African Economic Outlook 2013

Structural Transformation and Natural Resources in Africa

HB Solignac-Lecomte
OECD Development Centre

Outlook 2013
The Growth Story

Africa’s growth sustained despite headwinds from the global economy

Africa’s real GDP expected to grow by 4.8% in 2013 and 5.3% in 2014
Africa’s Growth: Strong long-term trend disturbed by short-term turbulences
<table>
<thead>
<tr>
<th>Region</th>
<th>2011</th>
<th>2012 (e)</th>
<th>2013 (p)</th>
<th>2014 (p)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central Africa</td>
<td>5.2</td>
<td>5.7</td>
<td>5.7</td>
<td>5.4</td>
</tr>
<tr>
<td>East Africa</td>
<td>6.3</td>
<td>4.5</td>
<td>5.2</td>
<td>5.6</td>
</tr>
<tr>
<td>North Africa</td>
<td>-0.1</td>
<td>9.5</td>
<td>3.9</td>
<td>4.3</td>
</tr>
<tr>
<td>Southern Africa</td>
<td>4.0</td>
<td>3.7</td>
<td>4.1</td>
<td>4.6</td>
</tr>
<tr>
<td>West Africa</td>
<td>6.8</td>
<td>6.6</td>
<td>6.7</td>
<td>7.4</td>
</tr>
<tr>
<td>Africa</td>
<td>3.5</td>
<td>6.6</td>
<td>4.8</td>
<td>5.3</td>
</tr>
</tbody>
</table>
Libya’s GDP fall and rebound is affecting Africa’s Growth

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
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<tbody>
<tr>
<td><strong>Incl. Libya</strong></td>
<td>3.5%</td>
<td>6.6%</td>
<td>4.8%</td>
<td>5.3%</td>
</tr>
<tr>
<td><strong>Excl. Libya</strong></td>
<td>4.3%</td>
<td>4.2%</td>
<td>4.5%</td>
<td>5.2%</td>
</tr>
</tbody>
</table>
The 10 Fastest Growing African Countries in 2013/14
The 10 Slowest Growing African Countries in 2013/14

- Algeria: 3.6%
- Egypt: 2.7%
- Comoros: 3.5%
- South Africa: 3.2%
- Swaziland: 1.3%
- Sudan: 2.8%
- Madagascar: 3.5%
- Lesotho: 3.7%
- Equatorial Guinea: 1.4%
- Seychelles: 3.8%
Trade : China’s acceleration

Africa's exports to selected partners (2000-2011)

Billion USD

- EU-27
- China
- USA
- India, Brazil, Korea, Turkey, Russia
- Intra-African
Africa should trade more with itself

- 1. EU25: 32% Raw Resources, 68% Manufacturing value-added processing
- 2. USA: 18% Raw Resources, 82% Manufacturing value-added processing
- 3. China: 14% Raw Resources, 86% Manufacturing value-added processing
- 4. in Africa: 67% Raw Resources, 33% Manufacturing value-added processing
- 5. Other emerging partners: 41% Raw Resources, 59% Manufacturing value-added processing
- 6. Other traditional partners: 38% Raw Resources, 62% Manufacturing value-added processing
Africa’s import boom

African imports (in Billion USD)

- Machinery/transport equipment
- Other Manufactured goods & Chemicals
- Food, beverages & tobacco
- Oil, Metals, Mineral and Other crude commodities
- N.C. (Unspecified goods)
Domestic resource Mobilisation
Collected taxes by type, as % of GDP (weighted)
Inflation: cautious optimism

Median Inflation (%)
Public protests and violence

(Base year 1996 = 100)
Africa Rising?

Drivers of growth = “Shifting wealth” (including the commodity price boom), demography and better macroeconomic policies

But 5% growth is not enough to take-off

Tackling the job challenge: structural transformation
Structural Transformation and Natural Resources
Not so good: jobs are not keeping up, especially for the young
Good news: Africa’s growth has been driven by structural transformation

Decomposition of productivity growth by country group
1990-99

<table>
<thead>
<tr>
<th>Country</th>
<th>% change within</th>
<th>% change structural</th>
</tr>
</thead>
<tbody>
<tr>
<td>LAC</td>
<td></td>
<td></td>
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<tr>
<td>AFRICA</td>
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<tr>
<td>ASIA</td>
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<tr>
<td>HI</td>
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2000-05

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</table>

Source: Authors’ calculations based on census data and a labour force survey for a sample of nine African countries.
Natural Resources: Africa benefitted from better terms of trade

African exports in USD billion (constant 2000 prices)

- Processed goods
- Raw commodities
- Not-specified
- Energy
- Agriculture
- Metals & Minerals

Price Index 2005 = 100

Source: OECD Development Centre calculations based on UN ComTrade and World Bank Global Economic Prospects, June 2012.
Not so good news: faster transformation is needed to make growth inclusive

Source: Authors’ calculations based on household surveys from 16 countries.
Africa could have made more of the resource boom

Africa's share of global resource assets

- Mining: 10% (1995), 5% (2005)
- Agriculture: 12% (1995), 9% (2005)

Source: Authors’ calculations based on data from World Bank (2012), The Changing Wealth of Nations, World Bank, Washington, DC.
Why Natural Resources?

Africa has a low skill-to-land ratio

→ comparative advantage in natural resources
→ must make the most of them
Removing the curse:
3 Principles for natural resource-based structural transformation

1. Overcome dependence

2. To diversify *beyond* natural resources, start by diversifying *amongst* natural resources.

3. Structural transformation and natural resource sectors face similar bottlenecks
1. Overcoming dependence is the key to natural-resource based development

Country income groups
(only includes countries with subsoil assets; excluding high income non-OECD countries)

2. A strong natural resource sector is a diversified one

\[ y = 2.2837x + 33.491 \]

\[ R^2 = 0.4114 \]

Source: Authors’ calculations based on UN (2013), UN ComTrade, (database).
3. Structural transformation and natural resource sectors face similar bottlenecks

Rules for exploration & exploitation

Availability of relevant inputs

Natural Resource Sectors

Land Mgmt. & Ownership

Governance

Skills

Infrastructure

Structural Transformation
## Energy needs for metal refining & Africa’s generation capacity

<table>
<thead>
<tr>
<th>Country</th>
<th>2009 Electricity production (GWh)</th>
<th>2009 Energy need for refining of mining production (GWh), (bauxite, iron, copper and nickel only)</th>
<th>Energy requirement of base metal refining as share of total electricity output</th>
</tr>
</thead>
<tbody>
<tr>
<td>Botswana</td>
<td>444</td>
<td>2,996</td>
<td>675%</td>
</tr>
<tr>
<td>Tanzania</td>
<td>4,628</td>
<td>2,583</td>
<td>56%</td>
</tr>
<tr>
<td>Congo, Dem. Rep.</td>
<td>7,830</td>
<td>7,738</td>
<td>99%</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>7,878</td>
<td>411</td>
<td>5%</td>
</tr>
<tr>
<td>Ghana</td>
<td>8,958</td>
<td>8,800</td>
<td>98%</td>
</tr>
<tr>
<td>Zambia</td>
<td>10,308</td>
<td>15,946</td>
<td>155%</td>
</tr>
<tr>
<td>Algeria</td>
<td>42,769</td>
<td>6,600</td>
<td>15%</td>
</tr>
<tr>
<td>Egypt, Arab Rep.</td>
<td>139,000</td>
<td>7,200</td>
<td>5%</td>
</tr>
<tr>
<td>South Africa</td>
<td>246,815</td>
<td>336,991</td>
<td>137%</td>
</tr>
<tr>
<td>Africa*</td>
<td>664,051</td>
<td>764,210</td>
<td>115%</td>
</tr>
</tbody>
</table>
3 Priority Policy Areas

• Help private local firms become the suppliers of multinationals

• Help capabilities accumulated in resource sectors be applied in other sectors (Sweden, US).

• Invest revenue to remove bottlenecks
Looking Forward

• Refining monitoring, analysis and forecasts: AEO model, Hidalgo model

The continent’s economic outlook for 2013 and 2014 is promising, confirming its healthy resilience to internal and external shocks and its role as a growth pole in an ailing global economy. Africa’s economy is projected to grow by 4.8% in 2013 and accelerate further to 5.3% in 2014 [..]

> Learn more

- Press release
- 60-second guide
- Pocket Edition

Africa’s agricultural, mining and energy resources could boost the continent’s economic growth and pave the way for a breakthrough in human development.

> Learn more