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AFRICA & THE GLOBAL RECESSION

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Recent Progress

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- **12 years of consecutive growth in GDP Per Capita**
- **Per Capita GDP has almost doubled in the past 5 years alone**
- **GDP growth has averaged around 7% in SSA since 2004**

Sub-Saharan Africa Key Economic Indicators

Indicator	2003	2004	2005	2006	2007	2008E	2009F	2010F
Real GDP Growth %	5.1	6.9	6.2	6.6	6.9	6.1	4.2	6.5
GDP (USD'bn)	436.4	543.0	639.3	741.5	855.8	1050.9	1180.1	1312.0
GDP Per Capita (Africa) USD	787.3	930.1	1063.2	1197.8	1348.9	n/a	n/a	n/a
Inflation%	9.6	7.2	7.4	8.0	8.1	13.3	7.6	6.0
Current account balance % of GDP	-3.1	-1.7	-1.0	-0.3	-3.0	-0.7	-2.4	-2.4
External debt % of GDP	54.9	47.0	36.4	26.4	25.4	22.4	21.7	n/a
Debt Service/GDP	12.4	10.3	14.0	17.5	8.3	5.4	6.2	n/a

- Significant improvement in political governance and stability

- Market oriented economic reforms
  - Liberalised markets
  - Privatisation
  - Corporate and Financial sector reform programmes
  - Fiscal governance reforms and capacity improvements
  - Monetary policy reforms e.g. independent central banks

- Debt Relief

- Until recently, US Dollar weakness driving down inflation and cost of credit in Africa

- The mobile phone

- Strong commodity prices in some cases

Recessionary Headwinds

- Sharp appreciation of the USD has blunted impact of oil price drop
- A strong dollar will create inflationary pressures and increase the cost of credit around the continent
- The collapse of some commodity prices such as copper and oil will have a significant impact on growth in some countries such as Nigeria, Angola, Gabon, Zambia
- Some countries such as Ghana and South Africa may benefit from strong gold prices
- Remittances which have become a major source of foreign exchange may take a significant hit. The real estate sector in particular may be hit hard in some countries
- Tourism declines in some countries such as Mauritius, The Gambia, Kenya, Morocco, Egypt

Good Reasons for Cautious Optimism

- Africa is not significantly exposed to global financial markets and economy. Africa accounts for less than 4% of world trade
- Africa is not just a commodity story as is often overhyped
- The doubling in domestic household consumption over the past 20 years in real terms has been much more important to Africa's growth than strong commodity prices
- Net international trade accounts for less than 15% of Africa's GDP
- With the exception of a very few countries like Nigeria and Angola, African countries are net importers of oil
- African economies are in much better shape to withstand external shocks than ever before
- Geo-politics may ensure aid flows to Africa are sticky

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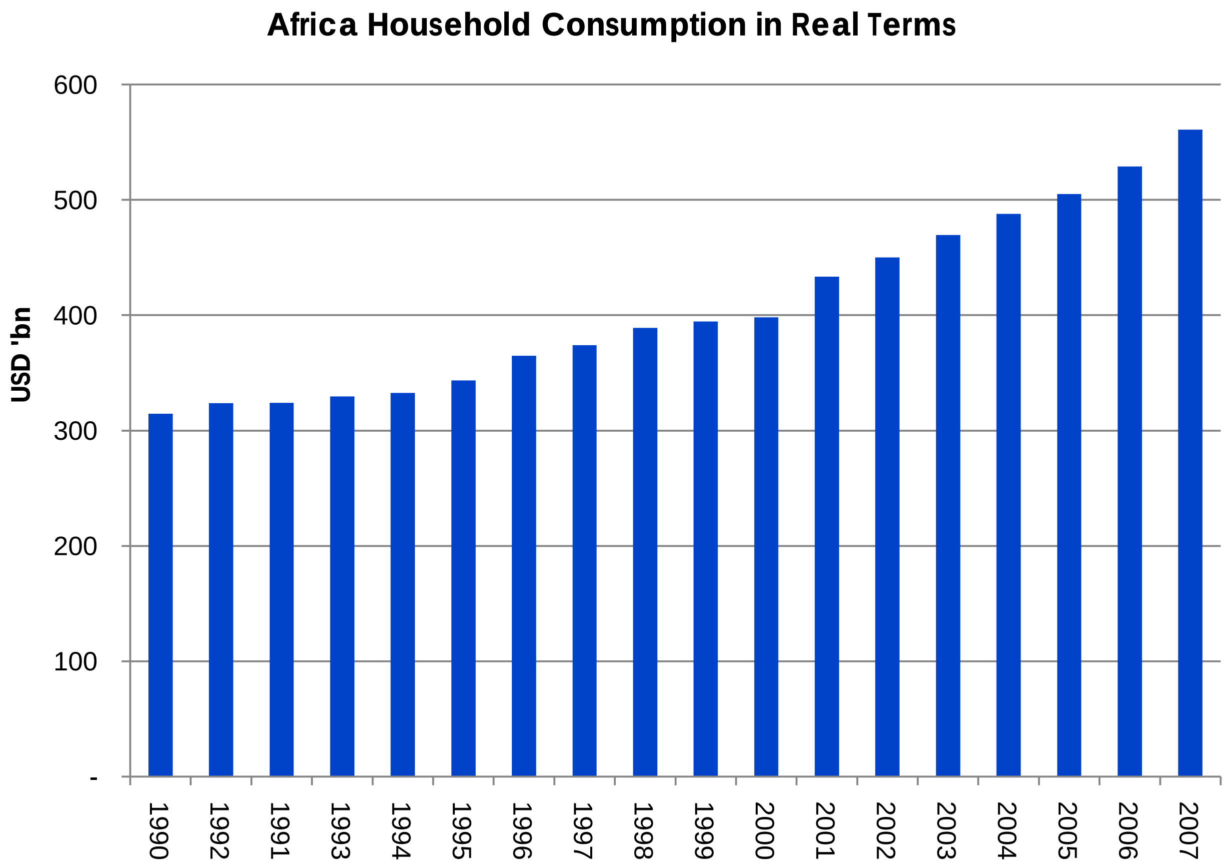
Prudent Banking

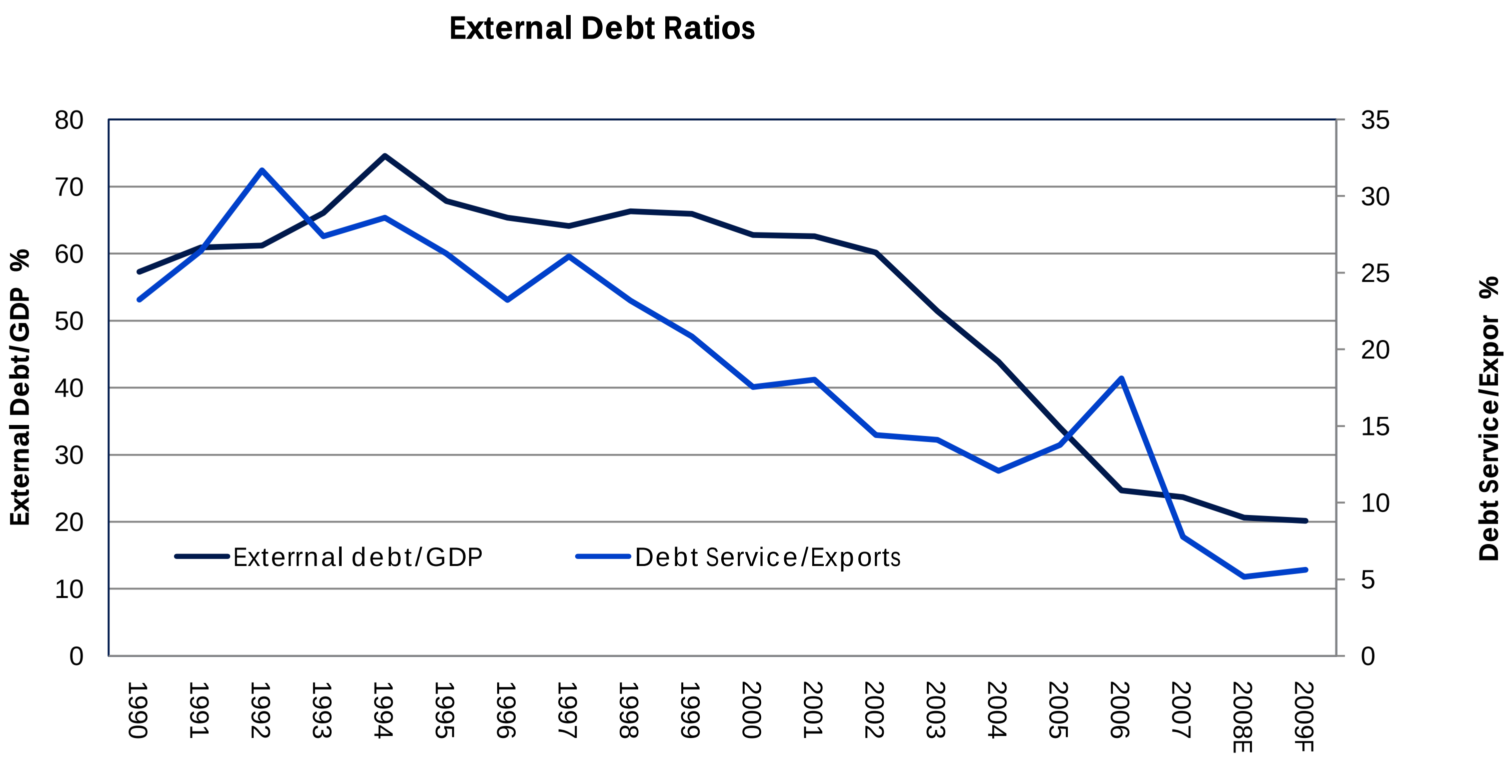
- Banking in still very conservative in Africa
- Loan/deposit ratios are estimated to average around just 60%
- Banks are very well capitalised with tier 1 capital adequacy ratios ranging between 12-25%
- African banks have almost zero exposure to “toxic assets”

WHY AFRICA WILL ESCAPE A RECESSION



WHY AFRICA WILL ESCAPE A RECESSION

Africa's debt has become sustainable



Source: IMF

WHY AFRICA WILL ESCAPE A RECESSION

- Africa has achieved strong growth in a permanent ‘ domestic credit crunch’ environment.

- African households and businesses (the large informal sector) are the most underleveraged in the world