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World Economic Situation and Prospects 2012

Press Release

African economies exceed expectations, although risks lie ahead

UN reports relatively strong though divergent growth performance on the continent in 2011

Johannesburg/Addis Ababa, 17 January 2012: Africa's economy continues its strong march towards recovery, defying the global trend, says the [United Nations](#) economic report [World Economic Situation and Prospects 2012 \(WESP\)](#). The continent is forecast to see an increase in its overall growth from 2.7 per cent in 2011 to 5.0 per cent in 2012 and 5.1 per cent in 2013 (*see table at the end of the release*). This marks a pronounced recovery and a return to the solid growth trend that emerged after the peak of the 2008 global economic crisis.

The report, launched today, says the important driving forces for this trend will be relatively strong commodity prices, solid external capital inflows and a continued expansion of demand and investment from Asia. However, [WESP](#) continues, countries across the continent will continue to have widely divergent growth outcomes owing to military conflicts, lack of infrastructure, corruption and severe drought. In some countries, these factors will severely depress growth and take a grave humanitarian toll.

Relatively positive outlook for South Africa and energy producers in the region

South Africa is forecast to see stronger economic growth in 2012, underpinned by favourable external demand, continued fiscal stimulus and rising consumption driven by higher wages. Elevated oil prices will continue to create significant upside potential for oil-producing economies such as Angola, Ghana and Nigeria. However, infrastructure shortfalls, especially in the energy sector, as well as political instability in the Niger Delta will prevent Nigeria from exploiting its full growth potential. In Angola, the start of operations at a new liquefied natural gas project will boost growth in 2012.

In East Africa, the catastrophic drought has also led to a strong jump in food prices. However, the baseline envisages more normal harvest patterns in 2012, resulting in reduced inflation pressure. In South Africa, rising wages and electricity rates are expected to be partially offset by spare capacity in some sectors, resulting in an inflation rate of about 7.5 per cent in 2012. Across the continent, monetary policy is expected to maintain a tightening bias over the forecast horizon.

South Africa is projected to register a budget deficit of about 5 per cent of gross domestic product (GDP) in 2012. But moderation of spending combined with positive growth prospects is expected to lead to a subsequent decline in the deficit to about 4 per cent of GDP, while the debt level remains below 50 per cent of GDP.

North Africa and the “Arab Spring”

Dramatic political problems and tumultuous change continue to hold economic growth in their grip in North Africa. The economy of Libya is estimated to have contracted by 25 per cent in 2011 in the wake of recent regime change, but reconstruction is expected to drive a rebound in 2012. Egypt, Morocco and Tunisia are all expected to see a more pronounced increase in economic growth in 2012, largely due to the lower baseline established in 2011 by economic fallout from political unrest. Growth rates in the sub-region will remain constrained by the uncertain political conditions, negatively affecting the tourism sector in particular, but the region should see a post-conflict bounce.

East Africa

In East Africa, Kenya will see continued strength in its headline GDP growth figure, driven by infrastructure investment, the expansion of the telecommunication sector and increased banking participation rates. Similarly, UN economists also expect to see solid growth in Uganda on the back of large energy investments, for example, in a new refinery project, although political unrest poses an increasing downside risk. Strong growth in Ethiopia will reflect continued infrastructure improvements, especially in the energy sector, which overshadow the negative impact of drought conditions on agricultural output in some areas. In general, large areas in the Horn of Africa have been hit by a severe drought that is taking a high humanitarian toll, forcing many people to flee their home areas. The United Nations in mid-2011 officially declared a famine to exist in portions of Somalia, where a combination of drought, poverty and military conflict have trapped many people in life-threatening situations, and where survival is tied to external assistance.

Unemployment

Despite the relatively solid expected growth trajectory in Africa, unemployment and poverty remain major problems. Underlying causes include a lack of diversification, particularly into activities generating higher value added, a shortage of skilled workers and low productivity. In South Africa, for example, unemployment will decrease only marginally in 2012 and 2013, remaining above 20 per cent in both years, the UN estimates. In North African countries, high unemployment, especially among youth, was a major catalyst for the protests that led to the change in Government in Egypt and Tunisia. In the short term, the disruption to economic activity resulting from the political changes will lead to a further increase in unemployment, but more significant reforms, including privatizations, could provide significant impetus for a more-dynamic private sector. Correspondingly, the UN projects the unemployment rate in Egypt will rise, from 9 per cent in 2010 to about 12 per cent in 2011, then moderately recede to about 10 per cent after 2012.

Downside risks

The UN notes that its economic outlook for Africa is subject to a number of downside risks. Debt crisis in Europe and in the United States could push the global economy into stagnation, affecting growth in developing countries. Under these adverse developments, Africa's external sector may contract significantly if commodity demand and prices, as well as tourism receipts, decrease. In parallel to this, flows of official development assistance, foreign direct investment and remittances might also fall, negatively affecting Africa's development financing. According to [WESP](#), such a scenario would reduce growth in Africa by 1.7 percentage points in 2012 and 1.5 percentage points in 2013, led by a pronounced economic slowdown in major economies such as South Africa and Nigeria. The possibility of adverse weather conditions poses another significant downside risk, given the large role of agriculture across the continent.

For interviews or to obtain more information in New York, contact Newton Kanhema, tel 1-212-963-5602, e-mail kanhema@un.org, UN Department of Public Information. Join Rob Vos, Director of [UN/DESA's Development Policy and Analysis Division \(DPAD\)](#) and economists from DPAD's Global Economic Monitoring Unit on 20 January from 9:00 - 10:00 am EST for a [live Facebook chat](#) (<http://on.fb.me/wesp2012>) on the world economy. Follow us on [Twitter](#) (<https://twitter.com/#!/UNDevelopPolicy>) at #WESP2012.



Africa: Rates of growth of real GDP, 2008-2013^a

Annual percentage change						
	2008	2009	2010	2011 ^b	2012 ^c	2013 ^c
Africa	4.6	0.8	3.9	2.7	5.0	5.1
North Africa	4.6	3.2	4.0	-0.5	4.7	5.5
Algeria	2.4	2.4	3.3	4.6	4.0	4.5
Egypt	7.2	4.7	5.1	1.3	3.8	5.5
Libya	2.7	-0.7	4.2	-22.0	13.2	11.5
Morocco	5.6	4.9	3.3	3.8	3.3	4.5
Tunisia	4.5	3.1	3.7	-0.6	3.2	3.6
Sub-Saharan Africa	4.7	-0.4	3.9	4.4	5.2	5.0
Angola	13.8	2.4	3.4	4.1	9.2	7.5
Benin	5.0	2.7	2.6	3.4	4.3	4.6
Botswana	2.9	-4.9	7.2	5.8	5.9	4.0
Burkina Faso	6.4	3.2	5.8	4.4	5.8	5.6
Burundi	4.3	3.4	3.9	3.5	4.5	4.2
Central African Republic	4.4	1.8	3.3	4.3	4.8	4.6
Cameroon	2.9	1.6	3.0	3.0	4.3	4.0
Cape Verde	6.2	3.6	5.4	5.2	4.8	5.3
Chad	0.3	0.3	5.1	4.5	6.5	5.3
Comoros	1.0	1.8	2.1	2.5	3.0	2.8
Congo, Democratic Republic of	6.1	2.8	7.2	6.5	6.3	6.4
Congo, Republic of	5.9	7.5	8.7	5.1	6.2	3.0
Cote d'Ivoire	3.8	0.0	2.6	-4.0	3.5	4.1
Djibouti	5.0	5.5	4.5	4.6	4.4	4.2
Equatorial Guinea	15.2	4.6	-0.8	4.3	3.2	3.2
Eritrea	-9.8	3.6	1.8	17.2	5.5	5.2
Ethiopia	10.8	8.8	12.4	7.4	8.1	8.2
Gabon	1.7	-0.4	5.6	5.6	4.7	3.0
Gambia	5.6	6.3	6.1	5.6	5.7	5.1
Ghana	8.4	4.0	7.7	12.2	7.4	7.1
Guinea	4.9	-0.3	1.9	4.0	5.0	3.7
Guinea-Bissau	4.0	7.9	1.6	5.3	4.8	4.0
Kenya	1.5	2.6	5.6	4.7	5.7	5.3
Lesotho	4.7	3.0	2.4	3.5	5.6	5.9
Liberia	7.1	4.6	5.1	6.7	7.0	6.4
Madagascar	7.1	-4.1	0.5	1.7	4.7	4.9
Malawi	8.3	8.9	6.7	4.4	6.1	6.5
Mali	5.0	4.5	4.5	5.4	5.5	5.2
Mauritania	0.8	1.6	4.7	5.5	5.8	5.1
Mauritius	5.5	3.0	4.0	4.3	3.5	4.1
Mozambique	6.8	6.3	7.0	7.3	8.0	8.5
Namibia	4.3	-0.7	4.4	3.5	5.0	5.9
Niger	9.6	-0.9	7.5	5.0	8.5	7.2
Nigeria	2.3	-8.3	2.8	6.3	6.8	7.0
Rwanda	11.5	6.1	7.5	7.2	8.0	7.6
Sao Tome and Principe	9.4	4.8	4.5	4.5	2.9	2.8
Senegal	3.2	2.2	4.2	4.3	4.5	5.5
Sierra Leone	4.7	4.9	4.9	5.6	6.0	5.8
South Africa	3.6	-1.7	2.8	3.1	3.7	3.5
Sudan	7.8	8.2	5.1	4.1	4.3	4.2
United Republic of Tanzania	7.4	6.0	6.8	6.3	6.9	4.0
Togo	2.4	3.6	3.7	3.9	4.2	4.1
Uganda	10.4	4.4	2.5	5.6	5.1	6.3
Zambia	6.0	6.1	7.1	6.6	7.0	6.5
Zimbabwe	-4.7	7.3	9.0	4.5	2.4	1.6
Sub-Saharan Africa (excluding South Africa and Nigeria)	6.5	3.6	5.1	4.8	5.8	5.3

Source: United Nations, *World Economic Situation and Prospects 2012*.

a Regional averages are calculated as a weighted average of individual country growth rates of GDP, where weights are based on GDP in 2005 prices and exchange rates.

b Partly estimated.

c Baseline scenario forecasts, based in part on Project LINK and UN/DESA World Economic Forecasting Model.

Africa: the downside scenario^a

Annual percentage change						
Rates of growth of real GDP	2010	2011 ^b	Downside scenario		Difference with the baseline scenario	
			2012 ^c	2013 ^c	2012	2013
World	4.0	2.8	0.5	2.2	-2.1	-1.0
Developed economies	2.7	1.3	-0.9	1.1	-2.1	-0.8
European Union	2.0	1.6	-1.6	1.0	-2.3	-0.6
Japan	4.0	-0.5	0.5	1.2	-1.5	-0.8
United States	3.0	1.7	-0.8	1.1	-2.3	-0.9
Economies in transition	4.1	4.1	-2.0	3.3	-5.9	-0.9
Developing economies	7.5	6.0	3.8	4.5	-1.7	-1.4
Africa	3.9	2.7	3.3	3.7	-1.7	-1.5
North Africa	4.0	-0.5	4.7	4.6	-0.2	-1.3
Egypt	5.1	1.3	3.0	4.3	-0.8	-1.2
Sub-Saharan Africa	3.9	4.4	2.6	3.2	-2.6	-1.8
Nigeria	2.8	6.3	4.2	5.2	-2.6	-1.8
South Africa	2.8	3.1	0.0	1.7	-3.7	-1.8
Sub-Saharan Africa (excluding South Africa and Nigeria)	5.1	4.8	4.0	3.5	-1.8	-1.8

Source: United Nations, *World Economic Situation and Prospects 2012*.

a Regional averages are calculated as a weighted average of individual country growth rates of GDP, where weights are based on GDP in 2005 prices and exchange rates.

b Partly estimated.

c Downside scenario forecasts, based in part on Project LINK and UN/DESA World Economic Forecasting Model.