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TICAD VI ~ Developments of African Economy ~

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On August 27 and 28, the Sixth Tokyo International Conference for African Development (TICAD VI) was held in Kenya. Since 1993, every meeting of the conference has been led by the Japanese Government and co-organized by the United Nations, United Nations Development Programme (UNDP), the African Union Commission (AUC) and the World Bank. The recent meeting incorporated into its Nairobi Declaration such priority areas as economic diversification, human resource development, and strengthening of health system.

Economies in Africa, especially those of Sub-Sahara, largely consist of resource sectors centering on oil. They achieved a steady growth in their real GDP of more than 2% in 1980~90, more than 4% in 2001~2014, but due to the decline of global commodity prices, they are experiencing the deceleration of their economic activities. The IMF estimates Africa's real GDP growth rate for 2015 at 3.3%.

They are also likely to be largely influenced by the deterioration of the world economy, especially of the European economy. Africa's exports to Europe account for 23% of the total exports, with Africa's imports from Europe accounting for 21%. The IMF now projects the real GDP growth rate for Africa at 1.6%, reducing it by 1.4% from its earlier forecast.

In the meanwhile, there is a sign of expanded domestic demand mainly among the East African countries which are mostly non-oil exporting countries. In Kenya, owing to solid private consumption and public investment, the economy maintained a high real GDP growth rate of 5.9% in 2015. Buoyant activities are seen in transportation infrastructure sector led by railroad construction connecting Mombasa and Nairobi and construction of new terminal building at Mombasa port, and also in the construction sector led by energy development that includes Olkaria geothermal development. Growth in finance and communication is also accelerating led by the development of mobile banking. These will help the economy to continue to achieve high real GDP growth of more than 5%. In Ethiopia, the real GDP continued to grow at around 10% in the past 10 years led by the agriculture sector that accounts for more than one fourth of the economy, and it achieved a solid growth of 10.2% in 2015. Activities are high in construction industry promoted by the construction of large-scaled dams and construction of roads and railroads connecting to the neighboring countries. Ethiopia has the second largest population in Africa of about 100 million, and

retail industry is now growing benefited from both rapid economic growth and expansion of personal consumption.

Since the TICAD IV held in 2008, African countries have been expecting not only assistance but also more private investment. Especially with their high dependence on natural resources, the investment from the Japanese companies with high technology will be much appreciated to support the diversification of their economies and sophistication of their industries. To the Japanese companies, too, Africa can be an attractive market for investment following Asia since there will be an explosive increase of population in this region.

Africa is located far from Japan and available information is limited. But much is expected for the development of African economy by the expanded Japanese investment that is to be promoted by an enhanced exchange of information in a greater public and private partnership.