EAST AFRICA ECONOMIC OUTLOOK
Growth and Transformation

Economic Governance and Knowledge management (ECVP)
Abidjan, March 5, 2018
Outline

1. Africa’s economic performance is improving
2. Eastern Africa is leading the way
3. Despite progress, the Region is facing serious economic challenges
4. There are new opportunities for economic diversification
5. Suggested policy priorities for growth and employment
Africa’s economic performance is improving: Growth in real output recovered in 2017

- After tepid annual growth of 2.2 percent in 2016, average real GDP rebounded, reaching 3.6 percent in 2017. It is projected to grow 4.1 percent a year in 2018 and 2019.

- 18 African countries grew above 5 percent in 2017

- 37 countries grew above 3 percent

- Growth was driven by:

  - improved global economic conditions;
  - better macroeconomic management;
  - recovery in commodity prices (mainly oil and metals);
  - sustained domestic demand, partly met by import substitution, and
  - improvements in agriculture production.
2. Eastern Africa is leading the way

It has been the best-performing region in Africa. Growth projections for 2018 and 2019 look promising.

North Africa
- 2018: 5.1%
- 2019: 4.5%

West Africa
- 2018: 3.6%
- 2019: 3.8%

Central Africa
- 2018: 2.4%
- 2019: 6.1%

East Africa
- 2018: 5.9%
- 2019: 6.1%

Southern Africa
- 2018: 2.0%
- 2019: 2.4%

Africa
- 2018: 3.6%
- 2019: 3.8%
East Africa’s growth is led by: Ethiopia, Djibouti, Rwanda, Tanzania, Uganda, and Kenya

- Six countries led growth: Ethiopia (10.9%), Djibouti (6.8%), Tanzania (6.5%), Rwanda (6.2%), Kenya (5%), and Uganda (4.8%)

- Main sectoral drivers: agriculture (41% of East Africa’s average real GDP growth in 2017). Industry sector’s contribution has increased, notably in Ethiopia, Rwanda, and Tanzania

- Demand side drivers: household consumption and public investment

Source: AfDB, Statistics
3. Despite progress

the region is facing serious economic challenges

- Manufacturing is growing in some countries but still accounts for only 8.4% of GDP and 19.9% of exports on average
- Like all of Africa, the region is facing severe job deficits and challenging demographics
- Binding infrastructure (energy, transport, water & sanitation) & finance constraints
- High domestic resource gaps, leading to high current account deficits and increasing public debt
- Income inequality: top 20% of the population controls roughly 50% of income
Exports have declined since 2012 and 3 of the top 5 export products are not transformed.

### East Africa—Total Exports to Top 5 Destinations (Millions of US$)

<table>
<thead>
<tr>
<th>Total Exports</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016*</th>
</tr>
</thead>
<tbody>
<tr>
<td>United Arab Emirates</td>
<td>3,571</td>
<td>3,065</td>
<td>2,610</td>
<td>2,017</td>
<td>2,026</td>
</tr>
<tr>
<td>China</td>
<td>1,972</td>
<td>4,559</td>
<td>4,058</td>
<td>2,583</td>
<td>1,771</td>
</tr>
<tr>
<td>India</td>
<td>798</td>
<td>1,102</td>
<td>1,452</td>
<td>1,320</td>
<td>1,074</td>
</tr>
<tr>
<td>Switzerland</td>
<td>1,273</td>
<td>650</td>
<td>397</td>
<td>470</td>
<td>960</td>
</tr>
<tr>
<td>Dem. Rep. of Congo</td>
<td>824</td>
<td>856</td>
<td>851</td>
<td>713</td>
<td>852</td>
</tr>
</tbody>
</table>

### Main Products Exported from East Africa

<table>
<thead>
<tr>
<th>Main Products Exported from East Africa</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gold, non-monetary (excluding gold ores and concentrates)</td>
<td>4,969</td>
<td>3,813</td>
<td>3,101</td>
<td>2,727</td>
<td>2,843</td>
</tr>
<tr>
<td>Coffee and coffee substitutes</td>
<td>1,848</td>
<td>1,484</td>
<td>1,549</td>
<td>1,533</td>
<td>1,458</td>
</tr>
<tr>
<td>Tea and mate</td>
<td>1,429</td>
<td>1,310</td>
<td>1,151</td>
<td>1,341</td>
<td>1,333</td>
</tr>
<tr>
<td>Vegetables</td>
<td>918</td>
<td>1,120</td>
<td>1,192</td>
<td>1,184</td>
<td>1,140</td>
</tr>
<tr>
<td>Petroleum oils, oils from bitumin. materials, crude</td>
<td>1,157</td>
<td>4,575</td>
<td>3,323</td>
<td>1,879</td>
<td>1,068</td>
</tr>
</tbody>
</table>

Source: UNCTAD STAT *: estimates
It’s a generic African problem:
There is urgent need for structural transformation to accelerate economic diversification.
Dependence on commodities is reflected in low tax rates, which limit the government capacity.
Debt trends must be monitored carefully

The Bank is helping with new analytical work

External Debt in a Sample of Eastern African Countries, 2016

<table>
<thead>
<tr>
<th>Country</th>
<th>% of GDP</th>
<th>% of Exports</th>
</tr>
</thead>
<tbody>
<tr>
<td>Burundi</td>
<td>21.2</td>
<td>327.4</td>
</tr>
<tr>
<td>Ethiopia</td>
<td>32</td>
<td>389.6</td>
</tr>
<tr>
<td>Kenya</td>
<td>32</td>
<td>212.2</td>
</tr>
<tr>
<td>Rwanda</td>
<td>34.1</td>
<td>173.4</td>
</tr>
<tr>
<td>Sudan</td>
<td>24.3</td>
<td>454.4</td>
</tr>
<tr>
<td>Tanzania</td>
<td>35.3</td>
<td>175.6</td>
</tr>
<tr>
<td>Uganda</td>
<td>39.6</td>
<td>220</td>
</tr>
</tbody>
</table>

Total and External Debt Trends in Africa, 2000-2016
There are many opportunities for East Africa to diversify its economies and create employment.

- At the global level:
  - Upturn in commodity prices & positive FDI outlook
  - New markets opening up for African exports

- At the regional level:
  - Great examples of high-performing countries (Ethiopia, Rwanda, etc.)
  - Mineral (oil, natural gas) discoveries
  - Strong domestic demand from a growing middle class
  - Agricultural industrialization, light manufacturing, modern services—including tourism—are growing
  - New momentum for regional integration via EAC & COMESA
There are new potential sources of financing for Africa’s infrastructure.

In Africa, the assets managed by African institutional investors are expected to rise to $1.8 trillion by 2020 from $670 billion in 2012.

### Type of investor

<table>
<thead>
<tr>
<th>Type of investor</th>
<th>2012 ($ billion)</th>
<th>2020 ($ billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pension funds</td>
<td>300</td>
<td>1,100</td>
</tr>
<tr>
<td>Insurance companies</td>
<td>200</td>
<td>445</td>
</tr>
<tr>
<td>Sovereign wealth funds</td>
<td>170</td>
<td>300</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>670</strong></td>
<td><strong>1,845</strong></td>
</tr>
</tbody>
</table>

- **Taxes** $500 b.
- **ODA** $27 b.
- **Remittances** $63 b., $33 to SSA
- **FDI** $59 b.
- **African Institutional Investors** $670 b.
5. Suggested Policy Priorities for Growth and Employment

- Strengthen macroeconomic policies—fiscal, monetary, exchange rate—and domestic resource mobilization;
- Improve debt management and public investment (We will support, including with PERs);
- Promote agricultural industrialization (We will support with blueprints for staple crop processing zones, special economic zones, and industrial parks—and of course, concrete projects and programs);
- Accelerate diversification and attract more private funding to infrastructure projects, focusing on risk mitigation (We will support with advice on pragmatic approaches to prioritize infrastructure strategically and identify new financing instruments);
- Proactive and more aggressive strategies to attract FDI (We will support with the Africa Investment Forum, knowledge products, and other instruments).
Expected GCI dividends: the Bank, your Bank, will be able to scale up its production of customized knowledge and other nonlending services

- Analytical and Advisory Activities, with a uniquely African perspective
- Granular research and timely policy reports (Examples: Sudan, Ethiopia, Kenya…)
- Greater awareness and consensus on issues and policy options (AEO Highlights in Kiswahili and Amharic)
- Capacity building for economic policymaking (local stakeholders and thinktanks involved in our work)
- Targeted technical assistance
Thank you.  
Merci beaucoup.  
Asanteni sana.  
Shukran jazira.  
Amesegnalehu.  
Yakenele.  
Mahadsanid.