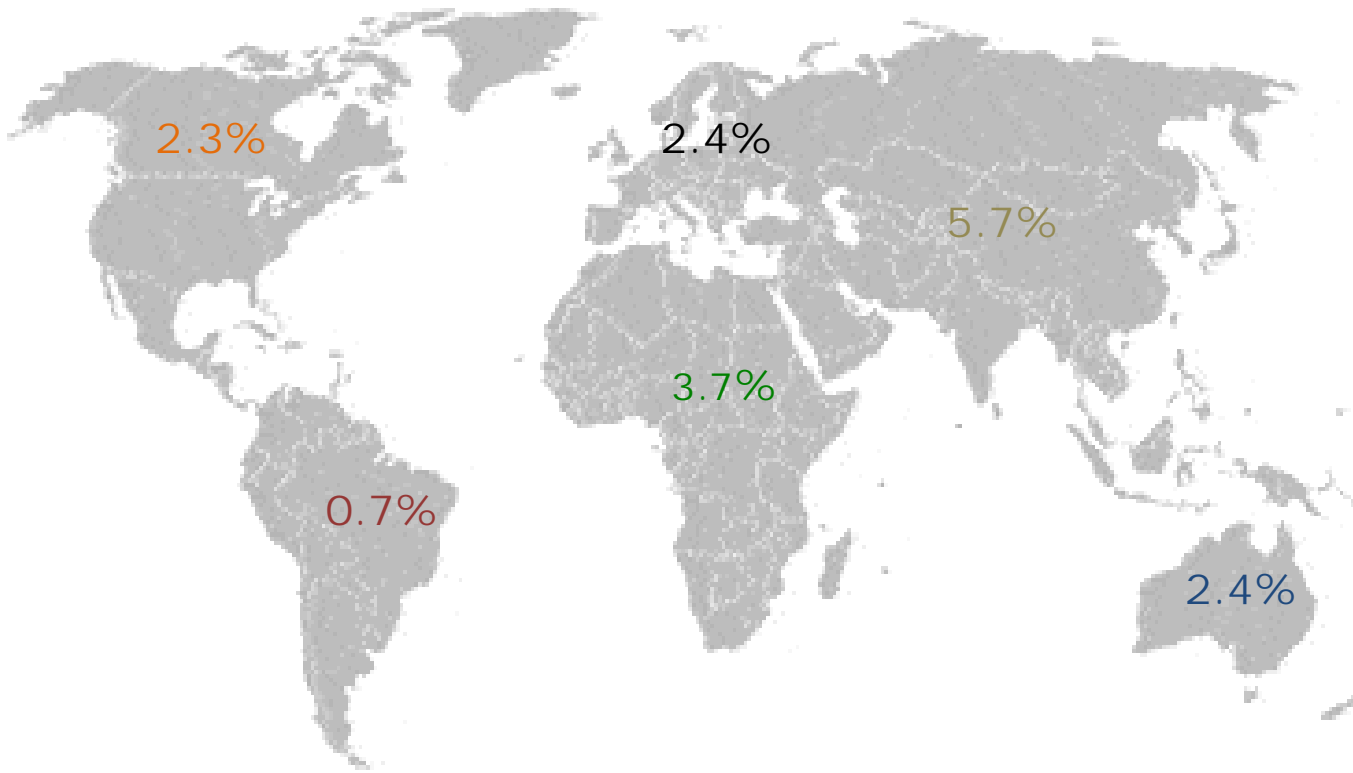


African Economic Outlook 2018

**RICS Summit Africa 2018
Johannesburg**

Global GDP Growth in 2017

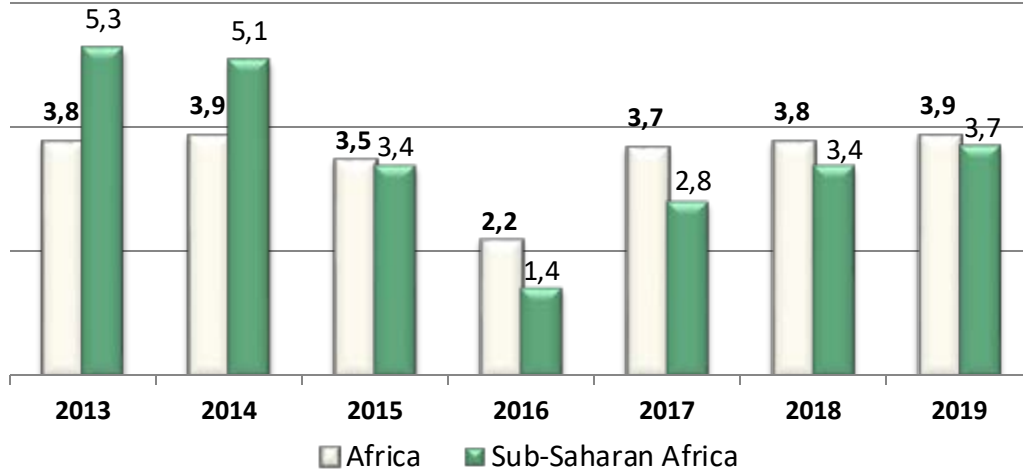


Source: IMF

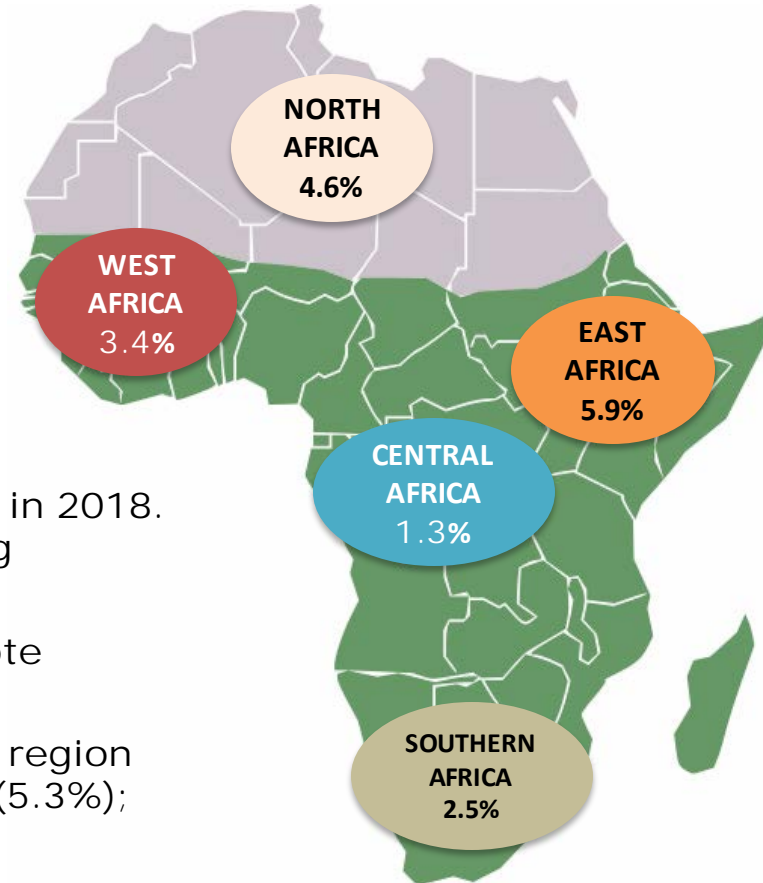
- Global GDP grew by 3.7% in 2017 and the IMF estimates a 3.9% global GDP growth for 2018
- Asia emerged as fastest growing continent, with China and India leading this growth
- Africa was the second fastest growing continent in 2017
- Growth was triggered by Increased manufacturing outputs in Asia and high investment in advanced economies
- Favourable global financial conditions and strong demand, investments and global trade will drive global growth in 2018 and beyond

GDP Growth: Africa and SSA

GDP Growth (%)



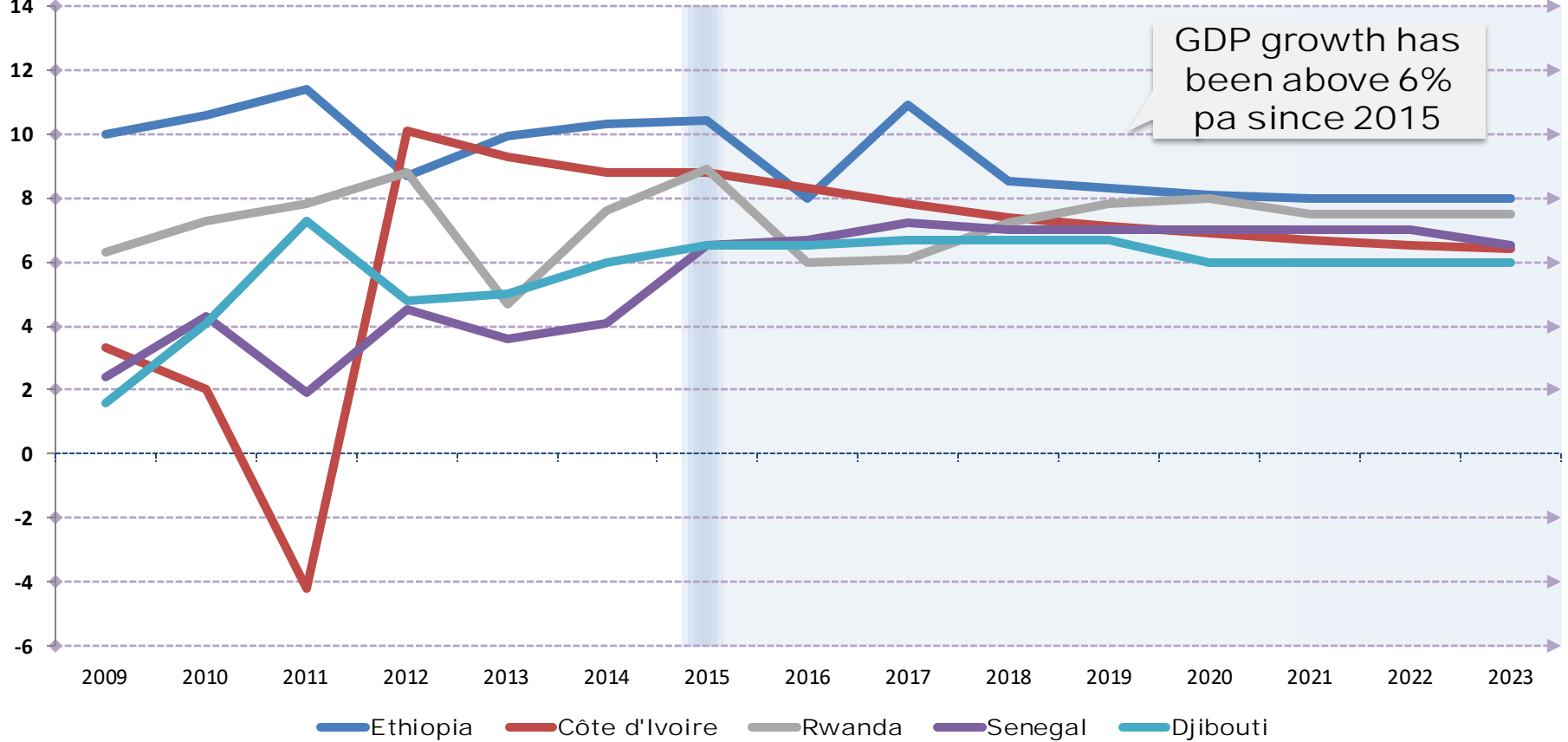
GDP Growth in Africa by regions (%)



- East African region is expected to lead GDP growth in 2018. Rwanda and Ethiopia are among the fastest growing economies
- Growth in West Africa will be led by Senegal and Cote d'Ivoire
- Positive outlook for the large economies across the region including North Africa. North Africa's growth: 2017 (5.3%); 2018 (4.6%) and 2019 (4.3%)

Top 5 fastest growing countries

GDP Growth (%)

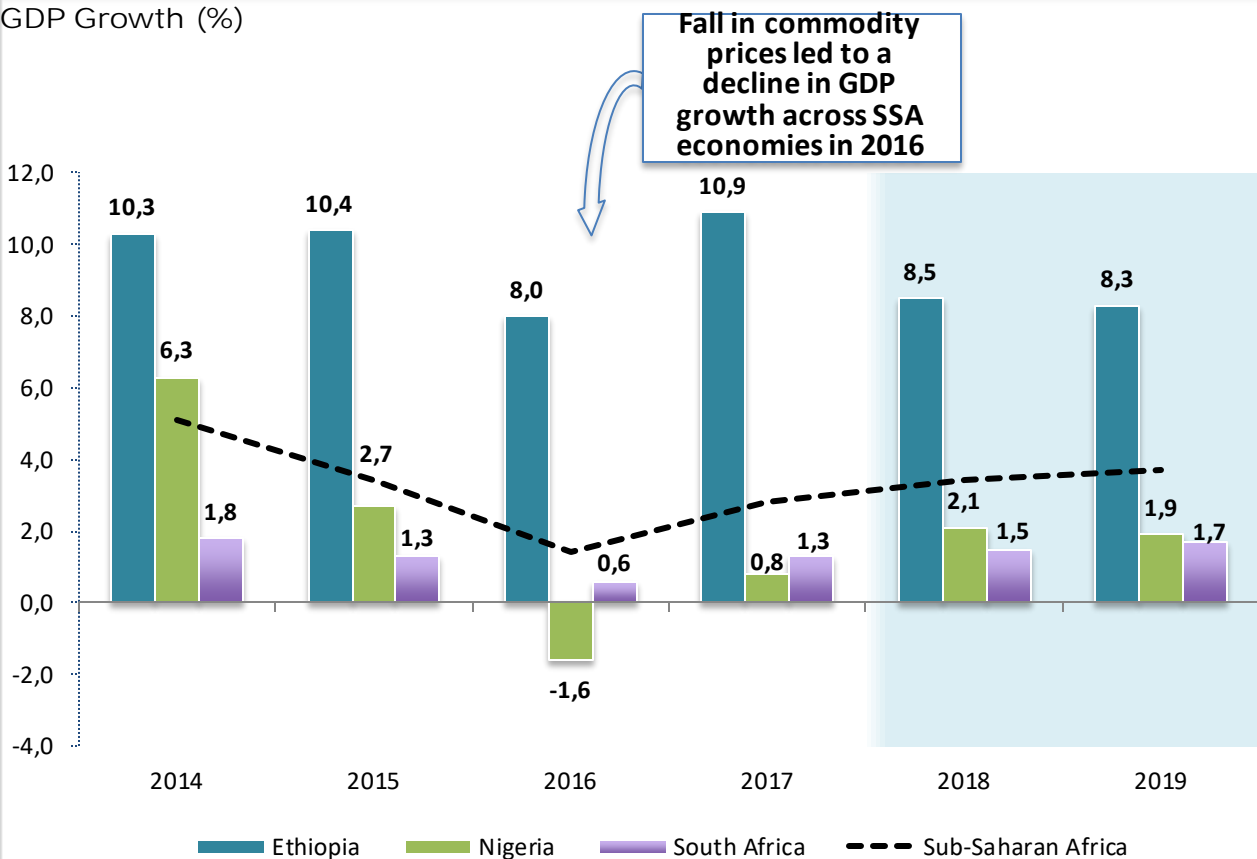


GDP growth has been above 6% pa since 2015

Source: IMF

Performance of Nigeria, South Africa and Ethiopia

GDP Growth (%)



Source: IMF, OPEC

- Growth in these economies is influenced by commodity prices
- All three economies experienced slowdown in 2016/2017 due to fall in energy, metal other commodities' prices
- Negative GDP growth in Nigeria and South Africa lasted for 5 and 2 consecutive quarters respectively.
- Nigeria experienced a currency crisis and decline in government revenue.
- The three economies experienced recovery in 2017
- Improving global conditions will result in a higher growth in output in the medium term

Africa's Growth Typology

GDP GROWTH (%)

	2016	2017	2018	2019
Sub-Saharan Africa	1.5	2.8	3.5	3.9
Oil exporting countries	1.7	3.4	4.1	3.9
Oil importing countries	2.9	3.9	4.2	4.5

- Growth in oil exporting countries picked up in 2017 due to a rebound in commodity prices. It is expected to increase further in 2018 and 2019.
- Increase in Libya's oil production will drive growth.
- In oil importing countries, growth is expected to pickup in 2018 and 2019.



Growth Drivers for Africa

1

Growth in consumption spending is expected to influence the Continent's growth in 2018 and 2019

2

For commodity exporters, higher government spending on infrastructure and recurrent expenditures will drive growth in aggregate demand and output

3

Recovery of commodity prices and structural reforms are expected to boost private investments and FDIs

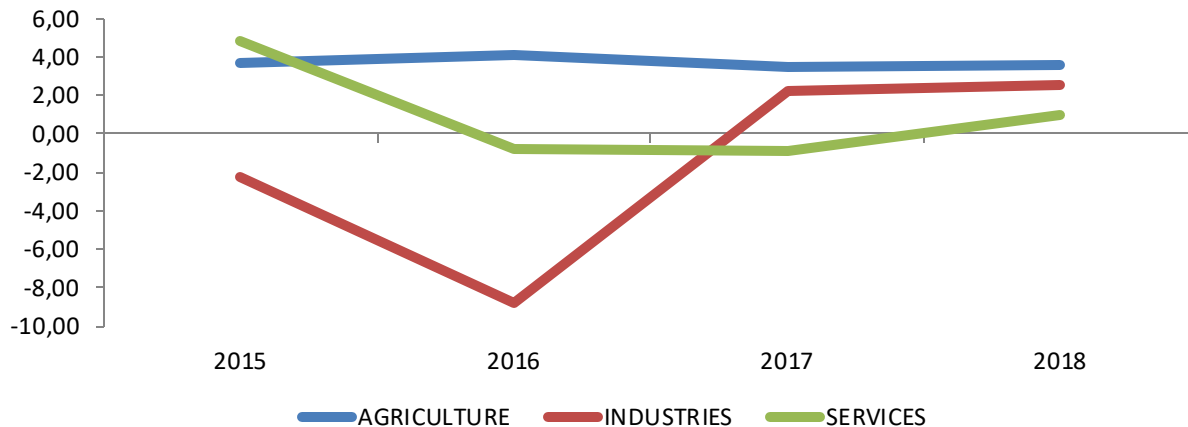
4

Key sectors such as crude oil and natural gas, mining, agriculture and services are the main engines of growth

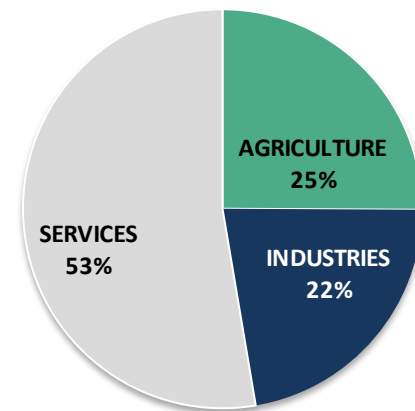


Nigeria : path to economic recovery

Sectoral GDP Growth (%)



Nigeria's 2017 GDP Composition



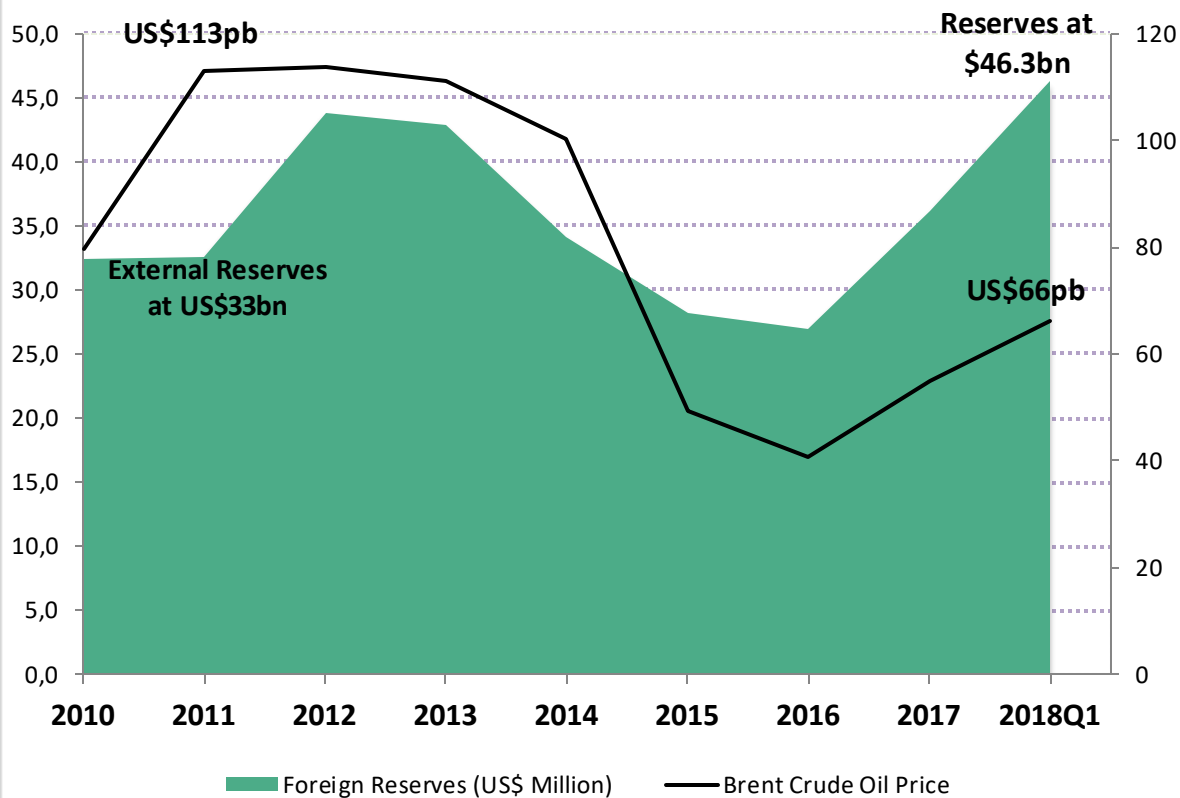
- In 2017, Nigeria experienced a recovery from its recession in 2016. GDP grew by a modest 0.8%. The recovery was driven by significant positive output growth in the crude petroleum sector.
- The oil sector experienced a growth rate of 4.8% in 2017 while the non-oil sector grew by 0.5%. Agricultural sector remained resilient, growing above 3% in 2016 and 2017
- Higher government revenue and spending, a growing external reserves, stable exchange rate and improved consumer demand will drive GDP growth in 2018 and 2019

- Services sector accounts for largest share of GDP at 53%
- Services GDP is led by Trade, Telecoms and Financial Services
- Manufacturing share of GDP stood at 9%

Source: National Bureau of Statistics

Nigeria: path to economic recovery

Movement of Nigeria's Foreign Reserve and Crude Oil Price

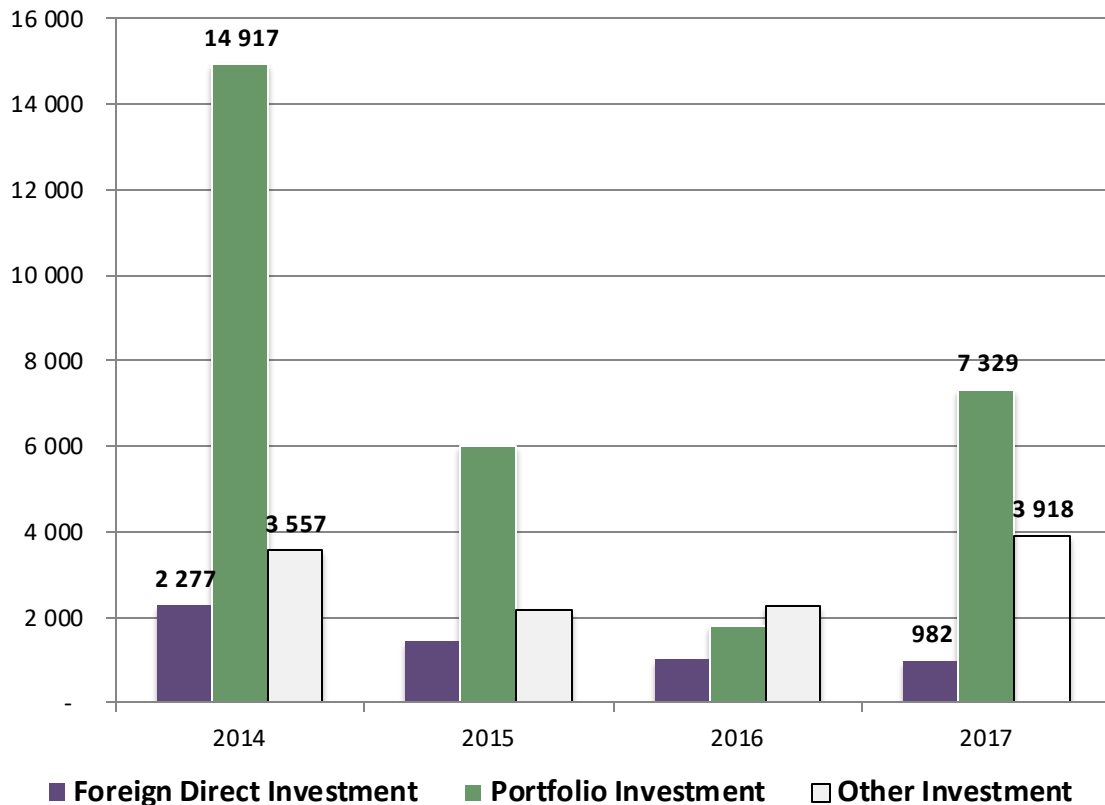


There is a strong correlation between Nigeria's foreign reserves and crude oil price. Declining crude oil price guarantees a fall in reserves

- **In the last one year, higher crude oil price has resulted in:**
 - **Increase government revenue**
 - **Inflation rate: 13.3% in March 2018 from 18.6% in Dec 2016**
 - **FX availability due to CBN interventions in FX market**
 - **Exchange rate stability at N365/US\$ in 2018Q1**

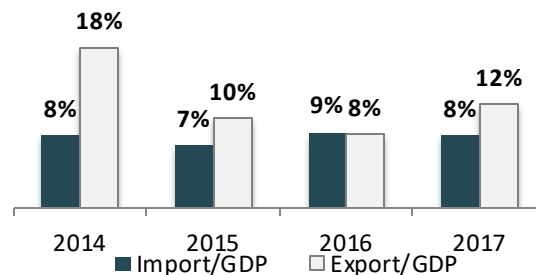
Nigeria: path to economic recovery

Nigeria's Capital Inflows (US\$ million)



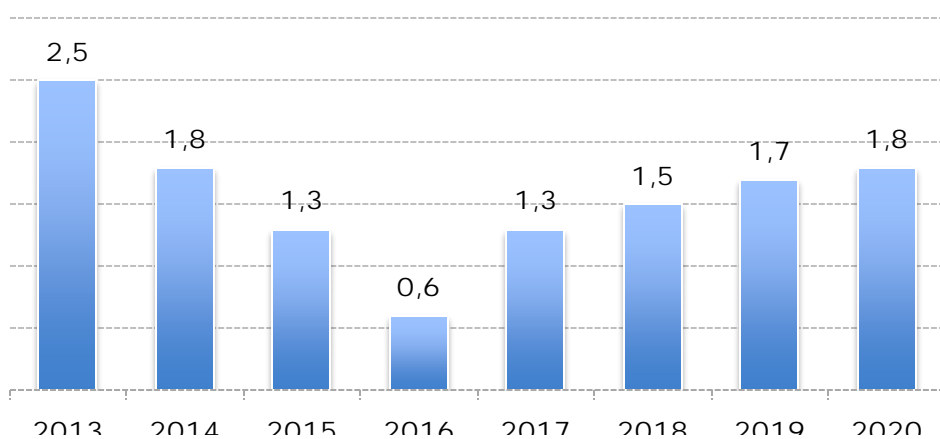
- Following the economic recovery in 2017, capital inflows has significantly improved:
 - Increased to US\$12.2bn in 2017 from US\$5.1bn in 2016
 - Portfolio investment has the biggest jump- from US\$1.8 billion in 2016 to US\$7.3 billion in 2017
 - Depreciated naira along with export promotion policies led to an increase in export/GDP ratio- 12% in 2017

Import/Export to GDP ratio

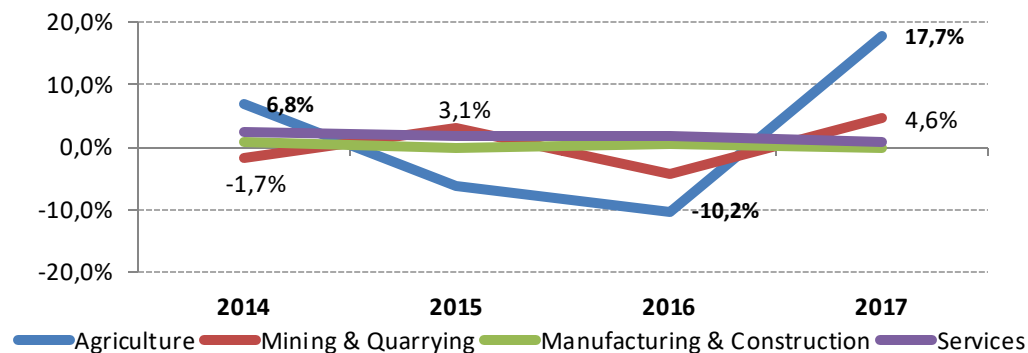


South Africa: Growth prospects

GDP Growth (%)



Sectoral GDP Growth

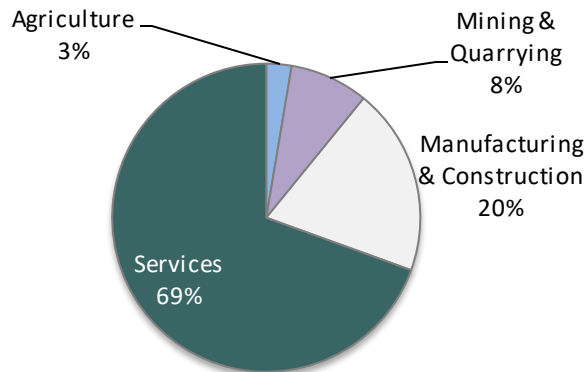


- GDP is expected to grow by 1.5% in 2018
- Agriculture, Mining and Finance expanded GDP in 2017 and are expected to increase further in 2018. Rebound in metal prices to contribute to Mining growth
- Manufacturing and construction industries experienced declines in output in 2017. Expected decline in manufacturing could dampen growth prospects
- Household consumption and investments are expected to drive growth in coming years

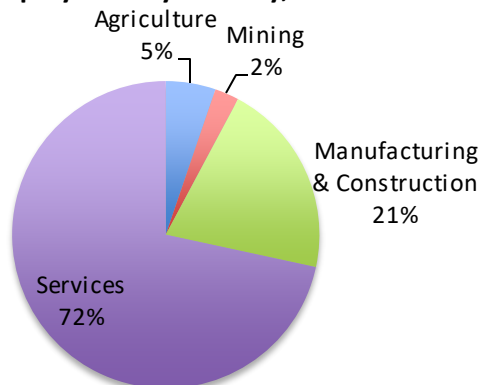


South Africa: Growth prospects and risks

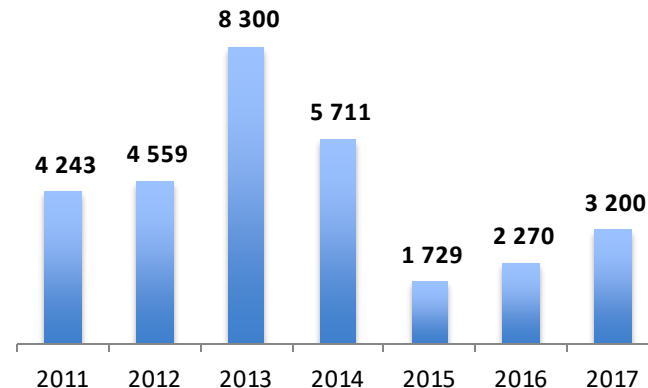
Composition of GDP by Industry, 2017



Employment by Industry, 2017

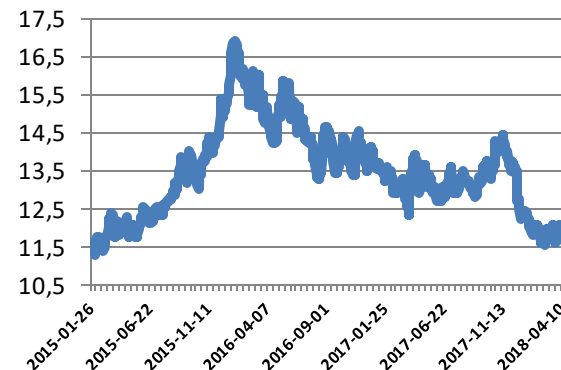


FDI Inflows (million US\$)



- In 2017, services sector had the highest share of GDP and contributed the most to employment
- Improvement in the domestic economy was evident in increased FDI inflows in 2017.
- Key sectors that attracted FDI include Energy, Telecoms and Services.
- Gross external debt as at 2017 stood at US\$173billion, representing 47% of GDP. This is high when compared to that of Nigeria's (US\$19bn: 4.6% of GDP)

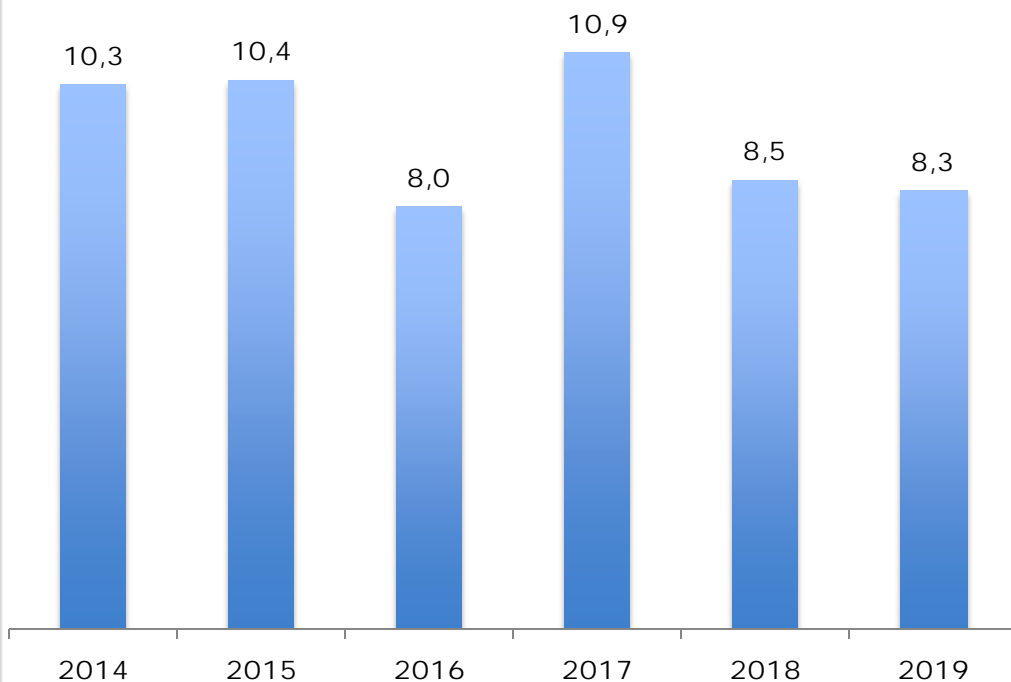
Exchange rate (Rand/US\$)





Ethiopia: economy fast growing and resilient

GDP Growth (%)



- Ethiopia is the fastest growing country in SSA. GDP growth has averaged 9.9% in the last five year
- Growth was driven by public investments in infrastructure and agriculture.
- Growth has been public sector-led
Growth is expected to remain high due to recovery from drought and pick-up in exports
- Positive growth forecast is also based on expected completion of key infrastructure projects (industrial parks, railway etc.)
- Agriculture and Manufacturing are expected to contribute significantly to GDP growth



Ethiopia: economic resilience and risks

Some risks to GDP growth

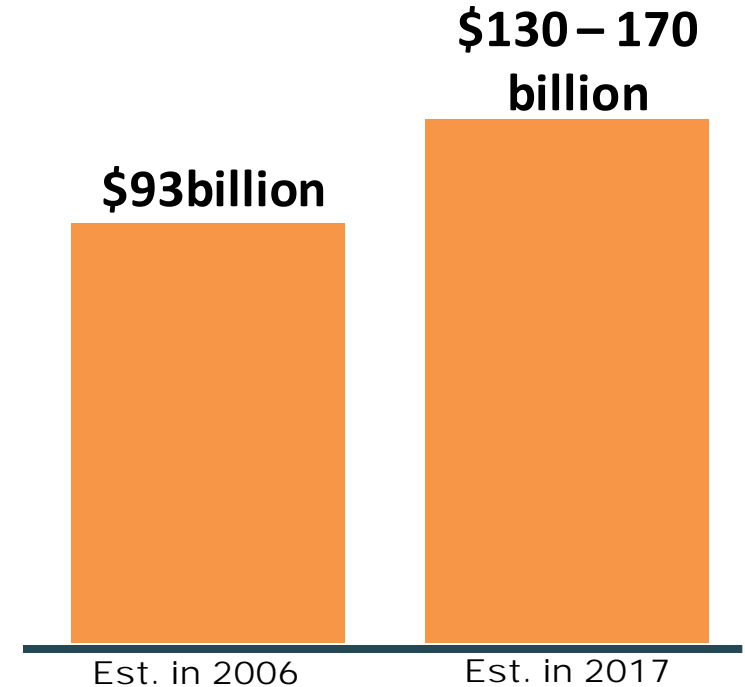
- Vulnerability to external shocks – due to dependence on coffee, gold and oilseeds exports
- High external public debt- external public debt service payments stood at US\$1.5 billion during 2017/2018. This represents about 50% of the country's external reserves
- Inflationary pressures exists owing to 15% currency devaluation- Inflation rate at 13.6% in Nov 2017 exceeded the target of 8% and was driven by food inflation.
- Lower government revenues and restrictive external borrowing could limit government spending



Infrastructure Development holds the key to inclusive growth

- A major obstacle to industrialization has been insufficient stock of productive infrastructure in power, water, and transport services
- Africa's infrastructure needs amount to \$130– 170 billion a year, with a financing gap in the range of \$68– \$108 billion.
- Infrastructure disbursements in Africa in 2016 stood at \$62.5 billion, with national governments accounted for 42% of this disbursement

Africa's Infrastructure deficit per annum





Infrastructure Development holds the key to inclusive growth

Infrastructure investments in Africa are financed largely by:

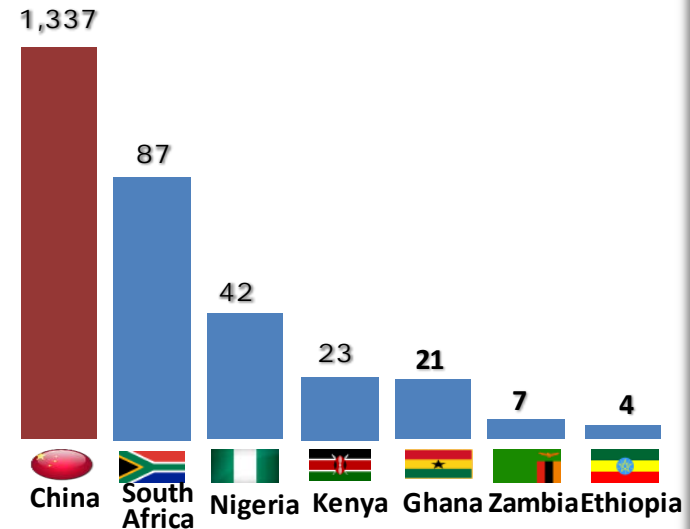
- Public sector primarily official development assistance
- Private sector (telecom, transport and energy)
- Official Chinese financing (energy and transport)

- Public-Private Partnership need to be explored by African governments to address infrastructure deficit

Country	Year	Amount US\$ million	Use
Côte d'Ivoire	2014	750	Public investment- health care and education
	2015	1000	Infrastructure, education, health care and poverty reduction
Ethiopia	2014	1000	Infrastructure, notably the Renaissance Dam
Ghana	2013	750	Infrastructure and refinancing of public debt
Kenya	2014	200	Infrastructure projects and repayment of a \$600 million loan
Nigeria	2013	1000	Energy infrastructure and debt refinancing
Rwanda	2013	400	Hydropower plant and hotel construction and debt payment
Senegal	2014	500	Road and energy infrastructure

Number of Public Private Partnerships Projects in Infrastructure as listed in the World Bank PPP database

2014-2017





Growth prospects must be boosted by structural reforms

- Growth across the continent is largely based on developments in global commodities market
- African economies are therefore vulnerable to external shocks
- Adjusting fiscal policies to achieve diversified government revenues and foreign exchange earnings are crucial
- African governments must focus on developing the secondary (value addition) sector such as light manufacturing, agro-processing and construction



Growth prospects must be boosted by structural reforms

- Investment in infrastructure is critical in opening up key sectors, increase investments, reduce unemployment and drive economic growth
- Addressing corruption and government inefficiencies would enhance public service delivery
- Rising unemployment and poverty headcount are huge risks to the continent's growth in the medium term

THANK YOU!