Coronavirus threatens economic slowdown in African countries

Rwandan coffee, Kenyan tea, South African wine and citrus fruits, Namibian beef are part of China's daily life. Besides, wood, oil, minerals, and metals from African countries like Nigeria, DRC Congo, Angola, Sierra Leone, Lesotho, and Zambia play a key role in China's economy but now everything is at standstill due to Coronavirus epidemic in China.

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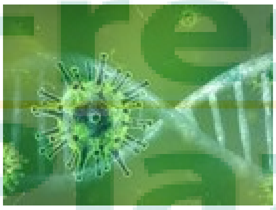

an continent has not reported any confirmed case of the Coronavirus, the economy is hard hit due to complete lockdown on Chinese ports. If this situation continues, several African countries are likely to experience some form of financial crises which will further weaken their capability to handle the imminent epidemic of Coronavirus.

African exports to China affected
Kenya has recently chalked out a three years plan with a target to export US$ 70 million tea to China. Similarly, Namibia had started exporting beef to china. It had exported about 3000 tons of beef to China before the spread of Coronavirus. As the previous orders canceled or deferred and new orders are not issued, the industry is hard hit. If it persists for long, the cascading effect would reach onto the lower ranks of producers and farmers.

The impact is already visible in the domestic market. As the exporters are forced to sell commodities in the domestic market, the commodity prices have fallen significantly. This sharp fall in commodity prices is going to cause a massive economic slowdown in the near future as the producers will be forced to minimize cost, production, and job cuts. These trends will be seen throughout the African continent, according to an estimate of Capital Economics. According to media reports, the impact is already being witnessed in Southern African nation Angola.

Angola is a major oil-producing country and OPEC member with an output of around 1.37 million barrels per day, making it the second-largest producer in Sub-Saharan Africa. After the outbreak of Coronavirus, China stopped oil import from Angola. Angola's state-owned company Sonangol had to call back a shipment and is now selling the product on concessional price in the domestic market.

"While the price effect will hit all of Africa's commodity exporters, these trade disruptions will mostly affect West African oil exporters,' According to media reports, crude prices have been in steep decline since the outbreak hit the headlines, down 16.96 percent since the turn of the year, and was trading at just over $54 a barrel on Monday afternoon," said John Ashbourne, of Capital Economics. Besides oil, the base metals export of Africa such as iron ore and copper have also seen a sharp decline in recent weeks.

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