

OCTOBER 2023 | VOLUME 28

# AFRICA'S PULSE

AN ANALYSIS OF ISSUES SHAPING AFRICA'S ECONOMIC FUTURE

## DELIVERING GROWTH TO PEOPLE THROUGH BETTER JOBS

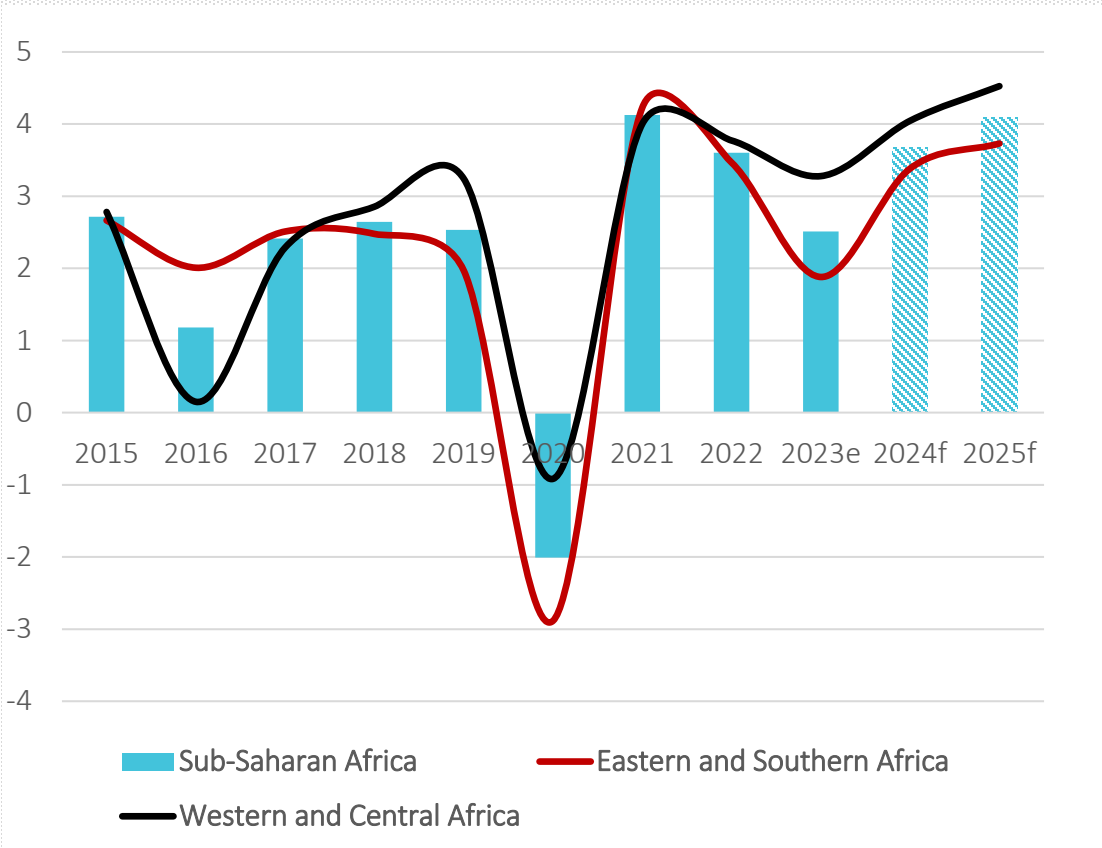
WBG TOKYO ONLINE MORNING SEMINAR  
WASHINGTON DC  
NOVEMBER 8, 2023

FROM THE OFFICE OF THE CHIEF ECONOMIST, AFRICA REGION

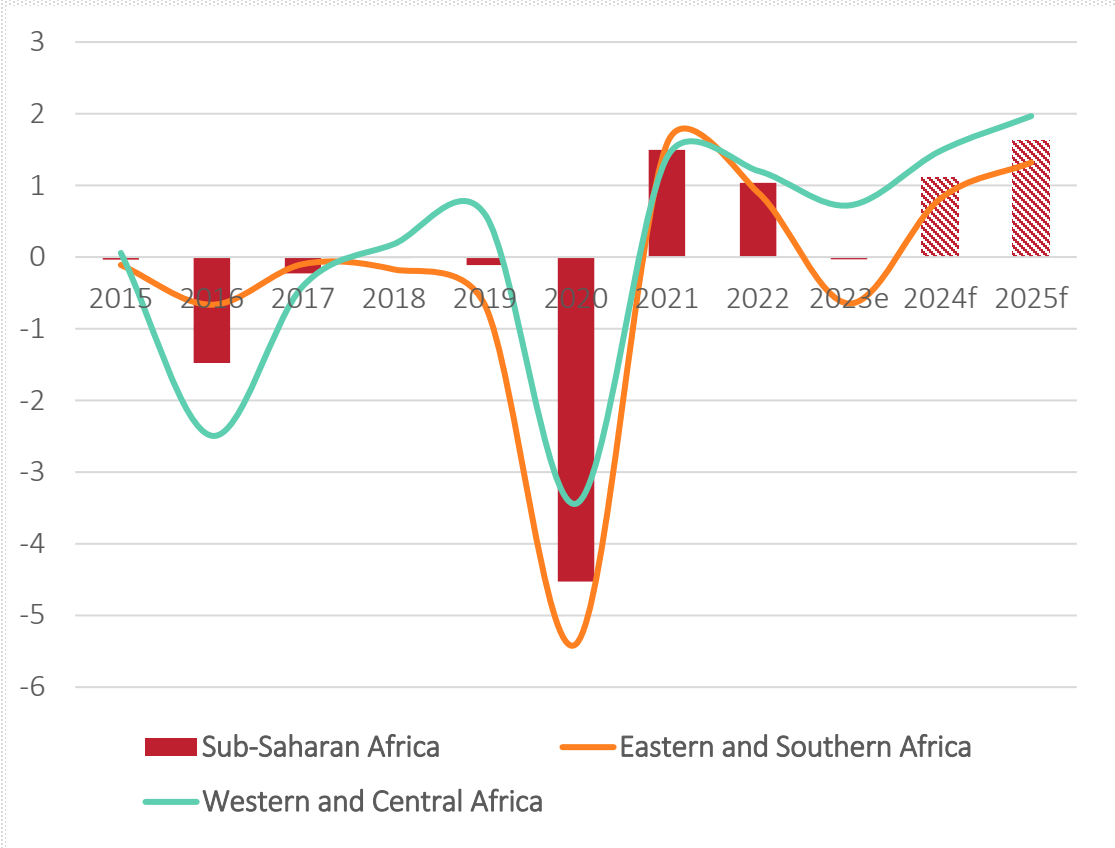


# GROWTH RECOVERY IN SUB-SAHARAN AFRICA REMAINS ELUSIVE

## GDP growth in Sub-Saharan Africa



## GDP growth per capita in Sub-Saharan Africa



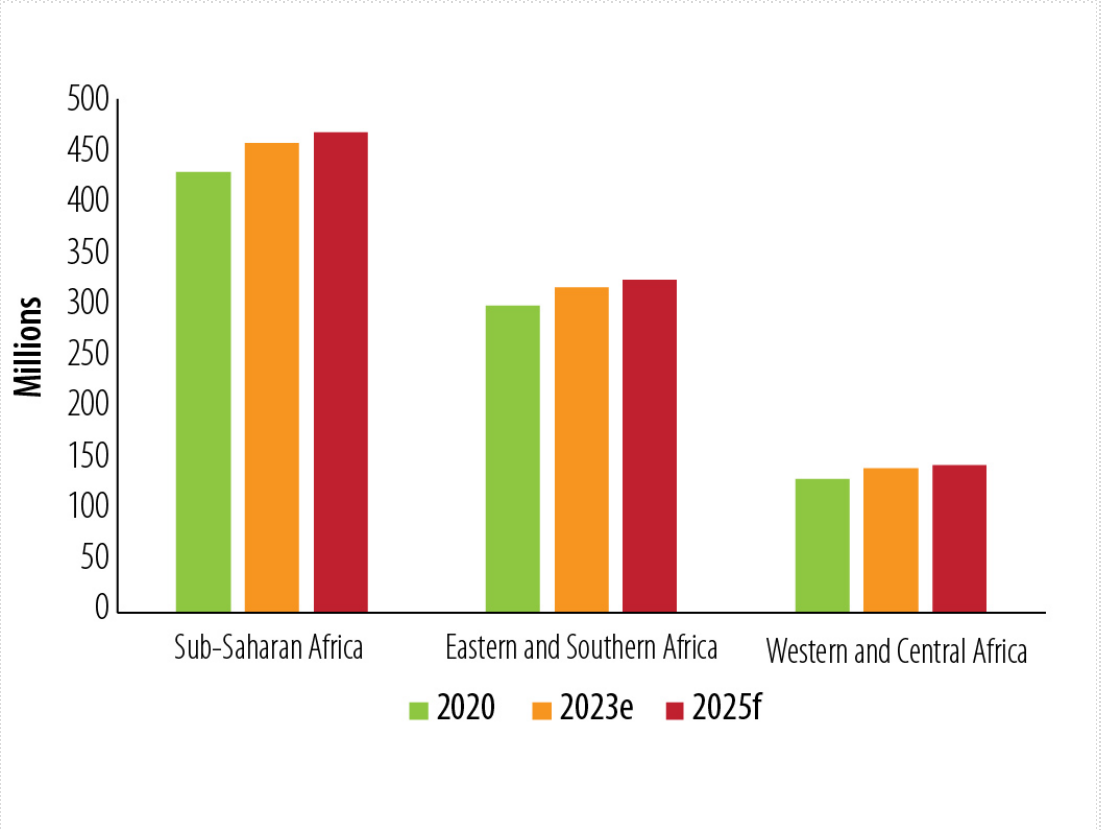
Source: World Bank staff estimates.

# WITH MODEST PROGRESS IN POVERTY REDUCTION

### Headcount Poverty Ratio in Sub-Saharan Africa



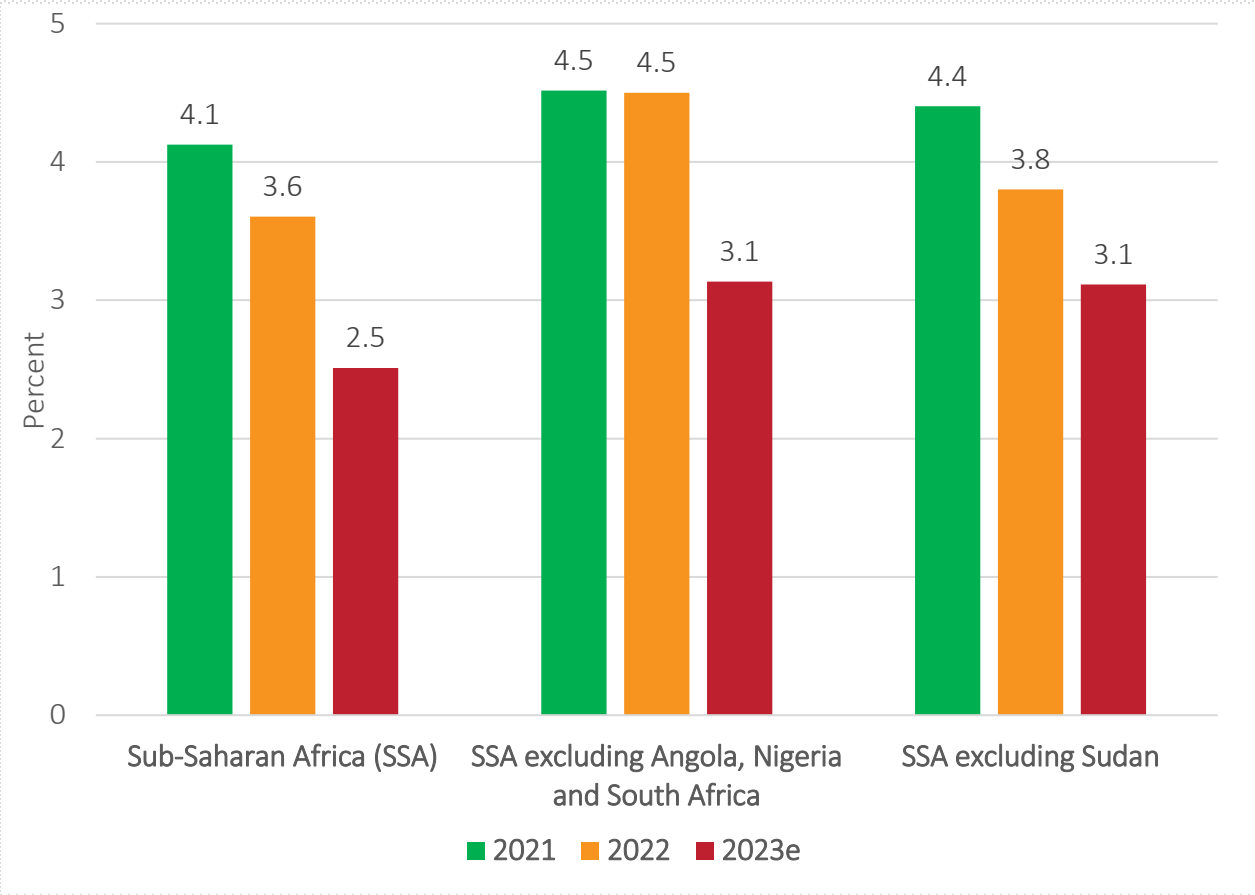
### Number of the Poor in Sub-Saharan Africa



Source: World Bank staff estimates.

# WHY THE RECOVERY REMAINS ELUSIVE?

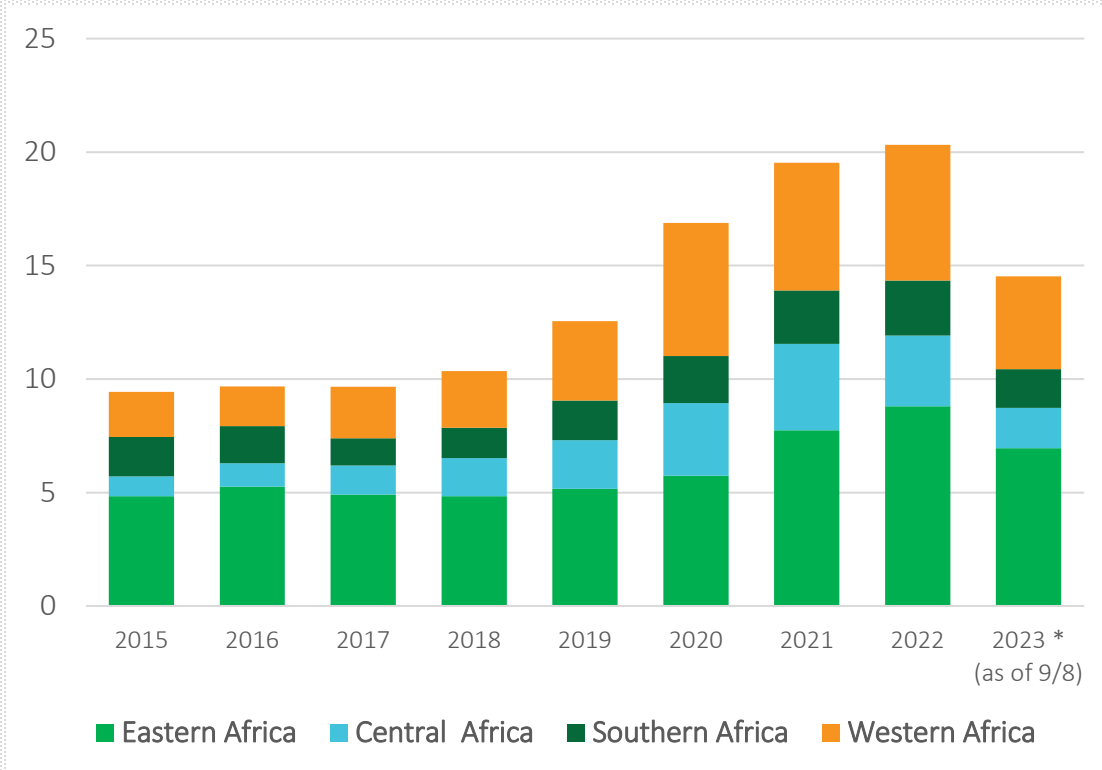
## (1) LARGE COUNTRIES CONTINUE IN A SLUMP



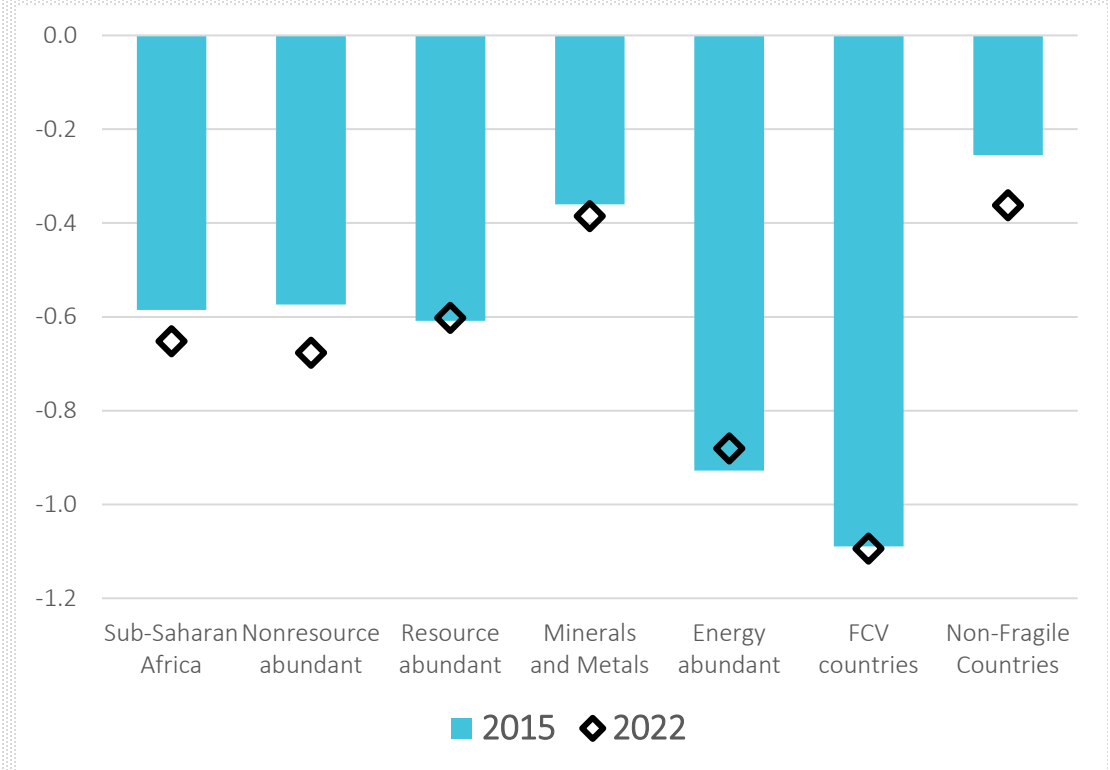
Source: World Bank staff estimates.

## (2) RISING CONFLICT AND POLITICAL INSTABILITY

**Conflict and Violence in Sub-Saharan Africa, 2015-23** (*number of events, in thousands*)



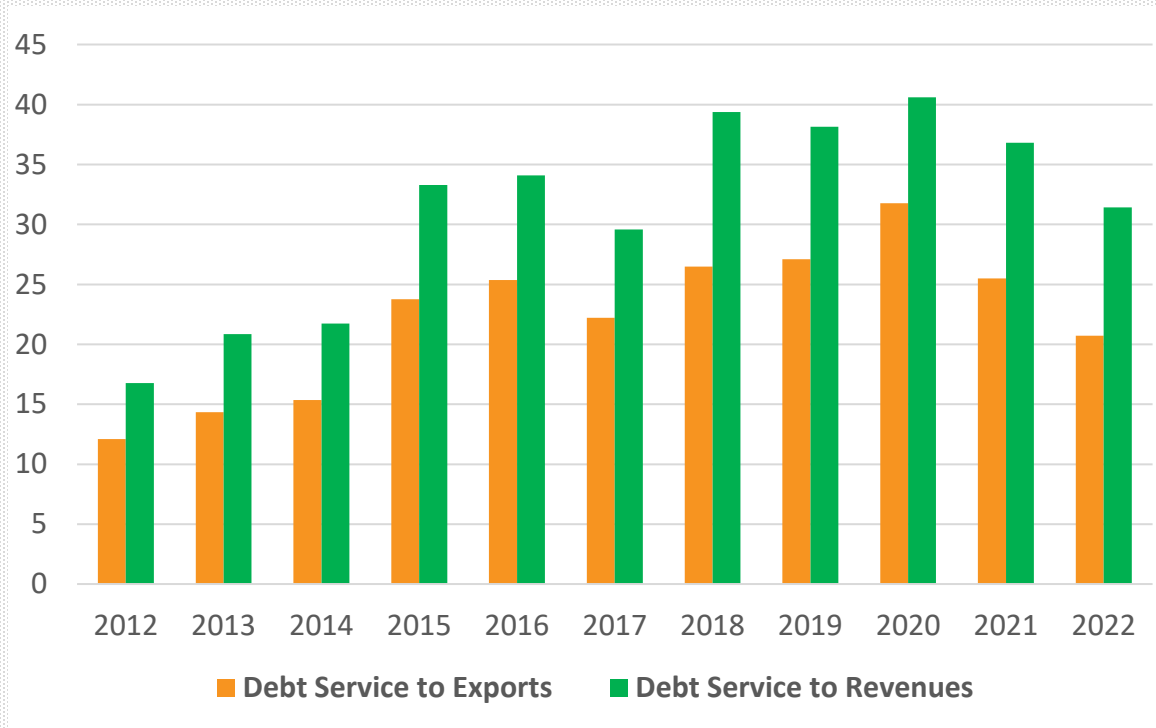
**Political stability and absence of violence/terrorism, 2015-22** (*WGI score*)



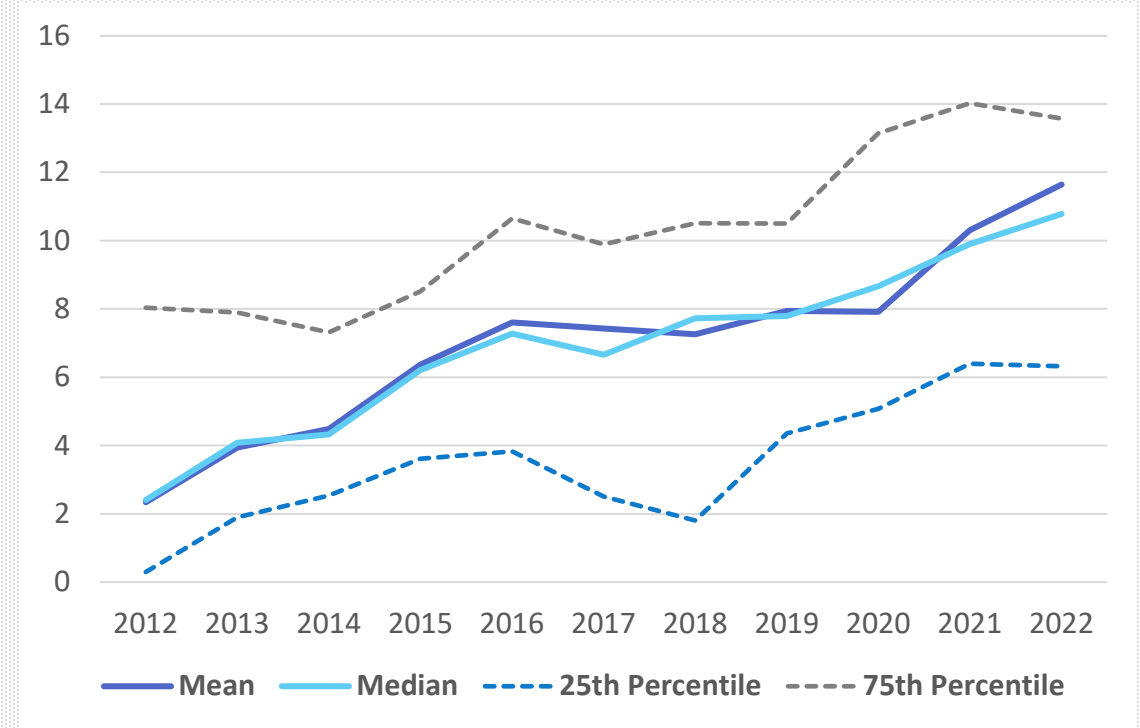
Source: [1] ACLED data. [2] Kaufmann and Kraay (2023). Notes: [1] Conflict and violence includes the number of battles, riots, protests and explosions. WGI=World Governance Indicators

# (3) DEBT OVERHANG AND FISCAL PRESSURES

## Debt service burden (%)



## Gross financing needs in SSA (% GDP)



Source: World Bank staff estimates.

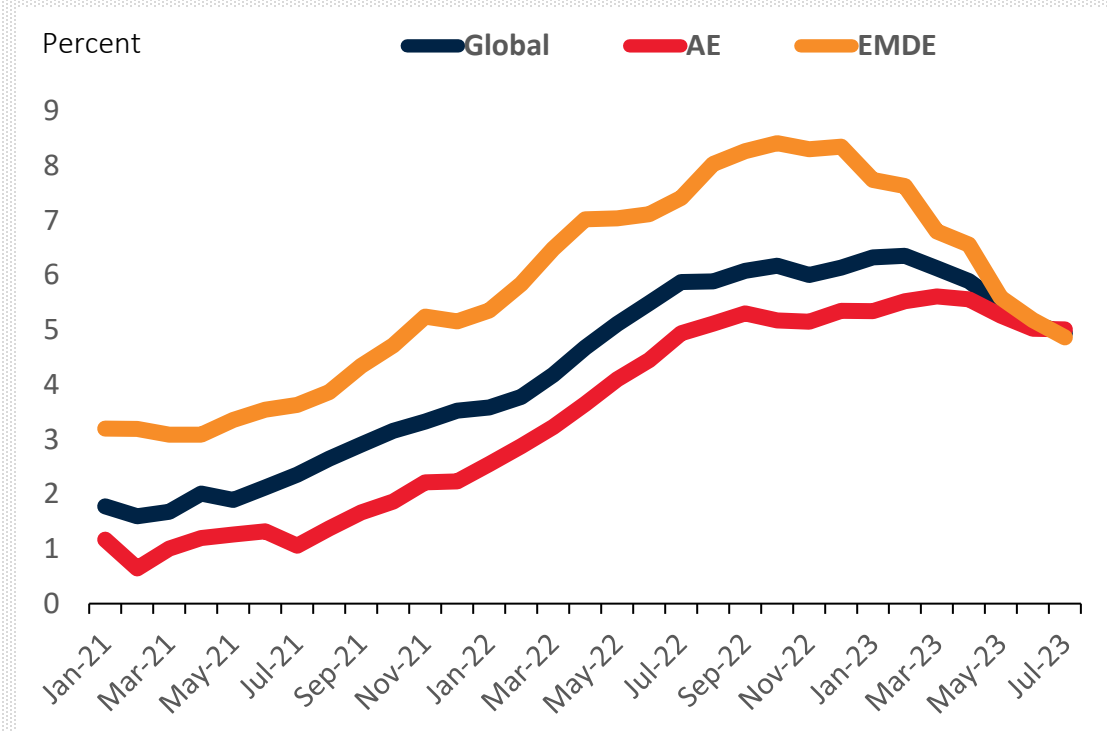
# (4) GLOBAL ECONOMIC UNCERTAINTY

## Purchasing Managers' Index



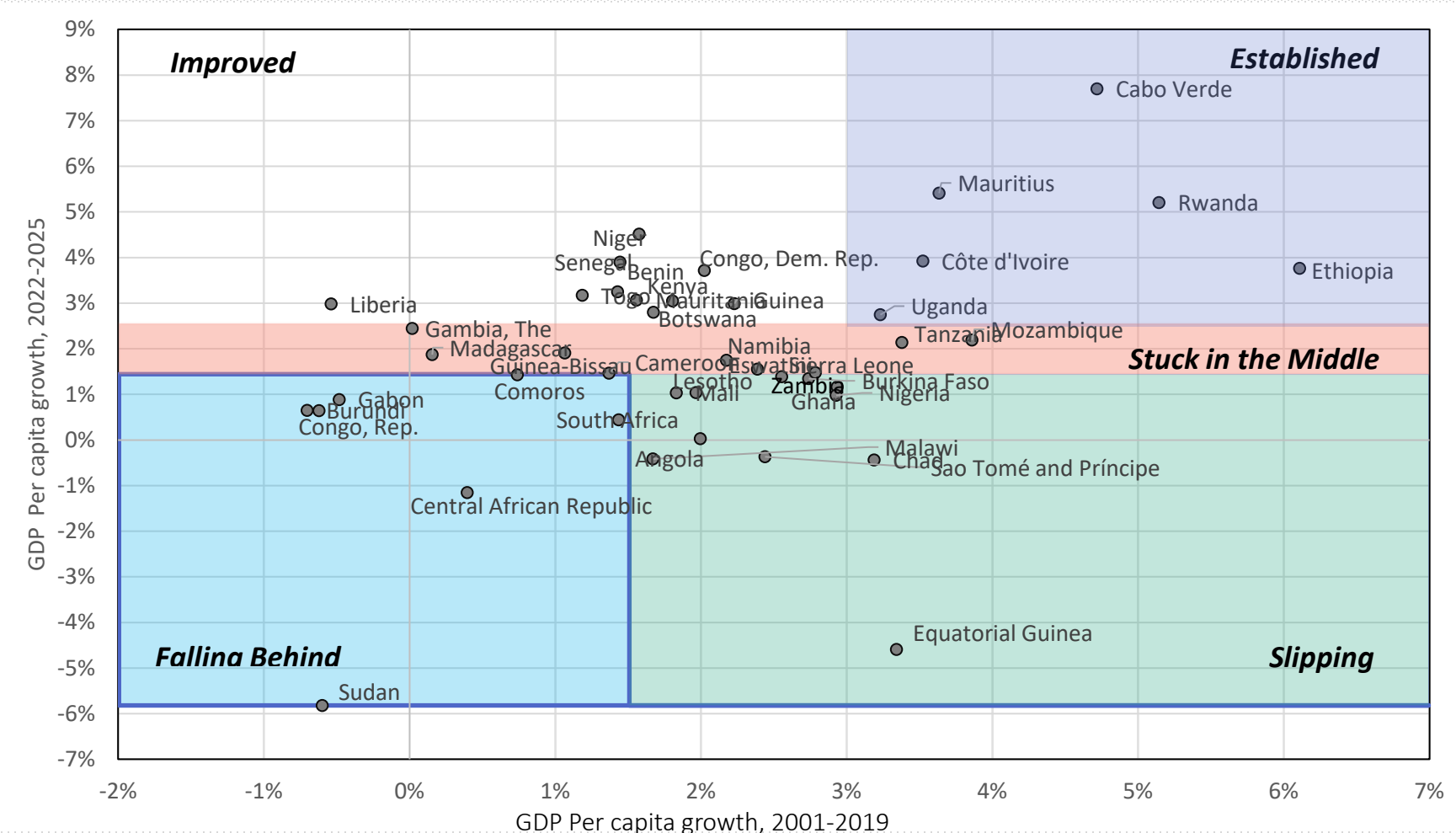
|      |     | USA         | Germany     | France      | Italy       | UK          | China       |
|------|-----|-------------|-------------|-------------|-------------|-------------|-------------|
| 2022 | AUG | Red         | Red         | Light Green | Light Red   | Light Red   | Light Green |
|      | SEP | Light Red   | Red         | Light Green | Light Red   | Light Red   | Light Red   |
|      | OCT | Light Red   | Red         | Light Green | Red         | Light Red   | Light Red   |
|      | NOV | Red         | Red         | Light Red   | Light Red   | Light Red   | Light Red   |
|      | DEC | Red         | Light Red   | Light Red   | Light Red   | Light Red   | Light Red   |
| 2023 | JAN | Red         | Light Red   | Light Red   | Light Green | Light Red   | Light Green |
|      | FEB | Light Green | Light Green | Light Green | Light Green | Light Green | Light Green |
|      | MAR | Light Green | Light Green | Light Green | Light Green | Light Green | Light Green |
|      | APR | Light Green | Light Green | Light Green | Light Green | Light Green | Light Green |
|      | MAY | Light Green | Light Green | Light Green | Light Green | Light Green | Light Green |
|      | JUN | Light Green | Light Green | Light Red   | Light Red   | Light Green | Light Green |
|      | JUL | Light Green | Light Red   | Red         | Light Red   | Light Green | Light Green |
|      | AUG | Light Green | Red         | Red         | Light Red   | Light Red   | Light Green |

## Core inflation (% y-o-y)



Source: Haver Analytics, World Bank Staff Estimates. Note: AE=Advanced economies, EMDE=Emerging Market and Developing Economies

# HOWEVER, GROWTH IS RESILIENT IN SOME SSA COUNTRIES

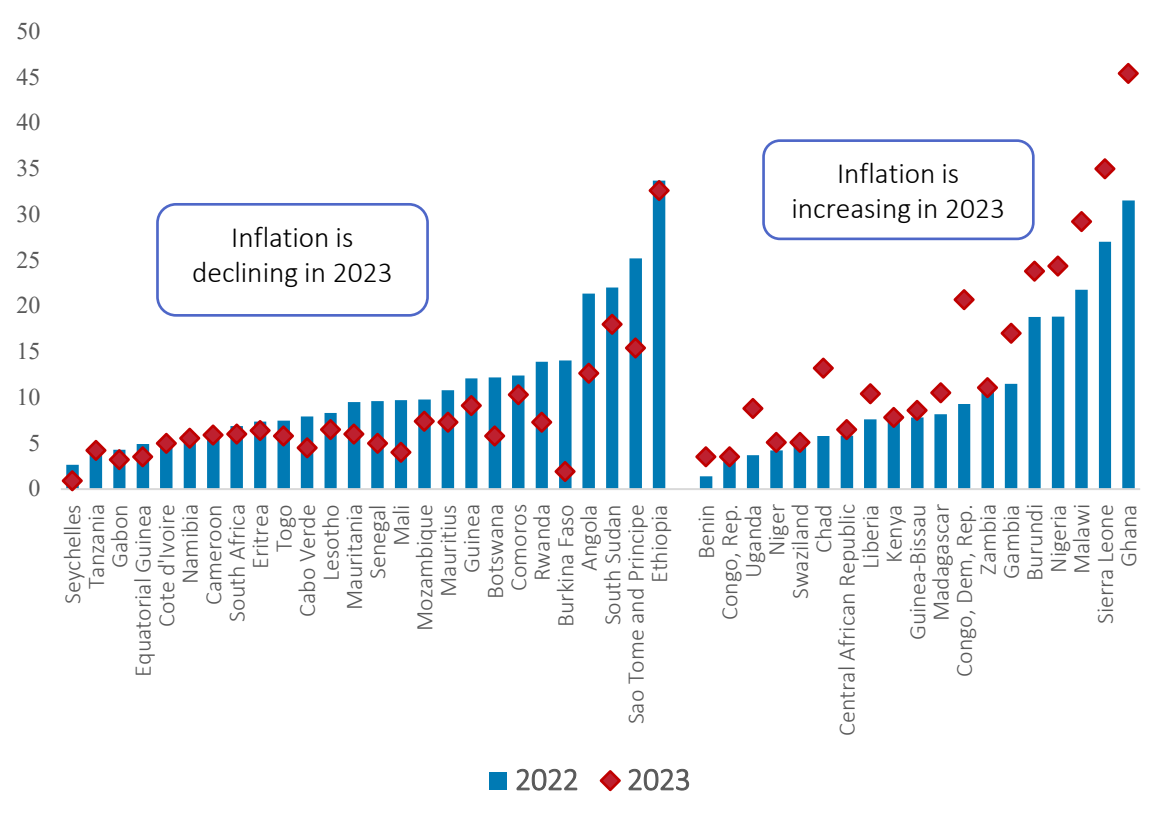


Source: World Bank staff estimates.

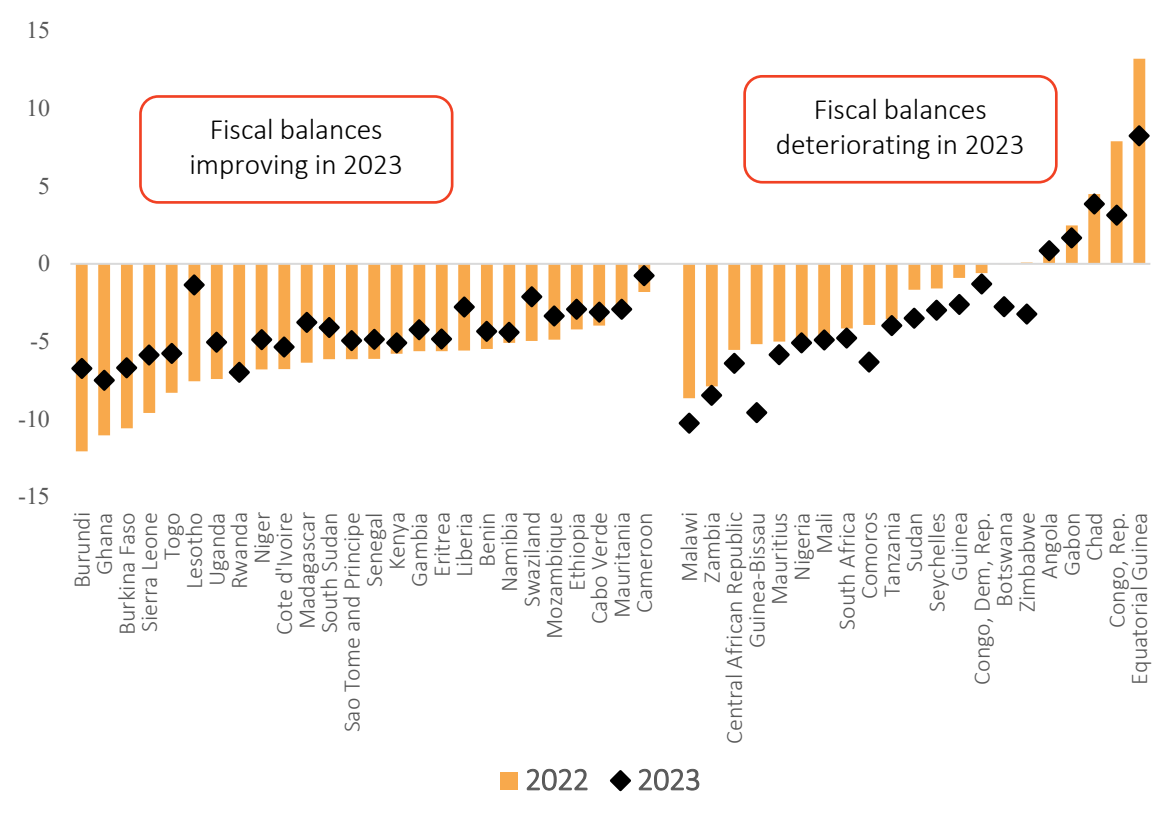


# ...AND MACROECONOMIC OUTCOMES ARE IMPROVING IN SOME COUNTRIES

### CPI Inflation, 2022-23 (%)



### Fiscal Balance, 2015-2025f (% GDP)



Source: Haver Analytics, World Bank Staff Estimates

# RISKS TO THE OUTLOOK

## **External Risks**

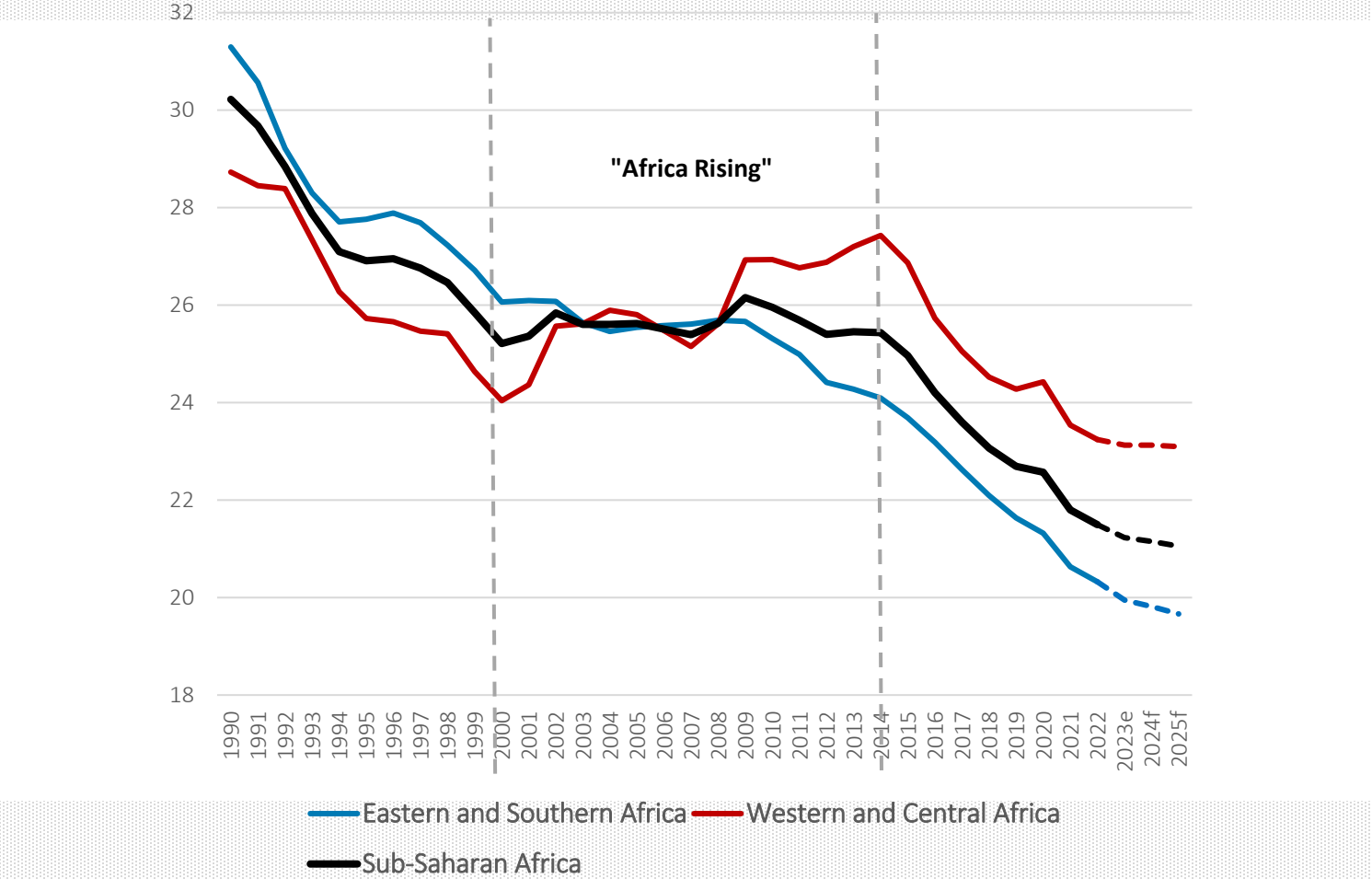
- Global inflationary pressures persist
- Greater debt distress among EMDEs
- Underperformance of the Chinese economy
- Deepening of geoeconomic fragmentation

## **Domestic Risks**

- Debt and Fiscal Risks
- Climate Shocks
- Conflict and Violence

# SUB-SAHARAN AFRICA CANNOT RUN THE RISK OF ANOTHER “LOST DECADE”

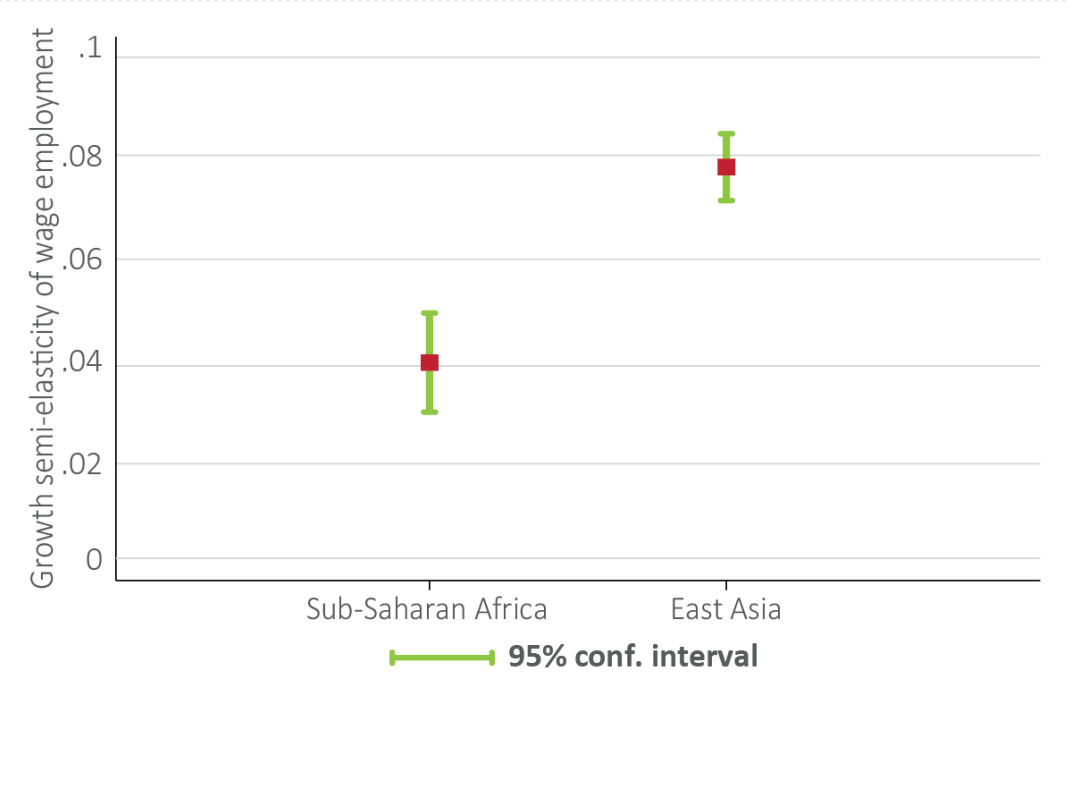
Relative income per capita of Sub-Saharan Africa, 1990-2025f



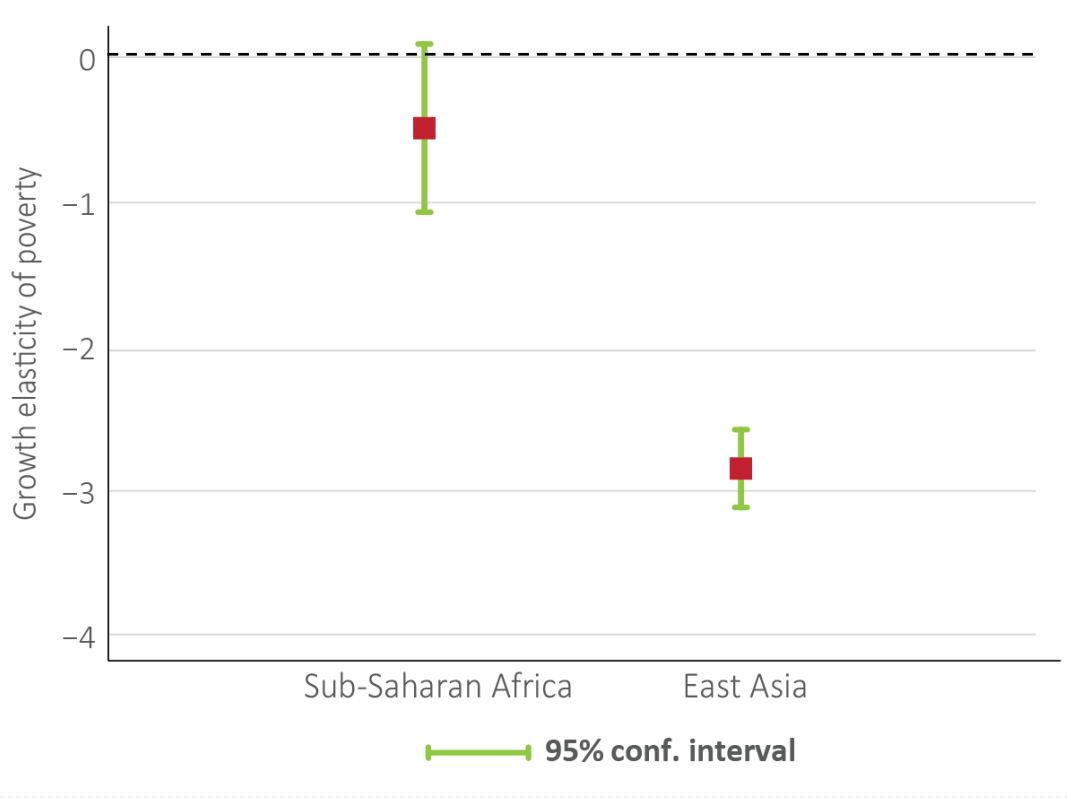
Source: World Bank staff estimates.

# GROWTH IN SUB-SAHARAN AFRICA YIELDS FEWER JOBS, LIMITING A MAIN CHANNEL OUT OF POVERTY

### Growth Elasticity of Job Creation



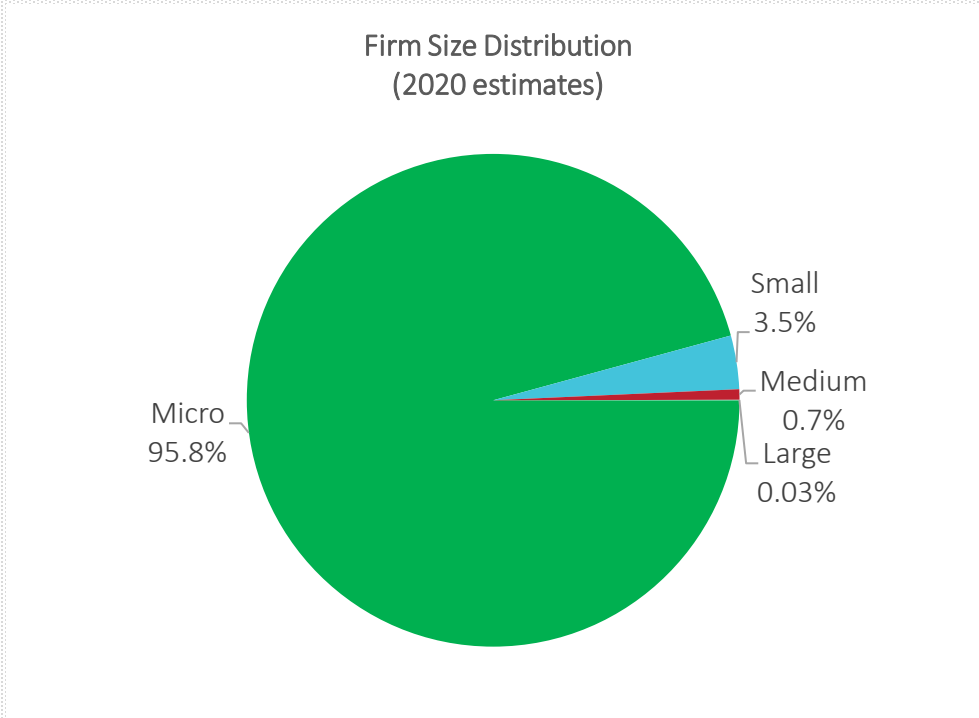
### Growth Elasticity of Poverty



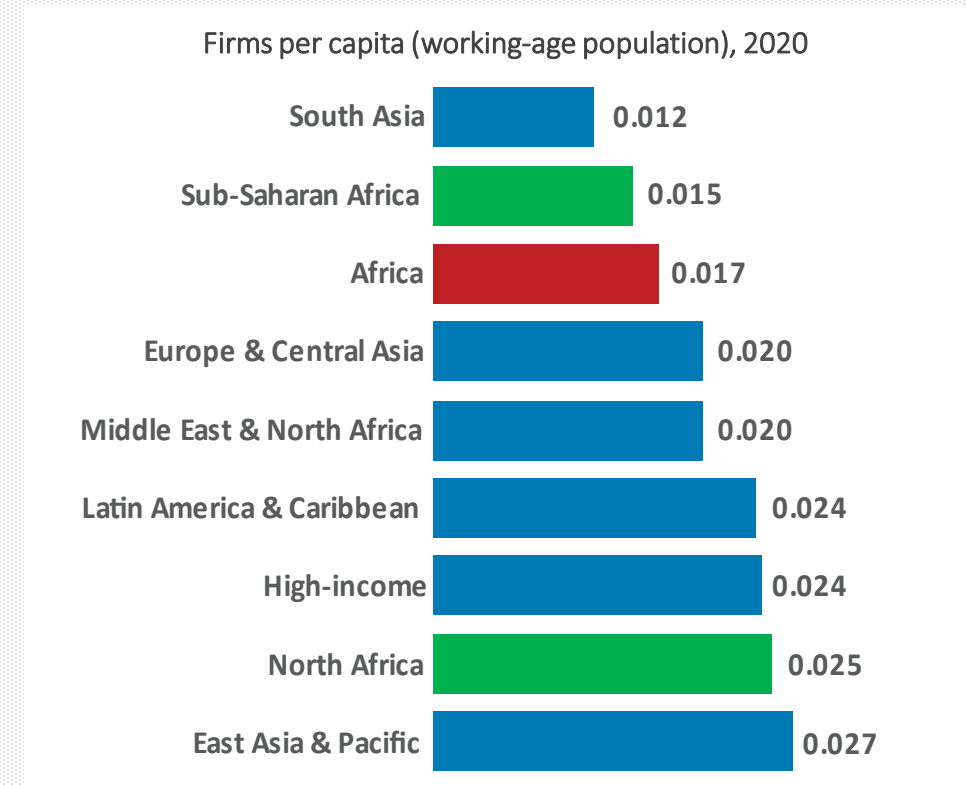
Source: Calculations based on World Bank Jobs Group Macro Indicators Database

# RESTRICTED SMALL-FIRM GROWTH...

## Most firms are micro...



## ...and there aren't many of them

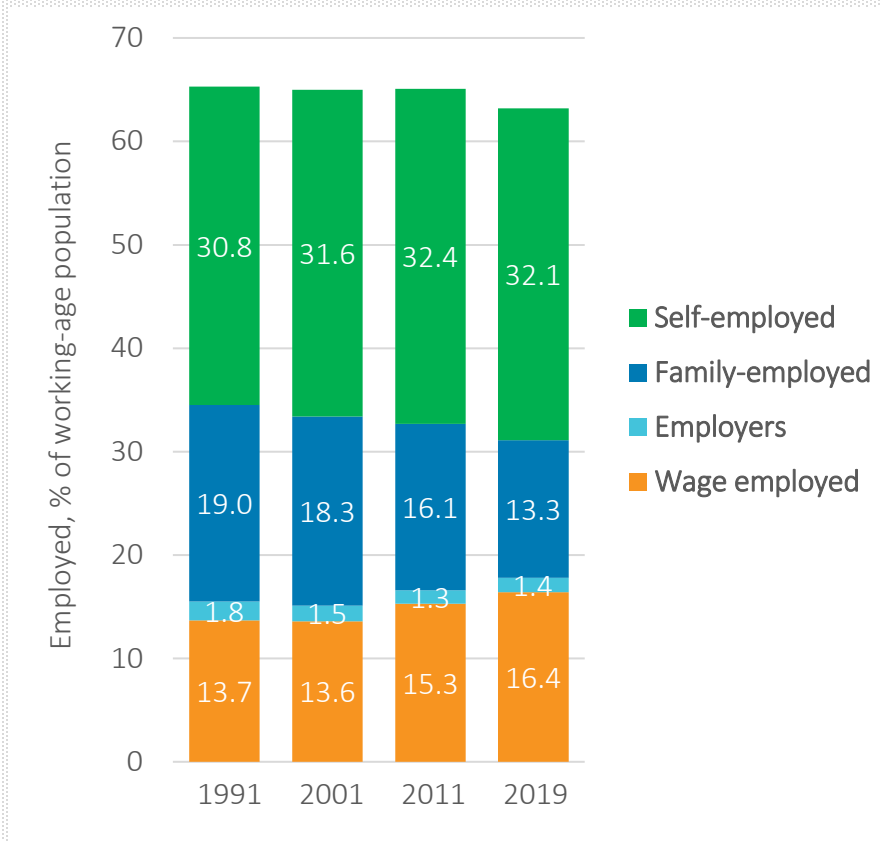


Source: Castro et. al. (2023)

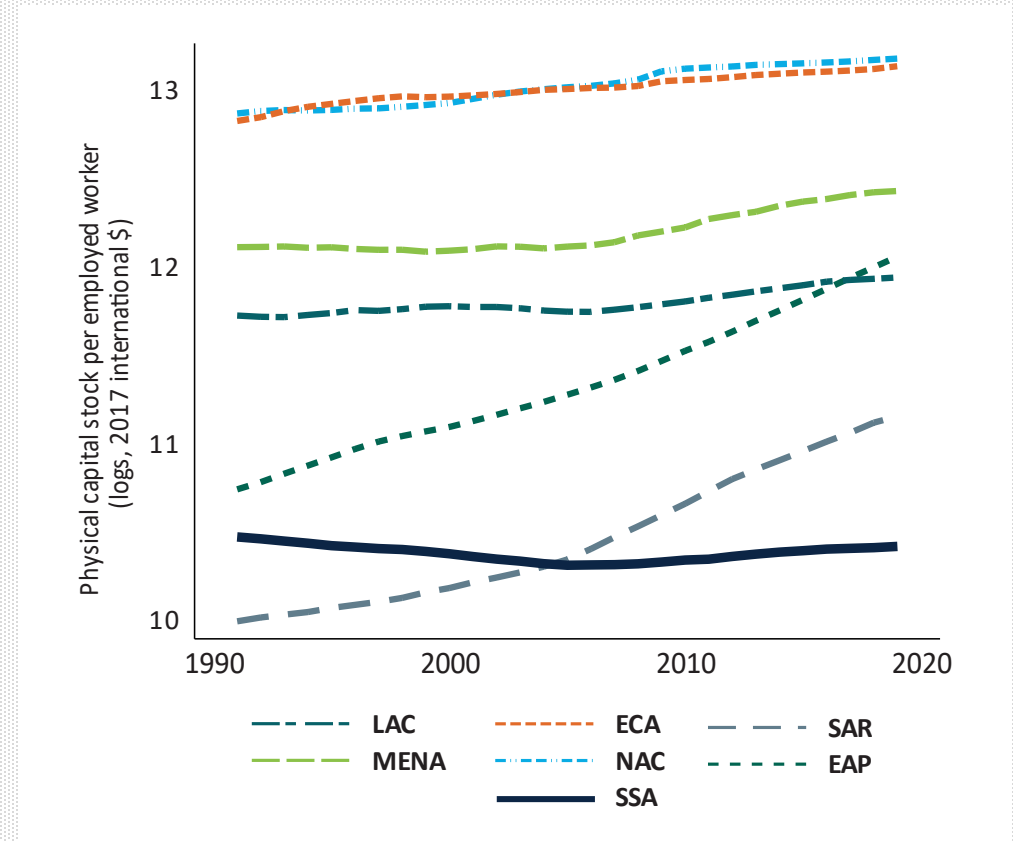
Note: The data excludes own-account workers for both figures. Micro firms defined as fewer than 5 employees, small firms have 5-19, medium have 20 to 99, and large have 100 or more. The figures plot the number of firms.

# ...LIMITS WAGE JOB CREATION AND CAPITAL INVESTMENT...

## High self-employment...



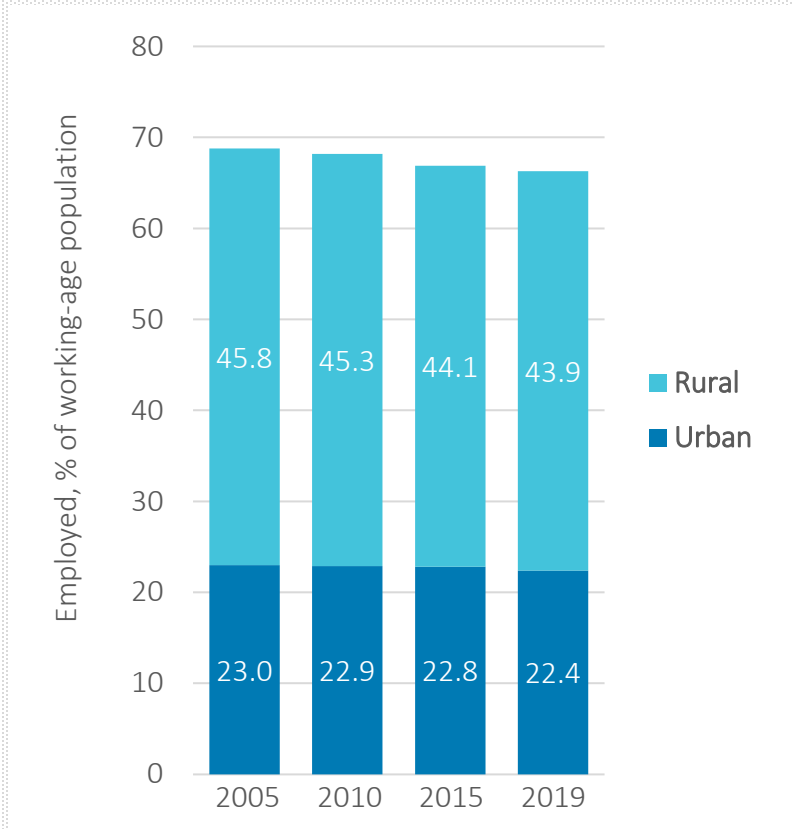
## ...is complemented by less capital



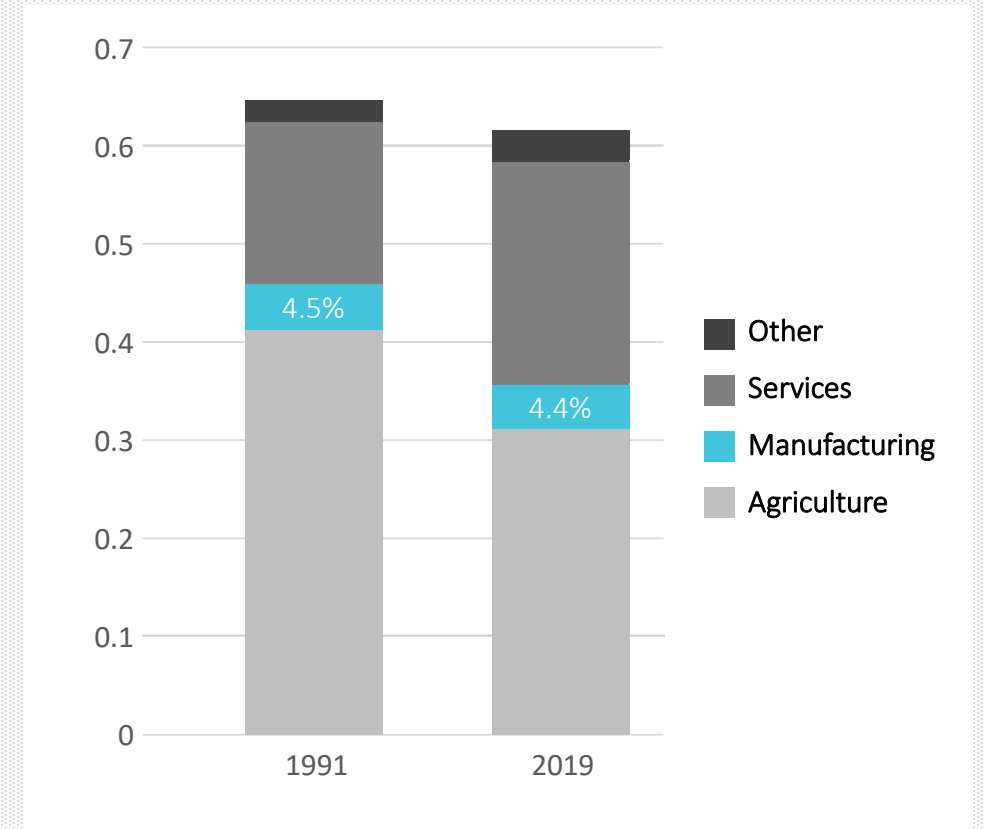
Source: World Bank Jobs Group Macro Indicators Database

# ... AND LEADS TO STAGNANT URBAN AND MANUFACTURING JOBS

## Urban jobs have not picked up...



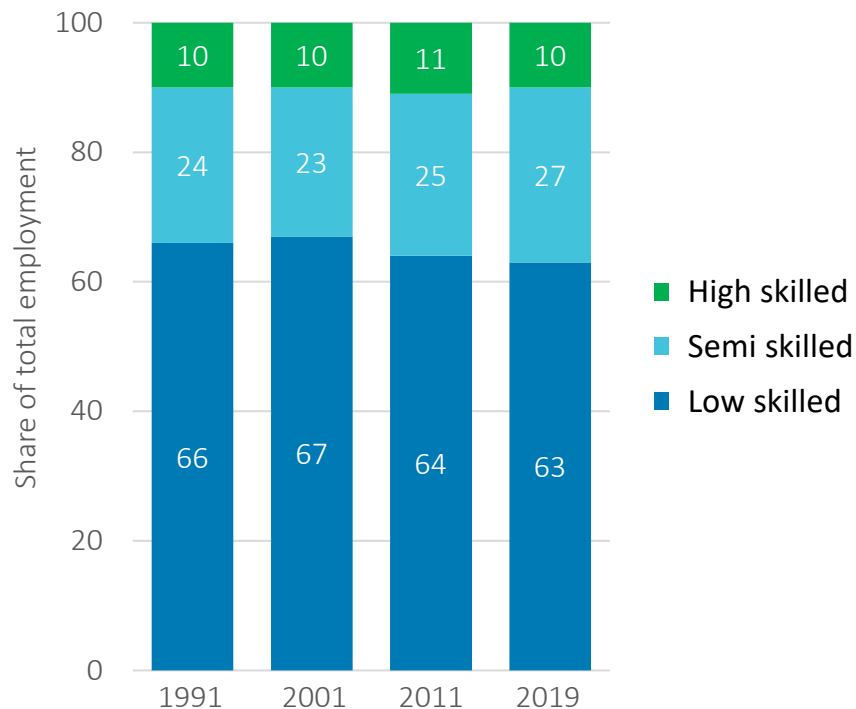
## ... as the movement from agriculture goes to low-skill services



Source: World Bank Jobs Group Macro Indicators Database

# ...AND LIMITED SKILL DEEPENING IN THE LABOR MARKET

## Semi-skilled jobs



Source: World Bank Jobs Group Macro Indicators Database

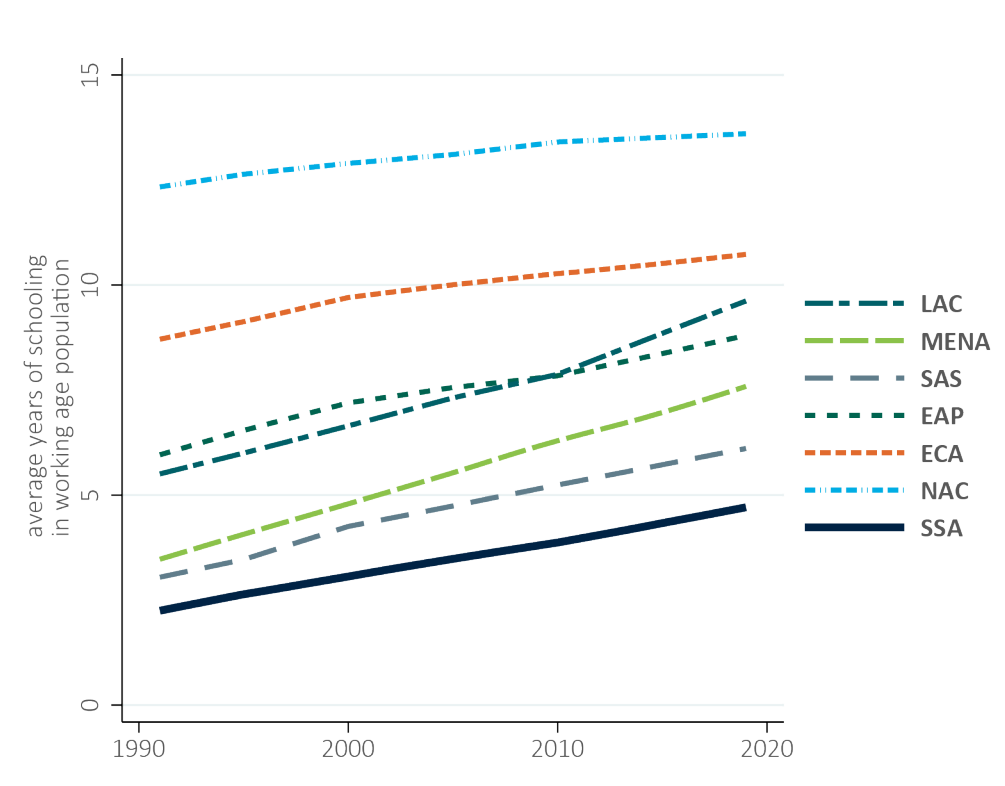
## Challenges in transitioning from school to labor market

- 48% of girls and 45% of boys are out of school children at the upper secondary level
- Girls face challenges in early marriage and childbearing. But boys do not transition to employment necessarily either, many are not in training and not in work.
- Vocational training and apprenticeships one avenue to increase skills and labor market participation of youth.
- Human capital accumulation also happens at the workplace. Returns to experience are strongly correlated with economic development.



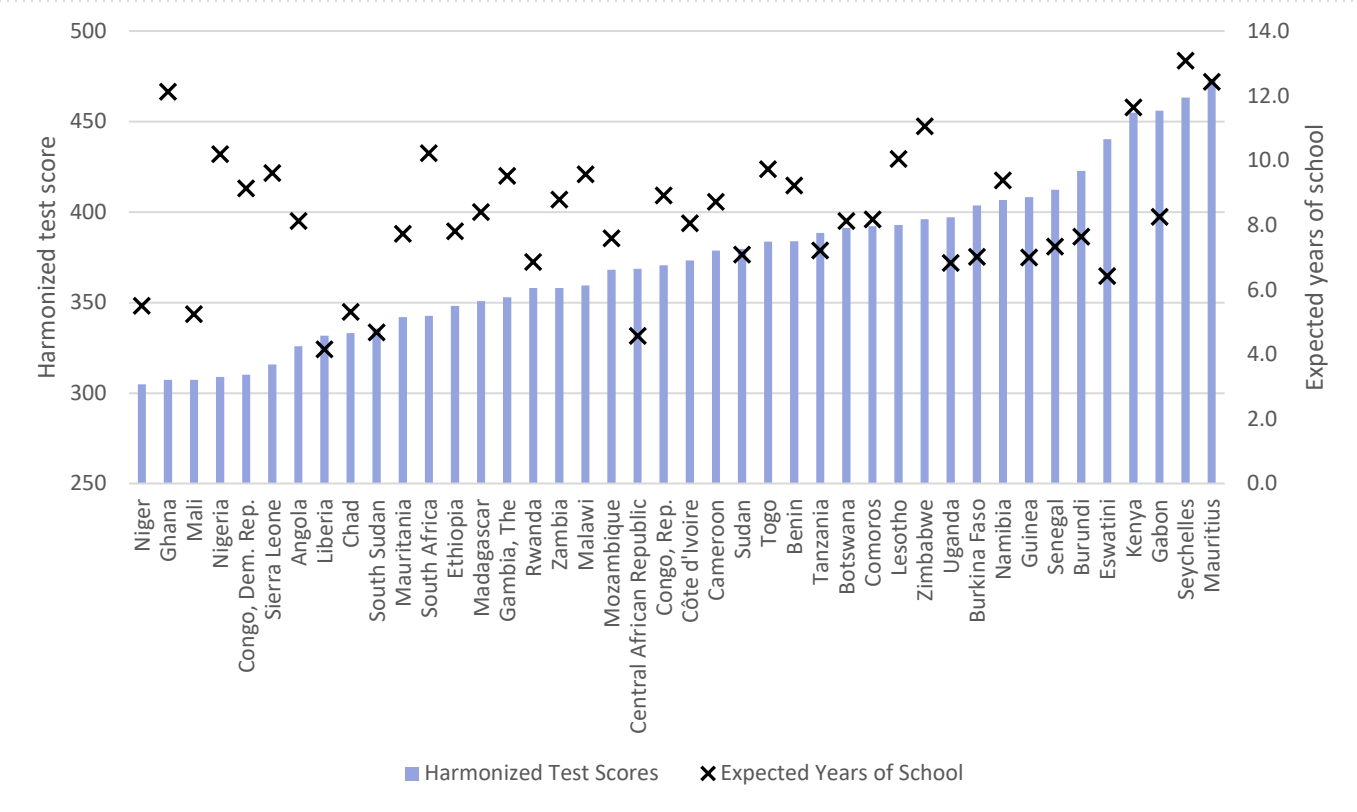
# CHILDREN ARE STAYING IN SCHOOL LONGER, BUT EDUCATIONAL QUALITY REMAINS AN ISSUE

## School attainment has increased...



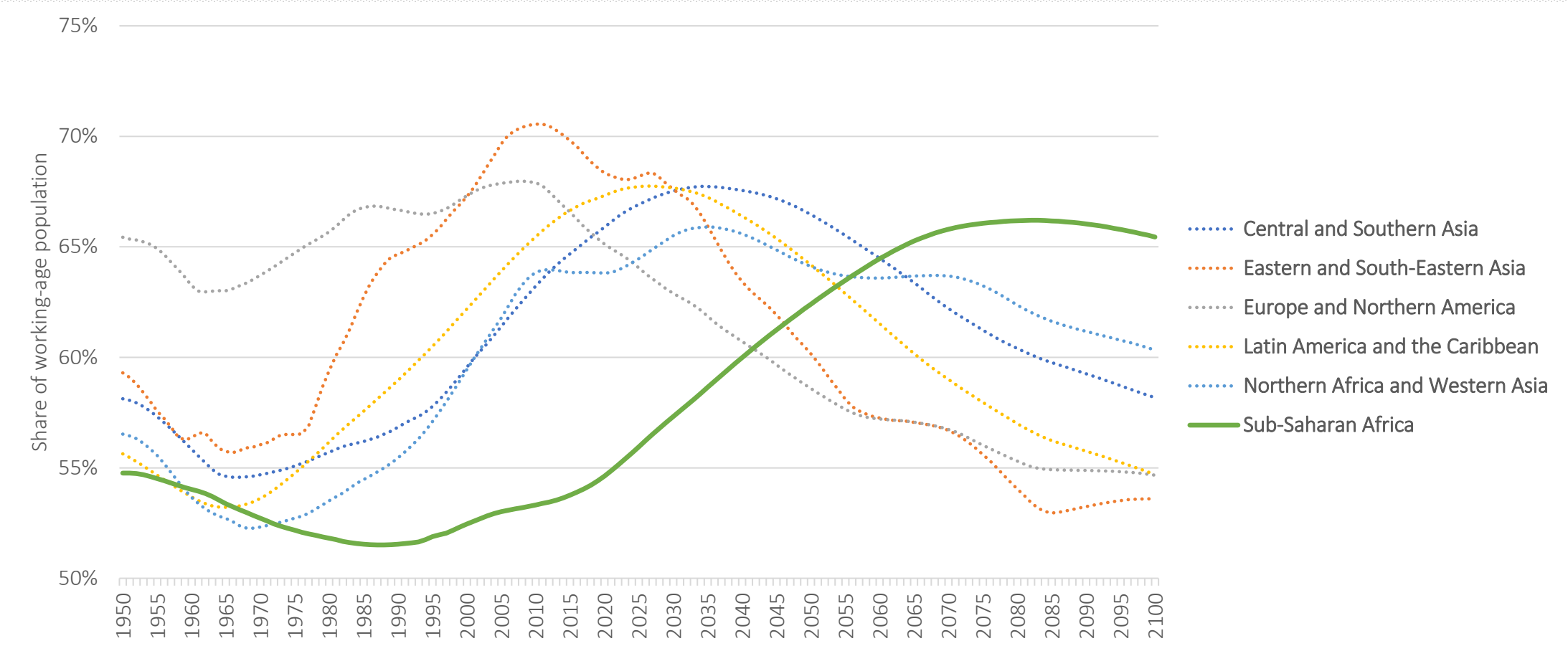
Source: World Bank Jobs Group Macro Indicators Database

## ... but attainment does not guarantee worker quality in the future



Source: Calculations using data from the World Bank Human Capital Indicators Database

# UNDERMINING THE POTENTIAL BENEFITS FROM EXPECTED WORKING AGE POPULATION INCREASES



Source: United Nations World Population Prospects 2022 and World Development Indicators

# FUTURE GROWTH NEEDS TO BE HIGH-QUALITY JOBS-RICH

## Better quality jobs include these elements:



Consistent employment and regular payment, with some sense of job security



Making full use of worker potential from use of training and technical abilities, with some degree of on-the-job learning



Complementing labor with equipment and efficient organization in the firm, with prospects for advancement from firm growth

Source: World Bank, forthcoming. Jobs for Development: Applying a Jobs Lens to Structural Change and Economic Growth. Washington, DC: The World Bank.

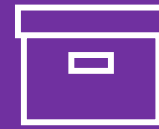
# REQUIRING TRANSFORMATION AROUND FOUR DIMENSIONS OF STRUCTURAL CHANGE

Creating private-sector demand for skilled workers requires creation of the right environment



## SECTORAL

- Technical change
- Demand and net trade
- Relative prices



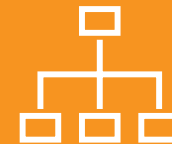
## SPATIAL

- Urbanization
- Agglomeration
- Infrastructure



## OCCUPATIONAL

- Division of labor
- Task complexity
- Human capital accumulation



## ORGANIZATIONAL

- Firm formation
- Investment
- Selection and innovation

Source: World Bank, forthcoming. Jobs for Development: Applying a Jobs Lens to Structural Change and Economic Growth. Washington, DC: The World Bank.

# ELEMENTS OF A HIGH-QUALITY JOBS-RICH STRATEGY



## Fiscal Stabilization and debt reduction

- Domestic resource mobilization (including curbing illicit financial flows)
- Revenue reforms (progressivity, property taxes, compliance)
- Subsidy reforms (or carbon taxes)
- Streamlining tax expenditures
- Debt reduction (short-term)
- Transparent debt management (medium- to long-term).



## Political stability and institutions

- Rethinking social contract founded (e.g. regional commitment to democracy?)
- Build state capacity to deliver public goods
- Strengthen national / supra-national institutions to support regional cooperation and integration
- Clear property rights



## Investing in people

- Investments in nutrition to reduce stunting in early childhood
- Foundational learning (especially reading) and teacher training during basic schooling
- On the job learning in youth and adulthood



## Organizational change

- Regional regulatory alignment and harmonization
- Actively promoting competitive markets
- Remove size-dependent distortions
- Incentives for technology upgrading & managerial improvement
- Efficient land use



**THANK YOU!**