Navigating Headwinds
Regional Economic Outlook for Sub-Saharan Africa

African Department
International Monetary Fund
April 2015
A major shock has materialized and altered the near-term challenges facing some of the largest countries in the region.
Outline

➢ Growth Outlook
➢ Global Commodity Price Decline
➢ Vulnerabilities and Risks
  • Global Financial Volatility
  • Other Risks
➢ Ebola Epidemic Update
➢ Policy Implications
Growth in the region remains solid ...

Still the 2\textsuperscript{nd} fastest growing region of the world

Selected Regions: Real GDP Growth, 2015

\begin{itemize}
  \item Emerging and developing Asia
  \item Sub-Saharan Africa
  \item Emerging and developing Europe
  \item Latin America and the Caribbean
\end{itemize}

... but at the lower end of the range by recent standards

Sub-Saharan Africa: Real GDP Growth, 2004–15

\begin{itemize}
  \item Average 2004–08
  \item 2009
  \item Average 2010–14
  \item 2015
\end{itemize}
... but with heterogeneous downward revisions since October.
A large part of the region will experience solid growth in excess of 5 percent in 2015.
Global prices of oil, and that of other commodities, have plunged...

Selected Global Commodity Prices, Change from June 2014–March 25, 2015
... with a significant adverse impact on oil exporters, but only marginally benefiting oil importers.

Sub-Saharan Africa: Commodity Exporters

Sub-Saharan Africa: Terms of Trade Growth, 2015

1 Countries for which nonrenewable resource exports are between 25 percent and 50 percent of goods exports.
2 Countries for which nonrenewable resource exports are over 50 percent of goods exports.
Oil exporters’ fiscal and external balances will be seriously impacted.
Fiscal policies have been adjusted to reflect falling revenue from oil-related activities ...

Sub-Saharan Africa: Budgetary Price of Oil, 2014–15

Global Commodity Price Decline
... and depreciating exchange rates have helped support partially the adjustment

Sub-Saharan African Oil Exporters: Nominal Exchange Rate, National Currency to U.S. Dollar, September 2014-March 2015

* Includes Cameroon, Chad, Republic of Congo, Equatorial Guinea, and Gabon.
Spreads for sub-Saharan African frontier markets have moved up in tandem with those in emerging markets …

(Basis points)

Source: Bloomberg, L.P.
Note: EMBI = J.P. Morgan Emerging Market Bond Index Global.

1The sub-Saharan Africa frontier markets simple average includes the spreads of Cote d'Ivoire, Gabon, Ghana, Kenya, Nigeria, Senegal, Tanzania, and Zambia. Shaded areas correspond to "taper tantrum" periods (May 21, 2013–June 24, 2013) and January 21–February 4, 2014).
... with spreads widening especially for countries that exhibit vulnerabilities or face policy uncertainties.
A concern, in this context, is that macroeconomic imbalances have been increasing in frontier markets.
The outlook is also subject to some domestic risks.
The Ebola epidemic appears to be under control, but risks remain.
Nevertheless, the economic impact in the three countries affected is much larger than originally envisaged.
The IMF has provided financial support—including debt relief—and macroeconomic policy advice.

- Disbursements of $290 million during September 2014–March 2015

- Establishment of the Catastrophe Containment and Relief Trust.
  - Guinea, Liberia, and Sierra Leone have received a total of $100 million worth of debt relief.
Policies will depend on country-specific conditions, but some near-term actions are needed.

➢ Oil exporters need to adjust their fiscal stance and where feasible, allow further exchange rate flexibility.

➢ Pursue fuel subsidy reform and initiate the process of moving to flexible fuel and energy pricing mechanisms.
The region’s medium-term prospects are bright, but good policies are needed to reap the dividends.

- Structural transformation is needed to diversify and sustain high and inclusive growth:
  - Address the infrastructure deficit while preserving debt sustainability
  - Promote policies for export growth

![Change in Global Working-Age Population](chart.png)
Thank You!

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