

EAST AFRICAN BUSINESS COUNCIL

CEO ROUND TABLE - ARUSHA

“Business Rebound & Emerging Opportunities in East Africa”

The African Tulip Hotel, Arusha Tanzania | Thursday, 3rd September 2020



The Voice of the Private
Sector in East Africa

Snap shot of EABC Achievements



EABC successfully advocated for regional coordinated approach on the seamless flow of cargo and services across EAC borders by engaging the EAC Council of Ministers and presenting recommendations to cushion business.



Successfully organised Webinars on EAC Trade and Investment, Manufacturing, Tourism, Pre-Budget and Finance, Transport, Aviation sectors and post budget in EAC. The recommendations from webinar were shared to the EAC Council of Ministers for policy changes.

Snap shot of EABC Achievements



EABC developed sectoral Policy Briefs to Inform the EAC Economic Recovery Strategy



EABC successfully presented private sector proposals on the EAC budgets for 2020/21 urging for an economic stimulus package to businesses and East Africans, stimulate economic growth and recovery.

Global Economy



Projections of the global economic growth

- The global economy grew by 2.9 percent in 2019
- Projected to grow by 3.4 percent in 2020
- Adjusted estimations- -3%
- Projected to rebound to 5.8%

Why?

- (i)Supply factors (mitigation measures that restrict travel, slowdown supply chains and a reduction of credit availability)
- (ii)Demand factors (uncertainty around the duration, and the consequent cautious consumer spending behaviour)
- (iii)rising trade barriers; (US from 2.6 to 1.9% to -6.1% (IMF), Europe from 1.6 to -7.5% and China from 6.2 to 6 to 1.2%)

Preliminary ILO estimates- global unemployment of between 5.3 million (“low” scenario where GDP growth drops by around 2 percent) and 24.7 million (“high” scenario where GDP growth declines by around 8 percent) from a base level of 188 million in 2019.

African Economy



Projections of the African economic growth

- Intra-Africa trade accounted for less than 15 percent of Africa's total trade in 2018, with Europe, United States and China accounting for 36, 6 and 14 percent of Africa's trade with the rest of the world,
- **Economic slowdown in China**
- **China accounted for over 90 percent of South Sudan's oil exports**

Regional Economy



Projections of EA economic growth

- EAC Economic growth was 2.4% in 2019
- World Bank projections are between - 2.1% and -5.1% in 2020.
- The pandemic is projected to cost the EAC Partner States between USD37 billion to USD79 billion in terms of output losses. The loss of Gross Domestic Product (GDP) will be reduction in household and business spending (about 50%) disruption to supply chains for key inputs (about 30%); and tourism (about 30%).
- Agriculture from 33.4 to 28.3%
- Services from 44.6 to 53.8%
- Employment 72.0 and 141.7% respectively

Projections of EAC economic growth

According to AfDB

- Only Rwanda and Tanzania are projected to record growth rates above 4 percent in 2020
- Tanzania economic growth is the highest and estimated to grow at 5.5% in 2020 (AfDB).
- Reduced commodity prices and trade, FDI, tourism and travel, volatility in financial markets, and disruptions in the education and health sectors
- East Africa is a leading destination of global investments in mining, manufacturing and related activities, notably construction (infrastructure) and financial intermediation

Inter and Intra- EAC Trade



- Over half (51%) of EAC's exports are destined to countries that are highly impacted,
- 53% of its imports originate from such highly impacted countries.
- EAC is a net importer of pharmaceuticals, medicinal and pharmaceutical products and it imports over 90% of its pharmaceutical supplies.
- Fresh produces such as horticulture (flowers, vegetables & fruits) and fish had limited access to global markets.
- In respect to intra-EAC trade, the disruptions caused by the supply shocks have resulted in shortages of raw materials, capital goods, intermediate goods, and final products which are critical for domestic production.
- Limitation on movement of people

Tourism



- Tourism sector - foreign exchange earner, accounting for USD5.4 billion annually.
- The region attracts more than 6 million tourists per annum.
- GDP of the EAC Partner States by an average of 8.8 % in 2017.
- The country percentage contribution was higher than the regional average in Rwanda (12.7%), Kenya (9.7%) and Tanzania (9%).
- Tourism contributes an average of 18.8 % to EAC total exports, although the percentage contribution was higher in Rwanda (30.5%) and Tanzania (26%).

Tourism arrivals and receipts: Mombasa, Arusha, and Zanzibar

East African Airlines

Hospitality industry: Closure notices

Transport and Logistics



Transport and Logistic Sector

- Road transport- trucking industry is bearing the brunt due to reduction in cargo movement as a result of lockdowns and curfews imposed by EAC Partner States.
- Air transport services came to a halt globally with many airlines having laid off workers while continuing to meet the costs of debt servicing for the grounded planes.
- Associated industries like spare part manufacturers, ground handling, security and passenger transfers have also been impacted negatively.

Manufacturing

- Disruptions in manufacturing supply chains and business operations
- Opportunities for local manufacturing

Agriculture



- Agriculture and agro-processing sectors are central to the EAC economies, contributing between 24% and 44% of GDP
- 80% of the livelihoods
- Global agricultural production will reduce between 2.6% and 7% while agri-food exports will decrease by between 13% and 25% in low- and middle-income countries globally.
- Distribution of inputs such as fertilizer, pesticides, and labour.
- Exports of perishable products such as flowers, fruits and vegetables. In addition to the pandemic's impact,
- Outbreak of desert locusts

Emerging Opportunities



Pharmaceutical Industry – Cloud-Computing for Secure Vaccine Development

Education Industry – Empowered Online Education

Manufacturing Industries – Flexible Solutions to Meet the Supply Chain Demand

eCommerce – Consumer Shift Towards Online Shopping Rises

Online Payment Platforms – Efforts to Improve Accessible Payment Solutions

Delivery Industry – New Partnerships to Meet Customer Demand

Insurance Industry – Cloud and Digital Core System to Improve Customer Experience

Marketing Industry – Setting the Fire Ablaze Through New Customer Experience

Gaming Industry – Widening Monetization through Subscription Models:

Fitness Industry – Digital Fitness is the Next Big Thing

Drone Delivery

Virtual Exhibitions

Vending Machines

Business Process Outsourcing



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East African Business Council

Ninth Floor, Mafao House | Old Moshi Road | Arusha | Tanzania

P.O. Box 2617, Arusha, Tanzania |

Tel: +255 27 2520162 | +255 27 2520163

Email: info@eabc-online.com

www.eabc.info