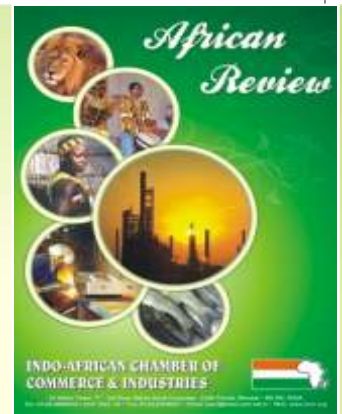


Recent Review of African Economy



Strong Growth Prospects but Risks Remain

Africa is the world's second-largest and second most populous continent, after Asia. It accounts for about 14% of the world's human population.

Though Africa's economy consists of trade, industry and human resources but its development is skewed one.

Africa's most valuable exports are minerals and petroleum. A few countries in Africa possess and export the vast majority of such valuable resources. The southern nations have large reserves of gold, diamonds and copper. Petroleum is concentrated in Nigeria and its neighbours- Angola and Libya. While mining and drilling produce most of Africa's revenues each year, these industries only employ about two million people, a tiny fraction of the Continent's population.

In some cases, Africa's resources have turned out to be a curse. Although Congo is rich in minerals, the country remains one of the poorest countries in the world. This is historically due to corruption and ownership fights over these minerals, tracing back to the early 1900s.

It is also found that Africa's natural resources abundance has resulted in: lax

macroeconomic policies; a lack of pressure to develop human resources; the rent on natural resources diverting attention from the process of wealth creation to rent-seeking activities and slow and erratic growth. For those used to thinking of Africa as a fiscal bucket with a hole in it, the latest IMF report World Economic Outlook 2008 on the continent makes for a heartening read. Although the IMF is cautious about some of the effects a global economic slowdown might have on Africa, particularly if oil prices remain high and other commodity prices slide, it argues that, in macroeconomic terms at least, Africa has never had it so good. Sub-Saharan Africa's GDP is expected to grow by 6.5% this year, thanks largely to oil-producing economies such as Nigeria and Angola. That compares with growth of 6.6% in 2007. Arguably more significant than the petroleum bonanza are the massive capital inflows into Africa which is considered as the last frontier market. Foreign investment and loans have risen from \$11 billion in 2000 to \$53 billion in 2007, mainly but not wholly in extractive industries. Portfolio flows into high-interest African government bonds increased by 14 times between 2003 and 2006 to \$23 billion. But what really sets the 21st-century Africa apart from its moribund 20th-century self is its

improved financial management. African central banks are better able to handle ups and downs. Many have strengthened their fiscal positions and built up foreign reserves, which should make them more nimble in handling the price shocks that characterise commodity-rich and isolated African economies. Corruption remains chronic, but the opportunities for politicians to enrich themselves are declining. In South Africa, the region's largest economy, the pace of activity has eased modestly as tighter monetary policy aimed at containing rising inflationary pressures from food and fuel prices, has applied a brake to household spending, however investment continues to grow at a brisk pace in preparation for the 2010 FIFA World Cup.

A consequence of these trends is that the increasing demand for key commodities such as oil, metals and foodstuffs is now driven by growth in these economies they account for more than 90 percent of the rise in consumption of oil products and metals and 80 percent of the rise in consumption of grains since 2002 (with biofuels representing most of the remainder). This has contributed to the sustained strong increase in commodity prices observed over the past year, despite moderating growth in the advanced economies and has been an important factor

Make Africa your Customer

behind the strong recent performance of commodity-exporting countries in Africa and some other countries like Latin America and the Middle East.

Another related shift is the growing importance of emerging and developing economies, like Africa, in the structure of global trade. These economies now account for about one-third of global trade and more than one-half of the total increase in import volumes since 2000. Moreover, the pattern of trade has changed. Almost one-half of exports from emerging and developing economies is now directed toward other such economies, with rising intra-regional trade within emerging Asia most notable. The current cycle differs in many important ways for

commodity exporters in Africa. Countries in Africa are diversifying the destinations of their exports and in broadening their export bases, leveraging more successfully than in the past the benefits of the present commodity price boom to increase exports of higher-value added manufactured products.

Broadly, Africa was correcting two mistakes that have made it to endure decades of deprivation and want.

The first mistake was the anti private sector attitude of the African leaders in the 1950s and 1960s. Ugandan President Yoweri Kaguta Museveni, who is regarded as one of the most resilient of African leaders, invited India's private sector to

help Africa develop its infrastructure. By investing heavily in Africa, Indian companies could take advantage of the tariff concessions being offered by the US and the EU to the least developed countries.

The second problem was of a fragmented market in Africa. While Latin America has 16 countries and North America just three, Africa has been the richest all along in terms of countries and flags. There are 53 countries in African continent. Of course, now regional groupings and associations were being formed to solve the problem of excessive political fragmentation. That would make it easier for India to deal with Africa.

Make Africa your Customer

Overview of the World Economic Outlook Projections		
	(Annual percent change)	
	Current Projections	
	2008	2009
World output	3.7	3.8
Advanced economies	1.3	1.3
United States	0.5	0.6
Euro area	1.4	1.2
Japan	1.4	1.5
United Kingdom	1.6	1.6
Canada	1.3	1.9
Emerging and developing economies	6.7	6.6
Africa	6.3	6.4
Central and Eastern Europe	4.4	4.3
Commonwealth of Independent States	7.0	6.5
Developing Asia	8.2	8.4
China	9.3	9.5
India	7.9	8.0
ASEAN-5	5.8	6.0
Middle East	6.1	6.1

Selected African Economies: Real GDP, Consumer Prices, and Current Account Balance

(Annual percent change unless noted otherwise)

	Real GDP				Consumer Prices				Current Account Balance			
	2006	2007	2008	2009	2006	2007	2008	2009	2006	2007	2008	2009
Africa	5.9	6.2	6.3	6.4	6.4	6.3	7.5	5.9	3.1	0.1	1.7	0.9
Magherb	4.4	4.2	5.5	5.3	3.1	6.3	3.7	3.3	14.3	12.4	13.9	10.7
Algeria	2.0	4.6	4.9	4.9	2.5	3.1	4.3	4.1	25.2	23.2	26.0	20.6
Morocco	8.0	2.2	6.5	5.7	3.3	3.7	2.0	2.0	2.9	-0.1	-1.1	-0.9
Tunisia	5.5	6.3	5.5	5.9	4.5	2.0	4.7	3.5	-2.0	-2.5	-2.7	-2.7
Sub-Sahara	6.4	6.8	6.6	6.7	7.3	3.1	8.5	6.6	-0.1	-3.3	-1.8	-1.7
Horn of Africa	11.3	10.8	7.9	10.5	9.1	7.2	12.6	8.6	-13.3	-9.8	-8.3	-5.9
Ethiopia	11.6	11.4	8.4	7.1	12.3	11.4	20.1	12.9	-9.1	-4.5	-4.3	-6.1
Sudan	11.3	10.5	7.6	12.7	7.2	17.0	8.0	6.0	-15.1	-11.8	-9.8	-5.6
Great Lakes	6.0	6.8	5.7	6.4	10.4	8.0	9.2	6.6	-4.4	-4.8	-8.0	-10.0
Congo Dem Rep.of	5.6	6.3	8.8	11.6	13.2	9.2	10.1	11.4	-2.4	-4.0	-10.7	-24.6
Kenya	6.1	7.0	2.5	3.4	14.5	16.7	12.3	7.0	-2.5	-3.5	-5.5	-3.8
Tanzania	6.7	7.3	7.8	8.0	7.3	9.8	7.1	5.2	-7.8	-9.2	-9.7	-10.1
Uganda	5.1	6.5	7.1	7.0	6.6	7.0	5.9	5.0	-4.0	-2.0	-7.7	-9.3
Southern Africa	10.8	12.8	11.1	9.4	11.2	6.8	9.8	7.8	15.2	6.7	5.8	6.4
Angola	18.6	21.1	16.0	13.2	13.3	10.1	11.4	8.9	23.3	11.0	12.0	11.8
Zimbabwe	-5.4	-6.1	-6.6	-6.8	1016.7	12.2	8.7		-6.0	-1.0		
West & Central Africa	4.6	5.1	7.0	6.9	7.0	10452.6		6.1	4.2	-1.6	2.4	2.1
Ghana	6.4	6.4	6.9	7.5	10.9	4.6	6.7	7.9	-10.9	-12.8	-9.8	-7.9
Nigeria	6.2	6.4	9.1	8.3	8.3	9.6	8.9	8.5	9.5	0.7	6.5	5.7
CFA Tranc zone	2.2	3.6	4.8	5.2	3.6	5.5	8.6	2.9	-3.0	-2.3	-0.6	-1.0
Cameroon	3.2	3.3	4.5	4.6	5.1	1.6	3.9	2.3	0.7	0.4		-0.4
Cote deivoir	-0.3	1.6	2.9	5.1	5.0	0.9	3.0	3.2	3.1	1.4	0.6	-0.5
South Africa	5.4	5.1	3.8	3.9	4.7	2.1	4.7	5.9	-6.5	-7.3	-7.7	-7.9
Vemorandum												
Oil importers	5.7	5.2	5.1	5.2	6.3	6.7	7.6	5.5	-3.5	-4.8	-5.9	6.1
Oil exporters	6.3	8.0	8.4	8.3	6.4	5.6	7.2	6.5	13.1	7.4	11.1	9.3

Global Oil Demand and Producing by Region (Millions of Barrels a day)

<i>Demand</i>	<i>2007</i>	<i>2008</i>
<i>OECD</i>	<i>49.1</i>	<i>49.3</i>
<i>Of Which United States</i>	<i>20.8</i>	<i>20.7</i>
<i>Non OECD</i>	<i>36.7</i>	<i>38.3</i>
<i>Of Which Africa</i>	3.1	3.2
<i>World</i>	<i>85.8</i>	<i>87.5</i>
