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African Trade Report 2025

African Trade in a Changing Global Financial Architecture

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978-92-95097-44-5

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Foreword

The global financial and trade architecture is undergoing profound transformation. Geopolitical fragmentation, rising protectionism, volatile capital flows, and a growing tendency towards deglobalisation are redrawing the contours of international economic cooperation that have prevailed since the end of World War II. For the nations of the African continent, this volatile environment presents significant challenges. But it also presents the historic opportunity to reposition themselves within the global economy and redefine the trajectory of their development.

African economies face a complex web of structural constraints, including a persistent continent-wide trade finance gap estimated at about US$100 billion annually, regulatory dissonance, exchange rate volatility, and macroeconomic instability. Compounding these constraints are sovereign debt vulnerabilities, infrastructure deficits, and systemic biases embedded in global financial systems, among them skewed credit rating methodologies, limited access to concessional finance, and underrepresentation in global decision-making bodies.

These challenges call not for retreat. They demand leadership, reform, and coordinated action. This 2025 edition of the African Trade Report, produced by the African Export-Import Bank (Afreximbank), provides a timely and rigorous assessment of how Africa can navigate this period of structural change. The report, "African Trade in a Changing Global Financial Architecture," provides comprehensive analysis of the changing financial landscape, macroeconomic conditions, developments in global and African trade, commodity markets, and prospects for growth and trade in the years ahead. Together, it outlines a roadmap for systemic reform, institutional renewal, and strategic investment across the continent.

Africa's response to today's challenges must centre around bold reconfiguration of its financial and trade systems. Afreximbank and other regional development institutions that make up the Alliance of African Multilateral Financial Institutions (AAMFI) are scaling up counter-cyclical support, innovating in trade and project finance, and enabling industrial transformation. The Pan-African Payment and Settlement System (PAPSS) is reducing reliance on external currencies and enhancing efficiency in intra-African trade, while domestic digital payment ecosystems are expanding rapidly, generating billions of dollars in annual revenues.

The African Continental Free Trade Area (AfCFTA) is a cornerstone of this transformation. More than a tariff-reduction framework, the AfCFTA represents a platform for industrialisation, digital leapfrogging, and economic sovereignty. When fully implemented, the free trade area has the potential to significantly boost intra-African trade, lift millions out of extreme poverty, and reshape Africa's global trade posture. Realising the trade area's promise will require substantial investment in digital and logistics infrastructure, regulatory harmonisation, and robust financial systems.

The inclusion of the African Union in the G20, the international forum representing the world's major economies, since September 2023 is pivotal for the nations of the African continent. It offers African nations a seat at the table to advocate for long-overdue reforms – from reallocation of special drawing rights and enhanced climate finance access to fairer credit rating mechanisms and the formal affirmation of the critical role of Africa's multilateral financial institutions in fighting poverty and achieving global economic stability. These reforms are not peripheral. They are central to constructing a global financial order that serves all economies equitably.

To advance this agenda, African institutional investors, including pension funds, sovereign wealth funds, and insurance companies, must be mobilised to recapitalise regional and national development financial institutions. Strengthening these institutions is essential to support vital sectors such as agriculture, manufacturing, and trade, and to finance Africa's structural transformation from within.

At Afreximbank, we are fully committed to this vision. We disbursed more than US$17.5 billion in trade finance in 2024, and we are on course to double intra-African trade financing to US$40 billion by 2026. Through PAPSS, industrial finance initiatives, and strategic partnerships we are not merely responding to global change – we are helping to shape it.

I commend the Afreximbank Research team for their meticulous work in producing this comprehensive and forward-looking report. It is essential reading for all stakeholders committed to building a resilient, self-defined, and prosperous African future.

Let this be Africa's moment – not of marginalisation, but of renaissance.

Prof. Benedict Okey Oramah

President and Chairman of the Board of Directors

African Export–Import Bank

Cairo, Egypt
June 2025

“More than a tariff reduction framework, the AfCFTA represents a platform for industrialisation, digital leapfrogging, and economic sovereignty”

Acknowledgements

An annual flagship publication of Afreximbank, the 2025 edition of the African Trade Report, themed "African Trade in a Changing Global Financial Architecture," was prepared by the Bank's research division in collaboration with ODI Global. Prepared under the guidance and supervision of Oyeyemi Kale, group chief economist and managing director of research at Afreximbank, the report is the work of a team of researchers, including Joshua Abor, Raymond Boumbouya, Anthony Kyereboah-Coleman, Eman Moustafa, Matthew Kofi Ocran, and Abah Ofon, with research assistance provided by Emmanuel Nguessan (Afreximbank), and Prachi Agarwal, Maximiliano Mendez-Parra, Phillys Papadavid, Sherillyn Raga, and Dirk Willem te Velde (ODI Global).

Contents

Tables, Figures and Boxes

TABLES

FIGURES

FIGURES (CONTINUED)

BOXES

List of Abbreviations

AfCFTA	**African Continental Free Trade Area**
Afreximbank	**African Export-Import Bank**
AAMFI	**Alliance of African Multilateral Financial Institutions**
PAPSS	**Pan-African Payment and Settlement System**

Chapter One

Introduction and Executive Summary

The 2025 edition of the African Trade Report, published by the African Export-Import Bank (Afreximbank), examines trade and economic development in Africa and other parts of the world during 2024 and explores how a rapidly fragmenting global economy – marked by intensifying geopolitical schisms and industrial-policy rivalries – is reshaping Africa's trade dynamics just as the continent pursues industrialisation and deeper intra-African trade integration. Its release comes as protectionism-fuelled tariff wars are heightening risk and deepening policy uncertainty.

The report finds that in 2024, global output expanded by a modest 3.3 percent and is projected to slow to 2.8 percent in 2025 – down from an earlier forecast of 3.3 percent and well below the 2000–2019 average of 3.7 percent. The slowdown in growth stems from rising global uncertainties, notably the abrupt escalation of trade tensions since early 2025. According to the International Monetary Fund, the effective United States tariff rate surged to 14.5 percent, the highest in nearly a century, following new tariff announcements in April. These developments have contributed to negative supply shock, increased market volatility, and weakened multilateral cooperation – further undermining global resilience.

Despite the difficult global environment, Africa recorded a 3.2 percent growth rate in 2024, but still below its 5 percent pre-pandemic growth. This performance was underpinned by stronger public investment, high commodity prices (notably of gold, cocoa, and coffee), and the early success of diversification strategies. However, growth on the continent remained uneven, with resource-dependent countries facing greater challenges. Encouragingly, fiscal reforms by African governments have led to improvements in macroeconomic stability, with declining median debt ratios and renewed sovereign access to international capital markets in eight countries.

Global inflation receded from 6.6 percent in 2023 to 5.7 percent in 2024, as food and energy prices eased. This allowed major central banks to begin lowering interest rates, improving financial conditions. In Africa, however, inflation inched up from 18.2 percent in 2023 to 20.1 percent in 2024.

Global merchandise trade expanded by 2.9 percent in 2024, underpinned by softening inflation and easing monetary policy, after contracting by 1.0 percent in 2023. The volume of merchandise trade is expected to face significant pressures in 2025, however, and could contract by 0.2 percent amid rising tariffs, export controls, and supply chain disruptions. Africa's merchandise trade also recovered in 2024, rebounding by 13.9 percent to US$1.5 trillion, significantly up from a decline of about 5.4 percent in 2023. Intra-African trade exhibited a remarkable upturn in 2024 of 12.4 percent to US$220.3 billion, rebounding from a decline of 5.9 percent the previous year. This positive trend is expected to be sustained, bolstered by continued implementation of the African Continental Free Trade Area (AfCFTA), which is emerging as a foundation for the continent's trade resilience.

Global trade patterns are also shifting towards friendshoring – a strategy where businesses and countries shift supply chains and production to countries considered political and economic allies – prompting Africa to diversify trade partnerships with the view to enhancing its integration into global value chains. The existing environment, marked by fractured global governance, reconfigured financial flows, and rapid technological and green transitions, presents both risks and opportunities for the continent.

The 2025 report, "African Trade in a Changing Global Financial Architecture," finds Africa at a pivotal juncture. As global trade routes and rules evolve, Africa's share of world exports has seen a slight decline, from 3.5 percent in 2009 to 3.3 percent in 2024, while intra-African trade accounts for a paltry 14.4 percent of the region's formal trade – underscoring continued dependence on external demand and exposure to commodity shocks.

Yet fragmentation brings new opportunities: increased shipping traffic around the Cape, growing investment in Africa by the countries of the Persian Gulf and Asia, and heightened demand for Africa's critical minerals are

7.6 percent

Africa's merchandise imports grew to US$769.01 billion in 2024

21 percent

Africa's merchandise exports grew to US$758.01 billion in 2024

Africa's merchandise trade balance posted a deficit of US$11 billion in 2024

Introduction and Executive Summary

enhancing the continent's strategic position. Unlocking this potential requires closing the about US$100 billion annual trade-finance gap, which constrains most African small and medium enterprises from participating in regional value chains.

Gradually, but promisingly, Africa's financial architecture is restructuring and beginning to respond to the new economic realities. Both the members of the Alliance of African Multilateral Financial Institutions (AAMFI) and regional development banks are scaling up counter-cyclical lending. Afreximbank, a founding member of the AAMFI, disbursed US$17.5 billion in 2024 and aims to double intra-African trade finance by 2026. The Pan-African Payment and Settlement System (PAPSS) is also gaining traction, with over a dozen central banks now linked, reducing transaction costs and reliance on the US dollar and the euro.

However, looming challenges remain. New Basel IV capital rules may significantly raise the cost of trade finance, increasing the urgency to secure preferred creditor status for African development finance institutions and to advocate for globally proportionate regulatory standards.

The report's central message is clear: Africa must act with urgency to convert global fragmentation into an engine for resilient, inclusive growth, and value-added trade. This means: (a) strengthening African development finance institutions with more capital and fairer global regulation; (b) Accelerating AfCFTA implementation, especially around tariff schedules, rules of origin, and national coordination; (c) expanding digital payment infrastructure to reduce currency and logistics bottlenecks; and (d) Using Africa's G20 seat to push for reforms in reallocation of special drawing rights, debt restructuring, and global financial rulemaking.

Together, financial sovereignty, digital integration, and coordinated diplomacy must form the foundation for Africa to overcome global disruption and build a more sustainable, shock-resistant, and opportunity-rich trade future.

> Africa's inclusion in the G20 offers a strategic seat at the table to advocate for long-overdue reforms – ranging from Special Drawing Rights (SDR) reallocation and enhanced climate finance access to fairer credit rating mechanisms and the formal affirmation of the critical role of Africa's multilateral financial institutions in fighting poverty and achieving global economic stability. The AfCFTA could act as a catalyst for industrialisation and economic diversification of African countries

Chapter Two

African Trade in a Changing Global Financial Architecture

2.1 INTRODUCTION

Africa stands at a pivotal crossroads in its economic development, shaped by a global financial and trade landscape undergoing profound transformation. The past decade has seen the rise of economic nationalism, disruptions to global value chains, the fragmentation of multilateral trade governance, and an accelerating shift towards digital and green finance. These changes are redrawing the rules of commerce and investment, with significant implications for Africa's ability to access finance, grow its economies, and trade competitively on the global stage. This chapter explores the implications of the evolving global financial architecture for African trade. It demonstrates how international trends intersect with regional dynamics and identifies opportunities for Africa to lead in designing financial systems that serve its unique development priorities.

The chapter is structured to provide comprehensive analysis of the evolving global and regional financial landscape. Section 2.2 examines the reconfiguration of the global financial architecture, focusing on trade realignments, geopolitical tensions, shifting investment flows, and the resurgence of economic nationalism. Section 2.3 investigates the rise of African financial institution – particularly the AAMFI, as well as subregional and national development banks – and highlights their emerging counter-cyclical roles. Section 2.4 assesses the implications of the latest wave of global financial regulation, including Basel IV, on trade finance and inclusive economic development. Section 2.5 analyses the transmission of recent global shocks, policy volatility, and trade tensions to Africa's trade finance and investment ecosystems. Section 2.6 identifies strategic opportunities emerging from this context, such as the expansion of intra-African trade, advances in digital finance, and the development of regional currency systems. Section 2.7 offers forward-looking policy recommendations aimed at equipping African institutions and stakeholders to effectively navigate and shape this financial transformation.

2.2 A CHANGING FINANCIAL SYSTEM

2.2.1 The Global Financial Architecture and Geopolitics

The world's economy has entered a period of structural realignment. Since the 2008 global financial crisis, rising economic nationalism, supply chain shocks, and accelerating digitalisation have begun to redraw the map of trade and investment. Crude oil, the bellwether of merchandise commerce, has been overtaken by semiconductors: by 2020 semiconductor chips already accounted for about 15 percent of the value of global goods trade, while oil had slipped below 10 percent, according to a Deutsche Bank (DB) research note by Jim Reid. Services, with their true scale still understated in official statistics, have expanded from 20 to 25 percent of total trade since the 2008 financial crisis, driven by the increased use of digital platforms as essential to facilitate remote professional, business, and personal transactions.

The geography of trade has also shifted. Table 2.1 shows that three regions, dubbed "global factories" (Baldwin and Lopez-Gonzalez 2015), still dominate: Europe, North America, and East and South East Asia together supplied 75 percent of the world's exports in 2023.

Table 2.1 Share of regions in global exports

	Services		Goods		Goods and services	
	2009	2023	2009	2023	2009	2023
Africa	**2.2**	**1.8**	**3.5**	**3.2**	**2.9**	**2.3**
European Union	38.4	38.2	33.9	30.4	34.9	32.3
United Kingdom	8.0	7.4	2.8	2.2	4.0	3.5
Total Europe	**46.3**	**45.6**	**36.7**	**32.5**	**38.9**	**35.8**
China	4.0	4.9	9.5	14.2	8.3	11.9
Hong Kong	1.8	1.2	2.6	2.4	2.4	2.1
South Korea	2.0	1.6	2.9	2.7	2.7	2.4
Taiwan	0.6	0.7	1.6	1.8	1.4	1.5
Japan	3.3	2.6	4.6	3.0	4.3	2.9
ASEAN nations	4.9	6.8	6.5	7.6	6.1	7.4
Total East and Southeast Asia	**16.4**	**17.8**	**27.8**	**31.7**	**25.2**	**28.3**
India	2.6	4.3	1.3	1.8	1.6	2.4
United Arab Emirates	0.3	2.1	1.5	2.0	1.2	2.1
Qatar	0.1	0.4	0.4	0.4	0.3	0.4
Total Other Asia	**2.9**	**6.8**	**3.2**	**4.3**	**3.1**	**4.9**
United States	13.9	12.7	8.4	8.5	9.6	9.5
Mexico	0.6	0.7	1.8	2.5	1.5	2.0
Canada	1.9	1.7	0.5	0.6	0.8	0.9
Total North America	**16.4**	**15.1**	**10.8**	**11.5**	**12.0**	**12.4**
Total (trillion $)	3,603	7,822	12,585	23,813	16,188	31,635

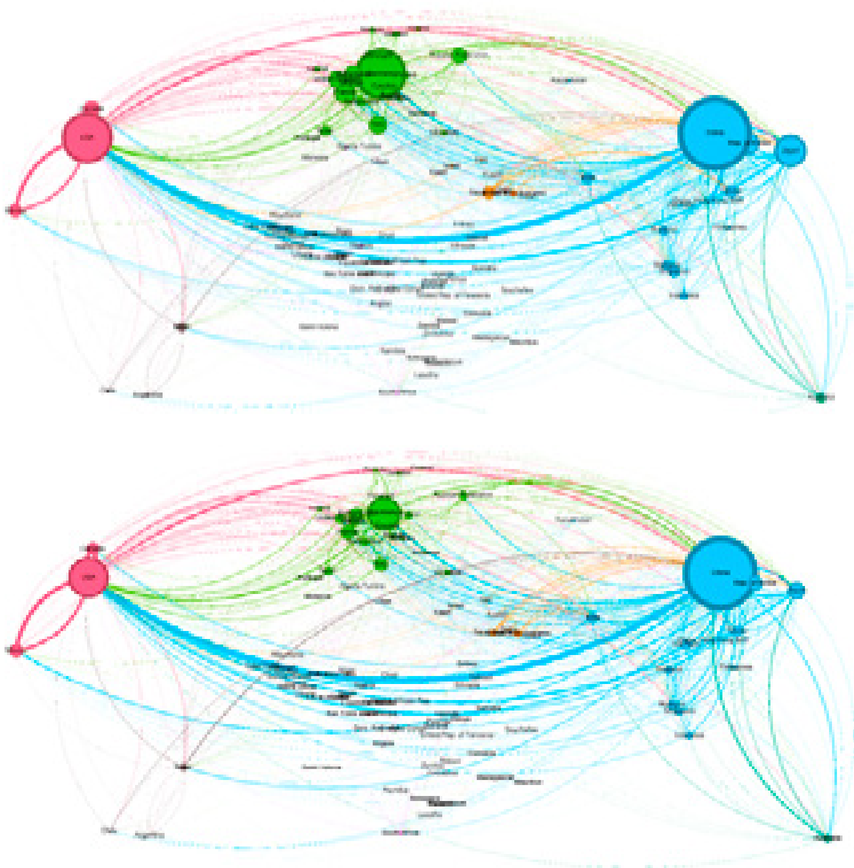
Source: Author's analysis based on World Trade Organization data.
Note: European Union includes intrarregional trade.

African Trade in a Changing Global Financial Architecture

Yet the balance inside this triad is changing. Europe's share has declined modestly (from 38.9 percent in 2009 to 35.8 percent in 2023), East and South East Asia – propelled chiefly by China and the ASEAN economies – has advanced (from 25.2 percent to 28.3 percent), and North America has maintained its overall trade share, but with its share of goods traded growing, its share of services traded has declined. Africa's slice has edged down to 3.2 percent (from 3.5 percent in 2009), a reminder of the continent's continuing struggle to diversify and move up value chains.

These numerical trends are visible in the network maps depicted in figure 2.1. Compared with 2008 to 2010, the 2022 to 2024 configuration is denser within regions and thinner between them: regional value chains have deepened (Baldwin and Lopez-Gonzalez 2015), and policies of "near shoring" and "friend shoring" (McKinsey 2024; Gopinath, et al. 2024) have reinforced the centrifugal drift. Geopolitics is now a first order determinant of production location. Controls imposed by the United States on exports of semiconductor materials from China, and China's rare earth embargoes and retaliatory tariffs have persuaded firms to source critical stages of their supply chains either domestically or in politically aligned jurisdictions. As a result, trade is being re routed rather than deglobalised – imports by United States previously from China are coming in part from Mexico, Vietnam, and India, while China's own imports have pivoted towards ASEAN and the Gulf. These trends risk fragmenting global value chains, potentially leading to economic inefficiencies, fragile supply chains, and higher consumer costs, and raising concerns about long-term industrialisation.

Figure 2.1 Main global trade flows 2008–2010 (top panel) and 2022–2024 (bottom panel)



Source: Author's analysis based on CEPII BACI.

Investment flows mirror this rerouting. Announced greenfield projects – a type of investment where a company establishes a new business or builds new facilities from the ground up, typically in a foreign country – reveal Europe's waning role as a capital exporter, Asia's rise to one-third of global outflows, and the United States' re-emergence as the premier destination for greenfield investment (table 2.2). From 2008 and 2010, South Korean and Japanese firms poured money into Chinese plants. From 2022 to 2024, increased greenfield investments were made in the United States, where investments in the production of semiconductors have played a key role. China, no longer the unrivalled magnet it was for South Korean and Japanese investment, is investing outward into the rest of Asia and the Middle East, while the United Arab Emirates has become an active investor in Africa. Figure 2.2 plots these new corridors.

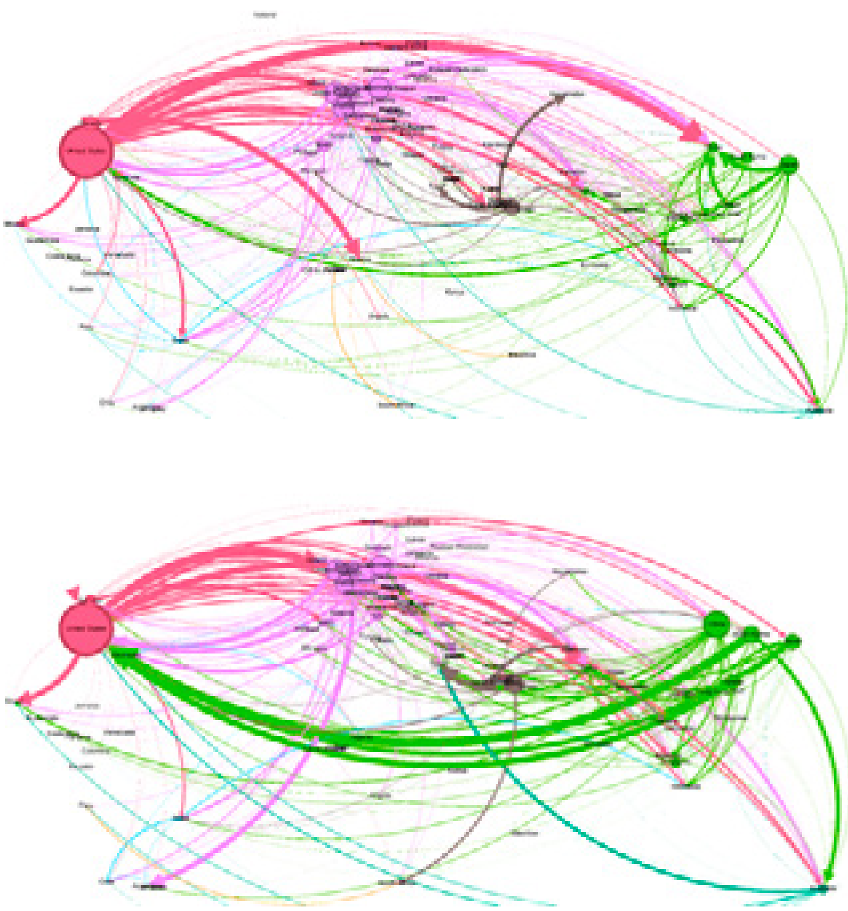
Technological progress accelerates the shift. The energy transition is reshaping the automobile industry around batteries and power electronics. Artificial intelligence and the Internet of Things are embedding chips in products that once contained none. And the pandemic era boom in e-commerce has normalised cross border digital services. These forces together are ushering in a new phase of global value chains (Baldwin 2016).

Table 2.2 Origin and destination of announced greenfield investment flows (share in percent)

	Origin		Destination	
	2008–2010	2022–2024	2008–2010	2022–2024
Africa	**1.2**	**0.5**	**9.5**	**12.3**
European Union	32.1	27.6	13.9	17.5
United Kingdom	7.3	6.5	6.4	6.3
Other Europe	5.0	4.3	6.9	3.0
Total Europe	**44.3**	**38.4**	**27.2**	**26.9**
China	2.8	7.6	10.4	2.5
Hong Kong	1.3	1.8	0.6	0.3
South Korea	3.1	4.9	0.6	0.9
Taiwan	2.0	3.8	0.4	0.3
Japan	6.0	4.4	0.7	1.7
ASEAN	4.2	3.5	11.7	10.1
Total East and Southeast Asia	**19.4**	**26.1**	**24.4**	**15.7**
India	2.0	2.0	5.1	6.5
United Arab Emirates	3.9	5.9	1.4	1.3
Qatar	0.8	0.7	0.9	0.8
Total Other Asia	**6.7**	**8.6**	**7.4**	**8.6**
United States	17.5	16.5	6.2	13.7
Canada	3.3	3.1	1.6	2.3
Mexico	0.1	0.2	2.5	3.1
Total North America	**20.9**	**19.8**	**10.4**	**19.1**
Total Rest of the World	**7.4**	**6.6**	**21.1**	**17.5**

Source: Author's analysis based on foreign direct investment markets.

Figure 2.2 Greenfield investment flows 2008–2010 (top) and 2022–2024 (bottom)

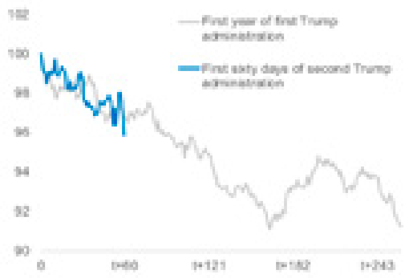


Source: Author's analysis based on foreign direct investment markets.

2.2.2 Changes in Economic Foundations

The political turn towards tariffs and subsidies in 2025 has spilled over into finance. Heightened trade protectionism, driven by tariffs imposed by the administration of United States President Donald Trump, has shaped the global economic landscape, sparking widespread risk aversion in global financial markets. Equity markets shed approximately US$10 trillion immediately after the first wave of tariff announcements by the United States (New York Times podcast 2025) while volatility indices remain elevated. As investors reassess the United States' economy's outlook and the role of the US dollar as a stable medium of exchange and a stable store of value, a weaker US dollar (figure 2.3) and higher interest rates could tighten global liquidity, raising funding costs for countries – many of them in Africa – with large development finance gaps, twin deficits, and scant reserves. Risk-averse banks could pull back trade credit precisely when exporters need it most, amid negative financial sentiment, and precipitate a global recession (Allen and Giovannetti 2011), while foreign direct investors could demand higher returns before committing capital in African markets, perceived as riskier.

Figure 2.3 The US dollar at the start of the first and second Trump administrations



Source: United States Federal Reserve and Overseas Development Institute Global.

Currency volatility exacerbates the problem. In some African economies, exports are denominated in US dollars or euros, while imports are in local currency; this can create a mismatch leading to a higher cost of imports and lower profitability (Ayele 2022; Bee, 2018). It also means that every bout of exchange rate turbulence inflates import bills and squeezes exporter margins. Local currency settlement, facilitated by the AfCFTA and emerging regional payment systems, offers a partial hedge and an incentive for firms to pivot towards nearby markets.

De dollarisation, though gradual, is becoming part of the policy conversation (Duarte et al. 2025; Arslanalp et al. 2022). Settling intra African transactions directly in local currency would eliminate multiple conversions, reduce reserve requirements, and shorten settlement lags. PAPSS is designed for that purpose, and central bank digital currency pilots such as the e-Naira and e-Cedi corridors illustrate the technological feasibility, even if commodity pricing and thin local currency markets mean the dollar will remain dominant for some time yet.

2.2.3 Digital Finance, Central Bank Digital Currencies, and Commodity Based Mechanisms

Digital finance, encompassing central bank digital currencies, commodity-based finance mechanisms such as commodity swaps, and digital payment systems, is poised to bolster trade resilience and economic growth across African economies. Mobile wallets, real time cross border apps such as M-Pesa and Wave, and PAPSS already enable traders to clear small invoices in seconds without routing funds through correspondent banks outside the continent. During the COVID-19 lockdowns, mobile money underpinned household resilience and kept informal supply networks alive. The same infrastructure can now speed formal commerce, slash transaction costs, and strengthen data trails for better policymaking and targeted support.

By issuing programmable, legal tender tokens, central banks could supply instant, risk-free settlement in national currencies, fine-tune liquidity conditions, and lessen dollar dependency. Coupled with commodity-linked finance instruments – gold or oil-indexed notes, for example – African treasuries could diversify reserves and build smoother buffers against external shocks.

2.2.4 Reform and Governance in a Fragmenting Global Financial Architecture

The rules of global finance are fragmenting along geopolitical lines, as China, India, and the Gulf states enlarge their footprints in finance and trade. The BRICS group, an intergovernmental organisation promoting greater economic and political cooperation among ten countries – Brazil, Russia, India, China, South Africa, Egypt, Ethiopia, Indonesia, Iran, and the United Arab Emirates – and the Asian Infrastructure Investment Bank offer alternatives to Bretton Woods funding. They advocate reallocation of special drawing rights, while a common framework for debt treatment underscores dissatisfaction with the status quo. For African economies, this multipolarity is double-edged: it bolsters bargaining power and offers fresh sources of long-term capital, yet also multiplies the fault lines through which shocks can propagate.

Technological change raises a parallel governance challenge. Blockchain-based trade finance, algorithmic credit scoring, and AI-driven logistics promise efficiency but expose regulators to novel risks such as cybercrime, data privacy, and illicit capital flows (World Bank 2022). Capacity building, cross border supervisory cooperation, and fit for purpose legal frameworks will be essential for the continent to harness innovation without compromising stability.

Finally, surging debt levels triggered by the COVID-19 pandemic remain a drag on growth. Where local currency capital markets are shallow, foreign currency borrowing still dominates, keeping Africa vulnerable to exchange rate swings. Blended finance vehicles, longer tenor concessional loans, and credible domestic investment pipelines can help ensure new borrowing translates into productive capacity rather than recurring crises.

Taken together, these forces are reshaping the environment in which Africa trades and invests. The challenge is to turn fragmentation into strategic autonomy – leveraging regional value chains, digital finance, and a network of home-grown development banks to build a trade finance ecosystem that is resilient, inclusive, and firmly anchored on long-term priorities.

Box 2.1: Geopolitical Risks and Africa's Marginal Role in Global Value Chains

Africa's declining share of global exports (from 3.5 percent in 2009 to 3.2 percent in 2023) underscores its marginal role in global value chains, driven by geopolitical tensions and protectionist policies. The rivalry between the United States and China over semiconductors and critical minerals disrupts supply chains, limiting Africa's participation in high-value sectors like electronics. Meanwhile, global protectionism, including the European Union's Carbon Border Adjustment Mechanism and tariffs imposed by the United States, threaten African exports. Africa's rich deposits of critical minerals such as cobalt and lithium, attract global interest, but partnerships risk perpetuating exploitative models with limited local value addition. Strengthening African-led value chains by establishing the AfCFTA and investing in infrastructure and digital finance are essential to enhance resilience and reduce reliance on volatile global markets.

Box 2.2: Trade Finance Gaps and Their Impact on Intra-African Trade

Africa faces about US$100 billion annual trade finance gap. This severely limits the ability of small and medium enterprises, which make up 80 to 90 percent of businesses on the continent, to engage in regional trade. Just 18 percent of African banks' trade finance portfolios support intra-African trade, reflecting a bias towards external markets. This shortfall, exacerbated by high borrowing costs and stringent global banking regulations such as Basel IV, restricts the small and medium enterprises from scaling up their operations and integrating them into regional value chains. The AfCFTA is designed to boost intra-African trade, but its success hinges on closing this gap. Initiatives like Afreximbank's $17.5 billion trade finance disbursements and PAPSS are critical steps, yet broader access to affordable credit and harmonised financial regulations remain urgent priorities to unlock the full potential of the continental agreement.

African Trade in a Changing Global Financial Architecture

2.3 THE ALLIANCE OF AFRICAN MULTILATERAL FINANCIAL INSTITUTIONS AND THE DEVELOPMENT FINANCE ARCHITECTURE

2.3.1 Relevance of the African Multilateral Financial Institution in Africa's Financial Architecture

Launched in 2024, the AAMFI is an alliance of African-owned and controlled multilateral financial institutions established to reposition Africa within the global financial system by finding innovative financing solutions to advance the continent's sustainable economic development and regional integration goals (African Union 2024a). AAMFI members include Africa Finance Corporation, Afreximbank, Trade and Development Bank Group, African Reinsurance Corporation, African Trade and Investment Development Insurance, Shelter Afrique Development Bank, PTA Reinsurance Company, East African Development Bank, African Solidarity Fund, and Fund for Export Development in Africa.

The AAMFI seeks to facilitate the access of African nations to critical funding mechanisms, to transform the continent's financial ecosystem, and to harness the expertise and resources of its members to drive growth in key sectors, including infrastructure, trade, and investment (African Union 2024b).

Member mandates are tightly aligned with continental needs. Afreximbank finances intra and extra African trade, African Reinsurance Corporation and African Trade and Investment Development Insurance underwrite regional risk, Shelter Afrique Development Bank targets housing, and Fund for Export Development in Africa provides patient capital for export development. The work of these institutions is vital because Africa's financial depth remains shallow – private-sector credit is limited, lending is costly, and stock markets remain characterised by a low number of buyers and sellers. In 2023, just 15 percent of bank lending on the continent supported manufacturing, while 8 percent was directed towards infrastructure and 5 percent towards agriculture (Tyson 2021).

The AAMFI is contributing to narrowing the financing gap in Africa. As of July 2024, the alliance had pledged US$62 billion towards trade and investment-related programmes. Afreximbank alone disbursed US$17.5 billion in 2023, trimming the continent's about US$100 billion trade finance gap (Afreximbank 2023). During recent shocks, some African multilateral financial institutions have provided rapid and flexible support. A good example is that disbursed by Afreximbank through its Pandemic Trade Impact Mitigation Facility (2020) and its US$4 billion Ukraine Crisis Adjustment Trade Financing Programme for Africa (Afreximbank 2020, 2022). The decisive and swift intervention prompted Ghana to urge African Union members to place 30 percent of reserves with African multilateral financial institutions (African Union 2024c).

Persistent shortcomings – insufficient concessional finance, slow and costly debt workouts, skewed emergency-fund access, and a documented "risk-premium bias" in credit-ratings – have prompted African leaders to demand debt-crisis solutions, re-channelling of special drawing rights, greater voice in decision-making, and a green-growth agenda (African Union 2024a). Although recent G20-led multilateral development bank reform road-maps acknowledge the need for a "bigger, better, more effective" multilateral ecosystem, consultations have been directed towards the ten largest multilateral development banks, leaving Africa's own multilaterals largely outside the discussions. With the African Union now a permanent member of the G20 and South Africa holding the G20 presidency until November 2025, the AAMFI has a timely opening to press for recognition of its preferred-creditor status, fairer capital-adequacy rules, and direct access to global climate and development funds. Formal engagement with the International Monetary Fund, financial-standard setters, creditor committees, and rating agencies would not only defend the Alliance's operations but also ensure future reforms reflect both the realities of African borrowers and of the institutions designed to serve them.

2.3.2 A Changing Development Finance Landscape

Major global conflicts in Europe and the Middle East, the long-term effects of the COVID-19 pandemic, and accelerating climate change have widened Africa's financing gap and slowed its progress in meeting sustainable development goals just as concessional flows retreat. Aid to African nations fell 7 percent in real terms in 2024 (OECD 2025) and donor plans imply a 31 percent cut in official development assistance by 2029 (Puddussery and Guljarani 2025). Multilateral development bank reform has proceeded unevenly, marking only small gains in approval speed and little headway on capital adequacy change (Chakrabarti, Bains, and Prizzon 2024). These shortfalls strengthen the case for empowering regional and national development banks that already know African markets. Meanwhile, while all United Nations members adopted in 2015 what are known as the Sustainable Development Goals, the aforementioned crises have jeopardised progress towards meeting the goals. Past the midway point to the 2030 deadline, only 17 percent of the goals are on track among all United Nations members, while more than one-third are stagnating or regressing (United Nations 2024a). African nations lag even farther behind, having met just 6 percent of the goals (African Union et al. 2024).

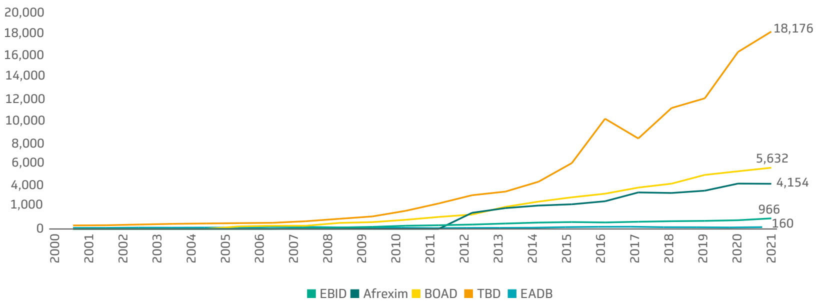
2.3.3 The Rise of Sub Regional Development Banks

Africa's five subregional development banks, Development Bank of the Central African States, East African Development Bank, Trade and Development Bank Group, Economic Community of West African States Bank for Investment and Development, and West African Development Bank, pool the credit of neighbouring states to reach capital markets otherwise closed to them. African member states hold a voting in each and most enjoy borrower voting power of greater than 50 percent. Innovators such as Trade and Development Bank Group have issued Eurobonds, attracted commercial "Class B" shareholders, and secured World Bank guarantees (Humprey 2023). Figure 2.4 shows the payoff: Trade and Development Bank Group's loan book grew from US$232 million (2005) to US$5.7 billion (2021).

Portfolio data (table 2.3) show that 35 to 53 percent of lending by subregional development banks in 2023 was directed towards transport, energy, and information communication technology – areas underserved by the World Bank's Africa portfolio – and that they allocated larger shares than global multilateral development banks to agriculture and financial sector on lending. Specialised trade finance lines by them (letters of credit, receivables purchase, pre-shipment loans) support cross border activity of small and medium enterprises. Their main constraint is funding cost: owned largely by sub investment grade governments, subregional development banks borrow dearer and therefore on lend at higher rates and with shorter tenors than AAA rated multilateral development banks.

> Persistent shortcomings – insufficient concessional finance, slow and costly debt workouts, skewed emergency-fund access, and a documented "risk-premium bias" in credit-ratings – have prompted African leaders to demand debt-crisis solutions, re-channelling of special drawing rights, greater voice in decision-making, and a green-growth agenda.

Figure 2.4 Growth of loan portfolio: selected African multilateral development banks (US$ millions)



Source: Humprey 2023.

African Trade in a Changing Global Financial Architecture

Table 2.3 African subregional development banks and selected multilateral development banks: Top portfolio exposure by sector, 2024 or latest

Sector	Share (%)	Sector	Share (%)
Trade and Development Bank 2024 (total: US$ 6.9 billion)		West African Development Bank 2023 (total: XOF979 billion)	
Oil and gas	27.1	Transport/information communication technology	34.7
Agribusiness	22.1	Finance and insurance	18.9
Banking and finance	18.3	Energy	18.6
Infrastructure	16.4	Agricultural production and food security	13.8
Other	16.1	Real estate and housing	8.6
		Health and education	5.4
East African Development Bank 2023 (total: US$ 116 million)		ECOWAS Bank for Investment and Development 2023 (total: UA 309 million)	
Transport and storage	53	Infrastructure	40.6
Financial institutions	20	Services	38
Agricultural, marine, and food processing	12	Rural development	11.4
Education, health, and other community services	7	Social	10
Other	8	Industry	0.1
Development Bank of the Central African States 2023 (total: FCFA 709 billion)		African Development Bank 2023 (total: UA 44.7 billion)	
Transportation	47.8	Transport	27
Industry	10.6	Power	19
Health	8	Finance	16
Agropastoral	7.6	Agriculture	13
Agroindustry	7.5	Water supply and sanitation	8
Other	18.5	Other	17
World Bank lending to Eastern and Southern Africa FY2024 (total: US$15.6 billion)			
Energy and extractives	18	Social protection	9
Public administration	15	Health	9
Transportation	14	Other	25
Information and communication technology	10		

Sources: Latest annual reports of African Development Bank, subregional development banks, and World Bank.

Notes: Total refers to financial position of trade and development banks, West African Development Bank loans granted, East African Development Bank loans and receivables, ECOWAS Bank for Investment and Development cumulative net disbursements as of 2023, Development Bank of the Central African States loan portfolio, African Development Bank loans and grants, and total lending of the World Banks' International Bank for Reconstruction and Development Bank and International Development Association.

2.3.4 Expanding Role of National Development Banks and their Interactions with Multilateral Development Banks

The African continent is home to more than 100 national development banks, 23 created since 2010 (Attridge et al. 2021). Unlike subregional development banks, most national development banks focus on generally underserved domestic micro, small and medium enterprises, local infrastructure, or climate projects. The definition of a national development bank is not universal, although they are generally characterised as a "financial institution that a national government fully or partially owns or controls and has been given an explicit legal mandate to reach socioeconomic goals in a region, sector, or market segment," (De Luna-Martinez et al. 2018). They have pioneered transformational financing deals, for Morocco's Casablanca Desalination Plant (Mazzucato 2023) and for the Southern African Climate Finance Facility, while providing counter-cyclical relief, as South Africa's Small Enterprise Finance Agency did for micro, small, and medium enterprises during the COVID-19 pandemic.

Like subregional development banks, national development banks are often hampered by high funding costs pegged to sovereign ratings and, in some cases, elevated non performing loans. Recent literature (Volz et al. 2024; Mariotti et al. 2025) shows how global and regional multilateral development banks can help them overcome the challenges. They can extend concessional credit lines, risk sharing guarantees, callable capital injections, and joint climate finance pipelines. Capacity building initiatives – governance, risk management, and pipeline design – are equally critical.

Key Insights for Africa's Trade Finance Strategy

- The AAMFI is already narrowing financing gaps and acting counter cyclically but must secure formal recognition of preferred creditor status and greater access to long tenor capital.
- Subregional development banks complement legacy multilateral development banks by funding regional infrastructure and trade lines. Growing their ability to do so will require less expensive wholesale funding and continued governance innovation.
- National development banks are indispensable for inclusive growth yet need blended finance and technical support to keep risk manageable and lending affordable.
- Engagement in G20 and International Monetary Fund fora is essential for Africa led banks to shape emerging norms on capital adequacy, special drawing rights re channelling and debt workouts rather than merely accommodating them.

With the right support – and recognition in global rule making – Africa's layered network of multilateral, subregional, and national development banks can turn a fragmented global architecture into a springboard for trade driven, climate-aligned growth.

2.4 REGULATIONS, RULES OF ENGAGEMENT, AND INCLUSIVE TRADE

2.4.1 Basel Rules

Successive Basel accords have tightened global capital and risk management standards, culminating in Basel IV. While the reforms aim to safeguard systemic stability, they bring unintended consequences for African trade finance. For instance, fixed loss given default rates limit banks' use of internal risk calculations, potentially reducing trade financing. Increased credit conversion factors for trade guarantees, including letters of credit and performance bonds, raise contingent liability weightings from 20 percent to 50 percent in calculations of risk weighted assets, more than doubling capital requirements and discouraging foreign banks from financing African trade.

Larger balance sheet costs are likely to push international banks to curtail African portfolios or raise pricing, echoing warnings from industry bodies and the empirical finding that tougher capital adequacy ratios depress lending in the short run even if long run impacts are positive (Oyetade et al. 2023). Poorer jurisdictions also face implementation challenges – limited supervisory capacity, patchy credit rating coverage, and risks (e.g., foreign currency lending) that Basel does not fully capture (Gottschalk 2010; Beck and Tyson 2018). Regulators, therefore, need to exercise Basel's built in flexibility, adopting only those components suited to local realities while engaging in global standard setting debates to ensure Africa's concerns are heard.

2.4.2 The Role of Alternative Sources of Finance

Tighter bank regulation widens an already large trade finance gap that disproportionately excludes Africa's small and medium enterprises and youth and women led firms. Fintech lending platforms, digital trade portals, and supply chain finance programmes are emerging as critical substitutes. Warehouse receipt systems in Ethiopia and Kenya, for example, give small farmers tradable collateral and have boosted horticulture exports

African Trade in a Changing Global Financial Architecture

(Varangis 2025). Alternative finance helps many African economies lacking infrastructure to compete in regional and global trade, through financing of roads, power, ports, and digital connectivity. Blended finance and development finance institution-backed credit can de-risk investments in special economic zones (OECD 2022), trade corridors, logistics hubs, and energy. Commodity-backed infrastructure finance such as oil-for-roads and gold-for-fuel) also allow countries to build key assets without increasing debt. Islamic finance can fund large, ethical infrastructure and trade projects in Muslim-majority regions (such as the Sahel, Sudan, and northern Nigeria).

To achieve middle-income status, African economies must boost productivity, often through growth in services, digital goods, creative industries, and manufacturing (Wang and Lu 2020; Aghion 2016). Alternative finance facilitates this transition through multiple mechanisms, including crowdfunding, peer-to-peer lending support, and funding startups in e-commerce and logistics (Jonek-Kowalska 2023). At the multilateral level, institutions such as Afreximbank's Adjustment Fund provide dedicated liquidity to keep letters of credit flowing under AfCFTA rules, illustrating how development finance institutions can soften Basel induced constraints. These alternative channels not only bridge financing gaps but help diversify Africa's export base from raw commodities towards higher value manufacturing and services, advancing an inclusive trade agenda even as traditional bank appetite tightens.

2.5 THE IMPACT OF THE GLOBAL FINANCIAL LANDSCAPE

2.5.1 Global Dynamics and their Effects on African Trade and Investment

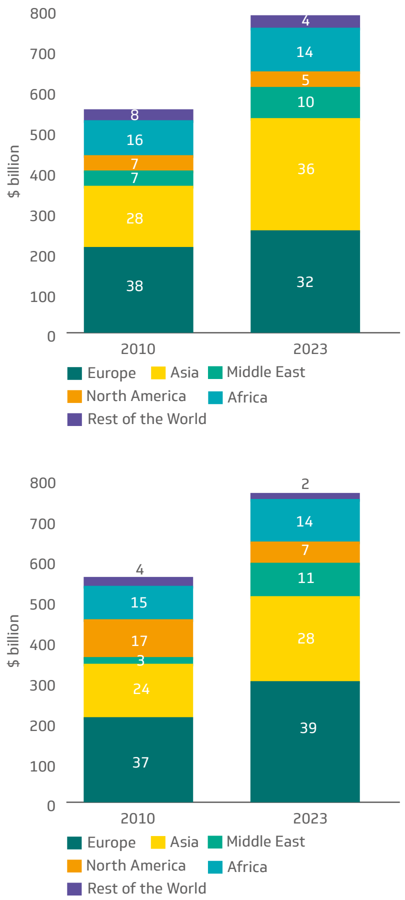
Africa's demographic surge – its population is projected to top 2.5 billion by 2050 – makes job rich, high productivity growth imperative. Present productivity trends would leave the continent at barely 6 percent of world GDP; deeper insertion into global and African led value chains is therefore critical.

2.5.1.1 Dynamics with Lower Immediate Impact

- Changing trade patterns. Since 2008, Africa has pivoted from Europe and United State centred commerce towards Asia and the Gulf. Figure 2.5 shows United States share of African exports dropping from 20 percent (2000) to 5 percent (2023). That shift is likely to limit direct exposure for African exporters to the impact of prospective United States tariffs. The more concerning risk, especially for agricultural and textile exports from the continent, is whether the African Growth and Opportunity Act, the United States trade preference program that provides duty-free access to the U.S. market for eligible sub-Saharan African countries, will be re-authorised. First approved by the U.S. Congress in 2000, it is currently valid only through September 2025.
- Modest intra African trade. Figure 2.5 shows that only about 14 percent of formal exports and imports circulate within the African continent, underscoring the transformative potential – but also the implementation challenge – of the AfCFTA. Figure 6 tracks intra-African trade flows.
- Investment realignment. Figure 2.7 tracks falling greenfield inflows from the United States, European Union, and India and a surge from the United Arab Emirates (notably into Egypt). It also shows that intra African investment, chiefly from South Africa, has decreased.
- Semiconductor geopolitics. The global competition between the United States and China for semiconductor dominance has limited direct impact on Africa, as its share of global semiconductor production is negligible. But with semiconductors increasingly embedded in a wide range of products, from vehicles to food, geopolitical tensions surrounding semiconductor supply chains could affect Africa's role as producer and exporter of goods that rely on these technologies. Restrictions on technology exports due to geopolitical realignment could limit market access for African products.

These factors shape Africa's economic engagement with global value chains, with some regions and countries benefiting from new opportunities while others face challenges, particularly in terms of investment and trade.

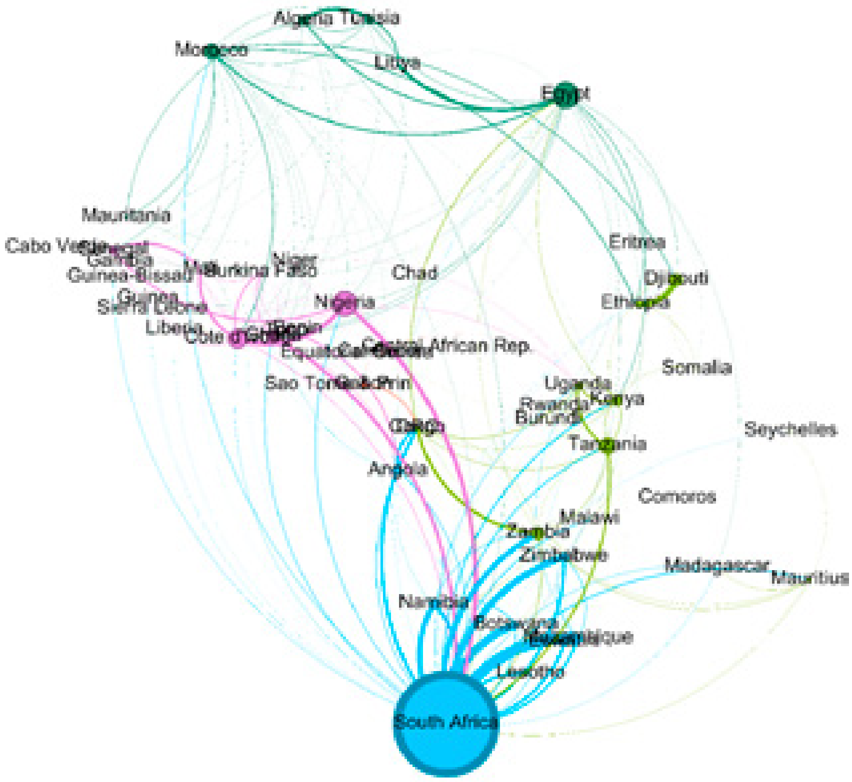
Figure 2.5 African origin of imports (top) and destination of exports (bottom) in 2010 and 2023



Source: Authors' analysis based on BACI.

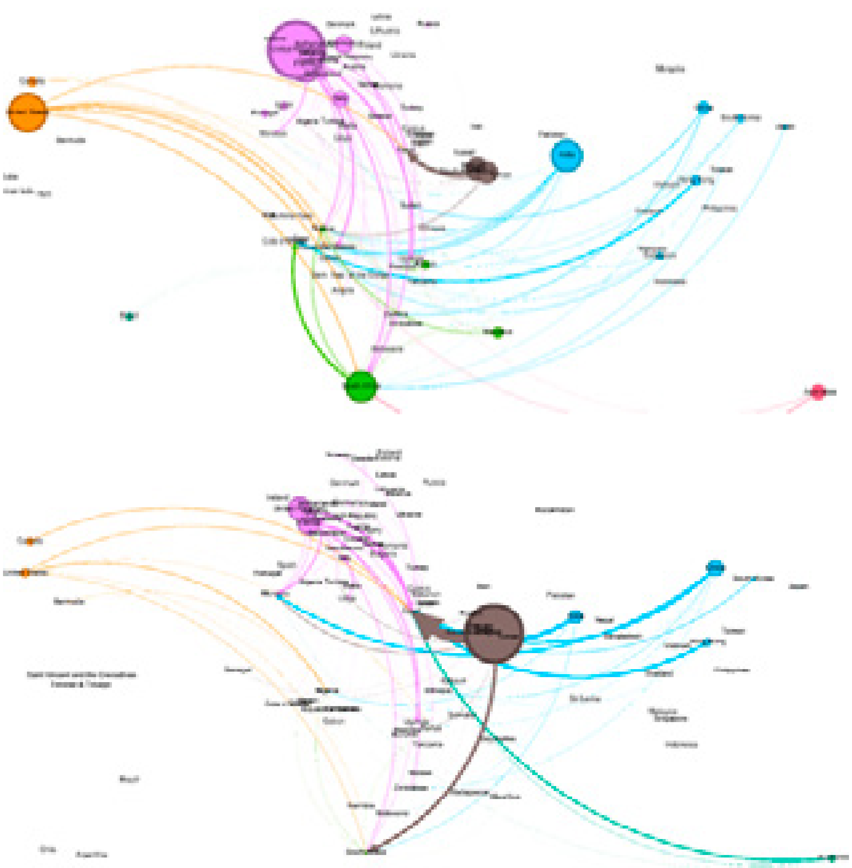
Note: Callouts indicate percentages with respect to totals.

Figure 2.6 Intra-African trade flows, 2023



Source: Author's analysis based on foreign direct investment markets

Figure 2.7 Announced of key greenfield investment in and by Africa 2008–2010 (top panel) and 2022–2024 (bottom panel)



Source: Author's analysis based on foreign direct investment markets

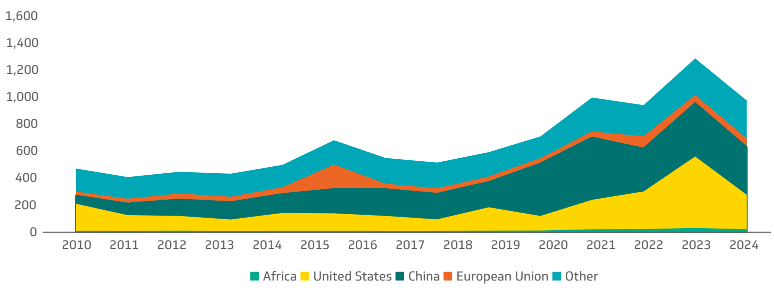
2.5.1.2 Dynamics with Higher Impact

Three key trends may significantly impact Africa's economy and participation in value chains, offering both opportunities and challenges:

1. Suez vulnerability vs. Cape opportunity. Conflict-linked disruptions and vessel size constraints in the Suez Canal encourage carriers to round the Cape of Good Hope, enhancing Durban's hub prospects and the continent's auto logistics potential.
2. Global protectionism. Figure 2.8 charts discriminatory measures being ramped up by the European Union, the United States, and others – that could erode Africa's market access. Among them are carbon border adjustments, deforestation rules, and electric vehicle tariffs. In addition, geopolitical shifts, such as China redirecting electric vehicle exports to Africa in response to the imposition of trade barriers by the European Union, could disrupt African value chain development.
3. Critical minerals race. Africa's cobalt, lithium, and nickel reserves are indispensable for global energy transition and defence supply chains. New corridors (e.g., Lobito) heighten leverage, but a raw ore "extract and ship" model could again sideline local manufacturing unless rules of origin, investment incentives, and AfCFTA protocols foster processing and ancillary industries.

These trends suggest Africa's involvement in global value chains is influenced by external geopolitical dynamics, with potential opportunities tempered by the risks of continued exploitation and underdevelopment.

Figure 2.8 Discriminatory measures affecting African countries, by imposing region



Source: Author's analysis based on Global Trade Alert.

2.5.1.3 Repositioning the African Continental Free Trade Area

Intra-African trade represents just 15 percent of total exports from African nations, and it is largely made up of manufactured goods and services. By removing barriers to such trade and by facilitating and promoting investment, the AfCFTA aims to boost the trade in these critical sectors and support the transformation of African economies. In a fractured world, the AfCFTA can shield exporters from external shocks, pool bargaining power and attract investment without sliding into inward looking trade diversion. Repurposing requires little treaty change but will involve urgent focus on targeted implementation.

2.5.2 Accelerating Implementation

Although Phase I tariff schedules under the Guided Trade Initiative went into effect in January 2021, meaningful trading did not commence until two years later. Many members of the AAMFI still lack national implementation committees, delaying origin certification and limiting gains. Establishing the committees and automating rules of origin procedures is now the main priority of the Alliance's leadership.

2.5.3 Participation in Value Chains

The participation of African economies in value chains is particularly challenging given the increasing protectionism impacting geopolitics. Lack of clarity in relation to market access under the United States' African Growth and Opportunity Act is affecting the ability of African firms to participate in United States retailer-led food and garment value chains.

With respect to producer-led value chains such as electronics and automobiles, Africa lacks both productive capacity and coordination between parties. The automobile value chain, which presents notable opportunities for Africa, is fragmented and lacks integration (Mendez-Parra et al. 2025).

Finally, global partners show clear interest in accessing critical minerals on the African continent. African nations have an opportunity to add value to this extraction by creating forward linkages and developing the auxiliary industries and services.

The data demonstrates repeatedly that external shocks are rearranging trade routes, investment flows, and technology access. By fast tracking execution of free trade protocols in the AfCFTA, courting strategic but mutually beneficial mineral partnerships, and building continental logistics and industrial clusters, African policymakers can convert a fluid global landscape into a springboard for inclusive, value adding growth.

2.6 THE EVOLVING FINANCIAL LANDSCAPE AND ITS IMPLICATIONS FOR AFRICAN TRADE – ABRIDGED NARRATIVE

Global trade and finance are in flux. Tariff wars, industrial-policy races, shifting foreign direct investment corridors, and a tightening monetary cycle are redrawing opportunity maps for every region. Nowhere is this truer than on the African continent, where thin fiscal buffers, commodity dependence, and under-developed financial systems magnify external shocks. This section surveys how these worldwide currents interact with continental realities, highlighting the risks of falling further behind in global value chains yet also the openings that the AfCFTA, digital payments, and African-owned development banks create for a more self-reliant growth model.

2.6.1 Global Trade and Finance Shifts: Threats and Openings

Africa's trade performance remains hostage to exogenous shocks. It is reliant on external geoeconomic and geopolitical factors due to historic trade dependencies, and contingent on access to and availability of external finance through multilateral development banks, donor countries, legacy international financial organisations such as the International Monetary Fund and the World Bank, investments by multinational enterprises, and foreign exchange earnings. Tariff wars, industrial policy races, and energy price swings have eroded fiscal space, driven currency volatility, and raised external borrowing costs, pushing the continent's share of world exports down from 3.5 percent in 2009 to 3.2 percent in 2023 and 3.3 percent in 2024.

At the same time, announced greenfield foreign direct investment has ticked up by 3 percent. Between 2022 and 2024, announced greenfield investment (foreign direct investment markets) in Africa averaged 12.3 percent, an average

African Trade in a Changing Global Financial Architecture

3 percentage point increase over the period of the global financial crisis from 2008 to 2010 – but remained concentrated in minerals and construction. By deepening intra-African trade, the AfCFTA can reduce dependence on volatile commodity cycles and provide a platform for higher value manufacturing and services. Even so, its power will remain latent until implementation gaps close.

2.6.2 Regional Financial Environment and Trade Integration

While macro headwinds originate abroad, the capacity to cushion – or amplify – their effects is shaped inside the continent. This sub-section looks inward, at how Africa's own financial architecture – from development bank balance sheets and payment rails to fintech platforms and regulatory cooperation – can unlock the trade potential promised by the AfCFTA. It breaks the analysis into four building blocks: (i) the expanding role of pan-African direct foreign investments, (ii) the modernisation of payment systems and digital finance, (iii) the link between accessible credit and regional value-chain formation, and (iv) policy innovations that harmonise rules and currencies across 55 jurisdictions.

2.6.2.1 Pan African Institutions Step In

Chronic trade finance gap estimated at about US$100 billion annually (African Development Bank 2024) – and a small and medium enterprise funding shortfall of US$331 billion (Afreximbank 2024) stifle regional commerce. African multilaterals are expanding the safety net: the African Development Bank's trade finance programme has already supported US$5 billion in transactions – 60 percent for small and medium enterprises (African Development Bank 2021), while Afreximbank pledges to double intra African trade finance to US$40 billion by 2026 and is spearheading due diligence and factoring platforms (African Export-Import Bank 2024b). The AAMFI, along with African Central Bank, the African Monetary Fund, and the African Investment Bank, all financial institutions of the African Union, are positioned to add fiscal space, coordinate monetary policy, and steer continental investment.

2.6.2.2 Payments, Currency, and Digital Finance

Legacy correspondent bank routes force even neighbouring countries to settle trade in dollars or euros– adding cost and foreign exchange risk (African financial Industry Summit 2022). PAPSS now links 16 central banks and 150 commercial banks, settling local currency trades in seconds. It is projected to shrink transaction costs by up to 50 percent (International Trade Commission 2025). Regional economic communities – among them the East African Community, the Southern African Development Community, and the Common Market for Eastern and Southern Africa – have also developed their own payment systems and the African Development Bank has funded payment system upgrades in West Africa (African Development Bank 2021). Notably, the Eastern African Community has developed a payment system masterplan to harmonise legal, regulatory, and oversight frameworks to promote a cross-border payment ecosystem in the region. It is hoped that such a system could unlock trade and financial opportunities while promoting further regional integration (Eastern African Community 2025). Meanwhile, mobile money penetration – the technology is used by 33 percent of adults in Africa versus 10 percent globally (World Bank 2021) – lets micro traders leapfrog traditional banking, anchoring informal cross-border e-commerce.

2.6.2.3 Trade Finance Access and Regional Value Chains

An analysis by de Melo and Solleder (2025) has found that by reducing financial frictions, the AfCFTA could spark regional value chains in the agricultural processing, automotive, textiles, and pharmaceuticals sectors – particularly for youth and women led micro small and medium enterprises. Afreximbank's AfCFTA Adjustment Fund and deal matching at the Intra-African Trade Fair hint at what is possible, yet under developed local banking sectors, high interest rates, and political risk still circumscribe reach (African Development Bank 2024).

2.6.2.4 Regional Coordination and Policy Innovation

Fragmented banking regulations, divergent anti-money laundering rules, and non convertible currencies keep markets thin. Work is underway on unified QR code standards, expanded credit bureau data sharing, and even a pan-African digital unit of account (Africa Financial Industry Summit 2022). Strengthening currency unions, swap lines, and local currency invoice practices would trim foreign exchange exposure and bolster policy transmission.

2.6.3 Unity, Data Transparency, and Global Alignment

Biases in international credit rating methodologies cost Africa an estimated US$75 billion in extra interest – a sum that could finance 80 percent of the continent's annual infrastructure needs (United Nations Development Programme 2023). A coordinated African Union led engagement with the three global rating agencies – complemented by the planned African Credit Rating Agency – could close data gaps, differentiate long-term development finance from short-term shocks, and unlock less expensive capital (African Union 2025). African multilateral development banks, members of the AAMFI, and African union financial institutions should jointly align their reporting standards with global norms, press for fairer risk assessments, and advocate multilateral debt solutions tailored to African realities. Such unity would not only lower borrowing costs but also signal credibility to foreign investors, amplifying trade led structural transformation.

The continent's ability to convert the AfCFTA's promise into jobs and industrial upgrading hinges on three financial pillars: (i) scaling African-owned development banks and funds, (ii) completing interoperable, low cost payment and settlement rails, and (iii) presenting a single, data rich African voice in global standard setting. Together these reforms can turn a volatile global landscape into a launchpad for inclusive, resilient growth.

2.7 CONCLUSIONS

The evolving global and regional financial landscape holds significant potential to reshape African trade. Global financial volatility, trade wars, and shifting patterns of foreign direct investment present substantive challenges that could hinder growth and exacerbate vulnerabilities. But accelerated regional financial integration, coupled with transformative initiatives like the establishment of the AfCFTA and enhanced infrastructure investments, is opening new avenues for intra-African trade and value chain development. By prioritising policy reforms and coordinated investments, African countries can drive sustainable industrialisation, diversify their economies, and ultimately increase their competitiveness in an increasingly interconnected global market.

This multifaceted transformation, while complex, offers hope prospect for the nations of the African continent to not only stabilise their trade networks but to emerge as an increasingly influential player in the global economy. Six strategic conclusions emerge, as discussed below.

2.7.1. Africa Must Lead Its Own Financial and Trade Renaissance

The global financial and trade environment is fragmenting, increasingly shaped by geopolitical frictions, economic nationalism, and digital transformation. Within this context, African economies cannot afford to be reactive. African solutions, led by African institutions, are not only viable but essential. Institutions like Afreximbank, the AAMFI, subregional development banks, and national development banks are already proving that locally designed, flexible, and context-aware financial mechanisms can deliver better outcomes than legacy multilateral systems.

2.7.2. Global Financial Architecture Remains Unfit for Africa's Needs

Despite decades of participation in multilateral finance, Africa remains structurally disadvantaged in the global financial system – whether through biased credit ratings, insufficient concessional flows, or exclusion from decision-making forums like the G20, the system is skewed to favour large, wealthy shareholders. Without deliberate reforms, including greater African voice, restructuring of debt rules, and reallocation of special drawing rights, global finance will continue to underserve African priorities.

2.7.3. Regional Financial Sovereignty is Africa's Most Strategic Asset

One of this chapter's most important insights is that financial sovereignty is achievable at the regional level. With the development of institutions such as the AAMFI and the spread of cross-border payment systems such as PAPSS, Africa can reduce dependence on external lenders, foreign currencies, and imported governance models. Significantly reducing the use of the US dollar in trade and financial transactions, while not a silver bullet, will complement a broader shift towards regional self-sufficiency in trade and finance.

"By prioritising policy reforms and coordinated investments, African countries can drive sustainable industrialisation, diversify their economies, and ultimately increase their competitiveness in an increasingly interconnected global market."

African Trade in a Changing Global Financial Architecture

2.7.4. Trade Integration is Necessary – but Not Sufficient

The AfCFTA remains a transformational project. However, trade integration must be underpinned by strong financial ecosystems, investment in infrastructure (both digital and physical), and small and medium enterprise-focused trade finance to deliver on its promise. Only then can Africa create regional value chains that replace raw commodity dependence with industrial dynamism.

2.7.5. The Digital and Green Economy are Africa's Future Frontiers

Africa has an unprecedented opportunity to leapfrog into the digital and green economies through the use of Fintech, mobile money, digital currencies, and green finance instruments. These tools offer pathways not just for inclusion but also for economic transformation. However, this potential will only be realised if the continent invests in governance, cybersecurity, and infrastructure to match the pace of innovation.

2.7.6. Unity, Reform, and Strategic Diplomacy Are Crucial

For Africa to shape its own future, a unified African front is essential – engaging governments and financial institutions and working together to shape development strategies. The emergence of a collective African voice, as epitomised in the African Union's G20 membership, must be leveraged to demand fairer rules and shape reforms to the multilateral development finance system. Strategic partnerships with emerging economies and with BRICS members and the Global South can complement this.

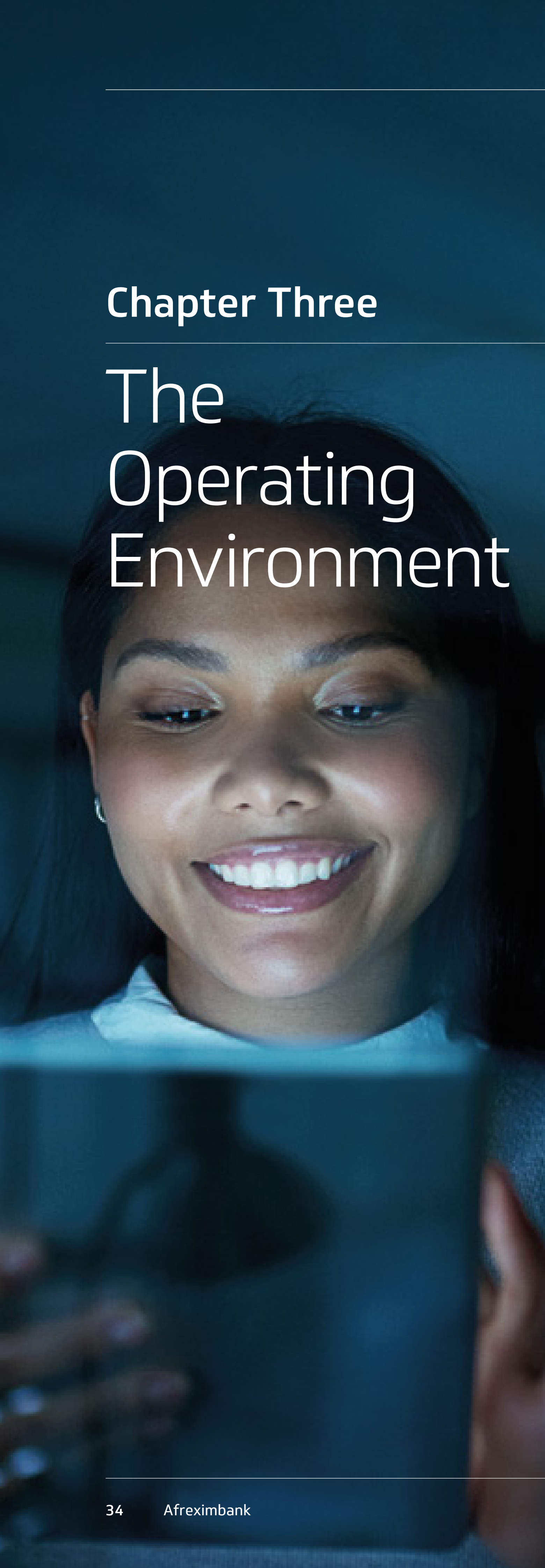
THE PATH AHEAD

Africa is no longer passive in a turbulent global order; it can become a rule-shaper. But doing so requires asserting financial autonomy, investing in domestic and regional capacity, and pushing for equity in global governance. If Africa backs its institutions, digitises smartly, and speaks with one voice, it can define a more resilient and inclusive future for its economies and people.

> "Africa has an unprecedented opportunity to leapfrog into the digital and green economies through the use of Fintech, mobile money, digital currencies, and green finance instruments – tools that offer pathways not just for inclusion but also for economic transformation."

Chapter Three

The Operating Environment



3.1.1 Global Output Developments

The global economy has undergone a series of shocks in recent years, including a crippling global pandemic, rising geopolitical tensions, regional conflicts, extreme weather events, and heightening policy uncertainty. These factors collectively dampened global growth. Despite those shocks, cautious expansionary monetary policy and easing inflationary pressures contributed to a sustained growth in economic activity with global output expanding 3.5 percent in 2023 and 3.3 percent in 2024 (table 3.1 and figure 3.1a) (International Monetary Fund 2025). The resilience was driven by stronger than anticipated growth performance in the United States, less restrictive financial conditions in most developing economies following interest rate cuts by major central banks and improved global trade. Global GDP performance, however, masked variations across countries and regions.

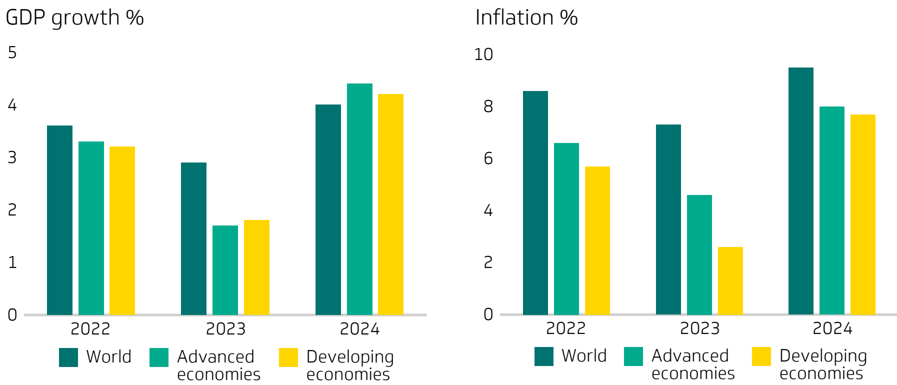
Consistent with trends over the past two decades, emerging and developing market economics continue to shape global growth patterns and influence trade and investment flows on a broader scale. Developing and emerging market economies, particularly in Asia, are playing increasingly significant roles in driving global growth. Over the past two decades, these economies have steadily expanded their share of global output, underpinned by rising domestic consumption, large-scale infrastructure investments, and rapid digital transformation. The shift signals a potential reconfiguration of global trade and investment flows, with multinational corporations and investors pivoting towards high-growth emerging and developing market economies.

Table 3.1 Developments in Global Output, 2022-2024

	Real GDP growth (annual percent change)			Inflation rate (annual percent change)		
	2022	2023	2024	2022	2023	2024
WORLD	3.6	3.5	3.3	8.6	6.6	5.7
DEVELOPED ECONOMIES	2.9	1.7	1.8	7.3	4.6	2.6
US	2.5	2.9	2.8	8.0	4.1	3.0
UK	4.8	0.4	1.1	9.1	7.3	2.5
France	2.6	1.1	1.1	5.9	5.7	2.3
Japan	0.9	1.5	0.1	2.5	3.3	2.7
Italy	4.8	0.7	0.7	8.7	5.9	1.1
Canada	4.2	1.5	1.5	6.8	3.9	2.4
Germany	1.4	-0.3	-0.2	8.7	6.0	2.5
EU	3.7	0.6	1.1	9.3	6.3	2.6
EMERGING AND DEVELOPING ECONOMIES	4.1	4.7	4.3	9.5	8.0	7.7
Africa	4.3	3.3	3.2	14.2	18.2	20.1
Emerging and Developing Asia	4.7	6.1	5.3	3.9	2.4	2.0
Latin America and the Caribbean	4.2	2.4	2.4	14.2	14.8	16.6
Emerging and Developing Europe	0.5	3.6	3.4	25.2	17.1	16.8

Sources: IMF World Economic Outlook Database, April 2025.

Figure 3.1a Global output and inflation, 2022–2024 (%)



Sources: International Monetary Fund 2025; World Economic Outlook April 2025; Afreximbank research.

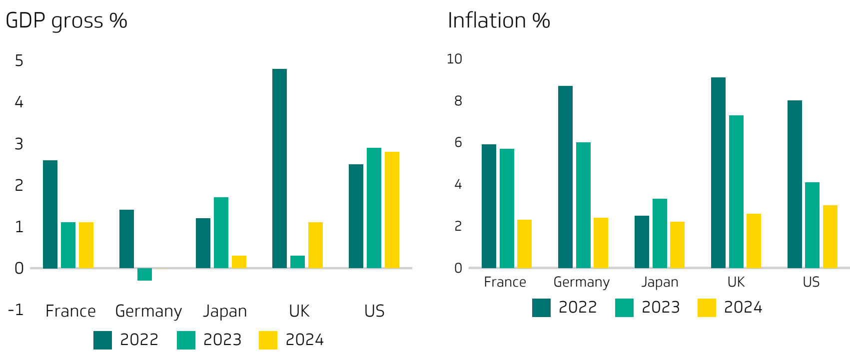
Advanced economies recorded modest growth increase of 1.8 percent in 2024 relative to 1.7 percent in 2023, but well below the 2.9 percent recorded in 2022, reflecting the drag from higher borrowing costs and subdued external demand. The United States, the world's largest economy, maintained a steady growth path, posting the strongest output expansion among major economies. It posted real GDP growth of 2.8 percent, marginally lower than the 2.9 percent in 2023 (table 3.1 and figure 3.1b). Growth performance in the United

The Operating Environment

States was supported by robust consumer demand, fuelled by strong wealth effect, and a more accommodative monetary policy stance. Favourable financial conditions also contributed to higher disposable incomes, stimulating both consumption and investment spending. Notwithstanding that relative resilience, the economy of the United States faces long-term fiscal sustainability concerns. Rising national debt and persistent budget deficits pose risks to future economic stability, with the Congressional Budget Office estimating that federal debt will exceed 110 percent of GDP by 2030. These fiscal imbalances could limit the government's ability to implement counter-cyclical policies in response to future economic downturns, potentially exacerbating economic volatility and restricting long-term growth prospects.

Within the Eurozone, growth performance varied, reflecting structural differences in economic resilience and policy responses. In Germany, where the economy relies heavily on Russian gas, overall GDP growth remained flat in 2024, after a contraction of 0.3 percent in 2023. In contrast, Spain emerged as one of the region's fastest-growing economies, expanding by 2.9 percent in 2024, supported by improved household consumption expenditure and a recovery in activities in the travel and tourism sectors.

Figure 3.1b: Output and inflation in key advanced economies, 2022–2024 (%)



Sources: International Monetary Fund 2025; World Economic Outlook April 2025; Afreximbank research.

In the United Kingdom, economic growth recovered faster than anticipated in 2024, following a mild technical recession in 2023. Accordingly, GDP growth came in at 1.1 percent in 2024, significantly up from 0.3 percent in 2023. The recovery was driven primarily by a rebound in consumer spending, supported by easing inflation and lower interest rates, which improved disposable incomes and business sentiment. Despite the recovery, structural challenges such as sluggish productivity growth and uncertainties surrounding trade policy following the United Kingdom's withdrawal from the European Union in 2016 continue to pose risks to the nation's long-term economic trajectory.

Japan, the world's third largest economy, experienced a sharp deceleration in growth in 2024, with output expanding by just about 0.1 percent, significantly down from 1.5 percent in 2023. The slowdown in economic activity reflected temporary supply disruptions and fading of previous one-off stimulatory factors that had boosted activity the year prior. Japan's aging population and weak wage growth remain structural constraints, limiting domestic demand and long-term growth prospects.

In alignment with global economic trends, developing economies experienced a slight slowdown in economic activity. Aggregate output expanded by 4.3 percent in 2024, a deceleration from 4.7 percent in 2023. As the key driver of growth in developing economies, persistent trade policy uncertainties and a protracted downturn in the property market weighed on economic momentum in China and dampened overall output performance in developing economies. Even though the growth rate remains lower than the region's pre-pandemic average performance of more than 5 percent, it continues to outpace the global average of 3.3 percent, underscoring the resilience of developing economies despite external pressures.

3.1. PRICE DEVELOPMENTS

Global inflationary pressures continued to recede in 2024, reflecting the ongoing impact of tighter monetary policy and positive supply-side developments. The global inflation rate dropped to 5.7 percent in 2024, a notable improvement from 6.6 percent in 2023 and 8.6 percent in 2022 (table 3.1 and figure 3.1b). Advanced economies experienced a marked reduction in inflation, with rates falling to 2.6 percent in 2024 from 4.6 percent and 7.3 percent in 2023 and 2022, respectively. This rapid disinflation in advanced economies was driven by stabilising energy prices, improved supply chains, and the lagged effects of significant interest rate hikes. In contrast, developing economies saw inflation ease more gradually, declining to 7.7 percent in 2024 from 8.0 percent in 2023 and 9.5 percent in 2022, as some regions continued to face food price pressures and currency volatility.

Table 3.1 and figure 3.1b illustrate these trends: inflation has fallen sharply in advanced economies and more moderately in developing regions, while global growth has slowed but remains positive, with developing economies continuing to outpace advanced ones. This dual trend of moderating inflation and decelerating growth highlights the effectiveness of monetary policy tightening in containing price pressures, but also underscores the ongoing challenges posed by tighter financial conditions and regional disparities in economic performance.

3.2 THE AFRICAN ECONOMIC ENVIRONMENT

3.2.1 Output Developments

The region's strong rebound after the COVID-19 pandemic downturn was followed by consecutive growth decelerations from 2022 to 2024. Real GDP remained flat at 3.2 percent in 2024 (table 3.1). With growth remaining below the historical average of about 5 percent between 2011 and 2019, the region's lacklustre performance reflected several factors, including worsening weather shock, heightened trade policy uncertainty contributing to the general global slowdown, domestic supply bottlenecks, most notably in the energy sector, high costs of living which limited consumption growth, escalating debt burdens and interest rates which contributed to narrowing fiscal space, and heightening political instability in parts of the region. Steady economic improvements in Angola – which posted GDP growth of 4.5 percent in 2024, up from 1.0 percent in 2023 – were countervailed by flat output expansion in Nigeria and South Africa, as well as sharp growth deceleration in Egypt, from 3.8 percent in 2023 to 2.4 percent in 2024.

3.2.2 Regional Variations

In 2024, Africa's economic performance continued to vary across its subregions, as shown in figure 3.2.

Table 3.2: Africa: Real GDP Growth, 2022- 2024

Table 3.2: Africa: Real GDP Growth, 2022- 2024

Country	2022	2023	2024
Algeria	3.6	4.1	3.5
Angola	4.2	1.0	4.5
Benin	6.3	6.4	6.5
Botswana	5.5	3.2	-3.0
Burkina Faso	1.5	3.0	4.5
Burundi	1.8	2.7	3.5
Cabo Verde	17.4	4.0	6.0
Cameroon	3.7	3.2	3.6
Central African Republic	0.5	0.7	1.8
Chad	4.1	4.0	1.5
Comoros	2.6	3.0	3.3
Côte d'Ivoire	6.4	6.5	6.0
Congo, Democratic Republic of the	9.2	8.5	6.5
Djibouti	5.2	7.4	6.5
Egypt	6.7	3.8	2.4
Equatorial Guinea	3.2	-5.1	1.9
Eswatini	0.5	5.0	3.7
Ethiopia	6.4	7.2	8.1
Gabon	3.0	2.4	3.1
Gambia	5.5	4.8	5.8
Ghana	3.8	3.1	5.7
Guinea	4.0	6.2	6.1
Guinea-Bissau	4.6	5.2	4.7
Kenya	4.9	5.6	4.5
Lesotho	2.0	2.0	2.6
Liberia	4.8	4.6	4.8
Libya	-8.3	10.2	-0.6
Madagascar	4.2	4.2	4.2
Malawi	0.9	1.9	1.8
Mali	3.5	4.7	4.4
Mauritania	6.8	6.5	4.6
Mauritius	8.7	5.0	4.7
Morocco	1.5	3.4	3.2
Mozambique	4.4	5.4	1.9
Namibia	5.4	4.4	3.7
Niger	11.9	2.4	10.3
Nigeria	3.3	2.9	3.4
Congo, Republic	1.8	2.0	2.6
Rwanda	8.2	8.3	8.9
São Tomé and Príncipe	0.2	0.4	0.9
Senegal	4.0	4.3	6.7
Seychelles	12.7	2.3	3.0
Sierra Leone	5.3	5.7	3.7
Somalia	2.7	4.2	4.0
South Africa	1.9	0.7	0.6
South Sudan	-5.2	2.5	-27.6
Sudan	-2.5	-20.8	-23.4
Tanzania	4.7	5.1	5.4
Togo	5.8	5.6	5.3
Tunisia	2.7	0.0	1.4
Uganda	6.2	4.9	6.3
Zambia	5.2	5.4	4.0
Zimbabwe	6.1	5.3	2.0

Source(s): International Monetary Fund, World Economic Outlook (WEO) Database, April 2025, Afreximbank research

Northern Africa's real GDP growth was 2.6 percent, down from 3.8 percent in 2023 and 4.9 percent in 2022. This deceleration reflects a challenging economic environment, influenced largely by factors such as geopolitical instability, especially the Israel-Hamas Gaza conflict, fluctuations in commodity prices, and domestic policy adjustments. The growth that did occur was mainly driven by sustained recoveries in Libya and Morocco, which compensated for slower growth in Algeria, Egypt, and Mauritania, highlighting the uneven nature of economic progress within the subregion.

The Operating Environment

Central Africa's real GDP growth decelerated to 4.1 percent in 2024, compared with 4.3 percent in 2023 and 5.2 percent in 2022, indicating a moderating growth trajectory. While countries such as Cameroon (3.6 percent), Republic of the Congo (2.6 percent), and Democratic Republic of Congo (6.5 percent) experienced solid growth, supported by sectors like agriculture, mining, and infrastructure development, Equatorial Guinea's economic contraction due to declining oil production continued to weigh on the subregion's overall performance, underscoring the vulnerability of economies dependent on single commodities.

Western Africa GDP grew by 4.4 percent in 2024, from 3.6 percent in 2023 and 4.0 percent in 2022. Strong growth in Benin (6.5 percent), Burkina Faso (4.5 percent), The Gambia (5.8 percent), Mali (4.4 percent), Togo (5.3 percent), Côte d'Ivoire (6.0 percent), and Senegal (6.7 percent) reflected the subregion's resilience, driven by factors such as diversification of economies, improvements in governance, and increased investment in key sectors. The robust growth in these countries significantly boosted output in the subregion. Nigeria, the region's largest economy, also experienced a sturdy growth rate of 4.4 percent in 2024, from 3.6 percent in 2023, giving further impetus to growth performance in Western Africa. However, challenges to the oil sector, policy uncertainties, and infrastructure deficits could constrain the country’s growth potential and weigh on the subregion’s overall growth performance.

Eastern Africa's GDP grew at a rate of 3.7 percent in 2024, after slowing to 3.2 percent in 2023 from 4.4 percent in 2022. Despite a relatively diversified production structure, the region's net-import status for commodities made it vulnerable to high global commodity and food prices. This exposure to global price volatility can erode purchasing power and depress demand with dampening effects on the region’s economic activity.

Southern Africa’s GDP experienced modest growth, increasing 1.7 percent in 2024 from 1.6 percent in 2023, still significantly lower than the 3.0 percent achieved in 2022. This sluggish growth reflects persistent structural challenges and external shocks. The growth (though modest) was largely supported by South Africa, whose real GDP growth rose to 1.9 percent, driven by improvements in the energy sector. Angola's growth increased to 4.5 percent in 2024 from 1.0 percent in 2023, further supporting the subregion's overall economic performance during the review period.

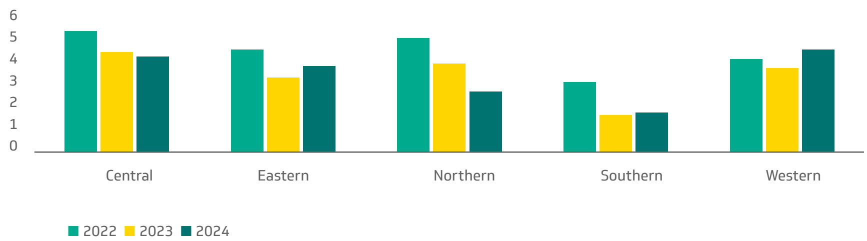
3.2.3 Price Developments

Fuelled by sustained increases in food and energy prices, African nations faced significant inflationary pressures. The continent's overall inflation rate reached 20.1 percent in 2024, a marked increase from 18.2 percent in 2023, reflecting a challenging economic landscape. This surge was compounded by several factors: the depreciation of local currencies against the US dollar, which increased the cost of imports; the removal of subsidies on essential goods, leading to higher consumer prices; frequent power outages in some countries across the continent, which adversely affected manufacturing output and productivity; and increasingly severe weather events such as floods and droughts, which disrupted agricultural production and supply chains.

Table 3.3 Africa: Inflation, 2022-2024 (annual percent change)

Country	2022	2023	2024
Algeria	9.3	9.3	4.0
Angola	21.4	13.6	28.2
Benin	1.4	2.7	1.2
Botswana	12.2	5.1	2.8
Burkina Faso	13.8	0.9	4.2
Burundi	18.9	27.1	20.2
Cabo Verde	7.9	3.7	1.0
Cameroon	6.3	7.4	4.5
Central African Republic	5.6	3.0	3.4
Chad	5.8	4.1	5.7
Comoros	12.4	8.5	5.0
Côte d'Ivoire	5.2	4.4	3.5
Congo, Democratic Republic of the	9.3	19.9	17.7
Djibouti	5.2	1.4	2.1
Egypt	8.5	24.4	33.3
Equatorial Guinea	4.9	2.5	3.2
Eswatini	4.8	4.9	4.0
Ethiopia	33.9	30.2	21.7
Gabon	4.3	3.6	1.2
Gambia	11.5	17.0	11.6
Ghana	31.9	39.2	22.9
Guinea	10.5	7.8	8.1

Figure 3.2: Africa output development by region 2022-2024, (percent)



Sources: IMF WEO April 2025, Afreximbank research

Table 3.3 Africa: Inflation, 2022-2024 (annual percent change)

Country	2022	2023	2024
Guinea-Bissau	7.9	7.2	3.7
Kenya	7.6	7.7	4.5
Lesotho	8.3	6.3	6.1
Liberia	7.6	10.1	8.2
Libya	4.5	2.4	2.1
Madagascar	8.2	9.9	7.6
Malawi	20.8	28.8	32.2
Mali	9.7	2.1	3.2
Mauritania	9.6	4.9	2.3
Mauritius	10.8	7.0	3.6
Morocco	6.6	6.1	0.9
Mozambique	10.4	7.0	3.2
Namibia	6.1	5.9	4.2
Niger	4.2	3.7	9.1
Nigeria	18.8	24.7	33.2
Congo, Republic	3.0	4.3	3.1
Rwanda	13.9	14.0	4.8
São Tomé and Príncipe	18.0	21.2	14.4
Senegal	9.7	5.9	0.8
Seychelles	2.6	-0.9	0.2
Sierra Leone	27.2	47.7	28.4
Somalia	6.8	6.2	5.5
South Africa	6.9	5.9	4.4
South Sudan	-3.2	39.7	128.4
Sudan	138.8	77.2	176.8
Tanzania	4.4	3.8	3.2
Togo	7.6	5.3	3.3
Tunisia	8.3	9.3	7.0
Uganda	7.2	5.4	3.3
Zambia	11.0	10.9	15.0
Zimbabwe	193.4	667.4	736.1

Sources: International Monetary Fund, World Economic Outlook Database, April 2025

The inflationary trend masks significant variations among countries and regions, with many nations experiencing double-digit inflation rates, signalling diverse economic challenges across the continent. As depicted in table 3.3, Southern Africa recorded the highest inflation rate at 46.6 percent, while Central Africa experienced the lowest at 8.7 percent in 2024.

West Africa's inflation rate reached 23.7 percent in 2024, driven by various factors impacting the region's economies. Nigeria, the largest economy in the subregion, faced persistent inflationary pressures due to currency depreciation, high import bills, and security concerns in food-producing areas. Ghana experienced elevated inflation, influenced by fiscal challenges, debt sustainability concerns, and exchange rate volatility. Other countries in the subregion, such as Sierra Leone and Liberia, also faced inflationary pressures due to a combination of factors, including supply chain disruptions and weak macroeconomic management. These developments highlight the need for coordinated policy responses to address the underlying causes of inflation and promote economic stability in West Africa.

Northern Africa saw its annual inflation rate rise to 21.1 percent in 2024. Egypt, the subregion's largest economy, faced significant inflationary pressures due to currency devaluation, subsidy cuts, and rising import costs. Morocco also experienced a moderate increase in inflation, influenced by higher energy and food prices. Tunisia faced inflationary challenges due to fiscal imbalances and supply chain disruptions. These developments underscore the importance of macroeconomic stability and structural reforms to manage inflation and promote sustainable growth in Northern Africa.

Central Africa recorded an inflation rate of 8.7 percent in 2024. The peg of the CFA franc to the euro, maintained by members of the Central African Economic and Monetary Community, helped to stabilise prices. However, some countries in the subregion, such as the Central African Republic and Chad, faced high inflationary pressures due to militant activity, conflict, political instability, and supply chain disruptions. These challenges highlight the need for continued efforts to promote peace, security, and economic diversification with the view to enhancing resilience to external shocks and maintaining price stability in the subregion.

Eastern Africa experienced a notable increase in inflation, with annual average rates climbing to 22.5 percent in 2024. This rise is attributed to various factors affecting the region's economies. Ethiopia, one of the largest economies in the subregion, faced persistent inflationary pressures driven by a combination of factors, including conflict, drought, and import constraints. Kenya also experienced a surge in inflation, on the back of rising food and fuel costs, as well as the effects of a weaker shilling. Uganda's inflation rate also increased due to higher import prices and domestic demand pressures. These trends indicate a challenging economic environment in Eastern Africa, requiring careful policy responses to mitigate inflationary pressures and promote sustainable growth.

Southern Africa faced significant inflationary challenges, with the subregion's inflation rate reaching 46.6 percent in 2024. Zimbabwe continued to grapple with hyperinflation, driven by currency depreciation and fiscal imbalances. Zambia also experienced elevated inflation due to factors such as currency weakness, high debt levels, and rising commodity prices. Angola's inflation remained high, influenced by currency depreciation and structural constraints. However, South Africa, the largest economy in the subregion, experienced relatively moderate inflation compared with its neighbours. The diverse inflationary experiences within Southern Africa highlight the complex interplay of macroeconomic factors and structural vulnerabilities affecting the region. Addressing these challenges requires coordinated policy efforts to stabilise economies, manage debt, and promote sustainable and inclusive growth.

The Operating Environment

3.3 INTERNATIONAL FINANCIAL MARKETS AND FINANCING CONDITIONS

3.3.1 Financial Markets

Global financial markets experienced broad recovery in 2024, shaped by macroeconomic conditions, geopolitical developments, and investor sentiment regarding interest rate trends. Equities performed well across both developed and emerging economies, driven by easing inflation and expectations of monetary policy shifts. But lingering geopolitical tensions and concerns about asset overvaluation, particularly in the technology sector, kept markets volatile. With inflation projected to decline further in 2025, investors are increasingly optimistic about potential rate cuts, though uncertainty remains a key risk factor.

Global equity markets ended 2024 with a gain of 16.8 percent, reflecting improved investor confidence. In the United States, stock indices performed strongly, buoyed by expectations of Federal Reserve rate cuts. The Dow Jones Industrial Average increased 13 percent in 2024, unchanged from 2023, while the Standard & Poor's 500 index ended the year under review with a 23 percent gain, compared with 24 percent in 2023. The NASDAQ Composite Index also gained 29 percent in 2024 compared with 53.8 percent in 2023. NASDAQ maintained momentum of 30 percent in both 2023 and 2024, after experiencing a negative return of 19.4 percent in 2022. Despite these gains, equity markets remained highly sensitive to macroeconomic developments. Any deviation from expected monetary easing could trigger volatility, particularly in rate-sensitive sectors such as technology. Concerns about asset overvaluation also persist, with price-to-earningsearnings ratios in the tech sector remaining historically high.

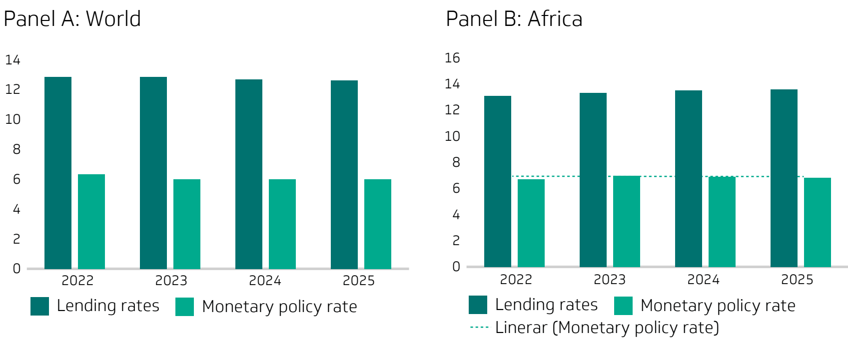
The United States bond market rebounded in 2023 and 2024, bolstering confidence of fund managers after the mark was hit by inflationary pressures and an appreciating US dollar that had made bonds unattractive to investors. The Bloomberg Global Aggregate Bond Index grew 6.1 percent in 2024 after a negative return of 16.2 percent in 2022 and an improvement of 4.4 percent achieved in 2023. The performance of Standard and Poor's 500 Bond indexes highlights their sensitivity to macroeconomic factors such as interest rates and inflation, as well as their strong recovery potential. For instance, the S&P US Treasury Bond Index posted a return of 6.1 percent in 2024 compared with 4.4 percent in 2023. Overall, global corporate bond issuance in 2024 is estimated at US$4.5 trillion to US$5 trillion, considering the contributions of both developed and developing economies. Developing markets saw renewed investor interest as rate differentials between developed and developing economies narrowed. However, capital flows remain uneven, with countries facing high debt burdens, such as Argentina and Ghana, struggling to attract sufficient financing. This underscores the importance of policy credibility and sound macroeconomic management in sustaining investor confidence.

In Europe, equities posted moderate gains but underperformed relative to the United States. European equities closed 2024 with annual growth of 11.7 percent compared with 13 percent in 2023. The decline in European stock prices in 2024 is attributed to negative shocks experienced by the major market players, including DAX (Germany), and CAC 40 (France). DAX recorded 12 percent growth in 2024, down from 15 percent growth in 2023. The stock price of CAC 40 declined by 4 percent between 2023 and 2024. The FTSE 100 (United Kingdom), however, posted continued moderate return of 8 percent in 2024, compared with 3.8 percent in 2023.

In Africa, stock markets showed resilience amid improving macroeconomic conditions. South Africa's Johannesburg Stock Exchange All Share, the largest stock exchange on the African continent, posted 9 percent returns in 2023 and 10 percent in 2024, as global demand for commodities rebounded and local economic conditions remained stable. Nigeria's stock exchange, the Nigerian Exchange Group, exhibited sustained growth in 2023 and 2024, underpinned by structural reforms, strong oil exports, and improving economic indicators. It underscores the importance of policy stability in attracting investment.

In the currency market, the US dollar fluctuated notably against the euro in 2023 and 2024, reflecting changing

Figure 3.3 Monetary policy and lending rates



Sources: World Development Indicators of the World Bank; International Monetary Fund World Economic Outlook databases 2025; Afreximbank research.

interest rate expectations and global economic trends. The currency depreciated by about 3.51 percent relative to the euro in 2023. However, in 2024, it appreciated by about 6.2 percent against the euro. This appreciation was influenced by narrowing interest rate differentials between the United States and Europe, with the Federal Reserve was anticipated to reduce rates more aggressively than the European Central Bank. By the end of 2024, the exchange rate reached US$/EUR 0.9662, marking the US dollar's strongest position against the euro for the year. However, with inflation easing, investors' attention is focused on possible rate cuts in 2025. These sentiments have already filtered into markets, affecting both bonds and equities.

The US dollar also fluctuated notably against the British pound sterling in 2023 and 2024. In 2024, for example, it appreciated against the British currency, with an average exchange rate of approximately US$/GBP 0.782. But the US dollar experienced a depreciation against the British pound sterling, influenced by various economic factors, including interest rate differentials and market sentiment. These movements were driven by monetary policy decisions by the Federal Reserve and the Bank of England, economic growth differentials, and global market dynamics.

Between 2023 and 2024 the euro declined against the British pound sterling. In 2024, that trend continued, with the EUR/GBP rate averaging 0.8468. The highest rate was 0.8671 on January 1, 2024, and the lowest was 0.8233 on 11 December, 2024.

In Africa, key currencies continued to depreciate against the US dollar, extending the trend from 2023. Weak external balances, inflationary pressures, and structural vulnerabilities contributed to sustained currency depreciation in many African economies, reinforcing the need for exchange rate stability measures and macroeconomic policy adjustments.

3.3.2 Financing Conditions

Global inflation remained on a downward trajectory between 2022 and 2024, though above most targets. 2024 was characterised by heightened uncertainty and high inflationary pressures, prompting central banks to implement tight monetary measures. While those actions effectively curbed price growth and prevented inflation from becoming entrenched, they also placed significant strain on household budgets, particularly in economies already facing socioeconomic challenges. By 2024, global inflation had declined to 5.7 percent, down from 8.6 percent in 2022, illustrating the effects of tighter monetary policies, reduced supply chain disruptions, and easing energy prices (figure 3.1b). In developed economies, inflation maintained its downward trend, decelerating significantly from 7.3 percent in 2022 to 4.6 percent in 2023 and 2.6 percent in 2024, aligning closer to targets set by central banks. However, inflation remained higher in developing economies, ending 2024 just slightly down to 7.9 percent, from 8.1 percent in 2023. The prolonged inflationary pressures faced by developing economies are associated with increasing external debt, currency depreciation, and food price volatility.

In Africa, inflation remained volatile, influenced by tightened monetary policies and rising interest rates. Despite a reduction in food and energy prices relative to 2022 peaks, high core inflation slowed the disinflation process, prolonging economic hardship across the continent.

Consistent with the relative ease in monetary policy around the globe, credit markets experienced an easing of lending rates by 0.01 percent, leading to a structural adjustment in policy rates (figure 3.3). Africa and the global economy exhibited parallel trends in policy rate adjustments, suggesting relative convergence of monetary policy actions. That development highlights how central banks responded to inflationary pressures, economic slowdowns, and other global economic challenges. Average policy and lending rates in Africa, however, remained higher relative to global trends (figure 3.2b).

The United States posted negative real federal funds rates from the first quarter of 2024, despite pursuing one of the most aggressive hiking cycles in decades. Other advanced economies experienced similar trends, partly due to inflationary pressures. The target range for the Fed funds rate was raised by 50 basis points from April 2023, to reach 5.25 percent, and further raised to 5.50 percent. This marked a continuation of efforts by the Federal Reserve to contain inflation and stabilise the economy of the United States, contributing to tighter financial conditions globally. In 2024, higher interest rates continued to impact borrowing costs, slowing economic activity but helping rein in inflation.

The European Central Bank also raised policy rates significantly, by 100 basis points. The associated deposit facility rate reached 4.0 percent, the highest increase in the bank's history. This was part of a strategy to address persistent inflation in the Eurozone. The aggressive policy was aimed at curbing inflation while managing the risks of economic slowdown across member countries within the bloc.

After initially maintaining policy rates, the Reserve Bank of Australia and the Bank of Canada, in the second quarter of 2024, both returned to hiking them, with the Bank of England, Norges Bank, Sveriges Riksbank, and the Swiss National Bank each also tightening policy rates by 25 basis points, bringing them down to 1.25 percent.

The Bank of Japan increased its policy rate from zero percent to 0.25 percent in July 2024, after a prolonged period maintaining an accommodating monetary policy stance. It maintained the policy rate at 0.25 percent in December 2024 with the view to achieving its price stability target of 2 percent.

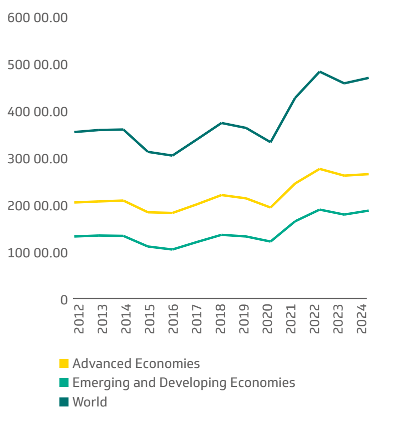
Chapter Four

Global Trade and Trading Environment

4.1 GLOBAL TRADE

Despite the challenging global economic environment, global trade recovered in 2024. Easing inflationary pressures boosted incomes and consumer spending, allowing major central banks to cut interest rates and facilitate access to financing. World Trade Organization (WTO) estimates show that growth in the volume of global trade, which contracted by 1 percent in 2023 from 2.2 percent in 2022, gathered momentum in 2024, rebounding strongly by an estimated 2.9 percent. Trade in current US dollar terms is estimated to have increased to about US$48.2 trillion in 2024, from US$47.0 trillion recorded in 2023, supported by better-than-expected exports from Asia and imports from North America, alongside increased demand for telecom equipment and agricultural products.

Figure 4.1 Trends in global merchandise trade (US$ billion)



Sources: International Monetary Fund Direction of Trade Statistics 2025; Afreximbank research.

However, this overall recovery masks significant regional disparities. In developed economies, the volume of merchandise exports continued its downward trend, slowing to 0.4 percent growth in 2024, down from 0.6 percent in 2023. Merchandise imports recovered marginally, growing by 0.5 percent in 2024 from a contraction of 3.5 percent in 2023 after a sturdy expansion of about 5.1 percent in 2022. In North America, the volume of merchandise exports slowed, with growth slackening to 2.3 percent in 2024 from 3.6 percent in 2023. In contrast, merchandise imports accelerated after having contracted by 2.2 percent in 2023, recovering strongly by 4.7 percent in 2024. In Europe, merchandise export growth continued its downward trend, contracting for two consecutive years to 1.7 percent in 2024 from 2.9 percent in 2023. Merchandise imports followed a similar trend, contracting over the last two years by 5.0 percent and 2.2 percent in 2023 and 2024, respectively.

Developing economies, historically significant contributors to global growth and trade, saw improvement in the volume of their merchandise trade in 2024. Growth in their exports outpaced that of developed economies during the review period. Growth in the volume of their merchandise exports gathered momentum, accelerating to about 4.7 percent in 2024, significantly up from the modest expansion of 0.7 percent in 2023. Their merchandise imports were virtually unchanged, stabilising at around 4.2 percent in 2023 and 2024, up from about 2.9 percent in 2022. The performance of Asian nations was particularly impressive, with merchandise exports growing faster than those of other regions, accelerating by about 8.0 percent in 2024, from just about 0.2 percent growth recorded in 2023. Imports also recovered strongly, growing by 4.3 percent in 2025, reversing two consecutive years of downward trends. Growth in Asia contracted by 1 percent and 0.7 percent in 2022 and 2023, respectively. In South America, merchandise imports rebounded strongly to 6.7 percent in 2024, recovering from a deep contraction of 4.4 percent in 2023, after having grown by 4.1 percent in 2022.

The region's merchandise exports sustained their positive trend, strengthening to 6.2 percent in 2024 from 2.4 percent in 2023, on the back of stronger demand from the region's traditional trading partners, including the United States, Europe, and Asia (excluding China), and new trading partners such as the Middle East and Africa. As a result, exports from Argentina, Uruguay, and Venezuela grew by 25.5 percent, 16.7 percent, and 25.4 percent, respectively, boosting the region's overall export performance during the review period.

4.2 GLOBAL TRADE ENVIRONMENT

The global trade environment in 2024 presented significant challenges. Geopolitical tensions intensified through prolonged regional conflicts, geo-fragmentation, trade wars, and shifting strategic alliances. Recurrent weather shocks and their adverse effects on transport, logistics, and agricultural output disrupted supply chains and put further pressure on global trade. Notwithstanding, easing inflationary pressures and monetary policy positively impacted private consumption, access to credit, and investment, driving the recovery of global trade.

Other trade tensions emerged between several members of the WTO during the review period. Trade relations between the United States and China deteriorated due to escalating tariffs and policy shifts. In May 2024, the Biden administration announced substantial tariff increases on approximately US$18 billion worth of Chinese imports, targeting strategic sectors such as electric vehicles (EVs), semiconductors, solar panels, and critical minerals. Notably, it quadrupled tariffs on Chinese EVs from 25 percent to 100 percent, and it doubled duties on semiconductors and solar cells to 50 percent. These measures aimed to address concerns

Global Trade and Trading Environment

over China's trade practices and bolster US domestic industries. China implemented retaliatory actions, including restrictions on the export of rare-earth minerals, which are essential components for various US industries, and initiated investigations into US companies like Nvidia.[1] These actions heightened tensions and emphasised the deepening trade rift between the world's two largest economies.

Another notable trade dispute under the WTO in 2024 involved the European Union's imposition of countervailing duties on imports of subsidised Chinese EVs. Following an anti-subsidy investigation, the European Commission concluded that Chinese state support enabled manufacturers to sell vehicles in the EU market at prices up to 20 percent lower than those of locally produced models, undermining the competitiveness of EU producers. As a result, in June 2024, the Commission introduced provisional tariffs, ranging from 7.8 percent to 35.3 percent, on Chinese EV imports, in addition to the European Union's standard 10 percent import duty on vehicles. These tariffs were set to remain in force for five years. China, the world's largest EV producer, significantly increased its market share in the European Union, with registrations of China-built EVs growing from 3.5 percent in 2020 to 27.2 percent by the second quarter of 2024.

China strongly condemned the EU's actions, arguing that the tariffs violated WTO rules, and threatened retaliation. Shortly thereafter, China launched an anti-dumping investigation into certain pork products imported from the European Union and began a broader trade-and-investment-barrier investigation into the European Union's Foreign Subsidy Regulation, which it argued adversely impacted Chinese companies. In August 2024, China formally requested consultations with the WTO, asserting that the European Union's countervailing measures lacked legal or factual grounds and undermined global efforts to combat climate change. Despite these objections, the European Union finalised the tariffs in October 2024, with differentiated rates applied to different manufacturers: BYD (17 percent), Geely (18.8 percent), SAIC Motor (35.3 percent), and Tesla's Chinese operations (7.8 percent). In November 2024, China filed a formal dispute with the WTO over the definitive countervailing duties, urging the European Union to reconsider its decision and emphasising the importance of bilateral cooperation to ensure the stability of global EV supply chains. The dispute revealed divisions within the European Union, with France, Greece, Italy, and Poland supporting the anti-dumping duties, while Germany, a key car producer, remained ambiguous about its stance. The dispute continues to evolve as both sides engage in WTO proceedings and bilateral negotiations.

The review period also witnessed renewed tensions between Brazil and the United States concerning agricultural subsidies. The ongoing trade dispute resurfaced in 2024, with Brazil challenging the US Stabilization of Agricultural Expenditures programme, which provides revenue insurance to US cotton farmers. Brazil argued that this programme, along with other US support mechanisms, continued to distort global cotton markets and negatively impacted Brazilian cotton producers. The International Cotton Advisory Committee estimated that subsidies reduce cotton prices by about 10 percent, while the World Bank estimated a 12.9 percent reduction in prices due to such subsidies. This price suppression translates into significant revenue losses for cotton producers in developing countries, including Brazil. This dispute began in the early 2000s, when Brazil first filed a case with the WTO challenging US cotton subsidies as unfair and trade-distorting. The WTO ruled in favour of Brazil, on the basis that US subsidies suppressed world cotton prices and displaced Brazilian exports, violating the Agreement on Agriculture and the Subsidies and Countervailing Measures. As a result, Brazil was authorised to impose retaliatory tariffs on US products, which it did in 2010, but later suspended them after reaching a financial settlement with the United States in 2014. Despite these rulings and the settlement, Brazil maintains that the subsidies are still in place, particularly through programmes like the Stabilisation of Agricultural Subsidies programme and GSM-102 (an export credit guarantee programme), which Brazil views as continuing to distort the market. The case remains under scrutiny, with Brazil monitoring US compliance and considering further actions within the WTO dispute settlement system if the subsidies are not adequately addressed.

Despite these tensions in the global trade landscape, there were significant developments within the WTO during the review period. At its 13th Ministerial Conference, the WTO welcomed two new members, Comoros and Timor-Leste – the first new members in almost eight years – increasing the total membership to 166. Their accession marked progress in integrating least-developed countries into the multilateral trading system, reflecting the WTO's commitment to inclusiveness and global trade integration. Twenty-two countries and customs territories are at different stages in the WTO accession process, many of which are fragile or conflict-affected states, and several are from the Arab world. The WTO's Appellate Body

1 Nvidia is an American multinational corporation specialised in the design of graphic processing units, application programming interfaces for data science and high performing computing, and system on chip units for mobile computing and the automobile market. Nvidia is also a leading global supplier of artificial intelligence (AI) hardware and software.

remained non-functional, continuing a paralysis that began in 2019 due to the blocking of appointments of new judges by the United States. This has led to a backlog of unresolved appeals and created uncertainty in enforcing WTO rules. Some WTO members pursued interim mechanisms, such as the Multiparty Interim Appeal Arbitration Arrangement, to resolve disputes outside the formal Appellate Body. However, participation remains limited, and these are stopgap measures rather than permanent solutions.

African countries also continued to implement the African Continental Free Trade Area (AfCFTA), notwithstanding the challenges that emerged during the review period. As of early 2024, 54 out of 55 African Union member states had signed the agreement. Eritrea remained the sole African Union member that had not signed. By May 2024, 47 of the 54 signatories had deposited their instruments of ratification, with Eritrea and a few other countries yet to complete this process. The AfCFTA's Guided Trade Initiative, which began with eight countries in October 2022, expanded to 38 countries by the end of 2024. This expansion indicates a growing commitment among African nations to engage in intra-continental trade under the AfCFTA framework. By October 2024, 37 of the 54 AfCFTA member states had completed the necessary procedures, including finalising tariff schedules and enabling customs systems, to participate in the Initiative. This expansion included major markets such as South Africa and Nigeria, facilitating the first-ever shipments of products such as Kenyan batteries and Rwandan coffee to Ghana. These countries benefited from reduced customs fees and streamlined trade processes.

Additionally, in February 2024, the AfCFTA Secretariat published the legally scrubbed texts for the Phase II and III Protocols, covering areas such as investment, digital trade, competition, intellectual property rights, and the inclusion of women and youth in trade. The Digital Trade Protocol aims to establish a harmonised framework for data governance, cybersecurity, and cross-border data flows, which is crucial for fostering a secure and trusted digital trade ecosystem across the continent.

Building on these institutional developments, the AfCFTA made further progress in December 2024 when the World Customs Organisation, in collaboration with the AfCFTA Secretariat, updated the AfCFTA e-Tariff Book, a web-based resource designed to provide businesses with essential tariff and rules of origin (RoO) information. This tool complements the AfCFTA website by offering detailed legal provisions applicable under the AfCFTA, including Annex I on tariff concessions and Annex II on RoO to the Protocol on Trade in Goods. The update introduced a new RoO module, enhancing the e-Tariff Book's functionality by allowing users to access applicable tariff rates and RoO for any tariff line between AfCFTA member states. This development aims to address the information gap identified in the 2024 PAFTRAC Africa CEO Trade Survey Report, which revealed that 70 percent of African business leaders had limited access to relevant AfCFTA information for business purposes. The enhanced e-Tariff Book serves as a one-stop shop for essential AfCFTA market access information, facilitating cross-border trade by providing a user-friendly interface where companies can search using Harmonised System codes or product descriptions. It plays a crucial role in helping African businesses navigate the complex landscape of intra-African trade under the AfCFTA.

Further, the COMESA-EAC-SADC Tripartite Free Trade Area Agreement came into force on 25 July 2024. This milestone was achieved with the ratification by Angola in June 2024, bringing the total to the 14 ratifications required. The Agreement aims to harmonise trade policies, improve infrastructure, and promote industrial development among members of the Common Market for Eastern and Southern Africa, East African Community, and Southern African Development Community blocs. In parallel with these efforts, the Alliance of Sahel States was formed on 6 July 2024 as a confederation comprising Burkina Faso, Mali, and Niger. This confederation, which emerged following political changes in the region, aims to foster regional cooperation among its member states.

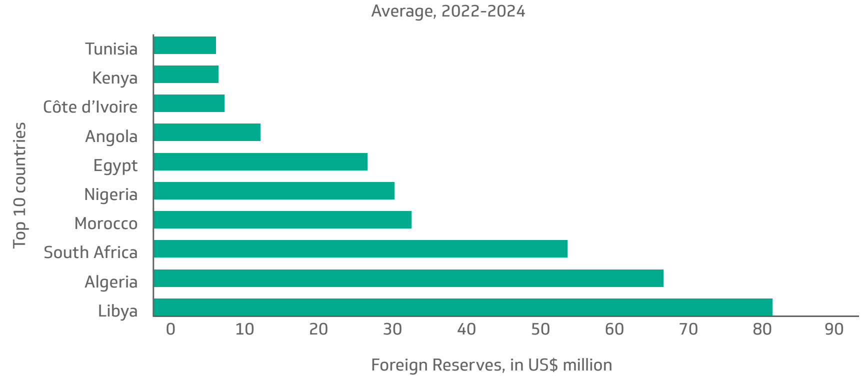
Beyond the African continent, global integration efforts advanced in 2024. One such development was the United Kingdom’s official accession to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership in December 2024. The United Kingdom was the first European nation to become a member of the trade bloc, which now includes 12 countries (Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, Vietnam, and the United Kingdom). The United Kingdom’s accession to the Partnership is considered its largest post-Brexit trade deal, offering significant opportunities for British businesses by reducing tariffs and enhancing market access across the Asia-Pacific region. In addition to this expansion, an Accession Working Group was established for Costa Rica in 2024, marking the first step in the country’s potential membership.

Global Trade and Trading Environment

The African Export-Import Bank (Afreximbank) remained committed to providing support to the AfCFTA through various innovative products and initiatives to facilitate the implementation of the continental initiative. Accordingly, the Bank, in collaboration with the African Union Commission and the AfCFTA Secretariat, advanced the implementation of the Pan-African Payment and Settlement System (PAPSS), a real-time settlement platform designed to facilitate cross-border payments in African currencies and boost intra-African trade. By the end of 2024, PAPSS had expanded its network with three additional central banks and 50 commercial banks joining the platform, bringing the total to 16 central banks and 150 commercial banks across the continent. This expansion aims to reduce transaction costs, mitigate liquidity constraints, and enhance the efficiency of trade within the continent. Additionally, the African Currency Marketplace, a component of PAPSS, successfully facilitated transactions involving 12 currencies during its pilot phase. Furthermore, the Fund for Export Development in Africa continued expanding in 2024, with three new member countries (Egypt, Malawi, and Nigeria) joining to bolster export financing initiatives aimed at helping to close the financing gap for intra-African trade.

Afreximbank expanded its global partnerships during the year, further strengthening its role in fostering intra-African trade. In June 2024, the WTO and Afreximbank signed a memorandum of understanding to enhance cooperation in areas such as food and agricultural trade, trade finance, and fisheries subsidies. This collaboration aimed to support AfCFTA implementation by providing technical assistance and capacity-building activities related to ongoing WTO negotiations and food security issues.

Figure 4.2 Foreign reserves: Top African countries



Sources: World Development Indicators of the World Bank; International Monetary Fund World Economic Outlook databases 2025; Afreximbank research.

4.3 AFRICAN EXTERNAL RESERVES AND EXCHANGE RATE DEVELOPMENTS

Reserves are crucial for stabilising a country's exchange rate. Central banks often intervene in the foreign exchange market using reserves to prevent excessive currency depreciation or volatility. After a 2.6 percent contraction in 2022, Africa's foreign exchange reserves have been recovering during the last two years. The region's stock of reserves which grew by 1.8 percent to US$407.6 billion in 2023, accelerated by 5.6 percent to US$430.5 billion in 2024 (Table 4.1), bolstered by higher revenues and stable macroeonomic policies. Other key factors driving this recovery were stabilising global commodity prices, stronger exports from some African nations, and efforts to improve foreign investment inflows. Recovery was not uniform across the continent, however, with some countries still struggling with high inflation and foreign debt pressures.

The overall trajectory suggests that while reserves have demonstrated resilience, maintaining consistent growth will require structural and financial reforms to ensure resilience to external shocks. Figure 4.2 shows the reserve position of the top ten African countries, based on the average period 2022-2024. Libya has the highest reserves position (US$80.9 billion) among the top ten countries in Africa.

In 2024, oil prices remained relatively elevated, largely due to continued production cuts by OPEC and other key oil producers. This had a significant impact on African oil-exporting countries. Several of them saw notable increases in their reserves, similar to trends in 2023. Export revenues increased in several major oil-exporting countries. The attendant effect was an increase in the level of their foreign exchange reserves. These countries include Algeria (14 percent), Angola (4.5 percent), Cameroon (30 percent), Chad (85 percent), the Republic of Congo (60 percent), Equatorial Guinea (35 percent), and Libya (2 percent). In addition to the price of crude oil, an increase in the price of base metals and agricultural commodities boosted Africa's stock of reserves. Several non-oil-exporting African countries, including Botswana (10 percent), Cape Verde (24 percent), Morocco (13 percent), Rwanda (17 percent), South Africa (8.5 percent), Tunisia (30 percent), and Uganda (9 percent), increased their stock of reserves.

Table 4.1 Reserve Position of African Countries, 2022–24 (UPDATES) (US$ billions, unless otherwise indicated)

	Reserves in Billions US$			Growth (%)			Months of Import Cover		
	2022	2023	2024	2022	2023	2024	2022	2023	2024
Algeria	61.74	69.71	68.45	34.1	12.9	-1.8	15.9	16.4	14.3
Angola	13.65	13.94	14.24	-5.6	2.1	2.2	6.2	7.7	8.4
Benin	1.33	0.46	0.31	-19.5	-65.7	-33.0	3.0	0.9	0.6
Botswana	4.28	4.76	3.90	-10.9	11.1	-18.0	5.8	7.9	6.1
Burkina Faso	0.28	0.88	0.29	-84.7	220.4	-66.6	0.5	1.6	0.5
Burundi	0.16	0.09	0.14	-40.7	-43.6	55.7	1.3	0.8	1.1
Cabo Verde	0.67	0.77	0.80	-5.5	14.9	4.0	6.2	6.5	6.2
Cameroon	5.13	5.45	5.83	19.1	6.1	7.0	6.4	6.4	6.2
Central African Republic	0.37	0.48	0.43	-22.6	28.1	-10.1	5.9	7.9	7.0
Chad	1.01	1.05	1.08	378.9	3.6	3.3	2.3	2.1	2.1
Comoros	0.28	0.32	0.32	-14.0	14.4	-0.3	7.1	7.7	7.3
Congo Dem. Rep. of	4.38	5.10	6.46	26.3	16.6	26.6	1.7	1.8	2.2
Congo Republic	0.84	0.72	0.94	0.9	-14.4	31.1	1.4	1.2	1.5
Côte d'Ivoire	8.89	8.34	10.43	-16.2	-6.2	25.1	5.4	5.1	6.2
Djibouti	0.58	0.49	0.45	0.5	-14.7	-9.7	1.4	1.1	1.1
Egypt	24.82	24.70	34.28	-29.3	-0.5	38.8	4.0	4.8	6.1
Equatorial Guinea	1.46	1.54	1.11	3241.5	5.6	-28.0	5.6	6.7	4.6
Eritrea	0.32	0.29	0.32	-3.8	-8.0	10.5	4.4	4.4	4.7
Eswatini	0.45	0.48	0.54	-21.0	5.9	13.4	2.4	2.4	2.2
Ethiopia	1.19	2.03	3.78	-27.5	70.2	86.6	0.6	1.1	1.9
Gabon	1.41	1.45	1.37	8.6	2.4	-5.0	2.7	2.8	2.6
Gambia	0.57	0.58	0.80	-12.9	1.5	38.0	8.2	5.0	5.3
Ghana	5.71	4.38	6.13	-38.7	-23.3	40.0	2.9	2.7	3.7
Guinea	1.87	1.20	0.73	-3.7	-35.5	-39.1	4.2	2.6	1.4
Guinea, Bissau	0.38	0.39	0.42	-24.9	2.7	6.5	7.9	8.1	8.3
Kenya	7.97	7.34	10.07	-16.0	-7.9	37.1	3.9	4.0	4.8
Lesotho	0.77	0.85	1.01	-3.4	10.7	18.0	4.1	4.9	5.8
Liberia	0.60	0.45	0.46	-14.4	-24.8	1.4	3.7	2.3	2.3
Libya	79.89	82.70	80.22	5.9	3.5	-3.0	34.2	32.3	33.8
Madagascar	2.16	2.63	2.78	-7.5	21.9	5.8	4.3	5.7	5.8
Malawi	0.30	0.24	0.26	-29.0	-21.5	8.9	1.0	0.7	0.8
Mali	1.05	0.79	0.48	-50.0	-25.1	-39.8	1.6	1.2	0.8
Mauritania	1.88	2.03	2.00	-7.9	8.3	-1.6	4.0	4.7	4.7
Mauritius	7.07	6.42	7.46	-9.8	-9.1	16.2	11.6	10.8	12.4
Morocco	31.02	34.86	35.28	-9.7	12.4	1.2	5.3	5.9	5.5
Mozambique	2.71	3.38	3.51	-23.7	24.6	4.0	2.2	3.9	4.4
Namibia	2.80	2.96	3.36	1.4	5.5	13.7	4.5	4.3	5.0
Niger	1.49	1.13	1.03	-19.2	-24.3	-8.5	4.3	3.6	3.3
Nigeria	35.56	26.23	32.67	-12.1	-26.3	24.5	5.5	5.9	8.0
Rwanda	1.73	1.83	2.41	-7.6	6.3	31.2	4.2	3.8	4.1
São Tomé and Príncipe	0.06	0.05	0.04	-14.0	-28.3	-17.2	4.7	3.1	3.0
Senegal	3.93	4.98	5.50	-6.6	26.5	10.5	3.2	4.1	4.8
Seychelles	0.64	0.68	0.77	-9.0	6.8	13.3	3.3	3.4	3.9
Sierra Leone	0.62	0.50	0.48	-34.0	-20.6	-3.0	3.7	2.9	2.6
Somalia	0.28	0.29	0.30	4.1	4.3	4.5			
South Africa	53.25	54.18	54.91	5.9	1.7	1.4	5.7	6.1	6.6
South Sudan	0.29	0.19	0.02	-40.0	-36.0	-87.2	0.8	0.5	0.1
Sudan	0.49	0.17	0.15	-50.0	-65.0	-10.0	0.5	0.5	0.4
Tanzania	5.18	5.45	5.50	-18.9	5.3	0.9	3.7	4.1	3.9
Togo	2.11	1.92	1.62	-10.6	-9.0	-15.7	7.5	6.9	5.8
Tunisia	7.62	8.80	7.90	-9.4	15.5	-10.2	3.4	3.9	3.4
Uganda	3.56	3.73	3.30	-17.8	4.8	-11.5	3.9	3.2	2.4
Zambia	2.97	3.17	3.16	7.8	6.9	-0.5	3.6	3.5	3.2
Zimbabwe	0.59	0.07	0.26	-29.6	-87.4	253.5	0.7	0.1	0.6
Total	400.4	407.6	430.5	-2.6	1.8	5.6			
Average							4.8	4.8	4.8

Sources: EIU, Ficth Solutions

† Growth rates are Afreximbank staff calculations. Blank-Not available

Global Trade and Trading Environment

Table 4.2 Africa: Exchange Rate Developments, 2022–2024 (per US$, unless otherwise indicated)

	2022	2023	2024	Percentage change between		
	(6)	(7)	(8)	(6) & (5)	(7) & (6)	(8) & (7)
Algeria – dinar	141.99	135.84	134.05	5.13	(4.33)	(1.32)
Angola – kwanza	460.57	685.02	869.85	(27.06)	48.73	26.98
Benin – CFA franc	622.91	606.65	606.35	12.32	(2.61)	(0.05)
Botswana – pula	12.37	13.60	13.56	11.56	9.92	(0.24)
Burkina Faso – CFA franc	623.76	606.57	606.35	12.48	(2.76)	(0.04)
Burundi – Burundian franc	2,034.31	2,574.05	2,891.81	2.95	26.53	12.34
Cabo Verde – escudos	104.86	101.80	100.25	12.49	(2.92)	(1.53)
Cameroon – CFA franc	623.76	606.57	606.35	12.48	(2.76)	(0.04)
Central African Republic – CFA franc	623.76	606.57	606.35	12.48	(2.76)	(0.04)
Chad – CFA franc	623.76	606.57	606.35	12.48	(2.76)	(0.04)
Comoros – Comorian franc	467.18	454.99	454.77	12.32	(2.61)	(0.05)
Congo, Dem. Rep. of – Congolese franc	2,006.53	2,333.19	2,757.00	0.86	16.28	18.16
Congo, Rep. of – CFA franc	623.76	606.57	606.35	12.48	(2.76)	(0.04)
Côte d'Ivoire – CFA franc	623.76	606.57	606.35	12.48	(2.76)	(0.04)
Djibouti – Djiboutian franc	177.72	177.72	177.72	–	–	–
Egypt – Egyptian pound	19.16	30.63	45.29	22.47	59.84	47.88
Equatorial Guinea – CFA franc	623.76	606.57	606.35	12.48	(2.76)	(0.04)
Eritrea – nakfa	15.08	15.08	15.08	–	–	—
Eswatini – lilangeni	16.36	18.45	18.32	10.68	12.78	(0.74)
Ethiopia – birr	51.76	54.80	83.15	18.34	5.88	51.73
Gabon – CFA franc	623.76	606.57	606.35	12.48	(2.76)	(0.04)
Gambia – dalasi	54.92	61.10	66.55	6.68	11.24	8.93
Ghana – cedi	8.27	11.02	14.17	42.49	33.22	28.58
Guinea – Guinean franc	8,759.30	8,597.02	8,511.05	(10.28)	(1.85)	(1.00)
Guinea-Bissau – CFA franc	623.76	606.57	606.35	12.48	(2.76)	(0.04)
Kenya – shilling	117.87	139.85	134.97	7.50	18.65	(3.48)
Lesotho – loti	16.36	18.45	18.32	10.67	12.81	(0.72)
Liberia – Liberia dollar	153.63	177.46	202.76	(7.54)	15.51	14.26
Libya – Libyan dinar	4.81	4.81	4.78	6.62	(0.01)	(0.68)
Madagascar – ariary	4,096.12	4,429.58	4,652.80	6.95	8.14	5.04
Malawi – kwacha	949.04	1,139.28	1,750.80	17.76	20.05	53.68
Mali – CFA franc	623.76	606.57	606.35	12.48	(2.76)	(0.04)
Mauritania – ouguiyas	36.99	36.56	39.87	2.56	(1.16)	9.06
Mauritius – rupee	44.18	45.27	46.21	5.97	2.45	2.07
Morocco – dirham	10.16	10.13	9.94	13.04	(0.29)	(1.89)
Mozambique – meticals	63.85	63.89	63.85	(2.47)	0.05	(0.06)
Namibia – namibian dollar	16.36	18.45	18.33	10.67	12.78	(0.64)
Niger – CFA franc	623.76	606.57	606.35	12.48	(2.76)	(0.04)
Nigeria – naira	425.98	636.13	1,474.60	6.19	49.33	131.81
Rwanda – Rwanda franc	1,030.31	1,160.10	1,318.13	4.22	12.60	13.62
São Tomé and Príncipe – dobra	21.09	21.34	22.22	1.82	1.18	4.15
Senegal – CFA franc	623.76	606.57	606.35	12.48	(2.76)	(0.04)
Seychelles – rupee	14.27	14.02	14.60	(15.65)	(1.78)	4.15
Sierra Leone – leone	14.05	21.30	22.74	34.56	51.66	6.74
Somalia – Somali shilling	26,667.83	26,999.00	29,700.00	2.41	1.24	10.00
South Africa – rand	16.36	18.45	18.33	10.67	12.81	(0.66)
South Sudan – South sudanese pound	534.51	930.33	2,150.00	74.47	74.05	131.10
Sudan – Sudanese pound	546.76	595.00	598.90	47.46	8.82	0.66
Tanzania – Tanzanian shilling	2,303.03	2,382.97	2,597.89	0.23	3.47	9.02
Togo – franc	623.76	606.57	606.35	12.48	(2.76)	(0.04)
Tunisia – Tunisian dinar	3.10	3.11	3.11	11.06	0.08	0.20
Uganda – Uganda shilling	3,689.82	3,726.14	3,757.26	2.86	0.98	0.84
Zambia – kwacha	16.94	20.21	26.16	(15.39)	19.33	29.43
Zimbabwe – US dollar	374.95	3,509.17	5,460.00	323.43	835.89	55.59

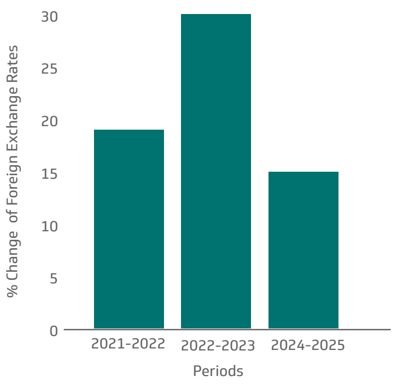
Sources: International Financial Statistics (IFS), Fitch Solutions, 2025.
† Growth rates are Afreximbank staff calculations.

Capital flows increased, due mainly to greenfield projects, continued support from multilateral and regional development finance institutions, and bilateral partners. An increase in tourist arrivals and remittances further boosted the continent's reserve position. These positive developments helped raise the region's average import cover to around 5.2 and 5.5 months in 2024, from months and 4.7 months in 2023 and 2022, respectively, above the International Monetary Fund threshold of three months.

Figure 4.3 shows the percentage change of foreign exchange rates in Africa over three periods.

In 2023-2024, the increase slowed to 12.3 percent from the highest jump of 24.7 percent in 2022-2023. In 2021-2022, the rates increased by 15.6 percent.

Figure 4.3 Percent change in average foreign exchange rates between two years in Africa (%)



Sources: World Development Indicators of the World Bank; International Monetary Fund World Economic Outlook databases 2025; Afreximbank research.

Overall, Africa experienced significant currency volatility, peaking in 2022-2023 before moderating slightly in the following year. These developments supported improvement in the performance of many currencies in 2024, a significant advance over the prior year, with many appreciating against the US dollar. Algerian and Kenyan currencies appreciated the most, with a 1.32 percent for Algeria and a 3.48 percent gain for Kenya in 2024 (Table 4.2). Other well-performing currencies were among members of monetary unions. The CFA franc, the common currency of 15 francophone countries, which is pegged to the euro, appreciated by about 0.04 percent in 2024.

Other currencies suffered significant losses, depreciating against the US dollar, mainly due to low levels of foreign exchange reserves, capital outflows, the prohibitive cost of servicing external debt, and widening fiscal and current account deficits. The Angolan Kwanza and the Zimbabwe dollar depreciated by around 26.98 percent and 55.59 percent, respectively, in 2024. The Egyptian pound depreciated by about 47.88 percent. The Ghana cedi and the Nigerian naira depreciated by 28.58 percent and 131.81 percent, respectively. The South Sudanese pound also depreciated by 131.10 percent in 2024.

4.4 AFRICA'S TRADE

Consistent with the resilience of the global economy, Africa's total merchandise trade gathered momentum, recovering strongly by 13.9 percent to about US$1,520.1 billion in 2024, from a contraction of about 5.4 percent to US$1,341.1 billion in 2023, after having expanded by more than 20 percent to US$1,417.3 billion in 2022 (figure 4.4 and table 4.3). Elevated prices of global commodities, oil prices in particular, contributed significantly to the recovery of the region's merchandise trade during the review period. The rebound of growth in trade was also supported by sustained demand for Africa's energy by the European Union, as persistent geopolitical tensions and trade protectionism continued to pressure the bloc to shun energy supplies from Russia. As a result, several European countries have diversified their energy sources, making Africa one of Europe's top suppliers of energy. These developments have prompted a number of African countries, including Mozambique, Nigeria, and Senegal, to increase investment in liquid natural gas to increase production.

Global Trade and Trading Environment

Table 4.3 Africa: Merchandise Trade, 2022-24 (in US$ billion unless otherwise indicated)

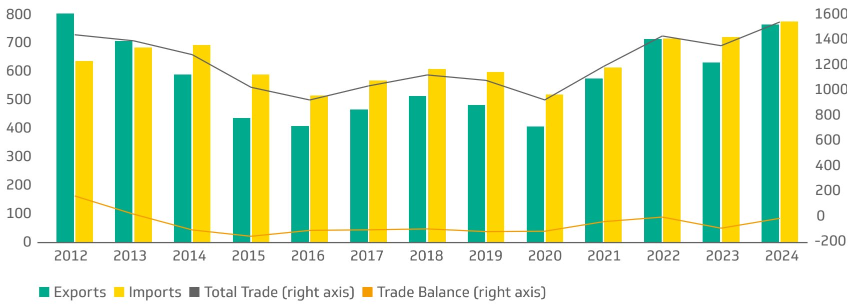
	Merchandise Exports (US$ Billion)			Growth (%)			Share of Merchandise Exports (%)			Merchandise Imports (US$ Billion)			Growth Rate (%)		
	2022	2023	2024	2022	2023	2024	2022	2023	2024	2022	2023	2024	2022	2023	2024
Algeria	60.32	54.77	51.44	56.93	-9.19	-6.08	8.52	8.74	6.79	40.18	42.65	47.54	1.90	6.13	11.47
Angola	51.44	38.71	89.13	46.49	-24.76	130.26	7.27	6.18	11.76	16.23	15.69	12.59	40.80	-3.30	-19.76
Benin	0.91	1.05	3.34	-11.44	15.94	216.64	0.13	0.17	0.44	3.65	3.91	2.73	14.39	7.07	-30.07
Botswana	8.14	5.25	3.44	16.40	-35.53	-34.41	1.15	0.84	0.45	7.90	6.37	7.44	-4.33	-19.45	16.83
Burkina Faso	4.54	4.49	5.66	-9.87	-1.20	26.13	0.64	0.72	0.75	5.54	6.12	6.61	20.11	10.61	7.93
Burundi	0.19	0.17	0.11	27.61	-10.48	-34.35	0.03	0.03	0.01	1.12	1.04	0.83	24.79	-7.64	-20.00
Cabo Verde	0.31	0.26	0.42	-88.64	-16.66	60.55	0.04	0.04	0.06	1.78	1.81	3.33	38.68	1.75	84.17
Cameroon	5.79	4.24	5.74	31.41	-26.88	35.39	0.82	0.68	0.76	8.67	8.79	8.54	21.47	1.36	-2.78
Central African Rep.	0.12	0.12	0.08	95.99	-1.11	-34.74	0.02	0.02	0.01	0.68	0.77	0.72	35.75	12.05	-6.48
Chad	4.57	4.22	4.72	59.27	-7.61	11.71	0.65	0.67	0.62	1.13	1.28	1.56	2.15	12.80	22.41
Comoros, Union of the	0.05	0.05	0.02	44.24	-6.67	-57.53	0.01	0.01	0.00	0.33	0.34	0.44	1.14	2.43	29.32
Congo, Dem. Rep. of the	15.72	27.73	35.42	-26.58	76.39	27.72	2.22	4.43	4.67	11.44	26.15	21.53	58.55	128.64	-17.67
Congo, Rep. of	8.96	8.13	7.85	275.86	-9.22	-3.44	1.27	1.30	1.04	3.77	6.16	4.96	53.82	63.39	-19.50
Côte d'Ivoire	34.73	19.63	18.41	18.68	-43.49	-6.21	4.91	3.13	2.43	18.09	19.57	18.44	29.33	8.18	-5.78
Djibouti	4.67	4.86	4.25	19.97	4.15	-12.66	0.66	0.78	0.56	5.17	5.39	4.62	26.32	4.18	-14.21
Egypt, Arab Rep. of	48.40	39.86	42.50	18.93	-17.65	6.64	6.84	6.36	5.61	80.14	73.94	90.08	8.62	-7.73	21.82
Equatorial Guinea, Rep. of	7.59	4.74	4.48	58.21	-37.62	-5.40	1.07	0.76	0.59	1.01	1.11	1.06	-4.48	10.18	-4.17
Eritrea, The State of	8.37	3.77	8.06	258.14	-54.99	113.99	1.18	0.60	1.06	0.50	0.46	0.51	44.61	-9.11	11.73
Eswatini, Kingdom of	2.03	2.13	2.68	-3.11	5.12	26.03	0.29	0.34	0.35	2.16	2.07	2.74	-0.02	-3.94	32.23
Ethiopia, The Federal Dem. Rep. of	3.09	2.86	3.60	0.91	-7.32	25.83	0.44	0.46	0.47	16.54	17.05	18.86	8.20	3.10	10.60
Gabon	10.72	12.84	11.45	32.44	19.80	-10.78	1.51	2.05	1.51	4.34	4.42	4.17	13.51	1.75	-5.53
Gambia, The	0.13	2.92	2.63	49.31	2140.18	-9.99	0.02	0.47	0.35	0.94	2.47	2.82	29.33	163.98	14.30
Ghana	17.56	16.83	19.68	18.47	-4.14	16.92	2.48	2.69	2.60	18.32	16.39	18.12	2.69	-10.57	10.57
Guinea	6.58	5.67	4.93	-0.72	-13.84	-12.98	0.93	0.91	0.65	4.97	5.36	5.83	15.30	7.90	8.73
Guinea-Bissau	0.51	0.43	0.40	4.89	-15.75	-7.23	0.07	0.07	0.05	0.25	0.32	0.31	-0.48	31.59	-5.32
Kenya	7.37	7.17	9.67	9.24	-2.79	34.89	1.04	1.14	1.28	21.12	18.60	19.52	7.89	-11.89	4.93
Lesotho, Kingdom of	1.05	0.96	0.96	-1.32	-9.04	0.25	0.15	0.15	0.13	1.80	1.64	1.66	-1.65	-8.58	1.19
Liberia	0.28	0.21	0.35	12.90	-23.85	68.01	0.04	0.03	0.05	1.72	2.25	2.09	16.27	30.73	-7.06
Libya	39.20	33.08	34.05	26.55	-15.60	2.92	5.54	5.28	4.49	16.13	18.20	18.27	7.83	12.82	0.41
Madagascar, Rep. of	3.55	3.10	2.42	30.98	-12.72	-21.77	0.50	0.49	0.32	5.51	4.79	4.61	26.18	-13.04	-3.90
Malawi	0.95	0.97	0.50	-5.97	1.95	-47.76	0.13	0.15	0.07	1.62	3.14	3.43	-47.22	93.44	9.20
Mali	5.06	4.62	3.69	3.22	-8.58	-20.20	0.71	0.74	0.49	8.87	10.57	10.34	9.98	19.15	-2.09
Mauritania, Islamic Rep. of	3.82	4.10	4.48	15.66	7.35	9.29	0.54	0.66	0.59	5.27	5.00	5.00	33.57	-5.09	-0.06
Mauritius	1.65	1.63	1.56	-8.89	-1.05	-4.04	0.23	0.26	0.21	4.78	4.52	4.64	-9.22	-5.40	2.51
Morocco	42.00	42.43	43.58	14.97	1.02	2.71	5.93	6.77	5.75	72.65	70.64	75.88	23.90	-2.76	7.41
Mozambique, Rep. of	8.30	8.28	5.72	45.48	-0.28	-30.83	1.17	1.32	0.76	14.67	10.09	10.46	67.51	-31.21	3.65
Namibia	4.90	5.69	6.53	-10.67	16.32	14.61	0.69	0.91	0.86	6.83	7.43	8.84	-9.06	8.70	19.10
Niger	0.43	0.47	0.59	-41.91	9.42	25.40	0.06	0.07	0.08	3.90	3.21	2.38	32.63	-17.65	-25.77
Nigeria	83.98	63.22	134.66	78.95	-24.72	112.99	11.86	10.09	17.77	62.53	64.31	88.47	20.45	2.84	37.58
Rwanda	1.56	1.58	2.25	30.57	1.08	42.15	0.22	0.25	0.30	3.74	3.86	4.45	12.03	3.37	15.29
São Tomé and Príncipe, Dem. Rep. of	0.02	0.02	0.01	13.78	-25.52	-33.90	0.00	0.00	0.00	0.19	0.18	0.88	14.66	-5.57	383.46
Senegal	5.71	5.32	6.24	9.92	-6.90	17.46	0.81	0.85	0.82	12.06	11.89	12.21	24.67	-1.48	2.68
Seychelles	0.61	0.55	0.48	-3.39	-8.95	-13.73	0.09	0.09	0.06	2.14	1.49	1.76	14.85	-30.52	17.99
Sierra Leone	0.50	0.55	0.63	16.81	8.97	14.97	0.07	0.09	0.08	1.99	2.06	2.08	10.11	3.23	1.12
Somalia	0.74	1.00	1.12	45.29	34.99	12.22	0.10	0.16	0.15	4.15	4.02	3.97	8.29	-3.18	-1.26
South Africa	123.39	110.53	111.47	0.84	-10.42	0.85	17.43	17.65	14.71	117.27	113.23	106.49	19.13	-3.45	-5.95
South Sudan, Rep. of	0.53	0.66	0.53	1.53	23.27	-19.44	0.08	0.10	0.07	1.35	1.27	1.41	17.52	-5.31	10.89
Sudan	18.42	11.17	6.00	94.68	-39.33	-46.28	2.60	1.78	0.79	12.77	7.07	5.50	38.64	-44.61	-22.27
Tanzania, United Rep. of	6.82	7.27	9.06	6.79	6.59	24.49	0.96	1.16	1.19	15.65	15.12	18.96	44.48	-3.42	25.42
Togo	1.35	1.45	1.39	27.02	8.11	-4.62	0.19	0.23	0.18	2.79	3.05	3.28	9.37	9.35	7.59
Tunisia	18.56	20.68	19.02	11.30	11.44	-8.03	2.62	3.30	2.51	26.66	26.58	27.93	18.63	-0.29	5.10
Uganda	3.59	6.27	7.09	-9.70	74.87	13.05	0.51	1.00	0.94	10.24	12.07	16.80	7.89	17.92	39.12
Zambia	11.65	10.44	6.07	4.54	-10.38	-41.81	1.65	1.67	0.80	9.04	10.13	11.23	27.43	12.00	10.86
Zimbabwe	6.59	7.23	7.43	9.10	9.71	2.89	0.93	1.15	0.98	7.02	8.72	10.10	-13.48	24.08	15.92
Total	**708.00**	**626.36**	**758.01**	**24.06**	**-11.53**	**21.02**	**100.00**	**100.00**	**100.00**	**709.30**	**714.73**	**769.01**	**16.67**	**0.76**	**7.59**

Source: IMF Direction of Trade Statistics (DOTS), 2025

Share of Merchandise Imports (%)			Total Merchandise Trade (%)			Growth Rate (%)			Share of Total Merchandise Trade (Percentage)			Trade Balance Value (US$ Billion)		
2022	2023	2024	2022	2023	2024	2022	2023	2024	2022	2023	2024	2022	2023	2024
5.67	5.97	6.18	100.50	97.42	98.98	29.06	-3.06	1.60	7.09	7.26	6.48	20.13	12.13	3.90
2.29	2.20	1.64	67.67	54.40	101.72	45.09	-19.61	86.99	4.77	4.06	6.66	35.22	23.02	76.54
0.51	0.55	0.36	4.56	4.96	6.07	8.10	8.84	22.34	0.32	0.37	0.40	-2.74	-2.85	0.60
1.11	0.89	0.97	16.04	11.61	10.88	5.17	-27.61	-6.32	1.13	0.87	0.71	0.23	-1.12	-4.00
0.78	0.86	0.86	10.08	10.61	12.27	4.45	5.29	15.63	0.71	0.79	0.80	-0.99	-1.64	-0.95
0.16	0.14	0.11	1.31	1.21	0.94	25.19	-8.05	-22.03	0.09	0.09	0.06	-0.93	-0.87	-0.72
0.25	0.25	0.43	2.09	2.07	3.76	-48.33	-1.02	81.18	0.15	0.15	0.25	-1.46	-1.55	-2.91
1.22	1.23	1.11	14.46	13.02	14.28	25.26	-9.95	9.64	1.02	0.97	0.94	-2.88	-4.55	-2.81
0.10	0.11	0.09	0.80	0.88	0.79	42.17	10.12	-10.21	0.06	0.07	0.05	-0.57	-0.65	-0.64
0.16	0.18	0.20	5.70	5.50	6.28	43.37	-3.56	14.19	0.40	0.41	0.41	3.44	2.95	3.16
0.05	0.05	0.06	0.38	0.38	0.46	5.23	1.25	18.91	0.03	0.03	0.03	-0.28	-0.29	-0.42
1.61	3.66	2.80	27.16	53.88	56.94	-5.12	98.40	5.69	1.92	4.02	3.73	4.28	1.58	13.89
0.53	0.86	0.64	12.73	14.29	12.81	163.32	12.28	-10.36	0.90	1.07	0.84	5.19	1.98	2.90
2.55	2.74	2.40	52.82	39.20	36.85	22.12	-25.80	-5.99	3.73	2.92	2.41	16.65	0.06	-0.03
0.73	0.75	0.60	9.84	10.25	8.87	23.23	4.16	-13.48	0.69	0.76	0.58	-0.50	-0.53	-0.38
11.30	10.35	11.71	128.54	113.80	132.58	12.28	-11.46	16.50	9.07	8.49	8.68	-31.74	-34.09	-47.57
0.14	0.16	0.14	8.60	5.85	5.55	46.91	-32.02	-5.17	0.61	0.44	0.36	6.58	3.63	3.42
0.07	0.06	0.07	8.87	4.22	8.57	230.53	-52.39	102.94	0.63	0.31	0.56	7.87	3.31	7.55
0.30	0.29	0.36	4.18	4.20	5.42	-1.54	0.45	29.08	0.29	0.31	0.36	-0.13	0.06	-0.05
2.33	2.39	2.45	19.62	19.91	22.46	6.98	1.46	12.79	1.38	1.48	1.47	-13.45	-14.19	-15.26
0.61	0.62	0.54	15.06	17.25	15.62	26.37	14.59	-9.44	1.06	1.29	1.02	6.38	8.42	7.28
0.13	0.35	0.37	1.07	5.39	5.45	31.48	405.74	1.14	0.08	0.40	0.36	-0.80	0.45	-0.19
2.58	2.29	2.36	35.89	33.22	37.80	9.85	-7.42	13.79	2.53	2.48	2.48	-0.76	0.45	1.56
0.70	0.75	0.76	11.55	11.03	10.76	5.59	-4.48	-2.43	0.81	0.82	0.70	1.61	0.31	-0.89
0.03	0.05	0.04	0.75	0.75	0.70	3.07	-0.30	-6.41	0.05	0.06	0.05	0.26	0.10	0.09
2.98	2.60	2.54	28.49	25.77	29.19	8.24	-9.53	13.26	2.01	1.92	1.91	-13.74	-11.44	-9.85
0.25	0.23	0.22	2.85	2.60	2.62	-1.53	-8.75	0.85	0.20	0.19	0.17	-0.75	-0.69	-0.70
0.24	0.31	0.27	2.00	2.46	2.44	15.79	23.15	-0.61	0.14	0.18	0.16	-1.44	-2.04	-1.73
2.27	2.55	2.38	55.32	51.27	52.32	20.46	-7.32	2.03	3.90	3.82	3.43	23.07	14.88	15.78
0.78	0.67	0.60	9.06	7.89	7.03	28.02	-12.92	-10.91	0.64	0.59	0.46	-1.97	-1.70	-2.19
0.23	0.44	0.45	2.57	4.11	3.93	-37.04	59.74	-4.20	0.18	0.31	0.26	-0.68	-2.18	-2.93
1.25	1.48	1.35	13.92	15.19	14.03	7.42	9.08	-7.60	0.98	1.13	0.92	-3.81	-5.94	-6.65
0.74	0.70	0.65	9.09	9.11	9.48	25.41	0.14	4.15	0.64	0.68	0.62	-1.45	-0.90	-0.52
0.67	0.63	0.60	6.43	6.15	6.20	-9.14	-4.29	0.78	0.45	0.46	0.41	-3.13	-2.89	-3.07
10.24	9.88	9.87	114.64	113.07	119.45	20.47	-1.38	5.65	8.09	8.43	7.82	-30.65	-28.21	-32.30
2.07	1.41	1.36	22.97	18.37	16.18	58.82	-20.04	-11.89	1.62	1.37	1.06	-6.37	-1.82	-4.74
0.96	1.04	1.15	11.73	13.12	15.37	-9.74	11.88	17.15	0.83	0.98	1.01	-1.94	-1.73	-2.32
0.55	0.45	0.31	4.33	3.68	2.97	17.69	-14.97	-19.26	0.31	0.27	0.19	-3.47	-2.74	-1.80
8.82	9.00	11.50	146.51	127.53	223.13	48.22	-12.96	74.96	10.34	9.51	14.61	21.45	-1.08	46.19
0.53	0.54	0.58	5.30	5.44	6.70	16.93	2.70	23.09	0.37	0.41	0.44	-2.17	-2.28	-2.21
0.03	0.03	0.11	0.21	0.20	0.89	14.57	-7.62	349.02	0.02	0.01	0.06	-0.17	-0.17	-0.87
1.70	1.66	1.59	17.77	17.20	18.45	19.51	-3.22	7.25	1.25	1.28	1.21	-6.35	-6.57	-5.96
0.30	0.21	0.23	2.75	2.04	2.23	10.25	-25.76	9.40	0.19	0.15	0.15	-1.53	-0.93	-1.28
0.28	0.29	0.27	2.49	2.60	2.71	11.40	4.39	4.03	0.18	0.19	0.18	-1.49	-1.51	-1.45
0.59	0.56	0.52	4.89	5.02	5.09	12.62	2.57	1.41	0.35	0.37	0.33	-3.42	-3.03	-2.85
16.53	15.84	13.85	240.66	223.75	217.96	9.00	-7.02	-2.59	16.98	16.68	14.27	6.12	-2.70	4.98
0.19	0.18	0.18	1.88	1.93	1.94	12.49	2.80	0.56	0.13	0.14	0.13	-0.81	-0.62	-0.88
1.80	0.99	0.71	31.19	18.25	11.50	67.04	-41.49	-36.97	2.20	1.36	0.75	5.65	4.10	0.50
2.21	2.12	2.47	22.48	22.39	28.02	30.50	-0.38	25.12	1.59	1.67	1.83	-8.83	-7.84	-9.90
0.39	0.43	0.43	4.14	4.51	4.67	14.55	8.95	3.64	0.29	0.34	0.31	-1.44	-1.60	-1.89
3.76	3.72	3.63	45.22	47.26	46.96	15.51	4.53	-0.65	3.19	3.52	3.08	-8.09	-5.89	-8.91
1.44	1.69	2.18	13.83	18.35	23.89	2.70	32.69	30.20	0.98	1.37	1.56	-6.65	-5.80	-9.71
1.27	1.42	1.46	20.69	20.57	17.30	13.45	-0.59	-15.87	1.46	1.53	1.13	2.60	0.31	-5.15
0.99	1.22	1.31	13.61	15.94	17.54	-3.85	17.13	10.01	0.96	1.19	1.15	-0.44	-1.49	-2.67
100.00	**100.00**	**100.00**	**1,417.30**	**1,341.09**	**1,527.01**	**20.25**	**-5.38**	**13.86**	**100.00**	**100.00**	**100.00**	**-1.30**	**-88.36**	**-11.00**

Global Trade and Trading Environment

Figure 4.4 Trends in Africa's merchandise trade (US$ billion), 2012–2024



Sources: International Monetary Fund Direction of Trade Statistics 2025; Afreximbank research.

With oil accounting for the lion's share of the continent's export basket, making up over 35 percent of total exports, elevated oil prices drove the strong expansion of the region's trade during the review period. Accordingly, oil-dependent African countries enjoyed a 51.2 percent growth in their merchandise trade in 2024, after contracting by about 11.4 percent the year before. Over the same period, oil-importing countries also saw their total merchandise trade recover by about 4.2 percent, from a contraction of about 3.7 percent.

While the elevated oil prices observed during the year were largely due to persistent supply chain bottlenecks and the agreement among Organization of Petroleum-Exporting Countries (OPEC) to delay production increases, concerns that tensions between Iran and Israel could escalate into a wider regional conflict and disrupt global oil supplies gave further steam to oil prices, which peaked to US$93 per barrel in April 2024 and averaged around US$82 per barrel between May and August of the same year. These developments, alongside the high prices of several non-energy commodities monitored by the Bank, including aluminium, cocoa, copper, gold, palm oil, and zinc, significantly contributed to the recovery of Africa's exports during the review period.

While several smaller economies recorded strong export growth, Africa's five largest economies, namely Algeria, Angola, Egypt, Nigeria, and South Africa, contributed significantly to the increase in the region's exports. These countries accounted for more than 56.6 percent of the continent's total exports in 2024. The exceptional growth in the exports of leading oil-producing countries, namely Angola (130.3 percent) and Nigeria (113 percent), was a major driver of the continent's impressive export performance during the review period.

Africa's total merchandise imports also exhibited strong performance in 2024, with its growth accelerating to about 7.6 percent to US$769 billion, from US$714.7 billion in 2023. High import bills, driven largely by still elevated prices of food and energy, coupled with a strong US dollar, impacted African trade. Oil exporters saw their imports grow by a combined 16.1 percent to US$178.6 billion, up from US$153.8 billion in 2023. Nigeria (37.6 percent), Africa's largest economy and leading oil exporter, and Algeria (6.1 percent), one of the continent's major economies and most important oil exporters, drove this growth. Other exporters, such as Chad (22.4 percent) and Libya (0.4 percent), contributed to the import performance of oil exporters during the year.

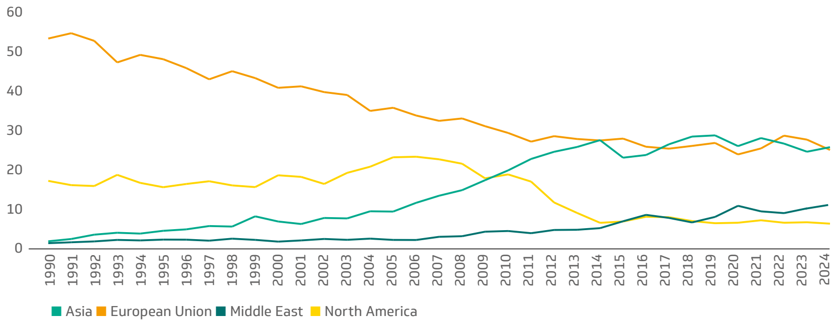
Imports from the group of net oil-importing countries recovered, increasing by about 5.3 percent to US$590.4 billion in 2024, from about US$560.9 billion in 2023. The group's overall performance was driven mainly by robust import growth by Egypt (21.8 percent), one of the largest economies on the continent, and by similar growth among a number of medium-sized economies, including Ethiopia (10.6 percent), Ghana (10.6 percent), Morocco (7.4 percent), Rwanda (15.3 percent), Tanzania (25.4 percent), and Uganda (10.9 percent). While merchandise import growth strengthened to 7.6 percent, exports performed better, expanding by 21 percent. This enabled the region to narrow its trade deficit to an estimated US$11 billion in 2024 from about US$88.4 billion in 2023 (table 4.3 and figure 4.4).

Although Africa's trade recovered strongly, growing by 13.9 percent in 2024, the continent remained a marginal player on the global trade stage, with its share of global trade stabilising at 3 percent in 2023 and 2024. Although that share is a slight improvement over the 2.8 percent achieved in 2022, it remains dismally low compared with other developing regions. This calls for bolder policies and initiatives at the national and continental levels to accelerate the process of industrialisation with the view to increasing value addition, diversifying sources of growth, and enhancing Africa's integration into the global economy. Processed and manufactured goods with high technological content increasingly dominate the global economy. The AfCFTA provides the platform for Africa's industrialisation. It is therefore imperative to step up the processes leading to successful implementation of the continental initiative. This will drive the development of regional value chains and deepen Africa's integration into global value chains.

Regarding export destinations, African nations have historically traded more with Europe, particularly with the European Union, than with any other region. However, over the years, that trend has been gradually shifting with the rise of developing countries, led by China and India. This shift has enabled African countries to deepen the geographical diversification of their trading partners across the Global South (Afreximbank 2023). At the same time, growth stagnation in Western Europe, triggered by the 2008-

2009 global financial crisis, exacerbated by the sovereign debt crisis, and heightening geopolitical tensions reflected by the protracted Ukraine conflict and protectionist measures, has significantly reduced Europe's demand capacity for Africa's commodities. Accordingly, the share of Africa's merchandise exports to the European Union, which averaged around 47.8 percent during the 1990s, has been steadily declining, averaging around 30.4 percent in the decade 2005-2014 and 26.1 percent in 2015-2024. In contrast, Asia's share has been on an inverse trajectory, with remarkable acceleration from a paltry 4.5 percent to over 18.6 percent and 26 percent, respectively, over the same period (figure 4.5).

Figure 4.5 Africa's export destinations (%)

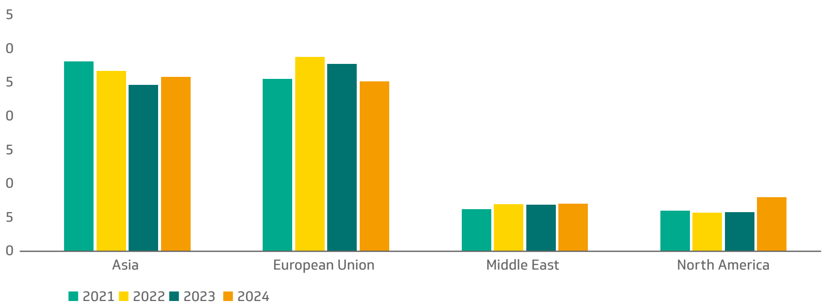


Sources: International Monetary Fund Direction of Trade Statistics 2025; Afreximbank research.

The growing trade ties between Africa and Asia reached an historic turning point in 2017, when Asia's share of Africa's exports reached about 26.3 percent, exceeding for the first time the share of Africa's merchandise exports to Europe – 25.2 percent. Asia consolidated that position with a deepening of its trade ties with Africa. Asia's share averaged around 27.6 percent between 2018 and 2021, while the European Union's share hovered around 25.4 percent during the same period. However, during 2022-2023, the European Union took the lead, with its share of Africa's exports averaging about 27.9 percent, compared with 25.4 percent for Asia over the same period. This turnaround for the European Union arose as the breakout of the Ukraine crisis and the Western-led targeted sanctions against Russia compelled several EU member countries to turn to Africa as an alternative source of energy supply. At the same time, weaknesses in China's property sector and the adverse effects on its economy dampened Asia's demand for Africa's commodities. However, Asia took the lead in 2024 as its share of Africa's exports increased to 25.6 percent from 24.4 percent in 2023, while the European Union's exports maintained a downward trend, with its share sliding to 24.9 percent from 27.5 percent over the same period (figure 4.6).

Global Trade and Trading Environment

Figure 4.6 Africa's export destinations, by region (%)

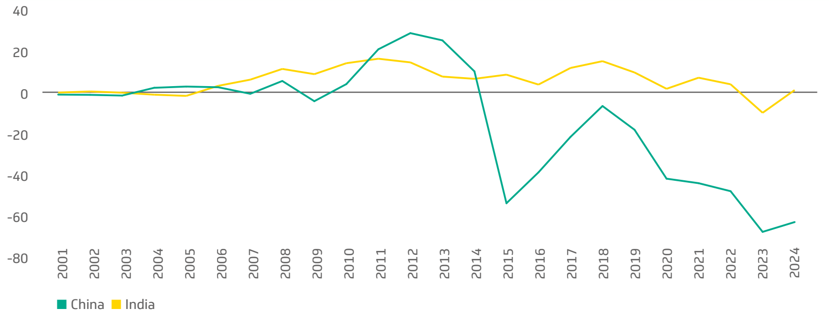


Sources: International Monetary Fund Direction of Trade Statistics 2025; Afreximbank research.

China and India have been the leading drivers of the rising trade ties between Africa and Asia. Africa's merchandise exports to Asia increased to US$189.5 billion in 2024, from US$172.4 billion in 2023. Of these, the share to China has remained significantly high, averaging around 61.7 percent during the last four years. At the same time, China's share of Africa's aggregate merchandise exports to the world expanded by about 15.8 percent in 2024, consolidating its position as Africa's single largest trading partner (figure 4.5). The increase in exports to China reduced the pressure on Africa's trade deficit, which narrowed to about US$61.9 billion in 2024 from a deficit of US$66.6 billion in 2023 (figure 4.7).

India's share of Africa's exports to Asia has also remained substantial in the last few years, increasing to 22.4 percent in 2024 from 21.2 percent in 2023, though down from 26.5 percent achieved in 2022. Its share of Africa's total merchandise exports to the world remained firm, increasing slightly to 5.7 percent in 2024, from about 5.2 percent in 2023, down from 7 percent in 2022. Africa enjoyed a surplus of US$0.81 billion in 2024, from a deficit of US$9.97 billion in 2023, after 17 consecutive years of surpluses from 2006 to 2022 (figure 4.7). China and India's combined share in Africa's total merchandise exports to Asia remained significantly high, stabilizing around 84.4 percent in 2023 and 2024, though slightly down from the 85.1 percent recorded in 2022. Likewise, their combined share in Africa's total exports to the world remained substantial, increasing marginally to about 21.5 percent in 2024, from about 20.7 percent, consolidating their position as Africa's largest trading partners.

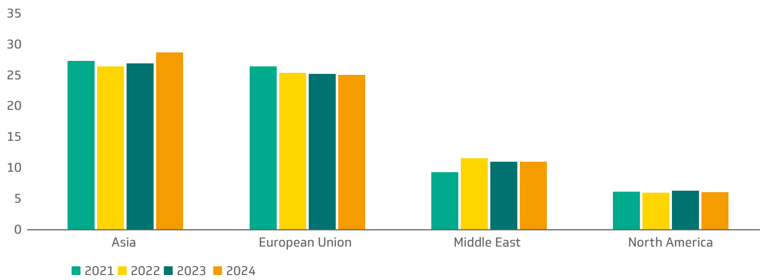
Figure 4.7 Africa's trade balance with China and India (US$ billion)



Sources: International Monetary Fund Direction of Trade Statistics 2025; Afreximbank research.

The sourcing of imports of African countries follows a similar trend. While the European Union has historically been Africa's largest import market, its share of total African imports has declined steadily over the years, while Asia's share has been rising. Reflecting these contrasting trends, the gap between the European Union and Asia had been narrowing until it closed in 2015, when Asia's share of Africa's imports reached 25.6 percent, exceeding for the first time the EU share, which stood at 25.4 percent, slightly down from 25.5 in 2014. Asia, which has been Africa's largest import market since 2015, consolidated its position as the primary source of goods for the continent. The gap between Asia and the European Union has been widening, with Asia's share trending up steadily to 28.5 percent in 2024, up from 26.6 percent in 2023, while the European Union's share has been trending down to 24.85 percent from 25.1 percent during the same period (figure 4.8).

Figure 4.8 Africa's import sources, by regions (%)



Sources: International Monetary Fund Direction of Trade Statistics 2025; Afreximbank research.

The geographical shift in Africa's sources of imports is due most notably to prolonged economic difficulties within the European Union, characterised by stagnating growth and a sustained decline in industrial production and manufacturing output, exacerbated by the eruption of numerous counter shocks in recent years, including the Ukraine conflict. At the same time, strong economic growth in Asia, boosted by rapid technological advancement and expanding manufacturing output, has turned the region into an industrial powerhouse and the world's factory. Machinery and electrical appliances, electronics, mineral fuels and oil, vehicles, and cereals increasingly dominate Africa's imports from Asia, with a combined share of 57.5 percent in 2024, up from 52.9 percent in 2023 (figure 4.9).

Notwithstanding its declining shares of Africa's imports over the years, the European Union has remained an important source of machinery and mechanical appliances, mineral fuels and oil, vehicles and parts, and pharmaceuticals for the African continent. In the last few years, Africa's imports from the European Union have been lower than its exports, enabling Africa to generate a trade surplus of US$38.3 billion in 2024, up from US$34.6 billion in 2023.

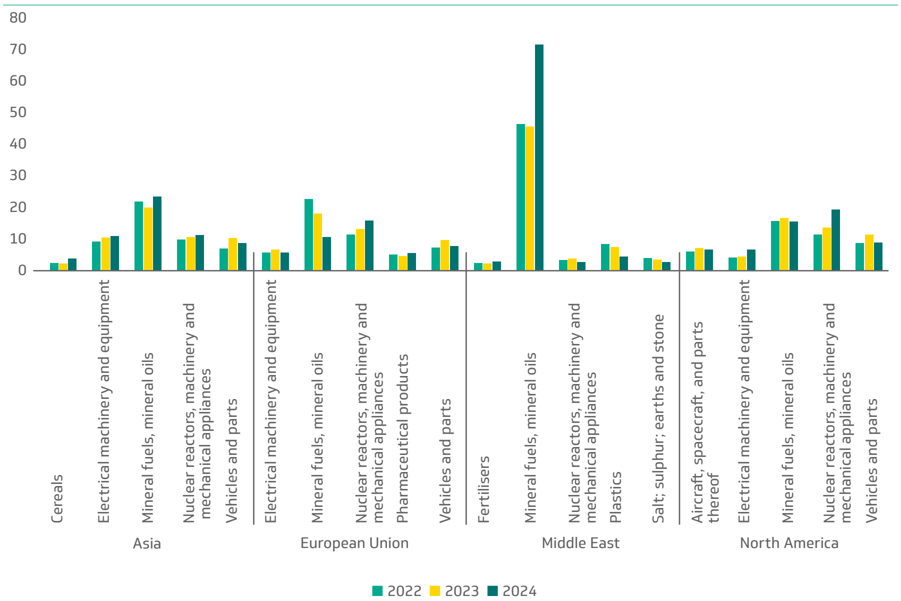
North America, historically Africa's third-largest export destination, had lost its position for several years. Between 2019 and 2023, the Middle East became Africa's third-largest export destination, with its share averaging around 7 percent, representing a value of around US$38.4 billion. The share of North America averaged around 5.4 percent, representing a value of about US$30.6 billion over the same period. A steady decline of Africa's exports to the United States was partly responsible for the weakening of North America's position, as the rise in shale oil production put the United States on a path to energy independence, dramatically cutting the need to import oil from African countries. In contrast, strengthening trade and economic cooperation between Africa and Middle East, especially with members of the Gulf Cooperation Council, contributed to strengthening the Middle East's position. However, North America regained its position in 2024, with its share of Africa's exports increasing to about 7.9 percent in 2024 (up from 5.7 percent in 2023) to about US$60.1 billion, even though the share to the Middle East also increased to 6.9 percent to US$52.4 billion in 2024, from US$42.7 billion in 2023. The improvement in North America's position arose from the stronger growth of Africa's exports to that region (67.7 percent) compared with 22.6 percent for the Middle East.

Global Trade and Trading Environment

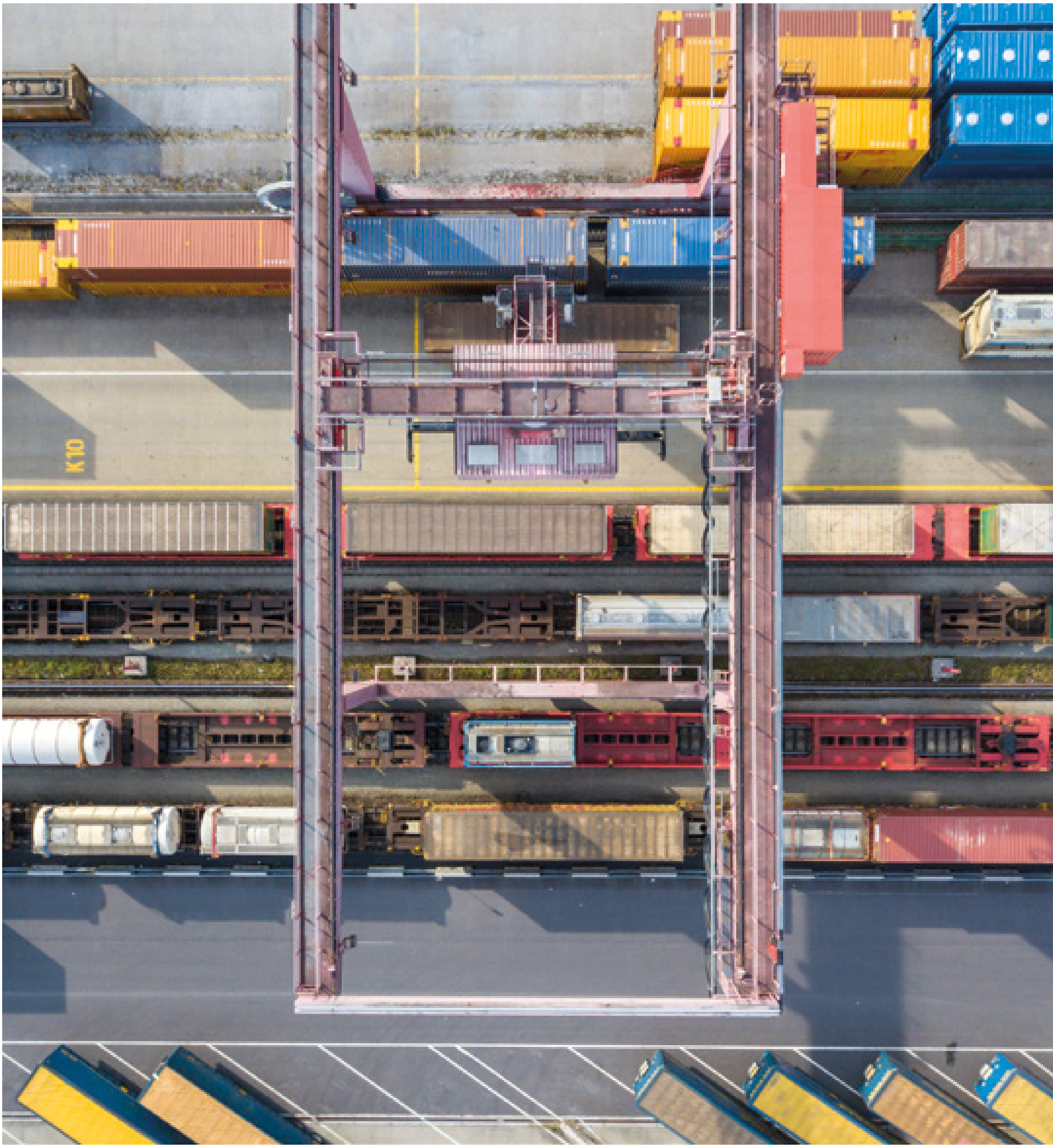
On the import side, the Middle East maintained its position as the third-largest import market for Africa, with its share expanding by 10.9 percent in 2024 to US$52.4 billion, from US$42.7 billion in 2023. The Middle East thus remained the leading source for Africa's imported products related to mineral fuels and oils, fertilisers, plastics, and mechanical appliances. In 2024, Africa's imports from the Middle East exceeded its exports, resulting in a trade deficit of US$31.2 billion, down from a deficit of US$34.8 billion in 2023. North America's share of Africa's imports decelerated by 5.7 percent in 2024 (slightly down from 5.9 percent in 2023) to US$44 billion. Africa's imports from North America are dominated by machinery and mechanical appliances, vehicles, and parts, mineral fuels and oils, and aircraft and parts (figure 4.9). Africa's exports to North America exceeded its imports, enabling the region to enjoy a trade surplus of US$16.1 billion in 2024, from a deficit of US$6.4 billion in 2023, thus closing more than a decade of sustained trade deficit.

Despite the challenging global economic and trading environment characterised by protracted geopolitical tensions, regional conflicts, and trade wars, total African merchandise trade recovered, growing by 13.9 percent in 2024. This was in line with the recovery of global trade, which grew by 2.9 percent supported by high incomes and improved access to financing, as easing inflationary pressure triggered expansionary monetary policy. However, forecasts point to a let-up of global trade, projected to decline by about 0.2 percent in 2025 before recovering modestly to about 2.5 in 2026. Policy shifts, escalating trade wars, and policy uncertainty are behind the let-up of global trade, potentially dampening global demand. These trends are likely to have adverse effects on African trade.

Figure 4.9 Africa's sources of imports, by region and product group (%)



Sources: International Monetary Fund Direction of Trade Statistics 2025; International Trade Centre Trade Map 2025; Afreximbank research.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Chapter Five

Developments in Commodity Markets

5.1 DYNAMICS IN COMMODITY MARKETS

Disparate fundamentals, climate-related disruptions, geopolitical tensions, and central bank policies, including expectations of lower interest rates, impacted commodity markets in 2024. Concerns over shrinkflation and rising food costs underscored the importance of supply chain resilience in global agricultural markets. Overall, strong gains in agriculture and precious metals were offset by weakness in the energy sector, as sluggish global demand, rising inventories, and China's transition to alternative fuels outweighed OPEC+ production cuts. These dynamics highlighted the impact on the energy complex of shifting economic conditions, supply constraints, and evolving trade. In the base metals sector, sentiment soured as market expectations for stronger economic stimulus in China failed to materialise at the anticipated scale. However, optimism surrounding the green energy transition continued to provide long-term support, particularly for metals essential to electric vehicle production and renewable energy infrastructure.

Crude oil prices faced sustained bearish pressure in 2024, averaging US$75 per barrel as rising inventories outweighed OPEC+ efforts to stabilise the market. High borrowing costs dampened global oil consumption, while the European Union's push to reduce reliance on Russian hydrocarbons and the broader acceleration of the green energy transition further constrained demand. China, the world's largest oil importer, saw a notable slowdown in consumption due to narrowing refining margins and the rising adoption of electric vehicles and liquified natural gas-powered trucks. Despite extended production cuts by OPEC+, crude oil prices declined by 13.8 percent in the second half of the year to their lowest level since December 2021. The growth in global demand for oil fell to below 1 million barrels per day in 2024, compared with 2 million in 2023, according to International Energy Agency and World Bank estimates. This combination of weak economic growth in major economies and ample inventories, particularly in the United States, kept oil markets relatively muted in the second half of the year.

Natural gas markets experienced extreme volatility in 2024, with prices plunging 40 percent year-on-year to reach a record low of US$1.55 per million British thermal units in the first months of 2024. A combination of mild winter temperatures, high storage levels, and the European Union's ongoing efforts to phase out Russian gas imports under the REPowerEU Plan weighed on demand. EU gas imports from Russia fell from 45 percent in 2021 to just 15 percent in 2024, as the bloc expanded renewable energy capacity, particularly in solar and wind. Japan also saw weakened demand due to the restart of nuclear power stations. In the second half of the year, however, gas prices rebounded on the back of tight supply conditions and geopolitical disruptions. The International Energy Agency and the World Bank estimate that global natural gas demand surged by 101 billion cubic metres in 2024, compared with just 9 billion cubic metres in 2023. Security concerns across key shipping routes – including drought-induced restrictions at the Panama Canal and rising tensions in the Red Sea – kept natural gas markets elevated during the second half of the year.

Gold prices soared to record highs in 2024, driven by robust central bank purchases, inflation concerns, and growing geopolitical tensions. Central banks, especially the People's Bank of China, accelerated bullion acquisitions to diversify reserves, reinforcing gold's role as a safe-haven asset. The marginal weakening of the US Dollar Index during the first half of 2024 also supported gold's rally, alongside expectations of more accommodative monetary policy. The World Gold Council highlighted rising industrial demand, particularly from the technology sector, where gold plays a key role in upgrading AI-related electronics. Bullish momentum for gold bullion continued into the second half of 2024, albeit at a slower pace, as global interest rates began to ease, and over-the-counter investment demand picked up. The price of gold ended 2024 at US$2,610.85 per ounce, 25 percent higher year-on-year and its strongest level in 14 years.

Zinc emerged as one of the best-performing base metals in 2024, closing the year at US$2,979 per metric tonne, up 13 percent from a year earlier, primarily due to supply constraints. Prices surged to a 15-month high of US$3,100 per tonne in May, spurred by limited raw materials and speculative demand. Supply disruptions played a significant role in the rally, following a fire at Russia's Ozernoye mine in November 2023 which delayed production and exacerbated market tightness. The suspension of Nyrstar's Budel smelter in the Netherlands due to skyrocketing operating costs further squeezed supply. China, the world's largest refined zinc producer, faced significant concentrate shortages, forcing smelters to curtail operations and intensifying competition for raw materials. While sluggish demand from the construction sector in both China and Europe created headwinds, strategic withdrawals of more than 100,000 metric tonnes of refined zinc from the London Metal Exchange warehouses in the second half of 2024 helped stabilise prices. The London Metal Exchange zinc price dipped to US$2,581.50 in August before rebounding to more than US$3,000 in October, reflecting strong market fundamentals despite weaker global industrial demand.

Developments in Commodity Markets

Robust fundamentals largely supported aluminium prices in the first half of 2024, including Rio Tinto's global leader in aluminium production majeure declaration on alumina cargoes from its Queensland refineries due to gas shortages, which tightened the global alumina supply. Price momentum waned in June, as fresh headwinds emerged. Heavy rains in China's Yunnan province restored hydropower availability, allowing smelters to restart idle capacity and improve overall output. Markets rebounded in the second half of the year, boosted by renewed tightening of alumina supplies and rising demand from China's clean energy sector. By mid-October, prices had bottomed out at US$2,521 per tonne before recovering to US$2,617 per tonne by the end of the month. Key factors underpinning the rebound included surging alumina costs driven in part by restricted bauxite exports from Guinea, which exacerbated supply constraints and helped stabilise aluminium prices into the end of the year.

Copper prices rose sharply during the year, reaching US$5.20 in May 2024 due to mine disruptions in Latin America and chronic underinvestment in new mining projects. The lingering impact from the closure of First Quantum's Cobre Panama mine in the fourth quarter of 2023, production cuts at Anglo American, and reduced output at Chile's Chuquicamata mine continued to severely constrain supply. However, the second half of 2024 saw a less bullish performance of the metal, with copper prices rising by just 1 percent. Although Chinese stimulus announcements, including a potential port strike, initially drove a modest price recovery, the rally lost momentum by early October as broader economic headwinds weighed on market sentiment and capped price gains.

Cocoa was the best-performing commodity of 2024, reaching a record price of US$12,565 per tonne by December 2024 despite initial pressures from strong arrivals at the start of the marketing year in Côte d'Ivoire and Ghana, the world's largest producers of the commodity. Driving the market's historic rally was weather-induced supply shocks in West Africa. Estimates from the International Cocoa Organization show that there was a global supply deficit of 374,000 tonnes of cocoa produced during the 2023-2024 season, due to weak production in Côte d'Ivoire (down by 22.3 percent to 1.74 million tonnes) and Ghana (down by 26.6 percent to 480,000 tonnes). These sharp declines not only tightened global supply but underscored the growing vulnerability of cocoa production to climate-related disruptions.

Coffee prices in 2024 were influenced by a combination of speculative demand, supply disruptions, and adverse weather conditions. In the first half of the year, Arabica futures rose from US$1.79 per pound in January to US$2.46 per pound in April, as El Niño-triggered heavy rains in Minas Brazil exacerbated supply concerns. Drought and poor robusta harvests in Vietnam also contributed to the price rally. In the second half of the year, coffee prices rose even further due to severe logistical challenges, geopolitical tensions, and continued adverse weather. Shipping delays from restrictions in the Suez Canal and tensions in the Red Sea inflated freight costs, particularly for European importers. Historically low certified coffee stocks and the upcoming EU deforestation regulation added pressure on supply chains, prompting European roasters to increase stockpiling and setting the stage for a buoyant market.

Wheat markets were choppy in 2024, affected by adverse weather conditions, geopolitical tensions, and shifting trade patterns. The year began with a major price rally as concerns over poor weather in Russia led to a sharp reduction in exports – over 10 million tonnes. However, as supply concerns eased, prices steadily declined, ending the year approximately 19 percent lower than in January. Despite the ongoing war, Ukraine maintained steady wheat exports, reinforcing its resilience in global trade. In contrast, the European Union suffered one of its worst harvests in decades, severely impacting exports to key destinations such as Morocco. Meanwhile, the United States experienced a strong recovery, with wheat production rising nearly 10 percent year-on-year. This boosted US exports by nearly 4 million tonnes, cementing its position as the world's top wheat exporter. Elsewhere, Southern Hemisphere producers, including Australia, Argentina, and South Africa, recorded strong harvests, which helped offset supply deficits from Russia and the European Union, ensuring stability in the global wheat trade during the year.

Cotton prices were volatile in 2024, rallying to nearly US$1.00 per pound in February before plunging to 68 cents per pound by June. Speculative demand and tight supply conditions were key drivers in the first quarter. According to the United States Department of Agriculture, cotton production estimates in China and India – accounting for nearly half of global output – fell by 16 percent in the 2023-2024 season, due to reduced hectarage, bad weather, and pest infestations. The market was pressured in the second half of the year by expectations of larger 2024-2025 harvests, slower trade, and rising world ending stocks, despite a slight increase in mill use. The United States Department of Agriculture projected larger cotton harvests in Argentina, Benin, and Brazil, with declines expected in Burkina Faso and Mali. Global consumption was forecast to increase by 570,000 bales, mainly due to higher demand in India, Pakistan, and Vietnam. The United States Department of

Agriculture projected increased exports from Brazil, Benin, Cameroon, and Senegal, offsetting declines from Burkina Faso and Mali. These factors highlighted the challenges facing the cotton market amid shifting supply and demand dynamics.

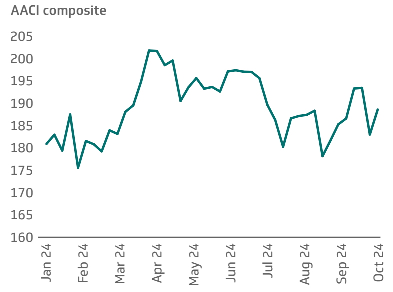
5.2 AFREXIMBANK AFRICAN COMMODITY INDEX AND ITS DYNAMICS

Recurring adverse commodity terms-of-trade shocks have significantly constrained economic growth in most African economies, which are dependent on primary commodities and natural resources. Despite ongoing efforts to diversify export bases, structural dependencies on raw commodity exports continue to expose these economies to external market fluctuations, undermining macroeconomic stability and long-term development prospects. Volatility in commodity prices not only affects fiscal revenues but also disrupts investment planning, foreign exchange earnings, and industrialisation efforts.

According to UN Trade and Development's "State of Commodity Dependence Report," 45 out of 54 African countries, or 83 percent of them, remain heavily dependent on commodities (UNCTAD 2023). For instance, in Nigeria, one of the world's largest producers of oil and the largest in Africa, the oil and gas industry accounts for about 77 percent of total exports.

Reflecting the continued importance of commodities for African trade and growth, the Bank has developed an index called the Afreximbank African Commodity Index (AACI). The AACI reflects the dynamics of 14 key commodities of export interest to Africa. It is used to monitor the movements of commodity prices with a view to effectively mitigating risks associated with volatility.

Figure 5.1 AACI Composite Index (2016=100)

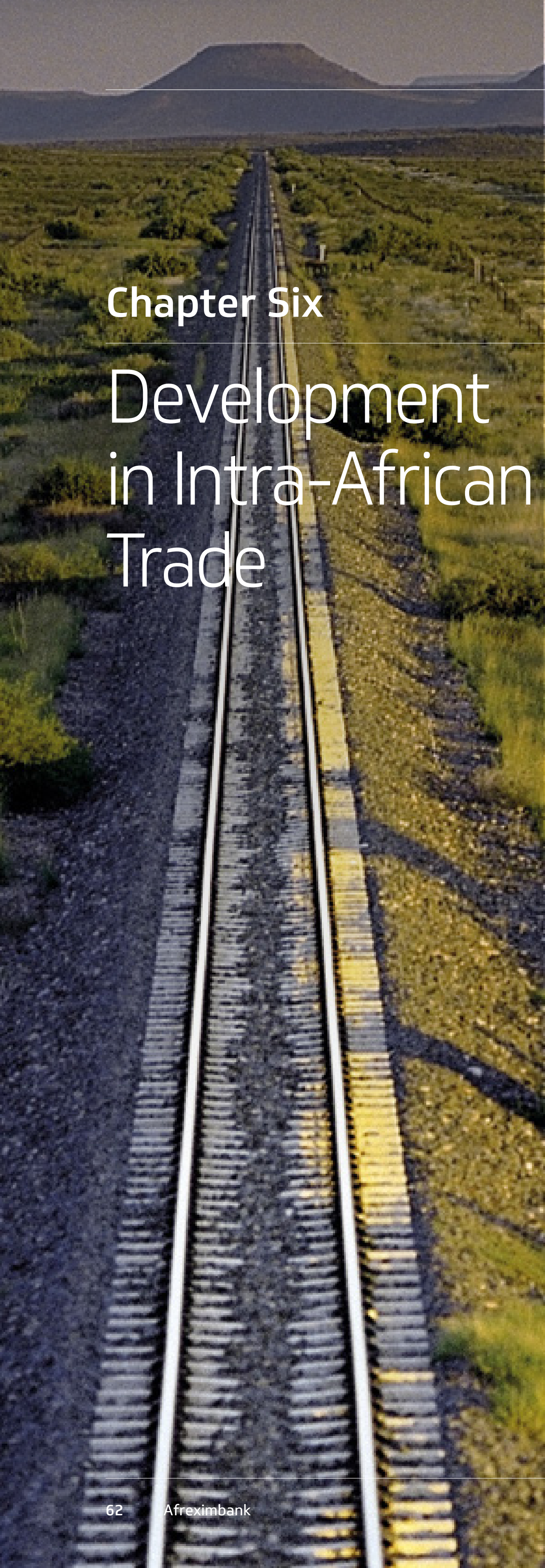


Sources: Afreximbank research; Bloomberg 2025

The commodity list is divided into three main categories: seven agricultural (cocoa, coffee, cotton, corn, sugar, wheat, and palm oil), five metal (aluminium, cobalt, copper, gold, and zinc), and two energy commodities (crude oil and natural gas). The AACI composite index in figure 5.1 shows aggregate price movements on commodity markets since 2016.

During 2024, commodity markets reflected a mixed but broadly resilient performance. The AACI Composite Index closed the year 7 percent higher, as earlier weakness in energy markets was offset by strong gains in precious metals and relatively firm agricultural commodity prices. After a strong start to 2024, weaker-than-expected global economic growth, slowing oil demand from major economies, and China's accelerated transition toward electric vehicles and LNG-powered transportation pushed oil prices lower. In contrast, natural gas markets remained resilient, with global demand surging on account of persistent supply bottlenecks, logistical challenges such as drought-related disruptions at the Panama Canal, and increased security risks in key maritime corridors like the Red Sea.

The precious metals sub-index outperformed expectations, rising by 16 percent in 2024, with gold prices soaring 25 percent to close at US$2,610.85 an ounce, marking the strongest annual performance in 14 years. Key drivers included central bank accumulation, heightened geopolitical risks, and a shift toward gold as a hedge against economic uncertainty. The easing of global interest rates further supported investor demand for gold, reinforcing its role as a safe-haven asset. Zinc was one of the best-performing base metals in 2024 due to concentrate shortages, while copper's performance was muted, rising just 1 percent in H2-2024 as Chinese economic stimulus fell short of expectations. The agricultural sub-index gained 4 percent in H2-2024, driven by record cocoa prices which reached a high of US$12,565/tonne due to weather-induced supply declines in West Africa. Coffee prices also experienced significant gains due to supply chain disruptions, while cotton underperformed, reflecting higher global production forecasts that dampened price momentum.



Chapter Six

Development in Intra-African Trade

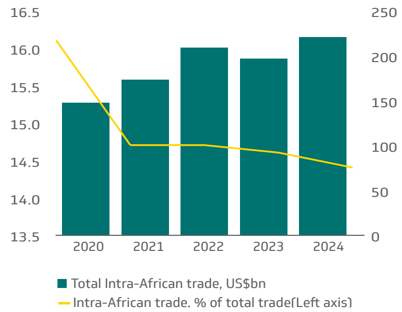
The promotion of intra-African trade is a central tenet of Afreximbank's strategy. It encompasses the exchange of goods and services within African borders and with the diaspora. This commitment is entrenched as the primary focus of the Bank's Sixth Strategic Plan, known as Plan VI – Extending the Frontiers, which is a continuation of its predecessor, Plan V, Impact 2021 – Africa Transformed. The Sixth Strategic Plan and aligns closely with the core principles of the African Continental Free Trade Area (AfCFTA) as outlined in the Boosting Intra-African Trade Action Plan.

Theoretical analyses underscore the pivotal role of intra-regional trade and the resulting economies of scale in fostering regional infrastructure development, thereby facilitating integration, stimulating industrialisation, and fostering employment opportunities for Africa's burgeoning population.

In 2024, the value of intra-African trade rose to an estimated US$220.3 billion, marking a robust 12.4 percent growth and effectively rebounding from a contraction of 5.9 percent recorded in 2023. Despite a challenging global economic environment, intra-African trade demonstrated remarkable resilience, supported by the recovery of major economies including South Africa, Nigeria, and Morocco, with its share of total African trade only decelerating marginally to 14.4 percent compared with 14.7 percent in 2023.

While the aggregate figures reflect a positive trend, important regional disparities remain. Southern Africa retained its position as the dominant driver of intra-African trade, accounting for the largest share of regional trade flows. South Africa, the continent's largest intra-African trader, saw its trade with African partners reach US$42.1 billion, representing 19.1 percent of total intra-African trade. West Africa consolidated its position as the second-largest intra-African trading subregion, supported by robust performances from Côte d'Ivoire, Nigeria, and Mali. Côte d'Ivoire's intra-African trade strengthened, accounting for 4.8 percent of total intra-African trade, driven by growing exports of refined oil and manufactured goods. East Africa remained the third-largest contributor, while North and Central Africa continued to play significant but comparatively smaller roles.

Figure 6.1 Total African Trade vs Total intra-African Trade, 2020–2024



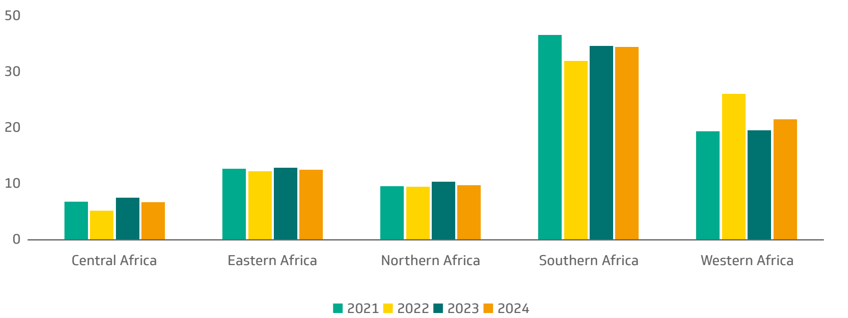
Sources: International Monetary Fund Direction of Trade Statistics 2025; Afreximbank research.

6.1 INTRA-AFRICAN TRADE CHAMPIONS

In 2024, intra-African trade demonstrated a gradual yet consistent advancement toward deeper continental integration, even amid global economic uncertainties reflected in the robust growth of intra-African trade during 2024, compared with a contraction in 2023. This upturn was driven largely by stronger performance in major economies such as Nigeria and Morocco, offsetting weaker performances in Ethiopia and Côte d'Ivoire. As indicated, intra-African trade reached US$220.3 billion, compared with US$196.04 billion in 2023 and US$208.3 billion in 2022.

South Africa maintained its position as the leading intra-African trading nation in 2024. After contracting by 1.7 percent in 2023, South Africa's intra-African trade grew by 7.5 percent to US$42.1 billion. This represented 19.1 percent of total intra-African trade, a slight decline from 20 percent in 2023, and remained below the three-year average of 19.4 percent. Africa accounted for 11.8 percent of South Africa's total imports, while 24.6 percent of its total exports were destined for African markets, down from 27.4 percent in 2023. South Africa's intra-African trade continued to be bolstered by strong ties within the Southern African Customs Union and the Southern African Development Community. Notably, Mozambique, Botswana, Zimbabwe, Namibia, and Zambia remained among South Africa's key trading partners.

Figure 6.2 Regional contribution to intra-African Trade, 2021–2024 (%)



Sources: International Monetary Fund Direction of Trade Statistics 2025; Afreximbank research.

Development in Intra-African Trade

Table 6.1 Intra-African Trade, 2022-24 (in US$ billion unless otherwise indicated)

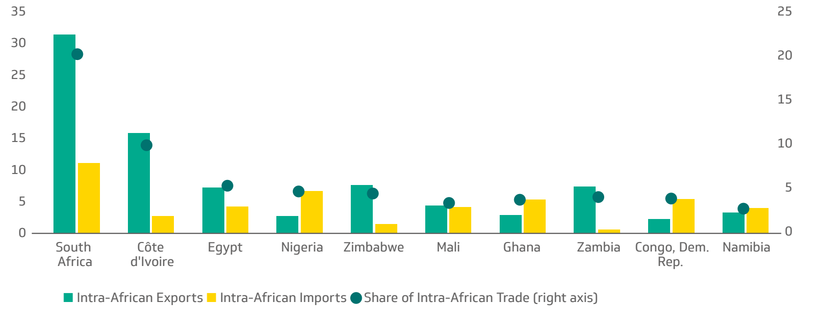
	Intra-African Exports			Growth rate (%)		Country Share of Total Intra-African Exports, %			Intra-African Imports		
Country	**2022**	**2023**	**2024**	**2023**	**2024**	**2022**	**2023**	**2024**	**2022**	**2023**	**2024**
Algeria	2.33	2.70	2.71	15.65	0.30	1.85	2.50	2.14	1.63	1.96	2.14
Angola	0.68	2.13	7.29	213.45	242.28	0.54	1.97	5.75	0.84	1.51	0.61
Benin	0.19	0.20	0.60	7.28	199.03	0.15	0.19	0.47	0.56	0.74	0.58
Botswana	1.07	0.79	0.74	-25.55	-6.98	0.84	0.73	0.58	5.66	4.96	5.57
Burkina Faso	0.63	0.67	0.61	5.61	-8.63	0.50	0.62	0.48	1.47	1.85	2.17
Burundi	0.08	0.08	0.07	4.10	-13.21	0.06	0.08	0.06	0.34	0.35	0.37
Cabo Verde	0.03	0.02	0.03	-41.61	90.06	0.02	0.02	0.02	0.08	0.02	0.39
Cameroon	0.35	0.28	0.44	-19.94	56.09	0.28	0.26	0.35	0.94	0.87	0.75
Central African Rep.	0.01	0.01	0.00	-35.28	-38.40	0.01	0.01	0.00	0.31	0.25	0.22
Chad	0.01	0.02	0.02	138.41	13.30	0.01	0.01	0.01	0.24	0.21	0.44
Comoros, Union of the	0.01	0.01	0.01	-2.92	-22.07	0.01	0.01	0.01	0.02	0.02	0.03
Congo, Dem. Rep. of the	3.63	5.72	7.19	57.48	25.59	2.88	5.30	5.67	2.98	5.04	4.18
Congo, Rep. of	1.62	0.40	0.31	-75.05	-23.85	1.28	0.37	0.24	0.96	2.57	1.66
Côte d'Ivoire	9.00	4.95	4.36	-45.04	-11.89	7.12	4.58	3.44	4.07	4.44	4.10
Djibouti	4.06	4.10	3.60	0.98	-12.27	3.21	3.79	2.84	0.30	0.36	0.42
Egypt, Arab Rep. of	5.57	6.66	7.58	19.57	13.72	4.41	6.17	5.98	1.87	1.62	1.43
Equatorial Guinea, Rep. of	0.16	0.16	0.21	4.13	27.14	0.12	0.15	0.16	0.09	0.14	0.16
Eritrea, The State of	0.02	0.05	0.01	196.74	-67.33	0.01	0.04	0.01	0.01	0.01	0.01
Eswatini, Kingdom of	1.86	1.90	2.51	1.83	32.27	1.48	1.76	1.98	1.63	1.56	1.64
Ethiopia, The Federal Dem. Rep. of	0.47	0.40	0.54	-15.61	33.99	0.37	0.37	0.42	2.01	1.64	1.12
Gabon	1.15	1.25	1.22	9.02	-2.32	0.91	1.16	0.96	0.27	0.23	0.27
Gambia, The	0.03	0.07	0.07	164.63	4.13	0.02	0.06	0.06	0.39	0.26	0.28
Ghana	3.54	3.50	4.82	-1.28	37.77	2.80	3.24	3.80	1.94	1.62	1.17
Guinea	1.43	1.42	1.40	-0.52	-1.23	1.13	1.31	1.11	0.36	0.38	0.41
Guinea-Bissau	0.01	0.01	0.00	-19.66	-90.17	0.01	0.01	0.00	0.09	0.14	0.09
Kenya	2.99	3.07	3.90	2.61	27.10	2.37	2.84	3.08	2.30	1.96	1.86
Lesotho, Kingdom of	0.47	0.39	0.54	-16.06	35.69	0.37	0.37	0.42	1.55	1.40	1.47
Liberia	0.02	0.03	0.03	21.51	16.68	0.02	0.03	0.03	0.55	0.78	0.75
Libya	0.15	0.06	0.02	-58.93	-70.18	0.12	0.06	0.01	0.08	0.01	0.03
Madagascar, Rep. of	0.22	0.19	0.20	-11.01	1.65	0.17	0.18	0.15	0.56	0.52	0.53
Malawi	0.38	0.37	0.26	-2.56	-28.03	0.30	0.34	0.21	0.42	1.06	1.22
Mali	2.64	2.60	2.67	-1.33	2.77	2.09	2.41	2.11	5.45	6.82	6.64
Mauritania, Islamic Rep. of	0.58	0.66	0.83	13.33	25.84	0.46	0.61	0.65	0.49	0.45	0.45
Mauritius	0.53	0.43	0.48	-19.02	12.79	0.42	0.40	0.38	0.81	0.79	0.73
Morocco	3.52	3.19	3.02	-9.26	-5.43	2.78	2.95	2.38	2.54	1.98	2.44
Mozambique, Rep. of	1.71	1.62	0.85	-5.40	-47.43	1.36	1.50	0.67	2.72	2.68	2.93
Namibia	2.62	3.15	3.25	20.14	3.15	2.07	2.91	2.56	3.32	3.12	3.93
Niger	0.23	0.15	0.18	-36.53	20.10	0.19	0.14	0.14	0.61	0.43	0.56
Nigeria	23.49	6.50	15.72	-72.34	141.98	18.59	6.01	12.41	1.89	1.62	2.71
Rwanda	0.80	0.96	1.41	20.91	46.38	0.63	0.89	1.11	1.15	1.04	1.17
São Tomé and Príncipe, Dem. Rep. of	0.00	0.00	0.00	-67.88	-86.56	0.00	0.00	0.00	0.07	0.06	0.44
Senegal	2.25	2.32	2.24	3.49	-3.52	1.78	2.15	1.77	1.42	2.00	1.57
Seychelles	0.03	0.01	0.03	-49.73	145.45	0.02	0.01	0.03	0.17	0.18	0.16
Sierra Leone	0.05	0.04	0.05	-18.54	21.57	0.04	0.04	0.04	0.20	0.26	0.20
Somalia	0.03	0.09	0.08	176.18	-15.52	0.03	0.08	0.06	0.56	0.47	0.52
South Africa	30.01	29.61	31.12	-1.34	5.11	23.75	27.40	24.56	9.86	9.59	11.02
South Sudan, Rep. of	0.00	0.00	0.00	160.91	-0.35	0.00	0.00	0.00	0.95	0.84	1.00
Sudan	2.05	1.24	0.67	-39.33	-46.28	1.62	1.15	0.53	1.33	0.74	0.57
Tanzania, United Rep. of	2.64	2.66	3.24	0.60	21.93	2.09	2.46	2.56	1.61	1.51	1.94
Togo	0.76	0.72	0.79	-5.90	10.79	0.60	0.66	0.63	0.50	0.62	0.57
Tunisia	1.96	2.08	1.97	6.04	-5.37	1.55	1.93	1.56	2.34	2.56	2.74
Uganda	2.23	2.42	2.24	8.69	-7.81	1.77	2.24	1.76	1.71	3.48	5.36
Zambia	2.89	3.08	1.68	6.53	-45.60	2.29	2.85	1.32	4.16	3.82	4.58
Zimbabwe	3.18	2.90	2.89	-8.64	-0.55	2.51	2.69	2.28	3.58	4.44	5.31
Total	**126.37**	**108.06**	**126.69**	**-14.49**	**17.24**	**100.00**	**100.00**	**100.00**	**81.96**	**87.98**	**93.63**

Source: IMF Direction of Trade Statistics (DOTS), 2025

Growth rate (%)		Country Share of Total (Intra-African Imports)			Total Intra-African Trade			Growth rate (%)		Country Share of Total (Intra-African Trade)		
2023	2024	2022	2023	2024	2022	2023	2024	2023	2024	2022	2023	2024
20.08	9.17	1.99	2.22	2.28	3.96	4.66	4.84	17.47	4.03	1.90	2.37	2.20
78.92	-59.53	1.03	1.72	0.65	1.52	3.64	7.90	138.90	117.02	0.73	1.86	3.58
31.68	-22.12	0.68	0.84	0.61	0.75	0.94	1.17	25.59	25.01	0.36	0.48	0.53
-12.47	12.40	6.91	5.63	5.95	6.73	5.75	6.31	-14.54	9.73	3.23	2.93	2.86
26.21	17.50	1.79	2.10	2.32	2.10	2.52	2.78	20.01	10.58	1.01	1.28	1.26
3.88	6.49	0.41	0.40	0.40	0.42	0.43	0.44	3.92	2.73	0.20	0.22	0.20
-71.61	1678.84	0.09	0.03	0.42	0.11	0.04	0.42	-63.71	1005.45	0.05	0.02	0.19
-7.49	-13.69	1.15	0.99	0.80	1.29	1.15	1.19	-10.88	3.38	0.62	0.59	0.54
-19.16	-11.78	0.38	0.28	0.23	0.32	0.26	0.22	-19.74	-12.55	0.15	0.13	0.10
-14.33	112.26	0.30	0.24	0.47	0.25	0.22	0.46	-10.37	105.43	0.12	0.11	0.21
3.42	40.92	0.03	0.03	0.04	0.03	0.03	0.04	1.54	23.00	0.02	0.02	0.02
69.20	-16.95	3.63	5.73	4.47	6.61	10.76	11.37	62.76	5.68	3.17	5.49	5.16
167.65	-35.50	1.17	2.93	1.77	2.58	2.98	1.97	15.45	-33.92	1.24	1.52	0.89
9.03	-7.69	4.97	5.05	4.38	13.07	9.39	8.46	-28.21	-9.91	6.28	4.79	3.84
17.66	18.36	0.37	0.41	0.45	4.36	4.46	4.02	2.14	-9.82	2.09	2.27	1.82
-13.13	-11.71	2.28	1.85	1.53	7.44	8.29	9.01	11.36	8.73	3.57	4.23	4.09
60.29	11.47	0.11	0.16	0.17	0.25	0.31	0.37	24.52	19.82	0.12	0.16	0.17
2.94	-1.36	0.02	0.02	0.01	0.03	0.06	0.03	105.60	-51.80	0.01	0.03	0.01
-4.15	4.77	1.99	1.78	1.75	3.49	3.46	4.15	-0.96	19.86	1.68	1.77	1.88
-18.32	-31.79	2.45	1.86	1.19	2.48	2.04	1.65	-17.80	-18.90	1.19	1.04	0.75
-14.46	16.54	0.33	0.26	0.29	1.42	1.48	1.49	4.56	0.61	0.68	0.76	0.68
-32.88	9.36	0.47	0.30	0.30	0.41	0.33	0.36	-20.26	8.25	0.20	0.17	0.16
-16.24	-28.06	2.36	1.84	1.25	5.48	5.12	5.98	-6.57	16.90	2.63	2.61	2.72
5.20	6.61	0.44	0.43	0.44	1.79	1.80	1.81	0.64	0.43	0.86	0.92	0.82
59.01	-34.99	0.11	0.16	0.10	0.10	0.15	0.10	50.61	-38.13	0.05	0.08	0.04
-14.82	-4.70	2.80	2.22	1.99	5.29	5.03	5.77	-4.96	14.73	2.54	2.56	2.62
-9.91	4.83	1.89	1.59	1.56	2.02	1.79	2.00	-11.34	11.62	0.97	0.91	0.91
40.79	-3.40	0.67	0.89	0.80	0.58	0.81	0.79	40.02	-2.70	0.28	0.41	0.36
-84.61	112.24	0.10	0.01	0.03	0.23	0.07	0.05	-68.23	-38.17	0.11	0.04	0.02
-7.03	0.98	0.68	0.59	0.56	0.78	0.71	0.72	-8.13	1.16	0.37	0.36	0.33
150.22	14.97	0.52	1.20	1.30	0.80	1.42	1.48	78.12	3.87	0.38	0.73	0.67
25.02	-2.62	6.65	7.75	7.09	8.09	9.42	9.31	16.44	-1.13	3.88	4.81	4.23
-8.97	-0.32	0.60	0.51	0.48	1.07	1.11	1.28	3.08	15.22	0.52	0.56	0.58
-3.11	-7.19	0.99	0.90	0.78	1.34	1.22	1.22	-9.38	-0.15	0.64	0.62	0.55
-22.02	23.11	3.10	2.25	2.60	6.06	5.17	5.45	-14.61	5.49	2.91	2.64	2.48
-1.20	9.33	3.31	3.05	3.13	4.43	4.31	3.79	-2.83	-12.05	2.13	2.20	1.72
-6.21	26.14	4.05	3.54	4.20	5.94	6.26	7.18	5.40	14.59	2.85	3.19	3.26
-29.18	29.86	0.74	0.49	0.60	0.84	0.58	0.74	-31.23	27.35	0.40	0.30	0.33
-14.15	67.70	2.30	1.84	2.90	25.38	8.12	18.44	-68.02	127.16	12.18	4.14	8.37
-9.78	13.15	1.40	1.18	1.25	1.95	2.00	2.59	2.78	29.15	0.93	1.02	1.17
-5.21	602.62	0.08	0.07	0.47	0.07	0.06	0.44	-6.65	597.18	0.03	0.03	0.20
41.03	-21.51	1.73	2.27	1.68	3.66	4.32	3.81	18.02	-11.84	1.76	2.21	1.73
4.94	-7.26	0.21	0.20	0.18	0.20	0.19	0.20	-2.56	3.55	0.09	0.10	0.09
27.94	-22.23	0.25	0.29	0.21	0.26	0.30	0.25	18.05	-15.80	0.12	0.15	0.12
-15.63	11.11	0.68	0.54	0.56	0.59	0.56	0.60	-5.17	6.88	0.28	0.29	0.27
-2.78	14.95	12.03	10.90	11.77	39.87	39.19	42.14	-1.69	7.52	19.14	19.99	19.13
-11.50	18.27	1.16	0.96	1.07	0.95	0.85	1.00	-11.21	18.18	0.46	0.43	0.45
-44.61	-22.27	1.62	0.84	0.61	3.38	1.98	1.24	-41.41	-37.34	1.62	1.01	0.56
-5.90	28.26	1.96	1.72	2.07	4.25	4.17	5.18	-1.85	24.22	2.04	2.13	2.35
25.14	-8.67	0.61	0.71	0.61	1.26	1.34	1.36	6.39	1.73	0.60	0.68	0.62
9.59	6.95	2.85	2.91	2.92	4.30	4.64	4.71	7.97	1.42	2.06	2.37	2.14
103.93	53.98	2.08	3.95	5.72	3.94	5.90	7.59	49.96	28.60	1.89	3.01	3.45
-8.28	19.88	5.08	4.34	4.89	7.06	6.90	6.25	-2.21	-9.37	3.39	3.52	2.84
24.08	19.58	4.37	5.05	5.67	6.76	7.34	8.20	8.69	11.63	3.24	3.75	3.72
7.35	6.42	100.00	100.00	100.00	208.33	196.04	220.32	-5.90	12.38	100.00	100.00	100.00

Development in Intra-African Trade

Figure 6.3 Top five intra-African exports, 2024 (US$ billion)



Sources: International Monetary Fund Direction of Trade Statistics 2025; Afreximbank research.

In West Africa, Nigeria emerged as the region's largest intra-African trading country as trade with the rest of Africa expanded to reach approximately US$18.4 billion in 2024, up from just US$8.1 billion in 2023. Crude oil remained Nigeria's primary export to African markets, but there was growing momentum toward refined product exports following the operational launch of the Dangote Refinery. The refinery, Africa's largest with a processing capacity of 650,000 barrels per day, began supplying petroleum products directly to Cameroon and other neighbouring markets. This development is expected to reduce dependency on intermediaries and foster regional energy integration.

Côte d'Ivoire retained its position as one of the largest intra-African trading nations in 2024, with its share of intra-African trade at 3.8 percent, ahead of Zimbabwe (3.72 percent), Angola (3.58 percent), Uganda (3.45 percent), Namibia (3.26 percent), and Botswana (2.86 percent). Although Côte d'Ivoire's trade growth slowed compared with the previous year, the country continued to play a pivotal role as a regional trading hub, leveraging its strategic position in the West African Economic and Monetary Union area.

In Central Africa, the Democratic Republic of Congo continued to post strong intra-African trade activity despite security concerns in the North Kivu province. Its share of total intra-African trade grew by around 5.7 percent, with total intra-African trade rising to US$11.4 billion in 2024 from US$10.8 billion in 2023. The Democratic Republic of Congo's geographical centrality and vast borders with nine African countries have made it a vital player in cross-border trade. South Africa remained its principal trading partner within the region, accounting for the bulk of its imports from Africa. Trade flows were supported by improved rail transport connectivity between the Democratic Republic of Congo and South Africa via the Durban and Dar es Salaam corridors.

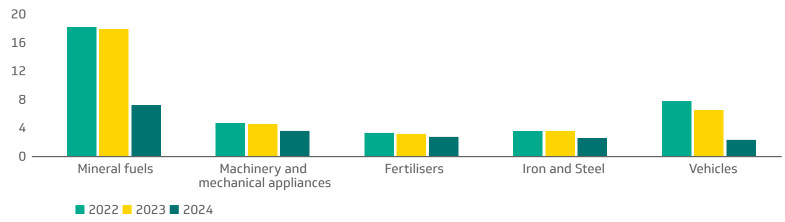
In North Africa, Egypt consolidated its position as the fifth-largest intra-African trading country. Egypt's trade with the continent rose by 8.7 percent to US$9.01 billion in 2024, representing 4.1 percent of total intra-African trade. Libya remained Egypt's largest export destination, followed by Sudan, Algeria, Morocco, and Kenya. Egypt's exports within the continent were largely concentrated in cement, gypsum, calcium phosphate, plastics, and flour and starch products. In efforts to expand its market reach, Egypt's Chemical and Fertiliser Export Council scheduled 205 trade missions to key African markets, including Côte d'Ivoire, Ghana, Kenya, and Tanzania. This strategy aligns with Egypt's goal of increasing exports to Africa by 20 percent by 2029, targeting US$145 billion in total trade by 2030, according to a statement by Egypt's Ministry of Trade and Industry.

6.2 DRIVERS OF INTRA-AFRICAN TRADE

The landscape of intra-African trade in 2024 showed continued diversification of traded products, particularly in manufactured goods, despite the persistent dominance of primary commodities such as mineral fuels. While energy products remain a foundational pillar of Africa's intra-regional trade, ongoing efforts to strengthen industrial value chains, enhance logistics connectivity, and boost manufacturing capacities are gradually shifting the trade profile toward higher value-added and technology-intensive products.

In Southern Africa, South Africa's intra-African trade remained largely characterised by a dual structure of primary product imports and diversified industrial exports. On the import side, South Africa sourced mineral products such as crude oil, coal, petroleum, and electricity from the region, alongside precious metals, textiles, and food products, particularly sugar and confectionery from Eswatini, Zambia, and Mozambique. Reliance on regional energy supplies remained high, reflecting South Africa's strategic sourcing from neighbouring countries to meet its energy needs. Conversely, South Africa's

Figure 6.4 Top 5 intra-African exports, 2024 (US$ billions)



Sources: International Trade Centre 2025; Afreximbank research.

exports to African markets were highly diversified, spanning fuel and fuel products, machinery, electrical equipment, vehicles, plastics, iron and steel, and a range of agricultural goods, including cereals. According to Statistics South Africa, machinery and transport equipment alone constituted over 30 percent of South Africa's intra-African exports in 2024, underscoring the country's robust industrial base. Key intra-African trading partners for South Africa remained concentrated within the Southern African Customs Union and the Southern African Development Community, with Mozambique, Botswana, Zimbabwe, and Namibia among the principal destinations.

In West Africa, Côte d'Ivoire maintained its role as a pivotal trade hub, both importing and exporting significant energy products. Intra-African trade for Côte d'Ivoire was heavily driven by imports of crude oil, primarily from Nigeria, which were refined domestically and then re-exported across the region. Petroleum products remained the cornerstone of Ivorian exports to neighbouring countries such as Burkina Faso, Ghana, and Mali, accounting for more than half of its intra-African trade value. Beyond the energy sector, Côte d'Ivoire's import basket diversified to include seafood, fertilisers, construction materials, and cotton, while its exports expanded into edible oils, fats, and plastics. The country's evolving consumption dynamics also opened new trade opportunities: rising purchasing power and a growing middle-class spurred demand for food products, particularly beef. According to the United States Department of Agriculture, per capita beef consumption in Côte d'Ivoire is projected to rise from 31 kilograms in 2022 to 35 kilograms by 2027, suggesting growing intra-African trade opportunities for suppliers from Mali and Nigeria.

Nigeria's intra-African trade in 2024 remained heavily weighted toward crude oil exports. However, notable shifts were underway. The commencement of operations at the Dangote Refinery marked a critical turning point. The refinery enabled Nigeria to begin exporting refined petroleum products to African markets such as Cameroon without reliance on third-party intermediaries, fostering greater energy security and stability in regional supply chains. According to Dangote Industries, these developments are expected to eventually position Nigeria as a regional hub for refined fuel supply across West and Central Africa.

Central Africa's intra-African trade dynamics continued to be shaped significantly by the Democratic Republic of Congo. As Africa's largest producer of copper and the world's top producer of cobalt, the Democratic Republic of the Congo exported substantial volumes of refined copper to South Africa and other regional markets in 2024. These exports were primarily transported by rail via the National Railway Company of Congo to the port of Durban, underlining the strategic importance of transport and logistical infrastructure for commodity exports. Dar es Salaam and Mombasa ports also facilitated trade, particularly for the eastern regions of the Democratic Republic of Congo. In addition to copper, the country's exports included cobalt concentrates and precious metals, vital for Africa's industrialisation and the burgeoning global energy transition. South Africa remained its largest African trading partner for industrial products, particularly machinery, mechanical appliances, and pharmaceutical products. However, pharmaceutical imports still heavily relied on Europe and Asia.

In North Africa, Egypt continued to assert itself as a central player in intra-African trade, particularly in manufactured products. Egyptian exports to Africa in 2024 were dominated by cement, gypsum, calcium phosphate, plastics, and flour and starch products, with Libya, Sudan, Algeria, Morocco, and Kenya among the key destinations. Data from Egypt's Ministry of Trade and Industry indicated that the government had expanded its outreach significantly, scheduling 205 trade missions to African countries including Côte d'Ivoire, Ghana, Kenya, and Tanzania to drive exports to emerging African markets. Meanwhile, Egypt's imports from the continent centred on copper and related products, coffee, tea, spices, and live animals, with the Democratic Republic of Congo, Sudan, Kenya, Zambia, and South Africa as the leading suppliers. Egypt's strategy to boost intra-African trade was further supported by the establishment of logistics centres across strategic hubs and the expansion of risk-mitigation mechanisms to facilitate cross-border commerce.

Development in Intra-African Trade

6.3 DEVELOPMENTS IN THE AFRICAN CONTINENTAL FREE TRADE AREA

The AfCFTA achieved major strides in 2024, setting the stage for accelerated continental integration. By October 2024, 48 African countries had ratified the AfCFTA as State Parties, and seven had commenced trading under its mechanisms and protocols. Importantly, major economies such as South Africa and Nigeria formally launched implementation efforts during the year, adding significant momentum. South Africa, for example, completed its full ratification at the beginning of 2024 and dispatched its first shipment under AfCFTA trade preferences, demonstrating early-stage operationalisation. These developments create the critical mass necessary to move the AfCFTA from commitment to action, offering growers, manufacturers, and processors, including foreign investors operating in Africa, the opportunity to benefit from reduced tariffs through compliance with product-specific rules of origin.

In addition to expanding ratification and operational participation, 2024 witnessed the adoption of two landmark protocols designed to deepen the impact of the AfCFTA. First, the Protocol on Women and Youth in Trade was adopted at the 37th African Union Assembly. This protocol, hailed as a blueprint for inclusive trade, is designed to integrate women and youth more meaningfully into regional and continental value chains, recognising that true economic transformation cannot occur without inclusive participation. Second, the AfCFTA Digital Trade Protocol was adopted in February 2024. This pioneering digital trade framework establishes foundational rules across eleven key areas, including market access, data governance, digital identities, cybersecurity, and emerging technologies. Although the Protocol's annexes are still under negotiation, its ratification and subsequent national alignments over the next five years are expected to create a more seamless, resilient, and future-ready African digital economy.

Afreximbank continues to closely collaborate with the African Union Commission and the AfCFTA Secretariat to advance the agreement through key initiatives. These include the Intra-African Trade Fair, Pan-African Private Sector Trade and Investment Committee, which enhances private sector participation in trade negotiations, and the AfCFTA Adjustment Facility, which helps countries manage tariff revenue losses. The Bank also offers the Interstate Transit Guarantee to ease cross-border trade and inaugurated the first African Quality Assurance Centre in Nigeria in December 2022 to ensure made-in-Africa products meet international standards, boosting exports. The Pan-African Payment and Settlement System is another key initiative commercially launched in January 2022 to address existing challenges faced by African businesses and individuals in accessing efficient and cost-effective cross-border payment services. In November 2024, the Central Bank of Egypt approved its participation in the Pan-African Payment and Settlement System, reflecting the country's efforts to strengthen regional banking relations and economic collaboration with other African countries. At present, 16 countries and approximately 150 commercial banks participate in the initiative, strengthening the continent's financial integration in support of enhanced intra-African trade.

Regarding intra-African services trade, the Bank is leading healthcare transformation through the African Medical Centre of Excellence in Abuja, Nigeria, developed in partnership with King's College Hospital, London. It aims to reduce medical tourism in Africa, which drains the continent's resources, by providing world-class oncology, haematology, and cardiovascular care, including advanced treatments such as stem cell transplants. The facility is also intended to help retain medical expertise, create jobs, and expand healthcare access across Africa.

6.4 ESTIMATING INTRA-AFRICAN TRADE POTENTIAL

The International Trade Centre has devised an export potential and diversification assessment methodology to meet countries' demands for identifying and leveraging export opportunities. This method, grounded in the exporting nation's supply conditions and the demand and market access conditions of target markets, enhances transparency and supports informed decision making in selecting projects for export-promotion activities. It focuses on products already competitively exported by a country through the Export Potential Index or on products with potential for diversification via the Product Diversification Index.

Export potential assessments, conceptually structured around country-product, product-market, and country-market factors, provide a nuanced understanding to formulate effective policy recommendations. These assessments resemble a gravity equation at the product level but allow for detailed interpretation. Leveraging meticulously treated data to mitigate the influence of misreported trade flows, measurement errors, or misattribution ensures the robustness of the analysis.

Empirical validation underscores the efficacy of the export potential indicator. It serves as a predictive tool, indicating the likelihood and volume of future trade in both established and prospective markets. Overall, the performance of the indicator demonstrates its capacity to effectively pinpoint markets and sectors ripe for additional exports. This section applies the International Trade Centre's export potential assessment methodology to evaluate products with significant export potential within intra-African trade, discerning sectors poised for growth under existing tariff conditions and those set to benefit from opportunities arising from tariff reductions under the AfCFTA. The assessment, spanning a four- to five-year timeframe, accounts for both current and anticipated tariff structures, with differentiated liberalisation schedules for African economies, distinguishing between least-developed countries and others.

Scenario 1: Current tariff conditions

- Tariffs
- No further liberalisation within five years.

Scenario 2: Differential liberalisation according to LDC status

- Liberalisation according to LDC status of the country or its regional economic community non-LDC status: full liberalisation within 5 years LDC status: 50 percent liberalisation within 5 years. Countries liberalise tariffs on all products equally.

Scenario 3: Full liberalisation within 5 years

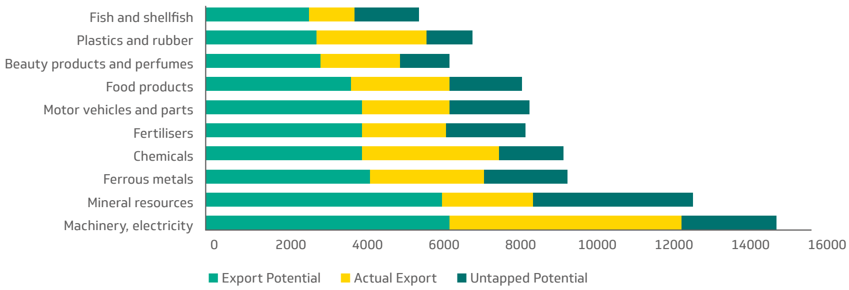
- Full liberalisation regardless of LDC status. Countries liberalise tariffs on all products equally.

Development in Intra-African Trade

In light of the export potential assessment and considering both established export capabilities and products with promising prospects for intra-African trade, the estimated export potential for intra-African trade surpasses US$77 billion as of 2024. This projection holds the potential to elevate the current level of intra-African trade to US$296.3 billion, hypothetically constituting 19.4 percent of total intra-African trade, assuming all other conditions remain constant. The products exhibiting the greatest export potential from Africa to Africa encompass machinery, electricity, motor vehicles and parts, food products, minerals, beauty products, chemicals, plastic and rubber, ferrous metals, pearls and precious stones, and fertilisers.

Among these, mineral resources, machinery, and electricity have the largest absolute difference between potential and actual exports in terms of value, indicating considerable room for realising additional exports worth US$6.7 billion. Collectively, the top 10 product categories with the greatest intra-African export potential accounted for US$41.6 billion of total intra-African export potential (see figure 6.5). This analysis underscores the untapped opportunities within intra-African trade, highlighting key sectors where strategic interventions could yield significant economic benefits and foster regional integration and development.

Figure 6.5 Products with greatest intra-African export potential, 2024 (US$ billion)

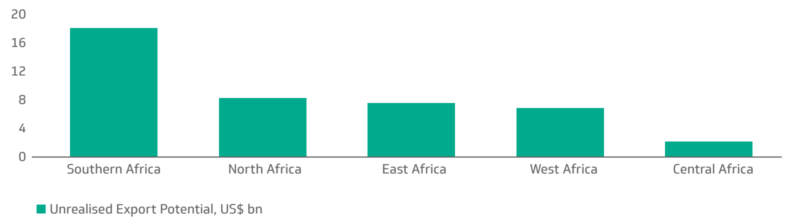


Sources: International Trade Centre Export Potential Map, Afreximbank research.

An analysis of over 40 product categories showcasing the highest intra-African export potential, selected based on each subregion's demonstrated international competitiveness and favourable prospects for export success, indicates varying degrees of export potential across the continent. Southern Africa emerges as the subregion with the most substantial unrealised potential, estimated at US$18.9 billion, followed by North Africa and East Africa, boasting an unrealised potential for intra-African trade of US$8.7 billion and US$7.9 billion, respectively. West Africa demonstrates an unrealised export potential of approximately US$4 billion, while Central Africa's unrealised potential is around US$2.3 billion (see figure 6.6).

The industrial complexity and economic sophistication of South Africa large drive Southern Africa's strong export potential. The region's formal cross-border trade is predominantly powered by industrial and manufactured goods, emphasising the importance of industrialisation and economic diversification in realising broader export capabilities. Significant opportunities exist in sectors such as machinery, motor vehicles and parts, chemical products, ferrous metals, plastics, and rubber. Much of this potential is rooted within the region itself, underscoring the strong prospects for intra-regional trade. Furthermore, these trends highlight the critical role of regional cooperation and integration initiatives in supporting economic growth and expanding trade across the African continent.

Figure 6.6 Intra-African unrealised export potential, by subregion, 2024 (US$ million)

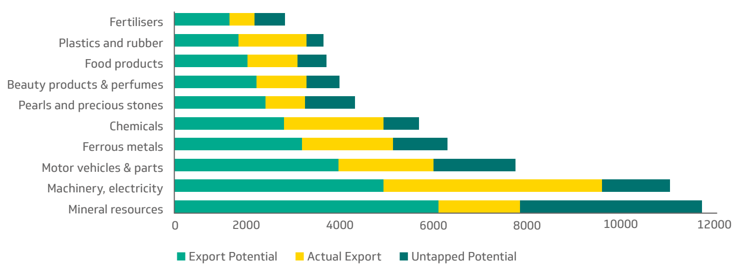


Sources: International Trade Centre Export Potential Map 2025; Afreximbank research.

6.4.1 Southern Africa Export Potential

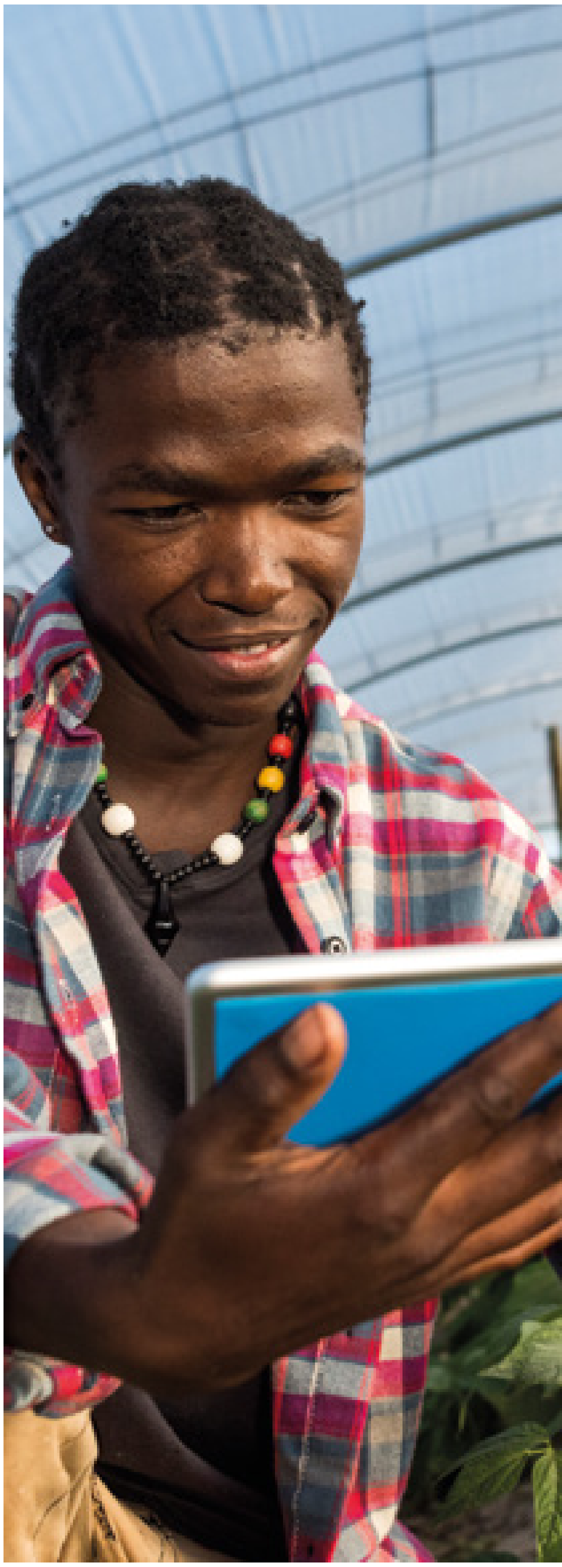
In 2024, Southern Africa's unrealised export potential to the rest of the continent stood at an estimated US$18.9 billion, highlighting significant room for growth in intra-African trade. Notably, 58 percent, or US$11.03 billion, of this unrealised potential is concentrated in eight product categories. Among the most prominent sectors with unrealised export potential are mineral resources (US$4 billion), motor vehicle parts (US$1.8 billion), machinery and electricity (US$1.5 billion), and ferrous metals (US$1.2 billion). These industrial goods alone accounted for nearly 60 percent of the unrealised potential, reinforcing the importance of regional value chain development and supply-side capacity building. The total export potential for these eight selected product groups reached US$24 billion in 2024, or 56 percent of the region's total identified export potential. However, key sectors such as beauty products (US$0.7 billion in unrealised exports), chemicals (US$0.8 billion), processed food (US$0.63 billion), and plastics and rubber (US$0.4 billion) all reveal clear supply-demand gaps within the region that can be bridged through better trade facilitation, economies of scale, and upgraded logistics.

Figure 6.7 Southern Africa's export potential, leading products, 2024 (US$ million)

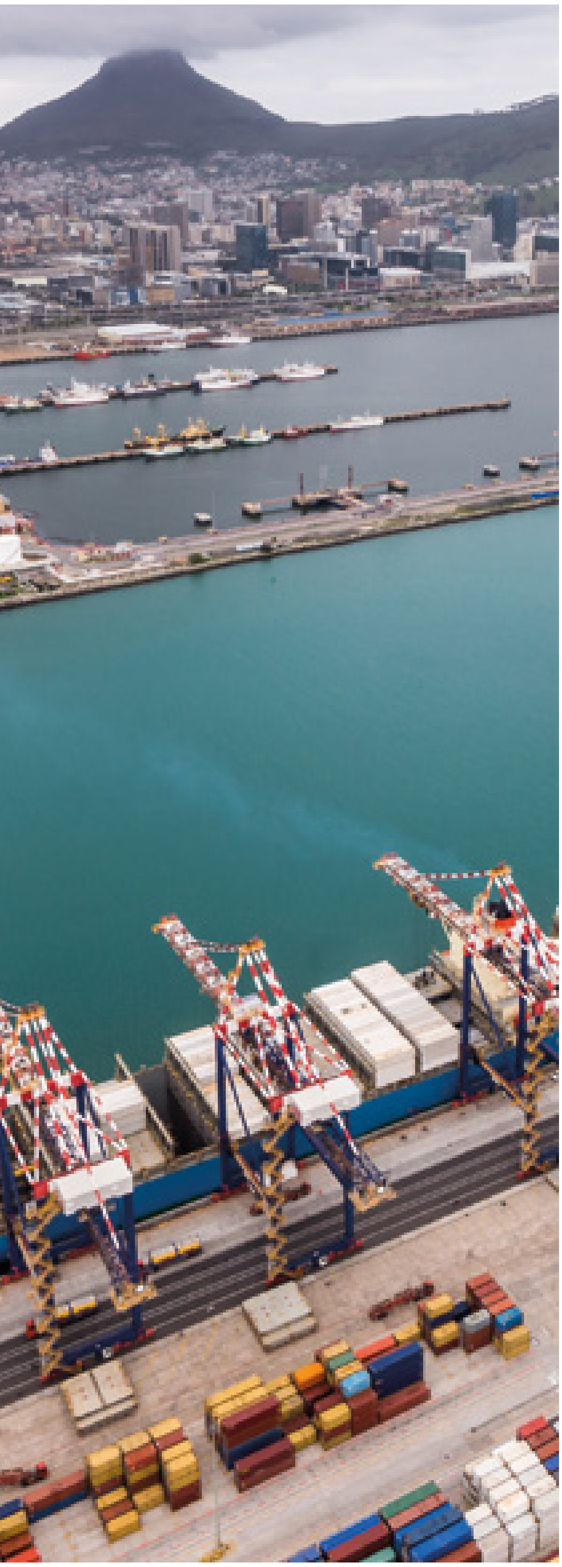


Sources: International Trade Centre Export Potential Map 2025; Afreximbank research.

South Africa continues to dominate the structure of trade in Southern Africa, accounting for the lion's share of both realised and unrealised export potential. Its diversified manufacturing sector, developed infrastructure, and deep integration into regional value chains position the nation as a critical driver of regional trade. However, facilitating cross-border investments, industrial partnerships, and access by small and medium enterprises to regional markets will be crucial to leveraging the unrealised potential in intra-regional trade especially between neighbouring countries such as Zambia, Zimbabwe, and Mozambique, which already serve the regional value chain as vital suppliers of raw materials and intermediate inputs for

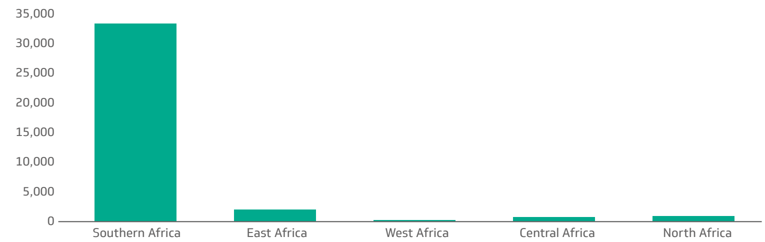


Development in Intra-African Trade



South Africa's industrial exports. These activities speak to the fact that consumer demand within the Southern African Development Community remains the bedrock of intra-regional trade. Complementing this, growing opportunities in East, West, and Central Africa offer pathways to diversify markets. These regions collectively present untapped demand in sectors such as apparel, fish/shellfish, processed food, beauty, and skincare products.

Figure 6.8 Southern Africa's export potential, by subregion, 2024 (US$ million)



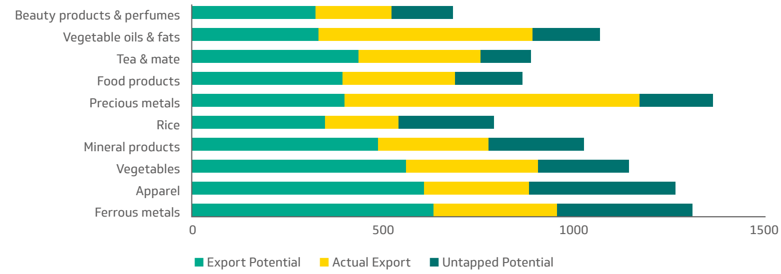
Sources: International Trade Centre Export Potential Map 2025; Afreximbank research.

6.4.2 East Africa Export Potential

East Africa's unrealised intra-African export potential stood at an estimated US$7.9 billion in 2024, indicating a significant opportunity for the region to deepen its trade within the continent. Of this amount, US$1.9 billion, approximately 24 percent, was concentrated in just seven product categories, including machinery and electricity, apparel, mineral resources, and agro-based products such as processed food and vegetables. The most prominent unrealised trade opportunities were in machinery and electricity (US$0.4 billion) and apparel (US$0.4 billion), followed closely by mineral resources (US$0.3 billion), reflecting the dual importance of industrial and agro-processing sectors in the region's trade outlook.

Combined, these seven products accounted for US$3.2 billion in total intra-African export potential for East Africa in 2024, 22 percent of the region's overall US$14.8 billion potential. While these products may appear modest in absolute terms, they underscore crucial value chains that could be significantly scaled up with the right interventions. Sectors such as fertilisers, processed food, precious metals, and vegetables, each with US$0.2 billion in unrealised potential, point to persistent but addressable gaps in trade infrastructure, quality standards, and logistics. Many of these goods are already produced within East Africa, suggesting that the region's unrealised export potential could be largely unlocked by addressing barriers to market access, improving regional freight connectivity, and investing in productive capacity and trade facilitation.

Figure 6.9 East Africa's export potential, leading products, 2024 (US$ million)

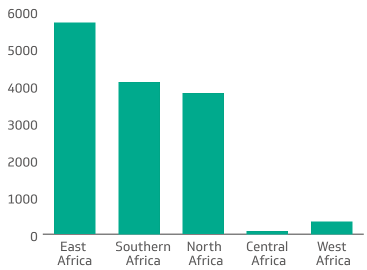


Sources: International Trade Centre Export Potential Map 2025; Afreximbank research.

The regional trade dynamics within East Africa continue to dominate its export profile. More than US$2.7 billion, or roughly 34 percent of East Africa's total unrealised potential, lies within East African borders, highlighting the strength of subregional ties – particularly within the East African Community. Southern Africa follows the next key market, offering US$2.5 billion in unrealised export potential, driven by complementarities in industrial and consumer demand. North Africa represents US$2.1 billion in untapped value, while Central Africa and West Africa contribute US$0.4 billion and US$0.2 billion, respectively. These trends point to East Africa's strong regional foundations but also highlight the need to expand trade outreach and product offerings across other African markets under the AfCFTA.

Looking ahead, East Africa benefits from a youthful population, an increasingly dynamic manufacturing sector, and an established network of trade agreements and logistics corridors. Targeted policy measures such as improved trade finance and support for youth and women-led enterprises, could drive a substantial increase in intra-African trade.

Figure 6.10 East Africa's export potential, by subregion, 2024 (US$ million)



Sources: International Trade Centre Export Potential Map 2025; Afreximbank research.

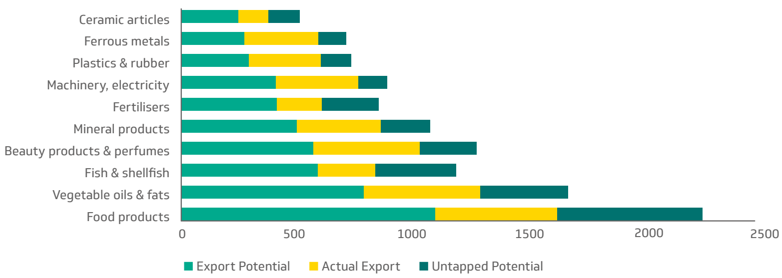
Development in Intra-African Trade

6.4.3 West Africa Export Potential

West Africa's unrealised intra-African export potential was estimated at US$7.23 billion in 2024, out of a total export potential of US$13 billion, reinforcing the region's significant untapped capacity for intra-African trade. Six key product categories collectively accounted for US$2.3 billion, or 32 percent, of this unrealised potential. These included processed food (US$1 billion), fish and shellfish (US$0.4 billion), fertilisers (US$0.3 billion), and beauty products (US$0.3 billion). These agro-industrial and semi-processed products underscore the region's comparative advantage in value-added trade and the importance of shifting away from overreliance on raw commodity exports.

Together, these priority products represented US$4.4 billion in total export potential, or 34 percent of the region's overall potential. While machinery and electricity (US$0.1 billion unrealised) and mineral resources (US$0.2 billion unrealised) showed lower absolute figures, they reflect important longer-term opportunities for industrial integration, particularly within regional value chains. Further, the largest trade gaps are concentrated in processed food and fishery products, suggesting that improved investment in cold storage, packaging, quality compliance, and intra-regional logistics could lead to strong gains in exports.

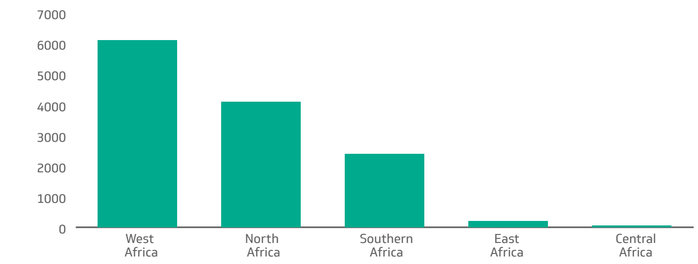
Figure 6.11 West Africa's export potential, leading products, 2024 (US$ million)



Sources: International Trade Centre Export Potential Map 2025; Afreximbank research.

The regional economic bloc, ECOWAS, remains an important facilitator of intraregional exports. Of the US$7.23 billion in unrealised potential, US$3.1 billion is concentrated within West Africa itself, reaffirming the centrality of subregional trade. This also highlights the need to prioritise efforts to simplify customs procedures, as well as targeted investments in trade corridors to unlock cross-border commerce. Beyond ECOWAS, additional unrealised export value lies in North Africa (US$2.3 billion), Southern Africa (US$1.6 billion), East Africa (US$0.2 billion) and Central Africa (US$0.03 billion). These data points point to the beginnings of cross-regional diversification and underline the opportunities presented by the AfCFTA framework to broaden West Africa's continental footprint.

Figure 6.12 West Africa's export potential, by subregion, 2024 (US$ million)



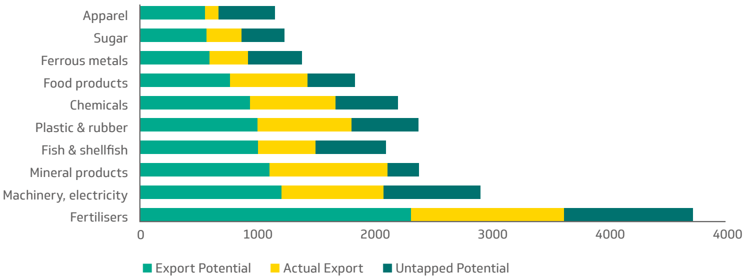
Sources: International Trade Centre Export Potential Map 2025; Afreximbank research.

6.4.4 North Africa Export Potential

North Africa's unrealised intra-African export potential is estimated at US$8.7 billion in 2024, underscoring the region's under-leveraged position within the continental trade landscape. Of this, US$4.8 billion was concentrated in just eight product categories, including fertilisers (US$1.1 billion), machinery and electricity (US$0.8 billion), ferrous metals (US$0.5 billion), chemicals (US$0.5 billion), fish and shellfish (US$0.6 billion), and plastics and rubber (US$0.6 billion). The total export potential for these selected sectors was valued at US$8.9 billion, or 57 percent of the region's total identified export potential of US$15.6 billion, indicating a mix of realised and unrealised trade opportunities across high-value industrial and agri-based products.

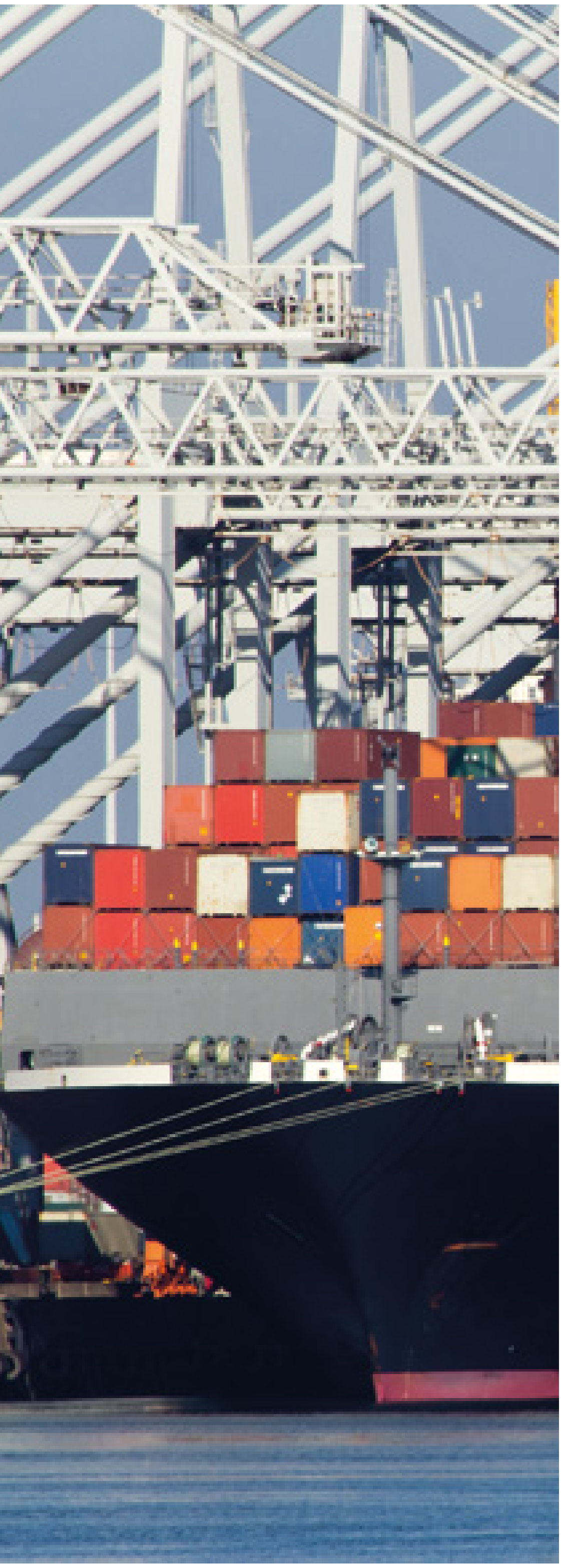
The concentration of unrealised potential in industrial goods such as machinery, ferrous metals, and chemicals is an opportunity for North Africa to enhance its position as a supplier of intermediate and capital goods to the rest of the continent. Fertilisers, in particular, stand out as the largest individual export opportunity, supported by countries like Morocco and Egypt, which already have established production capacities.

Figure 6.13 North Africa's export potential, leading products, 2024 (US$ million)



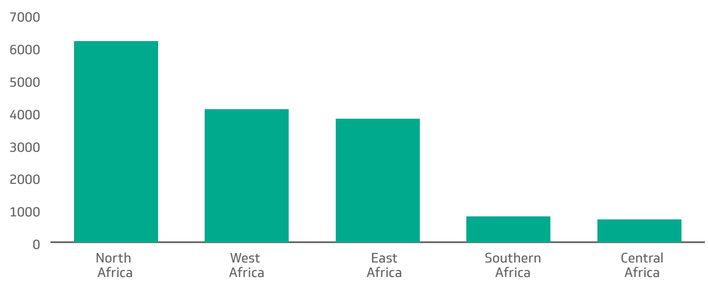
Sources: International Trade Centre Export Potential Map 2025; Afreximbank research.

Development in Intra-African Trade



Regionally, East and West Africa remain North Africa's most promising export destination, with approximately US$2.3 billion each in unrealised export potential, particularly in machinery, fertilisers, food-related products, plastics, and chemical inputs. Southern and Central Africa collectively account for US$1 billion in unrealised trade, underscoring the importance of building cross-regional connectivity and freight corridors, such as the proposed trans-Saharan trade and transport initiatives. Even within North Africa itself, there exists US$3.3 billion in unrealised intra-regional trade, illustrating the potential for deeper economic integration, particularly in strategic sectors like food processing, energy, and light manufacturing.

Figure 6.14 North Africa's export potential, by subregion (US$ million)



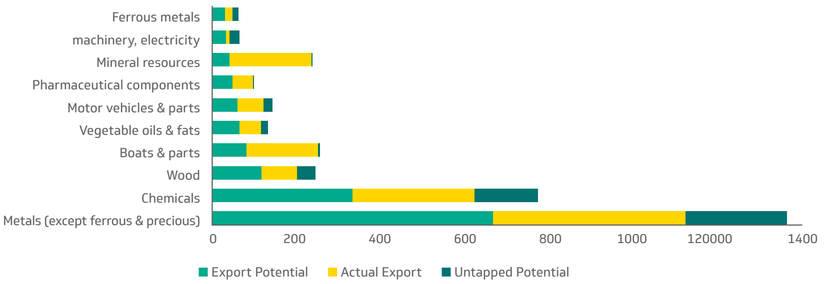
Sources: International Trade Centre Export Potential Map, Afreximbank research.

6.5.5 Central Africa Export Potential

In 2024, Central Africa's unrealised intra-African export potential was estimated at US$2.3 billion, representing nearly 49 percent of the region's total intra-African export potential of US$4.7 billion. A limited number of products continue to account for the bulk of this gap: chemicals (US$0.15 billion), metals (US$0.24 billion), wood (US$0.044 billion), and mineral resources (US$0.003 billion). Together, these four sectors contributed US$0.437 billion, or 19 percent, of the region's total unrealised export value. This concentration underscores structural constraints related to production, processing capacity, and trade facilitation in Central Africa, as well as the critical role of natural-resource-based exports in shaping trade patterns.

In terms of total export potential, these same four sectors represented US$1.175 billion, or 25 percent, of Central Africa's total intra-African export potential in 2024. This reflects the region's continued dependence on extractive and semi-processed commodities, particularly metals and chemicals, but it also highlights a latent opportunity to scale value addition and catalyse regional industrial linkages.

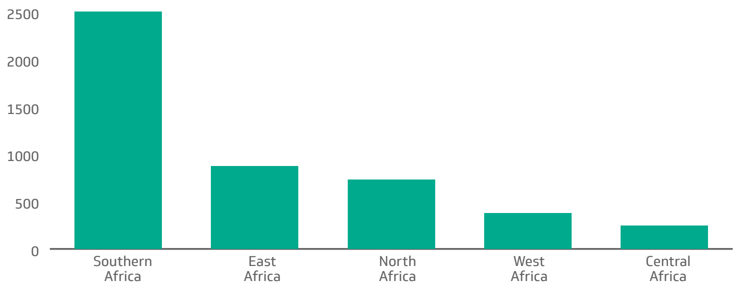
Figure 6.15 Central Africa's export potential, leading products, 2024 (US$ million)



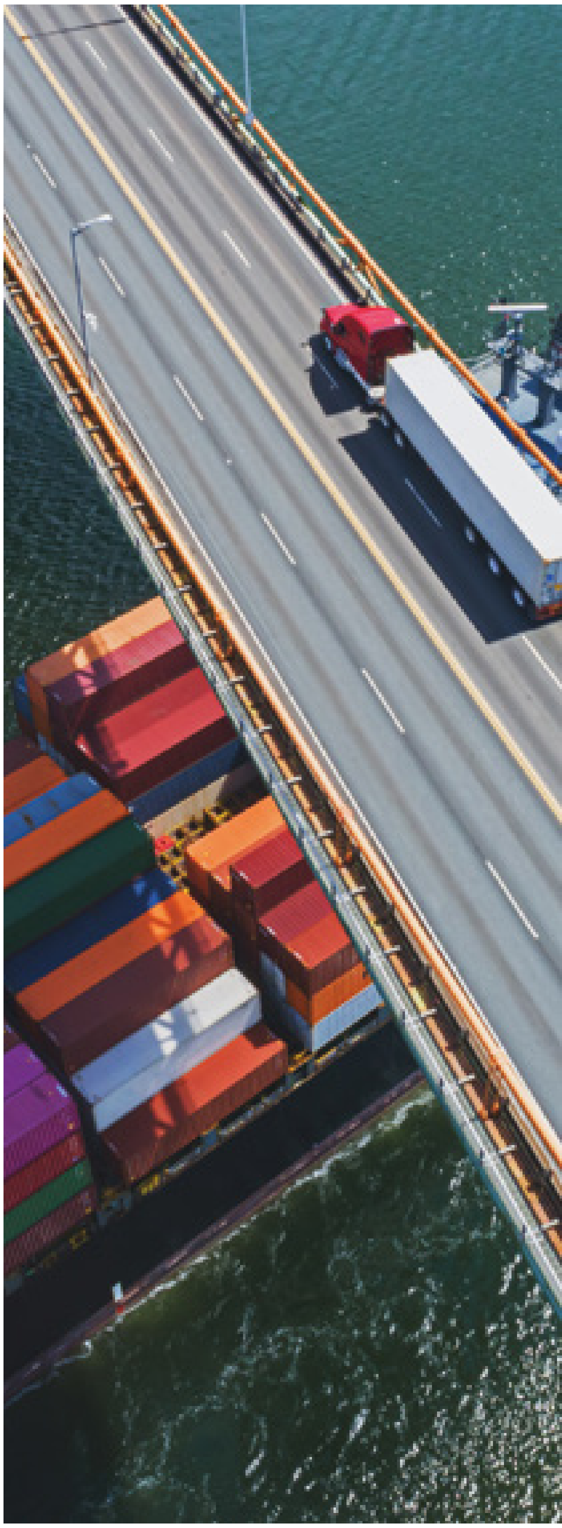
Sources: International Trade Centre Export Potential Map 2025; Afreximbank research.

From a market perspective, Southern Africa holds the most opportunity for additional exports from Central Africa, accounting for US$1.2 billion in unrealised export potential. North Africa and East Africa followed, with unrealised values of US$0.4 billion and US$0.4 billion, respectively, while West Africa registered US$0.2 billion. Surprisingly, Central Africa's intra-regional trade unrealised potential remains low at just US$0.1 billion, suggesting that internal trade corridors are still developing. Despite the region's relatively modest share in continental trade, Central Africa holds strategic importance in supplying industrial input across Africa's growing manufacturing bases. Growing this opportunity could be essential to repositioning Central Africa as a more connected and competitive trade hub.

Figure 6.16 Central Africa's export potential, by subregion, 2024 (US$ million)



Sources: International Trade Centre Export Potential Map 2025; Afreximbank research.



Chapter Seven

Prospects

7.1 GROWTH

Global growth is under significant pressure, slowing down sharply compared with a year earlier, due to a confluence of geopolitical frictions. Global output, estimated at 3.3 percent in 2024, is projected to slip to 2.8 percent in 2025, with only a mild improvement to 3.0 percent in 2026. Put differently, the economy is set to move sideways rather than accelerate in an upward trajectory, despite headline disinflation. This confirms that the heavy drag from higher policy uncertainty and creeping trade fragmentation now outweighs the fading boost from earlier post-COVID reopening dynamics. Growth in the advanced economy group of countries is forecast to ease from 1.8 percent in 2024 to 1.4 percent in 2025. The modest 2025 out-turn, nevertheless, masks diverging narratives: United States growth is expected to decelerate from an estimated 2.8 percent in 2024 to 1.8 percent in 2025, as the new tariff regime and fading consumer exuberance offset a still-healthy labour market. The Euro area activity is expected to decline from 0.9 percent in 2024 to 0.8 percent in 2025, held back by higher energy costs and trade headwinds. In the United Kingdom, real GDP is projected to remain flat at 1.1 percent in 2025, as tariff-related uncertainty and higher gilt yields bite.

Emerging and developing Asia continues to provide the bulk of global expansion, yet its pace is expected to ebb from 5.3 percent in 2024 to 4.5 percent in 2025. The performance of two large economies explains most of the downshift: India remains among the fastest-growing large economies, but growth is expected to slip from 6.5 percent in 2024 to about 6.2 percent in 2025, reflecting softer external demand and tariff-induced uncertainty even as rural consumption stays resilient. Growth in China, the other large economy, is also expected to decline from around 5.0 percent in 2024 to 4.0 percent in 2025. The negative demand shock from higher trade barriers is projected to outweigh the supportive 2024 fiscal impulse.

Economic growth in Africa is projected to build slight momentum to 4 percent in 2025, up from 3.2 percent in 2024, and strengthen to 4.2 percent in 2026, despite rising challenges and uncertainties shaping the global economic environment. Several factors underpin the projected expansion of Africa's output, including increased global demand for African exports, sustained softening of inflationary pressures boosting private consumption, loose monetary policy improving access to credit and investment, and implementation of structural reforms to enhance diversification of African economies and sources of growth. Other key factors supporting Africa's growth outlook include firm growth projection for several large-to-medium economies such as Algeria (3.5 percent), Egypt (3.8 percent), Ethiopia (6.1 percent), Morocco (3.9 percent), Tanzania (6.1 percent), and Uganda (6 percent). Risks are tilted to the downside, reflected by escalating geopolitical tensions, trade wars, and rising policy uncertainty. Economic slowdown in China and the United States, the world's two largest economies, could deter global financial conditions and dampen demand for African commodities, adversely affecting the region's output. Nonetheless, ongoing implementation of the AfCFTA could serve as a shock absorber as increasing integration and intra-African trade and investment boost economic activities across the continent.

7.2 TRADE

With global trade facing renewed headwinds, the outlook for 2025 signals significant pressure on merchandise trade. While earlier WTO forecasts were upbeat for global merchandise trade, pointing to an expansion of 2.7 percent, the latest forecasts show a significant downward revision, pointing to major pressure on trade contracting by 0.2 percent, significantly down from 2.9 percent growth achieved in 2024. The main factors driving the decline of global merchandise trade include rising protectionism, notably tariff escalation, amid increasing trade policy uncertainty. Protracted geopolitical tensions and regional conflicts, and associated pressure on global demand and supply chains will further dampen investor confidence and trade flows.

Consistent with the global trends of decelerating output and declining trade, African trade is also projected to decrease. Nonetheless, African trade is projected to remain firm, with WTO estimates showing that Africa will post the second-fastest import growth of 6.2 percent in 2025, barely surpassed only by the Middle East with import growth of 6.3 percent.

The resilience of African trade on a sturdy growth trajectory is a combination of several factors, including still firm commodity markets, especially oil markets, with oil prices expected to remain around US$70 per barrel despite the risks related to the demand for the commodity. Geographical diversification of African trade and increasing South-South trade, especially in the current context of shifting strategic alliances and partnerships driven by heightening geopolitical tensions, will support African trade. Also, a still robust growth forecast in Asia, which has become Africa's main trading partner, and stable growth in China, Africa's single largest trading partner, will also help to sustain the resilience of African trade. Furthermore, continued demand for energy from Africa by Europe, particularly the European Union, has positioned the African continent as a critical alternative energy source. Several African countries such as Algeria, Angola, and Egypt have emerged as significant suppliers of liquid natural gas to the European Union, while countries like Mozambique, Nigeria, and

Prospects

Senegal are expanding their liquified natural gas initiatives to cater to European needs, thereby sustaining the resilience of the continent's trade.

Development finance institutions also continue to play a critical role in support of trade and economic development amid protracted geopolitical tensions, increasing protectionism, and trade policy uncertainty. For instance, through their counter-cyclical response mechanisms, development finance institutions have been supporting the growth of African trade, extending financing in a continent where the large trade finance gap estimated at about US$100 billion annually (African Development Bank and Afreximbank 2020), has been a major constraint to the expansion of intra- and extra-African trade. Through its Ukraine Crisis Adjustment Trade Financing Programme, Afreximbank has been helping its member countries to build resilience by addressing the impact of the Ukraine crisis on their economies and businesses. The programme includes import re-order cost adjustment financing to help member countries meet immediate import price increases, pending domestic demand adjustments. It also includes oil and metals buy-back financing to refinance collateralised loans in the context of high oil and metal prices, releasing freer cashflow for use in meeting urgent needs, including paying for critical food and fertiliser imports and servicing the rising cost of debt.

The resilience of African trade will also arise from the ongoing implementation of the AfCFTA, which is set to accelerate the diversification of sources of growth through expansion of both intra-and extra African trade. The Bank is directly supporting AfCFTA implementation efforts through its major trade facilitation programme, including the development of industrial parks and special economic zones to help its member countries take advantage of growth opportunities arising from geopolitical realignment. Another programme developed by the Bank which supports the implementation of the AfCFTA is the Accelerator Programme, which provides equity funding and mentorship to African startups focused on trade innovation. Intra-African trade is also set to remain resilient, including through implementation of the AfCFTA, with the gradual removal of trade barriers and the attainment of several key milestones by the continental initiative.

Notwithstanding, the outlook for global merchandise trade is fraught with major downside risks. Further escalation of trade tensions with higher tariffs will exacerbate the weak outlook for growth and trade. High tariffs could re-ignite inflationary pressures, forcing central banks to delay interest rate cuts and constraining private consumption and investment, with dampening effects on growth and trade. At the same time, protracted geopolitical tensions and regional conflicts, alongside isolated militant activity in some regions, and extreme climate events could further strain global output and trade.

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