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A New Shock and Little Room
to Maneuver

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A New Shock and Little Room to Maneuver

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The following conventions are used in this publication:

- In tables, a blank cell indicates “not applicable,” ellipsis points (. . .) indicate “not available,” and 0 or 0.0 indicates “zero” or “negligible.” Minor discrepancies between sums of constituent figures and totals are due to rounding.
- An en dash (–) between years or months (for example, 2019–20 or January–June) indicates the years or months covered, including the beginning and ending years or months; a slash or virgule (/) between years or months (for example, 2005/06) indicates a fiscal or financial year, as does the abbreviation FY (for example, FY2006).
- “Billion” means a thousand million; “trillion” means a thousand billion.
- “Basis points” refer to hundredths of 1 percentage point (for example, 25 basis points are equivalent to $\frac{1}{4}$ of 1 percentage point).

Executive Summary

An already-stretched region faces yet another shock...

The economic recovery in sub-Saharan Africa surprised on the upside in the second half of 2021, prompting a significant upward revision in last year's estimated growth, from 3.7 to 4.5 percent. This year, however, that progress has been jeopardized.

The Russian invasion of Ukraine has triggered a global economic shock that is hitting the region at a time when countries' policy space to respond is minimal to nonexistent. Most notably, surging oil and food prices are straining the external and fiscal balances of commodity-importing countries and have increased food security concerns in many countries. High food prices will disproportionately harm the most vulnerable segments of the population, especially in urban areas.

Moreover, the shock threatens to compound some of the region's most pressing policy challenges, including the COVID-19 pandemic's social and economic legacy, climate change, heightened security risks in the Sahel, and the ongoing tightening of monetary policy in the United States.

Because of this, the growth momentum for the region has weakened. Economic activity this year is expected to expand by 3.8 percent, held down by weaker growth prospects in oil-importing countries.

The economic recovery is expected to accelerate in 2023, with growth trending at about 4 percent over the medium term. But this pace of growth is not enough to make up for lost ground from the pandemic and renders the region's Sustainable Development Goals significantly more difficult to achieve. The pandemic has also left deep social scars, illustrated starkly by the increase in the number of people living in extreme poverty. Prolonged school closures have also imposed severe costs on students, curtailing their education, undermining their lifetime productivity, and weighing on sub-Saharan Africa's medium-term prospects.

... and a more uncertain outlook.

Looking ahead, policymakers will need to navigate exceptional uncertainty with fewer policy options and little room for error. Internationally, a prolonged war in Ukraine may increase commodity prices

further—potentially leading to food crises in some countries—boost risk premiums, and weaken global demand. Sub-Saharan Africa is also vulnerable to a sharper-than-expected tightening in global monetary conditions and a slowdown of growth in China and Europe. Locally, the slow vaccine rollout has left many countries vulnerable to new COVID-19 waves and could favor the emergence of new variants. Ongoing security risks and conflicts may weigh on economic growth. And the region remains highly exposed to increasingly frequent—and increasingly severe—climate-related shocks.

Three immediate priorities for a constrained and increasingly complex policy outlook

Besides accelerating the vaccination campaign to protect the region from new COVID-19 waves, policymakers face three policy priorities.

I. Balancing inflation versus growth.

The increase in commodity prices due to the war in Ukraine, especially for food and energy, has compounded recent inflationary pressures in many countries. Since output levels remain well below pre-pandemic trends in most countries, central banks are facing a difficult balancing act between curbing inflation and supporting growth. To navigate this trade-off, central banks will need to monitor price developments carefully, stand ready to increase rates if inflation expectations drift up, guard against the financial stability risks posed by higher interest rates, and maintain a credible policy framework underpinned by strong central bank independence and clear communication. Some have started to increase interest rates already, and more tightening may be needed in many cases.

II. Addressing the economic impact of the war in Ukraine without adding to debt vulnerabilities.

The fallout from the war in Ukraine is hitting the region at a time when fiscal space is extremely limited. Public debt ratios are now at their highest levels since the beginning of the century, and many low-income countries are either in debt distress or close to it. Therefore, the fiscal policy response needs to be carefully calibrated and targeted at protecting the most vulnerable households from rising food and energy prices without adding to debt vulnerabilities.

In commodity-importing countries, especially those facing tighter fiscal constraints, finding resources to protect the vulnerable will require a significant reprioritization of spending, for example, by eliminating wasteful subsidies to state-owned enterprises. In commodity-exporting countries, higher commodity prices can generate sizable fiscal windfalls but only if governments contain expenditures on energy subsidies. Most of these gains should, in turn, be used to rebuild policy buffers, especially in countries with elevated fiscal vulnerabilities.

Looking beyond immediate needs, most countries will need to pursue fiscal consolidation to reduce debt vulnerabilities and lay the ground for stronger and more sustainable medium-term growth. This will require improving revenue mobilization and increasing the efficiency of public spending in the context of credible medium-term fiscal frameworks. Importantly, fiscal consolidation measures should protect the weaker segments of the population and prioritize development needs.

Navigating this complex path will be difficult and many countries will require international support. The allocation of \$23 billion of IMF special drawing rights (SDRs) in 2021 to the region has provided critical help to strengthen external positions and finance urgent expenditures during the pandemic. The Group of Twenty's pledge to channel \$100 billion in SDRs to vulnerable countries is another important step. But the international community should go further, for example, by removing obstacles to the implementation of the Common Framework and allowing for swift and efficient debt restructurings where needed.

III. Managing exchange rate adjustment.

Monetary tightening in the United States and rising risk premiums associated with the war in Ukraine, have placed downward pressure on exchange rates across the region. For pegged currencies, authorities should find the right balance between monetary and fiscal policy to maintain the credibility of the peg. For countries with more flexible arrangements, depreciation may help buffer the effects of global tightening. But even for these latter countries, difficult decisions may lie ahead. For many, there are clear limits to the near-term benefits of exchange rate depreciation, given sizable currency mismatches and pass-through to inflation. A targeted use of foreign exchange intervention may help to lean against excessive exchange rate movements but the scope for intervention is often constrained by low levels of international reserves. Therefore, monetary tightening

may be needed in some countries to support exchange rates, even in the face of weak economic activity.

Beyond the crisis: toward strong, inclusive, and sustainable growth

Looking beyond the pandemic and current geopolitical tensions, creating jobs and meeting the Sustainable Development Goals will require strong, inclusive, and sustainable growth in sub-Saharan Africa. To this end, decisive policy action is needed to enhance economic diversification, unleash the private sector's potential, and address the challenges posed by climate change.

Many countries in the region continue to remain highly dependent on commodity exports, experiencing as a consequence more volatile output and lower economic growth. Thus, greater economic diversification is essential. To this end, commodity exporters should take advantage of rising commodity prices to strengthen the credibility of their macroeconomic frameworks, improve the investment climate, and consider using targeted sectoral interventions in case of market failures.

Lifting potential growth also requires leveraging the full potential of the private sector. For example, a successful implementation of the African Continental Free Trade Area would greatly boost regional growth and competitiveness. Public authorities should also explore new financing channels to boost private investment, for example by providing transparent and well-designed infrastructure incentives in collaboration with international development finance institutions. Digitalization also provides important opportunities coupled with new challenges and risks. For example, many countries are exploring the possible adoption of central bank digital currencies to enhance financial inclusion, lower the cost of remittances, and offer an alternative to private cryptocurrencies that could otherwise weaken monetary transmission.

Finally, climate change poses extreme challenges for the region given its exposure to weather-related disasters and the reliance on rain-fed agriculture. Investment in adaptation is thus of paramount importance. But the green transition also provides new opportunities for sub-Saharan Africa given its potential for renewable energy. International financial support will be critical to help the region finance the cost of adaptation, seize the opportunities offered by the green transition, and ensure fair and affordable access to energy.

A New Shock and Little Room to Maneuver

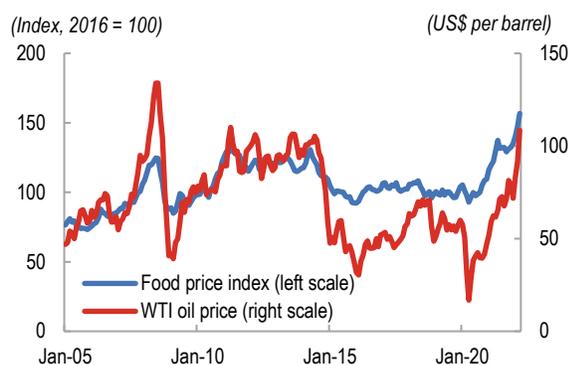
YET ANOTHER SHOCK

Since the publication of the *Regional Economic Outlook: Sub-Saharan Africa in October 2021*, sub-Saharan Africa has experienced a series of adverse shocks. The Russian invasion of Ukraine has shaken global commodity markets, added to geopolitical tensions, and compounded the region's already-difficult policy outlook—which included the ongoing monetary tightening in advanced economies, the vulnerability to new waves of COVID-19 infections because of low vaccination rates, and political instability and security risks in many countries.

The Russian invasion of Ukraine has destabilized global commodity markets...

The war has prompted a surge in commodity prices by disrupting energy and food exports from Russia and Ukraine (Figure 1). Although this may result in a windfall gain for some large commodity exporters, rising commodity prices are undermining fiscal and external balances in commodity-importing countries, while also threatening food security and energy affordability for their most vulnerable populations. In this context, several countries are highly dependent on wheat imports with a few of them sourcing a large proportion of these imports directly from Ukraine and Russia (see Special Focus, page 2). In addition, higher fertilizer and oil prices will increase the costs for harvesting, transporting, and processing food, putting further upward pressure on food prices.

Figure 1. Commodity Prices, 2005–22



Source: IMF, Primary Commodity Price System.
Note: WTI = West Texas Intermediate.

...and clouded the global economic outlook.

Even before the war in Ukraine, inflationary pressures in major advanced economies proved stronger and more persistent than expected. With the added momentum of rising commodity prices, monetary tightening in advanced economies is proceeding at a faster rate than anticipated a few months ago and is leading to a considerable increase in sovereign yields (Figure 2). Rising yields also reflect increased risk premiums from worsening geopolitical tensions, which have combined to reduce portfolio inflows into the region and put downward pressure on most exchange rates.

Sub-Saharan Africa also faces headwinds from lower demand from key trading partners because of the global activity slowdown. Economic growth in the United States is expected to be 1.5 percent lower in 2022 relative to the October 2021 forecast because of less fiscal stimulus and tighter monetary conditions. The economic outlook has deteriorated also in the euro area and in China, with downward revisions to 2022 growth of about 1.5 and 1.2 percentage points, respectively.

Domestically, a slow vaccination rollout has left the region exposed...

The Omicron variant drove a fourth pandemic wave that hit sub-Saharan Africa at the end of 2021 (Figure 3). Confirmed cases rose very rapidly, reaching the highest level since the beginning of the pandemic.

Figure 2. Sub-Saharan Africa: Sovereign Yields, 2019–22 (Percent)



Sources: Bloomberg Finance L.P.; and IMF staff calculations.
Notes: EMBIG = J.P. Morgan Emerging Market Bond Index Global, SSA = sub-Saharan Africa.

SPECIAL FOCUS: SPILLOVERS FROM THE WAR IN UKRAINE

The war has increased the global prices of key commodities. Sub-Saharan Africa’s direct links with Russia and Ukraine are relatively modest, making up less than 2½ percent of the region’s total trade with the outside world. The war will nonetheless affect the region through its effect on global commodity prices. For the region’s 8 net oil exporters, higher energy prices will represent a windfall gain. And exporters of other key commodities (copper, gold, diamonds, palladium) may also benefit from higher prices and increased sales. But for the region’s remaining 37 non-oil-exporting countries, higher oil and gas prices will result in a significant negative terms-of-trade shock—which will worsen trade balances, increase transport and living costs, and deteriorate fiscal balances, particularly for those with fuel subsidies. For oil importers, the crisis is expected to increase the region’s import bill by almost \$19 billion. In addition, oil importing fragile countries are expected to experience a 0.8 percent deterioration of their fiscal balances (compared to the October 2021 forecast), twice the average of all oil importing countries.

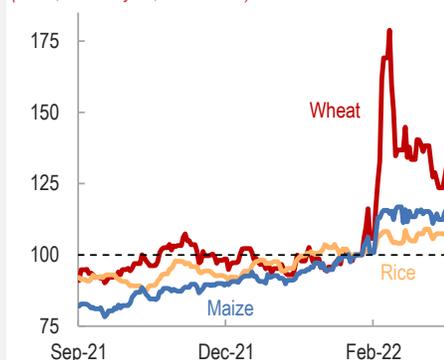
A protracted conflict could further drive up global food prices (Focus Figure 1). This is a particular concern—sub-Saharan Africa imports about 85 percent of its wheat and some countries source a large proportion of their imports directly from either Russia or Ukraine, making them particularly vulnerable to disruptions in supply (Focus Figure 2). Foodstuffs comprise 40 percent of the region’s consumption basket, and imports represent a key hedge against local harvest shortfalls. In this context, the direct pass-through of global food prices to domestic food prices is relatively high, at over 30 percent. Moreover, the indirect pass-through of global oil prices to domestic food prices can also be sizable, especially for countries (Ethiopia, Kenya) where imports of staples are significant. Further, Russia is a key producer of fertilizers and natural gas (a key input to fertilizer production), so an extended conflict will likely lift overall agricultural costs.

Higher food inflation will add to food insecurity and social tensions. Almost two-thirds of the region’s calories come from cereals (maize, rice, and wheat) and starchy roots (cassava, yams, and sweet potatoes), so rising wheat prices are especially concerning—even before the war in Ukraine, the number of undernourished people had more than doubled in 2021 to almost one-quarter of the population in the wake of the COVID-19 pandemic. Further food price increases will hurt the most vulnerable and may add to social tensions, particularly in fragile and conflict-affected states (Focus Figure 3). Food security is already a critical issue across the Sahel, in the Democratic Republic of the Congo, and Madagascar.

The war may affect global financial conditions beyond commodity prices. Rising uncertainty could disrupt capital flows at a time they are needed most. And a risk-off shock could trigger capital outflows—markets would likely differentiate according to existing vulnerabilities, but most would face increased borrowing costs and exchange rate pressures.

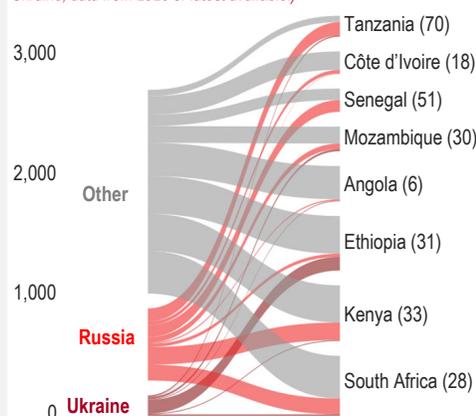
Some countries may, however, benefit over the medium-term from European energy diversification efforts. For example, Nigeria, Senegal, Mozambique, and Tanzania have the largest proven natural gas reserves in the region. These countries may face stronger export demand from Europe, especially given the EU’s recent decision to classify gas as sustainable.

Focus Figure 1. Global Food Prices, 2021–22
(Index, February 22, 2022 = 100)



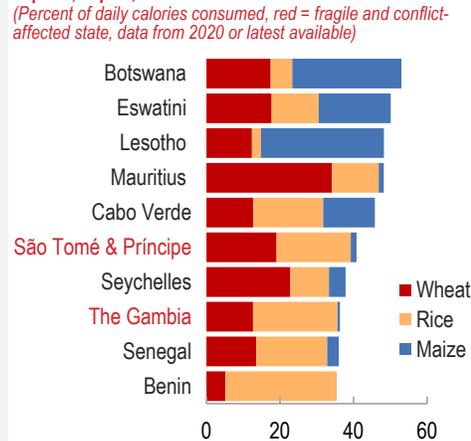
Sources: Bloomberg Finance L.P.; and IMF staff calculations.

Focus Figure 2. Sub-Saharan Africa: Top 8 Wheat Importers
(Millions of US dollars, Numbers in parenthesis = percent from Russia/Ukraine, data from 2020 or latest available.)



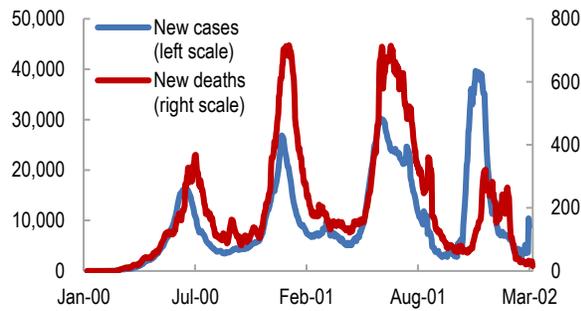
Sources: United Nations COMTRADE; and IMF staff calculations.

Focus Figure 3. Sub-Saharan Africa: Dependence on Food Imports, Top 10, 2019
(Percent of daily calories consumed, red = fragile and conflict-affected state, data from 2020 or latest available)



Sources: Food and Agriculture Organization; and IMF staff calculations.

Figure 3. Sub-Saharan Africa: COVID-19 Cases and Deaths
(Seven-day moving average)



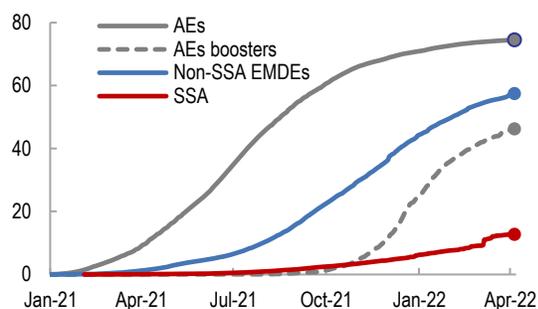
Sources: Our World in Data; and IMF staff calculations.

However, the variant proved to be relatively less severe, resulting in fewer deaths than in previous waves and requiring less stringent lockdown measures.

The **vaccination campaign has accelerated** in recent months because of an increased vaccine supply and progress with distribution (Box 1). For example, five countries (Botswana, Cabo Verde, Mauritius, Rwanda, Seychelles) reached the IMF-proposed 40 percent vaccination rate for 2021 by drawing on diversified vaccine sources, well-trained health staff, and coordinated efforts among health officials, government officials, and the private sector.

However, **vaccination rates remain inadequate** in most countries. As of early April, only 12 percent of the population is fully vaccinated across the region (Figure 4). This falls well short of the 70 percent vaccination target for mid-2022 set in the IMF proposal (Agarwal and Gopinath 2021). Furthermore, the pace of vaccination is still much slower than in the rest of the world. For example, advanced economies have already provided boosters to more

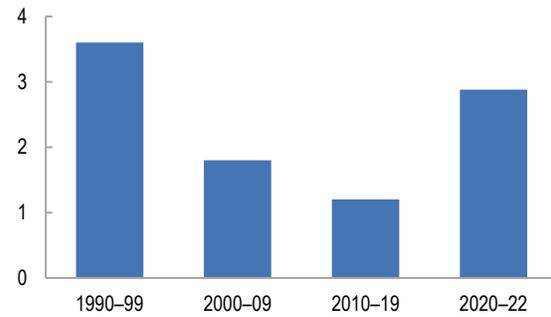
Figure 4. Selected Economies: Fully Vaccinated Persons
(Percent of population)



Sources: Our World in Data; and IMF staff calculations.

Note: AEs = Advanced Economies, Non-SSA EMDEs = non-sub-Saharan African emerging market and developing economies, SSA = sub-Saharan Africa.

Figure 5. Sub-Saharan Africa: Coups, 1990–2022
(Number of attempted and successful coups per year, by decade)



Sources: Coups d'état, 1950 to Present (Jonathan Powell and Clayton Thyne); and IMF staff calculations.

than 45 percent of their populations, underscoring the ongoing disparity in global vaccination levels.

...while several countries face security threats.

The region has experienced an increase in the prevalence of **political instability and military coups** in recent years (Figure 5). Since August 2020, military forces have assumed control in four countries (Burkina Faso, Chad, Guinea, Mali), and coups have been attempted in two others (Guinea-Bissau, Niger). Regional and international sanctions have been imposed on several of these countries, which could constrain their access to finance and curtail their growth prospects.

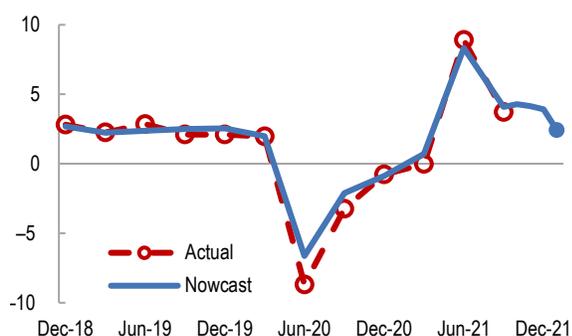
The region is also confronting several **armed conflicts and terrorist threats**, including in Burkina Faso, the Central African Republic, the Democratic Republic of the Congo, Ethiopia, Mali, Niger, and Nigeria. In Ethiopia, hostilities escalated in November. The intensity of the fighting has since declined, but prospects for a peace agreement are still uncertain.

AN UNCERTAIN AND INSUFFICIENT ECONOMIC RECOVERY

After Gaining Momentum in 2021, the Recovery Is at Risk

GDP outturns for the third quarter of 2021 were generally stronger than expected. High-frequency indicators suggest that economic activity moderated in the fourth quarter of 2021 but was largely resilient to the spread of the Omicron variant (Figure 6). Therefore, **projected real GDP growth in sub-Saharan Africa for 2021 has been revised upward significantly**

Figure 6. Sub-Saharan Africa: Real GDP Growth
(Rolling quarterly growth, year-on-year, percent)

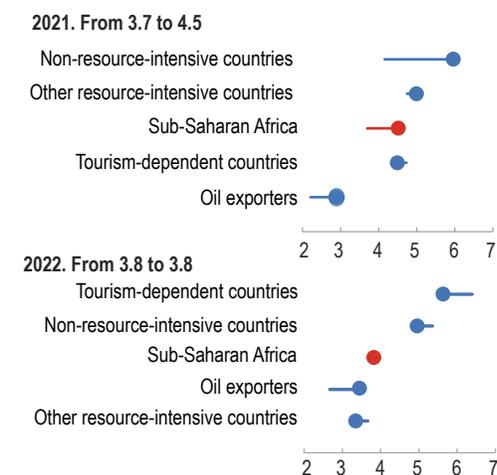


Sources: Haver Analytics; IMF internal databases; and IMF staff calculations.

relative to the October 2021 forecast, from 3.7 to 4.5 percent (Figure 7). Looking at different country groups, Ethiopia is driving the large upward revision for non-resource-intensive countries—its economy fared better than expected despite multiple shocks (pandemic, conflict, and locust infestation). In tourism-dependent countries, however, 2021 growth was revised downward because the pandemic has continued to weigh on their economic recovery.

The commodity price shock following the Russian invasion of Ukraine has stalled the positive momentum in the region’s economic recovery, with **aggregate growth for 2022 expected to soften** to 3.8 percent. Aggregate numbers mask strong heterogeneity across the region (Figure 7). Growth for oil exporters in 2022 has been revised up by 0.8 percentage point (compared to the October 2021 forecast), although security challenges and aging infrastructure constrain oil supply. But growth prospects for oil importers have deteriorated, with

Figure 7. Sub-Saharan Africa: Revisions to Real GDP Growth for 2021 and 2022
(Percent, difference from October 2021 forecast)



Source: IMF, World Economic Outlook database.

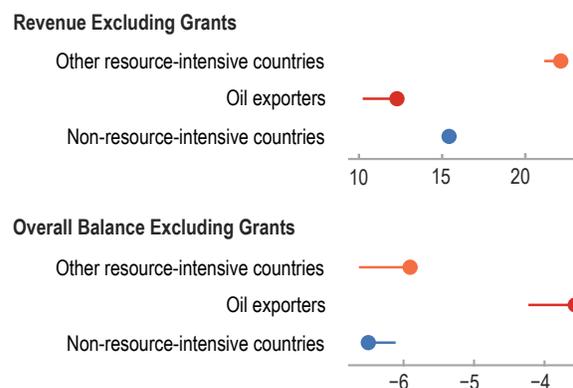
downward revisions of about 0.4 percentage point. Among the oil importers, downgrades are more pronounced for fragile states, with 2022 growth being marked down by 0.5 percentage point.

The commodity price shock is also having **highly asymmetric effects on government revenues and fiscal balances** across the region (Figure 8). In oil-exporting countries, 2022 fiscal revenues have been revised up by 2.1 percentage points of GDP. Exporters of other commodities are also expected to receive revenue gains, though more modest. But the impact of these gains on fiscal balances is much more muted, because of higher expenditures on energy subsidies. Non-resource-intensive countries will instead see their fiscal balances deteriorate considerably.

Looking at the region’s largest economies and country groups:

- **South Africa’s** growth slowed in the second half of 2021 after a relatively strong performance in the first half of the year. The third COVID-19 wave and the July unrest weighed on growth in the third quarter and were only partially offset by a rebound in the fourth quarter. After the 2021 rebound associated with the lifting of lockdowns, growth is expected to slow down to a modest 1.9 percent in 2022, held down by structural constraints (including in the electricity sector) and tighter global financial conditions. Without fiscal adjustment, public debt is projected to grow steadily in the coming years, reaching 83.7 percent of GDP by 2026. Increasing potential growth and maintaining debt sustainability hinges on the

Figure 8. Sub-Saharan Africa: Revisions to Fiscal Projections for 2022
(Percent of GDP, difference from October 2021 forecast)



Source: IMF, World Economic Outlook database.

timely implementation of credible fiscal policies and structural reforms, including on the product market regulatory framework, labor market flexibility, management of state-owned enterprises (SOEs), and acceleration of the energy transition.

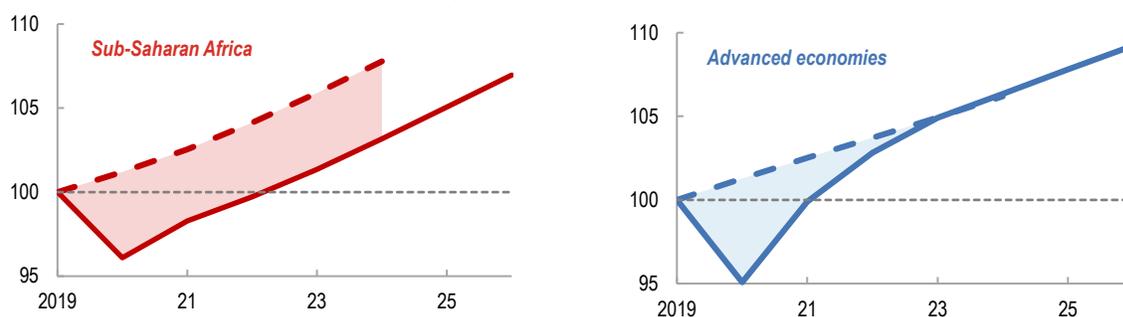
- **Nigeria's** growth outlook has improved through higher oil prices and a stronger-than-anticipated recovery of manufacturing and agriculture. Growth is expected to reach 3.4 percent in 2022, falling back to 2.9 percent from 2024 onwards. The outlook is subject to high uncertainty associated with oil prices and financial conditions. Moreover, low vaccination rates, rising security risks, and elevated price pressures weigh negatively on the medium-term growth outlook. Diversification away from oil will be critical to raise growth potential sustainably and reduce volatility.
- **Angola** grew 0.7 percent in 2021, reversing a five-year long recession streak. The country could not take full advantage of high oil prices because of recurring technical problems and low investment affecting oil production. Growth is expected to accelerate to 3 percent in 2022, with non-oil sectors (agriculture, construction, and transportation) as the main drivers of growth. In the medium-term, growth could gradually reach 4 percent because of high oil prices and the strong performance of non-oil sectors. Key risks to this outlook include high inflation (especially food) and continued oil production problems.
- **Ethiopia's** growth is expected to slow down from 6.3 percent in FY2021 to 3.8 percent in FY2022 because of the intensified military conflict in the first half of the fiscal year, the lingering effects of the pandemic amid low vaccination rates, and the spillovers from the war in Ukraine.

High food and commodity prices and elevated debt risks also cloud the outlook. The country is highly dependent on wheat imports from Russia and Ukraine, adding pressure on food prices. Although medium-term growth prospects are better, uncertainty is very high because of internal conflict and global geopolitical tensions.

- **Tourism-dependent countries** face a particularly challenging recovery. International travel faces a longer recovery path than other sectors. Many tourism-dependent countries experienced a short-term setback in their recovery with the emergence of the Omicron variant. Some countries have fared better because of significant remittance inflows (Comoros, The Gambia) or rapid vaccination rollout (Seychelles). Still, others face persistent income losses as large as 15 percent of GDP (Cabo Verde, Mauritius).
- **Fragile economies'** economic growth is expected to accelerate marginally from 4.6 percent in 2021 to 4.8 percent in 2022—a much more modest acceleration than expected in October 2021. Furthermore, the outlook has significant downside risks. Many countries—particularly in the Sahel—face ongoing security challenges and political instability, coupled with regional and international sanctions. Food security concerns have increased greatly because of the rapid rise of food prices, which exacerbates risks of social unrest. In addition, rising inflation and limited fiscal space constrain policy options further.

Looking beyond 2022, sub-Saharan Africa is expected to grow slightly above 4 percent (or 1.8 percent in per capita terms). This is far **short of the pace needed for the region to recoup the output losses from the pandemic** (Figure 9). Indeed, per capita incomes are expected to remain more than 4 percent below

Figure 9. Selected Regions: Real GDP Per Capita, 2019–26
(2019 = 100, dashed lines indicate pre-pandemic projections)



Source: IMF, World Economic Outlook database.

pre-pandemic projections. Further, with output in advanced economies expected to reach their pre-pandemic trend in the near term, the gap between the region and advanced economies that was opened by the COVID-19 crisis is likely to persist.

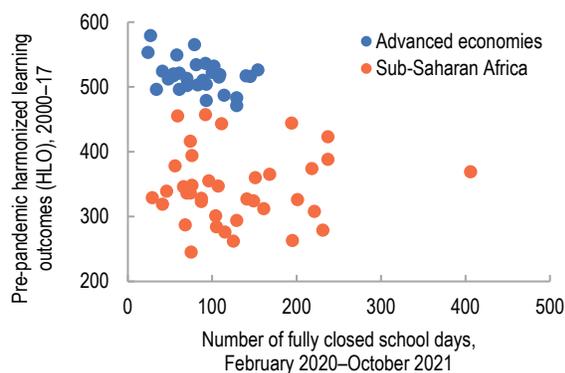
The Pandemic Has Left Deep Social Scars

Sub-Saharan Africa was struggling to create job opportunities for its growing workforce even before the pandemic. But COVID-19 has undermined labor markets further, especially in contact-intensive sectors, which employ relatively more vulnerable groups, including women and low-skilled workers (Aslam and others 2021). Consequently, the long-term trend of decreasing poverty that had previously taken hold in the region has reversed, and **39 million more people fell into extreme poverty in 2020 and 2021** (Lakner and others 2020; World Bank 2022). In parallel, inequality worsened across income groups and subnational regions, increasing the risk of social tension and political instability. The sharp increase in food prices due to the war in Ukraine has the potential to further dramatically increase poverty and inequality across the region.

The pandemic has also harmed much-needed human capital accumulation because of prolonged school closures. Schools in sub-Saharan Africa closed for 128 days, on average, between February 2020 and October 2021—much longer than in advanced economies, where closures lasted about 84 days (Figure 10). Longer school closures in Africa will continue to widen the gap in learning outcomes and weigh on medium-term growth.

Rapidly rising global food prices—reaching the highest levels in more than a decade—have aggravated social tensions. The impact is particularly acute on

Figure 10. Sub-Saharan Africa: Human Capital Divergence



Sources: Angrist and others, 2021; and United Nations Educational, Scientific and Cultural Organization.

poorer households that spend a much larger fraction of their income on food. This is prompting **growing concerns about food insecurity** in several countries (Chad, Eritrea, Democratic Republic of the Congo, Madagascar, South Sudan). In some countries, food insecurity is combining with slow and uneven job prospects to undermine political stability.

RISKS ARE TILTED TO THE DOWNSIDE

A continuation of the war in Ukraine and prolonged restrictions on exports from Russia could place additional upward pressure on food and energy prices. This would weigh heavily on the region's commodity-importing countries, exacerbating food insecurity, fueling social tensions, and placing the heaviest burden on vulnerable populations. An escalation in geopolitical tensions between Russia and Western countries could also increase global risk aversion and raise borrowing costs, especially for countries with more precarious fiscal positions.

Sub-Saharan Africa is also vulnerable to an **acceleration in the pace of monetary tightening in advanced economies**. For example, an unexpected 25-basis-points increase in the US 10-year rate could lower regionwide growth by about 0.25 percentage point, through higher borrowing costs and weaker external demand (Box 2). No country would be immune to such a shock, but frontier economies and resource-intensive countries are particularly exposed. The region is also vulnerable to a slowdown in China, which accounts for more than 20 percent of sub-Saharan Africa's exports.

On the domestic front, low vaccination rates continue to expose sub-Saharan Africa to the risk of new COVID-19 waves. Additionally, the continued existence of a large pool of unvaccinated people increases the **risk of new variants**, threatening lives and livelihoods in the region and beyond.

Downside risks may also materialize if sub-Saharan Africa's security situation continues to deteriorate. The baseline projections assume a gradual de-escalation of political and military tensions across the region. But if **political instability and security risks persist or worsen**, the economic outlook could deteriorate significantly. For example, active conflicts tend to reduce economic activity in affected countries by about 2.5 percent on average and can trigger significant negative spillovers on neighboring countries (Box 3).

Sub-Saharan Africa is also **highly exposed to climate-related shocks**, including droughts, storms, and floods (Figure 11). These are becoming more frequent and more severe and have a particular impact on the region's growth prospects, given its reliance on agriculture and limited resources for post-disaster relief.

COMPLEX CHOICES WITH FEWER OPTIONS

Accelerating the vaccination campaign to reduce the risk of new COVID-19 waves and the emergence of new variants remains critical and will require both domestic and global efforts. On the domestic front, countries should continue to address logistical challenges and undertake communication campaigns to counter vaccine hesitancy. Furthermore, several countries are poised to invest in vaccine manufacturing facilities (Georgieva 2022). The international community should ensure steady and predictable vaccine donations and help the poorest countries finance the purchase of additional doses. Beyond increasing vaccination rates, investing in therapeutics, testing, and epidemiological surveillance is key to bolstering the resilience of local health systems.

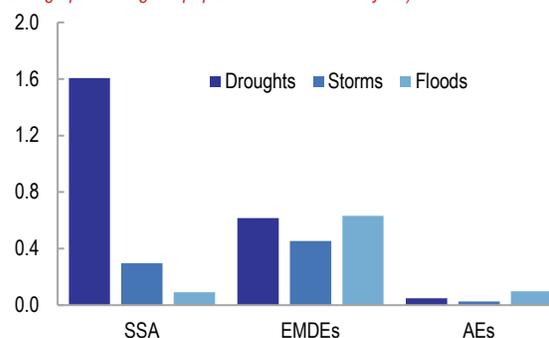
Besides controlling the pandemic, the region faces **three pressing policy priorities**: containing ongoing inflationary pressures without unduly undermining growth, protecting vulnerable groups in the population from the surge in energy and food prices without adding to debt vulnerabilities, and managing exchange rate adjustments in response to tightening global monetary conditions.

I. Balancing Inflation Versus Growth

Inflation has increased considerably, influenced by both international and domestic factors.

Most countries in the region have seen **significant inflationary pressures over the past year**, affecting both food items—about 40 percent of the region's consumption basket—and non-food items (Figure 12). **Global factors have contributed strongly**, for example, via high commodity prices, droughts and export restrictions in major food exporters, and global supply shortages (Choi 2021). The war in Ukraine has exacerbated these pressures through even higher oil and food prices, particularly of wheat—an important

Figure 11. Selected Regions: Extreme Disasters since 1990
(Average percentage of population affected in a year)



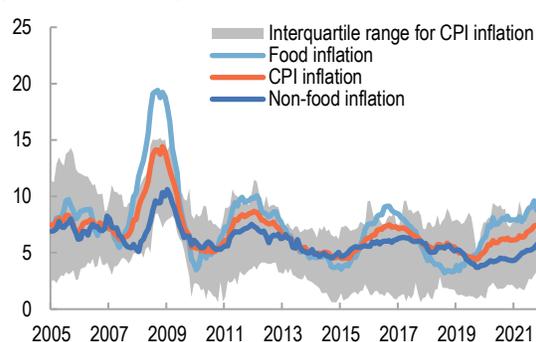
Sources: EM-DAT, the International Disaster Database; and IMF staff calculations.

Note: A disaster is considered extreme if the total number of deaths plus 30 percent of the total affected population make up at least 1 percent of the entire population of the country. SSA = sub-Saharan Africa, EMDEs = emerging market and developing economies, AEs = advanced economies.

staple in a number of countries, including Ethiopia, Kenya, Mozambique, Senegal, and Tanzania.

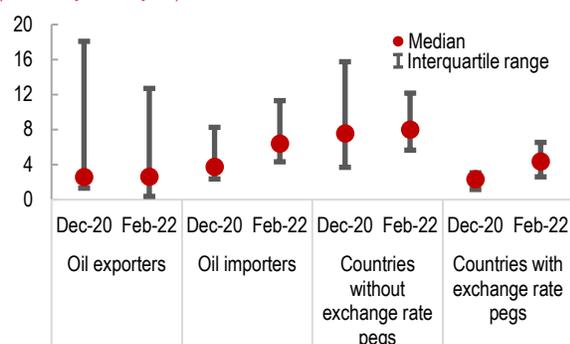
But the experience across the region has been far from uniform, suggesting **an important role for local factors**. Although bumper crops in some countries have helped to keep food prices moderate, drought in the Horn of Africa (Ethiopia and parts of Kenya) and conflicts (particularly in the Sahel) have affected food production and prices adversely. Countries with greater reliance on food imports are facing more price pressures because of higher global food prices. Inflationary pressures have also been stronger in those countries that experienced larger depreciations. Buoyed oil prices have helped ease exchange rate pressures and associated inflation in oil exporters while pushing up energy prices and inflation in oil importers (Figure 13). Although inflation has been better anchored and more subdued historically in countries with pegged exchange rate regimes, price pressures have also picked up but remain modest (Côte d'Ivoire, Guinea-Bissau, Togo).

Figure 12. Sub-Saharan Africa: Inflation Rates, 2005–22
(Percent, year-on-year)



Sources: Haver Analytics; and IMF staff calculations.

Figure 13. Sub-Saharan Africa: Median CPI Inflation
(Percent, year-on-year)



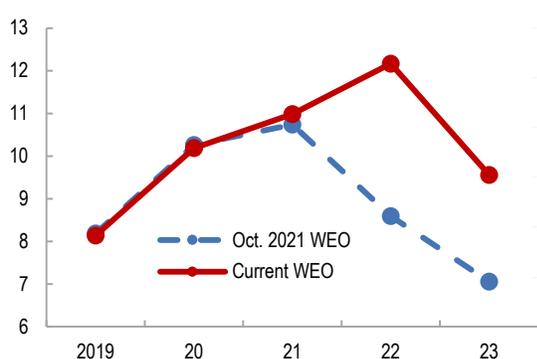
Sources: IMF, Information Notice System; and IMF, World Economic Outlook database.

Inflation is expected to gradually decline but risks remain.

Inflation for the region is expected to remain elevated in 2022 at 12.2 percent and then gradually come down to 9.6 percent in 2023—revised up by 3.6 and 2.5 percentage points, respectively, from the October 2021 forecasts (Figure 14). However, there is significant heterogeneity across the region. For example, inflation is expected to be below 4 percent in the Central African Economic and Monetary Community (CEMAC) region in 2022. The decline in inflation next year is projected to be broad-based, reflecting an expected easing of global and local supply challenges, and the likely responses of the region’s central banks in the event that inflationary pressures strengthen even more.

But there are significant risks to the inflation outlook. An escalation of the war in Ukraine can push oil and food prices even higher. Faster-than-anticipated monetary policy normalization in the United States and Europe could lead to stronger exchange rate

Figure 14. Sub-Saharan Africa: CPI Inflation
(Percent, annual average)



Source: IMF, World Economic Outlook database.
Note: WEO = World Economic Outlook.

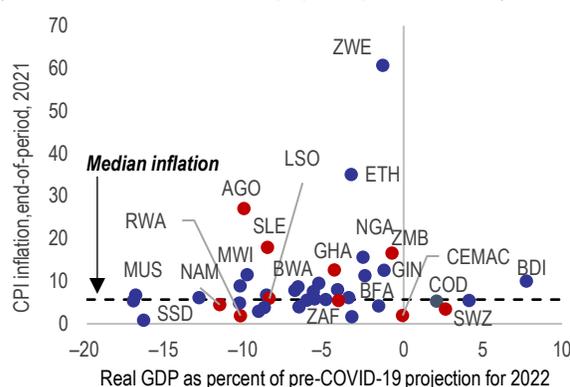
pressures that would fuel inflation in sub-Saharan Africa. Persistent supply bottlenecks could also increase international prices of food and manufactured goods, affecting countries with a high reliance on imports (Seychelles, South Sudan). Given shrinking fiscal space and large spending needs, central banks in the region may also face political pressure to monetize some of the debt or keep a looser monetary stance for longer, which would result in higher inflation relative to current projections.

Trading off inflation and growth.

Economic activity in most countries remains well below the pre-pandemic trend. Therefore, inflationary pressures pose a difficult trade-off for central banks looking to restrain inflation without compromising the recovery. Several central banks (Angola, Ghana, Rwanda, Sierra Leone, South Africa, Zambia) have started to increase rates because of inflationary pressures, and monetary policy for the CEMAC region has also been tightened to support the external position amid falling reserves (Figure 15).

Central banks should continue to monitor inflationary pressures carefully and guard against the risk that current increases in food and energy prices may de-anchor inflation expectations. To fend off these risks, additional tightening might be needed in countries facing rising inflation, even if output remains below potential. Rate hikes may also need to be coupled with tightening in financial regulations that may have been relaxed during the pandemic. In countries where inflationary pressures are more muted or less persistent, monetary policy can continue to remain accommodative. In all cases, it will be critical to preserve the credibility of the monetary frameworks

Figure 15. Sub-Saharan Africa: Output Loss and Inflation
(Percent, red dots indicate monetary tightening since June 2021)



Source: IMF, World Economic Outlook database.
Note: See page 27 for a list of country acronyms.

and maintain clear communication. These are essential elements to enhance monetary transmission and thus reduce the need for aggressive monetary tightening.

As borrowing rates rise, central banks should also be careful about emerging financial sector risk from leveraged financial institutions, firms, and households. Similarly, banks' exposure to government bonds needs to be monitored carefully, given the potential for adverse feedback loops between sovereign and bank distress, especially considering the recent deterioration in bank capitalization in several countries.

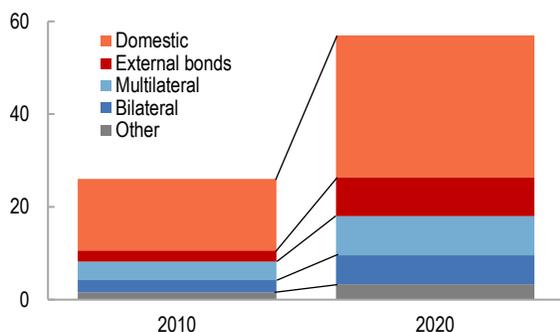
During this delicate period for monetary policy, it is also important to buttress **central bank independence and capacity**. Central banks' objectives need to be defined clearly within a context of forward-looking policy. Governments should avoid pressuring central banks to monetize fiscal spending or keep a more accommodative policy stance than otherwise warranted by inflation pressures.¹ An inappropriate policy stance can undermine confidence in the local currency, leading to runaway inflation and macroeconomic instability, and undermining short- and medium-term growth prospects.

II. Addressing the Economic Impact of the War in Ukraine without Adding to Debt Vulnerabilities

Public debt has increased considerably, mostly financed by private creditors.

Sub-Saharan Africa's public debt has increased steadily for more than a decade (Figure 16). This has helped fund the region's development needs but is now

Figure 16. Sub-Saharan Africa: Composition of Public Debt, 2010 and 2020
(Percent of GDP)



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

¹ Hooley and others (2021) documents the adverse impact of central bank lending to government on the exchange rate and inflation in sub-Saharan Africa.

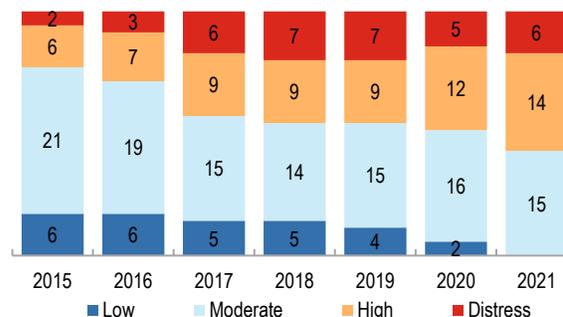
placing **severe strains on debt sustainability** in many countries. Moreover, the pandemic has worsened most countries' fiscal position, pushing public debt to its highest level since the beginning of the century. One-half of low-income countries in the region are in debt distress or at high risk of distress (Figure 17), and many have been left with little or no fiscal space at a time of elevated spending needs.

The composition of creditors has also changed markedly. Bilateral debt has shifted from Paris Club members to non-Paris Club creditors, making debt renegotiations more complicated. Furthermore, a **growing pool of private creditors** has largely financed the increase in public debt, reflecting the region's deepening financial markets and improved access to international markets. Domestic government debt has increased from 15 percent of GDP in 2010 to 30 percent in 2020. Over the same period, external public debt held by private entities has increased from 4 percent of GDP to 11 percent.

For policymakers in the region, **access to domestic and foreign private markets presents both opportunities and challenges**.

- The ability to borrow domestically proved particularly helpful at the beginning of the pandemic when many sub-Saharan African countries lost access to international financial markets. Domestic borrowing also provides opportunities to limit the issuance of foreign currency debt. But with a few notable exceptions (Benin, Botswana, Ghana, Namibia, Nigeria, South Africa), domestic maturities are relatively short and interest rates are high. Domestic

Figure 17. Sub-Saharan Africa: Debt Risk Status for PRGT Eligible Low-Income Developing Countries, 2015–21
(Number of countries)



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

Note: PRGT = poverty reduction and growth trust.

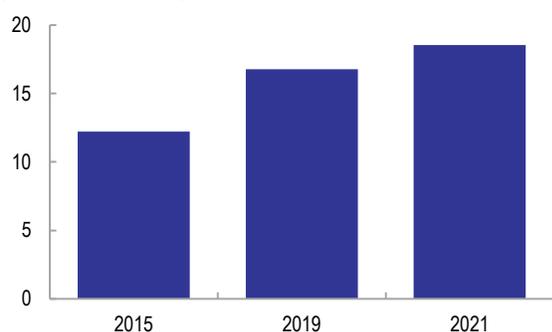
borrowing has also increased bank holdings of sovereign bonds, in line with patterns seen in other emerging markets (*April 2022 Global Financial Stability Report*). Sovereign bonds now amount to almost 20 percent of bank assets and reach as high as 40 percent in some countries (Figure 18). At such levels, the sovereign's fiscal health and the banking sector's financial health are closely intertwined, giving rise to a **tight sovereign-bank nexus** whereby sovereign risk can severely impair banks' balance sheets, especially in countries with weakly capitalized banks.

- Greater access to international capital markets has also proved to be a mixed blessing. On the positive side, countries have been able to draw on much-needed financial resources at a time of declining official development assistance flows. However, the substitution of low-cost, long-term multilateral flows with higher-cost private funds has resulted in a **steep rise in external debt-service costs and higher rollover risks** (Figure 19). Furthermore, the reliance on foreign funds has prompted a large **increase in foreign-currency debt**. Therefore, the region is highly vulnerable to a tightening in global financial conditions and exchange rate depreciations.

Cushioning the economy from the war in Ukraine without increasing debt vulnerabilities.

The war in Ukraine is thus hitting the region at a time when most countries have little to nonexistent fiscal space to buffer the shock. Consequently, **fiscal policy needs to react in a targeted manner**, aiming at protecting vulnerable segments of the population from the increase in energy and food prices without adding to debt vulnerabilities. In this context, targeted and direct transfers to vulnerable households are the

Figure 18. Sub-Saharan Africa: Banks' Holdings of Government Debt, 2015–21
(Percent of total assets)



Source: IMF, *International Financial Statistics*.

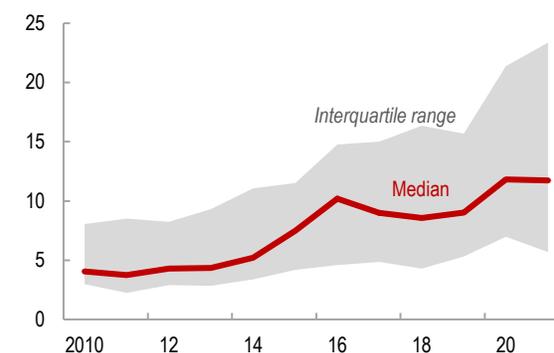
most desirable response. Where this is not feasible, countries may use targeted tax reductions or price subsidies with clear sunset clauses to contain the rise in domestic food and energy prices. This could be justified in countries with weak social safety nets and limited ability to scale up targeted cash transfers. If well-designed and temporary, targeted tax reductions and price subsidies could protect households from high price volatility, providing time for a more gradual adjustment. Measures such as price controls and export restrictions should instead be avoided as they lead to market distortions and could exacerbate supply constraints domestically and internationally.

The policy response should consider the **persistent nature of the commodity price shock**, calling for a careful use of limited fiscal resources and implying that excessive shielding of domestic prices will eventually require a large adjustment. Furthermore, it should differentiate between countries, depending on economic and social conditions and on whether they are commodity importers or exporters.

Net commodity importers will face strong pressures on fiscal balances. To support the vulnerable via targeted transfers and subsidies, countries will need to reprioritize spending, for example, by cutting non-essential expenditure such as wasteful subsidies to SOEs. The fiscal adjustment will need to be stronger in countries facing tighter financial constraints.

Net commodity exporters can receive fiscal windfalls only if they contain subsidy expenditures. For example, some oil exporters provide expensive and generalized energy subsidies to the domestic population which could lead to a deterioration in fiscal balances despite the revenue increase associated with higher export prices (Nigeria). Therefore, removing generalized subsidies is crucial to ensure that the rise

Figure 19. Sub-Saharan Africa: External Debt Service, 2010–21
(Percent of exports of goods and services)



Source: IMF, World Economic Outlook database.

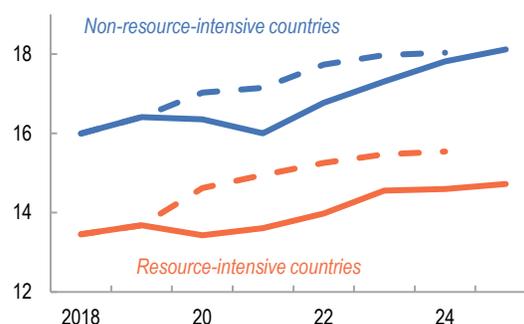
in commodity prices generates fiscal savings. It is then essential that these savings are directed largely to strengthening fiscal sustainability supported by strong governance frameworks, given the precarious conditions faced by many countries.

Over the medium term, most countries will need to continue fiscal consolidation in order to reduce debt vulnerabilities and boost resilience while protecting development spending. To this end, **revenue mobilization is a key priority**. The pandemic has derailed revenue mobilization efforts, especially in resource-intensive countries (Figure 20). Authorities should now renew their tax reform efforts, aiming to lift revenues at least back to pre-pandemic levels. As authorities consider the best way forward, they should look for innovative approaches to old problems, for example, by leveraging the potential from digitalization to broaden tax bases, enhance tax fairness and taxpayer compliance, and improve tax administration.

Revenue mobilization efforts should be complemented with measures to **increase the efficiency of public spending and strengthen accountability**. For example:

- **Improve the targeting of public expenditure.** Digital delivery mechanisms, such as mobile money or smart cards, could be used effectively for this purpose, as demonstrated in Togo during the pandemic. Furthermore, many countries should strengthen social safety nets to respond to future shocks in a more targeted and transparent manner.
- **Enhance public investment management.** During the last two years, many countries postponed investments to prioritize health and social spending. As investment programs resume, countries will need to use their limited resources carefully and effectively to support green and resilient infrastructure investment, which is found to be up to 12 times more cost-effective than frequent disaster relief (*April 2020 Regional Economic Outlook: Sub-Saharan Africa, Chapter 2*). Given large investment needs, it is critical that investment projects are managed effectively and transparently, with careful identification, preparation, prioritization, risk management, and integration into medium-term strategies and financing frameworks. In addition, steps taken during the pandemic to increase transparency in procurement (including beneficial ownership information) should continue in order to mitigate the risk of corruption.

Figure 20. Sub-Saharan Africa: Tax Revenues, 2018–25
(Simple average, percent of GDP, dashed lines = pre-COVID-19 projections.)



Source: IMF, World Economic Outlook database.

- **Monitor fiscal risks to avoid negative surprises.** Many countries should focus especially on the transparency and management reform of SOEs (Kenya, South Africa).

Countries should also **adopt credible medium-term fiscal frameworks** to ensure that sufficient resources are available to meet debt-service obligations and broader spending needs. By raising trust in fiscal sustainability, credible budget plans can reduce borrowing costs by as much as 40 basis points (*October 2021 Fiscal Monitor*). Even countries without market access benefit from fiscal credibility by attracting more private investment and fostering macroeconomic stability.

Strengthening debt management capacity is also an important priority. Debt vulnerabilities can be reduced effectively via credible medium-term debt strategies and proactive liability management, and by improving debt reporting, transparency, and communication. For instance, public debt data in many countries continue to be incompletely reported or hidden through confidentiality clauses, limiting the effectiveness of debt management and complicating potential debt restructurings. Despite significant improvements in debt management in recent years, a recent report from the World Bank found that 40 percent of low-income countries have not published sovereign debt data for more than two years (World Bank 2021).

Domestic consolidation needs to be accompanied by international support...

Local fiscal efforts are not sufficient to simultaneously restore sustainable fiscal positions and meet essential spending and investment needs, given the size of the shocks associated with the prolonged pandemic and now with the war in Ukraine. To offset further scarring

(especially in human capital) and make renewed progress toward the Sustainable Development Goals (SDGs), **international support for the region remains essential.**

Sub-Saharan African countries received \$23 billion of IMF special drawing rights (SDRs) in 2021 which have helped strengthen external positions and support urgent spending needs. For example, several countries have used part of their SDR allocation for essential social spending on pandemic-related needs and education programs (Chad, The Gambia, Niger, Rwanda, and Sierra Leone). The region's poorest and most vulnerable countries also received two years of debt-service relief through the Catastrophe Containment and Relief Trust, ending in April 2022. Looking ahead, the G20 has committed to **channel \$100 billion of their SDR holdings to vulnerable countries, especially in Africa.** This would be a major contribution to the region's short-term liquidity needs and longer-term development. The SDRs could be channeled through the IMF's Poverty Reduction and Growth Trust or the newly created Resilience and Sustainability Trust. To ensure that both domestic and international funds are well spent, countries should further increase transparency and accountability of their public finances. Many have made efforts to enhance reporting and audits on COVID-19-related expenditure. This reform momentum should be maintained, including the use of digital innovations in public finance management.

For countries with the most pressing debt vulnerabilities and particularly for fragile states, direct budget support through grant financing will be critical. The IMF has recently published a new, **comprehensive strategy to better support fragile and conflict-affected states (FCS).** The strategy recognizes the risk that FCS may fall further behind other countries in their post-pandemic recovery and fail to achieve the SDGs, unless their efforts to exit fragility are supported by coordinated actions of development partners, including the IMF (IMF 2022a).

.. and a predictable and effective framework to reduce debt burdens where needed.

For some countries, restoring debt sustainability will require debt re-profiling or an outright restructuring of their public debt. Recognizing that a timely and orderly debt resolution is in the interest of both debtors and creditors, the G20 has taken an important step to facilitate the restructuring of official external debt. The Common Framework acknowledges that

the official creditor composition of low-income countries is much more diverse than in the past, and that an effective debt treatment requires bringing all major official creditors to the table. The importance of comparability of treatment among all creditors, including private creditors, remains a prerequisite for fair debt resolutions and a requirement of debt treatments under the Common Framework.

However, **the Common Framework has faced significant implementation challenges.** So far, progress has been slow for the three countries that have applied for debt treatment under the Common Framework (Chad, Ethiopia, Zambia), and they have experienced delays in reaching tangible results. This calls for urgent improvements along several dimensions:

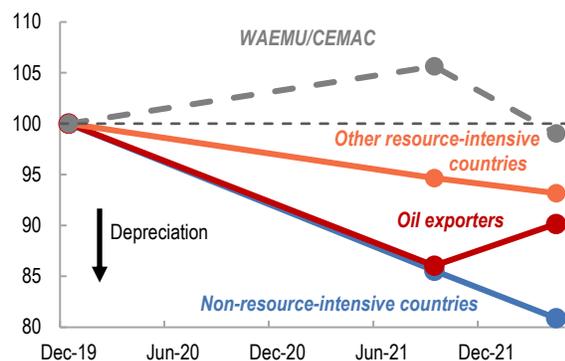
- First, the Common Framework needs greater clarity on the steps, conditions, and timeline for effective debt relief. This is important to increase the predictability of the process and improve coordination among stakeholders to avoid protracted negotiations. There is also a need to strengthen the involvement of debtor countries and their interactions with creditors.
- Second, to encourage faster resolution and broader participation, debt service payments should be suspended from the time an IMF-supported program consistent with the Common Framework debt treatment is agreed to with IMF staff. This would provide an incentive for debtor countries to request debt treatment and for creditors to be constructive during negotiations.
- Finally, more work is needed on securing comparability of treatment among various creditors. Coordinating many bondholders, navigating contractual clauses, and dealing with non-cooperative creditors can be complex, especially for low-income countries with weaker debt management capacity.

III. Managing Exchange Rate Adjustment

The pandemic and the recent global financial tightening have weighed on exchange rates in sub-Saharan Africa...

The COVID-19 crisis has generally weakened the region's exchange rates. During the first year and a half of the pandemic, exchange rates depreciated on average by about 10 percent against the US dollar (Figure 21), in line with elevated risk aversion and

Figure 21. Sub-Saharan Africa: Exchange Rates, 2019–22
(Versus US dollar, nominal index, end-2019 = 100)



Sources: Bloomberg Finance L.P.; IMF, World Economic Outlook database; and IMF staff calculations.

volatile commodity prices and capital flows. However, exchange rate movements have differed widely from country to country and displayed considerable volatility. The South African rand, for example, depreciated sharply at the onset of the crisis, but recovered most of that loss over the following year. Countries with firm pegs to the strengthening euro (Cabo Verde, Comoros, CEMAC, São Tomé and Príncipe, WAEMU) are also a notable exception, given that their exchange rates appreciated against the US dollar.

The tightening of global financial conditions in recent months has intensified exchange rate pressures for most countries. Oil exporters are an important exception. For example, in the final quarter of 2021, Angola’s currency registered its strongest gain since 1999, supported by rising oil prices, a credit-rating upgrade, and a significant tightening of monetary policy. For countries pegged to the euro, the previous year’s appreciation against the US dollar has been largely unwound.

... and left most countries with limited reserve buffers.

Efforts to offset exchange rate pressures in 2021 have led to a drop in reserves in several countries. In this context, the 2021 SDR allocation was most timely by strengthening countries’ external positions besides providing resources for urgent spending programs. However, for a large portion of sub-Saharan Africa, reserve levels remain far from comfortable (Figure 22). For example, many countries are still short of the standard import-cover benchmark—there is no unique framework for assessing reserve adequacy, but import cover is often the prime motive for maintaining reserves in the region and 3 to 5 months is a common standard (Shanz 2019; Jeanne and Sandri 2020).

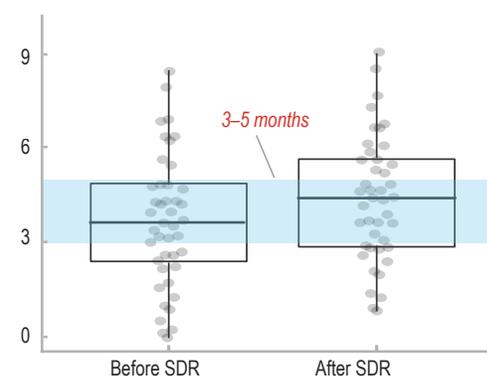
Tightening global financial conditions and limited reserves will complicate policy trade-offs for countries with both pegged and flexible exchange rate regimes.

Exchange rate regimes in the region vary greatly and have evolved over time (Figure 23), consistent with a general result that there is **no single regime that is preferred for all countries at all times**. For sub-Saharan Africa, half of the region’s economies maintain a pegged exchange-rate arrangement, and the other half maintain more flexible arrangements. Intervention is relatively common in the latter countries, with a trend toward more managed frameworks in the years since the global financial crisis.

In countries with a peg, exchange-rate policy will need to remain centered on finding the right policy mix (including monetary and fiscal policy) consistent with **maintaining the credibility of the peg**. This may entail taking steps to offset a sustained erosion of reserves, for example, by tightening macroeconomic policy, despite a still-weak economic outlook.

In countries with more flexible arrangements, some **additional depreciation may help buffer the effects of global financial tightening**. But the benefits of flexibility are often circumscribed, particularly during periods of global turmoil. For example, balance-sheet mismatches, shallow financial markets, and limited hedging opportunities may increase the potential impact of exchange-rate volatility on financial stability. Additionally, when the exchange-rate-pass-through to domestic prices is high, imported inflation represents an added challenge for monetary policy because it risks de-anchoring inflationary expectations and undermining the credibility of the authorities’ monetary framework.

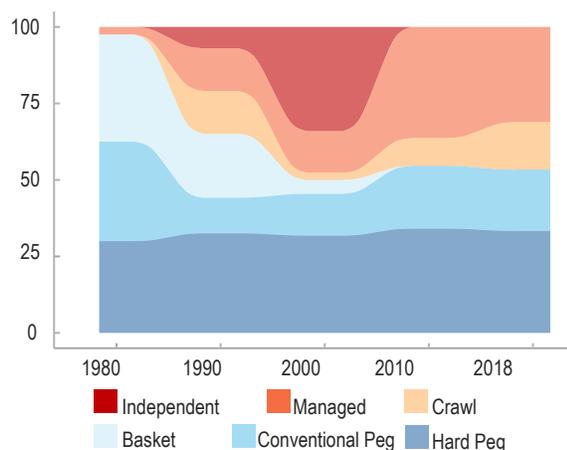
Figure 22. Sub-Saharan Africa: International Reserves, 2021
(Months of imports)



Sources: IMF, World Economic Outlook database; and IMF staff calculations.
Note: SDR = special drawing rights

Figure 23. Sub-Saharan Africa: Exchange-Rate Regime, 1980–2018

(De facto classification, percent of countries)



Sources: Annual Report on Exchange Arrangements and Exchange Restrictions database; and IMF staff calculations.

Therefore, even for countries with flexible arrangements, **reserves will still be an integral part of the authorities' policy toolkit** because they provide policy space to maintain internal price and financial stability in the face of large exchange-rate swings. But with less room to maneuver, many policymakers will need to use their resources carefully as shocks unfold.

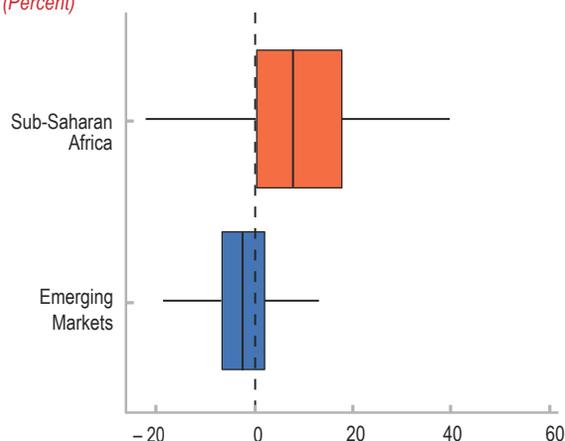
For countries with limited reserves, authorities have sometimes offered favorable rates, including to specific sectors. But the resulting **parallel market for foreign exchange** (Nigeria, Zimbabwe) **can weigh on growth**—distorting investment, encouraging rent seeking, and adding to uncertainty. The decision to return to a more unified framework is often difficult, but experience suggests that the shift to a market-clearing official rate is not in itself likely to lead to a sharp increase in inflation, as prices in the real economy tend to reflect the less-favorable parallel exchange rate; and removing exchange-market distortions can give a substantial boost to development, by reducing uncertainty and strengthening competitiveness (Gray 2021). In this regard, the exchange reform implemented in South Sudan last year prompted a significant appreciation of the parallel market rate, helping to reduce inflation and insulating the country from rising global food prices.

What role for foreign exchange intervention?

IMF staff analysis suggests that **intervention may have a role to play in the policy toolkit for sub-Saharan African countries, but this must be weighed carefully, given the region's complicated policy backdrop.**

Figure 24. Selected Countries: Exchange Rate Overvaluation, 2017–20

(Percent)



Sources: IMF staff reports; and IMF staff calculations

Note: Based on IMF staff assessments of real effective exchange rates, excluding pegged currencies.

Indeed, for most countries, the case for or against intervention is seldom straightforward (IMF 2022).

On the one hand, shallow markets, often-weak monetary policy credibility, and high foreign-exchange liabilities are common features throughout the region, implying that large exchange rate movements might risk de-anchoring inflation expectations and undermining financial stability. In such circumstances, foreign-exchange flexibility may act as a shock amplifier rather than a shock absorber. Moreover, dominant foreign currency pricing—in which both exports and imports are priced in a foreign currency—implies that the shock-absorber role is weakened in many cases, as exchange-rate movements induce less expenditure switching, although the quantitative relevance of this aspect is still under examination. **Intervention to smooth undue exchange rate volatility could, therefore, be a helpful addition to the policy toolkit** subject to the availability of reserves.

On the other hand, the region is relatively exposed to persistent real shocks, suggesting that **intervention might not always be the appropriate policy response.** Also, with currencies being overvalued in many countries (Figure 24), sustained **efforts to resist downward pressure risk supporting unsustainable policies** and weak external positions.

Finally, in some countries **the scope for intervention to lean against excessive movements in the exchange rate is limited by low reserves.** In these cases, authorities may have no option but to tighten monetary policy.

BEYOND THE CRISIS: ENHANCING RESILIENCE AND LIFTING POTENTIAL GROWTH WILL BE KEY

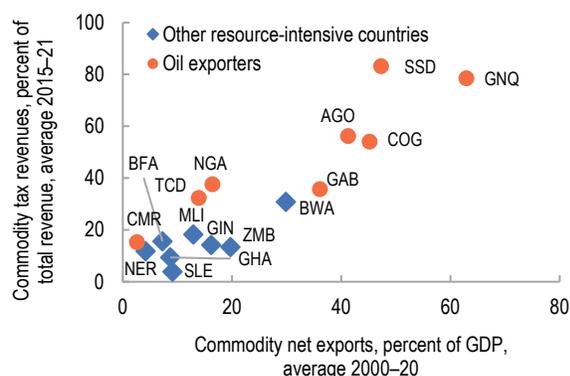
Looking beyond the immediate policy priorities, strengthening resilience and lifting potential growth requires an ambitious reform agenda to **promote economic diversification, unleash the private sector's potential**—for example, via regional trade integration, innovative financing channels, and digitalization—and **confront the challenges posed by climate change**.

Promoting Diversification

Many countries in the region remain **highly dependent on commodity exports** (Figure 25). For example, in some countries, oil exports reach more than 40 percent of GDP (Equatorial Guinea, Republic of the Congo, South Sudan). Beyond oil, 15 countries are large exporters of other commodities, such as iron ore and copper. Oil exporters and other resource-intensive countries combined represent more than 70 percent of the region's GDP. Besides accounting for a large share of countries' GDP, commodities contribute very significantly to fiscal revenues. For example, commodities provide more than 50 percent of total fiscal revenues in several oil-exporting countries.

The reliance on commodity exports makes countries **highly susceptible to fluctuations in commodity prices**. Commodity-dependent countries were among the hardest hit at the start of the pandemic when oil prices tumbled to record lows. The recent strong rebound in commodity prices may provide temporary relief for resource-intensive countries, by increasing fiscal revenues and strengthening growth prospects.

Figure 25. Sub-Saharan Africa: Commodity Exports and Tax Revenues



Sources: United Nations, COMTRADE database; Bank of Sierra Leone; IMF, World Economic Outlook database; and IMF staff calculations.

Note: See page 27 for a list of country acronyms.

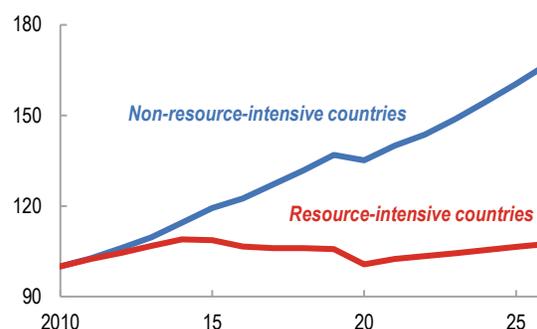
But so far, most oil exporters have been unable to boost production, because of security concerns and years of underinvestment that have translated into a secular decline in market shares.

In addition to greater macroeconomic volatility, **resource-intensive countries suffer from significantly weaker economic growth**. For example, their average growth in the decade before to the pandemic was about 3.1 percent, considerably lower than the 5.9 percent experienced by non-resource-intensive countries. This divergence is expected to continue (Figure 26), widening regional inequality even more.

Promoting diversification and developing new industrial capabilities is therefore a key priority for commodity exporters (Cherif and others forthcoming). A broad range of policy actions is needed to achieve these goals.

- Credible macroeconomic policies and a favorable investment climate are essential ingredients to ensure that the private sector can take advantage of new opportunities.
- Targeted sectoral interventions may be helpful to encourage the reallocation of resources to the most promising activities. These interventions should focus on addressing both policy failures, which may include a burdensome regulatory framework, high tariffs on critical inputs, an overvalued exchange rate, inadequate infrastructure, or an insufficiently skilled workforce; and market failures, which generally entail a sector-specific bottleneck or externality, where firms do not fully internalize the possible benefits of potential actions. From experience, targeted infrastructure, research and development subsidies, and support for start-up incubators have often proved effective.

Figure 26. Sub-Saharan Africa: Real GDP Per Capita, 2010–26 (Index, 2010 = 100)



Source: IMF, World Economic Outlook database.

But, trade-related measures, strategic investments by SOEs, and directed lending have often proved risky and have sometimes encouraged rent-seeking. Thus, targeted interventions are more likely to succeed where governance and administrative capacity is strong, and when complemented by broader economy-wide reforms.

- Cross-country experience shows that successful targeted interventions are generally accompanied by enhanced accountability, including through specific performance targets, the promotion of competition, and a focus on export orientation.

Several success stories in sub-Saharan Africa can inspire efforts to enhance economic diversification (*October 2017 Regional Economic Outlook: Sub-Saharan Africa, Chapter 3*). For example, in the last 30 years, Mauritius has managed to evolve from a mono-crop economy to a competitive upper-middle income country. Rwanda has embarked on an ambitious program of investment in infrastructure and education and has seen the region's fastest movement of labor from agriculture to higher-value-added activity.

Stronger Regional Trade Integration

The recent launch of the **African Continental Free Trade Area (AfCFTA)** marks a milestone toward deeper regional integration. This agreement has the potential to eliminate tariffs on 90 percent of existing intraregional trade flows (with an estimated increase in intraregional trade by about 15–25 percent over the medium term) and, critically, to reduce non-tariff barriers that are continuing to undermine regional competitiveness (*April 2019 Regional Economic Outlook: Sub-Saharan Africa, Chapter 3*). Deeper integration would boost incomes, create jobs, catalyze foreign direct investment, and facilitate the development of regional supply chains. The AfCFTA will need to be implemented swiftly and complemented by an enabling macroeconomic environment and a range of structural reforms to deliver its full potential.

Regional integration would also benefit from the digitalization of trade processes, the promotion of paperless trading systems, and the alignment of multiple and overlapping regional trade frameworks via regulatory standardization and enforcement. The recently launched **Pan-African Payment and Settlement System** is also an important step in operationalizing the AfCFTA because it facilitates transactions among more than 40 currencies across

the continent. The system could substantially reduce the risks associated with relying on third-party currencies, and make intraregional payments easier, faster, and less expensive.

Trade integration will greatly benefit the region but **benefits and costs will not be distributed evenly** across and within countries. For example, countries that are less integrated into regional and global value chains could see fewer benefits (*October 2021 Regional Economic Outlook: Asia and Pacific*). To harness the AfCFTA's full potential and ensure inclusive growth, policymakers must be prepared to provide adequate safety nets and retraining opportunities for workers in sectors that could be adversely affected.

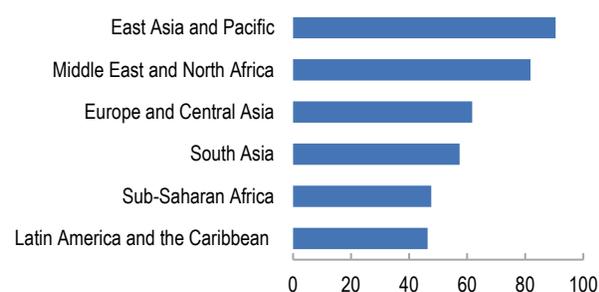
Encouraging More Innovative Financing Channels to Boost Investment

Sub-Saharan African countries **need significant financing to close the infrastructure gap and meet the SDGs**. Catalyzing private finance will be essential given high debt levels and low revenue mobilization. The continent holds immense opportunities for private investors. It has a young and growing population, abundant natural resources, large markets, and great potential for digital transformation. Still, risk-adjusted returns of projects in sub-Saharan Africa are often perceived to be less attractive than elsewhere.

To mobilize private finance, governments should deliver sustained improvements in the investment climate and macroeconomic stability, including predictable access to foreign exchange reserves. Furthermore, they should explore **innovative solutions to improve risk-return profiles**, for example, by providing public incentives to finance infrastructure projects (Eyraud and others 2021). Up to 80–90 percent of infrastructure projects receive government support in some regions, but this happens less often in sub-Saharan Africa (Figure 27). Middle-income countries with relatively strong state capacity and institutions and with market access (Ghana, Kenya, Senegal) are particularly well positioned to attract private finance. Their pipeline of bankable projects is often sufficiently developed, and many projects have a critical size that makes them appealing to investors. Appropriate institutional, governance, and legal frameworks are crucial to safeguard public sector balance sheets from risks related to project financing.

Multilateral development banks (MDBs), development finance institutions, and other development partners could play a key role in helping attract private

Figure 27. Selected Regions: Share of Infrastructure Projects Receiving Government Support (Percent)



Source: World Bank, Private Participation in Infrastructure (PPI) Projects database.

investment. Instruments such as blended finance and guarantees could leverage additional private funds. But support should be targeted, temporary, and granted on the basis of proven market failures. It should also be transparent, leave sufficient risk to private parties, and display additionality, meaning that incentives should make worthy projects happen that would not happen otherwise. MDBs and other development partners could also deploy more equity financing, local currency financing and other risk-sharing instruments in order to reduce the dominance of senior, foreign currency debt financing.

Digital Innovation Can Enhance Financial Inclusion and Reduce Costs

Several countries in the region are exploring the possibility of adopting a central bank digital currency (CBDC). Nigeria has already moved forward by launching the eNaira. **CBDCs can offer several benefits**, for example, by enhancing financial inclusion, lowering the cost of remittances, and reducing the reliance on private crypto currencies that may hinder monetary transmission and facilitate illicit flows (Box 4). Yet **CBDCs also present new challenges and risks**. To harness the benefits of CBDCs, countries should invest in digital infrastructure, build expertise within central banks, and confront cybersecurity risks. This is a complex and evolving area, where the balance between benefits and risks depends on country characteristics.

Investing in Climate Change Adaptation and Supporting the Green Transition are Key

Climate change is posing major challenges for sub-Saharan Africa—a region that has contributed

very little to rising global temperatures but that will bear the greatest burden given its exposure to weather-related disasters and dependence on rain-fed agriculture. Therefore, **investment in adaptation is of critical importance**. For example, investment in climate-resilient infrastructure, better irrigation, improved seed varieties, and strengthened health systems can deliver large gains.

Yet global mitigation efforts are also critical for the region. **The green transition offers important opportunities for diversification and job creation**. Sub-Saharan Africa has unrivalled potential for renewable energy and an abundance of minerals key for the transition.

Financing adaptation and seizing the opportunities presented by the green transition will require significant investment, thus **support from the international community will be essential**. At the 2021 United Nations Climate Change Conference (COP26), the African Group of Negotiators indicated that, beginning in 2025, a minimum \$100 billion per year over the next decade and a half would be needed for infrastructure investment to boost resilience and to curb emissions. IMF estimates suggest that climate change adaptation alone will cost up to \$50 billion every year, equivalent to about 3 percent of regional GDP.

Policy efforts should also be directed at **ensuring that the green transition is also a just transition**, for example, by ensuring that carbon taxes and the removal of fossil-fuel subsidies do not pose affordability challenges for the most vulnerable segments of the population. The transition of workers to green sectors will also require investment in new skills and adequate social protection. To this end, a recent innovative partnership between South Africa and a group of advanced economies, announced at COP26, aims at accelerating decarbonization, while supporting vulnerable groups.² In addition, because a large share of the population still has no access to electricity, a continued increase in access to affordable and sustainable energy should accompany the transition. Closing the access gap in sub-Saharan African countries will require an estimated annual investment of \$28 billion by 2030, according to the International Energy Agency.

² For more information, see the Political Declaration on the Just Energy Transition in South Africa: <https://ukcop26.org/political-declaration-on-the-just-energy-transition-in-south-africa/>.

BOX 1. ONE YEAR ON: VACCINE ROLLOUT IN SUB-SAHARAN AFRICA

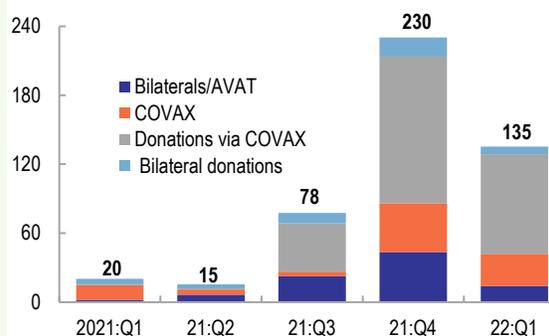
COVID-19 vaccinations remain low in sub-Saharan Africa, driven initially by limited supply and later by logistical challenges. As of early April, only 12.2 percent of the population in sub-Saharan Africa has been fully immunized, compared with 64 percent in emerging markets and developing economies and 74 percent in advanced economies. Only five countries in the region (Botswana, Cabo Verde, Mauritius, Rwanda, Seychelles) reached the IMF-proposed target of 40 percent coverage by the end of 2021. The problems with limited vaccine supply have eased, since India began exporting vaccines again in October 2021,¹ and advanced economies have accelerated the pace of dose donations bilaterally and through the COVID-19 Vaccines Global Access (COVAX) (Figure 1.1). Nevertheless, several supply-side challenges could linger well into 2022, including delays in vaccine manufacturing in developing countries because of ongoing intellectual property rights waiver negotiations at the World Trade Organization, shortages of medical supplies (for example, syringes), and dose donations with a short shelf-life. In countries where the supply constraints are not binding, the focus has shifted toward meeting the health-system infrastructure needs (for example, transportation, cold-chain storage, vaccination sites, trained medical staff, and ancillary medical equipment such as syringes and personal protective equipment), and launching communication campaigns to maximize the vaccine absorption. This is particularly challenging in countries with large rural populations and limited rural health infrastructure.

Successful vaccination campaigns in the region have been marked by effective preparedness and coordination, and diversified vaccine sources. By the time vaccines started arriving in March 2021, countries with the current high vaccination rates had completed 38 percent of the vaccine readiness pillar components, as assessed by the World Bank, compared with 24 percent in other countries. For example, Ghana became the first sub-Saharan African country to receive a COVAX delivery in February 2021 and was able to administer half of that initial supply within 10 days because of staff training and simulation exercises ahead of the rollout. Continued collaboration among health officials, government officials, and the private sector to adapt and meet challenges was also crucial for the rollout success (for example, Botswana, Cabo Verde, and Rwanda). Finally,

countries with successful vaccination campaigns relied on a more diversified vaccine portfolio sourced from multiple suppliers (vaccine manufacturers, COVAX, the African Vaccine Acquisition Trust, and bilateral donors) which helped them mitigate the supply risks during the earlier days of vaccine production and distribution.

Regional vaccine manufacturing initiatives are underway and could help reduce Africa's exposure to future health shocks. Licensing and technology transfer agreements have offered a short-term solution to mitigate vaccine supply shortages over 2021. For instance, *Aspen Pharmacare* in South Africa started supplying Johnson & Johnson's vaccine in July 2021. But a longer-term solution involves establishing a sustainable ecosystem for local vaccine production that would require specialized equipment, a highly trained workforce, a conducive investment climate, and a predictable and stable demand for vaccines from African countries. A handful of COVID-19 vaccine production facilities are set up or in the pipeline across four sub-Saharan African countries (Ghana, Rwanda, Senegal, and South Africa). For example, a new vaccine manufacturing facility is being constructed (with financial assistance from the US, EU, and other partners) at the *Institut Pasteur de Dakar* in Senegal, which will be one of the first start-to-finish factories on the continent.

Figure 1.1 Sub-Saharan Africa: Vaccine Deliveries, 2021–22
(Million doses, as of March 31, 2022)



Sources: Airfinity; and IMF staff calculations.

Note: Bilaterals refers to doses received directly from vaccine manufacturers. Donations via COVAX refers to doses donated by advanced economies and channeled through COVAX.

AVAT = African Vaccine Acquisition Trust, COVAX = COVID-19 Vaccines Global Access.

This box was prepared by Shushanik Hakobyan.

¹ Export restrictions on the Serum Institute of India, a major supplier of the COVAX facility, derailed the delivery of vaccines from April through June of 2021 and plunged the vaccination campaigns of countries relying primarily on COVAX into chaos.

BOX 2. SUB-SAHARAN AFRICA'S VULNERABILITY TO EXTERNAL SHOCKS

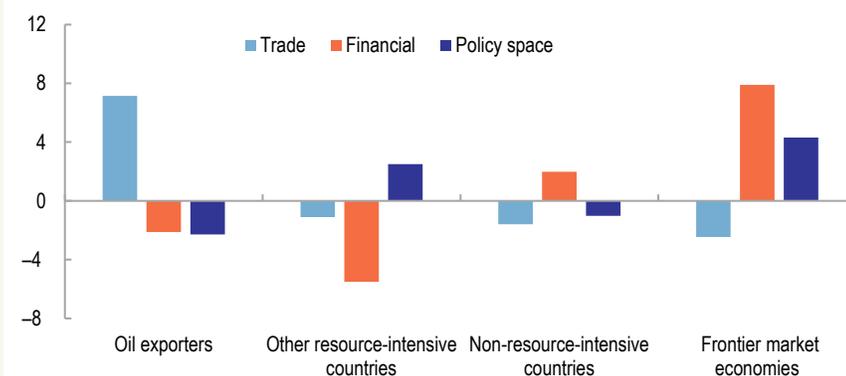
Recent international shocks are likely to have significant implications for the macroeconomic outlook in sub-Saharan Africa. Notably, the ongoing US monetary policy tightening is worsening external financing conditions. Furthermore, the war in Ukraine and the reduction of oil exports from Russia are stoking inflationary pressures across the globe because of their impact on energy and food prices.

Sub-Saharan African countries vary in their exposure to external shocks. Three factors shape the extent to which countries are vulnerable to shocks: the strength of trade ties with the global economy; the degree of integration with international financial markets; and the availability of policy buffers to respond to shocks, such as accumulated international reserves. Considering different country groups within sub-Saharan Africa, oil exporters are highly susceptible to external shocks because of a strong trade channel (Figure 2.1). Other resource-intensive countries tend to be less exposed to external shocks because of low financial integration. Non-resource-intensive countries also are relatively insulated from external shocks because of lower trade integration. Frontier market economies

are particularly vulnerable to international conditions since they are more integrated via financial links and have lower-than-average policy buffers to weather adverse shocks.

A multi-country global vector autoregressive (GVAR) model was used to quantify the impact of different external shocks on GDP growth in sub-Saharan Africa. This model incorporated (1) domestic variables (real GDP, inflation rate, interest rate, exchange rate), (2) country-specific foreign variables, which are cross-sectional weighted averages of domestic variables in other countries, and (3) global variable (US 10-year rate, oil price).¹ Average bilateral trade (2016–18) was used to create the weight matrix required to construct the foreign variables. Using annual data (1980–2021) for 71 countries, including most sub-Saharan African countries, two shocks were simulated (1) a positive shock to the US interest rate, reflecting the ongoing US monetary tightening, and (2) a positive oil price shock as experienced in recent months. Sign restrictions were used for identification, assuming a slower pace for global economic activity because of the US monetary policy tightening and higher inflation fueled by oil price increases.

Figure 2.1 Sub-Saharan Africa: Vulnerability to External Shocks by Channels and Buffers
(Percentile score minus sub-Saharan Africa average)



Sources: Haver Analytics; and IMF staff estimations.

Note: Variables used to define channels: trade includes (i) exports as share of GDP, (ii) imports as share of GDP; financial includes (i) private gross capital inflows as share of GDP, (ii) external debt as share of GDP, (iii) short-term external debt as share of total external debt, and (iv) non-FDI as share of private capital inflows; policy space includes (i) reserves as share of GDP (inverted), (ii) gross government debt as share of GDP, and (iii) inflation. Data are for 2019 or most recent year. All scores are percentiles over all other emerging market and developing economies normalized as deviations from the average for sub-Saharan Africa. Bars represent unweighted mean for country groups, excluding South Sudan.

This box was prepared by Hany Abdel-Latif and Marijn Bolhuis.

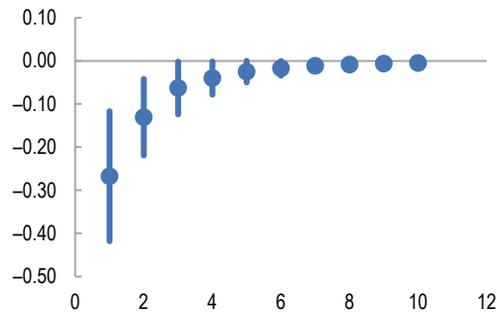
¹ Estimates are based on annual data for most sub-Saharan African countries. When estimated with quarterly data for a smaller number of sub-Saharan African countries, the results do not change significantly.

Continued Box 2

A tightening of US monetary policy and an increase in energy prices can affect economic growth severely in sub-Saharan Africa. An unexpected 25 basis points increase in the US 10-year rate is associated with an average decline in regional real GDP of about 0.25 percentage point in the first year, as higher rates lower growth and demand

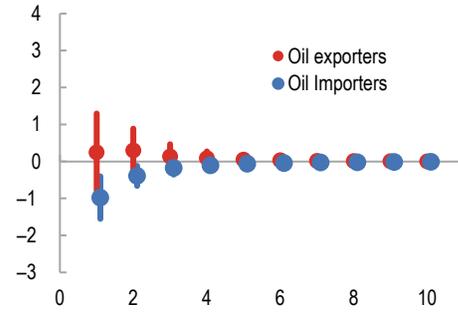
in trading partners (Figure 2.2). A 10-percentage point increase in oil prices will lead to an average decline in regional growth by 0.5 percentage point (Figure 2.3). The impact also varies by country sub-groups—a positive oil price shock affects oil importers the most.

Figure 2.2 Sub-Saharan Africa: GDP Response to US Monetary Policy Tightening
(25bps US rate increase, weighted-average growth responses)



Sources: Haver Analytics and IMF staff estimations.
Note: Dots show average estimates with the range denoting 95 percent confidence intervals.

Figure 2.3 Sub-Saharan Africa: GDP Response to Oil Price Increase
(10 percentage points oil price increase, weighted-average growth responses)



Sources: Haver Analytics and IMF staff estimations.
Note: Dots show average estimates with the range denoting 95 percent confidence intervals.

BOX 3. ECONOMIC CONSEQUENCES OF CONFLICTS IN SUB-SAHARAN AFRICA

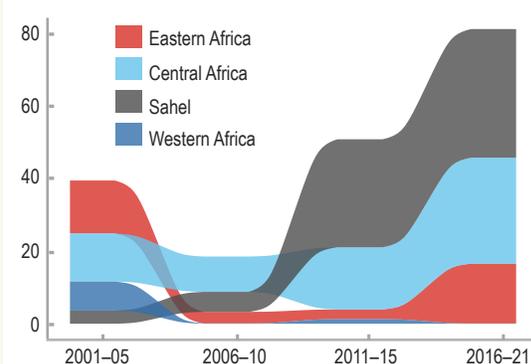
Sub-Saharan Africa has seen a sharp increase in the incidence of conflicts in recent years. Most recently, violence has picked up in the Sahel and the Central African Republic, and political dissatisfaction and worsening insecurity have contributed to an uptick of military coups (Burkina Faso, Mali, and Guinea) (Figure 3.1) These developments stem from a combination of common factors (weak political systems, inter-community tensions, poor governance, poor service delivery) and country-specific triggers (electoral tensions, security challenges). As a result, increased security spending is straining public finances, while disrupted trade routes, damaged infrastructures, displaced people, weakened institutions, crippled tourism, and a less-hospitable business environment are all weighing on economic activity.

Conflicts impose large social and economic costs. For sub-Saharan Africa, IMF staff estimates suggest that active conflicts tend to depress annual growth by 2.5 percentage points per year in directly affected countries (*April 2019 Regional Economic Outlook: Sub-Saharan Africa, Chapter 2*). In the last three decades, this has translated into a regionwide loss of about 3/4 percent of GDP each year (Figure 3.2). With the recent increase in the incidence of conflicts, however, this estimated lost output has increased to almost 1.5 percent. Moreover, reduced tax revenue, rising public debt, and increased military spending, all further complicate the policy environment faced by local authorities, undermining macroeconomic stability and longer-term growth.

Conflicts also have a clear, direct negative impact on development goals such as poverty and hunger, educational attainment, child mortality, and access to essential services. Furthermore, conflict can leave long-lasting social scars. For example, exposure to conflict in childhood leads to poorer lifetime health outcomes for both the affected generation and for future generations. Human capital losses from conflict also lower people's lifetime productivity and reduce socioeconomic mobility, and the reintegration of demobilized combatants is often a prolonged challenge and an ongoing source of potential instability.

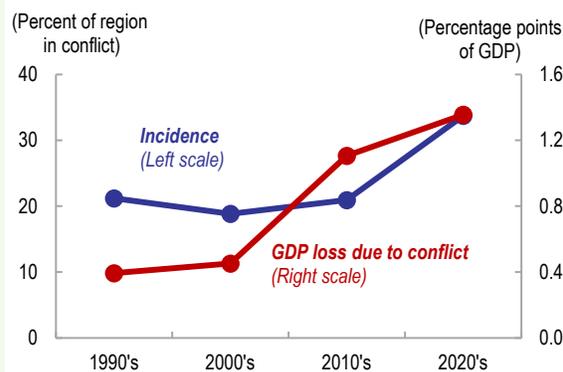
Conflicts also generate negative spillovers. Worldwide, estimates suggest that neighbors bear almost one-fifth of all output losses of global conflict (de Groot and others 2022). The onset of a conflict has, on average, resulted in a cumulative drop in imports of almost 25 percent over five years. But perhaps more importantly, prolonged conflicts tend to increase security risks for neighboring countries and generate refugee flows, which may exhaust host countries' already-stretched social infrastructure, while also adding to social tensions. In sub-Saharan Africa, the onset of a conflict has historically been followed by sizable refugee flows into neighboring countries, often amounting to 2 percent of the origin country's population over a five-year period (Figure 3.3).

Figure 3.1 Sub-Saharan Africa: Deaths from Conflict, 2001–21
(Thousands)



Sources: Uppsala Conflict database, ACLED; and IMF staff calculations.

Figure 3.2. Sub-Saharan Africa: Incidence and Cost of Conflict, 1990s–2020s

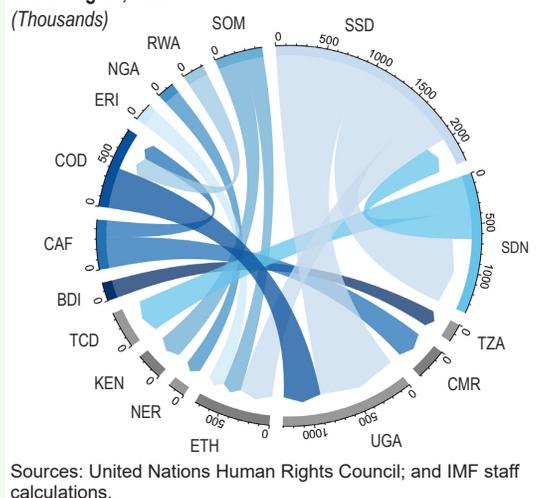


Sources: Uppsala Conflict database, ACLED; and IMF staff calculations.

This box was prepared by Marijn Bolhuis and Andrew Tiffin.

Continued Box 3

Figure 3.3. Sub-Saharan Africa: Main Sources of Refugee Inflows to the Region, 2020
(Thousands)



BOX 4. CENTRAL BANK DIGITAL CURRENCIES IN SUB-SAHARAN AFRICA

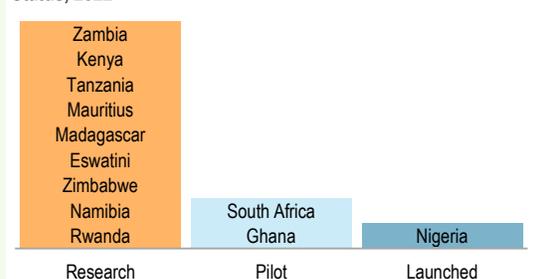
Many central banks across the world—including 13 in sub-Saharan Africa—are currently exploring the option of using a Central Bank Digital Currency (CBDC) to enhance their electronic payment system (Figure 4.1). A CBDC is a digital version of cash that can be stored and transferred electronically and is fully backed by the issuing central bank. In October 2021, Nigeria became the first country in Africa and the second in the world after the Bahamas to issue a CBDC—the eNaira.

Potential benefits and challenges

CBDC entails various possible advantages.

- *Fostering financial inclusion.* In sub-Saharan Africa, CBDCs could bring financial services to previously unbanked or underbanked people, allowing digital transactions in remote places without internet access at minimal or no cost.¹
- *Facilitating cross-border transfers and payments.* The average cost of sending remittances to sub-Saharan Africa was 8 percent of the transfer amount in 2020. CBDCs could make sending remittances easier, faster,

Figure 4.1. Sub-Saharan Africa: Central Bank Digital Currencies Status, 2022



Source: Central Bank Digital Currencies Tracker.
Note: Tanzania and the East African Community were not in the CBDC Tracker. Their initiatives are at an early stage of exploration.

and cheaper by shortening payment chains and creating more competition among remittance service providers. Faster clearance of cross-border payments can help promote trade integration within the region and with the rest of the world.²

- *Providing an alternative to cryptocurrencies.* The spread of private cryptocurrencies poses the risk that citizens may move their money to these assets either

This box was prepared by Habtamu Fuje, Saad Quayyum, and Franck Ouattara.

¹ Allowing the unbanked and underbanked to participate in digital payment systems might also support reducing informality, which in turn can expand the tax base and boost revenue for the government.

² South Africa, for example, is participating in Project Dunbar with the central banks of Australia, Malaysia, and Singapore to test the use of CBDC for international settlements. The East African Community is also exploring the development of a regional CBDC to upgrade the East African Payment System.

Continued Box 4

for ease of transaction or if they lose confidence in the local currency. This may undermine monetary policy transmission. Moreover, cryptocurrencies could be a conduit for illicit financial flows. CBDCs could minimize these risks by offering a reliable and regulated alternative to cryptocurrencies.

- *Enabling timely and targeted welfare disbursement.* If CBDCs are broadly used by population, including by low-income households, targeted welfare support could be provided directly through CBDCs, especially during sudden crises such as those triggered by the COVID-19 pandemic or natural disasters.

The design and adoption of CBDCs should address the following challenges and risks:

- *Data integrity.* It is essential that the CBDC is trustworthy and protects consumers' privacy. Consumers will have to entrust the central bank with a large amount of personal transaction data and need to be confident that this information will be safe and not misused.
- *Cyber risk and disruptions.* Like other forms of digital money, CBDCs are exposed to the risk of cyber attacks. Therefore, central banks need to invest in cybersecurity programs (PwC 2021; Mancini-Griffoli and others 2018). While this can be expensive, some of the cost can be offset by lower costs of managing and distributing cash given that CBDCs are expected to reduce cash use.
- *Financial integrity risk.* Central banks would have to put in place appropriate measures to ensure AML/CFT regulations are followed. This will require in many countries strengthening national identification systems so that Know-Your-Customer requirements can be more easily enforced without undermining financial inclusions.
- *Financial/banking sector instability.* Central banks need to be careful that CBDCs do not disrupt the banking system through significant transfers of funds from commercial banks to CBDC wallets, which reduces bank funding and lending capacity.
- *Digital infrastructure and knowledge.* Broad adoption and effective utilization of CBDCs hinge on the accessibility of digital infrastructure such as phone and internet connectivity. While sub-Saharan Africa has made significant strides with digitalization, much needs

to be done. Development, deployment, and oversight of CBDCs also require substantial technical capacity in central banks.

Therefore, before pursuing CBDCs, central banks in the region would need to carefully evaluate the benefits and weigh them against the challenges and risks, considering the local context and internal capacity. For CBDCs to be successful they also need to be accompanied by sound macroeconomic and regulatory policies that buttress confidence in the local currency. In addition, how CBDCs could affect the thriving private industry for digital payment services should be carefully thought through and managed as some operators can have systemic importance.

The eNaira

The Central Bank of Nigeria's eNaira provides a useful example of how CBDCs could work in practice. It has a two-tiered architecture whereby the Central Bank of Nigeria (CBN) issues the eNaira and financial institutions directly engage with users for distribution, payment facilitation, dispute resolution, and other roles. At present, all users need to open and maintain wallets in the eNaira platform and link their bank accounts with their wallets. Transfers can be made from bank accounts to eNaira wallets up to a daily maximum and a cumulative limit. The limits are set to prevent a sudden surge of transfers from the banking system to the eNaira platform, which could destabilize the banking system. To open a wallet, users need to download the eNaira app and provide their bank verification number. The bank verification number helps to identify end users and makes it possible to comply with financial integrity regulations. As of end January, over 700,000 wallets have been downloaded and a total of 9 million transfers and payments have been made using eNaira.

The CBN is planning to allow users without a bank account to open an eNaira wallet with only the national identification number to make it more accessible to the unbanked. Users without bank accounts will have lower transaction limits to minimize financial integrity risks. The CBN also plans to allow the Nigerian diaspora to send remittances through the eNaira platform. For this plan to be successful, it is important to strengthen confidence in the local currency and support a unified market clearing exchange rate. Finally, the CBN plans to make it possible to pay taxes through the eNaira platform which could potentially improve revenue collection.

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Statistical Appendix

Unless otherwise noted, data and projections presented in this *Regional Economic Outlook* are IMF staff estimates as of April 8, 2022, consistent with the projections underlying the April 2022 *World Economic Outlook*.

The data and projections cover 45 sub-Saharan African countries in the IMF's African Department. Data definitions follow established international statistical methodologies to the extent possible. However, in some cases, data limitations limit comparability across countries.

Country Groupings

Countries are aggregated into three (nonoverlapping) groups: oil exporters, other resource-intensive countries, and non-resource-intensive countries (see table on page 26 for the country groupings).

The oil exporters are countries where net oil exports make up 30 percent or more of total exports.

The other resource-intensive countries are those where nonrenewable natural resources represent 25 percent or more of total exports.

The non-resource-intensive countries refer to those that are not classified as either oil exporters or other resource-intensive countries.

Countries are also aggregated into four (overlapping) groups: oil exporters, middle-income, low-income, and countries in fragile situations (see table on page 26 for the country groupings).

The membership of these groups reflects the most recent data on per capita gross national income (averaged over three years) and the World Bank, Country Policy and Institutional Assessment score (averaged over three years).

The middle-income countries had per capita gross national income in the years 2018–20 of more than \$1,045.00 (World Bank, using the Atlas method).

The low-income countries had average per capita gross national income in the years 2018–20 equal to or lower than \$1,045.00 (World Bank, Atlas method).

The countries in fragile situations had average Country Policy and Institutional Assessment scores of 3.2 or less in the years 2016–18 and/or had the presence of a peacekeeping or peace-building mission within the last three years.

The membership of sub-Saharan African countries in the major regional cooperation bodies is shown on page 26: CFA franc zone, comprising the West African Economic and Monetary Union (WAEMU) and CEMAC; the Common Market for Eastern and Southern Africa (COMESA); the East Africa Community (EAC-5); the Economic Community of West African States (ECOWAS); the Southern African Development Community (SADC); and the Southern African Customs Union (SACU). EAC-5 aggregates include data for Rwanda and Burundi, which joined the group only in 2007.

Methods of Aggregation

In Tables SA1 and SA3, country group composites for real GDP growth and broad money are calculated as the arithmetic average of data for individual countries, weighted by GDP valued at purchasing power parity as a share of total group GDP. The source of purchasing power parity weights is the World Economic Outlook (WEO) database.

In Table SA1, country group composites for consumer prices are calculated as the geometric average of data for individual countries, weighted by GDP valued at purchasing power parity as a share of total group GDP. The source of purchasing power parity weights is the WEO database.

In Tables SA2–SA4, country group composites, except for broad money, are calculated as the arithmetic average of data for individual countries, weighted by GDP in US dollars at market exchange rates as a share of total group GDP.

Sub-Saharan Africa: Member Countries of Groupings

Oil Exporters	Other Resource-Intensive Countries	Non-Resource-Intensive Countries	Middle-Income Countries	Low-Income Countries	Countries in Fragile Situations
Angola	Botswana	Benin	Angola	Burkina Faso	Burundi
Cameroon	Burkina Faso	Burundi	Benin	Burundi	Central African Republic
Chad	Central African Republic	Cabo Verde	Botswana	Central African Republic	Chad
Congo, Republic of	Congo, Democratic Republic of the	Comoros	Cabo Verde	Chad	Comoros
Equatorial Guinea	Guinea	Côte d'Ivoire	Cameroon	Congo, Democratic Republic of the	Congo, Democratic Republic of the
Gabon	Ghana	Eritrea	Comoros	Eritrea	Congo, Republic of
Nigeria	Guinea	Eswatini	Congo, Republic of	Ethiopia	Côte d'Ivoire
South Sudan	Liberia	Ethiopia	Côte d'Ivoire	Gambia, The	Eritrea
	Mali	Gambia, The	Equatorial Guinea	Guinea	Gambia, The
	Namibia	Guinea-Bissau	Eswatini	Guinea-Bissau	Guinea
	Niger	Kenya	Gabon	Liberia	Guinea-Bissau
	Sierra Leone	Lesotho	Ghana	Madagascar	Liberia
	South Africa	Madagascar	Kenya	Malawi	Madagascar
	Tanzania	Malawi	Lesotho	Mali	Malawi
	Zambia	Mauritius	Mauritius	Mozambique	Mali
	Zimbabwe	Mozambique	Namibia	Niger	São Tomé and Príncipe
		Rwanda	Nigeria	Rwanda	Sierra Leone
		São Tomé and Príncipe	São Tomé and Príncipe	Sierra Leone	South Sudan
		Senegal	Senegal	South Sudan	Togo
		Seychelles	Seychelles	Tanzania	Zimbabwe
		Togo	South Africa	Uganda	
		Uganda	Zambia	Zimbabwe	

Sub-Saharan Africa: Member Countries of Regional Groupings

The West African Economic and Monetary Union (WAEMU)	Economic and Monetary Community of Central African States (CEMAC)	Common Market for Eastern and Southern Africa (COMESA)	East African Community (*EAC-5)	Southern African Development Community (SADC)	Southern African Customs Union (SACU)	Economic Community of West African States (ECOWAS)
Benin	Cameroon	Burundi	*Burundi	Angola	Botswana	Benin
Burkina Faso	Central African Republic	Comoros	*Kenya	Botswana	Eswatini	Burkina Faso
Côte d'Ivoire	Chad	Congo, Democratic Republic of the	*Rwanda	Comoros	Lesotho	Cabo Verde
Guinea-Bissau	Congo, Republic of	Eritrea	*South Sudan	Congo, Democratic Republic of the	Namibia	Côte d'Ivoire
Mali	Equatorial Guinea	Eswatini	*Tanzania	Eswatini	South Africa	Gambia, The
Niger	Gabon	Ethiopia	*Uganda	Lesotho		Ghana
Senegal		Kenya		Madagascar		Guinea
Togo		Madagascar		Malawi		Guinea-Bissau
		Malawi		Mauritius		Liberia
		Mauritius		Mozambique		Mali
		Rwanda		Namibia		Niger
		Seychelles		Seychelles		Nigeria
		Uganda		South Africa		Senegal
		Zambia		Tanzania		Sierra Leone
		Zimbabwe		Zambia		Togo
				Zimbabwe		

Sub-Saharan Africa Country Abbreviations

AGO	Angola	CPV	Cabo Verde	LSO	Lesotho	SLE	Sierra Leone
BDI	Burundi	ERI	Eritrea	MDG	Madagascar	SSD	South Sudan
BEN	Benin	ETH	Ethiopia	MLI	Mali	STP	São Tomé and Príncipe
BFA	Burkina Faso	GAB	Gabon	MOZ	Mozambique	SWZ	Eswatini
BWA	Botswana	GHA	Ghana	MUS	Mauritius	SYC	Seychelles
CAF	Central African Republic	GIN	Guinea	MWI	Malawi	TCD	Chad
CIV	Côte d'Ivoire	GMB	Gambia, The	NAM	Namibia	TGO	Togo
CMR	Cameroon	GNB	Guinea-Bissau	NER	Niger	TZA	Tanzania
COD	Congo, Democratic Republic of the	GNQ	Equatorial Guinea	NGA	Nigeria	UGA	Uganda
COG	Congo, Republic of	KEN	Kenya	RWA	Rwanda	ZAF	South Africa
COM	Comoros	LBR	Liberia	SEN	Senegal	ZMB	Zambia
						ZWE	Zimbabwe

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Tables SA1.,SA2.,SA3.

Sources: IMF, Common Surveillance database; and IMF, World Economic Outlook database, April 2022.

¹ Fiscal year data.

² For Zambia, government debt projections for 2022–23 are omitted due to ongoing debt restructuring.

³ In 2019 Zimbabwe authorities introduced the real-time gross settlement (RTGS) dollar, later renamed the Zimbabwe dollar, and are in the process of redenominating their national accounts statistics. Current data are subject to revision. The Zimbabwe dollar previously ceased circulating in 2009, and between 2009–19, Zimbabwe operated under a multicurrency regime with the US dollar as the unit of account.

Note: “...” denotes data not available.

Table SA4.

Sources: IMF, Common Surveillance database; and IMF, World Economic Outlook database, April 2022.

¹ As a member of the West African Economic and Monetary Union (WAEMU), see WAEMU aggregate for reserves data.

² As a member of the Central African Economic and Monetary Community (CEMAC), see CEMAC aggregate for reserves data.

³ Fiscal year data.

⁴ For Zambia, external debt projections for 2022–23 are omitted due to ongoing debt restructuring.

⁵ In 2019 Zimbabwe authorities introduced the real-time gross settlement (RTGS) dollar, later renamed the Zimbabwe dollar, and are in the process of redenominating their national accounts statistics. Current data are subject to revision. The Zimbabwe dollar previously ceased circulating in 2009, and between 2009–19, Zimbabwe operated under a multicurrency regime with the US dollar as the unit of account.

Note: “...” denotes data not available.

Table SA1. Real GDP Growth and Consumer Prices

	Real GDP (Annual percent change)						Consumer Prices, Annual Average (Annual percent change)					
	2010–18	2019	2020	2021	2022	2023	2010–18	2019	2020	2021	2022	2023
Angola	2.5	-0.7	-5.6	0.7	3.0	3.3	16.0	17.1	22.3	25.8	23.9	13.2
Benin	4.5	6.9	3.8	6.6	5.9	6.1	1.5	-0.9	3.0	1.7	4.6	1.8
Botswana	4.9	3.0	-8.7	12.5	4.3	4.2	5.1	2.7	1.9	6.7	8.9	4.5
Burkina Faso	6.1	5.7	1.9	6.9	4.7	5.0	1.3	-3.2	1.9	3.9	6.0	2.0
Burundi	2.3	1.8	0.3	2.4	3.6	4.6	6.1	-0.7	7.3	8.3	9.2	6.5
Cabo Verde	2.4	5.7	-14.8	6.9	5.2	5.8	1.2	1.1	0.6	1.9	2.3	2.0
Cameroon	4.4	3.5	0.5	3.5	4.3	4.9	1.8	2.5	2.5	2.3	2.9	2.3
Central African Republic	-0.6	3.0	1.0	1.0	3.5	3.7	4.7	2.8	0.9	4.3	4.0	3.6
Chad	3.5	3.4	-2.2	-1.1	3.3	3.5	1.7	-1.0	4.5	-0.8	4.1	3.1
Comoros	3.4	1.8	-0.3	2.2	3.5	3.7	1.8	3.7	0.8	1.5	5.0	1.5
Congo, Democratic Republic of the	6.4	4.4	1.7	5.7	6.4	6.9	12.3	4.7	11.4	9.0	6.4	6.1
Congo, Republic of	0.5	-0.4	-8.1	-0.2	2.4	2.7	2.3	0.4	1.4	2.0	2.7	3.0
Côte d'Ivoire	6.3	6.2	2.0	6.5	6.0	6.7	1.6	0.8	2.4	4.2	5.5	2.3
Equatorial Guinea	-3.1	-6.0	-4.9	-3.5	6.1	-2.9	2.9	1.2	4.8	-0.1	4.0	3.9
Eritrea	5.4	3.8	-0.6	2.9	4.7	3.6	3.6	-16.4	4.8	4.5	6.2	3.5
Eswatini	2.7	2.6	-1.9	3.1	2.1	1.8	6.1	2.6	3.9	3.7	4.8	4.2
Ethiopia ¹	9.7	9.0	6.1	6.3	3.8	5.7	13.5	15.8	20.4	26.8	34.5	30.5
Gabon	4.0	3.9	-1.9	0.9	2.7	3.4	2.2	2.0	1.3	1.1	2.9	2.6
The Gambia	2.5	6.2	-0.2	5.6	5.6	6.2	6.1	7.1	5.9	7.4	8.0	8.0
Ghana	6.7	6.5	0.4	4.2	5.2	5.1	11.7	7.1	9.9	10.0	16.3	13.0
Guinea	6.1	5.6	6.4	4.2	4.8	5.8	12.1	9.5	10.6	12.6	12.7	12.3
Guinea-Bissau	4.0	4.5	1.5	3.8	3.8	4.5	1.4	0.3	1.5	3.3	4.0	3.0
Kenya	5.0	5.0	-0.3	7.2	5.7	5.3	7.3	5.2	5.3	6.1	7.2	7.1
Lesotho	2.4	0.0	-6.0	2.1	3.1	1.6	4.9	5.2	5.0	6.0	6.1	5.6
Liberia	3.8	-2.5	-3.0	4.2	4.5	5.5	10.3	27.0	17.0	7.8	8.2	6.9
Madagascar	2.8	4.4	-7.1	3.5	5.1	5.2	7.4	5.6	4.2	5.8	8.8	6.8
Malawi	4.2	5.4	0.9	2.2	2.7	4.3	17.0	9.4	8.6	9.3	10.7	7.1
Mali	4.4	4.8	-1.2	3.1	2.0	5.3	1.5	-2.9	0.5	4.0	8.0	3.0
Mauritius	3.8	3.0	-14.9	3.9	6.1	5.6	3.3	0.5	2.5	4.0	8.4	5.7
Mozambique	5.9	2.3	-1.2	2.2	3.8	5.0	8.1	2.8	3.1	5.7	8.5	7.7
Namibia	3.6	-0.9	-8.5	0.9	2.8	3.7	5.3	3.7	2.2	3.6	5.5	4.6
Niger	6.2	5.9	3.6	1.3	6.9	7.2	1.1	-2.5	2.9	3.8	5.0	3.0
Nigeria	4.0	2.2	-1.8	3.6	3.4	3.1	11.8	11.4	13.2	17.0	16.1	13.1
Rwanda	6.9	9.5	-3.4	10.2	6.4	7.4	3.9	2.4	7.7	0.8	8.0	7.0
São Tomé & Príncipe	4.5	2.2	3.0	1.8	1.6	2.8	8.7	7.7	9.8	8.1	14.5	9.2
Senegal	4.9	4.6	1.3	6.1	5.0	9.2	1.0	1.0	2.5	2.2	3.0	2.2
Seychelles	5.1	3.1	-7.7	8.0	4.6	5.6	2.5	1.8	1.2	9.8	5.6	1.6
Sierra Leone	5.0	5.3	-2.0	3.2	3.4	4.3	9.2	14.8	13.4	11.9	17.3	14.5
South Africa	1.9	0.1	-6.4	4.9	1.9	1.4	5.3	4.1	3.3	4.5	5.7	4.6
South Sudan	-5.9	0.9	-6.6	5.3	6.5	5.6	107.2	51.2	24.0	5.3	16.0	15.0
Tanzania	6.6	7.0	4.8	4.9	4.8	5.2	7.7	3.4	3.3	3.7	4.4	5.4
Togo	5.7	5.5	1.8	5.1	5.6	6.2	1.3	0.7	1.8	4.3	4.6	2.0
Uganda	5.3	7.7	-1.4	5.1	4.9	6.5	7.1	2.3	2.8	2.2	6.1	4.1
Zambia	5.3	1.4	-2.8	4.3	3.1	3.6	8.9	9.2	15.7	20.5	15.7	9.2
Zimbabwe ²	7.4	-6.1	-5.3	6.3	3.5	3.0	2.1	255.3	557.2	98.5	86.7	46.5
Sub-Saharan Africa	4.2	3.1	-1.7	4.5	3.8	4.0	8.3	8.1	10.2	11.0	12.2	9.6
<i>Median</i>	4.6	3.8	-1.2	3.9	4.3	5.0	4.6	2.8	3.9	4.5	6.2	4.6
Excluding Nigeria and South Africa	5.2	4.6	0.0	4.8	4.6	5.2	7.9	8.1	11.2	10.6	12.6	9.7
Oil-exporting countries	3.5	1.7	-2.3	2.9	3.5	3.2	11.4	11.0	13.0	15.8	15.3	11.6
Excluding Nigeria	2.4	0.6	-3.7	1.1	3.6	3.4	10.3	10.2	12.4	12.8	13.2	8.0
Oil-importing countries	4.5	3.9	-1.3	5.4	4.0	4.5	6.5	6.5	8.7	8.5	10.5	8.5
Excluding South Africa	6.0	5.6	0.9	5.5	4.9	5.6	7.3	7.6	11.0	10.2	12.5	10.0
Middle-income countries	3.6	2.1	-3.0	4.3	3.6	3.4	8.3	7.3	8.5	10.5	11.1	8.5
Excluding Nigeria and South Africa	4.4	3.4	-1.7	4.5	4.7	4.9	7.4	6.0	7.9	9.0	10.3	7.1
Low-income countries	6.2	6.0	2.0	5.0	4.6	5.6	8.5	10.6	15.0	12.4	15.3	12.6
Excluding low-income countries in fragile situations	6.9	7.3	2.8	5.4	4.6	5.7	8.3	7.1	9.5	11.8	16.0	14.0
Countries in fragile situations	5.1	3.9	0.4	4.6	4.8	5.7	6.7	12.6	19.0	10.4	11.0	7.2
CFA franc zone	4.4	4.4	0.6	4.2	4.8	5.6	1.7	0.2	2.4	2.8	4.5	2.4
CEMAC	2.6	2.0	-1.6	1.4	3.9	3.4	2.2	1.6	2.7	1.5	3.2	2.7
WAEMU	5.6	5.7	1.8	5.6	5.3	6.7	1.4	-0.6	2.2	3.5	5.3	2.3
COMESA (SSA members)	6.2	5.7	0.5	5.9	4.8	5.5	8.8	12.2	17.3	14.6	17.0	13.9
EAC-5	5.6	6.3	0.9	6.2	5.3	5.6	7.2	3.9	4.4	4.4	6.2	6.0
ECOWAS	4.7	3.5	-0.6	4.2	4.1	4.3	9.6	8.2	10.2	12.7	13.3	10.3
SACU	2.1	0.2	-6.5	5.1	2.1	1.6	5.3	4.0	3.2	4.6	5.9	4.6
SADC	3.1	1.2	-4.4	4.4	3.1	3.0	7.5	8.6	10.8	9.5	9.9	7.0

See page 27 for sources and footnotes

Table SA2. Overall Fiscal Balance, Including Grants and Government Debt

	Overall Fiscal Balance, Including Grants						Government Debt					
	(Percent of GDP)						(Percent of GDP)					
	2010-18	2019	2020	2021	2022	2023	2010-18	2019	2020	2021	2022	2023
Angola	-0.2	0.8	-1.9	2.8	3.1	1.6	51.3	113.6	136.8	86.3	57.9	54.6
Benin	-2.4	-0.5	-4.7	-5.8	-4.5	-3.5	27.9	42.5	46.1	50.6	49.3	48.7
Botswana	-0.9	-8.5	-11.0	-4.7	-3.1	1.0	18.0	16.5	19.0	21.3	23.2	22.9
Burkina Faso	-3.4	-3.4	-5.7	-5.6	-6.1	-5.0	29.6	42.0	46.5	50.7	53.4	53.1
Burundi	-4.8	-6.4	-6.6	-3.9	-7.4	-7.5	43.6	60.0	66.0	68.6	69.2	69.6
Cabo Verde	-6.5	-1.8	-9.1	-8.5	-7.1	-5.1	107.6	124.9	158.8	154.1	159.2	152.7
Cameroon	-3.3	-3.2	-3.2	-3.2	-1.2	0.7	24.5	41.6	44.9	47.1	45.2	41.0
Central African Republic	-1.6	1.4	-3.4	-6.0	-2.5	-2.0	44.3	47.2	43.4	47.6	46.3	44.7
Chad	-1.3	-0.2	2.1	-0.8	5.9	8.3	38.7	51.1	52.1	58.2	46.5	39.8
Comoros	1.4	-4.3	-0.5	-2.4	-5.6	-5.3	18.9	19.5	22.3	25.2	30.4	34.5
Congo, Democratic Republic of the	0.2	-2.0	-1.4	-0.0	-3.3	-2.4	20.4	15.0	15.6	12.7	10.6	8.7
Congo, Republic of	-0.9	4.7	-1.2	2.0	11.3	7.7	57.9	81.7	110.1	85.8	64.0	62.4
Côte d'Ivoire	-2.3	-2.3	-5.6	-5.6	-4.7	-3.8	33.5	38.4	47.0	51.4	51.8	51.4
Equatorial Guinea	-5.7	1.8	-1.7	1.7	3.5	4.4	21.2	43.0	48.8	39.9	27.8	30.4
Eritrea	-4.9	0.6	-4.4	-4.0	-1.0	0.1	174.9	187.1	182.2	170.8	151.9	140.1
Eswatini	-4.8	-7.0	-5.4	-5.7	-5.8	-2.6	19.6	39.6	42.1	42.8	45.6	44.3
Ethiopia ¹	-2.1	-2.5	-2.8	-2.8	-4.0	-3.3	47.5	54.7	53.7	52.9	48.3	42.7
Gabon	0.6	2.1	-2.2	-1.5	1.6	3.5	40.2	59.8	77.3	69.5	57.4	57.2
The Gambia	-4.4	-2.5	-2.2	-4.4	-4.4	-2.3	65.8	83.0	85.0	83.0	80.4	75.5
Ghana	-6.6	-7.3	-15.6	-11.6	-8.7	-7.8	47.0	62.7	78.3	81.8	84.6	84.8
Guinea	-3.4	-0.5	-2.9	-1.5	-4.4	-4.2	43.5	38.4	44.0	39.3	39.1	37.5
Guinea-Bissau	-2.5	-4.0	-10.0	-5.9	-4.1	-4.0	53.7	66.5	79.4	80.7	79.7	77.7
Kenya	-5.8	-7.4	-8.1	-8.1	-6.9	-5.3	44.2	58.6	67.6	68.1	70.3	69.4
Lesotho	-2.8	-7.5	0.3	-6.9	-7.8	-6.1	40.9	50.5	54.2	54.7	52.5	50.3
Liberia	-3.2	-4.8	-3.8	-2.9	-2.9	-2.7	26.2	48.9	58.3	52.9	51.6	51.6
Madagascar	-2.0	-1.4	-4.0	-6.3	-6.3	-4.1	36.9	38.5	49.0	53.4	57.9	56.7
Malawi	-3.2	-4.5	-8.2	-8.5	-7.8	-7.5	32.6	45.3	54.8	63.5	66.9	71.2
Mali	-2.8	-1.7	-5.4	-4.9	-4.5	-3.5	29.8	40.7	47.3	52.1	53.4	52.1
Mauritius	-2.7	-8.4	-10.9	-7.2	-4.9	-5.2	60.5	84.6	99.2	100.7	98.9	96.1
Mozambique	-4.8	-0.1	-5.1	-3.6	-3.0	-3.8	70.7	96.1	119.0	102.3	102.0	94.8
Namibia	-6.0	-5.5	-8.2	-8.9	-7.8	-5.0	33.8	59.5	66.7	70.2	69.6	68.2
Niger	-3.4	-3.6	-5.3	-5.9	-5.4	-4.2	25.1	39.8	45.0	52.9	53.8	53.1
Nigeria	-3.0	-4.7	-5.7	-6.0	-6.4	-5.9	19.7	29.2	34.5	37.0	37.4	38.8
Rwanda	-2.1	-5.1	-9.4	-6.9	-6.8	-6.3	29.6	49.8	64.6	68.6	72.0	73.6
São Tomé & Príncipe	-6.0	-0.1	5.9	0.9	1.2	0.4	82.2	71.6	81.4	61.3	63.1	60.0
Senegal	-3.9	-3.9	-6.4	-6.3	-4.7	-3.7	43.3	63.6	69.2	75.7	75.3	71.3
Seychelles	1.4	0.9	-17.4	-5.8	-6.7	-0.8	70.1	54.2	89.1	72.5	76.7	73.0
Sierra Leone	-5.3	-3.1	-5.8	-6.9	-3.9	-3.2	48.6	72.4	76.3	76.2	75.0	73.1
South Africa	-4.0	-4.7	-9.7	-6.4	-5.8	-6.1	42.2	56.3	69.4	69.1	70.2	73.4
South Sudan	-7.0	0.1	6.7	10.0	8.9	3.9	41.8	28.1	37.2	58.2	50.5	21.2
Tanzania	-3.0	-2.0	-2.5	-3.3	-3.3	-3.0	35.0	39.0	40.5	40.8	39.8	38.9
Togo	-4.2	1.6	-6.9	-6.5	-4.9	-4.0	46.8	52.4	60.3	63.8	63.6	62.3
Uganda	-3.0	-4.8	-7.5	-7.8	-5.6	-4.1	25.6	37.6	46.4	51.6	53.1	52.4
Zambia ²	-5.6	-9.4	-13.8	-8.7	-9.0	-6.8	44.7	99.7	140.2	123.2	...	...
Zimbabwe ³	-3.3	-1.0	0.8	-2.0	-2.6	-2.7	47.7	93.2	102.6	67.6	67.2	61.7
Sub-Saharan Africa	-3.2	-3.9	-6.4	-5.3	-4.7	-4.2	35.0	50.0	57.4	56.9	55.1	54.3
<i>Median</i>	-3.2	-2.5	-5.3	-5.6	-4.5	-3.7	39.0	51.1	58.3	61.3	57.9	56.7
Excluding Nigeria and South Africa	-3.0	-3.2	-5.5	-4.5	-3.4	-2.7	39.9	57.5	63.9	60.6	57.3	54.7
Oil-exporting countries	-2.5	-3.3	-4.6	-4.1	-3.4	-3.3	27.2	43.8	48.5	46.3	42.5	42.0
Excluding Nigeria	-1.5	0.3	-1.6	0.7	3.0	2.6	42.8	79.9	88.2	68.9	53.1	49.2
Oil-importing countries	-3.8	-4.3	-7.3	-5.9	-5.4	-4.8	40.5	53.5	62.2	62.2	62.3	61.7
Excluding South Africa	-3.6	-4.1	-6.3	-5.6	-5.2	-4.2	39.3	52.0	59.0	58.7	58.5	56.2
Middle-income countries	-3.4	-4.4	-7.4	-5.9	-4.9	-4.6	34.4	50.9	59.5	59.1	57.1	57.3
Excluding Nigeria and South Africa	-3.2	-4.0	-7.3	-5.3	-3.1	-2.4	41.5	65.9	75.2	69.5	64.4	62.7
Low-income countries	-2.7	-2.3	-3.4	-3.5	-3.8	-3.1	37.7	47.2	51.4	50.3	48.7	45.3
Excluding low-income countries in fragile situations	-2.9	-2.7	-4.1	-4.4	-4.4	-3.7	38.7	48.8	52.6	53.4	52.3	49.5
Countries in fragile situations	-2.2	-1.4	-3.1	-2.9	-2.6	-2.1	37.0	45.4	51.9	49.3	46.8	43.4
CFA franc zone	-2.6	-1.5	-4.4	-4.1	-2.0	-1.2	33.1	47.2	54.0	56.2	53.2	51.8
CEMAC	-2.4	-0.1	-2.0	-1.4	2.5	3.4	33.3	51.7	59.2	56.4	47.9	45.5
WAEMU	-2.9	-2.4	-5.7	-5.7	-4.9	-3.9	33.6	44.4	51.1	56.1	56.5	55.4
COMESA (SSA members)	-3.3	-4.6	-5.5	-5.1	-5.3	-4.1	40.1	54.4	61.0	58.5	58.0	54.8
EAC-5	-4.2	-5.3	-6.4	-6.5	-5.6	-4.4	37.0	48.9	55.7	57.1	57.9	56.8
ECOWAS	-3.3	-4.3	-6.6	-6.4	-6.2	-5.5	25.6	36.7	43.8	47.2	46.9	47.2
SACU	-3.9	-4.9	-9.6	-6.4	-5.7	-5.8	40.8	54.6	66.9	66.9	68.0	70.8
SADC	-3.1	-3.7	-7.1	-4.6	-4.0	-4.0	42.0	61.1	71.2	64.8	62.1	62.0

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Table SA3. Broad Money and External Current Account, Including Grants

	Broad Money (Percent of GDP)						External Current Account, Including Grants (Percent of GDP)					
	2010–18	2019	2020	2021	2022	2023	2010–18	2019	2020	2021	2022	2023
Angola	34.8	33.1	37.7	24.5	22.7	22.3	3.3	6.1	1.5	11.3	11.0	4.9
Benin	27.8	27.8	30.5	30.5	30.5	30.5	-5.0	-4.0	-1.7	-4.5	-5.8	-5.5
Botswana	45.0	47.2	52.5	50.6	49.8	49.7	2.1	-7.0	-10.8	-0.5	0.5	2.8
Burkina Faso	30.5	40.7	45.0	48.7	51.8	54.5	-4.9	-3.3	-0.1	-3.1	-5.7	-5.3
Burundi	25.7	39.6	46.3	50.9	52.7	54.4	-14.1	-11.6	-10.2	-13.5	-18.6	-15.7
Cabo Verde	92.4	102.0	125.3	116.2	112.7	109.2	-8.4	-0.4	-15.9	-12.5	-11.5	-8.6
Cameroon	21.3	24.0	26.6	29.3	31.2	32.1	-3.2	-4.3	-3.7	-3.3	-1.6	-2.9
Central African Republic	22.7	28.0	30.3	33.3	31.7	30.5	-7.6	-4.9	-8.5	-10.6	-11.0	-8.4
Chad	13.9	17.0	20.8	22.3	21.7	21.2	-8.1	-4.4	-7.6	-4.5	1.3	-2.3
Comoros	24.2	28.1	31.2	36.5	36.5	36.5	-2.7	-3.3	-1.6	-3.4	-8.3	-8.2
Congo, Democratic Republic of the	11.4	15.1	20.2	22.1	26.2	30.6	-5.4	-3.2	-2.2	-1.0	-0.3	-0.3
Congo, Republic of	27.2	24.4	36.4	31.8	28.8	32.2	-5.4	0.4	-0.1	15.4	26.0	14.7
Côte d'Ivoire	11.0	11.7	13.8	15.5	13.6	13.2	0.1	-2.3	-3.2	-3.7	-4.8	-4.4
Equatorial Guinea	15.2	16.0	17.3	14.3	11.9	7.3	-9.7	-0.9	-4.2	-3.4	-1.6	-2.0
Eritrea	199.0	241.5	235.3	226.6	211.5	202.6	12.1	13.0	11.4	13.5	13.5	13.3
Eswatini	26.5	28.3	32.4	30.7	33.9	33.9	4.6	4.3	6.7	0.5	-2.1	-0.2
Ethiopia ¹	28.5	33.0	30.8	31.1	26.5	24.2	-7.0	-5.3	-4.6	-3.2	-4.5	-4.4
Gabon	23.3	23.3	27.9	24.6	22.4	26.1	4.9	-0.9	-6.0	-6.9	1.7	-0.1
The Gambia	36.7	47.2	55.5	59.8	56.7	53.2	-8.0	-6.1	-3.2	-9.5	-14.9	-11.8
Ghana	23.6	26.1	31.4	30.6	30.6	30.4	-6.1	-2.7	-3.1	-3.0	-3.6	-3.5
Guinea	24.3	24.5	25.6	23.6	23.8	23.8	-15.6	-11.5	-13.7	-4.0	-9.6	-8.5
Guinea-Bissau	36.7	43.4	47.1	48.8	46.7	45.2	-2.3	-8.8	-2.6	-3.1	-5.6	-4.8
Kenya	36.9	34.4	37.1	35.2	34.3	33.8	-6.9	-5.3	-4.7	-5.4	-5.8	-5.3
Lesotho	34.6	35.4	41.8	40.6	39.1	38.4	-6.5	-2.1	-2.0	-9.3	-15.6	-8.9
Liberia	20.2	20.9	25.5	24.8	24.9	25.0	-17.8	-19.6	-16.3	-17.8	-16.1	-15.9
Madagascar	23.0	24.8	28.7	31.1	32.3	31.8	-3.4	-2.3	-5.4	-5.5	-6.5	-6.2
Malawi	17.1	16.0	17.5	17.5	17.5	17.5	-9.3	-12.6	-13.8	-14.5	-17.3	-15.4
Mali	26.5	29.6	36.5	40.3	40.3	40.3	-5.6	-7.5	-2.3	-4.5	-5.3	-4.9
Mauritius	104.3	120.8	163.7	165.8	153.0	143.6	-6.5	-5.4	-12.5	-11.1	-14.0	-8.0
Mozambique	31.9	36.9	43.3	42.7	43.2	43.4	-30.7	-19.1	-27.6	-22.4	-44.9	-39.0
Namibia	58.3	63.9	71.3	71.2	71.2	71.2	-8.3	-1.8	3.0	-7.3	-6.9	-4.4
Niger	17.1	17.1	19.2	21.3	23.2	23.8	-12.9	-12.2	-13.4	-15.8	-15.8	-13.8
Nigeria	22.1	23.9	25.0	24.9	25.3	26.2	1.9	-3.3	-4.0	-0.8	-1.1	-1.1
Rwanda	21.4	25.7	28.9	30.2	29.9	30.6	-9.9	-11.9	-11.9	-10.5	-11.4	-10.3
São Tomé & Príncipe	37.4	31.8	32.4	30.0	30.0	30.0	-16.8	-12.1	-10.3	-9.7	-12.1	-8.7
Senegal	33.2	41.5	45.3	48.2	50.5	50.0	-6.7	-7.9	-10.9	-11.8	-13.0	-8.4
Seychelles	64.7	82.5	119.0	107.7	84.0	80.6	-19.1	-16.2	-23.0	-20.3	-30.0	-23.6
Sierra Leone	22.0	23.2	29.5	31.7	31.4	31.1	-22.9	-14.3	-6.8	-13.0	-17.2	-13.7
South Africa	66.5	67.1	74.6	70.5	70.4	71.1	-3.4	-2.6	2.0	3.7	1.3	-1.0
South Sudan	18.1	13.6	14.6	16.3	15.5	10.1	3.5	1.5	-15.6	-7.6	9.5	1.1
Tanzania	22.6	20.4	21.3	21.5	21.5	21.4	-7.5	-2.6	-1.8	-3.3	4.3	-3.6
Togo	36.2	42.0	45.4	46.9	47.1	47.2	-5.4	-0.8	-1.5	-3.3	-5.9	-6.4
Uganda	17.2	19.4	22.5	25.1	23.5	23.4	-5.7	-6.2	-9.3	-7.9	-7.0	-9.8
Zambia	20.1	23.6	31.3	35.4	34.8	34.2	1.1	0.6	12.0	6.7	4.4	4.3
Zimbabwe ²	24.3	18.7	17.1	16.4	18.5	21.7	-9.9	4.0	4.7	3.6	2.5	1.5
Sub-Saharan Africa	34.8	35.5	38.6	37.5	37.0	37.0	-2.5	-3.2	-3.0	-1.1	-1.7	-2.5
<i>Median</i>	25.8	28.0	31.3	31.1	31.4	31.8	-5.7	-4.0	-4.2	-4.5	-5.8	-5.3
Excluding Nigeria and South Africa	27.8	29.5	32.7	32.0	31.1	30.9	-4.5	-3.5	-4.3	-3.2	-3.1	-3.6
Oil-exporting countries	23.7	24.9	26.9	24.9	24.9	25.7	1.4	-1.9	-3.6	0.4	1.7	0.0
Excluding Nigeria	27.4	27.4	31.4	25.1	24.2	24.3	0.3	1.6	-2.5	3.5	7.4	2.7
Oil-importing countries	41.8	41.4	45.2	44.3	43.4	43.1	-5.2	-4.0	-2.6	-1.9	-3.6	-4.0
Excluding South Africa	27.9	30.0	33.0	33.5	32.6	32.3	-6.5	-4.7	-4.7	-4.7	-6.0	-5.4
Middle-income countries	37.8	38.4	42.2	40.2	39.8	40.0	-1.2	-2.6	-2.0	0.2	-0.2	-1.3
Excluding Nigeria and South Africa	30.6	31.7	36.2	34.0	33.0	32.7	-2.0	-2.0	-3.1	-1.7	-0.5	-1.6
Low-income countries	24.2	27.0	28.8	29.8	29.1	28.9	-8.3	-5.4	-5.6	-4.9	-6.3	-6.1
Excluding low-income countries in fragile situations	24.3	27.3	28.4	29.4	27.8	27.1	-9.3	-6.1	-6.3	-6.1	-8.3	-7.9
Countries in fragile situations	20.8	22.1	25.6	26.5	26.5	27.3	-5.1	-3.7	-4.0	-2.4	-2.1	-2.8
CFA franc zone	21.6	24.5	28.0	29.6	29.6	30.0	-3.7	-4.0	-4.5	-4.5	-3.3	-3.9
CEMAC	20.4	22.2	26.0	26.4	26.2	27.1	-3.6	-2.6	-4.3	-2.0	2.9	-0.0
WAEMU	22.4	25.7	29.1	31.3	31.3	31.5	-4.1	-4.9	-4.6	-6.1	-7.3	-6.2
COMESA (SSA members)	29.7	32.0	34.6	35.0	33.4	32.8	-5.9	-4.4	-4.1	-3.7	-4.3	-4.2
EAC-5	27.3	27.0	29.3	29.2	28.5	28.3	-7.1	-5.1	-5.1	-5.6	-6.0	-6.0
ECOWAS	22.5	24.8	27.0	27.3	27.6	28.2	-0.5	-3.9	-4.3	-2.6	-3.2	-2.8
SACU	64.8	65.6	72.9	68.9	68.8	69.5	-3.3	-2.7	1.5	3.1	0.9	-1.0
SADC	50.0	49.4	55.0	51.6	51.3	51.5	-3.3	-1.9	-0.1	1.9	0.4	-1.3

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Table SA4. External Debt, Official Debt, Debtor Based and Reserves

	External Debt, Official Debt, Debtor Based						Reserves					
	(Percent of GDP)						(Months of imports of goods and services)					
	2010–18	2019	2020	2021	2022	2023	2010–18	2019	2020	2021	2022	2023
Angola	29.2	59.5	89.1	72.7	44.8	43.6	8.3	13.6	10.2	6.2	6.6	6.6
Benin ¹	14.2	25.1	30.3	36.2	36.6	35.6	...	...	...	...	...	...
Botswana	15.8	11.8	11.8	9.8	11.3	11.0	11.6	10.0	6.5	6.2	6.3	7.1
Burkina Faso ¹	21.1	23.2	25.4	23.6	23.2	22.1	...	...	...	...	...	...
Burundi	20.0	18.0	17.5	20.0	19.6	18.4	2.8	1.3	1.0	2.1	1.6	1.2
Cabo Verde	81.3	107.3	142.8	124.6	135.6	129.5	5.1	8.9	6.9	7.4	6.4	5.7
Cameroon ²	16.1	29.2	32.5	32.3	33.7	32.7	...	...	...	...	...	...
Central African Republic ²	26.1	35.8	36.3	32.8	32.9	30.8	...	...	...	...	...	...
Chad ²	24.1	24.2	27.3	26.2	23.2	21.6	...	...	...	...	...	...
Comoros	17.7	19.6	24.1	23.3	29.8	33.9	7.0	7.0	8.0	8.2	7.1	6.8
Congo, Democratic Republic of the	15.7	12.8	12.9	11.3	9.4	7.7	1.1	0.8	0.6	0.8	1.1	1.4
Congo, Republic of ²	23.8	31.0	34.2	29.3	25.0	26.2	...	...	...	...	...	...
Côte d'Ivoire ¹	24.4	30.0	34.1	33.1	33.8	32.7	...	...	...	...	...	...
Equatorial Guinea ²	8.1	13.9	16.4	12.0	9.7	12.0	...	...	...	...	...	...
Eritrea	63.4	61.7	58.1	53.7	47.6	44.0	3.7	2.5	2.2	2.2	2.8	3.4
Eswatini	8.2	12.7	15.3	15.9	18.0	18.3	3.8	3.2	3.1	3.0	3.0	3.0
Ethiopia ³	24.5	28.2	28.8	29.0	27.0	24.3	2.0	2.2	2.0	1.6	0.8	0.8
Gabon ²	27.4	38.9	49.0	38.1	33.7	34.8	...	...	...	...	...	...
The Gambia	35.1	46.4	48.9	46.5	45.1	43.5	3.7	4.0	5.1	5.8	4.7	4.3
Ghana	23.6	29.6	36.0	36.0	36.9	34.6	2.7	3.2	3.2	3.1	2.7	2.3
Guinea	26.8	19.7	25.1	26.0	26.6	27.8	2.2	1.5	2.0	2.2	1.8	2.1
Guinea-Bissau ¹	29.4	37.8	44.9	40.1	41.7	38.9	...	...	...	...	...	...
Kenya	22.2	30.5	32.8	33.3	35.0	36.4	4.3	6.1	4.5	4.4	3.9	4.2
Lesotho	34.9	38.8	48.2	42.5	43.9	45.2	4.8	3.9	4.3	4.3	3.9	3.4
Liberia	15.3	35.2	40.9	37.6	37.8	37.5	2.1	2.2	2.1	4.0	4.0	4.1
Madagascar	23.2	26.9	36.4	40.1	43.3	45.0	3.1	5.3	4.9	5.2	5.0	4.8
Malawi	17.3	28.0	31.8	31.7	37.0	39.3	2.3	3.1	2.0	0.5	0.3	0.7
Mali ¹	22.2	26.5	31.8	29.3	28.8	26.8	...	...	...	...	...	...
Mauritius	13.7	10.9	21.1	22.4	30.1	28.5	6.9	16.9	15.0	14.7	11.4	10.0
Mozambique	58.8	80.8	91.6	82.1	76.1	76.2	3.2	5.3	4.6	2.5	2.3	2.2
Namibia	10.8	20.3	23.9	17.7	17.5	16.0	3.2	5.4	4.2	5.1	4.1	4.3
Niger ¹	17.0	25.4	33.0	33.0	34.4	33.0	...	...	...	...	...	...
Nigeria	3.1	6.7	8.0	9.1	8.8	8.7	5.9	6.3	6.6	5.9	6.5	7.0
Rwanda	24.7	43.2	53.9	55.8	59.3	60.9	3.7	4.6	5.4	4.6	4.0	3.7
São Tomé & Príncipe	76.6	65.4	64.9	61.3	63.1	60.0	3.8	3.3	5.0	4.4	5.2	5.1
Senegal ¹	30.1	47.4	48.9	45.8	45.9	42.3	...	...	...	...	...	...
Seychelles	37.9	26.3	40.7	39.3	36.4	40.0	3.4	5.7	4.6	4.6	3.8	3.6
Sierra Leone	30.4	41.4	48.3	47.9	48.3	48.0	2.9	4.5	4.6	5.4	4.3	4.0
South Africa	13.7	20.2	23.6	18.7	19.6	20.1	5.4	8.4	6.4	5.1	4.7	4.3
South Sudan	...	...	...	...	...	...	1.8	0.4	0.1	0.5	1.0	0.8
Tanzania	24.9	28.1	28.9	28.5	26.7	25.0	4.6	5.8	5.6	4.9	4.6	4.3
Togo ¹	12.8	17.6	28.7	25.8	28.0	27.4	...	...	...	...	...	...
Uganda	15.6	25.3	31.5	32.9	33.8	34.0	4.6	3.7	4.4	4.0	3.8	3.6
Zambia ⁴	21.8	48.7	66.6	57.6	...	...	2.8	2.6	1.2	2.6	2.8	3.5
Zimbabwe ⁵	33.6	31.2	30.8	21.8	19.5	20.4	0.5	0.3	0.1	1.2	0.8	0.8
Sub-Saharan Africa	15.4	22.9	26.6	25.1	24.0	23.4	4.9	6.0	5.1	4.5	4.5	4.6
<i>Median</i>	22.3	28.2	32.6	32.9	33.8	33.4	3.7	4.0	4.5	4.4	3.9	3.7
Excluding Nigeria and South Africa	23.3	32.0	36.7	34.7	32.6	31.7	4.2	4.9	3.9	3.6	3.5	3.6
Oil-exporting countries	9.9	17.1	20.0	20.2	17.7	17.1	6.0	6.9	6.4	5.4	6.0	6.5
Excluding Nigeria	24.6	43.5	55.5	47.9	36.7	36.4	6.3	8.3	5.9	4.3	5.2	5.6
Oil-importing countries	19.2	26.2	30.1	27.5	27.6	27.1	4.2	5.6	4.4	4.0	3.6	3.5
Excluding South Africa	23.0	29.3	33.0	31.9	31.5	30.5	3.4	4.0	3.5	3.4	3.1	3.1
Middle-income countries	13.4	21.4	25.1	23.6	22.5	22.1	5.5	7.0	5.8	5.1	5.2	5.4
Excluding Nigeria and South Africa	22.9	35.2	41.8	39.1	35.9	35.3	5.2	6.4	4.8	4.4	4.5	4.7
Low-income countries	24.0	28.0	30.8	29.6	28.5	27.4	2.7	3.0	2.9	2.7	2.3	2.3
Excluding low-income countries in fragile situations	25.0	31.1	34.1	34.1	33.2	31.7	3.4	3.9	3.7	3.4	2.9	2.7
Countries in fragile situations	23.0	25.3	28.3	25.9	25.0	24.3	2.5	2.1	2.0	2.2	2.4	2.5
CFA franc zone	20.8	29.7	34.1	32.2	31.8	31.0	4.7	4.8	4.7	4.7	4.7	4.8
CEMAC	19.1	28.9	33.2	29.8	27.9	28.3	4.2	3.6	3.2	2.7	3.6	4.4
WAEMU	22.4	30.2	34.6	33.7	34.2	32.6	5.0	5.6	5.5	5.8	5.3	5.0
COMESA (SSA members)	21.4	27.6	30.8	29.9	29.2	28.6	3.1	3.9	3.1	3.0	2.6	2.7
EAC-5	21.8	29.4	32.2	32.7	33.2	33.3	4.4	5.5	4.8	4.5	4.1	4.1
ECOWAS	9.3	15.1	18.2	19.2	18.4	17.6	5.0	5.3	5.3	4.9	5.3	5.6
SACU	13.7	19.9	23.1	18.4	19.3	19.7	5.5	8.3	6.3	5.1	4.7	4.4
SADC	18.8	27.4	32.5	27.3	25.7	25.5	5.4	7.7	5.8	4.7	4.4	4.3

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