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# Executive Summary

This publication reports the final results of the International Comparison Program for Africa (ICP-Africa). It provides details of purchasing power parity (PPP)-adjusted real gross domestic product (GDP) expenditures, PPP indices, and price level indices (PLIs) for the 48 African countries that participated in the 2005 ICP round.

These results cover final household consumption expenditure; government expenditure, both collective and individual; and investment, as well as net exports. Preliminary results published in March 2007 related only to consumption expenditure and did not include housing services. For some countries, only partial data were included in the 2007 publication. Highlights of the final results were published in April 2008.

Due to the multilateral nature of PPP and real expenditure estimates, the inclusion of additional price, expenditure and country data has somewhat altered the final results with respect to existing price level indices, expenditure patterns and the ranking of countries. Consequently, the results included in this publication show some variations from the earlier publication.

All real expenditure results are expressed in terms of a 'notional' African regional integration currency (AFRIC)<sup>1</sup> to avoid the semblance of favoring one particular African currency over another. The results of ICP comparisons are not affected by the choice of currency used in their computation.

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1 To avoid affecting the ICP comparisons by the choice of a single currency, a notional African regional currency (AFRIC) was used to express ICP-Africa results. The AFRIC was calculated so that the sum of real expenditures expressed in terms of the AFRIC unit is equal to the sum of nominal expenditures converted to U.S. dollars at each country's respective exchange rate. For further details, refer to Appendix B.

One of the key findings of 2005 ICP-Africa relates to the observed difference in each country between its currency's official exchange rate and its PPP equivalent, reflecting in a way the extent of currency undervaluation or overvaluation. The nominal expenditures reflect both price levels and volumes of goods and services. The real expenditure levels, which are the more appropriate measures to use for international comparisons, are obtained by deflating the nominal values using PPPs. Thus, the PPP-adjusted GDP expenditures are expressed at the same set of international prices so that comparisons between countries reflect only differences in the volume of goods and services and are free of price and exchange rate distortions.

PPP-based GDP (real GDP) figures indicate that just four countries—South Africa, Egypt, Nigeria and Morocco—account for about 60 percent of the region's economy.<sup>2</sup> The five richest countries in terms of per capita real GDP are Gabon, Botswana, Equatorial Guinea, Mauritius and South Africa. Except for South Africa, they are all small economies, each accounting for less than 2 percent of the region's economy. The five poorest countries are Guinea-Bissau, Zimbabwe, Burundi, Liberia and Democratic Republic of Congo.

The results show that of the 48 African countries surveyed, only ten had per capita individual household expenditure levels above AFRIC 1,000 and most, in fact, had per capita expenditure levels of less than AFRIC 500.

Three countries—Egypt, South Africa and Nigeria—account for more than 70 percent of the individual consumption expenditure

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2 Five countries that did not participate in the 2005 ICP round are not included in the computation: Algeria, Eritrea, Libya, Seychelles and Somalia.