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REVIEW OF ECONOMIC AND SOCIAL CONDITIONS IN AFRICA

AFRICAN ECONOMIC TRENDS IN EARLY 1994

1. Overview:

1. Economic growth has been markedly reduced in 1993 in most of developing Africa. According to latest ECA estimates, Developing Africa Gdp grew a mere 1.4 per cent, after a disappointing 0.7 per cent in 1992, and an average of 1.5 per cent only in the 1990-1992 period(see Table 1 below).

Table 1
African economic indicators
(percentage growth)

	1990	1991	1992	1993
GDP growth, 1990 prices				
Developing Africa	1.9	2.0	0.7	1.4
North Africa ¹	2.0	1.9	1.5	0.1
Sub-Saharan Africa	1.7	2.1	0.5	2.0
Oil exporters	1.9	2.1	1.7	1.0
Non oil exporters	1.8	1.8	-0.7	1.9
African LDCs	0.7	0.7	-0.1	2.9
Agriculture value-added (1990 prices)	-0.3	4.1	-0.7	1.5
Mining value added (1990 prices)	6.3	4.2	0.3	-1.0
Oil production (million tons)	319.5	335.1	339.8	333.0
Consumer prices (1990=100)	15.2	30.3	40.1	35.5
Oil price (Brent crude, \$/b)	23.99	19.99	19.34	17.66
Commodity prices (1990=100) ²	-4.0	-3.0	-5.1	-6.4
Exports (\$ billion)	75.5	74.5	73.7	71.7
Imports (\$ billion)	72.4	71.5	74.6	74.5
Current account balance (\$ billion)	2.5	-4.2	-6.1	-12.4
Debt service (%)	25.8	25.6	23.7	...

Notes: 1/ Without the Sudan
2/ Oil not included

2. If such results are partly explained by the recession in Europe, the main economic partner of the region, they are in sharp contrast with those of other developing countries, particularly Asian ones and among them, China. As a whole, developing countries output grew by a large 5 1/2 per cent in 1993, and in China, the figure was a considerable 13 per cent, after 12.8 per cent in 1992.

3. The poor results of African economies since 1990 are usually attributed to familiar causes such as poor demand for African exports, which has in fact led to large falls in commodities prices: in 1993 these prices fell by 2.6 per cent after a fall of 3.4 per cent in 1992. Tropical beverages prices reached record lows in 1992, and showed only moderate falls in 1993, because of steps taken by producers to reduce supply. But oil prices declined through most of 1993, falling to slightly over \$13.5 a barrel for Brent Crude in the beginning of 1994.

4. Another familiar cause has been drought, which badly affected the Maghreb countries in 1993, though normal weather conditions returned to Southern Africa, an area which suffered its worst drought on record in 1992/93.

5. But as in 1992, internal conflict at various levels of intensity from one country to the other has been a major factor. While in some areas, armed conflict has continued or erupted (Angola, Burundi, Rwanda, Liberia, or Sierra Leone), in others, political conflict has more or less paralysed institutions and therefore the economy. A prominent example is Zaire, where the political crisis started in 1991 around the demand for "democratic" change is still not resolved and has led to widespread rioting and inter-ethnic strife in some regions of the country. The Zaire economy has been in precipitous decline, with critical damage done to plant and equipment in the vital mining industry. But in the neighbouring Congo, the conflict between the government and the opposition has also been particularly intense. In Northern Africa, tension is acute in Algeria and even in Egypt, where the tourism sector is under attack from extremists groups. These developments have in all cases had a profound and negative effect on economic activity.

6. However, the structural obstacles to growth such as poor know how, very slow and uneven diffusion of modern technologies, institutions inimical to productive activities, very small national markets, etc... are the main determinants of the stagnation and recession of African economies in the last decade.

2. Main economic sectors:

a) Agriculture:

7. Agriculture production recovered in 1993, particularly in Southern Africa where an exceptional drought broke out in the preceding year. A good indicator of the level of production is the aggregate cereal production, which in 1993 rose to 82.8 millions after falling to 79.5

millions in 1992. In Southern Africa, production rose above the 1991 level of 19.6 million tons to 23.1 million tons, after 9.8 million tons only in 1992. However, drought was severe in the Maghreb countries in 1993, and in Morocco, production was poor for a second consecutive year, the cereals crop being of a mere 2.9 millions less than a third of the 8.7 millions harvested in 1991.

8. Despite better crops in 1993, food shortages have remained acute in many areas. In Angola, fighting has been intense since the end of 1992, with millions of the rural population displaced and famine breaking out in several areas. In Somalia, a better harvest and massive food aid have stabilised the food situation, which remains however fragile.

9. According to the FAO, food aid requirements in 1993/94 remained high though in decline compared to 1992/93. However, latest information indicate reduced harvests in 1993/94 in the Horn of Africa and a serious threat of food shortages. In addition, civil strife in Rwanda and Burundi has created a food crisis, a similar situation obtaining in Liberia and Sierra Leone. In Zaire, the hyperinflation makes it difficult for the urban population to get access to food.

b) Oil and Mining

10. Oil production apparently fell in 1993 to an estimated 333.1 million tons compared to 339.8 millions in 1992, or by 2.3 per cent. This was due OPEC mandated cuts, capacity limits, the effect of civil war in Angola where some oil producing have been seized by rebel forces, and production declines as in Cameroon and Tunisia. For the first time in years, non OPEC members production fell to 93.4 million tons, compared to 95.4 million tons in 1992. In Cameroon, production reached 6.4 million tons, in sharp decline from 8 million tons in 1989.

Table 2
Developing Africa crude oil production, 1989-1993
(million of tons)

Country/Group	1989	1990	1991	1992	1993E
Algeria ¹	55.48	58.10	62.00	61.50	60.76
Gabon	10.22	13.49	14.71	14.78	14.73
Libyan Arab Jamahiriya	55.28	69.72	74.34	73.97	68.47
Nigeria	83.66	88.64	93.06	94.16	94.75
Sub-total OPEC members	204.81	229.96	244.04	244.41	238.71
Angola	22.64	23.65	24.90	27.39	26.50
Cameroon	8.00	8.06	7.47	7.39	6.38
Congo	7.39	8.06	7.96	8.23	8.66
Côte d'Ivoire	1.52	0.99	0.66	0.44	0.44
Egypt	42.00	43.82	43.93	44.23	44.68
Ghana	0.10	0.80	0.75	0.85	0.85
Tunisia	4.92	4.60	5.26	5.60	4.74
Zaire	1.36	1.42	1.37	1.30	1.16
Sub-total non-OPEC	87.92	91.39	92.40	95.43	93.41
Total developing Africa	292.73	321.35	336.44	339.84	332.12

Sources: UN, Monthly bulletin of statistics, various issues
OPEC Annual Report, various issues and ECA Secretariat

Notes: 1 = Including condensates
E = Estimates

11. The declining trend in African mining production has been maintained in 1993. In Zaire, damage to equipment in the Shaba province has been considerable and according to some press reports there may be no copper produced in 1994. In 1993, copper production was under 200,000 tons when there was capacity for at least 500,000 tons. Zaire's cobalt production which was of 14,500 tons in 1986 was around 3,000-4,000 tons in 1993.

3. Trade and finance:

12. Export performance has not been favourable in 1993, due to poor external demand and reduced economic growth. In value, exports may have fallen by 2.7 per cent to \$72.0 billion,

after declining by 1.1 per cent in 1992. Most commodities prices have dropped, the IMF index for non fuel commodities showing a fall of 3.8 per cent in 1993, compared to 0.2 per cent only in 1992. An ECA index of the wholesale prices of African exports (oil not included), shows a large 6.4 per cent fall, compared to 5.0 per cent in 1992. Beverage prices recovered in 1993, starting from the third quarter, after producers took measures to reduce supply. If cocoa prices rose only slightly by 1 per cent, coffee prices rose by a large 22.2 percent (Uganda coffee) to an average of 44.1 U.S cents per pound.

13. Agricultural raw material prices also were stable, but mineral prices dropped by 16 per cent, depressed by recession in industrial economies.

Table 3
Primary commodities prices
(index 1990=100)

	1989	1990	1991	1992	1993 ¹
Food	89.3	100.0	103.7	100.2	98.7
Beverages & tobacco	111.3	100.0	94.5	88.6	87.5
Agricultural raw material	95.8	100.0	95.9	86.5	84.5
Metals and minerals	96.1	100.0	98.3	96.8	82.6
Crude oil	75.9	100.0	83.8	80.6	73.8
Overall index	82.8	100.0	86.6	83.4	76.6
Overall index (without oil)	104.2	100.0	97.0	92.1	86.2

Source: ECA calculations from IMF, International financial statistics and UN, Monthly Bulletin of Statistics.

Note: 1/ Based on first 8 months.

14. Oil prices have been on a downtrend since the beginning of 1993, this despite measures taken by OPEC to stabilise prices. By the end of the year, oil prices had fallen to nearly \$13.5 per barrel for Brent crude, and on average had lost some 12 per cent compared to 1992.

15. Imports are estimated at \$74.5 billion in 1993, 4.5 per cent more than in 1992, which means that the trade balance has worsened. In fact, the current account deficit is around \$12.4 billion, twice the 1992 figure of \$6.1 billions, which amounted to nearly 2 per cent of the region gross product.

16. There are as yet, no complete figures on net resources flows to the region during 1993. According to the OECD, these flows have remained, in volume, at practically the same level in 1991-1992, showing a significant 16 per cent drop compared to 1990. According to the

World Bank, net resources flows were of \$21.9 in 1993, rising by 5.3 per cent but this is at current prices, and World Bank data are not strictly comparable to those of the OECD. In any case, at current prices, World Bank data show net flows increasing from 1985 up to 1990, and then substantially declining thereafter.

17. Debt which fell in 1992 because of the reduction of Egypt's debt and the relative inability of sub-Saharan African countries to obtain new resources, has risen by 2.4 per cent in 1993 to reach \$285.4 billions. Otherwise there are no fundamental change in debt indicators: there is a net easing of the burden of debt in sub-Saharan Africa, where the debt service ratio has fallen to 13.2 per cent in 1993 compared to 19.5 per cent in 1990, and the ratio of debt to goods and services exports is down to 310.6 per cent compared to 313 per cent in 1992. This is in contrast to the situation in North Africa(including the Sudan) where the pressure of debt servicing is worsening, particularly in Algeria.

Table 4
Africa's external debt and debt service, 1990-1993

	1990	1991	1992	1993*
Total external debt	(billion of dollars)			
Developing Africa	276.7	281.6	278.8	285.4
- North Africa ^a	119.5	119.0	117.0	118.9
- Sub-Saharan Africa	157.2	162.6	161.8	166.5
Debt Service	(billions of dollars)			
Developing Africa	26.7	25.8	25.5	24.1
- North Africa	16.0	15.5	15.8	17.0
- Sub-Saharan Africa	10.7	10.3	9.7	7.1
Exports of goods & services	(billions of dollars)			
Developing Africa	102.0	95.2	97.0	98.8
- North Africa	47.1	42.3	45.3	45.2
- Sub-Saharan Africa	54.9	52.9	51.7	53.6
Gross domestic product	(billions of dollars)			
Developing Africa	357.5	334.4	314.4	
- North Africa	192.3	179.0	173.9	
- Sub-Saharan Africa	176.4	166.3	151.3	
RATIOS (in percent)				
Debt to GDP				
Developing Africa	77.4	84.2	88.8	...
- North Africa	62.1	66.5	67.3	...
- Sub-Saharan Africa	89.1	97.8	106.9	...
Debt to goods & services exports				
Developing Africa	271.3	295.8	287.4	288.9
- North Africa	253.7	281.3	258.3	263.1
- Sub-Saharan Africa	286.3	307.4	313.0	310.6
Debt service to goods & services exports				
Developing Africa	26.2	27.1	26.3	24.4
- North Africa	34.0	36.6	34.9	37.6
- Sub-Saharan Africa	19.5	19.5	18.8	13.2

Sources: World Bank, *World Debt Tables, 1993-1994*, December 1993; and ECA Secretariat calculations.

Notes: (*) = Preliminary estimates

a = including the Sudan

18. It must be borne into mind, however, that the debt burden remains a critical issue, and that some large countries such as Zaire have ceased to honour their obligations and may not be able to do so in the future.

4. Policies and Prospects:

19. No major departure has appeared in economic policies during 1993, other than a "deepening" of adjustment measures around the region. This has been most prominent in the countries of the zone Franc, where financial problems however especially acute and where governments have taken sometimes extreme measures to balance budgets. Thus in Senegal, civil service pay has been cut, and similar steps, even more radical, have been taken in Cameroon. In early February 1994, zone Franc countries finally agreed to devalue their currency, setting its exchange rate with the French franc at CFA 100 for 1 Franc, compared to the previous rate CFA 50 for 1 Franc, a devaluation of 50 per cent. This drastic step, taken after considerable pressure from the IMF and the World Bank, and only after the French government assured its African partners of its support, has had immediate and considerable effect on prices and on household incomes, long term effects remaining in doubt.

20. If the Algerian government has renewed its policies of liberalisation by agreeing to debt rescheduling, there has been an apparent setback in Nigeria, where authorities have in early 1994 set exchange rates at a rate much higher than market ones, reintroduced exchange controls and left petrol prices at an exceptionally low level (before November 1993, petrol prices were as low as 3 U.S cents per litre).

21. Economic prospects in 1994 are uncertain and there are few grounds for optimism. One worrying trend is the persistent and widespread character of political conflict around the region, with hardly any country untouched. In North Africa, some governments are under threat from extremist attacks. In other parts of the region, civil wars are going on in a number of countries, and in others, the situation remains unstable.

22. Another unfavourable element, is in recession in industrialised economies particularly the EC countries which are the main partners of the region. This is reflected in poor demand for African exports and reduced or stagnating resource flows. More and more are traditional European donors showing a marked reticence to continue aid and cooperation as usual, and more and more are new conditionalities being attached to aid. In addition to the above, it appears that even though crop prospects are generally favourable and food aid requirements lower, a dangerous situation is developing in the Horn of Africa because of drought while famine is threatening countries such as Burundi, Rwanda, Angola, Mozambique, Liberia and Sierra Leone. In these conditions, output growth cannot be expected to exceed the 3 per cent mark, and will probably remain in the 2-2.5 per cent range.

23. This off course a disheartening prospect which requires urgent and steady measures from African governments. While the region stagnates, other regions of the world are progressing

rapidly, and in the advanced countries, major changes are taking place, such as the formation of the trading blocs of the EC and NAFTA. Developing Africa's Gdp is not much more than Belgium's and its exports less than South Korea's. African countries should therefore, at the very least, create subregional markets if they want to avoid the feared "marginalisation" of the region.