

INTERNATIONAL MONETARY FUND

REGIONAL ECONOMIC OUTLOOK

SUB-SAHARAN AFRICA

A New Shock and Little Room
to Maneuver

2022
APR



**AFRICAN
DEPARTMENT**

ANOTHER SHOCK AND LITTLE ROOM TO MANEUVER

ARI AISEN
IMF RESIDENT REPRESENTATIVE FOR NIGERIA

MAY 30, 2022

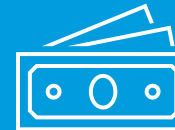
Another Shock: **Three spillover channels**



Energy prices



Food prices

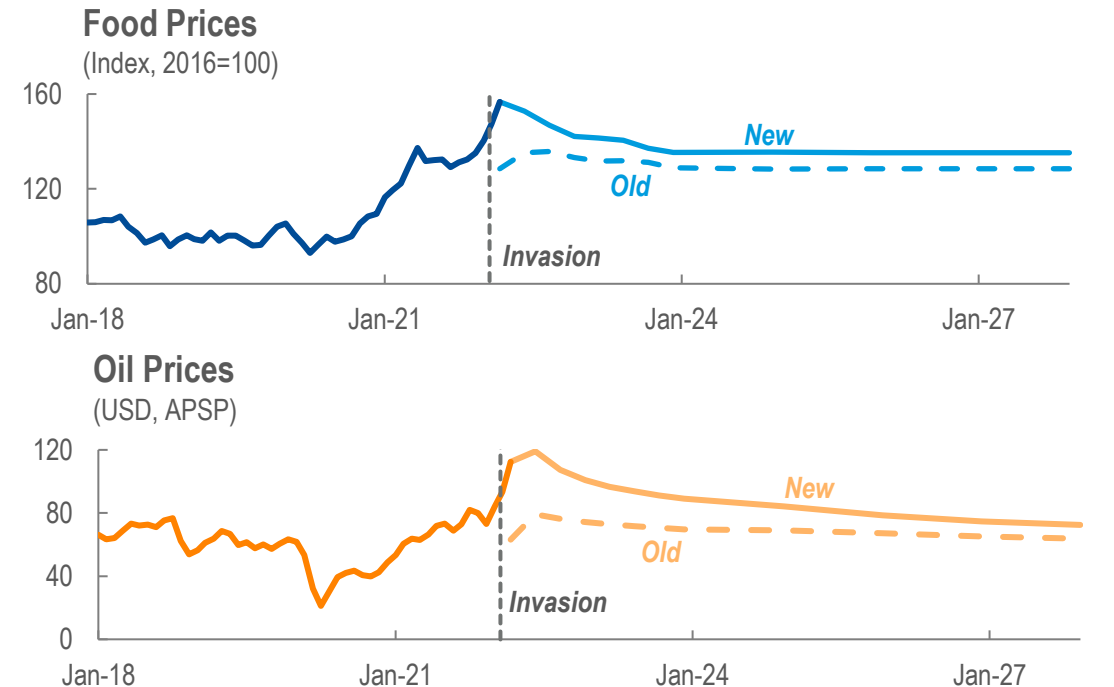


Financial conditions

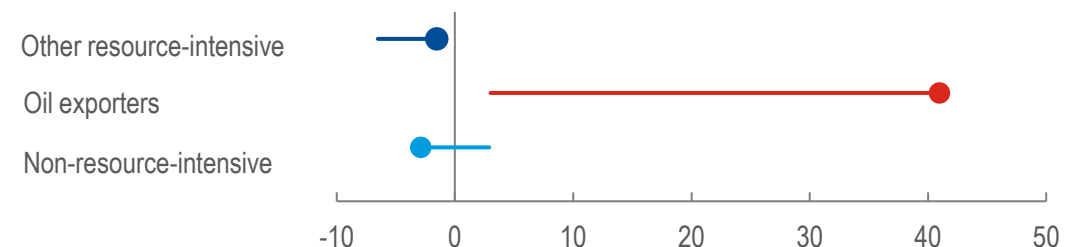
Soaring Energy Prices and Terms-of-Trade Swings

- A sharp spike in oil prices; some pullback, but remain high
- Windfall gain for oil exporters, but sizable **terms-of-trade shock** for most of the region

Impact of Ukraine Conflict on Commodity Price Outlook



Sub-Saharan Africa: Terms of Trade, Jan. GAS vs. Mar. GAS (Percent change, 2022)



Sources: IMF, Primary Commodity Price System and IMF staff calculations.

Spillover Channels

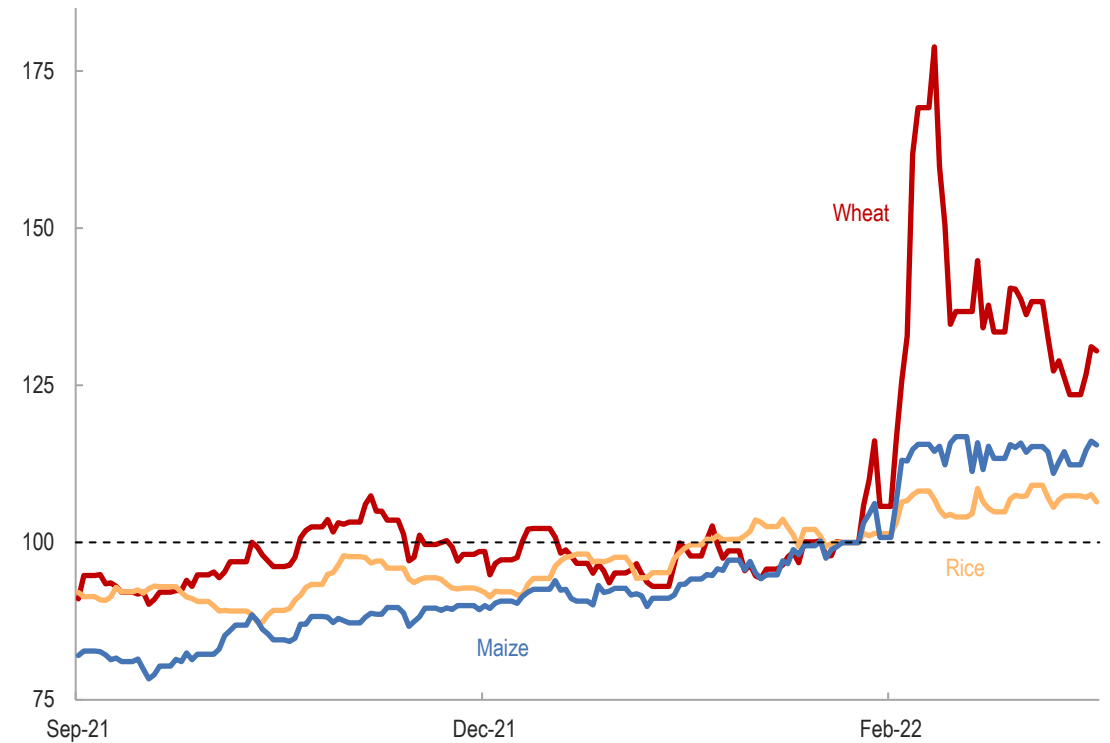
Higher Fuel and Food Prices

Commodity Prices, 2005 - 2022



Global Food Prices, 2021 - 2022

(Index, February 22, 2022, = 100)

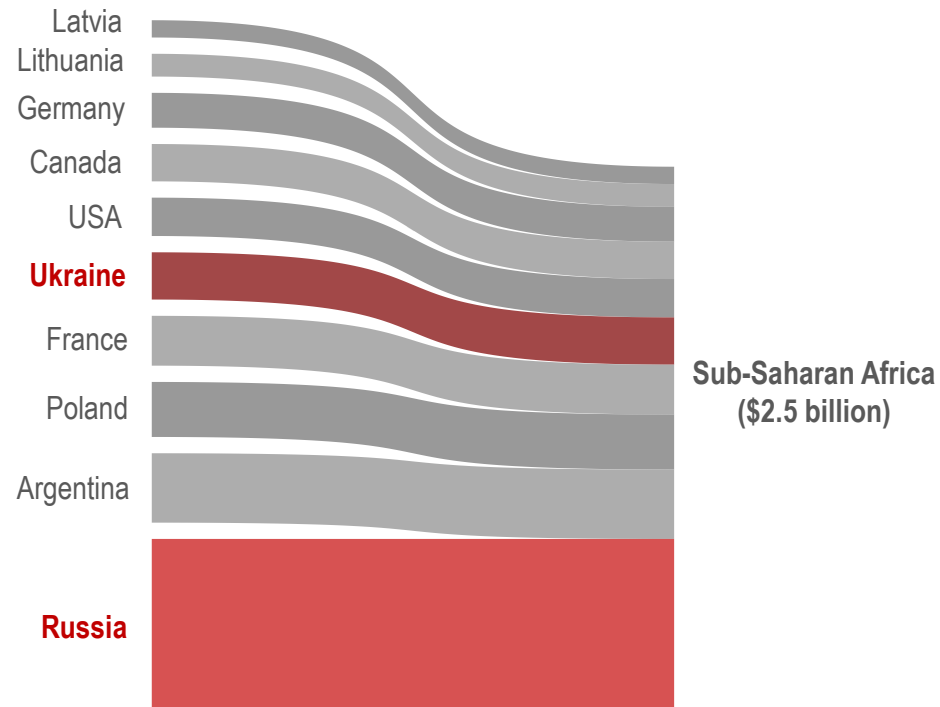


Spillover Channels

Sources: IMF, Primary Commodity Price System and IMF staff calculations.

Rising Food Prices Hurt the Vulnerable Most

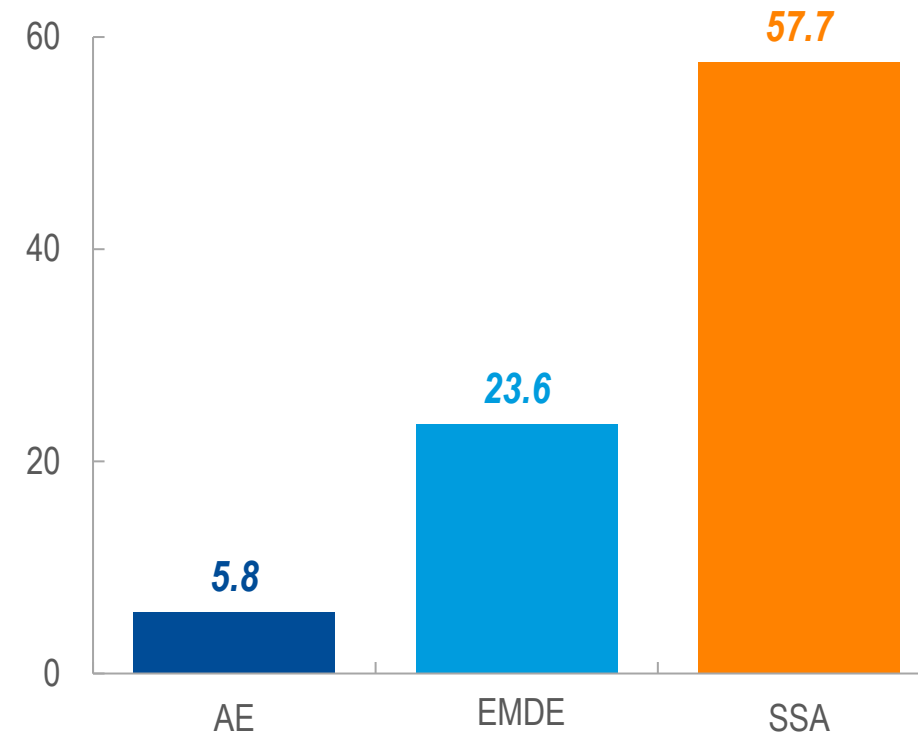
Top 10 Sources of Wheat Imports to Sub-Saharan Africa



Sources: UNCTAD and IMF staff calculations.

Prevalence of Moderate or Severe Food Insecurity, 2019

(Percent of population, median)



Sources: United Nations, Food and Agriculture Organization and IMF staff calculations.

Notes: AE = Advanced Economies, EMDE = Emerging Market and Developing Economies, SSA = Sub-Saharan Africa.

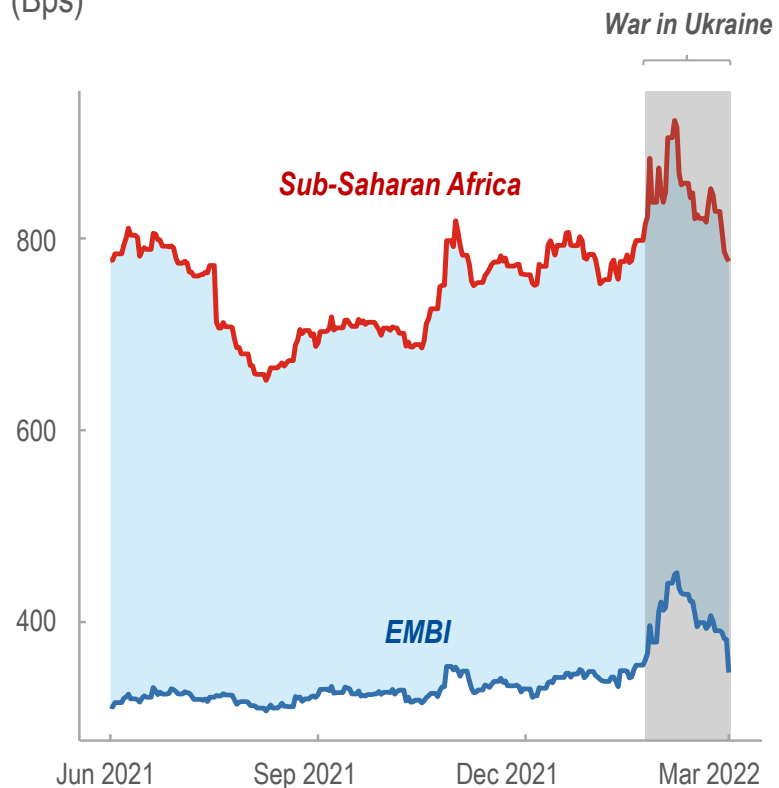
Spillover Channels



Highly Volatile Global Financial Conditions

Sub-Saharan Africa: Sovereign Spreads during the War in Ukraine

(Bps)



Sources: Bloomberg, L.P. and IMF staff calculations.

- **Flight to safety**; significant market volatility
- **Uncertain outlook**; commodity price shock has complicated monetary policy normalization
- Regional spreads broadly **in line with global trends**
- **Differentiation** between commodity importers and exporters

Spillover Channels

A more complicated **regional outlook**



**Different commodity
exposures**



**Social tensions and
political instability**

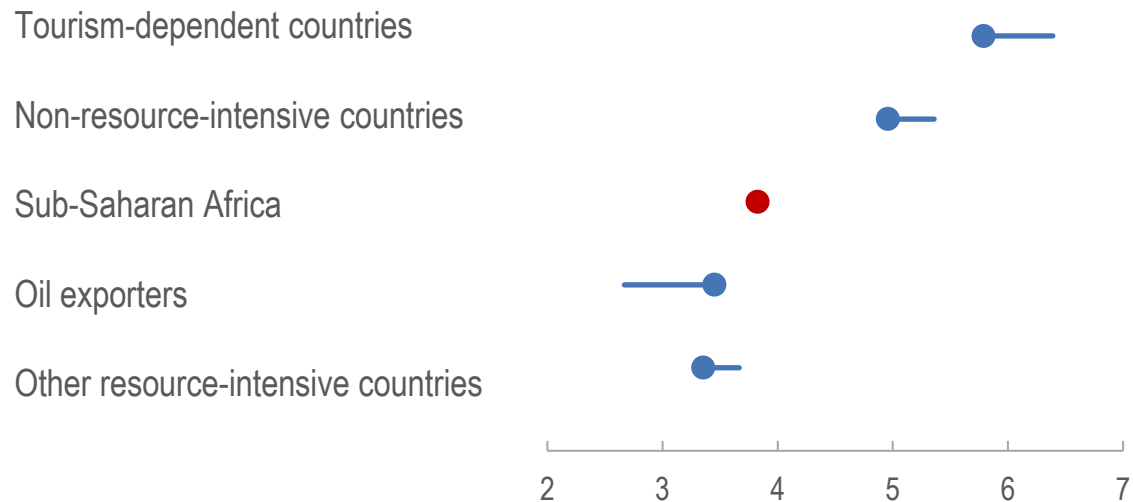


An ongoing pandemic

Different Commodity Exposures

Sub-Saharan Africa: 2022 Real GDP Growth Revisions since October 2021

(Percent)



- The recovery has been held back, **softening 2022 growth to 3.8 percent.**
- Strong heterogeneity across the region.

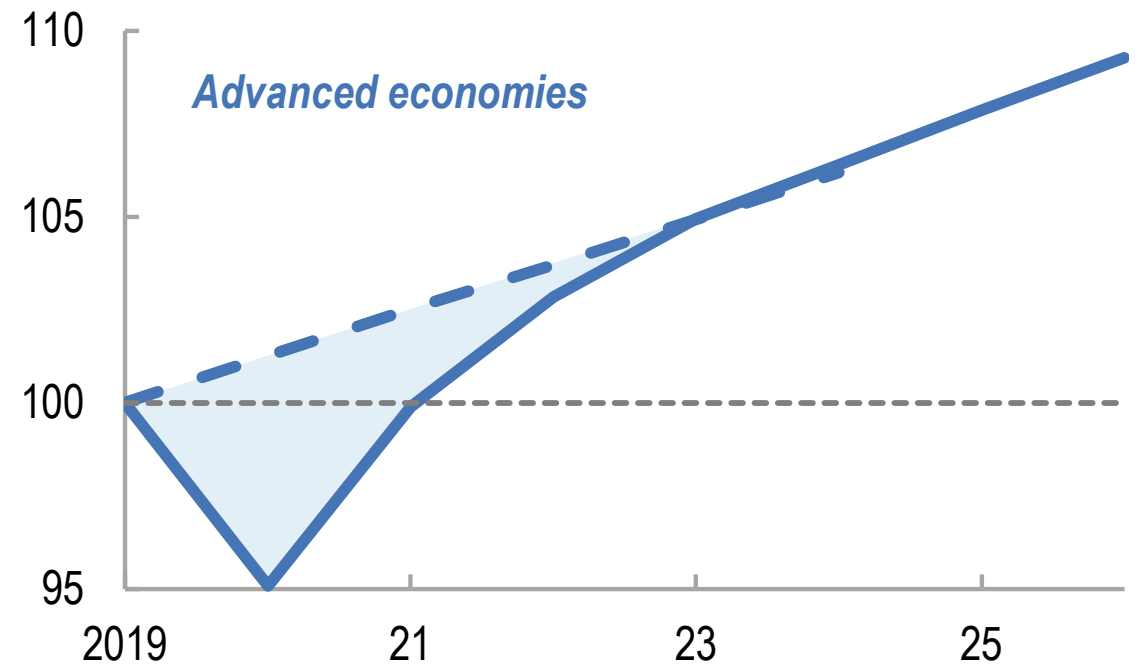
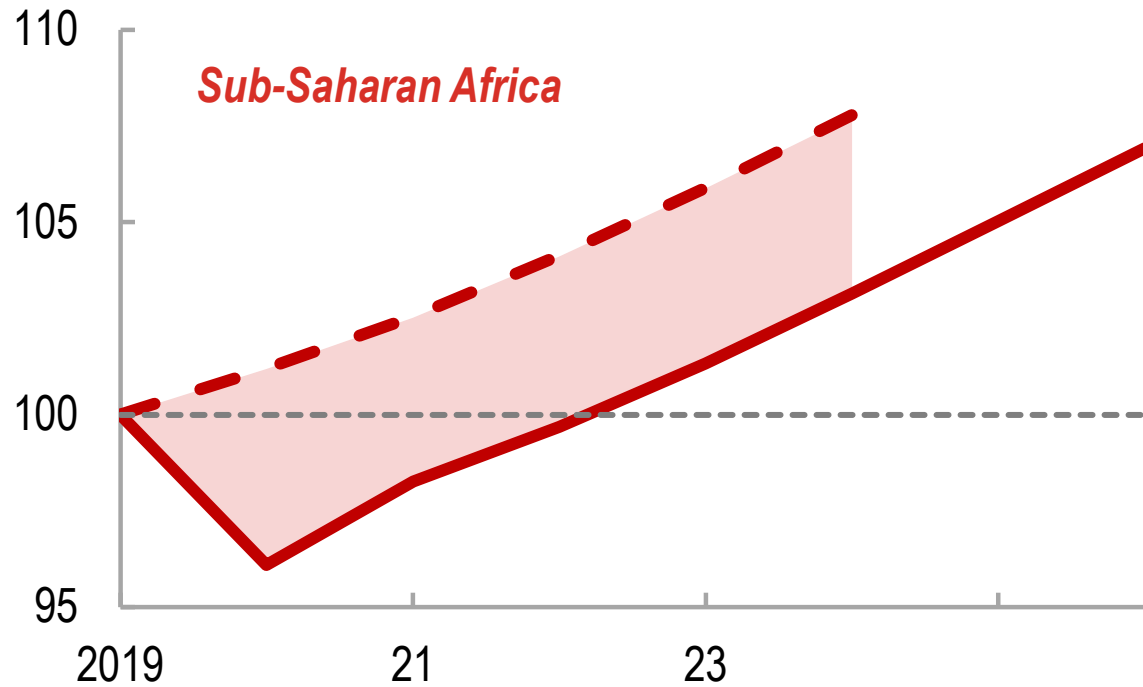
Sources: IMF, World Economic Outlook Database and IMF staff calculations.

Complicated Outlook

...and income regional disparities increased

Selected Regions: Real GDP Per Capita, 2019–26

(2019 = 100, dashed lines indicate pre-pandemic projections)



Sources: IMF, World Economic Outlook Database and IMF staff calculations.

Complicated Outlook

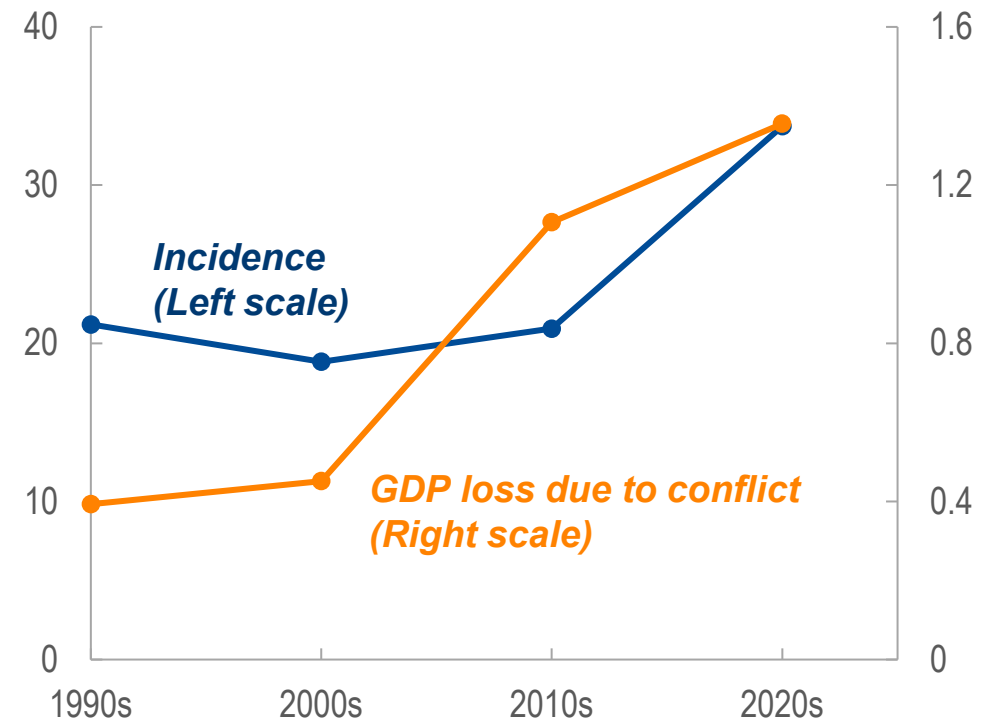
Rising Social Tensions and Political Instability

- With growing food insecurity, this shock is **hitting the region's most vulnerable**
- Coincides with elevated **political discontent** and security challenges

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

(Percent of region in conflict)

(Percentage points of GDP)



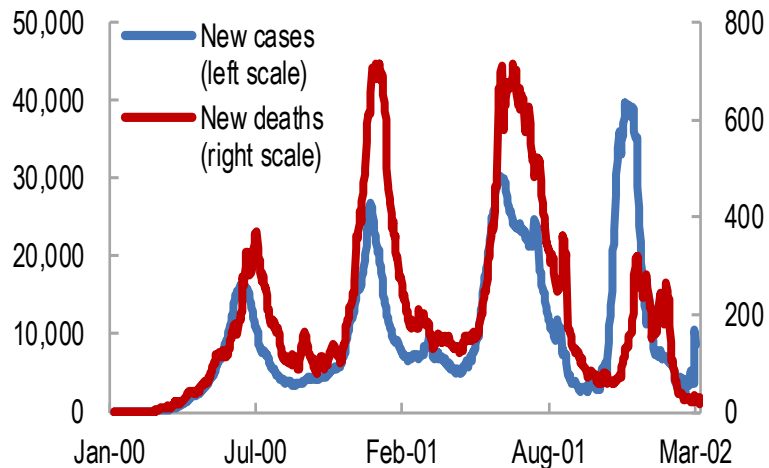
Sources: Uppsala conflict Dataset, ACLED, Penn World Tables, and IMF staff calculations.

Complicated Outlook

An Ongoing Pandemic: Growth Headwinds

SSA: COVID Cases & Deaths

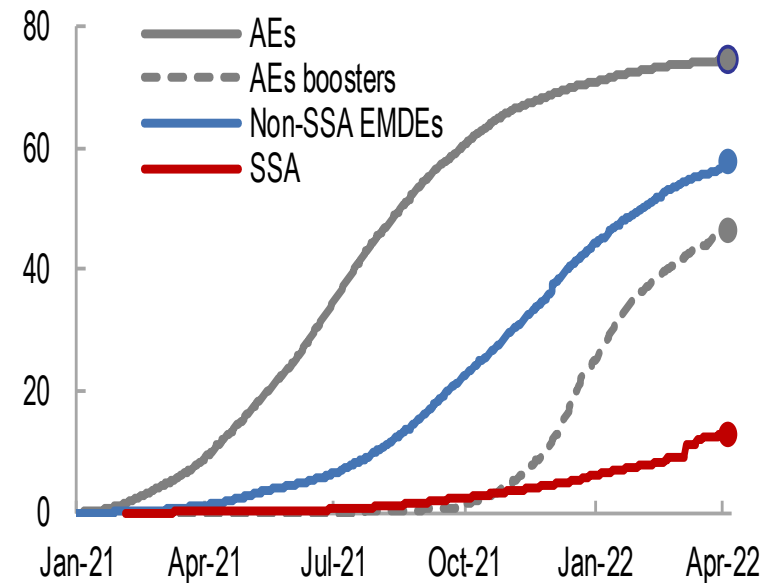
(Seven-day moving average)



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

Vaccination Rates, 2021–2022

(Percent of population, as of Apr. 30, 2021)



Source: Our world in Data; and IMF staff calculations.

Notes: AEs = Advanced Economies; EMDEs = Emerging Market and Developing Economies; SSA = Sub-Saharan Africa. Non-SSA EMDEs exclude China.

- The region remains **exposed to new COVID-19 waves**
- The pandemic harmed much-needed **human capital**
- Scarring may be **compounded by the war in Ukraine**

Complicated Outlook

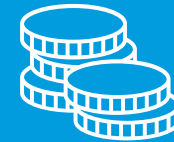
Three key priorities: **short term**



**Reduce Debt
Vulnerabilities**



**Balance Inflation and
Growth**

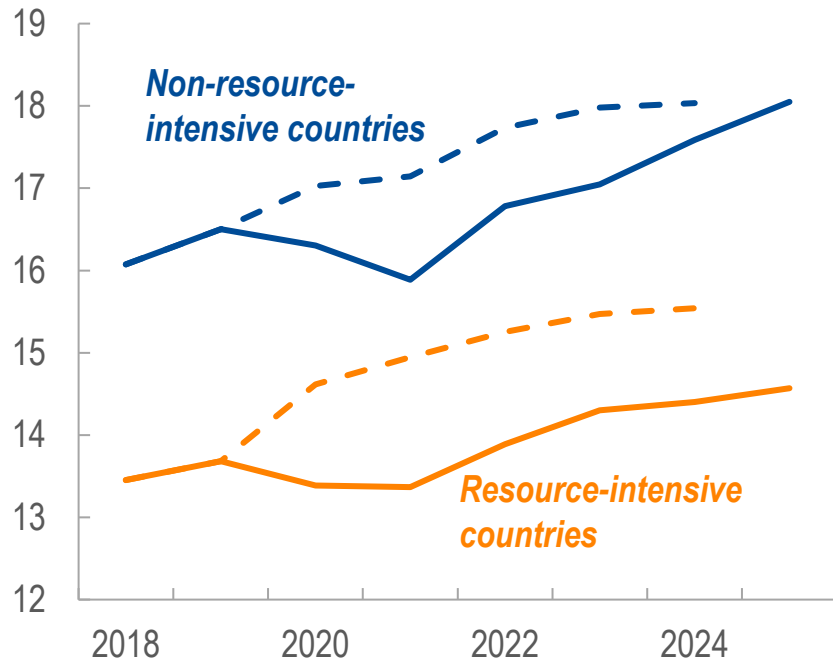


**Manage Exchange
Rate Pressures**

Reducing Debt Vulnerabilities

Sub-Saharan Africa: Tax Revenue, 2018–25

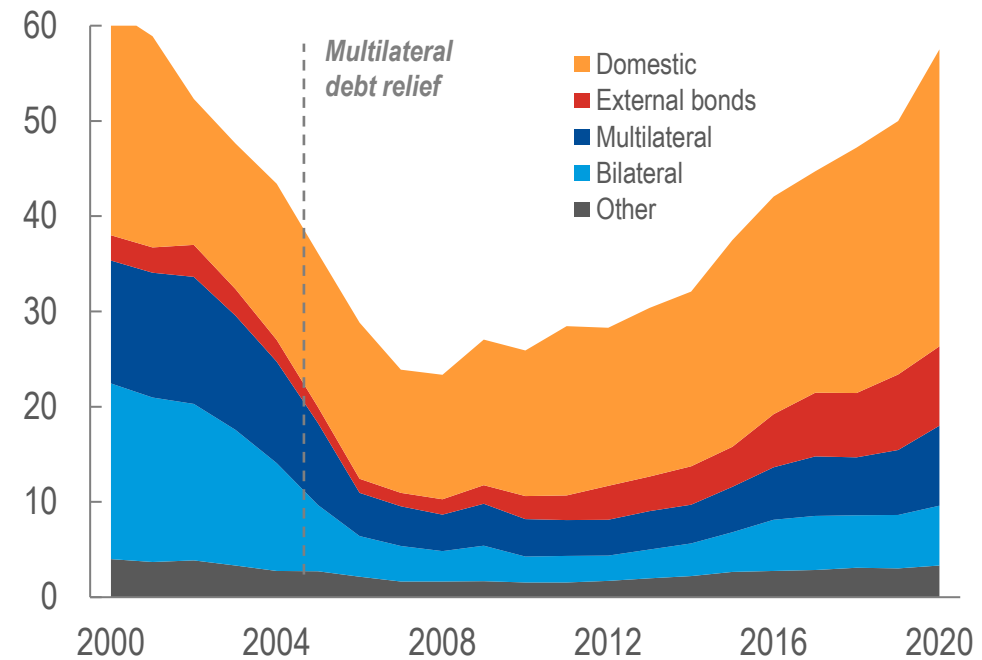
(Percent of GDP)



Sources: World Economic Outlook database and IMF staff calculations.
Note: Dotted-lines represent pre-COVID-19 projections.

Sub-Saharan Africa: Composition of Public Debt, 2000–20

(Percent of GDP)

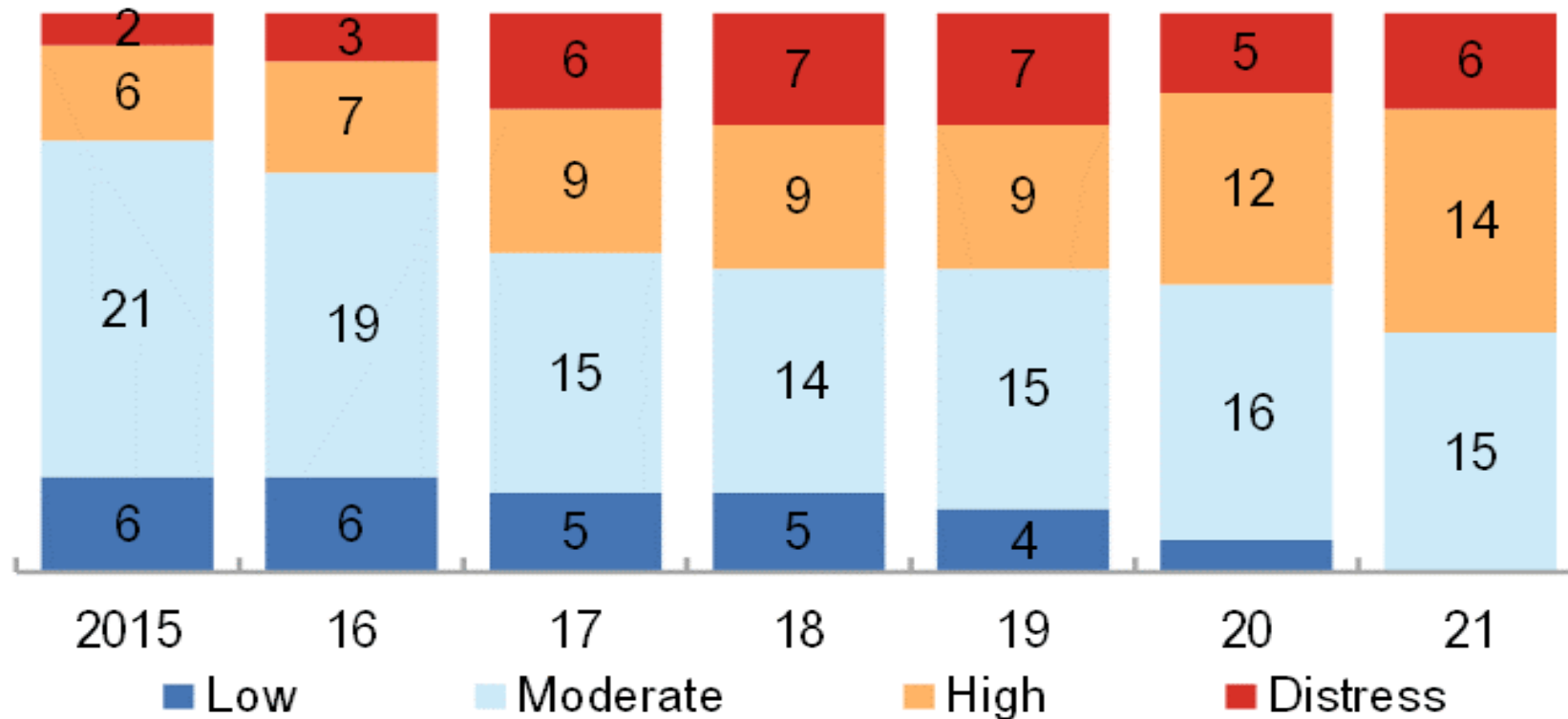


Sources: World Bank, International Debt Statistics; and IMF, World Economic Outlook database.
Note: Excludes Equatorial Guinea, Namibia, Seychelles, and South Sudan due to data availability in the World Bank debt database.

Key Priorities

Reducing Debt Vulnerabilities

Sub-Saharan Africa: Debt Risk Status for PRGT Eligible Low-Income Developing Countries, 2015 - 2021
(Number of countries)



Key Priorities



Revenue is limited and fiscal deficits remain large...

Sub-Saharan Africa: Revisions to Fiscal Projections for 2022

(Percent of GDP, difference from October 2021 forecast)

Revenue Excluding Grants



Overall Balance Excluding Grants

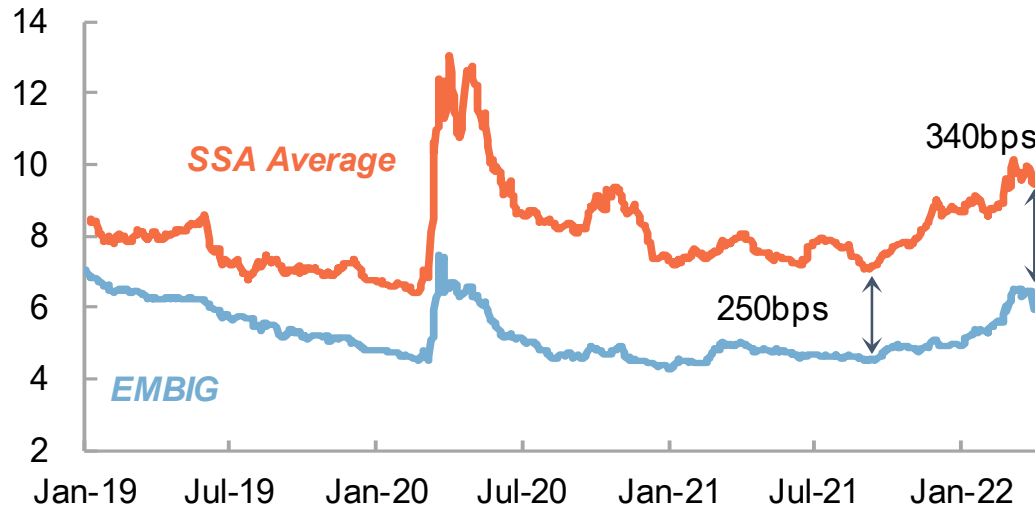


Sources: IMF, World Economic Outlook Database and IMF staff calculations.

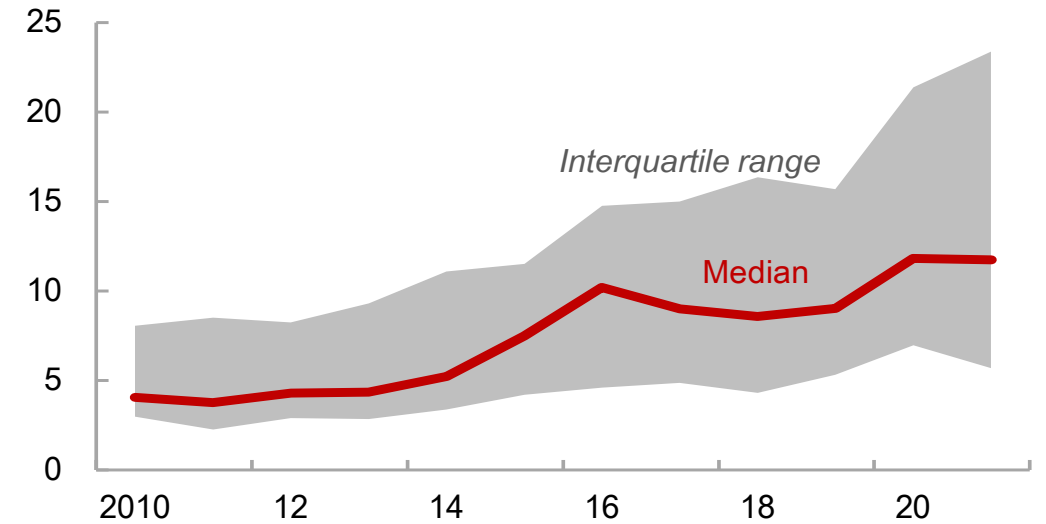
Key Priorities

...requiring financing when yields are higher and debt service is rising

Sub-Saharan Africa: Sovereign Yields, 2019 - 2022
(Percent)



Sub-Saharan Africa: External debt service, 2010 - 21
(Percent of exports of goods and services)



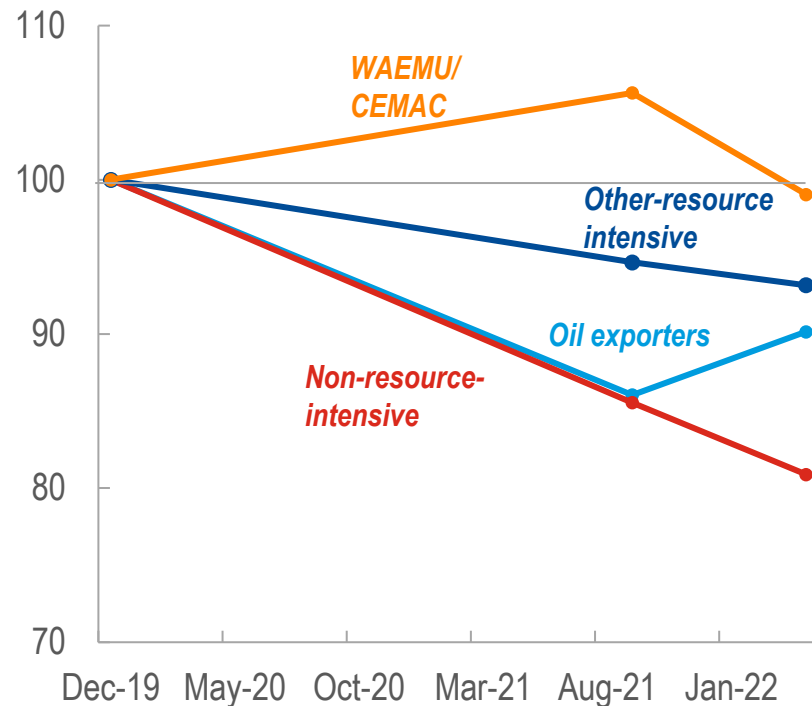
Sources: Bloomberg Finance L.P. and IMF staff calculations
Notes: EMBIG = J.P. Morgan Emerging Market Bond index Global, SSA = sub-Saharan Africa

Key Priorities

Managing Exchange Rate Pressures

Sub-Saharan Africa: Exchange Rates, 2019–22

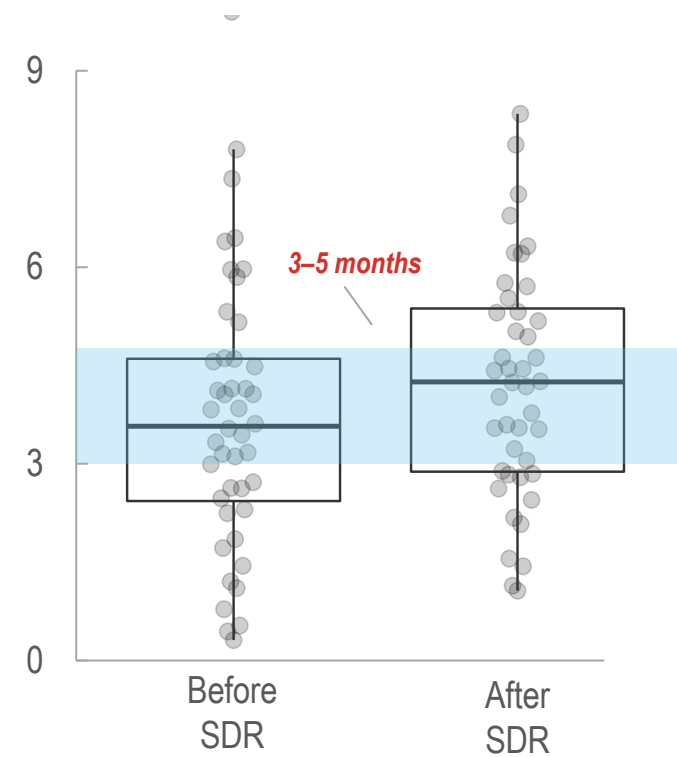
(vs. US\$; Index, end 2019=100)



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

Sub-Saharan Africa: International Reserves, 2021

(Months of imports)



Sources: IMF, World Economic Outlook Database and IMF staff calculations

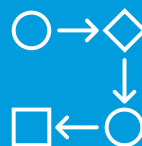
Key Priorities

Three essential reforms: **medium term**

Enhance resilience and lift medium-term growth



Energy transition



Diversification



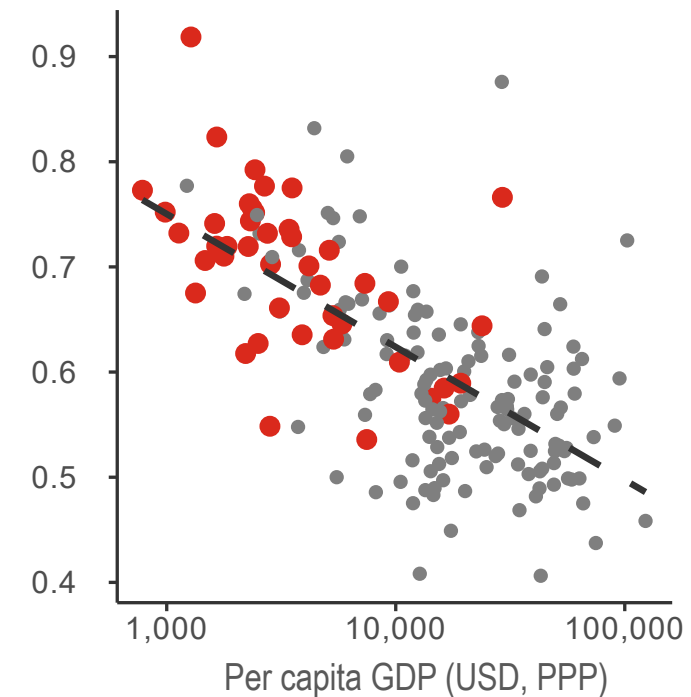
Boost private investment

Cleaner, Greener Growth

- Unrivalled **potential for renewable energy** and an abundance of minerals
- A successful transition offers **opportunities for diversification** and job creation
- Ensuring the green transition is also a **just transition**

Vulnerability to Climate Change

(Index, 2019; red = sub-Saharan Africa)



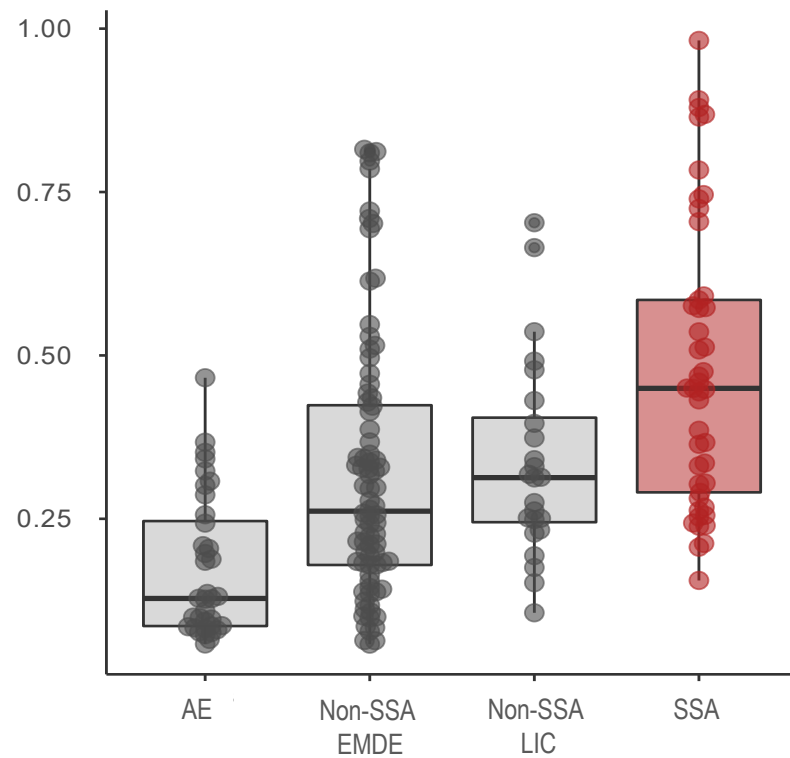
Sources: Notre Dame Global Adaptation Initiative; IMF, World Economic Outlook Database; and IMF staff calculations.

Essential Reforms

Promoting Diversification

Export Concentration, 2020

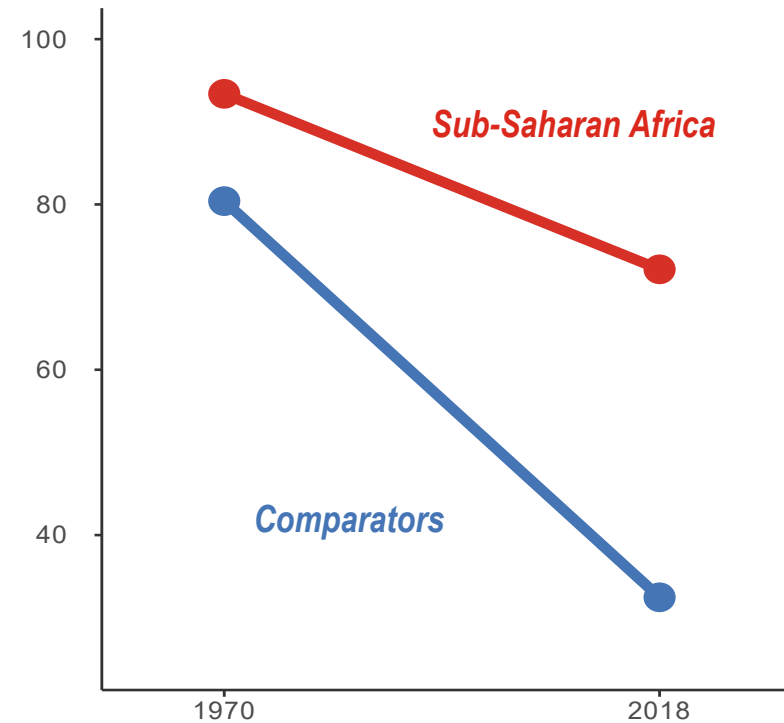
(Index)



Sources: UNCTAD, UN Comtrade Database, and IMF staff calculations.
 Note: AE = Advanced Economies; EMDE = Emerging Market and Developing Economies; LIC = Low Income Countries; SSA = Sub-Saharan Africa

Selected Regions: Role of Primary Exports

(Percent, share of exports)



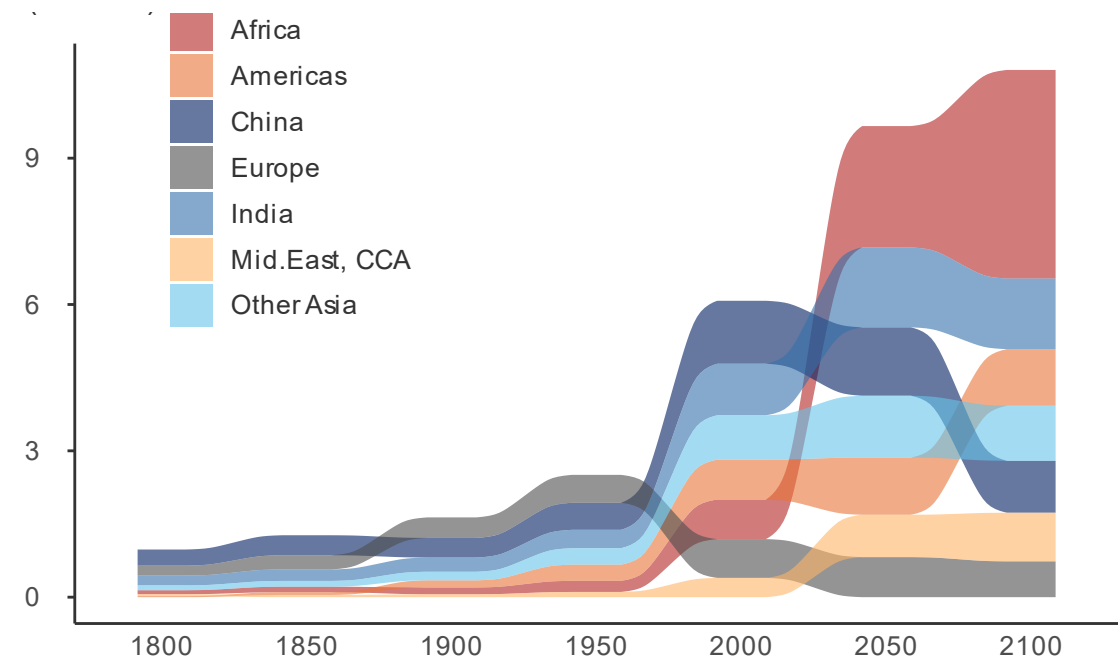
Sources: UNCTAD, UN Comtrade Database, and IMF staff calculations.

Essential Reforms

Unleashing the Private Sector

- **Strengthening** trade integration
- **Mobilizing** private financing
- **Enhancing** financial inclusion through digital innovation

Global Population by Region, 1800–2100
(Billions)



Sources: UN Population Division and IMF staff calculations.

Essential Reforms

International Support Remains Crucial

An ongoing emergency

- **Fragile and conflict-affected states** at risk of falling further behind
- \$23 billion **SDR allocation**
- \$100 billion **SDR rechanneling**
- Swift movement on the **Common Framework** is essential

Financing needs remain sizable

- **\$425 billion** needed to recover from the pandemic
- **\$30–50 billion** per year for climate adaptation
- For commodity importers, the war in Ukraine will add **\$6–10 billion** to financing needs each year

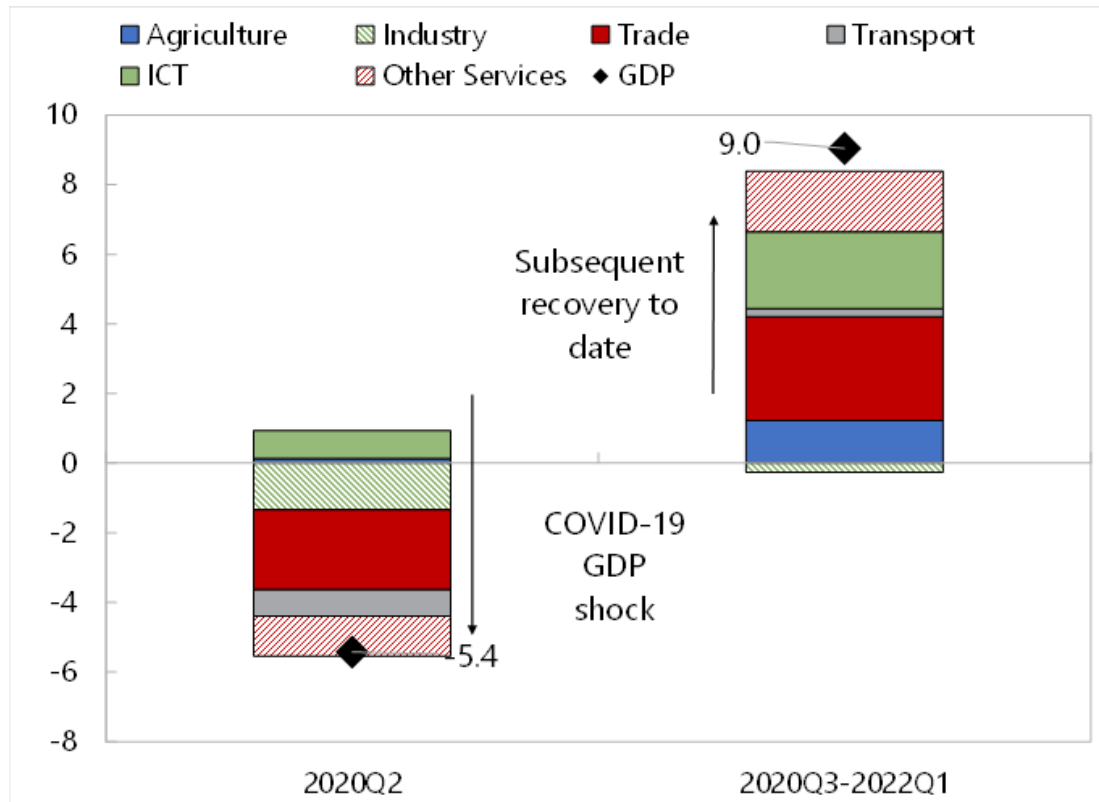
Nigeria

Recent Developments and Outlook

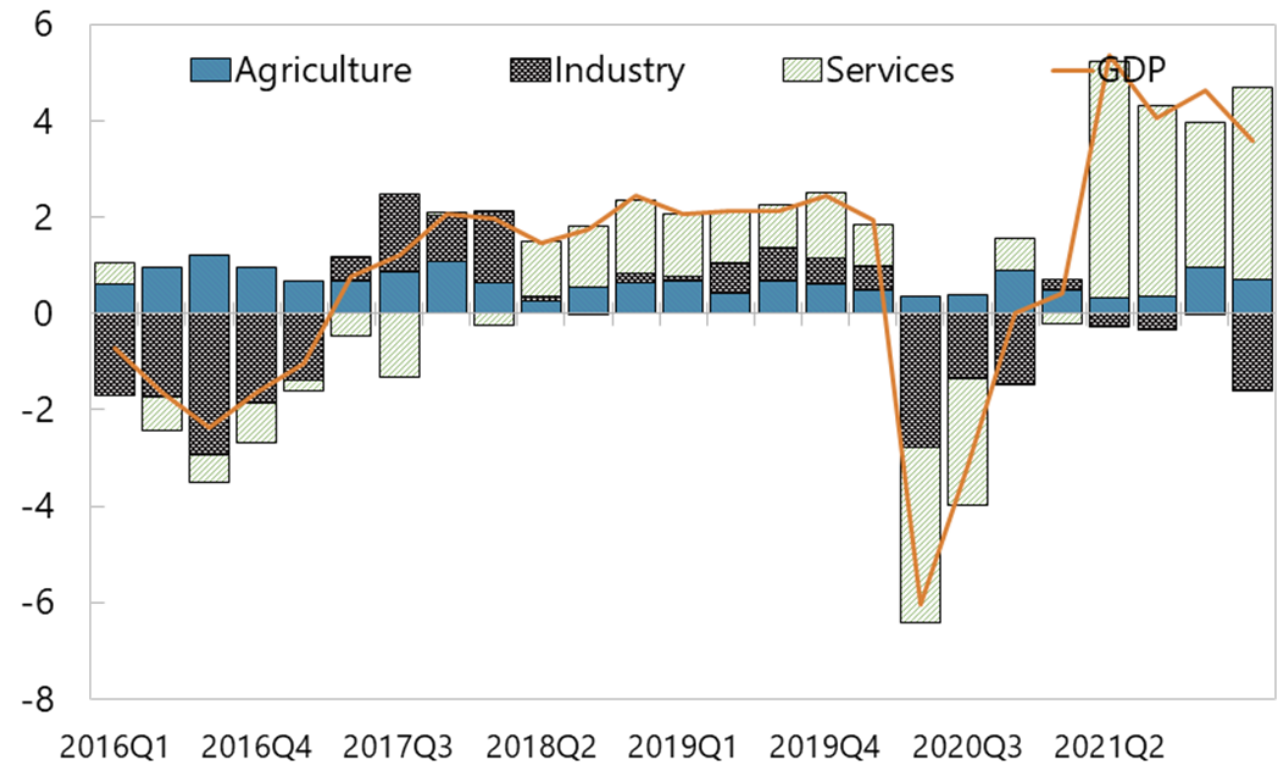
Led by services, the economy has now fully reversed the COVID-19 output shock...

GDP Recovery by Sector

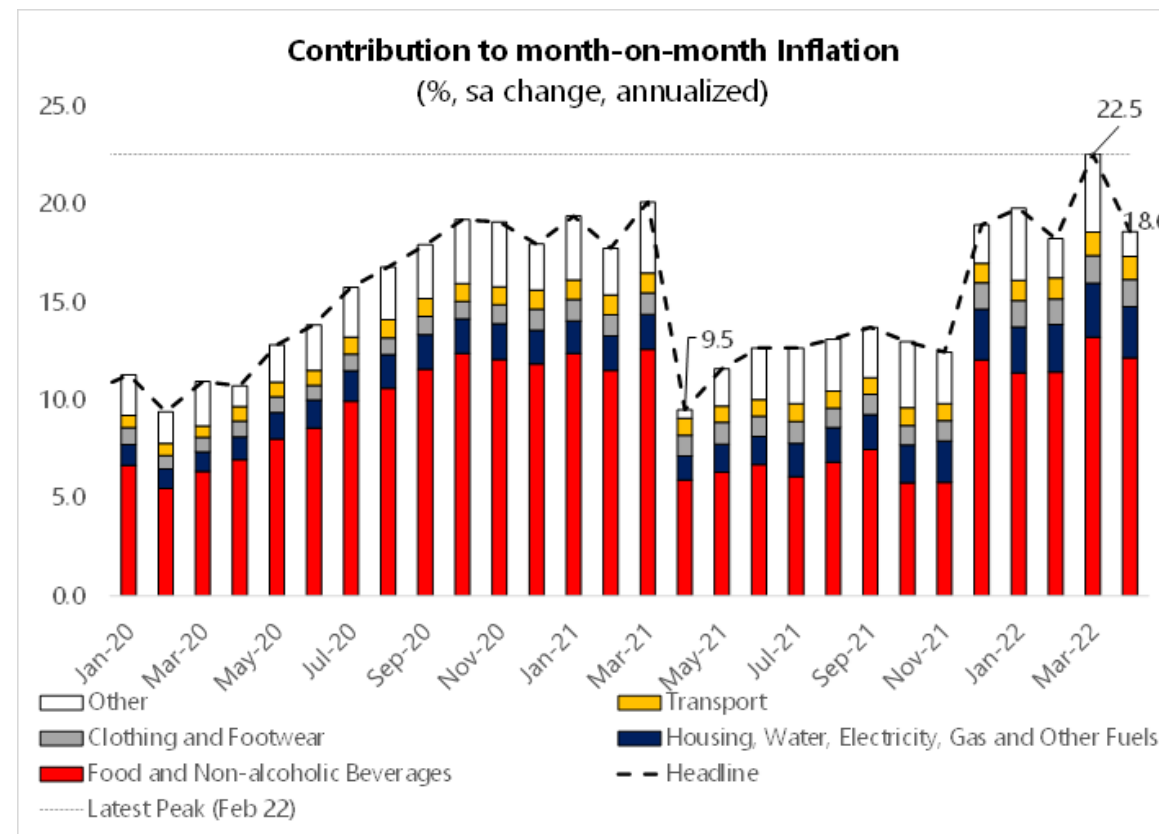
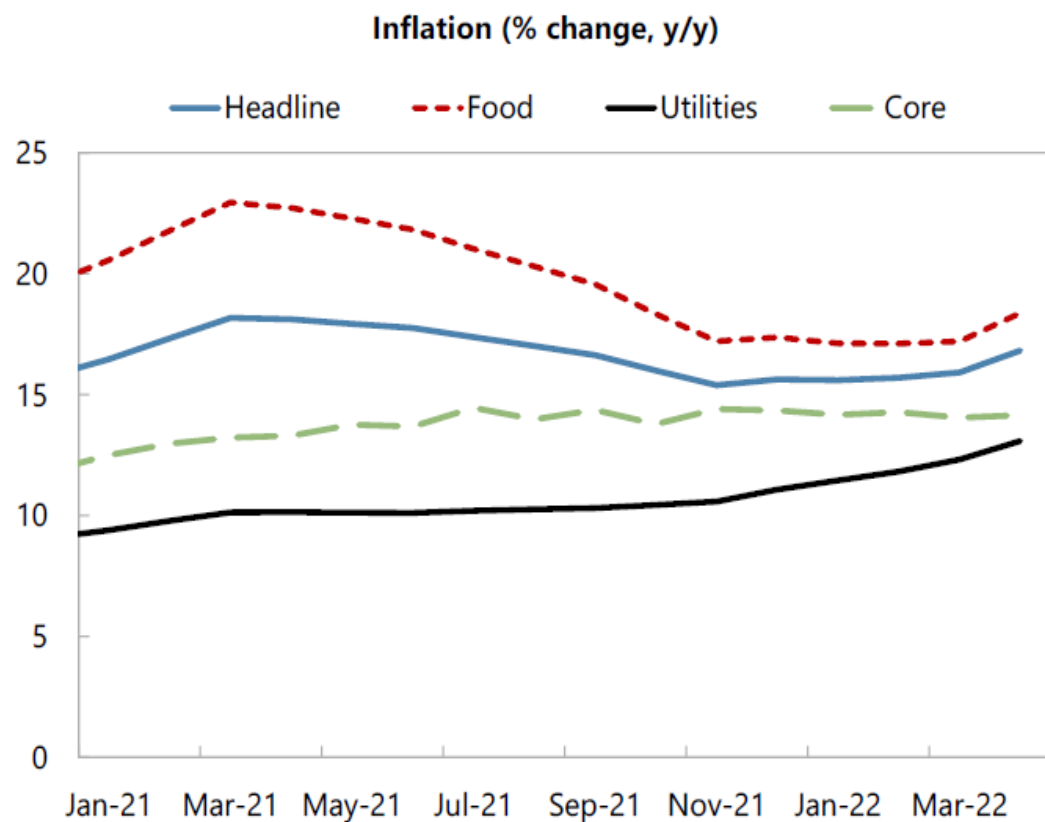
(Percent, Contribution to q-o-q growth rate (SA))



Real GDP growth and contribution (in %)



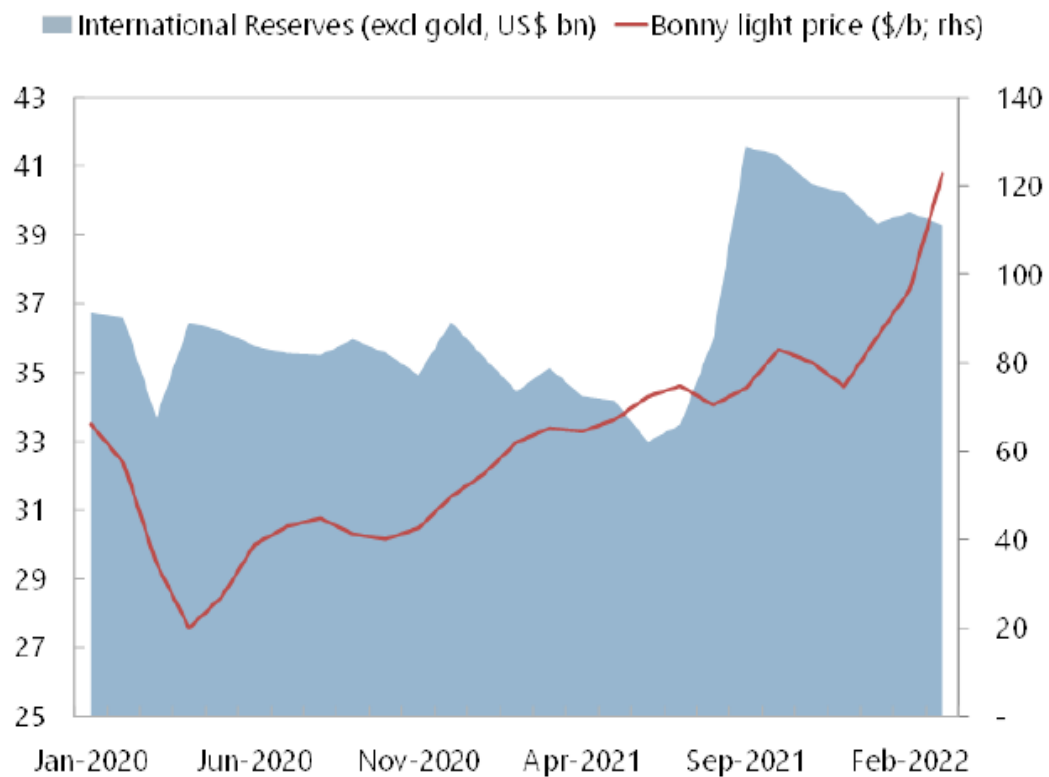
Headline inflation is accelerating and high



Sources: National Bureau of Statistics, Haver.

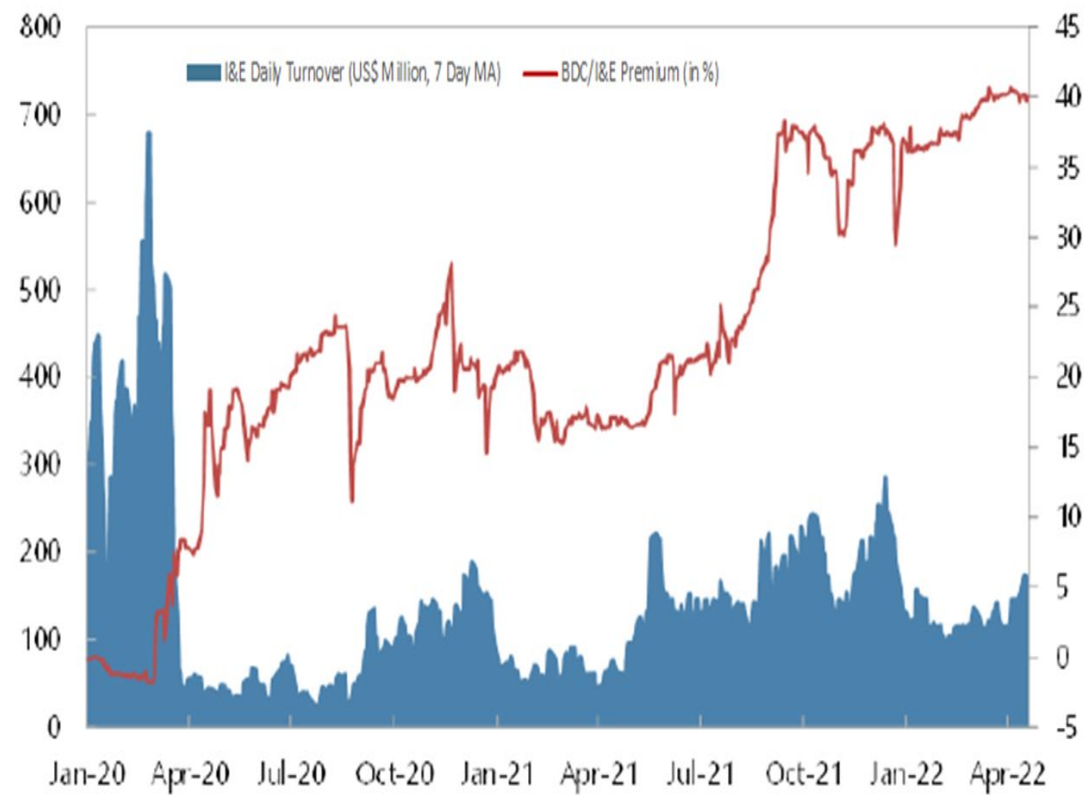
Favorable oil prices, forex supply and reserves constrained

External Reserves and Bonny Light price



Source: CBN, Bloomberg

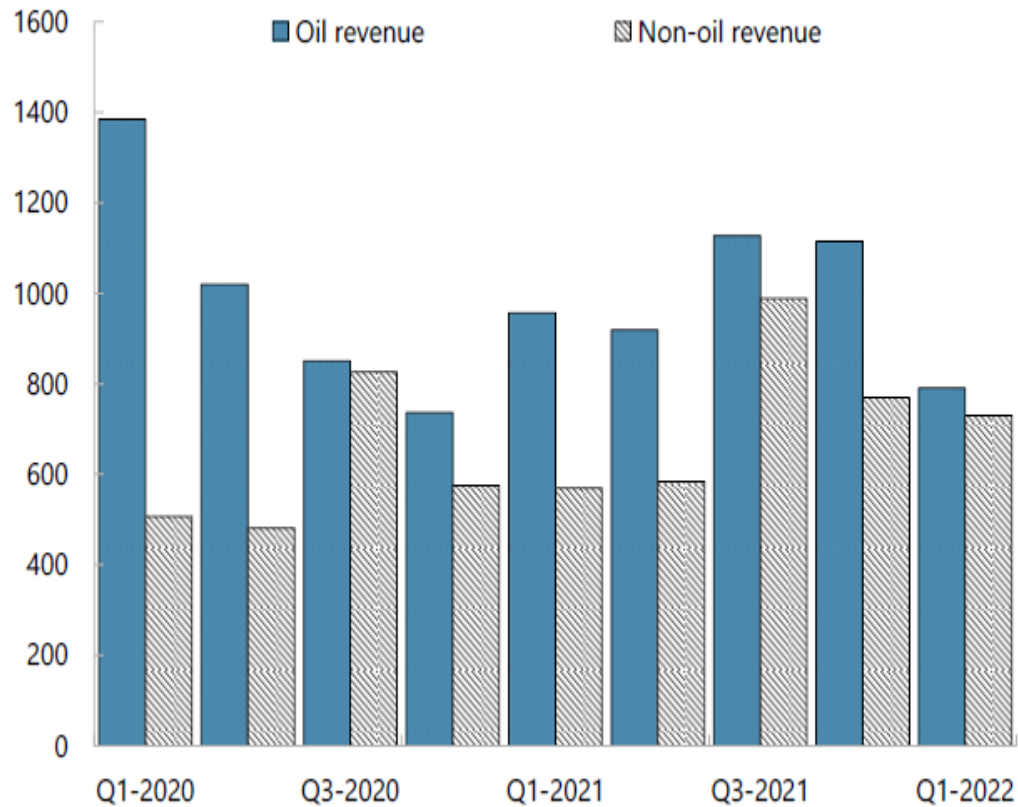
Exchange rate turnover and premium



Sources: Staff Estimates

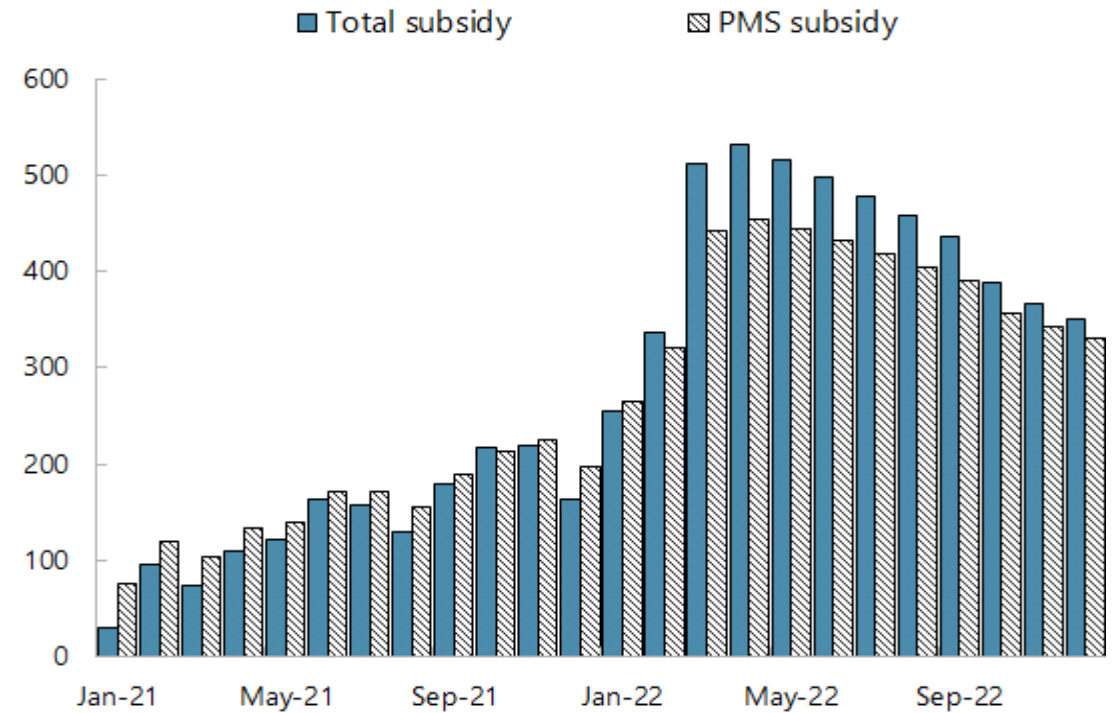
Fiscal position is yet to benefit from higher oil prices

Federal Government Revenue (in naira trn)



Source: OAGF, Haver Analytics

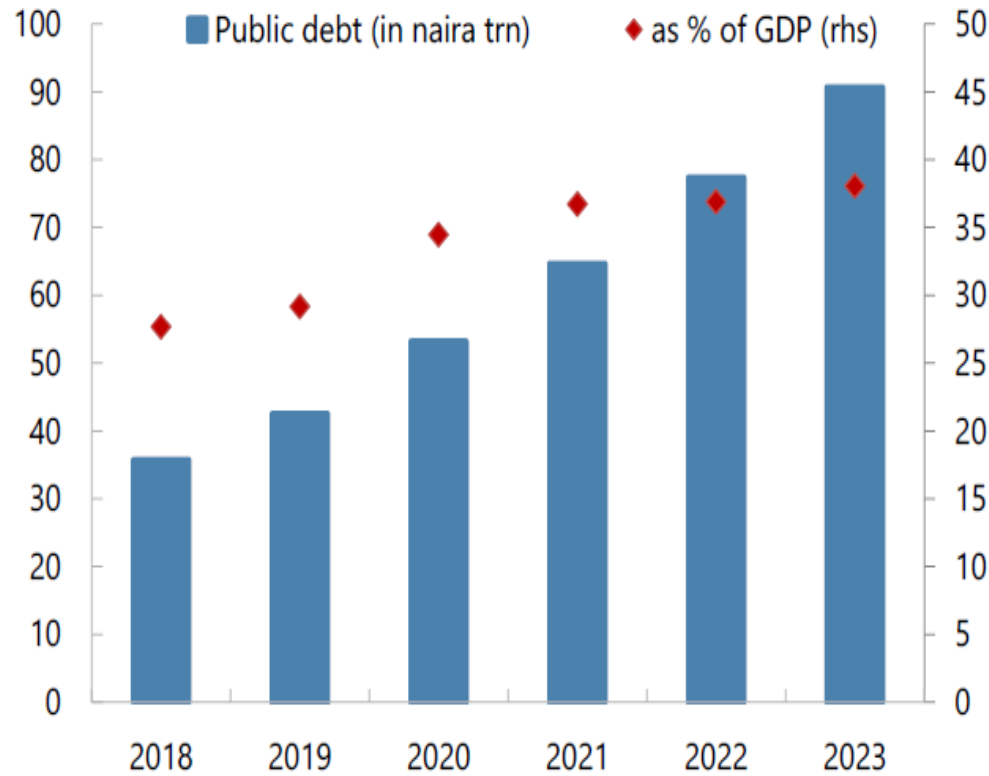
Implicit Fuel Subsidies (in Naira billion)



Source: Staff Estimates

Public debt projected to edge up slightly (as a share of GDP) while interest payments as a share of revenues are large

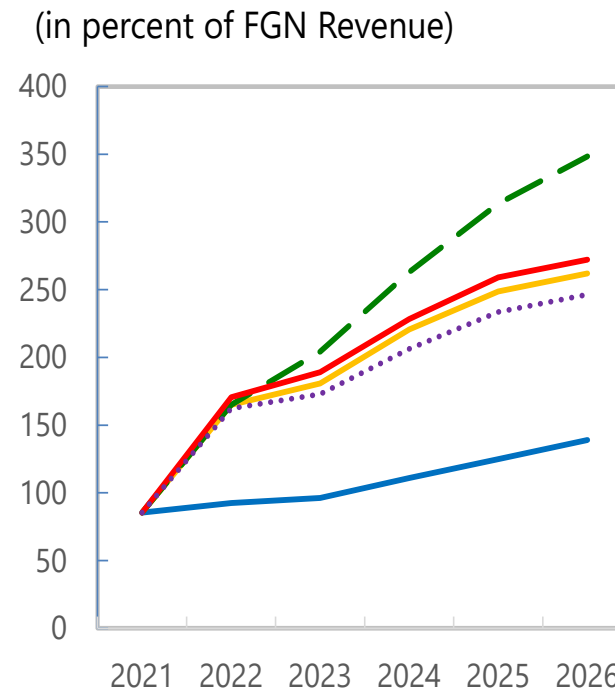
Public debt



Source: DMO. IMF Staff Estimates

Macro-Fiscal Stress Tests

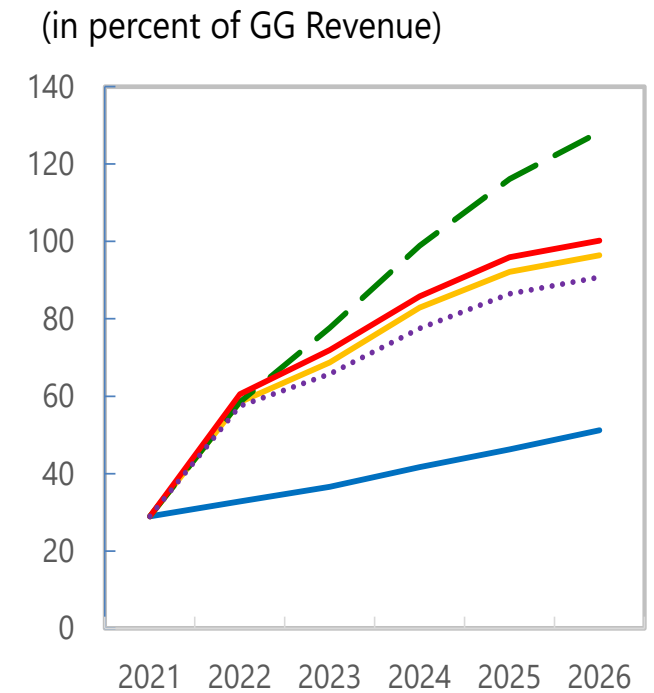
Interest Payments (in percent of FGN Revenue)



— Baseline
— Real GDP Growth Shock
— Primary Balance Shock
⋯ Real Exchange Rate Shock
- - - Real Interest Rate Shock

Source: IMF Staff Estimates

Interest Payments (in percent of GG Revenue)

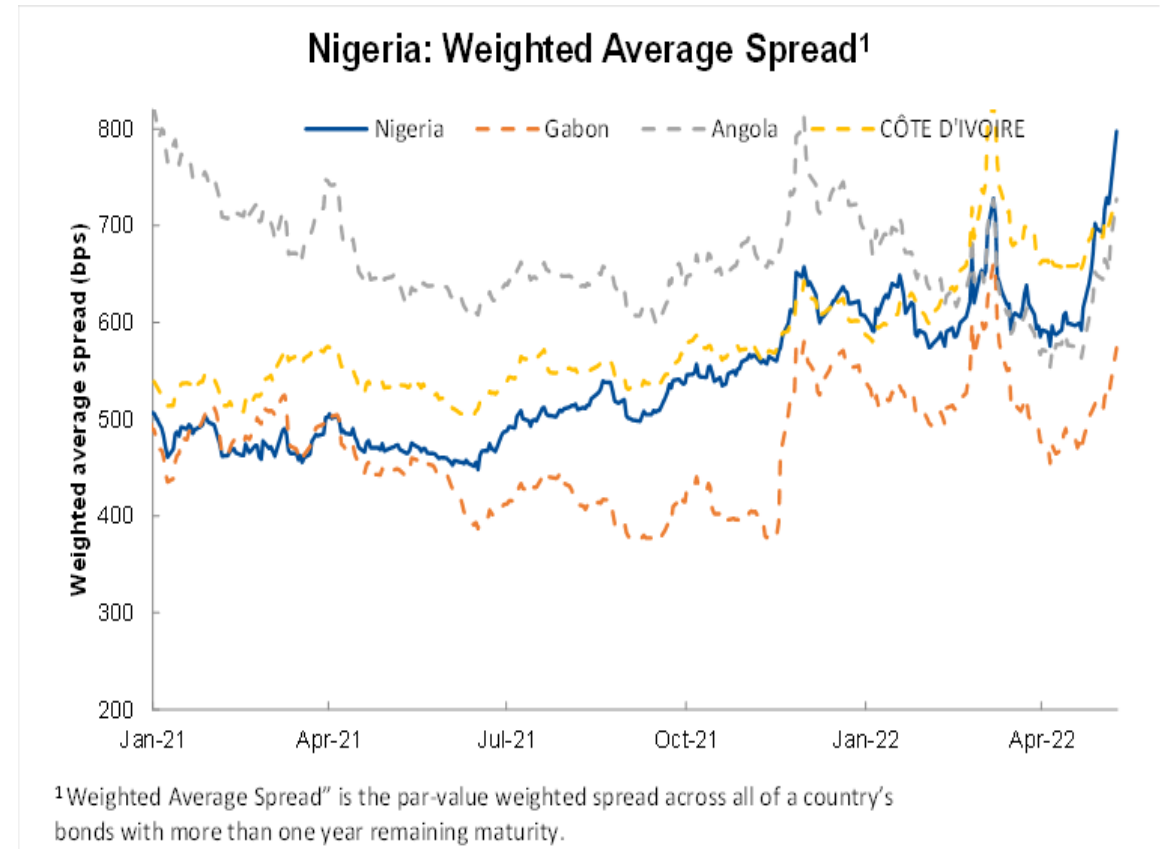
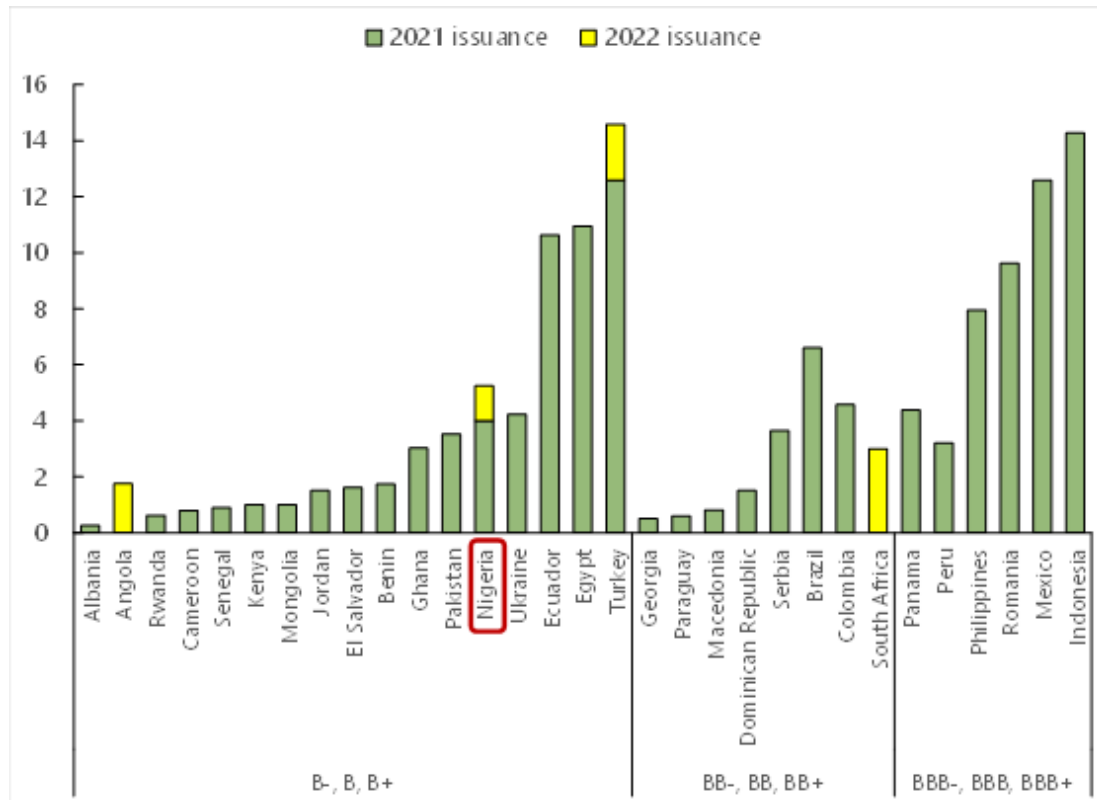


— Baseline
— Real GDP Growth Shock
— Primary Balance Shock
⋯ Real Exchange Rate Shock
- - - Real Interest Rate Shock

Source: IMF Staff Estimates

Successful return to capital markets but higher spreads

2021 and 2022 Eurobond issuances



Nigeria's Projection, mixed impacts

	January 22 WEO		April 22 WEO	
	2022	2023	2022	2023
Real GDP (at 2010 market prices, % change)	2.7	2.6	3.4	3.1
Consumer price index (annual average, % change)	12.8	11.7	16.1	13.1
Overall fiscal balance (% of GDP)	-5.4	-5.7	-6.4	-5.9
Public debt (% of GDP)	37.6	39.1	37.4	38.8
Current account balance (% of GDP)	-1.8	-1.4	-1.1	-1.1
Gross international reserves (US\$ billions)	38.3	38.9	41.0	41.2
External debt (% of GDP)	20.8	19.7	22.5	20.8

Sources: IMF Staff projections

Nigeria: Risks to Outlook

Downside:

- High food & energy prices
- Spending pressures within **narrow fiscal space**
 - Persisting **insecurity**, particularly banditry and kidnapping
 - Elections
- Low vaccination rates (Covid-19)
- Monetary tightening in Advanced Economies
- Muted foreign investment inflows and exchange rate pressures.

Upside:

- Broadening growth and steady private sector recovery
 - The country's PMI stood at 55.8 in April, up from 54.1 in March signaling improvement in business conditions in Nigeria's private sector (Stanbic)
- Dangote Refinery is expected to have a processing capacity of 540,000 barrels per day in later 2022.
- Effective implementation of the Finance Act, 2021 and the Strategic Revenue Growth Initiative.

Financial Assistance

Emergency financing

- Rapid Financing Instrument – US\$3.4 Billion (April 2020)

Special Drawing Rights Allocation

- US\$3.35 Billion (August 2021)

Policy Advice

Economic Surveillance Article IV Consultations - Annually

Capacity Building – Technical Assistance and Training

Extensive training on macroeconomics to Nigerian public servants

MOF, FIRS, & NCS, OAGF

- Tax administration & policy, public financial management

CBN

- Monetary policy, banking & financial reforms

NBS

- Statistical reforms – national account, standards & codes

Thank you

Additional Information

<https://www.imf.org/en/Countries/ResRep/NGA>