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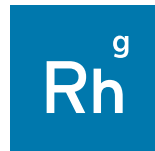
China's economic slowdown and spillovers to Africa

Matthew Mingey, Jeremy Smith, and Laura Gormley



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Executive summary

China's economic rise and its integration with Africa have catalyzed new infrastructure and industries across the continent. But this also now exposes African countries to negative ripple effects from changes in China's domestic economy. As China's investment- and manufacturing-centric economic model loses steam, African officials and policymakers will need to plan for growth and economic transformation, with an understanding that their largest trade and investment partner might look very different than it has over the past decade.

This report investigates how different projections of China's economic growth and structure over the next five years (through 2030) will affect trade and financial engagement with the African continent, and what these outcomes will mean for decision-makers. It deploys a novel framework to estimate how economic flows between China and Africa shift under different growth scenarios. To account for Africa's diverse economies—spanning some of the world's least developed countries as well as high-income financial centers—this analysis extends to country groups.

No growth scenario in China will benefit all of Africa's nations equally. But on balance, the best long-term outcome for Africa is likely one in which China accepts the cost of reform to implement slower, but more stable, growth. While countries could previously envision the net benefits of close trading relationships with China in 2030, trade now presents both opportunity and threat: opportunity in the form of cheap imports, but complication in the form of persistent trade imbalances and overcapacity in manufacturing. Under any growth scenario, finance from China's banks and investors will continue to decline—whether sharply or gradually—as China's domestic financial system evolves.

Chapter 1 surveys economic conditions in Africa as of 2025, as well as how commodity markets and external imbalances make many African countries vulnerable to shifts in the global growth environment and in their economic relationships with China. Even countries with limited direct exposure to China are likely to feel the impact of a slowdown via regional economic linkages and the effect of China's exports and imports on global prices.

Chapter 2 provides an overview of trade and financial flows between China and Africa. While the importance of individual flows varies, a few channels account for the majority of economic value: goods trade, commercial and development finance, and foreign direct investment (FDI). Baseline growth rates of these flows are used to inform projections in the later analysis.

Of these, the goods trade represents the largest scope of bilateral engagement between China and the African continent, approaching \$300 billion annually as of 2024, or about 10 percent of Africa's gross domestic product (GDP). However, imbalances driven by structural characteristics of the two economies have intensified in recent years. Despite recent

attempts to diversify trade, African countries still have large trade deficits, mostly exporting commodities to China and importing manufactured goods. China's mode of finance mixes concessional and commercial motives, and new financial flows are slowing as lenders look to control risk. The result has been that China is collecting more in debt service payments than it is disbursing in new loan finance.

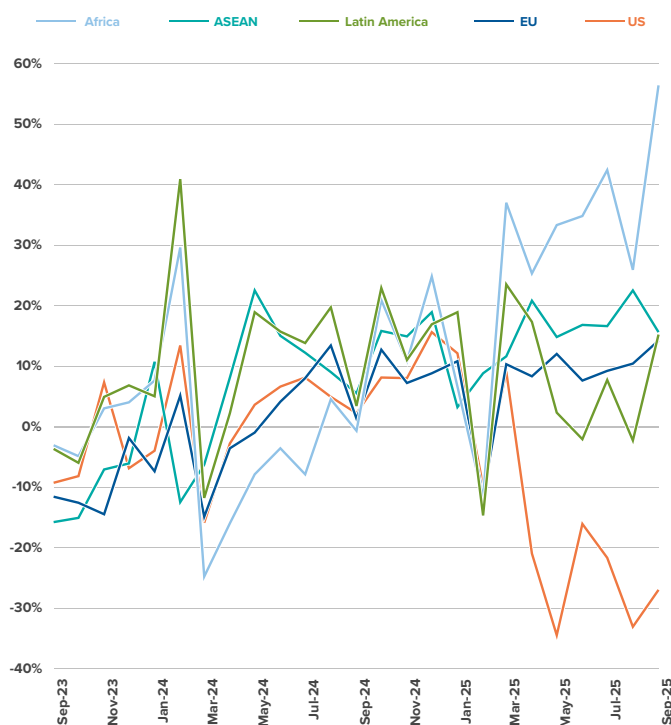
China's outbound financial activity, which recovered after COVID-19 downturns, is now more diverse in both its form and its targets. New annual FDI flows from China now exceed new lending from China to African countries (\$6 billion in annual deals as of 2023, according to Rhodium Group data). Portfolio flows are still small. Estimated total Chinese portfolio investment amounted to only \$1.6 billion as of June 2024, which remains concentrated in economies with more developed financial markets, such as South Africa and Egypt. The differences in scale between these flows influence the channels through which China's growth effects will be most keenly felt.

To evaluate the impact on African economies of spillovers from China's growth slowdown, Chapter 3 establishes a baseline of economic conditions in China. The real question to determine China's future growth is whether it manages to reform its investment-driven system or stagnate on its current path. To evaluate both of these possibilities, we evaluate the economic assumptions of China's growth scenarios—and from there, the impacts on African countries—through 2030, using three different perspectives.

- **The International Monetary Fund (IMF) scenario:** In its official World Economic Outlook (WEO) projections, the IMF forecasts growth of 3.4 percent by 2030.
- **The reform scenario:** China begins to successfully rebalance toward a consumer-oriented economy and the country's economic growth slows in the short term before rising to a more sustainable rate of around 4 percent by 2030.
- **The stagnation scenario:** Beijing's reform efforts flounder and China's economy grinds slower and slower. Growth slows to 2.5 percent by 2030.

Chapter 4 assesses outcomes for African economies, based on the growth scenarios laid out in Chapter 3 for China through 2030. The impacts of growth projections are evaluated for goods trade across four product groups of Chinese imports from Africa (oil, minerals, agricultural products, and manufactured goods) and two product groups of Chinese exports to Africa (manufactured goods and commodities). Impacts on key outbound financial flows from China to Africa are also evaluated, including lending, portfolio flows, and FDI. Several key takeaways arise from this analysis.

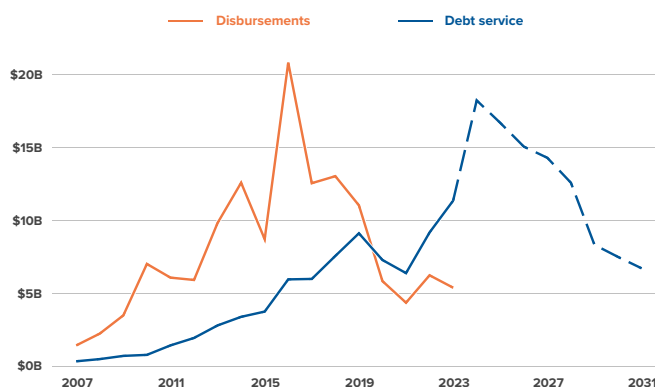
Figure E1: China's exports by destination region
(Percent, year over year)



Source: General Administration of Customs.

- Across different scenarios, China's oil imports from Africa are likely to decline due to growing electric vehicle adoption and clean power generation capacity, but they hold up best in scenarios in which China's structural reforms are limited.
- China's non-oil mineral imports will likely grow quickly under all scenarios, but demand might shift among mineral products, with different implications for different African countries. Commodities such as iron ore and those used in clean tech sectors are core inputs for a variety of China's manufacturing industries. As a result, the projected growth of China's mineral demand is strong across all scenarios.
- African manufactured and agricultural goods do best in a reforming China, where an empowered consumer base spends more on foodstuffs and African-made manufactured goods such as clothing. In the stagnation scenario, and to a lesser extent, the IMF scenario, weak Chinese demand and expanding manufacturing output and trade surplus suppress demand for African manufactured goods. Growth of China's agricultural imports is projected to be strong under all three scenarios. In the reform scenario, growth projections are highest for both agriculture and manufacturing imports. As Chinese household consumption grows, industrial upgrading in China will move out of lower value-added industries, letting African manufacturers capture more market share.

Figure E2: Net lending flows from China to Africa
(USD billions)



Source: World Bank International Debt Statistics, Rhodium Group calculations.

- All three scenarios project that lending to Africa will be stronger than other forms of finance. Chinese lenders will still need to refinance and support their existing obligations despite tightening constraints on their balance sheets.
- Under all three scenarios, the growth of FDI to Africa is projected to continue at modest levels over the next five years. Chinese FDI in Africa is heavily concentrated in capital-intensive sectors that are stickier and more often linked to policy goals, such as control of critical minerals and other essential inputs used by Chinese manufacturers.

Chapter 5 concludes by assessing the potential impacts of each scenario by country group. While oil exporters and “traditional” mineral and commodity metal exporters would paradoxically benefit from a “stagnating” China that maximized oil consumption, this would not be a net benefit to the rest of the continent. Instead, a reforming China—better positioned to resolve trade and financial imbalances, and to drive consumption of Africa's exports—offers the best prospects overall for a larger group of African countries.

- For transition mineral exporters, demand for Africa's critical minerals is likely to persist regardless of scenario, as these sectors will remain a core focus of China's (and other countries') national economic strategies. It is more difficult to predict outcomes for low-income countries even if they are less exposed to commodity markets, where much depends on regional transmission of spillovers. Though China's aid and development finance are far from the only considerations for policymakers in this group, they are not guaranteed to rise even in a high-growth scenario. For the middle-income group as well, much depends on the balance between surging Chinese exports and opportunities to capture investment from China. A reform scenario is their best bet.

CHAPTER 1

Introduction: Reevaluating what China's growth slowdown means for Africa

Trade and finance deeply link African countries and China, building on diplomatic relationships that extend back as far as 1949. But after decades of rapid development, China is transitioning toward permanently slower growth, shifting the status quo and changing how African leaders should think about China as an economic partner in the years to come.

Ongoing shifts in China's domestic economy—including fundamental changes to supply and demand for goods, services, and financial flows—will deeply influence economic outcomes across the African continent through 2030. While China is currently Africa's largest trade partner and sovereign creditor, and an important foreign investor, China's slowdown calls into question whether it can remain so. African officials hope that extensive investment links with China in sectors such as automobiles, light manufacturing, and green energy will power economic transformation. However, these links are not guaranteed to hold as domestic factors take a toll on China's com-

panies and financial system, threatening China's overseas activity. Against this backdrop, China's indirect effects on global commodity prices threaten to harm African countries that have grown reliant on China's appetite for oil, minerals, and agricultural products. This uncertainty is all the more important for the most fragile economies in Africa—those still contending with debt overhang, domestic instability, and weak export dependence.

But China's challenges could yet present an opportunity for Africa. If China adopts nimble economic reforms and tackles lingering structural imbalances, it could achieve more balanced and sustainable economic growth within a decade. A China that resolves overcapacity and empowers its consumers could be a better and more reliable economic partner for Africa, one able to expand mutually beneficial trade and share technology and investment that could power Africa's green transition and development.

Table 1.1: African country groupings

Industrial structure	Subcategorization	Countries	Characteristics
Resource intensive	Oil exporters	Algeria, Angola, Cameroon, Chad, Republic of the Congo, Egypt, Equatorial Guinea, Gabon, Libya, Nigeria, South Sudan	High proportion of export earnings, government revenue, or foreign investment in crude oil production
	Minerals exporters	Botswana, Burkina Faso, Central African Republic, Democratic Republic of the Congo, Ghana, Guinea, Liberia, Mali, Namibia, Niger, Sierra Leone, South Africa, Sudan, Tanzania, Zambia, Zimbabwe	High proportion of export earnings, government revenue, or foreign investment in metals and mining sector
Non-resource intensive	Low income	Burundi, Eritrea, Ethiopia, The Gambia, Guinea-Bissau, Madagascar, Malawi, Mozambique, Rwanda, Somalia, Togo, Uganda	Concentrated industrial production in low-value commodities, elevated levels of inflation, high government debt
	Middle income ^a	Benin, Cabo Verde, Comoros, Côte d'Ivoire, Djibouti, Eswatini, Kenya, Lesotho, Mauritania, Mauritius, Morocco, São Tomé and Príncipe, Senegal, Seychelles, Tunisia	Predominantly services-oriented industrial structure, modest manufacturing sector development ^b

a. This category includes countries classified as lower-middle income by the World Bank.

b. Mustapha Jobarteh, "Lower Middle-Income Africa Geographic Futures," ISS African Futures, December 13, 2023, <https://futures.issafrica.org/geographic/income-groups/lower-middle-income-africa/>.

Source: Adapted from African Development Bank country groupings.

For Africa, much depends on a realistic understanding of China's economic constraints and the policy choices it will make to address them. To that end, this report deploys three scenarios for China's growth through 2030, including alternative baselines for projections of economic and financial impacts.

The report first provides an overview of Africa's macroeconomic conditions at the continental level, and highlights differences between country groups that will affect the scale and intensity of spillovers from China. It then reviews baseline data to present a snapshot of the China-Africa economic relationship as of 2025, identifying key channels of economic and financial engagement.

From those key channels, the report then outlines three plausible scenarios for China's economic growth through 2030. These range from policy stagnation to a hypothetical best case for domestic reform. From these scenarios, the report uses a quantitative framework to project how China's average trade and investment flows with Africa would evolve over the next five years. Alongside an analysis of the macroeconomic impacts of these flows for different groups of African countries, the report highlights key signposts that policymakers should look for in China's economy. Finally, the concluding chapter addresses key takeaways from this analysis and implications for policymakers.

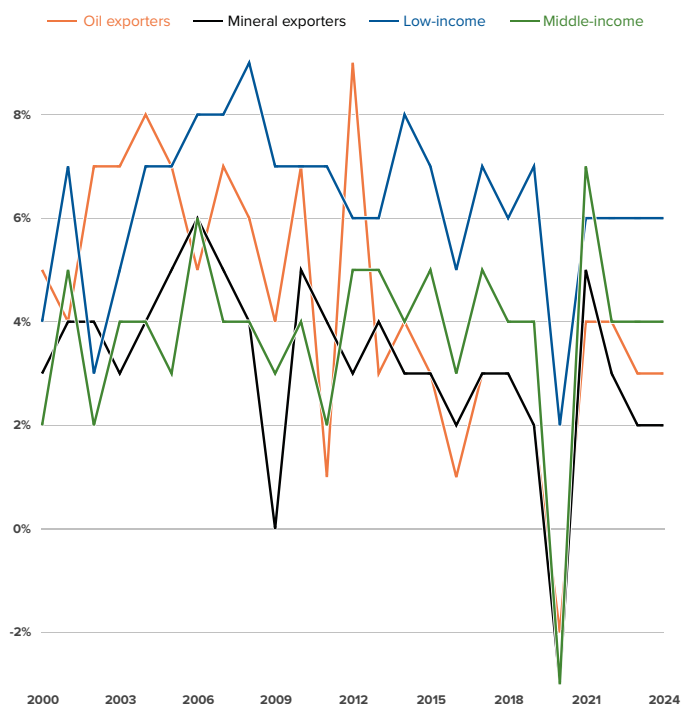
Africa's fifty-four economies also have distinct economic structures and approach their relationships with China from vastly different positions. To facilitate analysis, this report uses country groups based on countries' income levels and resource intensity. We based these groups on those used by international financial institutions such as the World Bank and African Development Bank (AfDB).¹ Of course, these categories cannot fully account for each country's complex economic structure, but they provide a useful starting point.

Several countries could fit into different (or multiple) categories. Despite Nigeria's high volume of mineral exports, for example, it is also one of the largest economies on the continent and a lower-middle income country in World Bank classifications. Ultimately, to facilitate analysis, each country is assigned to a single category. Throughout the report, specific country examples complement the category analyses.

African economies in 2025: Still recovering

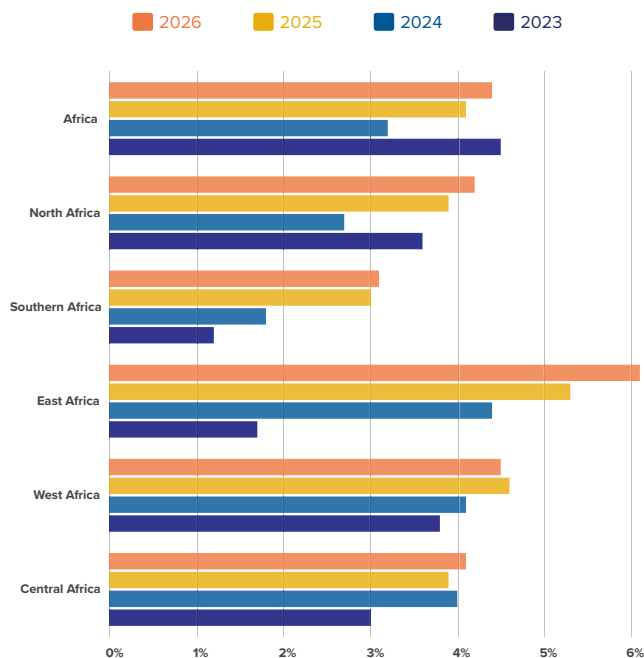
Despite improvements at the continental level from 2024, Africa's short-term to medium-term economic outlook is shaky. Economic growth across all country groups has rebounded from the shocks caused by the COVID-19 pandemic and Russia's invasion of Ukraine (Figure 1.1), and the AfDB projects 4.1-percent real GDP growth for the continent in 2025. Africa's favorable demographics, resource endowments, and impro-

Figure 1.1: Real GDP growth, 2000–2024
(Percent, GDP-weighted group averages)



Source: IMF World Economic Outlook database (April 2025 edition); Rhodium Group calculations.

Figure 1.2: Africa's recent growth performance and outlook
(Real GDP growth rate)



Source: "Africa's Macroeconomic Performance and Outlook—January," 2. Growth rates for 2024 are African Development Bank estimates; 2025–2026 values are forecasts.

ving development levels would seem to prime it for continued rapid growth. Indeed, Africa already includes half of the world's twenty fastest-growing economies.² It would also seem to make a natural partner for China as that country confronts a graying population, declining contributions from labor, and the limits of investment-led growth.

But growth is only part of the story. The fallout from COVID-19 pressure continues to weigh on economies across the continent, and average public debt burdens now threaten investment and economic reform in several major countries. Moreover, while rapid population growth has helped drive GDP growth, it also hampers GDP per capita and makes it harder to improve standards of living compared to other regions.³ Structural vulnerabilities remain: employment pressure from rapid labor force growth, institutional limitations, human capital gaps, climate vulnerability, and financial sector limitations.⁴ This is especially apparent for resource-intensive countries, which have been battered since the commodity price collapse in 2014–2015.⁵ And while growth accelerates in some parts of the continent—high-performing East Africa is expected to reach 6.1-percent growth by 2026—Southern Africa is expected to grow at only one-third of that rate, at 1.8 percent (Figure 1.2).

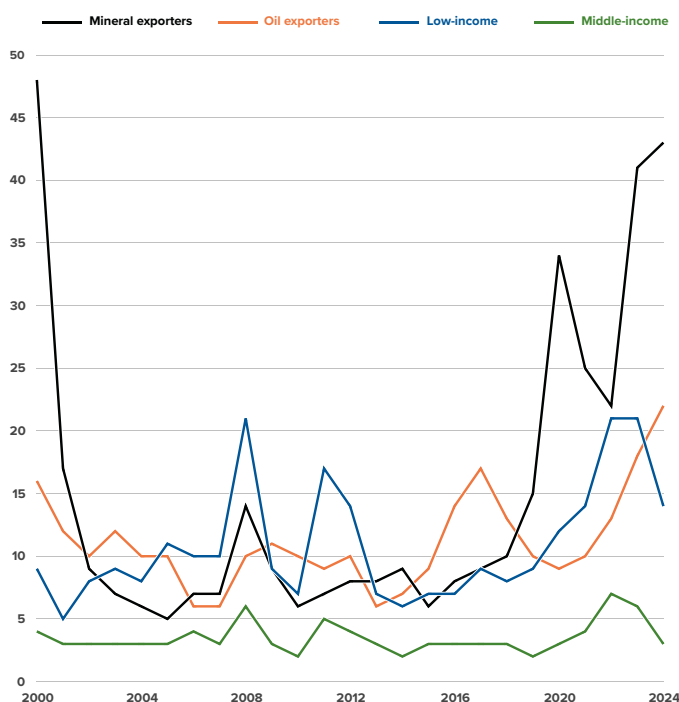
One of the biggest ongoing threats is inflation. African consumer prices are sensitive to international commodity price fluctuations, passthrough from currency depreciation, and other

exogenous factors. Consumer prices increased an average of 18.6 percent across the continent in 2024, the highest level in decades (Figure 1.3). Despite low-priced imports from China—discussed later in this report—inflation worsened in sixteen African countries in 2024.⁶ The strengthening of major African currencies against the dollar in 2025 will help alleviate exchange rate passthrough to inflation in the near term.⁷ But inflation will still reach double digits in several countries that have close financial ties to China, including Angola, Nigeria, and Zambia.⁸

Public finances are similarly fragile (Figure 1.4). The continent is a tale of two borrower types. More creditworthy countries are seeing post-COVID borrowing conditions improve, but other countries remain locked out of capital markets or face extreme default risk.⁹ African governments in the first group have run narrower deficits to slow the growth of public debt, and key debt restructuring in Zambia, Ghana, and Ethiopia has made progress.¹⁰ But Africa's overall ratio of interest payments is the highest of any region (Figure 1.6) and all borrowers are facing higher costs.

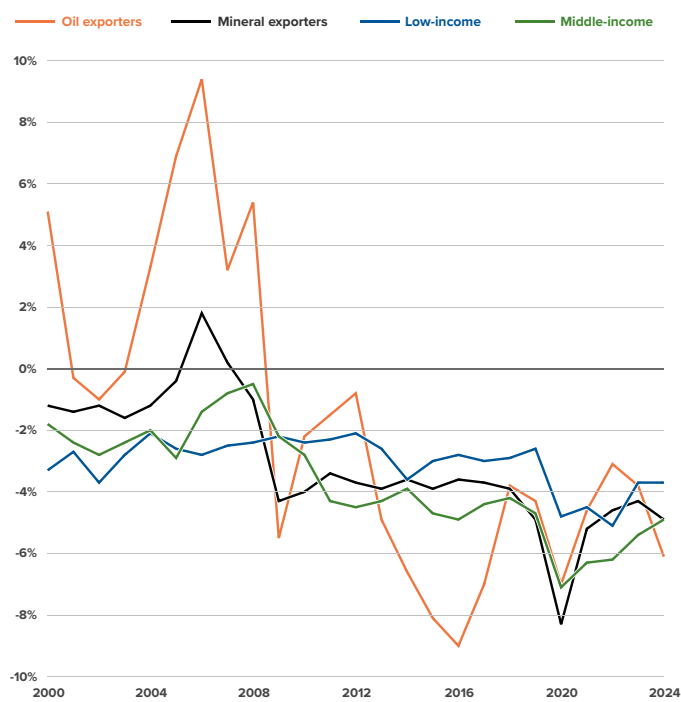
Against this backdrop, Africa's ability to rely on the rest of the world is deeply in doubt. The continent still has vast health, education, infrastructure, and food security needs, and countries continent-wide are seeking to diversify away from primary commodity exports.¹¹ But official development assistance (ODA)

Figure 1.3: Consumer Price Index (CPI) inflation, 2000–2024
(Annual average, GDP-weighted group averages)



Source: IMF World Economic Outlook database (April 2025 edition); Rhodium Group calculations.

Figure 1.4: General government fiscal balance, 2000–2030
(Percentage of GDP, GDP-weighted group averages)

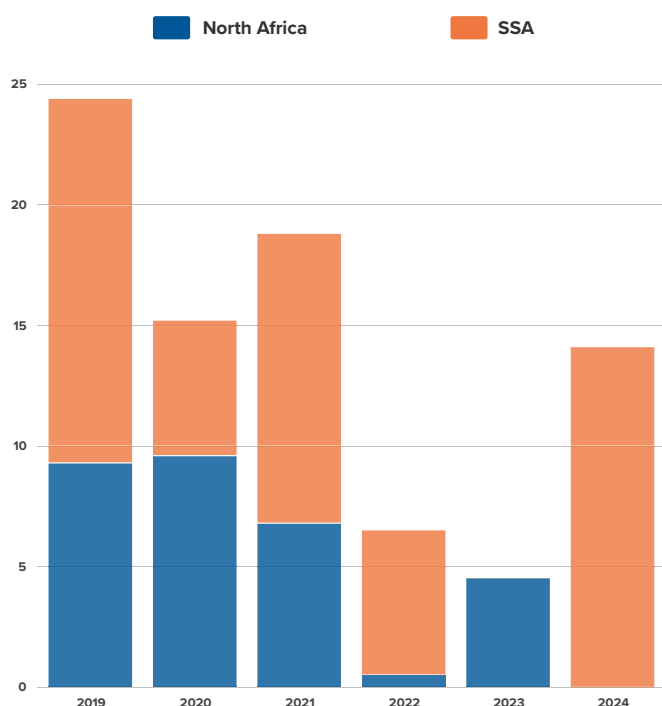


Source: IMF World Economic Outlook database (April 2025 edition); Rhodium Group calculations.

inflows, which in 2024 accounted for half of sub-Saharan Africa's external financing, are deeply uncertain going forward.¹² Higher global tariffs and policy uncertainty—especially in the United States—are also unwelcome news for the continent's economies. Exports to the United States are worth less than 0.5 percent of sub-Saharan Africa's collective GDP but are still significant for some economies.¹³ Impacts on overall global demand and commodity prices can also affect Africa indirectly. The United States' failure to renew trade preferences

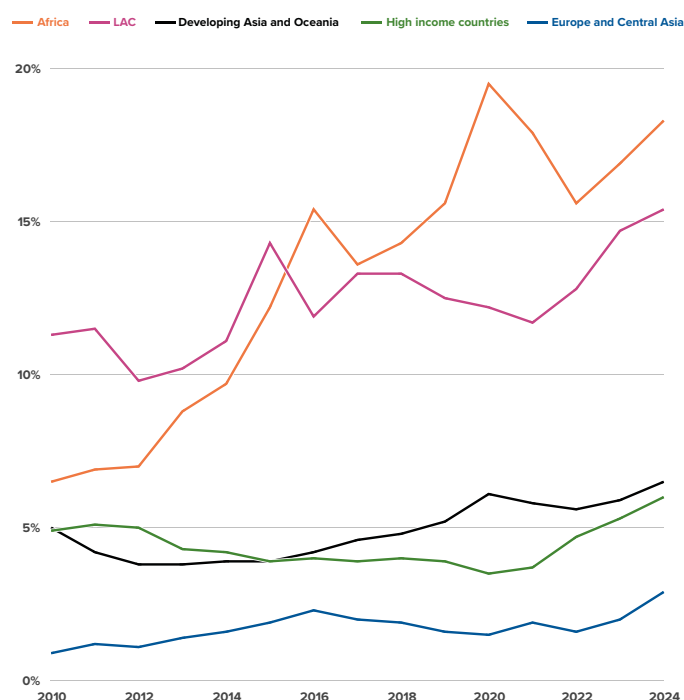
for African countries under the African Growth and Opportunity Act (AGOA) is yet another blow.¹⁴ Although the lapse only increases US tariff rates by 1 percentage point on average across all AGOA beneficiaries, rates increased by more than 10 percentage points for the most affected countries, including Lesotho and Kenya.¹⁵ Exports of textiles and apparel, industries in which local labor markets have long benefitted from US market access under AGOA, will be most impacted.¹⁶

Figure 1.5: African Eurobond issuance, 2019–2024
(Billions of US dollars (USD))



Source: Bloomberg, Rhodium Group calculations. Non-USD bonds converted to US dollars at annual average exchange rates.

Figure 1.6: Interest payments on public debt, 2010–2024
(Percent of government revenues)



Source: UNCTAD World of Debt.

CHAPTER 2

Setting the baseline of China-Africa economic relations

The China-Africa relationship is about more than just trade and mega-loans under the Belt and Road Initiative (BRI). It spans economic and political interactions at every level, from informal “China shops,” through which small-scale merchants trade Chinese goods across the continent, to multi-billion-dollar greenfield investment projects.¹⁷ But not all of these flows are readily quantifiable, and poor economic and statistical data hamper analysis. This report focuses on the most important economic channels, which are listed in Table 2.1. China and Africa have gained across each of these channels since 2000, but the distribution of those benefits is uneven. Moreover, the structural issues in the China-Africa relationship—especially a rising African trade deficit—are becoming more rather than less entrenched.

Goods trade

Among the flows classified in Table 2.1, goods trade represents the largest channel of economic linkages, approaching \$300 billion in annual value as of 2024, or about 10 percent of African GDP. China's demand for raw materials has buoyed African growth since the 2000s.¹⁸ However, research has extensively documented several structural imbalances in the trading relationship between China and the African continent.¹⁹ For many African countries, China is a key—and often the single most im-

portant—bilateral trading partner (Figure 2.1), as well as a major driver of commodity price cycles (irrespective of bilateral trade flows). Countries including Sudan, the Democratic Republic of the Congo (DRC), Angola, and the Republic of the Congo send more than half of their exports to China in a given year.

Although China's imports from Africa are five times higher by value than they were twenty years ago, they have grown more and more slowly over the past ten years. Meanwhile, China's exports to Africa increased by as much as 57 percent from 2020 to 2024, reaching \$179 billion in 2024, even with declining Chinese export prices (Figure 2.1). This trend has only accelerated in 2025, with China's exports rising 28 percent year to date through September.

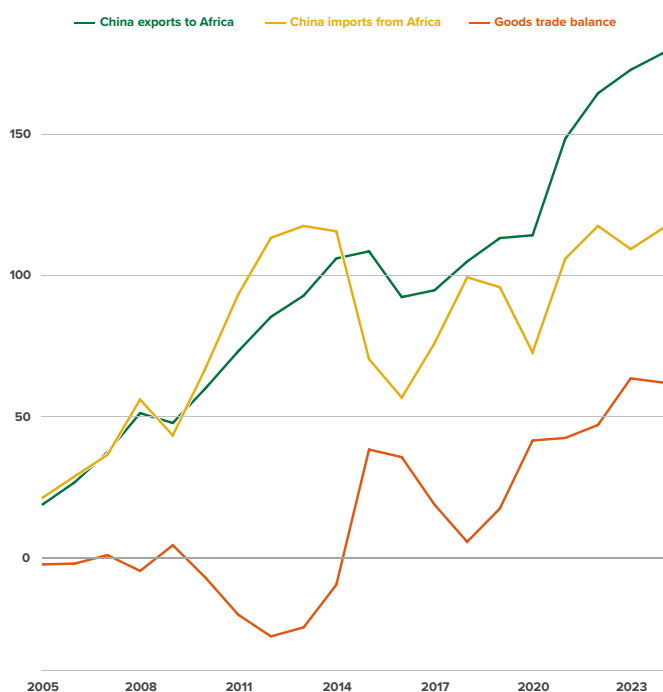
The composition of trade also positions the two partners at opposite ends of the value chain. China-Africa trade can be broadly characterized as an exchange of primary commodities for finished manufactured goods. This pattern is consistent across country groups, with manufactures accounting for just a sliver of China's imports from Africa, but between 90–95 percent of China's exports to African economies.²⁰ Also, resource-intensive exporters, while roughly equal in number to non-resource-intensive countries, account for more than 90 percent of China's imports from the continent. Continent-wide, just five products—crude oil, gold, copper (ores, concen-

Table 2.1: Channels of China-Africa economic exchange

Flow channel		Description
Trade	Agricultural products	Two-digit harmonized system (HS) chapters 01–24, 40–41, 44–47
	Minerals	Two-digit HS chapters 25–27, excluding oil and gas
	Oil	Four-digit HS codes 2709, 2710, 2711, 2713
	Manufactured goods	HS chapters 28–39, 42–43, 48–99
	Services	Trade in intangibles including tourism, transportation, construction services, financial services, etc.
Financial flows	Foreign direct investment	Cross-border greenfield investments, joint ventures, and acquisitions exceeding a 10-percent equity share
	Portfolio investment	Cross-border investment in debt and equity securities
	Commercial lending	Loans by commercial banks at market interest rates
	Development finance	Official lending by policy banks and via multilateral development banks, including debt rescheduling
	Aid	Official grants, concessional loans, and other forms of overseas development assistance
	Remittances	Personal transfers by migrant workers to home countries

Source: Authors' compilation.

Figure 2.1.1: China-Africa trade in goods, 2005–2024
(USD billions)



Source: General Administration of Customs, International Trade Centre, and Rhodium Group calculations.

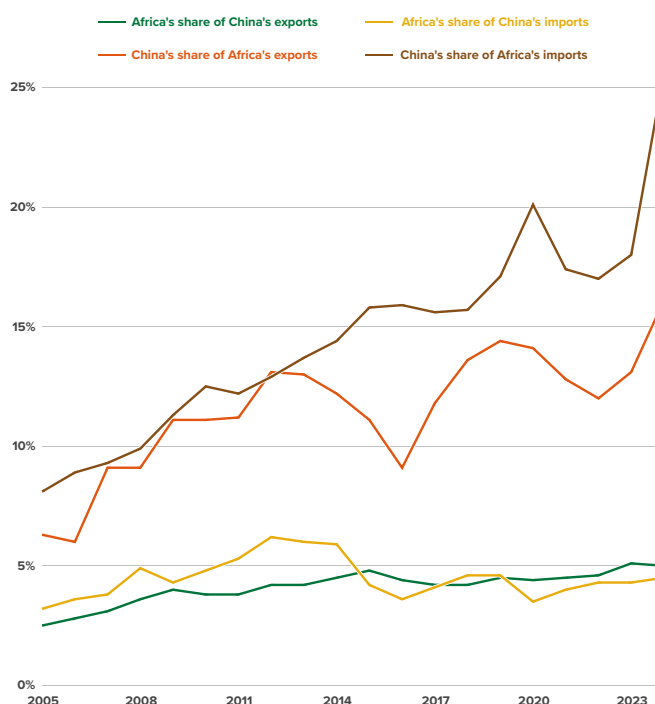
trates, and refined), aluminum (ores and concentrates), and iron (ores, concentrates, and ferroalloys) amount to as much as 69 percent of Africa's total exports to China, underscoring the extreme concentration.²¹ Meanwhile, China's exports are concentrated in higher value-added manufactured goods, balanced across a variety of electronics, processed materials such as plastic and steel, textiles, and other products.

Services trade

Data limitations obscure the picture of China-Africa services trade, but available information suggests its scale is only a small fraction of the goods trade relationship. Although neither China nor African economies report up-to-date bilateral services trade statistics, estimates from the Organisation for Economic Co-operation and Development (OECD)-WTO Balanced Trade in Services (BaTIS) database values China-Africa services trade at just \$19.4 billion in 2023, less than one-tenth the value of trade in goods.²² Construction services account for the largest portion of China-Africa services trade, at 37 percent of the total in 2020.²³

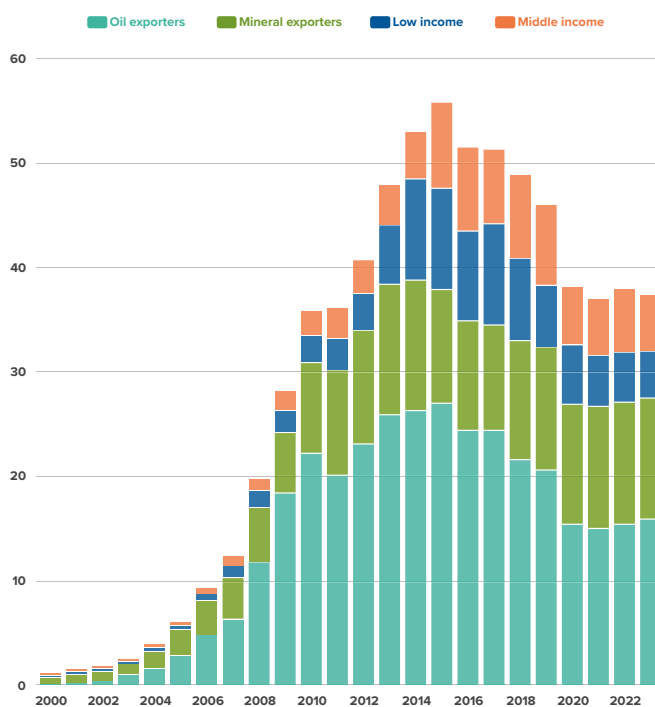
China's overseas construction activity is often linked to its outbound lending contracts. Accordingly, revenues earned by Chinese construction companies in Africa are strongly concentrated in resource-intensive economies (Figure 2.2). These revenues have fallen over the past decade alongside a broader recalibration of China's outbound lending. Beyond construction, transport and tourism services are the largest components, accounting for a combined 57 percent of China's

Figure 2.1.2: China-Africa trade in goods, 2005–2024
(Percentage of total)



Source: General Administration of Customs, International Trade Centre, and Rhodium Group calculations.

Figure 2.2: Revenue of Chinese construction companies in Africa by country group, 2000–2023
(USD billions)



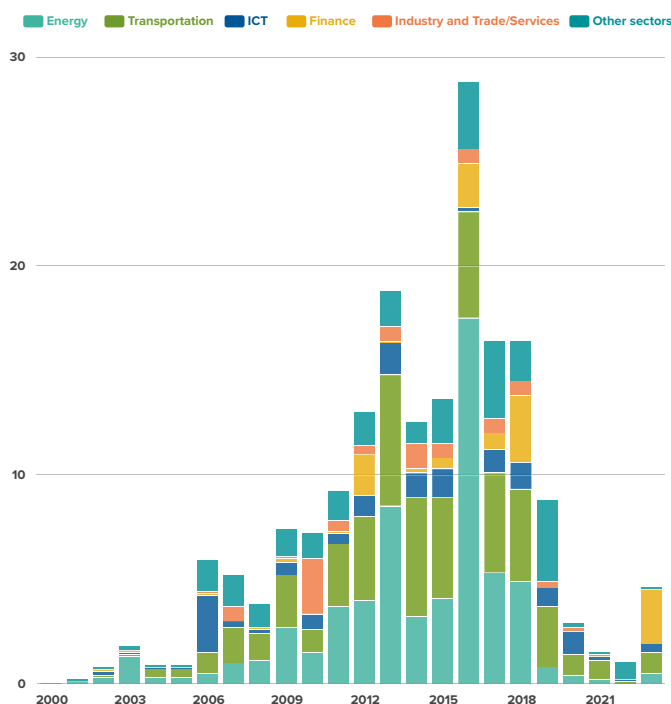
Source: Johns Hopkins SAIS China-Africa Research Initiative, National Bureau of Statistics.⁹⁹

overall services trade with the world. Chinese tourists made 3.9 million visits to Africa in 2024, accounting for 2.7 percent of outbound tourism that year.²⁴ Egypt, South Africa, Morocco, Kenya, and Tanzania are all popular African destinations for Chinese tourists.²⁵

Development finance and commercial lending

By most estimates, China is the single largest bilateral creditor to African countries. Even as multilateral financial institutions and private bonds creditors remain more significant sources of finance to Africa as a whole, China remains a significant source of finance to many African countries. Through a combination of subsidized official loans from policy banks and more expensive commercial term finance—from both policy and commercial banks—Chinese institutions extended more than \$183 billion in estimated credit to borrowers across the continent between 2000 and 2023. In the early 2020s, China broadly recalibrated its overseas lending strategy in response to repayment troubles, reputational risks, and mounting domestic constraints. Annual lending commitments to Africa from policy banks peaked in 2016 and have slowed significantly. With less money flowing, many African countries are now repaying more to China each year than they receive in loan disbursement, and negotiations regarding distressed and defaulted debt persist.²⁶

Figure 2.3.1: China's loan commitments to Africa by creditor and sector, 2000–2023
(USD billions)

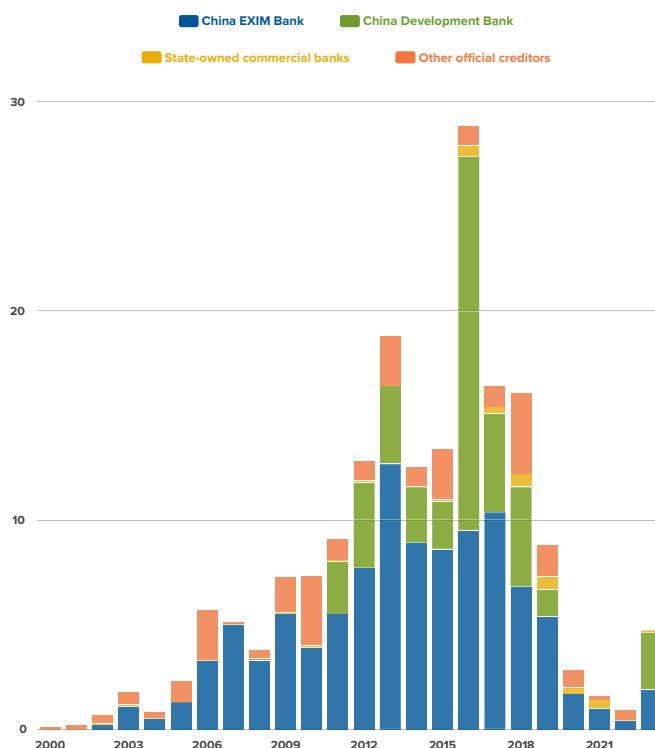


Source: Boston University Global Development Policy Center Chinese Loans to Africa database.¹⁰⁰

New loans are now flowing more often to regional development banks (for on-lending) rather than bilateral governments, and to new sectors.²⁷ For most of the past two decades, extractive industries and transportation received by far the largest shares of China's policy bank lending (Figure 2.3). China-financed energy projects are now smaller in scale and shifting from hydrocarbons to renewables. China's official statements at the 2024 Forum on China-Africa Cooperation (FOCAC) conveyed continued emphasis on the quality, rather than the scale, of project lending: the principle of "small and beautiful."²⁸

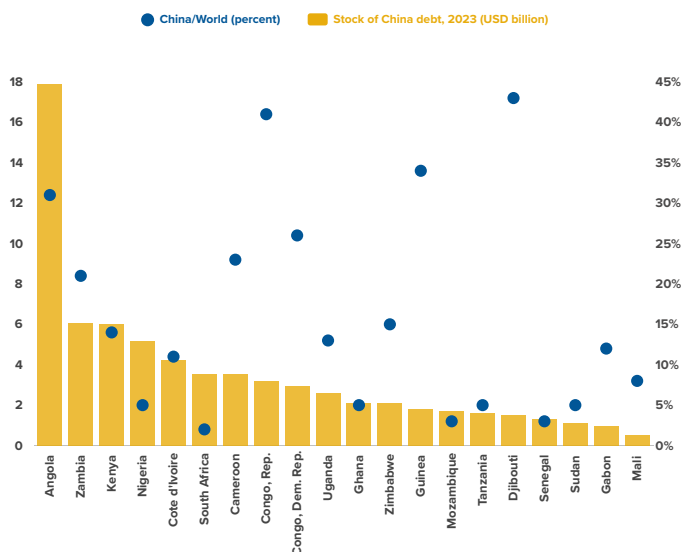
Data on commercial lending totals are less widely available. Boston University's Global Development Policy Center estimates that between 2000 and 2023, commercial Chinese entities extended about \$36 billion in loans to Africa.²⁹ The energy, transport, and information and communications technology (ICT) industries are the largest recipients of Chinese debt from commercial entities. Figure 2.4 shows China's share of Africa's total public and publicly guaranteed external debt holdings based on sovereign disclosures to the World Bank. While China is an outsized creditor to the continent, public debt stock owed to China constitutes less than 30 percent of total external debt to all African countries except for Angola (31 percent), the Republic of the Congo (41 percent), Guinea (34 percent), and Djibouti (43 percent).

Figure 2.3.2: China's loan commitments to Africa by creditor and sector, 2000–2023
(USD billions)



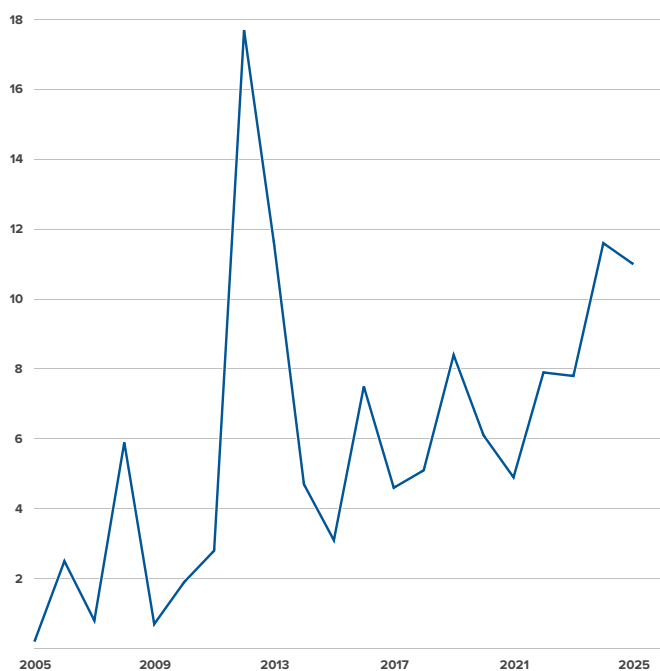
Source: Boston University Global Development Policy Center Chinese Loans to Africa database.¹⁰¹

Figure 2.4: Stock of external debt owed to Chinese creditors as of end 2023, top twenty debtor countries (USD billions (left), percent (right))



Source: World Bank International Debt Statistics.¹⁰²

Figure 2.5.1: China's outbound FDI flows to Africa, 2005–2025 (US billions)



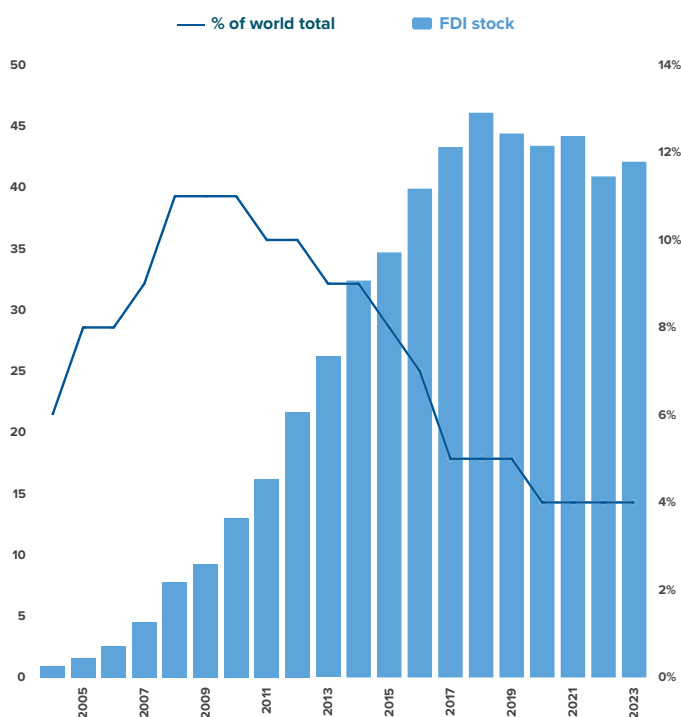
Source: Rhodium Group China Cross-Border Monitor. Data for 2025 through Q3.

Foreign direct investment

As new policy bank lending has waned, FDI has picked up a larger share of new Chinese finance flowing to Africa. In 2012, Chinese-completed FDI deals reached a high of nearly \$18 billion, according to data from Rhodium Group's China Cross-Border Monitor (Figure 2.5).³⁰ This slowed to less than \$5 billion in annual deals in 2021, but rebounded to \$11 billion in 2024, with strong momentum carrying into 2025. Over this time frame, Chinese investment has constituted around 6–12 percent of total FDI inflows to Africa. However, because Chinese FDI started accelerating in the 2010s, China's invested stock in Africa remains lower, at less than 4 percent in 2023 according to Ministry of Commerce (MOFCOM) data (Figure 2.5).

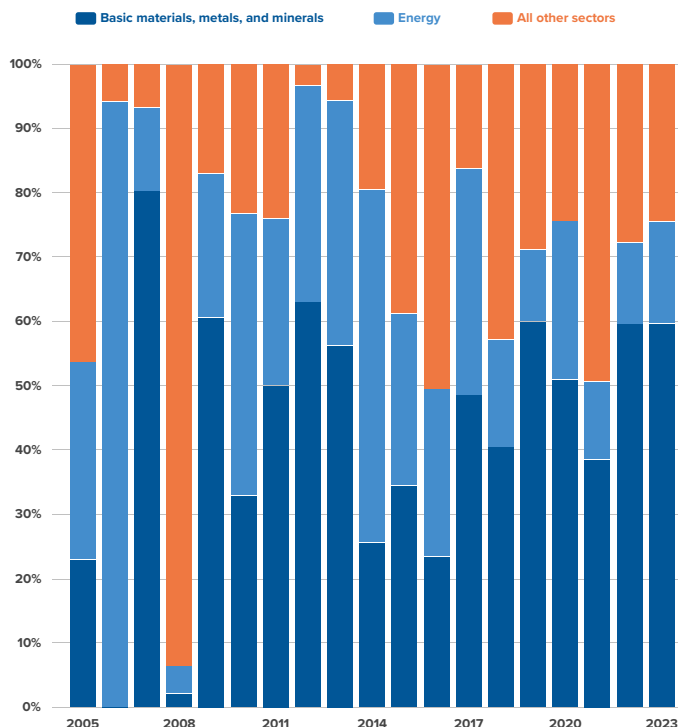
Chinese FDI is heavily concentrated in the construction, mining, and manufacturing sectors of resource-intensive African economies (Figures 2.6 and 2.7), and is dominated by large investments from state-owned companies.³¹ Resource-rich countries such as Algeria, the DRC, Egypt, Ghana, Guinea, Morocco, Nigeria, Niger, Zambia, and Zimbabwe have received more than two-thirds of Chinese FDI since 2000.³² However, declining investment returns and construction revenues in traditional commodity sectors are a concern for investors and have already led to the closure of several Chinese mines in sub-Saharan Africa.³³

Figure 2.5.2: China's outbound FDI stock in Africa, 2005–2025 (USD billions (left), percentage of total (right))



Source: Ministry of Commerce. Percentage of world total refers to Africa's share within the value of China's global outbound FDI. World total excludes mainland Chinese FDI in Hong Kong.

Figure 2.6: Composition of China's outbound FDI flows to Africa by industry, 2005–2023
(Percentage of total)



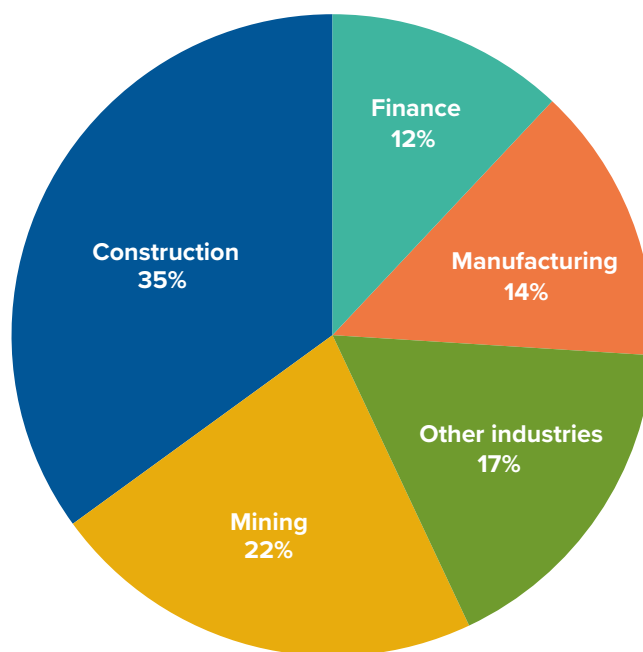
Source: Rhodium Group China Cross-Border Monitor.

Portfolio investment

China's portfolio investment holdings in Africa remain minimal, totaling just \$1.6 billion as of June 2024, or 0.2 percent of China's cross-border portfolio assets.³⁴ Moreover, these holdings are highly concentrated in a few African countries with the most developed financial markets (Figure 2.8). South Africa alone received an average of 53 percent of total portfolio investment over the past decade and, at times, has exceeded 80 percent of China's annual investment in the region.

China's investors hold a low amount of African equity, which has remained steady at around \$500–600 million for the past decade. Debt holdings have been more volatile (Figure 2.8). Debt holdings increased significantly in 2023, when Egypt became the first African country to issue a “panda bond” in renminbi (RMB).³⁵ Panda bonds, which are RMB-denominated bonds from issues outside of China, are one avenue through which African countries have sought to reduce borrowing costs. Egypt's recent favorable 3.57-percent rate contrasts with a nearly 11-percent coupon rate that Egypt received in dollar sukuk markets.³⁶ More recently, the African Export-Import Bank (Afreximbank) issued a three-year, RMB 2.2-billion (\$303 million) panda bond in April 2025.³⁷

Figure 2.7: China's outbound FDI stock in Africa by industry, 2023
(Percentage of total)

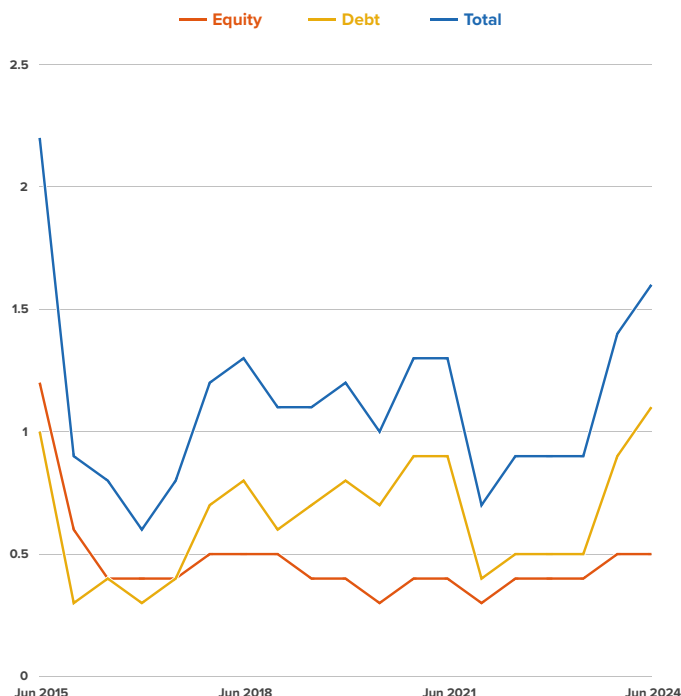


Source: Ministry of Commerce.

Aid

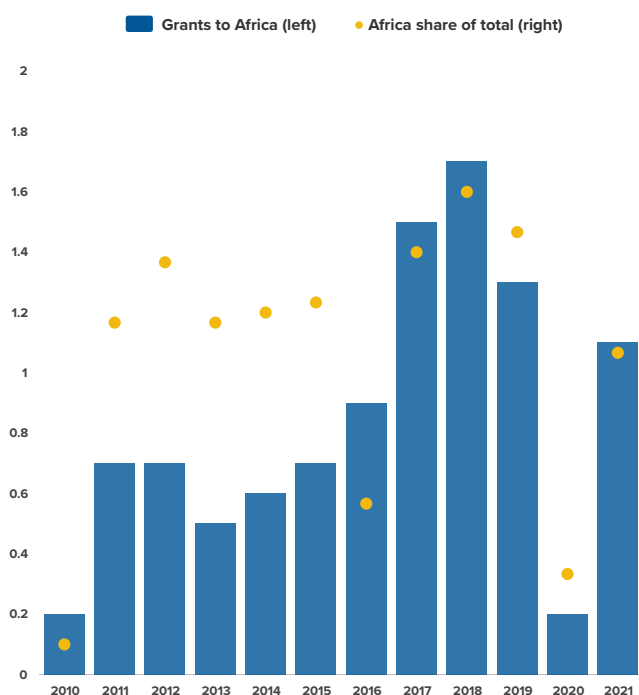
An inclusive definition of China's foreign aid includes three main elements: grants and interest-free loans, government concessional loans, and contributions to international organizations. Using this broad definition, Naohiro Kitano and Yuki-mo Miyabayashi estimate China's total foreign aid at an upper bound of \$7.9 billion in 2022 on a grant-equivalent basis.³⁸ More narrowly, the Ministry of Finance's annual final budget accounts, which only explicitly report the aggregate total of grants and interest-free loans, show annual aid disbursements of \$3 billion as of 2023, an amount that has changed little over the past ten years.³⁹ Although China's budgetary data do not offer a breakdown of foreign aid by recipient country, according to multiyear statistics cited in China's 2021 foreign aid white paper Africa received 45 percent of Chinese aid flows between 2013–2018.⁴⁰ This amount is comparable to estimates of China's overseas development assistance by AidData, which tracks China's overseas aid development finance at the individual project level (Figure 2.9).⁴¹

Figure 2.8.1: China's portfolio investment holdings in Africa, 2015–2024
(USD billions)



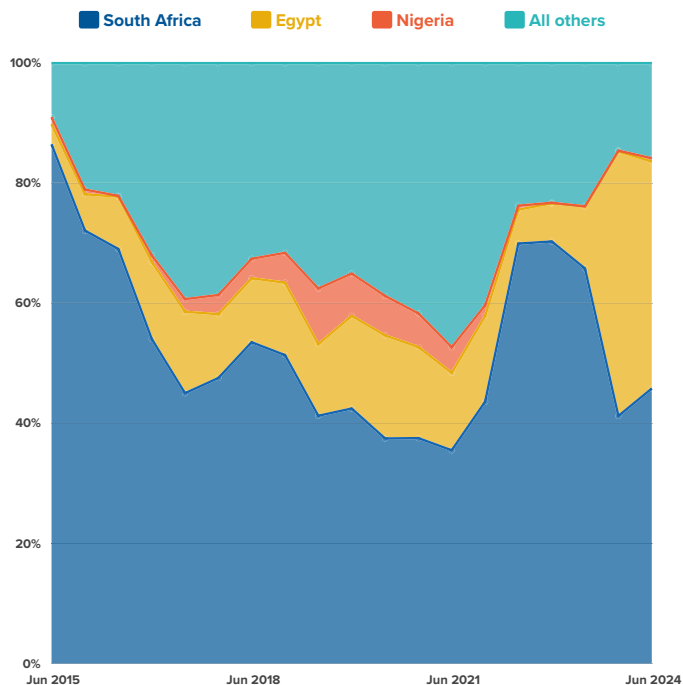
Source: IMF Coordinated Portfolio Investment Survey. Includes mainland China only. Reflects the value of holdings as of period end at six-month intervals.

Figure 2.9: China's grants to Africa, 2010–2021
(USD billions (left), percent of total (right))



Source: AidData.

Figure 2.8.2: China's portfolio investment holdings in Africa, 2015–2024
(percentage of total)



Source: IMF Coordinated Portfolio Investment Survey. Includes mainland China only. Reflects the value of holdings as of period end at six-month intervals.

Remittances

Workers' remittances are a vital source of financial inflows for some African economies.⁴² Officially recorded remittances inflows to the continent totaled \$88 billion in 2023, though the economic importance of remittances varies widely by country. However, available information suggests few of these remittances come from China. The World Bank estimates China isn't even among Africa's top twenty remittance sources (as of 2021), and outbound "personal transfers" from China worldwide—a rough upper bound on remittances—totaled just \$5.2 billion in 2024.⁴³ Anecdotal reports also suggest that African diaspora communities in Chinese cities dramatically shrank in scale during the COVID-19 pandemic.⁴⁴

Throughout the 2010s, a relatively stable global policy environment encouraged China-Africa economic ties to reach these baseline levels. But major shifts are now reshaping the fundamentals of China-Africa economic interaction. These factors are now forcing Africa's policymakers to reevaluate their perception of China (and global) economic trajectories.

Tariff policy toward Africa: At the June 2025 FOCAC ministerial meeting, Beijing unveiled a plan to drop all tariffs on African imports.⁴⁵ The direction of China's trade policy toward Africa contrasts with that of the United States, which has enacted universal baseline tariffs and has allowed AGOA to lapse, as of this writing. These tariff shifts, if sustained, could rebalance

the relative competitiveness of Africa's exports in its major end markets.

Global responses to Chinese overcapacity: A growing set of advanced economies and emerging markets is adopting defensive trade measures to protect local industries in response to rising Chinese surpluses. As trade barriers broaden, Chinese goods and investments are redirecting toward markets that remain relatively open, especially those in the Global South.⁴⁶ Already, China's exports to Africa jumped 28.3 percent year to date in the first three quarters of 2025, with exports rising 56.4 percent in September.⁴⁷

China's "anti-involution" campaign: China is at a crossroads in its own efforts to address domestic imbalances. Beijing has declared its intent to rein in "involution"—characterized by disorderly competition, aggressive price cutting, and overproduction—in affected industries.⁴⁸ Beijing acknowledges that these dynamics are present not only in traditional upstream heavy industries, but also in high-tech industries including solar panels and electric vehicles.⁴⁹ Specific remedial measures are still taking shape, but they could involve cutting excess supply, stimulating domestic demand, or undertaking longer-term reforms. The path Beijing chooses will shape China's trade spillovers to Africa and other regions in the coming years.

Group of Seven (G7) industrial policy and supply chain de-risking: The United States and its advanced economy partners are ramping up their push to develop ex-China critical mineral supply chains. Over time, these efforts could entail significant new greenfield investments in upstream mining facilities in Africa. Countries with the largest mineral deposits would look to attract investment and move up the value chain—potentially by mandating simultaneous investment in raw material extraction and processing.⁵⁰ China would remain the most important end market and would likely import a portion of Africa's new supply of copper, cobalt, and other minerals.

Regional trade integration in Africa: African policymakers are reacting to the changing external environment. One major initiative is the African Continental Free Trade Agreement (AfCFTA), which aims to create a continent-wide free trade area by breaking down intra-regional tariff and non-tariff barriers. A unified African market would have the scale and growth potential to attract significant new FDI flows to support industrial upgrading.⁵¹

CHAPTER 3

China's growth through 2030: Dueling narratives

Much hope has been placed in the idea that China's growth potential generates positive benefits for Africa, but there is a wide range of plausible trajectories for China's growth slowdown. For African policymakers, reckoning with permanently slower Chinese growth means broadening the aperture beyond business-as-usual scenarios. What would it mean for productivity growth if China's bet on innovation doesn't pay off? If China's fiscal system decays, rather than returning to big-bang stimulus, how will this impact China's demand for commodities and provision of outbound finance? What would be required to bring about a durable rebalancing of the Chinese economy?

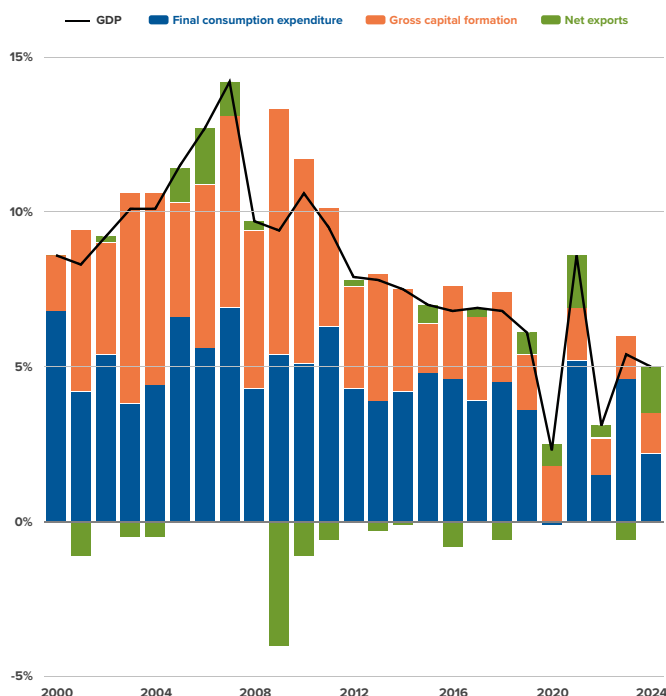
Even during China's economic boom in the early 2010s, African and international policymakers knew that China's days of rapid growth would not last forever. Domestic and international economists argued that China would eventually need to rebalance away from investment and manufacturing toward private consumption and services, accepting slower but more stable growth.⁵² Today, after the pandemic and property market collapse, economists and policymakers broadly agree that China's slowdown has arrived. Available data highlight the collapse in real estate and infrastructure investment, which previously powered China's growth. Such investment now only contributes half of what it did in the 2010s (Figure 3.1). And Chi-

na's vast financial system—its banks alone hold assets equal to 57 percent of global GDP—will see continued slower asset growth (Figure 3.2).⁵³ But whether China is rebalancing toward growth powered by productivity gains, stronger household income, and consumption growth is much less clear, as is where growth rates will settle over the medium and long term.⁵⁴

Beijing does not dispute the reality of a slowing Chinese economy.⁵⁵ While blaming the United States and an unaccommodating international environment for hampering growth, China's policymakers argue these headwinds do not undermine China's long-term prospects.⁵⁶ Instead, official narratives argue that China can still grow at around 5 percent annually, and that even a slowing China remains a global growth engine and technological partner for African countries.⁵⁷ China's current rhetoric also emphasizes new forms of engagement such as green development, tech upgrading, bond issuance, technical assistance, and support for African industrial upgrading goals through higher value-added trade relationships.⁵⁸

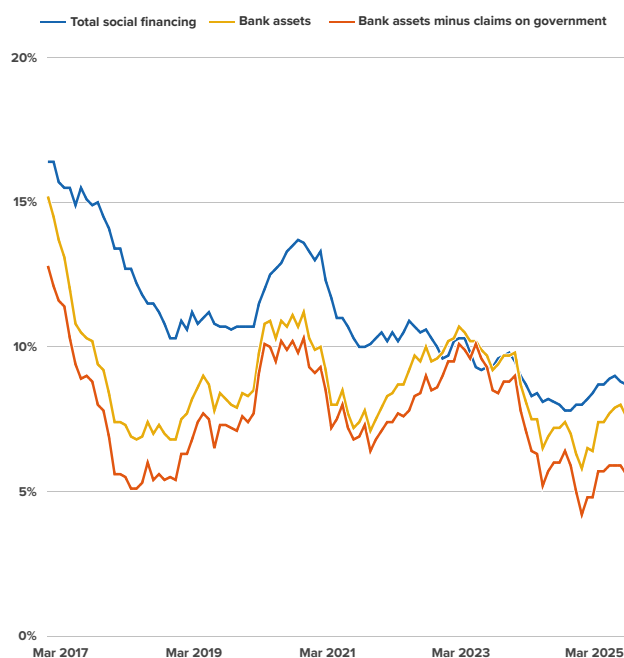
But even marginal changes in China's growth rate, and in the sources of China's growth, have major implications for Africa. If China's traditional construction and heavy industry demand for mineral inputs declines, effects could ripple outward.⁵⁹ On

Figure 3.1: Composition of China's real GDP growth
(Annual percent change)



Source: National Bureau of Statistics.

Figure 3.2: China aggregate credit indicators
(Year-on-year growth rates)



Source: People's Bank of China.

the other hand, if China's slowdown is accompanied by a successful rebalancing toward more efficient resource allocation and more consumer-oriented growth, some countries in Africa stand to benefit from increasing consumer demand—and possibly from new manufacturing investments from China. To illustrate the range of divergent outcomes and the implications of these questions for Africa, we consider the IMF's point of view and two additional scenario narratives for Chinese growth to 2030.

IMF outlook: Structural slowdown, but policy options exist

The IMF regularly publishes views on China's growth outlook in its Article IV surveillance, WEO forecasts, and staff working papers. Policymakers look to IMF assessments as a key reference point to help anticipate spillovers emanating from the Chinese economy. Synthesizing recent publications, the IMF's baseline medium-term outlook for China's growth projects several key medium-term trends and implications for Africa.

China's GDP growth rate is on a gradual downward path.

The April 2025 WEO forecast envisions a gradual decline in real GDP growth for the remainder of the decade, from 4 percent in 2025 to 3.4 percent in 2030.⁶⁰ As detailed in China's 2024 Article IV report, the key driver of this slowdown is diminishing returns from China's investment-led growth model.⁶¹ Property investment, which has contracted sharply since 2021, will stabilize at a lower level as construction meets much lower demand for new and upgraded housing. The drag from the property sector is only partially offset by expanding manufacturing investment in new energy vehicles and renewables.

Potential long-term growth faces structural headwinds. The IMF assesses that China's demographic challenges, including declining fertility and a shrinking working-age population, are partially counterbalanced by continued growth of human capital and a phased-in increase in the retirement age. China's extensive industrial policies and the large role of state-owned enterprises are worsening resource misallocations within the economy and decreasing the return on capital. In longer-term IMF projections, total factor productivity becomes an increa-

Box 1: IMF scenarios for fiscal stimulus in China

The IMF's July 2025 publication, "Africa-China Linkages," provides updated estimates of economic and financial spillover impacts between China and Africa.¹⁰³ The report used the IMF's global structural macro model to simulate the effects of three China policy scenarios on Sub-Saharan African economies. The three scenarios are as follows.

- A large fiscal stimulus package worth 5 percent of GDP per year for two consecutive years, of which two-thirds is invested in infrastructure. This scenario is intended to mimic Beijing's fiscal response to the global financial crisis.
- A more moderate fiscal stimulus worth 5 percent of GDP for one year, of which about half is invested in infrastructure. This scenario is intended to mimic Beijing's fiscal response to the COVID-19 pandemic.
- A rebalancing scenario, in which the ratio of public investment to GDP declines by 1.5 percentage points per year over five years. The investment decrease is offset one-for-one by transfers to households, permanently increasing private demand and making the shock fiscally neutral.¹⁰⁴

Model simulations based on these policy scenarios yield two main implications for African growth outcomes.

- **Investment-focused fiscal stimulus in China boosts growth across all African country groups.** The effect is largest for low-income and fragile economies, whose output increases by 0.4–0.5 percentage point for two years following a large-scale fiscal stimulus in China. More diversified economies, such as those in East Africa, see the smallest output increase.
- **The impact is the reverse in a rebalancing scenario.** As household consumption replaces investment as the primary source of Chinese demand, Africa's commodity exporters face declining demand and prices for energy and other commodities, resulting in a negative growth impact. For more diversified economies, the impact is more positive, as China's demand for imported consumption goods rises in the medium term.¹⁰⁵

The fund's model is rigorous, but its scenarios implicitly assume that large-scale fiscal stimulus is still feasible for China, and that such stimulus would remain focused on infrastructure investment as in the past. This view is likely outdated. China's capacity for (and willingness to pursue) large-scale infrastructure stimulus is now much more limited, as key forms of government revenue (value-added tax, land sales, etc.) are persistently weak, and fiscal deficits now exceed 7 percent of GDP even without significant stimulus.¹⁰⁶ The IMF scenarios thus likely overstate the positive demand spillovers of China's fiscal policy for Africa.

singly important source of potential growth but also faces a gradual slowdown.⁶²

Countercyclical policy tools can help ease the slowdown, but reforms are needed to make growth sustainable. China still has monetary and fiscal space to counteract a domestic demand shortfall and contain financial stress caused by the property market correction. A recent IMF report explored whether economic stimulus in China would help drive growth in Africa (Box 1). However, returning to a more sustainable growth trajectory requires tackling an excessively large state sector, inefficient manufacturing investment, and fragile local government finances.

Stagnation narrative

Other analysts argue that China's stagnation is deeper than acknowledged, and that these dynamics are likely to continue to drag growth.⁶³ Under this view, China's GDP growth faces a more pronounced downturn, with growth sliding from 3.8 percent in 2025 to as low as 2.5 percent by 2030. In this scenario, China's economy experiences cyclical improvement in 2025, as the property market and infrastructure investment begin to stabilize, manufacturing investment remains robust, consumer spending picks up, and monetary and fiscal policy become more accommodative. Nonetheless, Beijing broadly fails to implement the fiscal reforms required to boost household consumption and arrest the longer-term structural slowdown.⁶⁴ Weak government revenues impose greater fiscal constraints, resulting in a gradual decline of government consumption as a proportion of GDP.

Even past growth is overstated in official data. Since 2022, Rhodium Group has produced alternative estimates of China's annual real GDP growth and its expenditure-side components.⁶⁵ We argue that official data have significantly understated the extent of China's economic slowdown—particularly the decline in the property sector, where new housing starts are now nearly 75 percent below their 2021 peak. Cumulatively, Rhodium Group's estimates place the level of output at around 8–9 percent below official figures by 2024.⁶⁶ This lower baseline adds nuance to our outlook. On one hand, China's economy is smaller as a share of global GDP and will grow more slowly. But on the other, China's slowdown and spillovers are already happening, with a less abrupt transition in the near term.

The overcapacity crisis deepens. Supply-side industrial policy remains disconnected from market demand, exacerbating over-investment, leading to fierce market competition, more deflation, and expanding manufacturing exports. The current account balance remains at around 2 percent of GDP, implying an expanding goods trade surplus. Emerging markets absorb increasing volumes of Chinese manufacturing exports as developed markets adopt defensive trade measures, placing their industries under greater competitive pressure.⁶⁷ China's imports weaken as its oil and raw materials needs decline and production of low value-added consumer goods stays onshore.⁶⁸

Reform narrative

An alternative view envisions the best-case scenario for China, in which reforms might unlock higher marginal growth.

Beijing overhauls the fiscal system. To meaningfully boost long-term consumption demand, China undertakes a combination of tax reform to raise revenue, expanded local government spending on social services, and hukou and land reform to address urban-rural inequality and the precarious position of migrant workers, among other measures. Localities substitute lost revenue from land sales by taxing consumption and real estate, and the central government takes on a greater burden in deficit borrowing. These bold reforms could boost household incomes, raise the propensity to consume using disposable income, and place growth on a more sustainable trajectory.

Meaningful reform requires accepting short-term economic pain. Structural reforms would take time to implement, and the benefits would likely take several years to begin bearing fruit. In the near term, adjustment costs are high, making reform politically difficult. Eventually, however, the persistent negative output gap closes and growth rises to potential, which could be close to 4 percent by 2030 in a best-case scenario. For trading partners, the longer-term payoff might include greater opportunities to sell into China's consumer market, particularly for those that manage to move up the manufacturing value chain. However, the combination of China's moderating construction activity and continued onshoring of higher value-added manufacturing have reduced the import intensity of its demand.⁶⁹ These longer-term trends would continue even in an upside scenario. Advanced economies would continue to face intense competition from Chinese producers, but middle- and low-income economies would benefit from offshoring and greater Chinese consumption.

Policymakers take steps to address chronic resource misallocations. Industrial overcapacity gradually unwinds as Beijing and local governments pull the plug on unprofitable firms, forcing consolidation in industries such as electric vehicles, solar panels, and steel, which causes prices to rebound. Direct and indirect state support for firms to invest in low-return projects—including underpriced credit, subsidies, implicit guarantees, and underpriced inputs—reduces moral hazard, increases investment returns, and increases return on capital even as it substantially reduces fixed asset investment. Incentives for local government officials are realigned to discourage wasteful infrastructure and real estate investment. The investment rate is placed on a durable downward trajectory, but it remains well above international norms for a long time to come. Trade becomes more balanced as consumer demand improves, the offshoring of lower-end manufacturing accelerates, and export growth slows as excess output is curtailed. Even so, China continues to run persistent (though smaller) current account surpluses into the foreseeable future, given its high savings rate.

CHAPTER 4

China-Africa economic spillovers under three scenarios

Projecting China-Africa trade and financial flows

The relationship between China's GDP growth and African outcomes is not straightforward. As described in Chapter 2, China's domestic economic performance is transmitted to Africa through a variety of trade and financial linkages, some of which are more sensitive than others to changes in Chinese growth patterns.

To explore these dynamics quantitatively, we employ a simple method to project key China-Africa flows under a range of scenarios. We first distill three narratives for China's economic slowdown from Chapter 3.

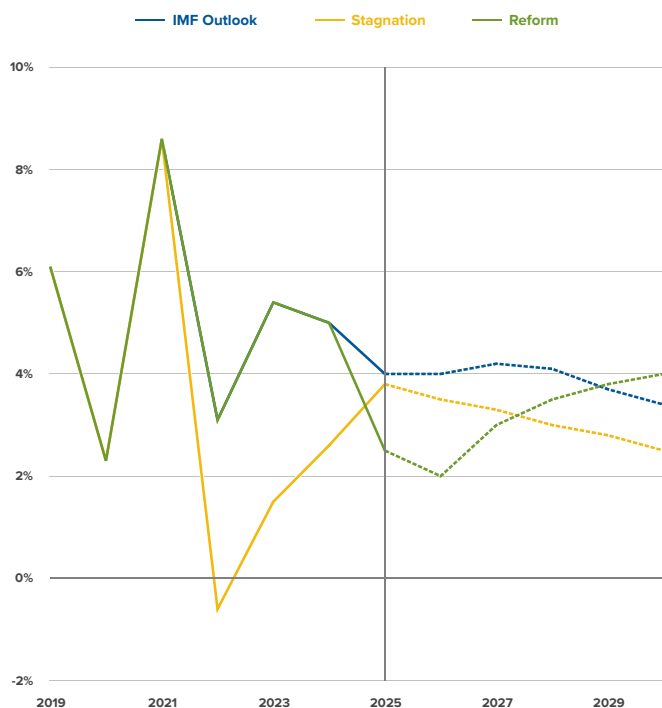
- **Stagnation (downside):** China's medium-term growth slowdown becomes more pronounced as Beijing largely fails to implement economic reforms needed to support consumption and enhance productivity, and instead continues to rely on infrastructure and industrial investment. The scenario extrapolates from Rhodium Group's short-term growth outlooks for China and incorporates Rhodium Group's alternative assessment of

China's growth over 2022–2024, which revises down official data.

- **IMF outlook (stable):** This applies official IMF projections for China's GDP growth, current account balance, and other key variables from recent WEO and Article IV reports. This scenario does not include IMF projections of China-Africa economic flows, but rather uses published IMF forecasts as inputs into the analytical framework of this study.
- **Reform (upside):** An optimistic scenario is one in which Beijing pursues bold fiscal and structural reforms needed to place growth on a more sustainable trajectory. These reforms necessitate a difficult near-term adjustment in return for medium-term payoff and the fastest growth among the three scenarios by 2030. The outlook for consumption—both household and government—improves by the end of the period.

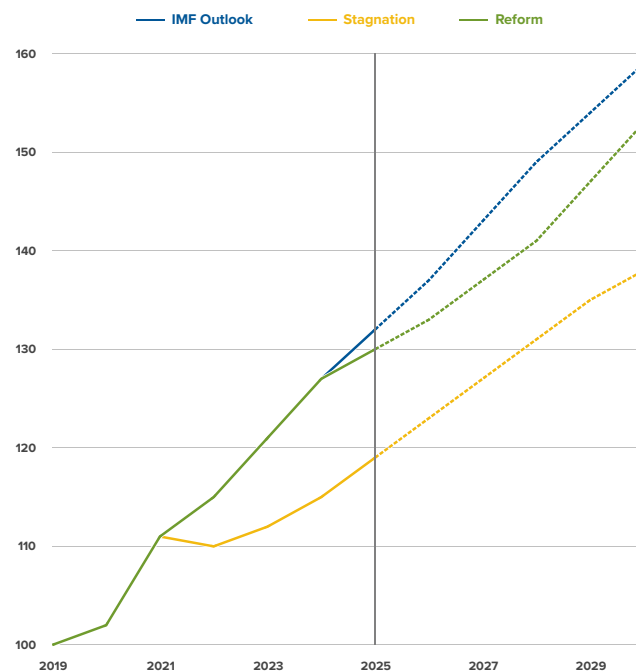
We assign values for China's annual real GDP growth over the period 2025–2030 that are consistent with these narratives (Figure 4.1.1) and make forecasts for the performance of

Figure 4.1.1: Stylized scenario paths for China's real GDP growth to 2030
(Annual percent growth)



Source: National Bureau of Statistics, IMF World Economic Outlook database, Rhodium Group.

Figure 4.1.2: Stylized scenario paths for China's real GDP growth to 2030
(Index, 2019=100)



Source: National Bureau of Statistics, IMF World Economic Outlook database, Rhodium Group.

different components of the Chinese economy (e.g., industrial investment, government expenditure, household consumption). In the stagnation scenario, real GDP growth never again reaches 4 percent and slows to 2.5 percent by 2030. Because this scenario takes the further step of adjusting China's growth downward beginning in 2022, the cumulative impact of slower growth on the level of output is greater (Figure 4.1.2).⁷⁰ In the IMF scenario, official historical data are used through 2024, and growth remains at or above 4 percent for several more years while remaining on a gradual downward trend. Under the reform scenario, growth is initially the slowest among the three scenarios but climbs to the highest by 2030.

We then estimate ranges for important China-Africa trade and financial flows over the coming five years, given China's overall macroeconomic conditions in each scenario. Ranges are derived from projected GDP growth rates and related current account projections, which are used first to estimate China's total global trade and financial flows, then scaled by Africa's average shares of China's global activity in each channel. Our estimates are based on balance of payments and international investment position projection methods used by multiple sources.⁷¹ Additional details are provided in the methodological appendix. For trade, we isolate flows of agricultural products, minerals, oil and gas, and manufactures in both directions. For financial flows, we produce projections for China's outbound FDI, portfolio investment, and loans, and add qualitative commentary on future trends in China's development finance and aid.

What does not vary across scenarios is momentum for China's green transition, including the shift toward and development of advanced technology. Whether China's path trends closer to structural reform or state-led development modes persist, economic strategy under principles of "new quality productive forces" and "ecological civilization" will continue to pursue technological development. Moreover, China's entrenched advantages in battery and renewable energy technology will ensure these sectors feature over the medium term.

Because China-Africa economic flows are highly volatile, we display the five-year average data to capture the medium-term impacts of China's slowdown. To facilitate comparison, we also present average annual growth rates for each economic flow over the period from 2020 to 2024. These projections are indicative and are intended to show a wide range of outcomes compared to modeled forecasts. The projections serve as a basis for discussion and to highlight the transmission channels of Africa's exposure to China's growth slowdown. Results are shown as wide ranges of uncertainty, and our analysis emphasizes the relative magnitudes between flows and scenarios, rather than focusing on specific estimates.

Outlook by flow and scenario

Goods trade: China's imports from Africa

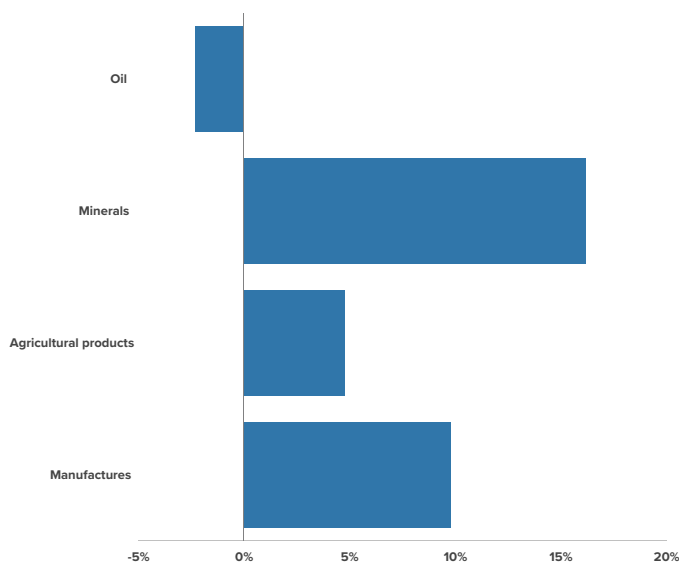
The outlook for China's oil imports is likely to vary little across the three scenarios. In the upside scenario, China's total energy demand will be weaker, with a comparatively smaller role for heavy industry in the economy and closures among petrochemicals plants with low margins and capacity utilization. In the stagnation scenario, China's weaker GDP growth also places downward pressure on oil demand growth, but it is offset slightly by the lack of reduction of industrial output.

Growth in China's demand for African oil is set to remain weak (Figure 4.2), although the uncertainty range is wide given the volatility of oil prices, which we do not attempt to project. The latest International Energy Agency (IEA) oil demand forecast projects China's overall oil demand to increase by just 30,000 barrels per day (b/d)—essentially flat—from 2024 to 2030.⁷² This marks a fundamental shift from China's role as the overwhelming engine of global oil demand growth. IEA projections argue that China's gasoline and diesel usage has already peaked, given slowing GDP growth, reduced energy intensity of output, and a massive and growing electric vehicle fleet that might have already displaced 1 million b/d of demand.⁷³ Meanwhile, African countries' crude exports to China will receive little support from the supply side. The IEA projects just 100,000 b/d of new crude oil output by 2030. Output in Nigeria is on a downward trajectory and Angolan output is expected to remain flat.⁷⁴

China's mineral imports from Africa should see robust growth under all scenarios. Minerals have been the fastest-growing component of China's imports from Africa over the past five years. Going forward, China's import demand will be determined by the balance between China's electrification and green technology buildout, which require vast volumes of energy transition minerals, and by the decline in property and infrastructure investment, which reduces China's need for construction materials and industrial inputs such as iron and aluminum.⁷⁵ In transition minerals, Chinese lending and investment have concentrated in the copper and cobalt mines of the Democratic Republic of the Congo.⁷⁶ The opening of the Simandou mine in Guinea, Africa's largest mining project, will support iron exports even amid broader structural headwinds. With an annual production capacity of 120 million metric tons of high-grade iron ore, the vast majority of which is expected to be destined for Chinese steel mills, Simandou could substantially alter China's iron import mix, which is currently weighted heavily toward Australia and Brazil.⁷⁷ Demand for iron would be weakest in the reform scenario, in which China more decisively abandons low-productivity infrastructure and manufacturing investment as a growth driver.

Africa as a whole is a significant net importer of agricultural commodities, and the region's population growth will only place further stress on the region's self-sufficiency. The agricultural sector accounts for less than 6 percent of Africa's exports to China, consisting mainly of fruits, articles of wood,

Figure 4.2.1: China's imports from Africa by major goods category
(2020–2024 average annual growth rate)



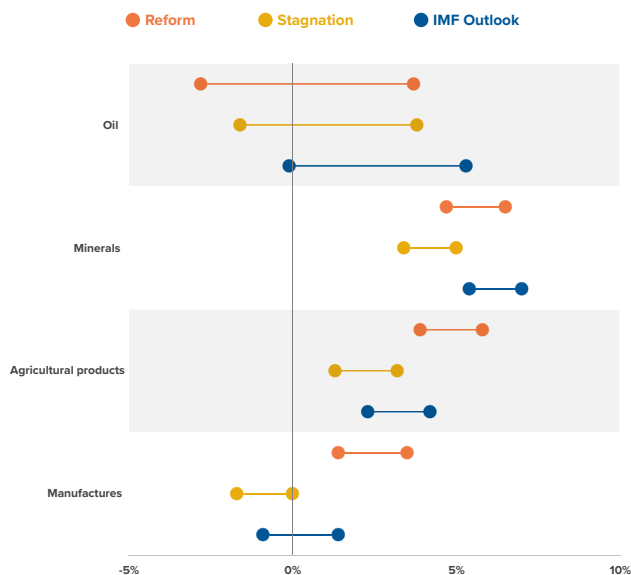
Source: UN Comtrade, Rhodium Group calculations.

and tobacco. The UN Food and Agriculture Organization (FAO) projects just 2-percent growth in the value of China's imports of agricultural commodities from 2023 to 2033.⁷⁸ This is partially distorted by exceptionally high prices in the 2021–2023 period; FAO projects 11-percent volume growth over the same period, so China's household consumption demand growth will be important in niche agricultural export markets in Africa.

A rebalancing of the economy toward household consumption would increase food and agricultural imports from Africa relative to current conditions. However, the growth rate in food demand is unlikely to vary much across scenarios within a five-year period. At the second Forum on China-Africa Agricultural Cooperation in November 2023, China committed to importing \$20 billion in agricultural products from Africa by 2023. While China's ability to meet this specific numerical target is uncertain, its parallel commitments to expedite inspection procedures and provide trade financing for Africa's agricultural exports could lend some support.⁷⁹

The competitiveness of African manufactured goods in the Chinese market is likely to remain limited, though the outlook varies by scenario. In the stagnation scenario, weak domestic demand conditions and expanding manufacturing output and trade surplus combine to suppress China's import demand for African goods, which is projected to hold flat. Moreover, in the stagnation and IMF scenarios, there will be a growing volume of imported finished goods from China, which might outcompete local producers (including in third markets) and thereby contribute to deindustrialization.⁸⁰ Empirical research has identified these effects in South Africa, for example.⁸¹ By contrast,

Figure 4.2.2: China's imports from Africa by major goods category
(2025–2030 average annual growth rate)



Source: UN Comtrade, Rhodium Group calculations.

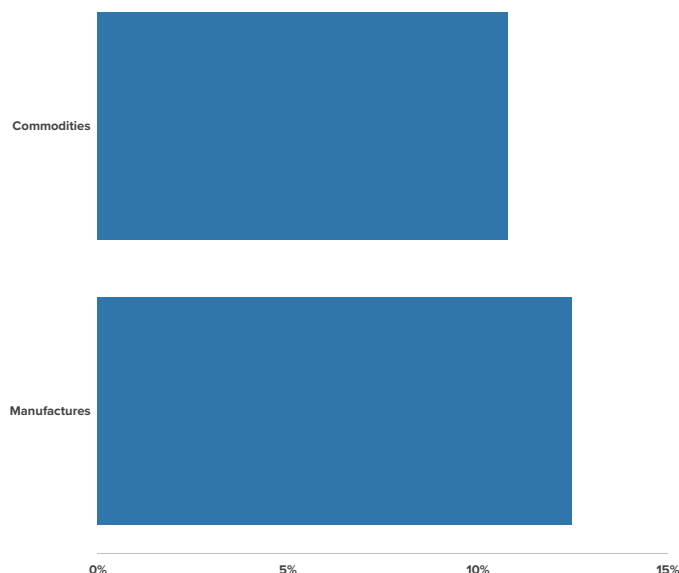
under the reform scenario, a healthier Chinese consumer sector would support stronger import demand at the same time that Chinese manufacturers accelerate offshoring of lower-end manufacturing (either ceding ground to foreign producers or through FDI).

Goods trade: China's exports to Africa

We project China's manufacturing exports to expand at a moderate pace in the medium term in all scenarios, slower than the especially rapid 12.5-percent average annual growth rate over 2020–2024. Exports rise most quickly under the stagnation scenario, in which China does not take decisive steps to resolve industrial overcapacity, potentially leading to rising trade barriers in Europe and elsewhere, while African markets remain comparatively more open to Chinese goods. This dynamic is already playing out in some of the largest product groups in China-Africa manufacturing trade. On example is the steel industry: China's steel exports to Africa rose 34 percent by volume year to date through September 2025 on top of 33-percent full-year growth in 2024.

Agricultural products, minerals, and oil only account for a combined 7 percent of China's exports to Africa. These are therefore grouped together under a singular commodities category. Refined petroleum products account for the bulk of this modest amount, with little trade in raw, unprocessed materials. China's commodity exports to Africa are projected to grow at a somewhat slower pace relative to manufactured goods, with comparable variation between scenarios.

Figure 4.3.1: China's exports to Africa by major goods category
(2020–2024 average annual growth rate)



Source: UN Comtrade, National Bureau of Statistics, Rhodium Group calculations.

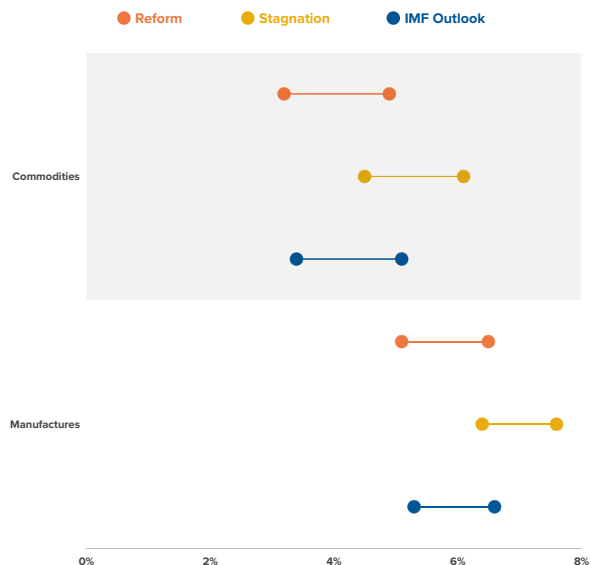
Financial Flows

Across all scenarios, China's loans to Africa are likely to grow faster than investment and portfolio flows through 2030. This reflects recent history: loans have been the largest form of financial engagement between China and Africa since 2000. However, within each scenario, a wide range of outcomes are still possible.

China's policy and commercial banks have made fewer new loans since 2020, as they prioritize new domestic policy objectives and face more stringent risk criteria for overseas loans. The framework predicts a slow recovery from pandemic lows—policy bank loan commitments to Africa reached a low of \$1 billion in 2022—but that recovery is likely to be slightly faster under the IMF and stagnation scenarios. China's financial institutions will feel less immediate pressure to clean up credit assets and avoid additional overseas risk, allowing for a recovery in new loans. Under the reform scenario, slower loan growth is more likely to persist in the medium term as banks are consumed by efforts to reorganize and consolidate the domestic credit system. However, priority loans from China's policy banks—like balance of payments support and smaller infrastructure projects in Africa, which have persisted since 2020—will remain, at least at current levels.⁸²

China's portfolio investment flows to Africa are limited given the region's relatively immature financial markets, though data limitations make a precise estimate difficult. Since 2020, Chi-

Figure 4.3.2: China's exports to Africa by major goods category
(2025–2030 average annual growth rate)

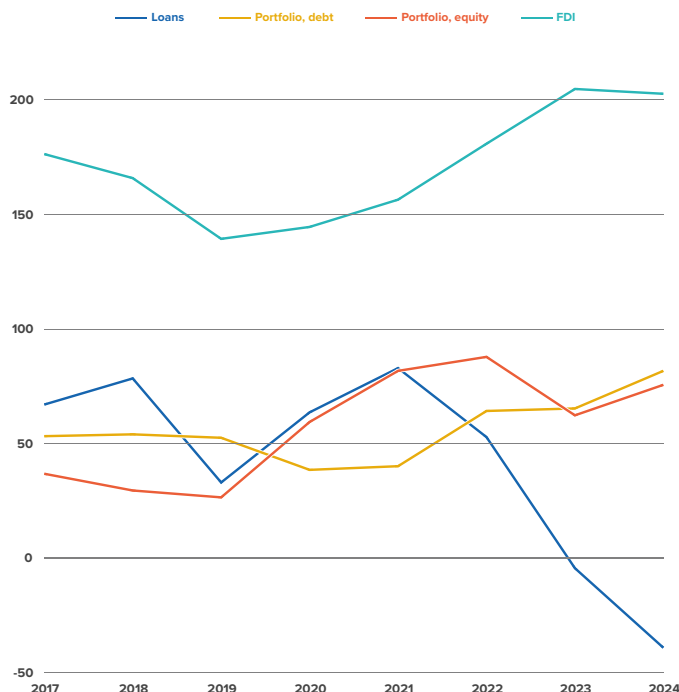


Source: UN Comtrade, National Bureau of Statistics, Rhodium Group calculations.

na's global outflows of portfolio investment have nearly doubled, yet available data suggest that overall levels of both equity and debt holdings in Africa remain a small portion of China's total outbound portfolio investment. Under the reform scenario, the framework suggests portfolio investment is likely to slow or decline. This could be related to investors tightening their investment portfolios and becoming more risk averse in response to domestic conditions during reform implementation.

New flows of Chinese FDI to Africa have remained relatively stable year-on-year since 2020. Under all three scenarios, FDI to Africa is projected to continue to grow modestly over the coming five-year period. This is in line with prior studies that find that the effects of global economic uncertainty induce greater disruptions for FDI flows to Africa than to any other region.⁸³ Chinese FDI in Africa is heavily concentrated in a small number of sectors (namely construction, mining, and manufacturing sectors) and countries (namely South Africa, the Democratic Republic of the Congo, and others), in the resource-intensive cluster of African countries. FDI in these capital-intensive sectors is stickier and linked to a policy-driven focus on control over critical minerals inputs used by Chinese manufacturers. Unlike for other financial flows, growth rates for FDI are slightly higher in the reform (rather than the stagnation) scenario. One plausible explanation is offshoring of low-end manufacturing to Africa, as reforms allow China's firms to better respond to rising domestic labor costs.⁸⁴

Figure 4.4: China's global financial flows, 2017–2024
(USD billions, three-year trailing average)



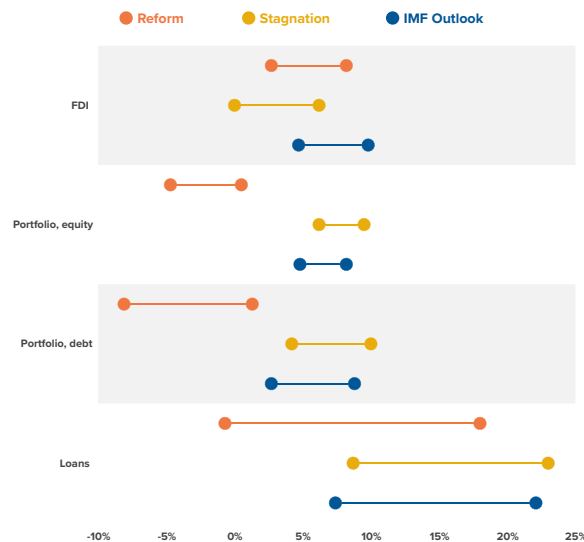
Source: State Administration of Foreign Exchange. Signs inverted such that positive values indicate outflows.

Other financial flows

Despite increasing fiscal pressure in China under all three scenarios, the relatively small scale of China's aid programs likely insulates them from substantial reductions. Additionally, China's concessional loans and grants are typically RMB-denominated, moderating pressure that exchange rates might exert on aid spending. Under all three scenarios, China's official aid budget is likely to remain stable, but aid recipients will likely see major changes in the quantity and type of aid received. Indeed, the nascent uptick in observed policy bank loans to Africa in 2024 also suggests China's aid loans will withstand economic headwinds in 2025.

But while China's small grant budget and the subsidy portion of foreign aid loans contributed by the Ministry of Finance are likely safe, other factors suggest more modest outflows ahead. Against this backdrop, China's official pledges as part of the 9th FOCAC summit in 2024 stand out. China promised \$51 bil-

Figure 4.5: China's financial flows to Africa by scenario and flow, indicative projections
(2025–2030 average annual growth rate)



Source: State Administration of Foreign Exchange, National Bureau of Statistics, Rhodium Group calculations.

lion—an increase of nearly \$10 billion compared to the 8th FOCAC summit. But the commitments specified only \$10 billion in mixed aid (grant and concessional loan finance) between 2024 and 2027. The remainder (\$41 billion) is commercial-term finance, split between investment and export credit loans for China's firms and commercial-term credit lines. Notably, China did not pledge that these loans would go to African borrowers, and it appears they can go to China's firms and joint projects.

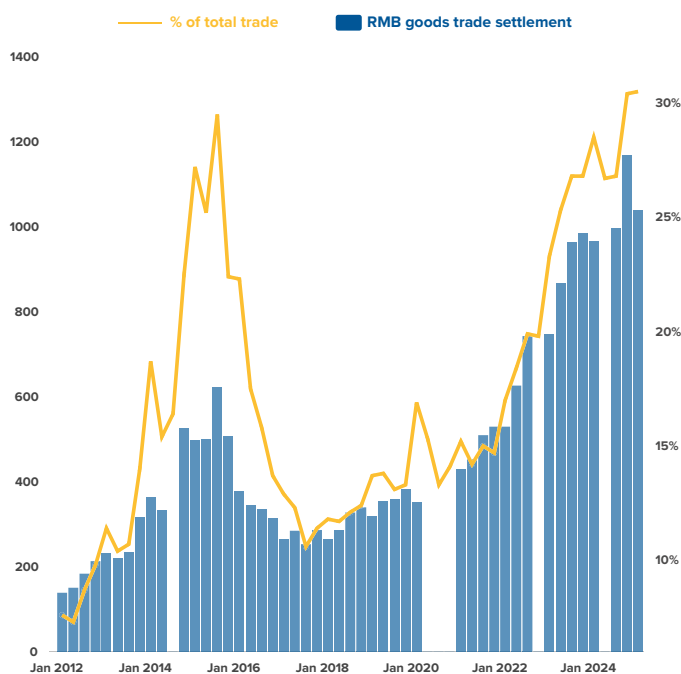
Even explicit development aid flows will not manifest equally for African recipients. Many of China's future loans are likely to end up channeled through regional organizations and policy banks. Moreover, under “small yet beautiful” principles in China's transition from the BRI-era of aid—and following aid reforms implemented since 2018—the average size of aid projects is declining. This leaves less room for the types of large infrastructure projects that formerly characterized China's aid program.

Box 2: Africa's participation in BRICS and prospects for RMB internationalization

In the past decade, the role of the RMB in the global financial system has accelerated from low baseline levels (Figure 3.7). These changes have led to growing speculation that Africa could increasingly use RMB—instead of US dollars—to settle trade transactions, increase the scope of China-Africa trade, reduce borrowing costs, and take on additional lending from China's financial institutions. Growing African participation in the BRICS (Brazil, Russia, India, China, and South Africa) grouping—Ethiopia and Egypt joined South Africa as full members in 2024—has also prompted discussion of USD alternatives, either the RMB or an alternative BRICS currency.¹⁰⁷ Recent reports that Kenya would seek to swap its USD debt to China for RMB loans have renewed debate about the RMB's international role.

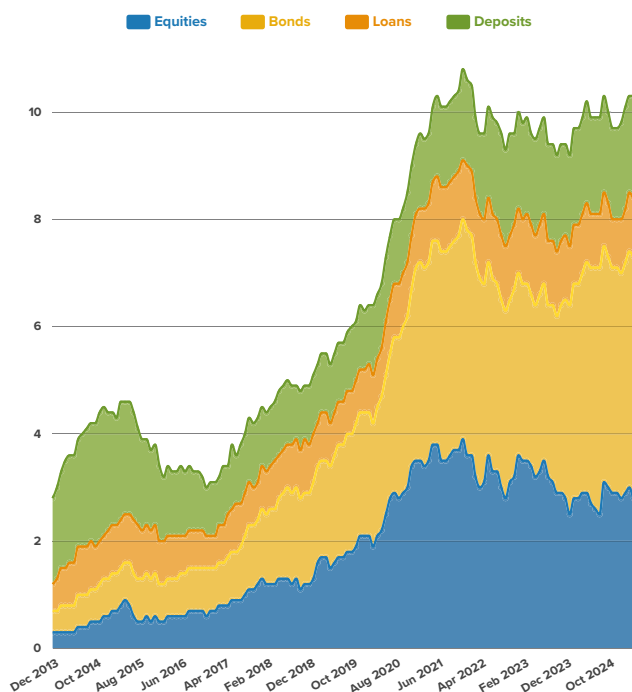
However, there is still a structural ceiling to Africa's use of the RMB that makes such scenarios extremely unlikely. While the use of RMB in trade settlement has grown (Figure 3.8), as of 2023, Chinese exporters and importers still settle two-thirds of goods trade in other currencies, mainly US dollars.¹⁰⁸ First, China continues to run a trade surplus with most of its African partners, and its importers still (most commonly) choose to settle payments in US dollars, which they can use for transactions with the rest of the world. Second, the RMB continues to have limited utility outside of direct exchanges with China, and moving to RMB arguable reduces USD liquidity available for other transactions.

Figure 4.6: RMB usage in trade settlement
(RMB billions (left); percent of China's total goods trade (right))



Source: People's Bank of China, General Administration of Customs, Rhodium Group calculations.

Figure 4.7: Overseas holdings of RMB-denominated assets
(RMB trillions)



Source: People's Bank of China.

CHAPTER 5

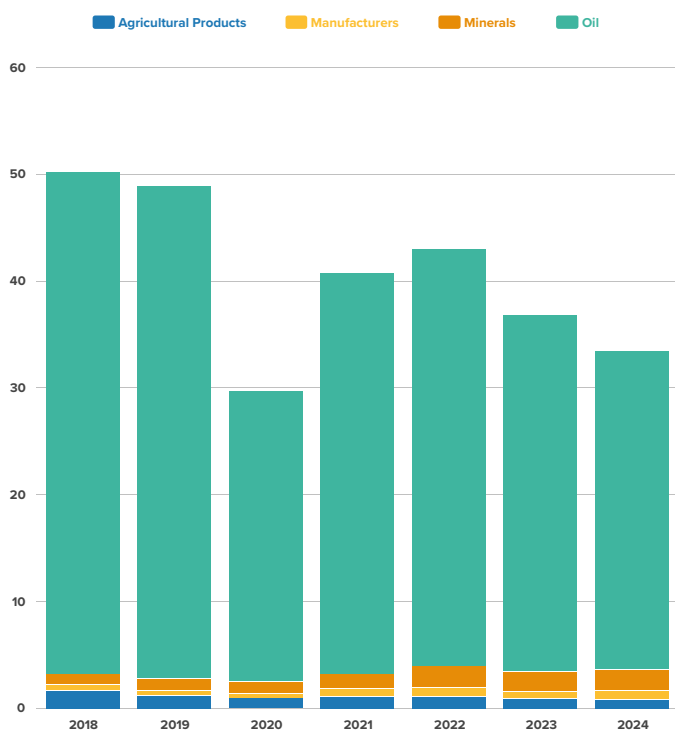
Country group impacts and policy implications

China's growth slowdown will be felt differently across Africa. Much depends on China's economic policy choices during the next five years. But even the most optimistic reform case is unlikely to provide uniform outcomes for China's African economic partners, given the lengthy and uncertain adjustment period that will dampen China's financial flows to and imports from African partners. The stagnation scenario for China's growth—in which policymakers rely on investment to stimulate growth—would benefit major resource exporters who have grown accustomed to demand for construction- and investment-related commodities. However, it would also mean continued raw commodity dependence and reliance on an outdated Chinese growth model. This study's implications are best understood at a country-group level.

Resource-intensive: Oil exporters

A stagnating China offers the longest runway for African oil exporters to confront China's declining demand. Nonetheless, all scenarios have adverse implications for the oil exporters group. The overwhelming concentration of the group's exports in oil and gas products magnifies its exposure to China's broader energy transition (Figure 5.1).

Figure 5.1: China's imports from African oil exporters, 2018–2024
(USD billions)

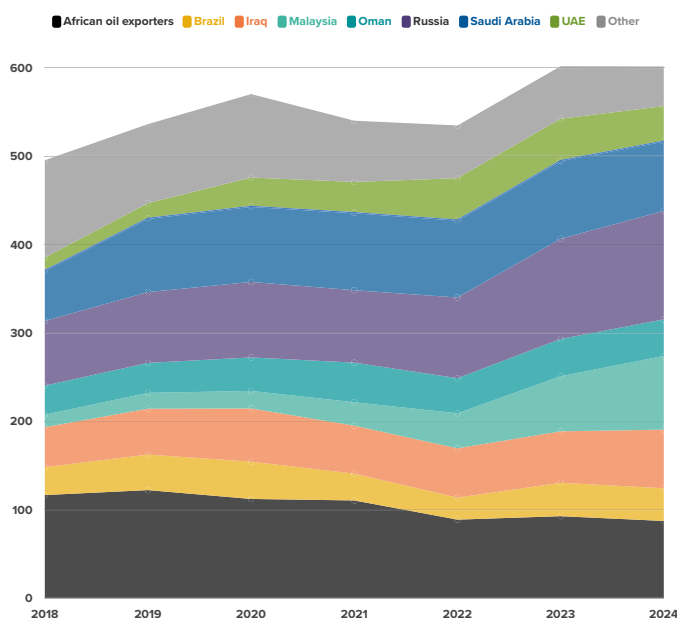


Source: Rhodium Group analysis of UN Comtrade data.

For oil exporters, weaker Chinese oil demand negatively impacts growth, government revenue, and foreign exchange earnings. Recent IMF research estimated that a 1-percentage point slowdown in China's GDP growth leads to an average 0.5-percentage point decline within a year for sub-Saharan African oil exporters.⁸⁵ IMF analysis has also found that oil revenues have averaged almost 60 percent of total fiscal revenues for African oil exporters since 2000.⁸⁶ Pressure on these revenues, alongside the impact on export earnings, also hurts debt servicing capacity. Oil producers owe significant debts to China, with 31 percent of Angola's outstanding debt stock and 41 percent of the Republic of the Congo's held by Chinese official lenders. This trend could become self-reinforcing as China slows its investments in African oil extraction and related infrastructure. Price declines associated with weaker Chinese demand could also exacerbate these impacts.

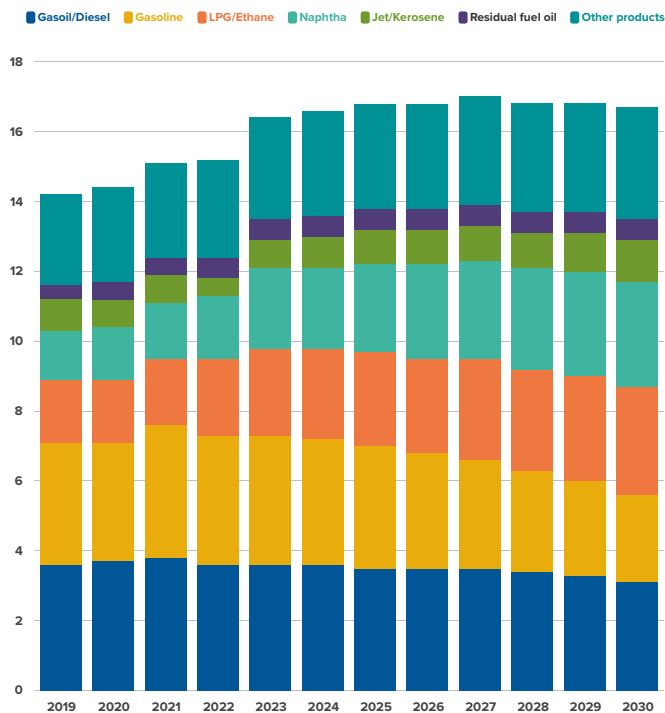
African crude production declined 13 percent between 2000 and 2022, and midstream refining output declined 23 percent over the same period.⁸⁷ A slowing China will both accelerate these dynamics and alter its oil demand profile. Demand is shifting away from gasoline and diesel, while shifting toward petrochemical feedstocks, which are projected to become the

Figure 5.2: China's oil imports by country, 2018–2024
(Billions of kilograms (kg) of oil)



Source: Rhodium Group analysis of UN Comtrade data.

Figure 5.3: China's historical and projected oil demand by product, 2019–2030
(Millions of barrels per day)



Source: International Energy Agency.

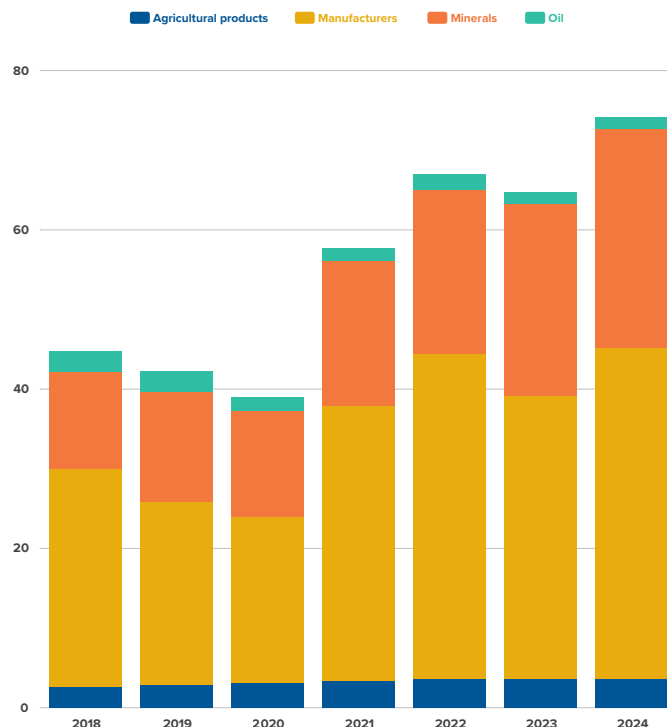
largest share of China's oil demand by 2030 (Figure 5.3).⁸⁸ For African countries that export mainly crude oil for overseas refiners, demand displacement by electric vehicles is likely to have a more immediate impact on revenue. Countries that produce oil for petrochemicals might have more resilient revenue streams, particularly in the stagnation scenario. The rapid growth of China's petrochemical demand is also projected to slow in the coming years, as downstream products are now experiencing overcapacity.⁸⁹ However, unprofitable petrochemical plants could continue producing for longer in the stagnation scenario than in the reform scenario, in which loss-making firms lose state support and are forced to close.⁹⁰

Resource-intensive: Mineral exporters

Africa's mineral exporters would have different fortunes under different scenarios. Producers of transition minerals and critical raw materials will likely enjoy continued high demand from China under all scenarios, given the scale of China's green technology buildout. Exporters of traditional commodities such as iron ore would be hampered in the short term by a shift away from property- and investment-led growth under a reform scenario.

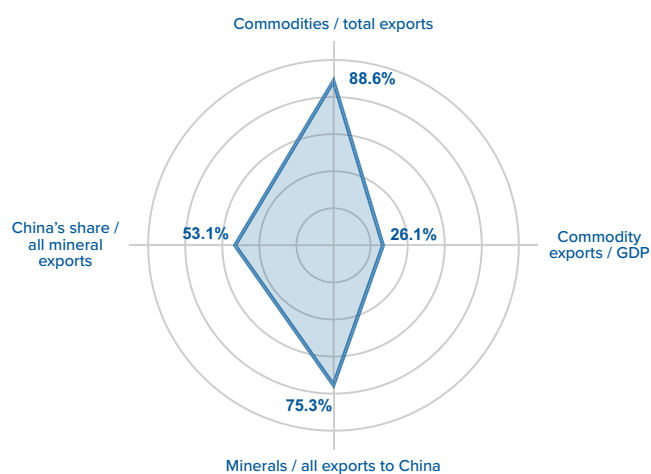
Like oil exporters, African mineral exporters are highly exposed to the impact of China's growth slowdown on its commodity demand. While export concentration is not quite as extreme for minerals exporters as for oil exporters, lightly processed in-

Figure 5.4: China's imports from other resource-intensive exporters, 2018–2024
(USD billions)



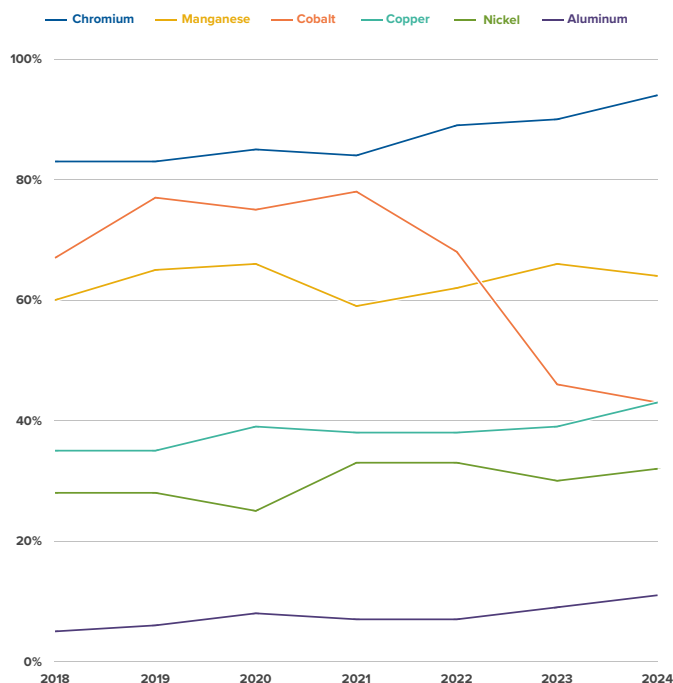
Source: Rhodium Group analysis of UN Comtrade data.

Figure 5.5: Median export exposure of African mineral exporters (2021–2023 average)
(Percent)



Source: Rhodium Group analysis of UN Comtrade data and UNCTAD World commodity export dependence index.

Figure 5.6: China's share of global import demand for key transition and supporting minerals (raw and intermediate) (Percent)



Source: Rhodium Group analysis of UN Comtrade data.

intermediate mineral products account much of the apparent diversity (Figure 5.4). China is by far the largest customer for mineral products, giving it significant influence over world prices and demand for African mineral exports (Figure 5.5). Countries including Liberia, the DRC, Sierra Leone, Zambia, Botswana, and Guinea export more than 70 percent of their mineral raw materials and intermediates to China.

Producers of traditional heavy industry inputs and energy transition inputs cater to different supply chains in China. Mineral exporters that primarily supply transition minerals—such as copper, nickel, and other critical minerals (cobalt, graphite, etc.)—will be most impacted by the growth of China's clean technology and high-tech manufacturing. Countries that primarily supply traditional inputs—such as coal, stone, iron and tin ores, cement, and sand—will be most impacted by China's construction and steel output.

Clean technologies are core to China's overall economic and technological ambitions. Chinese firms are already entrenched as global leaders across markets such as batteries, electric vehicles, and solar and wind systems. Transition mineral exporters therefore rely on China as the dominant source of global demand and have limited market alternatives. The scale of China's demand for raw and intermediate materials far outpaces that of other countries for some inputs, particularly chromium, manganese, cobalt, and copper (Figure 5.6). Demand

diversification will be challenging in the near term, given China's production cost advantages and the long lead times needed to bring asset-intensive advanced manufacturing online. However, disruptions could come from changing technology preferences, such as shifting preferences between lithium iron phosphate and nickel manganese cobalt battery technology.

Like oil exporters, traditional mineral exporters have the strongest prospects under the stagnation scenario, in which construction and steelmaking will see slower declines in output levels. Under the reform and IMF scenarios, China's demand for iron ore and other construction and industrial manufacturing inputs will decline more rapidly, as the economy transitions more quickly toward services. As noted earlier, Guinea stands out as an exception, given its transformational Simandou iron mine. This example illustrates the capacity for resource development—even a single asset—to alter dynamics in metals markets.

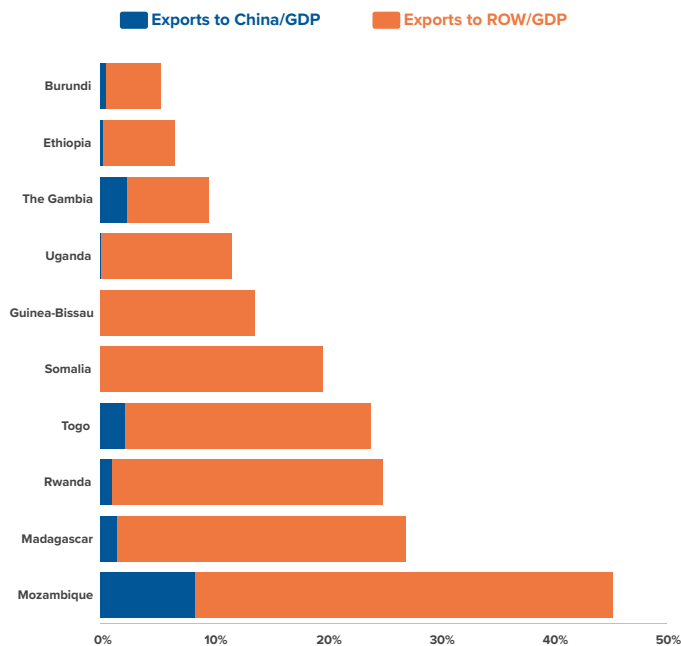
Non-resource intensive: Low-income

Low-income countries in Africa have already been battered by global macro conditions, and the scenario analysis offers them little guidance for how to respond to China's slowdown. Instead, spillovers from China are most likely to affect group members indirectly, through regional linkages with major continental economies such as South Africa and Nigeria, whose trade with smaller neighbors can be impacted even if those neighbors themselves have little trade with China.⁹¹ Though outliers like Mozambique count China as significant direct trading partner, direct exports to China are negligible for most of the group (Figure 5.7), and it is unclear how they would dramatically shift under differing scenarios.

Finance from China is another story. The low-income group countries have been major recipients of aid and loans from China since the early 2000s (Figure 5.8) and have been hit by slowdowns in both flow types since 2017. On average, foreign development assistance from all donors to the low-income group was equivalent to as much as 10 percent of gross national income (GNI) and 44 percent of gross fixed capital formation in 2024.⁹² Yet China's aid program is unlikely to significantly expand under any scenario, even in the countries where the shutdown of the United States Agency for International Development (USAID) has had major local impacts. Aid policy changes in China now prioritize fewer, "small and beautiful" projects, and more careful risk assessment. More important than grants or in-kind aid are China's loans to African countries, most of which are commercially priced and often (though not always) secured by borrower export revenues. It is difficult to predict how these loans will shift, and the framework points to a wide range of possible outcomes. But several factors argue against a resurgence in loans to the continent.

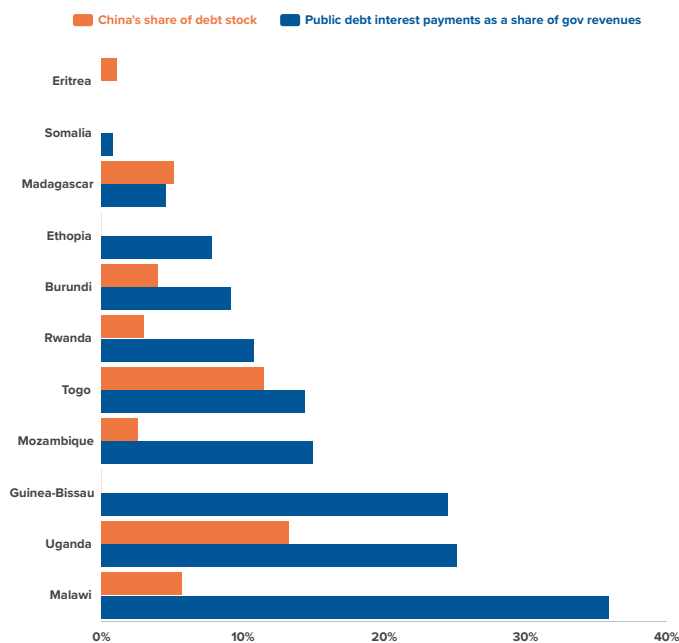
The main constraints on loans to Africa are existing bad loans to African borrowers that remain unresolved and hefty repayments still looming. Countries in the low-income group carry

Figure 5.7: Overall reliance on exports and on exports to China (2024)
(Percent)



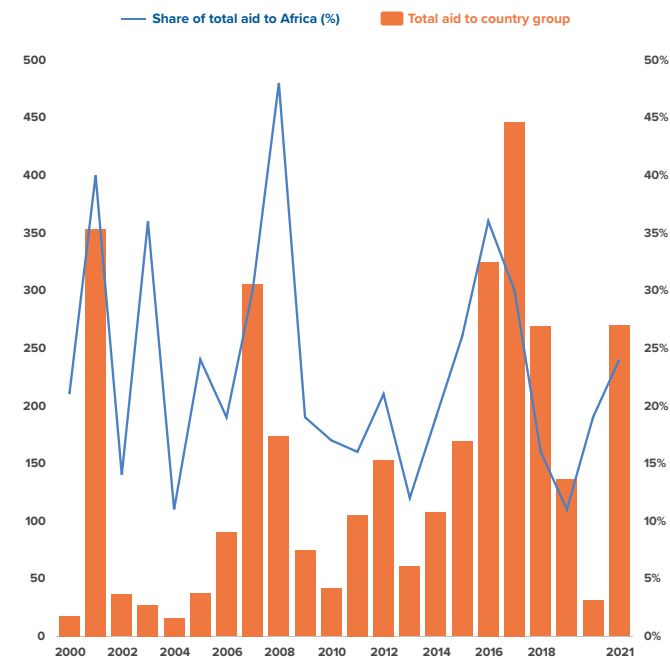
Source: Rhodium Group analysis of UN Comtrade data; World Bank World Development Indicators. Excludes Eritrea and Malawi. Data for all other countries are from 2024.

Figure 5.9: Public debt interest payments and China's share of debt stock (2023)
(Percent)



Source: Rhodium Group analysis of World Bank International Debt Statistics. Data for the Gambia are unavailable.

Figure 5.8: China's flows of aid to non-resource-intensive low-income countries, 2000–2021
(USD millions (left); Percent (right))



Source: Rhodium Group analysis of AidData statistics.

heavy debt and interest burdens (Figure 5.9). Countries with both a large outstanding debt stock owed to China and large interest obligations, such as Uganda and Togo, are at higher risk from constraints on China's capacity to roll over debts. Though new loans to Africa will likely increase from COVID-19-era low values, it's unlikely under any scenario to see a renewed boom to the levels of the mid-2010s. Though some Chinese economists point to panda bonds and private interests (commercial bank loans and private investment) as ways around these constraints, the low-income group countries are least likely to be able to access them. And China's banks are likely to be distracted by credit conditions at home under both the reform and stagnation scenarios.

Non-resource intensive: Middle-income

All scenarios come with risk for the middle-income country group. As a narrow result, a reform scenario offers the most upside for manufacturing trade, though only after a period of economic adjustment in China. But even under the reform scenario, China's outbound lending and investment to the country group could slow.

Reform in China offers the brightest future for manufacturing in middle-income African economies. The scenario implies progress toward resolving China's industrial overcapacity, and alleviating spillovers and competitive pressures on nascent African industries. At the same time, a healthier Chinese household sector would be a more active importer of consu-

mer goods, including from burgeoning manufacturing clusters in Morocco and other African countries outside the grouping that, like Ethiopia and Nigeria, host expanding China-focused industrial parks. Local agricultural sectors could also leverage new investments by Chinese firms in upstream processing (for example, a new cocoa plant in Cote d'Ivoire).⁹³

At the same time, the risk of an increased slowdown in outbound lending could threaten infrastructure expansion in countries such as Kenya, which recently signaled its intent to contract new loans for extension of the Standard Gauge Railway, as well as Djibouti. Debt overhang is already a significant issue in specific pockets of Africa, and Kenya and Djibouti have both rescheduled and restructured several billion dollars of debt from Chinese banks and other lenders. The outlook for investment is more consistent across scenarios for the middle-income group, but any flows that materialize would likely be highly concentrated. And portfolio flows between China and Africa are negligible at present, except for some start-up investments in financial technology outside this grouping, primarily in Nigeria and South Africa.

Implications for African policymakers

As China's economy shifts, African economies should expect their relationships with China to change as well.

China remains an attractive global partner even at a time of intense uncertainty. Any analysis must acknowledge the benefits of Africa's engagement with China to date. Tangible economic gains in the form of rail infrastructure, human capital development, new export opportunities, and other forms can be seen across the continent. Judging from its rhetoric at FOCAC in September 2024, China is eager to reassure African policymakers that these gains can persist. At the summit, Xi Jinping announced one of the largest financing pledges to Africa since 2016, and promised "China-Africa modernization" under which "no one, and no country, should be left behind."⁹⁴

However, whether China can actually deliver on these pledges, and which African countries will be able to benefit, depends less on rhetoric than on China's economic policy choices at home. On net, for the greatest number of African countries, a China that successfully reforms offers the best bet. A rebalanced China with lower growth is most likely to resolve trade imbalances and financial pressures that hamper its ties with the rest of the world. Indeed, China's ability to deliver durable demand for new African exports, and to promote value-added development, require it to undertake some level of reform.

Still, there are no guarantees. As this study illustrates, spillovers from China will impact Africa's diverse countries in diverse ways. Commodity exporters might reasonably conclude that China's existing growth model still offers enough short-term gain. But at a minimum, policymakers preparing for a slowing China—however slowly it is growing in 2030—should consider what tools and principles will allow them to best navigate the China challenge. These include the following.

- **Manage domestic macro fundamentals:** Spillovers from China will continue to impact global inflation, currency dynamics, and capital flows. Policymakers should endeavor to manage inflation, promote human capital, and leverage technological upgrading. By managing what can be controlled, African countries will be better positioned to withstand volatility in trade and financial flows with China.
- **Deploy trade defense where needed:** Even if China takes immediate steps to promote consumption, manufacturing overcapacity—and surging global exports—will be a feature of China's economy in the near term under any scenario. More than Europe or Latin America, Africa has seen the sharpest acceleration in imports and ballooning trade deficits. Though transshipment explains some of these dynamics, policymakers should be prepared to enact trade barriers where necessary, especially where countries seek to compete selectively with China's manufactured goods.
- **Carefully consider investment from China:** China's firms and financial system will be incentivized to develop sales and manufacturing networks in Africa as domestic returns become more modest and costs increase. But countries might seek to condition Chinese FDI to ensure sufficient spillovers, especially where they hope to build durable supply chains.
- **Look for opportunities to leverage investment in green technology:** In the coming years, green growth and technology investment will be less constrained relative to other sectors. Whether China grows fast or slow, industrial policy will emphasize developments in wind, batteries, and other sectors like electric vehicles at home and abroad. Even if the total value of finance from China declines, Africa's policymakers can seek to leverage engagement in these sectors.
- **Look for opportunities to craft regional approaches to China and leverage regional and new institutions:** China's weight in the global economy means its spillovers will reverberate regionally in Africa. The African Union and regional trade and economic organizations (like the AfCFTA) can promote coordination to offset some of the impacts. Moreover, as China channels more sovereign lending through MDB partners like the African Development Bank, and the Asian Infrastructure Investment Bank (which counts 11 non-regional members from Africa) matures, countries could benefit from alternative financial flows even as China's policy banks pull back.

Over the next several years, tracking economic and policy developments within China, at central and local levels, will be more important than ever. For African policymakers, diagnosing China's growth path and anticipating spillovers is crucial. Signs that China is falling short on growth and reform goals, and that stagnation is setting in, include the following.

- **Beijing's emphasis remains on promoting advanced manufacturing with industrial policy measures, including through extensive state support and export facilitation.** Priorities listed in the Chinese Communist Party Central Committee's recent Proposal for the 15th Five-Year Plan suggest that policy might continue in this direction.⁹⁵
- **Structural reforms to encourage consumption remain superficial.** Trade-in subsidies targeting specific product categories (household appliances, electronics, etc.) remain the focal point, rather than providing households with greater resources to make their own spending choices.
- **Beijing's campaign to address "involutionary competition" underwhelms.** Measures focus on supply cuts rather than demand stimulus. Policymakers avoid disruptive actions to instill greater market discipline, enact tax reform, or disincentivize local officials from overinvesting.
- **Official data show growth consistently hitting targets, but underlying indicators suggest China's economy is muddling through with stagnant performance.** Such indicators could include deepening consumer and producer price deflation, soft retail sales growth, weak corporate profitability, or declining fiscal revenues.

On the other end of the spectrum, several factors might signal to China is moving on a reform trajectory.

- **China's leadership initiates large-scale investments in improvements in social infrastructure.** This could include reinvigoration of "New Urbanization" policies—

including hukou reform, land reform, and expanded public services—which would help unlock household spending and indicate a transition to consumption-driven growth.

- **Beijing announces major changes to the fiscal system.** Signs of this could include significant tax reforms, such as the intensive implementation of measures suggested at the 2024 3rd Plenum to increase tax on individual incomes, optimizing the value-added tax (VAT), and implementing property taxes.⁹⁶ A new Budget Law revision could help reset fiscal burden sharing between the central and local governments.
- **Structural adjustments generate significant short-term economic volatility.** Efforts to resolve local debt issues, tackle China's fiscal imbalances, rationalize the state sector, and reform the country's financial system unleash a cycle of bankruptcies, layoffs, and spending cuts, including a drastic repeal of industrial subsidies.
- **Beijing scraps GDP growth targets and improves data transparency.** Abandoning growth targets would indicate greater political acceptance of lower growth rates, which would help enable reforms that are inevitably costly in the short term.

Even if signs emerge that China is squarely on a particular growth path, it will be challenging for Africa's policymakers to calibrate. Trade tensions with the United States compound this challenge. A reforming China would invite Africa to engage, while ongoing policy stagnation in China will force Africa to defend against imbalances. In a follow-up report, the project team will monitor China for these signposts and evaluate how China's spillovers are affecting a handful of case countries in 2025 and 2026.

Methodological appendix

This section describes the methodology employed in Chapter 4 to project China-Africa trade and financial flows over 2025–2030. These projections are meant to serve as an aid in facilitating discussion of possible outcomes for African economies under the three scenarios; they should not be interpreted as rigorous, model-derived forecasts.

Trade flows are estimated using the following procedure.

- Given scenarios for China's real GDP growth, expenditure-side GDP components are projected using a simple GDP shares forecast that allows the composition of China's GDP to evolve in a manner consistent with scenario narratives.
- The resulting exports and imports within GDP determine the overall level and growth rate of China's goods trade under each scenario.
- The value of China-Africa trade flows is calculated by adjusting Africa's share within China's overall trade relative to historical levels. Africa's share of China's imports is assumed to hold constant at the five-year historical average, while its share within China's exports rises gradually given recent trends and the relative openness of African markets to Chinese goods in the current trade policy environment.
- Imports and exports are further segmented into four major product groups—oil and gas, minerals, agricultural products, and manufactures—the levels of which are similarly derived by adjusting the product group composition of China-Africa trade relative to historical averages.
- A portion of these initial estimates is adjusted upward or downward using standardized multipliers based on qualitative factors within each scenario.

For financial flows, the analysis focuses on the outbound direction (i.e., China's capital flows to Africa). This is estimated using the following procedure.

- Outcomes for net exports from the above-mentioned GDP shares forecast are used to determine China's current account balance in each scenario.⁹⁷ The financial account balance is calculated as the inverse of the current account balance.⁹⁸ The level of China's annual gross capital outflows is then calculated as the difference between the financial account balance and gross inflows. Gross inflows are derived from past inflows using an autoregressive model specification, so as not to vary inflows and outflows simultaneously.
- China's financial outflows on the balance of payments are then segmented into relevant subaccounts (FDI, portfolio investment, and loans), the levels of which are derived by adjusting the composition of China's global capital outflows relative to historical averages.
- Due to data limitations, we assume that China's financial flows to Africa move directionally in line with China's financial outflows to the world.
- A portion of these initial estimates is adjusted upward or downward using standardized multipliers based on qualitative factors within each scenario.

To capture the medium-term impacts of China's slowdown, results are reported as five-year average annual growth rates. To highlight uncertainty regarding outcomes, results are shown with a range of one standard deviation around estimated values. The analysis emphasizes the relative magnitudes between flows and scenarios, rather than focusing on specific estimates.

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Endnotes

- 1 The IMF and African Development Bank divide Africa into low- and middle-income countries and separately into oil exporters, other resource-intensive countries (e.g., mining), and non-resource-intensive countries. The IMF uses these country groupings for Sub-Saharan Africa and places North Africa within the Middle East and Central Asia region.
- 2 “Africa’s Macroeconomic Performance and Outlook—January,” African Development Bank, February 14, 2025, 8, <https://www.afdb.org/en/documents/africas-macroeconomic-performance-and-outlook-january-2025>.
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