

# Navigating Headwinds

## Regional Economic Outlook for Sub-Saharan Africa

African Department  
International Monetary Fund  
April 2015

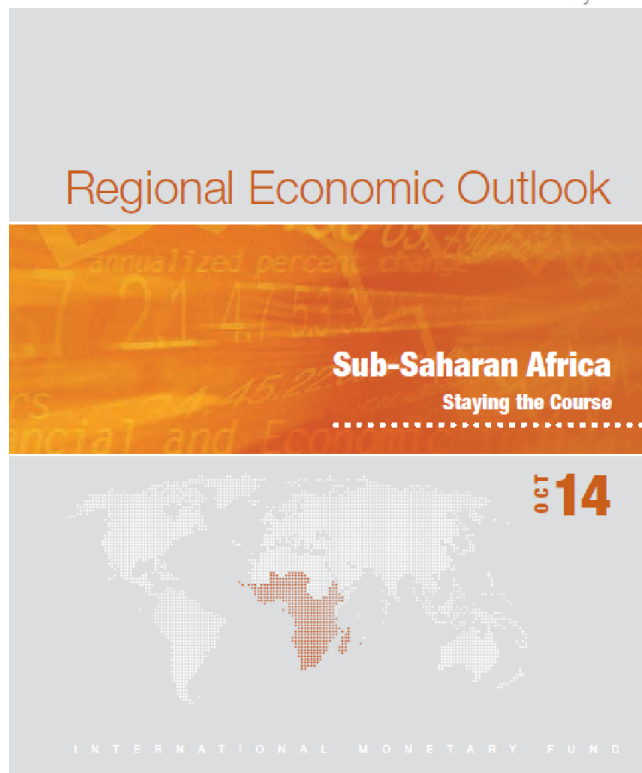


A major shock has materialized and altered the near-term challenges facing some of the largest countries in the region.



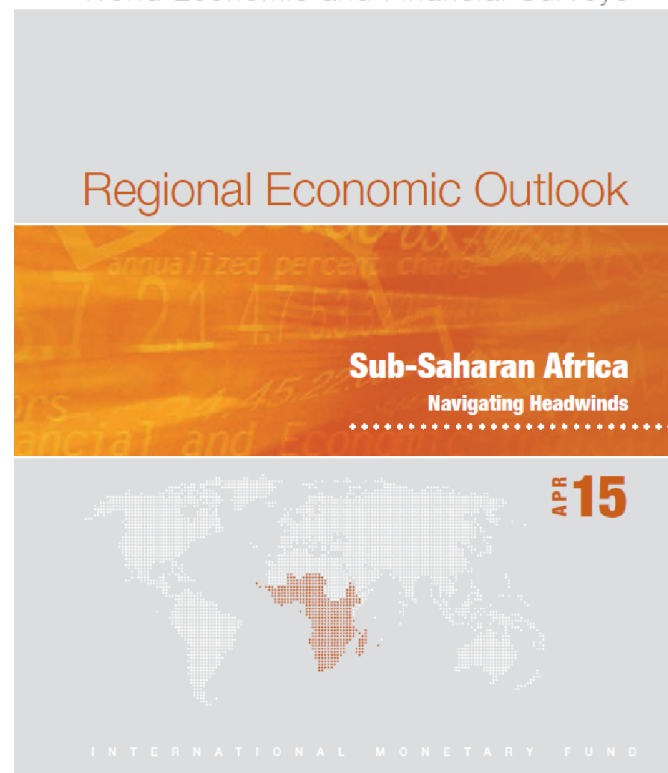
## Staying the Course

World Economic and Financial Surveys



## Navigating Headwinds

World Economic and Financial Surveys



# Outline



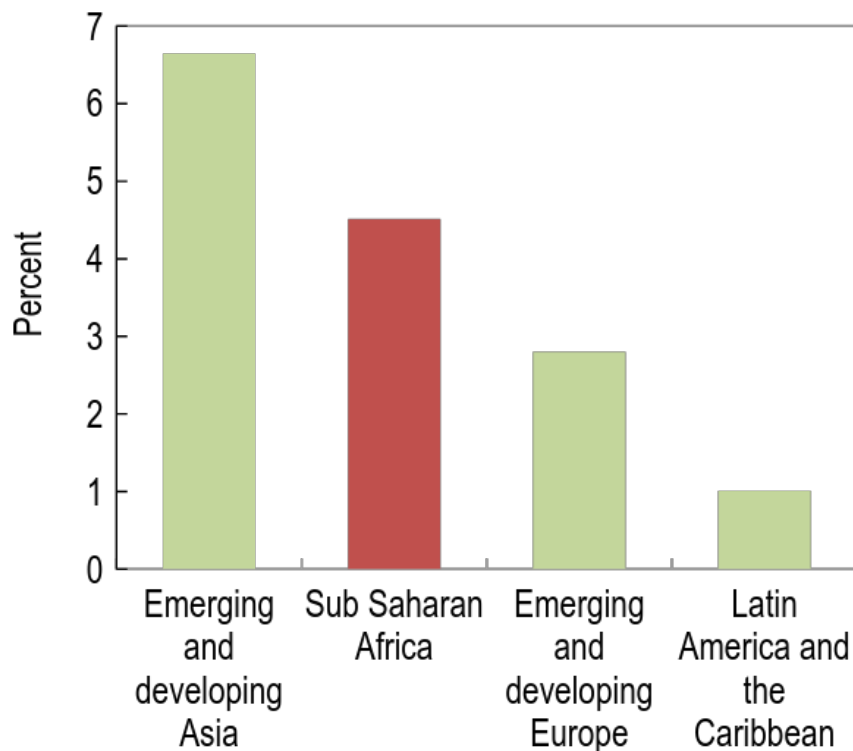
- Growth Outlook
- Global Commodity Price Decline
- Vulnerabilities and Risks
  - Global Financial Volatility
  - Other Risks
- Ebola Epidemic Update
- Policy Implications

# Growth in the region remains solid ...



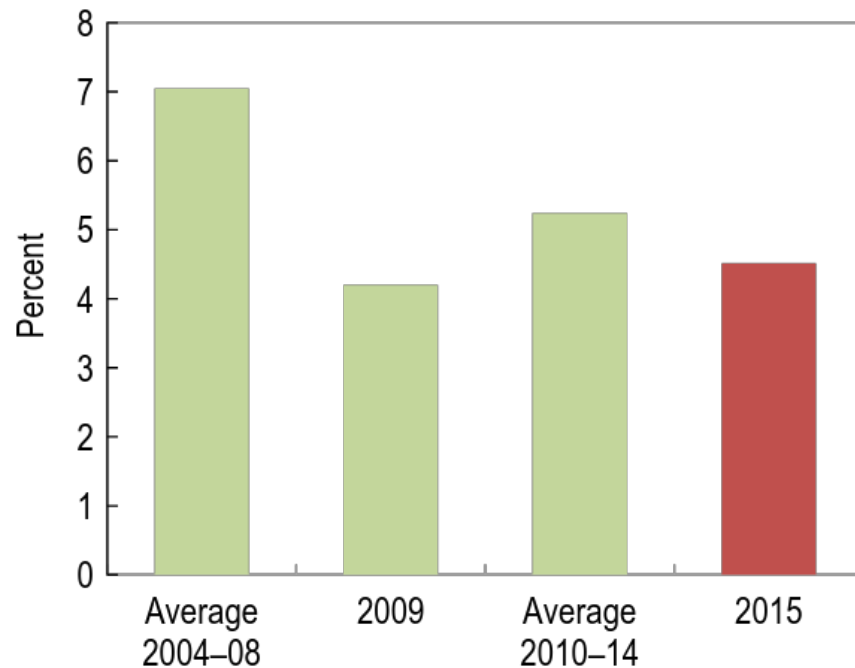
*Still the 2<sup>nd</sup> fastest growing region of the world*

Selected Regions: Real GDP Growth, 2015



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

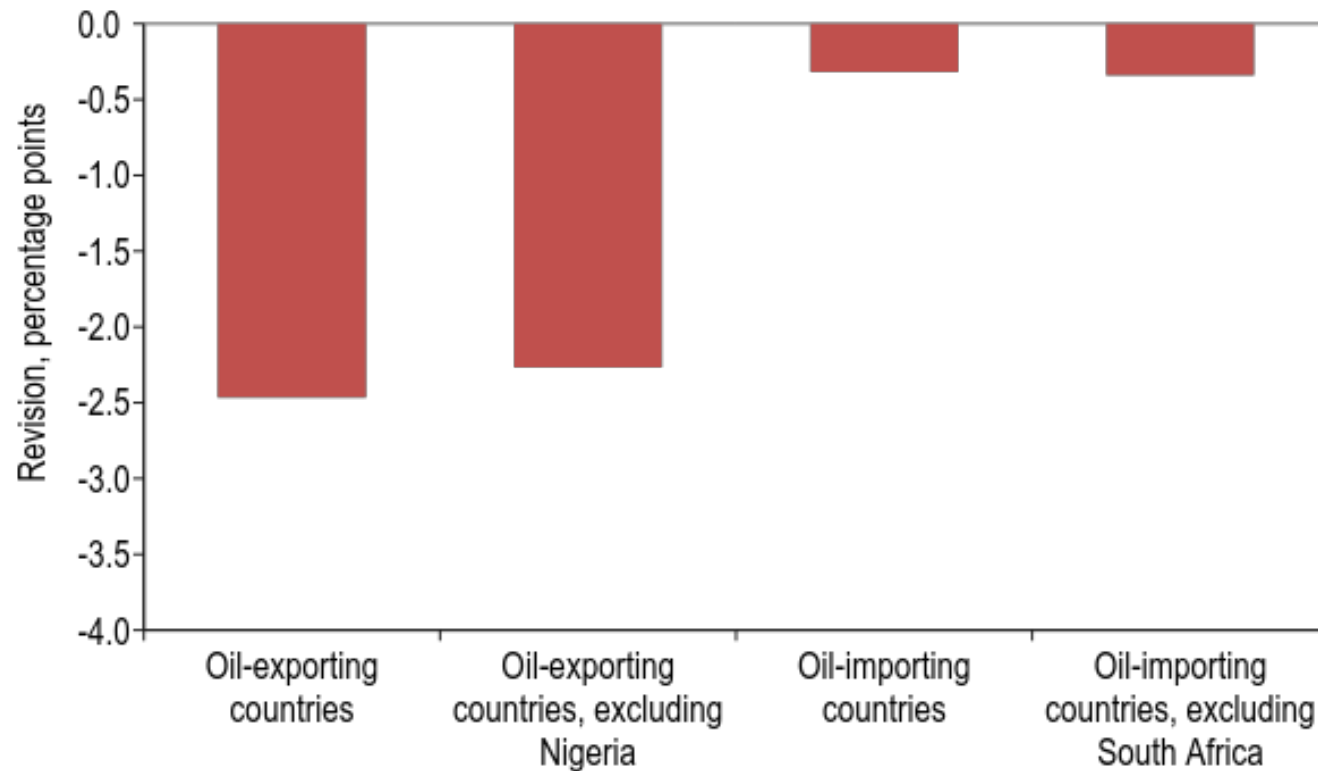
Sub-Saharan Africa: Real GDP Growth, 2004–15



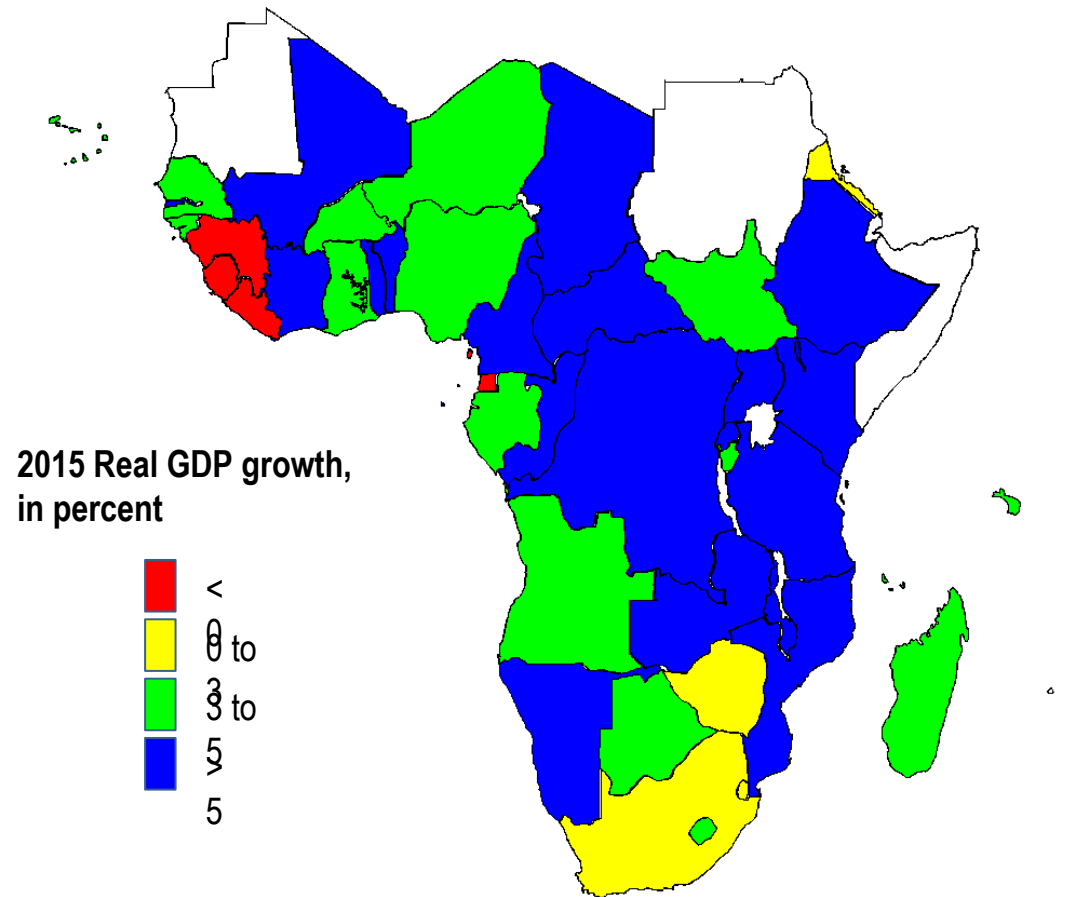
... but with heterogeneous downward revisions since October.



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



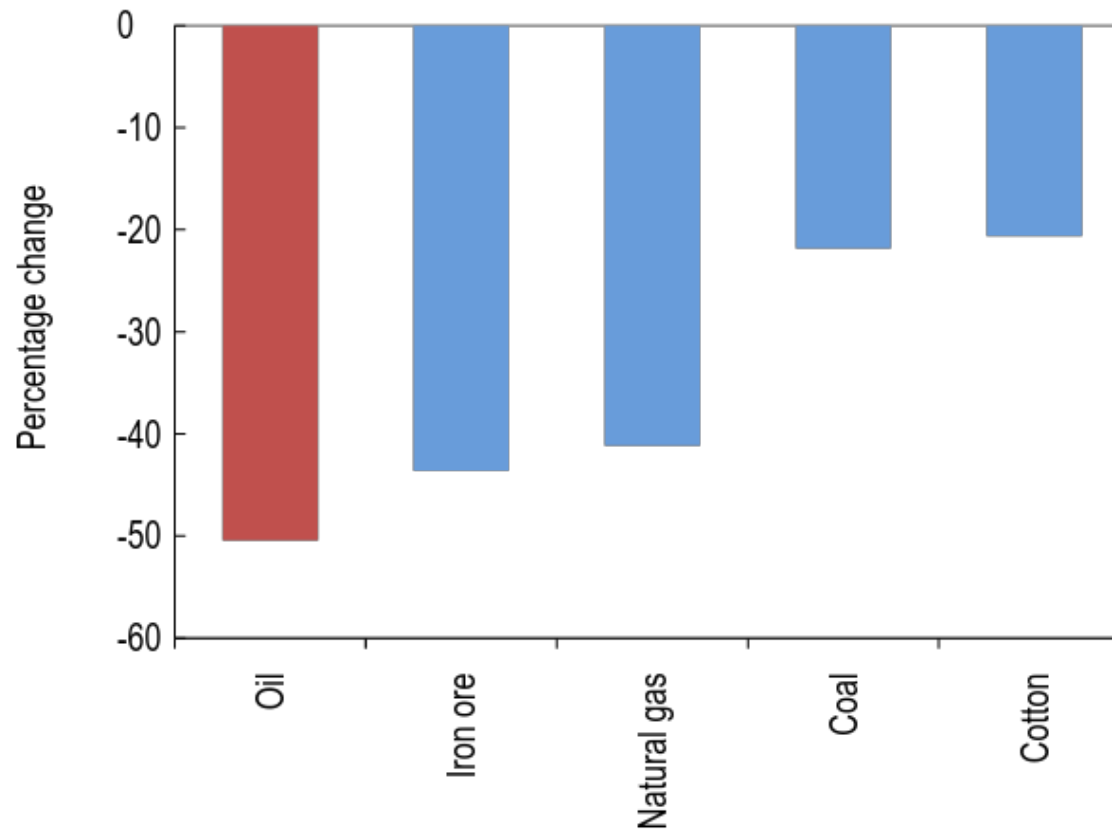
A large part of the region will experience solid growth in excess of 5 percent in 2015



# Global prices of oil, and that of other commodities, have plunged...



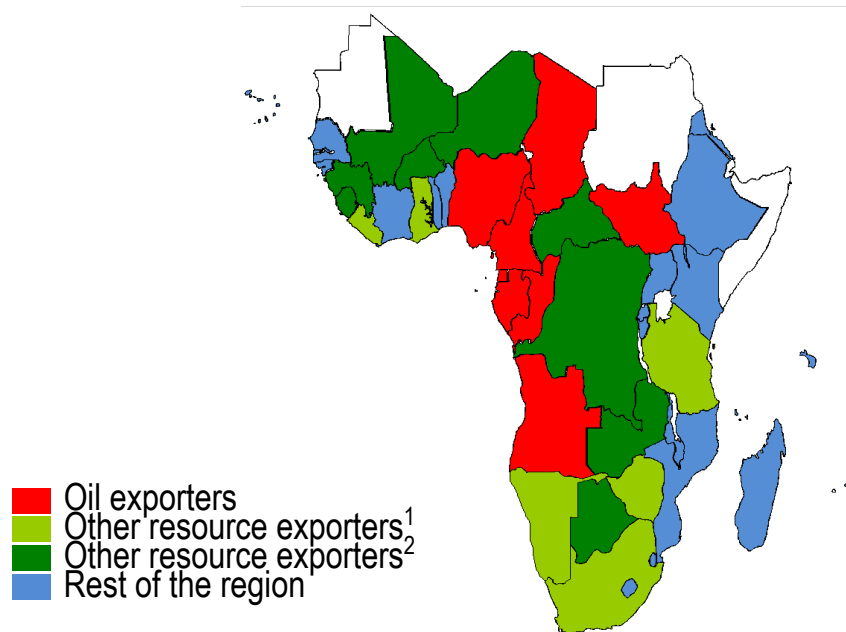
**Selected Global Commodity Prices,  
Change from June 2014–March 25, 2015**



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



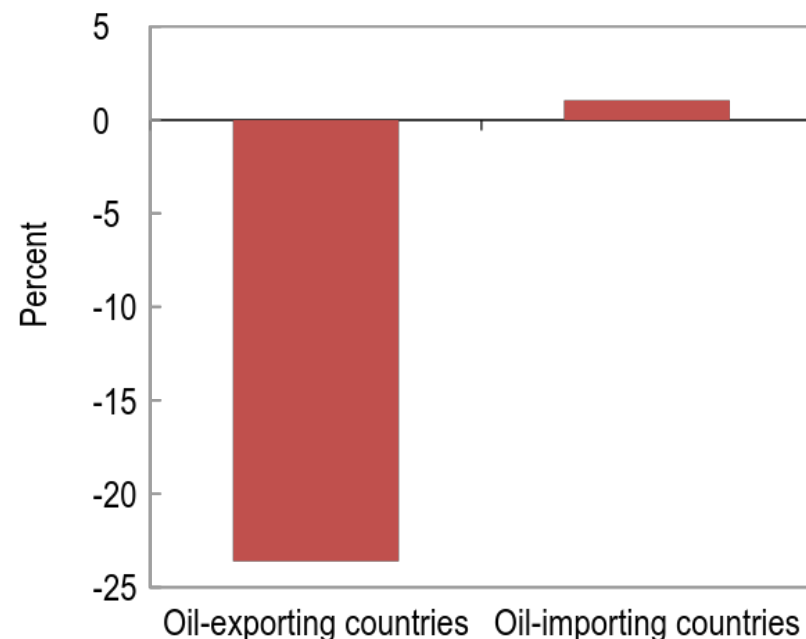
Sub-Saharan Africa: Commodity Exporters



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

<sup>2</sup> Countries for which nonrenewable resource exports are over 50 percent of goods exports.

Sub-Saharan Africa: Terms of Trade Growth, 2015

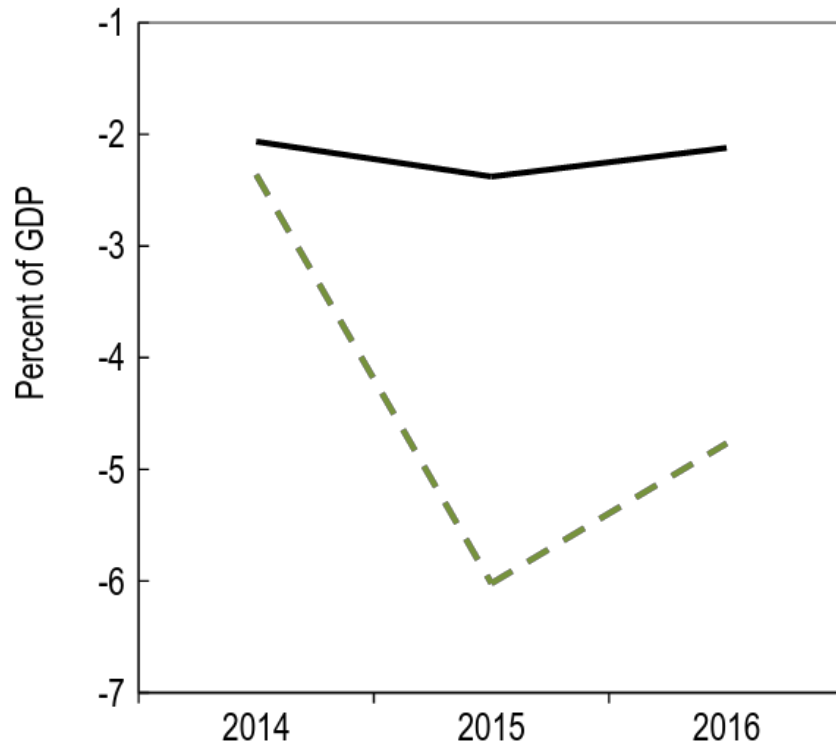




# Oil exporters' fiscal and external balances will be seriously impacted

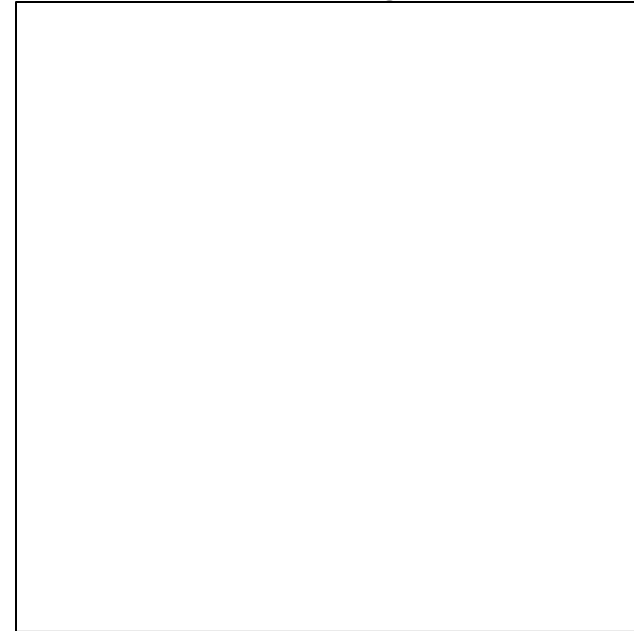


**Sub-Saharan African Oil Exporters: Fiscal Balance with Unchanged Policies, 2014–16**



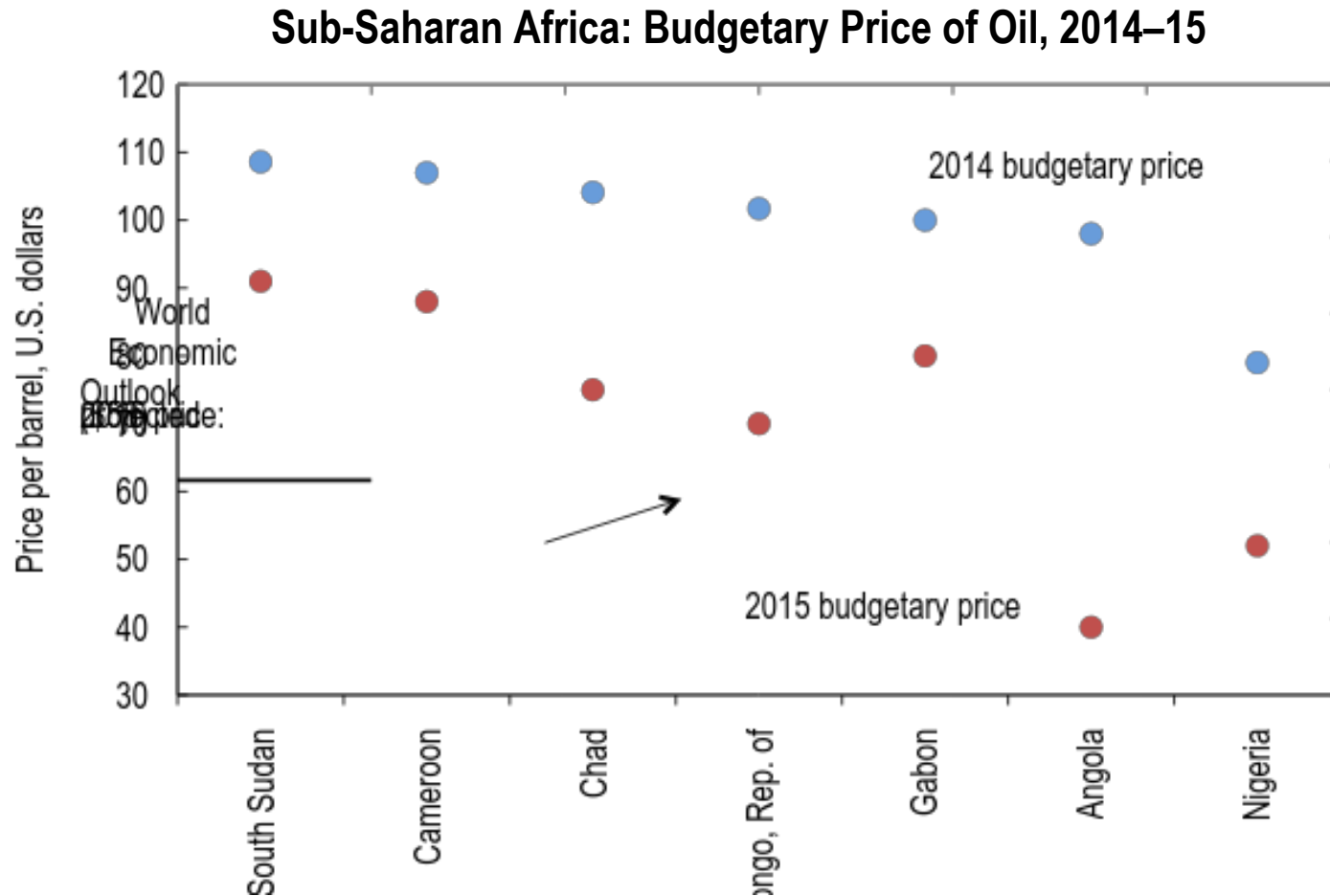
- Oil projected at \$98 per barrel (Oct. 2014 WEO)
- - - Oil projected at \$62 per barrel (unchanged policies)

**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

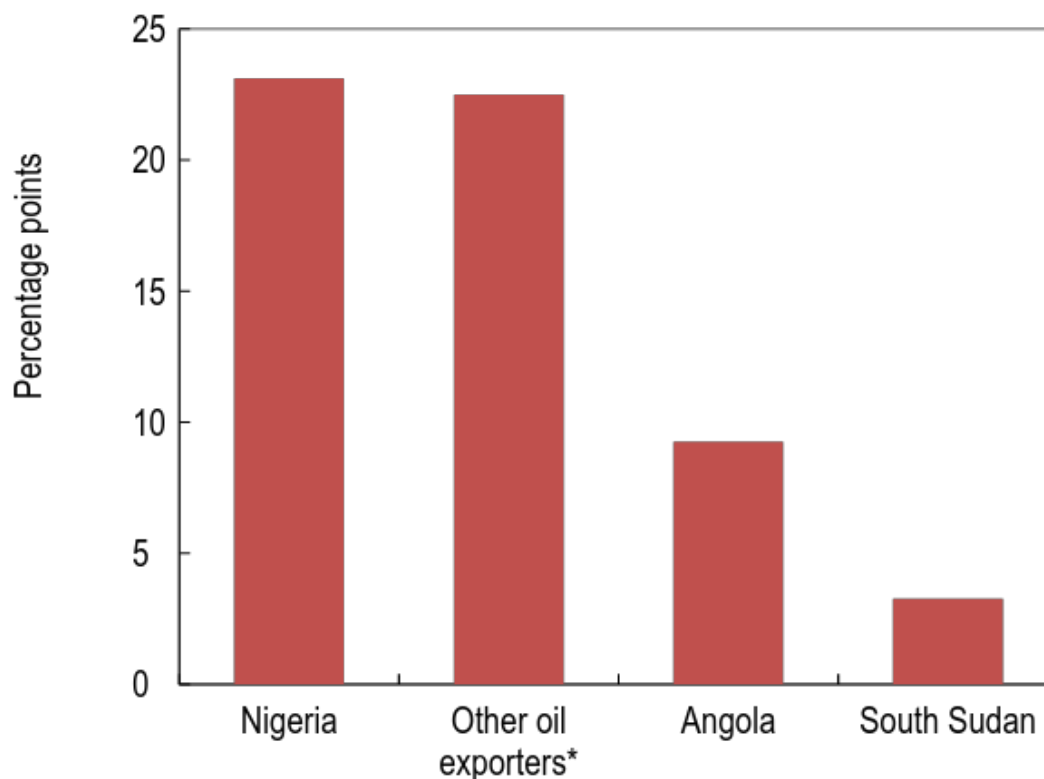
...



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

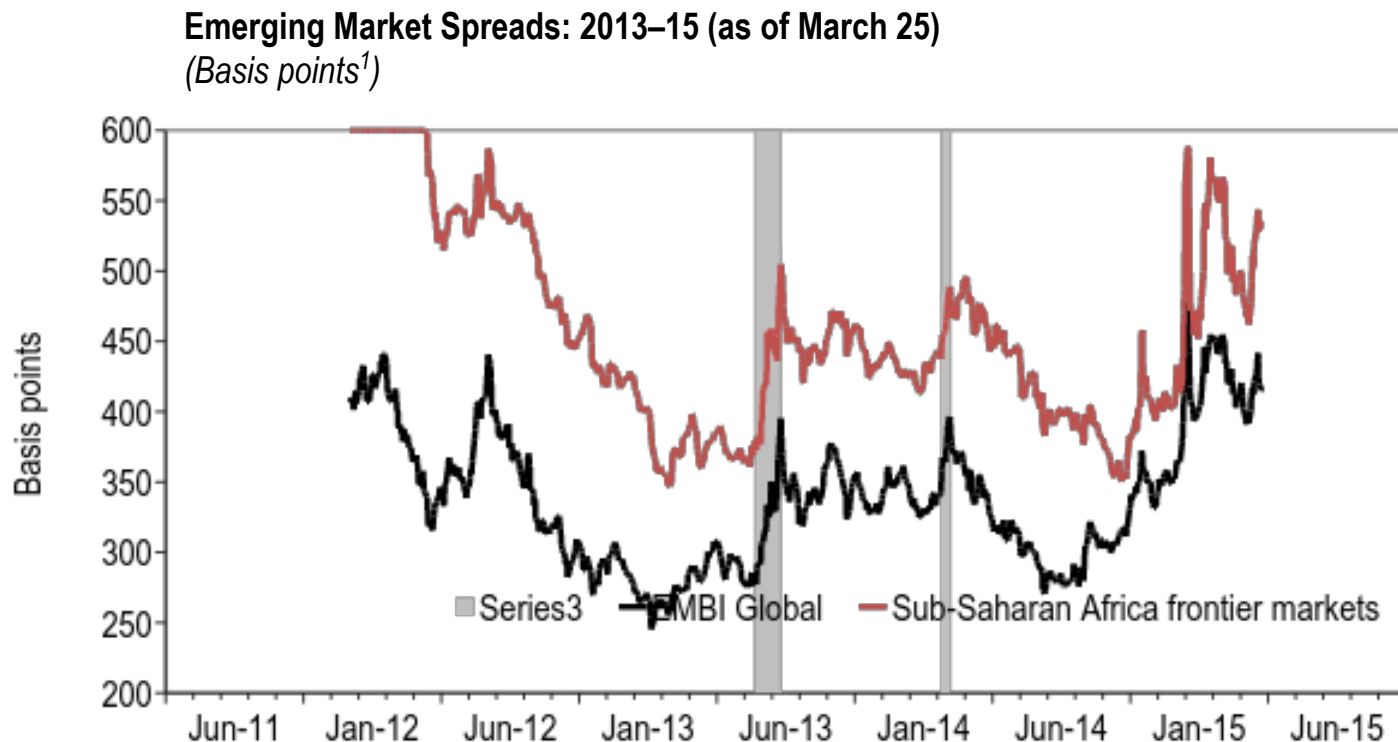


Sub-Saharan African Oil Exporters: Nominal Exchange Rate, National Currency to U.S. Dollar, September 2014-March 2015



\* 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.

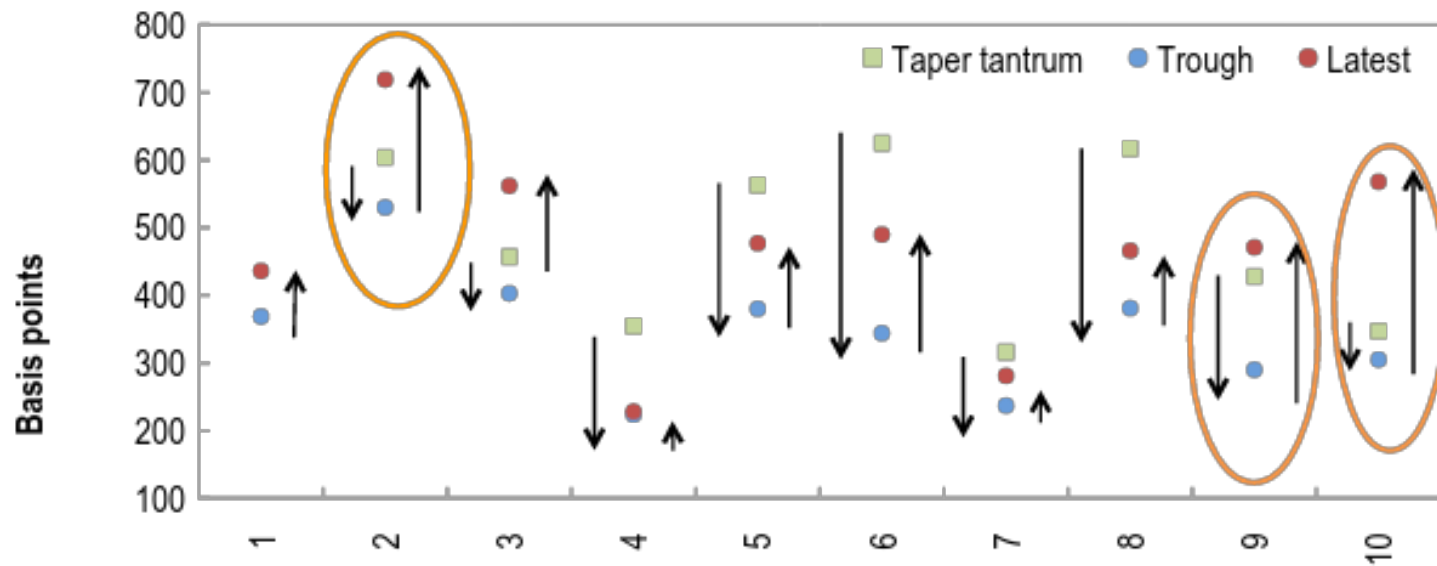
Note: EMBI = J.P. Morgan Emerging Market Bond Index Global.

<sup>1</sup>The sub-Saharan Africa frontier markets simple average includes the spreads of Cote 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.



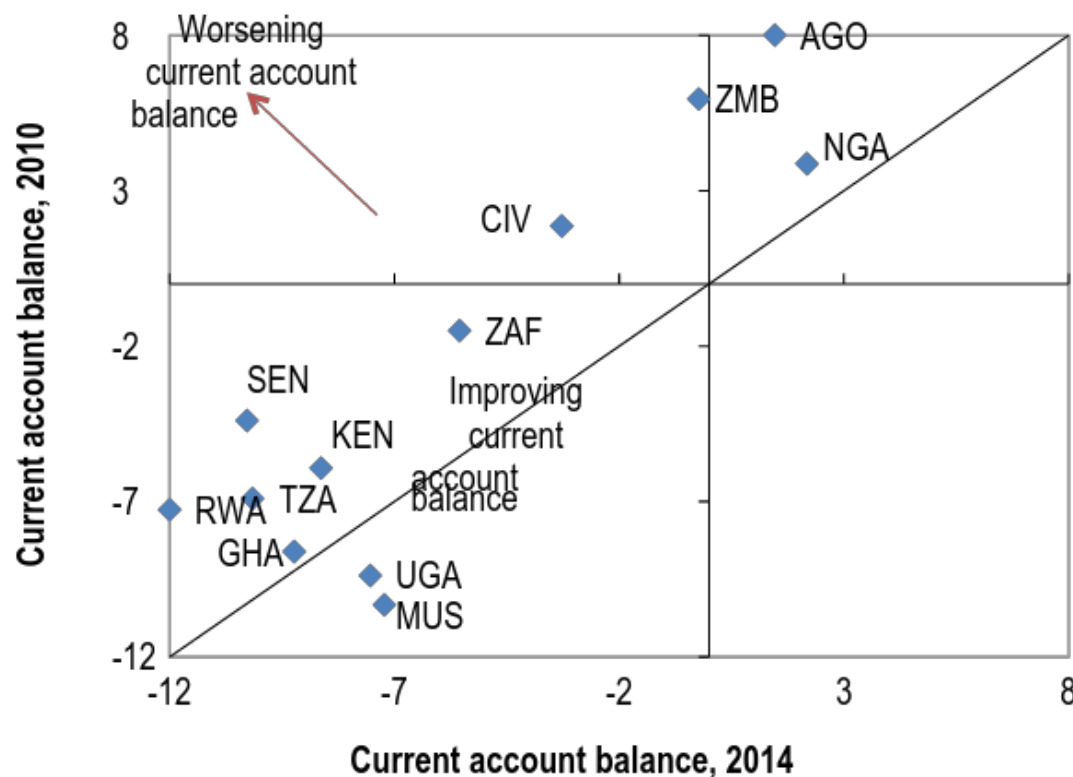
Selected Economies: Change in Sovereign Spreads since June 2013 and Fiscal Balance over 2015



# A concern, in this context, is that macroeconomic imbalances have been increasing in frontier markets



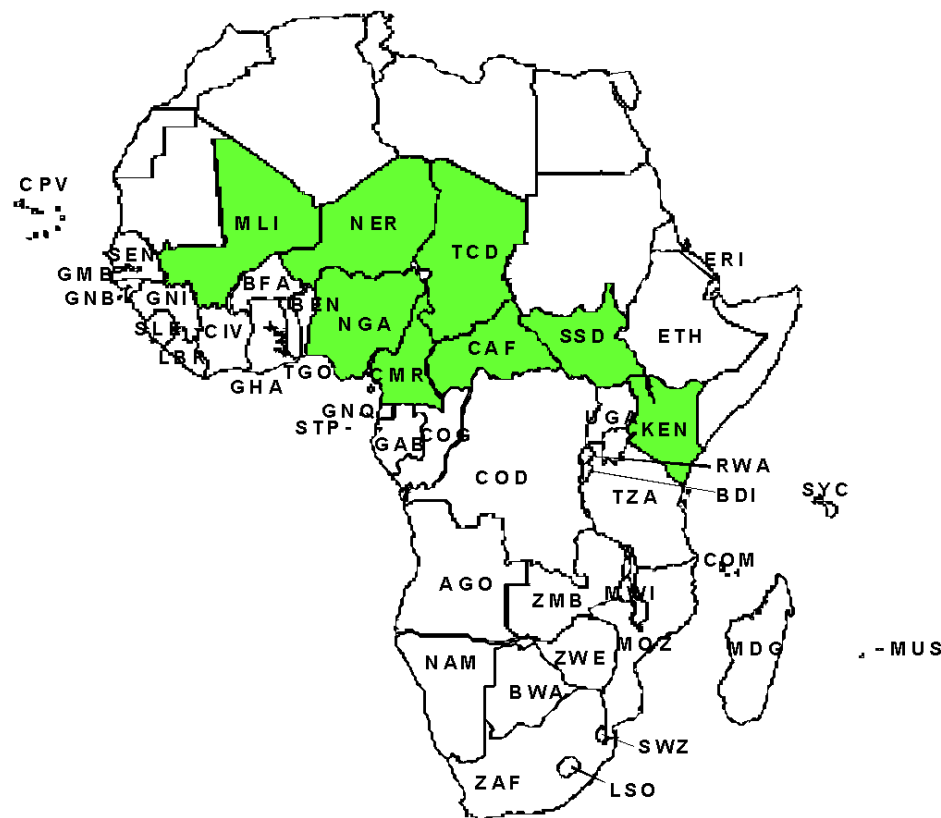
Sub-Saharan African Market Access Countries:  
Current Account Balance in Percent of GDP



# The outlook is also subject to some domestic risks

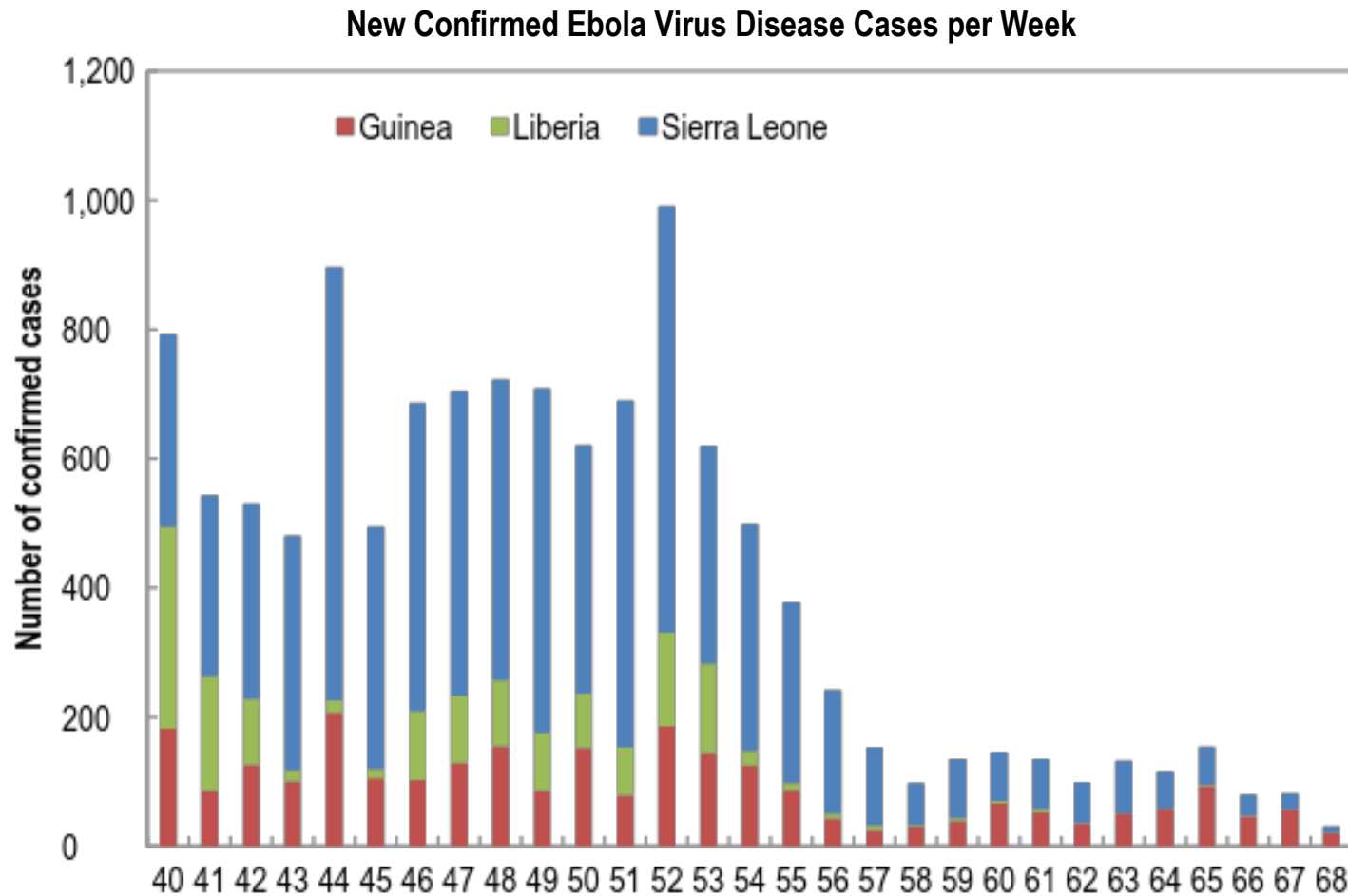


## Security risks





# The Ebola epidemic appears to be under control, but risks remain.

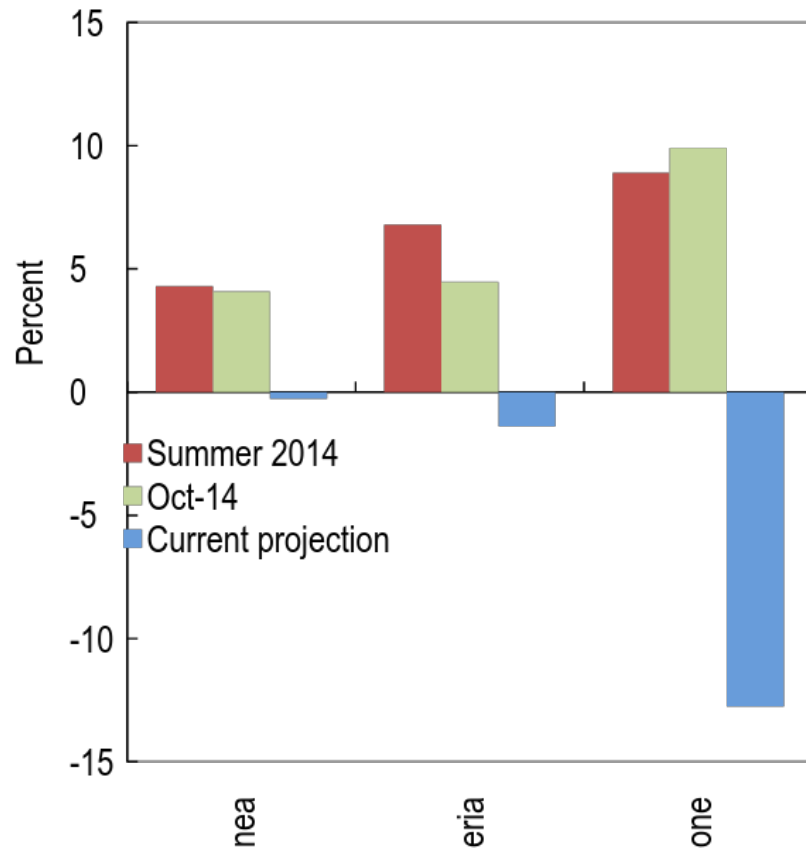




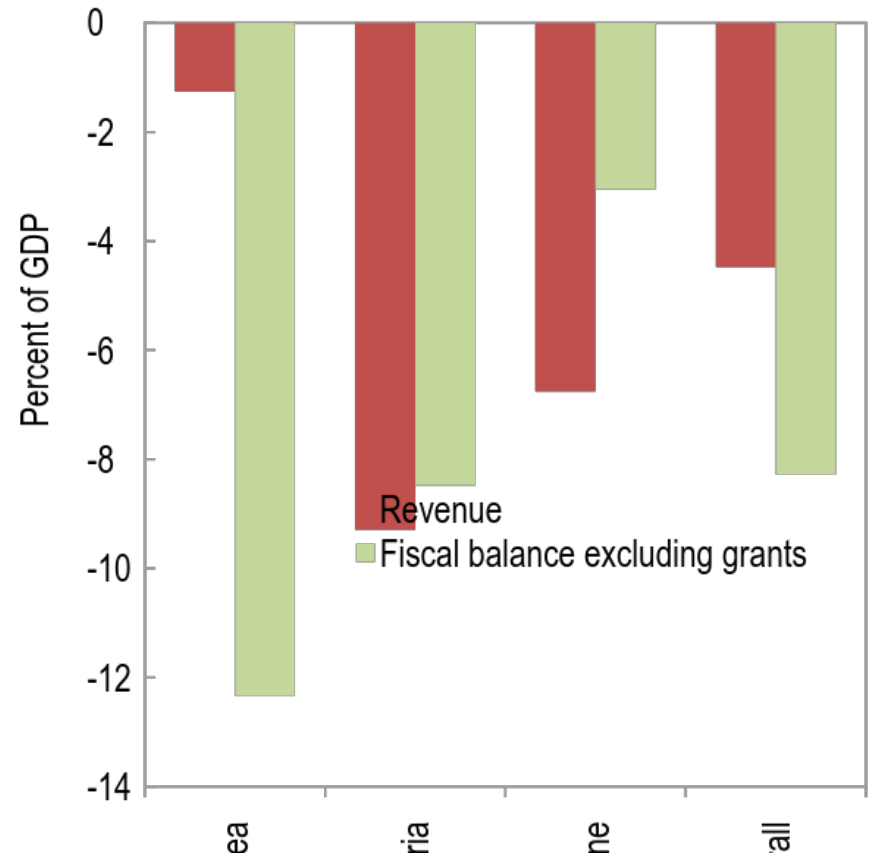
# Nevertheless, the economic impact in the three countries affected is much larger than originally envisaged.



Sub-Saharan Africa: Real GDP Growth Forecasts, 2015



Revenue and Fiscal Balance Excluding Grants—2014–15: Changes Compared to Summer 2014



The IMF has provided financial support—including debt relief—and macroeconomic policy advice.



- Disbursements of \$290 million during September 2014–March 2015
- Establishment of the Catastrophe Containment and Relief Trust.
  - Guinea, Liberia, and Sierra Leone have received a total of \$100 million worth of debt relief.

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



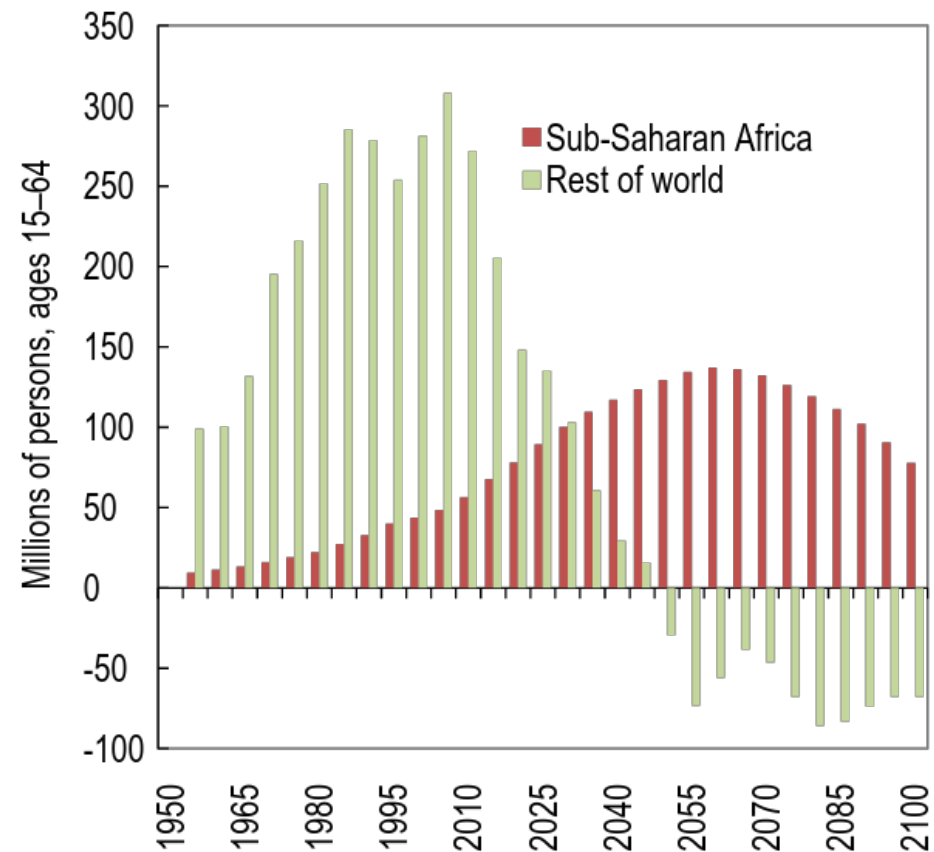
- Oil exporters need to adjust their fiscal stance and where feasible, allow further exchange rate flexibility
- Pursue fuel subsidy reform and initiate the process of moving to flexible fuel and energy pricing mechanisms

# 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

Change in Global Working-Age Population





# Thank You!

World Economic and Financial Surveys

## Regional Economic Outlook

**Sub-Saharan Africa**  
Navigating Headwinds

APR 15



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*Regional Economic Outlook*  
for sub-Saharan Africa  
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