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Macroeconomic and Social Developments in Eastern Africa 2022

What Next?

EPRN | 26 May 2022



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INTRODUCTION

This presentation focuses on macroeconomic and social developments in Eastern Africa



Despite unprecedented global economic shock from Covid-19 pandemic, some Eastern African economies are showing signs recovery in 2022.



While recovery started in 2021, high inflation rates observed in some countries, owing to rise in global oil price, conflict and sharp currency depreciation.



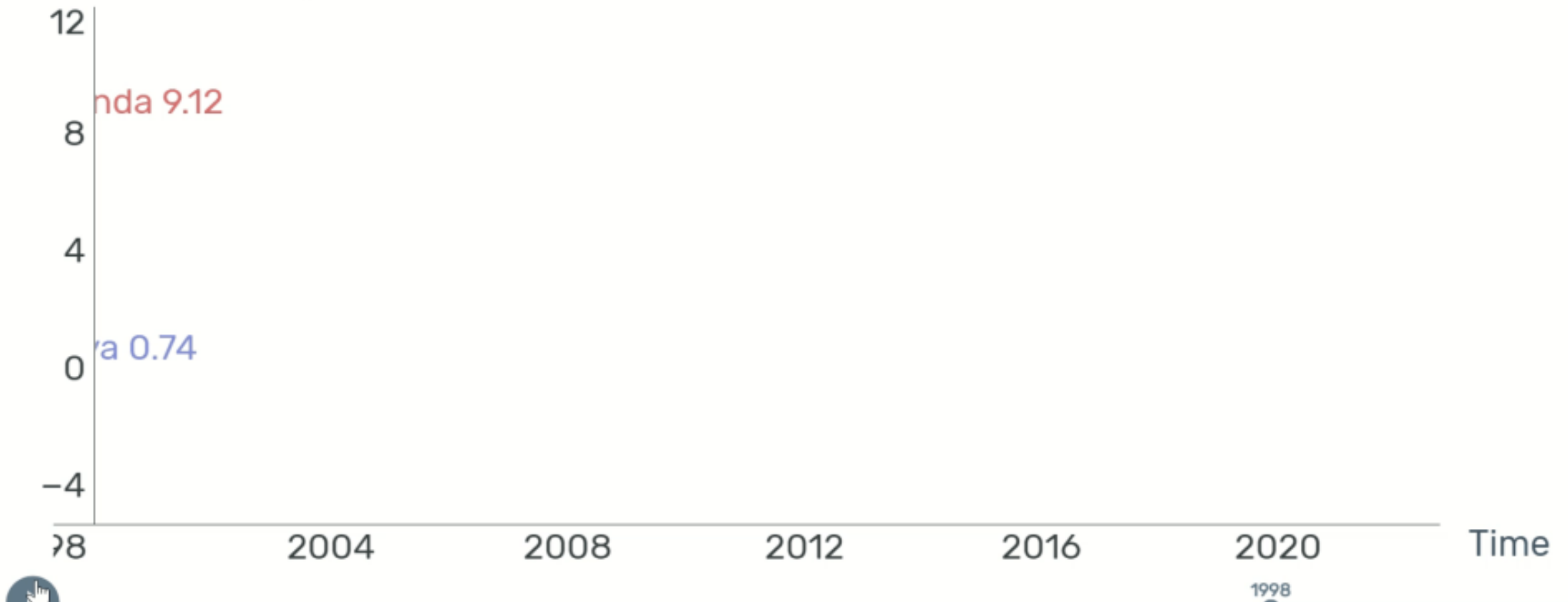
Eastern African countries appear to be making positive strides in intra-regional trade and integration.

Macroeconomic Developments



Prior to the pandemic, things were generally going well...

GDP/capita, yearly growth ⓘ



Source: Gapminder (2022)

2021 marked the beginning of a period of recovery?

GDP Growth Rates (%), 2020 and 2021



Many economies experienced recovery in 2021 but **Rwanda is the only country registered double-digit growth in the region.**

However, the recovery has been quite modest in many cases...and per capita income growth still too low...

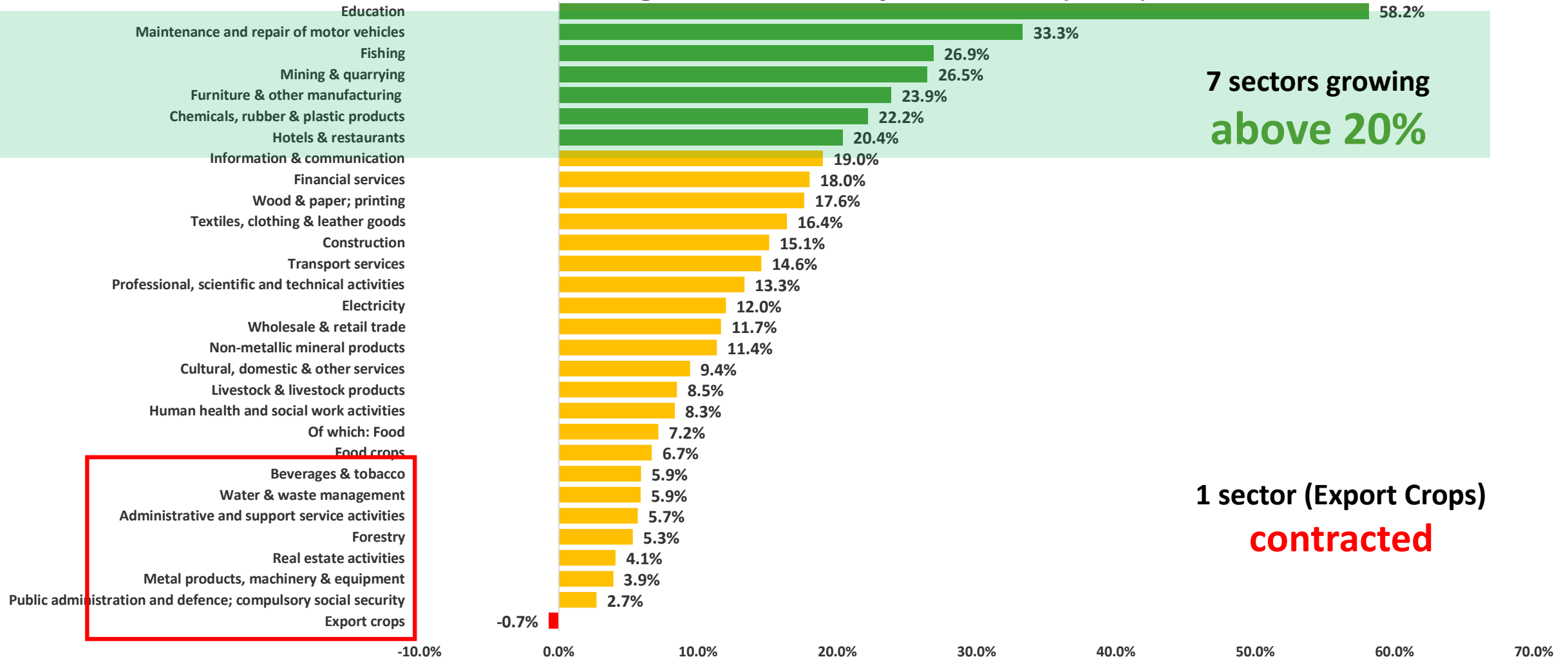
Source: National sources, & IMF (2022)

*Ethiopia and Uganda used fiscal year data



The recovery is led by a few rapidly growing sectors....

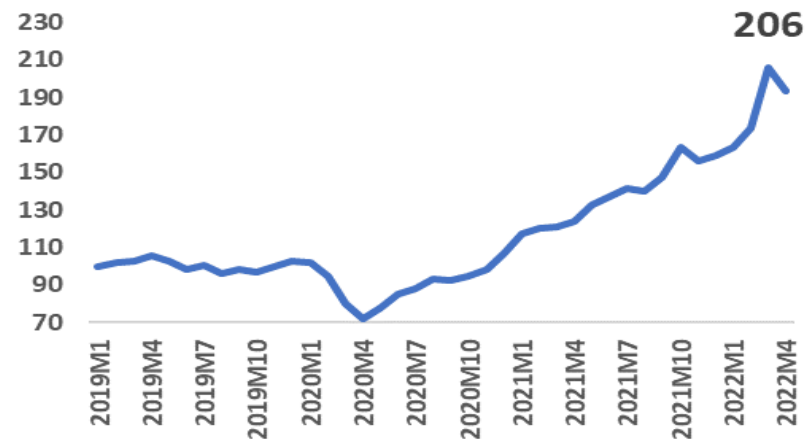
Rwanda % Change in Real GDP, by sub-Sector (2021)



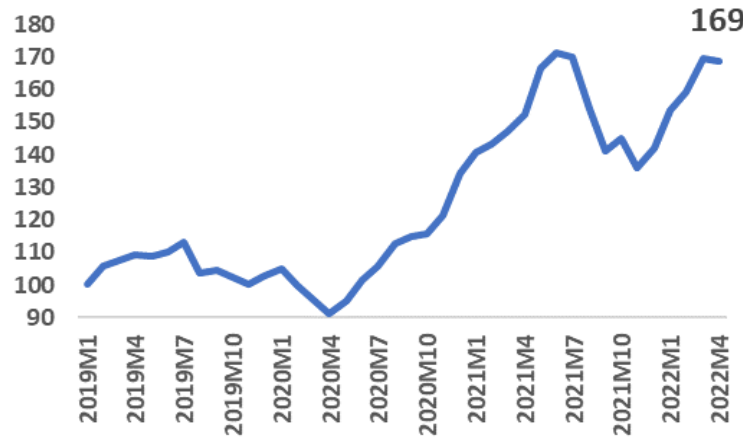
Source: National Institute of Statistics Rwanda

Global commodity prices fell, then surged...with mixed implications for Eastern Africa

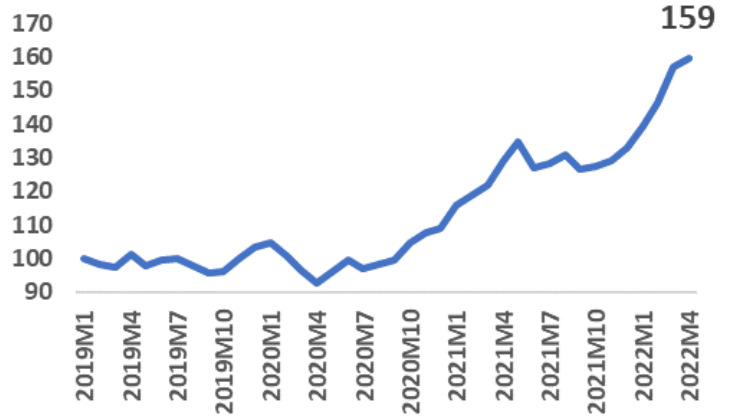
All Commodities



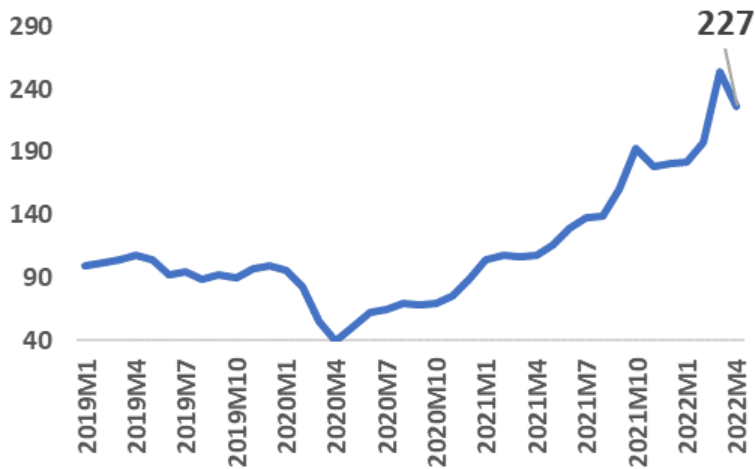
Industrial inputs



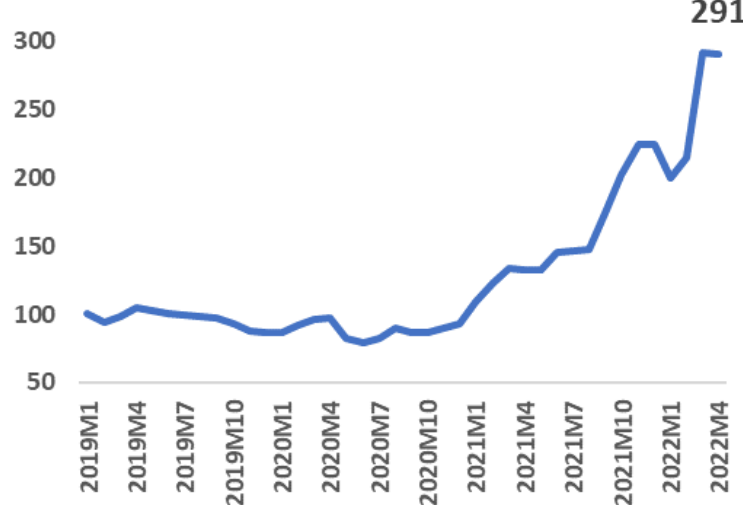
Food Prices



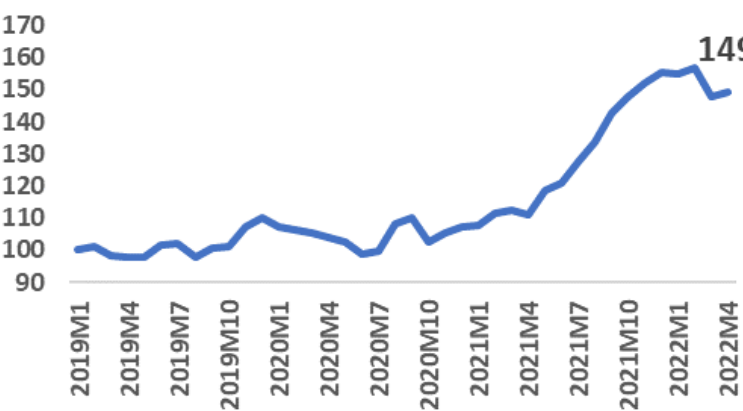
Fuel Prices



Fertilizer Prices



Beverage Prices



Source: IMF (2022)

The macroeconomic situation has deteriorated....

Average Annual Inflation Rate (%), 2017 – 2022

	2017-2021	2022 ^F
Ethiopia	15.8	34.5
South Sudan	70.4	16.0
Somalia	4.3	9.4
Burundi	5.7	9.2
Madagascar	6.6	8.8
Rwanda	3.4	8.0
Kenya	5.9	7.2
D.R Congo	17.7	6.4
Eritrea	-7.0	6.2
Uganda	3.4	6.1
Seychelles	3.9	5.6
Comoros	1.5	5.0
Tanzania	3.8	4.4
Djibouti	1.1	3.8



Sub-Saharan Africa

12.2%



Global

7.4 %

High double digit inflation rate in Africa (e.g. Ethiopia) owing to rise in **global oil price**, **conflict** and **sharp currency depreciation**

Source: National sources, IMF WEO (April 2022)

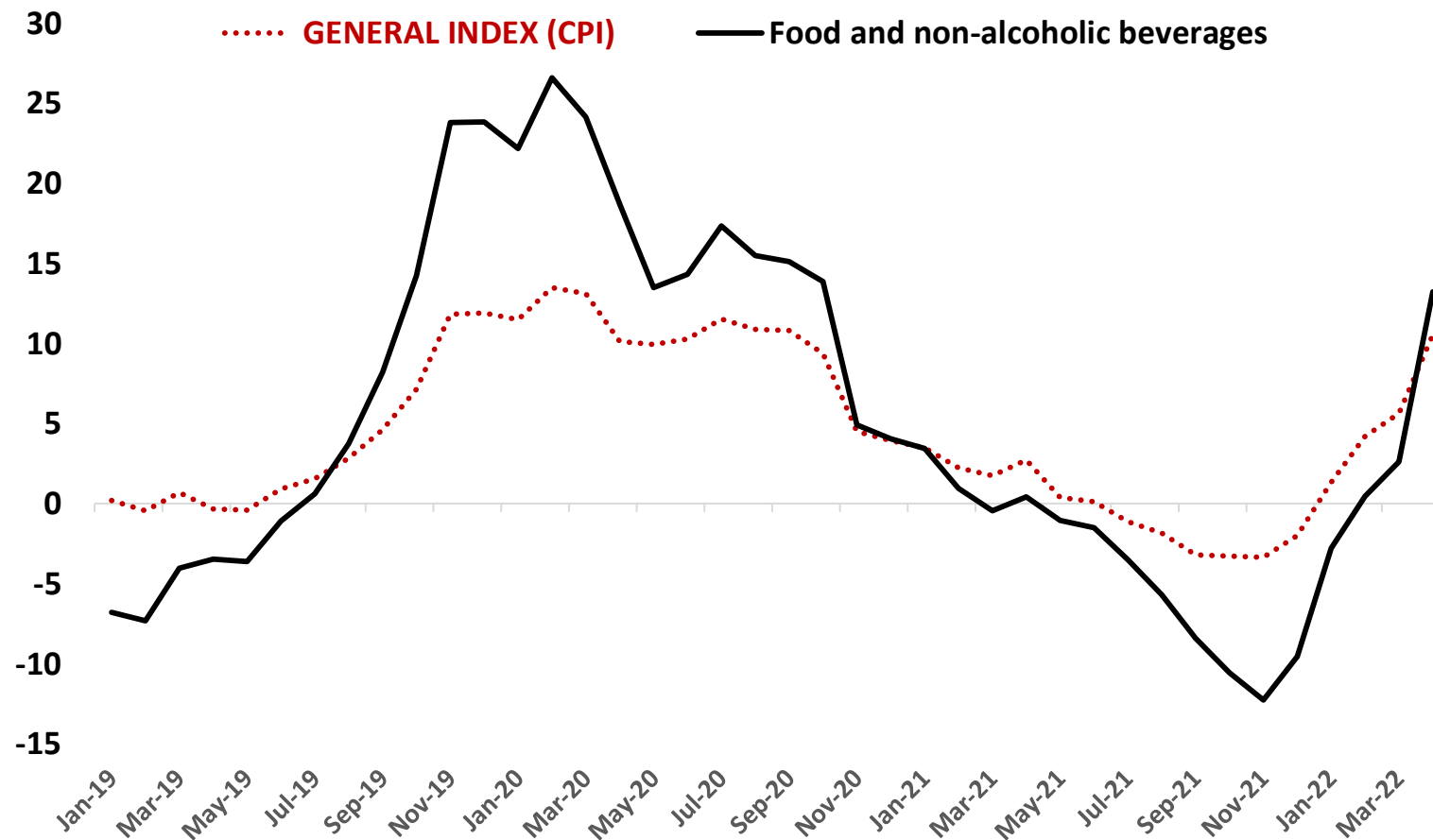


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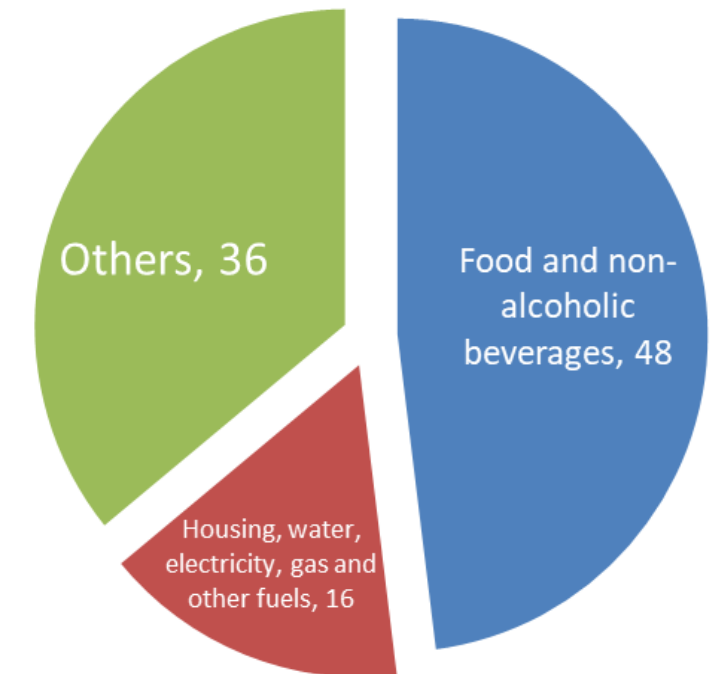
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Inflation is being driven principally by food prices...

Rwanda overall Food Price Inflation, Jan 2019 – April 2022



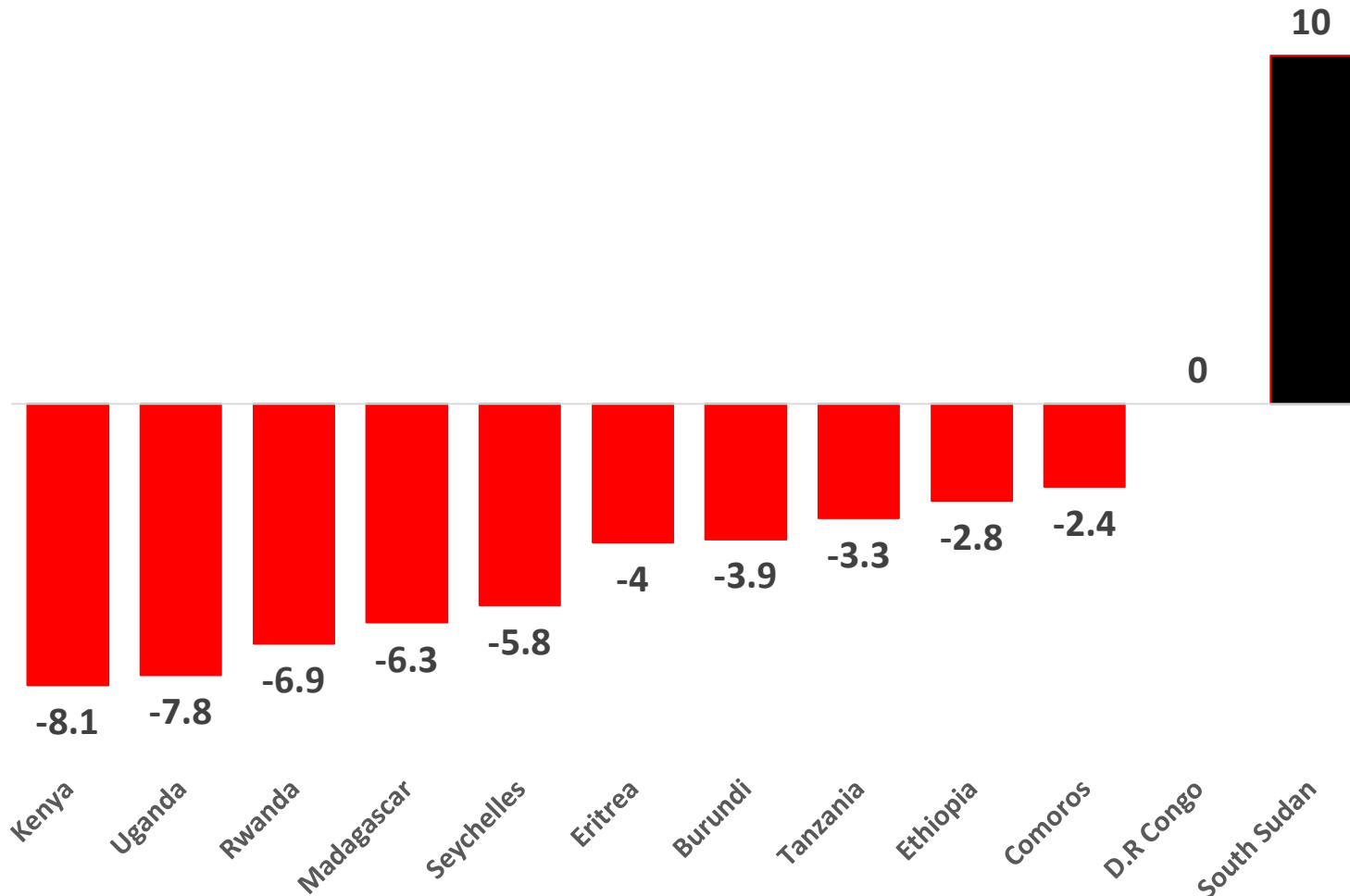
Weighting in the CPI
(Rural Areas)



Source: National Institute of Statistics (May 2022)

Fiscal pressures are mounting...

Overall Fiscal Balance, Including Grants (% of GDP), 2021



- ❖ Raising additional revenue remains a challenge. **Improved fiscal balances in the first half of 2021 in most countries.** But revenue has not recovered to pre-pandemic levels.
- ❖ **Surging oil and food prices** are straining the external and fiscal balances of commodity-importing countries.
- ❖ Fiscal pressures in the region were compounded by the Covid-19 pandemic-related fiscal packages.

Source: IMF Regional Outlook (2022)

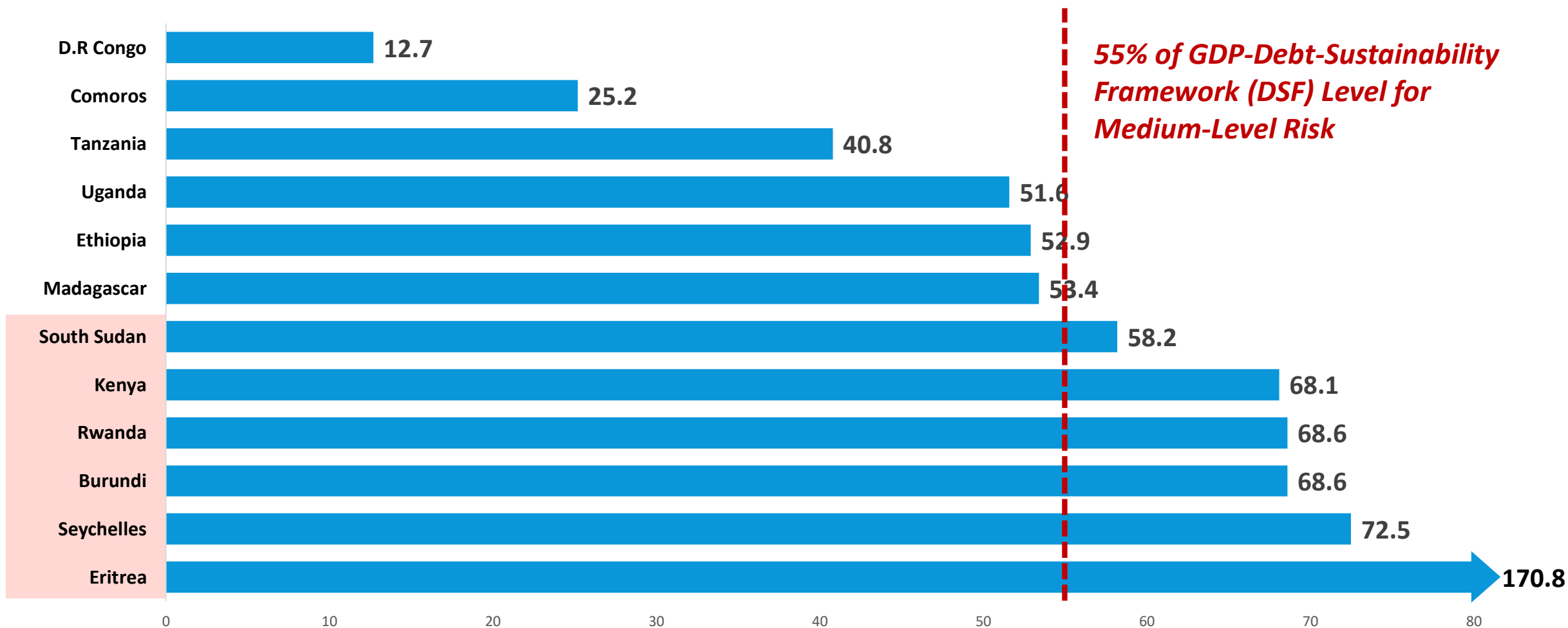


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Debt levels are rising sharply

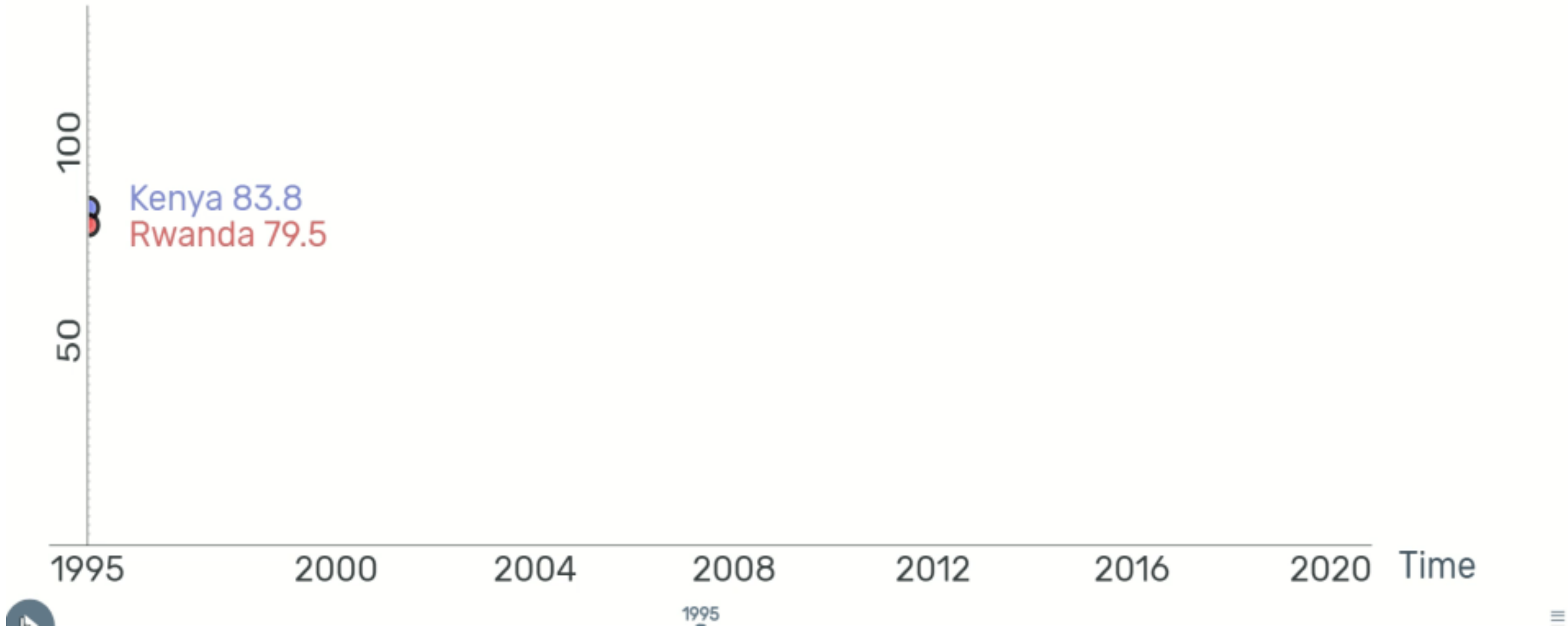
Government Debt (% of GDP), 2021



Source: IMF Regional Outlook (2022)

Rwanda & Kenya Debt Trend

Debt to foreigners by public & private (% of GNI) ?

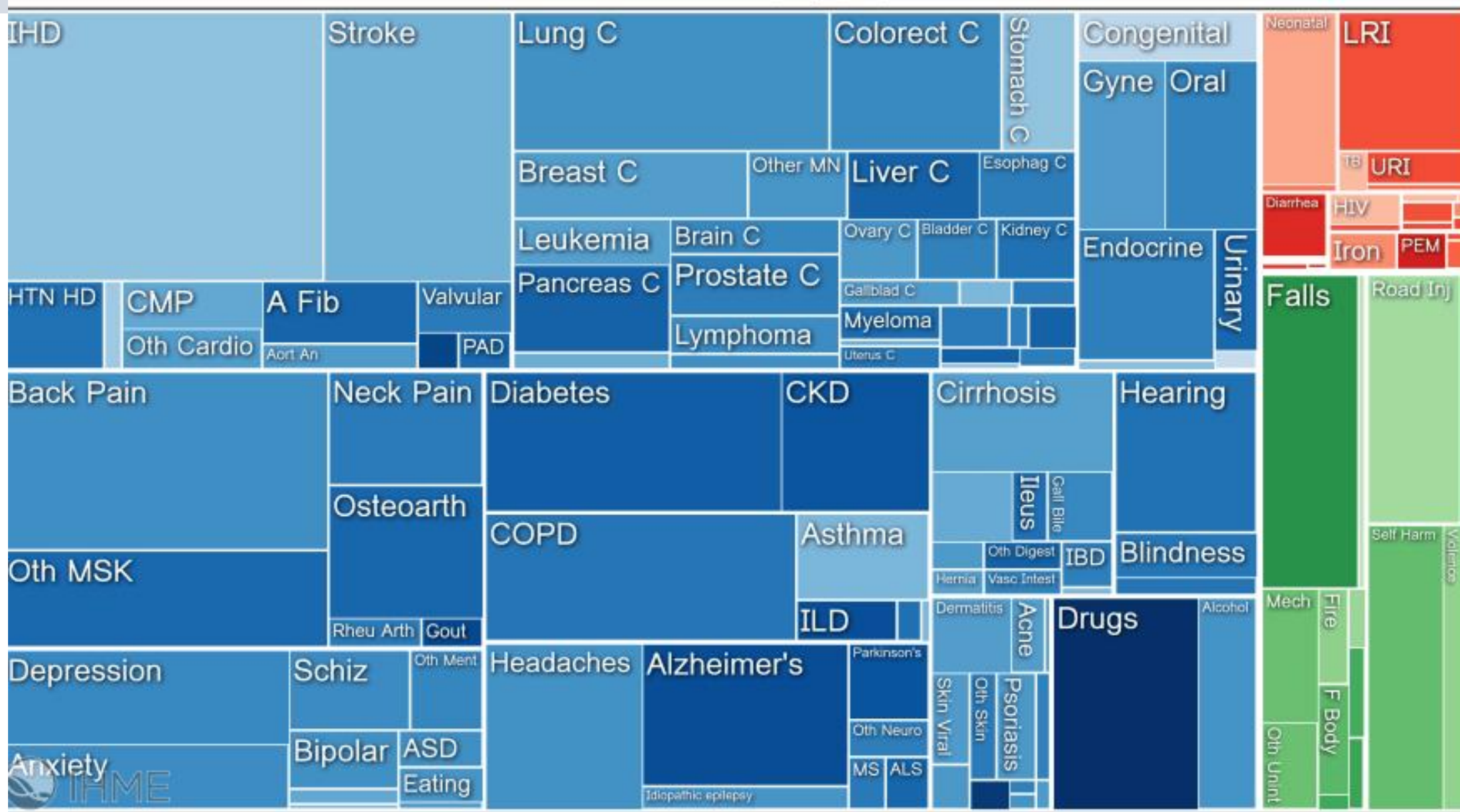


Source: Gapminder (2022)

Social Consequences...



How people die in High Income Countries....

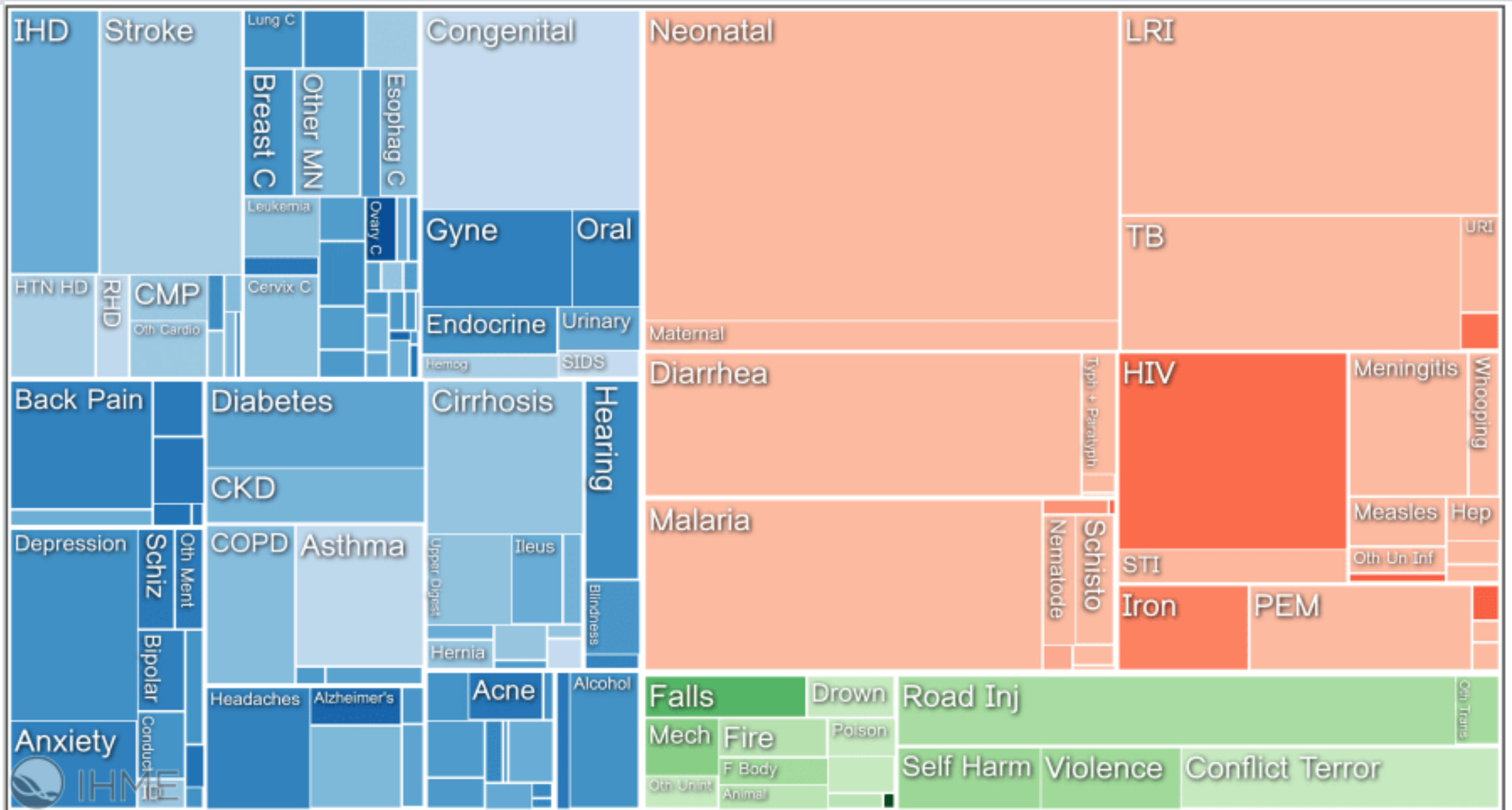


Source: GBD
Compare | Viz
Hub(2022)



How people die in Rwanda....

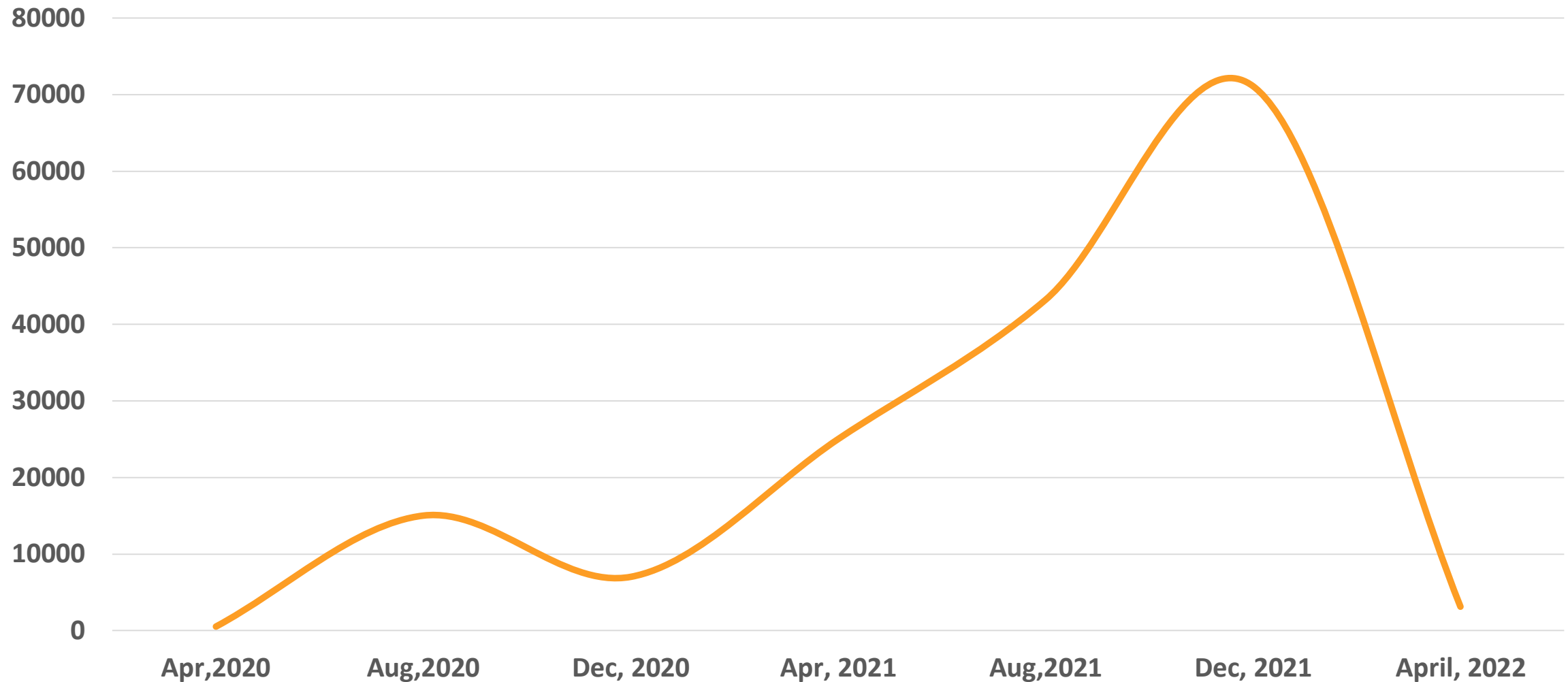
Both sexes, all ages, 2019



Source: GBD
Compare |
Viz
Hub(2022)

The region is finally out of the storm?

Covid-19 Deaths Trend in Eastern Africa, 2020-April 2022

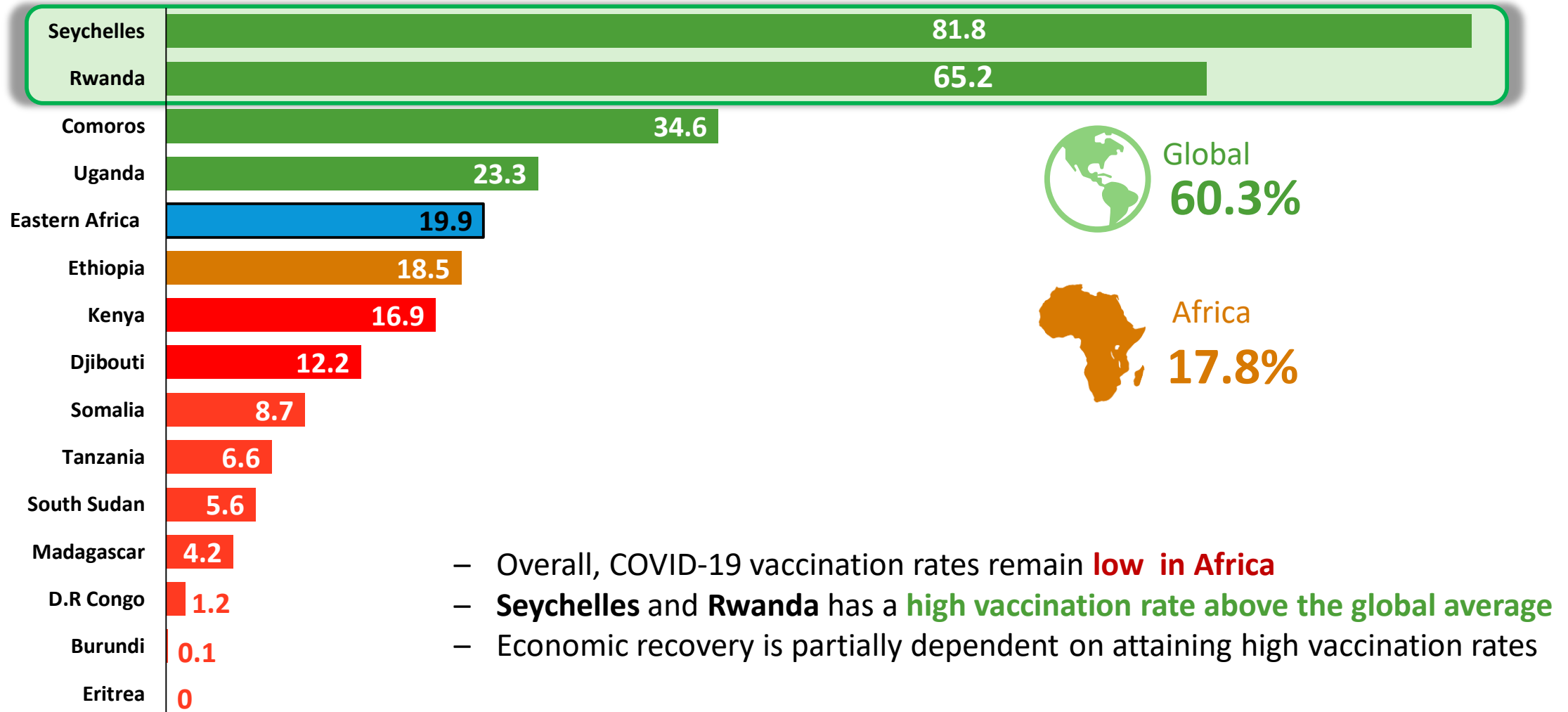


Source: WHO, May 2022

Note: The region classification includes Mauritius

Vaccination Rates are Still Very Much Lagging...

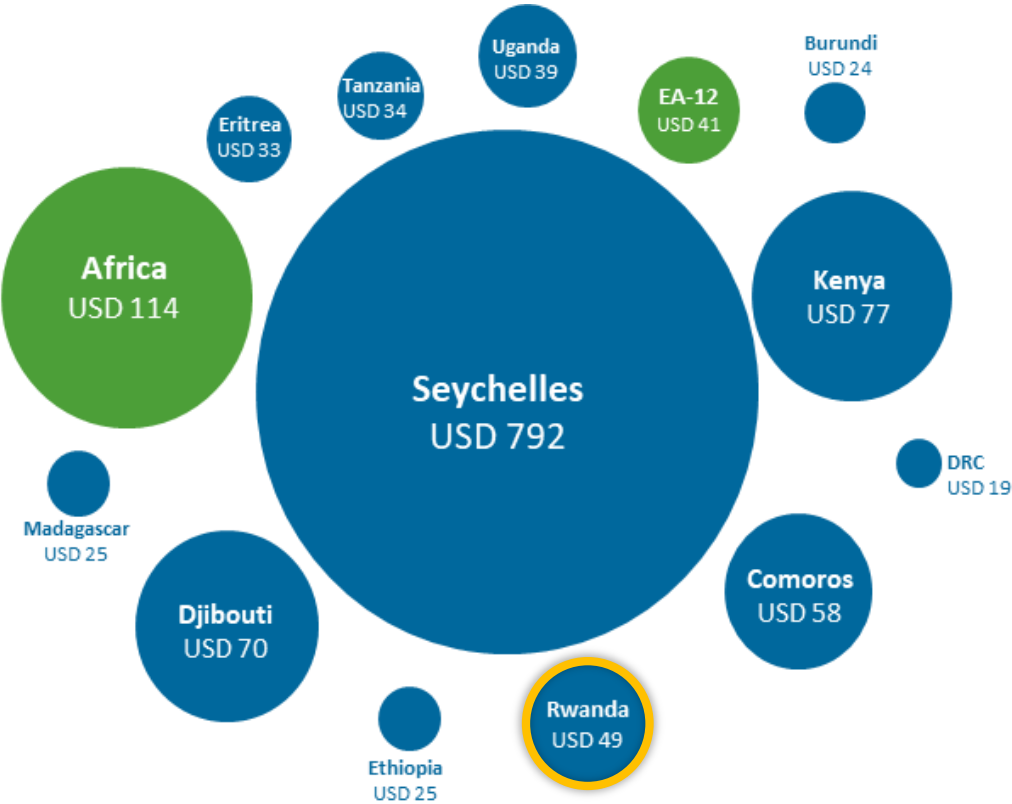
% of population fully vaccinated, as of May 2022



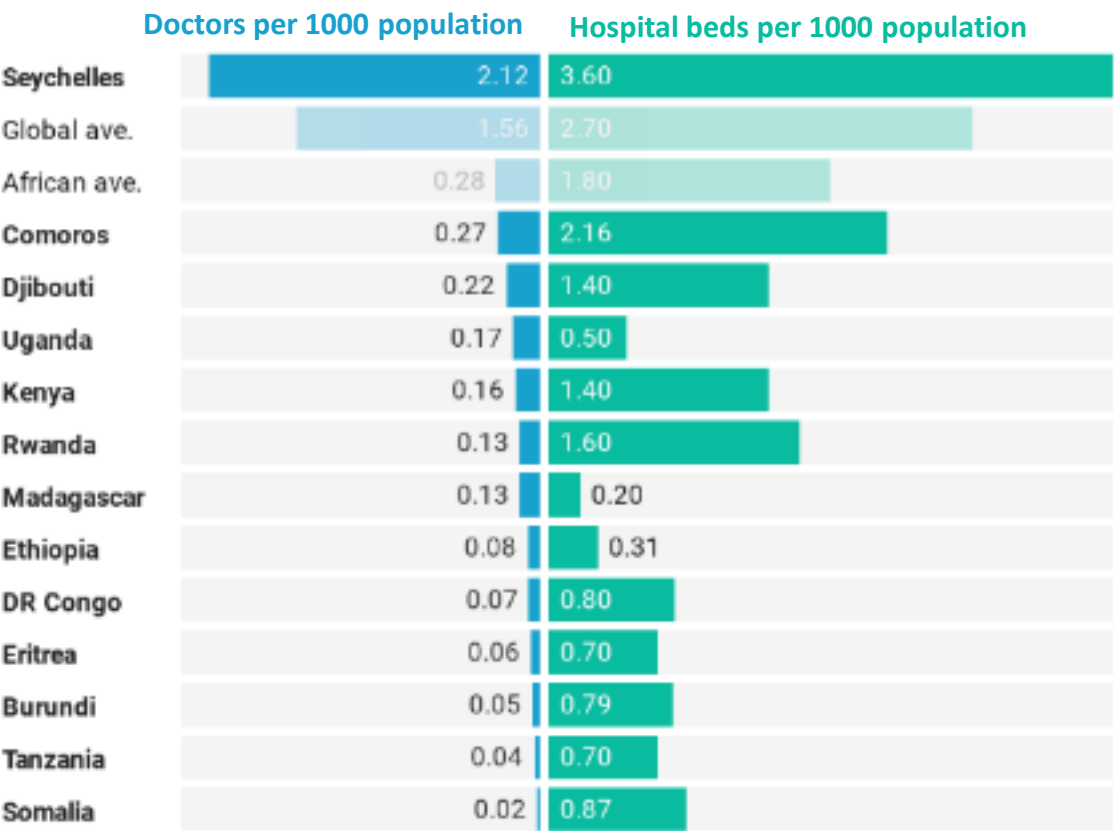
Source: WHO, May 2022

Pre-Covid-19 spending on public health was extremely low in East Africa

Public Health Expenditure per capita (USD), 2017



Public Health Resource Density, latest year available

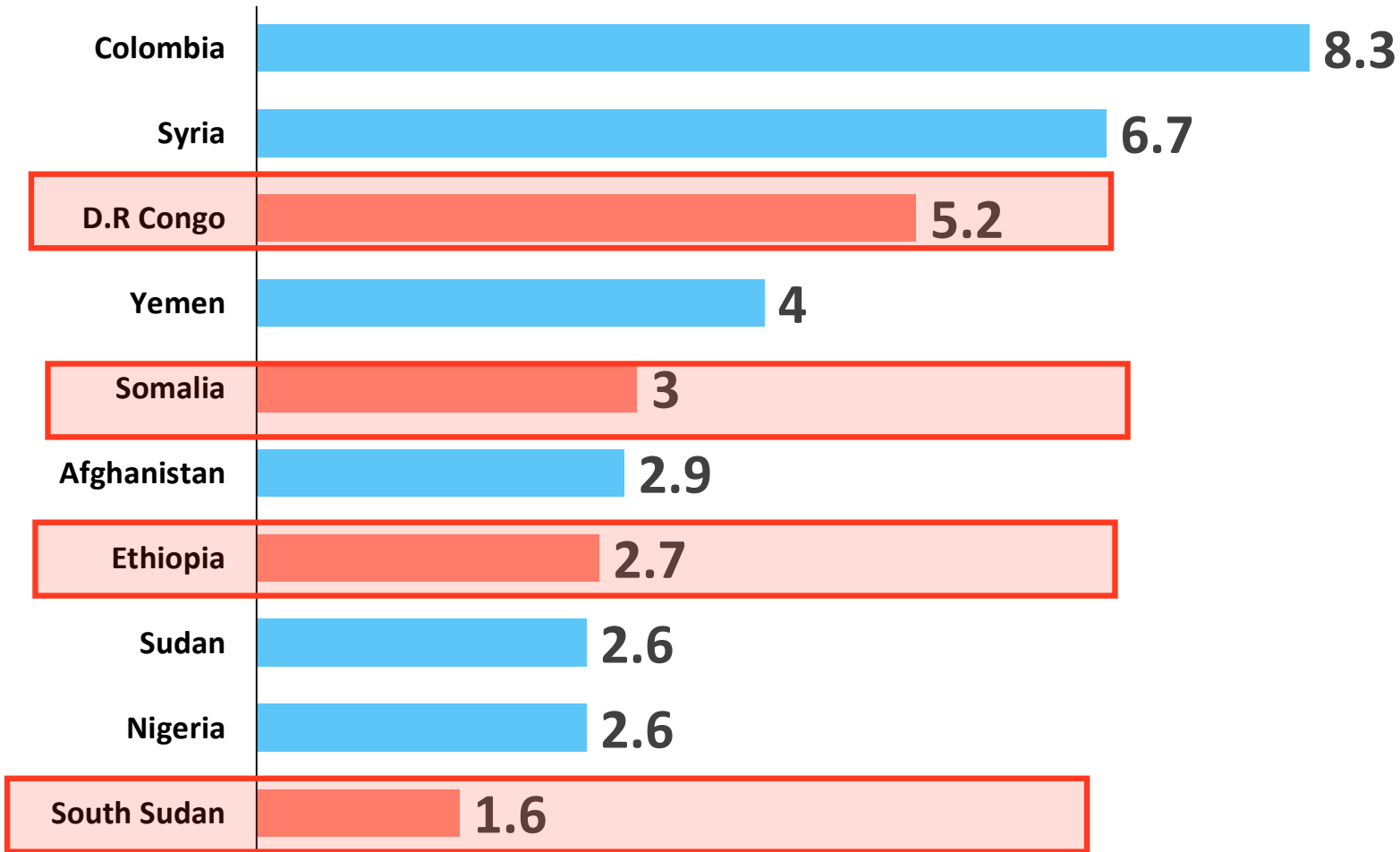


Note: Continental average is as of 2015
Source: Global Health Expenditure database

Note: Latest available statistics are from 2006 – 2018
Source: World Health Statistics, Global Health Expenditure database

East Africa is host to a significant number of IDPs

Internally Displaced People (in millions), 2020



- ❖ **DRC, Somalia, Ethiopia** and **South Sudan** are in the top 10 IDP countries in 2020.
- ❖ As of 31 December 2021, there were approximately **12.4 million IDPs in the region*** – mainly in Burundi, Ethiopia, Somalia and South Sudan.
- ❖ The drivers of displacements are complex, including conflict, persecution as well as climatic and natural disaster factors, e.g., in Burundi (climate) and Ethiopia (ongoing conflict).

Source: UNHCR, 2022

*Note: Region refers to East and Horn of Africa, and the Great Lakes (EHAGL) region

Looking Forward –
What are the
strategic options?



How has the crisis changed Governments' spending priorities?

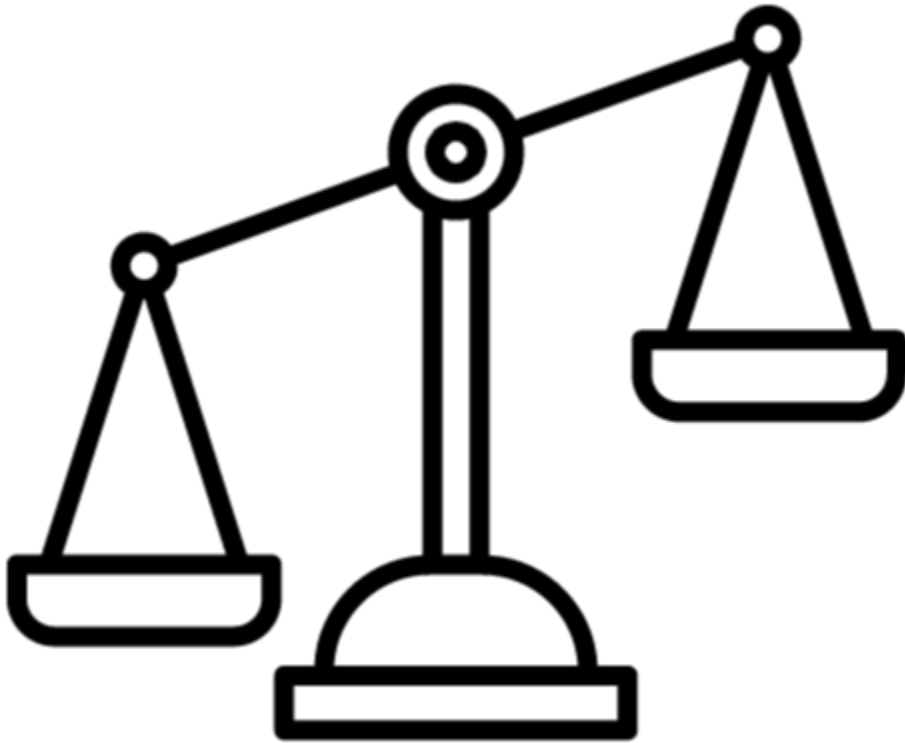
Should it?

What should be the focus now?

e.g., Social Protection, Health

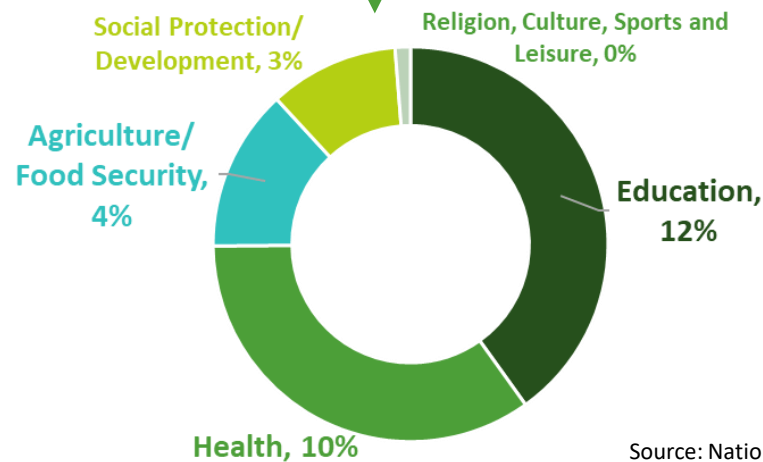
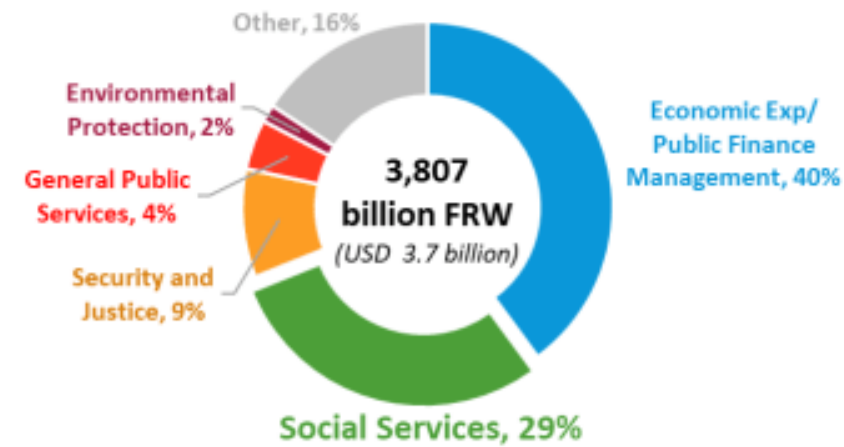
Should this take spending away from longer-term priorities?

e.g., Education, Infrastructure

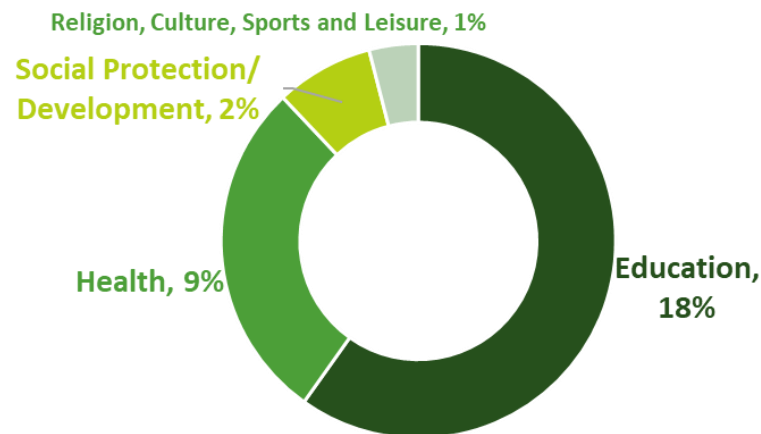


EAC governments have similar budget allocations for social support

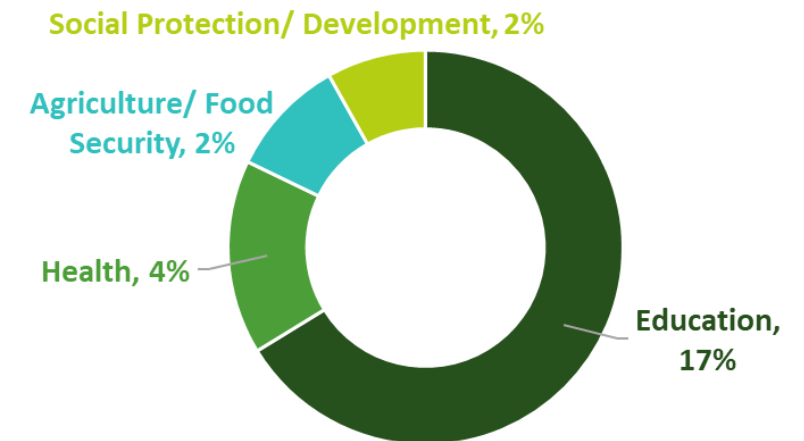
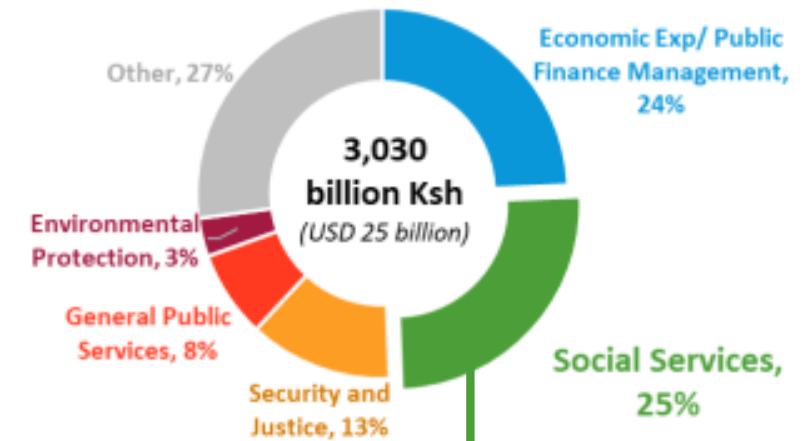
Rwanda 2021/22



DR Congo 2022



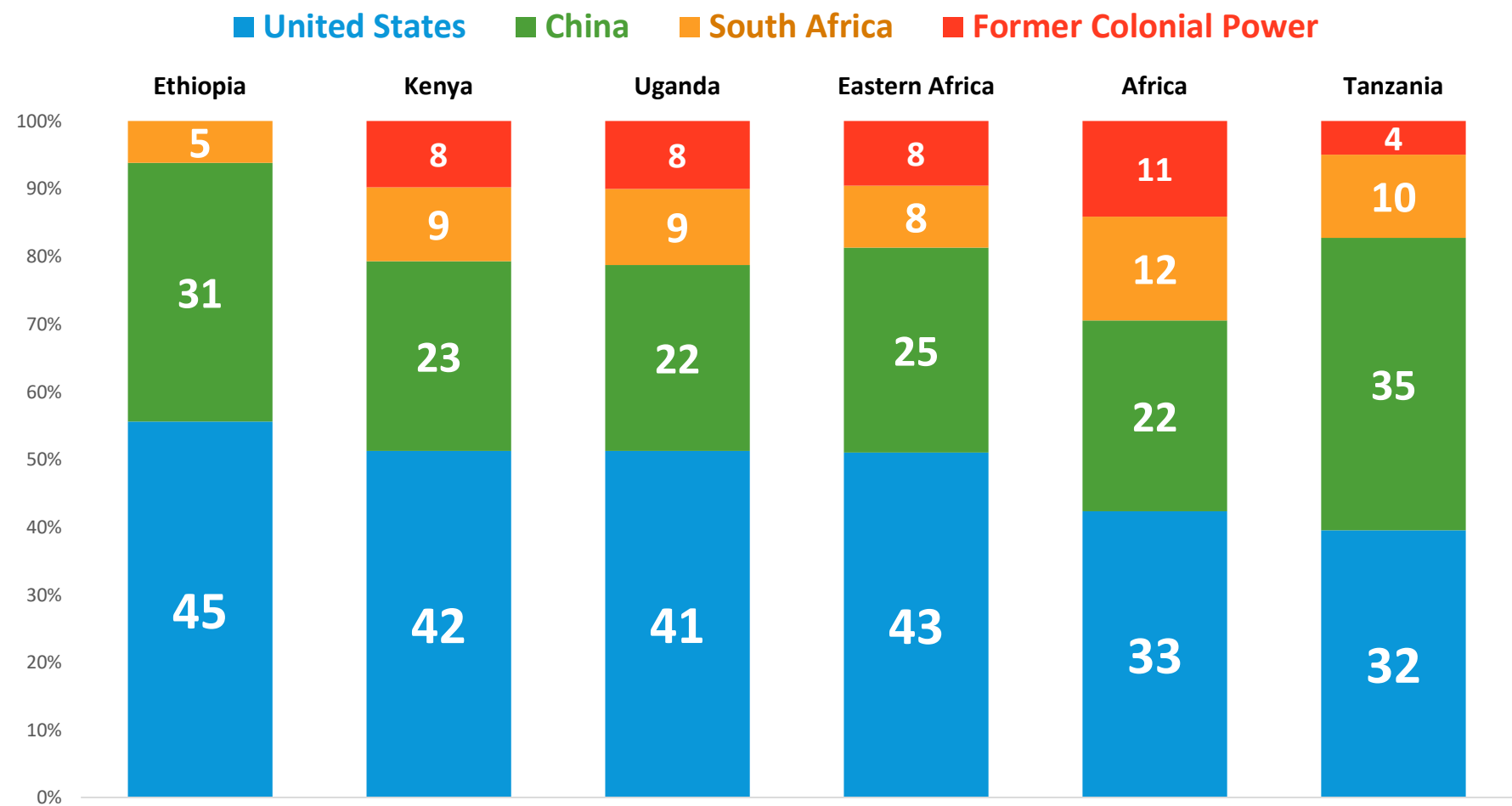
Kenya 2021/22



Source: National estimates

Development Strategies: Where will the region look for inspiration?

Best Model for Development?

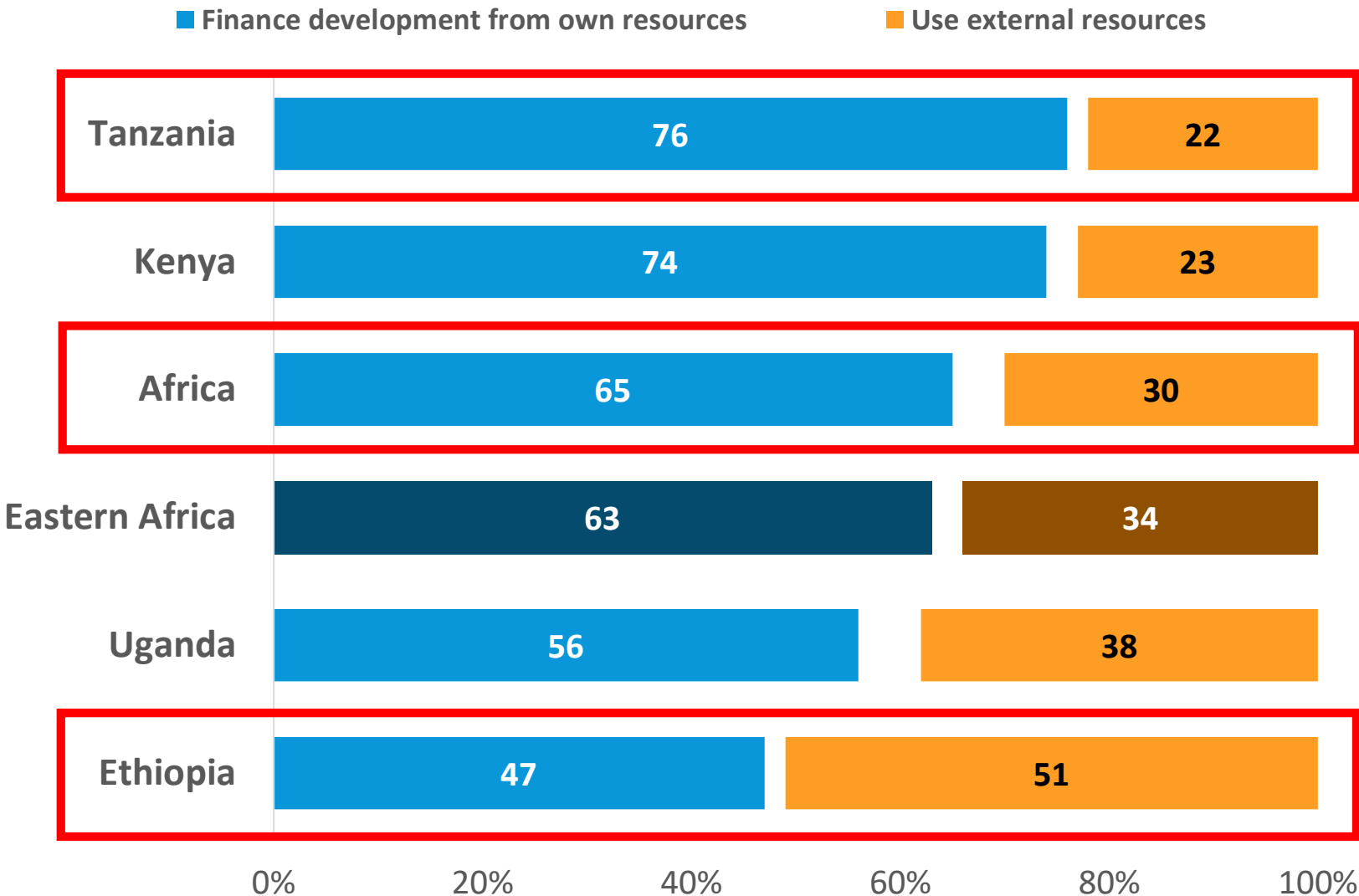


The popular preference is strongest for the **U.S. model** in most countries in the region.

China receives its highest marks in Tanzania.

Source: Afrobarometer(2021)
Note: Eastern Africa covers average of 4 countries
Africa covers average of 34 countries

Strong sentiment about depending more on domestic resources?



❖ Most Africans/Eastern Africans(63%) want their countries to be self-reliant and control their own democratic and economic affairs.

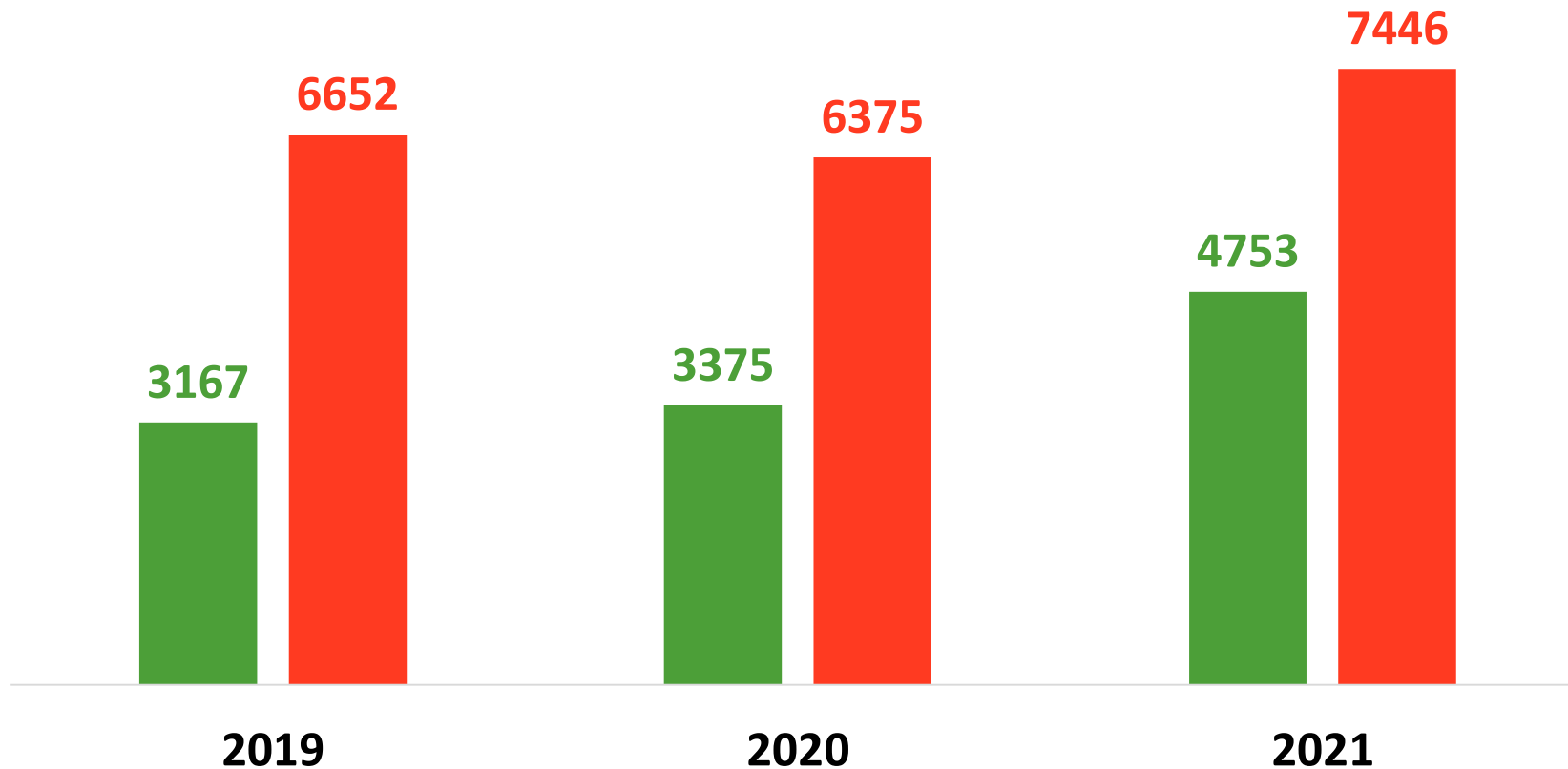
❖ More than three-fourths(77%) Tanzanian want their country to finance its national development from their own resources rather than rely on external loans. Highest in the region.

Source: Afrobarometer(2021)
Note: Eastern Africa covers average of 4 countries
Africa covers average of 34 countries

The resilience of East African trade...

Eastern Africa Total Merchandise Trade (USD mlns), 2019–2021

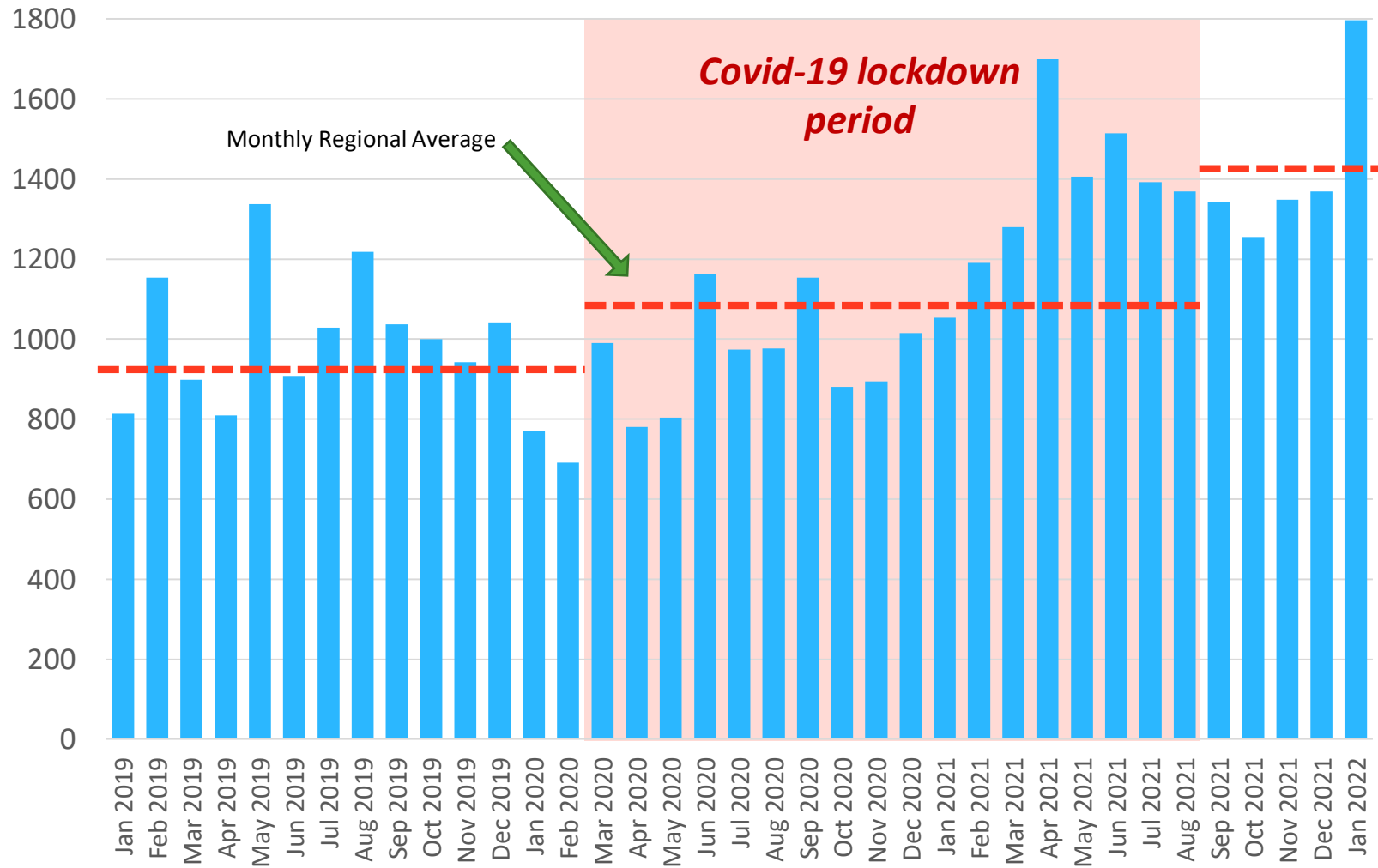
■ Exports ■ Imports



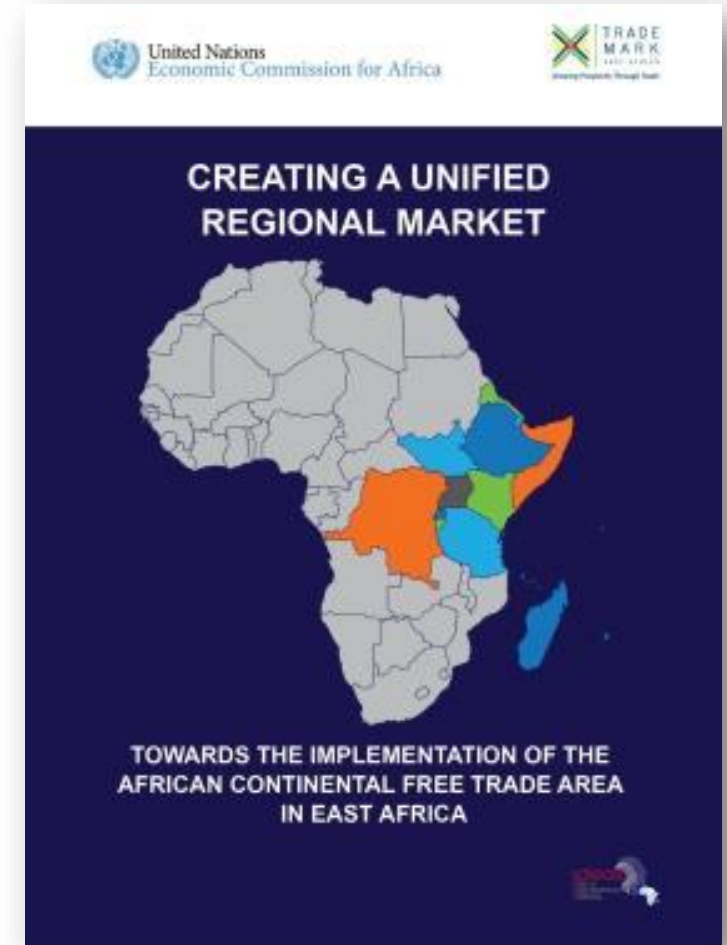
Source: ECA analysis of IMF Dots Data (2022)

What are the prospects for Intra-African Trade?

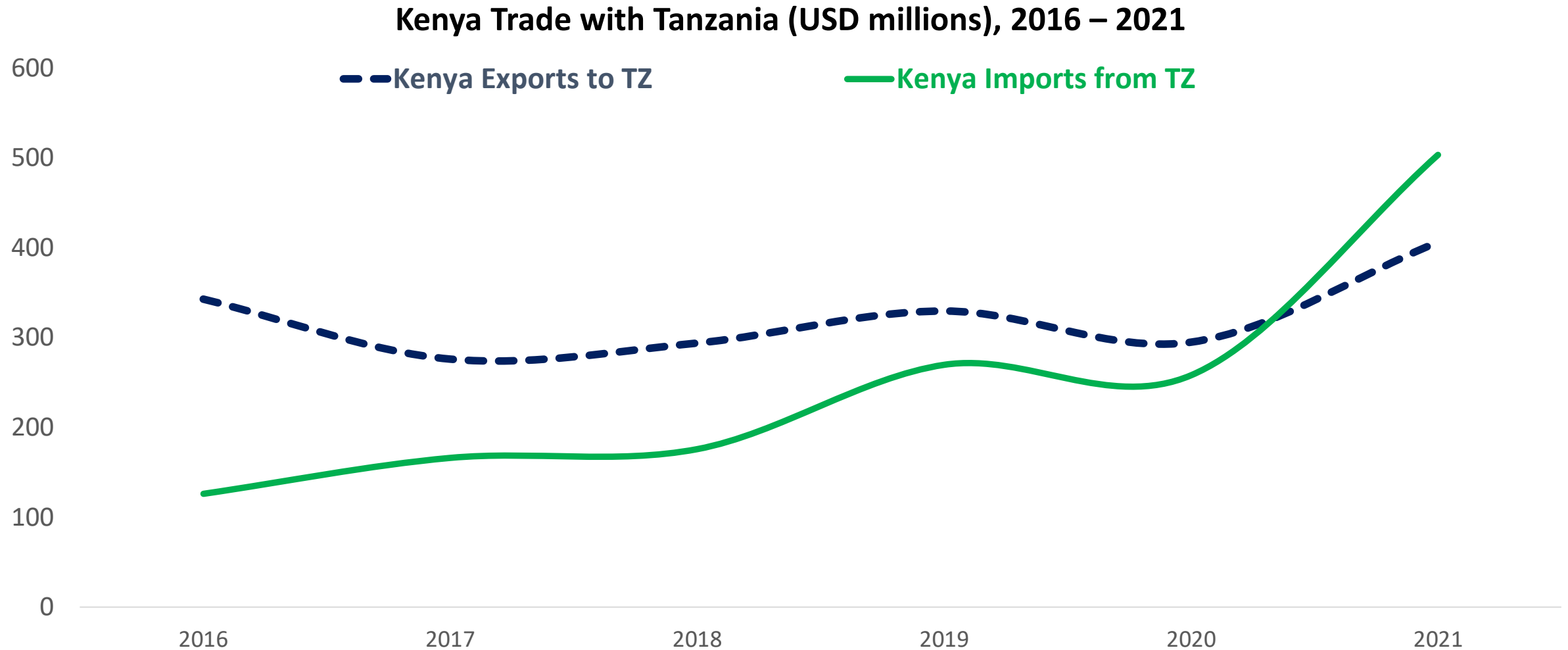
Monthly Eastern Africa Intra Africa Exports (USD mln), 2019 – 2021



Source: ECA analysis of IMF Dots Data (2022)



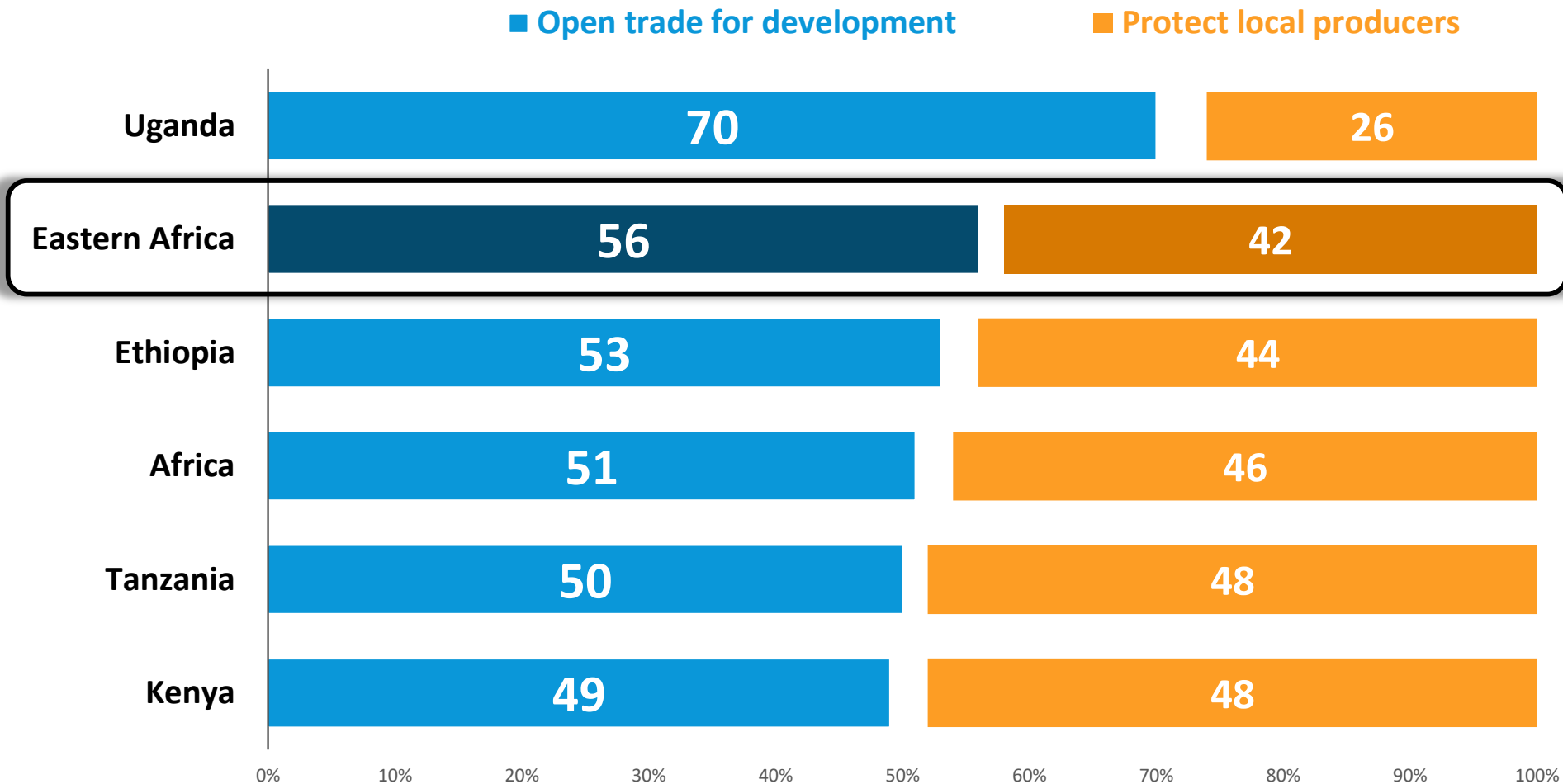
Proof of the vibrancy of EAC trade? Kenyan-Tanzanian Trade...



Source: ECA analysis of KCB (2022)

Are people supportive of greater trade liberalization?

Open Trade vs Protection of Local Producers



❖ Most Eastern Africans (56%) say their country must **open its borders to imports** in order to develop, while **42%** favour **limiting international trade** for the sake of protecting local producers.

❖ **Support for free trade is highest in Uganda (70%).**

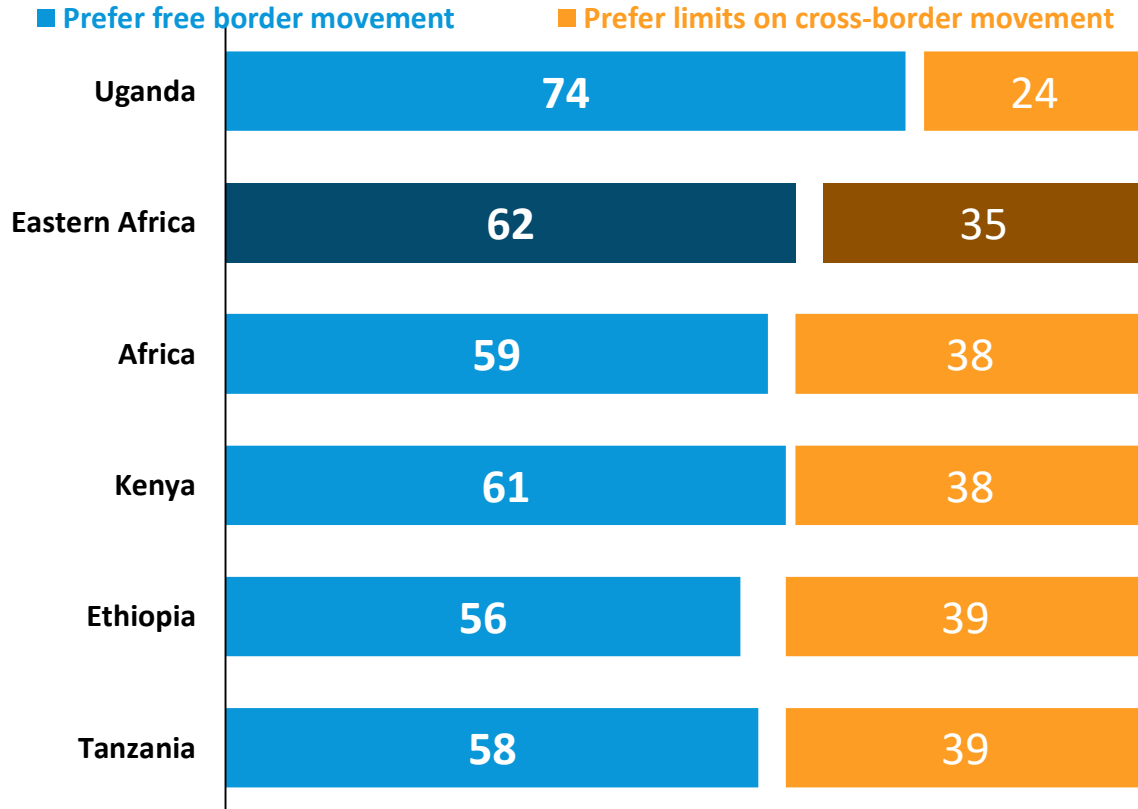
Source: Afrobarometer(2021)

Note: Eastern Africa covers average of 4 countries

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The fundamental role of the Free Movement Protocol

Free vs. limited movement across borders

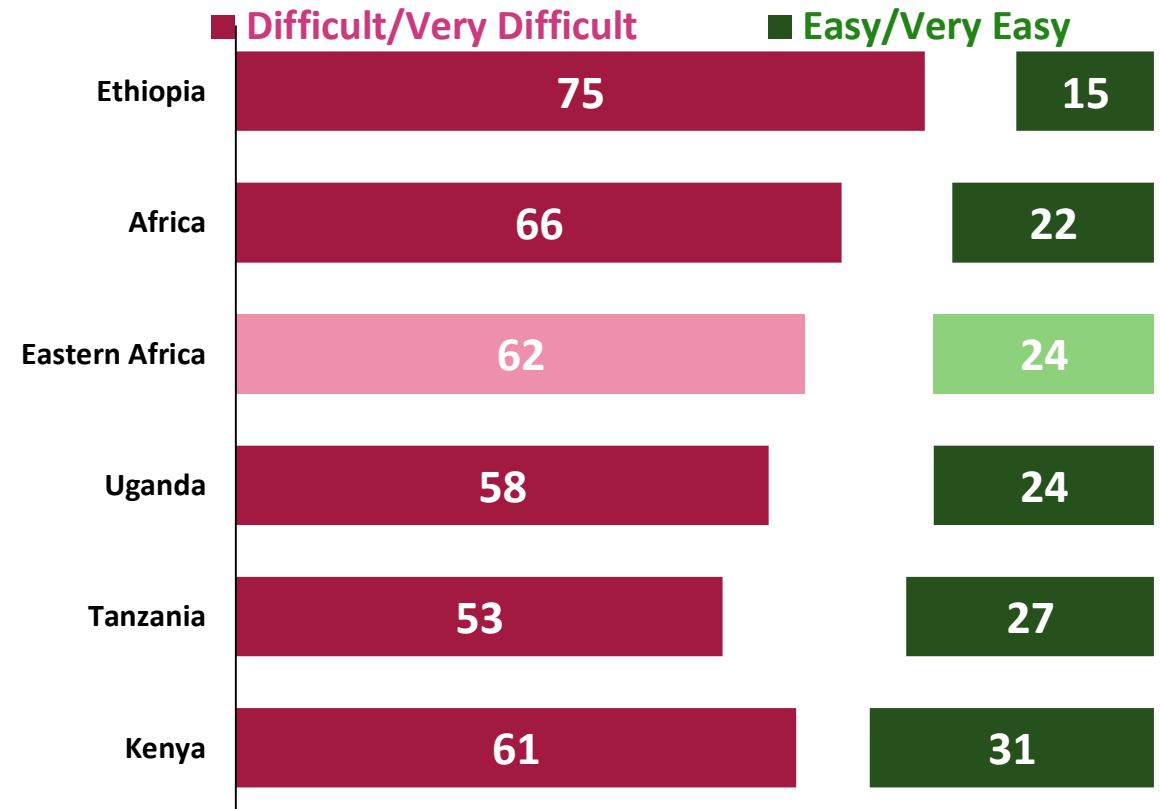


- ❖ Most(62%) of respondents favour **free movement of people across borders** for work. The countries whose citizens are most open to free movement across borders are Uganda (74%), &Kenya (61%).

Source: Afrobarometer(2021)

Note: Eastern Africa covers average of 4 countries; Africa covers an average of 34 countries

Difficulty Crossing Borders



- ❖ Most Africans are in agreement that in practice, **it's not easy to cross international borders freely**. Citizens in Ethiopia and Kenya find it most challenging to cross borders to work or trade.

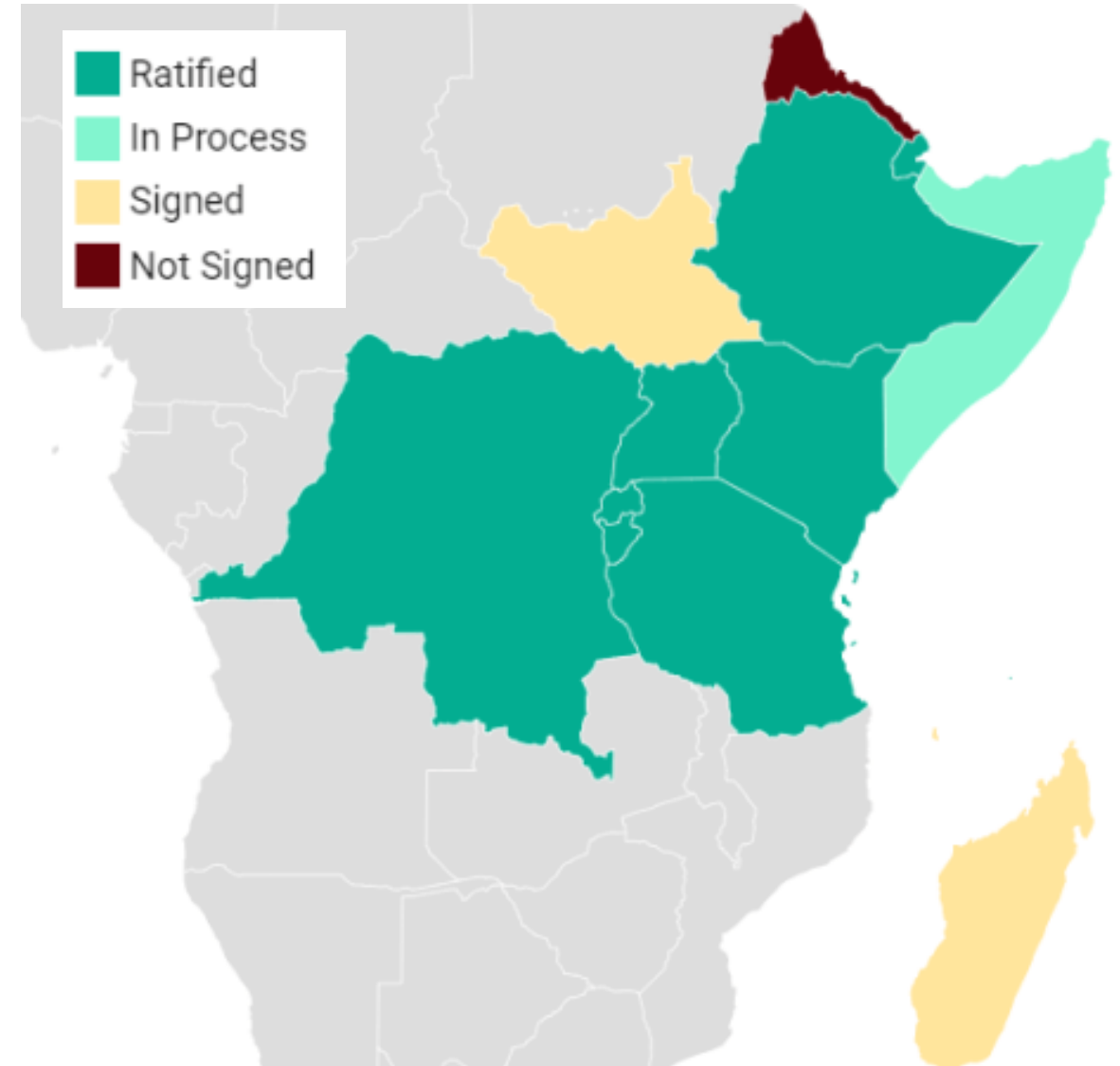
Implementing the AfCFTA can contribute to regional economic recovery

Growing evidence that regional trade has been more resilient than extra-regional trade during the crisis e.g. Nicita and Saygali (2021); AERC/ECA/TMEA (2021)



Source: TRALAC

Status of AfCFTA Ratification as of 3 May 2022



Conclusions...

Eastern African economies have demonstrated recovery post-pandemic and resilience to Ukraine crisis.

There is need to create more fiscal space and introduce reforms to support recovery.

However, health and humanitarian crises remain a challenge in the region.

East Africans view intra-regional trade and cross-border movement positively and the AfCFTA is gaining traction.

**It is time to harness the AfCFTA
to build on the recovery.**





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