

## **Regional Summary: Sub-Saharan Africa**

### **Overview**

Despite the turbulent global economic environment in 2011, growth in **Sub-Saharan Africa** remained robust, inching up from 4.8 percent in 2010 to 4.9 percent in 2011, just shy of its pre-crisis average of 5 percent. Excluding South Africa, which accounts for over a third of the region's GDP, growth in the rest of the region was even stronger at 5.9 percent in 2011, making it one of the fastest growing developing regions in the world. Indeed, a third of countries in the region grew by at least 6 percent, and another 40 percent posted growth rates of 4-6 percent.

Weighed down by the downturn in the global economy as well as domestic developments, growth in South Africa is estimated at 3.2 percent in 2011. In Nigeria, the region's second largest economy, the non-oil sector (telecommunication, wholesale, retail etc.) spurred growth to an estimated 7.1 percent. The coming on stream of oil exports and robust growth in its non-oil sector boosted Ghana's growth in 2011 to 13.6 percent, the fastest pace in the region.

As has been the case in recent years in the region, the main driver of growth was domestic demand (rising consumption, investment, and government spending on productive activities), with external demand, supported by higher commodity prices, also providing a strong impetus. Trade growth has been supported by the increasing diversification of trading partners, particularly with China, and with commodities dominating their exports, most Sub-Saharan Africa countries, particularly oil exporters, benefitted from the surge in commodity prices in the earlier half of 2011. However, several predominantly agricultural exporters and oil importers saw deterioration in their terms of trade and for a number of countries (e.g. Kenya and Uganda), these shocks compromised the relatively stable macroeconomic environment they had hitherto enjoyed.

Foreign direct investment flows to the region grew by 25 percent in 2011, mainly in the extractive sector, underpinning much of the strong GDP growth, while the tourism industry also remained robust, notwithstanding developments in Europe.

The underlying factors supporting growth dynamics in Sub-Saharan Africa are expected to continue over next several years. Increased investment flows, rising consumer spending, the coming on stream of new mineral exports in a number of countries will continue to support the region's growth, with growth forecast to pick up to 5.3 percent in 2012 and 5.6 percent in 2013.

### **Risks and Vulnerabilities**

Risks to growth remain weighted on the downside as heightened uncertainty from the Euro Area debt crisis could shave growth in Sub-Saharan Africa by up to 1.3 percentage points in 2012, as merchandise exports, tourism receipts, commodity prices, foreign direct investment, and remittances, all important growth drivers remain highly vulnerable.

**Trade.** The trade impacts of a sharp slowdown in Europe will be large in the region, given that European Union member states account for 37 percent of the region's non-oil exports. Impacts, however, will differ, depending on individual countries' exposure to the hardest hit European economies and the composition of exports. Less diverse exporters, and oil and metal and mineral exporters are likely to be more vulnerable than agricultural exporters.

**Commodity prices.** Some 70 percent of the region's export revenues come from agricultural products, oil and metals and minerals, all susceptible to a downturn in commodity prices. In Angola and Congo, where the oil sector accounts for over 60 percent of GDP, a 10 percent decline in oil prices could translate into a 2.7 percent and 4.4 percent decline in GDP, respectively. In Nigeria, where the oil sector accounts for some 15 percent of GDP, a similar decline in oil prices could reduce growth by 1.8 percent. In addition, adverse terms of trade shocks are likely to contribute to sharp depreciation of local currencies, and the

risk of higher inflation. On the upside, a drop in oil prices will favor the region's oil importers.

**Remittances.** A sharp decline in remittances, which support household spending and local currencies, could dampen growth prospects. The World Bank estimates that remittances will rise to \$24 billion and \$26 billion in 2012 and 2013, respectively. However, in the event of a sharper global slowdown, remittances could fall. Cape Verde, Senegal and Guinea-Bissau are the most dependent on remittance flows from the high-spread Euro Area countries.

**Internal risks.** Disruptions to productive activity, in the aftermath of elections, are important potential downside risks. In 2011, however, a third of countries in the region carried out presidential elections without disruption to country-wide economic activity. Adverse weather is another downside risk. With agriculture accounting for about 20-40 percent of GDP in most Sub-Saharan Africa countries, the impact of poor rains can be significant not only for the agricultural sector but also for services and industries as well, due to a high dependency on power generation from hydroelectric sources.

### **Policy Recommendations**

With fiscal space much more restricted, and in a context where external financing may well not be available, governments may be forced to cut deeply into spending – thereby exacerbating the downturn. However, this need not translate into higher poverty levels if mechanisms are already in place to help protect targeted spending on the most vulnerable groups.

In economies that have inflationary expectations under control and that have monetary policy space, loosening policy rates to stimulate domestic demand could support aggregate demand in the face of declining external demand.

Further diversification of export composition and trading partners (including with other countries in the region) should, over the longer term, help Sub-Saharan Africa economies become less vulnerable to shocks originating from specific regions.

Sub-Saharan Africa forecast summary

(annual percent change unless indicated otherwise)

				Est.	Forecast		
	98-07 <sup>a</sup>	2008	2009	2010	2011	2012	2013
GDP at market prices (2005 US\$)	4.2	5.1	2.0	4.8	4.9	5.3	5.6
Angola	9.7	13.8	2.4	2.3	7.0	8.1	8.5
Benin	3.8	5.1	2.7	2.6	3.4	4.3	4.8
Botswana	4.7	2.9	-4.9	7.2	6.8	6.2	5.0
Burkina Faso	4.8	5.0	3.5	7.9	5.8	5.2	5.4
Burundi	1.8	4.5	3.5	3.9	4.4	4.7	4.9
Cape Verde	5.9	6.2	3.6	5.4	5.8	6.4	6.6
Cameroon	3.4	2.9	2.0	2.6	3.8	4.1	4.6
Central African Republic	0.8	2.0	1.7	3.3	4.0	3.0	3.5
Chad	8.0	-0.4	-1.6	5.1	6.0	5.5	4.0
Comoros	1.9	1.0	1.8	2.1	2.3	2.5	2.8
Congo, Dem. Rep.	1.9	6.2	2.8	7.3	6.5	6.0	8.0
Congo, Rep.	2.9	5.6	7.5	8.8	5.1	5.5	5.0
Cote d'Ivoire	0.0	2.3	3.8	2.4	-5.8	4.9	5.5
Equatorial Guinea	20.7	10.7	5.3	0.9	2.8	4.1	4.5
Eritrea	-0.1	-9.8	3.9	2.2	8.2	6.3	7.0
Ethiopia	6.5	10.8	8.8	10.1	7.7	7.2	7.8
Gabon	0.4	2.3	-1.4	5.7	6.0	5.1	4.1
Gambia, The	3.4	5.4	6.2	5.6	5.3	5.4	5.8
Ghana	4.6	8.4	4.7	6.6	13.6	9.0	8.0
Guinea	2.8	4.9	-0.3	1.9	4.3	4.5	5.0
Guinea-Bissau	1.8	3.2	3.0	3.5	4.8	4.7	5.0
Kenya	3.4	1.6	2.6	5.6	4.3	5.0	5.5
Lesotho	2.9	4.7	3.1	3.3	3.1	5.1	4.9
Madagascar	3.2	7.1	-4.6	1.6	2.6	3.0	4.5
Malawi	2.8	8.6	7.6	6.7	5.6	5.0	5.6
Mali	5.1	5.0	4.5	4.5	5.4	5.1	5.9
Mauritania	4.1	3.5	-1.2	5.2	5.1	5.7	6.0
Mauritius	3.6	5.5	3.0	4.0	4.1	3.3	4.3
Mozambique	6.8	6.8	6.4	7.2	7.4	7.6	8.5
Namibia	4.4	4.3	-0.8	6.6	3.9	4.2	5.1
Niger	2.7	8.7	-1.2	8.8	6.0	8.5	6.8
Nigeria	5.0	6.0	7.0	7.8	7.0	7.1	7.4
Rwanda	6.8	11.2	4.1	7.5	8.8	7.6	7.0
Senegal	4.0	3.3	2.2	4.2	4.2	4.4	4.4
Seychelles	2.1	-1.3	0.7	6.2	4.0	4.7	5.0
Sierra Leone	7.5	5.5	3.2	4.9	5.6	44.0	13.0
South Africa	3.7	3.7	-1.8	2.8	3.2	3.1	3.7
Sudan	5.9	6.8	4.0	4.5	5.3	5.8	5.8
Swaziland	3.1	2.4	0.4	2.0	-2.1	0.6	1.5
Tanzania	5.9	7.4	6.0	7.0	6.4	6.7	6.9
Togo	1.9	2.4	3.2	3.4	3.7	4.0	4.1
Uganda	6.4	8.7	7.2	6.4	6.3	6.2	7.0
Zambia	4.2	5.7	6.4	7.6	6.8	6.7	6.0

Source: World Bank.

World Bank forecasts are frequently updated based on new information.

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.