Sub-Saharan Africa: Beyond Tariffs

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Global Insights

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Key themes for the sub-Saharan region in 2025-2030

Growth, soft but steady
- Less vulnerable to higher US tariffs
- Lower inflation, lower interest rates

Finding funding
- Lower donor aid, higher taxes on remittances
- Global financial market access
  Improved liquidity
- PPPs
  Local capital markets

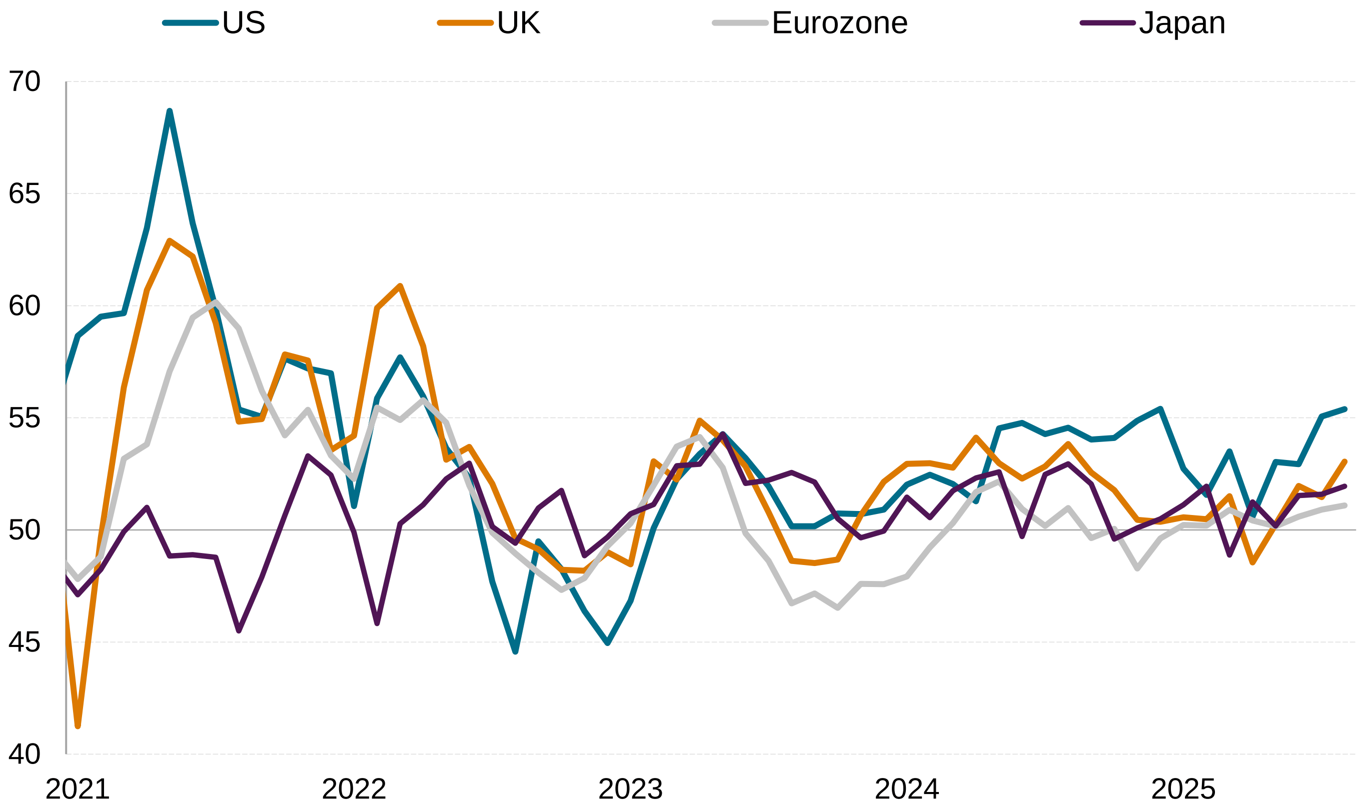
New trade deals
- Mainland China
  UK
  AfCFTA

Sahel conflicts
- Supply chain disruptions

S&P Global
Market Intelligence

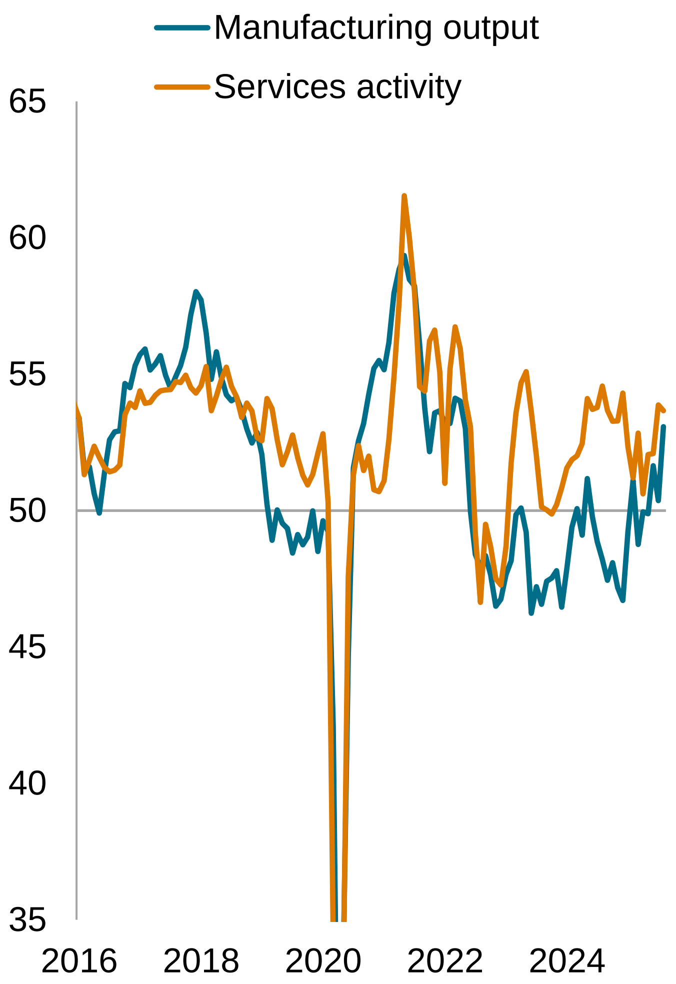
Broad-based G4 upturn in August

Flash PMI output indicators of 'G4' economies



Data compiled August 21, 2025.
PMI covers manufacturing and services. 50 = no change on prior month.
Sources: S&P Global PMI with HCOB (Eurozone).

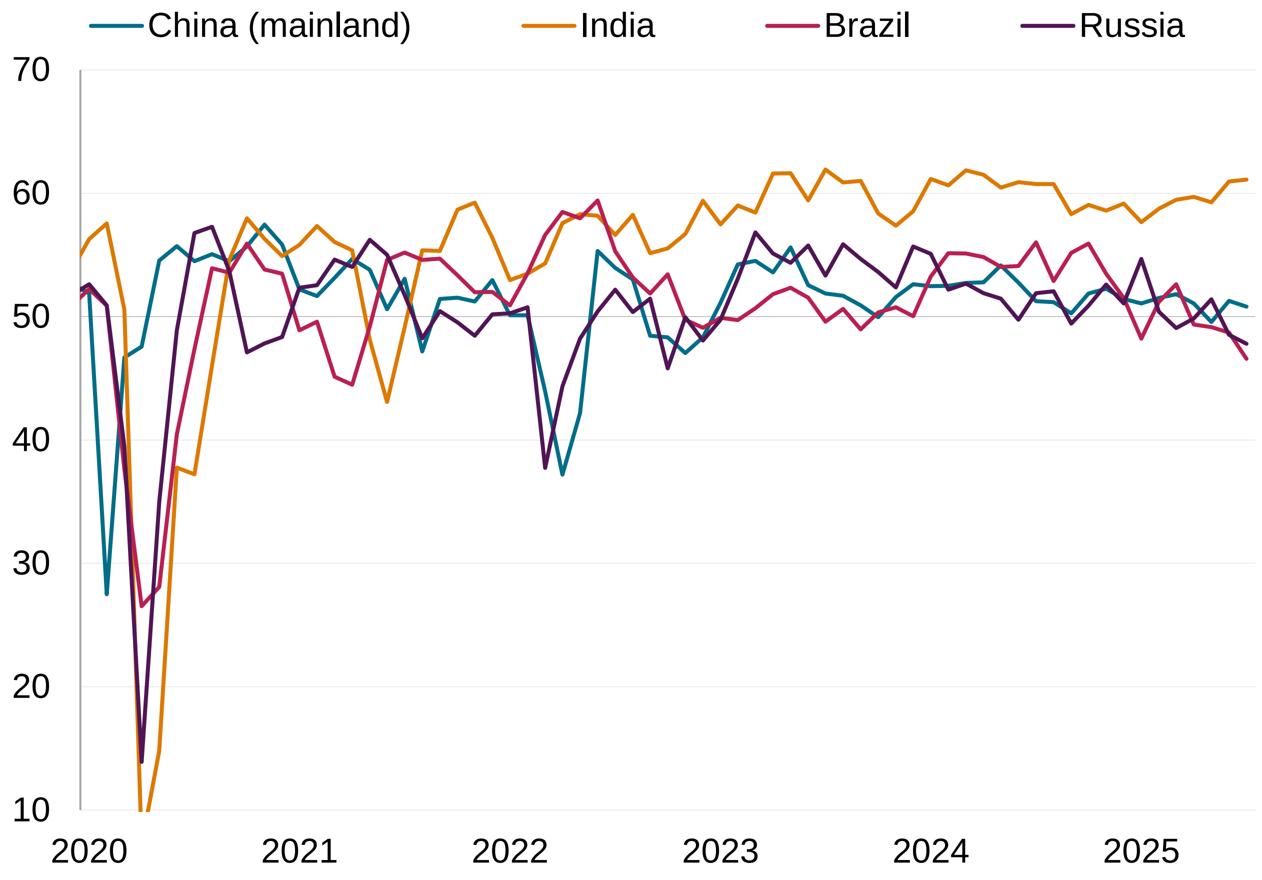
Flash PMI output of 'G4' developed economies



Data compiled August 21, 2025.
G4 PMI covers the US, Eurozone, UK and Japan. 50 = no change on prior month.
Sources: S&P Global PMI

Emerging markets show signs of stress

Major emerging economies, output

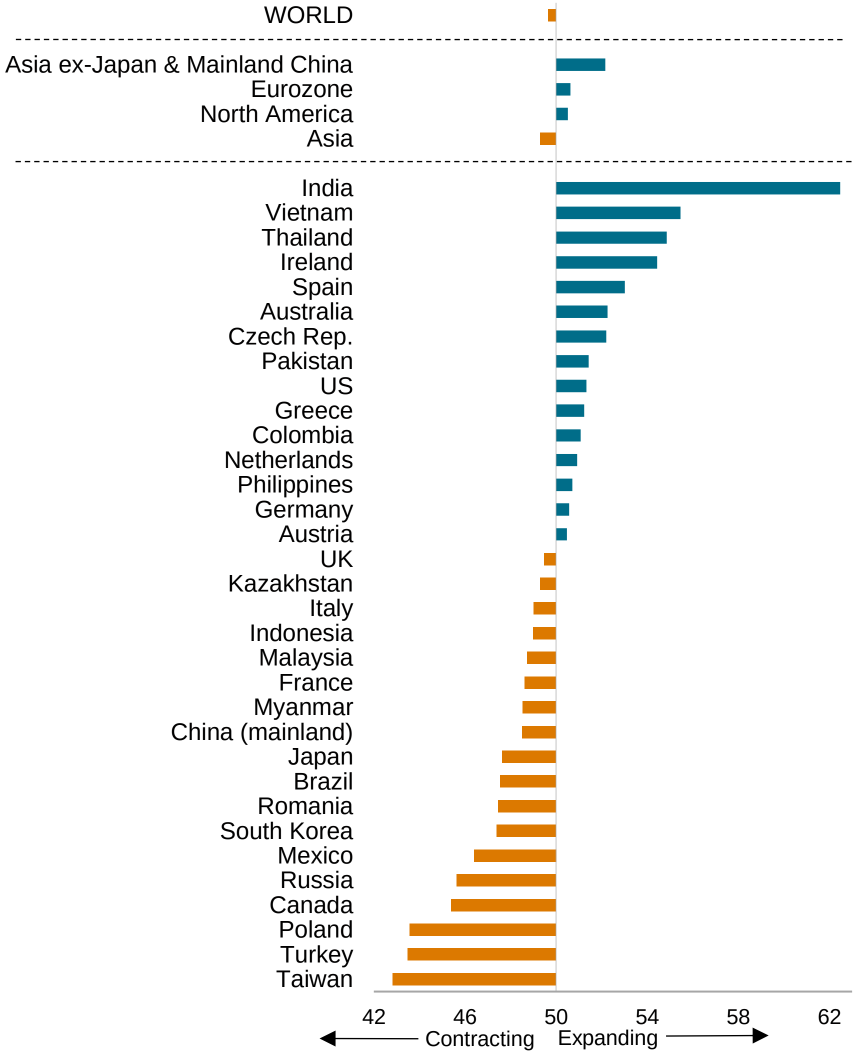


Data compiled August 2025 including PMI data to July 2025.

PMI index value of 50 = no change on prior month, covers manufacturing and services.

Sources: S&P Global PMI, S&P Global Market Intelligence, HSBC.

Manufacturing PMI output index, July 2025



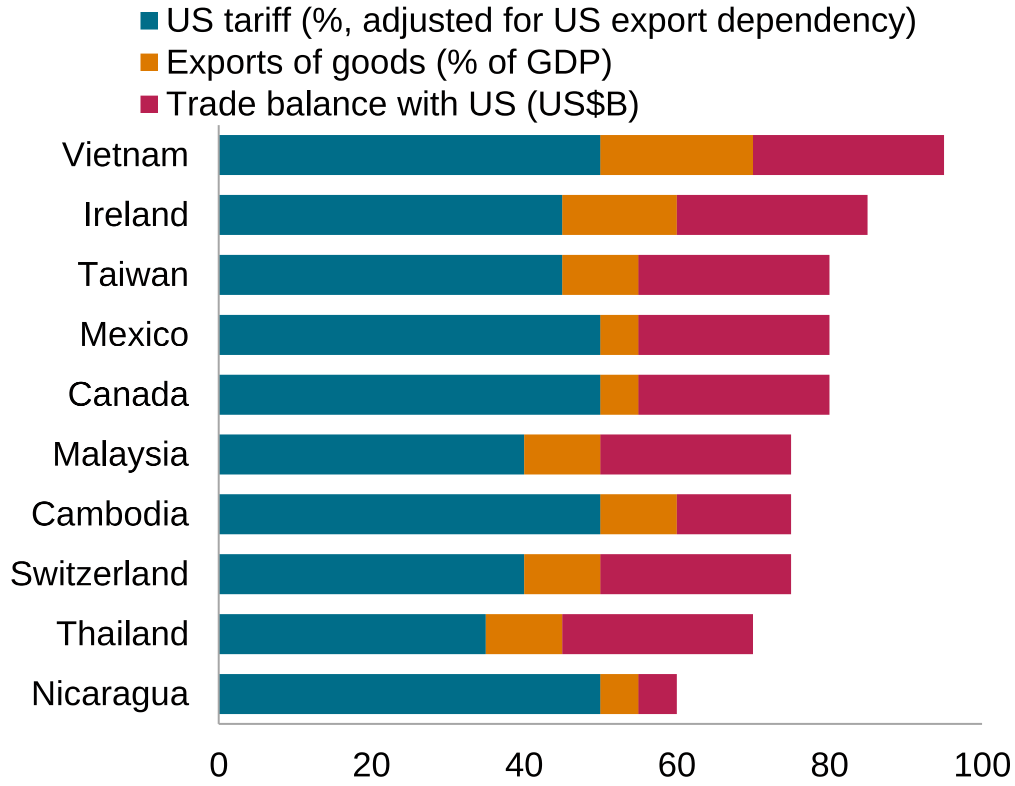
Data compiled August 2025.

PMI index 50 = no change on prior month.
Source: S&P Global PMI, ISO, HCOB, HSBC, NEVI, BME, Bank Austria, AIB, Davivienda, AERCE, BCR, Freedom Holding Corp., HBL, HPI, Istanbul Chamber of Industry, J.P. Morgan.

Changes to trade and tariff vulnerability (TTV) scores

- The TTV framework was created in May to assess countries' vulnerabilities to changes in US trade policy.
- It utilizes three key metrics, each contributing to a possible maximum score of 100.
  - **The US tariff rate, adjusted for export dependency (50% share)**
  - **Exports of goods as % of GDP (25% share)**
  - **Trade balance with the US (25% share)**
- The TTV scores were updated in August to reflect the announcement of various changes to US tariffs.
- There were declines in vulnerability scores for over 30 territories. The number in the "Very High" risk band fell from 16 to 11, which equates to about 6% of the 199 territories included.
- Mainland China experienced the most significant decline and now sits in the "High" risk band, down from "Highest" initially.
- Scores for Vietnam, Ireland, Taiwan and Malaysia declined, although they all remain in the top 10. This reflects their high openness to trade and linkages with the US.
- Scores for Brazil (now Medium risk) and India (now High risk) rose, reflecting the additional tariffs announced in early August.

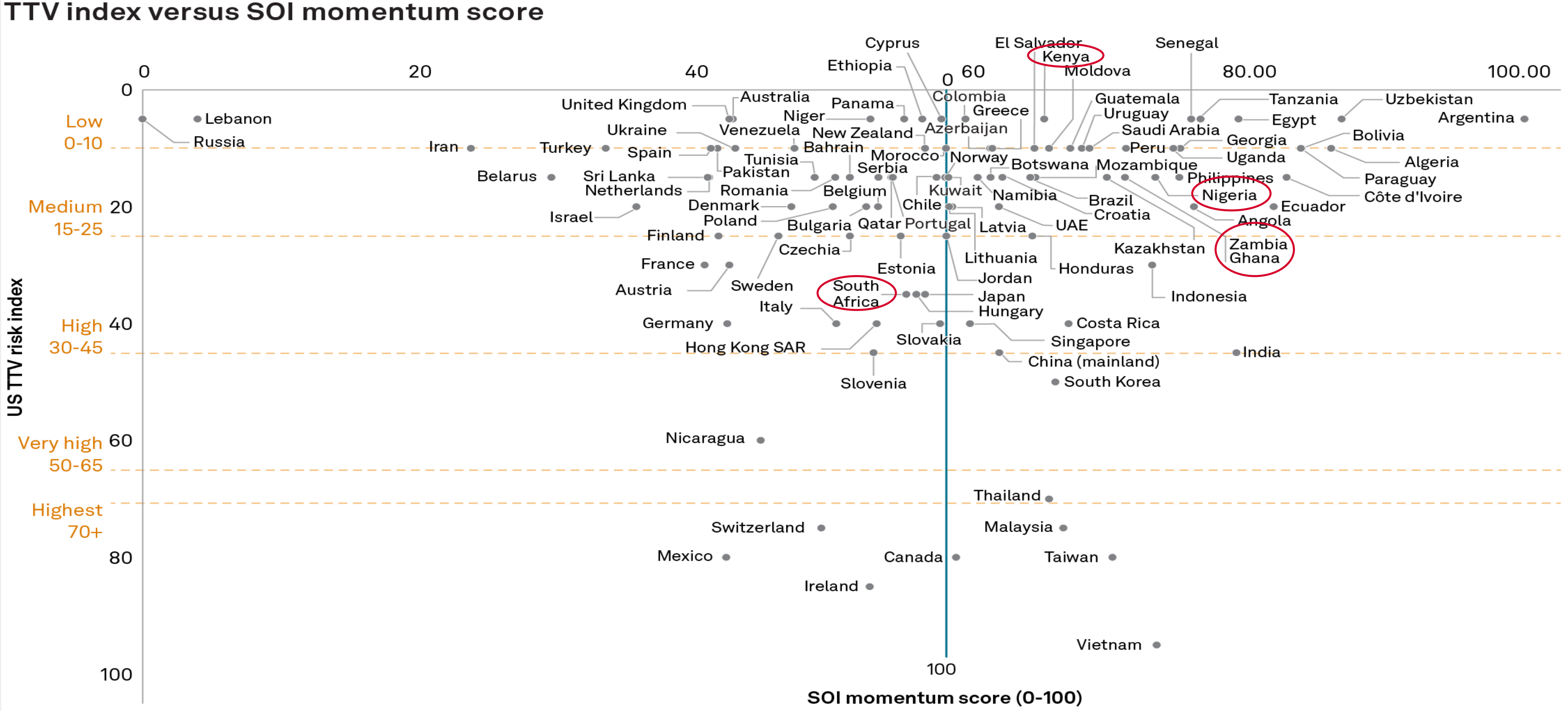
Composition of highest TTV risk scores



As of Aug. 11, 2025.
Source: S&P Global Market Intelligence.

The Strategic Opportunity Index® (SOI®)

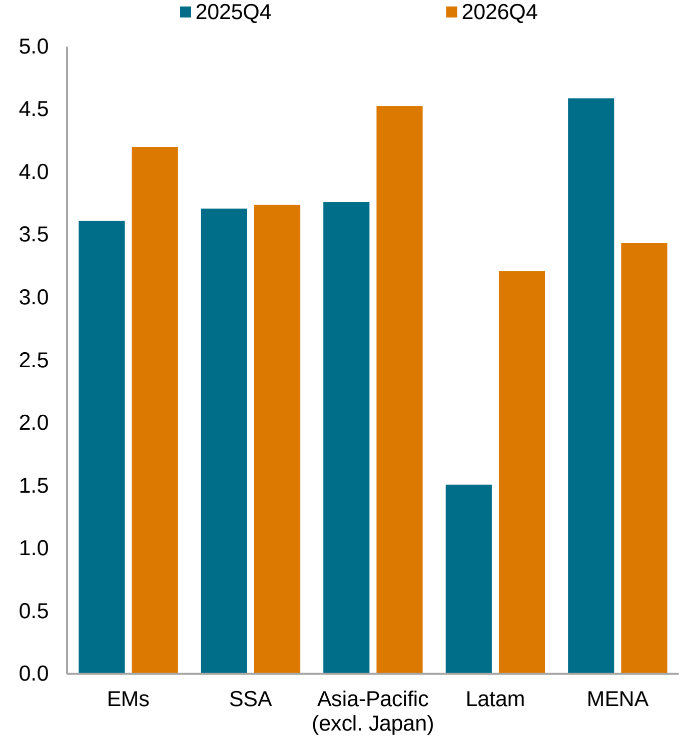
SSA less vulnerable to US tariffs, with many countries showing strong growth momentum.



As of Aug. 6, 2025.
SOI = Strategic Opportunity Index; TTV = trade and tariff vulnerability.
Turkey is officially known as Türkiye.
Source: S&P Global Market Intelligence.

Steady growth in SSA: low vulnerability to higher US tariffs

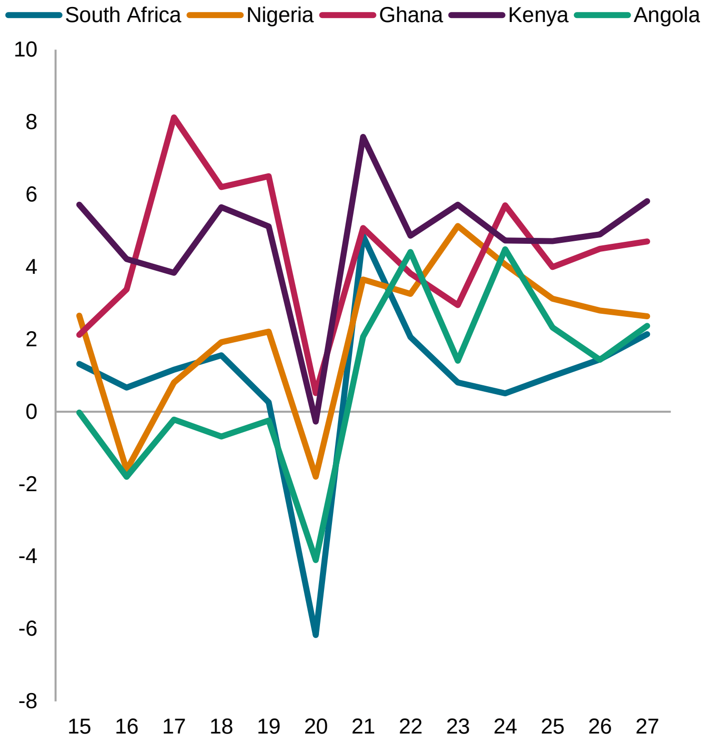
SSA growth, soft but steady (real GDP growth in fourth quarter of each year)



As of August 20, 2025.
Source: S&P Global Market Intelligence.

- Sub-Saharan Africa **less vulnerable** to higher US tariffs. New trade agreements with mainland China, UK
  - AGOA re-evaluated by end September 2025.
  - Mainland China removes import tariffs on imports from all 53 African countries.
  - The UK introduced reforms to its Developing Countries Trading Scheme (DCTS), aiming to simplify market access for developing nations.
- **Low global interest rates, stable dollar** and **stable global commodity prices** support medium-term growth.
- Structural reforms continue. Focus on **finding financing**, **local beneficiation** (Sahel, Ghana).
- **Oil producers**, like **Nigeria & Angola,** lower growth in 2026. **South Africa** slower recovery than initially expected**.**

Lower oil prices drag down growth for oil producers



As of August 20, 2025.
Source: S&P Global Market Intelligence.

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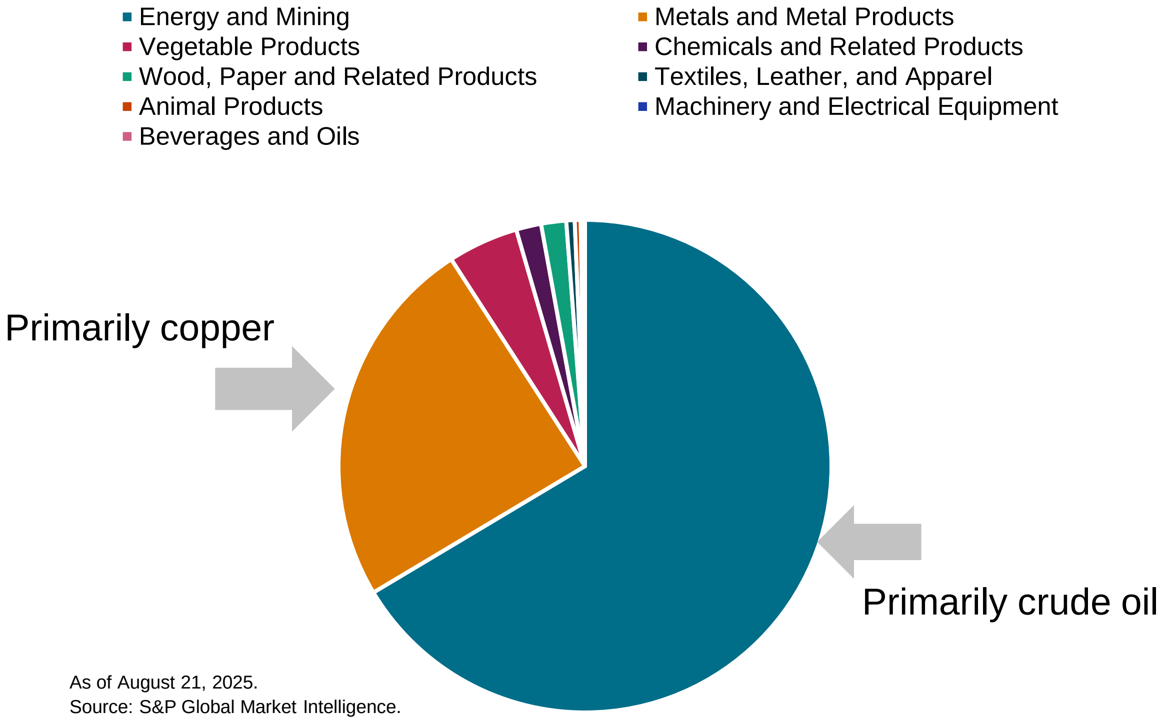
Trade profile between Africa and mainland China unbalanced

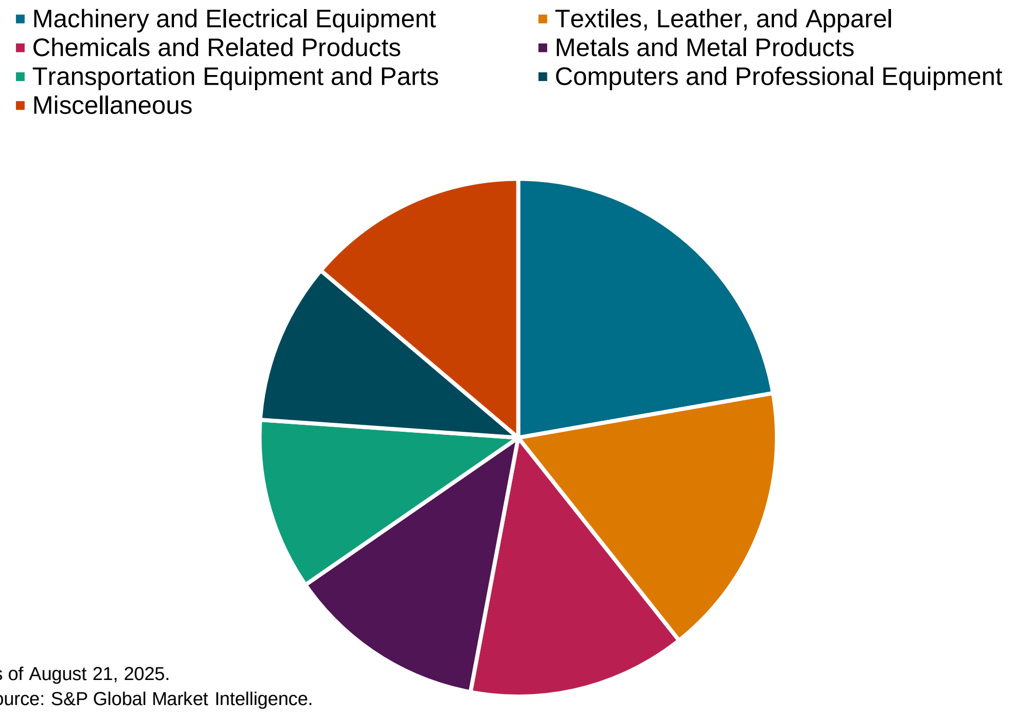
Mainland China represents **13.5**% of Africa's total exports, while imports from Mainland China make up **20**% of Africa's overall imports.

Composition of Africa exports to mainland China (%, 2021-2024)



As of August 21, 2025.
Source: S&P Global Market Intelligence.

Composition of mainland China exports to Africa (%, 2021-2024)

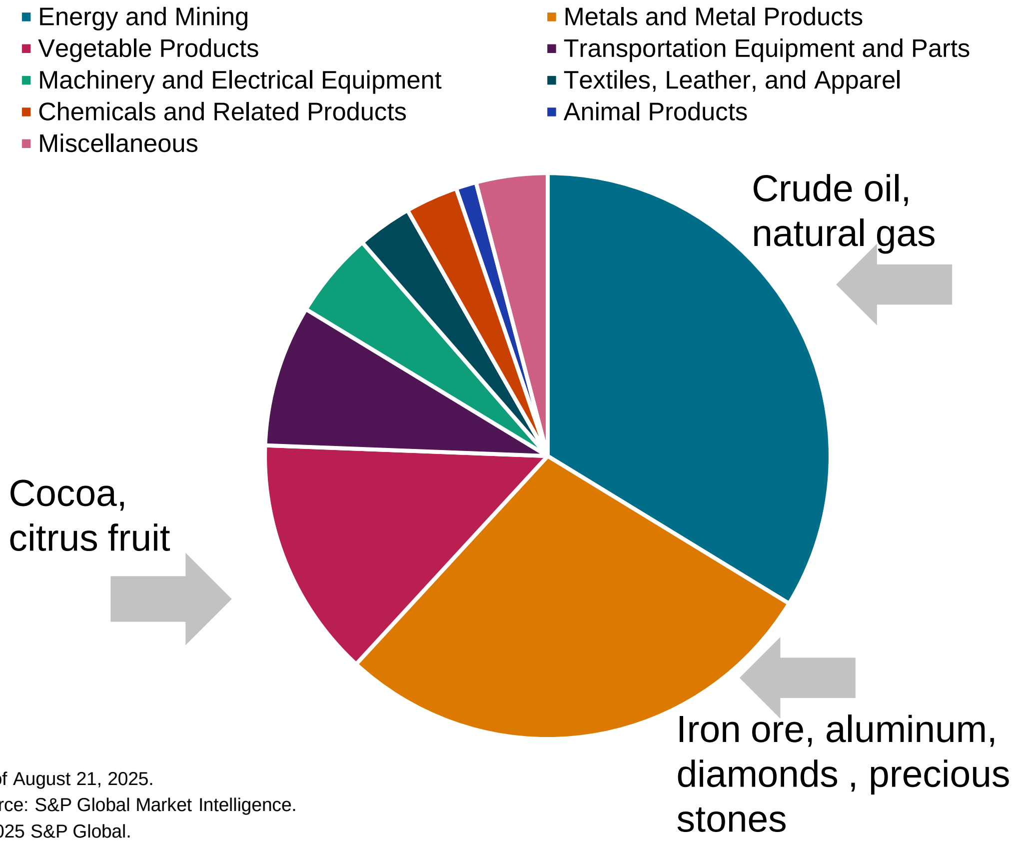


As of August 21, 2025.
Source: S&P Global Market Intelligence.

Trade profile between Africa and UK more balanced

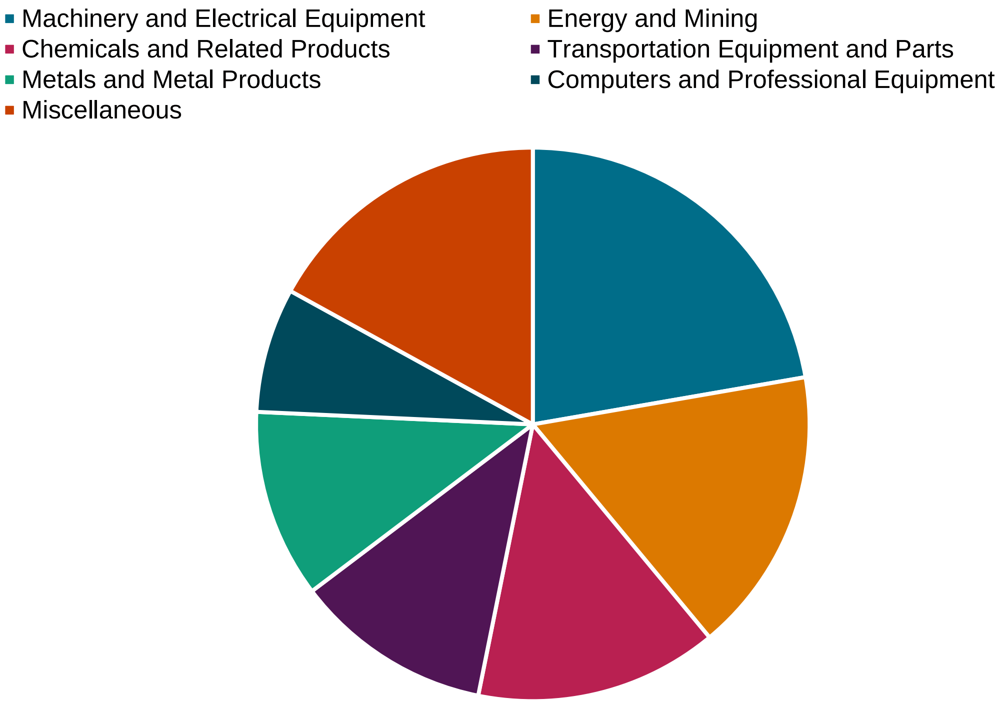
UK represents **3.7**% of Africa's total exports, while imports from UK make up **1.7**% of Africa's overall imports.

Composition of Africa exports to the UK (%, 2021-2024)



As of August 21, 2025.
Source: S&P Global Market Intelligence.

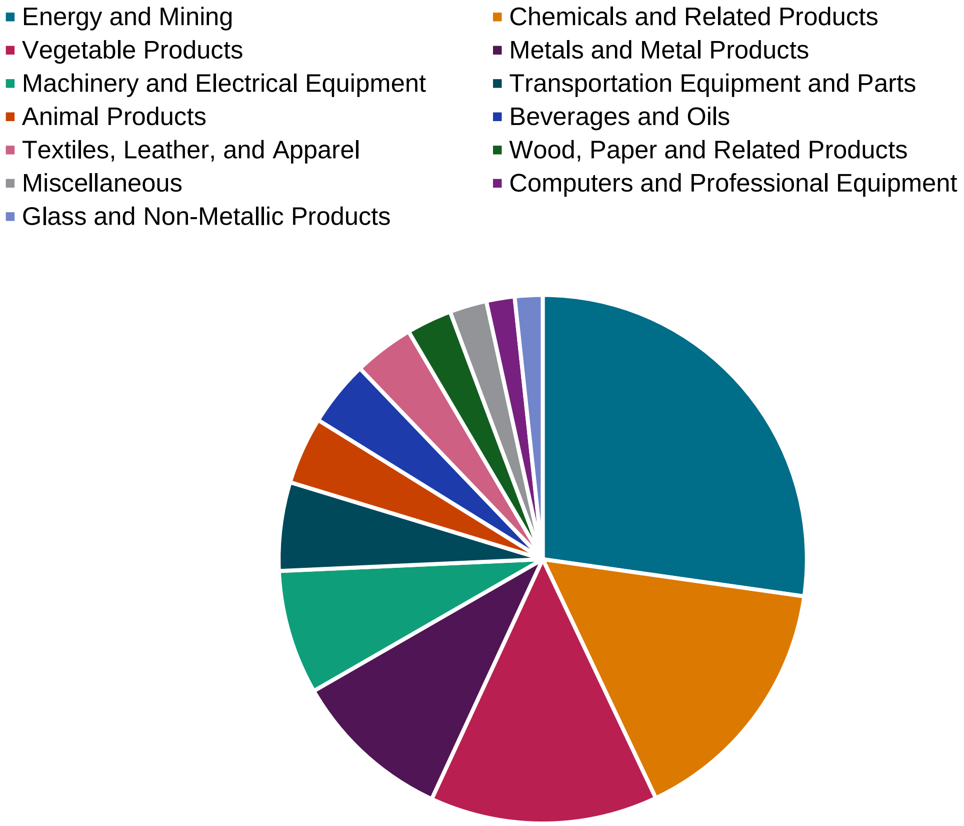
Composition of UK exports to Africa (%, 2021-2024)



As of August 21, 2025.
Source: S&P Global Market Intelligence.

Inter-regional trade in Africa: a growing share, now at 12.2% of total Africa trade

Composition of inter-regional trade in Africa (%, 2021-2024)



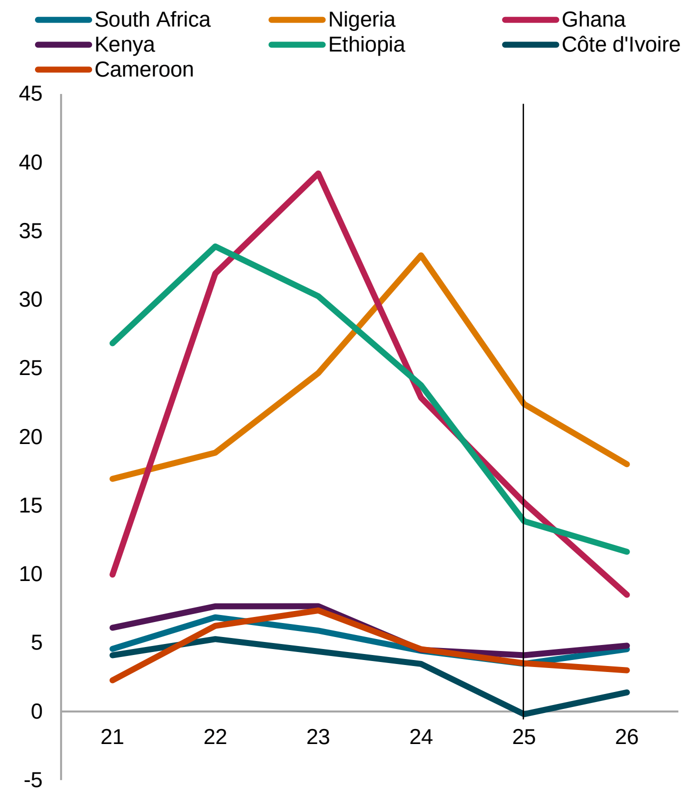
As of August 21, 2025.

Source: S&P Global Market Intelligence.

- **Energy and mining** dominate inter-regional trade in Africa, making up 27.2% of total trade, with refined petroleum and crude oil as the largest contributors (16% of total inter-regional trade).
- **Chemicals and related products account** for 15.7% of inter-regional trade, with fertilizers holding the largest share (3% of total inter-regional trade).
- **Vegetable products** represent 13.9% of inter-regional trade.
- The **Africa Continental Free Trade Agreement** (AfCFTA) is unlikely to close the export gap to the US, which constitutes about 5% of Africa's total exports.
  - Key exports to the US include motor vehicles, agricultural products, and textiles; precious metals and mineral fuels are tariff-exempt.
- **To watch**: The Africa Growth and Opportunity Act (AGOA) expires in September 2025.

Navigating inflation: opportunities for further monetary easing in SSA in 2026

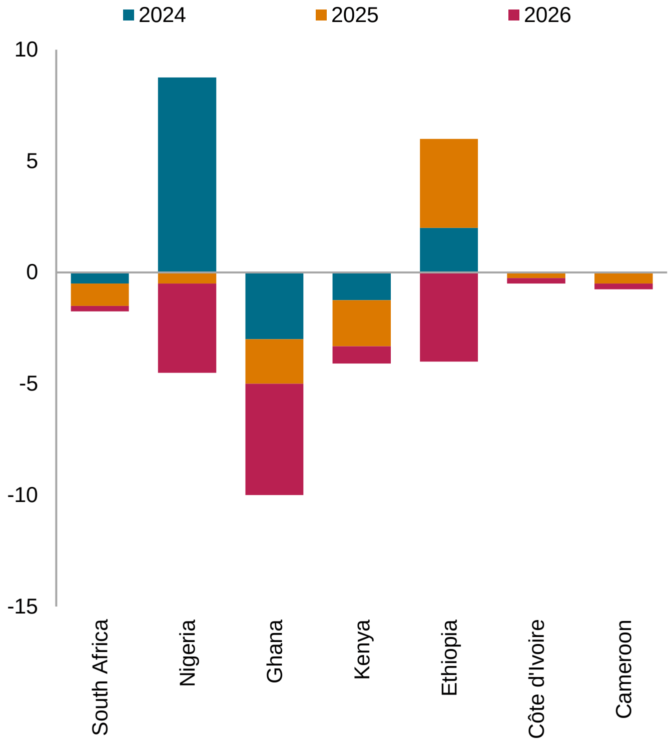
Inflation continues to ease in 2026



As of August 22, 2025.
Source: S&P Global Market Intelligence.

- Diverging inflation trajectories led to varied monetary policy in 2025.
- Exchange rate liberalization increased price pressures in Nigeria.
- Strong gold price and a weak dollar supported currencies in Ghana, South Africa, and the CFA franc zone, reducing inflation.
- In 2026, dollar stability, lower oil prices for import-dependent countries, and stable commodity prices are expected to ease price pressures in sub-Saharan Africa.
- South African Reserve Bank's new inflation target of 3% (from 4.5% previously) could result in a slower monetary easing path in 2025-2026.

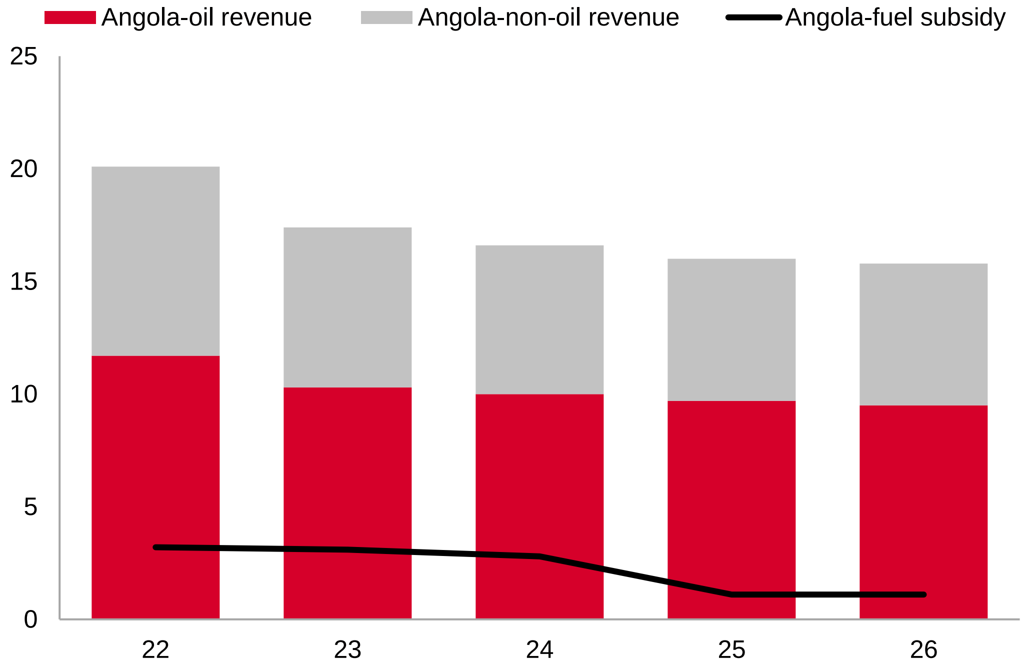
Monetary easing gains momentum in sub-Saharan Africa during 2026



As of August 22, 2025.
Source: S&P Global Market Intelligence.

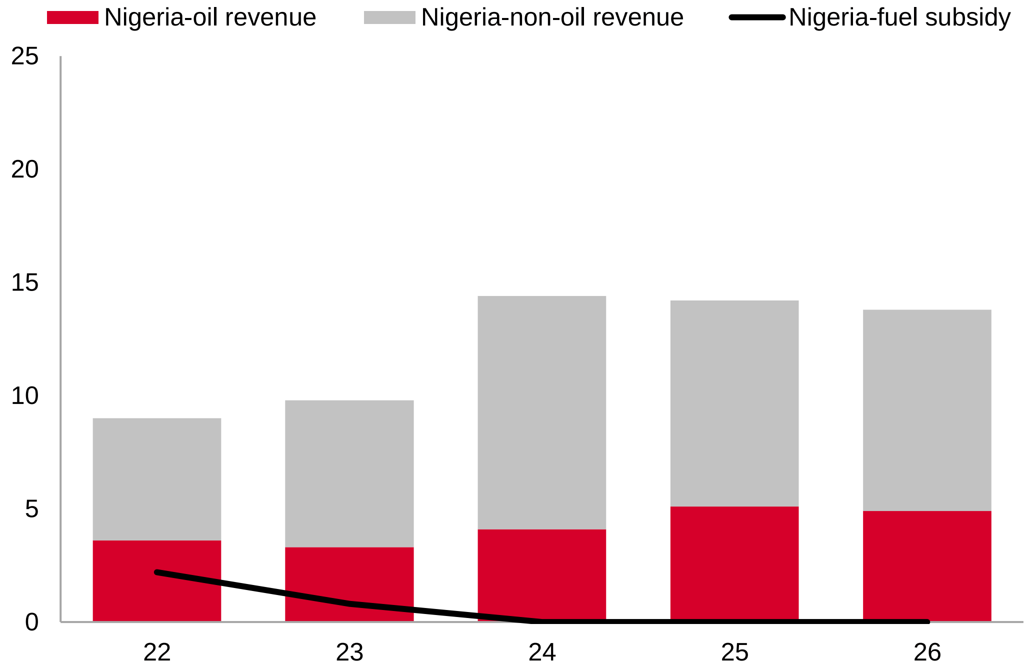
Bigger is slower: rising fiscal pressures in oil producers anticipated for 2026: the role of reduced fuel subsidies

Angola: fuel subsidy adds to fiscal pressures (government finances, % of GDP)



As of August 21, 2025.
Fuel subsidy cost included in budget for the first time in 2022
Source: S&P Global Market Intelligence, IMF.

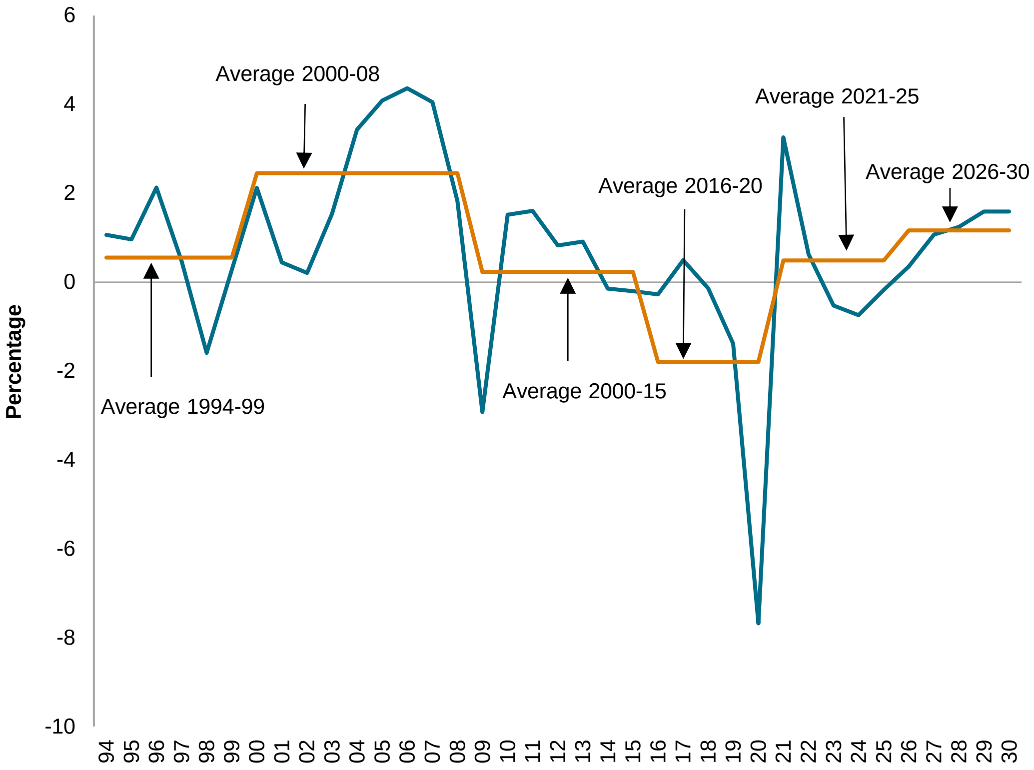
Nigeria: fuel subsidy phased out (government finances, % of GDP)



As of August 21, 2025.
Significant tax reforms introduced in 2025, fuel subsidy phased out in 2024
Source: S&P Global Market Intelligence, IMF

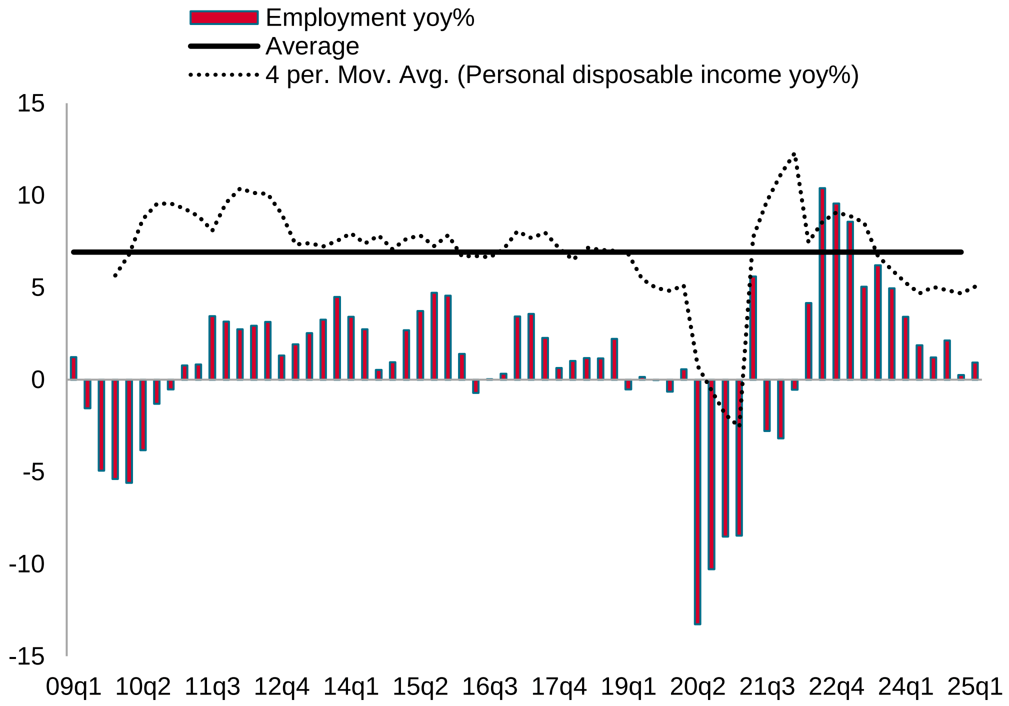
Bigger is slower: post-pandemic employment catch-up fades. South African consumers more under pressure.

Real GDP per capita growth



As of September 08, 2025.
Source: S&P Global Market Intelligence

Slowdown in employment expected to gain momentum in 2H 2025-2026



As of September 08, 2025.
Source: S&P Global Market Intelligence.

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Bigger is slower: inflation target – from 4.5% to 3%, what needs to happen compared to the baseline (South African Reserve Bank estimates)

Unit labour cost must be lower (total labour cost/real output)

Electricity tariffs adjustments must be lower

Rand exchange rate must be stronger

Food price inflation falls

Fuel price hikes is smaller

Negative output gap (economic growth below potential)

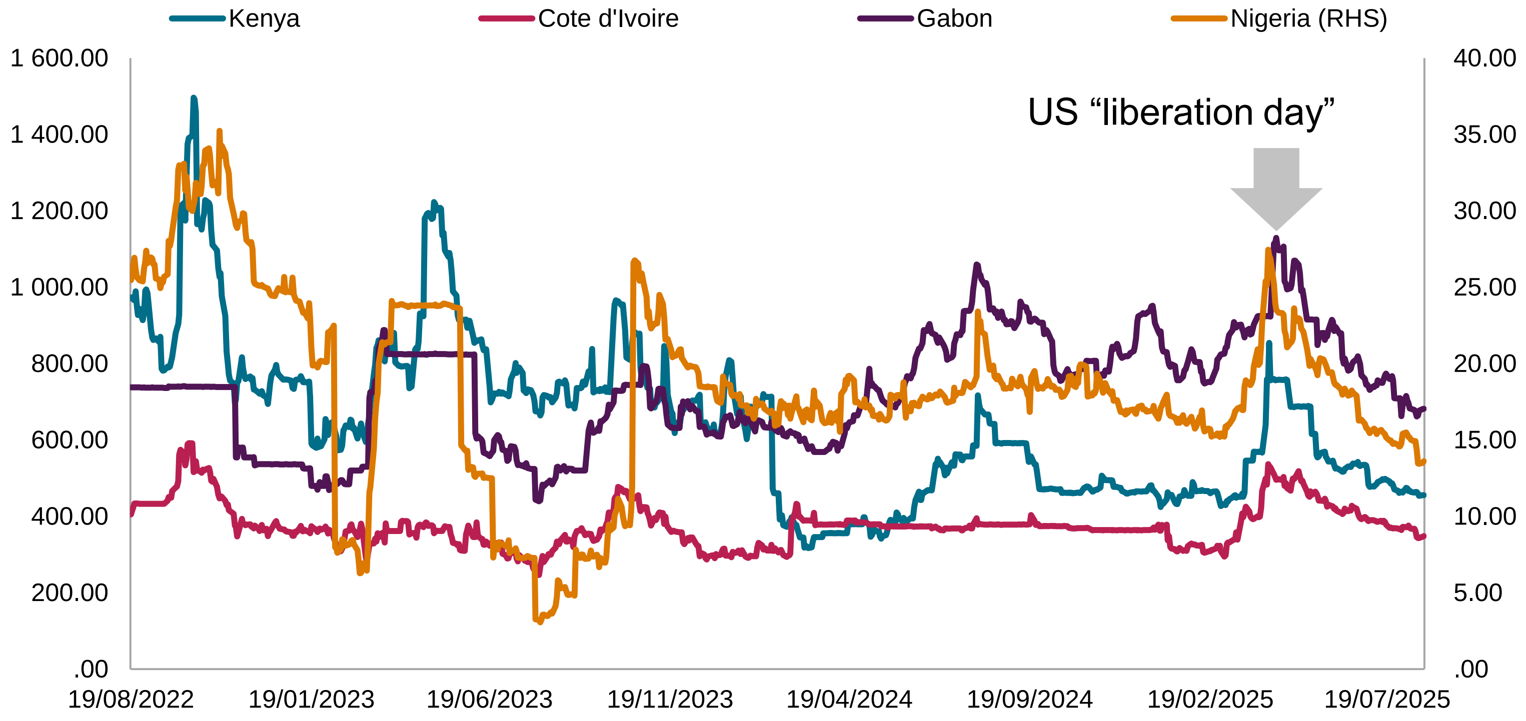
Inflation outlook:

	2025	2026	2027
3.0% target	3.3%	3.3%	3.0%
4.5% target	4.5%	4.5%	4.5%

Economic agents target 3% inflation

Finding funding: donor aid slows, taxes on US cash transfers introduced during 2026.

Credit Default Swap Price (5-year senior debt, bps, 08/15/22 - 08/19/25)



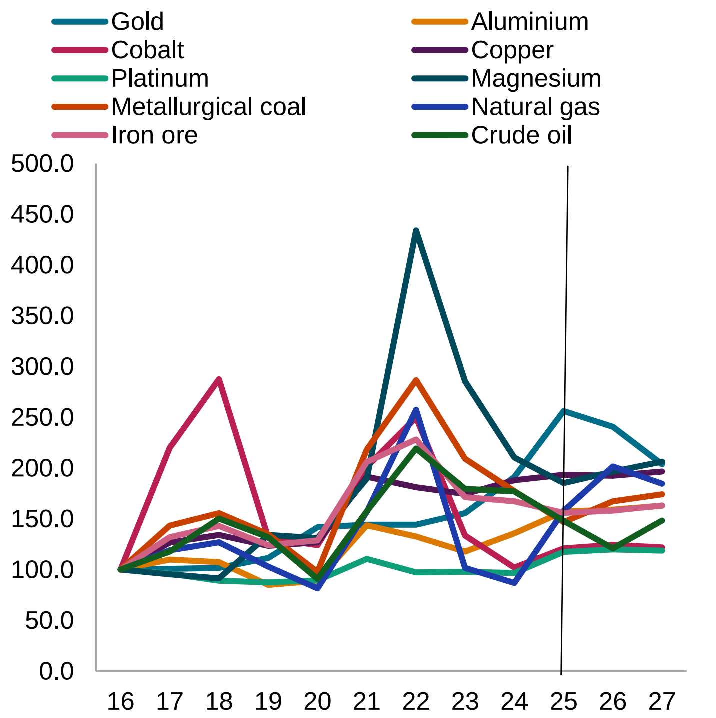
As of August 20, 2025.

Source: S&P Global Market Intelligence, S&P Global Capital IQ Pro.

- Global financial market conditions looser than initially anticipated.
  - Côte d'Ivoire, Benin, Kenya and Gabon issued Eurobonds in early 2025.
  - MEA portfolio flows recover in 2025 but still below 2023 levels.
- US foreign donor aid suspended in early 2025. Other foreign donor aid from partners such as EU, UK tapers.
  - CAR, Burundi, Somalia, Mozambique, Gambia, The –ODA more than 10% of gross national income.
- 1% US excise tax introduced on cash transfers to other countries from 2026 onwards.
  - Gambia, The, Guinea-Bissau, Liberia, Nigeria, Somalia and Ghana rely on US remittances flows.
- Conversion of $-denominated debt into Yuan-denominated debt. Yuan swap lines.

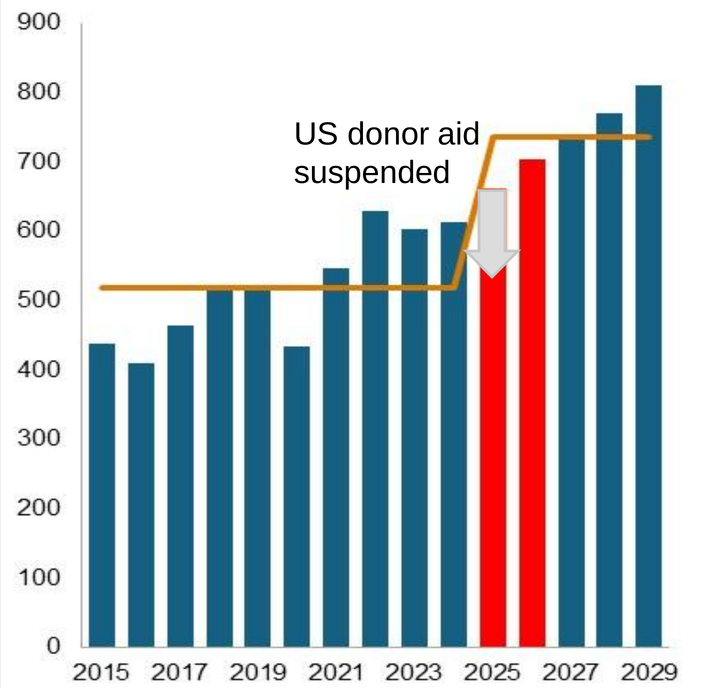
Finding funding: external liquidity position improves in sub-Saharan Africa

Commodity prices rebound (Index 2016=100)



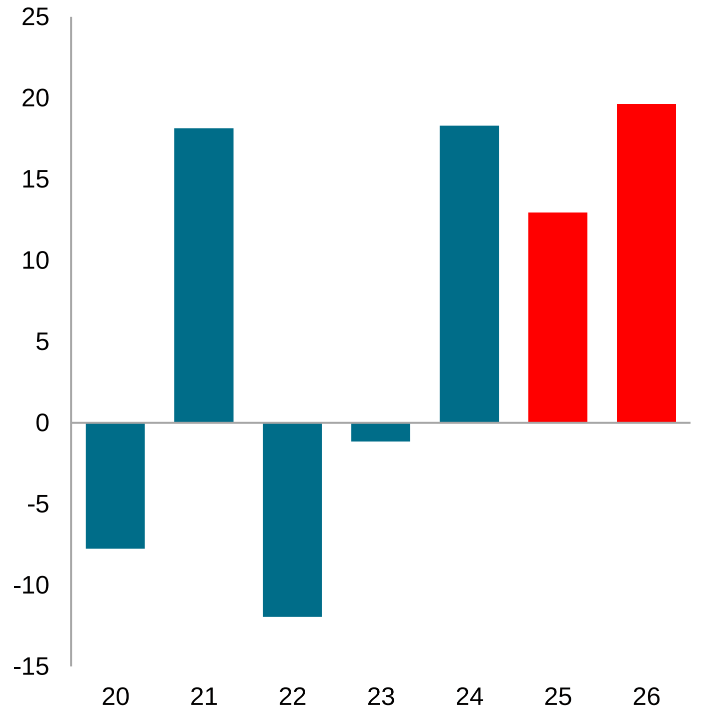
As of August 20, 2025.
Source: S&P Global Market Intelligence.

Foreign exchange earnings improve (exports & credits, $ billion)



As of August. 20, 2025.
Source: S&P Global Market Intelligence

Change in foreign reserves ($ billion, excluding gold)



As of August 21, 2025.
Source: S&P Global Market Intelligence.

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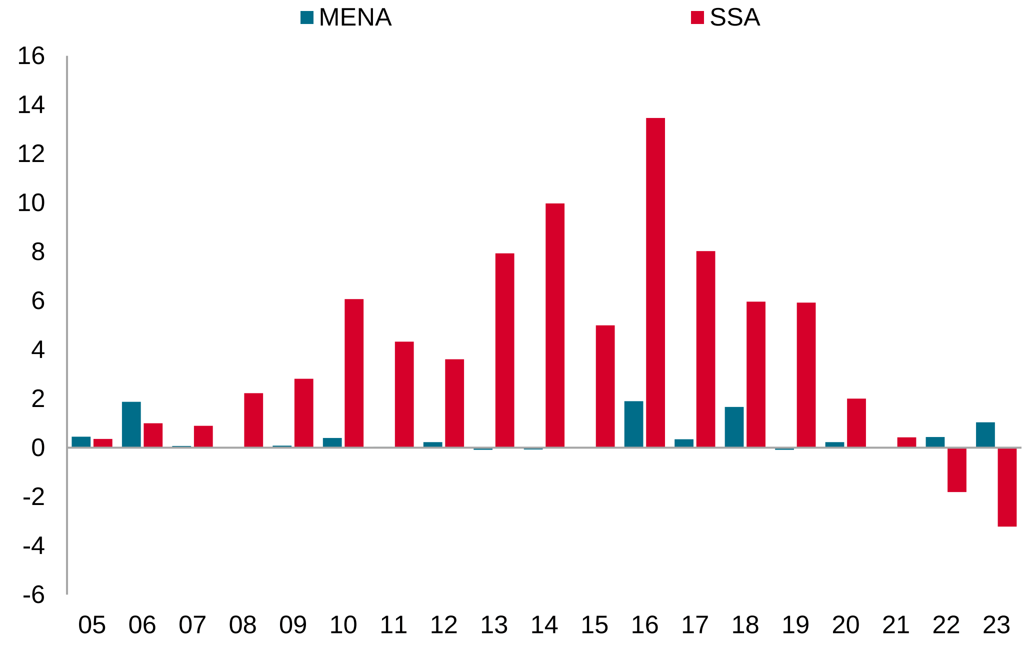
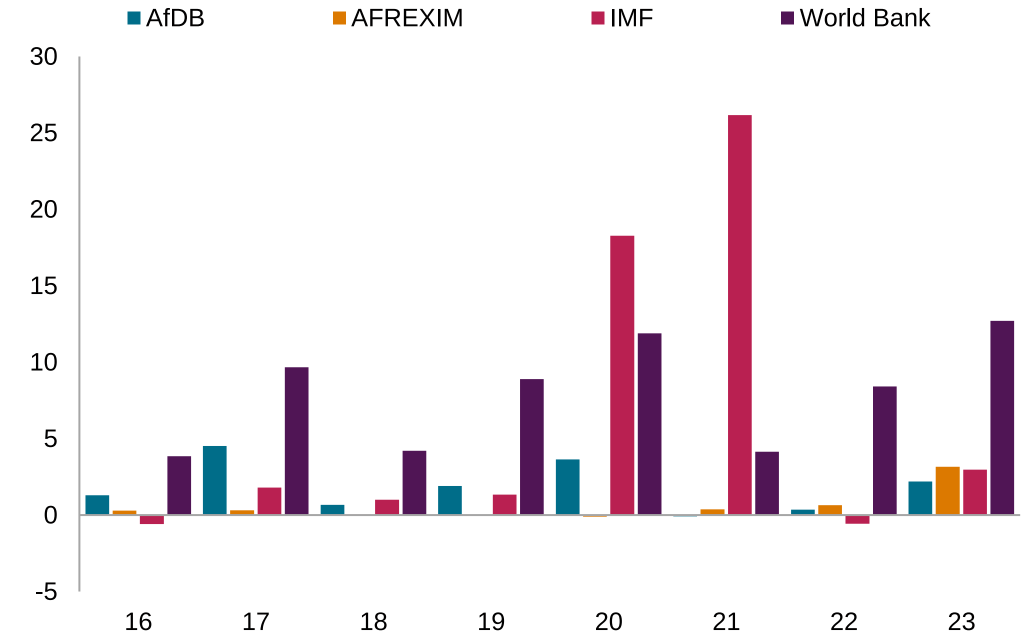
Finding funding: new and old bilateral & multilateral partners

Change in SSA and MENA's external debt stock owed to mainland China ($ billions)



As of August 21, 2025.
Total external debt is debt owed to mainland China repayable in currency, goods, or services. It is the sum of public, publicly guaranteed, and private nonguaranteed long-term debt, short-term debt. Data are in current U.S. dollars.
Source: S&P Global Market Intelligence, World Bank.

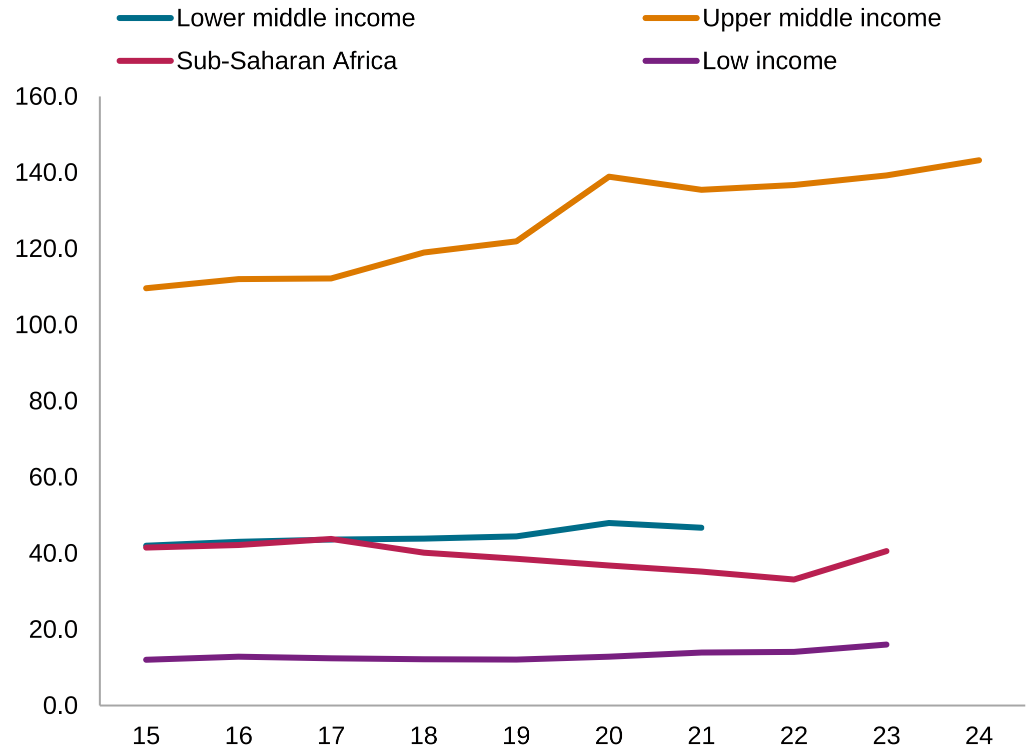
Surge in multilateral financing to Sub-Saharan Africa post-COVID-19 (change in external debt, $ billion)



As of August 22, 2025.
WB-IBDR, WB-IDA and WB-MIGA included in World Bank total. Total external debt is debt owed to nonresidents repayable in currency, goods, or services. It is the sum of public, publicly guaranteed, and private nonguaranteed long-term debt, short-term debt, and use of IMF credit. Data are in current U.S. dollars.
Source: S&P Global Market Intelligence, World Bank.

Finding funding: domestic capital markets are shallow

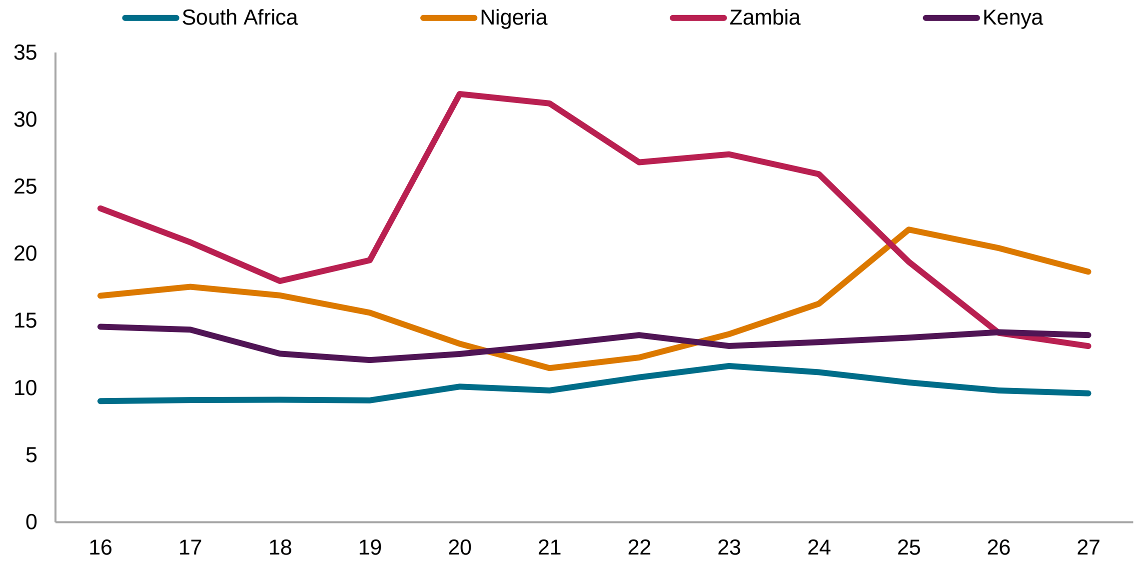
Domestic credit to the private sector (% of GDP)



As of August 22, 2025.
Source: World Bank.

- Private sector debt-to-GDP ratio the lowest in West and Central Africa. Capital markets most developed in Southern Africa, particularly South Africa.

Sub-Saharan Africa: long-term interest rates (%)



As of August 24, 2025.
Source: S&P Global Market Intelligence.

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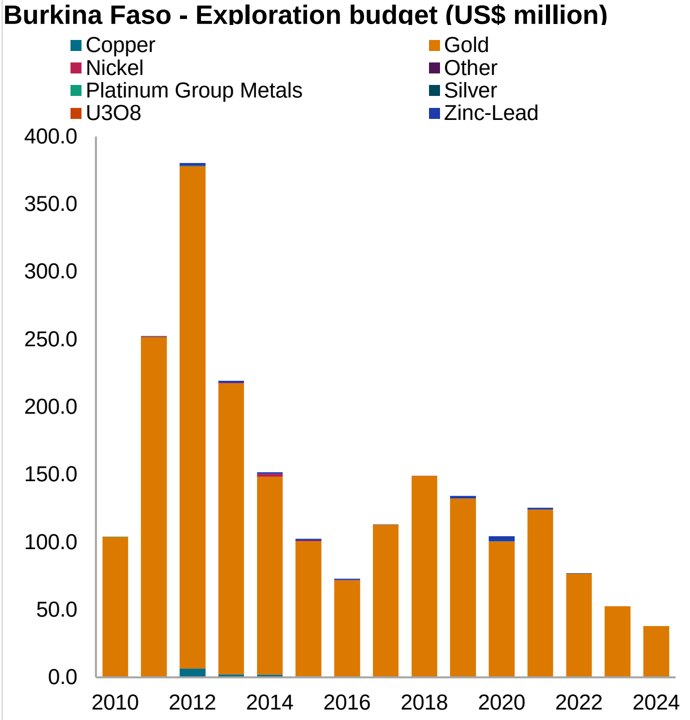
Market Intelligence

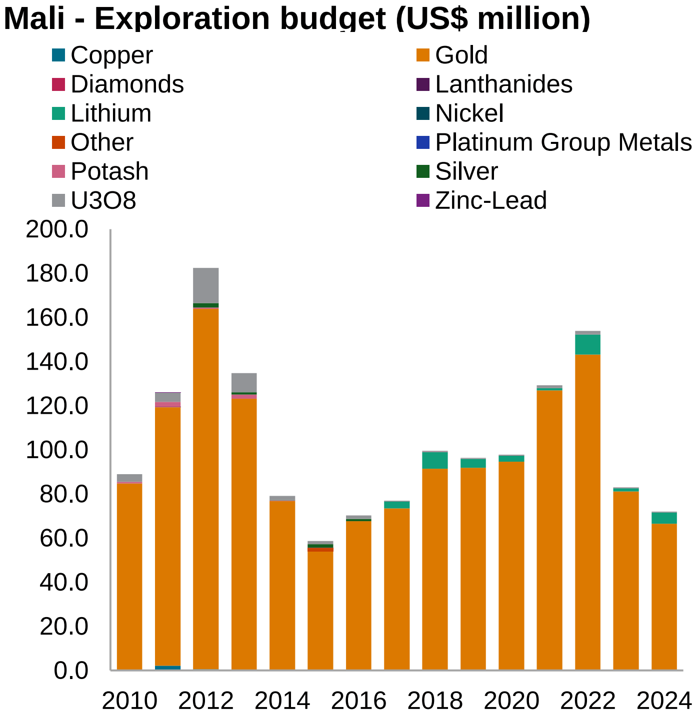
Finding funding: higher taxes, changes to mining legislation in Burkina Faso, Mali and Niger

Burkina Faso: exploration budget for the mining sector



As of August 26, 2025.
Source: S&P Global Market Intelligence; S&P Capital IQ

Mali: exploration budget for the mining sector



As of August 25. 2025.
Source: S&P Global Market Intelligence, S&P Capital IQ

Burkina Faso and Mali mining sector

- Mining accounts for roughly 20%-25% of government revenue, dominated by the gold sector.
- Increase gold royalties.
- Changing equity stakes in mining operations, including government ownership.
- Local beneficiation laws.
- Policies against illicit mining.
- Increased security risks.

Finding funding: public-private-partnerships; unlocking the energy and minerals potential in sub-Saharan Africa.

Simandou project

Data compiled June 19, 2025.
Sources: Winning Consortium Simandou; S&P Global: 251137-01.

- **Largest untapped iron ore deposit**: Simandou is the largest untapped high-grade iron ore deposit globally.
- **Joint Venture Structure**: The project is a joint venture (JV) comprising:
  - Rio Tinto Simfer: 42.5% equity stake
  - Winning Consortium Simandou (WCS): 42.5% equity stake
  - Guinean Government: 15% equity stake
- **Mining and infrastructure development**:
  - Open-pit mining operations planned, 650-km dual-track railway featuring 12 stations, 213 bridges, 4 tunnels
  - Port of Morébaya
- **Significant project scale**: Second most important project development following the **Lobito corridor** development in Angola-DRC-Zambia.
- **Other infrastructure projects**:
  - **EACOP** oil pipeline project between Uganda and Tanzania.
  - **TAZARA** railway rehabilitation in the pipeline
  - **Burundi-Tanzania** railway development in the pipeline

Finding funding: public-private-partnerships; infrastructure rehabilitation and development

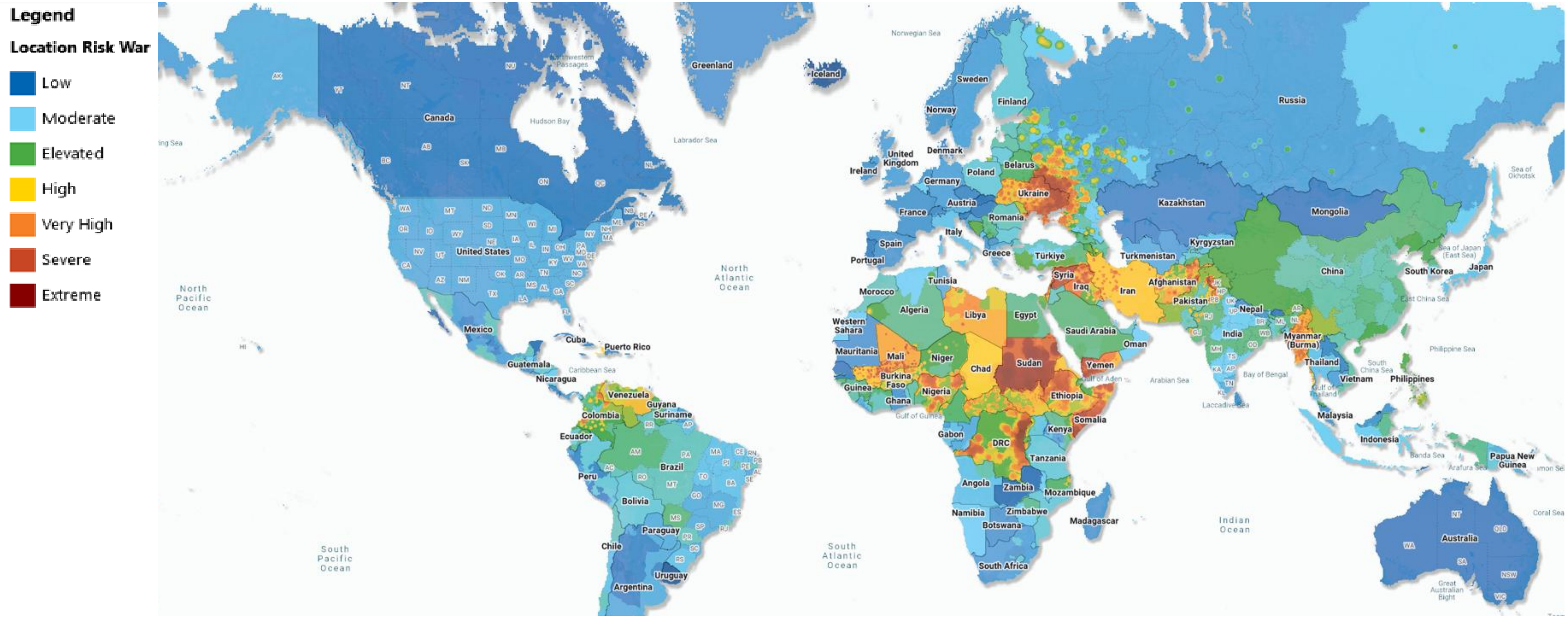
Transnet, South Africa state-owned entity (SOE) for ports and rail

- The Network Statement created the operating and tariff framework for the entry of private Train Operating Companies (TOC)s.

  The rail business split into Transnet Freight Rail Operating Company and the Transnet Rail Infrastructure Manager.
- Contract negotiation with 11 TOCs has started, enable them to gain access to the network and begin operating the routes by 2026-2027.
- Contract period 10-years.
- Possible to lease rolling stock from Transnet.
- Transnet responsible for the upgrade and maintenance of the network. Seek funding through National Treasury’s Budget Facility for Infrastructure (BFI).
- Private sector participation in infrastructure development, most probably through concessions.

Unresolved conflicts disrupt some logistics corridors and reshoring momentum

One-year outlook for interstate and civil war risks

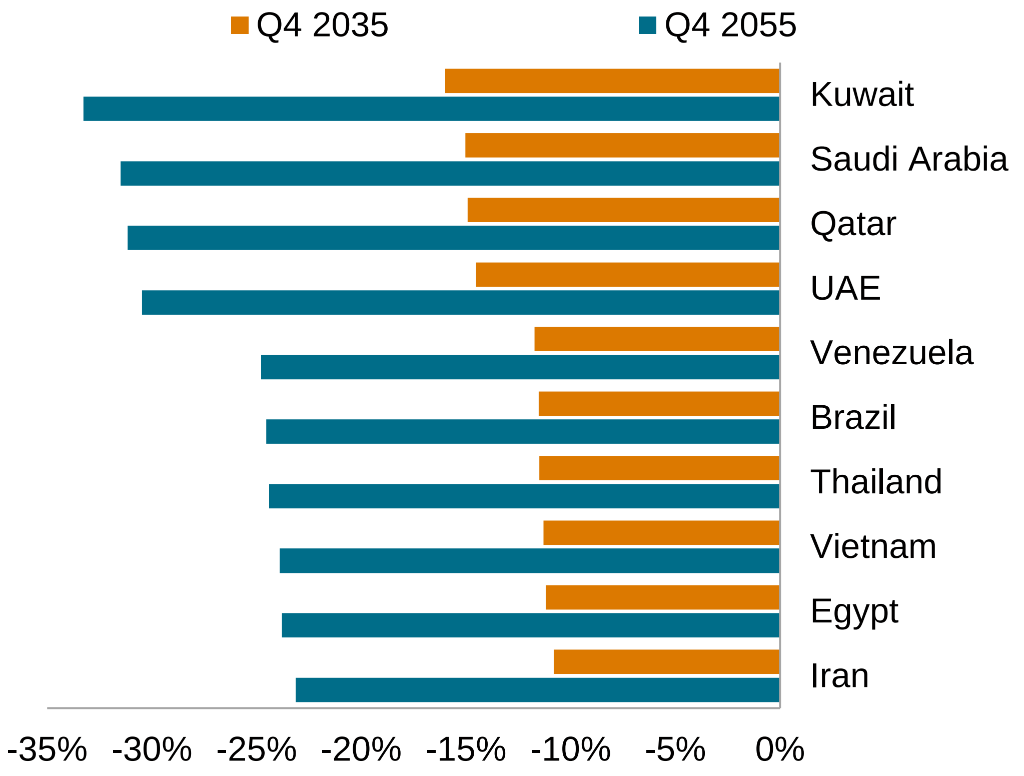


Data compiled July 16, 2025.
Source: S&P Global Market Intelligence.

Emerging markets will be particularly impacted by the economic consequences of climate change, particularly in the Middle East and North Africa region

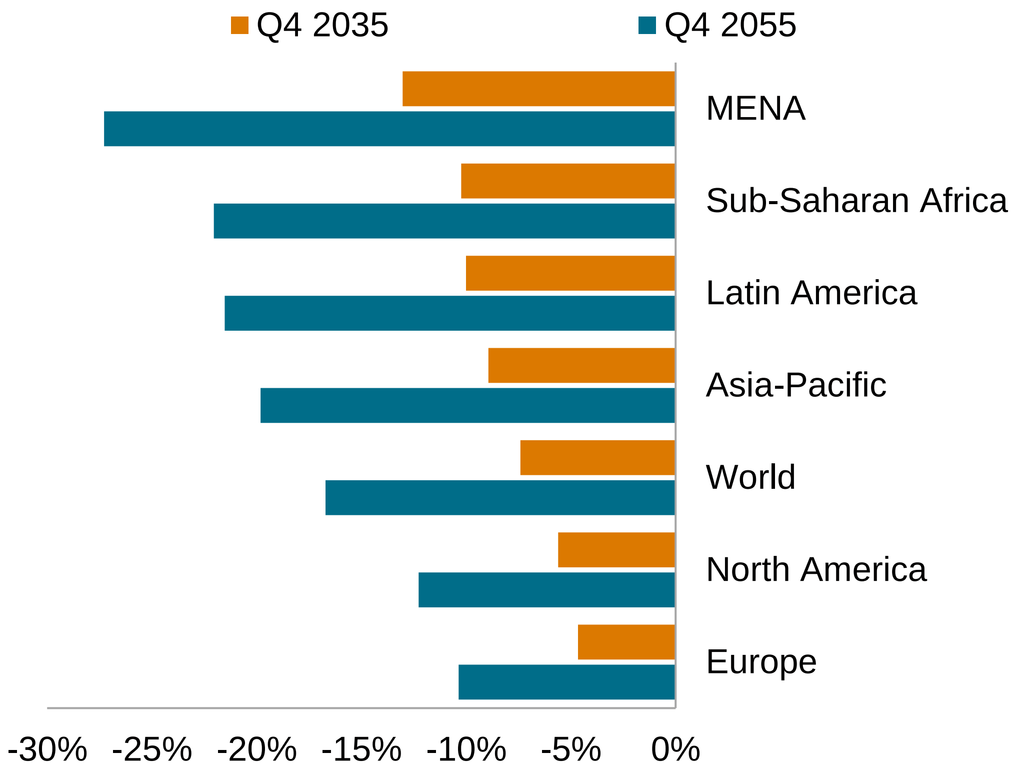
Real GDP — Top 10 most impacted geographies

Deviation to the baseline at selected dates



Real GDP — Impact by region

Deviation to the baseline at selected dates



As of July 2025.
UAE = United Arab Emirates; MENA = Middle East and North Africa.
Source: S&P Global Market Intelligence.

S&P Global Market Intelligence