

# Economic Outlook for Sub-Saharan Africa and Kenya

---



Jan Mikkelsen  
IMF Resident Representative for Kenya  
November 21, 2017

# International Monetary Fund: What do we do?

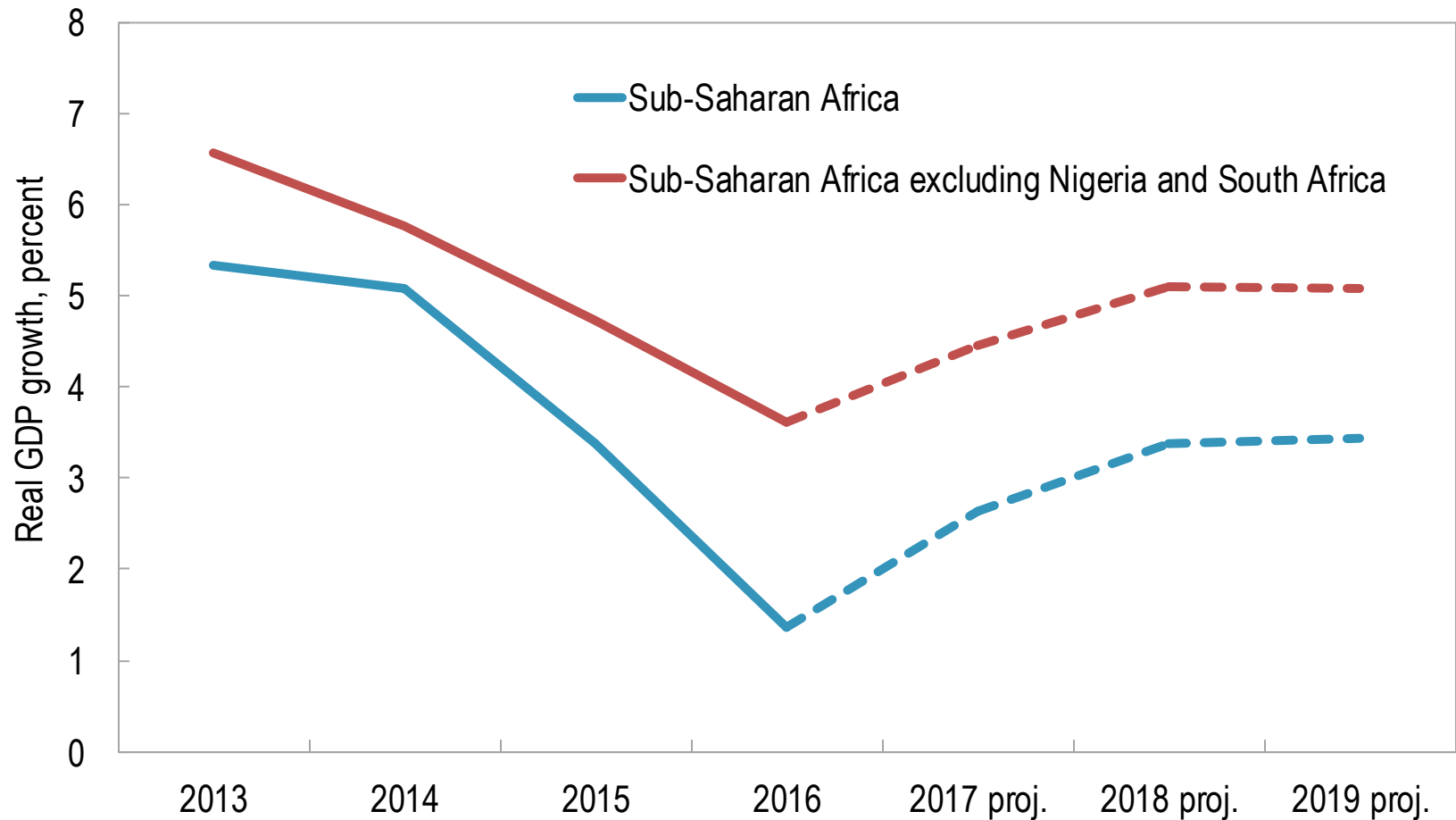
(Current membership: 189 countries)

- **Surveillance**  
A mechanism for monitoring countries' policies to ensure that the international monetary system operates effectively
- **Financial assistance**  
Includes credits and loans extended by the IMF to member countries with balance of payments problems to support policies of adjustment and reform
- **Technical assistance**  
Consists of expertise and support provided by the IMF to its member countries in several broad areas

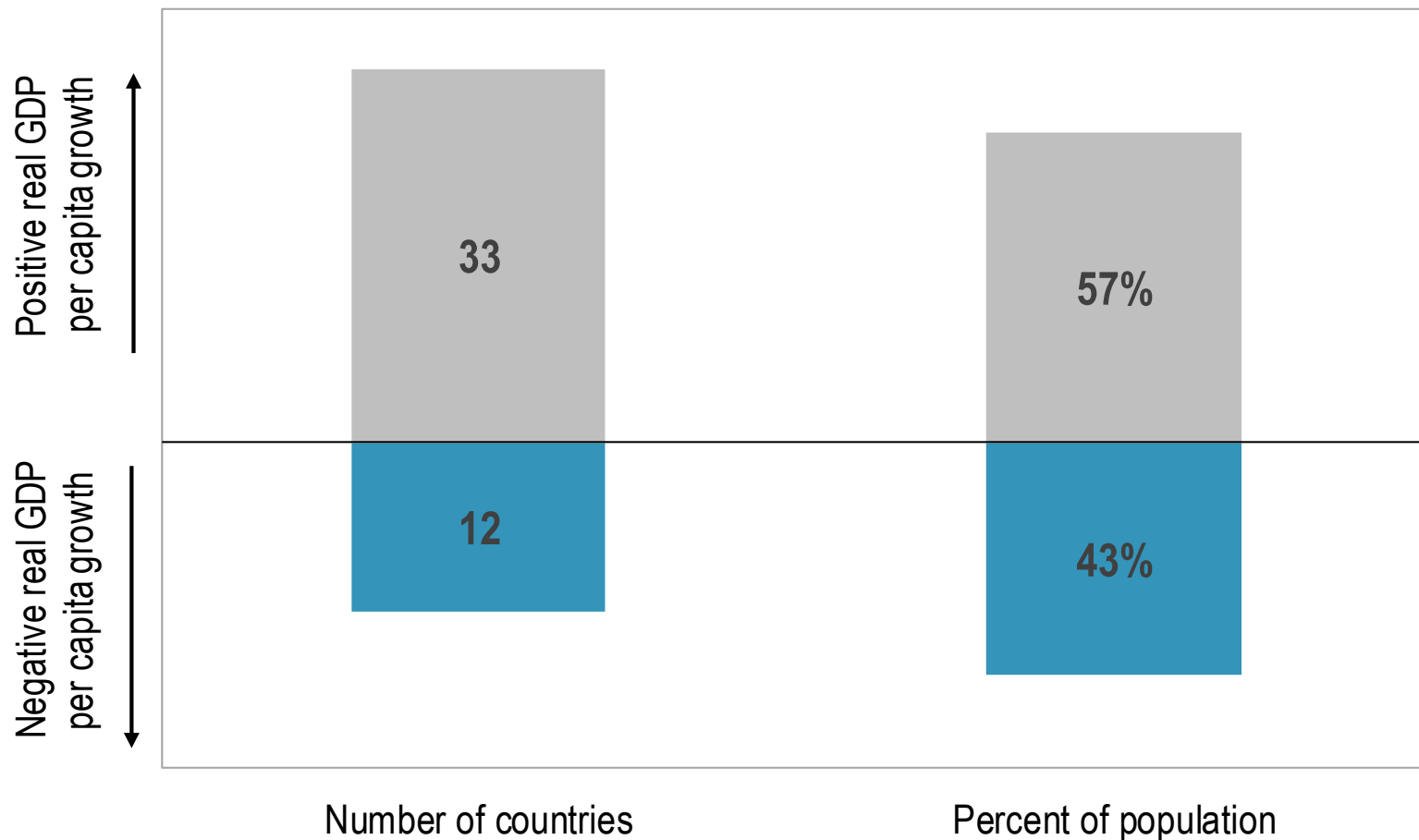
# Outline

- 1. A modest growth recovery for SSA**
2. Factors underpinning the outlook
3. Policies to strengthen the recovery
  - Addressing debt vulnerabilities
  - Emphasis on revenue mobilization
  - Fostering economic diversification
4. Outlook for Kenya
  - Growth story
  - Challenges
  - Policy options

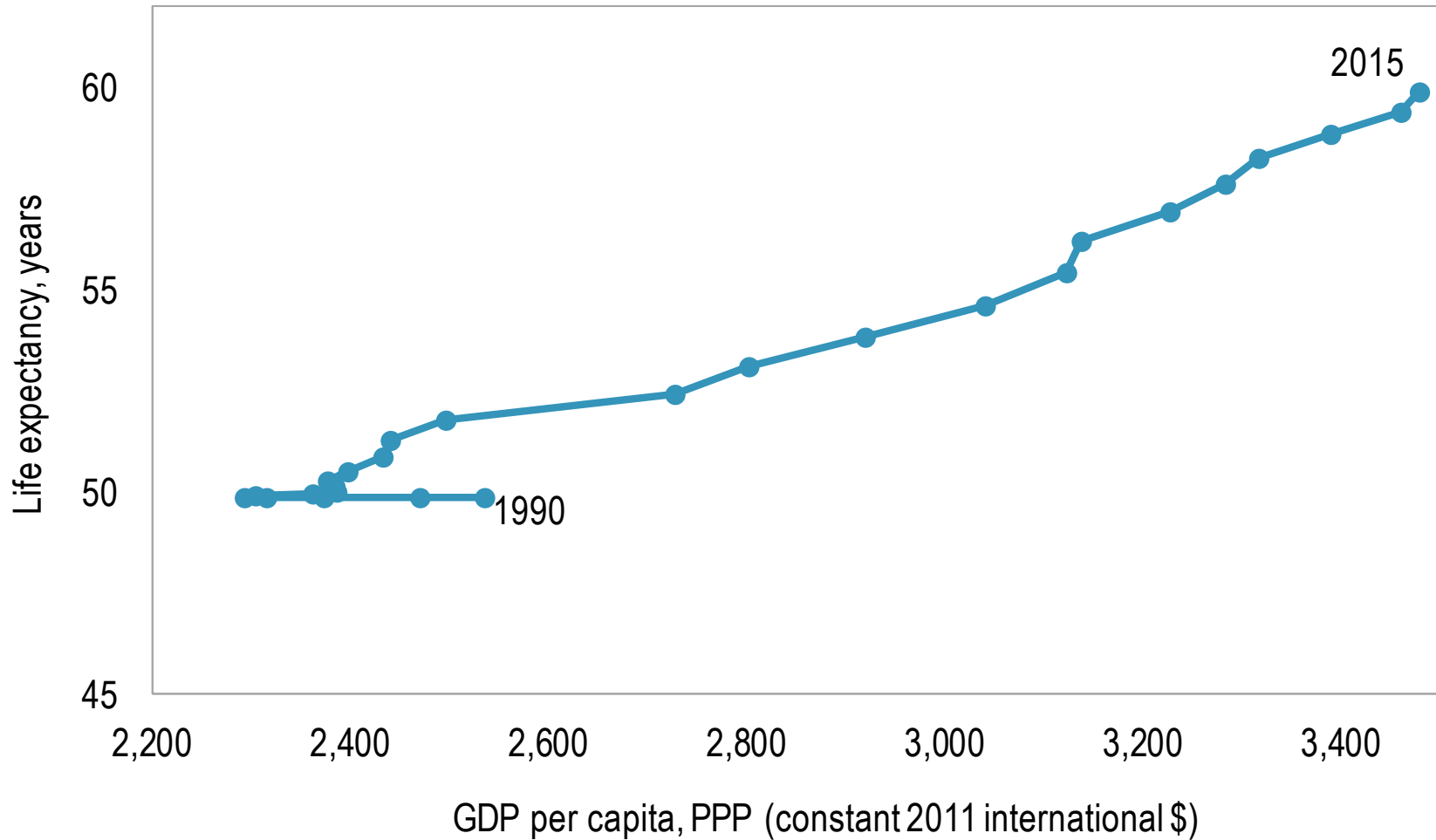
# Growth has picked up, but is set to remain subdued



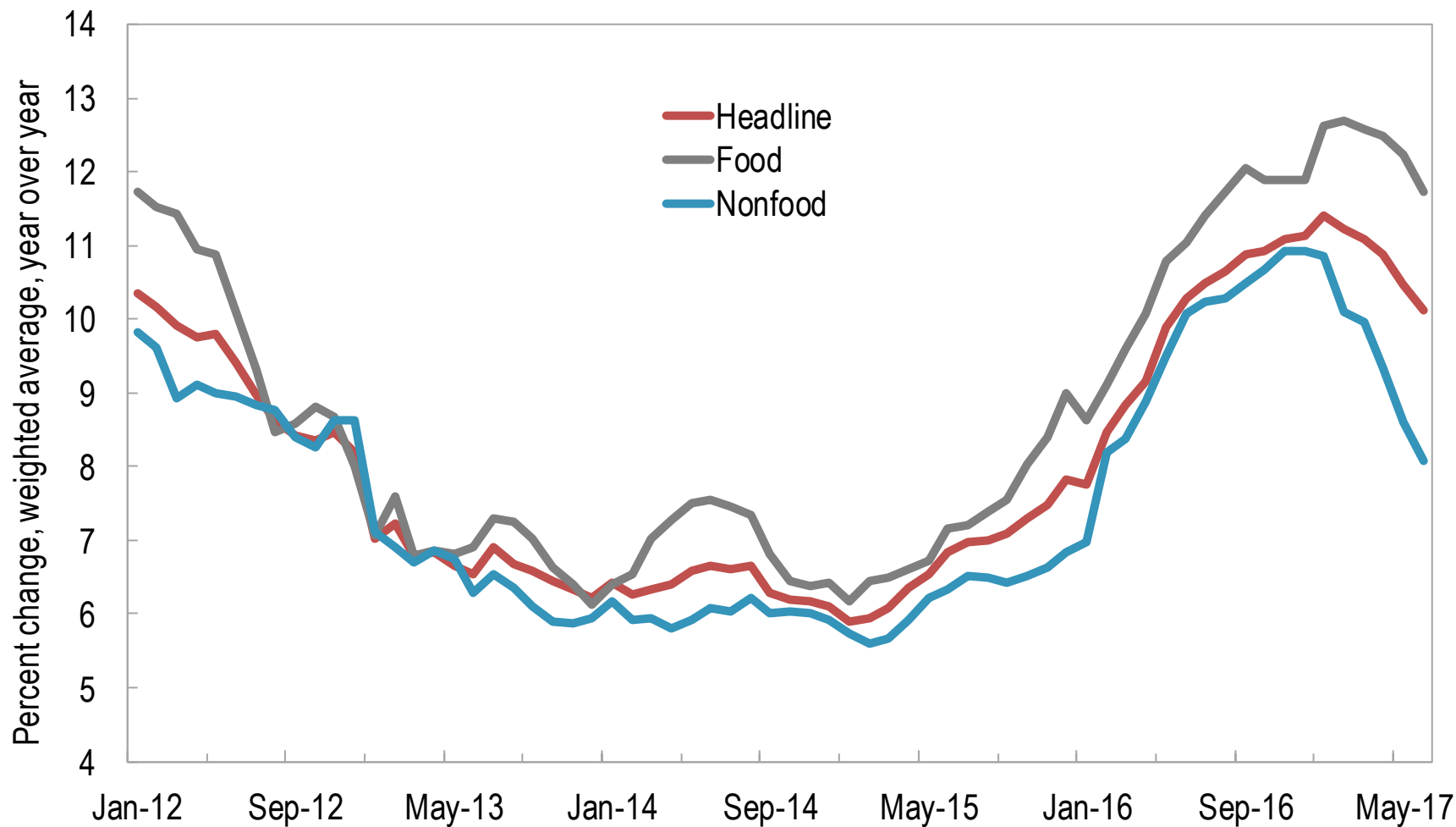
# The recovery is insufficient to raise GDP per capita in many countries



# Why growth matters



# Inflationary pressures are receding



# Outline

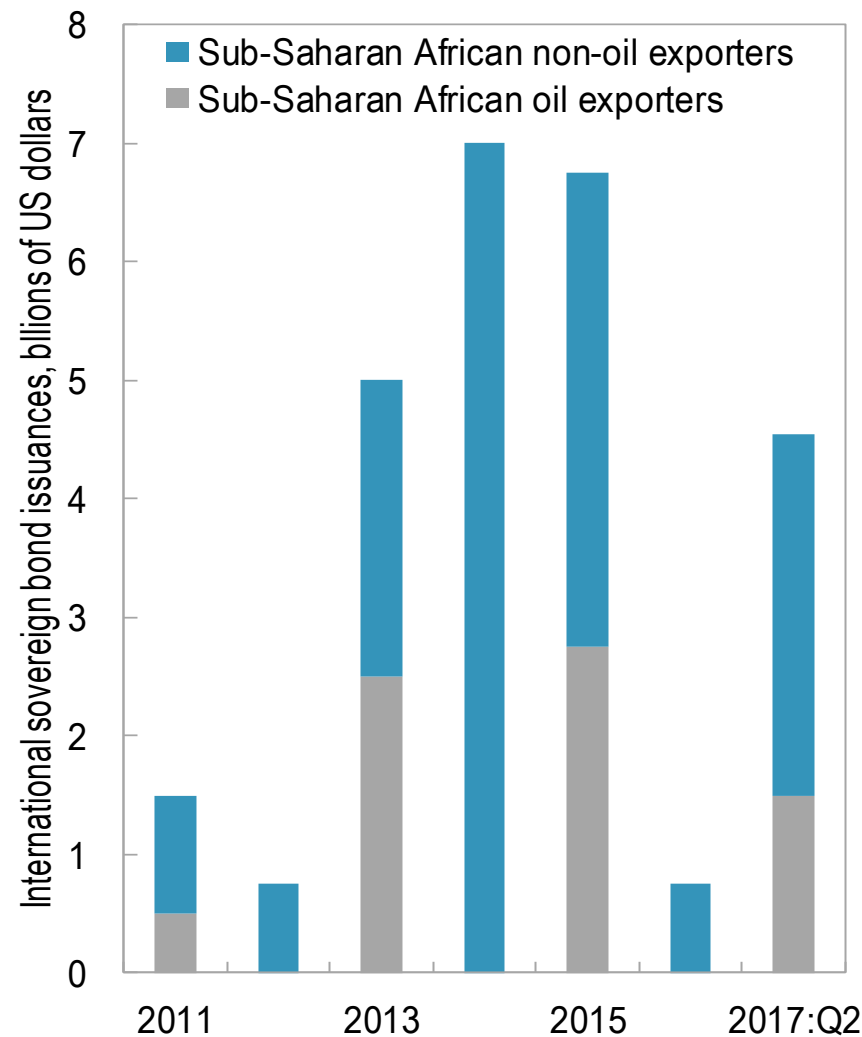
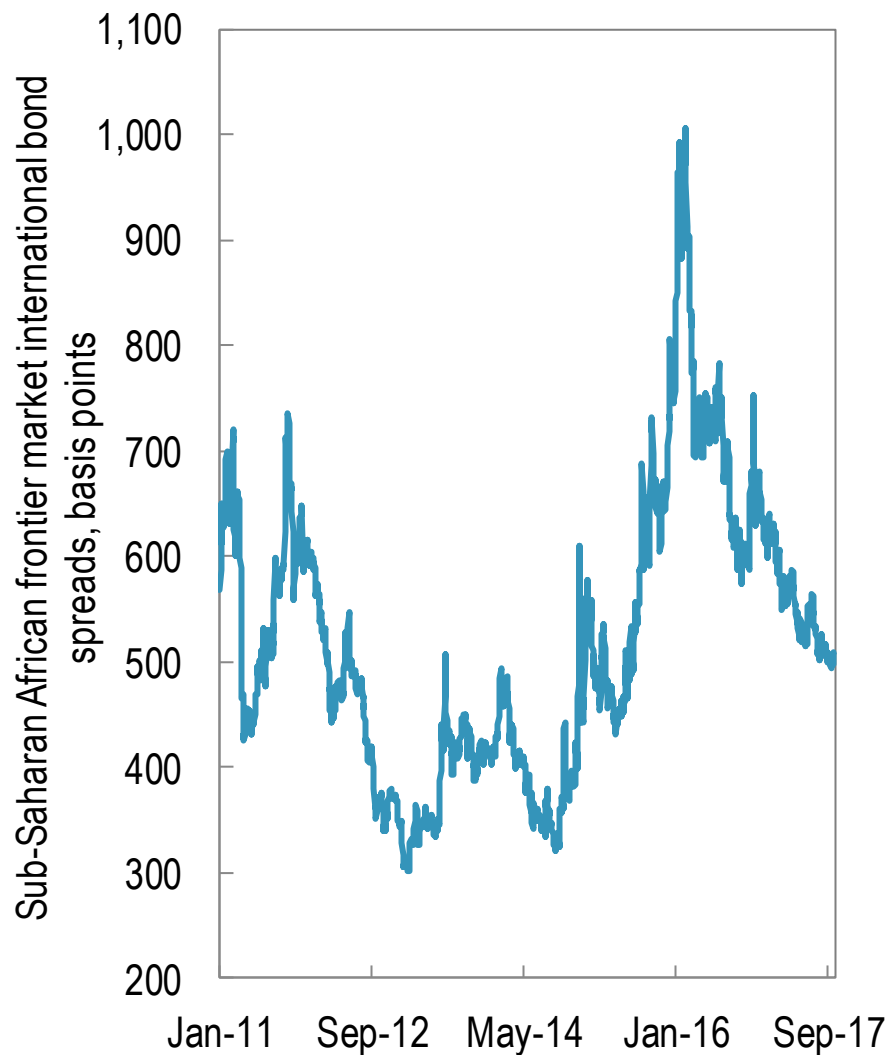
1. A modest growth recovery for SSA
2. **Factors underpinning the outlook**
3. Policies to strengthen the recovery
  - Addressing debt vulnerabilities
  - Emphasis on revenue mobilization
  - Fostering economic diversification
4. Outlook for Kenya
  - Growth story
  - Challenges
  - Policy options



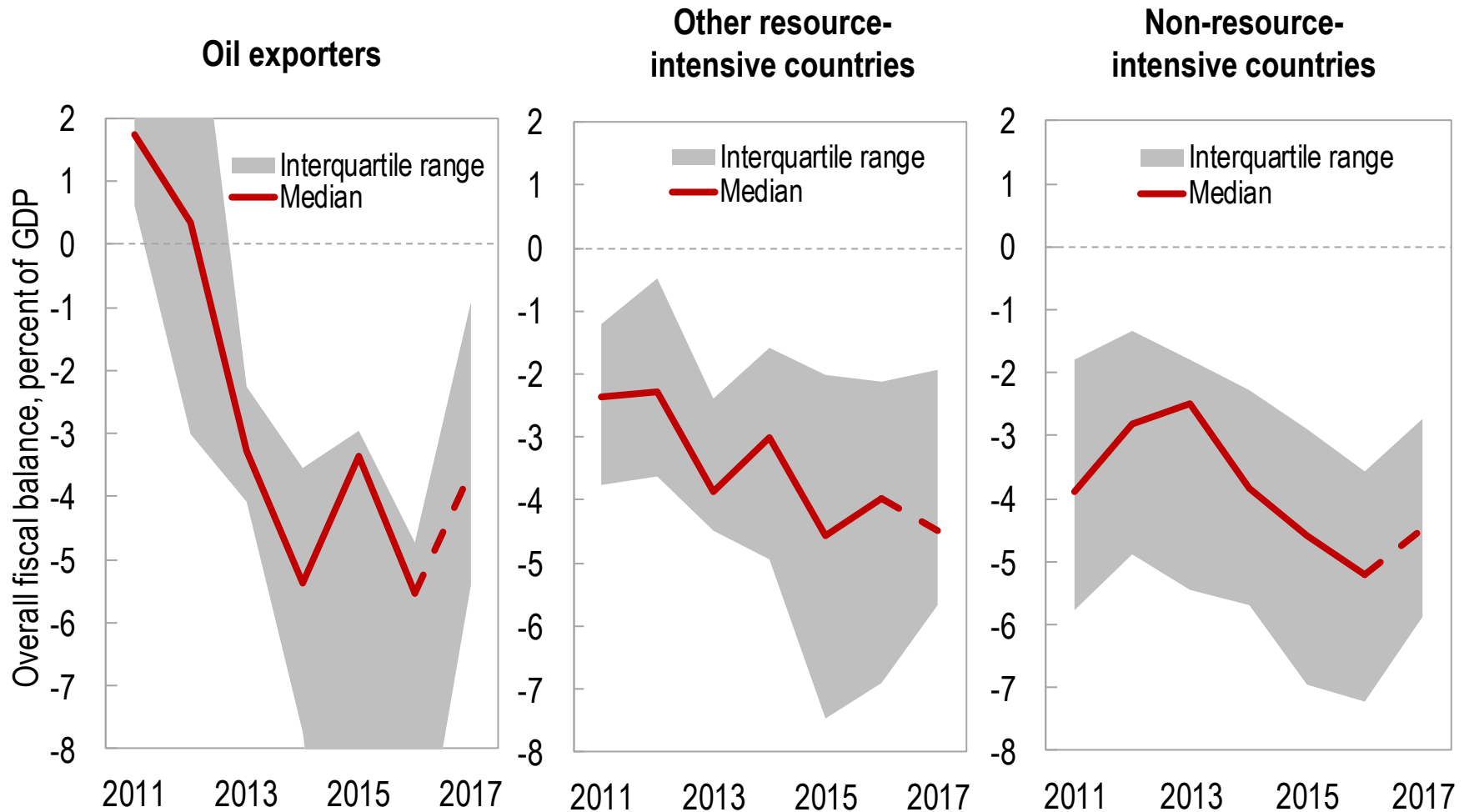
# Factors underpinning modest recovery

- Global growth slightly improving (3.6% in 2017) and on the upside in main export markets for SSA (Euro area, China, and India)
- Easier financing conditions \*
- Fiscal deficits stabilizing though at high levels\*
- Public debt stocks rising \*
- Low commodity prices continue to weigh on outlook

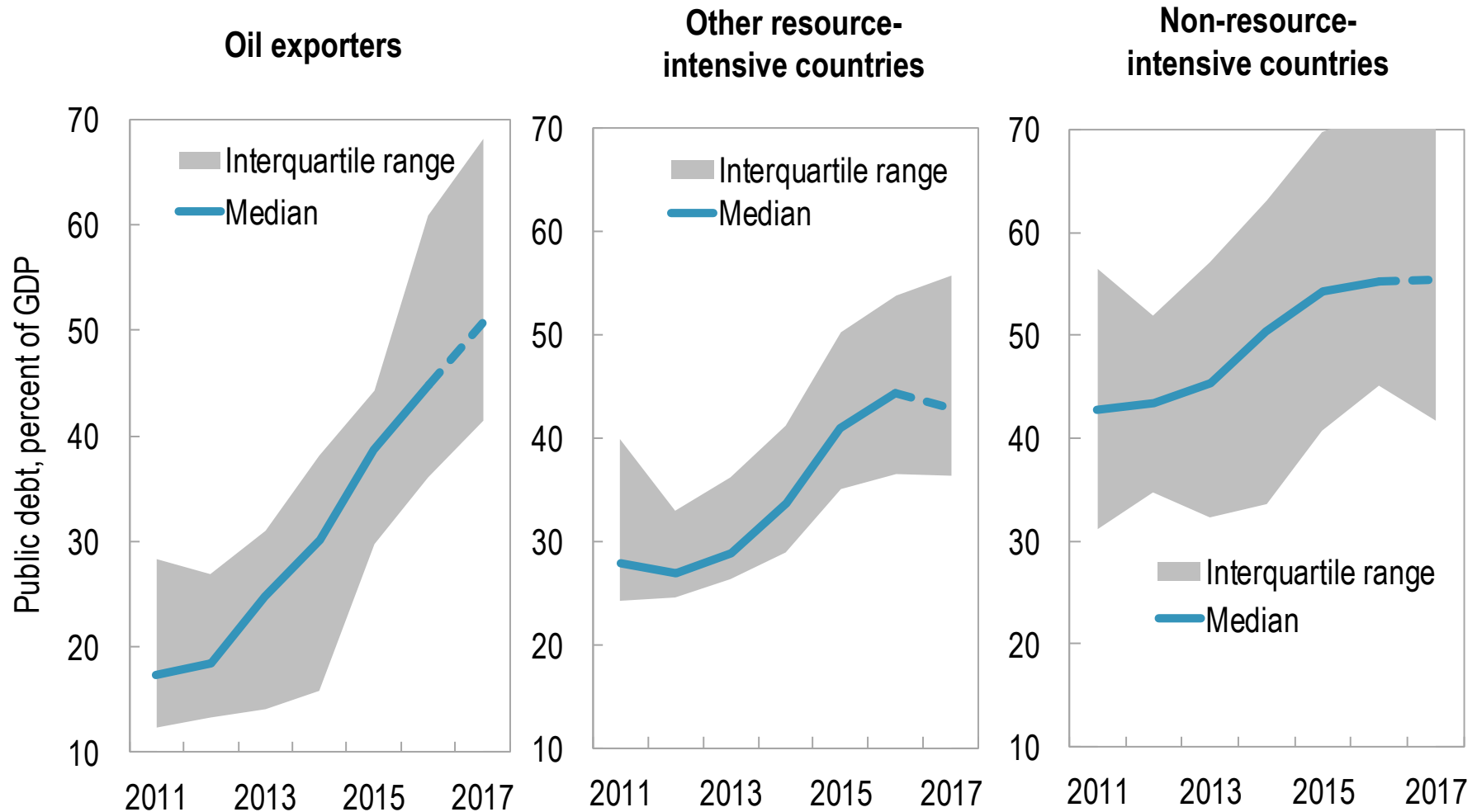
# Easier financing conditions have brought frontier economies back to the market



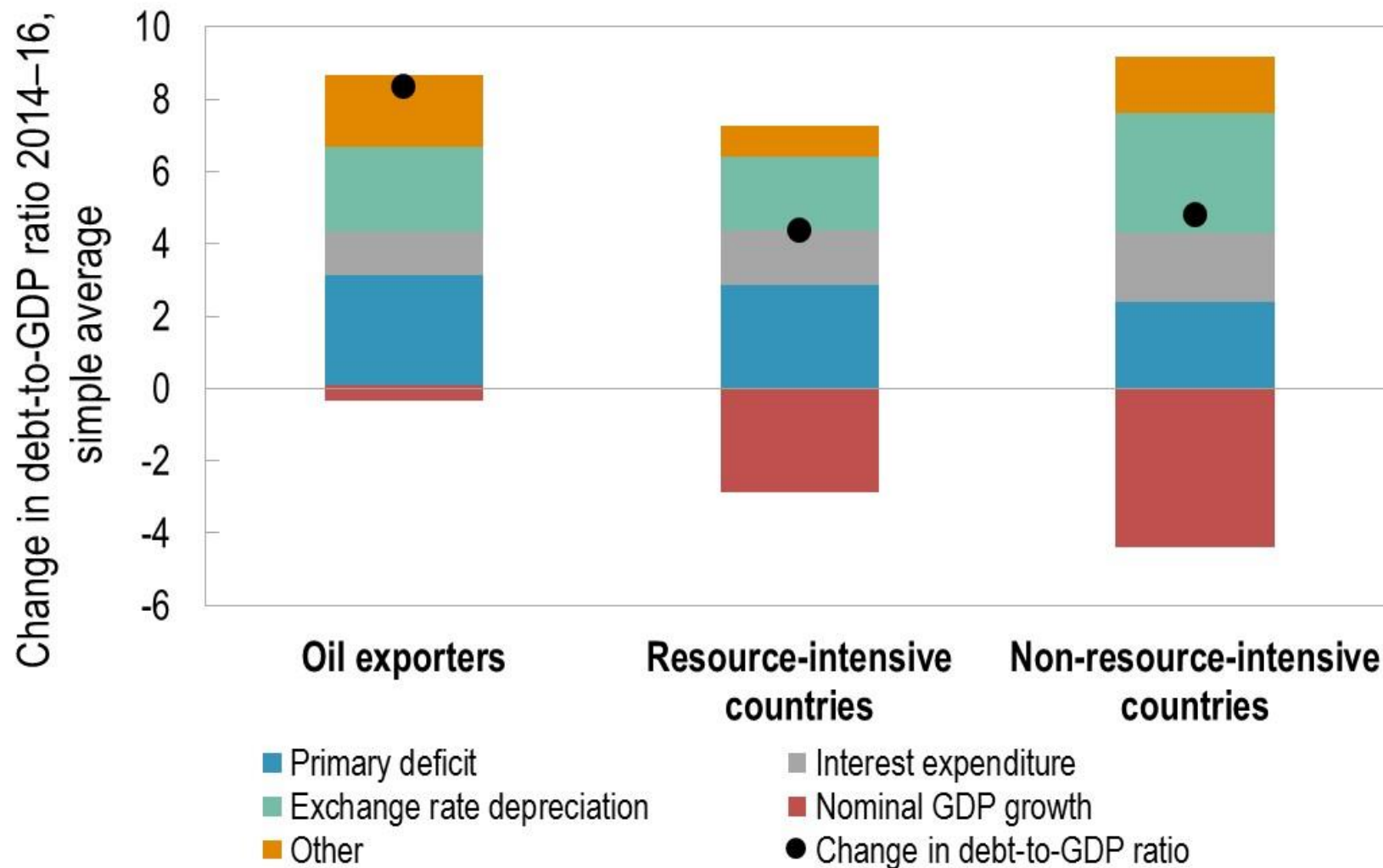
# Fiscal deficits are stabilizing, albeit at high levels



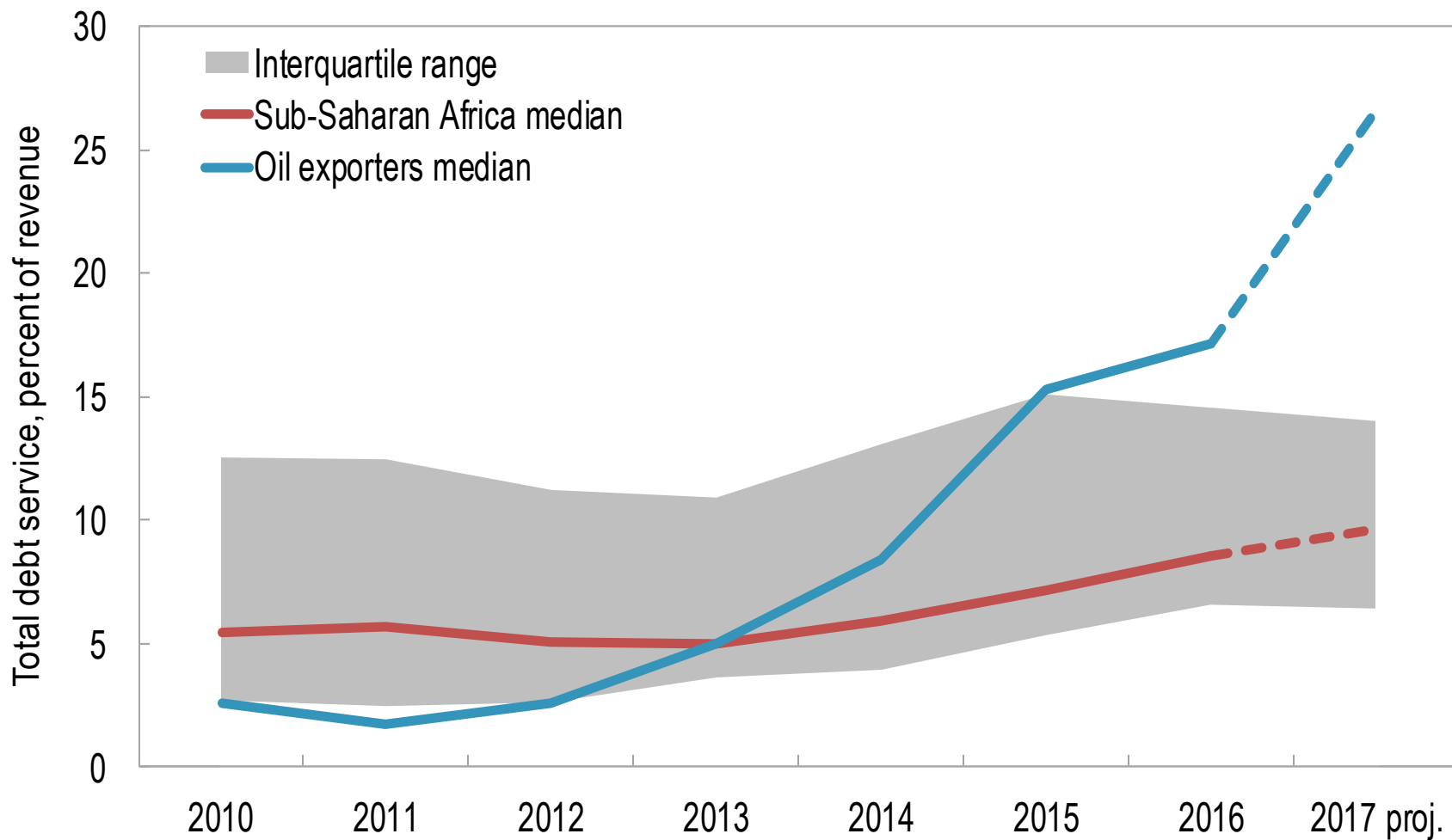
# Public debt stocks have risen throughout the region...



# ...driven by large fiscal deficits and depreciation



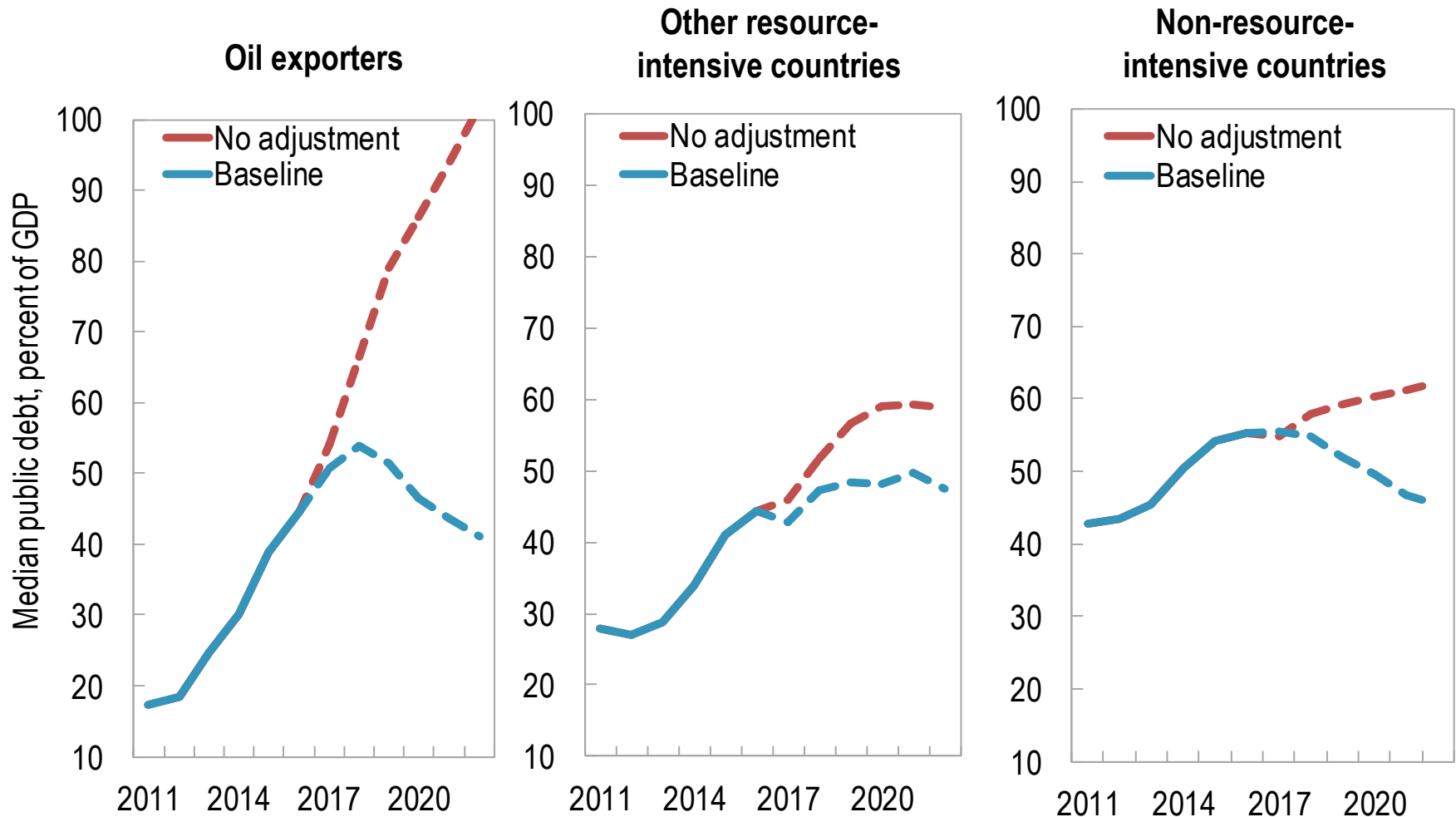
# Debt service costs have increased



# Outline

1. A modest growth recovery for SSA
2. Factors underpinning the outlook
3. **Policies to strengthen the recovery**
  - **Addressing debt vulnerabilities**
  - **Emphasis on revenue mobilization**
  - **Fostering economic diversification**
4. Outlook for Kenya
  - Growth story
  - Challenges
  - Policy options

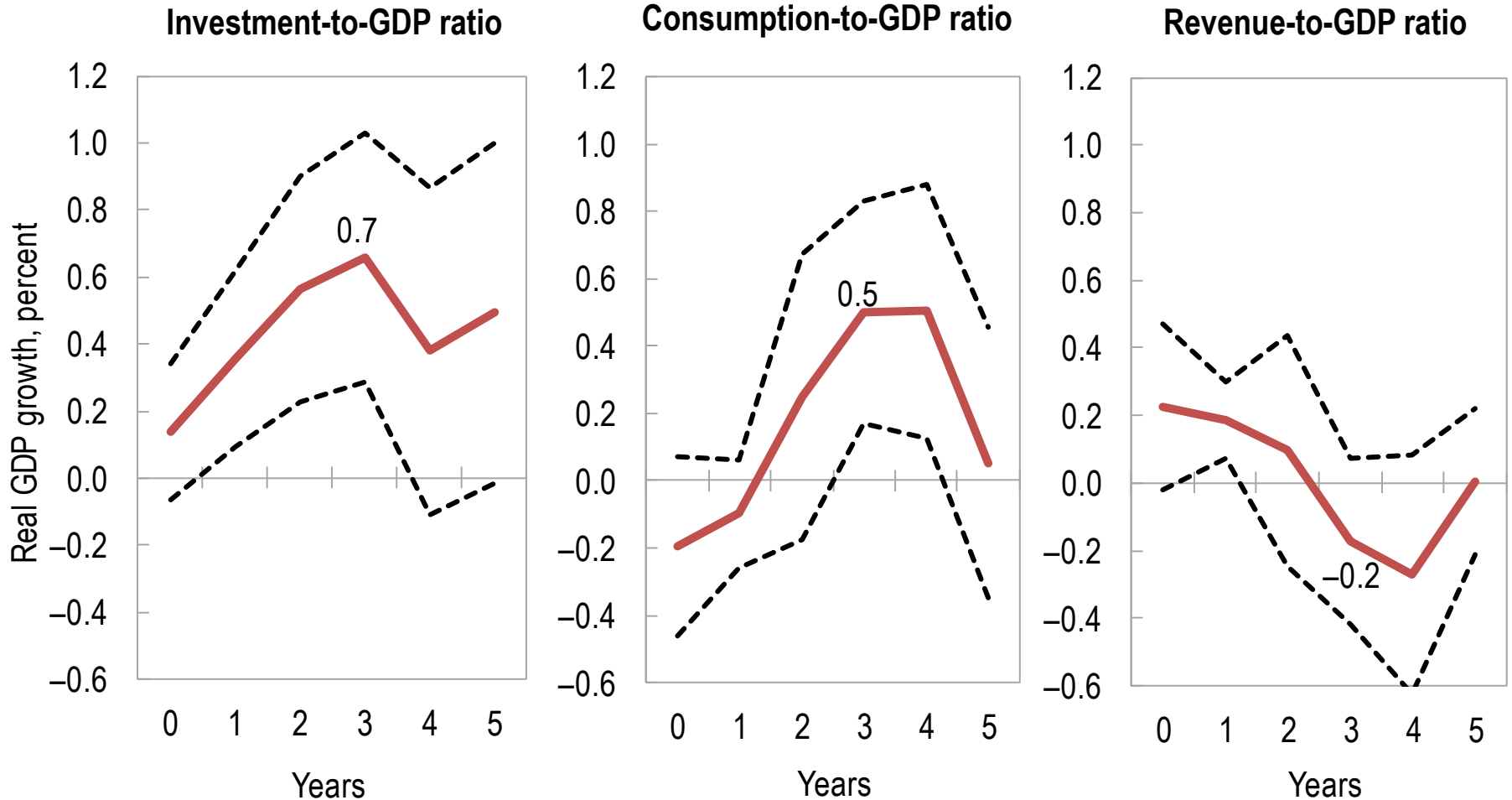
# Fiscal consolidation plans need to be implemented



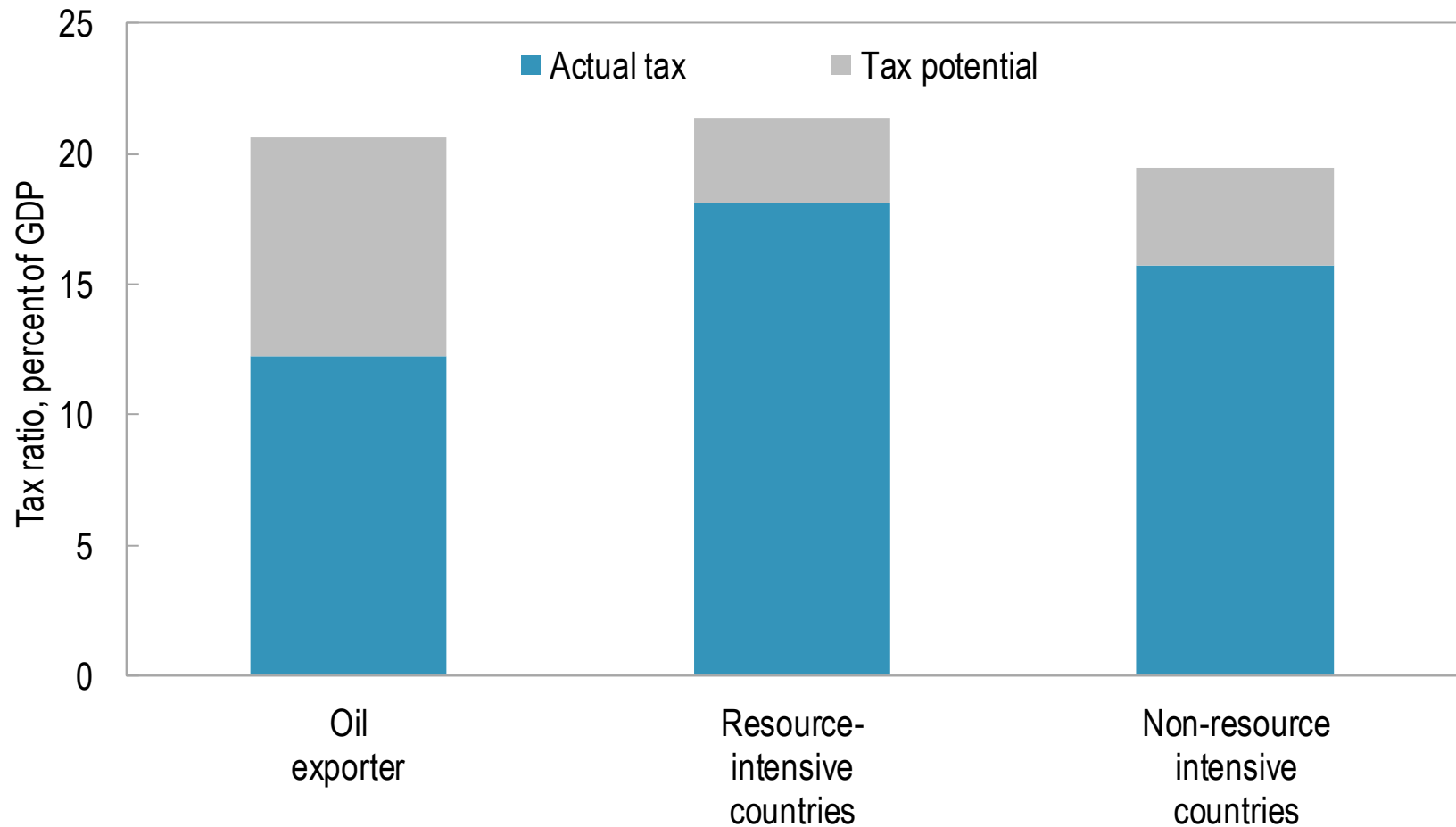


# Fiscal multipliers lowest for revenue in SSA

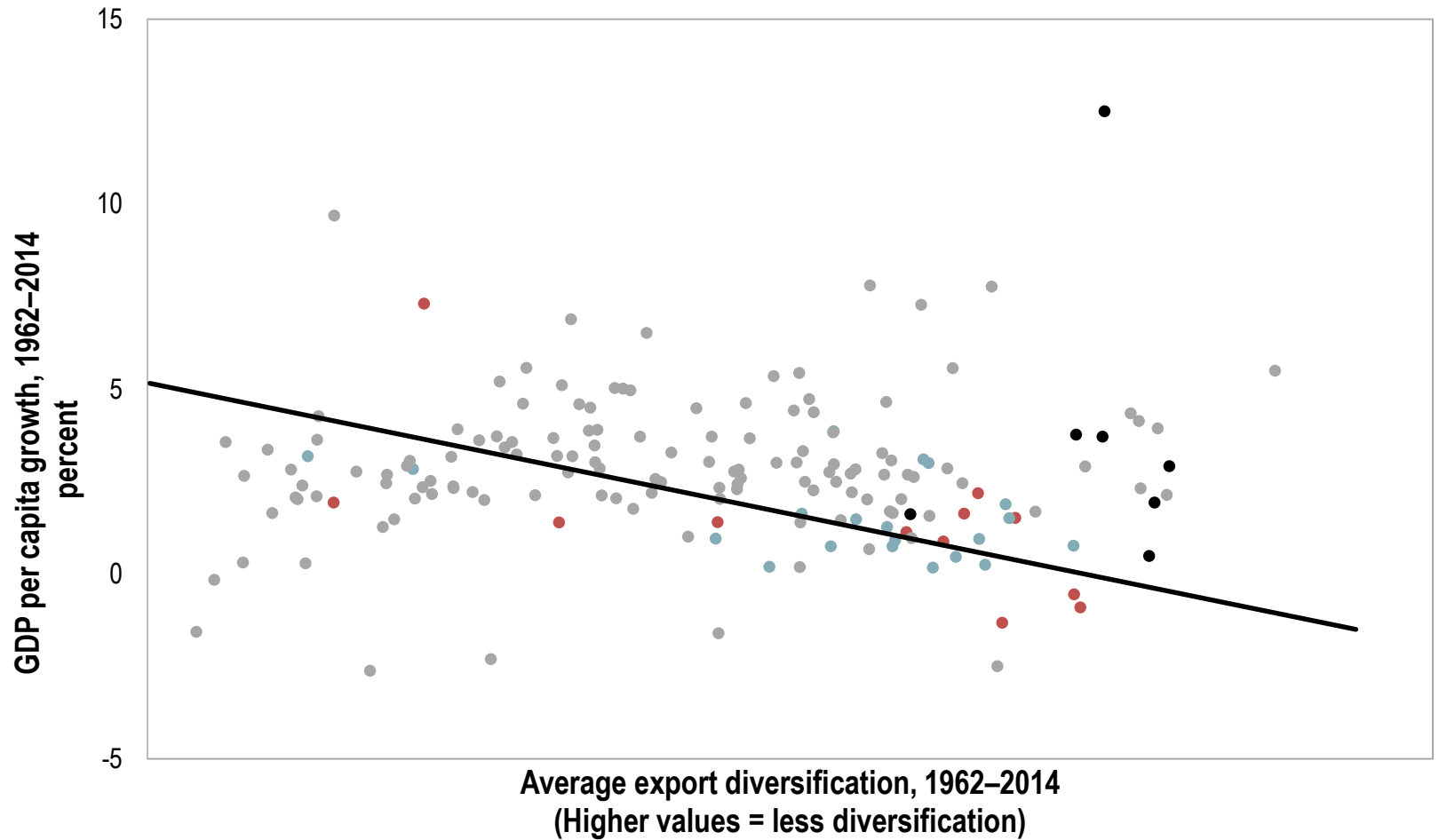
Impact on GDP growth of a 1 pp increase in ...



# Significant potential for raising revenues



# Export diversification offers a path to growth

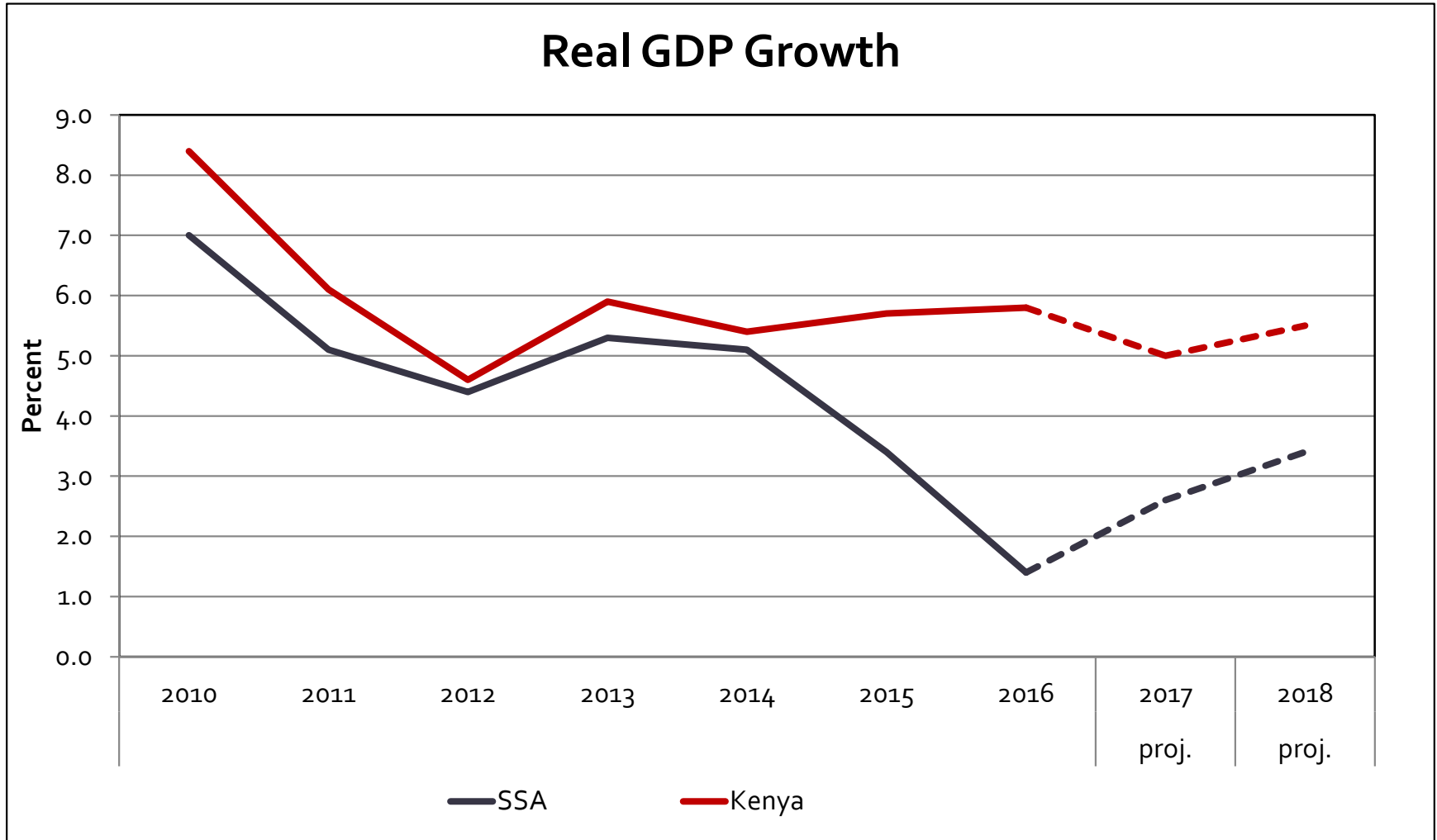


• SSA oil exporters    • SSA other resource-intensive    • SSA non-resource-intensive    • Other countries

# Outline

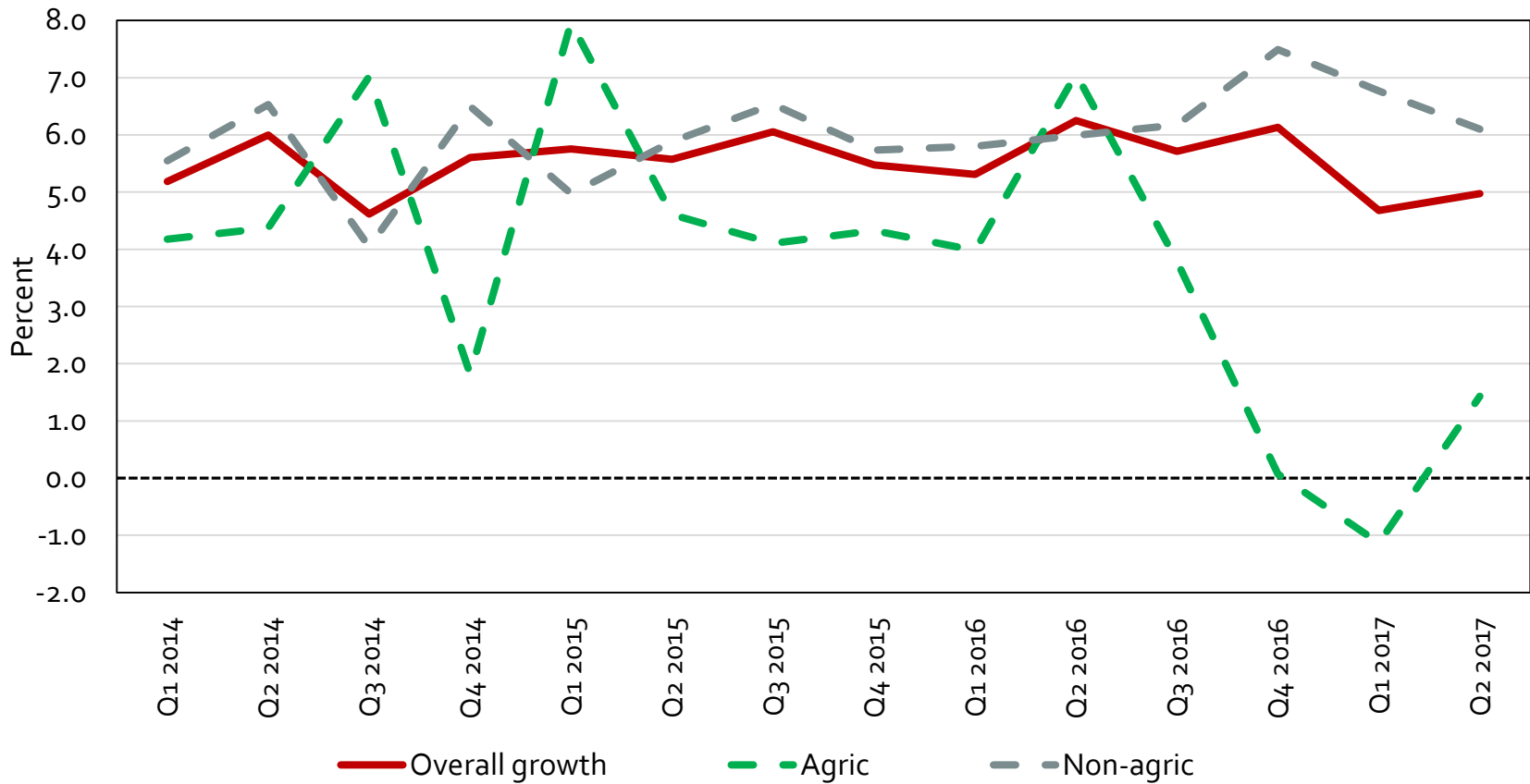
1. A modest growth recovery for SSA
2. Factors underpinning the outlook
3. Policies to strengthen the recovery
  - Addressing debt vulnerabilities
  - Emphasis on revenue mobilization
  - Fostering economic diversification
- 4. Outlook for Kenya**
  - **Growth story**
  - Challenges
  - Policy options

# Kenya's economy expanding fast...



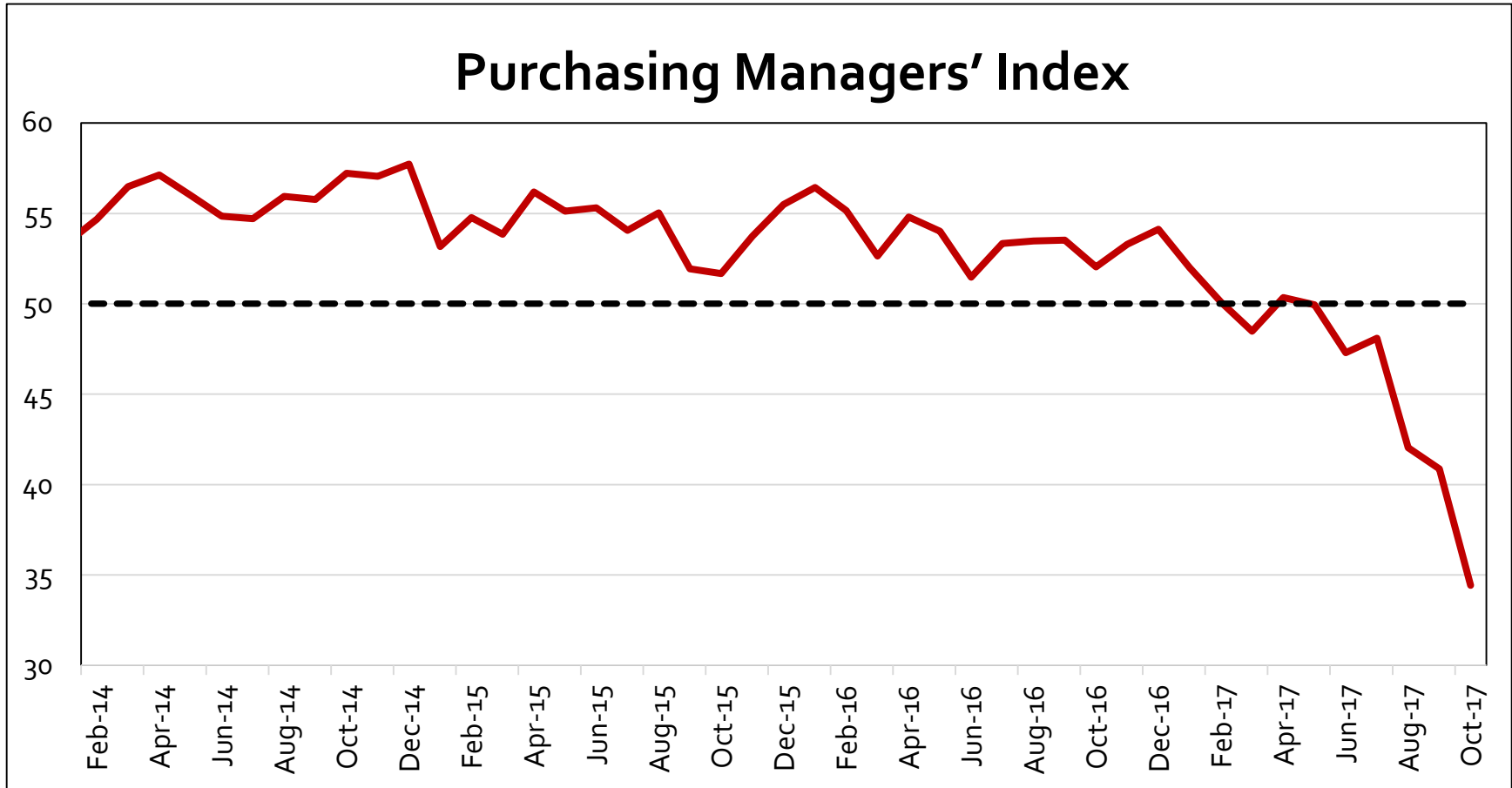
# ...though slowdown in agriculture

## Quarterly GDP Growth



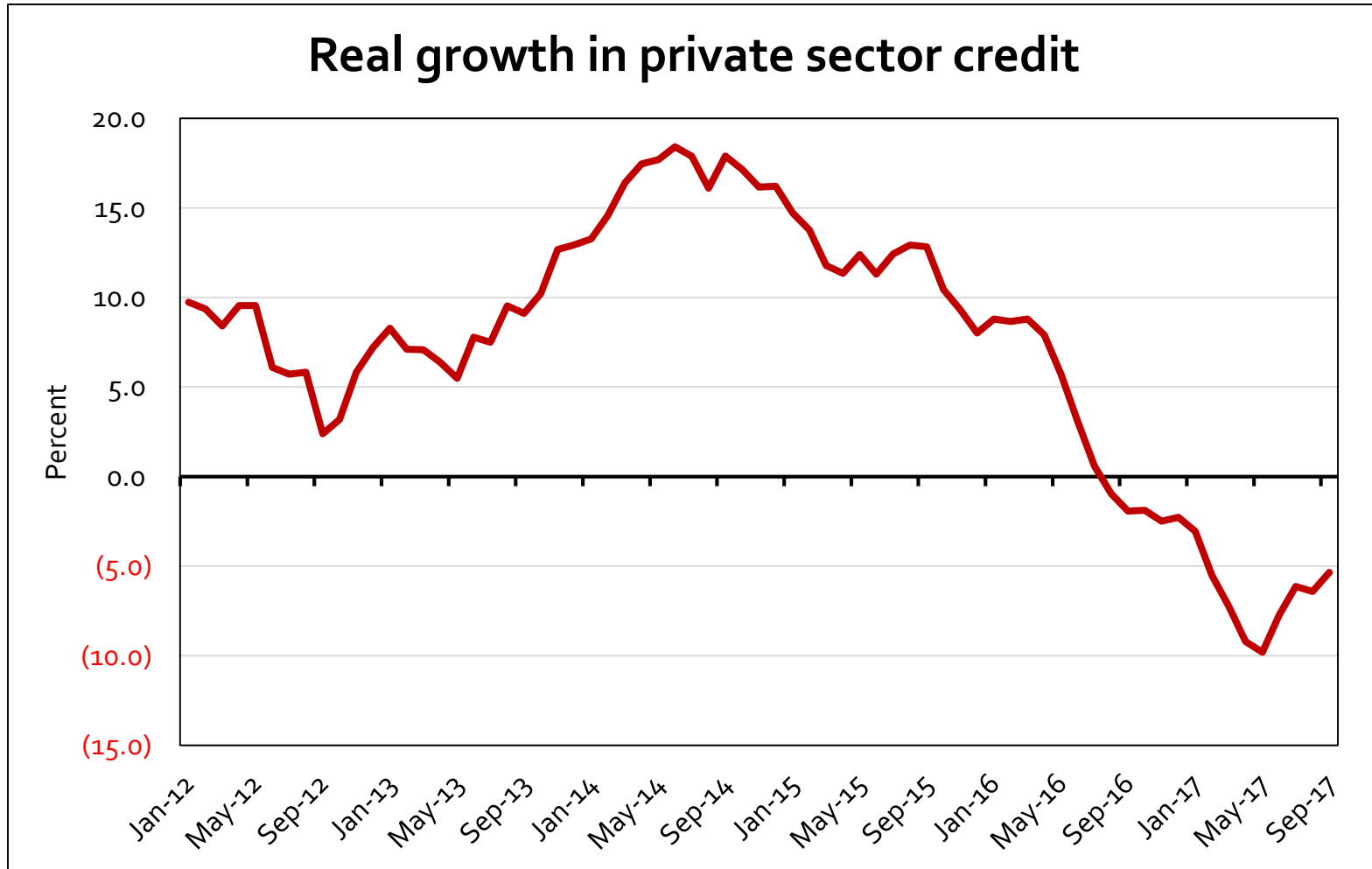
# Indicators show a decline in growth in second half of 2017...

## Purchasing Managers' Index



Source: Stanbic bank

...while private sector credit is declining in real terms



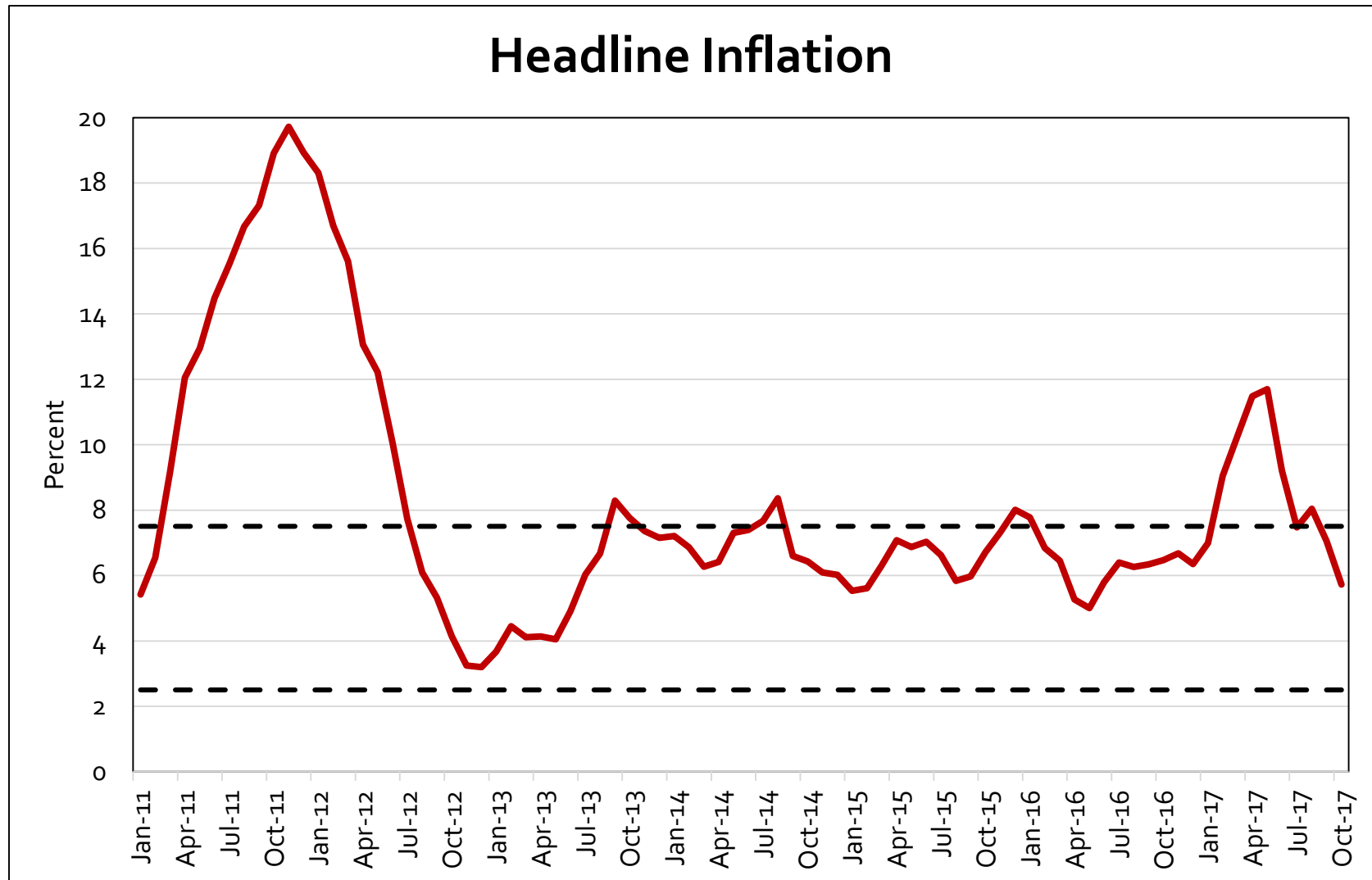


# Kenyan economy remains remarkably *resilient* despite recent uncertainty and economic slowdown!

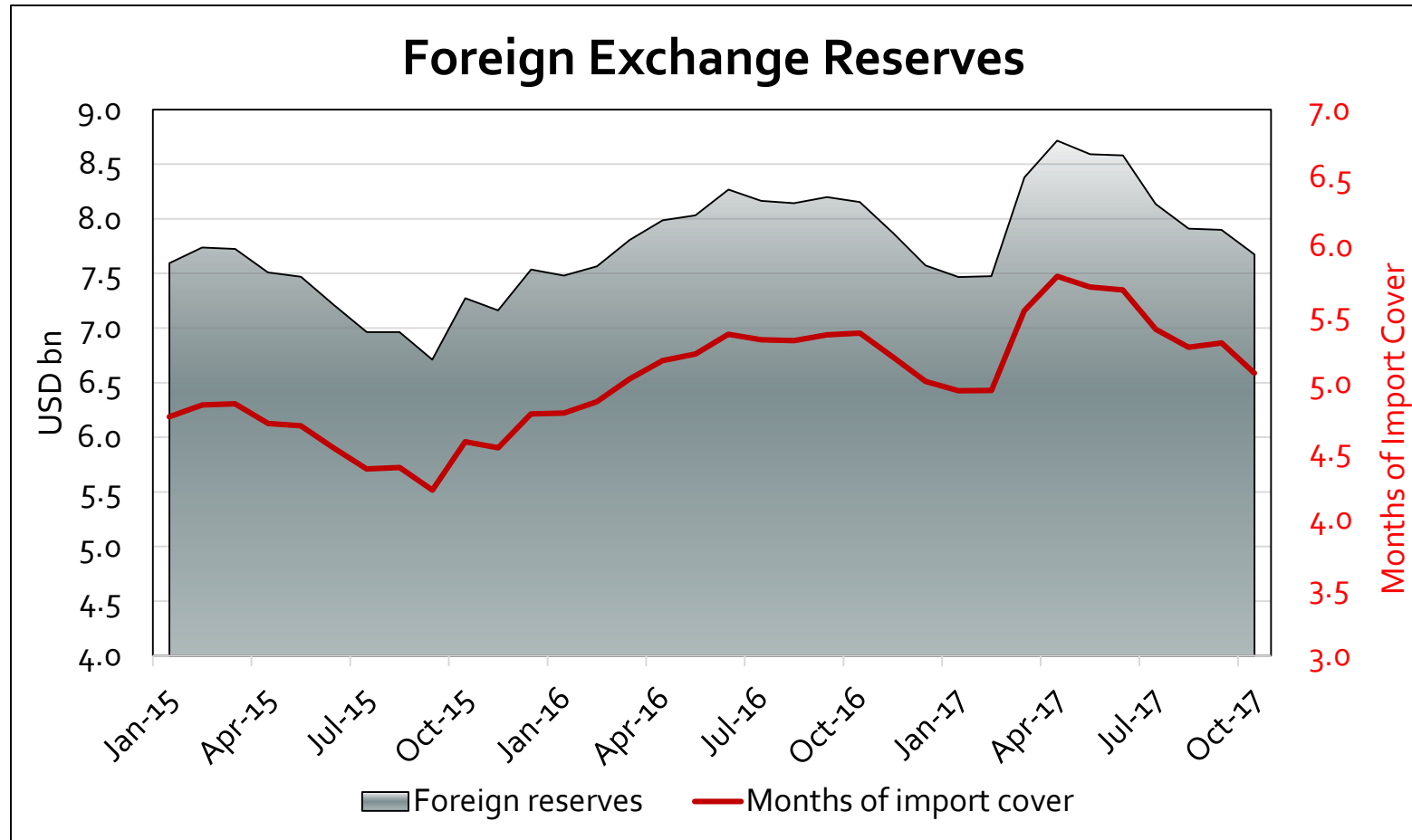
## Why?

- Strong tradition for macroeconomic stability
- Business friendly strategy with a dynamic private sector at the core
- Kenya remains relatively attractive for investors interested in the region

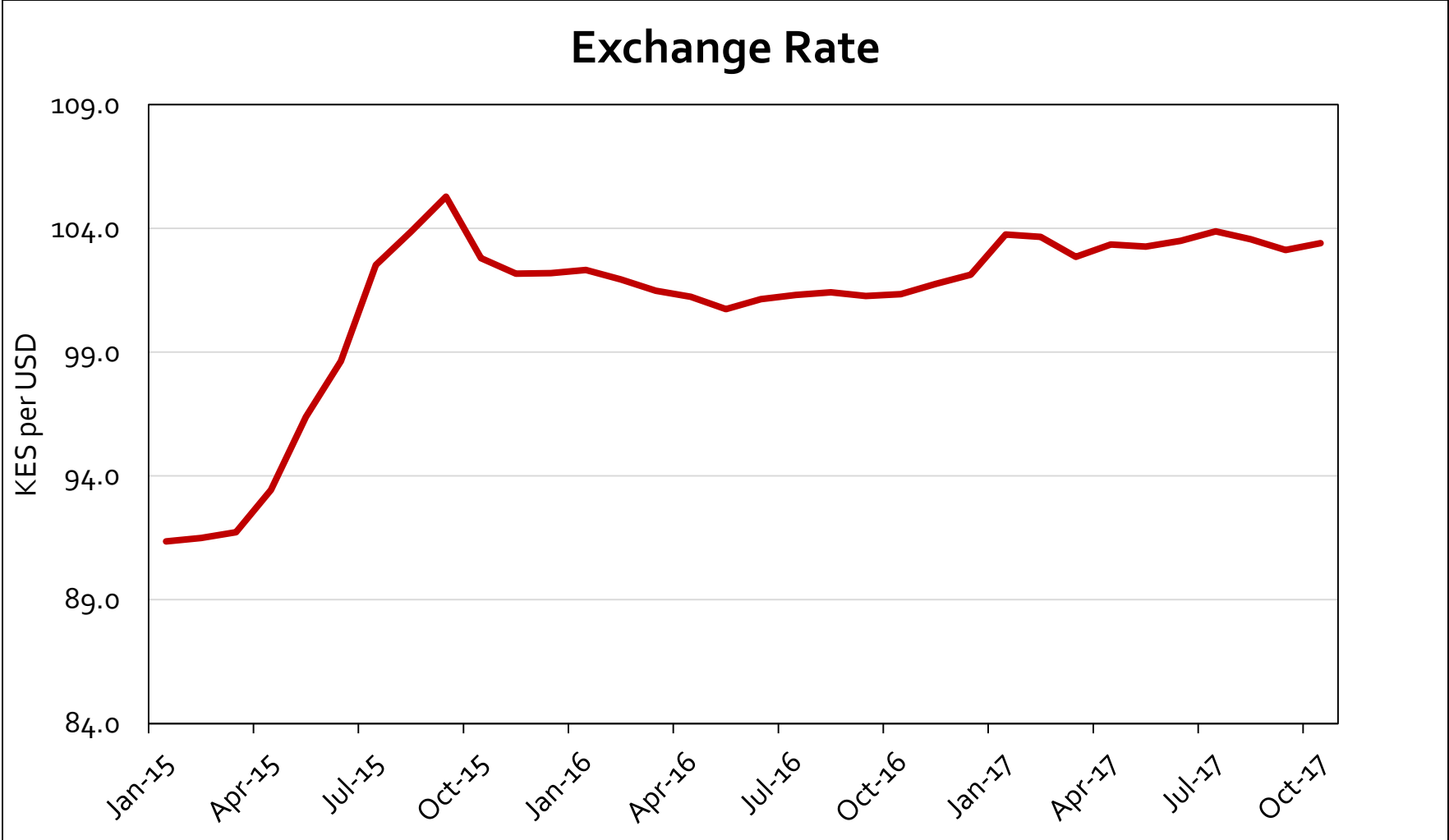
# Inflation under control



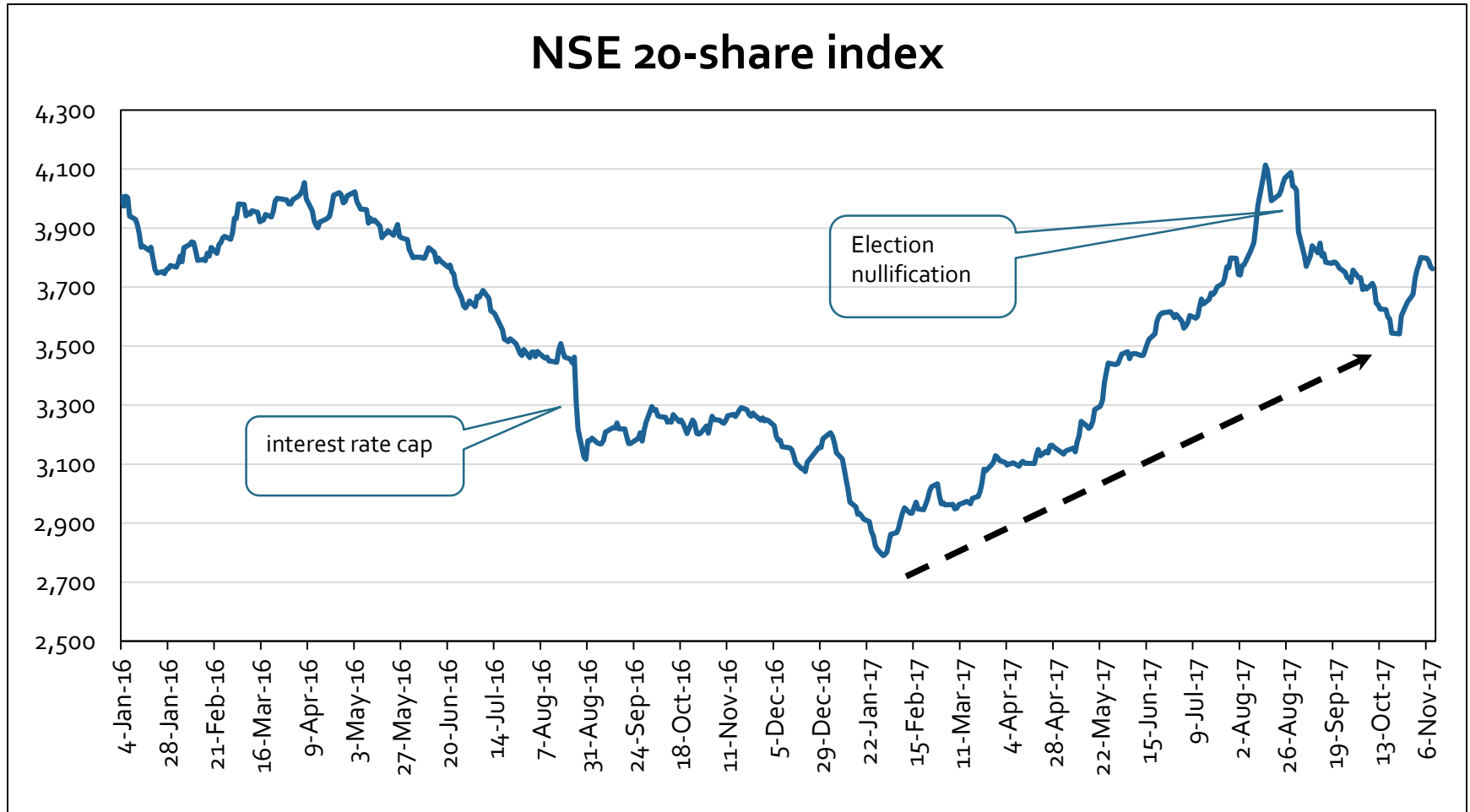
# Adequate foreign exchange buffers



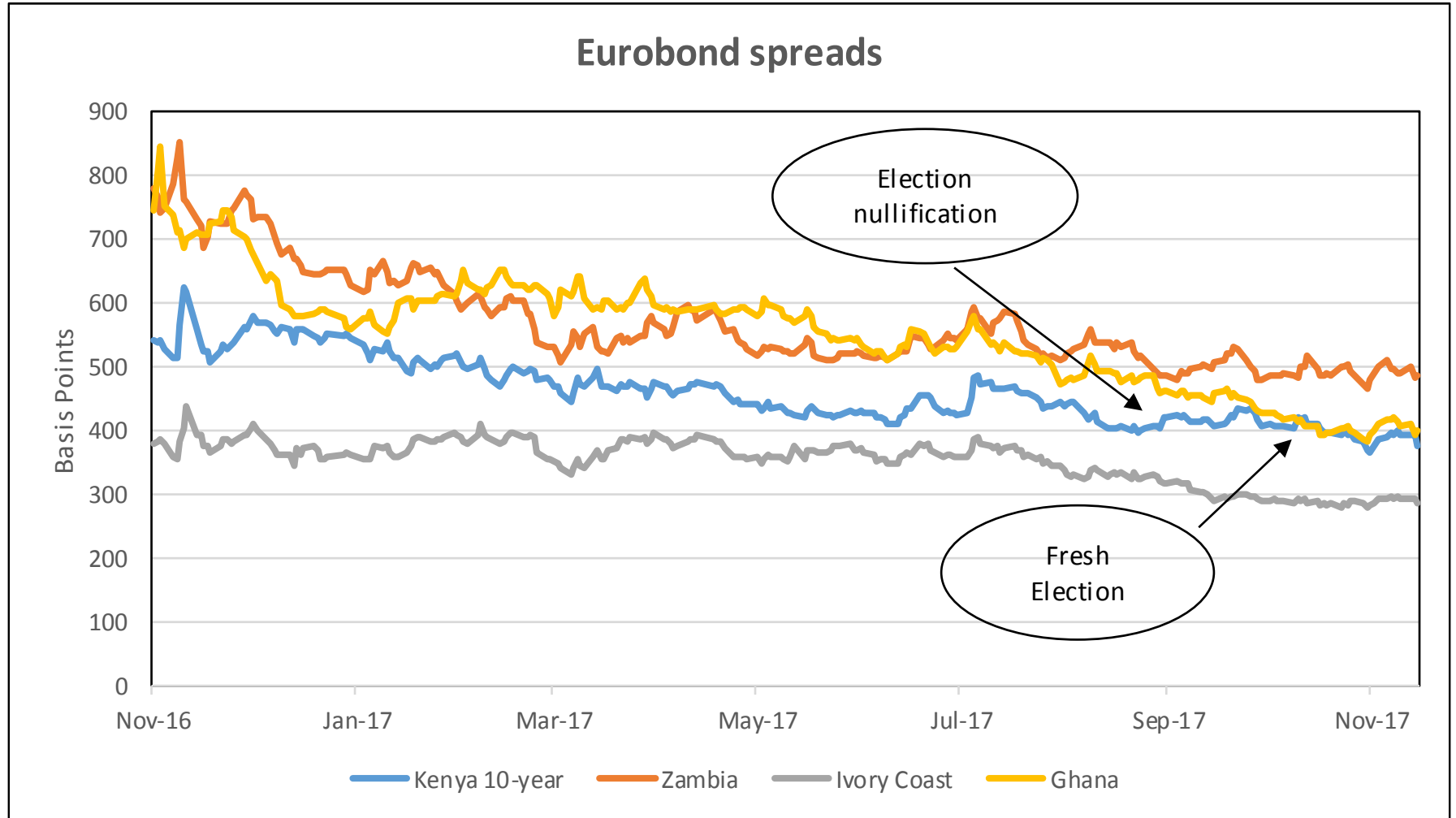
# Kenya shilling remains stable



# Stock market remains resilient



# Eurobond spread declining



# Outline

1. A modest growth recovery for SSA
2. Factors underpinning the outlook
3. Policies to strengthen the recovery
  - Addressing debt vulnerabilities
  - Emphasis on revenue mobilization
  - Fostering economic diversification
4. **Outlook for Kenya**
  - Growth story
  - **Challenges**
  - Policy options

# Policy challenges ahead

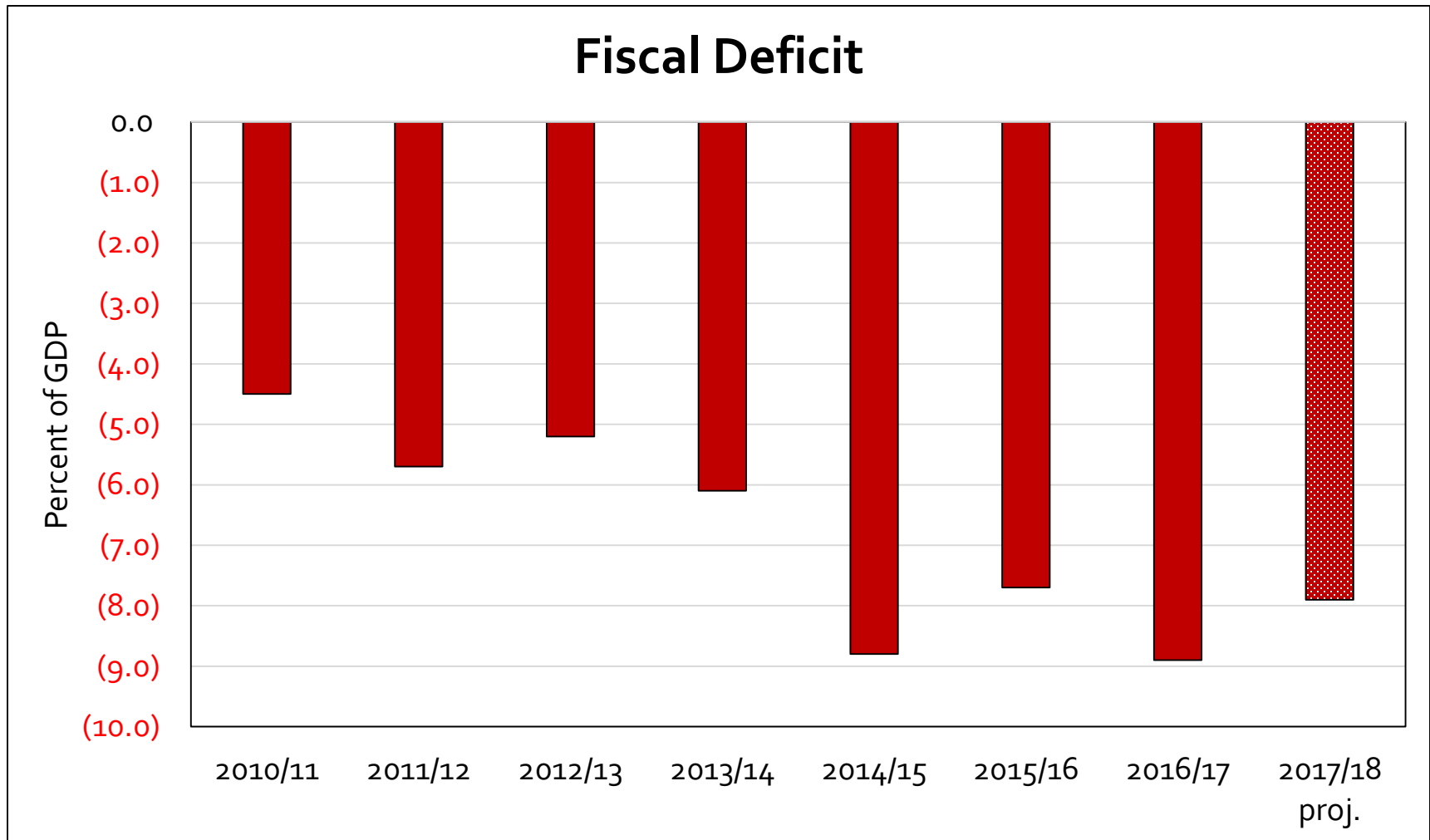


*Growth outlook is strong assuming (i) political stability and (ii) addressing economic policy challenges*

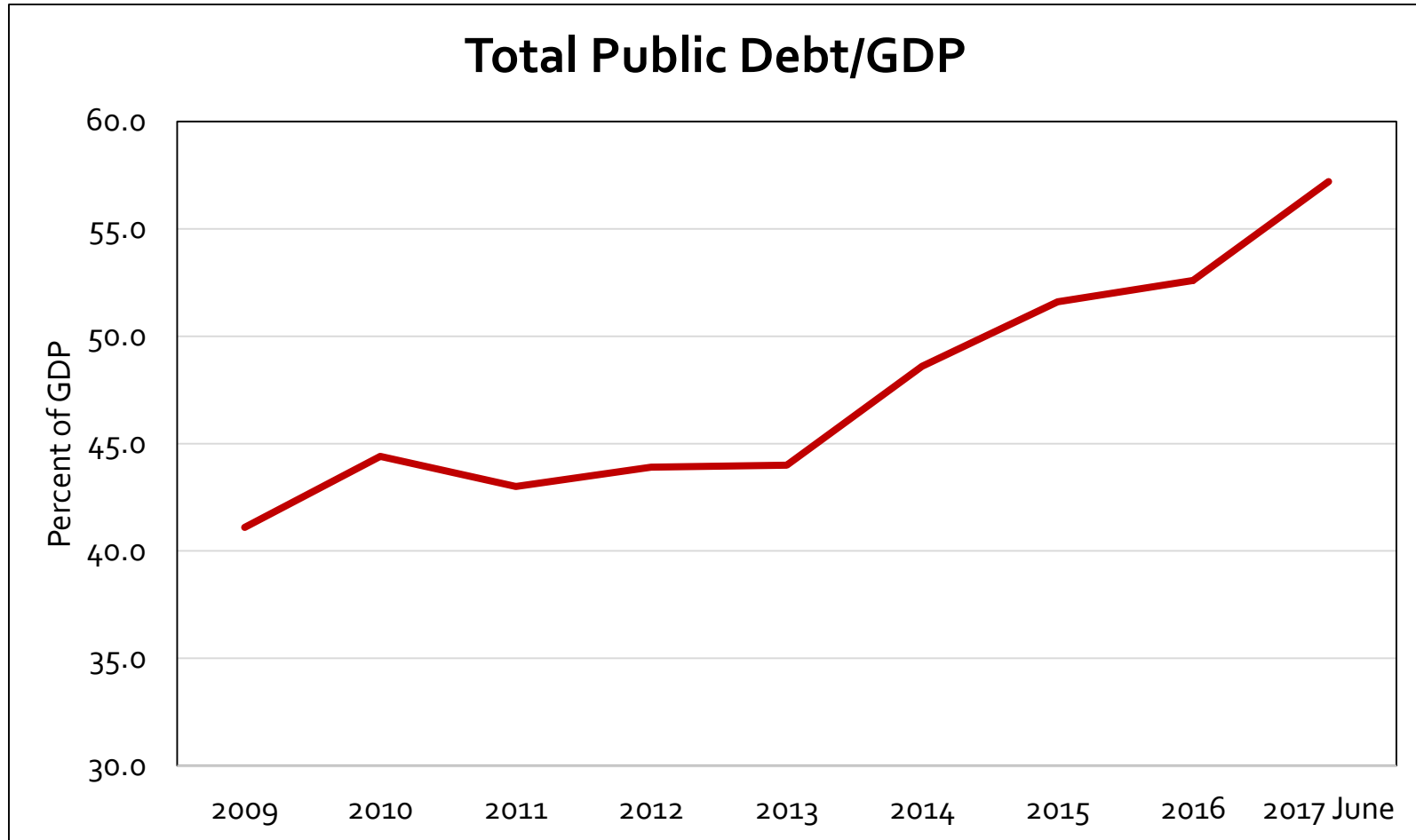
- Contain fiscal risks \*
- Reduce public debt vulnerabilities \*
- Address credit stagnation
- Improve public investment management \*
- Pursue regional trade liberalization



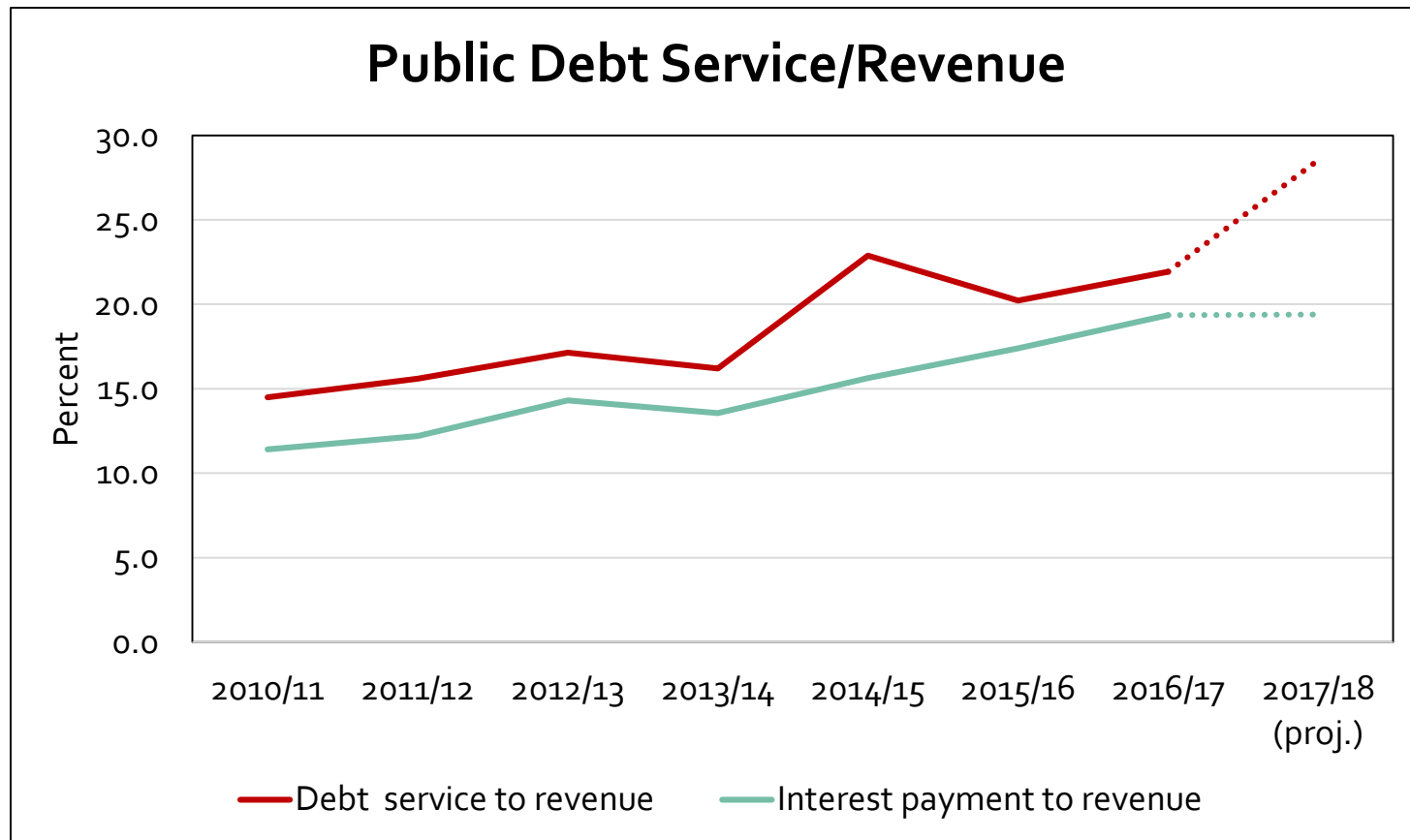
# Larger fiscal deficit...



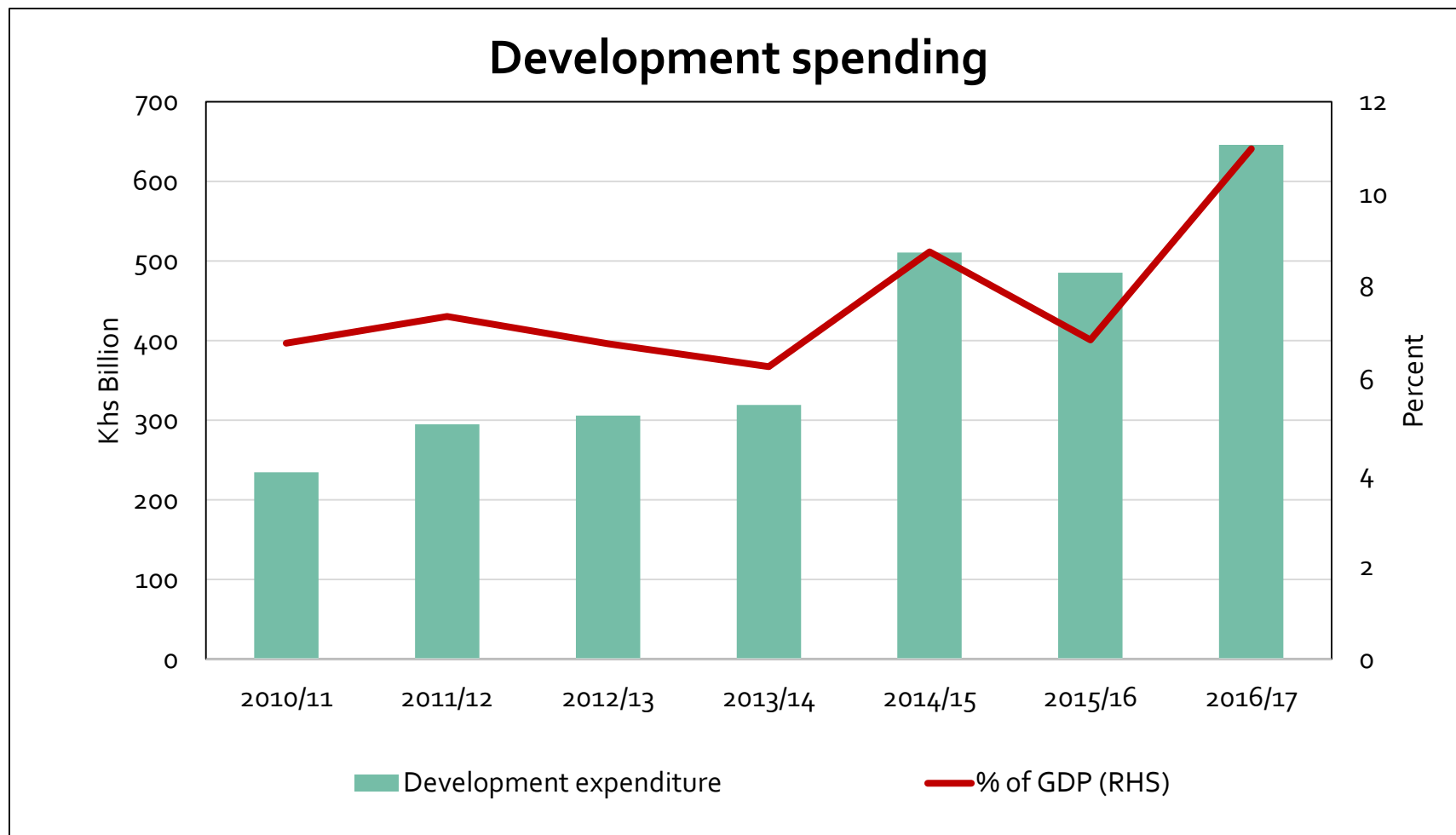
...causing fast rising debt burden...



# ...and increasing pressure on budgetary resources



Expanding infrastructure development demands strong public investment management (identification, appraisal, selection, implementation, monitoring)



# Outline

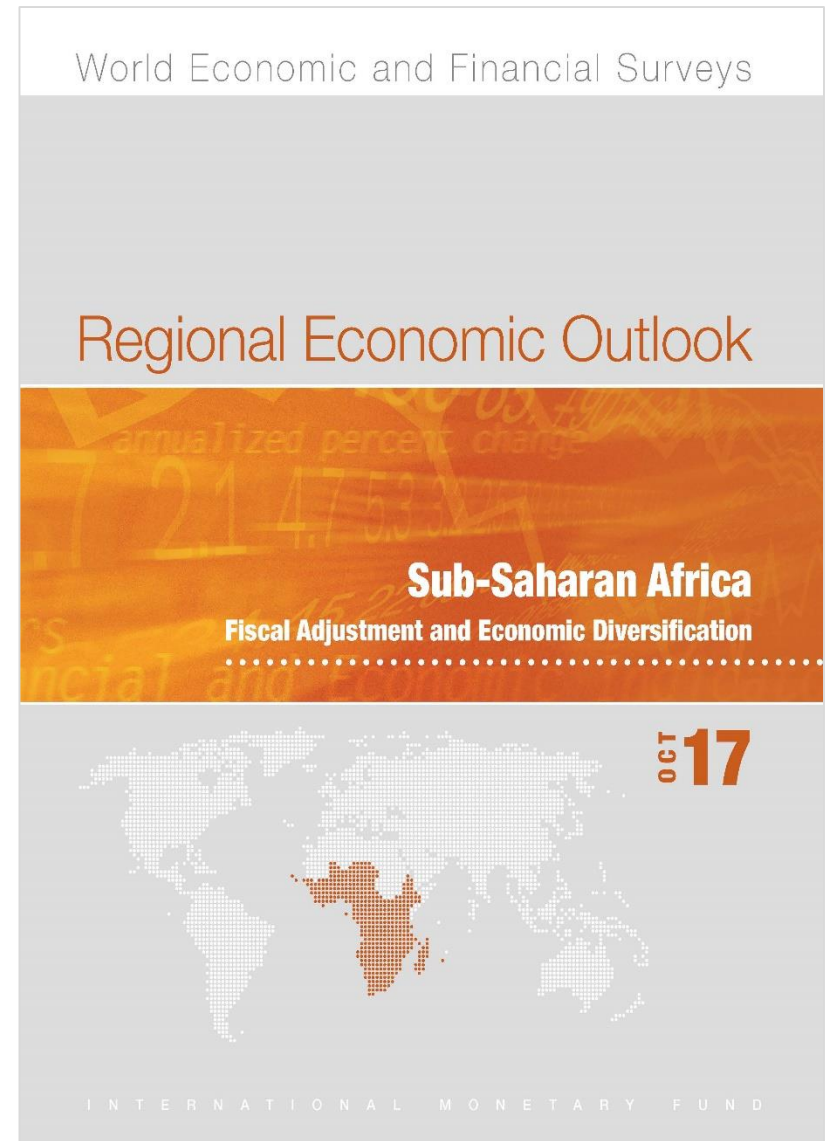
1. A modest growth recovery for SSA
2. Factors underpinning the outlook
3. Policies to strengthen the recovery
  - Addressing debt vulnerabilities
  - Emphasis on revenue mobilization
  - Fostering economic diversification
- 4. Outlook for Kenya**
  - Growth story
  - Challenges
  - **Policy options**

# Policy options

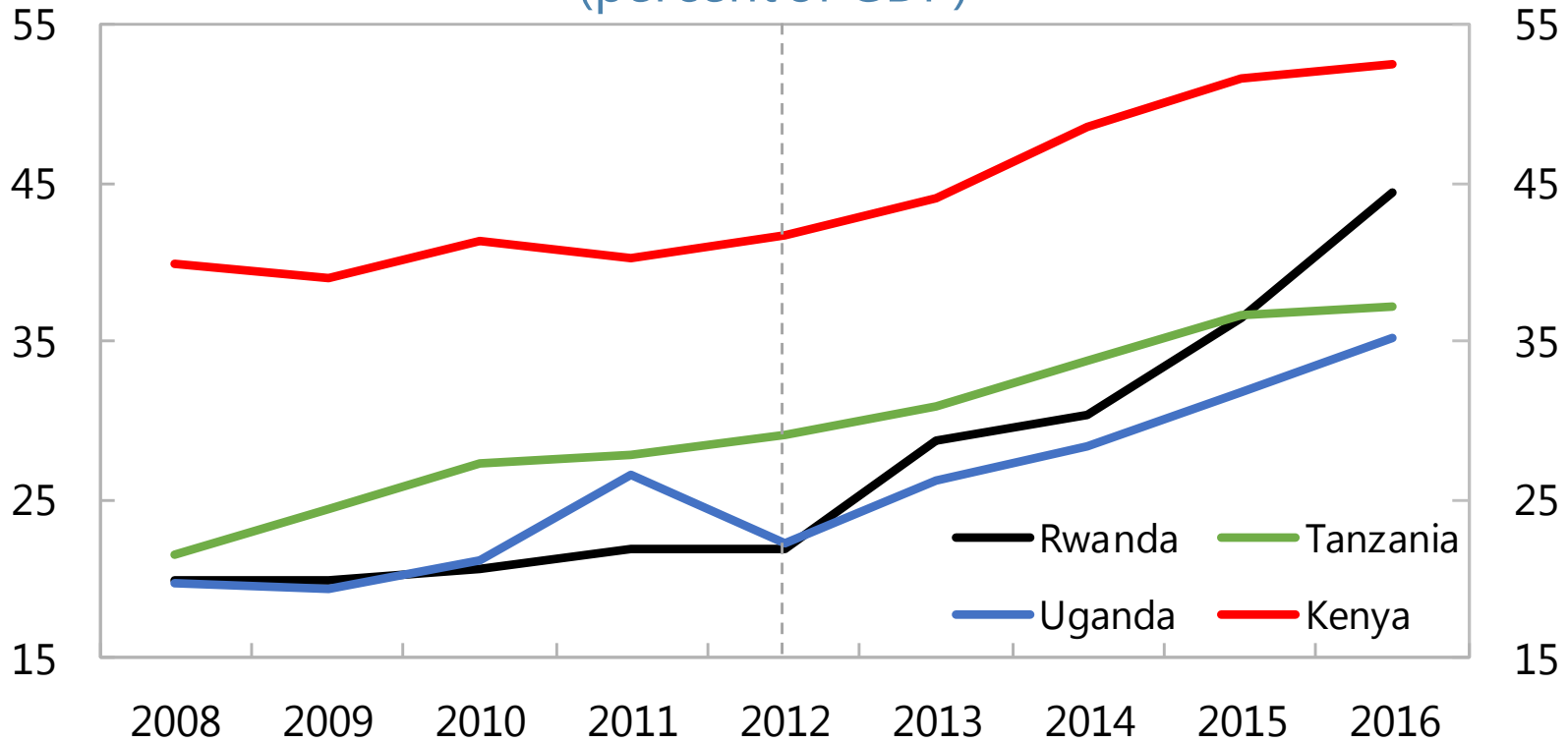
- Reduce fiscal deficit: Expand revenue and contain spending (while protecting the vulnerable)
- Eliminate interest caps while ensuring competition in the banking sector
- Invest in investments

# Thank you!

The online edition of the  
Regional Economic Outlook  
for sub-Saharan Africa  
is now available online at  
[www.imf.org](http://www.imf.org)



# Public Debt in EAC (percent of GDP)



Source: IMF World Economic Outlook Database