

REGIONAL ECONOMIC OUTLOOK

SUB-SAHARAN AFRICA



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Navigating Uncertainty

OCTOBER 2019

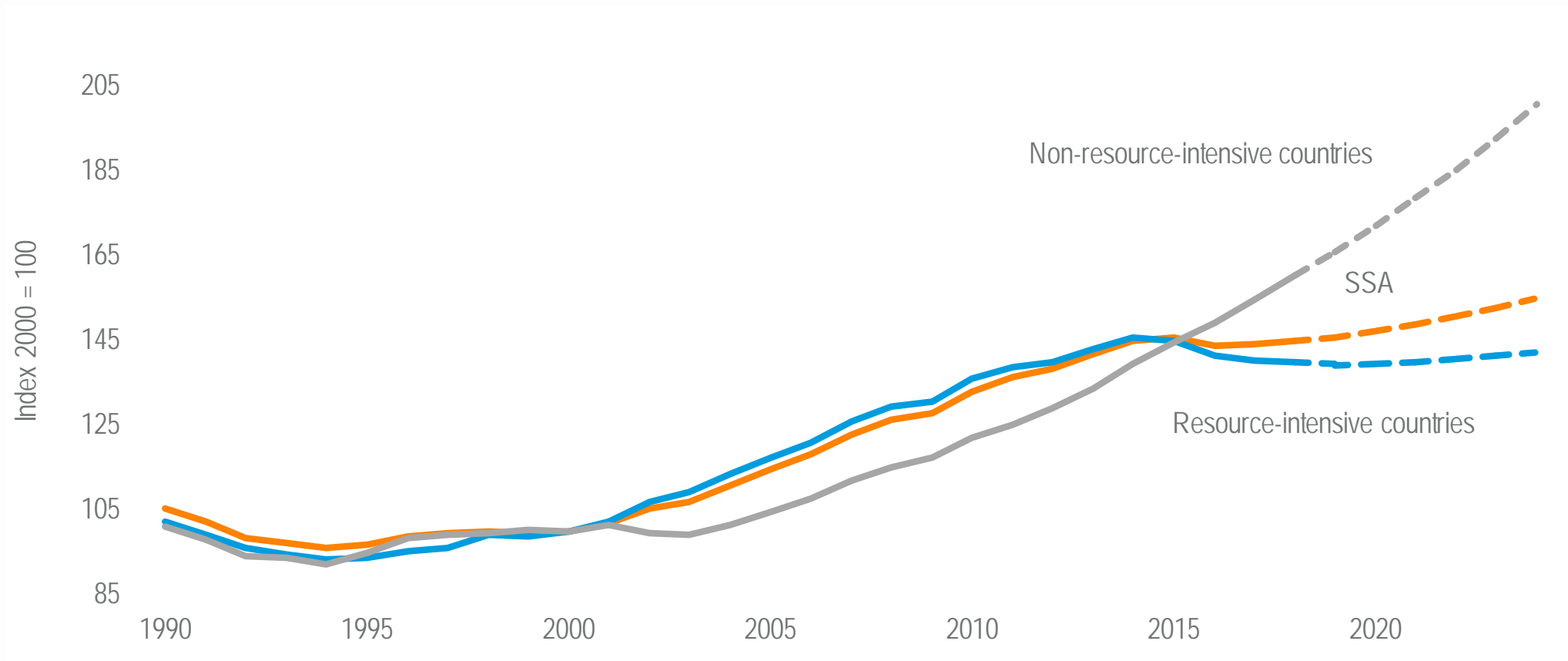
Regional Economic Outlook

Roadmap

- **Recent Developments and Outlook**
- Macro Policies and Response to Downside Risks
- Analytical Focus
 - Understanding domestic arrears
 - Boosting competition

SSA growth remains bifurcated, with non-resource intensive countries outpacing resource-rich ones

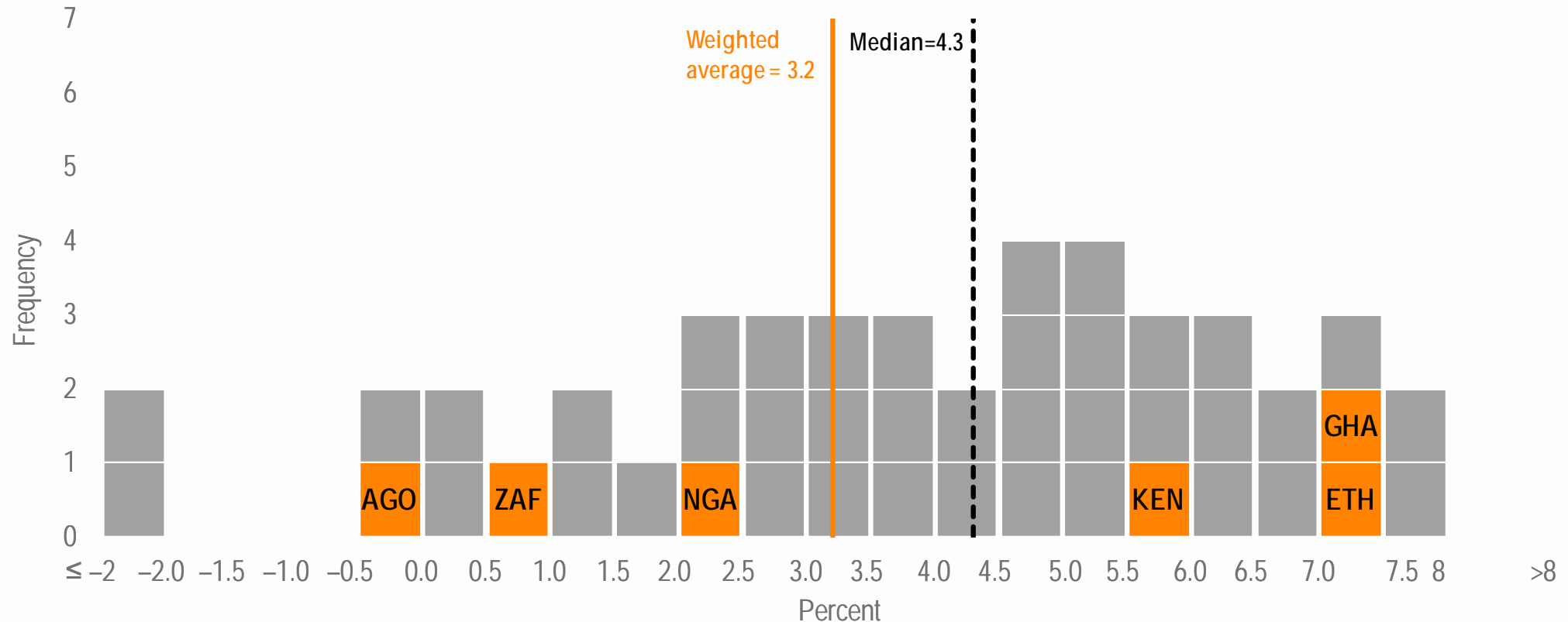
Real GDP per Capita, 1990–2024



Source: IMF World Economic Outlook database.

Wide heterogeneity in growth outlook will persist in 2020, including among the largest economies

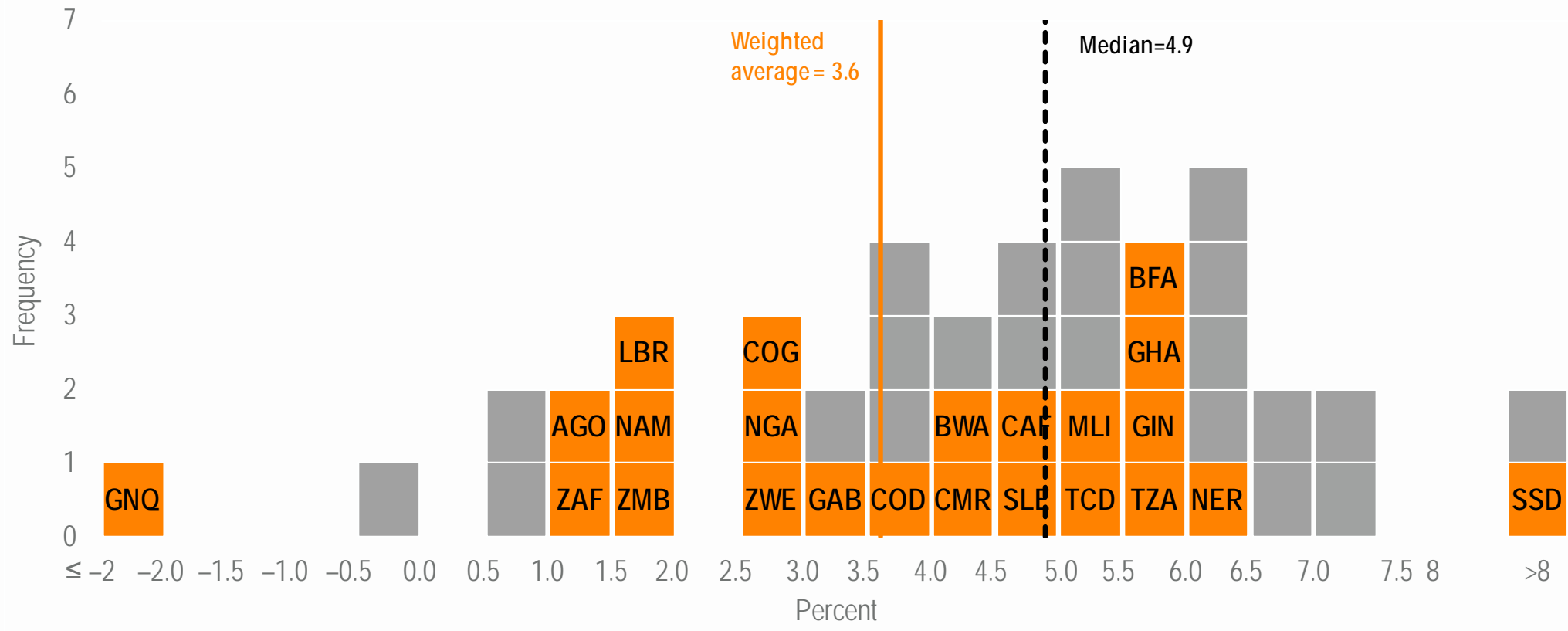
Real GDP Growth Distribution, 2020



Source: IMF World Economic Outlook database.

There is also significant heterogeneity across resource intensive countries

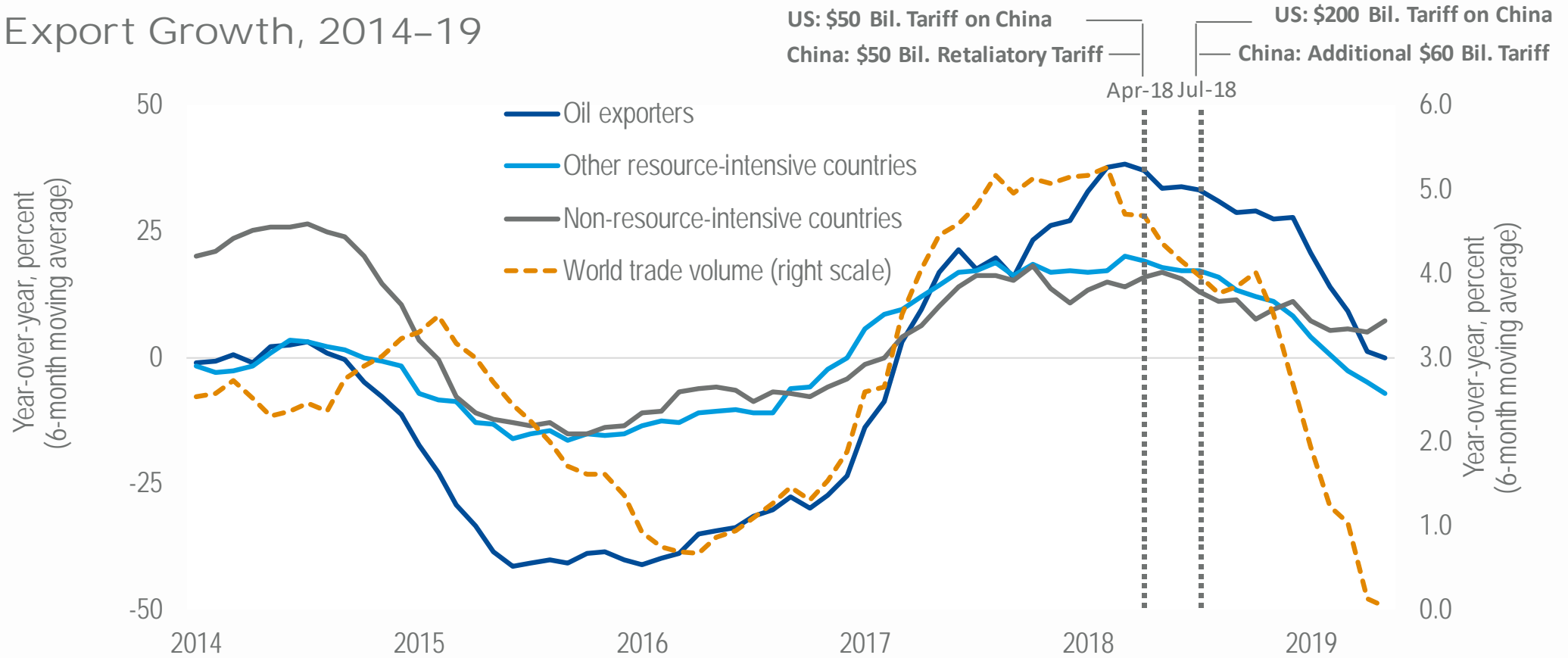
Real GDP Growth Distribution, 2020



Source: IMF World Economic Outlook database.

Global developments pose significant downside risks to growth

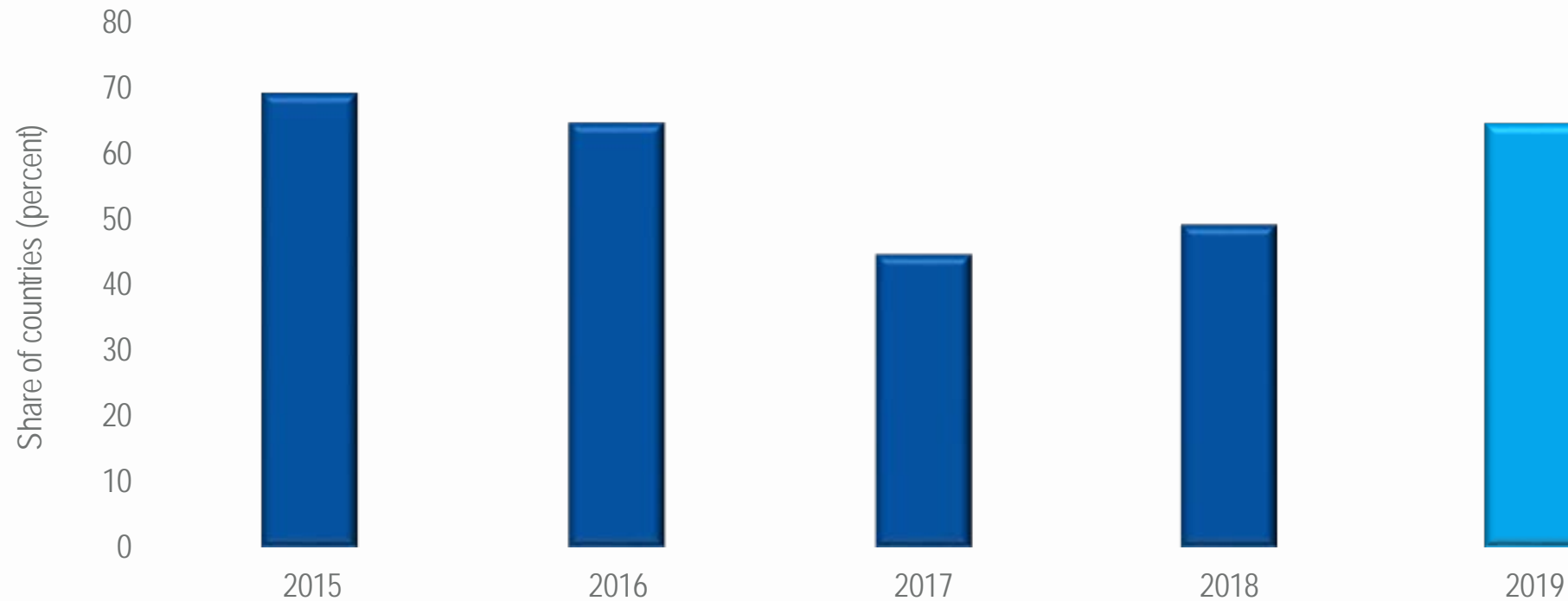
Export Growth, 2014–19



Source: IMF, Direction of Trade Statistics.

Relative to April, growth was revised down in about 2/3 of SSA countries

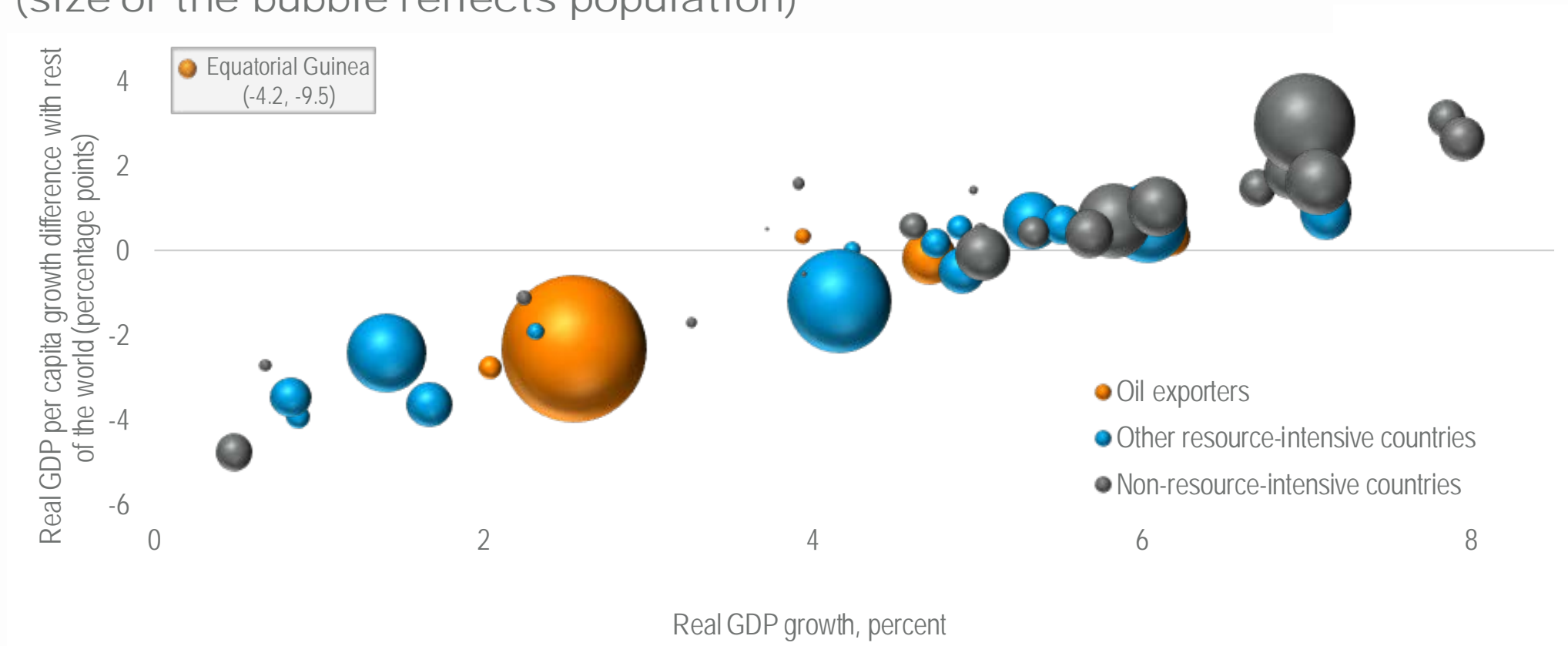
Downward Revision of WEO Projections for Current Year (Oct. vs Apr.)



Source: IMF World Economic Outlook database.

In per capita terms, some 25 countries will continue to converge, but another 20 countries lag behind

Real GDP and Real GDP per Capita Growth, Average 2019–24
(size of the bubble reflects population)



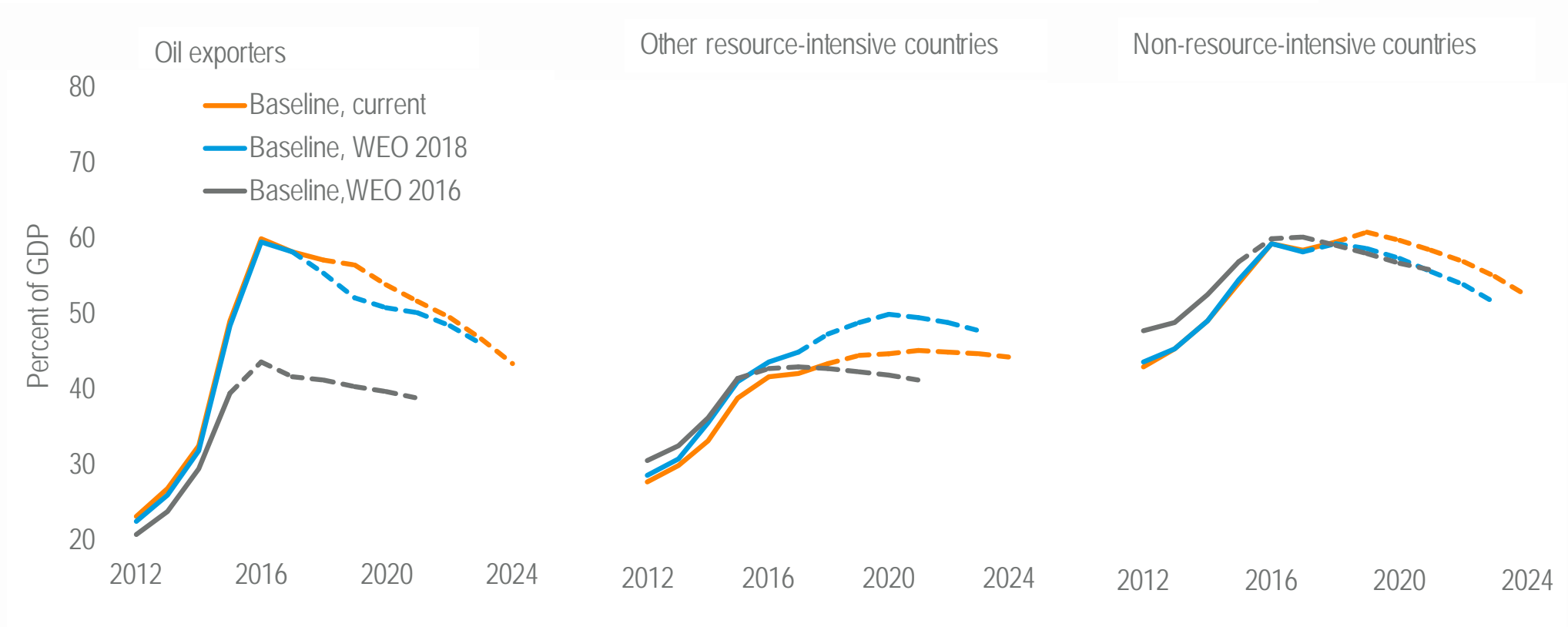
Source: IMF, World Economic Outlook.

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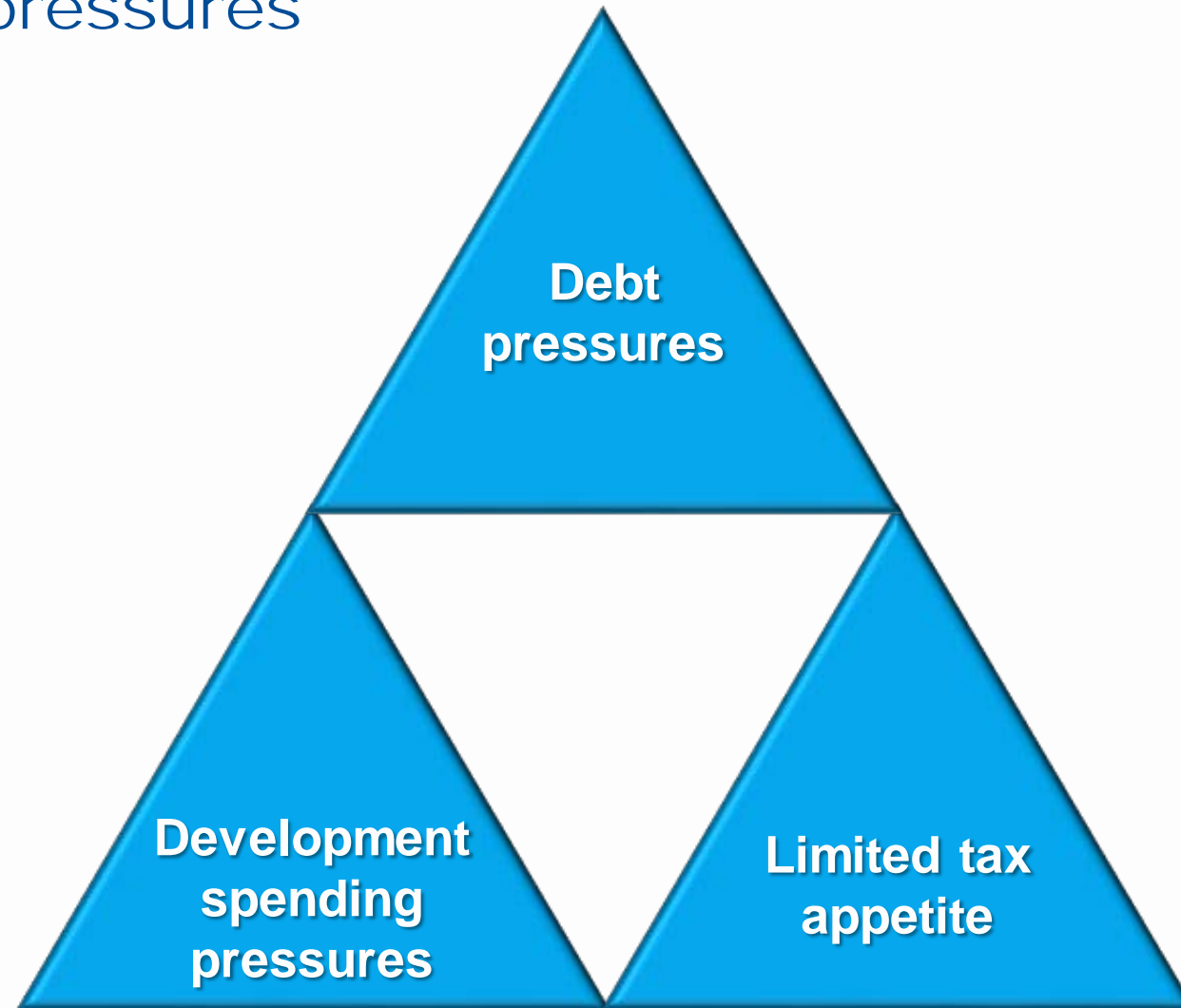
Implementing fiscal consolidation plans should stabilize or lower debt ratios

Public Debt to GDP, 2012–24



Source: IMF World Economic Outlook database.

Higher revenues are needed to meet development spending pressures



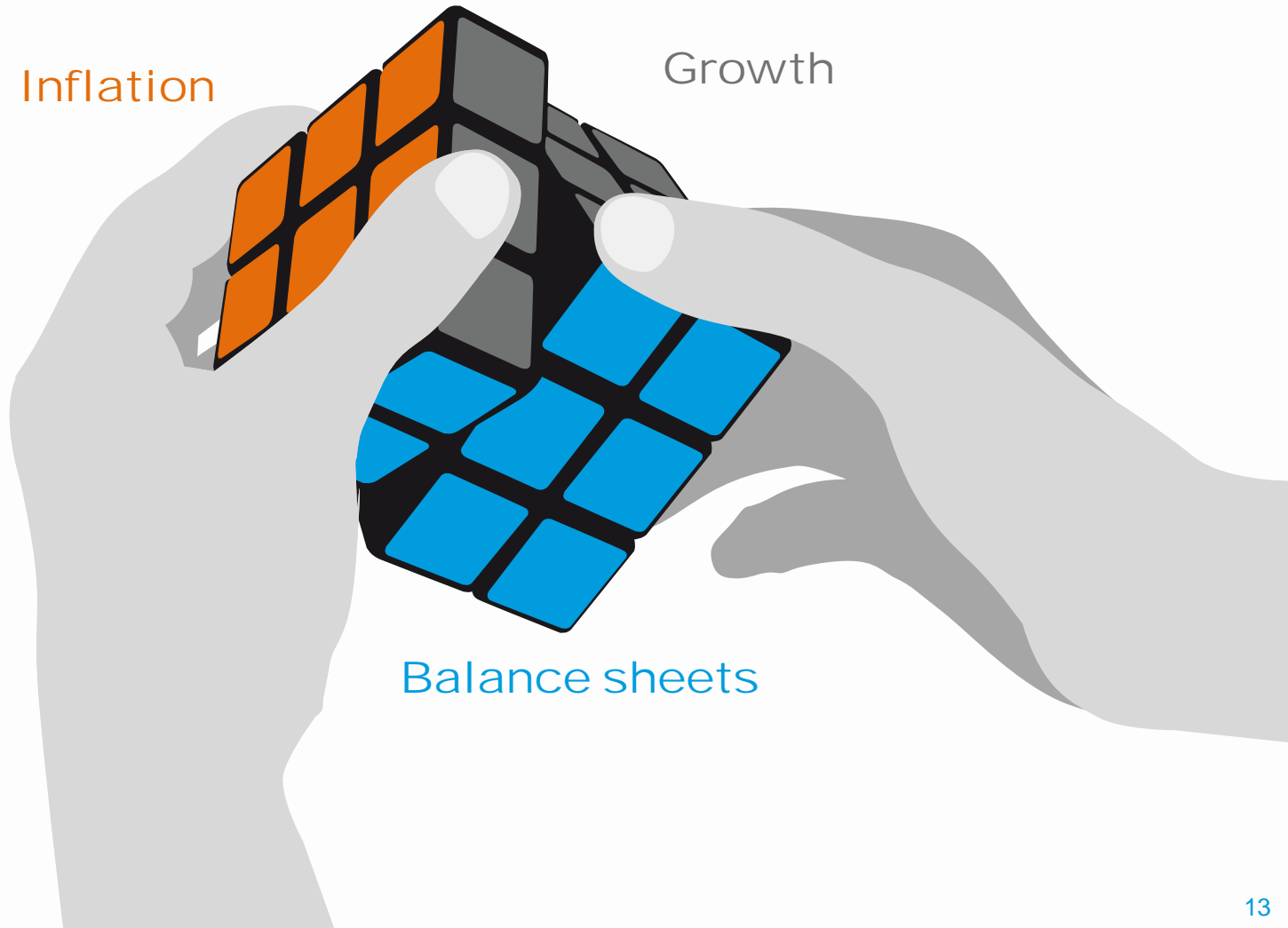
Response to shocks depends on their nature and strength of balance sheets and fundamentals

Baseline

- ❑ Implement planned fiscal consolidation
- ❑ Room to ease monetary policy where inflation is running low

Shocks

- ❑ Fast growing countries with elevated debt vulnerabilities should focus on rebuilding buffers
- ❑ Slow growing countries should seek more gradual adjustment, if financing is available, and fine-tune its composition to minimize impact on growth

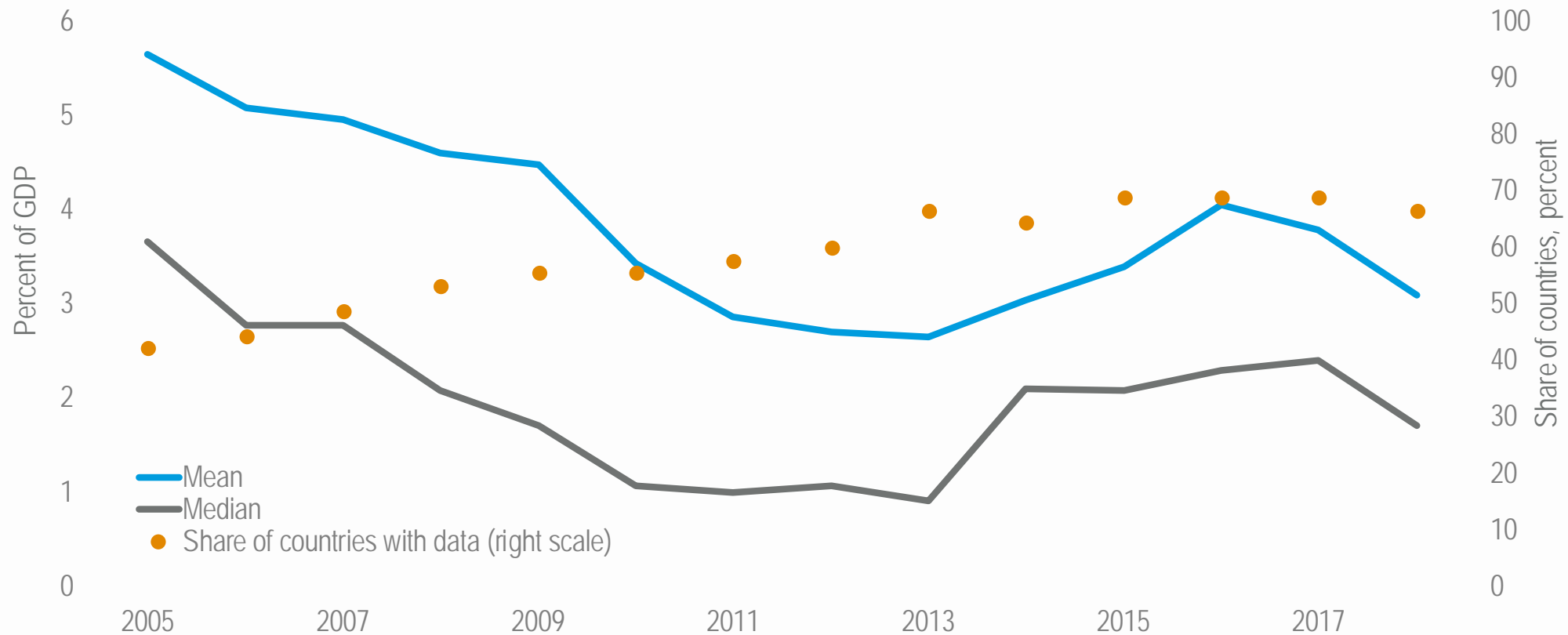


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Efforts to enhance fiscal data provide better assessment of arrears

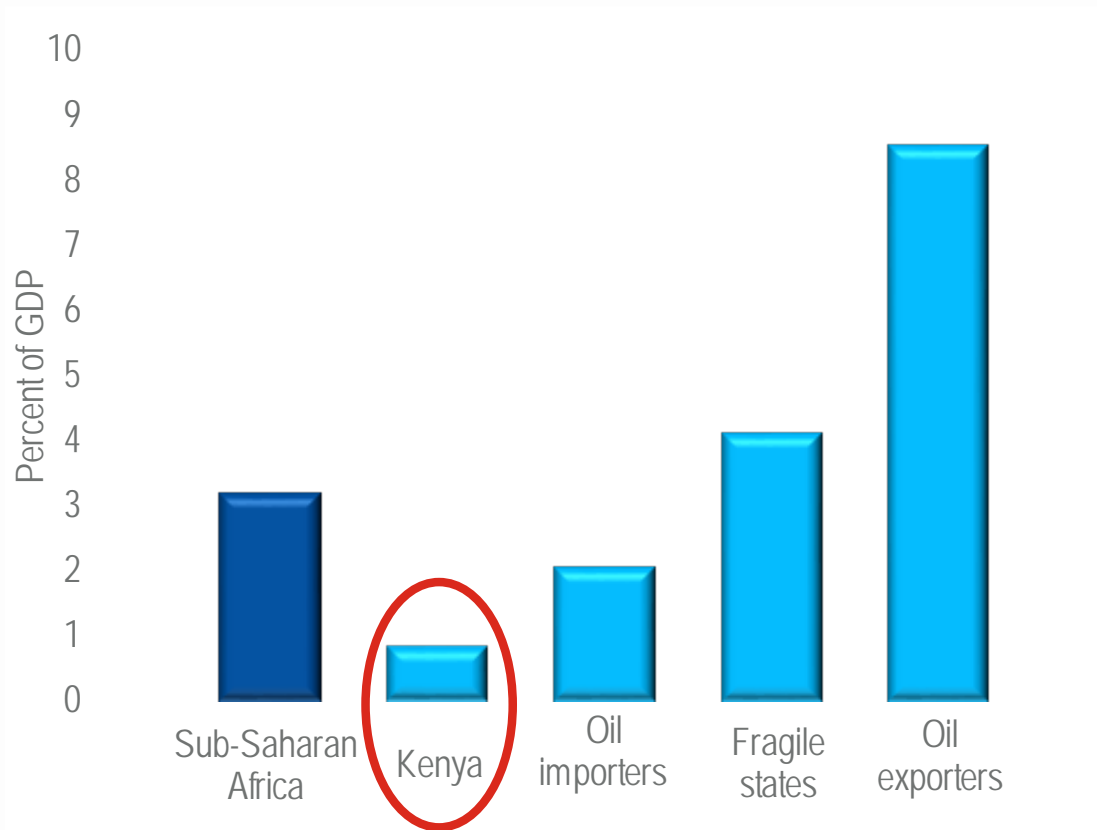
Stock of Domestic Arrears in SSA Countries, 2005–18



Source: IMF staff estimates.

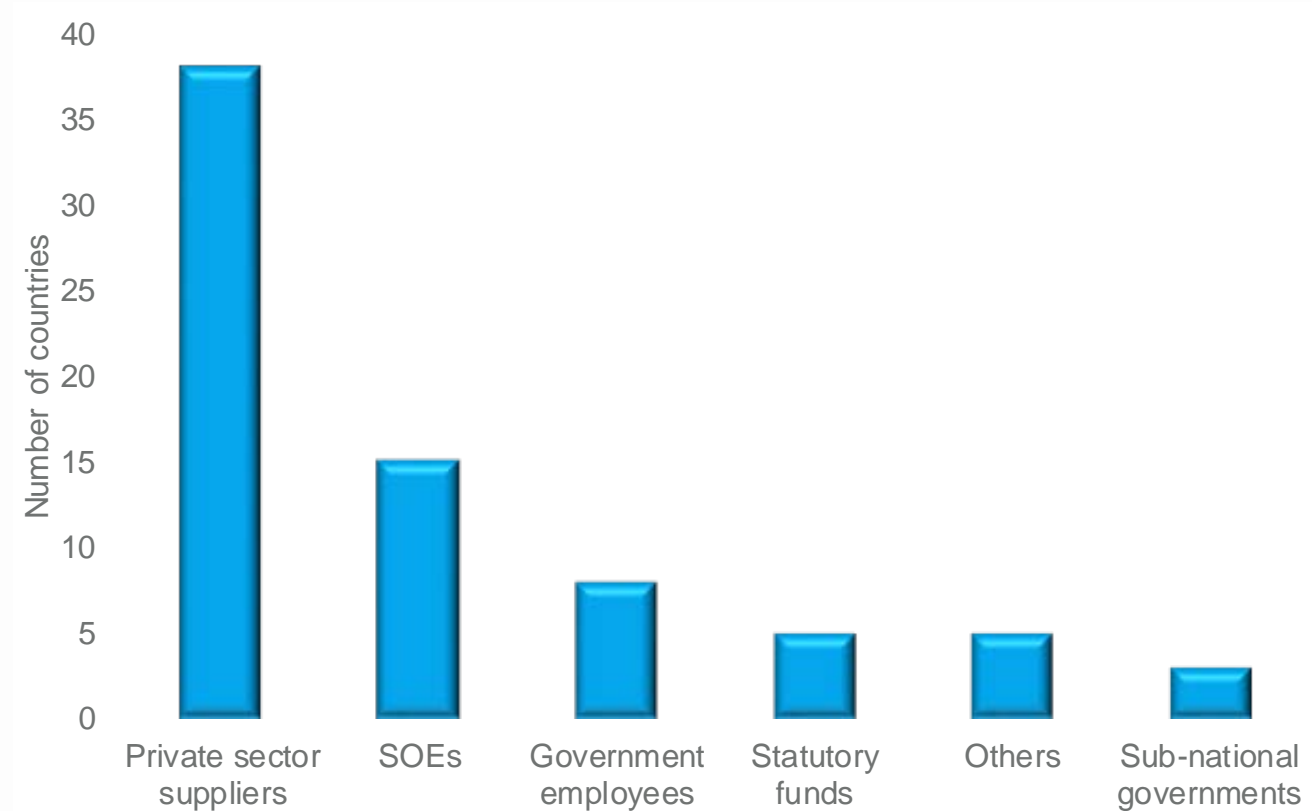
Oil exporters have the largest stock of arrears, and arrears to private suppliers are the most common

Domestic Arrears by Country Group, 2018



Source: IMF staff calculations.

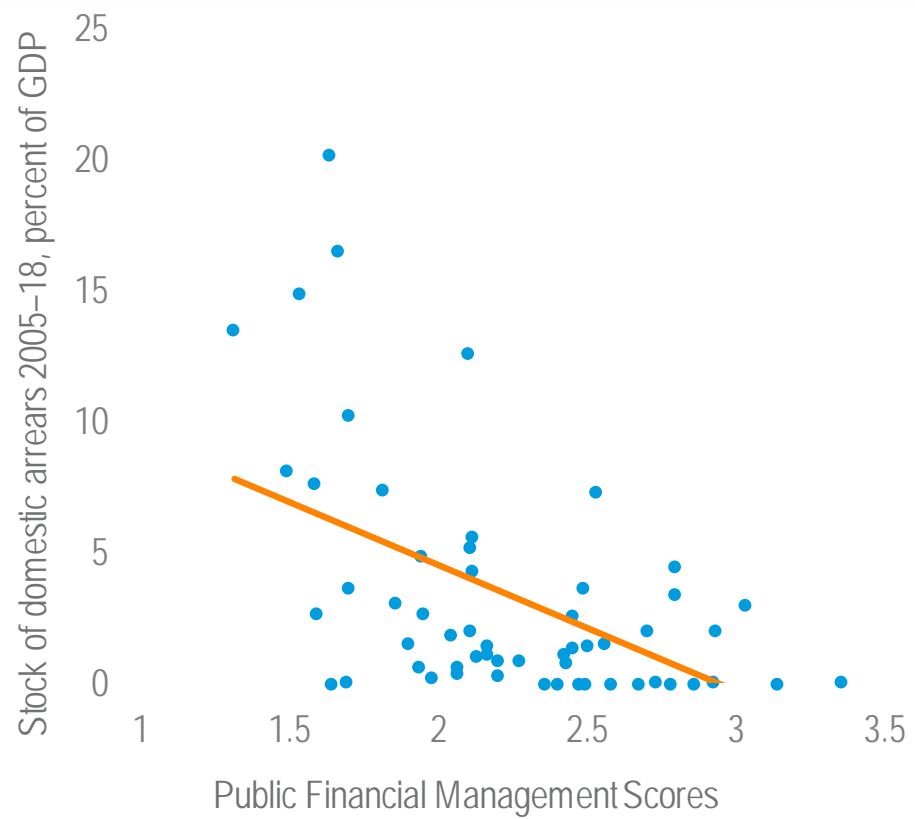
Domestic Arrears by Economic Agent, 2018



Source: Survey of IMF African Department desk economists.

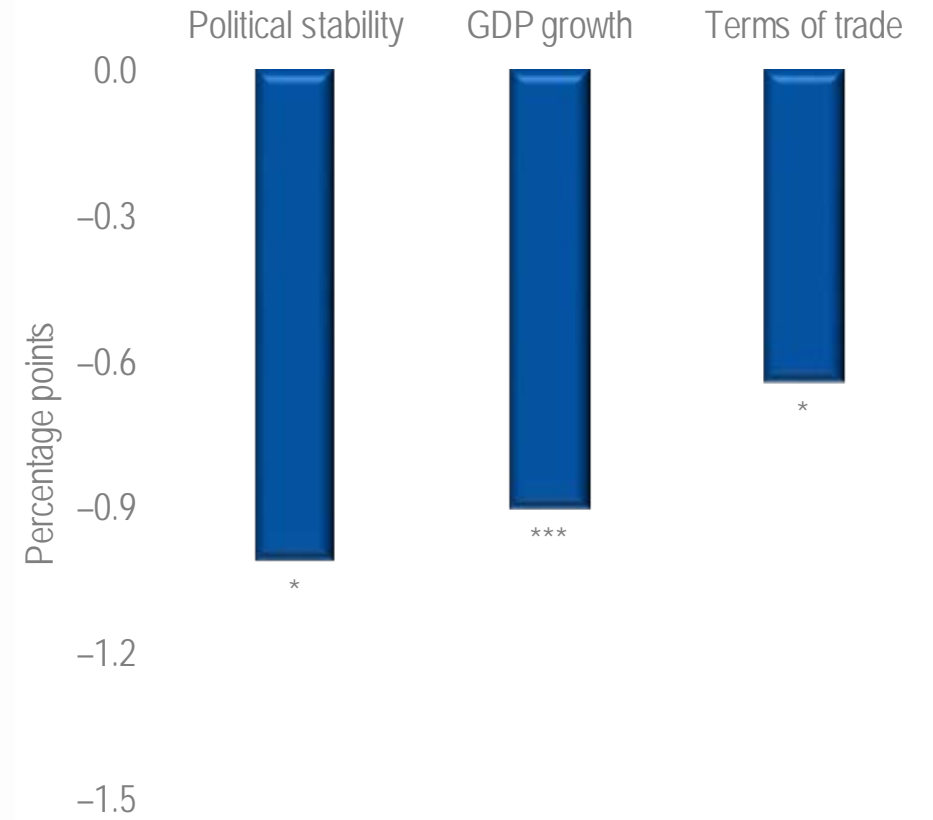
Causes of arrears accumulation

Structural Causes



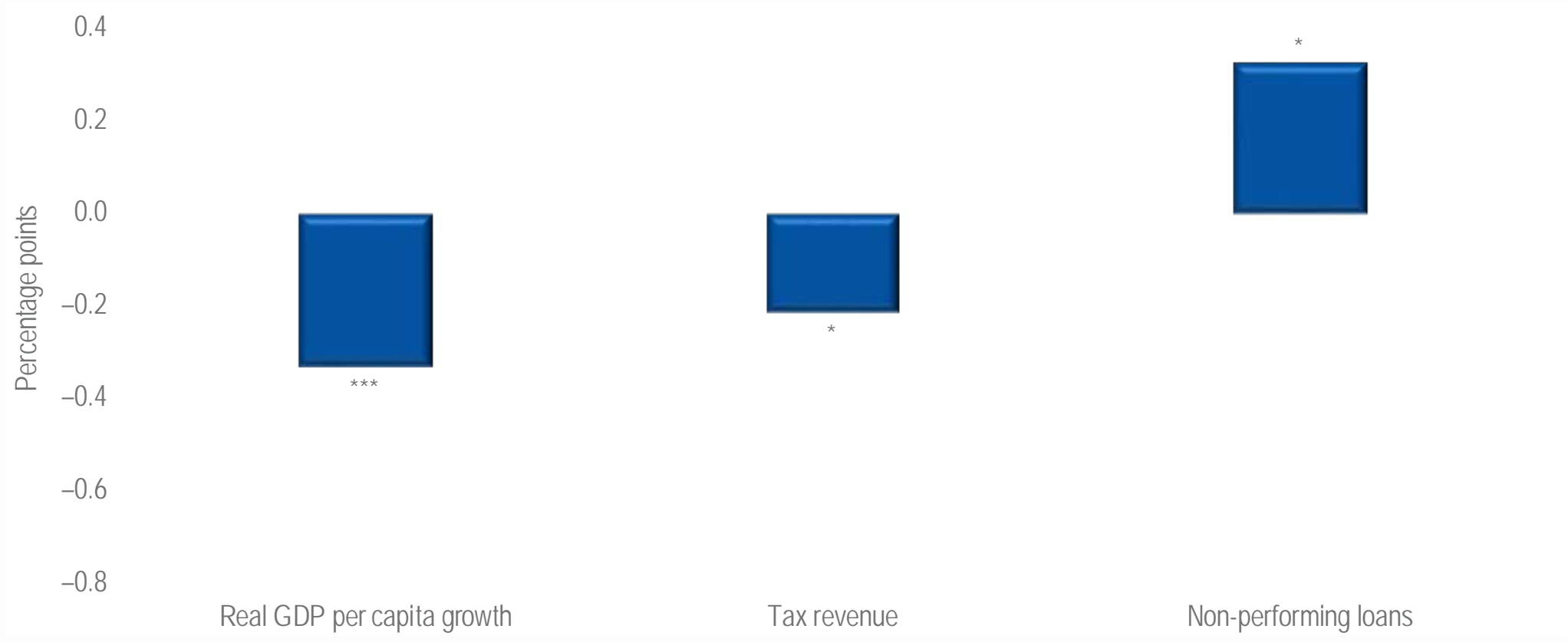
Source: IMF staff calculations.

Cyclical Causes



Source: IMF staff calculations.

Macroeconomic impact of domestic arrears



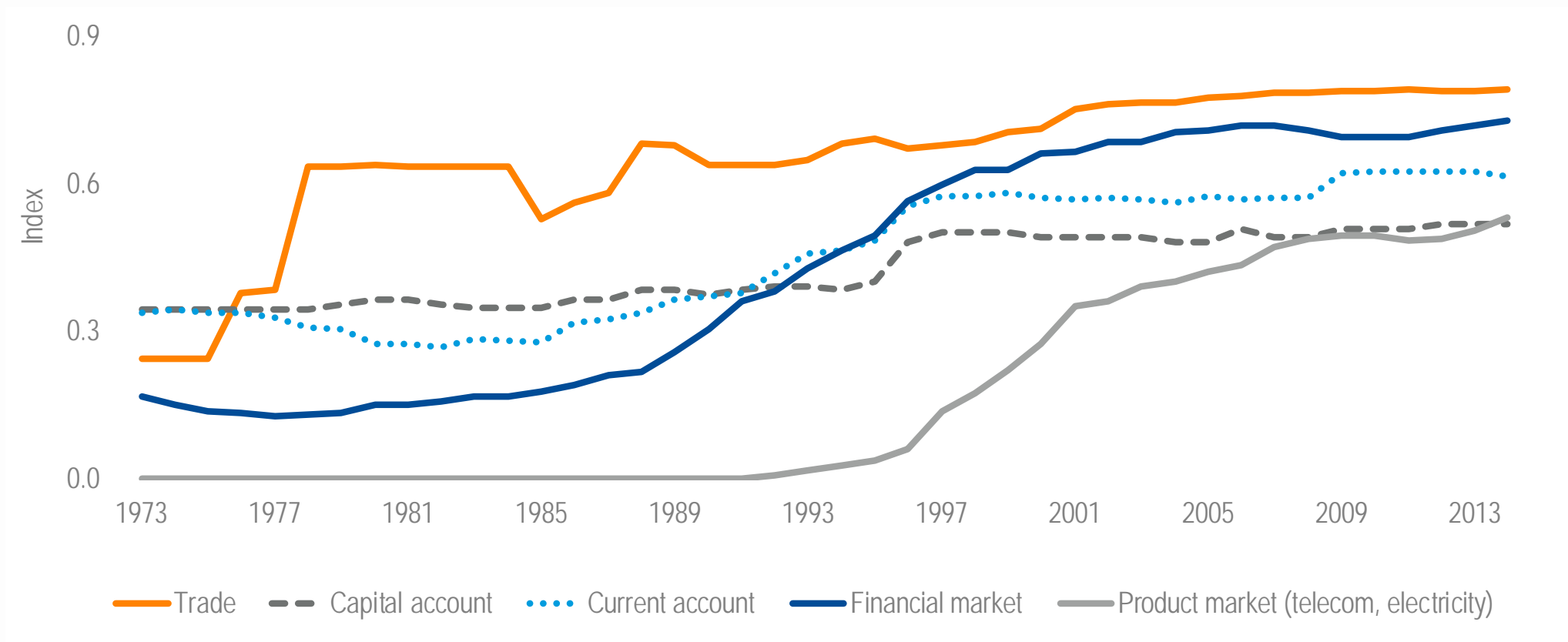
Source: IMF staff calculations.

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SSA countries introduced a set of reforms during the mid-1990s-early 2000s

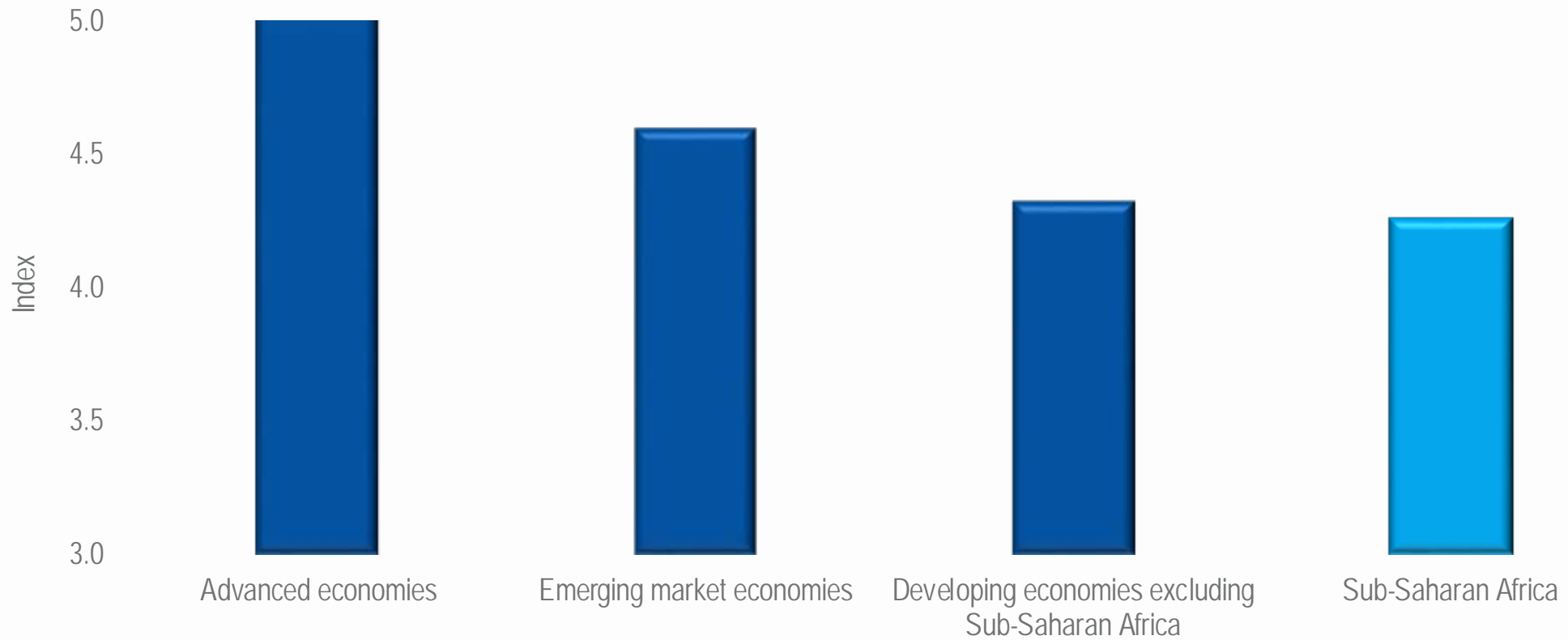
Structural Reforms, 1973–2014



Source: Alesina and others, forthcoming.

Product market competition in sub-Saharan Africa is low

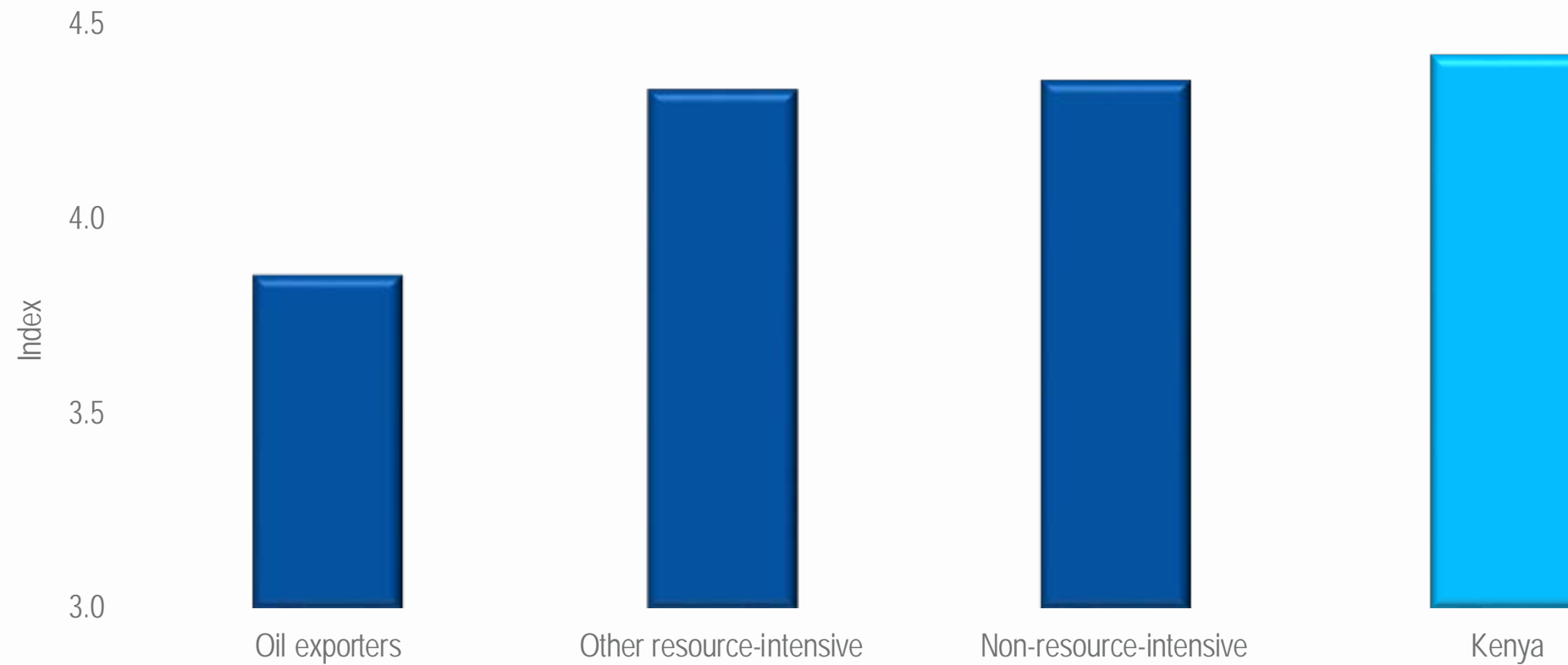
Product Market Competition, Average 2013–17



Source: World Economic Forum, Global Competitiveness

But there is considerable heterogeneity across countries

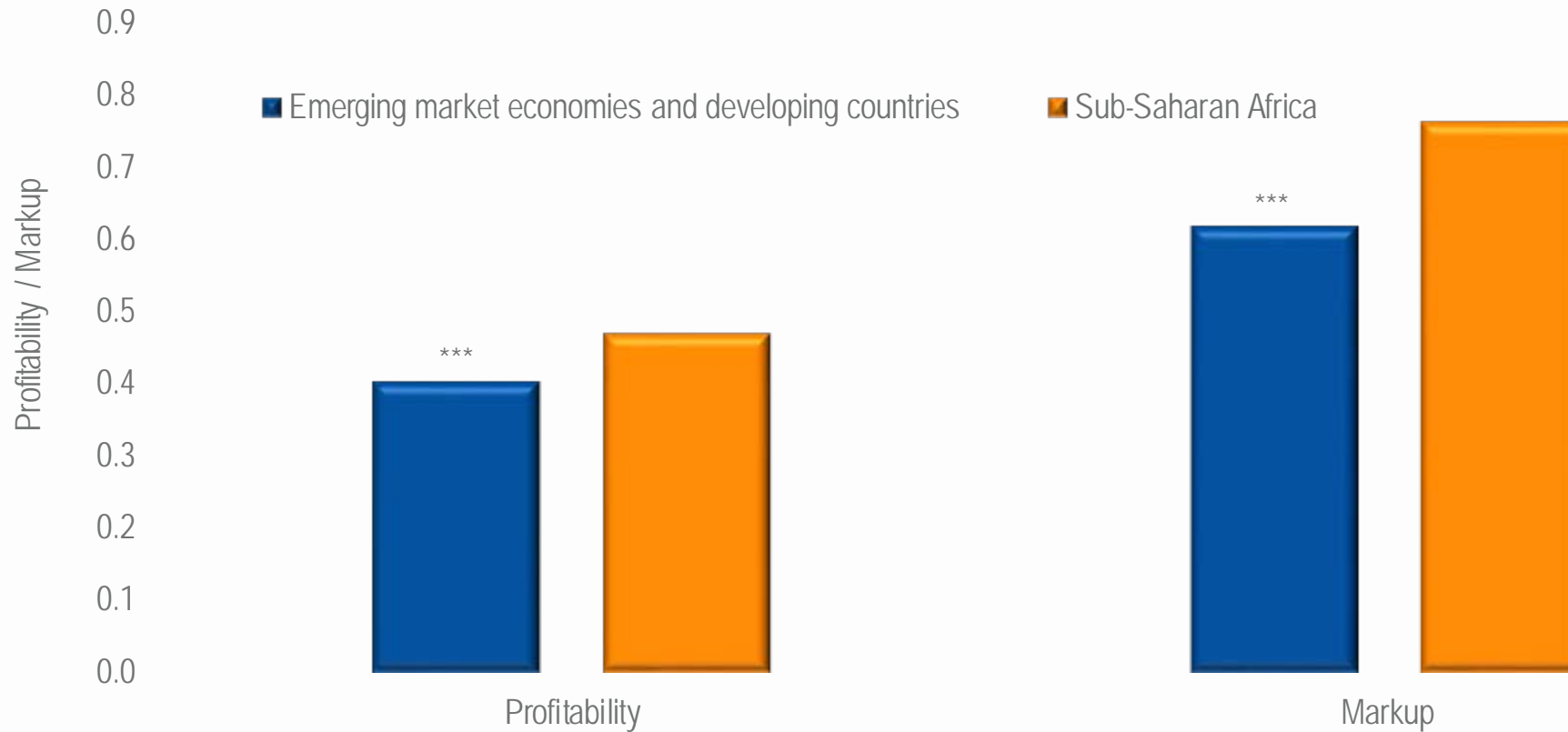
Product Market Competition, Average 2013–17



Source: World Economic Forum, Global Competitiveness

Firm profitability and markups are higher than in other emerging markets and developing countries

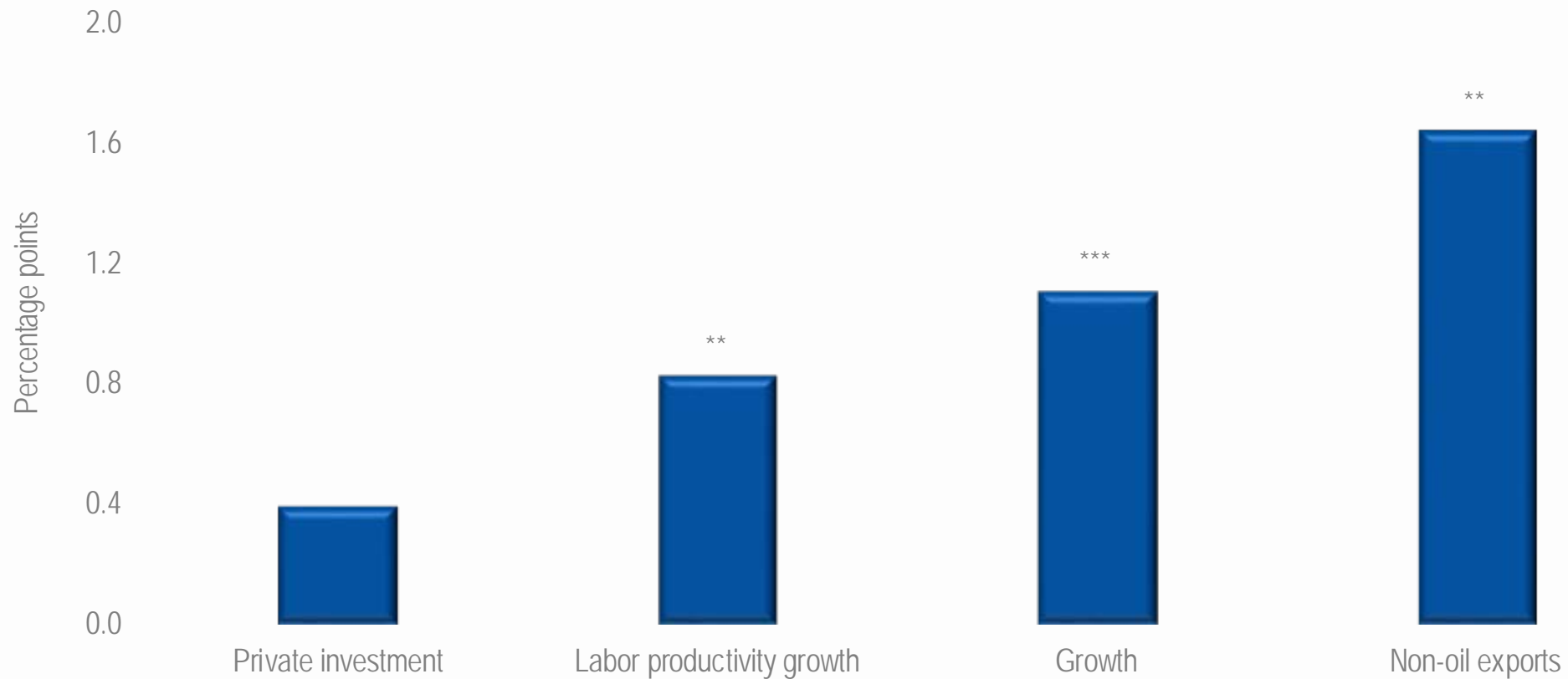
Firm-level Competition Indicators



Source: IMF staff estimates based on the World Bank Enterprise Survey (WBES) database.

Promoting competition can lift medium-term growth

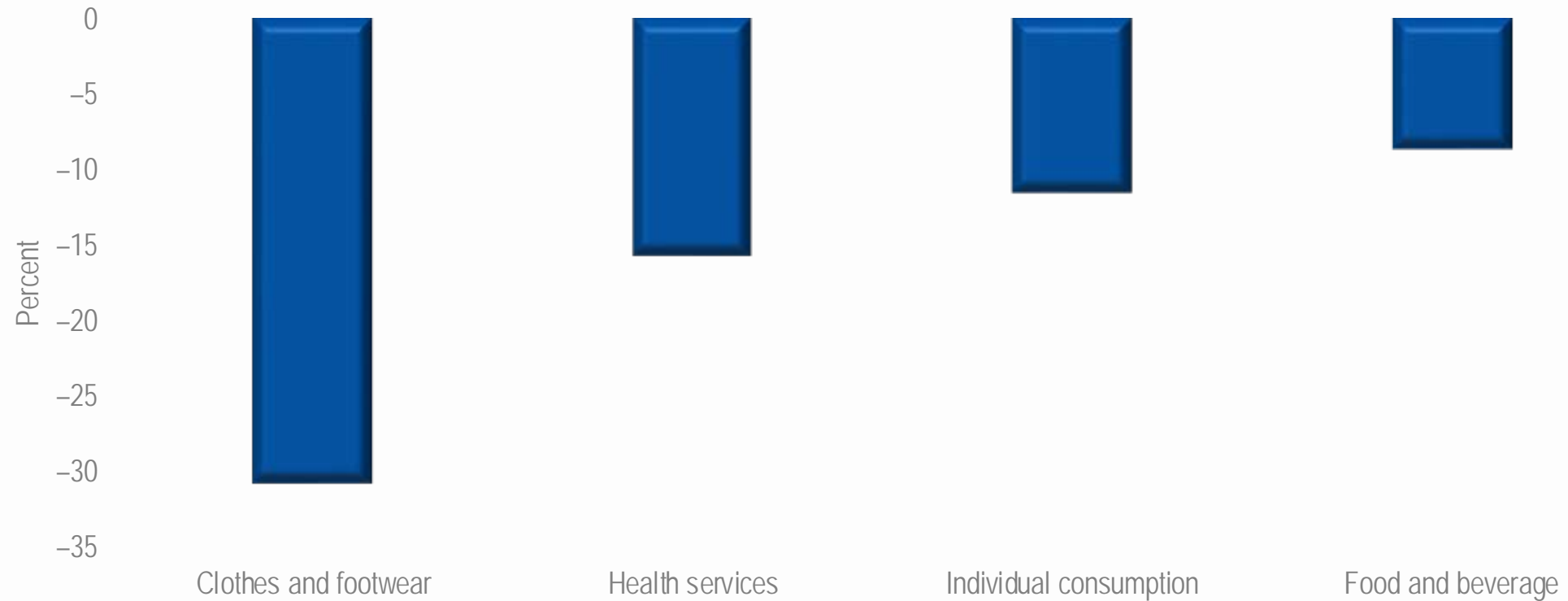
Competition and Macroeconomic Performance



Source: IMF staff calculations.

Increasing competition helps to lower prices and improve welfare

Impact of Competition on Prices



Source: IMF staff calculations.



NAIROBI, KENYA - October 2019

Regional Economic Outlook

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