



# Africa: Regional Economic Outlook

2015 African Caucus

August 27, 2015



# Outline

Part I: Near-term outlook

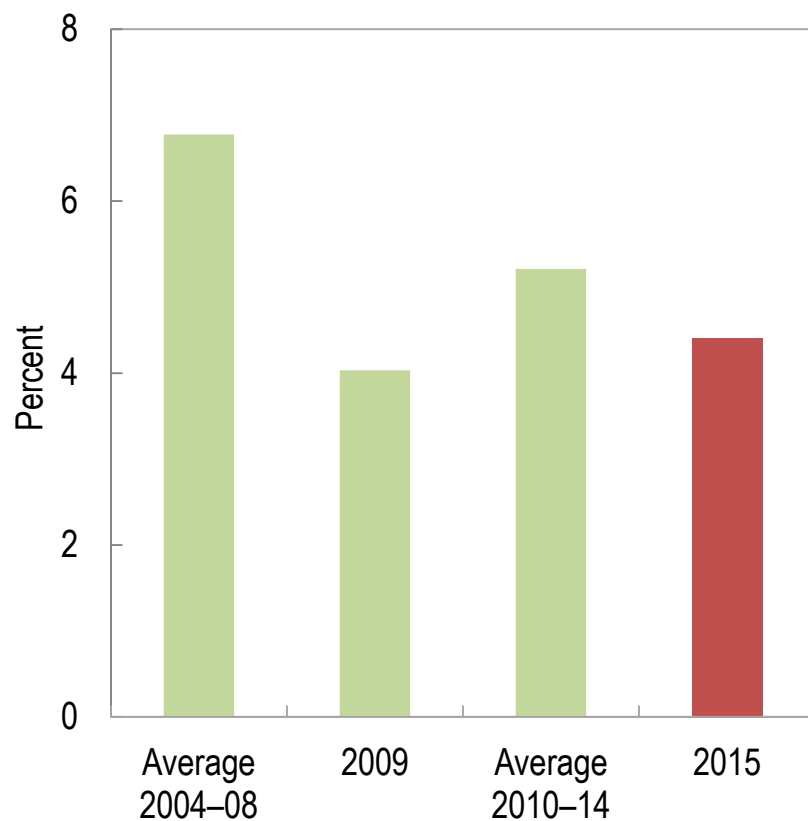
Part II: Risks surrounding the outlook

Part III: Longer-term challenges

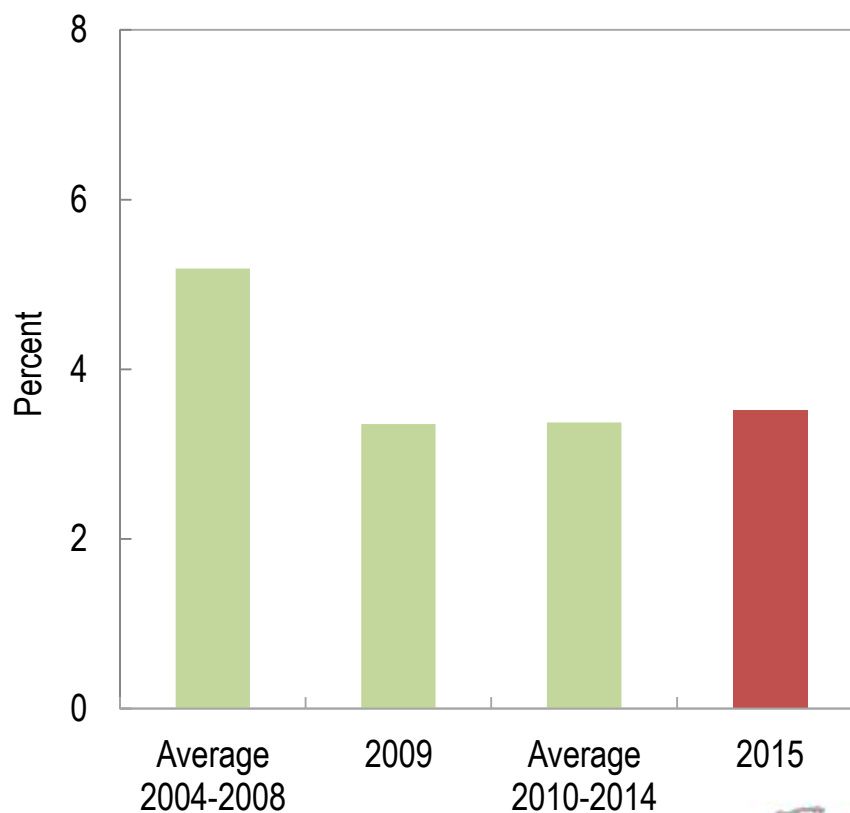


The region looks set to register solid growth in 2015, albeit at the lower end of the range registered in recent years.

Sub-Saharan Africa: Real GDP Growth, 2004–15

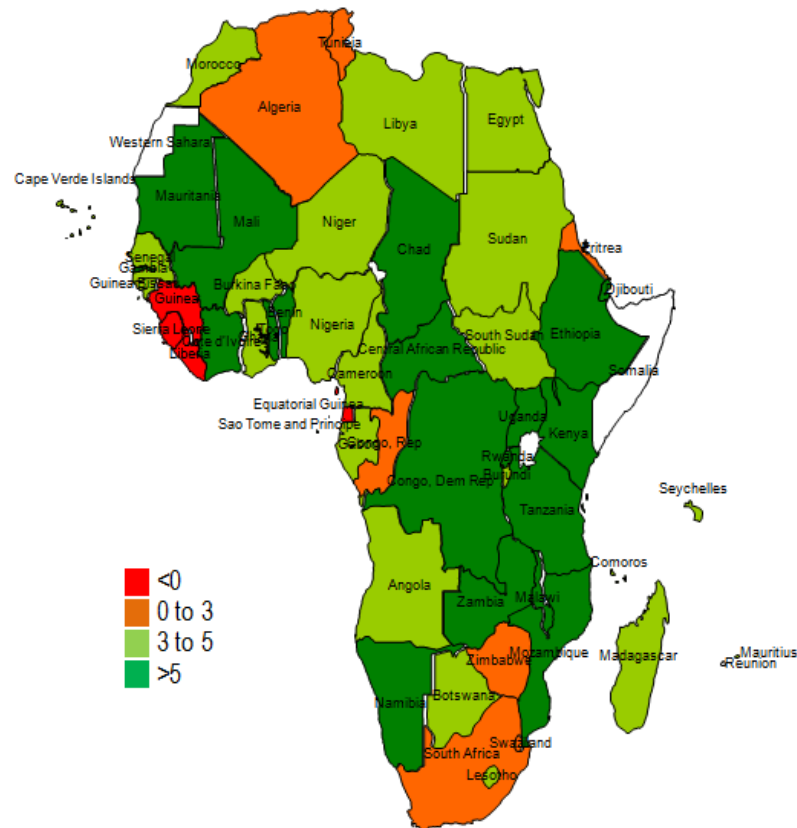


North Africa: Real GDP Growth, 2004–15



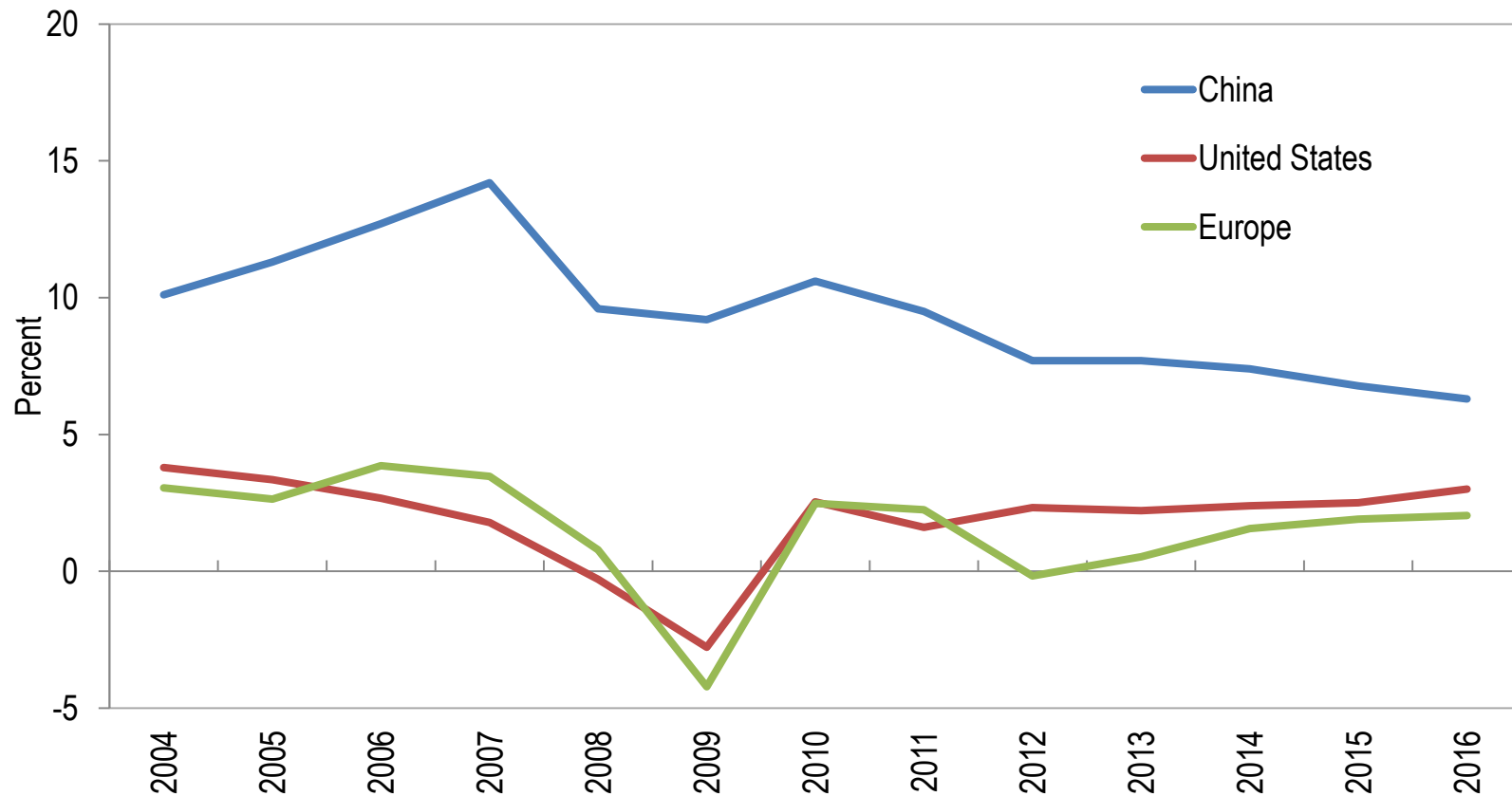
# Differences within the region, but many countries are experiencing high growth

Africa: Real GDP Growth, 2015

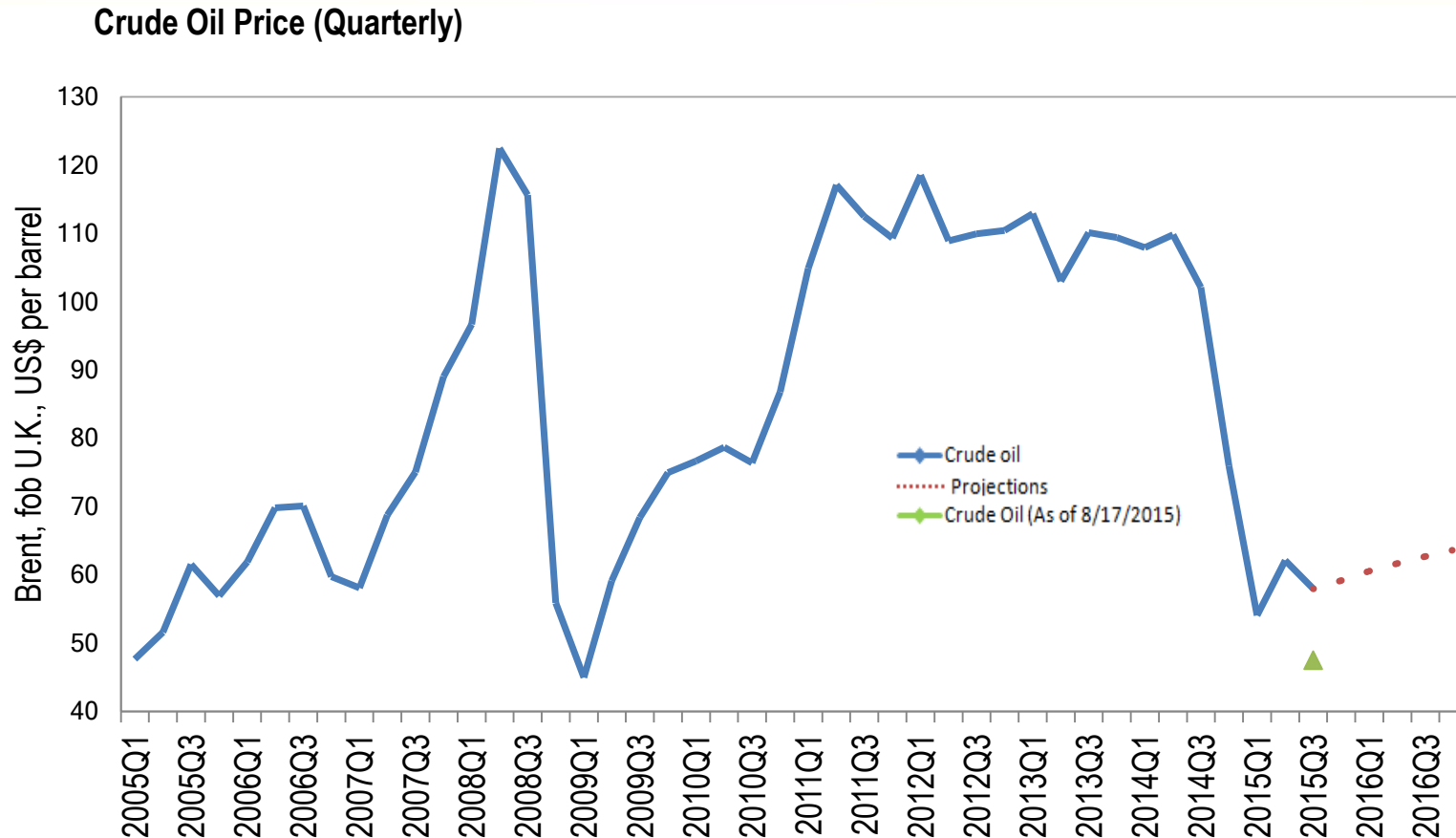


On the external front, China is slowing down, while Europe and the United States are gradually recovering (July WEO).

China, Europe, and United States: Real GDP Growth, 2004-2018



Oil prices have plummeted and while still expected to slowly recover, have fallen further recently.



Source: IMF Commodity Price System, GAS.



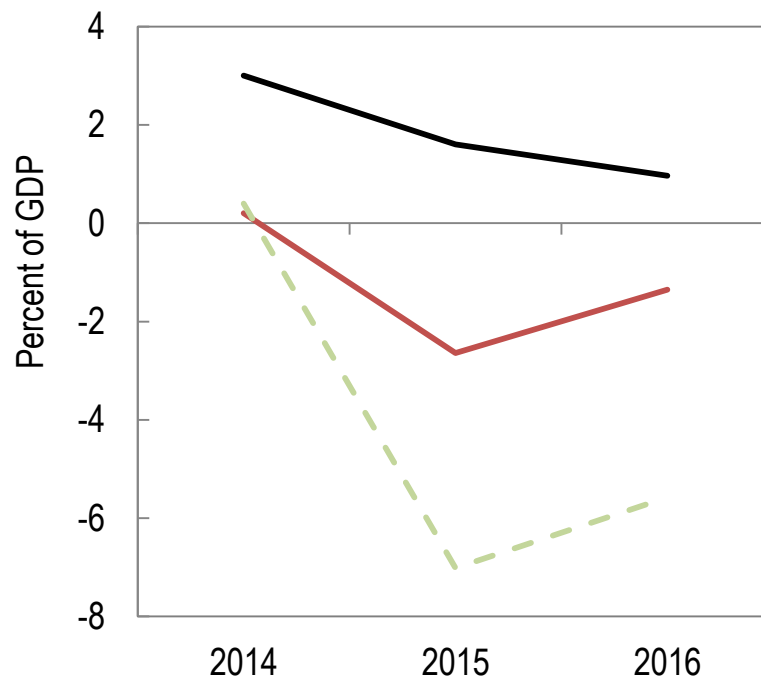
# The oil price drop is a significant negative shock for oil exporting countries, that has required significant adjustment.

**Sub-Saharan African Oil Exporters:  
Fiscal Balance, 2014–16**



- October 2014 WEO
- July 2015 WEO
- - - No adjustment scenario

**Sub-Saharan African Oil Exporters:  
Current Account Balance, 2014–16**



# Oil exporting countries have taken measures, but may need to do more.

## Policy actions include:

- Fiscal
  - 2015 budget expenditure cuts, especially on investment.
  - Fuel subsidy reform.
  - Tax measures, including increasing tax rates.
- Greater exchange rate flexibility, where feasible.

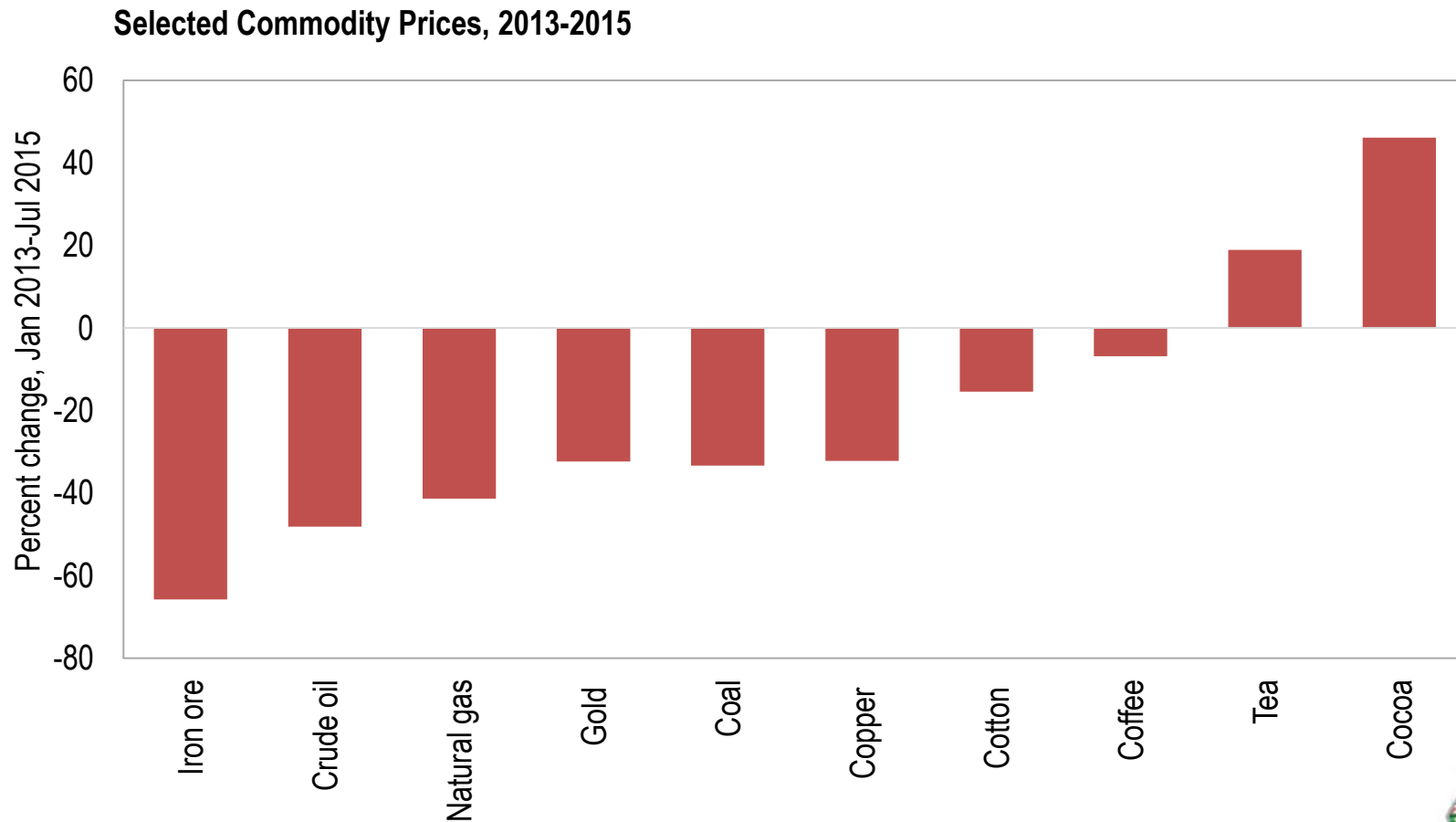
## Main Challenges:

- Fiscal
  - Orderly implementation of spending cuts.
  - Prioritizing infrastructure/social expense.
  - Mobilizing non-oil revenue.
- Low liquidity in foreign exchange market, in countries with flexible arrangements.
- Absence of exchange rate tool, in countries whose currency is pegged to the euro.





But the drop in commodity prices is broad-based and will affect many SSA commodity-exporting countries.



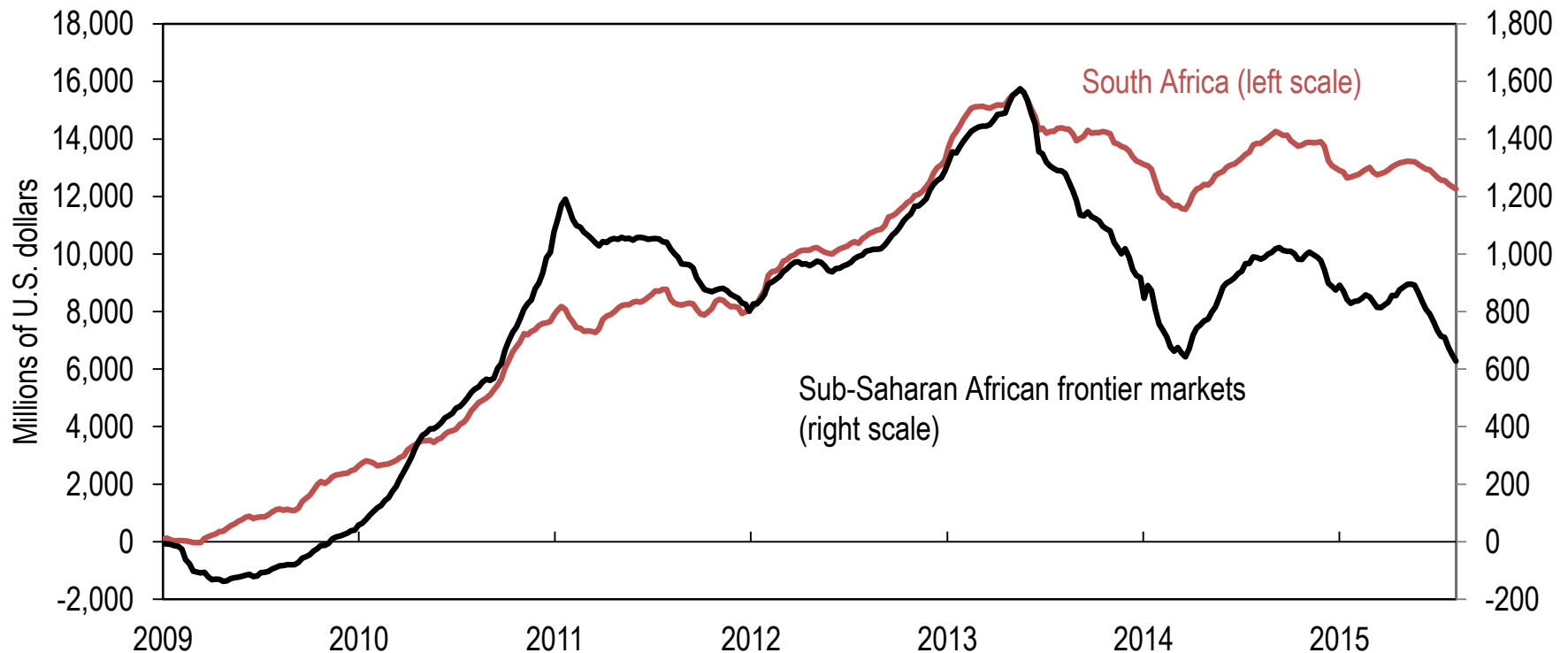
Source: IMF Commodity Price System, GAS.



Portfolio flows have become increasingly volatile, and the region has recently experienced net outflows.

### Sub-Saharan Africa: Bond and Equity Flows to Emerging and Frontier Economies

(Millions of U.S. dollars, cumulative since January 2009)



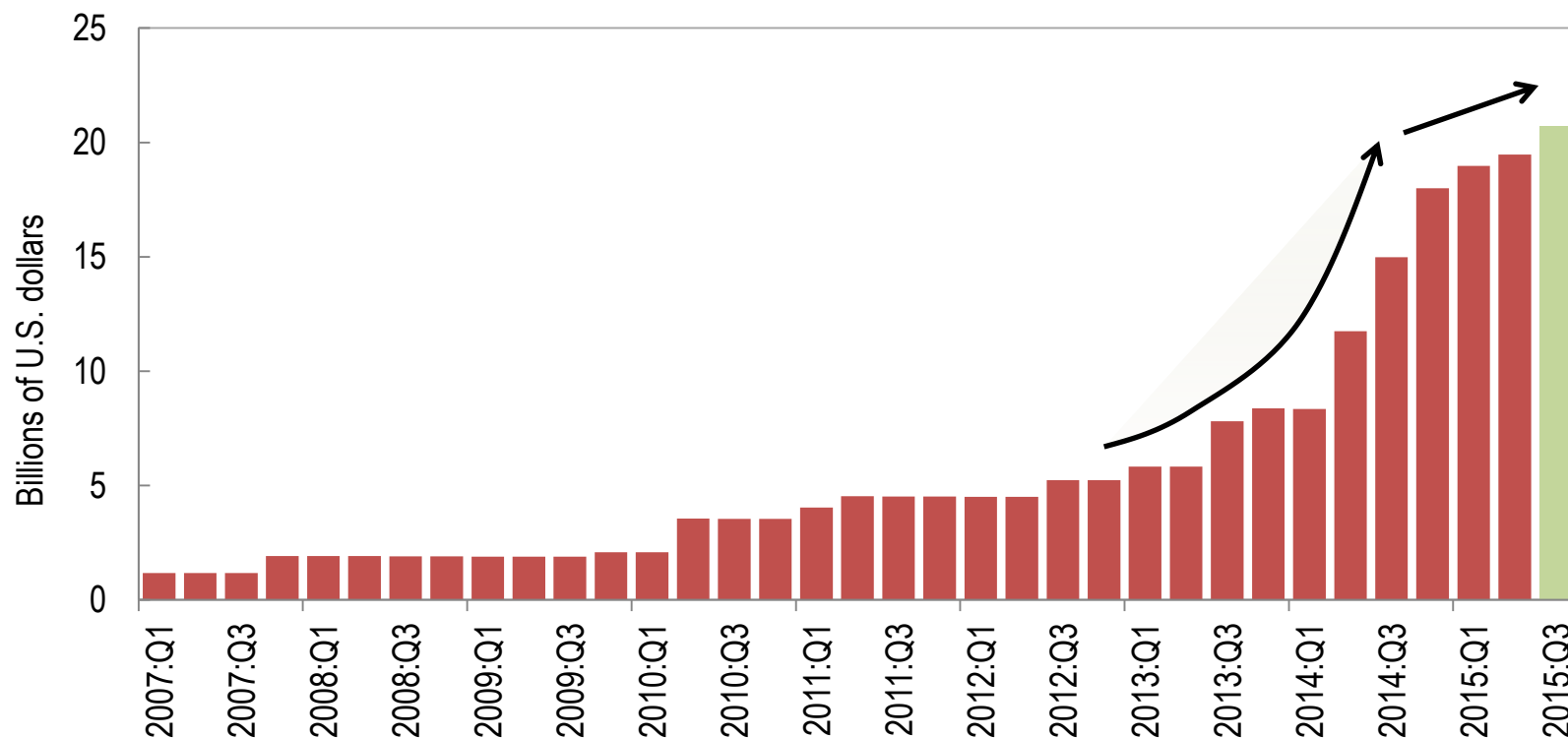
Source: Haver.

Note: Data until August 12, 2015.



Following a sharp expansion in 2013-14, the pace of sovereign bond issuance has slowed down.

### Sub-Saharan Africa: Outstanding International Sovereign Bonds for Markets Access Economies Excluding South Africa



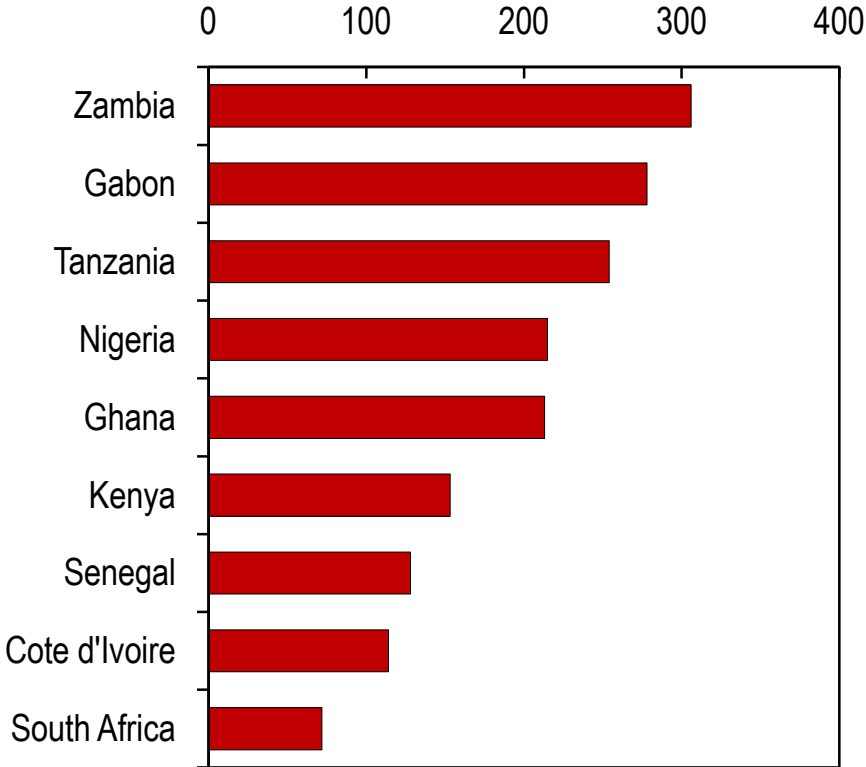
Sources: Bank for International Settlement Quarterly Review; Bloomberg, L.P.; EPFR.

Note: Market access economies includes Angola, Côte d'Ivoire, Ethiopia, Ghana, Gabon, Kenya, Mauritius, Nigeria, Rwanda, Senegal, Tanzania, Uganda, and Zambia. Data until August 18, 2015

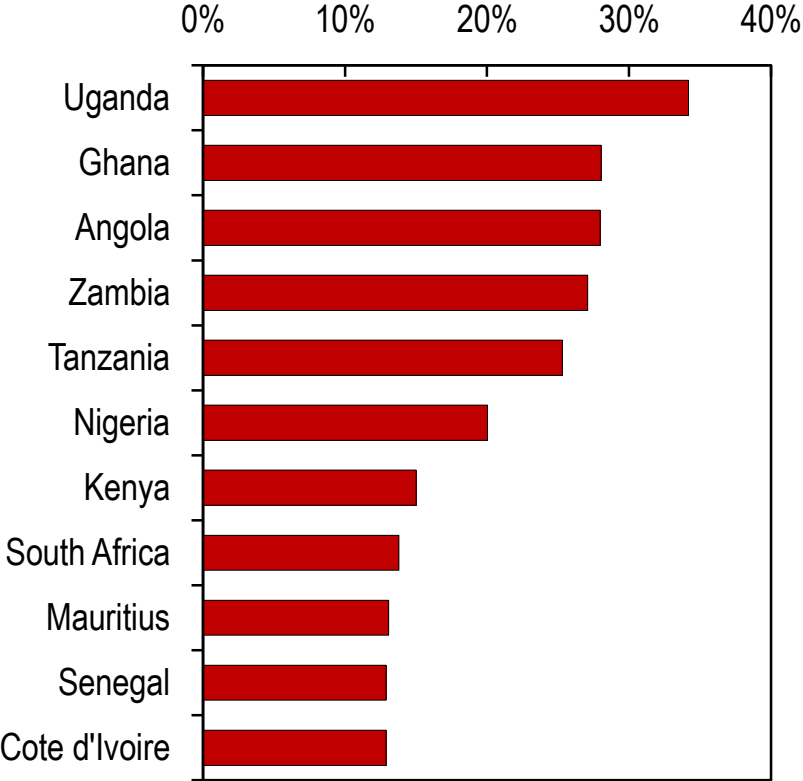


# Sovereign spreads have risen and, as elsewhere, domestic currencies have weakened vs. the U.S. dollar.

**Sub-Saharan Africa: Sovereign Spreads**  
*Basis points change since October 2014*



**Sub-Saharan Africa: Exchange Rate to U.S. dollar**  
*Depreciation since October 2014*

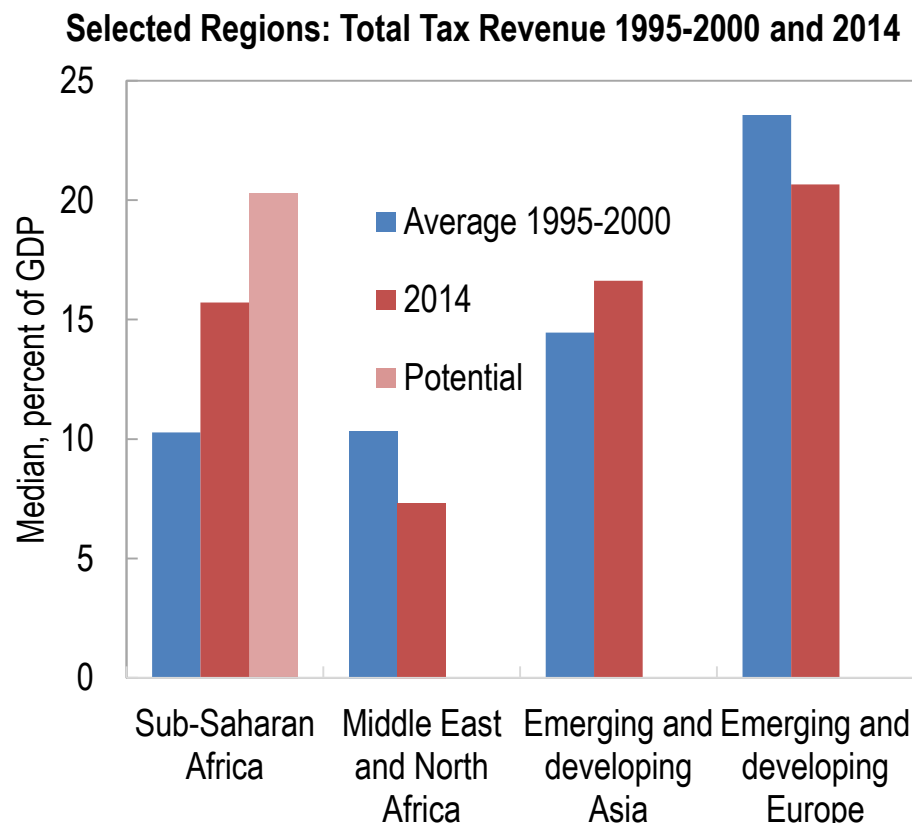
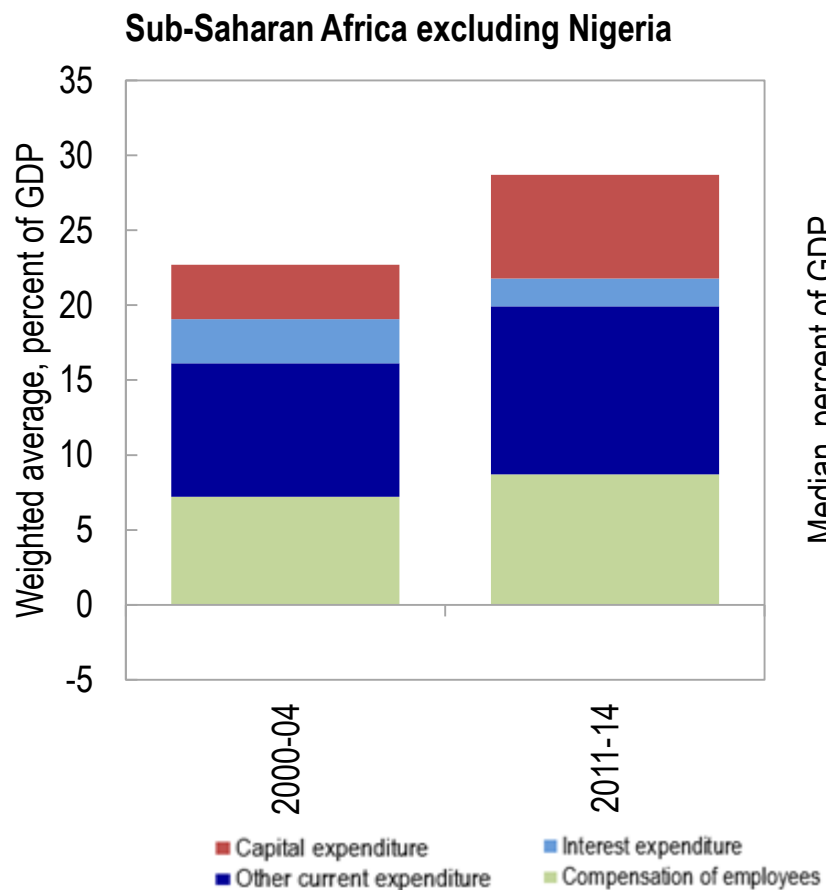


Source: Bloomberg, L.P.  
 Note: Data until August 17, 2015.



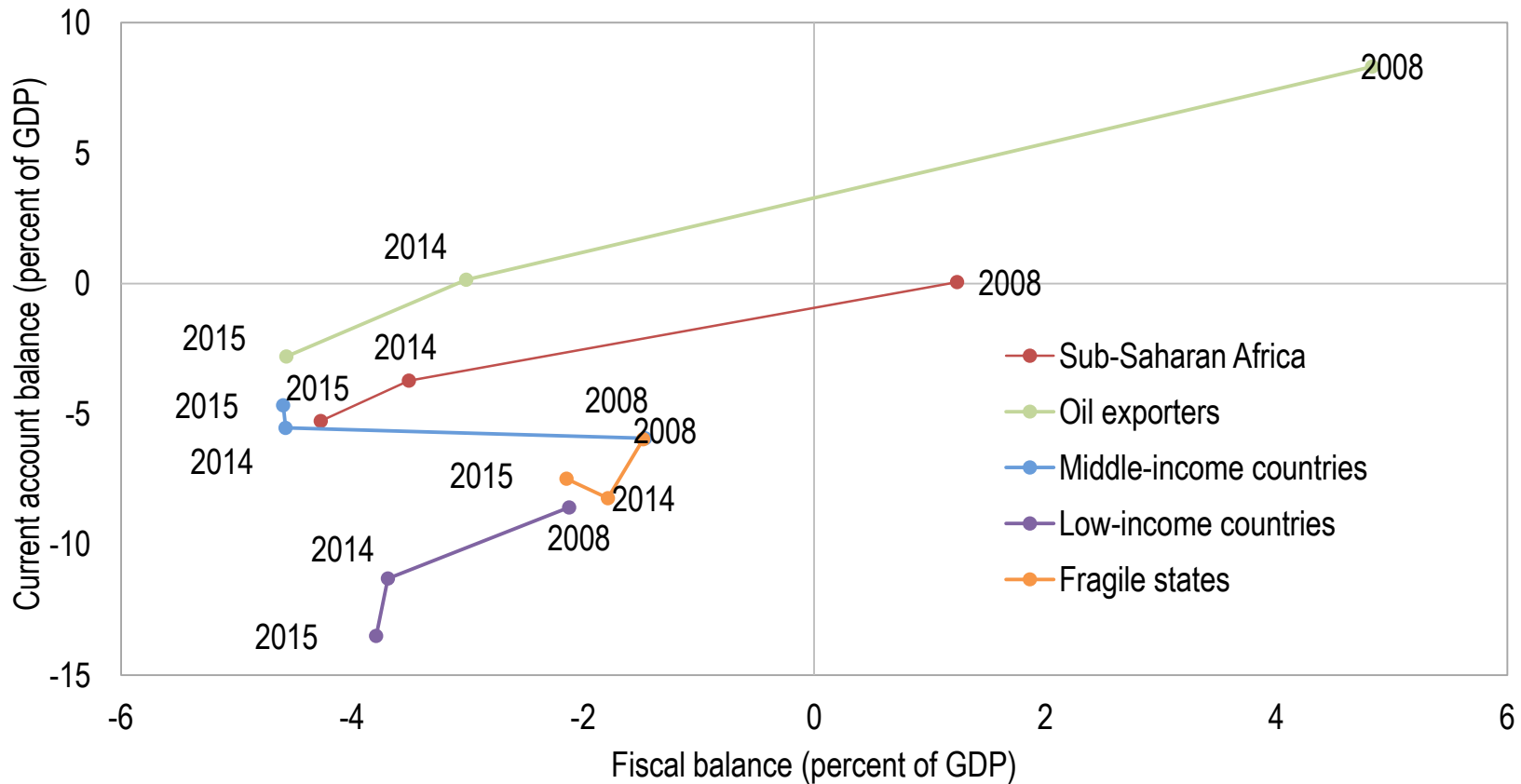
Most countries in the region were able to expand fiscal space, including through domestic revenue mobilization.

### Public Expenditure and Sources of Financing



Yet, fiscal and external positions are now weaker than they were at the start of the global financial crisis.

Sub-Saharan Africa: Current Account Balance and Fiscal Balance, 2008-2015

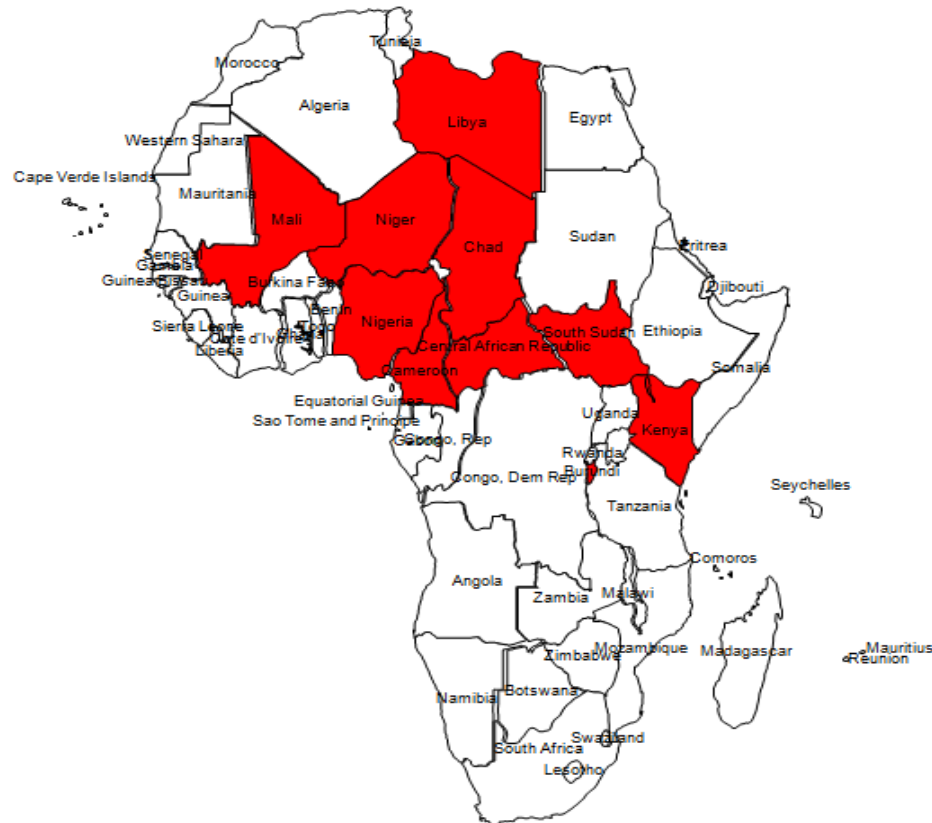


Source: IMF, World Economic Outlook database.



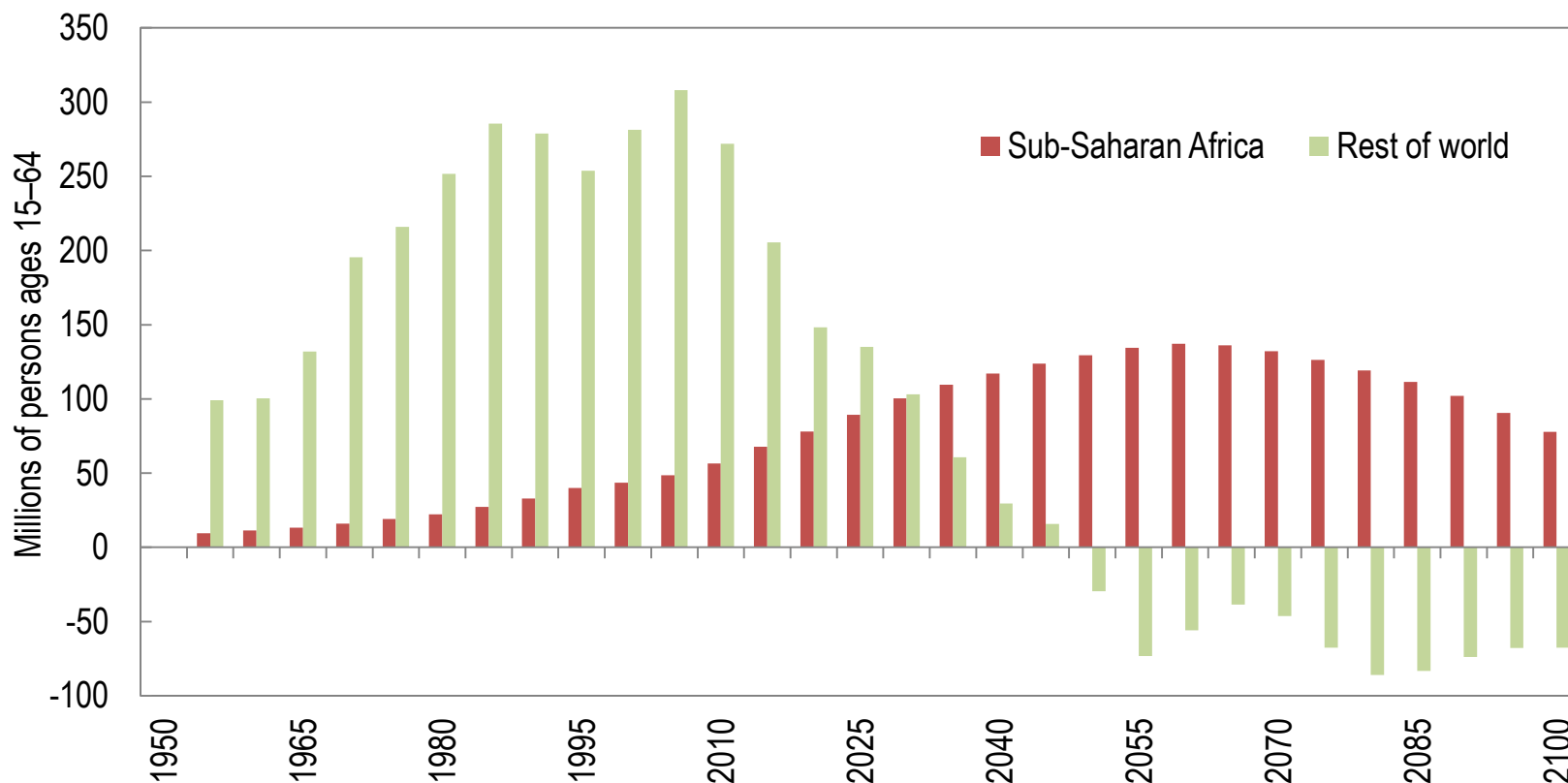
# Security risks are significant in several countries.

## Security Risks



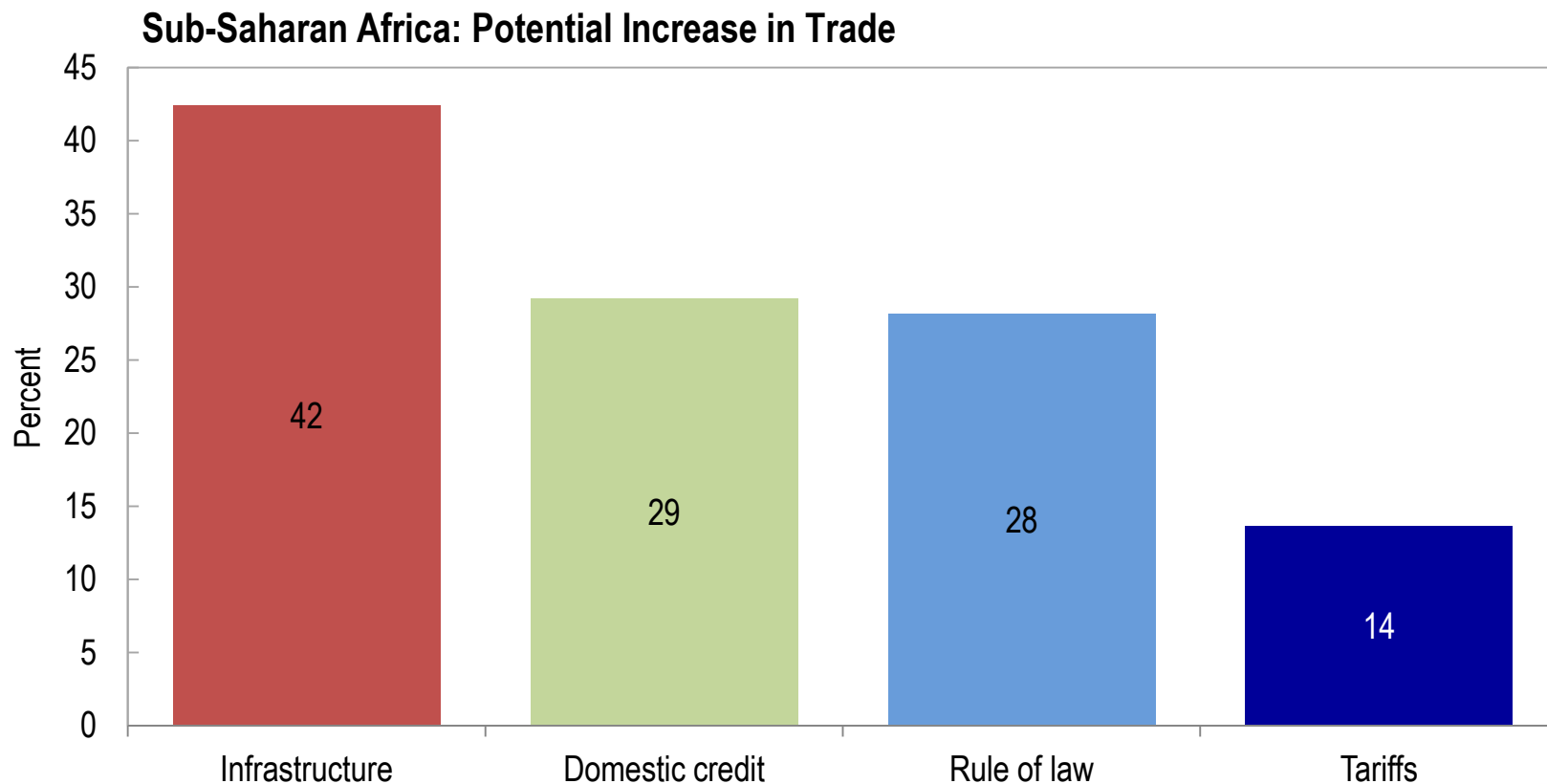
# Sustaining strong growth will be imperative given the forthcoming demographic transition.

## Change in Global Working Age Population: Sub-Saharan Africa and the Rest of the World





On the other hand, the infrastructure gap has appeared as one of the main impediments to growth and trade.

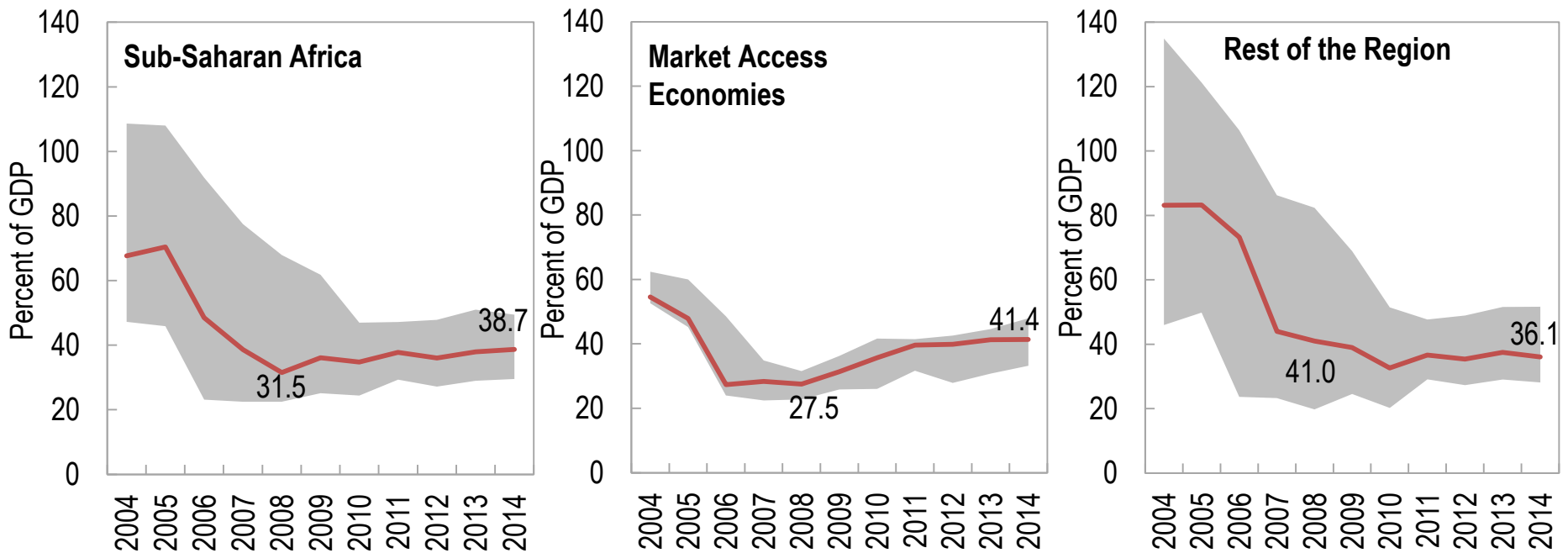


Note: Percent increase in sub-Saharan Africa's trade if the variable moves from the average for sub-Saharan Africa to the average for the rest of the world.



Public debt levels are relatively low but have been rising in some countries with access to international financial markets.

### Sub-Saharan Africa: Public Sector Debt, 2004-2014



In short, sustaining a robust growth in the medium term requires supportive policies.

## Resilient Outlook

- Still solid growth, but lower for some countries.
- Major fiscal adjustment required in oil exporting countries.

## Sustaining Growth Momentum

- Demographic transition offers much opportunities, but dividend is not automatic.
- Striking the right balance between development needs and debt sustainability remains key.
- Scope for higher revenue mobilization in many SSA countries.

