Impacts of COVID-19 on Eastern & Southern African Trade
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Kevin Rombo

I. Introduction

TMEA is continually collecting data related to its work at ports, along corridors and at various border posts. The main goal is to provide timely insights on the current and potential future impacts of COVID-19 on trade in the region. TMEA has also monitored and reviewed recently released reports, articles and analyses on COVID-19 related to trade and economic effects, globally and regionally, and provide the following summary.

II. Global Outlook

- According to a report by The Economist Intelligence Unit, the pandemic with the associated lockdown measures has led to contraction of global economic activities thereby stifling foreign direct investment (FDI). A wave of new restrictive FDI policies worldwide, mostly among G7 economies, has further dampened the investment outlook with global FDI flows expected to decline by about 40% in 2020-21, higher than the 35% contraction recorded during the 2008-09 global financial crisis.

- The UNDP projects a sharp decline in human development, a combined measure of education, health and living standards across the world due to COVID-19, with poor and developing countries severely affected.

- The World Bank estimates that COVID-19 could push 71 million people globally into poverty in 2020, increasing global poverty to 8.82% from 8.23% in 2019. South Asian and Sub-Saharan African countries are already struggling with poverty accounting for a huge burden of the new poor.

III. Overview in Africa

- Globally, the WFP estimates that almost a quarter of a billion people could be pushed into severe hunger in 2020 due to implications of COVID-19. In East Africa (Kenya, Uganda, South Sudan, Ethiopia, Somalia, Eritrea, Djibouti and Sudan) up to 5 million people are at risk of facing hunger due to the locust invasion that has ravaged farms and destroyed over 25,000 km of crop and pastoral lands. Further, COVID-19 is likely to exacerbate the situation due to limited availability of inputs occasioned by supply chain disruptions and movement restrictions that have hindered farmers from coordinating and managing farming activities.

- The World Bank's Sub-Saharan Africa Report posits that Africa's two largest economies-Nigeria and South Africa-are projected to shrink by 3.2% and 7.1% respectively in 2020. For other economies: Industrial commodity exporters (Angola, Democratic Republic of Congo, Ghana) have suffered weaker external demand and lower prices for oil and metals; Agricultural commodity exporters (Côte d'Ivoire, Ethiopia, Kenya) have been hit by supply chain disruptions and sharp decline in export demand; tourism dependant economies (Cape Verde, Ethiopia, Mauritius, Seychelles) have suffered as global travel has fallen sharply.

- The East African Community (EAC) has prepared an EAC Economic Recovery Plan 2021 – 2024 as a document to guide current and future sector specific efforts by all 6 Partner States towards recovery of their respective economies. It is expected that the EAC Heads of State Summit will endorse the document when they next meet. TMEA was engaged towards this document's development through its ongoing relationship with the EAC secretariat. The plan will provide a useful guide for TMEA and its development partners going forward as a framework to engage with Partner States.

- East Africa holds its ground as fastest growing region on the continent. African development Bank's East Africa Regional Economic Outlook 2020 projects that economic disruption caused by the COVID-19 pandemic has pushed East Africa's growth projection for 2020 down to 1.2 percent, a rate that outstrips other African regions, and is forecast to rebound to 3.7 percent in 2021. The projection is under the baseline scenario that assumes the virus is contained by the third quarter of this year.

IV. East African Data

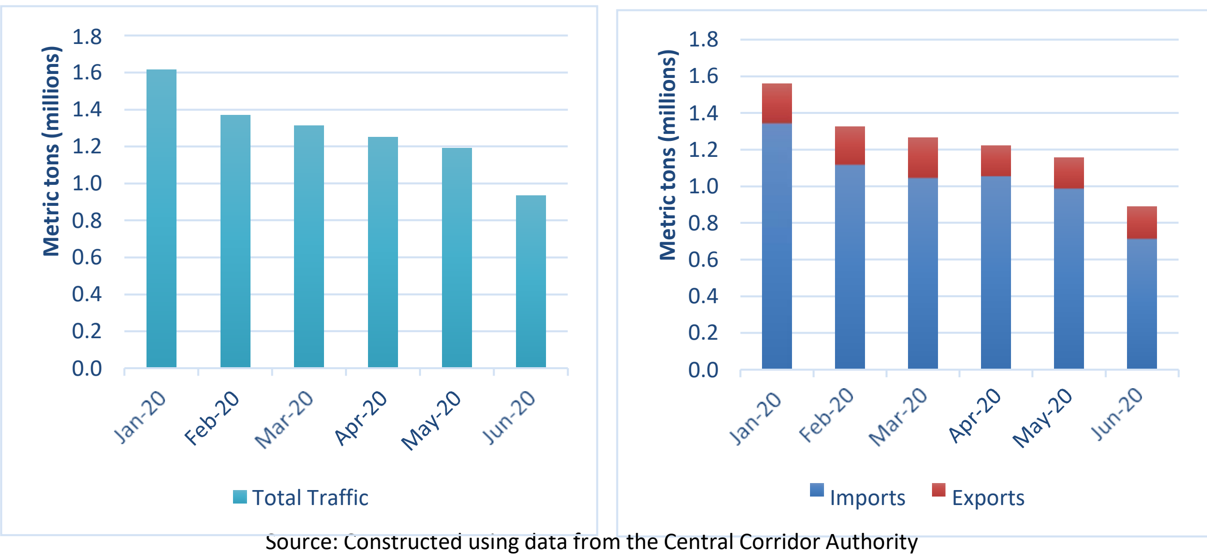
CENTRAL CORRIDOR: DAR ES SALAAM PORT

Cargo throughput

Figure 1 shows the patterns of total volumes of cargo throughput (Panel 1.1.), also disaggregated by imports and exports cargo volumes (Panel 1.2.) between January 2020 and June 2020. Panel 1.1. indicates a **42.2% decline in cargo throughput** from approximately 1.6m tonnes in January to roughly 0.935 m tonnes in June 2020. Panel 1.2. shows that both imports and exports are on a declining trend. **Imports declined by 47%** (from circa 1.3m tonnes in January 2020 to 0.712 m tonnes in June), while **exports also declined by 18%** (from 0.217m tonnes in January to 0.177m tonnes in June 2020).

Figure 1: Cargo Throughput

Panel 1.1. Total cargo throughput (m tonnes) *Panel 1.2. Imports/exports cargo throughput (m tonnes)*

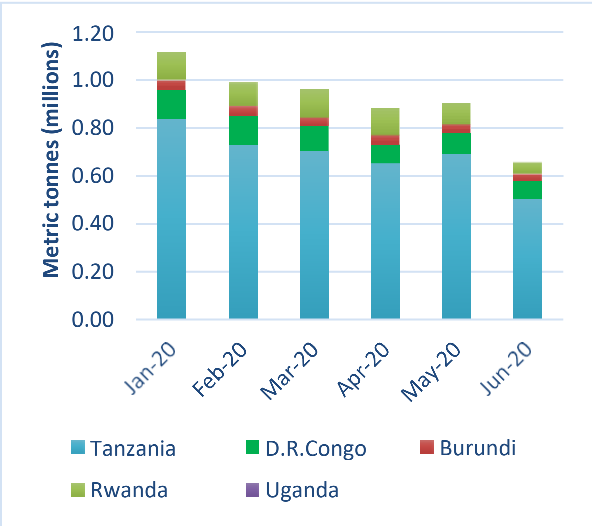


Source: Constructed using data from the Central Corridor Authority

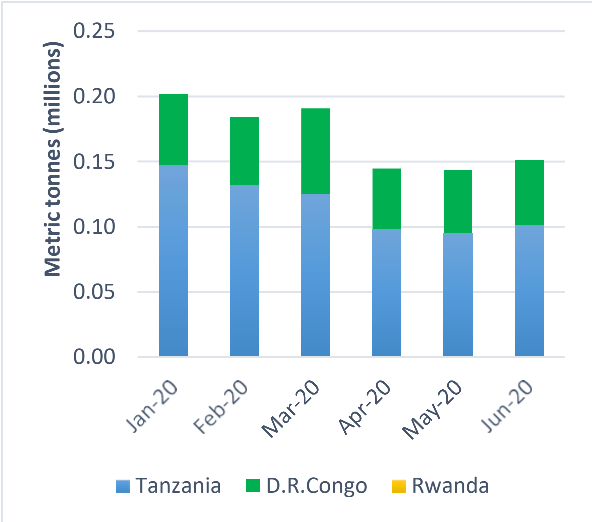
Figure 2 shows actual country imports (Panel 2.1.), and exports (Panel 2.2.) processed through the Port of Dar es Salaam between **January-June 2020**, **showing a decline in imports for all countries concerned.** The import declines (Panel 2.1.) were 39.8% in Tanzania (from 839,000 to 505,309 tonnes); 37.6% in DRC (from 120,000 to 75,000 tonnes); and 27.8% in Burundi (from 40,000 to 29,260 tonnes); 56.7% in Rwanda (from 114,000 to 49,425 tonnes) and 23.8% in Uganda (from 10,951 tonnes to 8,344 tonnes). An analysis of the exports (Panel 2.2.) shows that **all countries experienced a decline in exports,** with Burundi (not pictured in graph) recording a massive reduction of 69.9% (from 1,591 to 479 tonnes) during the same period.

Figure 2: Import and Export Volumes by country (m tonnes)

Panel 2.1. Import Volumes (m tonnes)



Panel 2.2. Export Volumes (m tonnes)

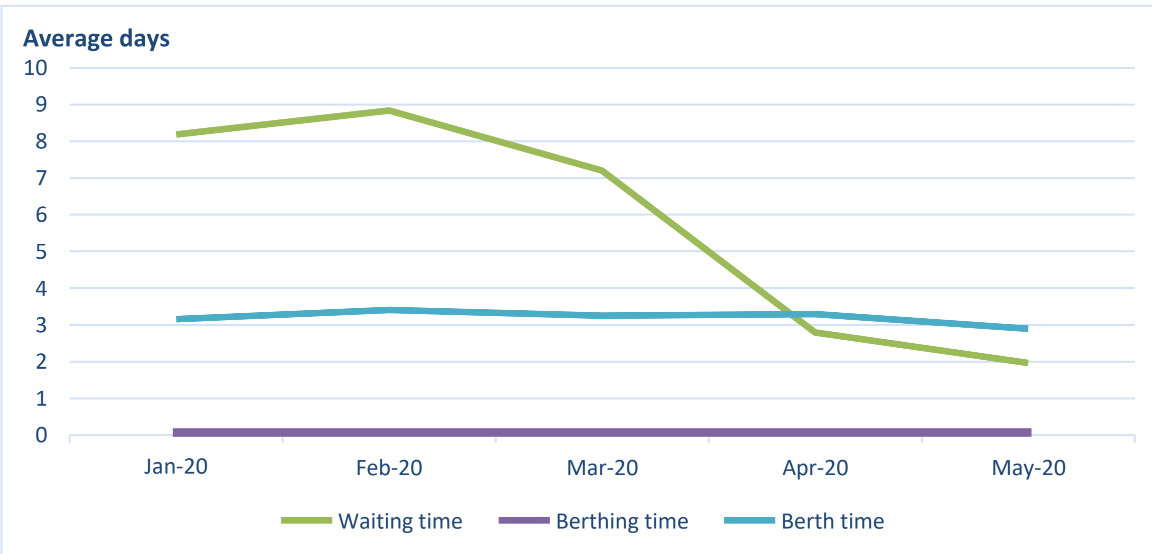


Source: Constructed using data from the Central Corridor Authority

Dar es Salaam Port performance indicators

Figure 3 below shows the average days for ship turnaround time at the Port of Dar es Salaam over the period Jan-May 2020. **Ship waiting time has reduced significantly from 8-9 days in January-February to 2 days May, now approaching pre-COVID-19 levels of less than a day in December 2019.** Berthing time has remained constant and under a day, and the time at berth has also remained consistent averaging roughly three days between January to May 2020.

Figure 3: Ship turnaround time at Dar es Salaam Port

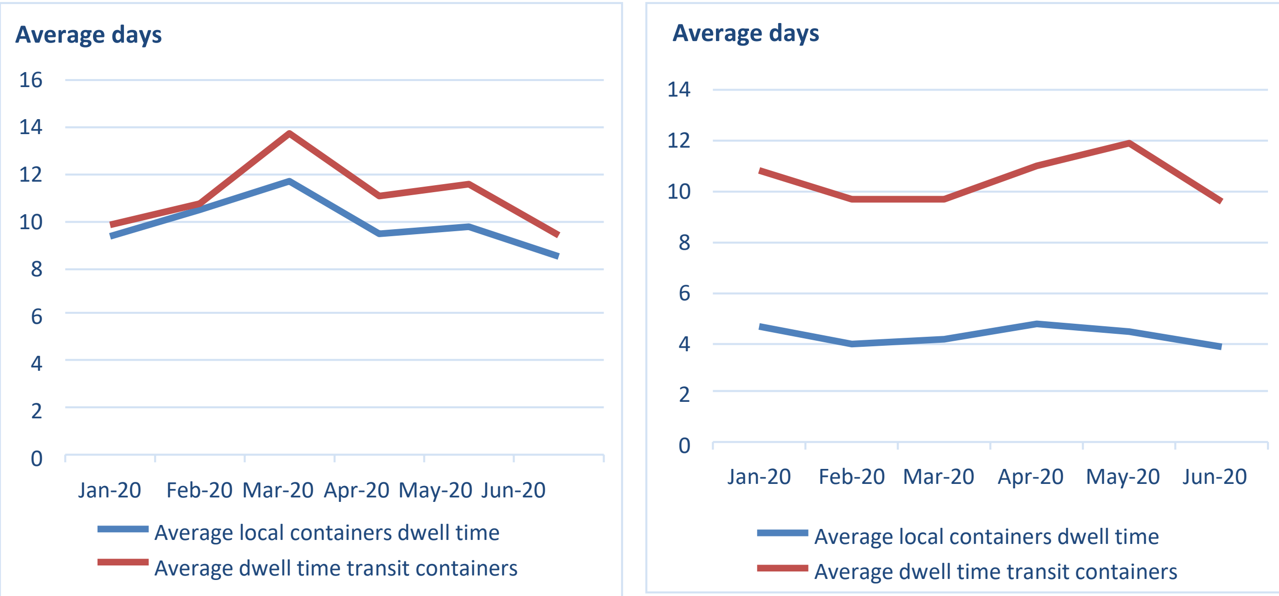


Source: Constructed using data from the Central Corridor Authority

Figure 4 below shows the average local containers dwell and transit times for both the Port of Dar es Salaam and the concessionaire - Tanzania International Container Terminal Services (TICTS)[1] - respectively. Panel 4.1. shows that **between January and June 2020, the average number of days for local containers dwell has remained relatively stable ranging from 11.2 to 8.5 days and transit times from 11.6-9.4 days.** Panel 4.2. shows that for TICTS the average container transit time oscillated between 9 and 11 days, while the local container dwells time and trucks turnaround time averaged 4 and 5 days, respectively during the same period.

Figure 4: Dar es Salaam Port Performance Statistics

Panel 4.1. Dwell Time and Transit Statistics (days) *Panel 4.2. TICTS Concession Statistics (days)*



Source: Constructed using data from the Central Corridor Authority

Summary: The Central Corridor

The data presented above on the Central Corridor broadly shows declining trade trends for the first half of 2020 in both imports and exports. The decrease in ship wait time correlates roughly with the loosening of social distancing measures in Tanzania. COVID-19 appears to have had little impact overall on local container dwell time, and spikes in dwell time for transit containers over the last six months have now fallen, with June 2020 data showing roughly the same dwell time as January 2020.

[1] TICTS is a concessionaire run by Hutchison Ports Tanzania located in Dar es Salaam offering such services as Stripping import containers into the warehouse, direct stripping into the trucks, stripping import containers onto rail wagons, and stuffing of export containers.

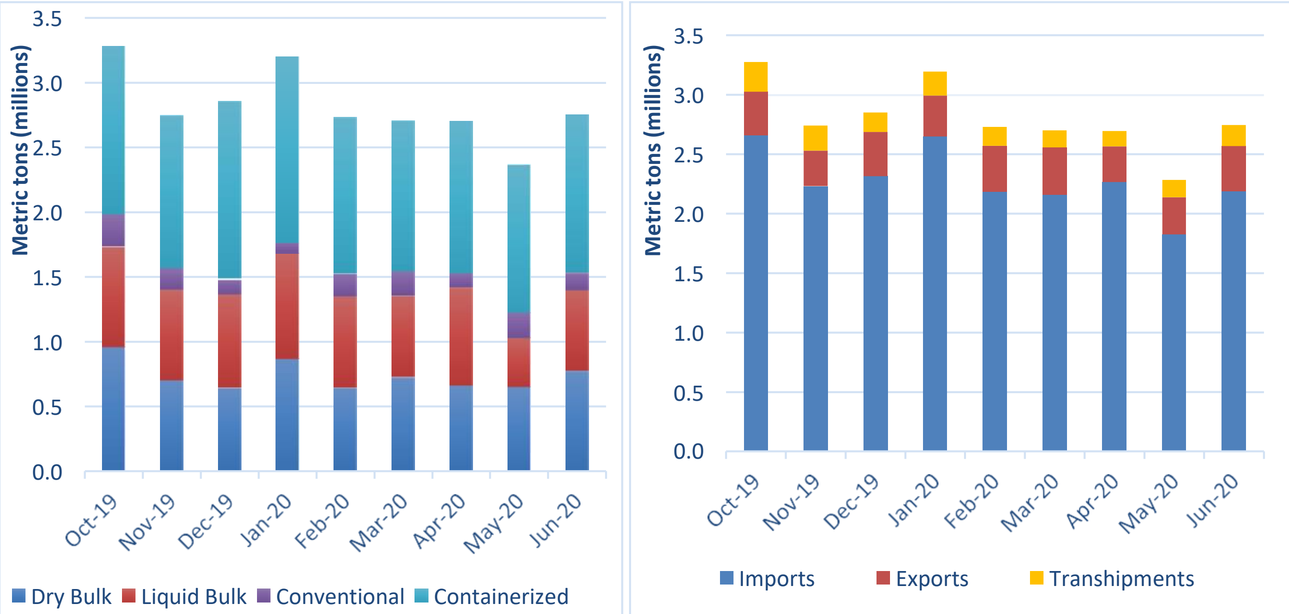
NORTHERN CORRIDOR: MOMBASA PORT

Cargo throughput

Figure 5 below shows cargo throughput at Mombasa Port between October 2019 and June 2020. By category (Panel 5.1.), containerised cargo volumes fell by 15.2% (from 1.44m to 1.22m tones); dry bulk volumes declined 10.3% (from 0.87m to 0.78m tonnes) and liquid bulk fell by 24.1 % (from 0.82m in Jan to 0.62m tonnes in June 2020). However, conventional cargo, increased by 66% from 0.083m tonnes in January to 0.137 m tonnes in June 2020. With disaggregation in (Panel 5.2.), **import volumes fell by 17.4%** (from 2.65m to 2.19m tonnes), **export volumes rose by 10.7%** (from 0.34m to 0.38m tonnes) and **transhipment volumes fell by 10.7%** (from 0.2m to 0.18m tonnes).

Figure 5: Cargo throughput

Panel 5.1. Total cargo throughput (m tonnes *Panel 5.2. Imports and exports cargo throughput (m tonnes)*



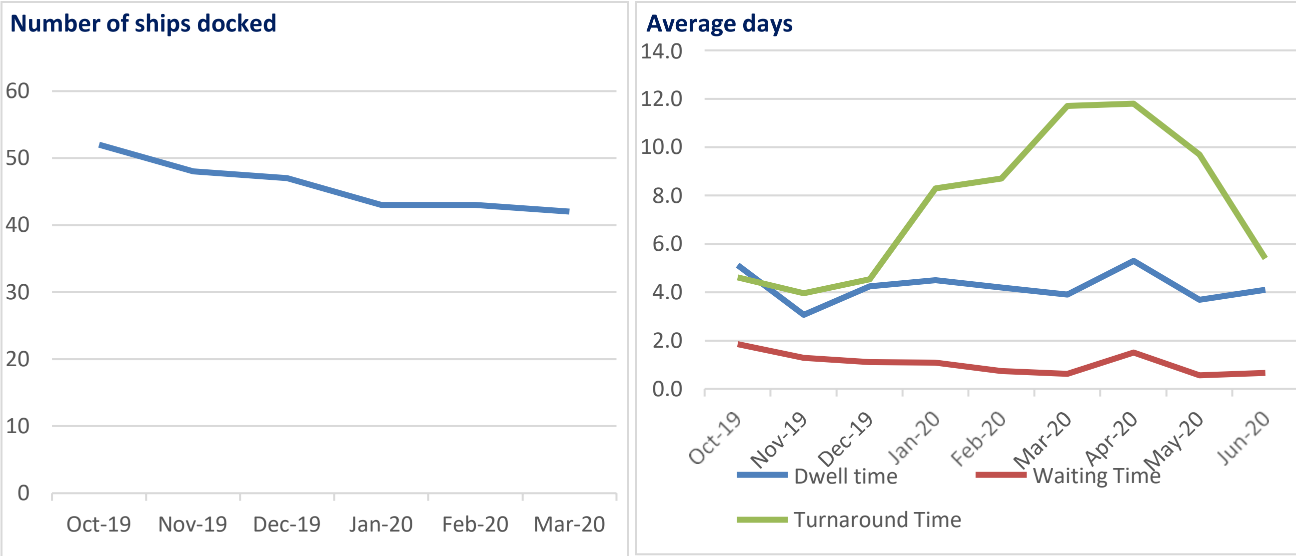
Source: Constructed using data from Northern Corridor Authority

Mombasa Port performance indicators

Figure 6 below shows performance indicators for the Port of Mombasa between October 2019 and March 2020. According to Panel 6.1. there has been **a reduction in number of ships that docked** at the Port of Mombasa primarily because of the on-going COVID-19 crisis mainly attributed to travel restriction and supply chain disruptions that affected cargo shipments. Panel 6.2. shows **decline in vessels dwell and waiting times. However, turnaround time rose between February-April, coinciding with initial social distancing measures at the port, then declined once again May to June 2020.**

Figure 6: Mombasa Port Performance Statistics

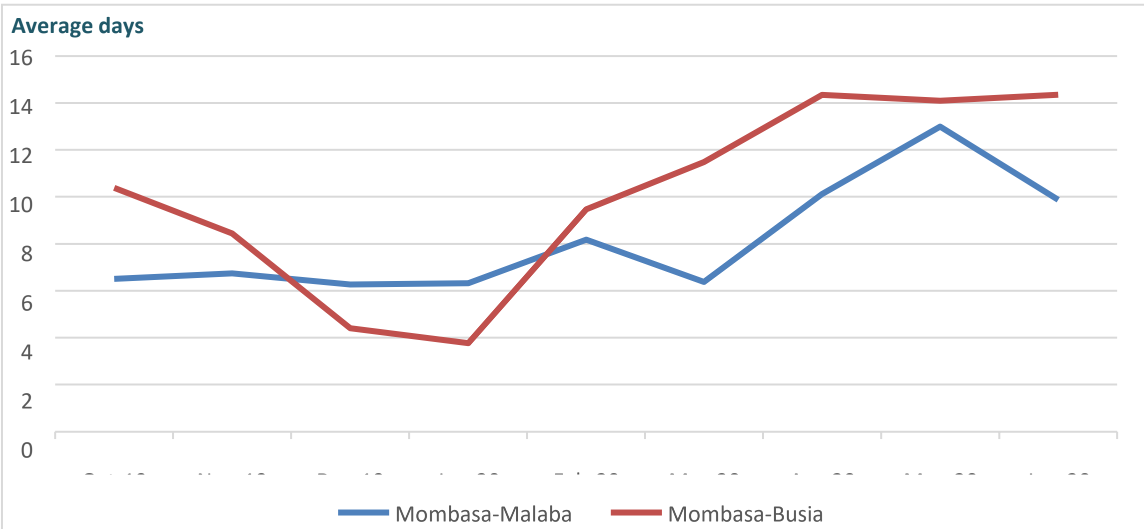
Panel 6.1. Total number of Ships docked *Panel 6.2. Ship dwell, waiting and turnaround times (days)*



Source: Constructed using data from Northern Corridor Authority and Kenya Ports Authority

Figure 7 below shows average cargo transit times from Mombasa Port to Malaba and Busia OSBPs. According to the data, transit times for Mombasa-Malaba route rose from 6 to 8 days between January and February, before sharply declining to 6 days in March, then rising to 10 days in April and 13 days in May, then declining to 10 days in June 2020. Transit times for Mombasa-Busia link sharply rose from circa 4 days in January to about 12 days in March, then rising further to 14 days from April-June. **The overall trend in transit times on the corridor seems to be improving or levelling off between the end of April and June, following sharp increases between February-April**.

Figure 7: Northern Corridor Cargo Transit Times to Malaba & Busia OSBPs

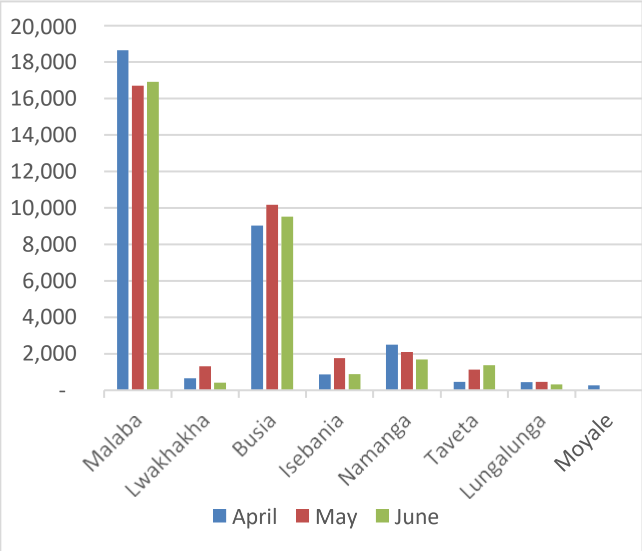


Source: Constructed using data from Northern Corridor Authority

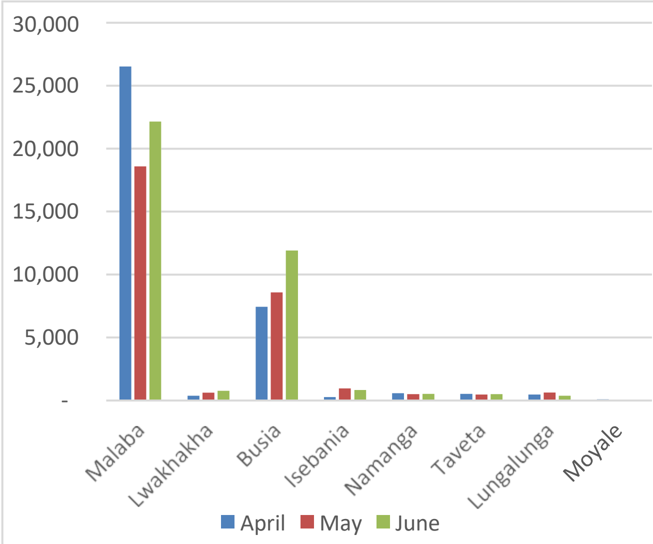
Figure 8 shows the released cargo at different Northern Corridor cross borders between April and June 2020. Panel 8.1. shows the number of imports trucks entering different border points. Import trucks declined by 9.3% in Malaba (from 18,656 to 16,914) and increased by 5.5% in Busia (from 9,030 to 9,529). Malaba and Busia have had a high number of imports trucks released by customs to enter both Kenya and Uganda. In Panel 8.2., export trucks declined by 16. 5% in Malaba (from 26,537 to 22,153) and increased by 60% in Busia (from 7,430 to 11,901) between April and June. **Overall, there has been a general decline in number of trucks released at the region's borders over the last few months due to COVID-19 related measures, e.g., protocols for truck drivers, but the impact is highly varied at different border points.**

Figure 8: Cross Border Trade – Number of Trucks released

Panel 8.1. Number of Import trucks



Panel 8.2. Number of Export trucks



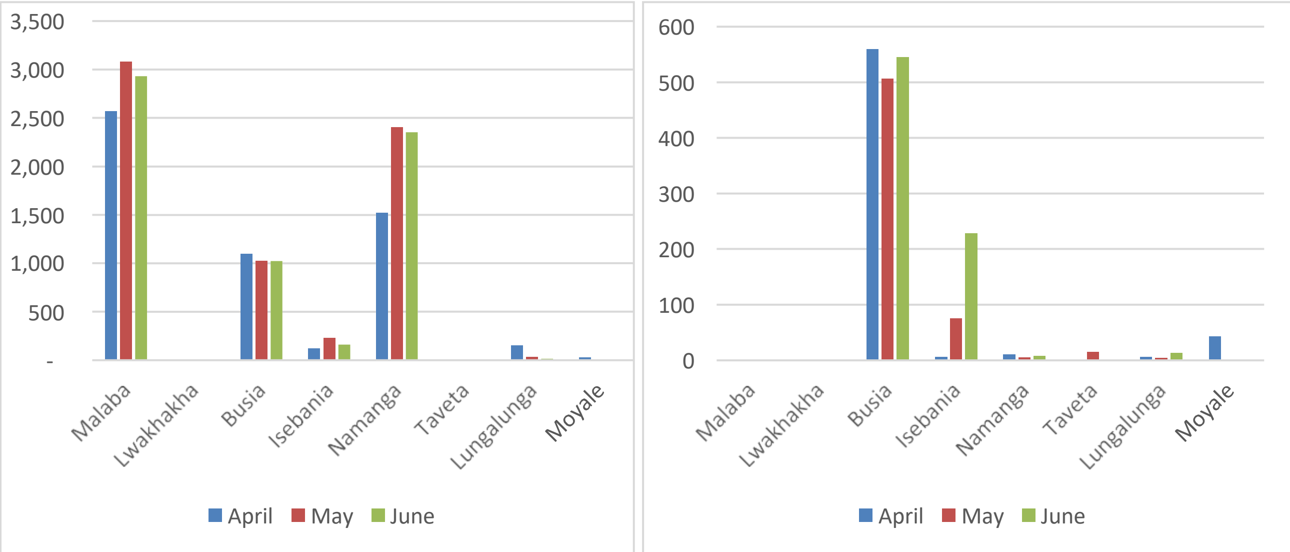
Source: Constructed using data from Kenya Revenue Authority

Figure 9 shows the cargo trucks pending customs clearance at different Northern Corridor cross borders between April and June 2020. Panel 9.1. shows the number of imports trucks entering different border points with Malaba, Busia and Namanga experiencing an increase in number of trucks pending clearance by 14%, 7% and 54%, respectively. Panel 9.2. shows exports trucks over the same period showing **only a slight decrease in exports trucks pending for customs clearance at Busia from April-June.**

Figure 9: Cross Border Trade – Number of Trucks pending clearance

Panel 9.1. Number of Pending Import trucks

Panel 9.2. Number of Pending Export trucks



Source: Constructed using data from Kenya Revenue Authority

Summary: The Northern Corridor

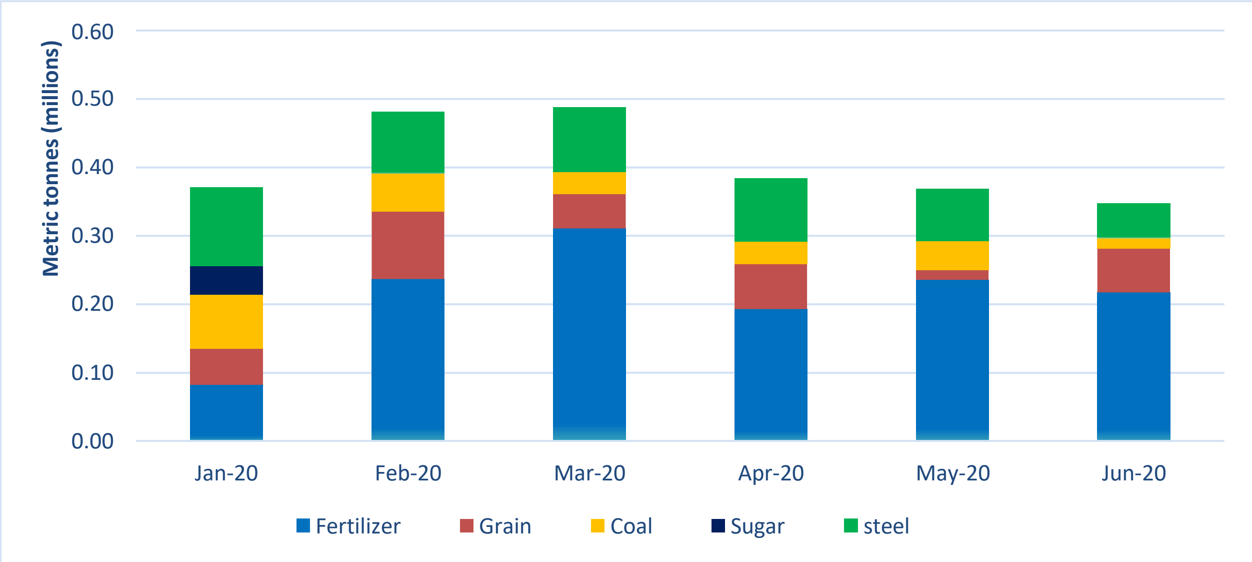
The data for the Northern Corridor generally shows substantial variation across countries and throughout January-June, with different routes and border points experiencing delays in transit at different time periods. Cargo throughput data shows that import volumes fell significantly while export volumes rose moderately. Transit times on the corridor seems to remain higher than pre-COVID levels, but appear to be slightly improving (Mombasa-Malaba) or levelling off (Mombasa-Busia) between the end of April and June, following sharp increases between February-April. The data on number of trucks pending clearance at borders has been mixed in April-June, signalling there are still delays due to COVID-19 safety measures across the region.

THE HORN OF AFRICA

Ethiopia: Djibouti Port

Figure 10 shows the volume of selected import items to Ethiopia through the Port of Djibouti. Overall **import volumes fell by 8.5% between January and June 2020, but the trends were mixed according to the type of commodity**. The data shows that **fertilizer imports increased by 163%** (imports increased from 82,604 tonnes in January to 310,840 tonnes in March before drastically dropping to 192,977 tonnes in April, rising to 235,648 tonnes in May and dropping to 217,502 tonnes in June). Overall, **grain imports increased by 23%** between January and June (from 52,359 in January to 98,694 tonnes in February, then to 65,672 tonnes in April and finally to 64,158 tonnes in June). **Coal imports on the other hand exhibited a declining trend of 81%** (from 79,106 tonnes in January to just 15,375 tonnes in June 2020). **Steel imports have also declined by 56%** from 114,576 tonnes in January to 50,402 tonnes in June.

<u>Figure 10</u>: Djibouti Corridor - Volume of imports

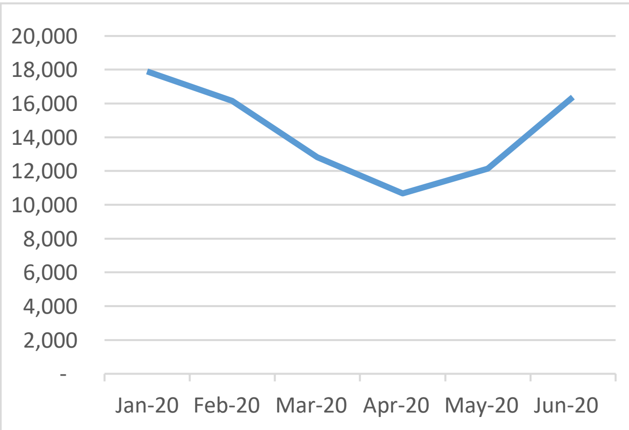


Source: Constructed using data from the Ethiopian Maritime Affairs Authority 2020 report

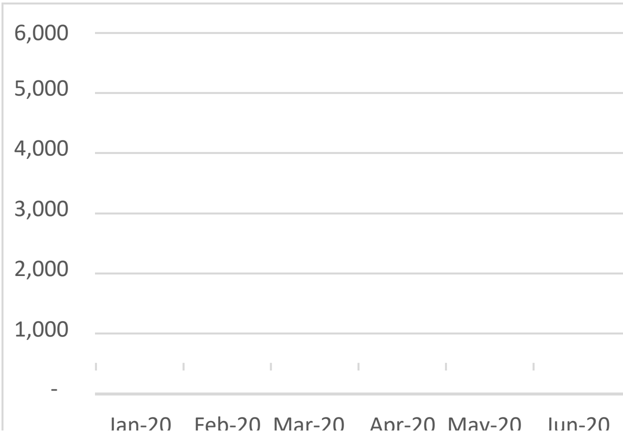
<u>Figure 11</u> shows the number of Ethiopian imports and export containers (Twenty Foot Equivalent Units or TEUs). <u>Panel 11.1.</u> shows steady declines in container imports between January and April, then thereafter starting to rise in May and June, registering an overall **decline by 8.5% from January-June 2020.** <u>Panel 11.2.</u> depicts a decline in exports in January-February, a sharp increase between February and May, before declining in June. The overall **decline in export containers between January and June was 25.9%.**

<u>Figure 11</u>: Ethiopian imports and exports containers

Panel 11.1. Number of import containers (TEUs)



Panel 11.2 Number of export containers (TEUs)



Source: Constructed using data from the Ethiopian Maritime Affairs Authority 2020 report

Expansion of Berbera Port: In Somaliland, the construction of 400 metres quay and a 250,000-square-metre expansion of Berbera Port at a cost of $442 Million will increase cargo handling capacity up to 500,000TEUs annually. The new facility will provide another connection between Ethiopia and global markets, and a transhipment hub where large container ships can offload their freight to feeder ships able to negotiate the Horn of Africa's shallow ports.

Summary: Horn of Africa

The data for the Horn region shows its overall import volumes through Djibouti Port have fallen less in percentage terms than through Dar es Salaam or Mombasa, but export volumes have fallen more (Note: Djibouti measure is in TEUs vs. others in metric tonnes). Fertilizer imports saw a large increase, while coal and steel imports decreased significantly.

AIRPORT/AIR CARGO

Kenya: At the Jomo Kenyatta International Airport, passenger traffic had reduced by up to 80 percent between March and May owing to travel restrictions and lockdowns. According to Kenya Airports Authority (KAA), the number of passengers plummeted from 55,000 in March to a paltry 14,300 in April after domestic and international carriers were grounded following restriction in movement in and outside Nairobi and Mombasa**. Cargo services on the other hand only reduced by 18 percent during March -May 2020 as the government allowed freighters to continue with their operations at the JKIA.** In 2019, about 90,000 tonnes of cargo were handled at JKIA compared to 74,000 tonnes handled between January and May 2020. Increased number of airlines has led to reduction in fright chares to between to between $2.8 and $3.5 per kilogramme of cargo from $5 in March for the same quantity. However, since August both passenger and cargo airlines have resumed flight to Nairobi and passenger and cargo traffic is expected to get better.

Ethiopia: Ethiopian Airlines has been keen to deploy more cargo planes to compensate for the reduced passenger numbers in the wake of the coronavirus pandemic, however Kenya has rejected the airline's application to fly cargo in and outside of Kenya .

V. Private Sector Perspectives

Notable highlights concerning EAC business environment and trade are as follows:

- EAC trade has been affected negatively, given the region's trade ties to China, Europe and the Middle East, which are among the regions heavily affected by the pandemic with some countries already experiencing shortages of raw materials, capital goods, and delays in getting consumer goods from the Asia region.
- The region's key economic sectors like agriculture, trade, manufacturing, tourism, hospitality and entertainment are expected to continue experiencing a slow down because of the pandemic.
- Private sector companies like East African Breweries Limited and Bidco Africa have already contracted small-scale farmers to produce and provide raw materials like barley, sorghum, wheat, soya beans and sunflowers thereby providing entrepreneurship, agribusiness opportunities and revenue for the farmers.

- Businesses in the region have adopted technology to facilitate transactions, ensure business continuity and mitigate the impacts of movement restrictions.
- Tax relief and Value Added Tax refunds instituted by governments, notably in Kenya, are expected to provide cashflow relief to businesses.

Sector-Specific Impacts

- ***Transport and Logistics***
    - According to the African Airlines Association (AFRAA), African airlines have lost about 90.3% of passenger traffic as of May 2020 with revenue loses projected to be about $8.6 Billion by end of 2020. The COVID-19 catastrophe has exacerbated the liquidity challenges of the airlines such that for them to survive the shockwaves of the pandemic, there is need for direct government financial support (bailout), loans, support for the corporate bond market and tax relief.
    - The East African Business Council (EABC) has called for a coordinated approach on the resumption of regional air services to spur intra-EAC trade and revive the tourism and hospitality sector heavily hit by the pandemic.
    - East African Community (EAC) partner states have agreed to start launching a regional electronic cargo and driver tracking system (RECTDS), supported by TMEA's Safe Trade programme. TMEA is working closely with EAC to move forward on remaining agreements needed and to formally launch the system by the end of August.
- ***Tourism:*** According to the UNWTO, the tourism sector after many months of shutdown globally is beginning to restart slowly in some areas, notably in Northern Hemisphere destinations. However, with travel and movement restrictions still in place, it will take time for the sector to get back to pre-COVID momentum. Recent developments for EAC tourism sector are as follows:
    - ***Kenya***: The National Government has provided a KES 2 Billion stimulus package to be administered by the Tourism Finance Corporation (TFC) to support hotels and tour operators meet payroll and other operations costs and cushion the players from the adverse effects of the COVID-19 pandemic. The package is meant to cushion the sector that has so far lost KES 80 Billion due to the ban on international flights and movement restrictions that have affected domestic tourism.
    - **Tanzania:** The Tanzania Tourist Board (TTB) estimates that during the year 2020, earnings will fall from $2.6 Billion to $598 million occasioned by reduced visitor numbers from 1,867,000 to 437,00 with Employment expected to decline from 623,000 to 146,000 due to COVID-19.
    - **Uganda**: The country could lose up to US$ 1.6 billion in tourism earnings due to COVID-19 occasioned by travel and movement restrictions that have disrupted the sector.
- ***Horticulture*****:** Kenya's horticulture exports to Australia have declined by 40% due to the new phytosanitary standards of zero-pest tolerance. Flowers are required to be fumigated either at the airport in Nairobi or in the farms with final inspection done before exports by KEPHIS for issuance of inspection and phytosanitary certificates. However, exports elsewhere could soon stabilise following the resumption of international flights after a four-month suspension linked to the COVID-19 pandemic.