ONE PLANET, TWO WORLDS, THREE STORIES

KAMPALA, NOVEMBER 11, 2021

One Planet
Global challenges need global solutions

An Ongoing Pandemic

No country is safe until every country is safe.

An Emerging Climate Crisis

Without immediate and coordinated action, previous goals may be out of reach.

Two Worlds
On COVID-19, cannot leave the future to luck...

COVID-19 Cases, Select Regions
(Cases per week)

Sub-Saharan Africa. COVID-19 Cases
(Cases per week)

Uganda context: Pandemic developments

- Uganda was spared initially but the second wave’s intensity surprises.
- The “second” lockdown is different: borders open, schools closed (still), mobility higher.
- Lockdown fatigue and insecurity have increased.

Sources: JHU COVID-19 Tracking Project and IMF staff calculations.
...especially considering a slow vaccine rollout

Fully Vaccinated Persons, Select Regions
(Percent of population)

- Advanced Economies
- Non-SSA EMDEs 1/
- Sub-Saharan Africa

Sources: Our World in Data and IMF staff calculations.
1/ Excluding China.

On growth, the region is reemerging...

Sub-Saharan Africa. GDP Growth, 2017-23
(Percent)

Pre-crisis growth projections

Source: IMF, World Economic Outlook.

Sub-Saharan Africa. Containment Measures and Activity, 2020-21

Workplace mobility relative to pre-crisis (percent)

Stringency Index (Mean, 1-100)

Sources: Google, Oxford COVID-19 Policy Tracker, and IMF staff calculations.
Uganda: heightened portfolio flows, comfortable reserves

- Wider current account deficit increasingly financed by portfolio flows into government securities.
- Reserves comfortably above 4 months of imports, exchange rate appreciating
...but the recovery is slower than elsewhere

Real GDP Growth Revisions since April 2021: Select Regions
(Percent)

2021

<table>
<thead>
<tr>
<th>Region</th>
<th>April 2021</th>
<th>Current Baseline</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sub-Saharan Africa</td>
<td>3.4</td>
<td>3.7</td>
</tr>
<tr>
<td>non-SOA EMDEs</td>
<td>4.0</td>
<td></td>
</tr>
<tr>
<td>Advanced Economies</td>
<td>3.8</td>
<td></td>
</tr>
</tbody>
</table>

Source: IMF, World Economic Outlook.

2022

<table>
<thead>
<tr>
<th>Region</th>
<th>Current Baseline</th>
<th>April 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sub-Saharan Africa</td>
<td>3.8</td>
<td>4.0</td>
</tr>
<tr>
<td>non-SOA EMDEs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Advanced Economies</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

And losses may be permanent

GDP Per Capita, 2019-24
(2019 = 100, dashed line = pre-crisis projections)

Why is Sub-Saharan Africa recovering so slowly?

- Lack of policy space, especially compared to extraordinary efforts in key advanced markets.
- The region is still in grip of the crisis, with a slow vaccine rollout, undermining confidence and investment.
Three Stories

Divergence at every level: Between countries

Why are some countries doing better than others?

- **Policy options**
  - Fiscal buffers and capacity

- **Underlying resilience**
  - Pre-crisis split on growth has been exacerbated

- Higher commodity prices have helped some, but only provide a **transitory** boost

![Graph showing GDP Per Capita, 2019-22](image-url)
Divergence at every level: Within countries

Impact on communities within each country?
- The most vulnerable have been the hardest hit
  - Services, informal workers
  - Widening gender gap
  - Limited buffers or social distancing options
- Rising geographic inequality
  - Social tensions, political instability
- Added food-price shock

Uganda poverty rate
- Before COVID-19: 22% rural, 9% urban
- After COVID-19: 28% rural, 22% urban
- Kampala – from 3% to 23%

Policy makers face a difficult trilemma

Policy makers are constrained by
- Elevated debt levels
- Rising spending needs
- Difficulty in raising extra tax revenue
The Trilemma: Debt levels are elevated

**Sub-Saharan Africa. Interest Payments on Public Debt, 2005-2021**
(Percent of Revenue)

Source: IMF, WEO database.

**Sub-Saharan Africa. Debt Risk Status for PRGT-eligible countries, 2015-21**

Source: IMF, Debt Sustainability Analysis Low-Income Developing Countries database.
Note: PRGT = poverty reduction and growth trust.

The Trilemma: Raising extra revenue is even harder

**Non-Resource Tax Revenues, Select Regions**
(Percent of GDP, filled points are fuel exporters)

Sources: ICTD Database and IMF staff calculations.
Notes: Data for 2018 or latest available. Data exclude social contributions.

**Ratio of Total Government Revenues, Select Regions**
(2021 vs 2019)

Sources: IMF, World Economic Outlook and IMF staff calculations.
Uganda: higher fiscal deficits and debt, revenue underperformance

- Rising **public deficit** and **debt** with "moderate" distress risk
- Deteriorating **composition of spending**
- Low **tax-to-GDP ratio**: challenging revenue mobilization amid high tax expenditures and low activity.

The Trilemma: Spending needs are rising

425 Billion US$

Population: Select Regions, 1800-2100

**Difficult tradeoffs: A complex monetary environment**

**With a divergent recovery, monetary policy is now more complicated**

- Local and global supply-demand mismatches
- Elevated **food-price inflation**, adding to social costs and uncertainty
- Need to weigh policy support against risk of inflationary expectations
- Greater heterogeneity
- **Global volatility** may test exchange rates

**Sub-Saharan Africa. Policy-rate Actions in 2021**

<table>
<thead>
<tr>
<th>Country</th>
<th>Action</th>
<th>Inflation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Angola</td>
<td>Up 450 bps</td>
<td>Rising</td>
</tr>
<tr>
<td>Uganda</td>
<td>Down 50 bps</td>
<td>Flat</td>
</tr>
<tr>
<td>Dem. Rep. Congo</td>
<td>Down 1,000 bps</td>
<td>Falling</td>
</tr>
<tr>
<td>Seychelles</td>
<td>Down 100 bps</td>
<td>Rising</td>
</tr>
<tr>
<td>Ghana</td>
<td>Down 100 bps</td>
<td>Falling</td>
</tr>
<tr>
<td>Zambia</td>
<td>Up 50 bps</td>
<td>Rising</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>Up 500 bps</td>
<td>Falling</td>
</tr>
<tr>
<td>Mozambique</td>
<td>Up 300 bps</td>
<td>Flat</td>
</tr>
</tbody>
</table>

**Uganda: Accommodative monetary policy...**

- Persistently **low** inflation despite a 250bps CBR cut since March 2020 –> weak transmission to lending rates
- **Private credit** slow amid high government borrowing and risk aversion.

---

**EAC Policy Rate Changes since COVID-19 Outbreak**

*Source: House of Parliament, IMF, and EAC Secretariat.*

---

**Inflation and Policy Rate**

Source: IMF, World Economic Outlook

**Lending Interest Rates by Sector**

Source: BoU and IMF Staff Calculations
International solidarity: Vaccines are needed urgently

Sub-Saharan Africa: Doses required for 40-percent coverage (Millions 1)

- Delivered so far: 125
- Expected by end-2021: 213
- Expected in 2022: 542
- Needed: 880

Sources: Airfinity and IMF staff calculations.
1/ Assumes 2 doses per person. Figures as of October 7, 2021

International solidarity: Vulnerable to climate shocks

Vulnerability to Climate Change, 2019 (Index)

- Sub-Saharan Africa

Sources: Notre Dame Global Adaptation Initiative, IMF, World Economic Outlook, and IMF staff calculations.
Notes: Index captures country-level exposure and sensitivity to climate shocks.
Sub-Saharan Africa. IMF Assistance, 2020–21

Source: IMF, Financial data.

Sub-Saharan Africa. Impact of SDR Allocation on Reserves, 2021 (Months of imports 1/)

Source: IMF, Financial data.
1/ Excludes WAEMU and CEMAC countries.

Thank you!
For more information please visit the link or scan the code below

Regional Economic Outlook for Sub-Saharan Africa, October 2021 (imf.org)