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# East Africa beats global financial crisis

NAIROBI: East Africa will come safely through the global financial crisis to record at least 5% growth this year, the highest on the continent, the African Development Bank has announced.

The bank's chief economist, Louis Kasekende, has singled out Uganda as an example of East African states that were expecting healthy growth through regional trade and agricultural exports, as opposed to other African countries that are more dependent on oil and mineral exports.

## Positive grwoth

“East Africa might end up with the highest growth rate in Africa,” he told reporters during a workshop in Nairobi to assess the region's financial needs during the crisis.

“Uganda will record 6%. Kenya, given its diversity in export markets, will grow by between 5 and 5.5%.”

Like the rest of Africa, the region enjoyed good growth for most of this decade on the back of relative political stability and a high appetite for resources by countries like China.

Uganda grew by an average of 7.9% over the last half decade while Kenya grew by an average 5.5% in the five years that led up to its post-election violence in 2008.

## Struggling economies

Kasekende said the knock-on effects of the global financial crisis were mainly hurting growth in African economies that lacked a diverse base of economic activities. “Countries that have been heavily dependent on exports of minerals and oil are going through a very difficult period,” he explained.

The collapse of commodity prices has forced a number of international mining companies to close, leading to rising unemployment, the Bank predicted at a meeting in Dar-es-Salaam, Tanzania, last month.

“The worst case may be in the Democratic Republic of Congo where more than 350,000 jobs are estimated to have been lost in the Katanga Province.”

In contrast, nations like Uganda that mainly rely on regional trade and exporting agricultural products, could hold up well in the face of the global downturn, Kasekende said.

The Common Market for Eastern and Southern Africa (COMESA) and the East African community trade blocs remain Uganda's main trading partners.

## Rising exports

Exports to COMESA countries almost doubled in one year, from US$284 million in 2006 to $506 million in 2007.

Particularly trade with the Democratic Republic of the Congo and Southern Sudan has risen spectacularly since peace returned to these countries.

Exports to Sudan increased more than ten-fold between 2003 and 2007, and to Congo eight-fold.

Coffee remained Uganda's main export product in 2007, followed by fish, tobacco and tea.

The chief economist said the East African countries had been pummeled by capital flight that wiped off nearly 40% of the value of regional stock markets last year. Local currencies also weakened sharply against the dollar.

“But we have overcome that in most of these countries,” he said.

“The second issue that could affect these countries is in terms of reduced inflows of remittances (from kyeyo workers). That is going to affect all the countries.”

The Tunis-based African Development Bank last month announced a doubling of its annual lending budget to $11 billion to help countries deal with the global downturn.

***Article published courtesy of BuaNews***