



AFRICAN DEVELOPMENT BANK GROUP
GROUPE DE LA BANQUE AFRICAINE
DE DEVELOPPEMENT

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



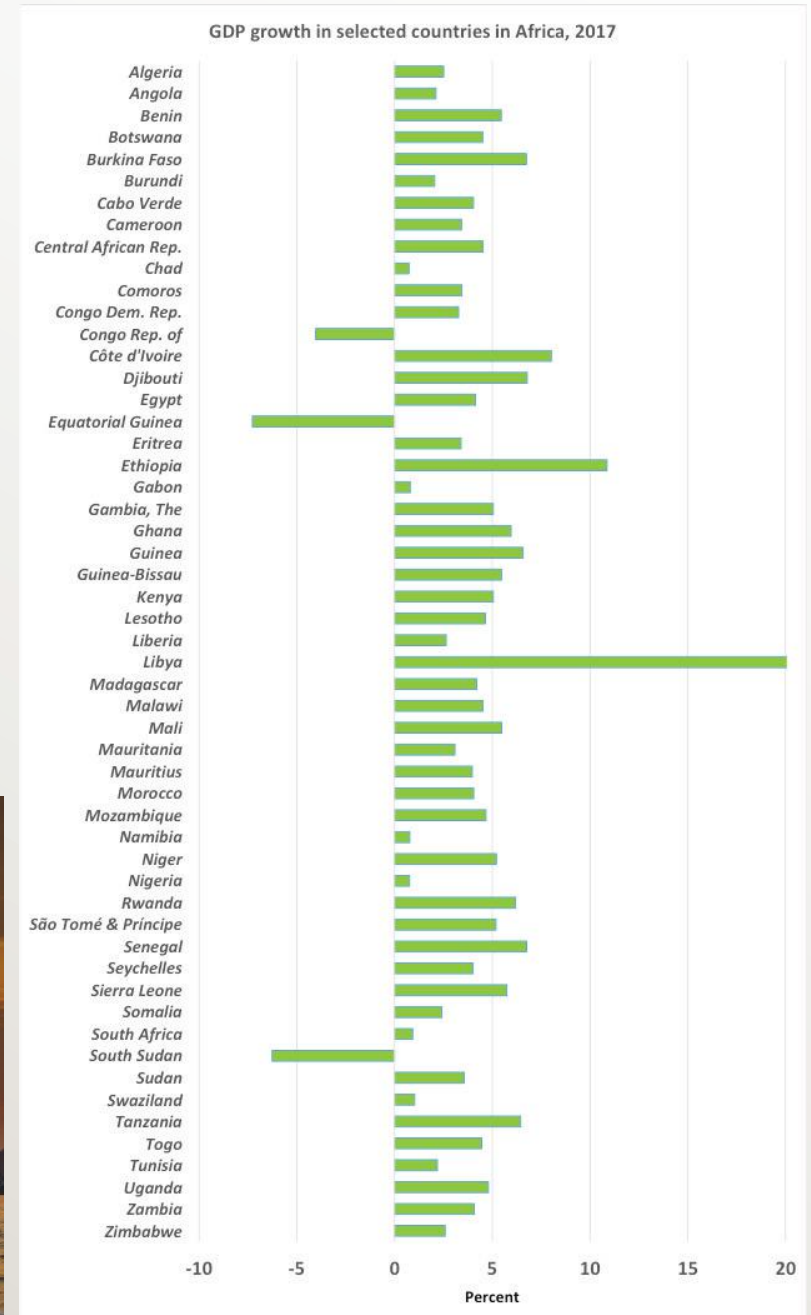
Africa's economic performance is improving:

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:

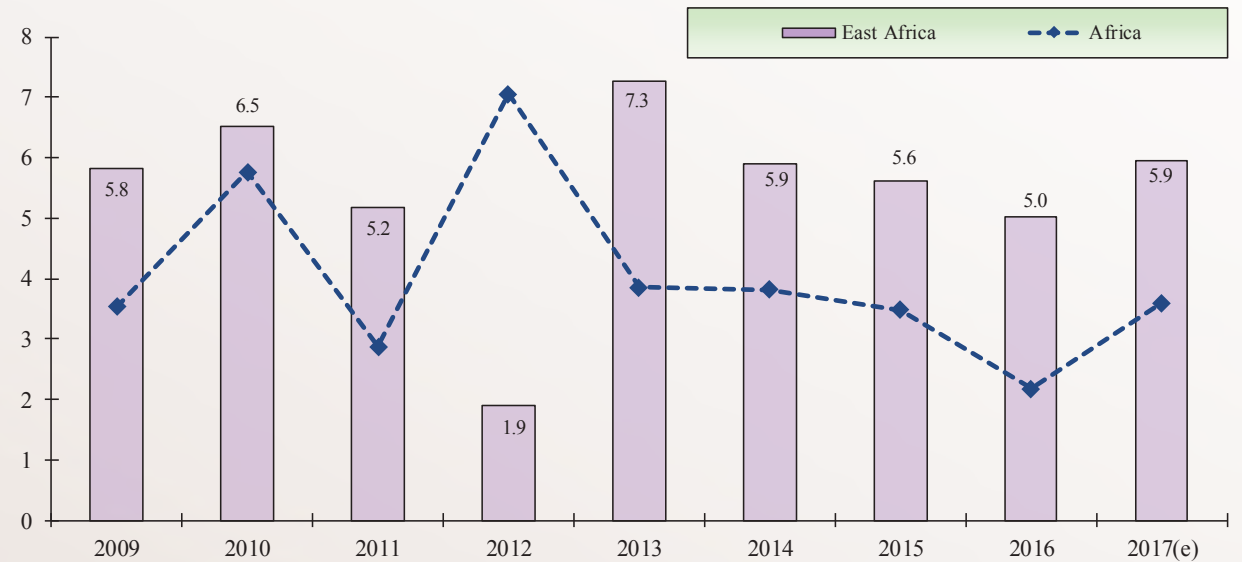
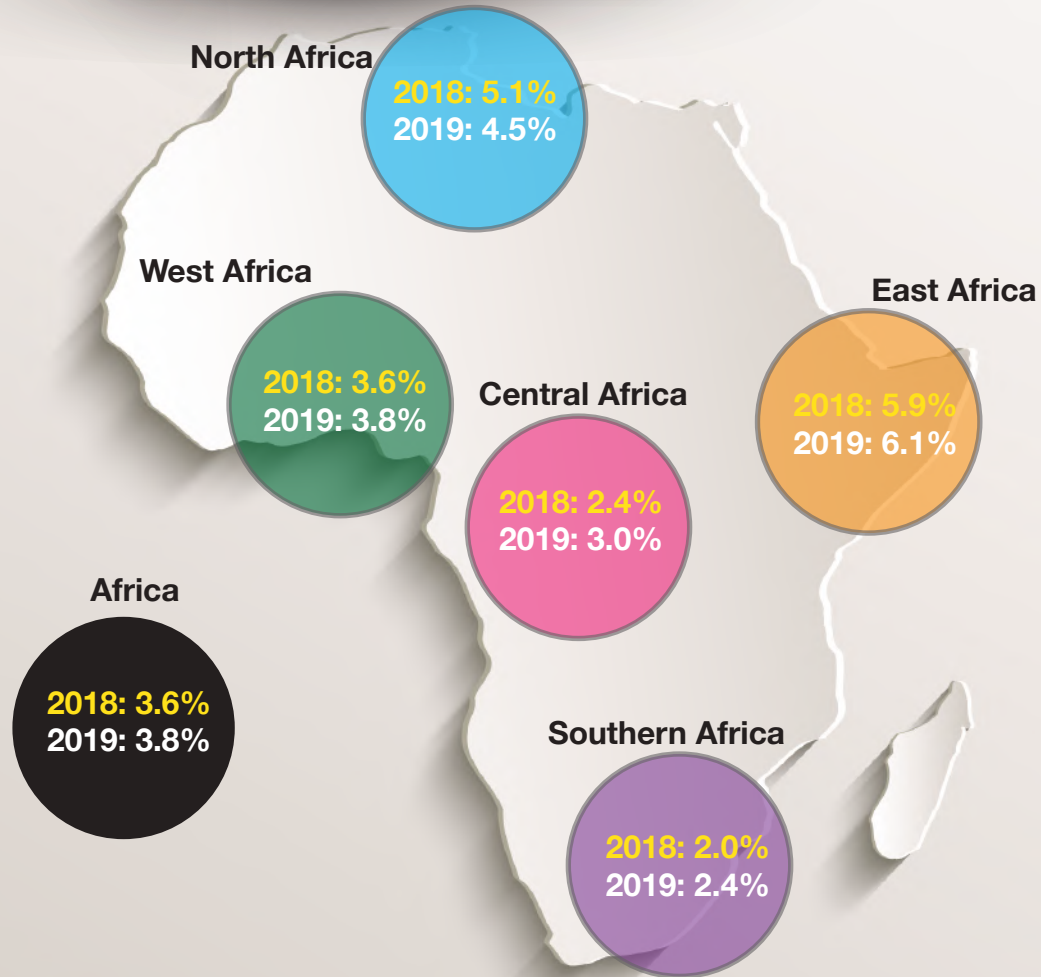


- improved global economic conditions;
- better macroeconomic management;
- recovery in commodity prices (mainly oil and metals);
- sustained domestic demand, partly met by import substitution, and
- improvements in agriculture production.



2. Eastern Africa is leading the way

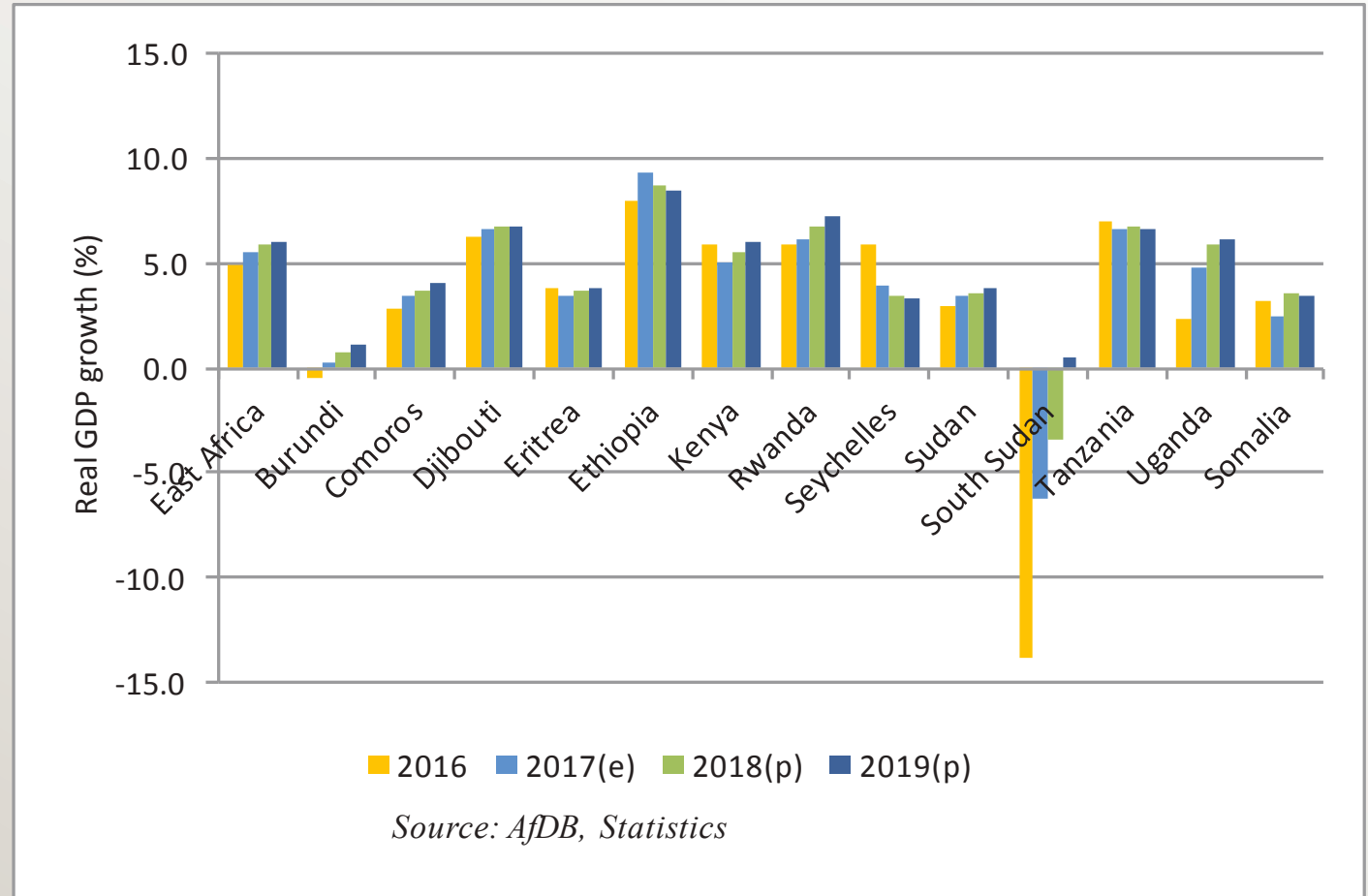
It has been the best-performing region in Africa Growth projections for 2018 and 2019 look promising



East Africa's growth is led by:

Ethiopia, Djibouti, Rwanda, Tanzania, Uganda, and Kenya

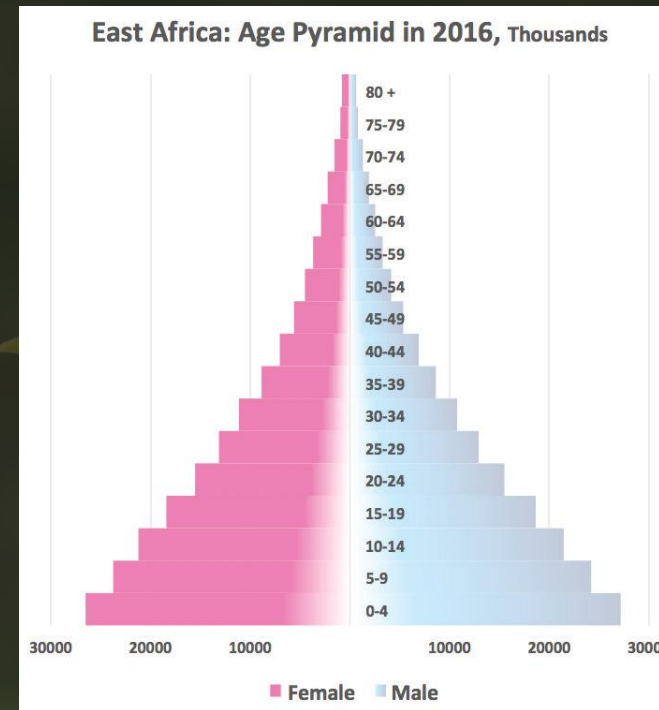
- Six countries led growth: Ethiopia (10.9%), Djibouti (6.8%), Tanzania (6.5%), Rwanda (6.2%), Kenya (5%), and Uganda (4.8%)
- Main sectoral drivers: **agriculture** (41% of East Africa's average real GDP growth in 2017). Industry sector's contribution has increased, notably in Ethiopia, Rwanda, and Tanzania
- Demand side drivers: **household consumption and public investment**



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\$)

	2012	2013	2014	2015	2016*
Total Exports	23,105	24,894	24,196	21,165	19,601
United Arab Emirates	3,571	3,065	2,610	2,017	2,026
China	1,972	4,559	4,058	2,583	1,771
India	798	1,102	1,452	1,320	1,074
Switzerland	1,273	650	397	470	960
Dem. Rep. of Congo	824	856	851	713	852
Main Products Exported from East Africa					
Gold, non-monetary (excluding gold ores and concentrates)	4,969	3,813	3,101	2,727	2,843
Coffee and coffee substitutes	1,848	1,484	1,549	1,533	1,458
Tea and mate	1,429	1,310	1,151	1,341	1,333
Vegetables	918	1,120	1,192	1,184	1,140
Petroleum oils, oils from bitumin. materials, crude	1,157	4,575	3,323	1,879	1,068

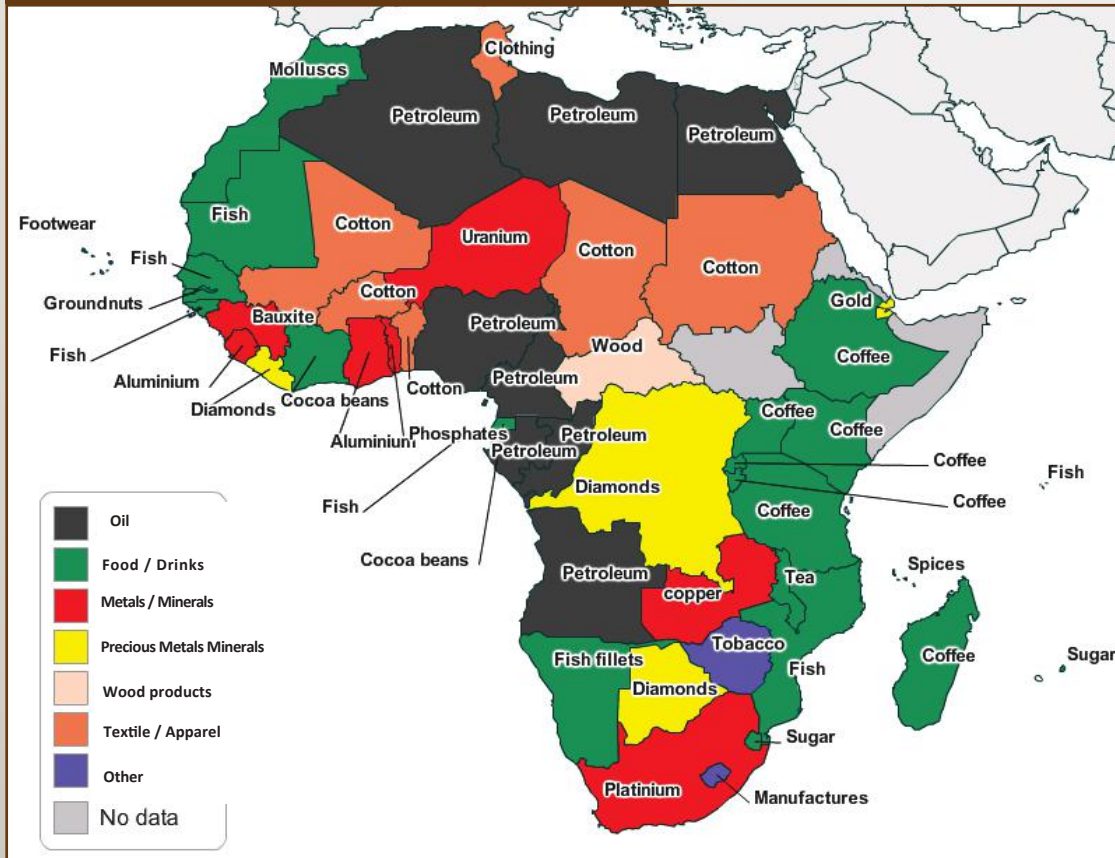
Source: UNCTAD STAT

*: estimates

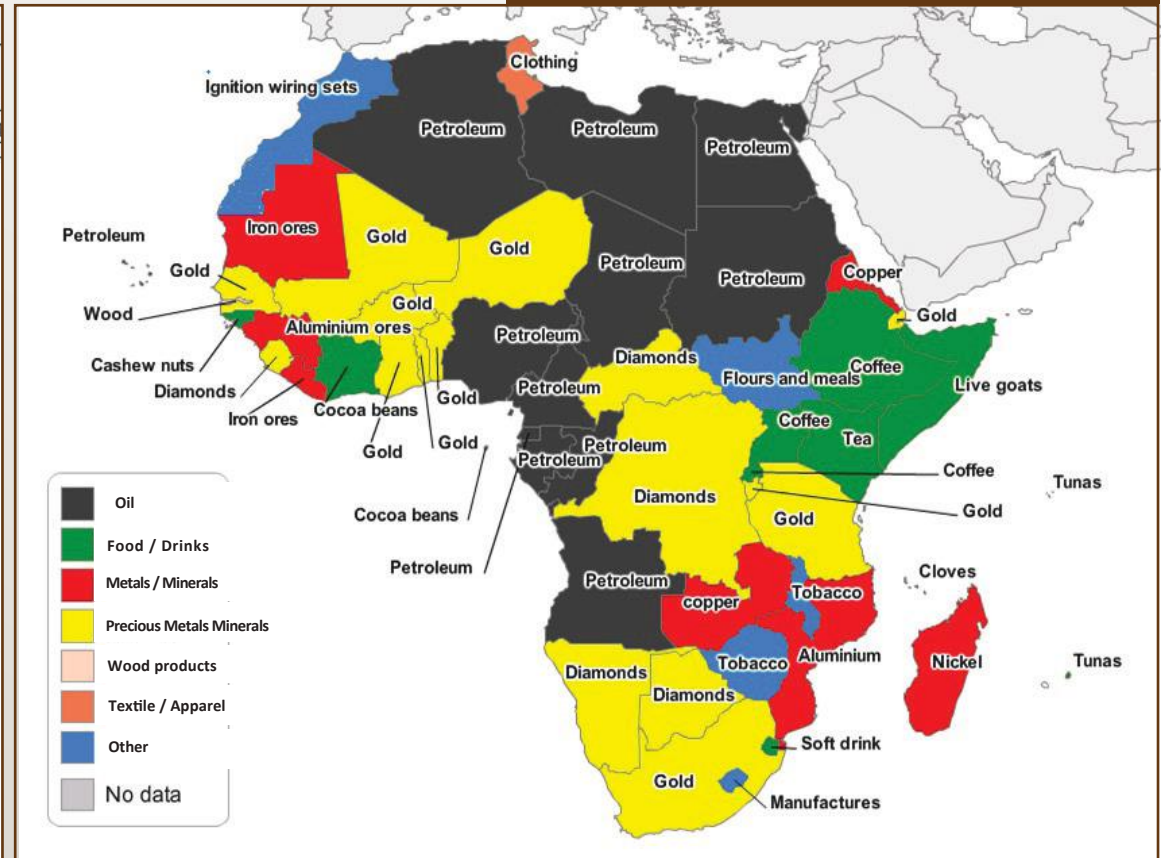
It's a generic African problem:

There is urgent need for structural transformation to accelerate economic diversification

Single most important export product, 1985

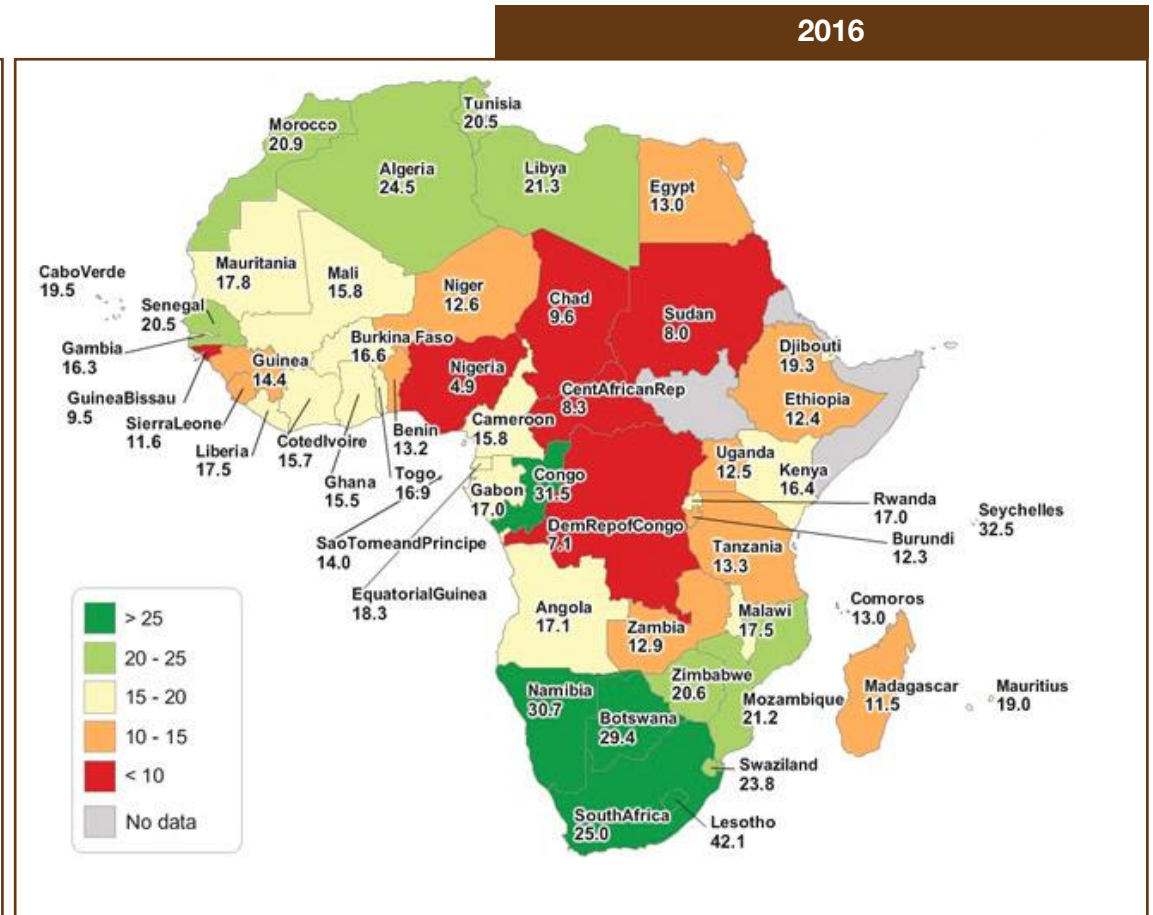
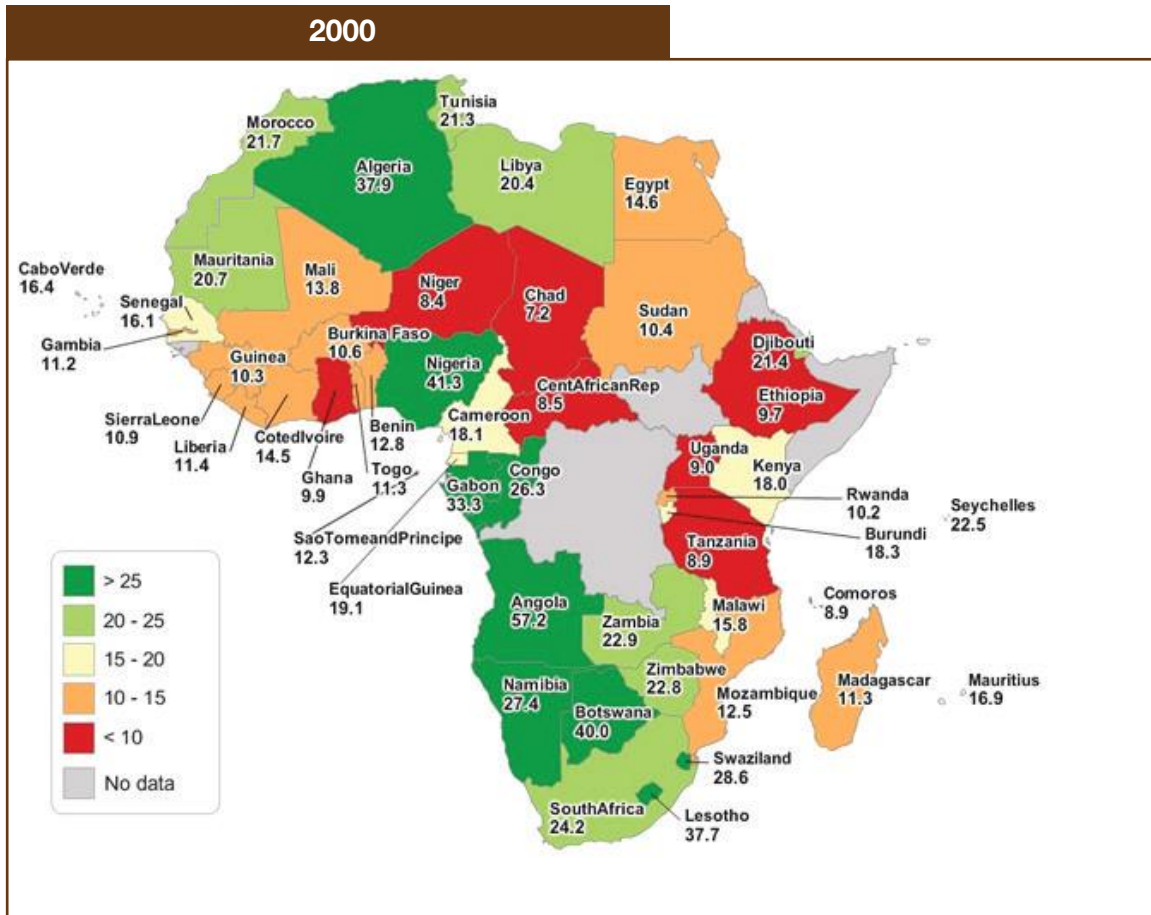


Single most important export product, 2015



Dependence on commodities

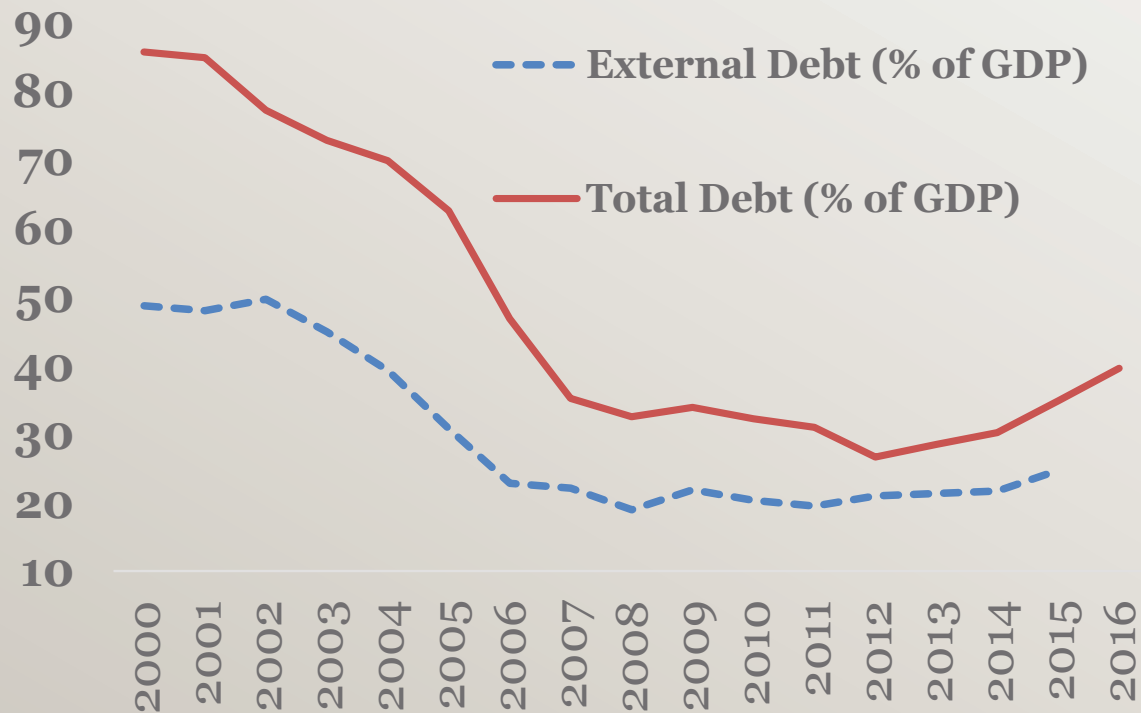
is reflected in low tax rates, which limit the government capacity



Debt trends must be monitored carefully

The Bank is helping with new analytical work

Total and External Debt Trends in Africa, 2000-2016



External Debt in a Sample of Eastern African Countries, 2016

	% of GDP	% of Exports
Burundi	21.2	327.4
Ethiopia	32	389.6
Kenya	32	212.2
Rwanda	34.1	173.4
Sudan	24.3	454.4
Tanzania	35.3	175.6
Uganda	39.6	220

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

Hawassa Industrial Park in Ethiopia



Oil & gas discoveries in Uganda, Kenya, TZ, Ethiopia



There are new potential sources of financing for Africa's infrastructure

Assets managed by African institutional investors to rise from \$670b. to \$1.8 trillion

Taxes
\$500 b.

ODA
\$27 b.

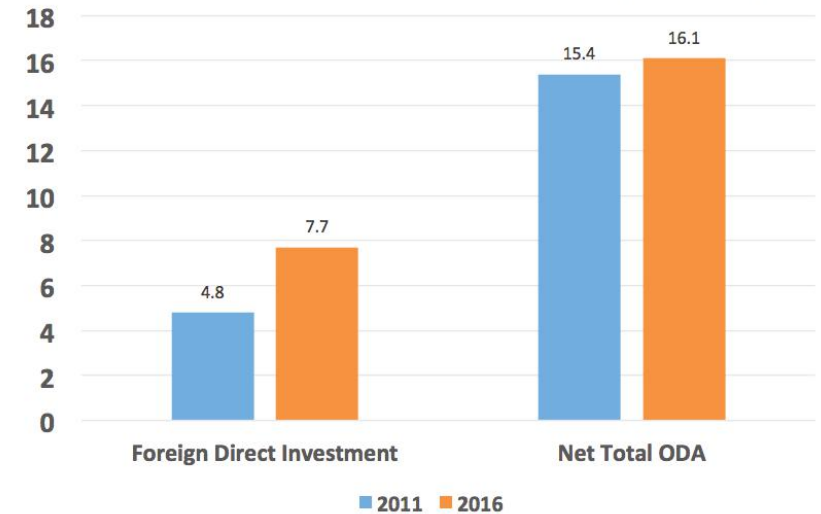
Remittances
\$63 b., \$33 to SSA

FDI
\$59 b.

African Institutional Investors
\$670 b.

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

FDI and ODA to Eastern Africa (\$billion)



Type of investor	2012 (\$ billion)	2020 (\$ billion)
Pension funds	300	1,100
Insurance companies	200	445
Sovereign wealth funds	170	300
Total	670	1,845

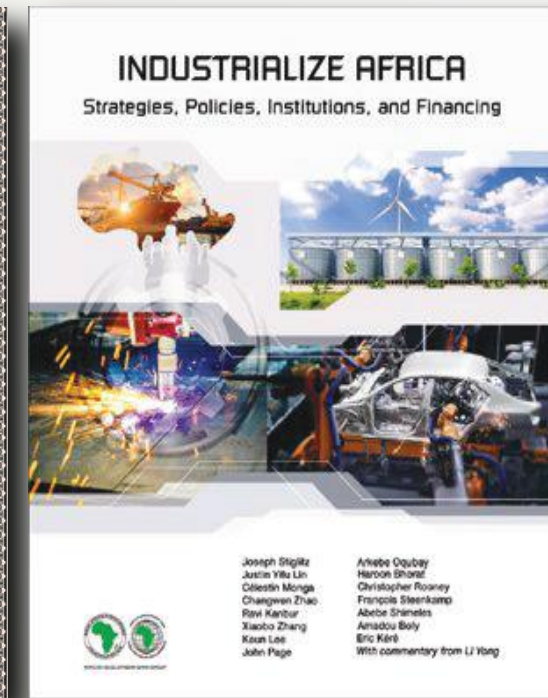
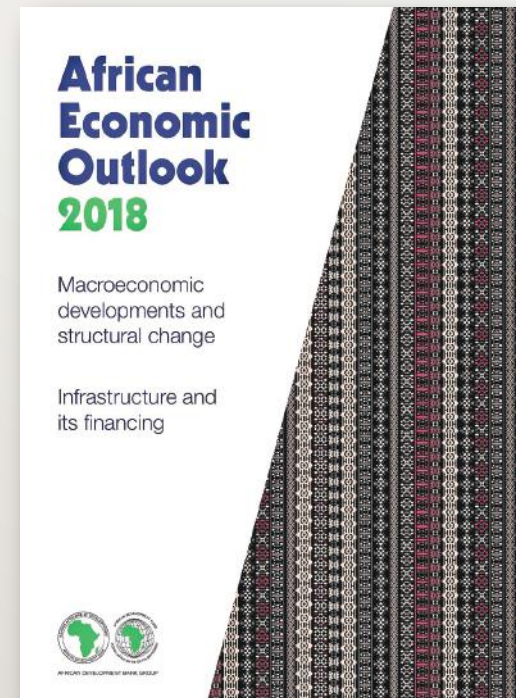
5. Suggested Policy Priorities for Growth and Employment

- 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.
Ameseagnalehu.
Yakenele.
Mahadsanid.



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