

Africa's growth prospects are bright, and developing countries are driving global growth, says UN report

Addis Ababa, 23 January 2014 (ECA) – Global growth recovery is facing favourable prospects for 2014 and 2015, with developing countries backstopping previous growth slowdowns and emerging to drive global growth. This is a key message at the Addis Ababa launch of the full version of the 2014 World Economic Situation and Prospects (WESP) report. While the global economy grew at only 2.1 per cent in 2013, this is expected to rebound to 3.0 per cent in 2014 and 3.3 per cent in 2015. Growth recovery will be driven by continuing strong performances in developing countries, as well as increasing growth in the United States, the emergence of the Euro area from a protracted recession, and positive outcomes from expansionary policies in Japan.

Other key macroeconomic trends espoused in the report include continuing moderate levels of inflation, sluggish growth in international trade, moderating commodity prices which are still at historically-high levels, increasing costs of financing and borrowing, and a moderate contraction in ODA flows to developing countries (down to 0.29 per cent of donor countries' gross national income).

Africa, which grew at 4 per cent in 2013, is projected to accelerate to 4.7 per cent growth in 2014 and 5 per cent in 2015. Growth has been strongest in East and West Africa, driven by new investments and discoveries of oil and minerals. Conversely, political instability has continued to constrain the growth potential of Central and North Africa. Oil and mineral exporting countries are expectedly on positive growth trajectories, but non-mineral rich and non-oil exporting countries also have climbing growth rates.

The report notes that inflationary pressure across Africa is moderate, but that countries are facing mounting fiscal pressures, with the overall fiscal deficit for the continent increasing from 1.35 per cent of GDP in 2012 to 1.8 per cent in 2013, highlighting the importance of seeking alternative sources of development financing. Africa has also faced difficulties translating growth into meaningful job creation, with high youth unemployment and wide gender disparities in particular, accompanied by rising inequality. Africa's external balances have been positive, fuelled by commodity exports, but these have been declining, with trade as a per cent of GDP falling in nearly all sub-regions.

The launch provided a platform for the Economic Commission for Africa to highlight the need for structural transformation in Africa, through the specific example of an improved interface between mining and manufacturing. The continent has been far too dependent on commodities – recently natural resources have accounted for as much as one-quarter of Africa's growth, and exports of fuel and mining products are more than three times greater than either manufactures or agricultural exports, in total value.

Mining has played an important and well-documented role in many economies, but most countries have been unable to create up- and down-stream linkages to manufacturing and the rest of the economy. Policy coordination, particularly through local content policies, is vital to promote these linkages. As evidenced by Botswana, South Africa and elsewhere, beneficiation and manufacturing mining inputs can create strong income- and job-creating effects throughout the economy.

Overall, the report pointed to some downside risks and uncertainties facing Africa, namely political unrests, growing inequality, institutional gaps, slower-than-anticipated global economic recovery, and a lack of transformation. However, there are many means by which Africa can lay the ground work for more sustained and inclusive growth, including its growing ties with emerging markets, an ever improving business environment, policies for economic transformation, and greater regional integration.