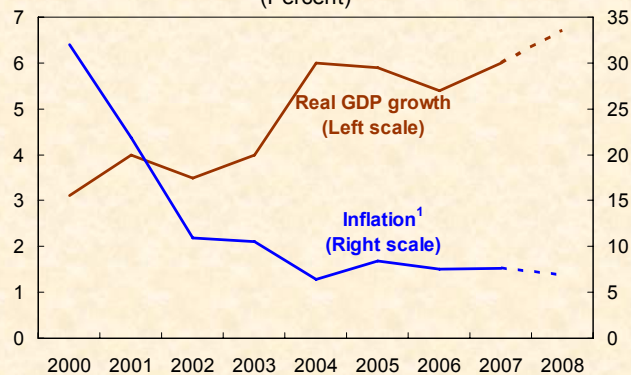


The Economies of Sub-Saharan Africa: Recent Developments and Outlook

Seán Nolan
African Department
International Monetary Fund

Robust economic performance

SSA Growth and Inflation
(Percent)

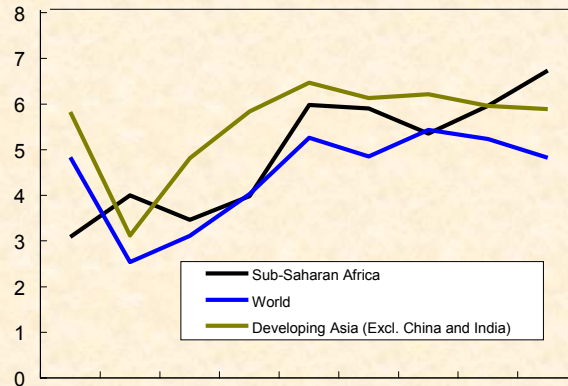


Source: IMF, World Economic Outlook; and IMF African Department database.

¹ Excludes Zimbabwe.

... with some improvement in relative performance

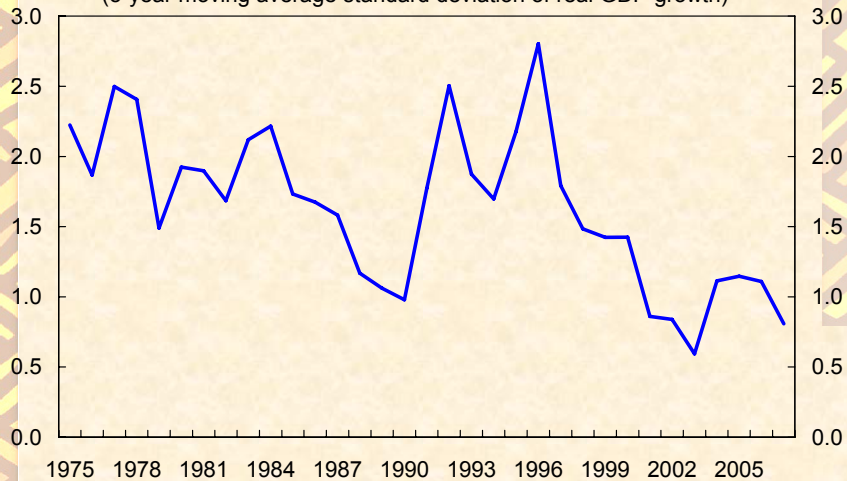
A Comparison of Real GDP Growth
(Percent)



Sources: IMF, *World Economic Outlook*; and IMF, African Department database.

.. and with growth volatility close to historic lows

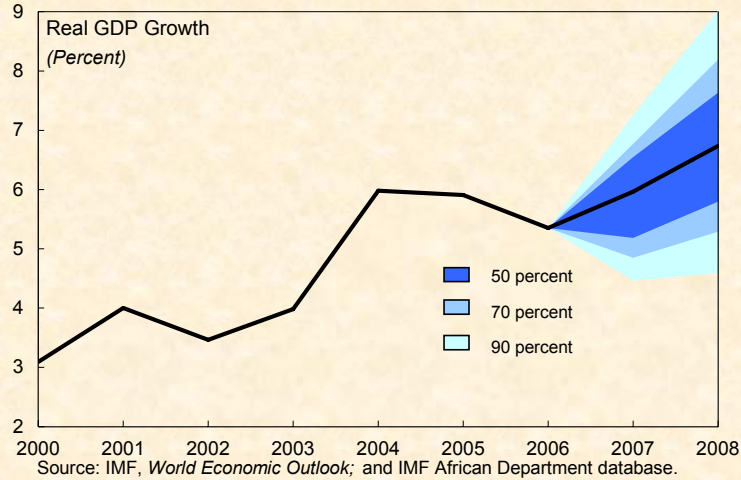
Sub-Saharan Africa: Growth Volatility
(5-year moving average standard deviation of real GDP growth)



Source: IMF, African Department database.

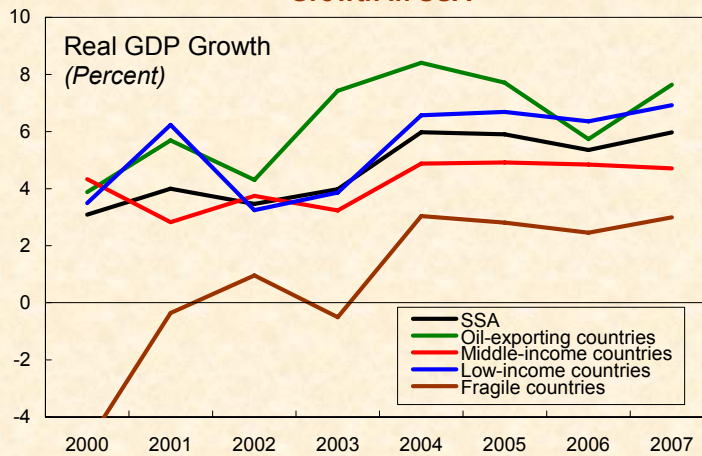
Some risks to the near-term outlook, given global financial market turbulence

Growth Prospects in SSA¹

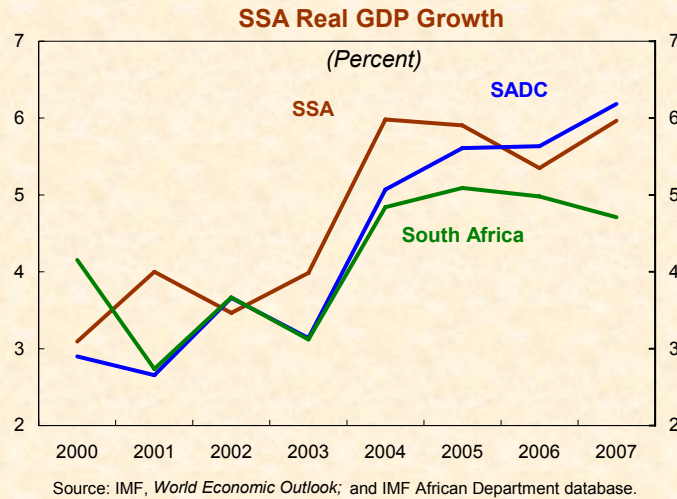


The Economic Expansion Cuts Across Countries

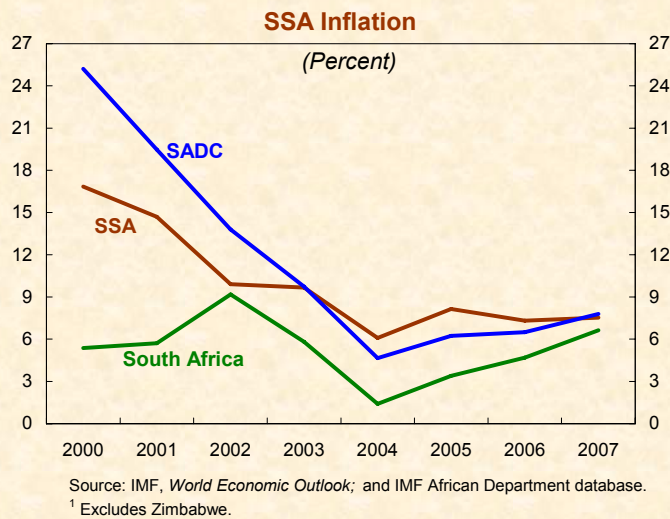
Growth in SSA



and Southern Africa is no exception.. (1)



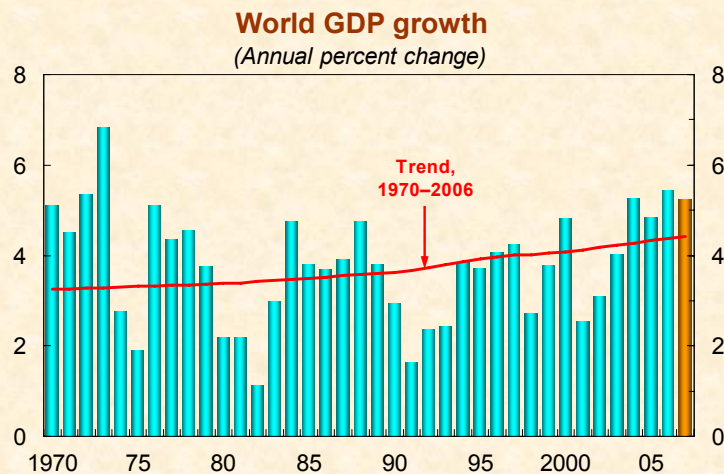
and Southern Africa is no exception.. (2)



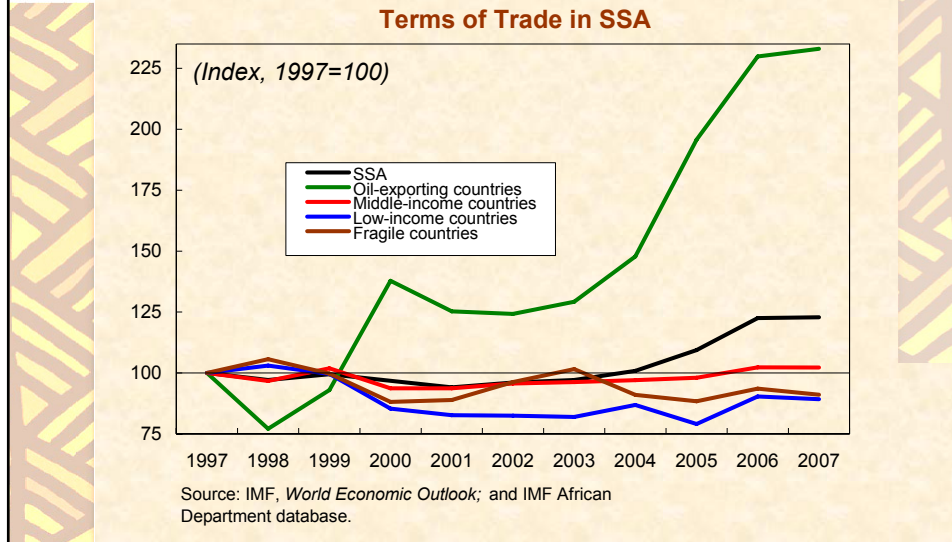
What have been the drivers of improved economic performance?

- Benign global environment
- Favorable terms of trade for some – but many have done well without this boost
- Reduced conflict/improved political stability
- Stronger domestic policy frameworks

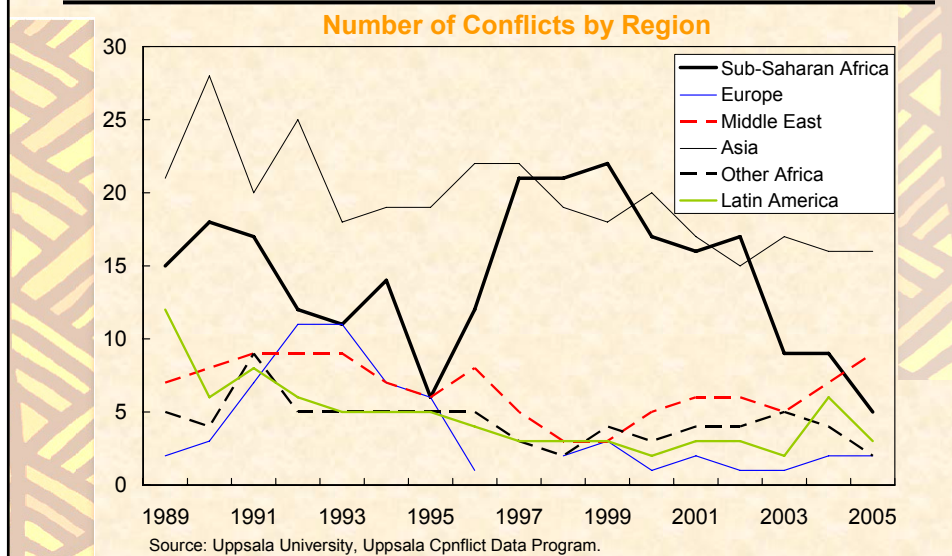
1. A benign global environment ...



#2. Favorable terms of trade -- for some but not all



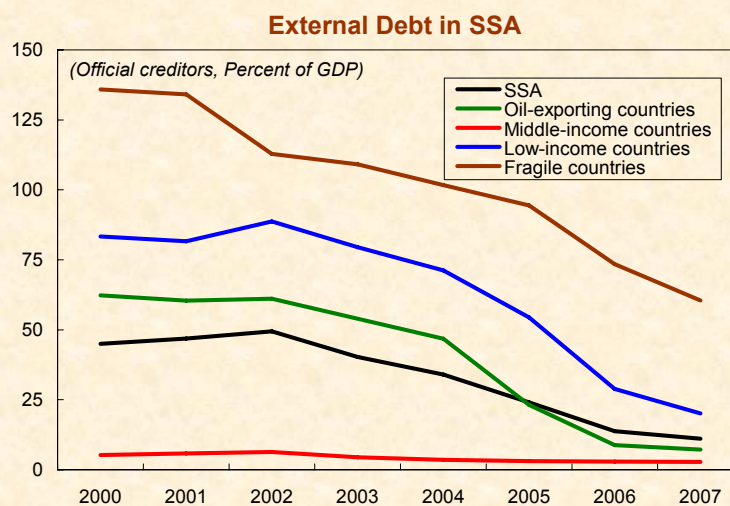
#3. Declining incidence of conflict



#4. Improving fundamentals

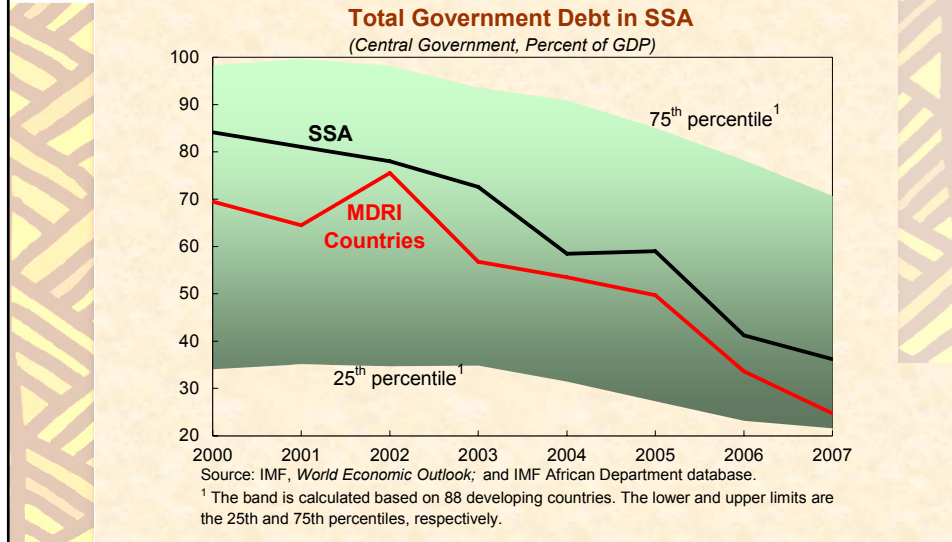
- Falling external debt burden
 - Falling public debt burden
 - Better use of revenue windfalls in resource-rich economies
 - And more fiscal space in many low-income countries
- ➔ Growth momentum can be sustained

The external debt burden has fallen



Source: IMF, *World Economic Outlook*; and IMF African Department database.

... as have overall budgetary debt levels



Making fiscal space: case studies

Sources and Uses of Fiscal Space, 2000-2006		
(Percent of GDP)		
	Average-5 ^{1/}	South Africa
Source of fiscal space		
Domestic contribution	5.5	5.7
Revenues	2.3	5.9
Domestic interest payments	3.1	4.8
Domestic financing (net)	1.0	2.0
External contribution	-1.7	-0.8
Grants	3.1	-0.2
External financing (net)	1.7	0.0
		-0.2
Use of fiscal space		
Wages	5.5	5.7
Other current spending	1.0	-0.8
Development expenditures		
Memorandum item:		
Pro-poor spending	5.0	n.a.

Source: IMF staff calculations.
^{1/} Equals the average for 5 countries -- Ghana, Malawi, Rwanda, Tanzania, and Uganda

-
- So there are solid grounds for believing that recent strong performance can be sustained
 - And there is enormous scope for catch-up in the low-income countries

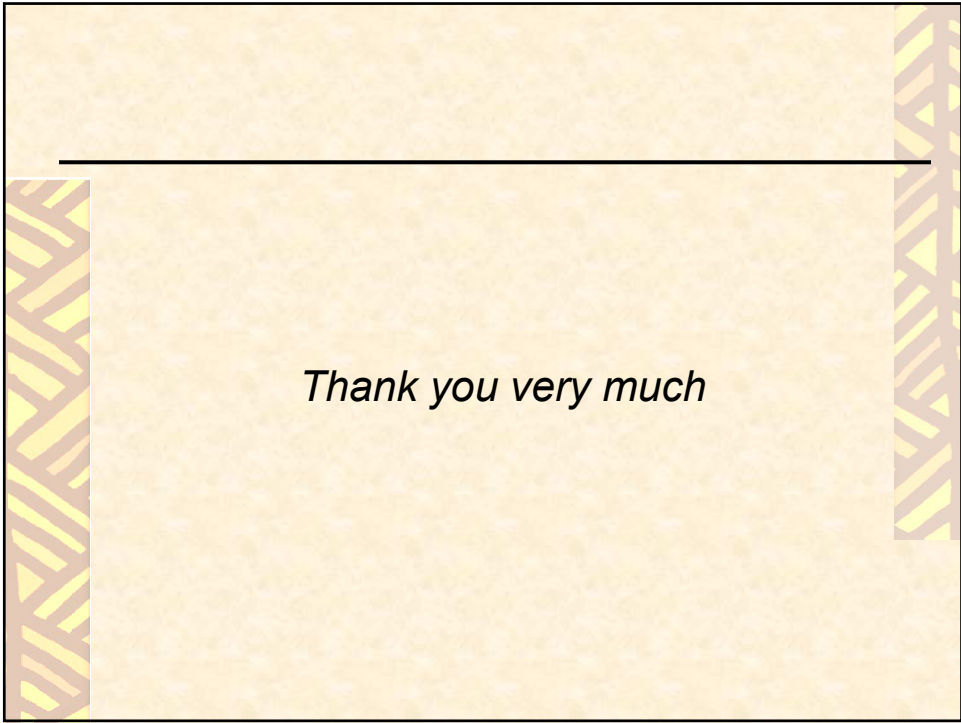
But fundamental and deep-rooted challenges remain

1. Maintaining solid macroeconomic policy frameworks
2. Boosting non-traditional exports, notably of manufactures
3. Enhance the investment climate/reduce the cost of doing business
4. And delivering adequate public services – health, education, infrastructure

And one must keep in mind the striking diversity of Sub-Saharan Africa – measured by such factors as income levels, resource endowments, political stability, location, etc.

A valuable resource

- A twice-yearly review of economic developments in SSA:
*Regional Economic Outlook:
Sub-Saharan Africa*
- Available at www.imf.org



Thank you very much