

REGIONAL ECONOMIC OUTLOOK UPDATE

SUB-SAHARAN AFRICA

OCTOBER 2026

Resilient Growth, Clouded Outlook¹

Sub-Saharan Africa is expected to grow by 4.5 percent in both 2026 and 2027. Global supply adjustment, favorable export receipts in some countries, and earlier reforms have helped cushion the Middle East war shock. But steady regional growth masks different country experiences with slowing growth in non-resource-intensive economies and continued resilience in resource-intensive ones. Median inflation is projected to rise from 3.4 percent in 2025 to 4.3 percent in 2026 and 5.0 percent in 2027. Pre-war fiscal adjustment and declining debt ratios are important achievements, yet high interest burdens, low reserves in many countries, and falling aid leave limited room for absorbing another adverse shock. Risks remain decidedly tilted to the downside, including renewed energy supply disruption, sovereign repricing, further aid reductions, and severe weather shocks, especially El Niño. Policies should sustain needed fiscal adjustment, save temporary commodity windfalls, target support to vulnerable households, and contain persistent inflation. Protecting productive investment and enabling private-sector growth are essential to make future shocks less costly and improve longer-term living standards.

Recent Developments and Outlook: Regional Resilience, Uneven Prospects

Regional growth remains resilient and broadly in line with the April 2026 forecast, but momentum differs across country groups. Regional output is projected to grow by 4.5 percent in both 2026 and 2027, after 4.5 percent in 2025. The forecast is 0.2 percentage point higher than in April for 2026 and broadly unchanged for 2027. Oil exporters' growth edges up from 4.0 to 4.1 percent this year, while growth in other resource-intensive economies remains at 3.8 percent and growth in non-resource-intensive economies eases from 6.4 to 6.0 percent (Figure 1.1). The outlook assumes gradual normalization of Gulf energy flows and prices, continued reform implementation, contained economic disruption from El Niño, and no sharp reversal in global financing conditions.²

Global supply adjustment and private-sector adaptation have cushioned the shock, and activity has resumed expanding after the second-quarter slowdown. Gulf producers rerouted shipments, oil production outside the Gulf increased, inventories were released, and firms altered sourcing and logistics. Across seven economies accounting for about half of regional output, the median composite Purchasing Managers' Index slipped below 50 in the second quarter and new orders weakened, before both indicators recovered in July, indicating renewed month-to-month expansion and pointing to private sector resilience. Input prices remained elevated. Supply rerouting and private-sector adaptation have bought time, but inventories cannot be drawn down indefinitely: if disruptions persist, the adjustment burden will increasingly shift to investment, employment, and consumption.

Energy-market normalization is expected to be gradual, while refining and fertilizer disruptions continue to put pressure on food and other input costs. The October 2026 World Economic Outlook assumes a gradual reopening of the Strait of Hormuz. The average oil price is projected at \$96 a barrel in 2026, before easing to \$87 in 2027. Refined product markets, especially for diesel, remain particularly tight following losses of refining capacity. Reduced production capacity and disrupted shipments through Hormuz have strained fertilizer supply; prices are projected to rise by 26 percent in 2026 relative to 2025. By August 2026, the FAO Food Price Index was about 6 percent above its February level but remained about 17 percent below its March 2022 peak. Disruptions to Black Sea grain shipments are adding to these price pressures, particularly for wheat, compounding the burden of higher energy and fertilizer costs on the region's food-importing economies.³

Earlier reforms and stabilization efforts have helped countries withstand the shock. Foreign-exchange market reforms and fuel-subsidy reductions in Ethiopia and Nigeria, improvements in fiscal revenue and monetary frameworks, and structural reforms in South Africa have supported more stable macroeconomic conditions and

a clearer basis for private investment. Ethiopia, Ghana, and Zambia have also made progress with sovereign debt restructuring. These gains have involved politically difficult exchange rate and fuel-price adjustments with immediate costs for households and firms. They help explain why growth has held up despite a less supportive external environment.

Commodity export gains and favorable domestic supply conditions cushion some economies, while thin buffers leave others more exposed. Higher oil prices offer a potential windfall. In Angola, the external position and market access improved and inflation declined, but macroeconomic adjustment and reforms slowed; Niger plans to save part of the gain while directing some to social and food-security needs. Across CEMAC, maturing fields and limited production capacity constrain the revenue upside, while administered fuel prices and tight regional financing reduce its broader economic benefit. Higher prices for other commodities, including copper and gold, can also cushion the import-price shock. Zambia has benefited from higher copper receipts, a stronger maize harvest, improved electricity supply and continued solar power investment; fuel-tax cuts and kwacha appreciation have cushioned pump prices.

Inflation is rising in the median country, although disinflation continues in several high-inflation economies. Median inflation is projected to increase from 3.4 percent in 2025 to 4.3 percent in 2026 and 5.0 percent in 2027 (Figure 1.2). Fuel and transport costs are the immediate source of pressure, while fertilizer and other imported inputs feed into food prices with a lag. Higher input costs could weaken planting and later harvests, especially where currencies depreciate, credit is scarce or farmers have little scope to substitute inputs. These lags can prolong domestic cost pressures even as international energy prices ease.

Recent fiscal adjustment has improved public finances, but high interest burdens continue to constrain spending. The median fiscal deficit narrowed from 4.6 percent of GDP in 2020 to 3.2 percent in 2024 and 3.1 percent in 2025; median public debt fell from 56.3 percent of GDP in 2024 to 53.0 percent in 2025 and is projected at 51.7 percent in 2026 (Figures 1.5–1.6). These improvements reflect adjustment alongside growth and, in some countries, debt restructuring. Nevertheless, the median deficit is projected to widen to 3.3 percent of GDP in 2026, while the GDP-weighted regional deficit rises from 3.6 to 3.7 percent.

Oil exporters' external positions are improving, but non-resource-intensive economies face wider deficits. Oil exporters' current-account surplus is projected to widen from 1.6 percent of GDP in 2025 to 4.4 percent in 2026. The balance of other resource-intensive economies changes little, while the deficit of non-resource-intensive economies widens from 3.4 to 5.8 percent of GDP (Figure 1.3). Reserve coverage rises, especially for oil exporters (Figure 1.4).

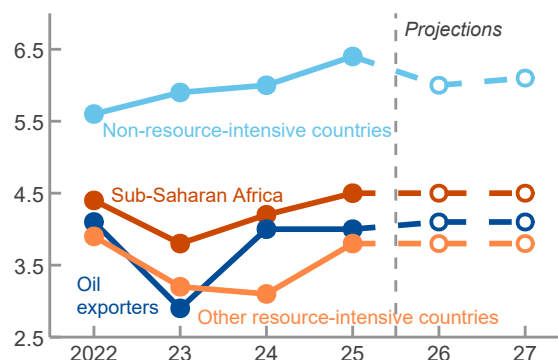
Governments have combined fuel-price adjustment with temporary relief, but little support is targeted. Changes in retail gasoline and diesel prices relative to the corresponding international refined-product benchmarks in a 21-country sample indicate widely differing adjustment across countries and between products (Figures 3.1 and 3.2).⁴ Rwanda combined substantial price adjustment with monetary tightening and targeted support, while Ethiopia differentiated temporary fuel subsidies by product and customer to contain costs. Most announced fiscal measures were designed to be temporary, but only about one in seven was classified as targeted. Generalized price relief is poorly targeted because better-off households typically receive a lion's share of the benefits; its fiscal cost can displace social spending that protects vulnerable groups more effectively. When relief is not fully funded, losses at fuel importers and state-owned utilities can lead to arrears, shortages or rationing.⁵

Market access has remained for some countries, but financing remains costly, and aid is declining. Sovereign issuers have raised about \$12 billion in Eurobonds in 2026 (Figure 2.1). Sovereign spreads have retraced much of their initial widening and overall financial conditions are looser than following previous shocks, but higher global benchmark rates keep borrowing costs elevated (Figures 2.2 and 2.3).⁶ Access alone is therefore an incomplete measure of financing capacity. A renewed rise in global risk aversion could quickly reverse spread compression. For low-income and fragile states, the external environment is becoming less supportive: after falling by roughly one-quarter in 2025, bilateral aid to the region is projected by the Organization for Economic Co-operation and Development (OECD) to decline by a further 12 percent in 2026 (Figure 2.5).

Figure 1. Resilient Growth, Differing Country Experiences

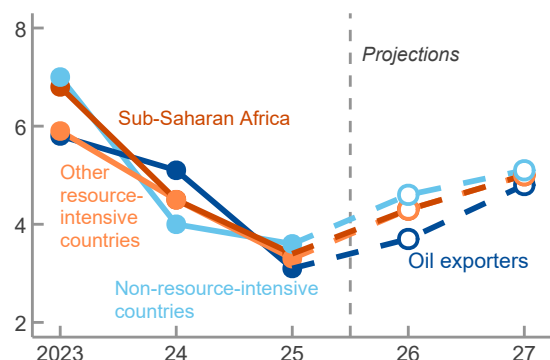
1.1. Growth has held up, but momentum differs...

(Real GDP growth, percent)



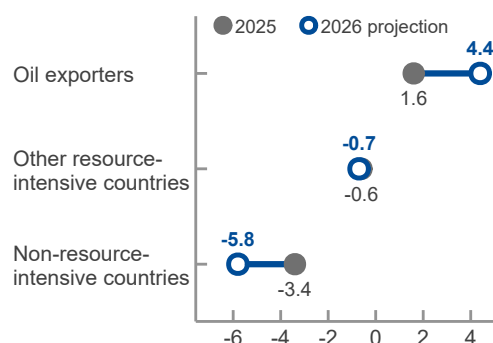
1.2. ...while inflation is rising.

(Median annual-average inflation, percent)



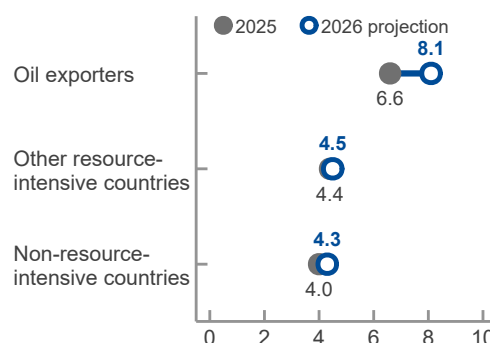
1.3. External positions are diverging...

(Current account balance, percent of GDP, 2025–26)



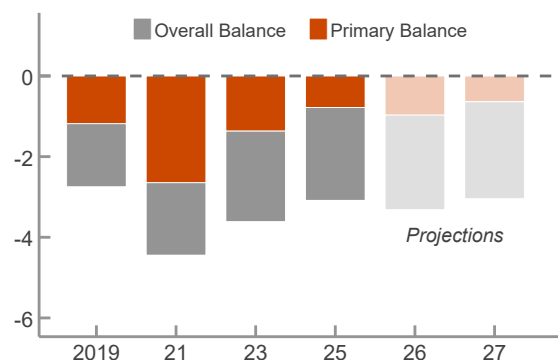
1.4. ...and reserve buffers remain uneven.

(Reserves in months of imports, 2025–26)



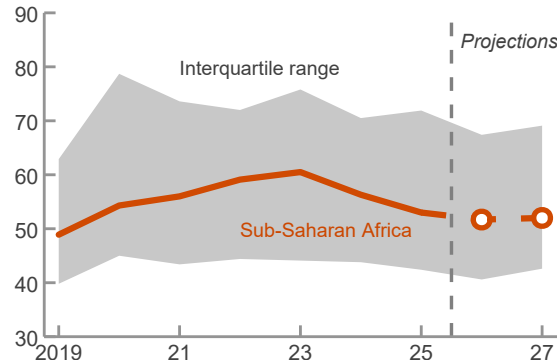
1.5. Fiscal deficits have narrowed since 2021...

(Overall fiscal balance, percent of GDP, median)



1.6. ...and median debt ratios have declined.

(Government debt, percent of GDP, median)



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

Risks and Vulnerabilities: Depleted Buffers with Mounting Risks

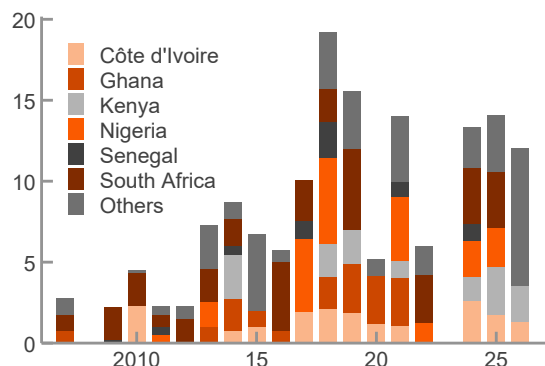
Limited buffers leave the region with little room for another setback. Interest payments absorb a median of about 12 percent of government revenue in the 2025–27 estimates (Figure 2.4), creating a substantial wedge between primary and overall balances. This limits the room that fiscal effort creates for public services, investment, and a response to further shocks (Figure 2.4). Declining aid further constrains the resources available.

Refinancing pressures and sovereign-bank links can transmit fiscal stress to banks and private credit. As local banks absorb more sovereign issuance, public borrowing is crowding out private credit and leaving financial institutions more exposed to government finances (Figure 2.6). In WAEMU and CEMAC, concentrated sovereign exposures and refinancing needs remain concerning even when external market access improves. Where bank

Figure 2. Financing Constraints Persist Despite Renewed Access

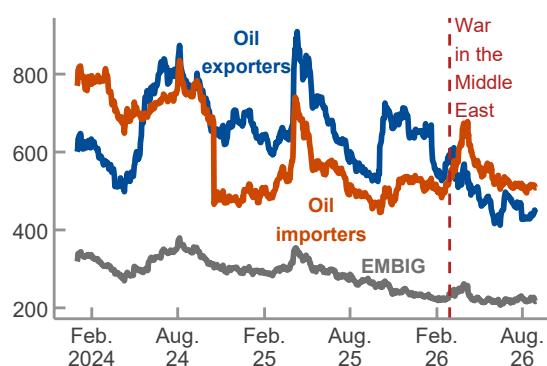
2.1. Sovereign market access has continued...

(Eurobond issuances through September 2026; billions of US dollars)



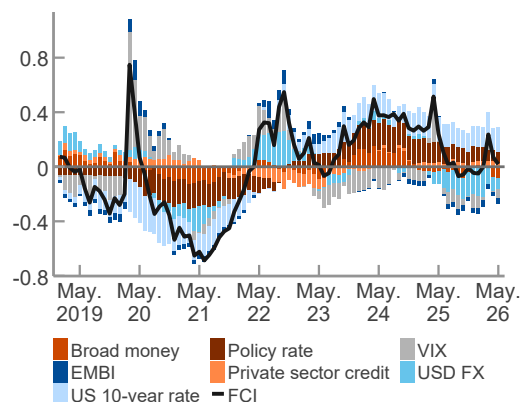
2.2. ...and sovereign spreads have narrowed.

(Selected sovereign spreads; basis points)



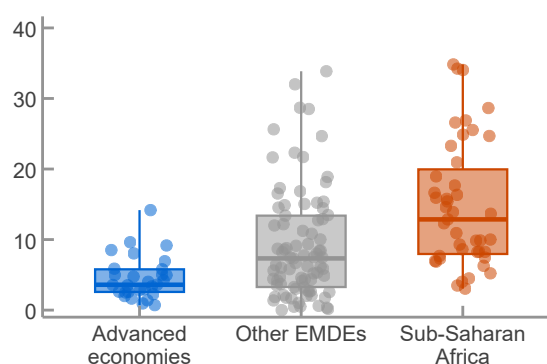
2.3. Financial conditions are more supportive than in previous post-shock episodes, but the US 10-year rate is rising.

(Financial conditions index, higher values = tighter conditions)



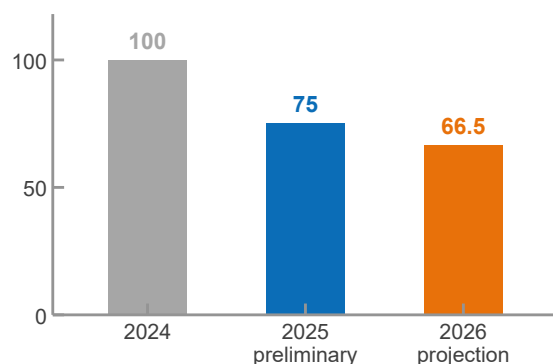
2.4. Interest absorbs scarce public revenue...

(Interest payments in percent of revenue excluding grants, 2025–27 average)



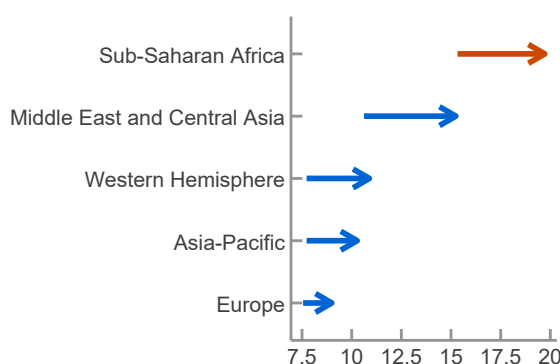
2.5. ...while aid is declining...

(Real Official Development Assistance (ODA), 2024 = 100)



2.6. ...and banks hold more sovereign debt.

(Bank exposure to government debt, percent of assets, arrows connect unweighted regional means for December 2019 and December 2025)



Sources: Bloomberg L.P.; IMF, World Economic Outlook database; IMF staff calculations; Sever and Sy 2026; Wezel, Barrail and Dehmej 2026; Organisation for Economic Co-operation and Development, ODA Projections for 2026 and the Near Term, June 2026.

Note: Figure 2.3: 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. Below 0 = below average for the period. EMBI = Emerging Markets Bond Index; FCI = Financial Conditions Index; VIX = Chicago Board Options Exchange Volatility Index. Figure 2.4: shaded boxes indicate inter-quartile ranges and horizontal lines indicate medians; EMDEs = Emerging market and developing economies.

capital and liquidity buffers are thin, these exposures amplify risks. Arrears to suppliers and public enterprises weaken corporate cash flow and bank asset quality, while opaque financing can complicate debt resolution and future market access.⁷

Renewed energy disruption, El Niño and a global retreat from risk could reinforce one another and force a sharper adjustment. Renewed disruption of Gulf energy flows would hit a market in which inventories have already been drawn down, raising the risk of nonlinear price increases. Higher fertilizer prices could reduce input use and weaken later harvests. Weather- and war-related production losses in major exporters, together with disruptions to grain and fertilizer shipments, could intensify price pressures on internationally traded staples. El Niño could compound these effects through agriculture, hydropower and infrastructure, with impacts extending into 2027 (Box 1). An AI-related equity correction could spill over to the region if it triggered a broader retreat from riskier assets, widening sovereign spreads and reducing capital flows. Higher risk premiums could raise refinancing costs even if global benchmark rates fell; lower inflows could pressure exchange rates or reserves, especially where foreign-currency debt is high.

Social resistance and weak delivery systems can delay adjustment and increase its eventual cost. Exposed households often cannot smooth the shock, while weak delivery systems can limit the rapid deployment of targeted support. Comoros suspended a planned fuel-price increase after protests, illustrating how social resistance can narrow the feasible policy response. Holding retail prices unchanged through 2026 could generate quasi-fiscal losses of about 2.5 percent of GDP at its state oil company. Where targeted support cannot be deployed quickly, broad measures may be the only immediately available instrument but are costly and difficult to withdraw. Prolonging relief through arrears or opaque public-enterprise losses amplifies the eventual correction.

Conflict, insecurity and health outbreaks can weaken activity, raise emergency spending and transmit shocks across borders. In Central Africa and the Sahel, these pressures are rising as external support declines; trade disruption, displacement and uncertainty can weaken activity and investment. Health outbreaks, including a worsening Ebola outbreak in the Democratic Republic of the Congo, could disrupt trade and raise health spending, with spillover risks for neighboring countries.⁸

Faster energy-market normalization, favorable rainfall, higher-than-assumed commodity export receipts or stronger reforms would improve the outlook, but risks remain decidedly tilted to the downside.

Policy Priorities: Cushioning the Vulnerable while Safeguarding Stability

Fiscal policy should focus on saving temporary windfalls and sustaining needed adjustment while protecting vulnerable households and productive spending. Countries receiving temporary revenue windfalls from oil, gold, copper or other commodity exports should save most of the windfall, including by clearing arrears or repaying costly debt, rather than finance permanent spending or postpone reform. Where adverse terms-of-trade shocks meet limited fiscal space, the priority is spending reprioritization, efficiency gains and domestic revenue mobilization, with targeted support and essential services protected. The appropriate pace and composition of adjustment depend on financing constraints and debt sustainability, but recurrent shocks cannot be met indefinitely by broad subsidies or cuts to high-return investment. In WAEMU and CEMAC, national fiscal adjustment must be coordinated with regional monetary and prudential policies. Grants and concessional loans should help protect priority spending and smooth adjustment while complementing—not replacing—domestic revenue and expenditure reforms. Any new borrowing should remain consistent with debt sustainability.

Support should be properly funded and targeted, protecting vulnerable households at lower fiscal cost without obscuring price signals that encourage energy conservation and substitution. Existing automatic stabilizers and scalable social-protection systems should be the first line of defense. Where these systems are weak, governments should use the narrowest feasible proxies—such as school feeding, geographically targeted support or support to vulnerable farmers—while improving social registries and payment channels. Temporary fuel price smoothing, tax relief and subsidies should be transparently budgeted, capped and time-bound, with credible exit plans; losses must not accumulate off-budget in importers, utilities or transport companies. An illustrative 19-country comparison shows that generalized fuel-price smoothing can cost about 4 percent of GDP, whereas transfers preserving the poorest 40 percent's benefit from that support cost at most about 0.5 percent (Figure 3.3).

For the majority of countries in the region, monetary tightening may be needed to prevent persistent inflation. For energy importers, higher energy prices present a stagflationary challenge. Monetary policy can look through the shock only if it is temporary and second-round effects remain contained. These conditions are less likely to hold when inflation is already above target and broader price pressures are expected to remain elevated, warranting a bias toward tightening. For energy exporters in the region, the positive terms-of-trade shock pushes income and aggregate demand up, potentially making a tightening appropriate. Where regimes permit, exchange-rate flexibility should absorb part of the shock and preserve reserves. Intervention should address market dysfunction, destabilizing currency mismatches or unanchored expectations, not substitute for necessary monetary, fiscal or exchange-rate adjustment.⁹

Rebuilding buffers, strengthening social protection, and improving debt management would make future shocks less costly. First, countries should build fiscal and reserve buffers through credible frameworks, revenue reforms that reduce tax distortions and strengthen administration and compliance, and contingency mechanisms that protect priority investment and social spending. Second, they should combine cost-reflective energy pricing with social registries and payment systems that can deliver targeted support quickly. Third, countries should increase debt transparency by publishing debt strategies and borrowing plans, disclosing financing arrangements, pledged collateral and contingent liabilities, and monitoring rollover risks. These steps can support longer maturities and broader investor bases; bank supervisors should monitor and stress-test sovereign exposures. For countries with unsustainable debt or that have requested restructuring, faster, more predictable debt resolution remains essential.

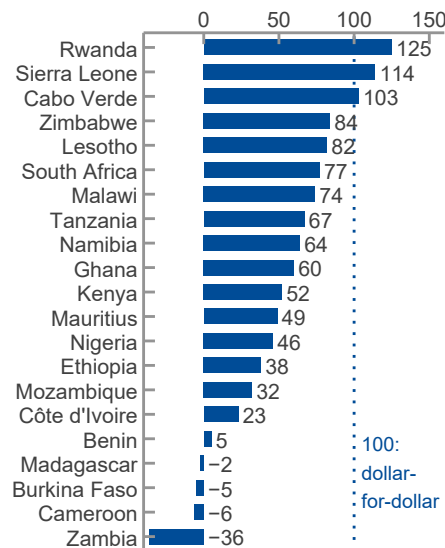
Productive investment and private-sector reforms are essential to raise productivity, improve living standards, and build resilience. Output per worker remains far below other regions (Figure 3.4). The structural reforms emphasized in the April 2026 Regional Economic Outlook—improving power supply, digital connectivity, skills and the business environment—remain central. Better contract enforcement, greater transparency and reforms of network-sector state-owned enterprises can reduce business costs and support investment. Advancing regional integration and reducing non-tariff barriers can enlarge markets, while deeper domestic financial markets can expand local-currency financing. Wider adoption of digital technologies and AI offers opportunities for productivity and state capacity, provided connectivity, skills and data governance keep pace. However, unlike technology exporters in Asia, most economies in the region receive little direct support from the AI investment boom. Commodity exporters such as the Democratic Republic of the Congo may benefit indirectly.¹⁰

Diversified, cleaner generation, stronger grids and regional power trade can reduce imported-fuel exposure. Sequencing should reflect institutional capacity and distributional impacts; relief should not be financed by repeatedly sacrificing the investment needed for long-term growth.

Figure 3. Fuel Price Adjustment and the Design of Protection

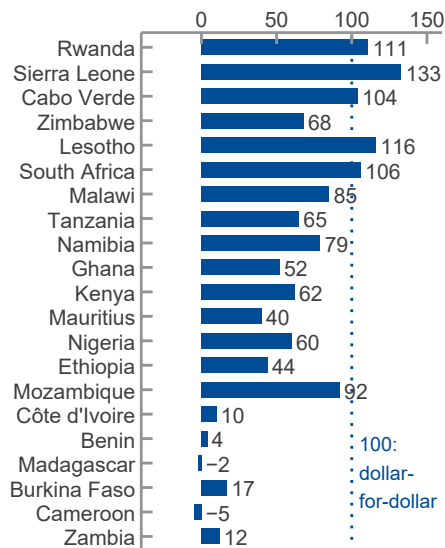
3.1. Gasoline pass-through varies widely...

(Percent of benchmark US-dollar-per-liter increase)



3.2. ...and diesel adjustment can differ.

(Percent of benchmark US-dollar-per-liter increase)

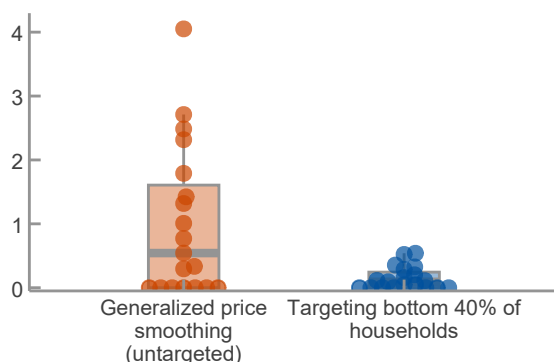


Sources: GlobalPetrolPrices.com; national sources; EIA U.S. Gulf Coast spot prices; National household surveys; and IMF staff calculations.

Note: Preliminary estimates from February 23 to September 14, 2026. Pass-through = $100 \times \text{change in retail price} / \text{change in the corresponding refined-product benchmark}$. This is not a subsidy rate. Ethiopia excludes the higher commercial diesel tariff.

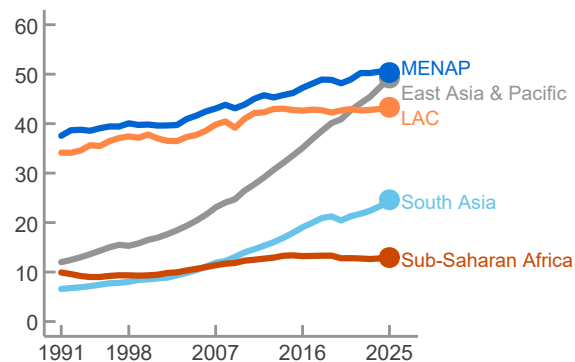
3.3. Targeting support better can preserve resources...

(Implicit fiscal cost, percent of GDP)



3.4. ...for public investment to raise productivity.

(GDP per worker, constant 2021 PPP dollars, thousand international dollars)



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

Note: Figure 3.3: 19-country comparison; transfers match the poorest 40 percent's fuel-support benefit, not their full loss from the shock. Shaded boxes indicate interquartile ranges and horizontal lines indicate medians.

MENAP = Middle East, North Africa, Afghanistan and Pakistan; LAC = Latin America and the Caribbean; PPP = purchasing power parity.

Box 1. El Niño: Risks to Food and Electricity Supply in 2026–27

El Niño is expected to strengthen further and persist through February 2027, threatening food and electricity supply in 2026–27. The ongoing El Niño is expected to be one of the most intense on record. Although impacts will vary across locations and seasons, combined food and energy shortfalls could reduce growth and raise inflation, import bills and fiscal and financing pressures, especially where buffers are depleted.

Southern Africa faces elevated risks to food and electricity supply. Forecasts for October 2026–March 2027 favor below-normal rainfall across much of the region, including parts of Malawi, Mozambique, Zambia and Zimbabwe. Crop and pasture losses could reduce rural incomes and raise food prices; lower reservoir levels could constrain hydropower. During the 2023/24 drought, Zambia’s maize harvest fell by about half, while falling reservoir levels contributed to prolonged power cuts affecting mainly households. Heavy hydropower dependence and limited alternative supply amplified the electricity shock.

In Eastern Africa, rainfall deficits threaten some growing seasons, while heavier rains elsewhere can benefit agriculture but also increase flood risks. El Niño is typically associated with drier June–September conditions in northern and western Ethiopia. October–December forecasts favor above-normal rainfall in parts of the Greater Horn of Africa, particularly southern Ethiopia and northeastern Kenya. Additional rain could replenish water supplies and benefit agriculture, but flooding could damage crops and infrastructure and increase disease risks. In West Africa and the Sahel, El Niño has historically coincided with July–September rainfall shortfalls.

A strong El Niño could lower growth and raise inflation across the region. AFRMOD simulations assume a drop in global agricultural output that leads to a 20 percent rise in global agricultural commodity prices above current projections and correspondingly lower crop yields in Southern Africa. They show a median GDP growth reduction of 0.5 percentage point and a median inflation increase of 2.6 percentage points in 2027 in sub-Saharan Africa. Losses are largest in countries hit directly or more dependent on agriculture.

Lower output would weaken revenue just as import bills and emergency spending rise. Hydropower shortfalls would increase demand for costly fuel and electricity imports. In Malawi, foreign-exchange shortages constrain energy, food and fertilizer imports, limiting the ability to offset domestic shortfalls.

Pre-arranged funding and reliable delivery systems can help governments respond quickly to food and power shortfalls. Pre-arranged funding should have clear payout triggers, backed by budget procedures that allow rapid disbursement. Governments should use existing beneficiary lists and payment channels to deliver targeted support, while improving these systems over time. Food and power contingencies should be coordinated regionally, drawing on specialist agencies for agricultural and health responses.

Sources: WMO, El Niño/La Niña Update, September 3, 2026; SADC, SARCOF-33 outlook, August 28; ICPAC, October–December 2026 Summary for Decision Makers, September 10; FAO–WFP, El Niño Joint Anticipatory Action Appeal, June 2026–March 2027. Zambia: FAO GIEWS Country Brief, October 18, 2024; IMF Country Report 25/242, “Building Resilience to Climate Shocks,” paragraphs 19–22. West Africa and the Sahel: FAO El Niño overview.

Note: AFRMOD is the sub-Saharan African version of the Flexible System of Global Models.

Endnotes

- 1/ Prepared by Amirah Arifin, Michele Fornino, Cleary Haines, Athene Laws, Maurizio Leonardi, Can Sever, Nikola Spatafora and Felix Vardy, under the guidance of Montfort Mlachila, Slavi Slavov and Amadou Sy.
- 2/ International Monetary Fund (IMF). 2026. *World Economic Outlook*; International Monetary Fund, Washington, DC, October. Inflation denotes cross-country medians of annual-average CPI.
- 3/ International Monetary Fund (IMF). 2026. *World Economic Outlook*, Chapter 1. S&P Global; Food and Agriculture Organization (FAO) Food Price Index, August 2026: [FAO Food Price Index | Food and Agriculture Organization of the United Nations](#). PMI sample: Ghana, Kenya, Mozambique, Nigeria, South Africa, Uganda and Zambia.
- 4/ [GlobalPetrolPrices.com](#); national sources; EIA U.S. Gulf Coast gasoline and diesel spot prices; Fiscal measures: IMF Global Policy Tracker, March–May 2026 announcements.
- 5/ International Monetary Fund (IMF). 2026. *World Economic Outlook*, “Lessons from Cost-of-Living Crises.” International Monetary Fund, Washington, DC, October.
- 6/ The US 10-year treasury yield increased from 4 percent at end-February to 5.2 percent at end-September.
- 7/ International Monetary Fund (IMF). 2026. *Regional Economic Outlook: Sub-Saharan Africa—Hard-Won Gains Under Pressure*, April. Wezel, Torsten, Zulma Barrail, and Salim Dehmej (2026) “The Sovereign-Bank Nexus in Emerging Markets and Developing Economies,” IMF Working Paper 26/113, International Monetary Fund, Washington, DC. Lemaire, Thibault and Rachid Pafadnam. Forthcoming. “Public Debt Consolidation in Sub-Saharan Africa.”
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