Unpacking current account deficits in the EAC: How can AfCFTA help?
BoP: Key components

• Capital account
  – Financial transactions

• Current account
  – Exports and imports
CAPITAL ACCOUNT
FDI: Capital account surplus?

Graphs by Country name

- **BDI**
- **KEN**
- **RWA**
- **TZA**
- **UGA**


- **Foreign direct investment, net inflows (% of GDP)**
- **Foreign direct investment, net outflows (% of GDP)**
CURRENT ACCOUNT
Trade performance in EA

Graphs by Country name
Current account trends: 2005-2017

Graphs by Country name
CA: shares of GDP

Graphs by Country name

- **BDI**
- **KEN**
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**Key**
- Current account balance (% of GDP)
- External balance on goods and services (% of GDP)
What does CA deficit signal?

• Country’s international performance
  – Persistent trade deficits
    ▪ lack of competitiveness
  – Protectionist measures
    ▪ Import restrictions
SECTORAL DECOMPOSITION...
Agriculture

Annual growth:
- Burundi → 0.1%
- Kenya → 3.3%
- Rwanda → 5.2%
- Tanzania → 3.8%
- Uganda → 1.9%
- Total → 2.9%
Annual growth:
Burundi → 0.7%
Kenya → 3.32%
Rwanda → 6.8%
Tanzania → 7.5%
Uganda → 5.3%
Total → 4.8%
Industry

Annual growth:
Burundi → 3.1%
Kenya → 5.2%
Rwanda → 9.3%
Tanzania → 9.0%
Uganda → 7.4%
Total → 6.9%
Services

Annual growth:
Burundi → 4.93%
Kenya → 4.51%
Rwanda → 10.65%
Tanzania → 6.28%
Uganda → 6.94%
Total → 6.66%
FINANCING CA DEFICITS...
Can savings do the trick?

Average 15.3%
EA’s Economic performance

GDP growth → 5.8%
GDP pc growth → 2.7%
How then can AfCFTA help?

- Increase productive capacity of countries
  - Local production

- Improve competitiveness of EA economies
  - Exports > Imports
    - TMEA interventions on export capability, infrastructure e.tc

- Minimize protectionist trade policies
  - Improve regulatory frameworks
    - TMEA interventions on business environment in EA
THANK YOU!