

Risks for Africa growth from Brexit and China's economic downturn

DAKAR, Senegal - The Economic Commission's macroeconomic policy division director, Adam Elhiraika, says Africa's economic growth declined from 3,7% in 2015 to 1.7% in 2016 due to weak global economic conditions, persistent low oil prices and adverse weather conditions and may further be affected by Brexit.



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“The effects of Brexit may slow the global economy with spillover effects into Africa, mainly through trade and financial channels,” Elhiraika said as he spoke about the ECA’s Economic Report on Africa (ERA) 2017, which was launched Saturday in Dakar.

He added: “Economic deceleration in China, subdued performance of the euro area and low commodity prices also pose risks for Africa’s growth. Rising debt levels also pose a concern for continental long-term growth.”

Elhiraika said although Africa’s medium-term growth prospects remained positive despite risks and uncertainties, growth continued to decline regardless of a sluggish recovery in global commodity prices.

He said weather-related shocks remained a regional risk, in particular in parts of eastern and southern Africa and could lead to poor harvests and heighten the risk of inflation.

Rebound

Ultimately Africa’s growth is expected to rebound despite global headwinds even after feeling the effects of Brexit and all, but, Elhiraika said, also of concern was the fact that security remained a risk in some African countries affecting economic growth in the process.

He said progress in combating poverty and addressing inequalities on the continent remained slow raising the need for countries to embrace the rapid urbanisation on the continent and coming up with policies that will spur sustainable, inclusive growth.

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“The high level of initial inequality, rapid population growth and delayed demographic transition and the sectoral composition of growth are some factors responsible for the limited impact of economic growth on poverty reduction,” he said.

ERA2017 urges governments in Africa to implement urban and industrial policies in a coordinated manner and to instigate and coordinate investments in urban infrastructure, particularly in electricity and transport, both to support industrial enterprises and to meet urban populations’ needs.

Titled, *Urbanization and Industrialization for Africa’s Transformation*, the ERA looks at recent economic and social developments in Africa and offers policy recommendations to Member States. The 2017 edition specifically calls on Africa to take advantage of rapid urbanisation being experienced throughout the continent.

Africa is expected to be predominantly urban by 2050 with the average annual rate of urban growth over the period 2010-2015 estimated at 3.6%, much higher than the rest of the world. However, close to 60% of people in Africa still live in rural areas.

“Unlike global trends, urban-rural differential in welfare and living standards in Africa do not converge with increasing urbanisation,” said Elhiraika.

He said recent developments in the global economy have demonstrated that Africa’s dependence on commodity exports is not sustainable and suggested the continent diversifies and emphasise value addition through commodity-based industrialisation.

“Volatility in commodity prices calls for prudent and counter-cyclical macroeconomic policies and strategies,” said Elhiraika, adding; “There’s need also to boost productivity and competitiveness by building the continent’s infrastructure and increased investment in research and development.”

He said Africa also needs to enact policies that promote agricultural growth and increase its global competitiveness, adding this is crucial to reducing poverty and overall income inequality and enhancing structural transformation in Africa.

The policy response to urbanisation, he said, needs to cover the entire rural-urban continuum, including secondary cities.

