



# *Comments on African Economic Outlook 2020 Supplement*

Tetsushi Sonobe  
Dean, ADBI  
September 2020



# Contents

1. AEO Supplement vs ADO Supplement
2. Advantages of Africa
3. Can disadvantages be overcome?

## Real GDP growth forecast, Asia and the Pacific

	2020	2021
Central Asia	-0.5	4.2
Georgia	-5.0	5.0
Kyrgyz Republic	-5.0	4.0
East Asia	1.3	6.8
Hong Kong, China	-6.5	5.1
South Asia	-3.0	4.9
Maldives	-11.3	13.7
Southeast Asia	-2.7	5.2
Thailand	-6.5	3.5
Pacific	-4.3	1.6
Fiji	-15.0	-0.7
Developing Asia	-0.1	6.2

**The lowest since 1961**





## Policy responses by subregion

Subregion	Total package (USD million)	Share in total package (%)	Share of regional GDP (%)	Share of subregional GDP (%)
Developing Asia	<b>3,294,376</b>	<b>100.0%</b>	<b>13.8%</b>	<b>13.8%</b>
Central and West Asia	40,612	1.2%	0.2%	6.5%
East Asia	2,539,648	77.1%	10.6%	15.2%
South Asia	365,241	11.1%	1.5%	10.9%
Southeast Asia	346,396	10.5%	1.5%	11.1%
The Pacific	2,479	0.1%	0.0%	7.2%

GDP=gross domestic product; USD=United States dollar

Notes: Data as of 29 June 2020. Four out of the 46 developing member economies have no monetary amount. These are Nepal, Niue, Kiribati, and Turkmenistan.

Source: [ADB COVID-19 Policy Database](#).



## Policy responses by measure

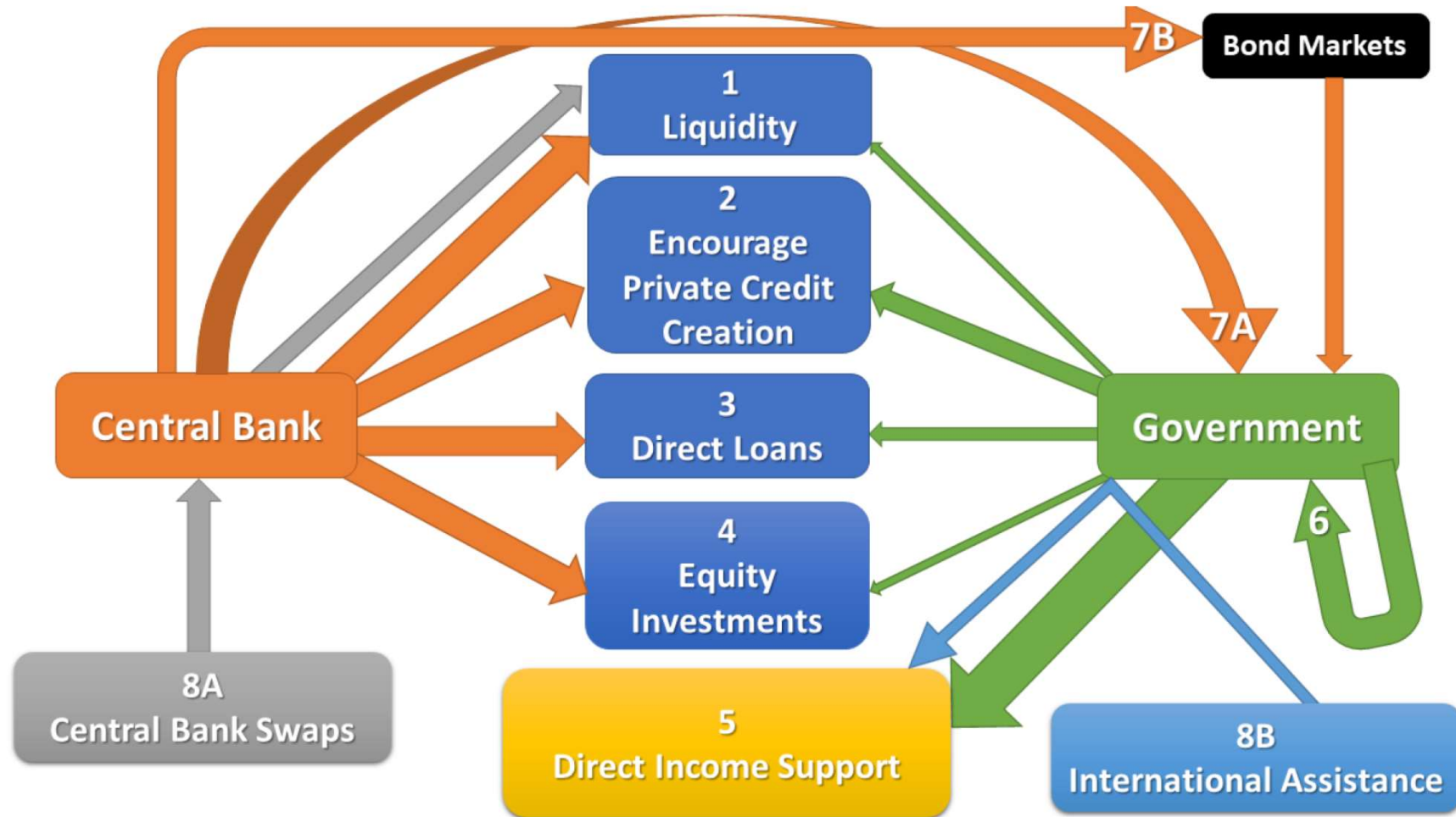
Measure	Share in total package (%)	Share of GDP (%)
1. Functioning money markets	23.2%	3.2%
2. Credit creation	16.3%	2.3%
3. Lending to nonfinancial sector	7.2%	1.0%
4. Equity claims on the private sector	1.3%	0.2%
5. Direct support to income	49.3%	6.8%
No breakdown	2.8%	0.4%
<b>Total package</b>	<b>100.0%</b>	<b>13.8%</b>

GDP=gross domestic product

Note: Data as of 29 June 2020.

Source: [ADB COVID-19 Policy Database](#).

# COVID-19 measures and funding

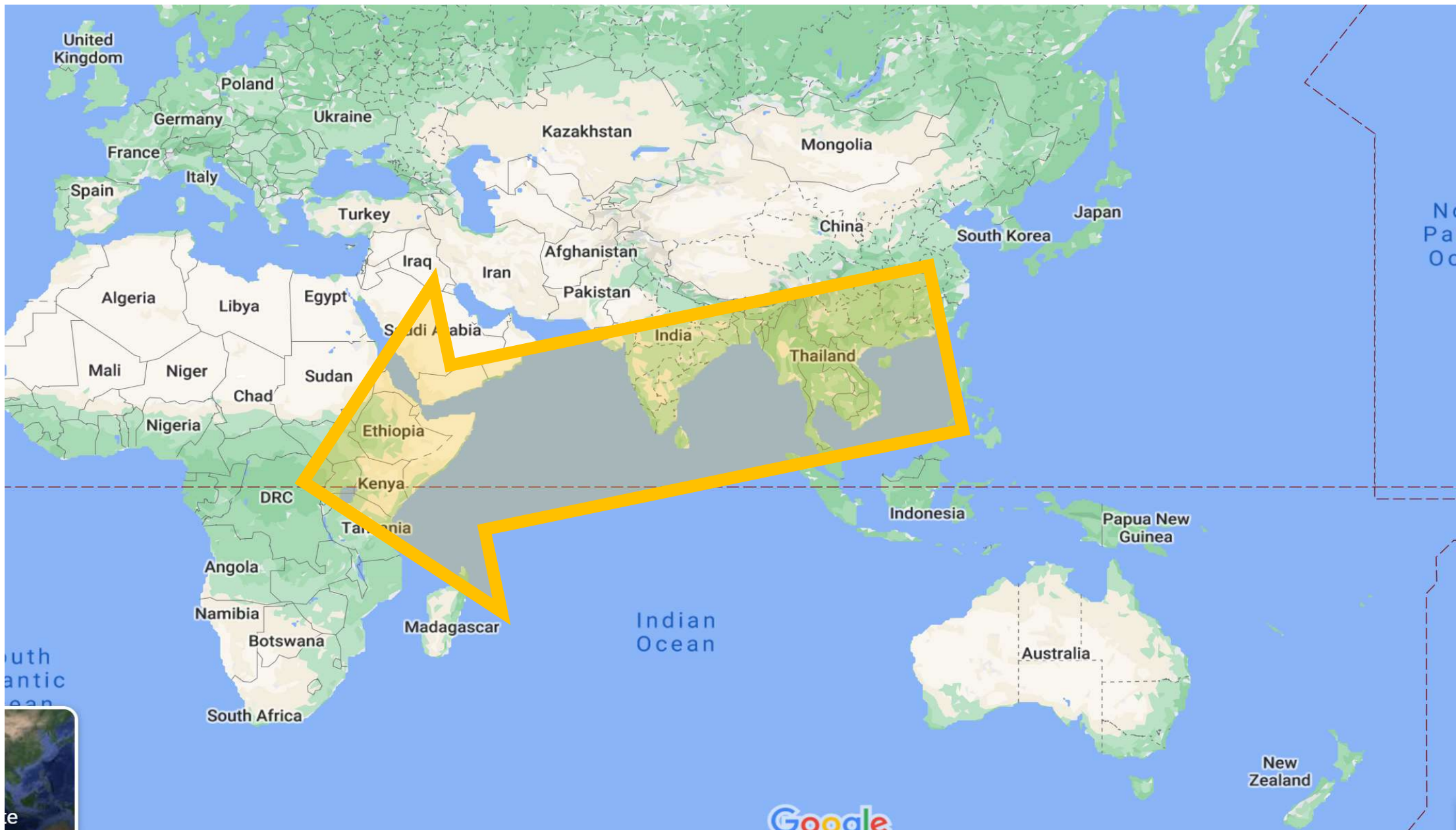


Source: “THE ADB COVID-19 Policy Database: A Guide”

# While risks remain on the downside, long-run trends are...

- Continued social distancing will hamper activity.
- Recurrent outbreaks are possible.
- External demand is low.
- Sovereign and financial crises cannot be ruled out, and social unrest is possible.
- A further risk is renewed escalation in US–PRC trade tensions.
- Interest rates may go up in the US or Europe when firms in Asia are heavily in debt.
  
- Why is China's GDP growth forecast so high when external demand remain very weak?  
This is because the economy is now domestic-demand-oriented.





## IMPLICATIONS FOR ASIAN INVESTORS

Despite the COVID-19 pandemic, **investment opportunities** still abound in Africa:

- GDP growth projected to quickly rebound in 2021 following a steady pre-COVID-19 growth
- A large market with a youthful population
- A trillion-dollar market opportunity through the African Continental Free Trade Area (AfCFTA) agreements
- Africa is increasingly connected to the GVCs due to improved internet and mobile phone connectivity and other infrastructure development projects
- Greater potential in manufacturing as the shift in low-cost global manufacturing to Africa continues
- Improved doing business climate as many African countries adopt business regulatory reforms
- Improved political stability and good macroeconomic governance

# Africa is not far, and it is human-resource-rich (in a sense)

Flight time and time difference

	Flight time	Time diff
ICN - DEL	7h	3h30m
NRT - RGN	8h	2h30m
ICN – ADD	15h35m	6h
HND - NBO	18h55m	6h

Capable and reliable people

Talents in the public sector



Young entrepreneurs

# Can disadvantages be overcome?

## Disadvantages

### 1. Infrastructure

Great progress in  
transportation  
power supply  
communication

### 2. Quality of workers

???

But ... remember what happened in  
East Asia

Japan 1880s, 1950s

China 1990s

ASEAN 5 1980s



# Poor management and low employability in both South Asia and Africa

## THE QUARTERLY JOURNAL OF ECONOMICS

Vol. 128

February 2013

Issue 1

DOES MANAGEMENT MATTER? EVIDENCE FROM INDIA\*

NICHOLAS BLOOM  
BENN EIFERT  
APRAJIT MAHAJAN  
DAVID MCKENZIE  
JOHN ROBERTS

A long-standing question is whether differences in management practices across firms can explain differences in productivity, especially in developing countries where these spreads appear particularly large. To investigate this,

12

QUARTERLY JOURNAL OF ECONOMICS



FIGURE IV

Most Plants Had Months of Excess Yarn, Usually Spread across Multiple Locations, Often without Any Rigorous Storage System



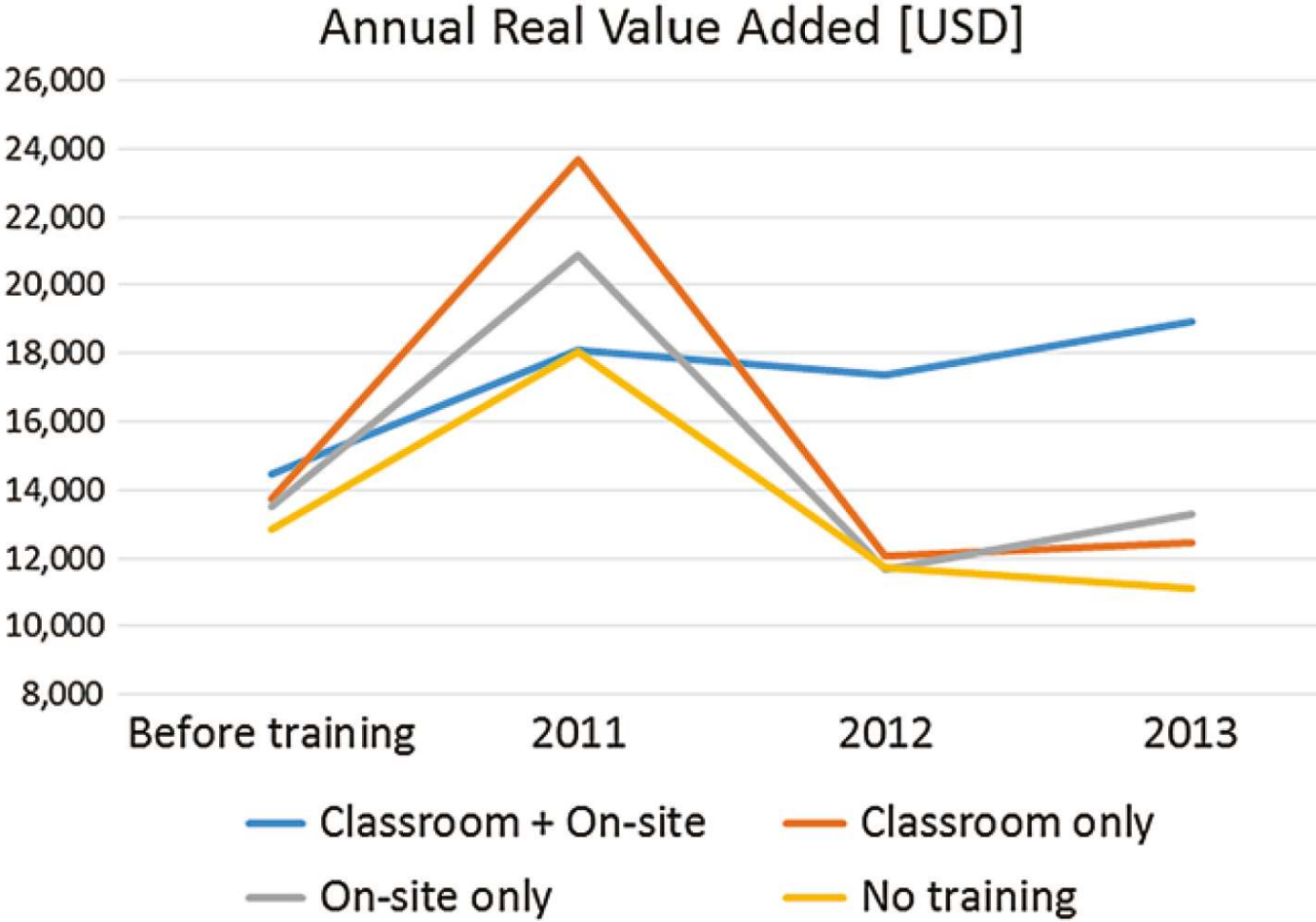
“How can micro and small enterprises in Sub-Saharan Africa become more productive? The impacts of experimental basic managerial training” *World Development* 40 (3), 2011, 458-468

“Short-and medium-run impacts of management training: An experiment in Tanzania” *World Development* 114, 2019, 220-236



*Applying the Kaizen in Africa: A new avenue for industrial development*  
Otsuka, Jin, Sonobe, 2018  
Springer Nature

# Management training program for garment workshop owners in late 2010



# Wrap-up

1. In the near term, high levels of uncertainty in both Africa and Asia  
Ups and downs are inevitable
2. In the long run, “aging in Asia”. In the very long run, Africa as the largest market in the world.
3. In the medium to long run, the economic development in Africa depends on the pace of addressing inadequate infrastructure and workability (and hence limited inclusiveness).
4. QUESTION:  
Please tell us the recent progress in infrastructure development