COVID-19: implications for trade and the role of the AfCFTA
Impact of Covid-19 on African trade
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%.

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

- 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%

*Source: IMF. 2020. DOTS, accessed November*
Informal cross-border trade collapses for Uganda in line with border restrictions enacted in February-March.

Source: Bank of Uganda
Not all African countries have had the same impact...

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

Gold accounts for at least 35% of exports

Petroleum oil accounts for at least 35% of exports

Source: IMF. 2020. DOTS, accessed November
Staple food crops

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

- 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)

Source: IndexMundi.com
- 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

<table>
<thead>
<tr>
<th>Category</th>
<th>Jumia Pay transactions</th>
<th>Total payment value</th>
<th>Active customers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jumia</td>
<td>52%</td>
<td></td>
<td>42%</td>
</tr>
<tr>
<td>MTN</td>
<td></td>
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<tr>
<td>Nigerian data consumption</td>
<td></td>
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<td>33%</td>
</tr>
<tr>
<td>M-Pesa</td>
<td></td>
<td></td>
<td>12%</td>
</tr>
</tbody>
</table>

**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.
• 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.
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.
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

Source: ECA. Forthcoming. E-commerce in Preferential Trade Agreements: Implications for African firms and the AfCFTA