

Pearson Edexcel International Advanced Level

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Paper
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Economics

International Advanced Subsidiary

UNIT 2: Macroeconomic performance and policy

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East African* economies

* Countries include Burundi, Comoros, Djibouti, Eritrea, Ethiopia, Kenya, Rwanda, Seychelles, Somalia, South Sudan, Tanzania and Uganda.

Figure 1 Annual real GDP growth, 2014–2018

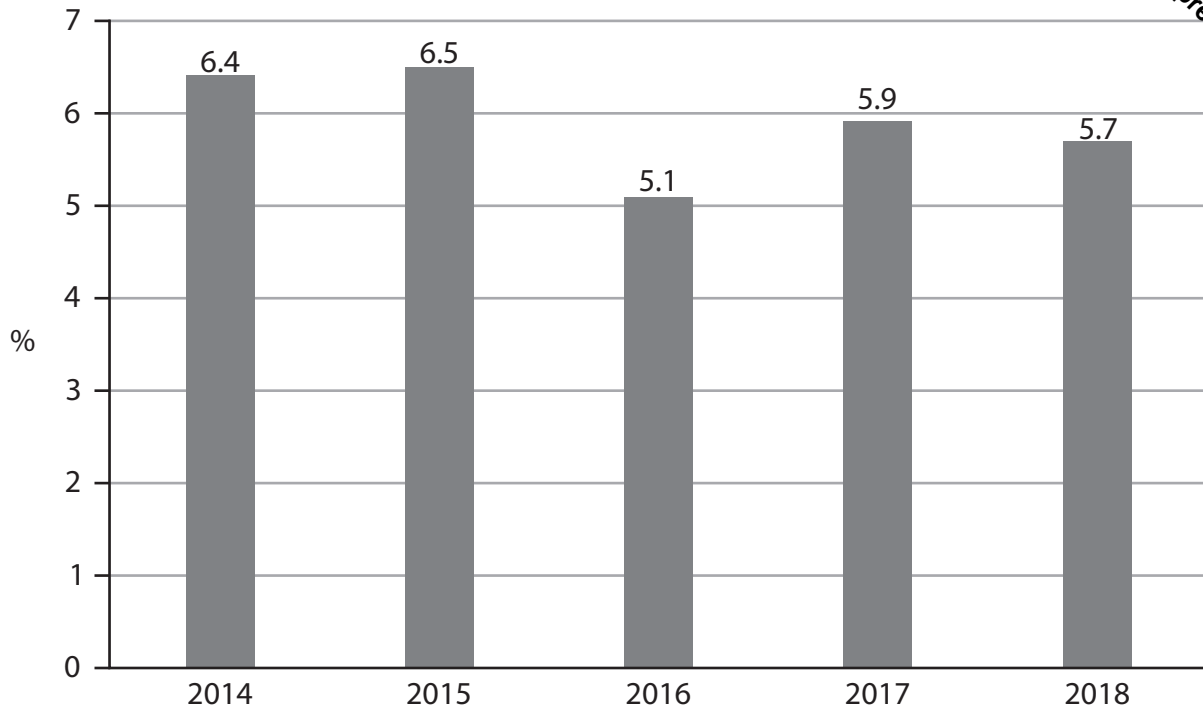


Figure 2 Current account on the balance of payments as a percentage of GDP, 2016–2018

	East African economies
2016	-6.7
2017	-5.4
2018	-5.3

Extract A Rapid growth in East Africa

East Africa was the fastest growing region of Africa in 2018. Increasing commodity prices helped the agricultural and mining sectors contribute most to this growth. Higher foreign direct investment (FDI) in the region also contributed to economic growth. Growth in FDI in 2018 was 67% in Uganda, 27% in Kenya and 18% in Tanzania. Governments in East Africa have been investing in infrastructure, such as roads, seaports and airports.

As a result of rapid economic growth, the rate of inflation increased to 13.1% in 2016 and 14.4% in 2017. Appropriate monetary policy in the region helped the rate of inflation to fall to 8.9% in 2019.

Despite rapid economic growth rates, unemployment remains high. Many consumers struggle to meet their basic needs. The governments of the region have been advised to focus on interventionist supply-side policies. These should include continued investment in infrastructure, improving the health and skills of the labour force and increasing the supply of housing.

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Extract B East African infrastructure investment needed

East African economies have under-invested in infrastructure. The roads in East Africa are in a poor condition. The combination of low speeds and long distances causes high transport costs. Rail transport is poor, which means most goods have to be transported on a congested road system. Funds from China are being used to build two rail routes in the region.

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Inadequate energy supply is the biggest infrastructure problem. East Africa has the lowest energy generating capacity per capita on the continent. Poor energy supply causes blackouts. However, the region has the potential to develop hydro, wind and fossil fuel resources that could increase energy supply.

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The region has the smallest proportion of their population with telephone lines and access to mobile phone networks in Africa. However, recently there has been a high level of investment in telecommunications infrastructure. This will result in significant improvements in communications.

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Acknowledgements

Figure 1, Figure 2 and Extract A and Extract B adapted from 'East Africa Economic Outlook', African Development Bank Group, 2018, <https://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/2018AEO/African-Economic-Outlook-2018-East-Africa.pdf>

'East Africa stays at the top, with foreign inflows at \$4bn, report shows', Njiraini Muchira, 19 June 2019, <https://www.theeastafrican.co.ke/business/East-Africa-foreign-inflows/2560-5163074-emgbyy/index.html>