



# SOCIO-ECONOMIC REVIEW FOR 2023 AND FORECAST FOR 2024

(Extract from the 2023 Annual Report of AADFI)

## 1. Global Economy in 2023

The year 2023 was marked by several noteworthy events, including the ongoing Russia–Ukraine war, the conflict between Israel and Hamas militants, intensified trade disputes between China and the United States, geo-political tensions, the increased impact of climate change that prompted diplomatic agreements<sup>1</sup>, and numerous climate adaptation and mitigation measures.

Economic indicators for 2023 revealed that low productivity, inflation, and declining earnings in most G20 nations prevented living standards from rising appreciably<sup>1</sup>. After growing by 3.0% in 2022, the global economy expanded by 2.0% in 2023, with an expected 2.1% growth in 2024<sup>2</sup> (Figure 1). In 2023, the economy grew by 2.0%, significantly less than the historical average of 3.8% between 2000 and 2019. While policy tightening begins to pinch, advanced economies may grow by 1.4% in 2024 after growing by 2.6% in 2022. Growth in emerging markets and developing economies decreased slightly from 4.1% in 2022 to 4.0% in 2023, and this trend may continue in 2024<sup>3</sup>.

Global inflation decreased from 8.3% in 2022 to 6.3% in 2023 and may continue to 5.2% in 2024 due to tighter monetary policy and lower international commodity prices (Figure 1). The International Labour Organization (ILO) reported that in 2023, the rate of unemployment worldwide fell from 5.3% in 2022 to 5.1%<sup>4</sup> in 2023 and may continue to 4.5% in 2024 (Figure 1).

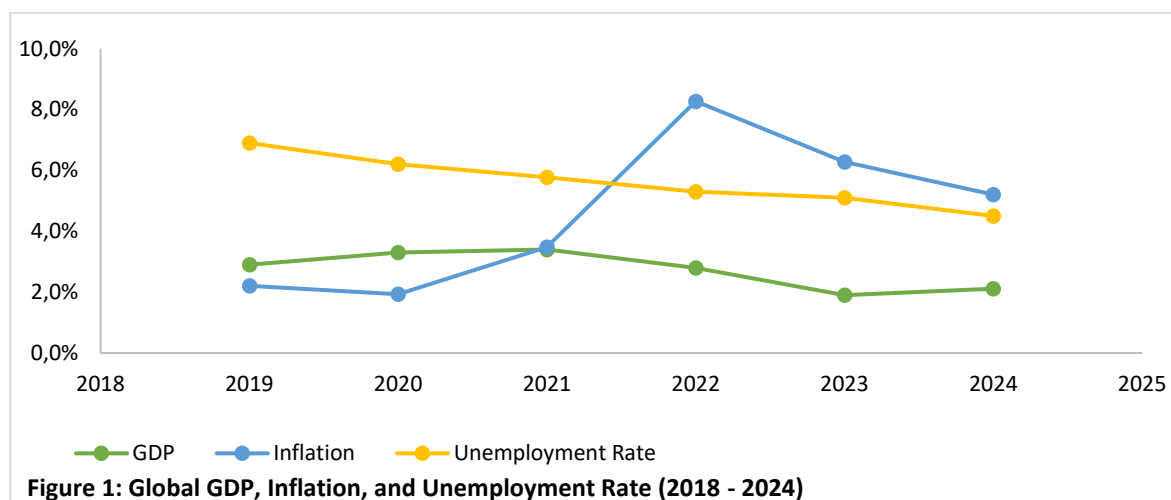


Figure 1: Global GDP, Inflation, and Unemployment Rate (2018 - 2024)

Source: AADFI Economic Review (2022)

## 2. Africa Economy in 2023

In 2023, Africa had the world's youngest and fastest-growing population (60% of Africans under the age of 25)<sup>5</sup>. The continent is emerging as a magnet for consumer markets and products, making it an attractive destination for supply chains. African countries were confronted with multiple shocks in 2023, including the continued effects of the COVID-19 pandemic, disruptions to global supply chains due to Russia's prolonged war with Ukraine, political instability, and China's economic slowdown, a tightening of global financing conditions, and the Israel and Hamas Conflict. Africa's economic

<sup>1</sup> <https://www.imf.org/en/Publications/WEO/Issues/2023/10/10/world-economic-outlook-october-2023>

<sup>2</sup> <https://www.oecd.org/economic-outlook/september-2023/>

<sup>3</sup> <https://www.oecd.org/economic-outlook/september-2023/>

<sup>4</sup> [https://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS\\_908068/lang--en/index.htm#:~:text=The%202023%20global%20unemployment%20rate,to%20emerge%2C%20the%20report%20finds.](https://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS_908068/lang--en/index.htm#:~:text=The%202023%20global%20unemployment%20rate,to%20emerge%2C%20the%20report%20finds.)

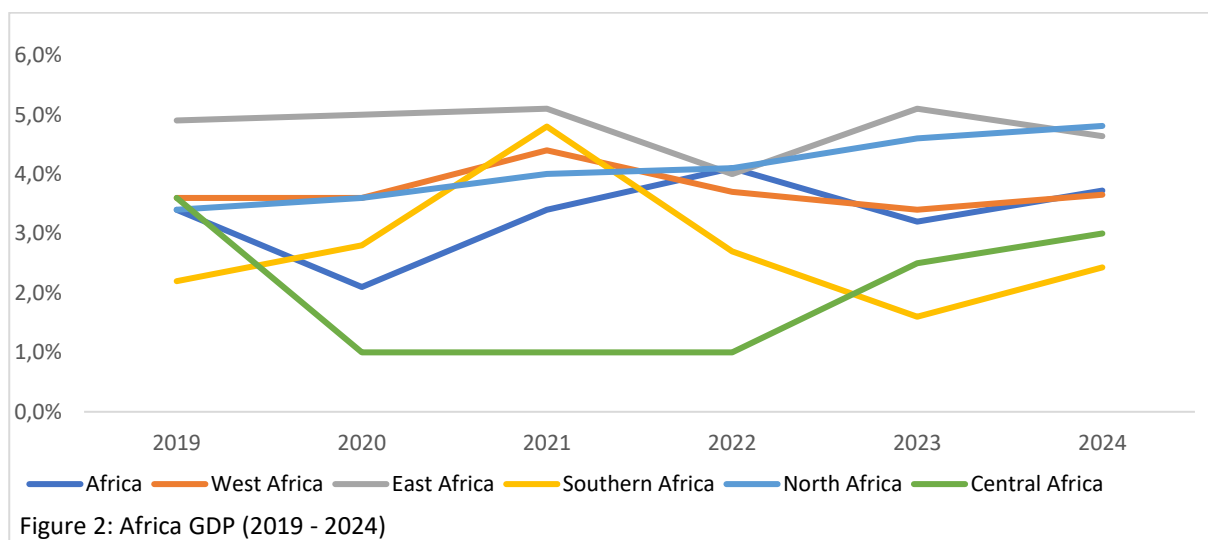
<sup>5</sup> <https://www.visionofhumanity.org/navigating-the-effects-of-a-rising-youth-population-in-africa/>



growth fell to 3.2% in 2023 from 4.1% in 2022<sup>6</sup> (Figure 2). Africa's inflation was an average of 18.5% in 2023, and it's projected to decline to 17.1% in 2024<sup>8</sup>. Countries like Benin, Côte d'Ivoire, Ethiopia, Rwanda, and Tanzania came back into the league of the world's 10 fastest-growing economies in 2023<sup>7</sup>.

The year 2023 witnessed intense economic crises, increased climate change impacts, and high-stakes geopolitical tensions. For example, the drought in the Horn of Africa region displaced approximately 2.3 million people<sup>8</sup>. Floods followed the region's drought, unleashing devastating extreme weather effects. Cyclone destruction in Malawi and Mozambique resulted in thousands of displaced people and hundreds of deaths across southeastern Africa. Approximately 23 million people in the eastern Horn of Africa, including Ethiopia, Kenya, and Somalia, experienced severe food insecurity due to the protracted drought and extreme weather events<sup>9</sup>.

Additionally, as demonstrated in Niger and Gabon, military leaders continued to seize power by taking advantage of the populace's strong discontent and resentment toward the ruling elite for the lack of democratic benefits. Several African nations are still experiencing wars and conflicts; the Sudanese conflict, for example, claimed over 10,000 lives and forced millions more to flee their homes in 2023, endangering the stability of the neighboring Sahel and Horn of Africa regions. Conflicts between the self-autonomous regions of Puntland and Somalia over territory erupted into a full-blown crisis in Somalia. In Central Africa, the protracted conflict in the mineral-rich Democratic Republic of the Congo took a fatal turn as the M23 rebels launched a fresh offensive.



Source: AADFI Economic Review (2022)

### 2.1. North Africa

The North African economy experienced growth from 4.1% in 2022 to 4.6% in 2023, with a projected 4.8% growth in 2024<sup>10</sup> (Figure 2). The substantial economic recoveries in Morocco and Libya, the former from severe drought and the latter from erratic oil production, drove the increase in the North African economy. The surge in poverty and unemployment, particularly among young people, and the rise in food insecurity due to the growing costs of energy and food in 2023 underscored the need

<sup>6</sup>[https://www.reuters.com/world/africa/africas-economic-growth-fell-32-2023-says-african-devt-bank-2024-02-16/#:~:text=Africa-,Africa's%20economic%20growth%20fell%20to%203.2,2023%2C%20says%20African%20Devt%20Bank&text=JOHANNESBURG%2C%20Feb%2016%20\(Reuters\),all%20regions%20except%20central%20Africa](https://www.reuters.com/world/africa/africas-economic-growth-fell-32-2023-says-african-devt-bank-2024-02-16/#:~:text=Africa-,Africa's%20economic%20growth%20fell%20to%203.2,2023%2C%20says%20African%20Devt%20Bank&text=JOHANNESBURG%2C%20Feb%2016%20(Reuters),all%20regions%20except%20central%20Africa)

<sup>7</sup> <https://www.afdb.org/en/documents/african-economic-outlook-2023>

<sup>8</sup> <https://www.aljazeera.com/news/2023/12/19/coups-climate-and-cost-of-living-key-issues-that-shaped-2023-in-africa>

<sup>9</sup> <https://blog.mustardinsights.com/newsletter/highlights-of-breakthroughs-and-challenges-in-africa-in-2023-and-expectations-for-2024-cnINc>

<sup>10</sup> <https://www.afdb.org/en/news-and-events/press-releases/north-africa-economic-outlook-2023-economic-growth-set-reach-46-percent-2023-north-africa-should-make-green-growth-urgent-regional-priority-according-african-development-bank-63411>



to strengthen economic resilience and diversification in North Africa in 2023. In 2023, inflation surged to a double-digit 14.2%, and it is anticipated to decline to 6.9% in 2024<sup>11</sup>(Figure 3). The region’s current account deficit is projected to decrease to 0.2% of GDP in 2024 from 0.5% in 2023<sup>12</sup>. Furthermore, North Africa’s external position was impacted by the global economic climate, which includes trade patterns, tourism, and flows of Foreign Direct Investment (FDI) in 2023.

## 2.2. East Africa

With GDP growth rates over 5% in 2023, East Africa demonstrated the most robust regional economic performance on the continent. East Africa’s economy grew by 4% and 5.1% in 2022 and 2023, respectively, and it’s projected to grow by 4.6% in 2024<sup>13</sup> (Figure 2). Growth in Rwanda, Uganda, Ethiopia, Kenya, Djibouti, and Tanzania was the major factor in the development of East Africa in 2023. Nearly half of East Africa’s economic growth in 2023 came from the services sector. East Africa’s natural and cultural features attract tourists worldwide, thereby increasing demand for services such as lodging, dining, and entertainment<sup>14</sup>.

Ethiopia’s GDP increased by 5.3% and 6.0% in 2022 and 2023, respectively. The recovery in the services sector accounted for roughly 38% of GDP - especially in the travel and tourism industry in 2023<sup>15</sup>. Real GDP growth in Kenya fell from 7.5% in 2021 to 4.9% in 2022 and 4.5% in 2023. This decrease was primarily caused by shocks to the global supply chain, sparked by the conflict between Russia and Ukraine, internal limitations, and a global economic downturn. However, projections indicate that Kenya’s GDP will rise to 5.2% in 2024 and maintain an average of 5.8% between 2025 and 2028. This growth will be supported by increased agricultural production and related exports and expansion in the services industry. The challenges of insecurity and drought made it difficult to achieve the anticipated faster growth in 2023. Inflation in East Africa rose from 13% in 2022 to 14.5%<sup>16</sup> in 2023, and it’s projected to reach 20.1% in 2024 (Figure 3).

## 2.3. West Africa

Notwithstanding macroeconomic difficulties in a few of the major economies in the region, West African growth decreased from 3.7% in 2022 to 3.4% in 2023 and is expected to increase to 3.6% in 2024 (Figure 2).

This is predicated on the assumption that global inflation will decline in the medium term. Domestic consumption (i.e., household consumption and investment) and external demand (due to the rebound in activity in economies like China) are expected to support growth on the demand side. On the supply side, industry, services, and agriculture will drive growth. The non-resource-intensive economies (Cabo Verde, Togo, Senegal, Guinea-Bissau, Benin, The Gambia, and Côte d’Ivoire) and other resource-intensive nations are expected to propel regional expansion. The comparatively strong growth performance of economies that do not rely heavily on resources may be ascribed to better policy management and a more diverse economy, such as Senegal and Côte d’Ivoire.

All the countries in the region are expected to expand to about 4% in 2024, except for Nigeria and Ghana. Nigeria, the largest economy on the continent, is predicted to continue to develop slowly, with growth increasing by just 0.4% points to 2.9% in 2024 before picking up to 3.7% in 2025. The removal of the fuel subsidy and efforts to unify the currency rate resulted in a surge in living and

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<sup>11</sup> <https://www.statista.com/statistics/1279215/annual-inflation-rate-in-north-africa/>

<sup>12</sup> <https://www.afdb.org/en/news-and-events/press-releases/north-africa-economic-outlook-2023-economic-growth-set-reach-46-percent-2023-north-africa-should-make-green-growth-urgent-regional-priority-according-african-development-bank-63411>

<sup>13</sup> <https://www.afdb.org/en/news-and-events/press-releases/east-africa-regional-economic-outlook-2023-mid-term-growth-east-africa-region-projected-highest-continent-2023-4-63483>

<sup>14</sup> <https://www2.deloitte.com/us/en/insights/economy/emea/africa-economic-outlook.html>

<sup>15</sup> <https://www.theeastafrican.co.ke/tea/business/rising-inflation-falling-currencies-slow-ea-economic-growth-4466262>

<sup>16</sup> [https://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/2019AEO/REO\\_2019\\_-\\_East\\_Africa\\_.pdf](https://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/2019AEO/REO_2019_-_East_Africa_.pdf)

import costs in 2023. These factors put pressure on domestic demand, production, and investment, causing Nigeria's poor growth momentum<sup>17</sup> and worsening the social conditions of the people.

Senegal and Niger grew by 4.1% and 4.3% in 2023, respectively, and are expected to rise by 8.2% and 11.2% in 2024 due to the increase in hydrocarbon production and exportation. Côte d'Ivoire's growth is anticipated to reach 6.8% in 2024, helped by a rise in construction projects spearheaded by the private sector and significant public spending on public works projects, industrial growth, and critical infrastructure. Benin (6.4%), Gambia (6.2%), Togo (6%), Mali (4.8%), Sierra Leone (4.6%), and Burkina Faso (4.1%) are expected to experience growth due to increased agricultural output, expansion in the services sector, and reforms to increase private sector participation in energy and mining<sup>18</sup>.

In 2023, rising food and energy prices were the primary cause of higher inflation in West Africa<sup>19</sup>. The average inflation rate in West Africa increased from 9.7% between 2014 and 2020 to 12.7% in 2021 and 17% in 2022. The average regional inflation rate is expected to remain higher than the continental average in 2022, 2023, and 2024, stabilizing at 17.5% in 2023 and reaching 20% in 2024 (Figure 3).

#### 2.4. Central Africa

The economy of Central Africa increased by 2.0% in 2023 and is expected to grow by 2.9% in 2024 (Figure 2), mainly as a result of developments in the primary and tertiary sectors, which grew by 3.2% in 2023 and is projected to grow by 3.9% in 2024<sup>20</sup>. Export-oriented agriculture, food and manufacturing sectors, trade, and telecommunications were the main drivers of Central Africa's economic development in 2023<sup>21</sup>. Inflation remained high at 6.4% in 2023 due to rising oil prices and food price rigidity<sup>22</sup>. The budget deficit decreased to 4.1% of GDP in 2023, and it's expected to reach 3.9% in 2024. This reduction can be attributed to reduced government subsidies and significantly increased nontax revenue, particularly from public services<sup>23</sup>. Better governance in the extractives sector and revived logging are expected to reduce the current account deficit to 10.5% of GDP in 2024 from 12.2% in 2023. A regression in security gains and a worsening of food security brought on by pressures on food prices and climate shocks (floods) were some of the internal challenges faced in 2023. The external challenges were the drop in global timber prices, which reduced exports. The inflation rate stood at 7.9% and 6.4% in 2022 and 2023, respectively, and is projected to reach 8.7% in 2024 (Figure 3).

#### 2.5. Southern Africa

From a projected 2.7% in 2022 to 1.6% in 2023, Southern Africa's growth slowed by 1.1%. However, in 2024, growth might return to 2.7% with appropriate policy changes (Figure 2). South Africa, the largest economy in the region and trading partner, saw continued weakness in its growth from an estimated 2.0% in 2022 to 0.2% in 2023<sup>24</sup>, which was largely due to the country's struggles with high-interest rates and ongoing power outages. Other nations in the region, including Madagascar, Malawi, Zimbabwe, Zambia, São Tomé and Príncipe, and Malawi, have all seen severe unfavorable

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<sup>17</sup> <https://www.afdb.org/en/news-and-events/2023-west-africa-economic-outlook-regions-economic-growth-falls-medium-term-forecast-suggests-return-level-above-4-63487#:~:text=The%20report%20further%20reveals%20that,2023%20and%204.2%25%20in%202024.>

<sup>18</sup> <https://www.afdb.org/en/documents-publications-africas-macro-economic-performance-and-outlook/west-africa#:~:text=Growth%20is%20projected%20to%20pick,least%204%20percent%20in%202024.>

<sup>19</sup> <https://www.afdb.org/en/documents/africas-macroeconomic-performance-and-outlook-january-2024>

<sup>20</sup> <https://www.afdb.org/en/countries/central-africa/central-african-republic/central-african-republic-economic-outlook>

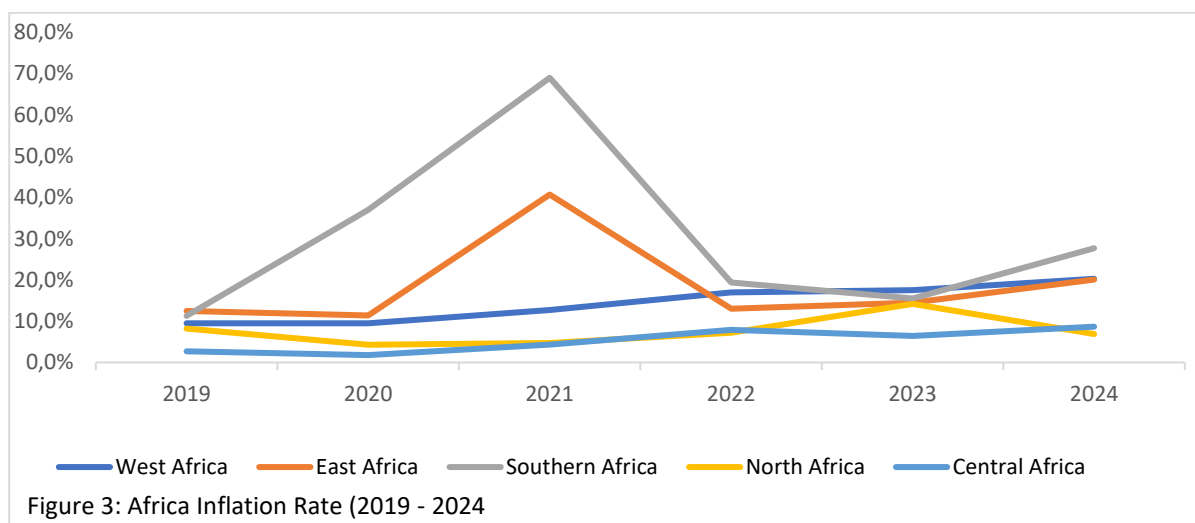
<sup>21</sup> <https://www.afdb.org/en/countries/central-africa/central-african-republic/central-african-republic-economic-outlook>

<sup>22</sup> <https://www.afdb.org/en/countries/central-africa/central-african-republic/central-african-republic-economic-outlook>

<sup>23</sup> <https://www.afdb.org/en/news-and-events/press-releases/central-african-economic-outlook-2023-central-africa-achieved-best-economic-performance-terms-growth-inflation-and-budget-deficit-compared-other-african-regions-2022-63563#:~:text=It%20is%20set%20to%20settle,and%20Green%20Growth%20in%20Africa%E2%80%9D.>

<sup>24</sup> <https://www.afdb.org/en/news-and-events/press-releases/2023-southern-africa-economic-outlook-southern-africas-economic-prospects-subdued-yet-abounds-investment-opportunity-climate-change-initiatives-63343>

economic conditions, mirroring the slowdown in South Africa<sup>25</sup>. The prolonged political and structural problems in South Africa, which hinder regional growth, the Russian-Ukraine war, which keeps driving up energy and food prices, and the region's heavy external debt load, which is expected to stay high throughout Southern Africa, all contributed to the regions' low performance in 2023. Additionally, the decrease in *per capita* income growth and the youth employment crisis were among some of the problems of the region in 2023. The inflation rate stood at 19.4% and 15.5%<sup>26</sup> in 2022 and 2023, respectively, and it is projected to reach 27.7% in 2024 (Figure 3).



Source: AADFI Economic Review (2022)

### 3. ECONOMIC FORECAST AND POLICY RECOMMENDATIONS FOR 2024

Africa will account for eleven of the world's 20 fastest-growing economies in 2024. Overall, real Gross Domestic Product (GDP) growth for the continent is expected to average 3.7% and 4.2% in 2024 and 2025<sup>27</sup>, respectively (Figure 2). Africa is predicted to grow faster overall in 2024, with the exception of central Africa, with southern Africa continuing to trail behind at 2.5% compared to 5.1% in east Africa (Figure 2). The largest economy in Southern Africa is expected to increase by 1.1% in 2024, up from 0.8% in 2023, as a result of the region's sluggish performance, which reflects the continued economic stagnation in South Africa<sup>28,29</sup>.

Growth in West Africa is anticipated to accelerate to 4.4% in 2024 and 4.4% in 2025, respectively. Slowdowns in Nigeria and Ghana are expected to be countered by robust growth in the majority of the region's nations. Amidst increasing uncertainty, the announcement of Burkina Faso, Mali, and Niger's exit from the Economic Community of West African States (ECOWAS) raises questions about how long-term achievements will last. The biggest economy, Nigeria, is expected to expand by 2.9% in 2024, up 0.4% points from the previous year, as inflation rises due to a significant devaluation of the currency, aggravating the country's cost-of-living crisis.

Macroeconomic difficulties and a string of unfavorable weather forecasts will keep North Africa's growth above 4.0% in 2024 and 4.1% in 2025, respectively (Figure 2). High inflation and a lack of foreign exchange are expected to cause Egypt's growth to slow down to 3.7% in 2024 from 4% in 2023<sup>30</sup>. Niger (11.2%), Senegal (8.2%), Libya (7.9%), Rwanda (7.2%), Cote d'Ivoire (6.8%), Ethiopia (6.7%), Benin (6.4%), Djibouti (6.2%), Tanzania (6.1%), Togo (6%), and Uganda (6%) are the top 11 African nations predicted to have excellent economic performance in 2024.

<sup>25</sup> <https://www.afdb.org/en/news-and-events/press-releases/2023-southern-africa-economic-outlook-southern-africas-economic-prospects-subdued-yet-abounds-investment-opportunity-climate-change-initiatives-63343#:~:text=In%202022%2C%20the%20Southern%20Africa,of%203.4%25%20and%203.8%20%25.>

<sup>26</sup> [https://www.sadc.int/sites/default/files/2022-03/Macroeconomic\\_Statistics\\_bulletin\\_final.pdf](https://www.sadc.int/sites/default/files/2022-03/Macroeconomic_Statistics_bulletin_final.pdf)

<sup>27</sup> <https://www.afdb.org/en/documents/africas-macroeconomic-performance-and-outlook-january-2024>

<sup>28</sup> <https://www.worldbank.org/en/region/af/overview>

<sup>29</sup> <https://www.afdb.org/en/documents/africas-macroeconomic-performance-and-outlook-january-2024>

<sup>30</sup> <https://www.afdb.org/en/documents/africas-macroeconomic-performance-and-outlook-january-2024>

With growth expected to reach 5.1% in 2024 and 5.7% in 2025, East Africa will continue to lead Africa's growth momentum. This will be made possible by significant strategic investments aimed at enhancing internal connectivity and fostering intraregional trade. Growth is predicted to slow to 3.5% in 2024, but a predicted rebound in private spending, more mining investment, and higher exports might all contribute to growth reaching 4.1% in 2025<sup>31</sup>.

#### 4. Policy Recommendation for African Economy 2023

Climate change, high global inflation, and persistent fragilities in supply chains will remain on the watchlist as potential factors for possible slowdowns in growth in Africa. Hence, tackling persistent inflation will need a mix of restraining monetary policy coupled with fiscal consolidation and stable exchange rates. African countries are enjoined to invest more in human capital and pursue a resource-based industrialization and diversification strategy that allows the continent to exploit its comparative advantage and build resilience to shocks.

- African governments should deal with inflation decisively - Inflation on the continent is predicted to be in double digits in 14 countries in 2024, including some of the largest nations like Egypt, Ethiopia, and Nigeria, despite the careful process of tightening monetary policy over the past two years as many African countries raised their interest rates. Furthermore, a number of nations (Angola, Nigeria, Senegal, and Tanzania) may continue to experience increased inflationary pressures as a result of the elimination of gasoline subsidies and other emergency measures or as a result of ongoing price volatility throughout the world.

Hence, in nations where a significant reduction in inflation is anticipated, the proper monetary policy would be to achieve a balance between keeping monetary policy tighter and easing policy. In countries where inflation is high but declining, interest rates should be kept at their current high levels until inflation is firmly on target. More tightening of monetary policy would be acceptable in countries with high and persistent inflation until there are definite indications that inflation is dropping and returning to target.

- Monetary policy should be used by the government to reduce exchange rate pressures. Nations with floating exchange rates should allow currencies to fluctuate as much as possible, as trying to resist movement based on fundamentals could have fatal consequences. Monetary policy in pegged countries should align with that of the anchor nation in order to preserve external stability and prevent further depletion of foreign exchange reserves.

When the budget deficit puts pressure on the exchange rate, strategic industrial policy to accelerate economic diversification and strengthen the export sector, as well as fiscal consolidation, should be implemented simultaneously with monetary policy measures to increase resilience to shocks.

Furthermore, it is recommended that:

- African economies address their debt loads and implement governance changes to improve their ability to manage debt.
- Increase domestic resource mobilization to hasten structural transformation and fiscal consolidation in Africa.
- Redesign the current framework for international financial assistance to better meet the financial needs of African nations.
- Increase investment in clean energy as the effects of climate change become more apparent in the continent.
- African Development Finance Institutions (DFIs) should double their efforts in mobilizing innovative resources to finance the priority sectors and address the climate finance challenges.

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<sup>31</sup> <https://www.un.org/development/desa/dpad/publication/world-economic-situation-and-prospects-march-2024-briefing-no-179/#:~:text=Inflation%20is%20expected%20to%20remain,average%20to%2019.2%20per%20cent.>