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Trade & Investment
KwaZulu-Natal

Trends in the global economy

AfCFTA awareness workshop

(Nisaar Mahomed)

25 May 2023





Demographic shifts (youth bulge)

21st Century Meta trends

Climate change, biodiversity loss and resource depletion

Shift in global economic power towards Asia

Technological change, digitisation and hyper connectivity

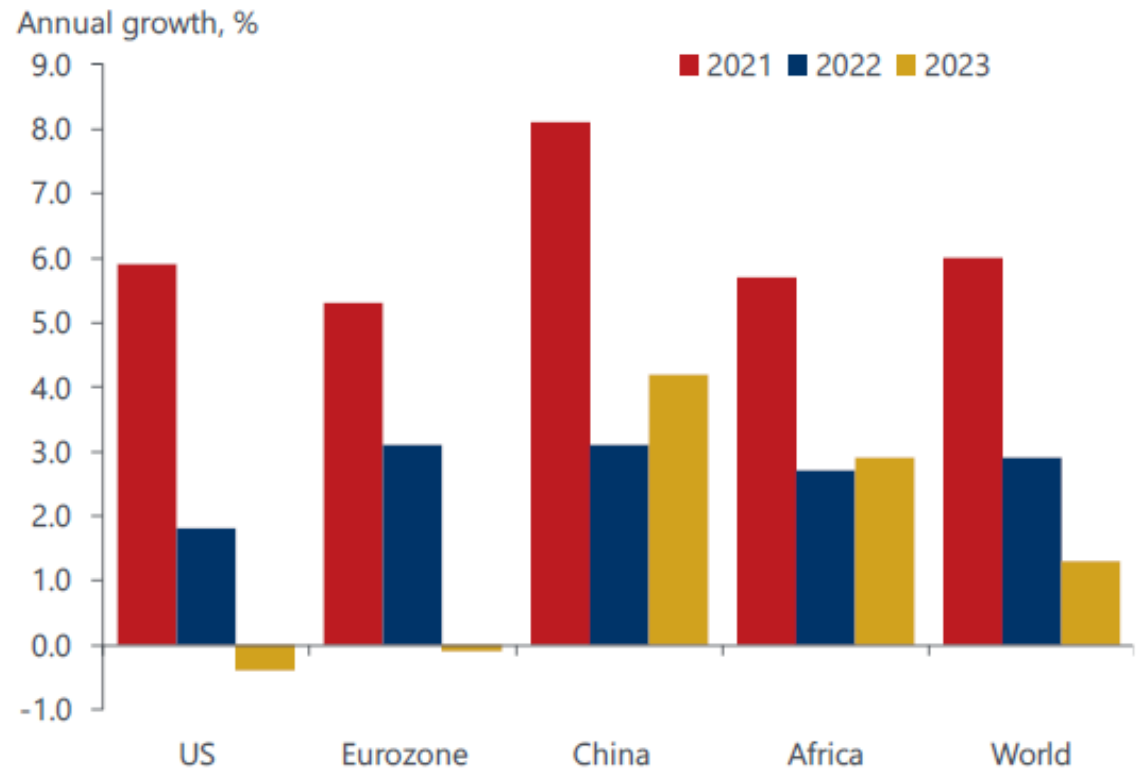


the state of global investment

Global economy confronting:

- Food, fuel and financial crises
- Humanitarian and health crises
- **Highs and lows:**
- High-Debt, inflation and interest rates
- Low- GDP, trade and fixed capital formation
- **Lack of investment**
- Decreasing numbers of greenfield FDI projects

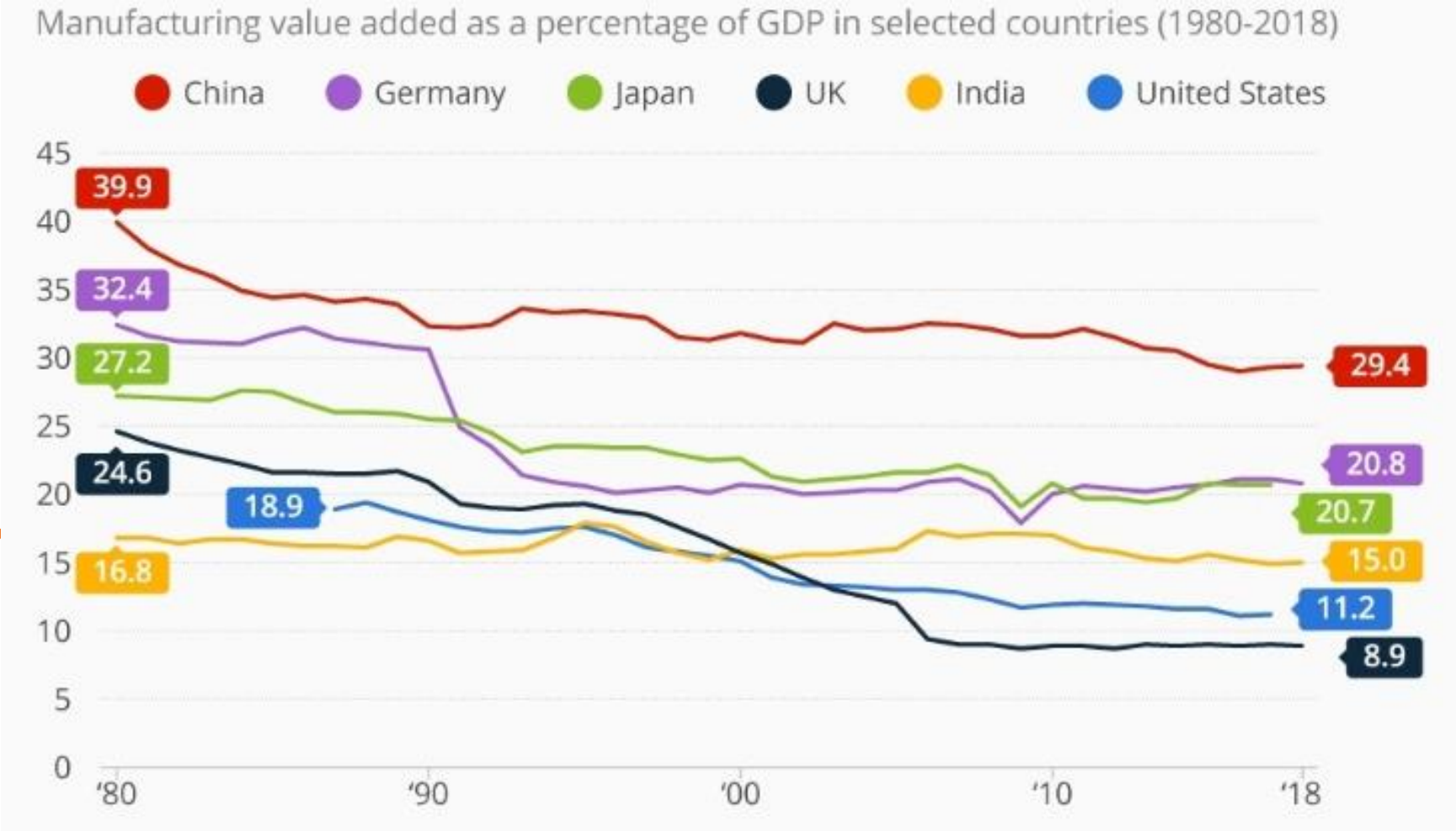
Global GDP growth outlook



Global decline of manufacturing



In the 1980s, industrial production made up a quarter or more of national GDPs globally, but that share has decline significantly

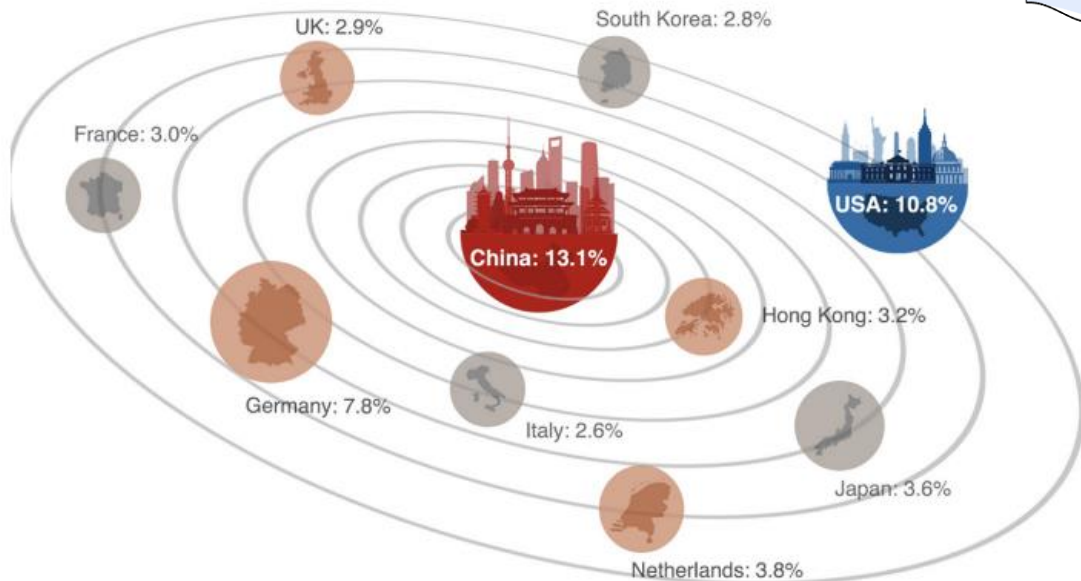


<https://www.weforum.org/agenda/2019/12/the-global-decline-of-manufacturing>

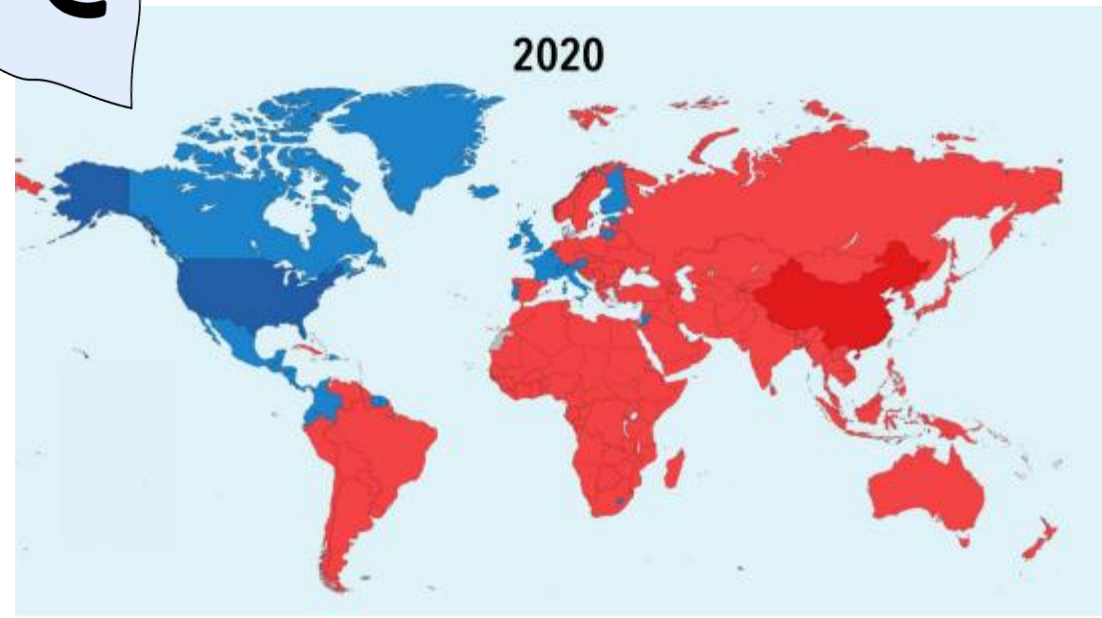
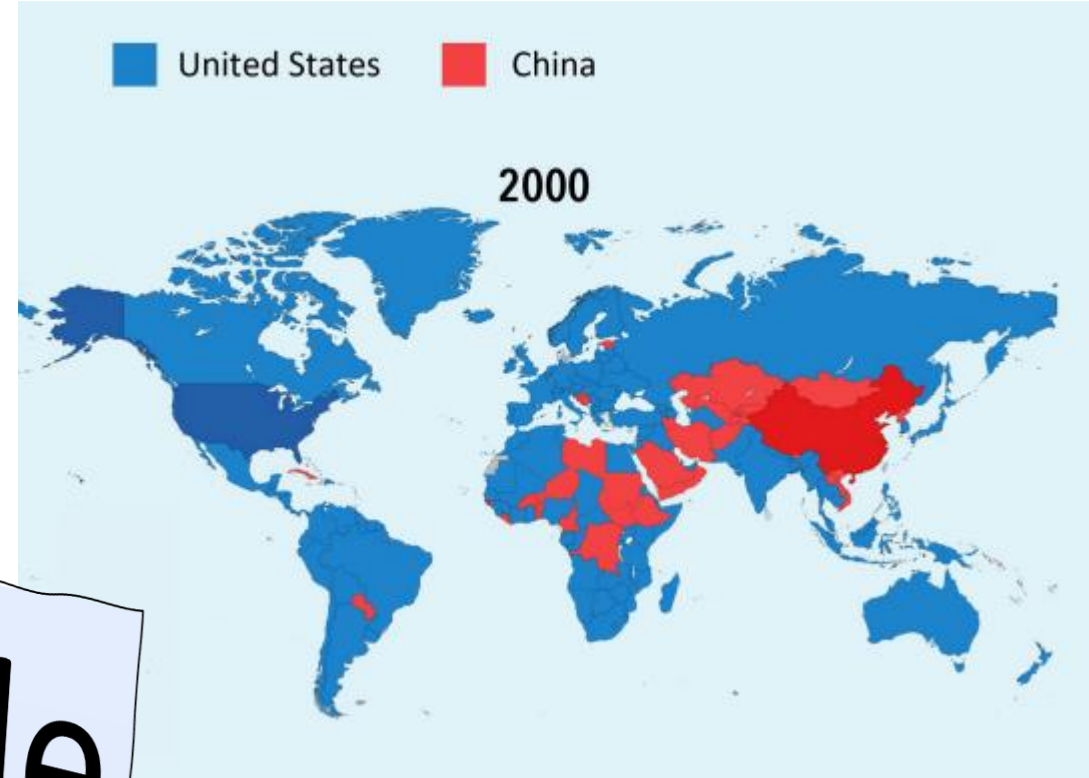
When this century began, China was knocking on the door of the WTO while the U.S. was the leading trading partner of most major economies.

By 2018, 130 countries traded more with China than they did with the U.S., and more than two-thirds of those countries traded more than twice as much with China

Share of global merchandise trade



Trade



China's Ascendancy

- The end of the Cold War
- The fall of the Berlin Wall
- The 2008 global financial crisis,
- The populist victories of 2016 (the UK's Brexit referendum and Trump's election),
- The Anglo-American retreat from global governance in 2016
- COVID-19 pandemic.
- War in Ukraine

China's economy has grown ten-fold during the past two decades, from \$1.2 trillion in 2000 to \$17.7 trillion in 2021.

Every four years since the financial crisis of 2008, China has added roughly an economy the size of India to its GDP.

By comparison, U.S. GDP grew from \$10.3 trillion in 2000 to \$24.0 trillion by 2021, with real GDP growth averaging just 2% annually during these first two decades.



GDP (PPP) in billions of dollars

	2005	2015	2025 est.
China	6,543	17,880	36,603
U.S.	13,039	18,206	28,035

The US/China trade War

- In 2019, the U.S. levied tariffs of 15 percent on \$300 billion and 30 percent on another \$250 billion of Chinese goods.
- China retaliated with a tax of 5 to 10% on American goods worth \$75 billion and 20 to 25% on goods worth \$110 billion.
- Biden has retained some \$360 billion worth of tariffs imposed under Trump,
- He has threatened to remove Chinese companies worth an estimated \$2.4 trillion from U.S. stock exchanges
- Despite this, \$2billion of trade flows between these two countries every 24 hours.

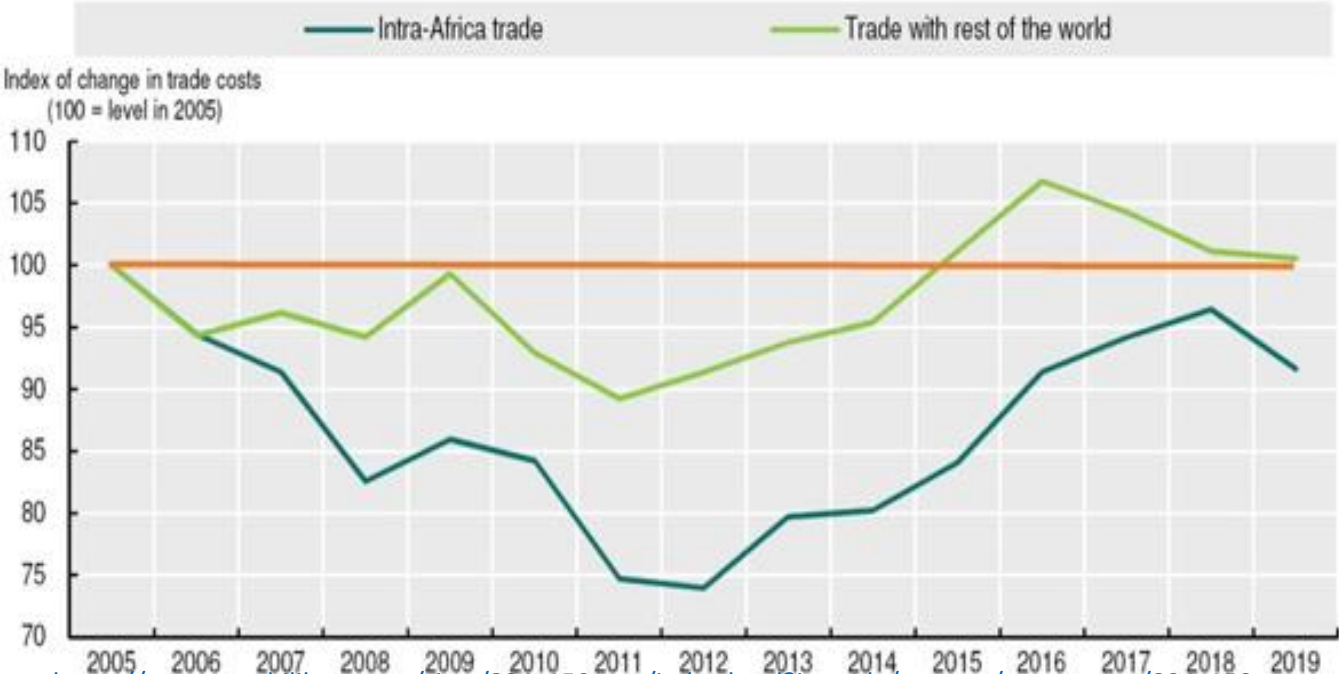
USA imports from CHINA



AfCFTA and the reality of inter-regional trade

- Intends connecting 1.3 billion people across 55 countries with a combined gross domestic product (GDP) valued at \$3.4 trillion.
- AFCTA boost regional income by 7% or \$450 billion, and lift 30 million people out of extreme poverty by 2035.

- The **costs of trade** within Africa have increased to 2007 levels, despite a considerable decline in intra-African tariffs.
- Africa’s logistics costs are up to 4x higher than the world average.
- Currently, Africa accounts for just 2% of global trade. Only 17% of African exports are intra-continental, compared with 59% for Asia and 68% for Europe.



<https://www.weforum.org/agenda/2021/02/afcfta-africa-free-trade-global-game-changer/>

<https://www.oecd-ilibrary.org/sites/894c150a-en/index.html?itemId=/content/component/894c150a-en>

Limited competitiveness

Intra-regional sourcing of food grew in the last decade...



... but 40% of food imports originated in Asia in 2019



In 2019, processed and semi-processed goods accounted for

79% of intra-African exports



and **41%** of exports to other destinations

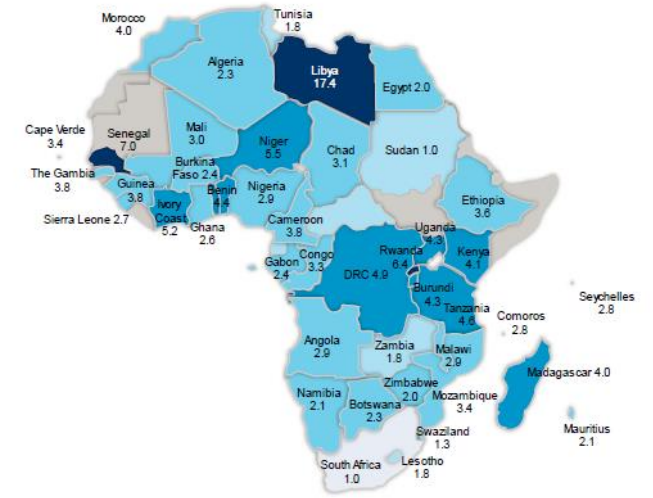


High trade costs

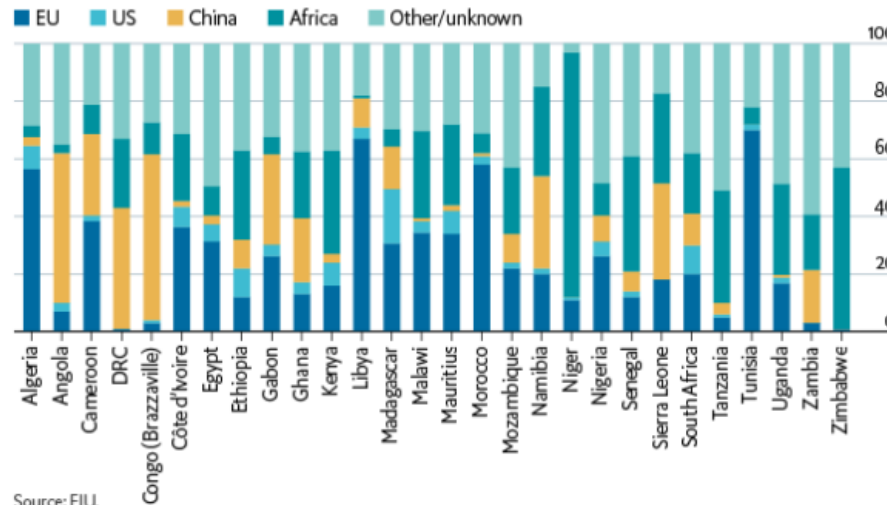
Intra-African trade costs returned to levels comparable to 2007



Africa in 2023



Direction of trade for African countries' exports, 2021
(% of total recorded goods exports)



Source: EIU.

Top 10 African Destination Countries by Numbers of Migrants

Country of Destination	Immigrant Population	Total Population	Percentage Immigrant Population
South Africa	2,860,495	58,801,926	5
Côte d'Ivoire	2,564,857	26,811,790	10
Uganda	1,720,313	44,404,611	4
Sudan	1,379,147	44,440,486	3
Nigeria	1,308,568	208,327,404	1
Ethiopia	1,085,517	117,190,911	1
Kenya	1,050,147	51,985,780	2
Democratic Republic of the Congo	952,871	92,853,164	1
South Sudan	882,252	10,606,227	8
Libya	826,537	6,653,942	12

THE GLOBAL ENERGY CRISIS

Europe cannot manage without Russian gas.

Russia is world's 2nd biggest supplier of natural gas.

Global net income from oil and gas production will be \$2 trillion higher than 2021.

Global scramble for fuel=Gulf states will earn \$3.5 trillion over next 5 years.

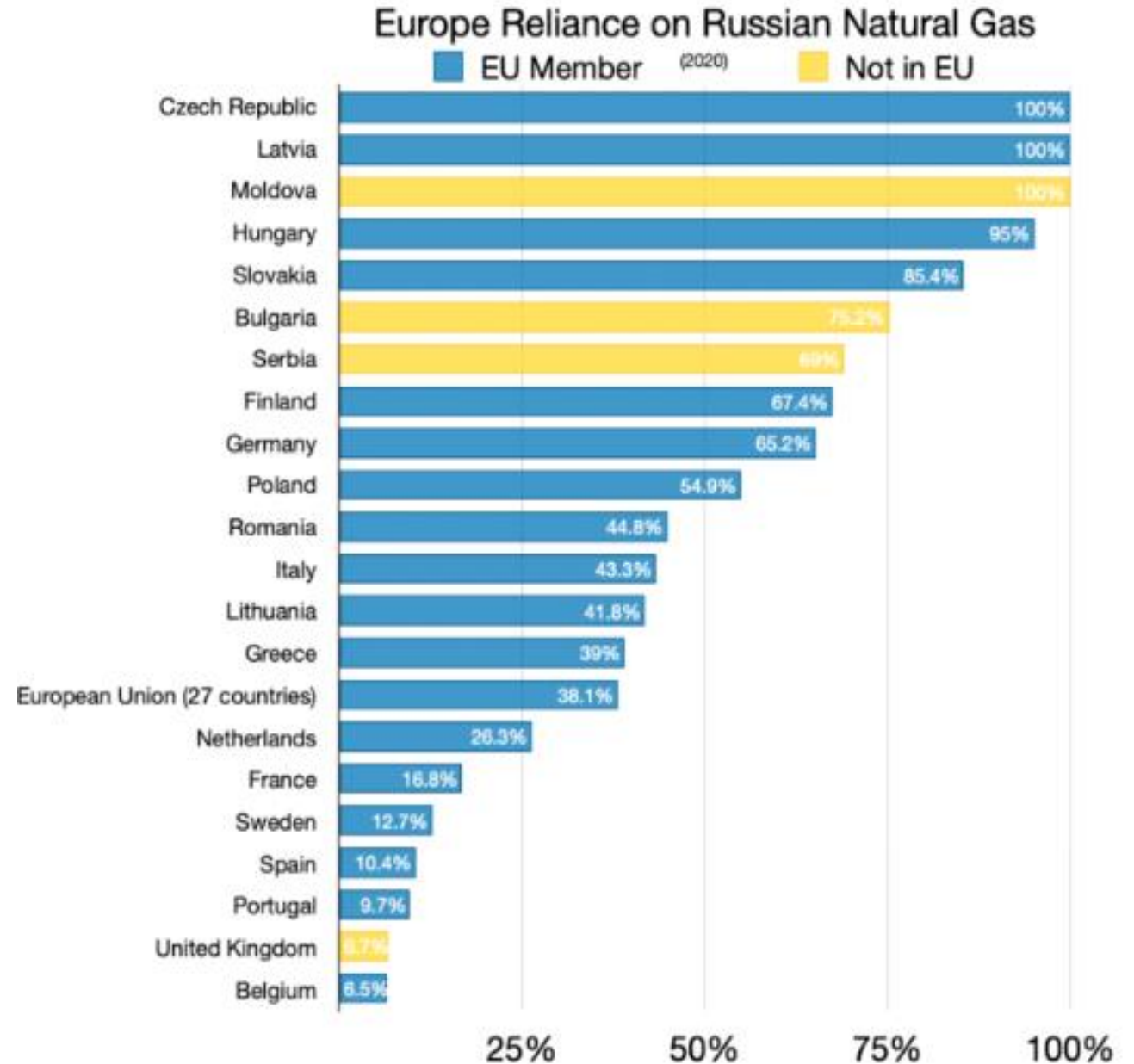
Fuel shortages: India and China stockpiling

Russian oil; could become power brokers in

Middle East, displace the USA.

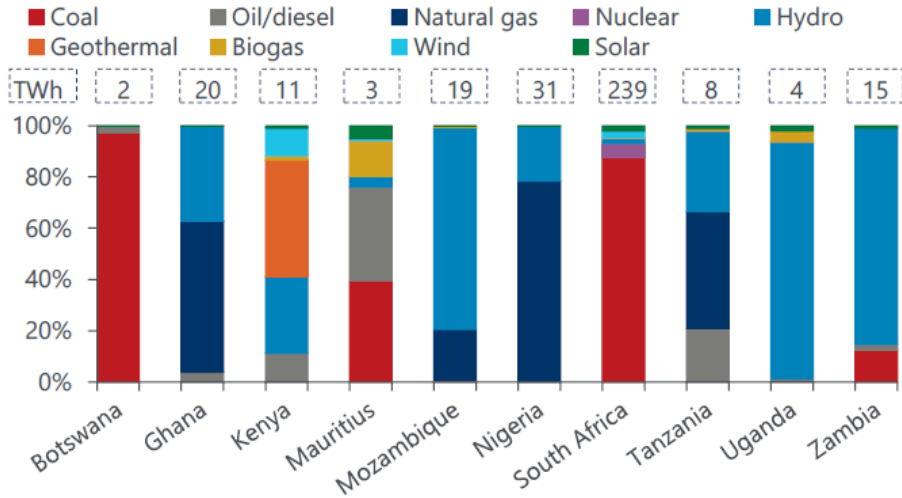
In Africa there are 25 million more people

without electricity now.

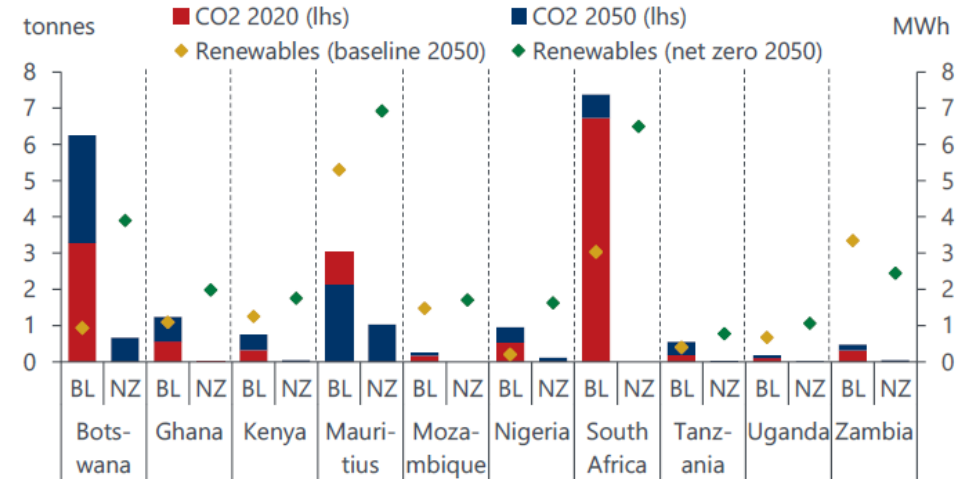


Africa's energy transition

Composition of electricity generation by source in 2020



Per capita CO2 emissions & renewables output baseline vs net zero

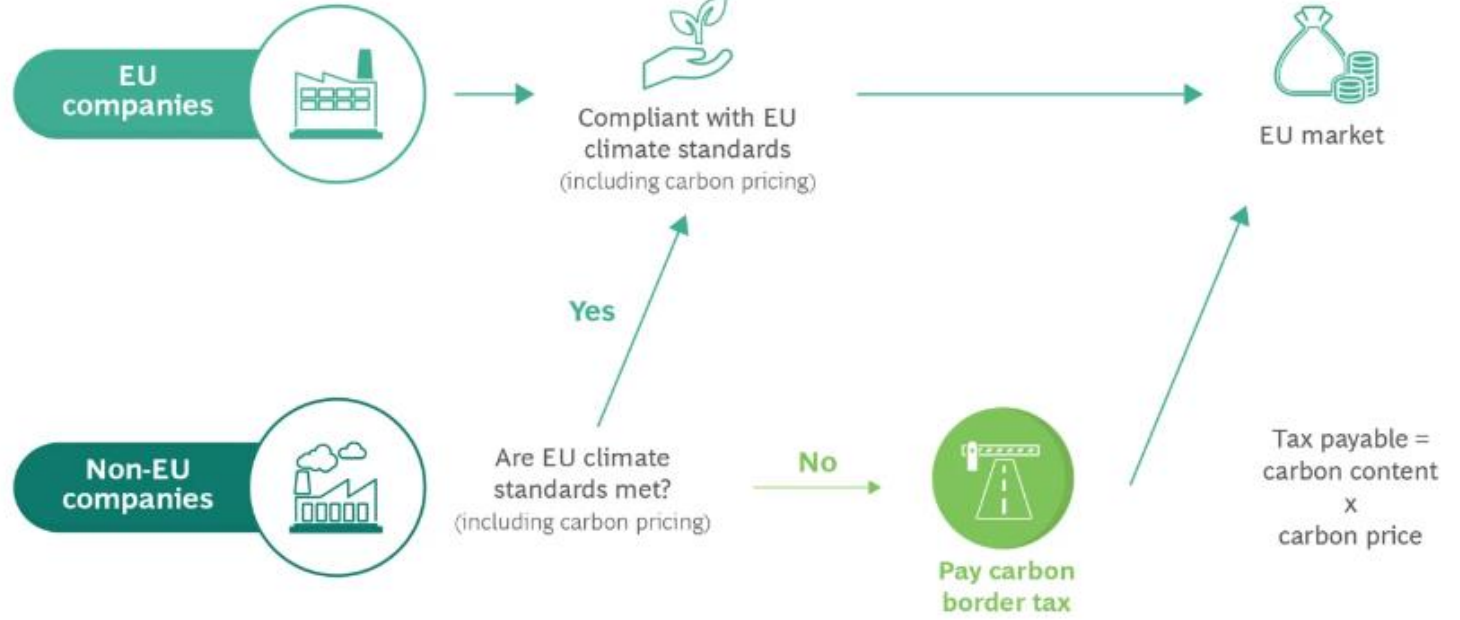
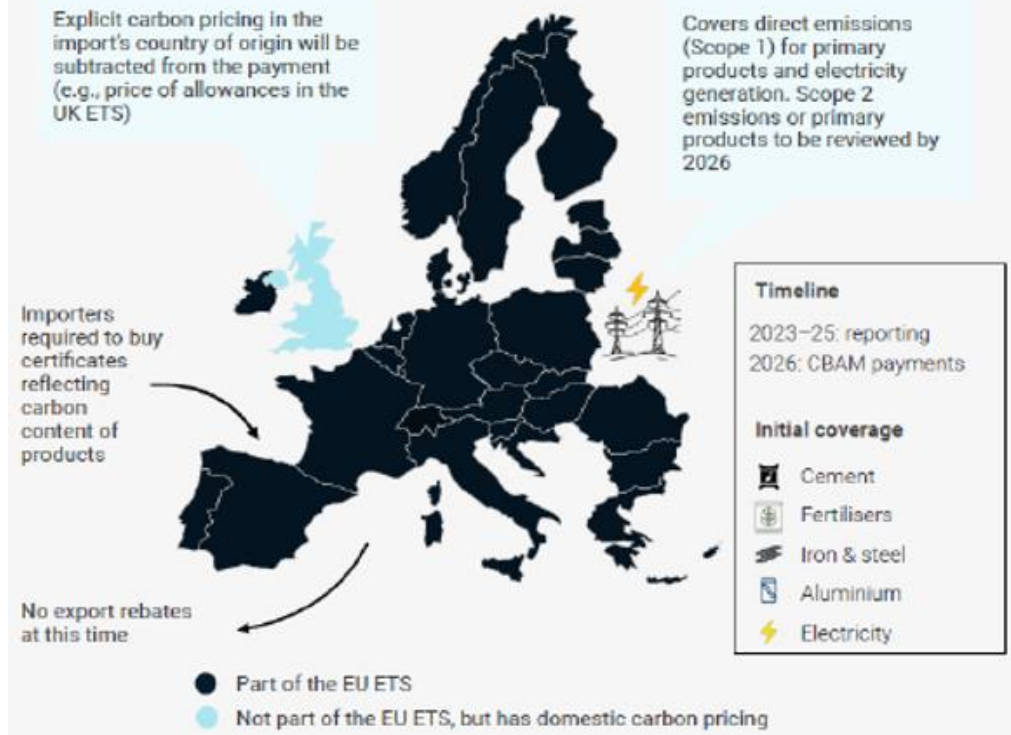


Under the CBAM, importers will be required to purchase carbon certificates that represents a tonne of carbon dioxide emissions embedded in goods.

The biggest initial impact will be on the cost of such high-carbon inputs as steel, cement, aluminum, chemicals, and electricity.

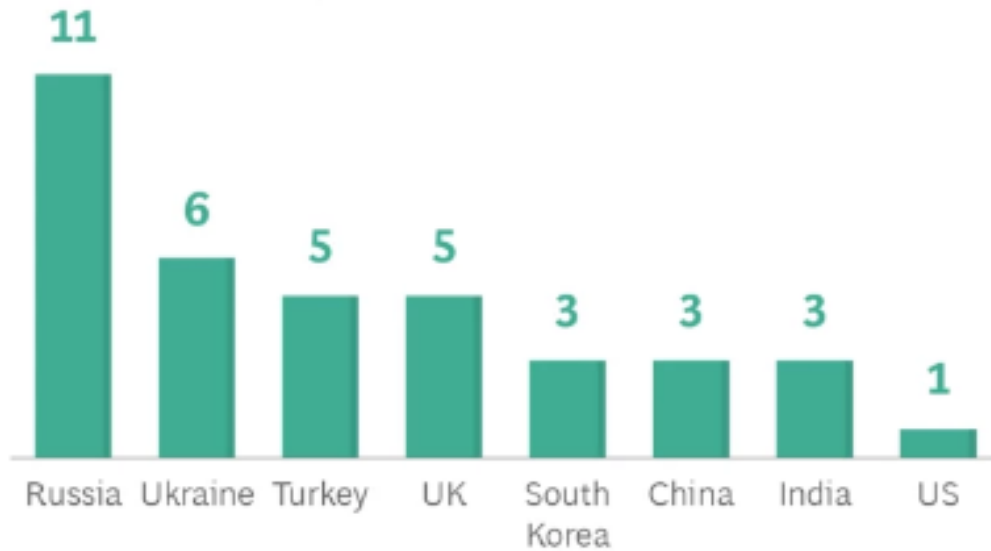
€75 per metric ton of CO₂ emissions.

This could increase the cost of materials made by more carbon-intensive producers, such as China, Russia, and India, by 15% to 30% overnight.

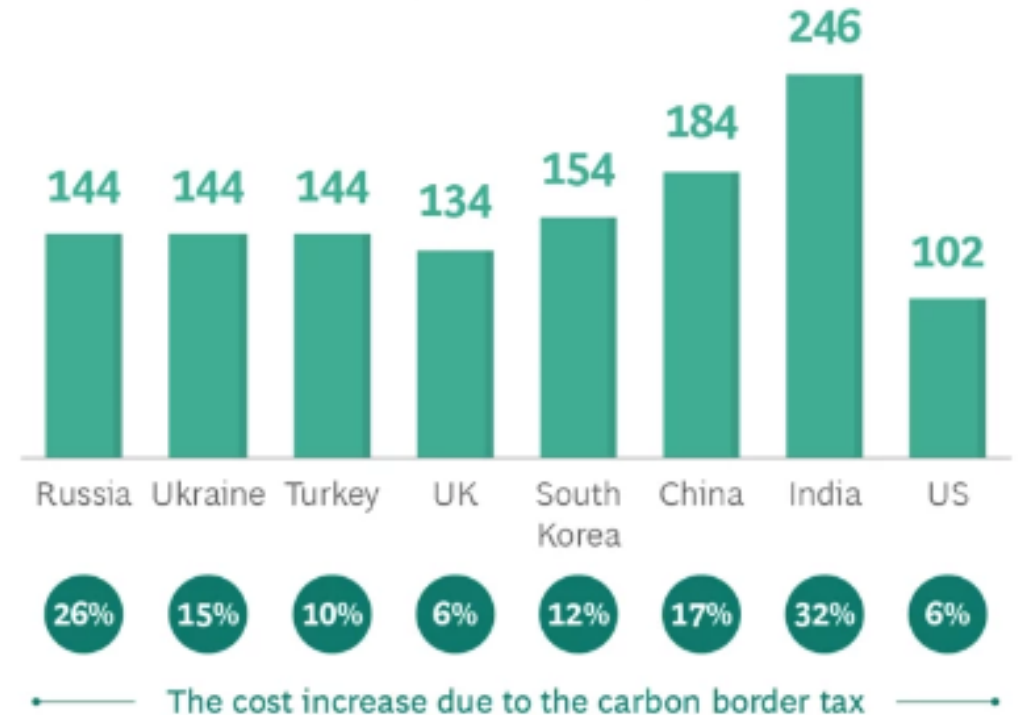


CBAM and iron and steel

Iron and steel imports to the EU, 2019
(millions of metric tons)



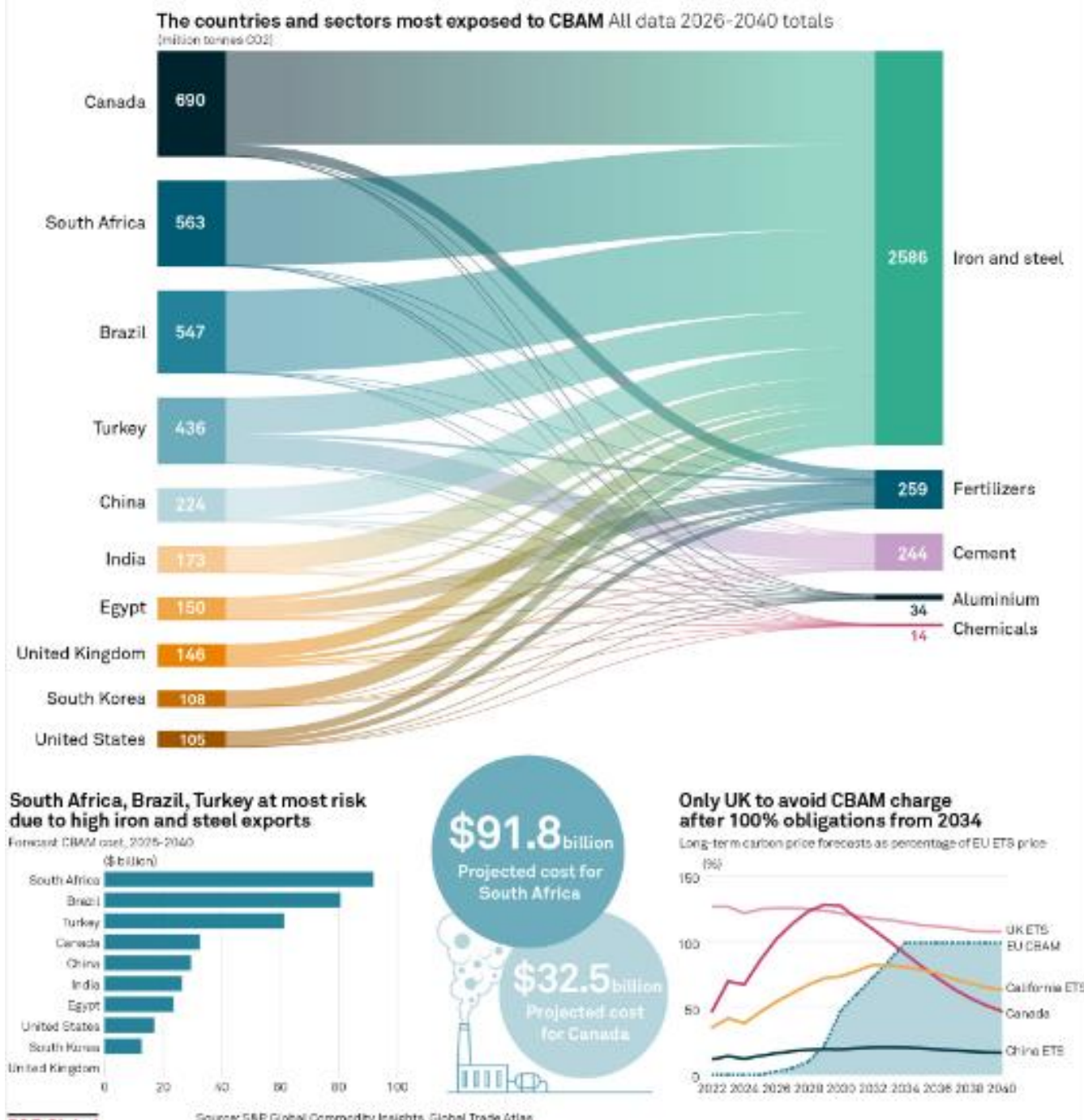
The average cost impact of the carbon border tax¹
(€ per metric ton)



CBAM: The new cost of doing business

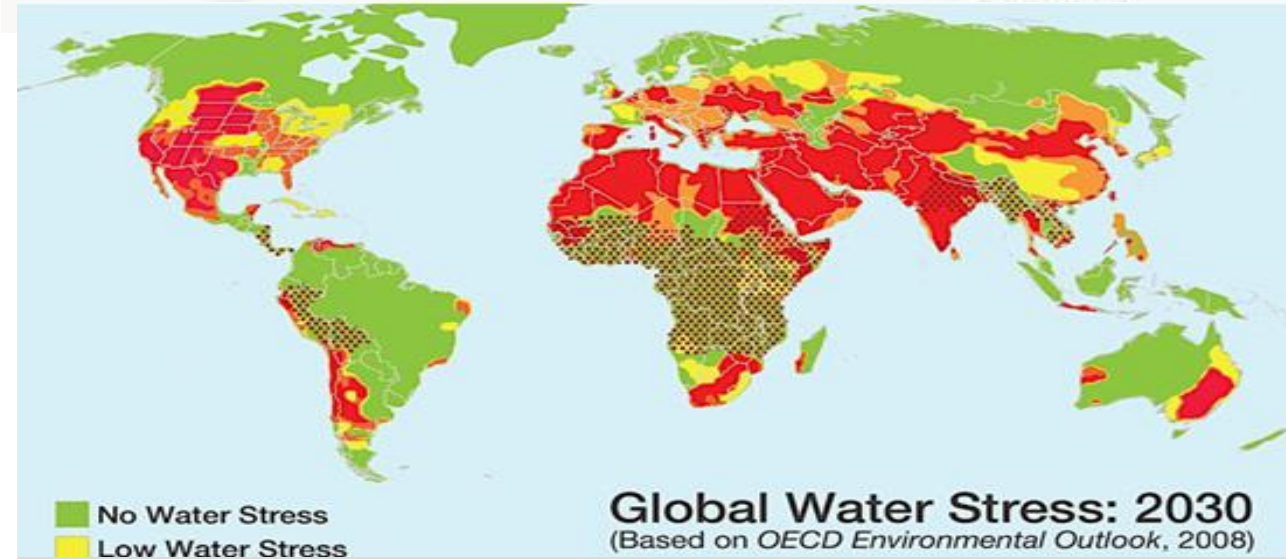
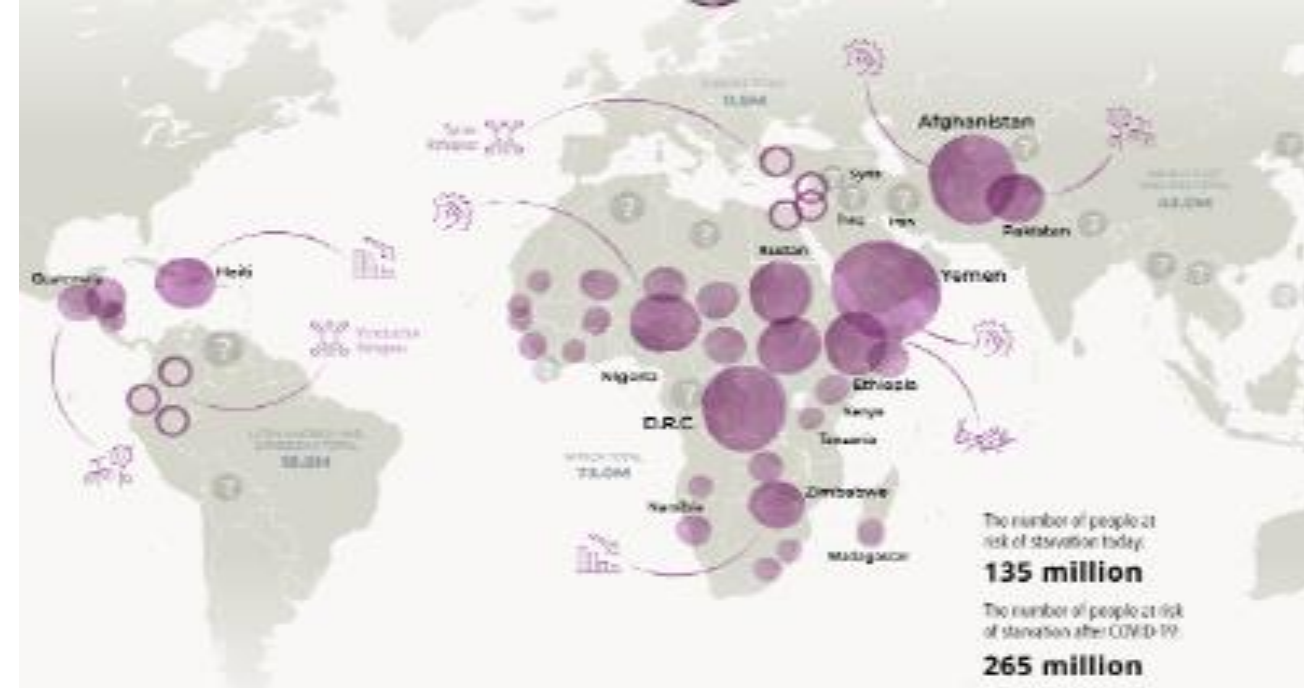
•2019* data on EU-27 imports of CBAM goods shows that exporters in Russia, China, and Turkey supply 40% of total EU-27 imports of CBAM goods.

•Total 2019 EU-27 imports of CBAM goods came to \$60 billion, including \$39 billion of steel and \$14 billion of aluminum, indicating that the producers of industrial metals will be the largest payers of the international carbon tax.



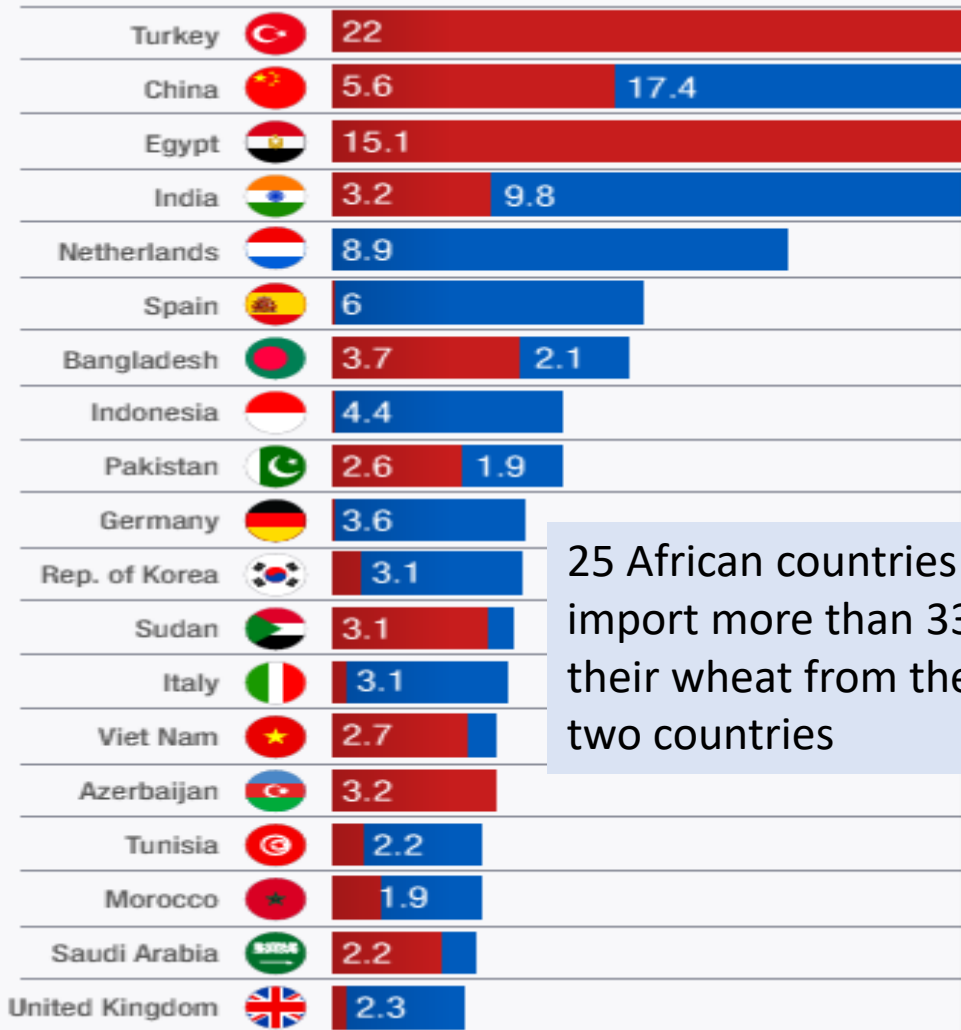
The global food crisis

- ✓ 4 corporations control 90% of world's grain trade
- ✓ Much of this trade passes through war torn check points
- ✓ Global standard diet: **wheat, rice, maize and soy**-accounts for 60% of calories grown.
- ✓ Number of malnourished people grew from 650m in 2019 to 811m in 2020.
- ✓ Global food prices increased by 13% in March.
- ✓ Prior to the war, 47 countries suffered from sever malnutrition, number has now increased to 60.
- ✓ Extreme weather also destroying food crops

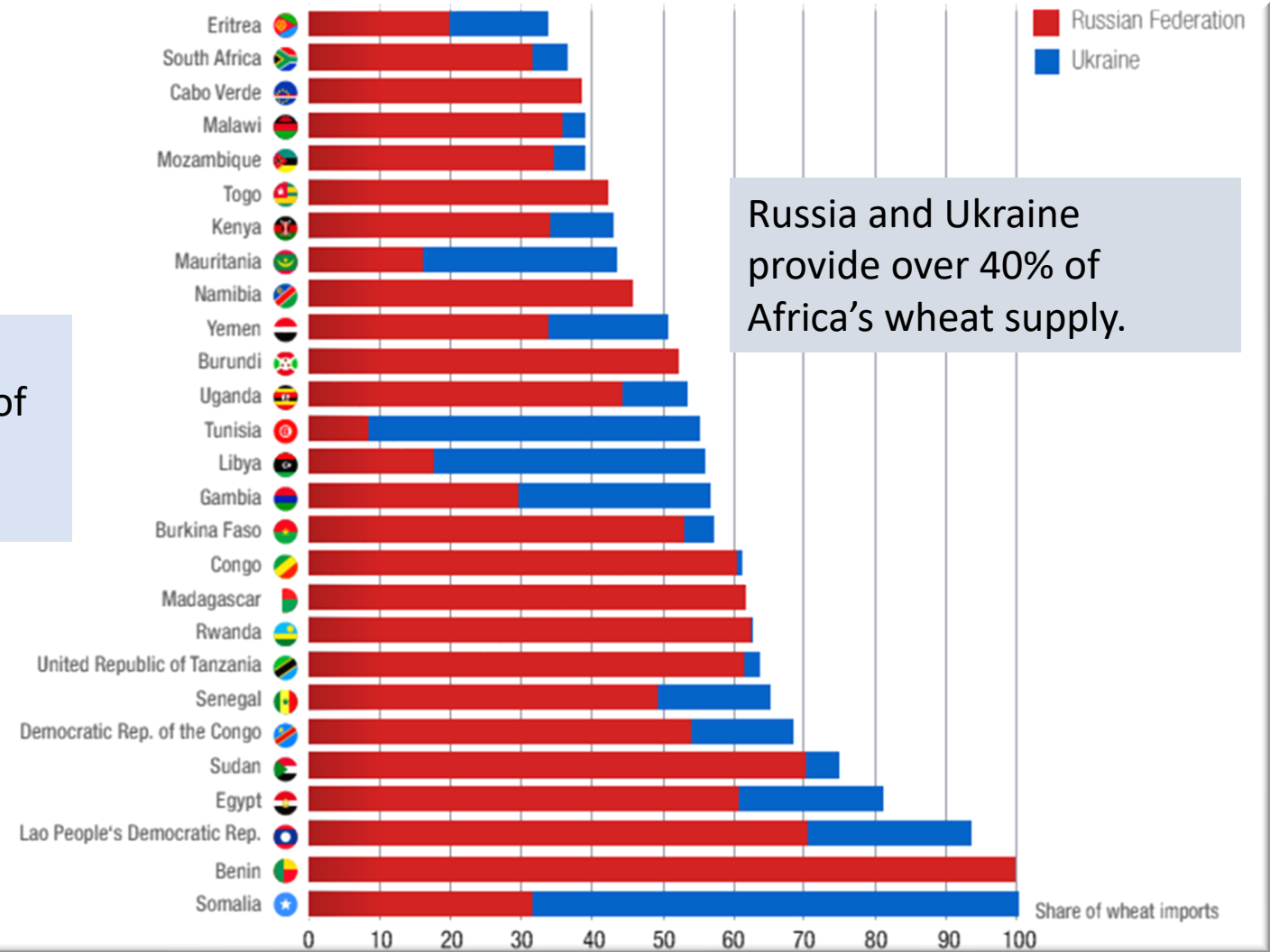


50% planet's surface=Food production
The world uses an area the size of **South America** to grow our **crops** and an area the size of **Africa** for **livestock production**

Global dependence on agri-food commodities



25 African countries import more than 33% of their wheat from these two countries



Russia and Ukraine provide over 40% of Africa's wheat supply.



Q3 2022 economy expanded by 1.6% and averted a recession

Economy now exceeds pre pandemic levels

Real GDP was R1 611 billion in Q3 ; previous peak was R1152 in Q4 2018.

Country has an infrastructure investment project pipeline worth R340 billion in network industries such as energy, water, transport and telecommunications

Notable indicators

RMB top ten economies in Africa

SA ranked 3rd in 2021

Financial Times list of fastest growing companies in Africa

saw SA companies (24) while Nigeria had 20 and Kenya had 9.

Brand Finance Africa

SA companies comprised 60% of companies listed

MTN retained position as top African company

Capitec retained position as continent's strongest brand



Thank You

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