

## Ortus Advocates | Covid 19 | Impact on Business in Africa

The official numbers seemed to suggest that sub-Saharan Africa, home to more than 1 billion people, had been lucky. However numbers are on the rise and cases are being reported in various African countries such as South Africa, Rwanda, Namibia, Uganda Kenya and Tanzania.

### What does this mean for the economies and business communities in Africa?

Central banks in Africa, like Namibia, Botswana and South Africa, have already started easing their interest rates in anticipation of the COVID-19 storm clouds ahead. It is also expected that the cost of borrowing will increase for many African states that are already heavily indebted to China.

Since the global financial crisis of 2008/9 and during times of low rates, African governments have now accumulated record levels of debt. Gross government debt across Sub Saharan Africa has surged by an average of 20 percentage points (PPS) of gross domestic product (GDP) since 2010, nearing an average of 60% of GDP in 2019. China is also likely like to import less from Africa. There is already evidence to show that prices of key commodities, like copper, oil and thermal coal have already fallen by 20% since mid-January, and a few reports are emerging that Chinese buyers have postponed overseas orders, some declaring force majeure.

There is also a likelihood that the China-related 'deal pipeline' will be smaller than it otherwise would have been. Disruptions in China will reduce revenues for companies in sectors affected by this coronavirus and divert attention of policy banks and commercial banks.

That said, much of the rationale for China's endeavours in Africa are to leverage China's competitive advantage in infrastructure, offshore some over-capacity sectors, and heavier industry, and tap into fast-growing consumer markets. All of this remains so a lot in this regard will not change regarding Chinese -African business relations.

There may also be disruptions in infrastructure development projects in Africa as people flow into the continent is restricted despite the fact that most Chinese workers in Africa seem to have remained in Africa over the Chinese New Year. However, the biggest issue is that supply chains for key inputs are very much broken down, making key inputs, components, equipment and machinery harder to source, whilst transport hubs and ports in China may be operational, but only at depressed levels, may create costly delays.

Over the coming weeks, therefore, businesses are likely to become increasingly concerned about the impact of the Coronavirus on their supply chain arrangements and commercial viability. Whether or not contracts or common law remedies allow parties flexibility within, or the ability to terminate, arrangements which are affected by the virus, and by the resultant economic climate will be key.



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