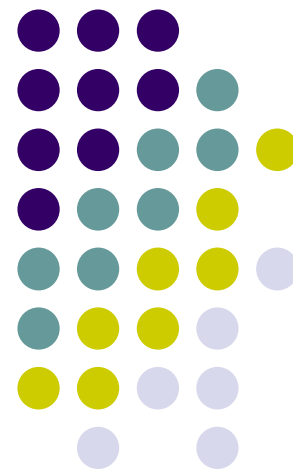


Discussion of IMF's Regional Economic Outlook for SSA

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Scope

1. **Key Highlights**
2. **Observations**
3. **Moving Forward**



SSA REO - 2017

Key Highlights



Key points to note

- Global economic outlook, though improving, still hazy & subdued.
 - China to grow at 6.2% in 2018,
 - Euro = 1.6%
 - UK = 1.5%,
 - SSA = 3.5% & 2.6% in 2017.
 - US continues to recover i.e. 2.5% in 2018 from 1.6% in 2016.

SSA and its perennial trials



- Commodity prices
- Inflation is ticking up
- Widening fiscal deficits
- High external borrowing costs; recourse to domestic financing (*amidst rising NPLs*)
- Currency depreciation; dwindling reserves
- Rising public debt

Suggested Remedies



- Reversion to macroeconomic stability (*financial stability, economic diversification, revenue mobilisation*)
- Structural reforms (*exchange rate flexibility, etc.*)
- Emphasise social protection (*target poverty, help vulnerable groups*)



Observations & Suggestions



Observations (1)

- 1) **Erosion of ‘fiscal space’ in most SSA countries.** *Few SSA governments can raise spending without endangering market access and debt sustainability.*
- 2) **Failure to adopt second-generation reforms** – *measures that would enable SSA countries to attain, in a sustained way, high-quality growth.*



Observations (2)

- 3) **Premature de-industrialisation across SSA** - *manufacturing is shrinking at levels of income that are a fraction of those at which the advanced economies started to deindustrialise (Rodrik, 2015)*

In the case of SSA, what actually is happening is de-industrialisation before industrialisation!

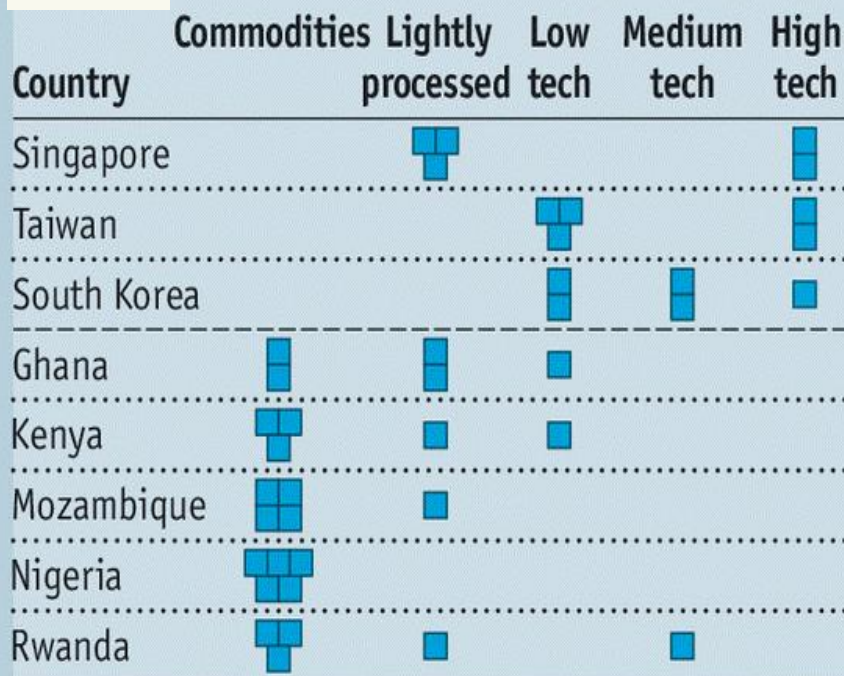
SSA's failure to transform the structure of their economies



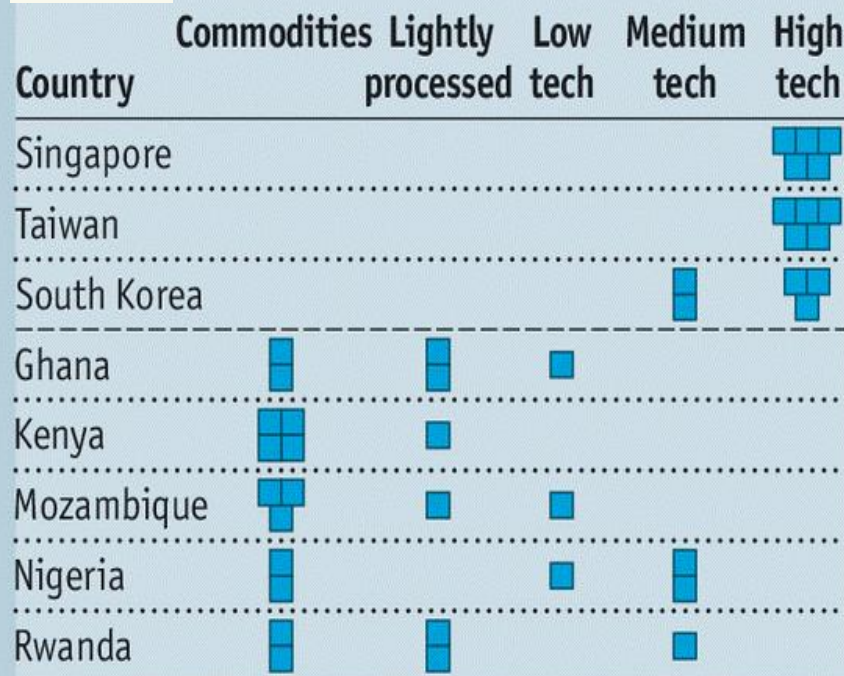
Biggest five exports for each country, by sector (1985 - 2015)

Biggest five exports for each country, by sector

1985



2015



Source: *The Economist*



Observations (4)

- 4) **Failure to close the infrastructure gap**
- Rail networks are least developed in Africa
 - Only a 1/3 of rural population has access to roads;
 - Less than 40% of the population has access to electricity;
 - Internet density is less than one in ten
 - Very low capacity at the SSA's 64 ports



**Africa's
Railroads**

0 500 1000
Kilometers

Railroads in China



中國鐵路網絡

The Railway network of China

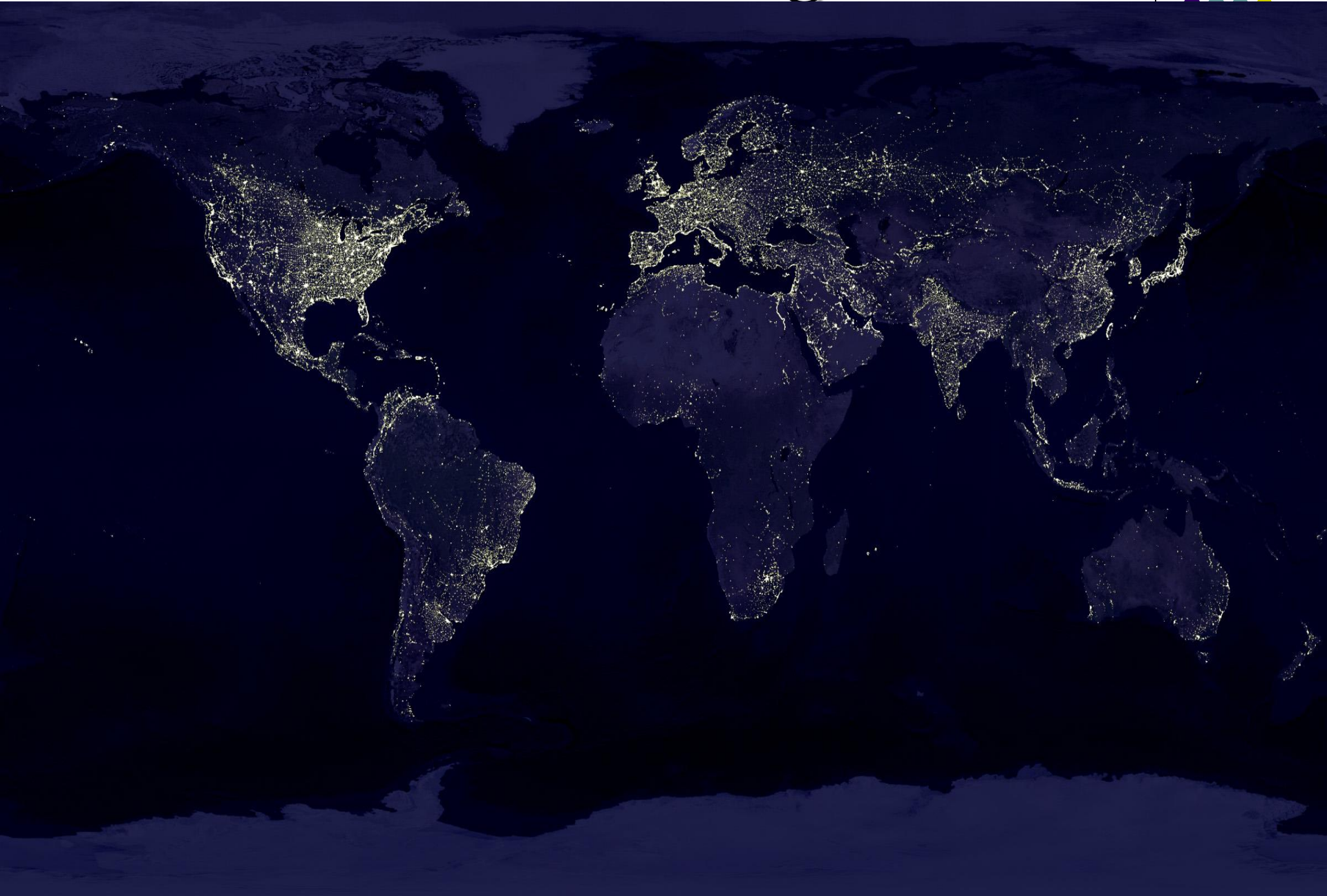
Le réseau de chemin de fer de Chine

Das Eisenbahnnetz Chinas

La red ferroviaria de China

Сеть железной дороги Китая

Earth at Night



Observation (5)



- 5) **SSA's failure to increase its share of global exports**
- Africa's share of world exports declined over the past three decades from 4.5% in 1980 to 3% in 2015.
 - Worse of all they are mainly commodity exports.
 - Share of manufactured exports has declined from 0.4% to 0.3%

Failure to launch

Exports as a share of world total, %

Current prices



Source: UNCTAD

Moving Forward (1)



- 1) Re-build the fiscal space – start with pragmatic assessment of fiscal space; *from quantitative to multi-dimensional assessment.*
- 2) Second-generation reforms *to re-align relations between state, market, and civil society.*
- 3) Industrialisation and urgent reversal of the ongoing premature de-industrialisation.

Moving Forward (2)



- 4) Investment in infrastructure to close the gap. However, PIM must be the norm.
- 5) Need to launch Africa's exports into global trade.
 - *Of the \$18tn world total merchandise trade in 2014, SSA accounted for only 3% while the top 10 traders accounted for 51% (WTO)*
 - *Merchandise exports from WTO members totalled*



**In Africa, the poor do not sleep
because they're hungry, and the
rich do not sleep because the
poor are awake.**

...and it's getting worse!

Thank You