The AfCFTA

Impact of the AfCFTA scenario on Africa's income and growth

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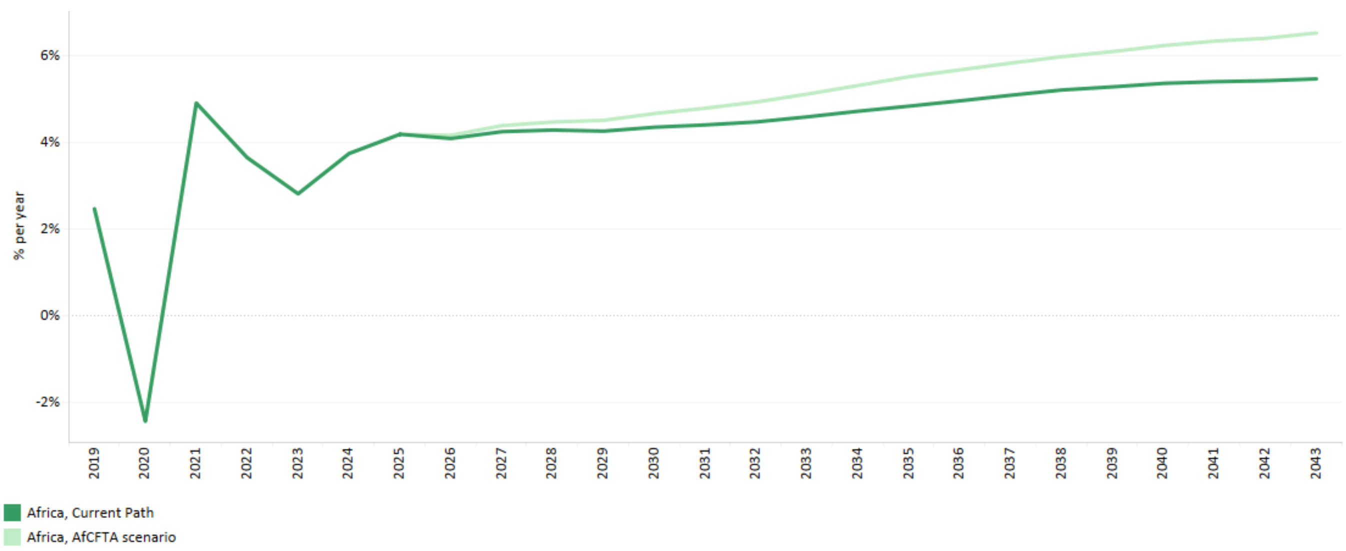
The successful implementation of the AfCFTA is projected to have multiple positive spillover effects across various economic growth and development indicators. To reap the full potential gains from the AfCFTA, member states should conclude the agreement as planned and ensure the agreement covers investment policies, competition policies and harmonises trade policies at the country, regional and continental levels.

Following implementation Africa's economy is projected to be steaming ahead at about 6.5% rate of economic growth in 2043, which is around 1.1 percentage points above the Current Path forecast (see Chart 14). Across the entire forecast horizon, from 2024 to 2043, the average economic growth rate for Africa would be about 0.5 percentage points above the Current Path forecast.

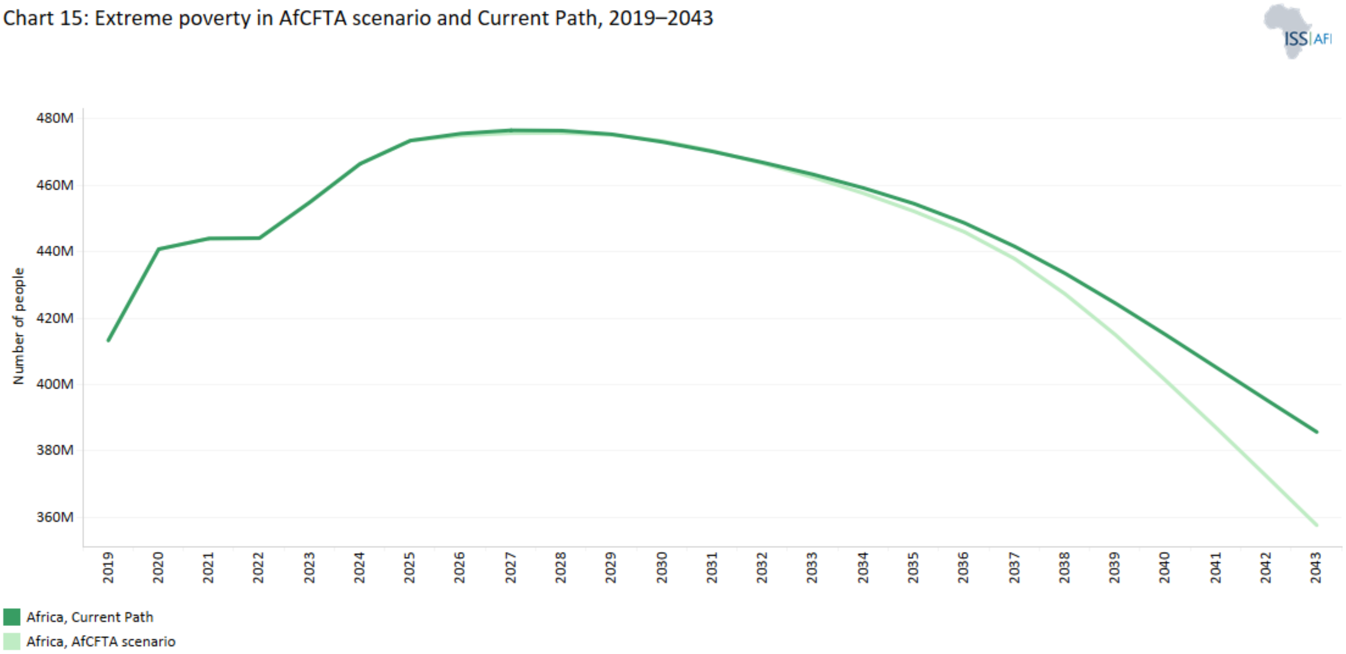
Chart 14: Growth rates in AfCFTA scenario and Current Path, 2019–2043



Source: IFs 8.13 initialising from IMF World Economic Outlook

The result is that the African economy will be nearly US$690 billion (at market exchange rates), or about 10.3%, larger in 2043 than it would be on the Current Path forecast (at nearly US$6.7 trillion). This growth translates into 28.1 million fewer people living in extreme poverty, i.e. living on less than US$2.15 per day in 2043 (see Chart 15). However, evident from the forecast, the initial impact of the AfCFTA is to increase extreme poverty, with large country-to-country variations.

Chart 15: Extreme poverty in AfCFTA scenario and Current Path, 2019–2043



Source: IFs 8.13 initialising from UNPD Population Prospects estimates, WDI population data and PovcalNet World Bank data

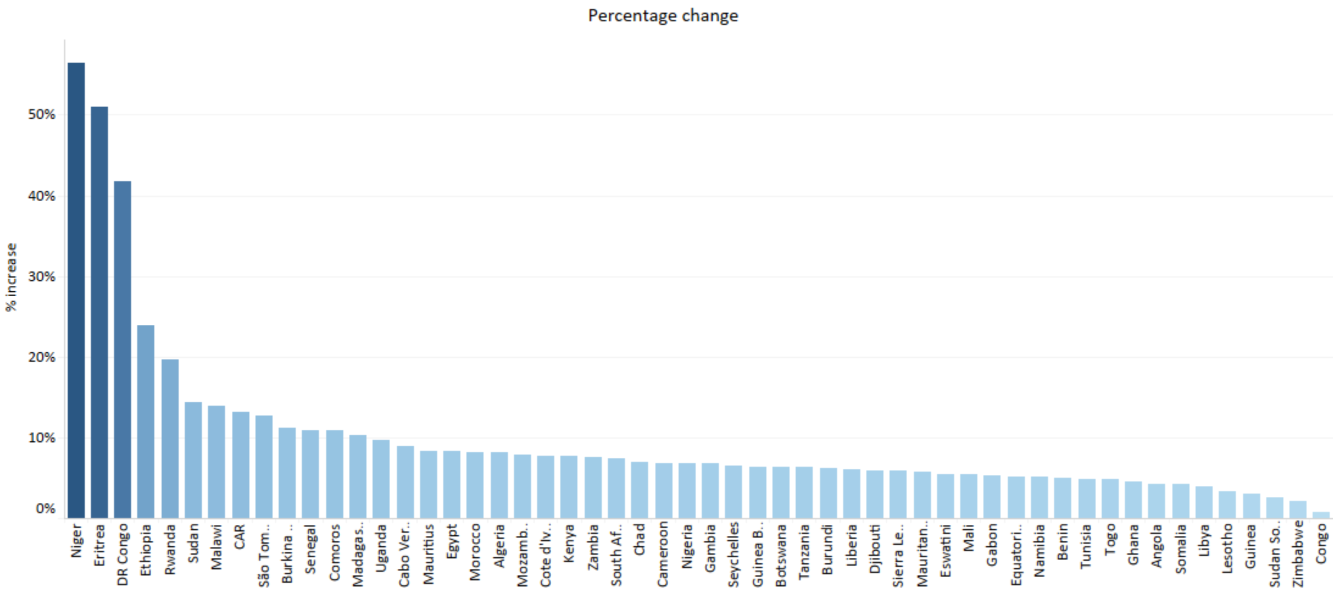
In 2043, Africa's GDP per capita (at purchasing power parity) is projected to be about US$426 higher relative to the Current Path forecast for a continent that would then be home to nearly 2.3 billion people, about 2 million fewer people relative to the Current Path forecast. Higher living standards reduce fertility and maternal mortality rates and the result is a population size that is about 1% smaller relative to the Current Path forecast.

Disaggregating the data by country reveals the heterogeneity of the impact of the AfCFTA scenario across countries. The income gain from the AfCFTA scenario is mainly driven by income gains from Ethiopia, DR Congo, Nigeria, Egypt and South Africa. Chart 16 allows the user to toggle to switch between absolute values and percentage changes.

Ethiopia's GDP would increase by nearly US$115.4 billion relative to the Current Path forecast in 2043. The size of DR DR Congo's and Nigeria's economies will be about US$101.3 billion and US$73.9 billion larger than the Current Path forecast, respectively—these are, of course, also Africa's largest economies.

At the low end, several smaller economies would see income gains of less than US$500 million relative to the Current Path forecast. Theseinclude Gambia (US$453 million) Cabo Verde (US$431 million), Comoros (US$291 million), Guinea Bissau (US$232 million), Congo (US$220 million), Seychelles (US$188 million), South Sudan (US$150 million), Sao Tome and Principe (US$136 million), and Lesotho (US$119 million). However, when considering the per cent increase in the size of its economy by 2043, Niger, Eritrea, DR Congo, Ethiopia, and Rwanda gain the most (a more than 12% increase in the size of their economies), while the size of the economies of South Sudan, Zimbabwe and Congo increase by less than 3%.

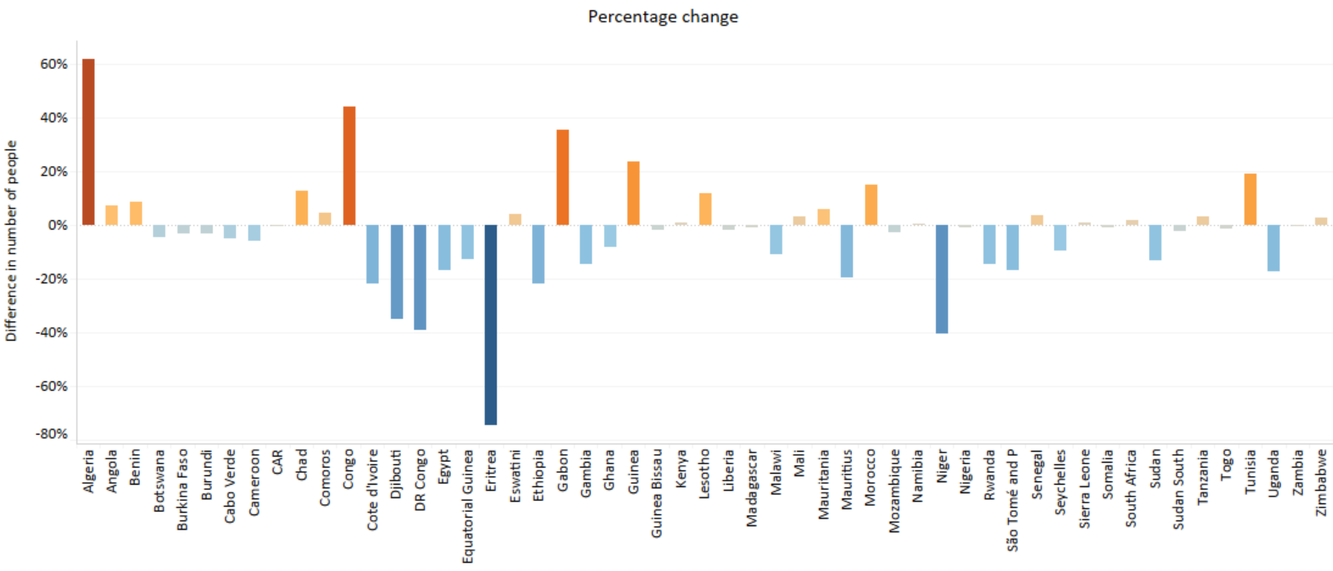
Chart 16: Income gains from the AfCFTA scenario relative to the Current Path, 2043
Toggle % change vs absolute change



Source: IFs 8.13 initialising from UNPD World Population Prospects medium variant life expectancy and WDI data

The reduction in extreme poverty at the country level is presented in Chart 17 - allows the user to toggle to switch between absolute values and percentage changes. The left-hand side vertical axis shows the number of people living in extreme poverty (less than US$1.90 per day) and the right-hand side vertical axis shows the proportion reduction relative to the Current Path forecast.

Chart 17: Reduction in poverty in AfCFTA scenario relative to the Current Path, 2043
Toggle between % change vs absolute change



Source: IFs 8.13 initialising from UNPD Population Prospects estimates, WDI population data and PovcalNet World Bank data

If the AfCFTA is fully implemented, DR Congo, Niger, Malawi, Ethiopia and Uganda are projected to have the largest number of people lifted out of extreme poverty (at US2.15 per day) relative to the Current Path forecast in 2043, given the fact that the two have the largest number of poor people in Africa. About 14.6 million Congolese will be lifted out of extreme poverty in 2043, which is 39.1 percentage points lower relative to the Current Path forecast. Niger is projected to have6.1 million fewer poor people relative to the Current Path forecast, which is 40.5 percentage points below the Current Path forecast.

Whereas the GDP per capita will increase for all African countries, extreme poverty (at US$2.15 per day) will increase by more than 0.5 million people in Chad (1 million people), Angola (571 thousand people), and Tanzania (521 thousand people) by 2043.

The results for these countries where the AfCFTA scenario increases extreme poverty, particularly in Chad, reflect the countries' numerous development challenges across all sectors and the challenges they would experience in participating and gaining from the full implementation of the AfCFTA. In these countries, trade openness must be accompanied by the right domestic complementary policies to make the growth gain from the AfCFTA more inclusive. The short-term solution will be a safety net programme.

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Dr Blessing Chipanda joined the African Futures and Innovation (AFI) programme in January 2023. Before joining the ISS he worked as an assistant lecturer/ research assistant at the University of Pretoria, Department of Economics. He is particularly interested in tasks within the wider realm of international trade, development economics, public policy, monetary policy, and econometric modelling. Equally interested in economic and socio-economic activities that impact social welfare. Blessing has a PhD in economics from the University of Pretoria, South Africa.

Dr Jakkie Cilliers is the ISS's founder and former executive director of the ISS. He currently serves as chair of the ISS Board of Trustees and head of the African Futures and Innovation (AFI) programme at the Pretoria oce of the ISS. His 2017 best-seller Fate of the Nation addresses South Africa's futures from political, economic and social perspectives. His three most recent books, Africa First! Igniting a Growth Revolution (March 2020), The Future of Africa: Challenges and Opportunities (April 2021), and Africa Tomorrow: Pathways to Prosperity (June 2022) take a rigorous look at the continent as a whole.

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