

Is Rising Africa Facing Headwinds?

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International Monetary Fund
June 2015

International Monetary Fund, Regional Economic Outlook for Sub-Saharan Africa, April 2015



Outline

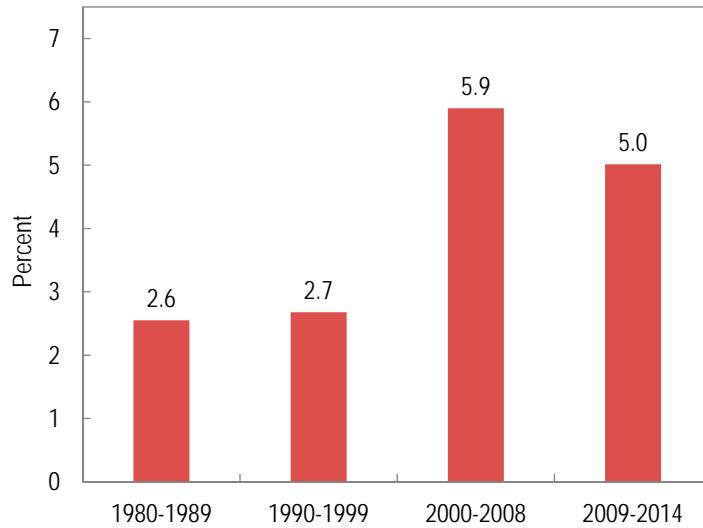


- The Growth Take-Off in Sub-Saharan Africa
- Global Commodity Price Decline
- Vulnerabilities and Risks
 - Global Financial Volatility
 - Other Risks
- Policy Implications

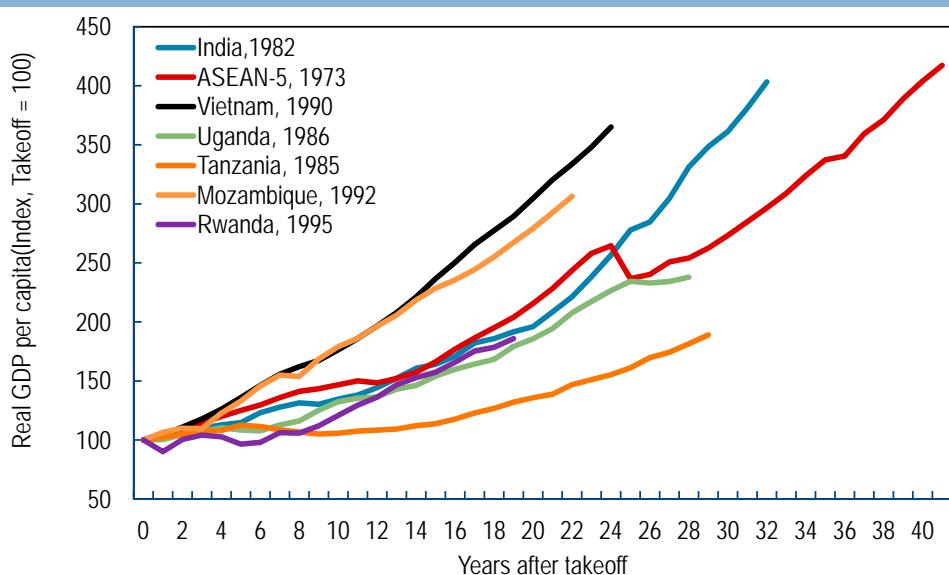
Africa has seen strong growth since the late 1990s



Sub-Saharan Africa: Average Real GDP Growth, 1980-2013



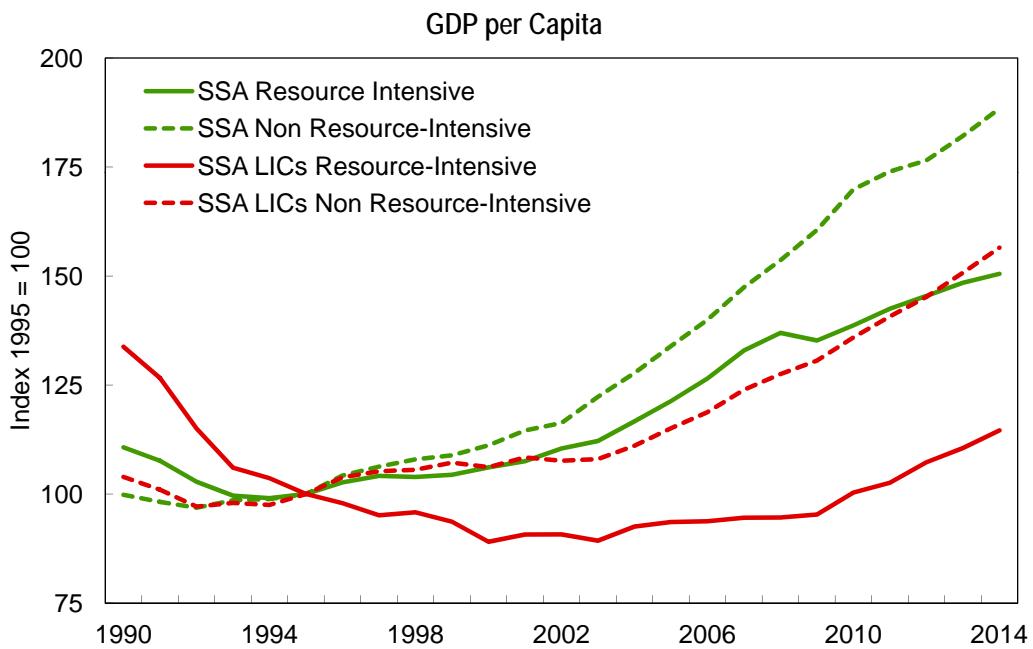
Some countries matching Asia's performance



Sources: IMF, *World Economic Outlook*.

Excludes China for presentation purposes, as China's growth is much higher than that of the other countries. ASEAN 5 = Indonesia, Malaysia, the Philippines, Singapore and Thailand.

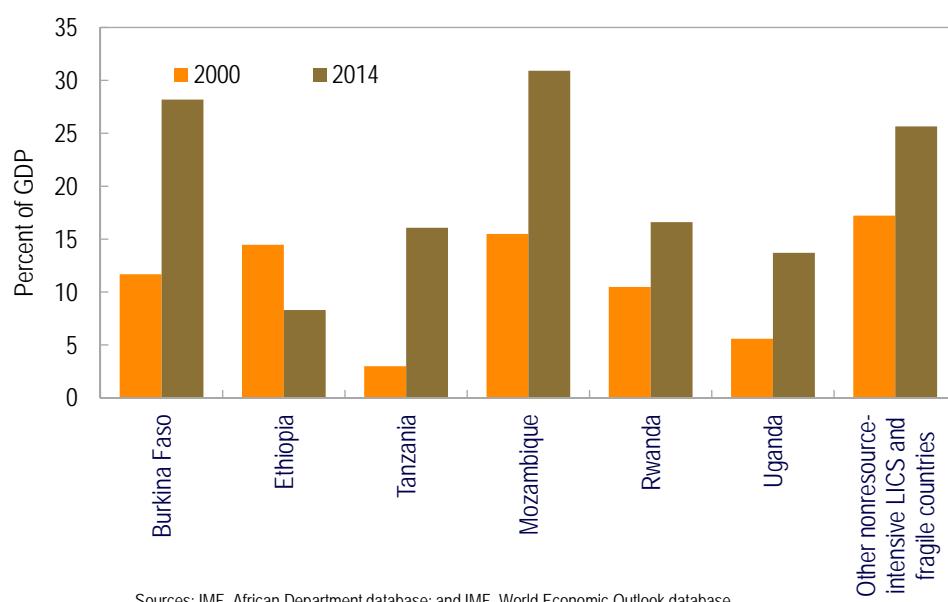
Growth has not been driven by natural resources



Good economic policies have resulted in deeper financial sectors ...



Sub-Saharan Africa Sample Countries: Credit to the Private Sector

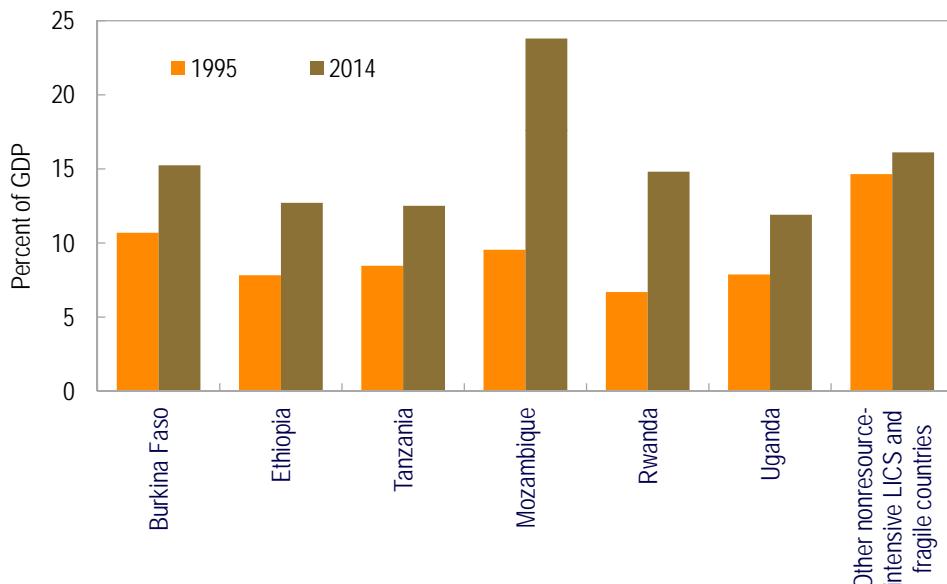


Sources: IMF, African Department database; and IMF, World Economic Outlook database.

... broader tax bases ...



Sub-Saharan Africa Sample Countries: Tax Revenue, 1995 and 2014



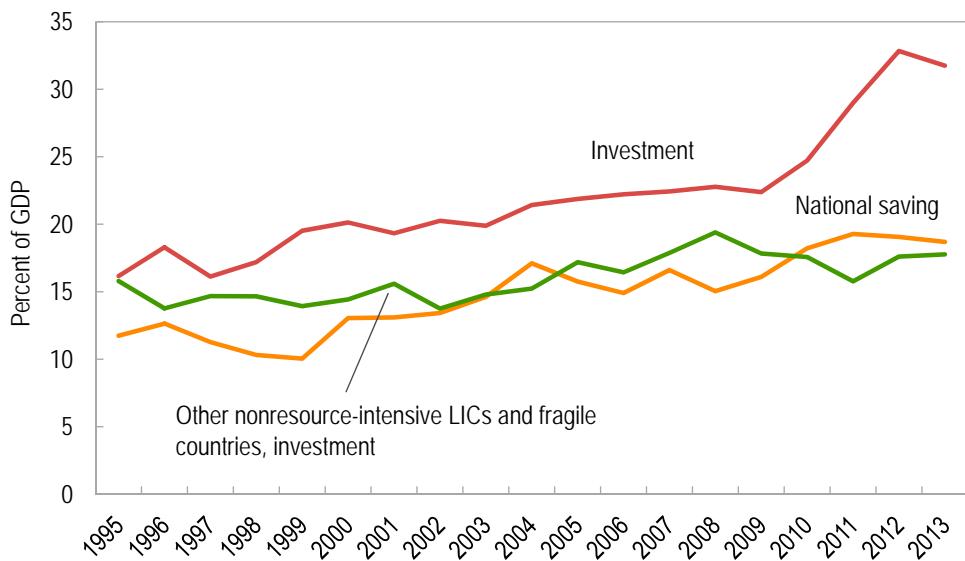
Source: IMF, World Economic Outlook database.

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... and rising investment



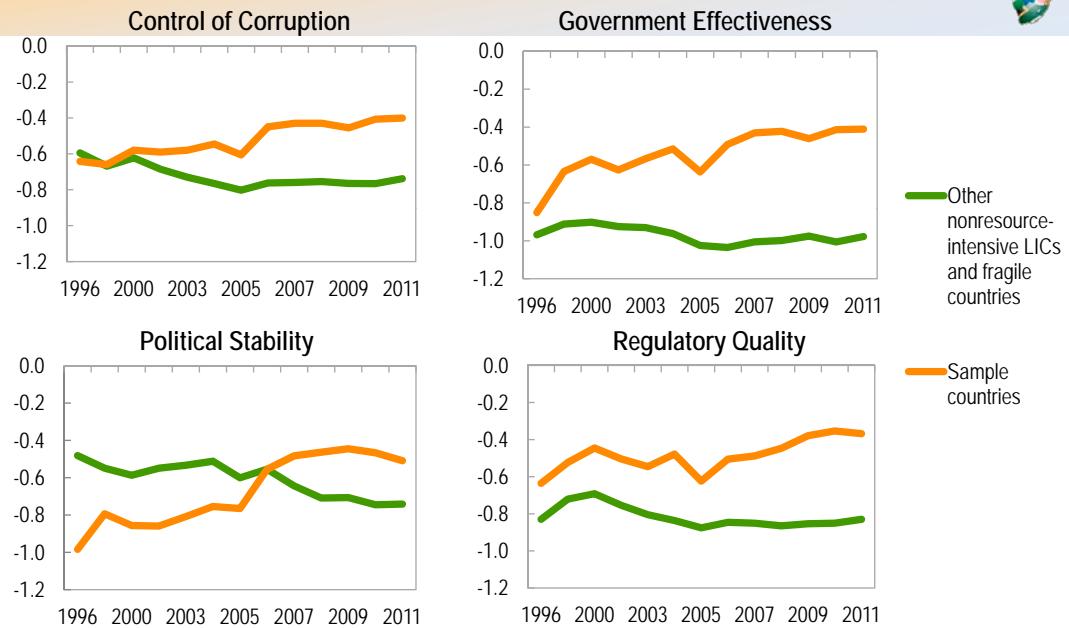
Sub-Saharan Africa Sample Countries: Saving and Investment, 1995–2013



Source: IMF, World Economic Outlook database.

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Political and structural reforms have also helped



Source: IMF staff estimates based on World Bank, *Worldwide Governance Indicators*.

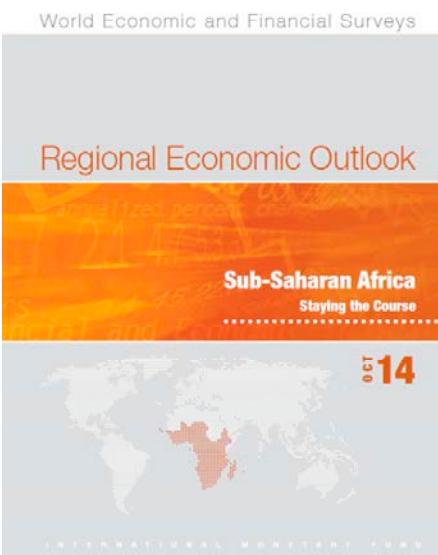
Note: LIC signifies low-income country. The composite measures of governance of the *Worldwide Governance Indicators* are expressed in units of a standard normal distribution, with mean zero, standard deviation of one, and running from approximately -2.5 to 2.5, with higher values corresponding to better governance.

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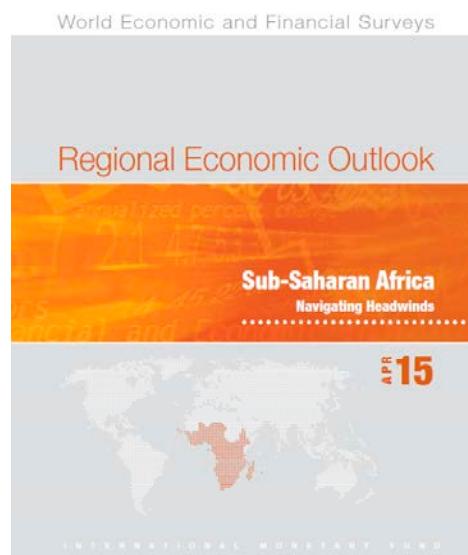
A major shock has materialized and altered the near-term challenges facing some of the largest countries in the region.



Staying the Course



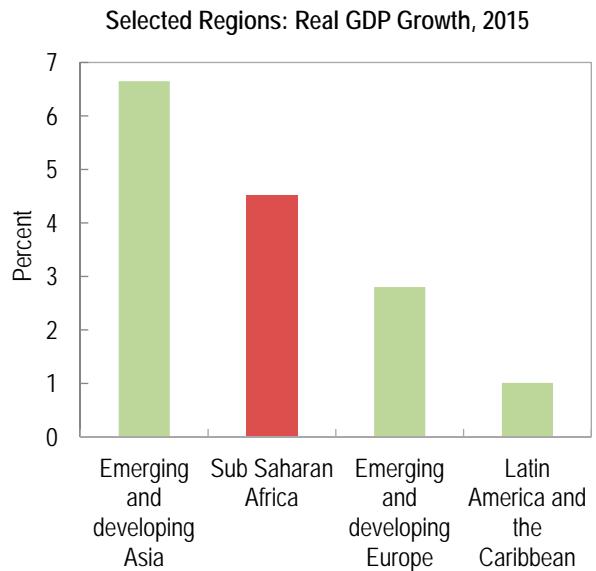
Navigating Headwinds



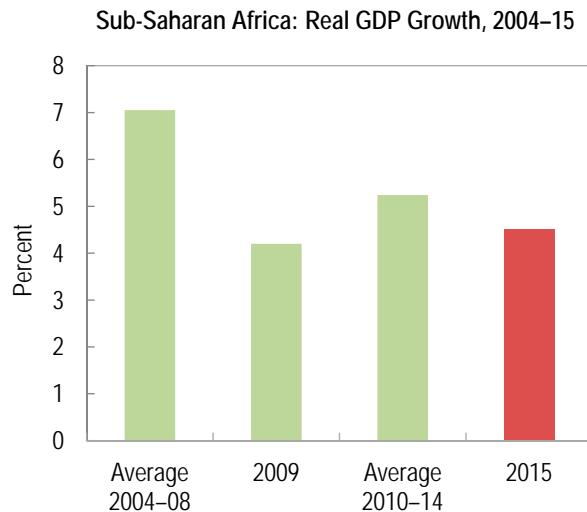
The outlook for 2015 remains solid ...



Still the 2nd fastest growing region of the world



... but at the lower end of the range by recent standards



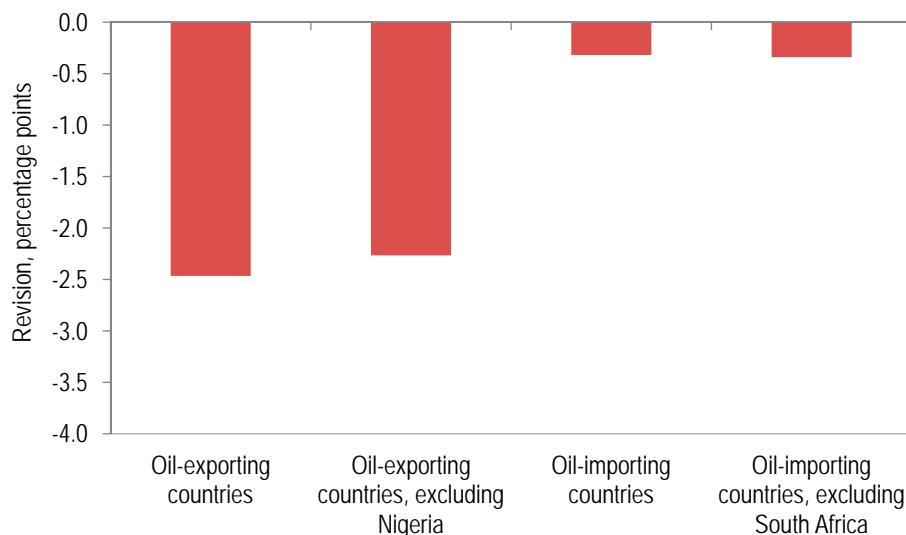
Growth Outlook

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... but less strong than just six months ago



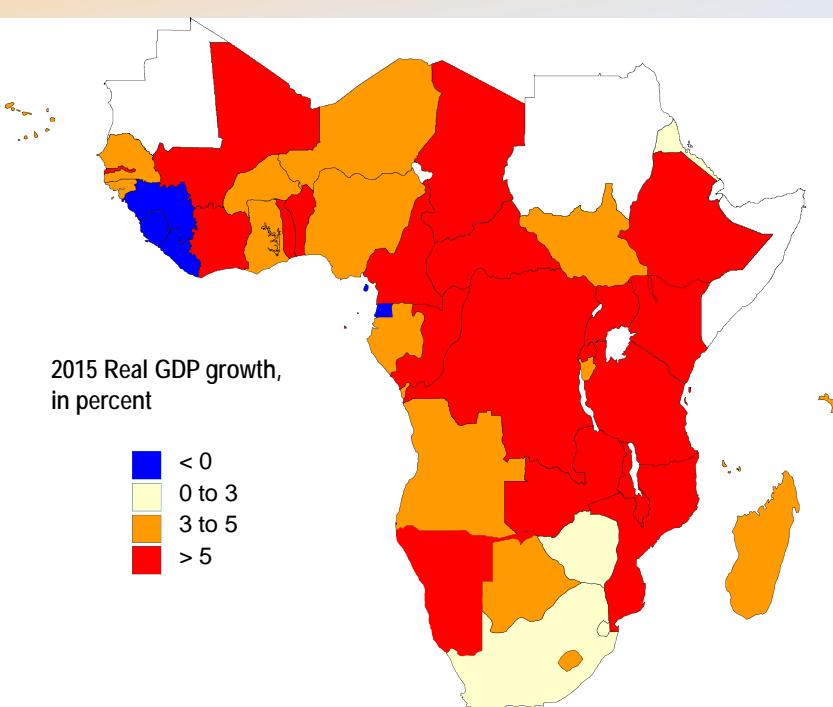
Sub-Saharan Africa: Real GDP Growth Projection in 2015, Change from October 2014



Growth Outlook

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A large part of the region will experience growth in excess of 5 percent in 2015

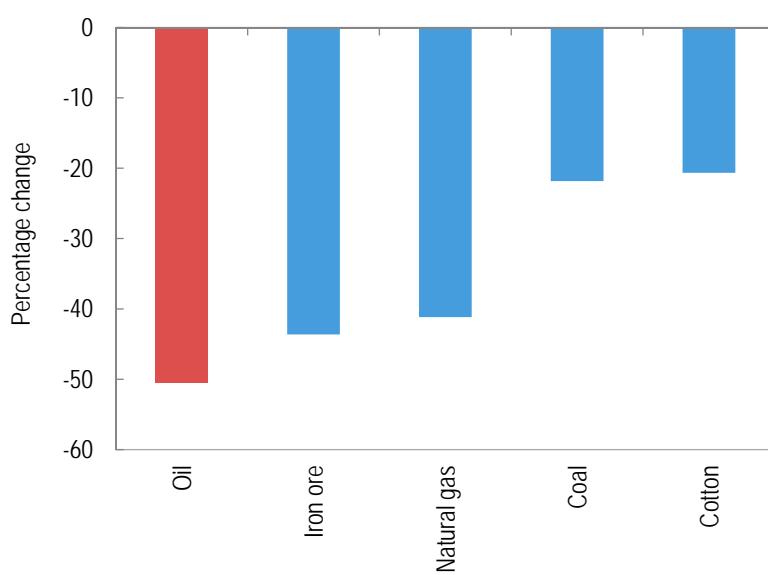


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Global prices of oil, and of several other commodities, have plunged...



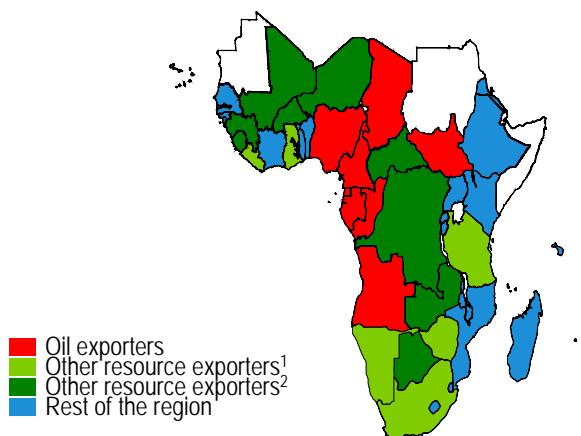
Selected Global Commodity Prices,
Change from June 2014–March 25, 2015



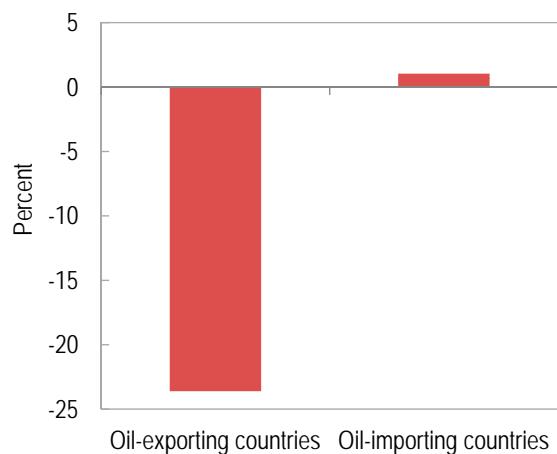
... with a significant adverse impact on oil exporters, but only marginally benefiting oil importers.



Sub-Saharan Africa: Commodity Exporters



Sub-Saharan Africa: Terms of Trade Growth, 2015



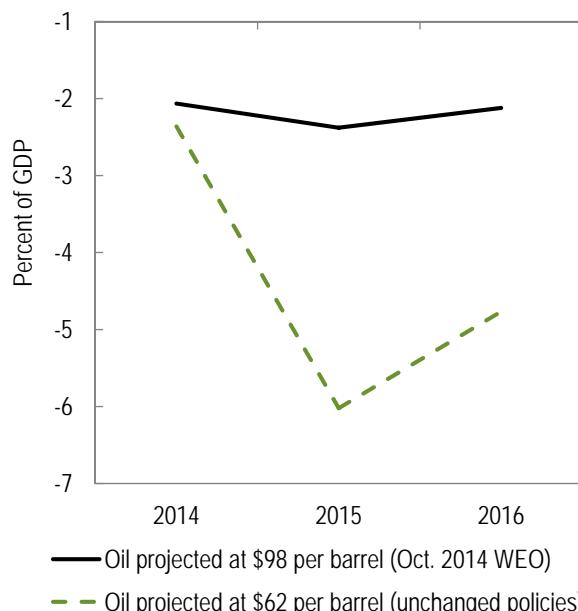
¹ Countries for which nonrenewable resource exports are between 25 percent and 50 percent of goods exports.

² Countries for which nonrenewable resource exports are over 50 percent of goods exports.

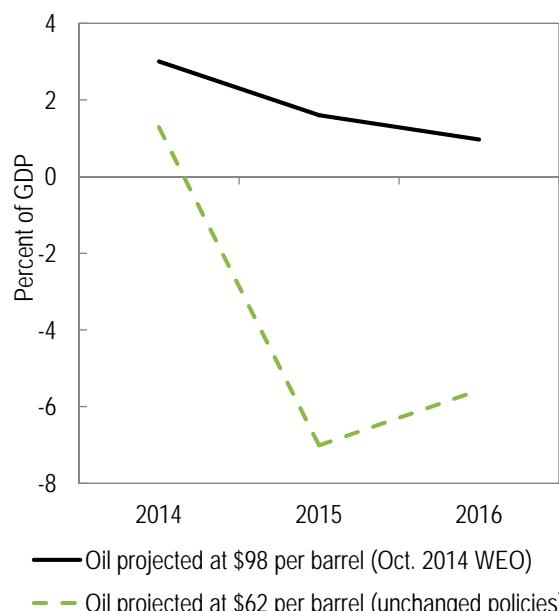
Oil exporters' fiscal and external balances will deteriorate



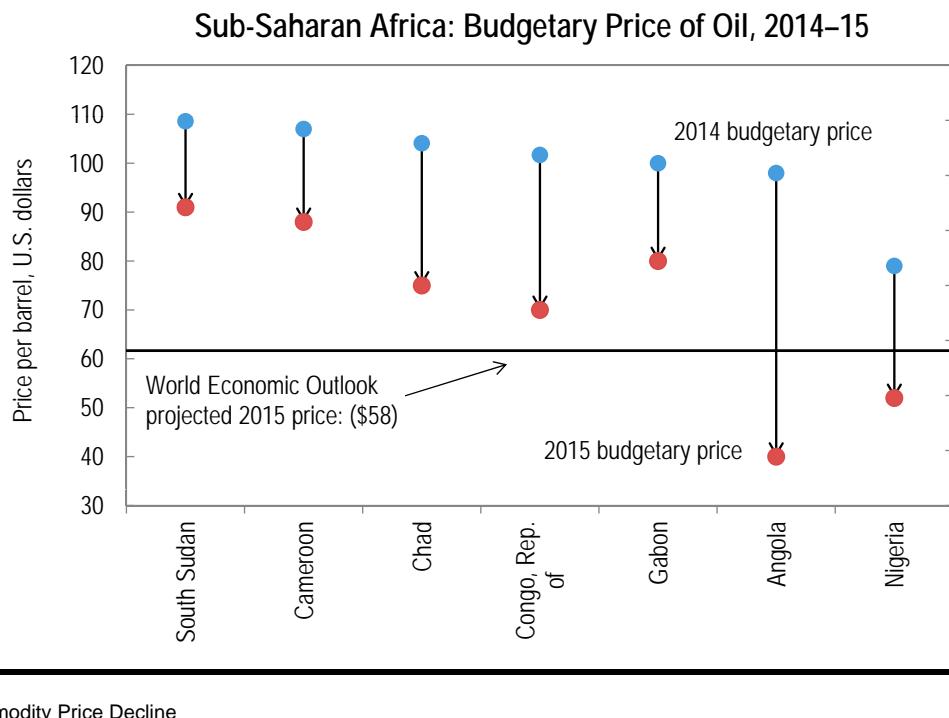
Sub-Saharan African Oil Exporters: Fiscal Balance with Unchanged Policies, 2014–16



Sub-Saharan African Oil Exporters: Current Account Balance, with Unchanged Policies 2014–16



Fiscal policies have been adjusted to reflect falling revenue from oil-related activities ...

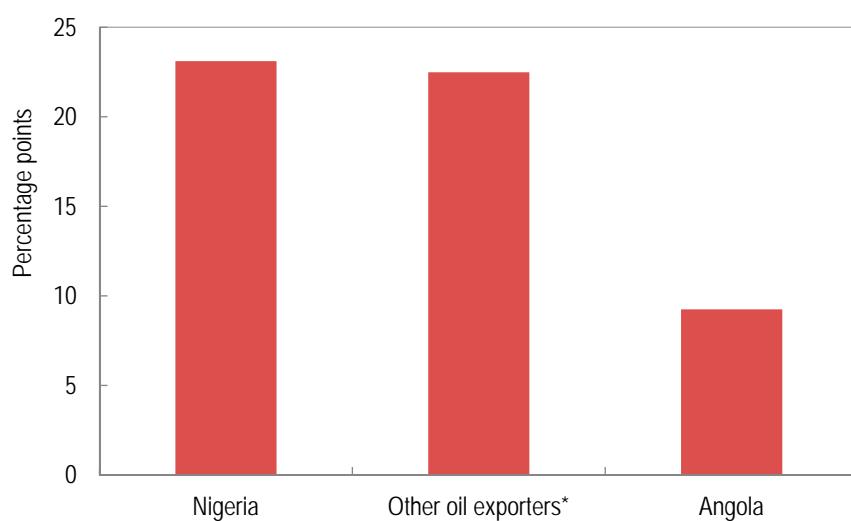


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... and depreciating exchange rates have helped support the adjustment

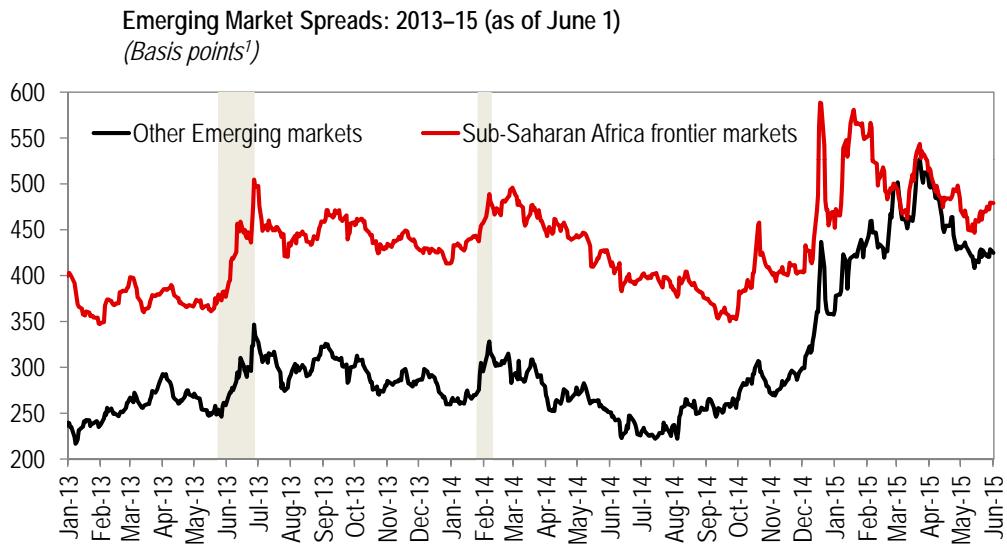


Sub-Saharan African Oil Exporters: Nominal Exchange Rate, National Currency to U.S. Dollar, September 2014–March 2015



* Includes Cameroon, Chad, Republic of Congo, Equatorial Guinea, and Gabon.

Spreads for sub-Saharan African frontier markets have moved up in tandem with those in emerging markets ...

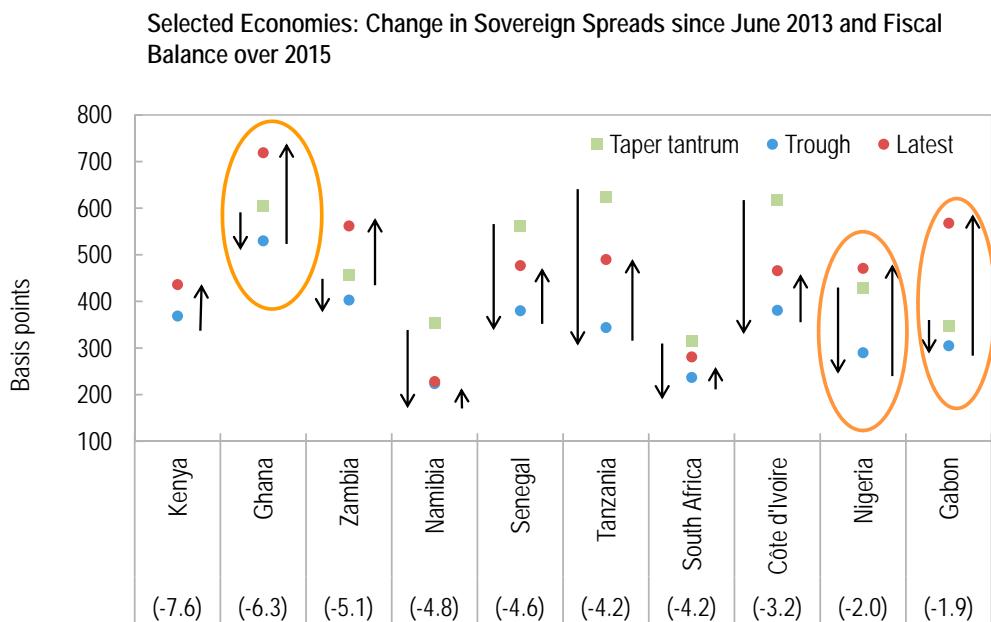


Source: Bloomberg, L.P.

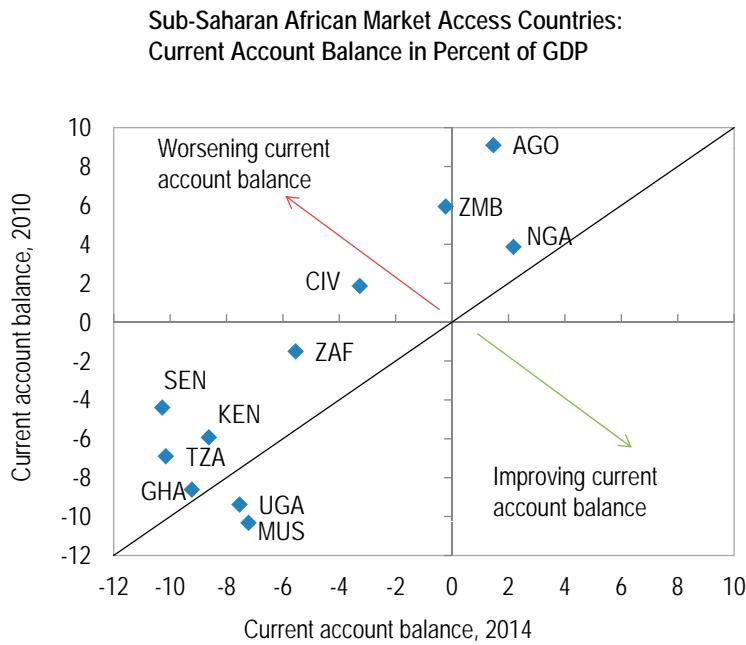
Note: EMBI = J.P. Morgan Emerging Market Bond Index Global.

¹The sub-Saharan Africa frontier markets simple average includes the spreads of Côte d'Ivoire, Gabon, Ghana, Kenya, Nigeria, Senegal, Tanzania, and Zambia. Shaded areas correspond to "taper tantrum" periods (May 21, 2013–June 24, 2013) and January 21–February 4, 2014).

... with spreads widening especially for countries that exhibit vulnerabilities or face policy uncertainties.



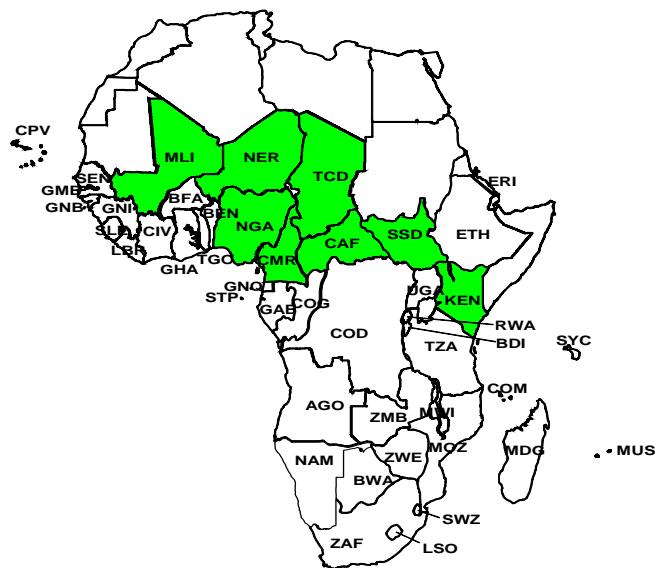
... and external imbalances widening in many frontier markets



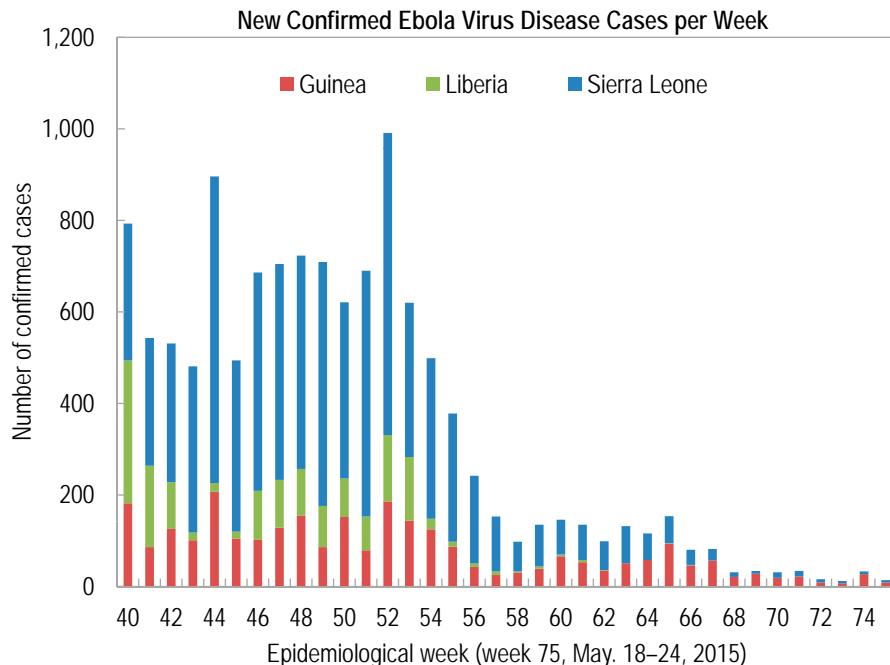
The outlook is also subject to some domestic risks, such as security ...



Security risks



... and the Ebola epidemic, which appears to be gradually coming under control



Policies will depend on country-specific conditions, but some near-term actions are needed

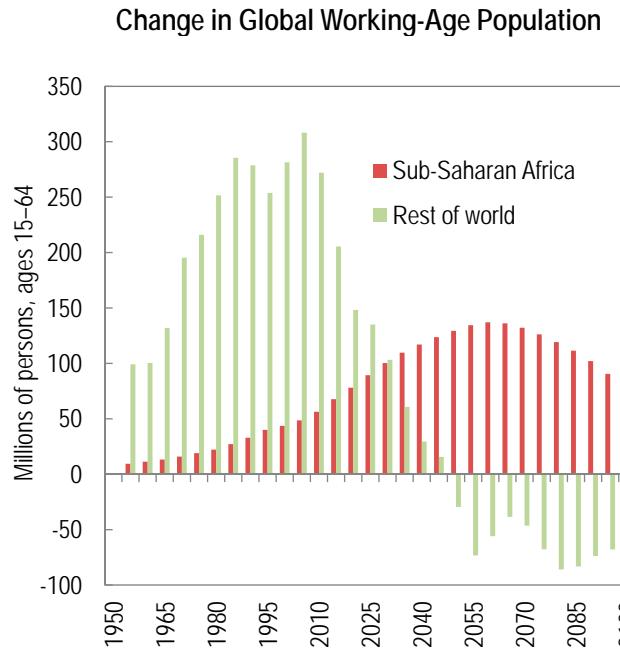


- Oil exporters need to adjust their fiscal stance and where feasible, allow further exchange rate flexibility
- Pursue fuel subsidy reform and initiate the process of moving to flexible fuel and energy pricing mechanisms

The region's medium-term prospects are bright, but good policies are needed to reap the dividends



- Structural transformation is needed to diversify and sustain high and inclusive growth:
 - Address the infrastructure deficit while preserving debt sustainability
 - Promote policies for export growth



Policy Implications

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World Economic and Financial Surveys

Regional Economic Outlook

Sub-Saharan Africa
Navigating Headwinds

APR 15

INTERNATIONAL MONETARY FUND

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Regional Economic Outlook
for sub-Saharan Africa
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