Global financial crisis dims Africa's economic outlook

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NAIROBI, June 30 (Xinhua) -- The global financial crisis has adversely affected Africa's economy in many ways with demand for African exports falling, investment inflow deterring and government revenues sharply decreasing. As prospects for African economies have deteriorated, many African countries, fortunately, have improved macroeconomic management through reforms over the past few years which have helped them beat the crisis.

In the Regional Economic Outlook: Sub-Saharan Africa released by the International Monetary Fund (IMF) this April, Sub-Saharan African growth is projected at 1.5 percent in 2009 before recovering to just under 4 percent in the next year. These projections imply a sharp slowdown in growth compared to 2008 and a significant downward revision from the predictions in October.

The report titled African Economic Outlook (AEO) released in May said Africa can look forward to only 2.8 percent in 2009, less than half of the 5.7 percent expected before the crisis.

The report, jointly published by the African Development Bank (AfDB), the Organisation for Economic Co-operation and Development(OECD) and the United Nations Economic Commission for Africa (ECA),expects growth in oil-exporting countries in Africa to fall to 2.4percent this year compared to 3.3 percent for the net oil importers.

According to the report jointly published by the ECA and the African Union in May, Africa's economic growth rate will be expected to slow down to 2 percent, much lower than the levels of 5.1 percent in 2008 and 6 percent in 2007.

The impact of the global financial crisis and economic recession has already resulted in lower demand for Africa's export and a sharp decline in commodity prices, said the report.

As for the individual countries, the situation is no better. Official data showed South Africa's economy, the continent's biggest, contracted an annualized 6.4 percent in the first quarter, the biggest decline in almost 25 years.

The world bank has said South Africa's economy will probably contract 1.5 percent in 2009, the first drop in 17 years.

With lower oil output and weaker global energy prices, federal government revenues of Nigeria, Africa's primary oil producer, declined 32 percent below target in the first three months of 2009.

Due to the global crisis, the IMF expected Rwanda's economic growth would slow to about 5.3 percent in both 2009 and 2010 from an impressive 11.2 percent last year.

The World Bank said small and open economies such as Botswana and Seychelles will probably be the hardest hit, adding that gross domestic product in Botswana and Seychelles will probably fall 8 percent and 10 percent respectively.

But there is no reason to despair, said Louis Kasekende, chief economist of the AfDB. "The decade of reform has introduced efficiency in macroeconomic management and made African economies more competitive," he said.

On a positive note, the 2009 AEO noted that Africa is better positioned to weather the crisis than it was ten years ago.

The report said that many countries have taken prudent macroeconomic reforms in the past few years which have strengthened fiscal balances and reduced inflation to single-digit levels. Many countries have also benefited from substantial debt relief.

Javier Santiso, the director and chief development economist of the OECD Development Centre noted that "Asian and Latin American emerging markets have become increasingly important trade and development partners (of Africa), which also reduces the continent's vulnerability to the economic performance of OECD countries."

Meanwhile Antoinette Sayeh, the IMF director for Sub-Saharan Africa, said countries in the region need more direct aid to get through the crisis, calling on developed countries to live up to their 2005 commitment to doubling aid by 2010.

As for the future, many analysts are positive. They think the African economy may not greatly improve in the second half of 2009but would get better in 2010.

Many experts attending the World Economic Forum on Africa in Cape Town, South Africa, this June remained optimistic about the outlook for Africa. They agreed that the economic crisis still represents both a challenge and an opportunity for the continent and its people. Proper adjustment by the governments and private sector will stimulate African nations back to the path of rapid growth.

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