



Economic Growth of West African Countries: Trends and Forecasts

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Outline

- Introduction
- Global and regional economic developments
- Recent macroeconomic performance in West Africa and prospects for 2013
- Social and environmental developments in the sub-region
- Economic and social prospects for the years 2013 and 2014.
- Conclusion with recommendations



						<i>Change from June 2012 forecast</i>	
Real GDP growth	2010*	2011	2012	2013e	2014f	<i>2012</i>	<i>2013</i>
<i>World</i>	4.1	2.7	2.3	2.4	3.1	-0.2	-0.6
Memo item: world [PPP weight]	5.1	3.8	3.0	3.4	3.9	-0.3	-0.5
<i>High income</i>	3.0	1.6	1.3	1.3	2.0	-0.1	-0.6
Euro Area	1.8	1.5	-0.4	-0.1	0.9	-0.1	-0.8
Japan	4.5	-0.7	1.9	0.8	1.2	-0.5	-0.7
United states	3.0	1.8	2.2	1.9	2.8	0.1	-0.5
<i>Developing countries</i>	7.4	5.9	5.1	5.5	5.7	-0.2	-0.4
East Asia and Pacific	9.7	8.3	7.5	7.9	7.6	-0.1	-0.2
Europe and central Asia	5.4	5.5	3.0	3.6	4.0	-0.3	-0.5
Latin America and Caribbean	6.1	4.3	3.0	3.5	3.9	-0.5	-0.6
Middle East and N. Africa	3.8	-2.4	3.8	3.4	3.9	3.2	1.2
South Asia	9.6	7.4	5.4	5.7	6.4	-1.0	-0.8
Sub-Saharan Africa	5.0	4.5	4.6	4.9	5.1	-0.4	-0.4
Developing countries excl. China and India	5.6	4.5	3.3	4.0	4.3	-0.3	-0.3



Global Trends

- Unemployment remains high in Europe, but has fallen below 8% in the US
- Latest data show economic contraction in euro zone in 2013
- Global inflation low due to low demand
- Trade and financial transmission channels strong, particularly for West Africa
- Commodity prices remain high, but are trending downward, as emerging markets (e.g. BRICS) are now in consolidation phase



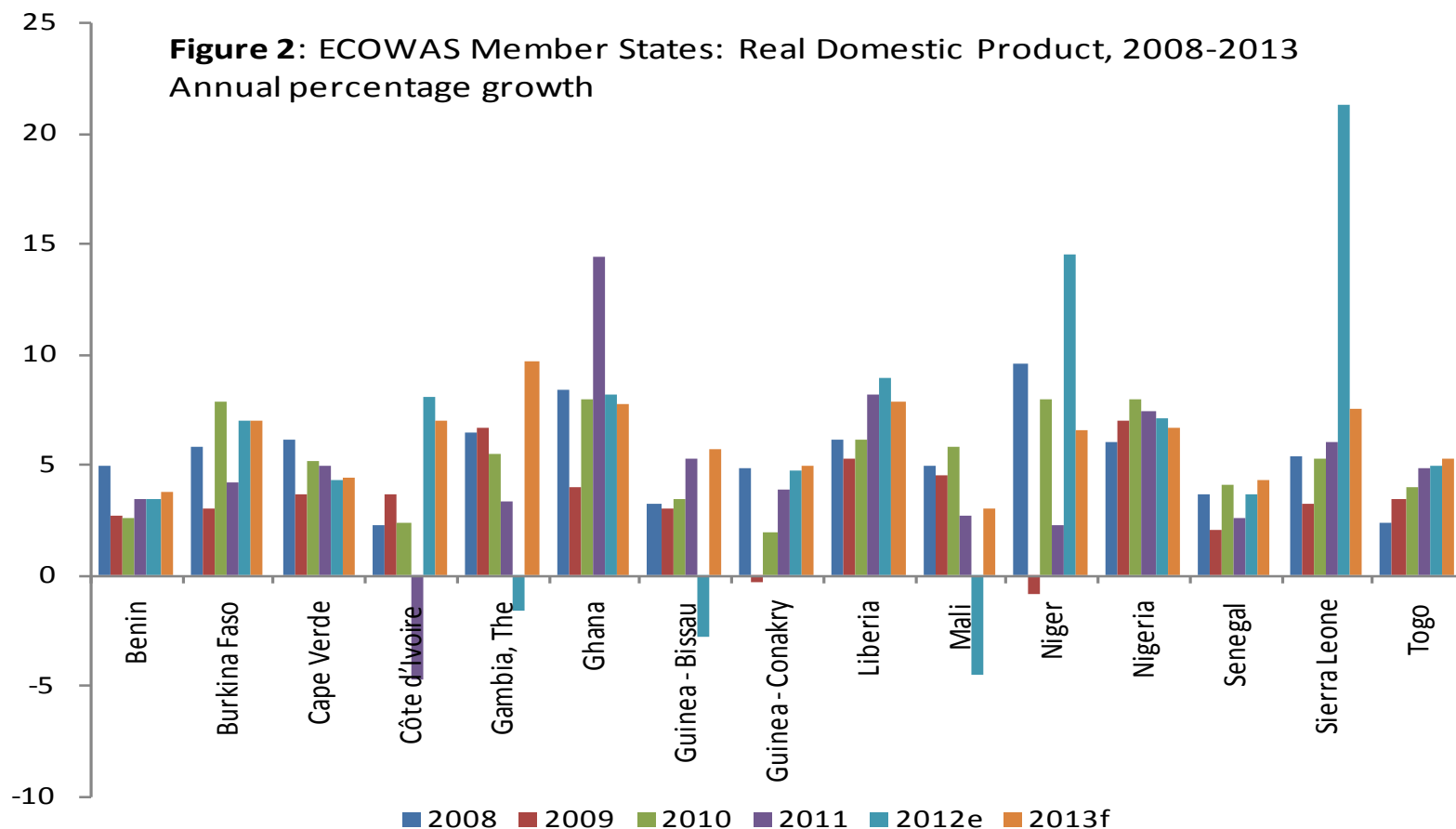


Growth in West Africa Remains Strong

- West Africa's economy grew 6.7% in 2012 from 6.2% in 2011
- A number of countries that grew 7% or more grew from 3 in 2011 to 7 in 2012
- Resource-rich countries benefited from the revival in commodity demand
- New mineral production in Sierra Leone, Niger, Liberia and increased production in Ghana
- A number of countries that suffered economic decline also grew in recent years (Mali, Guinea-Bissau, the Gambia)
- Key sectors: mineral, telecommunications, construction & agriculture in 2012



Solid Growth in West Africa, with few exceptions...



Source: IMF, WEO, Oct 2012; e=estimate, f=forecast



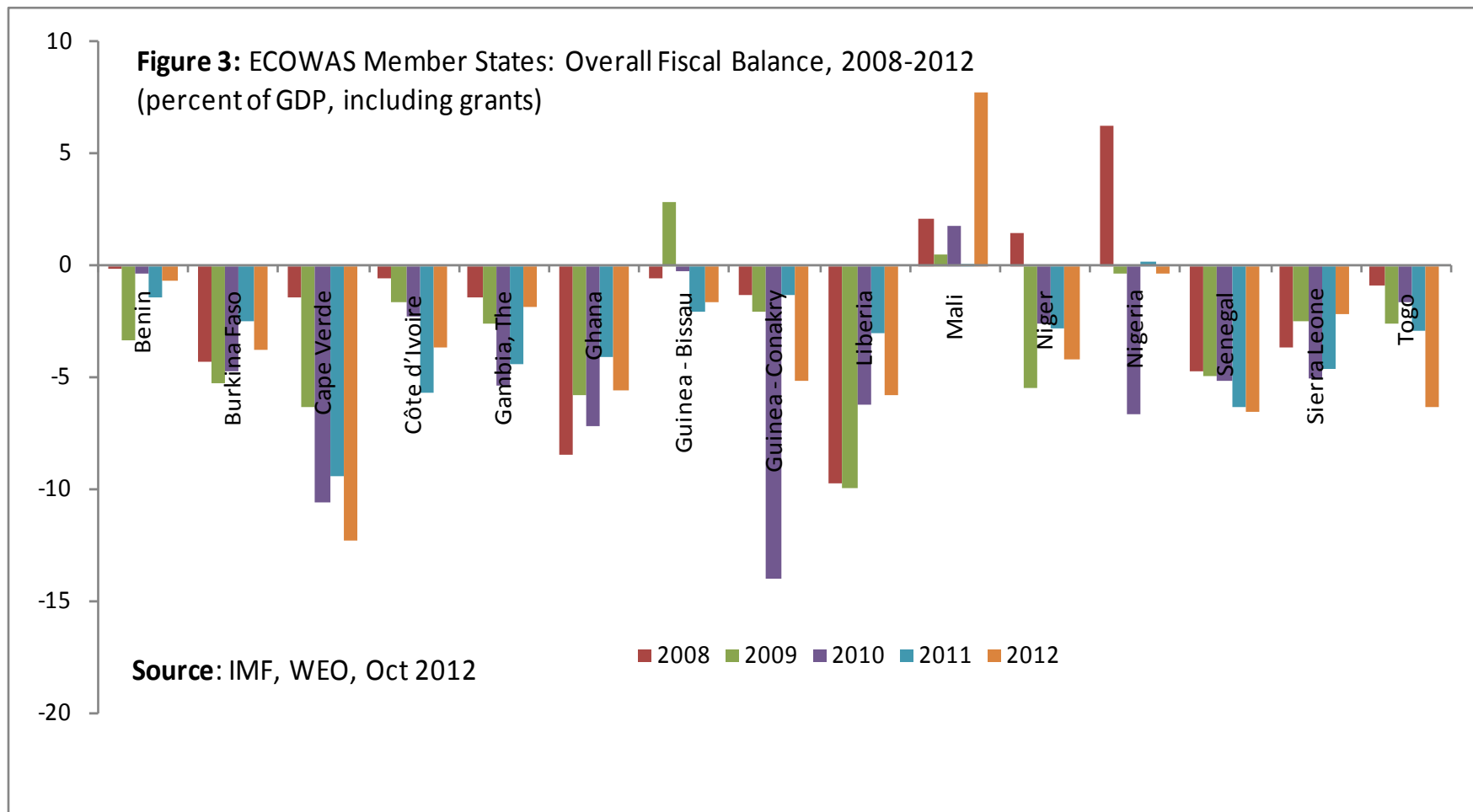


Fiscal Position Maintained by Constrained Government Expenditure

- **Deficits down due to lower government expenditure**
- **Average fiscal deficits ↓ to 1.8% from 2.2% in 2011**
- **In Benin, government expenditure ↓ to 23.2% of GDP in 2012 from 24.1% of GDP in 2011**
- **Public expenditure also ↓ in Burkina Faso from 25.3% of GDP in 2011 to 24.6% of GDP in 2012**
- **In the Gambia: 22% in 2012 from 23.9% in 2011**
- **Fiscal deficits high in most non-oil exporters but small economies in Guinea, Liberia & Cape Verde, & narrowing in Cote d'Ivoire & Sierra Leone**



Fiscal Balance Fine Due to Lower Government Spending





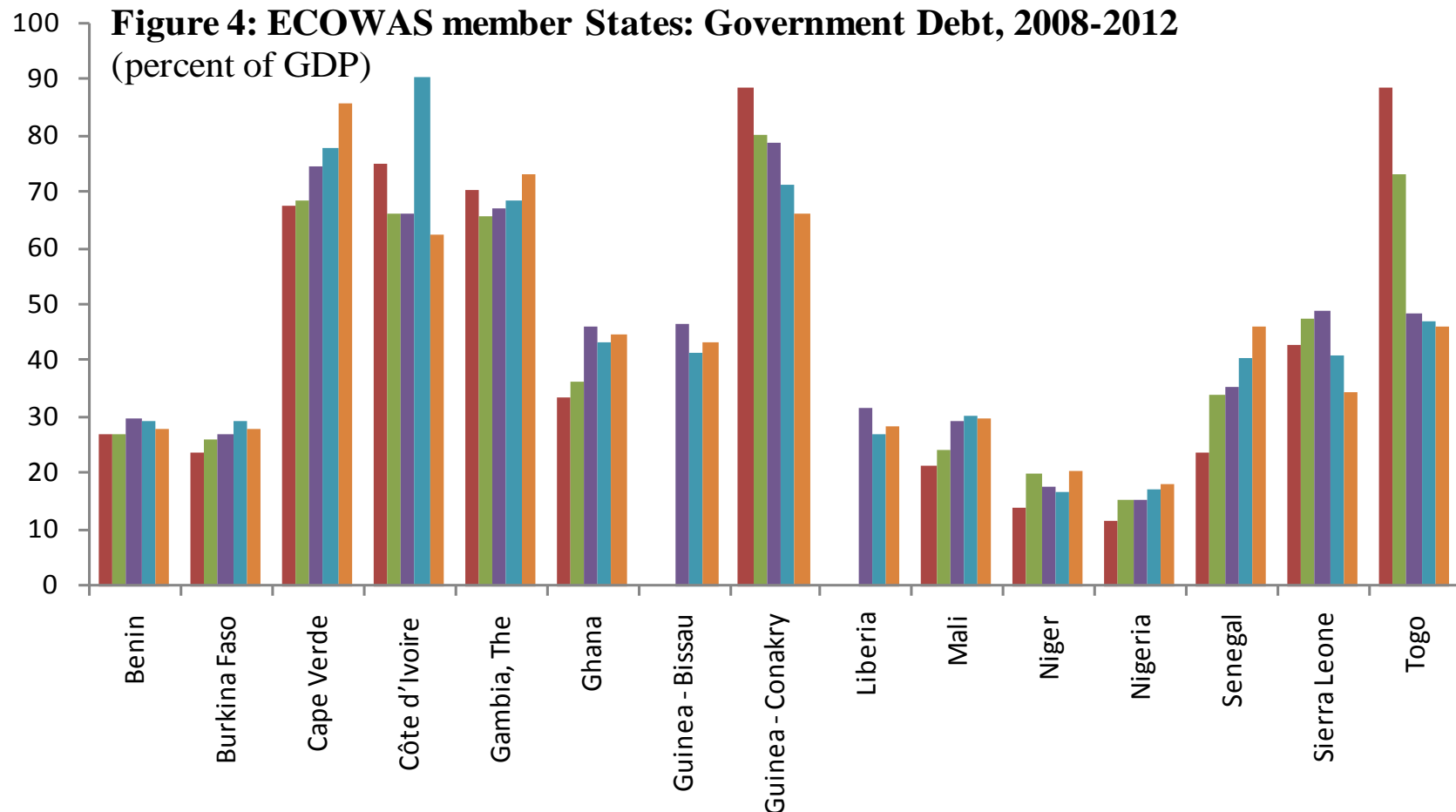
Stable Government Debt

- Over the last 3 years the average government debt has remained stable at around 44% of GDP
- As of 2012, only 4 countries (Cape Verde 86.1%, Côte d'Ivoire 62.6%, the Gambia 73.4% & Guinea-Conakry 66.6%) had government debt above 60% of GDP





Figure 4: ECOWAS member States: Government Debt, 2008-2012
(percent of GDP)



Source: IMF WEO, Oct 2012

■ 2008 ■ 2009 ■ 2010 ■ 2011 ■ 2012



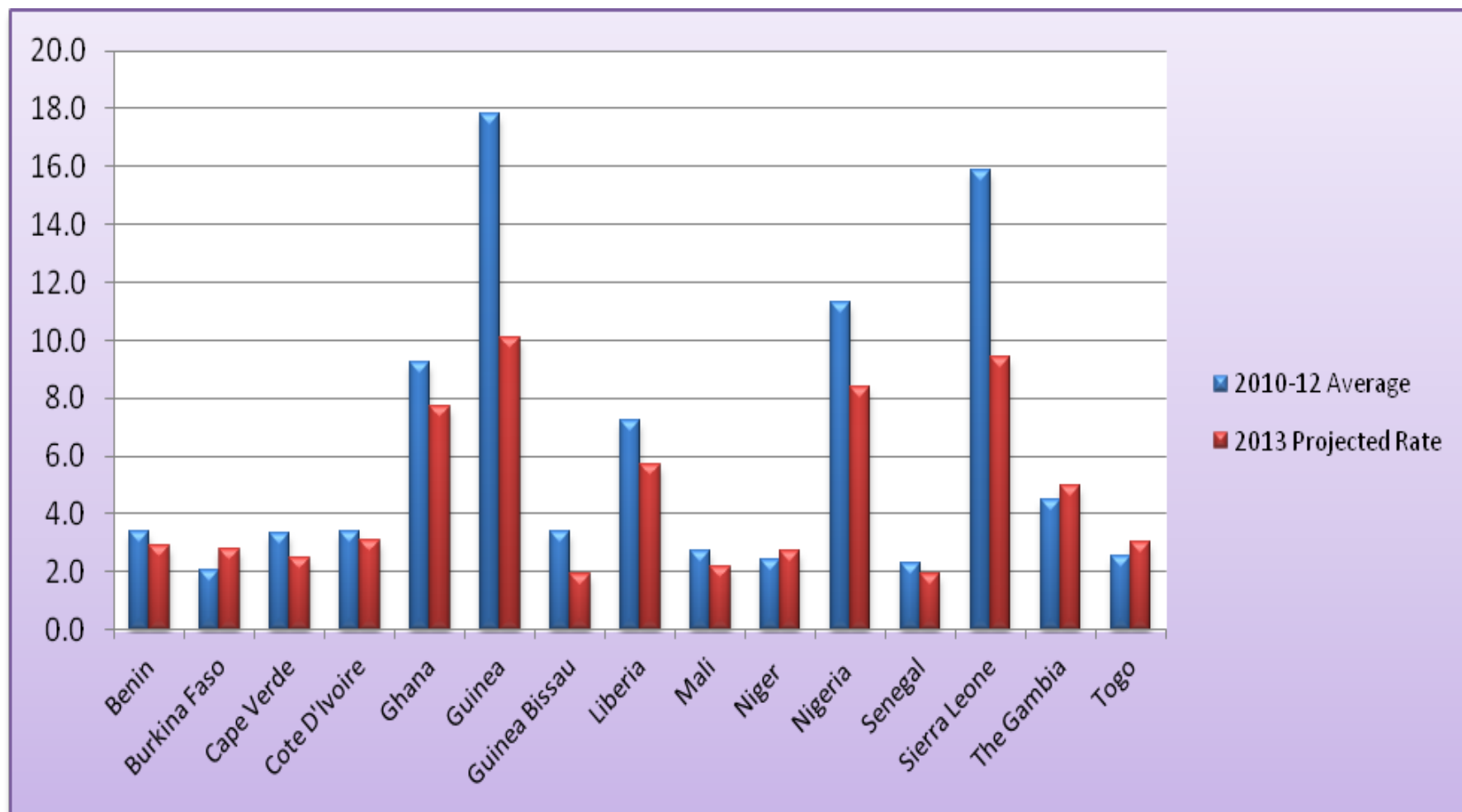


Some Countries have High Inflation Rates

- Inflation remained subdued at 12.6% rate on avg in June 2012 against 11.6% in June 2011
- In UEMOA countries, inflation pressures moderated on improving grain supplies during the last quarter of 2012 after ↑ due to an ↑ in prices of fuel and cereals.
- Therefore BCEAO kept its benchmark marginal lending rate at 4%
- The rate of inflation was above 10% among members of the WAMZ (Nigeria, Guinea & Sierra Leone) driven mostly by non-food items.



Inflation



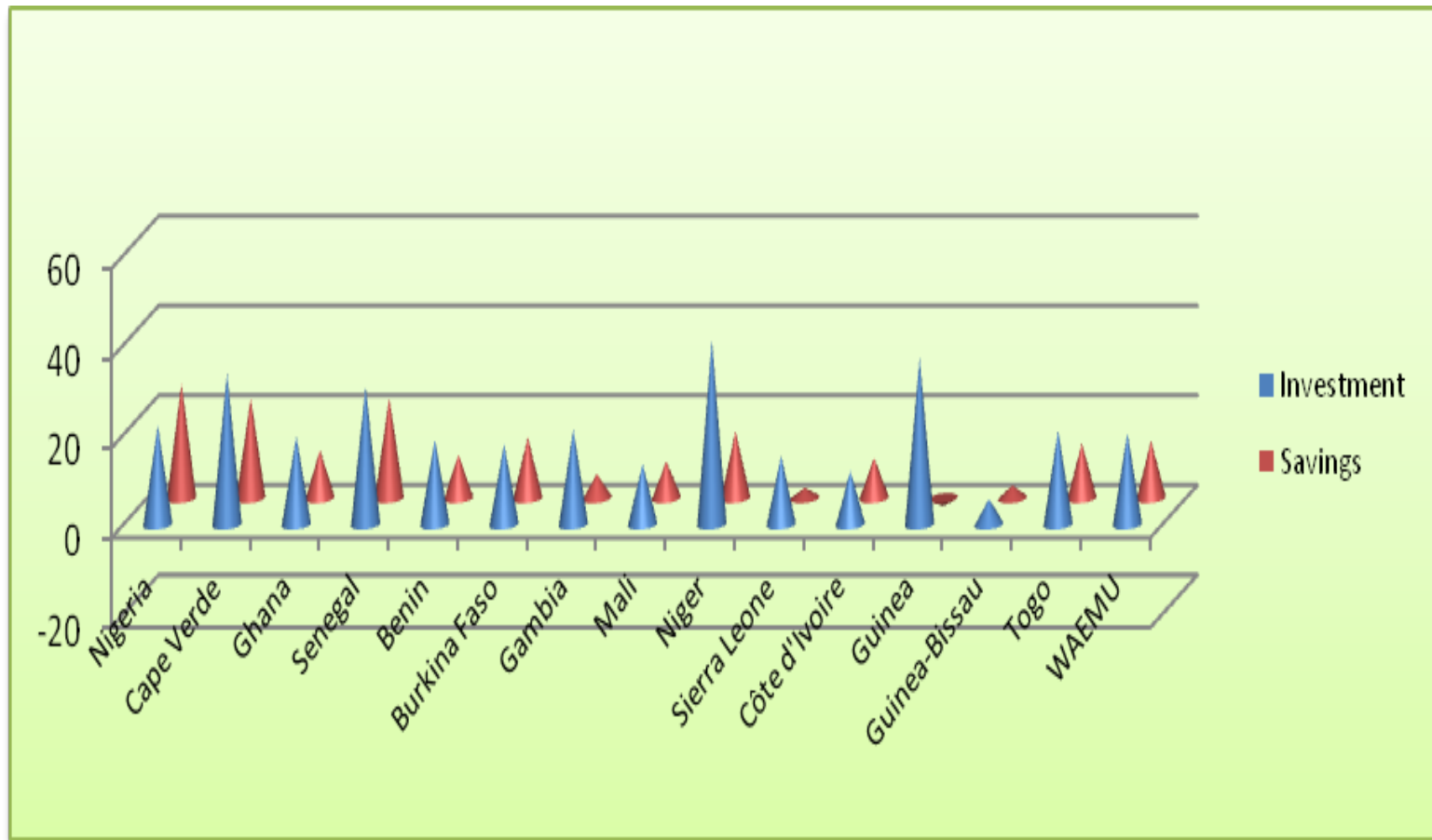


More Need to Close Investment-Savings Gap

- Investment-Savings gap is widening as low savings still characterizes the WestAfrica, revealing deep dependence on external financing to meets up with its development
- Despite the high rate of return on investment, West Africa experienced low domestic investment that is attributed to several factors including the poor state of infrastructure, poor quality of human capital, high cost of doing business, corruption and small size of domestic economies



Foreign Investments Critical Due to Wide Investment-Savings Gap



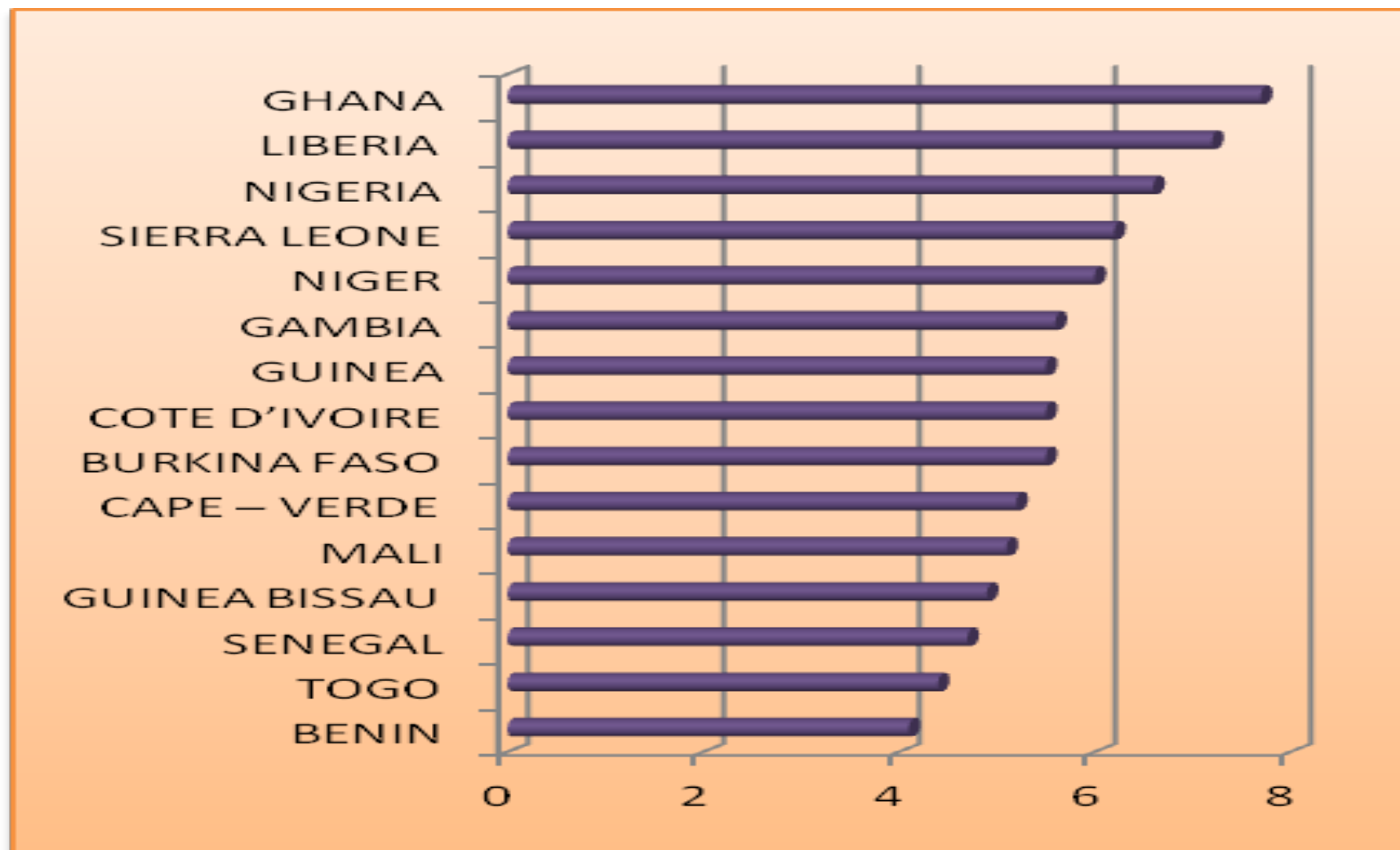


Macroeconomic Convergence Has Slowed

- The progress on macroeconomic convergence and policy harmonization among the various groupings in the sub-region has been patchy and slow
- None of the countries in WA satisfied all 4 primary monetary convergence criteria in their performance for the first half of 2012
- In the WAMZ, the prospects for the proposed take-off of a single currency regime by 1 Jan 2015 are not bright; no member State has satisfied the required macroeconomic convergence criteria in 2012
- With respect to secondary criteria, performance of member nations on the convergence scale worsened from a score of 79.2% in June 2011 to 62.5% in 2012.



Economic Prospects in 2013 (real GDP growth)





Growth Depends On...

- Emerging economies' demand remains high
- Traditional exports markets improve
- Speedy resolution of conflicts
- Investment in infrastructure, and skill training for youth
- Improved weather and investments in warning systems and disaster management; also more agricultural promotion and modernization





Recommendations

- West Africa needs to take immediate action to restore and entrench good governance
- Member States should resolutely act to meet the self-imposed macroeconomic convergence and policy harmonization criteria
- Urgent action to deal with persistent food insecurity by providing advance disaster/ risk warning/management systems against adverse weather or other natural disaster





Thank You

