

Trade and the coronavirus: Africa's commodity exports expected to fall dramatically

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Key messages

- The prices of commodities have fallen by between 9% (coffee) and 61% (oil) since the start of the year mainly because of the fall in global demand generated by the current lockdowns.
- African countries are extremely exposed to commodity price swings, as half of their merchandise exports is concentrated in 10 commodities.
- Africa could lose between US\$ 36 billion and US\$ 54 billion in export revenue. For some countries, this could be as high as 20% of their gross domestic product.
- Oil exporters such as Nigeria, South Sudan and Angola may see their export revenues falling by more than 20%.

Introduction

The coronavirus pandemic is having notable economic and social effects across the world. Even in countries where the disease has not yet affected a large number of people, [the impacts are beginning to be seen](#).

Trade appears to be particularly affected as countries enter into lockdowns and economic activity stops. While trade statistics are not yet available, the evolution of commodity prices and the exposure of many African countries suggest the effects of the crisis will be severe.

The impact on commodity prices

The immediate consequence of the lockdowns adopted by many countries has been a collapse in commodity prices. The price of crude oil, for example, if compared with the price earlier in the year, has fallen by 61% (Figure 1). Other commodities, such as copper, sugar, cocoa and cotton, have seen falls larger than 20%.

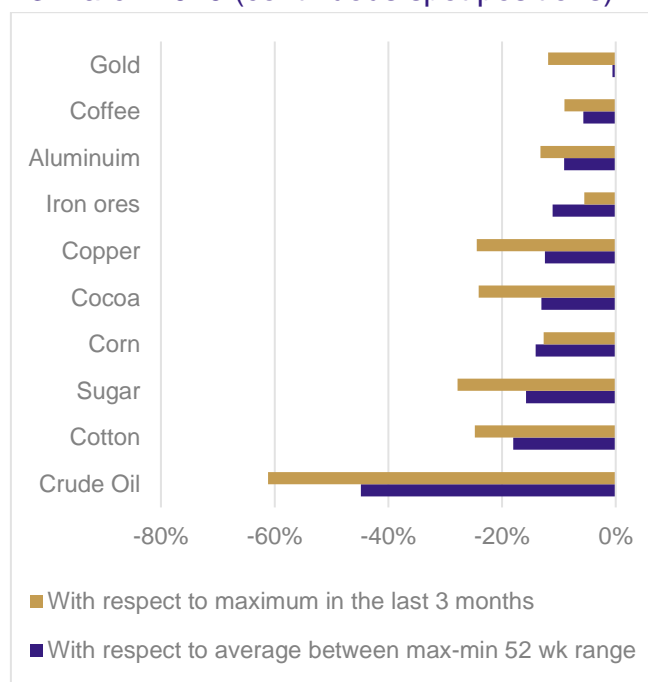
Even when compared with the average between the maximum and the minimum prices observed in the past 52 weeks, oil prices have seen an unprecedented fall in price, of 45%. Other commodities have also observed falls, ranging between 6% (coffee) and 18% (cotton).

News about new countries entering into lockdown or about rescue packages leads to significant daily variations in prices. The price of gold has been particularly volatile. Moreover, [the fall in demand for oil is leading to storage issues](#) that could generate further volatility in its price.

The [closure of retailers in the US and Europe](#) has reduced demand for textiles and garments and, consequently, demand for cotton. Food products, despite also experiencing reductions, seem to have been less affected.

The fall in global economic activity is affecting the demand for oil substantially. Moreover, [conflicts between producers and their supply decisions](#) also have effects.

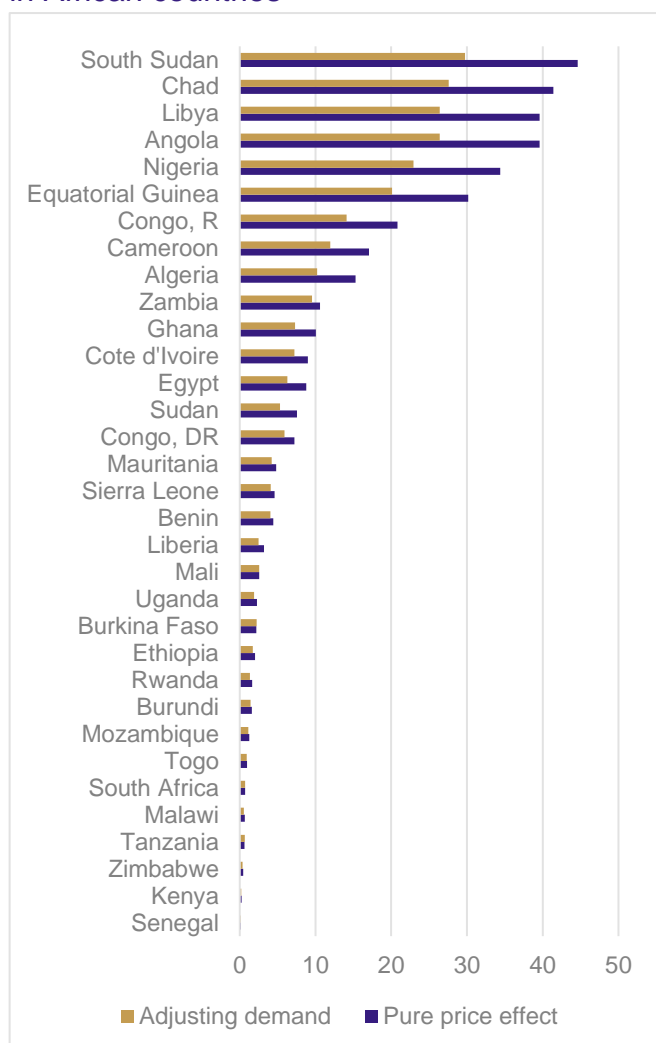
Figure 1. Variation in prices of commodities on 23 March 2020 (continuous spot positions)



Source: Own elaboration based on data from Marketwatch.com

Effects on African exports

African countries are highly exposed to changes in prices, due to their undiversified export structures. Oil represents a very high share of total exports in South Sudan (99%), Chad (92%), Angola (88%) and Nigeria (76%). Copper represents 74% of the exports of Zambia. On average, the commodities considered in this note represent 48% of the exports of each African country.

Figure 2. Expected changes in export values (%) in African countries

Source: Own elaboration based on Observatory of Economic Complexity

Figure 2 shows the impact on export revenues associated with the fall in commodity prices. Considering the variation in commodity prices and the share of these commodities in the exports, it indicates the percentage variation in the value of exports. Figure 2 uses the variation of prices with respect to the average between the maximum and minimum of the prices observed in the last 52 weeks.

The blue bars indicate the pure price effect, suggesting that the value of exports of South Sudan would fall by 44%. In Nigeria, this variation is 34%. Considering all countries and commodities, the fall in value of exports (based on 2017 data) would be close to \$54 billion.

The orange bars in Figure 2 reflect the effect on export revenue of a resulting increase in quantity demanded. This is done by adjusting the price changes with product-specific import demand elasticities¹ Although, it is hard to imagine such a situation in the current context, but it is possible that

these lower prices will lead to larger volumes being exported.

Table 1. Change in value of exports as % of 2017 GDP

	Country	Full price effect	Adjusting demand
Oil	Nigeria	-4.3	-2.8
	Angola	-9.8	-6.6
	Congo, Republic	-20.3	-13.6
	South Sudan	-4.6	-3.1
	Libya	-16.8	-11.2
	Chad	-2	-1.3
	Algeria	-3.4	-2.3
Cocoa	Côte d'Ivoire	-1.9	-1.6
	Ghana	-0.6	-0.5
Coffee	Burundi	-0.3	-0.3
	Rwanda	-0.2	-0.2
Gold	Togo	-0.2	-0.3
	Ghana	-0.1	-0.2
Aluminium	Mozambique	-0.6	-0.6
	Sierra Leone	-0.2	-0.2
Copper	Zambia	-3.3	-3.0
	Congo, Republic	-1	-0.9
	Congo, DR	-0.6	-0.5
	Mauritania	-0.5	-0.5
Corn	Zambia	-0.5	-0.4
Cotton	Benin	-2	-1.8
	Togo	-1.4	-1.3
	Mali	-0.3	-0.3
Iron	Mauritania	-1.8	-1.6
	Sierra Leone	-0.6	-0.6
	Liberia	-0.2	-0.2

Source: Own elaboration based on World Bank data

Table 1 shows the impact considering the full dimension of domestic markets. The fall in oil prices could have dramatic effects in undiversified and small economies (e.g. Congo Republic) but also in large economies such as Nigeria.

Final comments

The global economic crisis is having other effects on African exports. This note captures only a handful of commodities for which there are structured markets. Other commodities of importance for African countries are not captured. Demand for many other non-commoditised products has plummeted (e.g. [flowers in Kenya](#)). Consequently, it is expected that the fall in exports will be greater. Until actual trade statistics are available, we will not have a clear picture of the full damage. The picture is also incomplete as this analysis overlooks the positive effects that the fall in prices will have on commodity importers, some of them also in Africa.

The situation is changing constantly, and prices may gradually rise as soon as lockdowns are lifted and global demand recovers. This may take time, however, and in the meantime the situation will have serious impacts on African economies. Global support will be necessary to contain the catastrophe.

¹ Ghodsi, M., Grubler, J. and Stehrer, R. "Import Demand Elasticities Revisited", WIIW Working Paper 132 <https://wiiw.ac.at/import-demand-elasticities-revisited-dlp-4075.pdf>