Regional Economic Outlook for sub-Saharan Africa

African Department
International Monetary Fund
November 30, 2017
Outline

1. Sharp slowdown after two decades of strong growth
2. A partial and tentative policy response
3. Near-term macroeconomic challenge
   - Addressing debt vulnerabilities
   - Emphasis on revenue mobilization
   - Fostering economic diversification
4. Medium-term prospects remain strong
   - Demographic dividend
   - Technology facilitating stronger catch-up growth
Since the mid-1990s, most sub-Saharan African countries have been registering high growth rates.
Important progress in human development

Maternal mortality

- 1990: 1,000
- 2016: 600

Infant mortality

- 1990: 120
- 2016: 80

Developments in sub-Saharan Africa
Three broad factors have facilitated the strong growth:

- Better policies and institutions
- High commodity prices
- Capital inflows
But in 2016 growth slumped sharply and only a modest recovery is expected.
The recovery is not sufficient to raise per capita growth in many countries

<table>
<thead>
<tr>
<th>Positive real GDP per capita growth</th>
<th>Negative real GDP per capita growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of countries: 33</td>
<td>Number of countries: 12</td>
</tr>
<tr>
<td>Percent of population: 43%</td>
<td>Percent of population: 57%</td>
</tr>
</tbody>
</table>
Oil exporting economies have been hit the most

![Graph showing median real GDP growth for different categories of countries from 2013 to projected 2019. The categories are Oil exporters (8 countries), Other resource-intensive countries (15 countries), and Non-resource-intensive countries (22 countries). The graph indicates a decline in GDP growth for oil exporters in recent years.]
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Easier financing conditions have brought frontier economies back to the market.
Exchange rate pressures have eased in many countries—the case of Nigeria
Fiscal deficits are stabilizing

Developments in sub-Saharan Africa
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4. **Medium-term prospects remain strong**
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Debt stocks have risen throughout the region

Addressing debt vulnerabilities

Emphasis on revenue mobilization

Fostering economic diversification

Oil exporters

Other resource-intensive countries

Non-resource-intensive countries

Public debt, percent of GDP

Interquartile range

Median
Driven by large fiscal deficits and depreciation

Addressing debt vulnerabilities
- Emphasis on revenue mobilization
- Fostering economic diversification

Change in debt-to-GDP ratio 2014–16, simple average

- Oil exporters
- Resource-intensive countries
- Non-resource-intensive countries

- Primary deficit
- Exchange rate depreciation
- Other
- Interest expenditure
- Nominal GDP growth
- Change in debt-to-GDP ratio
Debt service costs have increased

Addressing debt vulnerabilities

Emphasis on revenue mobilization

Fostering economic diversification
Fiscal consolidation plans need to be implemented

Addressing debt vulnerabilities

Emphasis on revenue mobilization

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Fiscal consolidation plans need to be implemented

Addressing debt vulnerabilities

- Emphasis on revenue mobilization
- Fostering economic diversification

[Graphs showing median public debt as a percent of GDP for Oil exporters, Other resource-intensive countries, and Non-resource-intensive countries over the years 2011 to 2020.]

Baseline
Fiscal consolidation plans need to be implemented

Addressing debt vulnerabilities

Emphasis on revenue mobilization

Fostering economic diversification
Fiscal multipliers are lower in SSA

Impact on GDP growth of a 1 pp increase in...

- Investment-to-GDP ratio
- Consumption-to-GDP ratio
- Revenue-to-GDP ratio

Addressing debt vulnerabilities  
**Emphasis on revenue mobilization**  
Fostering economic diversification
Significant potential for raising tax revenues

Addressing debt vulnerabilities

**Emphasis on revenue mobilization**

Fostering economic diversification
Diversification offers a path to growth

Addressing debt vulnerabilities
Emphasis on revenue mobilization
Fostering economic diversification
Usual factors important for diversification...

Income Inequality (Gini)

Access to Electricity

Residual of export diversification

Residual of Gini

Residual of access to electricity, percent
Usual factors.... (cont)

Credit to private sector

Ease of doing business

- Residual of export diversification
- Residual of credit to private sector, percent
- Residual of ease of doing business

SSA
## Getting the policy mix right and playing to your strengths

**Botswana: Expanding along the value chain**
- Built on an existing position in the diamond industry
- Helped to create positive spillovers to supporting sectors
- Strong record of good governance
- Prudent economic management

**Uganda: Moving into manufacturing**
- Expanded from agro-commodities to agro-processing
- Industrial clusters supported exports of light manufacturing
- Sustained macroeconomic stability
- Expanding regional trade supported export growth

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*Addressing debt vulnerabilities*  
*Emphasis on revenue mobilization*  
**Fostering economic diversification**
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Globally, working age population is projected to decline sharply in coming years
By around 2030, half the increase in global work force will come from sub-Saharan Africa.
FinTech for financial inclusion
In some countries, mobile account growth outpaced bank account growth.

Countries with more mobile accounts than bank accounts (% age 15+) in Sub-Saharan Africa, 2014

Source: Global Findex, World Bank

East Africa leads mobile money transactions
Monthly $ million

Source: GSMA Mobile Money
Mobile account (% age 15+) in Sub-Saharan Africa, 2014

Source: Global Findex, World Bank
Thank you!

The online edition of the Regional Economic Outlook for sub-Saharan Africa is now available online at www.imf.org