



AFRICAN DEVELOPMENT BANK GROUP

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United Nations
Economic Commission for Africa

PRESS RELEASE

Launch of the *2009 African Economic Outlook*

Lusaka, Zambia, 31st July 2009 - The African Development Bank (AfDB), the OECD Development Centre and the United Nations Economic Commission for Africa (UNECA) will launch the *2009 African Economic Outlook (AEO)* on Friday, 31st July 2009, in Lusaka, Zambia.

The AEO is jointly published by the three institutions, with the African Development Bank as the lead institution. The AEO has received generous financial support from the European Commission.

The 2009 Outlook presents a comprehensive analysis of the recent economic situation and the medium-term prospects for 47 African countries, up from 35 last year. The report also includes a comparative synthesis of Africa's economic and social prospects, placing the evolution of African economies in the world economic context, as well as a statistical appendix. Each year, the report covers a theme of importance to current developments in Africa. The 2009 AEO Special Theme is: *Innovation and Information and Communication Technologies in Africa*. The AEO has become a vital source of information on African economies.

The eighth edition of the AEO finds the region gravely affected by the global economic downturn. Following half a decade of economic growth above 5 per cent, the continent can expect only 2.8 per cent in 2009, less than half of the 5.7 per cent expected before the crisis. The *AEO* forecasts that growth will rebound to 4.5 per cent in 2010. Growth in oil-exporting countries is expected to fall to 2.4 per cent in 2009 compared to 3.3 per cent for the net oil importers.

The collapse of commodity prices and plummeting demand from OECD countries will have an adverse effect on Africa's budget balances, with the region's budget deficit for 2009 predicted to be around 5.5 per cent of GDP compared to a surplus of 3.4 predicted in the *AEO* one year ago.

The *African Economic Outlook* notes that Zambia's economic performance was dramatically different in the first and second halves of 2008. In the first half, the Zambian economy was mainly affected by the steep increase in international commodity prices. This surge in commodity prices led to higher production copper and boosted export revenues. However, the steep rise in oil and food prices reduced purchasing power and raised production costs. Further, the rise in copper prices caused a sharp appreciation of the Zambian kwacha, weakening the performance of non-traditional exports.

In the second half of 2008, the situation was reversed with a sharp decline in copper prices and a corresponding depreciation of the kwacha. It took several months for the decline in oil prices to translate into lower fuel prices, and the food-price inflation continued to rise through to the end of the year and even in the beginning of 2009, when overall inflation began to drop.

Despite a lower overall GDP growth in 2008, some sectors grew faster than in 2007. The mining and quarrying sector benefited not only from very high prices in the first half of 2008 but also from increased production volumes as new investments started to produce results and the sector incurred fewer problems with flooding.

Policy reforms in Zambia will continue to pay dividends, with government revenue growing, thereby providing much needed resources to finance development projects.

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