



**AFR**

Regional Economic  
Outlook

# **Sub-Saharan Africa: Current Conditions, Fiscal Trends and Challenges to Finance the Development Agenda**

**February 2019**



# Key Messages

- **A muted recovery with risks.**
  - The recovery in SSA is still muted and uncertainty about the strength of global growth has increased recently.
- **Fiscal deficits are narrowing, but the quality of adjustment needs to be strengthened.**
  - Further revenue-based adjustment needed to reduce debt vulnerabilities and create space for development spending.
- **Enhancing resilience and raising growth potential is essential. Policies vary across countries but some recurring elements are:**
  - Improve policy frameworks
  - Promote diversification
  - Deepen trade and financial integration
  - Revenue mobilization is key for securing the resources needed to achieve SDGs

# Roadmap

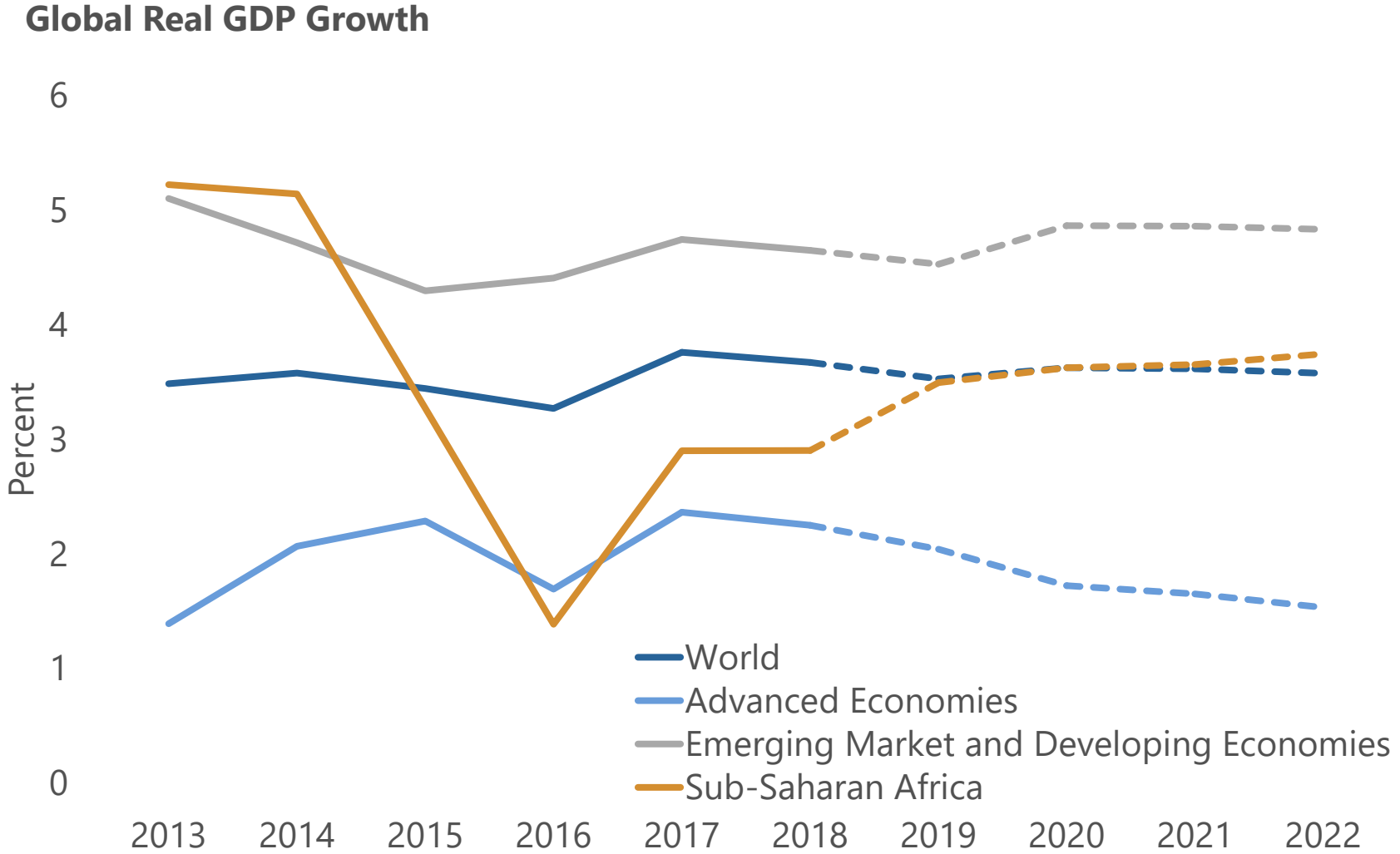
**I. Current Conditions**

**II. Fiscal Trends**

**III. Challenges to Finance the Development Agenda**

# I. Current Conditions

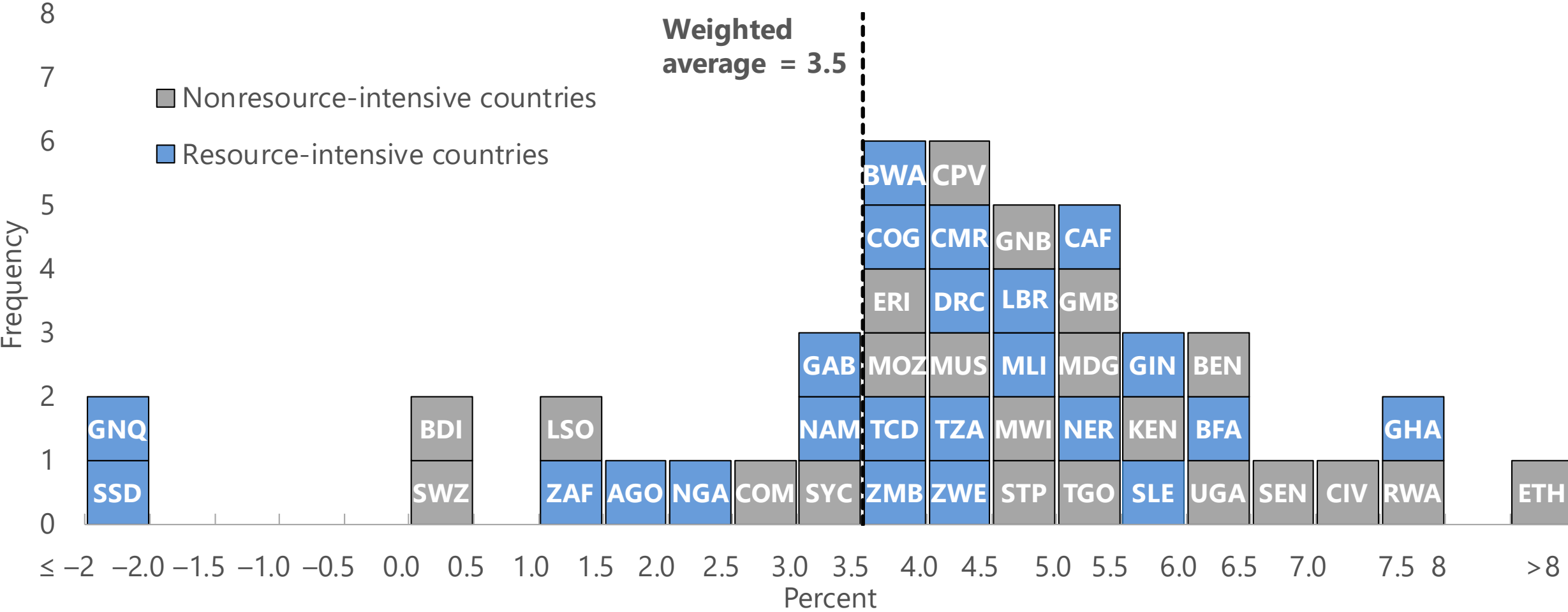
# Global growth



Source: IMF, World Economic Outlook database.

# Sustained growth in non-resource-intensive countries but a muted recovery elsewhere

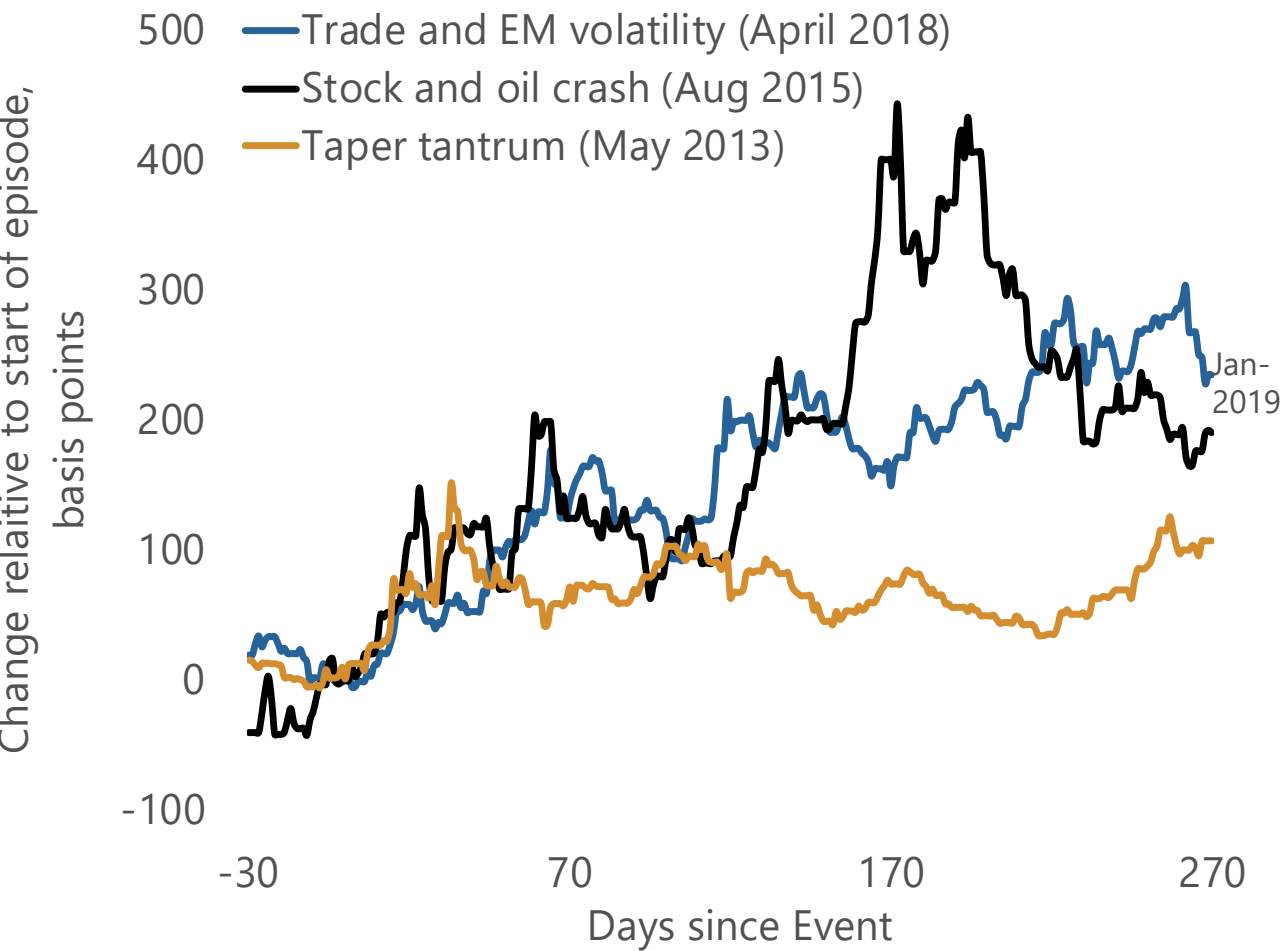
Sub-Saharan Africa: Real GDP Growth, 2019 Projection



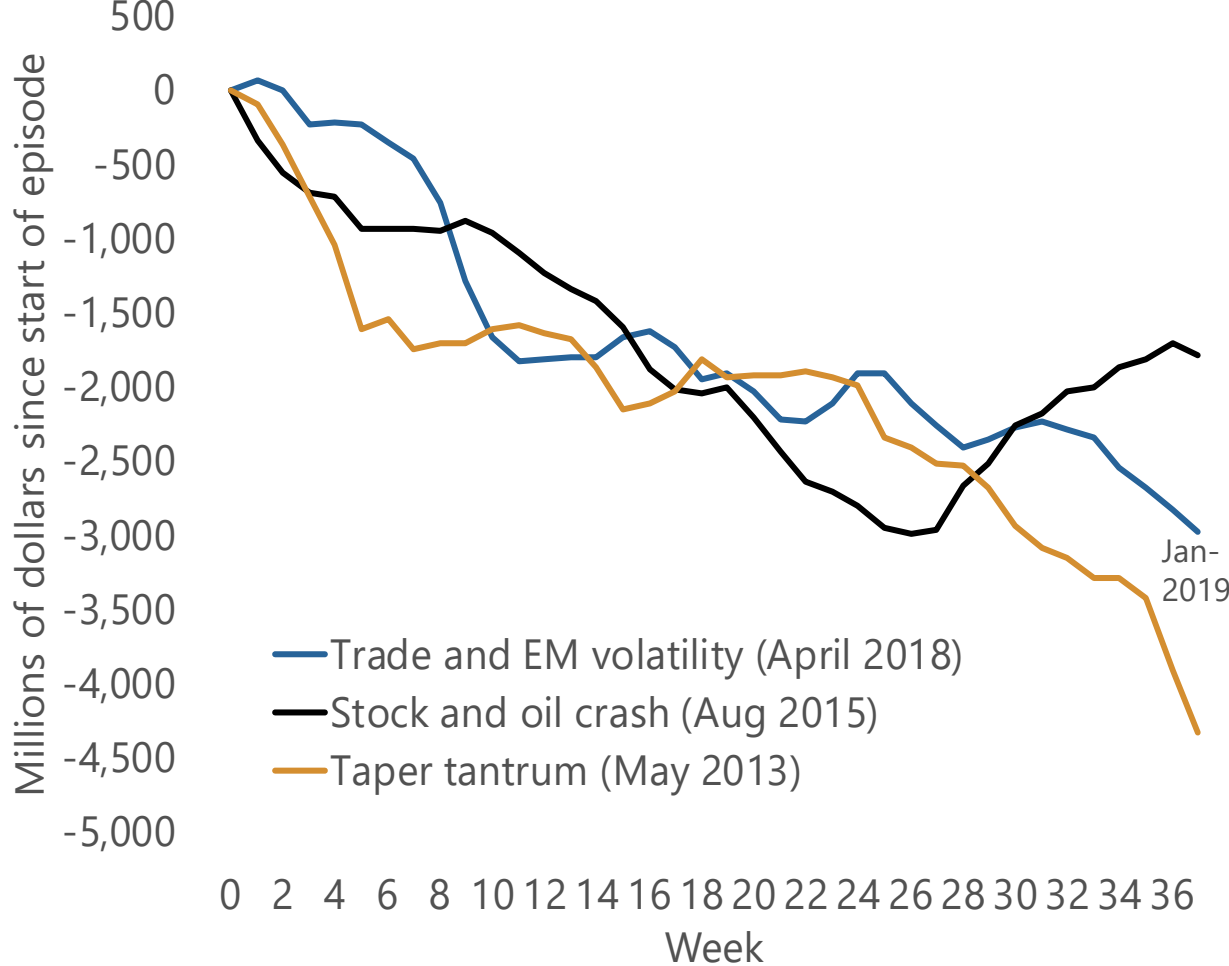
Source: IMF, World Economic Outlook database.

# Global financing conditions have tightened with higher bond spreads and portfolio outflows

**Sub-Saharan African Selected Frontier Markets: Sovereign Bond Spreads**



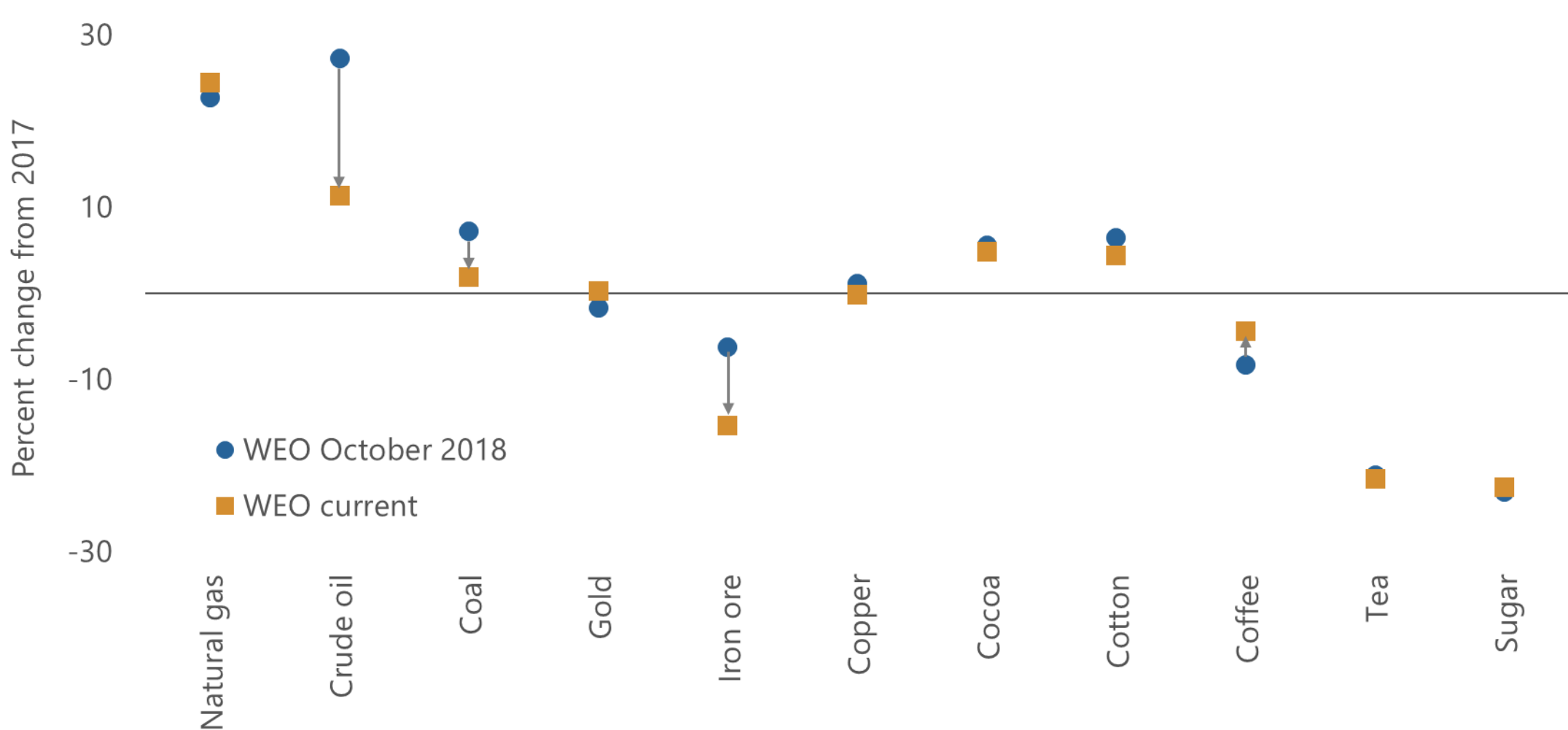
**Sub-Saharan African Frontier Markets: Cumulative Portfolio Flows**



Source: Bloomberg Finance L.P.

# Recent rise in commodity prices stalled at end-2018 and oil prices reversed the gains

Selected Commodity Prices Expected Changes (Average 2019–20 vs 2017)

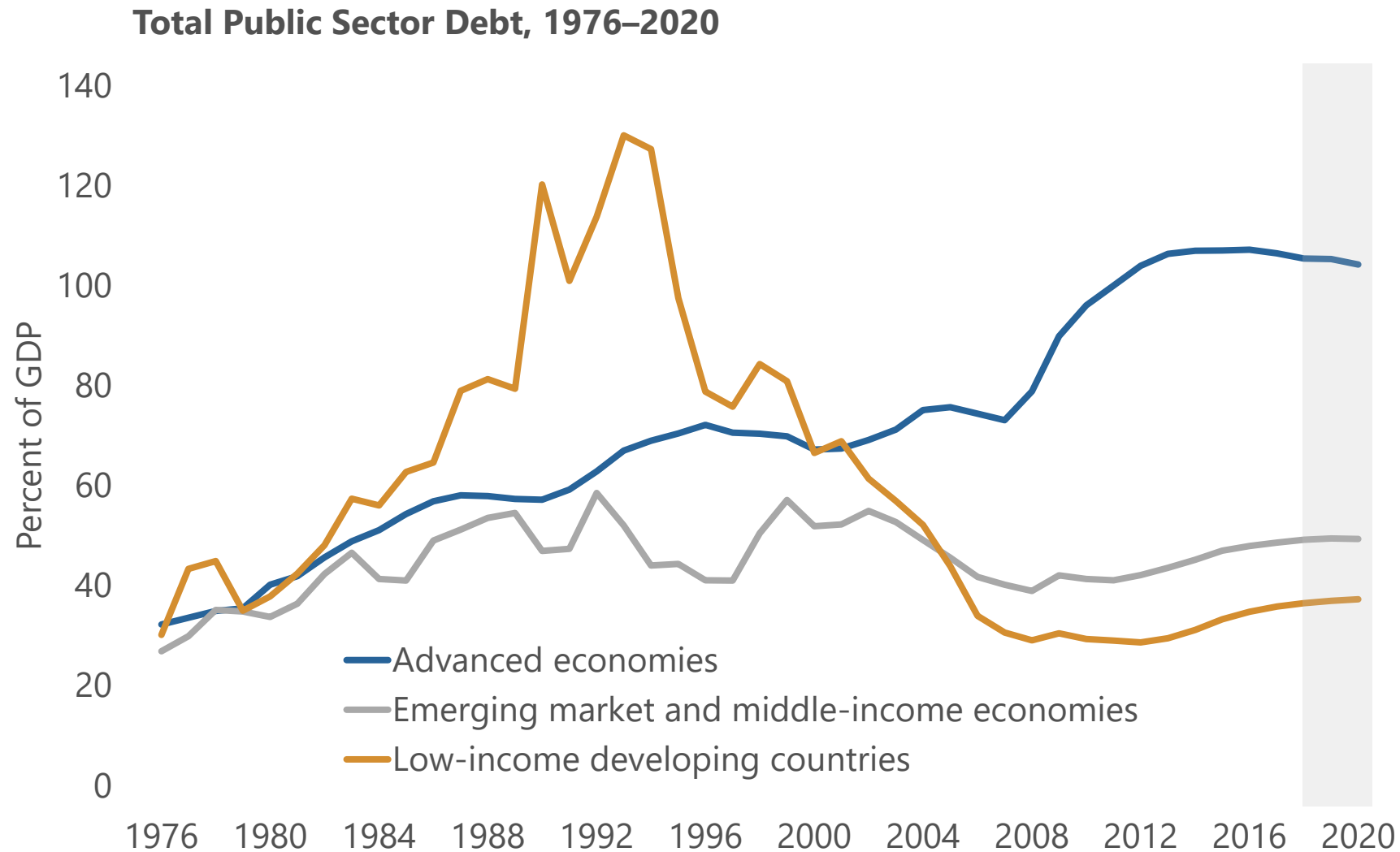


Source: IMF, World Economic Outlook database.



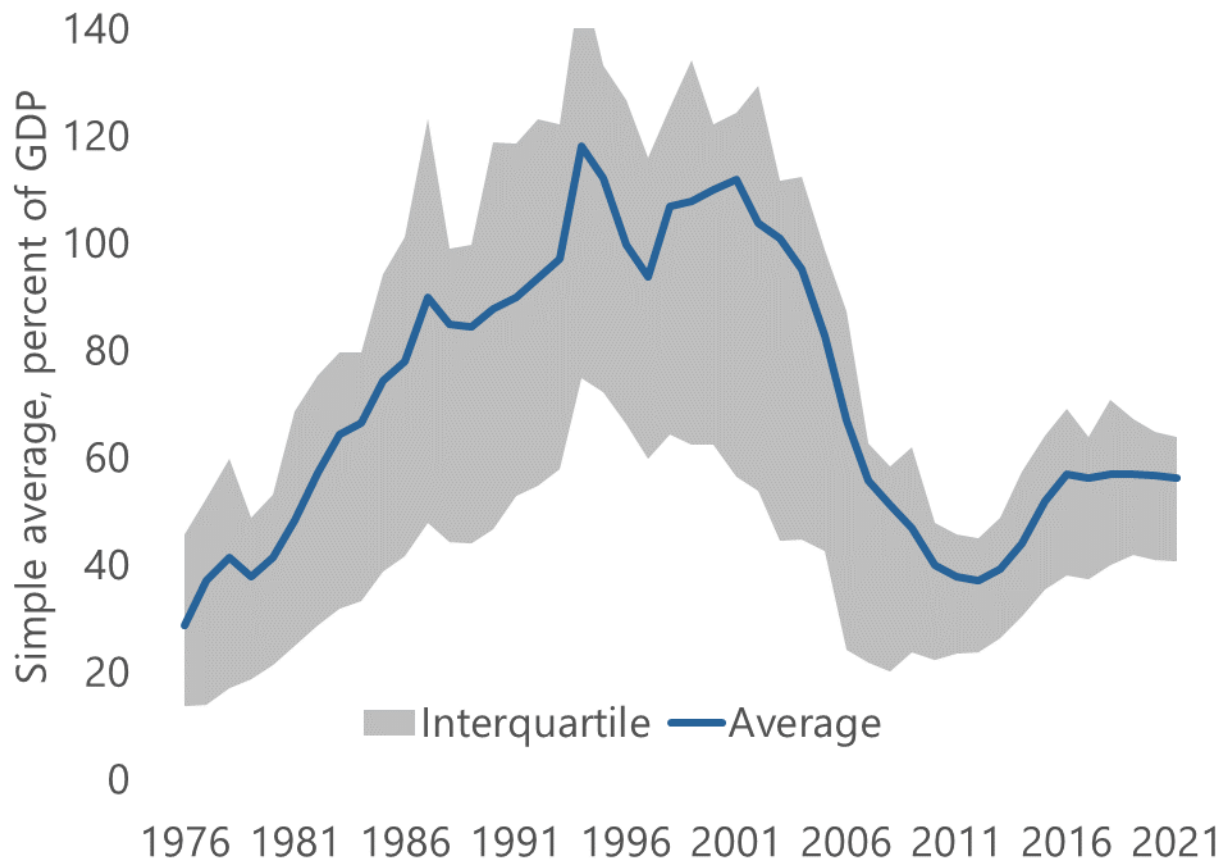
## II. Fiscal Trends

# All countries have debt...

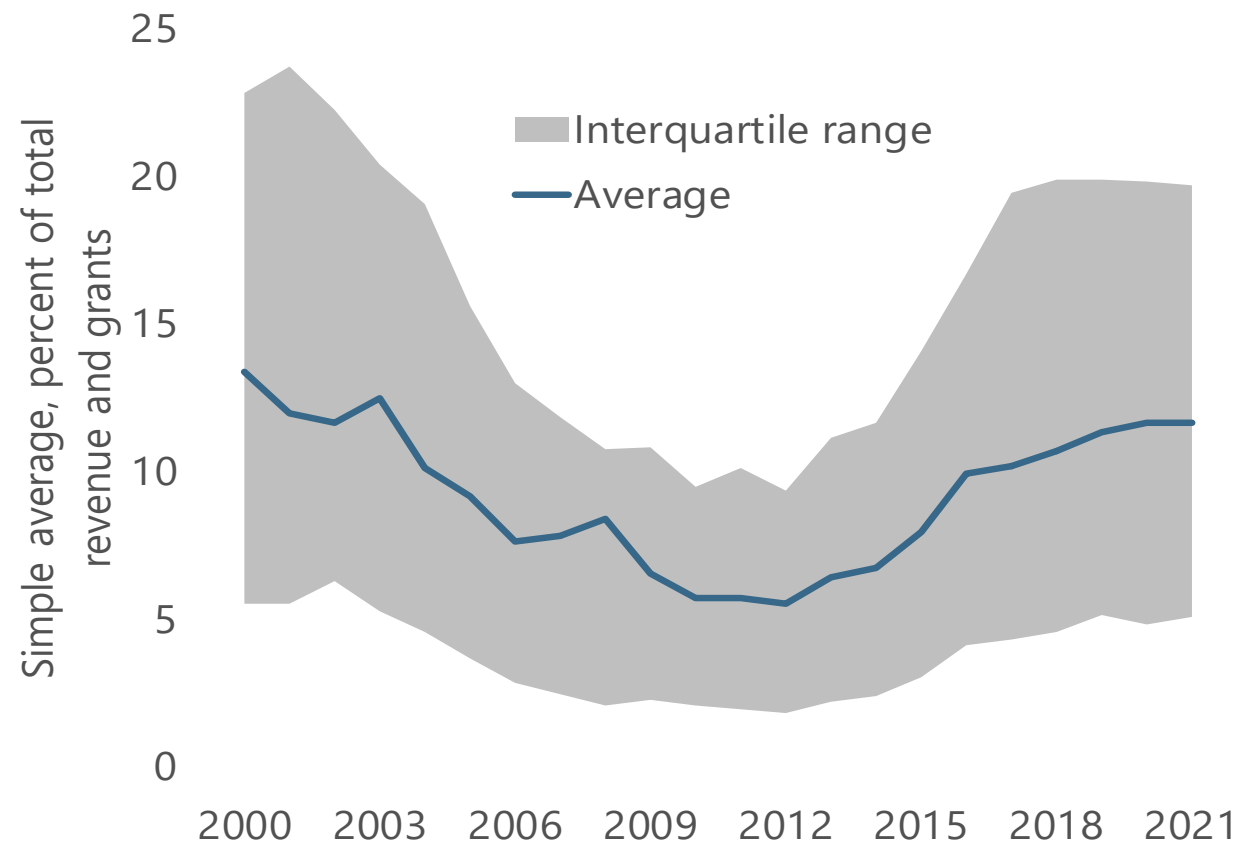


# ...but the ability to manage and carry debt in the region is a serious concern in SSA...

### Sub-Saharan Africa: Total Public Sector Debt

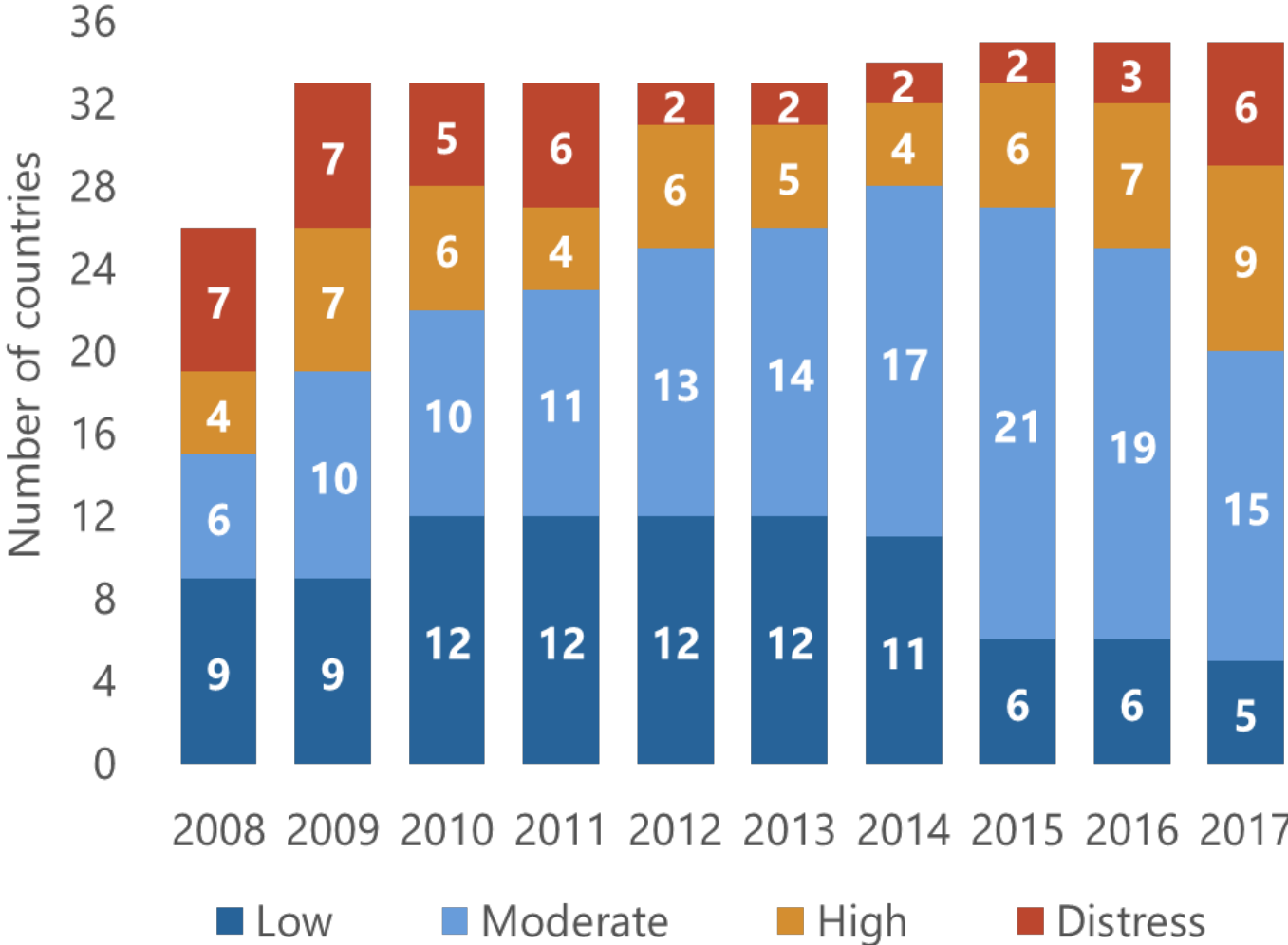


### Sub-Saharan Africa: Interest Payments



# Debt risks have increased

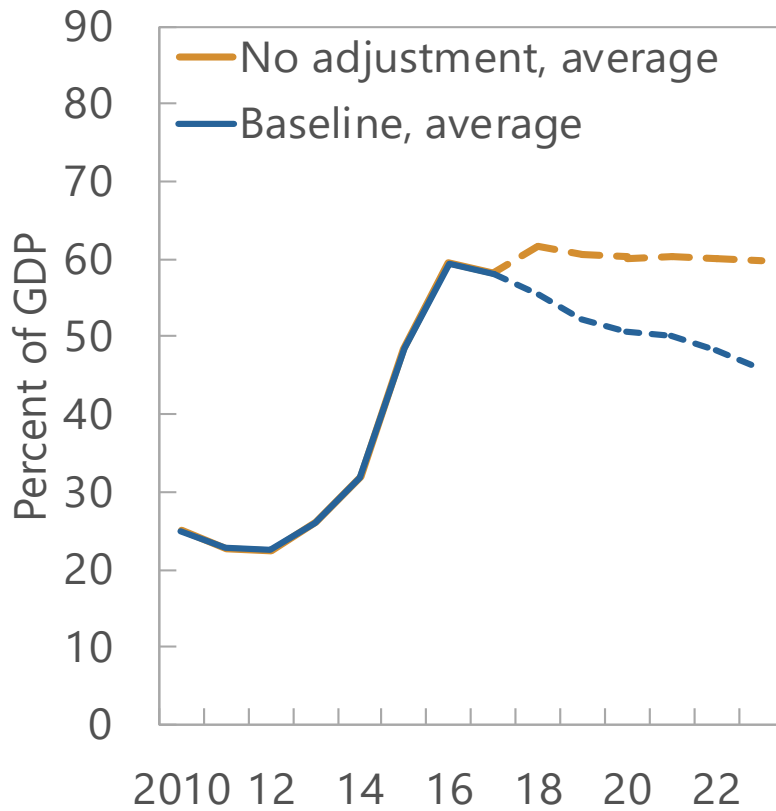
Debt Risk Status for PRGT Eligible Low-income Developing Countries



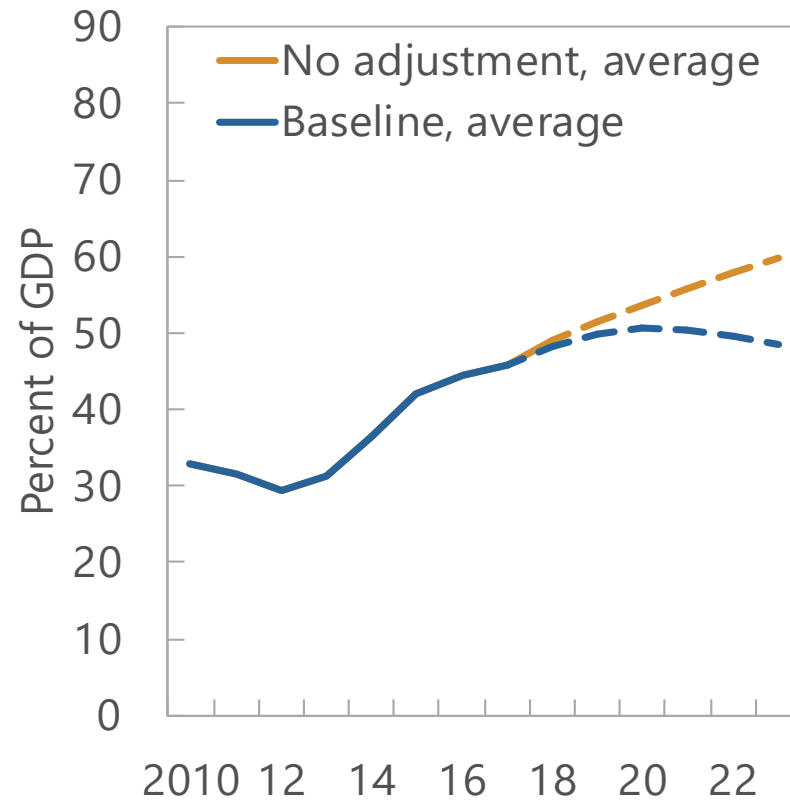
# There is mixed progress on stabilizing debt

## Public Debt (percent of GDP)

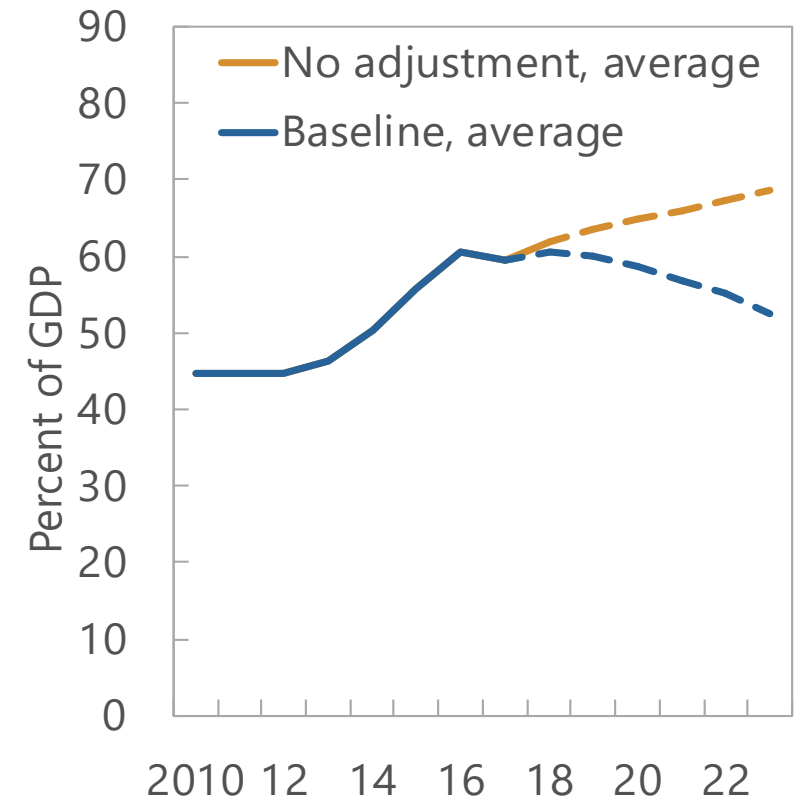
Oil Exporters



Other Resource-Intensive Countries



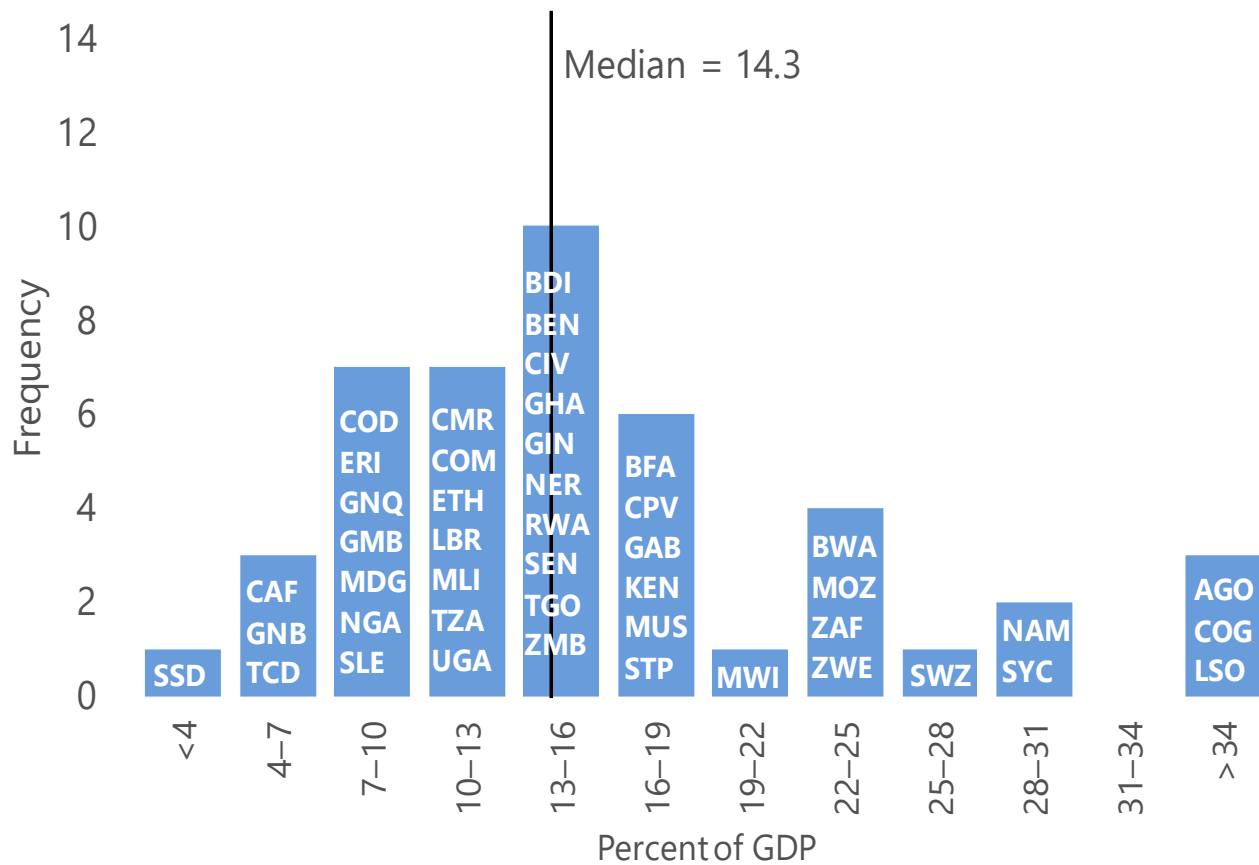
Non-Resource-Intensive Countries



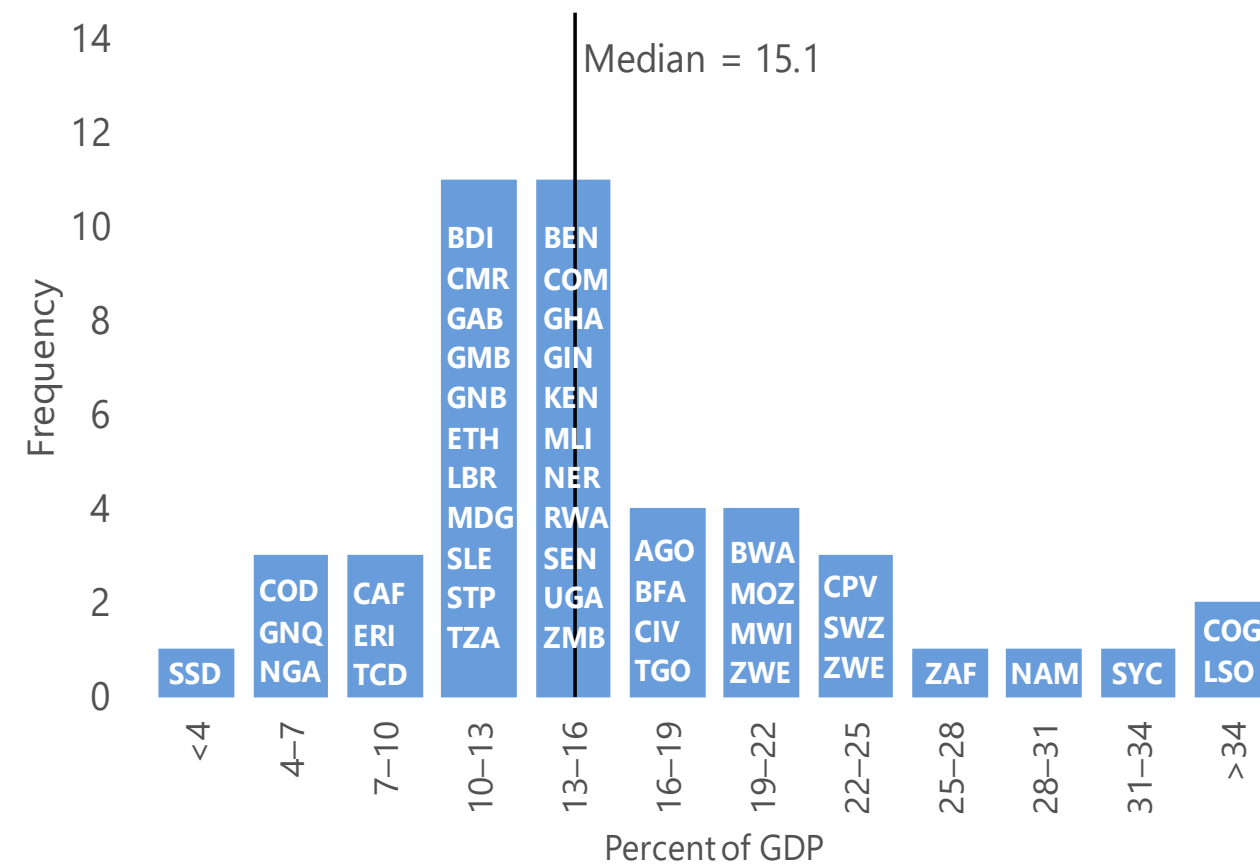
Source: IMF, World Economic Outlook database.

# Domestic revenue mobilization needs to advance and capture the returns on public investment...

## Tax Revenue to GDP, 2013



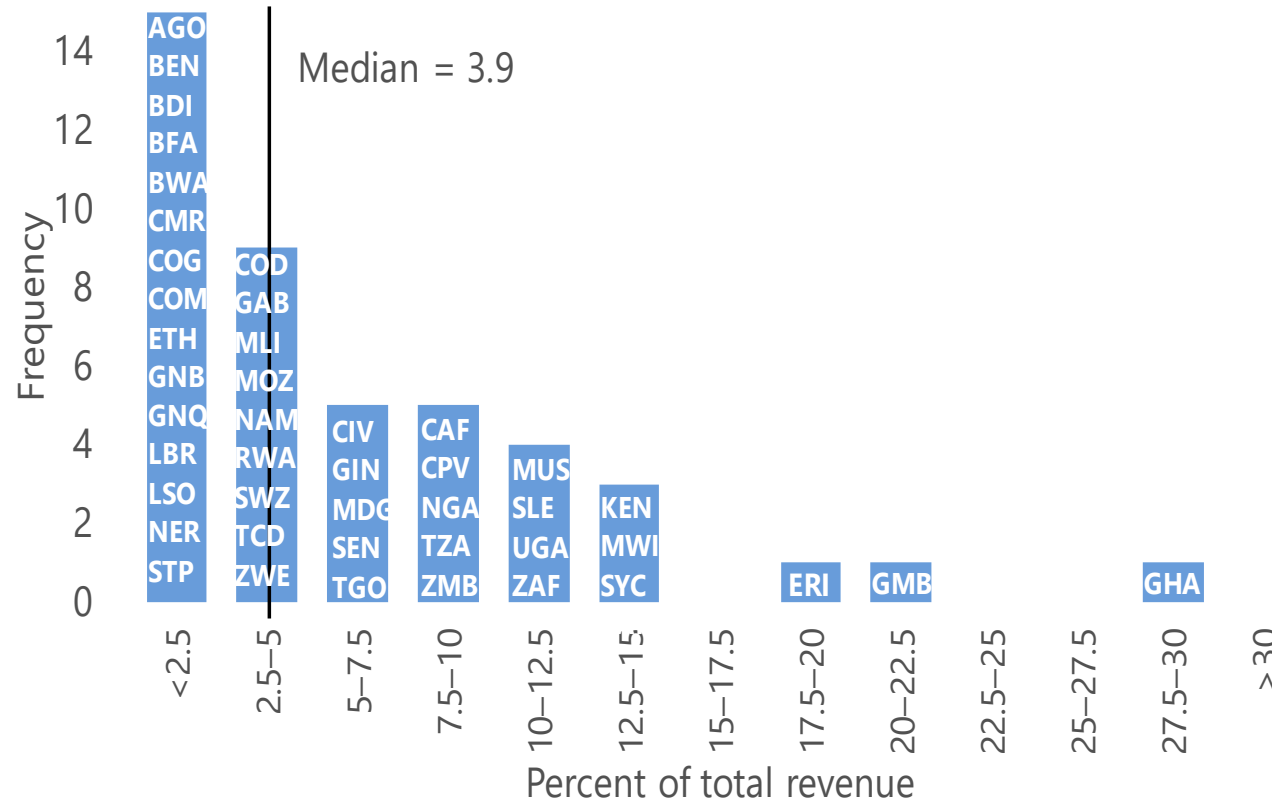
## Tax Revenue to GDP, 2018



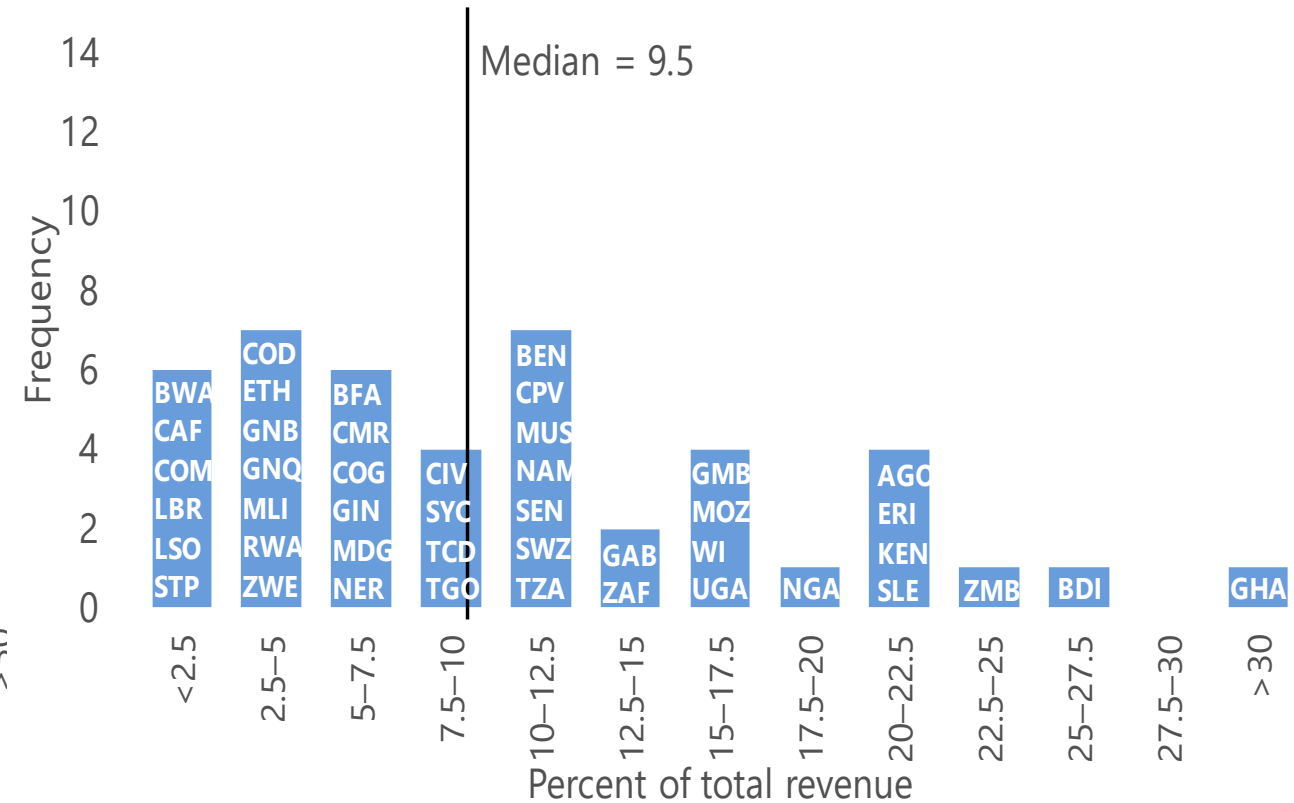
Source: IMF, World Economic Outlook database.

# ...and service a growing debt burden.

## Interest to Total Revenue, 2013



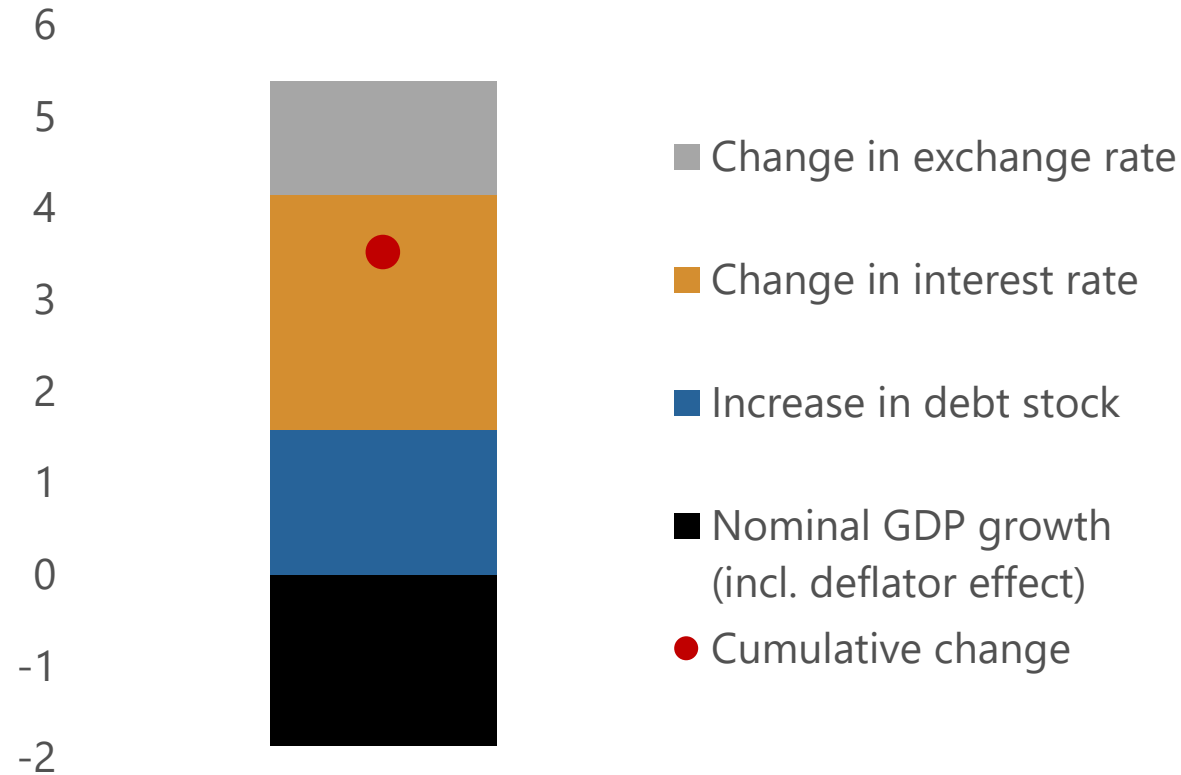
## Interest to Total Revenue, 2018



Source: IMF, World Economic Outlook database.

# Take the case of Zambia - interest payments increased from 1.5 to 4.8 percent of GDP between 2013 and 2018

Zambia Cumulative Change in Interest Payments-to-GDP Ratio, 2013–18

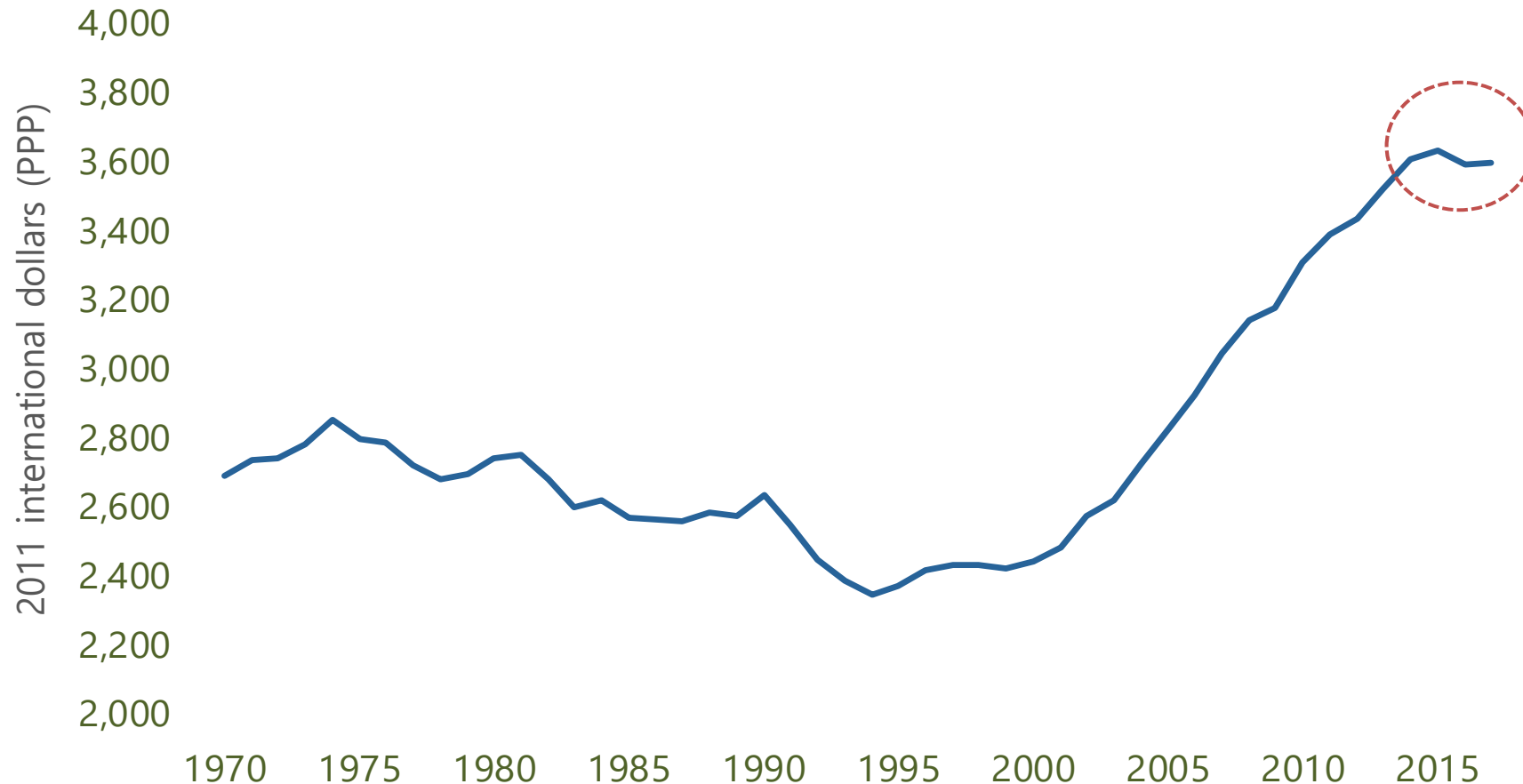




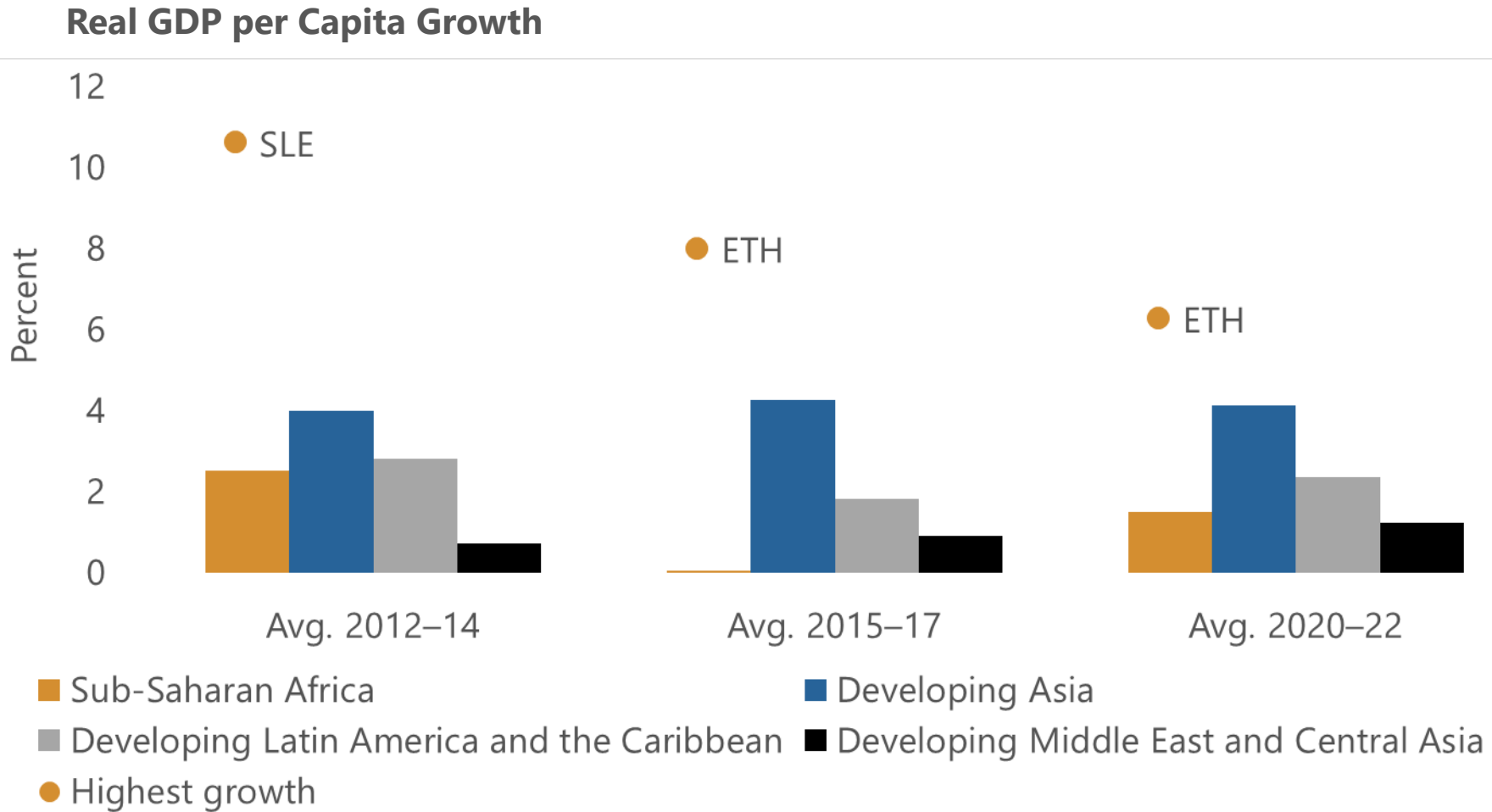
# **III. Challenges to the Development Agenda**

# In SSA, the sustained period of rising incomes—with improvements in social outcomes has stalled...

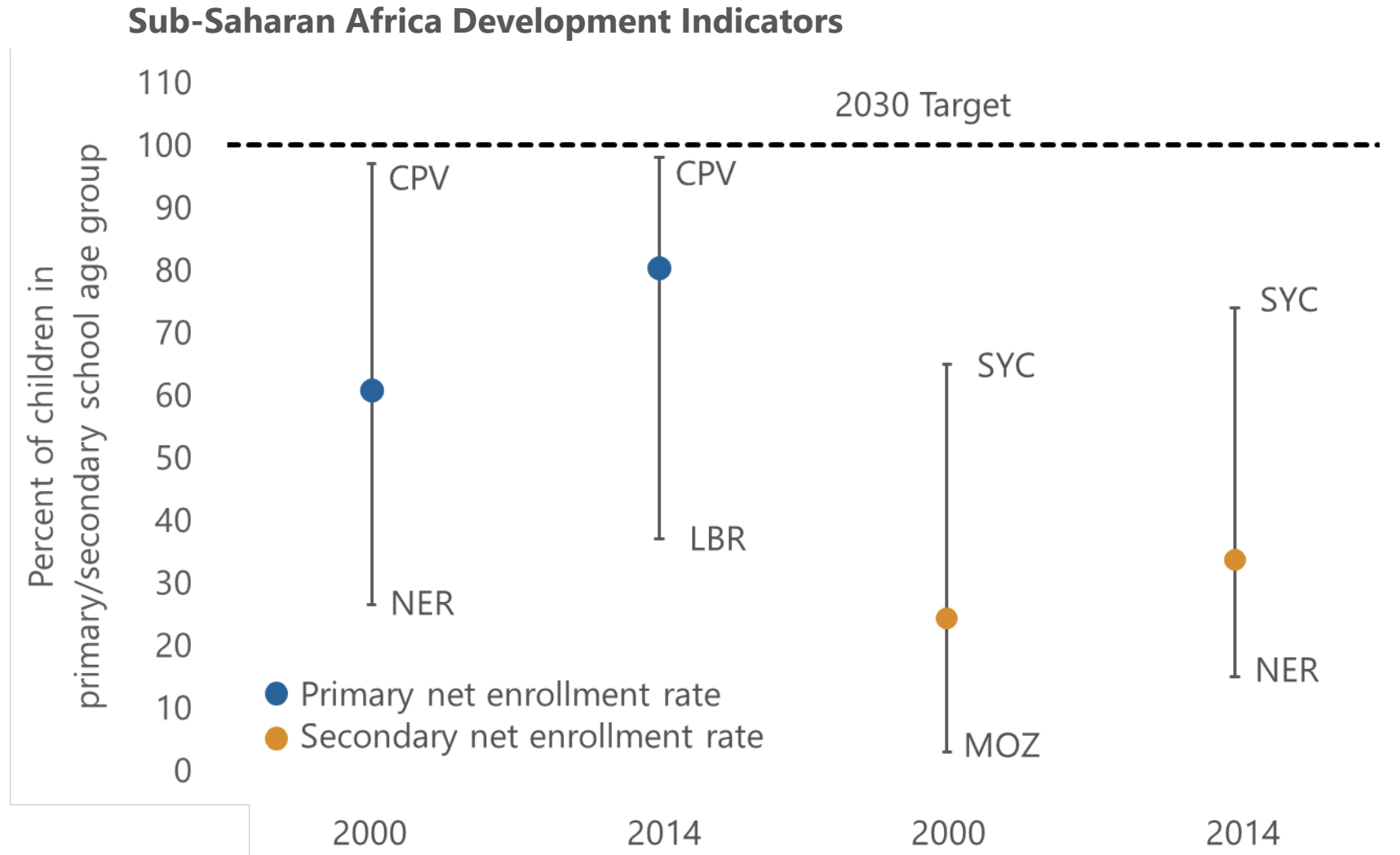
Sub-Saharan Africa Real GDP per Capita



# And medium-term per capita growth is too low.

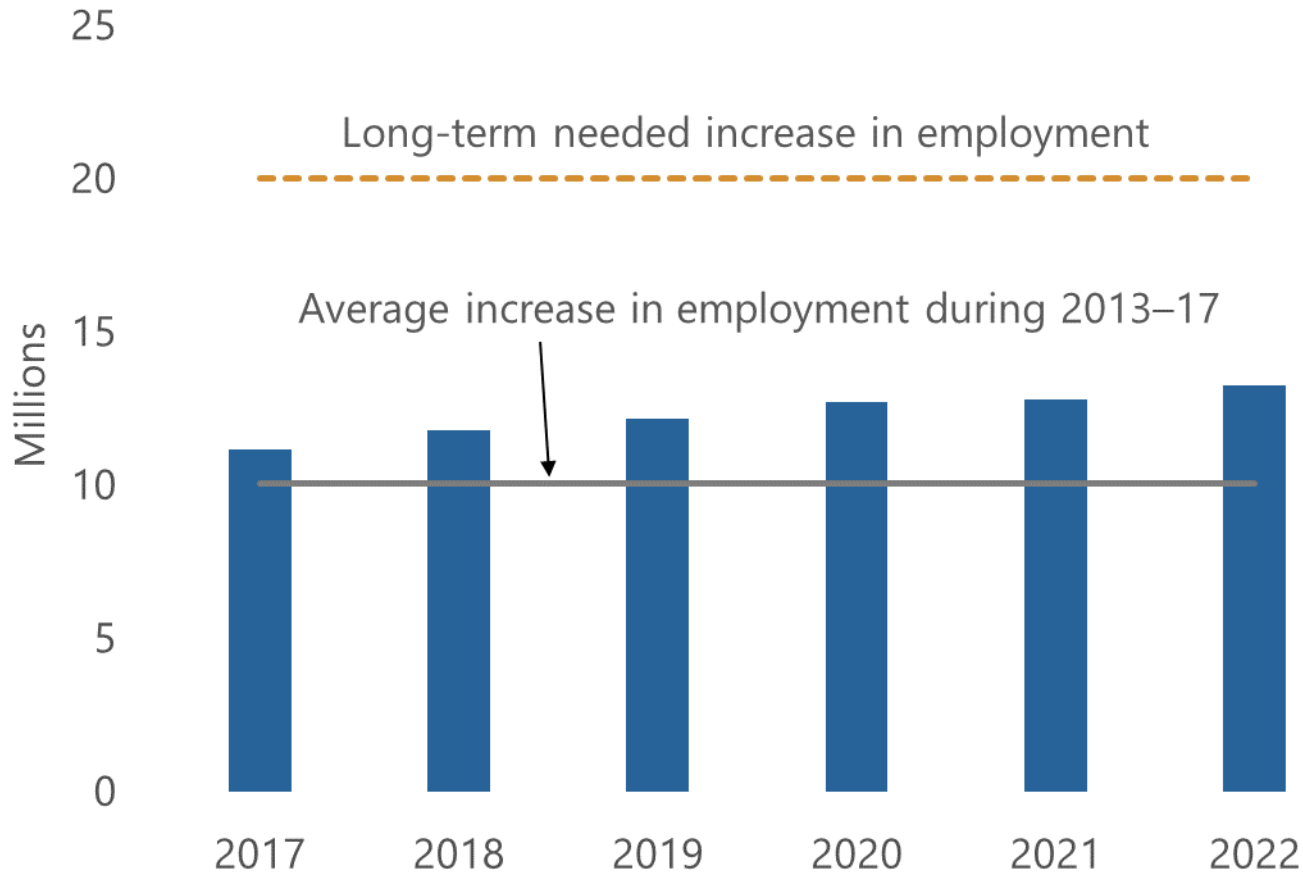


# Meeting the SDGs will require stronger growth and more financing.



# Policies are needed today to create more jobs in coming years.

## Sub-Saharan Africa: Change in Employment



## Policy options:

- **Diversification**
- **Trade integration**
- **Financial deepening**

# Recap Key Messages

- **A muted recovery with risks.**
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**THANK YOU**