

## UN Report: Growth in Africa remains insufficient to achieve meaningful development progress

*Average growth is projected to pick up slightly in 2020, but prospects diverge widely between subregions*

**Addis Ababa, XX January** –Amid a slowing global economy, lingering effects from the collapse in commodity prices, and protracted fragilities in some large countries, Africa will continue to see modest economic growth in 2020, hampering efforts to raise the standard of living, according to the United Nations World Economic Situation and Prospects (WESP) 2020, which was launched today.

The Report states that the global economy suffered its lowest growth in a decade, slipping to 2.3 per cent in 2019, as trade disputes impacted economic activity. The world, however, could see a slight uptick in growth in 2020 if risks are kept at bay.

While global growth of 2.5 per cent in 2020 is possible, the Report cautions that a flareup of trade tensions, financial turmoil, or an escalation of geopolitical tensions could derail a recovery. In a downside scenario, global growth would slow to just 1.8 per cent this year. A prolonged weakness in global economic activity may cause significant setbacks for sustainable development, including the goals to eradicate poverty and create decent jobs for all. At the same time, pervasive inequalities and the deepening climate crisis are fueling growing discontent in many parts of the world.

UN Secretary-General António Guterres warned that “These risks could inflict severe and long-lasting damage on development prospects. They also threaten to encourage a further rise in inward-looking policies, at a point when global cooperation is paramount.”

### **GDP growth is inching up but remains well below potential**

Average GDP growth in Africa is projected to accelerate slightly from 2.9 per cent in 2019 to 3.2 per cent in 2020. Disappointingly, GDP per capita for the continent as a whole grew by only half a per cent annually in the past decade. A substantial acceleration in growth rates is needed if the region hopes to make meaningful progress towards achieving the Sustainable Development Goals.

Economic situations diverge widely across subregions. While economic activity remains robust in East Africa and is improving in North Africa, growth in West, Central and Southern Africa remains largely subdued. In one of the largest economies, Nigeria, even as growth is forecast to pick up, the economy is projected to contract in per capita terms and the medium-term outlook remains bleak.

The robust outlook in East Africa is underpinned by vigorous domestic demand and public investments in infrastructure. Growth is projected to remain stable at 6.0 per cent in 2020. In Ethiopia, growth is forecast to

exceed 7.0 per cent in 2020 and 2021, driven by robust public investment and growing business confidence as a result of economic reforms. Yet, it is essential that Ethiopia address fragilities, including low levels of foreign reserves, high levels of debt and an elevated current account deficit.

By contrast, the economic outlook in Southern Africa is challenging, with several economies stagnant or in recession amid weak investment, energy shortages and weather-related shocks. After an estimated expansion of 0.3 per cent in 2019, GDP growth is projected at 0.9 per cent in 2020 and 1.9 per cent in 2021. In South Africa, growth is estimated at 0.5 per cent for 2019, well below potential. The growth outlook remains bleak, as the economy continues to be negatively affected by policy uncertainties, weak business sentiment and limited fiscal policy space.

### **Africa faces immense challenges for making progress towards the SDGs**

The goal of eliminating extreme poverty by 2030 is moving further out of reach. Although the poverty headcount ratio declined visibly in the last decade, the number of people living in extreme poverty (those subsisting on less than \$1.90 per day) continues to rise, especially in sub-Saharan Africa. Reducing extreme poverty requires a substantial acceleration in growth and a stronger connection between growth and job creation, together with reductions in inequality and the implementation of social protection systems.

As Africa's growth continues to be closely aligned with commodity price cycles, a fundamental diversification of the productive structure is necessary. The African Continental Free Trade Area is a step in the right direction to promote regional trade and investment integration, the diversification of exports and higher-paying jobs. Yet, these benefits are contingent on the effective implementation of strategic policies, in areas such as infant industries, foreign direct investment, innovation and labour markets.

### **Risks tilted to the downside**

The short-term risks in Africa are tilted to the downside. On the domestic front, weather-related shocks will likely have adverse effects on agricultural output, with dire economic and social consequences. In addition, political conflicts, social instability and security concerns can affect the short-term outlook in many countries. On the external front, a further deterioration in global growth could significantly affect Africa's growth outlook through various channels, including lower external demand and commodity prices, lower capital inflows and foreign direct investment, and lower income from remittances and tourism.

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