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World Economic Situation and Prospects 2011

Press Release

Africa is rebounding from the global economic crisis – UN Report

Investments in infrastructure, agricultural productivity growth and foreign investment underpinned strong domestic demand

Addis Ababa, 18 January 2011: Africa's economy expanded by 4.7 per cent in 2010 and is expected to grow by 5.0 per cent in 2011 and 5.1 in 2012, showing its resilience after the downturn caused by the global crisis, says the United Nations annual economic report, *World Economic Situation and Prospects 2011* (WESP), released today.

The report says the present recovery has been much quicker than those following previous global recessions. The recovery of global trade and the strong economic rebound in East Asia supported a strong rebound in Africa's commodity exports. But this was only one factor in Africa's present economic rebound as increased government spending on infrastructure, strong performance of the agricultural sector and new inflows of foreign investments in extractive industries underpinned strong growth in domestic demand.

Nonetheless, the UN report warns, the rebound may not be strong enough to meet poverty reduction targets as income per capita is projected to grow at 2.7 per cent in 2011 and 2.8 per cent in 2012, which is below the threshold of 3 per cent, generally considered as the minimum rate of growth to make a substantial dent in poverty. Persistent high levels of underemployment and vulnerable employment, as well as continued widespread malnourishment, will remain concerns in the near outlook, the WESP says.

Uneven recovery

The strong rebound for the region as a whole masks substantial differences in performance among countries. Using the threshold of 3 per cent per capita income growth, the UN classifies the pre- and post-crisis performance of African economies into four categories: slow and fast growth, and accelerating and decelerating growth.

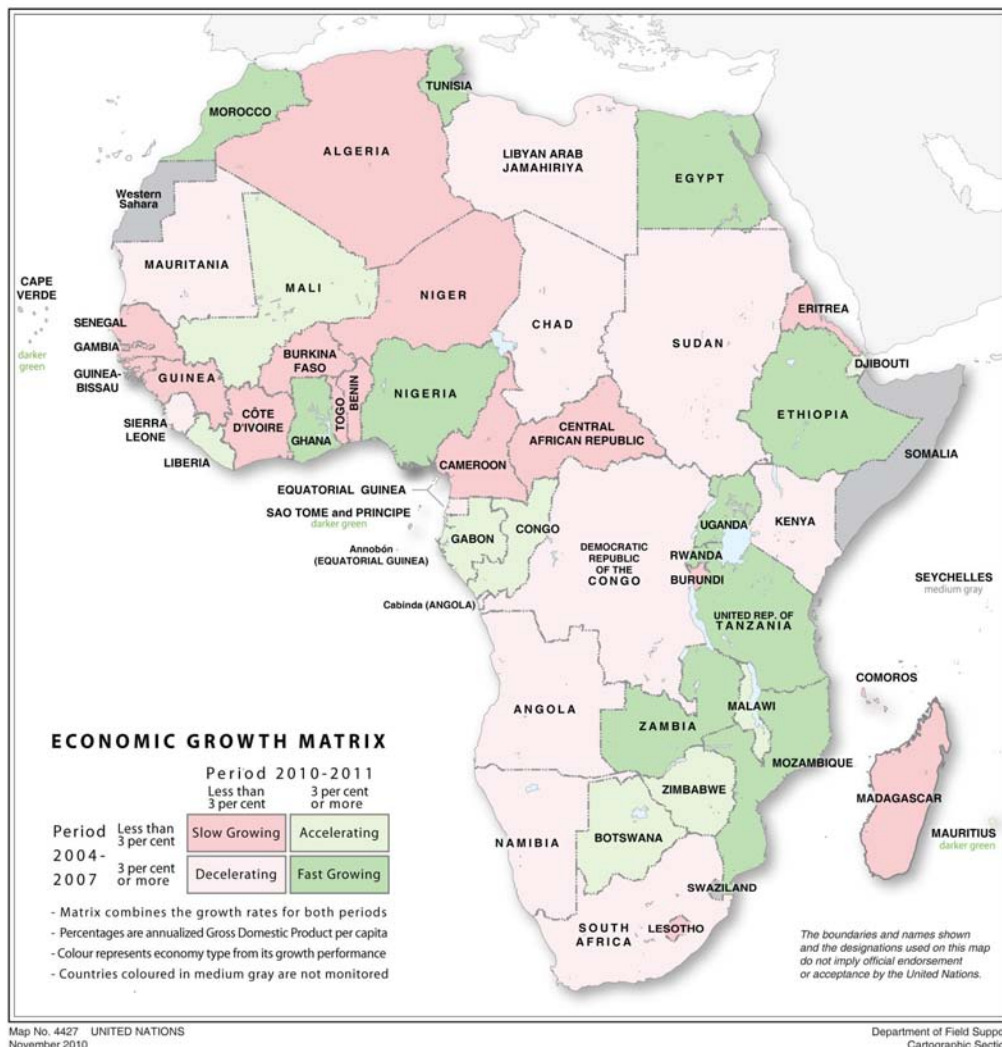
[See map below]

The *slow-growing economies* of the region are mostly characterized by continued political instability and/or insecurity, with presumed adverse effects on investment and other drivers of growth. In some countries, such conditions were compounded by adverse weather conditions, such as droughts in Chad and Niger, which significantly reduced food production and slowed overall economic activity. Such conditions do not apply to all slow growers. Algeria, for instance, faced weak economic growth essentially as a result of its failure to diversify its economy from its dependence on oil.

The *fast-growing economies*, in contrast, showed resilience, attributable to a variety of factors. In the cases of Egypt and Uganda these related to the strength of their manufacturing and services sectors, while strong growth in countries like Ethiopia and United Republic of Tanzania was supported by increased investments in infrastructure and/or expanding mining activity. Rwanda and Zambia saw continued strong performance of their agricultural sectors, while Nigeria's economy has rallied on the basis of both strong oil exports and domestic demand.

Growth *decelerated* in South Africa because of weakening demand for its manufactured exports and labour strikes. Equatorial Guinea faced declining oil revenues which also slowed growth in the non-oil sector to 2 per cent; a substantial drop from the double-digit growth the country had enjoyed for many years before the crisis.

Figure IV.6
Africa growth map



Improved external conditions induced *growth accelerations* in Botswana, Mali, the Congo and Zimbabwe. With political tensions apparently easing in the latter two countries, expectations are that economic growth will remain strong in the near outlook.

Inflation generally declined

In some countries, like Ethiopia, Mozambique and Sierra Leone, inflation is expected to remain relatively high, ranging between 10 and 20 per cent. In most countries, however, inflation rates are in check. This has been helped by good harvests in most Eastern and Southern African countries, which led to a moderation in food prices.

WESP says that the generally low inflationary pressures have given many central banks in the region the room to loosen monetary policy or, at least, refrain from monetary tightening.

Fiscal policies also continued to be supportive of recovery while at the same time addressing infrastructural bottlenecks, says *WESP*. Fiscal deficits have increased, as a result, however, prompting some countries to tighten fiscal policy.

Private capital returns

The region's external balance improved remarkably in 2010 owing to higher commodity prices and the rebound in global trade. Nevertheless, the level of merchandise exports is still below its pre-crisis peak.

Inflows of official development assistance to Africa increased by nearly 4 per cent in real terms in 2010, but remain well below target levels of inflows which fell short on commitments made by the international community by about \$16 billion in 2010.

Inflows of foreign direct investment, mainly originating from Asia and South America, rebounded sharply from their 2008 and early 2009 slump. Most foreign investments went in to extractive industries.

Prospects broadly look positive, but significant risks remain

WESP finds macroeconomic prospects for 2011 and 2012 to be generally positive. It anticipates that several of the factors which supported the rebound in 2010 will carry over to 2011 and 2012. Nonetheless, growth will remain below potential and not reach the critical level of 3 per cent in per capita terms.

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<http://www.un.org/esa/policy/wess/wesp.html>

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.

Chart Source: United Nations, *World Economic Situation and Prospects 2011*

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Africa: Rates of growth of real GDP, 2007-2012^a

Annual percentage change						
	2007	2008	2009	2010 ^b	2011 ^c	2012 ^c
Algeria	3.0	2.4	2.0	4.7	4.3	6.3
Angola	20.3	13.3	-0.4	5.1	5.9	5.9
Benin	4.6	5.0	2.5	3.1	4.8	5.5
Botswana	4.8	3.1	-3.7	8.5	5.5	5.8
Burkina Faso	3.6	5.2	3.2	4.4	4.7	5.5
Burundi	3.6	4.5	3.5	4.0	4.5	4.2
Central African Republic	3.7	2.2	1.2	2.7	4.1	5.4
Cameroon	3.3	2.9	2.0	2.6	2.9	4.5
Cape Verde	8.7	5.6	4.1	4.3	5.8	3.2
Chad	0.2	-0.4	-1.6	4.4	3.9	5.5
Comoros	0.5	1.0	1.8	2.3	1.5	2.0
Côte d'Ivoire	1.6	2.3	3.8	3.0	4.0	4.5
Democratic Republic of the Congo	6.3	6.2	2.8	5.8	4.3	3.5
Djibouti	4.8	5.8	5.0	4.5	5.4	6.3
Egypt	7.1	7.2	4.7	5.5	6.4	6.7
Equatorial Guinea	21.4	10.7	5.3	1.1	2.3	2.4
Eritrea	1.3	1.0	-4.3	2.7	2.9	3.2
Ethiopia	11.8	11.2	9.9	12.7	9.4	9.2
Gabon	11.8	2.7	-1.4	5.3	4.9	3.4
Gambia	6.0	6.3	5.6	5.0	5.2	4.8
Ghana	5.7	7.2	4.1	5.7	15.0	8.0
Guinea	1.8	4.9	-0.3	3.5	5.0	3.8
Guinea-Bissau	0.2	3.6	3.0	3.5	4.1	4.3
Kenya	6.9	1.3	2.4	4.6	5.5	5.0
Lesotho	2.4	4.5	1.6	3.8	2.4	3.2
Liberia	9.4	7.1	4.6	6.3	7.0	6.1
Libyan Arab Jamahiriya	7.5	2.3	-2.3	3.5	4.0	4.3
Madagascar	6.2	7.1	-3.7	0.9	4.4	4.1
Malawi	5.8	8.8	8.0	7.4	5.4	5.5
Mali	4.3	5.0	4.4	5.1	6.3	5.3
Mauritania	1.0	3.7	-1.1	4.6	5.2	5.4
Mauritius	5.4	5.0	2.5	4.9	6.4	6.6
Morocco	2.7	5.6	4.9	4.1	5.0	4.5
Mozambique	7.3	6.7	6.3	6.5	7.5	7.7
Namibia	5.4	4.3	-0.8	4.0	4.5	3.6
Niger	3.4	8.7	-0.9	2.3	3.4	3.3
Nigeria	7.0	6.0	7.0	7.1	6.5	5.8
Republic of the Congo	-1.6	5.6	7.6	12.0	7.5	5.5
Rwanda	5.5	11.2	4.1	7.6	5.8	6.3
Sao Tome and Principe	6.0	5.8	5.2	4.5	6.0	5.4
Senegal	5.0	3.2	2.2	4.0	3.5	4.0
Sierra Leone	6.4	5.5	3.2	4.8	5.5	6.0
South Africa	5.5	3.7	-1.8	2.6	3.2	3.2
Sudan	10.2	6.8	4.5	4.8	5.5	5.0

Africa: Rates of growth of real GDP, 2007-2012 (cont'd)^a

Annual percentage change						
	2007	2008	2009	2010 ^b	2011 ^c	2012 ^c
Togo	1.9	2.2	3.1	1.9	3.3	3.4
Tunisia	6.3	6.1	3.0	4.3	4.9	4.7
Uganda	8.4	8.7	7.2	6.8	6.8	10.1
United Republic of Tanzania	7.1	7.4	6.0	7.0	6.5	6.3
Zambia	6.2	5.7	6.3	5.7	5.9	6.4
Zimbabwe	-3.7	-12.6	3.7	6.0	4.5	4.3
North Africa	5.0	4.7	2.8	4.6	5.1	5.7
Sub-Saharan Africa	6.6	5.1	2.0	4.7	5.0	4.8
Sub-Saharan Africa (excluding Nigeria and South Africa)	7.4	5.9	3.1	5.3	5.8	5.6

Source: United Nations, *World Economic Situation and Prospects 2011*.

a Regional averages are calculated as a weighted average of individual country growth rates of gross domestic product (GDP), where weights are based on GDP in 2005 prices and exchange rates.

b Partly estimated.

c Forecasts, based in part on Project LINK.