Sub-Saharan Africa

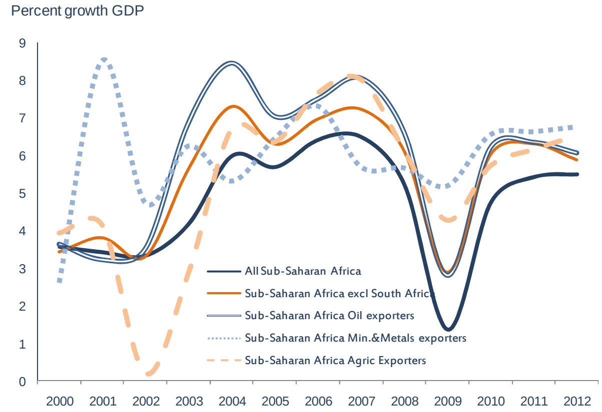
Recent developments

GDP in Sub-Saharan Africa is estimated to have expanded by 4.7 percent in 2010, up from 1.7 percent in 2009. Excluding the region's largest economy, South Africa, growth in the region is estimated at 5.8 percent in 2010, up from 3.8 percent in 2009 (Figure R6.1).

While a resilient demand environment supported growth during 2009, the recovery in 2010 was bolstered by the external sector, through stronger export volumes, rising commodity prices, higher foreign direct investment and a recovery in tourism.

After falling sharply, regional export volumes rebounded during the second half of 2009 and into the first half of 2010, peaking in March 2010 at 13.6 percent above pre-crisis volumes. In line with the global slowing in trade, exports declined toward the middle of the year and as of July 2010, export volumes were only 2.2 percent above their pre-crisis levels. Excluding South Africa, whose exports were affected by the rand appreciation and labor strikes, export volumes in the rest of the region were 10 percent above pre-crisis levels in July.

Figure R6.1 Growth among metal and mineral exporters in Sub-Saharan Africa ahead of oil and agriculture exporters



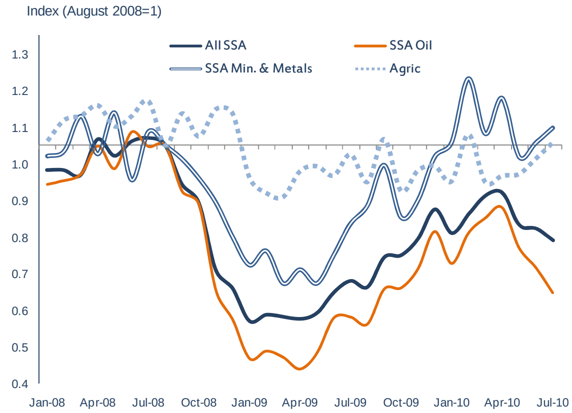
Source: World Bank.

Export volumes rebounded most strongly for metal and mineral exporters (up 34.7 percent, 18.2 percent for oil exporters and only 5.8 percent for agricultural commodity exporters. Partly as a result, growth in 2010 was strongest among mineral and metals exporters (6.5 percent), somewhat less strong among oil exporters (5.9 percent), and a weaker but nevertheless robust 5.7 percent among agricultural exporters (Figure R6.2).

Notwithstanding the rebounding in volumes the value of regional exports remains 26 percent below its August 2008 levels, because as they are yet to regain the extraordinary high levels of 2008. However, this mainly reflects weaker oil prices, as metals and mineral prices have recovered much of the declines endured during the crisis. As a result, while oil exporters revenues are off 40 percent, agricultural exporters were at their August 2008 level, and metal and mineral exporters were 4.8 percent above that benchmark.

Foreign earnings were also boosted by South Africa's hosting of the FIFA World Cup. Partly as a result, Sub-Saharan Africa, the only region to have experienced an increase in tourist arrivals in 2009, sustained that growth trajectory

Figure R6.2 Sub-Saharan metal and mineral exporters experience sharpest rebound



Source: World Bank.

with a 16 percent increase in international arrivals during the first half of 2010 (UN World Tourism Organization, 2010). Tourism revenues were also up in major tourist destinations in the region (Cape Verde, Kenya Mauritius, Seychelles, and Tanzania).

Foreign direct investment is the most important source of private capital flows to sub-Saharan Africa. After declining by 12.3 percent in 2009, FDI recovered by 6 percent to $32bn in 2010 (Table R6.1). Indeed, foreign direct investment to the region has risen in six of the past eight years, reflecting increased investment interest in the region (UNCTAD estimates that the rate of return of FDI in Africa is the highest globally).

The bulk of this investment (40 percent) went to the three largest economies: South Africa, Angola and Nigeria. Nonetheless, over 50 percent of FDI goes to the smaller countries in the region, in marked contrast with portfolio flows, 90 percent of which go to the region's largest economies. Supported by the rise in metal and energy prices in recent years most of these flows went to the extractive industries sector. Beneficiaries of these flows cover a diverse range of countries including middle income (Congo, Ghana), low income (Mozambique, Zambia, Niger), post-conflict (Liberia, Sierra Leone) as well conflict countries (Guinea).

However, although most of the dollar value of FDI goes to the extractive sector, the manufacturing sector accounted for 41 per cent of the total number of greenfield investment projects during 2003–2009, including, for example, metals (9 per cent of the total), transport equipment (7 per cent) and food and beverage (6 per cent) (UNCTAD, 2009). Besides manufacturing the services sector is also another large recipient, particularly telecommunications, transportation and banking services. In June 2010, for instance, Bharti Airtel, an Indian company, completed the acquisition of Zain's mobile operations in Africa for $10.7bn, one of the largest acquisitions in 2010. Even though developed countries are the main source of

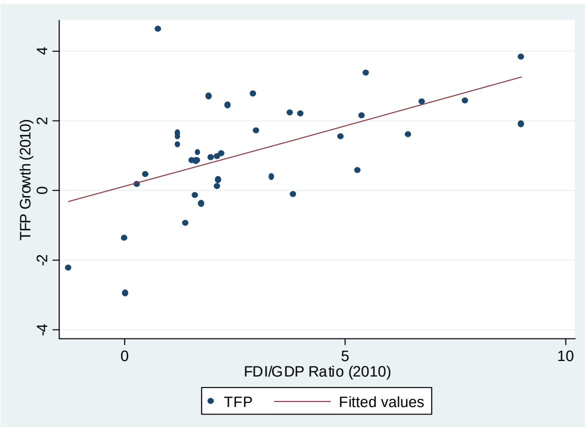
Table R6.1 Net capital flows to Sub-Saharan Africa
$ billions

	2003	2004	2005	2006	2007	2008	2009	2010e	2011f	2012f
Current account balance	-7.1	2.3	20.3	16.0	-5.9	-17.0	-18.5	-14.7	-20.1	-29.2
as % of GDP	-1.6	0.4	3.2	2.2	-0.7	-1.7	-2.0	-1.4	-1.7	-2.3
Financial flows:										
Net private and official inflows	14.6	24.0	33.0	42.4	53.2	38.9	45.3	59.3		
Net private inflows (equity+debt)	13.2	21.7	33.9	44.4	50.7	34.3	35.8	49.3	56.8	64.8
..Net private inflows (% GDP)	3.0	4.0	5.3	6.0	5.9	3.5	3.9	4.6	4.9	5.2
Net equity inflows	14.0	17.7	26.1	37.0	38.7	28.9	40.2	43.0	49.8	60.8
..Net FDI inflows	13.3	11.0	18.0	20.2	28.5	34.5	30.3	32.0	40.8	51.8
..Net portfolio equity inflows	0.7	6.7	8.1	16.8	10.1	-5.6	10.0	11.0	9.0	9.0
Net debt flows	0.6	6.4	6.9	5.4	14.6	10.0	5.1	16.3		
..Official creditors	1.4	2.3	-0.9	-1.9	2.5	4.6	9.5	10.0		
....World Bank	2.2	2.5	2.4	2.2	2.4	1.9	3.1	3.4		
....IMF	0.0	-0.1	-0.4	-0.1	0.1	0.7	2.2	1.8		
....Other official	-0.8	0.0	-2.9	-4.1	0.0	2.0	4.1	4.8		
..Private creditors	-0.8	4.0	7.9	7.4	12.1	5.5	-4.4	6.3	7.0	4.0
....Net M-L term debt flows	0.9	2.7	4.8	-2.0	8.0	0.8	5.6	8.1		
......Bonds	0.4	0.6	1.3	0.3	6.7	-0.7	1.9	3.4		
......Banks	1.2	2.4	3.8	-1.7	2.1	1.7	2.9	4.7		
......Other private	-0.7	-0.3	-0.3	-0.7	-0.8	-0.1	0.8	0.0		
....Net short-term debt flows	-1.7	1.4	3.0	9.4	4.0	4.6	-10.0	-1.8		
Balancing item /a	-4.1	-4.6	-33.5	-26.0	-20.4	-11.1	-28.7	-38.5		
Change in reserves (- = increase)	-3.5	-21.7	-19.9	-32.5	-27.0	-10.9	1.9	-6.1		
Memorandum items										
Workers' remittances	6.0	8.0	9.4	12.7	18.6	21.3	20.8	21.0	22.0	24.0

Source: World Bank.
Note:
e = estimate, f = forecast
/a Combination of errors and omissions and transfers to and capital outflows from developing countries

foreign direct investment to the region, developing countries (including from elsewhere within Africa) are increasing their share of foreign direct investment within Africa. These investments are providing critically needed capital, upgrading technologies, creating jobs and contributing to Sub-Saharan Africa's growth (Figure R6.3).

Figure R6.3 Foreign direct investment flows are positively correlated with total factor productivity growth in sub Saharan Africa



Source: World Bank.

In 2010, South Africa was the only Sub-Saharan African country to issue new foreign denominated bonds ($4.7bn) in international capital markets, though a number of countries, including Nigeria, are preparing to issue international bonds and many recently issued bonds (e.g. those of Ghana and Gabon) continued to be actively traded in secondary markets.

So far, the euro area sovereign debt crisis has had little effect on the yields of Sub-Saharan Africa sovereign debt bonds. Though initially rising in May, in the wake of the bail out to Greece, the decline in spreads for bonds issued by Sub-Saharan African countries continued their retreat even amidst the rescue package for Ireland in November (Figure R6.4).

Economic ties between Sub-Sahara Africa and Asia have been strengthening in recent years, and as a result, a number of African countries

Figure R6.4 EMBI stripped spreads fall to pre-crisis levels despite persistence of euro area sovereign debt crisis

Source: JPMorgan

have benefitted from access to loans from Asian countries. Though overall totals are not available, some notable deals include: a September 2010 framework agreement between the Government of Ghana and the Chinese Development Bank and Chinese Exim Bank amounting to over $13bn; a loan between the Democratic Republic of Congo of up to $6bn with China in 2010 (Table R6.2). The majority of these loans were towards the financing of infrastructure-related projects such as roads, railways, power plants and economic zones. The Forum on Chinese and Africa Co-operation reports that since 2000 Chinese companies have built 60,000km of road and 3.5 million kw in generating capacity of power plants in Sub-Saharan Africa.

By the end of October portfolio flows to South Africa, the most liquid market in the region, had more than doubled to $6bn. They have supported a recovery in share prices and with it underpinned household consumption due to the increased wealth effect. The inflows have also accounted for the appreciation of the rand (8 percent against the dollar between January and December 2010, and 30% real effective appreciation since January 2009). The appreciation, while moderating domestic price

Table R6.2 Selected Asia-Africa infrastructure-related financing agreements signed in 2010

Country of origin	Beneficiary country	Value ($ bn)
China	Ghana	13.4
Korea	Ghana	1.5
China	Democratic Republic of Congo	6.0
China	Cameroon	0.7
China	Nigeria	0.9

Source: National Sources and Thomson Reuters

increases has also reduced the competitiveness of South Africa's exports, in particular the manufacturing sector.

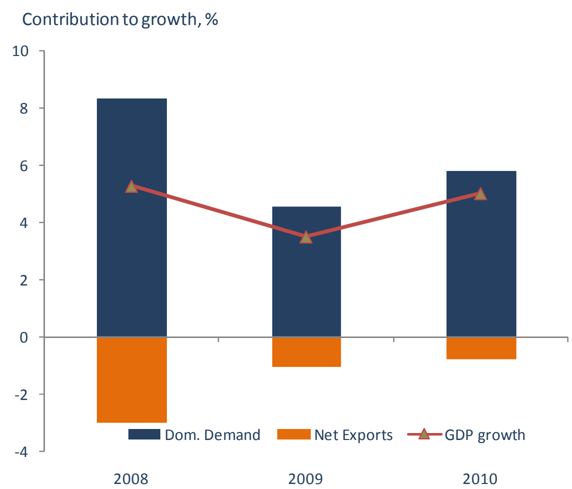
Thanks to the ongoing recovery in the U.S and in Europe, remittance flows to Sub-Saharan Africa, which remained nearly flat during the crisis, registered a modest 1 percent gain in 2010 to reach $21 billion. Remittance flows are important in supporting household consumption in a number of Sub-Saharan African countries, accounting for up to 22 percent of GDP in Lesotho and about 10 percent in Cape Verde, Senegal and Togo.

Improving domestic conditions also supported the rebound.

Despite improved external conditions, strong domestic demand – partly reflecting improved incomes due to higher commodity prices – meant that imports increased faster than exports and the contribution of net exports to GDP growth was negative in most Sub-Saharan countries (Figure R6.5), subtracting some 0.8 percent from aggregate 2010 GDP growth. However, the rebound is not a simple commodity story. Between 2000 and 2008 less than one third of Sub-Saharan African GDP growth was due to natural resources, with the bulk reflecting the rapid expansion of wholesale and retail trade, transportation, telecommunications, and manufacturing.

Part of the recent resilience reflects the implementation of countercyclical domestic demand policies in a number of countries. Many countries with adequate fiscal space (e.g. Kenya,

Figure R6.5 Strong domestic demand helps drive growth in Sub-Saharan Africa



Source: World Bank.

Nigeria and Tanzania) went ahead with infrastructure programs despite the crisis in part because of multilateral and bilateral budgetary support and in part because good macroeconomic management and earlier debt relief meant that they had the fiscal space to pursue these plans despite the global recession. Indeed, though shut out from international capital markets, during the recession, many sub Saharan African governments were able to borrow from their domestic securities market to finance their fiscal plans.

As a result fiscal deficits in the region surged to 5.5 percent of GDP in 2009 from a surplus of 1 percent in 2008. Since then, the ongoing recovery is helping to bring down fiscal deficits. In 2010 fiscal deficits are estimated to have declined to 4.3 percent of GDP, with the decline being most marked among oil exporting countries (a fall from 6.8 percent in 2009 to 3.0 percent in 2010).

Favorable weather conditions in Eastern and Southern Africa supported bumper harvest in a number of countries in the region, thereby providing support to household incomes as the agricultural sector remains the largest employer in most countries. For a number of countries in the region (e.g. Malawi and Zambia) the extension in farmer coverage of government input support programs contributed to favorable maize harvests. In West Africa, floods destroyed agricultural output in Benin, Togo and parts of Nigeria. On the other hand, a severe drought across the Sahel left many households in Niger insecure as crop yields failed.

While these forces were at play throughout the region, low-income countries were more successful in translating them into growth. These countries averaged 5.6 percent in 2010, versus 4.7 percent for middle-income countries (6.0 percent excluding South Africa).

With over 40 countries in the region it is a challenge to categorize growth performances within income groupings, regional blocks, and resource content of exports since performances remain heterogeneous even across each of these sub groupings. The following section will focus on recent growth performances among the largest and the fastest growing economies in the region.

In South Africa, the largest economy in the region, output in first, second and third quarters expanded at seasonally adjusted annualized rates of 1.7 percent and 3.1 percent and 2.6 percent respectively. Growth for 2010 is forecast at 2.7 percent, supported by a firming in domestic demand, reflected in the pick-up in wholesale and retail trade, and the recovery in house prices. Household consumption has benefitted from increases in real wages and lower interest rates and the wealth effects of higher equity prices. Households increased their borrowing by 4.6 percent (y/y) in July while the corporate sector increased borrowing by 6 percent (y/y). Though private sector investment was sluggish, investment by the public sector was strong. Indeed, construction services were some 10 percent higher than the pre-crisis level. South Africa also received a fillip from hosting the World Cup. GDP growth in South Africa would have been even higher were it not for a number of industrial strikes. In Q2 for instance, the industrial strike contributed to the 20.8 percent fall in mining output. Overall by October 2010, some 1.25 million work days had already been lost compared to 526,000 in 2009.

Nigeria's economy has continued on its robust growth path. This strong performance continued into 2010, with the first and second quarters registering 7.4 percent and 7.7 percent annualized growth. Growth in 2010 is expected at 7.6%. Though the rebound in the global economy helped, domestic developments were major factors. The relative peace in the Niger Delta region has boosted crude oil and natural gas production, while the non-oil sector has continued to grow strongly (contributing 70 percent of growth in 2009 for example). The agriculture sector benefited from favorable weather, and the increasing commercialization of the sector. And robust activity in services particularly, telecommunications and public and private construction activity supported growth. The contribution from the banking sector was more subdued, due to restructuring following the clean-up in 2009.

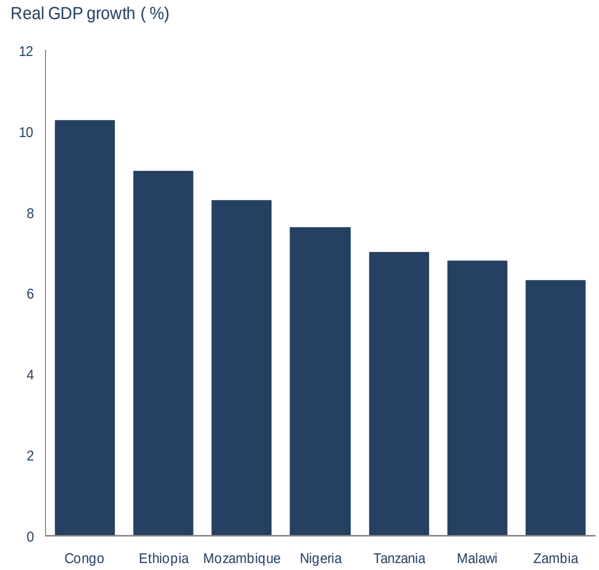
Angola's GDP is estimated to have increased 3.0 percent in 2010, up from the 0.7 percent growth recorded in 2009. With oil accounting for over 50 percent of the Angolan economy, increased incomes from the stronger oil prices has underpinned the acceleration. However, large government payment arrears to the private sector had strong negative spillover effects in the non-oil economy, limiting economic growth in 2010. According to the government, from May to August 2010 it paid $1.3 billion out of an estimated $6.8 billion in accumulated arrears. Despite the tight fiscal and monetary policies inflation picked up speed in 2010 to 14.5% from 13.7% in 2009.

The Kenyan economy returned to higher growth, thanks to a rebound in the agricultural and industrial sectors. The Kenyan economy is estimated to have grown 5.0 percent in 2010. The rebound in the agriculture sector has been supported by favorable weather conditions and an increase in the area under irrigation. Agriculture exports, particularly tea (up 50 percent in volume terms), has supported the upturn – although horticultural exports were hampered by the weak recovery in Europe and the Iceland volcanic ash crisis in April 2010 – which cut into time-sensitive deliveries. Counter cyclical fiscal policy helped firm domestic demand in 2010, with government investing heavily in domestic infrastructure. The passing of the new constitution and the strengthening of regional integration efforts in East Africa has created new opportunities for businesses in Kenya. Remittance flows rose to $1.8bn in 2010. This amount was higher than each of the traditional foreign exchange earners: tourism, tea and horticulture. Kenya continues to benefit from the productivity gains that growth in its dynamic information and communications technology sector brings to its economy (e.g. banking, trade and health services etc). The ICT sector alone is estimated to have accounted for 13 percent of growth in Kenya's economy over the past decade.

Boosted by increased oil production and recovery in international oil prices, GDP growth for 2010 in the **Republic of Congo** is estimated at 10.3 percent, making it the fastest growing economy in sub-Saharan Africa in 2010 (Figure R6.6). Oil production increased to an average of 340,000 barrels per day (bpd) up from 274,000 in 2009. Indeed, Congo was one of the few economies that recorded robust growth (7.5 percent) in 2009, thanks to the coming on stream of recent oil discoveries. Congo reached the heavily indebted poor countries (HIPC) completion point in January and received debt relief from multilateral creditors. In November the Paris club creditor nations also cancelled more than half of Congo's debt ($7.35bn). As a result, the country's debt-servicing bill is expected to decline by $1.9bn annually. In spite of its high growth rates, Congo's non-oil sector economy remains severely constrained by poor infrastructure and a weak business environment. The debt relief should provide some fiscal space to increase growth-enhancing spending, particularly in the transport, power, and key social sectors. However, this fiscal space needs to be used with caution and with proper planning to ensure public investments are productive.

Unlike other fast growing Sub-Saharan African economies, where growth has been supported by the minerals sector, **Ethiopia's** robust growth performance over the past couple of years, including a 9 percent increase in GDP during 2010, has been driven by the agricultural sector. The sector has benefitted from continuing government investment in roads, power projects and marketing networks, which has helped bring more small-holder farmers into the market. Generous incentives have also supported large scale commercial agriculture ventures, including in agro-processing. The peaceful elections conducted in May supported the return of investors. In 2010, exports rebounded on modest increases in international commodity prices and the depreciation of the Birr. Further, for the first 10 months of 2010, remittances were up 9 percent, yoy. In recent years, the government has been enacting policies to support remittance inflows, including allowing Ethiopian's in the diaspora to open foreign currency accounts in local banks.

Figure R6.6 Fast growing Sub-Saharan Economies in 2010



Source: World Bank.

Thanks to the recovery in exports, increased inflows of foreign direct investment and continuing donor support **Mozambique's** economy is estimated to have grown 7.8 percent in 2010. Export proceeds for the first six months of 2010 were up by 11 percent compared with the same period in 2009. This was mostly due to an increase in world market prices for aluminum, which accounts for 56 percent of Mozambique's exports. Other exports to register significant increases were natural gas, ilmenite and electricity exports to South Africa. Foreign interest in Mozambique continues to grow. The state-run investment promotion agency approved $601.2m worth of projects in the first half of 2010 (up 400 percent from the low-base in 2009). However, high-inflation has cut into private consumption spending, as has currency depreciation viz-a-viz the rand (South Africa being a major source of imports (particularly food imports). In September the government reversed an earlier decision to increase the price of bread, other basic goods and utilities due to riots.

Botswana was one of the middle income countries in sub Saharan Africa that was severely hit by the crisis in 2009, due to the fall in diamond prices, its principal exports. The recovery in diamond prices has spurred a strong rebound in mining activity, which accounts for some 36% of GDP. Growth in 2010 is estimated at 7.8% in 2010. Contributions from the non-mining sector also supported growth in 2010. By the third quarter of 2010, contributions from the agriculture sector and tourism-related services were 0.7 and 1.2 percentage points respectively.

A rebound in copper prices, bumper harvests, inflows of foreign direct investment and a strengthening services sector contributed to the robust 6.4 percent growth in **Zambia** for 2010. With the dollar price of copper rising 54 percent during the period January-November 2010 versus the same period in 2009, copper output increased to 720,000 metric tons the highest level recorded since the 1970's. Overall exports values increased by 28 percent for the first half of 2010. Further, thanks to a government fertilizer and seed subsidy program and favorable weather, maize harvest increased 42.1 percent in the 2009/10 season. The favorable supply-side conditions contributed to a moderation of inflation in 2010, falling from an average annual rate of 14.2 percent for the first nine months in 2009 to 8.9 percent for the same period in 2010. Foreign direct investment pledges reached a record $2.4bn in the first half of 2010, with the bulk of this from China and going into the manufacturing, mining and energy sectors. The services sector was buoyed by sharp increases in public infrastructure spending, and the launch of third-generation services helped boost activity in the telecoms sector.

In spite of the slowdown in tobacco production, the main foreign exchange earner, the **Malawian** economy is estimated to have grown by 6.8 percent in 2010 on account of bumper maize harvests, aid inflows and rising uranium exports. Subsidies on fertilizers and hybrid seeds to farmers supported the boost in maize harvests. Prudent macroeconomic policies have also kept a lid on inflation, despite depreciation pressures.

Tanzania is expected to record a solid 7.0 percent growth in 2010, thanks to favorable developments in the services and minerals sector. With the recovery in the global economy, merchandise trade and tourism rebounded. Supported by developments in the gold sector, by August 2010, merchandise exports had reached $3.4bn up from the $2.5bn recorded in the same period in 2009. With the completion of the Buzwagi Gold Mine in June 2009, export volumes in gold increased to 37.4 tons by August 2010. With gold prices soaring in 2010, this contributed to the 33.9 percent (y/y) increase in exports values by August 2010. Travel receipts from tourism also increased to $1,3bn by August 2010 compared to $1.2bn for same period in 2009. Further, given Tanzania's position as a transit country, the recovery in trade led to increased activity in the transportation sector.

Medium-term outlook

Sub-Saharan Africa is projected to grow at 5.3 percent and 5.5 percent in 2011 and 2012 respectively. Excluding South Africa, growth is projected at 6.4 percent and 6.2 percent for 2011 and 2012 respectively, making sit one of the fastest growing developing regions (Figures R6.3 and R6.4). Growth is expected to be driven by continued recovery in the global economy. Developments in domestic demand will continue to play a dominant role in supporting the growth process particularly through productivity spillovers from ongoing investments in telecommunications, banking, energy and transportation services. These projects are being financed through foreign and domestic sources. Over the forecast horizon an increasing number of Sub-Saharan African countries are likely to raise finance in international capital markets. Countries that have indicated an interest in doing so over the forecast horizon include Nigeria, Angola, Kenya, Senegal, Tanzania, and Zambia.

Short-term prospects in the agriculture sector, which is the region's largest employer, continues to hinge on weather conditions. For those countries, where agriculture provided a big fillip to growth in 2010, its contribution can be expected to decline next year. Over the longer term, the sector should continue to benefit from the stepping up in government input support programs and the commercial activity.

The dollar value of remittances into Africa are expected to grow by 4.5 percent and 6.7 percent in 2011 and 2012 supporting the strengthening of household consumption.

Individual growth performances will vary across countries. **Among the larger economies, South Africa should benefit from** an improving global economy, ongoing public investment and firming up in consumer demand. South Africa's economy is projected to expand by 3.5 percent

Table R6.3 Sub-Saharan Africa forecast summary
(annual percent change unless indicated otherwise)

					Est.	Forecast	
	95-06 [a]	2007	2008	2009	2010	2011	2012
GDP at market prices (2005 US$) [b]	4.0	6.5	5.2	1.7	4.7	5.3	5.5
GDP per capita (units in US$)	1.4	4.1	3.1	-0.3	2.7	3.3	3.4
PPP GDP [c]	4.2	6.8	5.5	2.2	5.0	5.6	5.7
Private consumption	2.0	9.1	3.7	1.4	4.9	5.0	5.0
Public consumption	5.1	5.9	7.8	4.4	5.5	5.2	5.0
Fixed investment	6.7	17.7	11.7	4.6	6.7	8.3	7.6
Exports, GNFS [d]	4.7	5.0	4.3	-5.7	7.5	6.9	6.9
Imports, GNFS [d]	5.9	12.5	6.7	-3.7	9.1	7.9	7.2
Net exports, contribution to growth	-0.1	-2.7	-1.1	-0.5	-0.9	-0.8	-0.5
Current account bal/GDP (%)	-1.6	-0.2	-1.2	-2.7	-2.0	-2.3	-2.7
GDP deflator (median, LCU)	7.3	7.4	11.0	3.8	6.1	5.6	5.4
Fiscal balance/GDP (%)	-1.7	0.5	0.9	-5.1	-4.0	-3.0	-1.9
Memo items: GDP							
SSA excluding South Africa	4.5	7.2	6.1	3.8	5.8	6.4	6.2
Oil exporters [e]	4.6	8.0	6.6	3.9	5.9	6.3	6.0
CFA countries [f]	4.4	4.6	4.2	1.7	4.1	4.7	4.5
South Africa	3.3	5.5	3.7	-1.8	2.7	3.5	4.1
Nigeria	4.6	6.4	6.0	5.6	7.6	7.1	6.2
Kenya	2.9	7.0	1.6	2.6	5.0	5.2	5.5

a. Growth rates over intervals are compound average; growth contributions, ratios and the GDP deflator are averages.
b. GDP measured in constant 2005 U.S. dollars.
c. GDP measured at PPP exchange rates.
d. Exports and imports of goods and non-factor services (GNFS).
e. Oil Exporters: Angola, Cote d Ivoire, Cameroon, Congo, Rep., Gabon, Nigeria, Sudan, Chad, Congo, Dem. Rep.
f. CFA Countries: Benin, Burkina Faso, Central African Republic, Cote d Ivoire, Cameroon, Congo, Rep., Gabon, Equatorial Guinea, Mali, Niger, Senegal, Chad, Togo.

Source: World Bank

and 4.1 percent in 2011 and 2012 respectively. With R811bn (rands) targeted to improve infrastructure over the next three years, public investment is likely to provide support to the economy, including employment. However, higher growth levels would likely be needed to significantly reduce the high levels of unemployment (25.3 percent).

Nigeria is expected to continue its strong growth performance in 2011, with GDP expanding 7.1 percent before moderating in 2012 to 6.2 percent closer to its medium term trend growth rate. The non-oil sector should be a major driver of growth, benefitting from new offshore developments and an improved security situation in the Niger Delta area. The scaling-up of government spending on infrastructure will also reinforce growth prospects. However, the upcoming elections may however lead investors to hold-off investments until a peaceful transition is in place.

Notwithstanding efforts to diversify the economy from the oil sector, growth prospects over the forecast horizon in **Angola** will continue to be tied to developments in the oil sector. With oil prices projected to be broadly stable over the forecast horizon, the fiscal policy should cease to be a drag on growth. As a result, GDP is expected to expand by 6.7 and 7.5 percent in 2011 and 2012, respectively – potentially resulting in increased inflationary pressures.

Supported by increasing intra-regional trade and productivity benefits of ongoing infrastructure investments, **Kenya's** outlook remains favorable, with growth projected above trend at 5.2 and 5.5 percent in 2011 and 2012. However, droughts could hinder growth in the agriculture sector and private investment spending may also slow in the run-up to the 2012 election.

As oil production begins, **Ghana** is projected to be the fastest growing economy in sub-Sahara Africa, with a growth rate of 13.4 percent in 2011 and 10 percent in 2012. A recent revision to Ghanaian GDP data has raised estimates of its income 60 percent, suggesting that it is now a lower-middle-income country. Outside the oil sector Ghana's economy will still register strong growth, particularly in construction services as large infrastructure projects are carried out. The inflows from the oil sector, if not managed prudently, could discourage the incentive structure for agricultural exports.

Risks to the outlook

The main downside risk to the growth prospects of Sub-Saharan African countries stems from a possible faltering in the global economic recovery. Most countries have depleted the fiscal space they had created during the pre-crisis period, and have not had time to rebuild it. As a result, few would be able to conduct the kind of counter-cyclical policies that helped limit disruption during the past crisis should there be an early faltering of the recovery process.

The fiscal austerity measures in the EU, many of which will be carried out during the forecast horizon could dampen growth prospects in the region, especially so as Europe remains the largest trading partner for several Sub-Saharan Africa countries. Further, though contagion from the EU debt crisis to Sub Saharan Africa has been limited thus far, a further round or intensification of European banking-sector consolidation could both reduce the supply and raise the cost of international capital for Sub Saharan African borrowers. This is all the more important since a record number of Sub-Saharan sovereigns are planning to issue international bonds over the forecast horizon. Among Asian countries, developments in China will be important for sub Saharan Africa, given the burgeoning trade and investment links between the two regions. A significant slowdown in China could reduce growth propects in sub Saharan Africa, particularly for metal, mineral and oil exporters.

With the agriculture sector being the largest employer in the region and contributing a large share of GDP in many countries in the region, unfavorable weather conditions, such as wide spread droughts, could threaten growth prospects by reducing output as well as dampening domestic demand, as food prices rise. A related risk is a spike in the prices of agricultural food products on international markets. Though many staples in the region are non-traded and their markets are mainly domestic in nature, some key commodities such as rice, flour, sugar and vegetable oil are imported in large quantities. As a result, a significant rise in the local currency cost of these internationally traded commodities could have a significant effect on the incidence of poverty and on growth prospects. Similarly, for oil importing countries, a spike in oil prices could lead to macroeconomic instability with its deleterious consequences on economic growth.

Over the forecast horizon, elections are scheduled to be carried out in at least a third of Sub-Saharan African countries. Though the past decade has seen an increase in the smooth transition of power in many countries in the region, there still remain a number of instances where the political developments leading to the elections and in its aftermath have been a deterrent to economic activity. In 2010 for instance, growth prospects in Madagascar, Comoros, Cote d'Ivoire and Guinea were severely dented by political unrest. Hence the evolution of the political cycle over the forecast horizon will be consequential to individual country growth outcomes.

The appreciation pressures associated with the rising inflows of hot money in emerging economies is unlikely to be a direct growth risk to many Sub-Saharan African countries. However, South Africa has and is likely to continue to be affected by the appreciation of the rand. Its manufacturing sector, which accounts for 16.4 percent of the economy, has become increasingly less competitive because of rand appreciation. Rand appreciation has indirect effects for other countries in the region, particularly in the Southern Africa region. For countries whose local currencies are not pegged to the rand (e.g. Mozambique), the strengthening of the rand implies a depreciation in their local currencies against the rand, better export prospects and higher imported inflation. The opposite effect however occurs for countries in the sub-region whose currencies are effectively pegged to the rand (e.g. Lesotho). Like South Africa, rand appreciation implies reduced international competitiveness, reduced inflationary pressures and potentially increased joblessness. Outside Southern Africa, fluctuations in euro could affect external competitiveness in the CFA member states.

Table R6.4 Sub-Saharan Africa country forecasts
(annual percent change unless indicated otherwise)

					Est.	Forecast	
	95-06 [a]	2007	2008	2009	2010	2011	2012
Angola							
GDP at market prices (2005 US$) [b]	8.3	20.3	13.3	0.7	3.0	6.7	7.5
Current account bal/GDP (%)	-2.2	17.9	8.5	-10.0	-5.1	-4.0	-3.3
Benin							
GDP at market prices (2005 US$) [b]	4.6	4.6	5.1	3.8	2.8	4.9	4.2
Current account bal/GDP (%)	-7.2	-11.8	-9.0	-9.5	-9.1	-8.6	-8.5
Botswana							
GDP at market prices (2005 US$) [b]	6.3	4.8	3.1	-3.7	7.8	6.5	5.9
Current account bal/GDP (%)	8.3	14.5	3.5	-4.4	-2.1	-1.5	0.9
Burkina Faso							
GDP at market prices (2005 US$) [b]	6.4	3.6	5.0	3.5	5.0	5.7	5.2
Current account bal/GDP (%)	-12.8	-20.1	-24.4	-19.4	-23.1	-23.7	-24.0
Burundi							
GDP at market prices (2005 US$) [b]	0.4	3.6	4.5	3.5	3.7	4.1	4.6
Current account bal/GDP (%)	-13.7	-27.4	-30.2	-12.3	-9.6	-10.0	-8.9
Cape Verde							
GDP at market prices (2005 US$) [b]	5.7	8.6	6.5	2.8	4.3	5.8	6.6
Current account bal/GDP (%)	-10.1	-14.9	-8.6	-9.6	-6.7	-5.4	-12.1
Cameroon							
GDP at market prices (2005 US$) [b]	4.2	3.5	2.9	2.0	3.0	3.8	4.3
Current account bal/GDP (%)	-3.2	1.4	-1.9	-5.1	-2.7	-2.6	-2.6
Central African Republic							
GDP at market prices (2005 US$) [b]	0.7	3.7	2.2	2.4	3.0	3.3	3.3
Current account bal/GDP (%)	-4.4	-6.7	-9.5	-7.9	-8.1	-7.4	-6.7
Chad							
GDP at market prices (2005 US$) [b]	9.5	0.2	-0.4	-1.6	3.7	4.0	4.0
Current account bal/GDP (%)	-36.6	-14.7	-19.8	-28.7	-26.0	-23.0	-20.8
Comoros							
GDP at market prices (2005 US$) [b]	2.1	0.5	1.0	12.3	2.1	2.3	2.3
Current account bal/GDP (%)	-6.3	-2.5	-15.2	-9.3	-10.5	-11.0	-10.9
Congo, Dem. Rep.							
GDP at market prices (2005 US$) [b]	0.0	6.3	6.2	2.7	5.2	6.9	6.9
Current account bal/GDP (%)	-1.5	-2.7	-13.8	-13.7	-17.2	-18.5	-18.6
Congo, Rep.							
GDP at market prices (2005 US$) [b]	3.2	-1.6	5.6	7.6	10.3	10.4	5.4
Current account bal/GDP (%)	-2.3	-26.1	-2.2	-11.1	-1.2	3.5	-0.4
Cote d Ivoire							
GDP at market prices (2005 US$) [b]	1.6	1.7	2.2	3.6	3.0	4.1	4.3
Current account bal/GDP (%)	-0.2	-0.7	1.2	7.1	4.1	0.8	-1.1
Equatorial Guinea							
GDP at market prices (2000 USD) [2]	30.6	21.4	11.3	-5.4	3.0	2.8	4.0
Current account bal/GDP (%)	-16.7	4.7	10.1	-20.0	-6.2	-10.0	-8.0
Eritrea							
GDP at market prices (2005 US$) [b]	1.7	1.3	-11.3	4.2	2.7	3.4	3.5
Current account bal/GDP (%)	-14.1	-6.4	-5.2	-6.5	-7.1	-6.7	-6.5
Ethiopia							
GDP at market prices (2005 US$) [b]	5.5	11.5	10.8	8.7	9.0	9.0	8.1
Current account bal/GDP (%)	-3.3	-4.3	-7.0	-7.7	-8.5	-9.4	-11.5
Gabon							
GDP at market prices (2005 US$) [b]	1.0	5.6	2.3	-1.0	5.1	4.1	4.1
Current account bal/GDP (%)	10.6	12.2	22.2	13.3	12.7	10.6	12.0

Table R6.4 continuation

	95-06 [a]	2007	2008	2009	Est. 2010	Forecast 2011	2012
Gambia, The							
GDP at market prices (2005 US$) [b]	4.4	6.3	6.1	4.6	5.0	5.1	5.4
Current account bal/GDP (%)	-8.2	-10.6	-6.1	4.0	5.2	6.1	6.1
Ghana							
GDP at market prices (2005 US$) [b]	4.7	6.5	8.4	4.7	6.6	13.4	10.0
Current account bal/GDP (%)	-5.7	-8.6	-12.2	-3.3	-3.6	-3.1	-2.9
Guinea							
GDP at market prices (2005 US$) [b]	3.9	1.8	4.9	-0.3	2.6	3.6	3.6
Current account bal/GDP (%)	-5.1	-9.3	-31.9	-10.4	-7.3	-8.5	-9.6
Guinea-Bissau							
GDP at market prices (2005 US$) [b]	-0.3	0.3	3.5	3.0	2.3	3.9	3.8
Current account bal/GDP (%)	-8.3	-9.5	-10.1	-8.6	-9.4	-9.9	-11.1
Kenya							
GDP at market prices (2005 US$) [b]	2.9	7.0	1.6	2.6	5.0	5.2	5.5
Current account bal/GDP (%)	-7.5	-3.8	-6.6	-5.7	-5.7	-4.5	-4.3
Lesotho							
GDP at market prices (2005 US$) [b]	3.2	2.4	4.5	2.5	3.3	3.5	3.8
Current account bal/GDP (%)	-23.4	13.9	12.6	-2.0	-25.5	-25.5	-23.8
Madagascar							
GDP at market prices (2005 US$) [b]	3.1	6.2	7.3	0.4	0.6	2.6	3.9
Current account bal/GDP (%)	-8.6	-14.4	-18.4	-21.9	-16.7	-15.8	-14.6
Malawi							
GDP at market prices (2005 US$) [b]	2.4	8.6	9.7	7.7	6.8	7.0	7.2
Current account bal/GDP (%)	-5.7	-1.7	-6.8	-7.1	-5.4	-6.4	-6.4
Mali							
GDP at market prices (2005 US$) [b]	5.8	4.3	4.9	4.3	5.0	5.8	5.9
Current account bal/GDP (%)	-8.7	-8.1	-12.1	-14.1	-9.0	-8.7	-9.2
Mauritania							
GDP at market prices (2005 US$) [b]	3.3	1.9	3.7	-1.1	4.9	5.4	5.4
Current account bal/GDP (%)	-3.2	-9.7	-12.8	-13.1	-11.2	-12.2	-12.8
Mauritius							
GDP at market prices (2005 US$) [b]	4.4	5.5	5.1	3.1	4.2	4.3	4.4
Current account bal/GDP (%)	0.1	-5.8	-10.5	-7.8	-9.4	-8.8	-8.4
Mozambique							
GDP at market prices (2005 US$) [b]	8.0	7.3	6.7	6.3	7.8	7.6	7.7
Current account bal/GDP (%)	-15.1	-9.8	-12.0	-12.0	-11.6	-10.5	-9.6
Namibia							
GDP at market prices (2005 US$) [b]	4.2	5.4	4.3	-0.8	4.2	4.2	4.8
Current account bal/GDP (%)	2.8	7.9	0.5	-1.7	-1.6	4.1	4.1
Niger							
GDP at market prices (2005 US$) [b]	3.5	3.3	9.5	1.0	3.6	6.0	6.8
Current account bal/GDP (%)	-7.1	-8.3	-12.1	-21.2	-20.3	-20.7	-20.1
Nigeria							
GDP at market prices (2005 US$) [b]	4.6	6.4	6.0	5.6	7.6	7.1	6.2
Current account bal/GDP (%)	6.4	16.7	13.8	12.5	10.7	9.2	8.2
Rwanda							
GDP at market prices (2005 US$) [b]	8.3	7.9	11.2	4.1	6.5	6.5	7.0
Current account bal/GDP (%)	-4.7	-4.3	-4.9	-8.5	-6.7	-9.0	-6.4
Senegal							
GDP at market prices (2005 US$) [b]	4.4	4.9	3.3	2.2	4.0	4.2	4.4
Current account bal/GDP (%)	-5.7	-11.6	-13.7	-13.6	-14.3	-14.2	-15.3

Table R6.4 continuation

	95-06 [a]	2007	2008	2009	Est. 2010	Forecast 2011	2012
Seychelles							
GDP at market prices (2005 US$) [b]	2.8	9.7	-0.9	-7.6	6.2	4.0	5.0
Current account bal/GDP (%)	-13.4	-26.8	-44.0	-37.2	-45.3	-26.5	-19.1
Sierra Leone							
GDP at market prices (2005 US$) [b]	4.6	6.4	5.5	4.0	4.7	5.2	5.9
Current account bal/GDP (%)	-12.3	-13.0	-15.3	-14.9	-11.6	-11.1	-10.5
South Africa							
GDP at market prices (2005 US$) [b]	3.3	5.5	3.7	-1.8	2.7	3.5	4.1
Current account bal/GDP (%)	-1.2	-7.2	-7.1	-4.1	-4.1	-4.8	-5.2
Sudan							
GDP at market prices (2005 US$) [b]	6.2	10.2	6.8	4.5	5.9	5.3	5.8
Current account bal/GDP (%)	-6.3	-7.4	-2.3	-7.1	-1.9	-1.4	-2.1
Swaziland							
GDP at market prices (2005 US$) [b]	3.5	3.5	2.4	1.2	1.9	2.8	2.0
Current account bal/GDP (%)	-0.8	-2.2	-8.1	-13.8	-12.4	-12.5	-13.0
Tanzania							
GDP at market prices (2005 US$) [b]	5.4	7.1	7.4	6.0	7.0	7.2	6.9
Current account bal/GDP (%)	-6.4	-10.8	-13.0	-8.4	-8.3	-9.3	-9.7
Togo							
GDP at market prices (2005 US$) [b]	3.2	1.9	1.8	2.5	3.3	3.5	3.4
Current account bal/GDP (%)	-9.6	-8.6	-7.4	-8.1	-8.5	-7.0	-7.1
Uganda							
GDP at market prices (2005 US$) [b]	7.0	8.4	8.7	7.1	6.3	6.5	8.6
Current account bal/GDP (%)	-5.3	-4.0	-5.5	-2.8	-3.6	-3.8	-1.3
Zambia							
GDP at market prices (2005 US$) [b]	3.8	6.2	5.7	6.3	6.4	6.5	6.7
Current account bal/GDP (%)	-12.9	-8.4	-9.2	-5.5	-4.5	-6.0	-6.7
Zimbabwe							
GDP at market prices (2005 US$) [b]	-2.2	-6.9	-14.1	4.0	5.7	5.7	6.0
Current account bal/GDP (%)	-11.5	-0.5	-1.5	-1.8	-1.3	-1.1	-0.9

World Bank forecasts are frequently updated based on new information and changing (global) circumstances. Consequently, projections presented here may differ from those contained in other Bank documents, even if basic assessments of countries' prospects do not significantly differ at any given moment in time.

Liberia, Somalia, Sao Tome and Principe are not forecast owing to data limitations.

a. Growth rates over intervals are compound average; growth contributions, ratios and the GDP deflator are averages.

b. GDP measured in constant 2005 U.S. dollars.

Source: World Bank