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Africa records 5.8 percent growth, faces challenges ahead: report

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African economies grew by 5.8 percent last year, powered by increasing commodity prices, but the growth is yet to be translated into social development, a report said Wednesday.

The Economic Commission on Africa's annual report said poor infrastructural development, high oil prices and political instability would choke the 2008 growth predicted to be 6.2 percent. The previous year's growth was 5.7 percent.

"African economies continued to sustain the growth momentum of previous years, recording an overall real GDP growth rate of 5.8 percent in 2007," said the report.

"Although 30 countries recorded higher economic growth rates in 2007 than 2006 ... economic growth recovery in Africa has not yet translated into meaningful social development and has not benefitted vulnerable groups," it added.

"Africa's growth performance was driven mainly by robust global demand and high commodity prices."

The report said continued consolidation and management of macroeconomic stability, commitment to economic reforms, increased private capital flows, debt relief and increasing non-fuel exports were other factors that fuelled the growth.

"Africa has also witnessed a decline in political conflicts and wars, especially in West and Central Africa, though peace remains fragile in some parts of the continent."

It said a slowdown of the US economy, inflationary pressure from rising commodity and oil prices and political instability in some countries could affect the 2008 growth.

"Inefficient public infrastructure and unreliable energy supply at the national level as well as poor integration of transportation and energy networks at the regional level continue to pose important constraints to Africa's growth," it added.

The report urged Africa's oil producers to wisely spend their revenues on other sectors of the economy instead of injecting them into oil productions.

"Rising oil revenue fuel rapid increases in domestic demand that causes prices to rise in oil producing countries," according to the report.

"Oil exporting countries must direct a sizeable proportion of oil revenue to finance domestic investment. This will help to build productive capacity instead of fuelling government and private consumption."

The continent recorded an average budget surplus of 2.4 percent of the Gross Domestic Product in 2007, of which 13 oil producing countries accounted for a bigger slice of that with an average surplus of 5.3 percent, down from 6.1 in 2006.

Africa's official debt to governments and multilateral institutions declined to 144.5 billion dollars in 2007 from 205.7 billion nine years ago because of relief programmes.

But debt to banks and other private creditors by African nations rose from 92.4 billion dollars in 1999 to 110.2 billion dollars last year, the report added.

The UN report follows similar reports from the World Bank and the International Monetary Fund which claimed that sub-Saharan Africa was enjoying its strongest economic growth and its lowest inflation in more than three decades. — AFP

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