Recent economic and social developments in Africa

1. The coronavirus disease (COVID-19) pandemic has had an adverse impact on African countries, pushing an estimated 55 million people into extreme poverty in 2020 and reversing more than two decades of progress. The pandemic has also placed between 30 and 35 million formal jobs at risk of reductions in wage and working hours because of reduced demand and enforced lockdowns. Informal employment also remains high and informal sector workers are particularly vulnerable. Furthermore, the pandemic has exacerbated fiscal deficits and debt levels owing to increased spending to cushion the effects of the pandemic. There is uneven progress in social development in many countries, as health systems remain weak and out-of-pocket payments remain the single largest component of total health-care expenditures. Gender inequalities remain significant and have been accentuated during the pandemic. The growth prospects of Africa have therefore been severely affected by the pandemic, leading to a contraction of 3.2 percentage points in 2020, although less severely than the overall global economy, which contracted by 3.4 percentage points. The continent’s growth is however projected to have rebounded to 4.7 per cent in 2021 and 4.0 per cent in 2022.

I. Economic performance

A. Recovery of gross domestic product growth in Africa

2. African gross domestic product (GDP) growth rebounded, with a growth rate of 4.7 per cent in 2021, from a contraction of 3.2 percentage points in 2020 due to the pandemic. The recovery in growth was supported by pent-up demand following the relaxation of the COVID-19 restrictions, better global economic conditions and the rebound in commodity prices. Compared to other regions, the recovery of Africa at a growth rate of 4.7 per cent in 2021 was the slowest (figure I). The outlook is positive, with the economy projected to grow robustly at 4 and 3.7 per cent in 2022 and 2023 respectively, some 2 percentage points below its pre-pandemic trajectory. Despite the continued recovery, the pandemic is expected to affect output from Africa for a prolonged period, in part through its adverse effects on human and physical capital accumulation. According to the United Nations, Africa would need to grow at 6 per cent over the period 2022–2023 to catch up to its pre-pandemic growth trajectory.1

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3. Output in Central Africa rebounded at a growth rate of 2 per cent in 2021 (figure II). The pick-up in demand in tourism, strong global demand, the spike in the price of crude oil, increased government spending and an uptick in investments contributed to improving economic activity, particularly in the oil-producing countries. On the other hand, the lingering effects of the pandemic and weakness in fiscal and external positions, slowed growth in some countries in the subregion.

4. Growth in East Africa improved from 1.3 per cent in 2020 to 4 per cent in 2021. This was below the recent five-year average of 6 per cent. Growth in 2021 was largely due to improved economic activities, domestic demand, commodity prices and tourism in parts of the subregion. Conflicts and the lingering pandemic threaten the subregion’s fragile recovery.

5. With an estimated growth of 7.6 per cent in 2021, North Africa registered the fastest recovery relative to other subregions (figure II). Factors responsible for this growth include the rebound in commodity prices, tourism and improved domestic and external demand.
Figure II
Real GDP growth in Africa by subregions, 2019–2023

Note: e= estimates, f= forecast.

6. Southern Africa rebounded from a deep contraction of 6.2 percentage points in 2020 to register growth of 2.9 per cent in 2021, the second slowest subregional recovery on the continent. The rebound was driven by improvements in the mining, manufacturing and services sectors. The rebound in the non-oil sector was offset, however, by the declining oil output from ageing oil fields, rendering recovery in the subregion only marginal.

7. The West African subregion grew at a rate of 3.2 per cent in 2021, registering continuous recovery from the negative impacts of the pandemic. The recovery in services, the agriculture and industry sectors, higher commodity prices, exports and investments contributed to growth. Despite the resurgence in crude oil prices, oil production remained below the pre-pandemic levels as a consequence of maintenance work and declining investments in the sector. Social unrest and violence also hampered economic activities.

B. Fiscal deficits

8. Fiscal deficits have narrowed compared to 2020, with fiscal space still constrained. African countries are facing a difficult fiscal policy trilemma: balancing trade-offs between meeting pressing spending needs, containing public debt, and fighting resistance to tax revenue collection and mobilization. The fiscal priorities of African countries are shifting from responding to the immediate health needs of the pandemic to stimulating economic recovery. Economic recovery remains constrained, however, by the lack of fiscal space to respond adequately to investments needed for the post-pandemic recovery.

9. Compared to 2020, the fiscal conditions of African countries have improved, but the fiscal space is still constrained (figure III). In 2021, government revenue was estimated to be at 22.4 per cent of GDP in Africa, less than the 23 per cent recorded in 2020. In terms of expenditure, the average government expenditure in 2021 was 26.5 per cent of GDP. The average fiscal balance of African countries in 2021 (figure III) was -4.2 per cent, much worse than that of 2019 (-2.2 per cent), yet better than the 2020 level of -6.3 per cent.
C. Debt vulnerability

10. Debt vulnerability remains elevated in the continent, whose debt is projected to accelerate quickly thanks to the combined effect of increased public spending and declining revenues. The average debt-to-GDP ratio in Africa has been revised to 71.1 per cent in 2020 and 67.7 per cent in 2021. Overall public debt levels are expected to improve slightly in 2022 to 65.8 per cent of GDP, but this ratio remains elevated compared to the pre-pandemic level of 61.9 per cent (figure IV). Debt remains a concern in a significant number of countries, especially in the heavily indebted low-income countries. The Debt Sustainability Analysis developed by the World Bank and the International Monetary Fund (IMF) indicates that, as of September 2021, 15 African countries were at high risk of both external debt distress and overall public debt distress, and 6 African countries were already in both external debt and overall public debt distress.2

11. The Debt Service Suspension Initiative established by the World Bank, IMF and Group of 20 countries in 2020 was extended to December 2021. A more comprehensive framework called the Common Framework for Debt Treatments beyond the Debt Service Suspension Initiative was endorsed by the Group of 20 and the Paris Club. Furthermore, at the twenty-sixth session of the Conference of the Parties to the United Nations Framework Convention on Climate Change in November 2021, ECA launched the Liquidity and Sustainability Facility, a repurchase agreement aimed at compressing yields on African sovereign bonds by enhancing their liquidity. It also seeks to promote sustainability-linked investments such as green bonds and Sustainable Development Goal bonds in Africa by offering preferred financing rates on loans collateralized by green bonds issued by African sovereigns. The Liquidity and Sustainability Facility initially planned to raise $3 billion by seeking the on-lending of special drawing rights (SDRs) recently allocated to developed countries within the IMF overall allocation of SDRs and could reach up to $30 billion in the first few years. Its first transaction of $200 million, funded by the African Export-Import Bank, is expected to close in the first quarter of 2022.3

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D. Accommodative monetary policy

12. Accommodative monetary policies remain in evidence in Africa. The monetary policy committees of most central banks in Africa continue to keep their policy rates aligned, with the aim of easing liquidity pressures and stimulating additional credit creation so as to boost output growth. In parallel, central banks remain vigilant about price stability by ensuring that policy rates are not set in a manner which will further increase negative real interest rates, compound existing price distortions and consequently fuel inflationary pressures. For example, the Nigerian monetary policy committee agreed that the existing monetary policy stance at 11.5 per cent had supported the recovery of growth and achieved the mandate of price stability that was needed for sustainable growth. This policy stance has yielded significant growth in GDP, which stood at 4.03 per cent in the third quarter of 2021 against a backdrop of six months of decelerated inflation, which slowed to 15.99 per cent in October 2021.4

13. The same situation was recorded in Angola, as the country’s policy rate was held constant after its adjustment in the second quarter of 2021. Egypt, the Gambia, Mauritius, Rwanda and Sierra Leone kept their policy rate unchanged from the first to fourth quarter of 2021 after assessing macroeconomic developments (figure V). Thus far, over the last quarter to November 2021, the monetary policy stance has largely been accommodative to ensure adequate liquidity in the economic and to keep up with the inflation target.

14. Contrary to expectations that previous increases were transitory, inflation across several African countries continued its upward trend in 2021, as commodity prices continue to recover and feed into energy and goods prices. This was mostly due to supply-side constraints associated with the pandemic; rising aggregate demand; exchange rate pressures; and other structural problems. The intensity of inflationary pressures, however, differs from country to country, depending on their structure and dynamics (figure VI).

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Figure V
Monetary policy rate in selected African countries


Figure VI
Inflation rates in selected African countries (2020–2022)

Source: IMF World Economic Outlook database, October 2021.

E. Exchange rate

15. The exchange rate continued its downward trend in 2021. Following the gloom and inertia that defined some African economies in 2020 as a result of the negative impact of COVID-19, the continent entered 2021 with sound monetary and trade policies to accelerate its recovery and growth. Despite this, both the recovery and growth have been slowed by macroeconomic issues, most notably the exchange rate, inflation and interest rate. Many African countries' exchange rates depreciated against the United States dollar in the fourth quarter of 2021 compared to the third quarter, owing to increase in import demand, weakened support from terms of trade and unsustainable monetary, fiscal and exchange rate policies (figure VII).

16. The rising external debt of African countries means that countries are becoming increasingly exposed to exchange rate risks. The continued depreciation of the local currency, coupled with the rising external debt burden, heightens the continent’s exchange rate risk exposure and makes debt service in the foreign currency more expensive. Furthermore, the depreciation places inflationary pressures on countries as prices of imported goods rise in terms of domestic currency.
Figure VII
Quarterly changes of African currencies against the United States dollar

![Currency Changes Diagram]

Note: Q3=third quarter; Q4=fourth quarter, to November 2021.

Figure VIII
Percentage change in exchange rate 2020–2021

![Exchange Rate Change Diagram]


F. African trade

17. African trade is evidently rebounding from the COVID-19 pandemic. Following a decrease in 2020, due to the pandemic, global trade in goods is estimated to have increased by 10.8 percentage points in 2021 relative to 2020. For Africa, exports and imports are estimated to have increased by 5.0 and 11.3 percentage points, respectively, in 2021. Although a rebound is expected in economic activities worldwide due to the ongoing rollout of COVID-19 vaccines, its magnitude will depend on the availability of vaccines and countries’ resilience and responses to shocks.

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G. **Intra-African trade**

18. Trade between African countries demonstrates the potential for economic diversification in Africa. Global exports decreased in 2020 relative to 2019, as a consequence of COVID-19 restrictions such as lockdowns, border closures and travel restrictions (figure IX). The African continent’s share of total global exports decreased over the period from 2010 to 2019, whereas it increased in other regions. Nevertheless, the share of total global exports decreased between 2019 and 2020 in most regions including Africa, where it declined, falling from 2.52 per cent in 2019 to 2.19 per cent in 2020. By contrast, the Asian share of global exports increased from 41.06 per cent in 2019 to 42.16 per cent in 2020, attesting to the relative resilience of that region and its position as a net supplier to the world of consumer goods and medical supplies during the COVID-19 pandemic.

Figure IX
**Merchandise trade in Africa, 2010–2020 (billions of United States dollars)**

![Merchandise trade in Africa, 2010–2020](image)

*Source:* ECA calculations based on UNCTADstat data, 17 November 2021.

19. Intra-African trade flows (as an average for the period from 2018 to 2020) remained relatively low, with exports representing 17 per cent and imports 15 per cent of African countries’ total trade (figure X). This means that African countries trade outside the continent, mainly with the European Union (which accounts for 32 per cent of exports and 29 per cent of imports), followed by China (accounts for 14 per cent of exports and 18 per cent of imports). This relatively high dependence on trading partners from the rest of the world elevates the continent’s vulnerability to external shocks during crises like the current COVID-19 pandemic.
20. The composition of intra-African trade underscores the potential for industrialization and economic diversification in Africa. As shown in figure XI, intra-African trade (computed as an average of exports and imports) primarily comprised manufactured goods (46 per cent), followed by fuels, (22 per cent), food items (20.7 per cent), ores and metals (5.9 per cent), and agricultural raw materials (1.6 per cent).  

Figure XI
Total African exports and imports by composition (average 2018–2020)
H. Increase in African service exports

21. The services sector has been severely affected by the pandemic, with services related to travel being among the most affected.\(^7\) As shown in figure XII, African services’ exports grew progressively from $95.1 billion in 2010 to $124.4 billion in 2019 (figure XII). Subsequently, African services’ exports fell from $124.4 billion in 2019 to $82.7 billion in 2020 because of the COVID-19 pandemic. Travel services alone decreased by 61 per cent between 2019 and 2020, followed by personal, cultural and recreational services (25 per cent decrease), transport services (21.4 per cent decrease), goods-related services (19.9 per cent decrease), government goods and services (17.4 per cent decrease) and financial services (12.9 per cent decrease).

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Figure XII

African services exports by sector (2010–2020)

Source: ECA calculations based on UNCTADstat data, 17 November 2021.

22. Figure XIII depicts the components of gross exports of services by sector. The figure shows that services constitute a large share of the national economies in Africa. The services are rarely traded, however, and remain mostly as domestic services. Focusing on the major commercial services, energy stands out at 21.1 per cent, construction at 14.1 per cent and transport at 10.4 per cent. But in these figures, only a small part of services value added is sourced regionally. African services value chains are therefore even less internationalized than their counterparts in goods sectors. Although services constitute a large share of the national economies in Africa, they are rarely traded and remain mostly as domestic activities.
II. **African Continental Free Trade Area: a game changer**

23. Prior to the pandemic, the African tourism sector was on the rise. In 2020, the region recorded its highest monthly count of international tourists in January, at over 5.3 million, which was slightly higher than the number registered in January 2019. Preliminary data from 2021 suggest that, as of May 2021, 1.04 million tourists had arrived in Africa from overseas. This is significantly higher than the 533 thousand international tourists who had arrived in the continent by the same point in 2020.

24. ECA simulation studies demonstrate that the gross domestic product (GDP) of Africa in 2045 would be $55 billion higher than in a situation without the Agreement Establishing the African Continental Free Trade Area. The studies also estimate that exports would be $110 billion higher; imports $110 billion higher; and welfare $3 billion higher than without the implementation of the Agreement. Intra-African trade is projected to rise from $100 billion in 2020 to $400 billion by 2045 with the implementation of the Agreement. The share of intra-African trade as a share of total trade is projected to rise from its current level of about 15 per cent to more than 26 per cent and the continent’s trade as a share of global trade is also expected to increase from about 3 per cent in 2020 to nearly 5 per cent in 2045.

25. In February 2022, the Assembly of Heads of State and Government of the African Union directed that trading under the Agreement Establishing the African Continental Free Trade Area should proceed on the basis of agreed rules of origin covering 87.7 per cent of the total tariff lines. In January 2022, the Pan-African
Payment Settlement System was formally launched. The System provides a centralized payment settlement infrastructure to support trade under the Agreement.

III. Poverty rates prior to the COVID-19 pandemic

26. Prior to the COVID-19 pandemic, poverty rates had been falling across Africa. The continent’s headcount ratio – that is to say, the proportion of the population subsisting below the poverty threshold – declined to 41 per cent in 2019 from 50 per cent in 2000, driven by a 5 per cent average economic growth rate during that period. This represents a major improvement in livelihoods, given that the headcount had risen from 54.3 per cent in 1990 to 55.6 per cent in 2002. Much of the progress achieved in recent years in the areas of health, education and employment have, however, been halted or reversed by the COVID-19 pandemic, stalling the achievement of many of the Sustainable Development Goals in Africa.

27. In Africa, 60 per cent of the poor are chronically poor and 40 per cent are transient poor. For example, in the United Republic of Tanzania, between 2008 and 2012, 27 per cent of the poor transitioned in and out of poverty while 12 per cent remained poor, indicating that poverty in that country is largely transient. The vulnerable in society that live just above the poverty line of $1.90 a day are likely to fall into poverty when a shock, such as the COVID-19 pandemic, occurs. The non-vulnerable but poor will hover around the $1.90 poverty benchmark.

28. The economic contraction of 3.2 percentage points experienced by Africa in 2020 has driven an additional 55 million non-poor into poverty. While the overall number of people in extreme poverty has increased since 1990, the rate of increase has declined considerably since 2002 (figure XIV). Africa added more than 9 million poor each year from 1990 to 2002, then only slightly more than 1 million per year between 2002 and 2014. Over the period from 2014 to 2018, the absolute number of poor people increased by 6.4 million people per year. This trend is set to undergo a change because of the COVID-19 pandemic. The addition of 55 million new poor during the pandemic means that the number of people that have been pushed into poverty in the course of a single year is 12.6 per cent more than the combined total of the additional poor since 1999.

Figure XIV
Increase in absolute number of poor, in Africa** since 1990

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Notes: * ECA estimate of the increase in the number of poor, because of COVID-19. Most of the increase is likely to take place in 2020.
** The data refer to sub-Saharan Africa but may be applied to the entire continent as poverty numbers are low in North Africa.

Source: ECA calculations from World Bank (2020).

29. Africa has made significant progress in health outcomes with life expectancy increasing since 2000, adding nearly five years to average life expectancy every decade. This has been accompanied by equally encouraging improvements in mortality indicators. The mortality rate for children under 5 declined between 1990 and 2017 from 148 to 62.8 deaths per 1,000 live births, equivalent to an average decline of 2.1 percentage points per year. In most countries, however, national health systems are struggling with insufficient and inequitably distributed resources. Poor countries bear a disproportionately high share of the burden of disease and injury, yet have fewer resources for financing health care and this situation has worsened during the pandemic.15

30. Furthermore, at a level of 36 per cent in 2018 (latest figures), private household expenditure remains the largest component of total health expenditure, constraining accessibility and affordability in low-income households. In 2020, spending on health care increased in response to the COVID-19 pandemic. In a best-case scenario, with the suppression of coronavirus spread and intense early physical distancing measures, an average of $44 billion was estimated to be required across Africa for the procurement of testing, personal protective equipment and treatment of COVID-19 patients requiring hospitalization and intensive care.

31. Enrolment in the different levels of schooling, from pre-school to tertiary, has been increasing, while inclusive access and learning outcomes remain weak. Significant strides were made in primary school enrolment in Africa, from more than 50 per cent nearly 50 years ago (54.2 per cent in 1970) to more than 98 per cent in 2019. Enrolment of girls was above 96 per cent in 2019.16 Yet, despite this increased enrolment, for most young Africans education still ends at primary school. Secondary school enrolment in Africa has also increased moderately. In 2018, the enrolment rates in lower and upper secondary levels were 32 and 22 per cent respectively.17

32. The region suffers from vast within-country and across-country differentials in terms of access to secondary education. For example, 80 per cent of pupils in Botswana, Cabo Verde and South Africa attend secondary school, compared to approximately 20 per cent in Central African Republic Chad, and the Niger. Completion rates for lower and upper secondary pupils in Africa stand at 42 and 30 per cent, respectively.18 Overall, the household proportion of the education budget is 29 per cent, which tends to exclude pupils from poorer quintiles, girls, internally displaced pupils and refugees, and pupils with disabilities.19

33. The temporary closure of schools as a mitigation measure against the COVID-19 pandemic will have long term consequences. The opportunities provided through online learning substitutes are often not available to children from low-income groups because of limited access to digital technology and poor connectivity in rural and remote areas. The temporary closure of schools could have serious impacts on the education and productivity of national work forces in the medium term. In addition, girls are likely to be especially hard hit, as they are more likely to face abuse, less likely to have access to

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16 Data from uis.unesco.org.
online learning and less likely to return to school. For some girls, schooling is a much-needed form of protection against early marriage and pregnancy. Children may also face a lack of access to nutrition and food with the loss of school feeding programmes as many from poor households rely on school for their only nutritious meal. Thus, the pandemic is likely to have further exacerbated the existing development deficits in Africa.

34. The rapid and sustained growth that Africa has achieved over the past two decades has not resulted in commensurate employment creation. Over the period 2000–2014, a 1 percentage point increase in GDP growth was associated with only 0.41 per cent growth in employment, meaning that employment was expanding at a rate of less than 1.8 percentage points a year, far below the nearly 3 per cent annual growth in the labour force. Owing to supply and demand shocks stemming from the COVID-19 pandemic, annual formal job creation (currently at 3.7 million) is forecast to drop by between 1.4 and 5.8 percentage points, compared to the 2020 baseline growth scenario. The informal and vulnerable employment sector, which accounts for more than 60 per cent of men and 75 per cent of women in the labour force, is expected to increase.

35. The informal sector is the main source of employment in Africa, accounting for more than 80 per cent of jobs. Employment in the urban informal economy is particularly widespread among youth (95.8 per cent at ages 15–24) and women (92.1 per cent) and the sector is an important contributor to poverty reduction.

36. The informal sector is heterogeneous and has limited but varying capacity to cope with economic shocks (figure XV). Those working in it who are below the poverty line – the working poor – depend on social protection transfers from the government. At the same time, only 18 per cent of informal and poor workers have access to at least one social protection benefit in Africa. Moreover, informal sector workers typically use their accumulated savings to smooth the path of consumption. The COVID pandemic made it impossible, however, to smooth consumption in this way and the non-poor workers in the informal sector therefore risk falling into poverty.

Figure XV

Sharp decline in vulnerable employment and numbers of working poor as income increases

![Graph showing the relationship between GDP per capita and vulnerable employment numbers.](image)

Notes: Smaller dots denote low income countries and larger dots middle-income and high-income countries, in accordance with World Bank criteria.

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IV. Preliminary assessment of the impact of the Russian Federation-Ukraine crisis

37. The war has compounded economic uncertainties, causing oil and fertilizer prices to surge to levels not seen since 2008. The Russian Federation is a major player in the energy and commodities market. It accounts for 25 per cent of the market for natural gas, 18 per cent of the coal market, 14 per cent of the market for platinum, and 11 per cent of that for crude oil. Consequently, the global prices of crude oil and natural gas have increased by 75 per cent and 23 per cent, respectively, since December 2021. A steep drop in the supply of these commodities would significantly constrain the construction, petrochemicals and transportation industries.

38. The war has also pushed up food prices because the Russian Federation and Ukraine provide about 30 per cent of the wheat in global markets. The two countries account, respectively, for more than 40 and 25 per cent of the global sunflower oil market. Sunflower oil is a crucial cooking ingredient for households in many developing countries. The war has raised wheat prices by 64 per cent and maize prices by 52 per cent since December 2021. Our economies are also particularly vulnerable to disruptions in the production and transport of grains and seeds from the Russian Federation and Ukraine. These disruptions to supplies, coupled with higher food prices, could cause increased hunger and food insecurity if the war continues.

Figure XVI
Development of energy and agriculture prices over time

Source: Bloomberg.

39. The conflict has also caused gyrations in financial markets, prompting a sell-off in stocks and bonds in the main global markets. The rise in investor risk aversion has caused capital outflows from developing economies, triggering currency depreciations, falling stock prices, and higher risk premiums in bond markets. This is placing stress on the fiscal positions of countries with high debt levels.
40. Factoring in the consequences of the crisis, the ECA macroeconomic model economic growth will be more severe for oil-importing countries than for oil-exporting countries. The model projects that the crisis would lead to a contraction in GDP growth in 2022 of up to 0.4 percentage points. The model also projects a worsening fiscal stance, with fiscal and current account deficits expected to widen in 2022 by up to 0.7 and 0.4 percentage points, respectively. The crisis may lead to an increase in the debt-to-GDP ratio of Africa by up to 3.0 percentage points in 2022. The crisis will also adversely impact foreign direct investment and tourism, in particular for North African countries where Russian and Ukrainian tourists provide a large proportion of tourism receipts.

Figure XVII
Impact of the Ukraine crisis on GDP growth by economic group, 2022–2023

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Source: ECA estimates, 2022.

V. Risks and uncertainties

41. Downside risks predominate in the socioeconomic outlook of Africa. Headwinds impeding the outlook of economic growth in Africa could come from external shocks such as a protracted war in Ukraine, an emergence of virulent variants of the coronavirus and inadequate procurement of vaccines for the population. The tightening of monetary policy in the developed countries to rein in inflation could potentially weaken aggregate demand in these countries and, by extension, the demand for commodities in Africa. As interest rates rise in developed economies in response to a contractionary monetary policy to fight inflation, African recovery will be adversely affected by capital outflows, currency depreciations and increased borrowing costs.

42. Climate shocks, such as extreme weather events, including floods and droughts, could adversely affect yields in the agriculture sectors and, consequently, economic output. Growing conflicts and social unrest across the world (such as the conflict in Ukraine) and in parts of the continent may also disrupt economic activities and further elevate the already rising food prices with implications for poverty. Tailwinds boosting the outlook are strong global demand, high commodity prices and improved exports, investments and tourism.

VI. Policy recommendations

43. African countries need to strengthen their efforts to mitigate the health and economic impact of the coronavirus pandemic. Countries need therefore to continue to invest in the health sector to consolidate gains in the fight against the pandemic and other preventable diseases. In addition, Africa should continue to ensure that monetary and fiscal policies support a sustainable path to the post-pandemic economic recovery. Governments should also embark on credible reforms to restore debt and fiscal
sustainability, enhancing efficiencies in the use of existing resources. Central banks should continue to boost liquidity through appropriate monetary policy while ensuring that inflationary expectations are credibly anchored to maintain stable and low inflation. In addition, exchange rates must be allowed to adjust in an orderly manner to unforeseen shocks. Countries also need to improve tax administration and enforcement in combination with reducing tax exemptions and eliminating corrupt practices. By broadening the tax base, governments will be able to raise the revenues needed to meet expenditures.

44. African countries should take advantage of the African Continental Free Trade Area to accelerate the industrialization and diversification of the productive sectors of their economies. This will require the strengthening of the continent’s human capital, promoting jobs in high-productivity sectors and advancing digitalization. Economic resilience can also be achieved by strengthening macroeconomic stability, improving the business environment, and enhancing political, social and environmental governance.

45. African governments need to address increasing poverty by expanding social safety nets and promoting job-creation. Policymakers must prevent more people sliding into poverty by expanding the coverage and scope of social protection to cushion the poor and vulnerable from shocks. They should take advantage of increased digitalization to boost the effectiveness, reduce the cost, and expand the reach of social protection programmes. Smart investments are therefore needed in education, health and social protection initiatives that can support countries’ productive capacities rather than consumption. Hedging against exogenous shocks will be critical in reducing poverty and minimizing vulnerability. It will also be important in accelerating efforts to achieve the Sustainable Development Goals and the goals of Agenda 2063.