Rebound in economic growth in Africa amid downside risks

*International cooperation remains essential to support vaccine distribution*

Addis Ababa, 14 January – Economic activities in Africa are improving after an unprecedented downturn in 2020, according to the United Nations World Economic Situation and Prospects (WESP) 2022, which was launched today.

The report notes that the global economic recovery is facing significant headwinds amid new waves of COVID-19 infections, persistent labour market challenges, lingering supply-chain challenges and rising inflationary pressures. After expanding by 5.5 per cent in 2021, the global output is projected to grow by only 4.0 per cent in 2022 and 3.5 per cent in 2023.

"Without a coordinated and sustained global approach to contain COVID-19 that includes universal access to vaccines, the pandemic will continue to pose the greatest risk to an inclusive and sustainable recovery of the world economy," noted Liu Zhenmin, Under-Secretary-General of the United Nations Department of Economic and Social Affairs.

*Substantial challenges may place a wrench on a promising recovery*

Most African economies remain well in the grip of the pandemic, with several economies going through their highest waves of infection yet due to the spread of the Omicron variant. The African population woefully remains the most under-vaccinated in the world as challenges in accessing vaccines and with logistics and infrastructure as well as hesitancy and hoarding by developed nations have impeded faster immunization in the continent, with dire consequences for public health and development.

Domestic political instability is also disrupting lives and depressing investment across the region as major tensions build within and between several African countries. Conflict and unrest aggravate existing challenges, such as poverty, unemployment, food insecurity and internal displacement, which undermine the economic potential of the continent.

After expanding 3.8 per cent in 2021, aggregate output in Africa is forecast to grow 4.0 per cent in 2022. The recovery is underpinned by improving investment rates, and robust export and commodity price increases. The latter is allowing some fiscal space to African commodity exporters, battered by commodity price downturns in recent years. However, the economic recovery in tourism-dependent countries is fragile and subject to renewed shocks to global travel.
The balance of risks remains tilted to the downside, with African countries facing a highly uncertain external environment. New variants may cause a renewed bout of travel bans, adversely affecting tourism and the flow of essential goods to Africa. Looming changes to monetary policy in major economies, including the US and Europe, may cause a sudden tightening of financial conditions at a time when African governments are struggling to contain public debt and facing high development spending needs and difficulty mobilizing additional revenue. Domestic risks from extreme weather events due to climate change and possible escalation of tense security situations also weighs on prospects for several countries.

**Policy action must balance controlling the pandemic and securing the future**

As the pandemic drags on, policy priorities must remain focused on containing the virus, supporting health spending, and providing emergency assistance. Reducing the vulnerability of the population is key to boost economies without facing constant outbreaks, including of new and more dangerous variants. This can only happen with accelerated vaccination and multilateral cooperation, recognizing the public good nature of vaccines.

Beyond focusing on the short term, African economies also need to prioritize sustainable and inclusive development, through expanding productive capacities, such as in services and manufacturing, and taking advantages of digitalization and new technologies.

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