



AFRICAN DEPARTMENT

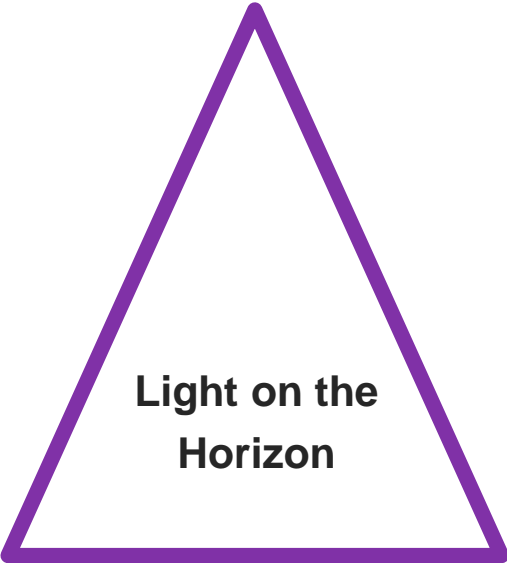
LIGHT ON THE HORIZON?

**PRESENTATION OF THE OCTOBER 2023 REGIONAL
ECONOMIC OUTLOOK FOR SUB-SAHARAN AFRICA**

SAIIA AND WITS UNIVERSITY, JOHANNESBURG

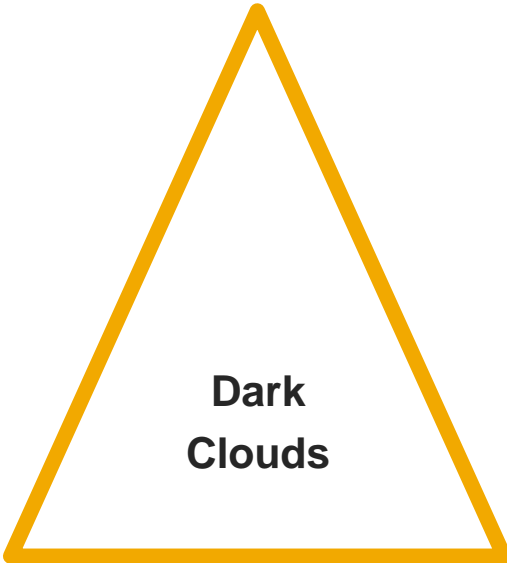
LUC EYRAUD (CHIEF OF REGIONAL STUDIES, IMF)

Key Messages



Light on the Horizon

- 2024 recovery
- Improving external conditions
- Declining macro imbalances



Dark Clouds

- Funding squeeze persists
- Inflation still high
- Economic divergence



Downside Risks

- Volatile commodity prices
- China slowdown
- Political instability
- Climate change



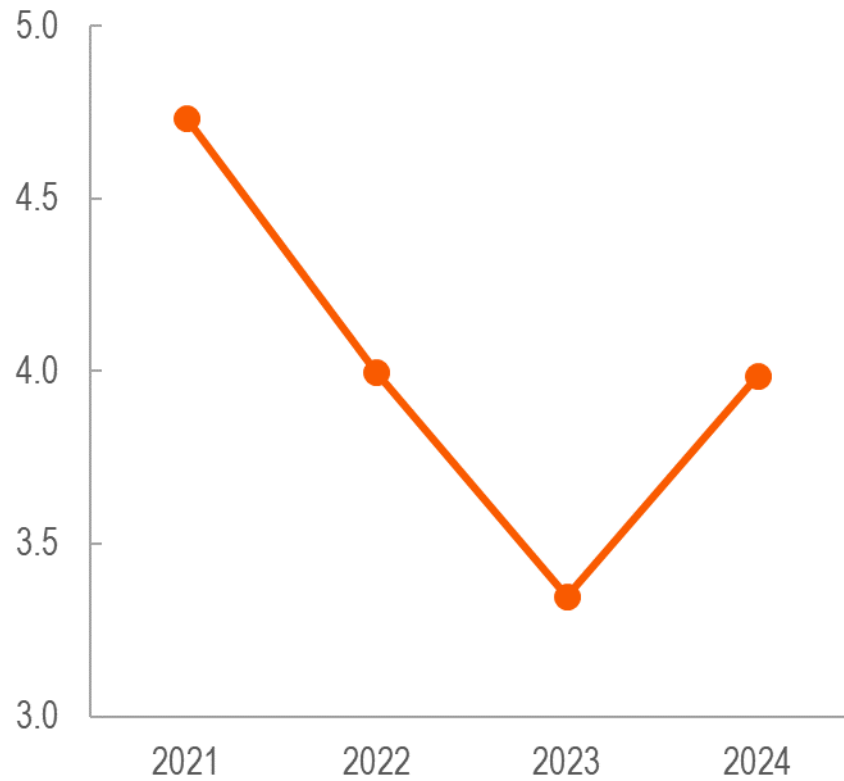
Policy Actions

- Pause monetary policy tightening
- Let exchange rate depreciate
- Reduce debt vulnerabilities
- Accelerate structural reforms

A glimpse of sunshine

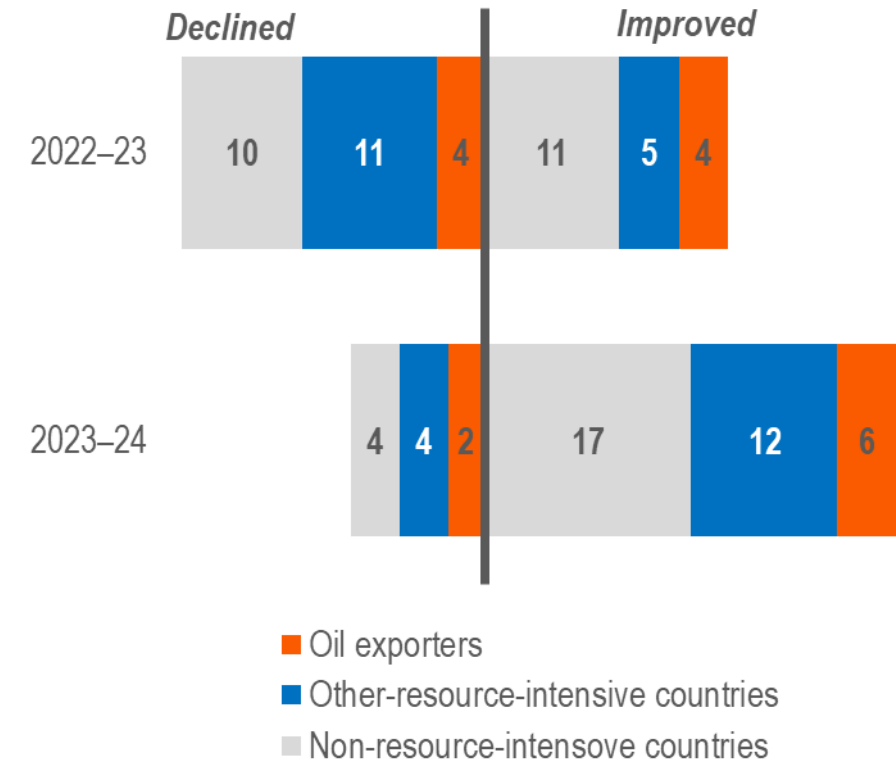
1. After a difficult 2023, a long-awaited rebound is on the horizon...

Sub-Saharan Africa: Real GDP Growth
(Percent)



Source: IMF, World Economic Outlook database.

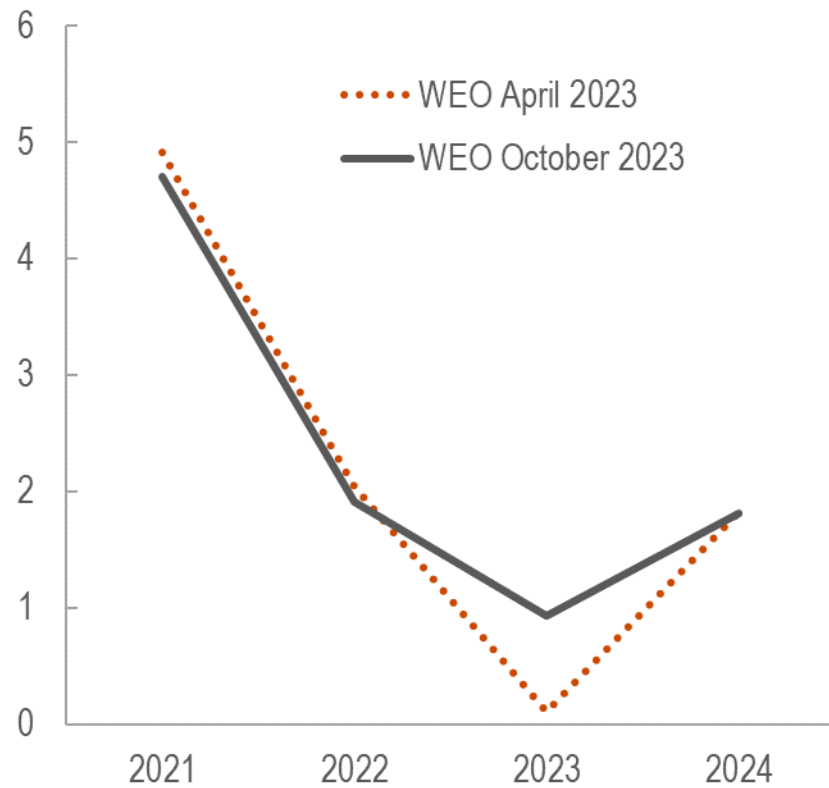
Real GDP Growth, 2022–24
(Number of countries)



Source: IMF, World Economic Outlook database.

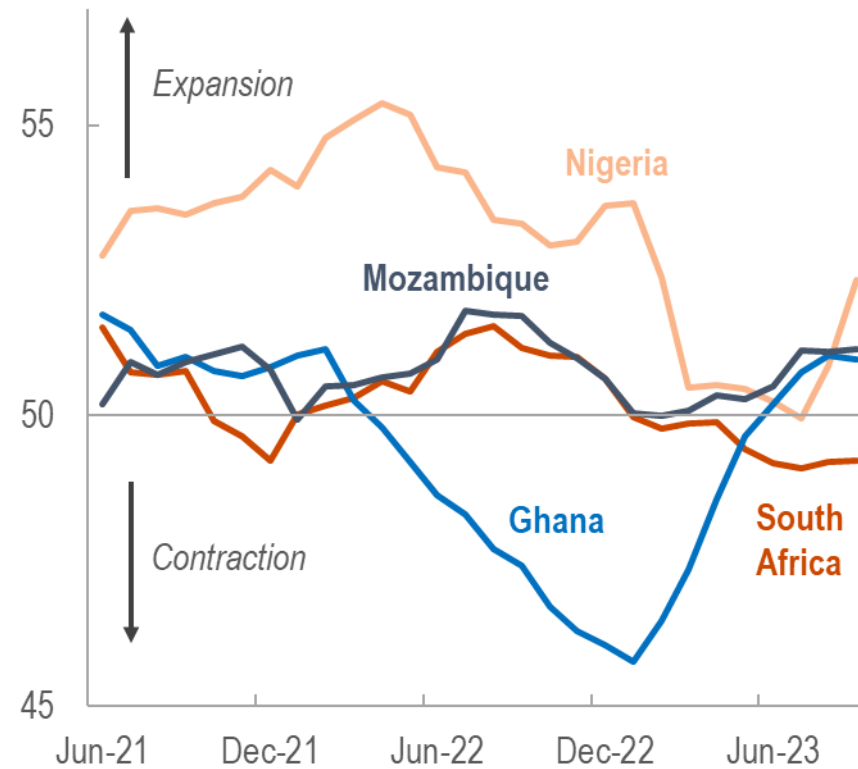
... with some economies showing already signs of improvement.

South Africa: Real GDP Growth Revisions (Percent)



Source: IMF, World Economic Outlook database.

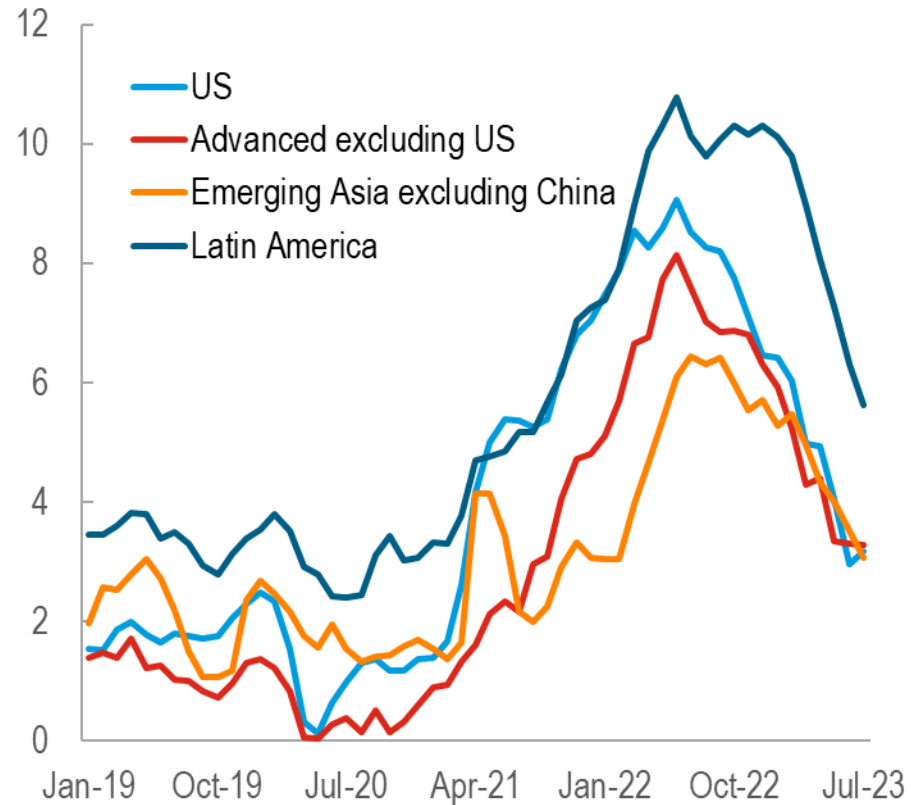
Selected Countries: Purchasing Managers Index (Seasonally adjusted, 6-month moving average, index, 50+ = expansion)



Source: Haver Analytics.

2. External financial conditions are normalizing...

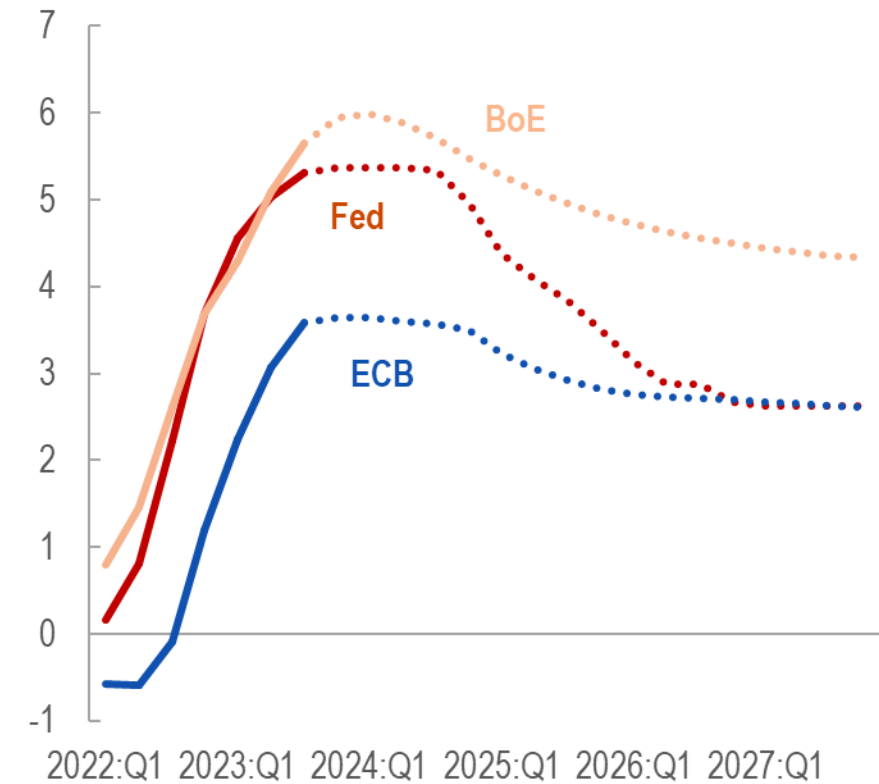
Selected Regions: CPI Inflation
(Percent change year-over-year, median)



Sources: Haver Analytics; and IMF Staff calculations.

Note: Advanced economies includes Canada, Euro area, Japan, South Korea, and United Kingdom; Emerging Asia includes India, Indonesia, Malaysia, Philippines, and Thailand; Latin America includes Brazil, Chile, Colombia, and Mexico.

Selected Advanced Economies: Policy Rates
(Percent)



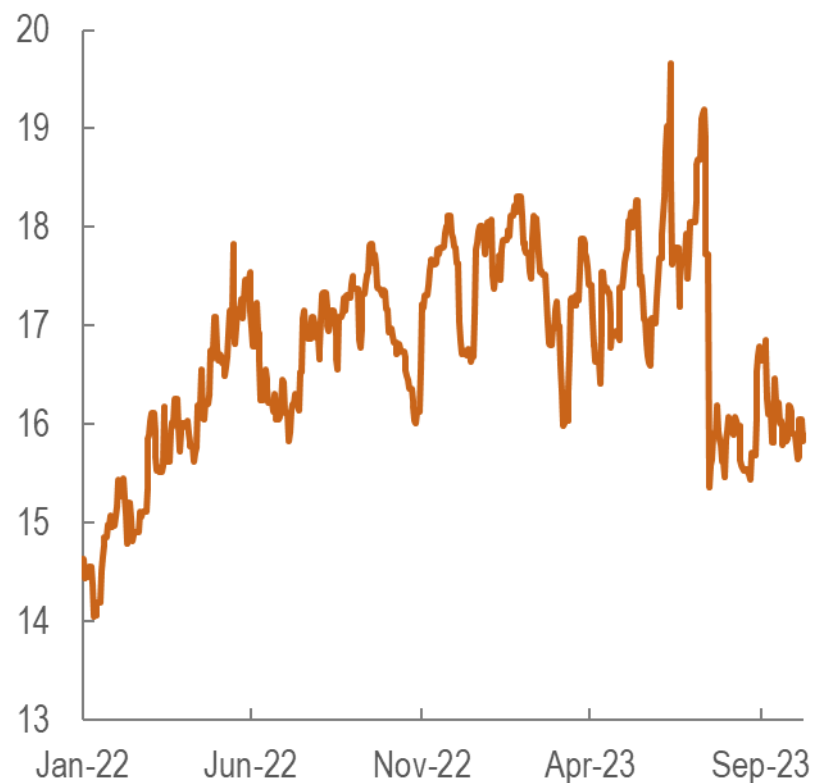
Source: IMF, World Economic Outlook database.

Note: Dots represent October 2023 WEO projections based on market expectations at end-September.

... and international food prices are declining.

Commodity Prices: Rice, January 2022–October 2023

(US dollars per CWT)



Source: Bloomberg, L.P.
Note: Data up to October 10, 2023.

Commodity Prices: Cereals, January 2022–October 2023

(US dollars per bushel)

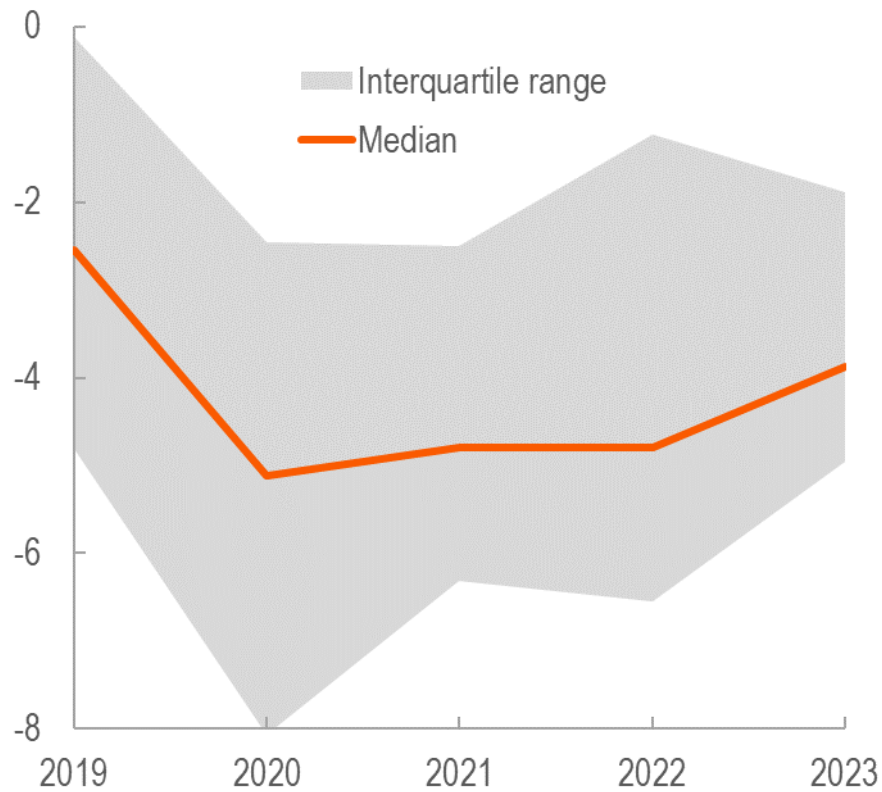


Source: Bloomberg, L.P.
Note: Data up to October 10, 2023.

3. Domestic imbalances recede, with debt stabilizing...

Sub-Saharan Africa: Fiscal Balance Including Grants 2019–23

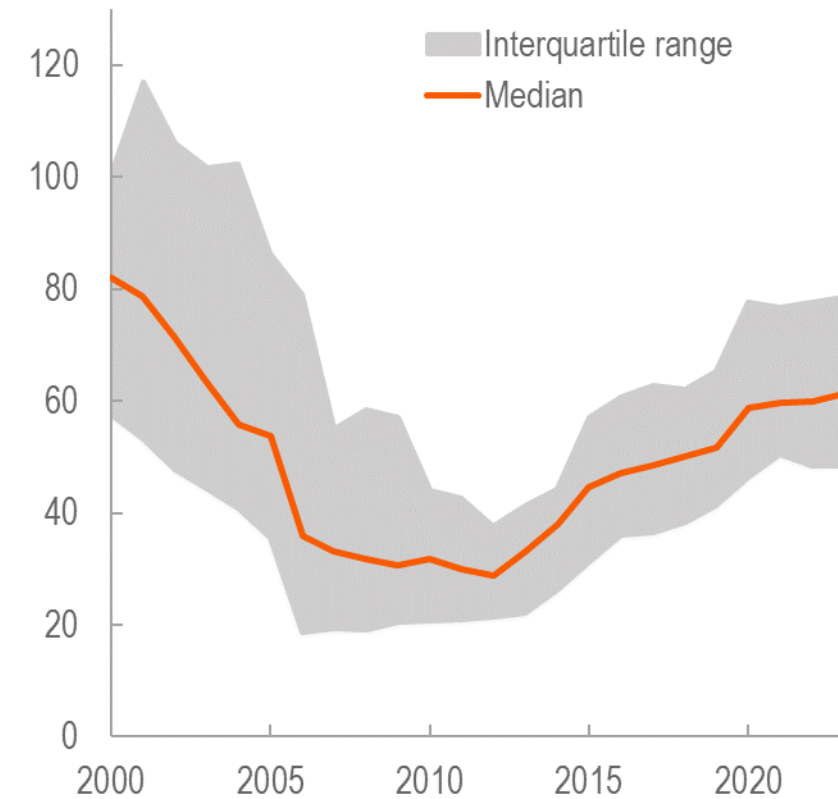
(Median, percent of GDP)



Source: IMF, World Economic Outlook database.

Sub-Saharan Africa: Total Public Debt 2000–23

(Median, percent of GDP)

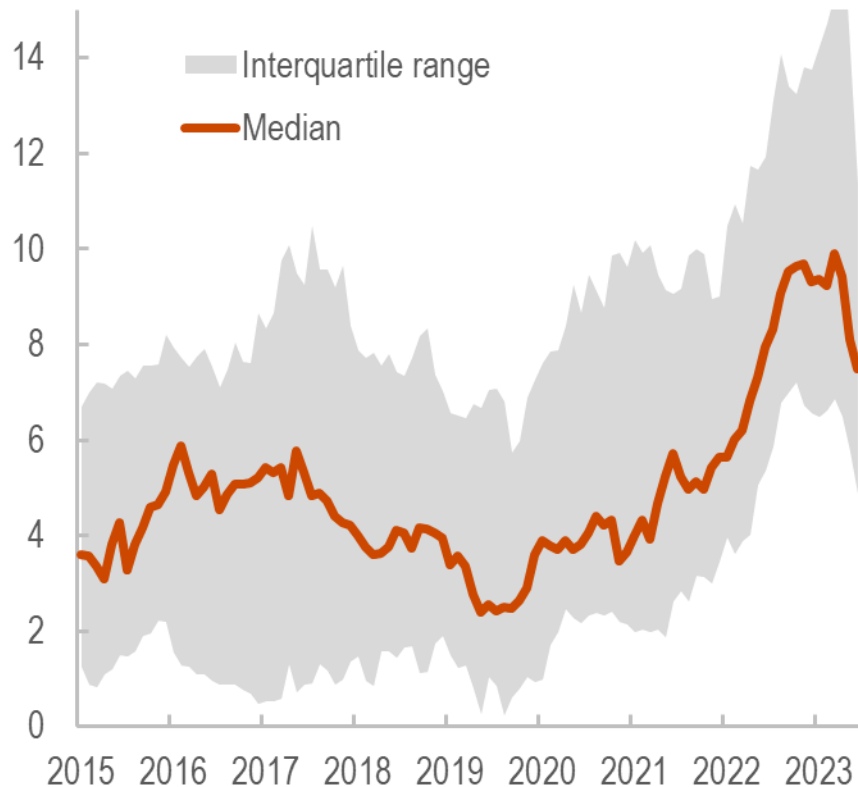


Source: IMF, World Economic Outlook database.

... and inflation coming down

Sub-Saharan Africa: Headline Inflation, 2015–23

(Percent)



Sources: Haver Analytics; Country authorities; and IMF staff calculations.

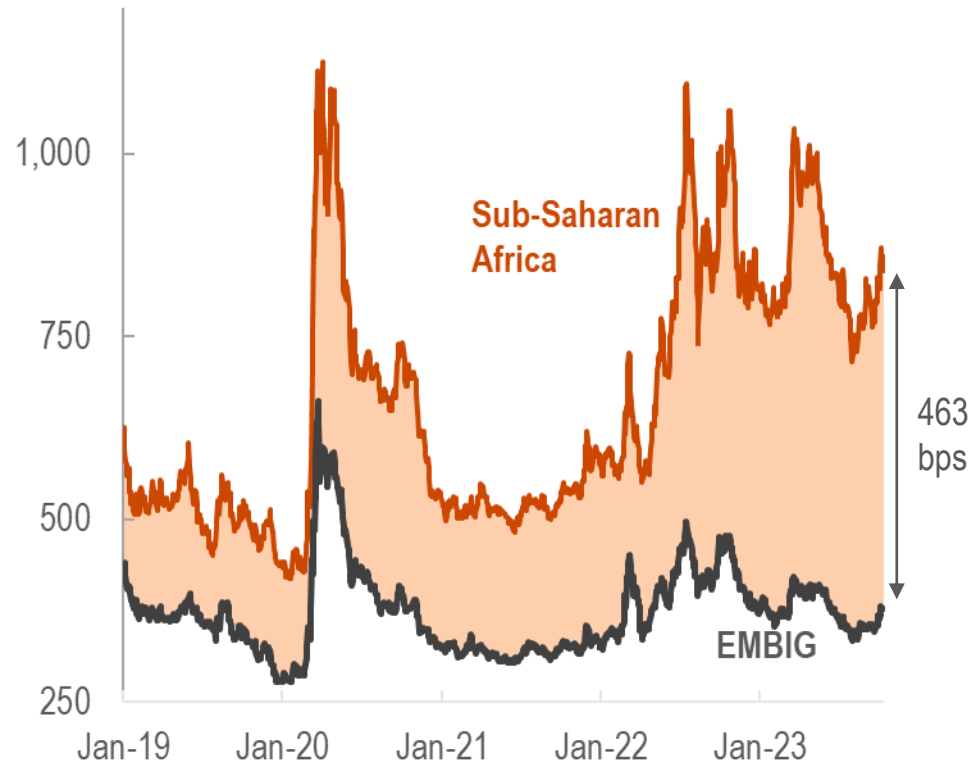
- **Median SSA inflation** has dropped by almost 3 pts...
- ...**helped by** the decline in international food prices, easing of supply chain constraints, and monetary policy tightening

Still, dark clouds remain

1. The funding squeeze is not yet over, ...

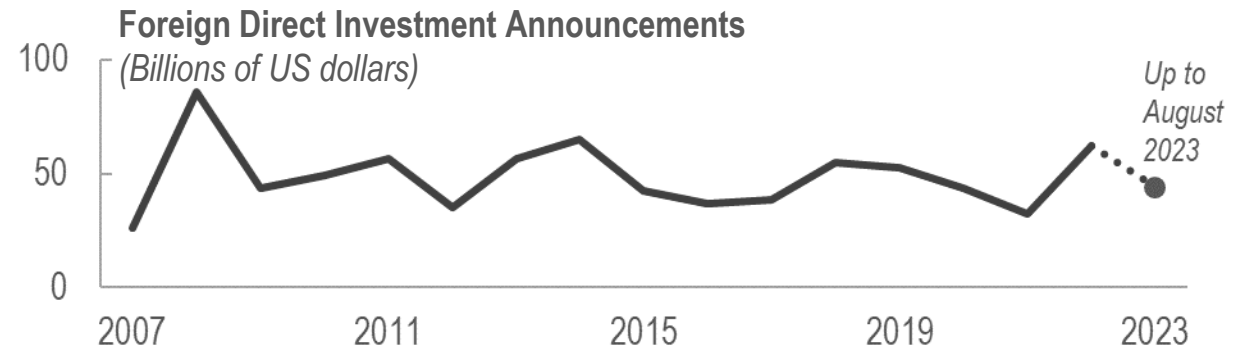
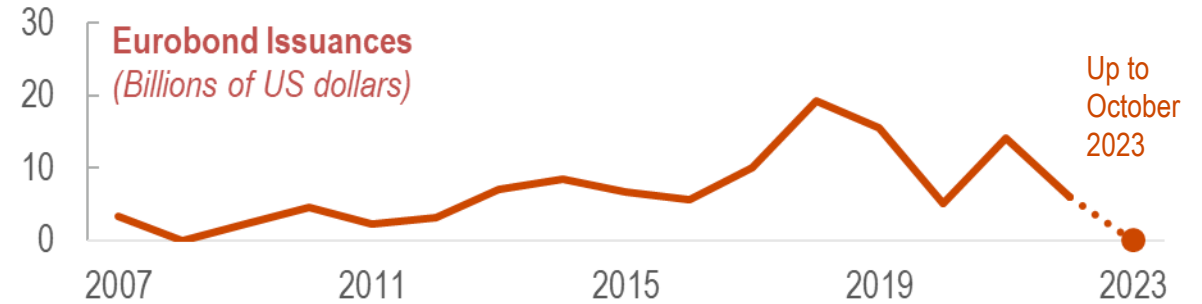
Sub-Saharan Africa: International Sovereign Spreads, 2019–23

(Basis points, simple average)



Source: Bloomberg Finance, L.P.; and IMF staff calculations.

Note: Sub-Saharan Africa includes Angola, Côte d'Ivoire, Gabon, Ghana, Kenya, Mozambique, Namibia, Nigeria, Senegal, South Africa. EMBIG = Emerging Market Bond Index Global. Data up to October 10, 2023.

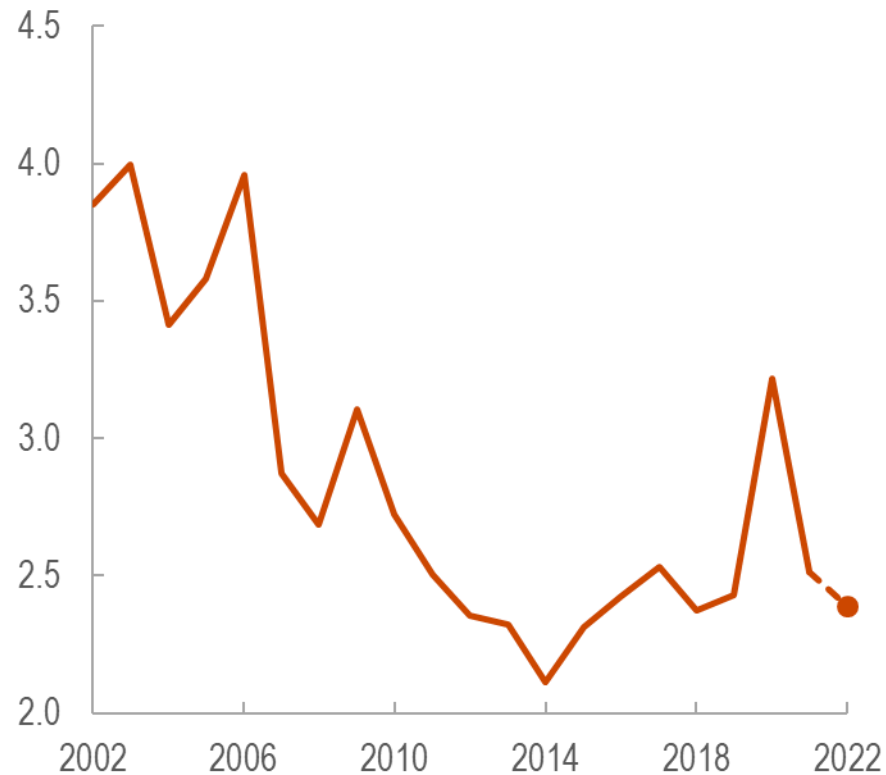


Sources: EPFR; fDi Markets; and IMF staff calculations.

... adding to a long-term trend of declining official flows.

Sub-Saharan Africa: Official Development Assistance, 2002–22

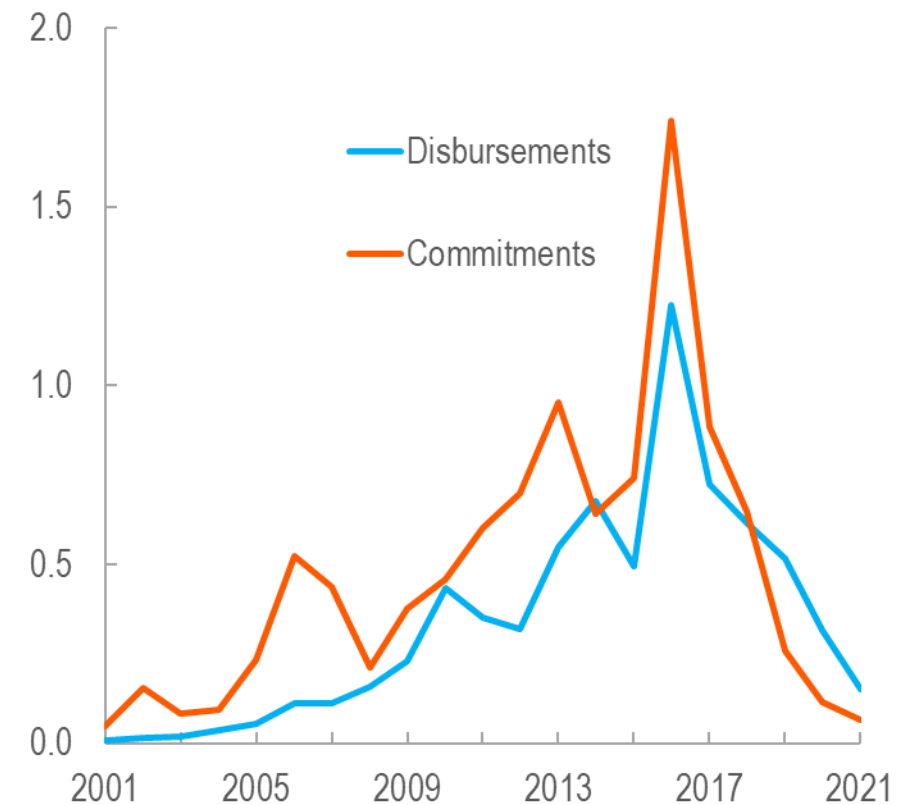
(Percent of GDP)



Source: OECD; and IMF, World Economic Outlook database.

Lending from China to Sub-Saharan Africa, 2001–21

(Percent of GDP)



Sources: Boston University, Chinese Loans to Africa database; World Bank, International Debt Statistics database; and IMF, World Economic Outlook database.

Note: Aggregate GDP for sub-Saharan Africa excludes South Sudan.

2. Food inflation remains elevated, aggravating food insecurity

Sub-Saharan Africa: Median Food Price Inflation, 2002–23

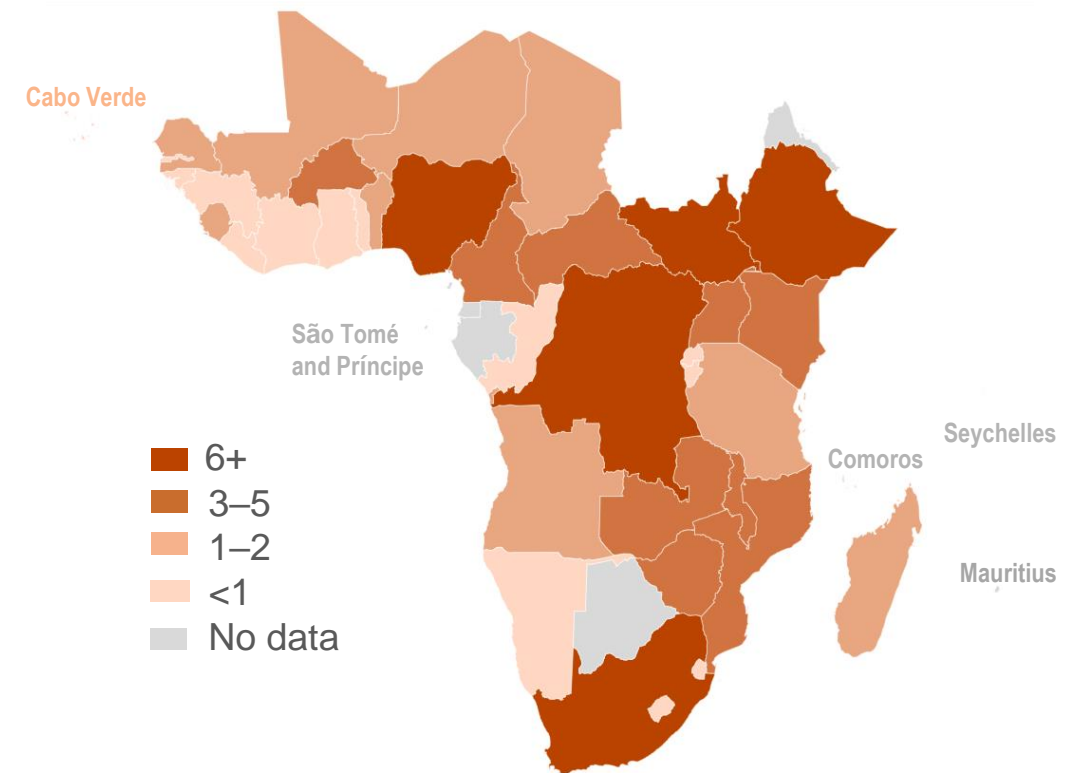
(Percent, year-on-year)



Sources: Haver Analytics; country authorities; and IMF staff calculations.

Sub-Saharan Africa: Acute Food Insecurity, 2023

(Millions of people)

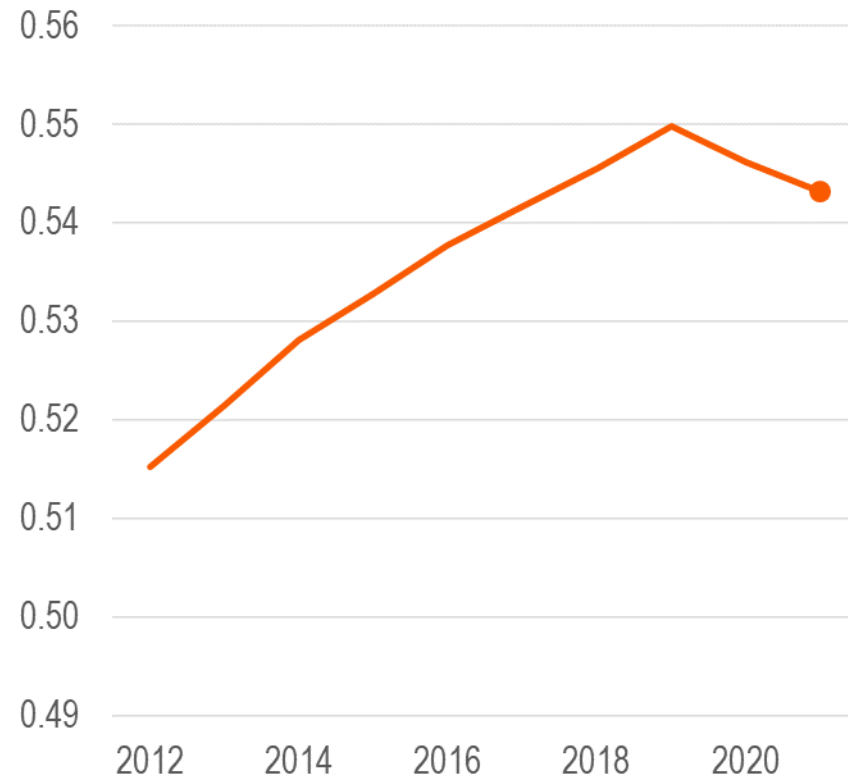


Sources: Global Network Against Food Crisis (2023); and IMF staff calculations.

3. Cascading shocks have stalled development,...

Sub-Saharan Africa: Average Human Development Index, 2017–21

(Units)



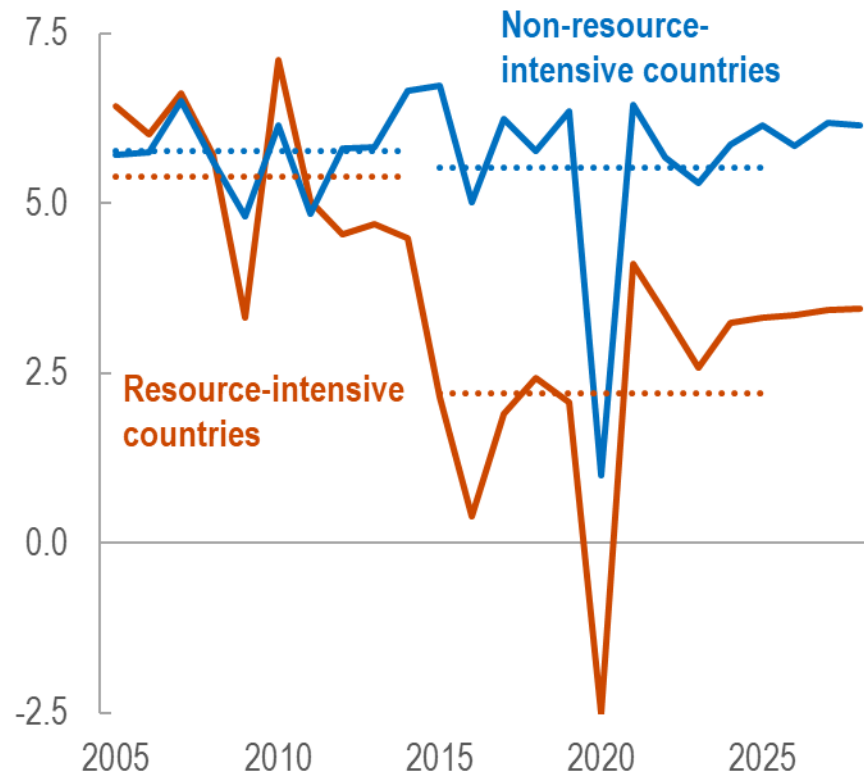
Sources: UNDP; and IMF staff calculations. Simple average across countries.

- Progress in human development has **reversed** since the pandemic
- High prevalence of **poverty: one third of SSA population** lives with less than \$2.15 a day.

... and growth divergence continues.

Sub-Saharan Africa: Real GDP Growth, 2005–28

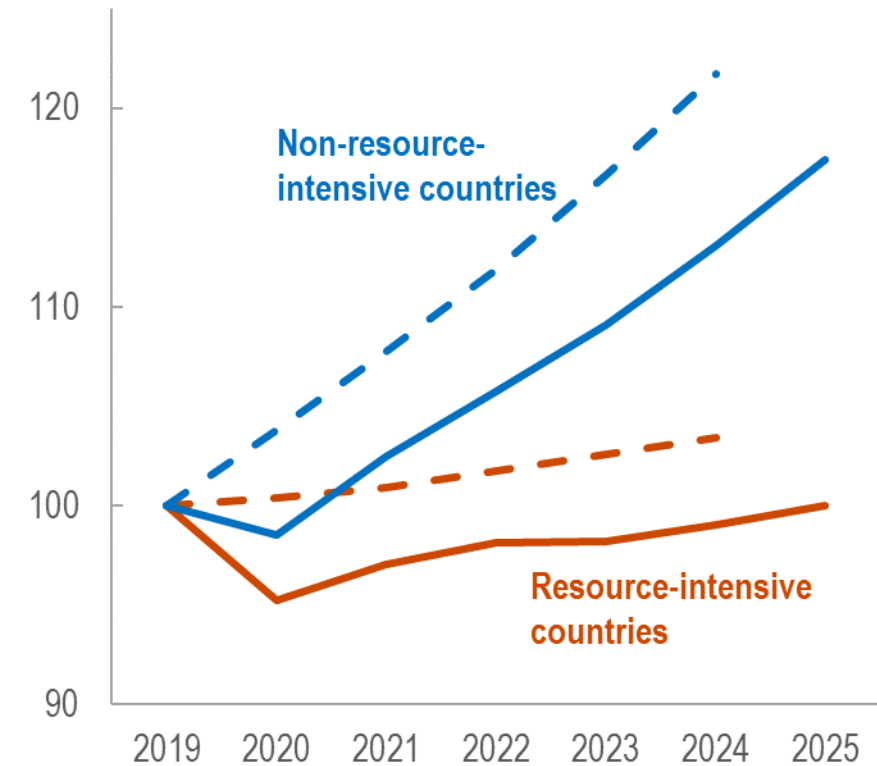
(Percent, dotted lines = weighted average)



Source: IMF, World Economic Outlook database.

Sub-Saharan Africa: Real GDP Per Capita, 2019–25

(2019 = 100, dashed lines indicate pre-crisis baseline)



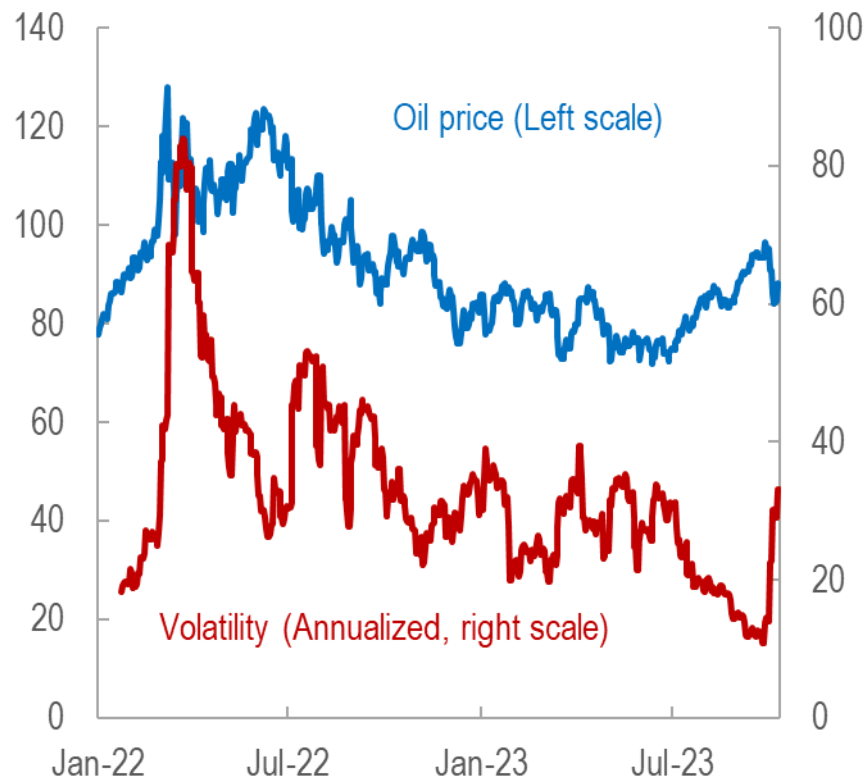
Source: IMF, World Economic Outlook.

A turbulent road ahead

Commodity prices are volatile

Brent Oil Price, January 2022–October 2023

(Dollars per barrel)



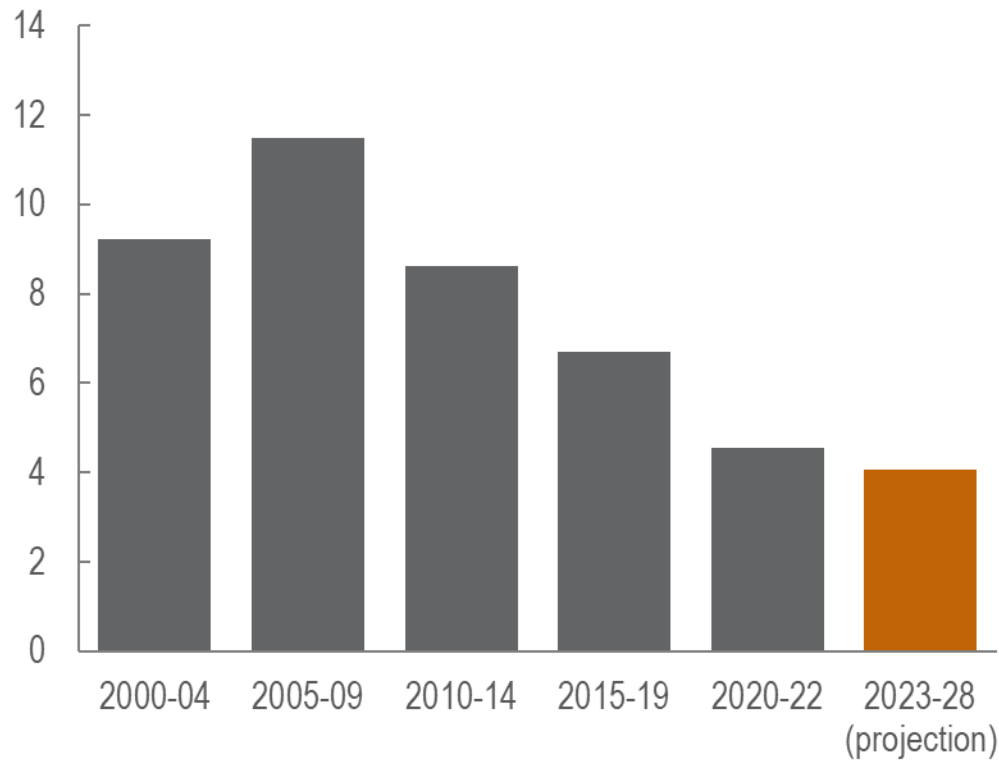
Source: Bloomberg, L.P.

Note: Data up to October 10, 2023. Volatility is computed as the annualized standard deviation of the daily returns over a 22-day rolling window.

- Commodity prices continue to be highly volatile
- Baseline oil prices projected to be stable in 2024...
- ...but risks could surprise both on the upside and downside

China's growth is slowing down

China: Average annual growth rate, 2000–28
(Percent)



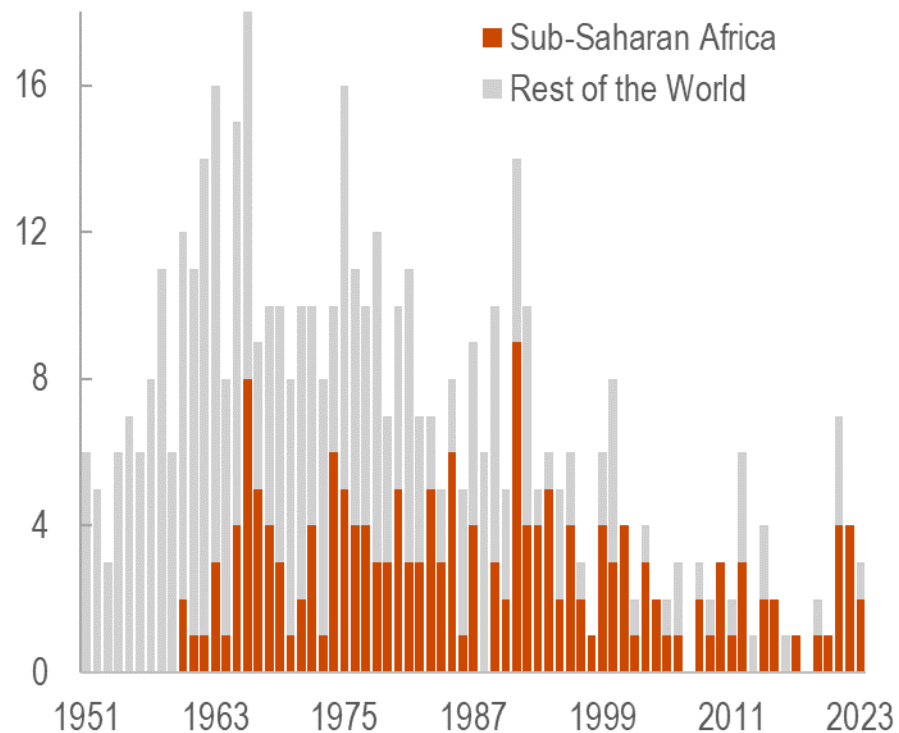
Sources: IMF, World Economic Outlook database.

- China's economic **slowdown** is underway
- SSA's exports, inward FDI, and financing are at risk
- A 1 percentage point decline in China's GDP growth rate could cause a 0.25 percentage point decline in SSA GDP growth in the first year

Political instability is on the rise

Coup Attempts, 1970–2023

(Number of events)



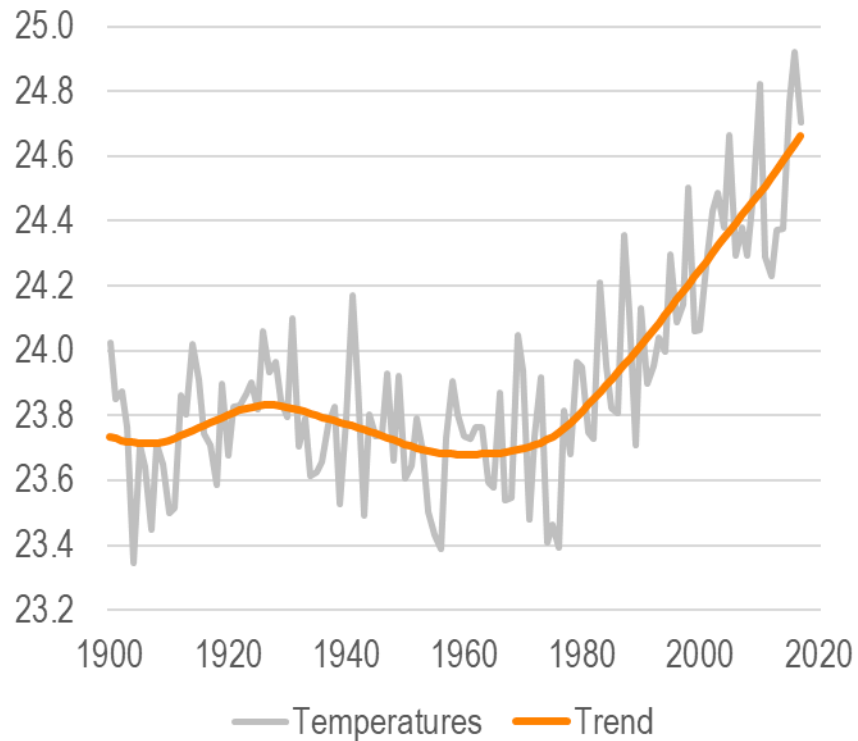
- 40 percent of the region's countries are fragile or in conflict
- 11 coups and coup attempts since 2020
- Increased fragility leaves countries more vulnerable to macroeconomic shocks.

Sources: Powell database (2023); and IMF staff calculations.

Note: Data as of September 21, 2023.

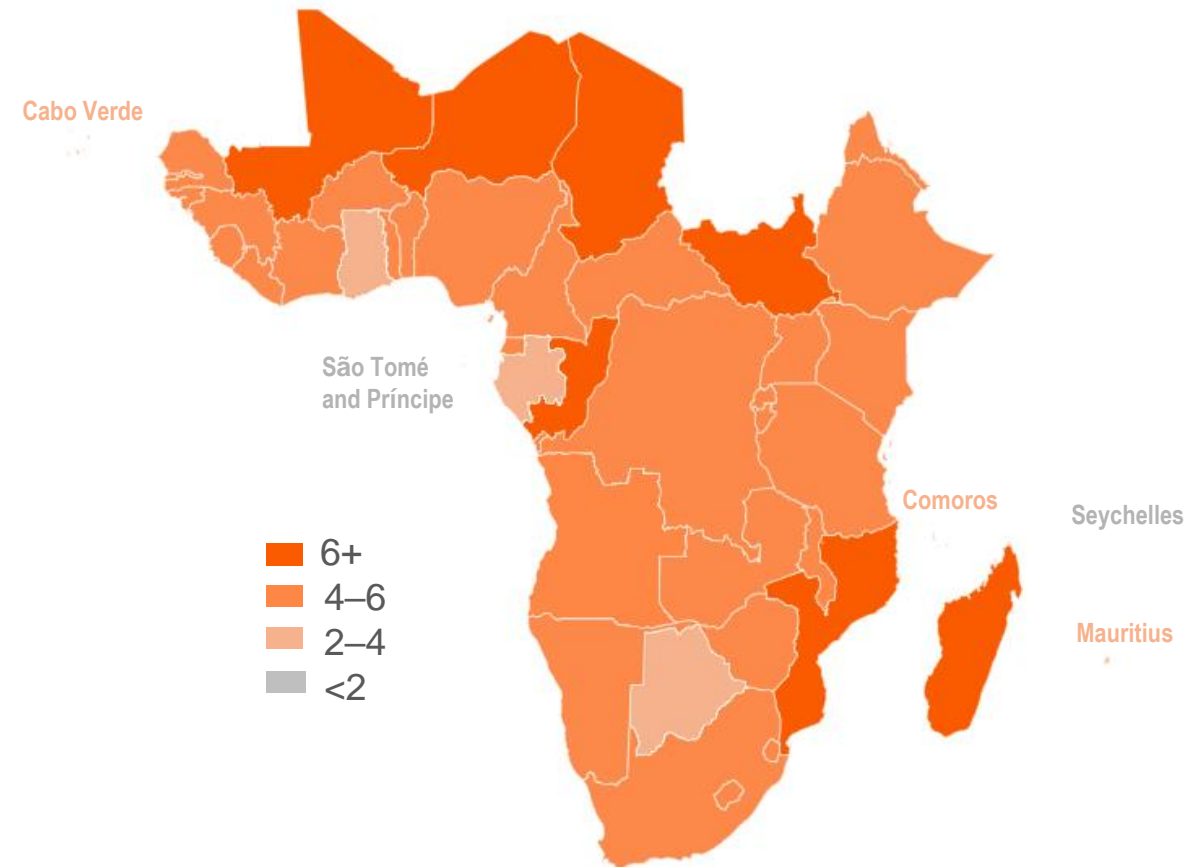
Climate change poses new risks to the region

SSA: Average Temperature, 1900-2017
(Degree Celsius)



Sources: Willmott and Matsuura; and IMF staff calculations.
Note: Trend obtained using the HP filter. Simple average across countries of monthly temperatures.

Degree of Climate-driven Risk, 2022
(Index, 0–10 highest)



Sources: European Commission Disaster Risk Management Knowledge Centre, INFORM Climate Change Tool; and IMF staff calculation.
Note: The Climate-driven INFORM Risk has three dimensions: climate-driven hazard & exposure, vulnerability, and lack of coping capacity.

Policy priorities for a strong recovery



Monetary Policy



Exchange Rate Policy



Fiscal Policy

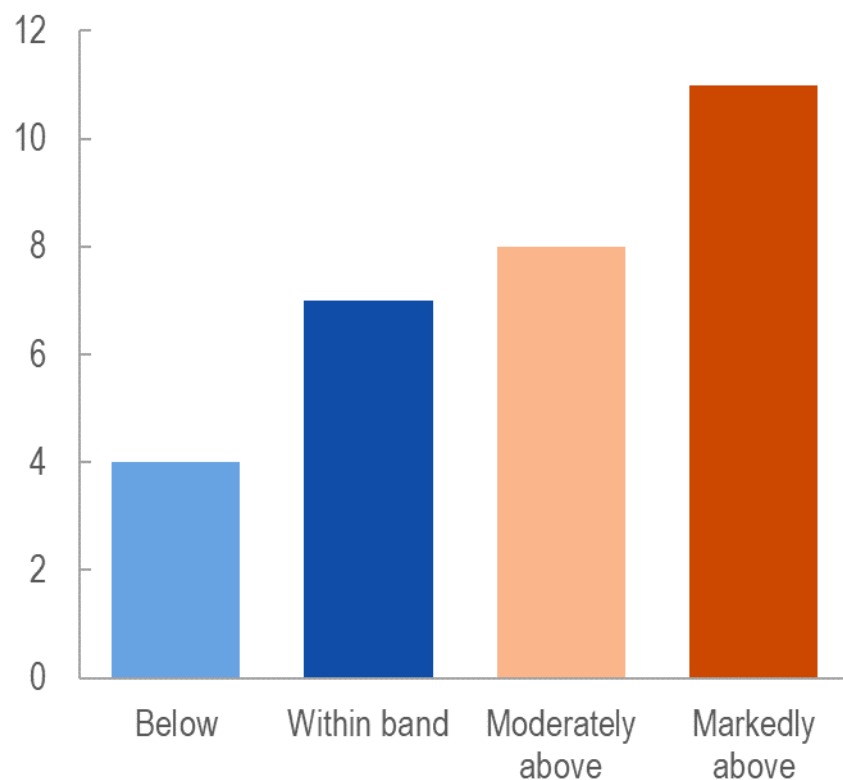


Structural Reforms

1. Inflation is easing but not everywhere...

Sub-Saharan Africa: Actual versus Target Inflation

(Number of countries, As of July 2023)



Source: IMF staff calculations.

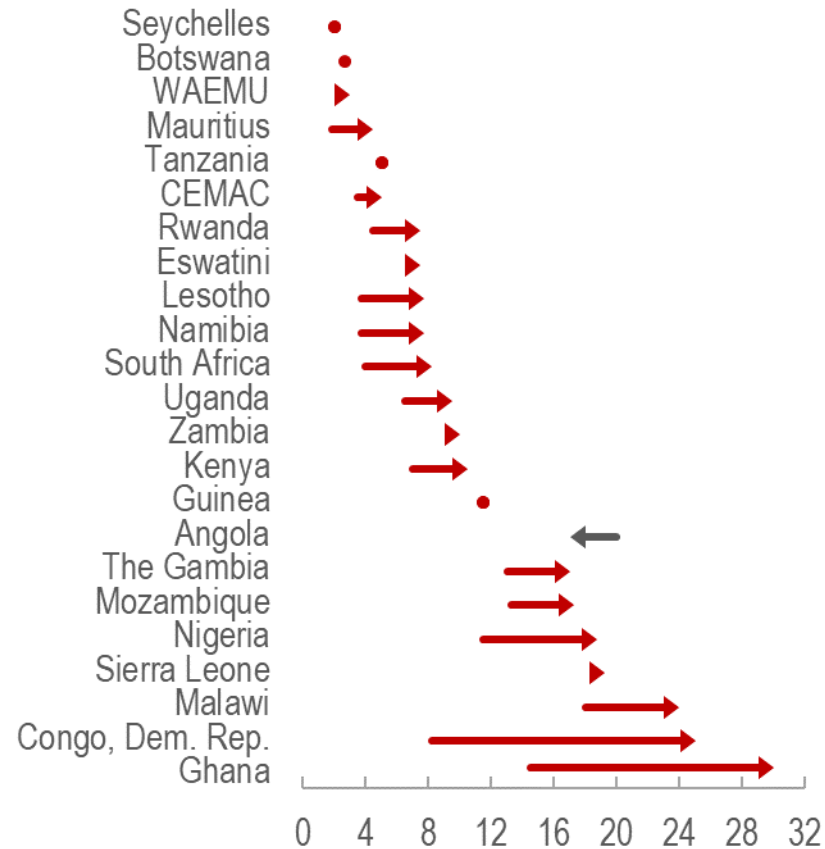
Note: Sample of 30 countries available as of July 2023. Moderately above = between the upper bound of band and twice the upper bound. Markedly above = exceeding twice the upper bound of band.

- Relative to central banks' targets, **inflation remains elevated**
- **Two thirds of the countries** (with inflation target) experiencing above-target inflation
- One third of countries with double digit inflation

... thus, monetary policy must adapt to different contexts.

Policy Rate Change

(Percent, Change from Jan. 2022 to Aug. 2023)



Source: Haver Analytics; and IMF, International Financial Statistics.

Note: Dots indicate no change.

Monetary policy orientation likely to be more challenging

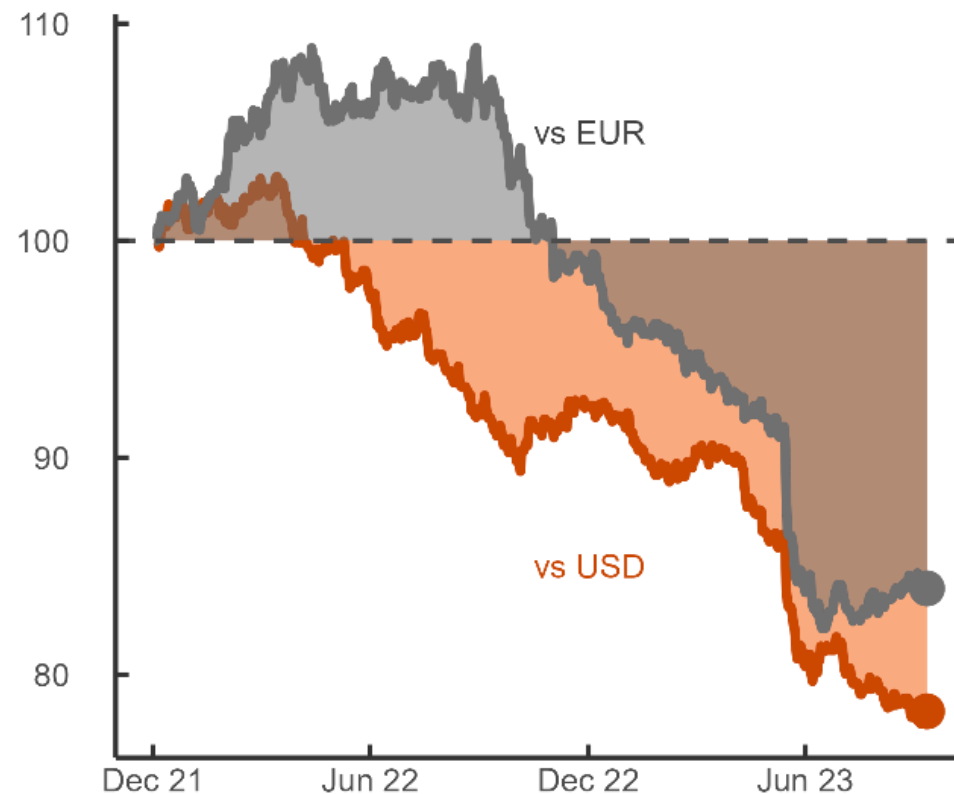
For countries with:

- still-elevated or rising inflation, further tightening is warranted
- falling inflation, a “pause” is appropriate
- near-target inflation, gradually ease to a more neutral stance

2. Countries continue to face elevated exchange rate pressures,

Sub-Saharan Africa: Exchange Rates, 2021-2023

(Trade weighted index, Dec 31 2021 = 100)



- Exchange-rate **pressures continue**
- “Higher-for-longer” global interest rates and better-than-expected US growth outcomes **strengthen the US dollar**
- FX-denominated **debt service burden** increases

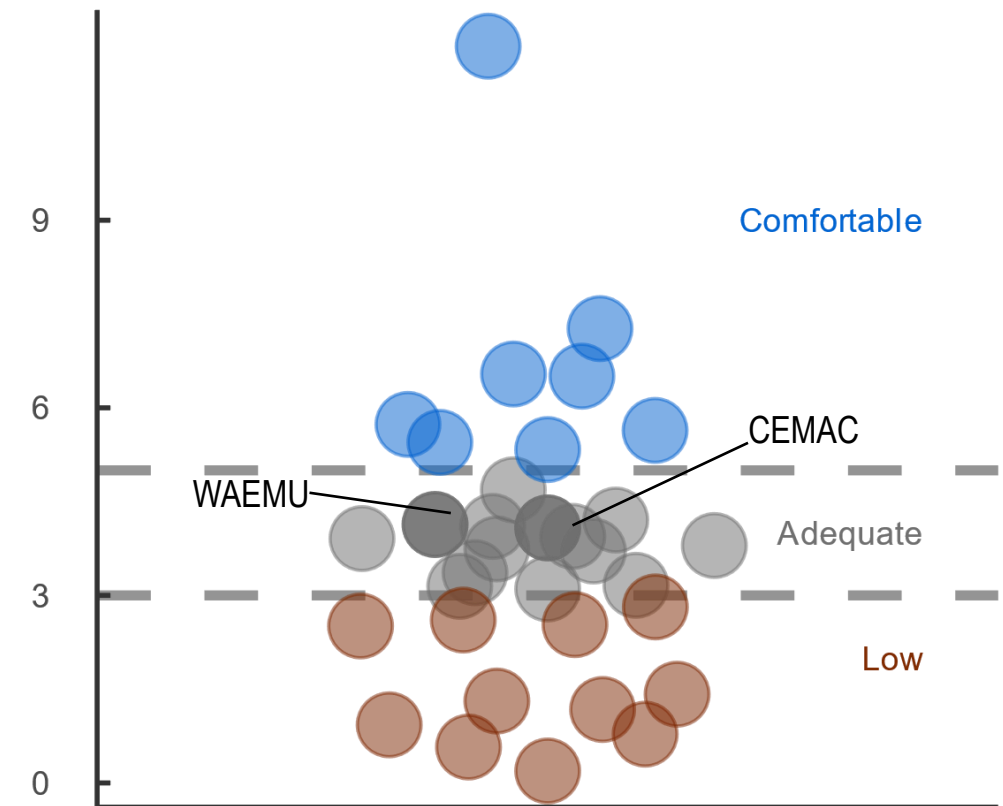
Source: Bloomberg, WEO database; and IMF staff calculations.

Note: Data as of October 10, 2023.

... with reserve buffers below comfortable levels.

- Non-pegged regimes should let the **exchange rate adjust**, particularly when reserves are low
- Pegged regimes require policy mix that **sustains peg without reserve pressure**
- **Coordinate** with other policies to alleviate costs of adjustments
- **Avoid distortionary administrative measures**

Sub-Saharan Africa: Reserve Cover, 2022
(Months of imports)

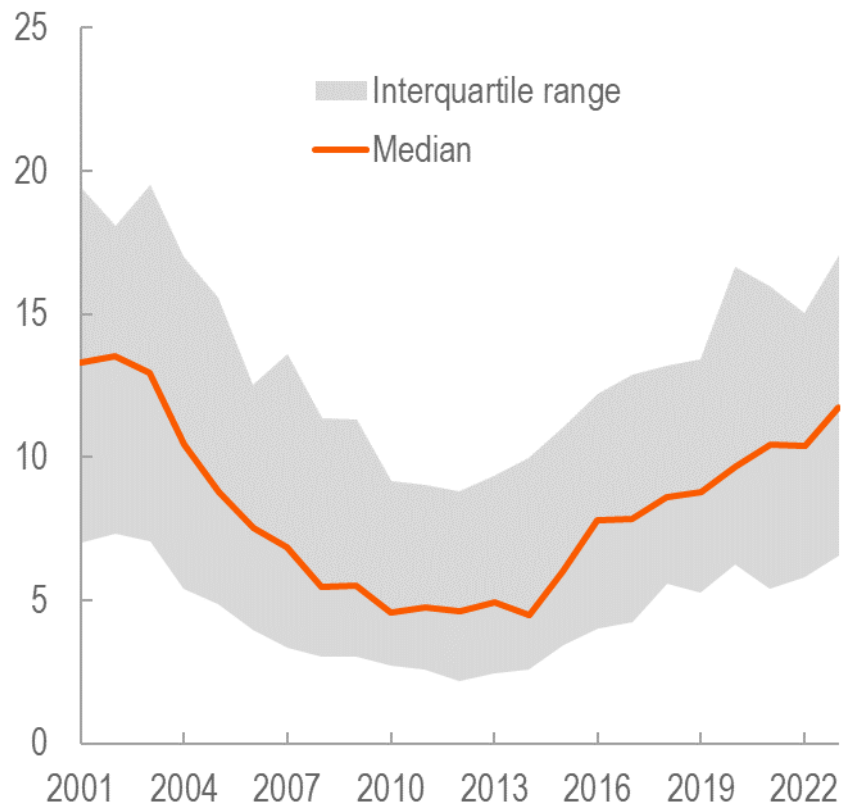


Source: IMF, World Economic Outlook database.
Note: Dark dots represent CEMAC and WAEMU.

3. Elevated debt vulnerabilities...

Sub-Saharan Africa: Interest on Public Debt, 2001–23

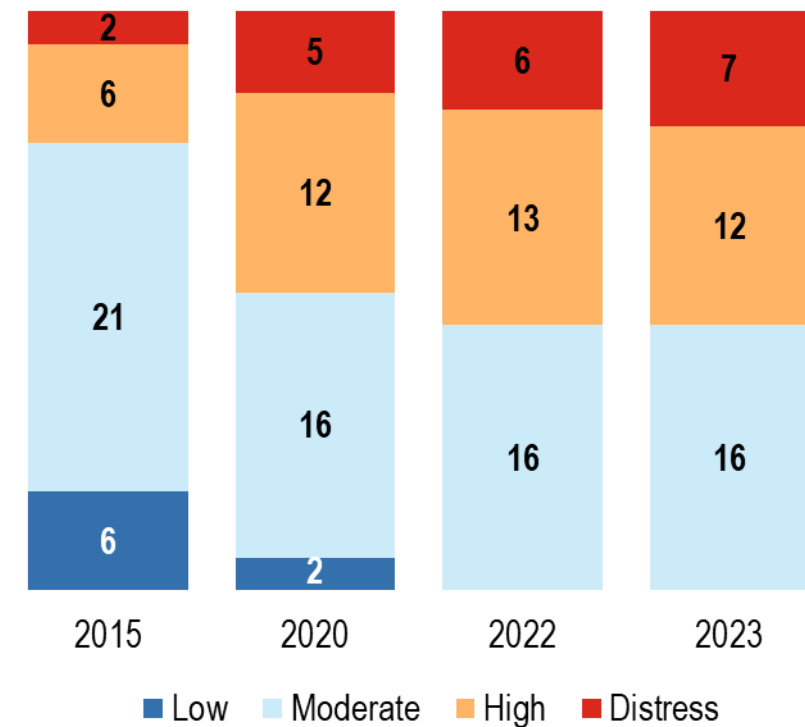
(Percent of revenue excluding grants)



Source: IMF, World Economic Outlook database.

Sub-Saharan Africa: Risk of Debt Distress, 2015 – 2023

(Number of PRGT-eligible countries)

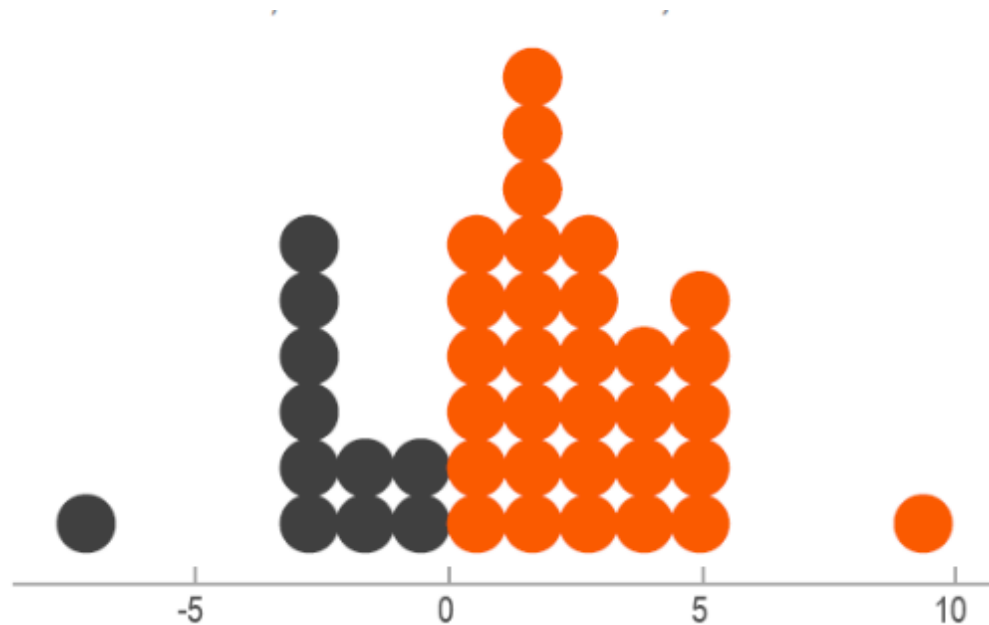


Source: IMF, Debt Sustainability Analysis Low-Income Developing Countries database. Note: Debt risk ratings in 2023 reflect the latest published debt sustainability assessments and may not reflect the current status. PRGT = poverty reduction and growth trust.

...can be alleviated through revenue-based fiscal adjustment.

Sub-Saharan Africa: Fiscal Adjustment Needed to Stabilize Debt Below 70 Percent of GDP, 2023

(Percent of GDP, number of countries)



Source: Country authorities; and IMF staff calculations.

Note: Seventy percent threshold represents top one-third of countries. For countries below this threshold, adjustment stabilizes debt at the end of 2022 level. For those above, adjustment brings debt to 70 percent of the forecast horizon.

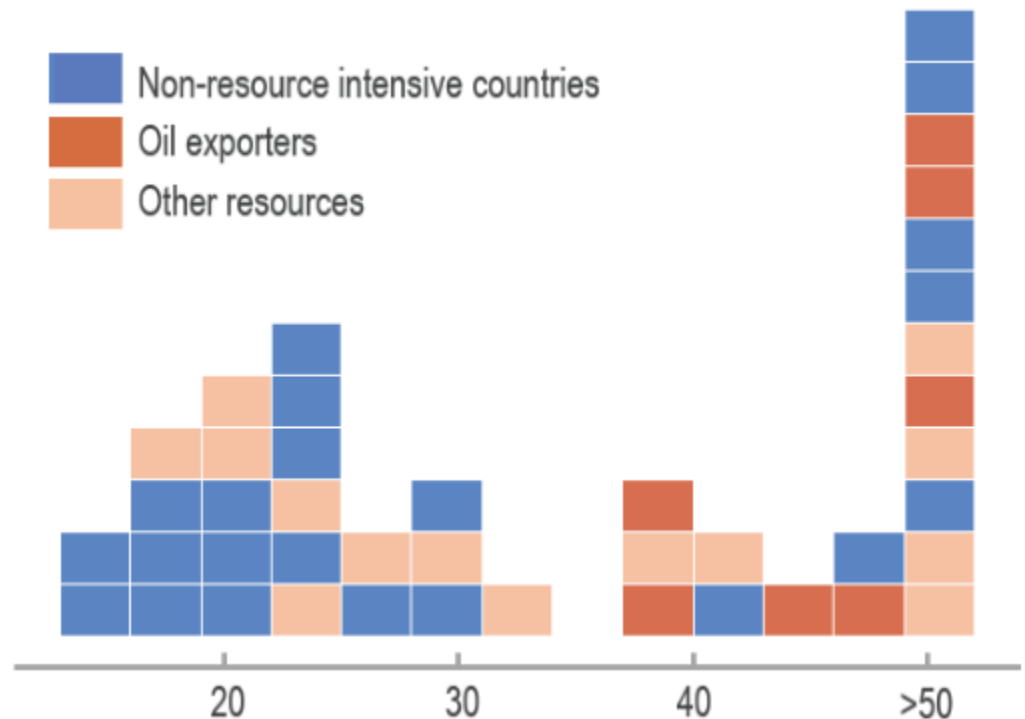
- Most countries **need to consolidate** to preserve fiscal sustainability
- Preferably based on **revenue mobilization**
- **Prioritization of key spending** such as education and healthcare
- Scope to enhance the design of **fiscal frameworks**

4. Economic convergence is a challenge...

- **Divergence** between resource-intensive and non-resource-intensive countries
- **Doubling of living standards** could take **20-30 years** in more diversified economies...
- ...but likely to take **generations** in resource-intensive countries

Sub-Saharan Africa: Time to double per capita Income

(Years)



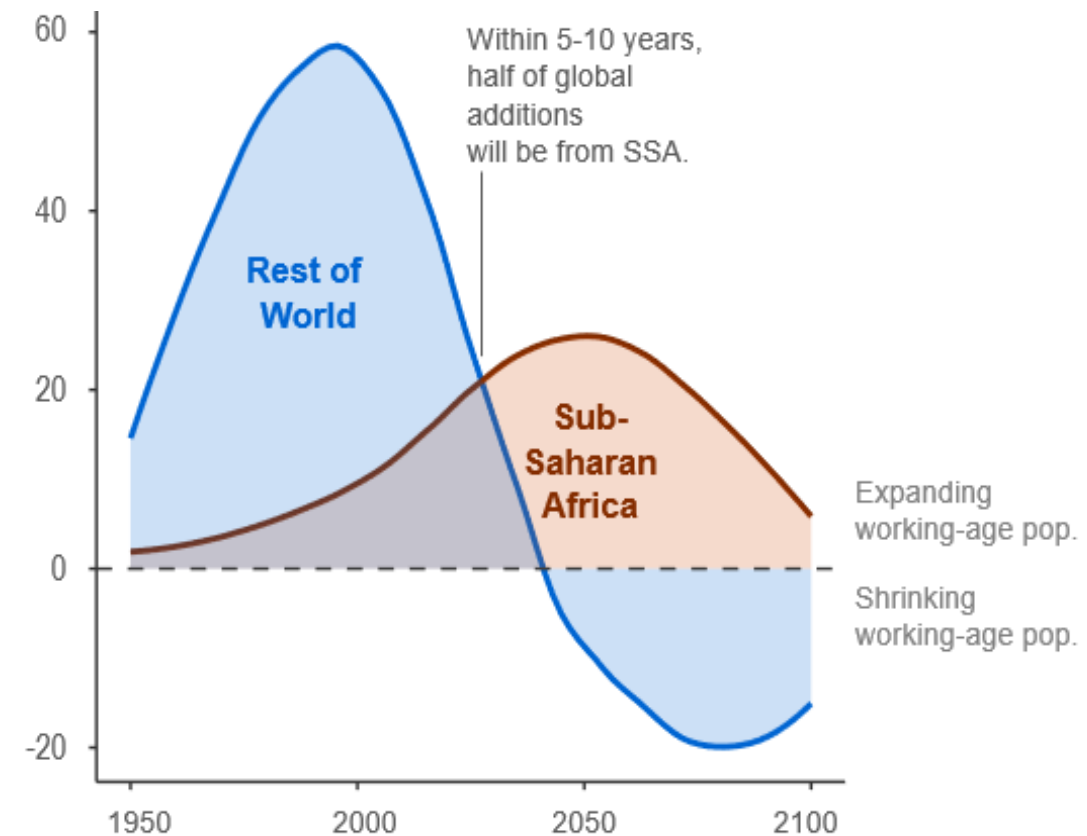
Source: IMF, World Economic Outlook database; and IMF staff calculations.
Note: Each box corresponds to a country.

...calling for structural reforms to raise living standards.

- Invest more in **education**
- Enhance **private sector** participation
- Foster trade **integration**
- Improve **natural resource management** and accelerate economic **diversification**

Annual Additions to Working-Age Population, 1950–2100

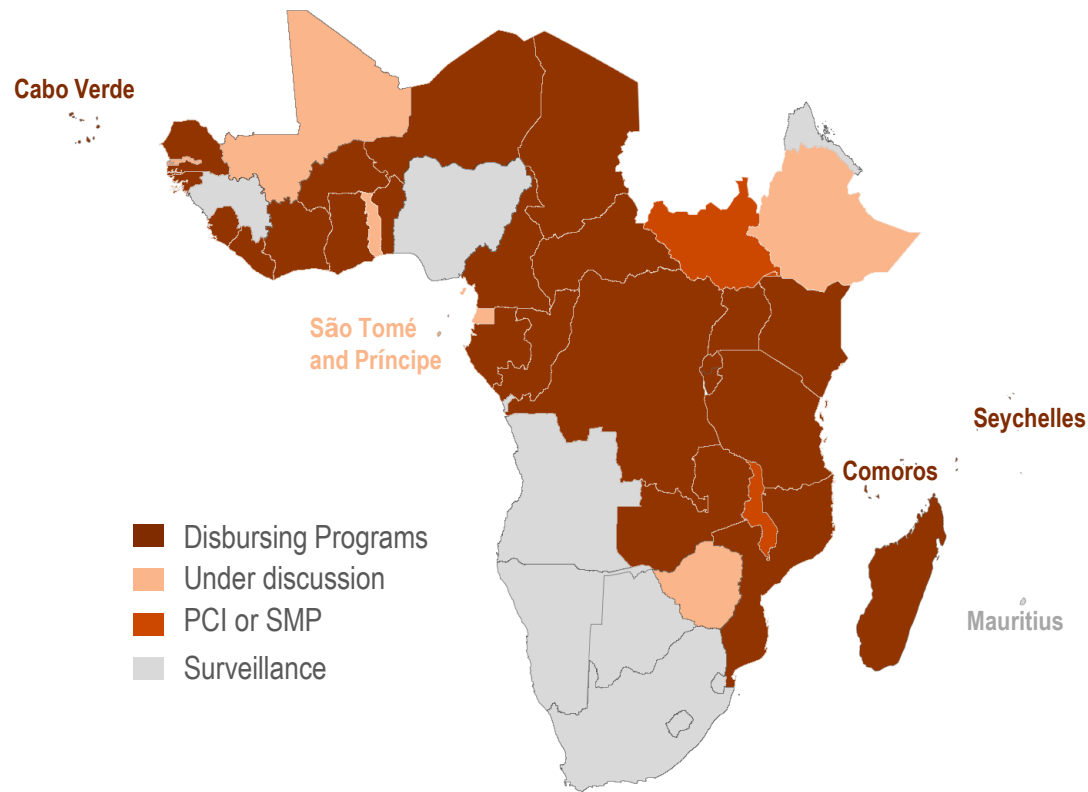
(Millions of people per year, ages 15–64)



Source: United Nations, World Population Prospects; and IMF staff calculations.

5. International solidarity remains essential.

IMF Engagement (As of end-September 2023)

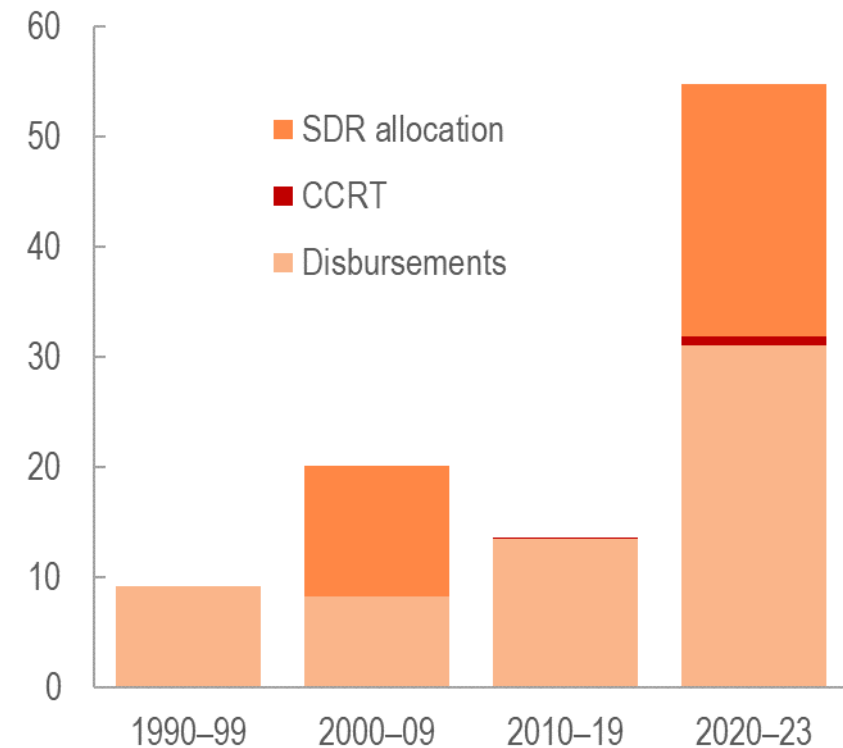


Source: IMF, Financial data.

Note: PCI = Policy Coordination Instrument, SMP = Staff Monitored Program.

Sub-Saharan Africa: Total IMF Disbursements, 2007–23

(Percent of GDP)



Sources: IMF Financial Data; and IMF staff calculations.

Note: Data as of August 31, 2023. SDR = Special Drawing Rights, CCRT = Catastrophe Containment and Relief Trust.

Analytical Notes

Note 1: China and SSA economic ties at crossroads

What does a slowdown of China's economy mean for Sub-Saharan Africa?

At risk is
China scaling down 20 years of:



TRADE

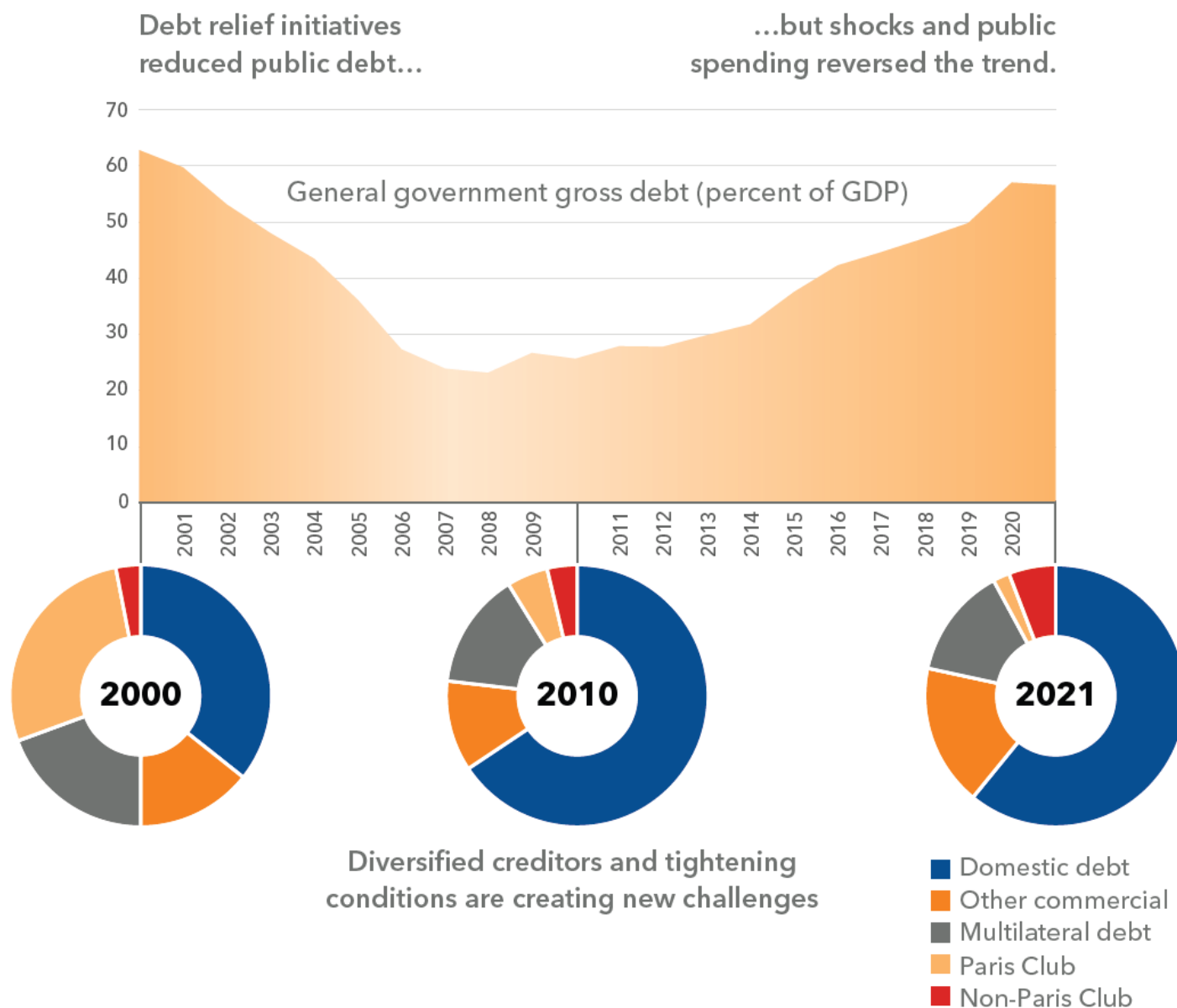


INVESTMENT

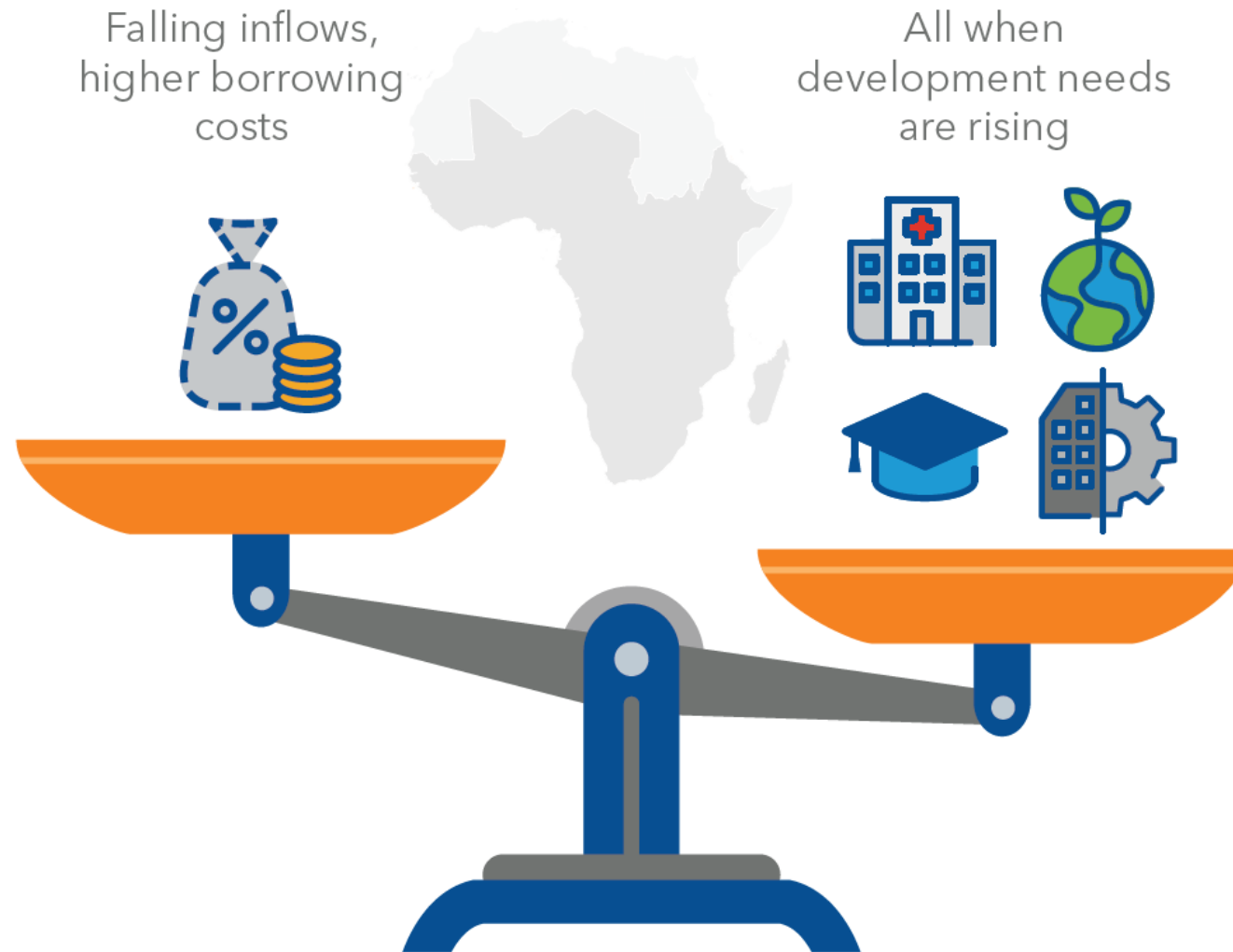


CREDIT

Note 2: Principles of debt restructuring



Note 3: Crisis of development finance



INTERNATIONAL MONETARY FUND

REGIONAL ECONOMIC OUTLOOK

SUB-SAHARAN AFRICA

Light on the Horizon?

2023
OCT



Thank you

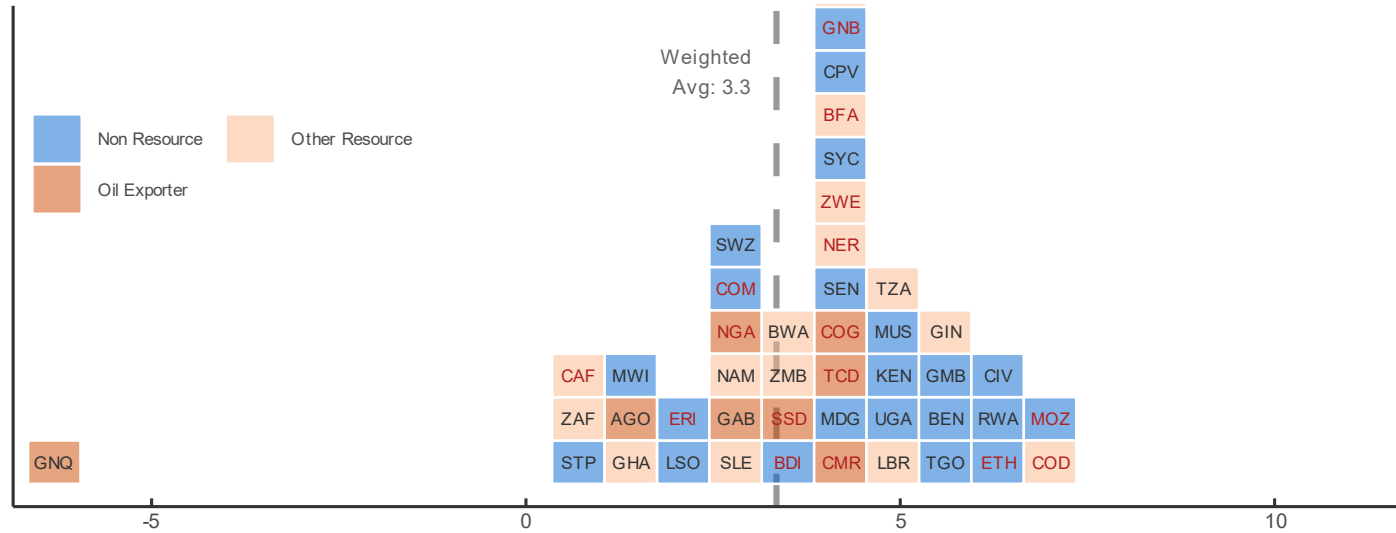
For more information, please visit the link:

www.imf.org/AfricaREO

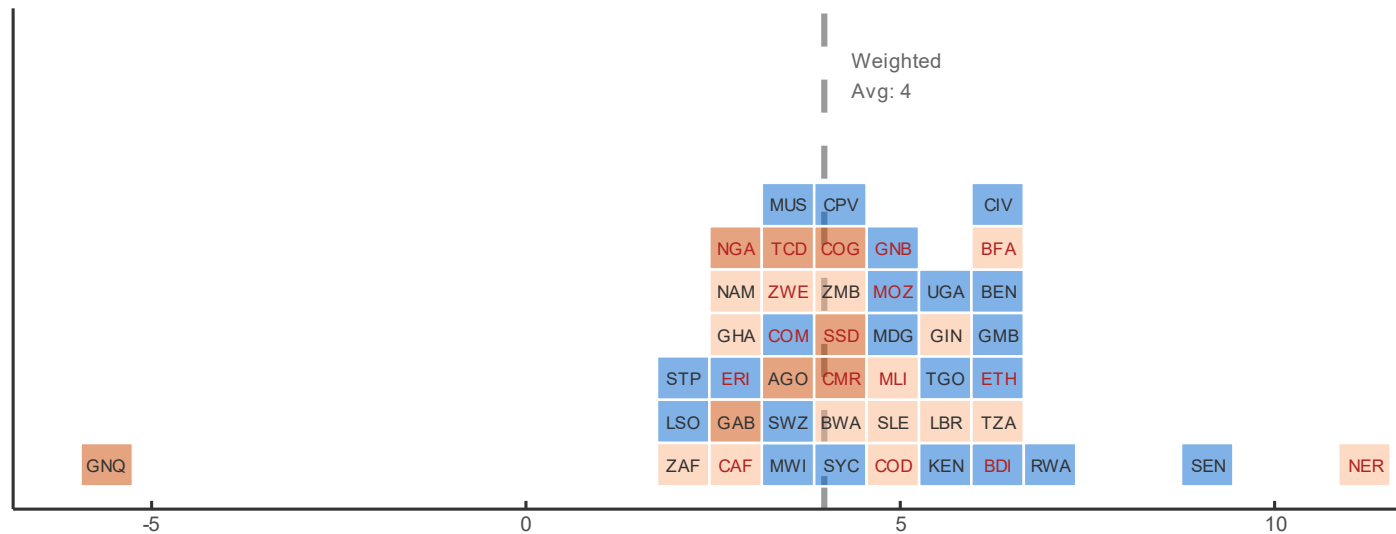
Annex 1: Growth heterogeneity across the region in 2023-24

GDP Growth

2023. (percent, fragile countries in red)



2024. (percent, fragile countries in red)

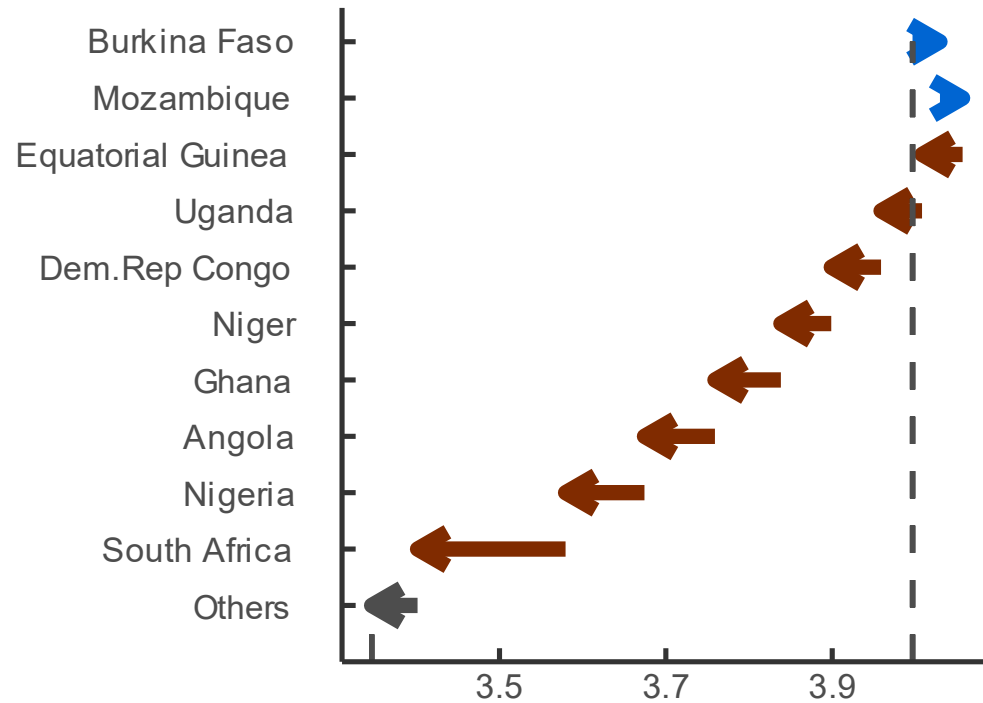


Annex 2: contributions to growth 2023 and 2024

Sub-Saharan Africa: Contributions to Change in GDP Growth

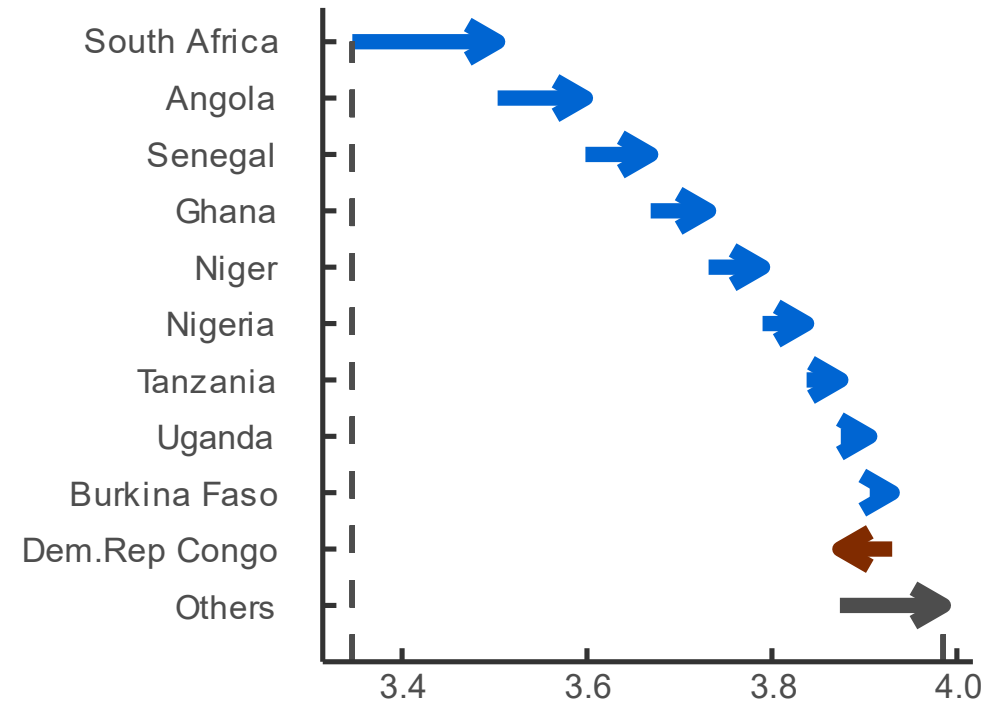
2022 to 2023.

(Percent contributions. From 4.0 to 3.3)



2023 to 2024.

(Percent contributions. From 3.3 to 4.0)



Source: IMF, World Economic Outlook Database.