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://youtu.be/live/S5YWfkFLm7Q?feature=share
- A few photos of the event.
- Link to Headlines and publications in Luanda’s media.
- Follow the PowerPoint presentation below.
Angola should let currency float, IMF officials say on visit - Today | MarketScreener


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


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


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


https://www.facebook.com/Portalmmais/photos/a.437655856883178/1110472356268188/?type=3


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


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)

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<thead>
<tr>
<th>Year</th>
<th>GDP Growth</th>
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<tbody>
<tr>
<td>2021</td>
<td>4.3%</td>
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<td>2022</td>
<td>3.0%</td>
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<td>2023</td>
<td>3.9%</td>
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<tr>
<td>2024</td>
<td>4.4%</td>
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</table>

Source: IMF, World Economic Outlook database.

**Real GDP Growth, 2022–24**

(Number of countries)

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<th>Year</th>
<th>Declined</th>
<th>Improved</th>
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<td>2022–23</td>
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<td>2023–24</td>
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<td>12</td>
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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)

- US
- Advanced excluding US
- Emerging Asia excluding China
- Latin America

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)

Sources: 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)

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.
Sub-Saharan Africa: Headline Inflation, 2015–23
(Percent)

- Median SSA inflation has dropped by almost 3 ppts...
- …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.

**Eurobond Issuances**
*(Billions of US dollars)*

Sources: EPFR; fDi Markets; and IMF staff calculations.

**Sovereign Loans by International Banks (Including Syndicated)**
*(Billions of US dollars)*

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

**Foreign Direct Investment Announcements**
*(Billions of US dollars)*

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)*

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

**Sub-Saharan Africa: Acute Food Insecurity, 2023**
*(Millions of people)*

- **São Tomé and Príncipe**
- **Cabo Verde**
- **Mauritius**
- **Comoros**
- **Seychelles**

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)

- 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.

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

**Sub-Saharan Africa: Real GDP Growth, 2005–28**
(Percent, dotted lines = weighted average)

**Sub-Saharan Africa: Real GDP Per Capita, 2019–25**
(2019 = 100, dashed lines indicate pre-crisis baseline)

Source: IMF, World Economic Outlook database.

Source: IMF, World Economic Outlook database.
A turbulent road ahead
Commodity prices are volatile

- 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

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.
China’s growth is slowing down

- 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

China: Average annual growth rate, 2000–28

(Percent)

<table>
<thead>
<tr>
<th>Year</th>
<th>Growth Rate</th>
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<tbody>
<tr>
<td>2000-04</td>
<td>10</td>
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<td>2005-09</td>
<td>12</td>
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<td>2010-14</td>
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<td>2015-19</td>
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<td>2020-22</td>
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<td>2023-28</td>
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Source: IMF, World Economic Outlook database.
Political instability is on the rise

- 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)*

![Graph showing average temperatures from 1900 to 2017 with a trend line.]

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)*

![Map of Africa showing the degree of climate-driven risk.]

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)

- 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

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.
... thus, monetary policy must adapt to different contexts.

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

**Policy Rate Change**
*(Percent, Change from Jan. 2022 to Aug. 2023)*

- Seychelles
- Botswana
- WAEMU
- Mauritius
- Tanzania
- CEMAC
- Rwanda
- Eswatini
- Lesotho
- Namibia
- South Africa
- Uganda
- Zambia
- Kenya
- Guinea
- Angola
- The Gambia
- Mozambique
- Nigeria
- Sierra Leone
- Malawi
- Ghana

Sources: Haver Analytics; and IMF, International Financial Statistics.
Note: Dots indicate no change.
2. Countries continue to face elevated exchange rate pressures, ....

- 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.
• 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)*

![Graph showing interest on public debt in Sub-Saharan Africa from 2001 to 2022.](image)

**Source:** IMF, World Economic Outlook database.

**Sub-Saharan Africa: Risk of Debt Distress, 2015 – 2023**
*(Number of PRGT-eligible countries)*

![Bar chart showing risk of debt distress in Sub-Saharan Africa from 2015 to 2023.](image)

**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.
Sub-Saharan Africa: Fiscal Adjustment Needed to Stabilize Debt Below 70 Percent of GDP, 2023
(Percent of GDP, number of countries)

- 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

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.
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

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**Sub-Saharan Africa: Time to double per capita Income**
(Years)

- Non-resource intensive countries
- Oil exporters
- Other resources

Sources: IMF, World Economic Outlook database; and IMF staff calculations.
Note: Each box corresponds to a country.
- Invest more in education
- Enhance private sector participation
- Foster trade integration
- Improve natural resource management and accelerate economic diversification
5. International solidarity remains essential.

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.

IMF Engagement
(As of end-September 2023)

Source: IMF, Financial data.
Note: PCI = Policy Coordination Instrument, SMP = Staff Monitored Program.
Analytical Notes
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

Debt relief initiatives reduced public debt...

...but shocks and public spending reversed the trend.

General government gross debt (percent of GDP)

Diversified creditors and tightening conditions are creating new challenges

- 2000
- 2010
- 2021

- Domestic debt
- Other commercial
- Multilateral debt
- Paris Club
- Non-Paris Club
Note 3: Crisis of development finance

Falling inflows, higher borrowing costs

All when development needs are rising
Thank you

For more information, please visit the link:

www.imf.org/AfricaREO