Restarting the Growth Engine
Regional Economic Outlook for Sub-Saharan Africa

African Department
International Monetary Fund
May 2017
Outline

A Broad-based Slowdown

Increasing Vulnerabilities

Insufficient Adjustment

Recalibrating the Policy Response

Adjustment

Financing
2016 saw a broad-based slowdown, with commodity exporters being particularly hit...

Real GDP Growth, Average 2010–15

- Resource-intensive countries
- Nonresource-intensive countries

Weighted average = 5.0
Median = 5.1
2016 saw a broad-based slowdown, with commodity exporters being particularly hit...
...and in some cases, compounded by rising food insecurity.
Inflation is ticking up in many countries in the region.

Number of Countries with Inflation Rates Greater than 10 Percent

![Bar chart showing the number of countries with inflation rates greater than 10 percent from 2000 to 2016. The chart shows a significant increase in 2008 followed by a decrease in recent years.]
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Fiscal deficits have widened among hardest-hit countries and remain elevated elsewhere.
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**Fiscal Balance and Real GDP Growth, 2010–16**

- **Oil exporters**
  - Average 2010–13: 6%
  - 2016: 0%
- **Other resource-intensive countries**
  - Average 2010–13: 4%
  - 2016: 2%
- **Nonresource-intensive countries**
  - Average 2010–13: 6%
  - 2016: 4%

**Legend:**
- Red: Real GDP growth (percent)
- Black: Overall balance (percent of GDP)
Higher borrowing costs have made recourse to external market financing less attractive...

![Frontier and Emerging Market Spreads, 2014-17](chart)

- **Emerging markets**
- **Sub-Saharan Africa frontier markets**
...leading to greater recourse to domestic financing,...

**Exposure of Commercial Banks to the Government**

![Graph showing exposure of commercial banks to the government.](image-url)

Increasing Exposure

Decreasing Exposure

- Countries represented on the graph include:
  - AGO
  - BEN
  - BWA
  - BFA
  - BDI
  - CPV
  - CMR
  - CAF
  - TCD
  - COM
  - COD
  - COG
  - CIV
  - GNQ
  - GAB
  - GHA
  - GIN
  - GNs
  - GNB
  - KEN
  - MDG
  - MWI
  - MLI
  - MUS
  - MOZ
  - NAM
  - NER
  - NGA
  - SEN
  - SYC
  - STP
  - TZA
  - TGO
  - UGA
  - ZAF
  - SSD
  - SWZ
  - TZA

Average December 2010–13, percent of commercial bank assets

Dec. 2016 or latest available, percent of commercial bank assets
Exchange rates have depreciated, but not sufficiently in some cases with parallel markets spreads emerging...

Depreciation of National Currencies Against the U.S. Dollar since December 2013 (+ indicates depreciation)

1 Unofficial estimates report the spread to be around 20 percent between cash U.S. dollars and domestic bank deposits and bond notes.
... and reserves are trending lower for the region, and acutely so in oil exporters
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Debt levels are on the rise across the region...

Public Debt, 2000–16

- Sub-Saharan Africa interquartile range
- Sub-Saharan Africa median
- Oil exporters median
...and public debt is on the rise, increasing the pressure on debt sustainability...

Public Sector Debt Accumulation, 2010–16

- 2011–13
- 2014–16

- Oil exporters
- Other resource-intensive countries
- Nonresource-intensive

Simple average, percentage points

- Primary deficit
- Real growth and interest rate
- Exchange rate depreciation
- Other
- Change in debt

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...and public debt is on the rise, increasing the pressure on debt sustainability...

![Public Sector Debt Accumulation, 2010–16](chart)

- Oil exporters
- Other resource-intensive countries
- Nonresource-intensive

- Primary deficit
- Real growth and interest rate
- Exchange rate depreciation
- Other
- Change in debt
...and public debt is on the rise, increasing the pressure on debt sustainability...

Public Sector Debt Accumulation, 2010–16

- Primary deficit
- Real growth and interest rate
- Exchange rate depreciation
- Other
- Change in debt
...especially in oil-exporting countries.

**External Debt Service-to-Exports Ratio, 2010-16**

- Interquartile range
- Sub-Saharan Africa median
- Oil exporters median

**Total Debt Service-to-Revenue Ratio, 2010-16**

- Interquartile range
- Sub-Saharan Africa median
- Oil exporters median
The financial sector is feeling the pinch, with asset quality declining,...
...and credit to private sector slowing sharply.

Change in Credit Growth to the Private Sector, Average 2011–13 vs. 2016

-50  -40  -30  -20  -10  0  10  20

Oil Exporters  Other resource-intensive countries  Nonresource-intensive countries

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The outlook is still subdued with modest growth rebound, subject to downside risks,...
...and driven by the three largest economies.
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Increasing Vulnerabilities

Adjustment

Financing

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Recalibrating the Policy Response
Three priority areas to ensure a stronger and durable recovery:

- Reinforce emphasis on macroeconomic stability
- Structural reforms to support healthier macro balances
- Stronger emphasis on social protection
More emphasis on adjustment needed in many cases

**Hardest-hit resource-intensive countries:**
- Strong fiscal consolidation required, with strong focus on revenue mobilization
- Where available, greater exchange rate flexibility/elimination of exchange restrictions important

**Other countries:**
- Where growth is still strong, emerging vulnerabilities need to be addressed from position of strength
- Infrastructure investment needs to be addressed through higher revenue mobilization to safeguard debt sustainability
Reforms needed to support macro objectives

- Domestic revenue mobilization
- Greater emphasis on safeguarding financial stability
- Fostering economic diversification
- State-owned enterprise reforms to limit contingent liabilities
Stronger emphasis on social protection necessary

- Low growth and widening macroeconomic imbalances risk aggravating social dislocation and increasing poverty

- Social protection programs often fragmented, not well-targeted, and cover a small share of the population

- Need to better target these and also use savings from regressive expenditures such as fuel subsidies to help vulnerable groups
How about Kenya?
Kenya is doing better post Constitution

- Economy expanding faster
- Income rising steadily

GDP growth
- 25.50% (2005-10)
- 30.51% (2011-16)

Growth in GDP per capita
- 14.54% (2005-10)
- 13.76% (2011-16)

Population growth

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Some changes in trends in 2016:

- Some bottlenecks removed (transport).
- Telecommunications still the brightest spot.
- Real estate pick up may be reversing.

-Slow progress in dealing with weather-related problems (Agriculture).
-Slight pick up in manufacturing (From low base).
-Deceleration in construction, financial and trade.
Gross capital formation decelerates in 2016

GDP by expenditure

- Government consumption
- Private consumption
- Gross fixed capital formation (ex transport)

2016 vs 5-year average
Pre-Election Growth

GDP growth (%)

Quarters before the elections

2007 Elections
2013 Elections
2018 Elections

Q1 '06 Q3 '06 Q4 '06 Q1 '07 Q2 '07
Q2 '06 Q3 '06 Q4 '06 Q1 '07 Q2 '07
Q3 '06 Q4 '06 Q1 '07 Q2 '07 Q3 '07
Q4 '06 Q1 '07 Q2 '07 Q3 '07 Q4 '07

Q1 '06 Q2 '06 Q3 '06 Q4 '06 Q1 '07
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Growth before elections influenced by agriculture performance

![Graph showing GDP growth and agriculture sector performance over time.](image-url)
Take aways

• Impact of drought yet to be assessed.
• Some key sectors show deceleration even before the drought.
• Revenue mobilization and prioritization of investment needed to ensure attention to social needs.
Thank you!

The online edition of the *Regional Economic Outlook for sub-Saharan Africa* is now available online at [www.imf.org](http://www.imf.org)