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### **African Economic Outlook 2005/2006: Economic prospects improve in much of Africa, though transportation remains a problem**

The African economy is expected to grow by 5.8 per cent this year and another 5.5 per cent next year. Oil-exporting countries are outpacing others by a substantial margin while other countries continue to face serious problems.

Overall, the outlook for much of Africa continues to be more favourable than it has been for many years. Continued global expansion means sustained demand and higher prices for African oil and other industrial raw materials. An increase in official development aid and improving macroeconomic stability have also contributed to Africa's positive economic outlook. In addition, growth has been boosted by increased oil production in Southern and Central Africa.

However, conflicts and natural disasters in countries such as the Sudan, Zimbabwe, Ethiopia and Nigeria continue to dampen overall economic growth.

The report notes that democracy has started to take root in a number of countries in the last decade and that there are fewer conflicts. However many countries are still riddled by corruption which is hindering private-sector development.

Inflation remains at historical lows despite increasing oil prices. Trade balances have improved for countries that export oil and metal ores, but oil-importing countries were adversely affected by higher import bills and lower prices for agricultural products such as cocoa and cotton. The windfall gains from commodity prices have improved public finances, notably in oil-exporting countries. The African Economic Outlook warns that these gains will need to be managed carefully with a sizeable proportion used for investment in transport and other infrastructure and in human resource development to ensure sustained economic growth once the current commodity boom has run its course.

The challenge for oil-importing countries is somewhat different. In a number of countries, price controls and subsidies have shielded consumers from the full effects of the oil price increases, and these policies may prove to be unsustainable. This set of challenges for macroeconomic policy is one of the downside risks which must be borne in mind in assessing the current economic outlook for Africa.

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Another challenge is the increasing imbalance in the global economy. International economic turbulence would mean sudden movements in exchange rates, a precipitous decline in world output and, thus, demand for African exports.

The AEO this year includes a focus on transport infrastructure. African roads, railways, airports, ports, and air space are poorly planned and badly managed. The resulting unsound infrastructure and unsafe transport services, combined with high user costs, leave many poor people stranded.

For further information, journalists are invited to contact Colm Foy, OECD Development Centre (tel. 33 1 45 24 84 80 or [colm.foy@oecd.org](mailto:colm.foy@oecd.org)).

For more information, please go to [www.oecd.org/dev/publications/africanoutlook](http://www.oecd.org/dev/publications/africanoutlook)

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