

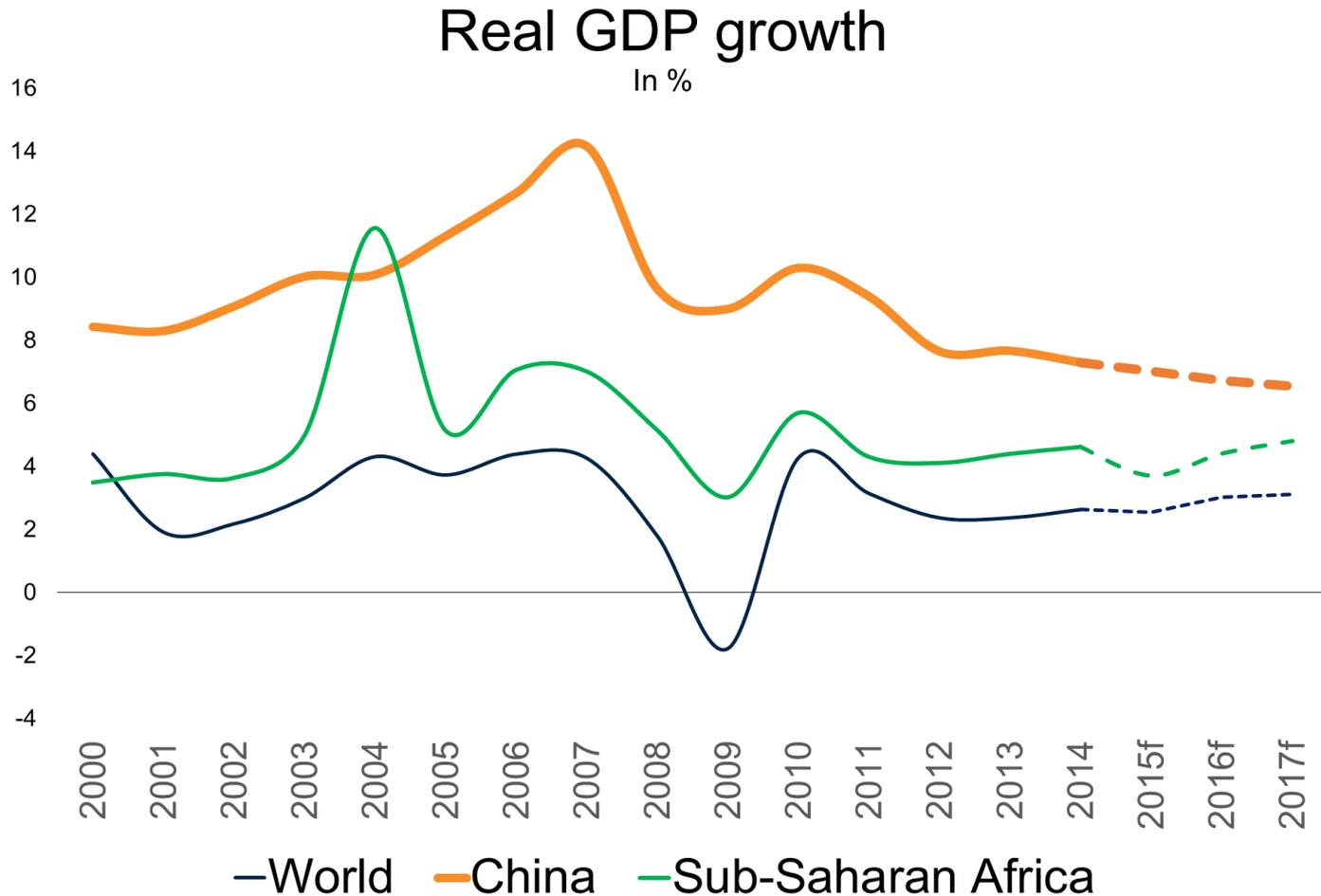
# State of the Africa Region

## SUSTAINING GROWTH AMID RISING GLOBAL RISKS

MAKHTAR DIOP • VICE PRESIDENT, AFRICA REGION • THE WORLD BANK 

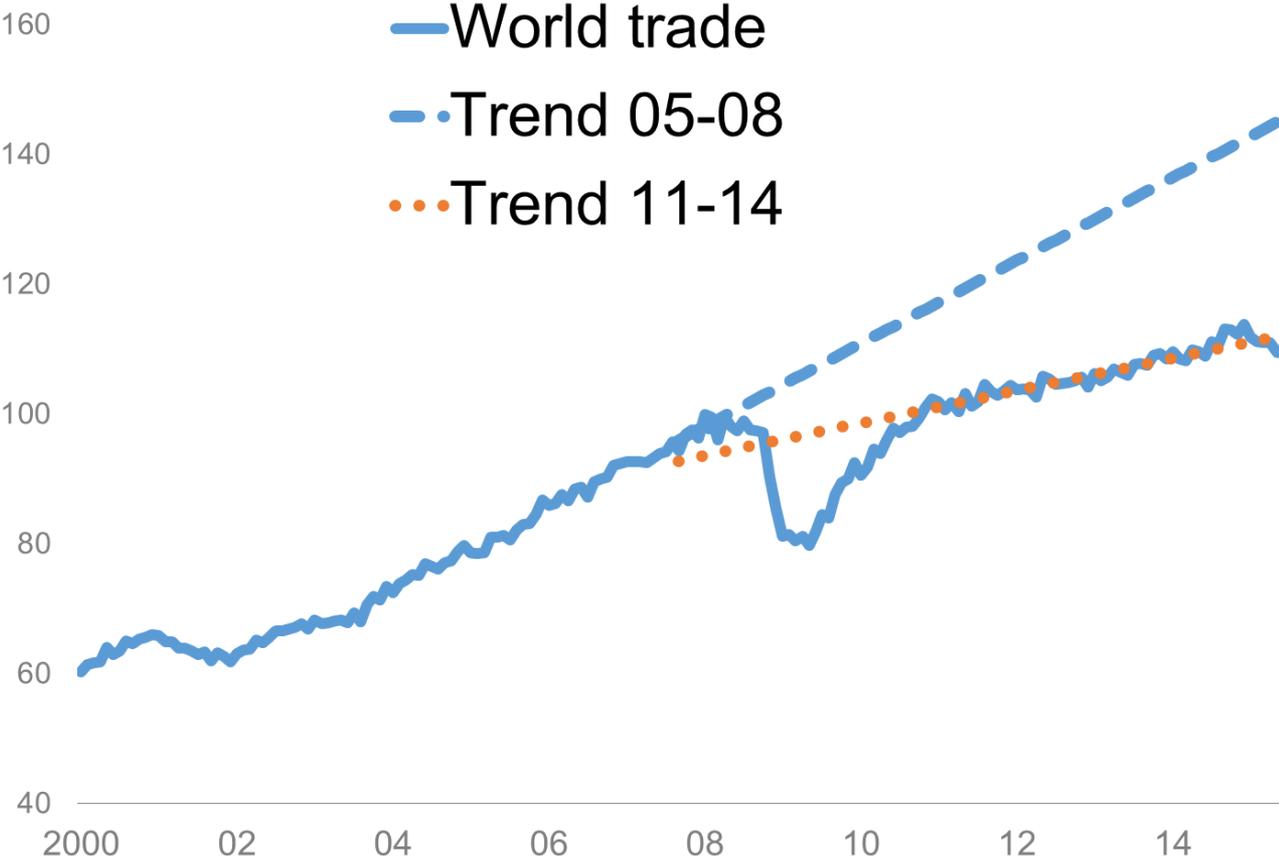
# **RISING GLOBAL RISKS**

# A more difficult global environment, underpinned by weak growth

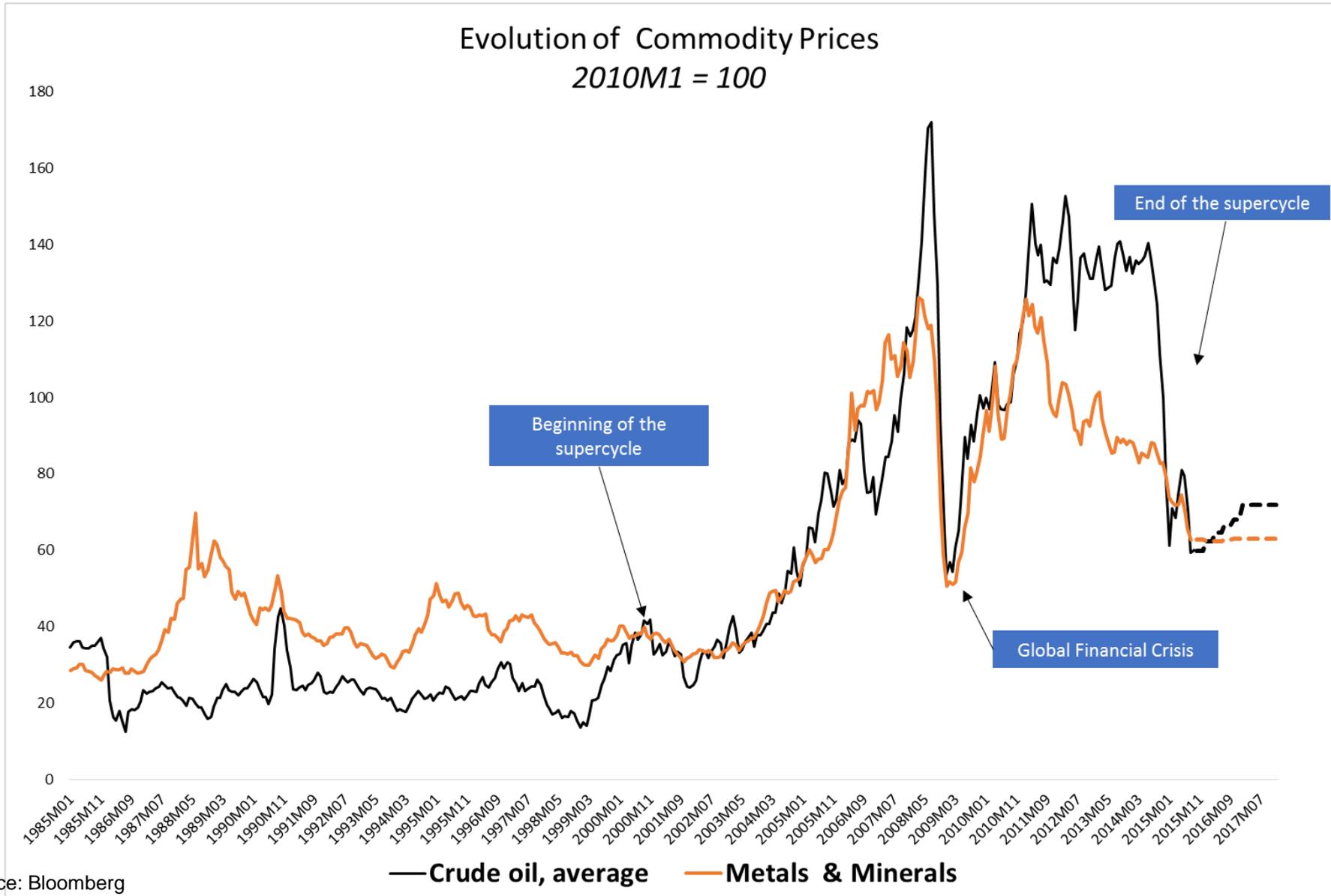


# Slowdown in trade

Index = 100 in 2008



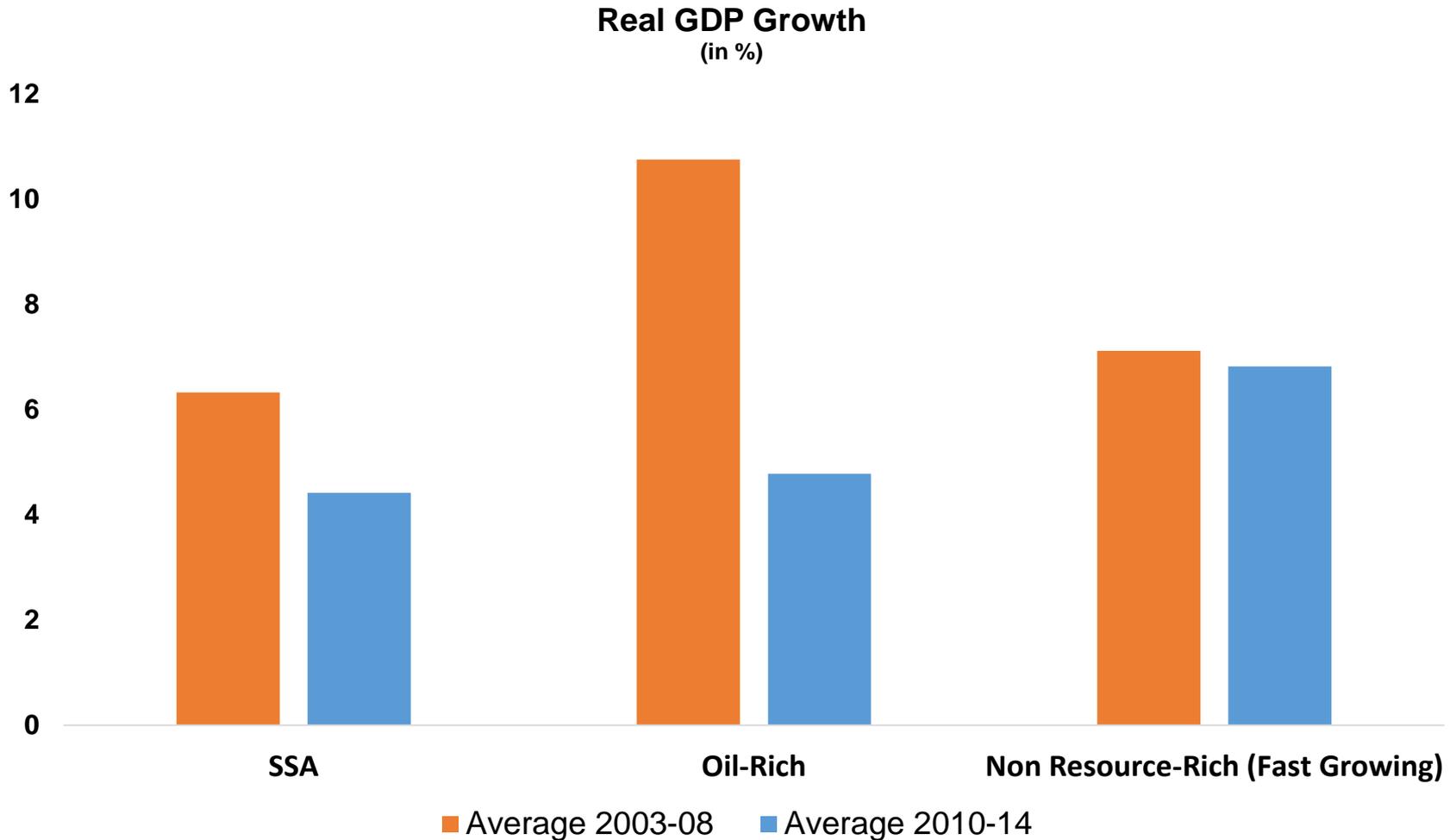
# ... and sharply lower and volatile commodity prices, signaling the end of the commodity super cycle



Source: Bloomberg

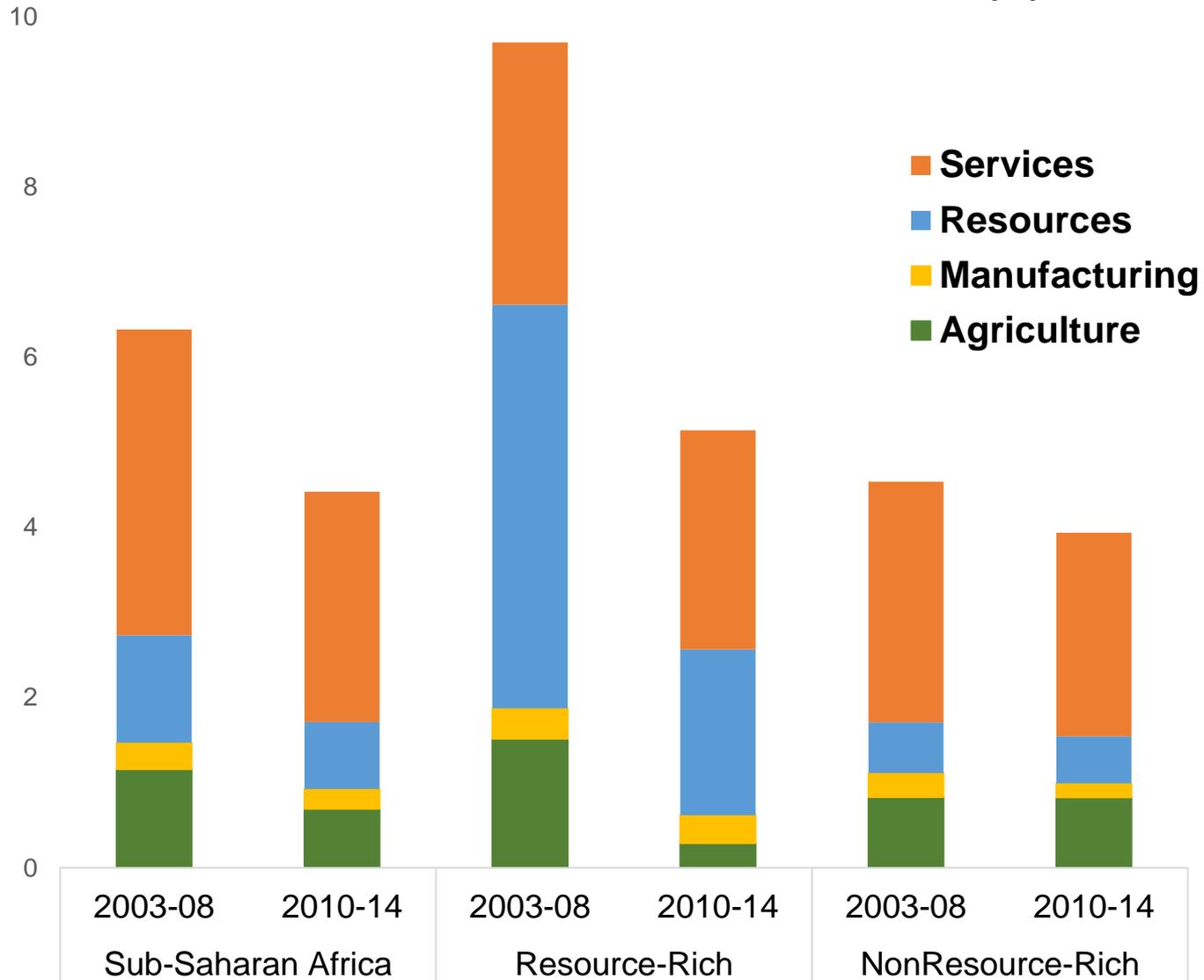
# CHALLENGES FOR AFRICA

# Africa's growth has been impressive, but recent growth trends are less robust



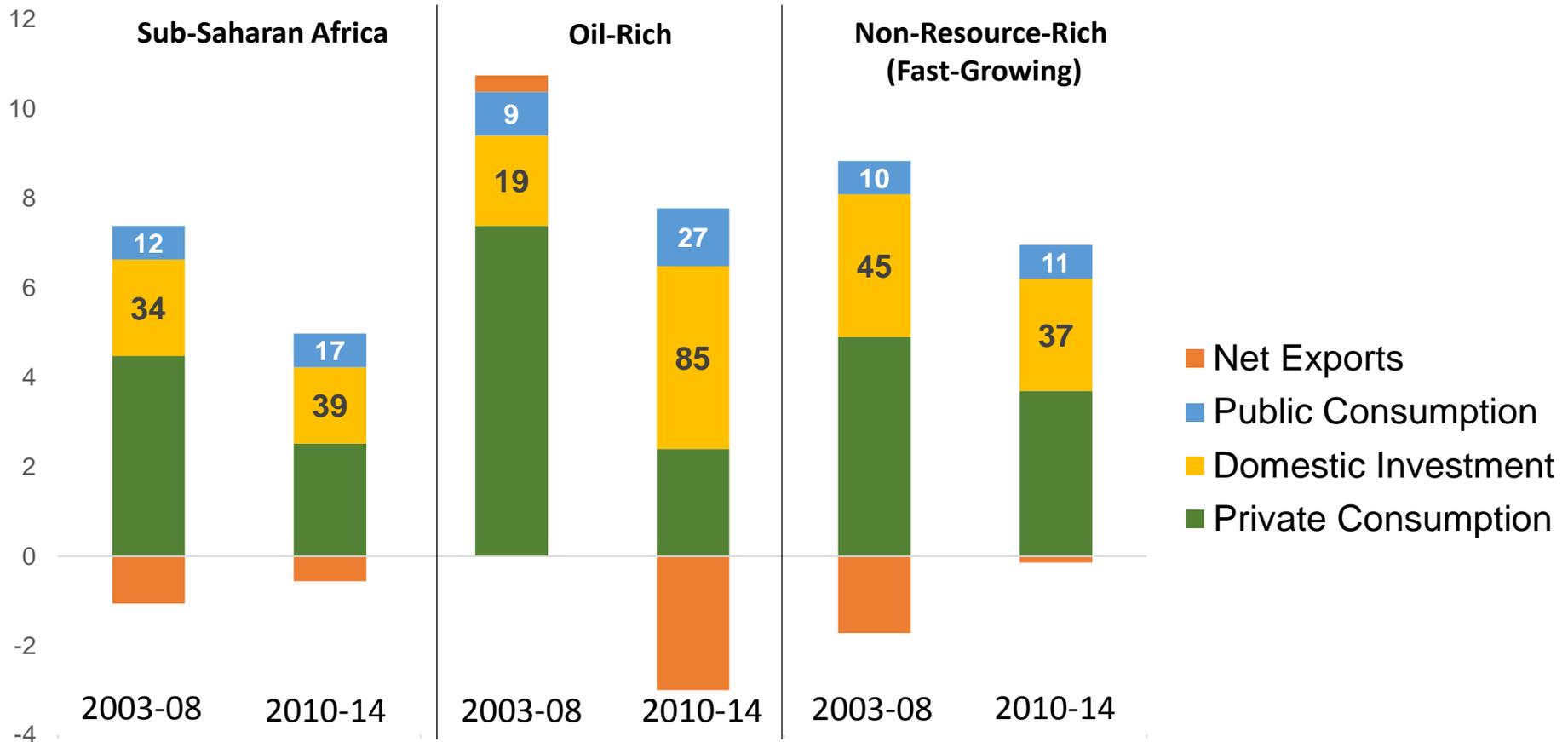
# COMPOSITION OF GROWTH

Contribution of Economic Sectors to Growth (%)



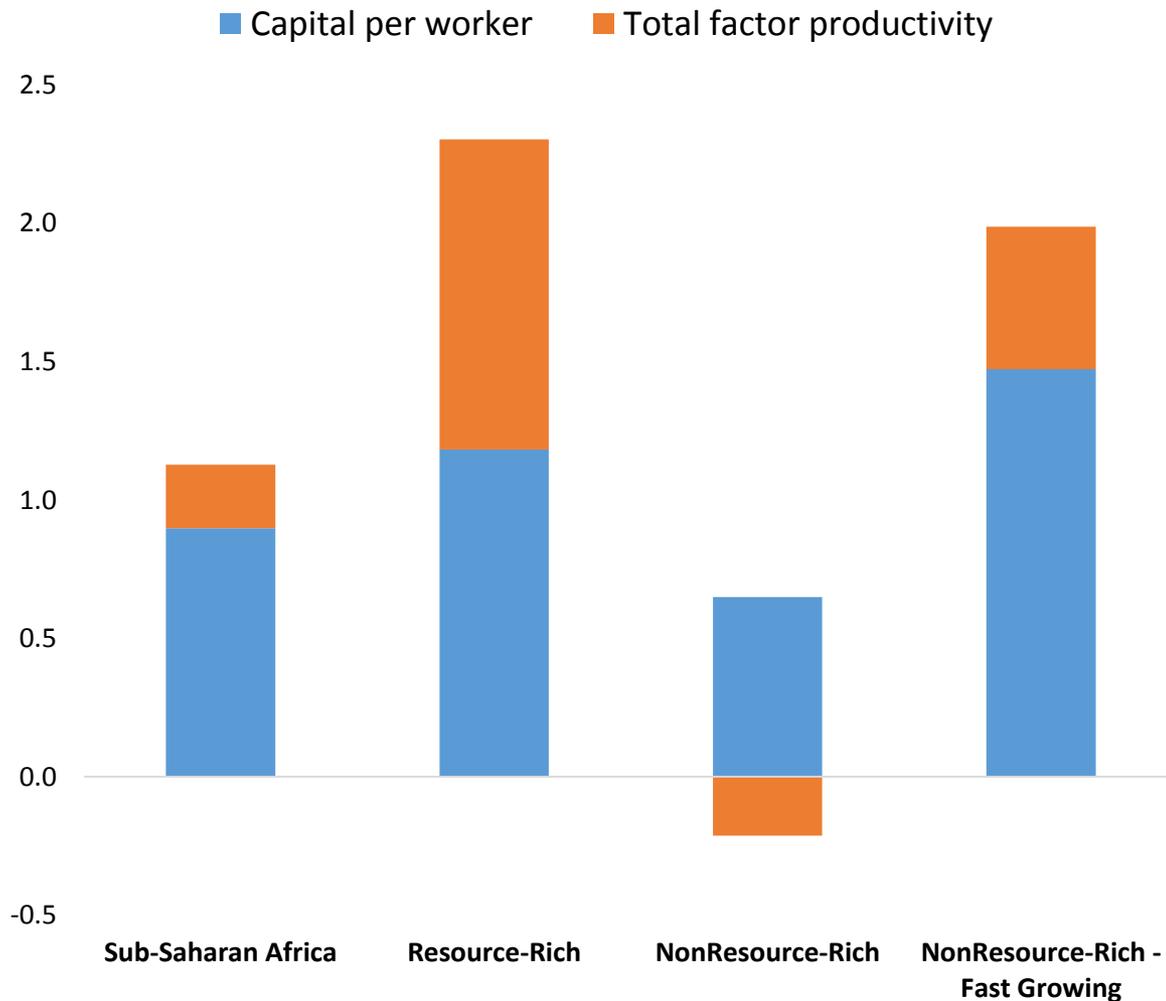
# Relative contribution of investment to growth has increased in resource-rich countries

Contribution of aggregate demand to output growth (%)



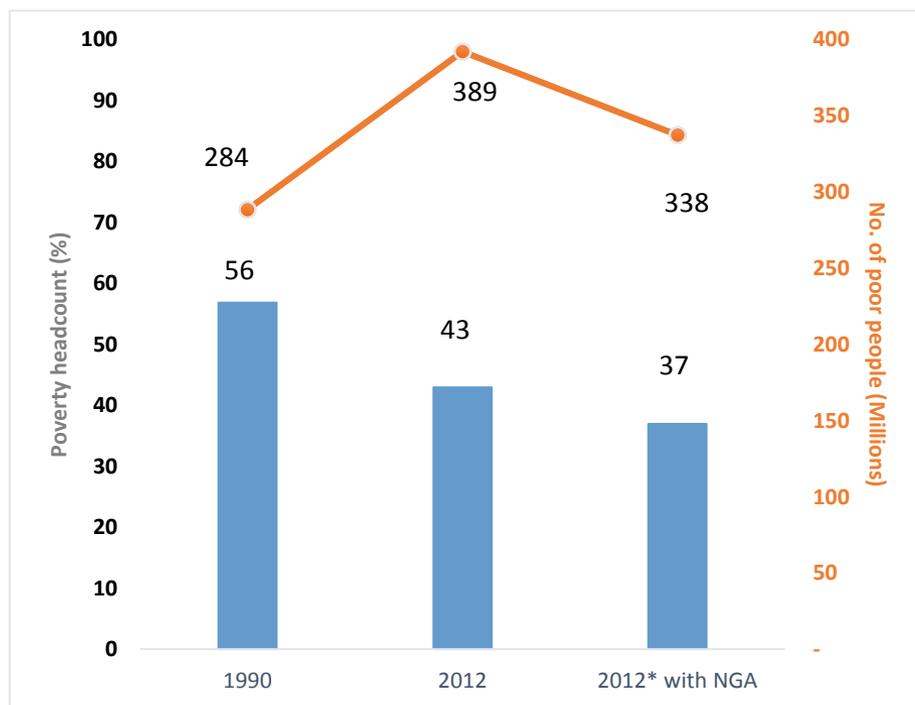
# Capital accumulation is the main driver of growth

Source of output per worker growth, 1995-2011  
(percent per year)

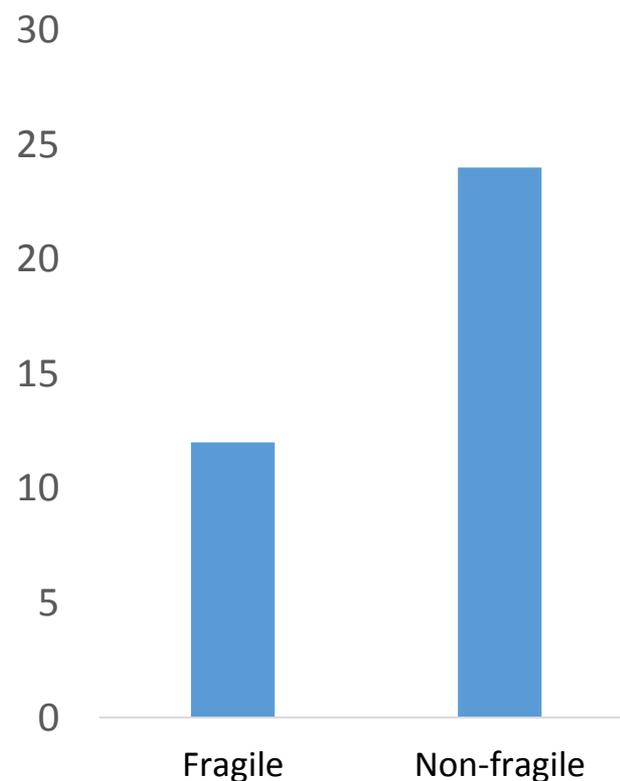


# Poverty remains high, with fragile countries sharply lagging in reducing poverty

## Poverty headcount and number of poor



## Poverty reduction, 1996-2012, in percentage points



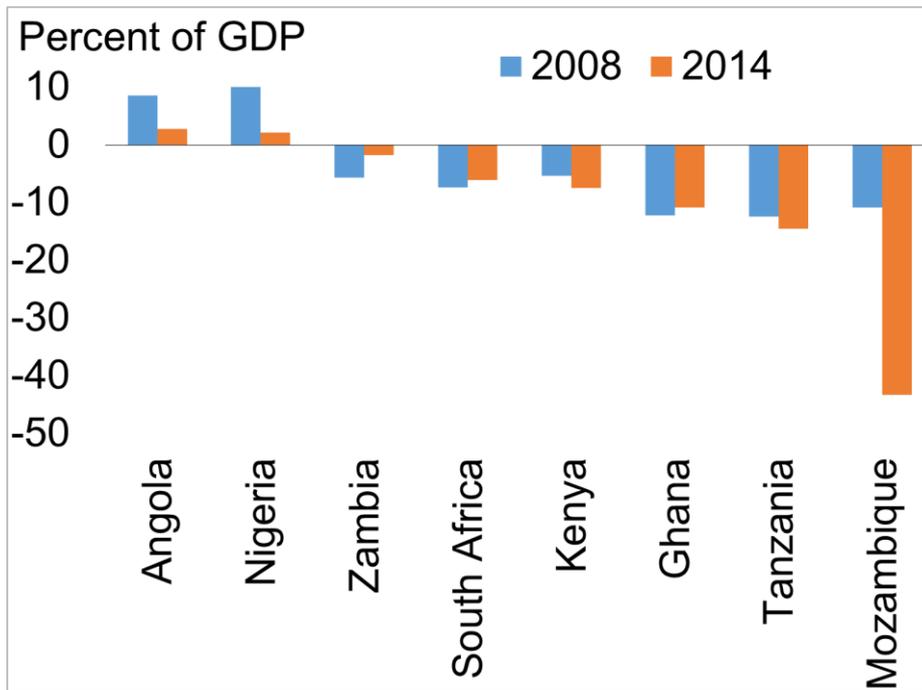
Note:

a) 2012\* with NGA = using comparable and quality data, including Nigeria

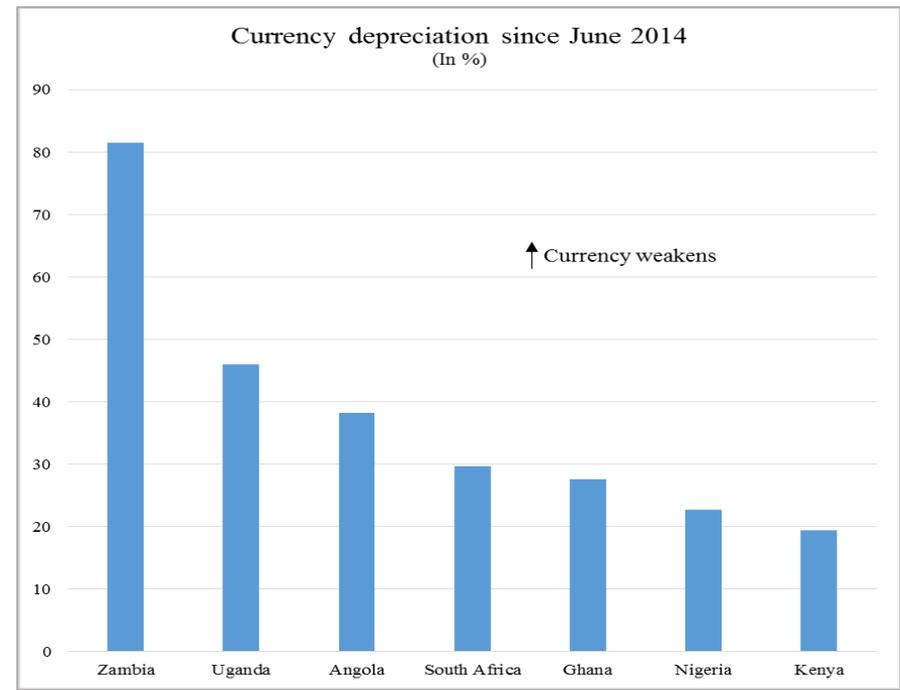
b) Rest are estimates from PovcalNet database.

# Worsening current account balances and downward pressure on currencies

## Current account balance

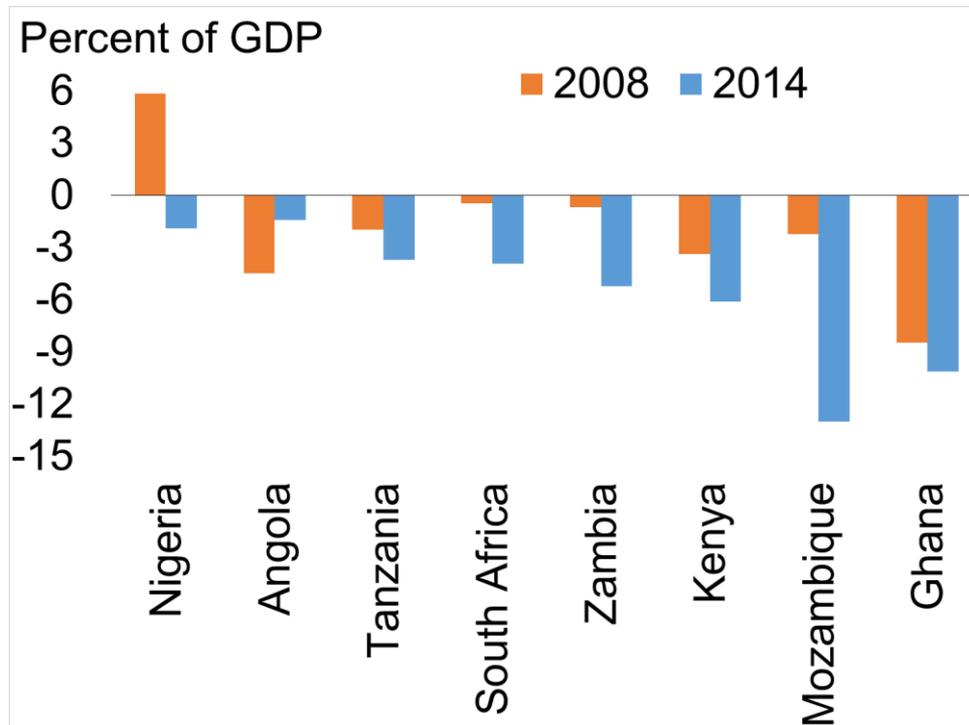


## Nominal exchange rate change

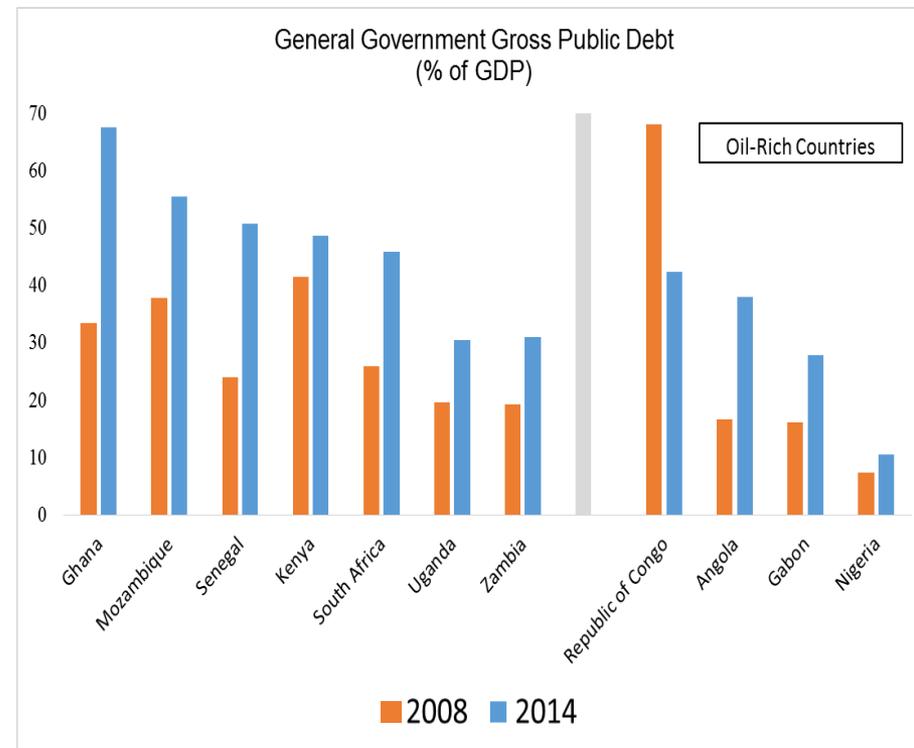


# Rising fiscal deficits are fueling the rise in debt

## Fiscal deficit



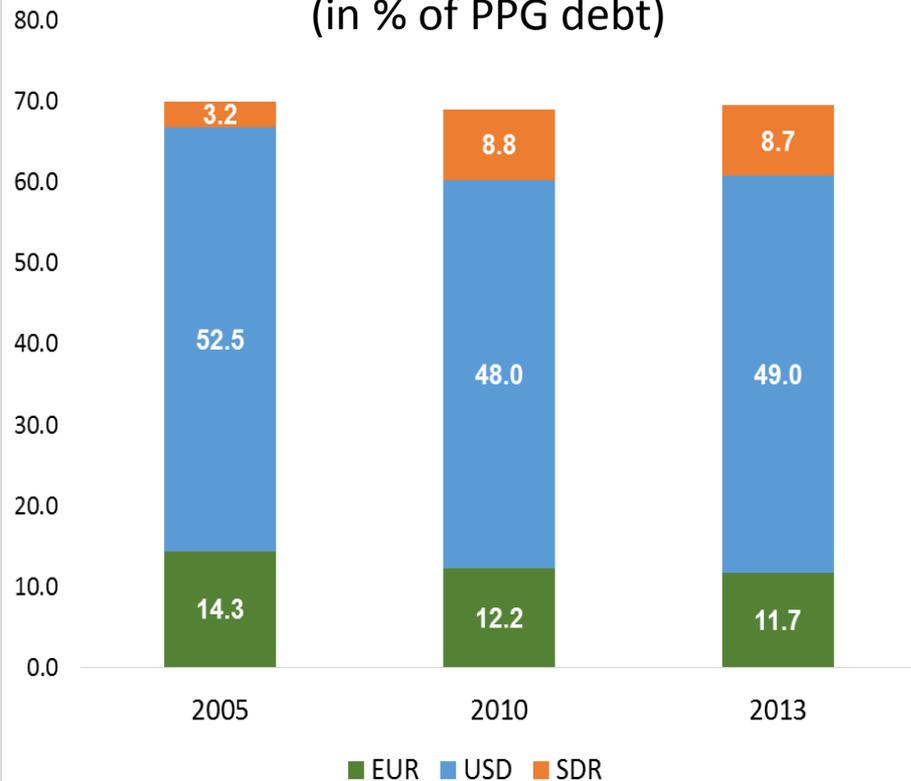
## Public debt



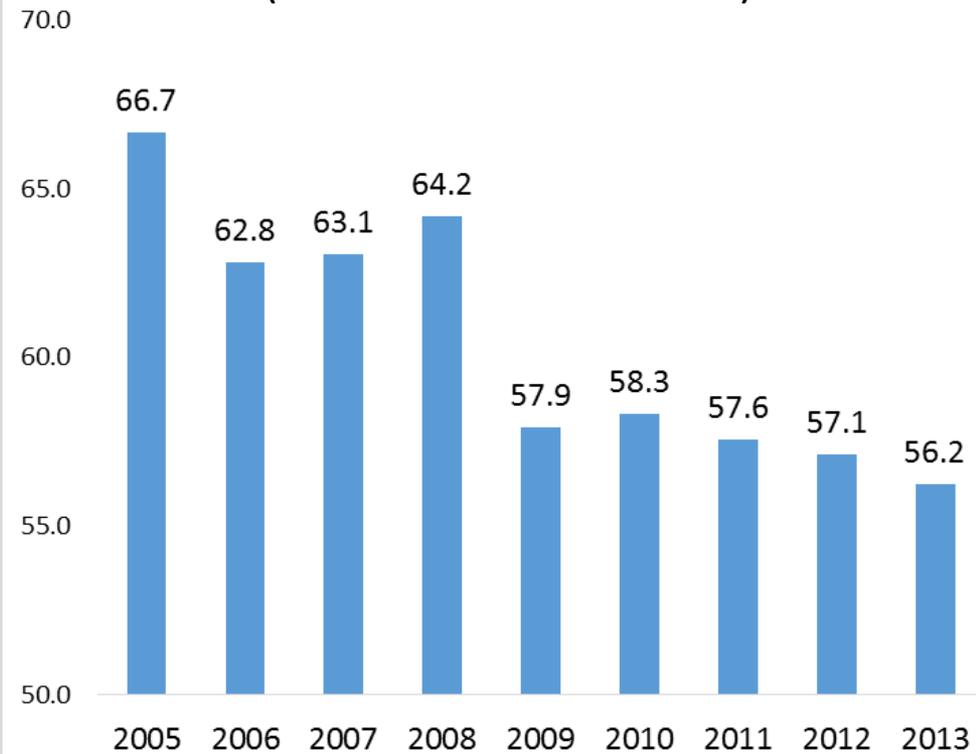
Note: Republic of Congo received debt relief in 2010

# The weight of concessional debt is declining, and countries are exposed to exchange rate risk

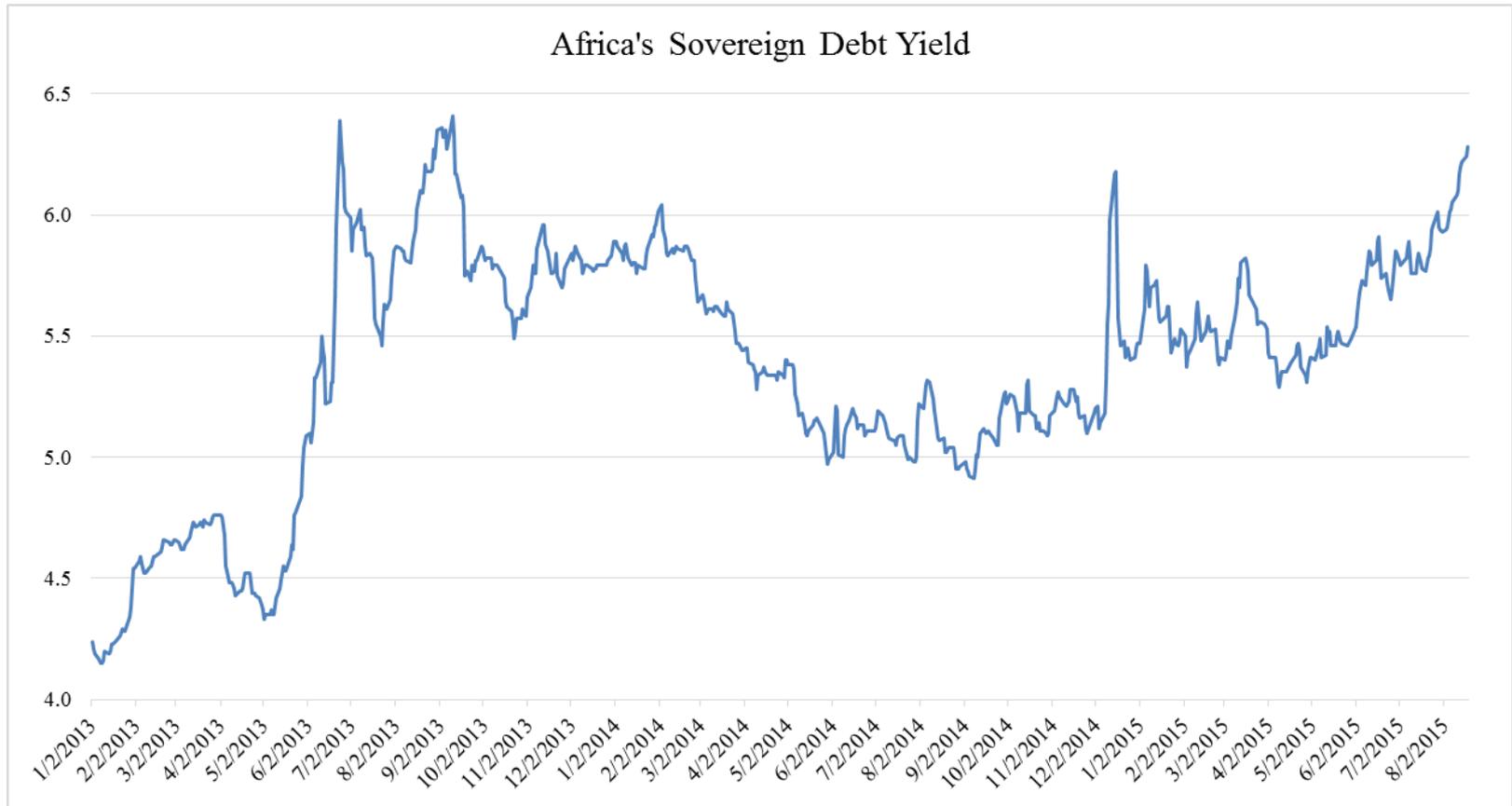
Currency composition of public debt  
(in % of PPG debt)



Concessional debt  
(% of total external debt)



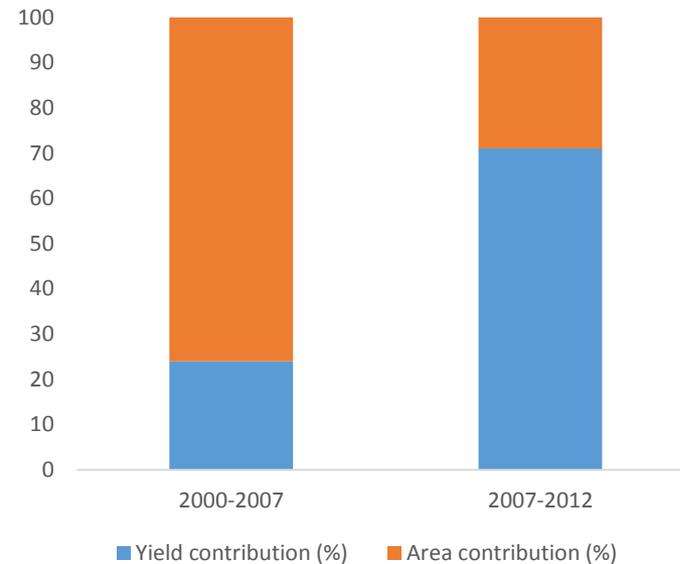
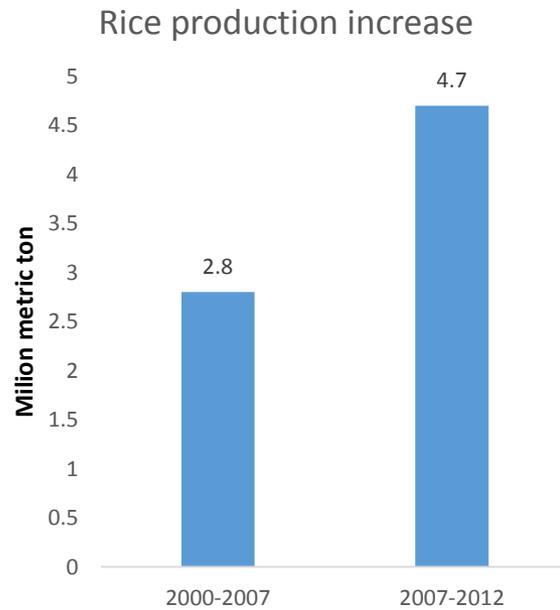
# Yield on African sovereign debt has been increasing



Source: Bloomberg. JP Morgan Emerging Market Bond Index Yield for Africa. This graph represents the evolution of the secondary yield of African sovereign debt

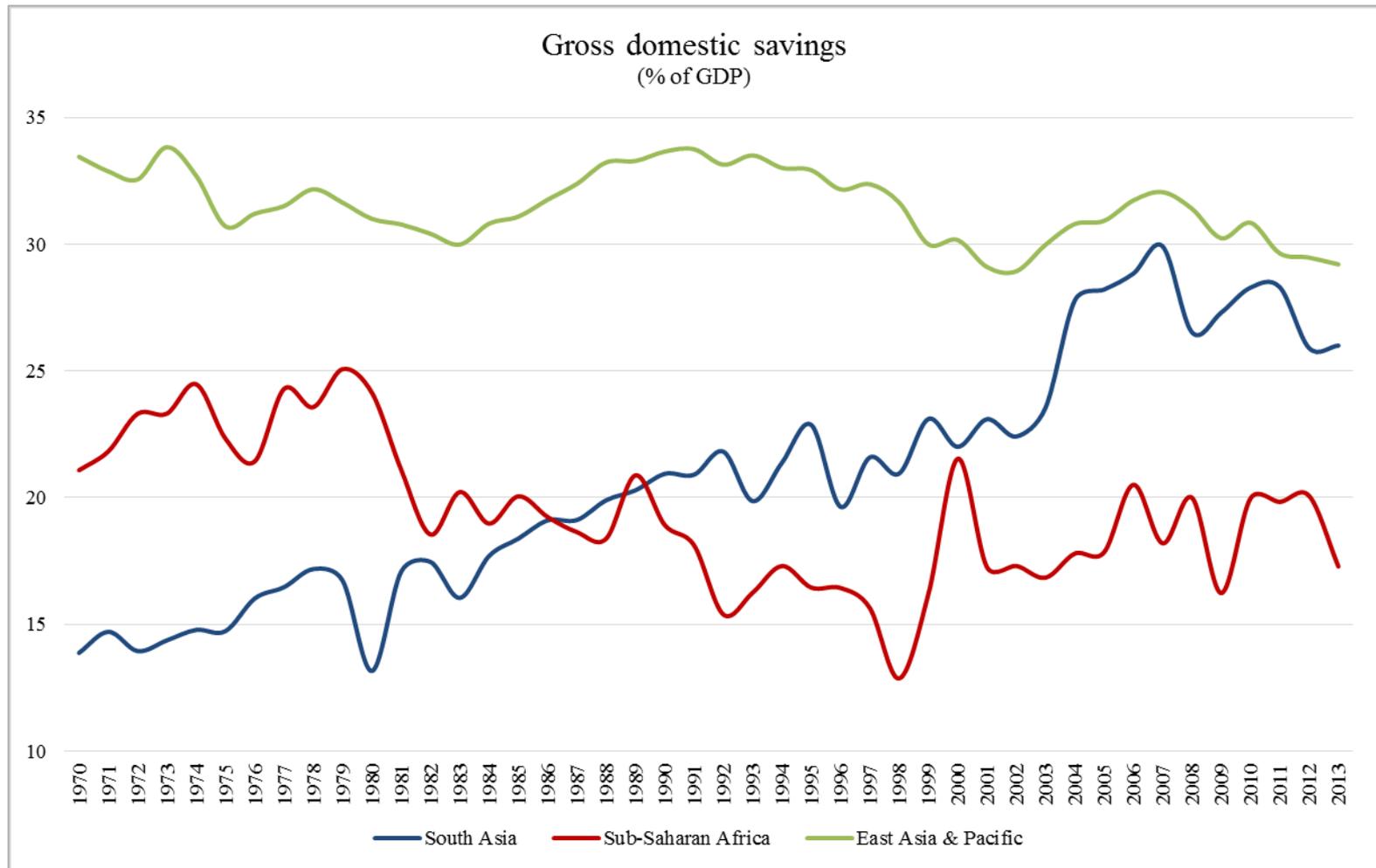
# **OPPORTUNITIES FOR GROWTH IN AFRICA**

# Boost in rice production since 2007, largely through increasing yields



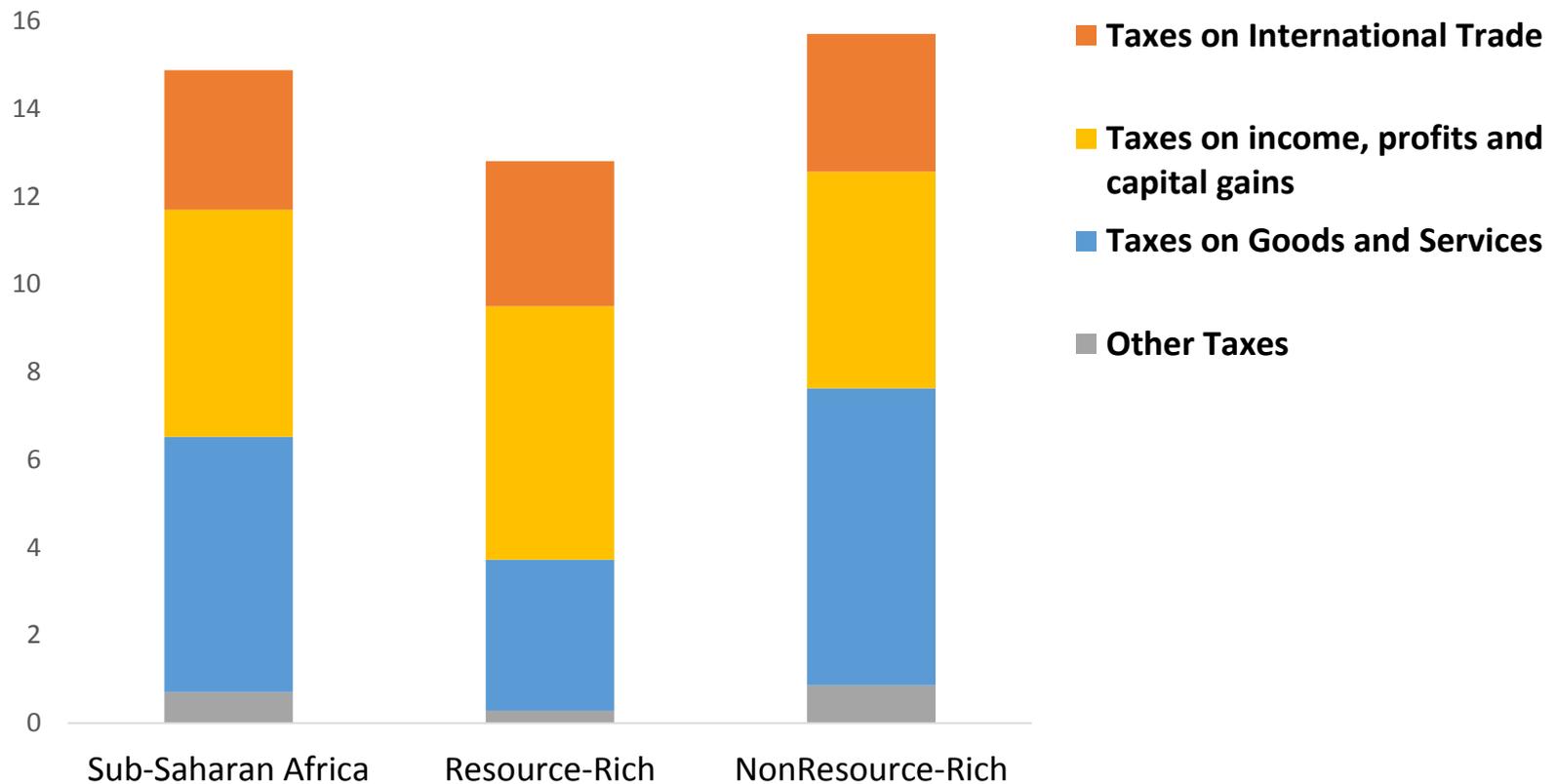
Annual yield growth 2000-2007: 0.4% or 11 kg/ha  
Annual yield growth 2007-2012: 5.8% or 108 kg/ha  
Annual yield growth Asia (1960-2010): 50kg/ha

# Africa's domestic resource mobilization is low



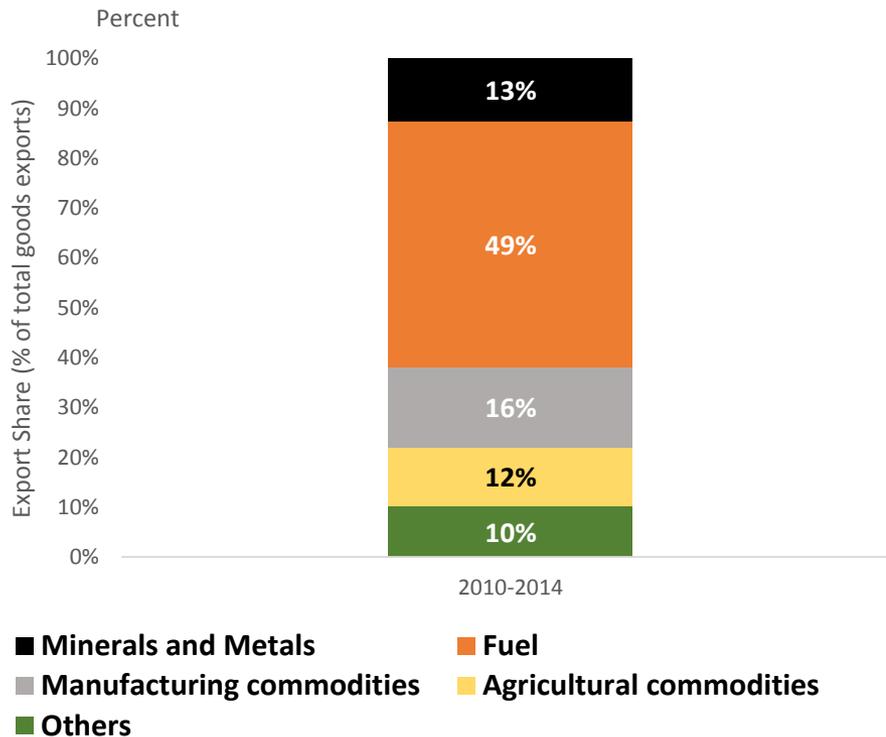
# Tax revenues are low, with varying structures across countries

Tax Revenues Composition  
(in % of GDP)

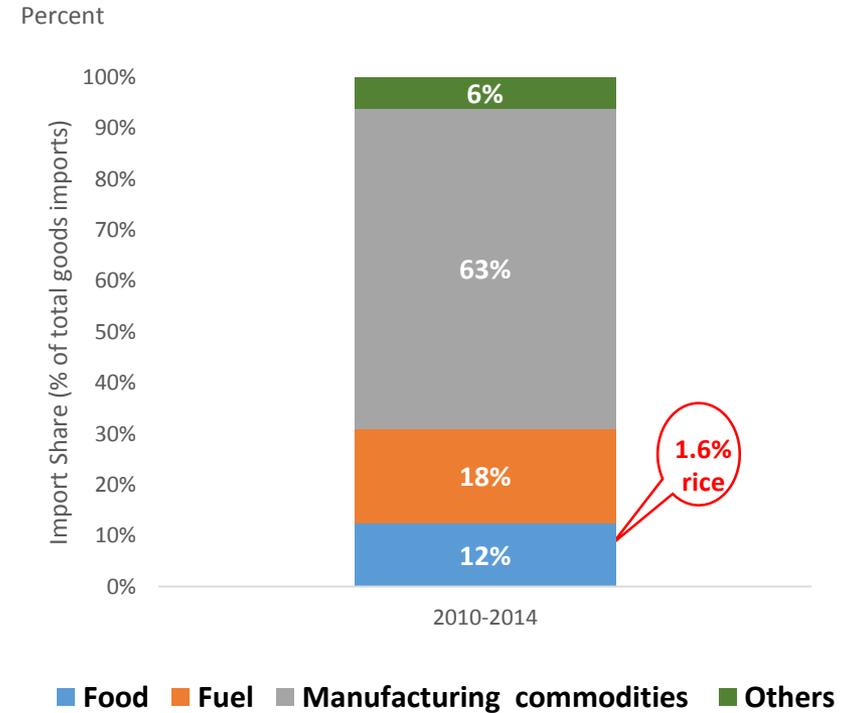


# Pattern of trade reveals dependence on commodities, but also opportunities

SSA – Composition of exports, average 2010-14

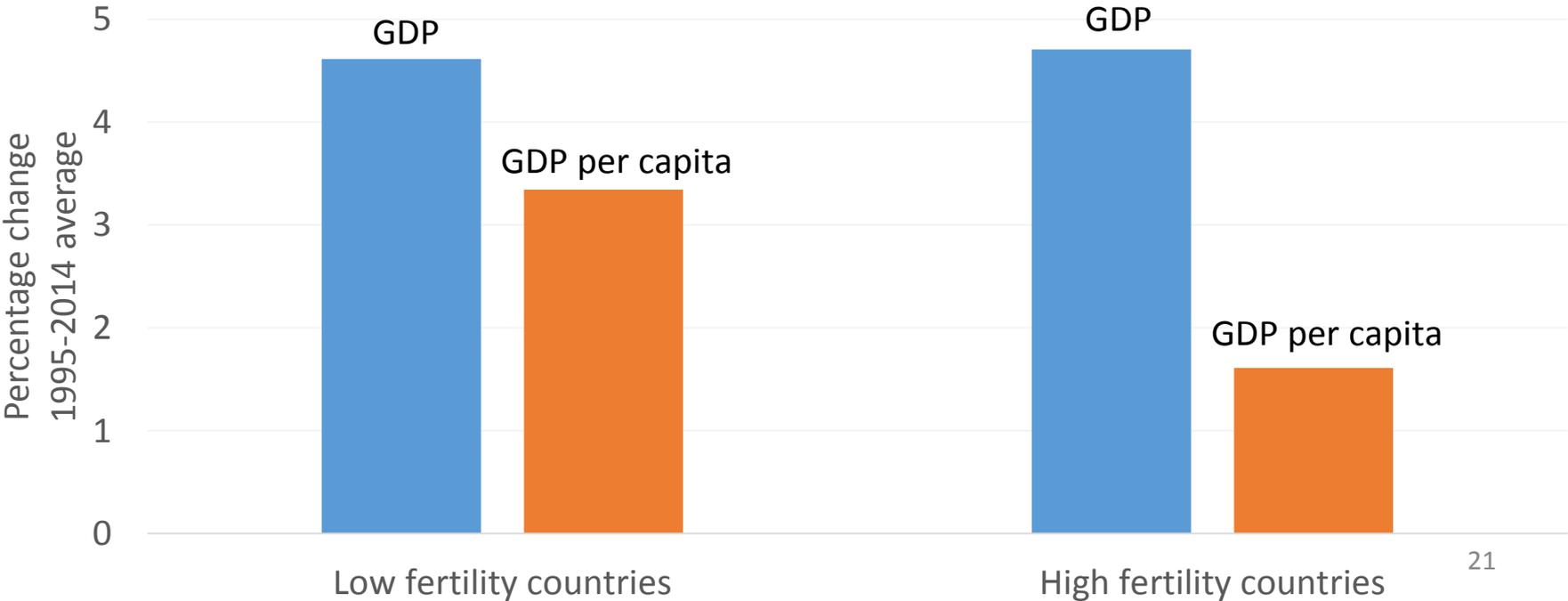
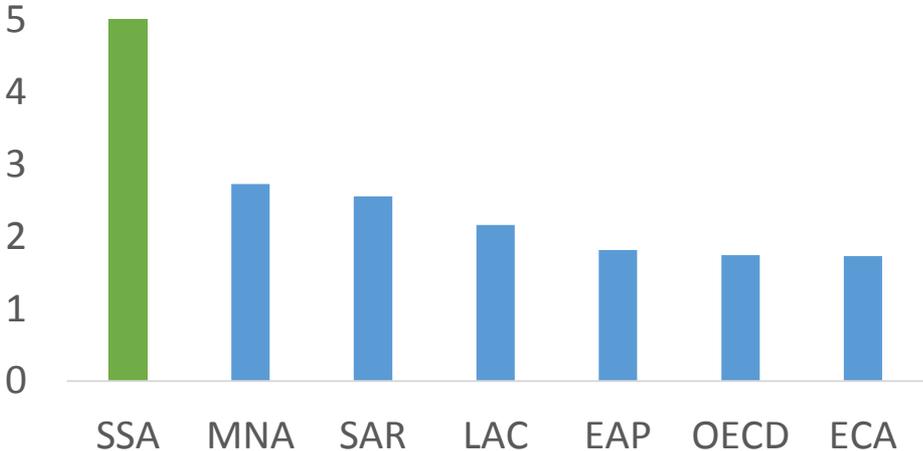


SSA- Composition of imports, average 2010-14



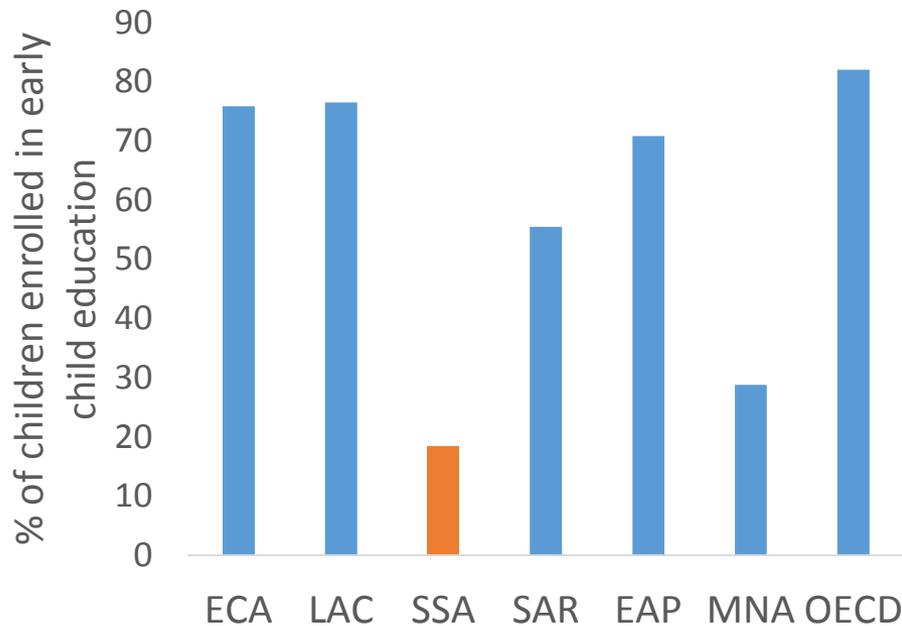
# High fertility rates reduce benefits of growth

Total Fertility Rate (Births per woman)

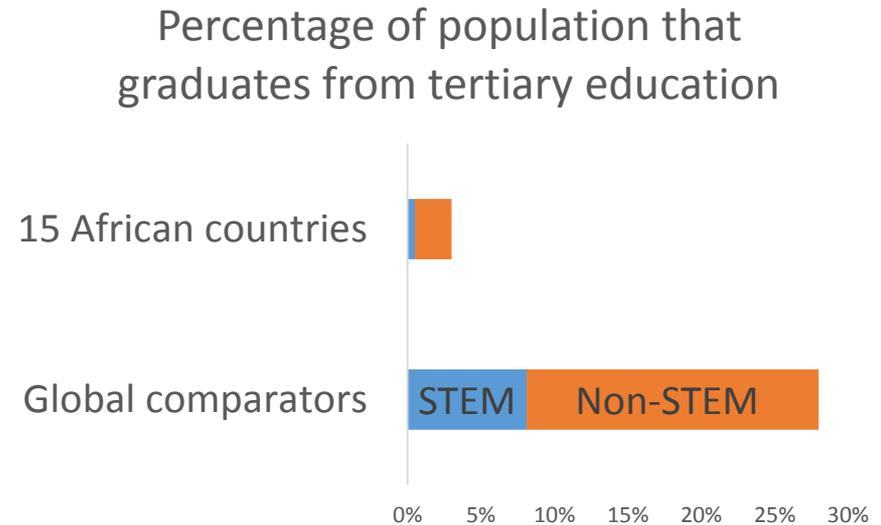


# Invest in human high-return capital

Few children in early child development programs despite proven high returns.



Few tertiary graduates, and few of them are in STEM fields.



# **Accelerate the reform agenda in energy**

- **Energy costs remain high**
- **High levels of subsidies are fiscally unsustainable**
- **Distribution companies are performing poorly**
- **Insufficient investment in maintenance**
- **High levels of commercial losses – a major obstacle to private sector investment in production**
- **Good news -- private sector is increasingly involved in energy production**
- ***Need to sustain the reform agenda***

# CONCLUSION

# MAJOR OPPORTUNITIES DESPITE CHALLENGES

1. Agriculture
2. Revenue Mobilization
3. Quality of spending
4. Energy
5. Demography