AFRAE Viewpoints Series

Africa's Economic Pulse During Trump’s First Term — Economic Growth, Market Performances, and Insights for a Second

AFRAE Research Team / 08 November 2024

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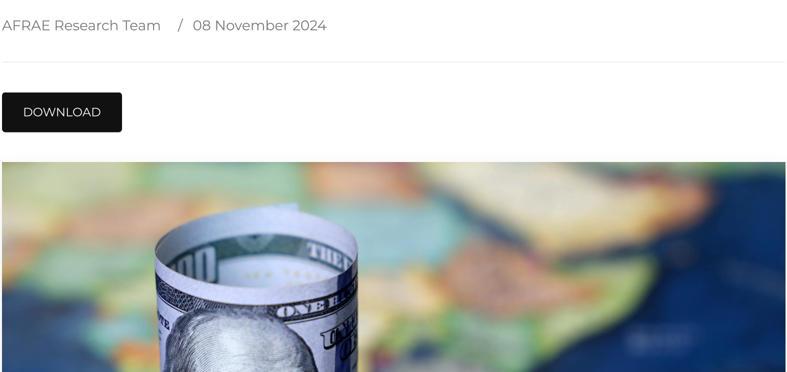


AFRAE Viewpoints Series is a periodic review where AFRAE shares insights and perspectives on Africa's rapidly evolving investment landscape

EXECUTIVE SUMMARY

This article opens a series examining potential shifts in U.S.-Africa relations under Donald Trump’s reelection and renewed "America First" priorities. As Africa's economies encounter new dynamics in trade, investment, and security, this series explores how these changes could shape the continent's future.

In this article, we assess the economic resilience and market performance of African nations during Trump’s first term, analyzing growth trends, commodity markets, stock activity, and local policies. These insights aim to inform strategies and shape expectations for U.S.-Africa relations in a second term.

Upcoming articles will examine U.S.-Africa trade dynamics under a new Trump mandate and analyze African nations’ strategic responses. The series will conclude with a special edition on Mauritius, highlighting its unique position within this evolving framework.

By exploring how Africa can navigate shifting U.S. policies, this series provides essential insights on diversifying partnerships, strengthening regional integration, and enhancing economic resilience.

This collection offers policymakers, investors, and analysts valuable perspectives on Africa’s adaptive strategies in response to evolving U.S. priorities.

INTRODUCTION

From 2017 to 2020, African economies saw mixed economic and market performance. COVID-19's impact, local policies, global demand shifts, and the U.S. "America First" trade policy shaped this complex landscape. While some African countries showed resilience and growth, others faced challenges tied to commodity dependencies and market vulnerabilities. This retrospective analysis covers economic growth trends, commodity markets, and stock performance during Trump's first term, highlighting key dynamics that influenced African markets.

SECTION 1 : ECONOMIC GROWTH TRENDS: A DIVERSE PICTURE

During Trump's first term, the average annual GDP growth for African countries was 1.7%, slightly above the global average of 1.6%. However, this arithmetic average masks wide disparities. While some African economies thrived, others faced contractions and economic setbacks.

1. Top Performers:

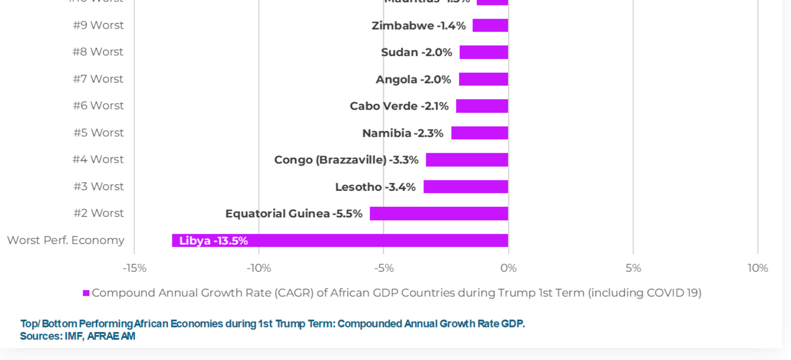
Ethiopia led the continent with a compound annual growth rate (CAGR) of 7.7% from 2017 to 2020. Public investment in infrastructure and growth in industry and agriculture kept Ethiopia among the world's fastest-growing economies.

Ghana and **Ivory Coast** also posted strong growth, with CAGRs of 5.3% and 4.9%, respectively. Both countries benefited from diversified economies, supported by robust agricultural and industrial sectors.

2. Struggling Economies:

Libya and **Equatorial Guinea** faced severe contractions, driven by COVID-19 impacts, heavy reliance on oil exports, political instability, and global oil price volatility. **Libya**'s GDP declined by -13.5%, highlighting the vulnerability of oil-dependent economies to global price swings and internal conflict.

Zimbabwe and **Angola**, both dependent on commodity exports, also experienced negative growth. Weak commodity markets and limited economic diversification added to their challenges.



Top/Bottom Performing African Economies during 1st Trump Term: Compounded Annual Growth Rate GDP. Sources: IMF, AFRAE AM

3. Policy-Driven Resilience:

Countries with stable governance and proactive economic policies, such as **Botswana** and **Rwanda**, managed moderate growth even amid the effects of COVID-19. **Rwanda**'s strategic focus on technology, tourism, and services helped it sustain an annual growth rate of 4.2% during this period, even amid global uncertainties.

SECTION 2 :COMMODITY MARKETS: THE DOUBLE-EDGED SWORD

Commodity markets were pivotal in shaping the economic performance of African nations, many of which rely heavily on oil, minerals, and agricultural exports. Between 2017 and 2020, price fluctuations — driven by global demand and supply constraints — had significant impacts across resource-rich African economies

1. Oil-Dependent Economies:

For oil-exporting countries like **Nigeria** and Angola, **U.S. energy policies — including sanctions on Iran —** had a notable impact on oil prices. In 2018, prices surged to $86 per barrel, temporarily benefiting these oil-dependent economies. However, the COVID-19 pandemic caused a sharp drop in global demand, cutting into revenues.

Nigeria, Africa's largest oil producer, saw its GDP growth closely track oil price shifts, underscoring its reliance on energy exports. The pandemic-driven price decline highlighted Nigeria's need for economic diversification to reduce vulnerability to such shocks.

2. Minerals and Metals:

African countries rich in precious metals, like **South Africa** (platinum, gold) and the **Democratic Republic of the Congo** (cobalt, copper), saw mixed outcomes. Demand for **Platinum Group Metals (PGMs) — especially palladium and rhodium —** rose as stricter global emission standards boosted the need for catalytic converters. This trend benefited **South Africa**'s mining sector.

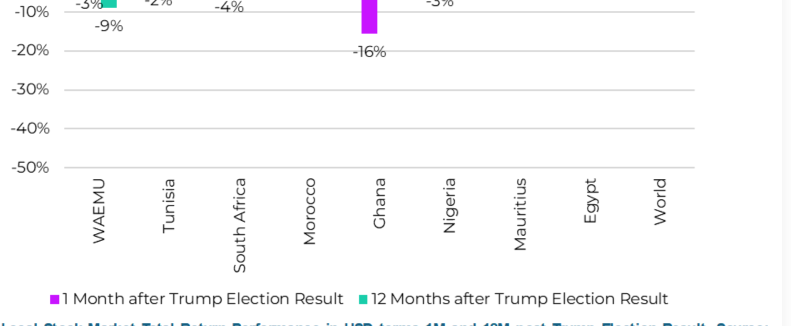
However, global macroeconomic factors introduced price volatility. COVID-19 disruptions and shifts in industrial demand created instability for metals like copper and cobalt, essential exports for countries such as the **Democratic Republic of the Congo**.

3. Agriculture:

Agriculture remained a vital sector for many African countries but was highly vulnerable to global supply chain disruptions. Major exporters like **Kenya** and **Ethiopia**, known for coffee and other agricultural products, experienced mixed performance as global trade slowed during the pandemic. Fluctuations in global coffee prices further impacted these economies, highlighting the need for resilient agricultural policies.

SECTION 3 :STOCK MARKET PERFORMANCE: LOCAL FACTORS OUTWEIGH U.S. INFLUENCE

Although U.S. elections and policies had global market impacts, African stock markets were largely driven by local factors. Domestic reforms, currency valuations, and regional economic policies played a more significant role than external political shifts during Trump's first term.



Local Stock Market Total Return Performance in USD terms 1M and 12M post Trump Election Result. Source: Bloomberg, AFRAE AM

> *"THESE TRENDS UNDERSCORE A COMMON THEME: **AFRICAN STOCK MARKETS ARE OFTEN MORE RESPONSIVE TO LOCAL POLICIES AND ECONOMIC CONDITIONS THAN TO SHIFTS IN U.S. FOREIGN POLICY**, THOUGH GLOBAL TRENDS STILL IMPACT COMMODITY PRICES AND INVESTOR SENTIMENT."*
>
> AFRAE AM

1. Egypt:

Egypt's EGX 30 Index rose by 45% in USD terms within a year of Trump's election. This growth was largely fueled by local economic reforms, including a currency devaluation that attracted foreign investment. The index's strong performance highlighted the positive effect of structural reforms on investor confidence.

2. Nigeria:

Following Trump's election, **Nigeria**'s All-Share Index dropped by 3% in USD terms in the first month. Over the next 12 months, however, it surged by 29%, driven by **Nigeria**'s gradual recovery from a domestic recession and improved oil production — a vital component of the country's economy -.

3. Mauritius and Ghana:

Mauritius and **Ghana** showed resilience, with their stock markets **outperforming the MSCI World Index Total Return in USD terms**. **Ghana**'s strong performance reflected its economic stability and growth. **Mauritius** benefited from its role as a regional financial hub, supported by its focus on services and tourism.

These trends underscore a common theme: **African stock markets are often more responsive to local policies and economic conditions than to shifts in U.S. foreign policy**, though global trends still impact commodity prices and investor sentiment.

LOCAL ECONOMIC POLICIES: THE PATH TO STABILITY

Across Africa, countries that adopted prudent economic policies or pursued diversification strategies were better able to withstand external shocks. Key approaches included:

1. Diversification Initiatives: Nigeria and **Angola** have begun to diversify beyond oil, with Nigeria advancing in agriculture and technology to reduce reliance on volatile global oil markets.

2. Industrial and Agricultural Investments: Ethiopia's focus on manufacturing and **Kenya**'s modernization of agriculture have strengthened resilience, enabling these countries to maintain growth despite global uncertainties.

3. Currency Reforms: Countries like **Egypt** and **Ghana** implemented currency devaluations. Though initially challenging, these measures boosted export competitiveness and attracted foreign investment.

CONCLUSION

The economic and market performance of African nations during Trump's first term varied widely. Local policies, reliance on commodities, and economic adaptability played key roles. **While U.S. policies — especially in energy — affected some economies , local governance and proactive reforms largely shaped the path of these markets.**

Key Takeaways:

1. Diverse Economic Responses : African economies responded differently to global and local pressures. Countries like **Ethiopia** and **Ghana** saw strong growth through diversification, while oil-dependent nations, including **Nigeria** and **Angola**, remained more vulnerable to external shocks.

2. Value of Policy Adaptability : Nations that embraced economic reforms and diversified investments, such as **Rwanda** and **Egypt**, achieved more stable growth. This highlights the importance of flexible, responsive policies in managing global volatility.

3. Commodity Market Sensitivity: Reliance on commodities remains a double-edged sword. While oil and mineral exports drive gains, global price fluctuations still expose many African economies to risk.

4. Regional Integration as a Strategic Buffer: Strengthening regional trade, particularly through initiatives like the **African Continental Free Trade Area (AfCFTA)**, could reduce dependency on volatile external markets and build intra-African resilience.

With **Trump now reelected**, African nations can use these insights to **prioritize economic diversification, strengthen regional trade, and adopt policies that enhance resilience**. These strategies could lay a stronger foundation for growth, helping African markets navigate future global challenges and seize new opportunities in the evolving U.S.-Africa relationship.

In the next article, we'll explore the historical context of **U.S.-Africa trade relations**, focusing on foundational policies like the **African Growth and Opportunity Act (AGOA)** and the **Prosper Africa Initiative**. By examining these initiatives, we aim to shed light on **possible scenarios for the future of U.S.-Africa trade under Trump's second term**, considering how these policies might be redefined or re-evaluated.

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