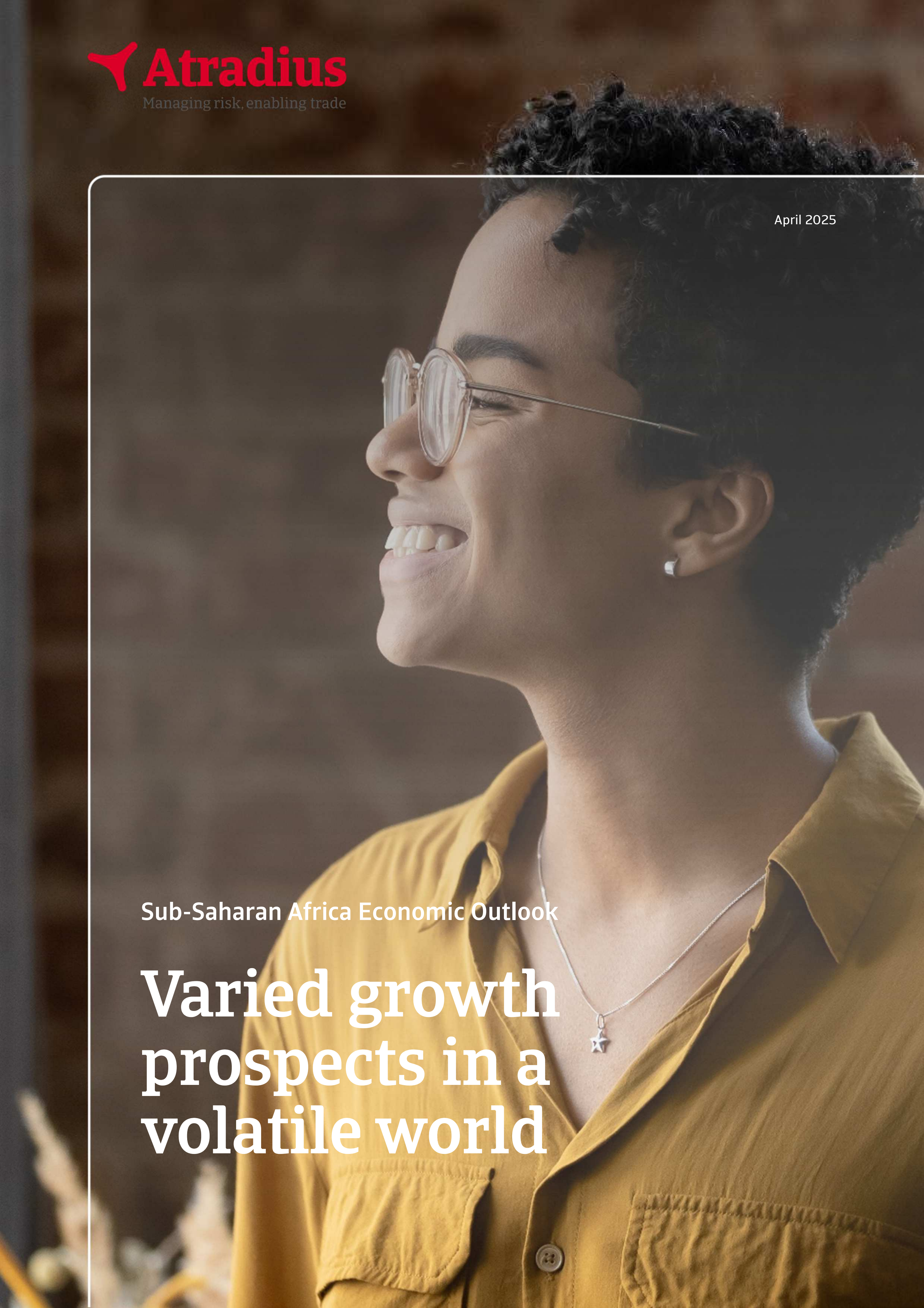
Managing risk, enabling trade



April 2025

Sub-Saharan Africa Economic Outlook

Varied growth prospects in a volatile world

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Executive summary

Small growth acceleration in SSA region with large national differences

We expect economic growth In Sub-Sahara Africa to slightly accelerate to 3.8% in 2025 and remain at that level in 2026. This is over one percentage point higher than the expected growth of the world economy. Overall, particularly investments in natural resources and infrastructure will drive economic growth. Investments, along with private consumption, will fuel import growth, while export growth suffers from weaking global conditions. As a result, net export growth will be negative in 2025 and 2026.

Ghana will be the fastest-growing major SSA economy

Among the major SSA economies, Ghana is expected to grow the fastest in both 2025 and 2026. Growth will be broadly-based with rising production of oil and gold and a good performance of the service sector. Meanwhile, the cocoa sector, a key pillar of the Ghanaian economy, continues to suffer from poor weather conditions.

Kenya will also grow relatively quickly

Kenya is another major SSA economy that is expected to grow relatively fast. Like in Ghana, the services sector (particularly transport and wholesale/retail trade) is a main growth driver, while corporate investment also contributes strongly to economic growth. Also in Kenya, difficult weather conditions will harm the agricultural sector.

South Africa will be the slowest-growing major SSA economy

South Africa remains the slowest-growing economy among the major SSA countries, despite a growth acceleration. The latter is enabled by a higher supply of electricity, which supports the growth prospects in the mining and manufacturing sectors. However, political uncertainty continues to limit investment growth.

SSA region will face three new uncertainties in 2025 and 2026

With the election of Donald Trump as new US president, SSA countries face three new uncertainties. First, how will the new US government change its foreign trade policies? Second, how much development assistance with the SSA economies receive from the US in the future? Third, in which direction will the long-term US interest rate move, in response to the new foreign trade policies? Based on our short analysis, we conclude that South Africa is the most vulnerable major SSA economy in light of these three uncertainties. This vulnerability is rooted in both the economic dependencies of South Africa and the strategic interests of the US government.

Varied growth prospects in a volatile world

Sub-Saharan Africa's economy is set to stabilise in the coming years, despite elevated global uncertainty. On top of global challenges like volatile trade policies and aid flows, SSA is grappling with unclear prospects for the yield on their international bonds. This Economic Outlook revolves around the economic growth prospects for Sub-Saharan Africa in 2025-2026. It opens with a discussion of the expected economic growth rates of the region as a whole and five selected SSA economies. These selected countries – Angola, Ghana, Kenya, Nigeria, and South Africa – belong to the largest economies of Sub-Saharan Africa. After this, the uncertainties that Sub-Saharan Africa faces in 2025 and 2026 take centre-stage. First, which SSA countries could experience the strongest negative economic impact of possible changes in the preferential treatment by the US of their exports (as part of the African Growth and Opportunity Act)? Second, which African countries would lose most from expected cuts in US development assistance? Third, which African countries would be hit the strongest if US long-term interest rates remain higher than expected in 2025 and 2026?

Growth in major SSA economies set to stabilise

Economic growth in Sub-Saharan Africa (SSA) will accelerate again only slightly in 2025. Where the region recorded a growth rate of 3.3% in 2023 and 3.5% in 2024, the expected growth rate for 2025 and 2026 is 3.8%. SSA continues to grow faster than the world economy (averaging 2.8% over the same period).

In 2025 and 2026, the differences among SSA countries remain large when it comes to economic growth. Among the five selected countries (see table 1; to be discussed in more detail below), only Ghana and Kenya will grow faster than the regional average. On the other hand, South Africa is among the African countries that are expected to grow the slowest in the region in both years.

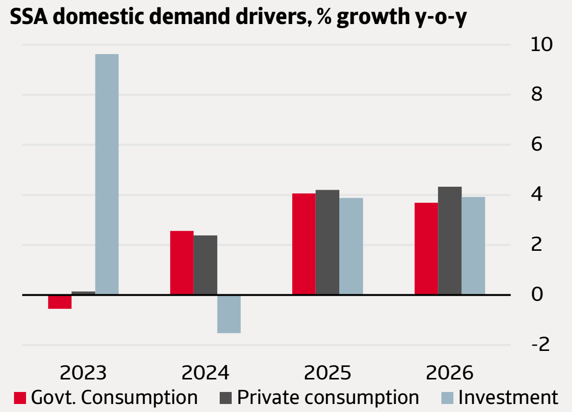
Table 1 Economic growth in five major SSA economies

	2023	2024	2025*	2026*
Angola	0.9	4.5	2.9	3.2
Ghana	3.0	6.2	4.8	4.6
Kenya	5.6	4.7	4.8	4.3
Nigeria	2.9	3.4	3.5	3.2
South Africa	0.7	0.6	1.5	1.6
Sub-Saharan Africa	**3.3**	**3.6**	**3.8**	**3.8**

Source: Oxford Economics, Atradius (*forecasts)

The acceleration of economic growth in SSA in 2025 is largely related to a recovery in investments. This is due to new investments in natural resources and infrastructure across the continent. A stabilisation of growth is expected for 2026, when domestic demand grows at a similar pace as in 2025.

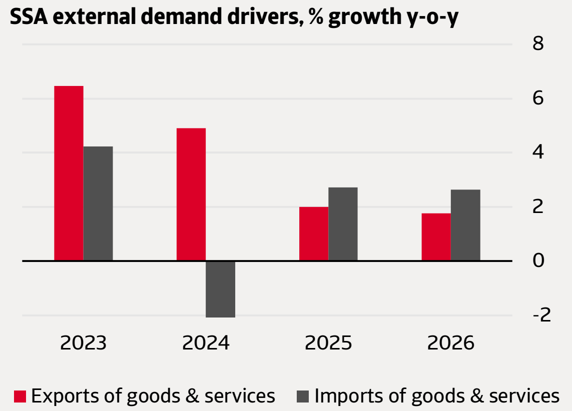
Figure 1 Investments recover in SSA in 2025



Source: Oxford Economics, Atradius

In 2025, import growth will recover strongly, as figure 2 shows, partially due to the expected growth in investments. Meanwhile, export growth will decrease somewhat, resulting in negative net export growth. We expect this trend to continue in 2026.

Figure 2 Negative net export growth in SSA



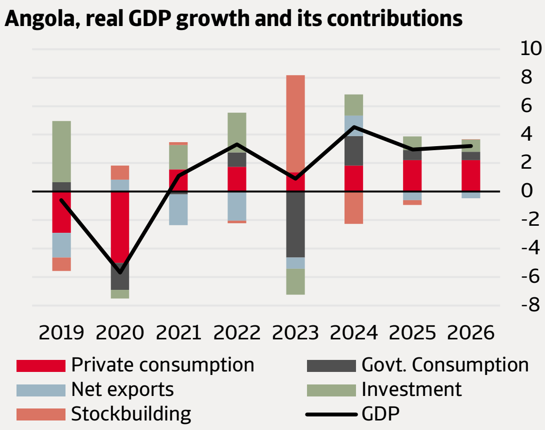
Source: Oxford Economics, Atradius

Rather low economic growth in Angola

Economic growth in Angola is expected to slow down to 2.9% in 2025, followed by a small recovery to 3.2% in 2026. The slowdown in 2025 is due to a lower, yet still positive growth of the oil production. The production increase as a result of the exploitation of two new oil fields will exceed the production decrease from existing oil fields. The higher oil production will fuel private consumption growth (see figure 3). Moreover, the US Energy Information Administration (EIA) expects the average oil price to decrease by 9% to USD 74 in 2025. Since Angola is a large net oil exporter (see also the forthcoming Energy Outlook of Atradius), the lower oil price will prevent a higher economic growth rate in 2025 and 2026 (also due to the spill-over effects on other sectors).

Another factor that will constrain Angola's growth in 2025 will be the restrictive fiscal policy. This is related to high external debt-service payments. These payments made the government decide to partially postpone the payment of wages of civil servants with two months, following a pay raise for all civil servants at the start of 2025. Another growth-slowing factor will be the drought in southeast Angola, which reduces the agricultural production in this area. The high inflation rate (20% expected for 2025) will also put a brake on economic growth, since it will erode the purchasing power of many households. On top of this, the nominal interest rates will remain high as well because of the high inflation. A final factor that will slow economic growth is the lack of foreign currency on the domestic market, which harms economic activities that require imported goods and services. Angola may request an IMF loan later this year (likely one without conditions). In 2026, economic growth is expected to increase slightly, despite an expected further decrease of the oil price.

Figure 3 Growth in Angola again below regional average



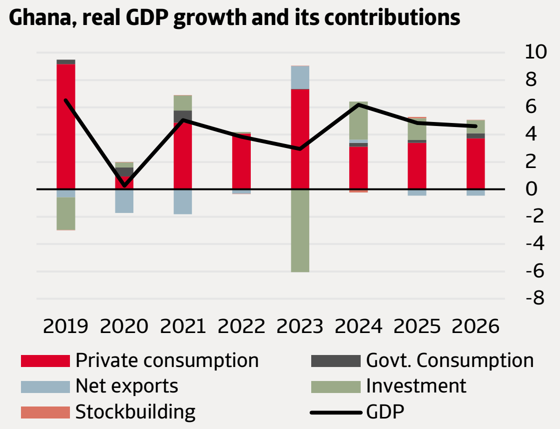
Source: Oxford Economics, Atradius

Ghana outperforms regional peers

In 2025, Ghana will continue to outperform Sub-Saharan Africa as a whole with a growth rate of 4.8%. The decreasing, yet still sound growth rate will be largely based on continued growth of gold and oil production. Moreover, a good performance of the financial and ICT sectors will support growth of the services sector. Although the inflation rate will remain high (18%), its downward trend will likely make room for a strong easing of monetary policy (central bank policy rate was 27% early March 2025). The resulting lower interest rates will have a positive effect on private consumption (the main growth driver) and investments (see figure 4). Meanwhile, cocoa production is not likely to contribute much to economic growth in 2025, since poor weather conditions have a detrimental effect on the crops.

Economic growth will probably also benefit from the expected finalisation of the restructuring process of the external debt of Ghana's government, which will give a boost to investor sentiments. Another positive aspect here is that Ghana is expected to remain on track with its IMF programme in 2025. This will support the investment climate and facilitate the access of Ghana's government to foreign (concessional) loans. The expected decrease in the oil price will have a small overall impact on growth, since Ghana is a rather small net oil exporter. In 2026, economic growth in Ghana will decrease slightly to 4.6%. Whereas private consumption growth and government consumption growth are expected to increase somewhat, investment will decrease.

Figure 4 Slowing, still high growth in Ghana



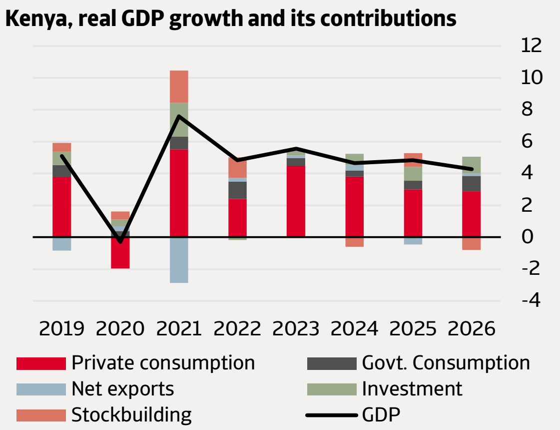
Source: Oxford Economics, Atradius

Strong investment growth in Kenya

Economic growth in Kenya will slightly increase to 4.8% in 2025, before decreasing to 4.3% in 2026. The services sector, in particular transport and wholesale/retail trade, is expected to do well in 2025. Like in Ghana, corporate investment will benefit from lower interest rates, while private consumption remains the main growth driver (see figure 5). On the other hand, the contribution of the agricultural sector to economic growth will be limited in 2025, since a lack of rainfall will reduce the harvests in many areas. This will contribute to a negative net export growth in 2025. Disappointing harvests will also counter the positive effect of lower interest rates on the growth of private consumption. Since Kenya is a net oil importer, the country will benefit from the expected decrease in the oil price through lower energy import costs. Demand for foreign capital goods, related to the strong investment growth, will keep import growth overall positive in 2025.

Moreover, like in Angola, the contribution of the government consumption to economic growth will be limited, since the government faces a tight budget and high external debt-service obligations. Kenya's previous IMF programme was terminated shortly before its 1 April expiration, raising questions about fiscal policy later in 2025. Although some policy actions required by the IMF led to fierce protests in 2024, Kenya's government seems open to committing to a new IMF programme[1]. In 2026, investment growth will slow down somewhat, but growth in the agricultural and tourism sectors will result in a return to positive net export growth. In addition, more room for fiscal spending will enable a higher growth of government consumption.

Figure 5 Investments become key growth driver in Kenya

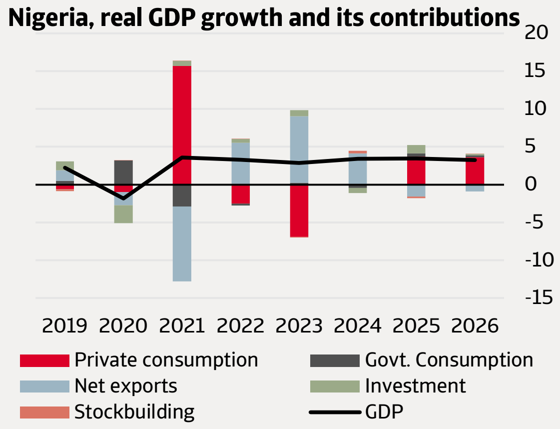


Source: Oxford Economics, Atradius

Domestic oil refinery strengthens economy of Nigeria

Nigeria's economy is expected to grow around 3% in 2025, just like in the previous two years. The main growth driver in both years will be private consumption. Nigeria is a major producer of oil, but until recently needed to import most of its fuel (refined oil) from abroad. This has started to change since 2024, when the Dangote oil refinery near Lagos started its production. This Nigerian refinery is expected to contribute significantly to economic growth in 2025 by reaching its full capacity production level. If things go according to plan, the Dangote refinery should substantially reduce Nigeria's dependence on fuel imports by refining only *crude* oil from Nigeria itself[2]. The processing of crude oil to fuel on Nigeria's soil will have a negative impact on crude oil exports, explaining the contraction of Nigeria's exports in 2025 and 2026 (see figure 6). Moreover, the expected decrease in the oil price and related downward effect on export revenues will put a brake on economic growth through spill-over effects on the rest of the economy.

Figure 6 Net exports decrease in Nigeria



Source: Oxford Economics. Atradius

Inflation is expected to be high at 20% in 2025, with a downward trend thanks to a stabilising exchange rate and the decrease in the oil price. The peak in the inflation rate of 33% in 2024 was related to reforms of President Bola Tinubu since his election in 2023. These reforms sought to strengthen the government finances and the external finances of Nigeria. They concerned a reduction of fuel subsidies, an increase in electricity rates and the liberalisation of both the exchange rate of the naira and the trade in foreign currency. The latter reform led to a large depreciation of the naira, raising the prices of imported goods considerably. Nigeria did not have an IMF programme at the start of 2025, since it did (and does) not want external interference with its fiscal policy. Instead, Nigeria prefers loans from creditors such as the World Bank and African Development Bank[3]. Economic growth will hardly change in 2026. Whereas investment growth will slow down, net export growth becomes less negative.

[1] Reuters (2024) *IMF board approves Kenya's reviews, unlocking access to $606 million*. October 30. https://www.reuters.com/world/africa/imf-board-approves-kenyas-reviews-unlocking-access-606-million-2024-10-30/

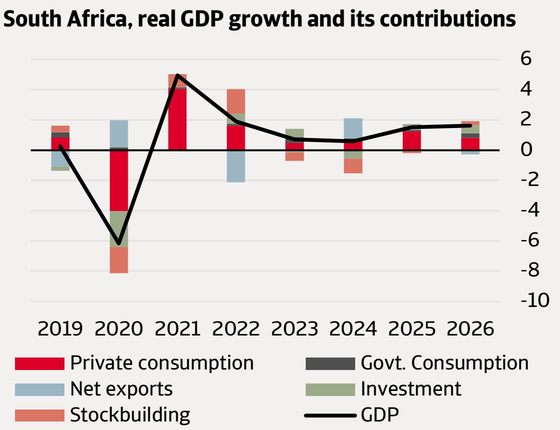
[2] Anyaogu, Isaac (2024) *Dangote says refinery has 500 mln litres of petrol in storage, can meet Nigeria's demand.* Reuters, October. https://www.reuters.com/markets/commodities/dangote-says-refinery-has-500-mln-litres-petrol-storage-can-meet-nigerias-demand-2024-10-30/

[3] AriseNews (2025) *Wale Edun: Nigeria Has No Reason to Seek IMF Loans*. 24 January. https://www.arise.tv/wale-edun-nigeria-has-no-reason-to-seek-imf-loans/

Very modest economic recovery in South Africa

The economic growth of South Africa will remain low at 1.5% in 2025, despite the acceleration as compared to 2023 and 2024 when growth was 0.7%. Lower interest rates will raise private consumption and make it the most important growth driver (see figure 7). Moreover, an improved supply of electricity bodes well for the mining and manufacturing sectors. However, investment growth does hardly pick up in both years due to uncertainty about the future direction and stability of the 10-party coalition government in power since June 2024. Spending overruns and lower than expected revenues result in a higher government deficit in 2024 (5.6% of GDP, as compared to 4.3% in 2023), followed by a further, yet small increase in 2026. As a positive, the deep domestic financial markets keep the high government debt (79% of GDP in 2025 and 82% in 2026) manageable. The continued elevated deficit on the government balance ongoing increase of the government debt. On top of this, net export growth will contribute hardly (2025) or even negatively (2026) to economic growth.

Figure 7 Rising, still low growth in South Africa



Source: Oxford Economics, Atradius

Furthermore, structural growth-slowing factors remain prominent, such as bottlenecks in port facilities and the railway system. It is unclear whether the government will be able to substantially reduce these bottlenecks in 2025 and 2026. This would require more room for private companies in key sectors, at the expense of a few powerful, yet inefficient state-owned enterprises. As a positive, inflation in South Africa remains at an acceptable level, despite a small increase to 5% in 2026. A major driver of the inflation will be the further increase in the administered prices of electricity and tap water. South Africa did not have an IMF programme in the past 30 years. The country borrowed money from the IMF once: during the COVID-19 pandemic in 2020, the IMF disbursed USD 3.5 billion as part of the Rapid Financing Instrument (RFI). Economic growth is expected to be slightly higher in 2026, largely due to a small acceleration of investment growth.

Volatile US trade policy raises risks to SSA outlook

US trade policy has become the most dire risk to the global economy in 2025 and 2026. Sub-Saharan Africa is no exception here with vulnerabilities arising through the status of its existing preferential access to the US market as well as direct trade restrictions.

Duty-free access to US market under threat

The African Growth and Opportunity Act (AGOA)[4] will expire in September 2025, and it is currently unclear what the new US government will decide about its future. This American act offers duty-free access to the US market to selected Sub-Saharan countries[5] (see figure 8). This special treatment can apply to various export products, such as petroleum, agricultural products, clothes, textiles and other industrial products. AGOA allows for three different treatments of African exports of clothes and textiles. For example, textiles exports from **Angola**, **Ghana**, **Kenya** and **Nigeria** have duty-free access to the American market, whereas those of **South Africa** do not. Moreover, to qualify for duty-free access for its clothes exports to the US, South Africa is not allowed to use materials in the production process that have been imported from non-African countries. This last condition does not apply to Angola, Ghana, Kenya and Nigeria.

In 2022, all five of these major SSA economies had a trade surplus with the United States. South Africa had by far the largest surplus (of USD 8.9 billion). The share of national exports to which the preferential AGOA applies varied among the five major African economies. Nigeria had the highest share of its exports to the US that benefited from AGOA (72%), closely followed by Kenya (68%). This share was well below 30% for Angola, Ghana and South Africa. However, when we look at the importance of the exports that benefitted from AGOA to the whole economy, we see a different picture. Now Kenya benefitted the most by far from the AGOA, with the exports involved being equal to 1% of GDP in 2022 (see figure 9). For Nigeria and South Africa, this share was equal to 0.7% of GDP. In 2022, Angola (0.3%) and Kenya (0.5%) were least dependent on AGOA. However, it is important to stress that these numbers need to be put in context by taking into account the importance of particular sectors in the exports to the US (see table 2). For example, Kenya is the largest SSA

[4] The Africa Report (2025) *The Return of Trump*. No 130, January-February-March.

[5] AGOA.info (2025) AGOA Country Eligibility.31 January. https://agoa.info/about-agoa/country-eligibility.html

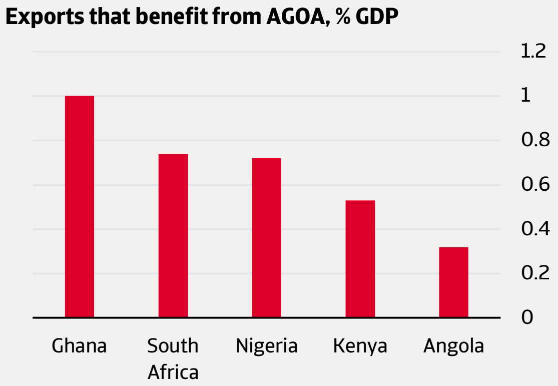
exporter of apparel to the US[6] and nearly all Kenyan apparel exports benefit from AGOA.

Figure 8 SSA countries that benefit from special trade status in US

Source: AGOA.info | Resource on the African Growth and Opportunity Act

The AGOA will expire in September 2025, and it is currently unclear in what form US President Trump will extend it. We expect that the new US government will select the SSA countries eligible for US support based on geopolitical and geoeconomic interests[7]. In other words, some currently non-eligible SSA countries could be added to the list of countries with preferential trade conditions, while some currently eligible countries may be removed from it. Of the five selected SSA countries, **South Africa** seems to be most at risk of losing its current AGOA status. The new US government criticised South Africa for its complaint against Israel at the International Court of Justice and the recent introduction by the South African government of a new law to reform land ownership[8]. Illustrating these negative sentiments, a few Republican members of Congress recently suggested that South Africa should lose its AGOA status, since the country, in their view, harmed American interests. If South Africa were to lose its preferential trade status in the US, it would be particularly harmful for its car industry (see table 2). The country is hosting production plants of seven car brands: BMW, Ford, Isuzu, Mercedes-Benz, Nissan, Toyota and Volkswagen. A complete end to the AGOA status of South Africa could lead to more than 200,000 people losing their jobs in the car industry of South Africa, according to a representative of this industry.

Figure 9 Ghana most dependent on AGOA



Source: Oxford Economics, AGOA.info, Atradius

Table 2 Impact of AGOA differs strongly across sectors

2022	Export category	% total exports to US	% export category under AGOA
Angola	Crude oil	78%	28%
	Non-crude oil	15%	13%
Ghana	Energy products	84%	26%
	Agricultural products	12%	26%
Kenya	Apparel	61%	97%
	Agricultural products	20%	45%
Nigeria	Energy products	91%	78%
	Chemicals	5%	4%
South Africa	Minerals and Metals	61%	7%
	Transportation products	11%	99%

Source: Oxford Economics, AGOA.info, Atradius

The other four selected SSA countries have better chances to keep their current AGOA status. **Angola** matters to the US due to the Lobito Corridor project. This concerns the improvement and management of a railway between the Angolan port of

[6] Kilian, Luke (2025) Will the African Growth and Opportunity Act survive under Trump? African Business, 21 February. https://african.business/2025/02/trade-investment/will-the-african-growth-and-opportunity-act-survive-under-trump

[7] For a longer discussion about this, please check EIU (2024) *What to watch in 2025: Africa*. 21 November.

[8] Nebe, Cai (2025) *Do Trump's policies endanger South Africa's AGOA trade deal?* Deutsche Welle, 24 February. https://www.dw.com/en/donald-trump-south-africa-african-growth-opportunity-act-trade-economy/a-71664345

Lobito and areas in DR Congo and Zambia, where mines produce rare metals and minerals[9]. The strategic minerals that are found in **Kenya** give this country good prospects concerning its future AGOA status. Kenya is also important to the US for its military cooperation to serve US security interests in the surrounding countries. This applies as well to **Ghana** and **Nigeria**. Both countries are also important suppliers of oil and gas for the US. Since both countries are not strongly involved in the delivery of strategic minerals to the US, they face somewhat more uncertainty concerning their future AGOA status than Angola and Kenya.

SSA not spared from escalating US tariffs

Another trade-related uncertainty concerns the scope, duration and effects of the trade restrictions that US President Trump has implemented or will implement. Here we need to distinguish between direct and indirect effects on the five SSA economies. Direct effects refer to US policies targeting individual SSA countries, such as an increase in US tariffs on imports from particular countries. A telling example are the slew of import tariffs that the US announced on 2 April. These included a 10% tariff on all imports and higher 'retaliatory' duties on countries with large trade surpluses with the US. A week after this announcement, US President Trump announced that the extra retaliatory rates had been postponed for 90 days for all countries (apart from China)[10]. However, SSA countries still face the new universal 10% US import tariff and remain vulnerable to further escalation.

If the extra retaliatory import tariffs were to be introduced after all, **South Africa** would be among the African countries penalised the hardest, with a tariff rate of 31%[11]. This would be particularly hard for the South African car industry, which will also suffer from a new US tariff of 25% on all imported cars and car parts from other countries. With 8.5% of total goods exports directed to the US, this could significantly affect South Africa's growth outlook. **Angola**, which applies a similar import duty on US goods as South Africa, would be subject to a similarly high tariff rate of 32%, but its relative exposure is more limited (see table 3). **Nigeria** would be subject to a much lower "retaliatory" import tariff of 14%, while US imports from **Ghana** and **Kenya** were not punished by a "retaliatory" tariff. Both countries are subject to only the "universal" 10% tariff[12].

The higher US import tariffs could hit the SSA economies concerned through lower economic growth, higher unemployment and a weaker current account balance (through lower revenues of goods exports). However, possible exemptions to the new import tariffs could bring relief to some SSA countries. The US government considers excluding key US imports such as oil, gas, copper, pharmaceuticals and semiconductors from the new tariffs[13]. The uncertainty surrounding new US import tariffs once more raises the question of whether the preferential access of particular goods from particular SSA countries to US markets will remain in place after September 2025. In fact, the introduction of the universal 10% tariff on all US imports implies an early end to the AGOA[14].

Table 3 Angola and South Africa subject to highest risk of US tariffs

	New tariff % (potential reciprocal)	Tariffs on imports from US, %	Trade balance with US (USD million)	Exports to US, % total exports
Angola	**10 (32)**	63	1186.9	3.3
South Africa	**10 (31)**	60	8836.8	8.5
Nigeria	**10 (14)**	27	1524.9	10.3
Ghana	**10**	17	204.4	6.4
Kenya	**10**	10	45.2	9.8

Source: White House, US Census Bureau, Office of Economic Complexity

Indirect effects refer to the possible effects of new US trade restrictions on key economic variables such as the exchange rate of the USD. For example, a higher external value of the USD would raise the debt-service payments (expressed in their domestic currency) of SSA countries if they have USD-loans. Another example concerns the price of a particular commodity, which could decrease as a consequence of reduced trade flows and the related decrease in economic growth in major economies. This would harm the SSA economies that are large (net) exporters of the commodity concerned, while bringing relief to SSA economies that are large (net) importers of the same commodity. A third example is that the introduction of new US trade restrictions and the surrounding uncertainty could reduce the global risk appetite of investors[15]. This would make it more difficult and more expensive for governments of SSA countries to borrow money

[9] Pangea Risk (2025) *Shift towards transactional aid among Western donors offers mixed impact in Africa*. 5 March.

[10] Pager, Tyler, Maggie Haberman, Ana Swanson and Jonathan Swan (2025) *From 'Be Cool!' to 'Getting Yippy': Inside Trump's Reversal on Tariffs*. 9 April. https://www.nytimes.com/2025/04/09/us/politics/trump-tariff-pause-be-cool.html

[11] Dludla, Nqobile and Lovasoa Rabary (2025) *Steep US tariffs on Africa signal end of trade deal meant to boost development.* CNBC Africa. 3 April. https://www.cnbcafrica.com/2025/steep-us-tariffs-on-africa-signal-end-of-trade-deal-meant-to-boost-development/

[12] Lawa, Shola (2025) *Have Trump's tariffs killed US-Africa preferential trade?* Al-Jazeera, 4 April.

[13] Reuters (2025) *What's in Trump's sweeping new reciprocal tariff regime.* 3 April. https://www.reuters.com/world/us/whats-trumps-sweeping-new-reciprocal-tariff-regime-2025-04-03/

[14] EIU (2025) *High reciprocal US tariffs hit parts of Africa.* 4 April

[15] EIU (2025) *Trade war fears raise African sovereign risk premiums.* 13 March.

on the international capital market (see also the section after the next one).

US development assistance also at risk

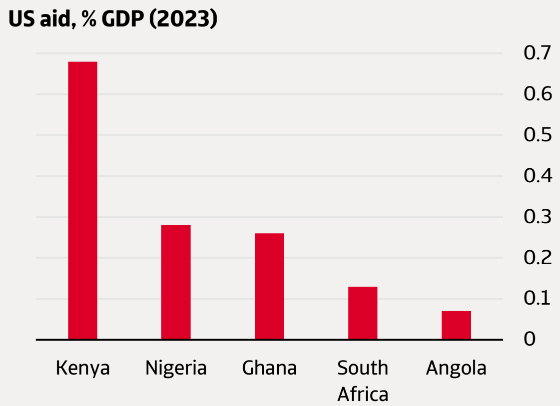
A second global uncertainty that Sub-Saharan Africa will face in 2025 and 2026 is the availability of development assistance. This assistance has always been an important source of external finance for the region (see figure 10). After peaking at nearly 4% of GDP in 2020, development assistance has been on a downward trend. This is extra harmful to SSA, since other external financing inflows also reached a peak in the past ten years[16]. For example, as a percentage of GDP, FDI inflows reached their latest peak in 2015, before arriving at their lowest point in 2022. Meanwhile, loans from China to SSA countries reached a relatively low level in 2021 and 2022. The slowing growth rate in China makes it more unlikely that China's loans and grants to SSA countries will return to their earlier higher level.

Figure 10 External financing trends in SSA during 2010-2022

Source: World Bank

Following earlier announced cuts in development assistance by countries such as France, Germany and the UK, US-President Trump announced a three-month suspension of such assistance from the US in January 2025. The simultaneous review of US development assistance will likely result in a permanent and substantial reduction of this assistance to most Sub-Saharan African countries. According to the EIU, Kenya was most dependent of our five selected SSA economies on US aid in 2023, being equal to 0.7% of its GDP[17] (see figure 11). For Ghana and Nigeria, this ratio was nearly 0.3% and for Angola and South Africa around 0.1%. When we change our focus from total amounts of US assistance to particular forms of assistance, we get a more nuanced picture. For example, Nigeria funded more than one-fifth of its national health budget with US assistance[18]. This financial support played a key role in keeping a lid on the spread of malaria in Nigeria. This country records by far the highest number of deaths to malaria[19] (31% of all deaths worldwide). Moreover, US funding for HIV/AIDS treatment programmes used to be very important to Kenya, Nigeria and South Africa. Particularly Kenya is vulnerable to a cut in this US support, since it combines a relatively high vulnerability to epidemics with relatively low government buffers.

Figure 11 Kenya most dependent on US aid



Source: EIU

Given the tendency of relatively wealthy countries such as the US to spend less on official development assistance, it is very likely that most SSA countries will receive fewer grants and bilateral concessional loans in 2025 and 2026. Since the announced cuts in development assistance got so much attention of the new US government, it seems likely that all five major SSA economies will suffer more or less from them. Whereas **Kenya** is most vulnerable due to its largest dependence on US aid, **South Africa** seems most likely to face the strongest cut in US aid due to its strained relationship with the US (see previous section).

[16] World Bank (2024a) *Africa's Pulse.* April.

[17] EIU (2025) *USAID freeze poses another obstacle for developing world*, 18 February. https://viewpoint.eiu.com/analysis/article/922132892/

[18] Maclean, Ruth and Jammeh, Saikou (2025) *Africa received billions in U.S. aid. Here' what it will lose*. New York Times, 8 March. https://www.nytimes.com/2025/03/08/world/africa/africa-usaid-funds.html

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Elevated long-term US interest rate raises costs of borrowing

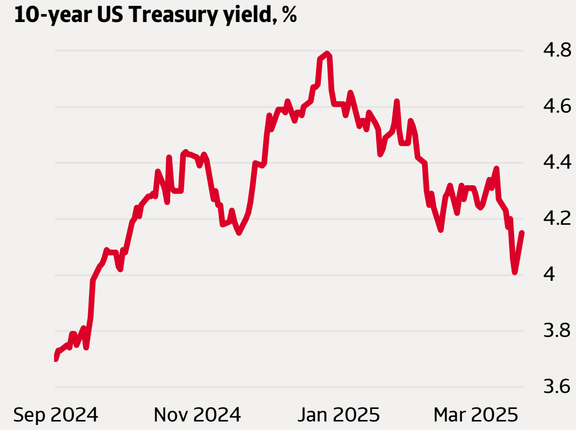
The third global uncertainty for Sub-Saharan Africa concerns the international financial markets. Not only the volume, but also the cost of international financial flows is a key uncertainty to many SSA countries. Several SSA countries, including Angola, Kenya, Nigeria and South Africa, issued international sovereign bonds again in 2024 after a two-year suspension[20]. Ghana did not issue international sovereign bonds in 2024 since this country was still involved in a debt restructuring process with international commercial creditors[21]. The four earlier mentioned countries had to pay a high interest rate on their newly issued bonds. For example, in December 2024, Angola and Nigeria[22] issued international bonds with coupon rates of between 10% and 11%. These high interest rates are a cause of concern since several SSA countries, including Angola and Nigeria, face high debt-service obligations in 2025 and 2026.

The interest rate that any (African) government needs to pay when it issues a new international USD-denominated bond is based on two factors. The first factor is equal for all governments: the interest rate on long-term US government bonds. This is the "risk-free" benchmark for newly issued bonds that are denominated in USD. In other words, the higher this long-term US interest rate, the higher the debt-servicing costs become for (Sub-Saharan African) governments that issue new international USD-bonds. The second factor is the bond spread, which reflects the risks of borrowing money to the government that issues the bond. Both factors are subject to high uncertainty in 2025 and 2026, but we will focus here on the first one.

Two recent developments do not bode well concerning the long-term US interest rate. First, new policy initiatives from the new US President Trump will likely lead to a higher inflation rate[23]. Higher import tariffs would make the products concerned more expensive. Higher government spending to support the economy would raise domestic demand. Higher restrictions on immigration would reduce the supply of labour, putting upward pressure on labour costs and possibly already reducing the supply of food that cannot be harvested. A higher inflation rate would imply less room for the American central bank (Fed) to reduce their short-term policy rate in 2025 and 2026. This policy rate matters to the long-term interest rate, but its impact is not always as expected.

This brings us to the second worrying recent trend: expectations of higher inflation in the future resulted in an *increase* of the US long-term interest rate in December 2024 and the first half of January. This was out of sync with the latest *decrease* of the US central bank's target policy rate since September 2024. This increase led to a normalisation of the yield curve (see December 2024 edition of our global Economic Outlook). This unexpected increase implied that SSA countries, which want to issue an international USD-bond in 2025 and 2026, face higher interest costs. Since mid-January, the long-term US interest rate has been trending downward[24]. The main reason was that investors have become increasingly worried about the growth prospects of the American economy. Nonetheless, as of 8 April, the long-term US interest rate was still 45 basis points higher than in September 2024 when the central bank started reducing its policy rate (see figure 12).

Figure 12 Odd increase of the US long-term interest rate



Source: Macrobond

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The higher-than-expected inflationary pressures in the US and the recent uncommon increase of the long-term US interest rate, despite a reduction of the central bank policy rate in December 2024 are bad news for SSA governments that want to issue new international USD-bonds in 2025. Among our five selected SSA countries, this is particularly troublesome for **Nigeria** and **South Africa**. Both countries seek to raise multiple billions of USD in 2025 and 2026 with the issuance of new international USD-bonds[25]. To a lesser extent, it will also be a problem to **Angola**, which seeks to issue bonds for an amount of USD 2 billion in 2025. **Ghana** and **Kenya** have currently no intentions to issue new bonds in 2025 and 2026.

Conclusions

In our baseline scenario, economic growth in Sub-Saharan Africa (SSA) accelerates only marginally to 3.8% in 2025 and stabilises at this level in 2026. Domestic demand growth of around 4% supports economic growth, since investment growth recovers in 2025 and stabilises in 2026 at a similar level as private consumption growth and government consumption growth. Meanwhile, net export growth will be slightly negative in both years. The growth rates in the five major economies Angola, Ghana, Kenya, Nigeria and South Africa will diverge widely. While Ghana and Kenya will grow faster than the SSA-average in 2025 and 2026, South Africa's growth will be considerably lower than the regional average.

On top of our baseline scenario, this report highlighted three international uncertainties that Africa will face. These uncertainties, which will affect the actual growth rates in Sub-Saharan Africa in 2025 and 2026, are directly or indirectly related to the policies of the US government. First, it is unclear which African countries will continue – and to what extent – to benefit from preferential treatment of their exports on US-markets. From our five selected SSA economies, Ghana benefitted the most from this special treatment. However, which country will eventually suffer the most from a change in the AGOA will depend on particularly the economic, political and military interests of the new US government. Another aspect of US trade policy that harms the exports prospects of SSA economies is the uncertainty about the future level and scope of the US import tariffs.

Second, it is unclear how much development assistance the US will provide to SSA countries in 2025 and 2026. From our five selected SSA economies, Kenya received most of such assistance (in terms of its economy). Again, which country will eventually suffer the most from the likely reduction in US development assistance will depend on the interests of the US government.

A final international economic uncertainty concerns the long-term US interest rate and the spread that governments of SSA countries will need to pay on their newly issued international bonds in 2025 and 2026. Based on the brief analysis in this report, **South Africa's** economy stands to lose the most from more restrictive foreign trade policies of the US, a reduction in US aid and a higher US long-term interest rate. On the other hand, **Angola, Ghana, Kenya** and **Nigeria** seem less vulnerable due to their strategic importance to the US. Since the eventual impact of the three international uncertainties depend on several economic and political factors, it is difficult to put numbers on the exact vulnerability of SSA economies to changes in US policies.

[25] EIU (2025) Various reports about the five selected SSA countries.

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