

Africa: the recovery is on, for now

(UNITED NATIONS, JOHANNESBURG, 25 January) “Steady growth in the latter half of the 1990s and the relatively high rates of growth recorded over the last five years confirm the continued recovery of African economies,” says the UN’s latest annual world economic report, projecting growth of 5.4 per cent in Africa in 2006.

Five per-cent growth in 2004 and 2005 (*see Table A.3*) was underpinned by a strong performance of the agricultural sector and a general increase in commodity prices, according to the UN’s *World Economic Situation and Prospects 2006*, launched regionally today.

The last two years also saw continued progress in macroeconomic and structural reforms, including unification of foreign exchange markets and better public expenditure and financial management. Parliamentary and presidential elections in Burundi and Liberia in 2005, a peace agreement in Sudan and the sign-up by 23 countries for the African Peer Review Mechanism (to monitor integrity and transparency in government) underscore recent political gains on the continent, and augur well for stability and improved economic performance in 2006.

A return to stability in many countries in Sub-Saharan Africa and strong outlook for commodities are encouraging a positive trend in foreign direct investment. FDI in the continent swelled from \$18 billion in both 2003 and 2004, to an estimated \$30 billion last year. Also brightening prospects are increases in official development assistance, and a reduction in the stock of debt, says *WESP 2006*.

Table A.3. **Developing economies: rates of growth of real GDP, 1996-2006**

Annual percentage change ^a 1996-2004											
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005 ^b	2006 ^c
Developing countries ^d	5.9	5.4	1.9	3.6	5.6	2.4	3.6	4.9	6.6	5.7	5.6
<i>of which:</i>											
Africa	5.3	3.4	3.0	3.1	3.4	3.5	3.5	4.4	5.1	5.1	5.5
North Africa	5.7	3.3	3.9	3.9	3.4	3.4	3.2	4.6	4.8	5.1	5.7
Sub-Saharan Africa (excluding Nigeria and South Africa)	5.9	4.6	4.1	3.2	2.8	4.1	3.9	3.2	5.6	5.3	5.3
Net fuel exporters	4.6	4.0	3.0	3.4	4.1	3.0	3.9	5.4	5.4	5.8	5.8
Net fuel importers	5.9	3.0	3.0	2.8	2.8	3.9	3.2	3.4	4.8	4.5	5.2

Source: UN/DESA.

a Calculated as a weighted average of individual country growth rates of gross domestic product (GDP), where weights are based on GDP in 2000 prices and exchange rates.

b Partly estimated.

c Forecast, based in part on Project LINK.

d Covering countries that account for 98 per cent of the population of all developing countries.

Oil exports bolster many economies, but manufacturing little improved

Aided by windfall oil earnings, gross domestic product (GDP) expanded robustly in all North African countries except Morocco in 2005.

Oil earnings also helped Sub-Saharan exporters such as Angola and Chad to achieve double digit GDP growth rates, and even in conflict-wracked Sudan the economy managed to grow by 7 per cent. In Mauritania, new oil fields are expected to come on stream in 2006.

Zimbabwe, Cote d'Ivoire and the Seychelles (where tourism suffered a downturn) were the only countries in the region in which GDP is estimated by *WESP 2006* to have contracted in 2005.

Nigeria experienced slowing growth in 2005, but increased oil and gas revenues enabled a current account surplus, and are being used to upgrade infrastructure and aid economic diversification. South African GDP grew by 5 per cent last year, driven by domestic demand as well as export opportunities.

A major challenge across the region remains the still-lacklustre status of the manufacturing sector. The sector absorbed additional losses last year with the end of the Agreement on Textiles and Clothing and increased competition from Asian textile mills. From January to September 2005, for instance, the value of Sub-Saharan textile and apparel exports to the United States dropped by 11 per cent.

The losses exacerbated already very high unemployment in the region, while growth of capital intensive commodity sectors did little to create new jobs.

In all, several major threats to African recovery remain, including the possibility of a worsening AIDS epidemic or an avian influenza pandemic, or new civil conflicts. Moreover, commodity prospects for the year ahead are mixed. The boom in raw materials is already showing signs of weakening for some commodities. Furthermore, if oil prices remain high or surge still further, the cumulative inflationary impact will be felt more severely by net oil-importing countries in 2006.

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