

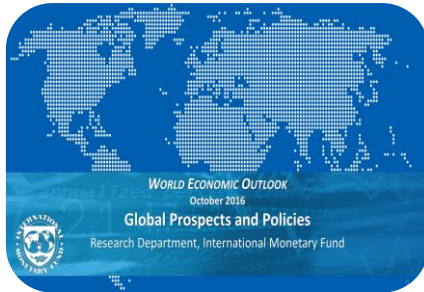
Restarting the Growth Engine

Regional Economic Outlook for Sub-Saharan Africa

Clara Mira
International Monetary Fund
Kampala, June 15 2017



Outline



**The
world**



**Sub-
Saharan
Africa**



Uganda

Growth projections:

Advanced economies



World

Advanced
Economies

U.S.

U.K.

Japan

Euro
Area

Germany

Canada

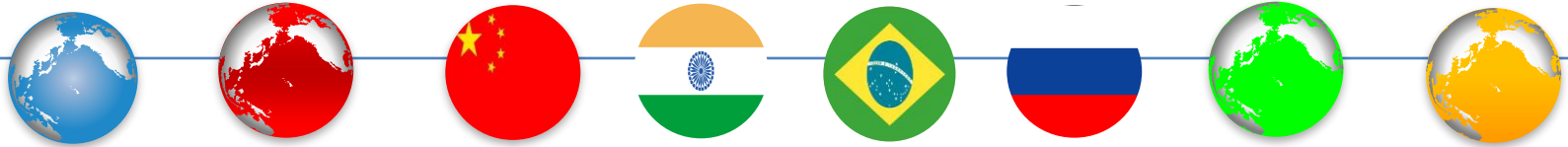
Other
Advanced
Asia

2016	3.1	1.7	1.6	1.8	1.0	1.7	1.8	1.4	2.3
2017	3.5	2.0	2.3	2.0	1.2	1.7	1.6	1.9	2.5
2018	3.6	2.0	2.5	1.5	0.6	1.6	1.5	2.0	2.6

Sources: IMF, *World Economic Outlook April 2017*

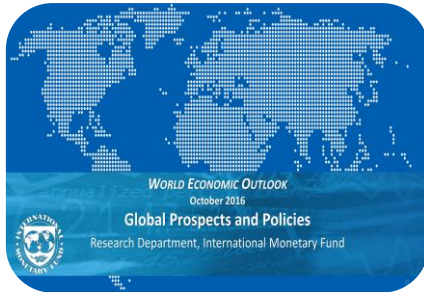
Growth projections:

Emerging markets and LIDCs



	World	Emerging Market and Developing Economies	China	India	Brazil	Russia	Commodity Exporting Economies	Su-Saharan Africa
2016	3.1	4.1	6.7	6.8	-3.6	-0.2	1.0	1.4
2017	3.5	4.5	6.6	7.2	0.2	1.4	2.2	2.6
2018	3.6	4.8	6.2	7.7	1.7	1.4	2.9	3.5

Outline



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**Sub-
Saharan
Africa**



Uganda

Outline – Sub-Saharan Africa REO



A Broad-based Slowdown



Increasing Vulnerabilities



Insufficient Adjustment



Recalibrating the Policy Response

Outline – Sub-Saharan Africa REO



A Broad-based Slowdown



Increasing Vulnerabilities

Adjustment



Financing

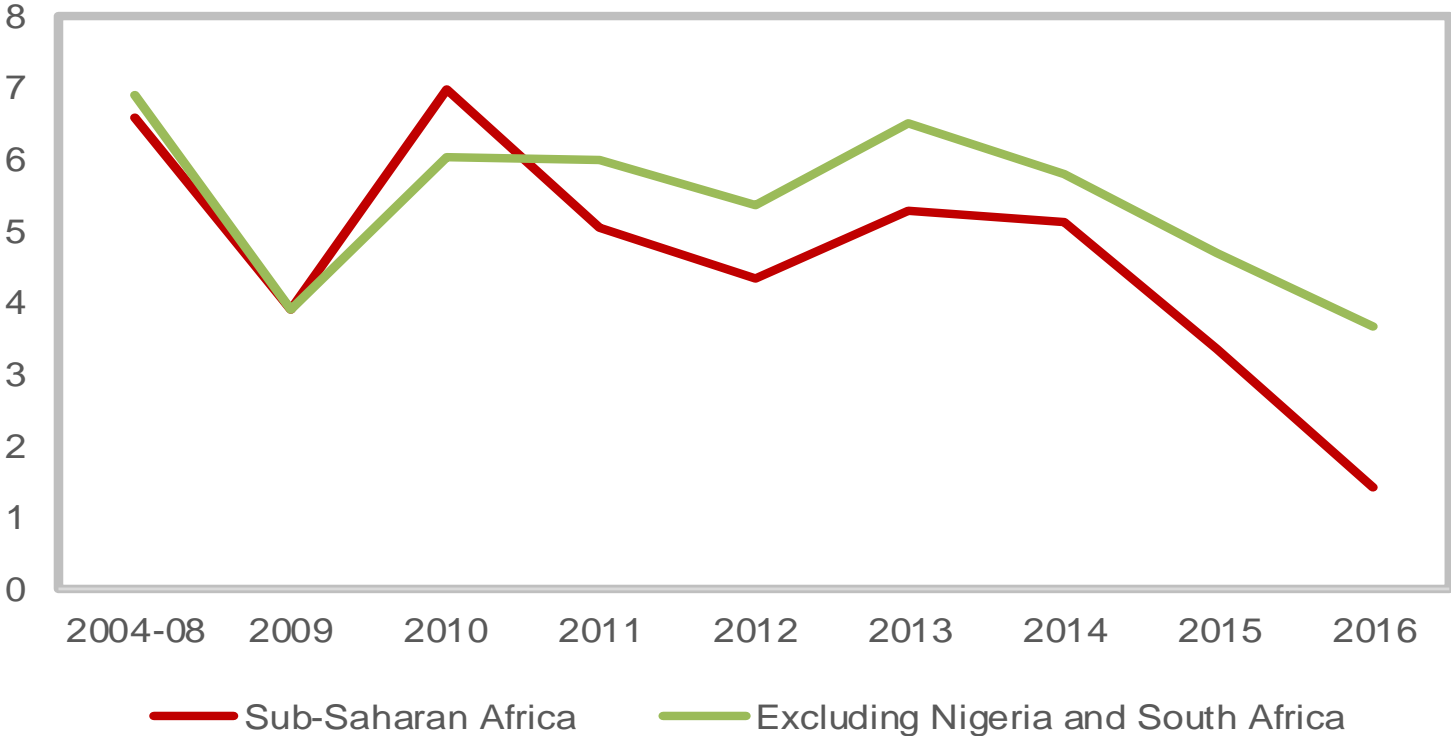
Insufficient Adjustment



Recalibrating the Policy Response

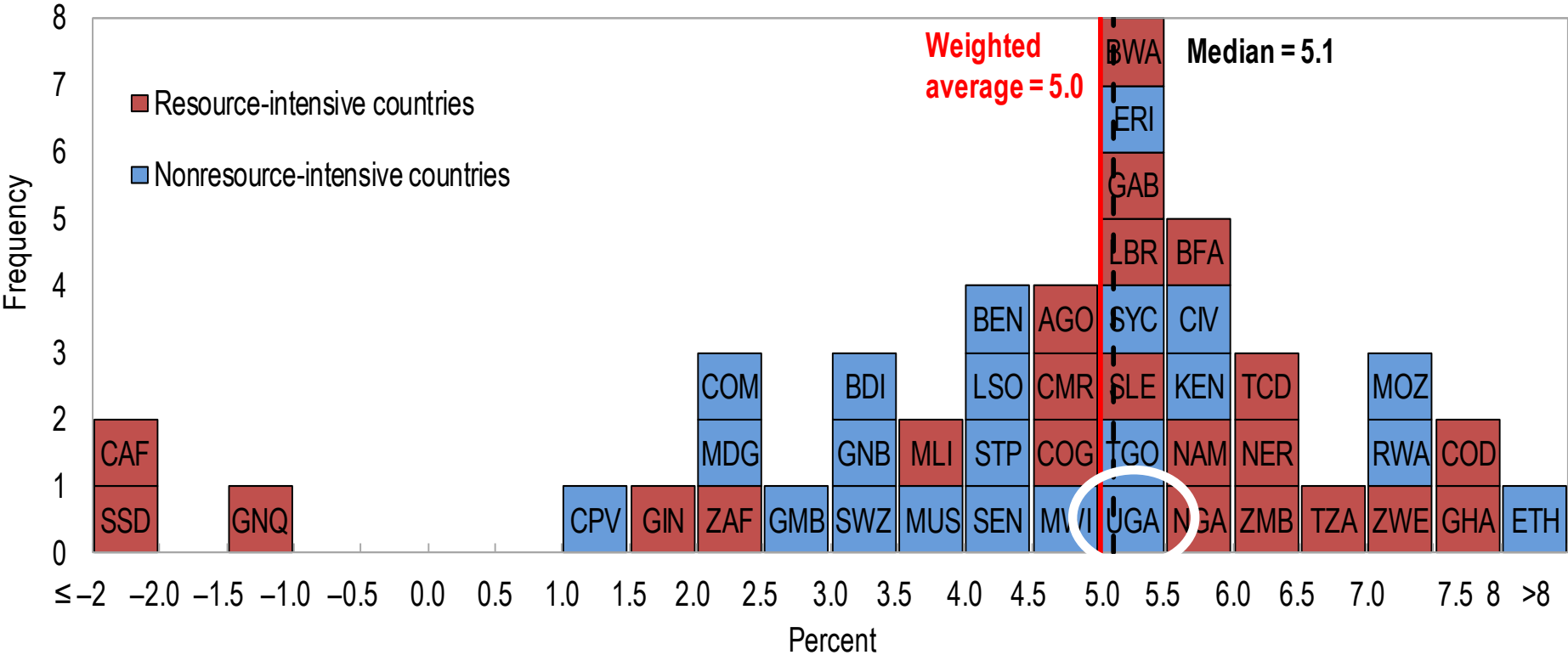
2016 saw a broad-based slowdown, with commodity exporters being particularly hit...

Real GDP Growth, Average 2004–16



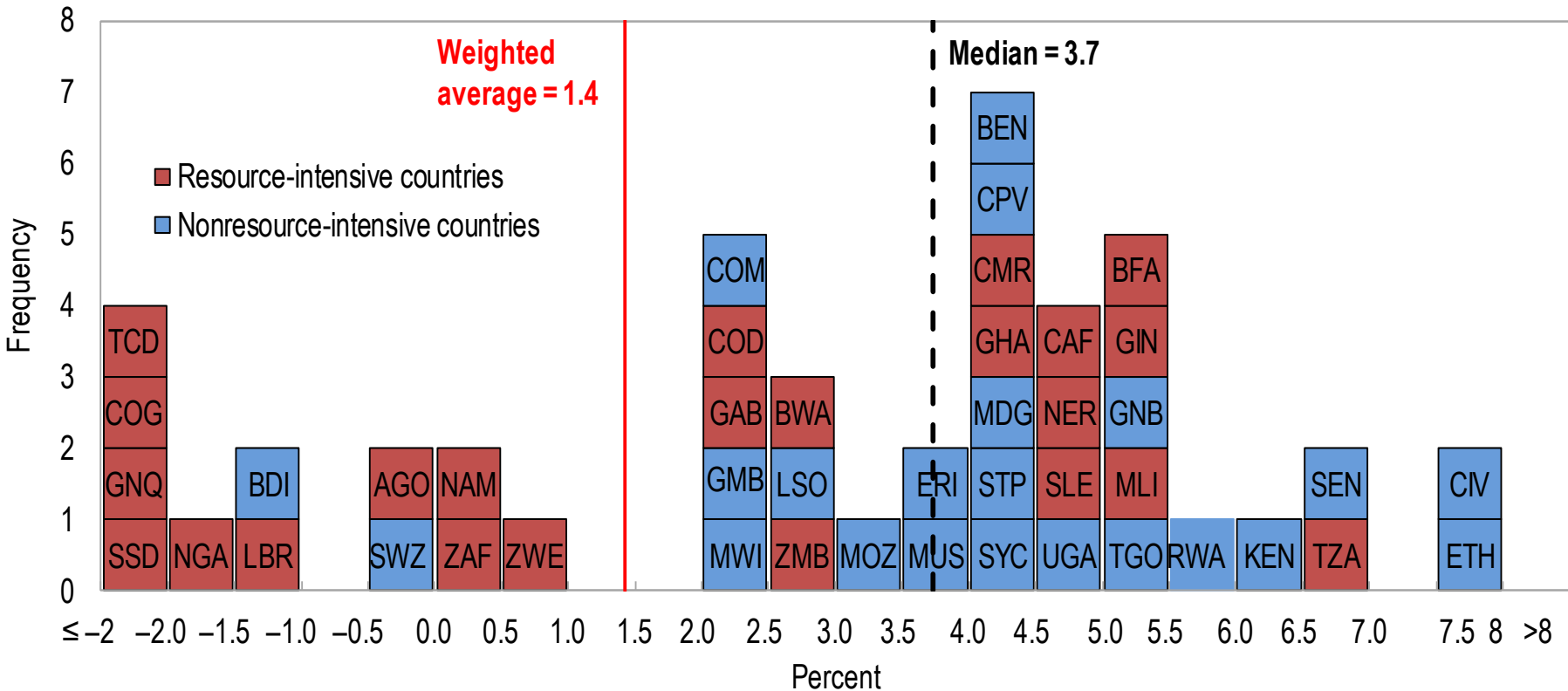
2016 saw a broad-based slowdown, with commodity exporters being particularly hit...

Real GDP Growth, Average 2010–15



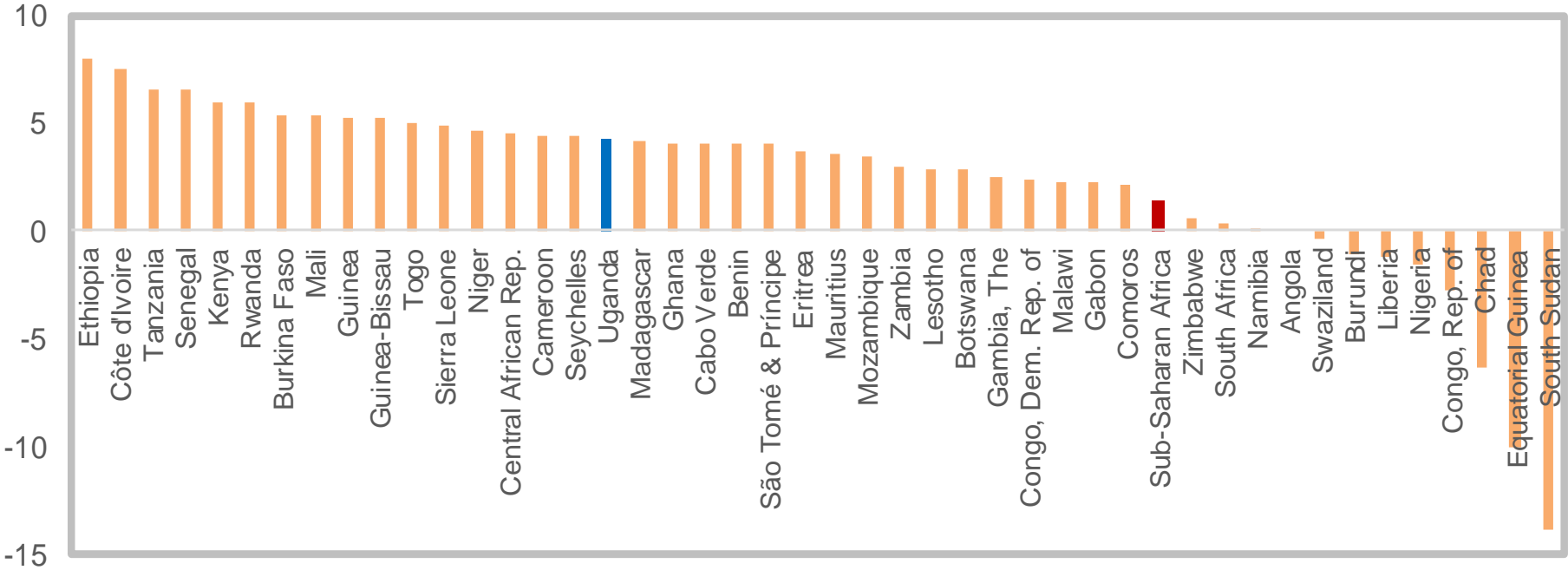
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Real GDP Growth, 2016

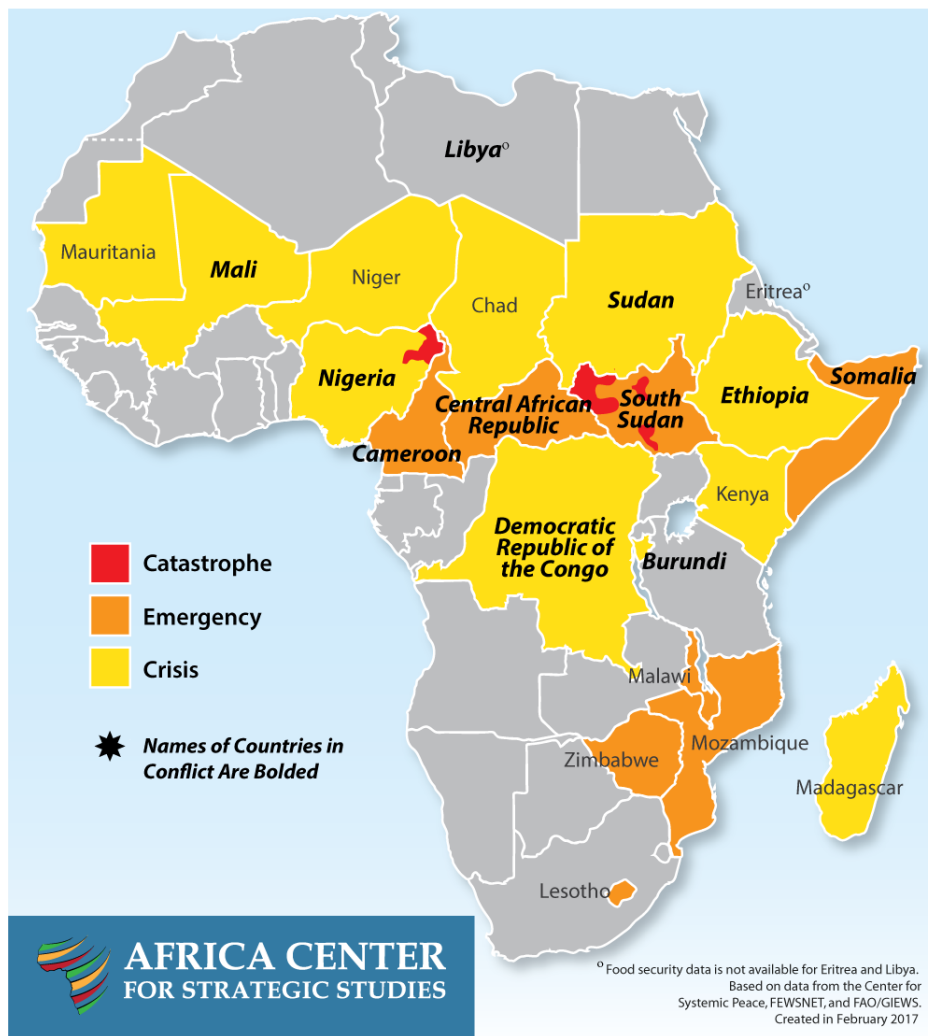


2016 saw a broad-based slowdown, with commodity exporters being particularly hit...

Real GDP Growth, 2016

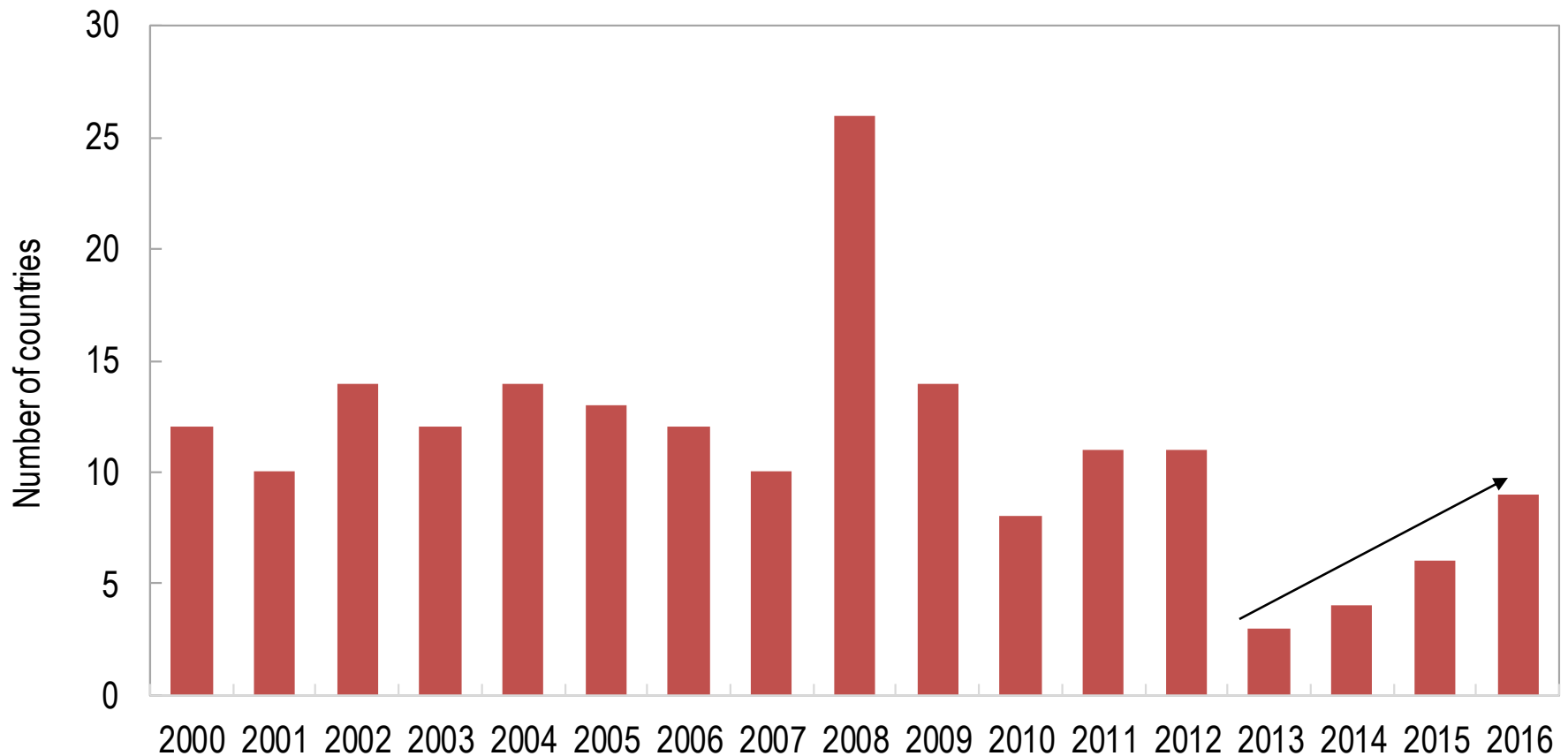


...and in some cases, compounded by rising food insecurity.



Inflation is ticking up in many countries in the region.

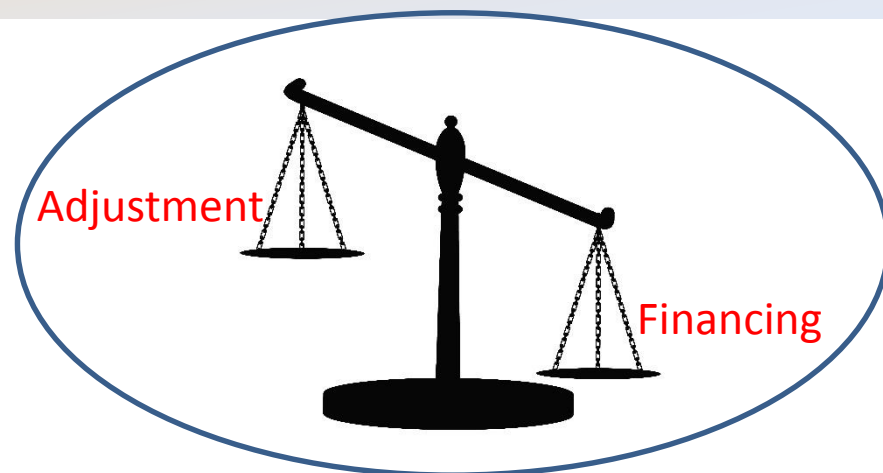
Number of Countries with Inflation Rates Greater than 10 Percent



Outline – Sub-Saharan Africa REO



A Broad-based Slowdown



Insufficient Adjustment



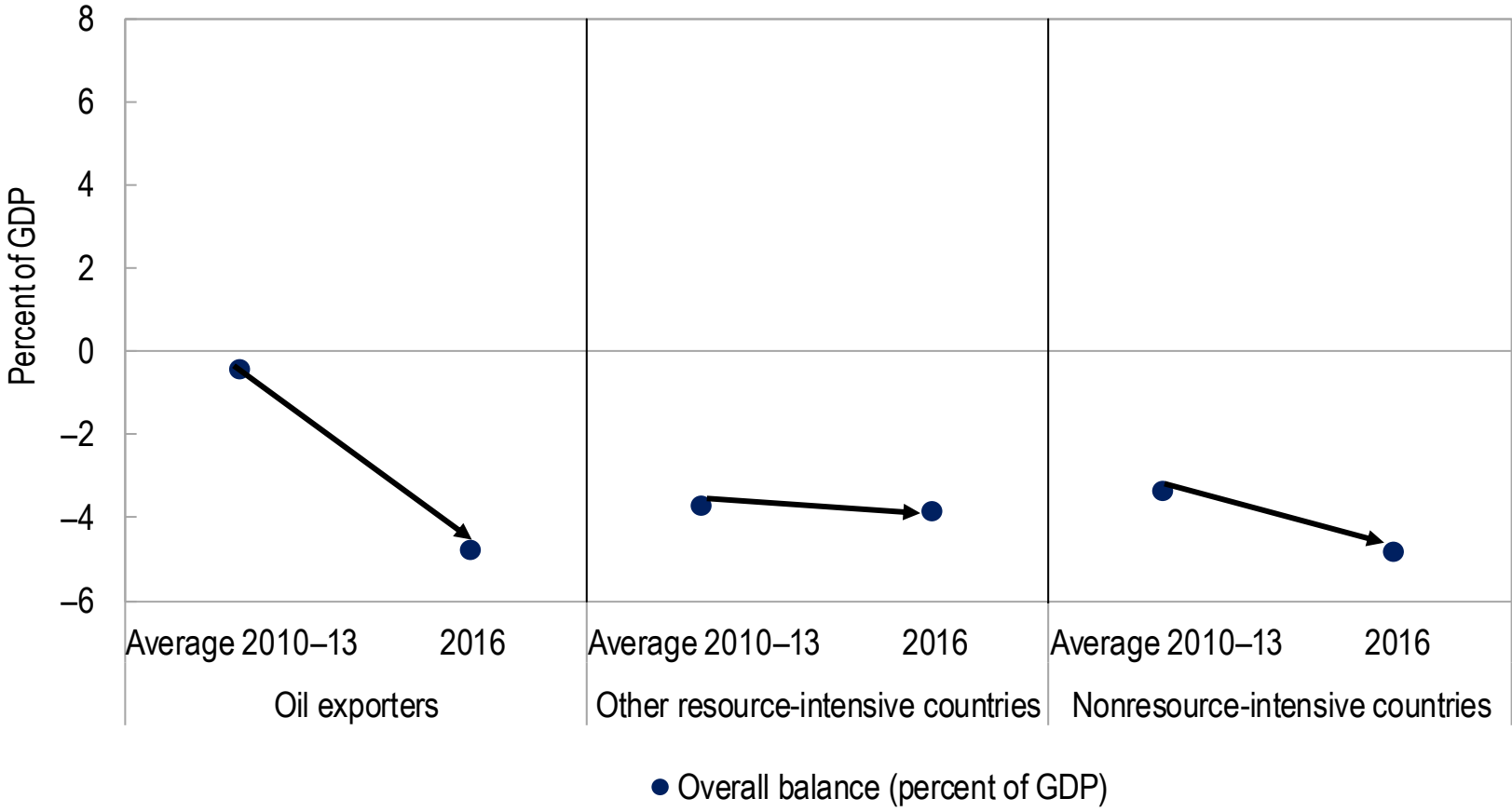
Increasing Vulnerabilities



Recalibrating the Policy Response

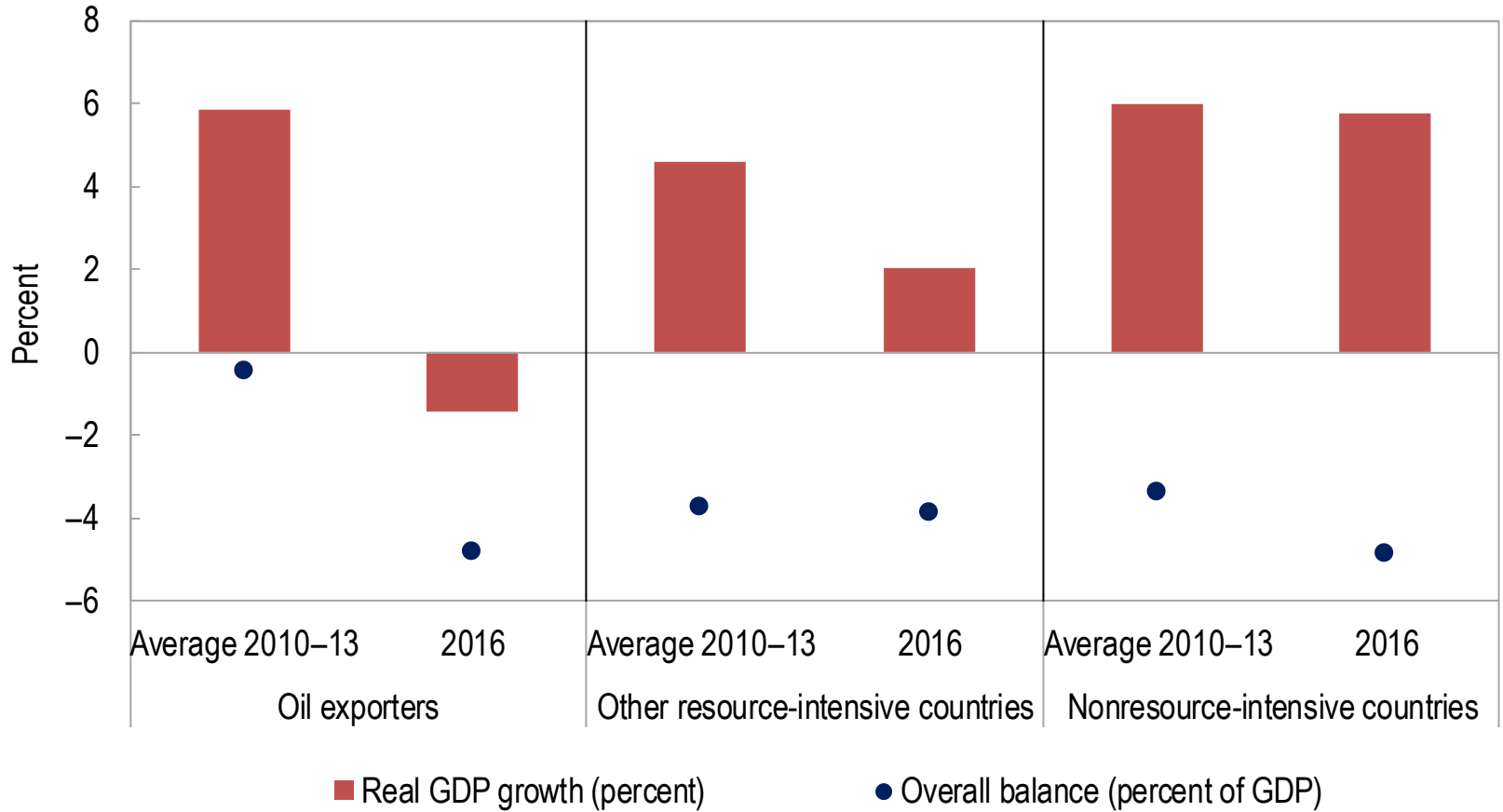
Fiscal deficits have widened among hardest-hit countries and remain elevated elsewhere.

Fiscal Balance, 2010–16



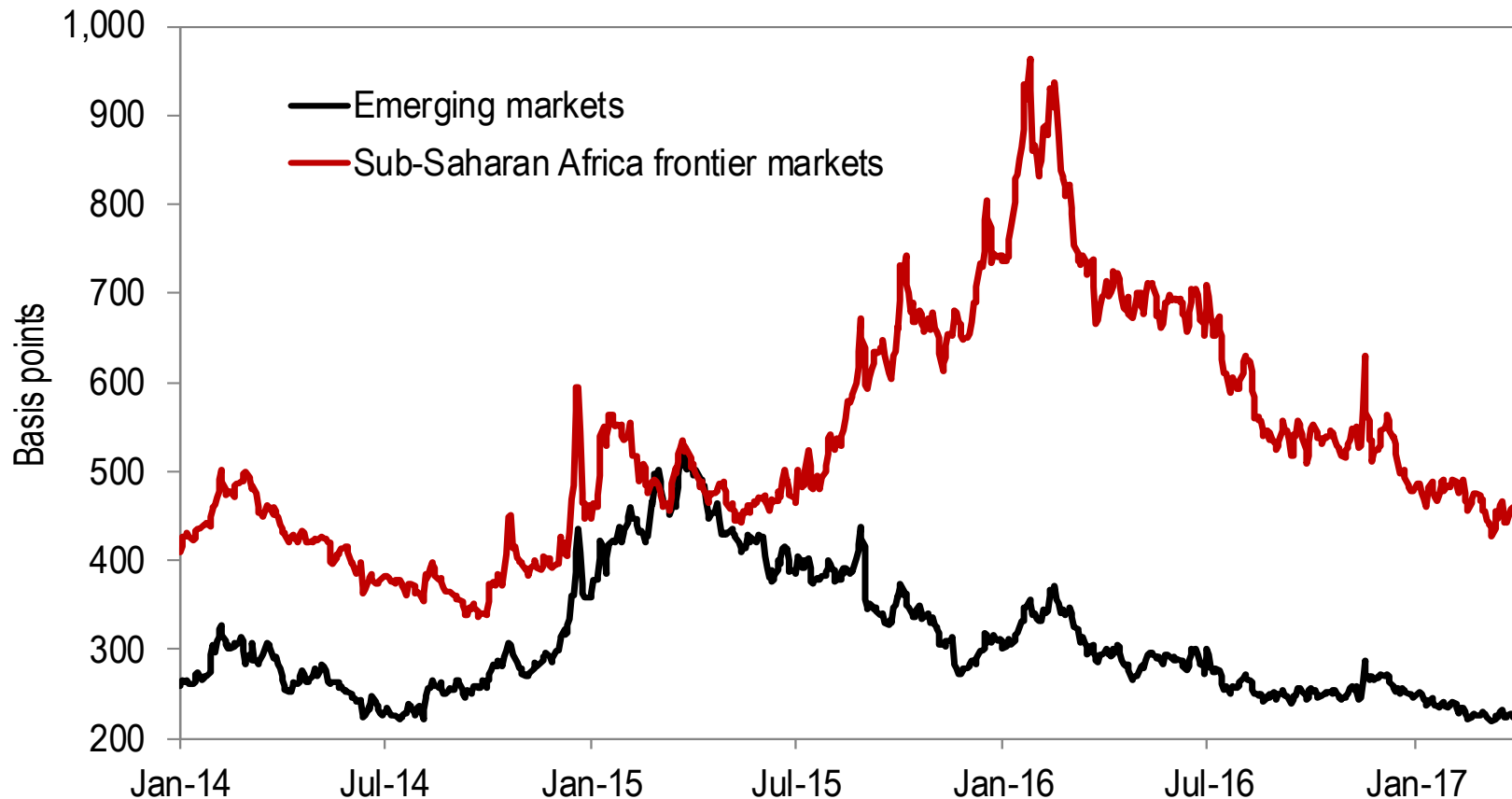
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Fiscal Balance and Real GDP Growth, 2010–16



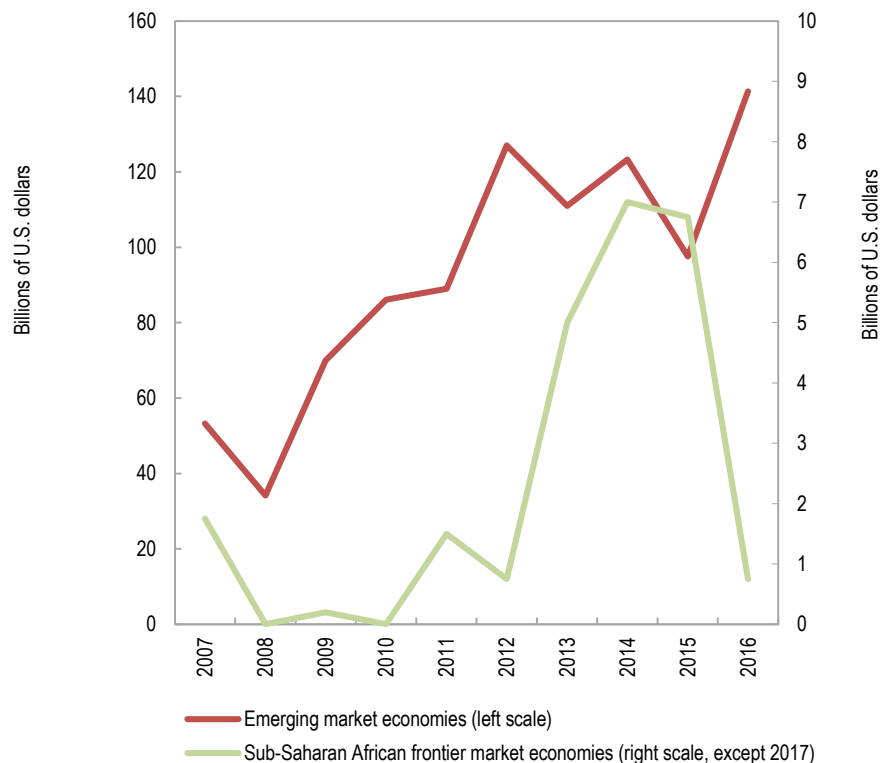
Higher borrowing costs have made recourse to external market financing less attractive...

Frontier and Emerging Market Spreads, 2014-17



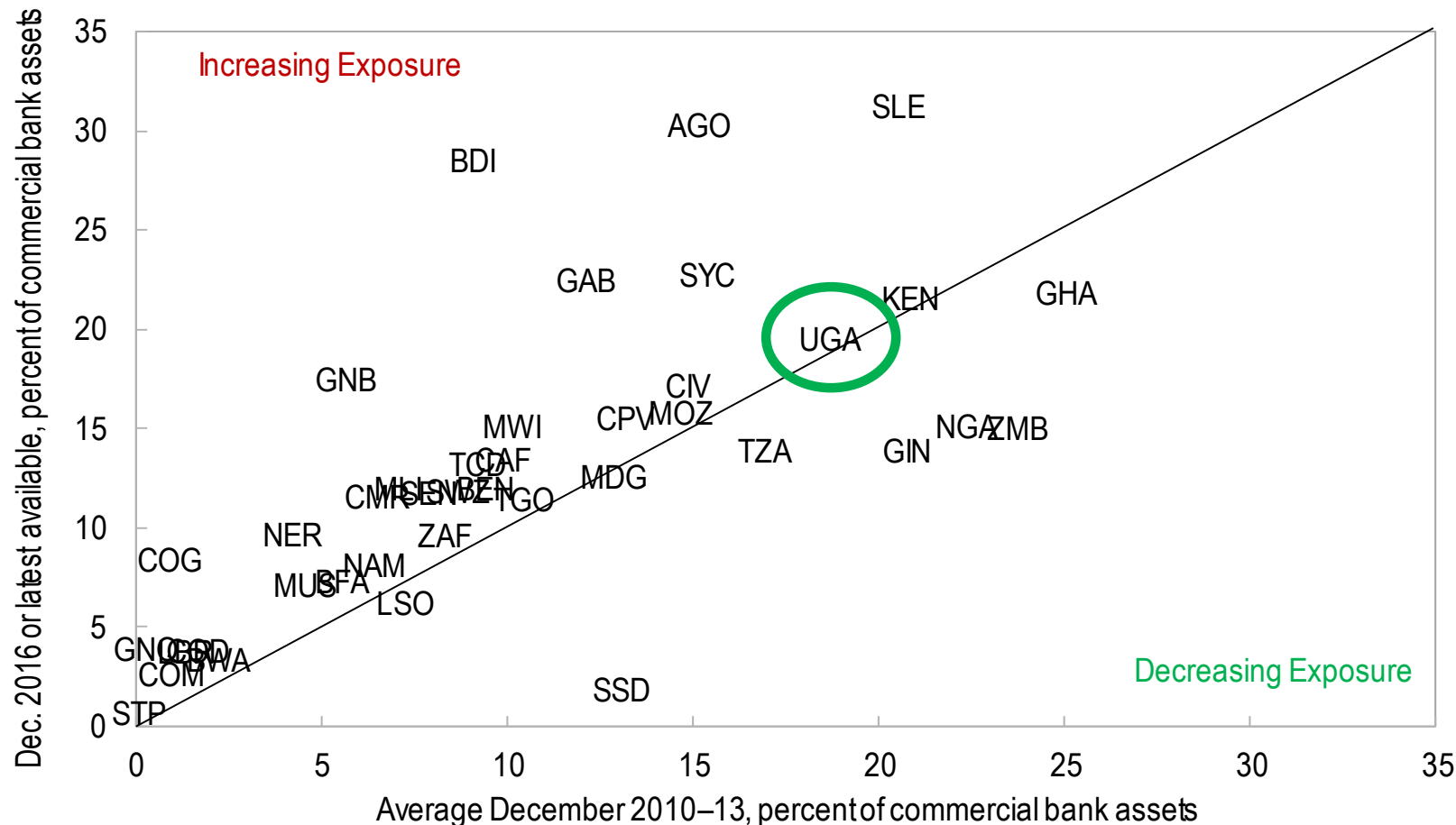
Higher borrowing costs have made recourse to external market financing less attractive...

Emerging and Frontier Market Economies: International Sovereign Bond Issuances, 2007–16



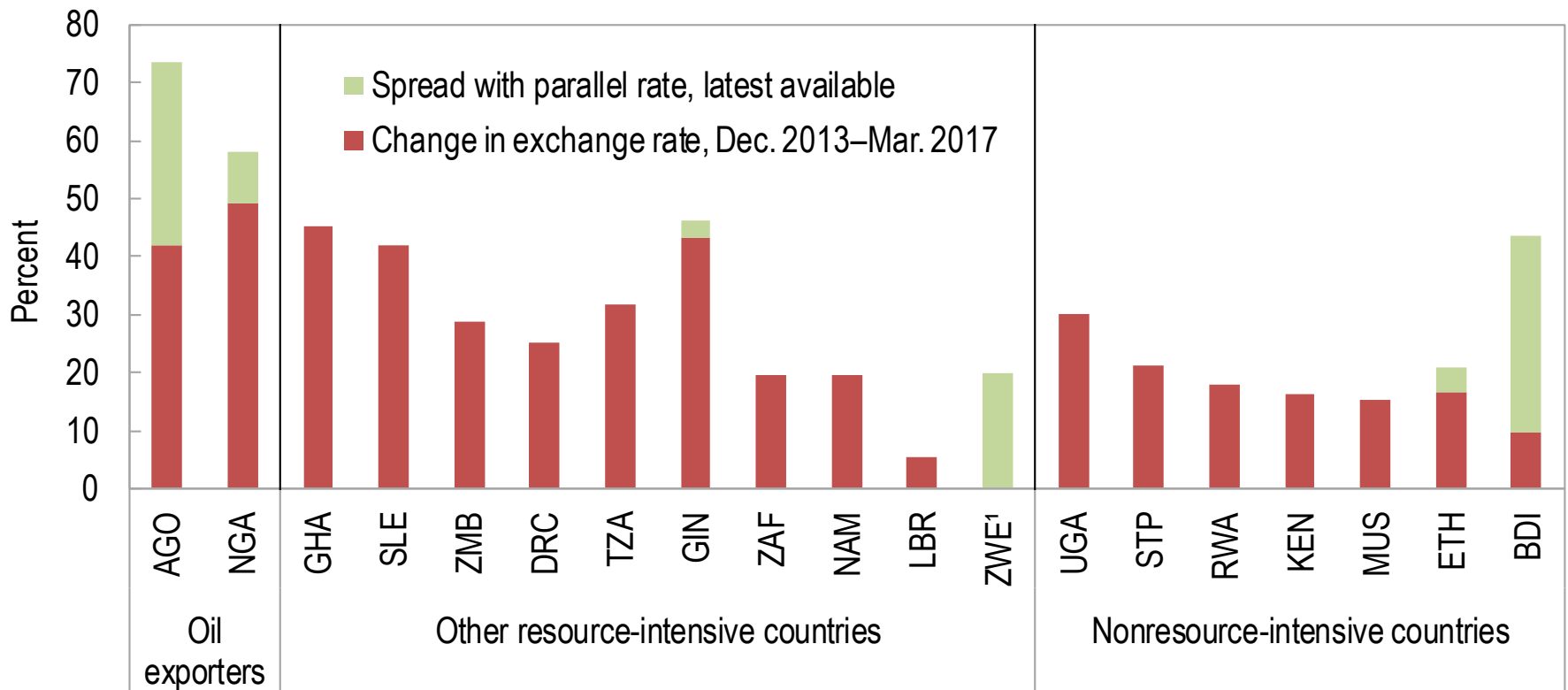
...leading to greater recourse to domestic financing,...

Exposure of Commercial Banks to the Government



Exchange rates have depreciated, but not sufficiently in some cases with parallel markets spreads emerging...

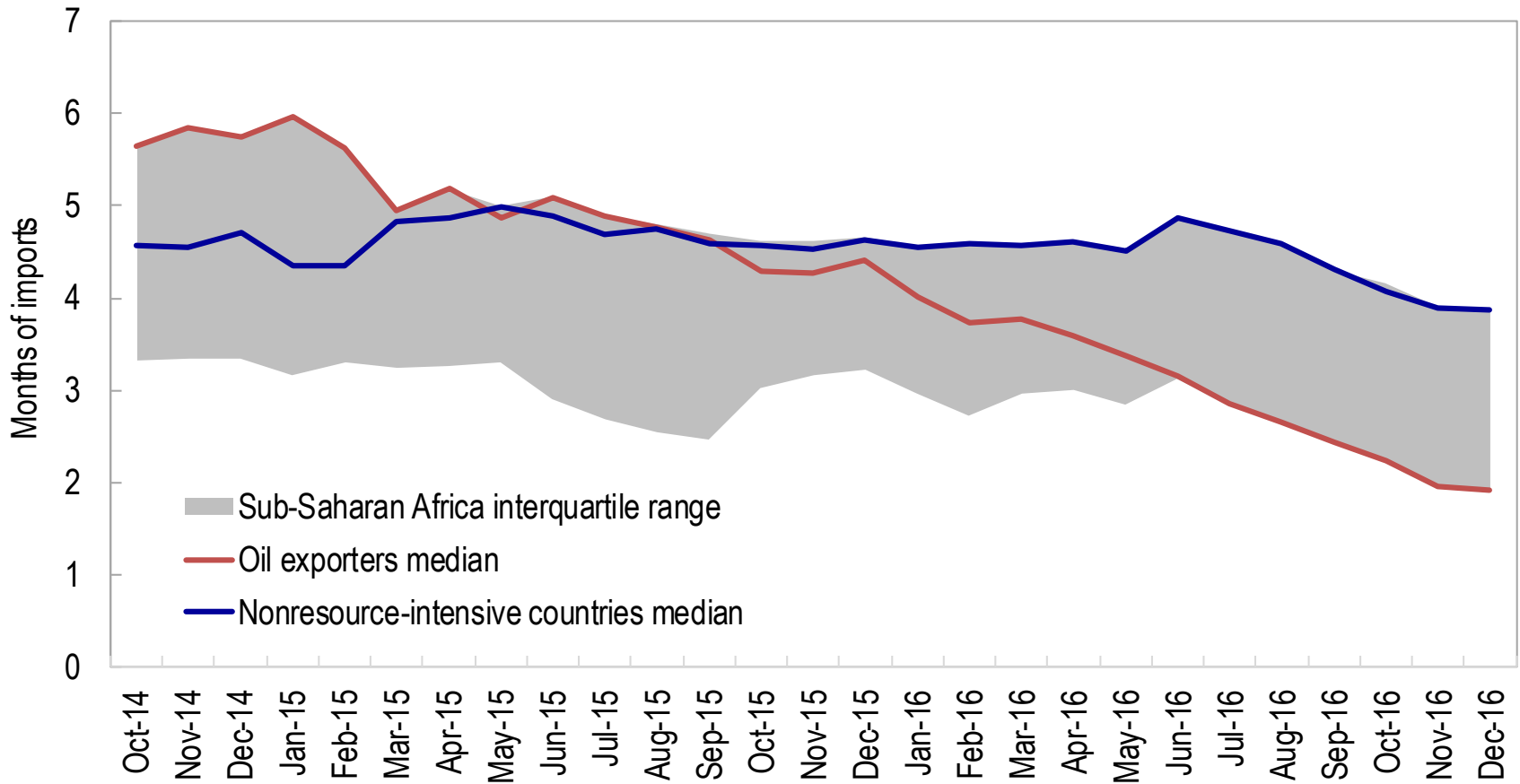
Depreciation of National Currencies Against the U.S. Dollar since December 2013 (+ indicates depreciation)



¹Unofficial estimates report the spread to be around 20 percent between cash U.S. dollars and domestic bank deposits and bond notes.

... and reserves are trending lower for the region, and acutely so in oil exporters

International Reserves, 2014–16



Outline – Sub-Saharan Africa REO



A Broad-based Slowdown



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Financing

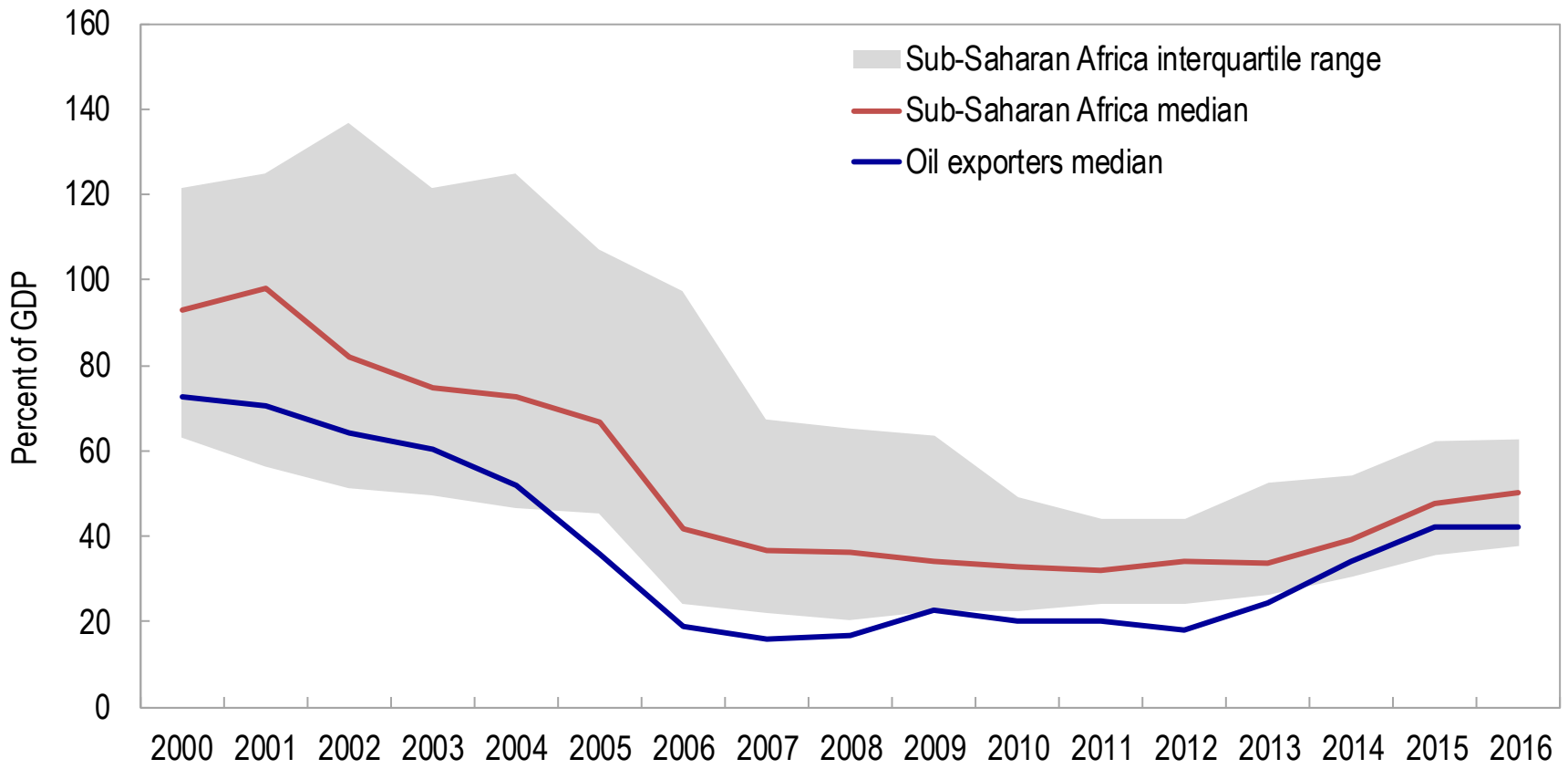
Insufficient Adjustment



Recalibrating the Policy Response

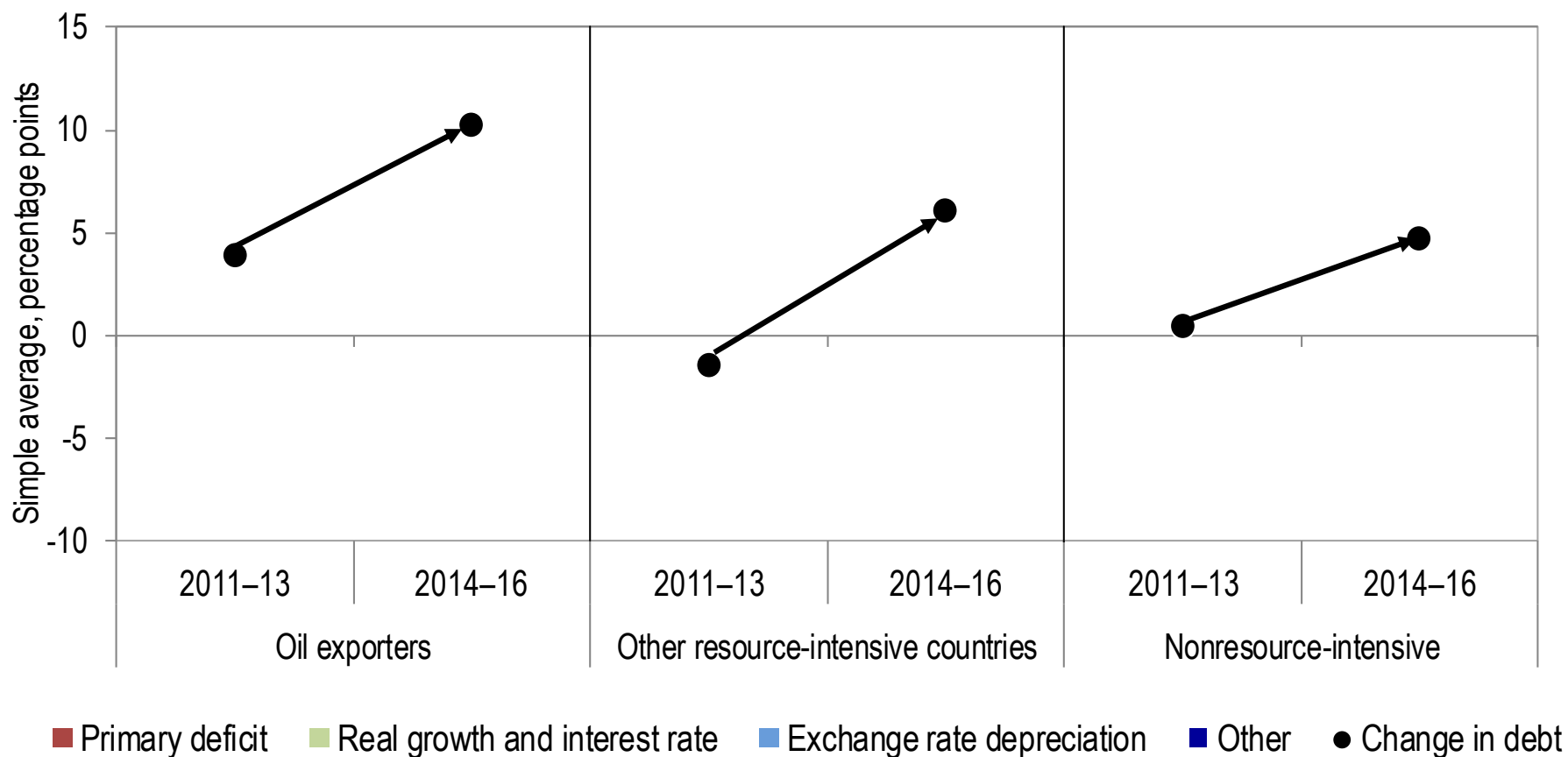
Debt levels are on the rise across the region...

Public Debt, 2000–16



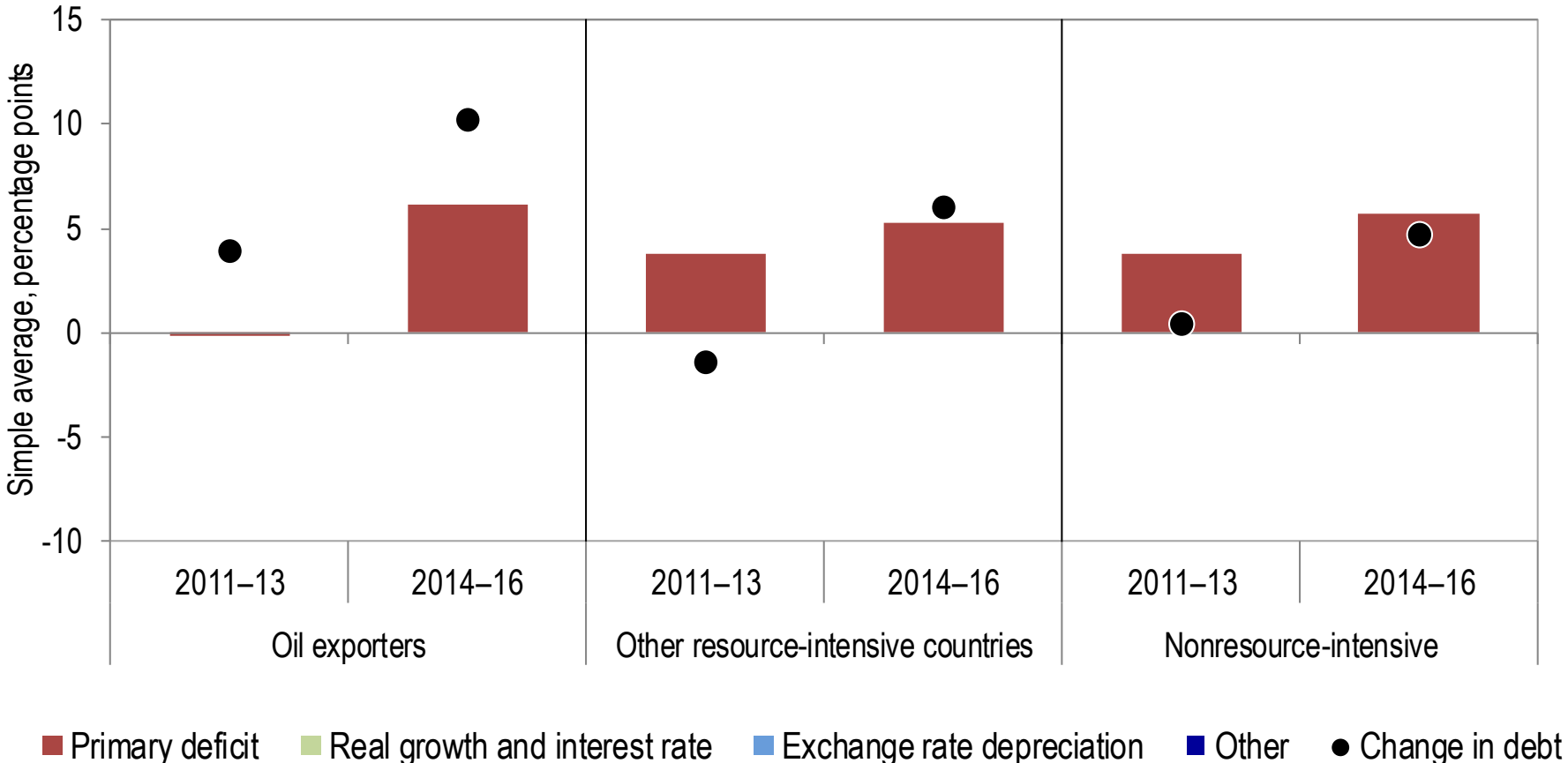
Debt levels are on the rise across the region...

Public Sector Debt Accumulation, 2010–16



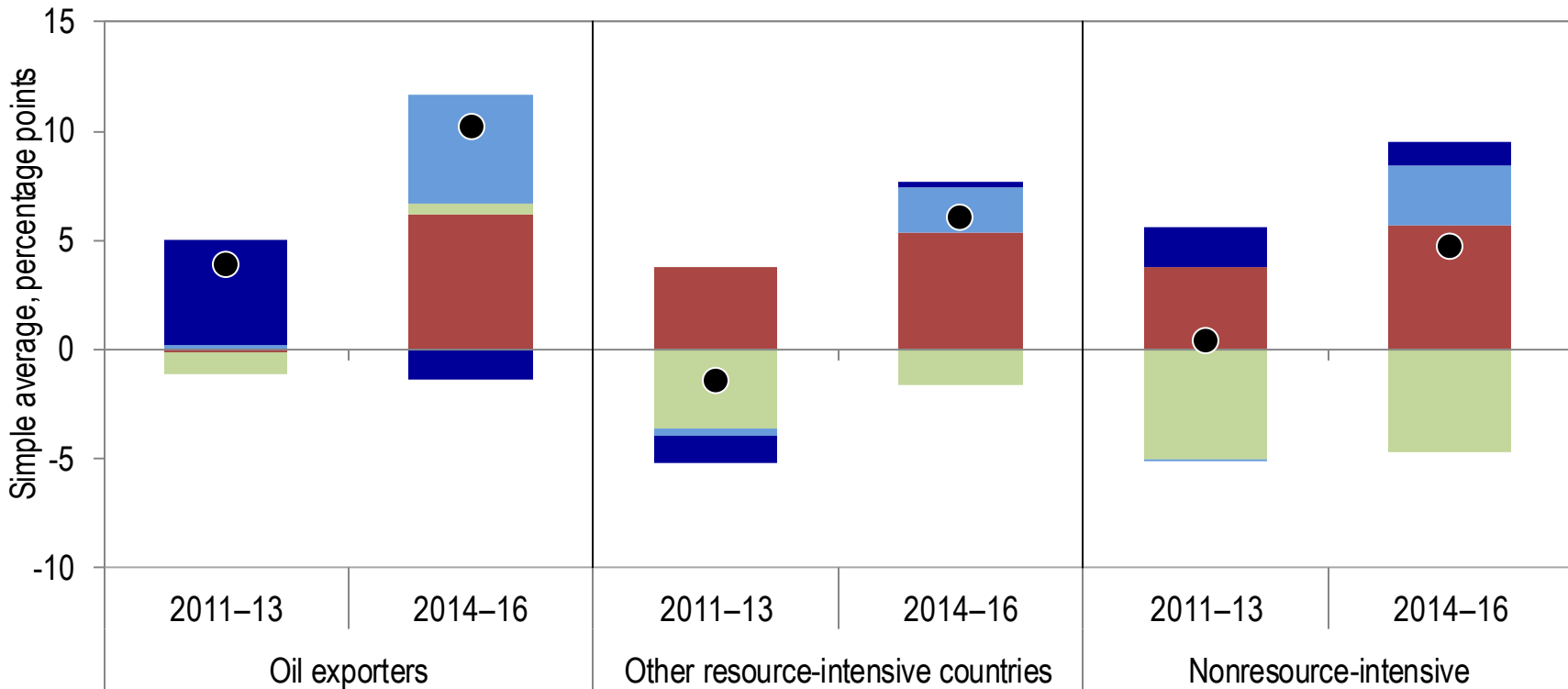
...and public debt is on the rise, increasing the pressure on debt sustainability...

Public Sector Debt Accumulation, 2010–16



...and public debt is on the rise, increasing the pressure on debt sustainability...

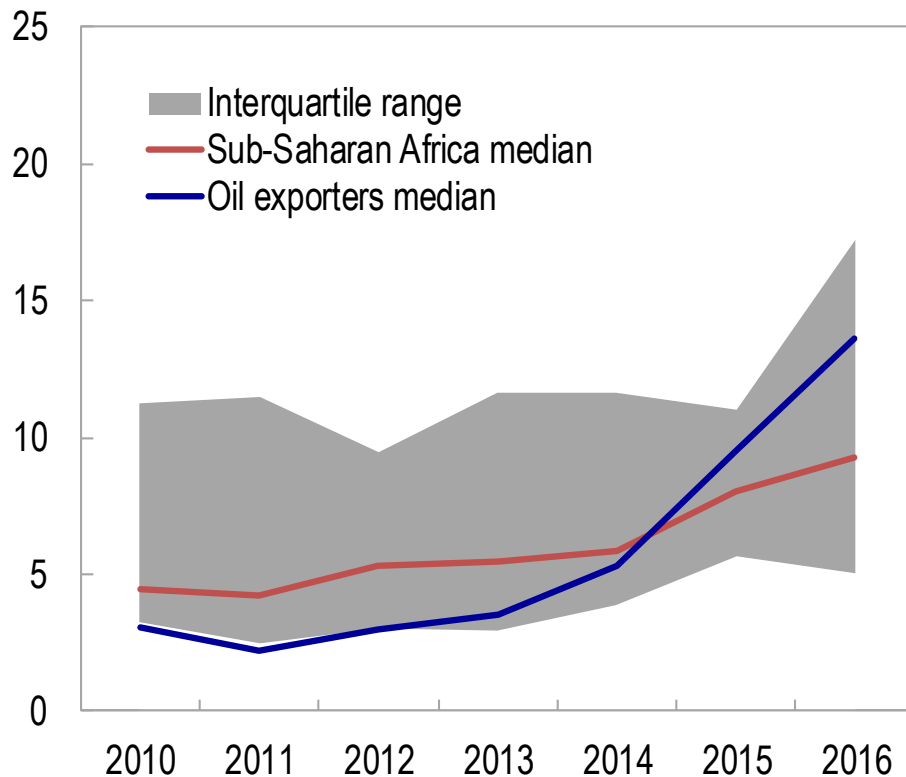
Public Sector Debt Accumulation, 2010–16



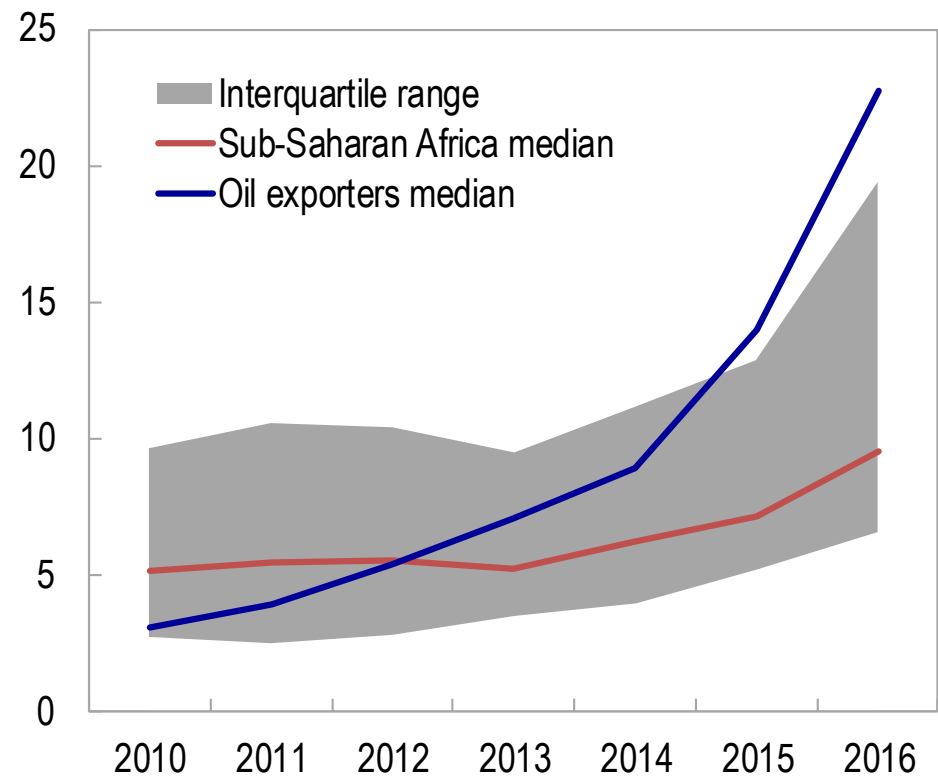
■ Primary deficit ■ Real growth and interest rate ■ Exchange rate depreciation ■ Other ● Change in debt

...especially in oil-exporting countries.

External Debt Service-to-Exports Ratio, 2010-16

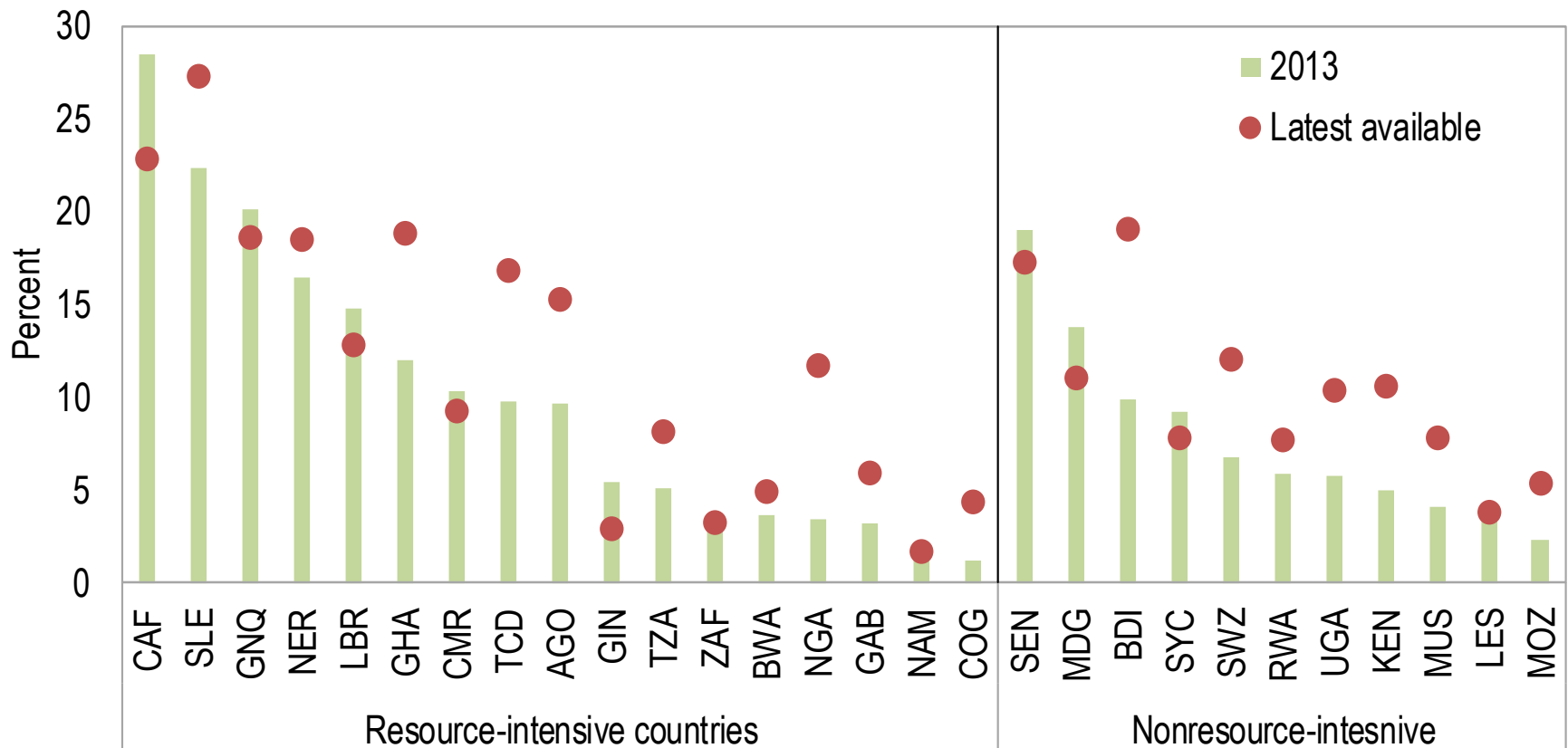


Total Debt Service-to-Revenue Ratio, 2010-16



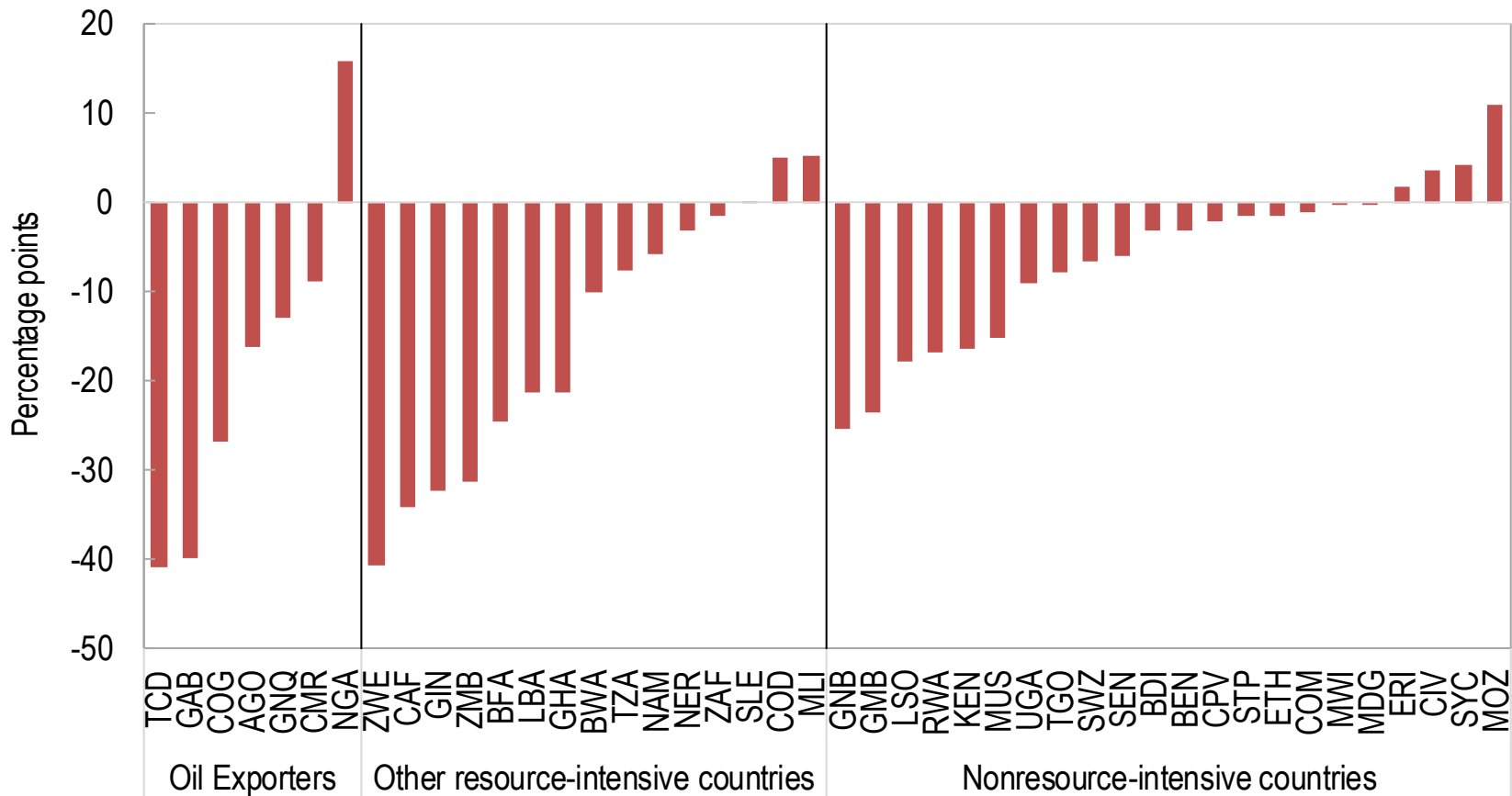
The financial sector is feeling the pinch, with asset quality declining,...

Nonperforming Loans to Total Loans

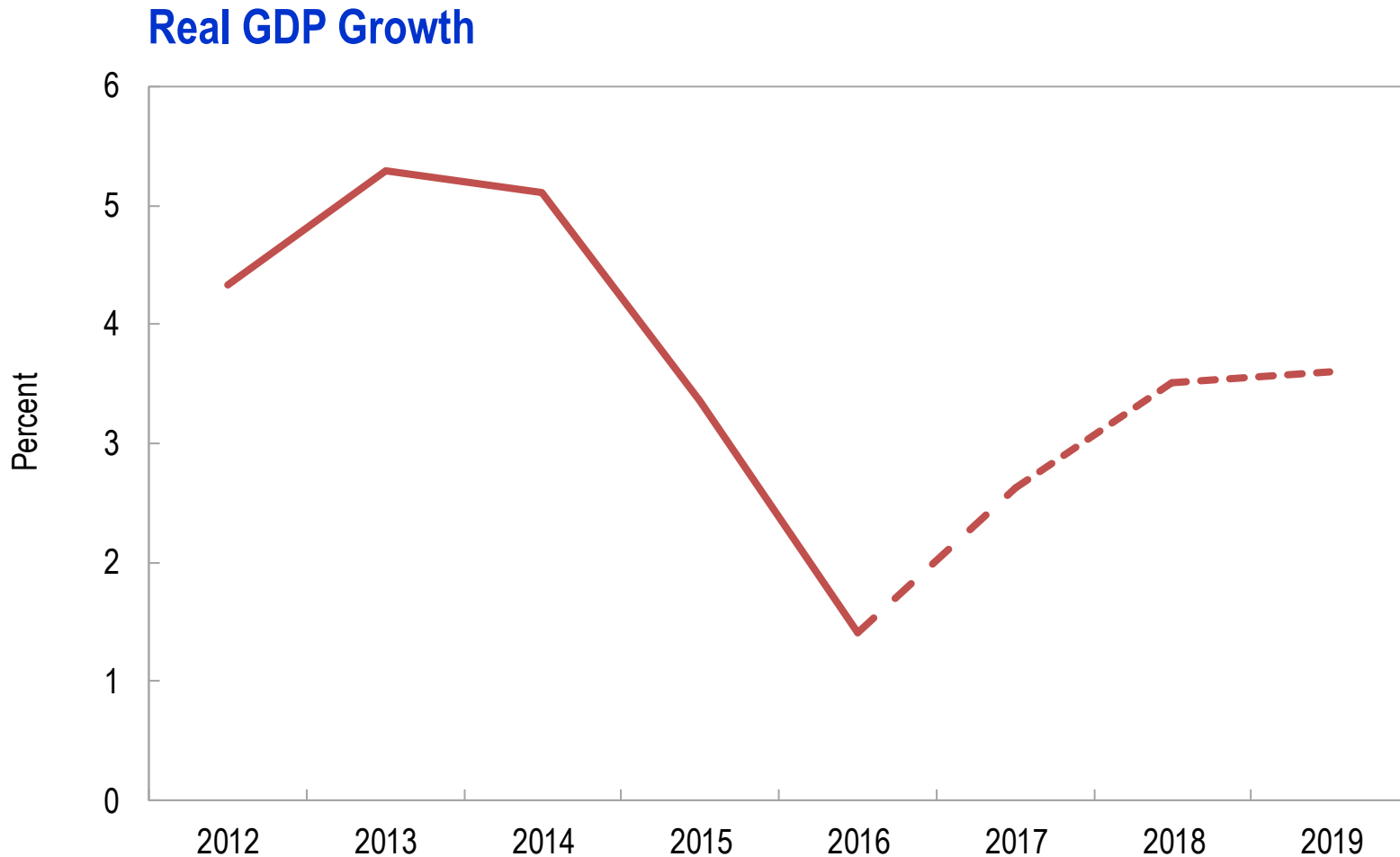


...and credit to private sector slowing sharply.

Change in Credit Growth to the Private Sector, Average 2011–13 vs. 2016

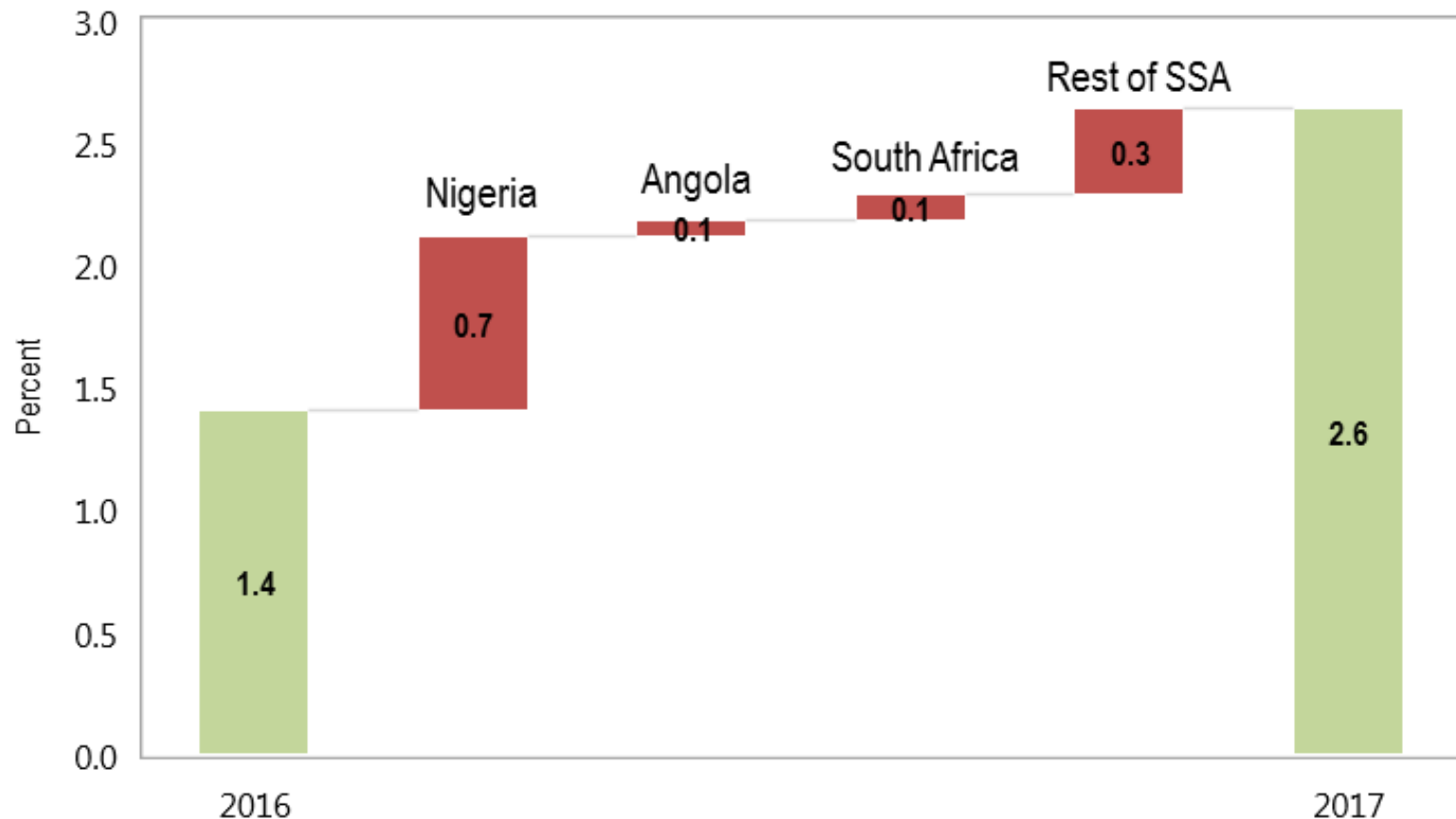


The outlook is still subdued with modest growth rebound, subject to downside risks,...



...and driven by the three largest economies.

Contributions to Regional Real GDP Growth, 2016–17



Outline – Sub-Saharan Africa REO



A Broad-based Slowdown



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Insufficient Adjustment



Recalibrating the Policy Response

Three priority areas to ensure a stronger and durable recovery:

1. Reinforce emphasis on macroeconomic stability
2. Structural reforms to support healthier macro balances
3. Stronger emphasis on social protection

1. More emphasis on adjustment needed in many cases

Hardest-hit resource-intensive countries:

- Strong fiscal consolidation required, with strong focus on revenue mobilization
- Where available, greater exchange rate flexibility/elimination of exchange restrictions important

Other countries:

- Where growth is still strong, emerging vulnerabilities need to be addressed from position of strength
- Infrastructure investment needs to be addressed through higher revenue mobilization to safeguard debt sustainability

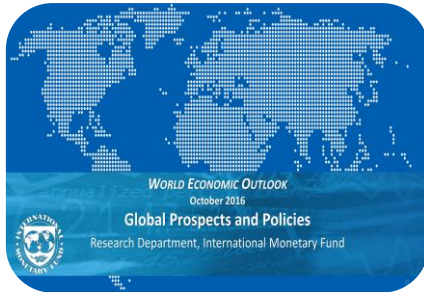
2. Reforms needed to support macro objectives

- Domestic revenue mobilization
- Greater emphasis on safeguarding financial stability
- Fostering economic diversification and improve business climate
- State-owned enterprise reforms to limit contingent liabilities

3. Stronger emphasis on social protection

- Low growth and widening macroeconomic imbalances risk aggravating social dislocation and increasing poverty
- Social protection programs often fragmented, not well-targeted, and cover a small share of the population
- Need to better target these and also use savings from regressive expenditures such as fuel subsidies to help vulnerable groups

Outline



**The
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**Sub-
Saharan
Africa**

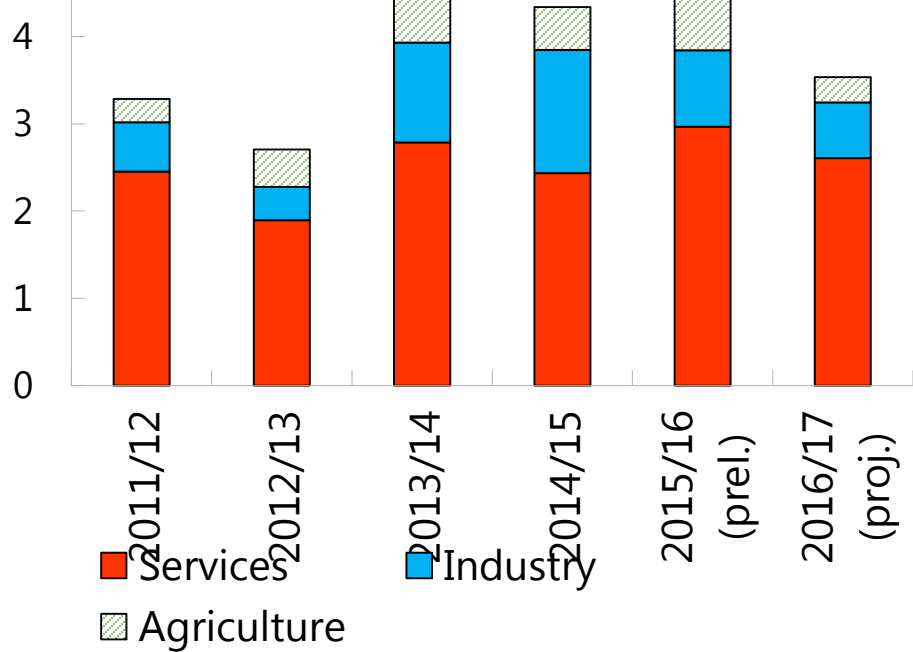


Uganda

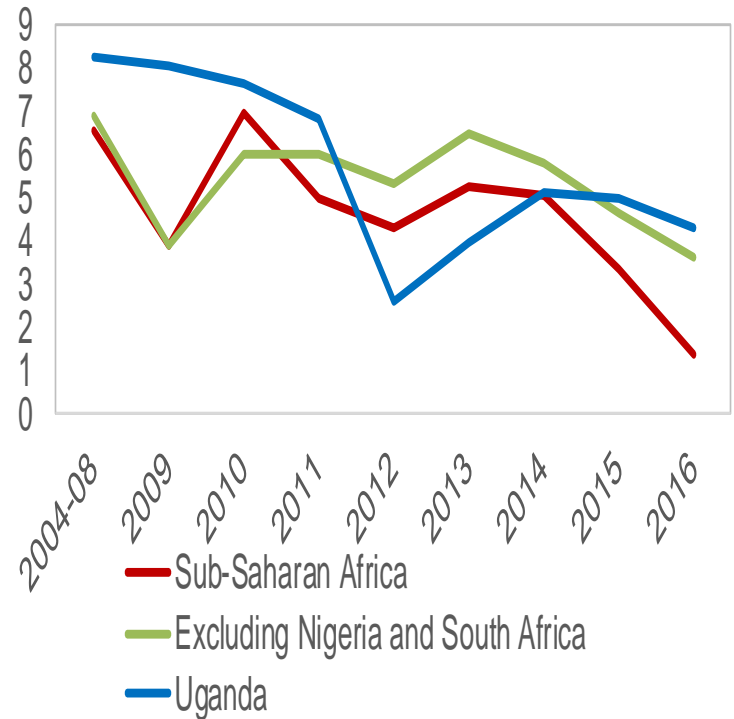
Growth has decelerated

Contribution to GDP Growth by Sector

(percent, y-o-y)

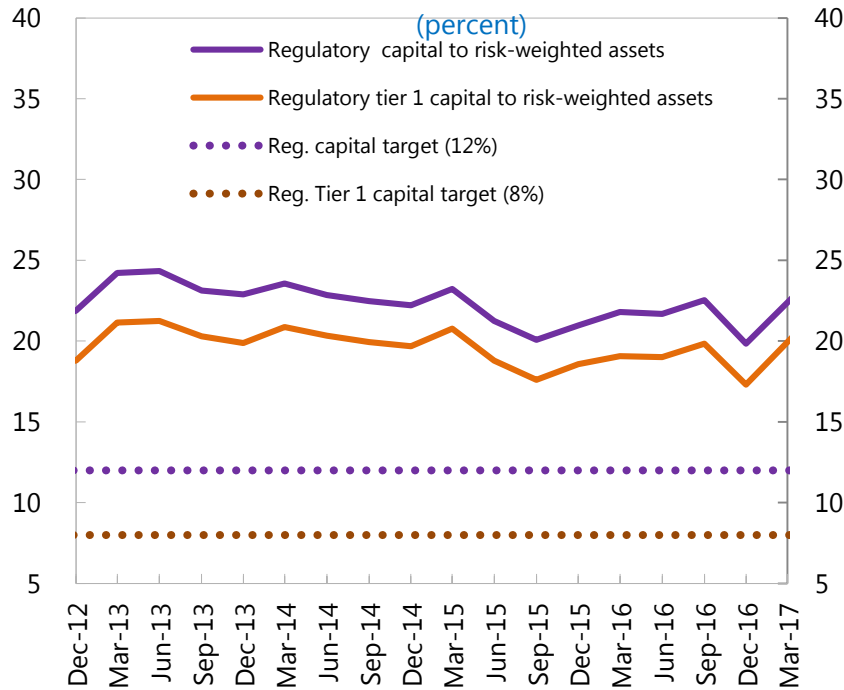


Growth in Sub-Saharan Africa

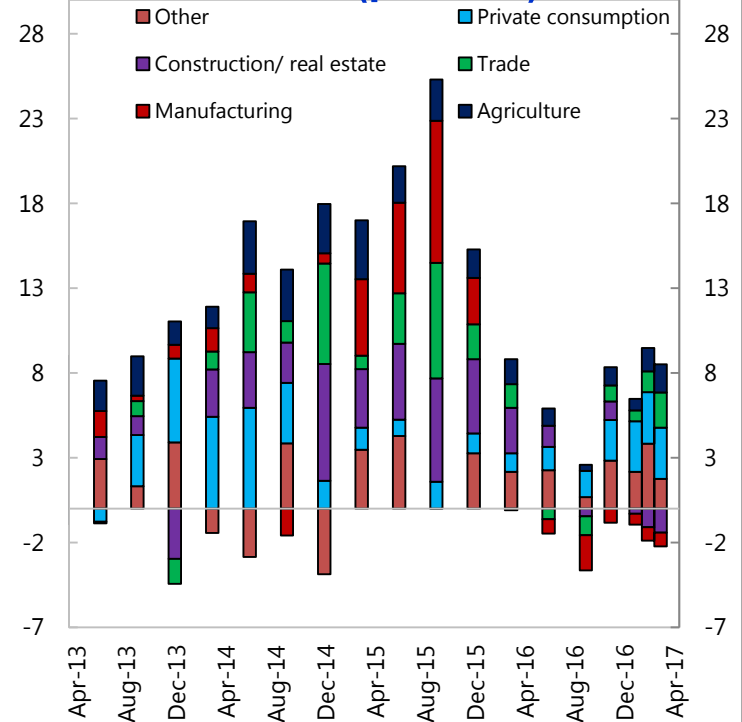


Private Sector Credit remains muted

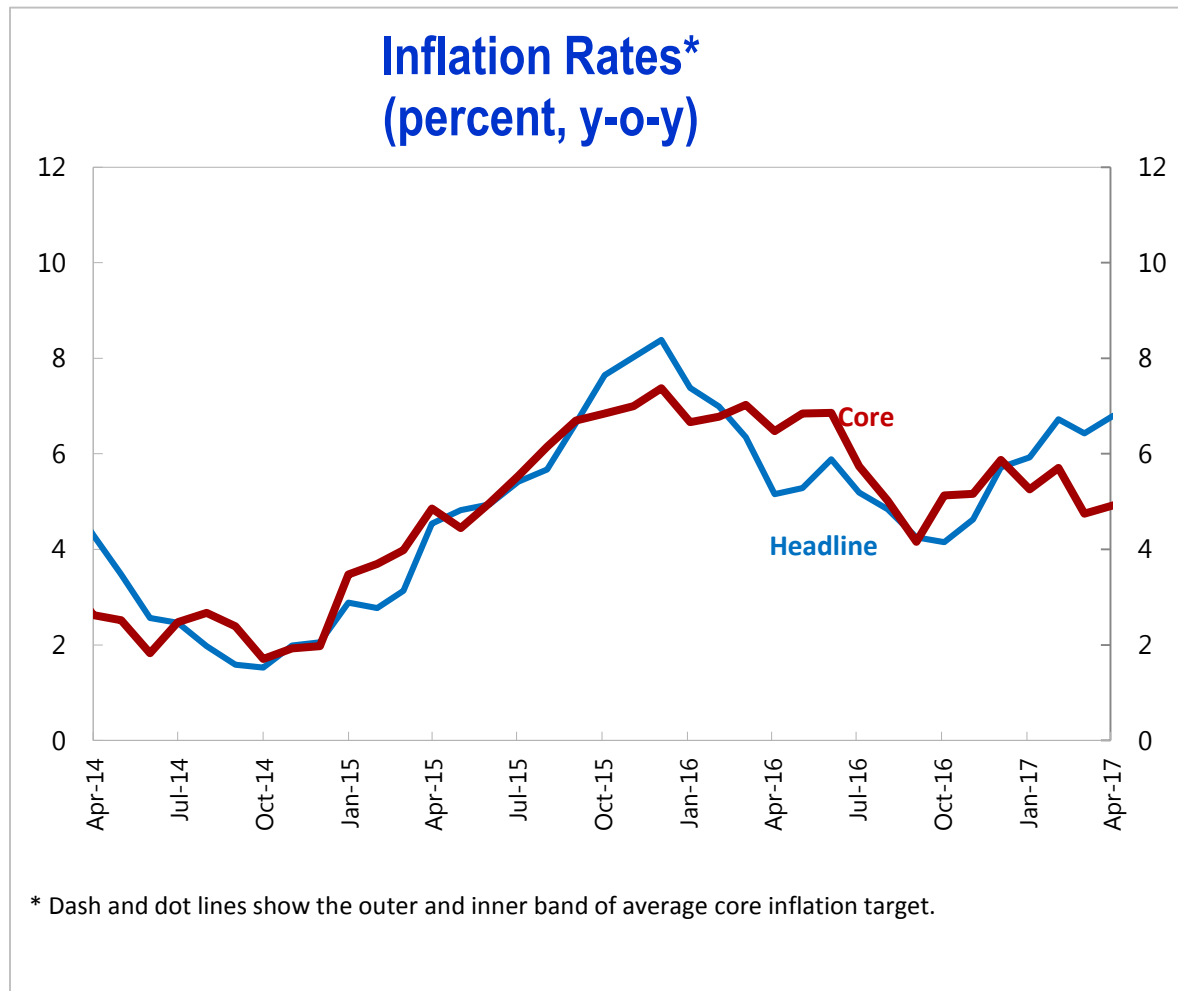
Selected Financial Sector Indicators



Contribution to Private Credit Growth (percent)

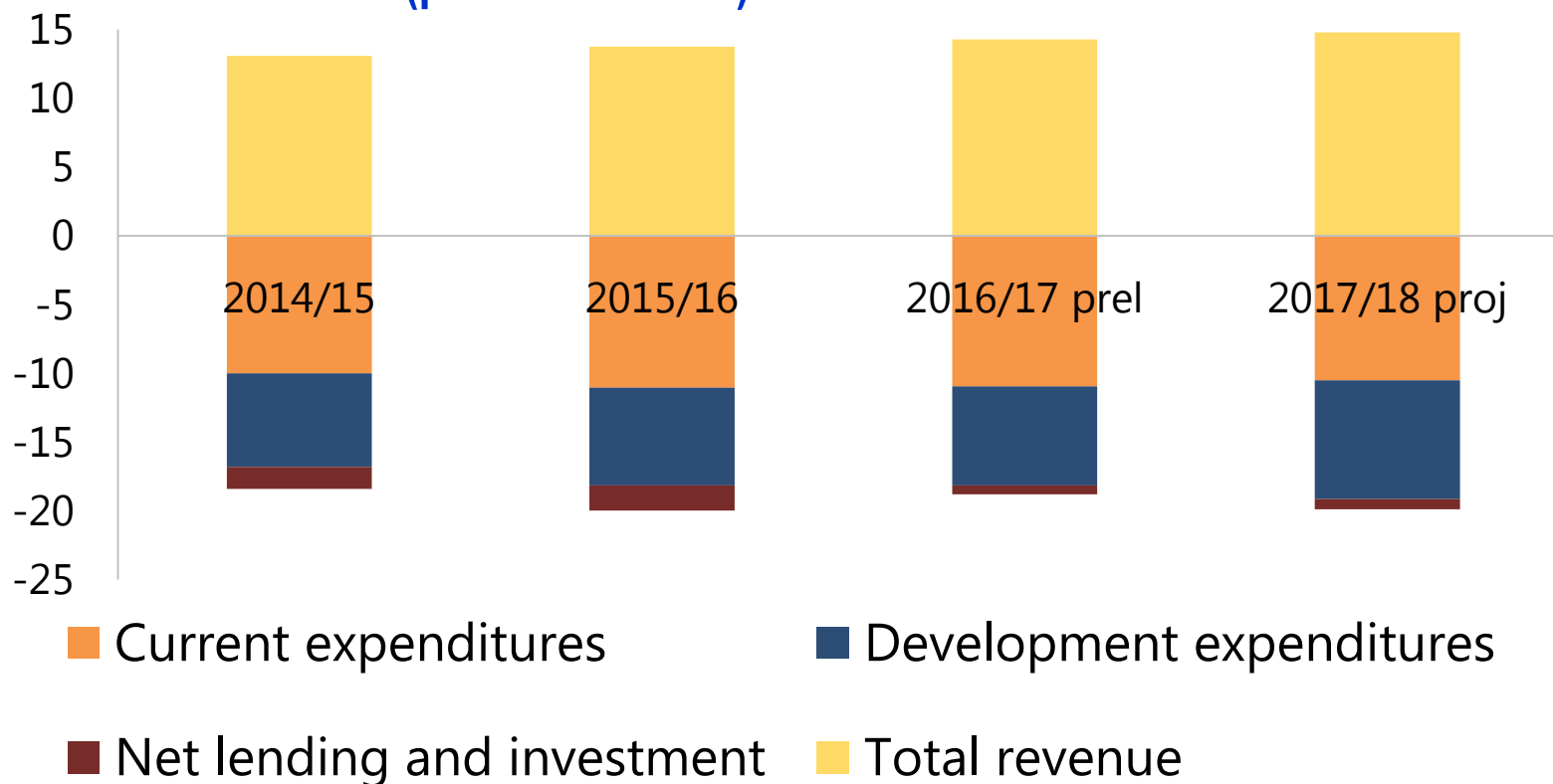


Headline inflation: effects of the drought

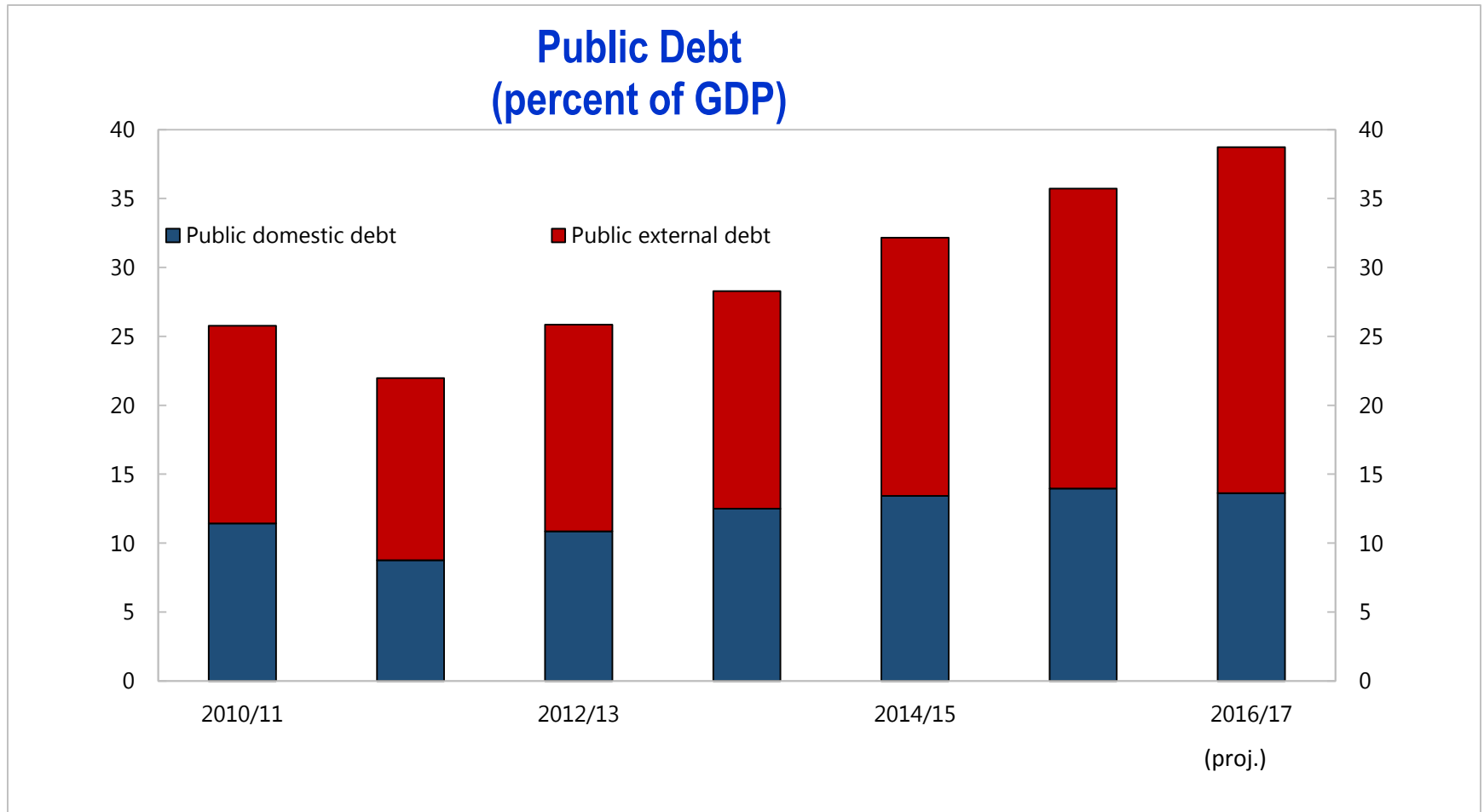


Fiscal Plans

Total Revenue and Expenditure (percent of GDP)



Public Debt

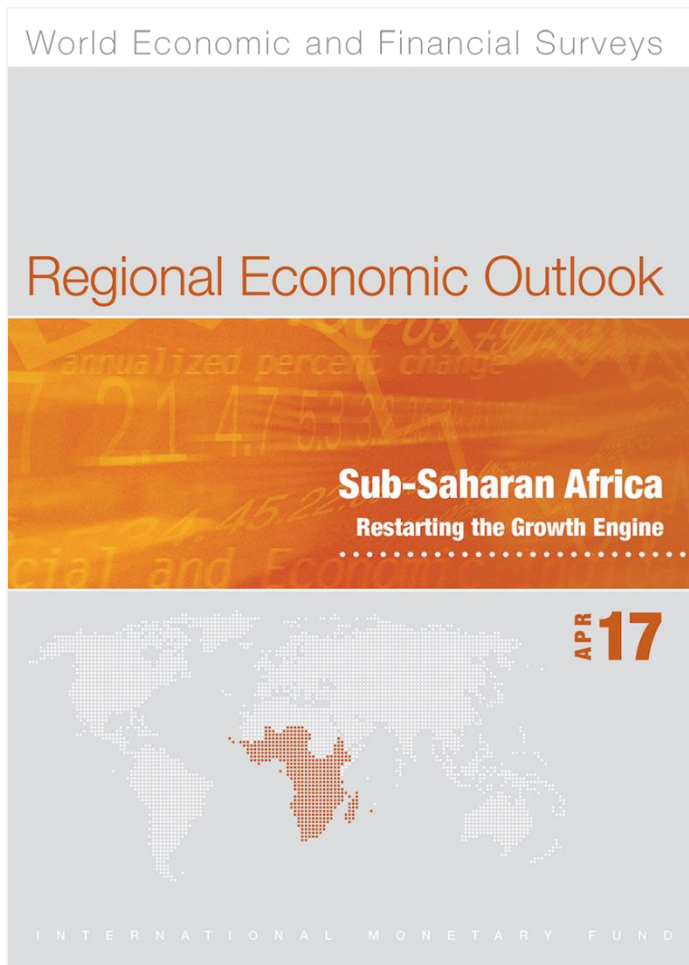


Medium term prospects

- Growth in the medium term expected to recover
- However, downside risks, domestic and external:
 - Weak implementation of public investment
 - Regional developments
 - Slowing of global trade
 - Uncertainty linked to oil
 - Agriculture exposed to climate and pests
 - Tightening global financial conditions
 - Potential cuts in aid flows

Moving forward...

- Strengthen Public Investment Management
- Importance of continuing Domestic Revenue Mobilization
- Continue improving the business climate
- Health and education, social safety nets.



Thank you!

The online edition of the
*Regional Economic Outlook
for sub-Saharan Africa*
is now available online at
www.imf.org