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Decoding the U.S. 'Big Beautiful Bill' and Africa's Credit Future

Issuer Commentary

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The proposed U.S. "One Big Beautiful Bill" represents a sweeping legislative package poised to significantly reshape the American fiscal landscape. Characterised by substantial tax cuts and increases in spending, the Bill is projected to substantially widen U.S. fiscal deficits and elevate the national debt trajectory. Historically, U.S. domestic fiscal deterioration has consistently precipitated higher global interest rates and a stronger U.S. dollar. The International Monetary Fund (IMF) has explicitly observed that "Loose fiscal policy in the United States exerts upward pressure on global interest rates and the dollar. It pushes up funding costs in the rest of the world, thereby exacerbating existing fragilities and risks". This established macroeconomic principle provides a crucial historical and institutional validation for the anticipated negative spillovers.

The central argument of this commentary is that the proposed U.S. fiscal expansion is poised to act as an amplifier of external shocks for African economies, layering new pressures onto already stressed fiscal and economic systems. The spillover effects, ranging from constrained trade and increased borrowing costs to heightened debt distress and macroeconomic instability, are likely to exert negative pressure on the sovereign credit profiles of many African countries. This dynamic suggests a heightened probability of credit rating downgrades or negative outlook revisions for the more vulnerable African sovereigns. Furthermore, African central banks are likely to find themselves navigating an increasingly intensified policy trilemma: struggling to concurrently manage independent monetary policy, maintain stable exchange rates, and permit free capital flows.

Key Provisions

Key elements of the Bill include the permanent extension of the Tax Cuts and Jobs Act (TCJA) tax cuts (Sec. 110001-110019) and the introduction of new deductions, such as for untaxed tips and overtime (Sec. 110101-110102). These measures are projected by independent analysis to reduce U.S. revenues by over $2.8 trillion over the next decade. The emphasis on making the TCJA tax cuts permanent, as stipulated in Sections 110001-110019, signals a long-term reduction in U.S. government revenue. This contrasts sharply with the often temporary or politically vulnerable nature of offsetting measures, creating a structural imbalance. Historically, "temporary" spending cuts or "phased-in" revenue enhancements frequently encounter political opposition that curtails their full implementation or leads to their reversal by subsequent administrations. The Bill's own rating perspective notes the "absence of a credible medium-term consolidation plan," reinforcing concerns that the projected fiscal deterioration might be understated if political dynamics erode the already limited offsets. For African sovereigns, this implies that the anticipated adverse external environment, characterised by higher U.S. interest rates and a stronger dollar, could prove more persistent and severe than baseline projections suggest.

Offsetting revenue measures within the Bill appear marginal in comparison to the proposed tax cuts. New excise taxes on remittances (Sec. 112105) and taxes on certain non-profit activities (Sec. 112020-112026) are estimated to contribute less than 0.2% of GDP to U.S. revenues. Similarly, the phase-out of some green energy tax credits (Sec. 112001-112016) is projected to save less than $300 billion over the ten-year horizon. While the excise tax on remittances (Sec. 112105) is described as "marginal" from the perspective of U.S. fiscal mathematics, its impact could be disproportionately felt by African nations that are heavily reliant on such inflows. Although the tax may be levied on senders or intermediaries, the cost is likely to be passed on to recipients in Africa. This could directly reduce disposable income for many

African households, potentially affecting consumption patterns, poverty levels, and foreign exchange inflows for certain African countries. The African Development Bank (AfDB) highlights that formal remittances to Africa could reach $500 billion by 2035 if transfer costs are reduced; an excise tax would work counter to this potential, weakening current account balances for remittance-dependent nations.

The net effect of these provisions, as per the Bill's rating perspective, is a substantial increase in the U.S. fiscal deficit, estimated at 1.2-1.8% of GDP annually from 2026. This trajectory is anticipated to push the U.S. debt-to-GDP ratio above 130% by 2034. The Bill also includes a significant $4 trillion increase in the debt ceiling (Sec. 113001), facilitating near-term borrowing but lacking robust fiscal consolidation mechanisms.

Impact on U.S. Interest Rates and Dollar Strength

The substantial increase in U.S. government borrowing necessitated by the Bill's fiscal stance is expected to exert considerable upward pressure on U.S. interest rates. The Bill's accompanying analysis projects that U.S. interest costs will rise to over 4.0% of U.S. GDP by 2030, a notable increase from the current 3.3%. This projection reflects both the impact of a higher overall debt stock and the potential for increased interest rate volatility in financial markets. If the U.S. economy is operating near its full capacity when the Bill's stimulus measures are enacted, the fiscal expansion could prove to be pro-cyclical. Such a scenario would risk overheating the economy, leading to heightened inflationary pressures. The Federal Reserve would likely respond with a more aggressive monetary policy stance, tightening conditions further to combat inflation. This reaction would amplify the rise in U.S. interest rates and the strength of the dollar beyond the levels driven by increased debt supply alone, thereby leading to a more severe tightening of global financial conditions for African and other emerging economies.

Historically, large and sustained U.S. fiscal deficits, particularly when financed through debt issuance, tend to strengthen the U.S. dollar as higher domestic interest rates attract international capital inflows. The IMF's April 2024 Fiscal Monitor explicitly states, "Loose fiscal policy in the United States exerts upward pressure on global interest rates and the dollar". Furthermore, separate IMF research focusing on the international spillovers of U.S. fiscal policy confirms that "preannounced increases in government expenditures appreciate the dollar". This appreciation can be economically significant; research suggests that a stimulus spending announcement equivalent to 1% of U.S. GDP could lead to an appreciation of the dollar by as much as 7% over a period of 1.5 years.

The Bill's strong domestic focus, characterised by significant tax cuts, spending increases, and a substantial debt ceiling hike, coupled with the absence of a credible medium-term consolidation plan, suggests a prioritisation of internal U.S. political and economic objectives. The inclusion of "Unfair foreign tax" countermeasures (Sec. 112029) and restrictions on certain entities (Sec. 112009/112014), which the Bill's analysis notes "could disrupt trade/financial flows", indicates a willingness to use economic tools assertively, potentially without significant regard for global spillovers. The IMF's observation that the recent rise in global public debt is "primarily driven by China and the United States" further reinforces the idea that these major economies may be less focused on the global spillovers of their domestic policies. This suggests that the current U.S. fiscal expansion is not merely a temporary phenomenon but rather indicative of a "new normal" where major economies increasingly adopt policies with significant global spillovers, often with diminished regard for international coordination or the impact on smaller, more vulnerable economies. This implies that nations need to be more self-reliant and build permanent buffers, as external support or a more cooperative global financial architecture might be less forthcoming.

A stronger dollar already creates economic pressure on countries with significant dollar-denominated debt. If the U.S. is seen to be leveraging its currency's strength alongside new tax and entity restriction tools, it could incentivise an acceleration of de-dollarisation efforts or prompt retaliatory trade and financial measures, adding a layer of geopolitical risk to the global financial system. While comprehensive de-dollarisation is a complex, long-term prospect, such U.S. policies could act as a catalyst for more concerted exploration of alternatives. This could present emerging economies with more intricate choices regarding alignment with different economic blocs or currency systems in the future.

U.S. Policy Shifts and African Economies

Tariffs, Protectionism, and African Export Vulnerability

The Bill's general protectionist leanings, exemplified by provisions such as "Unfair foreign tax" countermeasures (Sec. 112029) and restrictions on certain foreign entities (Sec. 112009/112014), signal a potential escalation of international trade frictions. While the Bill does not explicitly detail new broad-based tariffs on African goods, such clauses contribute to an environment of heightened trade uncertainty. This is particularly concerning given the backdrop of existing U.S. protectionist measures. For instance, research indicates that U.S. trade preferences like the African Growth and Opportunity Act (AGOA) are already perceived to be under threat, with the imposition of a 10% base tariff on imports from many countries casting serious doubt on AGOA's future efficacy. Specific tariffs, such as those imposed on steel and aluminium, have already impacted African exporters like South Africa. More broadly, country-specific ad valorem tariffs have been applied, with rates reaching as high as 30% for South Africa, 47% for Madagascar, and 50% for Lesotho, severely affecting economies that are reliant on the U.S. market as an export destination.

Even without direct new tariffs on all African goods stemming from this specific Bill, the general U.S. protectionist stance and the potential weakening or non-renewal of crucial preference schemes like AGOA erode the value of existing trade advantages. This growing uncertainty acts as a significant disincentive for long-term investment in export-oriented industries across Africa that depend on reliable access to the U.S. market. Investors require predictability, and if access to the U.S. market becomes unreliable or subject to sudden policy shifts, businesses will naturally be hesitant to make substantial, long-term capital commitments in Africa targeting U.S. consumers. This can stifle crucial export diversification efforts and impede job creation, with analysis suggesting that tariffs are likely to deter not only foreign direct investment but also foreign portfolio investment.

The premature phase-out of clean energy tax credits (Sec. 112001-112032) within the Bill could also indirectly affect African economies. If this legislative change slows the pace of the U.S. green transition, it might consequently reduce U.S. demand for critical minerals sourced from Africa, which are essential inputs for green technologies. While some critical minerals like cobalt, manganese, and graphite have received exemptions from certain tariffs, a broader slowdown in the U.S. transition to cleaner energy could still dampen overall long-term demand growth for these commodities. Conversely, a less aggressive green transition in the U.S. might contribute to increased long-term climate adjustment costs globally, a burden that would disproportionately affect vulnerable African nations already facing severe climate change impacts. This adds another layer of long-term sovereign credit risk, potentially diverting scarce resources from development.

Increased U.S. protectionism could provide a stronger impetus for African countries to accelerate the implementation and deepening of the African Continental Free Trade Area (AfCFTA). Faced with mounting external market barriers, African nations might increasingly look inwards, focusing on developing regional value chains and boosting intra-continental trade. The AfDB notes that full implementation of the AfCFTA could significantly boost continental income by 2035. This represents a potential long-term positive adaptation stemming from a negative external shock, though its realisation hinges on sustained African political will and the capacity to overcome existing AfCFTA implementation challenges. Beyond its traditional role as an economic integration project, the AfCFTA thus takes on a new strategic significance as a defensive mechanism against external trade shocks. It offers a pathway for African nations to build internal resilience and reduce vulnerability to the protectionist tendencies of major global powers. Its full realisation becomes not just an economic aspiration but a geopolitical imperative for sovereign stability.

Interest Rate Spillovers, Capital Flight, and Currency Pressures

Higher U.S. interest rates are expected to translate directly into tighter financial conditions for African economies. As investment returns in the U.S. become more attractive due to these higher rates, capital tends to be drawn away from emerging markets, including those in Africa. This phenomenon of capital flight exerts downward pressure on African currencies. The World Bank confirms that monetary tightening by the U.S. Federal Reserve adversely affects emerging market and developing economies (EMDEs) through mechanisms such as higher domestic interest rates, increased risk spreads, and lower equity prices. Research from the European Central Bank (ECB) corroborates these findings, indicating that U.S. monetary policy tightening leads to an immediate tightening of financial conditions and subsequent declines in economic activity and price levels in EMEs. A one standard deviation increase in five-year U.S. Treasury yields, for instance, can precipitate a comparable tightening in EME financial conditions.

For African countries characterised by a high pass-through from exchange rate fluctuations to domestic inflation, the Bill's impact on the U.S. dollar could trigger a pernicious cycle. In such a scenario, currency weakness fuels inflation, prompting central bank rate hikes that stifle growth, which in turn can further weaken investor confidence and exacerbate currency pressures. This is particularly dangerous for countries where inflation expectations are not firmly anchored. In response to these pressures, African central banks often find themselves compelled to raise their own domestic interest rates. This policy action aims to defend their respective currencies and curb capital outflows. However, such measures invariably dampen domestic investment and economic growth. The IMF's Gita Gopinath has noted that monetary policy transmission tends to be weaker in EMs and is significantly dependent on prevailing global financial conditions; an easing of policy rates by an EM central bank can sometimes be entirely offset or even reversed by a concurrent tightening in global financial conditions. Furthermore, the depreciation of local currencies against a strengthening U.S. dollar directly fuels domestic inflation by increasing the cost of imported goods. Data cited by the IMF suggests that a 10% appreciation in the value of the U.S. dollar, when attributed to global financial market dynamics, can lead to a decrease in EM economic production by as much as 1.9%.

The financial contagion described above illustrates how higher U.S. interest rates lead to capital flight and currency depreciation. African central banks are then forced to raise their own rates to stem capital flight, which dampens domestic economic activity. Alternatively, allowing significant currency depreciation fuels inflation. The observation that EM monetary policy transmission is weaker and dependent on global conditions means that the space for independent monetary policy is severely curtailed. This is not just a struggle with the trilemma; it becomes a severe constraint where any policy choice leads to painful trade-offs or negative credit implications. This directly impacts sovereign credit by undermining macroeconomic stability. The extent of this financial contagion, however, will likely vary across the continent, influenced by the credibility and pre-existing stance of individual African countries' monetary policy frameworks. Nations that have successfully established credible inflation-targeting regimes and maintained prudent policy stances before the onset of such external shocks may prove more resilient. This suggests that African nations that have proactively built strong, credible monetary policy frameworks and effectively managed inflation expectations will likely experience less severe financial contagion, for example, smaller increases in risk premia and less currency volatility stemming from the U.S. Bill's fallout, compared to those with weaker frameworks or a history of fiscal dominance.

Burdens from a Stronger Dollar and Higher Borrowing Costs

A significant portion of African sovereign debt is denominated in U.S. dollars. Reports indicate that in sub-Saharan Africa, over 60% of external public debt is contracted in U.S. dollars. Consequently, a stronger U.S. dollar directly inflates the local currency cost of servicing this existing debt, even in the absence of any new borrowing. This dynamic has already been observed to strain public finances in countries such as Nigeria, Ghana, and Kenya, where currency depreciation has exacerbated debt service burdens.

African countries that are simultaneously running fiscal and current account deficits (twin deficits) will find themselves exceptionally vulnerable. These nations typically rely on external financing to cover their deficits, and this financing is set to become both more expensive and potentially scarcer due to the global impact of the U.S. fiscal expansion. The World Bank has specifically identified EMDEs with twin deficits as being particularly exposed to adverse spillovers from U.S. interest rate shocks, often experiencing larger increases in domestic bond yields, sovereign risk spreads, and more significant declines in equity prices. For African countries in this situation, the difficulty in accessing affordable financing could compel abrupt and politically costly fiscal consolidation measures or, in more severe instances, lead to debt distress and default if market access is effectively lost.

Higher global interest rates, driven by the increased supply of U.S. Treasury securities needed to fund the larger U.S. deficit, will inevitably raise the cost of new borrowing for African nations, as well as the expense of refinancing existing maturing debt. Analysis from African Business highlights that increased borrowing costs typically lead to reduced government spending on development and essential public services, as a larger portion of state revenue is consumed by debt service obligations. This situation is compounded by the fact that, as UNCTAD Secretary-General Rebeca Grynspan has pointed out, African countries often already pay interest rates up to eight times higher than those paid by European countries for comparable debt, a disparity likely to be exacerbated by the new U.S. fiscal posture. The U.S. Bill's provision for a $4 trillion increase in the U.S. debt ceiling (Sec. 113001) signals a substantial new supply of U.S. government debt, which could potentially crowd out other international borrowers or lead to an increase in the risk premia demanded from them. Moreover, the economic stress induced by the U.S. Bill's spillovers could increase the likelihood of contingent liabilities on African government balance sheets. These liabilities, often related to state-owned enterprises (SOEs) or public-private partnership guarantees, often become direct government obligations during times of economic hardship, further worsening debt dynamics.

Sovereign Credit Implications Across Africa

Escalating Fiscal Distress and Debt Sustainability

The confluence of increased borrowing costs, currency depreciation inflating existing debt service obligations, and potentially reduced trade-related revenues will severely strain African public finances. The AfDB already notes that, on average, interest payments consume 27.5% of government revenue across Africa, a significant increase from 19% in 2019; this figure is poised to worsen under the anticipated global financial conditions. The U.S. Bill's own analytical framework recommends "Debt Dynamics Modelling: Stress-test debt/GDP under higher-for-longer rates (5%+) and growth shocks" for the U.S. itself; such rigorous stress-testing is equally, if not more, critical for African nations, many of which are already assessed as being at high risk of debt distress. Countries like Ghana and Zambia have sought IMF bailout programs, while others including Kenya, Angola, Malawi, and Mozambique are under close watch due to their precarious debt situations.

The combination of high existing debt levels, rising servicing costs, constrained fiscal space, and potentially slower global growth (partially attributable to U.S. policy spillovers) could push some vulnerable African countries towards a "lost decade" of development, potentially reversing hard-won socio-economic gains. This scenario would entail cuts in essential development spending and social protection programs, which, coupled with slower growth and reduced investment in human capital and infrastructure, would impede long-term development prospects. Such conditions have historically led to prolonged periods of stagnation in other regions and could have profound implications for poverty, inequality, and political stability in Africa, extending far beyond immediate credit metrics. This highlights that the sovereign credit implications extend beyond mere financial metrics to encompass significant socio-political risks, where human suffering and governance challenges can undermine long-term creditworthiness even further.

The consequent reduction in fiscal space will compel African governments to make exceedingly difficult policy choices: implement cuts to essential public services and crucial development spending, attempt to raise taxes in already struggling economies, or risk accumulating further unsustainable levels of debt. As fiscal pressures mount, governments may be forced to reduce or eliminate social protection payments, such as subsidies, which can lead to public demonstrations and heightened political instability. Furthermore, as traditional market access becomes more expensive or restricted due to the global financial tightening, African nations might increasingly turn to non-traditional lenders or alternative creditors, such as certain state actors or commodity trading houses. While these sources can provide needed finance in the short term, they may come with conditions of reduced transparency, different forms of conditionality, or carry significant geopolitical implications. This shift could complicate future debt restructuring efforts, particularly within established frameworks like the G20 Common Framework, and introduce new elements to sovereign risk analysis related to geopolitical alignments and the specific terms of these alternative loan agreements.

Muted Growth Prospects and Heightened Macro-Financial Instability

The pro-growth elements embedded within the U.S. Bill, such as business investment incentives (Sec. 111001) and enhanced R&D deductibility (Sec. 111002), are unlikely to translate into significant positive spillover effects for African economies. Any marginal benefits from stronger U.S. growth would likely be overshadowed by the more dominant negative financial and trade effects.

The premature phase-out of U.S. clean energy credits (Sec. 112001-112032), as proposed in the Bill, could also undermine global investments in the green transition. This could, in the long term, increase climate adjustment costs for Africa, a continent already highly vulnerable to the impacts of climate change. The U.S. Bill, therefore, acts as another layer of shock upon African economies that are still in the process of recovering from the COVID-19 pandemic and other recent global crises. This succession of shocks can lead to deeper and more persistent scarring effects, such as on human capital accumulation, labour markets, productivity, and overall potential growth, than if these economies were in a healthier state. Consequently, the negative impact on African growth resulting from the U.S. Bill's spillovers might be non-linear and more severe than would be typical in normal times, potentially leading to a sustained reduction in potential GDP rather than just a temporary cyclical downturn.

Heightened revenue volatility for the U.S. government, stemming from its increased reliance on high-income taxpayers (top 1% paying 45% of federal income tax, as per the Bill's analysis), could translate into more erratic U.S. economic growth patterns. This, in turn, could lead to more volatile demand for African exports. Furthermore, geopolitical tensions that might arise from the implementation of "unfair foreign tax" countermeasures (Sec. 112029) could disrupt global trade and financial flows, further dampening African growth prospects. Economic pressures within African nations, such as those resulting from the removal of subsidies due to fiscal strain (itself a consequence of the tighter global financial environment), can lead to public protests and political instability, creating an environment antithetical to sustained economic growth. Moreover, reduced fiscal space and significant currency depreciation, which make food imports more expensive, can exacerbate food insecurity in many African nations. This links directly to social and political stability, which are key considerations in sovereign credit assessments. The U.S. Bill, by straining African public finances and broader economies, can indirectly worsen food security conditions, a potent driver of social unrest and political instability. This instability, in turn, negatively affects investment, growth, and the government's capacity to implement coherent economic policy, thereby adversely impacting sovereign credit profiles.

Identifying the Most Vulnerable Nations and Regions

The impact of the U.S. Bill will not be uniform across the African continent. Countries characterised by higher levels of external debt (particularly debt denominated in U.S. dollars), weaker pre-existing fiscal positions, less diversified economies (such as those with high commodity dependence), and greater reliance on U.S. trade and aid flows will inherently be more vulnerable to the Bill's spillover effects. The World Bank has noted that EMDEs with weaker credit ratings, higher sovereign risk spreads, and persistent twin deficits (fiscal and current account) tend to experience more adverse impacts from U.S. interest rate shocks. Specific trade impacts, such as those from tariffs, have already been highlighted for countries like Lesotho, Madagascar, and South Africa. Conversely, some analysts suggest that countries like Egypt and Kenya, which under one scenario faced only a 10% baseline U.S. tariff, might find niche opportunities if their Asian competitors are subjected to higher U.S. tariffs, particularly in sectors like textiles.

The urgent need for African governments to respond to immediate fiscal and financial crises can "crowd out" governmental attention and resources from critical long-term structural reforms. These reforms, including economic diversification, governance improvements, and climate adaptation strategies, are essential for sustainable development and long-term creditworthiness but may be deprioritised during acute crises. This diversion of focus means that underlying structural weaknesses may persist or even worsen, leaving countries more vulnerable to future shocks and creating a cycle where repeated external pressures prevent the build-up of resilience. This implies a potential for persistent vulnerability and a deterioration of underlying credit fundamentals over time, rather than just a temporary setback, as nations might get stuck in a reactive mode, unable to proactively address their deep-seated structural issues.

Regional dynamics will also play a significant role in shaping the impact. For instance, the AfDB projects varied growth trajectories across Africa's regions, with East Africa generally leading in growth, while Southern Africa is expected to lag. Southern Africa, with its largest economy, South Africa, facing challenges of low growth (projected at only 0.8% in 2025 by AfDB) and specific trade vulnerabilities related to U.S. policies, may experience more acute pressures that could have spillover effects on neighbouring economies. Oil-exporting African nations might see some temporary revenue benefits if global economic uncertainty or geopolitical tensions lead to higher oil prices. However, such benefits are often offset by the negative impacts of a stronger U.S. dollar on their non-oil sectors and the increased cost of imported goods for their overall economies. Furthermore, if U.S. policies are perceived as increasingly detrimental or unreliable, for example, through sustained trade protectionism or unpredictable shifts in aid, as hinted by concerns over USAID and PEPFAR funding, some African nations might strategically pivot towards other global powers for economic and development partnerships. This could alter geopolitical dynamics and the nature of development finance, potentially leading to shifts in trade patterns, investment flows, and sources of aid, with different conditionalities and strategic implications.

To illustrate these differentiated impacts, the tables in the annexure provide a granular view of selected country metrics and an archetypal matrix of regional vulnerabilities.

Policy Imperatives for African Nations

Strengthening Domestic Macroeconomic Frameworks

In the face of heightened external pressures emanating from policy shifts in major economies like the U.S., African nations must prioritise the bolstering of their domestic macroeconomic resilience. This involves a multi-faceted approach encompassing enhanced fiscal discipline, significant improvements in debt management practices including greater transparency and diligent monitoring of contingent liabilities, as recommended in the U.S. Bill's analysis for the U.S. itself, and concerted efforts to broaden domestic revenue mobilisation. The AfDB estimates that, with appropriate policies, Africa could mobilise an additional $1.43 trillion in domestic resources from both tax and non-tax revenue sources through efficiency gains alone. Furthermore, the establishment and maintenance of credible monetary policy frameworks, unequivocally aimed at anchoring inflation expectations, are crucial for navigating volatile global financial conditions. The World Bank emphasises that EMDEs need to proactively adjust their macroeconomic policies to mitigate the adverse impacts of rising global interest rates, which includes ensuring clear communication of policy intentions and rigorously safeguarding central bank independence.

However, while economically sound, the implementation of these necessary domestic reforms often faces significant political hurdles. These challenges are typically exacerbated in environments characterised by low economic growth and social discontent, conditions which the spillovers from the U.S. Bill might unfortunately worsen. This creates a difficult feedback loop: external shocks necessitate painful reforms, but the very impact of those shocks (e.g., higher inflation, job losses, cuts to services) diminishes public tolerance for such measures, thereby making such reforms politically harder to implement. This means that even if African policymakers understand the economic imperatives, their capacity to act decisively might be severely constrained by domestic political realities, leading to delayed or insufficient responses and further credit deterioration.

Enhancing Regional Cooperation and Diversifying Economic Partnerships

Deepening regional integration, particularly through the committed and full implementation of the African Continental Free Trade Area (AfCFTA), stands as a critical strategy for African nations to create larger internal markets and thereby reduce their reliance on volatile external demand. The AfCFTA offers the potential to act as a significant buffer against external shocks, but its practical effectiveness in shielding African economies depends critically on overcoming substantial implementation hurdles. These include addressing non-tariff barriers, rectifying infrastructure deficits, and finalising complex rules of origin. The external pressures generated by developments such as the U.S. Bill might serve as a catalyst, underscoring the urgency of these regional efforts, but the internal African drive and political commitment remain paramount for the AfCFTA to realise its protective potential.

Concurrently, diversifying trade and financial partnerships beyond traditional players can also mitigate risks associated with policy shifts in any single major economy. It is noteworthy that the U.S. has reportedly fallen to third place among Africa's top trading partners, trailing both China and India, suggesting that such diversification is already underway to some extent. Regional financial solutions, such as bilateral currency swap agreements (e.g., the reported Egypt-UAE and Ethiopia-UAE deals), represent small but potentially significant steps towards reducing over-reliance on the U.S. dollar and fostering greater regional financial stability.

International Support and Fairer Global Financial Architecture

African nations should collectively and robustly advocate for a more responsive and equitable international financial architecture. This advocacy must include calls for more effective and timely debt restructuring mechanisms, such as an improved G20 Common Framework for Debt Treatments, and enhanced access to concessional financing, particularly for the most vulnerable countries. The observation highlighted by UNCTAD that African countries often pay disproportionately high interest rates compared to developed nations for similar debt needs to be a central point in these discussions. The IMF has acknowledged the significant fiscal effort required by emerging markets while also noting the acute scarcity of financing available to low-income countries. Similarly, the World Bank has called for a strengthening of the global financial safety net to better support EMDEs during periods of stress.

While such advocacy is essential, its effectiveness may be constrained in an increasingly fragmented geopolitical landscape. Major global powers, including the U.S. under the proposed Bill (which exhibits a strong domestic focus and includes provisions like "Unfair foreign tax" countermeasures), may prioritise their internal agendas over multilateral cooperation or the specific concerns of developing nations. The IMF's observation that the recent rise in global public debt is "primarily driven by China and the United States" suggests that these major economies may be less focused on the global spillovers of their domestic policies. In such an environment, calls for a fairer global financial architecture or increased concessional support might encounter a less receptive audience among key global players preoccupied with their own fiscal challenges or strategic rivalries. This implies that African nations need to be realistic about the likely scale and speed of international support and, consequently, redouble their efforts on robust domestic and regional solutions.

Annexure

Table 1: Selected African Countries' Key Debt Metrics and Exposure to U.S. Policy Shocks

Country	Overall Public Debt (% of GDP, est.)	External Debt (% of Public Debt, approx.)	USD-Denominated External Debt (% of Ext. Debt, approx. SSA)	Interest Payments (% of Gov. Revenue, approx.)	Current Account Balance (% of GDP, recent est.)	Reliance on U.S. Market (% of Total Exports, approx.)	Specific U.S. Tariff Exposure (Examples)	Illustrative Credit Rating Impact Potential
South Africa	84.9% (2023-24 proj.)	Moderate-High	>60%	High	-2.0% to -3.0%	Moderate (e.g., vehicles, minerals)	Steel, Aluminium (25%), Vehicles, 30% general	Negative Pressure
Nigeria	~40-45% (pre-recent FX reforms)	Moderate	>60%	Very High (major portion of revenue)	-0.5% to +1.0% (oil price dependent)	Low-Moderate (mainly oil)	10% baseline	Negative Pressure
Kenya	~70-75% (2023)	High	>60%	Extremely High (~60% of tax revenue 2022-23)	-4.0% to -5.0%	Moderate (textiles, agriculture)	10% baseline	Significant Negative Pressure
Egypt	92.7% (2023 proj.)	High	>60%	Very High	-3.0% to -4.0%	Moderate (textiles, QIZs)	10% baseline	Negative Pressure
Ghana	>80-90% (pre-restructuring)	Very High	>60%	Extremely High (default/restructuring)	-2.5% to -3.5%	Moderate	10% baseline	Already in Distress, Worsening Outlook
Lesotho	Moderate	Moderate	>60%	Moderate	Wide Deficit	Very High (18.7% to U.S., textiles)	50%	Severe Negative Pressure
Madagascar	Moderate	Moderate	>60%	Moderate	Deficit	High (14.7% to U.S.)	47%	Severe Negative Pressure

Annexure

Table 2: Impact Matrix of U.S. Bill on African Sub-regions/Archetypal Economies

Sub-region / Archetype	Key Vulnerability Channels from U.S. Bill Spillovers	Potential Severity of Impact	Key Mitigating Factors/Resilience	Illustrative Countries
West Africa - Oil Exporter	Debt service costs (USD debt), capital outflows, import inflation, non-oil sector impact	Medium to High	Oil revenue buffer (if prices high), some fiscal reforms, regional trade (ECOWAS)	Nigeria, Angola
East Africa - More Diversified Exporter	Tighter financing conditions, currency pressure, some trade disruption, tourism sensitivity	Medium	More diversified export base, stronger recent growth, proactive monetary policy (some countries)	Kenya, Tanzania, Ethiopia
Southern Africa - SA-centric Region	SA's low growth spillover, direct SA trade impact (tariffs), high debt (SA, others)	High	SADC cooperation (potential), mineral resources (if demand holds)	South Africa, Botswana, Zimbabwe
Landlocked Low-Income Countries (LICs)	Aid flow uncertainty, food import costs, higher transport costs, debt distress risk	High	Remittances (but taxed by Bill), some domestic agriculture, need for concessional finance	Malawi, Niger, Uganda
AGOA-Reliant Textile/Apparel Exporter	Direct tariff impact/preference erosion, investment chill in sector	Very High	Attempts at bilateral deals, pressure to diversify markets	Lesotho, Madagascar, Eswatini
North Africa - Closer EU Ties	Capital flow volatility, import inflation, tourism, some remittance exposure	Medium	Stronger EU trade links, some GCC financial support, more developed domestic markets (some)	Egypt, Morocco, Tunisia

Contributors:
Bekithemba Ndimande | Senior Rating Analyst | bekithemba@saratings.com
Ted Maselesele CA(SA) | Rating Analyst | ted.maselesele@saratings.com

Contact:
info@saratings.com
+27 10 203 9921
Thornhill Office Park, Block 13, Ground Floor, 94 Bekker Road,
Midrand, Johannesburg, South Africa
www.saratings.com