

economies: Kenya, Ethiopia and Tanzania, accounting for about two-thirds of East Africa's GDP. In Kenya, fiscal balances worsened from a surplus of 0.3 per cent in 2004 to a deficit of -1.8 per cent in 2005; in Ethiopia, the fiscal deficit increased from -3.8 per cent in 2003/04 to -4.8 per cent in 2004/05; while Tanzania's deficit increased from 3.5 per cent in 2004 to 4.8 per cent in 2005. In 2006 and 2007 fiscal deficits tend to stabilize at their 2005 levels with very little adjustment expected to take place.

### Southern Africa

The average fiscal balance of the countries in Southern Africa improved from -1.8 per cent of GDP in 2004 to -0.8 per cent of GDP in 2005, largely reflecting a slight improvement in South Africa's fiscal balance (from a deficit equivalent to 1.5 per cent of GDP in 2004/05 to a deficit of 0.5 per cent in 2005/06) and a major improvement in Angola (from -1.5 per cent in 2004 to 7.5 per cent in 2005), reflecting windfall oil revenues. Excluding Zimbabwe, which plunged deeper into deficit (reaching 16.1 per cent in 2005), there were only small changes in the fiscal balances of the remaining seven Southern African countries, with Malawi, Namibia and Zambia slightly improving their fiscal balances and Botswana, Lesotho, Mozambique and Swaziland experiencing slight deteriorations. The projections for 2006 show an overall marginal improvement in average fiscal balances, with small deteriorations projected for South Africa and improvements projected for Angola and Zimbabwe. There are no major changes projected in the fiscal balances of any of the Southern African countries for 2007.

### Balance of Payments

In 2005, Africa's average external trade balance exhibited a large surplus equivalent to 6.8 per cent of GDP. This overall figure, however, masks large differences among countries. On the one hand, oil-exporting countries recorded a trade surplus of 19.8 per cent in 2005 (up from 14.2 per cent in 2004); on the other hand, the group of non-oil-exporting countries experienced a significant increase in their average trade deficit to 5.6 per cent of GDP in 2005 (up from 4.2 per cent in 2004). These developments in trade balances were also far more homogenous within the group of oil-exporting countries than in the group of non-oil-exporting countries. Among the latter, eight countries improved their trade balances: The Comoros and Namibia slightly and the other six countries (Burundi, Eritrea, Guinea, Mauritania, São Tomé and Príncipe and Seychelles) by more than 4 percentage points as a share of GDP. The surplus in the trade balances of oil-exporting countries is projected to increase slightly in 2006 and then fall moderately in 2007. Meanwhile the average trade deficits of the non-oil exporting countries in 2006 and 2007 are expected to be about the same as in 2005.

Africa's overall balance of payments has benefited from increased foreign direct investment flows and significantly reduced debt service payments in many heavily indebted poor countries (HIPC's) (see details in previous section). As of end-2005, 14 African

Table 4 – Average Ratio of Trade Balance to GDP

Region	1997-2003	2004	2005(e)	2006(p)	2007(p)
Central Africa	11.3	19.7	27.8	28.9	26.3
East Africa	-9.6	-12.3	-14.1	-14.3	-13.5
North Africa	-1.7	3.5	6.9	7.0	5.0
Southern Africa	3.4	2.1	3.7	5.4	6.7
West Africa	7.2	12.9	14.3	12.9	10.3
<b>Total</b>	<b>1.2</b>	<b>4.3</b>	<b>6.8</b>	<b>7.2</b>	<b>6.3</b>
<i>Memorandum items:</i>					
Oil-exporting countries	4.4	14.2	19.8	20.1	18.1
Non oil-exporting countries	-1.8	-4.2	-5.6	-5.7	-5.8

**Note:** Due to lack of data, these aggregates do not include Liberia and Somalia.

**Source:** Authors' (e) estimates; (p) projection.