

African Economic Outlook

May, 2019

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2019

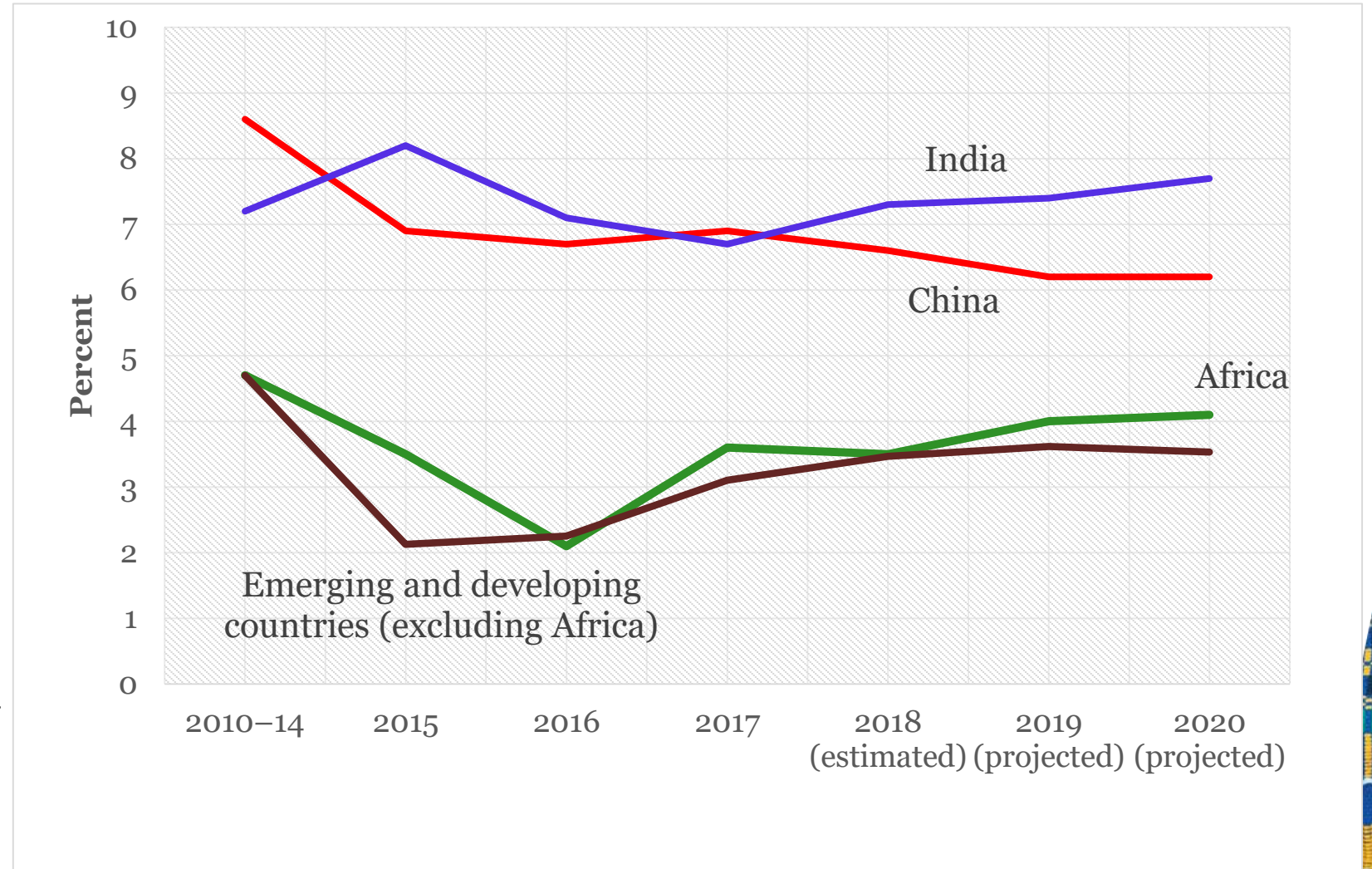


AFRICAN DEVELOPMENT BANK GROUP
GROUPE DE LA BANQUE AFRICAINE
DE DEVELOPPEMENT

African Economies Have Maintained Growth Momentum...

Real GDP growth in Africa, 2010–20

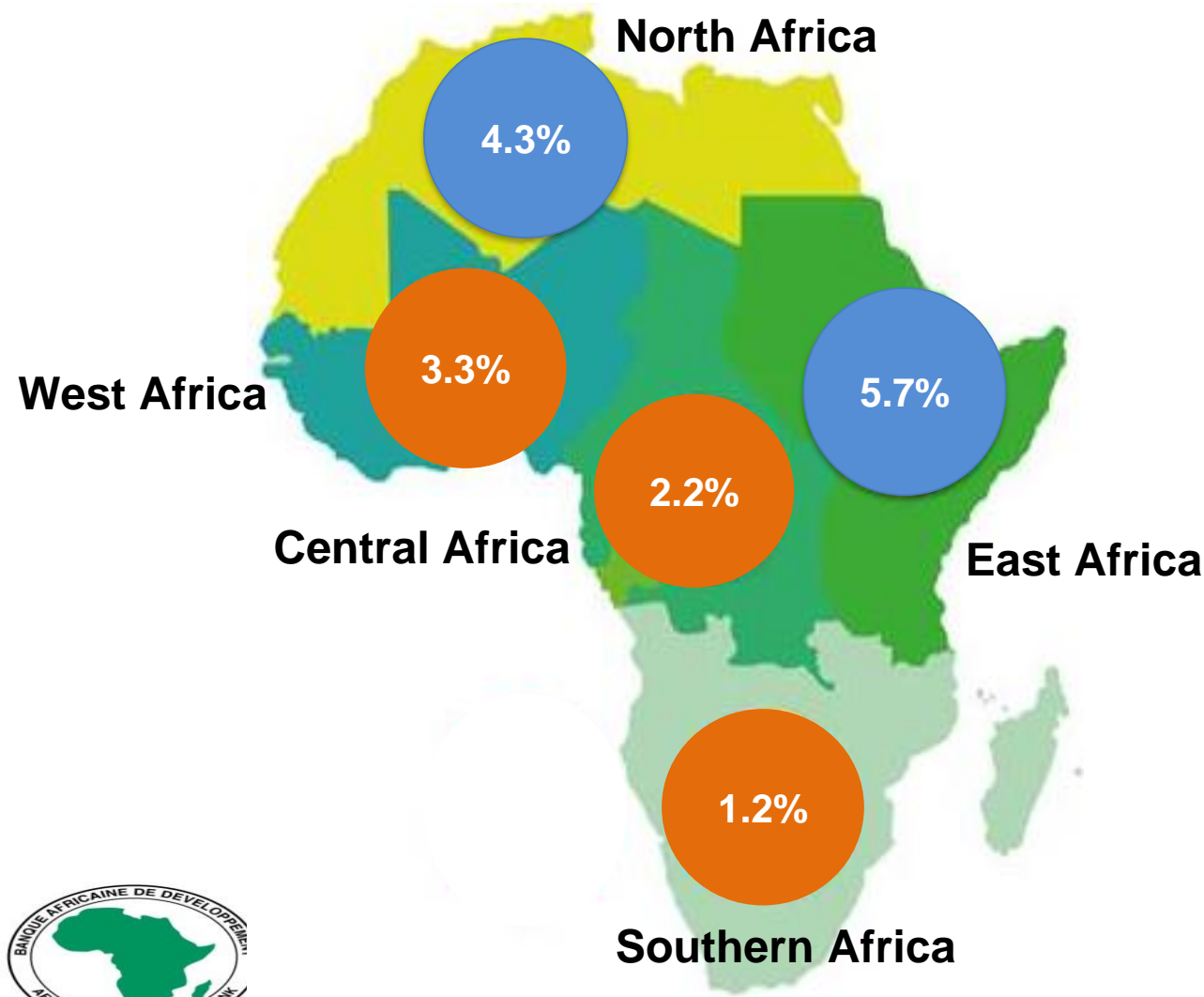
- Average Real GDP growth in Africa is estimated at 3.5 percent in 2018.
- And projected at 4 percent in 2019 and 4.1 percent in 2020.
- Higher than projected growth in other emerging markets and developing economies.



Source: African Development Bank statistics and International Monetary Fund

...WITH SIGNIFICANT REGIONAL VARIATIONS

2018



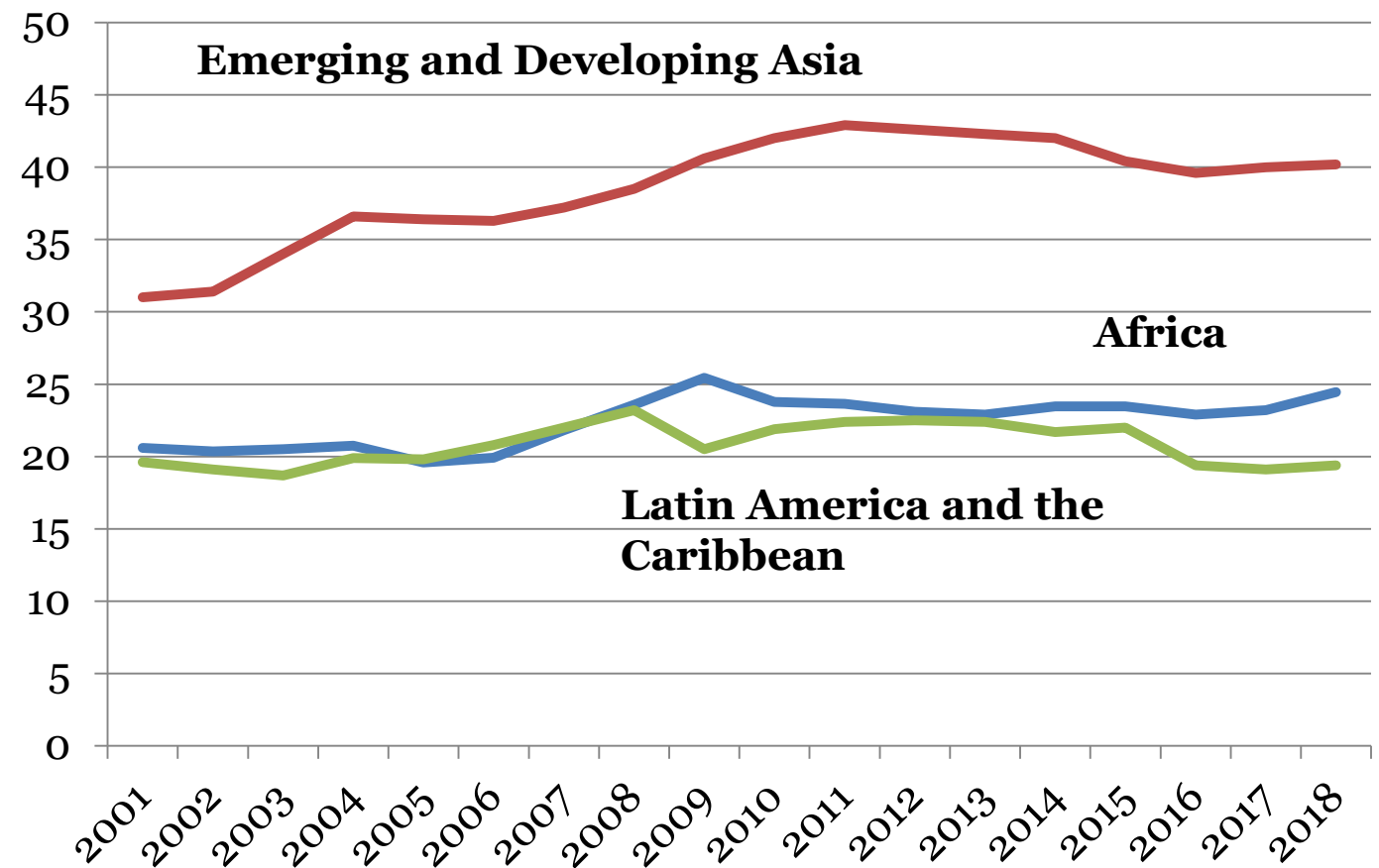
Country	2017	2018
Benin	5.8%	6%
Burkina Faso	6.3%	6%
Cote d'Ivoire	7.7%	7.5%
Ethiopia	10.1%	7.7%
Ghana	8.5%	6.5%
Guinea	8.2%	5.8%
Rwanda	6.1%	7.2%
Senegal	7.2%	6.6%

What is Driving Growth?

- Shift in aggregate demand from consumption towards investment and net exports.
- Improved macroeconomic stability—median inflation down to 10.9%. Fiscal deficits down from around 7% between 2014-16 to about 4.5% in 2017/2018.
- Mild recovery in commodity prices.

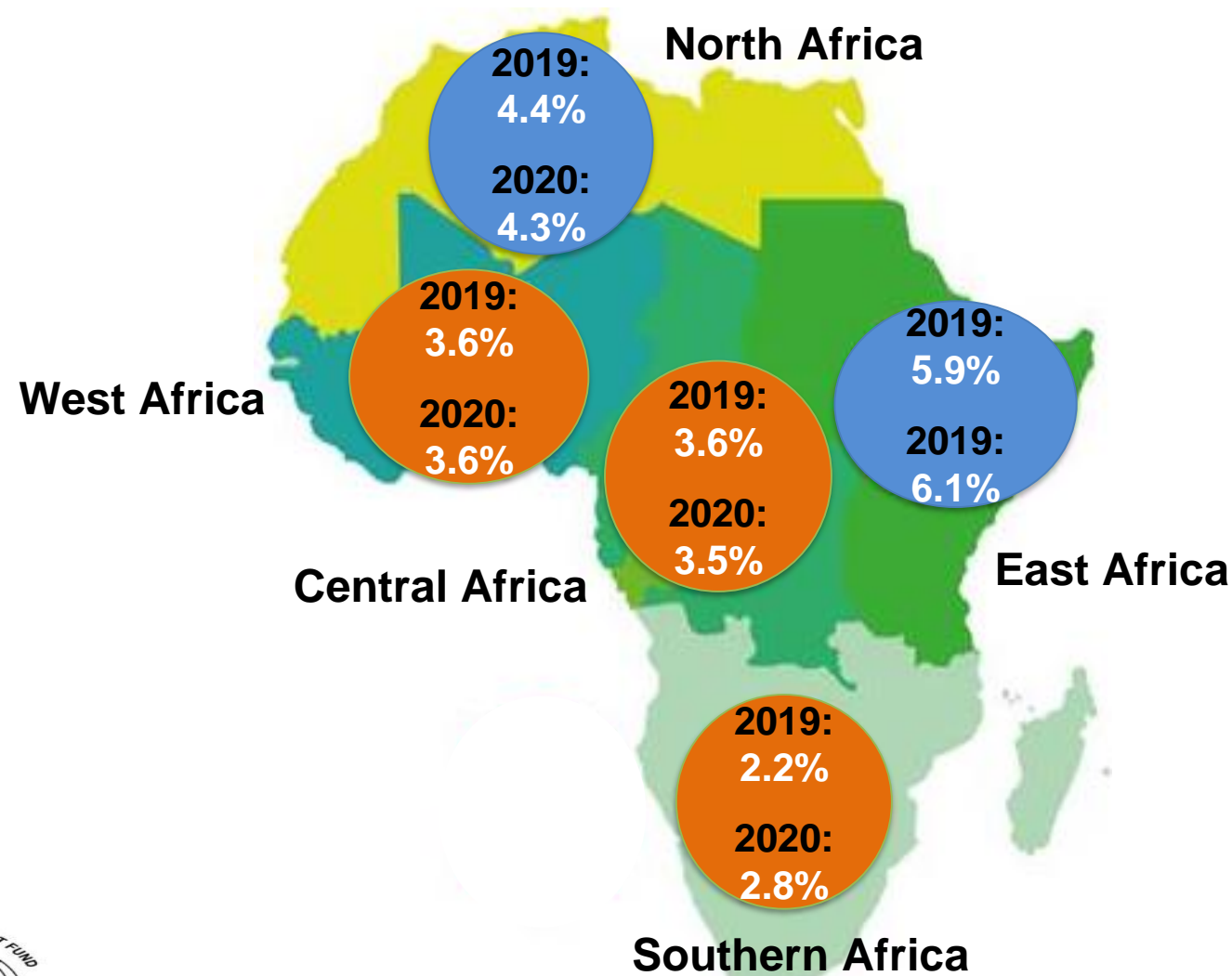
Investment as a proportion of GDP in Africa, emerging and developing Asia, and Latin America and the Caribbean, 2001–18

Percent

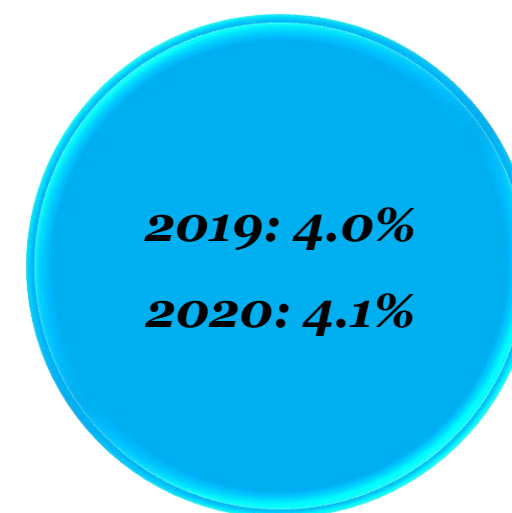


Source: African Development Bank statistics and International Monetary Fund

Favorable Economic Outlook Ahead, 2019-2020



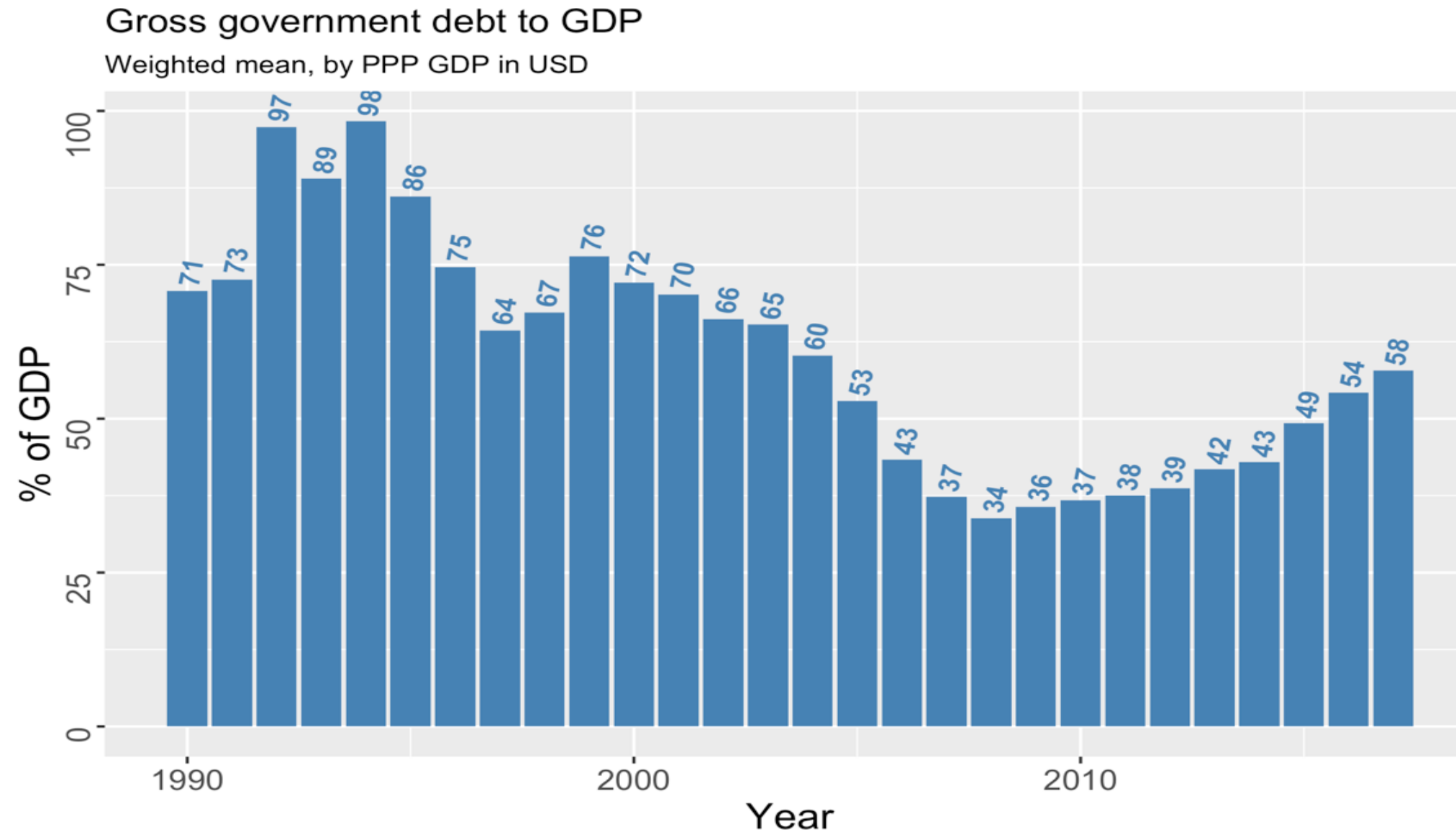
Africa



Potential Headwinds

- **External downside risks include:**
 - ✓ Normalization of interest rates in advanced economies.
 - ✓ Uncertainty in trade tensions between US & China.
 - ✓ Volatility of commodity prices.
- **Domestic risks include:**
 - ✓ Vulnerability to debt distress in some countries.
 - ✓ Security and terrorism concerns.
 - ✓ Uncertainties associated with elections and political transition.

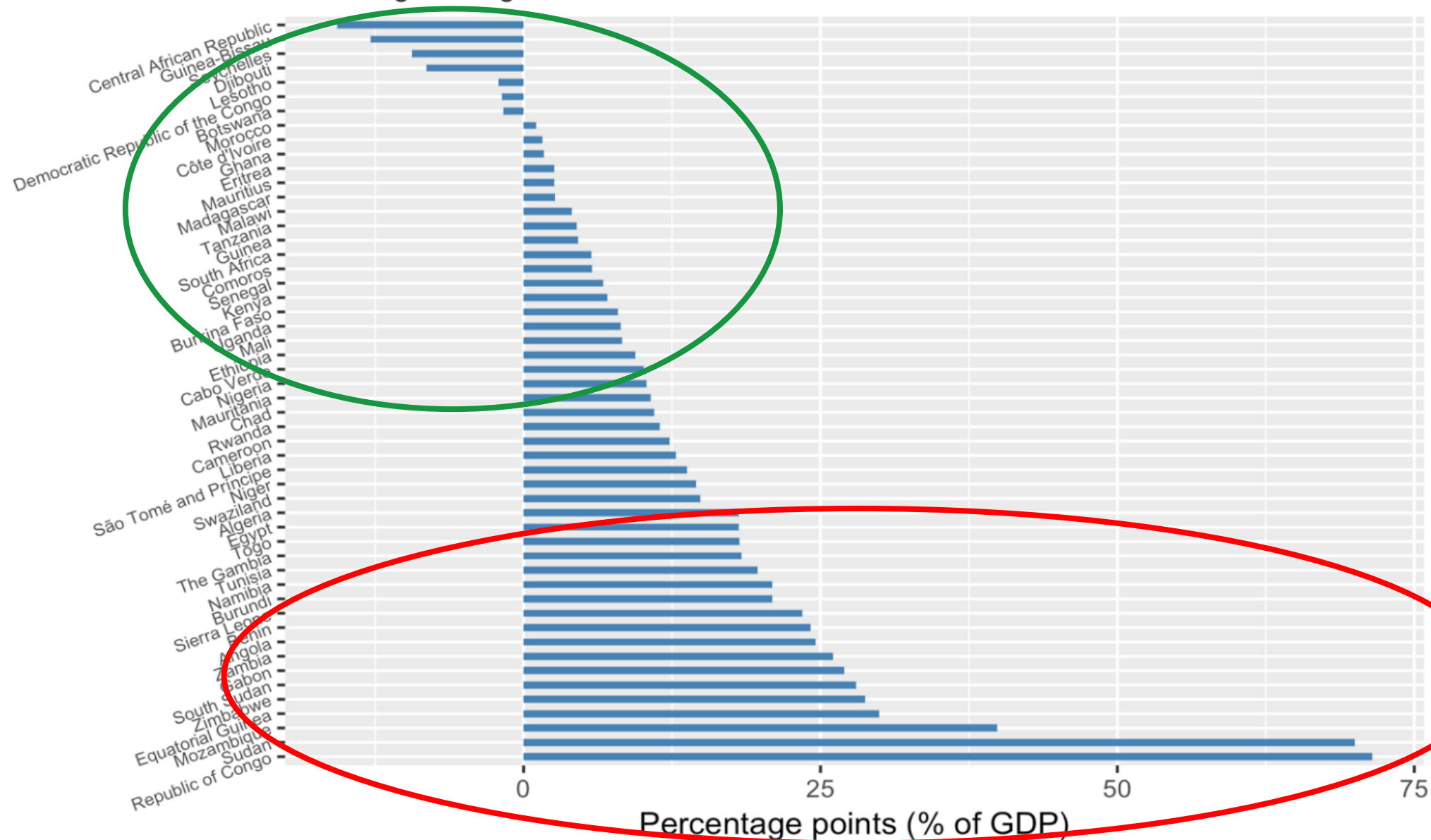
Africa: Government Debt to GDP ratio



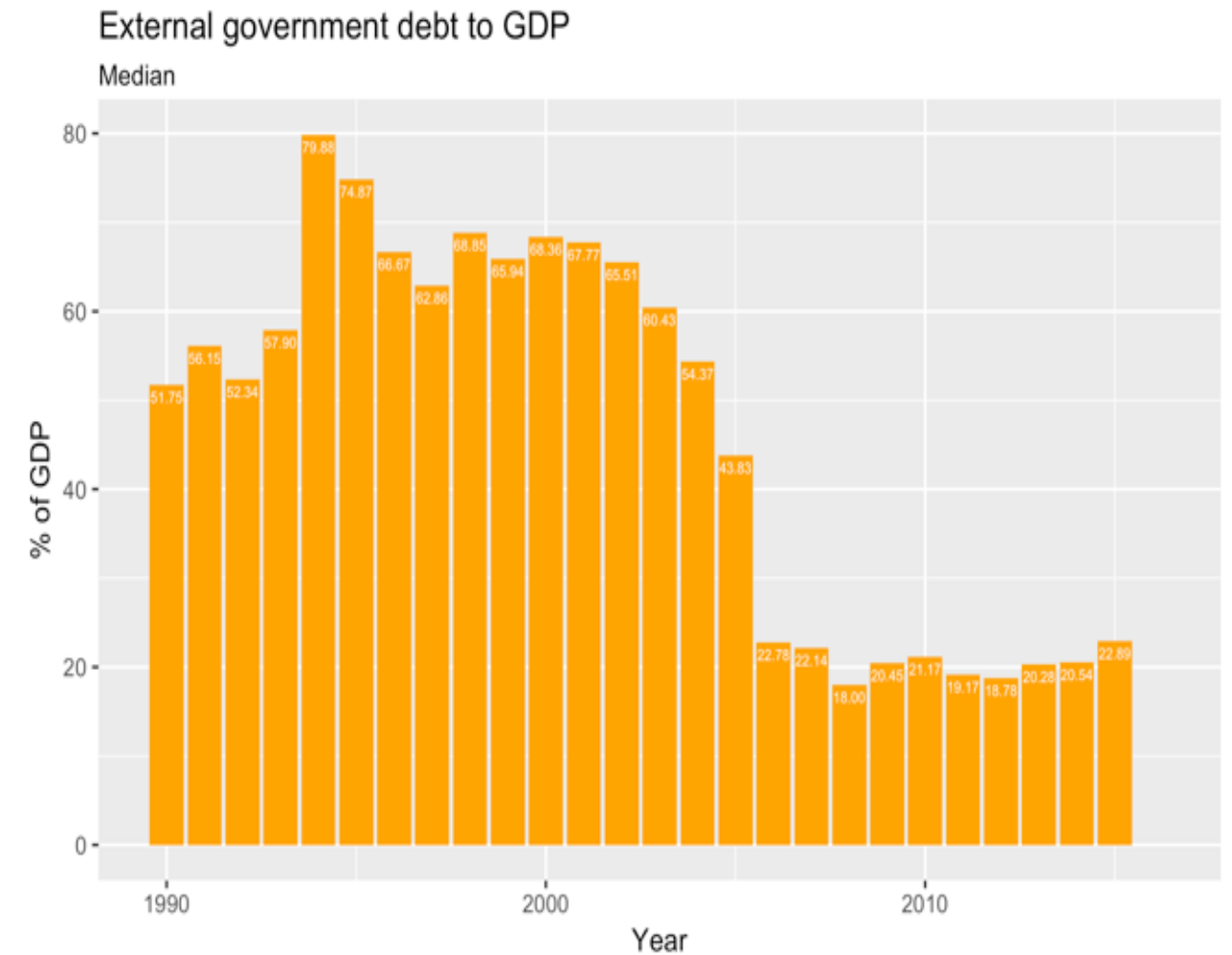
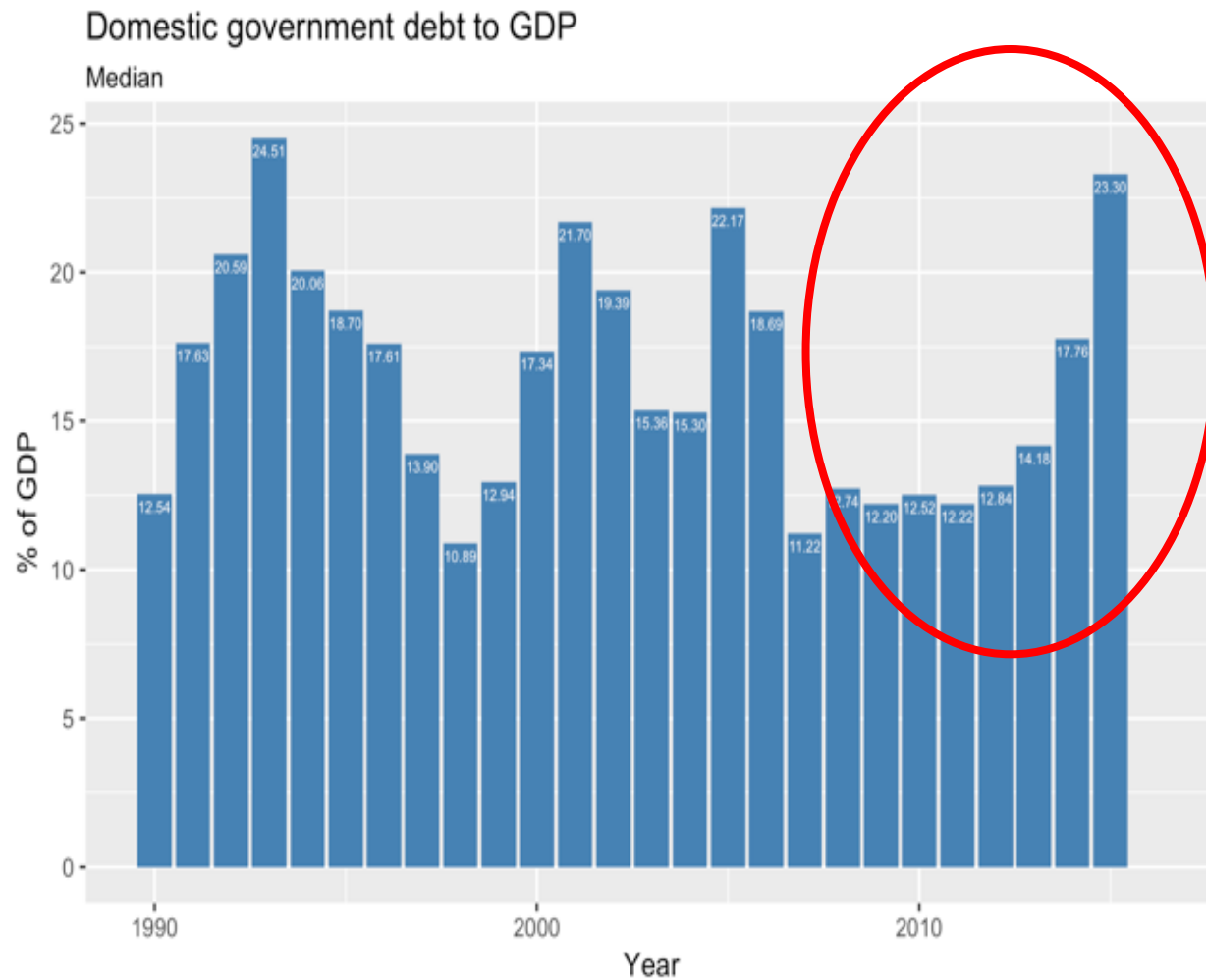
Debt: Significant Variability across Africa

Change in government debt to GDP, 2014-2017

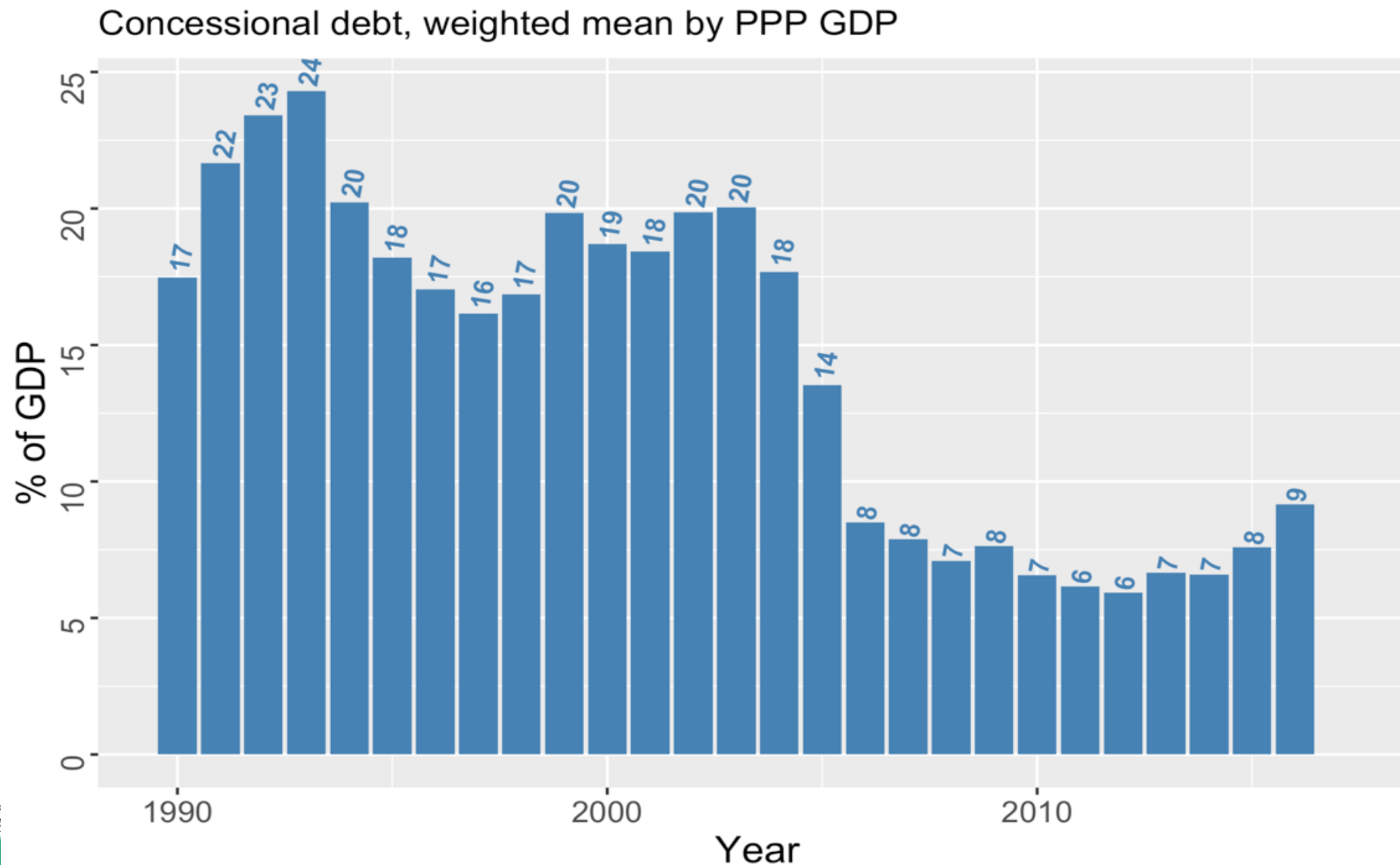
Excluding missing data



Africa: Public Debt Accumulation



Africa: Share of Concessional Debt

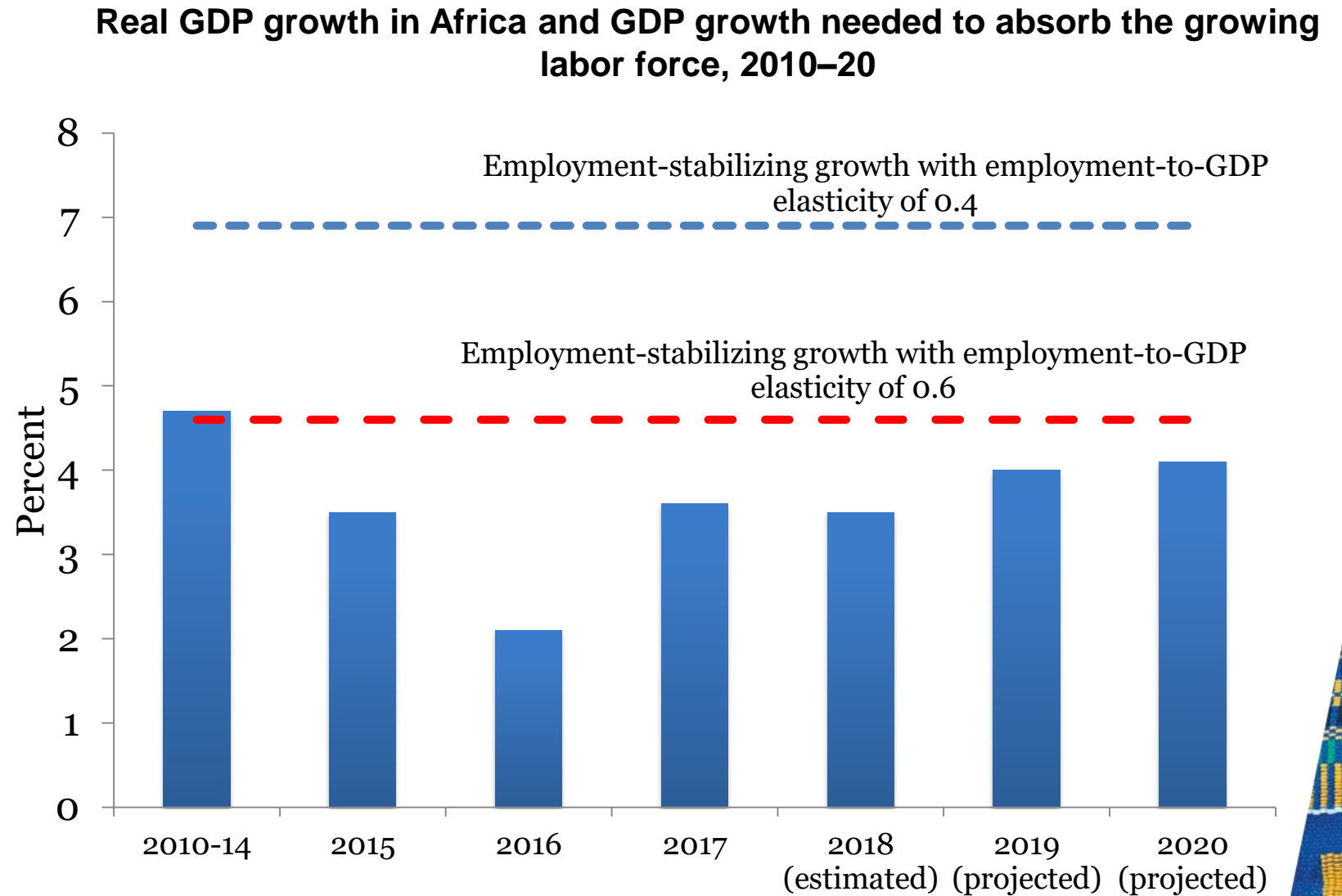


The Jobs Challenge

- Africa faces a huge job challenge-the labor force is projected to be nearly 40 percent larger (1 billion) by 2030; and about 100 million young people could be unemployed if current trends continue.
- Growth has not been pro-employment and the informal sector continues to be the default option.
- Constraints to doing business limit firm survival and dynamism with an estimated 1.3–3 million jobs lost (~2 percent of the new entrants to the labor force) every year.

Growth Is Insufficient to Address Unemployment and Extreme Poverty

- Despite stable growth, employment has been growing at a much lower pace.
- And poverty declined slowly in many countries.

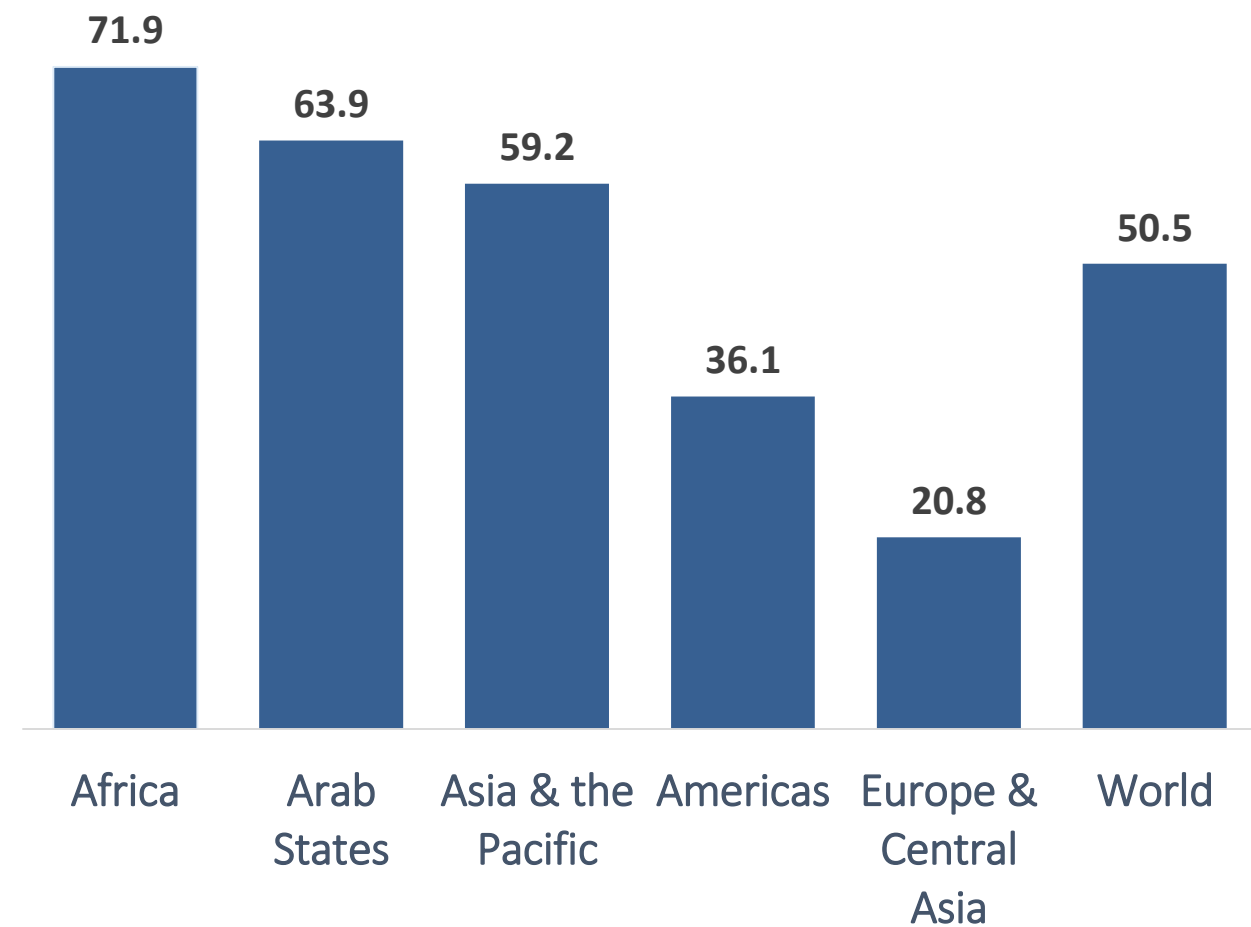


Source: African Development Bank statistics

The Informal Sector dominates Employment in Africa

- The vast majority of jobs created in the last three decades have been informal.
- This is partly due to the decline in manufacturing and premature de-industrialization.

Share of informal employment in nonagricultural employment (percent)

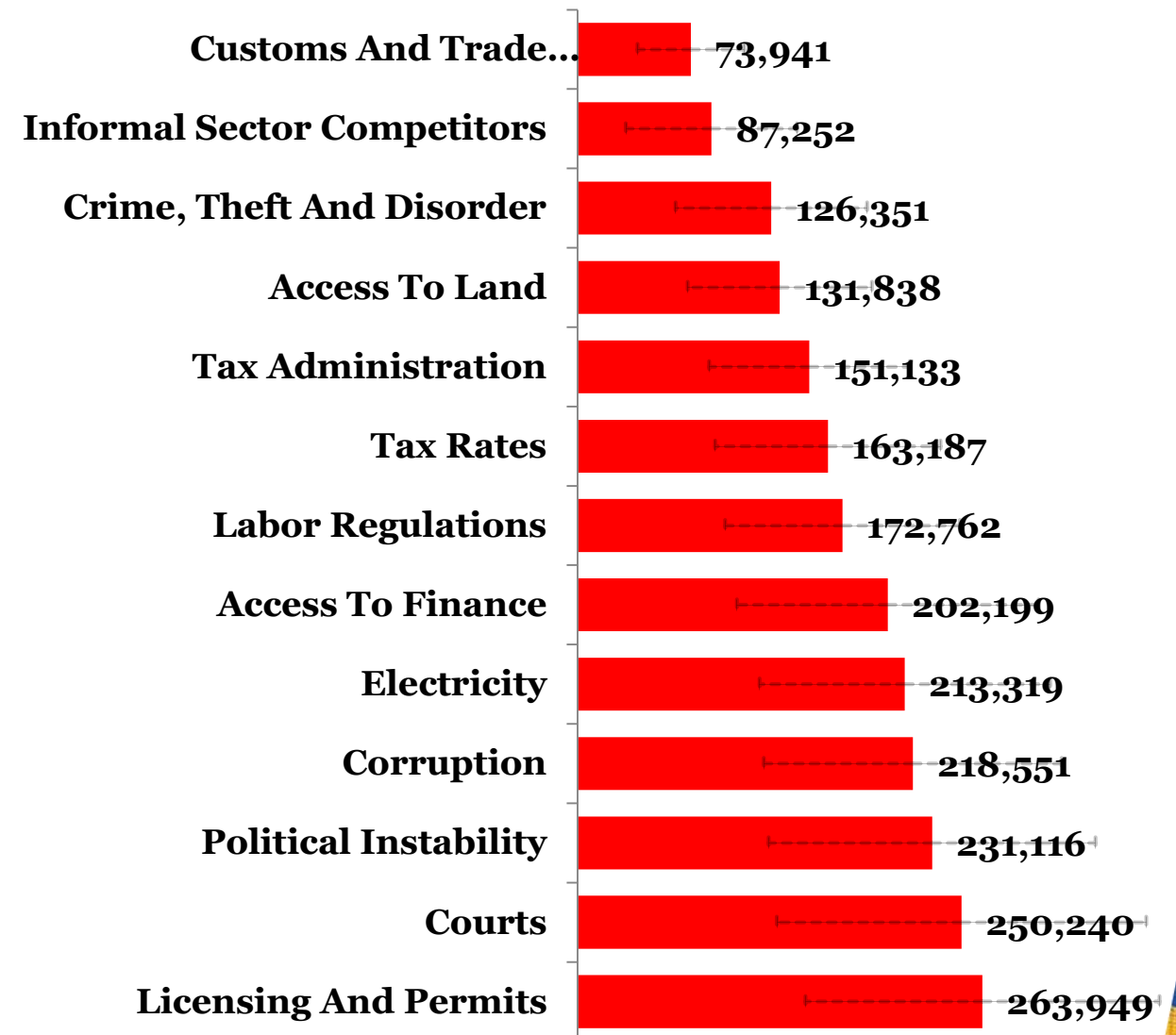


Source: Data from ILOSTAT (<https://www.ilo.org/ilostat>)

Constraints to Firm Growth

- An estimated 6.1% of private firms exit leading to a loss of 3% to 4.2% in private sector employment.
- ~2.3 million private sector jobs are lost due to business obstacles.
- The top 4 constraints are governance-related.

Estimated number of lost Jobs

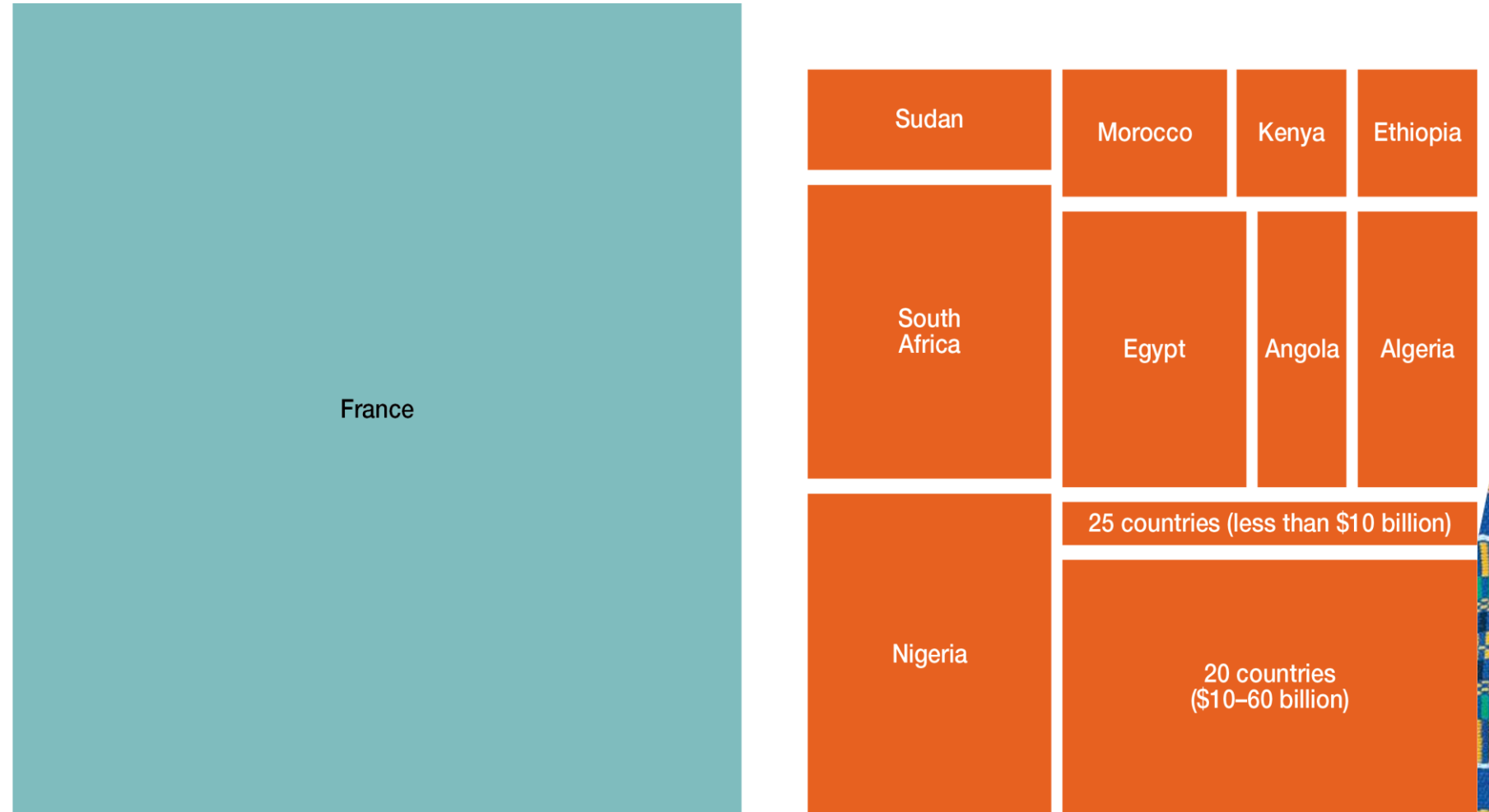


Source: Data from World Bank Enterprise Surveys

Regional Integration is a Priority

- Increases market size and boost trade among members by removing trade barriers.
- Helps to exploit economies of scale, enhances competition and increased cross-border investments.
- At a deeper level, fosters peace and security.

Africa's economy, with many small markets, is smaller than France's

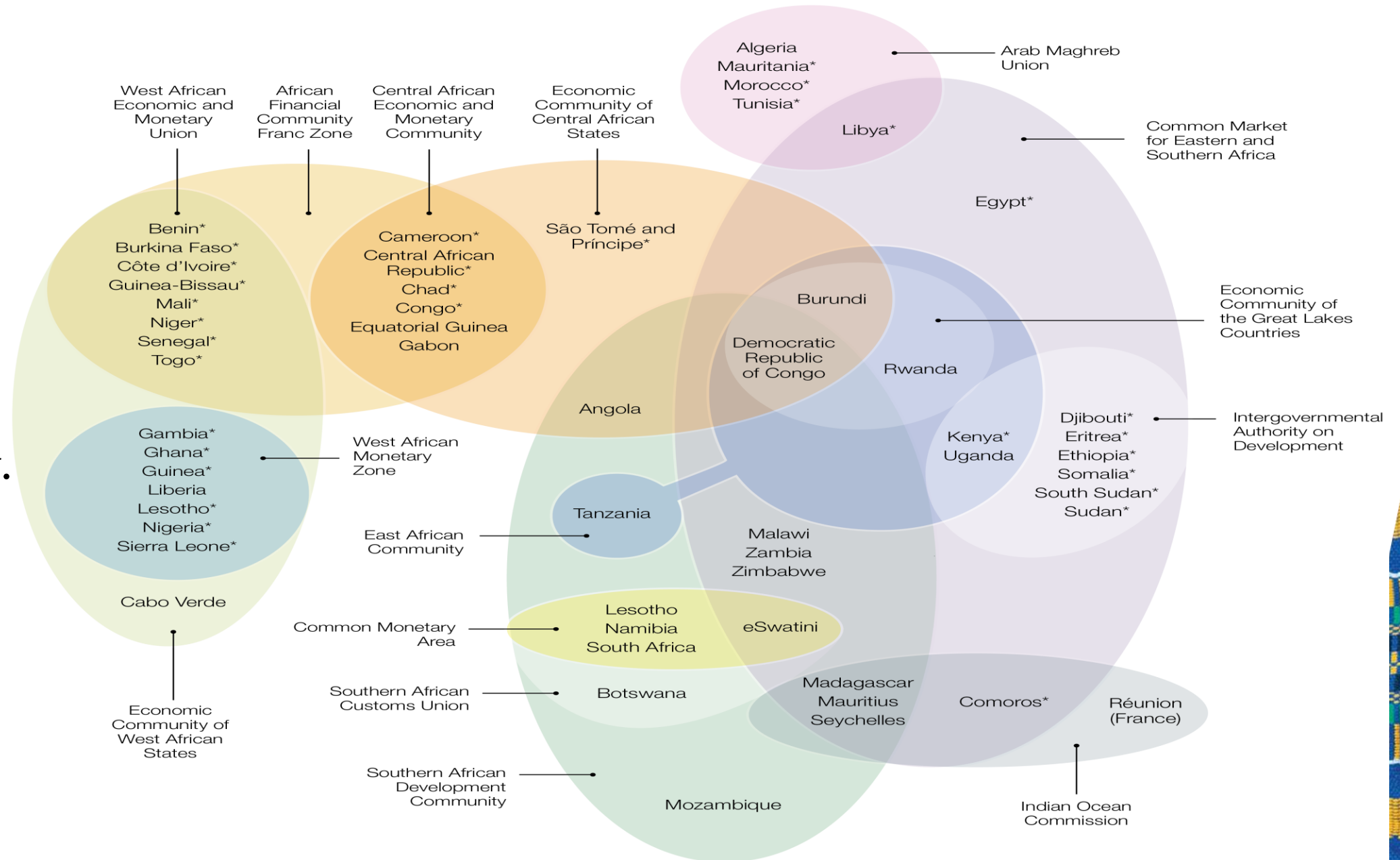


Source: Data from IMF; IEA analysis

Note: Size is GDP measured in 2011 purchasing power parity US dollars

An Entanglement of Regional Organizations

- The 15 African trade and economic organizations (plus the African Union) have memberships that overlap considerably.
- This situation, often referred to as a “spaghetti bowl”, persists and is an obstacle to regional integration.



Source: <https://au.int/en/organs/recs>

Note: Asterisks indicate the 29 members of the Community of Sahel-Saharan States



The African Continental Free Trade (AFCFTA)

- Supports the establishment of an African Economic Community, the end goal of the Abuja Treaty. It also complements the AU's agenda 2063 and the UN's SDGs.
- Has seven priority areas: policy, infrastructure, finance, information, market integration, increased productivity and trade facilitation.
- As of now, 52 countries have signed the agreement and 22 have ratified, implying that the agreement has now come into force.



Benefits of AFCFTA

- Potential to increase regional trade from 18% to 25% within a decade
- Stimulate intra-Africa trade by US\$35 billion per year
- Reduce African imports by US\$10 billion per year
- Boost agriculture and industrial exports by US\$45 billion and US\$21 billion respectively

Some Policy Implications

- Africa needs structural reforms to successfully diversify its economy, both vertically and horizontally.
- Growth and employment can be accelerated by:
 - ✓ Get the basics right (adequate infrastructure, human capital, skills development, functioning institutions, improved business climate).
 - ✓ Support exports, particularly manufacturing exports.
- Informality can be overcome through policies and incentives that encourage informal firms to become formal.

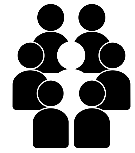
Some Policy Implications

- The Continental Free Trade Agreement can offer substantial gains for all African countries.
- Eliminate all applied bilateral tariffs, keep rules of origin simple, flexible, and transparent.
- Eliminate all nontariff barriers on goods and services trade.
- Increase cooperation on cross-border infrastructure investments, development corridors, and regional policy/regulatory frameworks.
- Beyond trade in goods, pay greater emphasis to the free movement of persons; especially given the global competition for talent.
- Comprehensive and regular monitoring of progress at integration is needed

Some Policy Implications

- Strengthen countries' capability to manage their public debt; support efficient and productive use of debt, and build fiscal capacity.
- Reform tax policies; strengthen tax administration, and improve accountability and transparency.
- Curb illicit financial flows.
- Lower money transfer cost and improve platforms for diaspora investments.

Africa Investment Forum



1,943
participants



277 DFI delegates
present



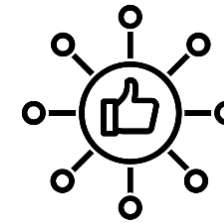
19 Press
conferences and
announcements



87 countries
represented



63 deals
discussed in
boardrooms



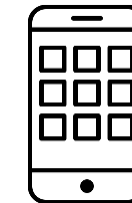
Over 33,000
social media
mentions



400 investors
from 53
countries



\$ 46.9 billion -
Value of
boardroom deals
discussed



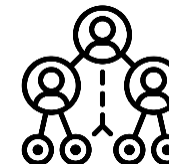
1122 active users
on the Africa
Investment
Forum App



8 Heads of
State/Government
(Ethiopia, South Africa,
Ghana, Guinea, Rwanda,
Senegal, Cameroun,
Nigeria)



Investment interest
secured across 49
deals worth US\$
38.7 billion



1383 connection
requests that were
sent through the
App (1102 accepted)



169 official
bilateral meetings
in addition to open
marketplace B2B
conversations





G20 COMPACT WITH AFRICA

Countries



Benin



Burkina Faso



Cote d'Ivoire



Egypt



Ethiopia



Ghana



Guinea



Morocco



Rwanda



Senegal



Togo



Tunisia

COMPACT WITH AFRICA FOCUS AREAS

- **Macroeconomic Framework**

- Maintain macroeconomic stability
- Ensure sustainability of public debt; increase domestic revenue mobilization; ensure sound public investment management; and improve the performance of public utilities.

- **Business Framework**

- Making Africa more attractive for private investors.
- Strengthen the legal and regulatory frameworks; establish investor protection and dispute resolution mechanisms; provide political risk insurance; improve project preparation.

- **Financing Framework**

- Increase the availability of financing at reduced costs and risks.
- Supporting efficient risk mitigation; develop domestic debt markets; and create instruments for institutional investors.



CWA COUNTRY REFORM TRAJECTORY

- In *Doing Business 2019*, the 12 CWA countries reported 47 reforms for ease of doing business, an average of nearly 4 per country compared to a global average of 1.7 reforms per country.
- Three CWA countries—Côte d'Ivoire, Rwanda, and Togo — were among the top-ten DB reformers for the year.
- All 12 CWA countries have improved their ease of doing business (EODB) score.
- Rwanda now ranks 29th in the world, ahead of such countries as France, Poland, and Belgium. Côte d'Ivoire has improved its ranking by 20 places; Togo has moved up 17 places; and Guinea has moved up 11 places and 1.81 percentage points.

CWA Country	DB 2017 Ranking (of 190 countries) / EODB Score	DB 2019 Ranking (of 190 countries) / EODB Score	+/- change in Ranking / EODB Score
Benin	155 / 48.52	153 / 51.42	+2 / +2.9
Burkina Faso	146 / 51.33	151 / 51.57	-5 / +0.24
Côte d'Ivoire	142 / 52.31	122 / 58.00	+20 / +5.69
Egypt, Arab Rep.	122 / 56.64	120 / 58.56	+2 / +1.92
Ethiopia	159 / 47.25	159 / 49.06	= / +1.81
Ghana	108 / 58.82	114 / 59.22	+6 / +0.4
Guinea	163 / 46.23	152 / 51.51	+11 / +5.28
Morocco	68 / 67.50	60 / 71.02	+8 / +3.52
Rwanda	56 / 69.81	29 / 77.88	+27 / +8.07
Senegal	147 / 50.68	141 / 54.15	+6 / +3.47
Togo	154 / 48.57	137 / 55.20	+17 / +6.63
Tunisia	77 / 64.89	80 / 66.11	+3 / +1.22



CWA COUNTRY ECONOMIC PROSPECTS

*CWA Country Forecasts, real GDP growth at market prices
in percent*

	2016	2017	2018e	2019f	2020f	2021f
Benin	4.0	5.8	6.0	6.0	6.5	6.6
Burkina Faso	5.9	6.3	6.0	6.0	6.0	6.0
Cote d'Ivoire	8.0	7.7	7.5	7.3	7.4	6.8
Egypt, Arab Rep.	4.3	4.7	5.5	5.7	5.9	6.0
Ethiopia	8.0	10.1	7.7	8.8	8.9	8.9
Ghana	3.7	8.5	6.5	7.3	6.0	6.0
Guinea	10.5	8.2	5.8	5.9	6.0	6.0
Morocco	1.1	4.1	3.2	2.9	3.5	3.5
Rwanda	6.0	6.1	7.2	7.8	8.0	8.0
Senegal	6.2	7.2	6.6	6.6	6.8	6.9
Togo	5.1	4.4	4.5	4.8	5.1	5.1
Tunisia	1.1	2.0	2.6	2.9	3.4	3.6

- **Growth has been robust in most CWA countries in 2019 and is expected to continue in 2020**

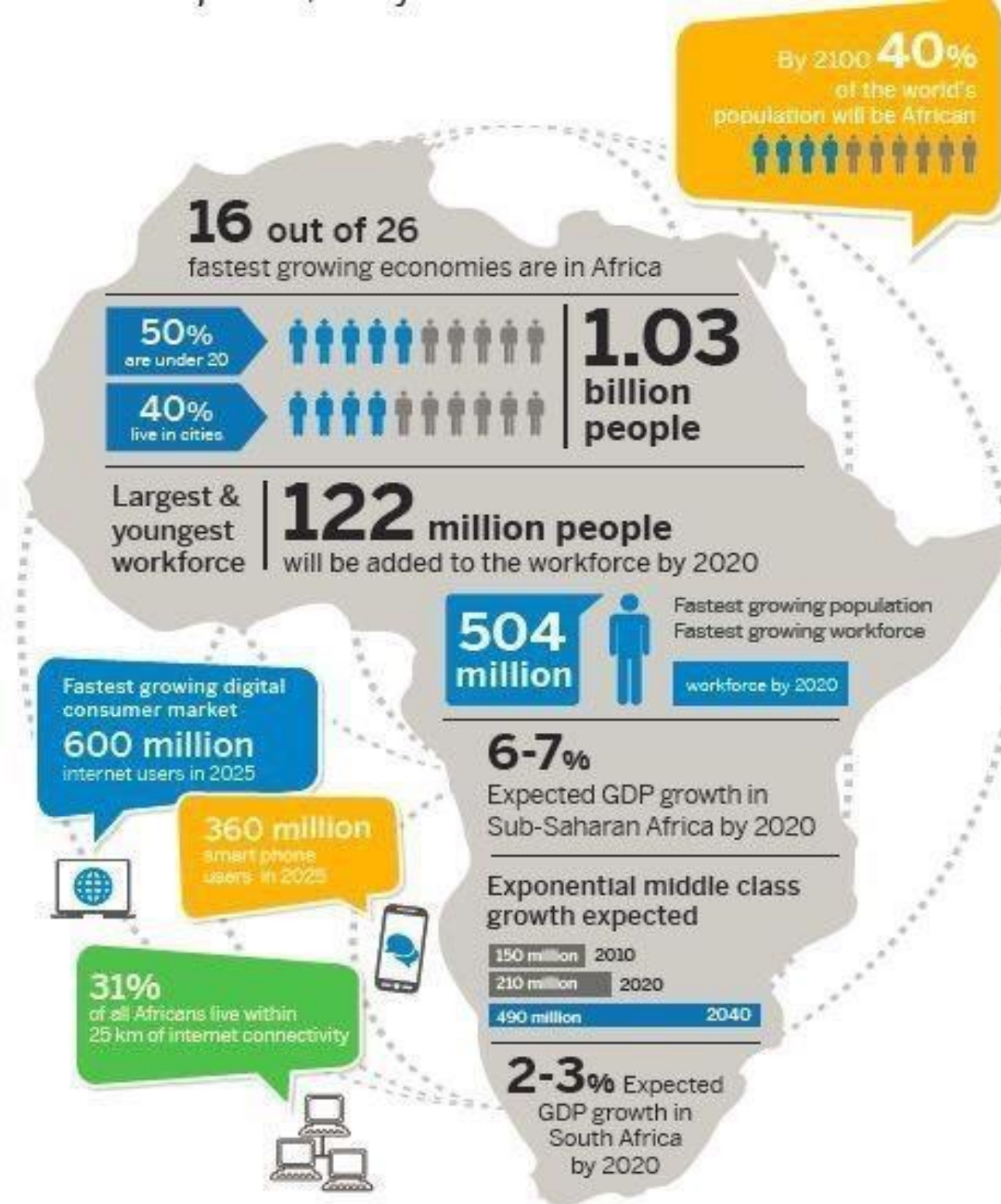
Africa Investment Forum



\$18.5 billion in investment interest was secured for specific projects in Compact countries.

Country	Sector	Investment Interest Secured
Benin (regional project with Niger)	Transport infrastructure	1,600
Cote d'Ivoire	Health	35
	industry	10
Egypt	Energy	200
	Industry	10,900
	Aviation	126
Ghana	Industry	872
	Transport infrastructure	2,600
	Agriculture	600
Guinea	Transport infrastructure	400
	Energy	84
Rwanda	ICT & Telecoms	400
	Transport infrastructure	20
Togo	Energy	130
Tunisia	Energy	440
	Water & Sanitation	50
TOTAL CWA Deals (US\$ million)		18,466





- **Consumer Spending \$2.5 trillion by 2030**
- **Business-to-Business Investment \$3.5 trillion by 2030**





**THANK
YOU**

