



AFRICAN
DEPARTMENT

REGIONAL ECONOMIC OUTLOOK

SUB-SAHARAN AFRICA

ONE PLANET, TWO WORLDS, THREE STORIES

KAMPALA, NOVEMBER 11, 2021

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One Planet

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Global challenges need global solutions

An Ongoing Pandemic

No country is safe until every country is safe.

An Emerging Climate Crisis

Without immediate and coordinated action, previous goals may be out of reach.

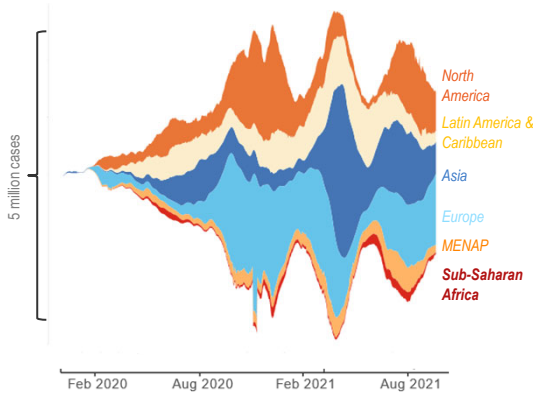
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Two Worlds

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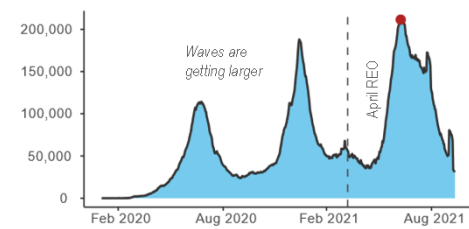
On COVID-19, cannot leave the future to luck...

COVID-19 Cases, Select Regions
(Cases per week)

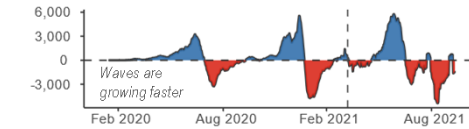


Sources: JHU COVID-19 Tracking Project and IMF staff calculations.

Sub-Saharan Africa. COVID-19 Cases
(Cases per week)



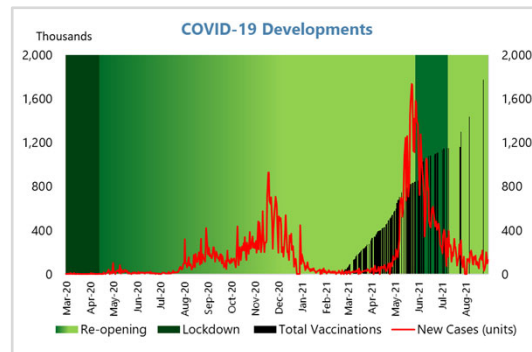
(Daily change in cases per week, 14-day moving average)



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Uganda context: Pandemic developments

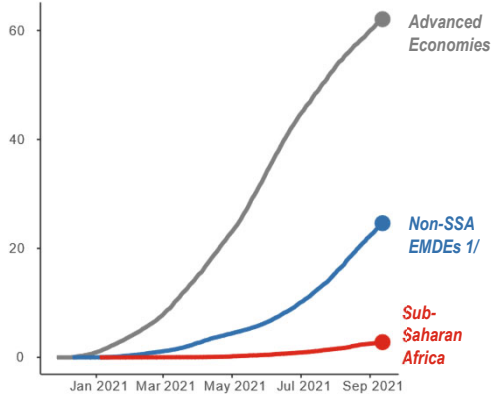
- Uganda was spared initially but the second wave's intensity surprises.
- The "second" lockdown is different: borders open, schools closed (still), mobility higher.
- Lockdown fatigue and insecurity have increased.



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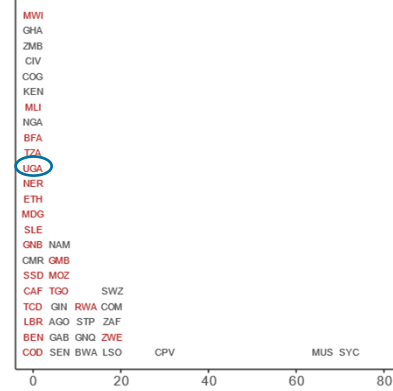
...especially considering a slow vaccine rollout

Fully Vaccinated Persons, Select Regions
(Percent of population)



Sources: Our World in Data and IMF staff calculations.
1/ Excluding China.

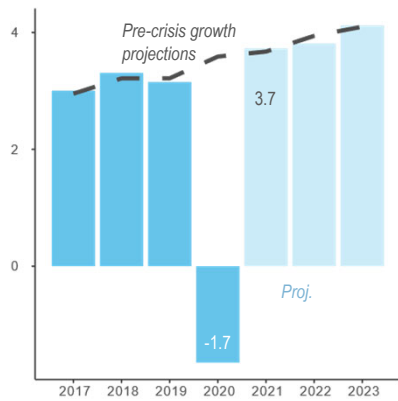
Sub-Saharan Africa. Fully Vaccinated Persons
(Percent of population, red = low-income countries)



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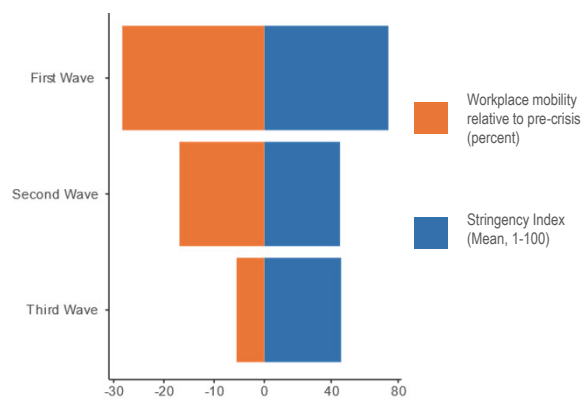
On growth, the region is reemerging...

Sub-Saharan Africa. GDP Growth, 2017-23
(Percent)



Source: IMF, World Economic Outlook.

Sub-Saharan Africa. Containment Measures and Activity, 2020-21



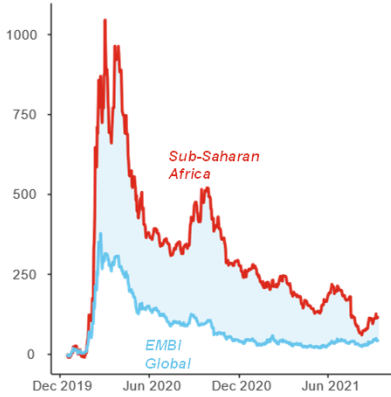
Sources: Google, Oxford COVID-19 Policy Tracker, and IMF staff calculations.

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...supported by the global environment...

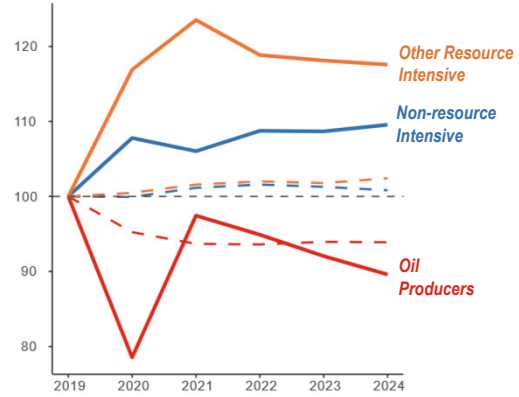
Bond Market Spreads

(Cumulative relative to start of COVID-19 crisis, basis points)



Sub-Saharan Africa. Terms of Trade

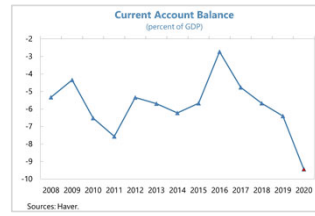
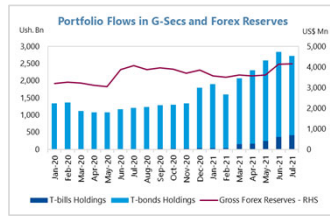
(Index, 2019=100, dashed line = pre-crisis projection)



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Uganda: heightened portfolio flows, comfortable reserves

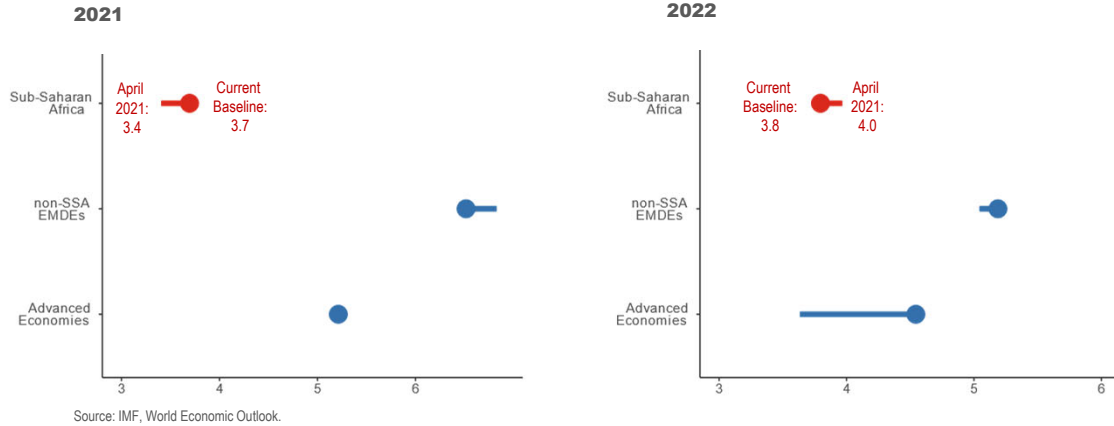
- Wider current account deficit increasingly financed by portfolio flows into government securities.
- Reserves comfortably above 4 months of imports, exchange rate appreciating



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...but the recovery is slower than elsewhere

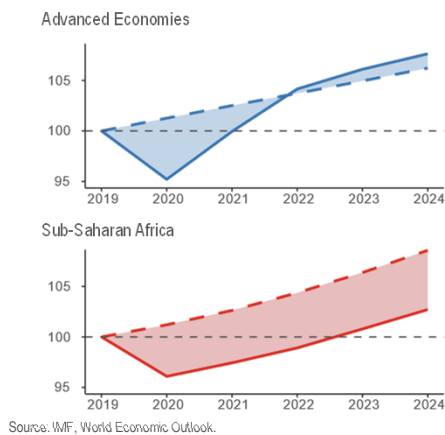
Real GDP Growth Revisions since April 2021: Select Regions (Percent)



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And losses may be permanent

GDP Per Capita, 2019-24 (2019 = 100, dashed line = pre-crisis projections)



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Why is Sub-Saharan Africa recovering so slowly?

- Lack of **policy space**, especially compared to extraordinary efforts in key advanced markets.
- The region is still in grip of the crisis, with a **slow vaccine rollout**, undermining confidence and investment.

Three Stories

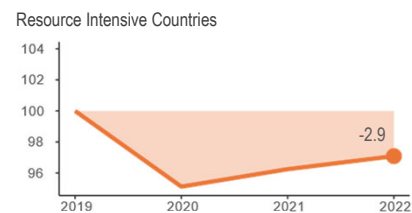
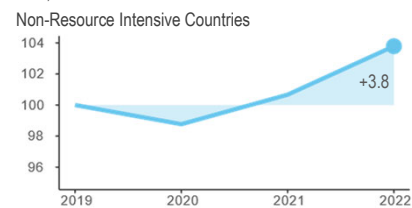
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Divergence at every level: Between countries

Why are some countries doing better than others?

- Policy **options**
Fiscal buffers and capacity
- Underlying **resilience**
Pre-crisis split on growth has been exacerbated
- Higher commodity prices have helped some, but only provide a **transitory** boost

Sub-Saharan Africa. GDP Per Capita, 2019-22 (2019=100)

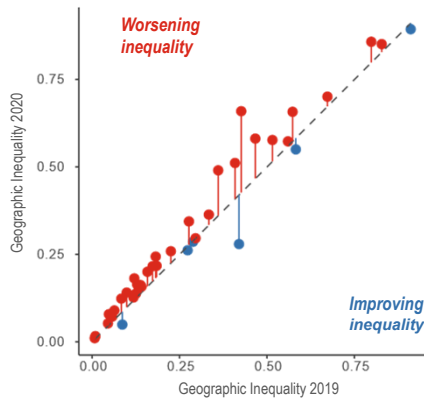


Source: IMF, World Economic Outlook.

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Divergence at every level: Within countries

Sub-Saharan Africa. Geographic Inequality, 2019-20 (Index)



Sources: Earth Observation Group, Colorado School of Mines, and IMF staff calculations.

IMF | African Department

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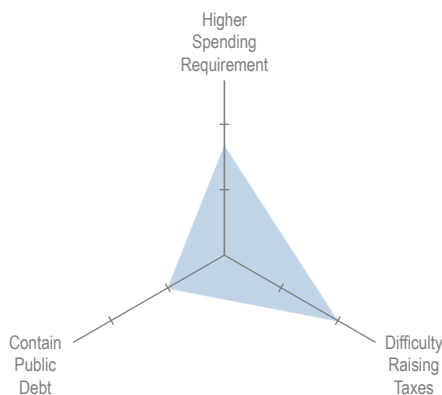
Impact on communities within each country?

- The most vulnerable have been the hardest hit
 - Services, **informal** workers
 - Widening **gender** gap
 - Limited **buffers** or social distancing options
- Rising **geographic inequality**
 - Social tensions, political instability
- Added **food-price shock**

Uganda poverty rate

- Before COVID-19: 22% rural, 9% urban
- After COVID-19: 28% rural, 22% urban
- Kampala – from 3% to 23%

Policy makers face a difficult trilemma



Policy makers are constrained by

- Elevated debt levels
- Rising spending needs
- Difficulty in raising extra tax revenue

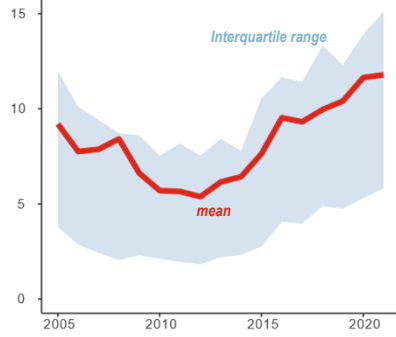
IMF | African Department

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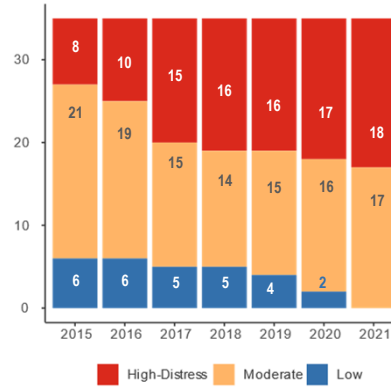
The Trilemma: Debt levels are elevated

Sub-Saharan Africa. Interest Payments on Public Debt, 2005-2021
(Percent of Revenue)



Source: IMF, WEO database.

Sub-Saharan Africa. Debt Risk Status for PRGT-eligible countries, 2015-21

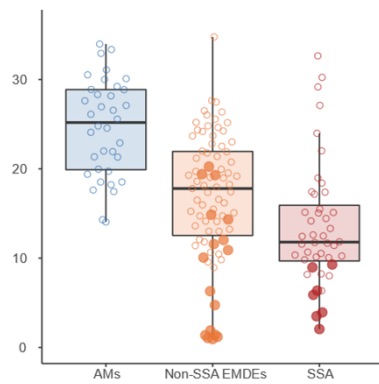


Source: IMF, Debt Sustainability Analysis Low-Income Developing Countries database.
Note: PRGT = poverty reduction and growth trust.

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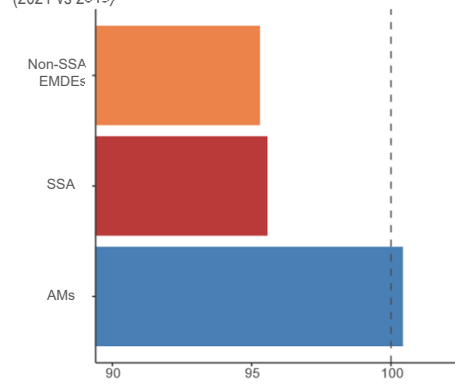
The Trilemma: Raising extra revenue is even harder

Non-Resource Tax Revenues, Select Regions
(Percent of GDP, filled points are fuel exporters)



Sources: ICTD Database and IMF staff calculations.
Notes: Data for 2018 or latest available. Data exclude social contributions.

Ratio of Total Government Revenues, Select Regions
(2021 vs 2019)

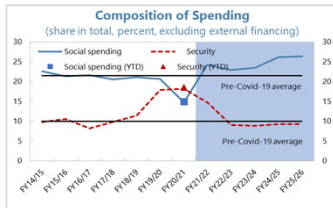
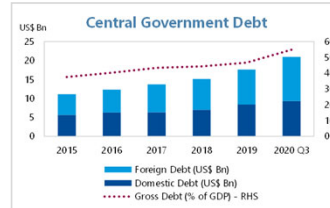
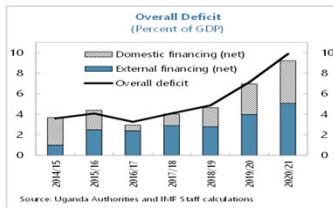


Sources: IMF, World Economic Outlook and IMF staff calculations.

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Uganda: higher fiscal deficits and debt, revenue underperformance

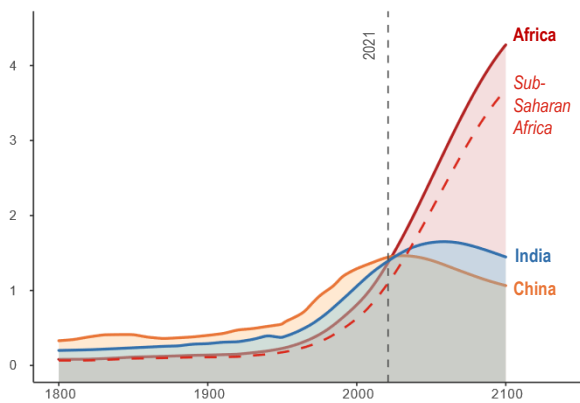
- Rising **public deficit** and **debt** with “moderate” distress risk
- Deteriorating **composition of spending**
- Low **tax-to-GDP ratio**: challenging revenue mobilization amid high tax expenditures and low activity.



The Trilemma: Spending needs are rising

425
Billion US\$

Population: Select Regions, 1800-2100
(Billions)



Sources: Our World In Data, U.N. Population Revision (2019) Medium Scenario.

Difficult tradeoffs: A complex monetary environment

With a divergent recovery, monetary policy is now more complicated

- Local and global **supply-demand mismatches**
- Elevated **food-price inflation**, adding to social costs and uncertainty
- Need to weigh policy support against risk of **inflationary expectations**
- Greater **heterogeneity**
- **Global volatility** may test exchange rates

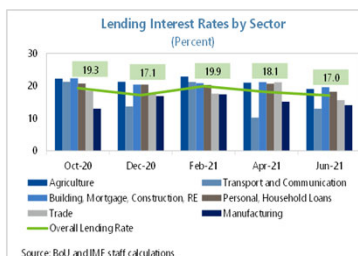
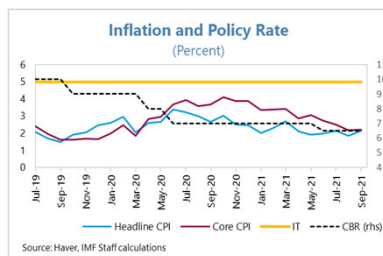
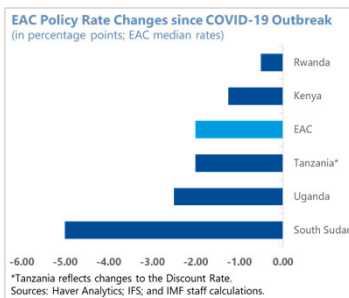
Sub-Saharan Africa. Policy-rate Actions in 2021

	Action	Inflation
Angola	Up 450 bps	Rising
Uganda	Down 50 bps	Flat
Dem. Rep. Congo	Down 1,000 bps	Falling
Seychelles	Down 100 bps	Rising
Ghana	Down 100 bps	Falling
Zambia	Up 50 bps	Rising
Zimbabwe	Up 500 bps	Falling
Mozambique	Up 300 bps	Flat

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Uganda: Accommodative monetary policy...

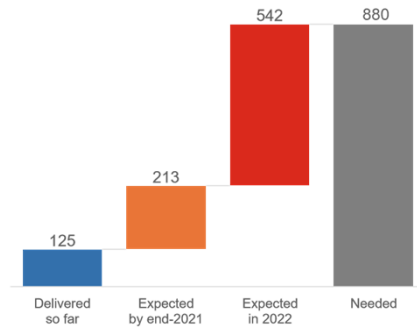
- Persistently **low** inflation despite a 250bps CBR cut since March 2020 → weak transmission to lending rates
- **Private credit** slow amid high government borrowing and risk aversion.



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International solidarity: Vaccines are needed urgently

Sub-Saharan Africa: Doses required for 40-percent coverage (Millions 1/)



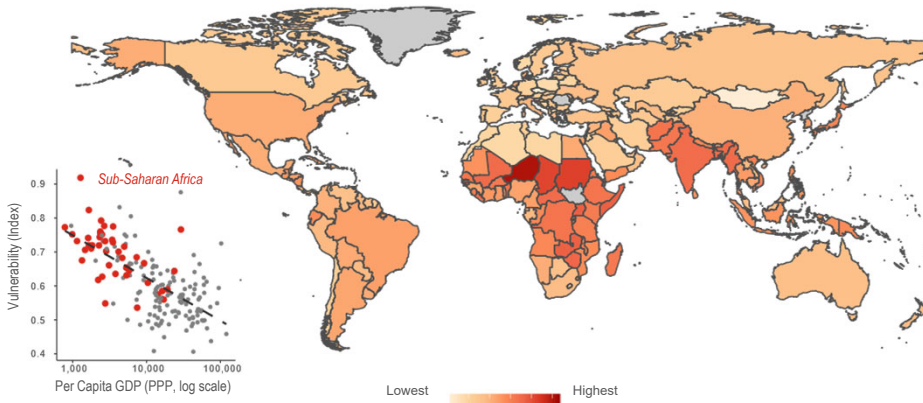
Sources: Airfinity and IMF staff calculations.
1/ Assumes 2 doses per person. Figures as of October 7, 2021



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International solidarity: Vulnerable to climate shocks

Vulnerability to Climate Change, 2019 (Index)

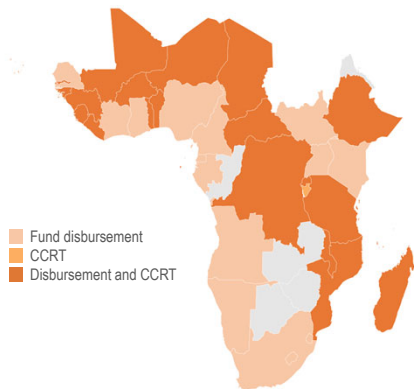


Sources: Notre Dame Global Adaptation Initiative, IMF, World Economic Outlook, and IMF staff calculations.
Notes: Index captures country-level exposure and sensitivity to climate shocks.

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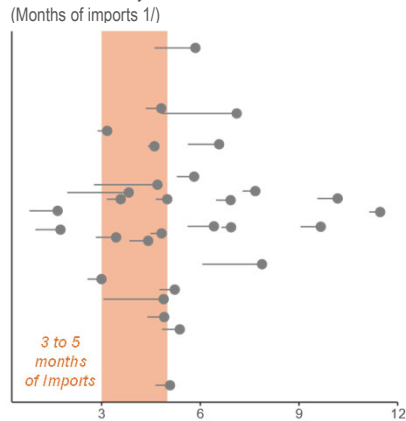
International solidarity: Funding to strengthen resilience

Sub-Saharan Africa. IMF Assistance, 2020-21



Source: IMF, Financial data.

Sub-Saharan Africa. Impact of SDR Allocation on Reserves, 2021

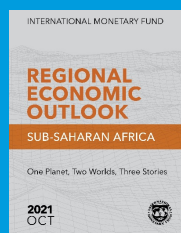


Source: IMF, Financial data.
1/ Excludes WAEMU and CEMAC countries.

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Thank you!

For more information please visit the link or scan the code below



[Regional Economic Outlook for Sub-Saharan Africa, October 2021 \(imf.org\)](https://www.imf.org/publications/ro/2021/10)

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