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The Position of Sub-Saharan Countries in the World Economy[1]

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Abstract

Most of the countries of sub-Saharan Africa belong to the most underdeveloped and poorest countries in the world economy. This region consists of forty-nine countries but at world GDP, world export, world import and inflow of foreign direct investment share only by small percent. There are some positive facts in the recent history of sub-Saharan Africa. Sub-Saharan Africa has grown faster than the world economy in the past ten years. The predictions are also positive. There is an expectation of another growth till the 2020. If the sub-Saharan countries want to keep the growth in the future they have to invest to infrastructure, in educational system, in research and science to make their economies more competitive.

Key words

Sub-Saharan Africa, commodities, China

JEL Classification: F15

Introduction

Developing countries are a very heterogeneous group. Sub-Saharan Africa is the most undeveloped region of all developing regions. Most of the countries in sub-Saharan Africa did not catch the advances in technology and therefore they have very ineffective agriculture and no adequate infrastructure. Thirty-four countries of region belong to the least developed countries within United Nations. These countries have biggest advantages in world trade. A lot of developed countries have no duties or quotas on imports from these countries. A lot of sub-Saharan countries have not used this advantage and therefore a lot of them are underdeveloped and belong to the poorest countries in the world economy. The situation has been changing in recent years slowly, because countries of sub-Saharan Africa improved the condition of their economies due to growth of prices of commodities. The growth was caused by unprecedented development of the economy of China. Nowadays but also in the near future this development will probably slow and it can cause the decrease of prices of commodities. The sub-Saharan African countries have to be prepared for this new situation.

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1 Methodology

The aim of this paper is to evaluate the position of sub-Saharan African countries in the world economy. The analysis will focus on evaluation of share of sub-Saharan Africa on world GDP, world export and import, on commodity export structure and the trend of foreign direct investment to region. After that, a comparison with other economies of the world economy will be carried out. Partial analysis will be used for final synthesis.

2 Results and discussion

The developing countries are very heterogeneous group. There are some common characteristics, which can be used for a majority of them. Víťazoslav Balhar specifies developing countries as those depending on foreign resources, which have no advances in technology, very low productivity in agriculture and other production (Balhar, 1982). Harvey Leibenstein classifies the features of developing countries into four groups, consisting of economic features, demographic features, cultural and political features and technological features (Lisý et al., 2003).

There are some developing countries, that caught the advances in technology and that are carriers of the new technologies nowadays. On the other side, a lot of developing countries have underdeveloped economies, exporting products with low added value and products that are produced in agriculture or mining. Such countries are mostly in sub-Saharan Africa. Sub-Saharan Africa consists of 49 countries and it has a combined population of up to one billion people due to having the highest population growth in the world. This number is expected to more than double by 2050 (KPMG, 2014).

Table 1 shows the share of different economies on world GDP in 1971 to 2014. As we can see the share of economies on world GDP has changed during the years. The developing America and Asia increased its share in this period. The share of developing Asia increased from 8.41% in 1971 to 26.67% in 2014. This strong growth could be attributed to the development in China, India and countries like Hong Kong, South Korea or Singapore.

The worst development was in sub-Saharan Africa. The share of this region fell from 2.57% in 1971 to 2.23% in 2014. The biggest share of sub-Saharan Africa on world GDP was in 1980 in this period. The share reached 3.48% and it can be attributed to enormous growth of oil price after second oil shock of the 1970s and the growth of oil exporting economies in region. The oscillation of the share of sub-Saharan African countries on world GDP was caused mainly by fluctuation of prices of primary commodities as these countries exported only raw materials and agriculture products.

Table 1 Share of economies on world´s GDP (in %)

	1971	1980	1990	2000	2014
Developed economies	70.4	69.9	78.7	77.2	58.9
Developing economies	16.8	21.7	17.5	21.6	37.7
Sub-Saharan Africa	**2.54**	**3.48**	**1.62**	**1.17**	**2.23**
Developing America	5.45	6.33	5.06	6.63	7.85
Developing Asia	8.41	11.24	10.00	13.04	26.67

Source: own elaboration, UNCTADstat, 2016. Retrieved from http://unctadstat.unctad.org/wds/TableViewer/tableView.aspx

Table 2 shows GDP per capita in USD. As we can see, developing Asia and developing America are above the average of developing countries in this ratio. The countries of sub-Saharan Africa reached only 36% of average of GDP per capita of developing countries in 2014. The average GDP per capita of sub-Saharan Africa was higher than the average GDP per capita of developing countries till the year 1985. After the third oil shock in 1986 this ratio was below the average of the whole group of developing countries (UNCTADstat, 2016). With the reference to report of World Economic forum, which evaluated the competitiveness of countries in Africa, about half of employment in sub-Saharan Africa continues to take place in the agricultural sector (World Economic Forum, 2015). This is one of the factors, which affected such low GDP per capita in this region.

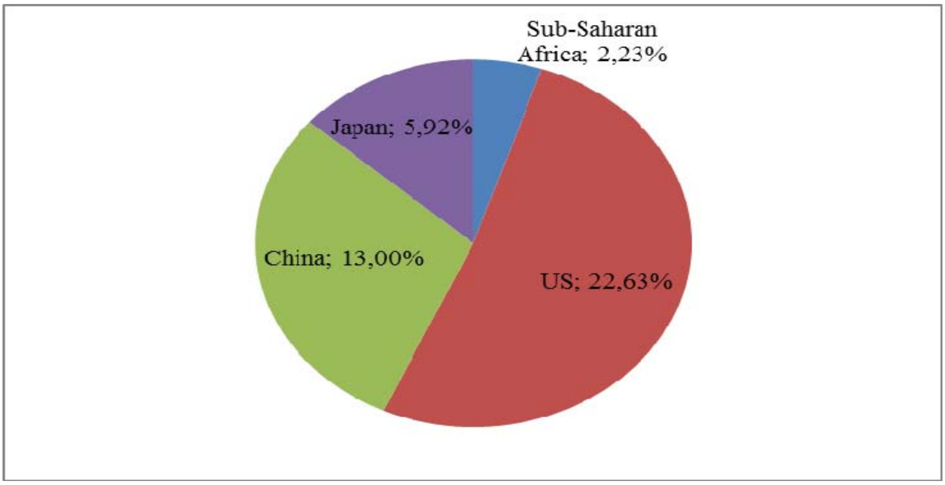
Table 2 GDP per capita in USD

	1971	1980	1990	2000	2014
Developed economies	3 272	9 963	19 853	26 325	43 393
Developing economies	222	826	978	1 483	4 959
Sub-Saharan Africa	**320**	**1114**	**729**	**584**	**1 792**
Developing America	703	2 161	2 630	4 229	9 828
Developing Asia	156	562	759	1 235	5 009

Source: own elaboration, UNCTADstat, 2016. Retrieved from http://unctadstat.unctad.org/wds/TableViewer/tableView.aspx

Figure 1 shows the share of sub-Saharan Africa and selected countries on world´s GDP in 2014. The share of sub-Saharan Africa is 2.23% and its share is smaller by 20% than the economy of US. China accounts for 13% of the world´s GDP. It is 10.77% more than all 49 countries of sub-Saharan Africa. And even between 1974 and 1985 the GPD of sub-Saharan Africa was higher than the GDP of China. As it was mentioned above this was due to first and second oil shocks. Since 1986, the GDP of sub-Saharan Africa was lower than the GDP of China every year (UNCTADstat, 2016).

Figure 1 Share of sub-Saharan Africa and selected countries on world´s GDP in 2014



Source: own calculation, UNCTADstat, 2016. Retrieved from http://unctadstat.unctad.org/wds/TableViewer/tableView.aspx

Sub-Saharan Africa consists of 49 countries, but the production of GDP is concentrated only in a few of them. 67% of region´s GDP is created in five countries - Nigeria, South Africa, Angola, Kenya and Sudan – as it is shown in table 3. The biggest economy of sub-Saharan Africa is Nigeria nowadays. Nigeria creates one third of GDP of the region.

Table 3 Share of selected countries of sub-Saharan Africa on region´s GDP in 2014

Country	GDP in USD	Share on region´s GDP (in %)
Nigeria	566 496 000 000	32.8
South Africa	349 733 000 000	20.2
Angola	125 923 000 000	7.3
Kenya	59 850 000 000	3.5
Sudan	59 216 000 000	3.4

Source: own calculation, UNCTADstat, 2016. Retrieved from http://unctadstat.unctad.org/wds/TableViewer/tableView.aspx

Low rates of GDP growth were a substantial issue for many developing countries in the past. Many developing countries experienced civil wars and natural disasters. These events constituted huge obstacles to speed up the development. The situation has changed in the recent years.

Table 4 shows that developing countries grew faster than the world economy and much faster than the developed economies. Developing Asia was the fastest growing region in the world. The countries of sub-Saharan Africa in tracking period 2008 to 2014 grew faster than world economy every year. Most successful was the year 2010 when the growth reached 5.60%.

The International Monetary fund anticipates, that among the three factors that have supported the high growth in the region over past decade was the vastly improved business and macroeconomic environment that policymakers have put in place, supporting higher investment. Another important factor has been high commodity prices, which played a particularly central role for the region´s eight oil exporters (notably, Nigeria and Angola) but also for several hard metals exporters (for example, Guinea, Sierra Leone, South Africa and Zambia). The third factor has been the highly accommodative global financial conditions, which have boosted capital flows to many countries in the region, facilitating higher private and public investment (International Monetary Fund, 2015).

Also OECD pointed out, that the business environment has improved markedly in countries that needed it most. Sub-Saharan Africa remains the region with the most difficult business environment, but it is also the region making the most progress, accounting for one in every three regulatory reforms worldwide. The ten countries that improved their business environment most from June 2013 to June 2014 include 5 sub-Saharan African countries – Benin, Côte d´Ivoire, Democratic republic of Congo, Senegal and Togo (OECD, 2015).

Table 4 Growth of the GDP in 2008 - 2014 (in %)

	2008	2009	2010	2011	2012	2013	2014
World	1.49	-2.01	4.09	2.80	2.18	2.28	2.48
Developed economies	0.07	-3.66	2.63	1.50	1.07	1.24	1.69
Developing economies	5.14	2.88	7.74	5.78	4.66	4.62	4.33
Sub-Saharan Africa	**5.06**	**3.08**	**5.60**	**4.23**	**3.59**	**4.50**	**4.18**
Developing America	3.68	-1.59	5.80	4.33	2.95	2.62	1.32
Developing Asia	5.63	4.44	8.76	6.92	5.16	5.40	5.37

Source: own elaboration, UNCTADstat, 2016. Retrieved from http://unctadstat.unctad.org/wds/TableViewer/tableView.aspx

Table 5 shows the estimated growth of GDP in the world economy and selected economies between 2016 and 2020.There will be the highest growth in emerging and developing Asia in the next five years. The growth will exceed 6% every year.

The sub-Saharan countries will grow more than 4.3% every year by prediction of International monetary fund in this period. The highest growth is estimated for the year 2020 with more than 5%.

There are some risks for the growth of GDP in this region in the near future. The slower and more balanced growth in China coupled with a shift toward more consumption and less investment, is weighing on demand and prices for commodities such iron and copper. Over the medium to long term, Chinese economic engagement in sub-Saharan Africa should continue to grow. In the mining sector, for instance, sub-Saharan Africa is one of two major regions (alongside the Arctic) that have been less well-explored (World Bank, 2015).

There will be also opportunity when the prices of commodities start to grow in the future. The countries of sub-Saharan Africa should invest large shares of their natural resources into infrastructure and other forms of capital that support long-term growth (Collier & Laroche, 2015). They can invest in the electrification of the region. According to a study of Pricewaterhouse Coopers Africa faces a huge electricity demand challenge. Existing infrastructure is insufficient to meet current requirements, let alone the growth of the coming decades. Installed power capacity is expected to rise from 2012´s 90GW to 380GW in 2040 in sub-Saharan Africa. Nonetheless, 530 million people, primarily in rural communities, are expected to be without power (PWC, 2015). Nowadays the countries in sub-Saharan Africa have varying levels of electrification (i.e. the percentage of population having access to electricity). Most countries have an electrification level below 30% (KPMG, 2014).

Table 5 The growth of GDP in 2016 – 2020 (in %)

	2016	**2017**	**2018**	**2019**	**2020**
World	3.12	3.56	3.90	3.95	3.96
Emerging and developing countries	4.52	4.91	5.07	5.23	5.29
Emerging and developing Asia	6.35	6.26	6.37	6.53	6.54
Latin America and Caribic	0.77	2.30	2.51	2.65	2.75
Sub-Saharan Africa	**4.31**	**4.91**	**4.96**	**4.96**	**5.13**

Source: own elaboration, IMF, 2016. Retrieved from http://www.imf.org/external/pubs/ft/weo/2015/02/weodata/weorept.aspx?pr.x=60&pr.y=8&sy=2015&ey=2020&scsm=1&ssd=1&sort=country&ds=.&br=1&c=001%2C200%2C505%2C205%2C603&s=NGDP_RPCH&grp=1&a=1

Development of the economy can improve the quality of production in the countries and their ability to be more competitive at the world market. Using investment into infrastructure, education, research and science supported fast development of some undeveloped countries in the past and nowadays these countries can compete with the most developed countries in the world. The state of a country´s infrastructure is a major determinant of economic growth, social welfare, and trade. Land transport, maritime transport, and electricity infrastructure are critical to the ability of sub-Saharan African countries to produce and export the vast majority of goods destined for regional and global export markets. Poor infrastructure conditions increase production costs, economic distance (the time and cost of transporting goods), and business uncertainty, and undermine sub-Saharan Africa´s export competitiveness (U.S. International Trade Commission, 2009). Table 6 shows the share of selected economies on world´s export between years 1971 and 2014. The sub-Saharan countries reached the highest share on world´s export at the beginning of eighties. Nowadays the region´s share on world´s export is 2.1%. It is only 1/6 ratio of the biggest exporter in the world – China. China´s share on world´s export was 12% in the 2014 (WTO, 2015).

Table 6 Share of selected economies on world´s export (in %)

	1971	**1980**	**1990**	**2000**	**2014**
Developed economies	76.2	66.1	72.4	65.7	51.3
Developing economies	19.3	26.6	24.1	31.9	44.6
Sub-Saharan Africa	**3.4**	**3.8**	**1.9**	**1.4**	**2.1**
Developing America	4.8	5.4	4.1	5.7	5.7
Developing Asia	9.4	18.2	16.8	23.8	35.9

Source: own elaboration, UNCTADstat, 2016. Retrieved from http://unctadstat.unctad.org/wds/TableViewer/tableView.aspx

The most important exporters in sub-Saharan Africa are Nigeria, South Africa, Angola, Ghana and Côte d´Ivoire, as shown in Table 7. Nigeria has share on the world´s export only 0.51% and Nigeria has the 39th place on the world (WTO, 2015a). Another top region´s exporter's don´t have more than 0.5% on world´s export.

Table 7 The biggest exporters of sub-Saharan Africa in 2014

Position	Country	Value in USD (billion)	Share on world´s export in %
1.	Nigeria	97.0	0.51
2.	South Africa	91.0	0.47
3.	Angola	62.4	0.32
4.	Ghana	13.2	0.07
5.	Côte d´Ivoire	12.7	0.06

Source: own calculation, UNCTADstat, 2016. Retrieved from http://unctadstat.unctad.org/wds/TableViewer/tableView.aspx

The five biggest exporters of sub-Saharan Africa share on the region´s export is more than 2/3. These countries export 68% of all region´s export. Another 43 countries export only 32% of region´s export. If we add the sixth biggest exporter of sub-Saharan Africa – Equatorial Guinea – the share on region´s export will rise to 71%. The analysis has shown that the export is very concentrated and only a few countries can deliver goods to the world market.

Table 8 The biggest exporters of sub-Saharan Africa and their share on region´s export in 2014

Position	Country	Value in USD (billion)	Share on region´s export in %
1.	Nigeria	97.0	24
2.	South Africa	91.0	23
3.	Angola	62.4	15
4.	Ghana	13.2	3
5.	Côte d´Ivoire	12.7	3

Source: own calculation, UNCTADstat, 2016. Retrieved from http://unctadstat.unctad.org/wds/TableViewer/tableView.aspx

Table 9 below shows the share of economies on world import. The highest share of sub-Saharan African countries on the world import was at the beginning of seventieth. The region´s share on world´s import decreased between 1971 to 2014 from 3.48% to 2.24%.

Table 9 Share of economies on world´s import (in %)

	1971	1980	1990	2000	2014
Developed economies	76.94	71.97	73.96	69.79	55.09
Developing economies	18.76	24.02	22.15	28.82	41.99
Sub-Saharan Africa	**3.48**	**3.18**	**1.59**	**1.23**	**2.24**
Developing America	5.56	5.92	3.46	5.84	6.06
Developing Asia	8.36	13.33	15.93	20.93	32.46

Source: own elaboration, UNCTADstat, 2016. Retrieved from http://unctadstat.unctad.org/wds/TableViewer/tableView.aspx

South Africa, Nigeria, Angola, Ethiopia and Kenya are the biggest importers in sub-Saharan Africa as we can see in Table 10. Sub-Saharan countries import mainly food, medicaments, petroleum oils, motor vehicles for the transport of persons and for transport of goods (UNCTADstat, 2016).

Table 10 The biggest importers of sub-Saharan Africa in 2014

Position	Country	Value in USD (billion)	Share on world´s import in %
1.	South Africa	121.9	0.64
2.	Nigeria	60	0.31
3.	Angola	28.3	0.14
4.	Ethiopia	18.9	0.10
5.	Kenya	18.3	0.09

Source: own elaboration, UNCTADstat, 2016. Retrieved from http://unctadstat.unctad.org/wds/TableViewer/tableView.aspx

The biggest importer of sub-Saharan Africa is South Africa. South Africa ´s share on region´ s import is 29%. The region´s import is not as concentrated as the region ´s export. The five biggest importers have 58% share on region´s import as shown in Table 11 below. It is due to the fact, that most of the countries of sub-Saharan Africa are not able to produce enough food for own population and therefore they are dependent on import of foods from abroad.

Table 11 The biggest exporters of sub-Saharan Africa and their share on region´s import in 2014

Position	Country	Value in USD (billion)	Share on region´s import in %
1.	South Africa	121.9	29
2.	Nigeria	60	14
3.	Angola	28.3	7
4.	Ethiopia	18.9	4
5.	Kenya	18.3	4

Source: own calculation, UNCTADstat, 2016. Retrieved from http://unctadstat.unctad.org/wds/TableViewer/tableView.aspx

The share of sub-Saharan countries on world ´s export as was have shown above is very low. Countries of this region did not go far enough with structural reforms, they are wholly dependent on exports of primary commodities and agricultural production. All these products have very low added value and the prices of these products can highly fluctuate.

Table 12 shows trend of share of selected commodities on sub-Saharan African export. As the table indicates the biggest contribution to region´s export have petroleum oils, crude and natural gas whether or not liquefied. These products generated 45.6% of sub-Saharan African export in 2014. The comparison with the year 1995 illustrates that the concentration of export on fossil fuels has risen. Oil and gas had only 23.1% share on export in 1995. Other essential export commodities are raw materials and agricultural products. Goods with higher added value – motor vehicles for transport of persons and goods – took a share of only 2.1% on region´s export in 2014.

Table 12 Share of selected commodities on sub-Saharan´s export in %

	1995	2000	2005	2010	2014
Fruits and nuts, fresh or dried	1.7	1.3	1.2	1.2	1.4
Coffee	2.6	1.3	0.6	0.6	0.6
Cocoa	2.9	1.9	2.1	2.8	2.4
Iron ore and concentrates	0.8	0.5	0.7	1.9	2.1
Petroleum oils, crude	23.1	36.4	45.0	44.8	42.0
Natural gas, whether or not liquefied	-	0.3	0.8	2.1	3.6
Pearls, precious and semi- precious stones	7.4	6.2	4.6	1.8	3.1
Copper	1.4	0.7	0.7	2.2	2.4
Motor vehicles for the transport of persons	1.6	1.2	1.6	1.4	1.2
Motor vehicles for transport of goods	0.4	0.3	0.3	0.5	0.9
Gold, non-monetary	2.3	0.8	1.0	2.0	3.2

Source: own elaboration, UNCTADstat, 2016. Retrieved from http://unctadstat.unctad.org/wds/TableViewer/tableView.aspx

Developing countries did not attract foreign direct investment to their economies in the past. There were some debt and currency crises in developing region and therefore these countries begun to have problems to finance their development by loans from abroad. Developing countries had to change their investment policy that encourages foreign investment in local economy. The advantage of direct investment is in delivering management abilities and new technologies (Baláž et al., 2010). Foreign direct investment came mainly from developed world to developing countries in the past. The long-term expansion of China‽s economy has changed the situation. China needs mineral commodities and new markets for its production in the future. Africa has important place for China, because Africa has created good field for Chinese investors and boosts consumption of cheap goods and Chinese building activities (Baláž, Szökeová & Zábojník, 2012). For instance, China is clearly the main source for infrastructure financing in sub-Saharan Africa outside national budgets (Gutman, Sy & Chattopadhyay, 2015). The infrastructure projects will be very important for the region. It is estimated that about 93 billion USD is needed annually over next decade to overhaul sub-Saharan African infrastructure. About two-thirds of 60 billion USD is needed for entirely new infrastructure and 30 billion USD for the maintenance of existing infrastructure. Only about 25 billion USD annually is being spent on capital expenditures, leaving a substantial shortfall that has to be financed (Deloitte, 2013).

Table 13 Share of economies on inflow of foreign direct investments in %

	1971	1980	1990	2000	2014
Developed economies	71.5	86.3	83.0	82.5	40.6
Developing economies	25.2	13.6	16.9	17.0	55.4
Sub-Saharan Africa	**5.0**	**0.4**	**0.8**	**0.5**	**3.5**
Developing America	13.3	11.6	4.1	5.8	12.9
Developing Asia	5.5	1.0	11.1	10.4	37.8

Source: own elaboration, UNCTADstat, 2016. Retrieved from http://unctadstat.unctad.org/wds/TableViewer/tableView.aspx

Table 13 shows trends of inflow of foreign direct investment in selected economies from 1971 to 2014. In this period of time we can see growth of foreign direct investment to developing countries and decline of direct investment to developed world. Only 16.9% of world direct investment was directed to developing countries in 1990. In 2014, it was already 55.4%. Most of foreign direct investments were directed toward Asia. This region increased share on world´s foreign direct investment from 5.5% in 1971 to 37.8% in 2014. On the opposite site, we can find the region of sub-Saharan Africa. Sub-Saharan African share on world´s foreign direct investment dropped from 5.0% in 1971 to 3.5% in 2014. To build up political stability for sub-Saharan African countries, appropriate investment conditions will be crucial. China has invested many resources to sub-Saharan Africa, but China has its own interest – to secure safety of commodity´s shipments. The development only of mining sector will cause problems in the future. Prices of mineral commodities often fluctuate and have very low added value.

Table 14 shows the largest recipients of foreign direct investment in sub-Saharan Africa in 2014. Five largest recipients took a share up-to 55.9%. The biggest recipient is South Africa with share of 13.3%. This country has attracted most of foreign direct investment in the long-term.

Table 14 Countries of sub-Saharan Africa with biggest inflow of foreign direct investments in 2014

Position	Country	Value in USD (billion)	Share on region´s FDI inflow in %
1.	South Africa	5.7	13.3
2.	Congo	5.5	12.8
3.	Mozambique	4.9	11.4
4.	Nigeria	4.6	10.7
5.	Ghana	3.3	7.7

Source: own calculation, UNCTADstat, 2016. Retrieved from http://unctadstat.unctad.org/wds/TableViewer/tableView.aspx

Conclusion

Most of sub-Saharan countries are the least developed and poorest countries in the world economy. Thirty-four countries of this region belong to the least developed countries which are selected within United Nations.

Sub-Saharan African share on world´s GDP declined from 2.54% in 1971 to 2.23% in 2014. The countries of sub-Saharan Africa reached only 36% of average of GDP per capita of developing countries in 2014.

There was a long period of low growth in sub-Saharan African countries in the past but the situation has changed in the recent years. Between 2008 and 2014, the countries of sub-Saharan Africa grew faster than world economy every year. Most successful was the year 2010 when the growth reached 5.60%. The factors that have supported the high growth in the region over past decade were the vastly improved business and macroeconomic environment that policymakers have put in place, supporting higher investment, high commodity prices, and the highly accommodative global financial conditions, which have boosted capital flows to many countries in the region.

Sub-Saharan African countries have problems to participate in world trade. Between 1971 and 2014, the sub-Saharan countries reached the highest share on world export at the beginning of eighties. Nowadays regional share on world export is 2.1%. In comparison it is only 1/6 ratio of the biggest exporter in the world which is China. The share of the five biggest exporters of sub-Saharan Africa on the region´s export is more than 2/3. These countries export 68% of all region´s export.

Land transport, maritime transport, and electricity infrastructure are critical to the ability of sub-Saharan African countries to produce and export the vast majority of goods destined for regional and global export markets. Poor infrastructure conditions increase production costs, economic distance (the time and cost of transporting goods), and business uncertainty, and undermine sub-Saharan African export competitiveness.

As the analysis has shown the biggest contribution to region´s export have petroleum oils and natural gas. These products generated 45.6% of sub-Saharan export in 2014. Other essential export commodities were raw materials and agricultural products. Goods with higher added value like motor vehicles for transport of persons and goods took a little share on region´s export. To change the export structure sub-Saharan African countries will need to make structural changes in the economies. The foreign direct investment is the most appropriate source to finance such changes. The inflow of foreign direct investment to the sub-Saharan Africa is very low. Sub-Saharan African share on world´s foreign direct investment was 3.5% in 2014. The five biggest recipients – South Africa, Congo, Mozambique, Nigeria and Ghana - took a share of up-to 55.9% of it. Another 44 countries of region together attracted less than above mentioned five biggest recipients. Concentration on a small number of countries does not boost up the whole region.

As the prediction shows sub-Saharan African region will grow faster than the world economy. If the countries want to keep the growth in the future, they have to invest to forms of capital that support long-term growth. They should invest to the development of infrastructure, in educational system, in research and science to make the economies more competitiveness.

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