As of 20th April 2020

Anthony Mveyange and Kevin Rombo

Introduction

TMEA is continually collecting data related to its work at ports, along corridors and at border posts to try to better understand the current and potential future impacts of COVID-19 on trade in the region. In addition, we have monitored the many reports, articles and analyses on COVID-19 related to trade and economic impacts, globally and regionally, and provide the following summary.

Overview in Africa

- An initial analysis of COVID-19's economic impact by McKinsey finds that **Africa's GDP growth in 2020 could be cut by 3-8 percentage points**. The recent article on *Tackling Covid-19 in Africa* notes that the pandemic and the oil-price shock are likely to tip Africa into an economic contraction in 2020, in the absence of major fiscal stimulus. The report outlines four scenarios for the progression of the outbreak and proposed as action framework for African governments.
- April 2020 growth projections by the International Monetary Fund indicate that economic growth in sub-Saharan Africa will tumble by **1.6 percentage points in 2020 but expected to recover to 4.1 percentage point in 2021**. In response to supporting countries to contain and suppress COVID-19, the IMF Executive Board approved an immediate Debt relief for 25 countries including **DRC, Rwanda, Malawi, and Mozambique**. The debt relief provides fiscal space for beneficiary countries to reallocate more resources for the fight against COVID-19 crisis.
- A study led by the United Nations University-Wider (Australia) estimates a potential 10% contraction in income or consumption in sub-Saharan Africa is enough to erase the progress achieved in reducing extreme poverty in recent years. Using estimates based on three scenarios: low, medium, and high global contractions of 5%, 10%, and 20%, the study calculates the impact of each of these scenarios on the poverty headcount using the international poverty lines of US$1.90, US$3.20 and US$5.50 per day. **At the 20% contraction rate, the study estimates that the number of additional people living in poverty in sub-Saharan could reach about 112 million, relative to the latest official recorded figures for 2018.**
- The United Nations Economic Commission for Africa (UNECA) proposes specific policy interventions focused on trade of essential supplies—such as **zero tariffs, customs "green lanes", repurposed manufacturing, and enhancing digital trade in services.**
- Another UNECA recent report predicts that formal **job creation (currently at 3.7 million) will drop by 1.4 to 5.8 per cent.** The report forecasts an **increase in out-of-pocket expenditure by poor and vulnerable households together with an increase in informal and vulnerable employment** -- more than 60 per cent of men, and nearly 75 per cent of women are informally employed in Africa.

> The East African Community (EAC) has drafted, but not yet ratified, **Administrative Guidelines to Facilitate Movement of Goods and Services During the COVID-19 Pandemic**, as well as urged Partner States to begin preparing economy recovery plans immediately. The Virtual Summit planned for April 15 was postponed.

East African Data[1]

Mombasa Port

Figure 2a below shows cargo throughput from the Port of Mombasa between September 2019 and March 2020. Except for conventional cargo that declined before and increased after the onset of the pandemic in December 2019, **dry and liquid bulk as well as containerised cargo declined by 16%, 23%, and 19%, respectively, between**

[1] No data was made available to TMEA from the ports of Dar es Salaam or Berbera.

January and March 2020. Figure 2b below presents the patterns of imports and exports throughput between September 2019 and March 2020. **Imports declined by about 29% while export insignificantly improved between January and March 2020.**

Figure 2a: Cargo throughput

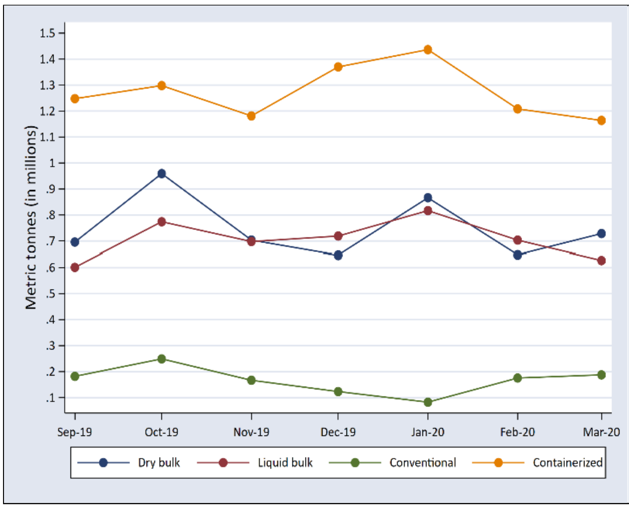
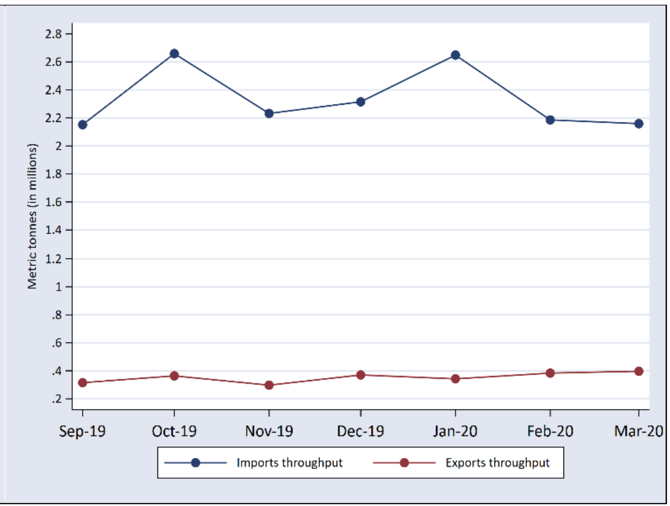


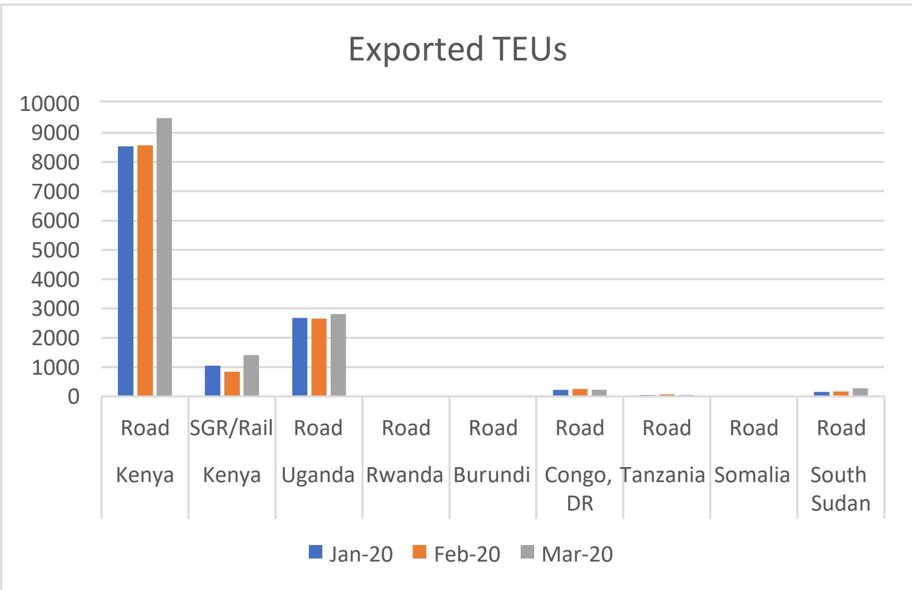
Figure 2b: Imports and Exports throughput



Source: Calculations based on data from Kenya Ports Authority

Figure 2c shows received export container cargo (in TEUs) by their destination.

Figure 2c: Export containers received



Source: Calculations based on data from Kenya Ports Authority

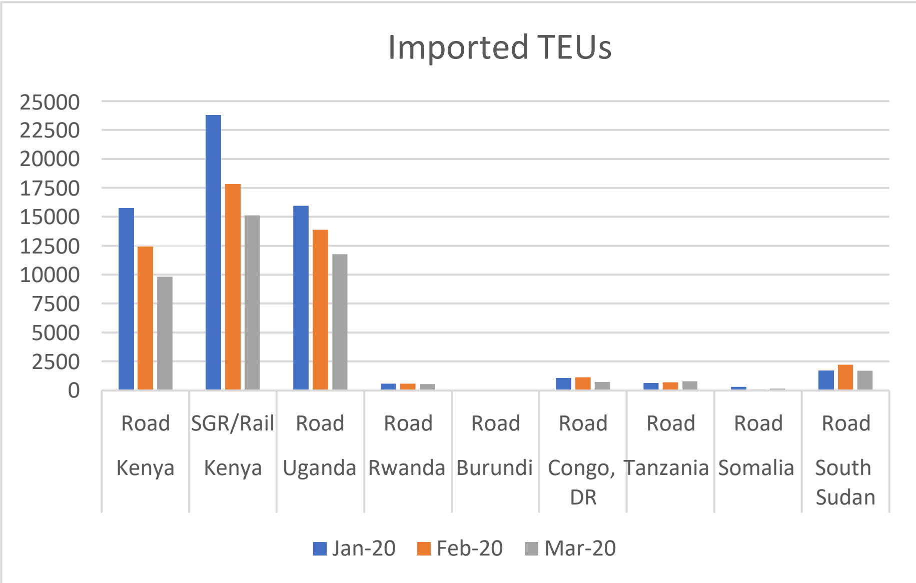
The analysis shows that:

- **Kenya:** Cargo received by road increased by 0.2% between January and February, rising to 11% between February and March, recording an overall January-March increase of 11.3%. Export cargo received by Standard Gauge Railway (SGR) tumbled by 18.8% between January and February, then picking up to 66.7% between February and March. SGR export cargo recorded an increase of 35.4% January-March.

- **Uganda:** Cargo received by road declined by 0.6% between January and February, rose by 5.8% between February and March, and recorded an overall increase of 5.2% January-March.
- **Rwanda:** Cargo received by road surged by 109.1% between January and February, declined by 43.5% between February and March, and recorded an overall increase of 18.2% January-March.
- **DRC:** Cargo received by road increased by 14.5% between January and February before declining by 15% between February and March, recording an overall decline of 2.6% January-March.
- **Tanzania:** Cargo received by road recorded an increase of 48% between January and February. February-March and January-March cargo also declined by 39.2% and 10%, respectively.
- **South Sudan:** Cargo increased by 2.5% between January and February before jumping by 69.7% between February and March, recording an overall increase of 73.9% between January-March.

Figure 2d shows delivered import container cargo (in TEUs) by their destination.

Figure 2d: Import containers delivered



Source: Calculations based on data from Kenya Ports Authority

The analysis shows that:

- **Kenya**: Cargo delivered by road plummeted by 20.9% between January and February, 21.1% between February and March, with January-March declines recording a significant drop of 37.6%. Import cargo delivered by SGR plunged by 25.1% between January and February, and 15.2% between February and March, with January-March comparison showing a substantial drag of 36.5%.
- **Uganda:** Cargo delivered by road declined by 13.1% between January and February, 15% between February and March, and 26.2% January-March.
- **Rwanda:** Cargo delivered by road declined by 2.4% between January and February, 2.7% between February and March, and 5% between January-March.
- **DRC:** Cargo delivered increased by 5.1% between January and February, before a sharp decline 35.1% between February and March, resulting in an overall fall of 31.2% January-March.
- **Tanzania:** Cargo delivered by road recorded an increase of 8.4% between January and February. February-March and January-March cargo also increased by 17.1% and 26.9%, respectively.
- **Somalia:** Cargo delivered by road plunged by 76.2% between January and February, before rising by 141.8% between February and March, with an overall 42.6% decline in cargo January-March.

- **South Sudan:** Cargo delivered by road increased by 29% between January and February before tumbling by 22.3% between February and March, with a negligible net change of 0 .24% increase January-March.

The overall picture of the Port of Mombasa data from January-March 2020 captures the COVID-19 effects of **decreases in imports for most countries, while exports held steady or increased slightly in most countries.** Comparing across countries, imports bound for Kenya, Uganda and DRC experienced sharp declines, while imports to Rwanda were slightly less affected. Tanzania is an outlier with imports actually increasing significantly, while South Sudan noticed little change across the time period. **Exports varied widely across countries.** Kenya, Uganda and Rwanda all experienced moderate export increases, while South Sudan exports increased significantly by 73.9 per cent. Tanzania's exports fluctuated across the period, resulting in an overall 10% decrease, while DRC decreased slightly.

Djibouti Port

Data from Djibouti in March 2020 demonstrates no real change over observations from January-February 2020, which showed a **decline in exports out of Djibouti port from 114,576 MT to 89,855 MT, which is roughly a 22% reduction.** Effective from 16 April, Djibouti Port is offering Ethiopian exporters **60 days free terminal handling charges,** which will be interesting to observe for changes.

Cargo Trucks Movements at Busia and Malaba OSBPs: 31st March –15th April 2020

Figures 3a and 3b show the number of pending and released export cargo trucks, respectively. Figure 3a shows the total number of outbound cargo trucks at Busia border ranging between 0 and 30 on a given day while no pending outbound cargo trucks at Malaba border.

Figure 3a: Pending outbound (export) cargo trucks **Figure 3b: Released outbound (export) cargo trucks**

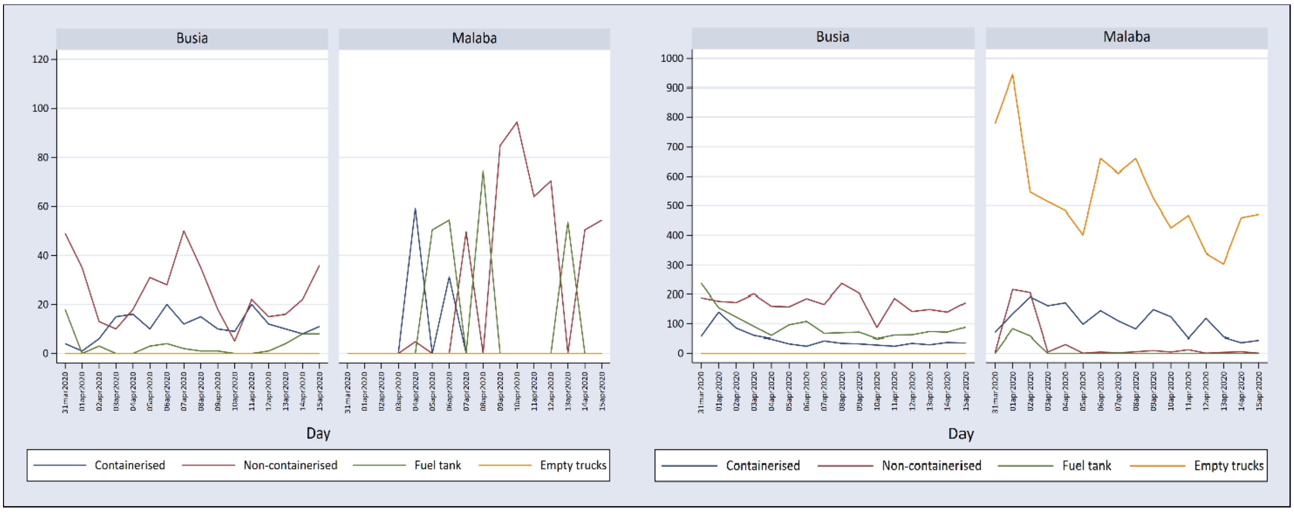
Source: Calculations based on data from Kenya Revenue Authority

Both Busia and Malaba borders were busy with heavy traffic recorded at Malaba border. On average:

- Busia released 37 containerised, 131 non-containerised, and 80 fuel tank outbound cargo trucks daily
- Malaba cleared 282 containerised, 442 non-containerised, and 131 fuel tank cargo trucks over the last two weeks.

Figures 3c and 3d show the number of pending and released import cargo trucks in the last two weeks, respectively. Figure 3c shows the total number of inbound cargo trucks at Busia and Malaba borders ranging between 0 and 120 on given day. Specifically, the analysis indicates that **Malaba experienced daily intermittent high-peak traffic (thus congestion) flow of inbound cargo trucks**. Figure 3d indicates the number of released inbound cargo trucks to enter Kenya through Busia and Uganda through Malaba. **Of particular note in Figure 3d, the majority (averaged at 537) of the released inbound cargo trucks at Malaba were empty, whereas Busia reported zero empty released bound cargo trucks**.

Figure 3c: Pending inbound (import) cargo trucks **Figure 3d: Released inbound (import) cargo trucks**



Source: Calculations based on data from Kenya Revenue Authority

Overall, this descriptive analysis suggests that both Busia and Malaba borders were busier clearing inbound than outbound cargo trucks in the past two weeks, with Malaba experiencing disproportionate congestion associated with recent mandatory testing requirements of all cargo truck drivers entering Uganda.

Airport/Air Cargo

In general, importers are facing higher freight charges as cargo operators hike the cost to compensate on reduced consignments and empty flights coming in from Europe and Asia to pick up shipments in Africa. Latest developments include:

- The East Africa Business Council (EABC) reports in a position paper issued on April 14 that in Kenya, **the volume of fresh produce out of Jomo Kenyatta International Airport (JKIA) has reduced from a weekly 5,000 tonnes to 1,300, a 75% decline with similar trends reported across the region**.
- Costs, however, continue to ease with more scheduled capacity provided by KLM, Qatar and Ethiopian Airlines. The return of Rwandair and Kenya Airways to the skies is a welcome relief for exporters; however, it will soon become increasingly difficult for them to compete with airlines that are receiving government subsidies.
- EABC recommends that EAC Partner States **facilitate the use of passenger aircraft for cargo-only operations**, including the re-positioning of air cargo flights. It also recommends that EAC promote **consolidation of air freight and cooperation between EAC airlines and allows for flexibility in scheduling**.

Private Sector Perspectives

The East Africa Business Council (EABC) issued a summary of private sector recommendations on mitigating the impacts of COVID-19 in the EAC region as follows:

- Adopt a common regional approach in the preparedness and response measures towards mitigating the impact of COVID-19 outbreak in the EAC.
- Implement an Open Skies Policy for cargo carriers into the EAC market to fully liberalise free movement of goods across the EAC without restrictions in line with the Yamoussoukro Decision on freedom rights and the draft EAC regulations on liberalisation of air transport services, during the COVID-19 pandemic.
- Provide an environment for private sector collaboration with Governments to enhance efforts towards mitigation and response measures against COVID-19.
- The EAC Partner States to collaborate closely for increased production of essential goods and ensure their free flow across the EAC Partner States.
- Allow free movement of essential services and service suppliers such as doctors, nurses, scientists, researchers, truck drivers, etc across the EAC region.
- Urge the EAC Partner States to provide fiscal incentives to businesses already involved in manufacturing of essential products such as health equipment, sanitizers, masks, soaps.
- Enhance collaboration in information sharing, best practices and any other support initiatives in fighting COVID-19.
- EAC Partner States to develop a harmonized economic stimulus package to cushion businesses against the impact of COVID-19 and save jobs.

Sector-Specific Impacts

- ***Transport and Logistics***: The EABC, with TMEA support, also issued a report on the Impact of COVID-19 on the Transport and Logistics Sector on April 14. The report highlights that even though many companies are diversifying sources from which they procure finished products to be less dependent on Chinese production, it takes time to rework logistics and transportation routes, and build alternative fulfilment capabilities to accommodate the changes. Additionally, businesses must anticipate new movement restrictions as they evolve across the region. A return to normalcy would still see a surge of container movements, creating a requirement for additional destuffing capacity.

- ***Tourism***: The EABC issued a report on the impacts of COVID-19 on the tourism sector in the region on April 4, stating that EAC Partner States will potentially **lose tourism receipts upwards of USD 5.4 billion for the year 2020** given the projected long-term closure of seaports and airports**. About 6.2 Million foreign tourists may not travel to their preferred EAC destinations**. The trickle-down effects will be felt across affiliated industries and the rest of the economy. Small and Medium Enterprises (SMEs) dominate Africa's tourism landscape, which at present **comprises 80% women in its workforce**. The report also includes initial ideas on a recovery strategy.

- ***Horticulture***: The Kenya Flower Council reported on April 14 that **demand for export of floriculture, vegetables and fruits has increased to 3,500 tonnes in the past seven days** with flowers accounting for the 60 percent of the orders. Air freight firms had cut capacity to 1,300 tonnes in line with export demand, which stood at 5,000 tonnes per week before the coronavirus outbreak. The Fresh Produce Exporters Association of Kenya had a roundtable with stakeholders on April 17, which TMEA attended. It was agreed that **to build incoming cargo volumes, the EAC region should collaborate and consolidate cargo to and from Europe to reduce freight costs**. TMEA continues to convene meetings with Fresh Produce Exporter Associations in the EAC, and with the EABC, to pursue viability and make recommendations to the EAC.

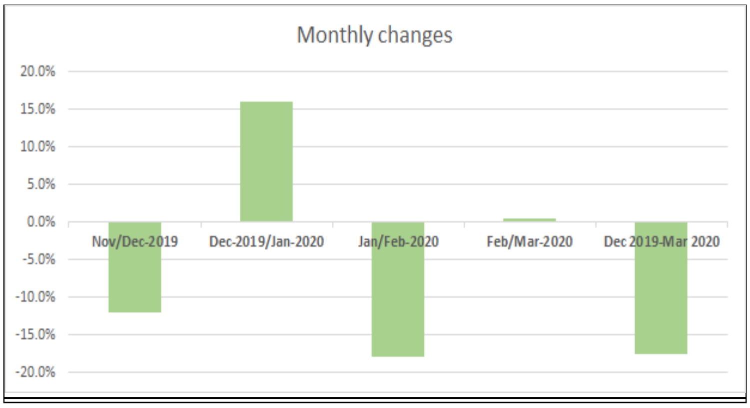
Appendix A: Country Snapshots[2]

Kenya

Figure 5 shows the monthly changes in Kenya's customs revenue. The data shows that:

- **A decline of 12.1% in revenue of collections from KES 49 billion in November to KES 43 billion in December 2019 -- the pre-COVID-19 period**. The decline can be attributed to end of the year holiday season. From December 2019 to January 2020 the revenue collections picked up significantly to 16.1% (i.e. from KES 43 to 50 billion).
- With the onset of COVID-19, in early February, **revenue collections plummeted by 18% from KES 50 billion in January to KES 41 billion by the end of February**. The reduction is directly associated with the onset of COVID-19 -- supply chain disruptions in China and Europe saw low traffic in cargo through the Mombasa ports. Changes between February and March were positive but modest – a barely 0.5% increase in revenue collections.

Figure 5: Changes in customs revenue



Source: Calculations based on data from Kenya Revenue Authority

Overall, the customs revenue collections tumbled by 17.6% between January and March, equivalent to KES 8.8 billion loss in fiscal space because of COVID-19 crisis.

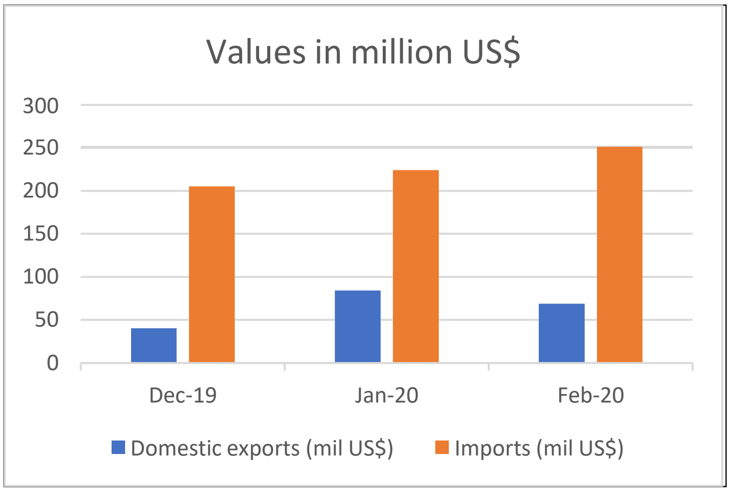
Rwanda

Figures 6a-6c present a quick snapshot of Rwanda's trade performance over the period December 2019 – February 2020.

- Figure 6a shows that **between December 2019 and January 2020 domestic exports almost doubled from US$ 40.3mil to US$ 84.3mil. However, after the onset of the pandemic the country experienced a sharp 18% decline from January levels to US$ 68.9mil in February 2020**. Imports were surging suggesting that COVID-19 crisis did not affect import trade between December 2019 and February 2020. March figures, once available, will be interesting to analyse for potential effects from fewer ships docking in Dar es Salaam and disruptions in air cargo.

[2] Based on TMEA operating countries where data was most readily available.

Figure 6a: Rwanda's total external trade



Source: Constructed using data from [National Institute of Statistics of Rwanda]

Figure 6b: Rwanda domestic exports

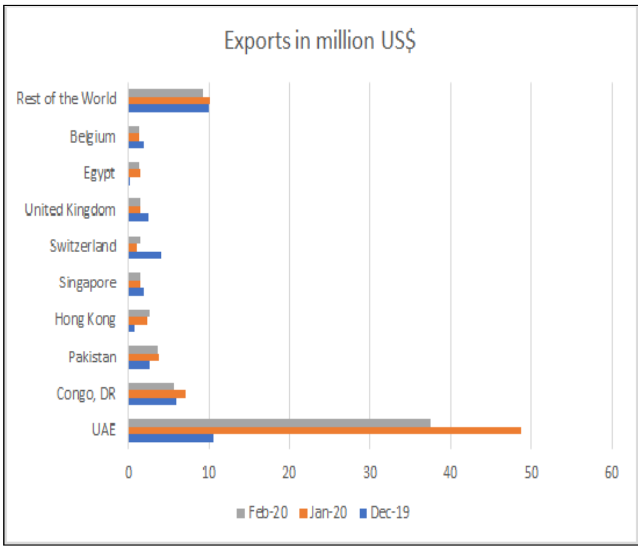
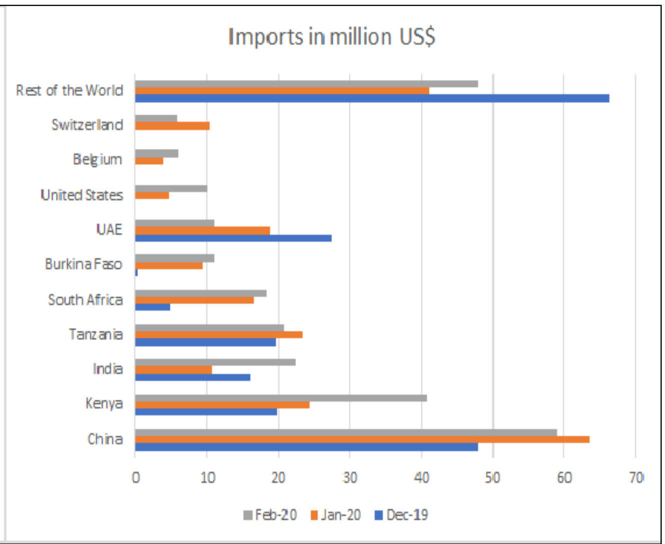


Figure 6c: Rwanda imports



Source: Constructed using data from [National Institute of Statistics of Rwanda]

- Figure 6b, which shows Rwanda's domestics exports with its major trading partners, suggests a **drop in domestic exports values in February**, with UAE, Congo DR, and the rest of the world registering predominant declines over the period.
- Figure 6c shows Rwanda's imports with its major trading partners. **Imports from China, Tanzania, UAE, Switzerland, and the rest of the world declined over January - February 2020**. However, over the same period, **imports from Kenya, India, Burkina Faso, United States and Belgium increased**. The increases in imports from these countries signalled the early months when COVID-19 impacts were not full-fledged.

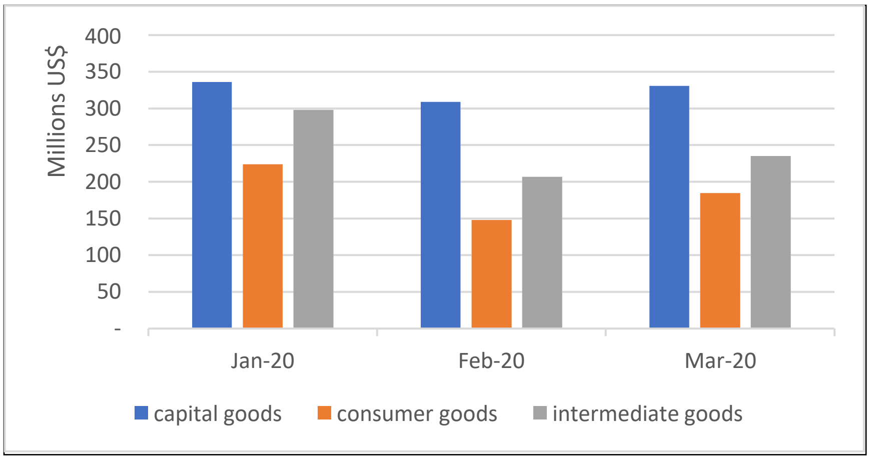
Tanzania

Figure 7 shows the volume of imports to Tanzania over the period January-March 2020 disaggregated into capital, consumer and intermediate goods. The analysis indicates that:

- Imports of capital, consumer and intermediate goods declined by 8%, 33.9% and 30.5%, respectively, between January and February.

- Imports increased from February to March: capital goods (7%), consumer goods (24.9%), and intermediate goods (13.7%). **The reported increase can partially be attributed to Tanzania's decision against closing its borders.**
- Comparing trends between January and March shows that, overall, imports of capital, consumer and intermediate goods **declined by 1.5%, 17.5%, and 21%,** respectively.

Figure 7: Tanzania's volume of Imports



Source: Calculations based on data from Tanzania Revenue Authority