

World Economic Situation and Prospects 2014

Robust economic growth expected to continue in Africa, says UN report

Mounting unrest across continent and other internal and external risks could derail progress

Johannesburg, 21 January—Africa's economic growth prospects remain relatively robust and should continue to increase according to the United Nations *World Economic Situation and Prospects 2014 (WESP)* released today. After an estimated growth of 4.0 per cent in 2013, as measured by Gross Domestic Product (GDP), economic growth in Africa is projected to accelerate to 4.7 per cent in 2014 and 5.0 per cent in 2015.

Growth prospects in Africa are expected to be supported by improvements in the global economic and regional business environment, relatively high commodity prices, easing infrastructural constraints, and increasing trade and investment ties with emerging economies. Other important factors for Africa's medium-term growth prospects include increasing domestic demand—especially from a growing class of new consumers associated with urbanization and rising incomes—and improvements in economic governance and management.

Other economic indicators vary. Inflation across Africa is expected to decelerate slightly from an average of 8.0 per cent in 2013 to 7.8 per cent in 2014. Africa's average fiscal deficit increased from 1.35 per cent in 2012 to 1.80 per cent of GDP in 2013. Africa's overall current-account deficit is expected to slightly decline from 1.8 per cent of GDP in 2013 to 1.7 per cent in 2014.

Sub-regions show varying picture

East Africa

Growth in East Africa is expected to increase from 6.0 per cent in 2013 to 6.4 per cent in 2014. Real GDP growth in East Africa will benefit from several positive factors, including: increased consumer spending in Kenya; increased consumption and investment in the natural gas sector in Tanzania; increased activity in construction, transport, telecommunications, financial services, exploration and construction in the burgeoning oil industry in Uganda; and improved agricultural and service sector growth spearheaded by the wholesale and retail trade sector performance in Ethiopia. In Ethiopia, GDP growth was 6.9 per cent in 2013, and is expected to be 6.5 per cent in 2014, and inflation is expected to pick up slightly next year to 9.5 per cent from 9.1 per cent in 2013.

Southern Africa

Growth is projected to increase from 3.6 per cent in 2013 to 4.2 per cent in 2014 in Southern Africa. Growth prospects in Southern Africa are improving, largely because of projected increases in South Africa's growth rate from 2.7 per cent in 2013 to 3.3 per cent in 2014, declining labour market unrest, increased investments, and rising mineral output. Southern Africa is likely to attract increased foreign investment thanks to huge coal deposits and offshore gas discoveries in Mozambique, increased oil output in Angola, and the increased investment in the copper sector in Zambia and uranium mining in Namibia.

North Africa

Political instability and disruptions in oil output continue to weaken growth prospects in North Africa, especially in Egypt, Libya and Tunisia. Growth in North Africa is expected to improve from 2.3 per cent in 2013 to 3.3 per cent in 2014, contingent on the assumption that some stability returns. Despite the positive growth

picture, the employment situation remains a major problem across North Africa. High youth unemployment is a concern that continues to contribute to social pressures. Wide gender disparities in employment and earnings are also a significant issue. Women face unemployment rates that are at least double that of men in countries such as Algeria and Egypt.

West Africa

Growth in West Africa is expected to increase from 6.7 per cent in 2013 to 6.9 per cent in 2014. West Africa will continue to attract investments in the oil and minerals sector, a key source of growth in the sub-region, especially in countries such as Burkina Faso, Ghana, Guinea, Liberia, Niger, Nigeria and Sierra Leone.

Central Africa

Central Africa's growth is expected to accelerate in 2014 to 4.8 per cent from a decrease to 4.2 per cent in 2013, mainly due to political instability and violence in the Central African Republic, deceleration in oil production in the Congo (Brazzaville) and Equatorial Guinea, and reduction in oil exports from Gabon.

Growth falling below potential

The report notes that Africa's recent growth is heavily driven by commodity production and exports, but remains far below the continent's potential. Growth is still failing to translate into meaningful job creation and the broad-based economic and social development needed to reduce the high poverty and rising inequality rates in many countries. The informal sector is still large and opportunities remain limited for many seeking to enter the labour market, as seen by high youth unemployment rates and wide gender disparities in earnings. Continual pressure on labour markets from a steady stream of new entrants due to population growth has meant that even solid GDP growth rates have not been sufficient to make measurable impacts.

The lack of economic diversification away from the heavy dependence on resource extraction or agriculture is a key reason why labour demand is not more dynamic. However, continued growth in other sectors such as telecommunications, financial services, transport and construction in countries such as Ghana, Kenya and Nigeria is helping to change this situation.

The recent strong performance of Africa's mineral sector again shows the importance of mining to the continent's economic growth, and the potential for greater linkages between mining and the economy as a whole. The report says it is time to transform Africa's economies by capitalizing on high demand and investment, and enhancing linkages between mining and manufacturing.

Risks and uncertainties for African prospects

Despite the expected robust growth prospects, some significant internal and external downside risks and uncertainties could derail progress in Africa. A global economic slowdown would have a significant negative impact on Africa's performance. Changes in global commodity prices and terms of trade are also key risk factors Africa faces. Political, civil and labour unrest still pose a significant threat to economic activity in several African countries, including Central African Republic, the Congo, Democratic Republic of the Congo, Egypt, Libya, Mali, Somalia, South Africa, South Sudan and Tunisia. In addition, with many African economies relying on agriculture, weather-related shocks represent a key downside risk for economic growth and upside risk for agricultural prices.

Table: Africa: rates of growth of real GDP, 2010-2015

	2010	2011	2012	2013 ^a	2014 ^b	2015 ^b
Africa	4.6	0.8	5.7	4.0	4.7	5.0
North Africa	3.7	-6.1	7.2	2.3	3.3	4.3
Algeria	3.6	2.6	2.6	3.0	3.6	3.5
Egypt	3.4	2.0	2.2	2.0	2.2	3.3
Libya	4.3	-61.3	104.5	-3.0	5.3	9.4
Mauritania	5.6	5.1	4.6	6.1	5.9	6.2
Morocco	3.6	5.0	2.7	4.6	4.0	4.9
Sudan	4.5	-2.2	-4.0	2.0	2.5	3.3
Tunisia	3.2	-1.9	4.2	2.9	3.6	4.5
East Africa	7.0	6.5	6.0	6.0	6.4	6.4
Burundi	3.9	4.0	5.2	4.4	4.6	4.9
Comoros	2.0	2.1	2.5	3.4	3.8	4.1
Democratic Republic of the Congo	7.2	6.9	7.2	7.4	8.7	8.9
Djibouti	3.5	4.8	4.7	5.3	5.8	6.4
Eritrea	2.2	8.7	7.5	6.0	6.6	5.0
Ethiopia	12.6	11.2	8.5	6.9	6.5	6.4
Kenya	5.8	4.4	4.6	5.0	5.5	5.7
Madagascar	0.4	1.3	2.7	2.6	3.6	4.0
Rwanda	7.2	8.2	8.0	7.4	7.6	6.7
Somalia	2.6	2.6	2.6	2.0	3.0	4.0
Tanzania	7.0	6.4	6.9	7.2	7.3	6.9
Uganda	6.2	6.1	4.4	5.8	6.6	6.9
Central Africa	5.2	3.9	5.8	4.2	4.8	4.1
Central African Republic	3.0	3.3	4.0	-8.9	1.2	1.8
Cameroon	3.2	4.2	5.3	5.0	5.2	5.3
Chad	14.6	3.6	5.9	4.5	7.2	4.8
Congo	8.7	6.0	6.8	6.0	6.2	5.9
Equatorial Guinea	1.3	-0.6	5.7	1.8	1.1	-1.3
Gabon	5.6	7.1	6.2	5.5	5.4	5.4
Sao Tome and Principe	4.6	4.5	6.5	3.9	4.2	4.5
West Africa	6.9	6.1	6.7	6.7	6.9	6.8
Benin	2.6	3.5	5.4	4.2	4.1	4.0
Burkina Faso	8.4	5.1	6.2	6.9	7.1	6.8
Cabo Verde	1.5	5.0	4.3	3.0	3.4	3.9
Cote D'Ivoire	2.4	-4.7	8.6	8.8	7.2	6.7
Gambia	6.5	-4.6	6.3	8.0	7.5	6.4
Ghana	8.0	15.0	7.9	8.0	8.6	8.9
Guinea	1.9	3.9	3.9	3.5	5.0	5.1
Guinea-Bissau	4.4	5.3	-2.8	1.9	3.8	3.5
Liberia	7.3	8.2	11.3	7.5	7.3	7.0
Mali	5.8	2.7	-1.2	4.5	6.1	5.9

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	2010	2011	2012	2013 ^a	2014 ^b	2015 ^b
Niger	8.4	2.3	10.8	5.7	6.4	6.1
Nigeria	7.8	6.8	6.5	6.5	6.9	6.7
Senegal	4.3	2.1	3.8	4.3	4.7	4.4
Sierra Leone	5.3	6.0	32.5	14.5	11.2	9.5
Togo	4.0	4.9	5.9	5.8	6.1	6.2
Southern Africa	3.7	4.0	3.5	3.6	4.2	4.4
Angola	3.5	3.9	6.8	6.8	6.9	6.7
Botswana	8.6	6.1	3.7	4.1	4.0	3.9
Lesotho	7.9	3.7	4.0	4.6	5.7	5.2
Malawi	5.6	7.0	1.8	4.5	4.4	4.2
Mauritius	4.1	3.8	3.2	3.1	3.7	3.9
Mozambique	7.1	7.3	7.4	6.5	7.3	7.1
Namibia	6.0	4.9	5.0	4.2	6.1	5.9
South Africa	3.1	3.5	2.5	2.7	3.3	3.7
Zambia	7.6	6.8	7.3	7.7	7.9	7.4
Zimbabwe	9.6	10.6	4.4	2.2	2.4	2.5

Source: UN/DESA, based on data of the United States Statistics Division and individual national sources.

Note:

^a Partly estimated.

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

WESP is produced at the beginning of each year by the UN Department of Economic and Social Affairs (UN/DESA), the United Nations Conference on Trade and Development (UNCTAD) and the five United Nations regional commissions.

For more information, visit: <http://www.un.org/en/development/desa/policy/wesp/index.shtml>

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