

Focus: The African Growth Story

During 2009-10, Sub-Saharan Africa grew faster than Brazil and India in nominal dollar terms and is projected by the IMF to grow faster than Brazil between 2010 and 2015. According to World Bank, sub-Saharan Africa is on the verge of joining the ranks of the BRICs. As the world gets out of the global recession, forecasts made by the IMF and the World Bank stress that given the need for fiscal retrenchment in the advanced countries, some rebalancing of global demand is needed to sustain economic growth. Africa can serve as a new source of global demand.

Sub-Saharan Africa is a geographical term used to describe the area of the African continent which lies south of the Sahara, or those African countries which are fully or partially located south of the Sahara. It contrasts with North Africa, which is considered a part of the Arab world.

On the Economic Front:

Real GDP growth rose significantly from 3.4% p.a. over the six years from 1996 to 2001 to 5.2 % p.a. during the boom period 2002-2008.

Per capita GDP growth went from 0.7% p.a. over 1996 to 2001 to 2.7% p.a. over 2002 to 2008.

The median inflation rate in the mid-2000s was about half that in the mid-1990s.

Foreign exchange reserves including gold increased more than 300% from \$37 bn in 2001 to \$154 bn in 2008. And net FDI flows more than doubled from \$14 bn in 2001 to \$34 bn in 2008.

Investment in telecoms with private participation tripled from \$4 bn in 2001 to close to \$12 bn in 2008.

International tourism receipts increased from \$8.5 bn in 2001 to \$23 bn in 2008, while remittances grew from \$5 bn in 2002 to \$ 21 bn in 2008.

On the Political Front:

Democracy is taking hold in the continent: the number of autocratic regimes fell from a peak of 36 in 1989 to only 3 in 2004. The security

situation is also improving. The number of state-based armed conflicts in Sub-Saharan Africa went down from a peak of 16 in 1999 to 5 in 2005 and 7 in 2006, although it went back up to 11 in 2008 and 2009. As a result, battle-related deaths shrank from a peak of approximately 64,000 in 1999 to 1,400 in 2005, the lowest figure in decades, although it increased to 6,000 in 2008.

On the Human Development side:

Sub-Saharan Africa's population rose from 672 mn in the year 2000 to 820 mn in 2008. Africa is the **world's youngest continent** with more than 43% of the population under the age of 14 and 65% under the age of 30. And the number of youth in the region will peak in about 20-30 years, according to World Bank.

Gross primary school enrollment rose from 78% in 1999 to 97% in 2007, while secondary school enrollment went from 24 % to 33% over the same period. The primary school enrollment rate for girls rose from 71% in 1999 to 92% in 2007, and secondary school enrollment climbed from 22 % to 29% over the same period.

During the global financial crisis:

The crisis led to a drop in the growth rate to 1% in 2009. However, according to World Bank, the region is expected to rebound to 3.8% and then 4.5% in 2010 and 2011, faster than Latin America, and Europe and Central Asia.

This resilience is a manifestation of the strides made by the region in terms of its commitment to reform, and political and economic stability. More of the region's countries are now regarded as frontier emerging markets, including Botswana, Cape Verde, Ghana, Kenya, Mauritius, Mozambique, Namibia, Nigeria, Seychelles, South Africa, Tanzania, Uganda, and Zambia.

Key Constraints to Growth:

Infrastructure Deficiencies

Infrastructure spending needs for Sub-Saharan Africa (capital plus operations and maintenance) are estimated at \$93 billion per year; deducting the amount governments actually spend and raising efficiency leaves a net funding gap \$31 billion a year, mostly in the power sector.

Lack of Integration

The region is isolated from global markets and its internal border restrictions fragment the region into a myriad of small local economies. It is neither regionally nor globally integrated.

Tertiary Education

While rapid progress has been made in primary and secondary school enrollment, gross tertiary school enrollment has barely crept up, from 4% in 1999 to 6% in 2007.

AIDS

Sub-Saharan Africa remains the region most heavily affected by HIV. In 2008, sub-Saharan Africa accounted for 67% of HIV infections worldwide, 68% of new HIV infections among adults and 91% of new HIV infections among children. The region also accounted for 72% of the world's AIDS-related deaths in 2008.

Data Source: IMF, World Bank & UNAIDS

Week that was

- *After being in double digits for five months in a row, the wholesale inflation rate came down to single digits, at 9.97 per cent, in July 2010.*
- *International crude oil price (WTI) fell to US\$75.18 /bbl on 16th August 2010 from US\$81.55/bbl on 2nd August 2010 and Indian Crude Basket price fell to US\$73.32/bbl on 16th August 2010 from US\$ 78/bbl on 2nd August 2010.*