Executive Summary

Sub-Saharan Africa entered 2026 reaping the benefits of hard-won stabilization gains after a strong 2025. Economic activity accelerated broadly across country groups, with regional growth estimated at about 4.5 percent —the fastest in a decade—reflecting favorable external factors and good policies, particularly in several large economies. Inflation moderated through the end of 2025, because of lower global food and oil prices, easing exchange rate pressures, and appropriately tight monetary stances in many countries. Fiscal positions improved, supported by stronger growth and favorable exchange rate developments.

But the war in the Middle East has clouded the outlook. Oil, gas, and fertilizer prices, together with shipping costs, have risen sharply. Furthermore, the shock has disrupted the trade with Gulf partners, reduced tourist arrivals, and is likely to dent remittances to some countries. Risk appetite has decreased, negatively affecting financing conditions, while buffers in many countries are limited. Regional growth is expected to reach 4.3 percent in 2026, 0.3 percentage point lower than our prewar forecast, with significant heterogeneity across countries. Oil-importing, non-resource-rich countries face a deterioration in trade balance and higher cost of living, while oil exporters will benefit from stronger export revenues but remain exposed to volatility and procyclical policy risks. Median inflation is projected to pick up to 5.0 percent by the end of 2026 from 3.4 percent at the end of 2025. Poverty, food insecurity, and other social indicators, already weakened by the pandemic, face renewed headwinds from declining foreign aid and rising food prices. IMF staff estimates that a 20 percent increase in international food prices can push more than 20 million people into moderate or severe food insecurity across the region.

Downside risks are significant amid high global uncertainty and regional macroeconomic vulnerabilities. A prolonged conflict would further lift oil, fertilizer, and food prices and could trigger a risk-off episode, sharply raising borrowing costs and forcing abrupt adjustment in countries with large refinancing needs. In this scenario, output could decline by 0.6 percent for the region, with more severe impact on oil importers, while inflation could increase by 2.4 percentage points in 2026 relative to prewar baseline.

Policy should focus on addressing the shock in the near term and building resilience over the medium term. Near-term priorities are to keep inflation expectations well anchored and protect the most vulnerable from higher living costs through targeted, time-bound support. Fiscal strategies should balance credibility with flexibility. Oil exporters should treat windfalls as temporary and rebuild buffers. Oil importers should protect priority social and development spending while mobilizing domestic revenues, improving spending efficiency, and strengthening public financial management. Countries should accelerate structural reforms for growth and diversification. Regional integration can boost growth and improve supply-chain resilience in a shifting geopolitical landscape. Deepening domestic financial markets can help unlock greater financing in local currencies. Leveraging artificial intelligence to boost productivity will require widening access to reliable electricity and investments in digital infrastructure, skills, cybersecurity, and data governance.

1. Hard-Won Gains Under Pressure

In 2025 economic activity accelerated broadly across country groups, with regional growth estimated at about 4.5 percent—the fastest in a decade—reflecting favorable external factors and good policies. Inflation moderated through the end of 2025 and fiscal positions improved. After a strong 2025, sub-Saharan Africa entered 2026 reaping the benefits of hard-won stabilization gains. But the war in the Middle East has clouded the outlook. Oil, gas, and fertilizer prices, together with shipping costs, have risen sharply and the shock has disrupted trade. Regional growth is expected to decline by 0.3 percentage point relative to prewar projections to 4.3 percent in 2026 with significant heterogeneity across countries. Oil-importing, non-resource-rich countries face a deterioration in trade balances and higher cost of living, while oil exporters will benefit from stronger export revenues but remain exposed to volatility and procyclical policy risks. Downside risks are significant amid high global uncertainty and regional macroeconomic vulnerabilities. A prolonged conflict could further lift prices and trigger a risk-off episode, sharply raising borrowing costs and forcing abrupt adjustment in countries with large refinancing needs. Policy should focus on addressing the shock in the near term and building resilience over the medium term.

War in the Middle East **Tests Resilience**

Shock



ENERGY, FERTILIZER, AND SHIPPING **PRICES UP**

TRADE AND TOURISM **DISRUPTED**

What Changed

- GROWTH SLOWDOWN
- OIL IMPORTERS TO TAKE A HIT
- WINDFALL GAIN FOR OIL EXPORTERS
- INFLATION PICKING UP
- FOOD SECURITY AT RISK

What to Do



CAUTIOUS MACRO POLICY
PURSUE STABILITY



TARGETED SUPPORT FOR VULNERABLE
PROTECT FOOD SECURITY



FASTER REFORMS
BOOST PRODUCTIVITY

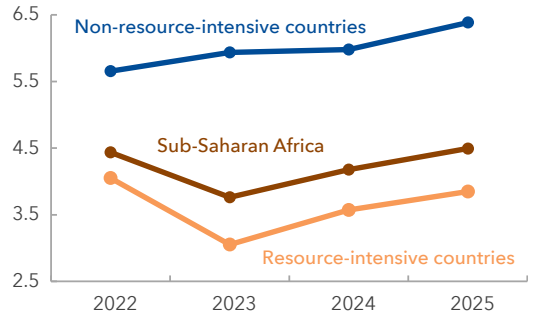
This chapter of the April 2026 Regional Economic Outlook for Sub-Saharan Africa was prepared by an IMF team comprising Saad Quayyum (team lead), Michele Fornino, Cleary Haines, Can Sever, Nikola Spatafora, and Felix Vardy under the guidance of Antonio David, Amadou Sy, and Montfort Mlachila.

2025 Was a Good Year for the Region

Economic activity expanded at the fastest pace in over a decade in 2025, with GDP growth accelerating to 4.5 percent from 4.2 percent in 2024. The improvement was broad-based across resource-intensive, non-resource-intensive, fragile states, and low-income countries (Figure 1.1). Better outturns, compared to the projections in October 2025, reflect stronger performance in large economies, such as Ethiopia and Nigeria, where the effects of sound domestic policy choices were increasingly visible. Growth exceeded 6 percent in 10 economies, and Benin, Côte d'Ivoire, Ethiopia, Rwanda, and Uganda were among the fastest-growing economies globally. Median inflation fell to 3.4 percent at the end of 2025 from 4.8 percent at the end of 2024, because of lower global food and oil prices, the easing of exchange rate pressures, and a tight monetary policy stance in several countries (Figure 1.2). The number of countries with double-digit inflation declined.

Figure 1.1. Sub-Saharan Africa: Real GDP Growth, 2022–25

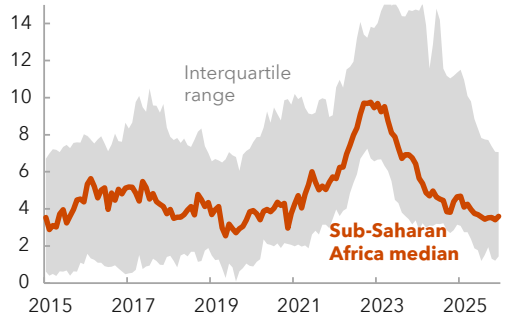
(Percent)



Source: IMF, World Economic Outlook database.

Figure 1.2. Sub-Saharan Africa: Headline Inflation, 2015–25

(Percent, year over year)



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

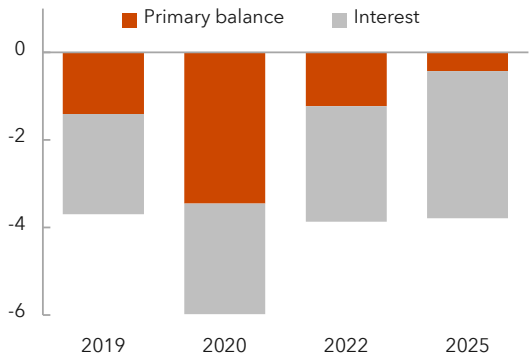
The region also made continued progress on the fiscal front. The fiscal deficit for the median country narrowed from 3.4 percent of GDP in 2024 to 3.0 percent in 2025, which, together with stronger growth and favorable exchange rate developments, helped to lower the median public debt from 57.2 percent of GDP in 2024 to 53.1 percent in 2025. Ethiopia, Ghana, and Zambia made significant progress with sovereign debt restructuring over the course of the year.

Current account balances improved. The median current account deficit narrowed to 3.8 percent of GDP in 2025 from 4.2 percent in 2024 supported by strong export demand and prices, and robust remittance flows in select countries (for example, Ethiopia and Nigeria).

These positive outcomes were driven in part by good policies. Macroeconomic reforms and stabilization efforts, including strengthening of fiscal positions (Figure 1.3), created conditions for stronger growth and lower inflation. Exchange rate realignments after foreign exchange market reforms (Ethiopia and Nigeria), reductions in fuel subsidies (Angola, Ethiopia, and Nigeria), fiscal revenue measures, improved monetary frameworks (South Africa), and structural reforms started to pay off through improved external balances, more stable inflation dynamics, and a clearer path for private investment. These policy efforts contributed to sovereign rating upgrades in several countries, including Ghana, South Africa, and Zambia.

Figure 1.3. Fiscal Balance, 2019–25

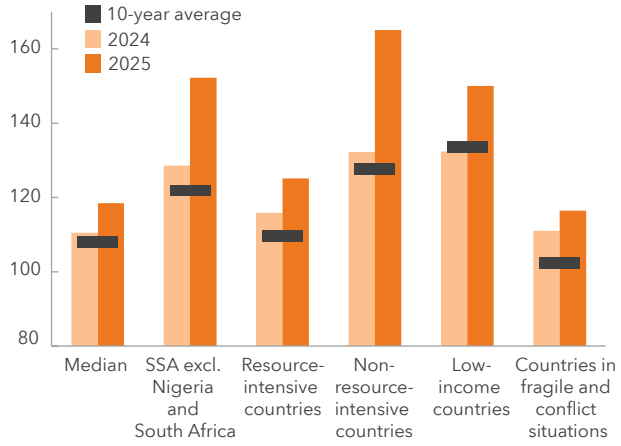
(Percent of GDP, weighted means)



Source: IMF, World Economic Outlook database.

Figure 1.4. Sub-Saharan Africa: Terms of Trade, 2024–25

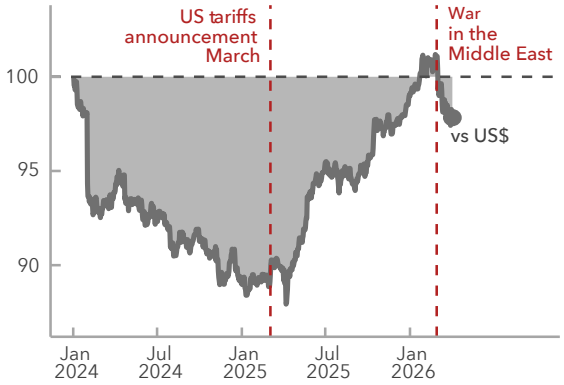
(Index 2010 = 100)



Source: IMF, World Economic Outlook database.
Note: SSA = sub-Saharan Africa.

Figure 1.5. Sub-Saharan Africa: Exchange Rates, 2023–26

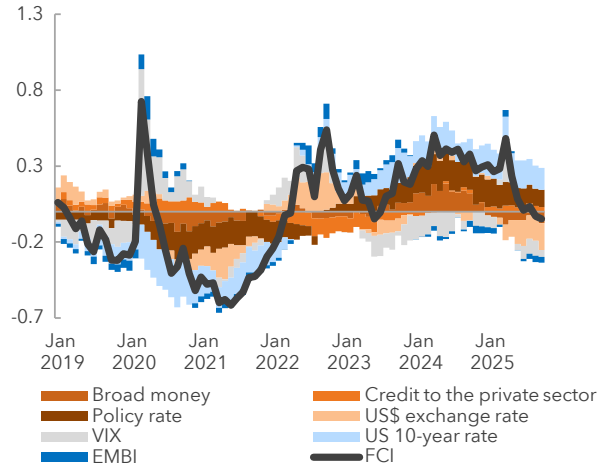
(Trade-weighted index, December 31, 2023 = 100)



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

Figure 1.6. Sub-Saharan Africa: Financial Conditions Index

(Below 0 = below average for the period)



Sources: IMF, Monetary and Financial Statistics; Haver Analytics; and IMF staff calculations.

Note: Higher values of the FCI indicate tighter financial conditions. The index combines broad money, credit to the private sector, the exchange rate vis-à-vis the US dollar, the EMBI spread, the domestic policy rate, the US 10-year Treasury yield, and the VIX index, using equal weights. All series are within-country Z-scores. The regional FCI is the simple average of indices across 24 countries. EMBI = Emerging Markets Bond Index; FCI = Financial Conditions Index; VIX = Chicago Board Options Exchange Volatility Index.

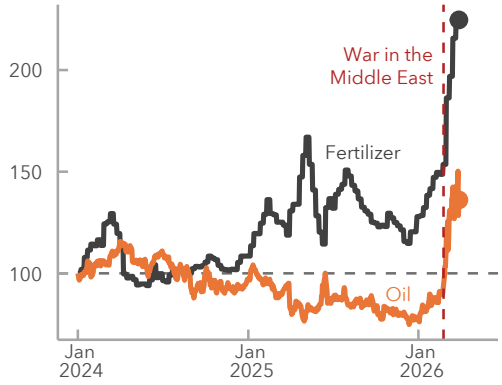
A supportive external environment helped too. Most countries saw improvements in their terms of trade (Figure 1.4), as export prices of key commodities (such as gold and copper) strengthened or remained buoyant (for example, coffee), while prices of imports (oil, food, and goods from China) declined. The adverse impact of uncertainty caused by US trade policy changes was limited (see Box 1.1). Moreover, accommodative global financial conditions led to increased risk appetite and search for yield among global investors, contributing to lower borrowing rates for African sovereigns. Eurobond issuances reached $14 billion in 2025 and $5.5 billion in the first two months of 2026. These factors helped currencies appreciate against the US dollar over the course of the year (Figure 1.5). Most countries in the region (for example, Ghana, Kenya, Mozambique, and South Africa) started reducing interest rates as inflationary pressures subsided and central banks judged inflation expectations to be well anchored. These developments, together with money growth, contributed to a steady easing in financial conditions, supporting economic activity (Figure 1.6).

But the War Has Clouded the Outlook

A new supply shock has hit the region. The war in the Middle East has pushed up oil and gas prices, tightening fuel availability in many countries, such as Ethiopia, Kenya, the Democratic Republic of the Congo, Malawi, Sierra Leone, and Zambia, and has led to pump price increases in countries, including Mali, Malawi, Nigeria and Zimbabwe. In some economies, disruptions to fuel supply are affecting electricity generation, transport, and mining. Higher fertilizer prices (Figure 1.7) are adding risks to agricultural output and food inflation, while shipping disruptions have increased costs and impacted trade. Weaker tourism (as in Rwanda and Seychelles) and lower remittances

Figure 1.7. Commodity Prices, January 2024-26

(Index, January 05, 2024 = 100; as of March 27, 2026)

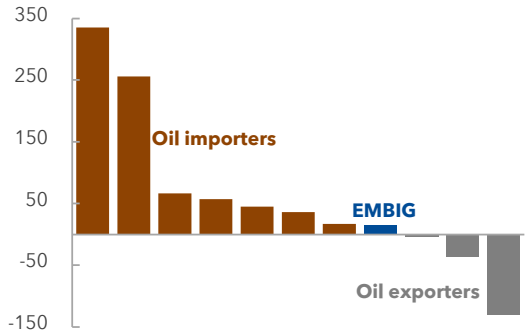


Source: Bloomberg L.P.

Note: Oil price is Brent crude futures price. Fertilizer price is US Gulf NOLA Urea Granular.

Figure 1.8. Sovereign Spreads, February–March, 2026

(Basis points, change since the onset of war in the Middle East)



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

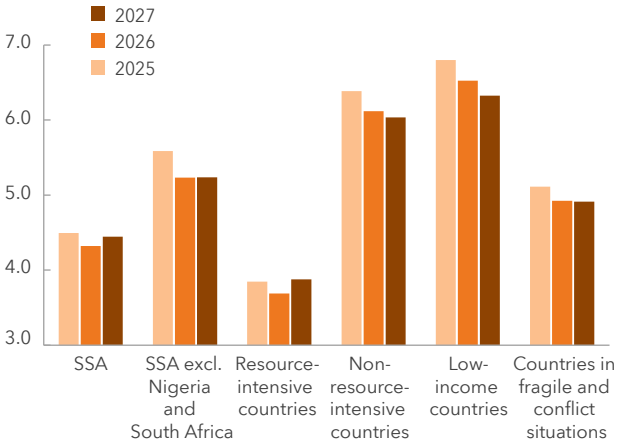
Note: Data up to March 25, 2026. EMBIG = Emerging Market Bond Index Global.

may further strain external positions in some economies. Financial conditions have also tightened, with higher risk premia and rising sovereign yields—especially among fuel importers (Figure 1.8). Alongside a stronger US dollar, these developments have intensified exchange rate pressures in several economies (including Ghana, Mozambique, and South Africa) and are weighing on investment decisions.

Growth for the region is expected to soften to 4.3 percent in 2026, which is 0.3 percentage point lower than the projections in January, while median inflation is expected to pick up to 5.0 percent by the end of 2026. However, there is significant heterogeneity in the outlook, with growth accelerating among many oil exporting countries because of stronger export revenues and higher government spending, but decreasing for low-income countries and fragile states, many of whom are oil importers and have limited buffers (Figure 1.9). Although prices of key non-fuel commodities (such as gold and copper) have softened since the start of the war, they remain higher than the average for 2025. Median sovereign spreads for countries in the region are still well below the levels seen in April 2025. These tailwinds have lessened the net impact of the shock thus far. Growth is projected to pick up again to 4.4 percent in 2027, and median inflation to moderate to 3.9 percent by the end of 2027, in line with the assumption under the reference scenario that the shock is expected to be short-lived.

Figure 1.9. Sub-Saharan Africa: Real GDP Growth

(Percent)



Source: IMF, World Economic Outlook database.

Note: SSA = sub-Saharan Africa.

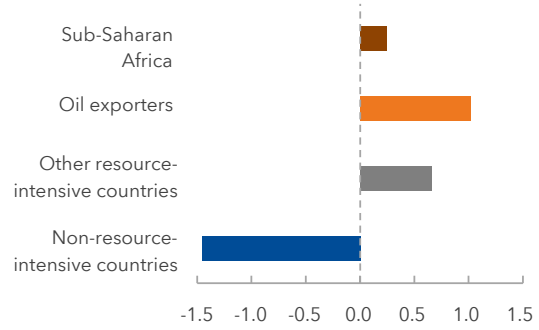
Current account balances are expected to vary across countries. The median current account deficit is projected to narrow by 0.3 percentage point of GDP to 3.5 percent of GDP in 2026. This reflects improvements among oil exporters of about 1.1 percentage points of GDP from higher oil prices and improvements among non-oil resource-intensive countries of 0.7 percentage point of GDP from higher metal prices, compared to 2025. The current account deficit is expected to worsen in non-resource-intensive countries by about 1.4 percentage points of GDP (Figure 1.10).

Fiscal deficits are projected to worsen in most countries. Median fiscal deficits would reach 3.2 percent of GDP in 2026, higher by 0.2 percent of GDP compared to 2025. However, projections diverge widely across country groups: deficits are expected to widen by about 1 percentage point of GDP in oil exporters, while narrowing by 0.1 percentage point of GDP in non-oil-resource-intensive countries (Figure 1.11).[1] Deficits in non-resource-intensive countries are projected to remain broadly the same as last year. Unchanged administered fuel prices, though, are delaying pass-through, raising fiscal risks and the possibility of expenditure overruns in many countries. For example, in Cameroon, Côte d'Ivoire, Rwanda, Senegal, and Togo, pump prices remain controlled for now, cushioning near-term inflation but increasing subsidy burdens, external financing needs, and the risk of sharper future adjustments.

Beyond the current shock, a key challenge is that living standards are projected to improve at a much slower rate compared to emerging market and developing economies (EMDEs) outside the region. Over the medium term, per capita income growth in sub-Saharan Africa is projected at 2.3 percent, compared to 3.6 percent in other EMDEs. In resource-intensive economies, where gains of the resource sectors are often not widely shared across the population, income per capita growth would reach only 1.8 percent. Poverty and other social indicators took a hard hit during the COVID-19 pandemic, and they face further headwinds now from declining foreign aid (see April 2026 *Regional Economic Outlook for Sub-Saharan Africa* Chapter 2). The new shock, if prolonged, can increase food insecurity in the region.

Figure 1.10. Sub-Saharan Africa: Change in Current Account Balance from Previous Year, 2026

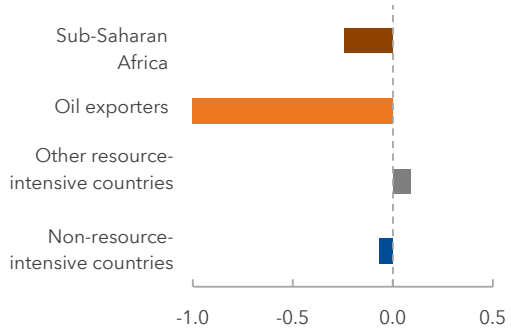
(Percentage points of GDP)



Source: IMF, World Economic Outlook database.

Figure 1.11. Sub-Saharan Africa: Change in Fiscal Balance from Previous Year, 2026

(Percentage points of GDP)



Source: IMF, World Economic Outlook database.

Significant Downside Risks amid High Uncertainty and Vulnerabilities

Increased commodity price volatility and a reversal in market sentiment would pose near-term material risks. Moreover, intensification of the war in the Middle East would increase oil, fertilizer, and food prices further, weighing down on growth, particularly for oil-importing countries, and push up inflation across the region. On the financial side, several sovereigns face sizable amortizations and hence are planning to rely on market issuance as part of their financing strategy. A sudden tightening of global financial conditions could sharply raise borrowing costs and force abrupt adjustment.

[1] The fiscal deficit in oil exporters without Nigeria is expected to improve from 3.3 percent of GDP in 2025 to 2.5 percent of GDP in 2026.

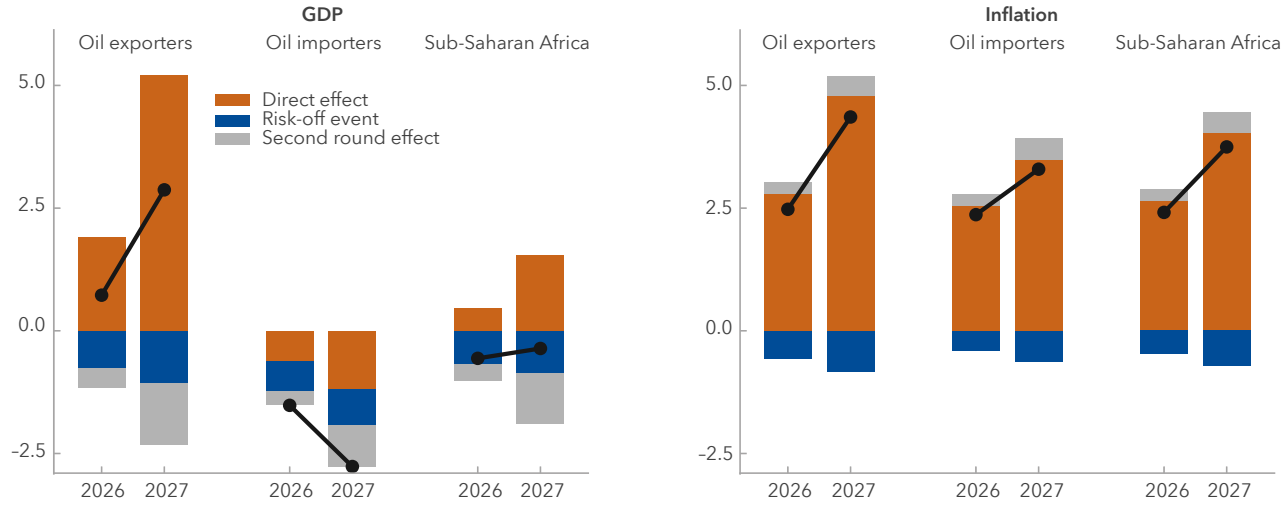
A severe downside scenario envisioning a longer war and a risk-off episode points to even lower output and higher inflation (Figure 1.12).[2] In addition to the deeper direct effects, the longer duration and severity of the shock engender a global slowdown that contributes to reducing regional output by 0.6 percent in 2026 and by 0.4 percent in 2027, relative to the prewar baseline.

The impact is heterogeneous across countries, with oil exporters seeing large positive direct effects on GDP from higher oil prices, partially mitigated by the negative second-round effects and the consequences of higher financing costs. Oil importers, on the other hand, are hit hard, with real output decreasing by 1.5 percentage points in 2026 and 2.8 percentage points in 2027. Regional inflation jumps by as much as 2.4 percentage points in 2026 and 3.8 percentage points in 2027, with a more pronounced effect in oil-exporting countries because of the projected boom in economic activity and investment. The current account impact will vary, with large improvements in oil-exporting countries (3.4 and 5.7 percentage points of GDP in 2026 and 2027, respectively) and deteriorations in oil-importing countries (–1.2 and –2.8 percentage points of GDP in 2026 and 2027, respectively).

Domestic political and security risks could intensify, especially around election cycles and in fragile settings. The political landscape has been challenging: the peaceful political transition in Malawi stands in sharp contrast to Gen-Z protests in Madagascar, coup attempts in Benin and Guinea-Bissau, security challenges in the Sahel and Democratic Republic of the Congo, and election-related violence in Tanzania. With several elections scheduled for 2026–27, there is a risk that reform efforts slow, and social tensions rise, including from rising fuel and food prices.

Figure 1.12. Additional Impact on GDP Growth and Inflation from Severe Scenario, 2026–27

(Percentage points deviation from baseline)



Source: IMF staff calculations.

Note: The black dots portray the impact of a severe downside scenario, measured in percentage points deviations from the baseline, on both real GDP and CPI inflation. The total impact is decomposed in a direct effect because of the higher prices of the commodities, a risk-off event component which arises from the widening of risk premia, and a second-round effect which captures higher inflation expectations and tighter monetary policy. See footnote 3 for the full details of the downside scenario.

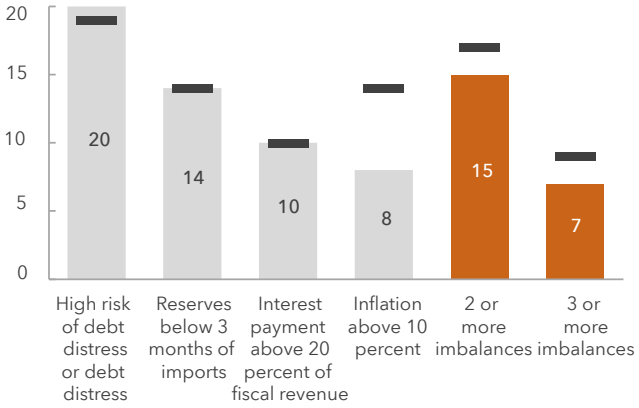
[2] Simulations are carried out using the IMF's AFRMOD model (Andrle and others 2015). In particular, oil prices increase by 100 percent starting in the second quarter of 2026, relative to the January 2026 *World Economic Outlook Update* baseline, and stay at that level in 2027 before returning to baseline in 2028, while gas prices for Europe and Asia increase by 200 percent over the same period, and food commodity prices increase by 5 percent in 2026 and 10 percent in 2027; one-year-ahead inflation expectations ratchet up by as much as 100 basis points in advanced economies by 2027 and by as much as 130 basis points in emerging markets excluding China, also by 2027; a significant risk-off episode pushes corporate premiums in advanced economies and in China by 100 basis points in 2026, and they stay at that level in 2027, while emerging markets and developing economies excluding China see a widening in sovereign spreads of 100 basis points over the same period along with an increase in corporate spreads of 200 basis points.

Climate shocks and disruptions to fertilizer supply chains are likely to affect agricultural activity negatively and undermine food security. The recent floods in south eastern Africa are a reminder that the region is highly vulnerable to weather shocks, while shortfalls in the provision of fertilizers may reduce agricultural productivity and increase costs. These shocks can also create significant strains, particularly at a time when foreign assistance is less forthcoming. Models indicate that a 20 percent increase in the international price of key food commodities can translate to an increase of up to 47 percent in the prevalence of child malnutrition in the most affected countries, and a median increase of 28 percent across all countries.[3] Overall, two million children under age five could become acutely malnourished, and more than 20 million people could be pushed into moderate or severe food insecurity across the region at peak levels of pass-through from international to domestic prices (IMF staff estimates using Headey and Ruel 2023; FAO and others 2025; and Nguyen and Thévenot, forthcoming).

In addition to risks, macroeconomic vulnerabilities also remain high in much of the region. About one-third of the countries still face overlapping fiscal, external, monetary, and financial vulnerabilities, which limits policy space and complicates responses to the shock (Figure 1.13). For countries facing multiple imbalances, such as Burundi, Malawi, Sierra Leone, and Zimbabwe, the terms-of-trade improvements in 2025 provided some temporary respite, but deeper reforms are necessary. More than one-third of the region is at high risk of, or already in, debt distress, and in 21 countries, fiscal deficits are larger than what is required to stabilize debt. Debt vulnerabilities reflect both the legacy of previous shocks and policy slippages, as well as the structural challenge of financing large development needs in the context of limited domestic revenues. The debt service burden is also elevated, which risks crowding out priority development expenditures. Higher effective interest rates and the decline in official development assistance (ODA) have raised the share of revenues devoted to interest payments (see April 2026 *Regional Economic Outlook for Sub-Saharan Africa* Chapter 2).

Figure 1.13. Sub-Saharan Africa: Macroeconomic Imbalances, 2024–25

(Number of countries)



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

Note: Bars represent 2025 and lines 2024.

Increased reliance on domestic borrowing has deepened the sovereign–bank nexus, and public sector credit has grown faster than private sector credit. This trend is particularly acute in the West African Economic and Monetary Union (WAEMU), where government debt accounts for 43 percent of banks' assets. With such a strong link between the governments and banks, fiscal crises could precipitate financial crises. The new shock can put further strain on the financial sector as higher energy costs will adversely affect balance sheets of households and corporations, while further widening of fiscal deficits can increase sovereign risks for banks.

Policy Priorities to Maintain Stability and Boost Growth

The Middle East war is testing sub-Saharan Africa's hard-won stabilization gains. Many fuel importers face a deterioration in trade balances and inflation risks, whereas fuel exporters remain exposed to volatility and procyclicality. Uncertainty is expected to remain elevated. Coming on top of the numerous shocks over the past few years, this shock illustrates the importance of designing and implementing policies and frameworks that are resilient to frequent external macroeconomic disruptions.

[3] Future prices of wheat have increased by about 7 percent since the start of the war.

In this context, the near-term priority is to keep macroeconomic policies anchored, protect the most vulnerable from higher living costs where feasible, and avoid procyclical loosening in fuel exporters. At the same time, countries should press ahead with a coherent medium-term reform agenda centered on (1) strengthening monetary and exchange rate frameworks; (2) mobilizing domestic revenue and improving spending efficiency; and (3) accelerating governance and business climate reforms to foster private investment and raise productivity.

Monetary and Exchange Rate Policies: Maintain Price Stability While Adjusting to the New Shock

For most central banks, there will be a difficult balancing act between controlling inflation and supporting growth. The shock could de-anchor inflation expectations. Therefore, central banks will need to monitor price developments carefully and adjust policies if inflation expectations drift up. Central bank independence and clear policy communication will be key to maintaining price stability and anchoring inflation expectations, amid strong exchange rate pass-through to inflation. Whether central banks should look through the commodity supply shock will vary across countries, depending on inflation dynamics.

Where inflation is above the target or accelerating, a restrictive monetary stance can help anchor inflation expectations. This may warrant pausing the easing cycle or raising interest rates where inflation expectations are drifting up. The new shock raises the risk of second-round effects, especially where foreign exchange markets are shallow and monetary transmission is weak, and premature easing could prove costly. In some countries, where inflation is entrenched or the monetary framework is less robust, coordination with fiscal policies will be warranted, particularly by reducing reliance on central bank financing (for example, Burundi, Malawi, and South Sudan).

Where inflation is within target or contained, a cautious approach is also justified. Although central banks may be able to look through part of the supply shock, they should carefully monitor emerging exchange rate pressures, and energy price pass-through to inflation and stand ready to tighten monetary policy, if needed, to keep inflation expectations well anchored.

Countries will need to calibrate their exchange rate response based on their current regime, taking into consideration reserve buffers and the severity and persistence of the shock:

- Countries under a pegged regime will have to align monetary policy with that of the peg country to minimize the risk-adjusted interest rate differential. They will have to rely on fiscal consolidation to address external imbalances and maintain reserve buffers.
- Non-pegged countries with limited reserve buffers should seek to preserve external sustainability. Letting the exchange rate depreciate to help the economy adjust to the external shock is the first line of defense. However, this should be coordinated with monetary and fiscal policies to keep inflation expectations well anchored. Seeking international support can help mitigate some of the balance of payments challenges and exchange rate pressures.
- Non-pegged countries with sufficient reserve buffers could consider foreign exchange intervention to lean against exchange rate pressures, if there is significant risk of inflation de-anchoring in the presence of a weak monetary framework or shallow foreign exchange markets.[4] However, reserves can be depleted quickly if exchange rate pressures are elevated. In all cases, foreign exchange interventions cannot be a substitute for necessary macroeconomic adjustments.

[4] See IMF Integrated Policy Framework and IMF 2022, which discusses how the framework applies to sub-Saharan Africa.

Central banks will also need to carefully monitor emerging risks to the financial sector, especially those operating through bank balance sheets, sovereign-bank linkages, and capital-flow volatility. They should ensure that banks have sufficient capital and liquidity buffers to absorb shocks and that they adhere to macroprudential standards in place.

Fiscal Policy: Balance Credibility with Flexibility

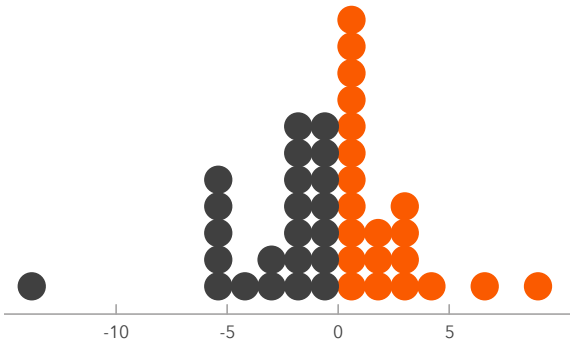
Near-term fiscal priorities should be tailored to country circumstances:

- Generalized price subsidies or price controls should be avoided as they are fiscally costly, distortionary, and hard to unwind. When high price increases are expected to be temporary, carefully targeted measures can be justified to limit severe social and economic disruptions, while still allowing price signals to operate as much as possible.
- For oil exporters, any windfall should be treated as temporary and used first to strengthen resilience: improving social safety nets, clearing arrears, rebuilding fiscal and external buffers, and reducing expensive domestic debt. This should be supported by well-designed, transparent fiscal rules and stabilization mechanisms to help manage volatility, smooth spending, and bolster credibility (IMF 2012; Eyraud, Gbohoui, and Medas 2023). Procyclical spending surges can be difficult to reverse, and they can feed into inflation or real exchange rate appreciation.
- Oil importers with greater fiscal space (such as Rwanda and Tanzania) should generally use targeted, time-bound transfers and scalable, adaptive social protection to cushion the vulnerable population from higher living costs while protecting priority spending. Oil importers with limited fiscal space should reprioritize spending toward the most cost-effective social support targeted at the lowest income households, accelerate domestic revenue mobilization, reduce government spending growth outside of social protection (such as real wage increases for civil servants or low-priority government spending), and strengthen expenditure controls to prevent arrears and safeguard debt sustainability.

In countries where debt sustainability is a prominent risk, additional adjustment remains essential (Figure 1.14). However, such measures should protect high-return social and development spending, including education, healthcare, and basic services such as water, sanitation, and energy access. Healthcare, in particular, will require stronger domestic support to preserve critical public health functions and ensure continuity of essential services, as donor-funded programs are withdrawn or scaled back (see April 2026 *Regional Economic Outlook for Sub-Saharan Africa* Chapter 2).

Figure 1.14. Additional Fiscal Adjustment Needed to Reach Debt-Stabilizing Primary Balance in 2026

(Percent of GDP, number of countries)



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

Domestic revenue mobilization remains central to a sound medium-term fiscal strategy. Revenue performance has improved in the region over the last three years, but the overall revenue remains insufficient to meet the region's large development and social needs while also protecting debt sustainability. The October 2025 *Regional Economic Outlook for Sub-Saharan Africa* and Schneider and others (2025) provide guidance on how countries can strengthen revenue collection.

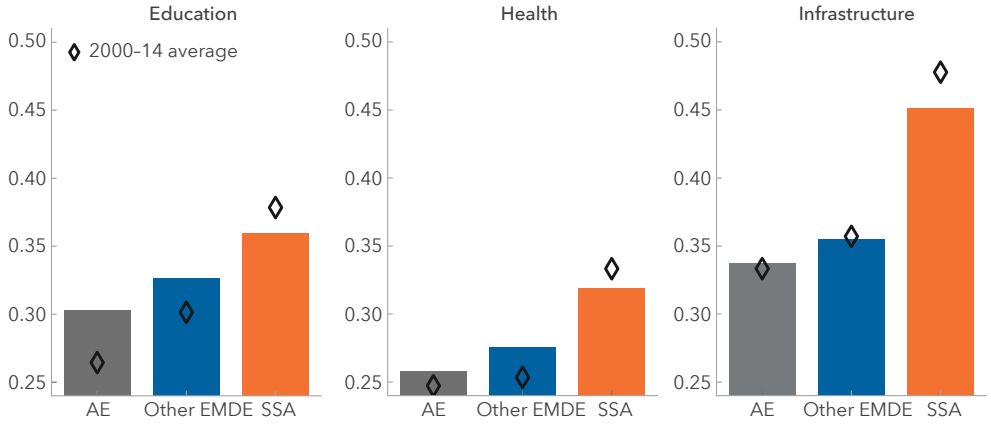
Improving the efficiency of spending can also unlock significant fiscal resources while enhancing service delivery. In education, healthcare, and infrastructure, the issue is not only how much is spent, but also how effectively public resources translate into outcomes. For the median country, efficiency gaps for healthcare and infrastructure are

about twice as large in sub-Saharan Africa compared to other EMDEs (Figure 1.15). Within the region, the efficiency gaps are larger for resource-intensive and oil-exporting countries, while non-resource-intensive countries have made some progress in moving closer to the efficiency frontier in recent years. Efficiency gaps reflect weak project selection and execution for infrastructure investment, inadequate maintenance, procurement inefficiencies, fragmented budgeting, and limited accountability for results.

Strengthening public financial management—including commitment controls, cash management, and arrears prevention—can reduce waste and improve budget credibility (Lopez Murphy and others 2026). Public investment management reforms should prioritize rigorous appraisal, transparent selection, and stronger implementation and ex-post evaluation to ensure that infrastructure delivers durable productivity gains. Sectoral measures—such as teacher and health-worker deployment, drug procurement, school inputs, and maintenance planning—can raise outcomes without proportionate increases in spending. Over time, publishing performance indicators and strengthening audit and oversight institutions can reinforce value for money and reduce leakages.

Figure 1.15. Inefficiency of Fiscal Spending in Select Domains, 2000–24

(Index)



Sources: IMF, *Fiscal Monitor* October 2025; and IMF staff calculations.

Note: The bars portray the average value, calculated over the period 2015–24, of the yearly median efficiency gap in each of the selected groups of countries. Efficiency gaps are index numbers that take value between 0, complete efficiency, and 1, complete inefficiency. These indices measure the distance between measurable levels of output achieved by a government in each of the three sectors of education, healthcare, and infrastructure, and those that could be achieved under best practice management, for any given level of expenditure. The best practice benchmark is identified using a framework based on stochastic frontier analysis, as detailed in the Online Appendix to the Chapter 1 of the October 2025 *Fiscal Monitor*. AE = Advanced economies; EMDE = Emerging markets and developing economies; SSA = sub-Saharan Africa.

Accelerate Private Sector-Led Growth and Diversification

Structural reforms that lower the cost of doing business, boost competition, and strengthen network sectors help lower sovereign and private risk premia, crowd in investment, and raise productivity, which is especially important in a volatile external environment (see April 2026 *Regional Economic Outlook for Sub-Saharan Africa* Chapter 3). Targeted state-owned enterprise (SOE) reforms in network sectors (energy, transport, and telecommunications) should focus on improving governance, transparency, and cost recovery while ensuring adequate regulation and protecting the poor population through well-designed social measures.

Strengthening regional integration can boost growth and improve supply-chain resilience in a shifting geopolitical landscape. Progress on the outstanding African Continental Free Trade Area agenda, including reducing non-tariff barriers, modernizing customs procedures, and deepening trade in services, will help lower trade costs, speed up clearance, and create larger and more diversified markets for local goods and services (ElGanainy and others 2023; Montagnat-Rentier and others 2025). Among the immediate priorities is completion of negotiations on remaining rules of origin and tariff concessions.

Digitalization, including pragmatic, low-cost artificial intelligence applications in revenue administration, service delivery, and financial inclusion, can improve productivity and state capability. However, it must be paired with investments in energy grids, connectivity, skills, cybersecurity, and data governance to build trust and scale adoption (see Box 1.2).

Deepening domestic financial markets can unlock greater financing in local currencies, enhance policy transmission, and bolster financial stability. Countries should adopt measures to develop local currency bond markets and diversify domestic savings instruments, strengthen market infrastructure and transparency, and broaden the investor base. Improvements in collateral registries, credit information systems, and insolvency frameworks can support private credit and reduce risk premia. Increasing sovereign–bank linkages reinforce the need for robust prudential oversight, credible resolution frameworks, and careful monitoring of concentrated exposures to limit systemic risks (October 2025 *Regional Economic Outlook for Sub-Saharan Africa*). Scaling digital financial inclusion through interoperable platforms, proportionate regulation, and consumer protection will mobilize savings, reduce transaction costs, and support small-firm growth.

Build Support for Reform at Home and Abroad

Reform efforts must be paired with clear communication and inclusive consultation to overcome political economy hurdles. Active engagement of stakeholders (such as parliamentary outreach, civil society, labor groups, academia, and the private sector) can improve reform design and legitimacy (April 2025 *Regional Economic Outlook for Sub-Saharan Africa*). Disseminating information on reform objectives, expected benefits, trade-offs, and implementation timelines can reduce uncertainty and build credibility. In parallel, strengthening institutions that support continuity (through medium-term frameworks, fiscal councils, transparent procurement, and independent oversight) can make reforms more resilient to political transitions. Where reforms impose short-term costs, governments can mitigate resistance through careful pacing and compensatory measures for vulnerable groups.

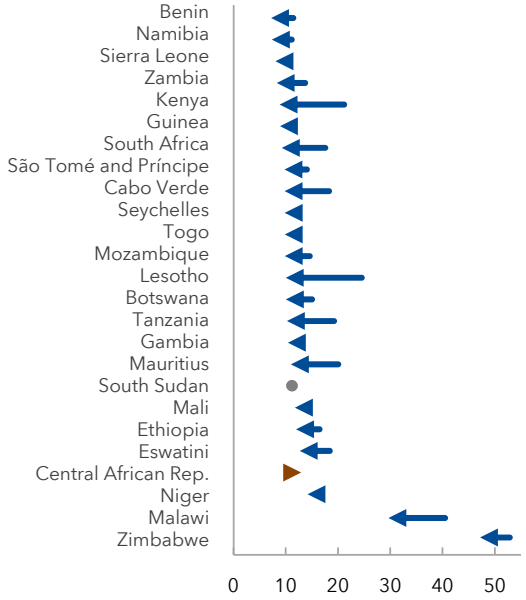
The international community can support these efforts with predictable financing, technical assistance, and stronger coordination. Prioritizing aid for low-income and fragile countries, where alternative sources of financing are limited, and broadening the development finance toolkit including through blended finance, are likely to maximize its impact. When aligned with priorities of each country, support for capacity building, domestic revenue mobilization, public investment management, and social protection can amplify reform impact and help sustain progress through future shocks. Assistance to rebuild institutions and advance social and economic inclusion is particularly important for post-conflict recovery across the region (April 2026 *World Economic Outlook,* Chapter 3). The IMF stands ready to support countries facing acute and emerging balance of payments shortfalls linked to the war. In recent years, the IMF has been a key source of financing for the region, with programs currently benefiting 22 out of 45 countries.

Box 1.1. Update on US Tariffs and Their Impact on Trade in Sub-Saharan Africa[1]

US tariffs on sub-Saharan Africa rose sharply during 2025, though the increase varied widely across countries and products. The region's effective tariff rate rose from near zero at the end of 2024 to over 12 percent in October 2025 and fell to 8.5 percent by late February 2026, in part because of retroactive extension of the African Growth and Opportunity Act (AGOA) until the end of 2026 and the U.S. Supreme Court decision that invalidates tariffs imposed through the International Emergency Economic Powers Act [2] (Figure 1.1.1). In general, the current US tariffs affect economies with a larger share of manufactured exports than energy exporters.

Figure 1.1.1 Trade-Weighted Tariff Rate

(Percent, change from October 1, 2025 to end of February 2026)



Source: WTO-IMF Tariff Tracker; and IMF staff calculations.
Note: Top 25 countries with highest tariff. AGOA temporarily expired on September 30, 2025. Dot signifies no change.

The near-term impact on the region's exports has so far been modest, reflecting limited exposure to the US market. In the two quarters after the April 2025 tariff announcement, aggregate exports to the US remained broadly unchanged. For more than 70 percent of economies, changes in exports to the US were within 0.1 percent of GDP, in part because in over three quarters of countries, exports to the US account for less than 1 percent of GDP. Nonetheless, outcomes varied considerably across countries and sectors. South Africa's automotive exports to the US fell by about half in nominal terms, although this decline was more than offset by increased exports to other markets, particularly Europe. Textile exporters such as Lesotho and Kenya recorded higher exports, likely reflecting frontloading ahead of the anticipated AGOA expiration in the end of September, suggesting that longer-term effects may not yet be fully visible.

Partial equilibrium estimates point to modest direct long-term export losses for most countries. Average losses are estimated at about 0.1 percent of GDP, reflecting limited exposure to the US market and the fact that roughly half of exports face only small tariff increases (around half of regional exports to the US face tariff increases of less than 1.6 percentage points and roughly a quarter of exports by value face no increase at all).

General equilibrium trade models yield a more nuanced—and in many cases more favorable—assessment.[3] About one-fifth of countries could see GDP gains as competing exporters to the US, particularly in Asia and Latin America, face higher tariff increases. Export diversion to other markets and cheaper imports as major US suppliers face excess capacity further offset direct losses. These results should be interpreted with caution, as the analysis does not capture the effects of heightened trade uncertainty or broader global macroeconomic spillovers.

[1] This box was prepared by Sergii Meleshchuk.

[2] The end-February 2026 tariff estimates include tariffs imposed using alternative trade laws to bypass US Supreme Court decision.

[3] General equilibrium results are based on multi-country, multi-sector models (Caliendo and Parro 2015; Rotunno and Ruta 2025). Unlike partial equilibrium models, they allow consumption and production to respond to tariffs, which affects the global production and trade networks.

Box 1.2. Harnessing Artificial Intelligence for Development: A Strategic Necessity[1]

Artificial intelligence (AI) readiness across sub-Saharan Africa is uneven and, on average, below that of many other emerging markets, reflecting gaps in infrastructure, skills, and governance capacity. Even so, AI adoption is advancing through practical, problem-solving applications in key sectors, offering scope for productivity gains and improved service delivery. Moreover, not ready is not the same as not capable. A bold reform agenda can pave the way for leveraging AI more broadly for medium-term growth and productivity.

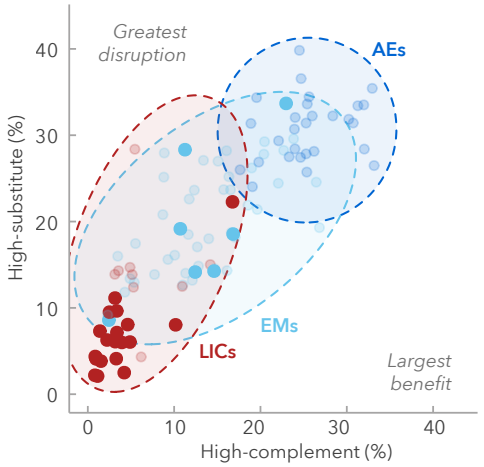
AI can raise efficiency in sectors that have constrained growth, from agriculture to public services, by augmenting workers' capabilities, improving decision making, and lowering transaction costs. In public administration, AI-enabled analytics can also strengthen tax and customs compliance, improve risk targeting, and support more effective delivery of social assistance. In finance, alternative data and improved fraud detection can help expand access to credit and deepen financial inclusion, if supported by sound safeguards.

The region's economic structure will shape how quickly gains become broad based. Many AI tools primarily enhance cognitive and information-processing tasks, although employment remains concentrated in sectors—such as agriculture—that appear less exposed in standard measures (Figure 1.2.1). Therefore, realizing economy-wide dividends will require diffusion beyond early adopters and complementary investments in energy, skills, connectivity, and firm capabilities. At the same time, early evidence suggests scope for faster adoption in key sectors even where baseline AI exposure measures are lower:

- Agriculture. AI-powered advisory services have raised yields by addressing knowledge gaps in crop management, pest control, and climate resilience (Côte d'Ivoire, Kenya, Mali, Nigeria, and Rwanda).
- Healthcare. AI decision-support tools have reduced diagnostic and treatment errors, pointing to potential gains in care quality where clinical capacity is scarce (Kenya).
- Education. AI-based tutoring pilots produced learning gains equivalent to 1.5–2 years of business-as-usual schooling, pointing to large payoffs from targeted, scalable interventions (Nigeria).

Figure 1.2.1 Workforce Exposure to Artificial Intelligence, 2024

(Percent of employment, solid dots = sub-Saharan Africa)



Note: The categories follow Cazzaniga and others (2024), and distinguish between occupations that are highly exposed and likely to be complemented by AI (High-complement), highly exposed and likely to be replaced by AI (High-substitute), and only weakly exposed overall. The low-exposure share is omitted from the chart (determined by the other two categories). AEs = Advanced economies; EMs = Emerging markets; LICs = Low-income countries.

[1] This box was prepared by Andrew Tiffin based on Schindler and others (forthcoming).

Box 1.2. continued

Scaling up adoption depends on overlapping preconditions. Limited and unreliable infrastructure remains a binding constraint: only 53 percent of the population has access to electricity and 38 percent to the internet, while high costs and outages constrain both compute and digital service delivery. Rapid progress in foundational and job-relevant digital skills will also be critical to ensure that the workforce can thrive in an AI-augmented labor market. Policy priorities include the following:

- Closing the infrastructure gap. Invest in reliable power and affordable broadband, and explore regional approaches to high-performance compute (for example, shared data centers, pooled graphics processing unit (GPU) capacity, or joint cloud procurement).
- Fostering a local ecosystem. Support innovation that adapts AI to African contexts, including investments in high-quality local-language datasets.
- Governing for trust. Strengthen data protection, cybersecurity, and ethical frameworks to build public confidence, and enable responsible deployment in both private and public services.

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