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Trade between Israel and Sub-Saharan Africa

Over the last decade Israeli exports of goods (excl. diamonds) to Sub Saharan countries fell steeply from USD 1.1 million to USD 0.6 million, while Israeli exports grew by 30% . This shows that Israeli exporters failed to capitalize on Africa's rapid economic growth during this period.

The worst global economic recession since the end of WWII says The World Bank in its last statistics released in June. Amid the COVID-19 pandemic the global economy is expected to shrink by 5.2% in 2020, compared to the 1.8% decrease recorded following the sub-prime crisis of 2009, this is indeed a dire economic reality we are facing.

However, all is not lost. A unique study conducted by the Israel Export Institute found that developed economies on average are more affected by the pandemic, driving global growth statistics downwards. Despite the expected negative growth figures this year, East Asia and sub-Saharan Africa are expected to experience a better recovery, reaching higher GDP figures in 2021 compared to 2019.

Kenya, Uganda, Ethiopia, and Ghana are expected to lead the growth in Africa in the coming years, alongside smaller economies such as Senegal, Mozambique, and Burkina Faso. On the other hand, the growth rate of South Africa and Nigeria, the largest and strongest economies of sub-Saharan Africa, is expected to decrease much like the developed economies.

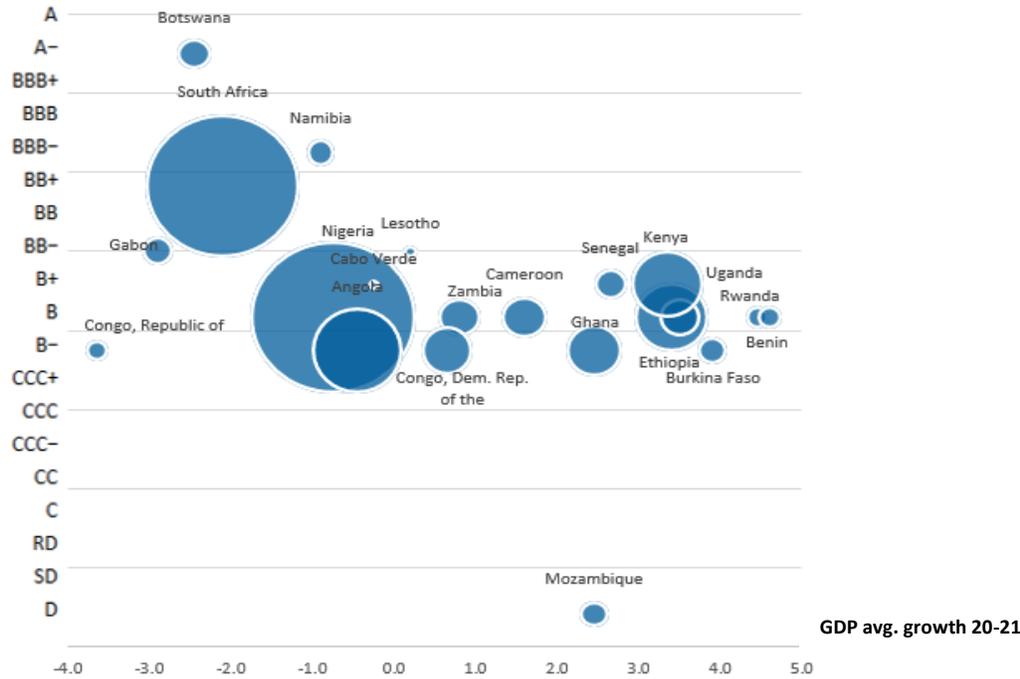
The credit paradox:

According to our findings, it seems that the 3 highest level credit risk rated economies, South Africa (BB+) Namibia (BBB-) and Botswana (A-), are actually among the top 5 countries **that are** expected to **record** the highest GDP decrease between 2020 – 2021, while **other** countries with higher risk ratings will likely post high growth rates in 2021. It is indeed another step in the rise of new economic and business opportunities in the African continent.



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GDP growth forecast vs. Credit rating in sub-Saharan countries | the Y-axis represents the credit rating, the X- axis represents the annual average growth forecast for the years 2020-2021, and the circle is pronounced the size of the 2019 GDP



Analysis: Israel Export Institute. Source: GDP - IMF & WB, credit rating - S&P

The African continent is three times the size of Europe. By 2050, the population in Africa will have doubled, reaching one quarter of global population, and 50% of the world's young population. The demographic growth will be seen primarily in the continent's urban population and Africa will become a main source of the global workforce. By 2050, the growth of the work-age population in Africa will surpass the combined growth rate of the work-age population in the rest of the world. Therefore, Africa is the continent with the highest expected "demographic dividend" in the world (continued growth, based upon the growth of the work force). The demand for raw materials has drawn the interest of world powers, driving foreign direct investments in the continent. Alongside, lots of government attention in some Sub Sahara countries is focused on improving ease of doing business. As a result, many African countries are enjoying a growth spurt since the beginning of the current century.



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Challenges:

Notwithstanding the incredible economic potential of the continent, and despite the growth that certain African countries are experiencing, it is important to remember the high risks and challenges involved in doing business in Africa. Such risks may include access to credit and financial resources, trade, and logistics difficulties, over regulation, excessive bureaucracy, corruption and lack of transparency, unstable governments and personal security risks that still exists in some areas.

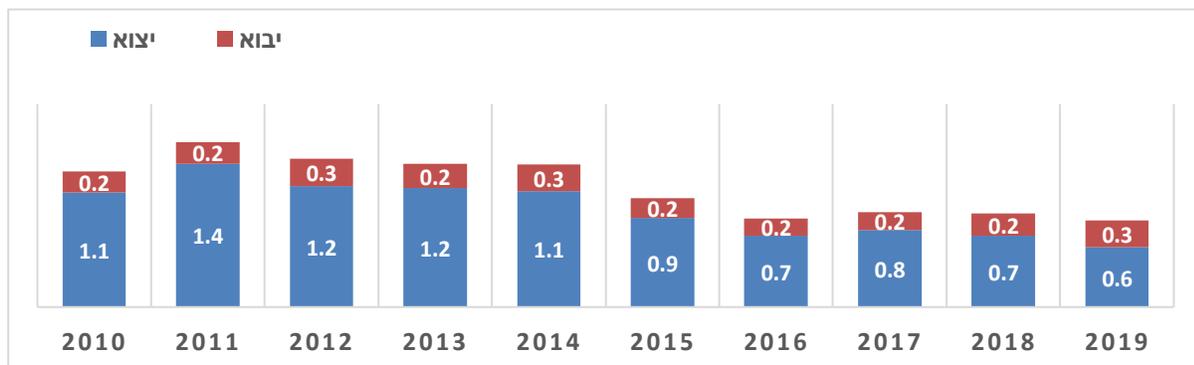
Agro-Technologies lead the trade between Israel and Africa:

There is undoubtedly potential for substantial trade growth between Israel and Africa.

Imports to Israel increased by 20% between 2018 and 2019 to a total of \$260 million, while exports in 2019 were \$590 Million, a drop of 16% from the previous year. Total trade between Israel and sub-Saharan Africa was \$850 million, down 7% from the previous year. Total exports from Israel to Africa accounts for a mere 1% of Israel's global exports, with a clear upward potential in view of the economic growth experienced by several countries in the region.

South Africa and Nigeria are Israel's major trade partners in representing half of Israel's total exports to the continent. Most of Israel's exports are in the chemicals industry (23%), machinery equipment, rubber, and metal—fields that are related to the Agritech industry (28%). Imports remain mainly agricultural produce and food.

Israel - Sub-Sahara Trade in Goods | 2010-2019 billions of dollars, goods exclude diamonds

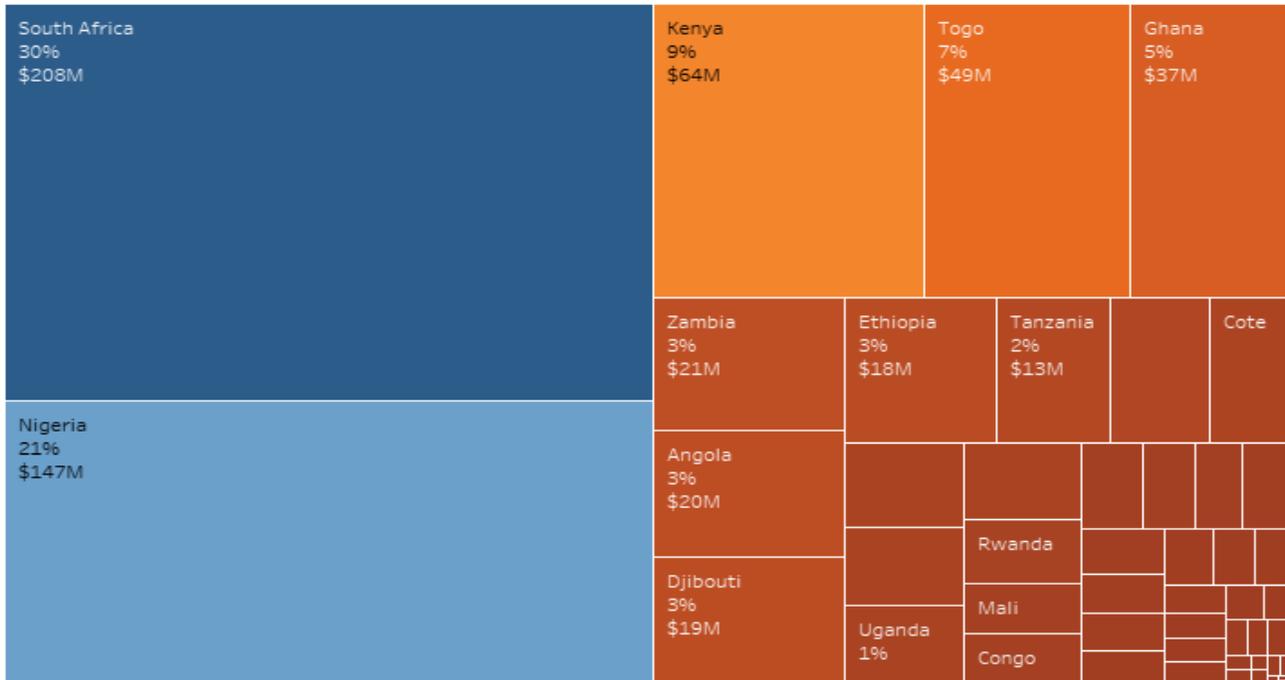


Source: Israel Export Institute



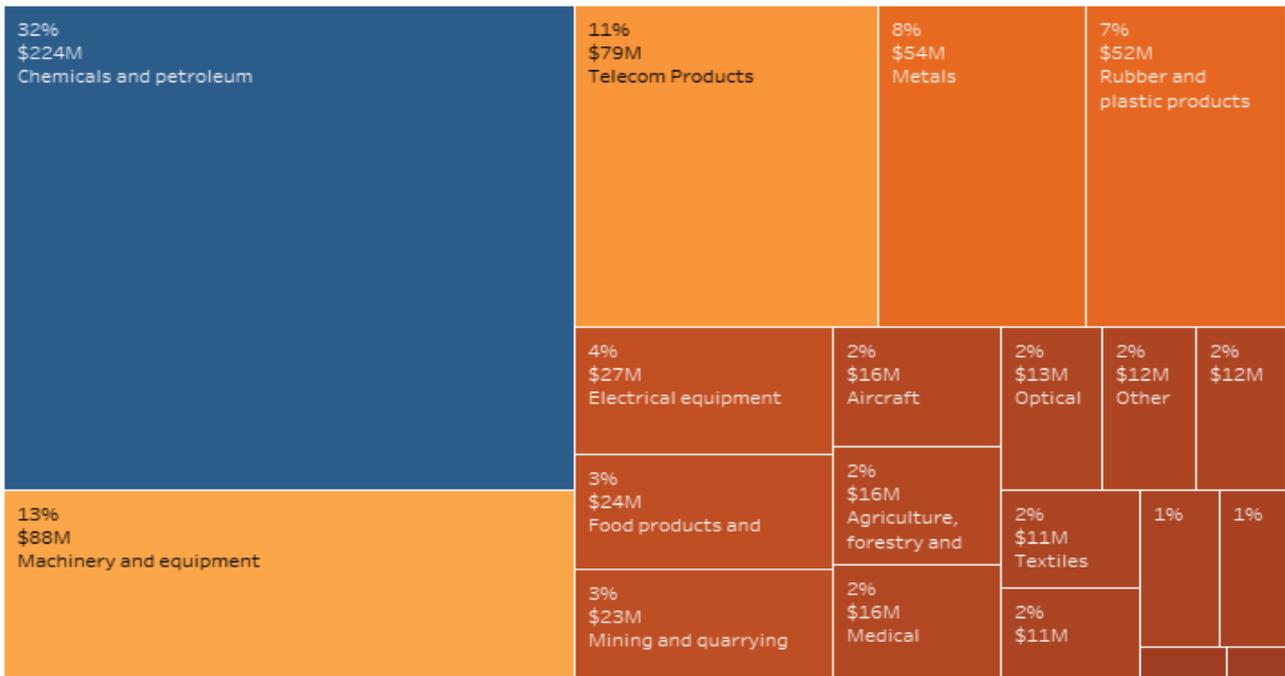
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Export by countries | Annual average 2015-2019, goods exclude diamonds



Source: Israel Export Institute

Export by sectors | Annual average 2015-2019, goods exclude diamonds



Source: Israel Export Institute



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Israeli trade with selected countries in sub-Saharan Africa | Goods only, exclude diamonds)

South Africa is Israel's primary trade partner in sub-Saharan Africa. The value of Israel's trade with South Africa totaled \$270 million in 2019, a decrease of 4% compared to the previous year. Exports totaled \$173 million, a decrease of 4%, and imports totaled \$91 million, a decrease of 7%. Most Israeli exports to South Africa were in the chemical, machinery and plastics - mainly related to Agritech (e.g. pesticides, drip irrigation, greenhouses etc.). Imports comprised agricultural produce, primarily fruit and cacao.

Israel's second largest trade partner in sub-Saharan Africa is **Nigeria**. Trade between the two nations totaled \$173 million in 2019, a sharp decrease of 30%, primarily due to the decrease of Israeli exports to Nigeria. The exports in 2019 totaled \$166 million, a decrease of 31% compared to the previous year, while imports increased by 48% to a total of \$8 million. The primary exports to Nigeria are chemicals. Imports are agricultural, primarily sesame seeds.

Trade with **Ethiopia** totaled \$121 million in 2019, an increase of 19% compared to the previous year. Exports totaled \$21 million, an annual increase of 41%. Imports totaled \$100 million, an increase of 15%. Key export products to Ethiopia include machinery and equipment and seeds. Imports are agricultural, primarily sesame seeds and grain.

Trade with **Kenya** totaled \$57 million in 2019, a decrease of 23% compared to the previous year, following a continued decrease in exports. Exports totaled \$49 million, down 9% from 2018, where a specific high-volume deal in the transportation sector pushed export figures higher. Imports totaled \$8 million, a decrease of 27%. Key exports products to Kenya are in the Agritech industry, primarily machinery, equipment and plastics. Imports are food related - primarily fish (mainly Tilapia and Nile Perch).



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Trade with **Uganda** is showing a growth trend and totaled \$32 million in 2019, an annual increase of 43%, Exports totaled \$12 million, an increase of 81% compared to the previous year. Imports totaled \$20 million, an increase of 27%. Key export products include metals, telecom, machinery and equipment. Imports are food related—fish, coffee, and sesame seeds.

Trade with **Ghana** totaled \$29 million in 2019, a decrease of 25% compared to the previous year. Exports totaled \$24 million, a decrease of 30% compared to the previous year, and imports totaled \$5 million, an increase of 8%. Key export products to Ghana are in the fields of chemicals and metals. Imports are agricultural, primarily cacao and dates.

Trade with **Senegal** totaled \$19 million in 2019, an increase of 21% compared to the previous year. Exports totaled \$15 million, an increase of 54%, driven primarily by a transaction involving marine vessels. Imports totaled \$4 million, a decrease of 28% compared to the previous year. Key export products were in machinery and equipment while Imports are food related—primarily fish.

Volatility of Trade relations:

In light of the projected downturn in most global leading economies (except China), Africa is expected to become a key factor in the future economic shifts. With its fast-growing labor force, economic growth potential and rising importance, Africa should be on the radar of any Israeli business venturing into developing markets. However, without a proper support network, credit facilities and risk-reduction mechanisms, many companies are ambivalent about these markets. Government and public institutions like the Ministry of Economy, ASHRA and the Israel Export Institute offer a wide range of tools, knowledge, information, risk insurance and support for Israeli exporters wishing to operate in Africa.

(www.export.gov.il)