

# Insights into the impact of Brexit on Africa

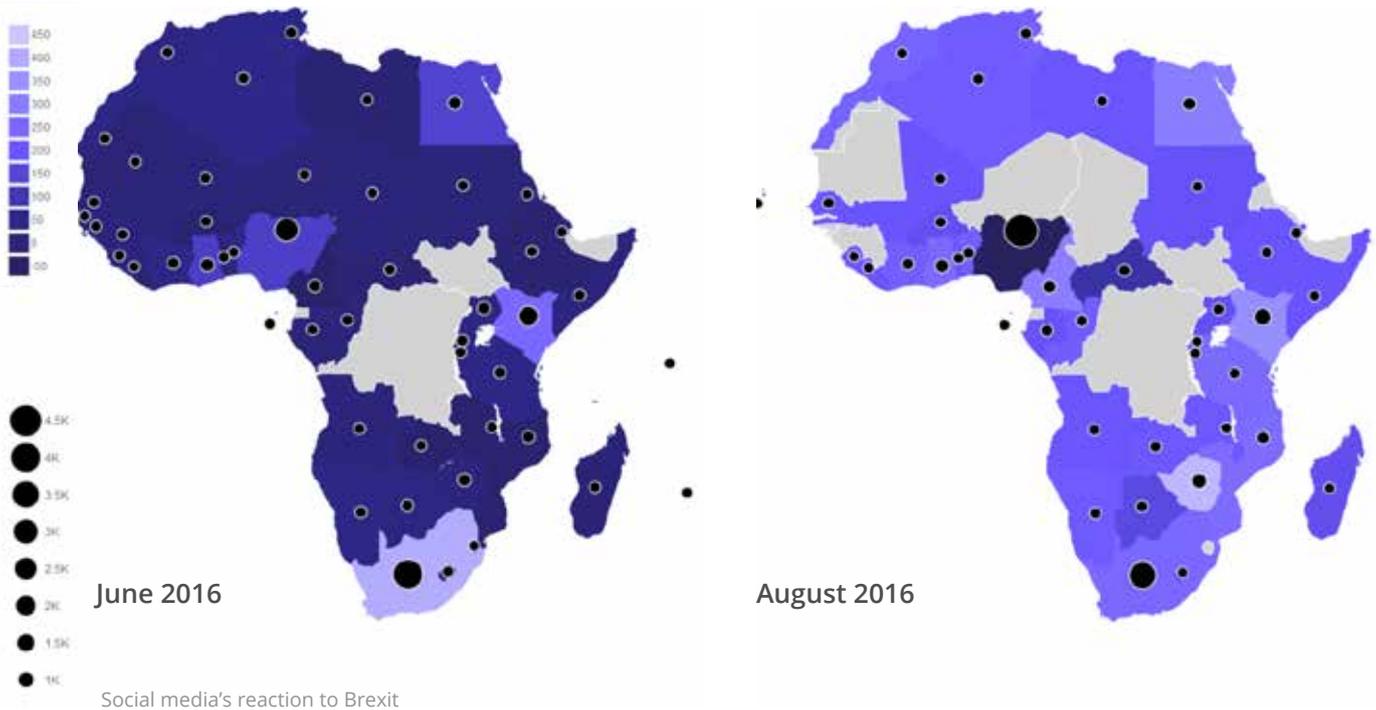
*The United Kingdom referendum on Brexit in June 2016 resulted in a majority vote in favour of the UK leaving the European Union. The uncertainties surrounding Brexit have not only affected the world's financial and foreign exchange markets, with a major depreciation of the pound sterling, but have also led to bearish stock market rallies. The UK will have to renegotiate the existing network of trade arrangements between the UK and the EU's numerous global trading partners, which cover over 100 countries. The possible disruption to trade and investment flows was the subject of investigation in a recent study by International Economics.*



**International Economics**

[www.tradeeconomics.com](http://www.tradeeconomics.com)

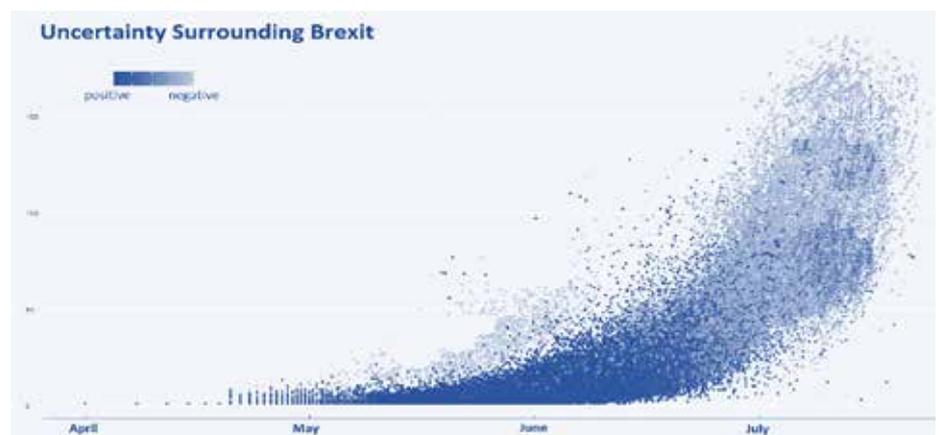
# HOW WILL BREXIT AFFECT INDUSTRIES IN AFRICA?



Brexit's most significant impacts on African industries are likely to be channelled through:

- The imposition of tariffs and new non-tariff barriers, that will diminish, or erode, existing preferential market access to the UK;
- Additional customs procedures to export to the UK;
- Uncertainty surrounding the future EU-UK relationship and fall in demand for African goods and services due to slower growth in the UK, and in the EU; and the
- Exposure of African banks to short-term capital flight.

The team of *International Economics*, composed of both legal and economic advisors, carried out the study using trade and investment analysis as well as modelling, using a reference Dynamic Computable General Equilibrium (DCGE) model. Given the likely shocks, the resulting impacts on GDP growth, trade flows and sectoral output have been estimated.



Through its collaboration with IBM®, using complex analytical tools and cognitive computing systems, such as Watson®, *International Economics* was able to gain insights into people's sentiments vis à vis Brexit, shedding some light on investors' and consumers' confidence through the analysis of millions of social media feeds.

The results highlighted the fact

that at a macro-economic level, the overall impact of Brexit will be limited in most countries, although there are a series of African-manufactured products that are likely to be significantly affected, such as agricultural commodities (wheat, sugar), livestock products, other processed foods (including fish), textiles and footwear. Some service sectors are also

expected to be affected, such as tourism, financial services and transportation.

Thus, Brexit represents a critical opportunity for African industries to position themselves, and seek new markets for their products and services.

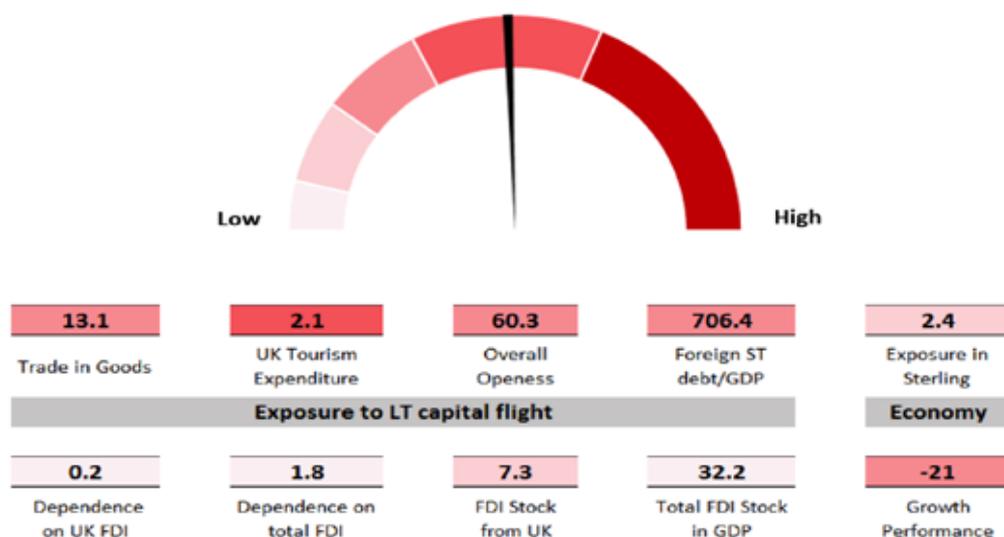


## WHAT DOES THIS REALLY MEAN FOR AFRICAN BUSINESSES?

African exporters are already experiencing a shift from their traditional position as exporters of raw material to Europe, towards relying less on commodities and focusing more on technological innovations and entrepreneurship. Regional initiatives, such as the Continental Free Trade Area (CFTA), which is set to be concluded in 2017, and the recently agreed Tripartite Free Trade Area, will significantly improve Africa's position on the global economic stage. The CFTA, for example will unify a market of more than a billion people and an initial GDP exceeding USD 3 trillion.

This commercial arrangement will lead to the removal of trade barriers, boosting investment in infrastructure, and allowing African countries to have the industrial capacity and accessibility to compete on the global stage.

African businesses and private associations must be prepared and be ready to adjust, to seize the new opportunities arising from the world's continuous developments in trade and investment.



Example of exposure indicators

# HOW CAN WE HELP?

## Support C-level executives and boards to prepare for Brexit

*International Economics* can help facilitate internal discussions on strategy by providing technical insights, developing dashboards of key performance measurements, and giving advice to executive boards on building resilience to possible disruptions related to exogenous trade shocks, such as Brexit. We work closely with our clients to brainstorm and identify challenges and opportunities based on our professional experience.

## Map market access

In order to quantify the potential costs to your business in engaging in trade, including tariffs, standards, and customs procedures, among many others, we (i) undertake a mapping of which terms are most at risk of changing and by how much, depending on the type of agreement; and (ii) quantify and forecast the potential effect on your business using predictive analytics to generate insights into future outcomes.

## Navigate through trade and investment agreements

With more than 400 trade agreements and 2,400 investment agreements already in place, *International Economics'* team is able to navigate through them, guiding and identifying which specific agreement will better suit the interests of our client. Additionally, we have developed optimisation techniques, through the use of sophisticated rules and algorithms, to analyse the Free Trade Agreements (FTAs), which are growing in scope, depth and complexity, in order to offer insights into investment and trade decisions. With increasing fragmentation of global production networks and the need for careful evaluation of supply chain risks, the tools developed by *International Economics* offer a solid foundation for the adoption of critical decisions by businesses.

## Prepare briefings and strategic papers

Our clients need to prepare strategic position papers to assess the issues and prepare responses, whether it be internal restructuring, supply chain re-engineering or addressing policy risks. We assist our clients with short, impactful, and relevant position papers, including setting out the possible impacts of risks at different business levels (policy, financial, structural, etc.) and provide the latest thinking on the issues to date, based on a holistic economic framework.

## Undertake a full economic and legal review of the trade and investment exposures to Brexit

We conduct independent and objective reviews of the impact of Brexit on your business and industry. We use deep learning tools, large multi-country macro models and the latest unstructured data to offer insights into the risks, exposure assessments and likelihood of disruptions to supply chains. This provides our clients with a competitive advantage as they prepare mitigation strategies and leverage identified opportunities. We work with our clients to develop the right strategies and make breakthrough decisions.

## Help the private sector position itself during the UK's trade negotiations

Brexit will affect our clients' business strategies, supply chains, funding, tax positions, regulations, growth and opportunities. *International Economics* works with public affairs companies and specialised firms to offer the full range of trade-related technical support and advice to help companies position themselves and ensure that their interests are addressed in the negotiations.

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