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Item 6 of the provisional agenda*
Statutory issues

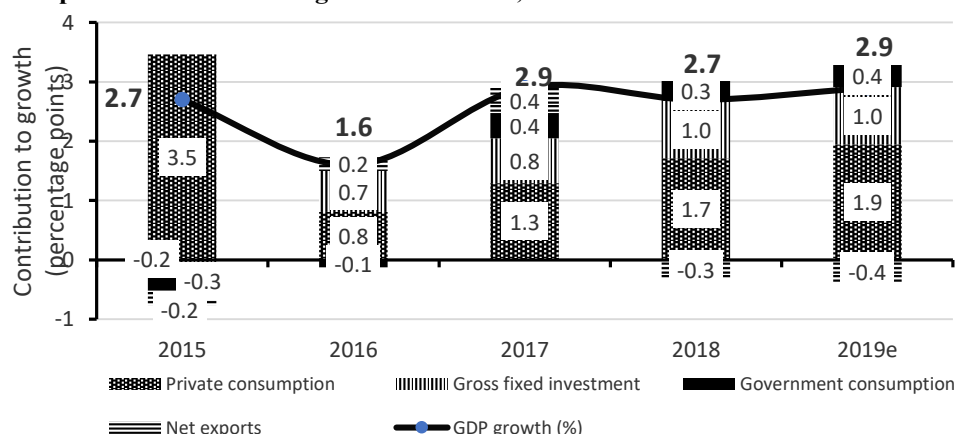
Overview of recent economic and social developments in Africa

I. Recent economic developments in Africa

A. Growth remains sluggish

1. Africa registered sluggish economic growth of 2.9 per cent in 2019, from 2.7 per cent in 2018, but similar to that of 2017. Private consumption and continued investment underpinned growth (figure I), while trade performance continued to weigh on growth, due to the weakening external conditions of volatile oil prices and the United States–China trade tension, which slackened demand. Furthermore, the global policy uncertainties have also dampened the flow of finance into the continent, affecting Africa's investment and growth performance.

Figure I
Components of economic growth in Africa, 2015–20



Sources: Based on data from UN DESA (2019) and EIU (2019).

Note: e=estimates.

2. Africa's growth is affected by slowdown in Angola (-1.5 per cent), near stagnation in South Africa (0.5 per cent) and slow growth in Nigeria (2.1 per



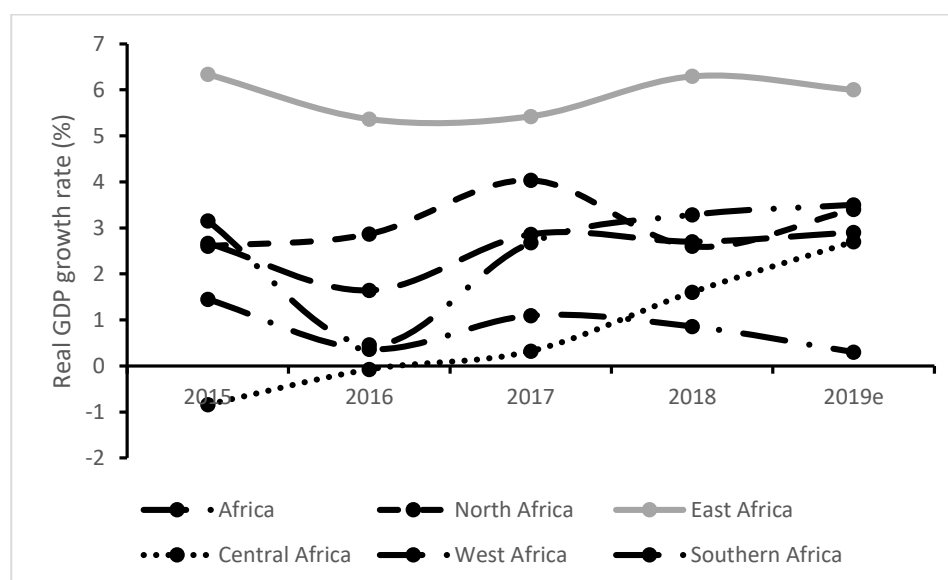
cent), which accounts for more than a third of the continent's gross domestic product (GDP). This is despite the good economic performance in other major economies such as Egypt, Ethiopia, Kenya, Ghana and the United Republic of Tanzania. South Sudan emerged as the fastest-growing country in the continent over the period, at 7.8 per cent, recovering from the dip in 2018 of -1.2 per cent. The rebound in growth is due to increased oil production backed by improving stability following the peace agreement. Nearly half of the fast-growing countries are small economies (in terms of GDP size). On the other hand, countries such as Angola, Namibia, Equatorial Guinea, Zimbabwe and the Sudan emerged as the lowest performers, with GDP contraction during 2019, masking varying factors.

1. Sluggish growth across subregions except in East Africa

3. Despite a slight decline in growth, from 6.3 per cent in 2018 to 6.0 per cent in 2019, East Africa remains the fastest-growing subregion in Africa. The robust growth is underpinned by strong public spending on infrastructure and rising domestic demand (see figure II). Growth in the subregion reflected strong growth in the Democratic Republic of the Congo, Ethiopia, Kenya, Rwanda, South Sudan, Uganda and the United Republic of Tanzania, with only Burundi growing at below 2.0 per cent over the period. In Ethiopia, growth recovered slightly, from 6.8 per cent in 2018 to 7.3 per cent in 2019, despite some instabilities that affected businesses. Yet, public investment in infrastructure and flow of finance (aid and loan) increased as a result of growing confidence due to the just developed "Home Grown Economic Reforms". Kenya's growth of 5.6 per cent in 2019 is underpinned by strong investment in infrastructure (including railway, roads and new wind power) and improvements in consumption, despite the weak performance of the agriculture sector due to drought. Similarly, growth in the United Republic of Tanzania was driven by investment in infrastructure and buoyant construction activities, while Uganda's growth was supported by the expansion in trade services, mining and construction.

Figure II

Economic growth in Africa, by regional grouping, 2015–2019



Source: Based on data from UN DESA (2019).

Note: e=estimates..

4. Central Africa grew from 1.6 per cent in 2018 to 2.7 per cent in 2019, with varying growth drivers across countries. These include relatively high, yet volatile, oil prices, new oil and gas production; strong performance in agribusiness, manufacturing and services (in Cameroon and the Republic of the Congo); tourism and construction (mainly in Sao Tome and Principe); and spillovers of Nigeria's recovery into the subregion. However, inadequate economic diversification (in the Republic of the Congo, Gabon and Equatorial Guinea) and adverse weather remain key risks that could derail economic growth in the subregion. Only Equatorial Guinea contracted, by 2.5 per cent in 2019, due to lower oil production and oil prices to meet the Government's expectations.

5. Growth in North Africa rose slightly, from 2.6 per cent in 2018 to 3.4 per cent in 2019, underpinned mainly by strong growth in Egypt (5.5 per cent) and Libya (5.2 per cent), and mild growth in Mauritania (4.2 per cent). Growth was underpinned by private, external demand, recovering tourism, and manufacturing and industrial activities, despite some political uncertainties in some countries. Lower private consumption and investment due to political instability, currency fluctuations and fuel shortages, as well as weather shocks that affected the agricultural sector and employment, underpinned Sudan's economy, which contracted by 1.0 per cent in 2019.

2. Subdued growth in Southern Africa

6. Growth in Southern Africa fell from 0.9 per cent in 2018 to 0.3 per cent in 2019, and is projected to rebound to 0.9 per cent in 2020. The slow growth is mainly due to policy inertia and uncertainty accompanied by low business confidence in countries such as Malawi, Mozambique, South Africa and Zimbabwe. This is exacerbated by rising government debt and weak production due to weather shocks and power shortages in some countries in the subregion.

7. South Africa's growth stagnated at about 0.5 per cent in 2019, mainly due to slow growth in key sectors and policy uncertainties surrounding the mining laws, as well as high domestic arrears that affect private sector business. Furthermore, power shortages have placed a significant drag on the manufacturing and service sectors. Angola's growth contracted to 1.5 per cent in 2019, due to volatile oil prices coupled with low production of oil, leading to low oil revenues. Botswana and Malawi, with growth rates of over 4 per cent in 2019, are the fastest-growing economies in the subregion, followed by Mauritius, Lesotho and Zambia. The strong performance of Botswana's economy is explained by increased government spending, strong private consumption, and modest increase in copper and diamond extraction. Growth contracted in Zimbabwe (5.5 per cent) and Namibia (1.0 per cent) due to rising income inequalities and low domestic demand.

3. Steady growth recorded in West Africa

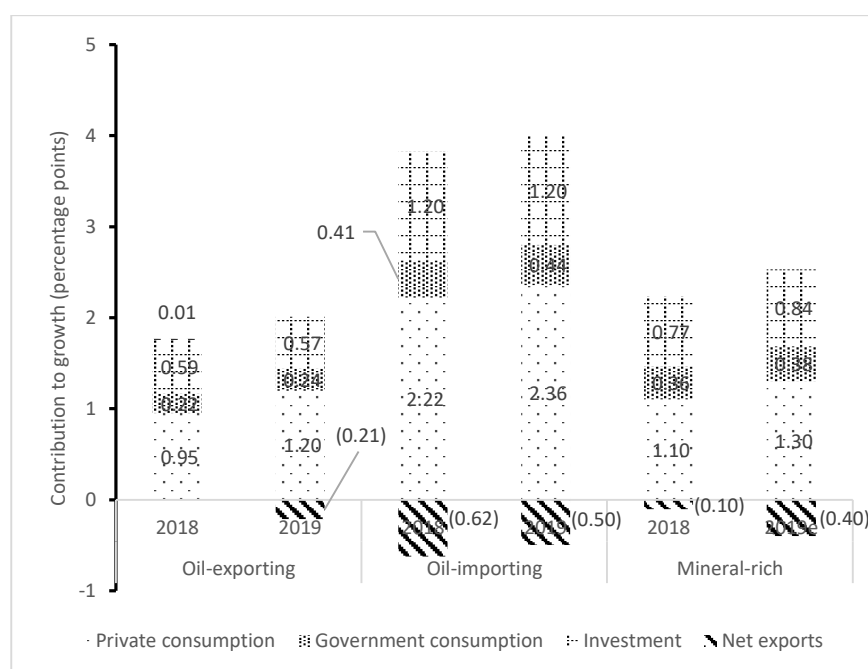
8. The subregion remains the second highest growth performer after East Africa, growing at 3.5 per cent in 2019, up from 3.3 per cent in 2018. Recovery in oil production in Nigeria, good harvests in agriculture, expansion of the service sector in almost all the countries, as well as robust private consumption growth and massive public investment in infrastructure, remain the dominant growth drivers in the subregion. Growth was positive in all countries of the subregion in 2019, with some countries recording growth rates of above 5 per cent, except Nigeria (2.1 per cent) and Liberia (0.4 per cent), where economic recovery remained weak, while Ghana (7.0 per cent) and Côte d'Ivoire (7.4 per cent) were among the fastest-growing countries on the continent. Benin, Côte d'Ivoire, the Niger and Senegal benefited from increased private consumption and investment. In Côte d'Ivoire, improved infrastructure (transport, electricity and water) and the associated investment in the sector, benefitted growth by improving productivity. Similarly, the improved power supply and continued private investment in energy and other sectors drove growth in Senegal.

4. Private consumption dominated growth in oil-importing countries

9. Strong private consumption and public investment contributed significantly to GDP growth in oil-importing countries, supported by agricultural production and service sector activities. Growth in oil-importing countries increased slightly, from 3.3 per cent in 2018 to 3.4 per cent in 2019 (figure III). Growth in oil-exporting countries has been supported by expanded production, despite the volatile commodity prices.

Figure III

Components of economic growth by economic grouping, 2018–2019



Sources: UN DESA (2019) and EIU (2019).

Note: e=estimates.

5. Monetary policy eased as inflation subsided

10. Since 2018, most of the countries eased their monetary policies as they cut their interest rates, due to subsiding inflationary pressures, in order to boost demand. Monetary policy was accommodative in the West Africa subregion as inflation remained stable at 5.2 per cent in both 2018 and 2019, below Africa's average (of 8.2 per cent), but slightly above the subregion's macroeconomic convergence criteria level of 5.0 per cent, leading to a decline in interest rates.

11. However, in all the countries belonging to the West African Economic Monetary Union (WAEMU), policy rates remained unchanged, as inflation remained stable, at an average of 2.5 per cent in 2019, despite the CFA franc depreciating by 5.0 per cent against the United States dollar. This is mainly due to the pegged exchange rate regime to the euro, which limits the effects of imported inflation, and the decline in food prices that prevailed over the period. Non-WAEMU countries experienced similar exchange rate depreciations, with Sierra Leone and Ghana experiencing the largest depreciations. Similarly, Southern Africa's largest economy, South Africa, had its interest rates unchanged over the period. In contrast, other economies, such as Tunisia and Zambia, raised their interest rates to abate inflation and stabilize the effects of currency depreciation. In Central Africa, the Bank of Central African States, a regional central bank, tightened the monetary stance that supported the improved external position of the member countries in the Central African Economic and Monetary Community.

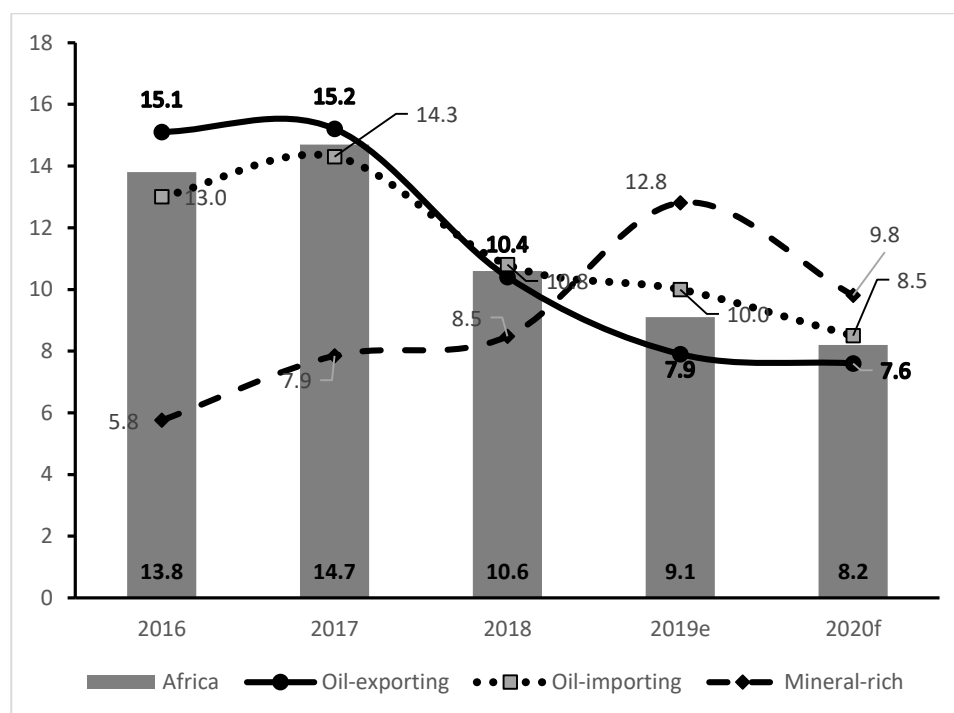
12. Reduced inflationary pressures in North Africa allowed countries to maintain accommodative monetary policy, except in Tunisia, where monetary policy tightened to curb inflation. In East Africa, with the exception of Ethiopia and Rwanda, monetary policy remains tight, despite a decline in inflation.

6. Inflationary pressures continue to ease across economic groups and subregions

13. Despite masking notable variations across countries, inflationary pressures continue to ease in Africa, falling from 10.6 per cent in 2018 to 9.1 per cent in 2019, and are expected to decline further, to 8.2 per cent in 2020 (figure IV), mainly due to the decline in food prices, as a result of increased agricultural production and relatively lower global oil prices. There have been declines in oil-exporting countries (from 10.4 per cent in 2018 to 7.9 per cent in 2019 but expected to reach 7.6 per cent in 2020), with a slight decrease in oil-importing countries (from 10.8 per cent in 2018 to 10.0 per cent, before declining further to 8.5 per cent in 2020), but increased to 12.8 per cent in 2019 in mineral-rich countries, and expected to decrease to 8.5 per cent in 2020.

Figure IV

Inflation rate by economic group, 2016–2020



Source: UN DESA (2019).

Note: e=estimates; f=forecasts.

14. Underpinned by currency depreciations in Southern Africa's large economies of Angola and South Africa, as well as the higher food prices due to lower rainfall in the subregion, inflation rose from an average of 7.2 per cent in 2018 to 9.6 per cent in 2019. Increased electricity tariffs and value added tax, effected in 2018 in South Africa, were the main inflationary drivers in 2019.

15. Inflation in East Africa declined from 16.6 per cent in 2018 to 12.6 per cent in 2019, mainly driven by relatively low inflation in Burundi, Djibouti, Rwanda, the United Republic of Tanzania and Ethiopia, reflecting the low global oil prices and a decline in imported food prices. However, inflation rose in Kenya, from 4.7 per cent in 2018 to 6.2 per cent in 2019, due to poor rainfall and rising food prices; while in Uganda, it edged up from 2.6 per cent in 2018 to 2.9 per cent in 2019, reflecting the increased communication prices due to

higher taxes imposed, and higher transportation costs, partly driven by fuel levies since 2018.

16. In West Africa, inflation increased over the period, mainly driven by high inflation rates in Liberia (15.0 per cent), Nigeria (10.4 per cent) and Sierra Leone (18.8 per cent), raising inflation for the subregion from 9.8 per cent in 2018 to 10.9 per cent in 2019.

17. In Central Africa, the inflation rate moderated around 2.3 per cent in 2019, indirectly influenced by increased fiscal surpluses and fiscal consolidation efforts. Also, this is the subregion where most of the countries belong to the CFA Franc Zone, with relatively low inflation rates, as their currency is pegged to the euro, which limits imported inflation effects.

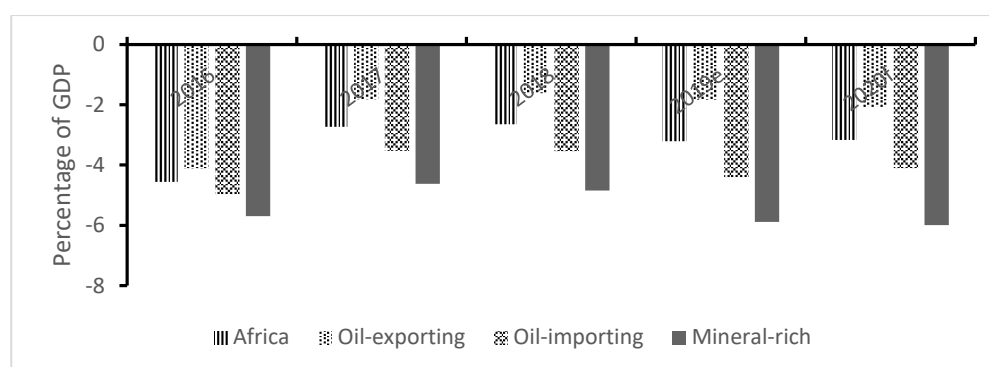
18. Despite being the subregion with a relatively high inflation rate, North Africa's average inflation rate declined from 13.3 per cent in 2018 to 8.8 per cent in 2019, with countries such as Egypt having their inflation rate remain high, at 9.8 per cent in 2019, reflecting mainly the impact of fuel subsidy reduction. The Sudan's inflation rate remains among the highest on the continent, due to monetization of fiscal deficit, disruption in domestic food supply and the subsequent depreciation of the domestic currency.

B. Widening current account deficit

19. The current account deficit widened from 2.6 per cent of GDP in 2018 to 3.2 per cent in 2019, due to lower external demand, softening of commodity prices and an increase in capital imports for public infrastructure in most countries. Over the period, they had been highest in mineral-rich countries, followed by oil-importing countries (figure V). Weather shocks also exacerbated the current account deficit by reducing agricultural production and power generation, leading to a reduction in exports and a rise in imports, and a disruption in economic production, respectively, in some countries, especially in Southern Africa.

20. Current account balances in both the Central and West Africa subregions worsened following lower-than-expected commodity prices. In North Africa, they widened from 3.5 per cent of GDP in 2018 to 4.3 per cent in 2019, due to declining service exports and an increase in capital goods imports (especially in Morocco and Tunisia), and due to a significant fall in the Sudan's exports as a result of the political instability and currency crisis. In Southern Africa, the current account deficit was underpinned by deficits in services in South Africa and lower oil exports in Angola, as well as weather shocks that led to a decline in exports. Meanwhile, they marginally narrowed in East Africa on account of improved services exports in Kenya and increased merchandise exports in the United Republic of Tanzania and Uganda.

Figure V
Current account deficit (percentage of GDP) in Africa, 2016–2020



Source: EIU (2019).

Note: e=estimates; f=forecasts.

1. Africa's exports grew the fastest, despite decreasing as a share of total global exports

21. Global exports continued to grow in 2018, reaching their highest levels since 2012, despite hiding significant performance differences across regions. Whereas global exports rose by 21.5 per cent in 2018, Africa experienced the fastest export growth (34.4 per cent), followed by Oceania (30.5 per cent), Asia (21.5 per cent), Europe (21.5 per cent) and the Americas (17.2 per cent). Nonetheless, in spite of these encouraging figures, Africa's share of total global exports decreased from 3.5 per cent in 2012 to 2.5 per cent in 2018, with a slight rebound from 2016 levels (2.2 per cent).

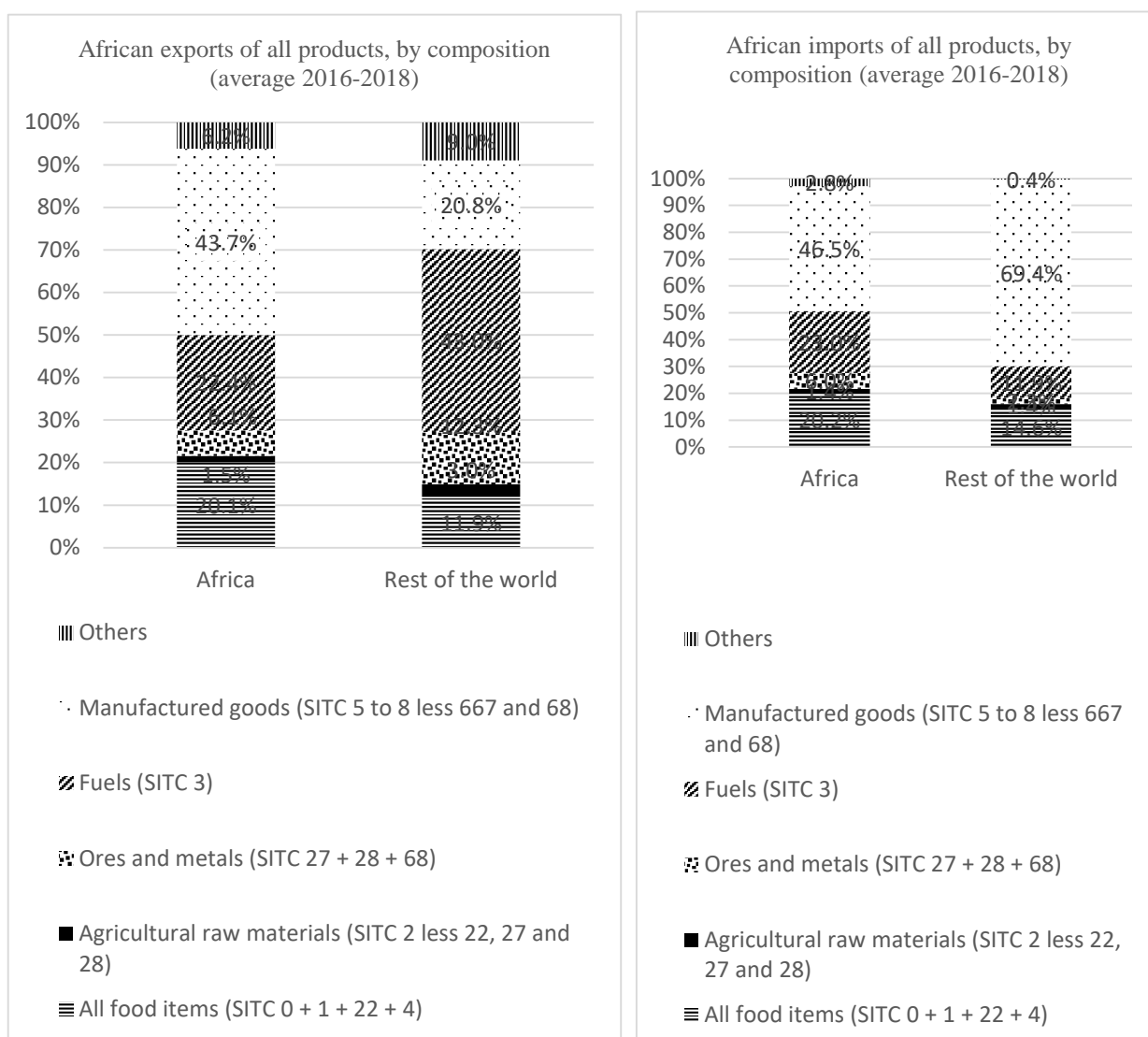
2. Composition of African trade has not significantly changed

22. The composition of African exports with the rest of the world has not shown significant change, although the shares of fuel and manufactures in total exports have slightly increased for the period 2016–2018, compared with 2015–2017,¹ whereas the other main categories of products – such as all food items, agricultural raw materials, ores, metals, and others – slightly contracted over the periods. Regarding intra-African exports, all categories (all food items, agricultural raw materials, fuels and manufactured goods) decreased over the period. However, ores and metals grew substantially, by 2.3 percentage points, while “others” remained unchanged.

23. The composition of African imports from the rest of the world has only slightly changed over the period 2016–2018 compared with 2015–2017, with the exception of manufactured goods, imports decreasing by 1.3 percentage points, and fuel growing by 1 percentage point over the period. However, it is worth noting that imports from other African countries increased in all food items, ores and metals, while fuel and manufactured goods contracted over the periods (figure VI).

¹ See ECA (2019).

Figure VI
Composition of African imports and exports, 2016–2018

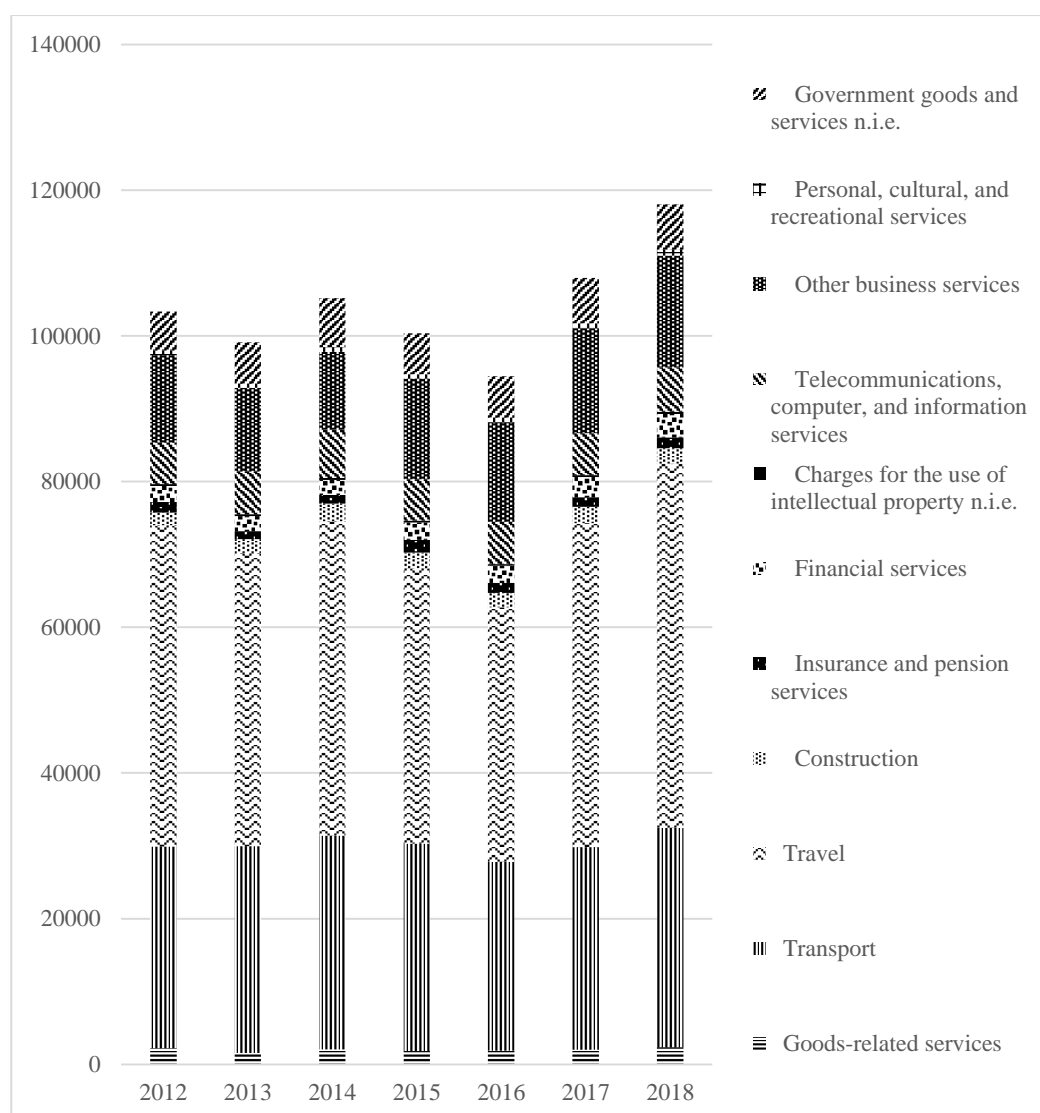


Source: Computed based on UNCTAD (2019).

3. Financial services exports are overtaking travel in African trade

24. Similarly, African exports of services continued to increase. Service exports expanded from \$94.5 billion in 2016 to \$107.9 billion in 2017 and to \$118 billion in 2018, led by travel services, which increased by 43.1 per cent over the period 2016–2018, followed by financial services (34.5 per cent) and goods-related services (25.3 per cent) over the same period. However, from 2017 to 2018, the highest year-to-year growth was in financial services, which grew by 16.4 per cent, compared with 12.5 per cent in travel services (see figure VII).

Figure VII
Service exports by sector, millions of United States dollars, 2012–2018



Source: Computed based on UNCTAD (2019).

Note: n.i.e. = not included elsewhere.

4. Latest developments in African trade: Entry into force of the African Continental Free Trade Area

25. On 30 May 2019, the African Continental Free Trade Area (AfCFTA) entered into force, 14 months after the Tenth African Union Extraordinary Summit, held in March 2018, during which the Agreement Establishing the African Continental Free Trade Area was first made available to African Union member States for signature.

26. On 7 July 2019, the Twelfth African Union Extraordinary Summit celebrated the first anniversary of the signing of the Agreement Establishing the African Continental Free Trade Area, at which several instruments were launched to facilitate the implementation of the Agreement. These include an online mechanism for reporting, monitoring and eliminating non-tariff barriers. Furthermore, the Summit provided an opportunity for some African Union member States to deposit their instruments of ratification of the AfCFTA Agreement. By that date, 27 African Union member States were State Parties to AfCFTA, representing 64.9 per cent of total intra-African exports (2016–

2018), 45.4 per cent of total African GDP, and an aggregated market size of 45.7 per cent of the total African population over the period 2015–2018.

27. Based on the AfCFTA modalities for tariff liberalization, ECA research has shown that the sole reduction of tariffs under AfCFTA could increase the value of intra-African trade by around 15–25 per cent by 2040, as compared with a scenario without AfCFTA in place, with significant gains to be expected in the agrifood and industrial sectors (ECA, 2018a). However, ECA also suggests that complementary policies that go beyond tariff reductions would maximize the gains of AfCFTA (ECA, 2018b).

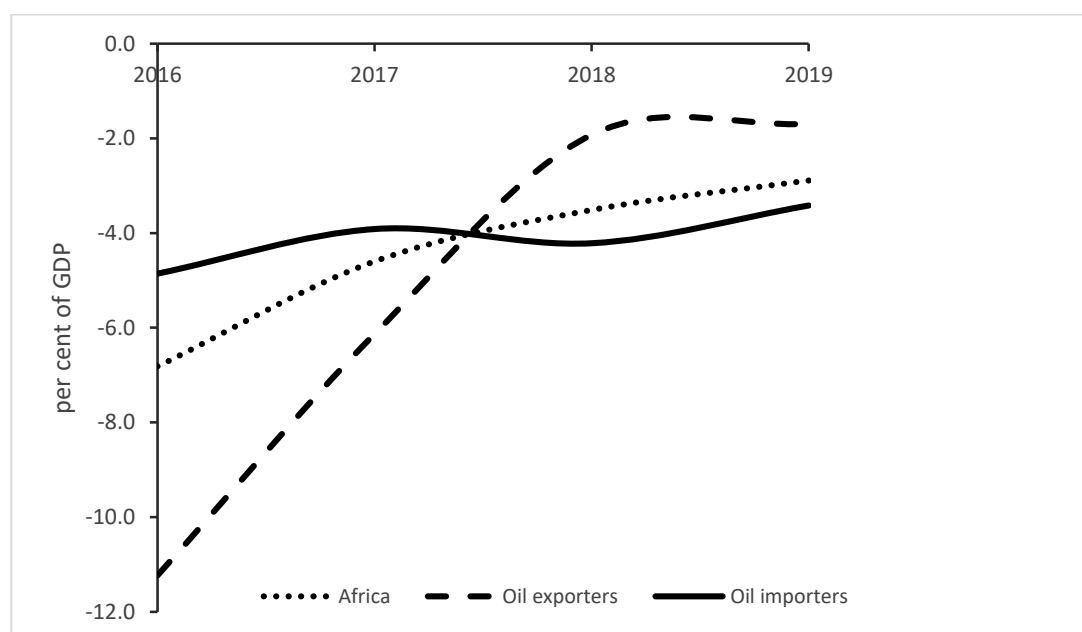
C. Fiscal deficit and debt

1. Widening fiscal deficits in oil-exporting countries, narrowing in oil-importing countries

28. Africa's average fiscal deficit declined from 3.5 per cent of GDP in 2018 to 2.9 per cent in 2019 (figure VIII). The average, however, masks significant variations between countries in the region.

Figure VIII

Fiscal deficit for Africa, oil importers and oil exporters, 2016–2019



Source: Kose and others (2017).

29. An analysis shows a contrast between the fiscal deficits of oil-exporting countries, which widened by 0.2 per cent of GDP, compared with oil-importing countries, whose deficits narrowed by 0.3 percentage points from 2018 to 2019. The increase in fiscal deficits for oil-exporters is a reflection of a slower-than-expected increase in oil prices, while oil importers undertook deliberate adjustments, such as expenditure cuts, to reduce fiscal deficits (IMF, 2019).

30. However, notwithstanding the fiscal deficit expansion for oil exporters, the Republic of the Congo and Equatorial Guinea were the exceptions, with decreases in fiscal deficits of 3.5 and 2.0 per cent of GDP, respectively, from 2018 to 2019. The fiscal deficit decline in the Republic of the Congo was attributed to a pickup in revenues due to increase in oil production. In Equatorial Guinea, a combination of revenue increases and expenditure cuts led

to the decline in fiscal deficit (EIU, 2019). For oil importers, the Gambia had the largest decrease in fiscal deficit, from 6.6 per cent of GDP in 2018 to 0.6 per cent of GDP in 2019, on account of increased grant disbursements (World Bank, 2019).

31. At the subregional level, Central Africa made the largest fiscal consolidation gains, with a surplus of 1.7 per cent of GDP in 2019, compared with 0.6 per cent in 2018 and a deficit of 3.2 per cent in 2017. While the subregion mostly comprises oil exporters, fiscal consolidation was broad-based, including increases in revenue due to oil price increases, as well as contraction of recurrent and development spending (IMF, 2019). Fiscal deficits widened in the Southern Africa subregion, which has the majority of oil-importing countries (Malawi, Mozambique and Zimbabwe), and experienced weather-related shocks in the first half of 2019.

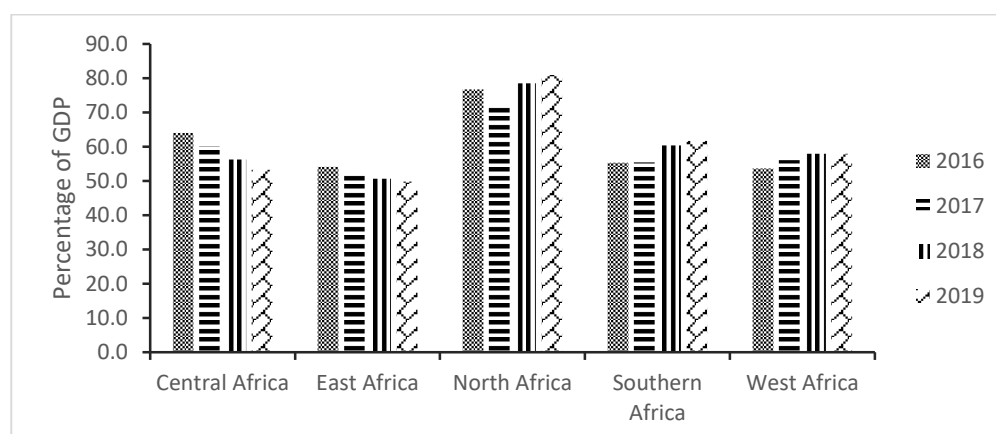
32. In a majority of countries on the continent, fiscal consolidation was achieved through development expenditure cuts and increases in revenue due to relative commodity price increase, which could have adverse effects for economic growth in the long run.

2. Fiscal consolidation led to stabilization in the debt stocks

33. Africa's total public debt remained unchanged at 58.7 per cent of GDP in 2019. There was, however, significant variation between countries, with Botswana, the Comoros, Eswatini, the Democratic Republic of the Congo and Nigeria having debt levels below 22 per cent of GDP. At a subregional level, North Africa remains the region with the highest debt levels, increasing from 78.5 per cent of GDP in 2018 to 80.9 per cent in 2019 in the region (figure IX). Egypt, Mauritania and the Sudan had the highest debt-to-GDP ratios – at 86.9, 81.0 and 121.3 per cent, respectively – in 2019. However, while debt in Mauritania and Egypt is expected to moderate in the medium term, debt in the Sudan is forecast to expand to 169.8 per cent of GDP in 2021 (World Bank, 2019).

Figure IX

Debt-to-GDP ratios by region, 2016–2019



Source: Kose and others (2017).

34. Similarly, debt in the Southern Africa region trended upwards, increasing from 60.3 per cent in 2018 to 61.7 per cent in 2019. In Mozambique, debt rose from 121.2 per cent of GDP in 2018 to 129.0 per cent in 2019, while debt levels remained elevated in Angola and Zambia, at 83.1 and 80.5 per cent in 2019, respectively. The effects of cyclone Idai in the first two quarters of 2019 worsened the debt situation in Mozambique and Zimbabwe, as the respective Governments borrowed to repair damages in the aftermath of the cyclone. In contrast, reforms in Central Africa saw debt levels decline from 56.3 per cent of GDP in 2018 to 53.2 per cent in 2019. Reforms included expenditure cuts in

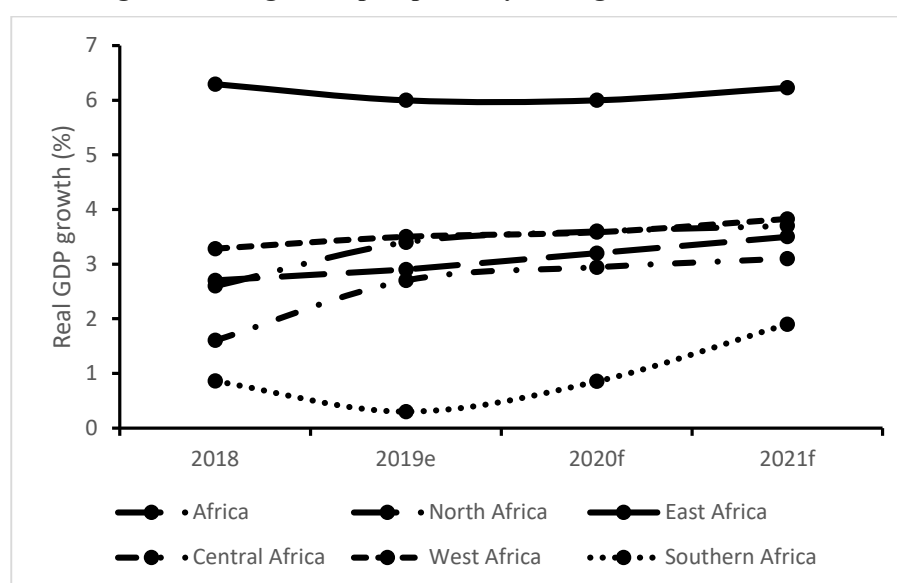
Cameroon, debt restructuring in Chad, and increase in revenues in the Central Africa Republic, the Republic of the Congo and Gabon (World Bank, 2019).

D. Medium-term growth prospects, risks and uncertainties

35. Africa's real GDP growth is projected to increase marginally, from 2.9 per cent in 2019 to 3.2 per cent in 2020, before rising to 3.5 per cent in 2021. These forecasts are revised upwards from last year's forecasts (see ECA, 2019), to reflect rising private consumption, rising and sustained public investment, higher commodity prices, ongoing oil exploration and production, and favourable weather conditions. All subregions are projected to post positive growth in real GDP in both 2020 and 2021 (figure X), and East Africa, growing at 5.2 per cent in 2020 and 5.72 per cent in 2021, is expected to lead the subregions.

Figure X

Africa's growth and growth prospects, by subregion, 2018–2021



Source: Based on data from UN DESA (2019).

Note: e = estimates; f = forecasts.

36. In the medium term, African economies also face downside risks to growth from the new protectionist policies in advanced economies, and slower global growth, as well as weather-related shocks, especially in agriculture-dependent economies. The trade tensions could lead to a decline in global economic growth resulting in slower demand for Africa's exports, while adverse weather conditions could lead to lower agricultural output. Furthermore, there are threats of terrorism and conflict, political instability and a high chance of debt distress in some countries, that could derail economic growth. However, the slowdown in the global economy and easing monetary stance in advanced and emerging economies could increase the flow of capital, such as foreign direct investment (FDI) into Africa, which could promote growth. Besides, the enhanced regional integration process through AfCFTA is expected to strengthen intra-African trade, which could boost growth.

II. Recent social developments in Africa

A. Growth has not resulted in job creation and significant poverty reduction

37. Poverty in Africa, as everywhere else, is declining, though not significantly. After increasing from 54.3 per cent in 1990 to 55.6 per cent in 2002, Africa's poverty headcount ratio² declined to 41 per cent in 2013, before declining further to 36 per cent in 2016. This is despite Africa's growth trajectory still being largely positive after showing resilience to shocks, to some extent revealing that the source and nature of growth matter for job creation. The fast and sustained growth spurts Africa has achieved in the past two decades has not resulted in employment creation. Over the period 2000–2014, a 1 per cent increase in GDP growth was associated with only 0.41 per cent growth in employment, meaning that employment was expanding at a rate of less than 1.8 per cent a year, which is far below the nearly 3 per cent annual growth in the labour force.

38. Economic growth has had a positive effect on poverty reduction, but the pace of the reduction has been slow. There are a number of determining factors that have led to an insufficient reduction in poverty, among which inequality and unemployment feature prominently.

B. Income inequality remains relatively high

39. Income inequality in Africa remains high compared with other regions, with an unweighted average Gini coefficient of 0.43. A high level of inequality undermines the poverty-reducing effect of growth, even as it matters in its own right. Furthermore, the distribution of people living below the poverty line, gauged by the poverty gap, shows that this is almost double, at 15.2 per cent in Africa, compared with 8.8 per cent globally (ECA, 2017). The distance that needs to be covered by poverty reduction between those earning \$ 1.60 a day and those earning \$ 0.70 or less does partly contribute to the slow pace observed in poverty reduction.

40. Furthermore, some inequality is in outcomes: for example, income is part of the normal functioning of a market economy, but a substantial component of inequality in people's circumstances may reflect inequality of opportunities. It is essential to understand the processes behind the persistent or intergenerational inequality, and the relative importance of these different sources of inequality in devising appropriate policy responses.

C. Africa needs to create more jobs to prevent unemployment from rising

41. Africa's working-age population is projected to increase from 705 million in 2018 to almost 1 billion by 2030, further intensifying the pressure on the labour market to provide decent jobs. At the current rate of labour force growth, Africa needs to create about 12 million new jobs every year to prevent unemployment from rising.

42. In Africa, over 63 per cent of the total working-age population participates in the labour market, with large variations across subregions that range from 46 per cent in North Africa to 68 per cent in Central, East, West and Southern Africa together. Only 4.3 per cent of Africa's working-age population

² Poverty headcount ratio is the proportion of people below the international poverty line of \$ 1.90 purchasing power parity.

is unemployed – a very small fraction compared with the 60 per cent who are employed. This, however, is hardly a sign of a well-functioning labour market, because many people have no choice but to take up informal jobs of poor quality in order to meet their basic needs and escape poverty. Working poverty continues to be widespread, with almost one third of workers (32 per cent) living in extreme poverty in 2018 and a further 22 per cent living in moderate poverty. Overall, around 250 million workers in Africa were living in extreme or moderate poverty in 2018 – a number that is expected to increase by almost 5 million by 2020 as a result of the rapid population growth and inadequate level of inclusive economic growth.

43. A sizeable proportion of the employed population is therefore working in arrangements characterized by insecurity, low pay and lack of social protection – in activities such as own-account work and contributing to family work, which together account for around 68 per cent of total employment in the region. Wage and salaried workers are still a minority, representing less than one in three (28 per cent) of total employment. The share is, however, considerably higher in North Africa (68.6 per cent) than in the rest of Africa (22.4 per cent).

44. These factors translate into very high shares of informal employment in individual countries, which accounts for around 86 per cent of total employment in Africa (ILO, 2018). Women remain considerably more vulnerable to informality than men. For instance, in countries such as Cameroon, the Gambia and Zambia, the informality rate is more than 10 percentage points higher among women than men.

III. Conclusion and policy perspectives

45. Africa is confronted with a diverse range of headwinds, affecting countries differently and calling for a varying range of policy priorities, strategies and objectives. The overview reveals that growth in Africa has signalled a continued recovery since the commodity price slump of mid-2014, albeit weak in terms of meeting the Sustainable Development Goals by 2030. Growth in per capita income remains low, making it a challenge for African countries to reduce inequality and poverty in the short-to-medium term. This calls for strengthening Africa's growth potential and improving resilience to both internal and external shocks by building monetary and fiscal space.

46. With a number of countries implementing loose and accommodative monetary policies, due to the relatively stable exchange rates and softening of inflation, the countries' macroeconomic policies need to seek to maintain this stability and create a conducive economic environment to enhance growth that is more inclusive. They also need to reduce economies' structural constraints to growth, while laying a foundation for the continent's long-term growth and development. Countries should enhance investment in infrastructure and investment incentives to boost output, employment and productivity growth through public investment in human capital and physical infrastructure and digitization (through research and development) to take advantage of the recent global advances in digital technologies.

47. While trade tensions between developed economies need to be expeditiously resolved, African countries need to find measures and policy alternatives that could reduce the impact of these developments, including those between the United Kingdom and the European Union. In this regard, African countries need to focus on the need to expedite the implementation and operationalization of AfCFTA, which will, among others, provide immense benefits through the enhancement of intra-African trade and investment.

48. With rising debt levels and the decline in global demand for African export products, fiscal policy should generally aim for continued and enhanced fiscal consolidation to contain borrowing costs, without suffocating potential productive sectors of their economies. While implementing fiscal consolidation measures, efforts should be made to target sectors that would enhance inclusive growth in order to reduce inequalities and poverty levels on the continent. They should also enhance domestic resource mobilization efforts to collect more revenue needed to finance their development priorities. Countries should review and redesign their tax laws and implement tax policies that would raise revenues without weighing on growth and development (see ECA, 2019 for more details).

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