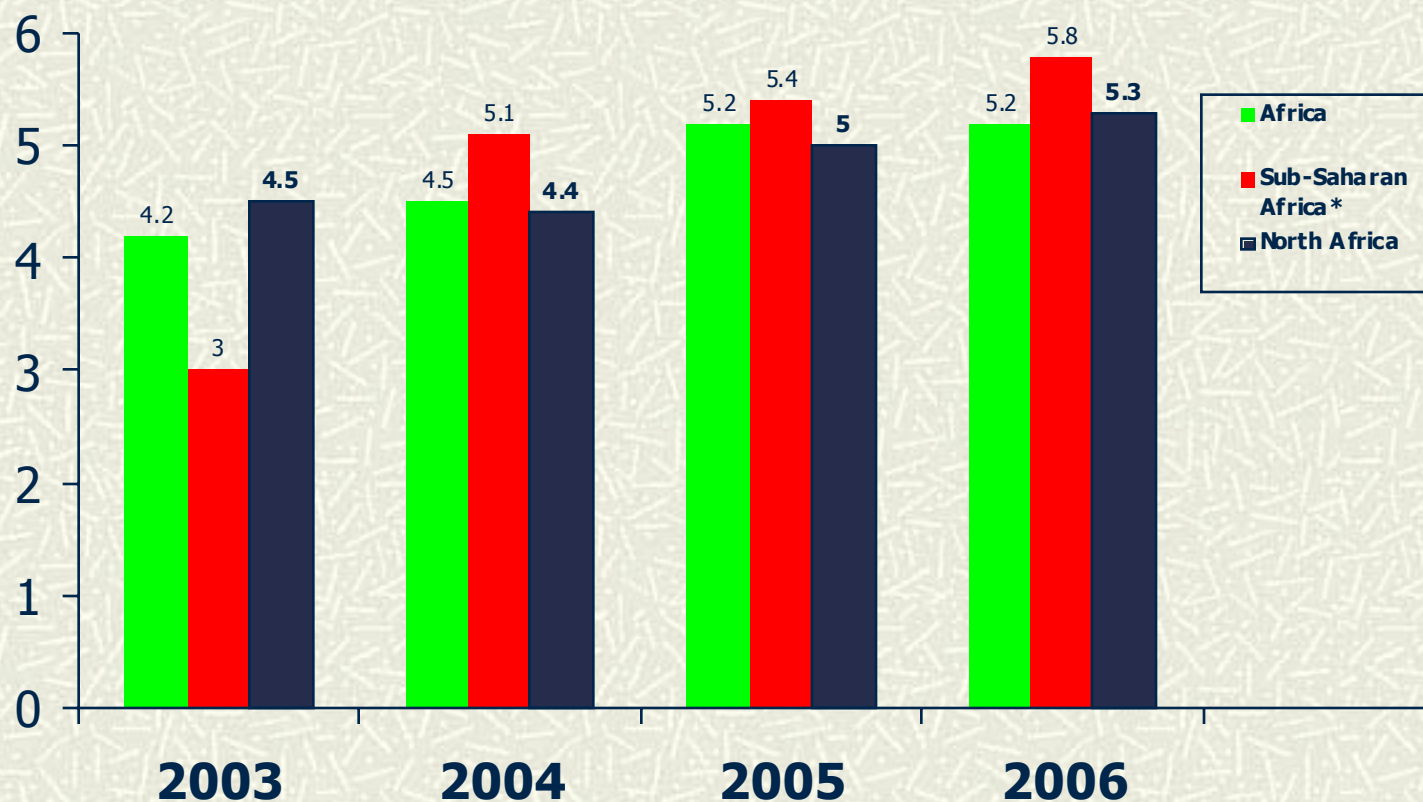


Economic Outlook for Africa

**Project LINK Meeting
Mexico-City
16-20 May 2005**

Africa: Gross Domestic Product, 2003-2006 (Annual % Change)

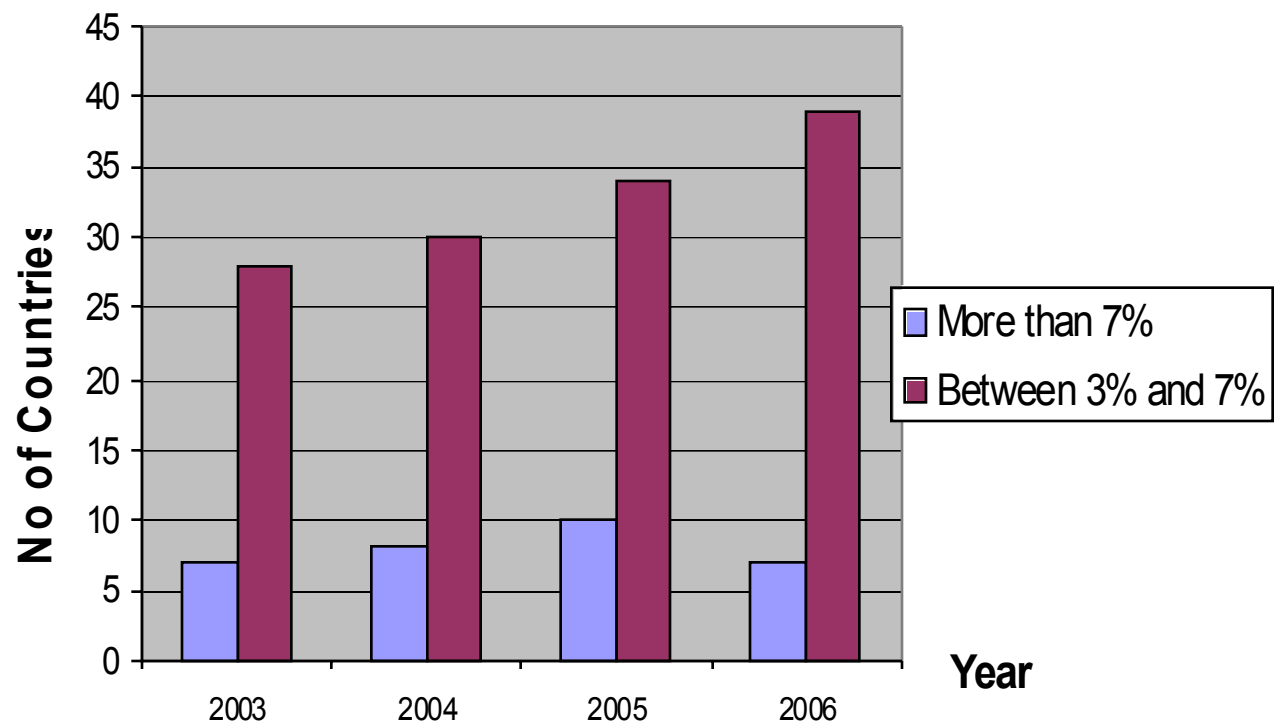


** Excluding South Africa & Nigeria*

Main factors that are expected to contribute to growth in 2005

- # Higher oil prices and increased volumes of oil exports
- # Strong demand and favourable prices for non-oil commodities
- # Higher tourism revenues in some eastern, southern and northern African countries
- # Buoyant domestic expenditure in most countries
- # Easing of conflicts in many countries
- # Benefits of sound macroeconomic policies

Distribution of Growth



North Africa: Acceleration of growth in all Northern African Countries, with the exception of Morocco

- # Continued higher hydrocarbon revenues will support a moderate growth of public spending in Algeria, Libya and Egypt.**
- # reforms and plans for reductions in personal and corporate tax rates in Egypt are expected to boost private spending in Egypt**
- # However, the weak textile output and exports will constrain growth in Morocco**

Rosy picture for Sub-Saharan Africa, too

- # GDP growth for Sub-Saharan Africa, excluding Nigeria and South Africa, is projected to rise from 5.4 per cent in 2005 to 5.8 in 2006.**
- # Oil producing countries and countries emerging from conflicts are expected to be among the fastest growing economies.**
- # Cote-d'Ivoire, Gabon and Zimbabwe will be the worst performing economies.**
- # Some southern African countries may be affected by the termination of MFA.**

The economic outlook of the two major economies of the region is also improving

- # South Africa's GDP growth is expected to expand further to 4 percent in 2005, driven by mainly by favorable domestic factors.**
- # Nigeria's GDP growth is expected to jump to 7 percent on the basis of stronger oil and gas output.**

Monetary and Fiscal Policies

- # **Monetary and fiscal policies are expected to be relatively prudent in most countries.**
- # **Tightening of monetary policy in Algeria and CFA Zone countries and relaxed monetary policy in Egypt.**

Inflation will slow down in 2005 in most countries

- # Currency appreciation in Egypt , the reduction of import tariffs in Egypt and Morocco will put a lid on inflationary pressures.**
- # However, this overall picture masks difficulties in Guinea, Ghana, Zambia and Zimbabwe.**

Current Accounts

- # **Substantial current account surpluses in many oil producing countries.**
- # **Rising current account deficits in many oil importing countries.**

Improvement of Africa's external debt due to:

- # **Strong export earnings, continued debt relief and more active debt management.**

Risks:

- **Political risks from a prolonged conflict in Cote-d'Ivoire, DRC, and Sudan with regional spillover effects.**
- **Adverse weather conditions and natural disasters.**
- **Sudden deterioration of terms of trade.**
- **Collapse of textile and clothing sectors.**

Economic Outlook for Africa

END