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Delta Economics | Regional Trade Profiles | Sub-Saharan Africa

2nd Quarter 2013

About Delta Economics

Delta Economics is a pre-eminent source of specialist forecasting and economic research. We provide unique global market insight and analysis through our trade, trade payments and GDP forecasts and conduct economic research that allows our clients to anticipate market developments across a comprehensive range of sectors and continents.

About the Delta Economics World Trade Outlook

Delta Economics looks at the world from the perspective of the drivers of trade. Unlike other forecasts, we look at the things that affect businesses when they decide to trade abroad: the costs of trade in terms of capital, people and locating in a different country. We also look at reasons for trade: for example, differential economic conditions, investment and comparative advantage (including skills and education, innovation and ease of doing business) and indicators of long term economic development such as population growth and the Human Development Index.

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Regional Profile | Sub-Saharan Africa

Sub-Saharan Africa | Overview

The forecasts for Sub-Saharan Africa are mixed. Our estimates for three of the five countries (South Africa, Ghana and Kenya) have risen, while one has remained static (Angola) and one has fallen (Nigeria). The region's economic climate is volatile. On the one hand, some of the major markets have begun to waver as demand from China continues to weaken. On the other, Africa is still seen by investors as the continent of big risks and big rewards.

The export and import picture is similar. Again, there are signs that slackening external demand is beginning to take its toll. Nigeria and Angola, two countries running substantial trade surpluses, have seen little or negative movement in our latest round of forecasts as their export momentum starts to wilt. In contrast, the outlook for those countries with more balanced trade profiles is still encouraging. Across the continent, levels of FDI are rapidly accelerating and this trend is widely expected to continue. Kenya, Ghana and even South Africa appear to be harnessing this surge reasonably well in 2013, with solid advances in both our export and import forecasts.

Table 1| Sub-Saharan Africa's top 5 economies by GDP

Top-5 economies (by GDP)	2012 market size (bn)	Last Forecast	This Forecast	% Change
South Africa	193	6.1	6.4	0.3
Nigeria	159	14.6	14.4	-0.2
Angola	93	6.8	6.8	--
Ghana	32	9.8	10.1	0.3
Kenya	20	7.1	7.7	0.6

Table 2 | Sub-Saharan Africa exporters

Exports	2012 Value (bn)	Last Forecast	This Forecast	% Change
South Africa	87	6.8	7.1	0.3
Nigeria	107	13.9	13.7	-0.2
Angola	72	7.1	7.1	--
Ghana	15	13.4	13.7	0.3
Kenya	6	4.9	5.4	0.5

Table 3 | Sub-Saharan Africa importers

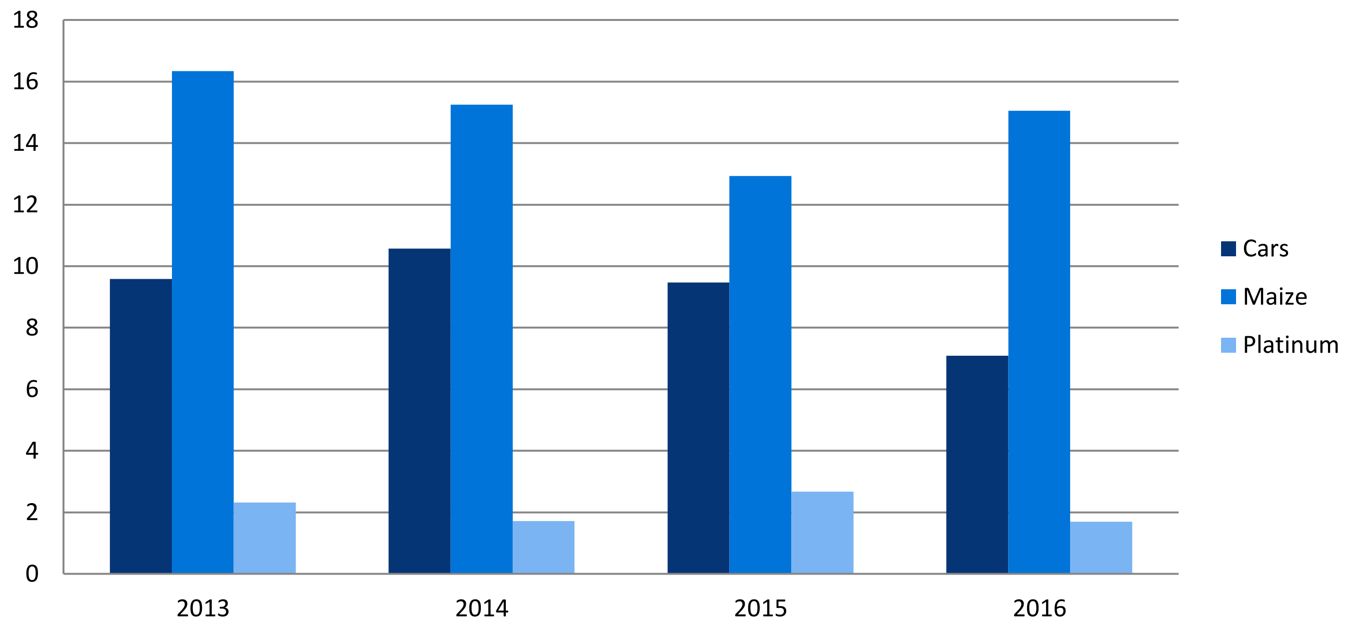
Imports	2012 Value (bn)	Last Forecast	This Forecast	% Change
South Africa	105	5.4	5.7	0.3
Nigeria	52	16	15.7	-0.3
Angola	21	5.5	5.6	0.1
Ghana	16	6.5	6.6	0.1
Kenya	14	8.1	8.7	0.6

Sub-Saharan Africa | Top 5 Economies | South Africa

South Africa

After a poor performance in 2012, the region's powerhouse looks to have been rebounding fairly well and, perhaps more revealingly, fairly quietly so far this year. Though our growth estimates are still the lowest of the five countries, their rise of 0.3% across the board may be evidence of an upswing that few would have predicted last year. The poor performance of the platinum industry seems to have made policymakers and stakeholders broaden their focus. Their economy looks now to be utilising a more diverse and robust range of exports, with our outlook for cars, maize and some (albeit low-skilled) construction sectors much improved. Elsewhere, however, policymakers should be wary of a quick fix. Simply looking to other potentially volatile sectors like copper and iron for growth is a risky strategy for long-term consolidation.

Graph 1 | Consistent exports of cars and maize to balance low growth and volatility in platinum

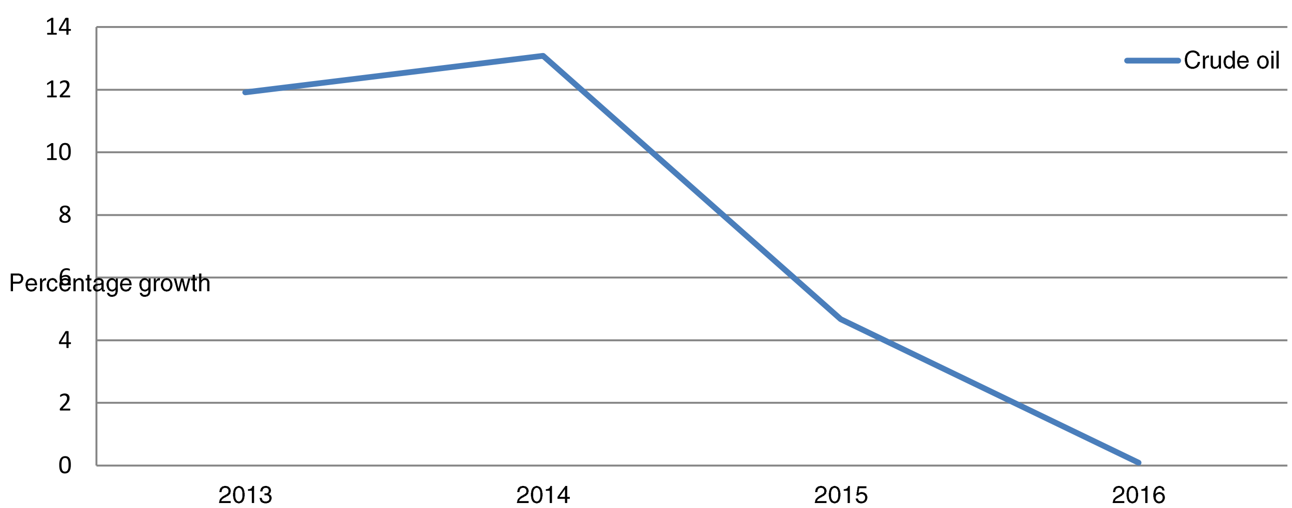


Sub-Saharan Africa | Top 5 Economies | Nigeria

Nigeria

Despite being the region leader (and indeed among the global leaders) in our 2013 forecasts, we would urge caution. For the first time, our most recent estimates have dropped, suggesting that the inevitable slowdown, after years of meteoric expansion, could be around the corner. With the shale gas revolution well underway, oil exports may not always be able to provide the fiscal impetus that they once did. As corruption and inequality reach ever higher and more public levels, investors and policymakers need only to look to South Africa (the country many were predicting would soon oust as Sub-Saharan Africa's biggest economy) to see how potent the combination of flagging resources and social unrest can be. That being said, for the moment our forecasts remain exceptionally vibrant, particular the import outlook. In sectors like the food industry and the electronic industry, our predictions indicate burgeoning levels of domestic demand.

Graph 2 | Nigerian oil exports to drop dramatically by 2016

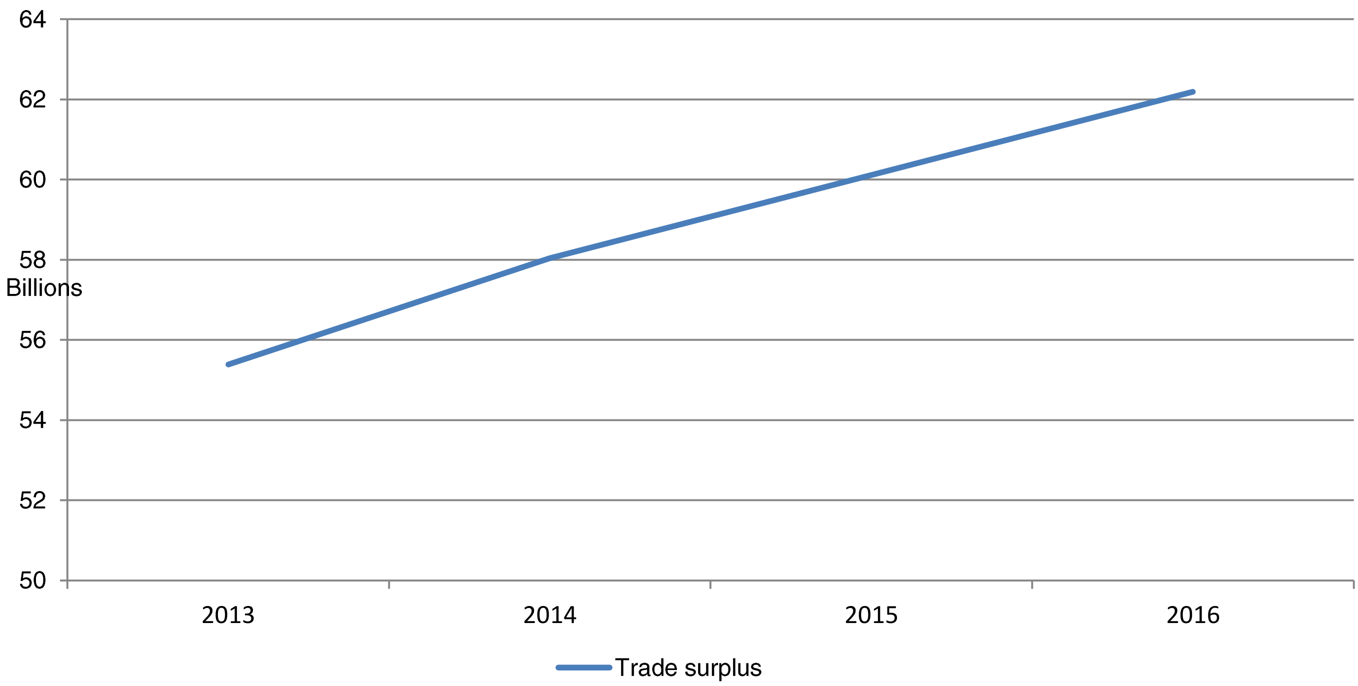


Sub-Saharan Africa | Top 5 Economies | Angola

Angola

Like Nigeria, Angola's over-reliance on exports is starting to hurt their growth prospects. Again, our estimates are hardly muted for the still-buoyant economy, but the lack of movement in our total trade and export growth estimates does hint at a cagier external climate. Angola's progress has been so rapid over the last decade that rising forecasts have become the norm. Yet with the abundance of oil and systemic concerns persisting in China, and across South-East Asia, the boom years may finally be coming to an end. For example, although we expect their overall crude oil exports to increase by over 7% this year, we see oil exports to China (their biggest trade partner by some way) growing at the slowest rate since 2001. Imports look better, with our predictions improving slightly, but as we still see exports outpacing imports despite being much more valuable, their trade imbalance is set to become even more pronounced.

Graph 3 | Forecasted trade surplus growth in Angola

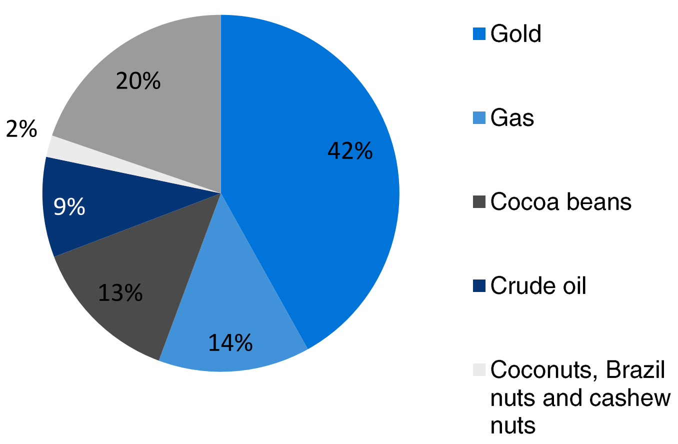


Sub-Saharan Africa | Top 5 Economies | Ghana

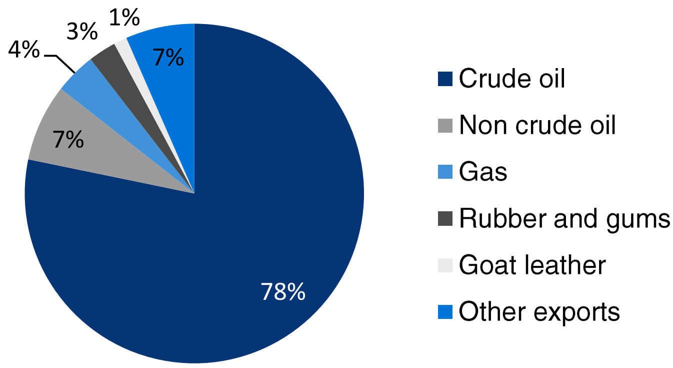
Ghana

With export growth driving a solid advance in our most recent forecasts, Ghana has the steadiest trade profile of the five countries at the moment. Though gold is their leading export, a relatively diverse trade portfolio has, so far at least, meant that they have been able to weather the recent price dive. With India, the world's biggest buyer, hoping to curb gold imports, there could be further trouble ahead but other sectors, particularly in the food industry, are expanding rapidly. Imports also look in fairly good shape. Though we do not anticipate the same levels of export momentum, suggesting that internal markets have yet to catch up with the rapid growth abroad, there are areas which show promise. The drop of 0.8% in our 2013 car forecast is a concern, but overall automotive imports, a good proxy for manufacturing levels, should accelerate over the next few years. Similarly, growth rates in consumer-orientated electrical equipment like televisions and cameras are rocketing upwards.

Graph 4 | Ghana's top five exports as percentage of total exports (2012 estimates)



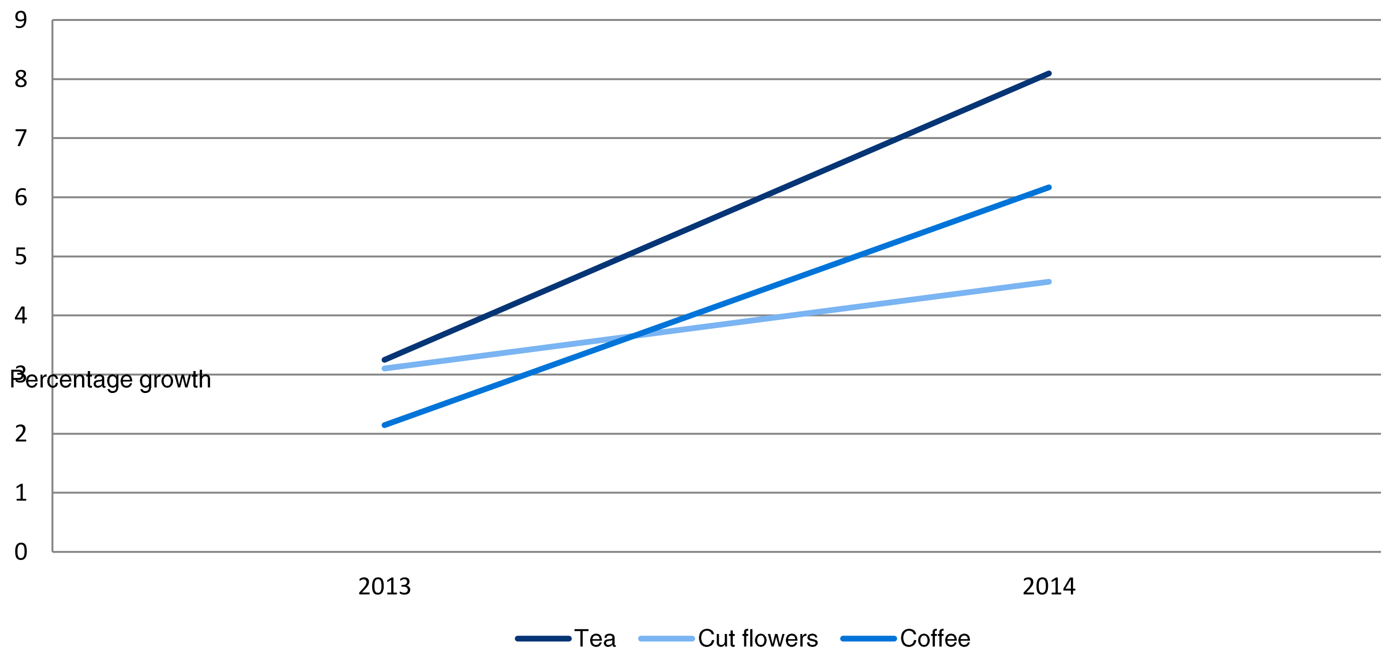
Graph 5 | Nigeria's top five exports as percentage of total exports (2012 estimates)



Sub-Saharan Africa | Top 5 Economies | Kenya

Although Kenya has seen the largest increase in our most recent round of forecasts, much of this can be put down to the recent election, which, aside from a few isolated incidents, went smoothly. In the ensuing calm, local and international demand saw a surge in confidence from consumers and investors. Nevertheless, our long-term data is also more encouraging. By regional standards, Kenyan export rates have been tepid but there are signs that this may be changing. Notwithstanding fluctuations in harvest, their top three exports of tea, flowers and coffee are expected to demonstrate greater stability than many of their counterparts in the energy or mineral markets and our predictions reflect this perceived resilience. In these sectors, our 2014 rate forecasts are much higher than our 2013 estimates. Conversely, we see the more substantial import rates falling in 2014, an indication that the economy may be shifting towards a more balanced and sustainable growth model.

Graph 6 | Increases in Kenyan export growth forecasts in 2014

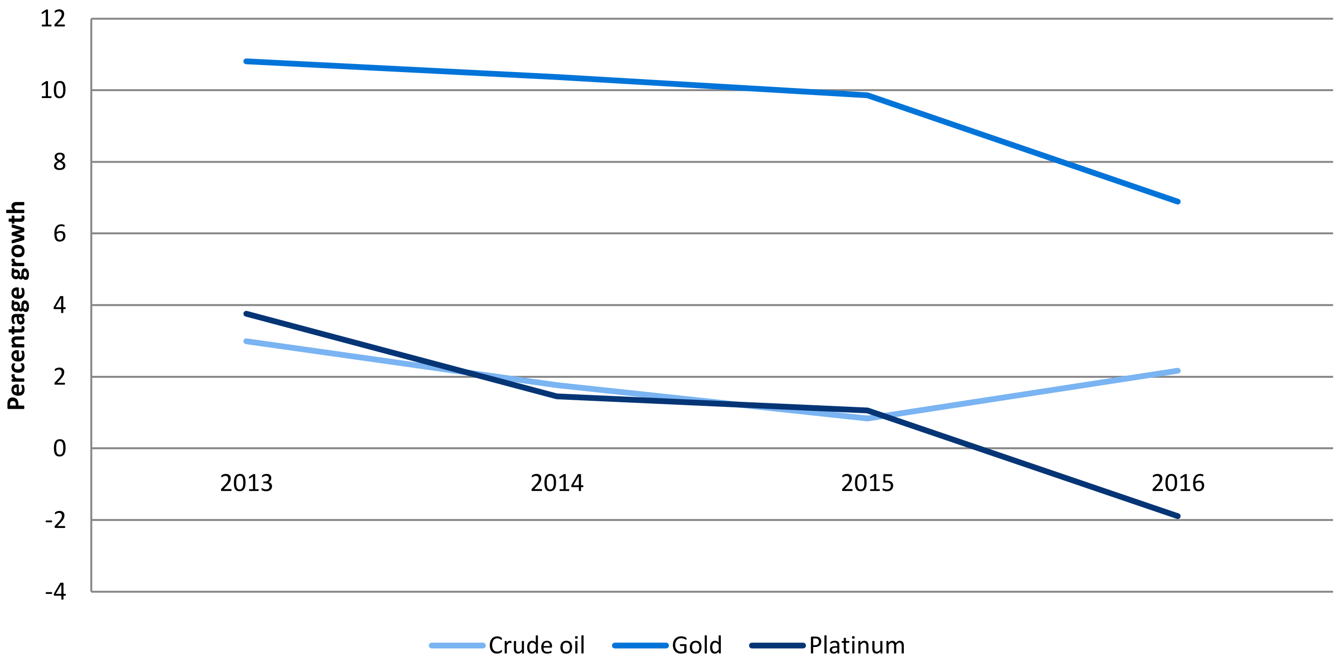


3.

Sub-Saharan Africa | Sector Watch

The sectoral profile of the region offers both challenges and opportunities. The shadow cast by a still turbulent global economy is being offset by brisk expansion in domestic and intra-regional demand. With the exception of Ghana, all of the top import sectors are outpacing the respective top export sectors in our forecasts for 2013. Four of the five top export sectors (South African platinum, Nigerian and Angolan crude oil, and Ghanaian gold) are commodities which currently look very exposed. The platinum industry arguably saw its lowest ebb last year but even our improved forecast of 2.3% for this year is hardly rosy.

Graph 7 | World trade growth forecasts 2013-2016



3.

Sub-Saharan Africa | Sector Watch

The seismic impact of shale is only just beginning to be felt but already our predictions for Nigeria and Angola are edging downwards. Similarly, the dramatic fall in gold prices could hit Ghananian export values. Kenyan tea is the only top export sector that looks reasonably stable, and, as a result, by next year we estimate that its growth rate will have nearly caught up with that of their top import sector.

In terms of imports, our forecasts for cars have fallen for both Nigeria and Ghana, suggesting that consumer sentiment may be dipping slightly. However, at the moment, it looks a cursory problem. In Nigeria's case, 16.7% growth is still huge and although Ghana's 0.8% is paltry by comparison, we see the automotive industry rebounding strongly in the years to come. The prospects for non-crude oil, the top import of South Africa, Angola and Kenya are already very good. This should continue as the recent influx of oil and gas drives down prices.

Table 4 | Sub-Saharan Africa's top 5 export sectors

Top Export Sectors	2012 Value (bn)	Last Forecast	This Forecast	% Change
South Africa – Platinum	13	1.9	2.3	0.4
Nigeria - Crude Oil	84	12.2	11.9	-0.3
Angola - Crude Oil	70	7.1	7.1	--
Ghana – Gold	4	12.1	12.5	0.4
Kenya – Tea	1	2.5	3.3	0.8

Table 5 | Sub-Saharan Africa's top 5 import sectors

Top Import Sectors	2012 Value (bn)	Last forecast	This forecast	% Change
South Africa - Crude Oil	18	6.3	6.6	0.3
Nigeria – Cars	3	17	16.7	-0.3
Angola - Non Crude Oil	0.9	13.2	13.5	0.3
Ghana - Cars	1	1.2	0.4	-0.8
Kenya – Non Crude Oil	2	8.2	8.7	0.5

4.

Sub-Saharan Africa | The Smart Money

Given the continuing insecurity in Europe and the US, and the slowdown in the BRICS economies, Sub-Saharan Africa would do well to look inwards for further trade growth. Both domestic demand and intra-African trade offer refuge from this uncertainty.

The more balanced economies are faring better in 2013. A huge trade surplus can soon be whittled away and the region may be reaching the tail-end of the boom years. Investing in markets at home will make for softer landings.

More than ever, diversification is key. Relying on traditional commodities, particularly in the energy or mineral industry, is a big risk. Even China, a huge investor in Africa in recent years, is slowing down. A bigger portfolio of partners and sectors is crucial.