



## P R E S S R E L E A S E

Hong Kong, 29 June 2015

### **Sub-Saharan Africa: three East African economies are sheltered from the economic storm**

**Although growth was accelerated by the high prices of commodities on which sub-Saharan Africa is highly dependent, the region must now deal with the effects of falling oil prices. The 45 countries screened by Coface are affected to different degrees. Three of these countries have all the ingredients needed for dynamic growth in the short and the long term. They have been relatively spared by the decline in world commodity prices and their economies are diversifying.**

#### **13 countries are relatively unaffected by the recent decline in world commodity prices**

An exceptional combination of positive factors has helped accelerate growth in Africa (about 5% per year on average since 2008). These factors include structural adjustment linked to the relatively low initial per capita income, high foreign investment, a more stable political environment and numerous debt cancellations. The upturn was also boosted by the high prices of commodities on which the region is highly dependent. Fuels (mainly oil) account for 53% of sub-Saharan export sales, well ahead of ores, metals and gemstones (17%) and food products and agricultural commodities (11%). For some countries, such as Nigeria, Chad, Equatorial Guinea and Angola, the proportion of fuels within export sales is between 60% and 100%.

The region has consequently been weakened by the magnitude and longevity of the fall in commodity prices. Situations vary between countries, depending on whether they are net exporters of non-renewable resources (crude oil and base metals in free fall) or net exporters of renewable resources (food and agricultural commodities, for which the fall in prices is limited). The score for each of the forty-five countries examined (see Appendix) has identified thirteen relatively unaffected countries: Ethiopia, Sao Tome, Uganda, Malawi, Cape Verde, Kenya, Burundi, Seychelles, Central African Republic, Mauritius, Tanzania, Swaziland, and Togo. The fall in export prices is less than that of their imported products.

#### **The biggest winners: Kenya, Ethiopia, and Uganda**

To take the assessment of the long-term risks in sub-Saharan African countries a step further, Coface economists adopted the criterion of the diversification of their economies. Diversification reduces vulnerability, supports long-term growth and enhances resilience to external impacts. Only three countries have a satisfactory degree of economic diversification, without being penalized in the short term by lower commodity prices. These are Ethiopia, Uganda and Kenya. Recent figures confirm their potential for dynamic growth, with the growth in GDP reaching nearly 7% on average in 2014, comparable to that of China.



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- In Ethiopia and Uganda, diversification is achieved through the manufacturing sector, whose growth is linked to successful integration into global value chains (such as the past economic boom in some south-east Asian countries). Over one hundred products are exported - a number which more than tripled between 2000 and 2013. Two sectors in particular, textiles and the processing of agricultural produce, are contributing to the diversification of the economy.  
Rwanda, which also meets the diversification criterion, is affected by fluctuations in commodity prices and therefore is not among the "winners".
- Kenya has opted for a development model based on services, which account for over 60% of its GDP. Unlike other sub-Saharan African countries' economies that traditionally focus on trade, transport / storage activities and public services, Kenya is showing positive dynamism in telecommunications (in particular with mobile banking) and outsourcing business services, as a result of cheap labour.  
Kenya is the only country that benefits from both the increase in the influence of these relatively high value-added service sectors in the economy (transport / communications and financial services) and from the increase in the proportion of its service exports (over 40% of total overseas sales).

*"However, this positive observation and the region's undeniable potential do not mean the total absence of risk. Political stability in the region is fragile. The lack of infrastructure is also a known vulnerability, as are the high current account deficit and increasing public debt levels,"* warned Julien Marcilly, Chief Economist of Coface.

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### **About Coface**

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APPENDIX

