

Multi-Speed Growth

Regional Economic Outlook for Sub-Saharan Africa

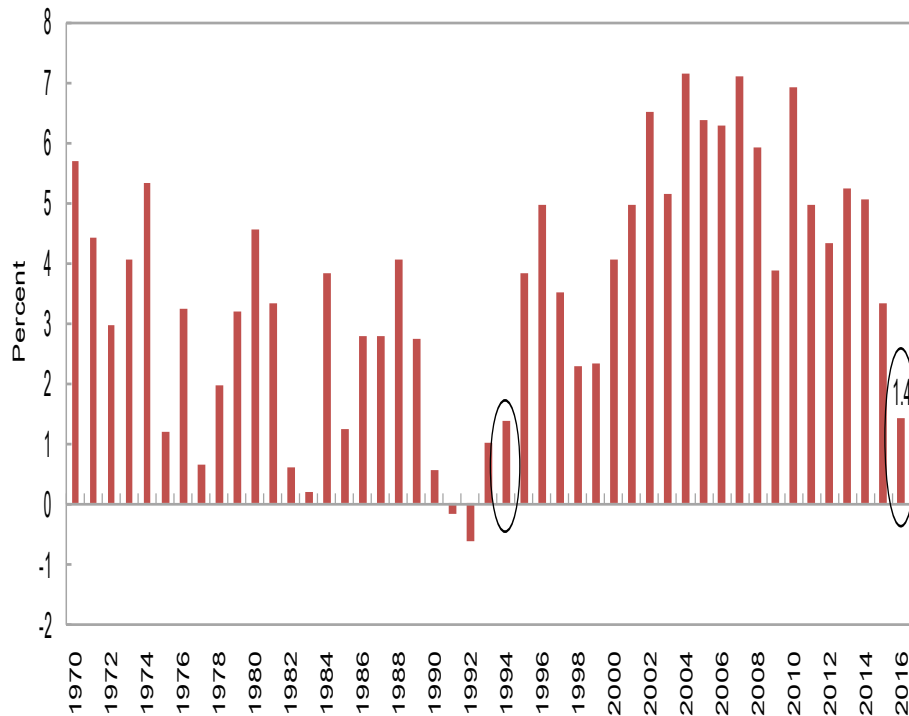
African Department
International Monetary Fund
November 30, 2016

Outline

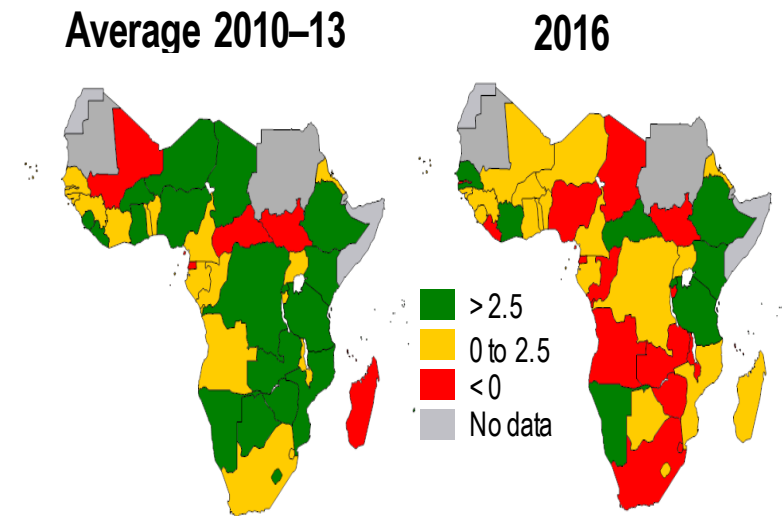
- **Multispeed economic growth: recent developments, outlook, risks;**
- **Exchange rate regimes: macro- and growth implications;**
- **Natural disasters: macro-implications and response.**

GDP growth and per capita GDP growth are expected to be the lowest in 20 years...

Real GDP Growth, 1970–2016



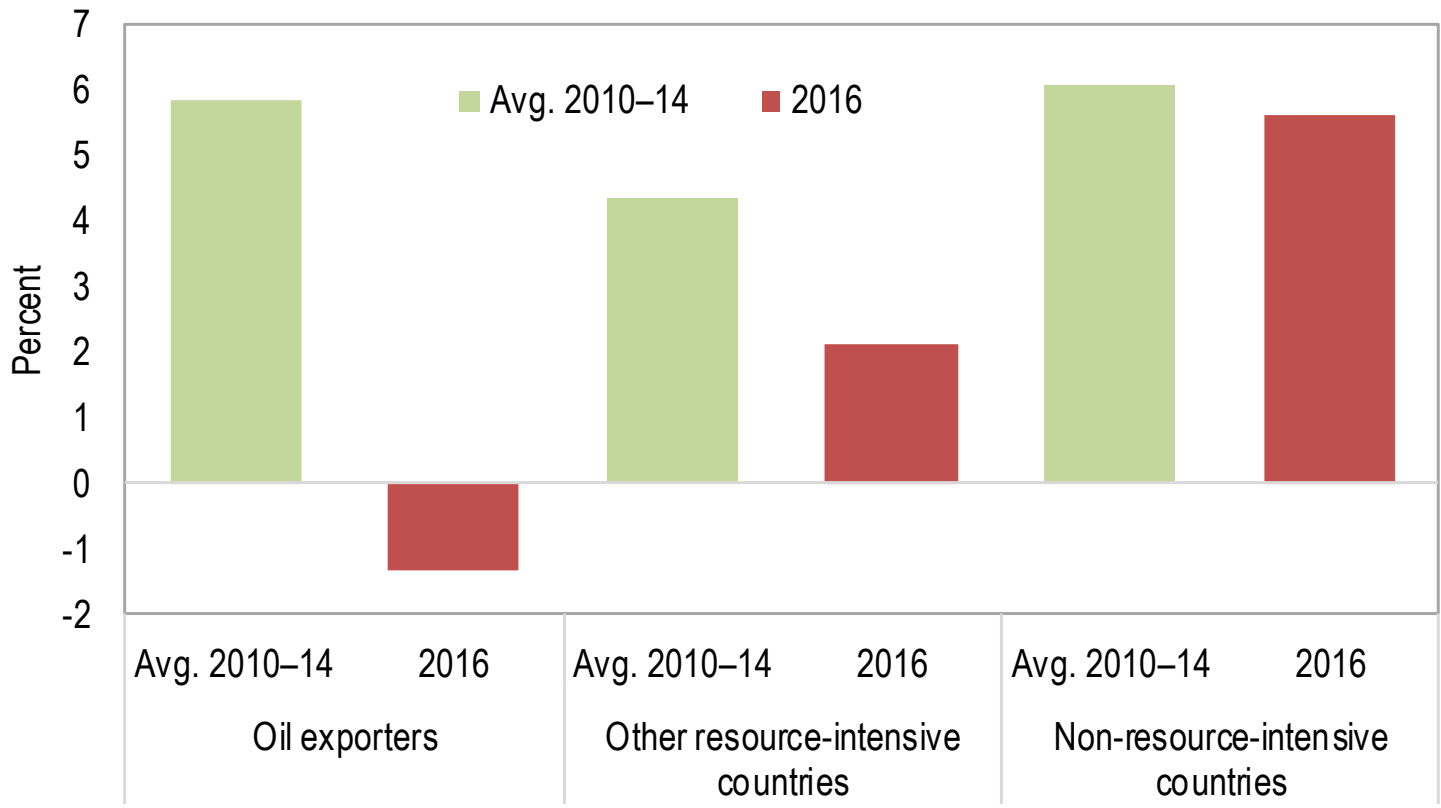
Real GDP per Capita Growth (Percent)



Source: IMF, World Economic Outlook database.

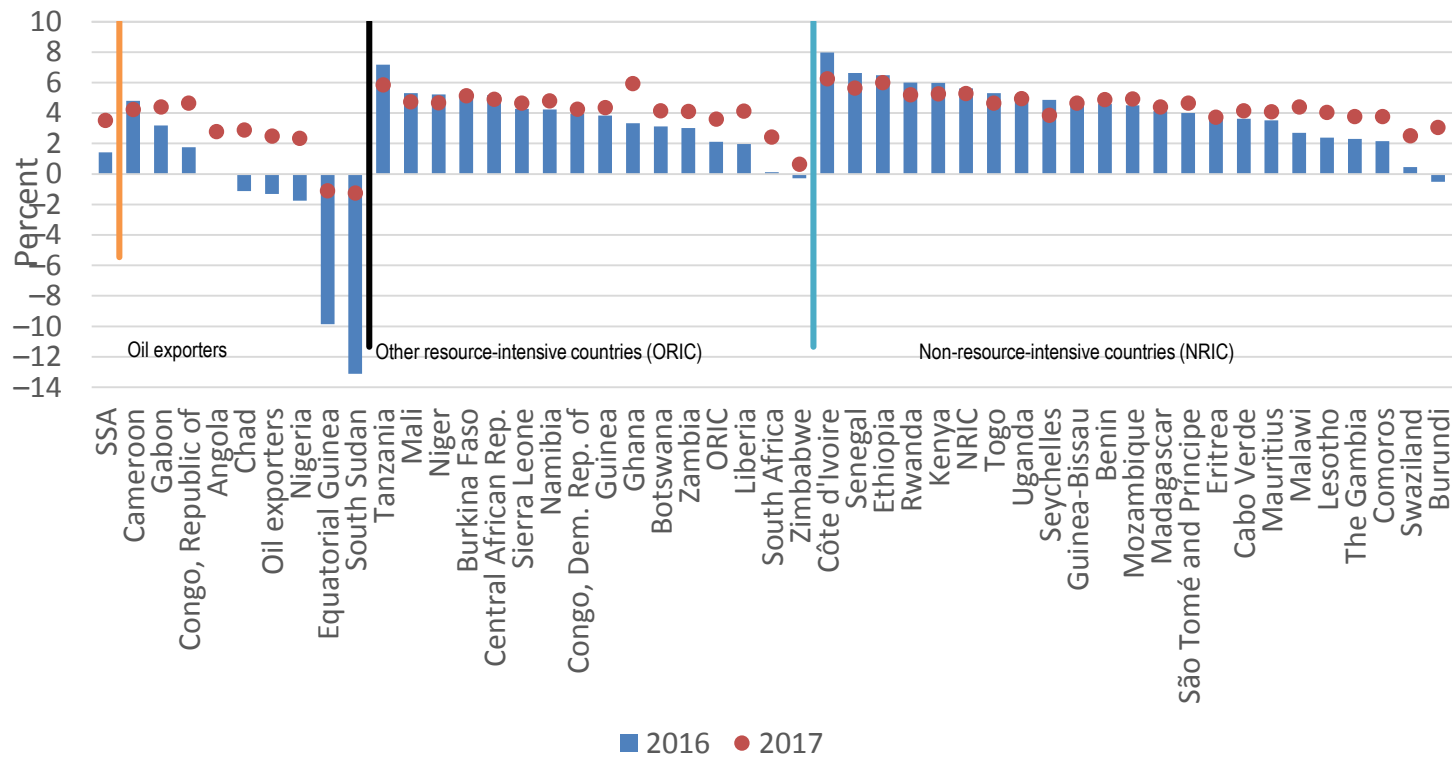
...economic growth outcomes vary across the region

Real GDP Growth, 2010-16



The recovery is expected to be gradual...

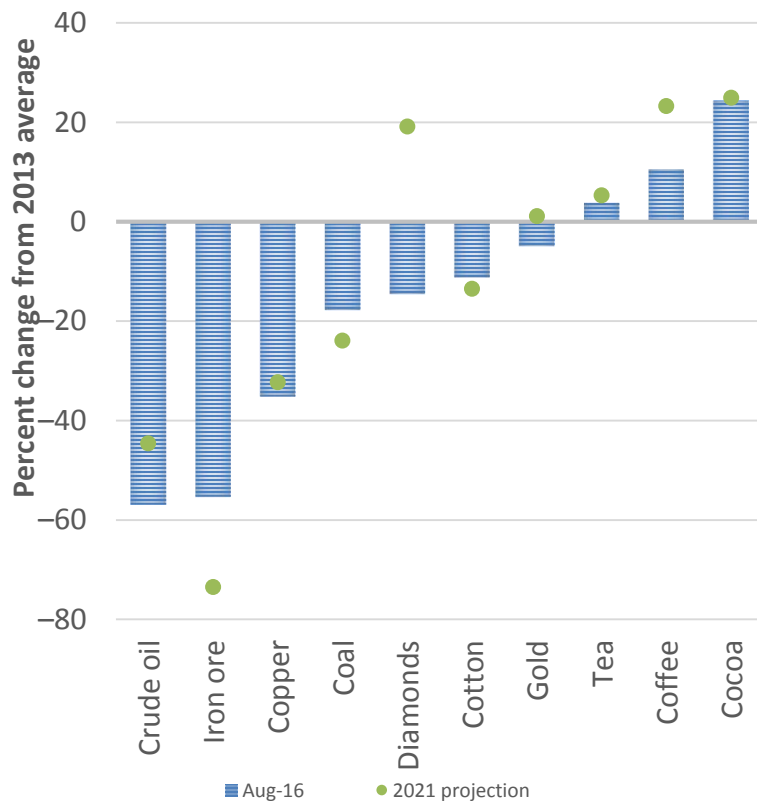
Sub-Saharan Africa: Real GDP Growth



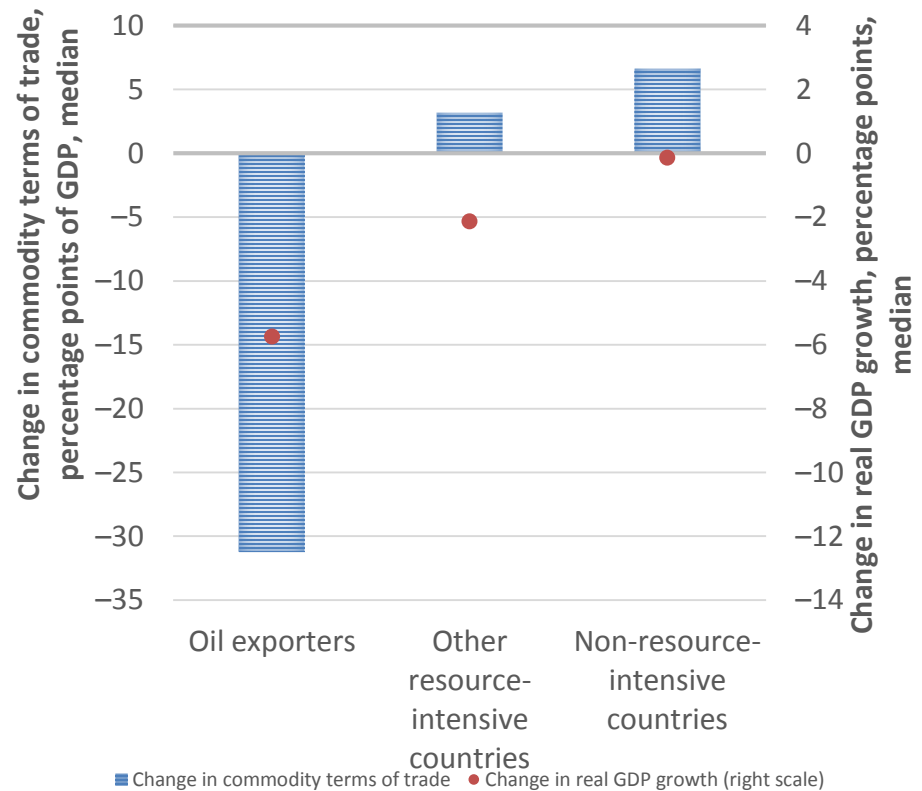
Source: IMF, World Economic Outlook database.

Weak commodity prices have been hampering commodity exporters' growth,

Selected Commodity Prices (Change since 2013)



Change in Commodity Terms of Trade and Real GDP Growth, 2016 vs 2013

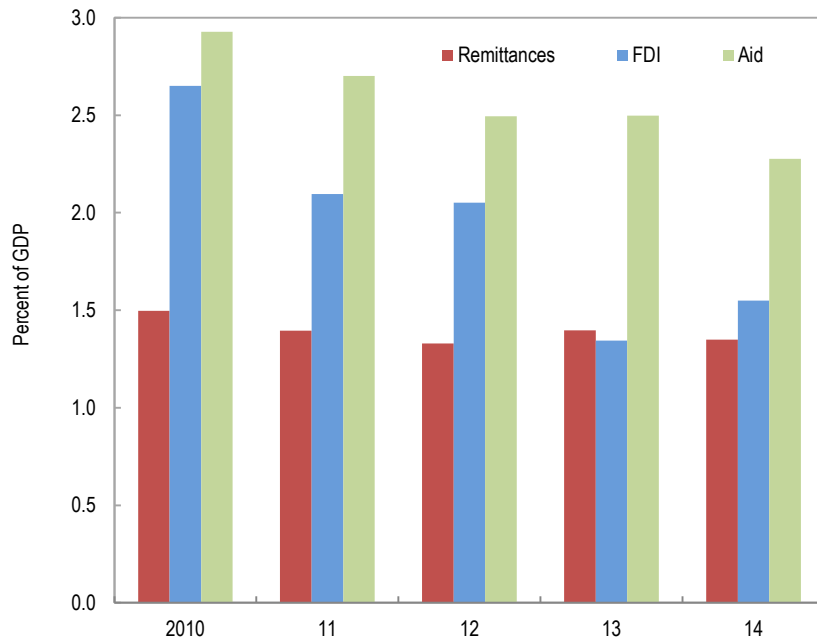


Source: IMF Commodity Price System; IMF Global Assumptions.

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

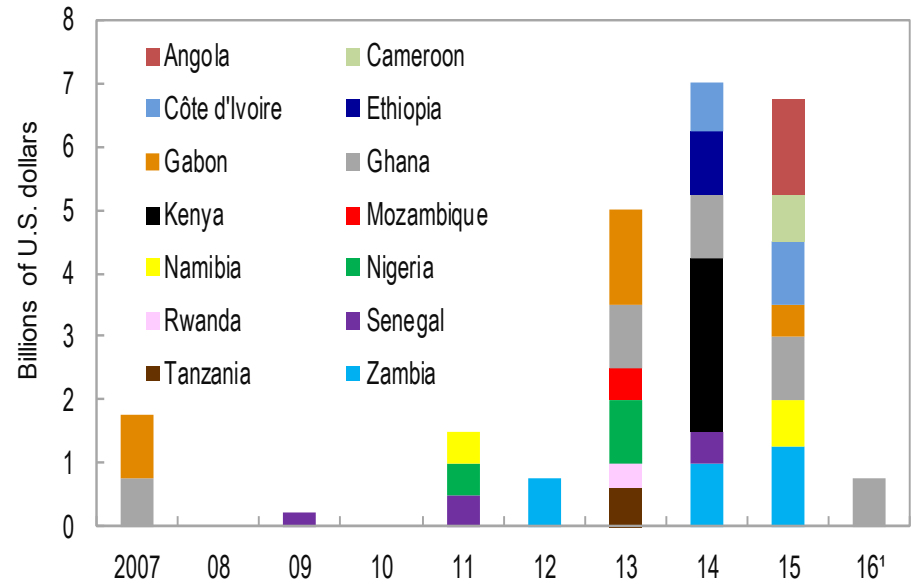
...while financing conditions have tightened

Foreign Inflows, 2010–14



Sources: World Bank data; and IMF staff calculations.

International Sovereign Bond Issuances

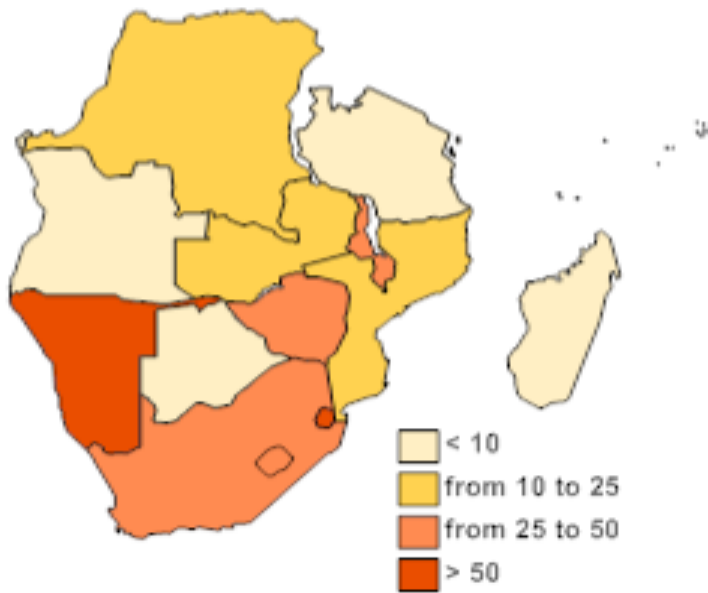


¹ Up to mid-September 2016.

Source: Bloomberg, LLC.

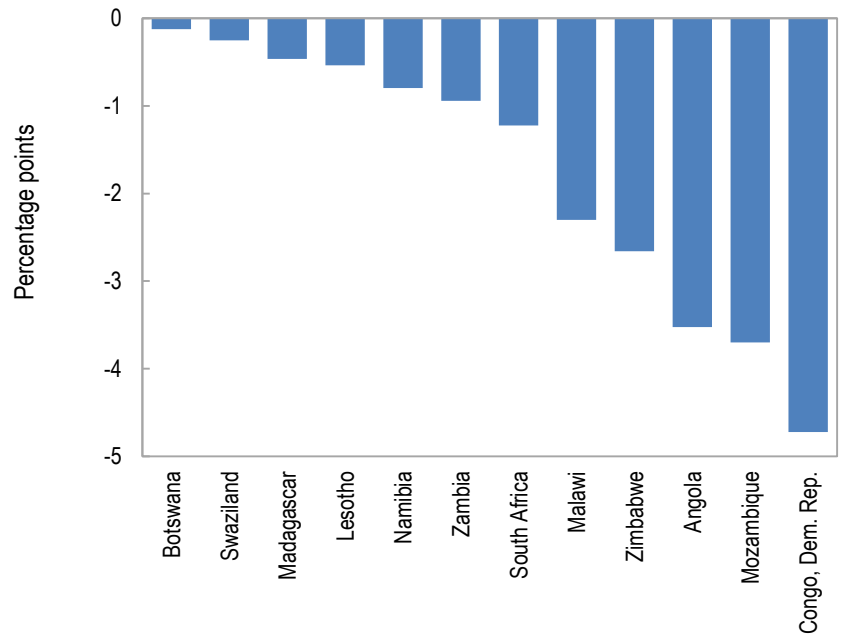
Southern Africa has been affected by the drought

Rural Population Affected by Drought (2016, percent of rural population)



Source: Southern African Development Community Regional Humanitarian Appeal, June 2016.

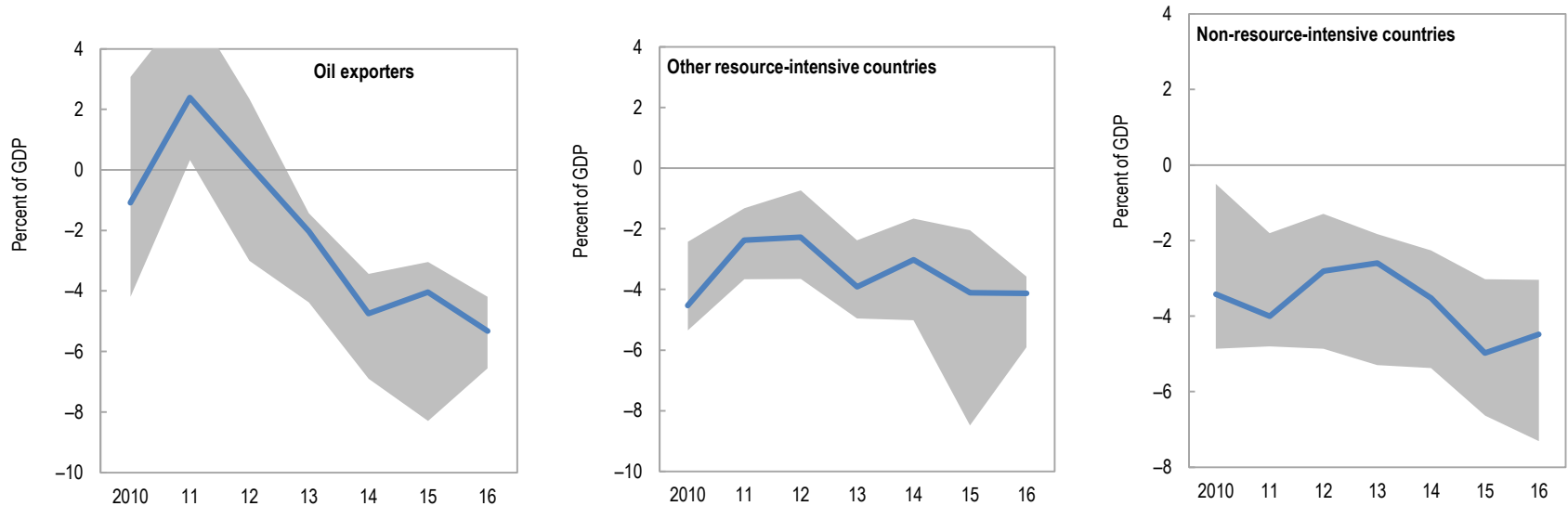
Real GDP Growth, 2016: October 2016 versus October 2015 Projection



Source: IMF, World Economic Outlook database.

Policy response has been muted, as indicated by significant fiscal imbalances

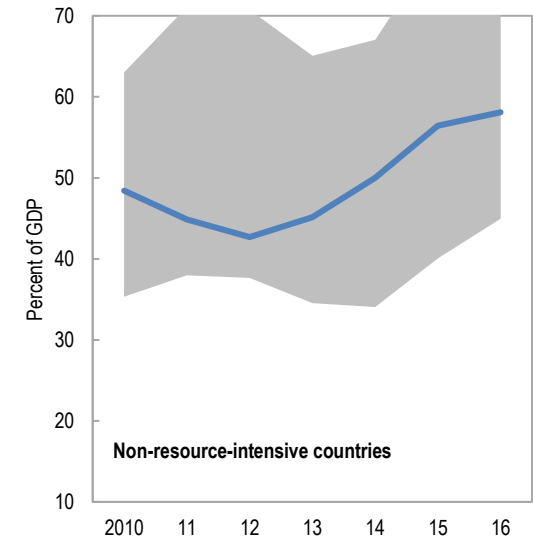
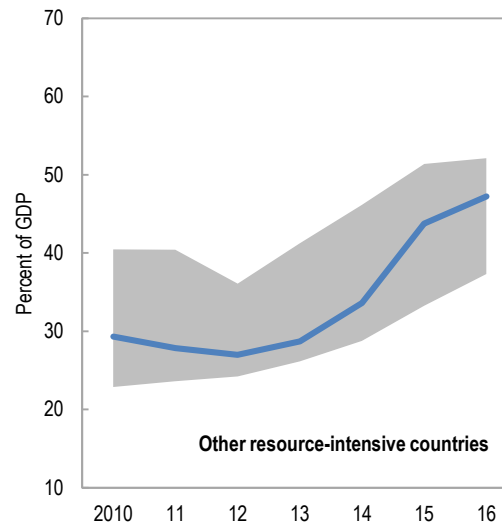
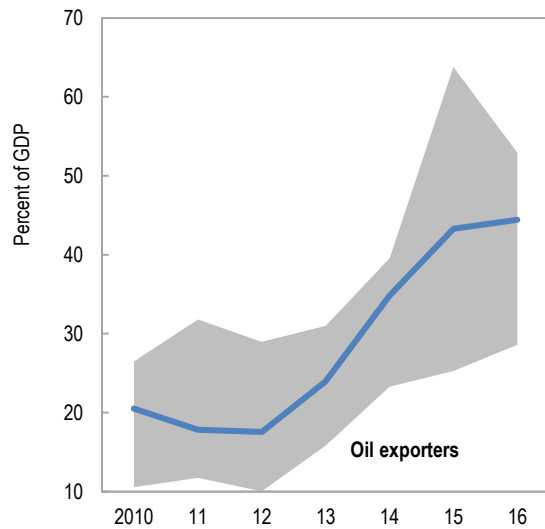
Sub-Saharan Africa: Fiscal Balances, 2010–16



Source: IMF, World Economic Outlook database.

...and debt is on the rise

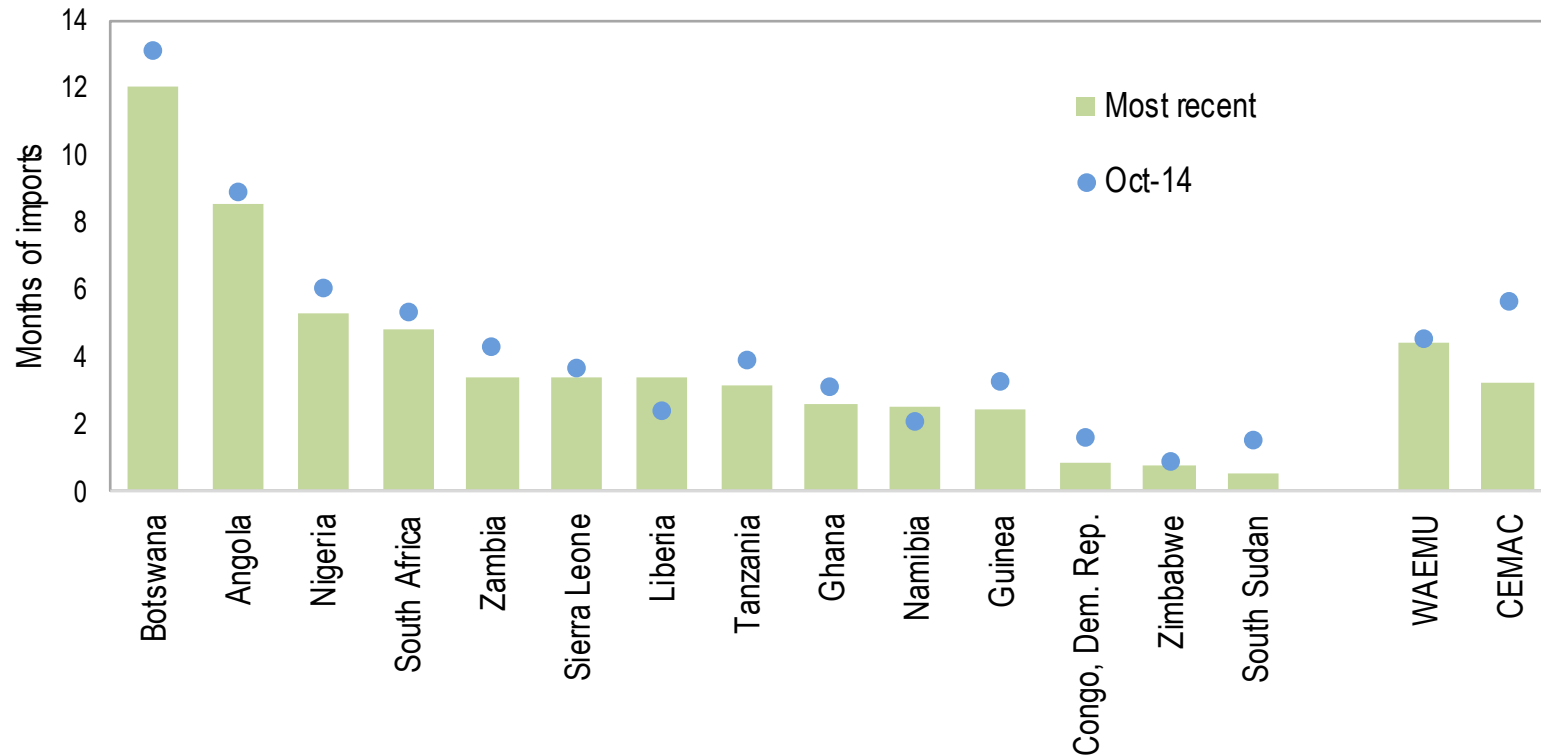
Sub-Saharan Africa: Public Sector Debt, 2010–16



Source: IMF, World Economic Outlook database.

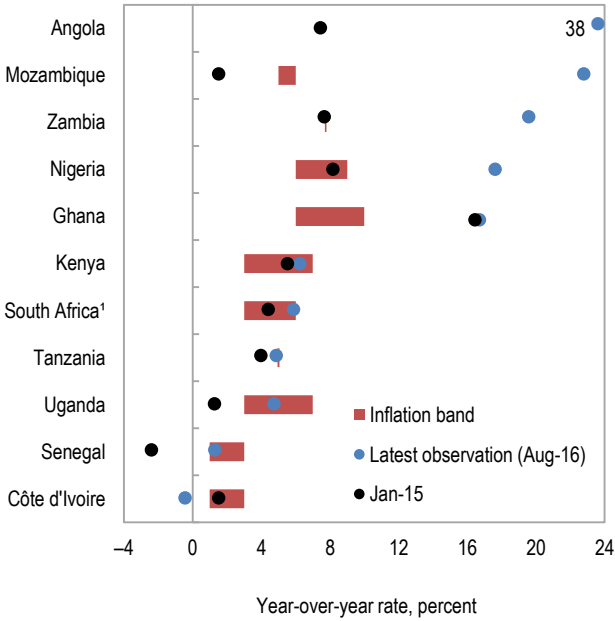
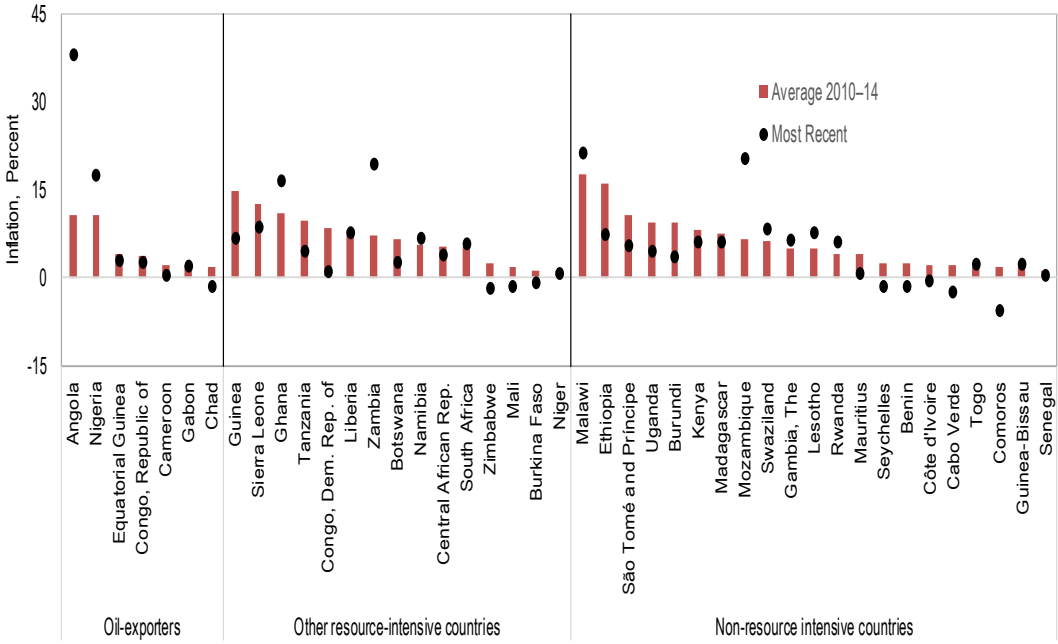
External imbalances are manifested by foreign exchange reserves

International Reserves in Months of Imports, 2014-16



Inflation has been rising

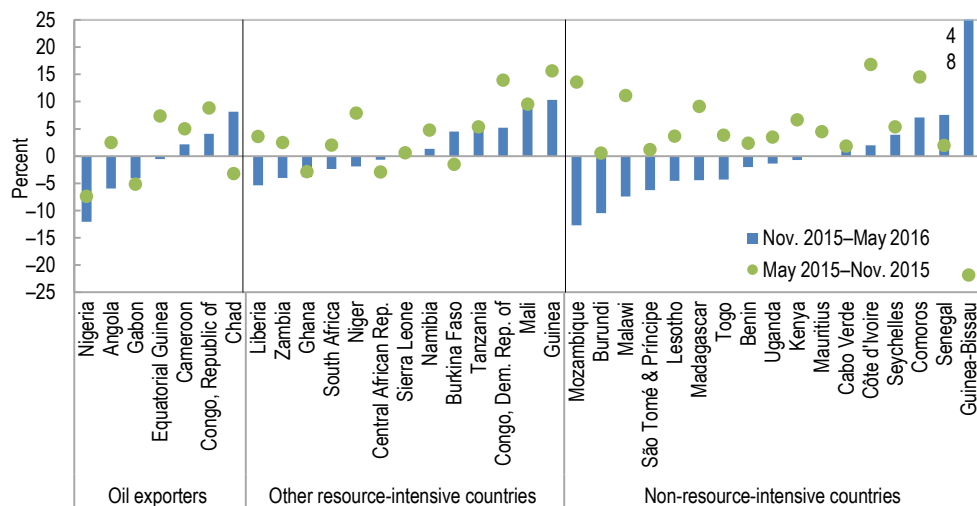
Selected Sub-Saharan African Countries: Inflation



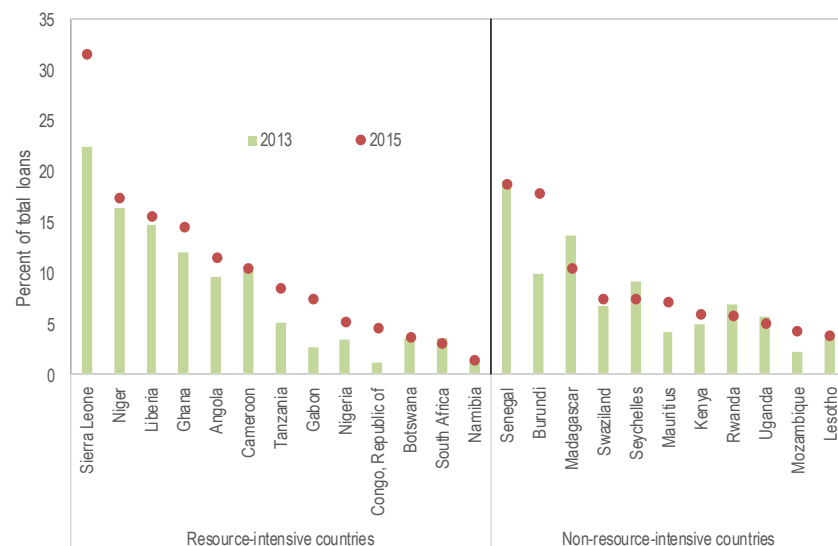
Sources: Country authorities; and IMF, International Financial Statistics.
 Note: For Mozambique data are for July.
 1 Reflects Consumer Price Index inflation for all urban areas, which is the inflation that the South African Reserve Bank targets.

Credit to private sector has slowed, while non-performing loans are on the rise...

Growth of Real Credit to the Private Sector



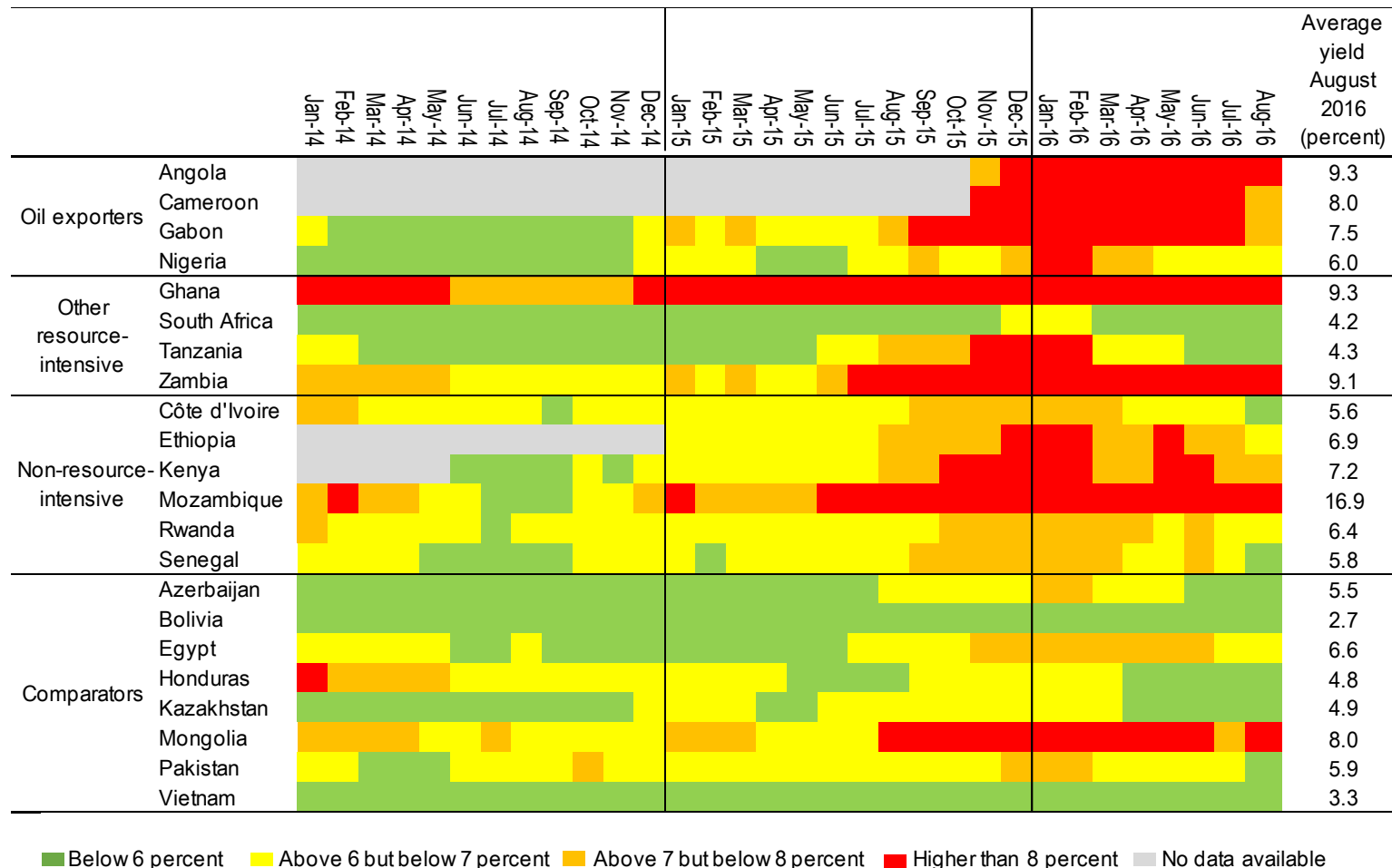
Bank Nonperforming Loans, 2013-15



Sources: IMF, International Financial Statistics.

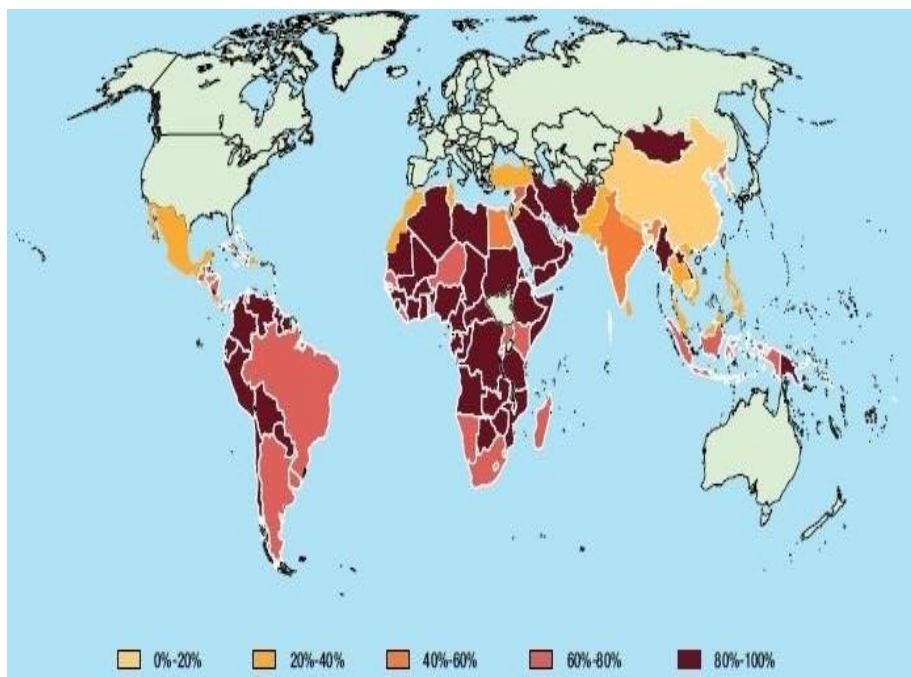
Weakening domestic fundamentals and the yields

SSA Frontier Markets in Context: Eurobond Yields, 2014-16



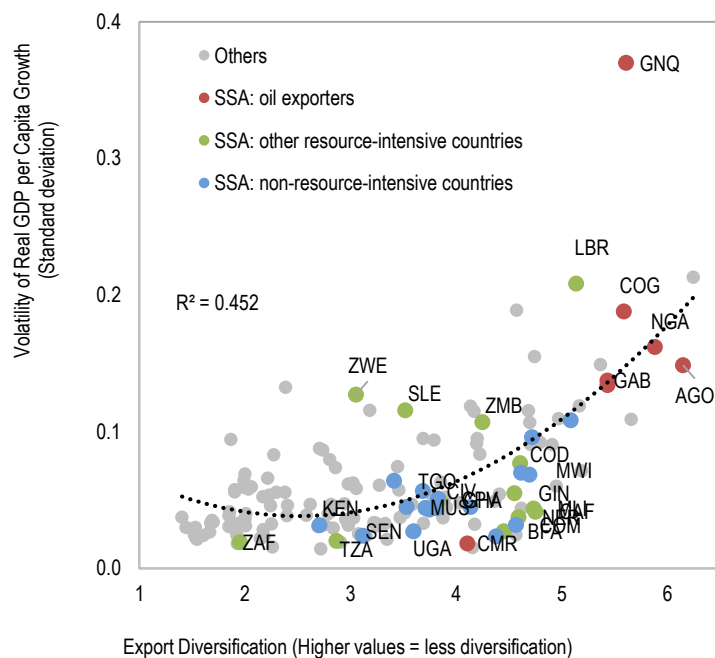
Export diversification helps improve resilience to shocks

Dependency on Commodities, 2012-2016



Sources: UNCTAD.
 Note: Commodity exports in percent of merchandise exports

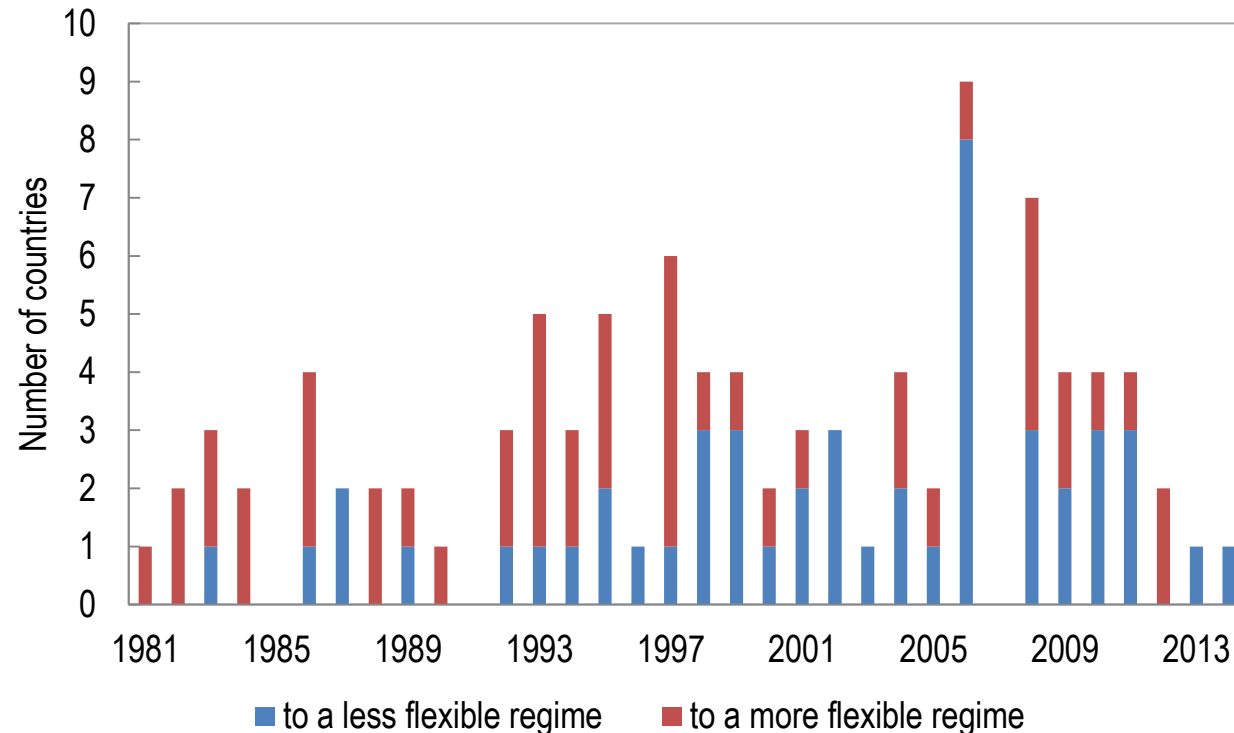
Export Diversification and Output Volatility, 1990-2010



Sources: IMF 2014; and IMF, World Economic Outlook database.

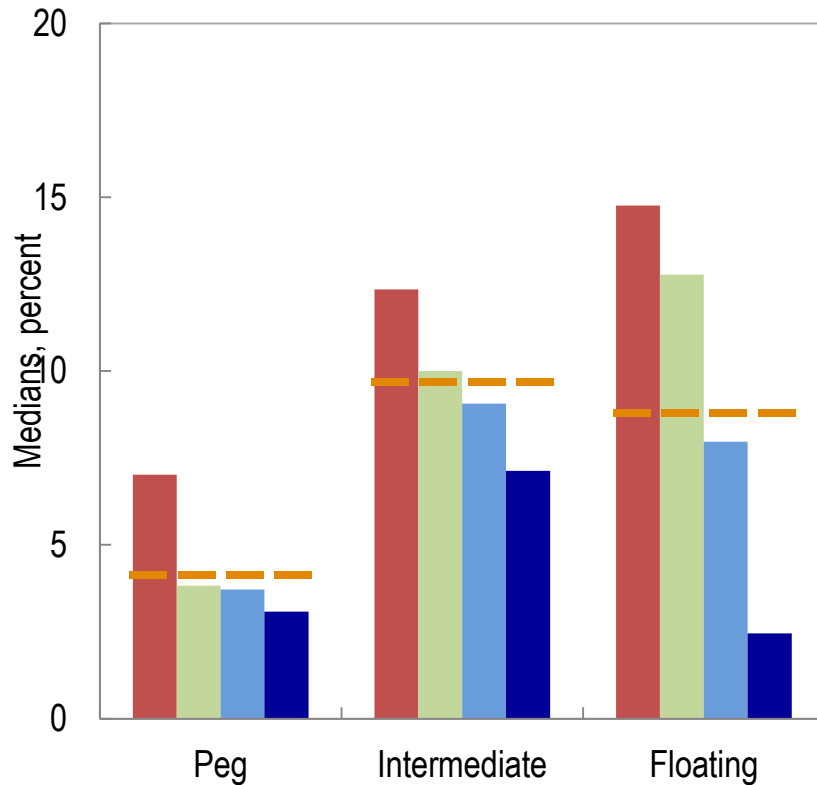
Exchange rate regimes: Transitioning toward less flexible regimes

Number of Exchange Rate Regime Transitions, 1980–2014

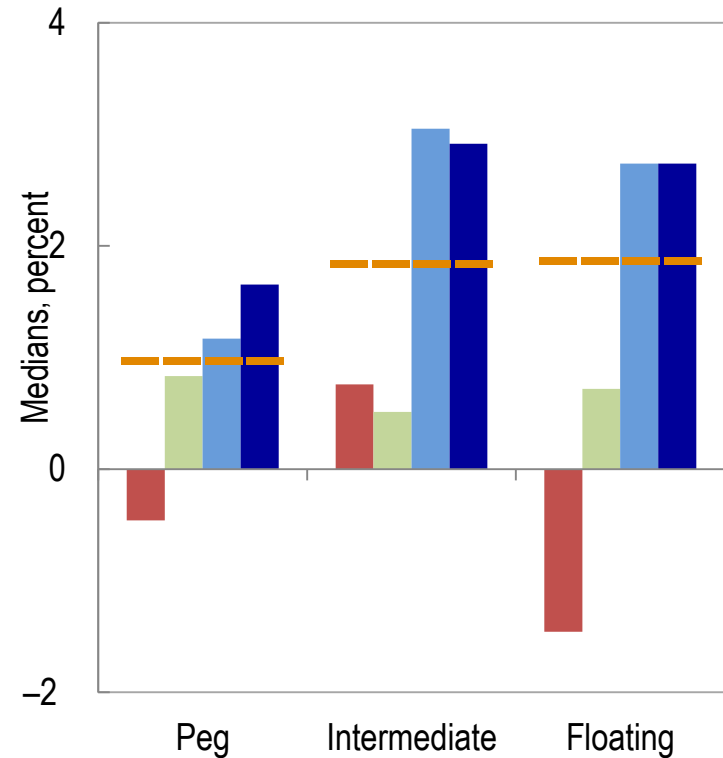


Exchange rate regimes: Inflation and economic growth

Inflation Performance



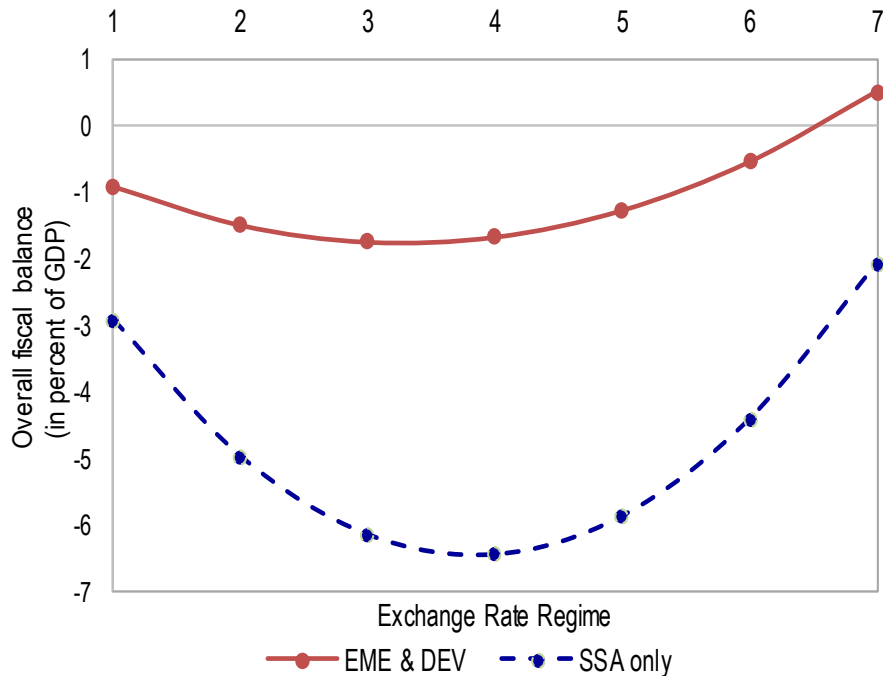
Per Capita Growth Performance



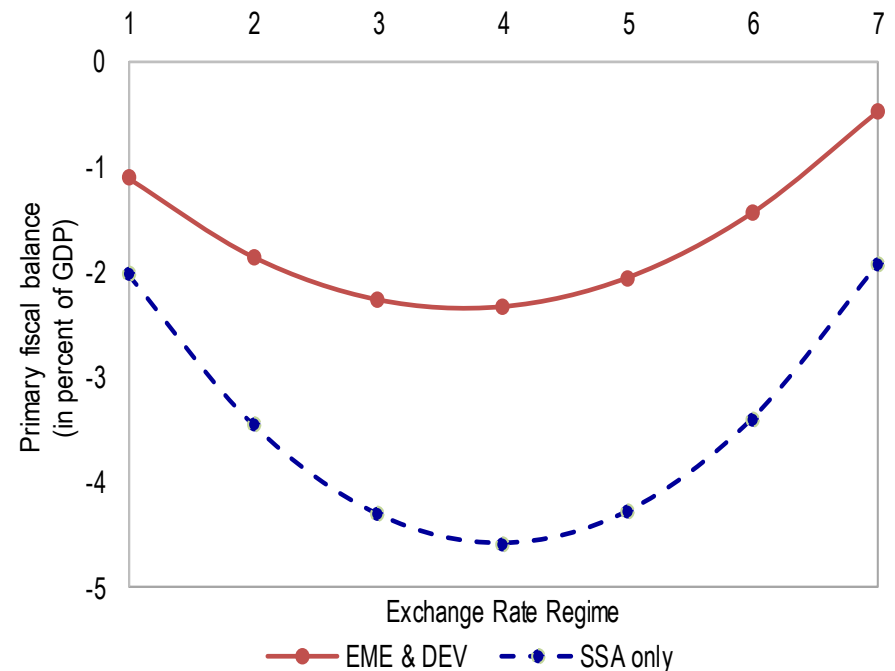
■ 1980-89
 ■ 1990-99
 ■ 2000-08
 ■ 2009-14
 — Average, full period

Exchange rate regimes: Fiscal discipline

Overall fiscal balance and Exchange Rate Regime

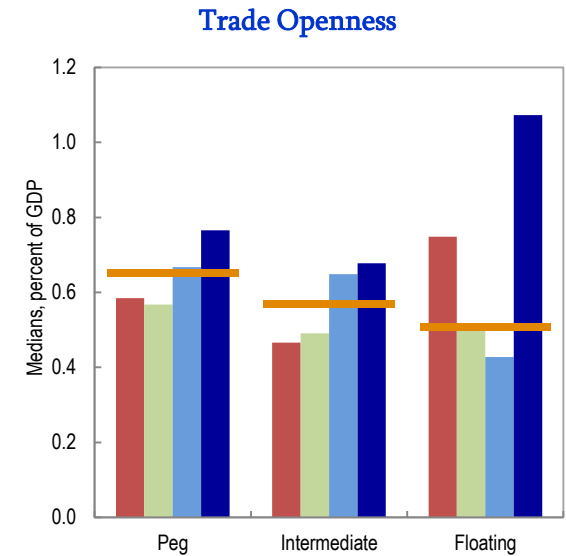
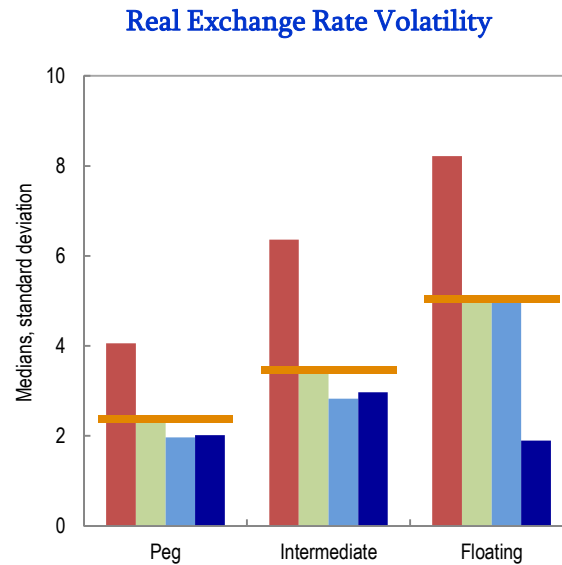
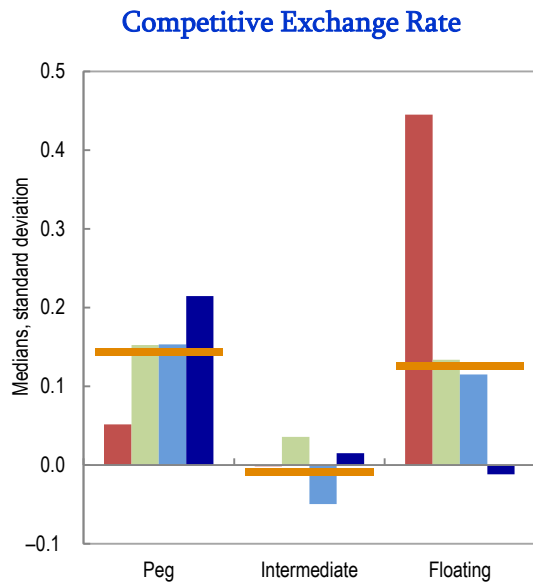


Primary fiscal balance and Exchange Rate Regime



Regimes: 1=hard pegs; 2=pegs to single currency; 3=basket pegs; 4=horizontal band; 5=crawling peg; 6=managed floats; and 7=independent floats.

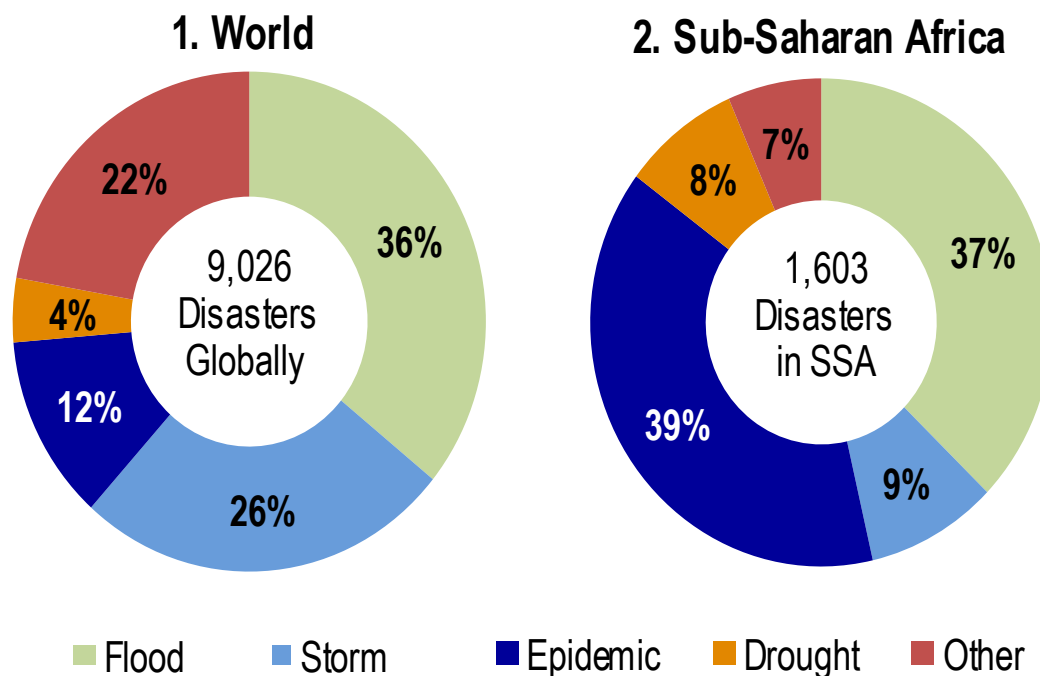
Exchange rate regimes and economic growth



Sources: IMF, Annual Report on Exchange Arrangements and Exchange Restrictions (AREAER) database; and IMF, World Economic Outlook database.

SSA is more vulnerable to natural disasters than most other regions,

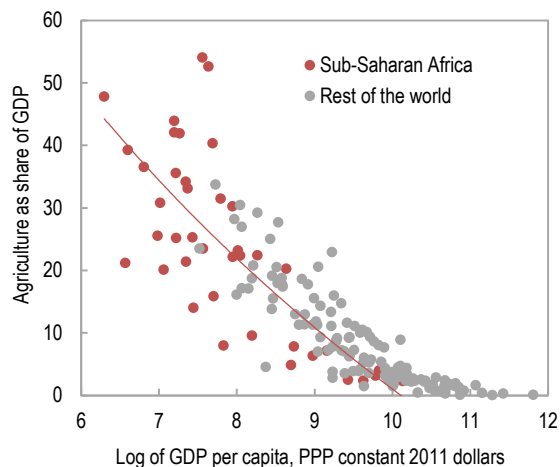
World and Sub-Saharan Africa: Frequency of Disasters, 1990–2014



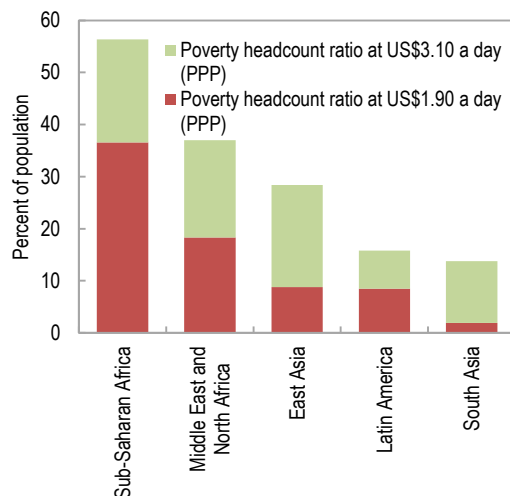
Source: Incidence of Natural Disasters database, EM-DAT; and IMF staff calculations.

...being highly dependent on agriculture, high poverty, and limited access to finance

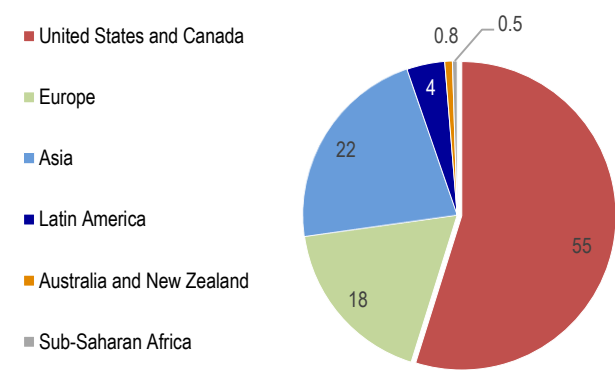
SSA: Share of Agriculture and GDP per Capita, 2014



Selected Regions: Poverty Headcount Ratios, 2012

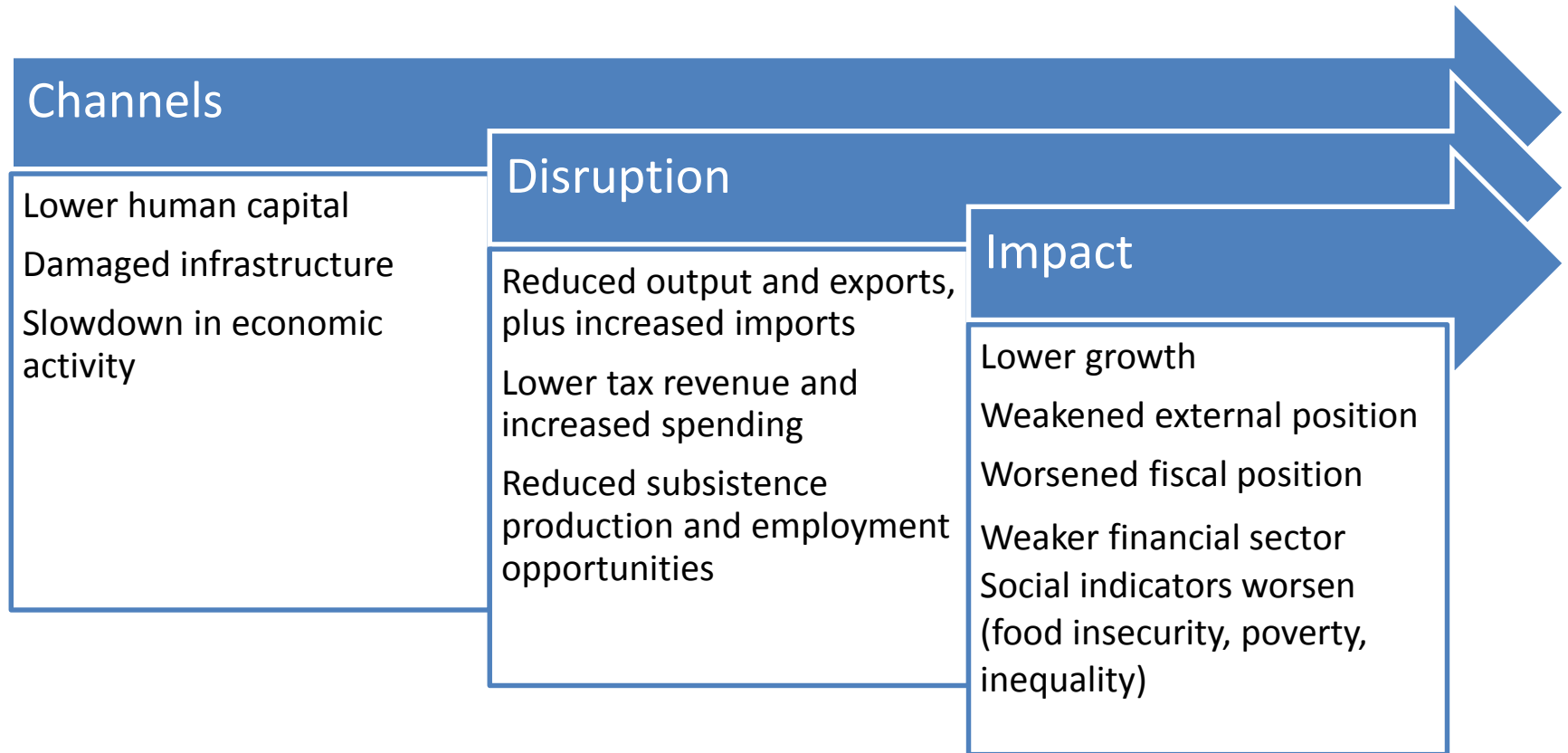


Agricultural Insurance Premium, 2011 (Percent of total)



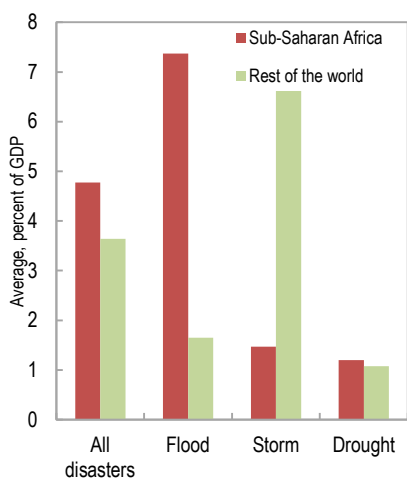
Sources: World Bank, World Development Indicators; and IMF staff calculations.

Natural disasters: transmission channels

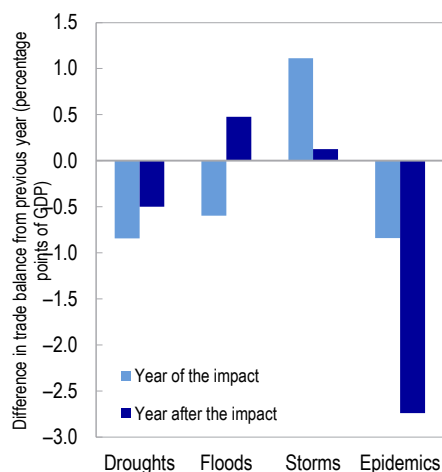


Natural disasters: macro- and social implications

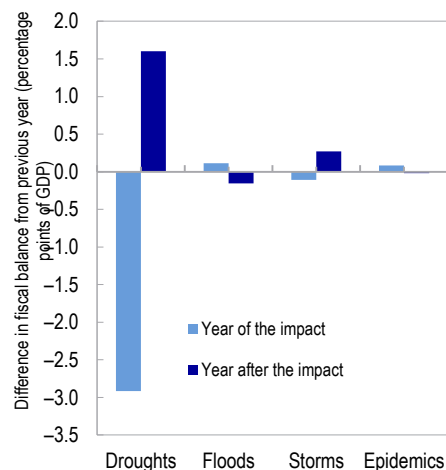
Economic Cost of Selected Disasters (1990–2014)



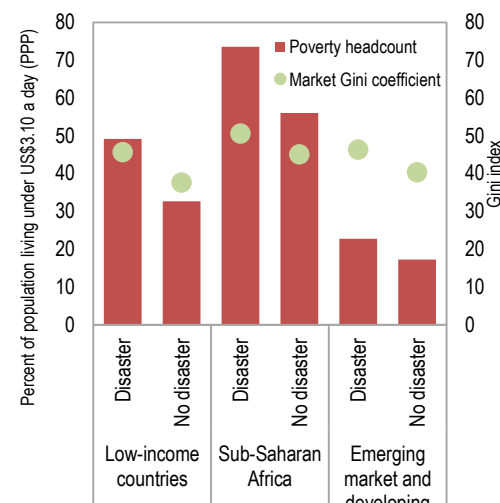
Trade Balance (1990-2014)



Fiscal Balance Excluding Grants (1990-2014)



Poverty and Inequality (2011–13)



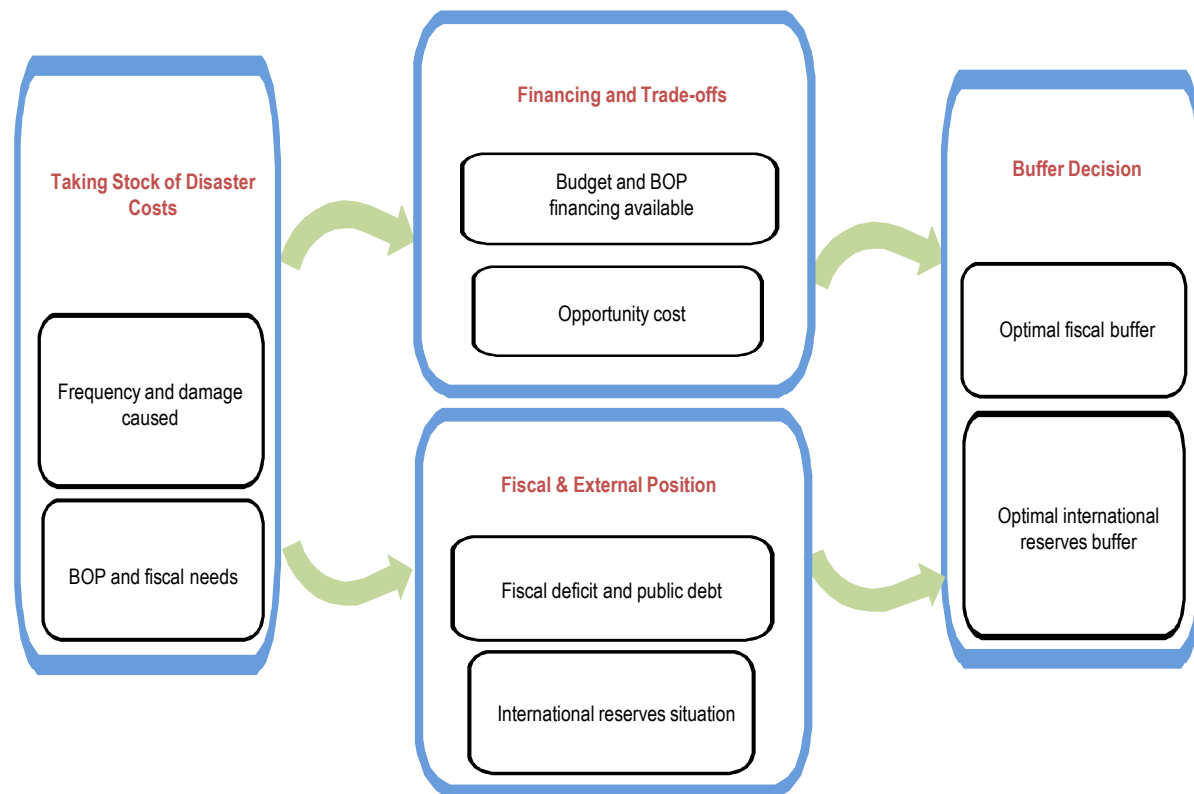
Sources: Incidence of Natural Disasters database, EM-DAT; and IMF staff calculations.

1 Selected disasters are those in the top 20 percent most damaging disasters in terms of human lives affected.

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

Natural disasters: Enhancing economies' resilience

Considerations in Determining the Size of Buffers



Source: IMF forthcoming.
Note: BOP = balance of payments.

Thank you!

World Economic and Financial Surveys

Regional Economic Outlook

Sub-Saharan Africa
Multispeed Growth

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