

EDITORIAL: Africa's economies looking good

Africa Day has been celebrated around the continent over the past week and the economic outlook is good.

The latest report from the African Development Bank (AfDB) cites the resilience of the continent's economies, whose average growth rate slowed from 4.1% in 2022 to 3.1% but is projected to stabilise at 4% in 2024/25. That masks big differences between countries and regions.

Economies have been devastated in war-torn countries such as Sudan; slow growth in two large economies — SA and Nigeria — has pulled down the performance of the continent. Climate change is doing damage across Africa. So too are high inflation and interest rates and difficult global financial conditions.

Despite that Africa is set to remain the world's second fastest-growing region after Asia. And several of its economies are shooting the lights out. The AfDB reports 17 are projected to grow by more than 5% in 2024 and the number could rise to 24 the following year.

East Africa is leading the way, with an average growth rate that is projected to jump to 4.9% in 2024 and 5.7% in 2025. It has been much in the news with the recent state visit by Kenya's President William Ruto to the US, one of the few state visits President Joe Biden has entertained and a rare event for an African country, especially given the hype it attracted in Washington.

One of the striking aspects of the region's and continent's growth spurt is that it is not driven this time by resources as it often has been in the past. Kenya's economy has sustained growth rates of more than 5% for the past couple of decades based on services and agricultural exports such as roses and light manufacturing, as well as infrastructure expansion. The contrast between its service economy-led economic planning and SA's emphasis on old-style localisation and industrial policy could hardly be greater.

Indeed the AfDB calls for Africa to promote services-led exports in sectors such as tourism, business and ICT to generate inclusive growth. "Africa should also capitalise on the emerging high-value services sector and leveraging its main features — smaller firms, high productivity and greater labour intensity — to develop a services-led growth model," says the report.

Infrastructure is key though and substantial investment from international sources will be needed to expand and upgrade the continent's inadequate infrastructure. Standard Bank's economists put the number at an estimated \$3.4-trillion.

One reason East Africa is pulling ahead is that it is the most economically integrated of the continent's subregions, whereas in much of the rest of the continent little progress is being made despite the African Free Trade Continental Area agreement having been in place for some time.

But financial conditions for Africa are looking better than they were. It seemed in 2022 as if there might be a repeat of the sky-high public debt burdens that almost sunk many countries in the early 2000s until they were bailed out by the heavily indebted poor countries programme agreed by international lenders. And after a stretch in which several African countries went to international capital markets to raise finance, countries such as Ghana, Zambia and even Kenya got into trouble again and, amid

unfriendly global financial conditions, those capital markets shut down to African countries from 2022.

But it hasn't been the disaster it was in the past and those markets have recently started opening up again, with Ivory Coast and Kenya among those that have gone back to the market. That many countries on the continent have implemented economic reforms and now have better "guardrails" has helped, as has more robust support from the IMF.

While there is still plenty of risk and currency volatility attached to doing business in Africa in the short term it has strong long-term drivers of growth, including its young population. And while SA has been a drag on the continent, if its economy turns around it could become another of those drivers, especially for Southern Africa.

Standard Bank estimates each additional one percentage point of GDP growth in SA buoys its near neighbours by 0.6%-0.8%. SA's economic fortunes are linked to those of the continent just as our neighbours' fortunes are linked to our own.

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