

REGIONAL ECONOMIC OUTLOOK

SUB-SAHARAN AFRICA



**AFRICAN
DEPARTMENT**

ONE PLANET, TWO WORLDS, THREE STORIES

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NOVEMBER 24, 2021

One Planet

Global challenges need global solutions

An Ongoing Pandemic

No country is safe until every country is safe.

An Emerging Climate Crisis

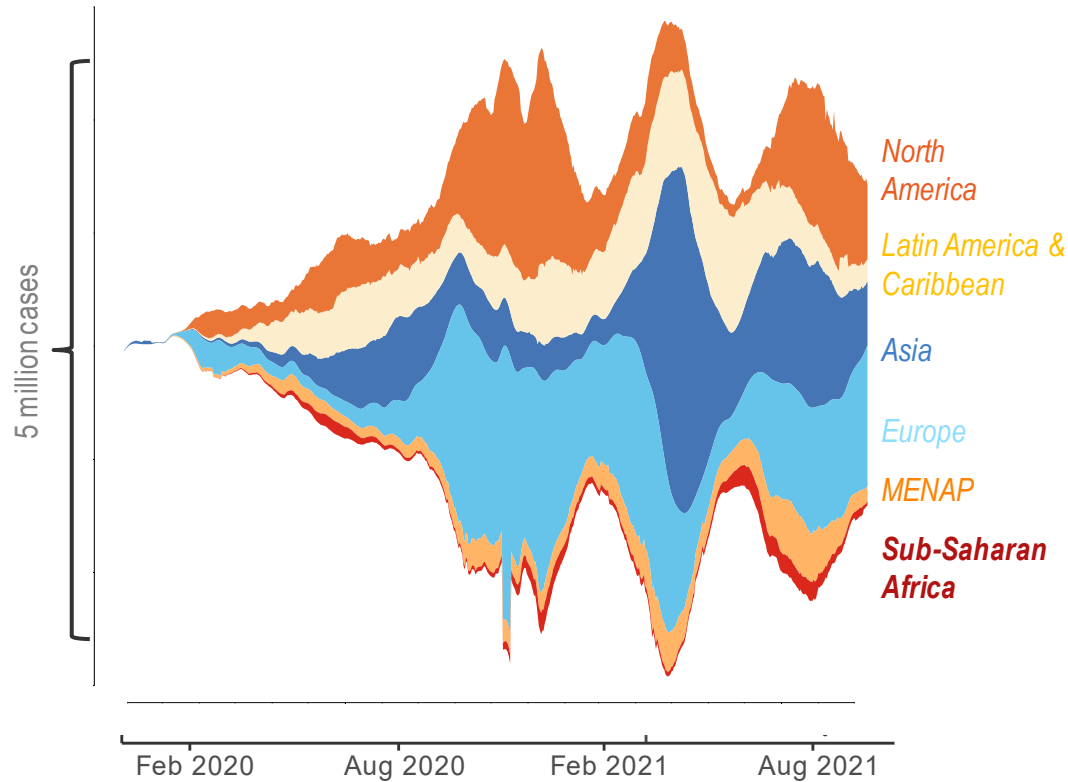
Without immediate and coordinated action, previous goals may be out of reach.

Two Worlds

On COVID-19, cannot leave the future to luck...

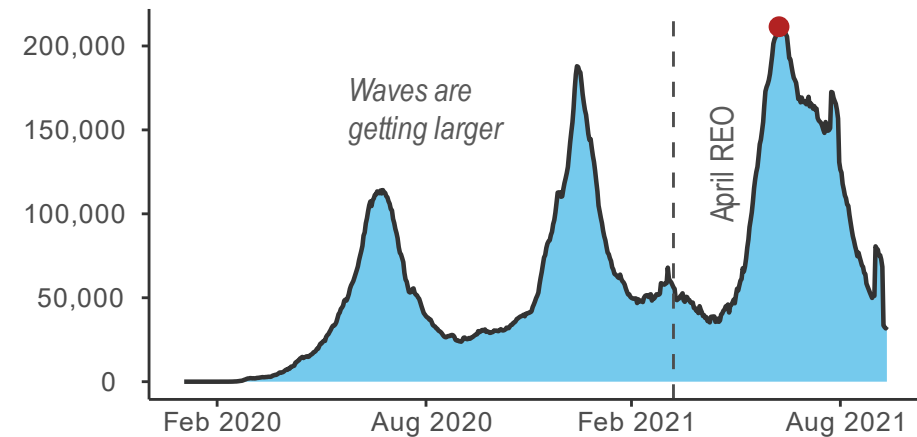
COVID-19 Cases, Select Regions

(Cases per week)

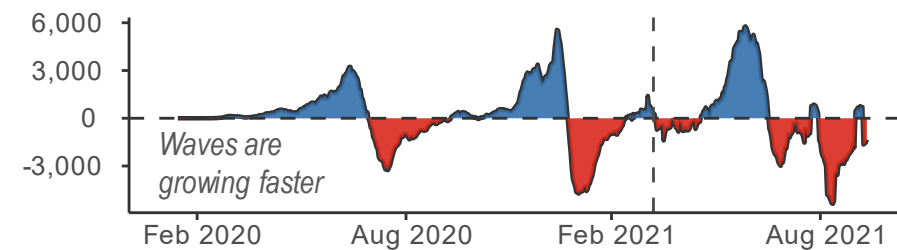


Sub-Saharan Africa. COVID-19 Cases

(Cases per week)



(Daily change in cases per week, 14-day moving average)

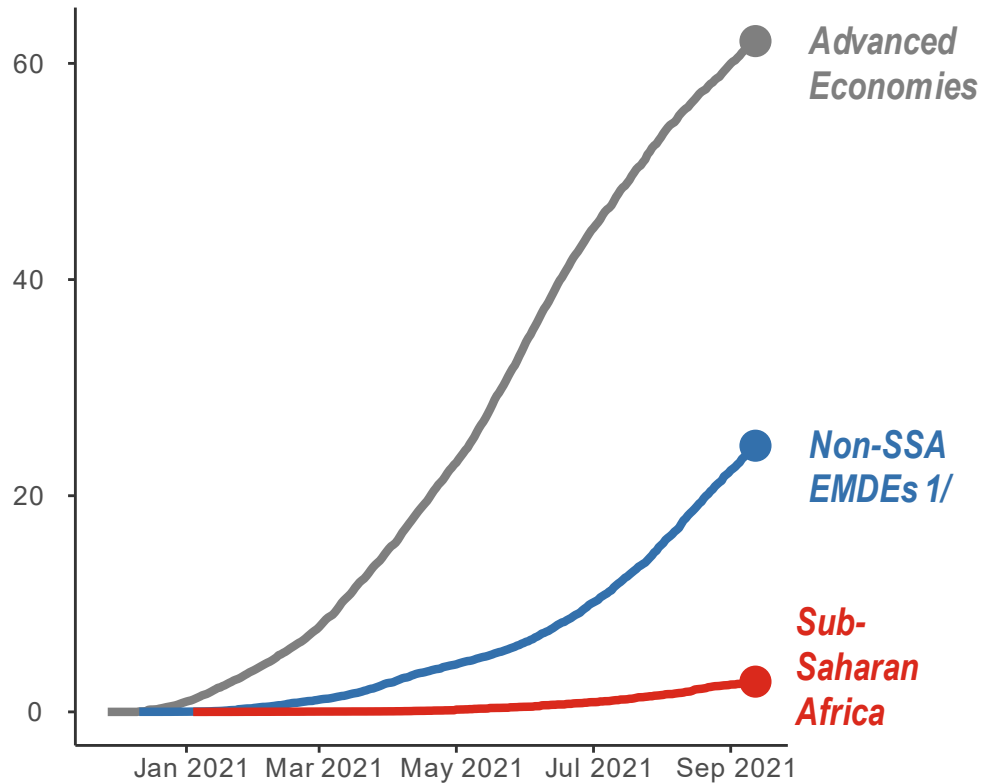


Sources: JHU COVID-19 Tracking Project and IMF staff calculations.

...especially in light of a slow vaccine rollout

Fully Vaccinated Persons, Select Regions

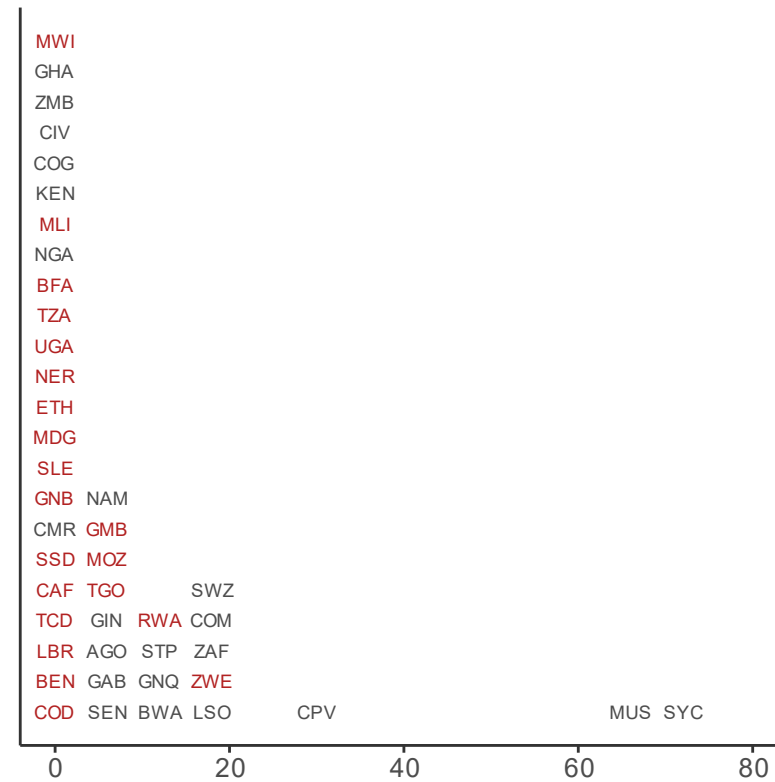
(Percent of population)



Sources: Our World in Data and IMF staff calculations.
1/ Excluding China.

Sub-Saharan Africa. Fully Vaccinated Persons

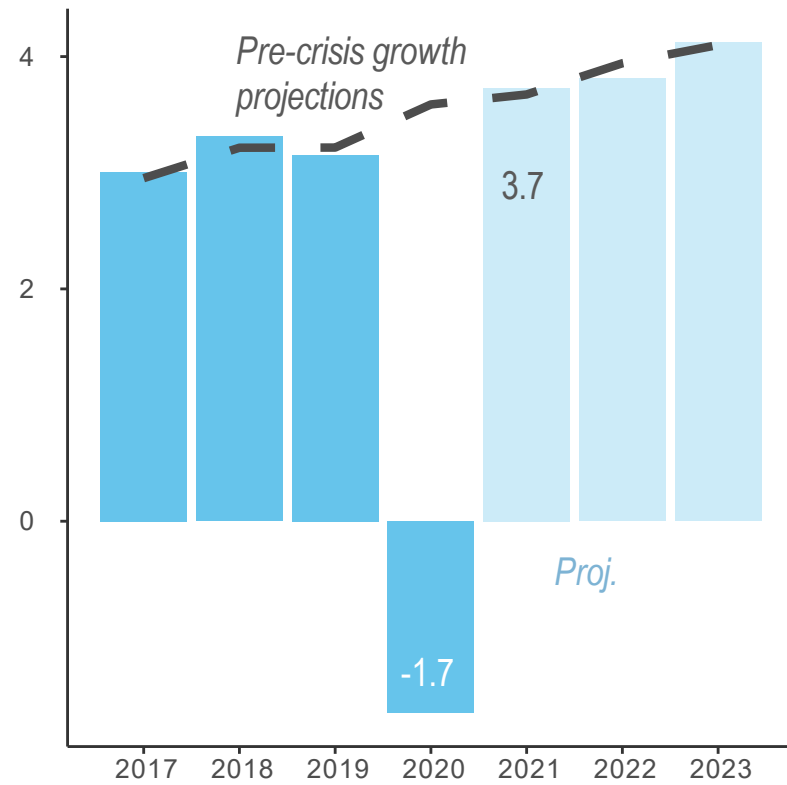
(Percent of population, red = low-income countries)



On growth, the region is reemerging...

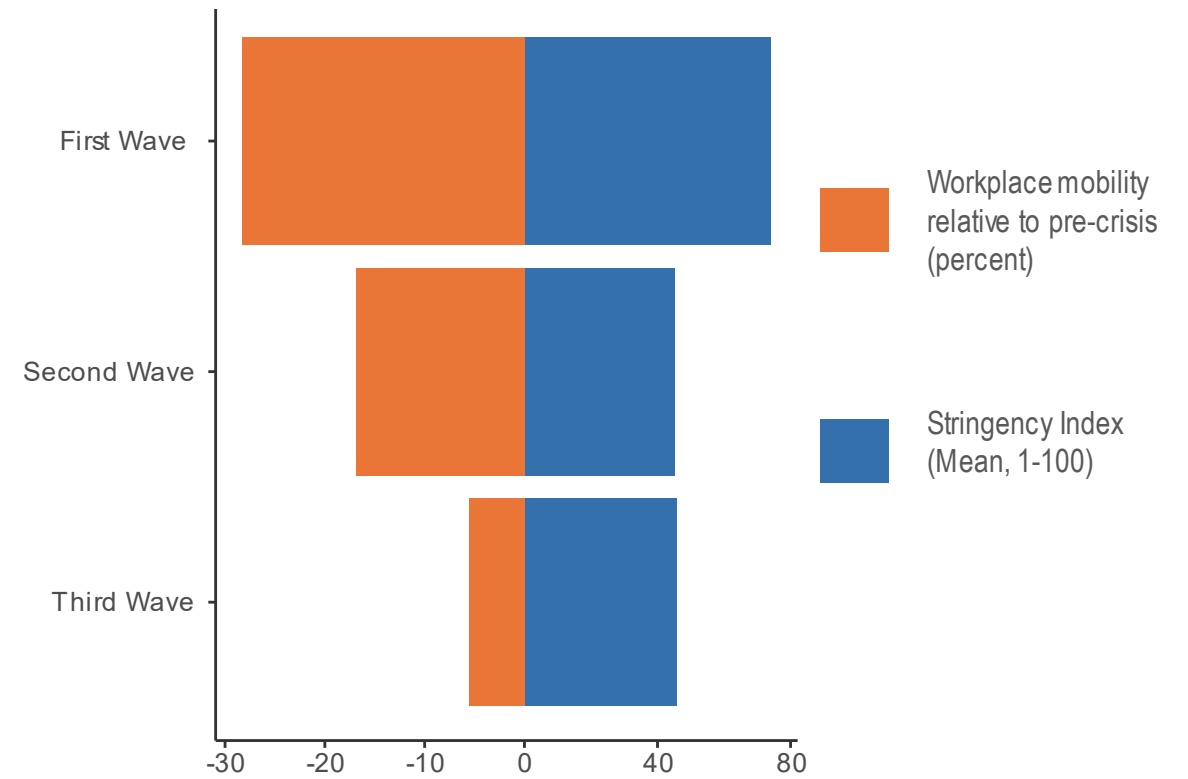
Sub-Saharan Africa. GDP Growth, 2017-23

(Percent)



Source: IMF, World Economic Outlook.

Sub-Saharan Africa. Containment Measures and Activity, 2020-21

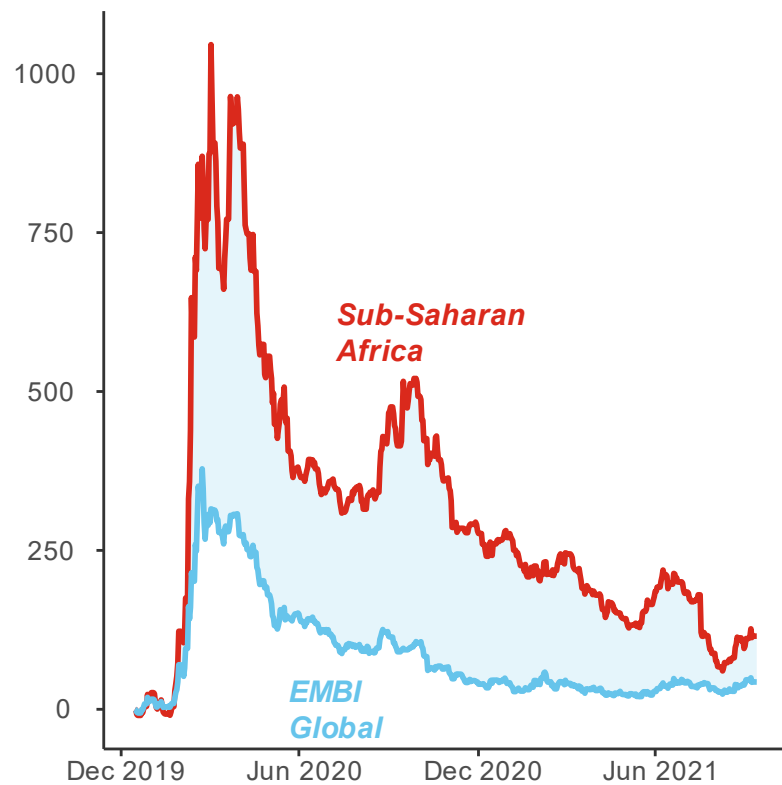


Sources: Google, Oxford COVID-19 Policy Tracker, and IMF staff calculations.

...supported by the global environment...

Bond Market Spreads

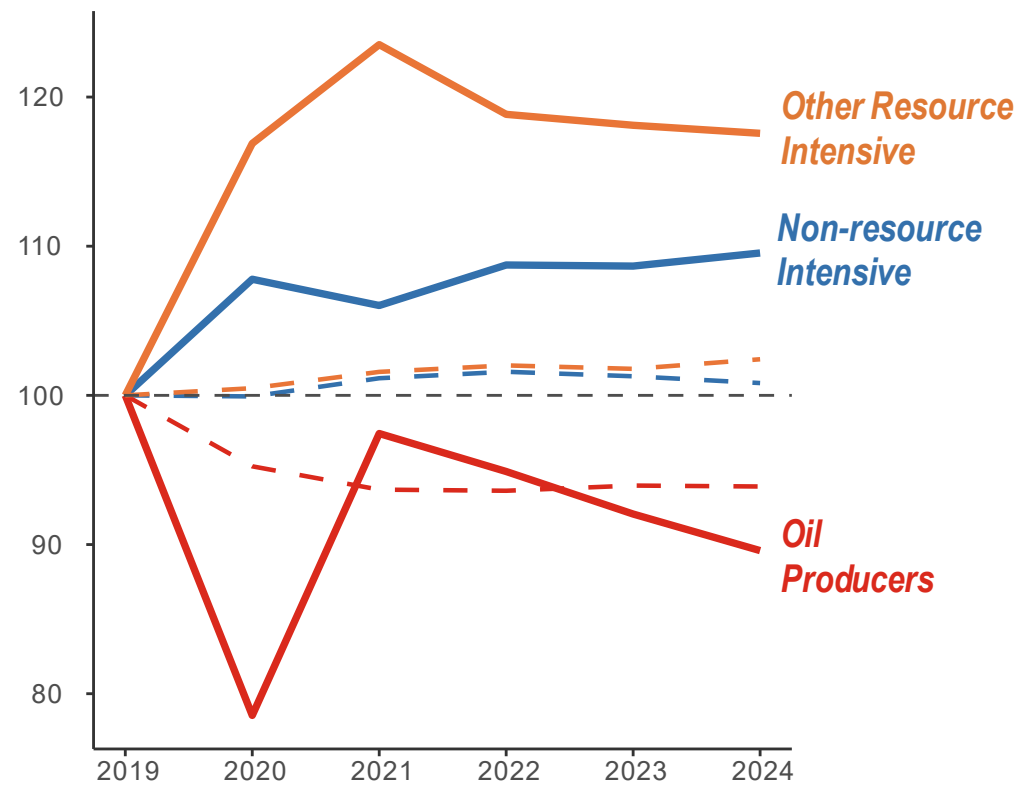
(Cumulative relative to start of COVID-19 crisis, basis points)



Sources: Bloomberg and IMF staff calculations.

Sub-Saharan Africa. Terms of Trade

(Index, 2019=100, dashed line = pre-crisis projection)



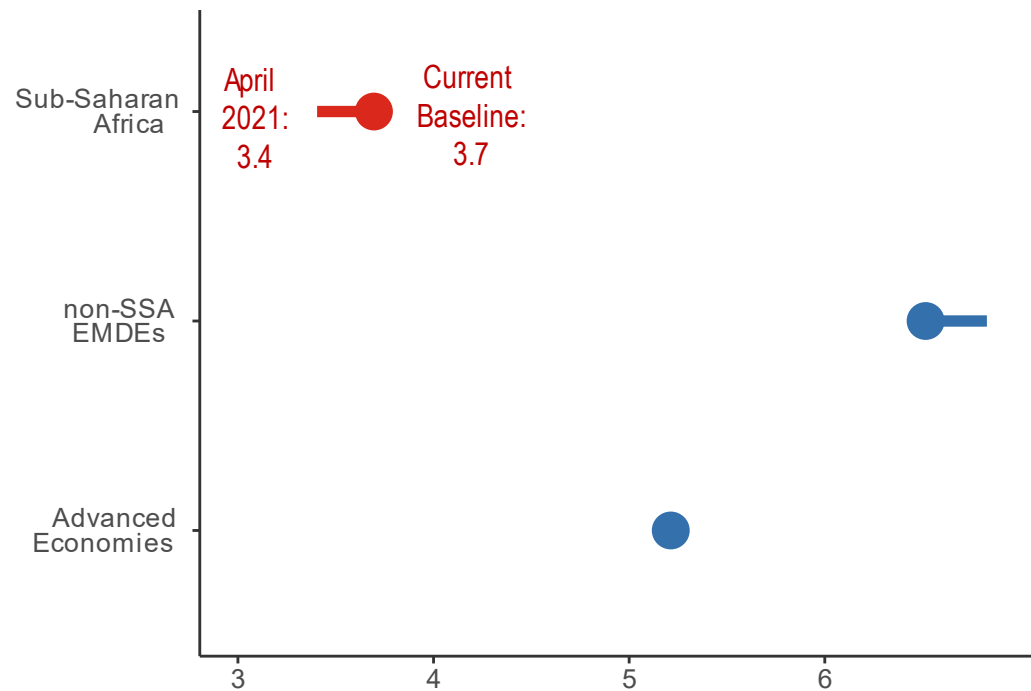
Source: IMF, World Economic Outlook.

...but the recovery is slower than elsewhere

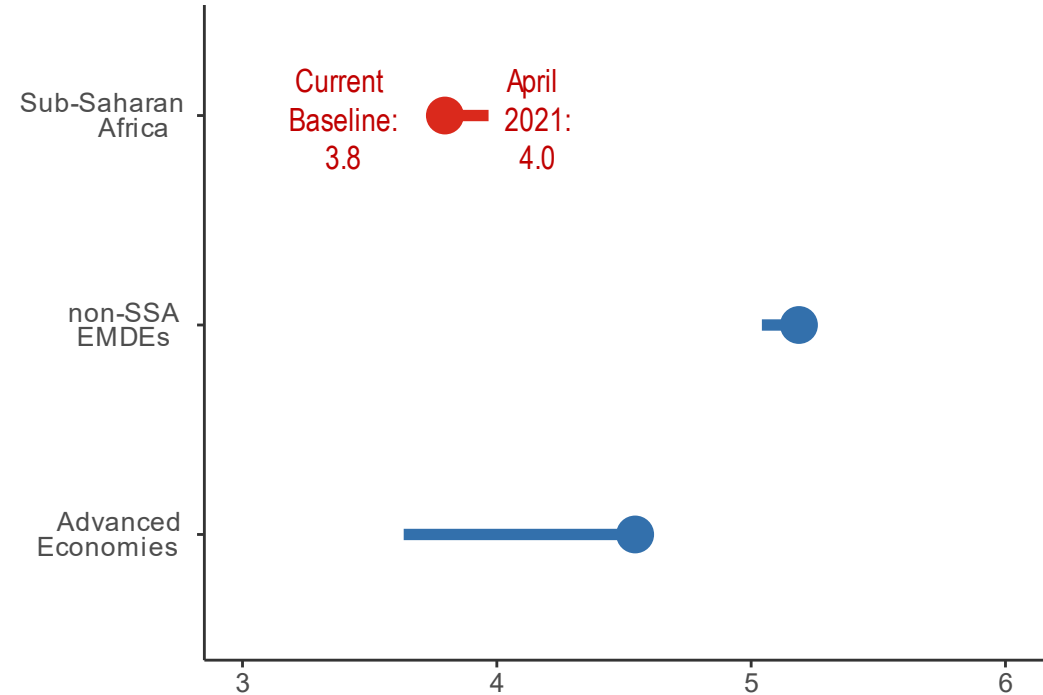
Real GDP Growth Revisions since April 2021: Select Regions

(Percent)

2021



2022



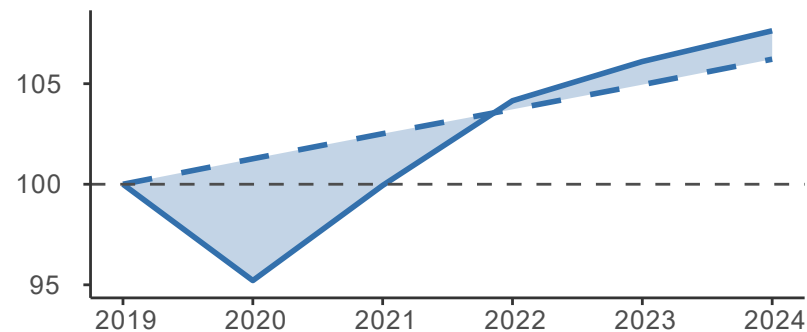
Source: IMF, World Economic Outlook.

And losses may be permanent

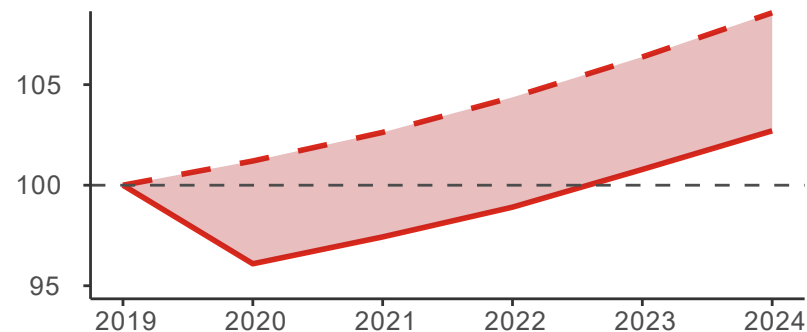
GDP Per Capita, 2019-24

(2019 = 100, dashed line = pre-crisis projections)

Advanced Economies



Sub-Saharan Africa



Source: IMF, World Economic Outlook.

Why is Sub-Saharan Africa recovering so slowly?

- Lack of **policy space**, especially compared to extraordinary efforts in key advanced markets.
- The region is still in grip of the crisis, with a **slow vaccine rollout**, undermining confidence and investment.

Three Stories

Three stories for sub-Saharan Africa...

- ▶ Across the region, **widening divergence**.
- ▶ For policy makers, a more complex environment with increasingly **difficult tradeoffs**.
- ▶ Looking forward, **international solidarity** remains crucial.

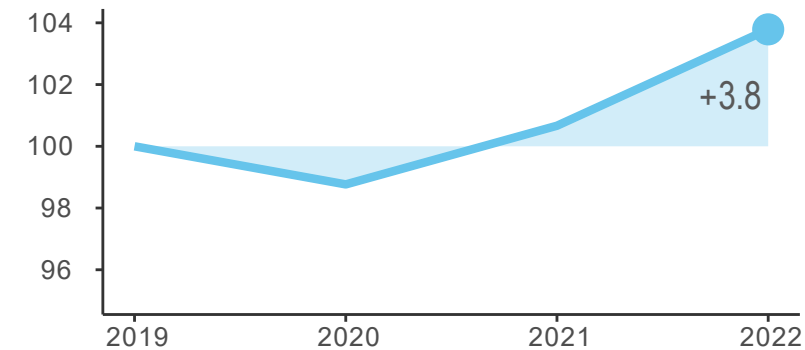
Divergence at every level: Between countries

Why are some countries doing better than others?

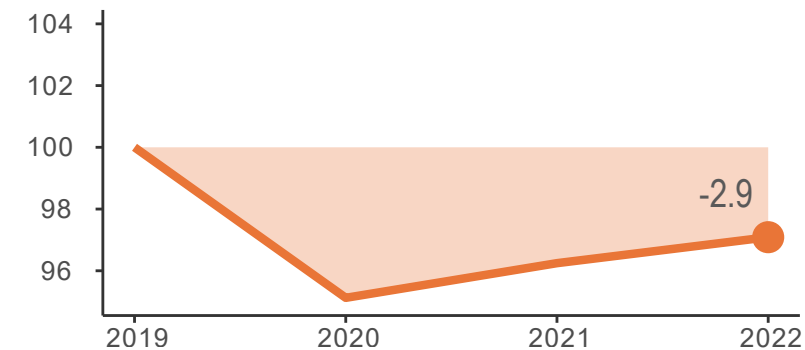
- Policy **options**
Fiscal buffers and capacity
- Underlying **resilience**
Pre-crisis split on growth has been exacerbated
- Higher commodity prices have helped some, but only provide a **transitory** boost

Sub-Saharan Africa. GDP Per Capita, 2019-22 (2019=100)

Non-Resource Intensive Countries



Resource Intensive Countries

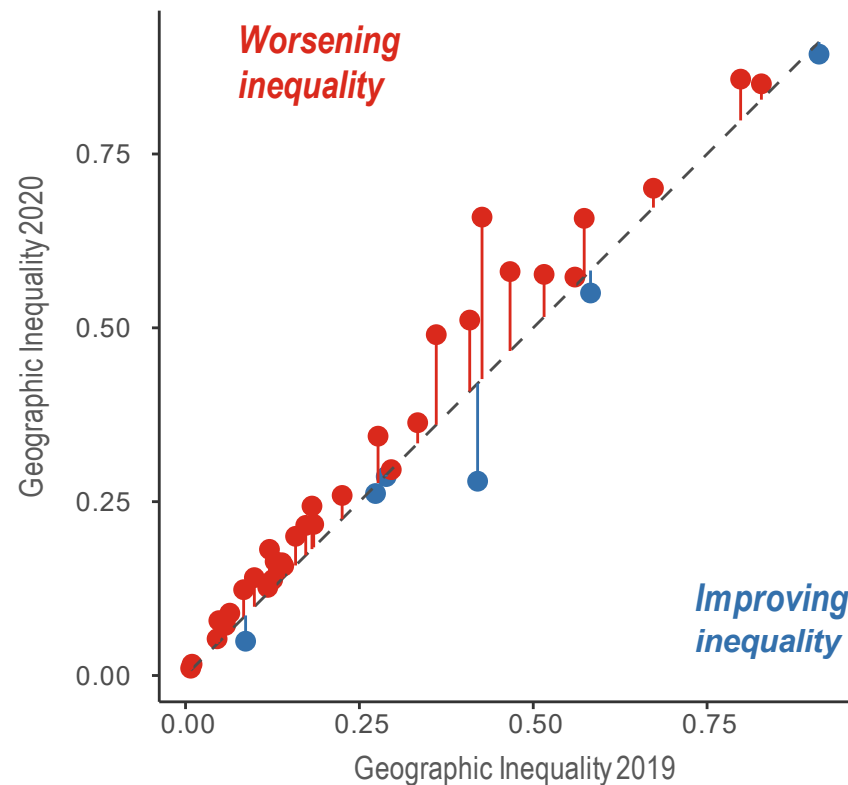


Source: IMF, World Economic Outlook.

Divergence at every level: Within countries

Sub-Saharan Africa. Geographic Inequality, 2019-20

(Index)

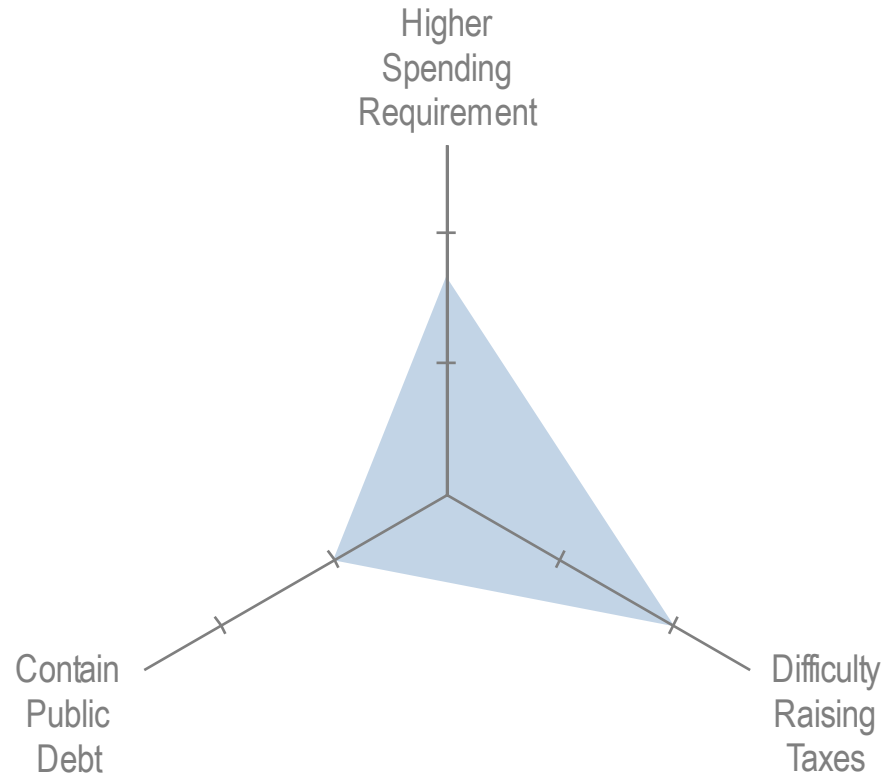


Impact on communities within each country?

- The most vulnerable have been the hardest hit
 - Services, **informal** workers
 - Widening **gender** gap
 - Limited **buffers** or social distancing options
- Rising **geographic inequality**
 - Social tensions, political instability
- Added **food-price shock**

Sources: Earth Observation Group, Colorado School of Mines, and IMF staff calculations.

Policy makers face a difficult trilemma



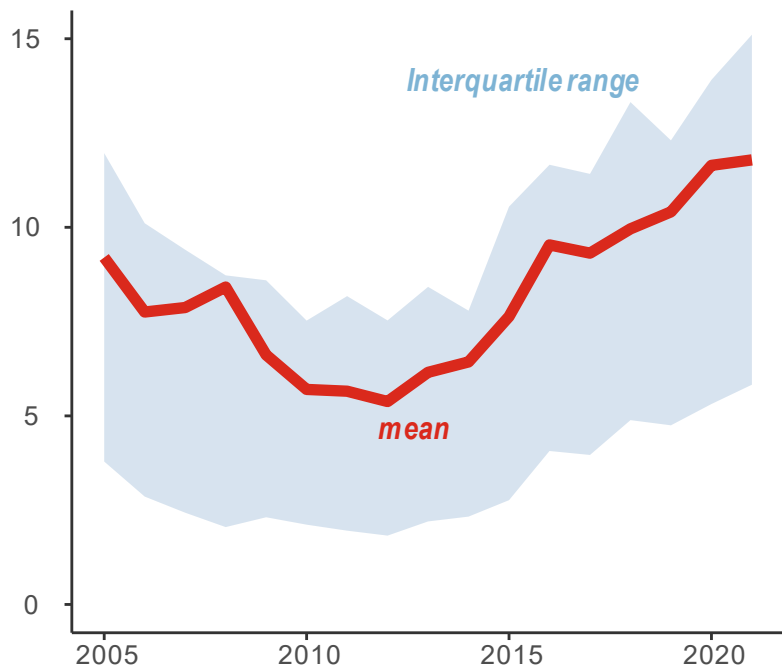
Policy makers are constrained by

- Elevated debt levels
- Rising spending needs
- Difficulty in raising extra tax revenue

The Trilemma: Debt levels are elevated

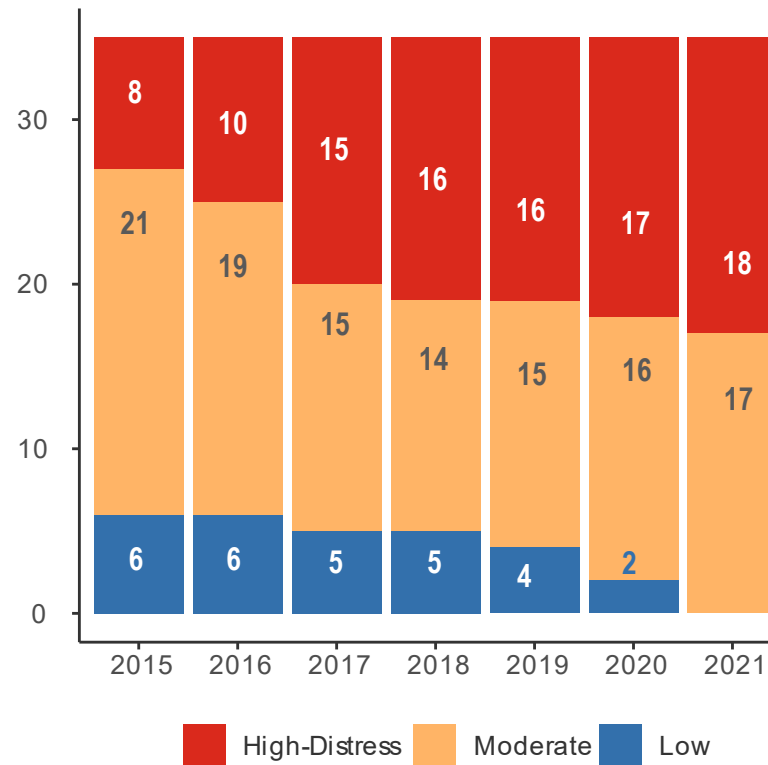
Sub-Saharan Africa. Interest Payments on Public Debt, 2005-2021

(Percent of Revenue)



Source: IMF, WEO database.

Sub-Saharan Africa. Debt Risk Status for PRGT-eligible countries, 2015-21

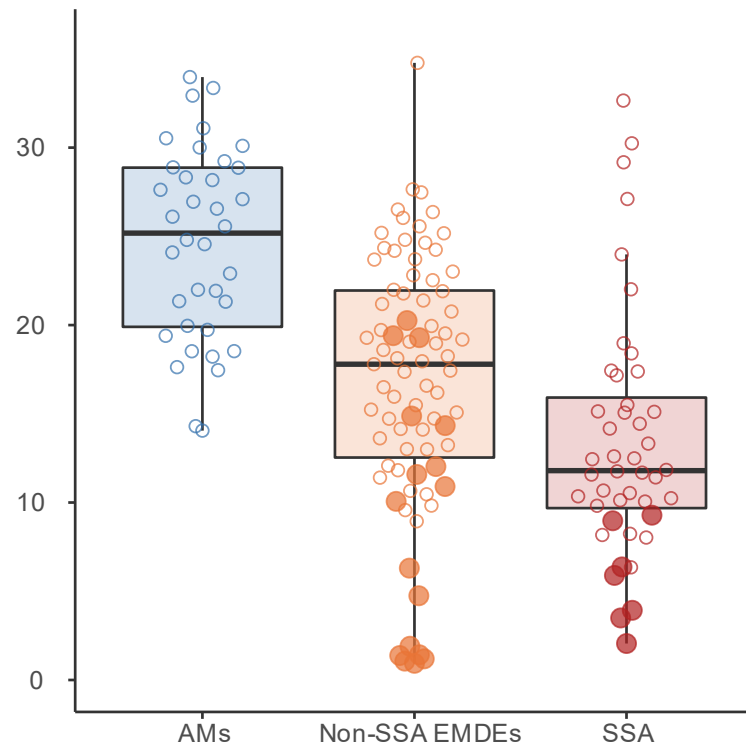


Source: IMF, Debt Sustainability Analysis Low-Income Developing Countries database.
 Note: PRGT = poverty reduction and growth trust.

The Trilemma: Raising extra revenue is even harder

Non-Resource Tax Revenues, Select Regions

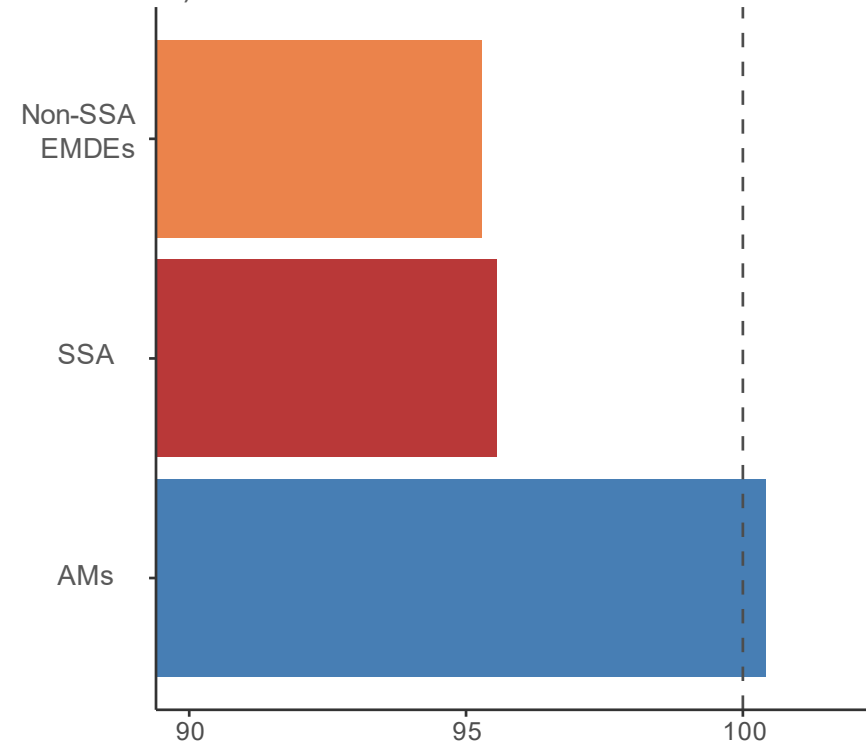
(Percent of GDP, filled points are fuel exporters)



Sources: ICTD Database and IMF staff calculations.
Notes: Data for 2018 or latest available. Data exclude social contributions.

Ratio of Total Government Revenues, Select Regions

(2021 vs 2019)

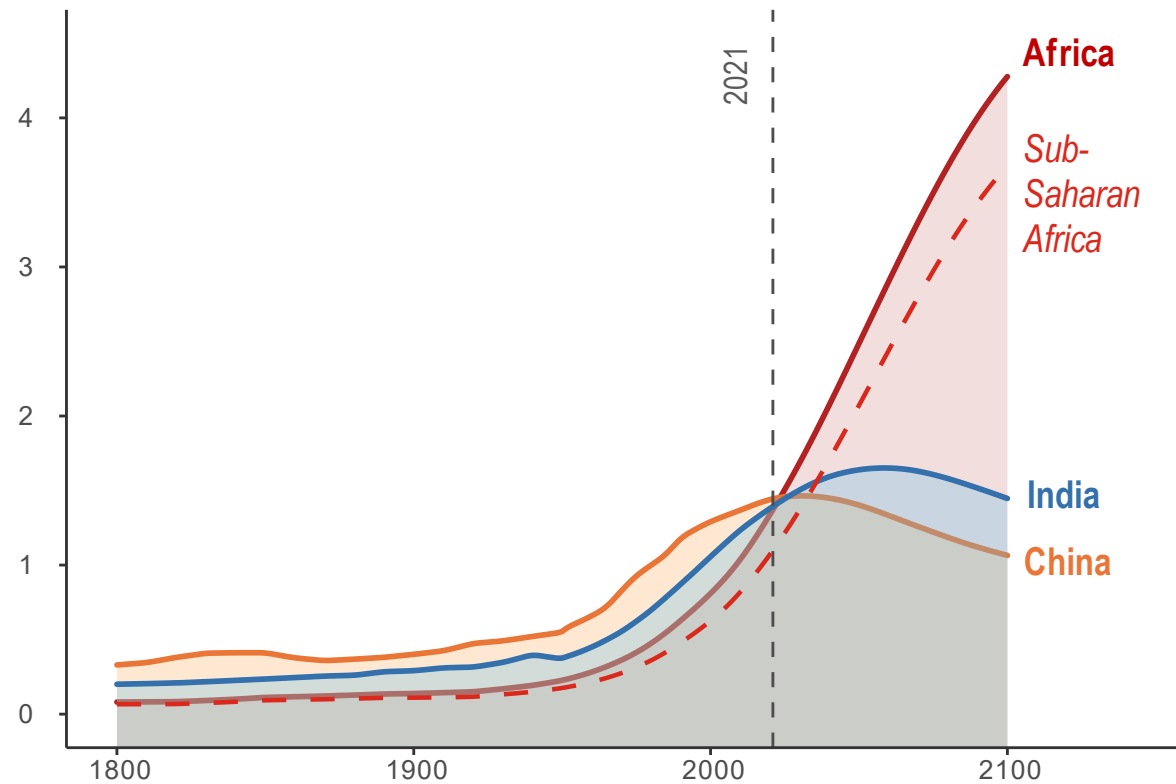


Sources: IMF, World Economic Outlook and IMF staff calculations.

The Trilemma: Spending needs are rising

425
Billion US\$

Population: Select Regions, 1800-2100
(Billions)



Sources: Our World In Data, U.N. Population Revision (2019) Medium Scenario.

Difficult tradeoffs: A complex monetary environment

With a divergent recovery, monetary policy is now more complicated

- Local and global **supply-demand mismatches**
- Elevated **food-price inflation**, adding to social costs and uncertainty
- Need to weigh policy support against risk of **inflationary expectations**
- Greater **heterogeneity**
- **Global volatility** may test exchange rates

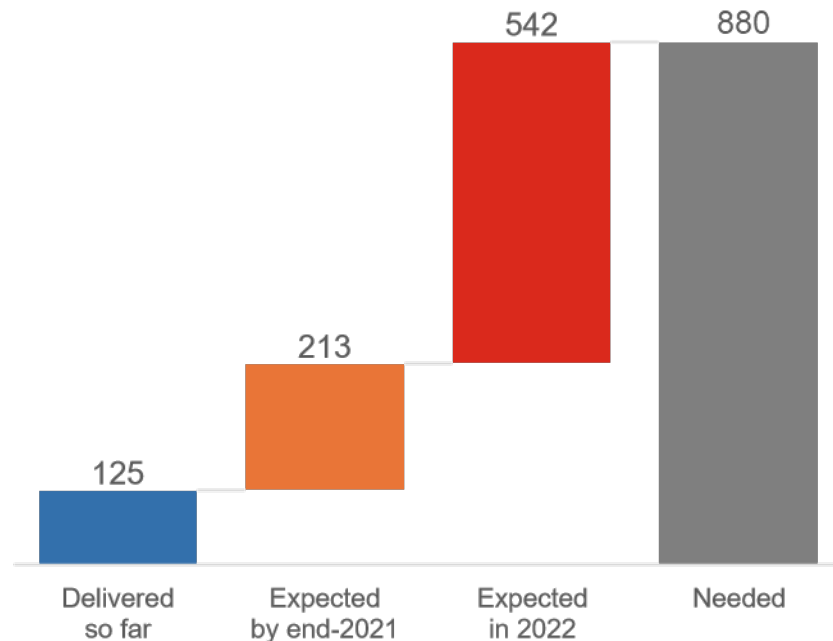
Sub-Saharan Africa. Policy-rate Actions in 2021

	Action	Inflation
Angola	Up 450 bps	Rising
Uganda	Down 50 bps	Flat
Dem. Rep. Congo	Down 1,000 bps	Falling
Seychelles	Down 100 bps	Rising
Ghana	Down 100 bps	Falling
Zambia	Up 50 bps	Rising
Zimbabwe	Up 500 bps	Falling
Mozambique	Up 300 bps	Flat

International solidarity: Vaccines are needed urgently

Sub-Saharan Africa. Doses Required for 40-percent Coverage

(Millions 1/)



Sources: Airfinity and IMF staff calculations.

1/ Assumes 2 doses per person. Figures as of October 7, 2021

Needed

880

MILLION

for 40% coverage

Delivered

125

MILLION

Administered

73

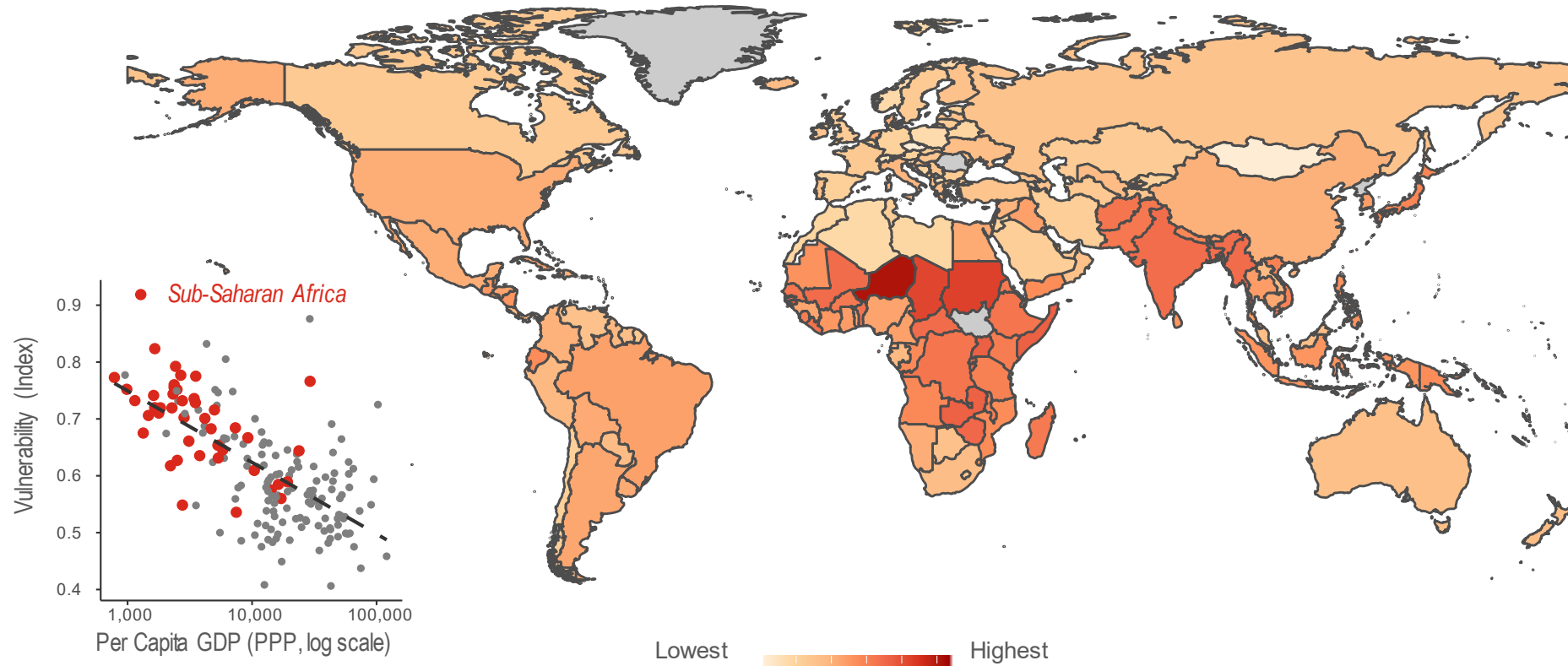
MILLION

2.6%
of population fully vaccinated

International solidarity: Vulnerable to climate shocks

Vulnerability to Climate Change, 2019

(Index)

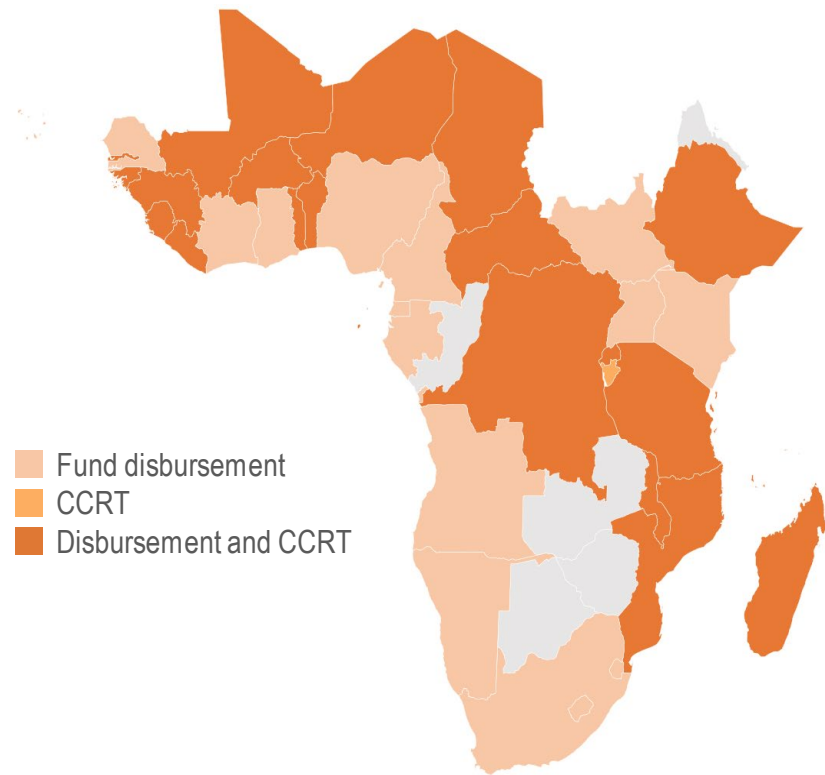


Sources: Notre Dame Global Adaptation Initiative, IMF, World Economic Outlook, and IMF staff calculations.

Notes: Index captures country-level exposure and sensitivity to climate shocks.

International solidarity: Funding to strengthen resilience

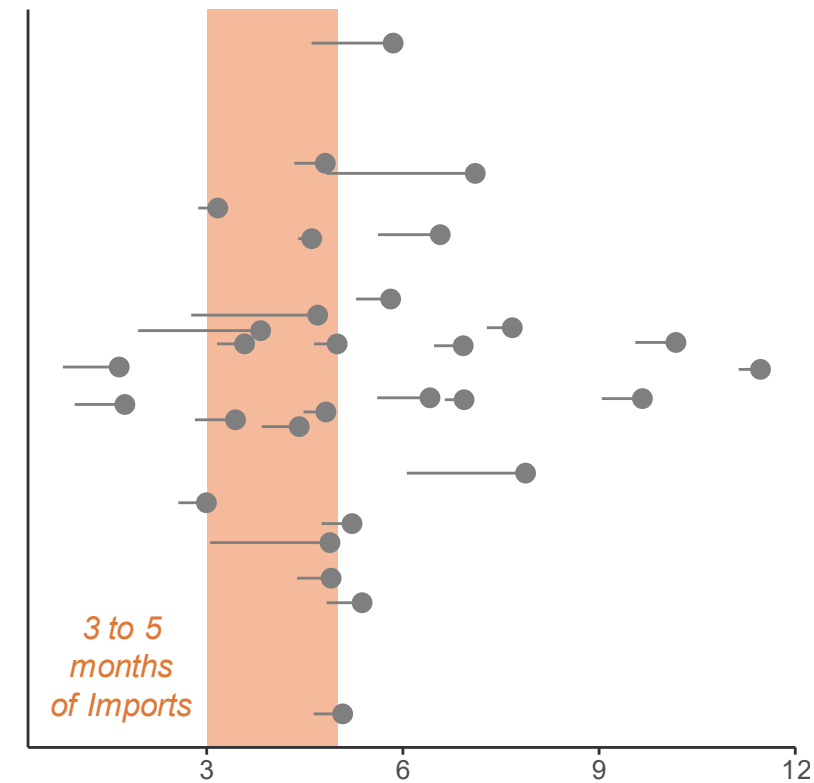
Sub-Saharan Africa. IMF Assistance, 2020–21



Source: IMF, Financial data.

Sub-Saharan Africa. Impact of SDR Allocation on Reserves, 2021

(Months of imports 1/)



Source: IMF, Financial data.

1/ Excludes WAEMU and CEMAC countries.

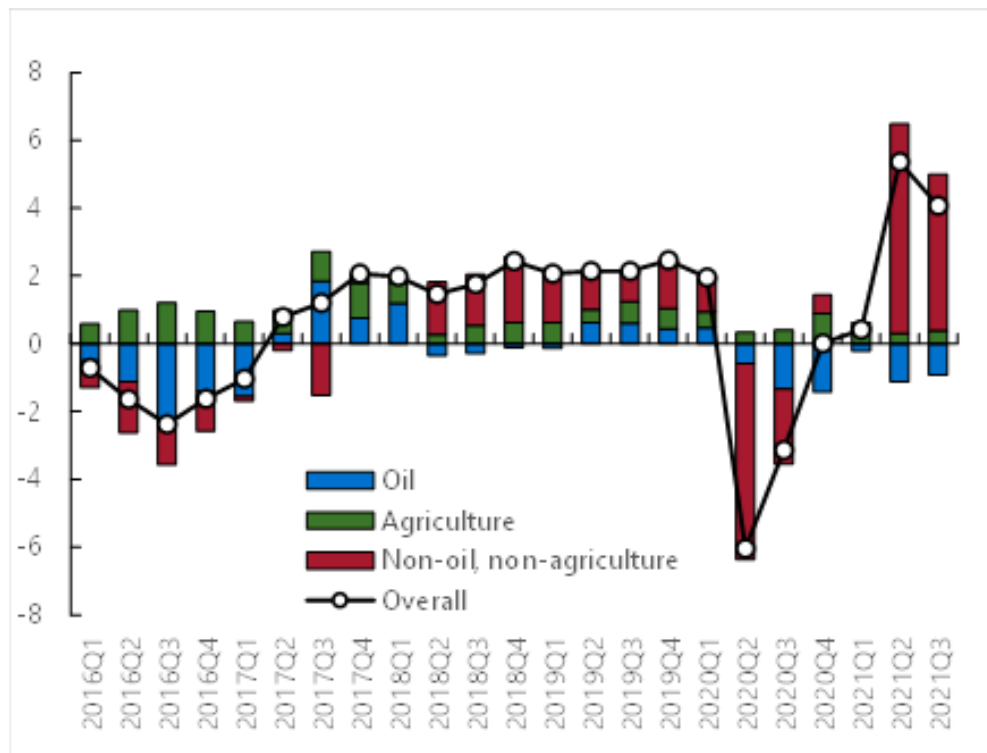
Nigeria

Recent Developments and Outlook

The economy is on the mend

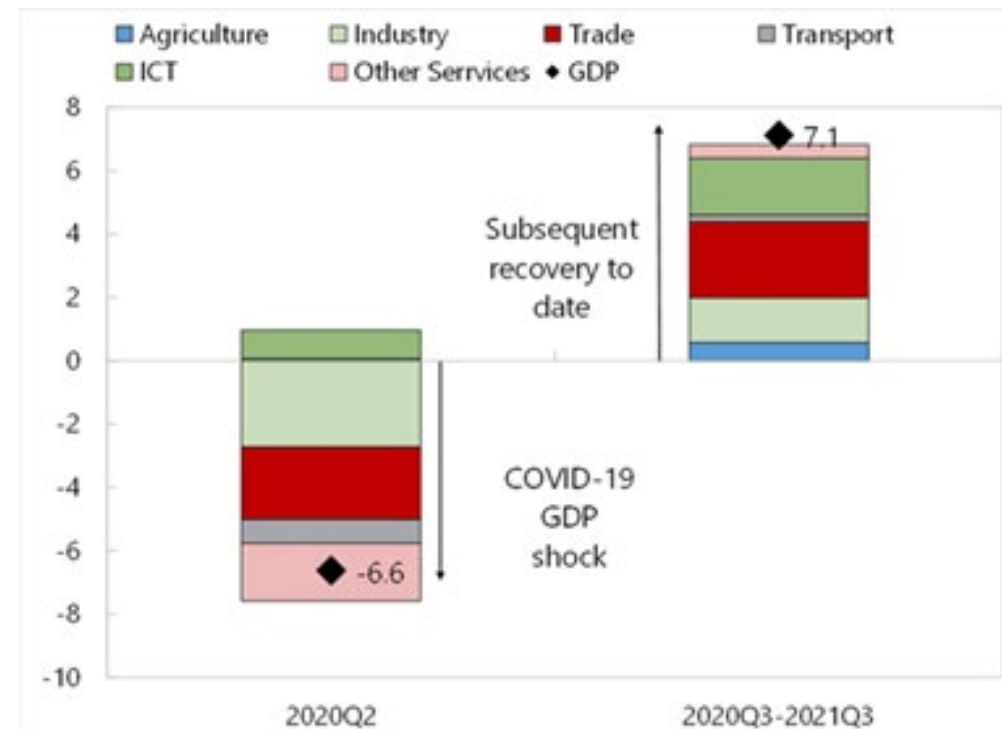
Real GDP growth and contribution

(annual percentage change)



Recovery and drivers

(q/q s.a. growth and contribution)



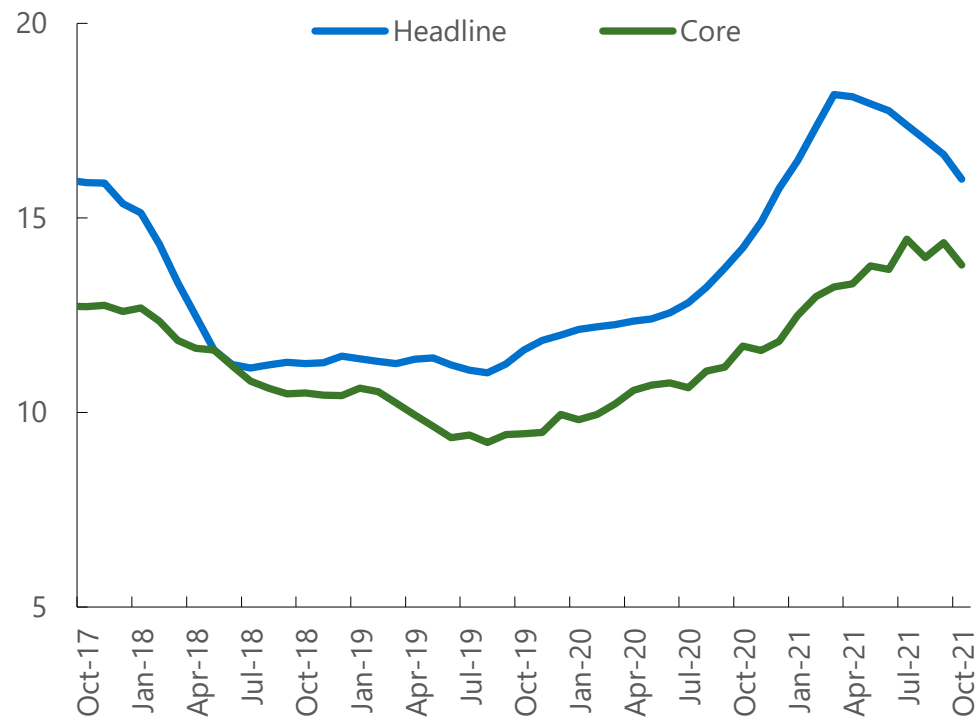
Sources: National Bureau of Statistics, Haver

Note: 2020Q3-2021Q2 shows cumulative q/q SA growth during these four quarters..

Headline inflation has started to decline, still high

Y-o-Y Inflation

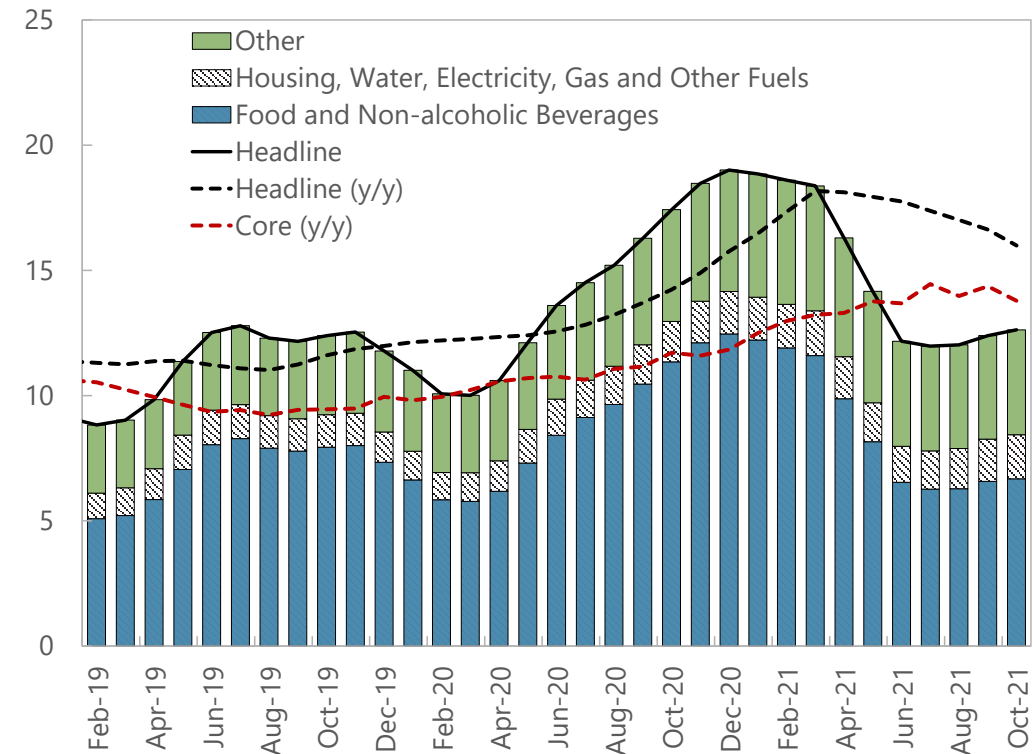
(in percent)



Sources: National Bureau of Statistics, Haver.

Contribution to M-o-M inflation

(annualized 3-m rolling average in percent, unless otherwise indicated)

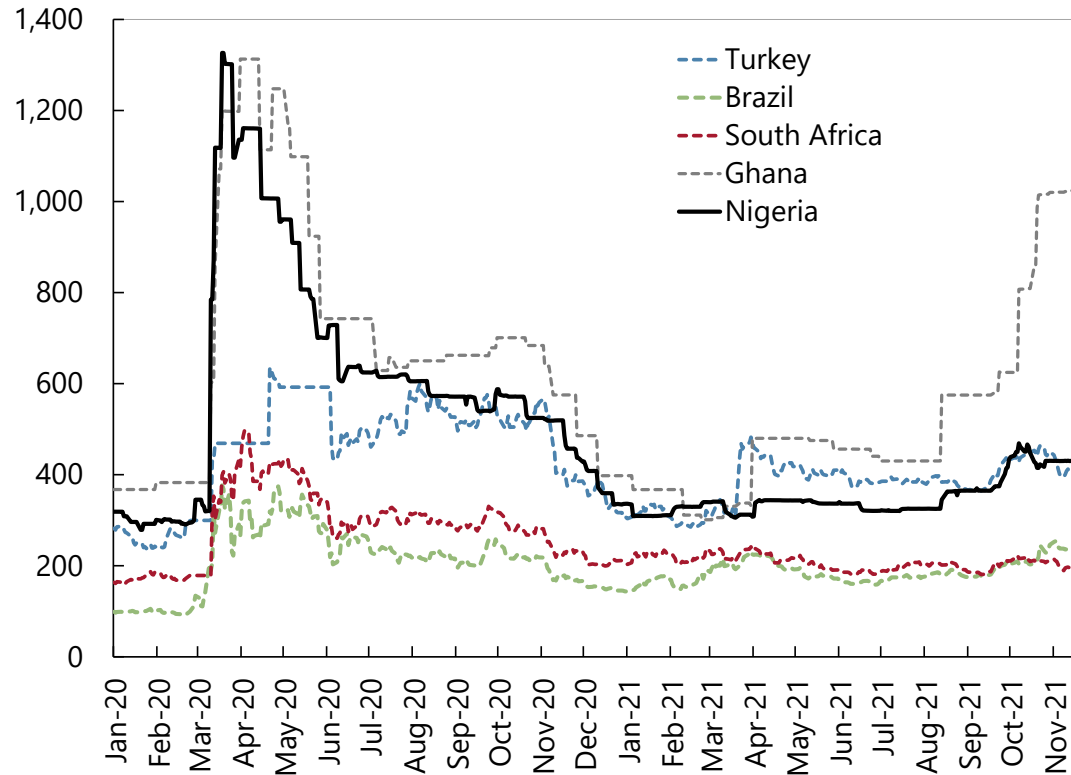


Sources: National Bureau of Statistics, Haver.

Stable risk sentiment, successful Euro bond issuance

Nigeria and peers: CDS Spreads

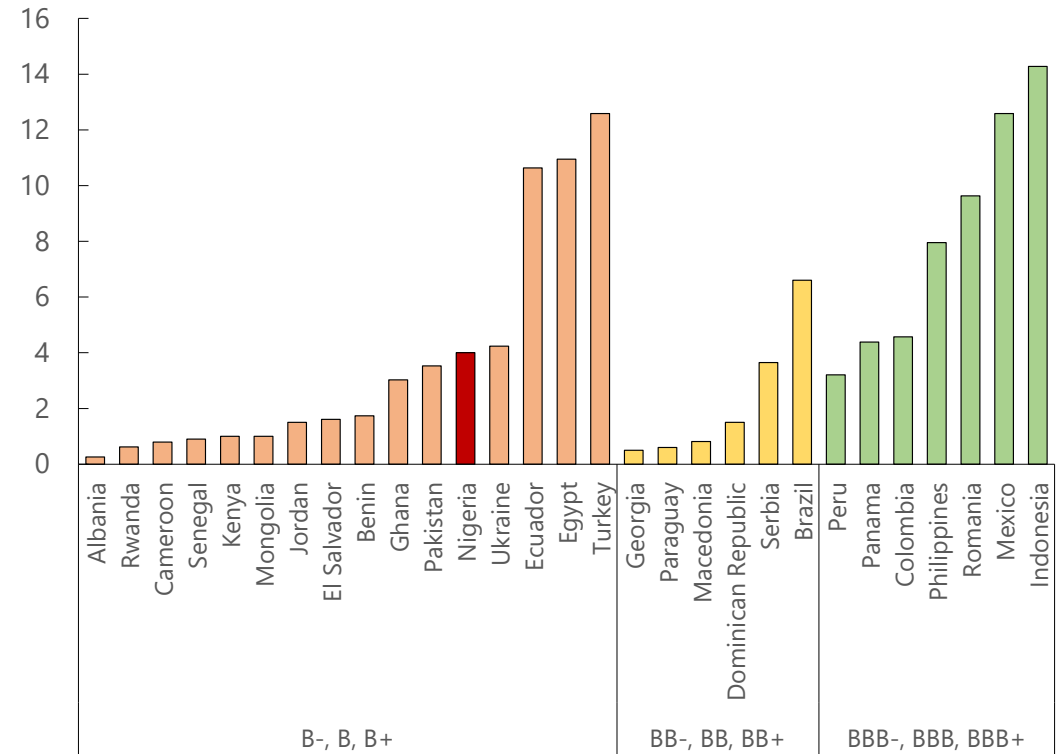
(basis points)



Sources: Bloomberg.

Nigeria and peers: 2021 Sovereign Bond Issuance

(in billions of U.S. Dollars)

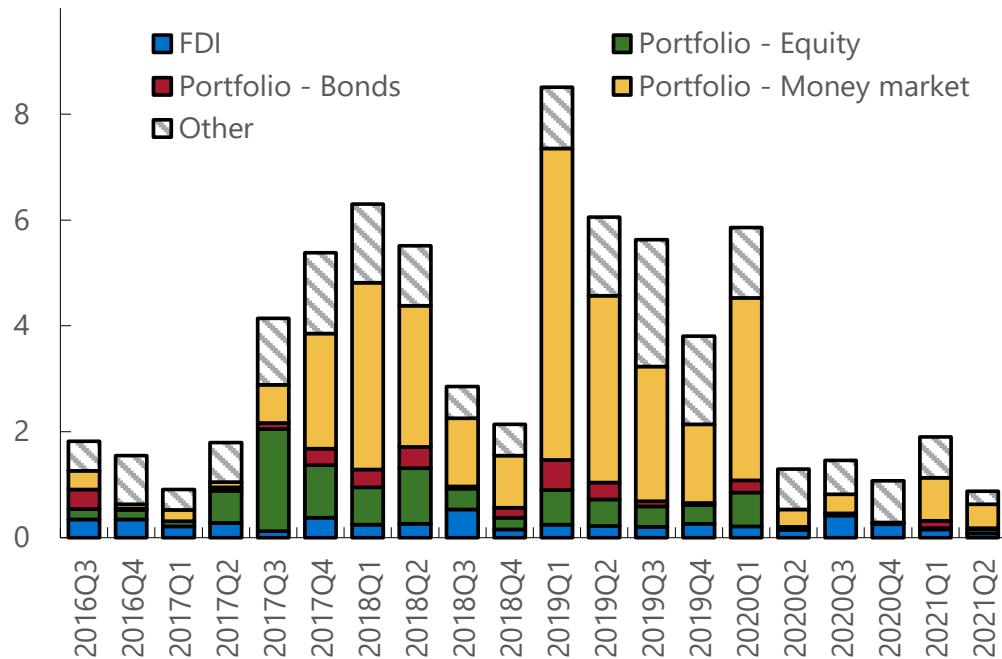


S&P Long-Term Foreign Currency Rating

Sources: Bloomberg.

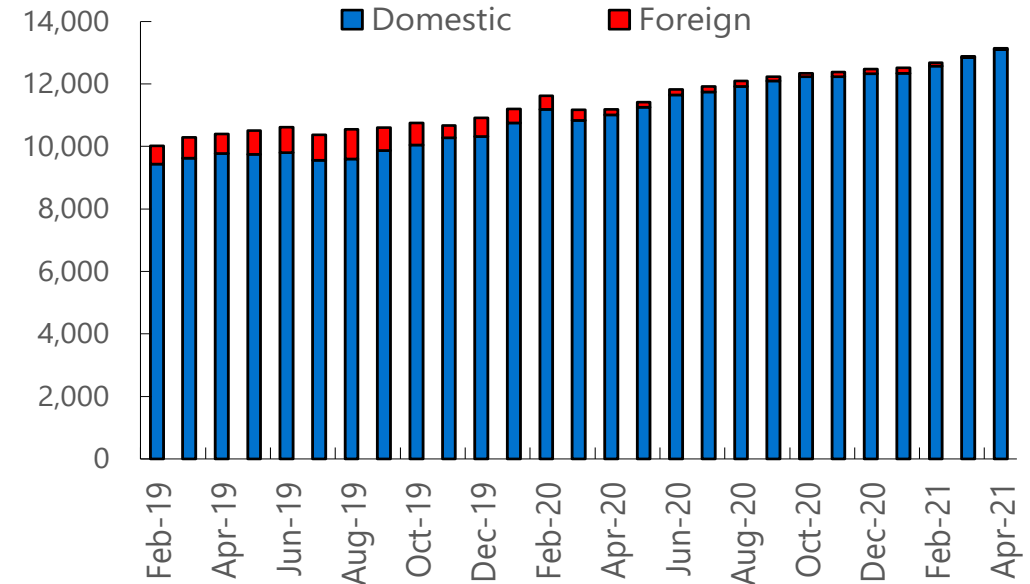
But investors yet to return to domestic markets

Gross capital inflows by type
(USD billion)



Sources: NBS.

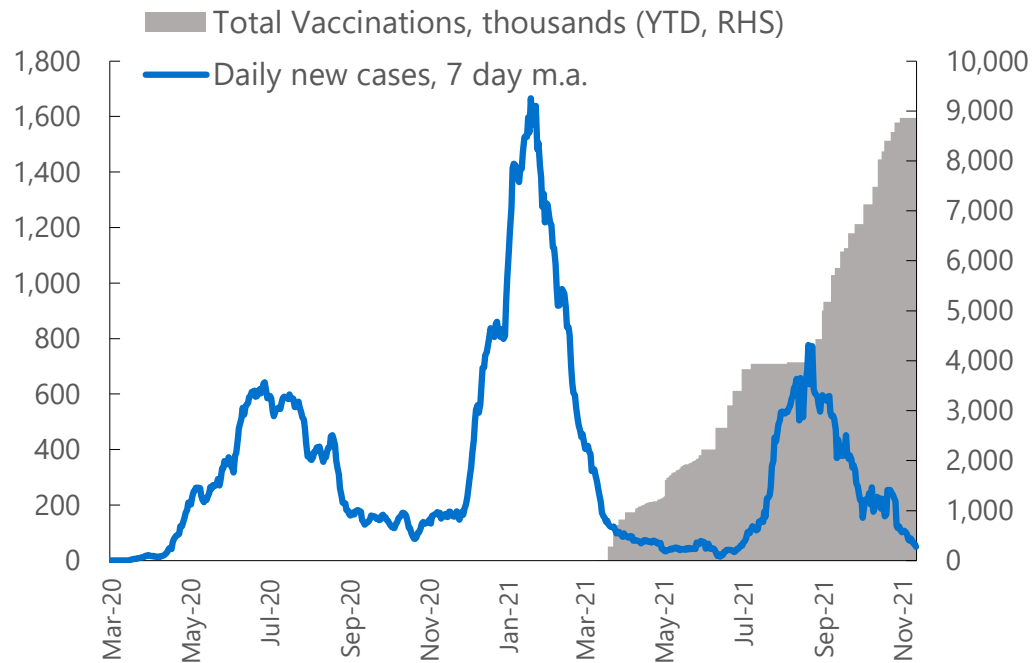
FGN bond holding by residency
(in billions of naira)



Sources: CBN.

Pandemic in its third wave, risks from low vaccination

COVID-19 cases and vaccination



Sources: CEIC.

Vaccination

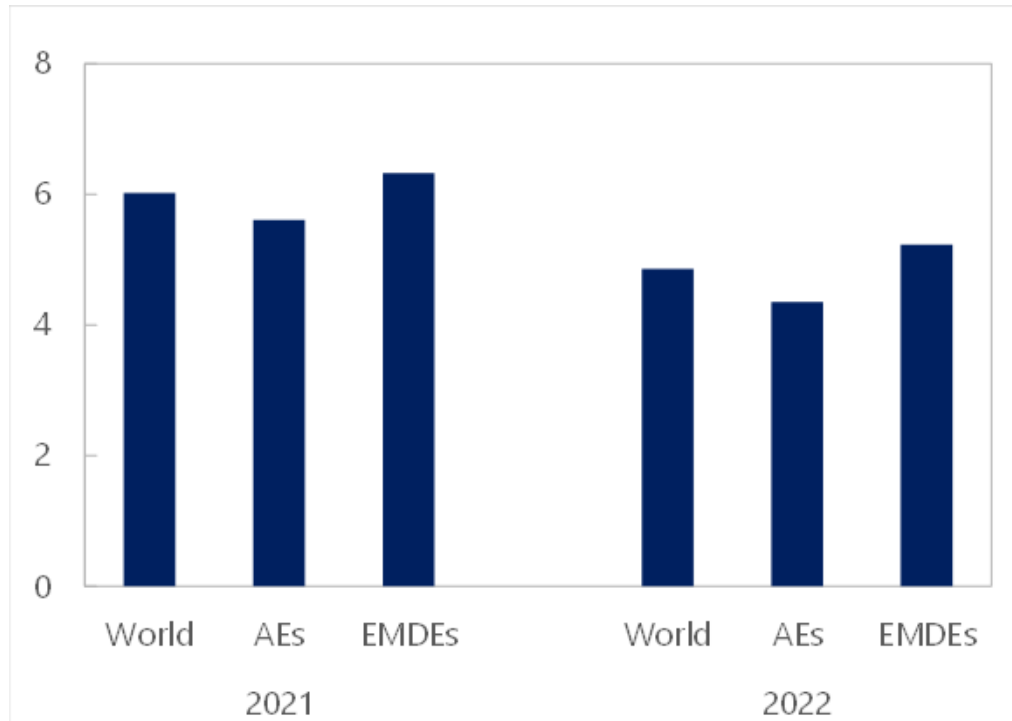
(in percent of population)

	2021	2022
Goal	40%	70%
Vaccinated so far¹		
Fully vaccinated	1.5%	
At least one dose	2.7%	
Doses of vaccines delivered so far (in millions)¹	24.9	
COVAX	22.8	
African Union	1.8	
Donations	0.4	

Sources: WHO, UNICEF, Gavi, Reuters.

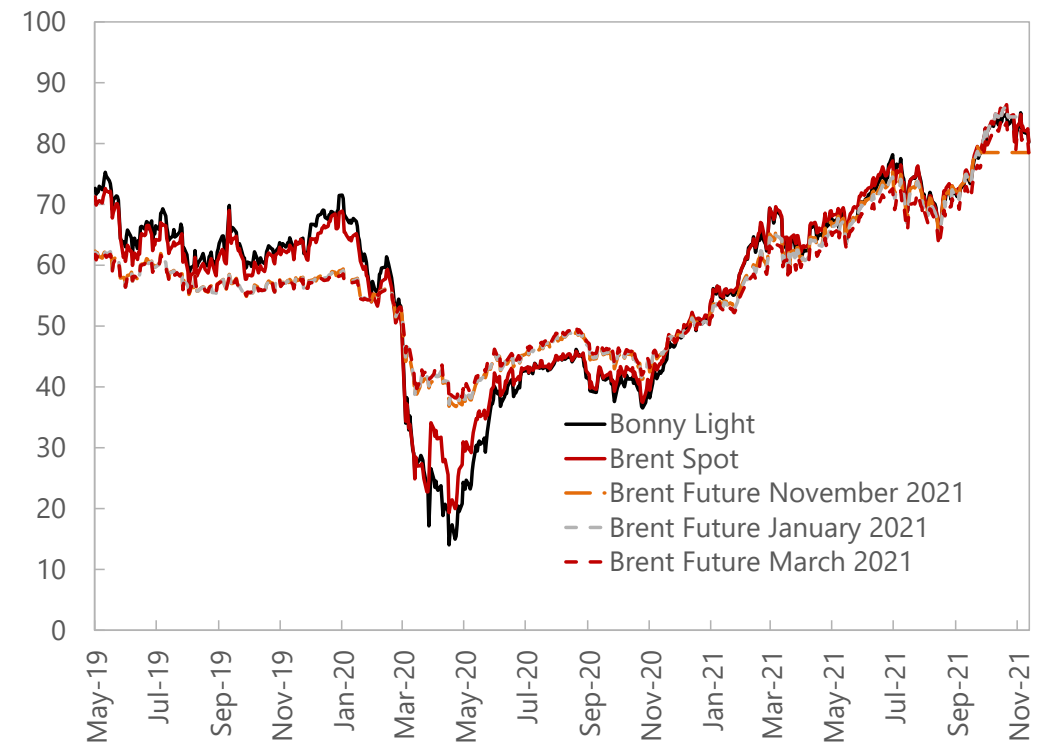
Global economy recovering, oil prices holding up

Real GDP growth, 2021 and 2022
(annual percentage change)



Sources: WEO Database.

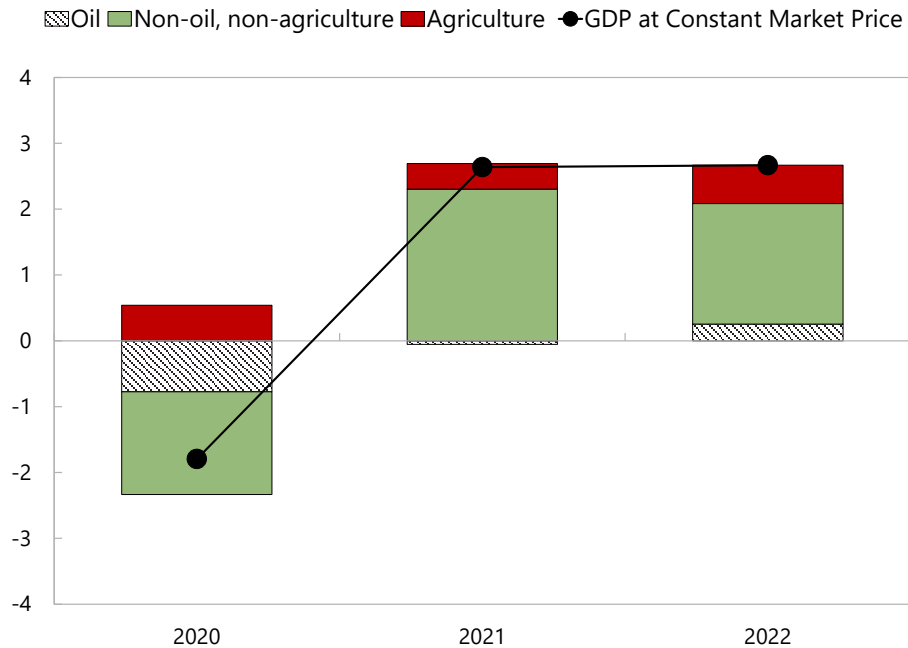
Daily Oil Prices
(USD per barrel)



Sources: Bloomberg.

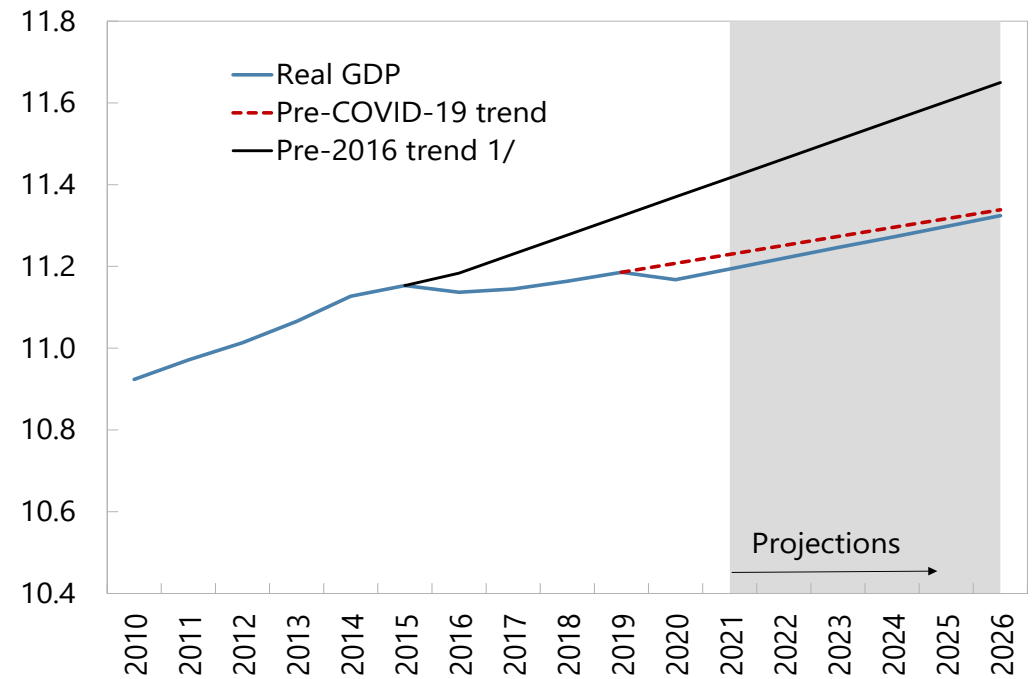
Nigerian economy is projected to recover, subdued MT

Real GDP Growth
(annual percentage change)



Sources: Haver and IMF Staff Calculations

Real GDP Level
(Billion naira, natural log)



1/ Based on the 2013-24 average growth rate

Sources: IMF Staff Calculations

Nigeria: Risks to Outlook

Downside:

- Covid-19 – third or fourth wave infections & **low vaccination**
- Spending pressures within **narrow fiscal space**
 - Persisting **insecurity**, particularly banditry and kidnapping
 - Elections

Upside:

- **Faster-than-expected reaching** of the Dangote refinery's production capacity
- Effective implementation of the 2021 Petroleum Industry Act (PIA).
 - Increased manufacturing production and **investments** in the oil and gas sectors

Thank you

Additional Information

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