



**AFRICAN
DEPARTMENT**

A TEPID AND PRICEY RECOVERY

GABOR PULA, IMF RESIDENT REPRESENTATIVE

SSA REGIONAL ECONOMIC OUTLOOK APRIL 2024

Regional Economic Outlook for SSA

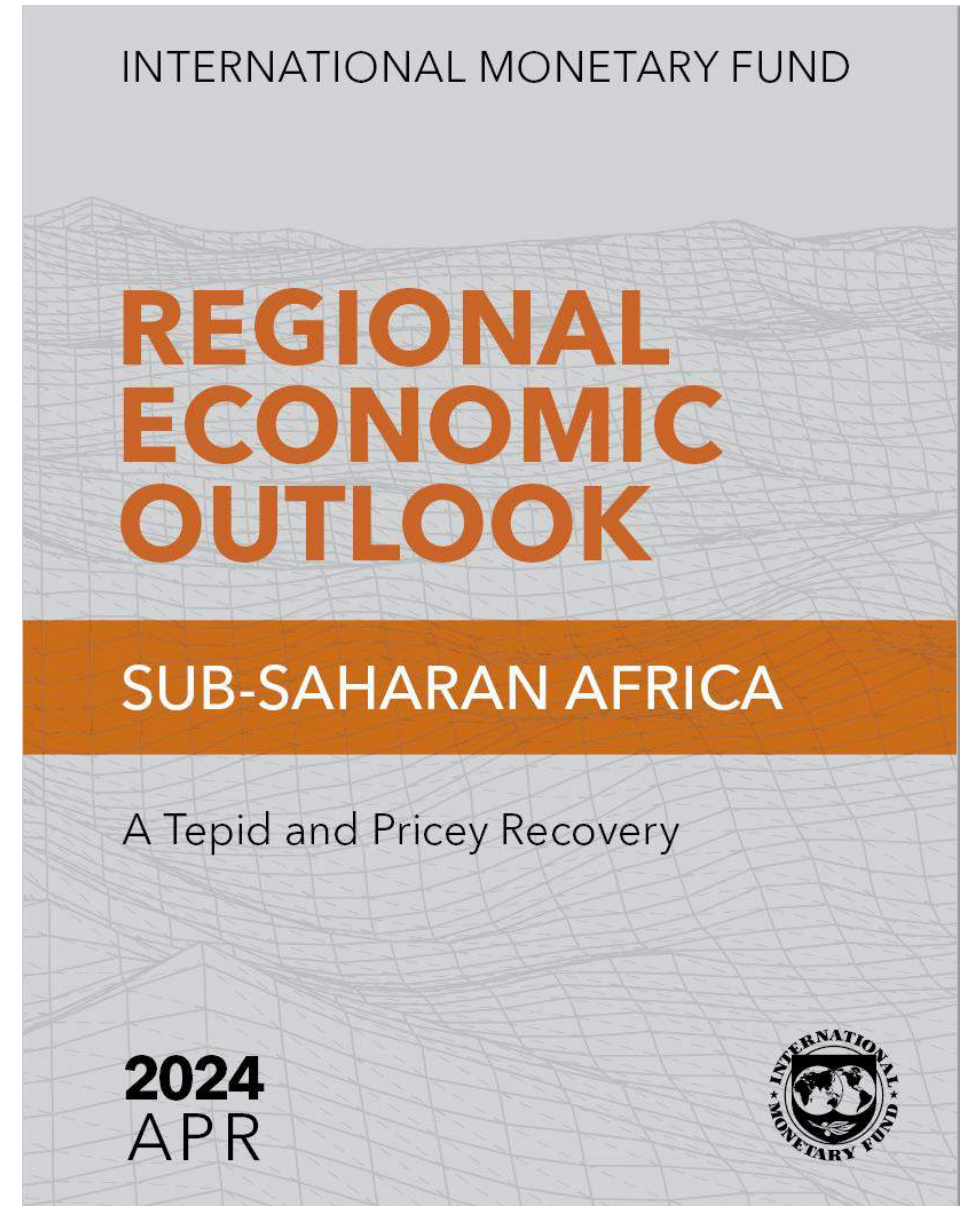
Published twice a year

Main report

- Conjunctural developments, outlook, and policy advice
- Data tools

Three Analytical Notes

- Fiscal adjustment
- Critical minerals
- Education



Key messages

3 encouraging signs

- Economic recovery
- Declining macro imbalances
- Reopening of international markets

3 persistent challenges

- Continuation of funding squeeze
- Low per capita growth
- Cascading shocks

3 policy priorities

- Fiscal adjustment without undermining development
- Monetary policy response to inflation easing
- Structural reforms for diversification

Three encouraging signs



Economic recovery



Softening imbalances



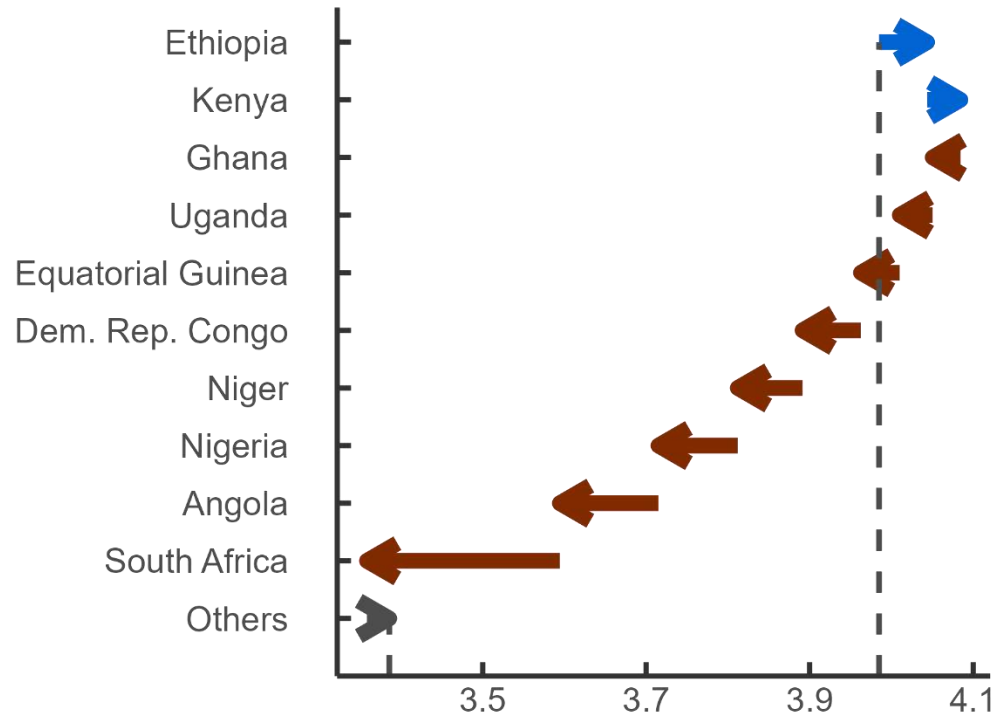
Market reopening

A (slow) rebound this year...

Sub-Saharan Africa: Contributions to Change in Regional GDP Growth

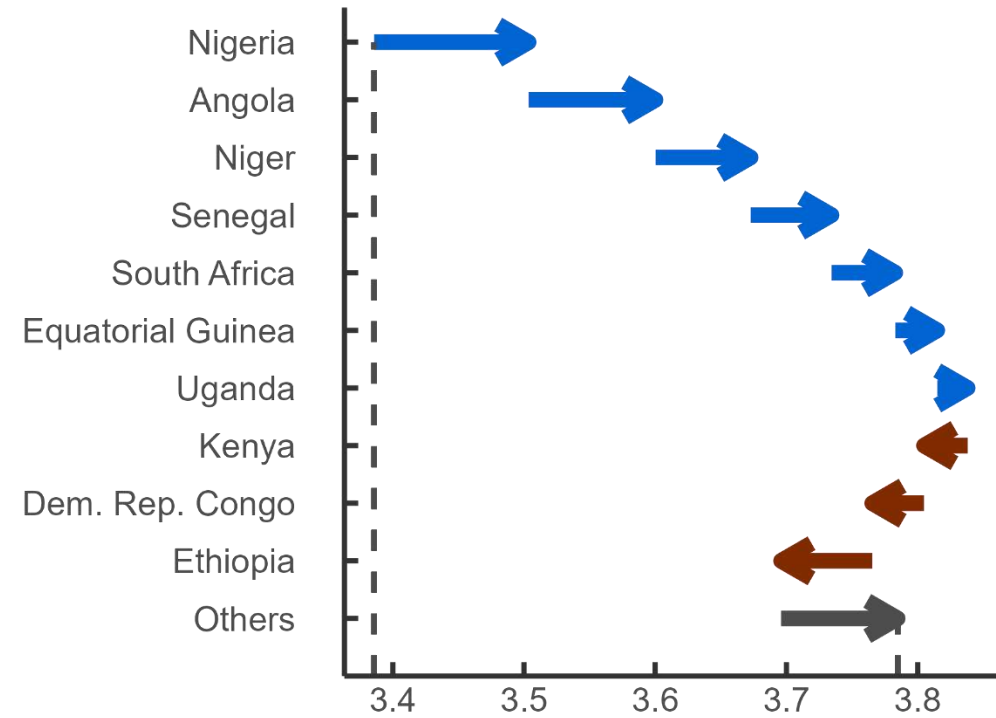
2022 to 2023.

(Percent contribution. From 4.0 to 3.4)



2023 to 2024.

(Percent contribution. From 3.4 to 3.8)

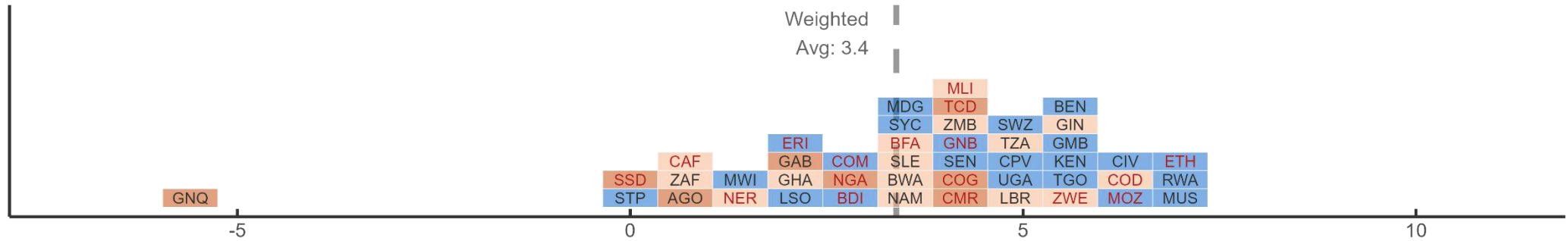


Source: IMF, World Economic Outlook database.

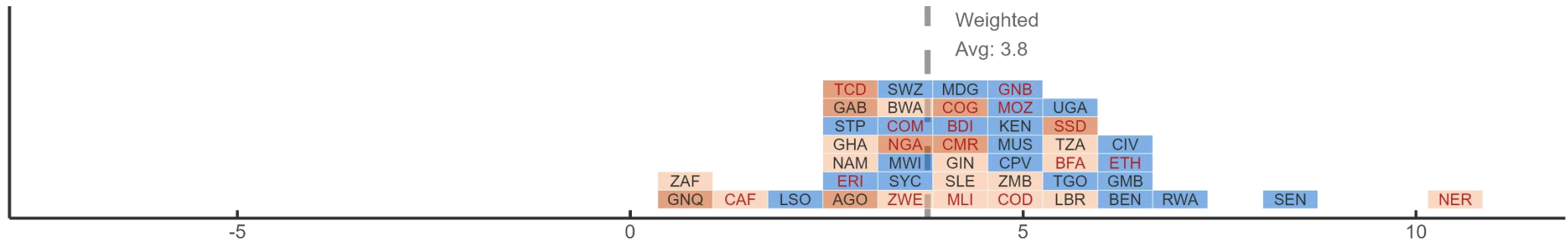
...with some heterogeneity across the region

Sub-Saharan Africa: Real GDP Growth

2023. (Percent, fragile countries in red)



2024. (Percent, fragile countries in red)



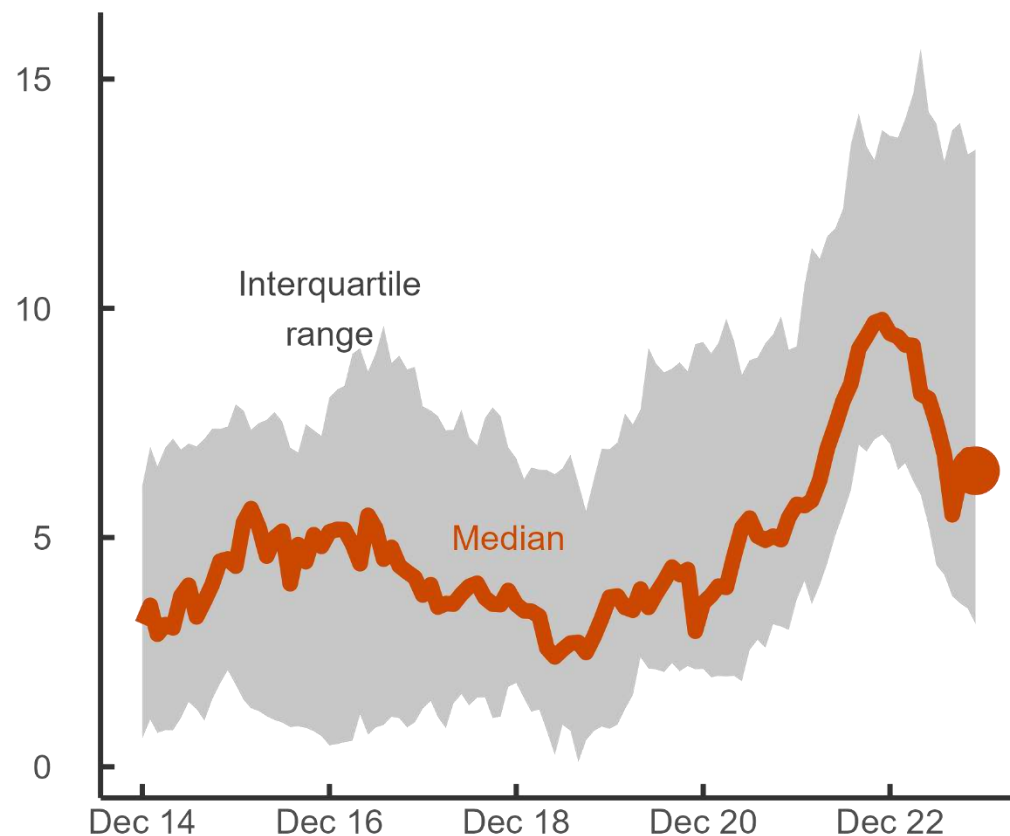
■ Non-resource-intensive
 ■ Oil exporters
 ■ Other resource-intensive

Source: IMF, World Economic Outlook database.

Inflation is trending downward

Sub-Saharan Africa: Headline Inflation, 2015-24

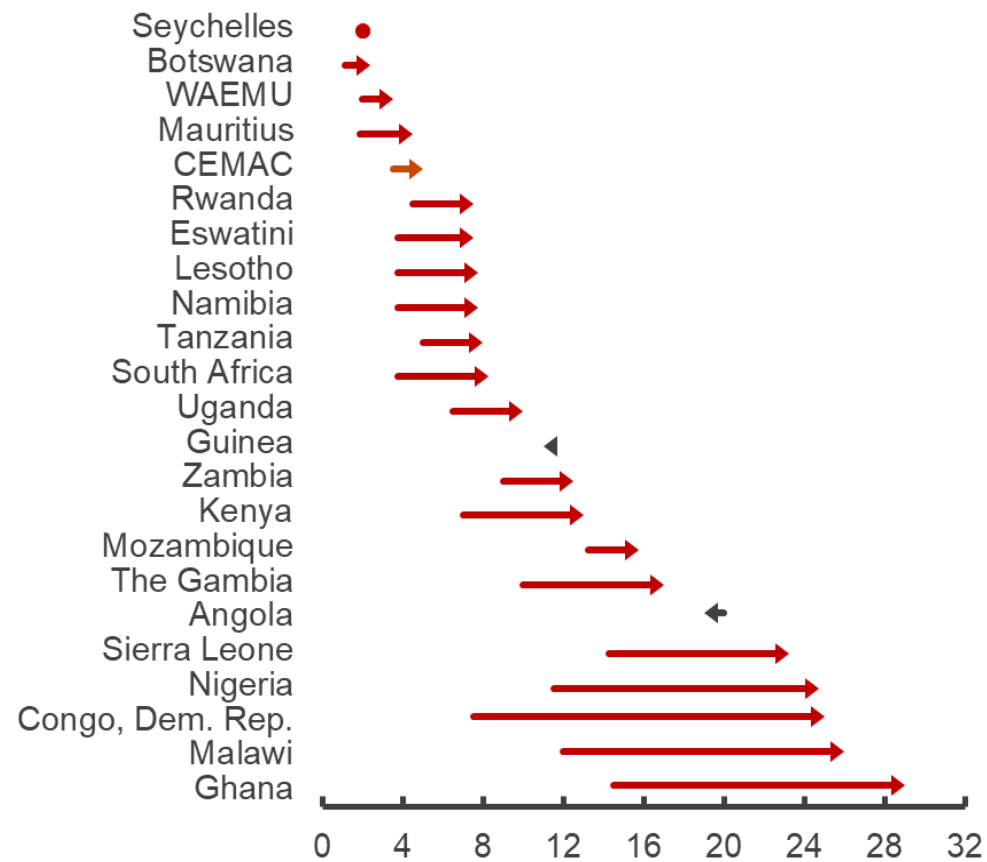
(Percent, year on year, as of February, 2024)



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

Policy Rate Change

(Percent, Change since December 2021 as of March 2024)



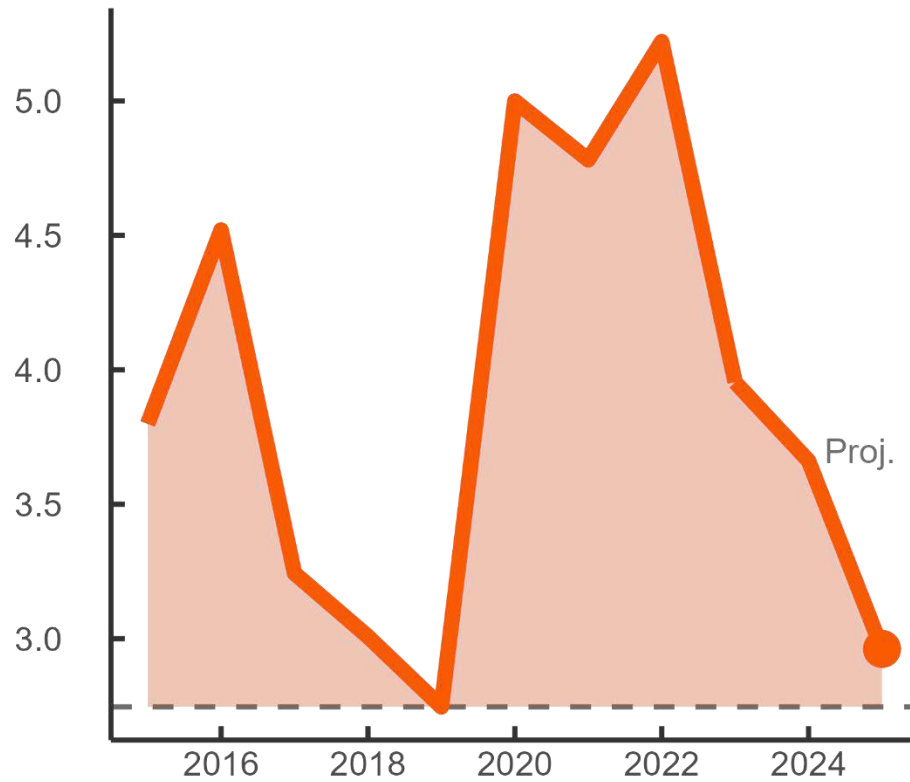
Sources: Haver Analytics; and IMF, International Financial Statistics.

Note: Dots indicate no change.

Fiscal balances are gradually improving

Sub-Saharan Africa: Government Deficit, 2015-25

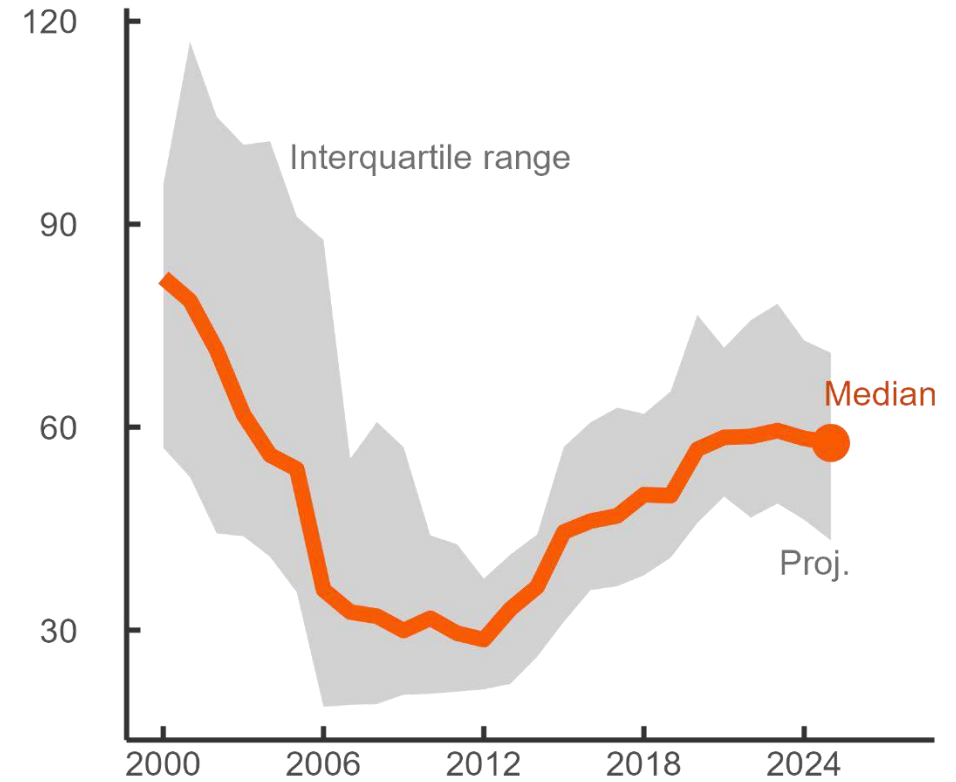
(Median, percent of GDP, dashed line = pre-crisis level)



Source: IMF, World Economic Outlook database.

Sub-Saharan Africa: Public Debt, 2000-25

(Percent of GDP)

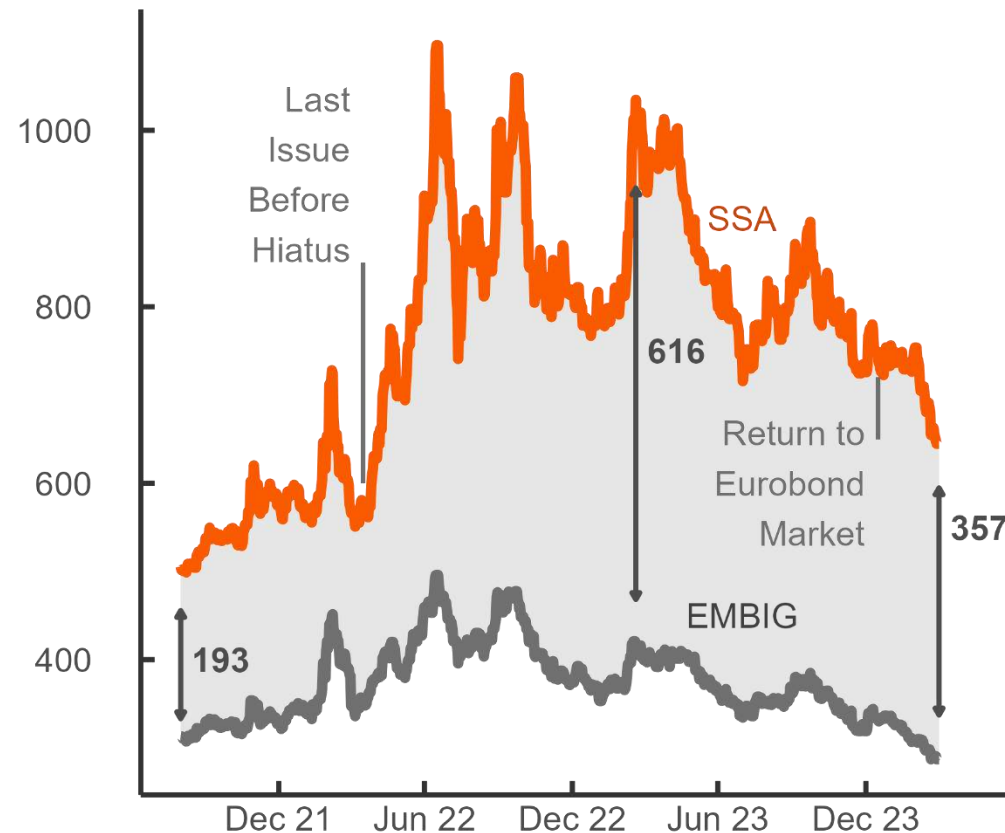


Source: IMF, World Economic Outlook database.

International bond markets have re-opened

Sub-Saharan Africa: Sovereign Spreads

(Basis points, simple average, as of end-March, 2024)



Sources: Bloomberg Finance L.P.; and IMF staff calculations.

- After two-year hiatus from international debt markets, **Côte d'Ivoire**, **Benin**, and **Kenya** issued Eurobonds starting January.
- Sovereign **spreads decreased** from a peak of 1100 bp in July 2022 to about 650 bp in March 2024.

Three persistent challenges



Funding squeeze



Economic divergence



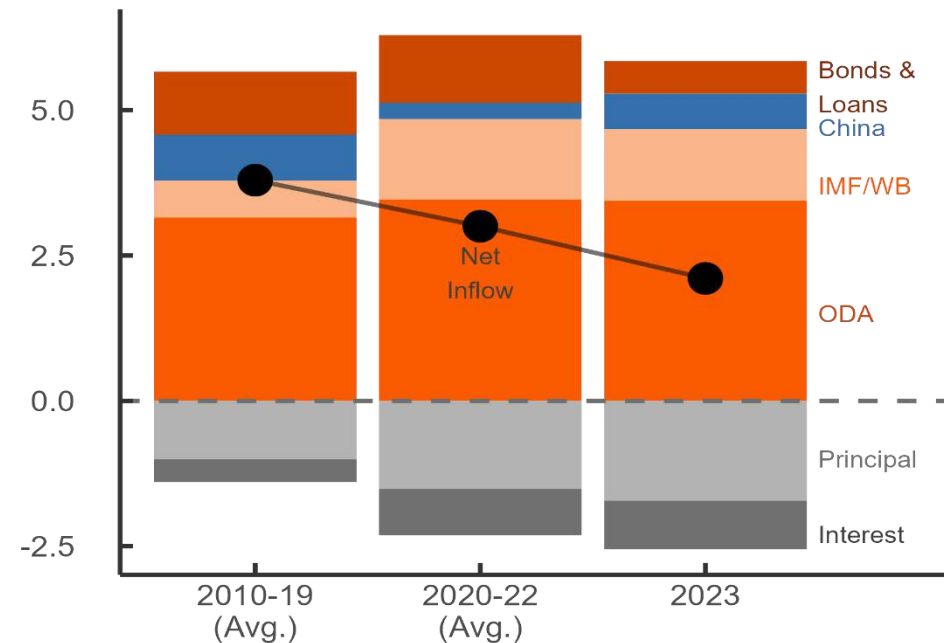
Repeated shocks

The funding squeeze continues...

- Funding squeeze is both conjunctural and structural phenomenon. Unlikely to dissipate soon
- Shortage of traditional sources of financing
- In 2023, lowest net external financing going to public sector since the Global Financial Crisis

Sub-Saharan Africa: External Funding Flows of the Public Sector, 2010-23

(Percent of GDP)

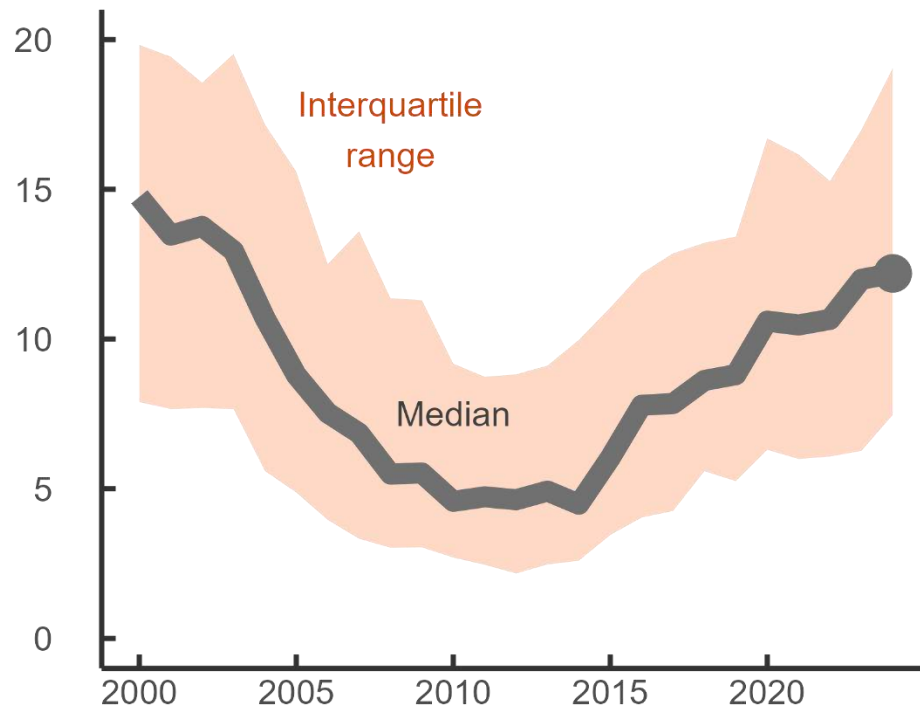


Sources: Dealogic; IMF, World Economic Outlook database; World Bank, International Debt Statistics database; and IMF staff calculations.
Note: Excludes South Africa due to data constraints; but tentative estimates suggest that adding the country to the sample would not change the overall results. Data for 2023 are estimates. "Bonds" pertain to Eurobonds issued before May 2022. "Loans" cover both syndicated and bilateral bank loans. Principal and interest denote payments on public and publicly guaranteed debt.

....with higher borrowing costs...

Sub-Saharan Africa: Interest Payments to Revenue, 2000-24

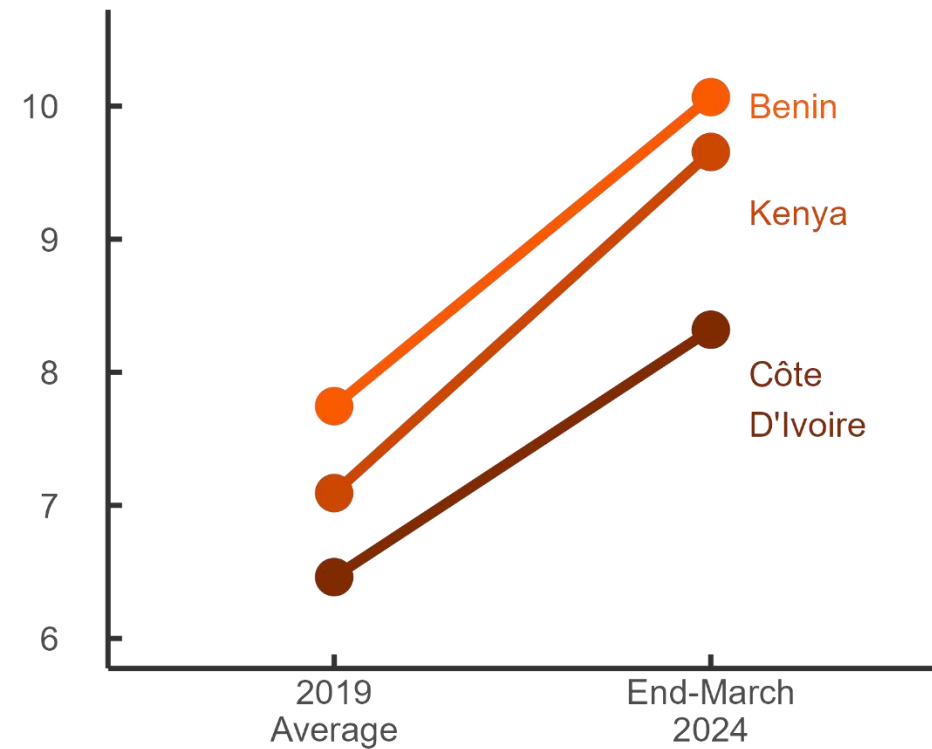
(Percent, excluding grants)



Sources: IMF, World Economic Outlook database; and IMF staff calculations.

Select Countries: Sovereign Eurobond Yield

(Percent)

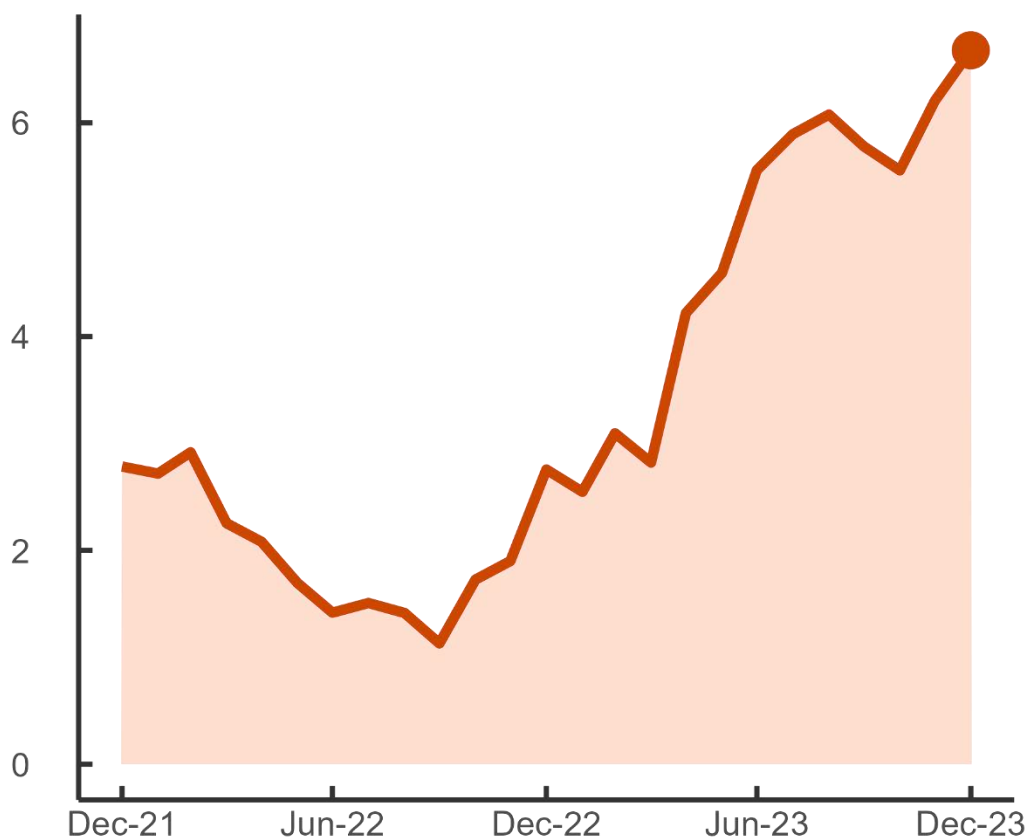


Sources: Bloomberg Finance L.P.; and IMF staff calculations.

...also for the private sector

Sub-Saharan Africa: Real Prime Lending Rates

(Percent, median)



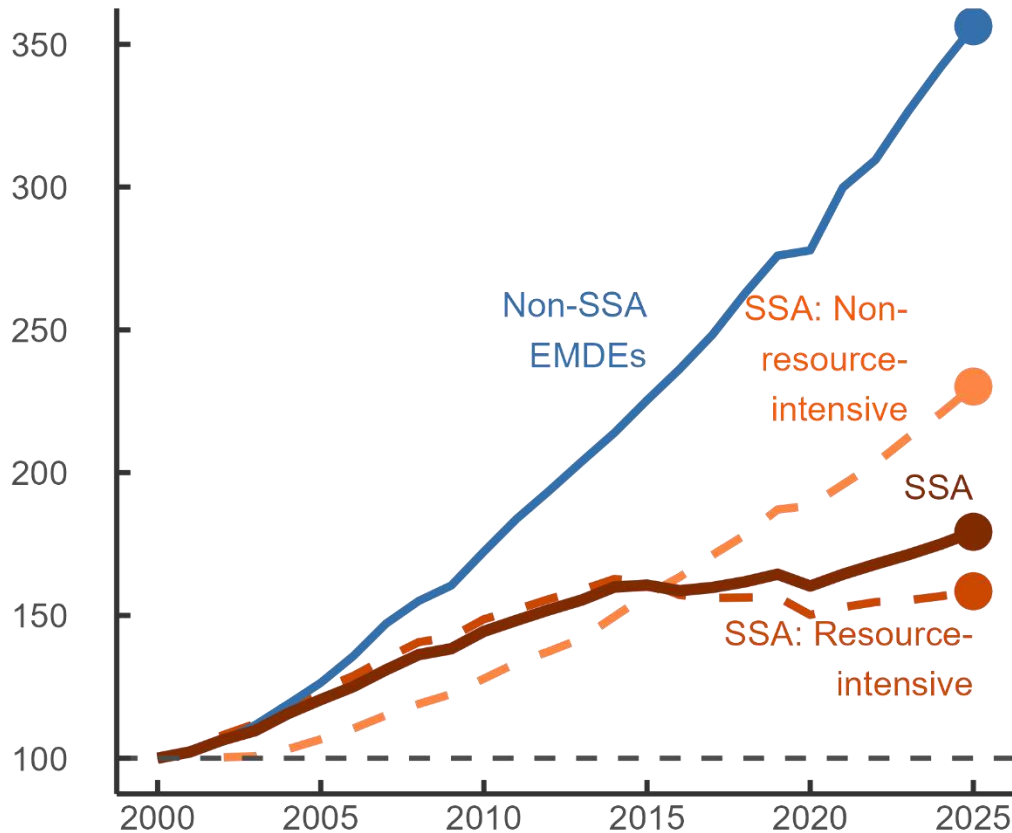
Sources: Haver Analytics; and IMF staff calculations.

- The **median prime lending rate** has almost **tripled** over the past two years in real terms
- **Corporate spreads** on international syndicated loans **up by more than 200 bps**

Per capita growth is too weak for many countries

Real Per Capita GDP, 2000-25

(Index, 2000 = 100)



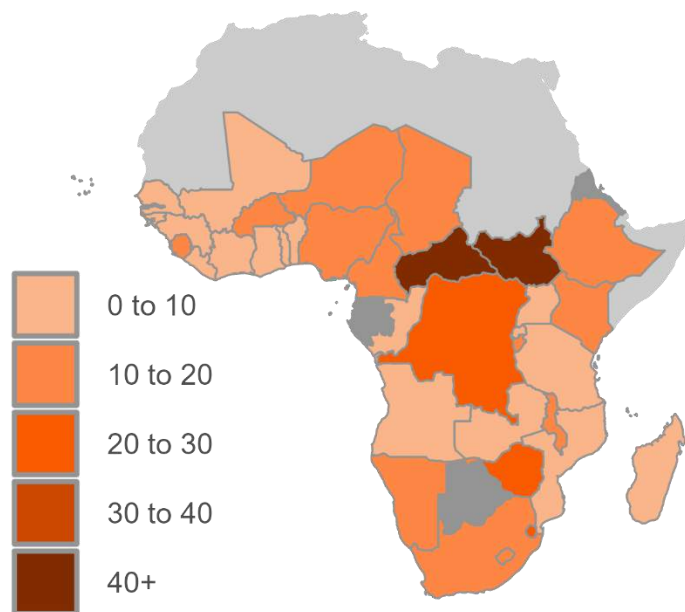
Sources: IMF, World Economic Outlook database; and IMF staff calculations.

- **Widening divergence**, with resource intensive countries falling behind
- Financing challenges force countries to **reduce essential public spending**, including capital expenditure

A region hit by cascading shocks

Sub-Saharan Africa: Prevalence of Acute Food Insecurity, 2023

(Percent of population)



Sources: World Food Program's Global Report on Food Crises 2023 Mid-Year Update; and IMF Staff Calculations.

- **Political uncertainty:** 18 elections this year. 11 coups since 2020.
- **Climate change:** Last year was the hottest on record, with droughts and floods. 140 million suffering acute food insecurity in 2023.
- **Rising social tensions:** undercut reform momentum.

Three policy priorities



Fiscal Policy



Monetary Policy



Structural Reforms

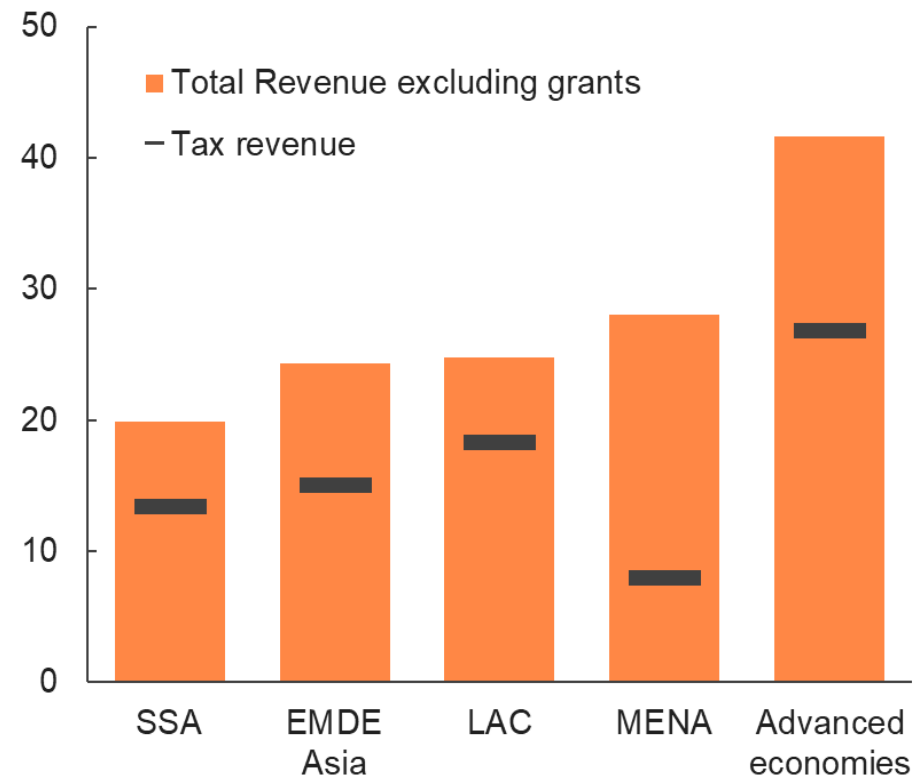
$$\text{Risk} = \text{Vulnerability} \times \text{Shocks}$$

- 
- Fiscal: Building buffers
 - Monetary: Responding to easing inflation
 - Structural: Diversifying growth and financing

1. Fiscal: adjusting without hurting development

Total Revenue and Tax Revenue, 2023

(Median, percent of GDP)



Source: IMF, World Economic Outlook database.

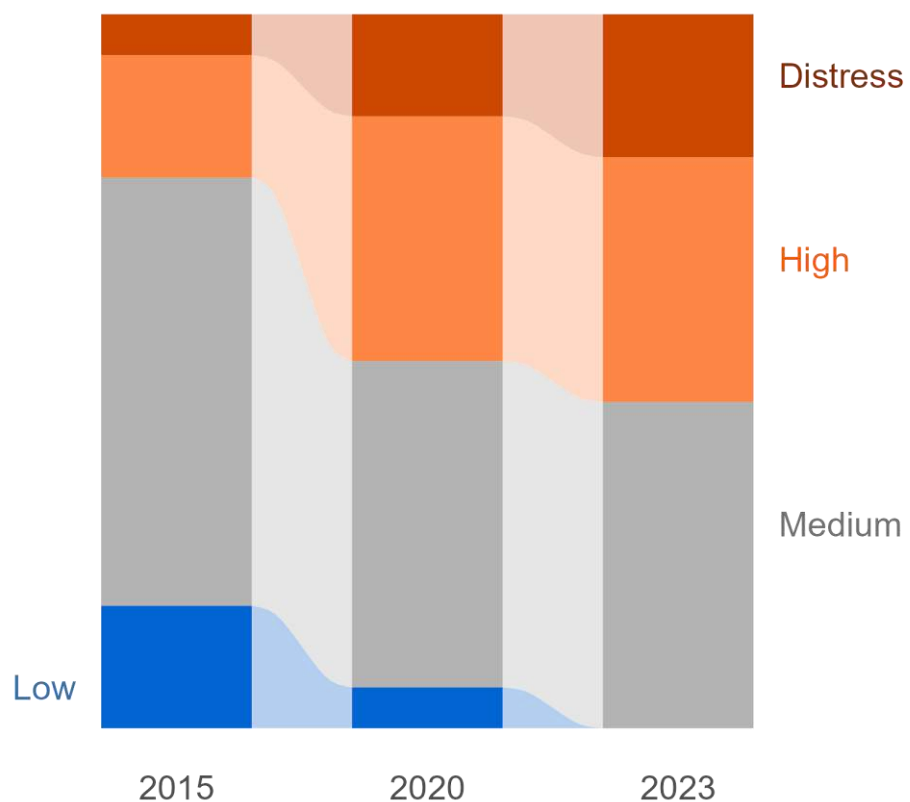
Note: EMDE = Emerging market and developing economies; LAC = Latin America and the Caribbean; MENA = Middle East and North Africa; SSA = sub-Saharan Africa.

- **Boost revenues** rather than cut essential spending
- Improve **quality and efficiency** of spending
- **Pace the adjustment** where possible
- **Build public trust**, protect the vulnerable, sequence carefully

1. Fiscal: addressing debt vulnerabilities

Sub-Saharan Africa: Risk of Debt Distress, 2015-23

(Number of countries)



Source: IMF, Debt Sustainability Analysis for Low Income Countries.

- **No systemic debt crisis** in the region.
- Where needed, **address unsustainable debt**, through G-20 common framework.
- **Recent progress**. In Ghana, agreement with official bilateral creditors in January 2024. In Zambia, agreement with Eurobond holders in March 2024.

2. Monetary policy: room to ease financial conditions?

Half of countries see inflation easing and within/below target

- Consider **gradually easing** to a more neutral stance. Will support growth and fiscal consolidation efforts

Nearly one third of countries see inflation decreasing but above target

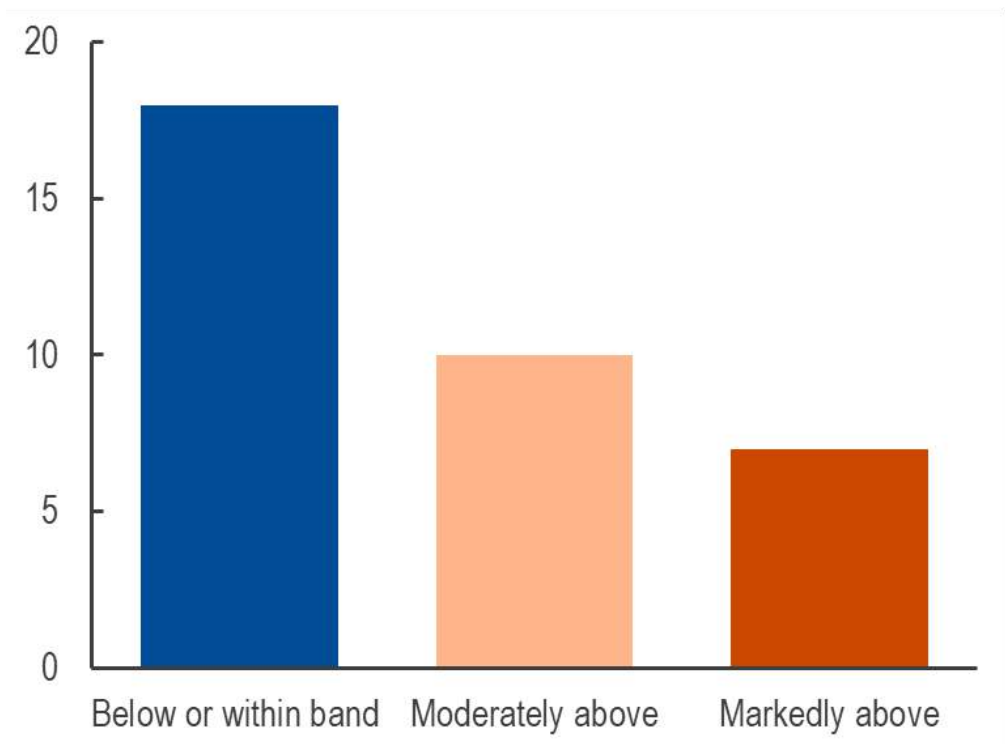
- **“Pause”** in policy tightening warranted

Remainder see increasing and above target inflation

- **Decisively tighten** monetary policy. Focus on price stability

Actual versus Target Inflation, February 2024

(Number of countries)



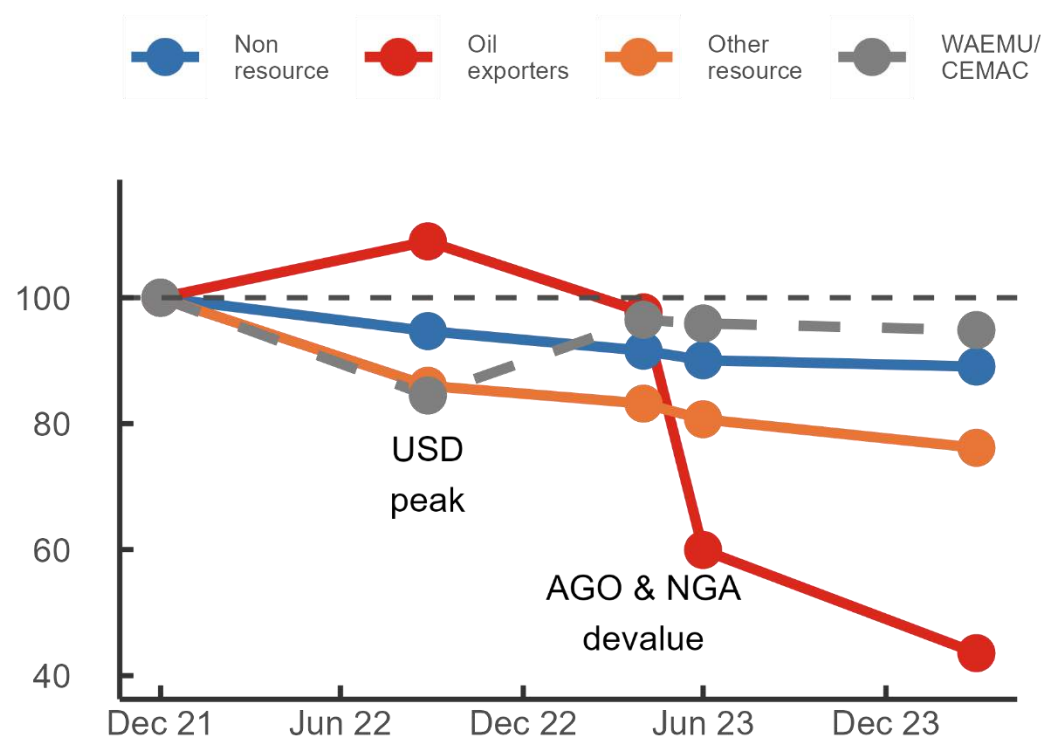
Sources: Country authorities; Haver Analytics; and IMF staff calculations.

Note: Inflation data refers to February 2024, or the latest available. Moderately above = between the upper bound of band and twice the upper bound. Markedly above = exceeding twice the upper bound of band.

2. Monetary: responding to FX pressures

Sub-Saharan Africa: Exchange Rates vs US Dollar, 2021-24

(Index, Sep 1, 2021 = 100, as of end-March, 2024)



Sources: Bloomberg Finance L.P.; IMF, World Economic Outlook database; and IMF staff calculations.

- Exchange-rate pressures persist across the region
- In general, countries should allow exchange rate to depreciate, especially when reserve coverage is low
- Administrative measures have created foreign currency shortages and complicated business operations in several countries

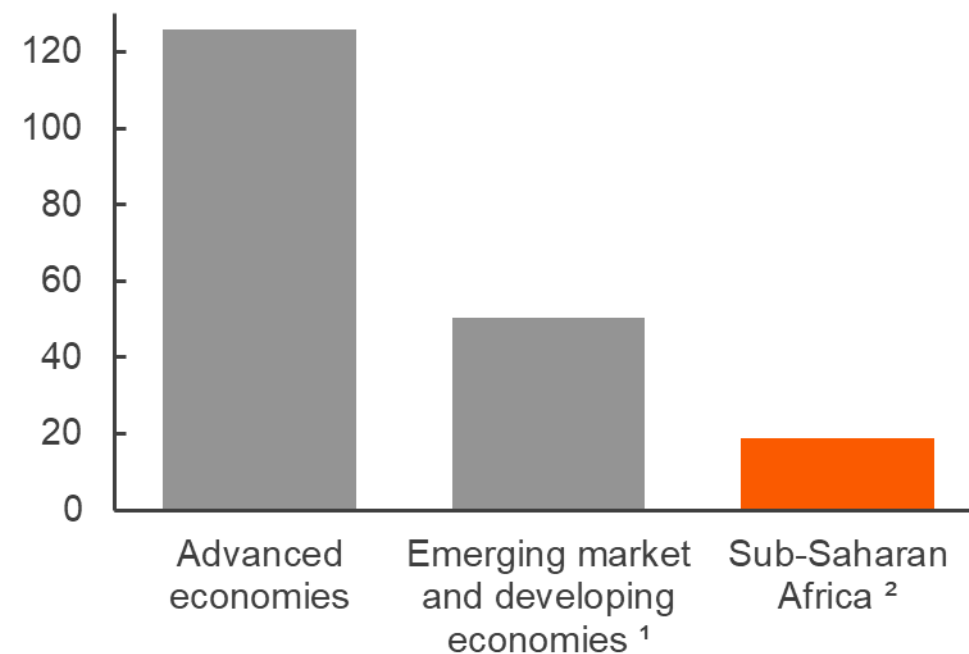
3. Structural: financial diversification

Finding alternative financing sources that are more affordable and stable

- **Attracting FDI.** SSA captures only 3% of global FDIs
- **Developing domestic financial markets.** Requires building strong institutional frameworks, promoting bank competition, and enhancing financial infrastructure

Stock Exchange Market Capitalization, 2023

(Percent of GDP, average)



Sources: IMF, World Economic Outlook database; World Federation of Exchanges; and IMF staff calculations.

Note: The sample includes 79 stock exchanges from 70 countries.

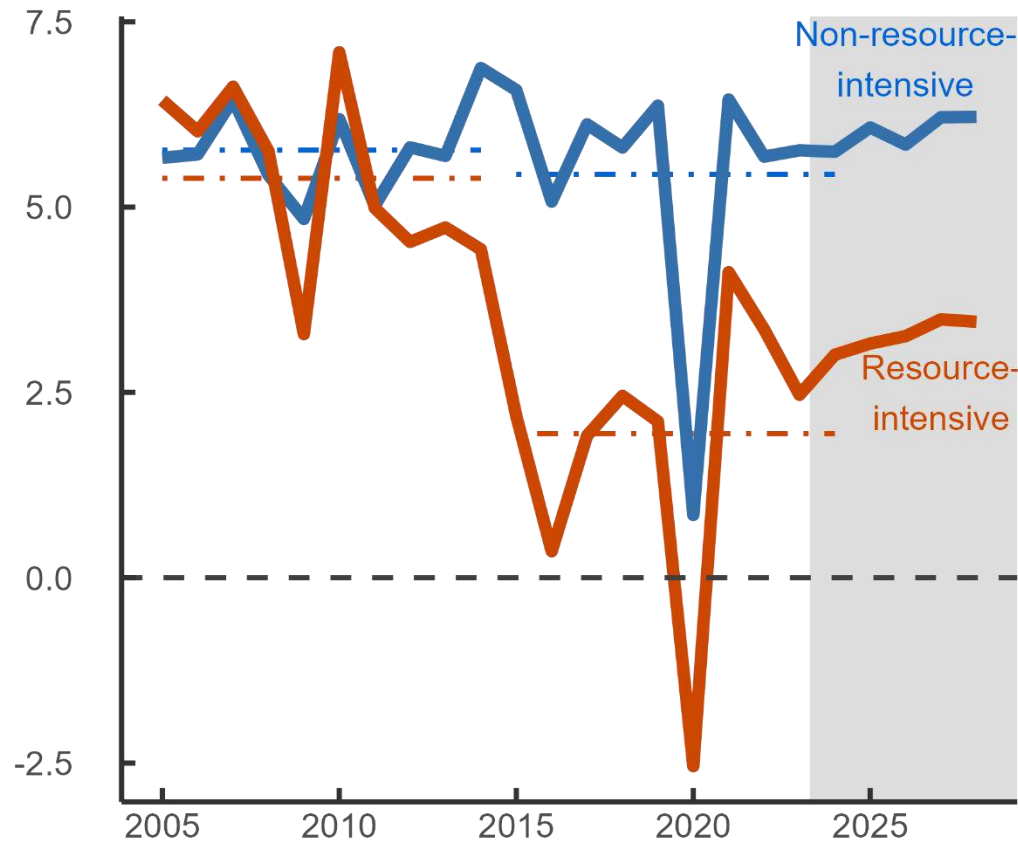
¹ Excluding sub-Saharan Africa.

² Excluding South Africa.

3. Structural: economic diversification

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

(Percent)



Source: IMF, World Economic Outlook database.

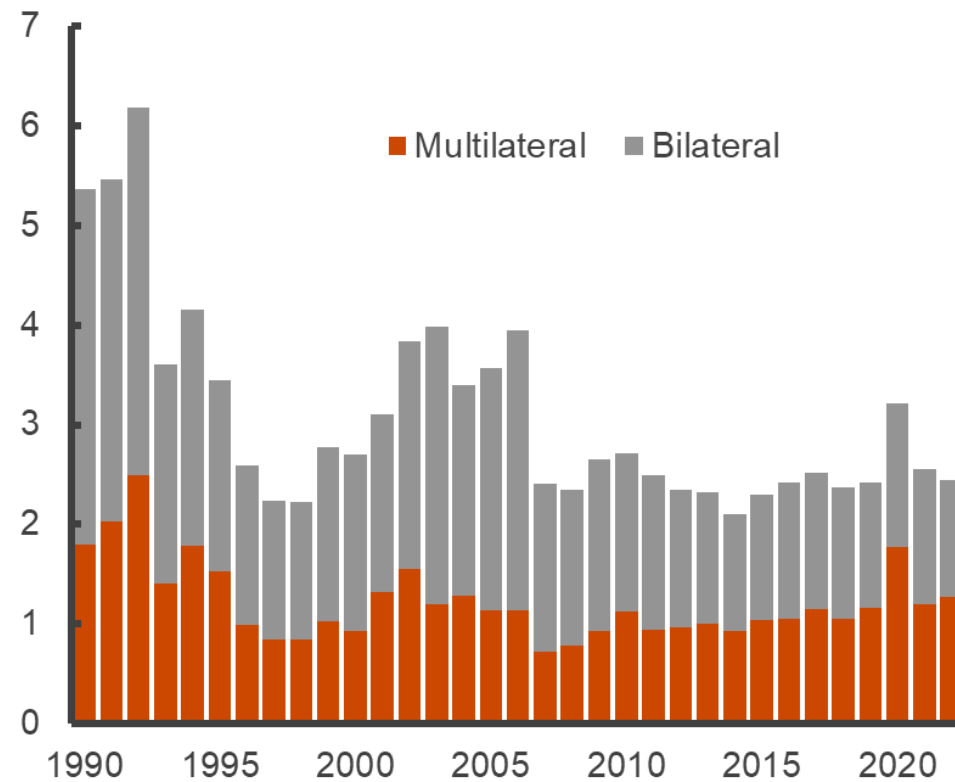
- In shock-prone world, diversification of growth is vital to reduce volatility and build resilience
- Resource-rich countries = $\frac{3}{4}$ of SSA GDP
- **Broad strategy:** support innovation, skill development, business climate...
- Potential from the **African free trade agreement**

Support from the international community

Domestic reforms will take time, so international support remains essential

Sub-Saharan Africa: Official Development Assistance, 1990–22

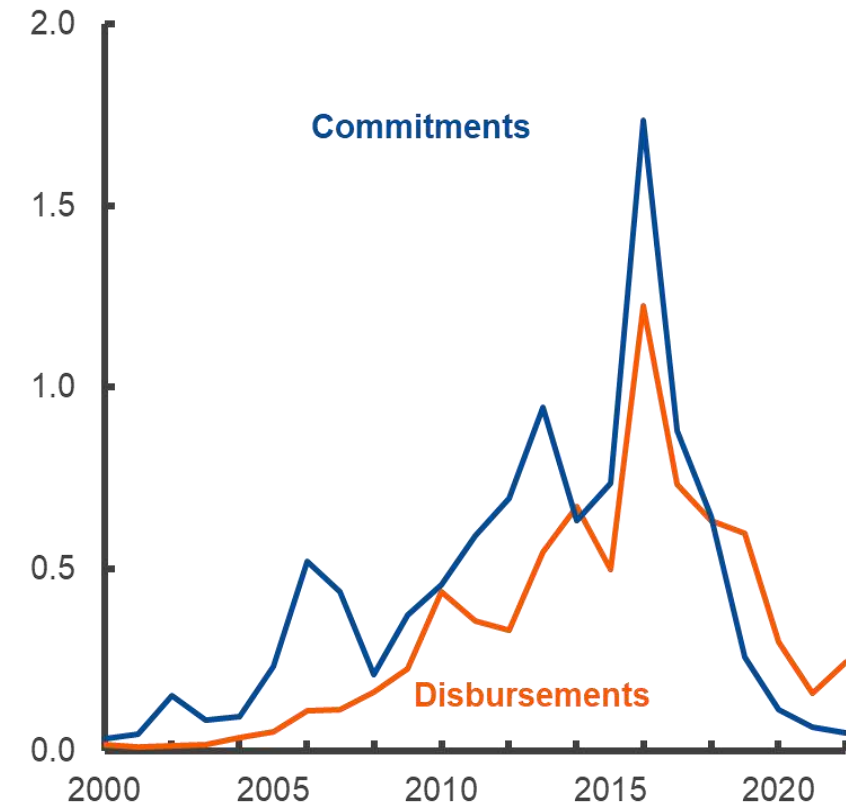
(Percent of GDP)



Source: OECD; and IMF, World Economic Outlook

Lending from China to Sub-Saharan Africa, 2000–22

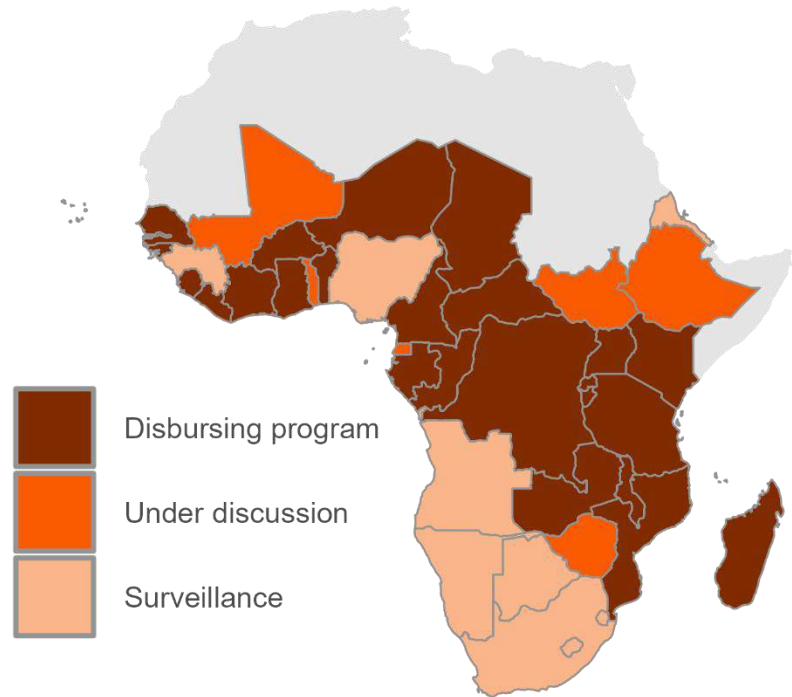
(Percent of GDP)



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

Role of the IMF: financing

Sub-Saharan Africa: IMF Engagement, 2024.



Source: IMF Finances.

IMF has been a key supporter of SSA in recent years

- Close to **\$60 billion** of financing (including \$23 billion SDR allocation) since 2020
- Currently, **more than half of SSA countries under IMF program**
- 9 countries have an RSF (resilience and sustainability facility for climate)
- New seat at the Board

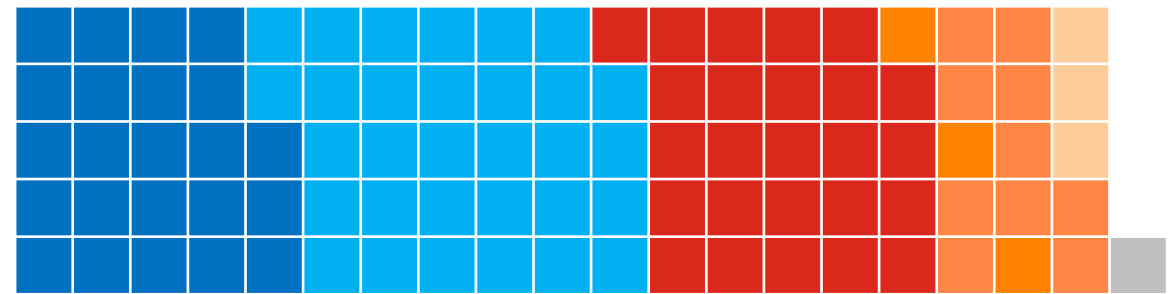
Role of the IMF: Capacity development (CD)

- SA received **40 percent** of IMF direct CD delivery in FY23
- Increased CD in FY24 in the **fiscal and monetary** areas, including **debt management**.
- Fragile and conflict states** remain a priority for Regional Centers and in-country long-term experts
- Demand for **climate CD** is a key growth area for both RSF and non-RSF countries

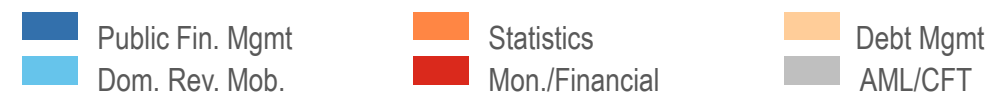
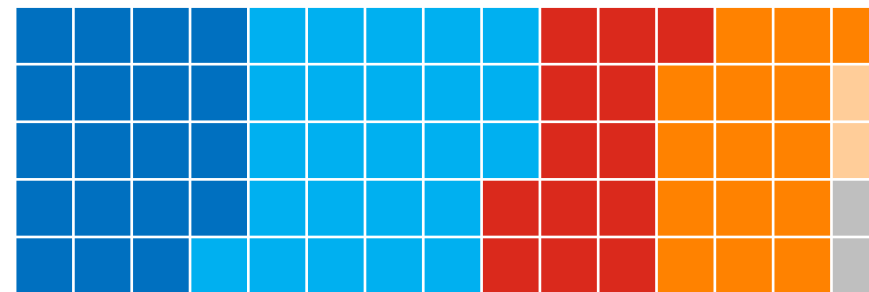
Capacity Development Spending to SSA

(1 square = 1 million US\$)

FY24:*



FY23:

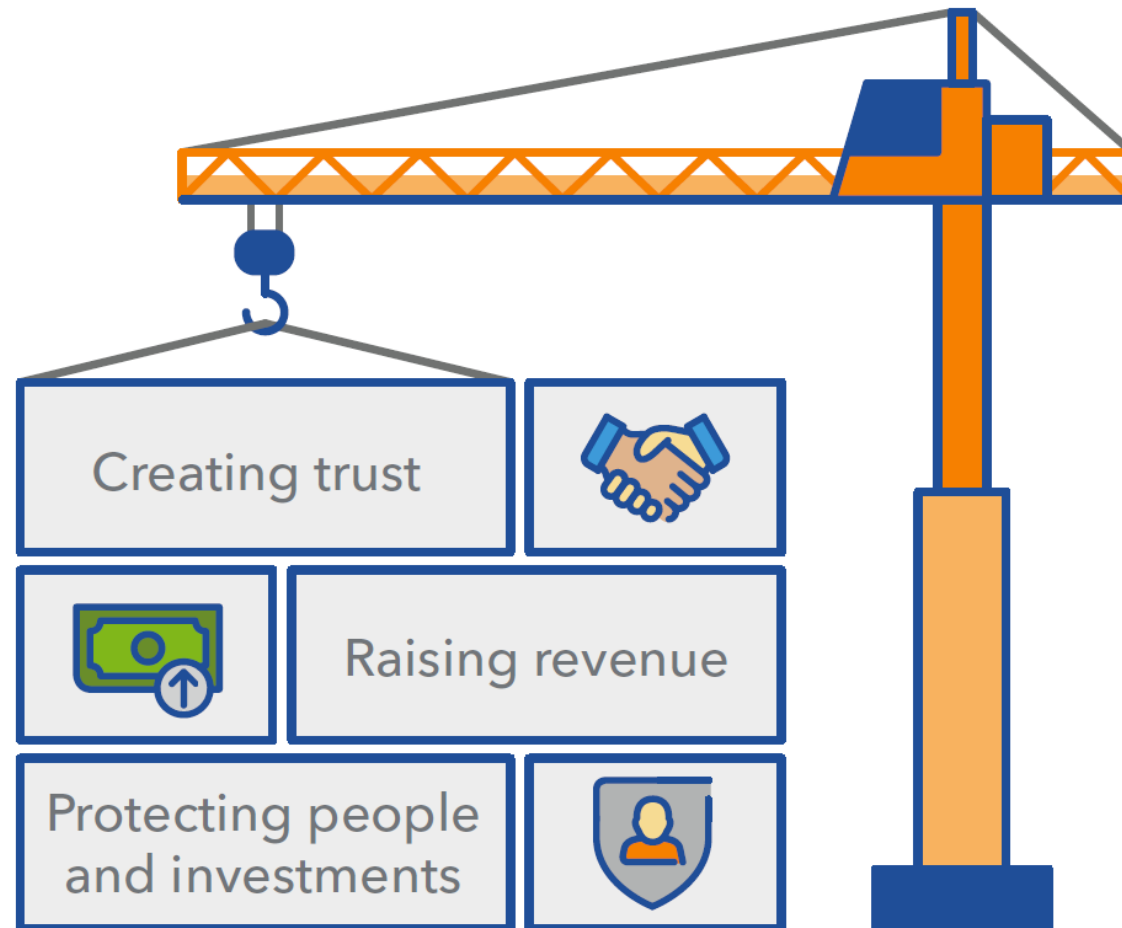


Source: IMF staff calculations. *FY24 is estimated spending based off the budget envelope from 1 May 2023- 30 April 2024.

Analytical Notes

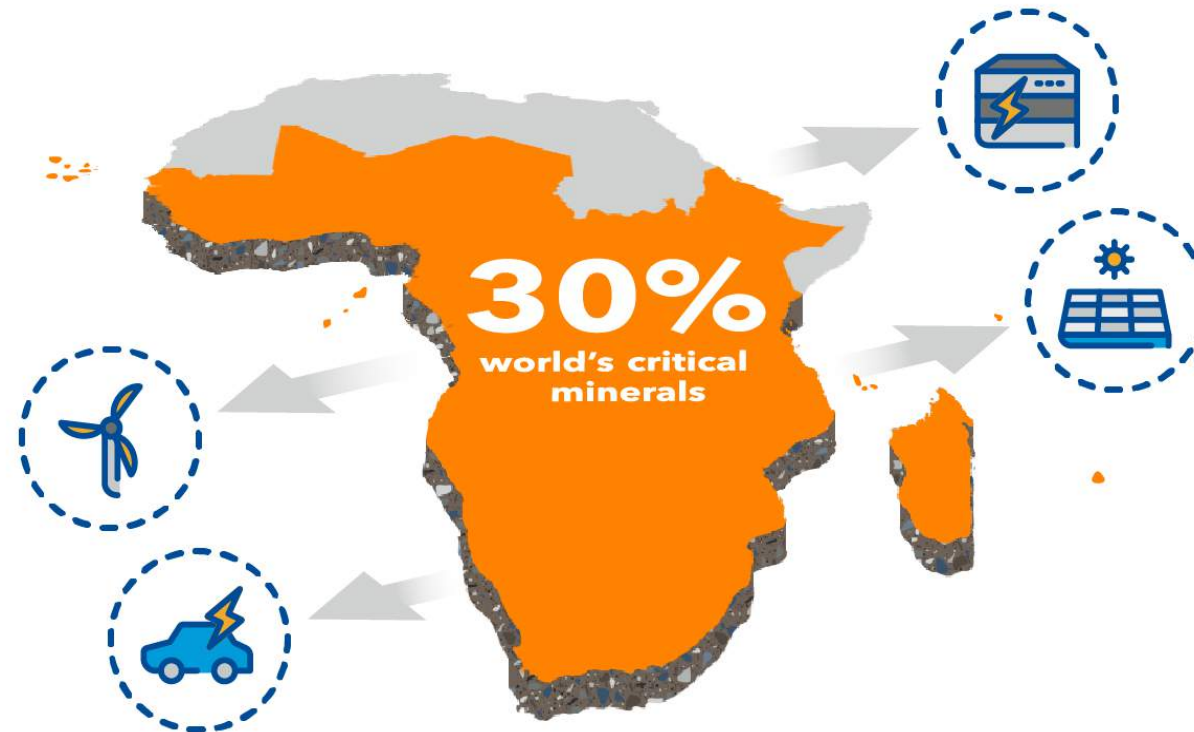
1: Cutting Budget Deficits in Sub-Saharan Africa without Undermining Development

Sub-Saharan African countries can rebuild their public finances and preserve stability



2: Digging for Opportunity: Harnessing Sub-Saharan Africa's Wealth in Critical Minerals

Sub-Saharan Africa can supply the clean energy transition...



...and benefit more from its mineral wealth

3: Building Tomorrow's Workforce: Education, Opportunity, and Africa's Demographic Dividend

1 in 5 workers globally will come from Africa by 2050

Matching these people with jobs will require



more
teachers



more
schools



and more
money



Thank you