



Under embargo until 4 January 2024, 12:30 pm EST

African economies to grow modestly in 2024 amidst high borrowing costs, geopolitical instability and climate change impacts, according to UN flagship economic report

Slower global growth, tightening monetary conditions and elevated inflation weigh on growth outlook and sustainable development

Addis Ababa, 25 January – Economic growth in Africa is projected to remain modest in 2024 with geopolitical tensions, the climate crisis and debt sustainability risks clouding the outlook, according to the **UN World Economic Situation and Prospects (WESP) 2024**.

The UN's flagship economic report presents a sombre global economic outlook for the near term. Persistently high interest rates, further escalation of conflicts, sluggish international trade, and increasing climate disasters, pose significant challenges to global growth. Global economic growth is projected to slow from an estimated 2.7 per cent in 2023 to 2.4 per cent in 2024, trending below the pre-pandemic growth rate of 3.0 per cent.

The prospects of a prolonged period of tighter credit conditions and higher borrowing costs present strong headwinds for a world economy saddled with debt, while in need of more investments to resuscitate growth, fight climate change and accelerate progress towards the [Sustainable Development Goals \(SDGs\)](#).

“2024 must be the year when we break out of this quagmire. By unlocking big, bold investments we can drive sustainable development and climate action, and put the global economy on a stronger growth path for all,” said António Guterres, United Nations Secretary-General. “We must build on the progress made in the past year towards an SDG Stimulus of at least \$500 billion per year in affordable long-term financing for investments in sustainable development and climate action.”

Africa: Declining growth figures due to fiscal constraints and inflation

Economic growth in Africa is projected to remain modest, buffeted by the global economic slowdown, tighter monetary and fiscal conditions, and a worsening debt sustainability situation,



reaching 3.5 per cent in 2024, a slight improvement from 3.3 per cent in 2023. Many African economies faced significant inflationary pressures in 2023, largely because of high fuel and food prices. Several African currencies, except for the institutionally pegged CFA Franc, faced depreciation pressures due to weak export earnings and limited external financing inflows. These challenges notwithstanding, the continent's economy is forecast to grow by 4.2 per cent in 2025.

High debt burden and exorbitant borrowing costs limit space for investment and growth

Debt sustainability challenges pose a significant headwind to Africa's growth prospects. According to the latest estimates, 18 countries in Africa recorded a debt-to-GDP ratio of over 70 per cent in 2023, with many of them facing debt distress. Access to, and high cost of, development financing remains a daunting challenge, with debt overhangs preventing many African countries from accessing funds at affordable rates from international capital markets. Borrowing costs remain elevated, with estimates showing that borrowing costs for the African countries are approximately 4 times higher than that of the developed countries.

Weak trade performance, climate change impacts and geopolitical instability cloud outlook

The overall weak trade performance globally has also weighed down on African growth, due to a subdued demand from key export markets and commodity prices levelling off. The Africa Continental Free Trade Agreement (AfcFTA) is still being rolled out and its impact is yet to materialise. The geopolitical instability will continue to adversely impact several subregions in Africa, notably the Sahel and North Africa.

The effects of climate change continue to pose significant downward risks for Africa's economy. The continent is losing out on its economic potential due to the rising frequency and impacts of climate-induced events and natural disasters. Although several countries have become increasingly active in investing in the green transition, climate financing flows to Africa fall far short of its needs – the estimated annual financing gap is about US\$120 billion, and the continent receives only 2 per cent of global clean energy finance flows. The Loss and Damage Fund, formally adopted at the COP28 Climate Summit, is expected to redress some of the climate finance gaps in Africa.

###

The full report will be available on 4 January 2024, 12:30 pm EST at:

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



**United
Nations**

Department of
Economic and
Social Affairs

Media contacts:

Sharon Birch, UN Department of Global Communications, birchs@un.org

Leah Kennedy, UN Department of Economic and Social Affairs, kennedy1@un.org