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# Absa to open China office, eyes trade revenue boost

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African lender Absa Bank is anticipating a significant rise in trade finance revenues on goods flows linking China with Sub-Saharan Africa, after opening its first office in the Asian economic powerhouse.

The non-banking subsidiary, based in Beijing, has been established to provide a range of advisory services including for trade finance, FX and cross-border payments to corporate and financial institution clients in China.

Absa's official launch of the office will only take place in early May, yet a team of senior relationship managers and executives have already been deployed to China, the bank says. They are offering advice to Chinese clients in consultation with product specialists in Absa's Johannesburg head office.

The move will help the bank become a "facilitator of trade flows into Africa", Absa said in its latest financial report, published in early March, and follows Absa's decision to establish offices in the US and UK in recent years.

Trade finance will be "one of the core focus areas" of Absa's push to tap burgeoning goods and investment flows between Africa and China, says Michelle Knowles, Absa's head of trade and working capital products.

According to Knowles, the non-bank subsidiary in China will give Absa a "springboard in terms of capturing greater amounts of trade flows".

"Currently, trade finance makes up a sizeable portion of the total revenue Absa makes on the corridor," Knowles says, in reference to fees earned on goods and services flows between Africa and China.

"Our ambition is to double the trade finance contribution to our overall corridor revenue over the next few years," she adds.

Documentary products such as guarantees, letters of credit and supply chain finance are the "core solutions that we expect to see continued demand for" from Chinese corporates, Knowles tells **GTR**, yet Absa is also eyeing opportunities related to state and commercial financial institution clients in China.

Absa's current trade finance exposures include Chinese importers and exporters in a range of sectors such as construction, energy, mining, technology, media and communications and manufacturing.

"Of course, there is natural recognition for the fact we have high commodity-centric export flows to China... There are specific focus sectors where we are seeing significant growth on both the import and export side – the mining of metals and minerals, consumer goods and agricultural."

The bulk of growth is set to come from several markets Absa has a physical presence in on the African continent, including South Africa, Nigeria, Ghana, Angola, Kenya and Tanzania, Knowles says.

She also points to growing trade between countries such as Egypt, the Democratic Republic of Congo and Algeria, where Absa lacks an office.

Over the past decade, China has pumped tens of billions of dollars annually into giant infrastructure projects in Africa, part of its wider Belt and Road Initiative, yet there has been a **shift in strategy** (<https://www.gtreview.com/news/asia/china-continues-to-shrink-overseas-development-finance/>) in recent years.

Instead, Beijing has sought to **develop stronger trade flows**

(<https://www.gtreview.com/news/africa/china-shifts-africa-financing-focus-from-infrastructure-to-trade/>) and commercial investments, analysts say.

"Over the past two decades, Africa's trade relationships have really gone through some significant changes with China emerging as the continent's largest bilateral trade partner" Knowles says. "Naturally, this creates enormous commercial opportunities for both regions."