

CHART OF THE WEEK

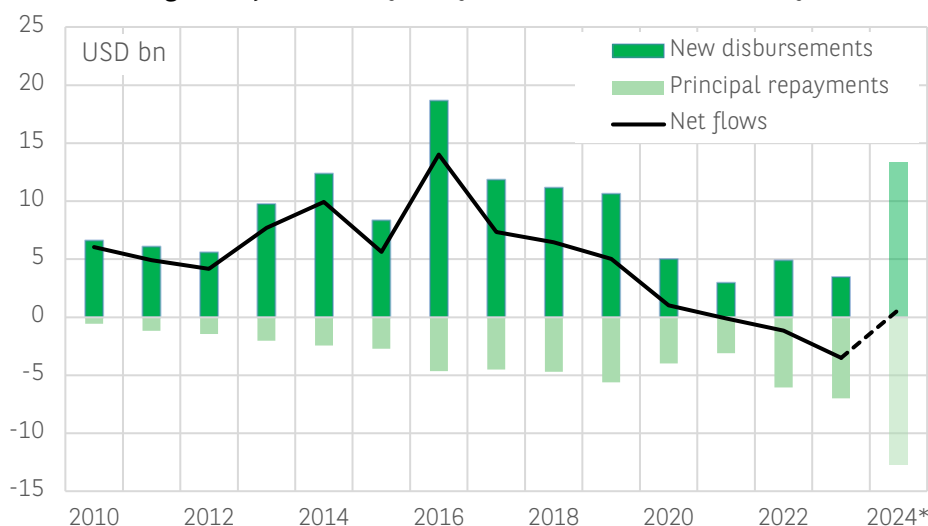


18 December 2024

SUB-SAHARAN AFRICA: CHINA'S CREDIT REBOUND IS AN ILLUSION

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Long-term public debt flows from China to Sub-Saharan Africa



* provisional data. Last updated on December 3rd, 2024
Source: World Bank, BNP Paribas

Despite negative net long-term public debt flows over the period 2021-2023 (see chart), China remains the top lending country to Sub-Saharan African states¹, ahead of France, the UK and the US. However, long-term public debt owed to China contracted by 4.5% in current dollars between 2019 and 2023, while debt owed to all creditors increased by 15.6%.

China's share of Sub-Saharan Africa's long-term external public debt therefore dropped each year between 2019 and 2023, falling from 18.9% to 15.3%. More specifically, between 2020 and 2023, China's new disbursements fell sharply while repayments remained high, and even increased in 2022-2023.

For 2024, we see a sharp rebound in China's disbursements on long-term loans, amounting to USD 13.3 bn, i.e., 0.7% of Sub-Saharan Africa's GDP, according to the World Bank's provisional estimates. This is the highest seen since 2016. However, this upturn does not indicate a turnaround in China's strategy on the African continent: since 2020, China has mainly been refinancing maturing loans. In 2024, the sudden increase in new disbursements went hand in hand with the resumption of debt service in the main African states benefiting from Chinese loans. This is the case for the Angolan government, which alone captured 34% of new Chinese loans in 2024, and whose servicing of debt to China resumed in July 2023 after a three-year moratorium. This is also the case for the Zambian government, which had defaulted on its external debt in November 2020, and which reached a debt restructuring agreement with its bilateral and bond creditors in the first half of 2024. In fact, among China's favoured partners², only Nigeria has benefited from positive net flows, i.e., new loans, each year since 2020.

However, China's new strategy in place since 2020 does not mean the end of its special relationship with Sub-Saharan Africa. Despite greater caution in granting new loans, China wishes to maintain strong diplomatic and financial ties with the region, particularly with resource-intensive countries³ (oil and minerals necessary to the energy transition). In addition, it remains by far an indispensable creditor in the region. Its outstanding credit to Sub-Saharan African states is five times higher than that of France, six times higher than that of the UK, and eleven times higher than that of the US.

¹ Excluding the Seychelles. The World Bank's *International Debt Statistics* database focuses on long-term, external public debt of low- and middle-income countries (LMICs).
² Chinese loans in Sub-Saharan Africa are heavily concentrated in just a few countries: in 2023, Angola accounted for 23% of China's outstanding credit in the region. With Ethiopia, Zambia, Kenya and Nigeria, this share rose to 54%.
³ Resource-intensive countries (according to the IMF nomenclature) account for 67% of China's outstanding credit in the region and 67% of regional GDP.

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The graphic features a dark grey background with white text. At the bottom, there are images of a hand holding a smartphone, a tablet, and a laptop, all displaying economic data charts.

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