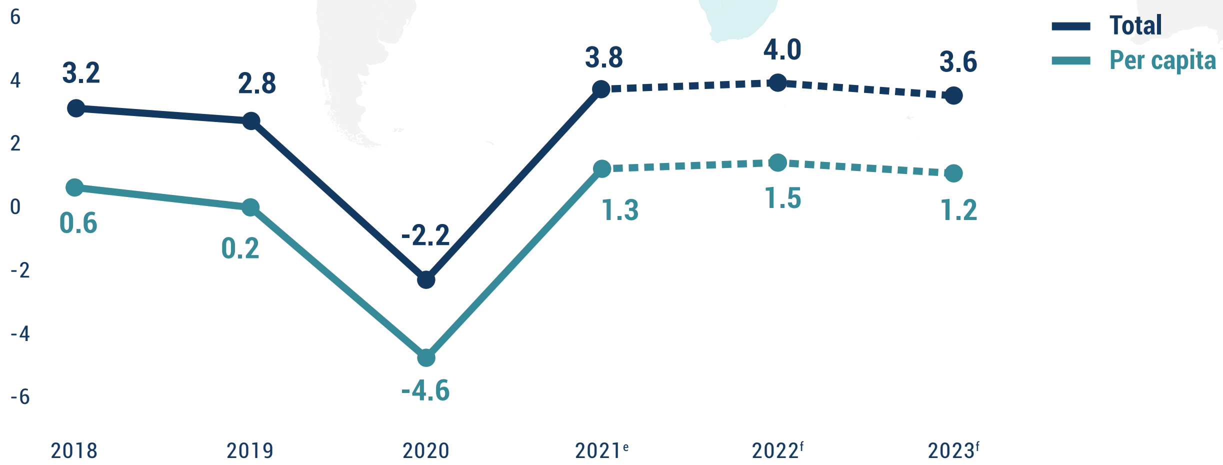
Africa

GDP growth

Percentage



COVID-19 cases & deaths

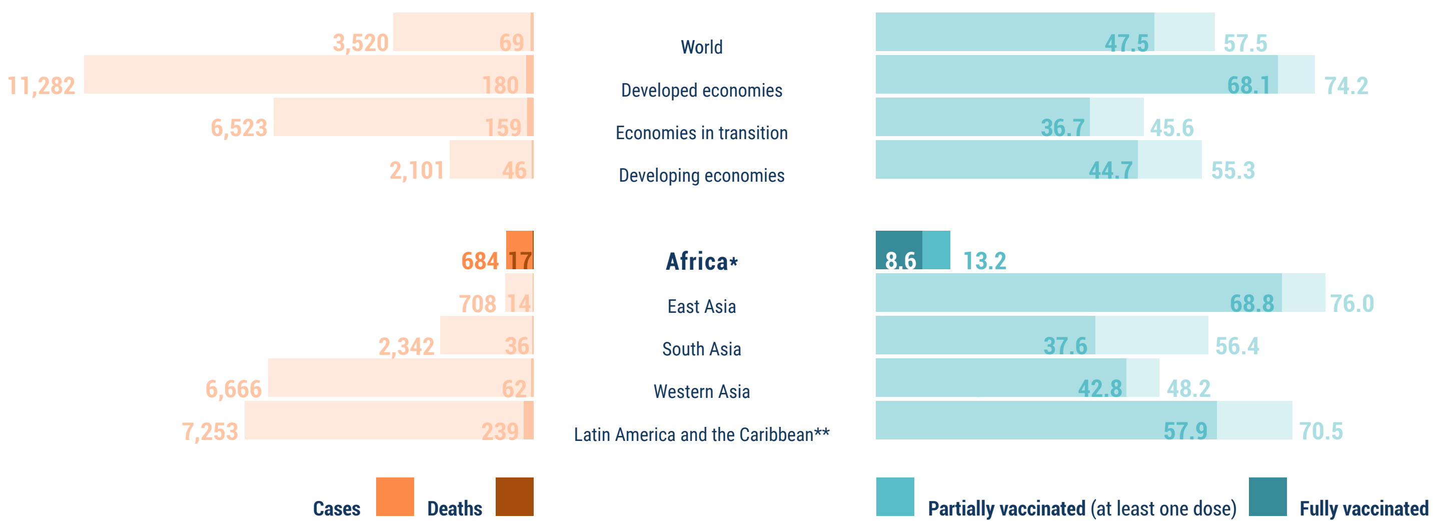
as of 20 December 2021

Per 100,000 people

Vaccination

as of 20 December 2021

Percentage of population



Note: The boundaries and names shown and the designations used on this map do not imply official endorsement or acceptance by the United Nations. The map represents countries and/or territories or parts thereof for which data is available and/or analysed in World Economic Situation and Prospects 2022. The shaded areas therefore do not necessarily overlap entirely with the delimitation of their frontiers or boundaries. Aggregate data for Africa, excluding Libya.

* Excluding Libya; **Excluding Bolivarian Republic of Venezuela. **e:** 2021 estimates. **f:** 2022-2023 forecasts.

Source for COVID-19 data: UN DESA calculations, based on data from Johns Hopkins University.

Developing economies

Africa: rebound in economic growth amid great downside risks

- Economic output in Africa is projected to rise, but it is subject to risks from recurrent waves of COVID-19 and increased instability.
- A boom in commodity prices is providing much needed fiscal space for commodity exporters but tourism-dependent countries may take longer to bounce back.
- Multilateral support to the region will remain critical for full recovery, including to expedite vaccine distribution and facilitate debt relief.

Returning to normal economic activity has been challenging in Africa

Economic activity in Africa continues recovering from the unprecedented events of 2020 but at a fragile pace. A projected expansion is marked by high uncertainty and exposure to repeated waves of COVID-19 infection, as seen recently with the emergence of the Omicron variant. Mitigation measures, such as lockdowns and travel bans, have been the main tool for stopping the spread of the virus due to low vaccination rates. Resulting disruptions in economic activities make a return to pre-pandemic conditions difficult. Although most African economies are witnessing rising output levels, supported by a more favourable global context, economic recovery has been weaker than in other regions.

Economic growth rates are insufficient for a return to pre-pandemic trends

Aggregate output in Africa is projected to recover gradually against a backdrop of subdued investment and high uncertainty. Economic growth is estimated to firm up in 2022, to 4 per cent from 3.8 per cent in 2021 (figure III.8). This should be driven by the gradual rollback of virus containment measures and rising vaccination rates as well as higher commodity prices and incremental improvements in investment rates. Africa observed one of the slowest recoveries in the world in 2021, lagging average growth rates for the developing countries and the globe, which are estimated at 6.4 per cent and 5.5 per cent, respectively. Projections point to a permanent loss of output in the forecast horizon (figure III.9). To return to its pre-pandemic trajectory of output growth, Africa would need to grow by approximately 6 per cent in 2022-2023, which is as fast as South Asia. In per capita terms, real GDP levels are expected to remain below pre-pandemic levels through 2023, especially in southern Africa, representing a significant setback to development gains achieved before the pandemic.

Figure III.8
Real GDP growth in Africa by subregion

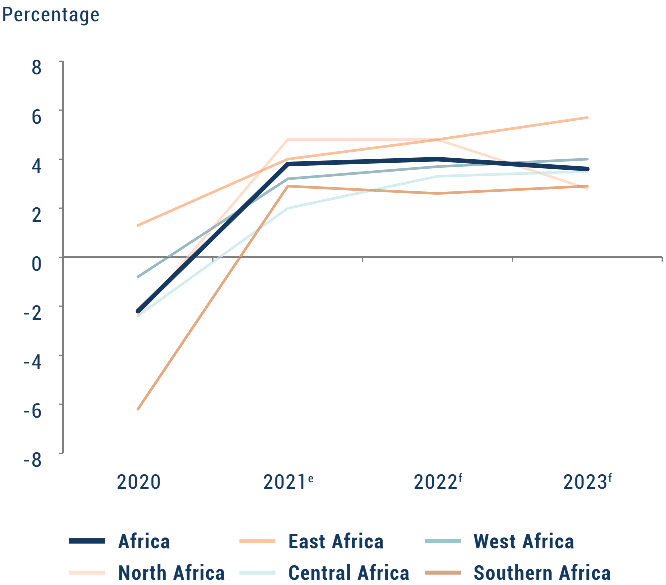
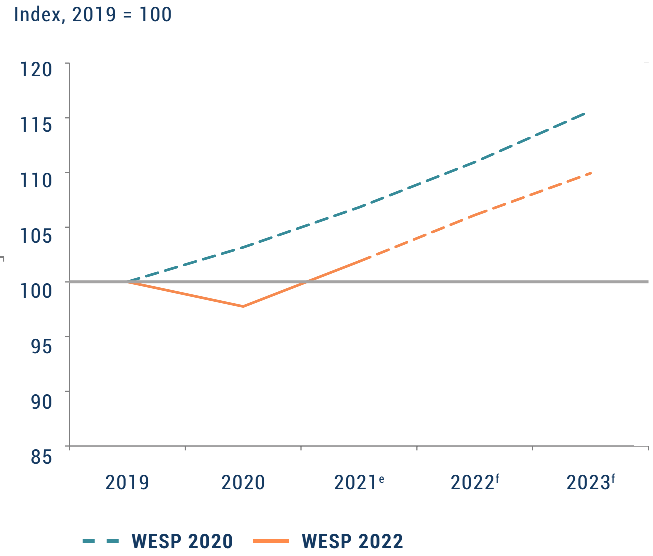


Figure III.9
Real GDP in Africa



Sources: Source: UN DESA, based on projections produced with the World Economic Forecasting Model.
Note: e = partial estimate, f = forecast. Excludes Libya. The dashed line in Figure III.9 indicates pre-crisis projections.

Low vaccination levels are exposing African countries to repeated COVID-19 waves...

Most African economies remain in the grip of the pandemic. While the third wave of the coronavirus has tapered off, at least 12 countries – Algeria, Benin, Burkina Faso, Egypt, Eritrea, Kenya, Mali, Mauritania, Mauritius, Somalia, South Africa and Tunisia – are battling or have battled their fourth wave. In late November 2021, a new variant, Omicron, was detected in Botswana and put the world on edge after South Africa announced a surge in cases. Though the impact of each wave is unknown, the death toll from future waves in Africa would likely be high, given case fatality rates that rank among the highest in the globe (such as in Egypt, Somalia and Sudan). The continent remains the most undervaccinated in the world, with just over 10 per cent of its 1.3 billion people vaccinated with at least one dose (figure III.10). Most countries have vaccinated less than 5 per cent of their populations, failing to meet the World Health Organization (WHO) vaccination goals of 10 per cent coverage by September 2021 and 40 per cent by the end of 2021. Only five African countries have accomplished the latter (Cabo Verde, Mauritius, Morocco, Seychelles and Tunisia). The vaccine roll-out has been hampered by affordability, hesitancy,[10] logistics, global production constraints and vaccine hoarding abroad. Global solidarity around vaccines has proved widely inadequate, with pledges and deliveries to the WHO's COVAX Facility falling short of requirements. Production facilities in Algeria, Egypt, Nigeria, Senegal and South Africa may help boost vaccination in those countries later this year. The vast majority of countries,

10 A survey by the Africa Centres for Disease Control and Prevention on perceptions of COVID-19 vaccination found that misinformation in Africa is rife. Young, male and unemployed people and urban residents are more likely to be sceptical (Africa CDC, 2021).

however, may not reach 60-70 per cent coverage before 2023 and, in some cases, not at all barring significant changes in vaccine production and distribution.

Figure III.10

COVID-19 vaccination rates by world region (as of 20 December 2021)

Sources: UN DESA, based on data from Our World in Data (accessed on 20 December 2021).

...and political instability is undermining the economic recovery

Even promising economies face the challenges of conflict and instability. Four military coups occurred last year, in Chad, Guinea, Mali and Sudan, and attempts were foiled in the Central African Republic, Madagascar and Niger. UN Secretary-General António Guterres has referred to "an epidemic of coup d'états". In Ethiopia, Africa's second-most populous nation, civil war in the northern Tigray region since November 2020 is a major source of tension domestically and for countries across the Horn of Africa. A prolonged unsettled dispute will have escalating humanitarian consequences while further destabilizing the region and depressing investment. Tensions are also intensifying among Ethiopia, Egypt and Sudan over the filling of the Grand Ethiopian Renaissance Dam. In the Sahel region, humanitarian and security crises continue to deteriorate, with interethnic violence on the rise in Burkina Faso, Chad, Mali, Mauritania and Niger. Other ongoing conflicts include civil wars in Libya and Somalia, an Islamist insurgency in Mozambique, the "Anglophone crisis" in Cameroon and natural resource-driven conflict in the Democratic Republic of Congo. These crises interact with and aggravate other challenges – such as poverty, unemployment, crime, food insecurity and internal displacement – and undermine the economic potential of the continent.

The main downside risks of the pandemic are elevated food prices and tightening financing conditions

Risks to regional growth skew down due to domestic and external factors. On the domestic front, there is a significant concern that countries will experience recurrent COVID-19 waves with possibly more dangerous variants. Border closures could wreak havoc in African economies, disrupting the flow of medical supplies and tourism. The risks would be aggravated by further delays to vaccination programmes. Vaccine hoarding by developed nations, including for third-dose booster shots, and affordability constraints present serious concerns and may extend the pandemic in the continent. Even as supplies increase, deficient infrastructure, limited access to crucial commodities such as syringes and vaccine hesitancy may continue to slow the roll-out of vaccines. Should COVID-19 become an endemic disease in the region, medium-term prospects would be hampered by lower consumer and investor confidence.

Domestic risks from upsets in crop and livestock production also cloud the outlook. Extreme weather- and conflict-related events may cause these disruptions and increase already elevated food prices, pushing up headline inflation (as in Angola, Egypt, Ethiopia, Guinea and Sierra Leone). Droughts and floods are becoming more frequent as temperatures and sea levels continue to increase faster in Africa than the world average (IPCC, 2021b). Conflict and unrest may escalate given greater instability, poverty and insecurity.

On the external front, rising inflation expectations in advanced economies and other regions threaten financing for the region. A tightening of monetary policy in the United States and global financial conditions would dampen global economic activity and increase risk premiums, especially for more exposed economies in Africa already grappling with elevated debt levels. This situation would decrease access to funds for investment, with dire consequences for social and economic development.

Within the region, prospects remain subdued for the largest economies. Nigerian economic growth is projected to accelerate to 2.8 per cent in 2022 from 2.5 per cent in 2021, as the impact of the health crisis declines and the new oil bill and public infrastructure development boost investment. Nevertheless, there are downside risks from an uncertain evolution of the pandemic given low vaccination rates, high inflation and security threats. South Africa's recovery has faced headwinds due to a sluggish vaccine roll-out and damaging civil unrest during the summer of 2021. Its economy grew by an estimated 3.8 per cent in 2021, not enough to compensate for the 7 per cent drop in 2020. With the outbreak of the Omicron variant spelling dire economic troubles for the country, especially for tourism, prospects are gloomy. Growth is forecast at only 2.3 per cent in 2022. Frequent power outages, high unemployment, inequality and corruption will continue to weigh on productivity growth. In Egypt, after near stagnant economic growth in 2020, a robust recovery is underway with real GDP growth at an estimated 6.1 per cent in 2021 and forecast at 5.7 per cent in 2022. The recovery has been led by solid growth in private consumption, exports and private investment amid easing balance-of-payments constraints due to more favourable external conditions. Both public and external debt are growing at alarming rates, however, posing risks.

Higher commodity prices support some exporters while other countries await the return of tourism

Among commodity exporters, strong global demand and high prices provide a promising outlook. The upturn in global commodity prices is giving some breathing room to energy, metals and agricultural producers after two commodity price crashes in five years. The financial windfall is providing crucial improvements in national income and government spending and investment. The rise in commodity prices will likely be transitory, however, and insufficient to generate robust, sustainable growth. The need for economic reform and diversification will remain high on the development agenda.

Tourism-dependent economies face improving prospects, though from a low base. These are driven by the loosening of travel restrictions and economic recovery in origin markets in Europe and Asia, as well as higher traveller confidence associated with successful containment measures and relatively high vaccination rates (as in Cabo Verde, Comoros, Mauritius, Morocco, Sao Tome and Principe, and Tunisia). Yet global tourist arrivals are not expected to return to 2019 levels before 2023 and quite possibly 2024 (UNWTO, 2021b). Economic recovery in these countries will likely be difficult and vulnerable to renewed shocks to global travel, including from new variants. Tourist-dependent industries, such as wildlife conservation and environmental protection, and informal workers in the sector are expected to face another difficult year, with aggravating long-term effects.

Stagnant working hours and productivity growth contribute to poverty and inequality

Labour markets and social conditions lag economic growth in Africa. Growth in working hours stalled in 2021, remaining 5.3 per cent below levels at the end of 2019 (ILO, 2021d). Labour productivity declined in 2021 with average output per hour worked 1.4 per cent lower than in 2020, except in North Africa. This contrasts with positive productivity growth in developed economies. It follows a medium-term decline in African labour productivity since 2016. With 85.8 per cent of the labour force and 89.7 of the female labour force in informal employment (ILO, 2018), the ability of governments to provide targeted assistance to those in need, especially during the pandemic, proved very limited. The global economic crisis in 2020 increased extreme poverty in Africa by 38.4 million people, and in 2021, another 8.6 million fell below the extreme poverty threshold. Given predicted GDP per capita growth of less than 2 per cent in 2022-2023, the poverty headcount rate in Africa will remain elevated (see box III.2). Women have been disproportionally affected by job losses in hard-hit sectors, increased domestic care, exposure to domestic violence and reduced access to sexual and reproductive care (UN Women, 2020). Young African women are now 60 per cent more likely than men not to be in employment, education or training (ILO, 2020). High unemployment, poverty and inequality afflicting young, increasingly tech-proficient and urbanized populations will present substantial political and policy challenges ahead.

Box III.2

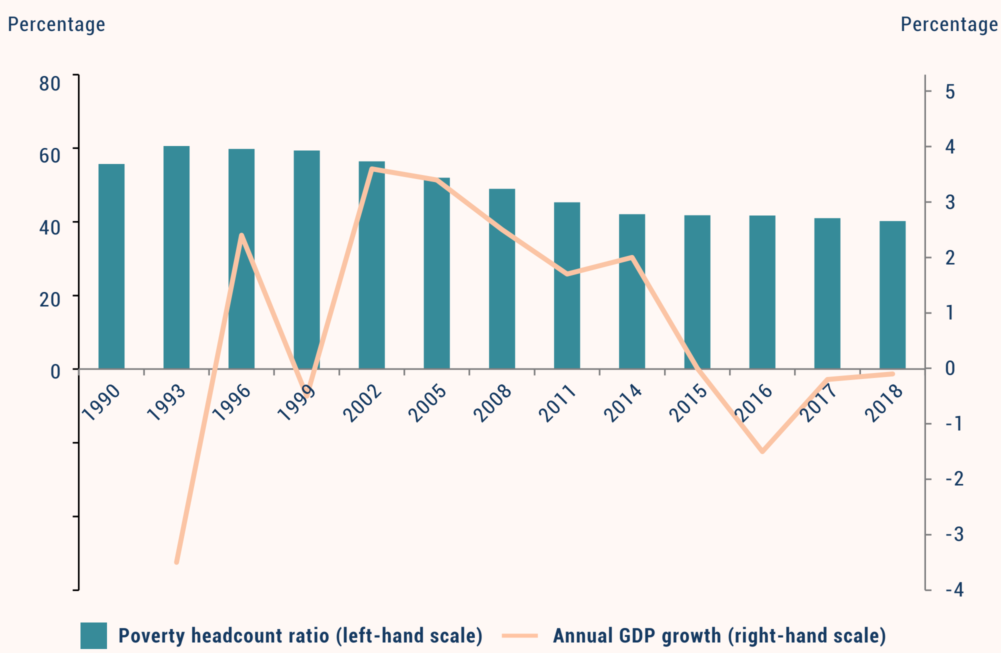
The quantity and quality of economic growth fosters poverty reduction in Africa

Extreme poverty in Africa has dropped from over 50 per cent of the population in 2002 to 41 per cent in 2018 (figure III.2.a). From 2002-2014, the poverty rate fell by 1.2 percentage points per year, mainly due to robust economic growth, with average GDP per capita increasing by 2.6 per cent over this period. Even so, the region added about 13 million poor people due to population growth. Since 2014, reflecting in part the 2014-2015 decline in global commodity prices, annual per capita GDP growth has been negative. Africa's poverty headcount rate decreased by less than 0.5 percentage points per year from 2014-2018.

COVID-19 increased the number of newly poor people in Africa by up to 55 million in one year, more than the combined total since 1999. Achieving the first Sustainable Development Goal, to end extreme poverty by 2030, was unlikely for most African countries even before the pandemic. It is now even further out of reach. Although income growth appears to be the main driver of poverty reduction, its decomposition reveals striking differences across countries in terms of inequality (ECA, 2021).

Figure III.2.a

Poverty headcount rate and annual GDP growth



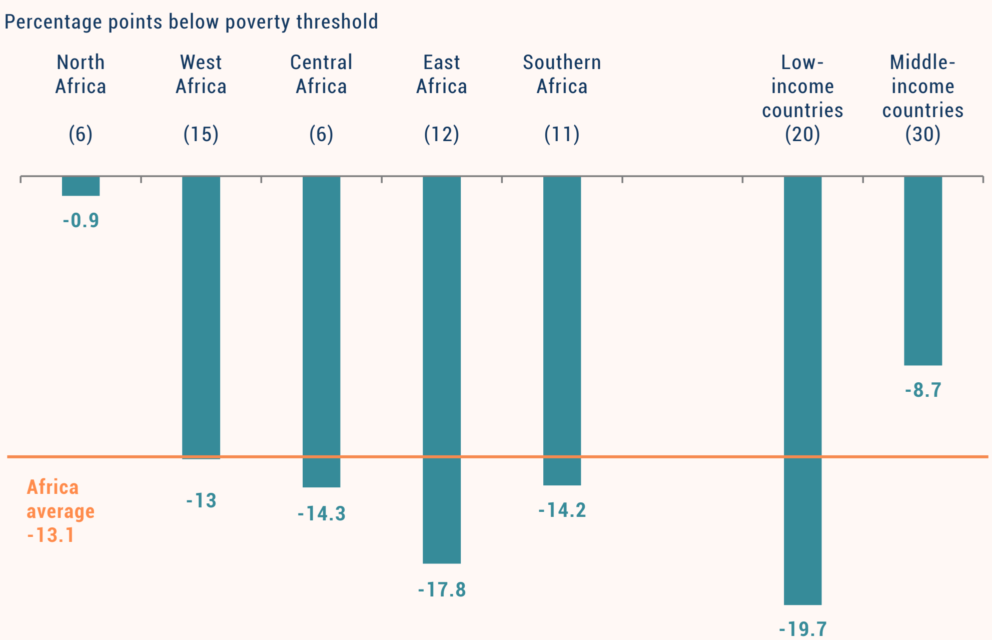
Source: ECA calculations based on data from the World Bank PovcalNet database (accessed in September 2021).

Deep poverty and vulnerability exacerbate poverty reduction challenges

A key challenge to poverty reduction in Africa is how deep poverty remains in many countries. On average, the depth is 13.1 per cent, implying that the average poor person is 13.1 per cent below the poverty threshold (figure III.2.b). There is wide variation, with the poor less than 1 per cent below the poverty line in North Africa, but 13-18 per cent below in the other four subregions. In low-income countries, the average poor person is nearly 20 per cent below the poverty line. The six most-affected countries (Burundi, Democratic Republic of Congo, Central African Republic, Guinea-Bissau, Madagascar and Zambia) have a depth of poverty between 30-39 per cent. The 10 countries in the world with the deepest poverty are all in Africa.

Figure III.2.b

Depth of poverty in Africa



Source: ECA calculations based on data from the World Bank PovcalNet database (accessed in September 2021).
Note: Figures in parantheses are the number of countries in each category.

Another key challenge to ending poverty in Africa is the high proportion of people who live just above the poverty line. About 175 million people have consumption levels about 10-33 per cent above the extreme poverty line. They are not considered poor but remain vulnerable to falling into poverty. About 58 million people are extremely vulnerable as their mean consumption is only 10 per cent above the poverty line. A very small drop in consumption can be enough to push them under the line. This group likely explains the sharp increase in poverty headcount numbers due to COVID-19. West and East Africa have the largest shares of people vulnerable to falling into poverty, with Ethiopia and Nigeria the biggest contributors. East Africa and Southern Africa have the largest proportions of people most vulnerable to staying in poverty (or the chronic poor) at 34.6 and 33.3 per cent, respectively. Unsurprisingly, low-income countries have the largest proportion of people (36.2 per cent) most vulnerable to remaining in poverty after a shock.[a]

Economic performance is key in reducing poverty. The transformation of growth to poverty reduction is mediated by relative contributions of changes in income and inequality. Currently, a return to declining rates of poverty is uncertain given a weak economic recovery with considerable downside risks, such as low vaccine availability and slow roll-outs, the emergence of possible variants, constrained fiscal space and high debt repayment obligations. Those far below the poverty line will require robust targeted income support and other social protection measures.

To revert to the pace of poverty reduction in 2002-2014 and accelerate implementation of the 2030 Agenda and Africa's Agenda 2063, countries need higher growth rates of at least 7 per cent annually. Since high inequality reduces the likelihood that economic growth will translate into poverty reduction, policies must also narrow inequalities in opportunities and set growth on an inclusive path. This could be done through continental initiatives, such as the African Continental Free Trade Area, to stimulate value added intra-Africa trade, structural transformation and job creation. It could build on poverty reduction strategies that hedge against extreme income volatility due to present and future shocks.

With COVID-19 exacerbating economic vulnerabilities, African countries should also emphasize measures including effective debt management, increased expenditure efficiency and greater domestic revenue allocations in sync with the Sustainable Development Goals. They should harness the benefits of international debt relief options, such as the Debt Service Suspension Initiative, the Heavily Indebted Poor Countries Initiative and the Common Framework for Debt Treatment. This would strengthen recovery and eventually diminish the depth of poverty and vulnerability.

a ECA calculations based on data from the World Bank PovcalNet database (accessed in September 2021).

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Fiscal consolidation began during the pandemic

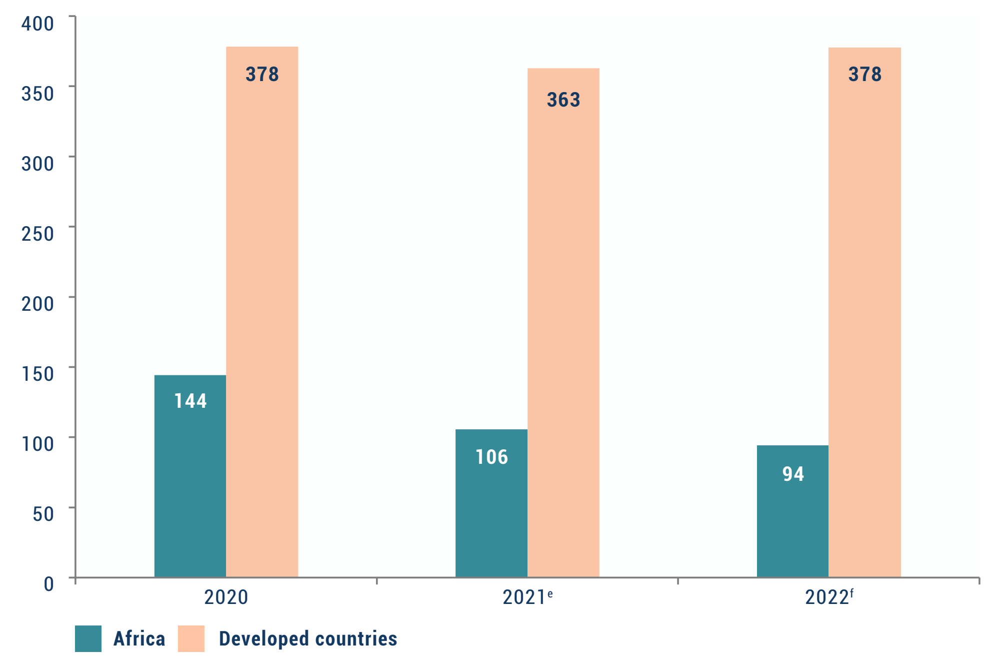
Though African governments initially responded to the crisis by increasing fiscal outlays, fiscal sustainability concerns preceding the pandemic meant a relatively quick return to fiscal consolidation. Governments already had little room to accommodate revenue shortfalls caused by the pandemic and the budgetary costs of response packages. Financing needs were mostly covered by international emergency support, including IMF, World Bank and bilateral assistance, and debt service relief from the G20 Debt Service Suspension Initiative and the IMF Catastrophe Containment and Relief Trust. In 2021, while still fighting second and third waves of COVID-19, governments began fiscal consolidation to maintain sufficient external reserves, protect currency pegs for some and ensure debt servicing capacity, despite weak and fragile economic recoveries. In developed countries, by contrast, greater policy buffers have allowed robust support and a quadrupling of government borrowing since the outbreak of the pandemic (figure III.11). Fiscal balances are expected to continue shrinking across the continent. In August 2021, the $650 billion Special Drawing Rights allocation boosted reserves somewhat and could be amplified by voluntary channelling of allocations elsewhere. China, for instance, announced it would shift $10 billion in its Special Drawing Rights to African nations.

Despite fiscal tightening, debt levels are projected to remain high and rising. Government interest expenditure continues to absorb a rising share of revenues and is already above a third in certain countries in the West African Economic and Monetary Union (IMF, 2021c). This reflects a build-up in debt, persistently weak revenue mobilization and for some countries the end of the Debt Service Suspension Initiative. Rising interest expenditure reduces fiscal space to support economic recovery and the 2030 Agenda for Sustainable Development. Already, several countries spend more on debt servicing than on health care. To this end, a new repo market launched by the United Nations Economic Commission for Africa in November 2021 should trim billions of dollars from government borrowing costs starting in 2022. Still, debt relief as well as emergency assistance may be necessary for countries in higher debt distress.

Figure III.11

Government borrowing as a share of GDP

Index, 2019 = 100



Source: UN DESA, based on projections produced with the World Economic Forecasting Model. Excludes Libya.
Note: e = partial estimate, f = forecast.

Monetary policy stances remain accommodative but global and domestic conditions add pressure

African central banks are mostly maintaining accommodative monetary policy stances but this might change in the short term. In 2021, only a small number of countries changed policy interest rates, either through cuts (as in Ghana, Liberia, the Republic of Congo, Seychelles and Uganda) or hikes (Angola, Ghana, Lesotho, Mozambique, South Africa, Zambia and Zimbabwe). Leniency in developed countries towards rising inflation has allowed crucial policy space for African central banks to prioritize economic growth and narrow output gaps, even if that meant tolerating rising inflationary pressures

(Democratic Republic of the Congo, Nigeria and Sierra Leone). Upside risks to inflation from currency depreciation and planned consumer tax hikes as well as reduced subsidies due to fiscal consolidation may require central bankers to raise interest rates sooner rather than later. Fading monetary stimulus along with fiscal consolidation would complicate already challenging recoveries.

Countries are tasked with fighting the pandemic while boosting growth and development

Moving forward, saving lives from COVID-19 must continue to take precedence. Keeping a close watch on the emergence of more transmissible and lethal variants, at home and abroad, and responding with swift action must be a priority. Faster and more fair distribution of global vaccine supplies, expansion of local vaccine manufacturing, improvements in the distribution infrastructure and measures to combat vaccine hesitancy are necessary to control the pandemic in Africa and avoid stop-and-go economic processes.

For the medium term, the single most viable route to inclusive and sustainable development in Africa is through advancing the structural transformation of economies and building productive capacities. A key focus for many countries will be services and manufacturing-driven industrialization with formal and decent employment. The industrialization of agriculture and minerals processing could be avenues for progress, as recognized in several national development plans. Another key area is to speed the digital revolution. This entails deploying new technologies in areas such as revenue collection and anti-corruption efforts, improving 3G and 4G network coverage, and advancing 5G networks, including beyond major cities. Firms stand to profit from new market opportunities, enhanced supply-chain efficiency and resilience as well as productivity increases. Consumers should see more product choices and learning opportunities through digital transformation.