
World Economic Situation and Prospects 2013

UN report: Africa's economy rebounding despite global downturn

Africa's increasing trade and investment ties with emerging and developing economies are likely to mitigate the impact of negative shocks emanating from the recession in Europe.

Addis Ababa, 17 January: Africa will defy the global economic slowdown in 2013, with most countries predicted to post much stronger growth than the global average, according to the UN economic annual report, World Economic Situation and Prospects 2013 (WESP) that was launched today.

Despite the global slowdown, Africa's economic growth rate (excluding Libya) will see a visible rebound to 4.5 per cent in 2013 compared to 3.4 per cent in 2012. The upward trend is expected to continue in 2014, with growth reaching 5.0 per cent.

The report said the key factors underpinning Africa's strong growth prospects include solid growth in oil-exporting countries supported by increased oil production and continued high prices, as well as increased fiscal expenditure, especially on infrastructure.

Developing economies saw a slowdown in their aggregate growth rate in 2012 to 4.7 per cent, compared with 5.7 per cent in 2011. There were two major outliers from this performance: Africa registered a sharp increase in growth to 5.0 per cent in 2012 (including Libya) after a more pronounced slowdown in 2011 caused by the political changes in North Africa; and Western Asia, where growth decreased markedly, mainly owing to the weaker performance of the oil-importing countries in the sub-region, said WESP.

According to the WESP report, developing economies will register a moderate acceleration in economic growth to 5.1 per cent in 2013 and 5.6 per cent in 2014. As the effects of this year's rebound in North African growth fade, Africa will experience a modest slowdown in growth in 2013. While these rates remain below those achieved in the years before the economic crisis, they still set developing economies apart from the much lower growth rates of developed economies.

WESP says Africa's increasing trade and investment ties with emerging and developing economies are likely to mitigate the impact of negative shocks emanating from the recession in Europe. Increasing diversification into services, telecommunication, construction and other non-primary commodity sectors, including manufacturing, also contribute to Africa's positive growth outlook in the medium term.

New oil discoveries and implications for growth in Africa

In 2012, Kenya became the latest frontier for new oil discoveries in Africa, following a series of previously announced discoveries, notably in Ghana, Sierra Leone and Uganda. Ghana's Jubilee field, with an estimated total reserve of 490 million barrels of high quality oil, is expected to yield government revenues of \$1 billion on average per year between 2011 and 2029, based on a long-run price assumption of \$75 per barrel. In Uganda, the Lake Albert Rift Basin is estimated to have oil reserves of 1.1 billion barrels, translating into 100,000 to 300,000 barrels of oil per day. Oil production started in Ghana in 2010 and there are plans to begin production

in Uganda in the coming years. These discoveries potentially add to the ten existing major oil-exporting countries (Algeria, Angola, Cameroon, Chad, Congo, Egypt, Equatorial Guinea, Gabon, Libya and Nigeria).

Past performance of oil-exporting African countries

The WESP report found that oil exporting countries have tended to fare better in terms of average income growth than non-oil exporters. However, one of the major issues is that the relatively high overall growth of oil exporters has not delivered the expected benefits. The enormous revenues from oil have not measurably boosted per capita incomes in many countries. For example, Nigeria has exported over \$700 billion in oil between 1980 and 2010 - and yet the country's per capita income is barely above the average for Africa. And despite having one of the highest GDP per capita in Africa, Equatorial Guinea is still only ranked 136 in the United Nations Human Development Index, whereas Kenya, with a per capita income less than one tenth that of Equatorial Guinea, is ranked 143. This points to either severe mismanagement of the revenue or significant concentration of the oil wealth.

Policy options for African countries

WESP points out that the recent discoveries have occurred in countries with low levels of income per capita and high economic and social inequalities. Yet, if well-managed, new oil discoveries could present unique opportunities for accelerated growth and development in Africa.

Achieving sustainability and equitable distribution requires a mix of policy options that address short-term fiscal issues and long-term investments and sustainability concerns. A few primary-exporting countries in the region that have been moderately successful in meeting these goals, such as Botswana through its Community Based Natural Resource Management, which, although not based on the management of oil revenues, it is nonetheless provides a good example of establishing the appropriate relationships between the communities directly affected by the extraction operations, the Government and the resource extractors (or end users).

Forecast

Economic growth in North Africa is forecast to continue its rebound in 2013 and 2014 in the aftermath of the Arab Spring, despite continued uncertainty, but will remain slightly lower than in 2012 due to the effects of Libyan growth in 2012. Egypt is expected to grow at 3.2 per cent in 2013 as concerns over stability dissipate. Libya's economy is expected to recover to its pre-crisis level, while growth in Algeria, Morocco, Mauritania and Sudan will benefit from the end of the drought.

WESP warned that the protracted and unresolved euro area sovereign debt crisis still threatens the economies of the sub-region through the trade and tourism channels. Central, Eastern, Southern and West Africa's economies continue to see a generally vibrant development in domestic demand, based on strong investment and the expansion of service sectors such as telecommunications and construction. This applies, for example, to Kenya, which is expected to maintain relatively robust growth of 5.4 per cent in 2013, with a rebound in domestic investment helped further by lower interest rates.

South Africa will register accelerating growth of 3.1 per cent in 2013. On the domestic side, growth will be held back by continued high unemployment. In addition, further labour unrest and social tensions emanating from pervasive inequalities continue to form a significant downside risk to economic growth.

Oil exporters

The oil-producing economies in Central, Southern and West Africa will benefit from sustained strong demand for oil and elevated export prices. In Nigeria, growth is forecast to accelerate to 6.8 per cent in 2013, with non-oil sectors such as telecommunications and construction providing significant impetus to economic activity. The positive impact of the oil and services sectors on growth is similar in Ghana, where solid agricultural output and increasing production by gold mines are forecast to lend additional support to the economic performance. Other economies that will benefit from conditions in the oil market include Angola, Cameroon, Gabon, Chad and Equatorial Guinea.

However, this exposure to the international oil market also implies a major downside risk in the case of a significant fall in oil prices that could be triggered, for example, by a more pronounced global slowdown. Capacity-increasing investments in their mining sectors will be important drivers of GDP growth in countries like Tanzania and Zambia, even though these mineral and metal exporting countries will also be vulnerable to volatile commodity prices and slowing international demand, especially from China.

Employment situation

Despite the positive growth picture, the employment situation remains a major problem across the region, both in terms of the level of employment as well as the quality of jobs that are generated, especially in North Africa. In South Africa, for example, a labour conflict in the mining sector caused the loss of numerous lives and major disruptions in a crucial sector of the economy in 2012. Strikes by public sector workers also occurred in Kenya and Tanzania, causing major disruptions in the health and education sectors. Continued growth in other sectors such as telecommunications and construction in countries such as Ghana, Kenya and Nigeria is helping to change this situation.

Risk and Uncertainty

Aid flows to Africa are expected to stabilize or even decline in 2013 and 2014 following the global economic slowdown and fiscal difficulties in many donor countries. The fiscal problems in developed economies continue to create uncertainty regarding future ODA flows. The outlook is subject to a number of risks and uncertainties. A more severe and broader global economic slowdown encompassing emerging economies would hold the potential to inflict significant damage on the region's performance through a contraction in trade, tourism and remittances. In addition, unexpected adverse weather conditions that would negatively affect harvest yields pose another downside risk given the significant role of the agricultural sector in many economies.

Table:
Africa: rates of growth of real GDP, 2009-2014

	2009	2010	2011	2012 ^a	2013 ^b	2014 ^b
Africa	2.7	4.7	1.1	5.0	4.8	5.1
Central Africa	3.0	4.8	5.0	5.0	4.7	4.4
Central Africa Republic	1.7	3.0	3.3	3.8	4.0	3.9
Cameroon	1.9	3.2	4.1	4.5	4.7	4.5
Chad	4.1	14.6	3.6	6.2	4.0	4.2
Congo Reppublic	7.5	8.7	4.5	3.7	5.4	4.6
Eq. Guinea	4.6	-0.8	7.1	6.3	5.8	5.1
Gabon	-0.4	5.6	5.8	4.7	3.5	3.7
Sao Tome and Principe	4.8	4.5	4.9	5.0	5.3	5.4
East Africa	4.4	7.0	6.3	5.6	6.1	6.2
Burundi	3.5	3.9	4.2	4.4	4.8	4.3
Comoros	1.8	2.1	2.2	2.5	3.5	3.4
Congo Dem. Rep	2.8	7.2	6.9	5.8	5.5	5.4
Djibouti	5.0	3.5	4.8	4.7	4.8	4.4
Eritrea	3.9	2.2	8.7	6.5	5.0	4.3
Ethiopia	8.8	12.6	11.2	7.0	7.4	6.8
Kenya	2.7	5.8	4.4	4.8	5.4	5.5
Madagascar	-4.1	0.4	1.6	2.3	3.3	4.4
Rwanda	6.2	7.2	8.6	7.9	7.6	7.2
Somalia	2.6	2.6	2.6	2.6	2.6	2.6
Tanzania	6.0	7.0	6.4	6.8	7.1	7.4
Uganda	4.2	6.3	4.1	4.6	5.5	6.7
North Africa^c	3.7	4.1	-5.6	5.4	4.2	4.6
Algeria	2.4	3.3	2.9	2.8	2.9	3.8
Egypt	4.6	5.2	1.8	1.1	3.2	4.7
Libya	-0.7	4.2	-61.3	100.7	12.8	8.5
Mauritania	0.1	5.6	5.1	4.8	6.3	5.5
Morocco	4.8	3.7	4.1	2.8	4.9	5.2
Sudan	8.2	4.5	-2.2	-11.0	1.5	1.5
Tunisia	3.1	3.5	-1.5	2.6	3.4	4.2
Southern Africa	-0.3	3.5	3.7	3.5	4.1	4.4
Angola	2.4	3.5	3.9	7.5	7.7	6.2
Botswana	-4.8	7.0	5.7	4.2	4.6	4.3
Lesotho	2.9	5.6	4.2	4.3	5.9	5.3
Malawi	8.9	6.7	4.5	7.5	5.9	4.1
Mauritius	3.3	4.1	4.1	3.1	3.5	4.1
Mozambique	6.3	6.8	7.1	7.5	8.1	8.0
Namibia	-0.7	6.6	3.6	4.0	4.6	5.3
South Africa	-1.5	2.9	3.1	2.5	3.1	3.8
Zambia	6.1	7.1	6.6	5.8	6.3	6.2
Zimbabwe	16.9	9.6	10.3	3.1	2.2	2.4
West Africa	5.6	6.8	6.5	6.3	6.6	6.8
Benin	2.7	2.6	3.1	3.4	4.6	4.5
Burkina Faso	3.0	7.9	5.1	6.0	6.2	5.9
Cape Verde	3.6	5.4	5.0	4.8	5.0	5.1
Cote D'Ivoire	3.8	3.0	-4.7	7.0	6.1	5.7
Gambia	6.3	6.1	5.5	-1.0	6.2	4.5
Ghana	4.7	6.6	15.1	7.4	7.8	7.1
Guinea	-0.1	1.9	4.2	4.0	4.4	4.3

Table (Cont'd)

	2009	2010	2011	2012 ^a	2013 ^b	2014 ^b
Guinea-Bissau	7.9	1.6	4.3	-0.5	2.6	2.9
Liberia	7.8	7.3	8.2	8.4	7.5	6.4
Mali	4.5	5.8	2.7	1.0	5.2	6.0
Niger	-0.7	8.2	2.3	9.1	5.9	6.2
Nigeria	6.9	7.8	7.4	6.4	6.8	7.2
Senegal	2.1	4.1	2.8	3.9	4.6	4.7
Sierra Leone	3.2	5.3	6.0	26.5	7.4	7.6
Togo	3.4	4.0	4.9	3.5	4.2	4.5

Source: UN/DESA, based on data of the United Nations 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.

c For the analysis of WESP 2013, Mauritania and Sudan are not included in the North Africa.

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

On the web: <http://www.un.org/en/development/desa/policy/wesp/index.shtml>

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