



AFR

Regional Economic
Outlook

Regional Economic Outlook: **Recovery and Rising Risks**

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Kampala, November 27 2018



Key Messages

- **The recovery is expected to continue amidst rising risks.**
 - Muted recovery in oil exporting countries, while most other countries continue to sustain high growth.
- **Fiscal deficits are narrowing, but the quality of adjustment needs to be strengthened.**
 - Further revenue-based adjustment needed to reduce debt vulnerabilities and create space for development spending.
- **Enhancing resilience and raising growth potential is essential; policies vary across countries.**

Roadmap

I. A Less Supportive External Environment

II. Outlook and Risks

III. Policy Challenges

Reducing Debt Vulnerabilities

Dealing with Capital Flows

Lifting Incomes Faster

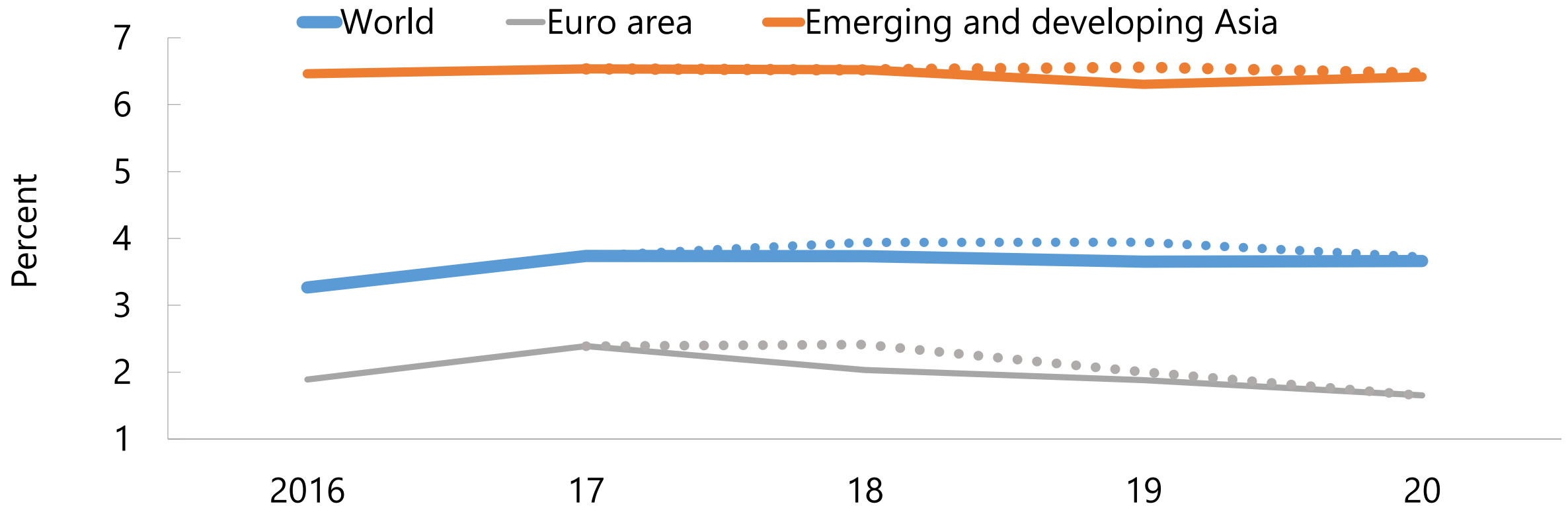
IV. Uganda; recent developments and outlook

V. A word on capacity development

I. A Less Supportive External Environment

Steady expansion continues... but less vigorously





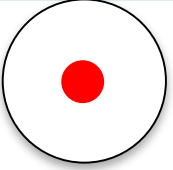




Global Growth Projections: Current versus April 2018



Source: World Economic Outlook database.

Note: Solid lines show current projections; dotted lines show projections of April 2018, IMF, World Economic Outlook database.

Growth projections: Advanced economies

	 World	 Advanced Economies	 U.S.	 Euro Area	 Japan	 U.K.	 Canada	 Korea	 Other Advanced Asia
2017	3.7	2.3	2.2	2.4	1.7	1.7	3.0	3.1	2.9
2018	3.7	2.4	2.9	2.0	1.1	1.4	2.1	2.8	3.1
Revision from Jul. 2018	-0.2	0.0	0.0	-0.2	0.1	0.0	0.0	-0.2	0.2
2019	3.7	2.1	2.5	1.9	0.9	1.5	2.0	2.6	2.6
Revision from Jul. 2018	-0.2	-0.1	-0.2	0.0	0.0	0.0	0.0	-0.3	-0.2

Source: World Economic Outlook database.

Growth projections: Emerging markets and LICs



World

Emerging
Market and
Developing
Economies

China

India

Brazil

Russia

Commodity
Exporting
Economies

Sub-
Saharan
Africa

2017

3.7

4.7

6.9

6.7

1.0

1.5

2.2

2.7

2018

3.7

4.7

6.6

7.3

1.4

1.7

2.1

3.1

Revision from
Jul. 2018

-0.2

-0.2

0.0

0.0

-0.4

0.0

-0.6

-0.3

2019

3.7

4.7

6.2

7.4

2.4

1.8

2.6

3.8

Revision from
Jul. 2018

-0.2

-0.4

-0.2

-0.1

-0.1

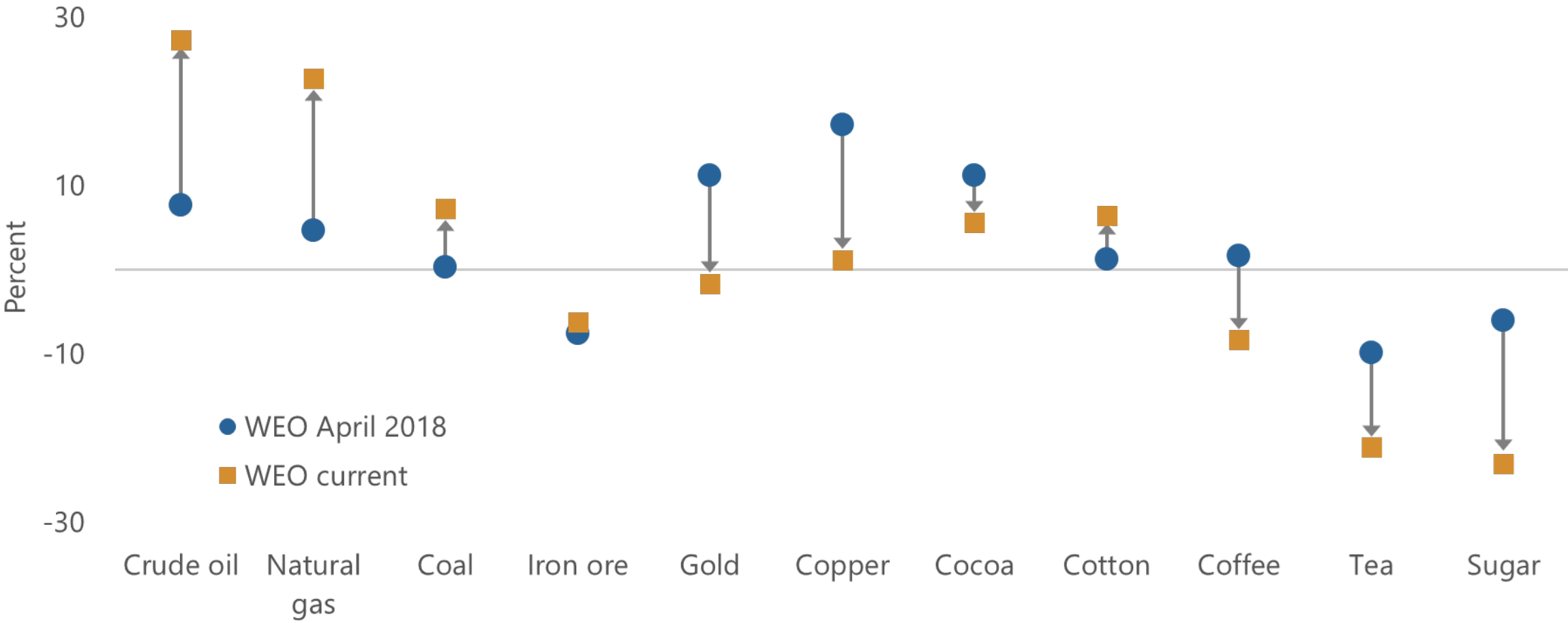
0.3

-0.6

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Higher prices will facilitate recovery in oil exporting countries.

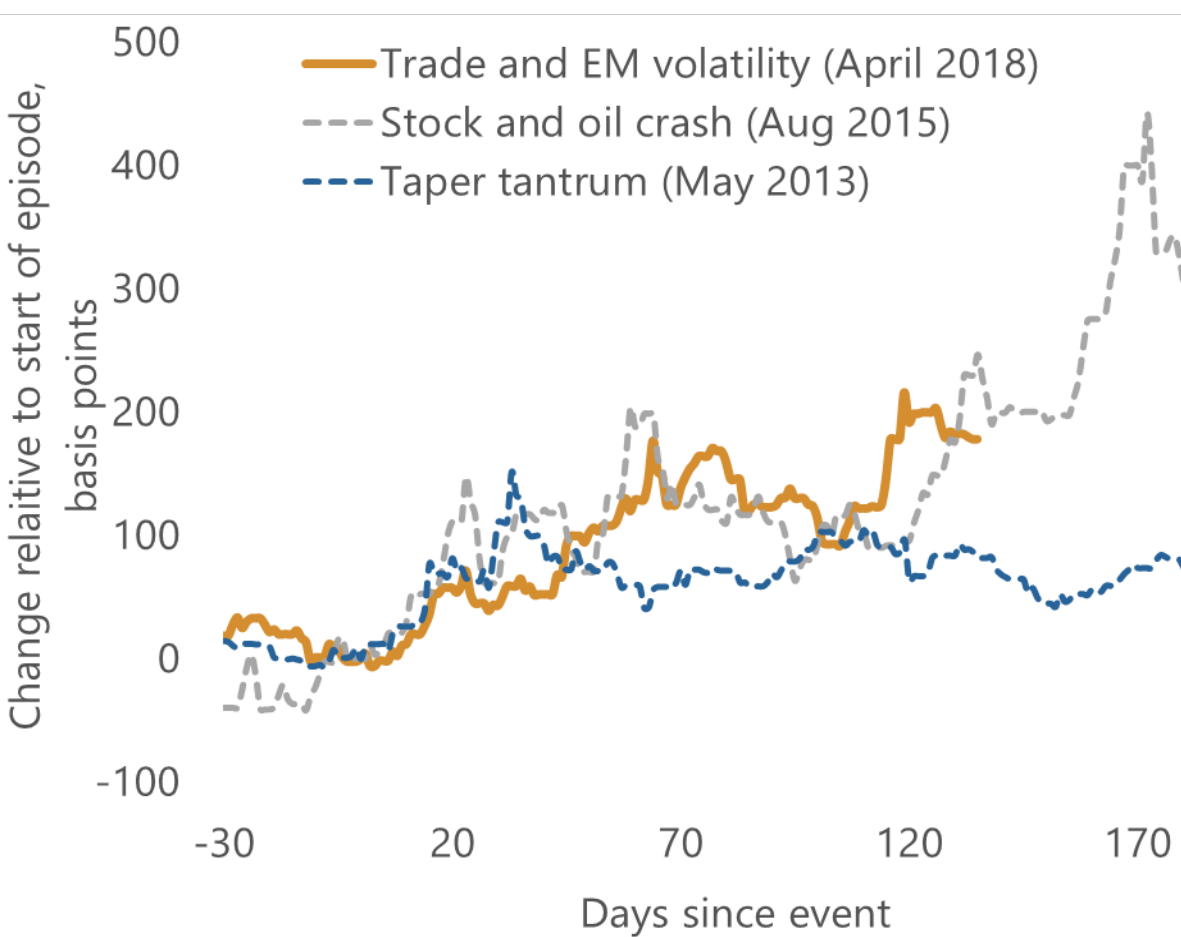
Selected Commodity Prices Expected Changes (Average 2019–20 vs 2017)



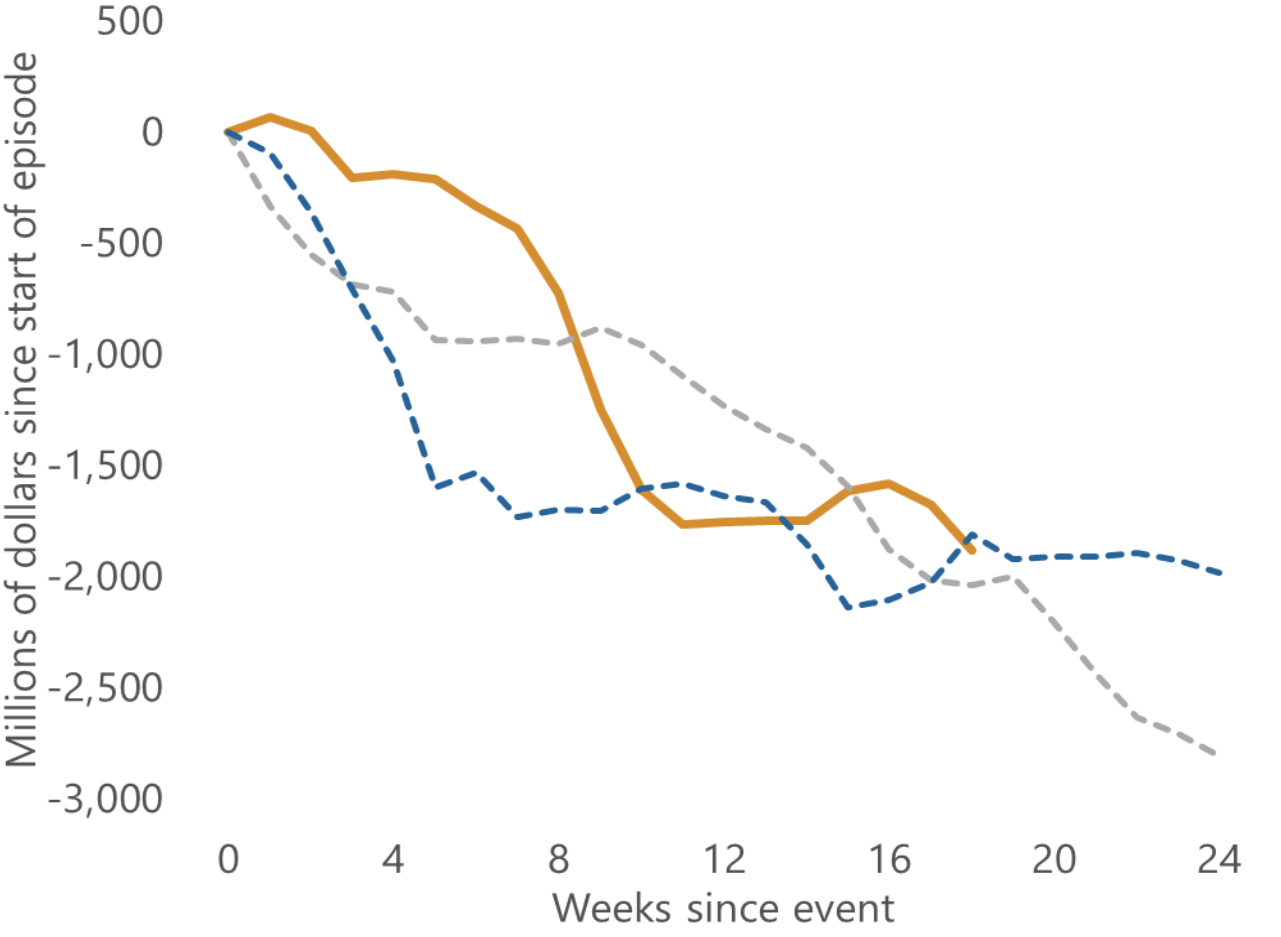
Source: IMF, World Economic Outlook database.

Financing conditions have tightened, with higher bond spreads and portfolio outflows.

Sub-Saharan African Selected Frontier Markets: Sovereign Bond Spreads



Sub-Saharan African Frontier Markets: Cumulative Portfolio Flows

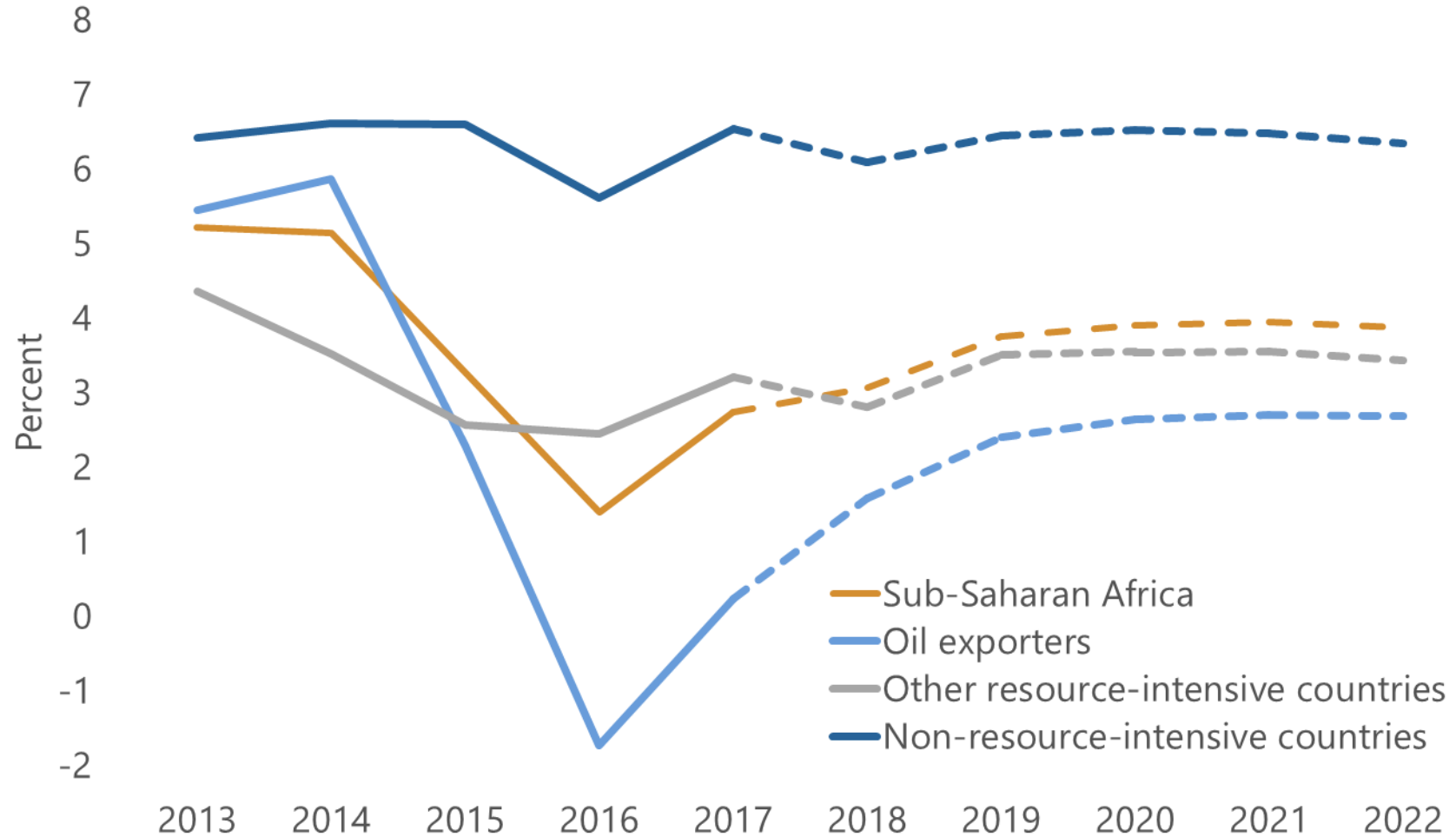


Source: Bloomberg Finance L.P.

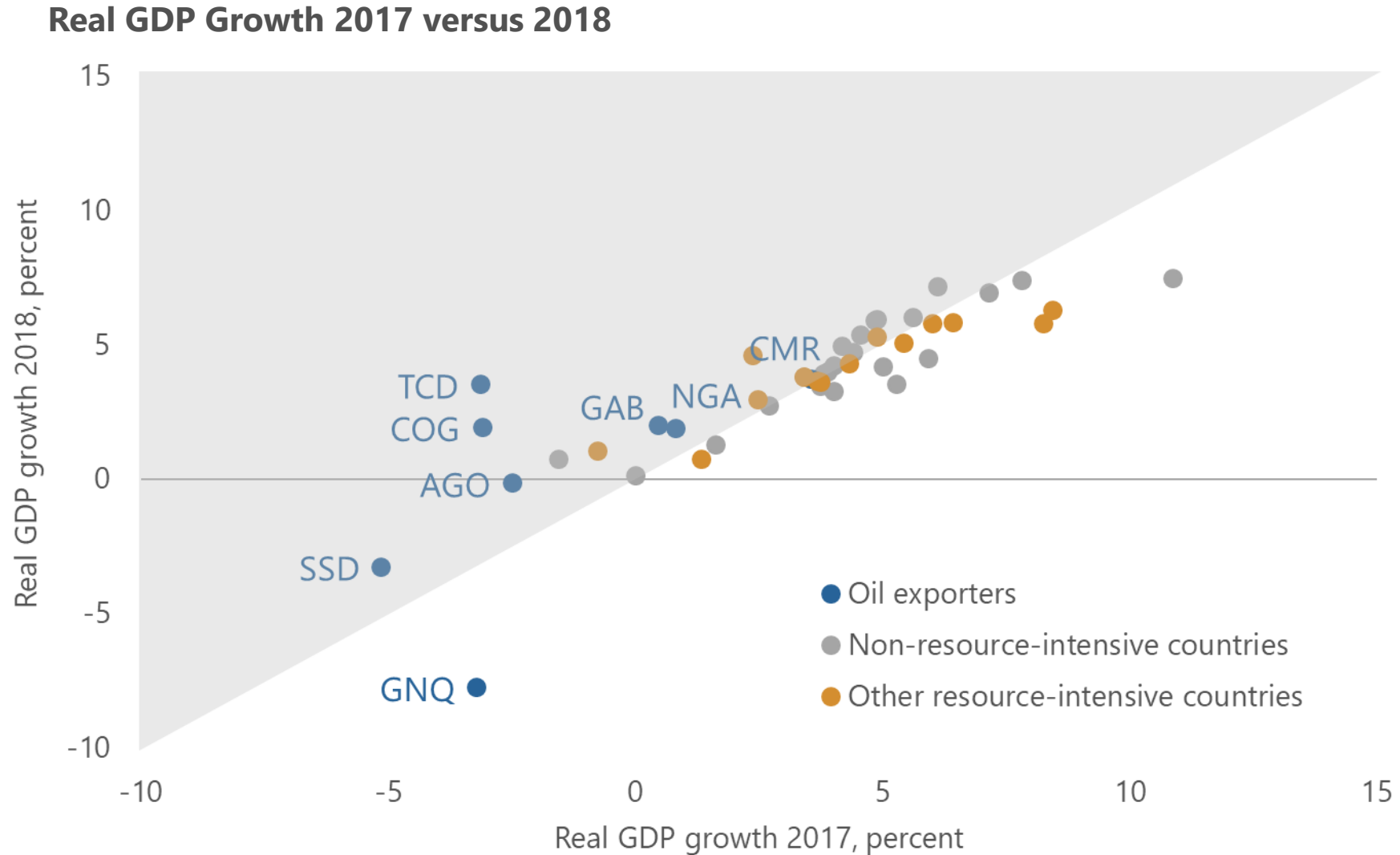
II. Outlook and Risks

Sustained growth in non-resource-intensive countries, and muted recovery elsewhere.

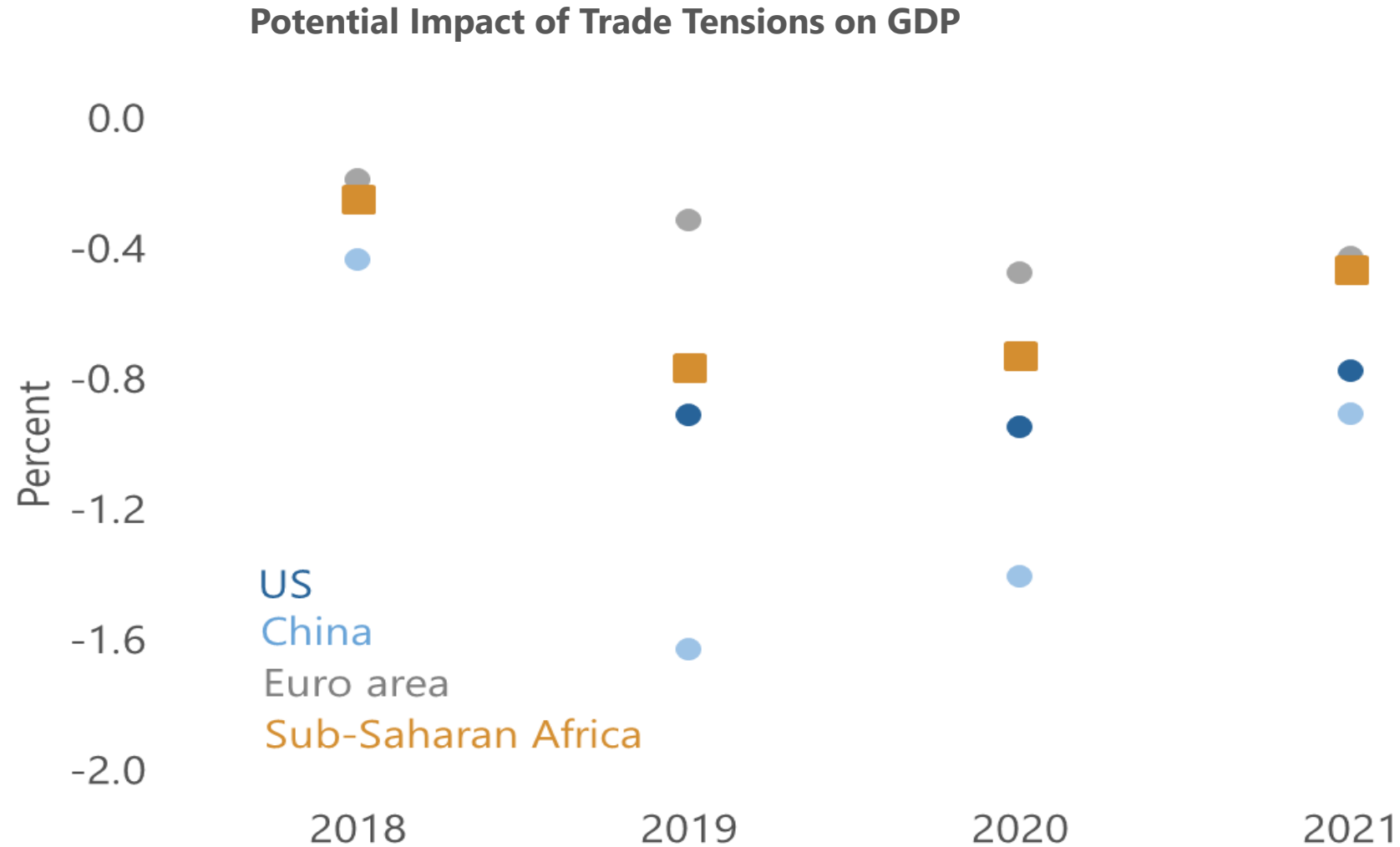
Real GDP Growth



The pickup in growth this year is driven by oil exporters.

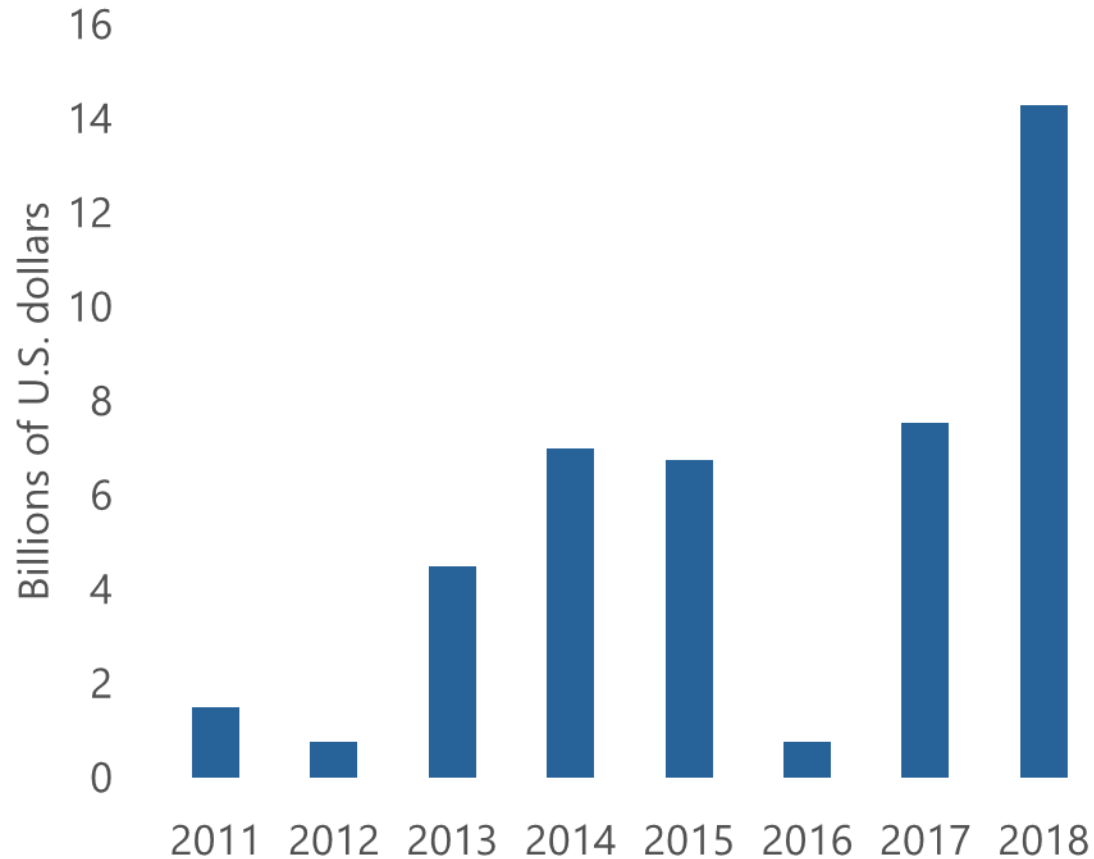


Further escalation of trade tensions would threaten the recovery.

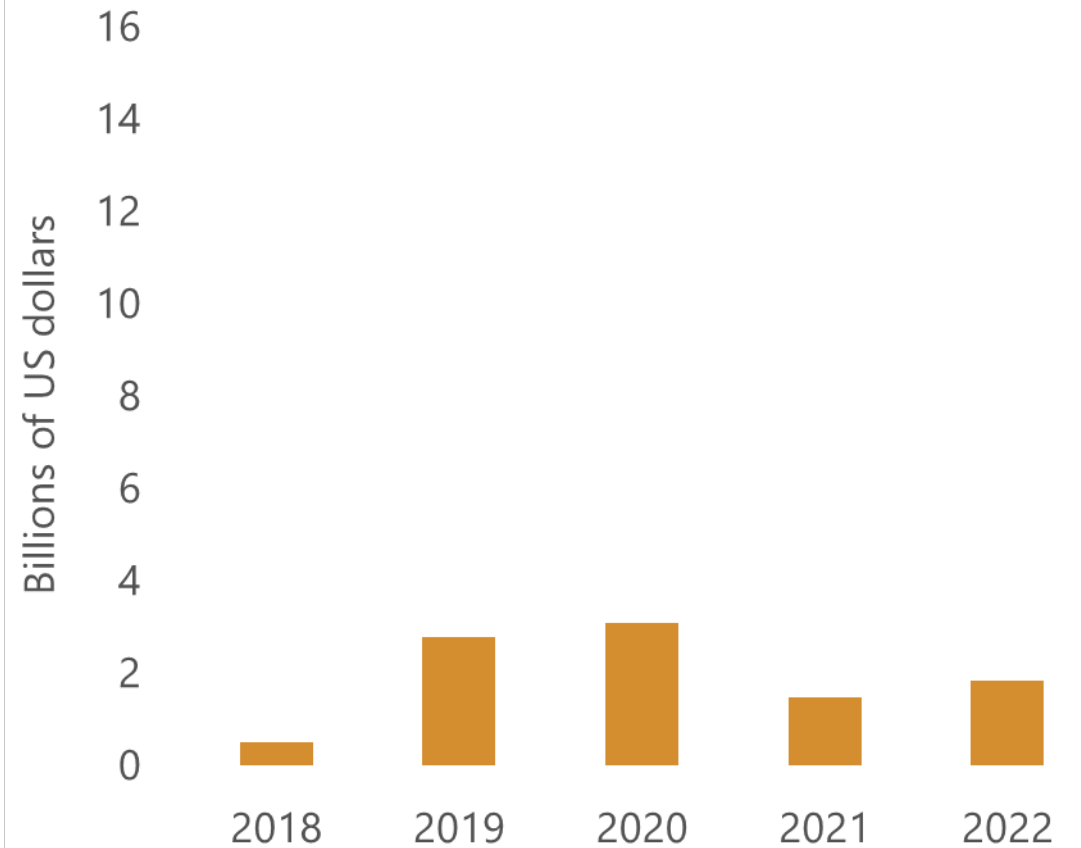


Increased exposure to an unexpected tightening of global financial conditions.

Sub-Saharan African Frontier Markets International Sovereign Bond Issuances

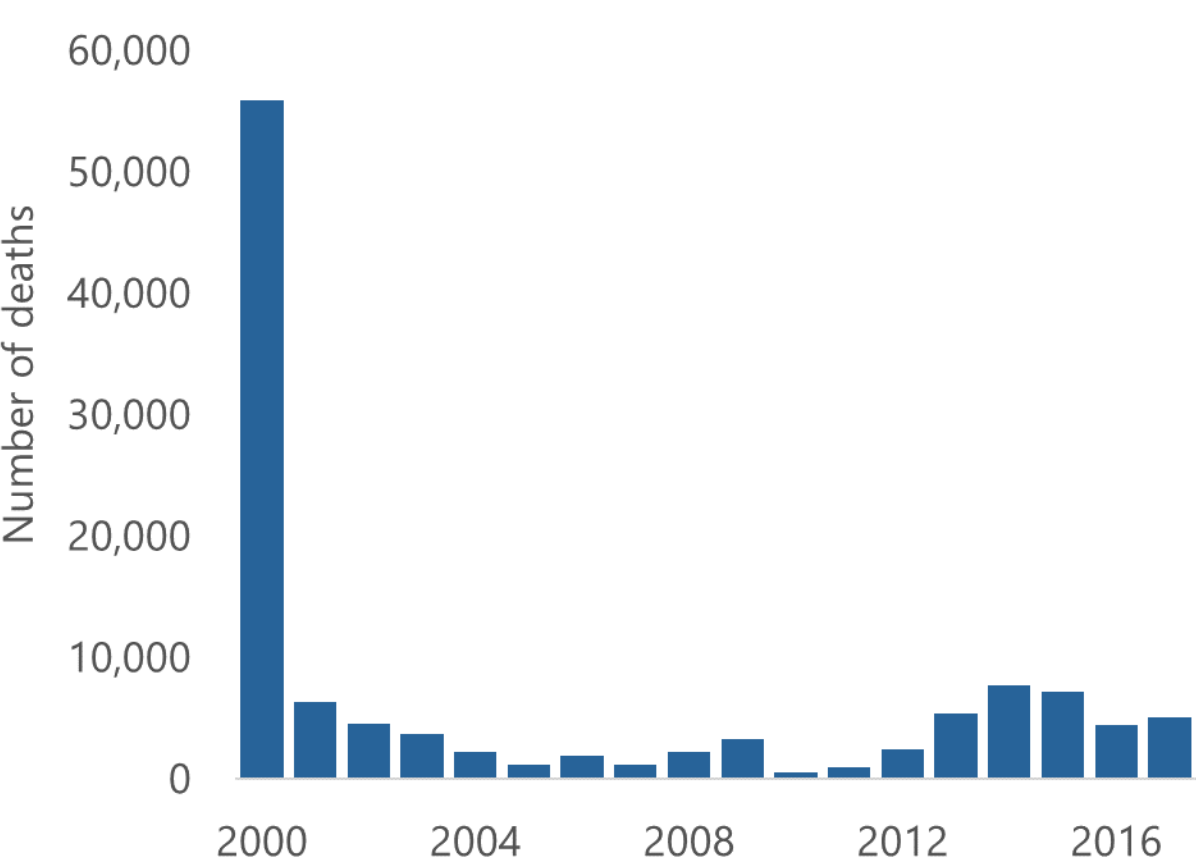


Sub-Saharan African Frontier Markets Maturing International Sovereign Bonds



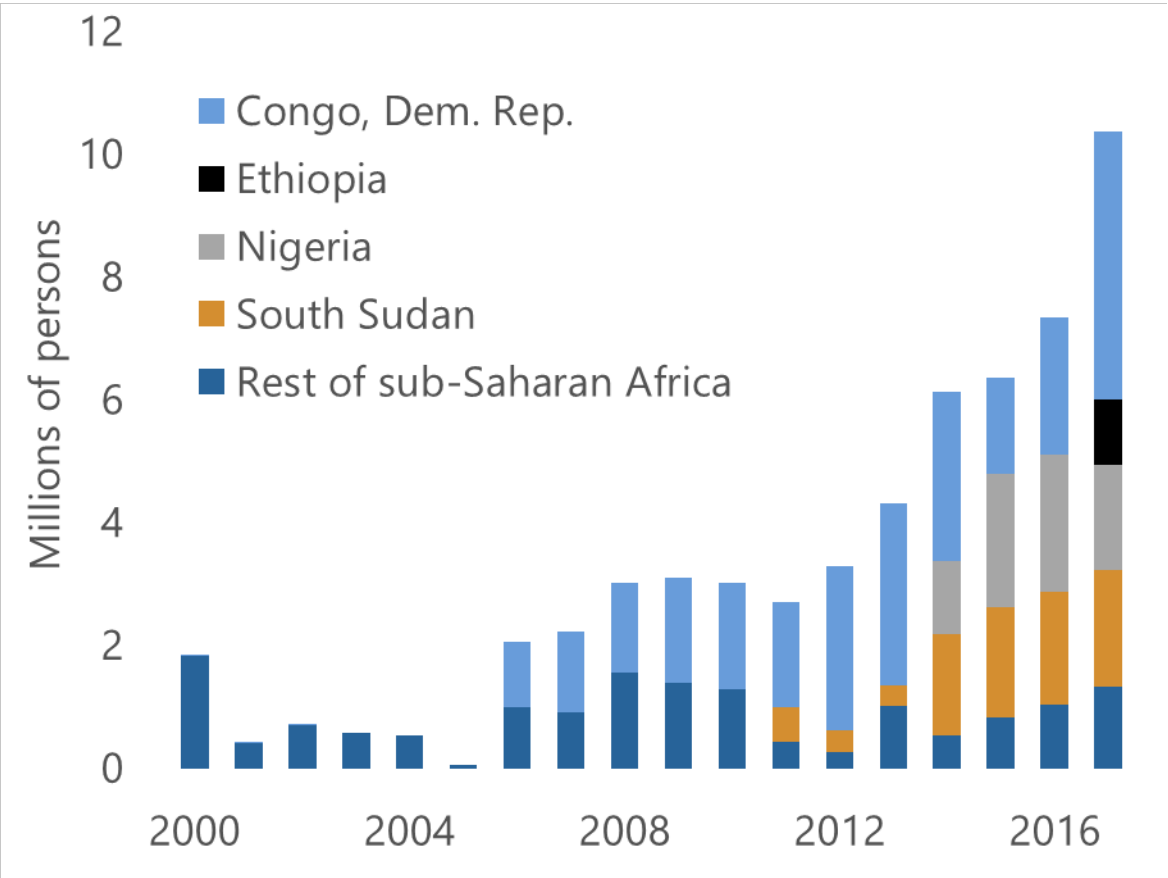
Security issues are exacting a significant human toll in a number of countries.

Sub-Saharan Africa: Conflict Related Deaths



Source: Uppsala Conflict Data Program.

Sub-Saharan Africa: Internally Displaced Persons

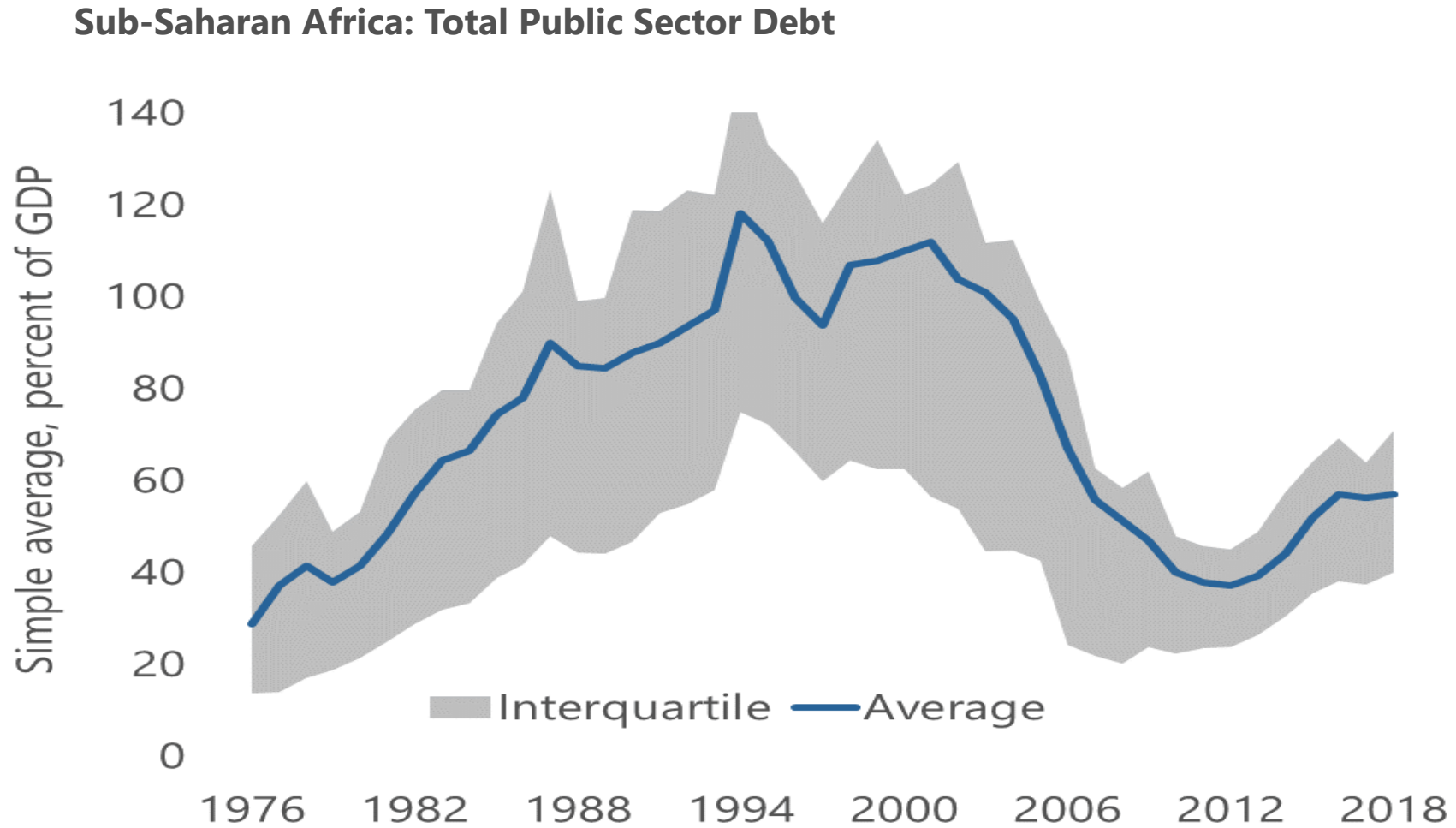


Source: United Nations High Commissioner for Refugees.

III. Policy Challenges

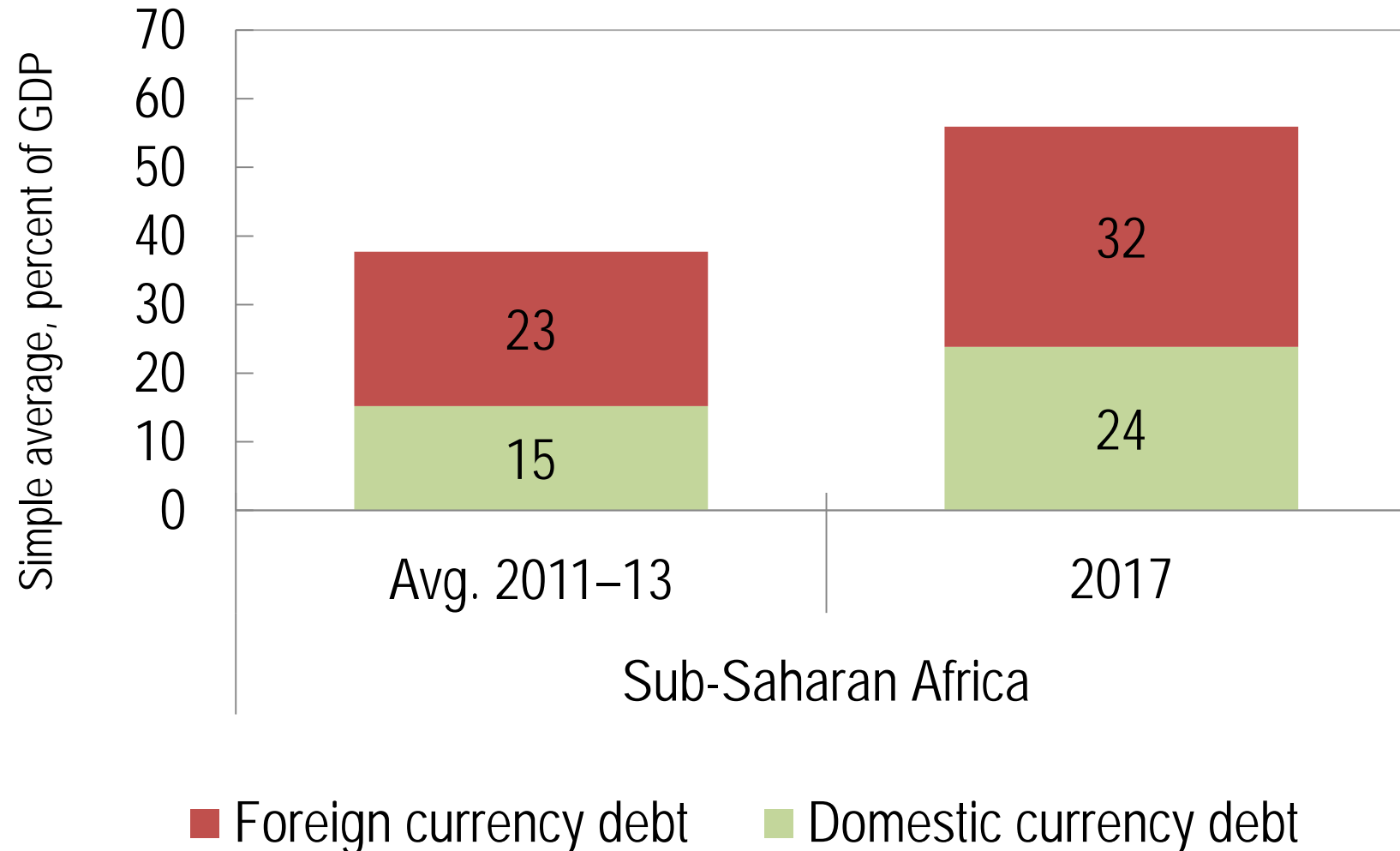
a. Reducing Debt Vulnerabilities

Public debt has increased...



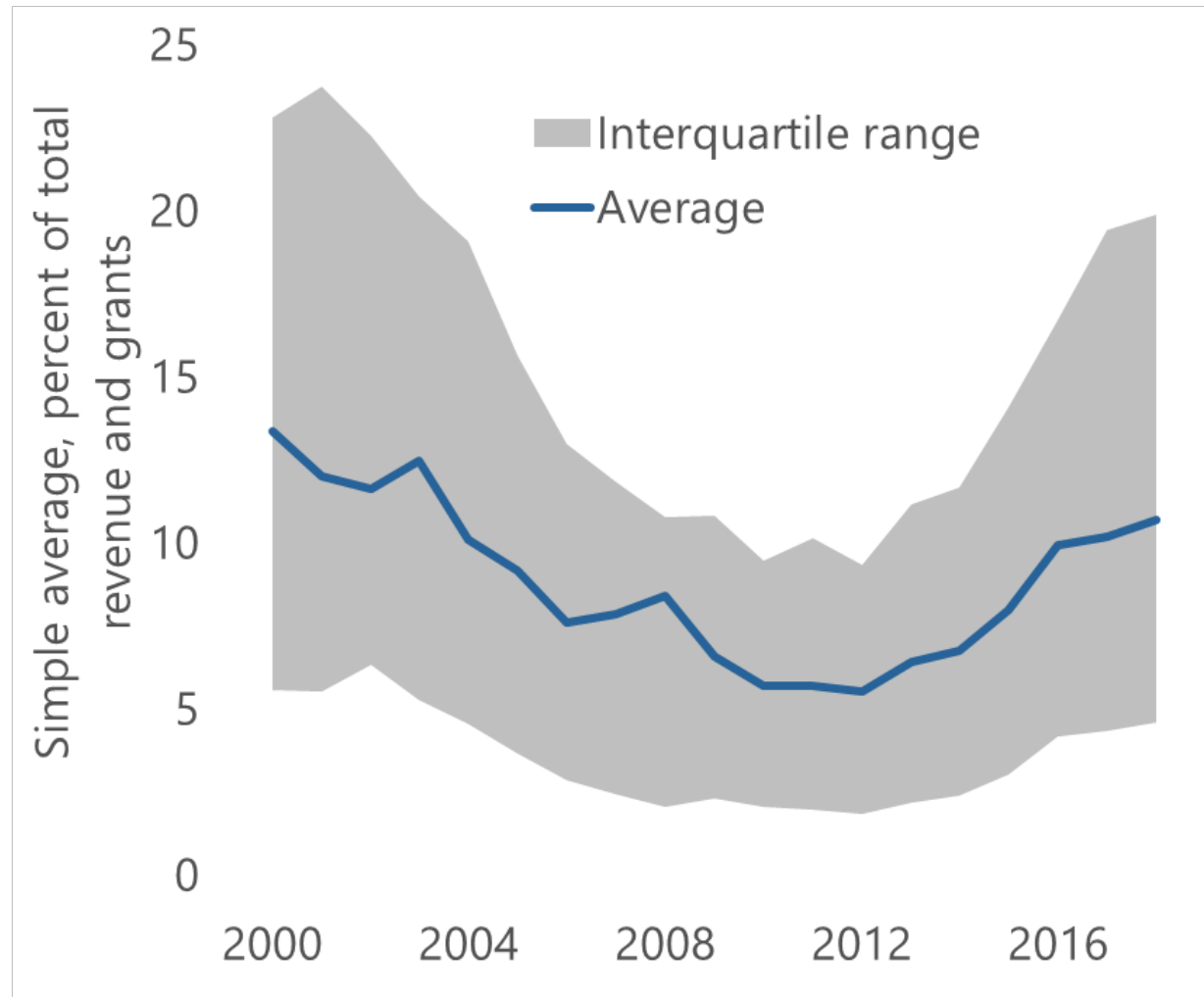
In both foreign and domestic currency

Sub-Saharan Africa: Public Sector Debt by Currency, 2011–17

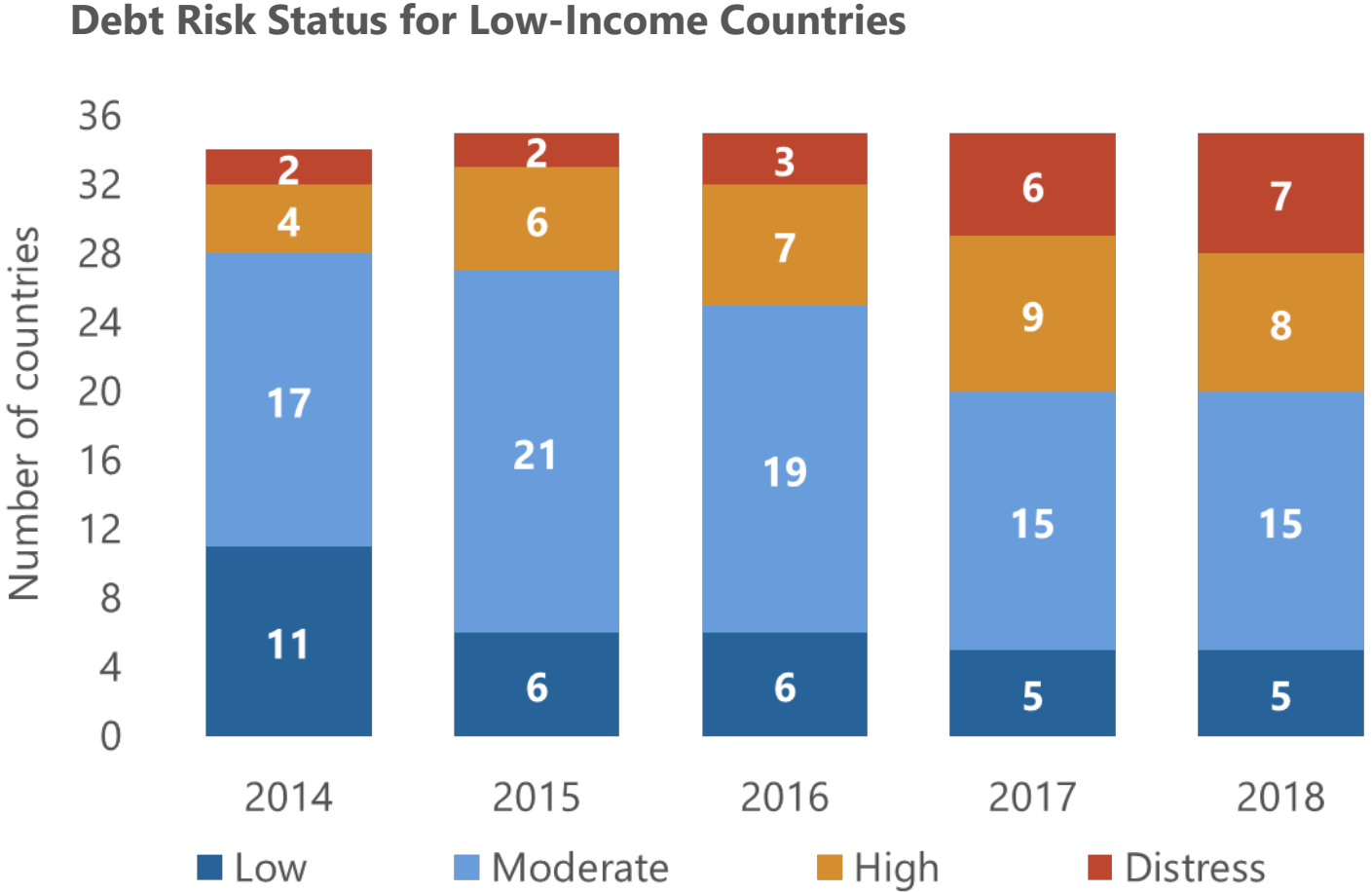


Diverting more resources towards interest payments...

Sub-Saharan Africa: Interest Payments

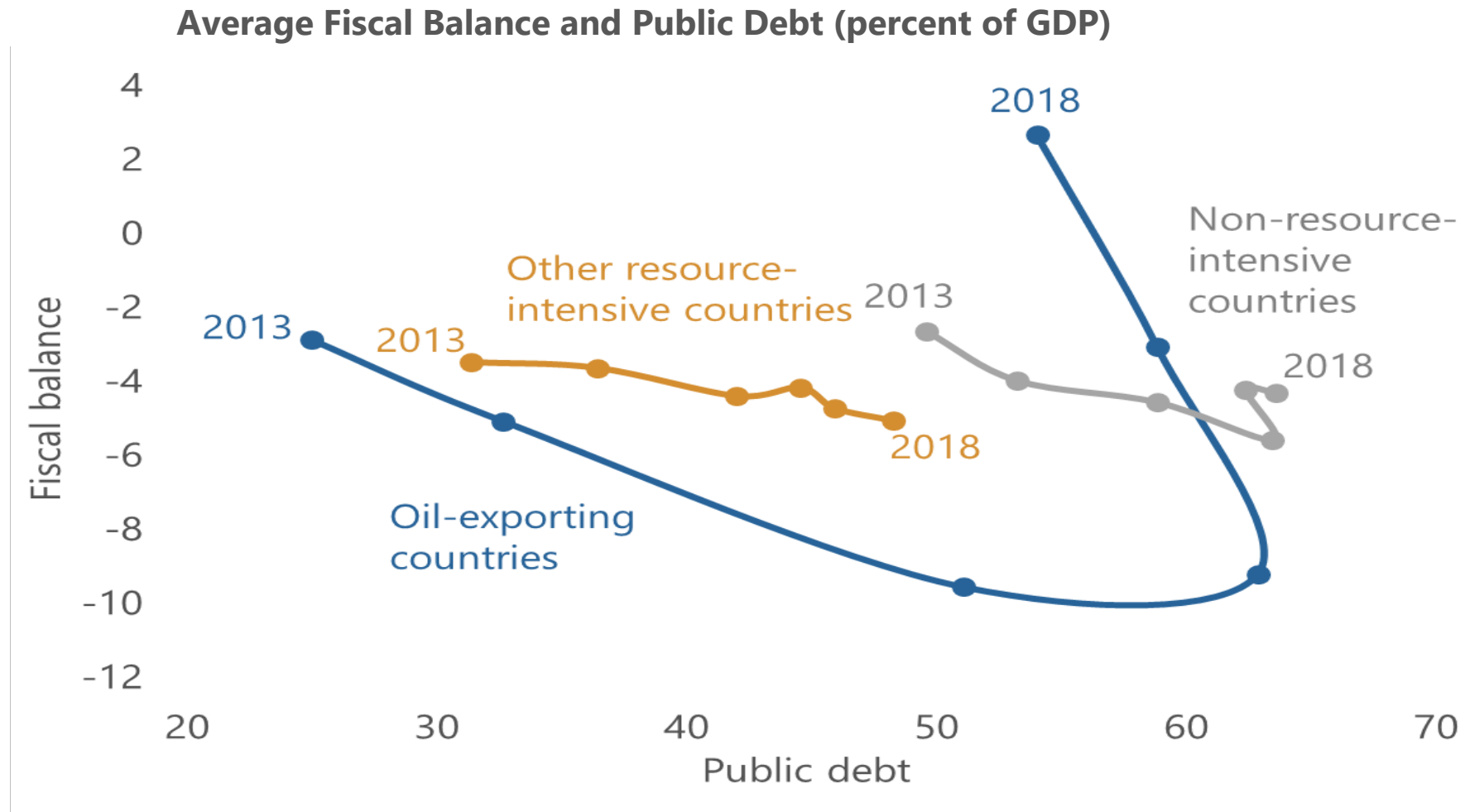


...and increasing difficulties for countries to service their commitments.

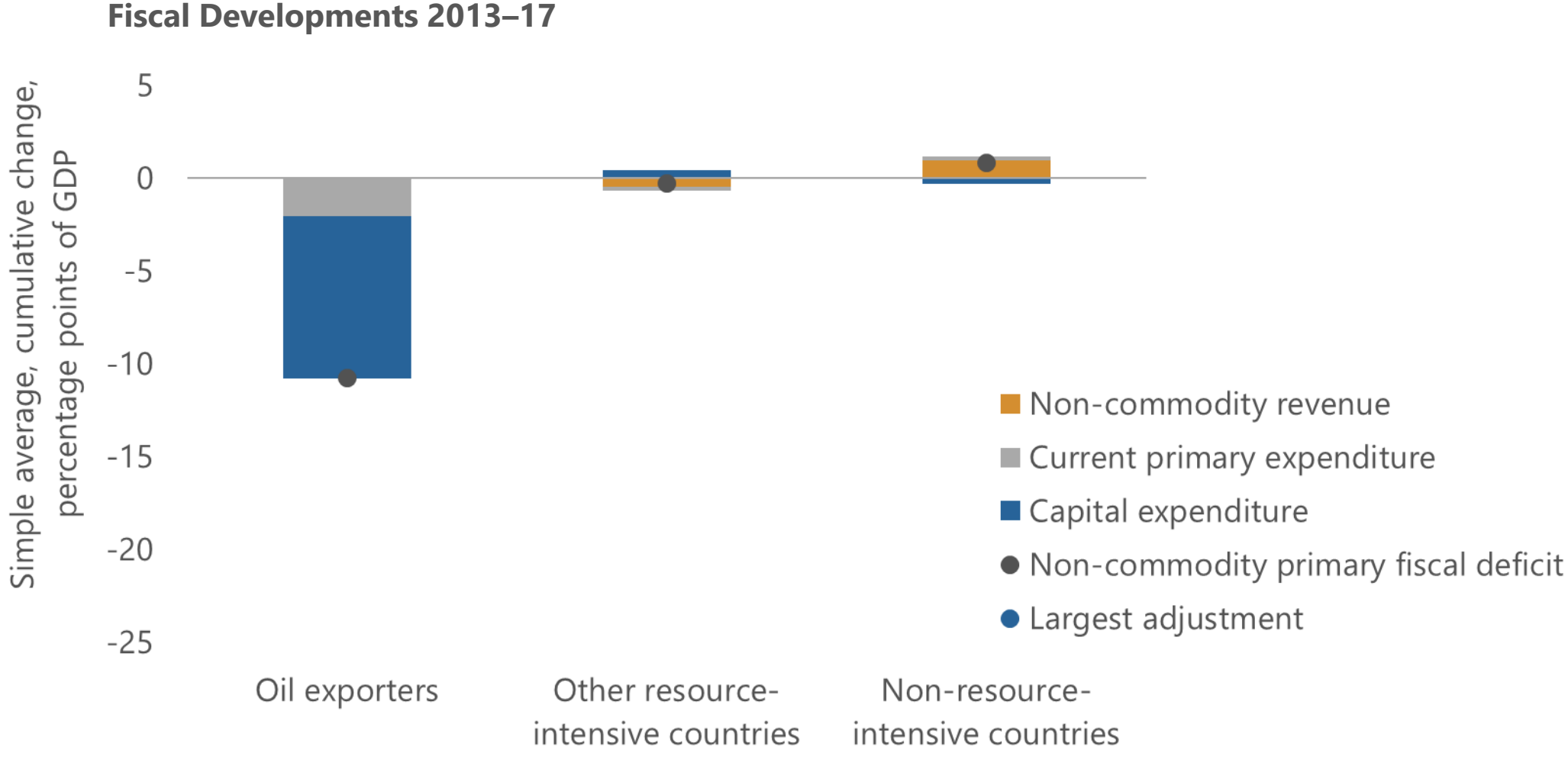


Source: IMF, Debt Sustainability Analysis Low-Income Developing Countries database.

Progress on improving debt dynamics remains mixed.



Adjustment has relied on spending compression rather than revenue mobilization.

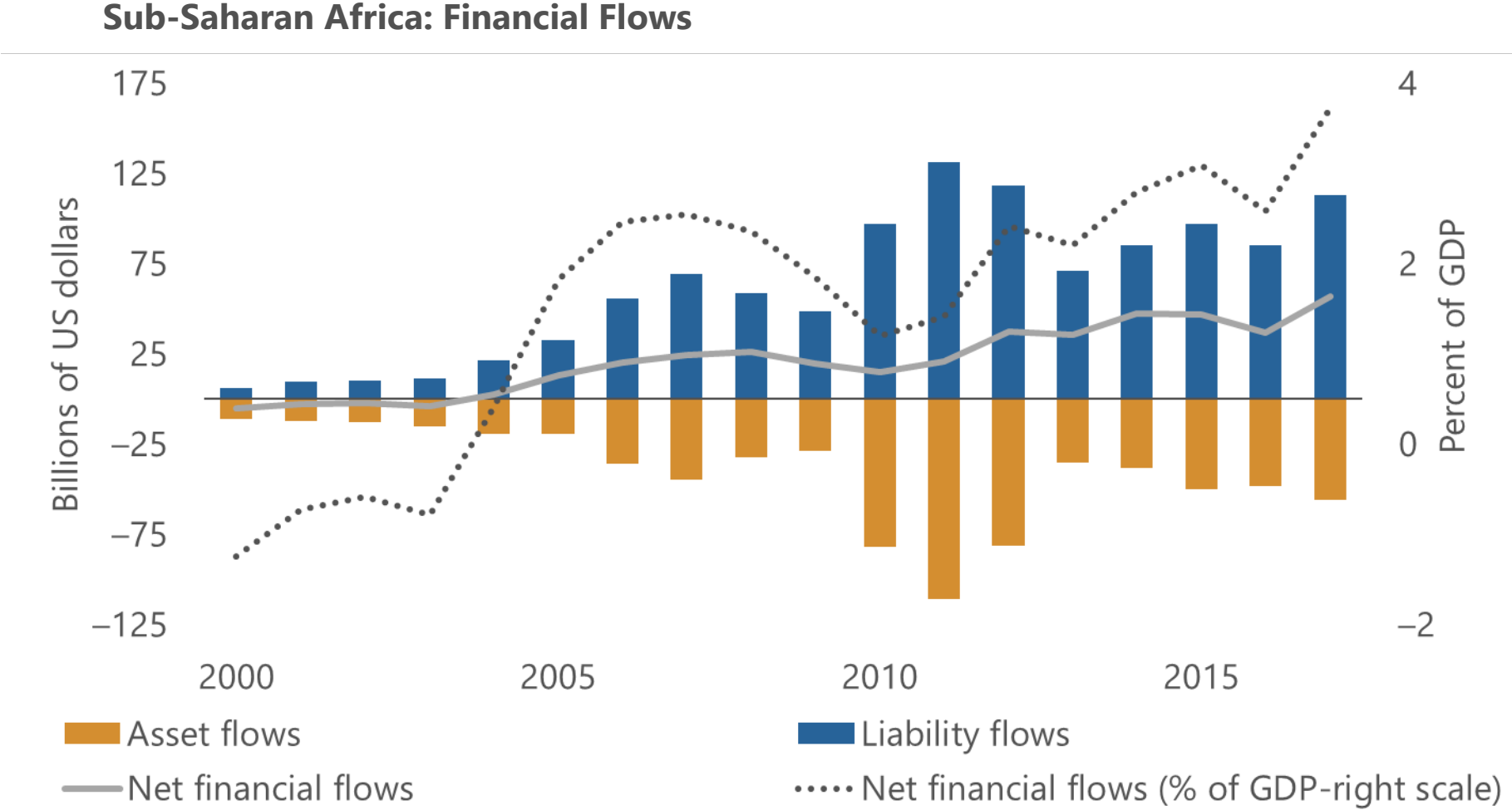


Source: IMF, World Economic Outlook database.

III. Policy Challenges

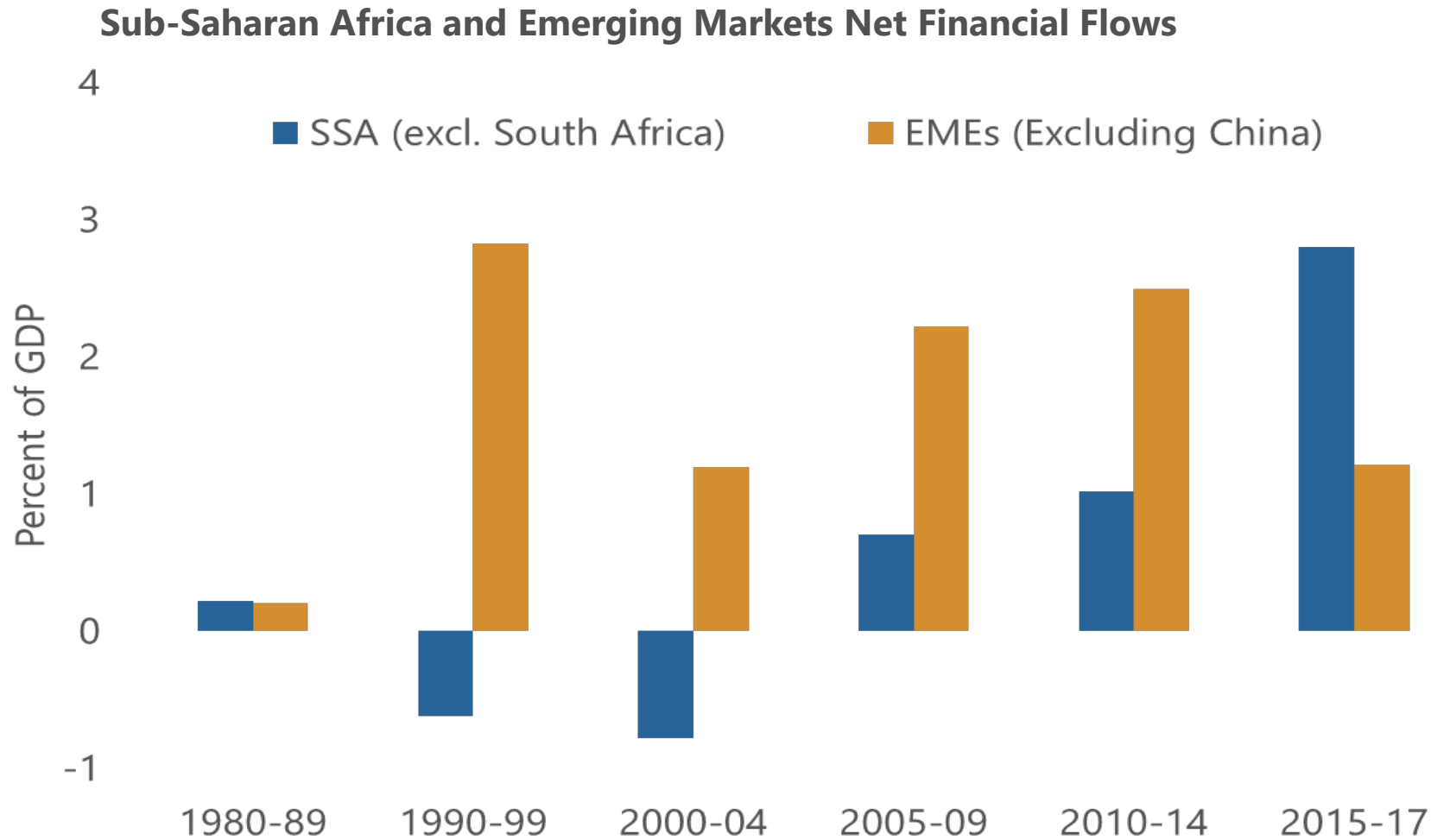
b. Dealing with Capital Flows

Financial integration with the rest of the world has deepened.



Source: IMF staff estimates.

Capital flows have been larger than those to EMEs.

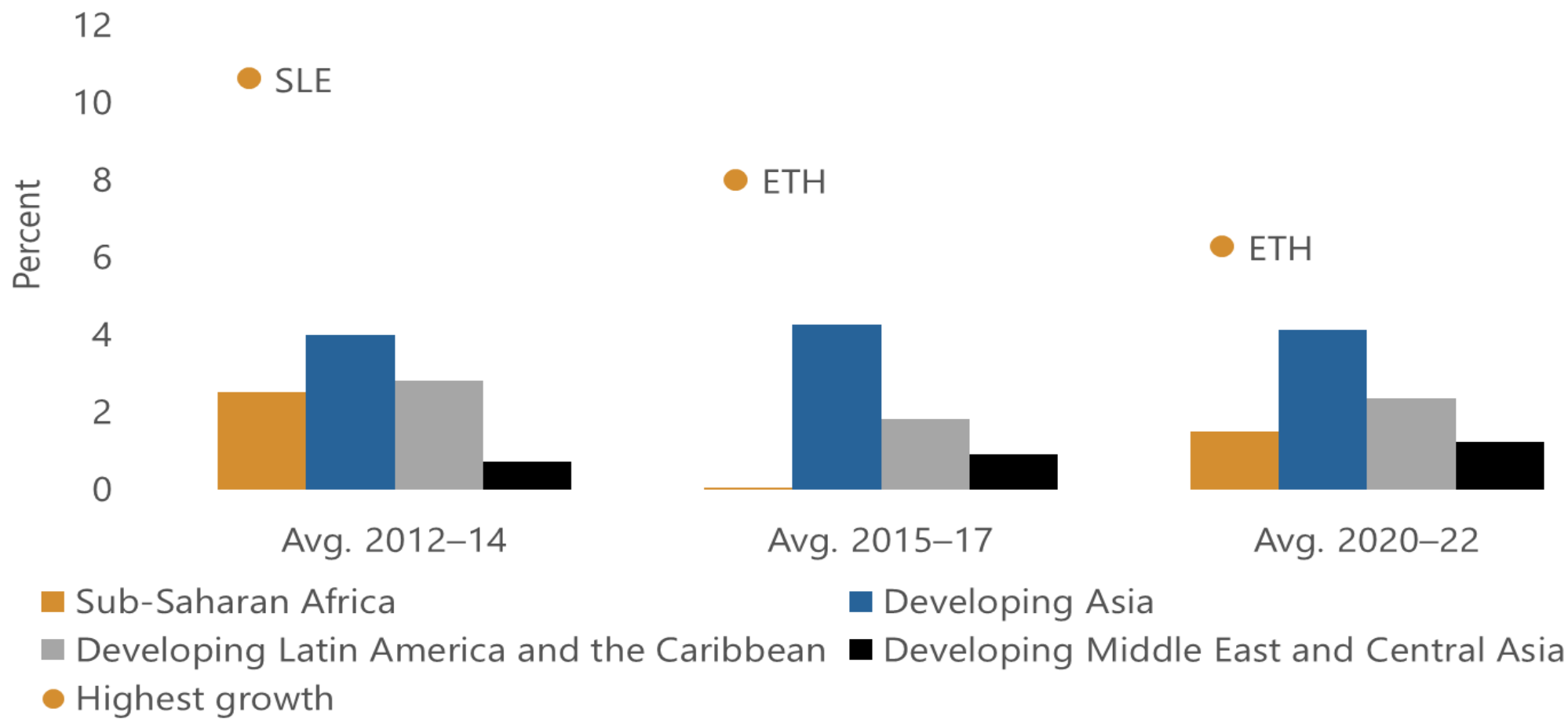


III. Policy Challenges

c. Lifting Incomes Faster

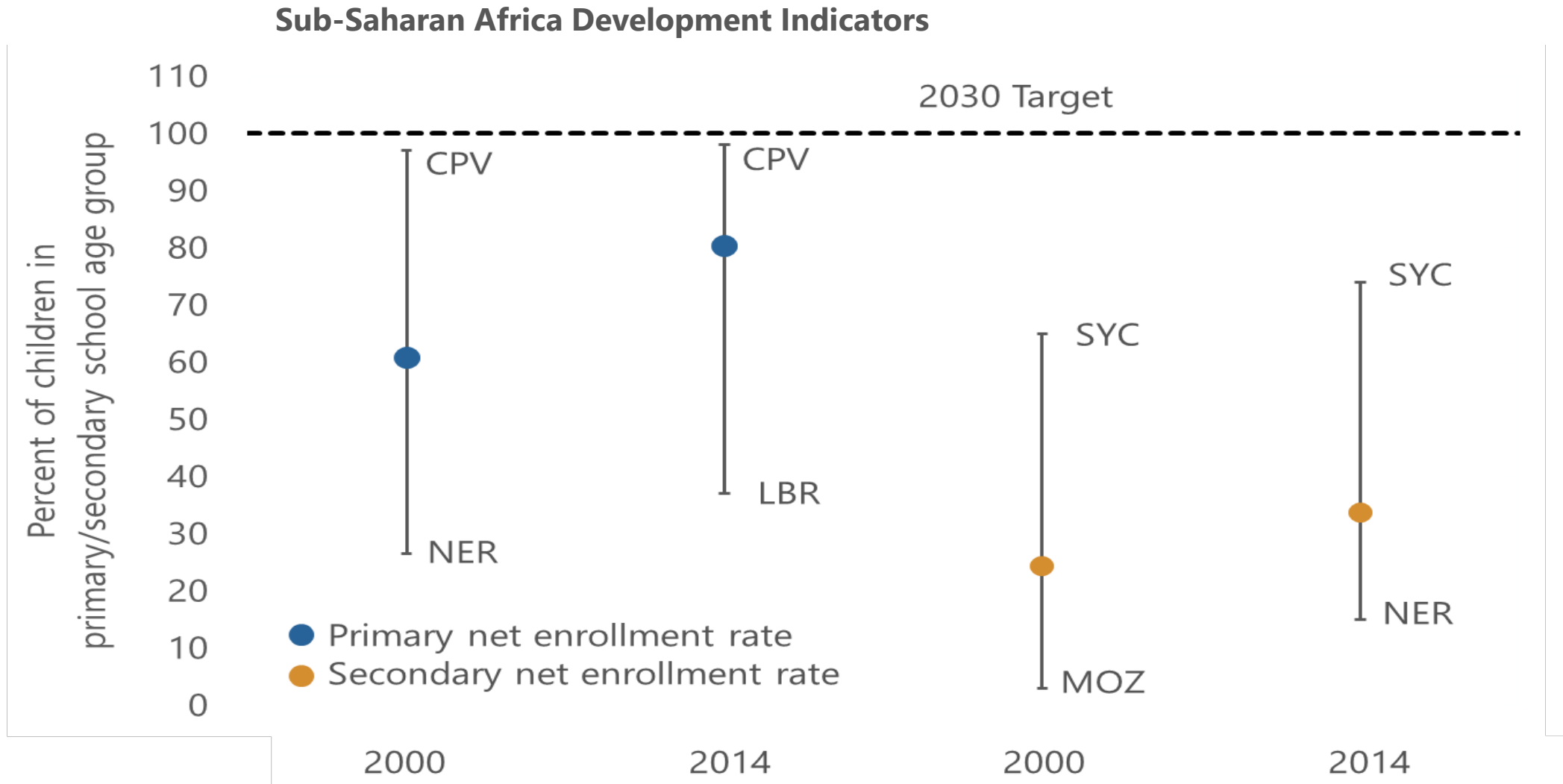
Medium-term per capita growth is too low.

Real GDP per Capita Growth

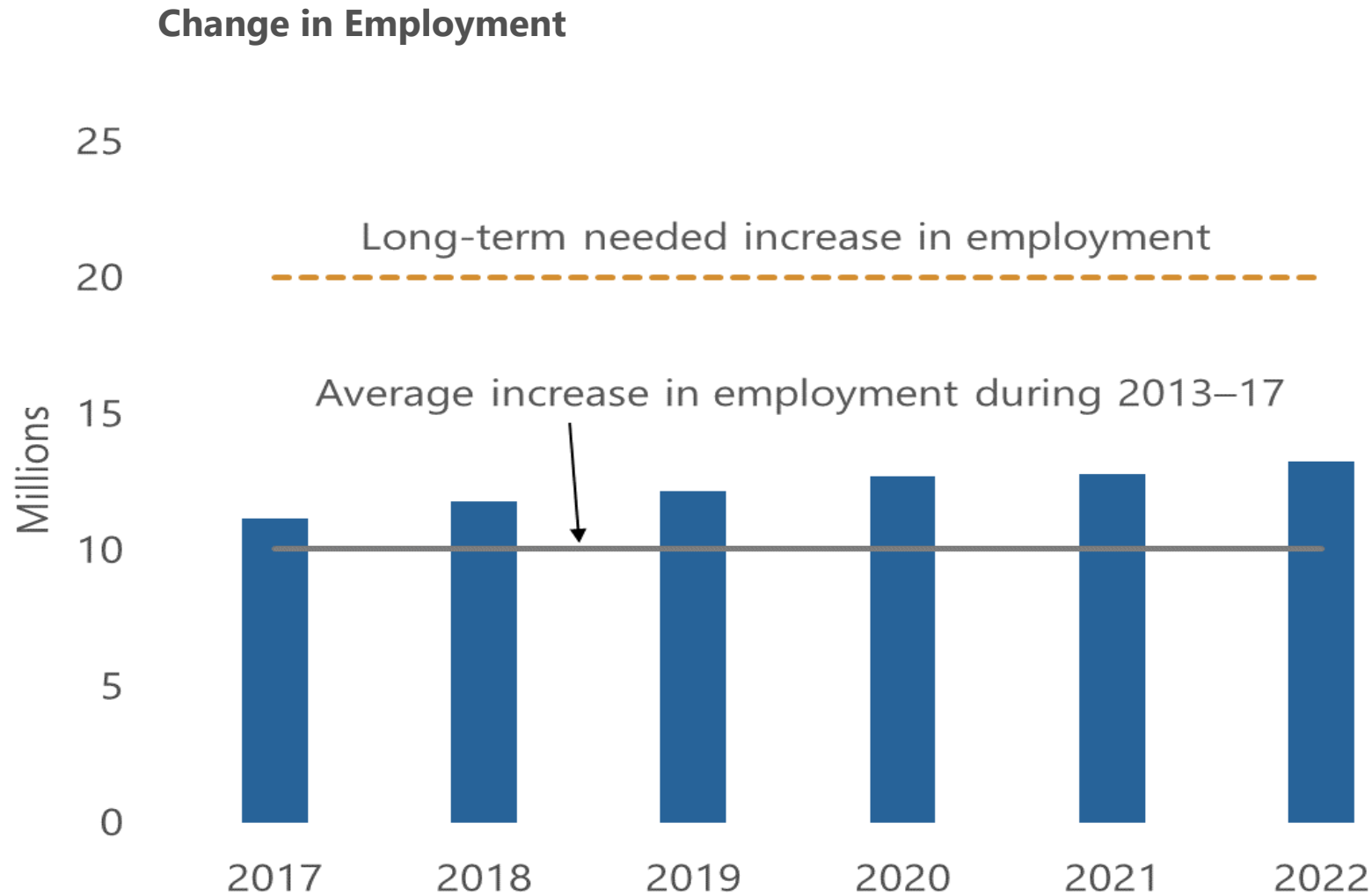


Source: IMF, World Economic Outlook database.

Meeting the SDGs will require stronger growth and more financing.



Policies are needed today to create more jobs in coming years.

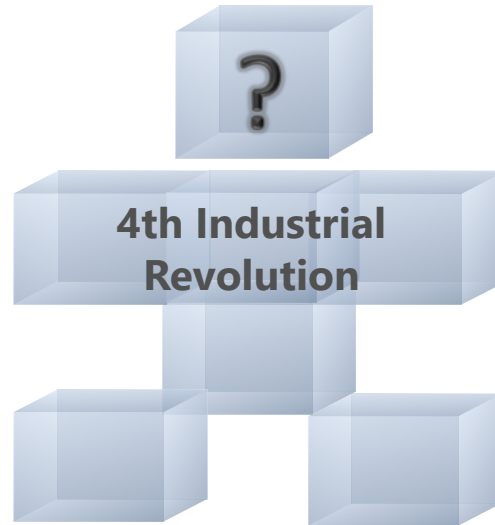


Job creation complicated by uncertainty on extent to which technology replaces labor.

Historically, technology has complemented labor

Leapfrogging opportunities

Services as a source of growth



Periods of transition are often costly

Technology may substitute labor & reshoring away from SSA

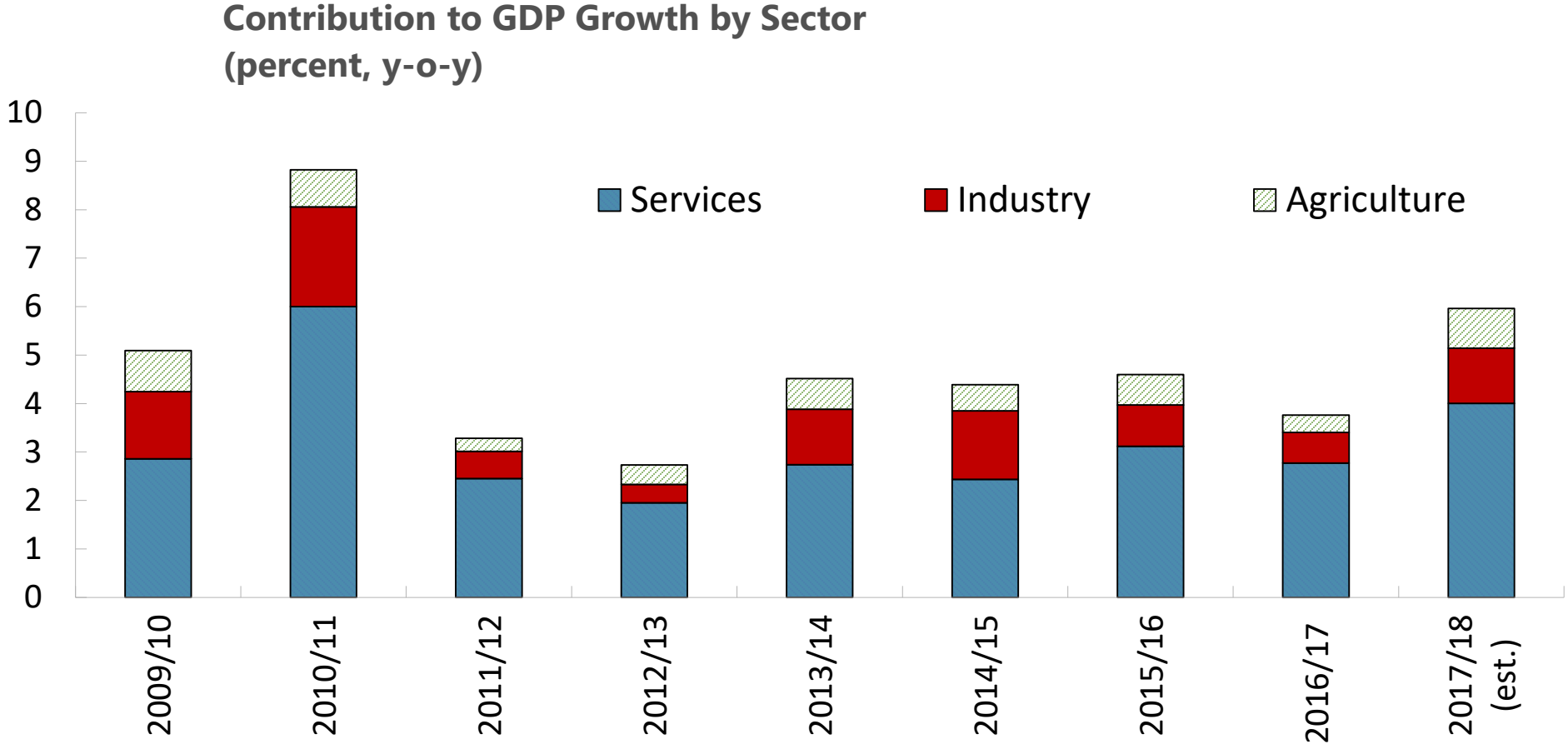
Declining labor share

Recap Key Messages

- **The recovery is expected to continue amidst rising risks.**
 - Muted recovery in oil exporting countries; most other countries continue to sustain high growth.
- **Fiscal deficits are narrowing, but the quality of adjustment needs to be strengthened.**
 - Further revenue-based adjustment needed to reduce debt vulnerabilities and create space for development spending.
- **Enhancing resilience and raising growth potential is essential;**
 - Improve policy frameworks
 - Promote diversification
 - Deepen trade and financial integration
 - Promote flexible education systems and digital connectivity
 - Promote private investment

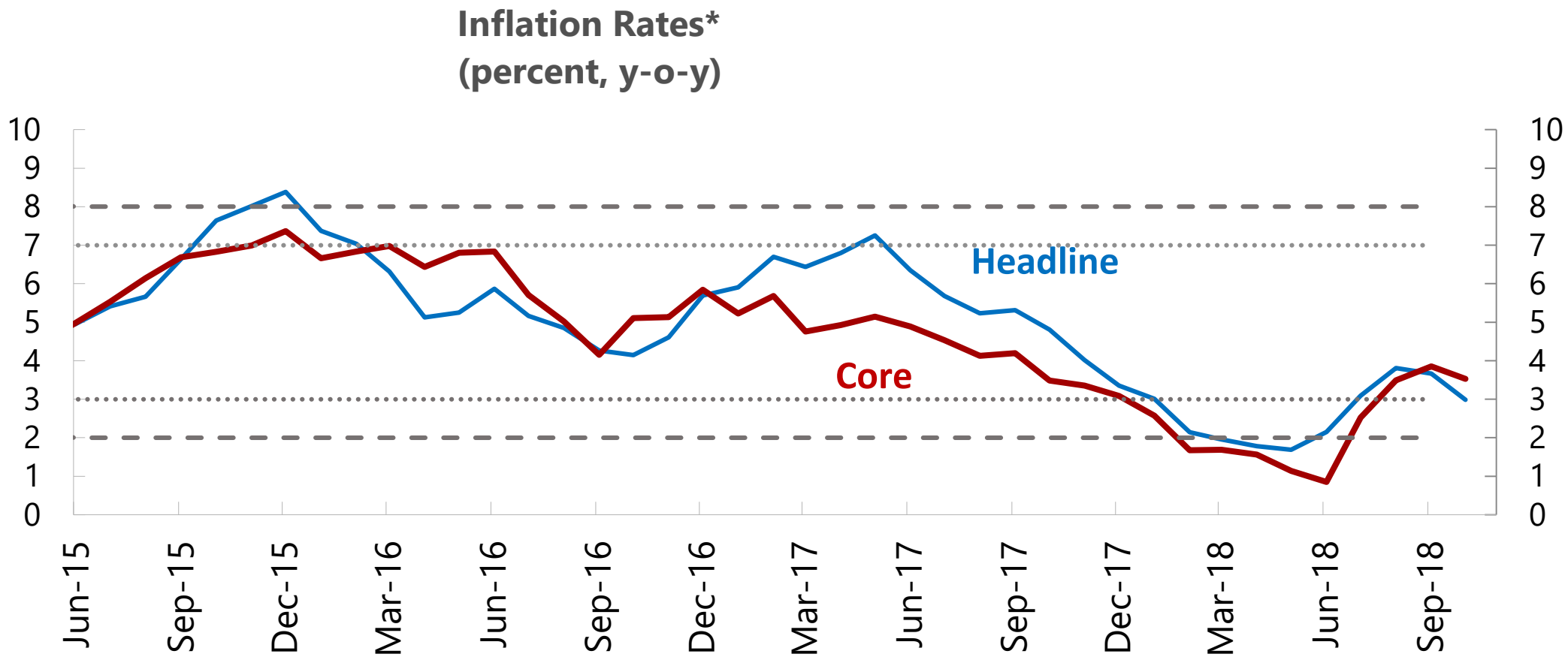
IV. Uganda: Recent Developments and outlook

Uganda's growth has gained momentum, at 6.1% for FY2017/18.



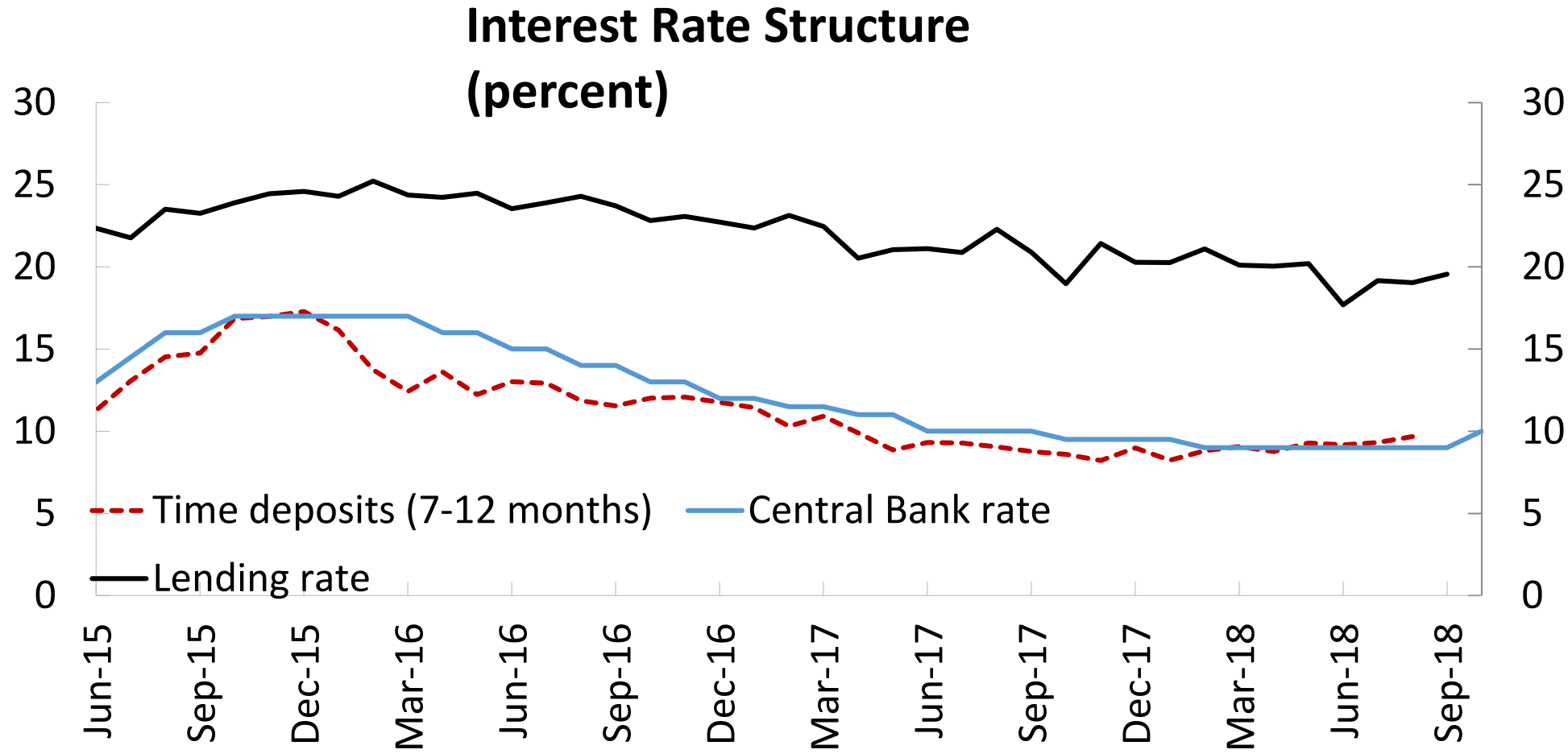
Source: UBOS, IMF Staff Calculations

Inflation has been contained though it is starting to increase.



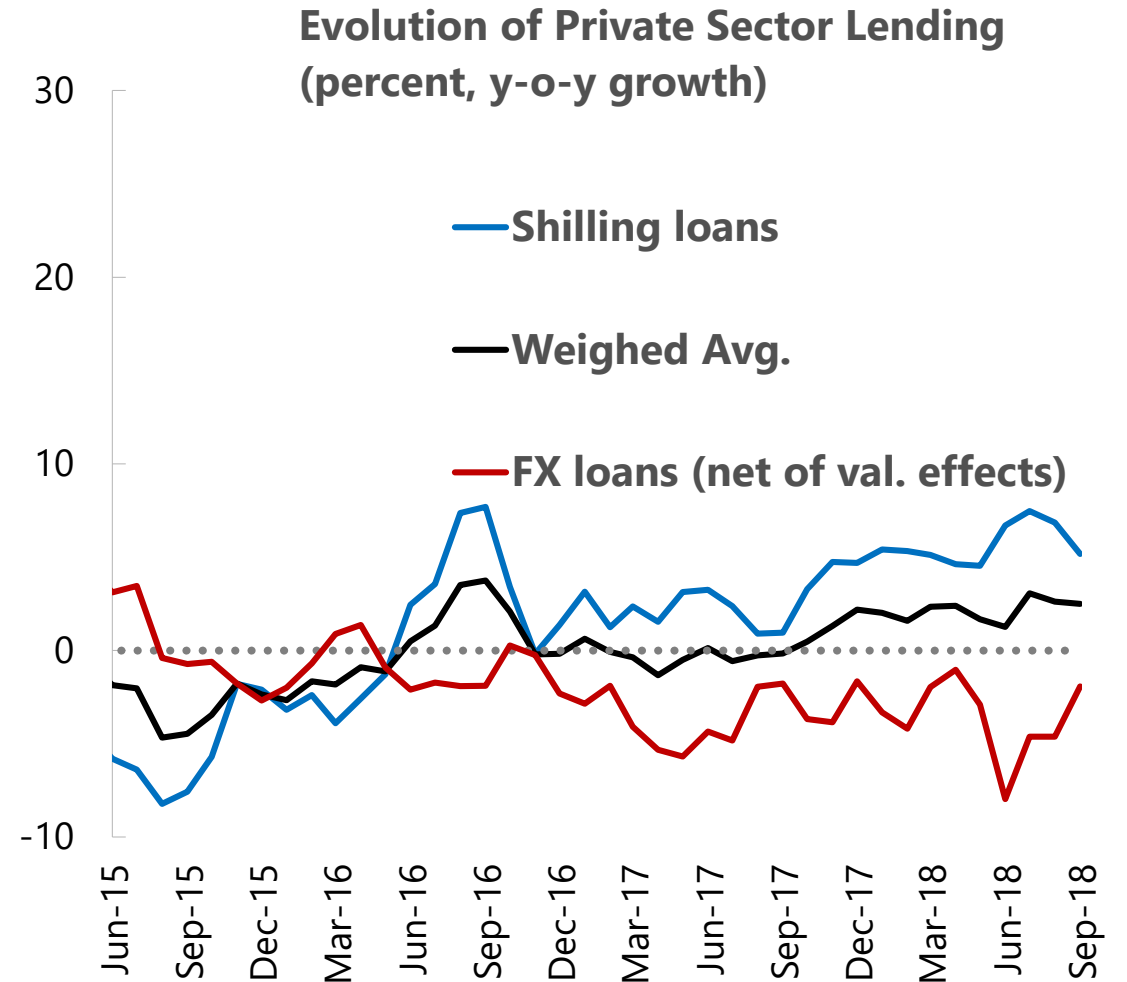
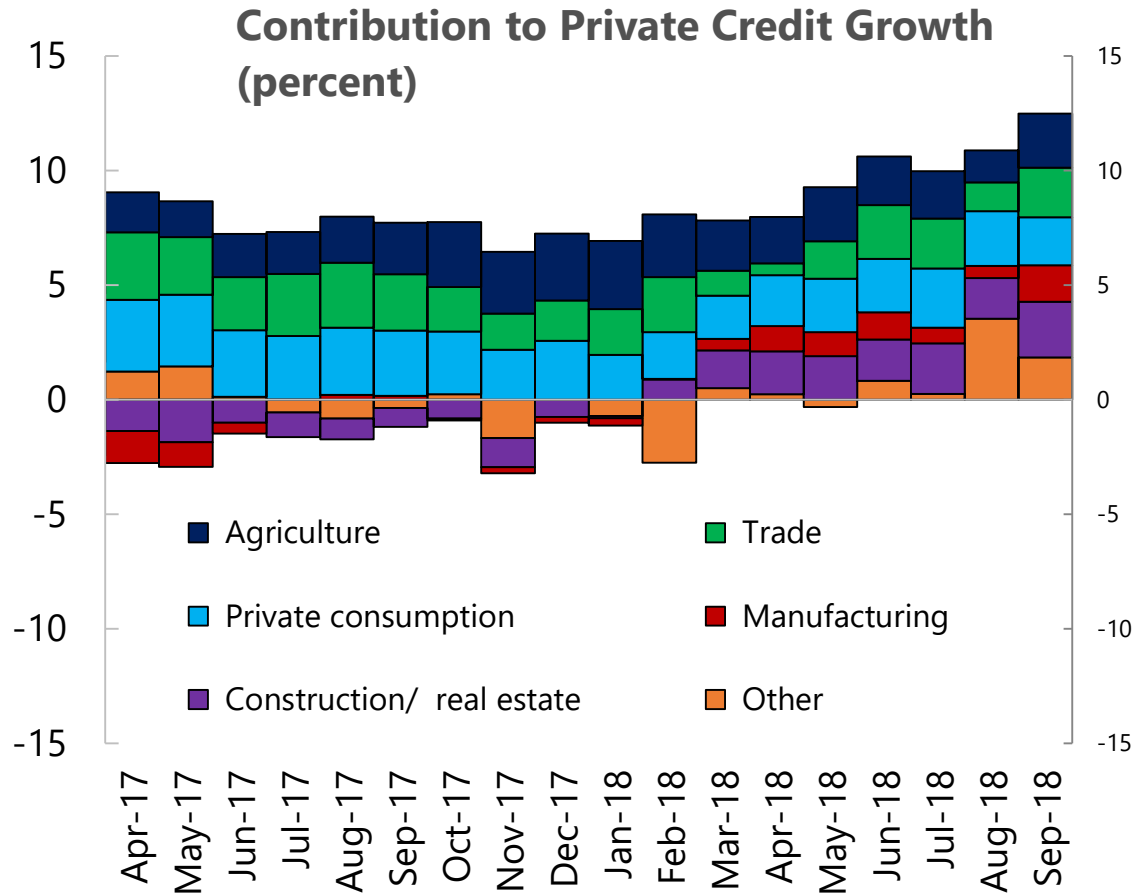
* Dash and dot lines show the outer and inner band of average core inflation target.

The CBR was recently increased.



Source: BoU, IMF Staff Calculations

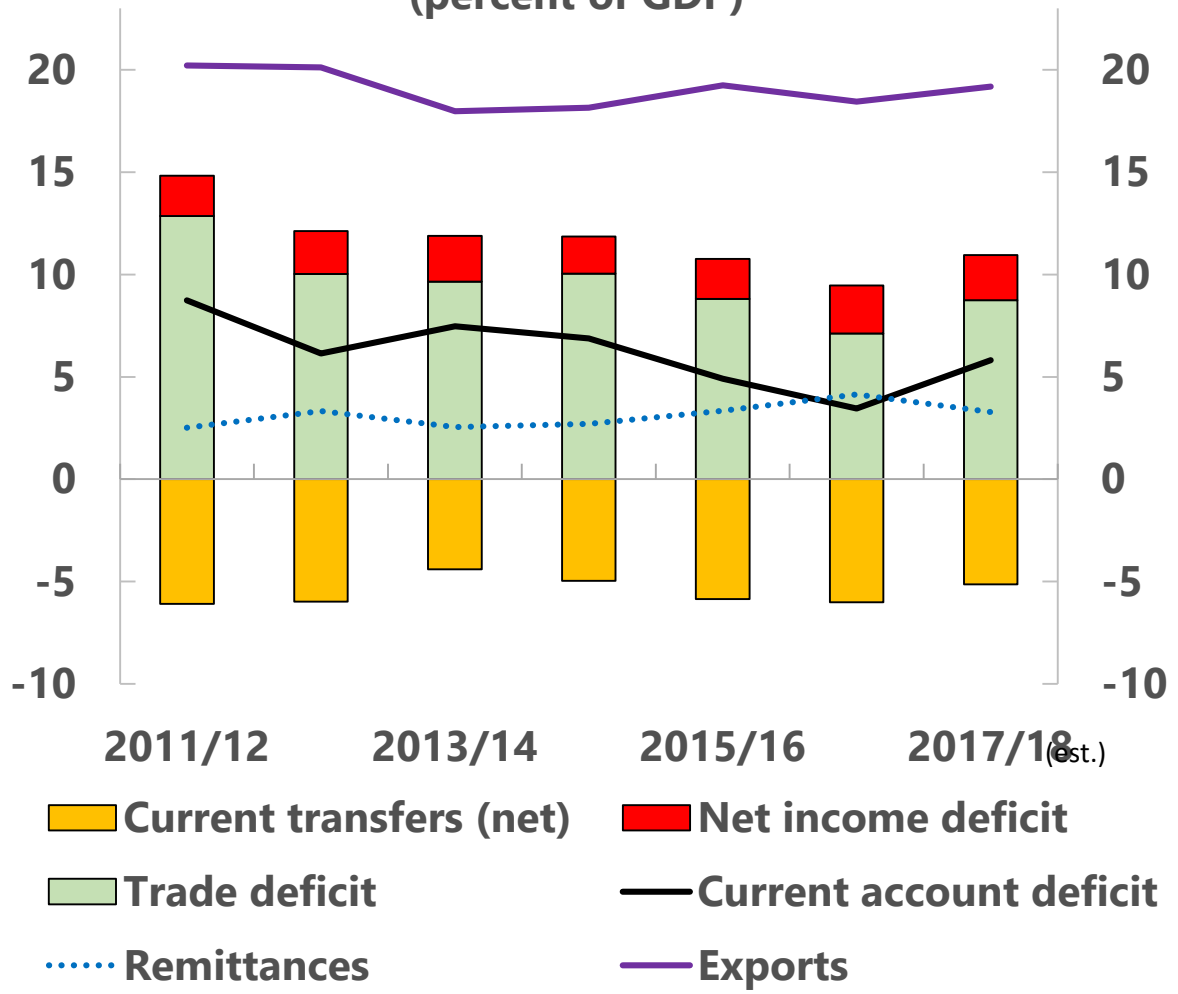
Recovery in private sector credit.



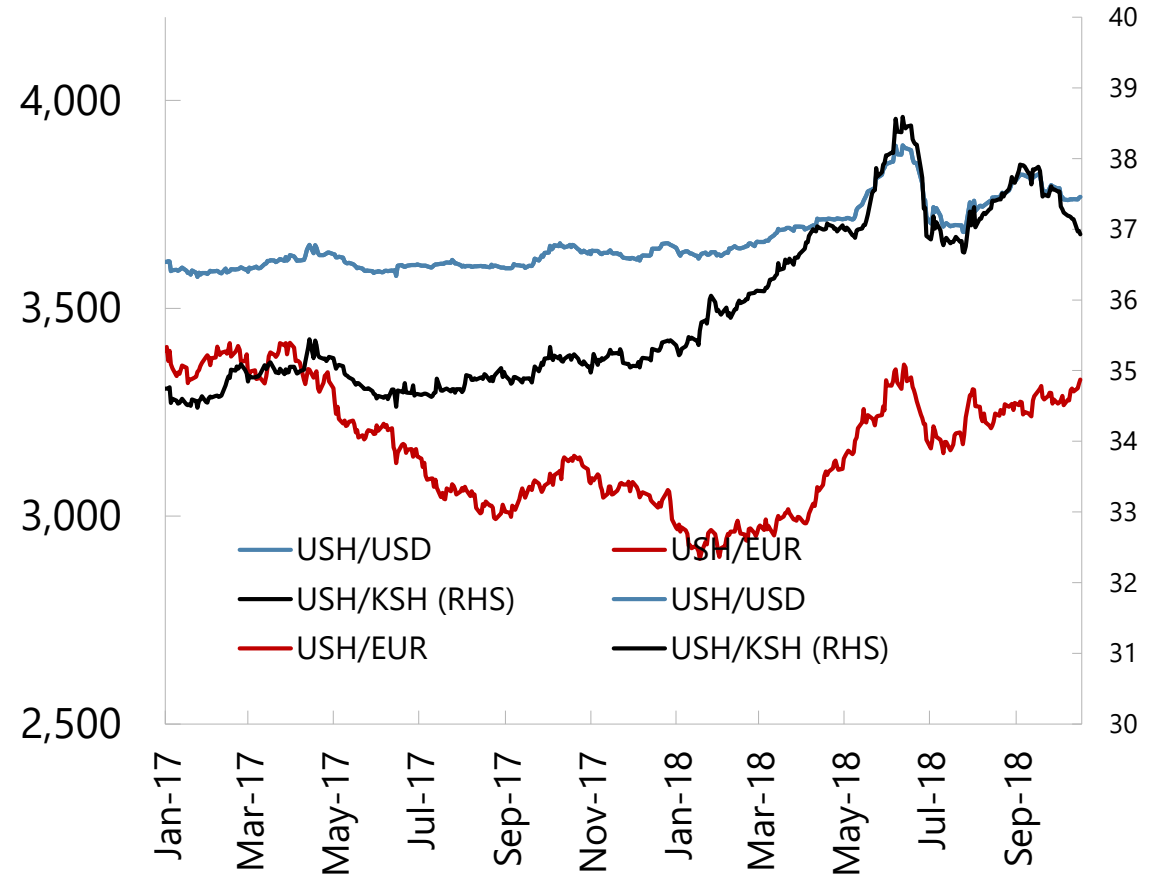
Source: BoU, IMF Staff Calculations

The external position has weakened.

**Current Account Deficit
(percent of GDP)**

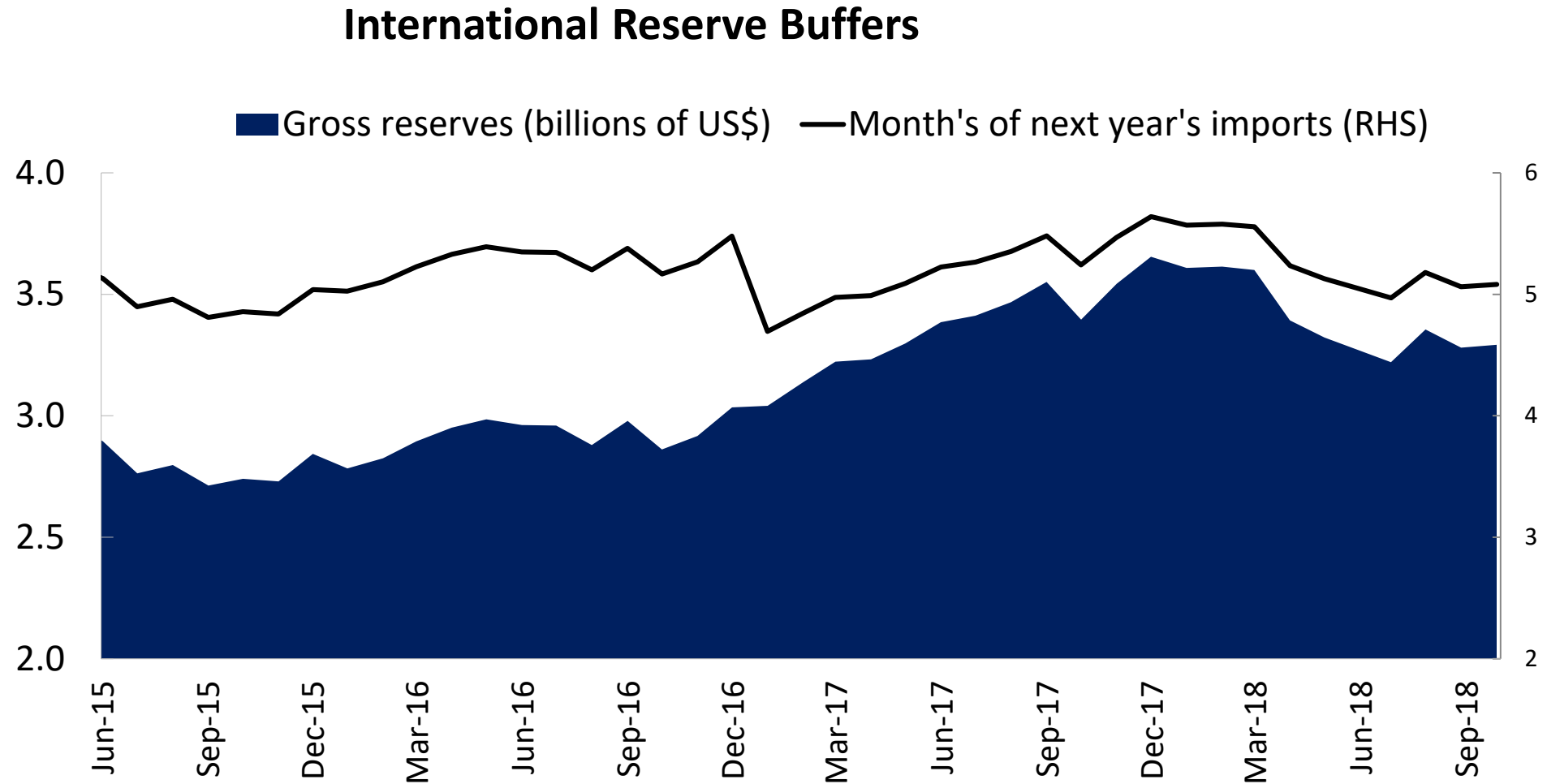


**Nominal Exchange Rate
(Ugandan Shilling per foreign currency)**



Source: BoU, IMF Staff Calculations

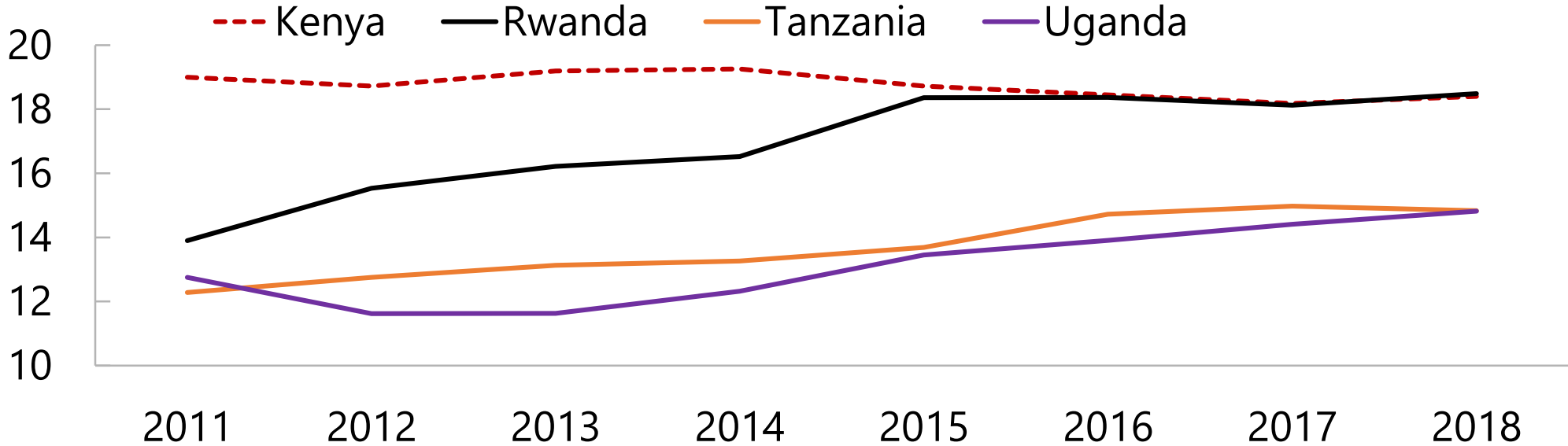
Reserves remain at comfortable levels.



Source: BoU, IMF Staff Calculations

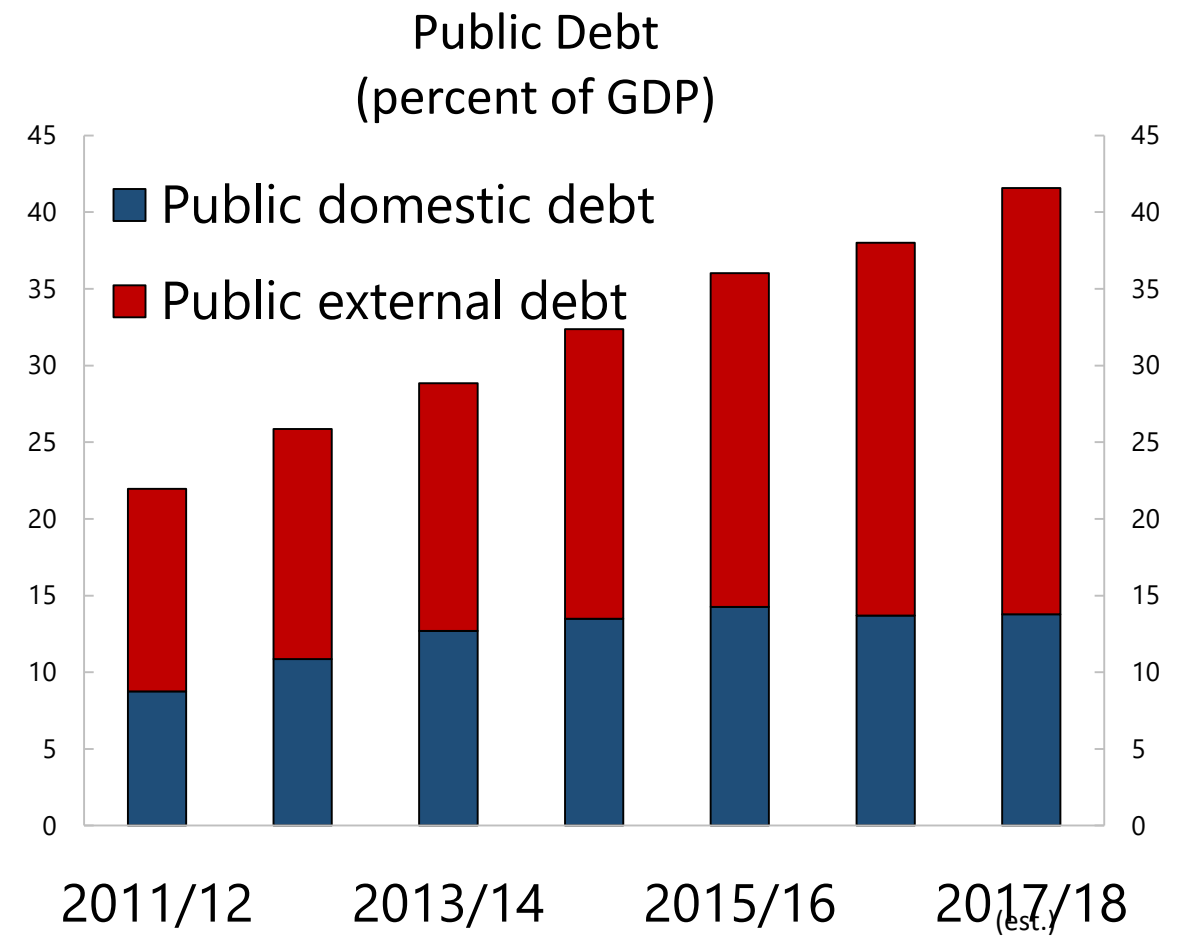
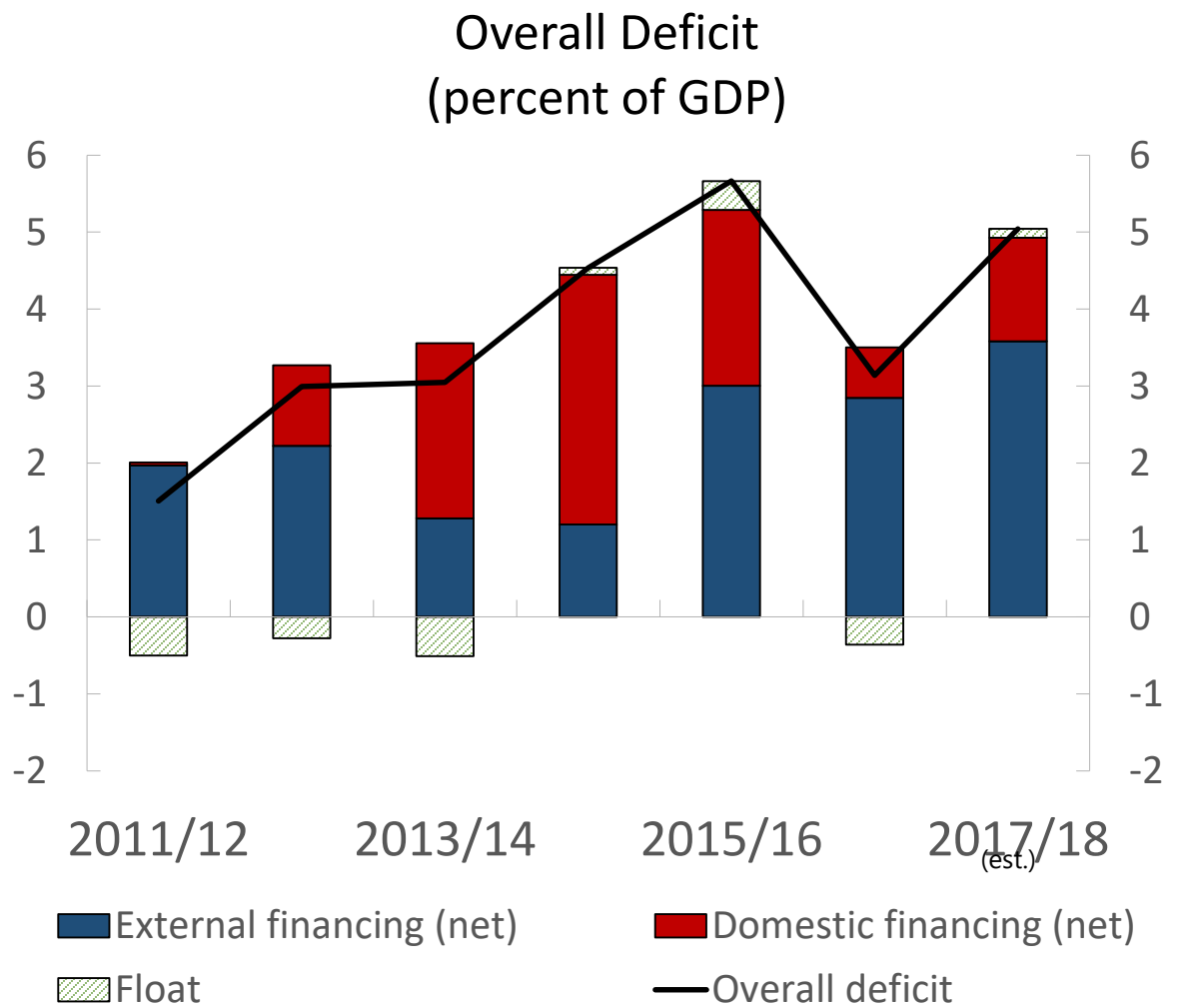
Revenue collections remain below regional peers.

**EAC: Revenue (excluding grants), 2011-18
(percent of GDP)**



Source: World Economic Outlook.

Fiscal deficit and debt continue to increase.



Source: MoF, IMF Staff Calculations

Summing up

- Growth has recovered and gained momentum
- The external position has weakened
- Scale up of infrastructure investment continues
 - Preparations of the DRM strategy are welcome
 - Progress strengthening Public Investment Management
 - It is important to ensure that debt is kept at sustainable levels.

V. A few words about Capacity Development

What Does the IMF do?

Surveillance

Tracking the health of the global economy and providing policy advice

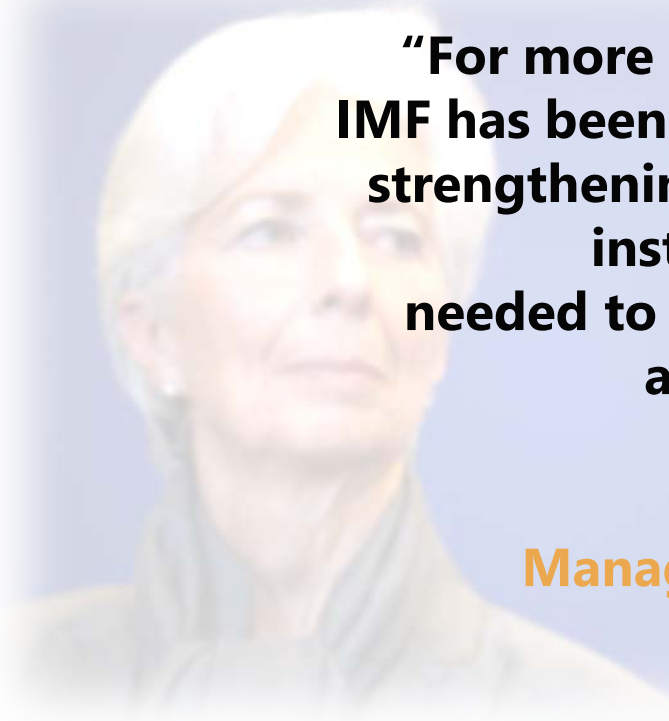
Lending

Financial support for member countries in crisis

Capacity Development

Meeting member country needs on strengthening economic institutions and related human capacity

The IMF Invested Over 30% of its Budget on CD in 2018

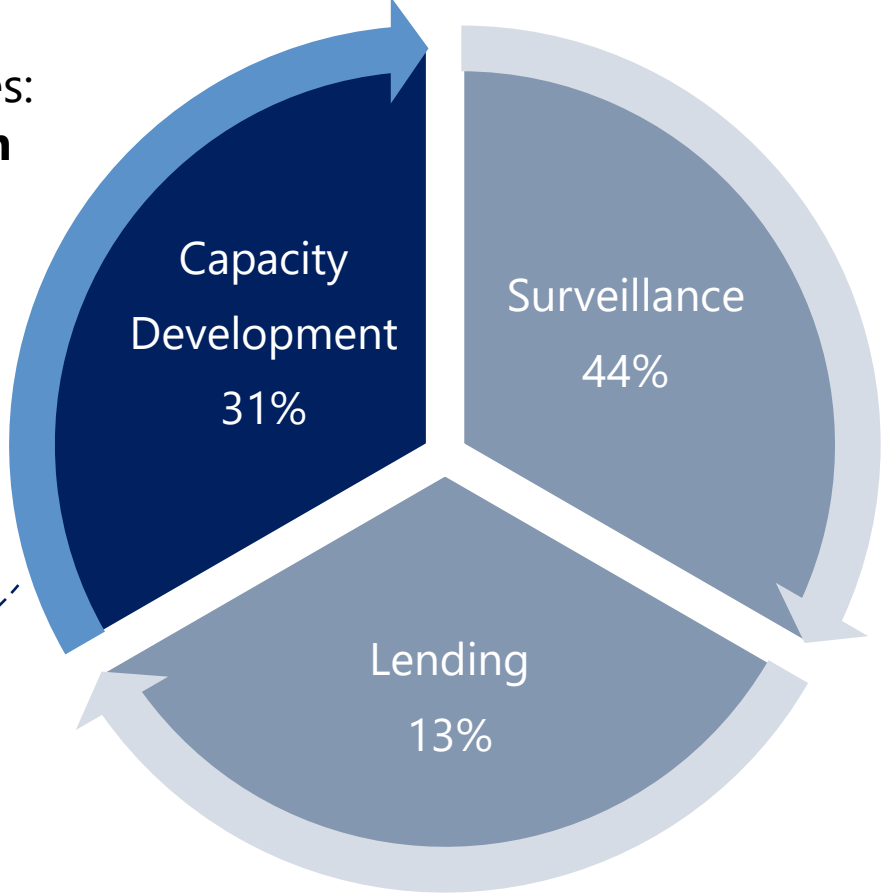


“For more than 50 years, the IMF has been a global leader in strengthening the human and institutional capacity needed to deliver prosperity around the world.”

Christine Lagarde
Managing Director, IMF

Total IMF activities:
\$ 1,307.3 million

Capacity Development
\$399 million
About 60% financed by IMF



Numbers do not equal 100%. Other IMF costs are “oversight of global systems” (10%) and “miscellaneous” (2%).

CD Efforts Focus on Core Areas of IMF Expertise



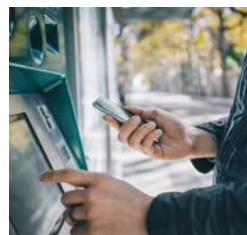
Fiscal Policy and Management

Improving tax systems and effectively managing public resources, to improve services such as education, health and public infrastructure; and to ensure public debt sustainability.



Legislative Frameworks

Building legal and governance frameworks in line with international standards and anti-money laundering and combating the financing of terrorism (AML/CFT).



Monetary Policy and Financial Systems

Controlling inflation, implementing sound exchange rate policies, and strengthening financial sector supervision and regulation in support of financial stability and inclusion.

Macroeconomic and Financial Statistics

Strengthening capabilities to produce, compile and disseminate reliable and consistent macroeconomic and financial statistics.

Macroeconomic Frameworks

Formulating and implementing sound macroeconomic and financial policies; deepening the dialogue on policy issues and sharing experiences through peer learning and training.



IMF CD Extends to New Priority Areas



Reducing
Inequalities



Gender
Equality



Climate
Action

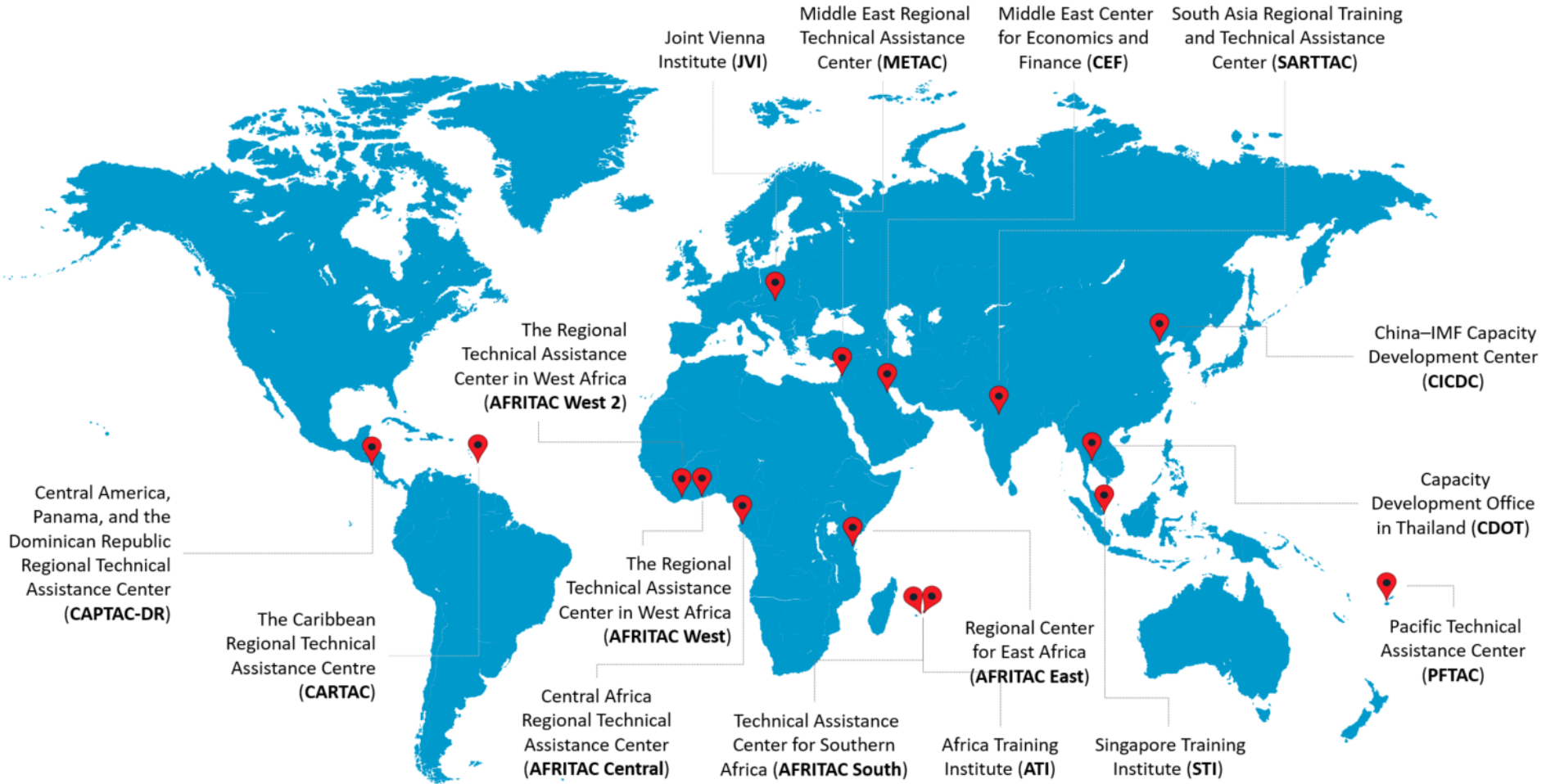


Governance



Fragile
States

A Global Network of Regional CD Centers Coordinates Work on the Ground



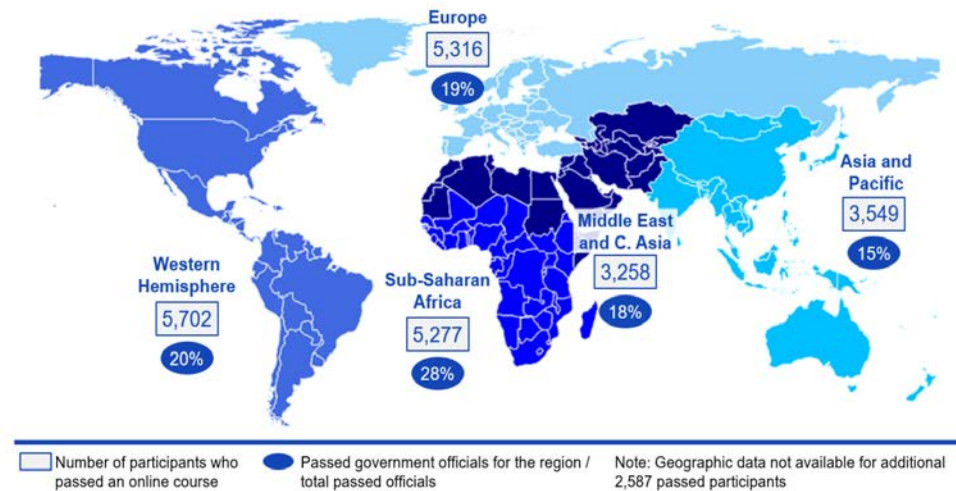
Using Innovation To Expand IMF CD

In 2013, the IMF expanded its **training** with the adoption of online learning courses **designed in partnership with edX**, the nonprofit online learning initiative founded by Harvard University and the Massachusetts Institute of Technology.

Why?

- **Expand training** to member country officials to meet growing demand
- **Blended learning** complementing face-to-face training
- **Share knowledge** through MOOCs

Results to date



Over **46,000** active participants

Approx. **25,000** successful participants

192 countries

IMF CD supports all member countries to modernize policies and build strong institutions

Top 10 Recipients of Direct CD Spending FY2016-18 average

Ukraine
Myanmar
China
Somalia
Liberia
Jamaica
Ghana
Mozambique
Mongolia
Tanzania

Top 10 Training by Participants Country of Origin FY2016-18 average (participant weeks)

Uganda
China
India
Brazil
Ghana
Nigeria
Ukraine
Egypt
Armenia
Russia


Sign up for MOOCs on edX



VERIFIED

IMFx
Debt Sustainability Analysis

Current
Self-Paced



VERIFIED

IMFx
Macroeconomic Diagnostics

Current
Starts: October 17, 2018



VERIFIED

IMFx
Financial Programming and Policies, Part 1:...

Current
Self-Paced



VERIFIED

IMFx
Macroeconomic Management in Resource-...


Current
Starts: September 12, 2018



VERIFIED

IMFx
Public Financial Management

Archived
Starts: May 9, 2018



VERIFIED

IMFx
Energy Subsidy Reform

Archived
Starts: March 28, 2018

Register:

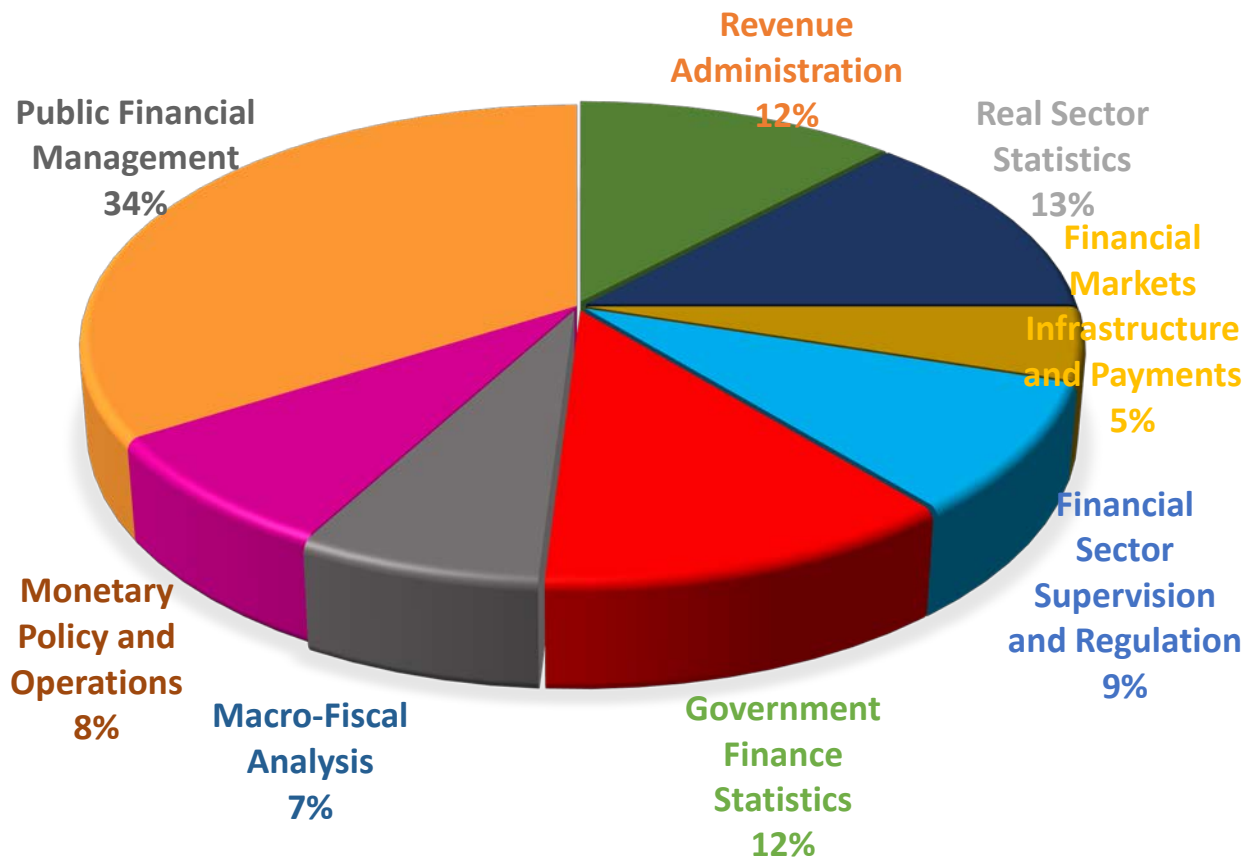
www.edx.org/school/imfx

Afritac East provides training and technical assistance

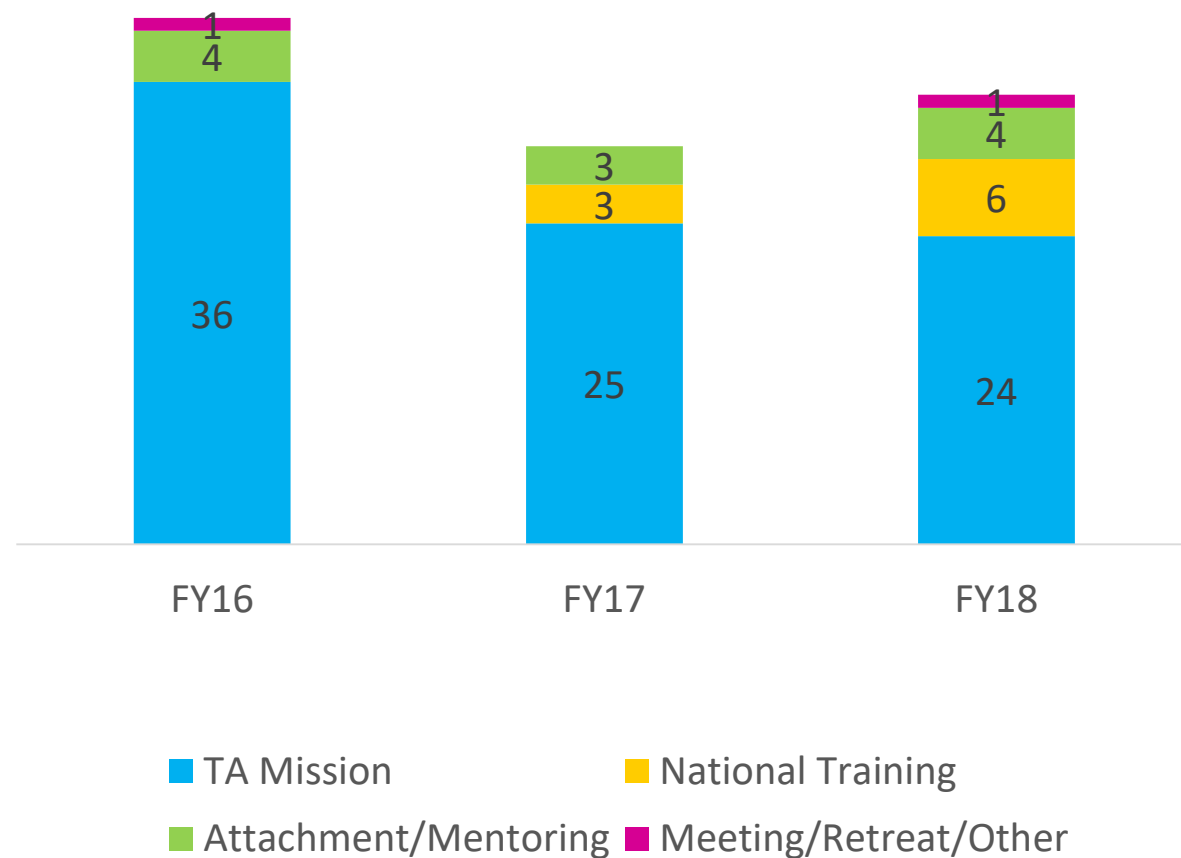


Afritac East activities in Uganda

Resource Distribution per Sector (FY16-FY18)



Number of Activities



THANK YOU