United Nations
Economic Commission for Africa

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Recent Economic and Social Conditions in Southern Africa

ideas for a prosperous Africa

IdeastoAction

Presented by:
ECA- Southern Africa Office

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Introduction

Purpose of the report:

- provide member States with a brief overview of recent social and economic conditions in Southern Africa
- invite discussions on emerging social and economic issues in the sub-region
- provide policy advice on selected developmental issues
- request member States to provide updated country data to enrich future analysis

Content of the presentation

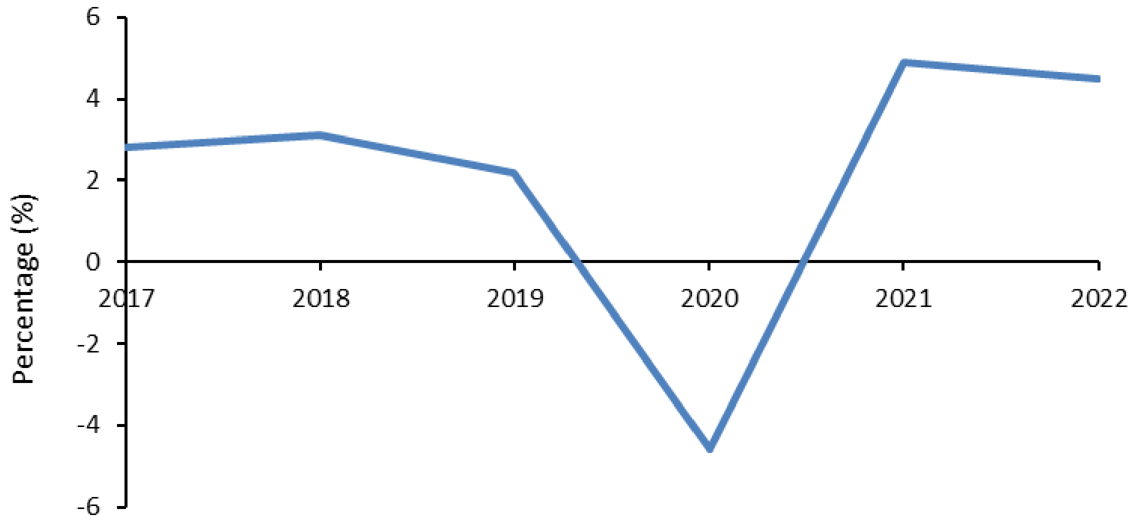
1. Recent macroeconomic performance
2. Industrialization
3. Intra-regional trade
4. Social development
5. Impact of external shocks and climate change
6. Key messages and recommendations

Recent macroeconomic performance

Economic performance overview

- Regional GDP growth has been fluctuating over the last 5 years.
- In 2020, due to COVID-19, there was a huge drop, with countries, such as Botswana, Eswatini, Malawi, South Africa and Zimbabwe, contracting the most.
- However, after 2020, countries rebounded due to:
    1. the easing of pandemic lockdowns;
    2. favourable weather; and
    3. a rise in mining output on global minerals market recovery.

Figure 1: SADC's Real GDP Growth



Source: SADC, 2022

Macroeconomic Convergence Primary Indicators

- In 2022, Southern Africa’s real GDP growth is expected to slow down, reflecting:
  a. ebbing of base effects;
  b. uncertainties around the COVID-19 pandemic’s persistence;
  c. Russia–Ukraine conflict’s impact;
  d. a potential for civil unrests as occurred in July 2021 in South Africa

	2017 (Revised)				2018 (Revised)				2019 (Revised)			
	Inflation (3-7%)	Fiscal Deficit (3% of GDP)	Public Debt (60% of GDP)	Real GDP (7%)	Inflation (3-7%)	Fiscal Deficit (3% of GDP)	Public Debt (60% of GDP)	Real GDP (7%)	Inflation (3-7%)	Fiscal Deficit (3% of GDP)	Public Debt (60% of GDP)	Real GDP (7%)
Angola	30.4	-6.3	64.1	-0.1	19.7	2.1	88.6	-2.0	17.1	0.6	112.7	-0.7
Botswana	3.3	-1.2	21.0	2.9	3.2	-5.3	17.9	4.5	2.8	-6.3	19.0	3.0
DRC	25.1	0.0	18.2	3.7	10.6	-0.3	20.7	4.1	8.7	0.1	11.8	5.6
Eswatini	6.2	-6.0	21.9	2.0	4.8	-6.9	26.7	2.4	2.6	-6.2	31.9	2.6
Lesotho	5.2	-5.7	36.0	-2.7	4.7	-1.9	42.4	1.2	5.3	-0.1	45.2	1.7
Madagascar	8.6	-2.0	34.9	3.9	8.6	-2.0	30.0	3.2	5.6	-1.4	29.2	4.4
Malawi	11.5	-2.8	43.3	5.2	9.2	-4.4	45.7	4.4	9.4	-4.6	45.0	5.4
Mauritius	3.7	-2.9	56.1	3.8	3.2	-3.2	56.1	4.0	0.5	-11.4	72.9	2.8
Mozambique	15.1	-1.9	78.7	3.7	3.9	-5.2	82.2	3.4	2.8	-0.5	78.7	2.3
Namibia	6.7	-6.7	41.5	-1.0	4.2	-5.1	54.4	1.1	3.4	-5.0	62.3	-0.9
Seychelles	2.9	-3.0	64.3	4.2	3.7	-2.6	59.5	2.4	1.8	-2.6	57.0	4.5
South Africa	5.3	-4.5	53.0	1.4	4.7	-4.3	51.5	1.5	4.1	-6.1	57.4	0.3
Tanzania	5.3	-1.1	38.7	6.8	3.5	-1.4	39.8	7.0	3.4	-1.6	38.3	7.0
Zambia	6.6	-6.1	53.8	3.4	7.5	-7.6	55.3	4.0	9.1	-9.1	75.5	1.4
Zimbabwe	0.9	-12.9	65.2	4.7	10.6	-6.0	46.9	4.8	255.3	0.2	55.1	-6.1
SADC AVERAGE	**9.1**	**-4.2**	**46.0**	**2.8**	**6.8**	**-3.6**	**47.8**	**3.1**	**22.1**	**-3.6**	**52.8**	**2.2**
NO. ACHIEVING TARGET	**10**	**8**	**11**	**0**	**9**	**6**	**13**	**1**	**10**	**8**	**10**	**1**

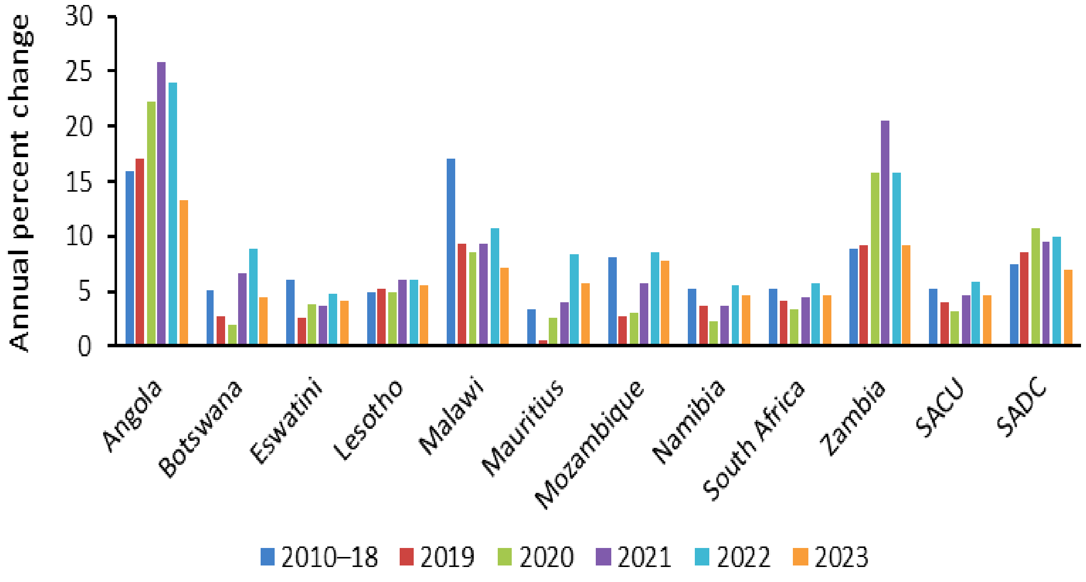
	2020 (Revised)				MS 2021 (Provisional)				MS 2022 (Forecasts)			
	Inflation (3-7%)	Fiscal Deficit (3% of GDP)	Public Debt (60% of GDP)	Real GDP (7%)	Inflation (3-7%)	Fiscal Deficit (3% of GDP)	Public Debt (60% of GDP)	Real GDP (7%)	Inflation (3-7%)	Fiscal Deficit (3% of GDP)	Public Debt (60% of GDP)	Real GDP (7%)
Angola	22.2	-2.0	129.5	-5.8	25.7	3.8	83.1	0.7	22.3	6.3	63.1	2.7
Botswana	1.9	-8.4	20.0	-8.5	6.7	-3.2	25.0	11.4	8.0	-3.2	25.0	11.4
DRC	11.0	-0.9	12.6	1.7	9.0	-1.0	12.2	6.2	9.0	-1.0	12.2	6.1
Eswatini	3.9	-6.7	39.3	-1.9	3.9	-6.7	42.5	5.8	4.2	-4.1	41.1	2.4
Lesotho	5.9	0.0	57.4	-6.5	5.4	-3.6	59.8	3.7	7.1	-7.7	59.8	3.0
Madagascar	4.2	-3.5	33.6	-7.1	5.8	-3.1	34.8	4.3	9.4	-6.2	38.3	4.3
Malawi	8.6	-6.6	48.0	0.8	9.3	-6.9	59.0	4.2	21.5	-7.7	61.0	1.7
Mauritius	2.5	-6.7	83.4	-14.6	4.0	-5.0	77.3	3.6	8.6	-4.0	68.1	7.2
Mozambique	3.1	-7.9	92.2	-1.2	5.7	-4.8	78.6	2.2	5.3	-9.4	NA	2.9
Namibia	5.0	-8.0	67.8	-7.9	6.1	-8.7	73.4	2.4	5.7	-5.6	77.1	2.9
Seychelles	1.2	-18.9	95.0	-7.7	9.8	-6.0	74.0	7.9	9.8	-6.0	74.0	7.9
South Africa	3.3	-10.0	70.7	-6.4	4.5	-5.7	69.5	4.9	4.5	-5.7	69.9	2.0
Tanzania	3.3	-1.9	38.3	4.8	3.7	-3.9	41.7	4.9	5.4	-3.4	41.7	4.7
Zambia	15.7	-14.2	117.7	-2.8	22.1	-9.0	130.0	3.6	9.9	-6.7	130.0	3.5
Zimbabwe	557.2	1.7	61.0	-5.3	94.6	-0.5	56.9	7.8	32.6	-1.5	56.7	5.5
SADC AVERAGE	**43.3**	**-6.3**	**64.4**	**-4.6**	**14.4**	**-4.3**	**61.2**	**4.9**	**10.9**	**-4.4**	**58.4**	**4.5**
NO. ACHIEVING TARGET	**10**	**5**	**7**	**0**	**9**	**3**	**8**	**3**	**5**	**3**	**7**	**3**

Source: Member States; WEO Database April 2022; and African Economic Outlook 2022

Price movement developments

- Angola, Botswana, Malawi, Mauritius, Mozambique, Namibia, South Africa and Zambia experienced elevated price pressures in 2021, on:
    1) rising fuel's cost, pent-up domestic demand, sharp currency depreciation (Malawi, Mozambique, Zambia),
    2) high transport prices (South Africa),
    3) various adjustments to administered prices, and
    4) the macroeconomic environment inherited from the coronavirus era.
- As for the whole SADC region, annual inflation slowed down to an average of 14.4% in 2021 from 43.3% in 2020, largely due to a significant inflation slow-down in Zimbabwe.

Figure 2: Southern Africa. Consumer Prices

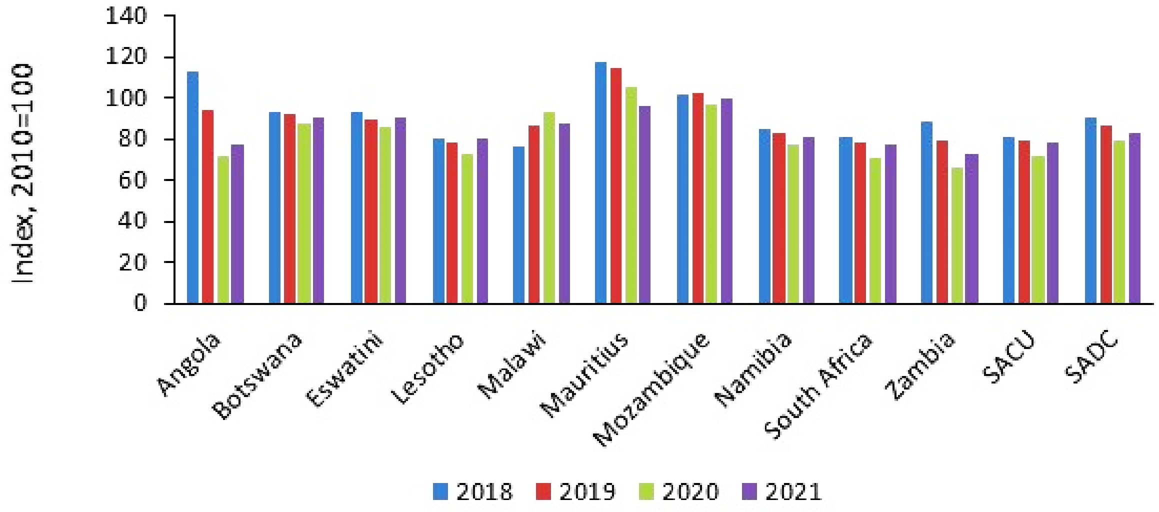


Source: IMF REO, April 2022

Exchange rates

- Increased real effective exchange rates (REER) for most member States, reflecting firm commodity prices but curbed by energy's high import bills.
- Rising REER could translate to a loss in the region's trade competitiveness – since exports become more expensive and imports cheaper.
- In this regard, countries within the region could use the opportunity of rising REER to import capacity-improving materials for future enhanced productivity.

Figure 3: Southern Africa - Real Effective Exchange Rates



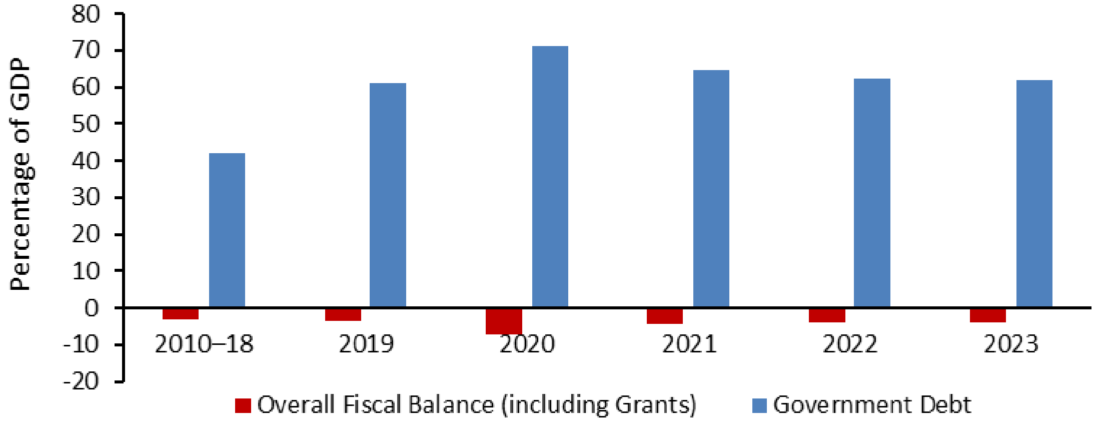
Source: IMF REO, April 2022

Fiscal performance and public debt

- On average the region's fiscal deficit improved in 2021, highlighting regional economic recovery, albeit from a low base of the pandemic-stricken prior period.

- Public debt on average also improved in 2021, but countries varied wildly, with Botswana registering the lowest (25% of GDP) and Zambia the highest (130% of GDP).

Figure 4: Southern Africa - Overall Fiscal Balance (including Grants) and Government Debt

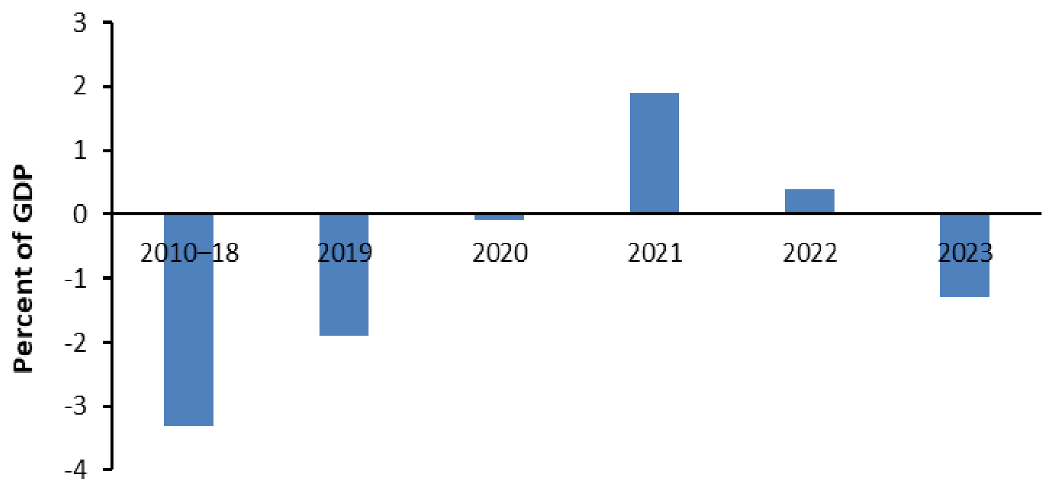


Source: IMF REO, April 2022

Balance of payments developments

- The regional external sector was relatively strong in 2021 mainly due to firm commodity prices.
- On the capital account of the BOP side, the global SDRs disbursement by the IMF has enhanced the stability of the external sector by bolstering countries' foreign reserves.
- However, recent developments such as protectionism policies pursued by major trading partners and deterioration in competitiveness may adversely affect the region's manufacturing sector.

Figure 5: Southern Africa. External Current Account (including Grants)

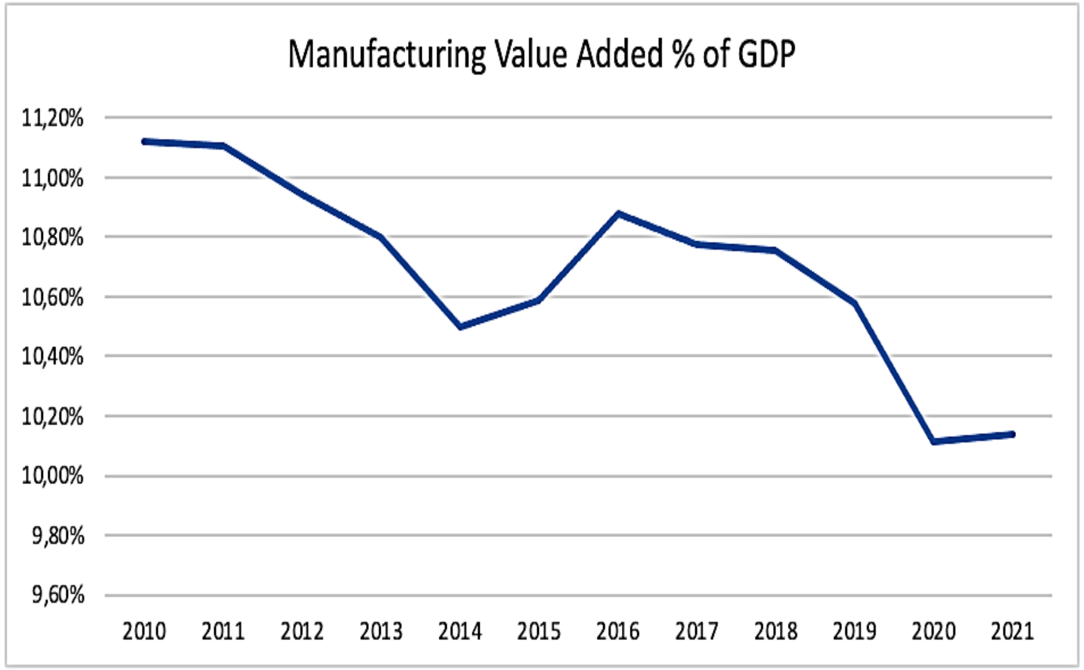


Source: IMF RIO, April 2022

Industrialization

Manufacturing value added as a percentage of GDP

- Manufacturing value added (MVA) as a percentage of GDP has been declining since 2010 apart from an increase between 2014 and 2016.
- In 2020, the COVID-19 crisis further exacerbated the decline in MVA.
- The low levels of MVA as a percentage of GDP in the member States reflects **1)** the untapped manufacturing capacity, which could be realized by intensified commitment towards value addition and beneficiation in SADC, and **2)** the region's slow economic diversification.
- Most of the countries in the region remain undiversified, with a growing resource-based sector, such as agriculture and mining, which accounts for an average of over 25% of GDP.
- Thus, diversification of the economies should therefore be a priority.



Recent Regional Initiatives in Support of Industrialization

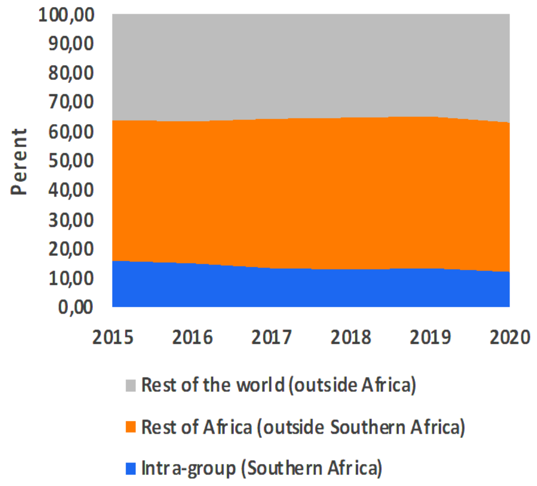
- Industrial development has been placed at the core of the developmental integration agenda of the SADC region.
- SADC and COMESA have developed several industrialization policies and strategies to anchor regional trade and accelerate economic transformation, including:
  1) the SADC Regional Indicative Strategic Development Plan (RISDP 2020-2030);
  2) the SADC Vision 2050;
  3) the COMESA Industrialization Strategy (2017-2026);
  4) the COMESA Local Content Policy and Implementation Plan (adopted in 2021);
  5) a Regional Framework on Special Economic Zones (SEZs) and Industrial Parks;
  6) the SADC Industrialization Strategy and Roadmap (2015-2063);
- However, the efforts to accelerate industrialization in the region have been constrained by several factors, including **1)** most recently the COVID-19 crisis, which resulted in a notable decrease in manufacturing production in 2020; **2)** lack of finance for industrial development; and **3)** poor and inadequate infrastructure; among others.

Intra-regional trade

Intra-African and Intra-SADC trade

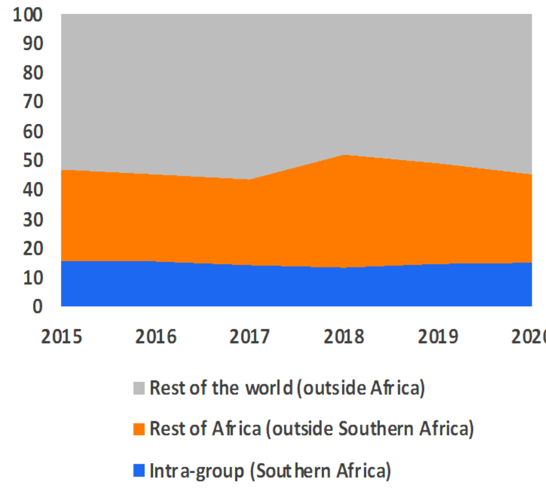
- Trade flows within and outside the Southern African region constitute a very small fraction of about 1% of the overall global trade exchange.
- Exports from Southern Africa are largely directed towards other African countries, constituting around 50% of the overall exports.
- In terms of imports, the reliance on the rest of the world is very clear – Southern Africa imports more than half of its goods from outside the continent, and in the recent years this trend has been reinforced.

Figure 8a. Exports from Southern Africa by destination, %



Source: Complied from UNCTAD data

Figure 8b. Imports to Southern Africa by source, %

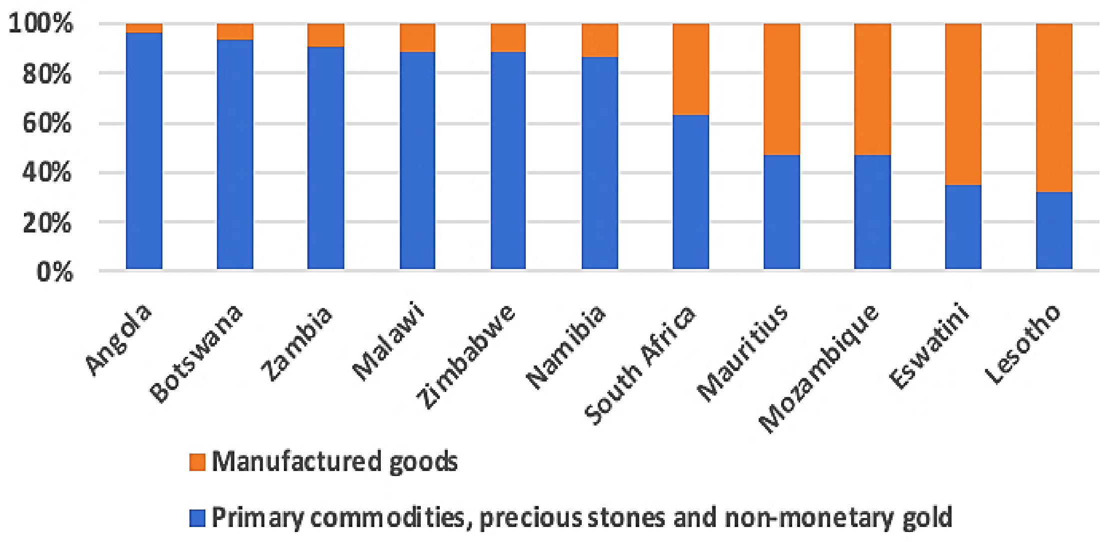


Source: Complied from UNCTAD data

Export structure of Southern African countries

- In terms of export structure, the region's countries show enormous variations.
- Five countries reveal a clear reliance on key export products – Angola (oil), Botswana (diamonds), Malawi (tobacco), Zambia (copper) and Zimbabwe (gold, platinum, chrome).
- Among countries where manufacturing is more prominent, Lesotho specializes in the textile sector; and Eswatini exports chemicals and food products.
- South Africa reveals a more diversified export structure, covering food products, ores and metals, as well as machinery and transport equipment.

Figure 9. Export structure of Southern African countries

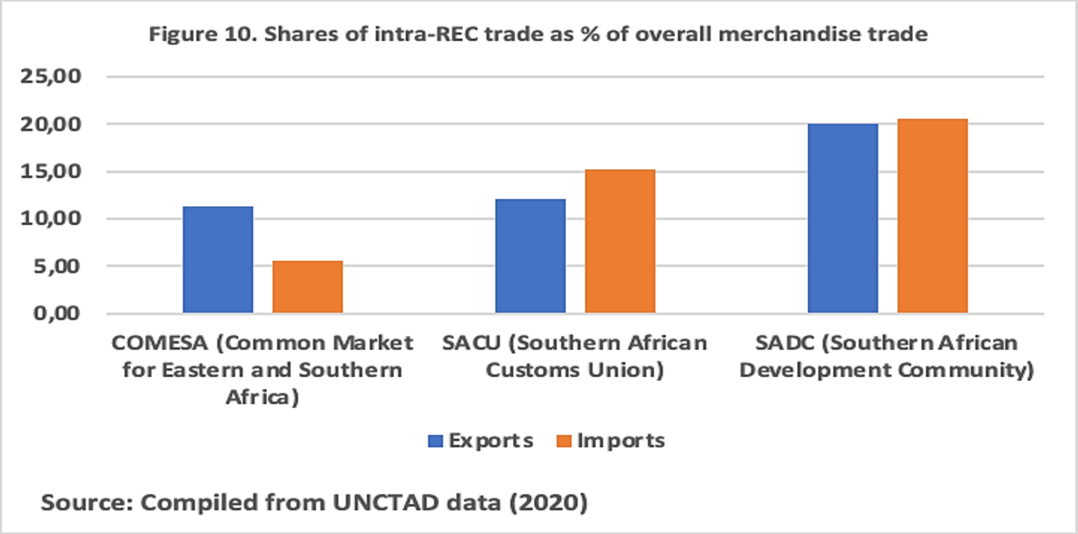


Source: Compiled from UNCTAD data (2020)

Shares of Intra-REC trade as a percentage of overall merchandise

- Trade within the regional economic communities still corresponds to a small fraction of the overall merchandise trade, largely due to exports of commodities outside of Africa, and imports of advanced manufactured goods from outside partners, such as China and EU.

- Intra-REC trade within the region is most significant in SADC, where it corresponds to around 20% of both imports and exports.



Social Development

- **Poverty and vulnerability** – Informality, shocks (e.g., COVID-19), lack of social safety nets, inadequate access to basic social services and inequalities related to gender and location are major sources of vulnerability and poverty in all Africa's regions.
- **Income inequality –** Southern Africa is marked by high rates of income inequality. The Gini coefficient ranges from a low of 36.8 in Mauritius to a high of 63.0 in South Africa.
- **Gender Inequality –** as measured by the Gender Inequality Index (GII) is high in Southern Africa, with **7** Southern African countries in the bottom third of the global ranking on this index.
- To address these challenges, the region should **1)** accelerate industrialization through trade, which would create jobs; **2)** invest in the health sector – to enable the region cope with health-related shocks; and **3)** improve access to education, which would help create income-earning opportunities

Impact of External Shocks and Climate Change

- **The COVID-19 Pandemic -** has caused significant loss of life, undermined economies (e.g., slowdown in economic activity and growth, lowered export earnings, undermining health service delivery; drove people into severe poverty; raised inequality, unemployment & food insecurity; disrupted food systems and supply chains; etc).
- **The Russia-Ukrainian crisis -** has exacerbated the impact of COVID-19 in the region, 1) triggering further shocks in the region; 2) fuelling inflation; 3) widening the region's financing gap; and 4) disrupting food systems and supply chains; among others.
- However, besides undermining the region, COVID-19 and the Russia-Ukrainian crisis have 1) offered some opportunities for the region to strengthen its value chains; 2) take advantage of supply gaps created by disruptions in the global value chains; and 3) enhancing intracontinental trade.
- **Climate change:** Extreme weather events are claiming lives annually, displacing people and reducing agricultural production. The negative economic impacts of climate change are expected to accelerate as early as 2030, affecting countries with low capacity, poor governance, and weak natural resource management.

Key Messages and Recommendations

- The presentation & report has raised some key issues from which some recommendations are proffered.
- First, member states need to **1)** improve their productive capacities for future improved economic competitiveness; **2)** repair their balance sheets; **3)** reduce costly debt; and **4)** refocus resources to social development spending.
- Second, to address future external shocks, there is a need for self-sufficiency and deepened intraregional trade – implementing economic diversification, promoting regional value chain, and taking advantage of the AfCFTA.
- Third, to combat climate change, there is need to promote green industrialization.
- Fourth, economic and social policies should aim to eradicate poverty and inequality in all its forms (gender, age, locational, race, etc.) and at all levels (national, regional etc.)

Thank You!