

Economic Growth Projection

Sub-Saharan Africa experienced its worst economic performance in over two decades in 2016, with growth slowing to 1.5 percent¹. The poor performance in South Africa and oil exporting countries is responsible for attenuating regional growth rate, due to their high collective contribution to regional GDP, despite robust performance in non-resource intensive countries. Growth in Sub-Saharan Africa is projected to slightly improve in 2017 (2.9 percent) and further strengthen in 2018 (3.6 percent). At the sub-regional level, growth prospect is estimated to be highest in West Africa (4.78 percent), attributable to 5.93 percent growth rate from West African Monetary Union (WAEMU) Countries. East Africa is expected to grow at 4.5 percent, Southern Africa 3 percent, and Central Africa 2 percent. Agricultural exporting countries are projected to grow at around 7 percent, while oil producing countries are estimated to grow at 1.9 percent, which indicates a recovery from the negative growth recorded in 2016. Predicted recovery is based mainly on rebound in crude oil prices, after OPEC crude oil production cut. However, external risks such as policy uncertainty in the US owing to regime change and slower improvements in commodity prices, as well as domestic risk factors such as fiscal irresponsibility in the presence of low commodity prices and escalation of violence may impede growth in the region.



Inflation

Available data show that headline inflation rates remained high in most countries in the region in December 2016. Notably, most oil producing countries recorded double digits headline inflation rates — Nigeria (18.55 percent), Egypt (23.3 percent), Angola (41.95 percent), and Ghana (15.4 percent).² In contrast, Cote d'Ivoire (-0.2 percent), Zimbabwe (-0.93 percent) and Niger (-2.2 percent) recorded deflation² in the review period. Inflationary pressures persist mainly due to rise in food prices and poor performance of currencies across the region, especially for oil exporters. CFA countries had lower inflation rates which may be attributed to currency stability from the peg of the CFA Franc to the Euro. Likewise, commodity importers had lower inflation rates attributable to relative stability in exchange rates as well as cheaper oil imports, which at below \$60 per barrel remains comparatively low. Food prices are expected to increase across the region in 2017, as inadequate infrastructure for transportation and storage continue to make many fresh food items non-tradable and as parts of Eastern and Southern Africa still reel from the El-Niño drought and an outlook of below average rainfall. Policies across the region should be geared towards improving tradability of food by improving relevant infrastructure and reducing within-region tariffs³. Also, governments can implement structural measures aimed at improving productivity in the agricultural sector; this can lower food prices and improve welfare.

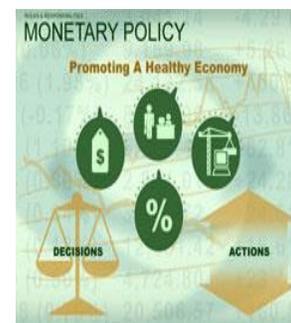


Monetary Policy

The Monetary Policy Committees (MPCs) of South Africa, Kenya, Ghana and Nigeria retained their interest rates in meetings held in January amid increased global uncertainties. Specifically, South Africa's repurchase rate remained unchanged at 7 percent per annum⁴, Kenya Central Bank Rate was retained at 10 percent⁵, while Ghana and Nigeria Monetary Policy Rates (MPR) were maintained at 25.5 percent⁶ and 14 percent⁷ respectively. The various MPCs felt it was not necessary to change interest rates and other monetary rates due to modest growth forecast and projected improvement in commodity prices. Further, rates were retained with the expectation that inflation falls to various target ranges. However, policy reviews may be required as global uncertainties from Britain's withdrawal from the EU, US new regime, and fluctuations in oil prices are resolved. Also, domestic factors such as pipeline vandalism (in Nigeria), dry season/drought and general election (in Kenya) may hamper growth and lead to future revision in policy.

Business

World Bank 2017 Doing Business Report, which measures how regulatory environment affects the ease of starting and running a business in an economy, showed that Sub-Saharan African countries performed poorly relative to 2015 and other regions⁸. The region's performance was the worst globally, averaging a distance to frontier (DTF) score of 49.51 out of 100, which is slightly lower than the DTF recorded in 2015 (49.66)¹⁰. Only 8 of the 48 Sub-Saharan African countries reported featured in the top 100 countries, with Mauritius (49th), Rwanda (56th), Botswana (71st) and South Africa (74th) the best ranked countries in the region¹⁰, while Somalia (190th) and Eritrea (189th) had the worst performance in Africa and the world. The major constraints to doing business according to the report are in the areas of access to credit, resolving insolvency, and protecting minority citizens⁸. In order to record significant development, it is necessary to create an enabling environment for business to thrive. African states need to direct policy towards improving financial inclusivity and improving credit availability for Small and Medium Enterprises (SMEs).



DATA SUMMARY

Ease of Doing Business			
	DTF	Global Ranking	African Ranking
Mauritius	72.27	49	1
Rwanda	69.81	56	2
Botswana	65.55	71	3
South Africa	65.2	74	4
Kenya	61.22	92	5
Seychelles	61.22	93	6
Zambia	60.54	98	7
Lesotho	60.37	100	8
Ghana, Namibia	58.82	108	9
Nigeria	44.63	169	37
Angola	38.41	182	43
Congo Dem. Rep.	37.57	184	44
Central African Rep.	36.25	185	45
South Sudan	33.48	186	46
Eritrea	28.05	189	47
Somalia	20.29	190	48

Source: World Bank Doing Business Report, 2017

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Inflation Rate (%)		
Countries	Nov-16	Dec-16
Nigeria	18.48	18.55
Egypt	19.4	23.3
South Africa	6.6	6.8
Angola	41.15	41.95
Sudan	29.49	30.47
Kenya	6.68	6.35
Ethiopia	7	6.7
Tanzania	4.8	5
Tunisia	4	4.2
Ghana	15.5	15.4
Congo	15.27	11.2
Ivory Coast	0.4	-0.2
Zambia	8.8	7.5
Uganda	4.6	5.7
Mozambique	26.83	25.27
Botswana	2.9	3
Zimbabwe	-1.09	-0.93
Senegal	0.2	2.1
Mauritius	2.2	2.3
Namibia	7.3	7.3
Rwanda	9.1	11
Niger	-1.9	-2.2
Burundi	7.1	9.6
Seychelles	-0.4	-0.26
Source: Trading Economics		

Sub-Saharan Africa Growth Forecast Summary (%)				
	Estimates		Projections	
	2015	2016	2017	2018
Sub-Saharan Africa	3.1	1.5	2.9	3.6
CFA Countries	4.3	4.3	4.8	5.3
Southern Africa	2.55	1.375	3.2375	3.6875
West Africa	3.73	4.78	5.36	5.46
WAEMU Countries	5.87	5.93	6.15	6.15
Central Africa	2.06	0.86	2.06	2.94
East Africa	3.79	4.14	4.79	5.11
Oil Exporters	2.9	-0.2	1.9	2.9
<i>Nigeria</i>	<i>2.7</i>	<i>-1.7</i>	<i>1</i>	<i>2.5</i>
<i>Angola</i>	<i>3</i>	<i>0.4</i>	<i>1.2</i>	<i>0.9</i>
Agricultural Exporters	7.68	7.14	7.36	7.56
<i>Ethiopia</i>	<i>9.6</i>	<i>8.4</i>	<i>8.9</i>	<i>8.6</i>
<i>Tanzania</i>	<i>7</i>	<i>6.9</i>	<i>7.1</i>	<i>7.1</i>
<i>Rwanda</i>	<i>6.9</i>	<i>6</i>	<i>6</i>	<i>7</i>
<i>Cote d'Ivoire</i>	<i>8.4</i>	<i>7.8</i>	<i>8</i>	<i>8.1</i>
<i>Senegal</i>	<i>6.5</i>	<i>6.6</i>	<i>6.8</i>	<i>7</i>
Commodity Importers	3.07	3.3	3.43	3.6
<i>Cabo Verde</i>	<i>1.5</i>	<i>3</i>	<i>3.3</i>	<i>3.5</i>
<i>Mauritius</i>	<i>3.4</i>	<i>3.2</i>	<i>3.5</i>	<i>3.8</i>
<i>Seychelles</i>	<i>4.3</i>	<i>3.8</i>	<i>3.5</i>	<i>3.5</i>
South Africa	1.3	0.4	1.1	1.8
Source: World Bank Sub-Saharan Africa Outlook				



¹World Bank Group (2017). “Global Economic Prospect Report, Sub-Saharan Africa Regional Overview”. Retrieved from, <http://pubdocs.worldbank.org/en/731841481727538047/Global-Economic-Prospects-January-2017-Regional-Overview-SSA.pdf>

²Trading Economies (2017). “Data on African Countries”. <http://www.tradingeconomics.com/>

³Alper, E., Hobdari, N. A., & Uppal, A. (2016). Food Inflation in Sub-Saharan Africa: Causes and Policy Implications. IMF Working Paper.

⁴Reserve Bank of South Africa (2017). “Statement of the Monetary Policy Committee, January 24, 2017”. Retrieved from, <https://www.resbank.co.za/Lists/News%20and%20Publications/Attachments/7644/Statement%20of%20the%20Monetary%20Policy%20Committee%20-%202024%20January%202017.pdf>

⁵Central Bank of Kenya (2017). Monetary Policy Meeting Press Release. Retrieved from, https://www.centralbank.go.ke/uploads/mpc_press_release/239547611_MPC%20Press%20Release%20-%20Meeting%20of%20January%2030,%202017.pdf

⁶Bank of Ghana (2017). “MPC Press Release, January 2017”. Retrieved from, https://www.bog.gov.gh/privatecontent/MPC_Press_Releases/MPC%20Press%20Release%20-%20Jan.%202017.pdf

⁷Central Bank of Nigeria (2017). “Monetary Policy Communique No. 111, January 26, 2017”. Retrieved from, <https://www.cbn.gov.ng/Out/2017/MPD/Central%20Bank%20of%20Nigeria%20Communique%20No%20111%20of%20the%20Monetary%20Policy%20Committee%20Meeting%20of%2023rd%20and%2024th%20January%202017.pdf>

⁸World Bank (2017). “Doing Business Report, Sub Saharan Africa Region”. [http://www.doingbusiness.org/~media/WBG/DoingBusiness/Documents/Annual-Reports/English/DB17-Report.pdf](http://www.doingbusiness.org/~/media/WBG/DoingBusiness/Documents/Annual-Reports/English/DB17-Report.pdf)

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ⁱ Agricultural exporters includes; Ethiopia, Tanzania, Rwanda, Cote d'Ivoire, and Senegal

Commodity Importers includes; Cabo Verde, Mauritius, and Seychelles

Oil exporters includes; Angola, Cameroon, Chad, DR Congo, Gabon, Nigeria, Republic of Congo, Sudan

CFA Countries Includes; Benin, Burkina Faso, Cameroon, Central African Republic, Chad, Cote d'Ivoire, Equatorial Guinea, Gabon, Mali, Niger, Republic of Congo, Senegal, Togo

WAEMU countries include: Benin, Burkina Faso, Côte D'Ivoire, Guinea-Bissau, Mali, Niger, Senegal, and Togo.

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