

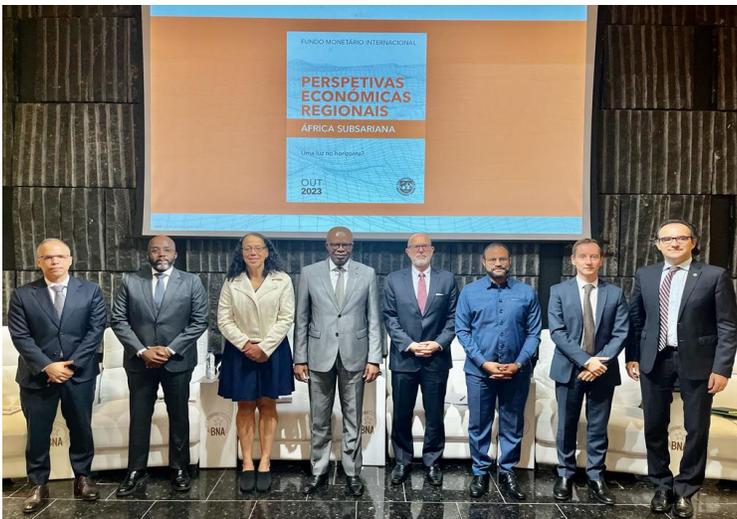
Presentation of Fall 2023 Regional Economic Outlook at Museu da Moeda, Banco Nacional de Angola.

November 1, 2023

The Governor of Central Bank, Deputy Governor of Central Bank, Minister of Finance, State Secretary for Finances and Treasury, Resident Representative of AfDB; from the IMF was Ms. Pattillo, Mr. Eyraud, and Resident Representative, Mr. Lledo.



- Link to the presentation:
<https://youtube.com/live/S5YWfkFLm7Q?feature=share>
- A few photos of the event.
- Link to Headlines and publications in Luanda's media.
- Follow the PowerPoint presentation below.



**Headlines and publications in Luanda's media:
Sub-Saharan Africa Regional Economic Outlook outreach events**

[Angola should let currency float, IMF officials say on visit - Today | MarketScreener](#)

<https://rna.ao/rna.ao/2023/11/01/fmi-revela-que-economia-angolana-devera-crescer-em-2024/>

<https://jornalf8.net/2023/fmi-conjuga-o-verbo-kwendar/>

<https://rna.ao/rna.ao/2023/11/01/fmi-destaca-determinacao-do-executivo-angolano-no-processo-de-retirada-do-subsidio-aos-combustiveis/>

<https://angola24horas.com/economia/item/28192-fmi-recomenda-manutencao-de-cambio-flexivel-em-angola>

<https://www.jornaldeangola.ao/ao/noticias/bna-e-fmi-lancam-hoje-perspectivas-economicas-da-africa-subsaariana/>

https://www.sapo.pt/noticias/atualidade/fmi-elogia-determinacao-de-angola-na-retirada_654166f0119ee71e935af85e

<https://www.jornaldeangola.ao/ao/noticias/fmi-considera-que-angola-esta-no-bom-caminho-da-recuperacao-economica/>

<https://www.facebook.com/PortalImmais/photos/a.437655856883178/1110472356268188/?type=3>

<https://www.oeconomico.com/angola-deveria-deixar-a-moeda-flutuar-diz-missao-do-fmi-no-pais/>

<https://www.noticiasominuto.com/economia/2431571/fmi-recomenda-manutencao-de-cambio-flexivel-em-angola>

<https://estamosjuntos.co.ao/bna-e-fmi-lancam-hoje-perspectivas-economicas-da-africa-subsaariana/>

<https://angola24horas.com/economia/item/28194-fmi-elogia-determinacao-de-angola-na-retirada-do-subsidio-aos-combustiveis>



**AFRICAN
DEPARTMENT**

LIGHT ON THE HORIZON?

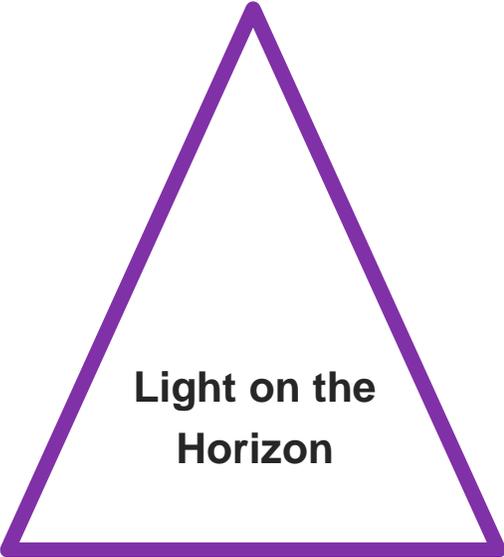
OCTOBER 2023 REGIONAL ECONOMIC OUTLOOK

LUC EYRAUD, CHIEF REGIONAL STUDIES, IMF

NOVEMBER 1ST

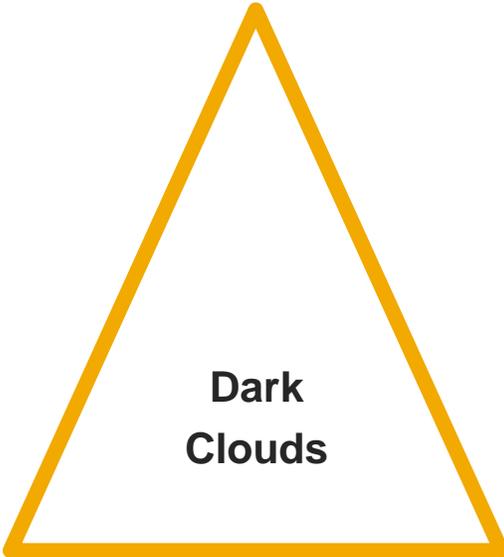
**AUDITORIUM SAYDI MINGAS, MUSEU DA MOEDA
NATIONAL BANK OF ANGOLA, LUANDA**

Key Messages



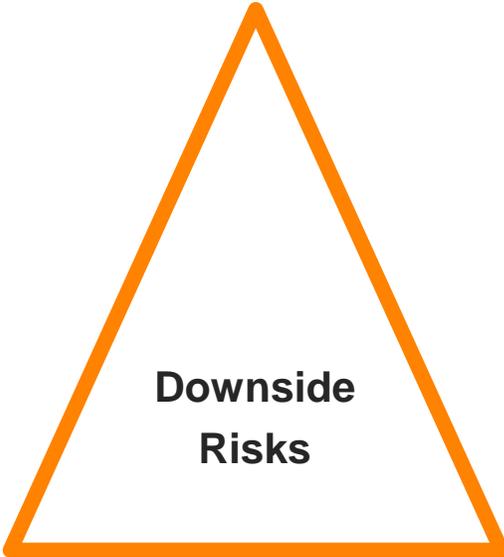
Light on the Horizon

- 2024 recovery
- Improving external conditions
- Declining macro imbalances



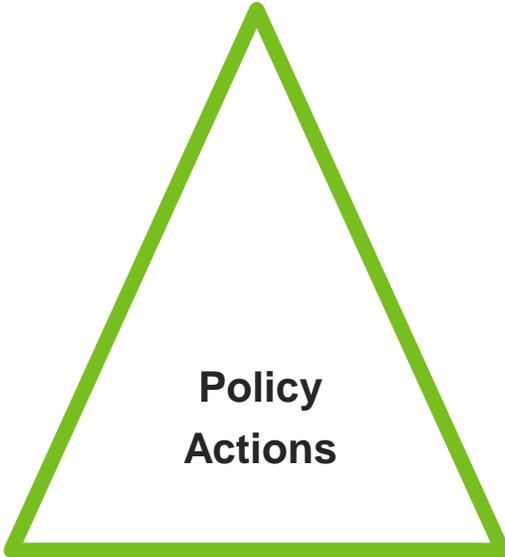
Dark Clouds

- Funding squeeze persists
- Inflation still high
- Economic divergence



Downside Risks

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



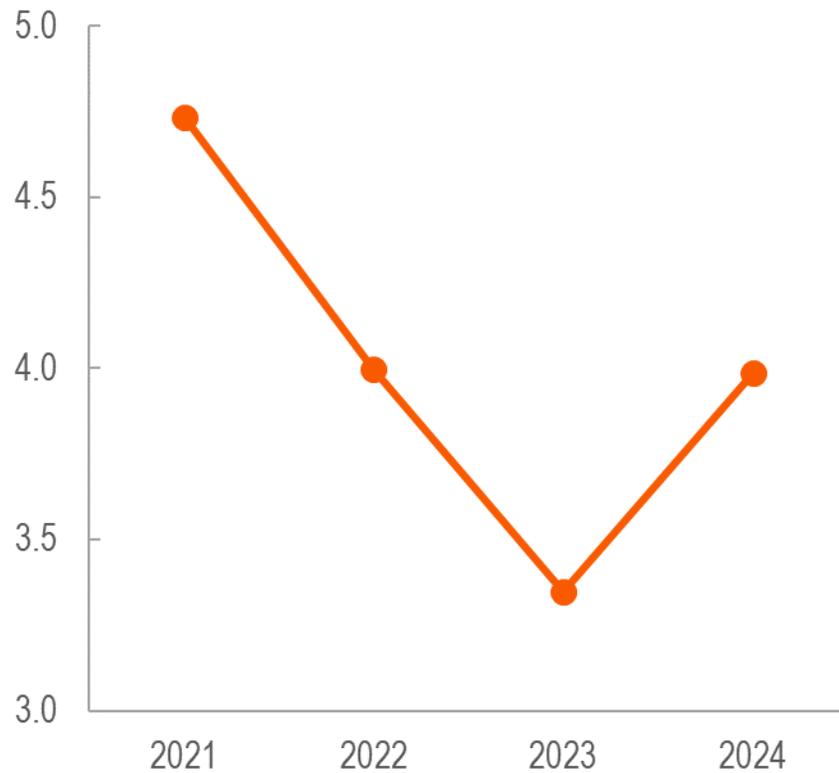
Policy Actions

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

A glimpse of sunshine

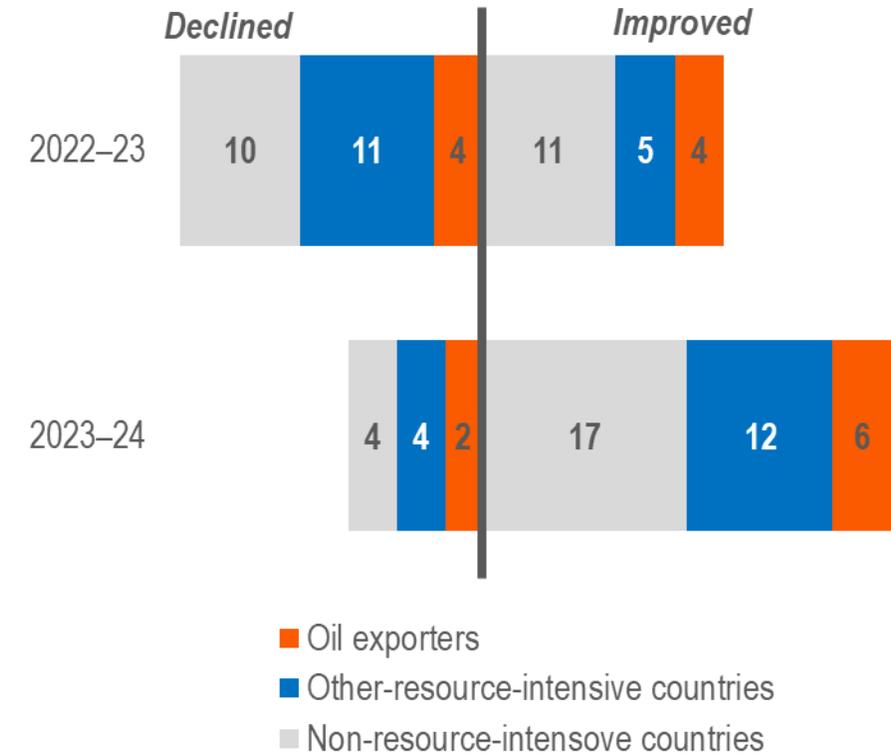
1. After a difficult 2023, a long-awaited rebound is on the horizon...

Sub-Saharan Africa: Real GDP Growth
(Percent)



Source: IMF, World Economic Outlook database.

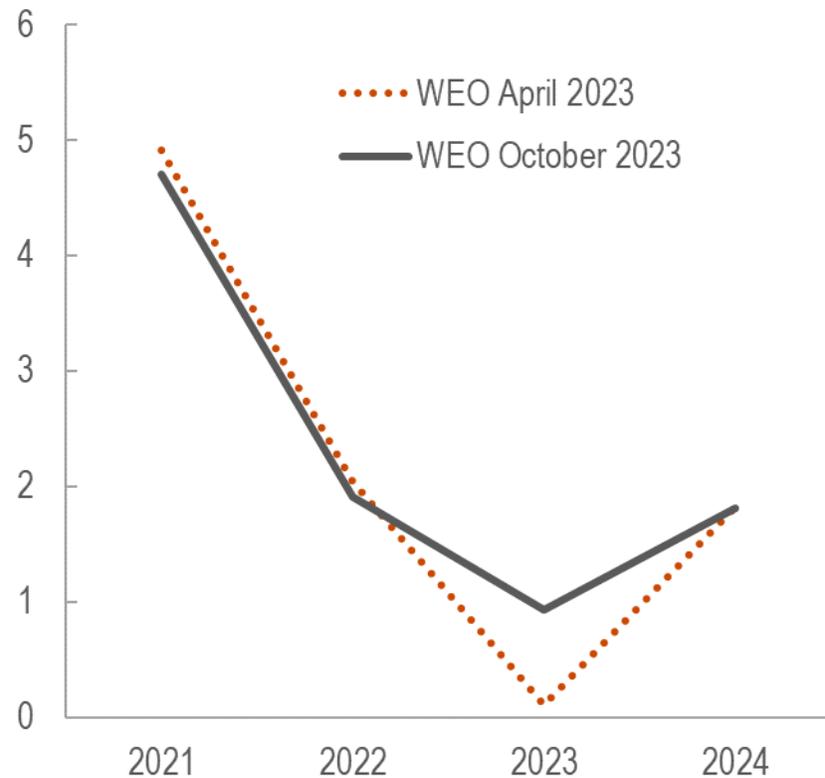
Real GDP Growth, 2022–24
(Number of countries)



Source: IMF, World Economic Outlook database.

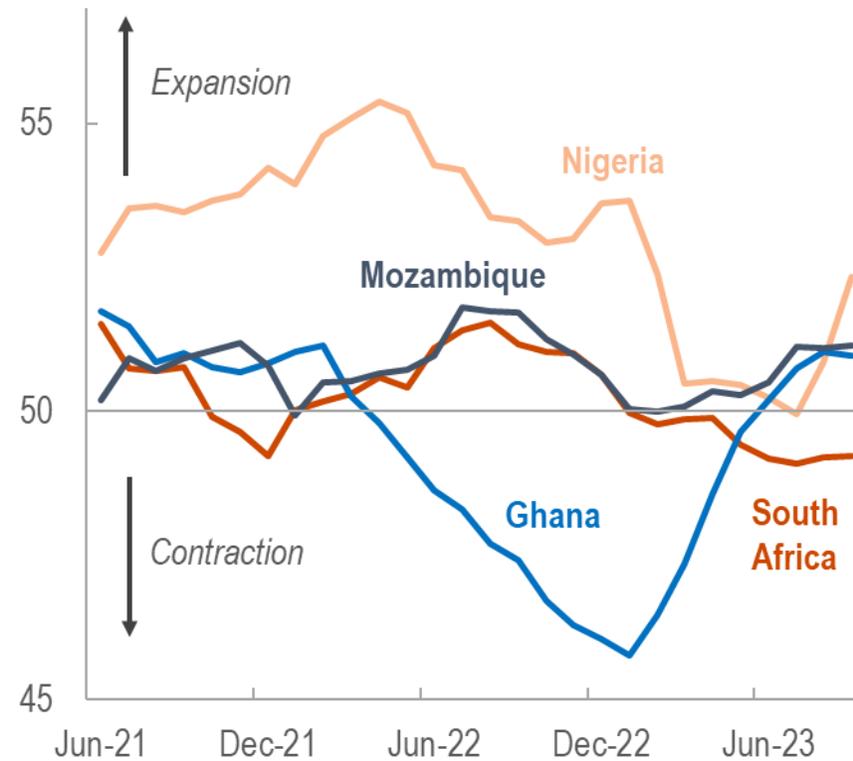
... with some economies showing already signs of improvement.

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)

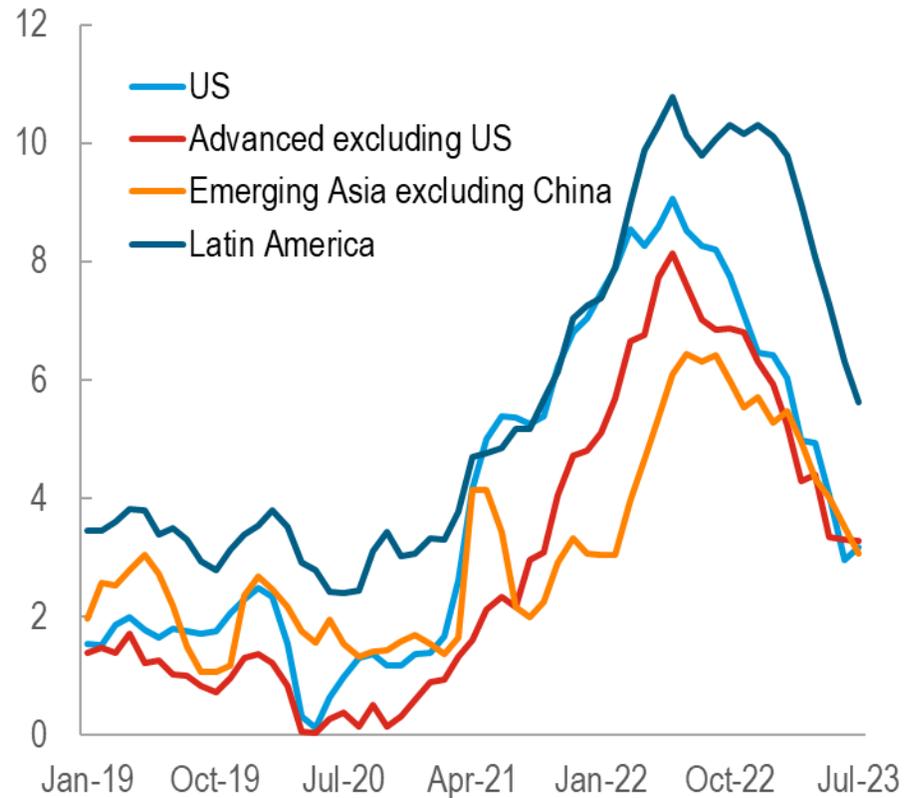


Source: Haver Analytics.

2. External financial conditions are normalizing...

Selected Regions: CPI Inflation

(Percent change year-over-year, median)

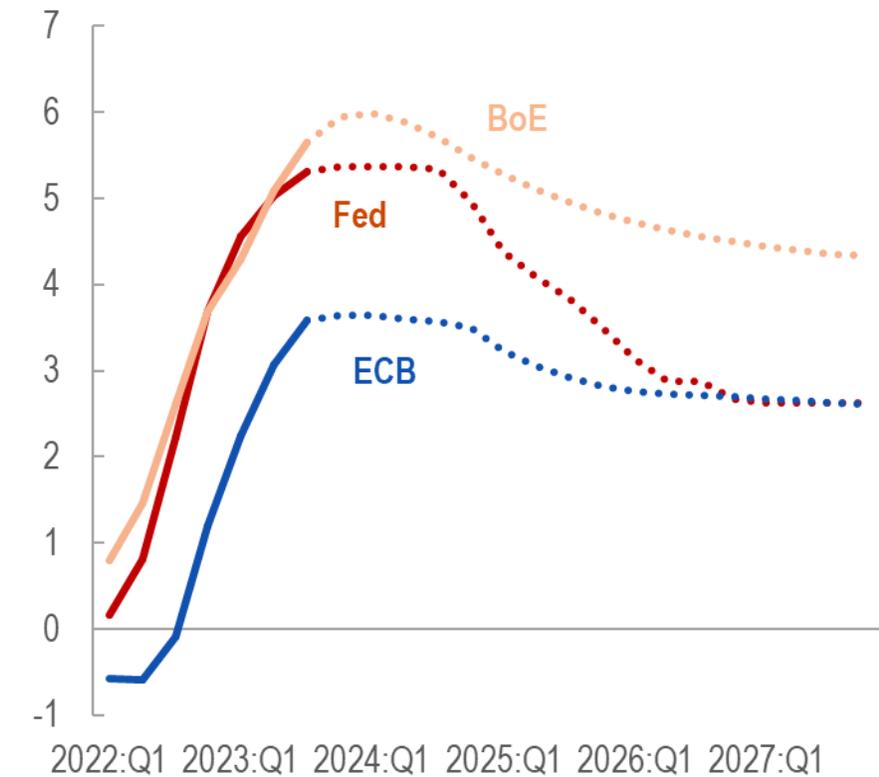


Sources: Haver Analytics; and IMF Staff calculations.

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)

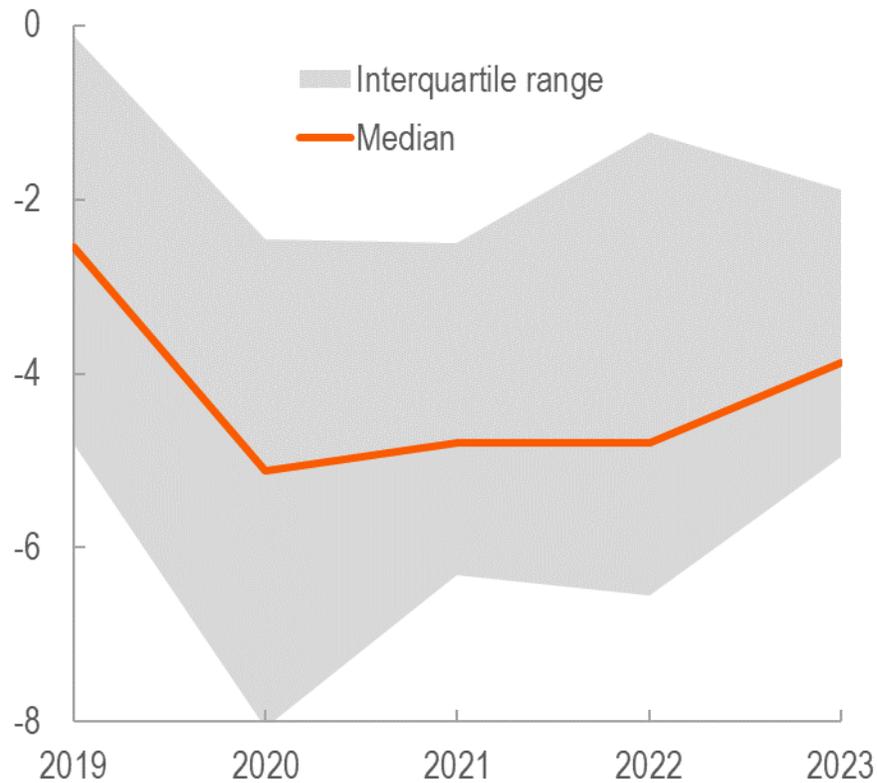


Source: Bloomberg, L.P.
Note: Data up to October 10, 2023.

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

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

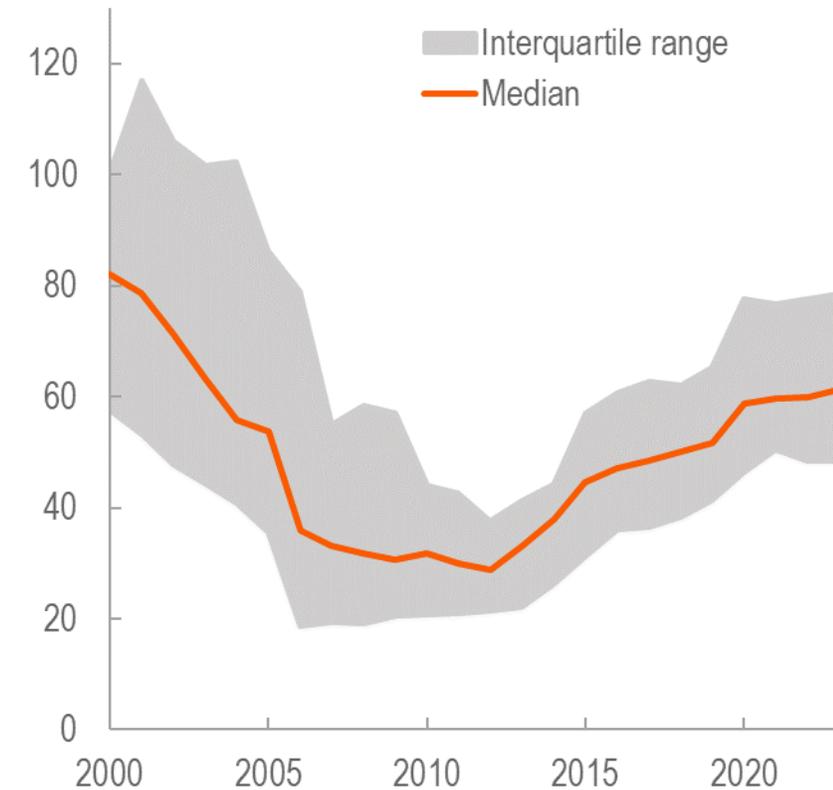
(Median, percent of GDP)



Source: IMF, World Economic Outlook database.

Sub-Saharan Africa: Total Public Debt 2000–23

(Median, percent of GDP)

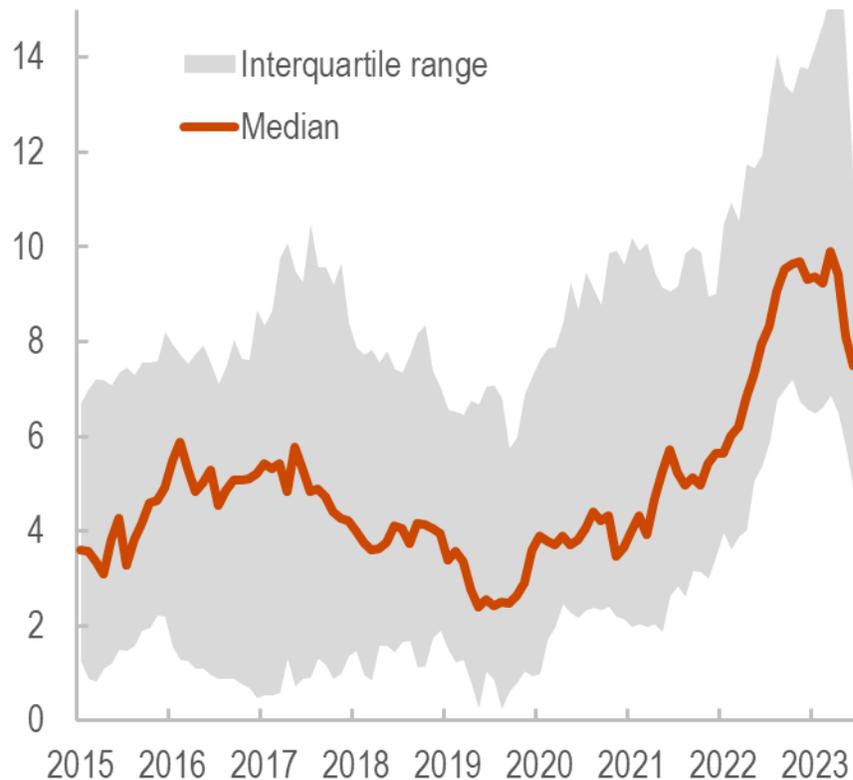


Source: IMF, World Economic Outlook database.

... and inflation coming down

Sub-Saharan Africa: Headline Inflation, 2015–23

(Percent)



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

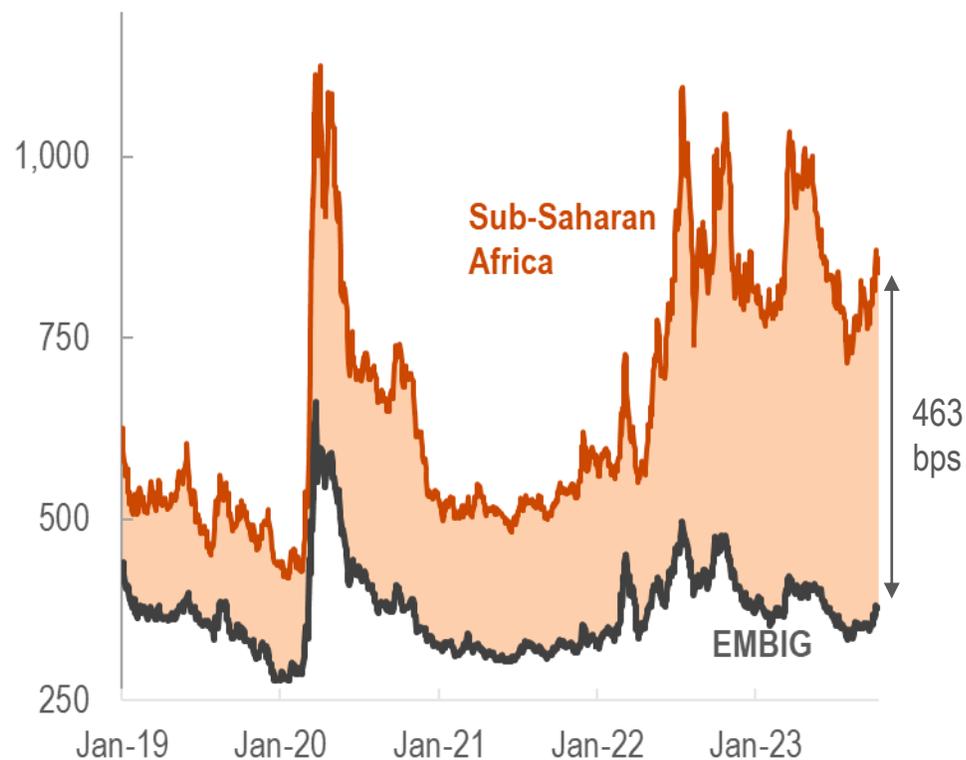
- **Median SSA inflation** has dropped by almost 3 pts...
- ...**helped by** the decline in international food prices, easing of supply chain constraints, and monetary policy tightening

Still, dark clouds remain

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

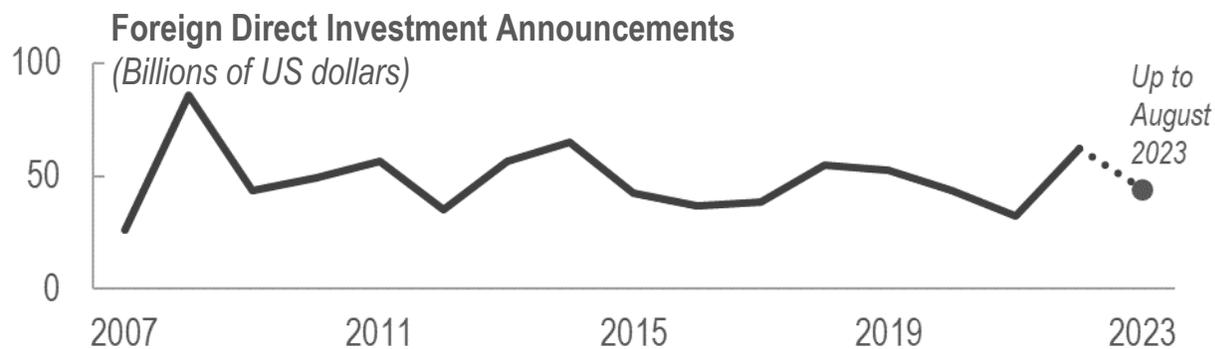
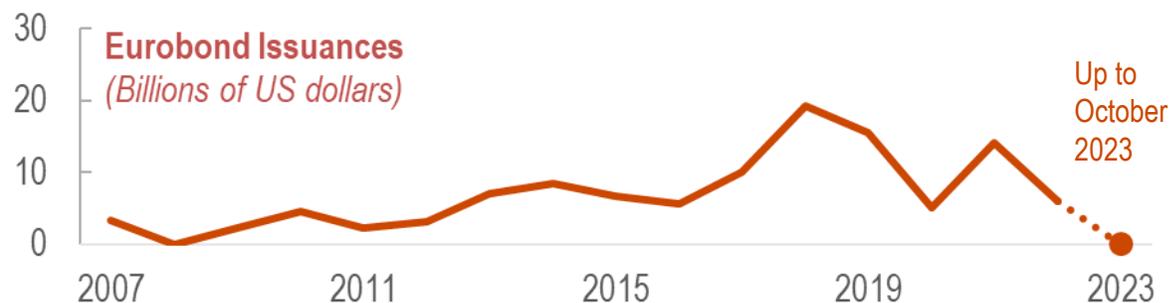
Sub-Saharan Africa: International Sovereign Spreads, 2019–23

(Basis points, simple average)



Sources: 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

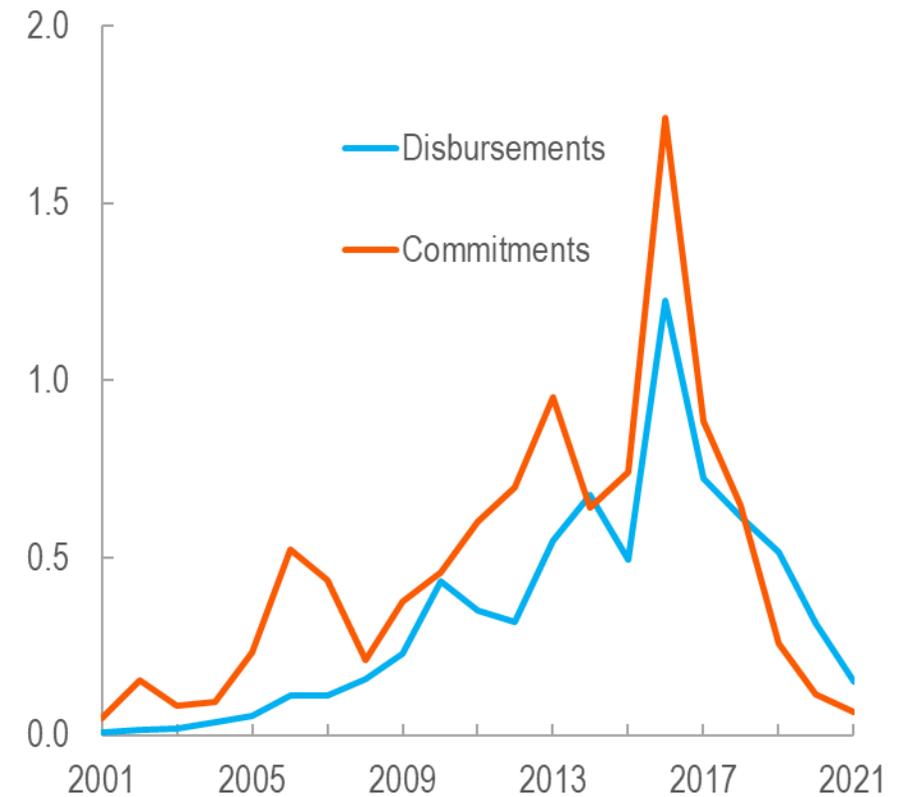
(Percent of GDP)



Sources: 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

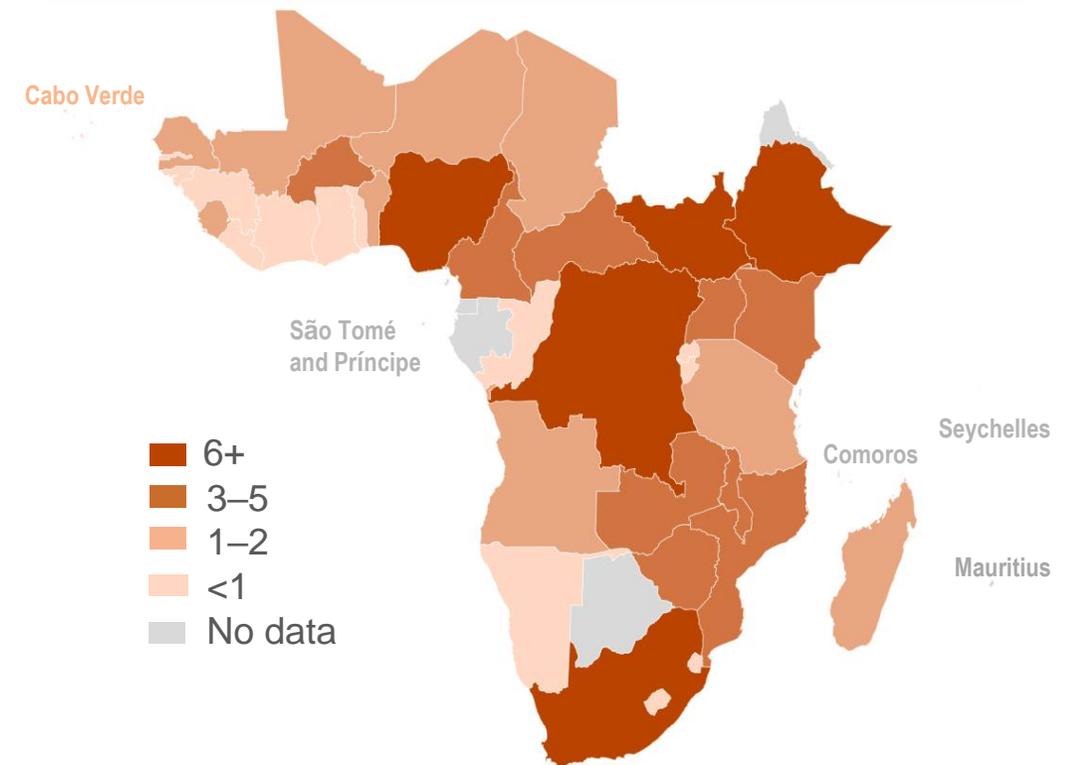
(Percent, year-on-year)



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

Sub-Saharan Africa: Acute Food Insecurity, 2023

(Millions of people)

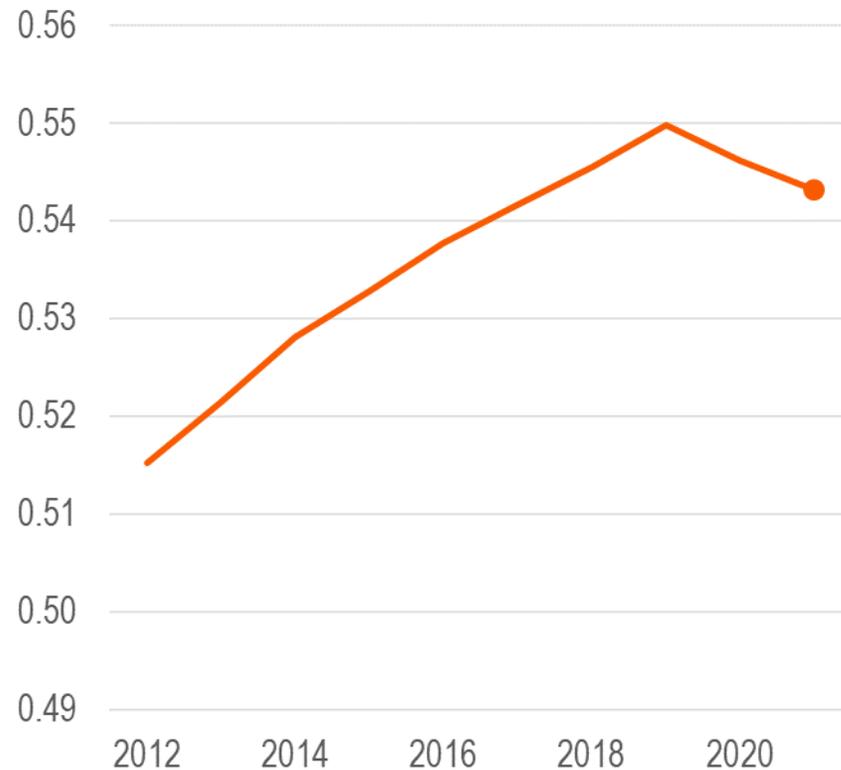


Sources: Global Network Against Food Crisis (2023); and IMF staff calculations.

3. Cascading shocks have stalled development,...

Sub-Saharan Africa: Average Human Development Index, 2012–21

(Units)



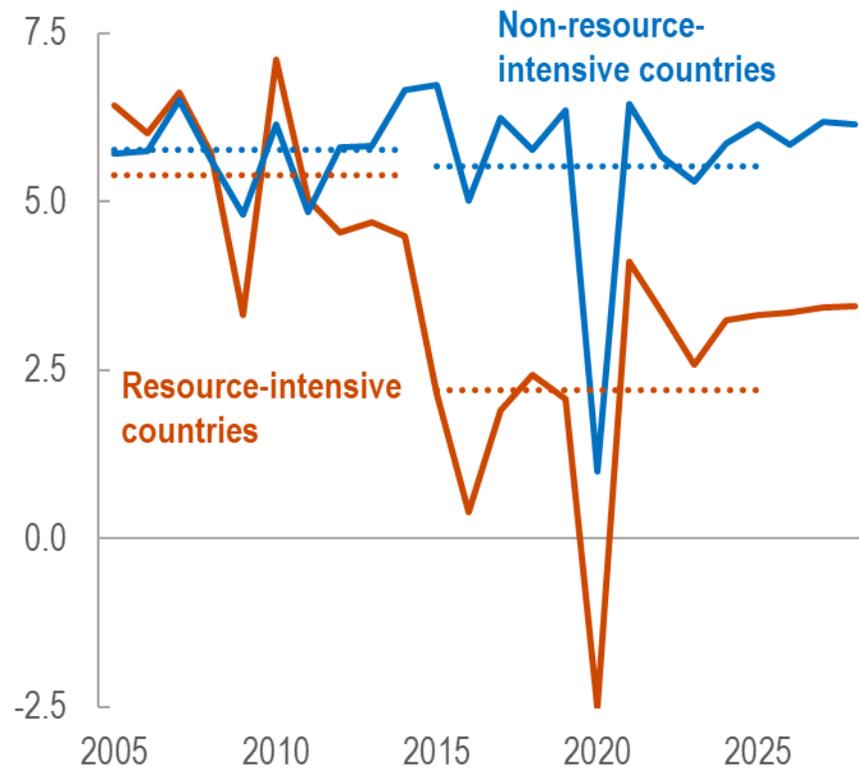
Sources: UNDP; and IMF staff calculations. Simple average across countries.

- 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

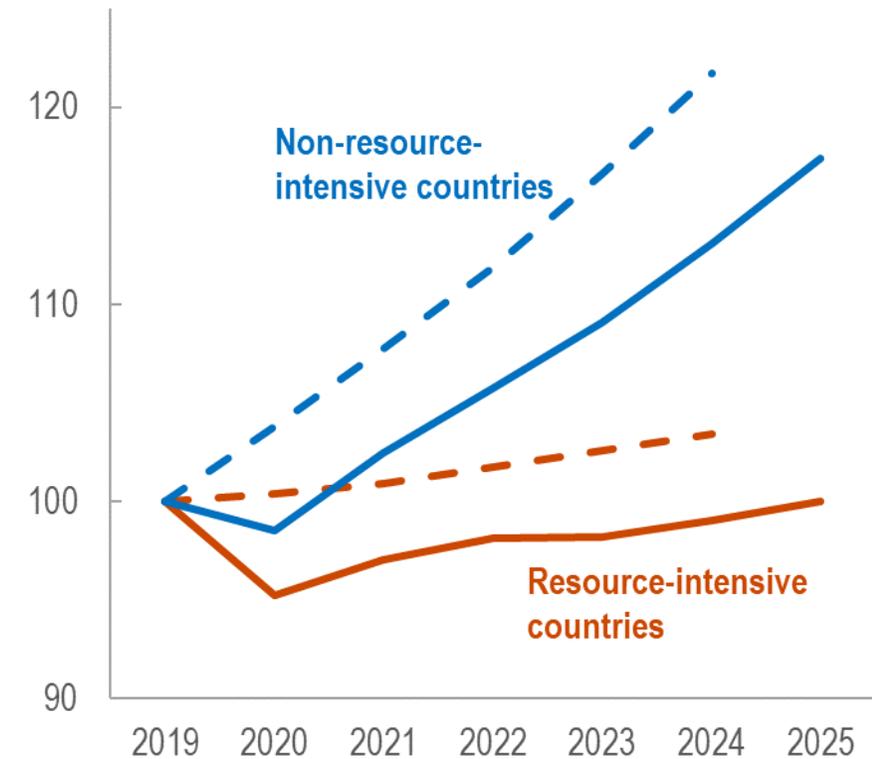
(Percent, dotted lines = weighted average)



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)



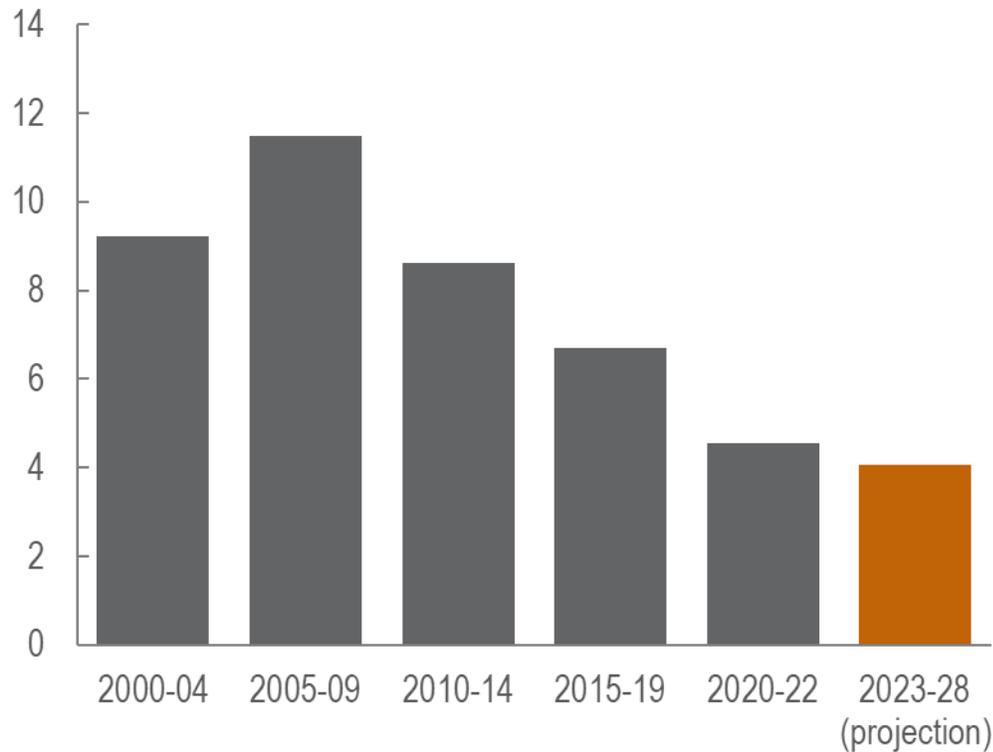
Source: Bloomberg, L.P.

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)



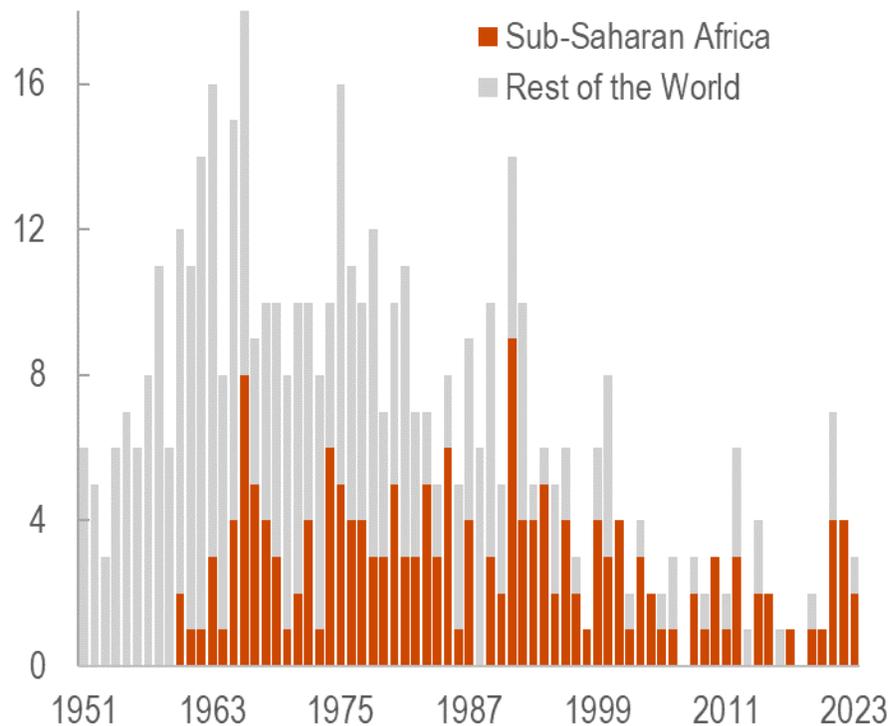
Source: IMF, World Economic Outlook database.

- 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, 1950–2023

(Number of events)



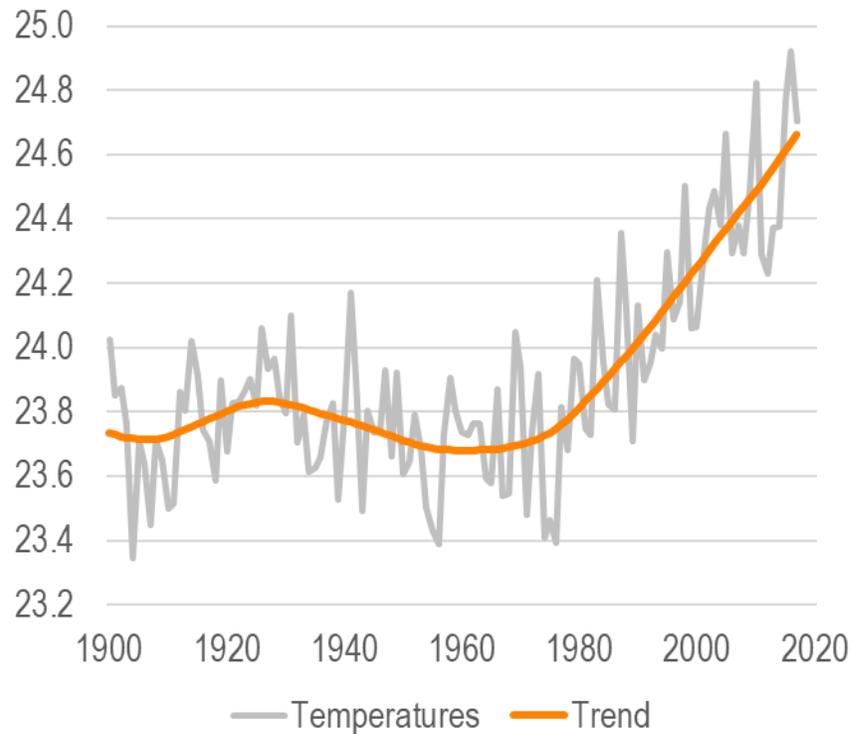
- 40 percent of the region's countries are fragile or in conflict
- 11 coups and coup attempts since 2020
- Increased fragility leaves countries more vulnerable to macroeconomic shocks.

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

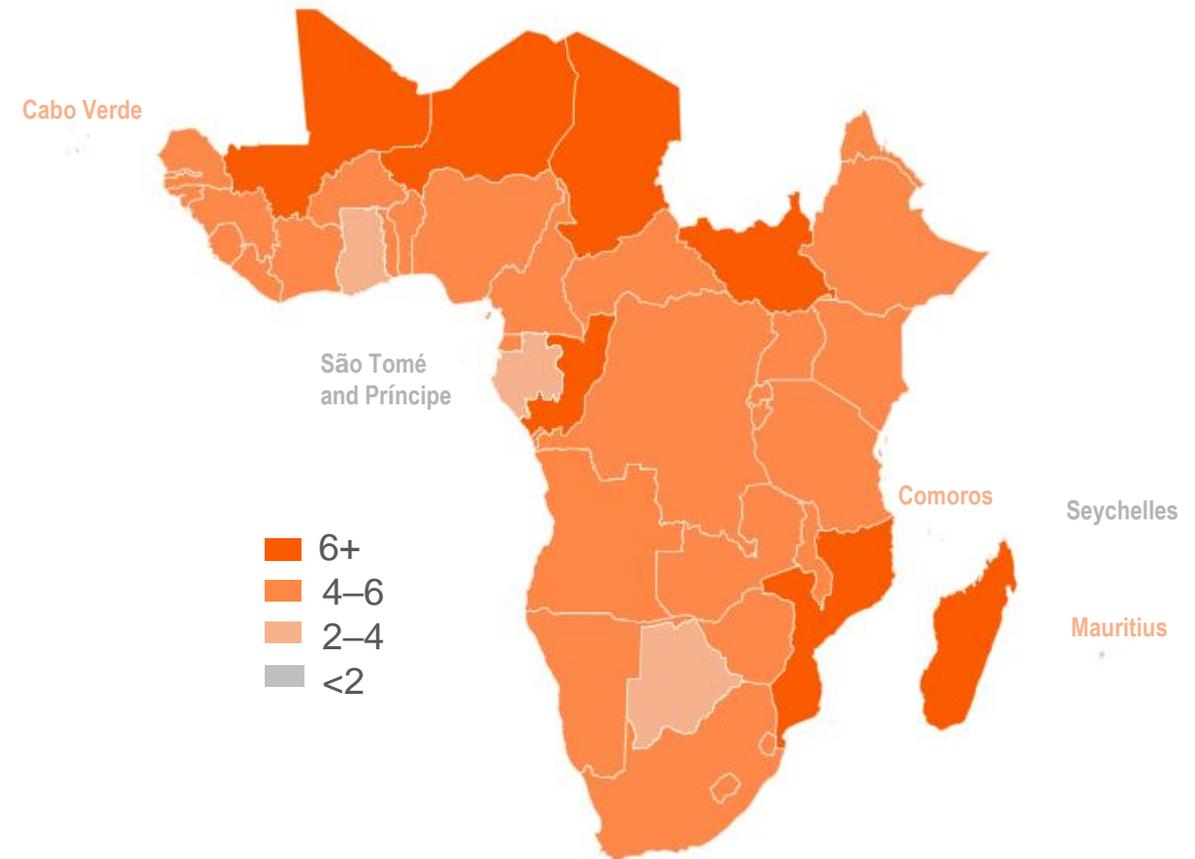
(Degree Celsius)



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

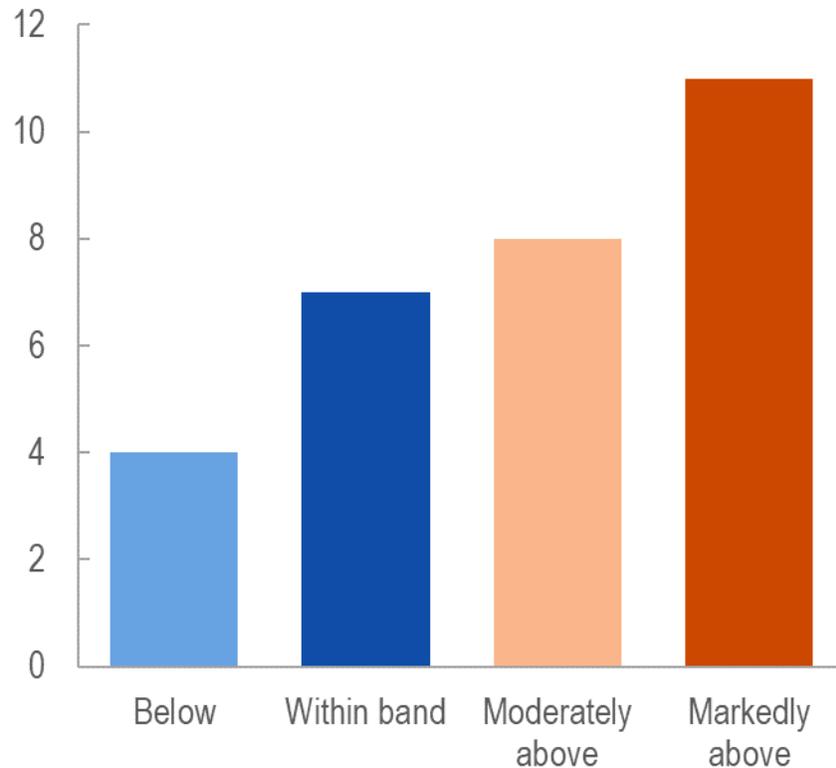


Structural Reforms

1. Inflation is easing but not everywhere...

Sub-Saharan Africa: Actual versus Target Inflation

(Number of countries, As of July 2023)



Sources: IMF staff calculations.

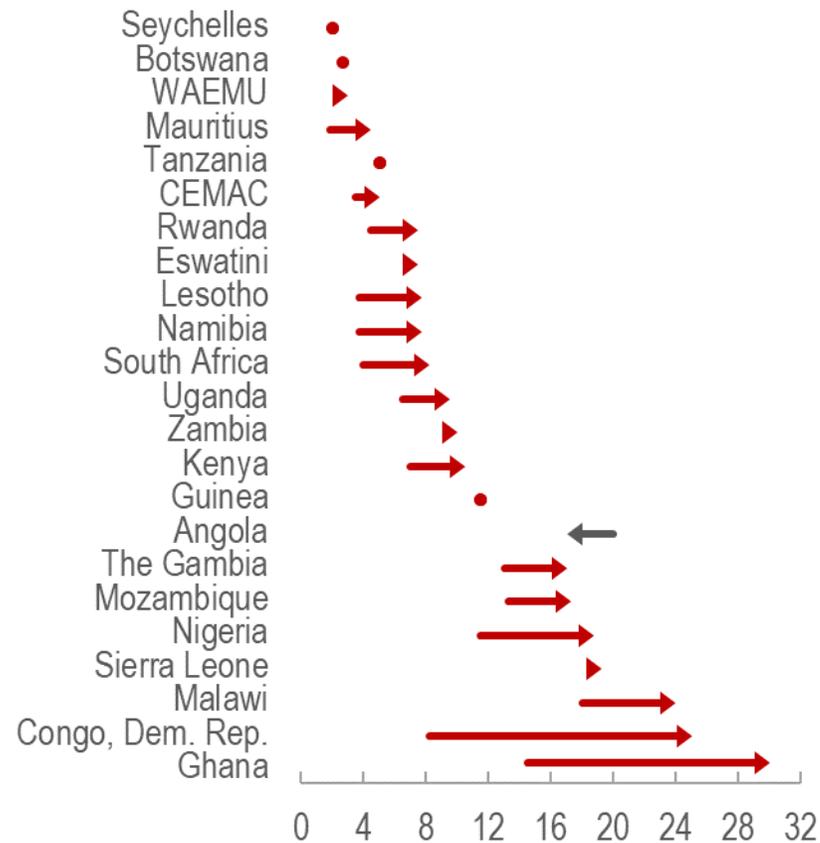
Note: Sample of 30 countries available as of July 2023. Moderately above = between the upper bound of band and twice the upper bound. Markedly above = exceeding twice the upper bound of band.

- 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)



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

Note: Dots indicate no change.

Monetary policy orientation likely to be more challenging

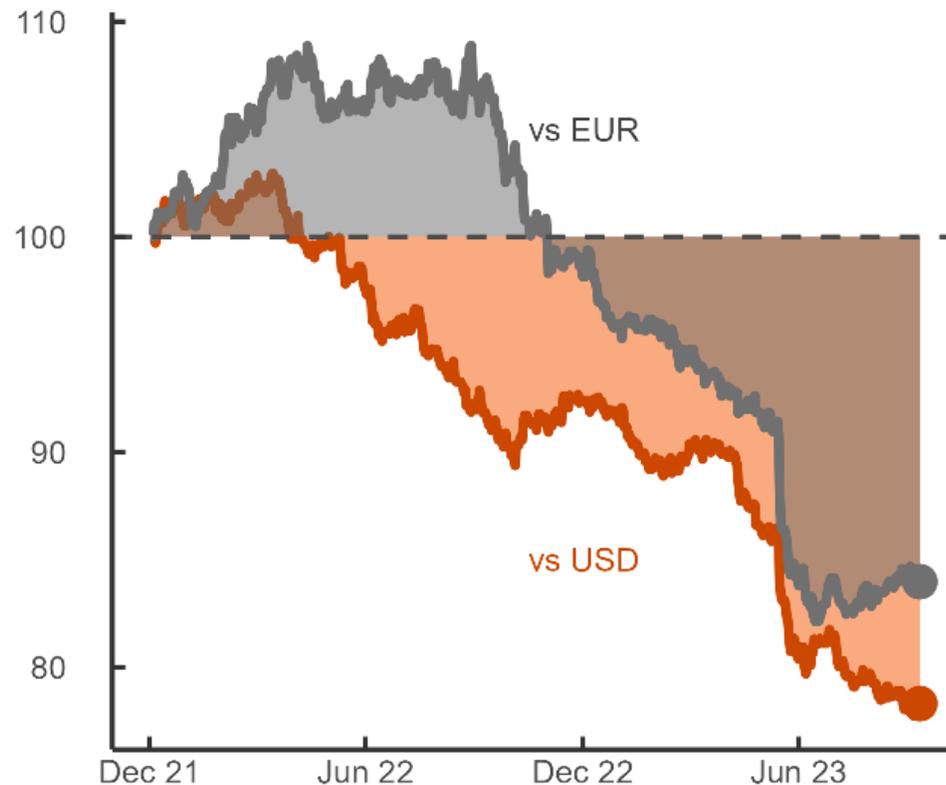
For countries with:

- 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

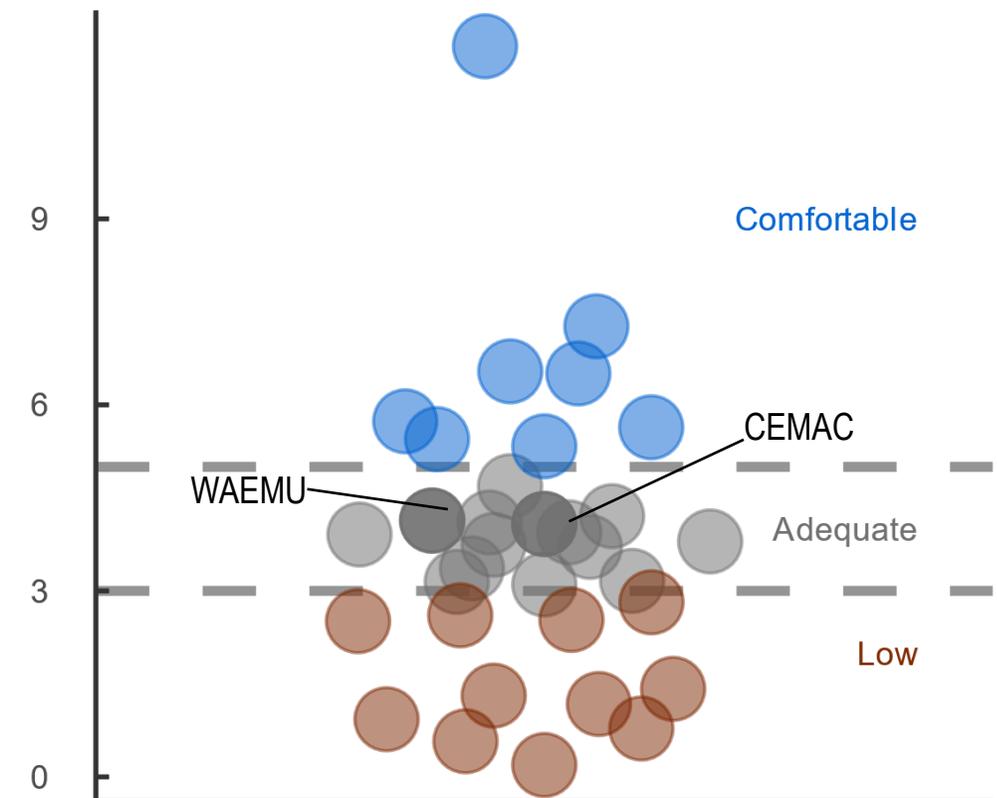
Sources: Bloomberg, WEO database; and IMF staff calculations.

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)

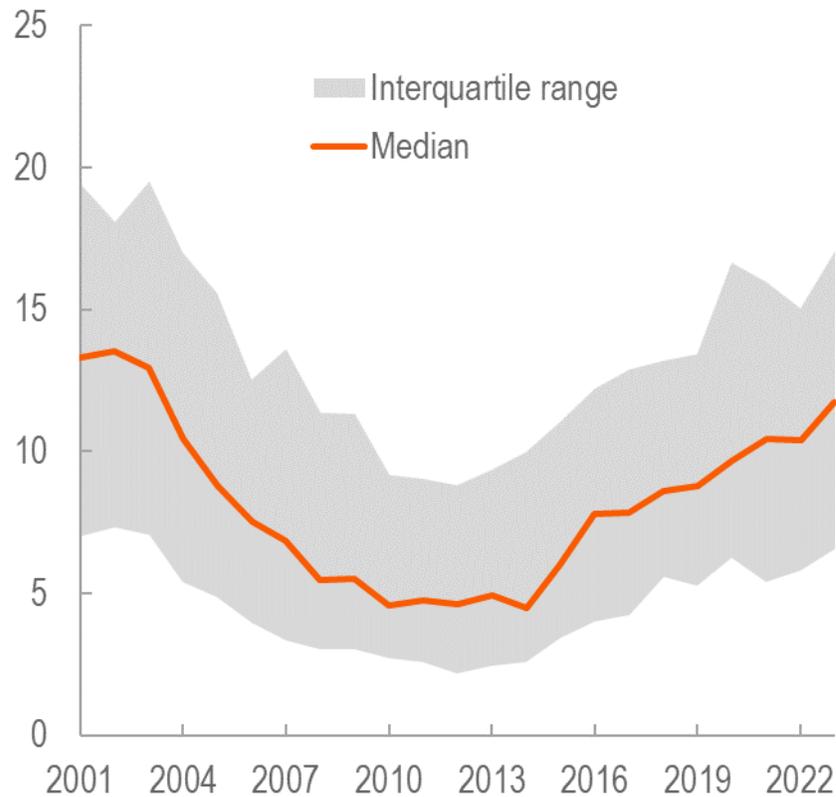


Source: IMF, World Economic Outlook database.
Note: Dark dots represent CEMAC and WAEMU.

3. Elevated debt vulnerabilities...

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

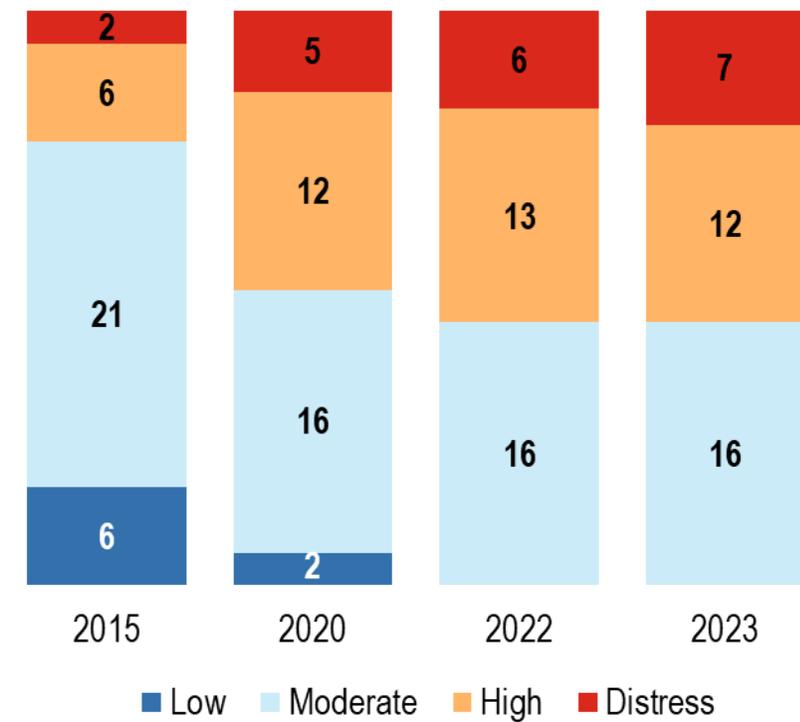
(Percent of revenue excluding grants)



Source: IMF, World Economic Outlook database.

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

(Number of PRGT-eligible countries)

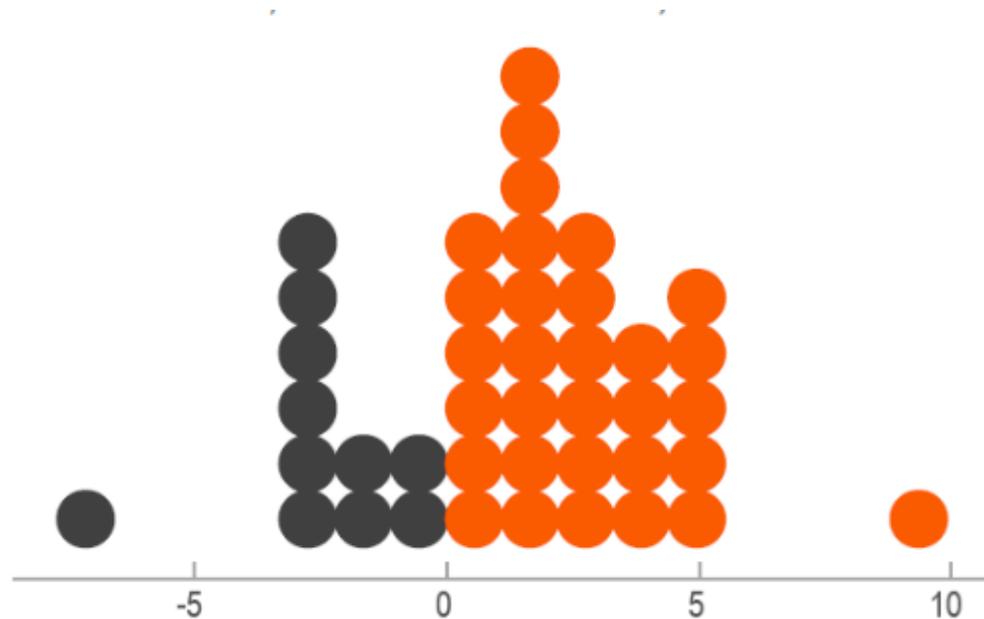


Source: IMF, Debt Sustainability Analysis Low-Income Developing Countries database. Note: Debt risk ratings in 2023 reflect the latest published debt sustainability assessments and may not reflect the current status. PRGT = poverty reduction and growth trust.

...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)



Sources: 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.

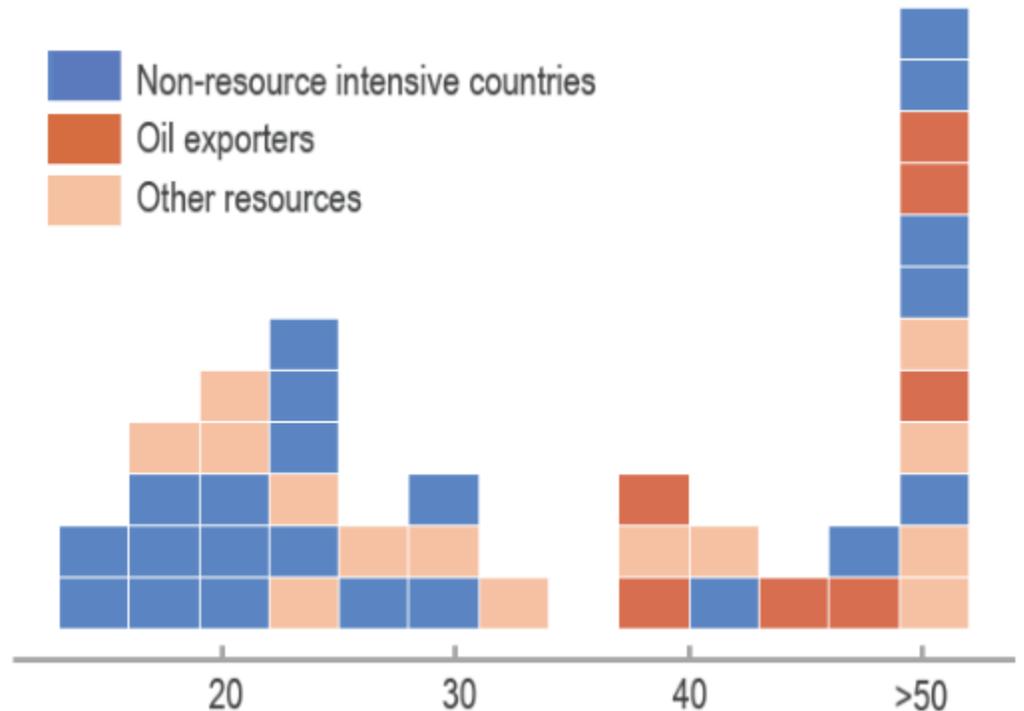
- Most countries **need to consolidate** to preserve fiscal sustainability
- Preferably based on **revenue mobilization**
- **Prioritization of key spending** such as education and healthcare
- Scope to enhance the design of **fiscal frameworks**

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)



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

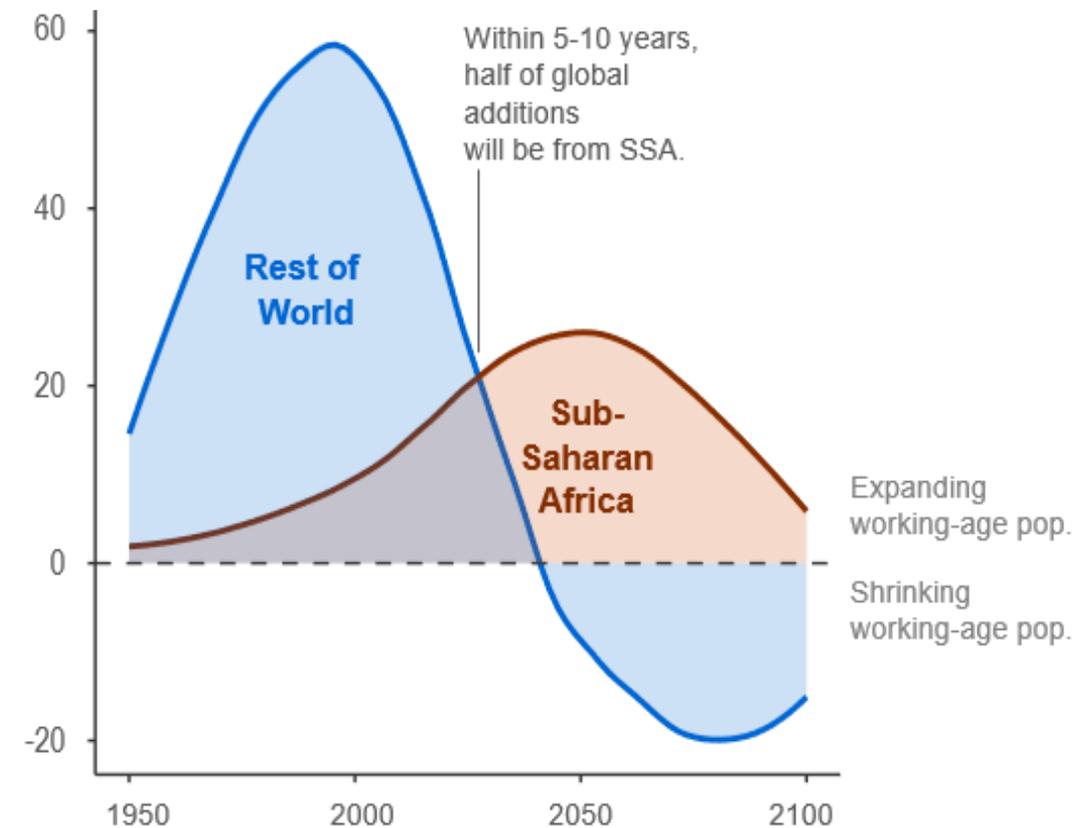
Note: Each box corresponds to a country.

...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)

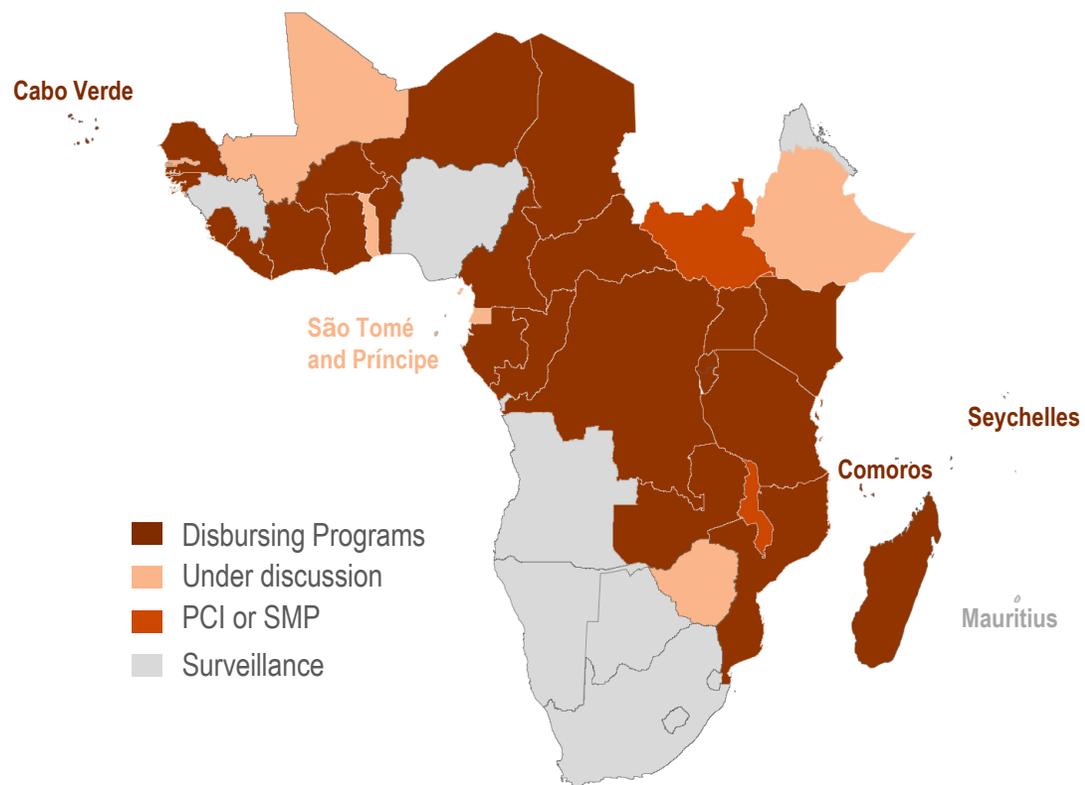


Sources: United Nations, World Population Prospects; and IMF staff calculations.

5. International solidarity remains essential.

IMF Engagement

(As of end-September 2023)

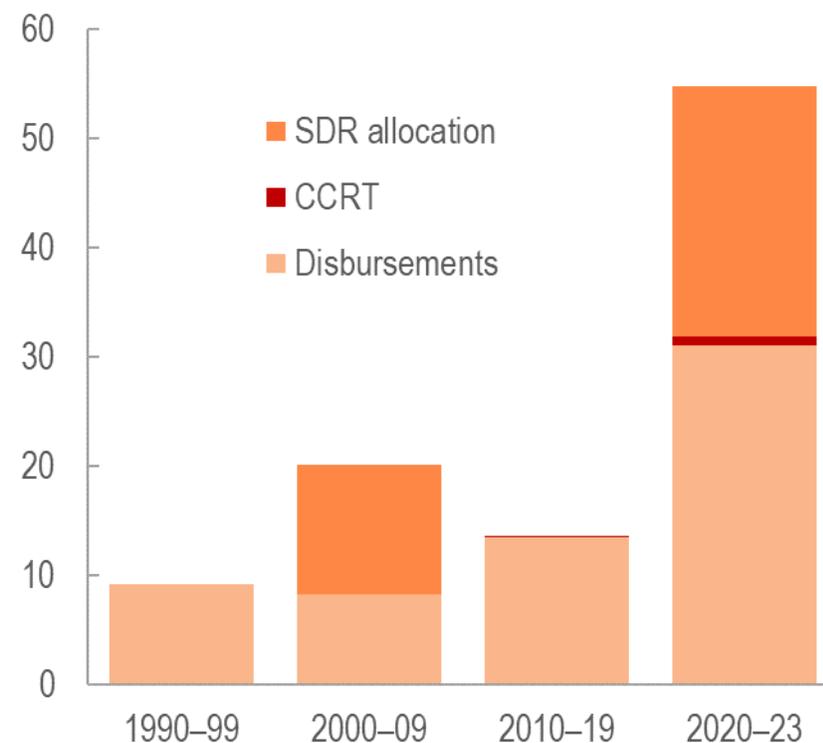


Source: IMF, Financial data.

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

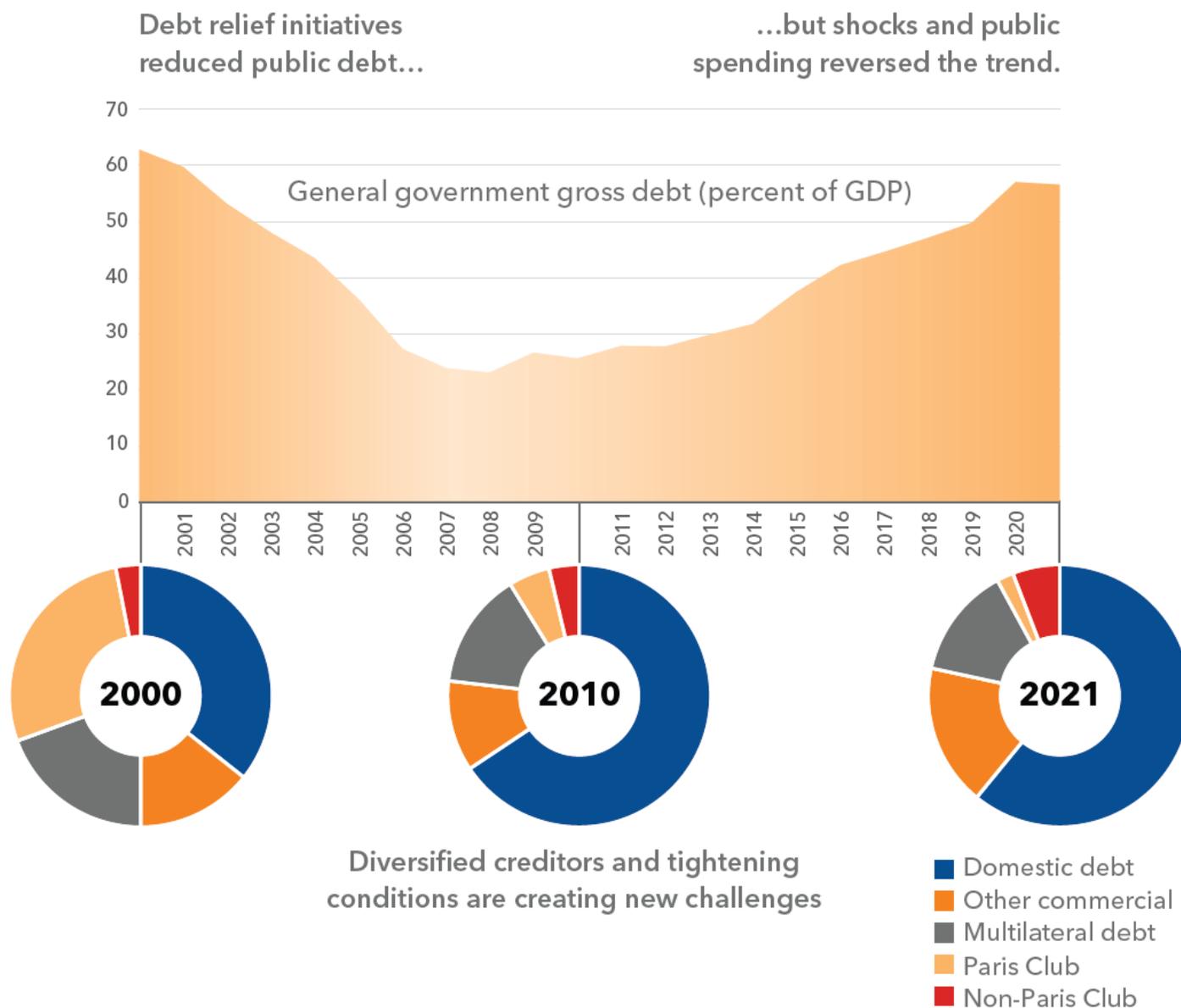


INVESTMENT

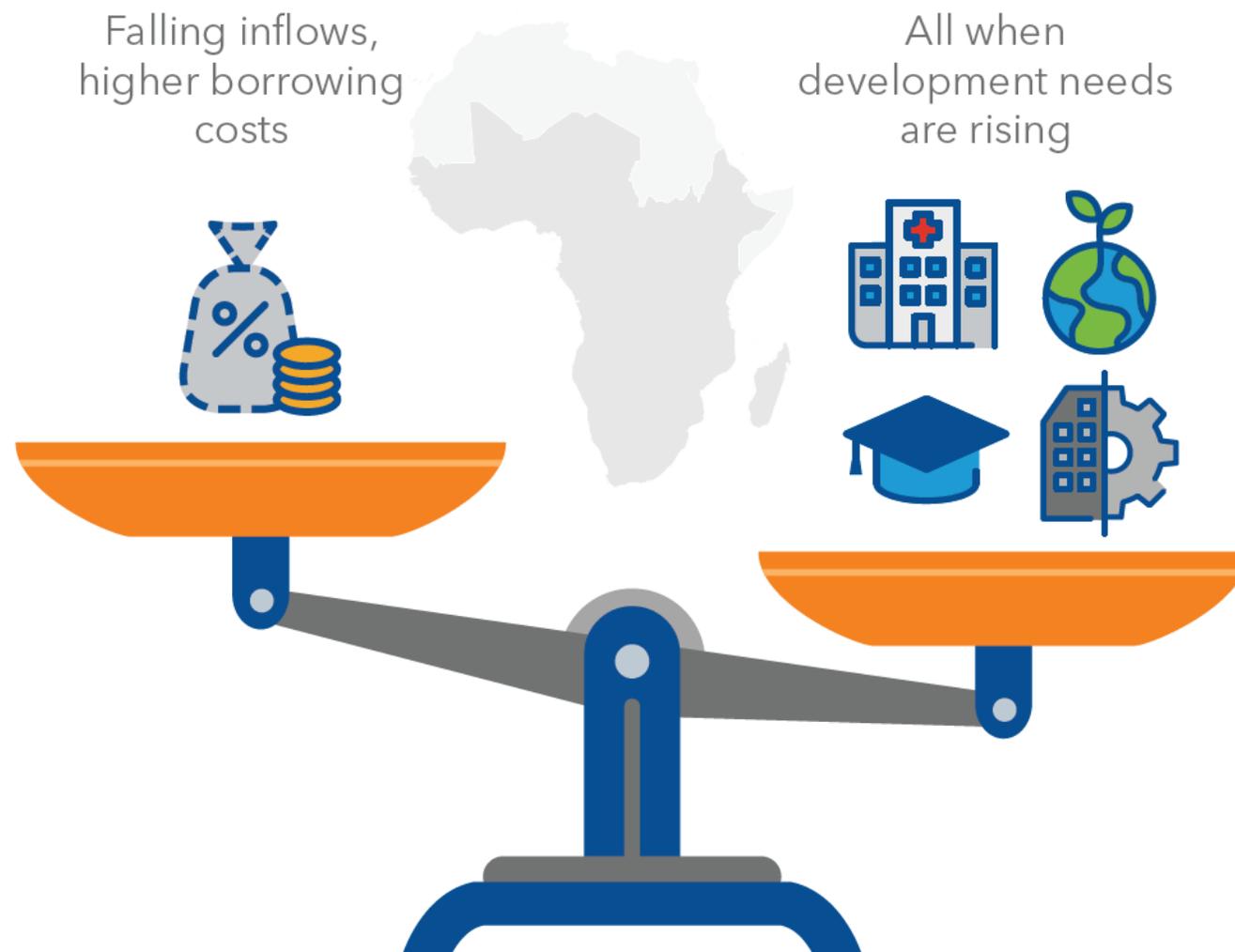


CREDIT

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

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www.imf.org/AfricaREO