
IMF Deputy Managing Director Tao Zhang
“The Gambia’s Pathway to Prosperity”

AFRICAN DEPARTMENT

Recovery amid Uncertain Times

APRIL 2019

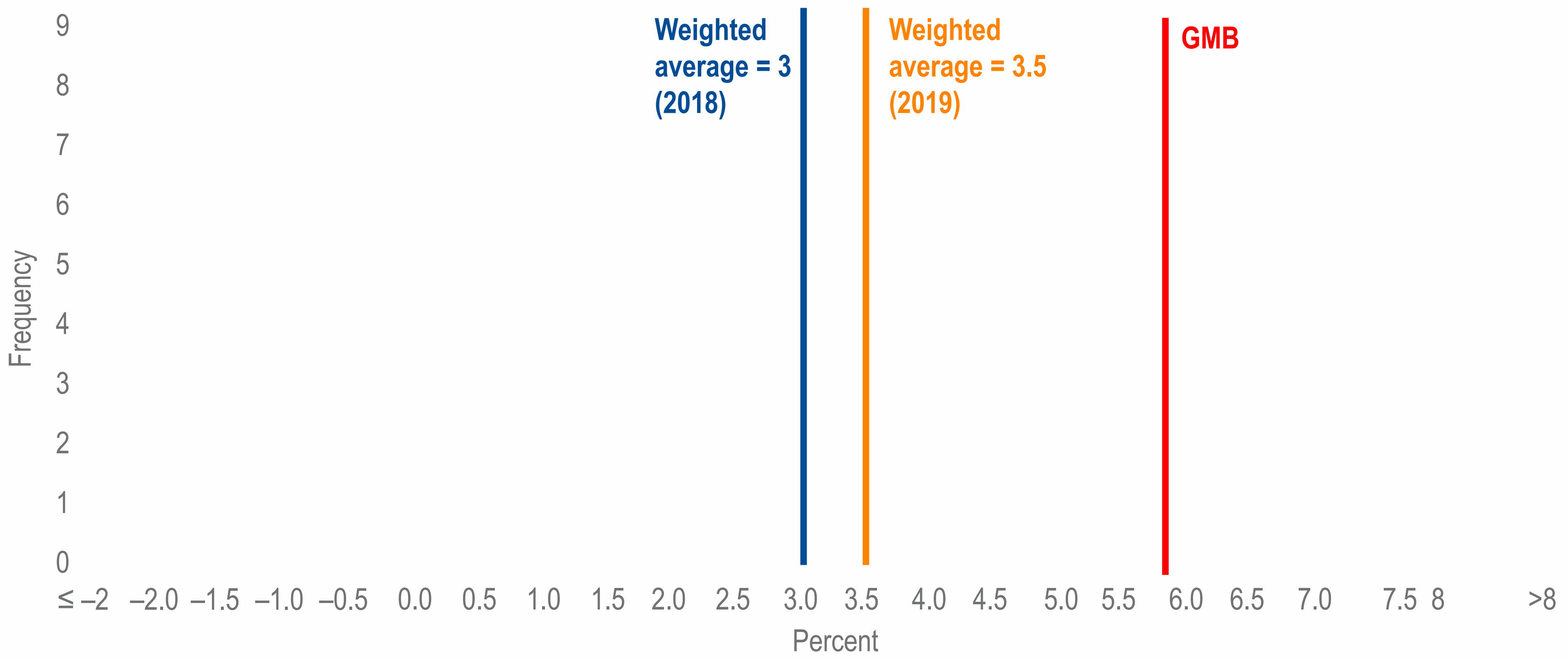
Regional Economic Outlook

Roadmap

- **Recent Developments and Outlook**
- Challenges
  - Tighter **global financial conditions & increased commodity price and capital market volatility**
  - The impact of **Climate Shocks**
  - **Low medium-term real GDP and job growth**
- Building Resilience and Raising Growth
  - Macro Policies
  - Managing the Impact of Conflict
  - Boosting Intra-Regional Trade

Growth in SSA is recovering, but the country experience is bifurcated

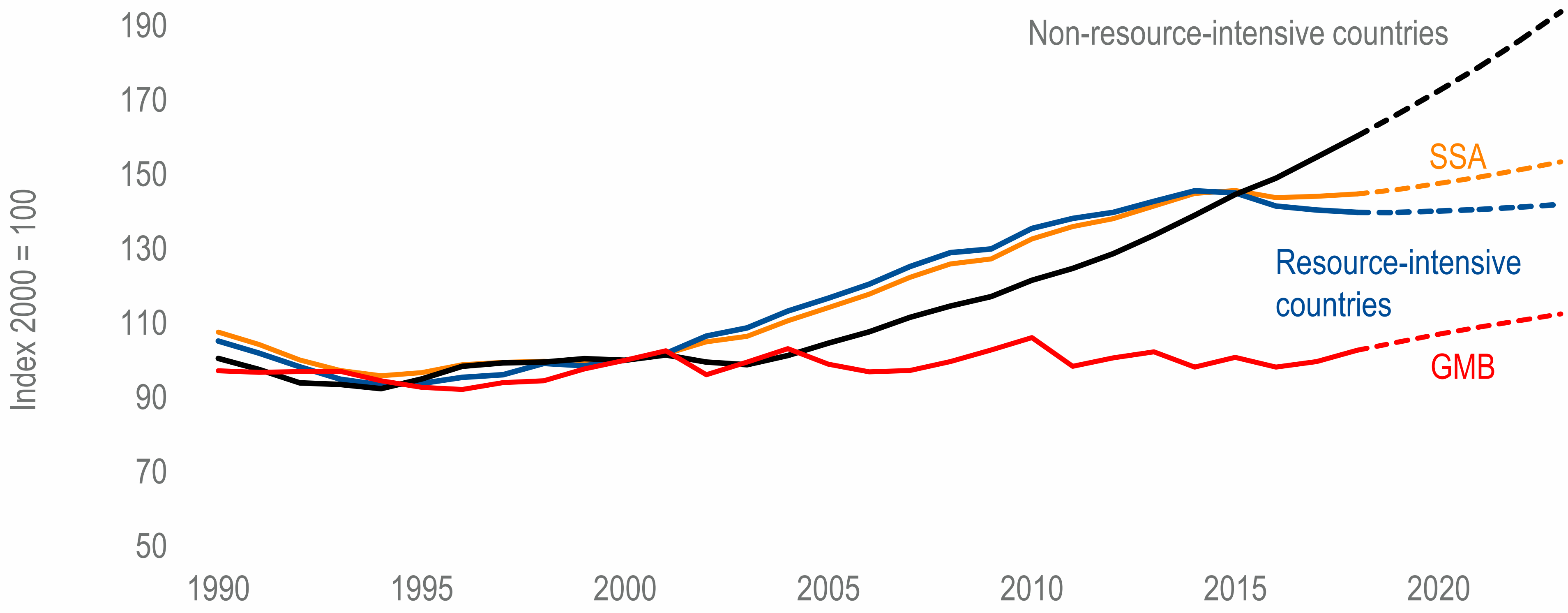
Real GDP Growth Distribution, 2019



Source: IMF World Economic Outlook database.

In particular, recent and prospective growth performance is split between resource- and non-resource-intensive countries

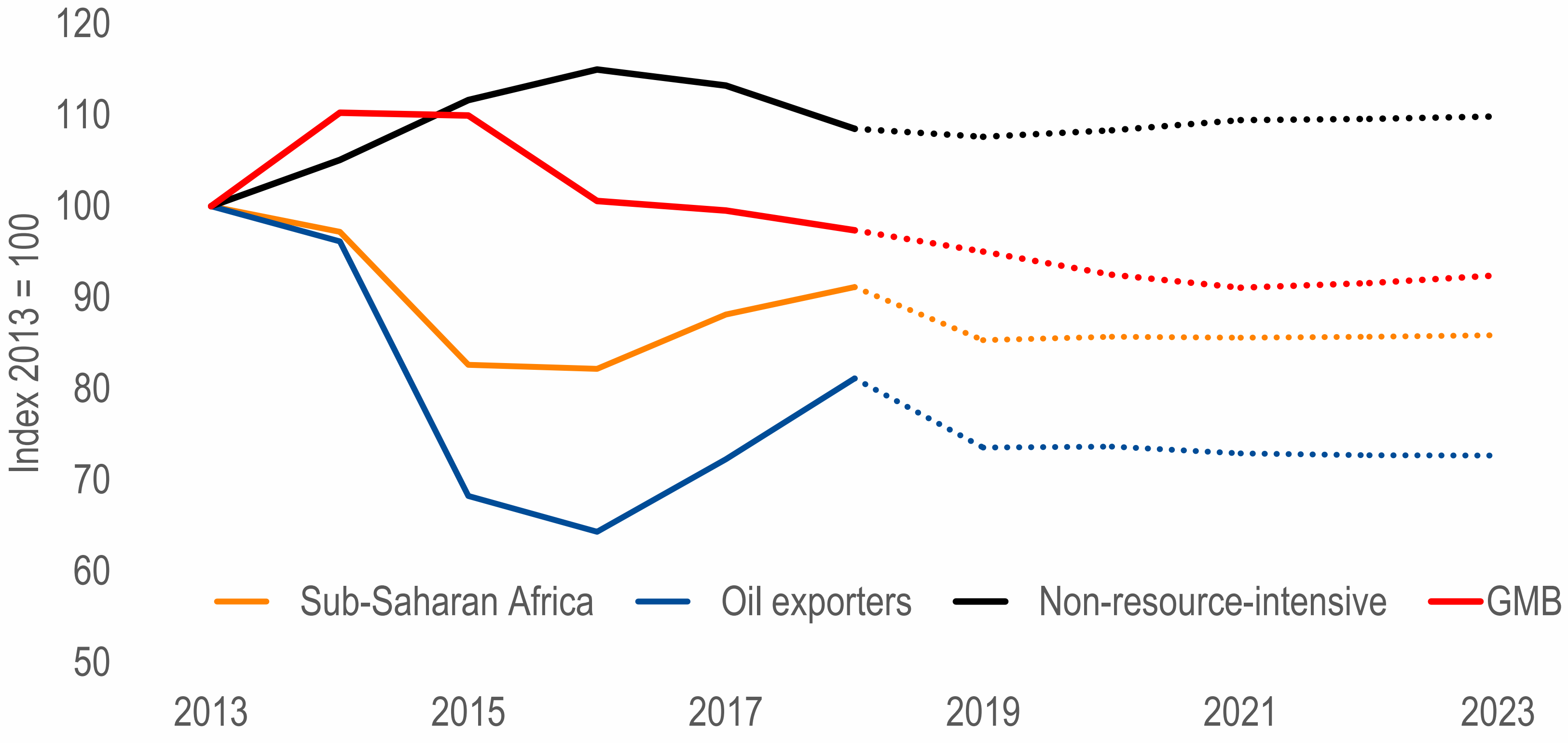
Real GDP per Capita, 1990–23



Source: IMF World Economic Outlook database.

Growth in resource-intensive countries was adversely impacted by the large 2014 terms-of-trade shock…

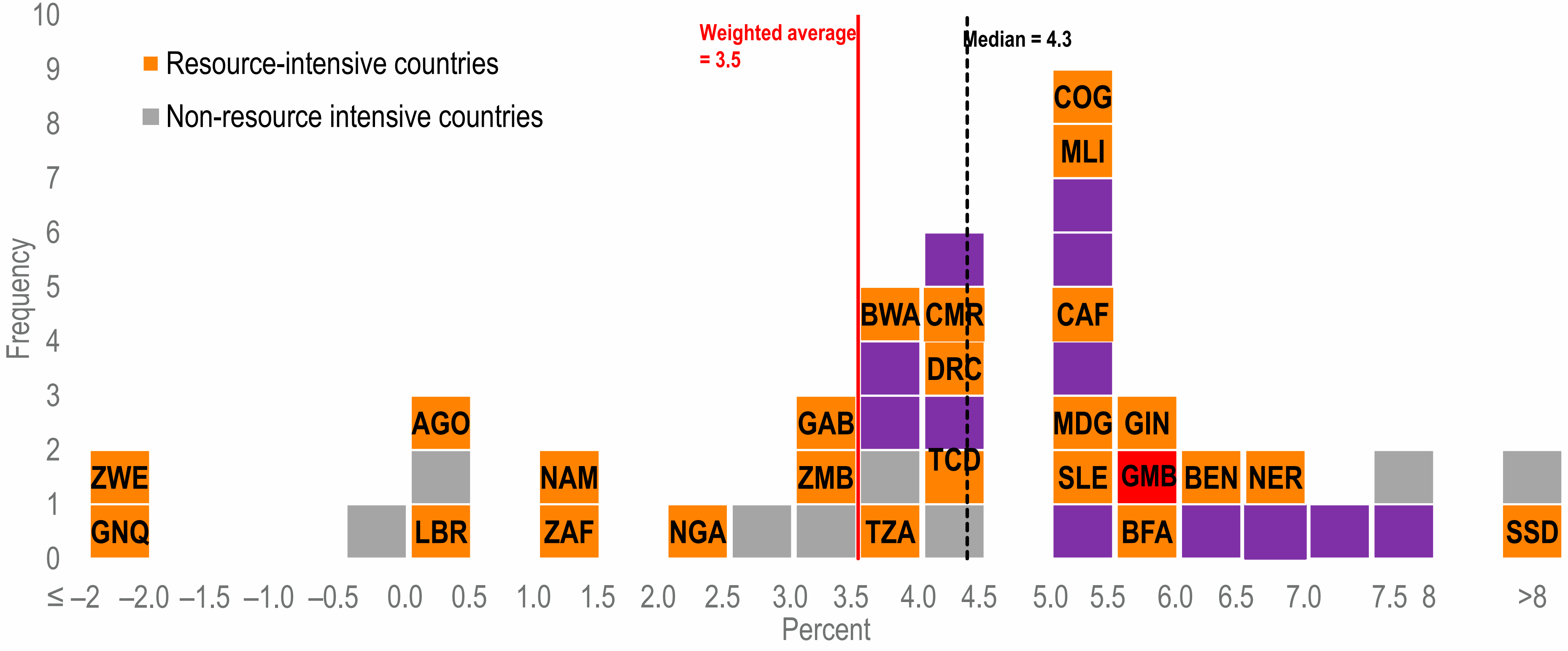
Goods Terms of Trade, 2013-23



Source: IMF World Economic Outlook database.

But even among the resource-intensive countries, growth outcomes remain quite diverse

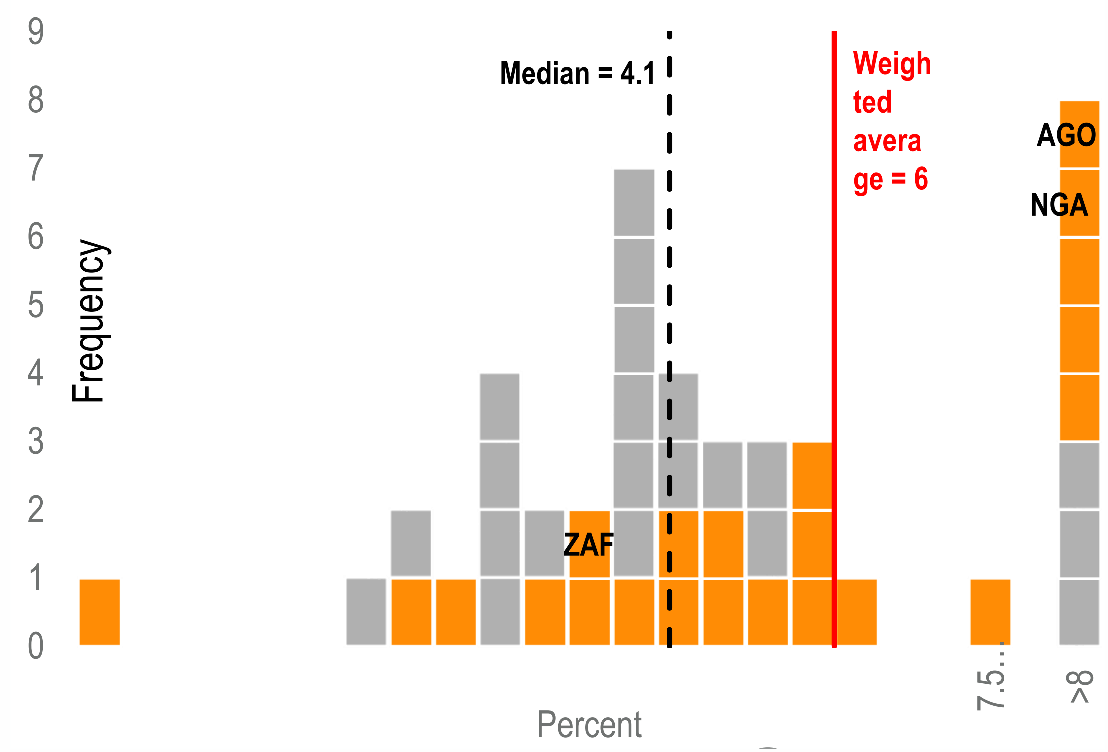
Real GDP Growth Distribution, 2019



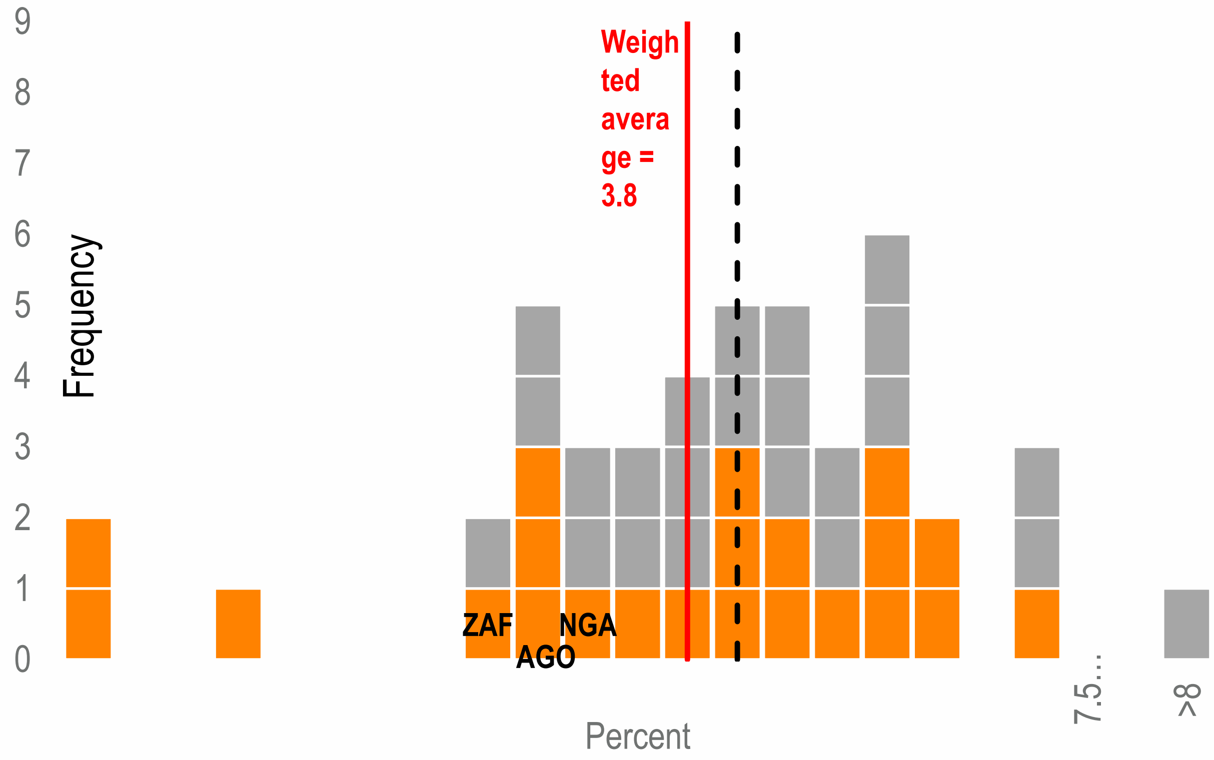
Source: IMF World Economic Outlook database.

SSA's largest economies have seen their growth performance deteriorate markedly over the past decade, which is a drag on regional growth and masks the strong growth of non-resource dependent economies

Average Real GDP Growth Distribution, 2001-10



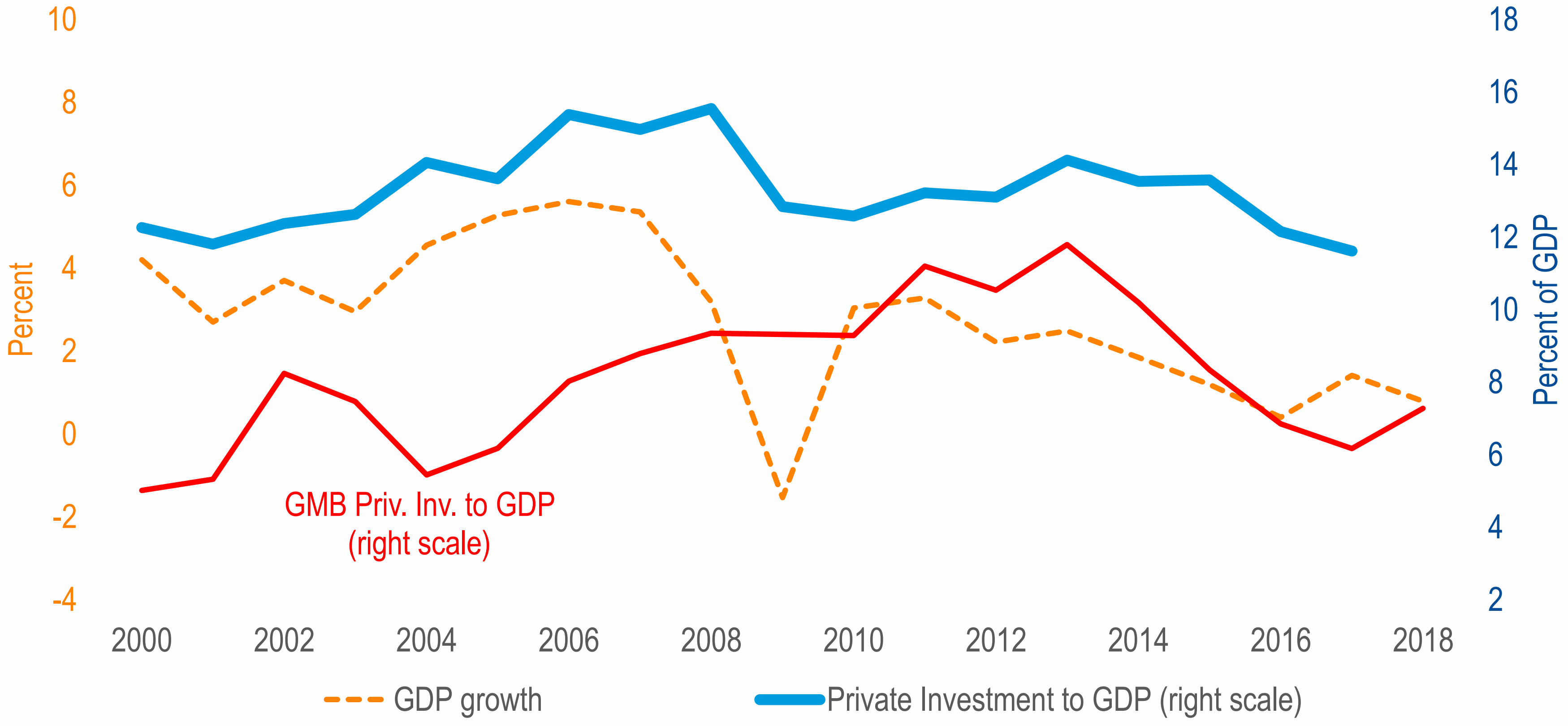
Average Real GDP Growth Distribution, 2011-19



Source: IMF World Economic Outlook database.

In South Africa, lower private investment is contributing to slower growth

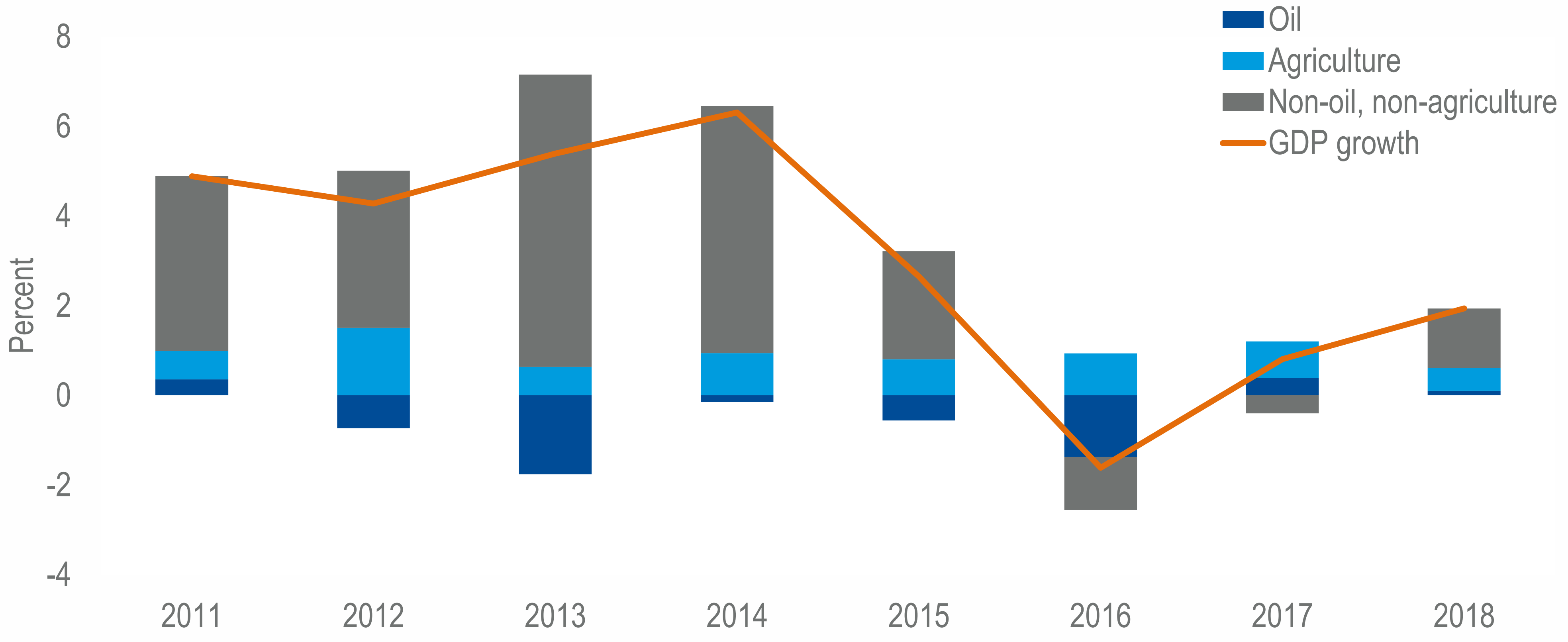
Private Investment and Real GDP Growth, 2000-18



Sources: Haver and IMF staff calculations.

In Nigeria, the sharp drop in oil prices and ongoing adjustment have slowed growth…

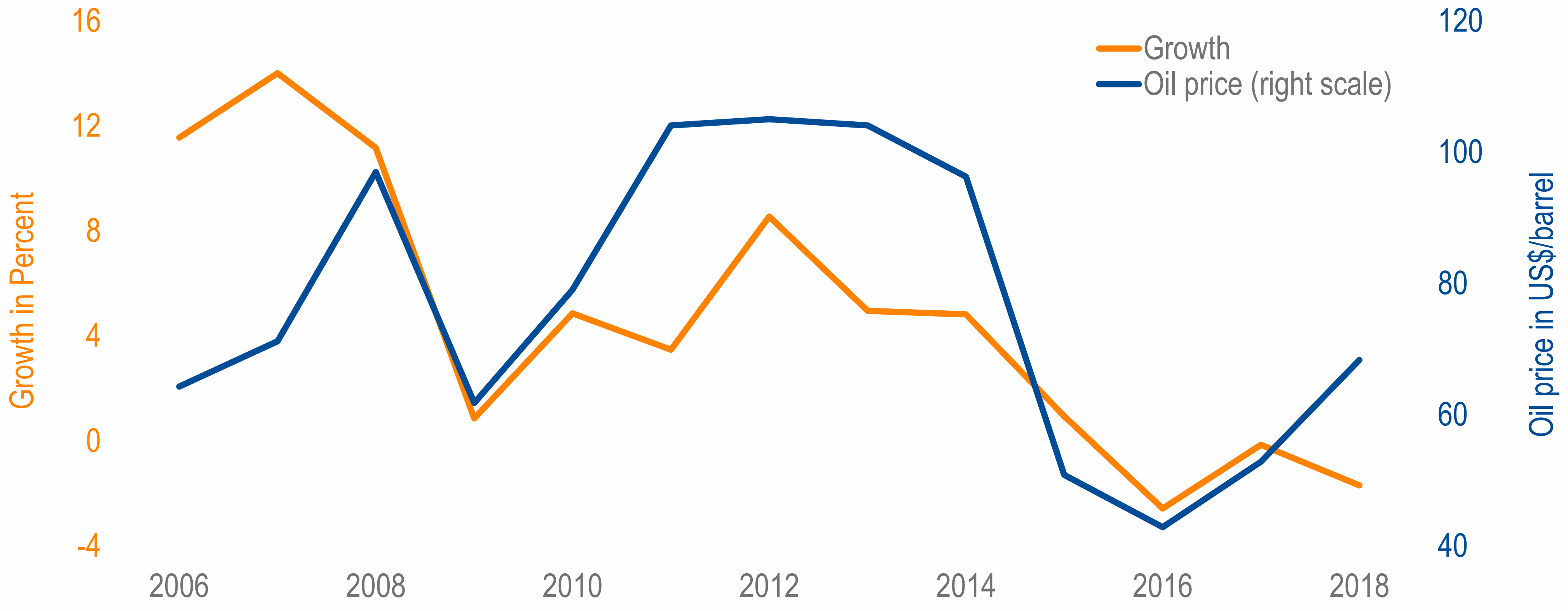
Real GDP Growth and Components, 2011-18



Source: NBS Nigeria, World Economic Outlook and staff projections.

...and much the same in Angola

Oil Price and Real GDP Growth, 2006-18



Source: IMF World Economic Outlook database.

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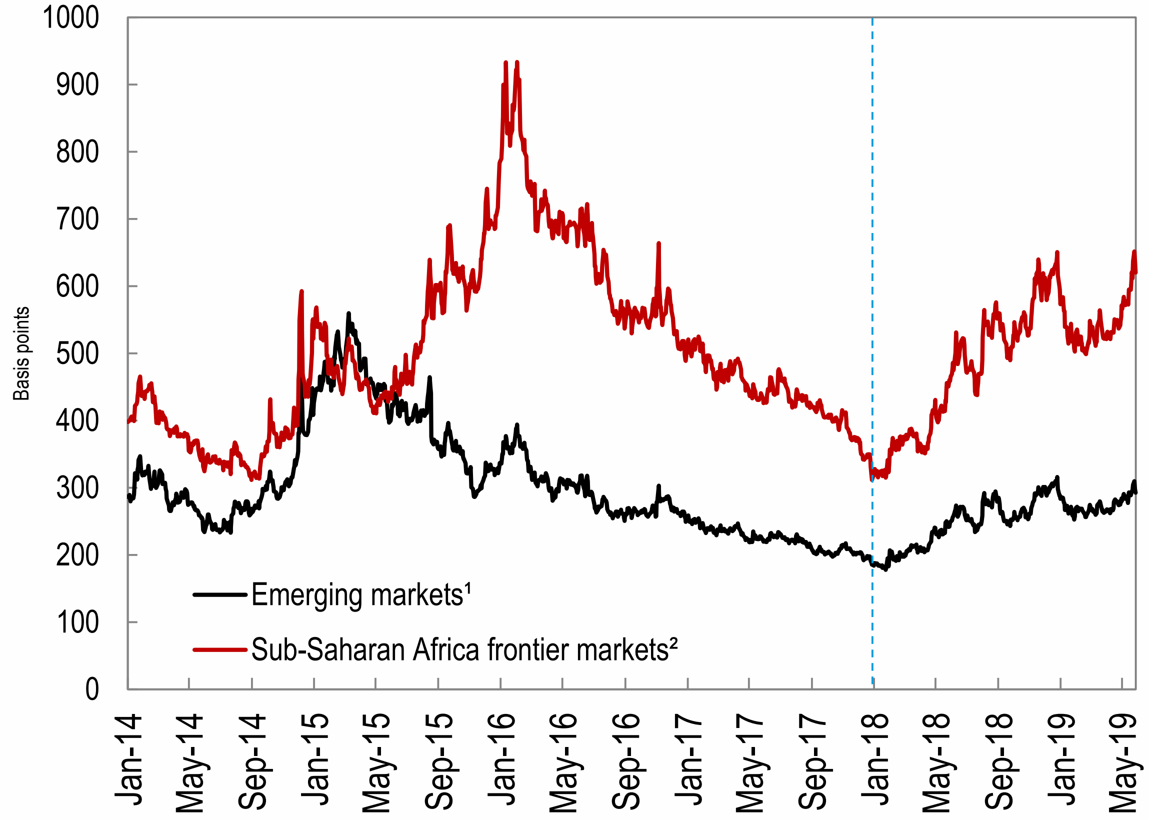
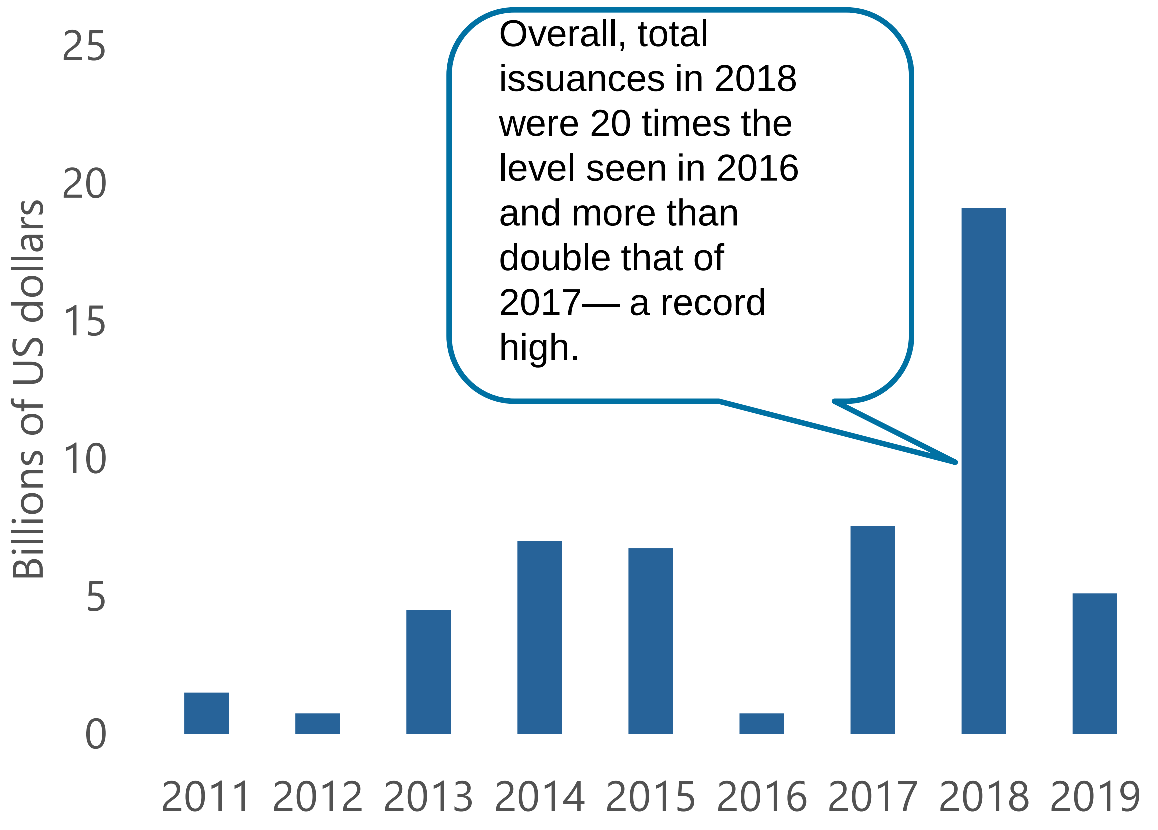
Let's Recap -- Last October we reported that many of SSA's frontier markets had benefited from improved market access, resulting in large sovereign bond issuances



Source: Haver Analytics.

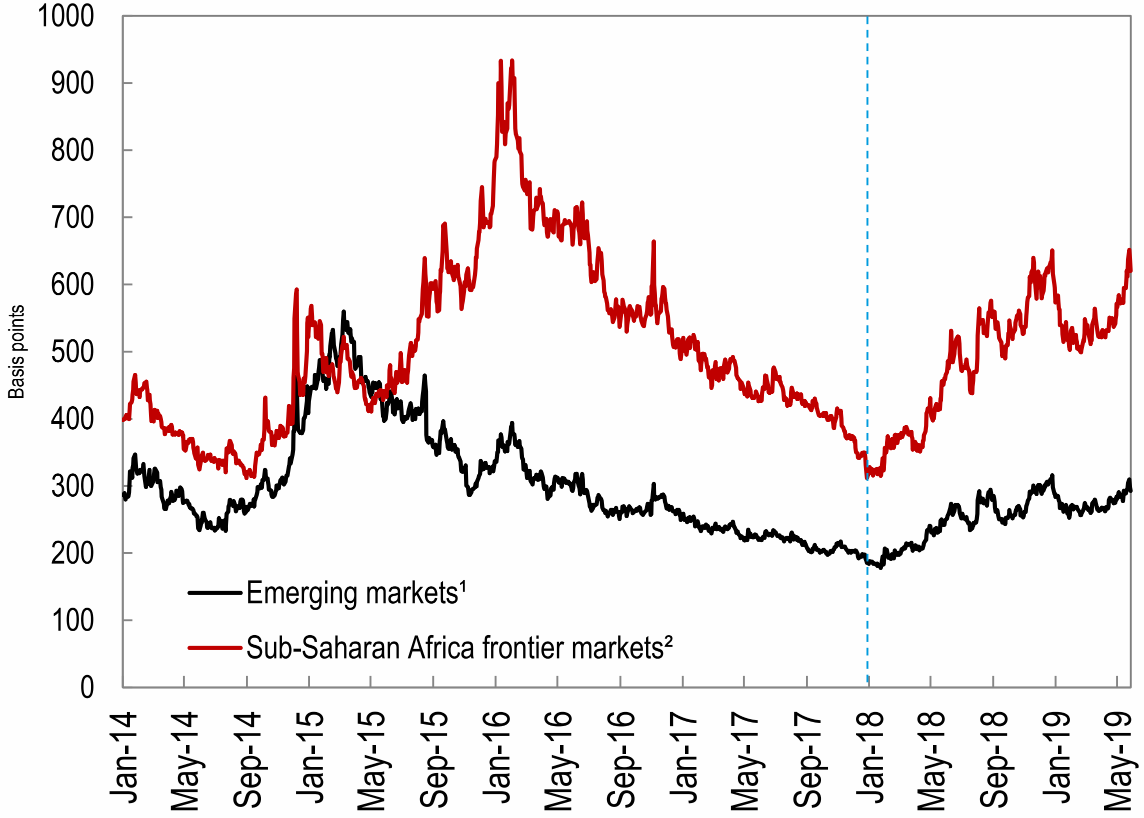
Frontier Markets: International Sovereign Bond Issuance



Sources: Bloomberg and staff calculations.

If we fast forward, global financial conditions have tightened and many SSA frontier economies now face increased FX exposures

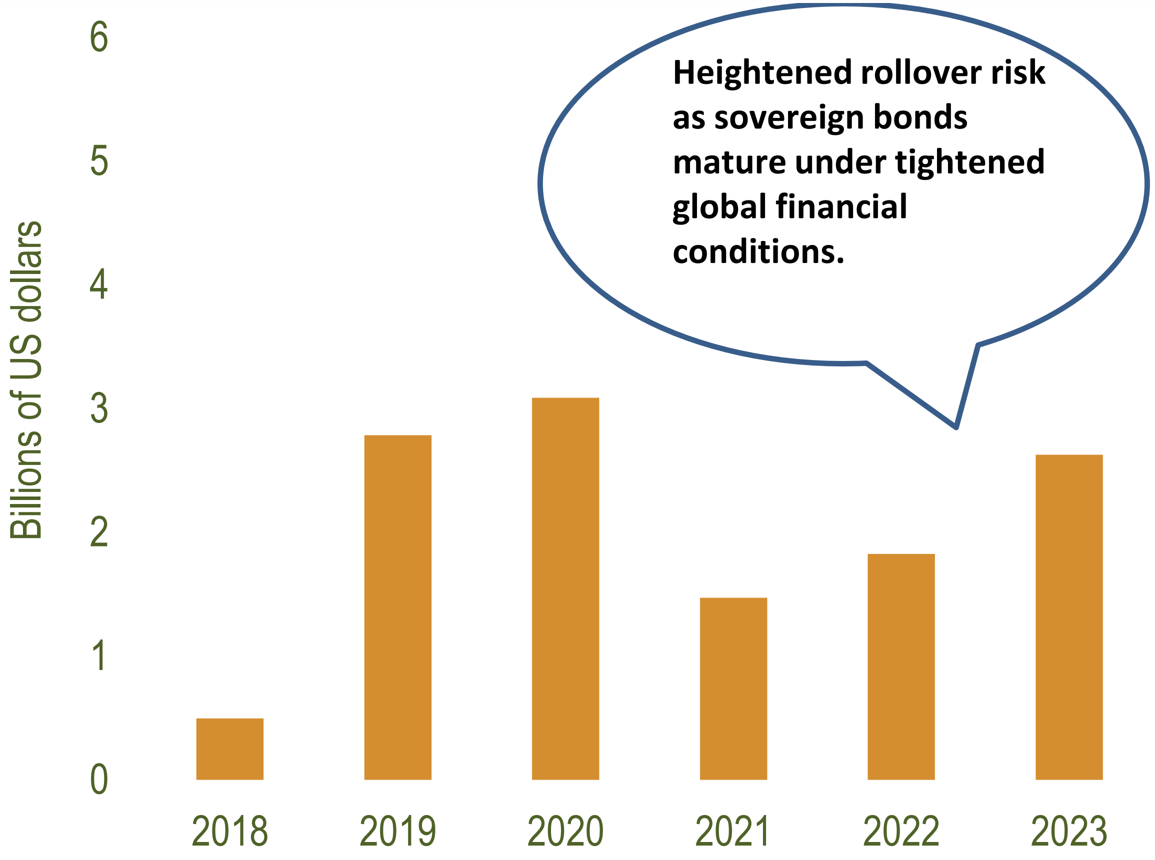
Sub-Saharan Africa Frontier and Emerging Market Spreads



Source: Haver Analytics.

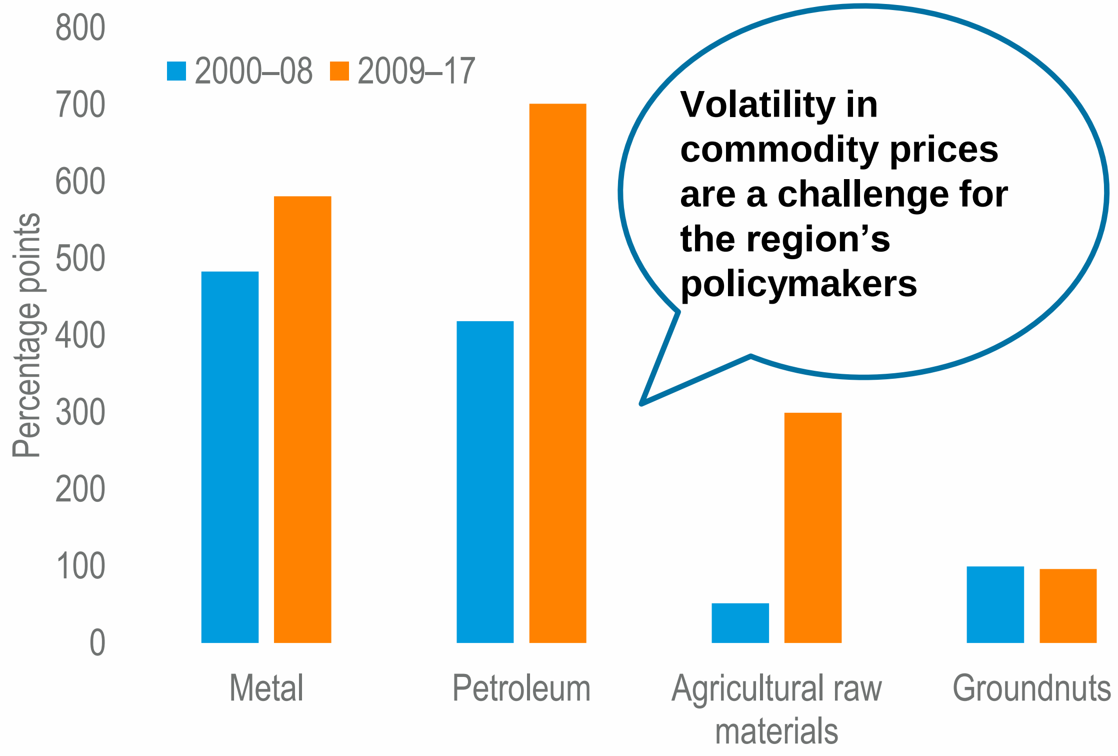
Sources: IMF, Commodity Price System.

Sub-Saharan African Frontier Markets Maturing International Sovereign Bonds



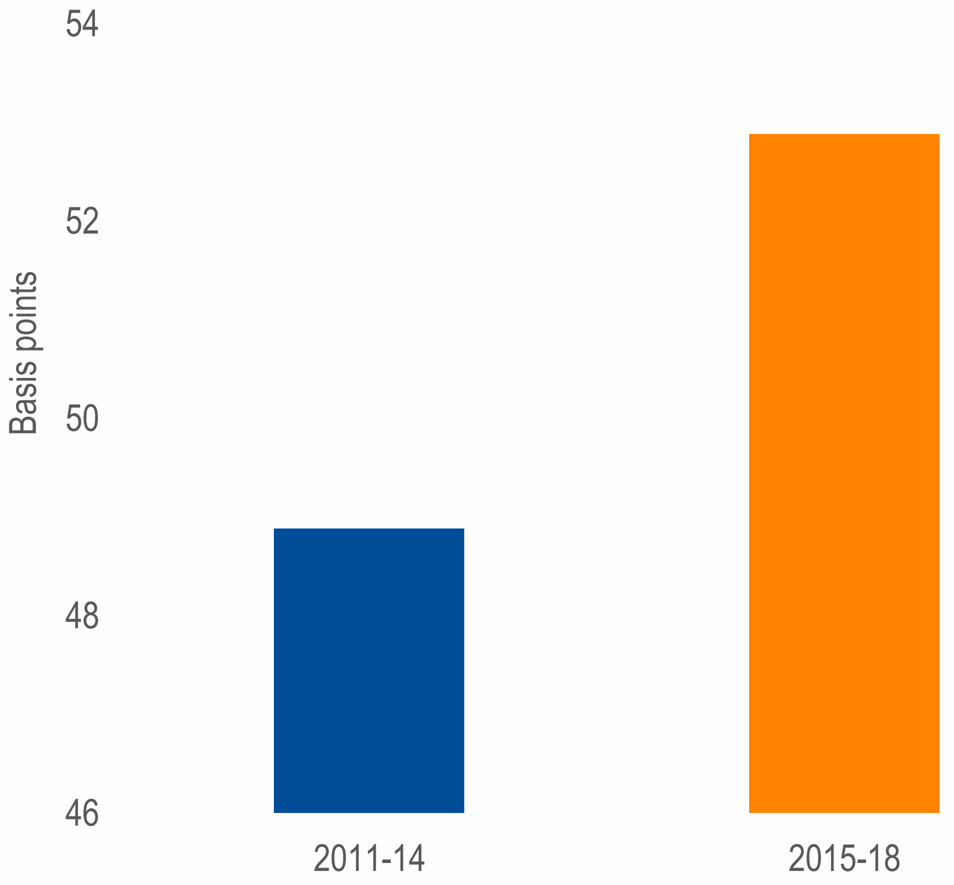
Commodity price and market access volatility poses additional challenges for policymakers

Volatility in Real Commodity Prices, 2011-14 and 2015–18



Sources: IMF, Commodity Price System.

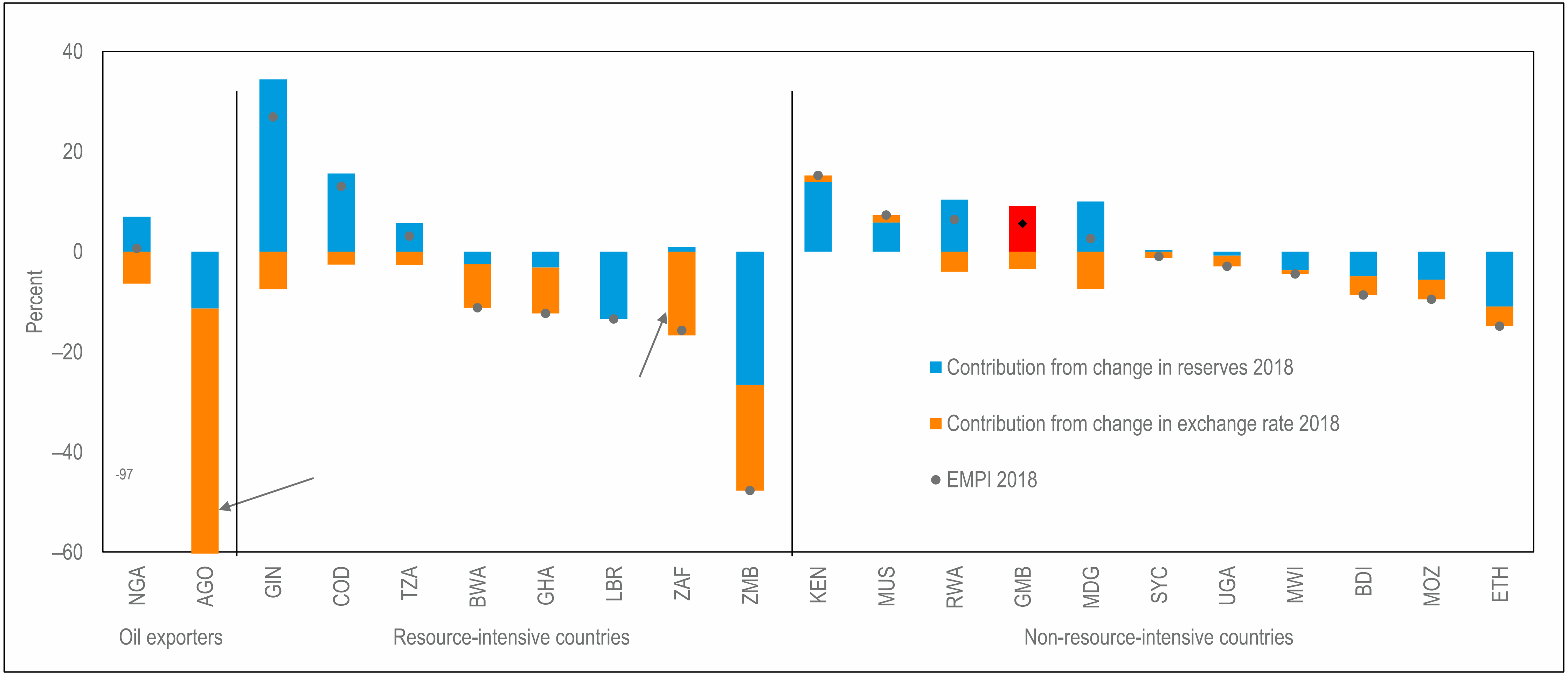
Volatility of EMBI Spreads, 2011-14 and 2015–18



Sources: Bloomberg and staff calculations.

Volatile capital flows have been dealt with more through changes in reserves than exchange rates

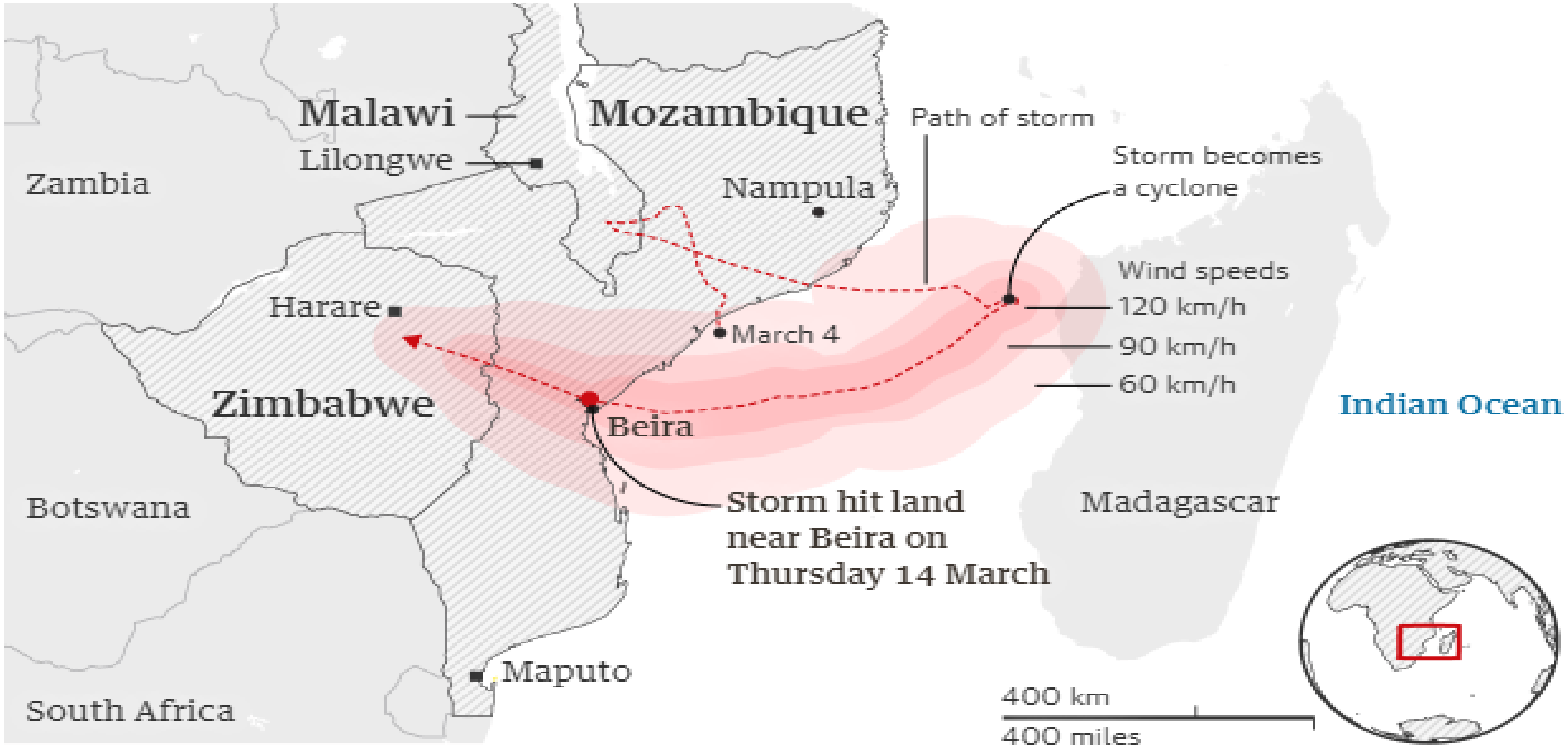
Exchange Market Pressure, 2018



Sources :IMF, International Financial Statistics database; and IMF staff calculations.

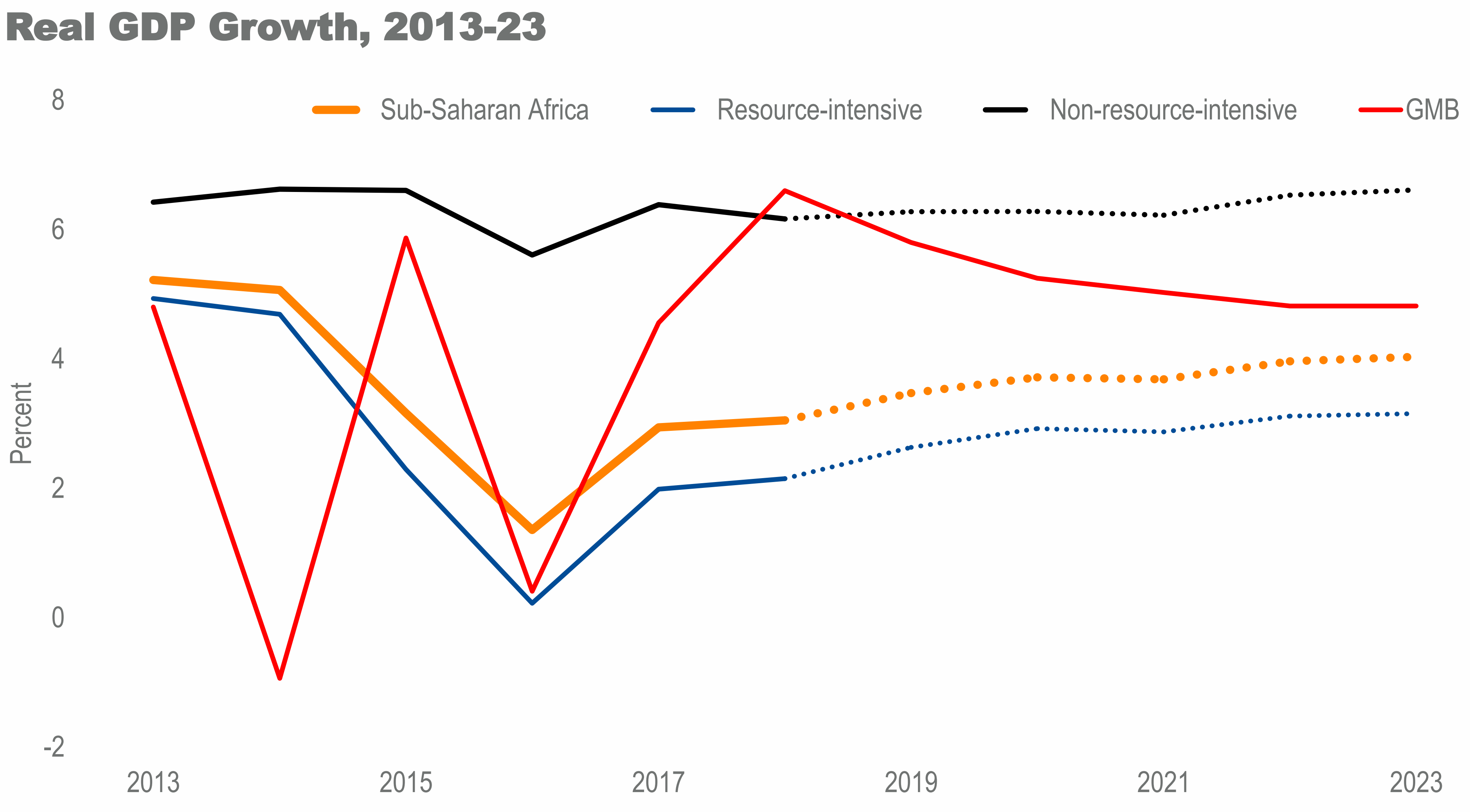
Climate shocks threaten the outlook for a number of southern African countries

Tropical Cyclone Idai



Source: Guardian graphic; Global Disaster Alert and Coordination System.

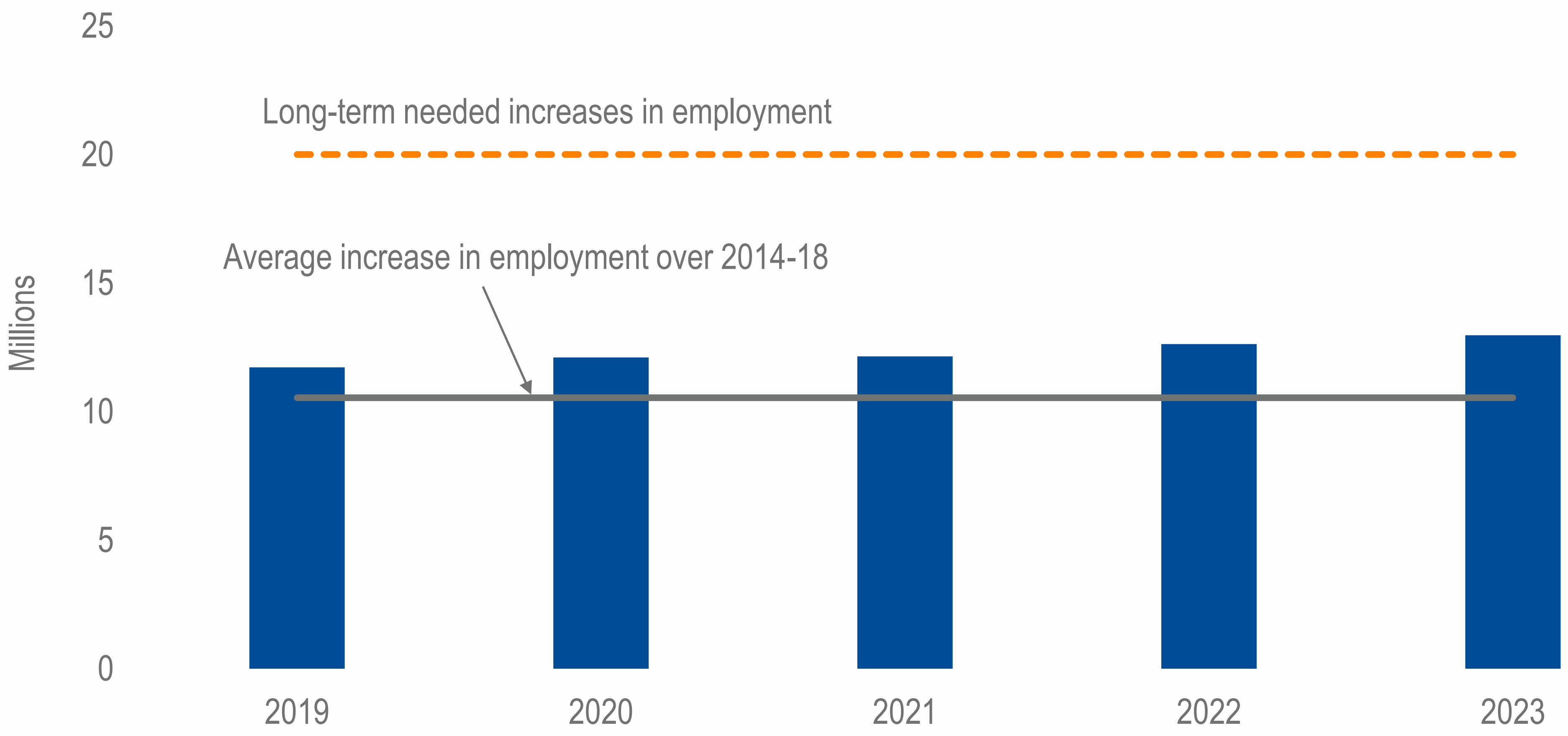
On current policies, the recovery beyond 2019 looks set to be marginal



Source: IMF World Economic Outlook database.

Growth rates are below what is needed to create much needed jobs in many countries

Change in Employment, 2019-23



Sources: United Nations, International Labour Organization; and IMF staff estimates.

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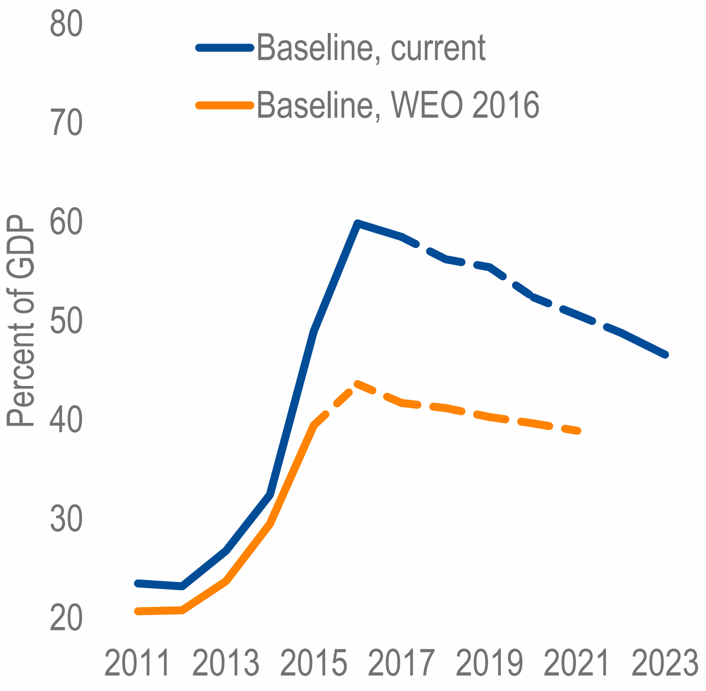
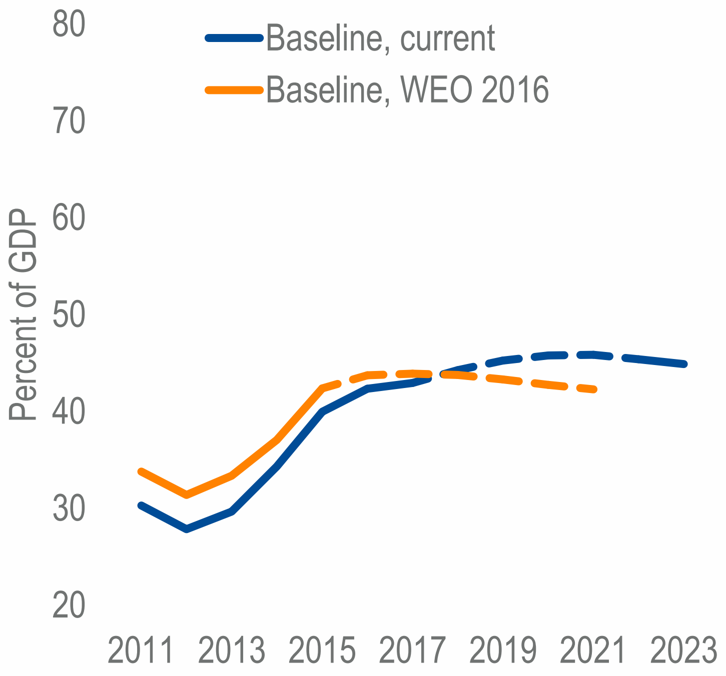
There are tentative signs of public debt to GDP ratios stabilizing, albeit at higher debt levels…

Public Debt

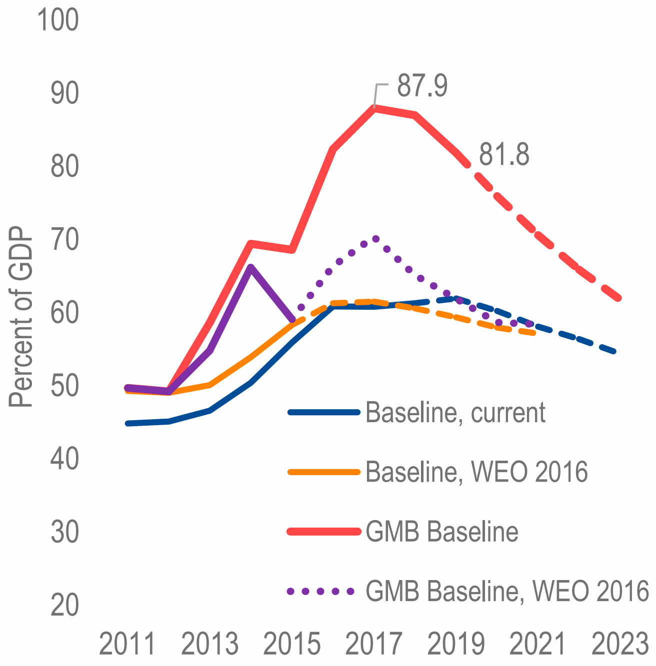
Oil exporters



Other resource-intensive countries



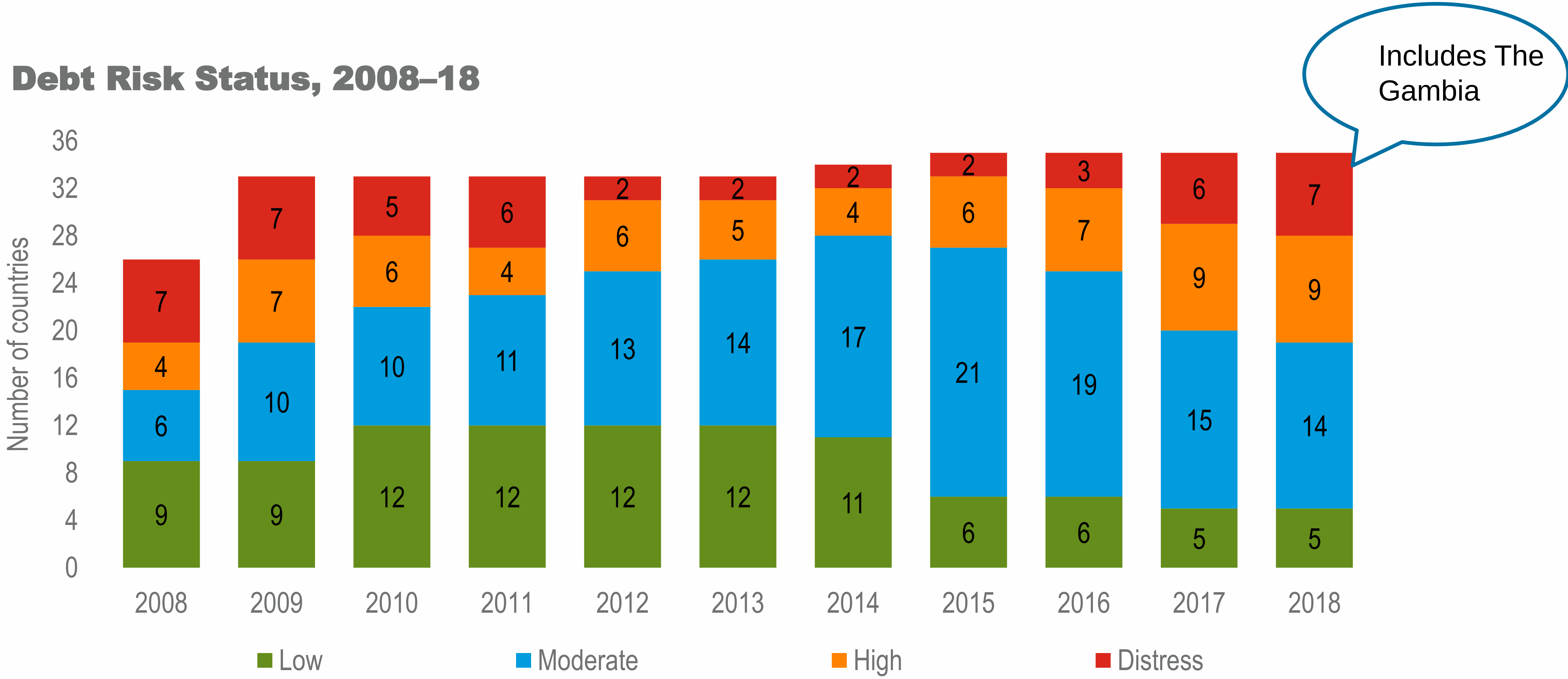
Non-resource-intensive countries



Source: IMF World Economic Outlook database.

...nevertheless debt vulnerabilities remain elevated...

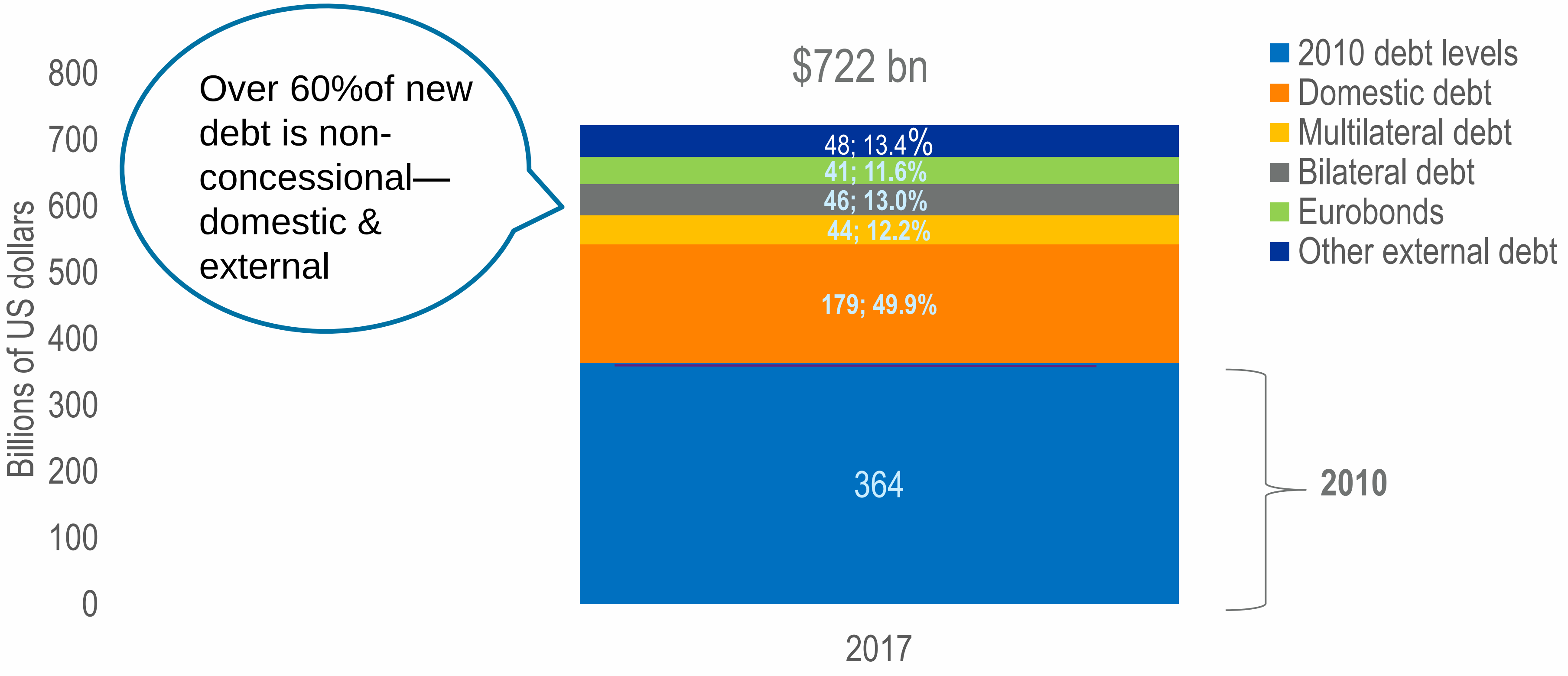
Debt Risk Status, 2008–18



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

Moreover, debt vulnerabilities will be exacerbated by the fact that concessional financing will remain scarce

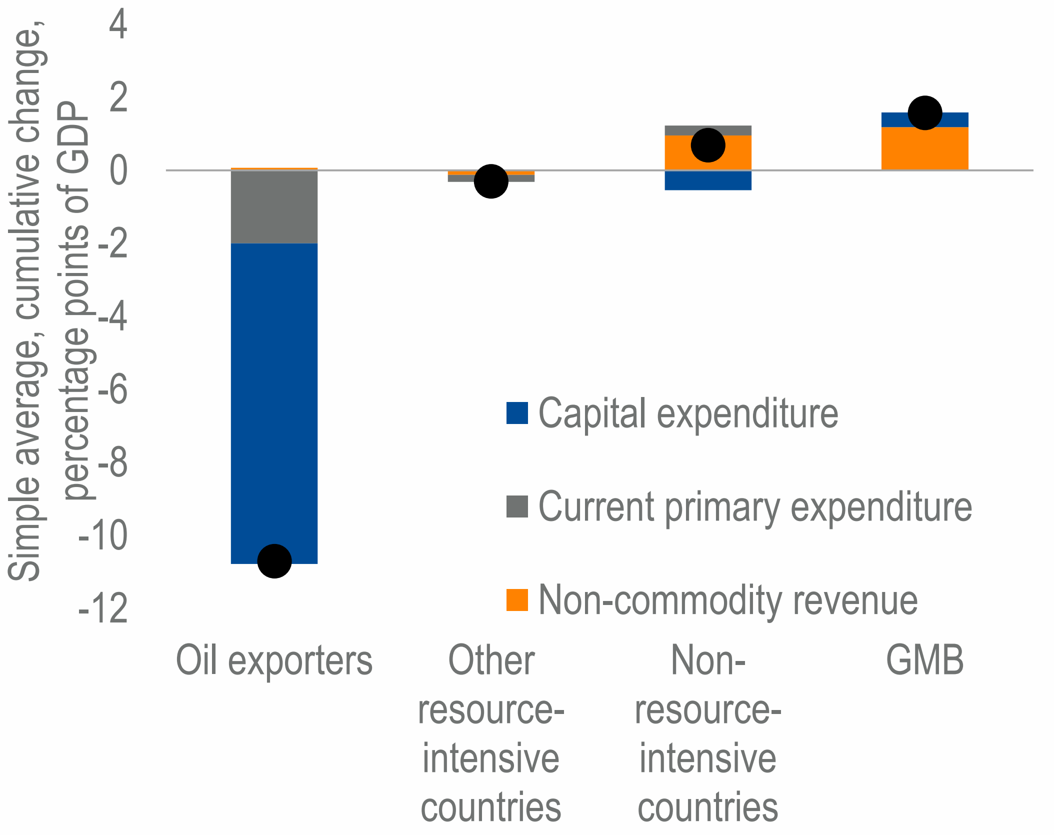
New Debt Flows since 2010



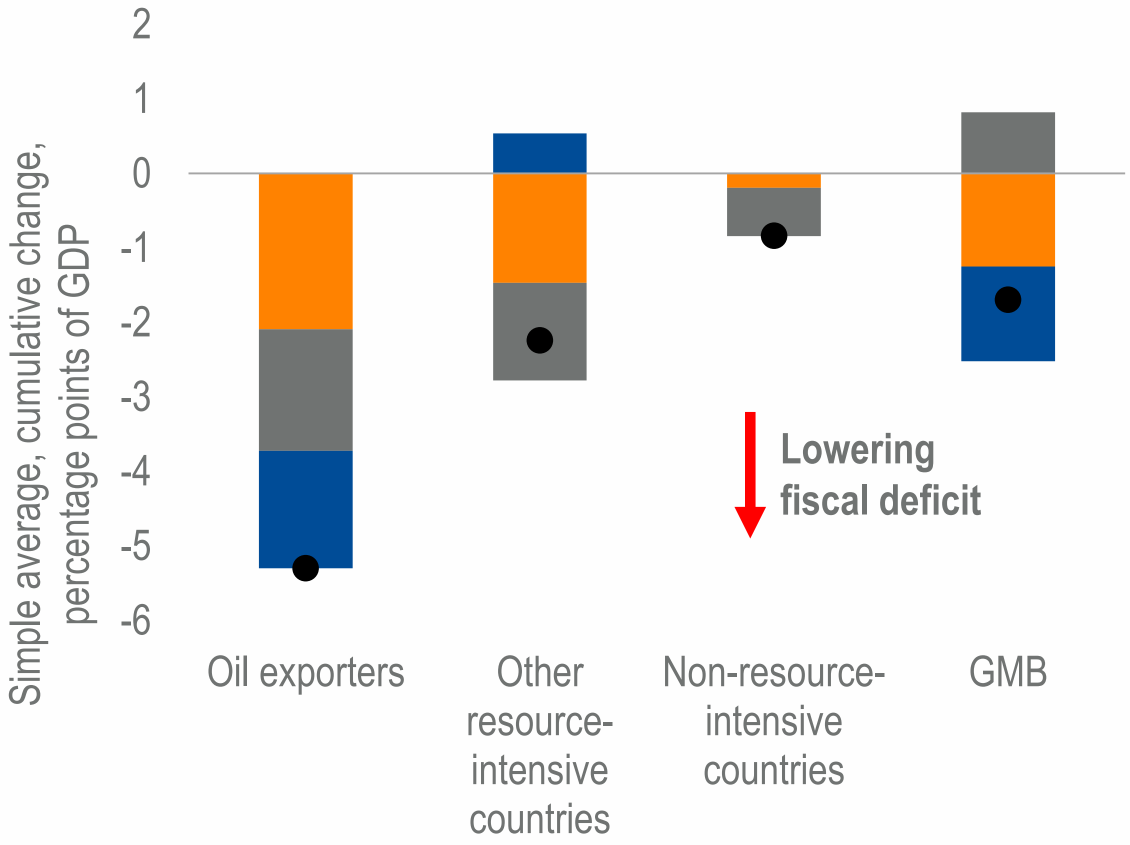
Note: Excludes Equatorial Guinea, Namibia, Seychelles, and South Sudan.

More fiscal adjustment is needed across all country groupings…

Change in Fiscal Deficit, 2013–17



Medium-Term Fiscal Plans, 2018–23



Source: IMF, World Economic Outlook database; and IMF staff calculations.

• Represents the non-commodity primary balance

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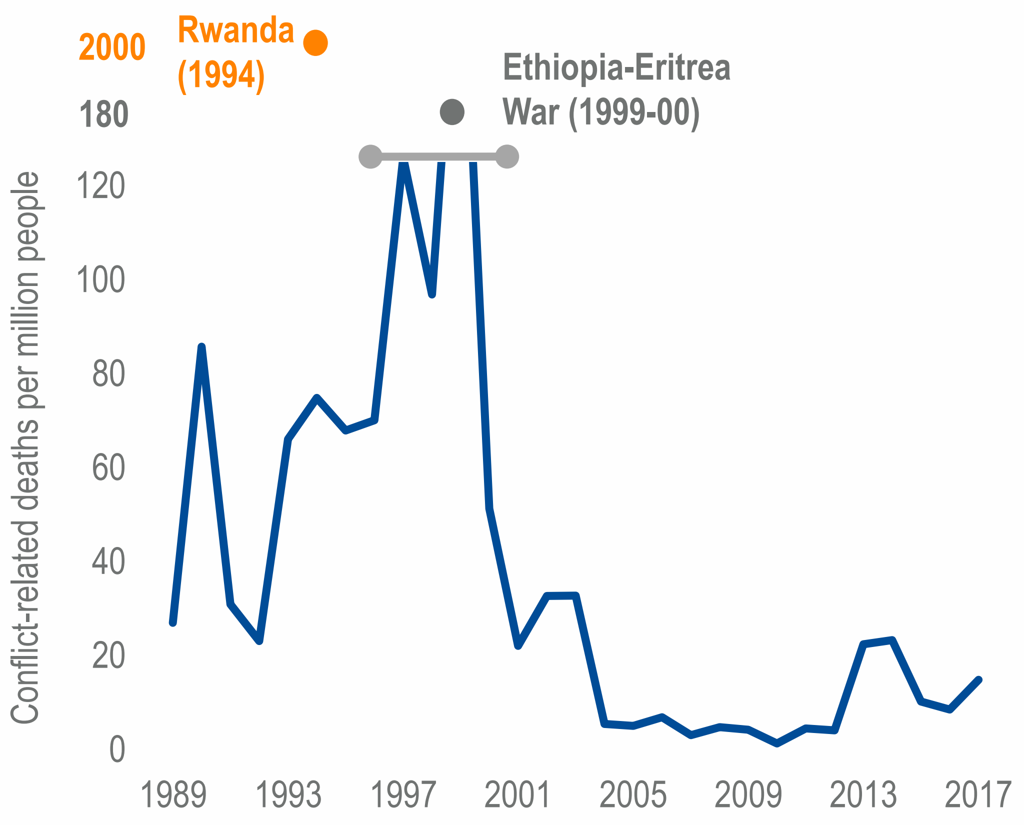
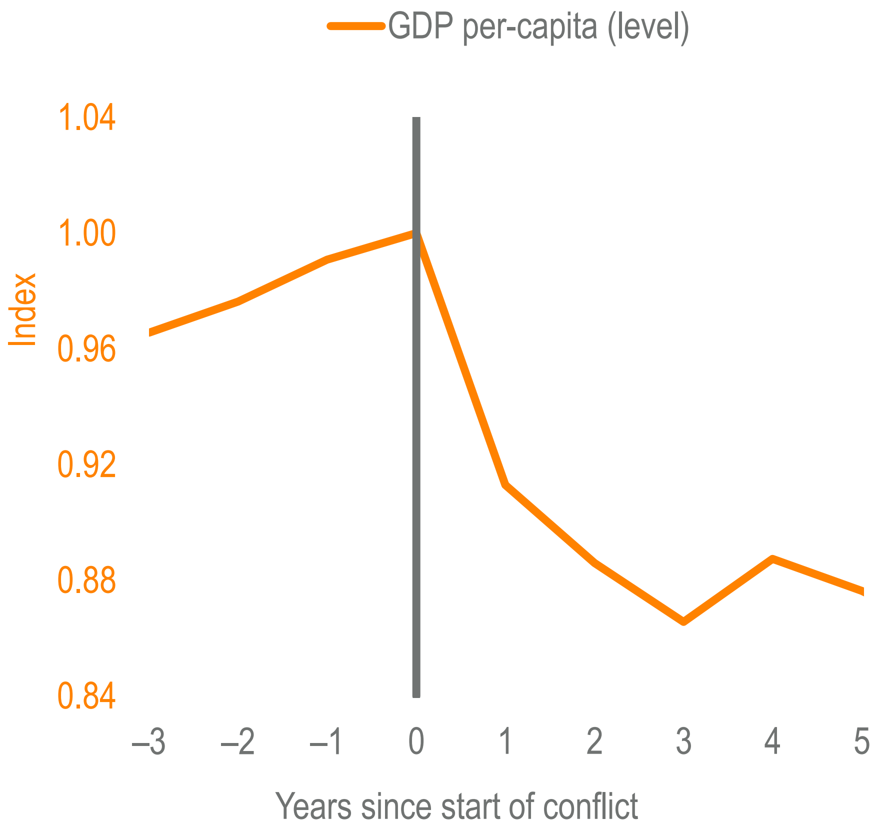
The intensity of conflict has declined markedly, but costs are severe and persistent

Average Conflict Intensity



Sources: Uppsala Armed Conflict Database; and IMF staff calculations.

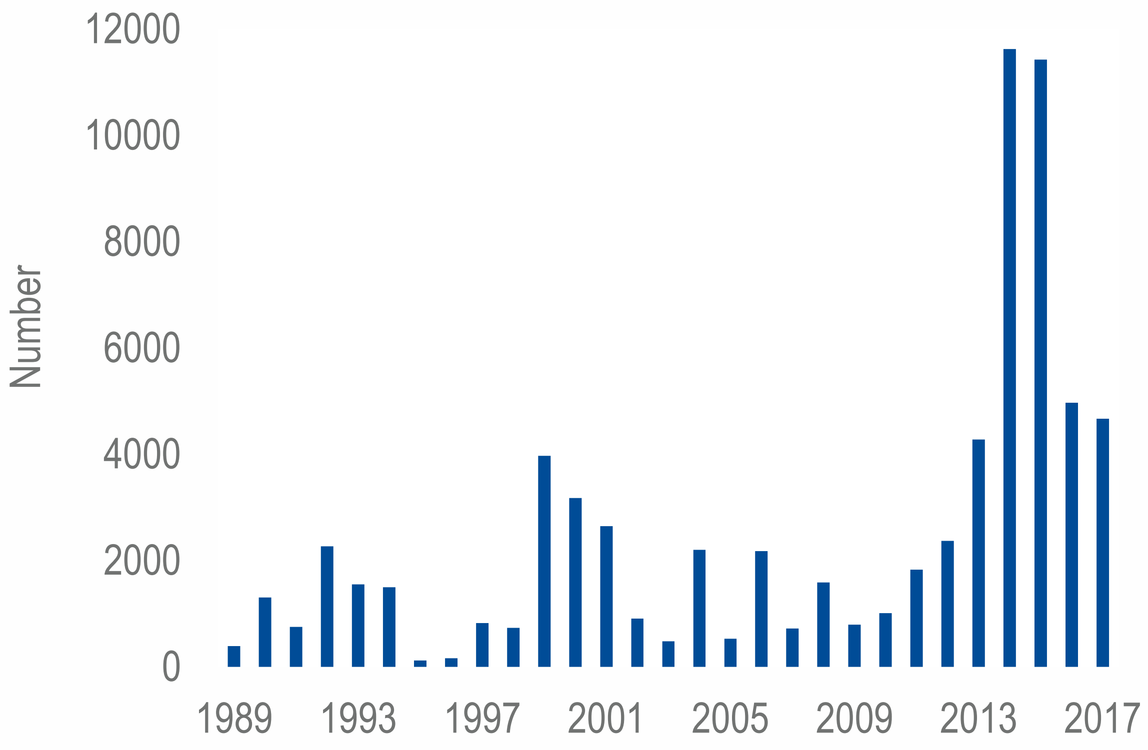
Conflict Episodes: Real GDP Growth Rate and Cumulative GDP per-capita Losses



Sources: IMF staff calculations.

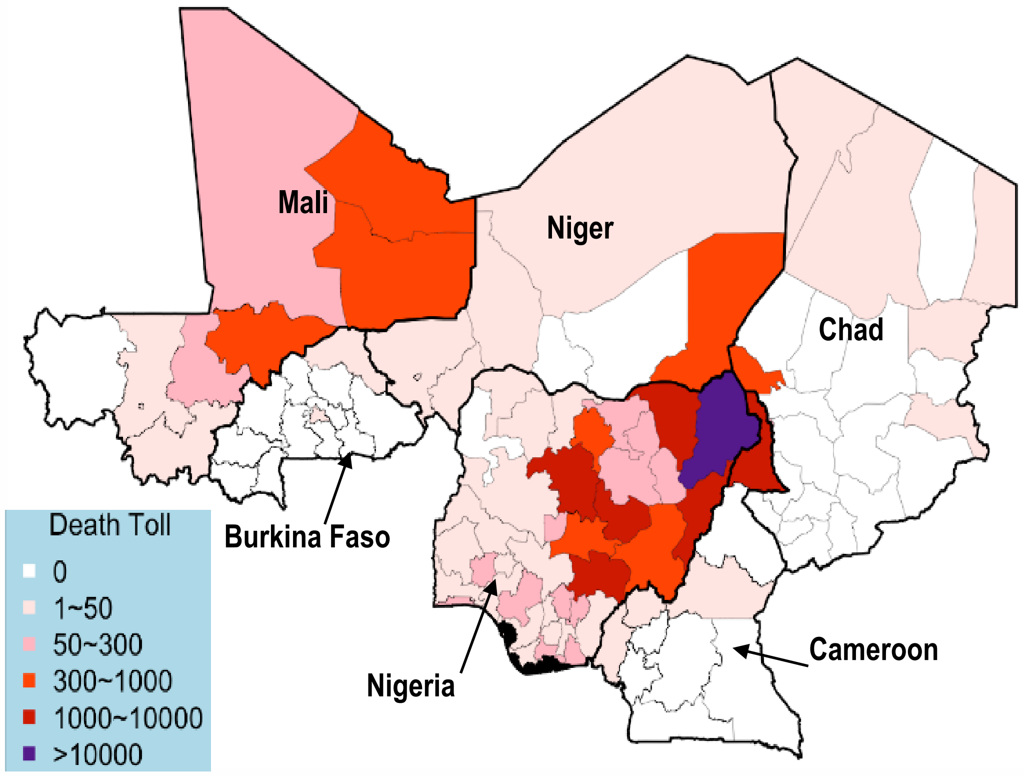
That said, the decline in conflict doesn't apply to the whole of SSA as violence has increased in the Sahel

Number of Conflict-Related Deaths in Sahel Region



Sources: Uppsala Armed Conflict Database; and IMF staff calculations.

Conflict-Related Deaths - Sahel Region, 2011-17



Sources: Uppsala Geographic Event Database; and IMF staff calculations.

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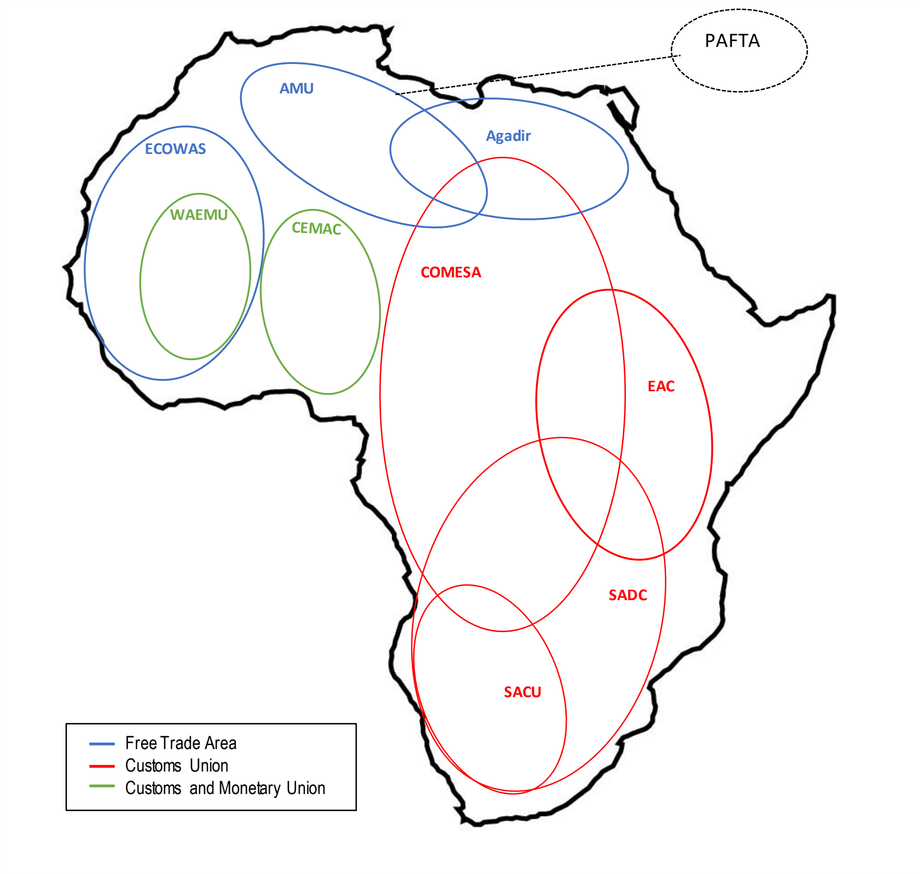
Once completed, the AfCFTA will establish a market of 1.2 billion people, with a combined GDP of 2.5 trillion dollars!!

African Regional Economic Communities



Tariff Rates by Regional Economic Community

Sources: United Nations COMTRADE database; and IMF staff calculations.

Recap of Key messages

Economic performance in sub-Saharan Africa remains bifurcated, as the recovery is taking place amidst a more volatile and less supportive external environment:

- The more diversified economies (21 out of 45) continue to grow at over 5%
- But growth remains anemic in resource-dependent economies (home to 2/3 of the region's population)

The external environment is complex and now less-supportive; should it worsen, the policy response should be country-specific:

- Where growth remains strong, countries should continue building buffers and should hand over the reigns of growth from the public to private sector, as public investment has contributed to rising debt levels
- Elsewhere, policy reforms are needed to diversify their economies, address policy uncertainties and encourage private sector investment.

Reforms are needed to manage development spending needs and create jobs:

- **Fiscal prudence**—improve tax revenue collections, strengthen public financial management, and enhance spending efficiency
- **Facilitate greater private investment**
- **Raise productivity**, including by promoting economic diversification and export competitiveness
- **Promote intra-regional trade through the AfCFTA** by reducing country-specific non-tariff barriers and by facilitating the reallocation of labor and capital across sectors and regionally (e.g. through training and job-search assistance)
- **Bolster targeted safety nets** (income support and social insurance programs) to alleviate the temporary adverse effects on income inequality of deeper trade integration on the most vulnerable.

Thank You