

REGIONAL ECONOMIC OUTLOOK

SUB-SAHARAN AFRICA



AFRICAN
DEPARTMENT

Living on the Edge

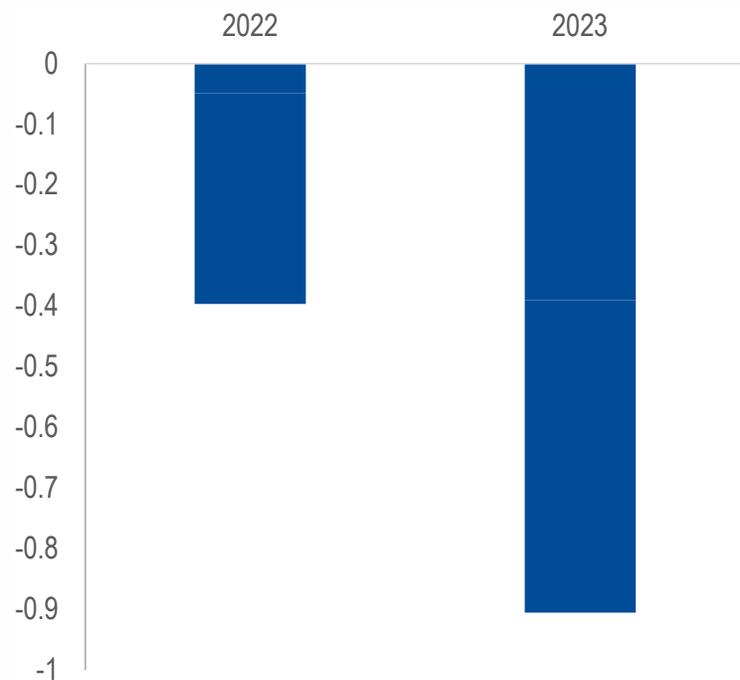
KAMPALA

NOVEMBER 22, 2022

A shifting and tumultuous global environment...

Global Real GDP Growth Revisions

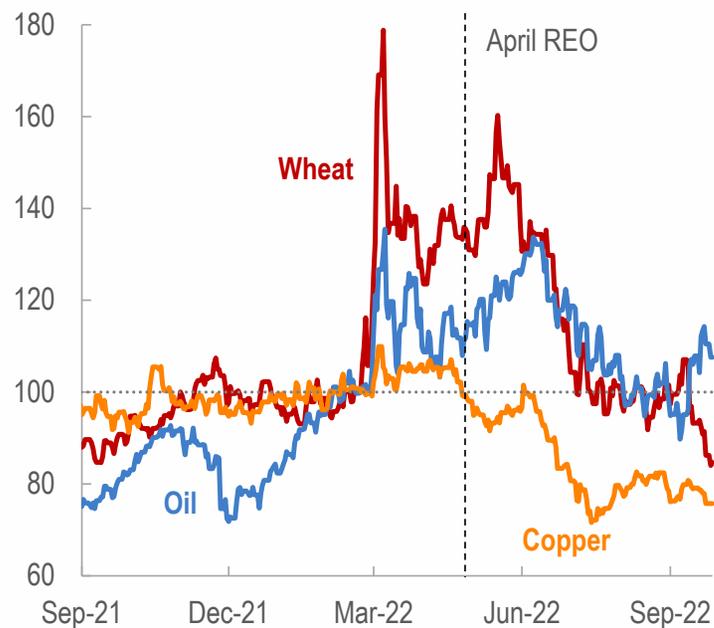
(Percentage points, since April 2022)



Source: IMF, World Economic Outlook database.

Global Commodity Prices

(Index, February 21, 2022 = 100)

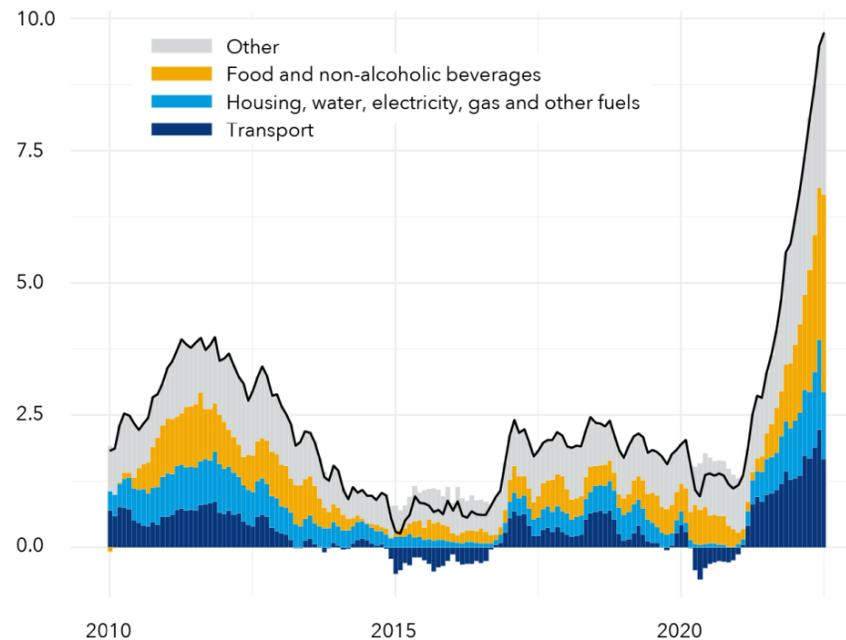


Source: Bloomberg Finance L.P.

Global Inflation Driven by Food and Energy

Inflation drivers

Food and energy prices continue to drive the global inflation surge.
(percent, median inflation rate)



Source: IMF CPI database and IMF staff calculations.

Note: Chart shows median total inflation and in select categories across 88 countries, including 28 advanced economies and 60 emerging and developing economies.

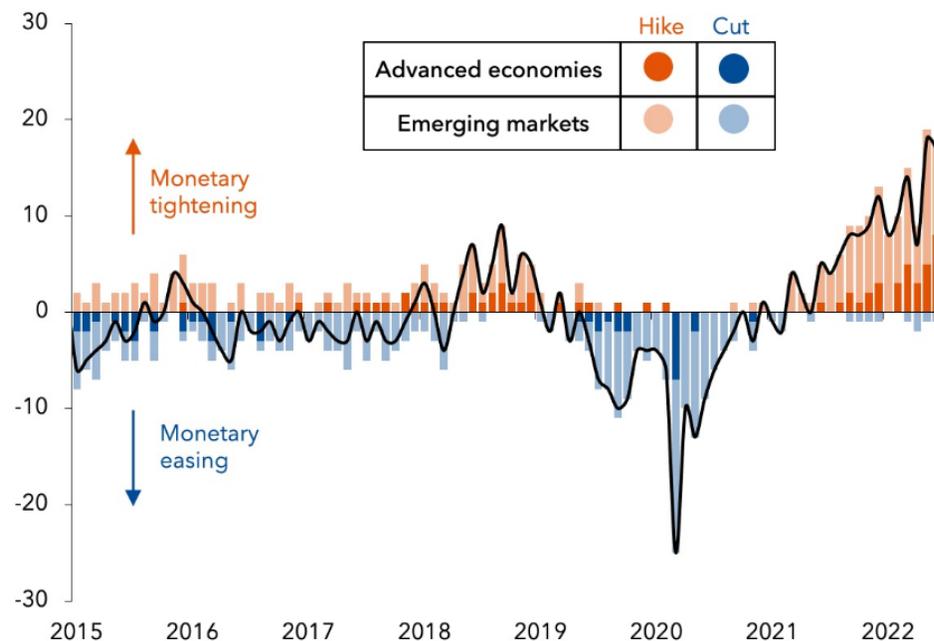
IMF

Monetary Policy (September) Outcomes

Hiking peak

The number of central banks hiking interest rates has increased dramatically in recent months as inflation rose to fresh highs.

(number of central banks, absolute value)



Sources: Bloomberg, and IMF staff calculations

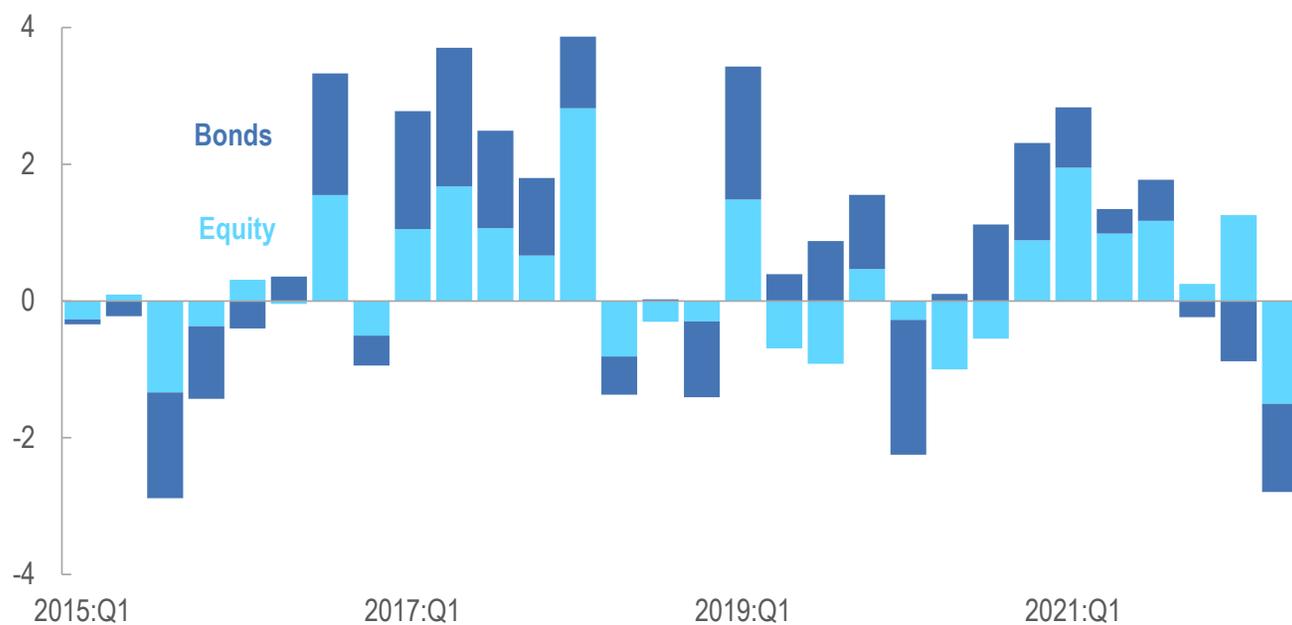
Note: The AE sample consists of Australia, Canada, Czech Republic, Japan, New Zealand, Norway, Sweden, Switzerland, the United Kingdom, the United States, and the countries in the European Union (under ECB jurisdiction). The EM sample consists of Brazil, Chile, Colombia, Mexico, Peru, India, Indonesia, Malaysia, Philippines, Thailand, Hungary, Poland, Romania, South Africa, Turkey, Pakistan, Croatia, Russia, Ukraine, Egypt, and Ghana.

IMF

...marked by capital outflows...

Sub-Saharan Africa: Portfolio Flows

(Billions of US dollars)

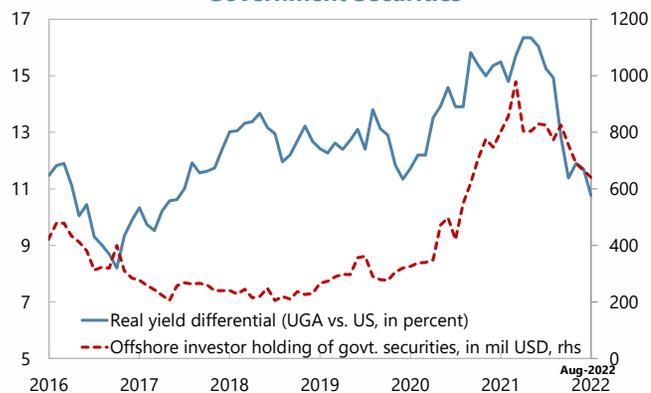


Sources: EPFR; and IMF staff calculations.

Note: EPFR data covers flows to portfolio investment funds.

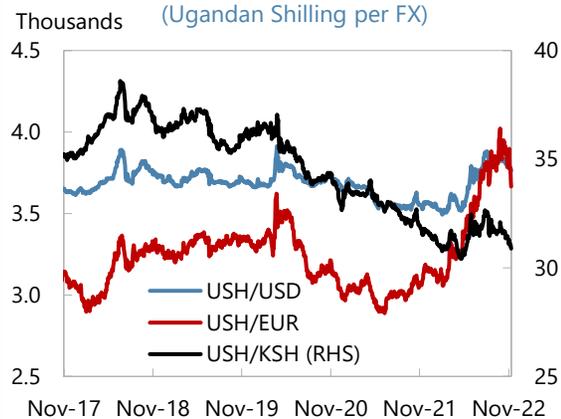
Uganda: Capital Flows and Exchange Rate

Yield Differential and Offshore Investors' Holding of Government Securities

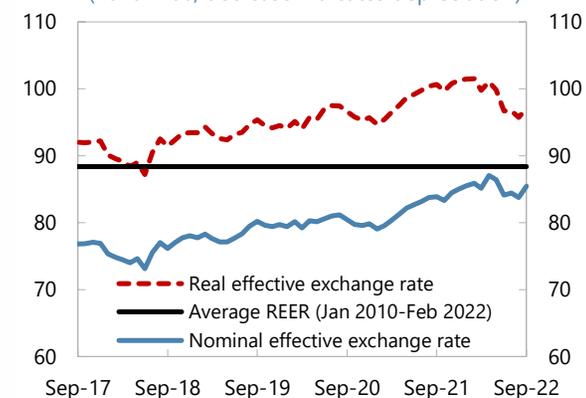


Sources: Haver and IMF staff calculations.

Nominal Exchange Rate (Ugandan Shilling per FX)



Effective Exchange Rates (2010=100, decrease indicates depreciation)

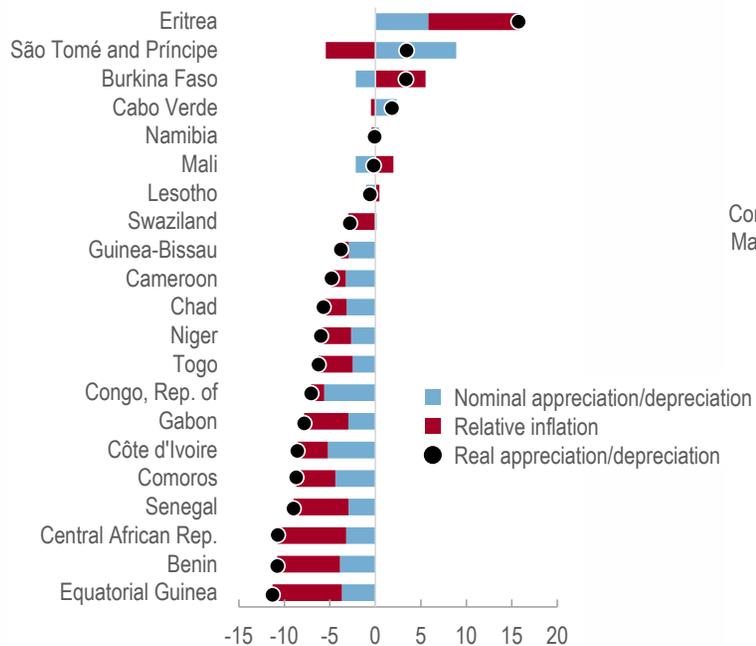


...and large movements in real exchange rates

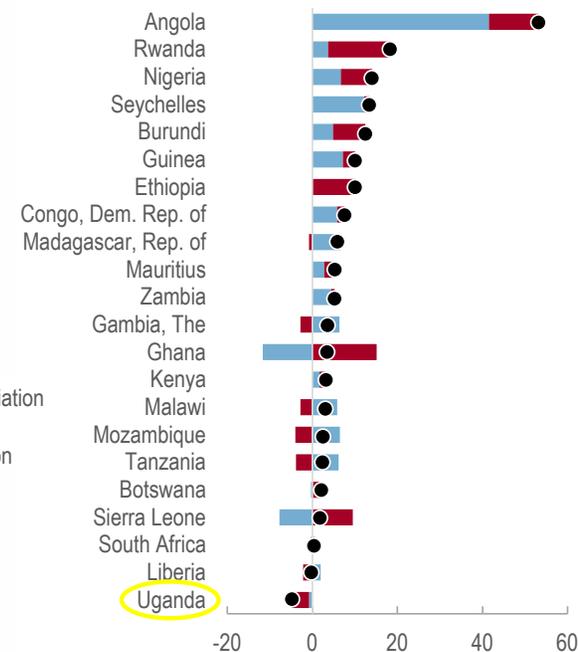
Sub-Saharan Africa: Real Effective Exchange Rates

(Percent change since December 2021, positive = appreciation)

Countries with exchange rate pegs



Countries without exchange rate pegs

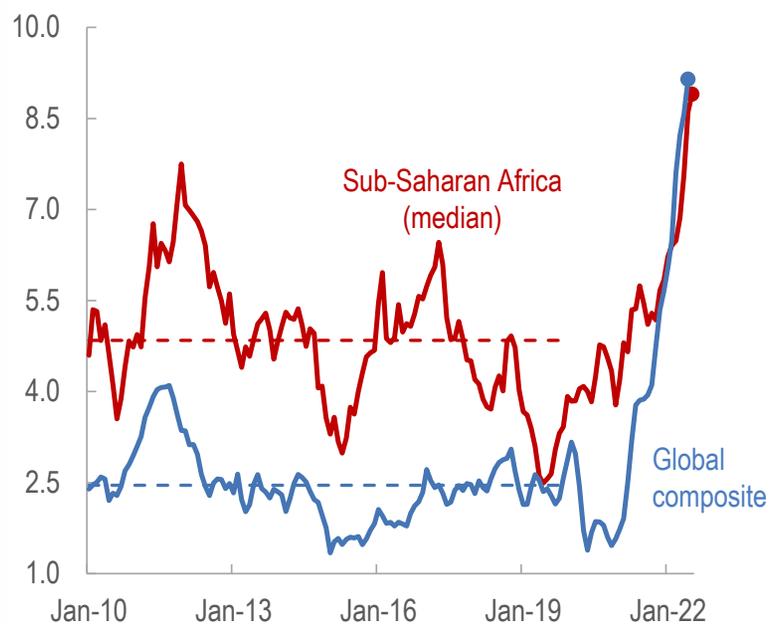


Source: IMF, International Financial Statistics.

At the same time, growing imbalances—inflation...

Sub-Saharan Africa: CPI Inflation, 2010–22

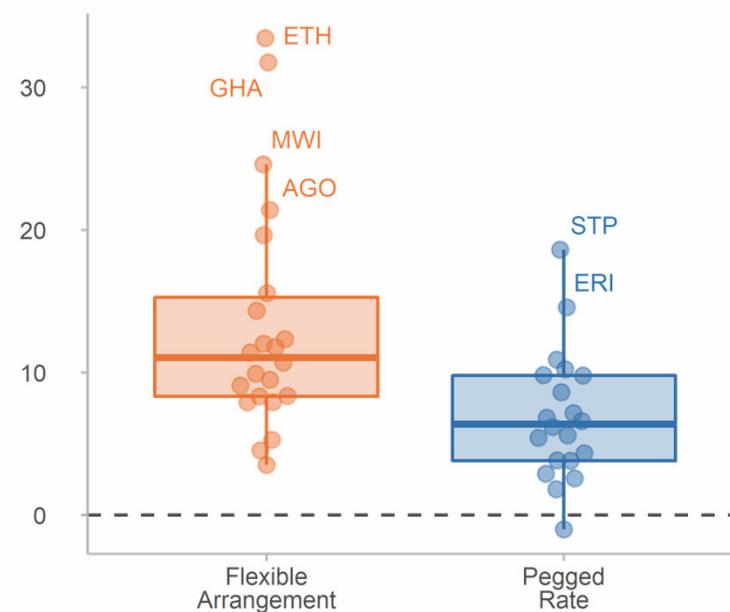
(Percent, year on year, dashed line = pre-COVID-19 average)



Sources: Haver Analytics; country authorities; and IMF staff calculations.
Note: Pre-COVID-19 period includes 2010–2019.

Sub-Saharan Africa: Inflation

(Percent, year on year, latest available)



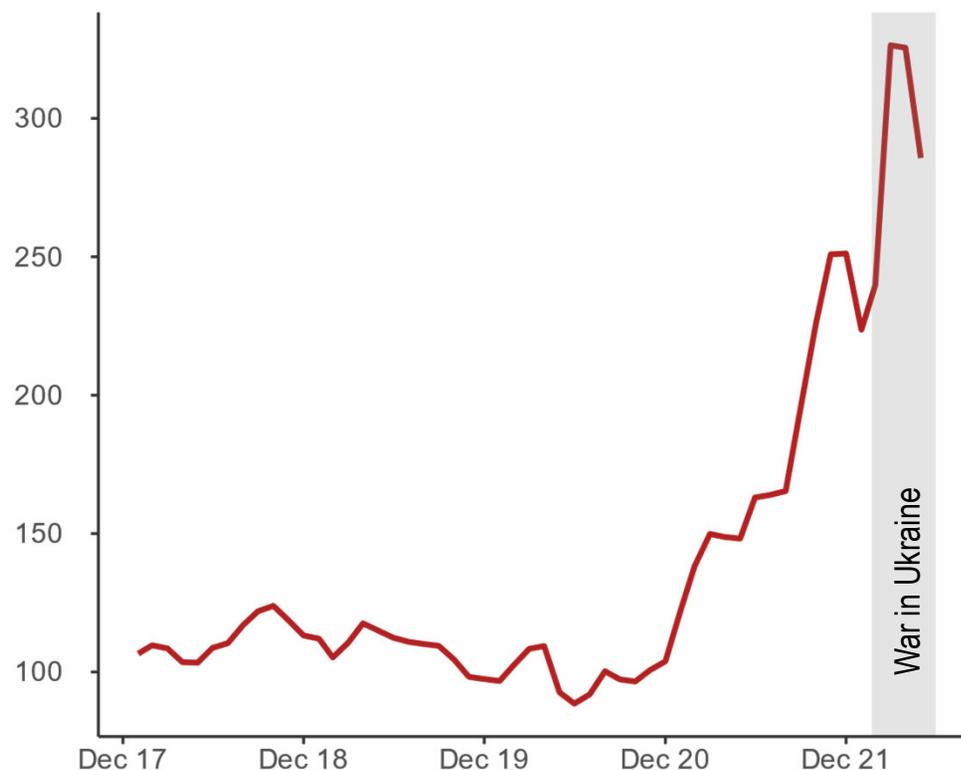
Sources: Haver Analytics; country authorities; and IMF staff calculations.

Soaring Fertilizer Costs put Agriculture at Risk

- **Fertilizer prices have tripled** over the past 18 months.
- The region is **highly dependent on fertilizer imports**.
- SSA has the world's lowest application rates; higher prices will **depress usage** even further.
- Lower usage will **reduce yields—adding to food inflation and food import needs, undermining local budgets, and worsening food insecurity**.

Global Fertilizer Prices, 2017–22

(Index, 2016 = 100)

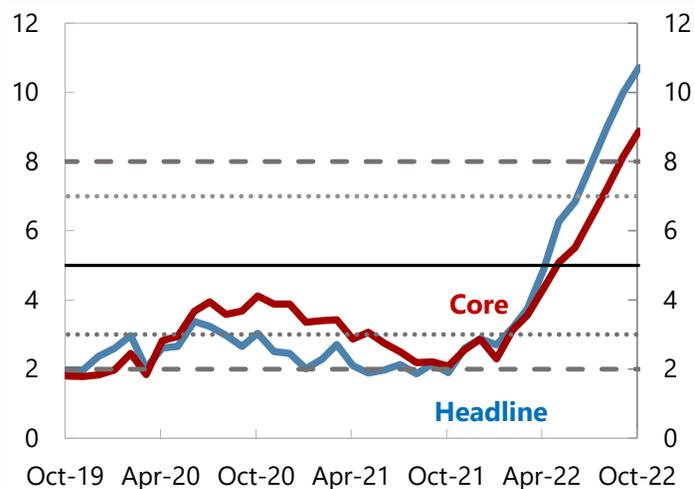


Sources: IMF, Primary Commodity System, and IMF staff calculations.

Uganda: Inflation

Percent, year-on-year

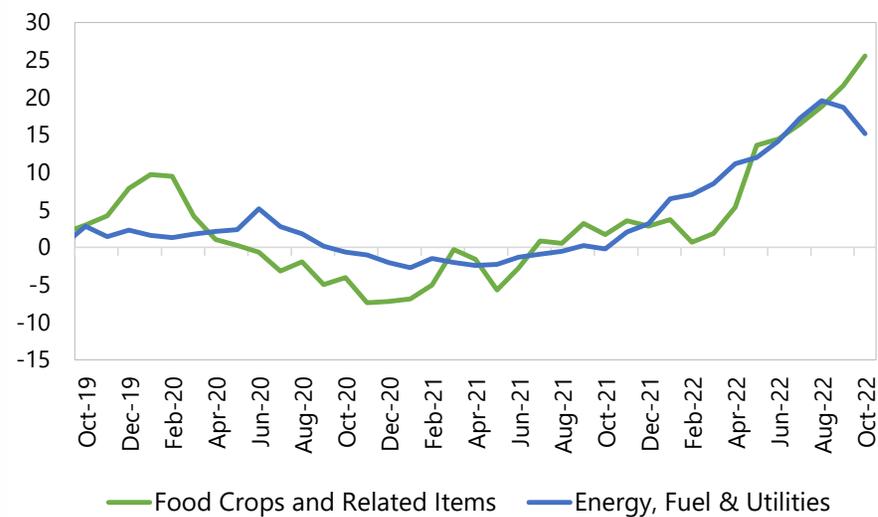
Headline and core



Source: BoU and IMF Staff calculations

Note: * Black solid line denotes medium-term core inflation target (5 percent). Dash and dot lines show the outer and inner bands of average core inflation target.

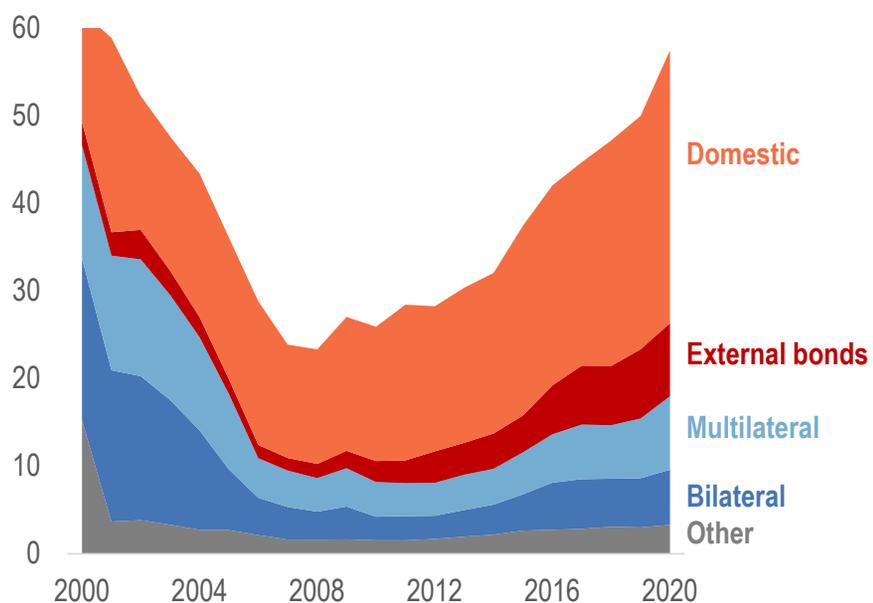
Food and fuel



Source: Haver, IMF staff calculations

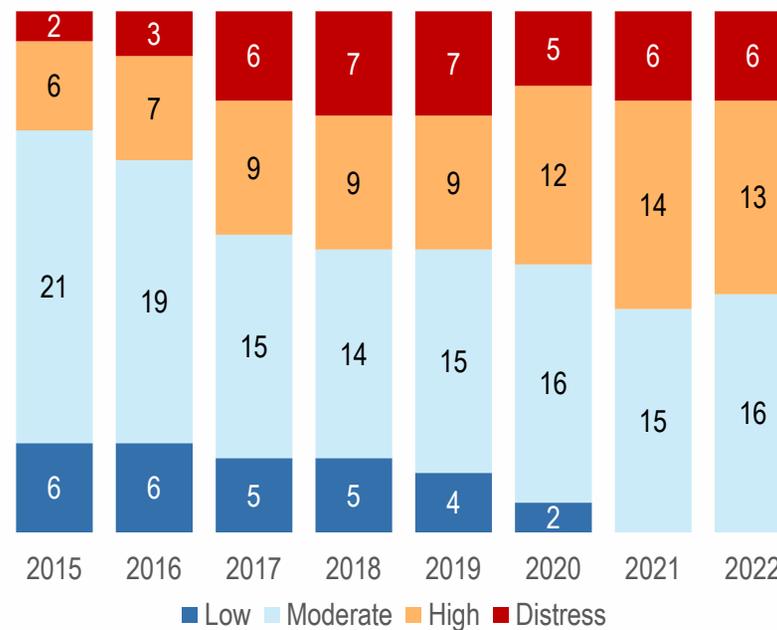
...and deteriorating fiscal positions—...

Sub-Saharan Africa: Public Debt, 2000–20
(Percent of GDP)



Sources: World Bank, International Debt Statistics; and IMF staff calculations.

Sub-Saharan Africa: Debt Risk Status for PRGT-Eligible Countries, 2015–22
(Number of countries)

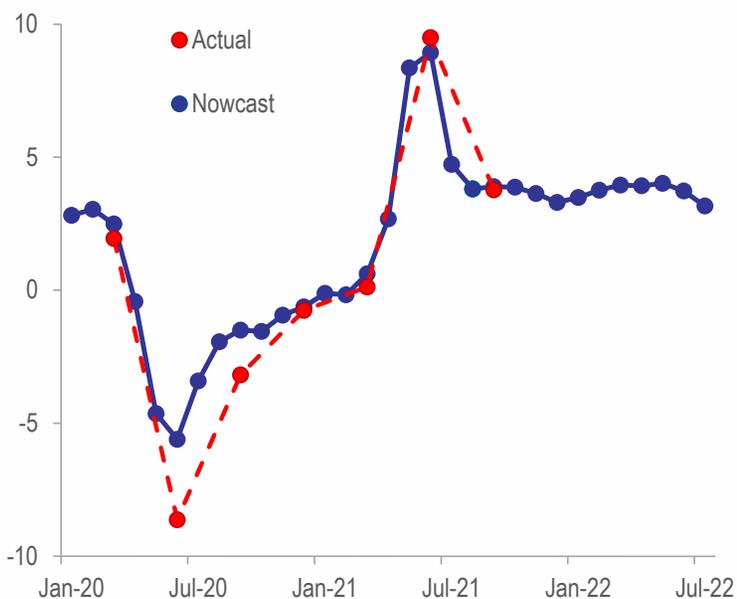


Source: IMF, Debt Sustainability Analysis Low-Income Developing Countries database.
Note: Debt risk ratings in 2022 reflect the latest published debt sustainability assessments and may not reflect the current status. PRGT = Poverty Reduction and Growth Trust.

...cloud the economic outlook ...

Sub-Saharan Africa: Real GDP Growth, Data and Nowcasts, 2020-22

(Percent, rolling quarter-on-quarter annualized)

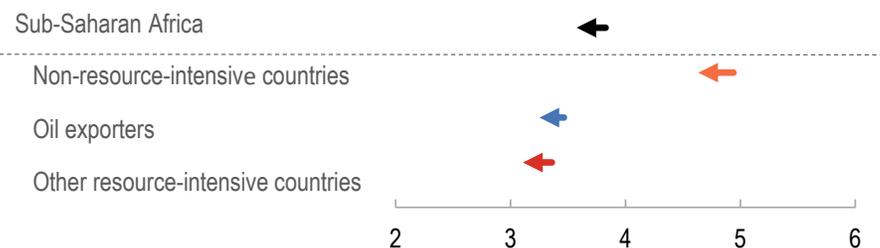


Sources: Haver Analytics; IMF internal databases; and IMF staff calculations.

Sub-Saharan Africa: Revisions to Real GDP Growth for 2022 and 2023

(Percent, difference from April 2022)

2022. From 3.8 to 3.6



2023. From 4.0 to 3.7



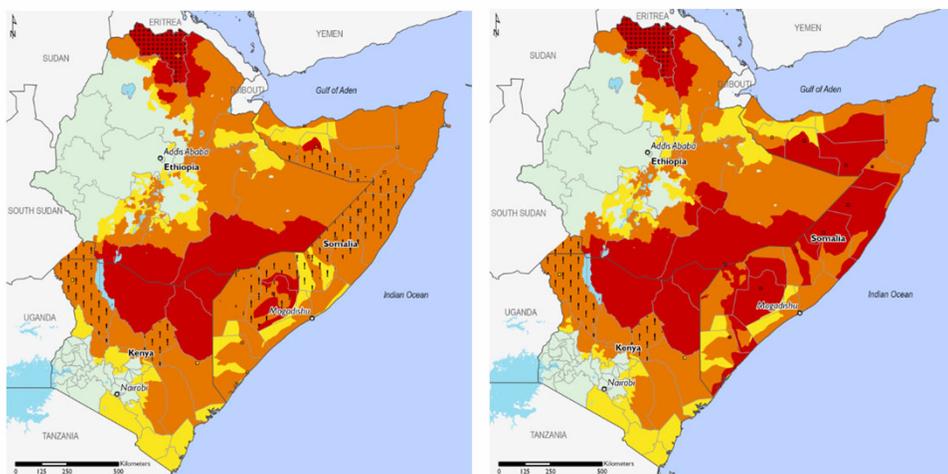
Source: IMF, World Economic Outlook database.

...while drought in some regions exacerbates food insecurity...

Horn of Africa: Acute Food Insecurity

May 2022

Jun-Sep 2022*



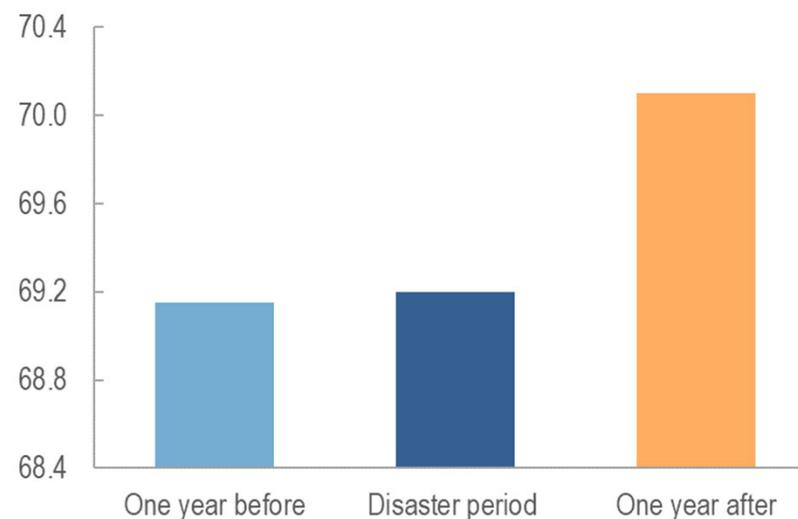
- 1: Minimal
- 2: Stressed
- 3: Crisis
- 4: Emergency
- 5: Famine
- ⋮ Outcomes may be worse than mapped, but available evidence is insufficient to confirm or deny
- ! Would likely be at least one phase worse without current or programmed humanitarian assistance
- ☐ Concentration of displaced people

Source: USAID Famine Early Warning Systems Network (FEWSNET), May 2022.

*Based on forecasts of seasonal rainfall.

Sub-Saharan Africa: Food Security Index Before and After Disasters, 2011–14

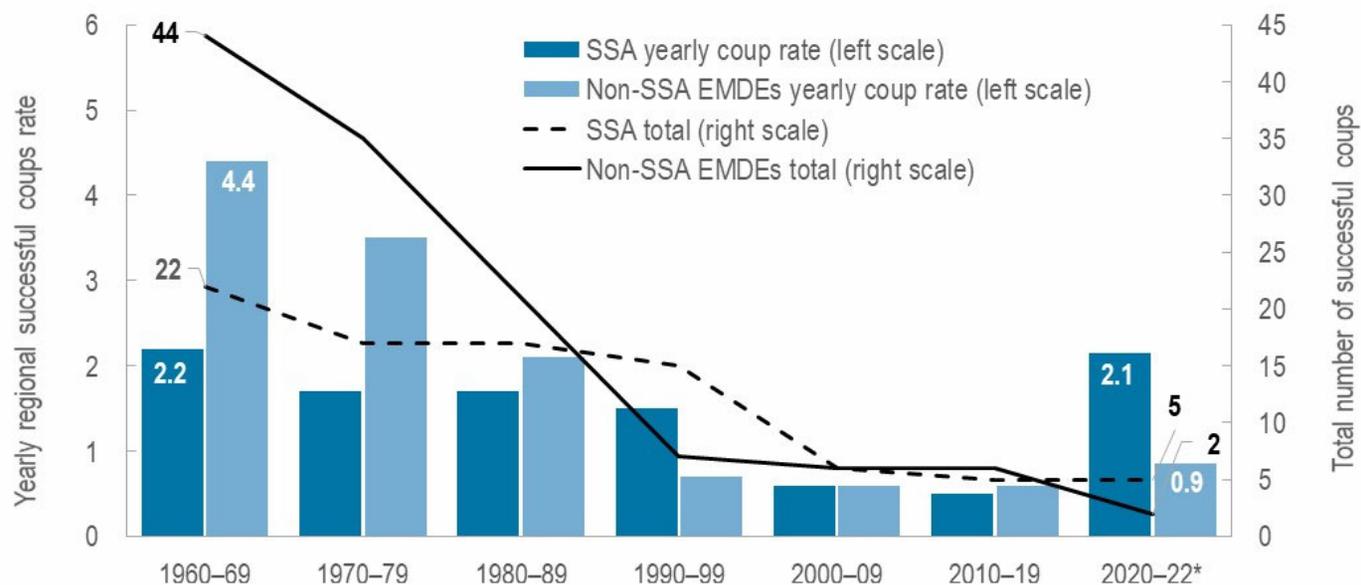
(Index 0–100 worst)



Sources: Global Food Security Index (GFSI) database and IMF staff calculations.

...and contributes to renewed political instability.

Sub-Saharan Africa: Successful Coups, 1960–22



Sources: Powell and Thyne (2011) and IMF staff calculations.

Notes: The bars provide the average number of successful coups per year in each decade (total divided by 10). 2020-22 covers the period January 2020 to April 2022 and includes all successful coups during this period divided by the amount of time that has passed in the decade so far (total divided by 2.33 to account for 2 years and 4 months).

Policymaking at the edge

With **growing needs and less policy space**, policymakers must strike a delicate balance



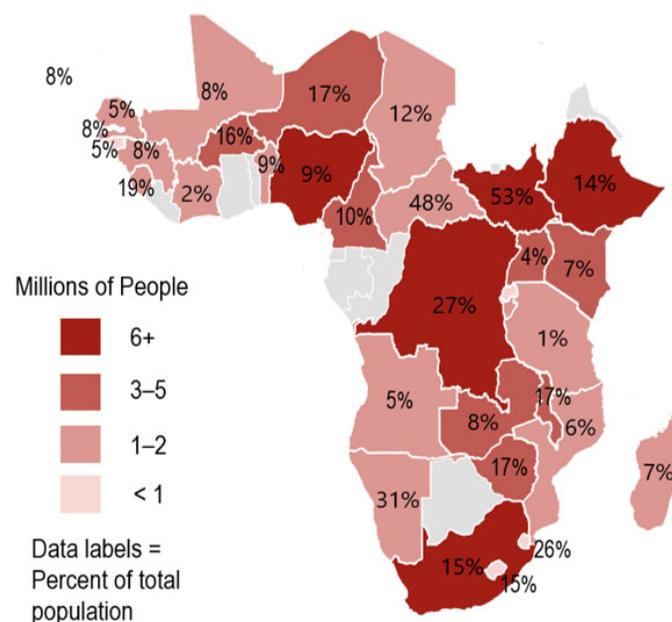
Priority #1: Addressing food insecurity

Policymakers should ideally:

- allow global prices to **pass through** into domestic prices, and
- protect the most vulnerable through **targeted cash transfers** or an expansion of social safety nets.

Policies implemented in an emergency, including some untargeted, costly and distortionary fiscal support measures, should be **gradually phased out**.

Sub-Saharan Africa: Acute Food Insecurity, 2022

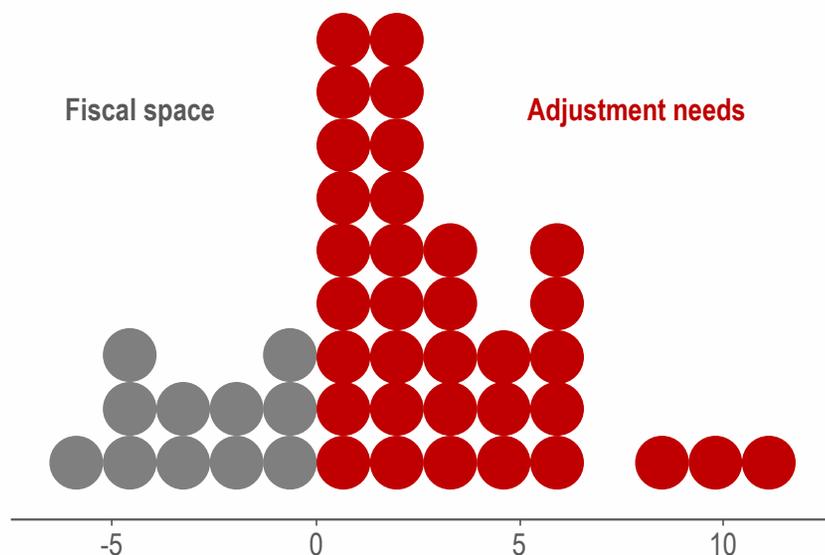


Sources: Global Network Against Food Crisis (2022); and IMF staff calculations.
Note: Acute food insecurity includes populations in Phase 3 and above (food crisis, emergency, and famine).

Priority #2: Consolidating public finances

Fiscal Adjustment Needed to Stabilize Debt Below 70 Percent of GDP

(Percent of GDP, number of countries)



Sources: National authorities; and IMF staff calculations.

Note: 70-percent threshold represents top tercile. For countries below this threshold, adjustment stabilizes debt at current levels. For those above, adjustment brings debt to 70 percent over the forecast horizon.

Stabilizing debt amid rising financing costs will require significant effort to:

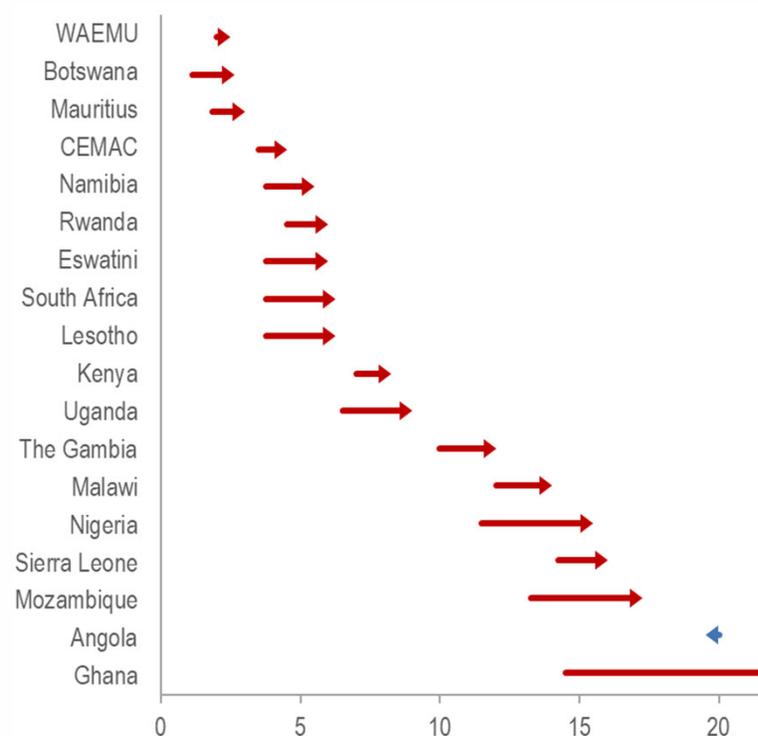
- **consolidate public finances** by boosting revenue mobilization, prioritizing spending where possible, and increasing the efficiency of public spending;
- maintain credible and clearly articulated **medium-term fiscal frameworks**;
- ensure effective and transparent **public debt management**.

Priority #3: Managing the shift in monetary policies

Countries need to strike a **delicate balance in conducting monetary policy** to address the rise in inflation and resist exchange rate pressures, without undermining the recovery. In particular:

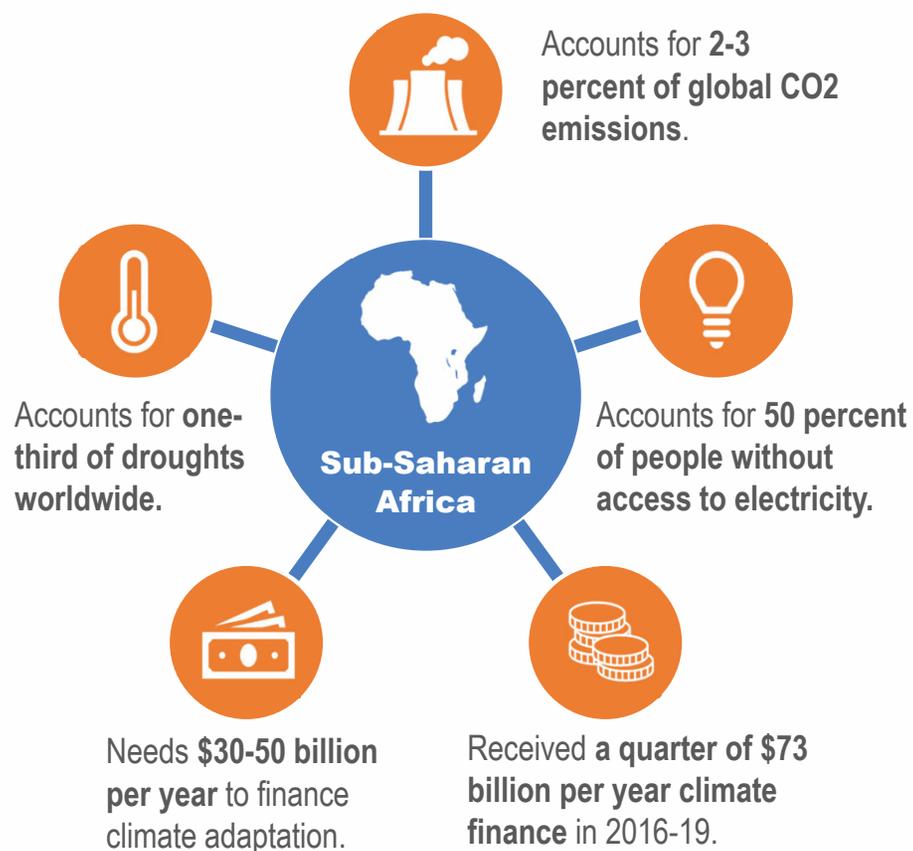
- **Gradual tightening** for many countries given still-fragile recovery and external nature of inflation;
- Tailored approach for others, including **faster or more decisive tightening** in case of very high inflation, less credible monetary frameworks, and large capital outflows.

Sub-Saharan Africa: Monetary Policy Rates, 2022
(Percent, changes since December 2021)



Sources: Haver Analytics; and IMF staff calculations.

Priority #4: Financing sustainable and greener growth

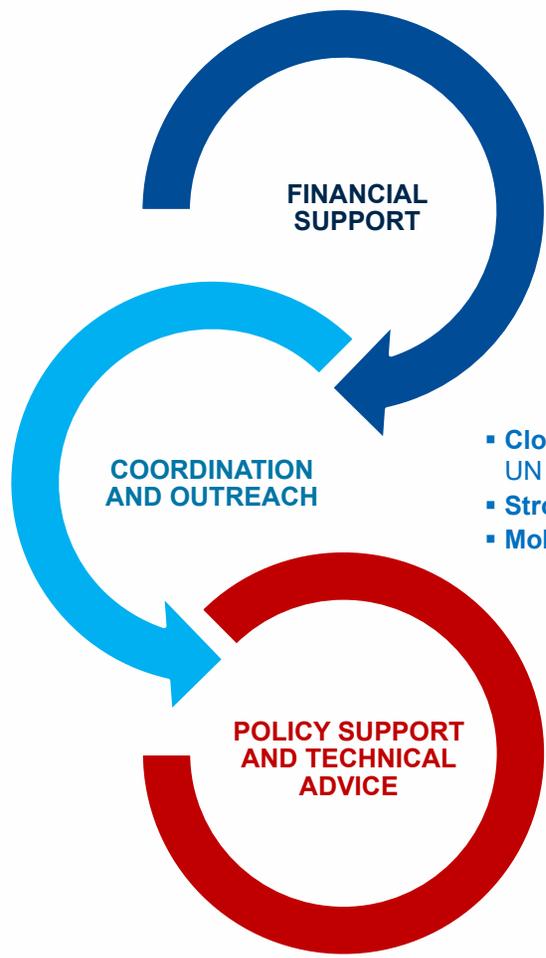


High quality growth will require

- investing in resilient green infrastructure to capitalize on the region's sizable endowment of renewable energy resources,
- leveraging private-sector innovation, activity, and finance.

International support will be critical to financing **climate adaptation** needed for resilient growth.

The IMF has stepped up financial and technical support to the region



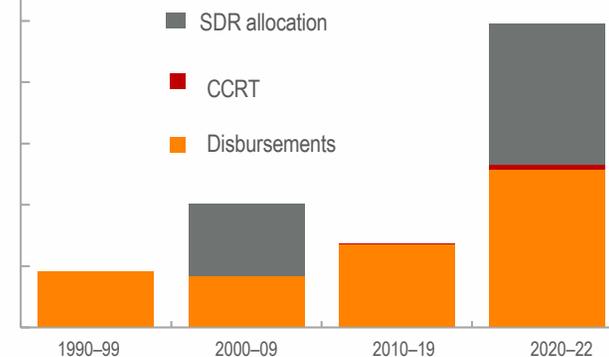
- **US\$.26 billion** of new financing to the SSA region (39 countries), since 2020
- **US\$ 0.8 billion** for debt relief (23 countries) under the CCRT
- **US\$ 23 billion of SDR allocation** to boost the reserve assets
- **PRGT access** limits increased in 2021, and higher cumulative access limits for emergency financing extended to end-June 2023
- **RST** to channel financial resources from countries with strong external positions into affordable long-term financing for vulnerable countries
- **Food shock window** under emergency lending facilities, allowing to meet the rising costs of food and fertilizer imports

- **Close coordination** with the MDBs - World Bank, other IFIs and various UN agencies
- **Strong collaboration** with regional organizations: AfDB
- **Mobilization** for financial resources, donor support, and debt relief

- **Bilateral assessments and policy advice** to authorities, including on new challenges stemming from the price shock and climate change
- **New FCS and gender inclusion strategy**
- **Integration of CD and surveillance:** AFRITAC

Sub-Saharan Africa: Total IMF Disbursements, 1990-22

(Billions of US dollars)

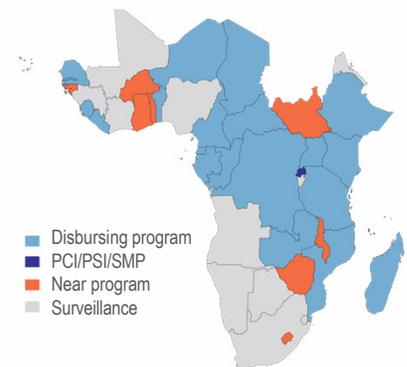


Sources: Haver Analytics; and IMF staff calculations.

Note: SDR = Special Drawing Rights, CCRT = Catastrophe Containment and Relief Trust.

IMF Programs

(As of September 30, 2022)



Thank you