

Africa expected to see stronger growth in 2018 and 2019 as global environment improves: UN report

Growth underpinned by an improvement in domestic and external demand amid firmer global commodity prices

Addis Ababa, 13 December – An upturn in the global economy—now growing by about 3 per cent—paves the way to reorient policy towards longer-term issues such as addressing climate change, tackling existing inequalities and removing institutional obstacles to development, according to the United Nations World Economic Situation and Prospects (WESP) 2018 Report.

According to the report, in 2017, world economic growth has reached 3 per cent—the highest growth since 2011— as crisis-related fragilities and the adverse effects of other recent shocks subside. The improvement is widespread, with roughly two-thirds of countries worldwide experiencing stronger growth in 2017 than in the previous year. Global growth is expected to remain steady at 3.0 per cent in 2018 and 2019.

Growth prospects in Africa

Against this backdrop, Africa is expected to see a recovery in aggregate GDP growth, with a projected expansion of 3.5 per cent in 2018 and 3.7 per cent in 2019, up from 3.0 per cent in 2017. Strengthening external demand and a continued firming of global commodity prices will ease fiscal and external pressures. However, significant fiscal adjustments lie ahead for many commodity exporters, constraining the pace of rebound in countries of this region.

Furthermore, GDP growth on a per capita basis is expected to be negligible in several subregions, namely Central, Southern and West Africa in 2018–2019. These regions combined are home to nearly one-third of the global population living in extreme poverty.

The report notes substantial differences in growth prospects among the five African subregions. ***East Africa*** will remain the fastest-growing subregion, with aggregate GDP projected to grow by about 6 per cent in 2018 and 2019, facilitated by large infrastructure investments and the expansion of domestic markets.

Growth in ***North Africa*** is projected to stabilize at 4.1 per cent in 2018 and 2019, after reaching 4.8 per cent in 2017, as a result of firmer commodity prices, further improvement in the security situation and continuing economic recovery in Europe.

West Africa will continue its growth recovery, from 2.4 per cent in 2017 to 3.3 per cent in 2018, as oil prices rise and oil production gradually increases in Nigeria, easing fiscal and foreign exchange pressures. Several other West African countries continue a path of strong growth including Côte d'Ivoire, Ghana and Senegal, supported by robust spending on infrastructure, higher investor confidence and improvements in the business climate.

Growth in the *Southern Africa* is projected to improve but remain modest. Following growth of 1.2 per cent in 2017, GDP is projected to expand by 2.3 per cent in 2018 and 2.5 per cent in 2019. In South Africa, net exports will rebound with the moderate recovery in the agriculture and mining sectors. Growth will, however, remain relatively subdued amid heightened political uncertainty.

Buoyed by higher oil prices, growth in *Central Africa* is estimated to rebound from 0.7 per cent in 2017 to 2.1 per cent in 2018. Insecurity and relatively low commodity prices weigh on prospects for the area.

The report also notes that several central banks in Africa decreased policy rates in 2017 amid moderately easing inflationary pressures. As the impacts of large currency depreciations subside, inflation is projected to decrease in 2018-2019. However, inflation in many African countries remain high relative to the rest of the world.

Risks and policy challenges

Despite the improved short-term outlook, the global economy continues to face risks—including changes in trade policy, a sudden deterioration in global financial conditions and rising geopolitical tensions.

The world economy also faces longer-term challenges. The report highlights four areas where the improved macroeconomic situation opens the way for policy to address these challenges: increasing economic diversification, reducing inequality, supporting long-term investment and tackling institutional deficiencies. The report notes that reorienting policy to address these challenges can generate stronger investment and productivity, higher job creation and more sustainable medium-term economic growth.

For Africa, a sharper-than-expected increase in global interest rates could lead to an increase in the premium for sovereign bonds, a decrease in access to financing and could raise debt sustainability risks. Lower external demand or a reversal in commodity price growth could decrease foreign direct investment. Internally, an absence of fiscal adjustment policies could jeopardize macroeconomic stability in many countries. An escalation of security concerns and political instability ahead of key elections also pose risks to growth. Several agriculture dependent economies remain exposed to weather-related shocks.

The report calls for renewed efforts to decrease the over-reliance on commodity revenues through economic diversification and structural transformation. In this aspect, investments in human capital as well as efforts to strengthen governance and institutions are needed. Importantly, acute malnutrition in conflict-affected areas must be urgently addressed.

About the report: The World Economic Situation and Prospects report is the UN's flagship publication on expected trends in the global economy. WESP is produced annually by the UN Department of Economic and Social Affairs (DESA), the UN Conference on Trade and Development (UNCTAD), the five UN regional commissions and the World Tourism Organisation (UNWTO).

For more information, please visit: <http://www.un.org/en/development/desa/policy/wesp/>

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