

INTERNATIONAL MONETARY FUND

# REGIONAL ECONOMIC OUTLOOK

SUB-SAHARAN AFRICA

A New Shock and Little Room  
to Maneuver

**2022**  
APR



**AFRICAN  
DEPARTMENT**

## **ANOTHER SHOCK AND LITTLE ROOM TO MANEUVER**

**JUNE 7, 2022**

**MAX ALIER AT WITS UNIVERSITY**

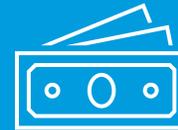
# Another Shock: **Three spillover channels**



**Energy prices**



**Food prices**

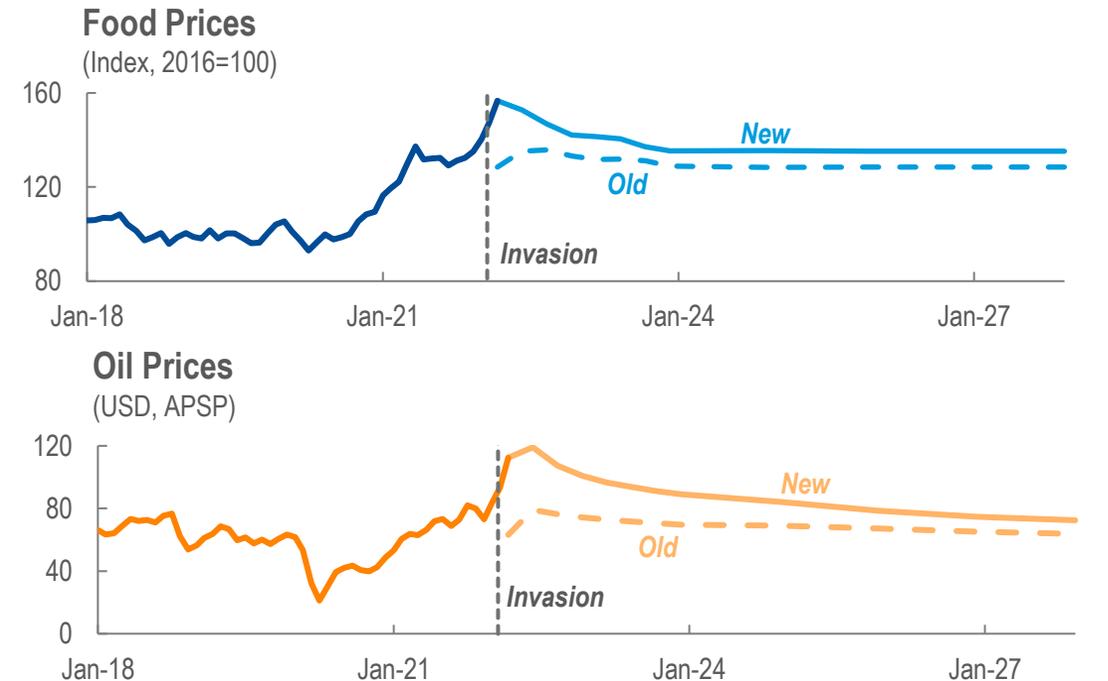


**Financial conditions**

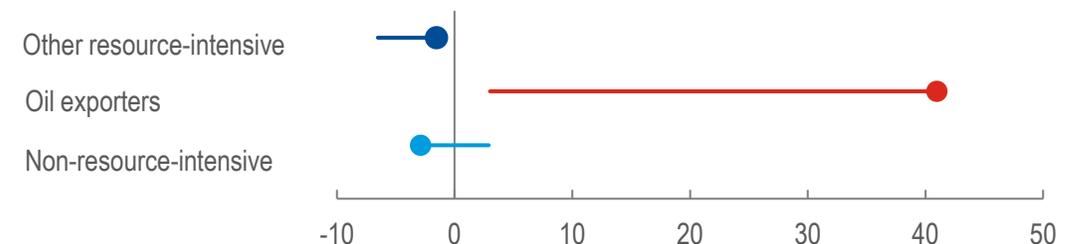
# Soaring Energy Prices and Terms-of-Trade Swings

- A sharp spike in oil prices; some pullback, but remain high
- Windfall gain for oil exporters, but sizable **terms-of-trade shock** for most of the region

## Impact of Ukraine Conflict on Commodity Price Outlook



### Sub-Saharan Africa: Terms of Trade, Jan. GAS vs. Mar. GAS (Percent change, 2022)

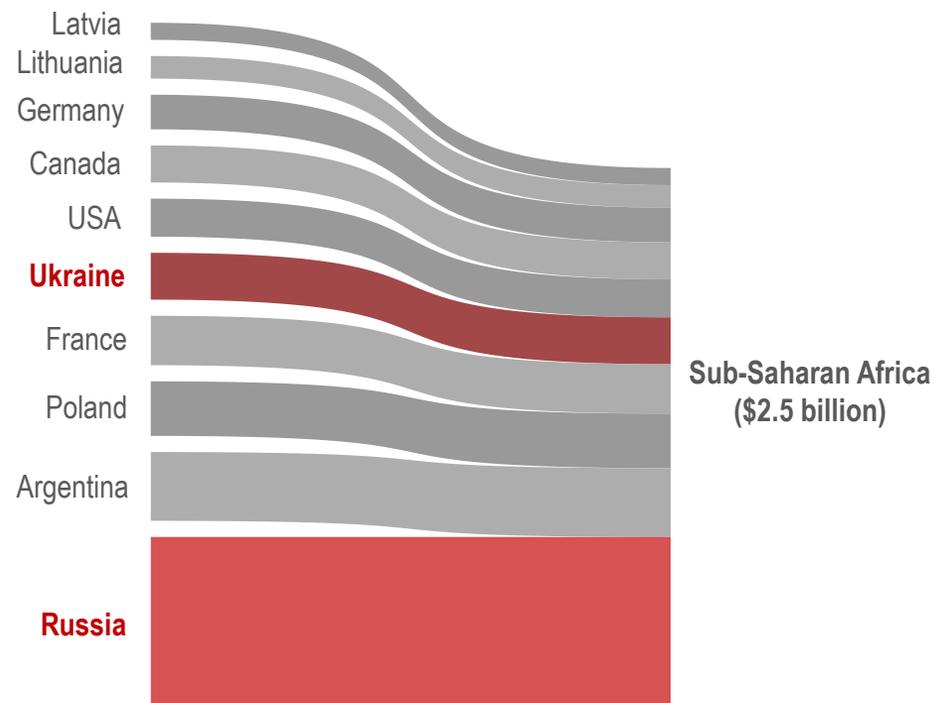


Sources: IMF, Primary Commodity Price System and IMF staff calculations.

Spillover Channels

# Rising Food Prices Hurt the Vulnerable Most

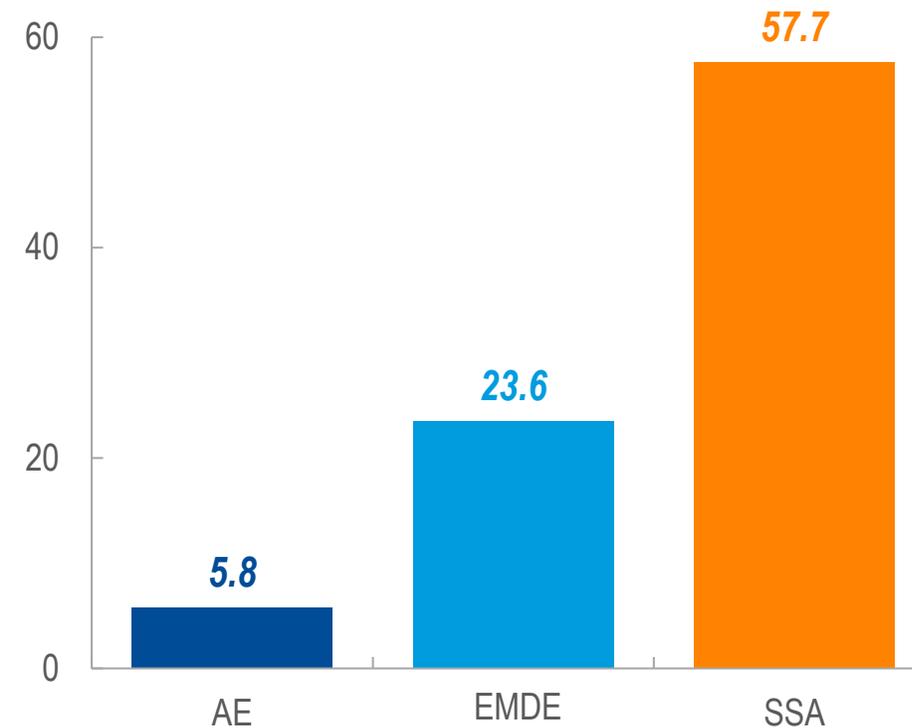
## Top 10 Sources of Wheat Imports to Sub-Saharan Africa



Sources: UNCTAD and IMF staff calculations.

## Prevalence of Moderate or Severe Food Insecurity, 2019

(Percent of population, median)



Sources: United Nations, Food and Agriculture Organization and IMF staff calculations.

Notes: AE = Advanced Economies, EMDE = Emerging Market and Developing Economies, SSA = Sub-Saharan Africa.

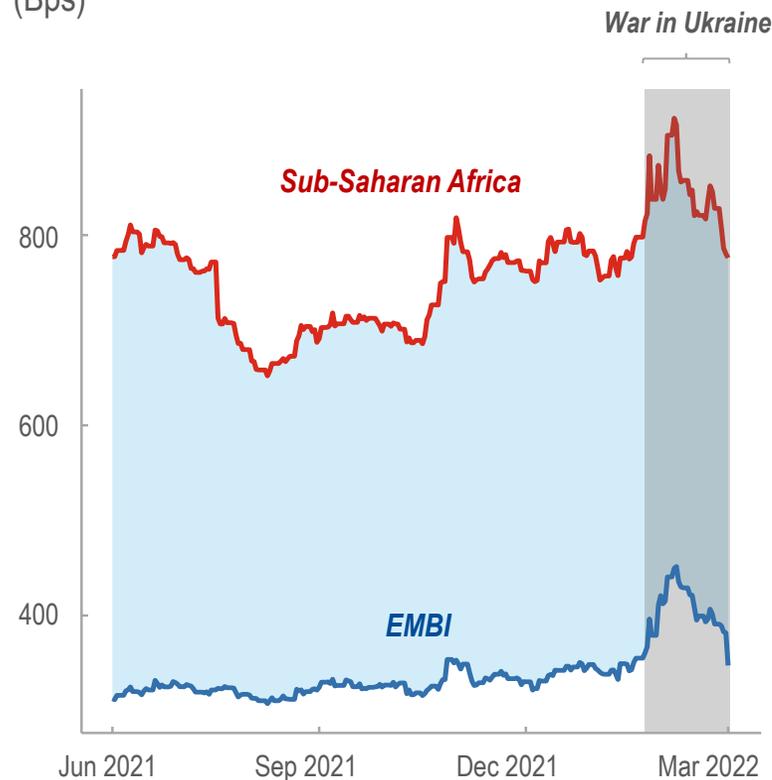
## Spillover Channels



# Highly Volatile Global Financial Conditions

## Sub-Saharan Africa: Sovereign Spreads during the War in Ukraine

(Bps)



Sources: Bloomberg, L.P. and IMF staff calculations.

- **Flight to safety**; significant market volatility
- **Uncertain outlook**; commodity price shock has complicated monetary policy normalization
- Regional spreads broadly **in line with global trends**
- **Differentiation** between commodity importers and exporters

Spillover Channels

# A more complicated **regional outlook**



**Different commodity  
exposures**



**Social tensions and  
political instability**

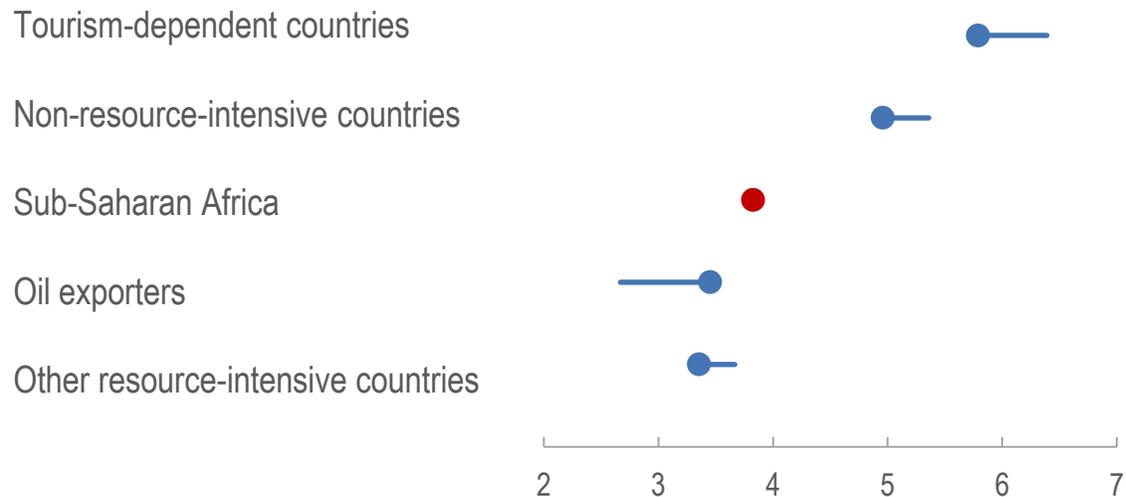


**An ongoing pandemic**

# Different Commodity Exposures

## Sub-Saharan Africa: 2022 Real GDP Growth Revisions since October 2021

(Percent)



- The recovery has been held back, **softening 2022 growth to 3.8 percent.**
- Strong heterogeneity across the region.

Sources: IMF, World Economic Outlook Database and IMF staff calculations.

Complicated Outlook

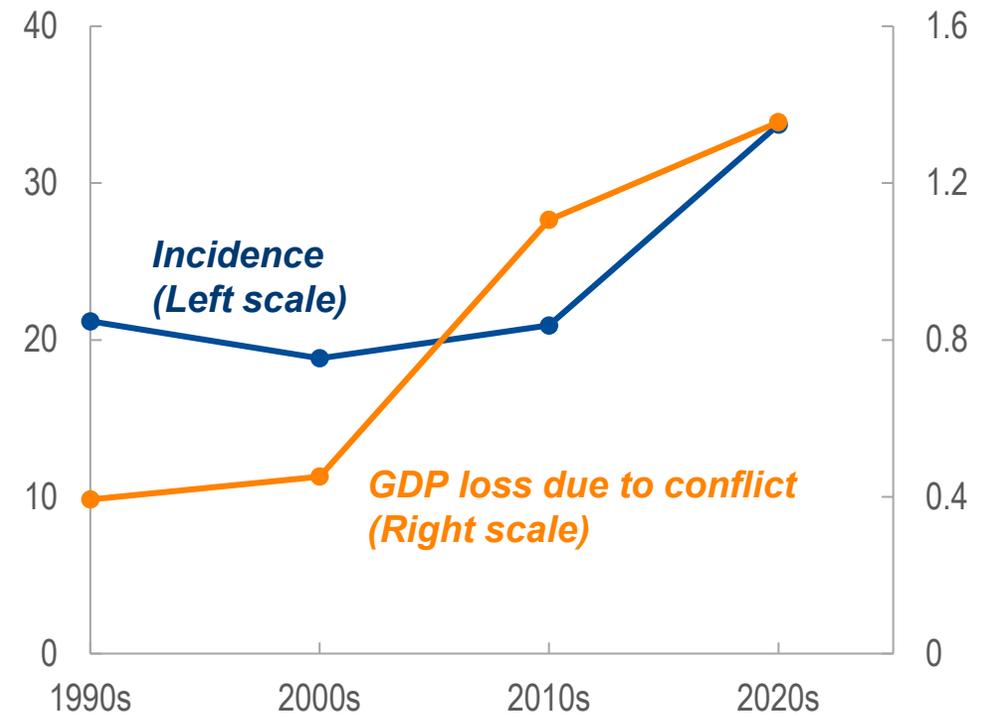
# Rising Social Tensions and Political Instability

- With growing food insecurity, this shock is **hitting the region's most vulnerable**
- Coincides with elevated **political discontent** and security challenges

## Sub-Saharan Africa: Incidence and Cost of Conflict, 1990s–2020s

(Percent of region in conflict)

(Percentage points of GDP)



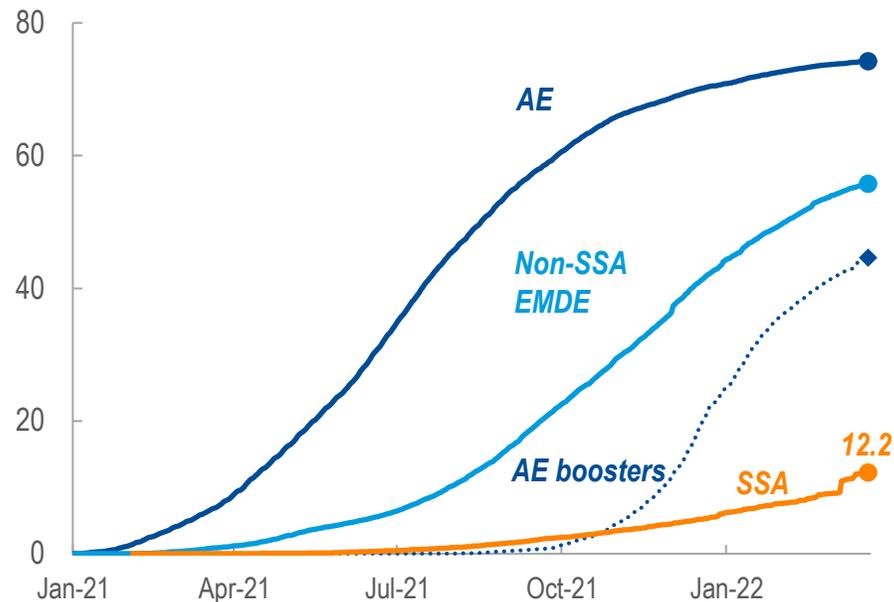
Sources: Uppsala conflict Dataset, ACLED, Penn World Tables, and IMF staff calculations.

Complicated Outlook

# An Ongoing Pandemic: Growth Headwinds

## Vaccination Rates, 2021–2022

(Percent of population, as of Mar. 31, 2021)



- The region remains **exposed to new COVID-19 waves**
- The pandemic harmed much-needed **human capital**
- Scarring may be **compounded by the war in Ukraine**

Source: Johns Hopkins University COVID-19 Tracking Project and IMF staff calculations.  
Notes: AE = Advanced Economies; EMDE = Emerging Market and Developing Economies;  
SSA = Sub-Saharan Africa. Non-SSA EMDEs exclude China.

Complicated Outlook

# Three key priorities: **short term**



**Reduce Debt  
Vulnerabilities**



**Balance Inflation and  
Growth**

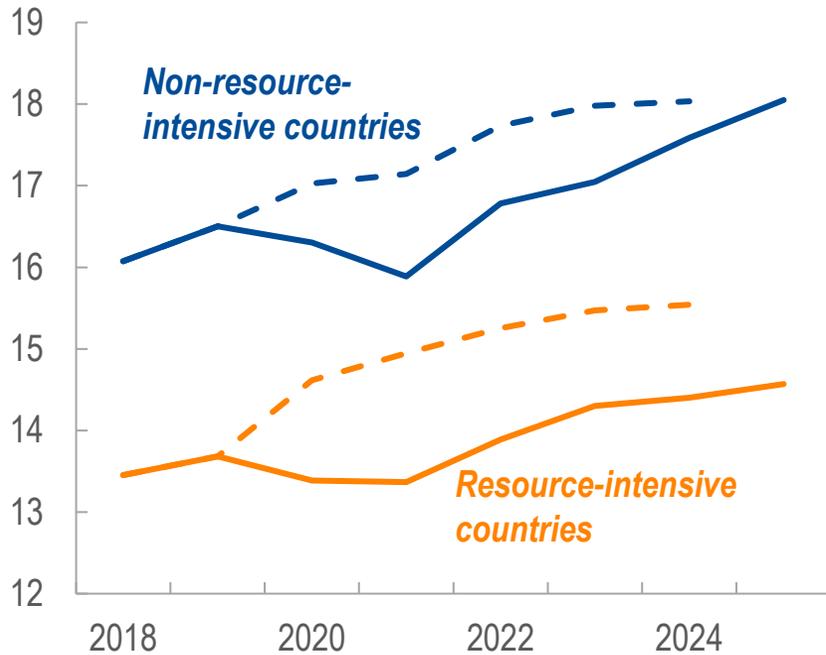


**Manage Exchange  
Rate Pressures**

# Reducing Debt Vulnerabilities

## Sub-Saharan Africa: Tax Revenue, 2018–25

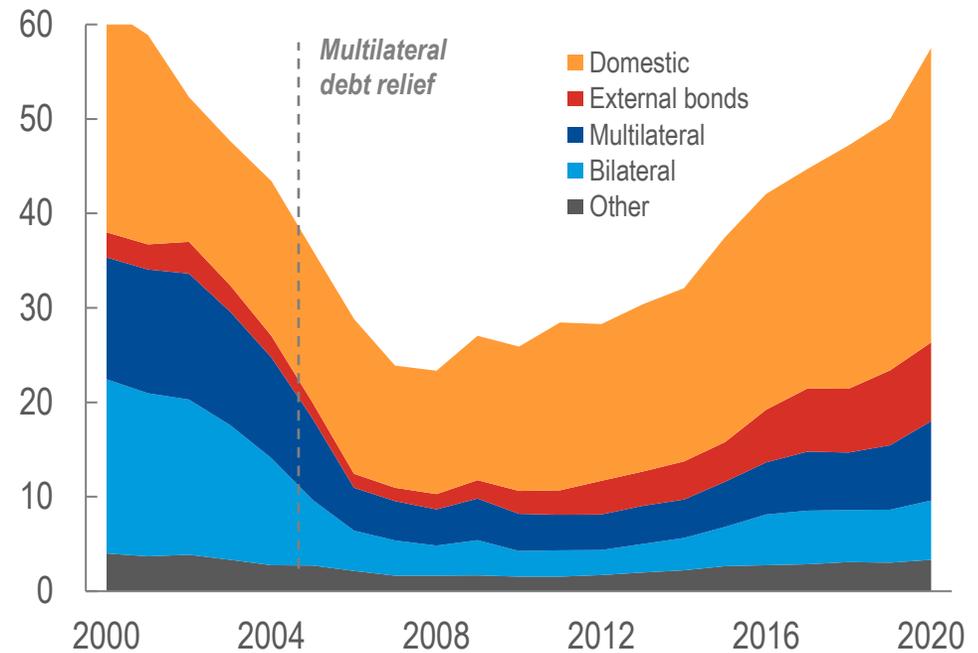
(Percent of GDP)



Sources: World Economic Outlook database and IMF staff calculations.  
Note: Dotted-lines represent pre-COVID-19 projections.

## Sub-Saharan Africa: Composition of Public Debt, 2000–20

(Percent of GDP)



Sources: World Bank, International Debt Statistics; and IMF, World Economic Outlook database.  
Note: Excludes Equatorial Guinea, Namibia, Seychelles, and South Sudan due to data availability.

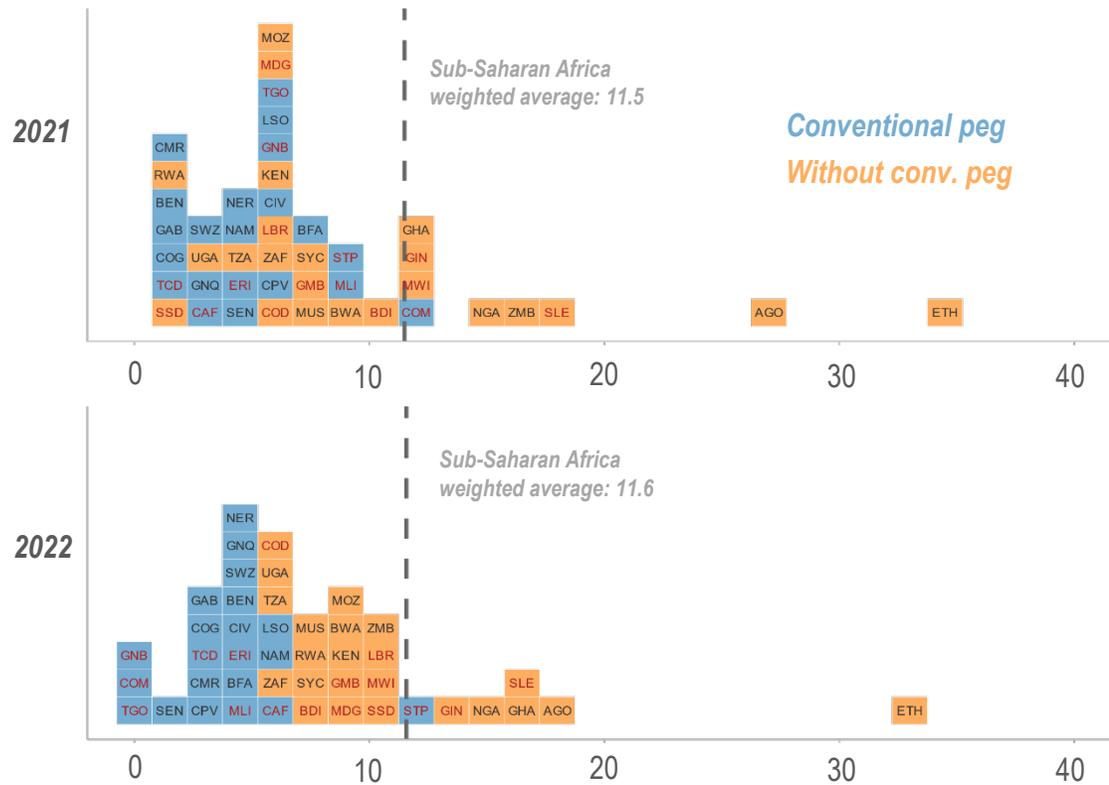
### Key Priorities



# Balancing Inflation and Growth

## Sub-Saharan Africa: Inflation, 2021–22

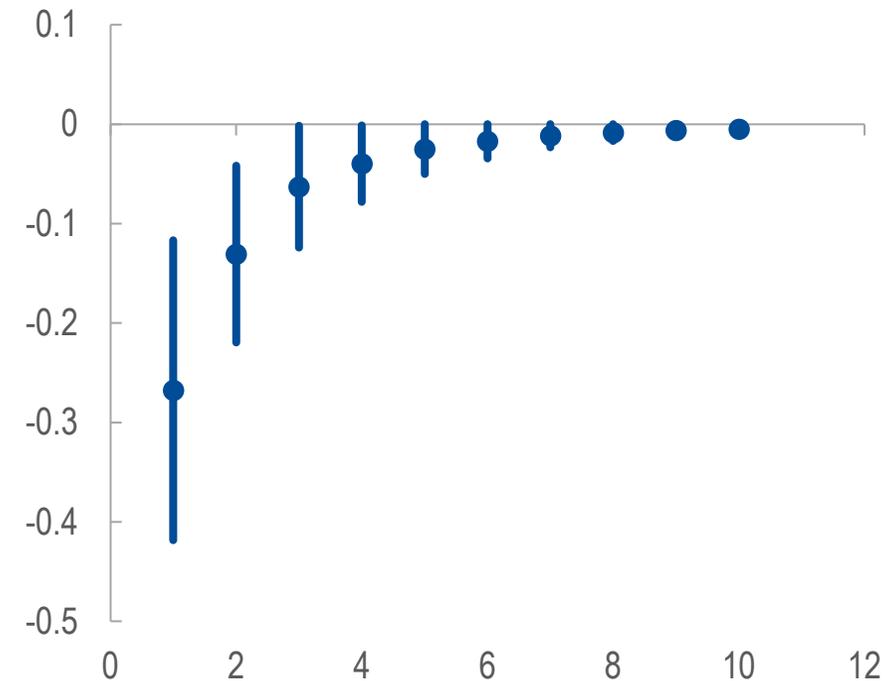
(Percent, e.o.p., fragile countries in red)



Sources: Haver Analytics and IMF staff estimates.

## Sub-Saharan Africa: GDP response to U.S. Monetary Tightening

(Average growth response to 25bps U.S. rate increase)



Sources: Haver Analytics and IMF staff estimates.

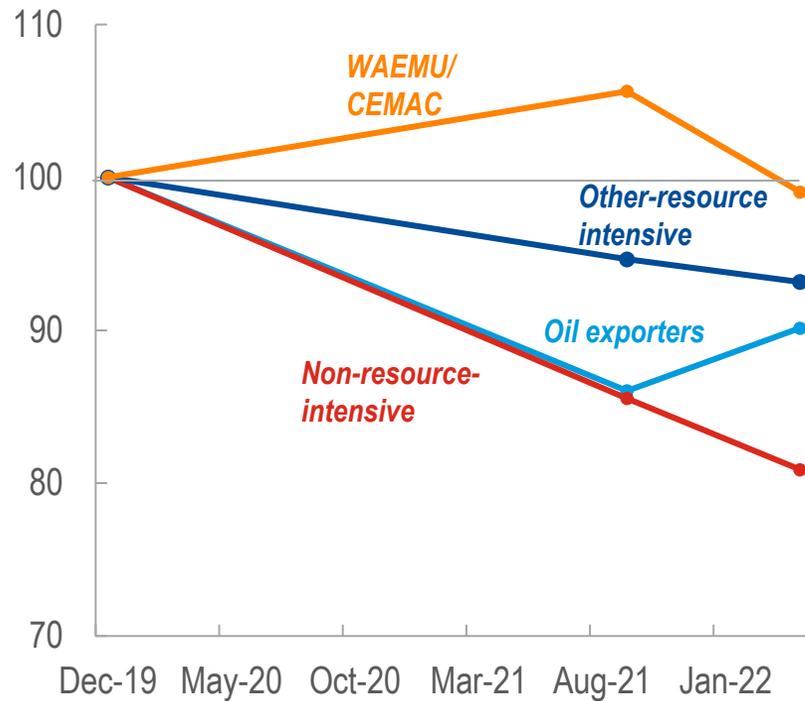
Note: Dots show PPP GDP-weighted-average estimates; lines denote 95 percent confidence intervals.

## Key Priorities

# Managing Exchange Rate Pressures

## Sub-Saharan Africa: Exchange Rates, 2019–22

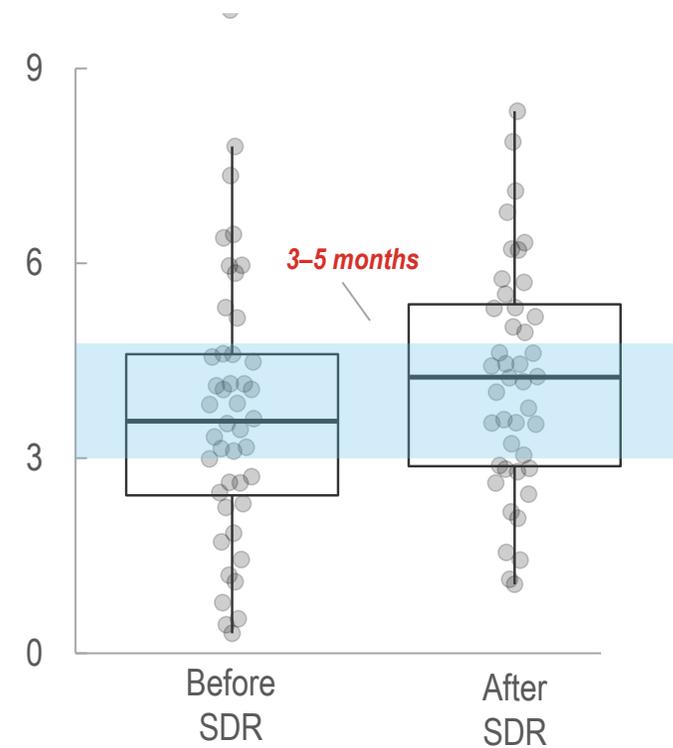
(vs. US\$; Index, end 2019=100)



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

## Sub-Saharan Africa: International Reserves, 2021

(Months of imports)



Sources: IMF, World Economic Outlook Database and IMF staff calculations

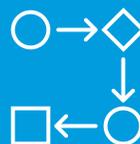
Key Priorities

# Three essential reforms: **medium term**

Enhance resilience and lift medium-term growth



**Energy transition**



**Diversification**



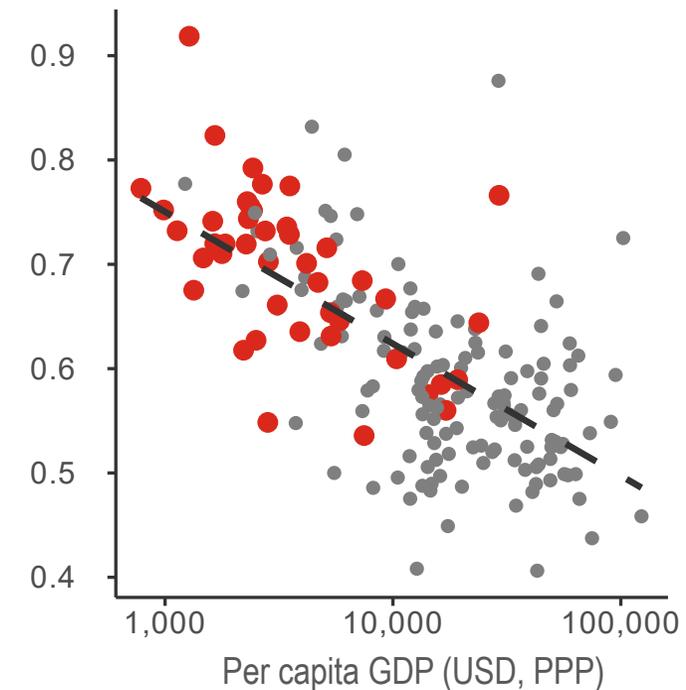
**Boost private investment**

# Cleaner, Greener Growth

- Unrivalled **potential for renewable energy** and an abundance of minerals
- A successful transition offers **opportunities for diversification** and job creation
- Ensuring the green transition is also a **just transition**

## Vulnerability to Climate Change

(Index, 2019; red = sub-Saharan Africa)



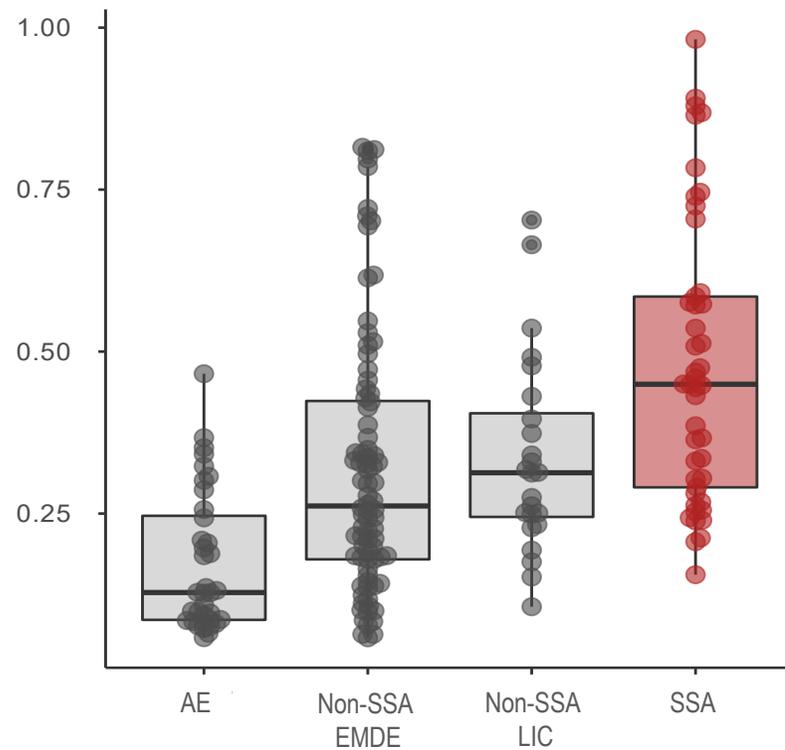
Sources: Notre Dame Global Adaptation Initiative; IMF, World Economic Outlook Database; and IMF staff calculations.

Essential Reforms

# Promoting Diversification

## Export Concentration, 2020

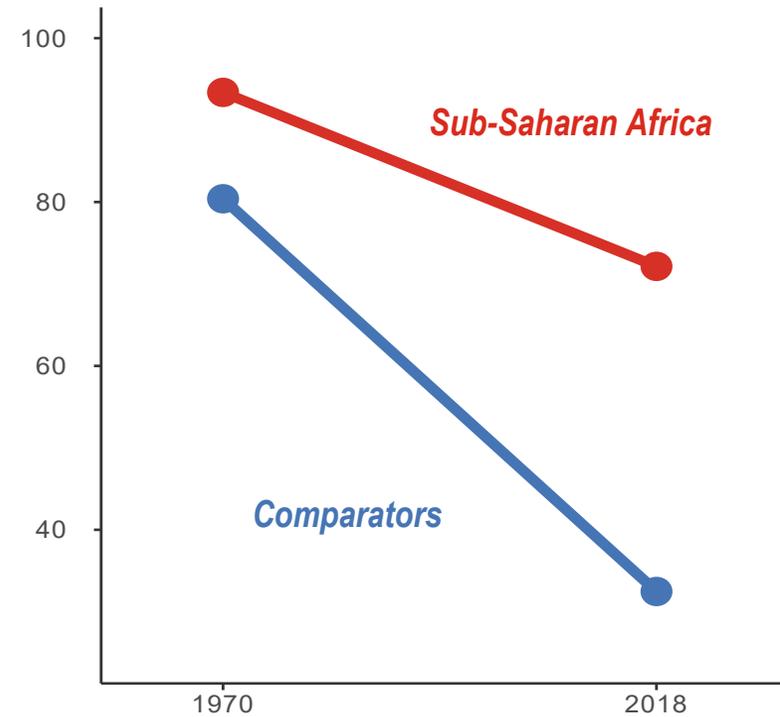
(Index)



Sources: UNCTAD, UN Comtrade Database, and IMF staff calculations.  
 Note: AE = Advanced Economies; EMDE = Emerging Market and Developing Economies; LIC = Low Income Countries; SSA = Sub-Saharan Africa

## Selected Regions: Role of Primary Exports

(Percent, share of exports)



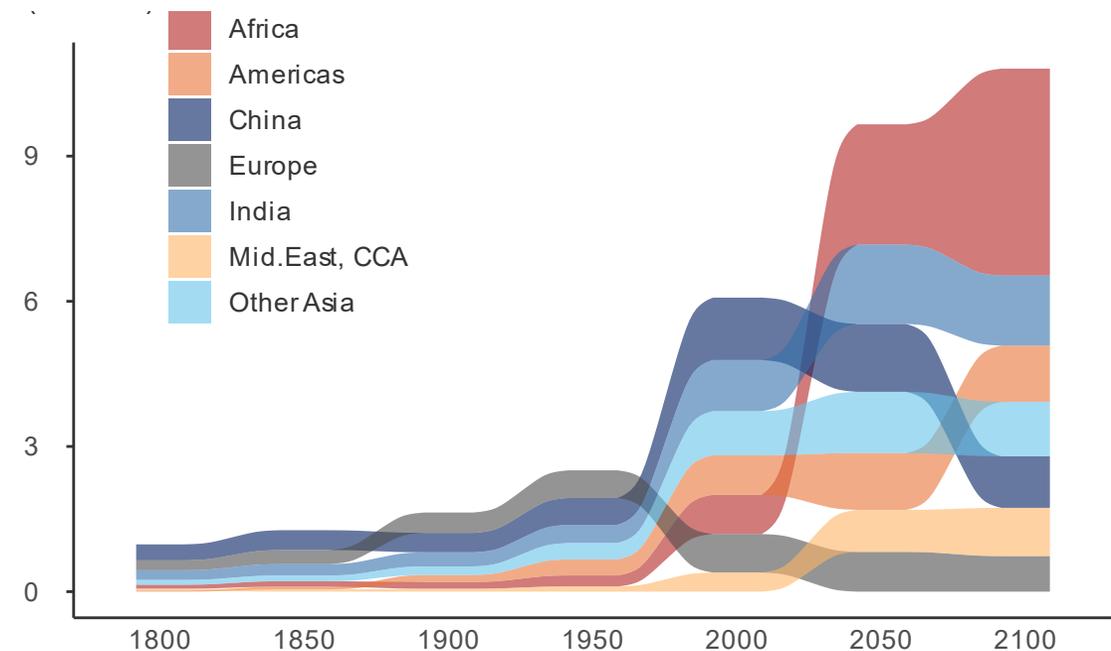
Sources: UNCTAD, UN Comtrade Database, and IMF staff calculations.

Essential Reforms

# Unleashing the Private Sector

- **Strengthening** trade integration
- **Mobilizing** private financing
- **Enhancing** financial inclusion through digital innovation

**Global Population by Region, 1800–2100**  
(Billions)



Sources: UN Population Division and IMF staff calculations.

Essential Reforms

# International Support Remains Crucial

## An ongoing emergency

- **Fragile and conflict-affected states** at risk of falling further behind
- \$23 billion **SDR allocation**
- \$100 billion **SDR rechanneling**
- Swift movement on the **Common Framework** is essential

## Financing needs remain sizable

- **\$425 billion** needed to recover from the pandemic
- **\$30–50 billion** per year for climate adaptation
- For commodity importers, the war in Ukraine will add **\$6–10 billion** to financing needs each year

**Thank you**