

# Regional Economic Outlook Sub-Saharan Africa

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**African Department  
International  
Monetary Fund**

# Main Points

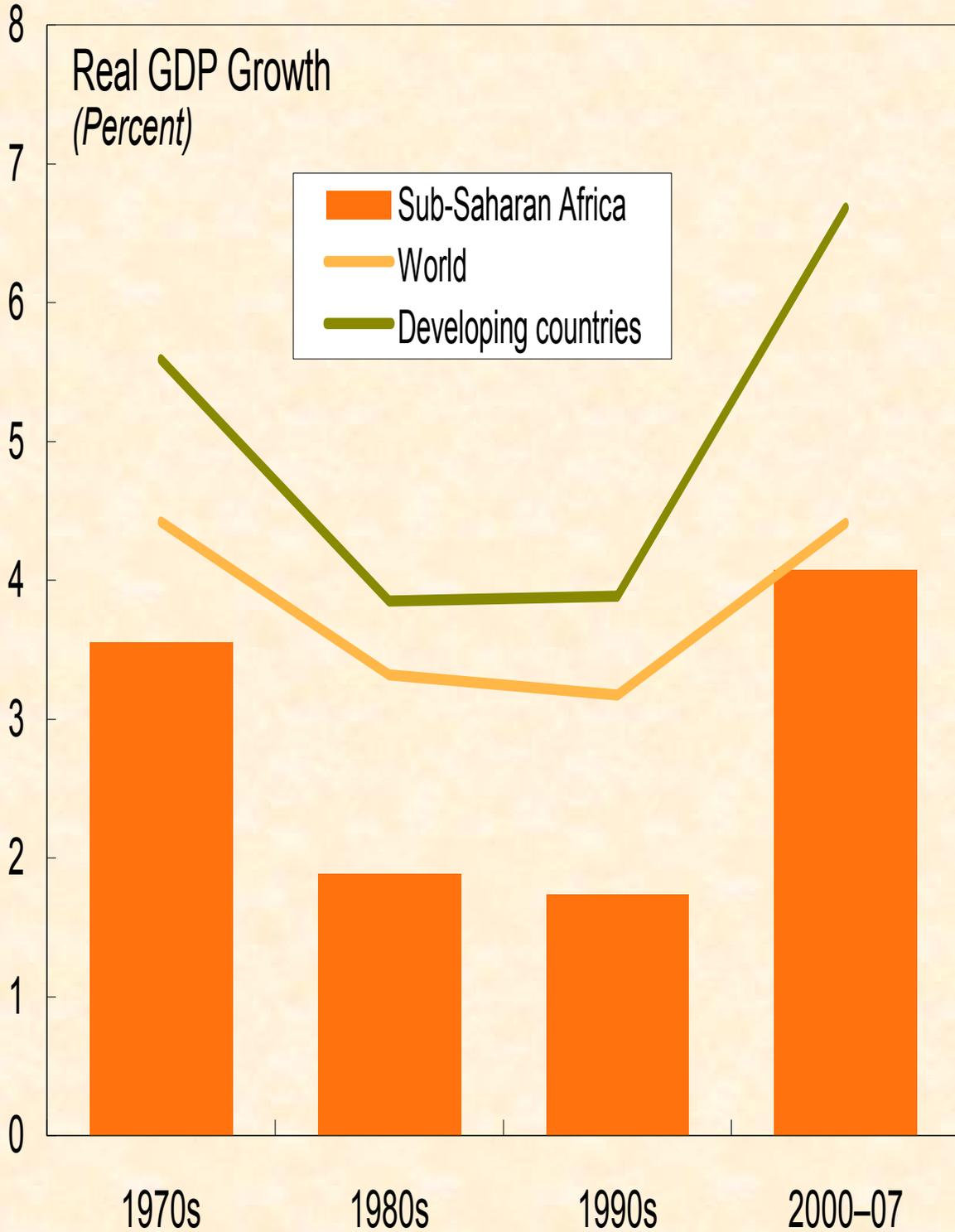
1. In 2007 sub-Saharan Africa experienced one of its highest growth rates in decades.
2. The region's economic prospects remain robust: GDP growth is expected at 6½ percent; inflation to remain contained at 8½ percent.
3. Compared to the 1990s, the region is better placed to withstand a worsening of the global environment.

# Main Points (cont'd)

4. Risks to the outlook are tilted to the downside.
5. Rising commodities prices pose immediate challenges.
6. Main medium-term challenge: accelerate growth and reduce poverty to achieve the MDGs

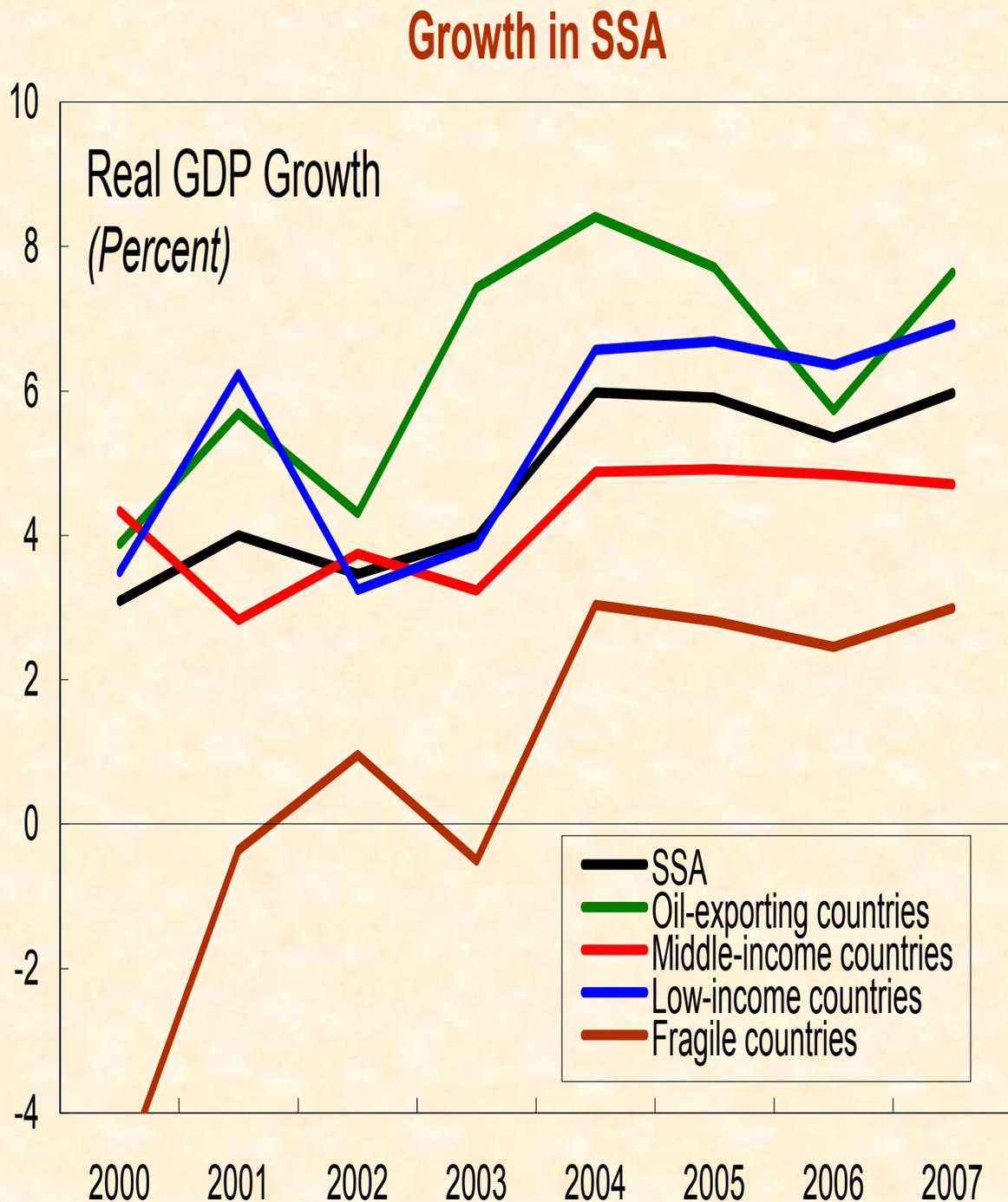
## A Comparison of Growth

Sub-Saharan Africa growth is robust.



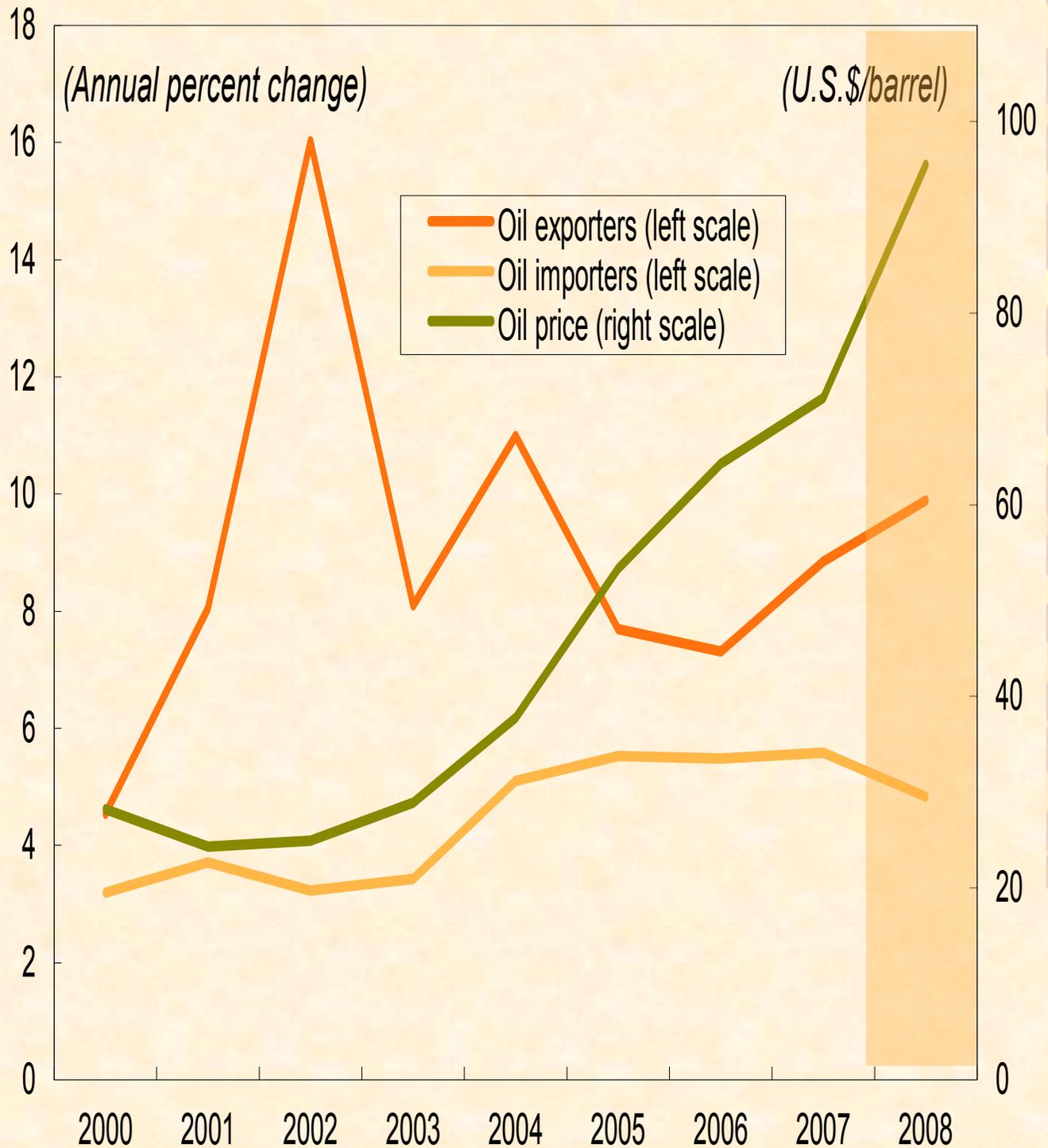
Sources: IMF, *World Economic Outlook*; and IMF, African Department database.

# The Economic Expansion Cuts Across Countries



Source: IMF, *World Economic Outlook*; and IMF African Department database.

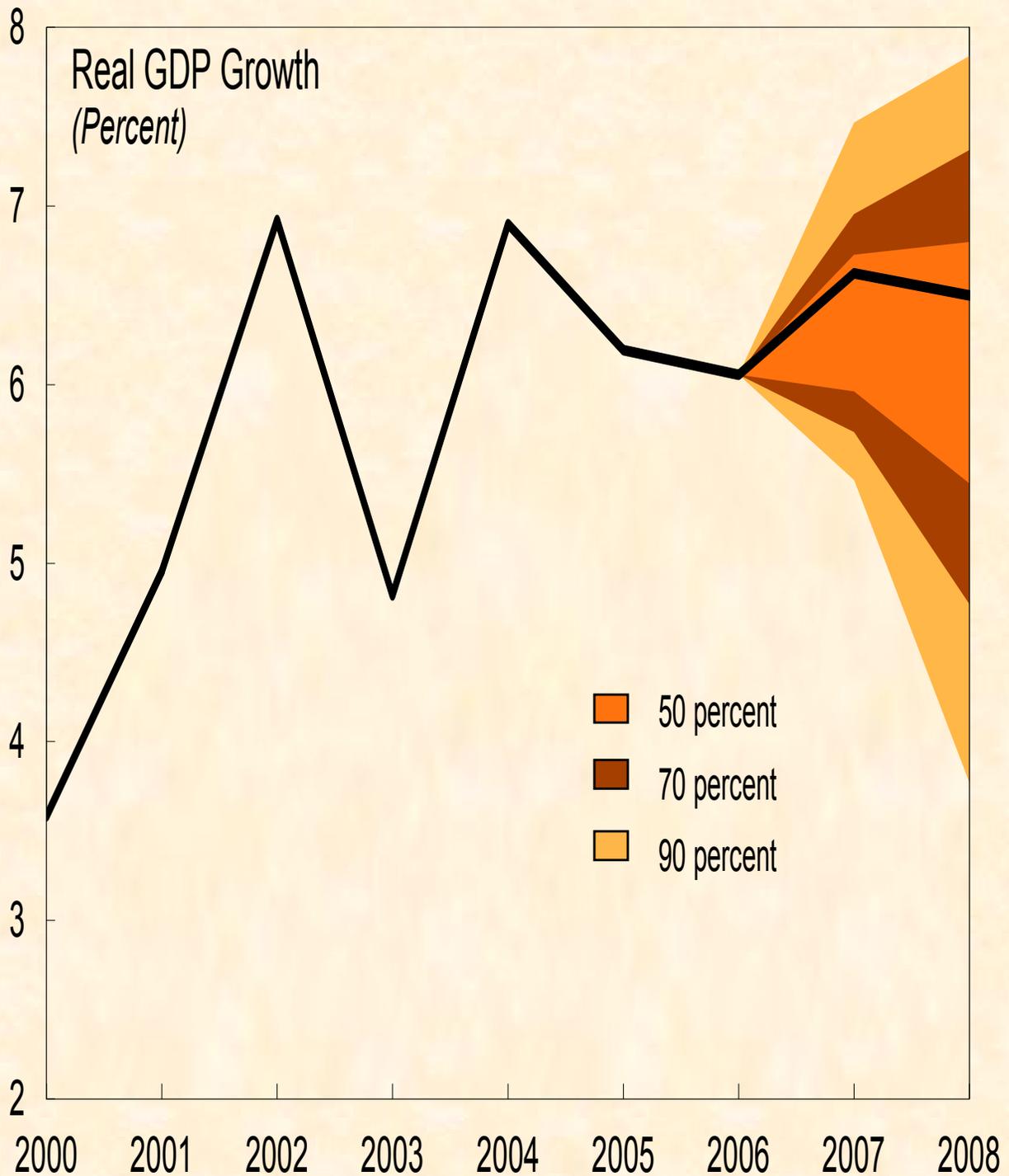
## Oil Prices and GDP Growth in Sub-Saharan Africa



Sources: IMF, *World Economic Outlook*; and IMF, African Department database.

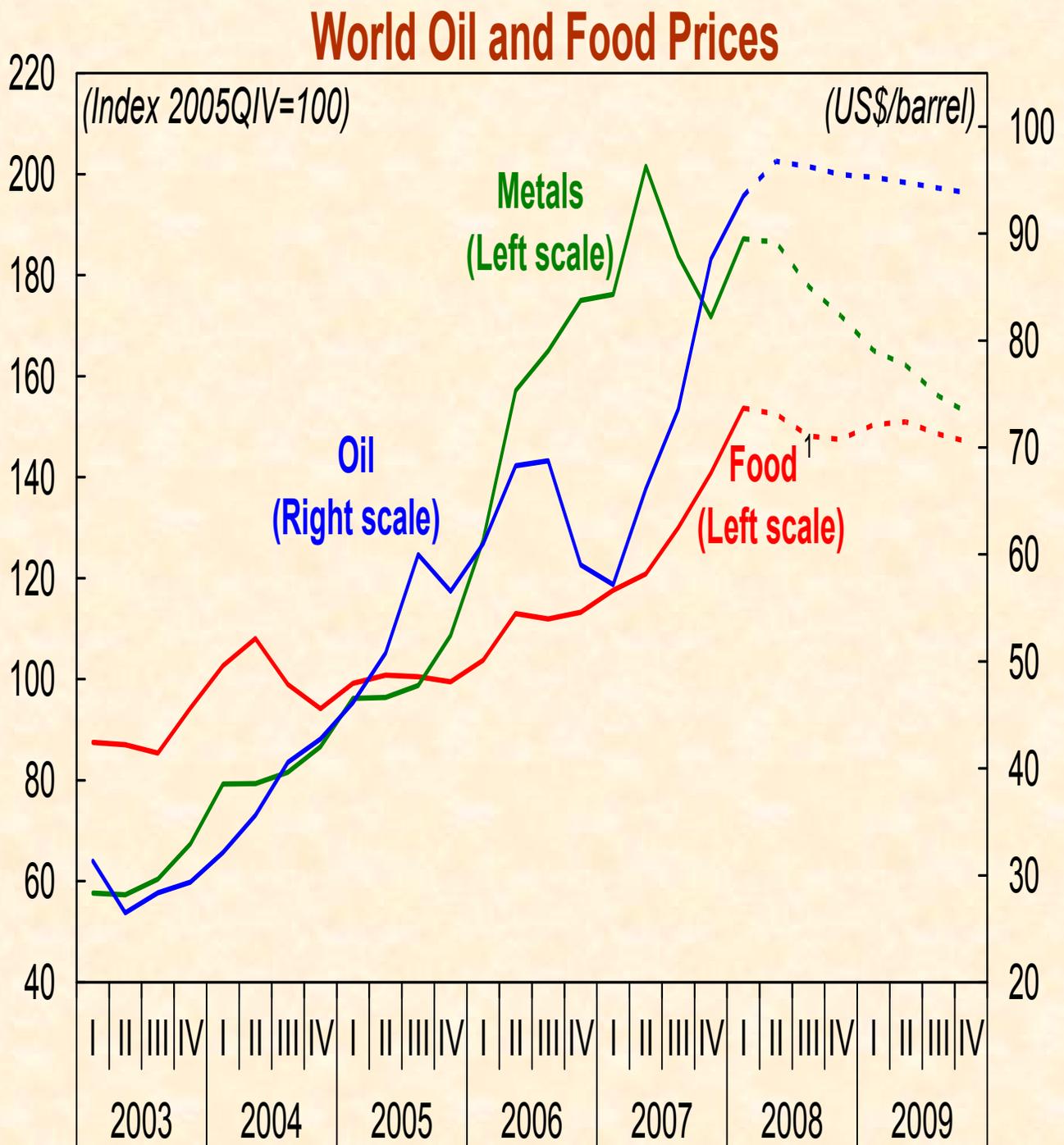
# Growth Prospects in Sub-Saharan Africa

Growth is projected to remain robust.



Sources: IMF, *World Economic Outlook*; and IMF, African Department database.

# Rising Commodity Prices Pose Challenges

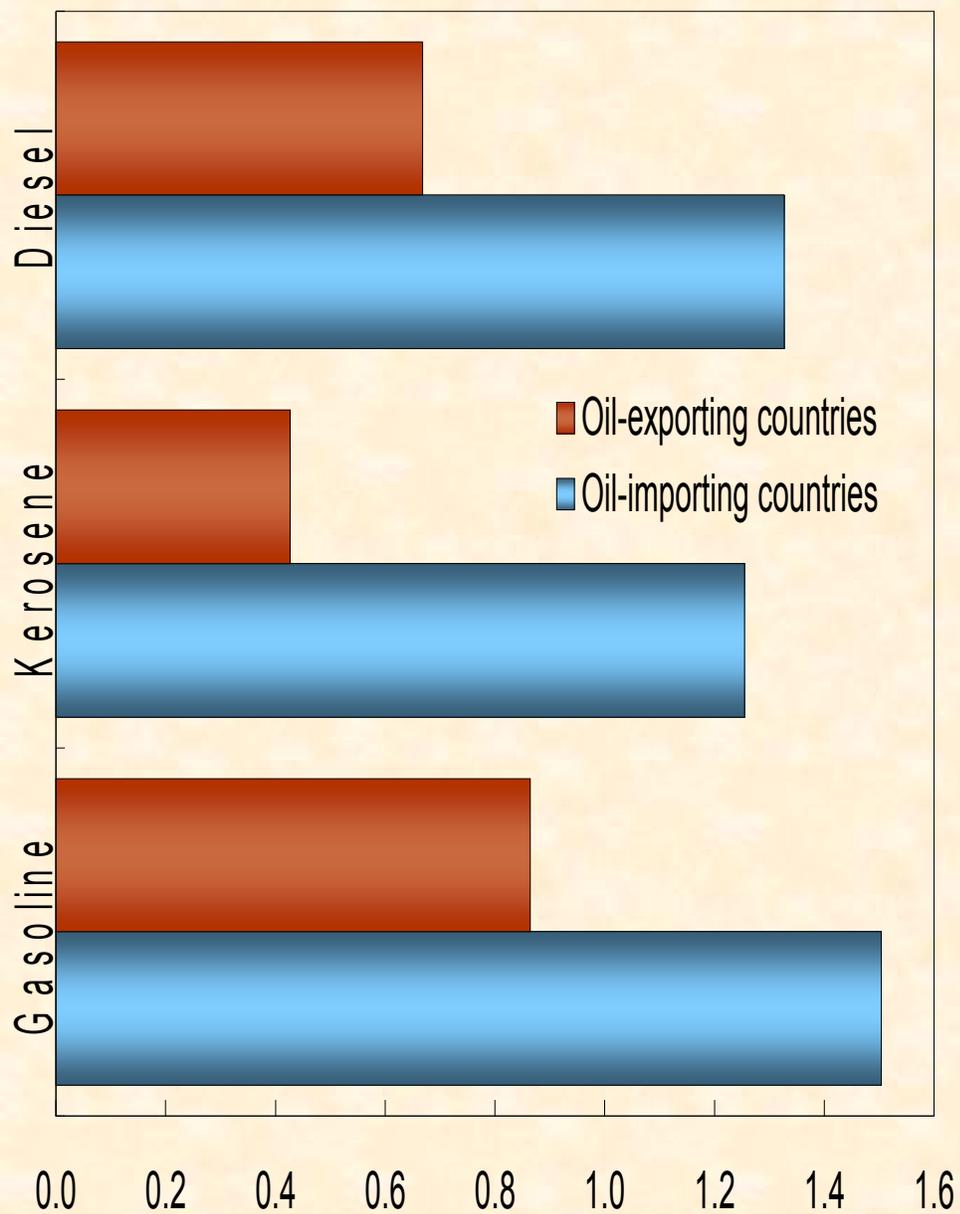


Source: IMF, *World Economic Outlook*.

<sup>1</sup> Includes Cereal, Vegetable Oils, Meat, Seafood, Sugar, Bananas, and Oranges. Prices in US dollars.

# Pass-through of Oil Prices

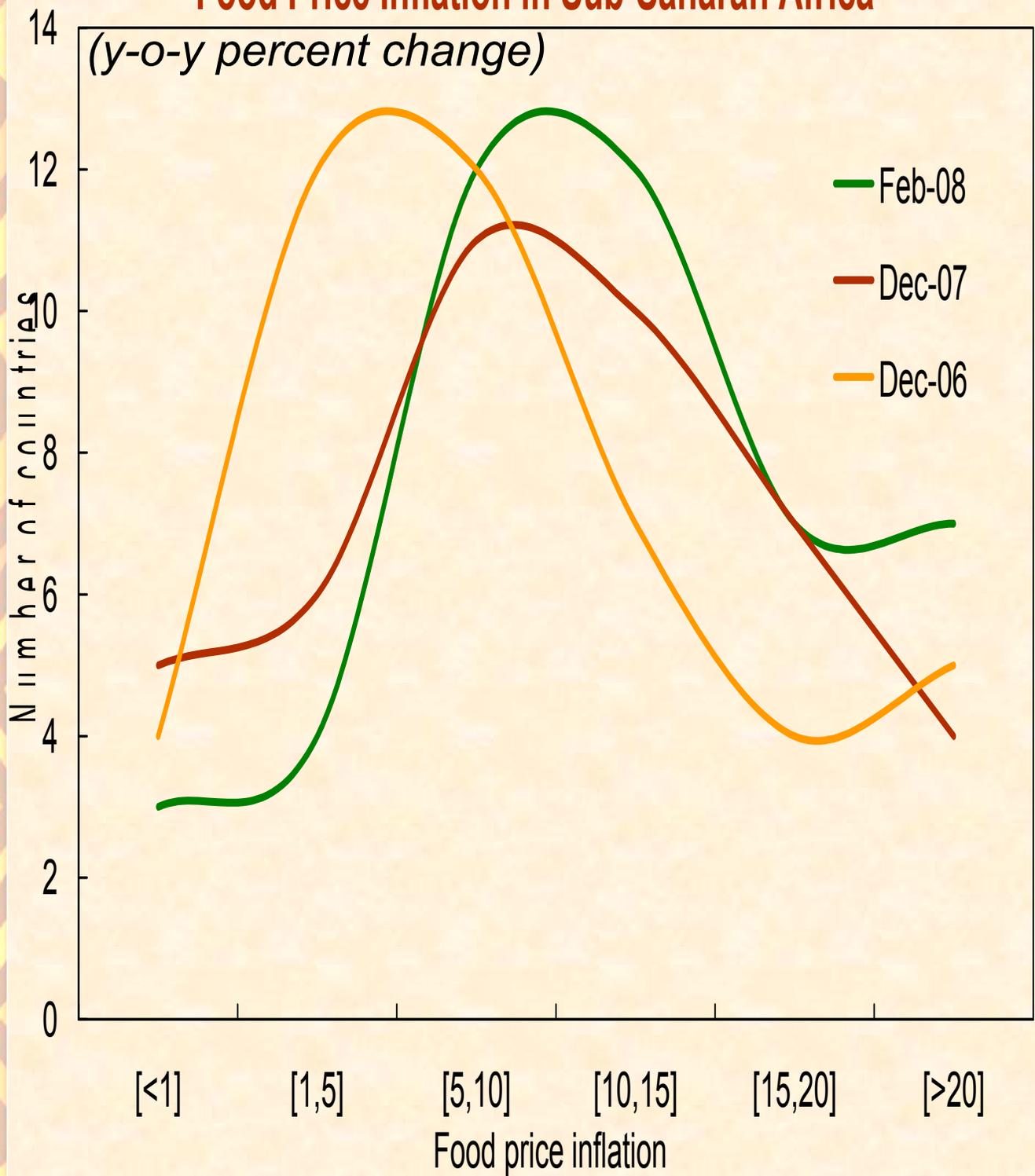
Sub-Saharan Africa: Pass-Through of Higher Gasoline, Kerosene, and Diesel Prices, 2003-07  
(Ratio of change in the retail price to change in import price)



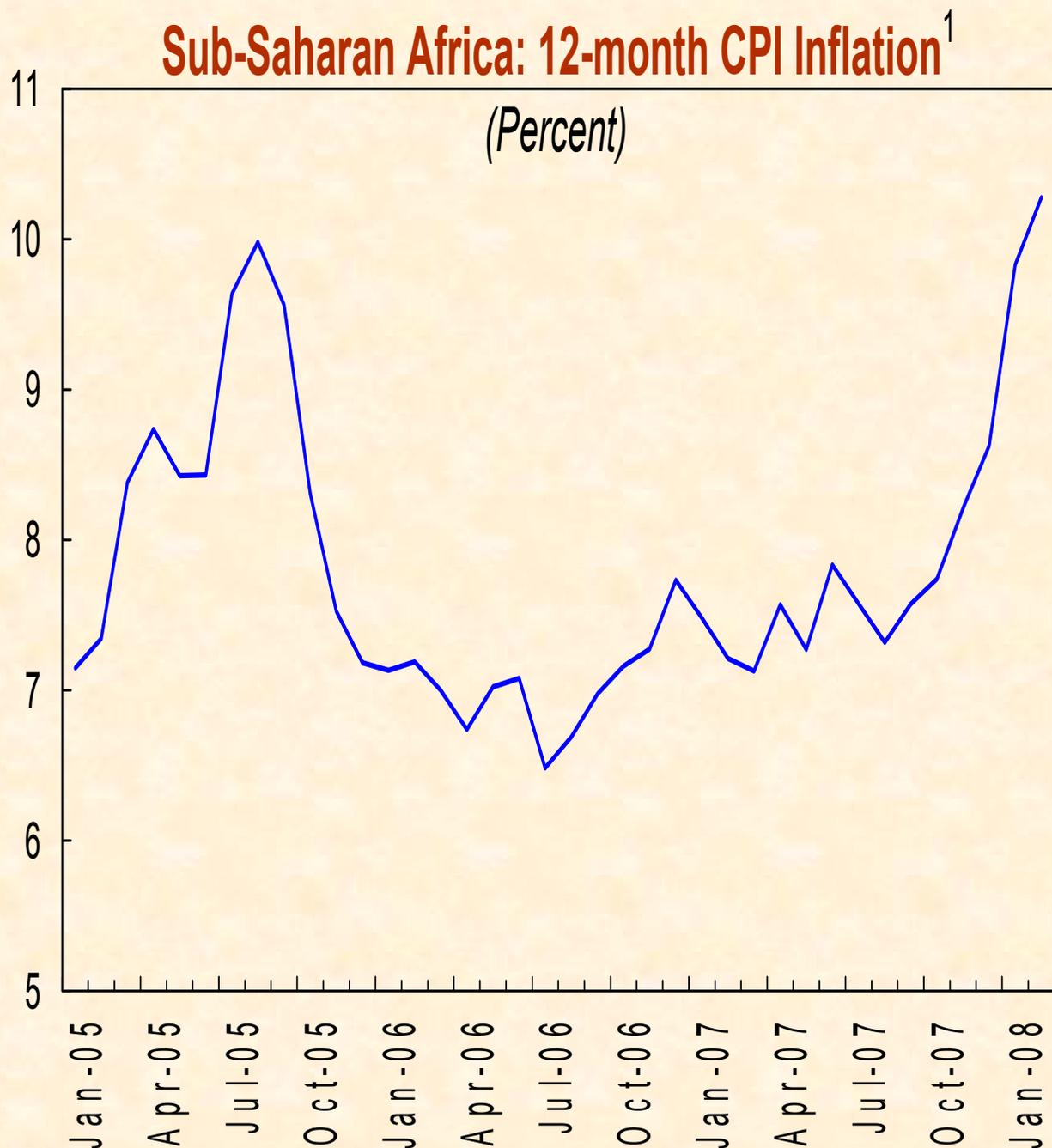
Source: IMF, country desk data.

# Food Price Inflation

## Food Price Inflation in Sub-Saharan Africa



# Spikes in oil and food prices are building inflationary pressures

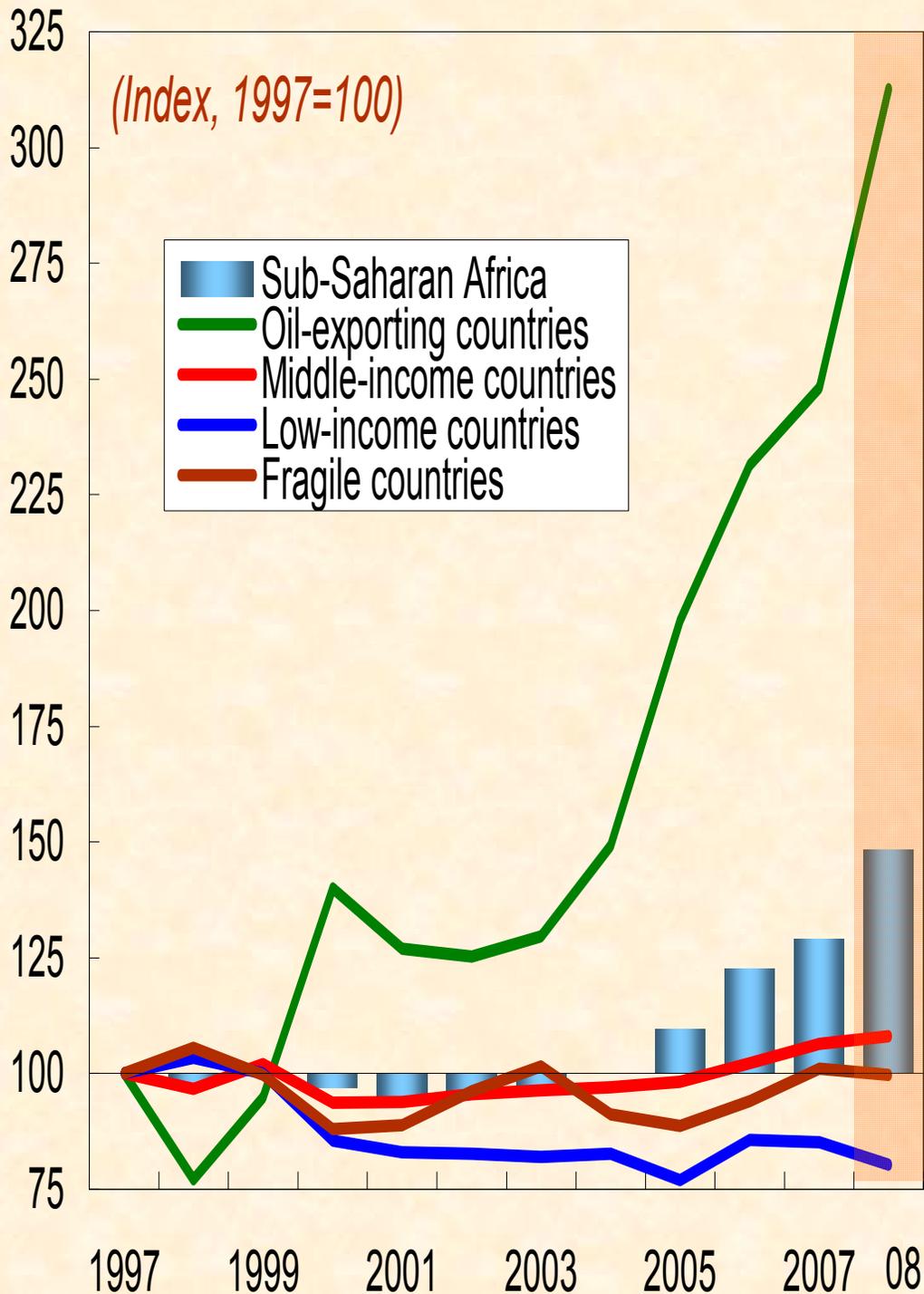


Source: IMF, *International Financial Statistics*.

<sup>1</sup> The February 2008 figure includes available data for 12 countries (67 percent of regional PPP GDP).

# Terms of Trade in Sub-Saharan Africa

Terms of trade have improved for oil exporters.



Sources: IMF, *World Economic Outlook*; and IMF, African Department database.

# Food Price Increases: What Can and Should Be Done?

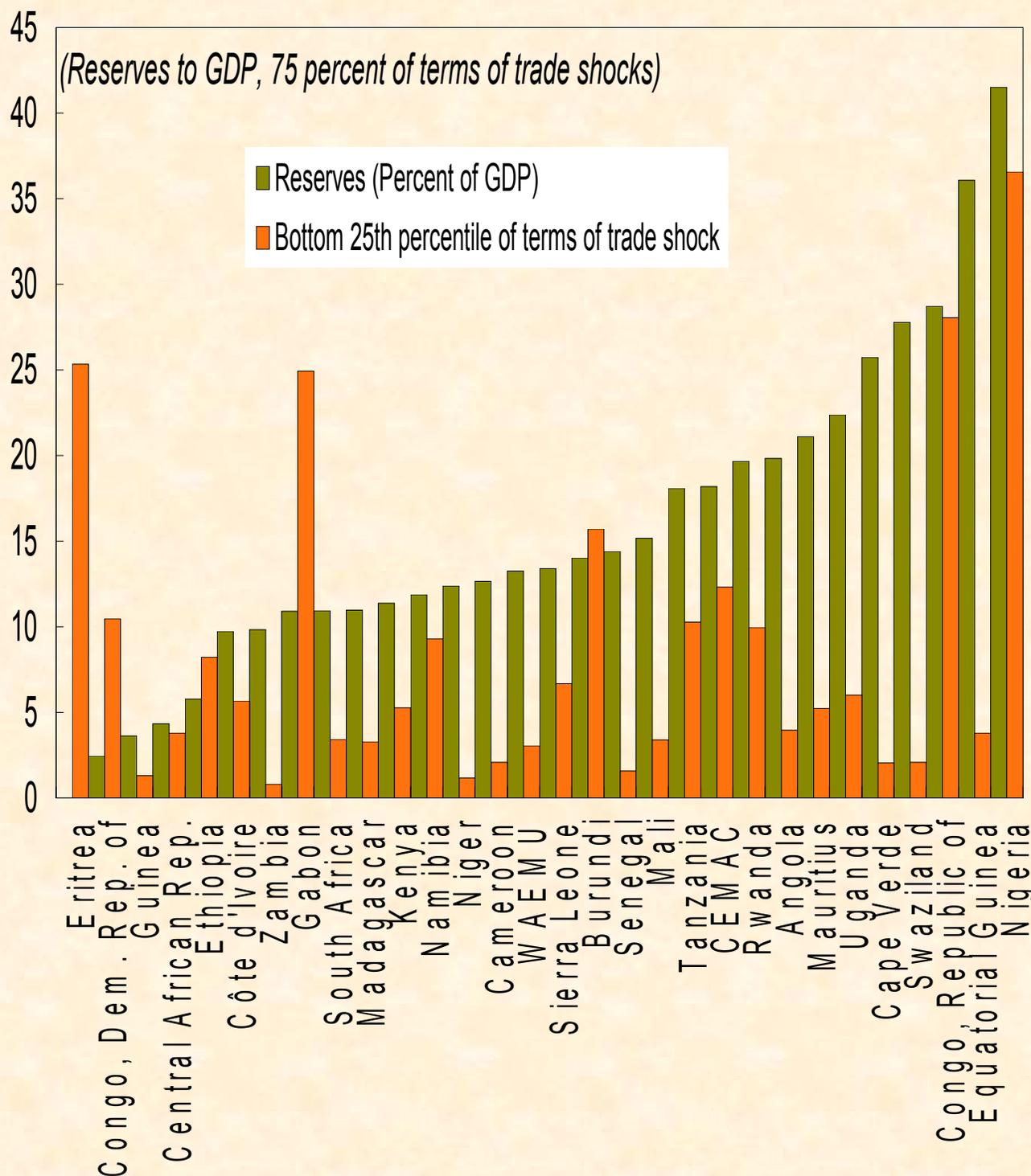
Policy responses depend on country circumstances:

- Temporary and targeted subsidies can help the most vulnerable.
- For permanent shocks, countries should aim to put in place an efficient social safety net. But second- best solutions may be needed.
- Countries should seize the opportunity to encourage agricultural production.
- Direct price and export controls may have unintended negative consequences.

# In Response to Higher Food and Fuel Prices, the Fund:

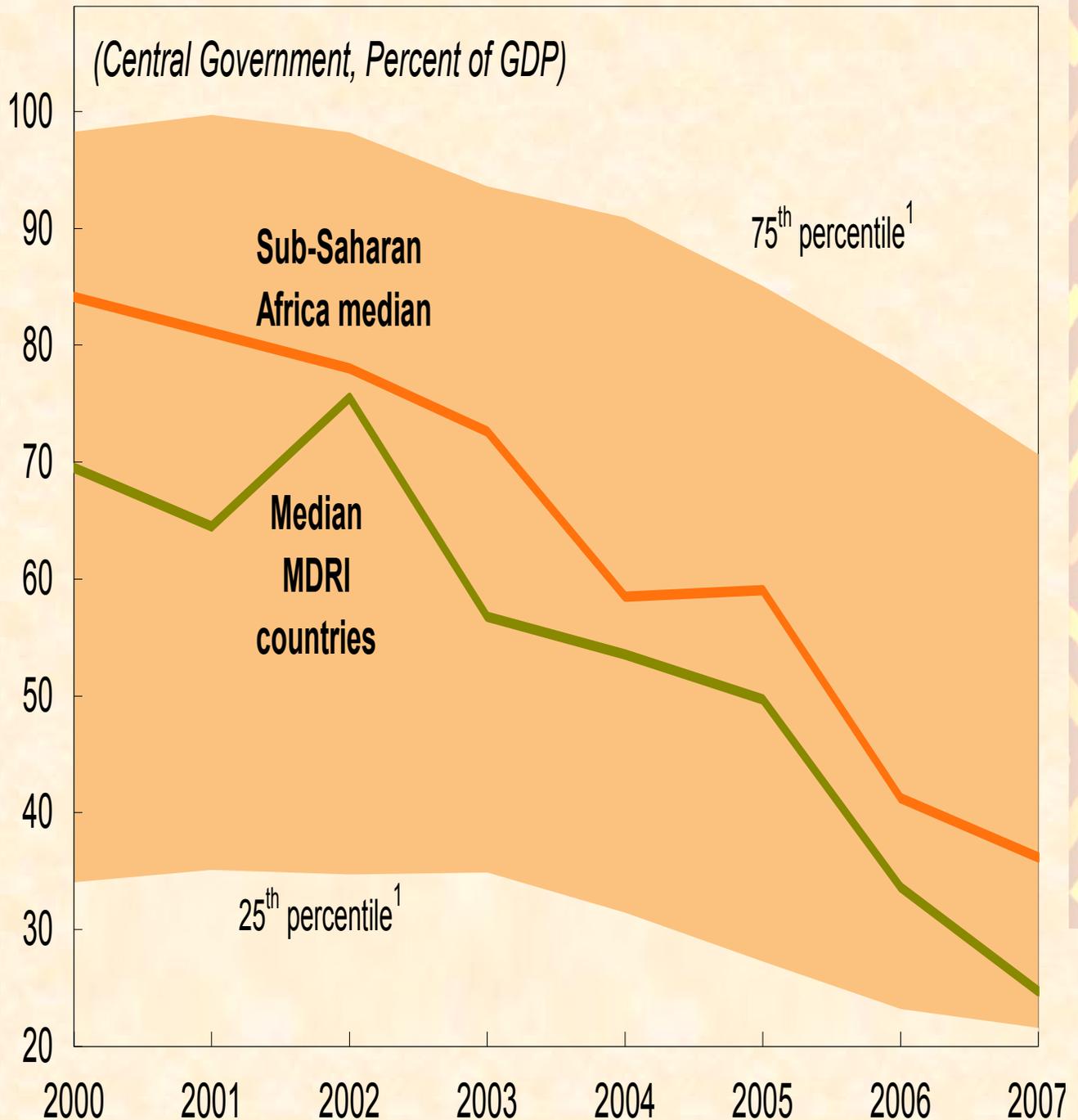
- Is ready to provide financial support in those countries where price shocks are having a significant BoP impact.
- Stands ready to provide policy advice: fiscal policy implications, effects on inflation, exchange rate management.
- Supports increased aid to help the most vulnerable groups.

## Sub-Saharan Africa: Reserve Coverage for Terms of Trade Shocks, 2007



Source: IMF, African Department database.

## Total Government Debt in Sub-Saharan Africa

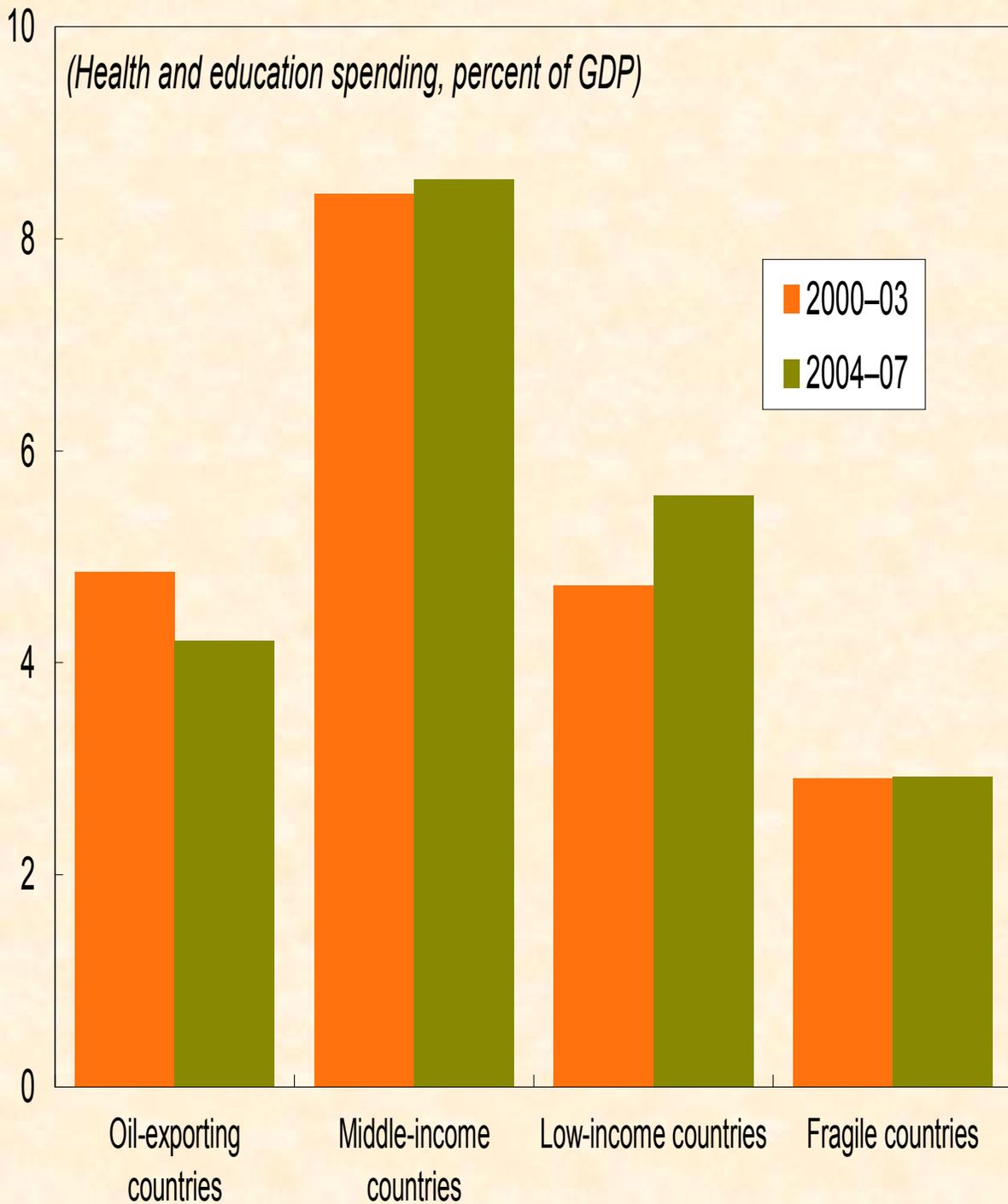


Source: IMF, *World Economic Outlook*; and IMF African Department database.

<sup>1</sup> The band is calculated based on 88 developing countries. The lower and upper limits are the 25th and 75th percentiles.

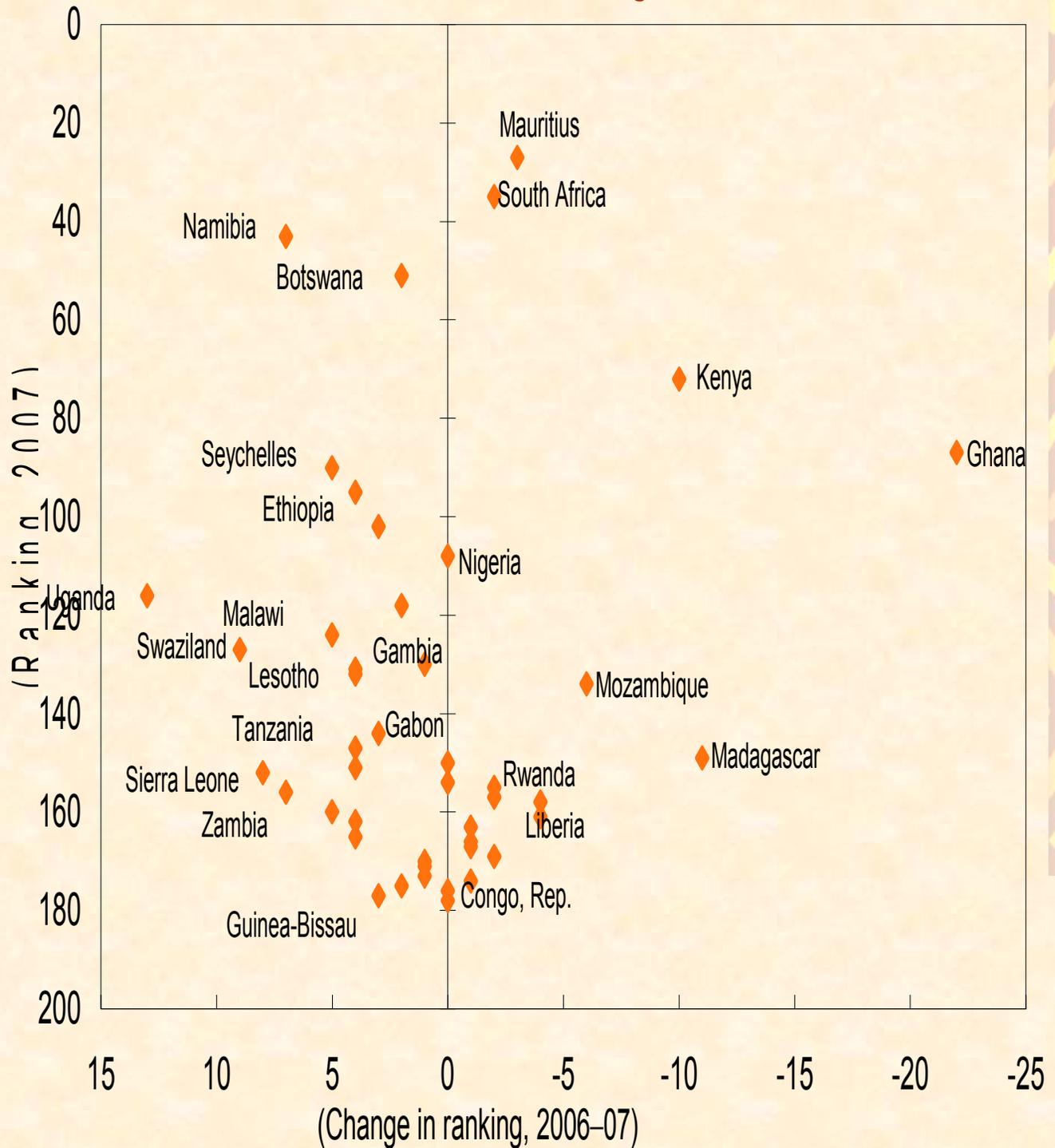
## Central Government Social Spending in Sub-Saharan Africa

Social spending has been sustained across countries.



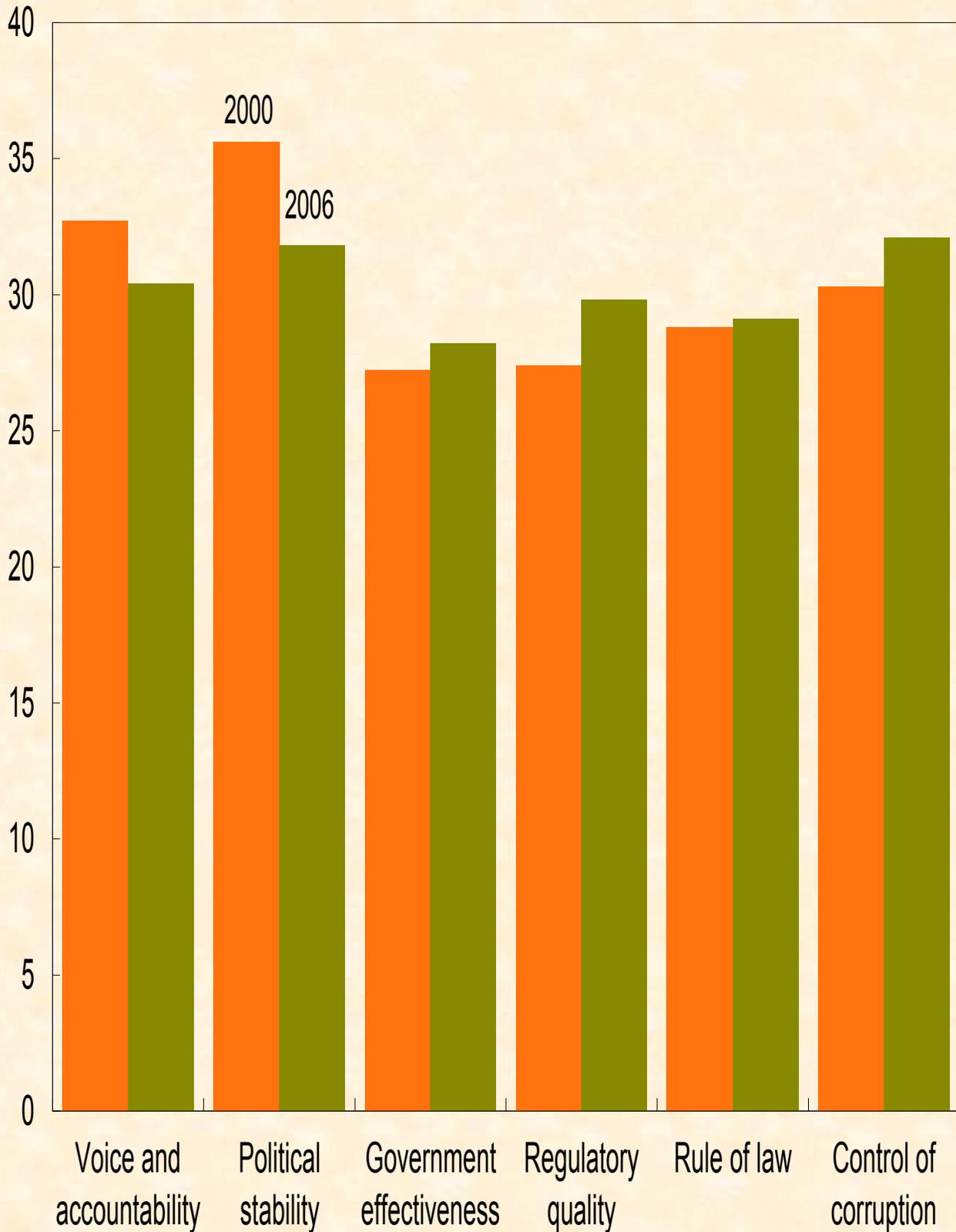
Sources: IMF, *World Economic Outlook*; and IMF African Department database.

## Sub-Saharan Africa: Doing Business, 2007



Source: World Bank, *Doing Business Indicators*, 2008.

## Sub-Saharan Africa: Governance Ranking, 2000-06



Source: World Bank Institute, World Governance Indicators, 2000-06.

# Analytical Chapters

The REO also has three analytical chapters

- *Many African economies are adapting their monetary frameworks to preserve hard-won stabilization gains, anchor expectations, and adapt to shocks (Chapter 2).*
- *Private capital flows have overtaken official aid as the main source of external finance for sub-Saharan Africa (Chapter 3).*
- *The power sector in sub-Saharan Africa requires urgent attention (Chapter 4).*