AFRISCOPE

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DEAR READER,

Breaking barriers: Ethiopia and Angola open up their economies

For decades, Ethiopia and Angola operated as relatively closed economies, with strict government control over key industries and limited foreign investment. Ethiopian Airlines was one of the very few globally competitive and open sectors in Ethiopia. However, both nations have embraced economic liberalisation and reforms in recent years. Ethiopia has begun privatising state assets, including opening the telecom sector, which led to the entry of Safaricom. Also, foreign banks are now being allowed to enter the Ethiopian market. A move that could enhance financial inclusion, improve access to credit, and modernise the banking system.

Angola's privatization push

Angola, one of Africa's leading oil producers, has historically depended on petroleum exports, leaving its economy exposed to global oil price volatility. To mitigate this reliance, the government has implemented major economic reforms. It has been privatizing stakes in key sectors such as energy, banking, and telecommunications to improve efficiency and attract foreign investment. As this country open up its economy, it would bolster intra-African trade, particularly through the African Continental Free Trade Area (AfCFTA), fostering deeper economic integration across the continent.

After the conflict, what next? Growth or more crisis

The Democratic Republic of Congo (DRC) and Rwanda are in military conflict. So far about 3,000 people have been killed and approximately 63,000 displaced. This could reshape regional stability, public health, and international relations in Africa. Since economies often experience rapid growth post-conflict, the question remains: will the aftermath bring prosperity or further turmoil? The DRC is facing a severe health crisis with the emergence of a highly contagious mutant strain of mpox (Clade 1a). Efforts to contain the outbreak have been hindered by funding cuts from the U.S. Agency for International Development (USAID). Inadequate containment in the DRC threatens cross-border health security, risking wider outbreaks across Africa.

Geopolitical rift sparks diplomatic fallout

On the diplomatic front, Germany has halted new development aid to Rwanda on allegations of its support for the M23 rebels in eastern Congo. The aid suspension signals a broader geopolitical shift, as foreign governments reconsider their engagement with Central Africa's conflicts. The tensions between Rwanda and the DRC risk destabilising the Great Lakes region, threatening trade, security, and regional integration efforts.

In this edition of the FDC Afriscope, we analyze burning macroeconomic and political issues in Africa, offering insights and strategies for policymakers.

Enjoy your read!

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Africa's inflation dilemma: Currency struggles and the fight for stability in 2025

AFRICA

Africa's inflation remained persistently high in 2024 averaging 18.6% compared to 17.58% in 2023, with Nigeria, Angola, and Egypt experiencing some of the most severe price increases. While soaring global commodity prices triggered the initial inflationary shock in 2022, the primary causes of inflation in 2024 were excessive money supply growth, currency depreciation, reforms (subsidy removals), and structural fiscal weaknesses.[1] Despite these pressures, Africa's inflation was projected to decline from 7.1% in 2023 to 4.9% in 2024, while global inflation was expected to drop from 6.8% to 5.9%. These projections suggested that Africa's inflation rate would fall below the global average in 2024.[2] However, the region's inflation remained higher in 2024 than many other economies, underscoring the urgent need for corrective policy measures.

When central banks increase the money supply too much, it leads to rapid inflation and weakens the currency. This makes imports more expensive, adding to inflation. Countries like Angola, Egypt, Ethiopia, Malawi, Nigeria, and Sierra Leone have experienced this pattern in 2024. Additionally, heavy government spending and debt burdens have forced central banks to finance deficits, deepening economic instability. External shocks, such as US trade policy changes and global market fluctuations, have further strained these economies, prolonging financial challenges.

Looking ahead to 2025, Africa is expected to see an average estimate of 15.8% inflation compared to 2024.[3] This can be partially attributed to the central bank's resilience and independence in ensuring financial market stability and market-driven exchange rate regimes. Countries like Nigeria and Egypt exemplify this shift, with Morocco, Ghana, South Africa, and Ethiopia also making progress. However, while there is a growing trend toward central bank independence across the continent, more work remains to be done.

Hence, tighter monetary policies, central bank independence, and better debt management can curb inflation, while forex reforms and stronger domestic production will stabilize currencies and boost economic resilience. Without decisive action, Africa's inflationary crisis could deepen, threatening economic growth and eroding the purchasing power of millions. Governments must take bold steps to restore macroeconomic stability and build a foundation for sustainable development.

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Nigeria's green oil revolution: Why low-carbon standards are the future of energy

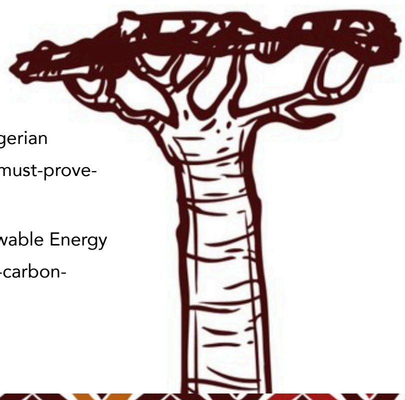
NIGERIA

Nigeria's recent mandate requiring oil license applicants to demonstrate low carbon emissions and incorporate renewable energy programs aligns with a broader trend among African nations to integrate environmental considerations into their energy sectors.

This initiative, announced by the Nigerian Upstream Petroleum Regulatory Commission (NUPRC), aligns with the nation's commitment to achieving net-zero carbon emissions by 2060.[4] Applicants must provide evidence of methane management strategies, adoption of energy-efficient technologies, and integration of renewable energy sources into their operations.[5] For instance, countries like Angola and Egypt have initiated policies to reduce carbon footprints in oil and gas operations, recognizing the dual benefits of environmental stewardship and economic resilience. Implementing such measures is crucial for several reasons.

Firstly, global financial markets are increasingly favoring investments in sustainable energy projects. By adopting low-carbon policies, African nations can attract international funding and partnerships, bolstering their economic development. Secondly, early adoption of these standards positions these countries as leaders in the global shift towards sustainable energy, potentially providing a competitive advantage in future energy markets. Lastly, addressing environmental concerns proactively can mitigate the adverse effects of climate change, which disproportionately impact African nations, safeguarding the well-being of their populations and ecosystems.

By enforcing low-carbon requirements for oil license applicants, Nigeria and other African countries are aligning with global environmental trends, enhancing their economic prospects, and protecting their natural environments.



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Africa's AI awakening: Transforming challenges into technological triumphs

AFRICA

Recent global advancements in artificial intelligence (AI) highlight its growing importance. In the United States, OpenAI's ChatGPT has achieved significant economic success. Similarly, China's DeepSeek employs aggressive market strategies, offering cost-effective alternatives. European nations, the United Kingdom, and Canada are also rapidly advancing their AI ecosystems. These developments provide valuable lessons for Africa.

As of 2024, Africa's AI readiness is progressing but still lags behind global standards. The International Monetary Fund's AI Preparedness Index assigns Sub-Saharan Africa a score of 0.34, below the global average of 0.47, indicating significant room for improvement.[6] However, countries like Seychelles, Mauritius, South Africa, Tunisia, and Rwanda are leading the continent in AI readiness, driven by investments in technology infrastructure and supportive policies.

Africa stands at a pivotal point in its AI journey. Countries such as Nigeria, Kenya, South Africa, and Egypt have made notable progress by establishing tech hubs, enhancing digital infrastructure, and fostering innovation ecosystems. Despite these advancements, challenges like limited funding, skill shortages, and uneven digital connectivity persist, hindering the continent's ability to leverage AI's potential fully. Initiatives like the African Union's Continental Artificial Intelligence Strategy and increased investments in digital education and infrastructure are laying the foundation for a robust AI ecosystem.[7]

African countries must transition from being end users to active contributors in the AI landscape. By focusing on enhancing digital infrastructure, fostering public-private partnerships, and investing in education to build a skilled workforce, Africa can harness AI's potential to drive innovation. These efforts will help the continent catch up with global AI leaders and address local healthcare, agriculture, education, and more challenges.

6. Kutlu, Ö. 2024. “IMF releases artificial intelligence preparedness index for 174 countries.” International Monetary Fund. Washington DC. https://www.aa.com.tr/en/economy/imf-releases-artificial-intelligence-preparedness-index-for-174-countries/3258008

7. Young African Policy Research. 2024. “African Union Continental Artificial Intelligence Strategy: A Vision for Africa’s Technological Future.” Abuja, Nigeria. https://youngafricanpolicyresearch.org/african-union-continental-artificial-intelligence-strategy-a-vision-for-africas-technological-future/

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Zimbabwe's lithium gamble: betting big on China's EV boom amid price volatility

ZIMBABWE

Zimbabwe is intensifying its lithium ambitions, banking on a price recovery to justify a $270 million (mn) project with Chinese investors. Despite lithium prices plummeting over 80% since their 2022 peak (see **Figure 1**), state-owned Kuvimba Mining House remains optimistic, finalizing a deal this month to build a 600,000 metric-ton-per-year lithium concentrator at the Sandawana mine.[8] CEO Trevor Barnard acknowledges the 2022 price surge as a "bubble" but believes the market will stabilize, driven by robust electric vehicle (EV) sales in China and production cuts globally.[9] By December 2025, the global revenue in the electric vehicle market is expected to reach an impressive $828.6 billion. The market is projected to grow at a steady annual rate, compound average growth rate (CAGR) of 6.94% between 2025 and 2029, reaching an estimated value of $1.1 trillion by 2029. Additionally, electric vehicle unit sales are forecasted to hit 18.84 million by the same year.[10]

8. iAfrica. 2025. "Zimbabwe Bets on Lithium Price Recovery to Justify $270M Project". iAfrica. https://iafrica.com/zimbabwe-bets-on-lithium-price-recovery-to-justify-270m-project/

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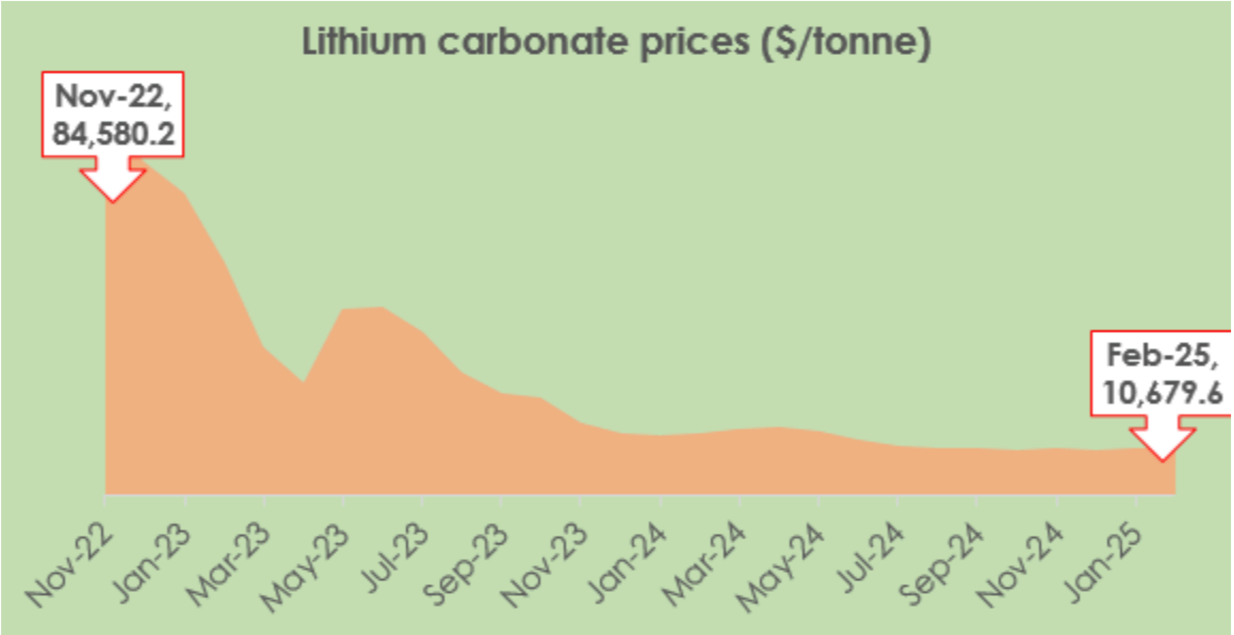
Figure 1. Lithium's tentative price rebound in 2025



[11]

Zimbabwe, Africa's largest lithium producer, has attracted over $1 billion (bn) in Chinese investments since 2021, positioning itself as a key player in the global battery metal supply chain.[12] Chinese firms like Zhejiang Huayou Cobalt and Sinomine Resource Group have already acquired significant lithium assets in the country, underscoring Beijing's strategic push to dominate the EV market.[13]

For African economies, Zimbabwe's lithium boom signals both opportunity and caution. While the project could spur job creation and infrastructure development, over-reliance on Chinese investment risks deepening economic dependency. Moreover, the continent's lack of refining capacity means most lithium is exported as raw concentrate, limiting value addition. This challenge is compounded by global market uncertainties, such as the recent decision by US President Trump to revoke the previous administration's mandate ensuring half of all new vehicles sold in 2030 would be fully electric.[14] This policy shift has driven major EV producers with exposure to the US market to scale back, further complicating the demand outlook for lithium.

As Zimbabwe bets on lithium's future, the stakes are high. A price recovery could transform its economy, but volatility remains a formidable challenge. For Africa, the lesson is clear: leveraging mineral wealth requires not just investment but also industrial diversification and strategic policy frameworks to mitigate external shocks and capture more value from its resources.

11. FDC Think Tank, Trading Economies

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Ethiopia rings the bell: stock exchange revival signals a new era of economic liberalization

ETHIOPIA

Ethiopia has taken a bold step toward economic transformation with the launch of its first stock exchange in over five decades.[15] The Ethiopian Securities Exchange, inaugurated by Prime Minister Abiy Ahmed on January 10, 2025, marks a pivotal moment in the country's journey to liberalize its tightly controlled economy and attract private investment.[16] Wegagen Bank is the first company listed, with state-owned Ethio Telecom expected to follow through with an initial public offering.[17] Officials anticipate up to 90 companies joining the exchange within a decade, signaling a renewed commitment to financial inclusivity and market-driven growth.[18]

The ESX launch is a cornerstone of Abiy's economic reforms, which include floating the Ethiopian birr, securing IMF support, and opening sectors like telecoms to foreign investors.[19] However, challenges remain. Liquidity constraints and Ethiopia's recent history of conflict, including the Tigray civil war, may deter foreign investors.[20]

Ethiopia's initiative could set a precedent for Africa, inspiring other nations with restrictive financial markets to embrace liberalization. As capital markets deepen, regional economies could witness enhanced intra-African investment and financial integration, reinforcing the continent's economic resilience.

While uncertainties remain, Ethiopia's stock market launch is a beacon of economic ambition, signaling a commitment to reform and a future of increased financial inclusivity.

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Ethiopia secures $500mn for land restoration and climate resilience

ETHIOPIA

Ethiopia has received a major boost in its fight against land degradation, with a multilateral lender, Climate Investment Funds, approving a $500mn initiative to restore degraded land, protect forests, and strengthen food security. The program includes a $37mn commitment from the Climate Investment Funds' Nature, People, and Climate program, with an expected $492mn in co-financing from partners such as the World Bank and the African Development Bank.

The country faces significant environmental challenges, as more than half of its land is degraded, putting millions of rural livelihoods at risk. Agriculture is the backbone of Ethiopia's economy, contributing approximately 40% to the country's GDP, so urgent action is needed to prevent further desertification. The initiative aims to rehabilitate over 320,000 hectares of land across key regions, including Amhara, Oromia, South Ethiopia, and Somali.[21] A national forest registry will also be developed to support conservation efforts.

Beyond environmental restoration, the project is expected to drive economic sustainability by improving agricultural productivity and food security. As global discussions on land degradation gain momentum, Ethiopia's efforts highlight the need for climate resilience in national policies.

While nearly half of the targeted funds have already been allocated, additional contributions from private and philanthropic sources are expected in the near term. The investment will support afforestation, reforestation, soil regeneration, water conservation, and sustainable farming, positioning Ethiopia as a model for other nations facing similar environmental and economic challenges.

21. Jessop, S.. 2024. "Climate Investment Funds board backs $500 mln Ethiopia nature plan." Reuters. https://www.reuters.com/sustainability/sustainable-finance-reporting/climate-investment-funds-board-backs-500-mln-ethiopia-nature-plan-2024-12-04/

Kenya and UAE in talks to extend standard gauge railway to Uganda and South Sudan

KENYA

Kenya has opened discussions with the United Arab Emirates (UAE) to extend its Standard Gauge Railway (SGR) network, linking the country with Uganda and South Sudan. The initiative aims to enhance regional trade, improve transportation efficiency, and solidify economic ties between East Africa and the Gulf. The plan includes a feasibility study to assess the project's viability and long-term impact.

The railway extension is expected to reduce transportation costs, ease congestion on road networks, and provide a more sustainable logistics alternative. Kenya's efforts align with Uganda's recent move to develop its own SGR infrastructure, having signed a $3billion contract with a Turkish firm Yapi Merkezi Holdings AS for a segment linking Kampala to the Kenyan border. A cohesive regional railway network could significantly improve trade flows and economic integration.

However, past challenges in railway expansion remain a concern. A previous plan to link Uganda to Kenya's port city of Mombasa stalled after China withdrew funding, leaving Uganda reliant on trucking. The UAE's potential involvement offers a fresh source of investment and technical expertise, potentially reviving stalled efforts.

Beyond the railway project, Kenya is also set to receive a $1.5bn loan from the UAE in March 2025 to stabilize its currency and address budgetary needs.[22] The UAE's growing interest in African infrastructure aligns with broader Gulf investments to increase economic influence. If successfully executed, the SGR extension could transform East Africa's transport landscape and strengthen Kenya's position as a regional trade hub.

22. Bondblox. 2025."Kenya Set to Receive $1.5bn UAE Loan in Early March, Say Sources ." https://bondblox.com/news/kenya-set-to-receive-1-5bn-uae-loan-in-early-march-say-sources

Groundbreaking tax reforms to begin in Nigeria by July 1, 2025

NIGERIA

Nigeria is set to roll out a more simplified tax reform that will help streamline the complex and multiple tax payment systems. This groundbreaking tax reform is part of President Tinubu's broader economic transformation to increase the tax-to-GDP ratio from 10% to 18% of GDP to surpass Africa's average.[23]

Throughout this, multiple tax laws were consolidated into a single and unified legislation.[24] Over 60 separate taxes and levies were reduced to just six core taxes. This new bill is expected to be implemented on July 1, 2025. However, the sole purpose of this move by the Nigerian government was to centralize tax collection processes, reduce the tax burden on businesses, and protect low-income earners – which in turn would enhance overall economic competitiveness.

There will likely be some notable changes, such as – a reduction of corporate income tax rates, simplified tax administration, and more equitable tax distribution. This practice will lead to a drastic reduction in tax avoidance and evasion, hence, creating a more transparent tax system and higher revenue for the government. However, the tax reform has faced initial resistance from state governors, who conditionally backed the proposal. The positive impact of the reform cannot be underestimated as it is likely to impact multiple sectors, with a particular focus on agriculture, manufacturing, and power, amongst others. The reforms will go beyond mere adjustments to a major shift in how taxes are structured, collected, or managed.

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Kenya’s bold move - scrapping the one-year debt instrument

KENYA

Kenya’s public debt has been intensely scrutinised in recent years. As of 2023, the country’s debt-to-GDP ratio stands at approximately 70%,[25] a figure that has raised concerns about fiscal sustainability. The government has relied heavily on domestic and external borrowing to finance infrastructure projects, social programs, and budget deficits. While these investments have spurred economic growth of 5%, they have also left the country vulnerable to debt distress.[26] Kenya’s total public debt stood at Ksh 10.6trn as of June 2024, compared to Ksh 10.3trn recorded in June 2023.

The one-year treasury bill has been a key tool in Kenya’s domestic borrowing strategy. These short-term instruments are typically used to raise quick funds to meet immediate financial obligations. They attract investors due to their relatively low risk and predictable returns. However, the reliance on short-term debt has its drawbacks. It creates a refinancing risk, as the government must frequently roll over maturing debt, often at higher interest rates. This can lead to a vicious cycle of borrowing, where the government takes on new debt to repay old obligations.

The decision to scrap the one-year treasury bill is rooted in the need to address these challenges. By eliminating this short-term instrument, the government aims to reduce refinancing risks and shift towards longer-term borrowing. This approach is expected to provide more stability in debt management, as longer maturities spread out repayment obligations over time, reducing the pressure on the exchequer.

25. Trading Economics. 2023. “Kenya Government Debt to GDP”. https://tradingeconomics.com/kenya/government-debt-to-gdp

26. Cytonn. 2024. “Review of Kenya’s Public Debt 2024”. https://cytonn.com/topicals/review-of-kenyas

Kenya trails as East Africa's slowest economy in 2025

KENYA

Kenya's economy is anticipated to post faster growth in 2025. However, it will be burdened with lingering economic frailties and remain the slowest-growing major economy in East Africa. These economic frailties include high borrowing costs, elevated debt levels and weak private-sector investment. Sectors likely to grow strongly include agriculture, information and communication, financial services, retail and wholesale, transport and storage, tourism and hospitality, construction, and supply chains.

Agriculture represented 18.7% of the nominal factor-cost GDP in 2023 and will remain central to the economy regarding rural livelihoods and cash crop export. Still, its share will decline as the economy develops. The irrigation deficit will persist in 2025, leaving the sector vulnerable to extreme weather conditions. On the other hand, construction will remain the fastest-growing sector, but mining, which is slumping because of policy flaws, will remain a drag on industrial sector growth.

The IMF will stay engaged in Kenya, and a new facility in 2025 will require fresh government pledges to increase tax revenue and curb wasteful spending. The Central Bank of Kenya will retain a rate-cutting bias, and the government will seek additional domestic and external finance to plug its funding gap. The budget deficit is expected at 5% of GDP, with a public debt stock of about 68% and a gross external financing requirement reaching almost $11bn. Of the total budget, 48% is projected to be used in debt servicing (33% on domestic debt and 15% on external debt), meanwhile, concerns that Kenya could default on its debt obligation will linger.[27]

27. Economic Intelligence Unit. 2025. "What to watch in 2025: Kenya". https://viewpoint.eiu.com/analysis/article/792125479

Zambia says Saudi's Manara is interested in its copper assets

ZAMBIA

Saudi Arabia's Manara Minerals is exploring opportunities to invest in Zambia's critical minerals, particularly copper. This follows the signing of an agreement between the two countries to work together on mineral exploration. Zambia's Mines Minister, Paul Kabuswe, confirmed ongoing talks with Manara but noted that specific projects are yet to be identified. A potential mining deal could be announced later this year. Manara, a joint venture between Saudi Arabian Mining Company and the Public Investment Fund, is negotiating to buy a minority stake in First Quantum Minerals' copper and nickel assets in Zambia. Meanwhile, Zambia is pushing for higher stakes—up to 30%—in new mining projects and has been engaging with other investors like Barrick Gold and Ivanhoe Mines.[28]

The implications of Saudi Arabia's interest could be substantial for Zambia's economy and its economic players. As Zambia aims to increase its copper production to approximately three million metric tons by the decade's end, foreign investment from entities like Manara could provide the necessary capital and expertise to achieve this goal. The Zambian government's strategy to negotiate higher shareholdings in mining projects may attract more investors despite mixed sentiments among them. Additionally, establishing a copper trading unit with Swiss-based Mercuria could enhance government revenues from mining operations. Overall, these developments signal a potential revitalization of Zambia's mining sector, which has faced challenges due to declining production and fluctuating copper prices.

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Republic of Congo's newly appointed finance minister sets sights on debt reduction

CONGO (REP)

The Republic of Congo, Africa's fifth-largest oil producer (behind Nigeria, Angola, Libya, and Algeria), produced 260,000 barrels of crude oil per day in 2024, according to OPEC. The country faces significant debt distress, with a debt-to-GDP ratio of 96%. Following the cabinet reshuffle, the newly appointed Finance Minister, Christian Yoka, pledged to reduce the debt-to-GDP ratio to 70% within five years and plans to over double the country's foreign exchange reserves up from $715.39mn in 2023. Yoka emphasized the need for economic diversification to escape the boom-and-bust cycle dictated by oil dependency, focusing on sectors such as agriculture and tourism. By diversifying the economy away from oil, this would create a more sustainable and resilient economy.

However, with the existing debt burden, there is a risk of financial constraint, which could impact the implementation of the economic diversification program. Furthermore, the potential geopolitical and economic crises, such as those experienced during the COVID-19 pandemic and the Ukraine conflict, could further strain the country's financial resources and hinder progress towards debt reduction and economic diversification. The success of these initiatives will depend on effective policy implementation, prudent financial management, and the ability to navigate potential external challenges. The country could achieve greater economic stability and resilience if the government successfully implements its debt reduction and economic diversification strategies. The focus on agriculture and tourism, along with efforts to attract concessional loans and foreign investment, could drive sustainable growth and development.[29]

29. Libby George and Karin Strohecker (2025). Republic of Congo's new finance minister targets debt reduction

https://www.reuters.com/world/africa/republic-congos-new-finance-minister-targets-debt-reduction-2025-01-20/

The US stance on WHO and AGOA renewal: its implications for Africa

AFRICA

Since President Donald Trump assumed office on January 20, 2025, there has been a shift in US policy that includes the proposed exit from the World Health Organization (WHO) and uncertainties surrounding programs like the Africa Growth and Opportunity Act (AGOA) renewal, posing challenges for Africa. The US has been the largest financial contributor to the WHO, providing approximately 18% of the agency's total funding.[30] Many African countries rely on US funding via the WHO for public health programs, including HIV/AIDS prevention, polio eradication, combating diseases like tuberculosis and malaria, and pandemic preparedness. The Africa Centers for Disease Control and Prevention warns that reduced WHO funding could undermine disease control and health programs, urging African countries to seek alternative funding sources. Furthermore, AGOA, a cornerstone of US-Africa trade relations since 2000, is set to expire in September 2025. The reauthorization of the AGOA is under discussion, with proposed extensions of 12 to 16 years.[31]

However, the AGOA renewal faces challenges like disagreements over timeframes, labor protections, debates over South Africa's eligibility, and the US' ability to compete with China in Africa's markets. In 2023, the trade volume between the US and Africa was \$67.5bn, whereas China's trade with Africa was substantially higher, at \$282.1bn. Non-oil imports under AGOA averaged \$4.3bn from 2018 to 2022, accounting for just over 10% of total US imports from the region.[32] Failure to renew AGOA or adequately support initiatives like the Development Finance Corporation and Prosper Africa, could make the continent reliant on countries like China, which already dominate its trade and investment. As these issues unfold, African countries may need to explore alternative funding sources and strengthen regional partnerships to mitigate the potential impacts of these policy changes.

30. Anait Miridzhanian. 2025. "US WHO exit jeopardizes Africa, says health body". Reuters https://www.reuters.com/business/healthcare-pharmaceuticals/us-who-exit-jeopardizes-africa-says-health-body-2025-01-23/

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Africa is experiencing social change without corresponding economic transformation

AFRICA

Africa is undergoing significant social changes, including rapid urbanization and shifts from agricultural to service-sector jobs.[33] However, economic transformation, particularly in agriculture and industry, has not kept pace, resulting in stagnating productivity growth. Despite efforts to adopt new technologies and policies to improve productivity, challenges such as limited access to finance, poor infrastructure, and inadequate adoption of technology persist. As a result, the region's economic growth remains largely dependent on labor, capital, and natural resources, rather than technological progress.

The lack of economic transformation has serious implications for Africa's long-term development. While the population is increasingly urbanizing, this shift does not necessarily lead to higher productivity or greater economic prosperity. The services sector is expanding, but many new jobs are low-productivity, informal roles rather than formal, higher-wage employment. Moreover, the slow development of manufacturing limits job creation and economic diversification. Africa's failure to industrialize at the same rate as Asia and Latin America could hinder its ability to achieve higher living standards and prosperity.

Without addressing productivity growth, Africa faces several risks. The continent may struggle to break free from poverty and inequality, with economic shocks from climate change, commodity price fluctuations, and political instability further destabilizing the region. Additionally, the reliance on low-productivity sectors could deepen social tensions, especially as urban migration increases without corresponding economic opportunities. To realize its full potential, Africa must invest in technology, infrastructure, and human capital to foster sustainable growth and productivity across key sectors.

33. The Economist. 2025. "Africa is undergoing social change without economic transformation." https://www.economist.com/special-report/2025/01/06/africa-is-undergoing-social-change-without-economic-transformation

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The escalating terrorist threat jeopardizes Benin's stability

BENIN

On January 8, 2025, militants from Jama’at Nusrat al-Islam wal-Muslimin (an affiliate of al-Qaida), launched an attack on a military outpost in Banikoara, Alibori department, resulting in the deaths of 30 Beninese soldiers. The attack was launched against Benin’s most fortified military outpost in the “point triple” zone, where the borders of Benin, Burkina Faso and Niger meet. This marked the worst incident since May 2019. The attack was largely facilitated by the absence of regional military cooperation, allowing militants to conduct cross-border operations.

With worsening security and political instability in neighboring Burkina Faso and Niger, the frequency and impact of militant attacks in Benin are expected to rise in the medium term. Benin's strained diplomatic ties with the Confederation of Sahel States—comprising Mali, Burkina Faso, and Niger—further complicate its security challenges. These tensions stem from Benin’s geopolitical alignment with France, as the three Sahelian nations are accusing both Benin and France of attempting to destabilize their governments. As a result, cross-border military coordination remains disrupted, weakening Benin’s ability to combat Islamist militant groups effectively.

Benin is collaborating with ECOWAS, the EU, the US, Rwanda and France to contain the threat. Security-related expenditure is expected to remain at 1.1% of GDP in 2025, though any emergency military spending will undermine the fiscal consolidation efforts. Since 2021, Benin has significantly ramped up security spending and implemented additional measures as northern Benin continues to face heightened security risk. However, while the security risk remains concentrated in northern Benin, it is unlikely to extend to the coastal areas in the medium term.

Niger, Mali, and Burkina Faso officially break away from ECOWAS

Niger, Mali, and Burkina Faso have officially exited ECOWAS after a year long effort of reconciliation.[34] This follows the immediate pronouncement of their withdrawal from the commission in January 2024 to form the Alliance of Sahel States. The Alliance of Sahel States aims to strengthen ties with Russia, Turkey, and Iran to counter external pressures.[35]

The commission affirmed its commitment to regional solidarity by keeping its doors open to Burkina Faso, Mali, and Niger. It directed authorities to continue recognizing passports and identity documents with the ECOWAS logo. Additionally, trade, investment policies, and visa-free movement for the three nations will be maintained until further notice, underscoring ECOWAS's commitment to regional solidarity.[36]

Analysts warn that the trio, being landlocked economies, may struggle outside ECOWAS due to their reliance on regional trade. The bloc faces challenges, as the withdrawal removes 76mn people and more than half its land area, potentially weakening regional unity and counterterrorism cooperation. The Sahel region, already a global terrorism hotspot, could see worsening insecurity, given that nearly half of the world's jihadist-related deaths occur there. Observers fear the split may further destabilize the region, making counterterrorism and economic coordination more difficult.[37]

34. Monique Vanek. 2025. "South Africa's Economy set to escape a decade of growth inertia." Bloomberg. https://www.bloomberg.com/news/articles/2025-01-14/south-africa-economy-set-to-escape-decade-of-inertia

35. Felicia Schwartz and Monica Mark. 2025. "Donald Trump pledges to stop US assistance to South Africa over land law." Financial Times. https://www.ft.com/content/685c95df-9ccc-4b14-91ef-9f69f586f11

36. Derek Wallback and S'thembile Cele. 2025. "Trump vows to punish South Africa over Expropriation Law." Bloomberg. https://www.bloomberg.com/news/articles/2025-02-02/trump-pledges-to-cut-aid-to-south-africa-over-land-expropriation

37. Idrees Ali and Daphne Psaledakis. 2025. "Trump to cut off funding for South Africa over expropriation act." Reuters. https://www.reuters.com/world/africa/trump-cut-off-all-future-funding-south-africa-2025-02-02/

SOUTH AFRICA

South Africa's recovery faces risks from US policy shifts, trade tensions, and diplomacy

South Africa's economic outlook shows signs of improvement after years of sluggish growth, with 2025 offering the best opportunity for recovery in over a decade. As the country prepares to host the G20 meetings, economists project 1.7% growth, up from 0.7% in 2024, alongside lower inflation and declining interest rates. Political cooperation under the ANC-led coalition, improved infrastructure, and lower interest rates are expected to drive stability. This shift will boost consumer spending, which accounts for over 60% of GDP.[38]

However, this expectation faces risks as Donald Trump vowed to suspend all future US aid to South Africa over its land expropriation policies. He argues that the policy unfairly targets certain groups and has called for an investigation.[39] On January 23, President Ramaphosa signed the expropriation law, allowing land seizures without compensation to address racial disparities rooted in apartheid's legacy since 1994.[40]

Meanwhile, US government data shows that in 2023, nearly $440mn was allocated to South Africa in assistance.[41] Pretoria, in response, stated that US aid mainly supports HIV/AIDS programs, minimizing the economic impact of Trump's threat to cut funding. South Africa's ties with China, Russia and its case against Israel have strained US relations. Trump's comments led to market declines, with economists warning of economic risks as AGOA renewal nears.[42]

This raises concerns over the country's economic future and global relations as potential trade tensions could strain diplomatic ties, disrupt markets, and hinder growth. The uncertainty surrounding US policies may have lasting consequences on investment, trade, and economic resilience.

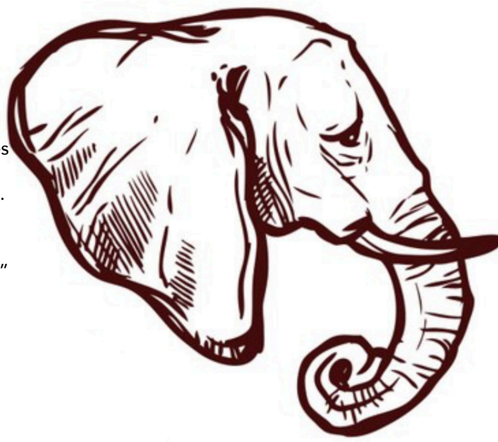
38. Chinedu Asadu. 2025. "ECOWAS pledges to keep door open after 3 coup-hit West African nations exit regional bloc". Associated Press. https://apnews.com/article/ecowas-niger-mali-burkina-faso

39. Timothy Obiezu. 2025. "Niger, Mali and Burkina Faso officially quit ECOWAS". VOA. https://www.voanews.com/a/west-africa-bloc-announces-formal-exit-of-three-junta-led-states

40.Huaxia. 2025. "Burkina Faso, Mali, Niger formally exit ECOWAS". Xinhua. https://english.news.cn/20250130/517d09fbac2a483bbc55c4f70c1e5783/c.html

41.Chris Ewokor. 2025. "Three military-run states leave West African bloc-What will change?" BBC. https://www.bbc.com/news/articles

42. Barghav Acharya and Alexander Winning. 2025. "Trump attack on South Africa exposes divisions over race and land." Reuters. https://www.reuters.com/world/africa/south-africas-ramaphosa-engage-trump-over-aid-suspension-2025-02-03/



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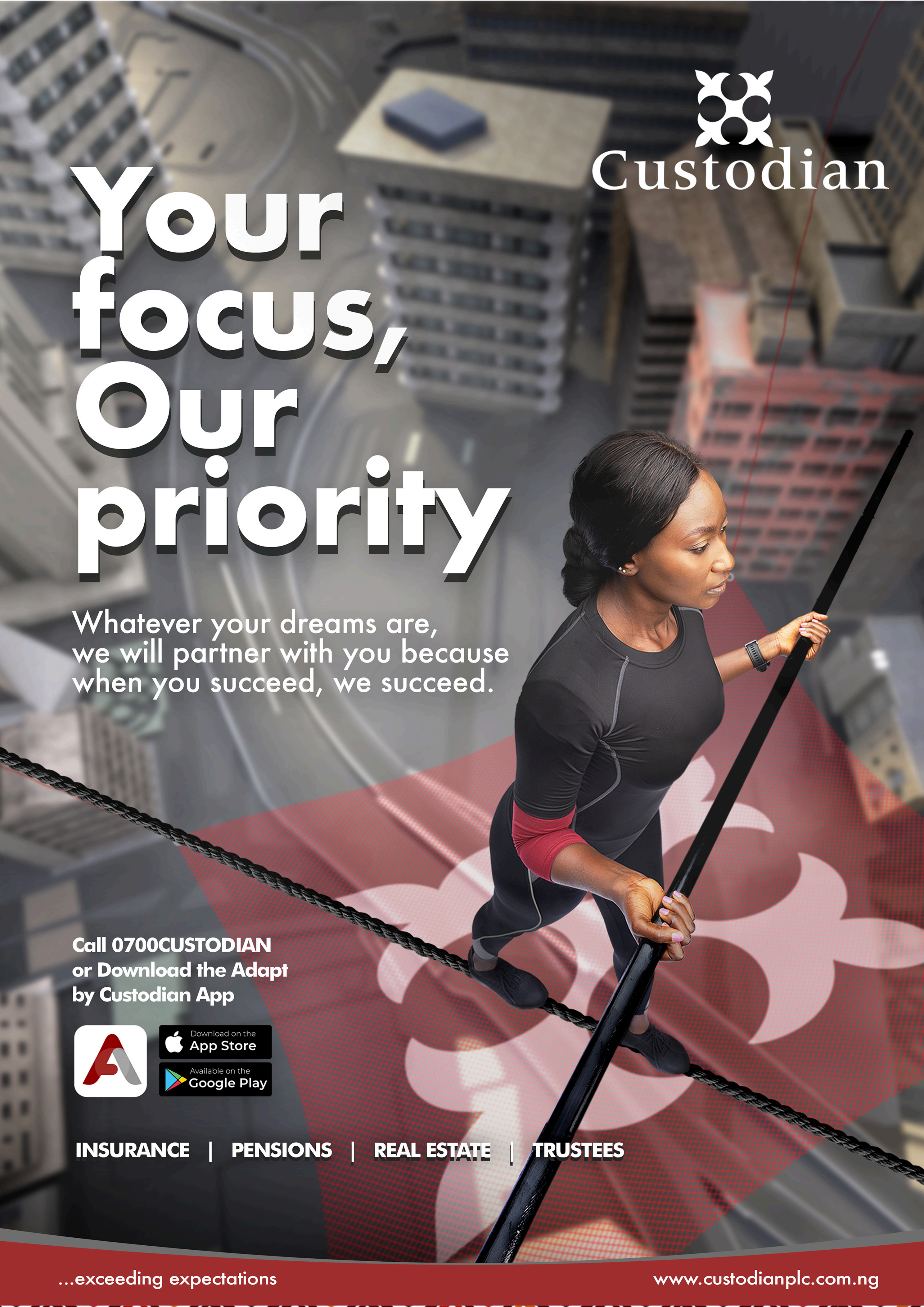
African stars shine at the 2025 Grammy Awards

The 2025 Grammy Awards took place on February 4 at the Crypto.com Arena in Los Angeles, bringing together the biggest names in global music for a night of celebration and recognition. The prestigious ceremony, known for honoring excellence across various genres, saw African artists making remarkable strides, with several nominees and winners showcasing the continent's rich musical diversity. Tems emerged victorious in the Best African Music Performance category with Love Me Jeje, a song that blends nostalgia with modern Afrobeats. This marks her second Grammy, solidifying her status as one of Africa's most powerful voices.

Burna Boy, one of Africa's most successful global artists, earned multiple nominations, including Best Global Music Album for I Told Them and Best Melodic Rap Performance for Sittin' on Top of the World, featuring 21 Savage. While he didn't secure a win this year, his continued recognition highlights his lasting impact. Asake and Wizkid's collaboration MMS, Yemi Alade's Tomorrow, and Davido's feature on Sensational with Chris Brown and Lojay also earned nominations in the Best African Music Performance category, showing the diversity and strength of the genre.

Beyond individual accolades, the night reaffirmed the continent's cultural dominance. African artists are no longer confined to niche categories—they are shaping the sound of contemporary music, collaborating with global superstars, and headlining international festivals. With dedicated Grammy categories now recognizing African music, the industry is finally catching up to the continent's undeniable influence.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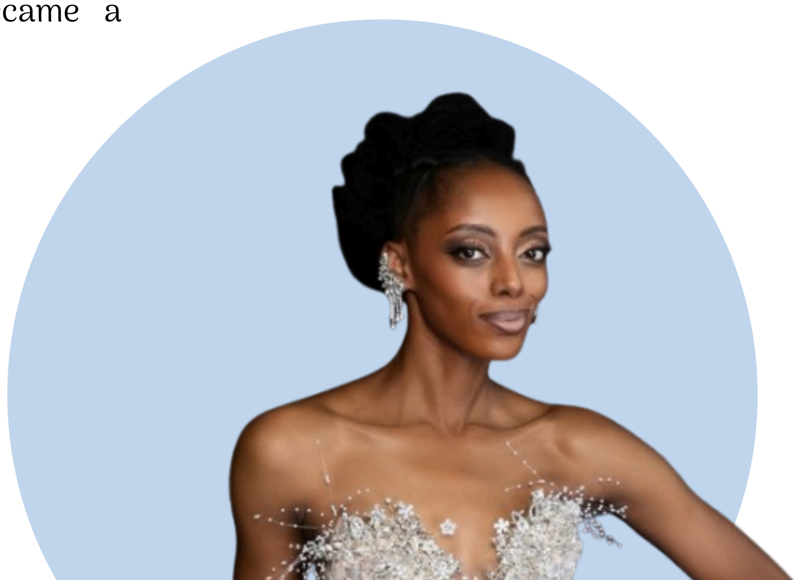
SOUTH AFRICA

South Africa's Tshego Gaelae makes history as the 2025 Mrs. World winner

The 40th edition of the Mrs. World pageant took place on January 21, 2025, in a grand ceremony in Las Vegas, USA, bringing together married women from across the globe to compete for the prestigious crown. As one of the most renowned international beauty pageants dedicated to married women, the event has long been a platform for showcasing grace, intelligence, and advocacy. This year's competition was particularly special, marking a historic moment that resonated far beyond the stage.

Tshego Gaelae, a South African model and attorney, emerged victorious, making history as the first Black woman to win the title. Her victory was more than just a personal triumph; it was a defining moment for South Africa and the entire African continent. As she stood in the spotlight, wearing the coveted crown, she became a symbol of representation and achievement, breaking barriers in a competition that has spanned four decades. Sri Lanka's Ishadi Amanda and Thailand's Ploy Panperm finished as first and second runners-up, respectively, but Gaelae's win captured the world's attention.

Returning home, she was met with a hero's welcome, with Johannesburg's Executive Mayor, Dada Morero, and other dignitaries celebrating her success. Her journey from Soweto to the global stage is an inspiring testament to perseverance, echoing the rise of African women in global pageantry. Following Nigeria's Chidimma Adetshina's historic first runner-up finish at Miss Universe 2024, Gaelae's triumph is another proud reminder that African beauty, intelligence, and resilience continue to shine on the world stage.



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Country	GDP Annual Growth Rate (%)	Inflation (%)	Life Expectancy (Years)	Unemployment Rate (%)	Interest Rate (%)
Angola	5.5 (Q3'24)	26.48 (Jan'25)	62.84	30.80 (Q3'24)	19.5 (Jan'24)
Botswana	-4.3 (Q3'24)	2.5 (Jan'25)	70.14	27.6 (Mar'24)	1.5 (Jan'25)
Cameroon	3.2 (Q1'24)	5.3 (Jan'25)	60.90	3.7 (Dec'23)	5 (Feb'25)
Ethiopia	7.9 (Q4'23)	17(Dec'24)	68.43	18.9 (Dec'22)	7 (Feb'25)
Eritrea	2.9 (Q4'23)	6.4 (Dec'23)	68.07	5.9 (Dec'23)	N/A
Gabon	2.3 (Q4'23)	0.7(Dec'24)	67.37	20.4 (Dec'23)	5 (Feb'25)
Ghana	7.2 (Q3'24)	23.1 (Feb'25)	65.41	3.6 (Dec'23)	27 (Feb'25)
Guinea	5.9 (Q4'23)	3.1 (Dec'24)	63.22	5.4 (Dec'23)	10.75 (Feb'25)
Ivory Coast	6.5 (Q2'24)	2.5 (Nov'24)	62.28	2.6 (Dec'22)	5.5 (Feb'25)
Kenya	4.0 (Q3'24)	3.5 (Nov'24)	67.93	5.7 (Dec'23)	10.75 (Feb'25)
Liberia	4.7 (Q4'23)	10.7 (Dec'24)	65.50	2.9 (Dec'23)	17.00 (Jan'25)
Mozambique	-4.9 (Q4'24)	4.69 (Jan'25)	62.88	3.54 (2023)	12.25 (Feb'25)
Nigeria	3.84 (Q4'24)	24.48 (Jan'25)	56.36	4.3 (Jun'24)	27.5 (Feb'25)
Rwanda	8.1 (Q3'24)	5.7 (Jan'25)	70.54	14.7 (Q4'24)	6.5 (Feb'25)
Senegal	11.5 (Q3'24)	1.8 (Jan'25)	69.35	20.3 (Q3'24)	5.5 (Mar'25)
South Africa	0.9 (Q4'24)	3.2 (Jan'25)	65.32	32.9 (Q4'24)	7.50 (Jan'25)
Tanzania	5.9 (Q3'24)	3.1 (Jan'25)	66.94	8.9 (Dec'22)	6 (Jan'25)
Uganda	6.7 (Q3'24)	3.7 (Feb'25)	64.66	2.9 (Dec'23)	9.75 (Feb'25)
Zambia	2.5 (Q3'24)	16.8 (Feb'25)	65.22	6.1 (Dec'22)	14.5 (Feb'25)
Zimbabwe	4.5 (Q4'23)	15.07 (Feb'24)	62.67	9.1 (Dec'23)	35 (Feb'25)