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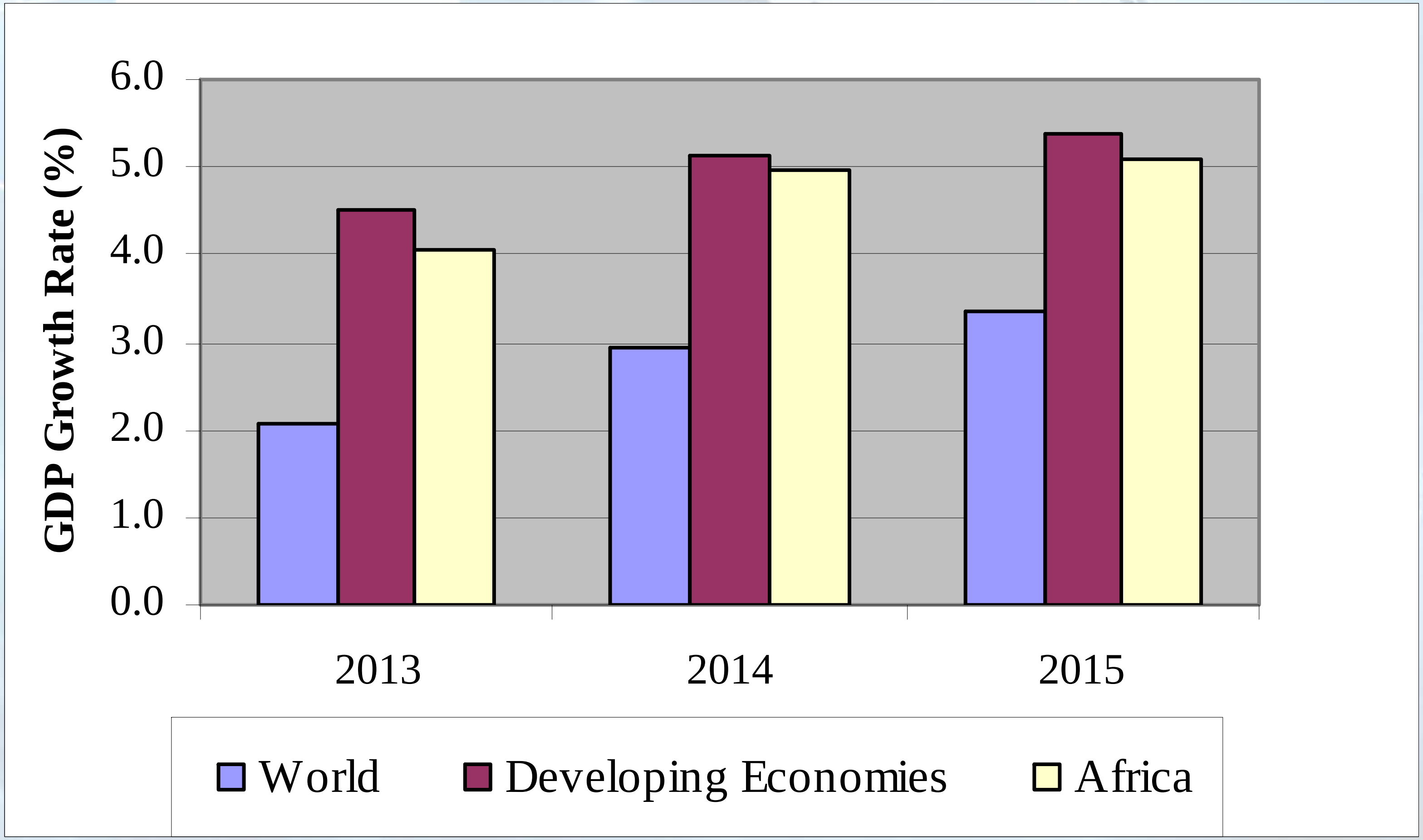
Africa’s Economic Growth

Africa’s medium term growth prospects remain strong as global growth recovers, with growth rates projected to accelerate from 4.5 per cent in 2013 to 5.4 per cent by 2015.

Factors driving this growth include:

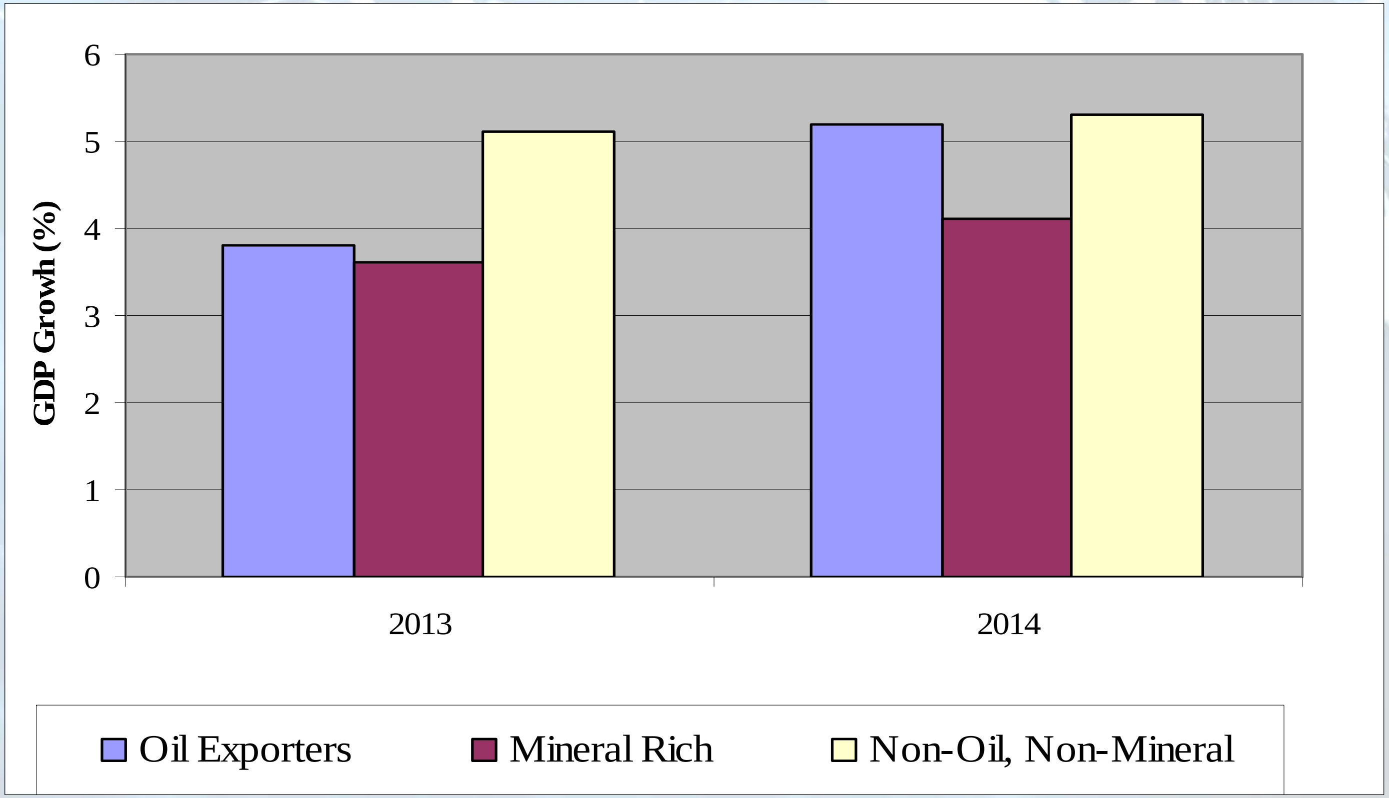
- improvements in global and regional business environments;
- better economic governance and management;
- persisting high commodity prices and demand from within and outside the continent, particularly from emerging markets;
- increasing trade and investment ties;
- infrastructure improvements;
- rising incomes and increasing domestic demand.

Africa’s growth as compared with world and developing economy growth, 2013-2015



Economic Growth – Oil Exporters, Mineral Rich

The growth trajectory for oil exporting countries is positive, expected to rebound from 3.8 per cent in 2013 (down due to disruptions in Libya and elsewhere) to 5.2 per cent in 2014. Mineral-rich countries will grow as well, and non-oil non-mineral countries will continue their high growth.



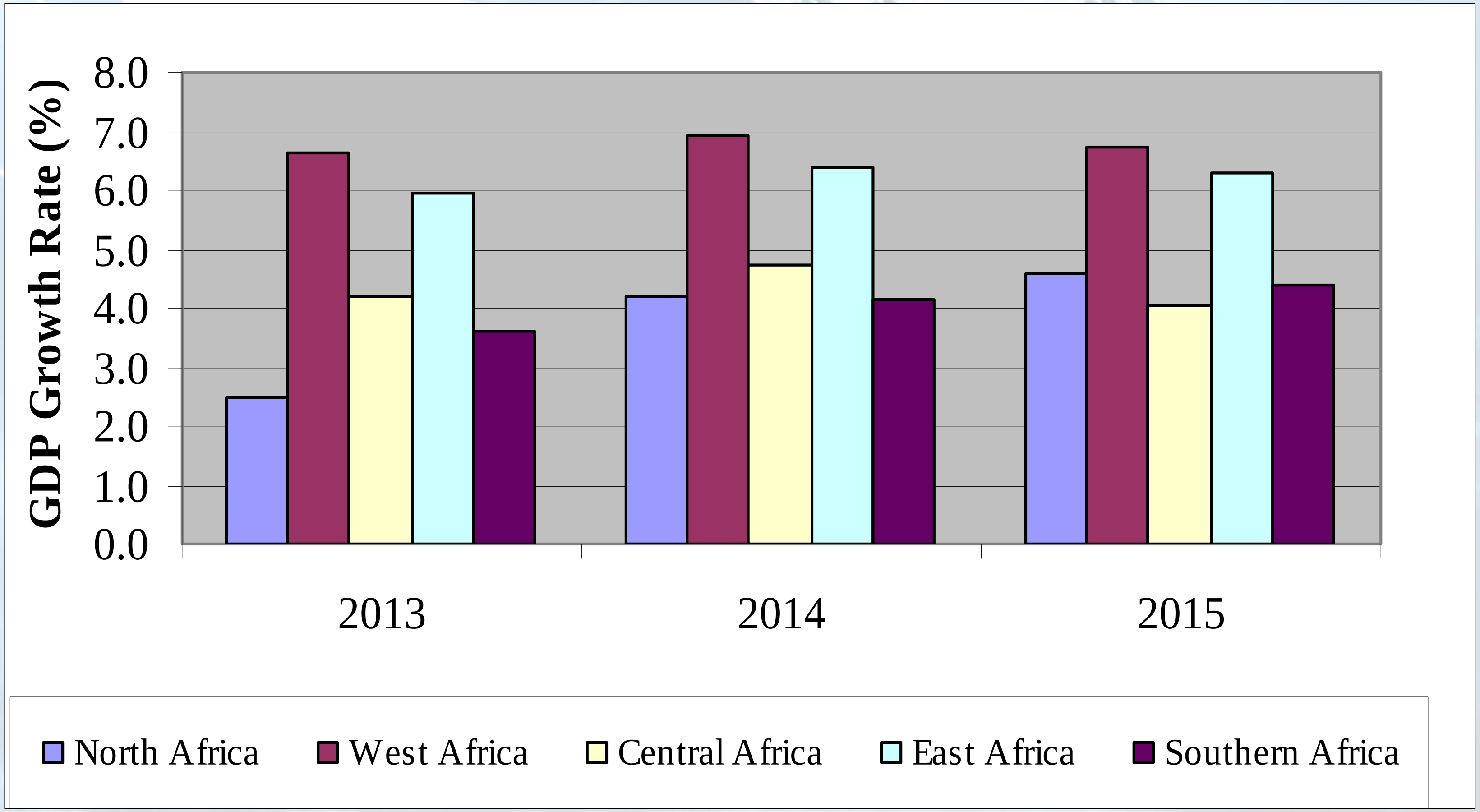
Economic Growth by Sub-Region

- There is significant variation in sub-regional growth performance.

- Investments and recent discoveries of oil and minerals will drive growth in West and East Africa, the two sub-regions with the highest projected growth rates of 6.9 and 6.4 per cent in 2014, respectively.

- Political instability will continue to constrain growth in Central and North Africa, though the latter is projected to rebound to 4.2 per cent in 2014.

Africa’s Sub-Regional Growth Projections, 2013-2015



Declining Inflationary Pressure

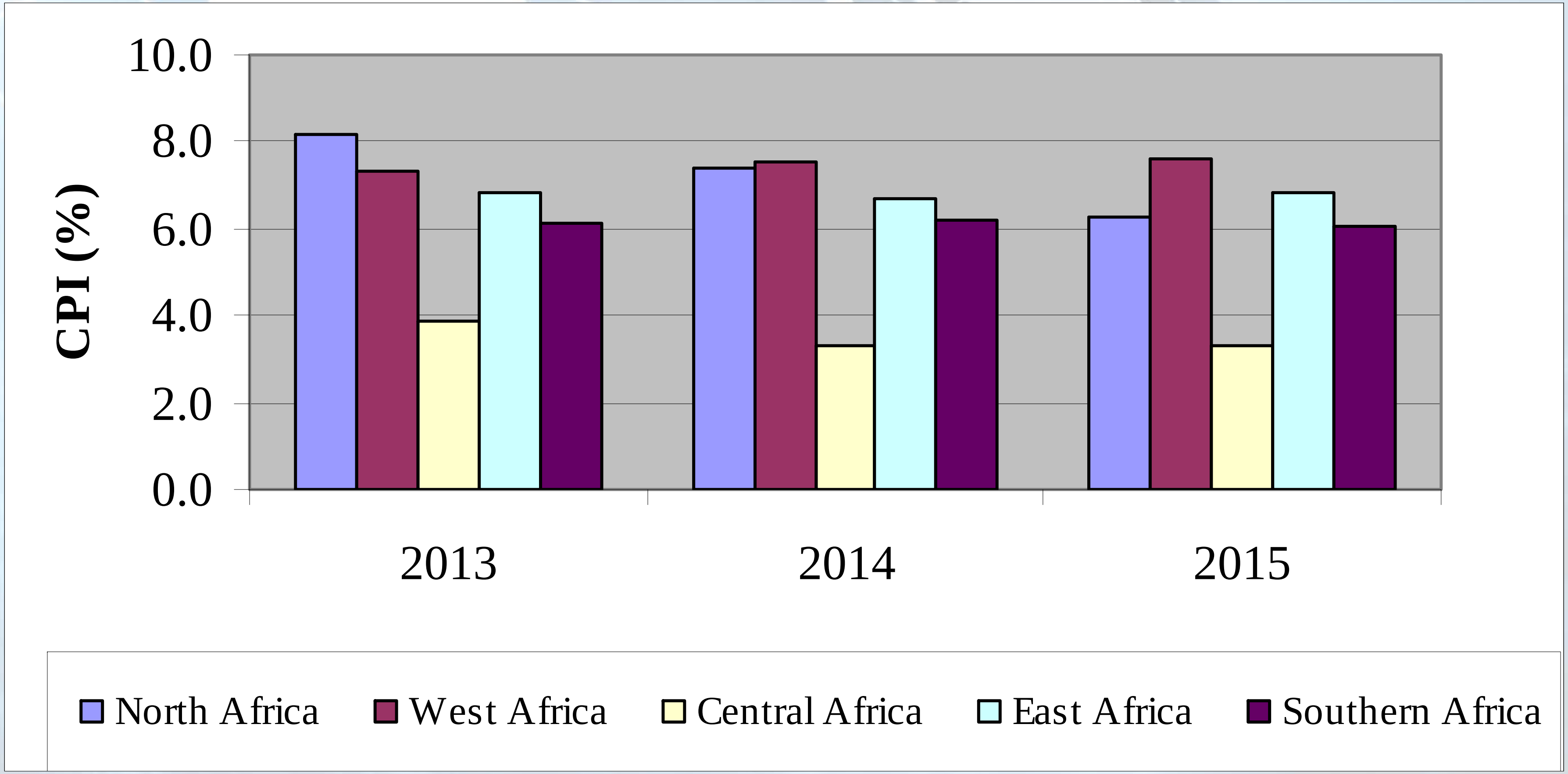
• Inflation is expected to decelerate from an average of 7.0 per cent in 2013 to 6.3 per cent by 2015.

• Declining inflationary pressure is a result of:

- tighter monetary policy, in response to previous price increases and effects of the global financial crisis;
- low food and fuel prices;
- exchange rate devaluations in some countries.

• In fact, continued easing of inflationary pressure has allowed some countries to begin to relax monetary policy.

Inflation in Africa, by sub-region (2013-2015)



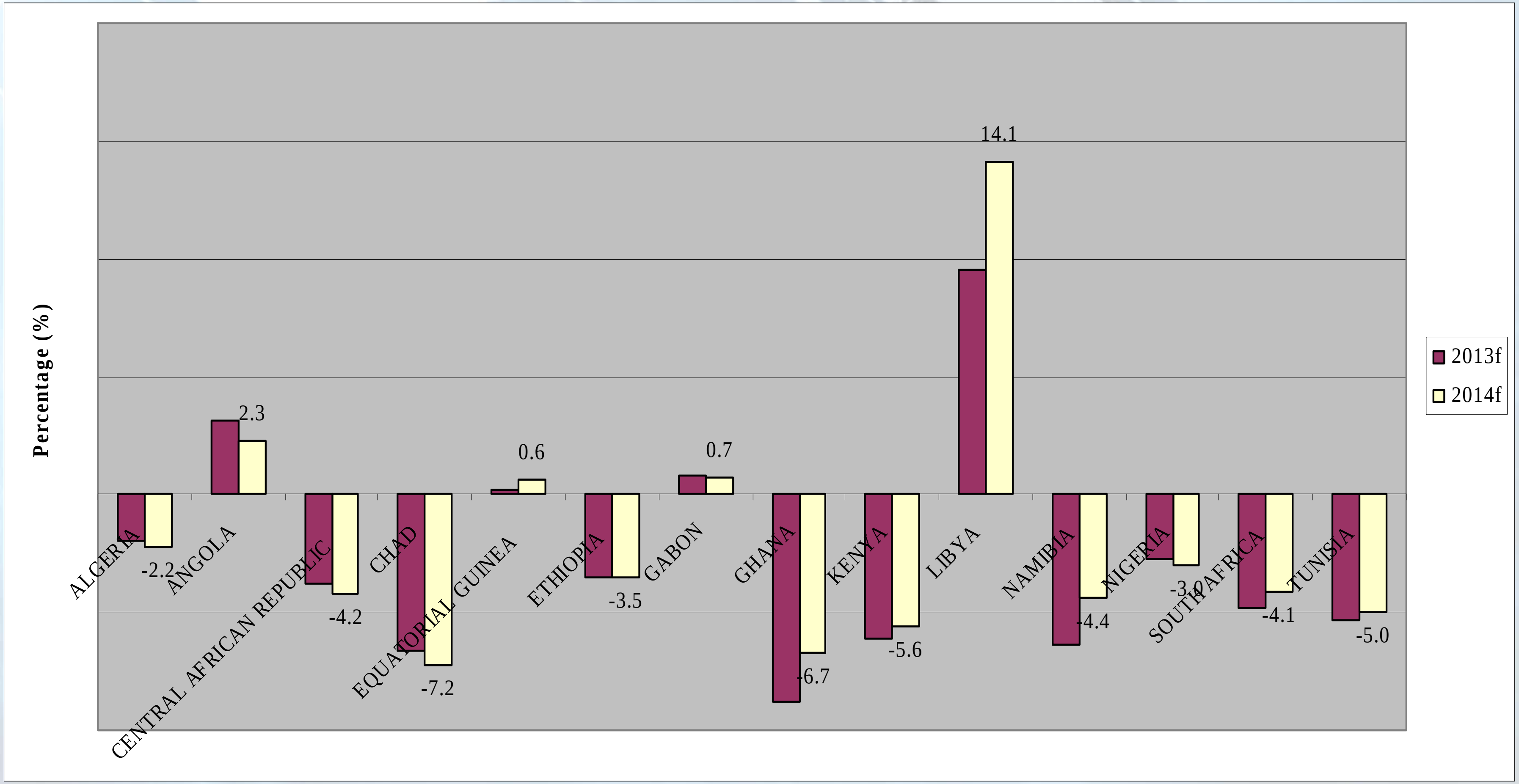
Fiscal balances in Africa

African countries face mounting fiscal pressure due to increased public spending and lagging revenues in oil-importing countries.

The overall fiscal deficit for the continent increased from 1.35 per cent of GDP in 2012 to 1.80 per cent in 2013.

Deficits are particularly prevalent in oil-importing countries, whereas oil-exporters are in fact experiencing fiscal surpluses, of 4.97 per cent in 2013.

Fiscal balances in selected countries (2013-2014)



Fiscal Policy Implications

- Government spending for development programmes is more vital than ever, given the persistence of vulnerable employment, rising inequalities, need to invest in infrastructure and persistently high absolute numbers of Africans living in extreme poverty;
- Yet fiscal policy is under further pressure to fill financing gaps created by stagnant and even declining FDI and ODA flows;
- While FDI inflows to Africa rose 5 per cent from 2011 to 2012, reaching US $50 billion, FDI flows from OECD countries have fallen, and investment from emerging markets, while growing, is still only a small proportion of total flows to the continent;
- This makes imperative the focus on alternative and domestic sources of revenue and financing;
- External partners must also follow-through on commitments for budget support, development project financing and other agreements.

External Balances

• Africa's current account balances, having deteriorated following the global financial crisis, are expected to improve in 2014;

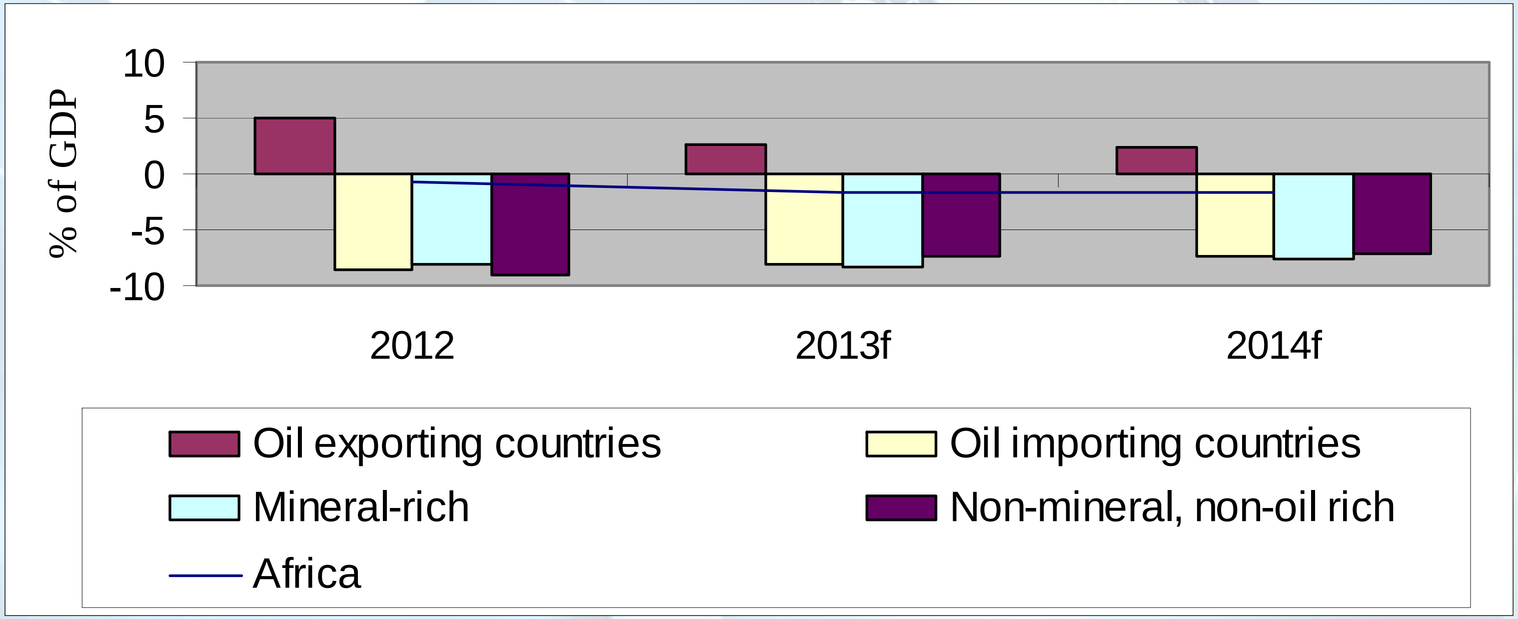
• Deficits are expected to decline slightly, from 1.8 per cent of GDP in 2013 to 1.7 per cent in 2014. This, despite significant variations between oil importing and oil exporting countries;

• This will ease the foreign exchange constraints facing many African countries;

• While trade flows will continue to rise in absolute terms, imports are projected to fall as a per cent of GDP for all sub-regions, and exports will fall as a per cent of GDP in all sub-regions - except East Africa - due to global economic uncertainties;

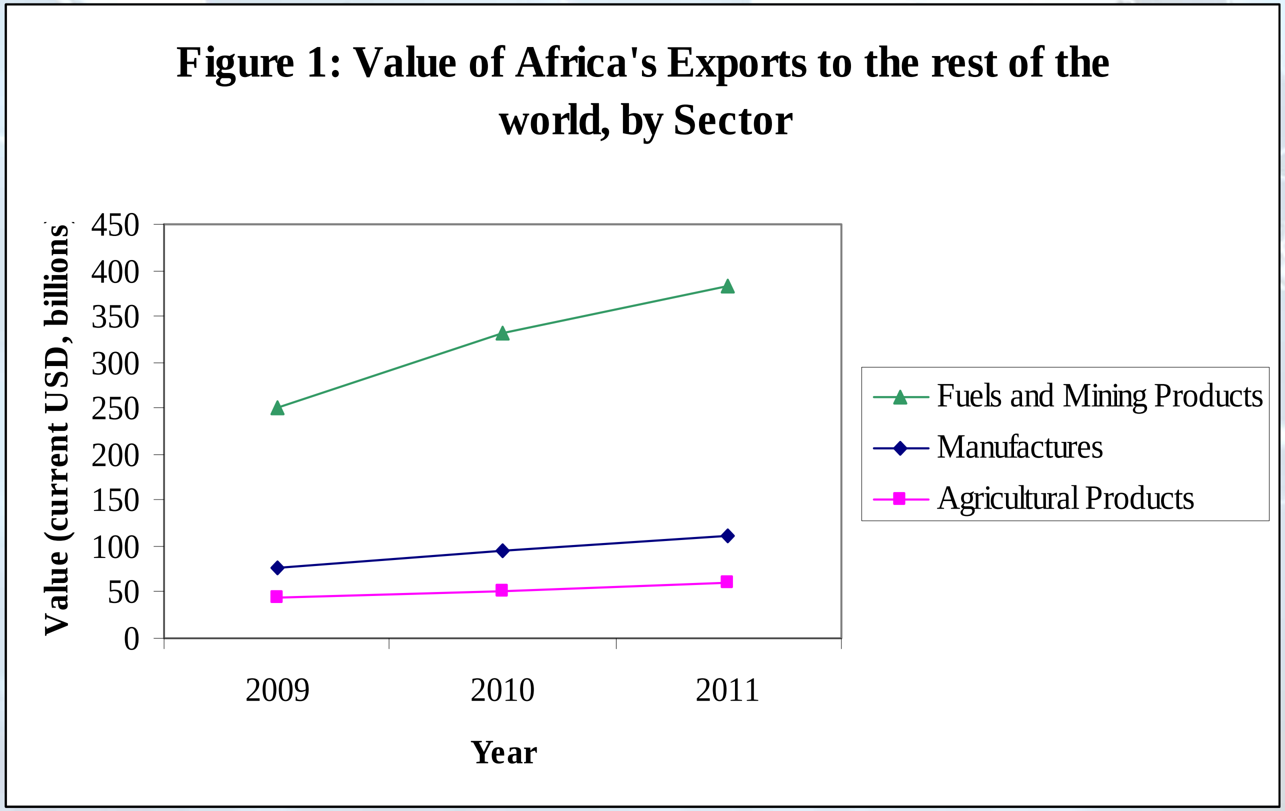
• External debt stocks, having fallen dramatically in the wake of debt forgiveness initiatives, face pressure from increased spending and borrowing. Africa, together with its external partners, must continue to monitor the level and sustainability of new debt.

Current Account Balance (2012-2014)



The interface between mining and manufacturing in Africa

The commodities boom has helped accelerate Africa's strong growth performance, with resources accounting for 24 per cent of Africa's GDP growth over 2002-07, and mining and fuels exports far exceeding agricultural and manufactured exports.



Source: WTO (2012) International Trade Statistics

Mining performance

- In mineral-rich countries in particular, mining product exports may account for well over ten per cent of GDP.

- Recent mineral discoveries and enhanced production create a strong outlook for mining across Africa.

Country	Mining Product Exports (% of GDP)
Botswana	2.83
Gabon	1.27
Guinea	17.59
Mauritania	43.60
Morocco	2.84
Mozambique	14.29
Niger	11.15
South Africa	7.38
Tanzania	4.48
Zambia	36.45
Zimbabwe	13.10

The need for linking mining and manufacturing through value addition

- Most countries have thus far been unable to link successes in mining to manufacturing and other sub-sectors. Manufacturing across the continent is latent, with its contribution to GDP falling from 15.3% to 10.5% over the period 1990-2008.
- Most minerals are exported in raw or low-value-added form, with the greatest returns accrued abroad or by foreign-based firms.
- Mineral-based value addition may, as evidenced elsewhere, bring income and employment multipliers in both mining and manufacturing.
- Linkages, both upstream and downstream, provide more local spillover effects and build a more sustainable development path for mineral-dependent countries.
- As is demonstrated by South Africa, Botswana and elsewhere, economic diversification strategies can lead to a large induced employment and income effect of mining, and a greater capture of higher value-added segments of global production.

Policy imperatives for mineral-based industrialization

- Evidence indicates that concerted state efforts are needed to establish commodity-based or new industries. Policy coordination is vital to provide complementary investments, and to balance the needs of labour- and capital-intensive production, and of upstream- and downstream- linkages.

- Local content policies and knowledge-sharing platforms, for example those governing Mozambique's aluminum supply chain, are vital to boost local capacities for linking-in with mineral extraction and production.

- International cooperation is vital, both in following through on skills and financing for productive activities in Africa, and in opening up policy space for Africa to pursue mineral-based value addition.

- These policy imperatives are captured in ERA 2013 and the African Mining Vision's holistic goal of integrating mining into the greater economy and linking it with national and pan-African development plans.

Overall Downside Risks and Uncertainties

External Risks

- Slower-than-anticipated global economic recovery, especially in the Euro zone and emerging countries, and uncertainty in economic governance in the United States;
- Plateauing global oil prices will drain current account surpluses and exert pressure on fiscal balances;
- Increasing efficiency and a continued moderate level of global growth may lead to declining demand for Africa's commodity exports.

Internal Risks

- Political, civil and labour unrests, arising from growing inequality, poor representation and ongoing conflicts, pose a threat to economic production and macroeconomic stability;
- Gaps in institutions, infrastructure, skills and other areas vital for economic transformation persist;
- Weather-related shocks may negatively affect agricultural production.

Lack of Transformation

- The continent's relatively robust growth has failed to translate into meaningful job creation and broad-based economic and social development. It is therefore essential that African countries embark on strategies to transform their economies.

Africa's Way Forward

- Policies for economic and structural transformation must be developed, by African governments in partnership with the private sector, to make growth more inclusive;
- The recent commodities boom must be more adequately harnessed for transformation and social development;
- Institutional, infrastructure and other deficits must be addressed both domestically, and with cooperation from external partners;
- Regional integration and intra-African trade are key to unlocking the production and trade of manufactured goods;
- Improvements in business environment, economic governance and other areas across Africa should continue;
- External partners must follow through on skills, technology transfer, financing for development and other key commitments.

Thank You