POCKET EDITION

African Economic Outlook 2014

SPECIAL THEME:

Global Value Chains and Africa's Industrialisation

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Congo, Dem. Rep.
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Malawi
Mali
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Mauritius
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Mozambique
Namibia
Niger
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Rwanda
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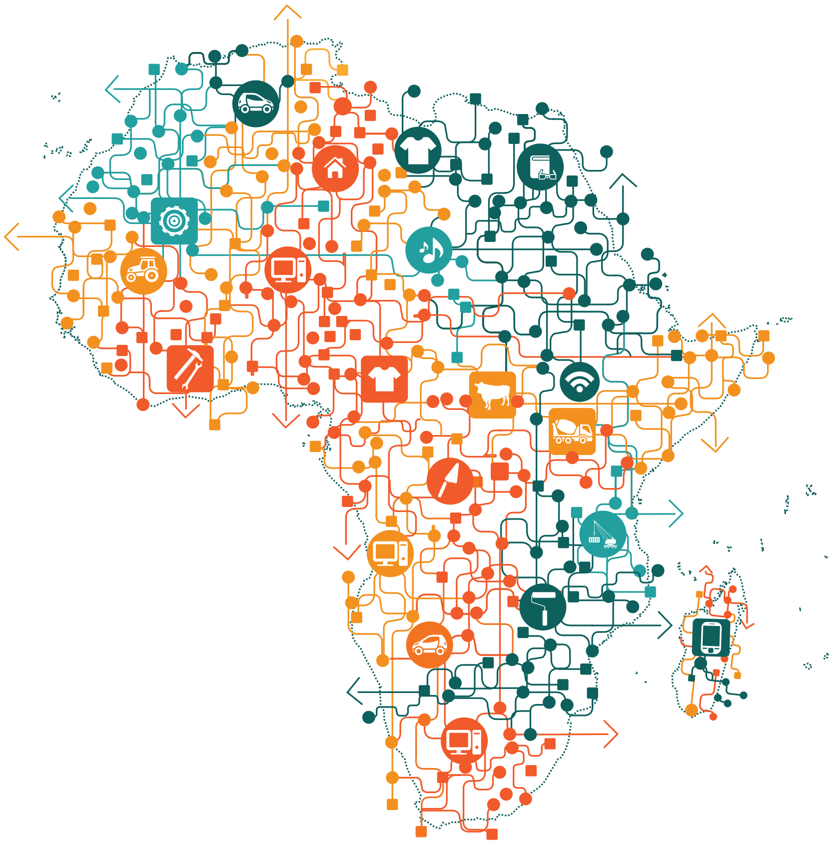
Senegal
Seychelles
Sierra Leone
Somalia
South Africa
South Sudan
Sudan
Swaziland
Tanzania
Togo
Tunisia
Uganda
Zambia
Zimbabwe



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African Economic Outlook 2014
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What is the *African Economic Outlook*?

The *African Economic Outlook* (AEO) is a high-quality, independent tool for monitoring Africa's economic development on an on-going basis.

Because Africa comprises many different, fast-changing countries, the report grasps the short-term performance of individual economies in their regional context; and because development is multi-faceted, it brings together the macroeconomic, structural and social dimensions. It aims primarily to help policy makers and analysts make informed decisions but also serves investors, journalists, academics and students.

Today, the AEO is the only annual report that monitors in detail the economic performance of all 54 individual African countries using a strictly comparable analytical framework.

A collaborative approach

This report is made possible by the combination of the expertise, know-how and networks of the three AEO partner institutions:

- African Development Bank (AfDB);
- OECD Development Centre;
- United Nations Development Programme (UNDP).

AEO country notes are generated by AfDB researchers, country economists and statisticians in collaboration with experts from the OECD Development Centre and UNDP country economists. They collect data and information from national statistical offices, ministries, investors, civil society actors and foreign partners to produce a comprehensive analysis of recent developments and undertake original two-year macroeconomic projections.

How to use the AEO

The AEO online

The complete AEO, including the entire content of the report, full country notes and the statistical annex can be accessed free of charge in English, in French and (partly) in Portuguese on the AEO partners' common website:

www.africaneconomicoutlook.org

All tables from the country notes and statistical annex can be downloaded in Excel format. The website can be accessed easily from smartphones and tablets.

Also available from the website:

- Five regional editions in English and French grouping the full-length country notes for Central, East, North, Southern and West Africa, and one edition in Portuguese comprising all the Portuguese-speaking countries of Africa.
- A thematic edition combining the report's chapters on global value chains and Africa's industrialisation with the thematic sections of all country notes into one single document, in English and French.

The AEO report

The published AEO 2014 report is available in hard copy format, in English, French and – in an abridged version – Portuguese. It can be browsed and purchased through the OECD iLibrary at http://dx.doi.org/10.1787/aeo-2014-en. It provides:

- an overview of Africa´s performance and prospects (Part one);
- an in-depth analysis of a special theme of particular importance for the continent: Global value chains and Africa's industrialisation (Part two);
- one- to two-page summaries of the 54 country notes (Part three);
- a rich statistical annex.

The AEO Pocket Edition

This Pocket Edition of AEO 2014 provides you with the key facts and data of this year's report in a portable format. It contains:

- a summary of Africa's performance and prospects;
- a summary of the report's analysis on global value chains and Africa's industrialisation;
- key figures on African countries' growth prospects for each of the five regions.

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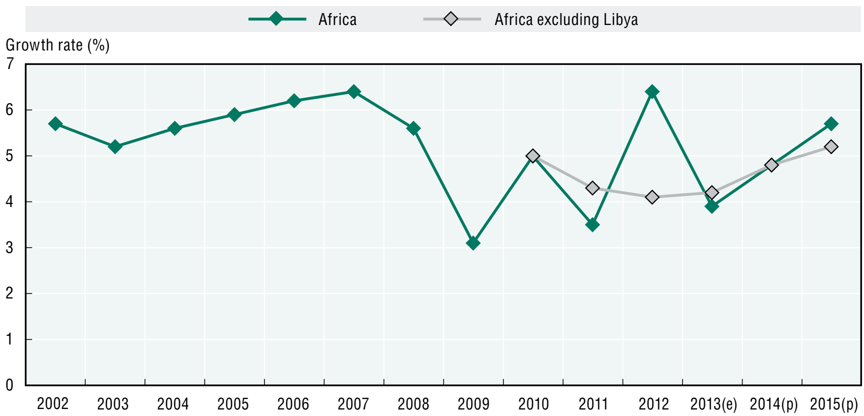
Africa's performance and prospects

Macroeconomic prospects for Africa

Africa's growth

In 2013, Africa maintained an average growth rate of about 4%. This compares to 3% for the global economy and underscores again the continent´s resilience to global and regional headwinds. But growth performance varied widely across country classifications and regions. Growth in Sub-Saharan Africa was 5% in 2013 and is projected to be 5.8% in 2014. Excluding South Africa, the figures are 6.1% and 6.8%, respectively. East and West Africa recorded the fastest growth in 2013, above 6%. Furthermore, growth in low-income countries, at more than 6%, exceeded that of upper-middle-income countries in North and Southern Africa at below 3%. Africa's medium-term growth prospects look good. Africa´s average growth is projected to accelerate to close to 5% in 2014 and 5%-6% in 2015, thus to levels last seen before the onset of the 2009 global recession. This forecast is based on the premise of a gradual strengthening of the world economy and also on improvements in political and social stability in those African countries currently affected by conflicts. But if the global economy should remain weak, or if political and social tensions within Africa were to improve less than assumed, growth would be lower than projected. Inflationary pressures have eased in many countries as energy prices have stopped rising and food prices have declined. These developments, together with prudent fiscal policies, have provided some scope for monetary policy to reduce interest rates. But in other countries where fiscal policy has been lax and where currencies have weakened, monetary policy has tightened to stem inflationary pressure.

Figure 1. **Africa's economic growth**



Note: (e) estimates; (p) projections.

Source: Statistics Department, African Development Bank.

Economic growth varies widely across the continent reflecting differences in stages of development, availability of natural resources, weather conditions, and – last but not least – political and social stability.

Table 1. **Macroeconomic developments in Africa**

	2005-09	2010	2011	2012	2013(e)	2014(p)	2015(p)
Real GDP growth (%)							
Central Africa	4.1	5.9	4.4	5.8	3.7	6.2	5.7
East Africa	7.1	7.3	6.3	3.9	6.2	6.0	6.2
North Africa	4.9	4.3	0.3	9.4	1.9	3.1	5.5
Southern Africa	5.2	3.7	3.9	3.3	3.0	4.0	4.4
West Africa	5.7	7.1	6.9	6.9	6.7	7.2	7.1
Africa	**5.3**	**5.2**	**3.6**	**6.4**	**3.9**	**4.8**	**5.7**
Africa (excluding Libya)	5.3	5.1	4.3	4.1	4.2	4.8	5.2
Memorandum items							
North Africa (including Sudan)	*4.9*	*4.5*	*0.4*	*8.9*	*2.0*	*3.0*	*5.4*
Sub-Saharan Africa (SSA)	*5.6*	*5.6*	*5.5*	*4.9*	*5.0*	*5.8*	*5.9*
SSA excl. South Africa	*6.5*	*6.6*	*6.3*	*5.8*	*6.1*	*6.8*	*6.9*
Oil-exporting countries	*5.8*	*5.6*	*3.0*	*8.3*	*3.8*	*5.0*	*6.4*
Oil-importing countries	*4.8*	*4.6*	*4.4*	*4.0*	*4.0*	*4.4*	*4.8*

Note: (e) estimates; (p) projections. Excludes South Sudan over the period 2013-15.
Source: Statistics Department, African Development Bank.

Risks and policy challenges for African economies

This forecast for Africa is what we currently (in spring 2014) see as the most likely outcome. But there are both upside and downside risks. If the global economy were to be stronger or weaker than assumed, Africa´s growth would be higher or lower. The main channels of transmission of changes in the world economy are commodity prices, trade volumes, tourism and inflows of foreign direct investment, official development assistance and workers' remittances.

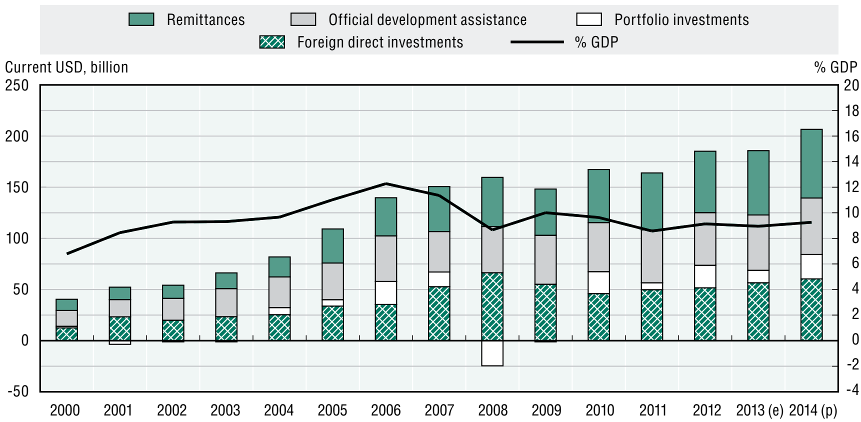
On top of external uncertainties, risks also exist within Africa. Three years after the revolutions in Egypt, Libya and Tunisia, political stability in the region has not yet been fully restored. Insecurity and social tensions also exist in some other countries and regions and may continue adversely to affect economic activity. While in Mali the political and security situation has improved after the military support by international forces, in the Central African Republic the crisis intensified towards the end of 2013. Military interventions by international forces are currently attempting to ensure security, which is still precarious. Political and social tensions could also arise in the context of the many elections during the year. Other risks are related to weather conditions, which may be worse than assumed and reduce harvests and cause food prices to rise. Furthermore, with delays in the construction of planned infrastructure projects, growth in gross domestic product (GDP) would be lower than projected.

Major challenges for African countries are to preserve political and social stability. Sustaining high growth, making growth more inclusive and reducing poverty also help reduce political and social tensions. This requires pursuing appropriate macroeconomic policies and at the same time increasing access to key public services, notably education, health and security, and further improving institutions and regulations for private sector activity. This helps improve human development, better attainment of the Millennium Development Goals and diversification of the economy.

External financial flows and tax revenues for Africa

External financial flows and tax revenues play an increasingly important role in Africa's development and economic growth prospects. External financial flows have quadrupled since 2000 and are projected to reach over USD 200 billion in 2014. Their composition has also changed progressively with foreign investments and remittances from non-OECD countries underpinning this positive trend. Foreign investment – direct and portfolio – has now fully recovered from the 2009 economic crisis and is projected to reach over a record USD 80 billion in 2014, making it the largest financial flow to Africa. Though resource-rich countries remain the prime destination for foreign direct investment (FDI) to Africa, manufacturing and services attract an increasing share of the over 750 new greenfield FDI projects. Official remittances have been continuing their increasing trend since 2009 and are projected to reach USD 67.1 billion in 2014. In contrast, official development assistance's (ODA) share of total external flows keeps diminishing, from 38% in 2000 to 27% in 2014 (estimated at USD 55.2 billion). Despite this downward trend, ODA still represents the largest external financial flow to low-income African countries. Tax revenues continue to increase in Africa and reached USD 527.3 billion in 2012. They should not be seen as an alternative to foreign aid but as a component of government revenues that grows as countries develop.

Figure 2. **External financial flows to Africa**



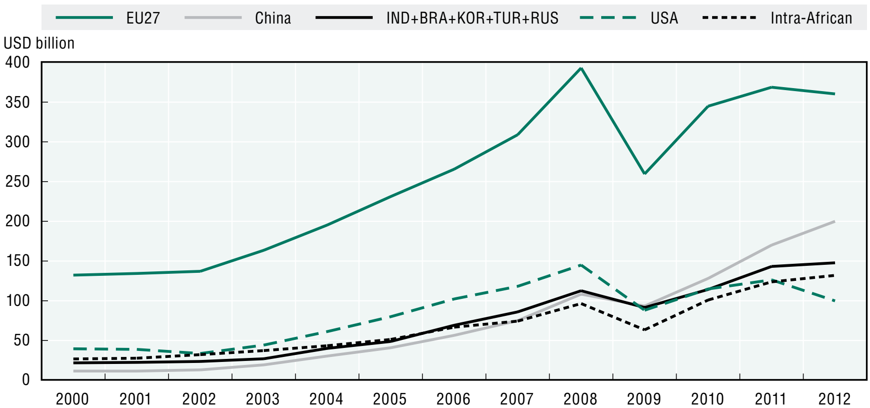
Note: ODA (e) estimates and (p) projections based on the real increase of Country Programmable Aid in the forthcoming *OECD Report on Aid Predictability: Survey on Donors' Forward Spending Plans 2013-16*. Forecast for remittances based on the projected rate of growth according to the World Bank. (This figure excludes loans from commercial banks, official loans and trade credits.)

Source: Authors' calculations based on OECD/DAC, World Bank, IMF and African Economic Outlook data.

Trade policies and regional integration in Africa

Africa's exports, driven by strong commodity prices, grew faster than any other region in the world in 2012 at 6.1%. However, in the same year Africa accounted for just 3.5% of world merchandise exports, and this has remained low over the years. Intra-African trade with value-added manufacturing grew faster than exports to the rest of the world. Africa can further increase this trade by cutting bottlenecks and strengthening industrialisation. This would help the continent gain a stronger foothold in global value chains. East Asia's economic rise shows that attracting value chain foreign direct investment requires targeted trade reforms and policies, efficient trade infrastructure, and incentives to support value-added technology. This must be carried out at both regional and national levels. The share of African suppliers in the continent's imports has been falling compared to imports from outside Africa. Imports have grown twice as fast as exports, averaging 13.8% per year. African states have not participated fully in this import growth. Likewise, African suppliers need an appropriate enabling trade environment, to scale-up involvement in services value chains. Regional bodies have launched important initiatives to boost regional industrialisation and investment in regional infrastructure, but these need to be strengthened.

Figure 3. **Africa's trade flows with selected partners**



Source: UN Comtrade (2012).

Human development in Africa

Africa has been making substantial progress in human development. Poverty levels are falling, incomes are rising, and education and health outcomes are improving. The Human Development Index shows 1.5% annual growth, and

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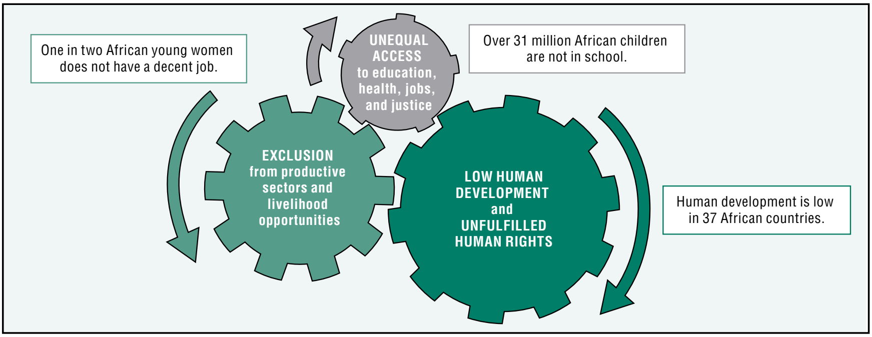
15 countries are now considered to have medium to very high human development. African countries with high and rising levels of human development are well integrated into global markets with diversified exports that create employment.

There is room for more progress in the areas of inclusion, gender equality and environmental sustainability. Exclusion and unequal access to economic and social opportunities continue to inhibit human rights, improved livelihoods and the expansion of skills. Environment-related challenges – climate change, natural resource depletion and energy access – are also hindering sustainable human development. In response, the post-2015 development agenda for Africa targets equitable and socially-inclusive economic growth and structural changes, focusing on empowerment, governance, social transformation and gender equality.

Figure 4. **Unequal access, exclusion and low human development**



Source: Authors' elaboration.

Integrating further into value chains can increase human development in Africa. New technology and innovation are critical for ensuring the benefits of greater integration into local, regional and global value chains and managing the associated risks for the poor and marginalised. Developing value chains to raise agricultural productivity can generate jobs and increase social cohesion, particularly for countries recovering from conflict. More efficient value chains should profit small producers, the poor and women. Governments, the private sector and co-operatives should protect their rights by promoting resilience, streamlining and competitiveness.

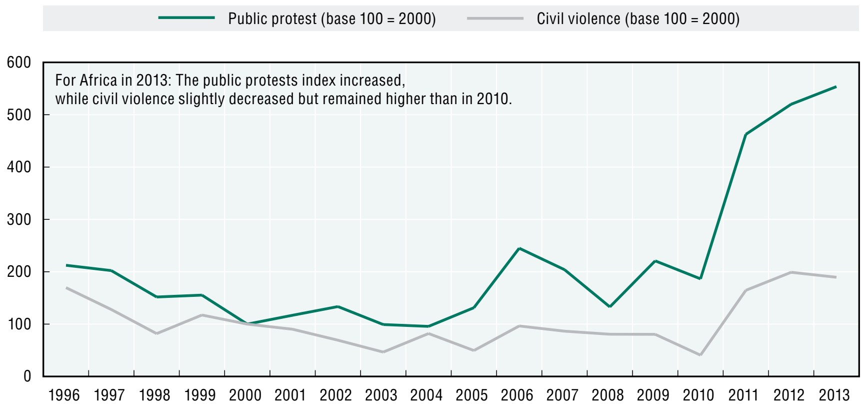
Political and economic governance in Africa

Africa's political governance has improved since 2000. Elections have increasingly become peaceful, and the participation of women in political life has increased. Governments have improved the collection and management of tax revenues. There is a greater determination to fight corruption and illicit outflows of much needed cash – even though both still thrive. However, there are still many challenges ahead. Public protests have increased in recent years, largely in countries undergoing democratic transition. People want jobs and better wages, and they are keeping a closer eye on their leaders, including through digital media. Violence by non-government actors decreased in 2012 but still remains high compared to levels recorded between 1996 and 2010. Recent surveys indicate that more than a dozen African countries are among 65 globally at an elevated risk of social unrest.

The number of armed conflicts on the continent has been reduced and become less deadly since 2000. But new threats have sprung up. Today's conflicts are mainly internal in nature but increasingly spill across borders. The international community has begun to adapt its responses to these threats. This can be seen in the collaboration between the African Union, European Union and United Nations in setting up peacekeeping missions and the tougher mandates given to these missions.

Better governance and social peace are essential for growth and development. A number of initiatives to stop illegal capital outflows and improve the management of revenues, especially from mining, are promising. The business environment is improving although, according to the World Bank report *Doing Business 2013*, 15 of the 20 countries where it is hardest to do business were in Africa.

Figure 5. **Public protests and civil violence**



Note: See the detailed methodology and country data in the Statistical Annex of the report.
Source: Authors' calculations based on news verified by press agencies (Marchés Tropicaux et Méditerranéens for 1996-2005, AFP and Reuters for 2006-13).

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Global value chains and Africa's industrialisation

International trade is changing. Modern communication technologies and falling transport costs have led to the emergence of global value chains. These are production networks in which components are traded several times, spanning many countries, often the entire globe. They are driven by international firms that seek to optimise their sourcing strategies through the separation and permanent geographic re-organisation of production stages. Today 80% of global trade is linked to multinational corporations (UNCTAD, 2013), 60% of global trade in goods takes place in the form of intermediate products (UN Comtrade, 2012) and on average foreign value added makes up 25% of the total value added included in a country's exports (OECD TiVA).

The heralding of global value chains as the new paradigm of global trade opens new opportunities for African firms, but it requires a shift in the way economic policies are designed and implemented. Rather than national or sectoral strategies, successful integration and upgrading in value chains call for openness and product-specific, sometimes firm-specific, strategies.

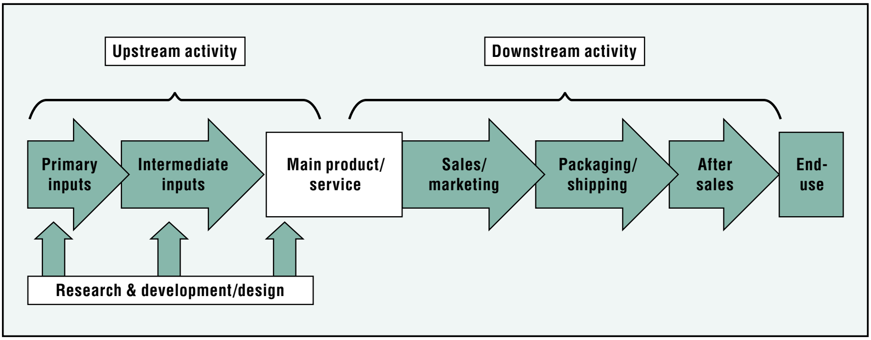
Global value chains: What's in them for Africa's industrialisation?

A value chain identifies the various steps that firms take to bring a product or a service from its conception to its end use by final consumers (Figure 6). At each step – design, production, marketing and distribution – value is added in some form or other.

Driven by offshoring and mounting interconnectedness, those activities have become increasingly fragmented across the globe and between firms. The various tasks along the production chain can be carried out in distant locations, depending on the respective comparative advantages of different countries. These are referred to as global value chains or international production networks (Gereffi and Fernandez-Stark, 2011; OECD, 2013).

Each stage carries, to varying degrees, opportunities for new local activities, jobs and corporate profits, as well as the associated technology diffusion and opportunities to generate public revenues. Successful integration into a value chain allows a country to seize a bigger share of those benefits and potentially accelerate its industrialisation process.

Figure 6. **Stages in a generic value chain: From conception to production to final sales**



Source: Authors' elaboration.

Global value chains (GVCs) offer new opportunities for structural transformation in Africa. Instead of industrialising bottom up and building up all the sectors required to participate in competitive markets, developing countries can integrate into global value chains at a specific stage by catering specific skills or products to international production networks. This opens up new and quicker routes for development.

Measuring Africa's integration into global value chains

To avoid double counting and provide an accurate picture of a country's global position, its trade with the rest of the world needs to be measured in value added rather in gross terms. The OECD-WTO Trade in Value Added (TiVA) and the UNCTAD-Eora projects measure trade in value added and participation in global value chains. They distinguish between:

- **Backward integration**, measured by the share of foreign value added embedded in a country's exports. It looks back from the perspective of a country's exports across foreign inputs into local production. For example: country A imports car engines and frames from country B; local workers assemble them into motor vehicles, thereby adding value; then the final product, cars in this case, are exported to country C. The value of the engines and frames imported from country B relative to the total value of country A's exports of cars is a measure of backward integration.
- **Forward integration**, measured by the share of a country's exported value added that is further exported by the importing country. It looks forward from a country's perspective at the flow of its exports around the world, specifically those that other countries use to produce their own exports. For example: Country A extracts metals from its soil – which is a form of value added – and sells them to country B, which uses them as components of mobile phones that it assembles and exports to country C. The value of

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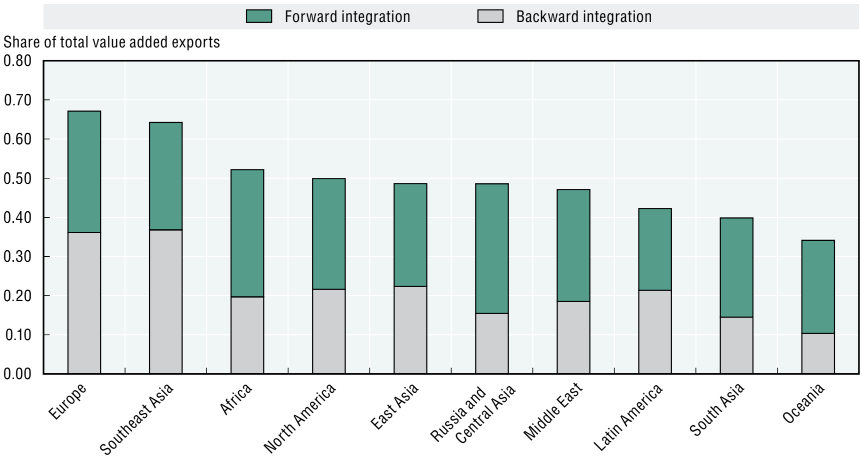
country A's exports of the metals relative to the total value of country A's exports is a measure of forward integration. Like backward integration, forward integration assesses the degree of country A's contribution to the value chain, but earlier in the sequence.

GVC integration – the extent to which a given country contributes to the global processing of goods and services – can be measured by cumulating the degrees of backward and forward integration. The AEO 2014 expanded the work of the OECD-WTO and UNCTAD for African economies. The results are presented in Figure 7: relative to the size of its own exports, Africa's participation in global value chains is fairly high, especially compared to many other regions. However, much of Africa's GVC integration is of the forward kind, i.e. Africa is a source of raw materials for many global value chains. In terms of backward integration, i.e. the use of foreign intermediate products in its exports, Africa shows a similar profile to other regions.

Figure 7. **Integration of world regions into global value chains, 2011**



Note: Backward integration is measured by the share of foreign value added embedded in a country's exports. Forward integration is measured by the share of a country's exported value added that is further exported by the importing country.
Source: Authors' calculations based on UNCTAD-Eora GVC Database (2014).

Relative to global trade, Africa captures a growing but still very small share of GVC trade. Its share of value-added trade grew from 1.4% in 1995 to 2.2% of the world total in 2011.

Upgrading through global value chains: Africa's productivity has benefited, but wider linkages remain a challenge

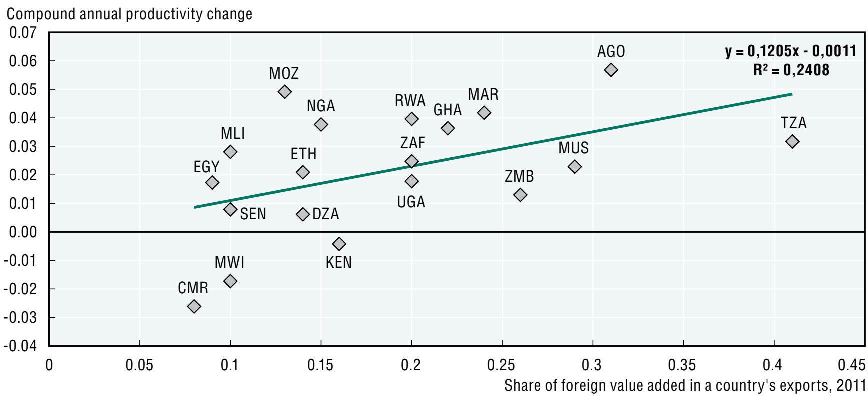
Although global value chains offer new pathways to development, they are no panacea. Turning the opportunities offered by GVC integration into longer-term developmental benefits requires both economic and social **upgrading**.

- **Economic upgrading** refers to productivity gains, structural transformation and growing domestic value added embedded in a country's exports. Its drivers are knowledge transfers, product differentiation and the addition of adjacent stages of the value chain. For example Blue Skies, a firm in Ghana, adds domestic value by cutting fresh fruit locally and shipping it to European supermarkets by air, instead of exporting whole fruits and leaving all processing and trading to external firms.
- **Social upgrading** refers to expanding employment and improving employment conditions.

Most African countries have been able to combine GVC participation with economic upgrading. Figure 8 shows that African countries with a higher share of foreign value added in exports (backward integration) on average experienced higher productivity growth and positive structural change: greater specialisation on specific segments of value chains seems to pay off. By contrast, however, forward integration shows negative links with measures of structural change and diversification, reflecting the negative impact that dependency on natural resources has on structural transformation (see AfDB et al., 2013).

As for social upgrading, employment gains seem to follow the economic gains, but the relationship is not straightforward, and is difficult to measure. Ethiopia managed to attract a significant number of producers in the global apparel value chain linked to such big brands as H&M. They created 60 000 jobs. Conversely, however, macroeconomic data in South Africa and Egypt suggests that although both countries are more integrated into global value chains and export more today than a decade ago, they do so with the same or even a smaller number of workers employed.

Figure 8. **Productivity growth and backward global value chain integration are correlated in Africa**



Source: Authors' calculations based on UNCTAD-Eora GVC Database (2014) and productivity data from McMillan and Rodrik (2011) and AfDB et al. (2013).

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Reaping economy-wide gains from a few firms integrating into global value chains thus remains a challenge. Often activities linked to GVCs are isolated from the rest of the economy and few linkages develop. Tunisia, for example, has thriving export sectors in textiles and apparel and electrical machinery that are well connected to European production networks and markets. However, due to strict regulations separating the offshore and onshore sectors, most of these activities operate in isolation from the broader local economy, limiting the potential for further upgrading and employment creation. Cabo Verde has been able to boost its integration into global tourism value chains, increasing this sector's share of GDP to 20%. However, linkages are yet to develop from the resort style hotels and the local economy.

The pathways to upgrading depend on the balance of power and are specific to each value chain

The balance of power between lead firms and suppliers determines the scope for economic and social upgrading. Understanding those power structures is a prerequisite for identifying opportunities and devising adequate upgrading policies at sector or even product level:

- The more concentrated, **producer-driven chains** – e.g. extractive industries, cocoa and coffee in agriculture, and automobiles and microchips in manufacturing – offer fewer opportunities for upgrading into higher value-adding stages of the chain, as most processing steps are tightly controlled. Opportunities tend to lie in acquiring upstream capabilities – such as research, supplier services and component manufacturing – or in expanding into higher quality varieties of the base product such as organic or fair trade types of cocoa and coffee. South Africa for example became a global supplier of components in the global automotive chain after it had attracted investments by lead firms in local production.
- **Buyer-driven chains**, such as apparel and horticulture, allow for closer links between producers and consumers by cutting out middlemen and providing unique value added required by consumers. A good example is the growing share of direct supplies of flowers from Kenya to retailers, bypassing the traditional auction houses. However, quality standards play a crucial role in buyer-driven chains and can be a steep barrier to entry, especially for smaller producers such as farmers or small and medium enterprises in services and manufacturing.

Quality, costs and services remain challenges; opportunities lie in openness and regional value chains

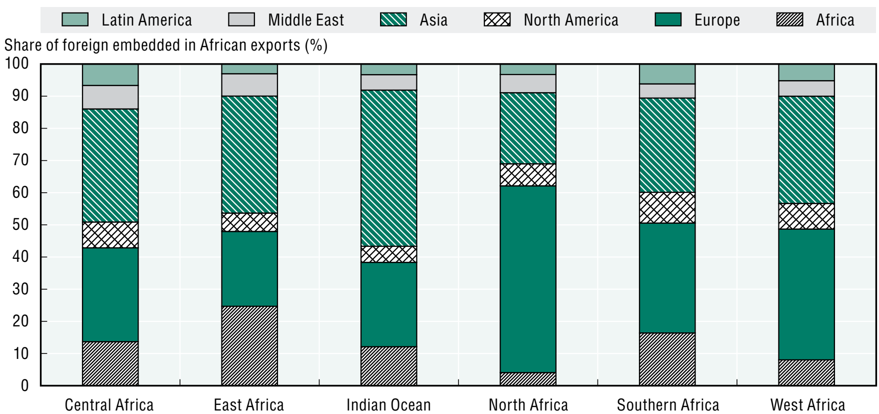
What prevents international firms from investing more in GVC relationships with Africa? The lack of ability to meet such quality standards, as well as high costs of transport and energy, and poorly trained workforce are among the top reasons they cite. The lack of a strong service sector is another hindrance: while on average 30% of the value of manufactured products exported globally is added in the form of services – such as design, development, marketing, warranties and after-sales care – Africa's share of global service exports has been decreasing. The inadequate provision of public and private business services and extension services particularly penalises smaller firms, which need them to focus on innovation and value added in their core field. The accelerating spread of global value chains amplifies these challenges, as they put African countries at a disadvantage in the competition for GVC investments, especially in manufacturing.

African countries' advantages lie in their natural resource endowments, low labour costs and growing consumer markets. Experts interviewed for this report also see African markets as relatively open. Openness to trade, especially to imports of intermediate products, is particularly important for countries to remain competitive in international supply chains.

Although a small share of African exports is currently destined for regional markets, the ongoing retail revolution and growing consumer potential present important opportunities for stronger regional value chains. In addition to closer proximity and first-mover advantages, regional markets often permit lower standards and thus present lower barriers to entry.

Fast growing African markets will remain a primary driver of growth in the years to come; governments should strive to make it easier for African entrepreneurs to tap them. They need better roads, more reliable energy supply but also greater freedom of moving across countries. Currently East and Southern Africa are significantly ahead of the other African regions in their level of regional value chain integration (Figure 9).

Figure 9. **Sources of foreign value added in exports by region, 2011: East and Southern Africa are ahead in global and regional value chain participation**



Source: Authors' calculations based on UNCTAD-Eora GVC Database (2014).

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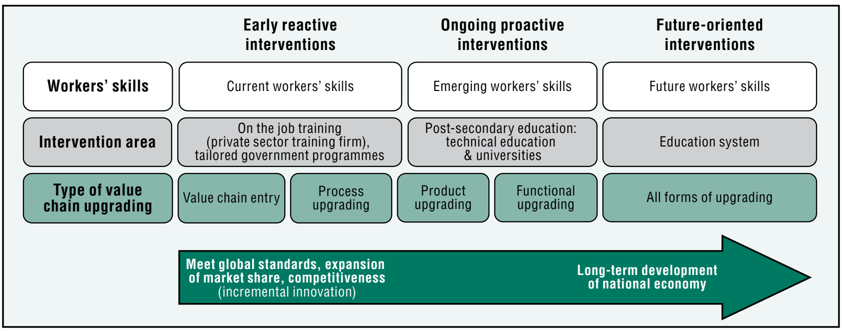
Industrialising with global value chains requires tailor-made policies that boost Africa's capacity to integrate and upgrade

The challenges and opportunities that global value chains present for structural transformation differ widely by sector and, within sectors, by product. The challenge for policy makers is to maximise economy-wide opportunities while at the same time creating the optimal environment for the value chains with the greatest potential. This means that governments are confronted with trade-offs in several areas:

- In the area of trade policy, for instance: trade barriers and local content regulations must be balanced against attractiveness to GVC investors, who want to link African production to a global flow of intermediate goods and services. One essential ingredient of South Africa's successful motor industry development plan was scrapping onerous import tariffs and local content requirements for investors. Instead, policy makers made a bet on longer-term gains through local learning and development of component manufacturing. However, this implies having in place the capacity to benefit from learning and technology upgrading – in other instances, local content requirements may be productive.
- Fiscal policy is another case in point: African governments often lose large sums in unnecessary incentives; investors that are attracted by natural resources or a fledgling consumer market would come to a country regardless of tax incentives. Conversely, workforce development and infrastructure could benefit from the financial resources lost in tax incentives and attract more GVC-driven investors in the longer term. Moreover, such investments determine a country's capacity for upgrading. Countries that do not develop that capacity risk competing with each other for GVC investments with low social and environmental standards using tax incentives. Such low-road strategies tend to deliver limited gains for a few, while the price is paid by many.

Figure 10. **Typology of skills development policies for global value chain upgrading**



Source: Fernandez-Stark et al. (2012).

Finally, entrepreneurship and public-private collaboration are crucial for using global value chains for development. Entrepreneurs play a critical role in identifying value chain opportunities with high potential and in accepting the risks involved in trying to seize them. Using global value chains for development requires public institutions to help build and support the country's entrepreneurial base. This includes entrepreneurial training and access to finance, as well as partnering with local firms when formulating GVC strategies.

Domestic business associations are essential for this process. Actively supporting their creation must be among the first steps of a strategy for integration and upgrading in global value chains. Their role is to identify firms' needs in a given value chain and communicate them effectively to government. They also work as partners in capacity building and training for firms and can be partners for international investors. The Ethiopian textile and garment manufacturers association, for example, has become a critical partner for government and for international lead firms such as H&M. The association has helped shape the government's set of policies supporting the sector and partnered with H&M in building local firms' capacity to meet quality standards. The Kenyan Flower Council plays a similar role in Kenya's horticultural sector.

Key facts and figures

Central Africa

Growth prospects are favourable for Chad where new oilfields come on stream, in the Democratic Republic of the Congo, driven mainly by mining, agriculture and infrastructure investment, and in the Republic of Congo and in Gabon where the non-oil sectors continue to grow faster than the oil sector. In Cameroon, growth is broad-based, with oil and gas production, construction and services as the main drivers together with agriculture, which has recovered from the flood damage of 2012. But the economy of the Central African Republic is heavily affected by the political and security conflict, and prospects remain uncertain. In Equatorial Guinea, GDP growth was negative in 2013 due to lower oil production; and as oil production is expected to decline further, GDP will continue to shrink gradually, as the non-oil sector is too small to compensate for the fall of oil production.

Macroeconomic prospects for Central Africa

Real GDP growth (%)	2012	2013 (e)	2014 (p)	2015 (p)
Africa	**6.4**	**3.9**	**4.8**	**5.7**
Africa (excluding Libya)	**4.1**	**4.2**	**4.8**	**5.2**
Central Africa	**5.8**	**3.7**	**6.2**	**5.7**
Cameroon	4.4	4.9	5.0	5.1
Central African Rep.	4.1	-34.2	1.5	5.7
Chad	9.1	3.4	11.2	8.9
Congo	3.8	3.4	6.1	6.5
Congo, Dem. Rep.	7.2	8.1	8.5	8.6
Equatorial Guinea	5.3	-1.4	-1.8	-8.5
Gabon	5.7	5.5	6.7	7.2
São Tomé and Príncipe	4.0	4.3	4.8	5.6
Overall budget balance, including grants (% GDP)	**2012**	**2013 (e)**	**2014 (p)**	**2015 (p)**
Africa	**-2.9**	**-3.9**	**-4.5**	**-4.0**
Central Africa	**0.1**	**-2.1**	**-3.7**	**-4.4**
Cameroon	-1.9	-3.7	-4.1	-4.6
Central African Rep.	0.0	-5.7	-8.2	-5.3
Chad	0.5	-2.1	-0.5	0.1
Congo	15.3	12.1	10.5	12.1
Congo, Dem. Rep.	-1.7	-3.7	-5.9	-7.2
Equatorial Guinea	-5.4	-7.5	-11.4	-12.8
Gabon	-1.0	-1.8	-4.2	-6.3
São Tomé and Príncipe	-10.7	-6.9	-6.2	-5.1

Note: (e) estimates; (p) projections.
Source: Authors' calculations.

East Africa

Ethiopia, Rwanda, Tanzania and Uganda are likely to achieve growth of between 6.5% and 7.5% in 2014/15. The main sources of growth are agriculture, industry and services. In Kenya, growth is expected to accelerate from around 5% in 2013 to a little under 6% in 2014 and 2015, driven by exports and private investment and, on the supply side, by service sectors including finance and information and communications technology (ICT) and by the construction sector. Growth in Sudan continues to remain subdued. In South Sudan, growth remains volatile due to the disruptions and resumptions of oil production, and prospects are highly uncertain due to ongoing conflicts. In Somalia, large support from donors has helped secure progress in peace and state building and, in spite of the long conflict, the country has a dynamic private sector in the more stable regions.

Macroeconomic prospects for East Africa

Real GDP growth (%)	2012	2013 (e)	2014 (p)	2015 (p)
Africa	**6.4**	**3.9**	**4.8**	**5.7**
Africa (excluding Libya)	**4.1**	**4.2**	**4.8**	**5.2**
East Africa	**3.9**	**6.2**	**6.0**	**6.2**
Burundi	4.2	4.6	5.2	6.7
Comoros	3.0	3.6	3.8	4.1
Djibouti	4.5	5.5	6.0	6.5
Eritrea	7.0	1.1	1.9	2.2
Ethiopia*	8.8	9.7	7.6	7.2
Kenya*	4.6	4.9	5.7	5.9
Rwanda	7.3	4.6	7.0	7.4
Seychelles	2.8	3.5	3.6	4.3
Somalia	...	...	...	...
South Sudan	...	...	...	...
Sudan	1.4	3.6	2.7	3.8
Tanzania*	6.9	7.0	7.2	7.0
Uganda*	2.8	5.2	6.6	7.0
Overall budget balance, including grants (% GDP)	**2012**	**2013 (e)**	**2014 (p)**	**2015 (p)**
Africa	**-2.9**	**-3.9**	**-4.5**	**-4.0**
East Africa	**-4.0**	**-2.7**	**-2.3**	**-2.2**
Burundi	-9.1	-2.0	-3.6	-3.9
Comoros	3.6	5.5	5.6	5.7
Djibouti	-2.8	-3.1	-3.1	-1.9
Eritrea	-10.3	-10.3	-10.7	-9.4
Ethiopia*	-1.2	-2.0	-0.4	-0.3
Kenya*	-4.7	-4.8	-3.8	-3.3
Rwanda	-1.2	-5.1	-4.8	-4.3
Seychelles	2.9	2.4	0.9	1.2
Somalia	...	...	...	...
South Sudan	...	...	...	...
Sudan	-3.5	-1.7	-0.9	-0.5
Tanzania*	-4.6	-5.8	-5.2	-4.9
Uganda*	-3.0	-2.6	-4.6	-4.4

Note: * Fiscal year July (n-1)/June (n). (e) estimates; (p) projections.
Source: Authors' calculations.

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North Africa

North Africa´s economic development continues to be heavily affected by the aftermath of the political upheavals in Egypt, Libya and Tunisia. As the region has close trade links with Europe, it has also been adversely affected by the crisis in the euro area. In Egypt, political uncertainty increased again in 2013, and growth continued to remain weak, at around 2%, and is expected to remain weak in 2014. On the assumption that political stability and security are gradually restored, the economy is projected to recover in 2015. In Libya, oil production had resumed in 2012 but was again partly disrupted in 2013, which led to a fall in GDP by around 12%. Given current political and social tensions and security problems, economic prospects are uncertain. It is assumed that oil production will gradually resume and boost GDP growth during 2014/15. In Tunisia, because of continuing political and security uncertainties and the economic crisis in Europe, growth weakened in 2013 to less than 3%. With further improvement in political stability and security and the expected gradual recovery of the European economy, growth is likely to accelerate to 3.3% in 2014 and 4.6% in 2015. In Morocco, growth accelerated in 2013 in spite of weak manufacturing activity due to low external demand, and agriculture benefited from favourable weather conditions. After some deceleration in 2014, as agricultural production is expected to weaken, growth is projected to become broad-based and accelerate again in 2015. In Algeria, after some slowing in 2013, growth is projected to recover in 2014 and 2015, driven by higher oil production.

Macroeconomic prospects for North Africa

Real GDP growth (%)	**2012**	**2013 (e)**	**2014 (p)**	**2015 (p)**
Africa	**6.4**	**3.9**	**4.8**	**5.7**
Africa (excluding Libya)	**4.1**	**4.2**	**4.8**	**5.2**
North Africa	**9.4**	**1.8**	**3.1**	**5.5**
Algeria	3.3	3.0	4.3	4.2
Egypt*	2.2	2.1	2.1	3.6
Libya	104.4	-12.1	4.3	22.4
Mauritania	7.0	6.8	6.9	7.3
Morocco	2.7	4.7	3.2	4.6
Tunisia	3.7	2.6	3.3	4.6
Overall budget balance, including grants (% GDP)	**2012**	**2013 (e)**	**2014 (p)**	**2015 (p)**
Africa	**-2.9**	**-3.9**	**-4.5**	**-4.0**
North Africa	**-5.0**	**-7.3**	**-8.2**	**-5.8**
Algeria	-4.8	-0.2	-2.1	-2.6
Egypt*	-10.6	-13.7	-13.1	-11.3
Libya	13.8	-9.3	-13.2	0.4
Mauritania	0.8	-3.7	-2.1	-4.8
Morocco	-8.7	-5.3	-5.5	-4.9
Tunisia	-4.8	-6.2	-6.4	-4.3

Note: * Fiscal year July (n-1)/June (n). (e) estimates; (p) projections.
Source: Authors' calculations.

Southern Africa

In Southern Africa, growth performance is uneven. Angola, Mozambique and Zambia recorded the highest growth of between 5% and 7% in 2013 and are projected further to accelerate to between 7% and 9% in 2014/15. Growth in these countries is boosted by investment in infrastructure and in extractive industries. In South Africa, labour unrest and the weak global environment have depressed growth. The exchange rate depreciated during 2013 and again at the beginning of 2014 as the tapering of US monetary policy has depressed currencies in emerging markets. With the recovery of the global economy and exports, further boosted by the weaker exchange rate, growth is expected to accelerate to 2.7% in 2014 and 3% in 2015. The relatively modest growth in South Africa is also depressing growth in Sub-Saharan Africa. Growth in Sub-Saharan Africa excluding South Africa amounted to 5.7% in 2013 and is expected to accelerate to 6.9% in 2014 and 2015.

Macroeconomic prospects for Southern Africa

Real GDP growth (%)	2012	2013 (e)	2014 (p)	2015 (p)
Africa	**6.4**	**3.9**	**4.8**	**5.7**
Africa (excluding Libya)	**4.1**	**4.2**	**4.8**	**5.2**
Southern Africa	**3.3**	**3.0**	**4.0**	**4.4**
Angola	5.2	5.1	7.9	8.8
Botswana**	4.2	5.4	5.1	5.0
Lesotho**	6.5	3.4	4.5	4.3
Madagascar	1.9	2.6	3.7	5.4
Malawi*	1.8	5.0	6.1	6.2
Mauritius	3.4	3.3	3.5	4.1
Mozambique	7.2	7.0	8.5	8.2
Namibia**	5.0	4.2	4.3	4.4
South Africa	2.5	1.9	2.7	3.0
Swaziland**	1.7	3.5	2.4	2.5
Zambia	7.2	6.5	7.1	7.4
Zimbabwe	4.4	3.7	4.0	3.7
Overall budget balance, including grants (% GDP)	**2012**	**2013 (e)**	**2014 (p)**	**2015 (p)**
Africa	**-2.9**	**-3.9**	**-4.5**	**-4.0**
Southern Africa	**-1.5**	**-2.5**	**-4.3**	**-4.6**
Angola	8.7	2.4	-5.0	-6.9
Botswana**	-0.4	-0.2	0.5	1.1
Lesotho**	-5.7	1.5	-8.0	-7.6
Madagascar	-1.3	-3.0	-3.1	-1.5
Malawi*	-7.0	-1.1	-3.6	-3.9
Mauritius	-2.1	-2.7	-1.7	-0.7
Mozambique	-3.9	-6.9	-10.8	-11.7
Namibia**	-7.0	-0.1	-3.0	-4.7
South Africa	-4.2	-4.1	-4.1	-3.9
Swaziland**	-4.4	5.6	5.3	8.2
Zambia	-2.8	-7.3	-6.6	-5.7
Zimbabwe	-1.3	-1.9	-1.9	-2.2

Note: * Fiscal year July (n-1)/June (n). ** Fiscal year April (n)/March (n+1). (e) estimates; (p) projections.
Source: Authors' calculations.

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West Africa

West Africa is expected to continue its rapid growth. After some moderation in 2013, growth is likely to accelerate to above 7% in 2014 and 2015. Growth in the region is widespread with most countries achieving 6% or more. In Nigeria, growth is mainly driven by non-oil sectors, such as agriculture, trade, ICT and other services. The oil sector, which accounts for 37% of GDP and about a fifth of government revenues, is currently a drag on growth and suffers from theft, pipeline vandalism and weak investment. Ghana's growth will remain robust, boosted by oil and gas production and increased private and public investment. Côte d'Ivoire is also expected to remain on a high growth path. With improved political stability, public and private investment have become important drivers of growth. Growth is supported by favourable developments in agriculture, manufacturing and services. Sierra Leone is currently the fastest growing country in the region with growth mainly driven by iron and ore exports, although other sectors, in particular agriculture and construction, also contribute. In Mali, the economy rebounded in 2013 after the backlash in 2012 caused by the political and security crisis, and growth is expected to improve further in 2014 and 2015.

Macroeconomic prospects for West Africa

Real GDP growth (%)	2012	2013 (e)	2014 (p)	2015 (p)
Africa	**6.4**	**3.9**	**4.8**	**5.7**
Africa (excluding Libya)	**4.1**	**4.2**	**4.8**	**5.2**
West Africa	**6.9**	**6.7**	**7.2**	**7.1**
Benin	5.4	5.0	4.9	5.3
Burkina Faso	9.0	6.9	7.0	6.3
Cabo Verde	2.5	1.0	3.1	3.3
Côte d'Ivoire	9.8	8.8	9.1	9.2
Gambia	6.1	5.6	7.5	6.7
Ghana	7.9	4.4	7.7	8.0
Guinea	3.9	2.0	4.2	4.3
Guinea-Bissau	-1.5	0.3	2.8	2.6
Liberia*	8.3	8.1	6.8	8.2
Mali	-1.2	5.0	6.7	5.6
Niger	11.1	3.6	6.0	6.2
Nigeria	6.7	7.4	7.2	7.1
Senegal	3.4	4.0	4.8	5.3
Sierra Leone	19.7	13.0	13.8	11.6
Togo	5.9	5.6	6.0	6.3
Overall budget balance, including grants (% GDP)	**2012**	**2013 (e)**	**2014 (p)**	**2015 (p)**
Africa	**-2.9**	**-3.9**	**-4.5**	**-4.0**
West Africa	**-1.9**	**-2.2**	**-1.8**	**-2.3**
Benin	-1.3	-1.2	-1.1	-1.2
Burkina Faso	-3.1	-3.2	-3.6	-4.7
Cabo Verde	-9.8	-7.9	-7.7	-8.0
Côte d'Ivoire	-2.6	-2.0	-2.0	-2.0
Gambia	-4.4	-3.3	-2.5	-2.5
Ghana	-5.8	-7.8	-8.7	-6.9
Guinea	-3.2	-5.2	-2.5	-0.4
Guinea-Bissau	-2.7	-4.7	-3.6	-4.9
Liberia*	-2.3	-2.6	-4.6	-5.3
Mali	-1.3	2.5	3.9	4.5
Niger	-1.1	0.1	-1.8	-1.7
Nigeria	-1.4	-1.8	-1.2	-2.0
Senegal	-5.9	-5.4	-5.3	-5.1
Sierra Leone	-1.4	0.0	0.8	1.1
Togo	-5.8	-4.6	-5.3	-4.4

Note: * Fiscal year July (n-1)/June (n). (e) estimates; (p) projections.
Source: Authors' calculations.

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African Economic Outlook 2014

GLOBAL VALUE CHAINS AND AFRICA'S INDUSTRIALISATION

The *African Economic Outlook 2014* analyses the continent's growing role in the world economy and predicts two-year macroeconomic prospects. It details the performance of African economies in crucial areas: growth, financing, trade policies and regional integration, human development, and governance.

Country notes cover all 54 African countries. They summarise recent economic growth, forecast gross domestic product for 2014 and 2015, and highlight the main policy issues facing each country. A statistical annex compares country-specific economic, social and political variables.

Contents

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