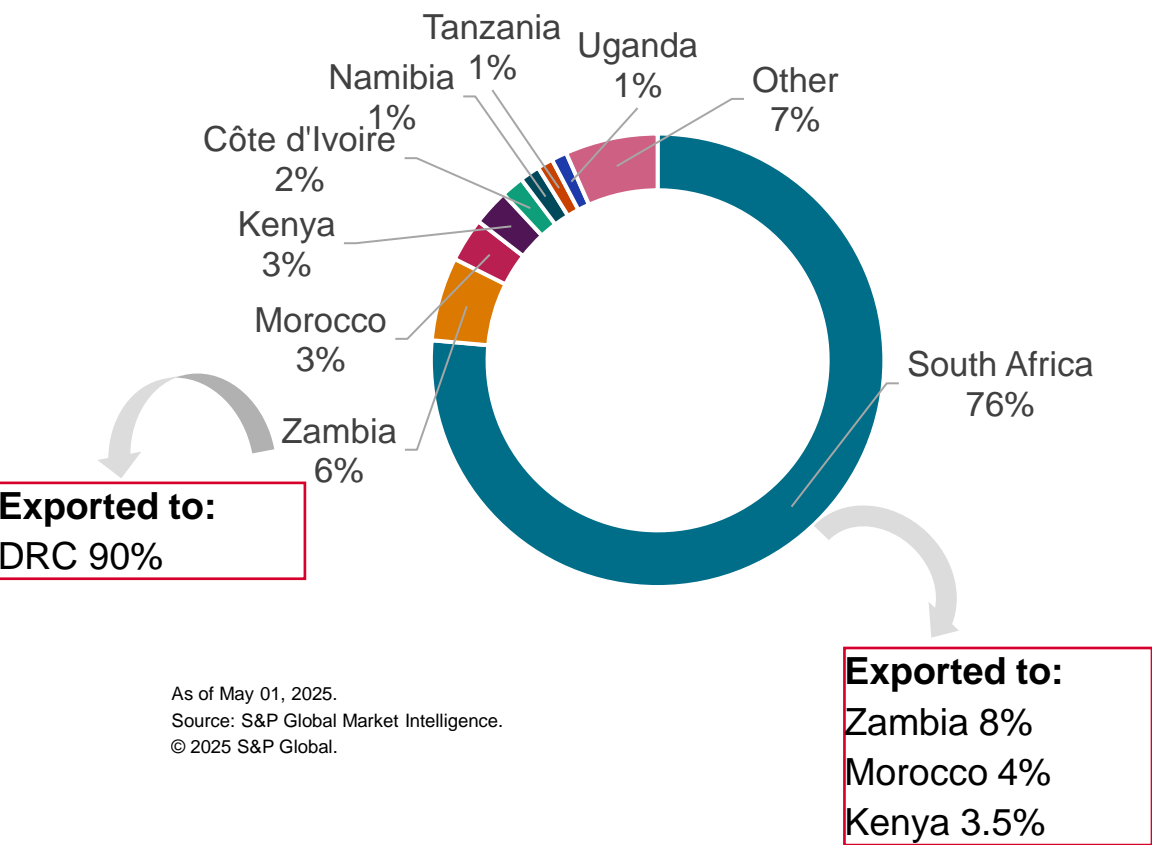


As of August. 30, 2024.
Source: S&P Global Market Intelligence, GTAS.
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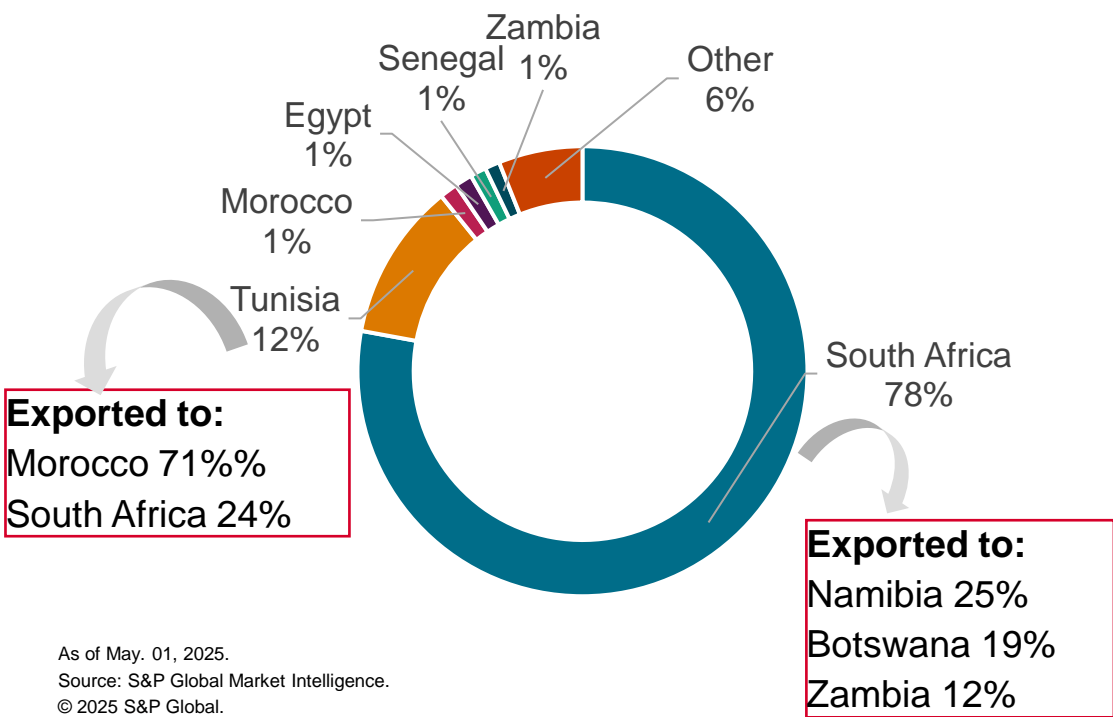
South Africa dominates intra-African trade in vehicles and parts

Motor vehicles, agriculture, and textiles will be the most impacted

Export composition of intra-Africa motor vehicles, tractors and works trucks



Export composition of intra-Africa motor vehicle parts exports

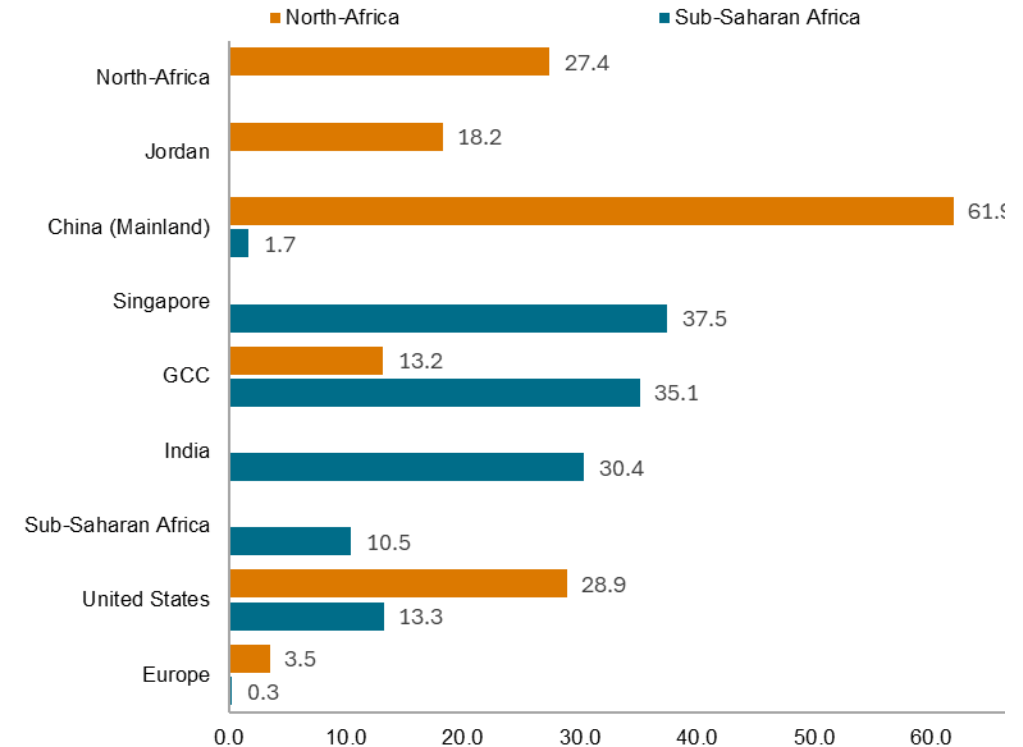


Infrastructure gaps of close to US\$108 billion remain a challenge:

Will BRICS' fill the gap?

- Fiscal fragility in SSA will limit infrastructure spending.
- But new foreign investment partners are emerging.
- Europe and the United States are the largest holders of foreign assets in sub-Saharan Africa, and Europe and GCC countries are the largest in North Africa.
- However, the growth in FDI into SSA is sourced from other countries. Singapore, Gulf Cooperation Council (GCC) members, and India have recorded a significant increase in FDI.
- BRICS countries involved in rapid FDI increase: India, Saudi Arabia, and the United Arab Emirates (UAE)
- European countries' ability to increase FDI is under increasing pressure due to constrained public finances, which result from the need to bolster defense budgets and weak economic growth.
- China's ability to increase FDI to Africa is constrained due to weak economic growth.

CAGR of Africa inward direct investment (2010-2023)



As of February 19, 2025.

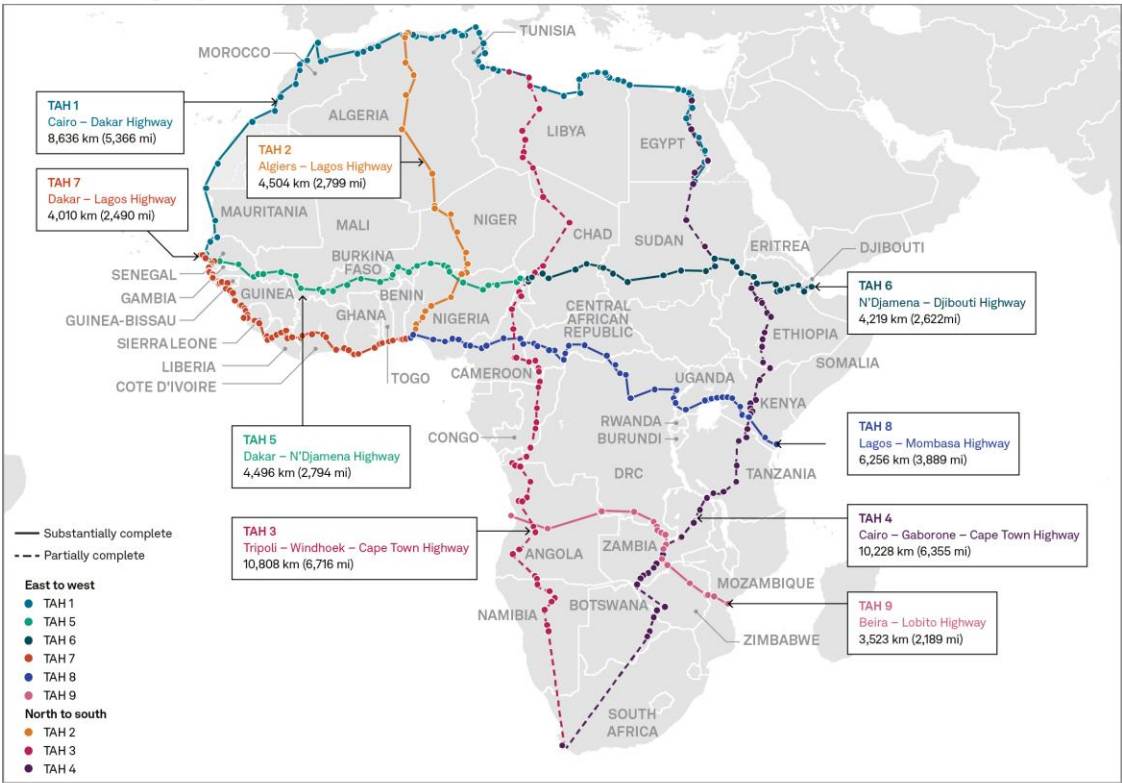
GCC=Gulf Cooperation Council, CAGR = Compound annual growth rate.

Source: S&P Global Market Intelligence based on IMF Coordinated Direct Investment Survey.

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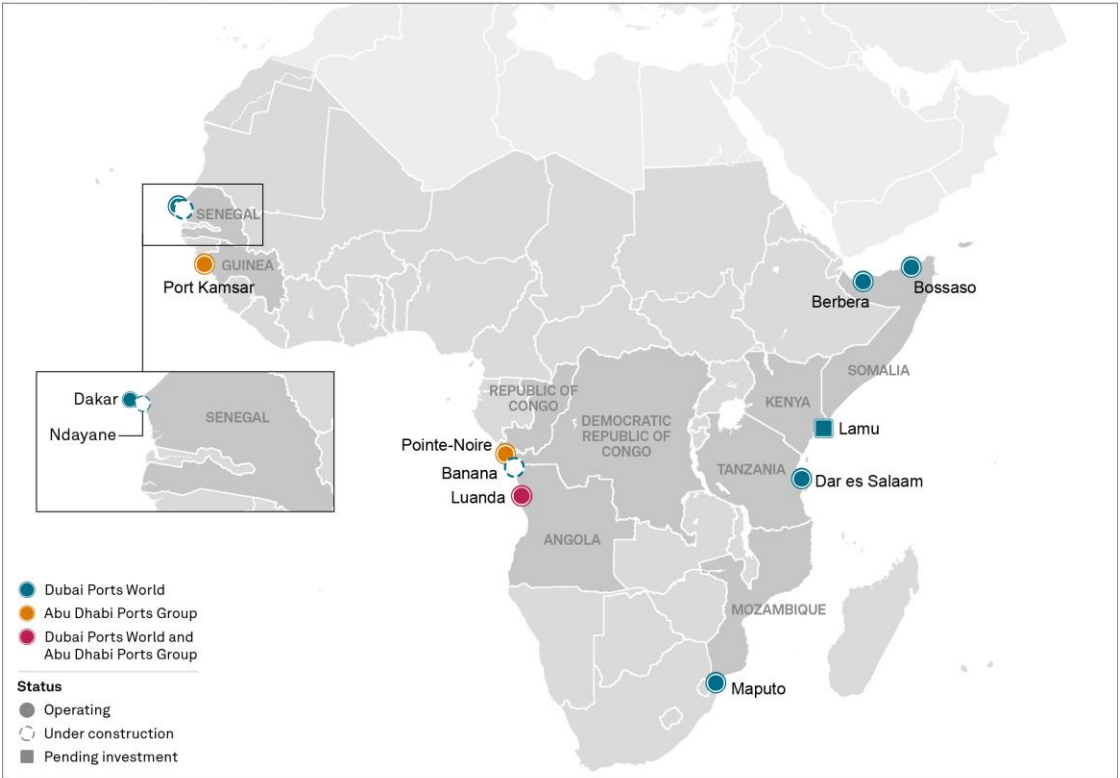
The major increase of African port capacity in the countries targeted by expansionist Emirati enterprises is likely to provide one of the most significant boosts to intra-African trade

Trans-African Highway (TAH) Network



Data compiled Oct. 15, 2024.
Source: S&P Global: 2014574.
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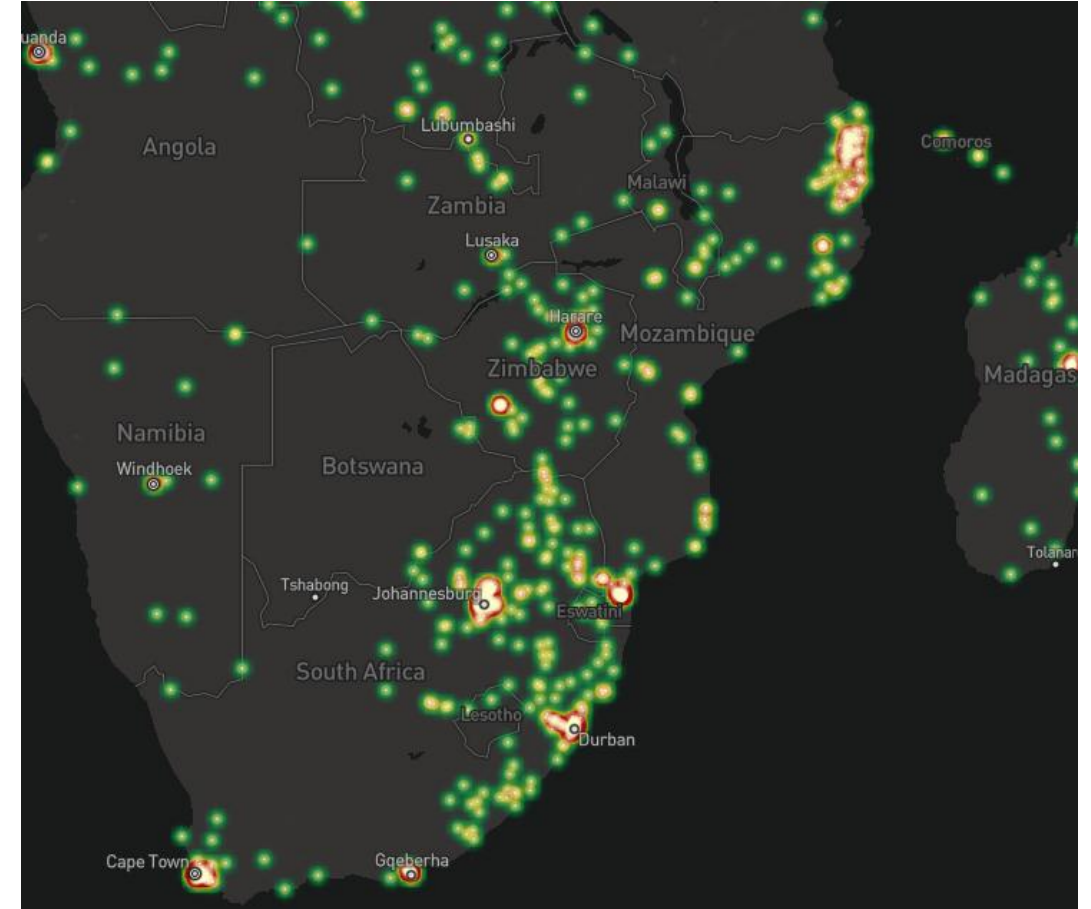
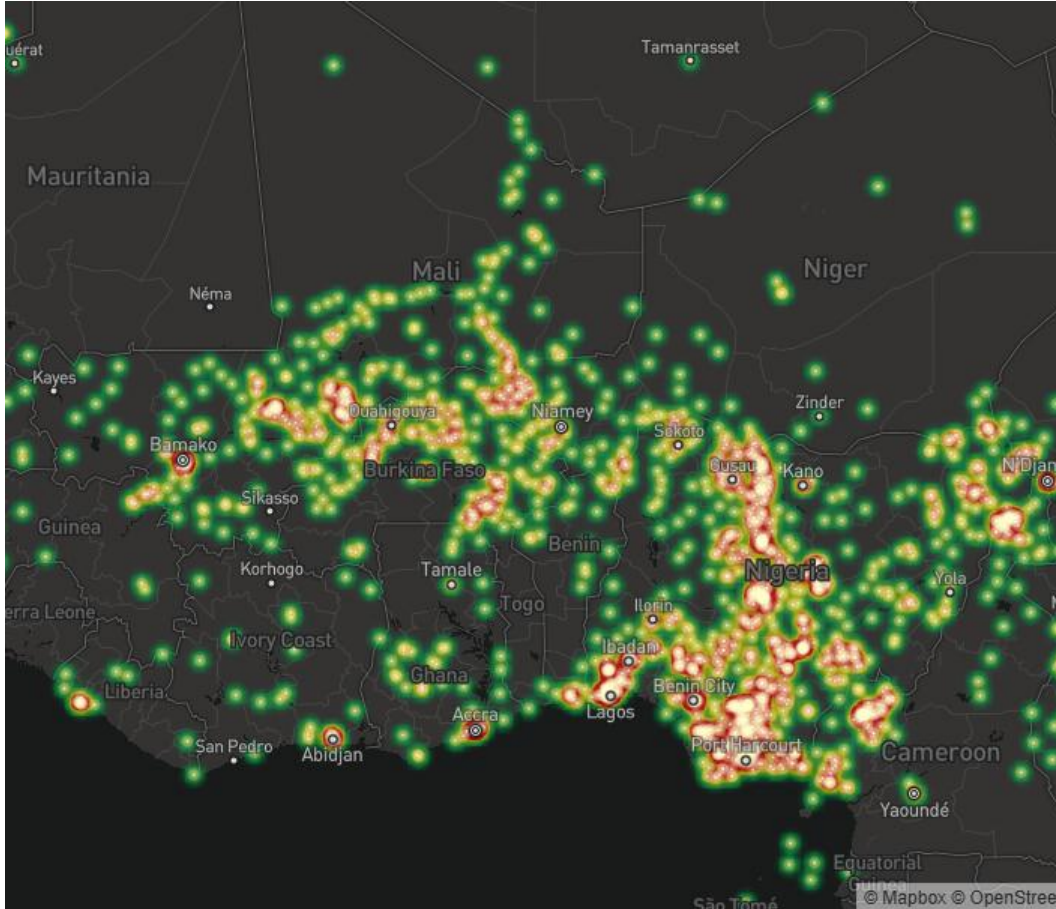
UAE's port presence in sub-Saharan Africa



Data compiled Dec. 16, 2024.
Source: S&P Global Market Intelligence: 240111-01.
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Practical challenges to intra Africa trade remain

Militant Islamist insurgencies are increasing, especially in the Sahel and Mozambique



As of March. 30, 2025.
Source: S&P Global Market Intelligence
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