

# Multi-Speed Growth

## Regional Economic Outlook for Sub-Saharan Africa

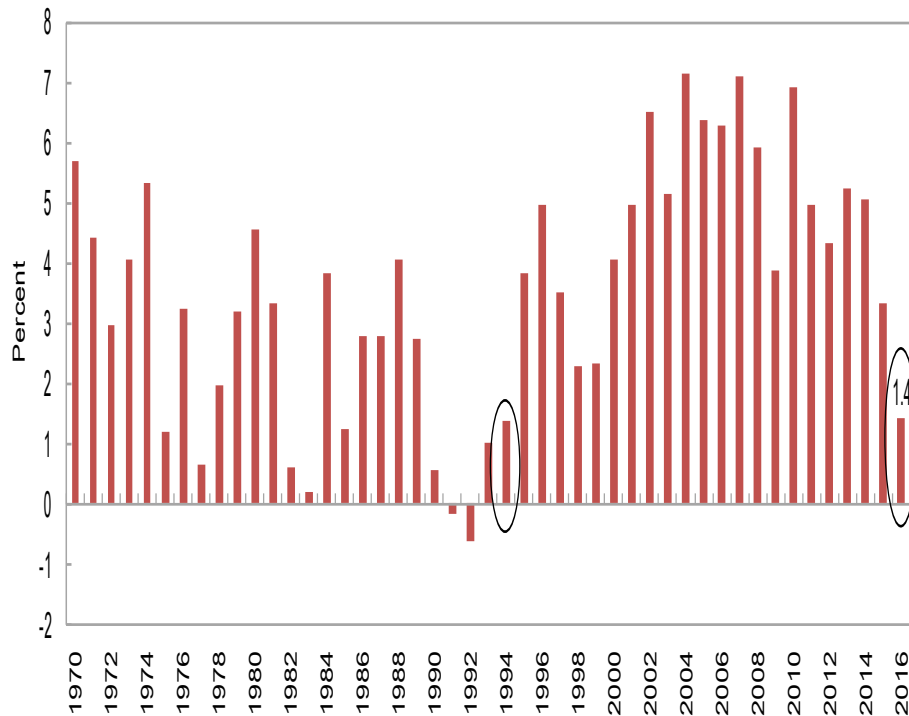
African Department  
International Monetary Fund  
November 30, 2016

# Outline

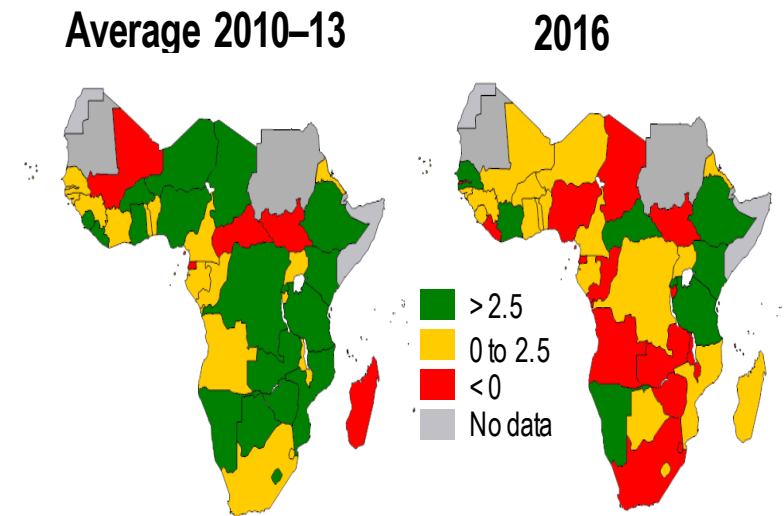
- **Multispeed economic growth: recent developments, outlook, risks;**
- **Exchange rate regimes: macro- and growth implications;**
- **Natural disasters: macro-implications and response.**

# GDP growth and per capita GDP growth are expected to be the lowest in 20 years...

## Real GDP Growth, 1970–2016



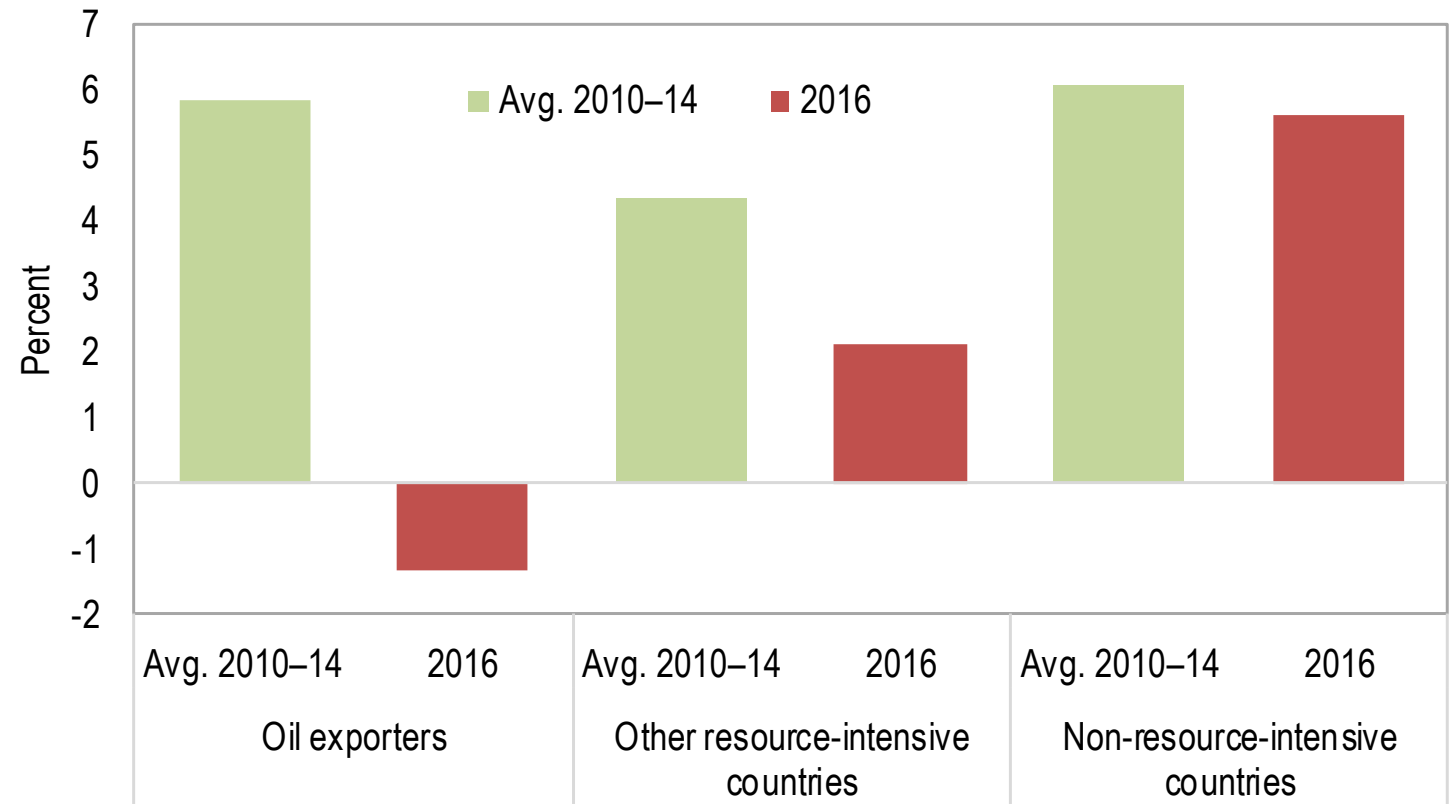
## Real GDP per Capita Growth (Percent)



Source: IMF, World Economic Outlook database.

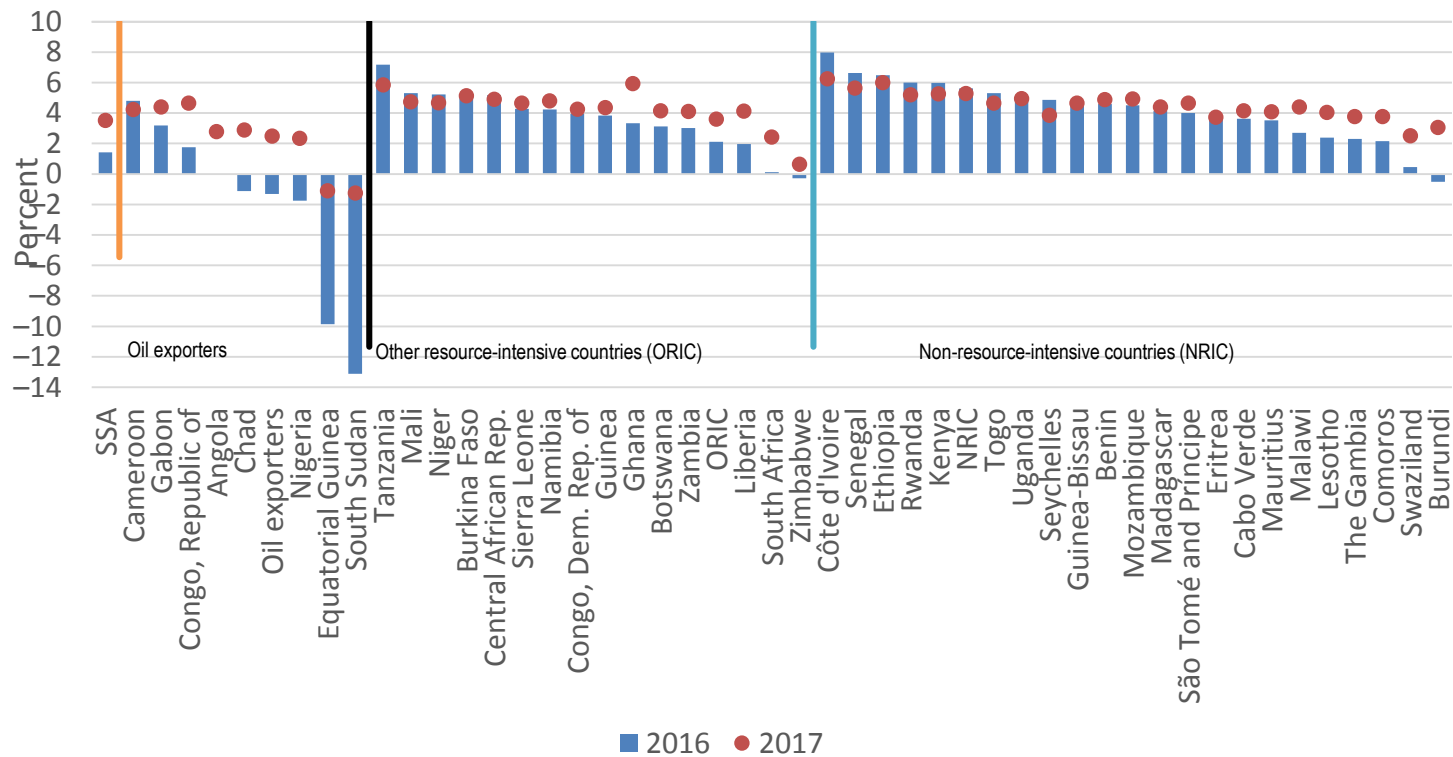
# ...economic growth outcomes vary across the region

## Real GDP Growth, 2010-16



# The recovery is expected to be gradual...

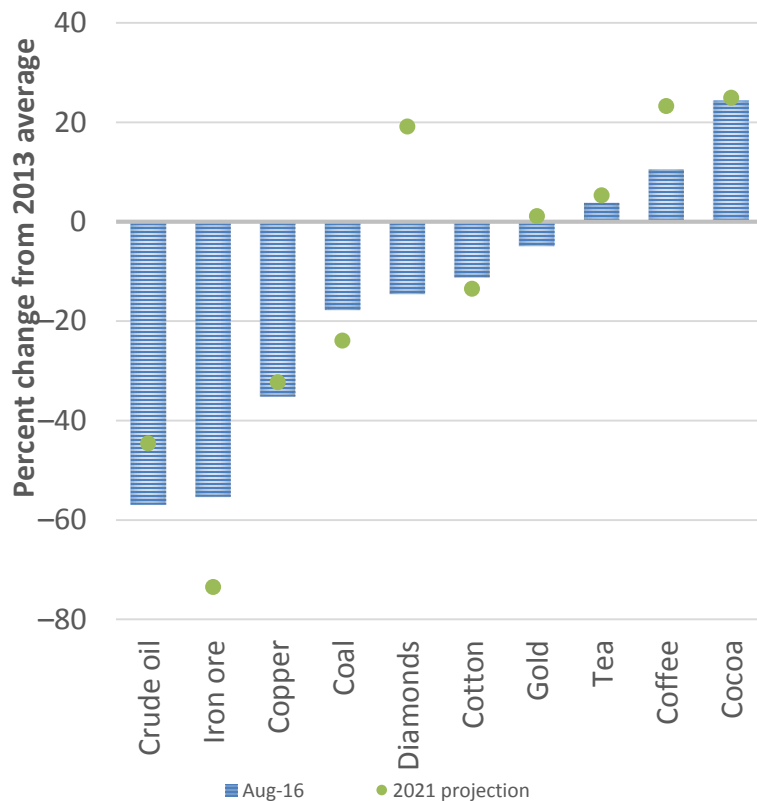
## Sub-Saharan Africa: Real GDP Growth



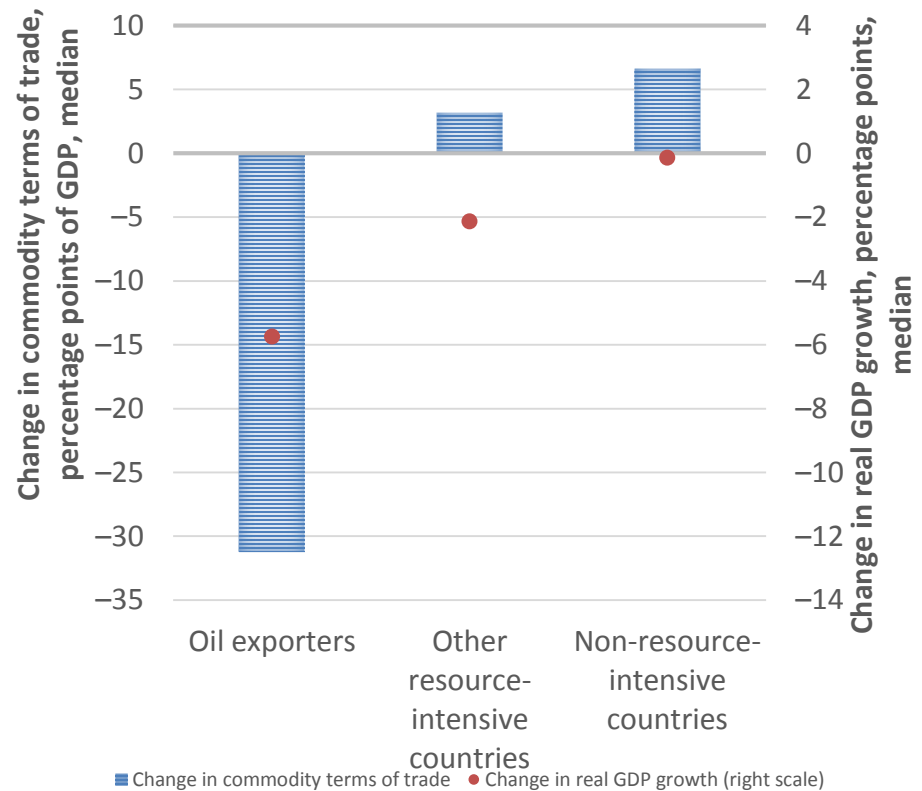
Source: IMF, World Economic Outlook database.

# Weak commodity prices have been hampering commodity exporters' growth,

## Selected Commodity Prices (Change since 2013)



## Change in Commodity Terms of Trade and Real GDP Growth, 2016 vs 2013

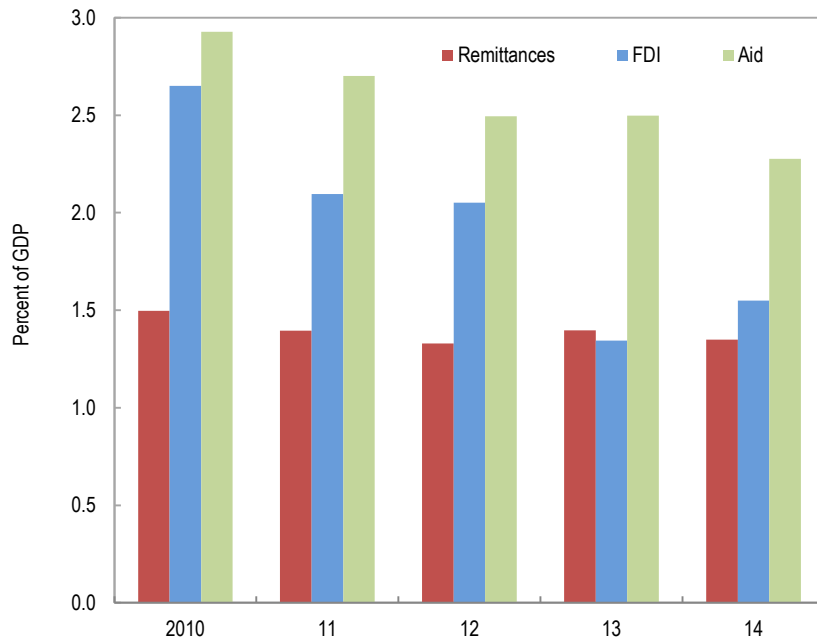


Source: IMF Commodity Price System; IMF Global Assumptions.

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

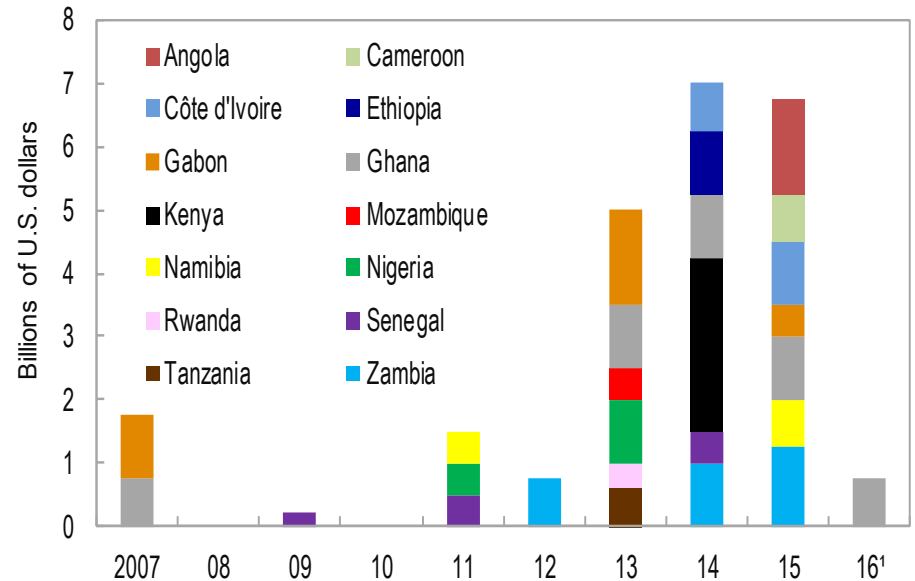
# ...while financing conditions have tightened

## Foreign Inflows, 2010–14



Sources: World Bank data; and IMF staff calculations.

## International Sovereign Bond Issuances

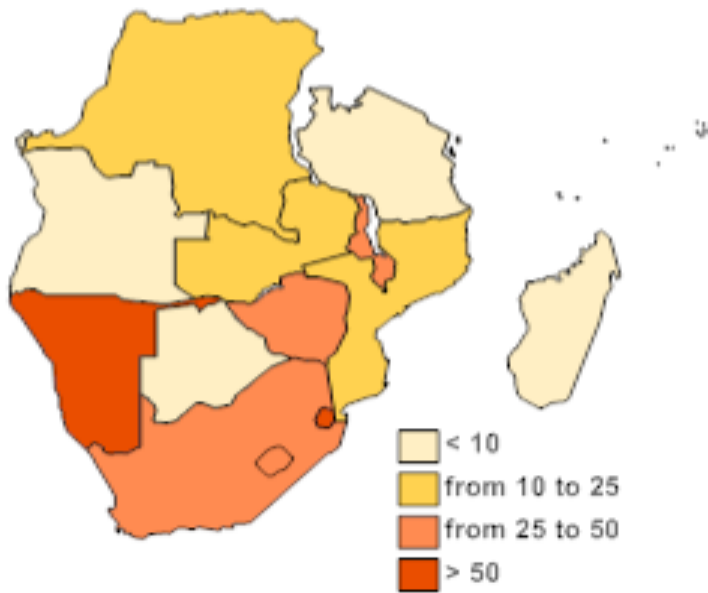


<sup>1</sup> Up to mid-September 2016.

Source: Bloomberg, LLC.

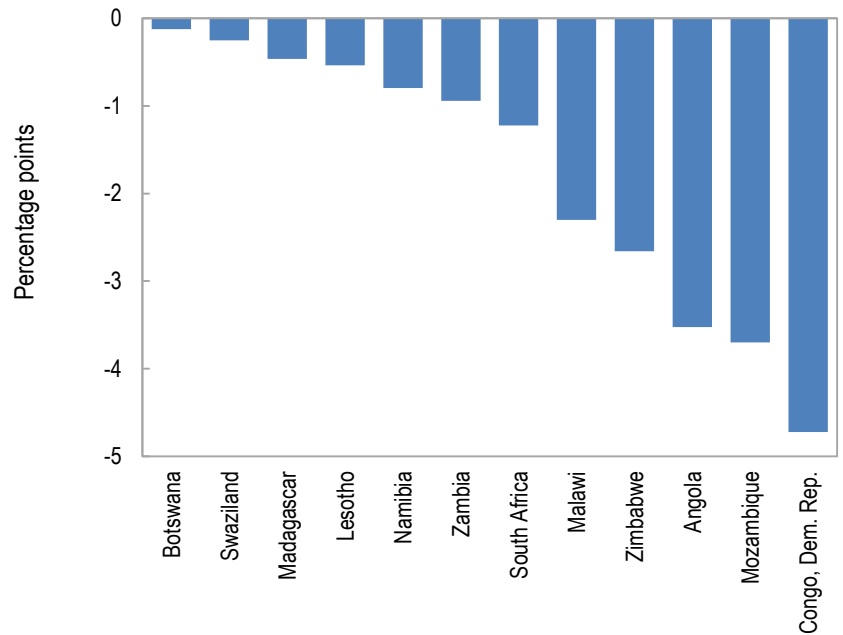
# Southern Africa has been affected by the drought

## Rural Population Affected by Drought (2016, percent of rural population)



Source: Southern African Development Community Regional Humanitarian Appeal, June 2016.

## Real GDP Growth, 2016: October 2016 versus October 2015 Projection

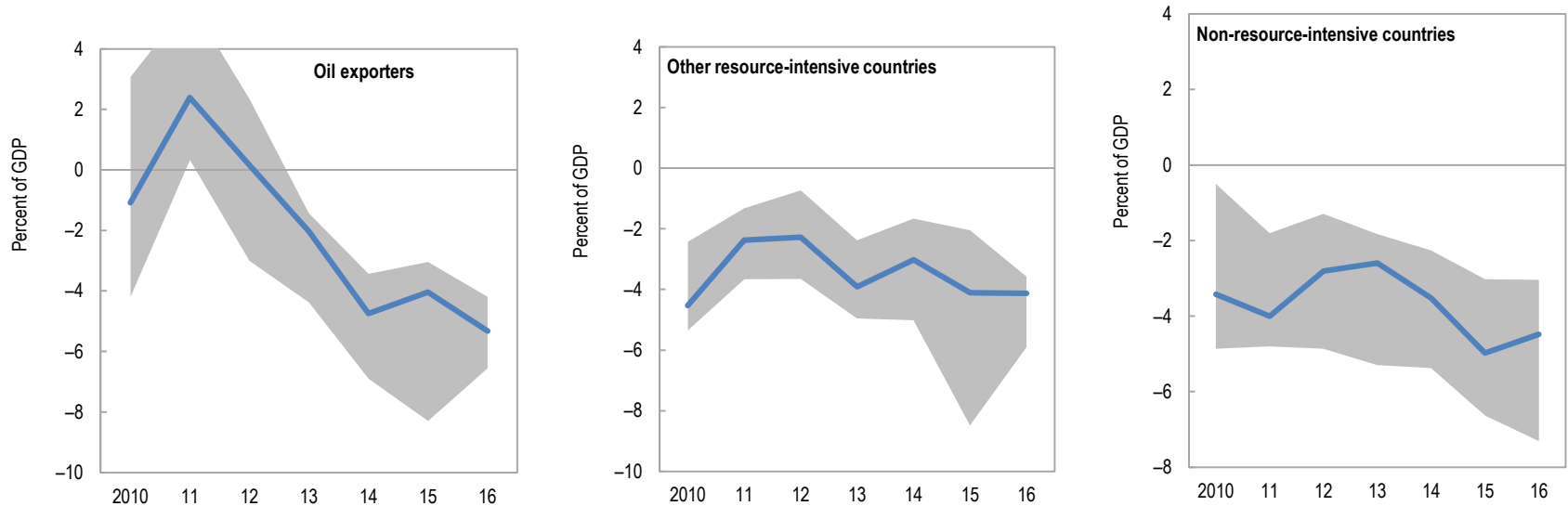


Source: IMF, World Economic Outlook database.



# Policy response has been muted, as indicated by significant fiscal imbalances

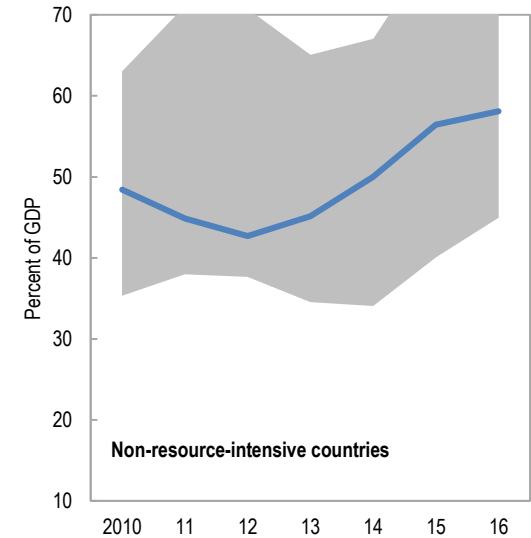
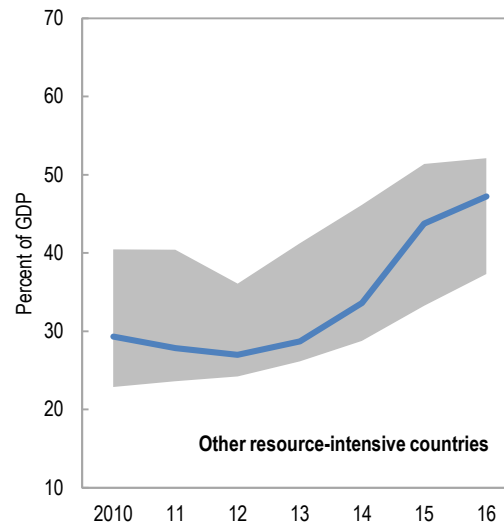
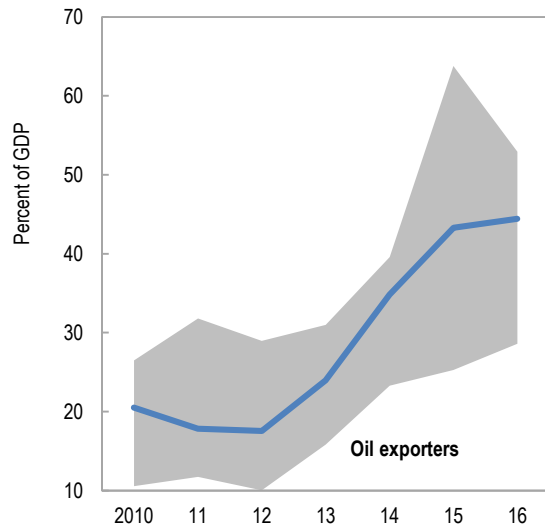
## Sub-Saharan Africa: Fiscal Balances, 2010–16



Source: IMF, World Economic Outlook database.

# ...and debt is on the rise

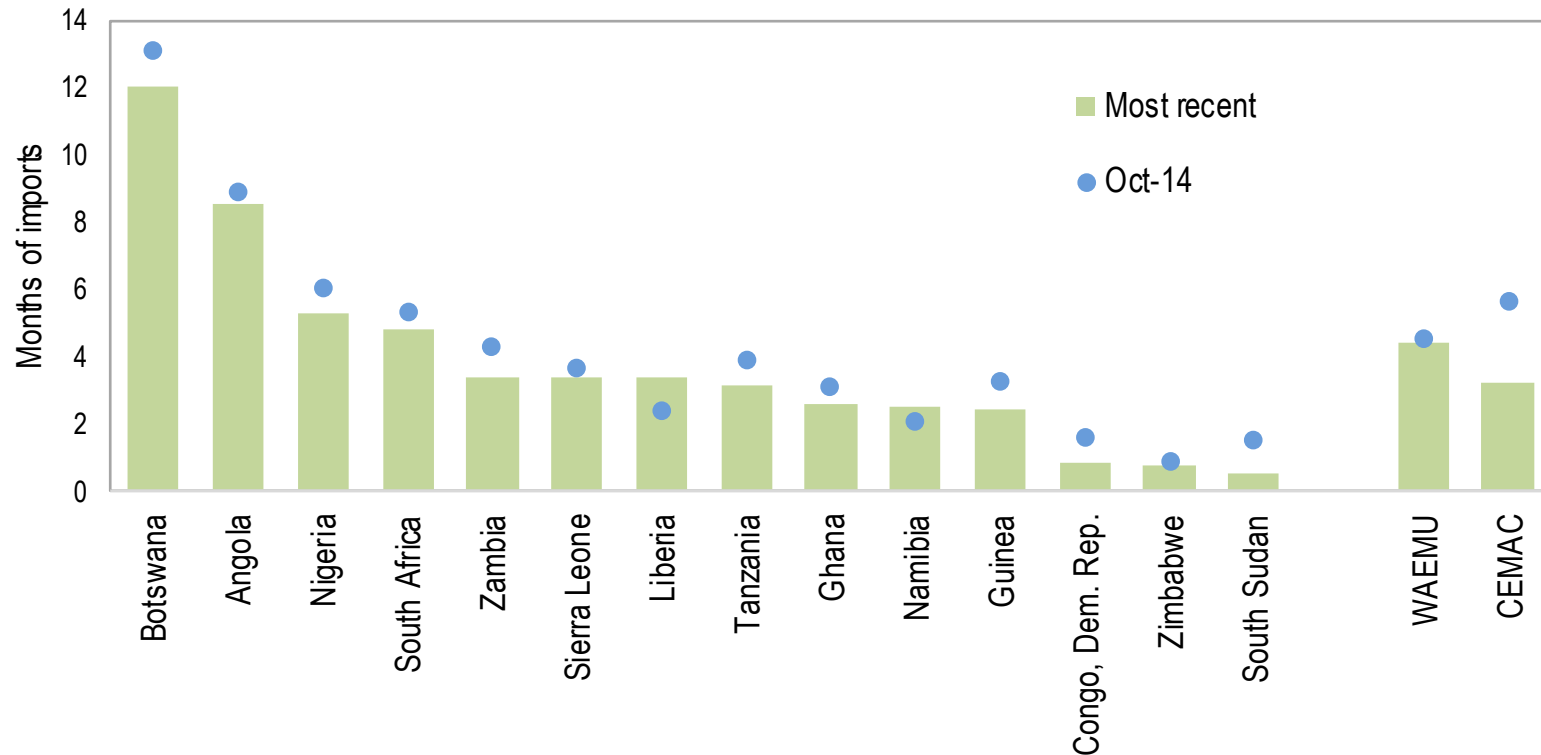
## Sub-Saharan Africa: Public Sector Debt, 2010–16



Source: IMF, World Economic Outlook database.

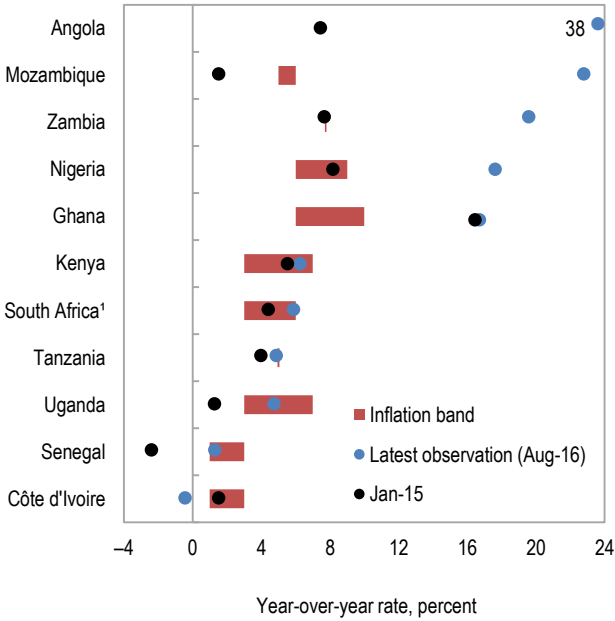
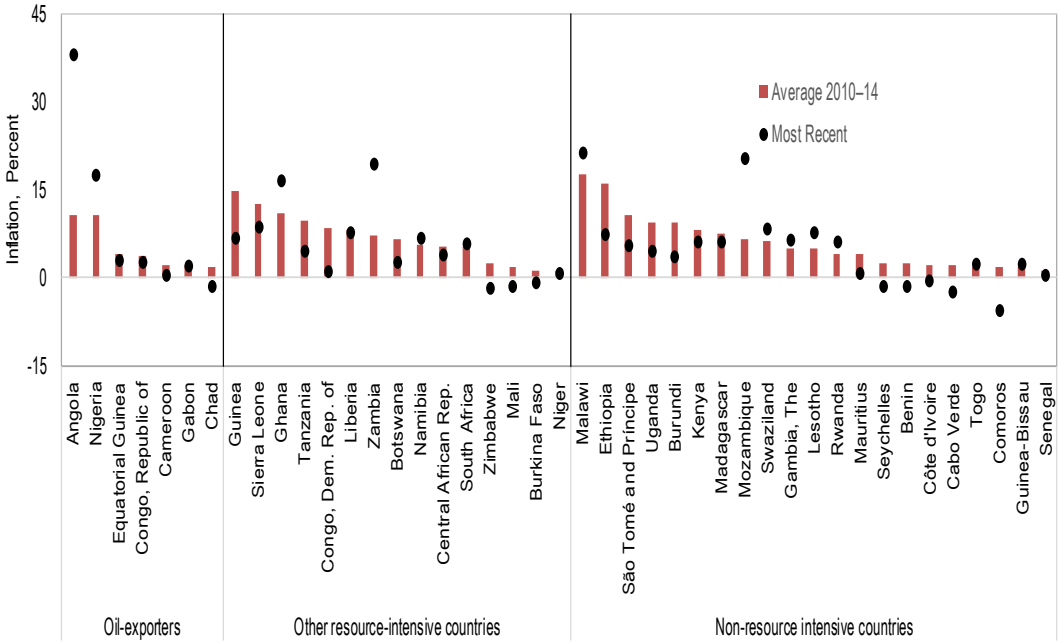
# External imbalances are manifested by foreign exchange reserves

International Reserves in Months of Imports, 2014-16



# Inflation has been rising

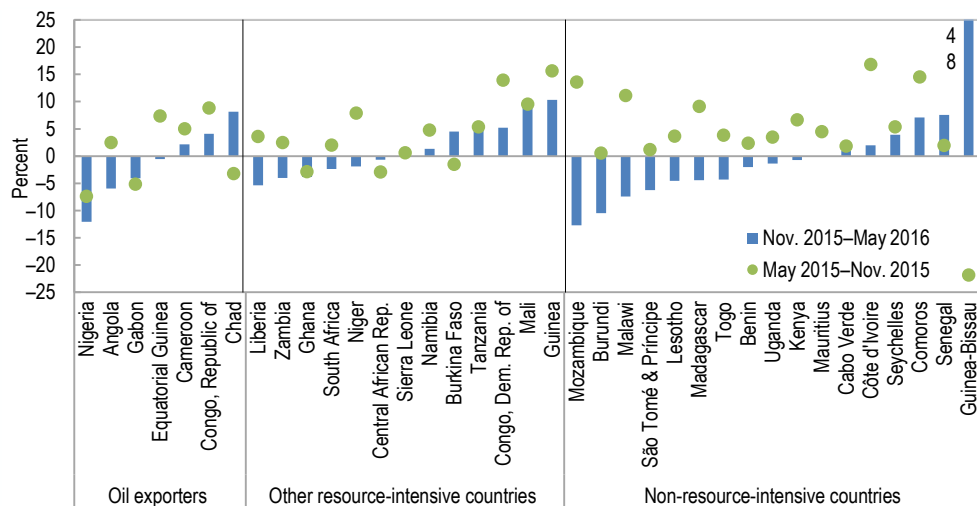
## Selected Sub-Saharan African Countries: Inflation



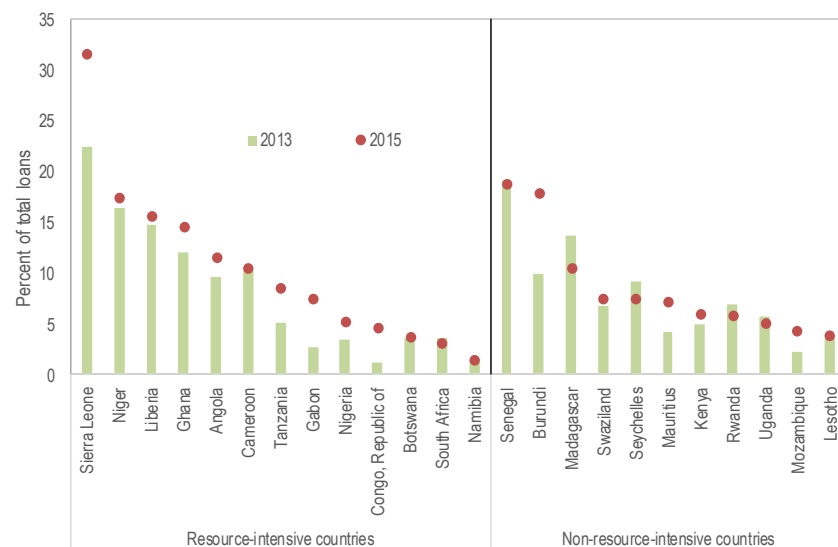
Sources: Country authorities; and IMF, International Financial Statistics.  
 Note: For Mozambique data are for July.  
 1 Reflects Consumer Price Index inflation for all urban areas, which is the inflation that the South African Reserve Bank targets.

# Credit to private sector has slowed, while non-performing loans are on the rise...

## Growth of Real Credit to the Private Sector



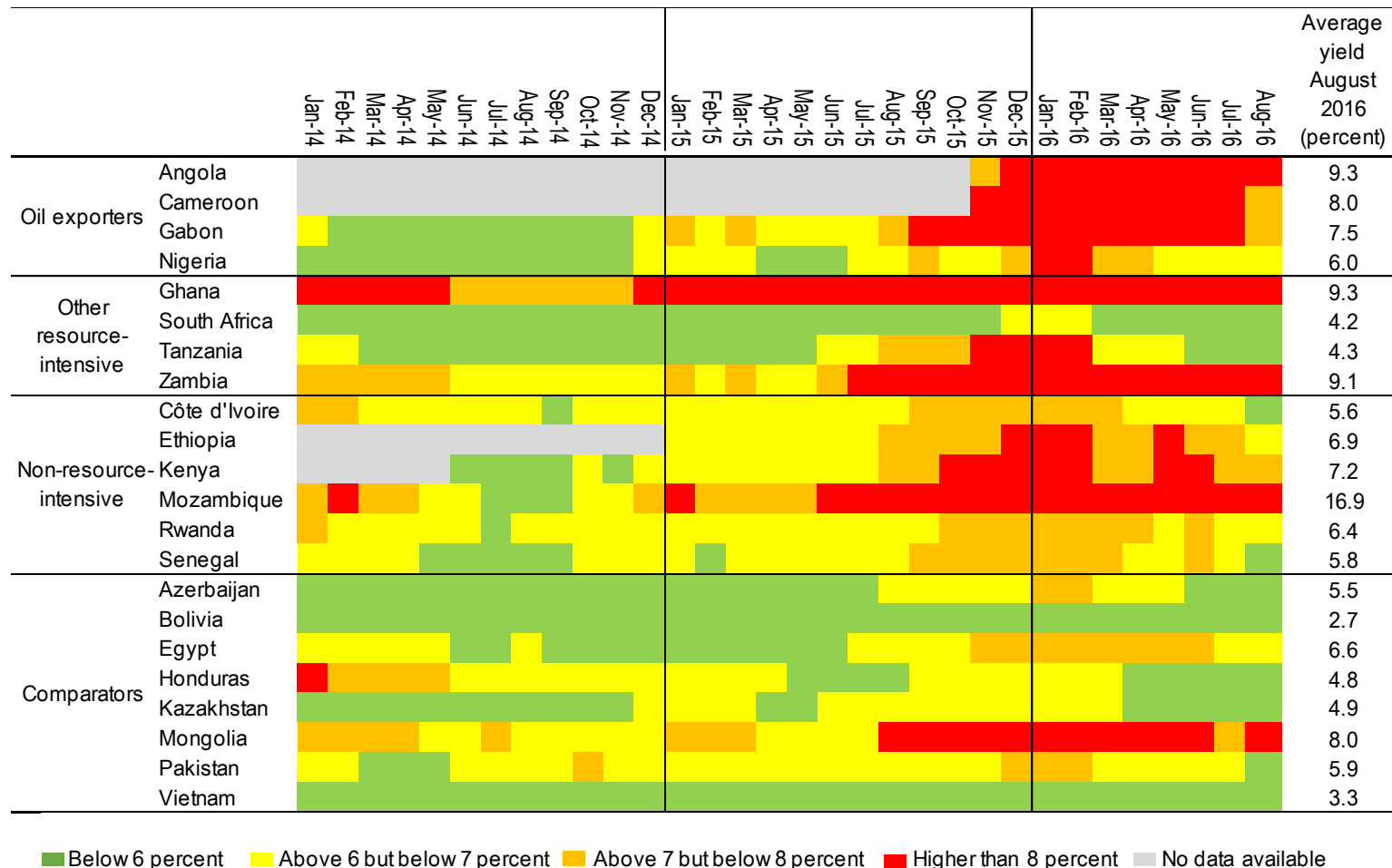
## Bank Nonperforming Loans, 2013-15



Sources: IMF, International Financial Statistics.

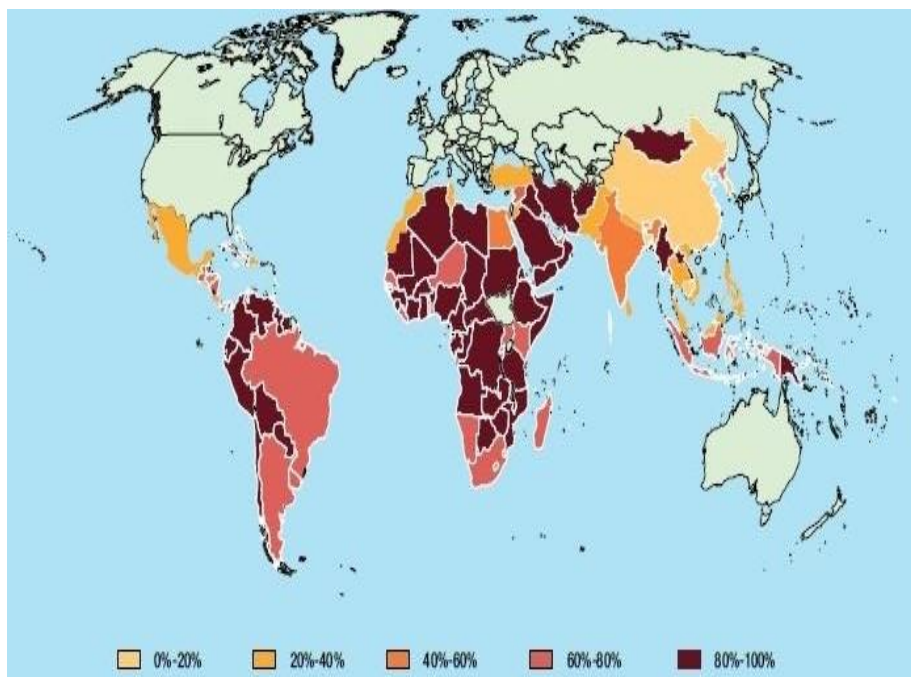
# Weakening domestic fundamentals and the yields

## SSA Frontier Markets in Context: Eurobond Yields, 2014-16



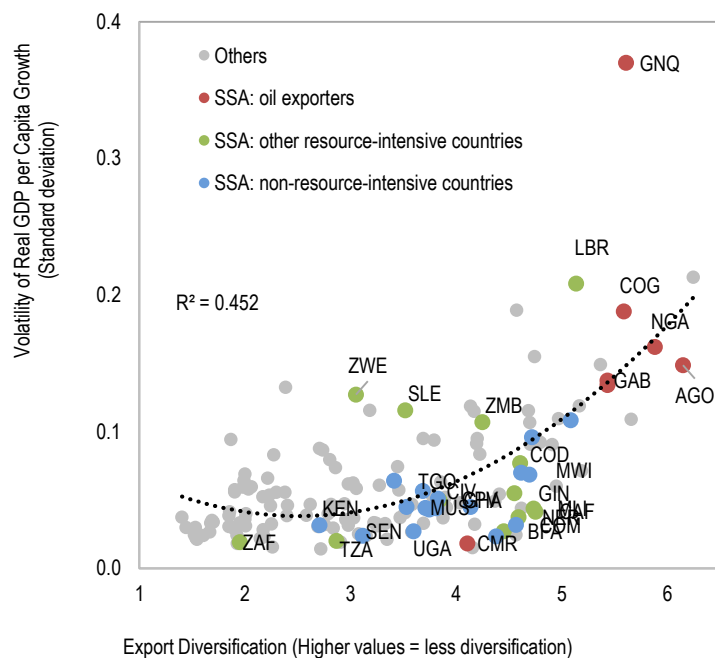
# Export diversification helps improve resilience to shocks

Dependency on Commodities, 2012-2016



Sources: UNCTAD.  
 Note: Commodity exports in percent of merchandise exports

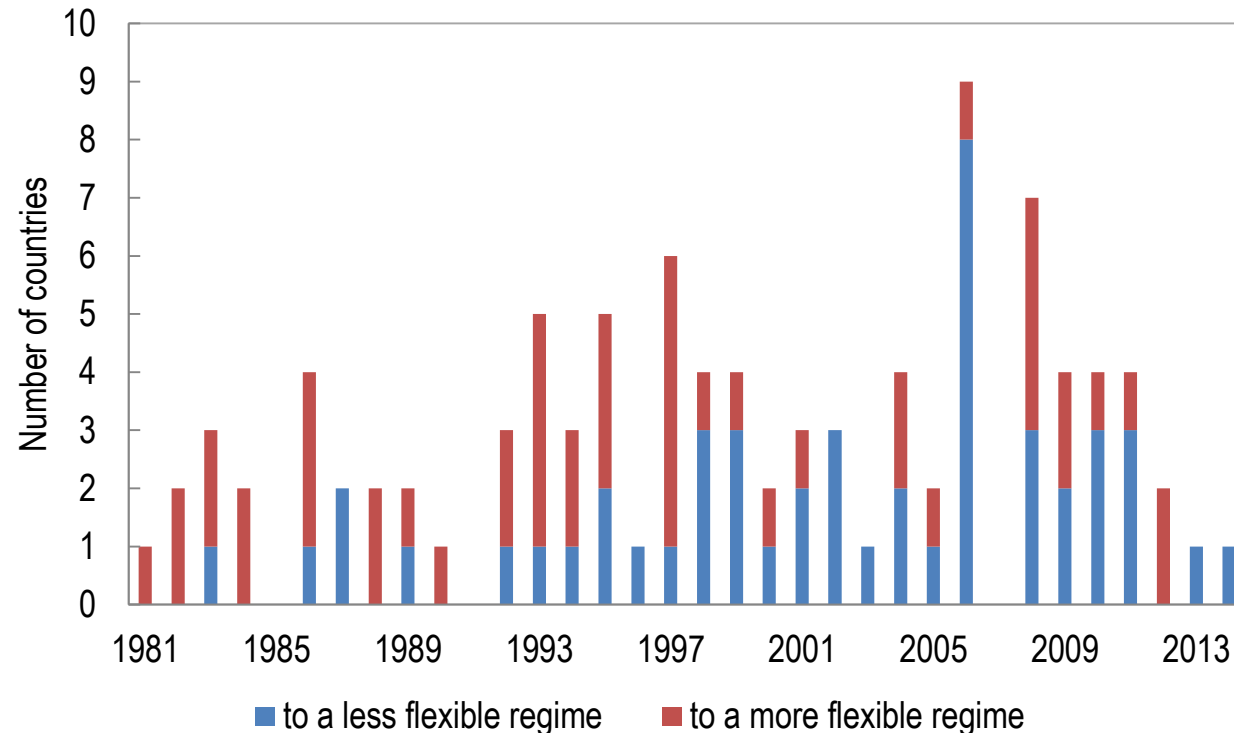
Export Diversification and Output Volatility, 1990-2010



Sources: IMF 2014; and IMF, World Economic Outlook database.

# Exchange rate regimes: Transitioning toward less flexible regimes

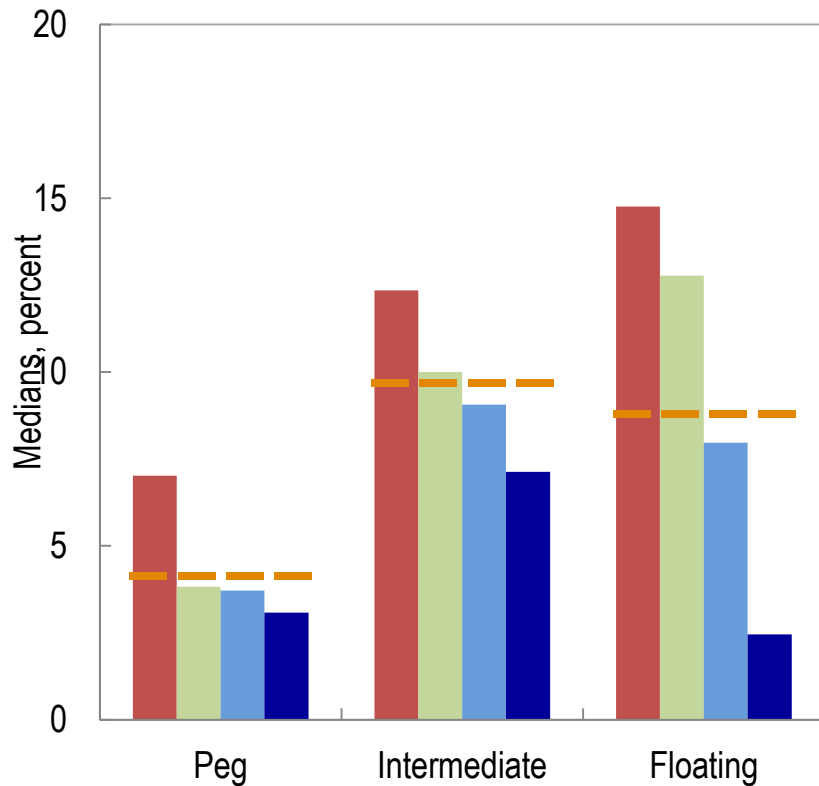
Number of Exchange Rate Regime Transitions, 1980–2014



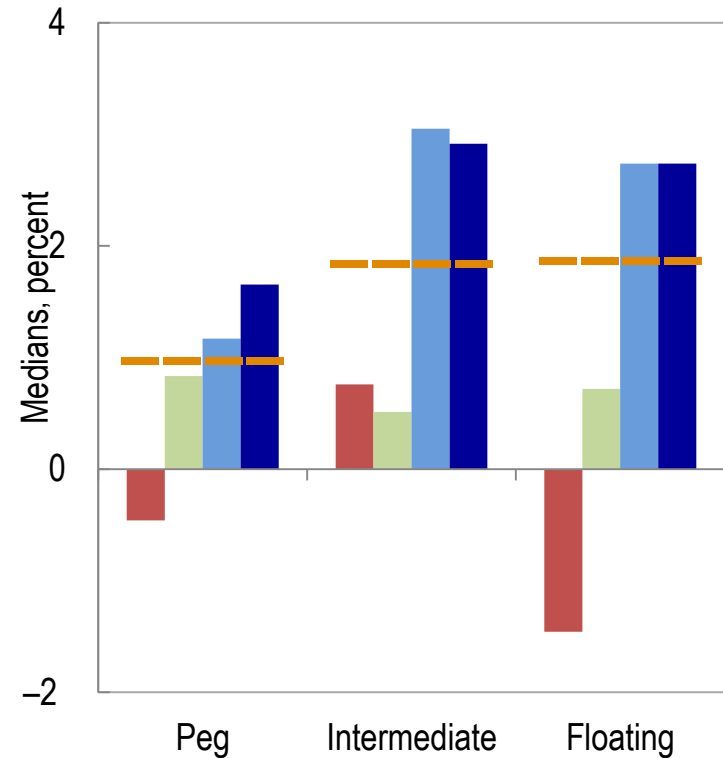


# Exchange rate regimes: Inflation and economic growth

## Inflation Performance



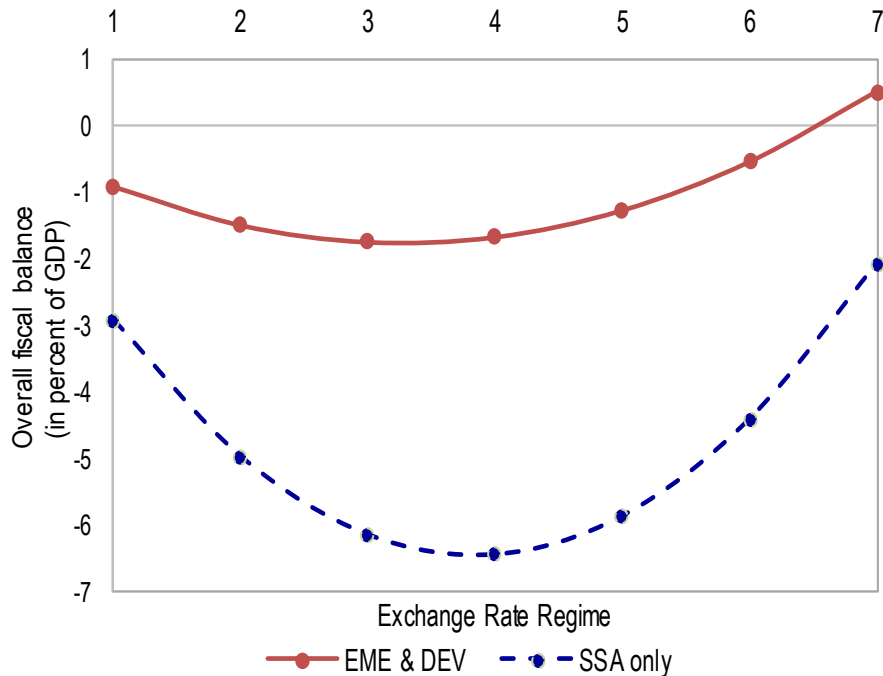
## Per Capita Growth Performance



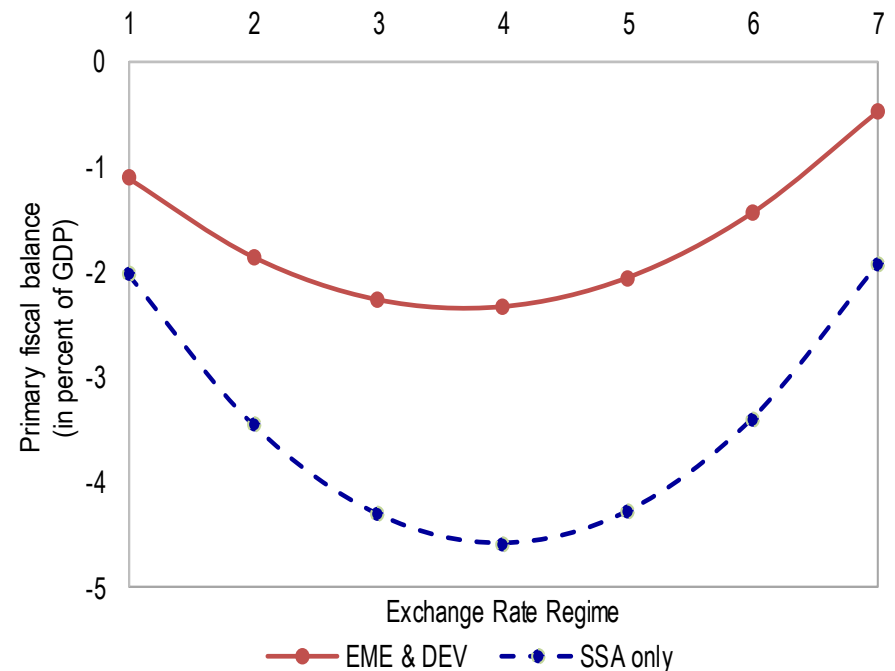
■ 1980-89   
 ■ 1990-99   
 ■ 2000-08   
 ■ 2009-14   
 - - - Average, full period

# Exchange rate regimes: Fiscal discipline

### Overall fiscal balance and Exchange Rate Regime

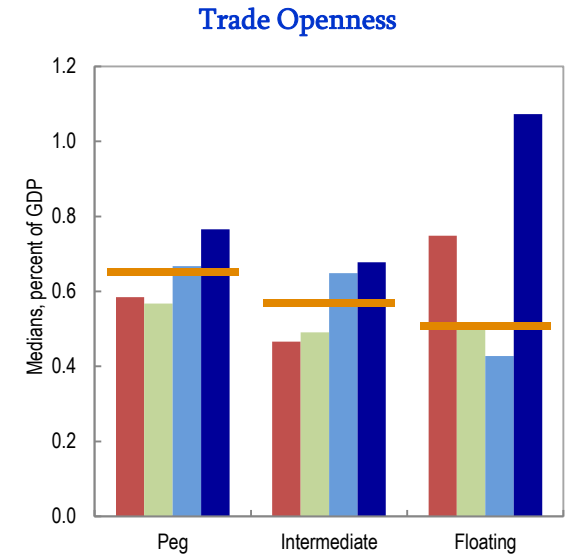
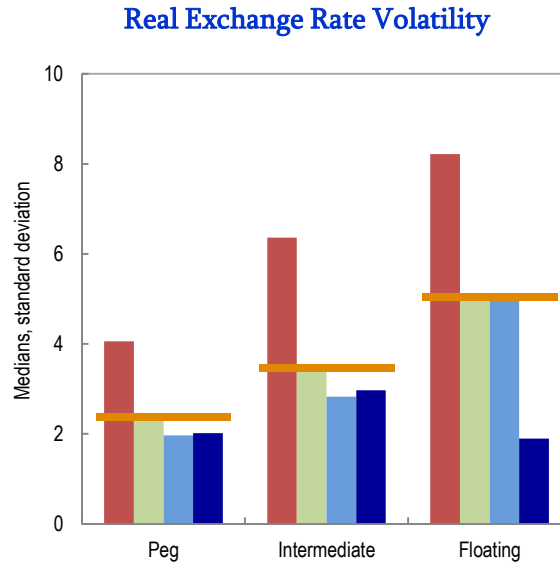
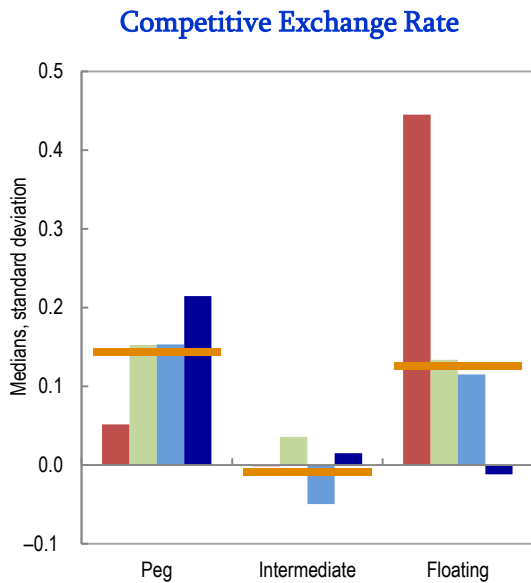


### Primary fiscal balance and Exchange Rate Regime



Regimes: 1=hard pegs; 2=pegs to single currency; 3=basket pegs; 4=horizontal band; 5=crawling peg; 6=managed floats; and 7=independent floats.

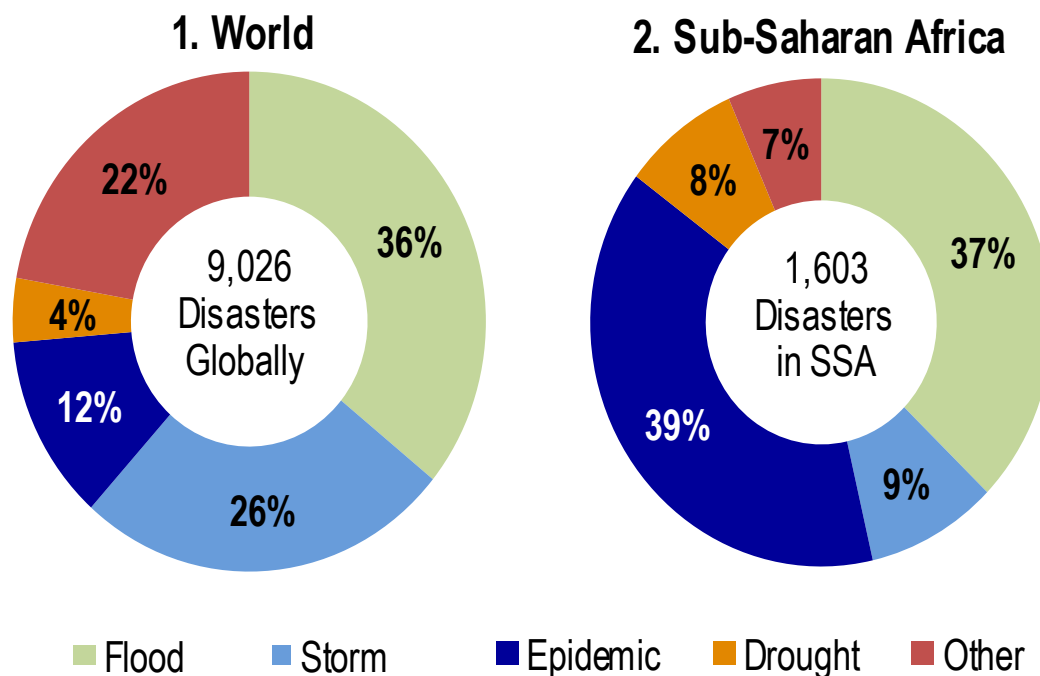
# Exchange rate regimes and economic growth



Sources: IMF, Annual Report on Exchange Arrangements and Exchange Restrictions (AREAER) database; and IMF, World Economic Outlook database.

# SSA is more vulnerable to natural disasters than most other regions,

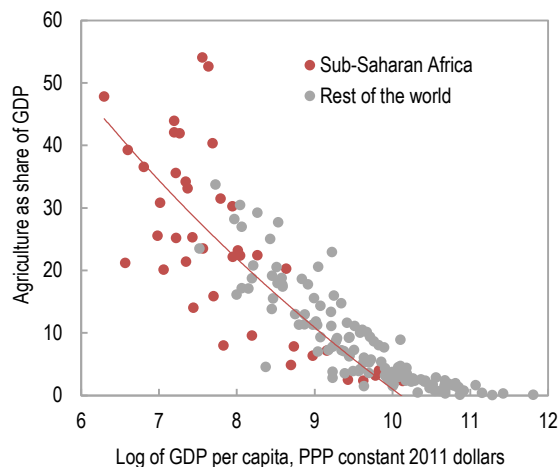
World and Sub-Saharan Africa: Frequency of Disasters, 1990–2014



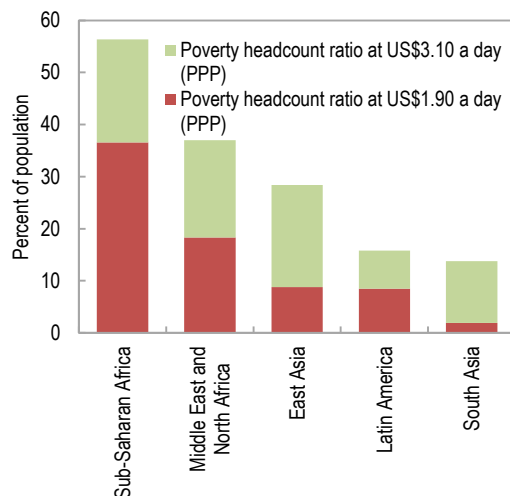
Source: Incidence of Natural Disasters database, EM-DAT; and IMF staff calculations.

# ...being highly dependent on agriculture, high poverty, and limited access to finance

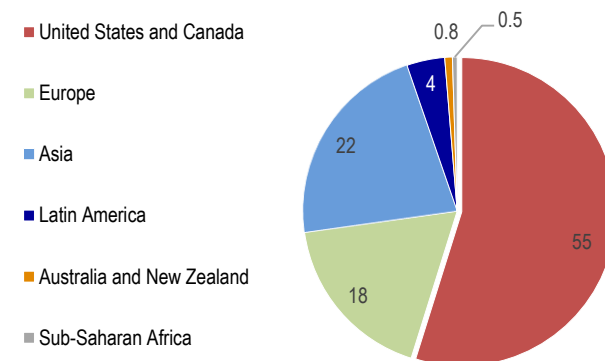
SSA: Share of Agriculture and GDP per Capita, 2014



Selected Regions: Poverty Headcount Ratios, 2012

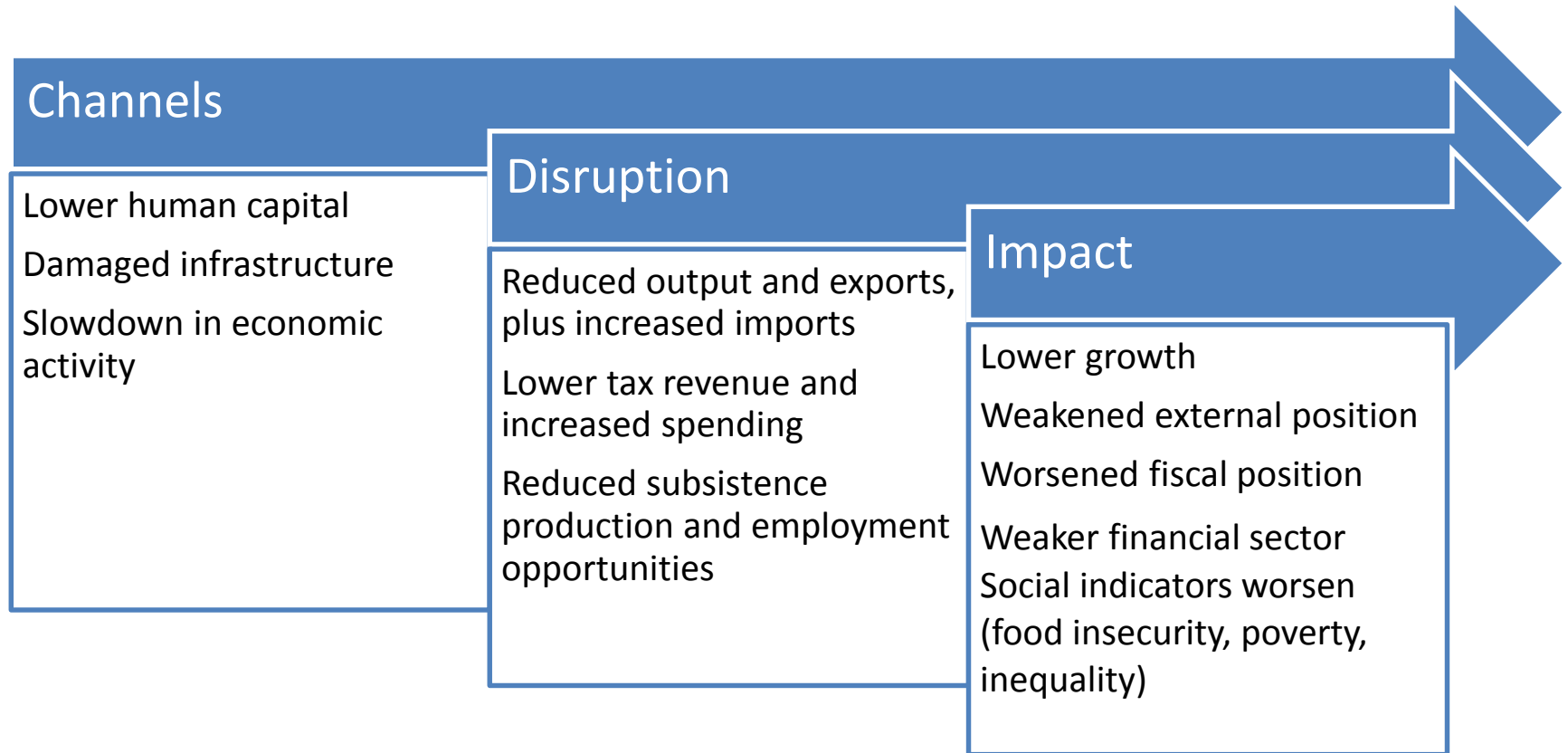


Agricultural Insurance Premium, 2011 (Percent of total)



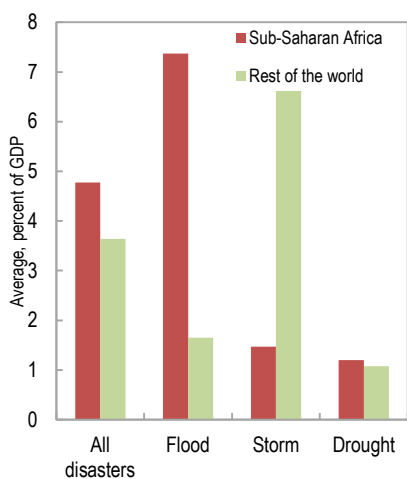
Sources: World Bank, World Development Indicators; and IMF staff calculations.

# Natural disasters: transmission channels

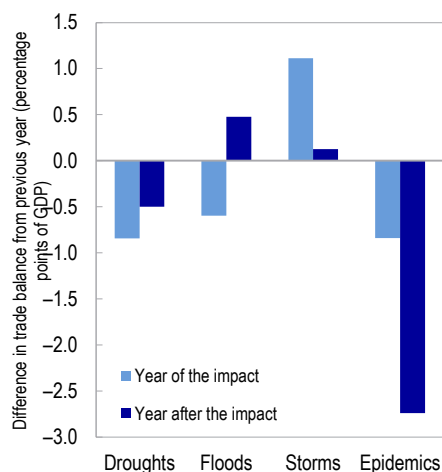


# Natural disasters: macro- and social implications

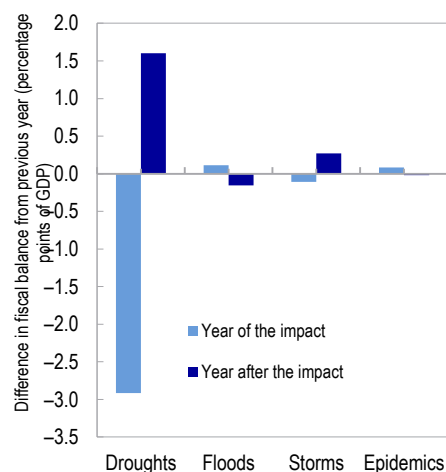
**Economic Cost of Selected Disasters (1990–2014)**



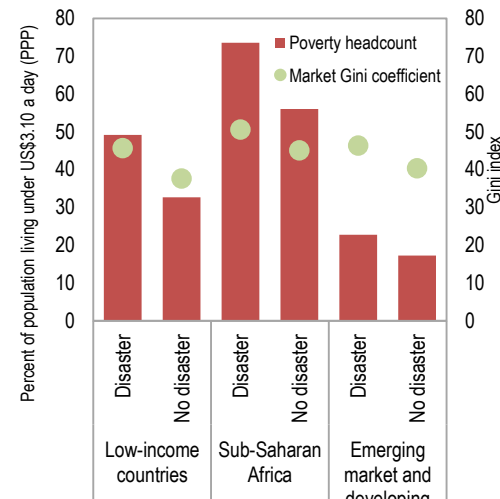
**Trade Balance (1990-2014)**



**Fiscal Balance Excluding Grants (1990-2014)**



**Poverty and Inequality (2011–13)**

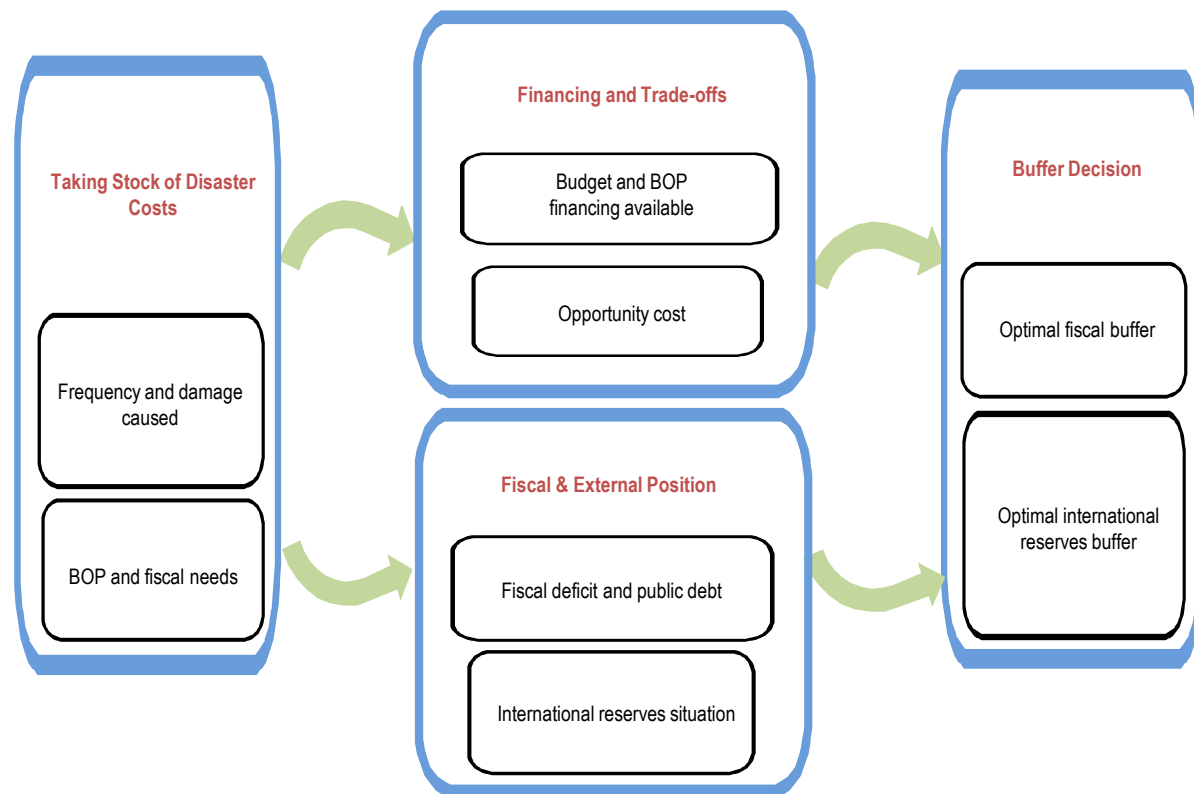


Sources: Incidence of Natural Disasters database, EM-DAT; and IMF staff calculations.  
 1 Selected disasters are those in the top 20 percent most damaging disasters in terms of human lives affected.

Sources: World Bank, World Development Indicators; and IMF staff calculations.

# Natural disasters: Enhancing economies' resilience

## Considerations in Determining the Size of Buffers



Source: IMF forthcoming.  
Note: BOP = balance of payments.



# Thank you!

World Economic and Financial Surveys

Regional Economic Outlook

Sub-Saharan Africa  
Multispeed Growth

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