



United Nations
Economic Commission for Africa

Africa's quarterly economic performance and outlook

January–March 2022

I. Introduction

The conflict between the Russian Federation and Ukraine is a contributing factor to the weakening growth prospects for African economies. The conflict began at a time when the African economy was already reeling from the adverse effects of the coronavirus disease (COVID-19) pandemic, climate shocks and heightened security risks in some countries on the continent. Economic growth, which was projected to reach 3.6 per cent in 2022, has been downgraded by 0.4 percentage points from the December 2021 projections, reflecting the preliminary assessment by the Economic Commission for Africa (ECA) of the impact of the conflict on African economies. The conflict-induced global commodity price shocks have affected African economies, especially through rising energy, fertilizer and food prices. This has translated into ballooning import bills for most economies that are net food and oil importers, and the shrinking of their gross domestic product (GDP) level in 2022.

The conflict between the Russian Federation and Ukraine has been an additional shock to African economies, highlighting vulnerabilities which are due in part to compromised supply chains, constraints on the supply of goods, weak infrastructure, economic dependence on external partners and volatile global markets. Three of the most critical channels through which Africa is exposed to the effects of the conflict include food (agricultural markets), energy (petroleum and gas markets) and finance (the ability to cope with increasing prices and to support vulnerable populations). The exposure through each channel has far-reaching social and economic implications for vulnerable populations through, for example, higher prices and reduced availability of goods. Ultimately, this could increase the vulnerability of the poor and exacerbate the rate of malnutrition throughout the continent.

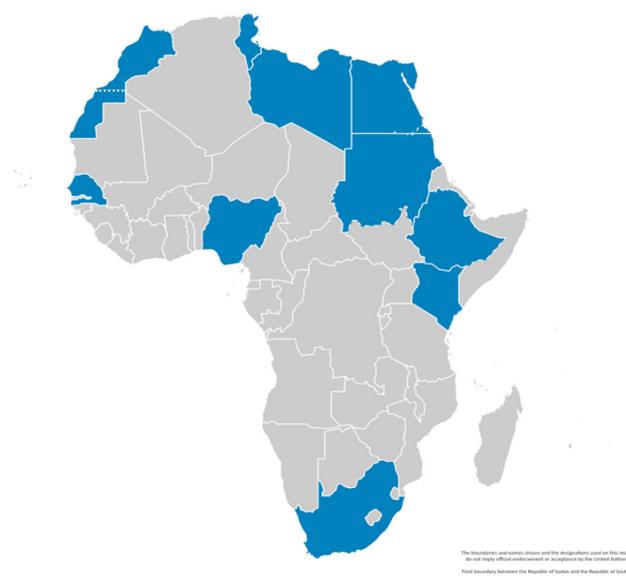
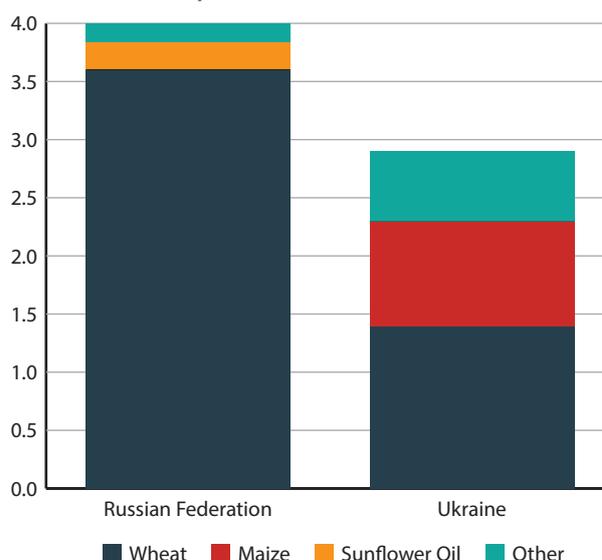
The Russian Federation and Ukraine are major players in several key global marketplaces,

including markets for wheat, sunflower oil, maize and barley. Together, the two countries represent 34, 17, 24, 73, and 16 per cent of the global market supply for wheat, maize, sunflower, sunflower oil, and fertilizer, respectively. The Russian Federation is also the second largest fuel oil exporter in the world and the largest exporter of natural gas. In conjunction with its influence on agricultural markets, Belarus and the Russian Federation account for more than 20 per cent of the global market for fertilizers.¹ The effects of the conflict are far-reaching given that the world has recently been experiencing a decline in the stocks of major staple crops on the back of increased prices, supply disruptions and unfavourable weather conditions. As a result, wheat and maize prices are roughly 30 per cent above their levels at the beginning of 2022, and the food price index of the Food and Agriculture Organization of the United Nations (FAO) has increased by approximately 35 per cent since January, which is 30 per cent higher than it was in January 2021.

The impact the conflict has had on African food security is significant. Globally, 36 countries imported more than 50 per cent of their wheat products from the Russian Federation or Ukraine in 2020, with 15 of those countries being in Africa. Benin, for example, sourced approximately 99 per cent of its wheat from the Russian Federation, while Somalia imported 85 per cent of its wheat from Ukraine in 2020.² Overall, Russia and Ukraine combined exported \$5 billion of wheat, \$0.9 billion of maize and \$0.2 billion of sunflower oil to Africa (figure II). Among the top 10 African importers (see figure I), Egypt was the single largest importer, sourcing 84 per cent of its wheat from the Russian Federation and Ukraine in 2020. This represented 43 per cent of the continent's overall wheat imports from the two countries, and was worth more than \$2 billion. Besides wheat, Africa is also reliant upon the two countries for a high share of other agricultural imports such as maize and barley.

¹ ECA research, based on United Nations Conference on Trade and Development data.

² Ibid.

Figure I: Top 10 African importers from the Russian Federation and Ukraine, 2020**Figure II:** Ukraine and Russian Federation exports to Africa, 2020 (Billions of United States dollars)

Source: UNCTADStat. Accessed on 25 March 2022.

Global agricultural commodity prices skyrocketed as a result of the conflict, with the price of wheat and maize initially increasing by 63 per cent and 13 per cent, respectively.³ The prices of such commodities continue to remain elevated, and with uncertainty as to how long the conflict-induced disruptions will persist. With commodity market volatility increasing, Africa faces risks through higher prices of staple goods, added inflationary pressures and further constraints on government fiscal balances.

II. Recent growth performance of Africa

Weak recovery in gross domestic product growth in Africa

In Africa, GDP growth rebounded to 4.7 per cent in 2021 from a contraction of 3.2 per cent in 2020 due to the pandemic. The recovery in growth was supported by pent-up demand for goods and services, following the relaxation of COVID-19 restrictions, better global economic conditions, and the rebound in commodity prices during

that period. Compared with other regions, the continent's recovery at 4.7 per cent in 2021 was the slowest because of the limited fiscal space that constrained fiscal support, on top of its less diversified economic structure. Growth is projected to drop to 3.6 per cent and 3.3 per cent in 2022 and 2023, respectively (see figure III). Notwithstanding the recovery process, the pandemic has left scars that may hinder the continent's output for a prolonged period, in part because of the adverse effects it has had on human and physical capital accumulation. According to the United Nations,⁴ Africa would need to grow at 6 per cent during the period 2022–2023 to catch up to its pre-pandemic growth trajectory, without taking into consideration the adverse impact of the conflict between the Russian Federation and Ukraine.

At the subregional level, North Africa registered the fastest recovery in growth at 7.6 per cent (coming from a low base), and it is expected to reach 4.9 per cent in 2022. Growth in Algeria and Morocco was supported by the rebound in commodity prices and improved external demand. In Egypt, GDP growth recovered because of improvement in

³ Data taken from MarketWatch, accessed 25 March 2022. Available at <https://www.marketwatch.com/investing/future/w00>.

⁴ United Nations, *World Economic Situations and Prospects 2022* (New York, 2022).

domestic and external demand, and the recovery in the tourism sector.

Output in the Central African subregion gradually rebounded to 2 per cent in 2021, mainly driven by the subregion's largest economy, Cameroon, which grew by 3.4 per cent, principally owing to improvement in the non-oil sector (see figure III). In Sao Tome and Principe, GDP slightly expanded with the loosening of travel restrictions, which stimulated the tourism sector. Equatorial Guinea experienced strong global demand and higher price for oil-improved economic activities, which were driven by increased government spending and investment; however, the lingering effects of the pandemic and several accidental explosions that happened in the city of Bata devastated the country's economic activities. The GDP growth of the Congo continued to contract because of the country's weak fiscal and external position, which was further exacerbated by the negative impact of the pandemic on GDP growth. Growth in the Central African Republic and Chad was subdued due to instability. Estimates made before the outbreak of conflict between the Russian Federation and Ukraine showed that growth in the Central African subregion could have reached 3.3 per cent in 2022.

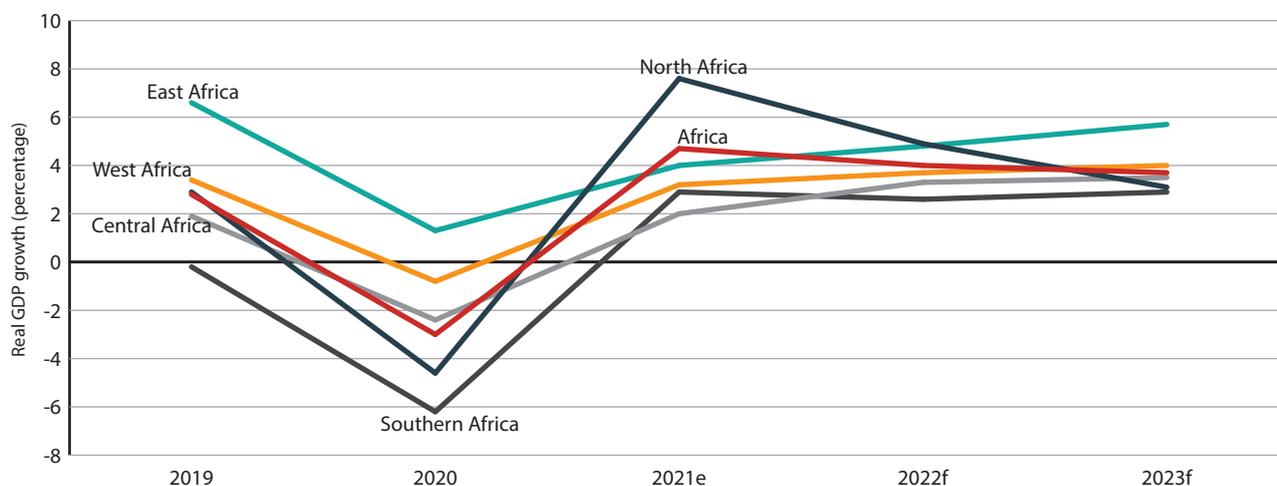
Growth in the East African subregion was estimated to have reached 4 per cent in 2021, improving from 1.3 per cent in 2020, albeit lower than its past five-

year average of 6 per cent. This was mainly due to an increase in economic activity in Kenya, Uganda and the United Republic of Tanzania. Growth in Kenya was driven by a rebound in domestic demand and higher commodity prices, while recovery in the United Republic of Tanzania was on the back of an improved tourism sector. The conflict in northern Ethiopia had slowed recovery from the pandemic in the country and neighbouring countries, such as Djibouti and Eritrea. Growth in the subregion is estimated to reach 4.8 per cent in 2022.

The second lowest recovery was registered in Southern Africa, which was estimated at 2.9 per cent in 2021, from the largest contraction by any subregion of the continent, of 6.2 per cent in 2020. The slight rebound was driven by recovery in South Africa, estimated at 3.8 per cent in 2021 as a result of improved mining, manufacturing and services sectors, despite the power outages, recurrent COVID-19 restrictions and social unrest. Similarly, Botswana and Zimbabwe recovered strongly from a low base on the back of higher mineral prices. The rebound in the non-oil sector was offset by the declining oil output from aging oil fields in Angola, resulting in marginal recovery. The average growth in the subregion is expected to reach 2.6 per cent in 2022.

The West African subregion was estimated to grow at 3.2 per cent in 2021 as it continued to recover from the negative effects of the pandemic. Growth

Figure III: Real gross domestic product growth in Africa by subregion, 2019–2023



Source: World Economic Situations and Prospects 2022 (United Nations, 2022); and the forecasts for 2022 and 2023 account for the preliminary estimates by ECA of the impact of the conflict between the Russian Federation and Ukraine (2022).

Note: e, estimates; f, forecast.

in Nigeria, the subregion's largest economy, was estimated at 2.5 per cent in 2021, primarily driven by recovery in non-oil sectors. Notwithstanding the resurgence in the oil price, oil production remained below the pre-pandemic levels because of the lack of maintenance work and the decline in investment in the sector. Social unrest and violence also hampered economic activities. Growth in Ghana firmed up to 4.2 per cent in 2021, supported by the services and agriculture sectors, especially through improved performance in the cocoa subsector and higher commodity prices. Growth in Côte d'Ivoire also improved, to 6.2 per cent, driven by improved exports and investment. The economy of Senegal continued its resilience, growing at 4.8 per cent, driven by an increase in industrial and services activities. The average growth in the subregion is expected to reach 3.7 per cent in 2022.

III. Fiscal policy performance

A. Fiscal vulnerability compounded by the conflict between the Russian Federation and Ukraine

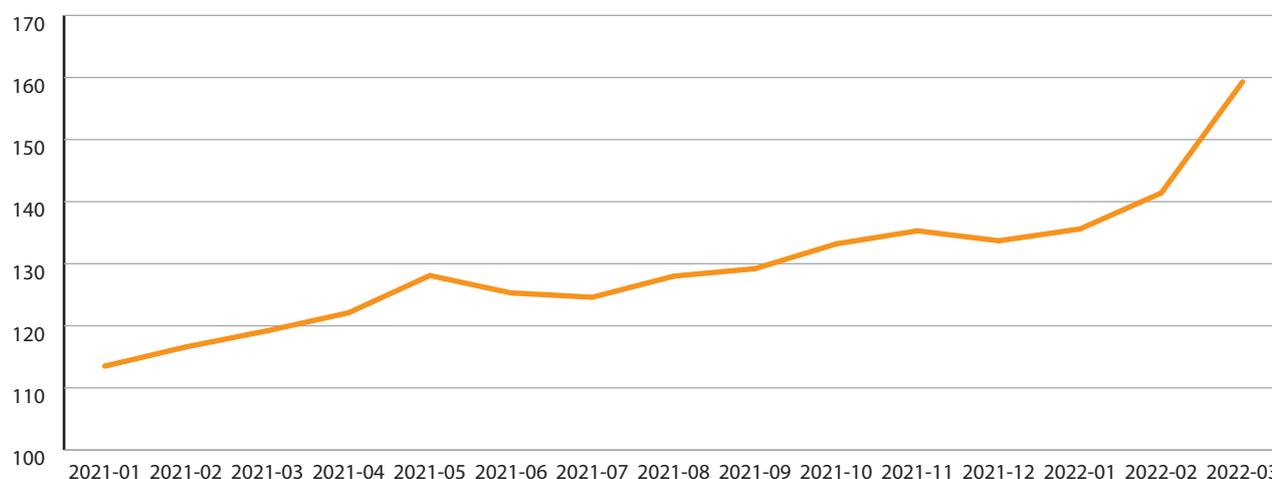
African economies have been struggling to recover since the 2020 recession caused by the

COVID-19 pandemic,⁵ which has been exacerbated by the spread of the new omicron COVID-19 variant, leading to the reimposition of mobility restrictions by countries. As a result, the continent's fiscal outlook is subject to an elevated level of uncertainty in the short to medium term.

The Russian Federation and Ukraine are the top world exporters of food staples, and they are the source of a substantial share of the wheat, corn and seed oil imported by other countries globally. Furthermore, they are substantial contributors to agricultural inputs such as fertilizers. All of those have been disrupted and may even be halted if the conflict persists. Even countries that import little from the Russian Federation and Ukraine are indirectly affected by higher world prices for key commodities. Nigeria, the world's fourth largest wheat importer, receives a fourth of its imports from the two countries. Similarly, Cameroon, the Sudan, Uganda and the United Republic of Tanzania, source more than 40 per cent of their wheat imports from the two countries. In March 2022, the FAO food price, which is a measure of the monthly change in international prices of a basket of food commodities, reached its highest level since its creation in the 1990s (see figure IV).

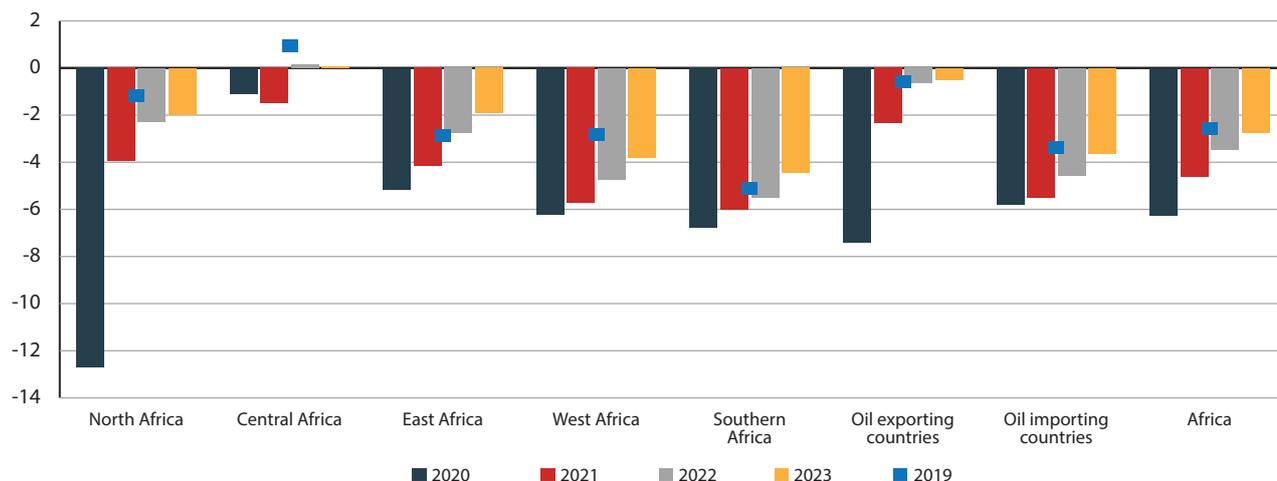
Rising energy and food prices will translate into higher inflation throughout African countries,

Figure IV: Food price index: January 2021–March 2022 (2014–2016=100)

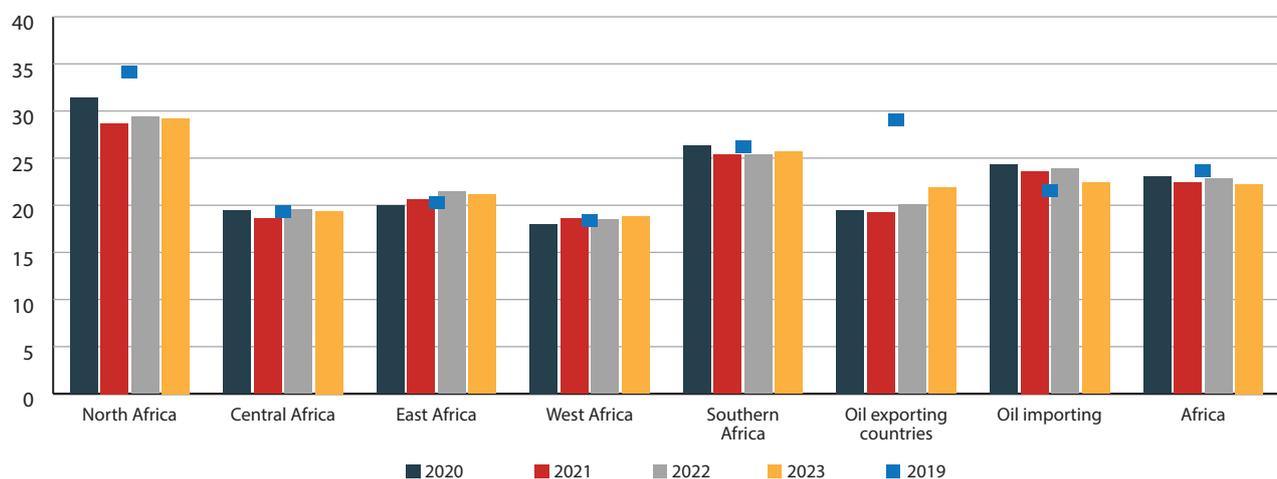


Source: Food and Agriculture Organization of the United Nations (2022); see www.fao.org/worldfoodsituation/foodpricesindex/en.

⁵ The vaccination campaign in Africa, however, continues to severely lag behind other continents, with only 20.62 per cent of total population being partially vaccinated, and only 1.33 per cent of the population receiving a booster dose; see <https://africacdc.org/covid-19-vaccination>.

Figure V: Fiscal balances as a percentage of gross domestic product by subregion and economic grouping, 2019–2023

Source: World Economic Outlook 2022 (Washington, D.C., International Monetary Fund, 2022).

Figure VI: Government revenue as a percentage of gross domestic product by subregion and economic grouping, 2019–2023

Source: World Economic Outlook 2022 (Washington, D.C., International Monetary Fund, 2022).

hurting poor and vulnerable people, especially those living in urban areas. One point of concern is the increased likelihood of civil strife as a result of food- and energy-related inflation, especially in the current environment of heightened political instability, as manifested by events in countries such as Sri Lanka. Rising interest rates and the need to protect vulnerable populations from high food and energy prices make it more difficult to maintain fiscal sustainability. In turn, the erosion of fiscal space makes it harder to invest in measures to tackle commodity price shocks, which feed into inflation and hence lead to economic instability.

The average fiscal deficit for Africa is expected to reach 3.5 per cent in 2022, which, although lower than the average for 2021 (4.6 per cent), will still be higher than the pre-pandemic average of 2.6 per cent in 2019 (see figure V). Oil-exporting countries showed an accelerated recovery as their deficits narrowed from an average of 7.4 per cent in 2020 to 2.3 per cent in 2021 and are expected to narrow further to 0.6 per cent in 2022 and 0.5 per cent in 2023. The fiscal deficits of oil-importing countries are expected to remain on a downward trend, from 5.5 per cent in 2021 to 4.6 per cent in 2022 and 3.6 per cent in 2023. It is estimated that government spending will increase slightly in the short term because of the current spending on health

requirements, on social protection programmes that target the most vulnerable, and on food and energy subsidies, which are designed to soften the impact that the conflict between the Russian Federation and Ukraine has had on the African continent.

In Africa, average government revenue in 2022 is expected to be 22.8 per cent of GDP, 0.5 percentage points higher than its 2021 level (see figure VI), but is projected to drop to 22.2 per cent in 2023. Oil-exporting countries witnessed a sharp fall of 10 percentage points in government revenue over the period 2019–2020, but it is expected to increase by almost 2 percentage points, from 20.1 per cent in 2022 to 21.8 per cent in 2023, mostly as a result of rising energy prices due to the conflict. The revenue of oil-importing countries, however, is expected to decrease by almost 2 percentage points, from 23.9 per cent in 2022 to 22.4 per cent in 2023.

B. Rising debt places a greater burden on countries

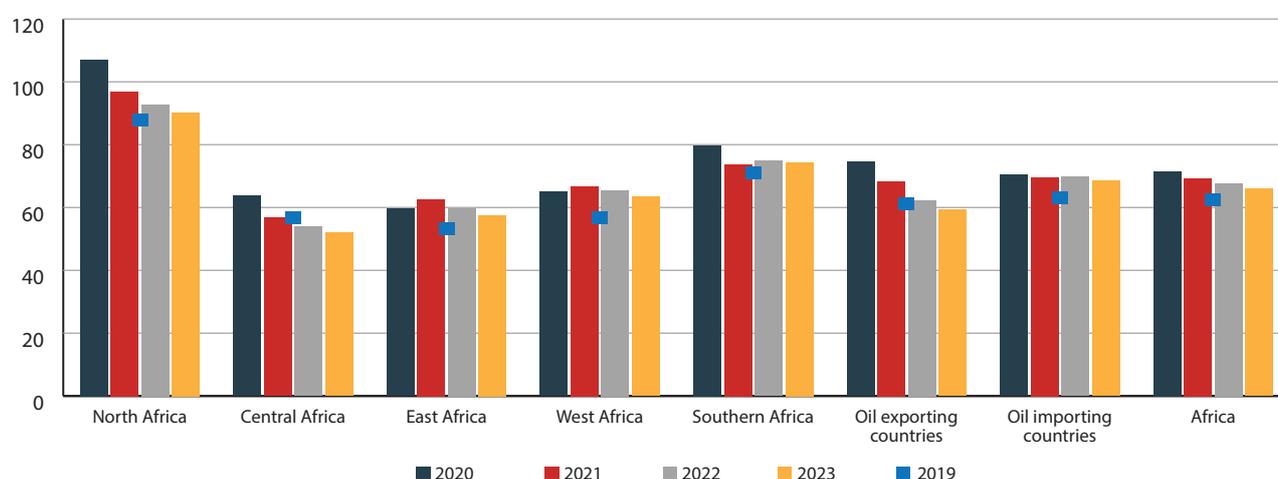
African countries continue to experience financial vulnerability, with many having relatively high public and private debt. Public finances will come under strain in the coming months and years, as global public debt has reached record levels to cover pandemic-related spending at a time when tax receipts have plummeted. Higher interest rates will also make borrowing more expensive,

especially for countries borrowing in foreign currencies and at short maturities.

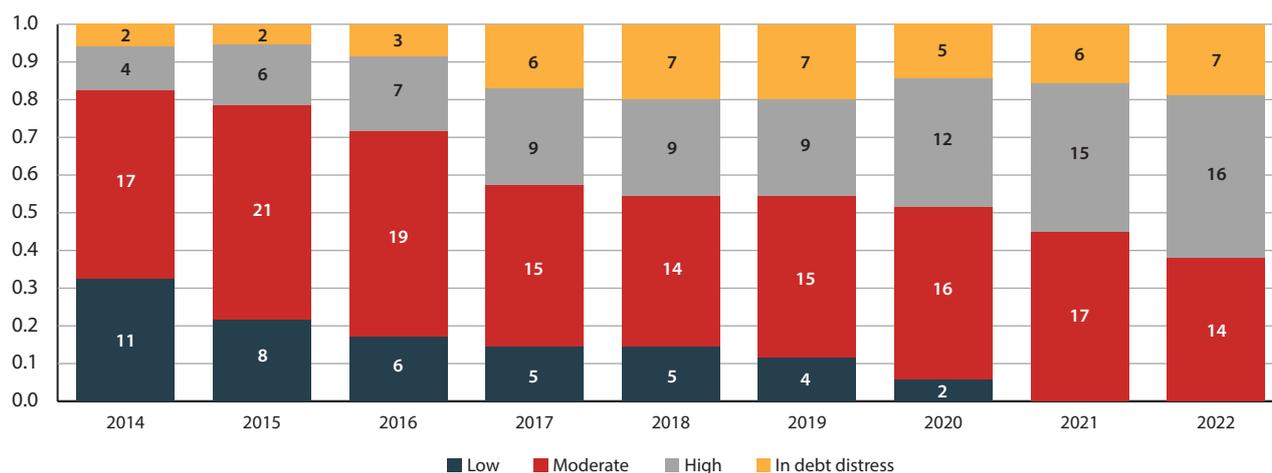
The average government debt-to-GDP ratio in Africa is projected to reach 68 per cent in 2022, 1 percentage point lower than that of 2021, but still much higher than the pre-pandemic level of 62.5 per cent in 2019 (see figure VII). The debt-to-GDP ratio for oil-importing countries peaked at 70 per cent of GDP in 2020, while the ratio for oil-exporting countries is expected to decrease from a high 68 per cent in 2021 to 62 per cent in 2022 and reach 60 per cent in 2023. The result is partially due to the projected soaring energy prices resulting from the conflict between the Russian Federation and Ukraine. In the Southern African subregion, the debt-to-GDP ratio, which increased significantly during the pandemic, is projected to surpass 75 per cent between 2022 and 2023. The debt level for North Africa is estimated to reach 92 per cent in 2022.

According to the debt sustainability analysis by the International Monetary Fund, as at 31 March 2022, some 16 African countries were at high risk of debt distress, and 7 countries were already in debt distress, which brought the total number of countries on the verge of debt distress a record high of 23 (see figure VIII). In addition, African countries face higher debt costs in terms of interest rates. Countries such as Angola, Ghana and South Africa had already increased their policy rates by February 2022.

Figure VII: Debt-to-gross domestic product ratio by subregion and economic grouping, 2019–2023



Source: World Economic Outlook 2022 (Washington, D.C., International Monetary Fund, 2022).

Figure VIII: Debt sustainability analysis for African countries as at 31 March 2022

Source: Data taken from the debt sustainability analysis list, International Monetary Fund; see www.imf.org/external/Pubs/ft/dsa/DSAlist.pdf.

C. Policy responses by Governments

Governments have been attempting to enact strategies to tackle rising prices. Several oil exporters may implement major increases in fuel subsidies, as they typically shelter local prices from international pricing to a large extent, and they maintain the lowest average retail prices globally (e.g. Algeria). In January 2022, Nigeria proposed that fuel subsidies be extended for another 18 months. Notwithstanding the rising global prices, oil-importing countries with gasoline subsidies (e.g. Burkina Faso and Cameroon) have not changed their pricing since the beginning of 2022. Sierra Leone and Tunisia have raised their fuel prices in a variety of ways. Electricity subsidies in several countries (e.g. Djibouti, Guinea-Bissau, Libya and Tunisia) will likely increase if generation is fuel-based and if power tariffs are not modified.

enterprises, oil importers and wholesalers, the agricultural sector, and taxis, while Cameroon and Egypt announced a temporary ban on staple food exports, which began in January 2022.

It is worth noting the opportunities that have come with the conflict between the Russian Federation and Ukraine. After the Russian Federation, South Africa is the world's second largest producer of palladium and is positioned to benefit from the sanctions on the Russian Federation as supply concerns grow. Similarly, the price of precious metals has surged to a peak,⁶ with many turning to gold as a safe haven. This may benefit South Africa as a major exporter of gold, given that the rand has been gaining strength because of the rising global prices of the precious metal.⁷ Furthermore, oil-exporting countries, such as Angola and Nigeria, may reap the benefits of the supply constraints induced by the commodity price boom, which

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