



## **Economic growth in Africa decelerates before full recovery from pandemic-led contraction.**

### *A confluence of shocks on African economies raised imbalances and elevated risks*

**Addis Ababa, 25 January** – Economic growth in Africa is forecast to slow down this year while the level of economic activities remains below the pre-pandemic level, according to **the United Nations World Economic Situation and Prospects (WESP) 2023**, which was launched today.

A series of severe and mutually reinforcing shocks — the COVID-19 pandemic, the war in Ukraine and resulting food and energy crises, surging inflation, debt tightening, as well as the climate emergency — battered the world economy in 2022. Against this backdrop, world output growth is projected to decelerate from an estimated 3.0 per cent in 2022 to 1.9 per cent in 2023, marking one of the lowest growth rates in recent decades.

The report presents a gloomy and uncertain economic outlook for the near term. Global growth is forecast to moderately pick up to 2.7 per cent in 2024 as some of the headwinds will begin to subside. However, this is highly dependent on the pace and sequence of further monetary tightening, the course and consequences of the war in Ukraine, and the possibility of further supply-chain disruptions.

The tepid global economic prospects also threaten the achievement of the the 17 Sustainable Development Goals (SDGs), whose mid-point review lies ahead at the 2023 SDG Summit in September.

“This is not the time for short-term thinking or knee-jerk fiscal austerity that exacerbates inequality, increases suffering and could put the SDGs farther out of reach. These unprecedented times demand unprecedented action,” said António Guterres, United Nations Secretary-General. “This action includes a transformative SDG stimulus package, generated through the collective and concerted efforts of all stakeholders,” he added.

### **Africa facing a confluence of shocks**

Economic growth of Africa is estimated to weaken to 3.8 per cent in 2023 from 4.1 per cent in 2022 due to subdued investment and falling exports. As for sub-regional trends in 2023, growth is expected to edge up in West Africa, stabilize in Central and East Africa, and to decelerate in North and Southern Africa.



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The continent has been hit by a confluence of shocks, comprising weaker external demand, a sharp uptick in global inflation, higher borrowing costs and adverse weather events. These are undermining its full recovery from the pandemic. Real output losses compared to pre-pandemic projections continue to be large, with Africa remaining a full 2.4 percentage points below its pre-pandemic projected real output. This contrasts with developed economies, which have largely recovered from their output losses in 2020.

Price levels have risen significantly in African countries, driven mainly by supply chain disruptions and the fallout from the war in Ukraine, which sharply increased the prices of essential food items and energy. Weaker national currencies against the dollar amplified inflationary pressures. Low and falling growth in income per capita – estimated to fall to 1.4 per cent in 2023 after averaging 1.6 per cent in 2021 and 2022 – will keep poverty entrenched in the continent and prevent countries from accelerating progress towards the SDGs.

To combat inflation and exchange rate pressure, about two thirds of African countries increased policy interest rates in 2022, while fiscal space remained constrained to support economic growth and sustainable development.

### **Mounting policy challenges amid worsened external economic environment**

The advantages of higher commodity prices are likely to be short-term for commodity exporters in Africa as market conditions are forecast to weaken, given the expected global economic slowdown. In parallel with the projected monetary stance of the Federal Reserve in the United States and the European Central Bank, most African countries will likely further increase policy interest rates in 2023. Given higher interest rates, weaker exchange rates and lower capital inflows, a number of African countries will face challenges in servicing and rolling over their hard-currency denominated external debt.

African governments will likely continue to pursue fiscal consolidation to counter higher interest costs and maintain debt sustainability. Achieving such goals will be very challenging and most likely will depend on prioritizing spending, increasing spending efficiency and improving revenue mobilization.

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*The full report will be available on 25 January 2023, 12:00 noon EST at:*

<https://desapublications.un.org/>

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