Africa – Opportunities and Challenges

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International Monetary Fund

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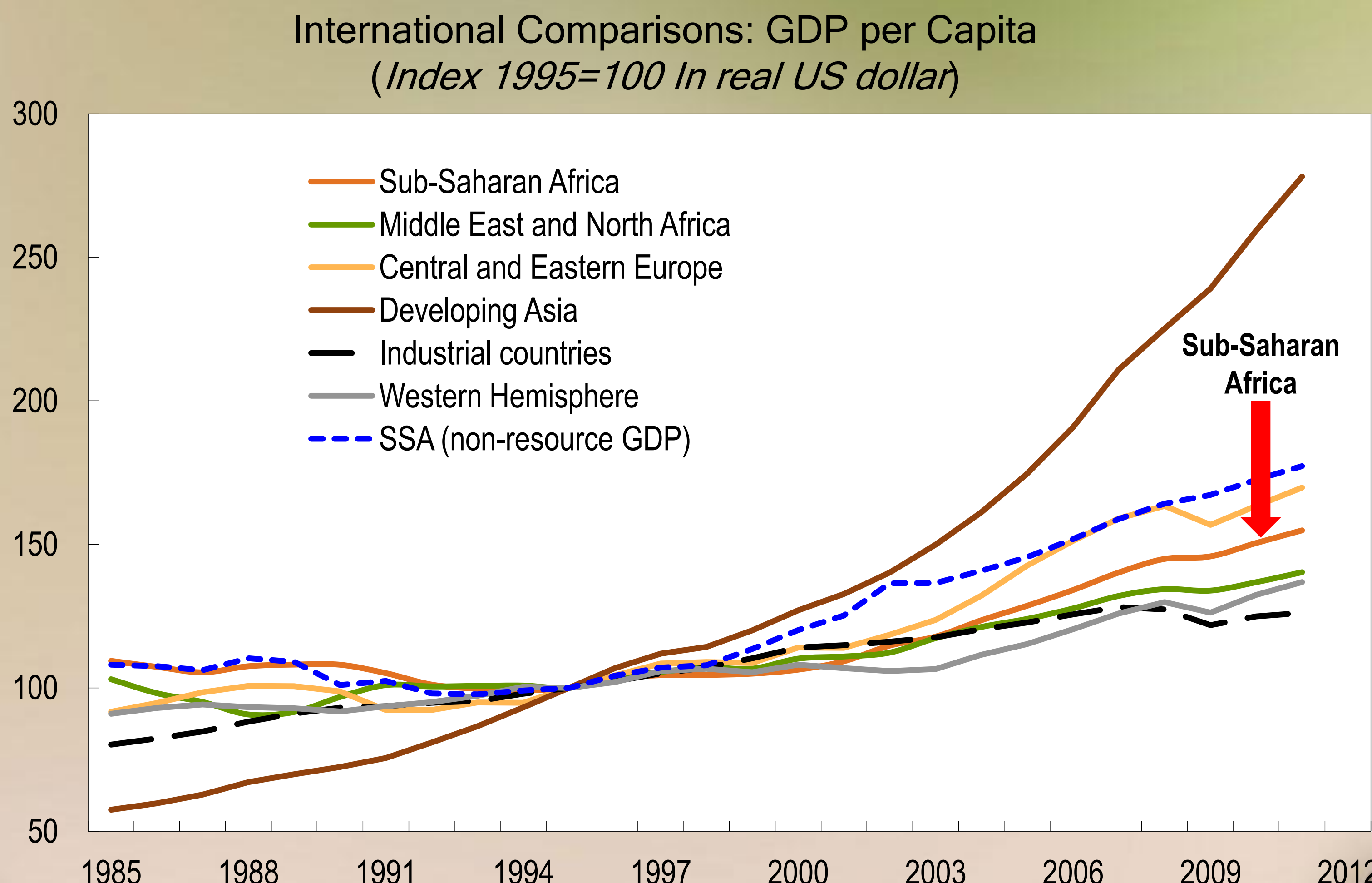
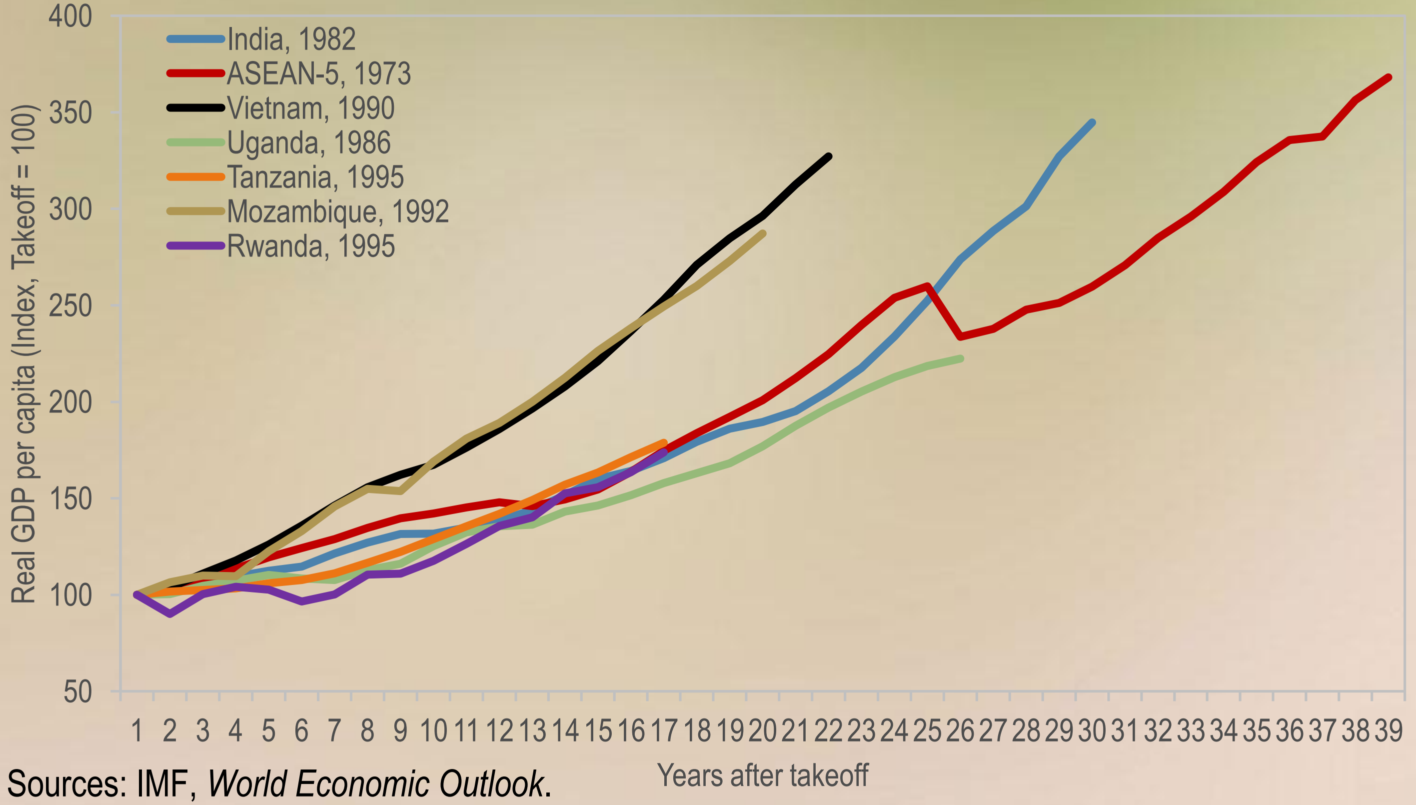
Outline

- The Growth Take-Off in Sub-Saharan Africa
- The Economic Outlook for SSA in 2013-14
- Short-term Risks and Medium-term Challenges

Per Capita GDP: Keeping Up With Other Regions



Economic growth in several countries in Africa has taken off over the past two decades

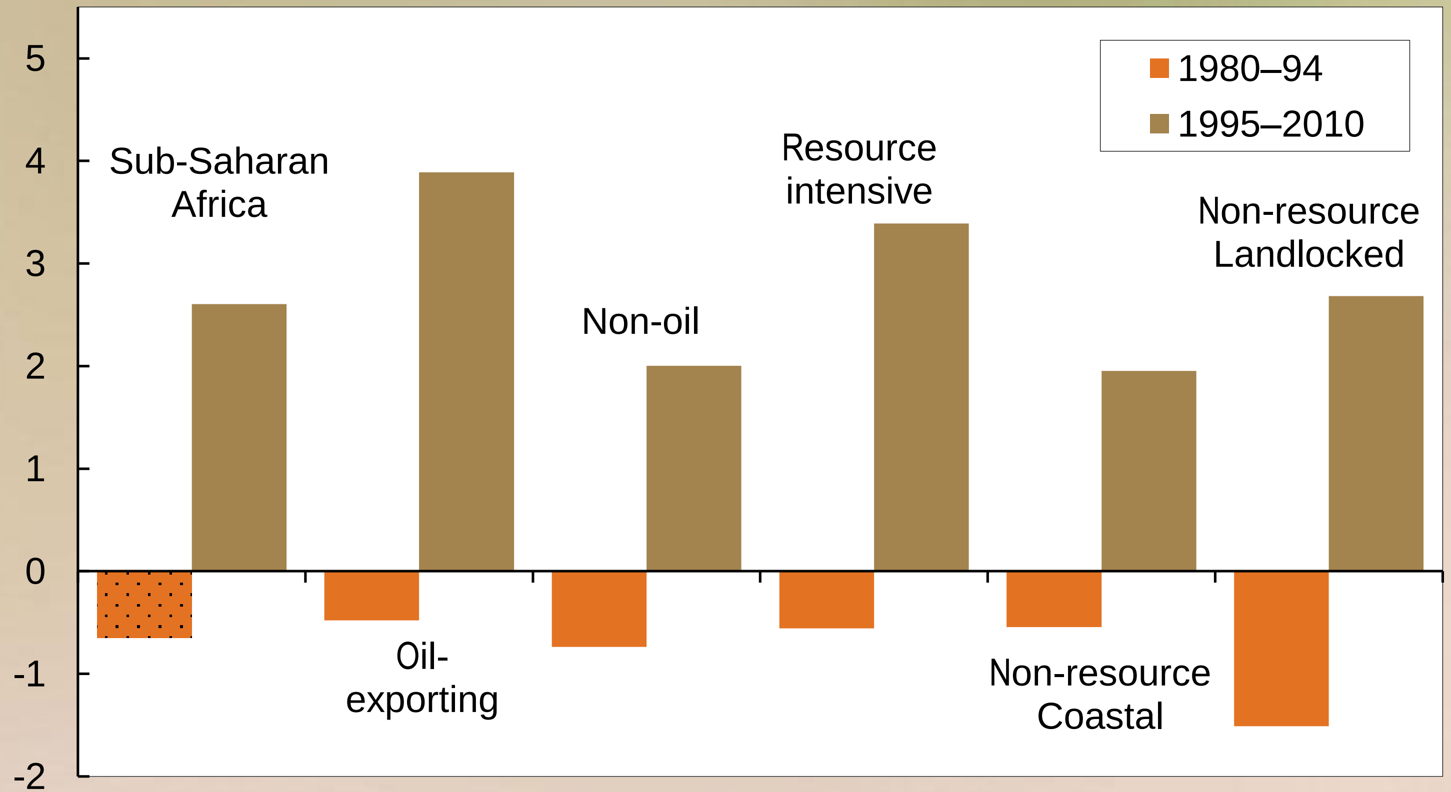


Sources: IMF, *World Economic Outlook*.

Excludes China for presentation purposes, as China's growth is much higher than that for the other countries. ASEAN 5 = Indonesia, Malaysia, the Philippines, Singapore and Thailand.

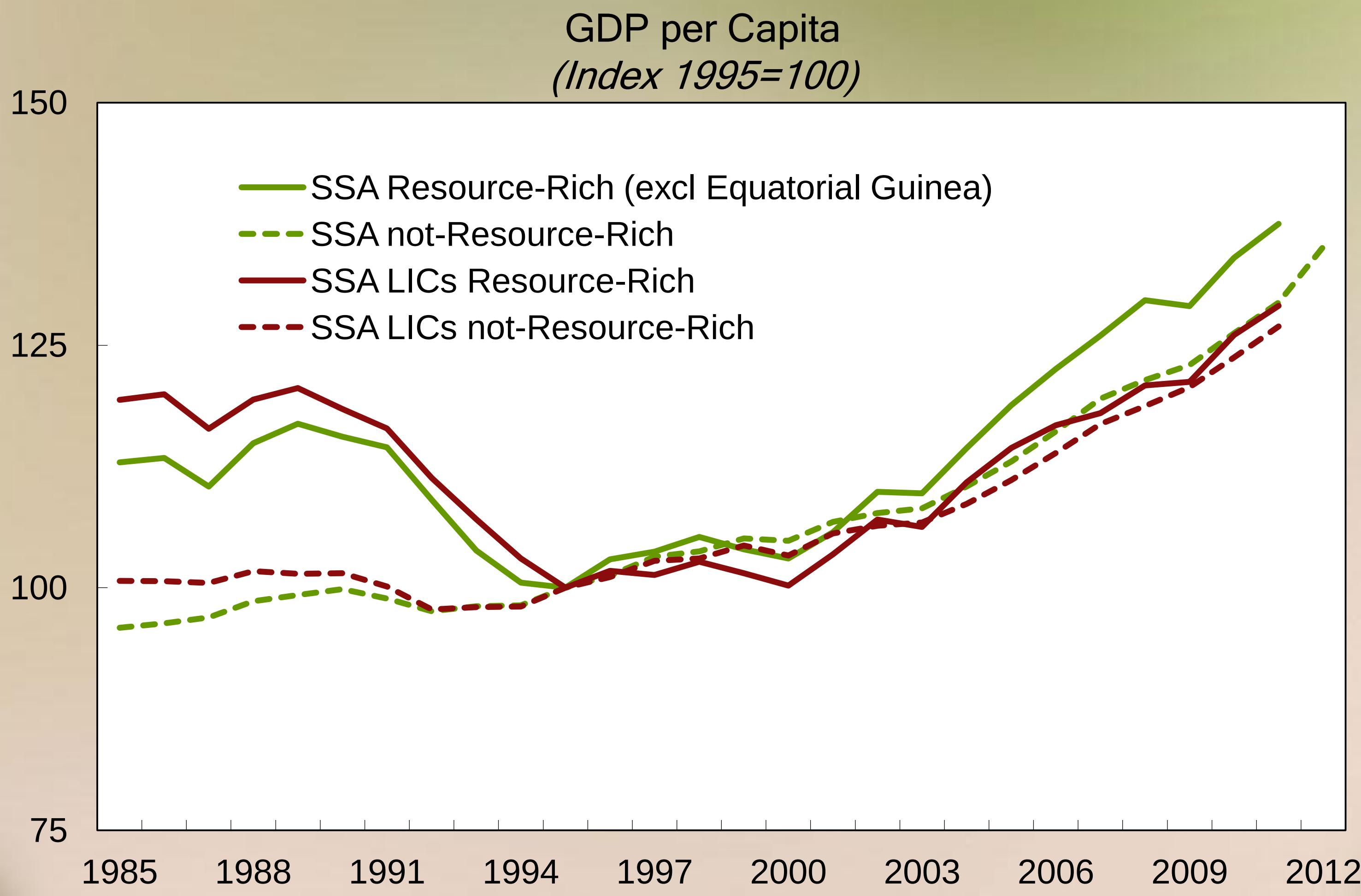
What Is Not Driving Growth (1): Endowment and Geography

Sub-Saharan Africa: Real GDP per Capita Growth
(Annual Percent)

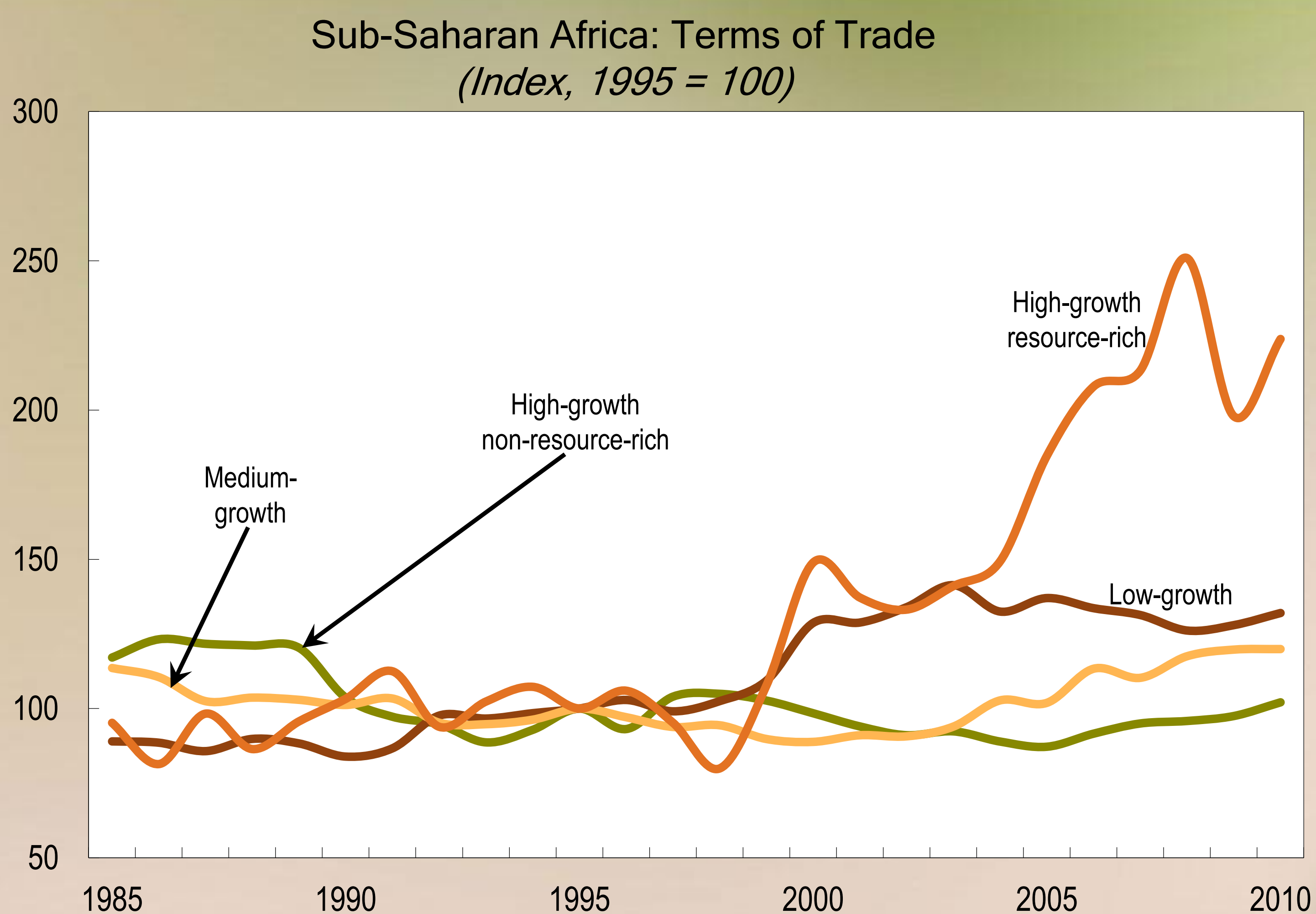


What Is Not Driving Growth (2): Natural Resources

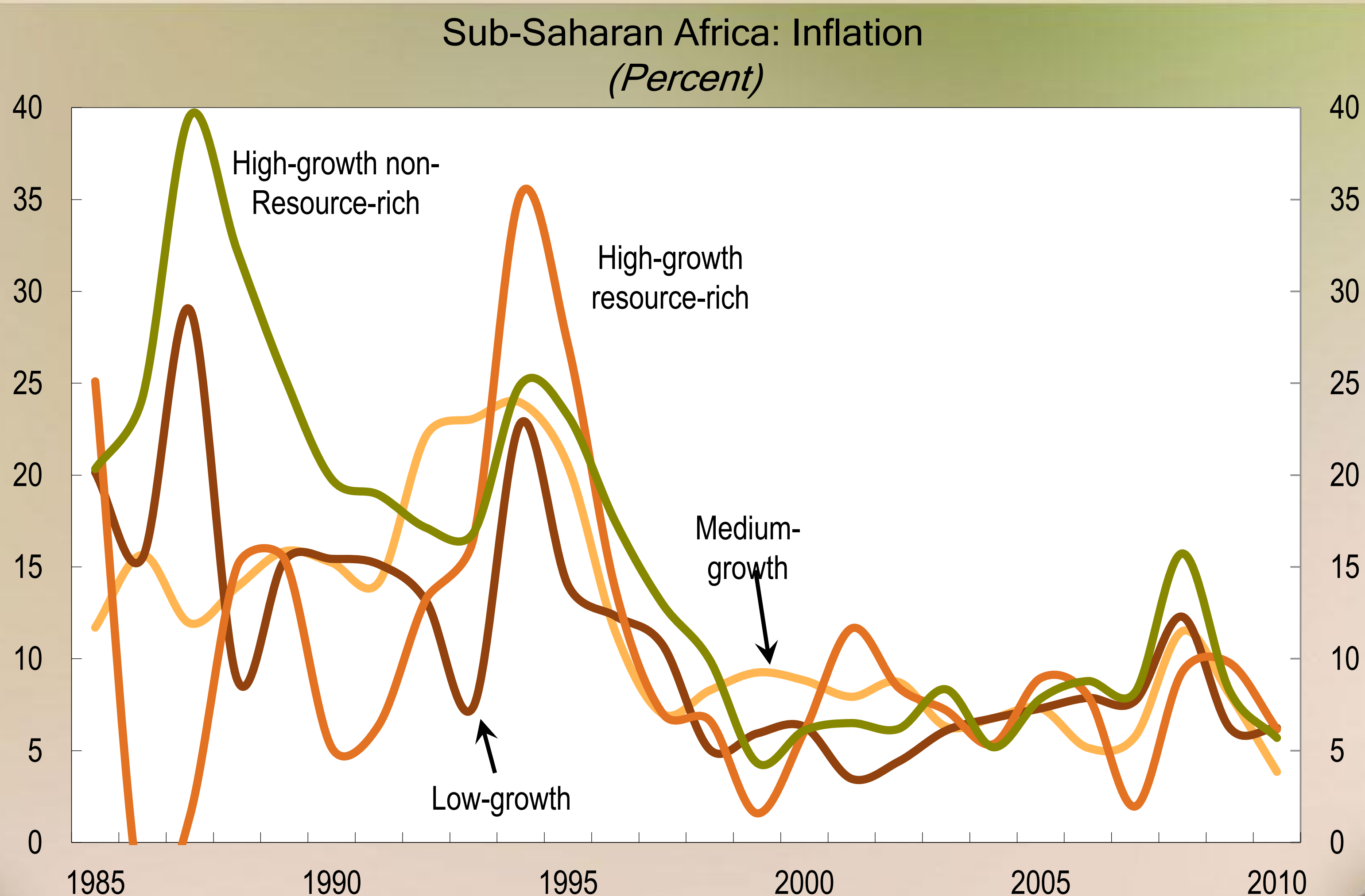
(excluding Equatorial Guinea from resource-rich)



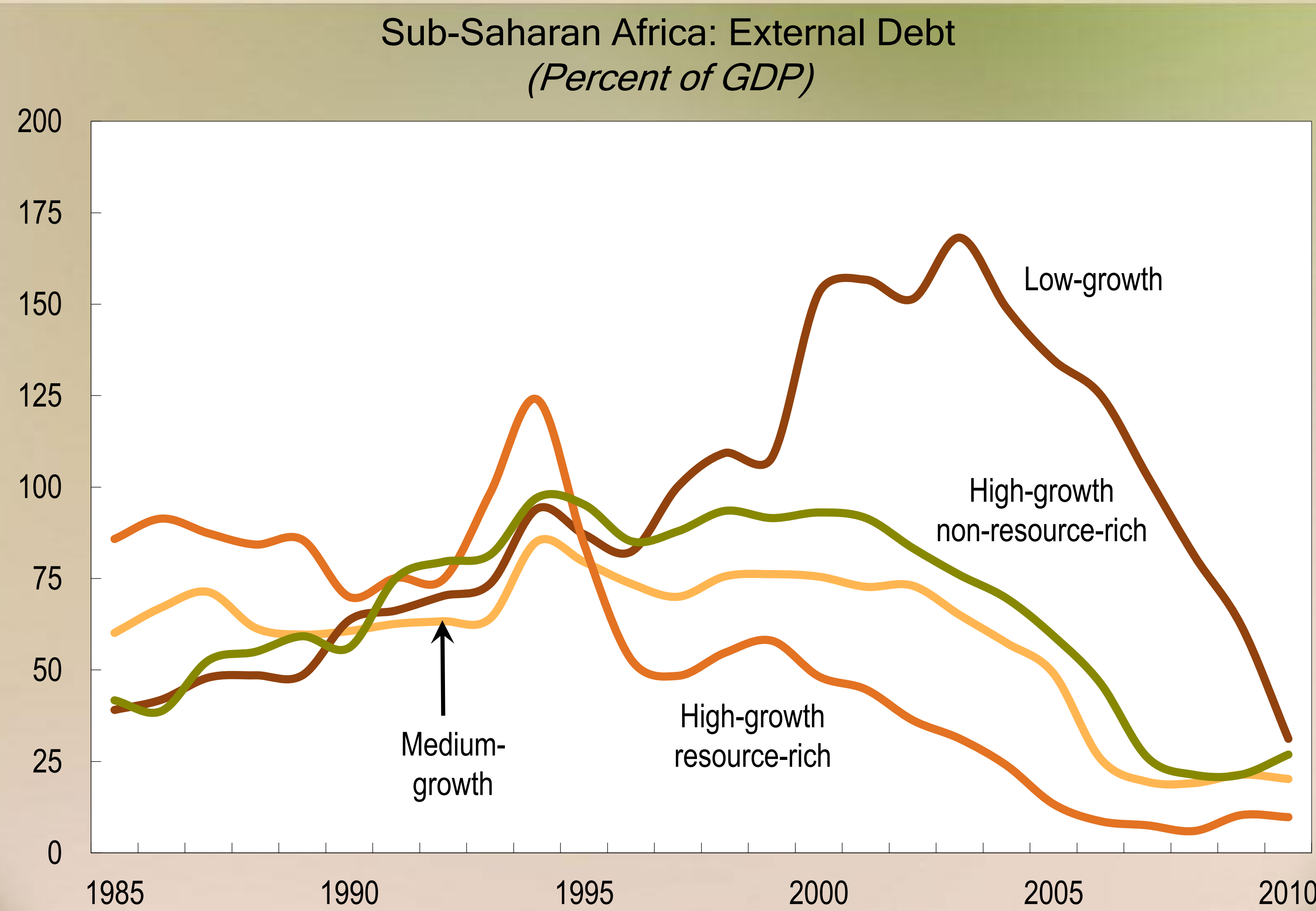
What Is Not Driving Growth (3): Terms of Trade



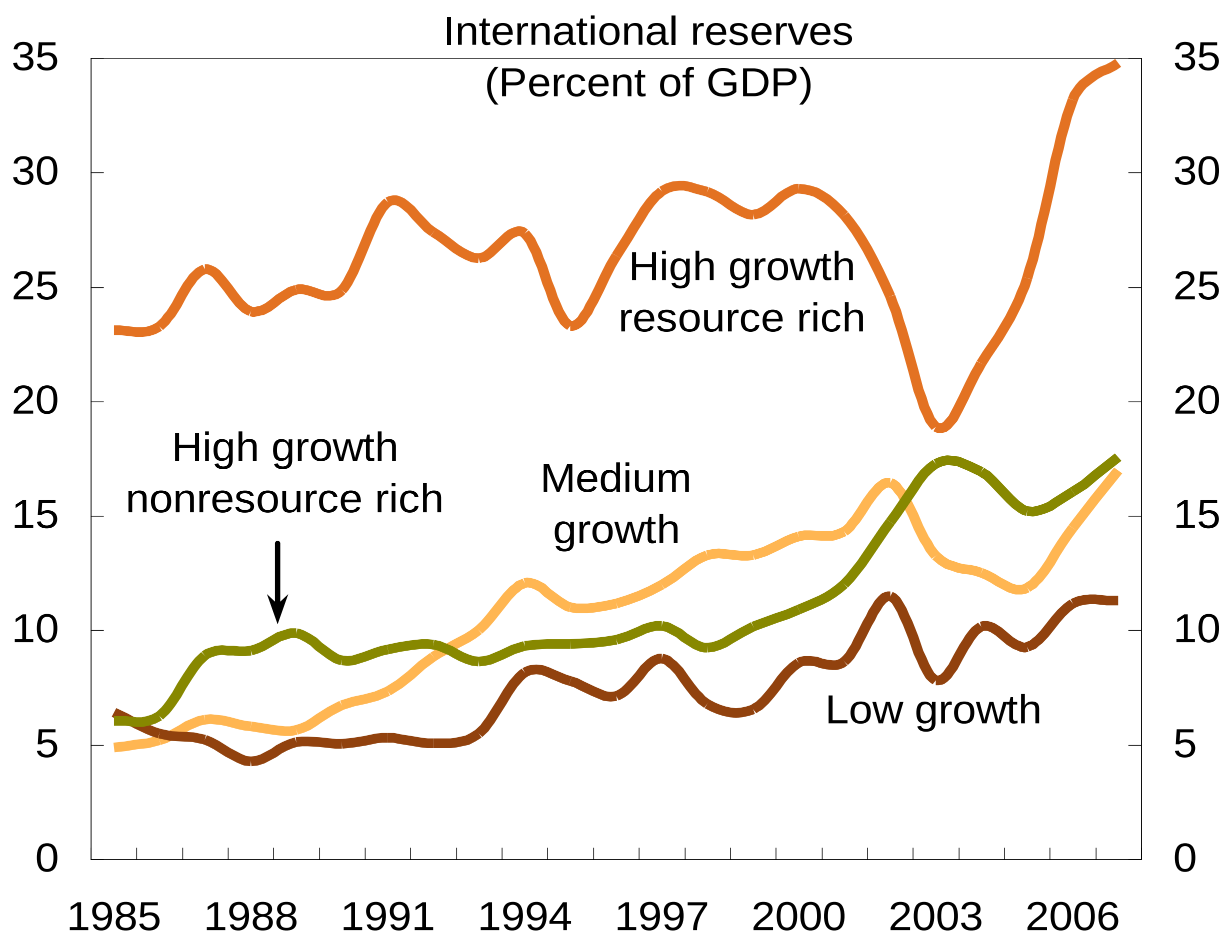
What Has Helped (1): Disinflation



What Has Helped (2): External Debt

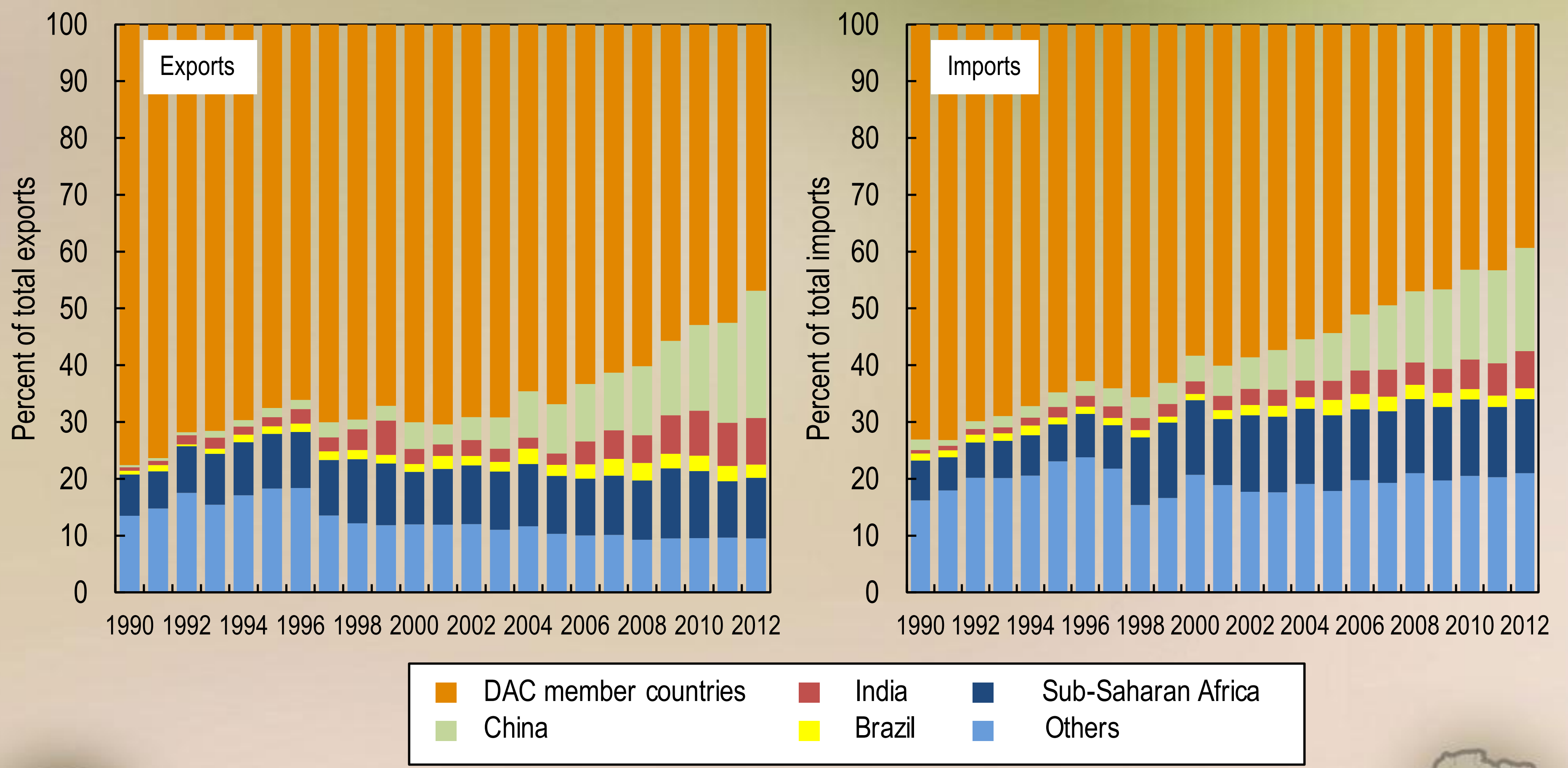


What Has Helped (3): Reserves



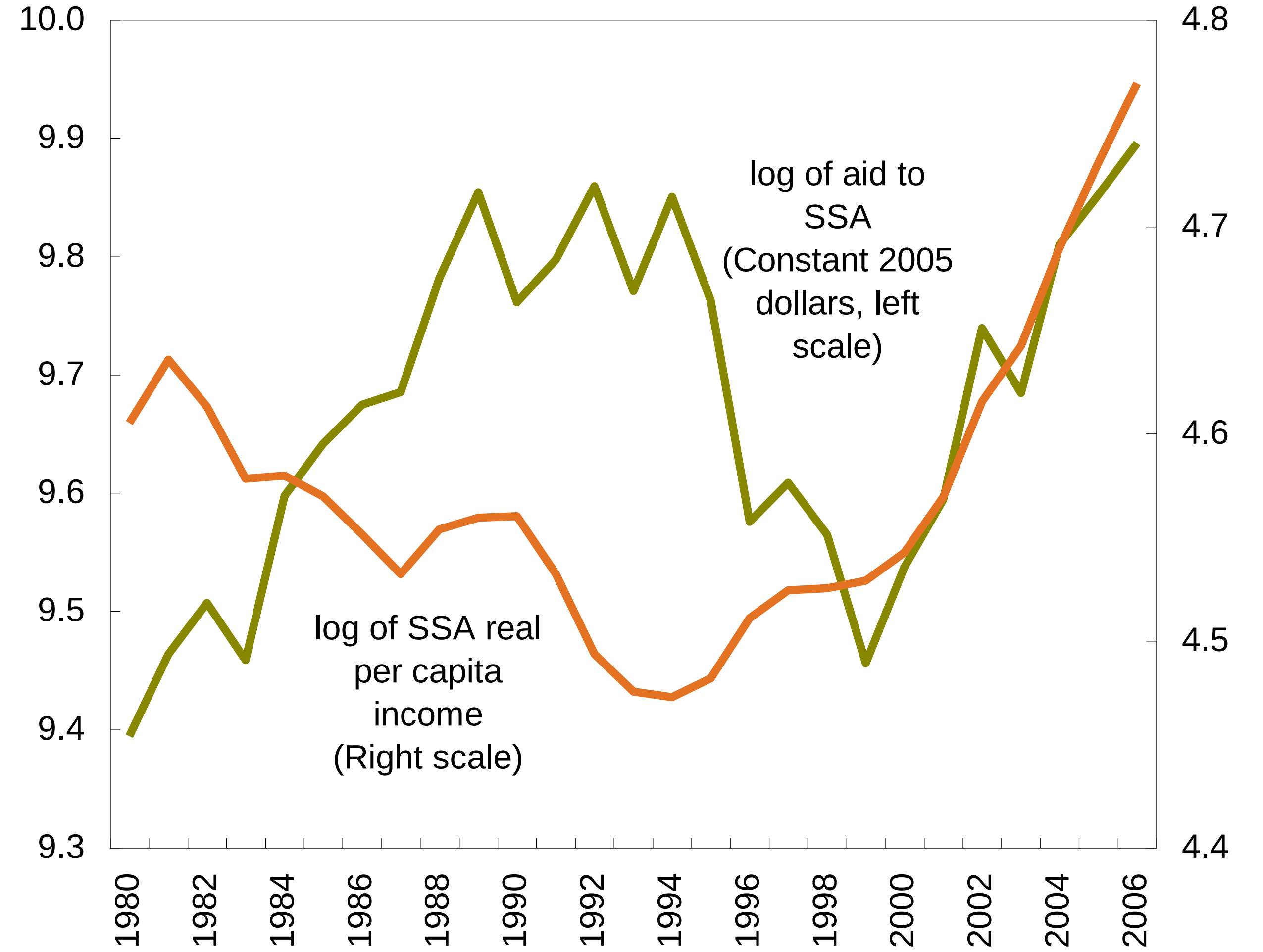
Source: IMF, African Department database.

What May Have Helped (1): Changing trade Patterns



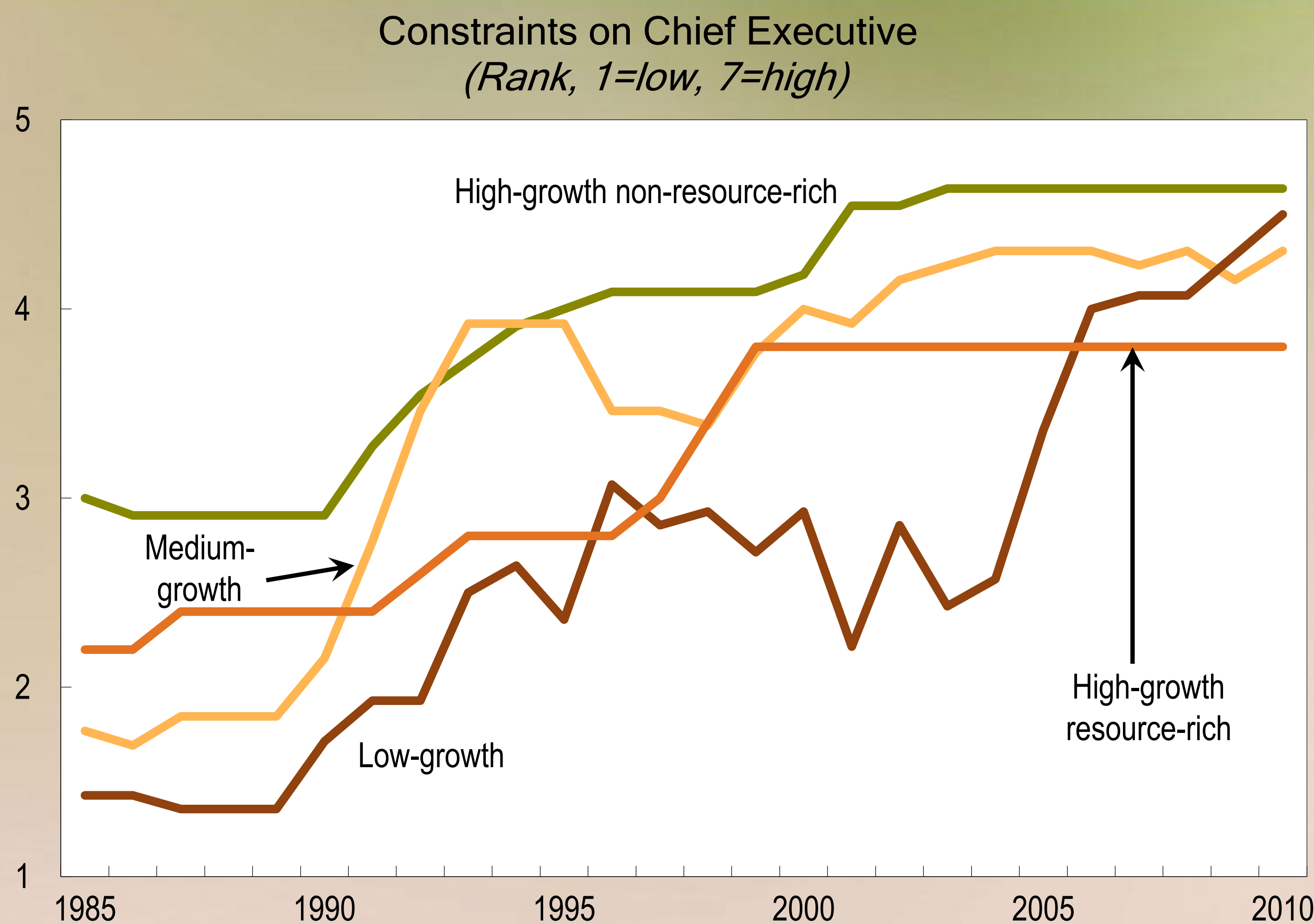
Source: IMF, Direction of Trade Statistics.

What May Have Helped (2): Rising Aid Inflows



Sources: Roodman (2006), and IMF, staff calculations.

What May Have Helped (3): Political/Structural Reform



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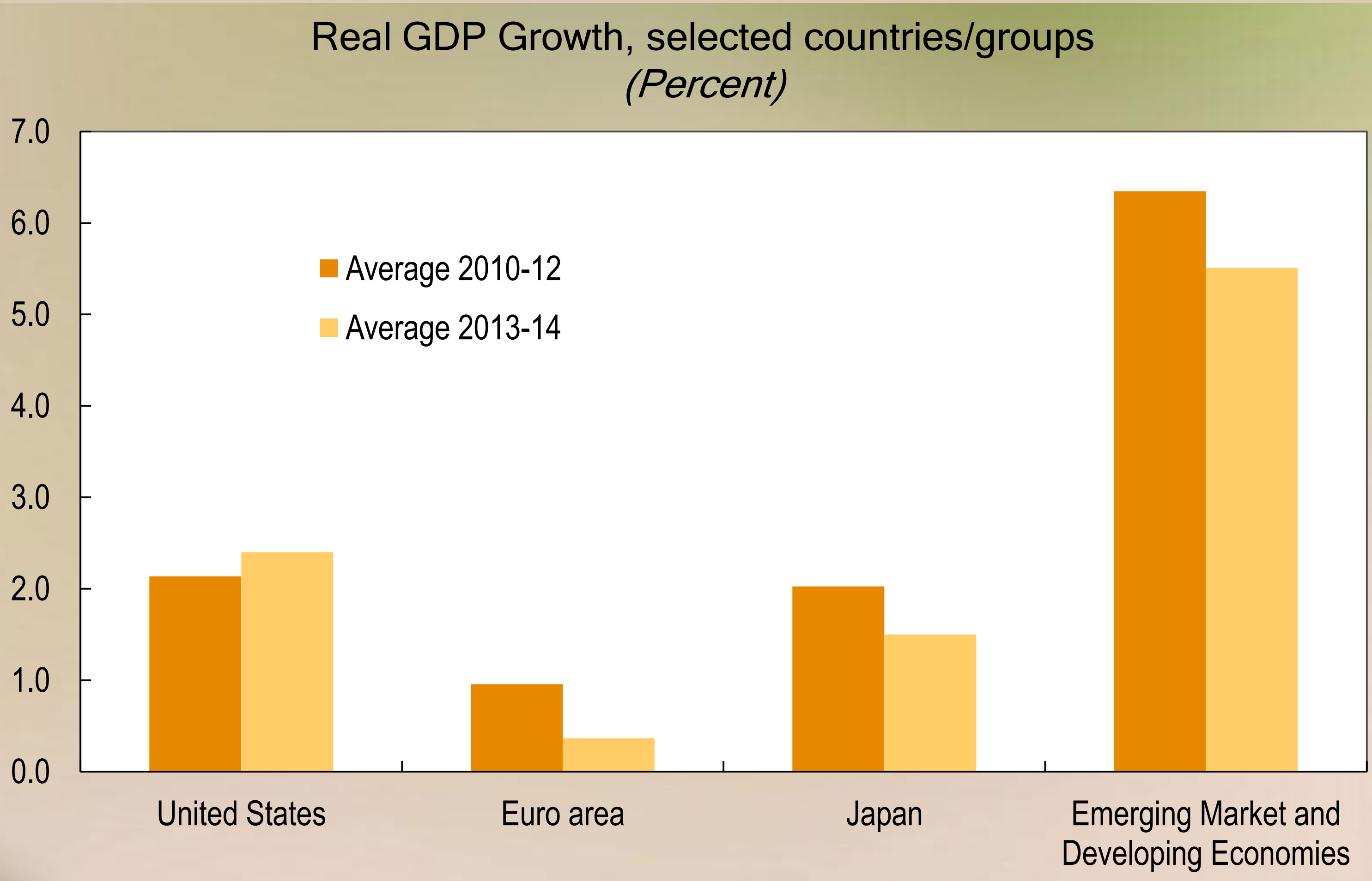
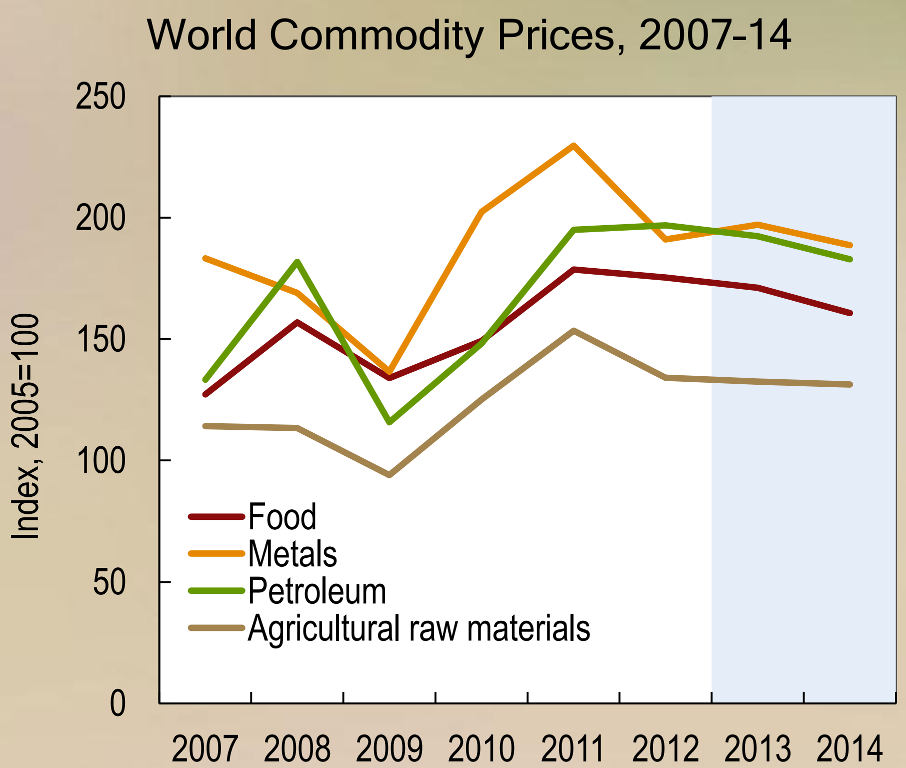
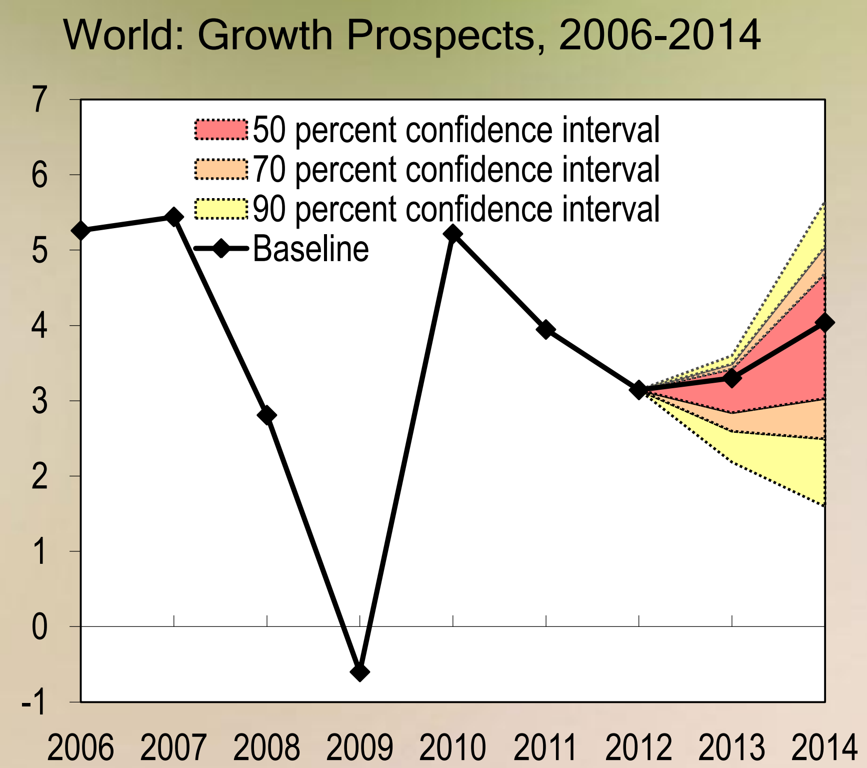
- Short-term Risks and Medium-term Challenges

Global Context 1: Multi-Speed Growth



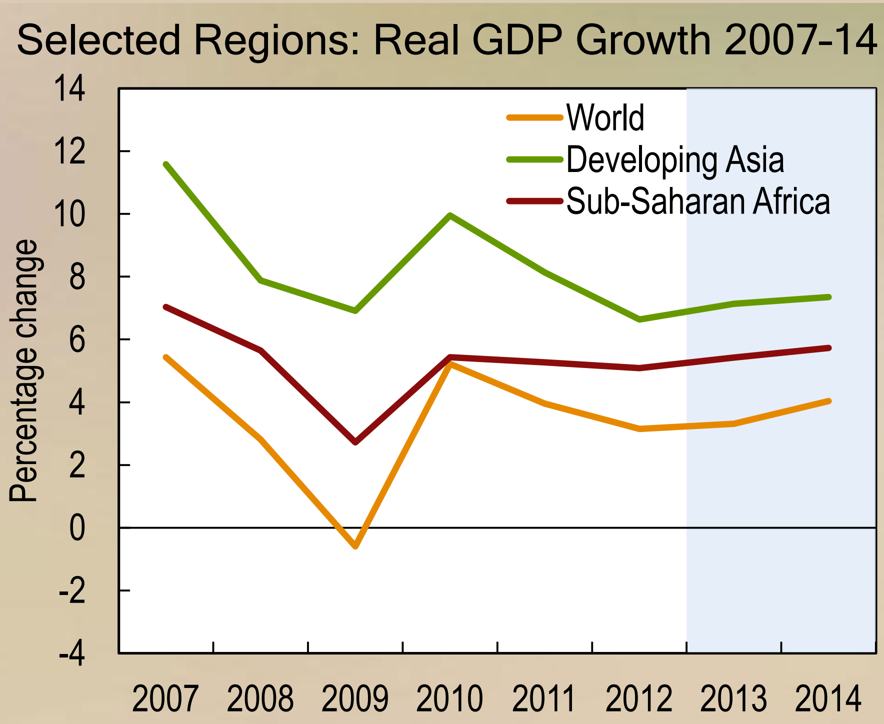
Global Context 2: Improving but bumpy

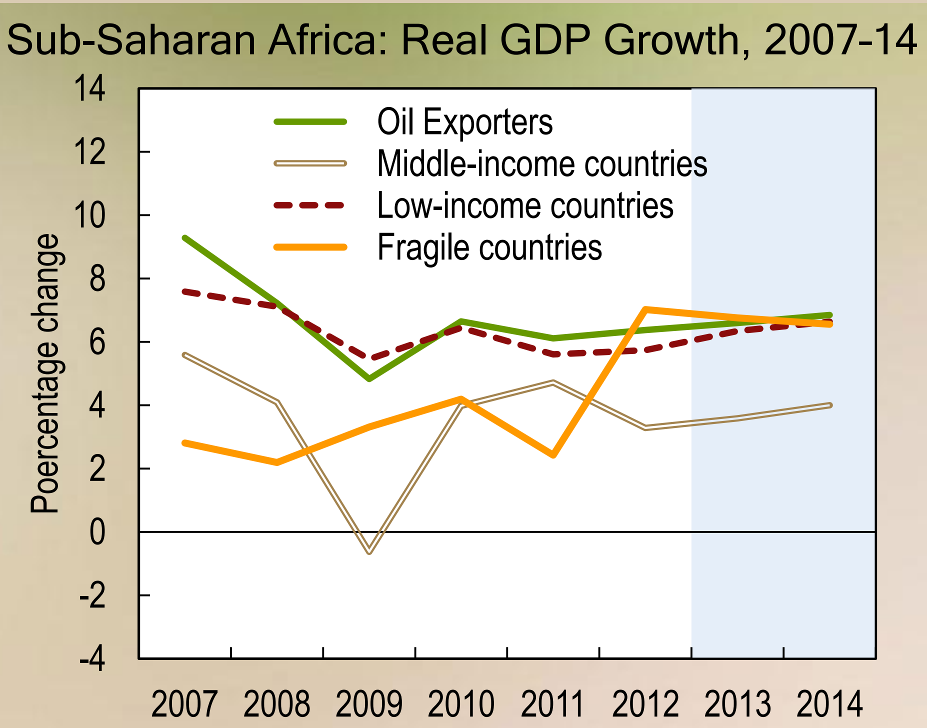




- Commodity prices projected to ease somewhat
- Short-term risks, especially "tail risks," are receding; medium-term risks persist
- Monetary stimulus in advanced economies—liquidity for frontier countries?

Growth in Sub-Saharan Africa to remain strong

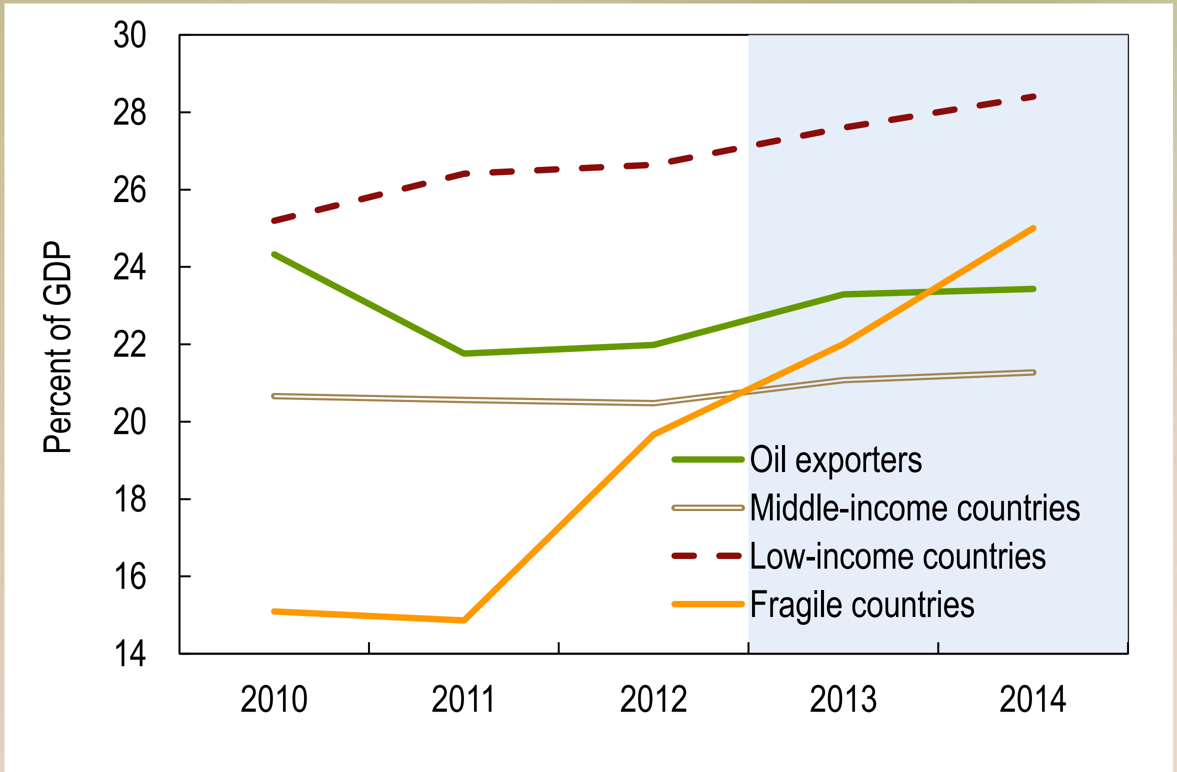




- Domestic demand, especially investment, and exports (including owing to new capacity to produce minerals) expected to lead growth
- MICs negatively affected by slow Europe and labor unrest in South Africa
- Fragile countries set to outperform average SSA

Rising investment remains driver of growth

Sub-Saharan Africa: Investment, 2010-14



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Short-term Risks 1: The global economy

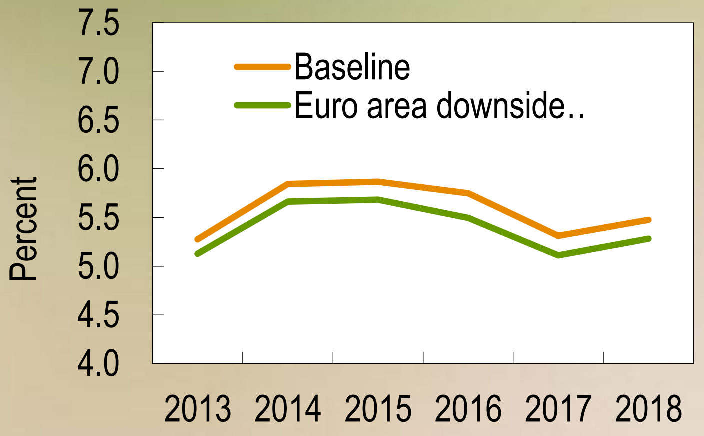
Euro area downside scenario :

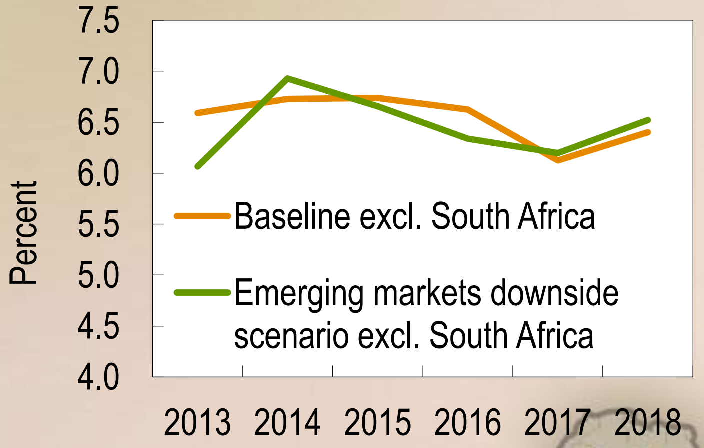
- Lower investment in the euro-area periphery
- Global output and commodity prices persistently lower than the baseline
- SSA's growth persistently reduced by up to ¼ percentage point

Emerging markets downside scenario :

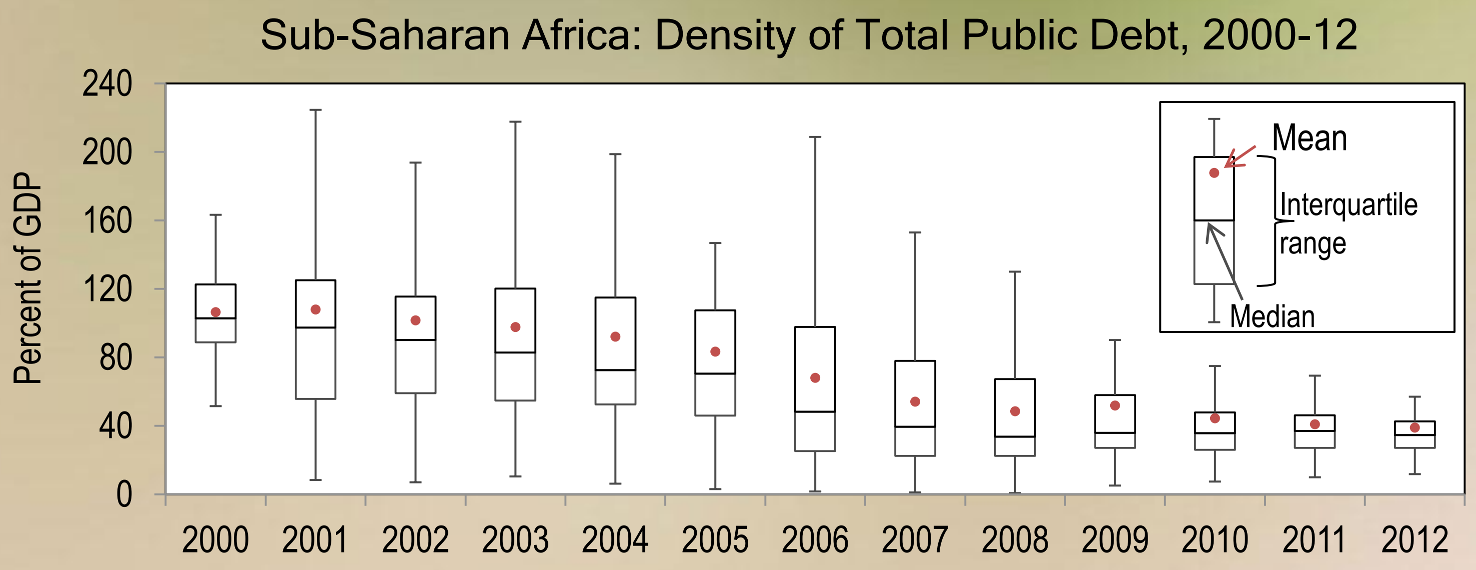
- 10 percent fall in investment in BRICs plus South Africa in 2013
- Global output and commodity prices significantly lower than the baseline in 2013, recovering subsequently
- Growth in SSA (excluding South Africa) reduced by ½ percentage point in 2013

Sub-Saharan Africa: Real GDP growth in alternative scenarios, 2013-18





Short-term Risks 2: Debt levels fell …

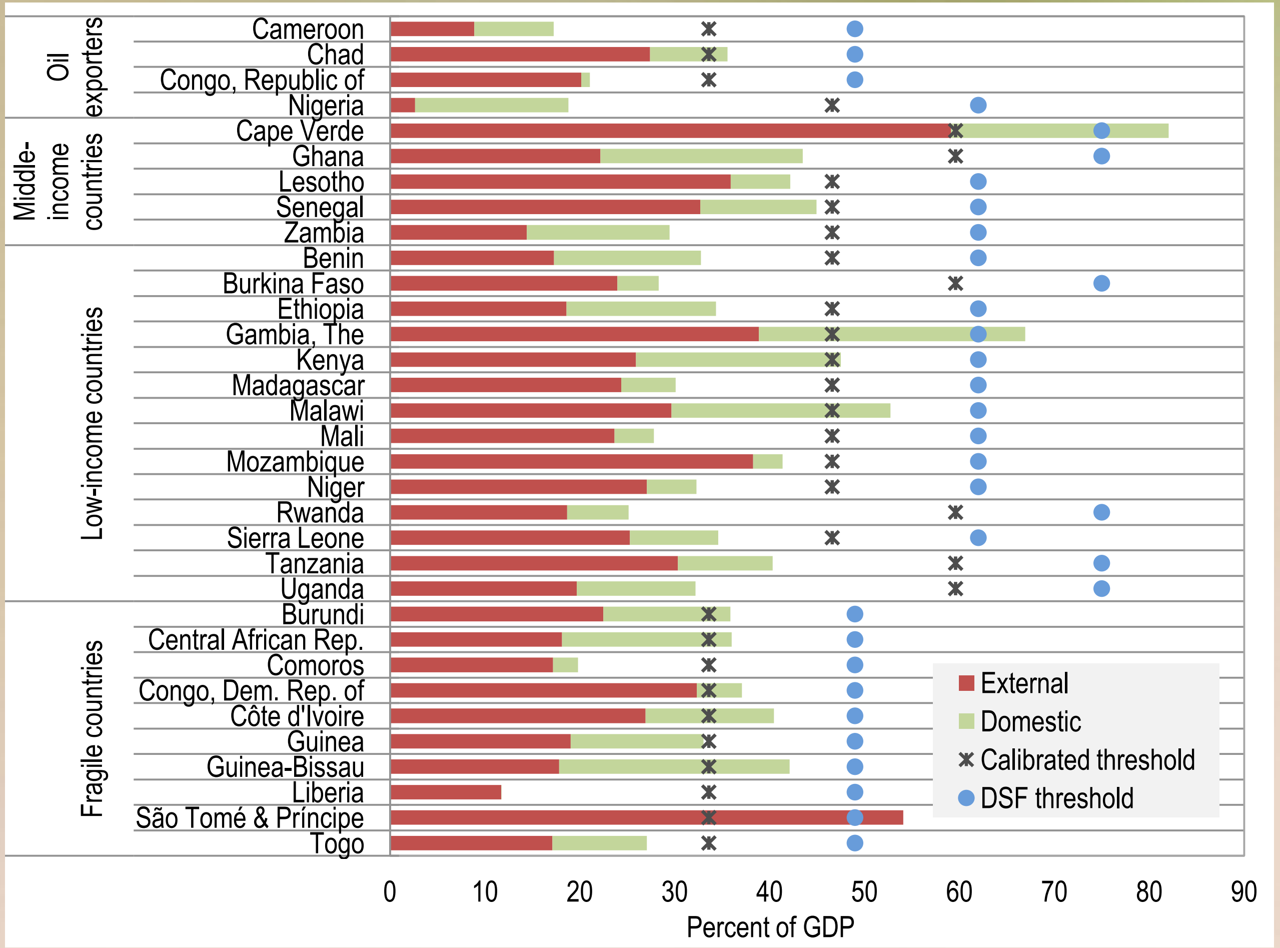


Sources: IMF, DSA database; and IMF staff calculations.
Note: For any given year, the "box and whiskers" plot (or boxplot) summarizes the distribution, during that year, of debt to GDP for 44 countries in sub-Saharan Africa (outliers not shown). Debt to GDP ratios pertain to public sector debt as defined in the Debt Sustainability Framework.

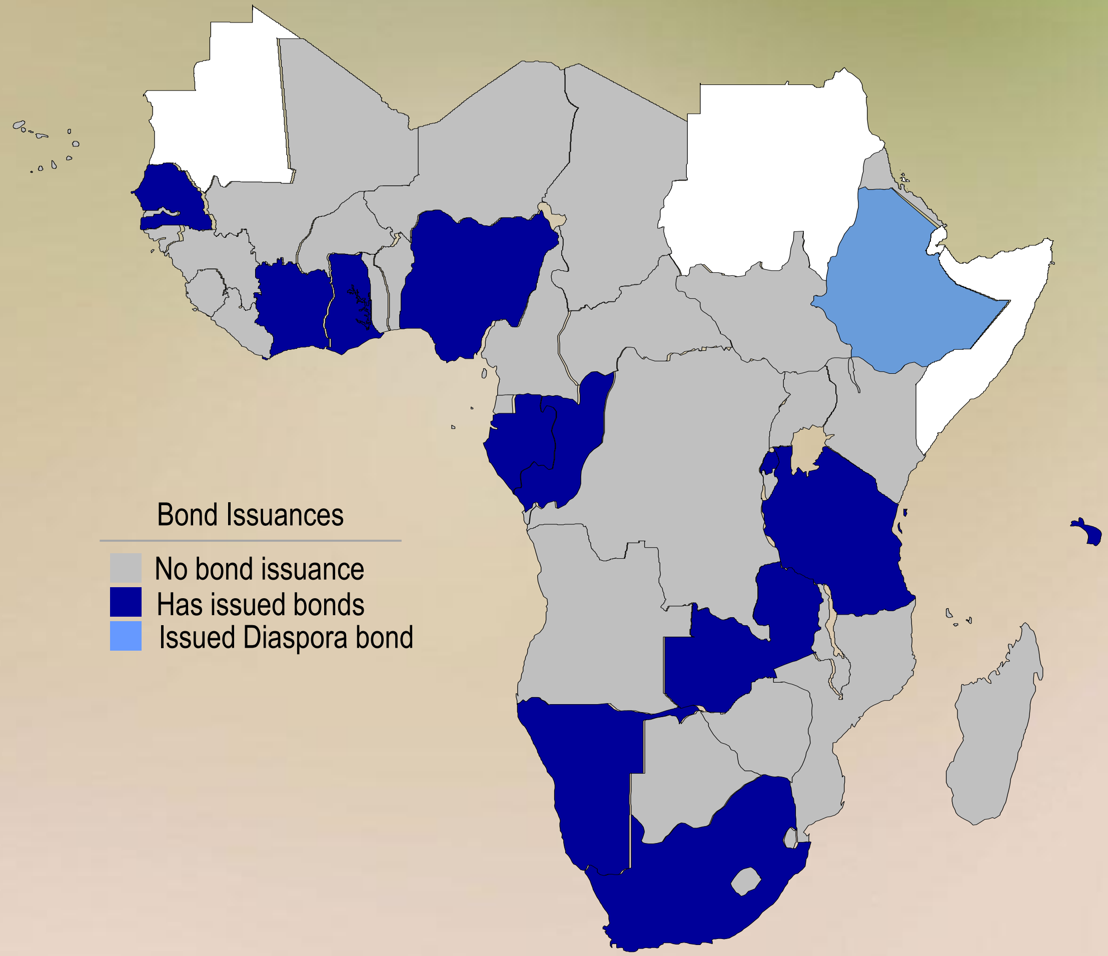
- Based on the DSAs, public debt levels have fallen sharply since 2000.
- External debt relief through HIPC and MDRI reduced debt levels by about 50 percent of 2012 GDP.
- The decline in debt levels was halted by the global recession.

Short-term Risks 2: … but are now rising

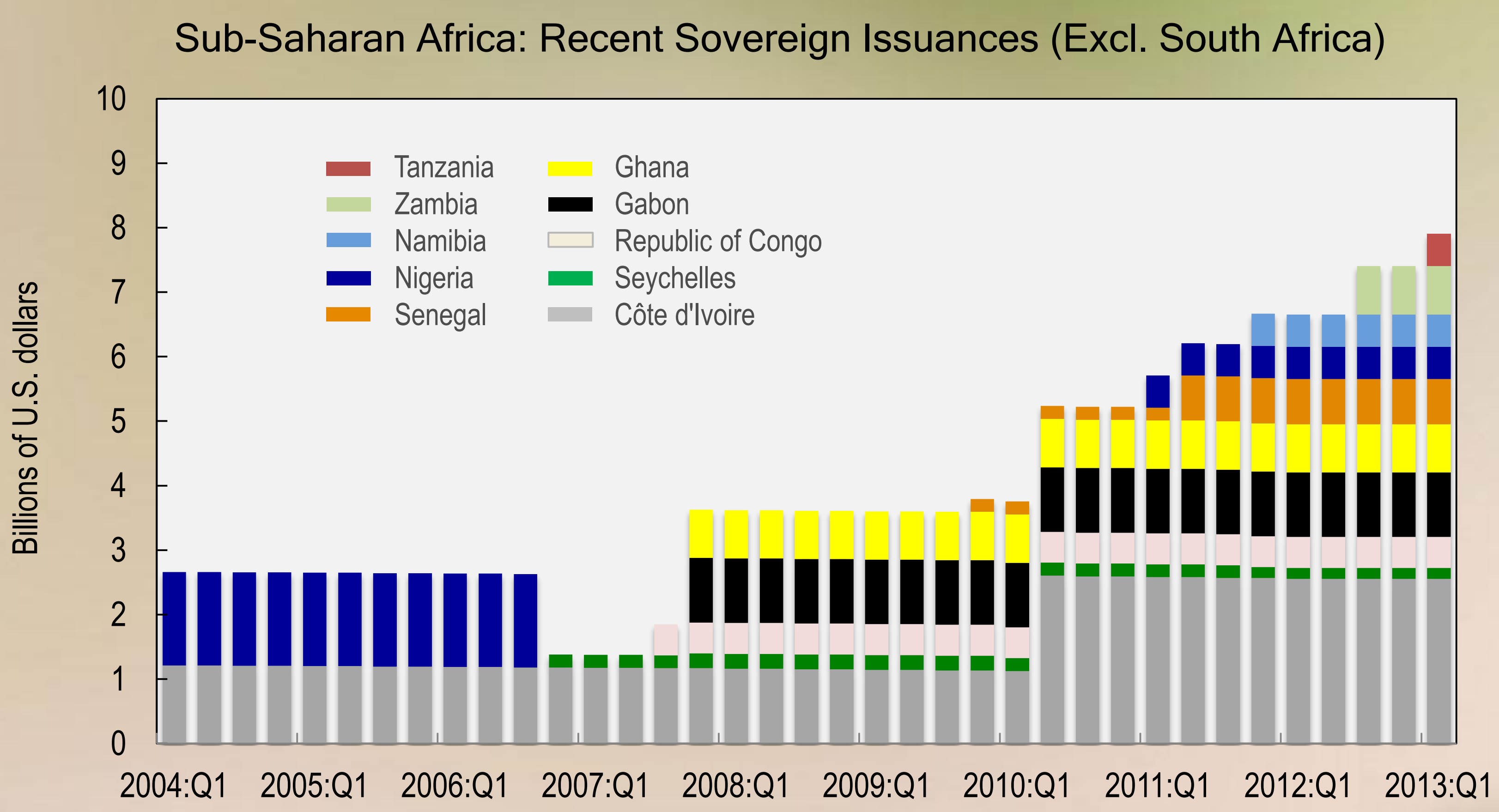
Sub-Saharan Africa: Public Sector Debt in 2012 and Sustainability Thresholds, PRGT-Eligible Countries



Thirteen countries in SSA now have sovereign bonds outstanding

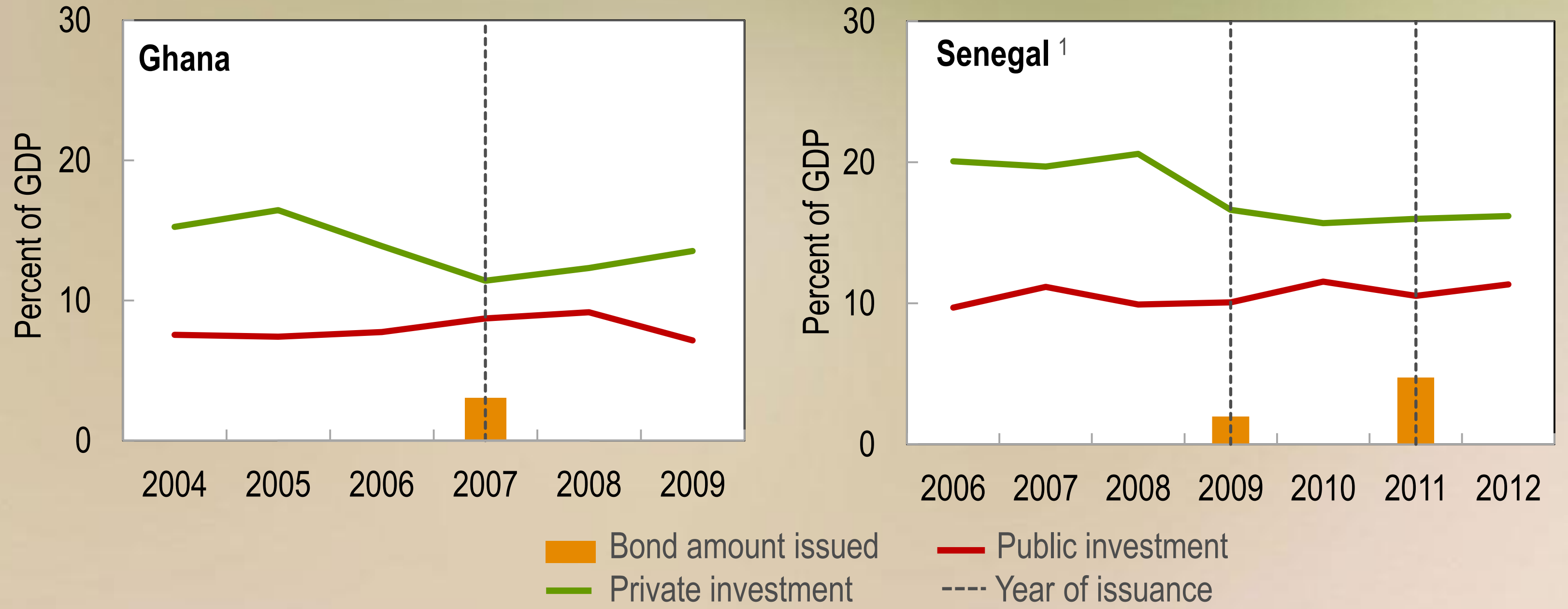


The search for yield has reached frontier economies



But bond issuance has not been matched by higher public investment

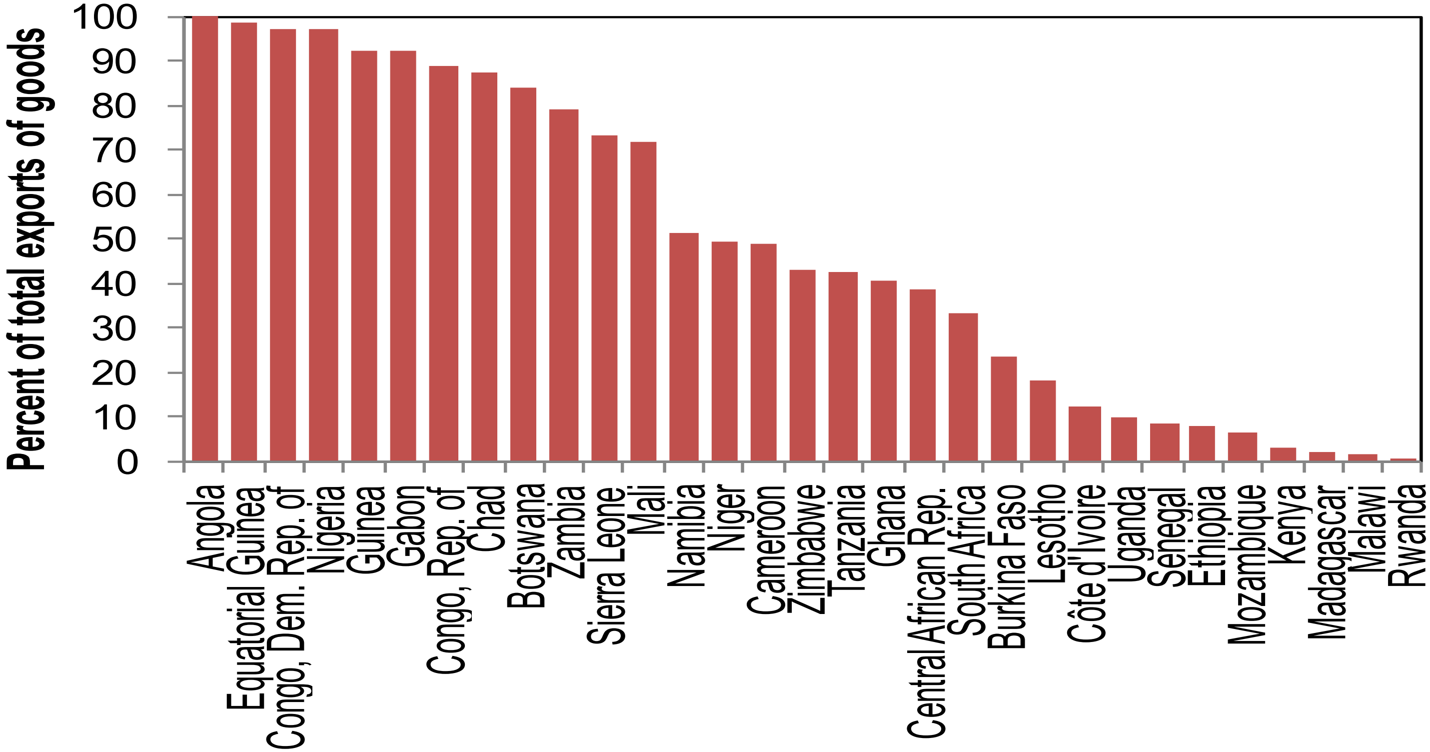
Sub-Saharan Africa: Public Investment after Bond Issuance



Source: IMF, World Economic Outlook database.
[1] Part of the proceeds from the bond issued in 2011 was used to exchange and repurchase the bond issued in 2009.

Medium-term Challenges (1): Natural Resources

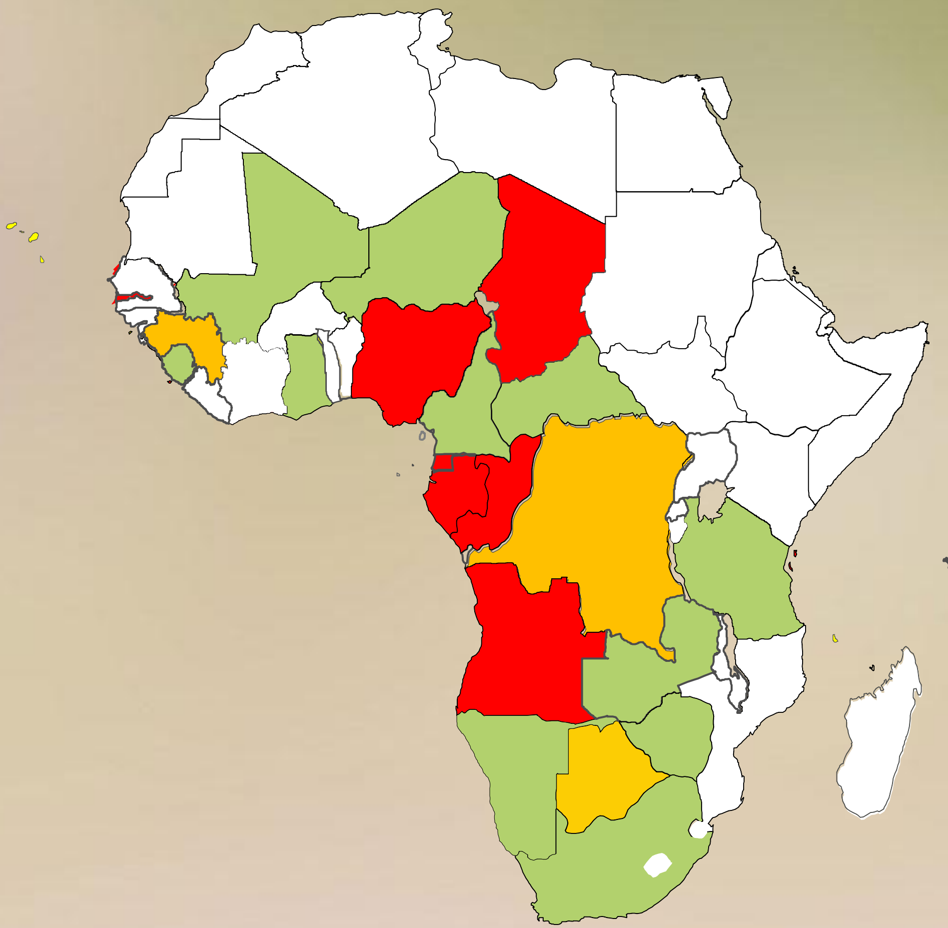
SSA Resource Exports, Average 2005-2011[1]



Source: IMF, African Department database.

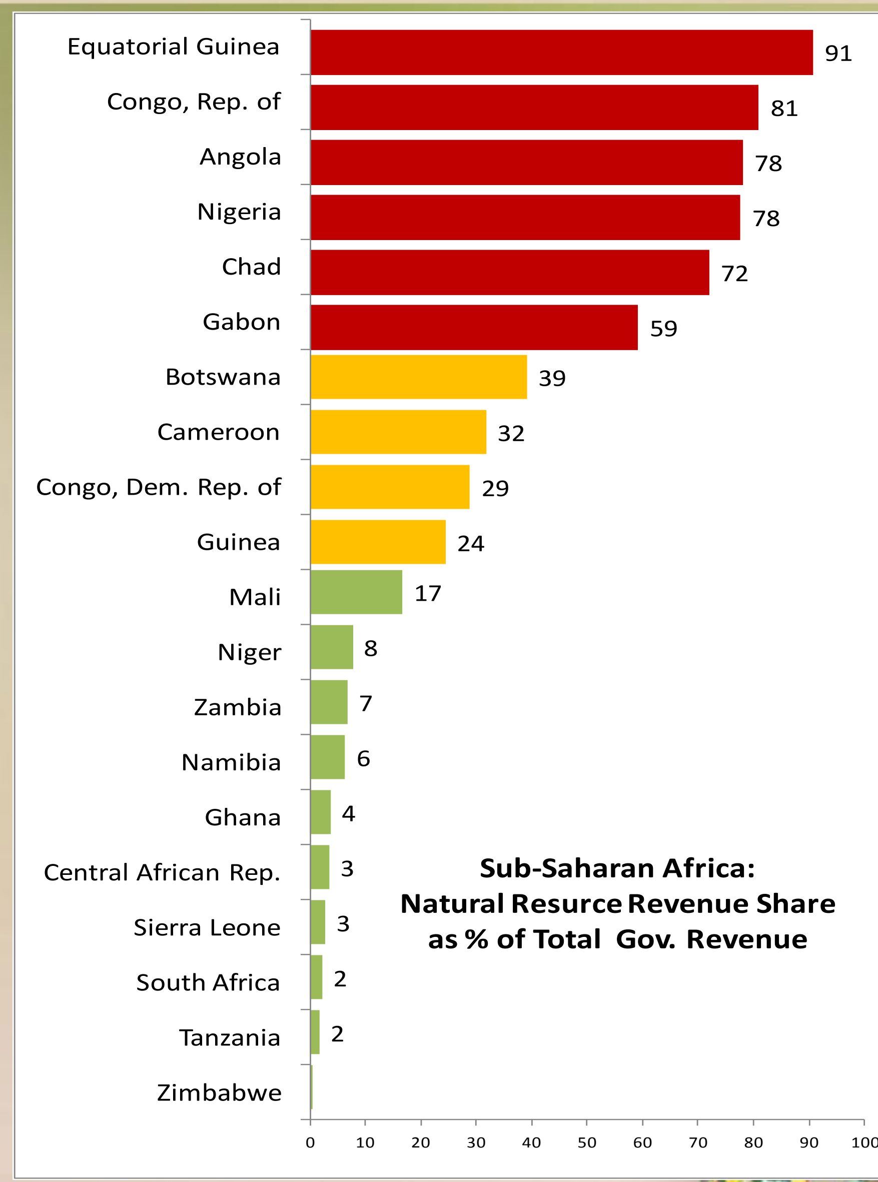
1 Data for Côte d'Ivoire and Senegal excludes re-exports of refined oil products.

SSA Resource Revenue, Average 2005-2011

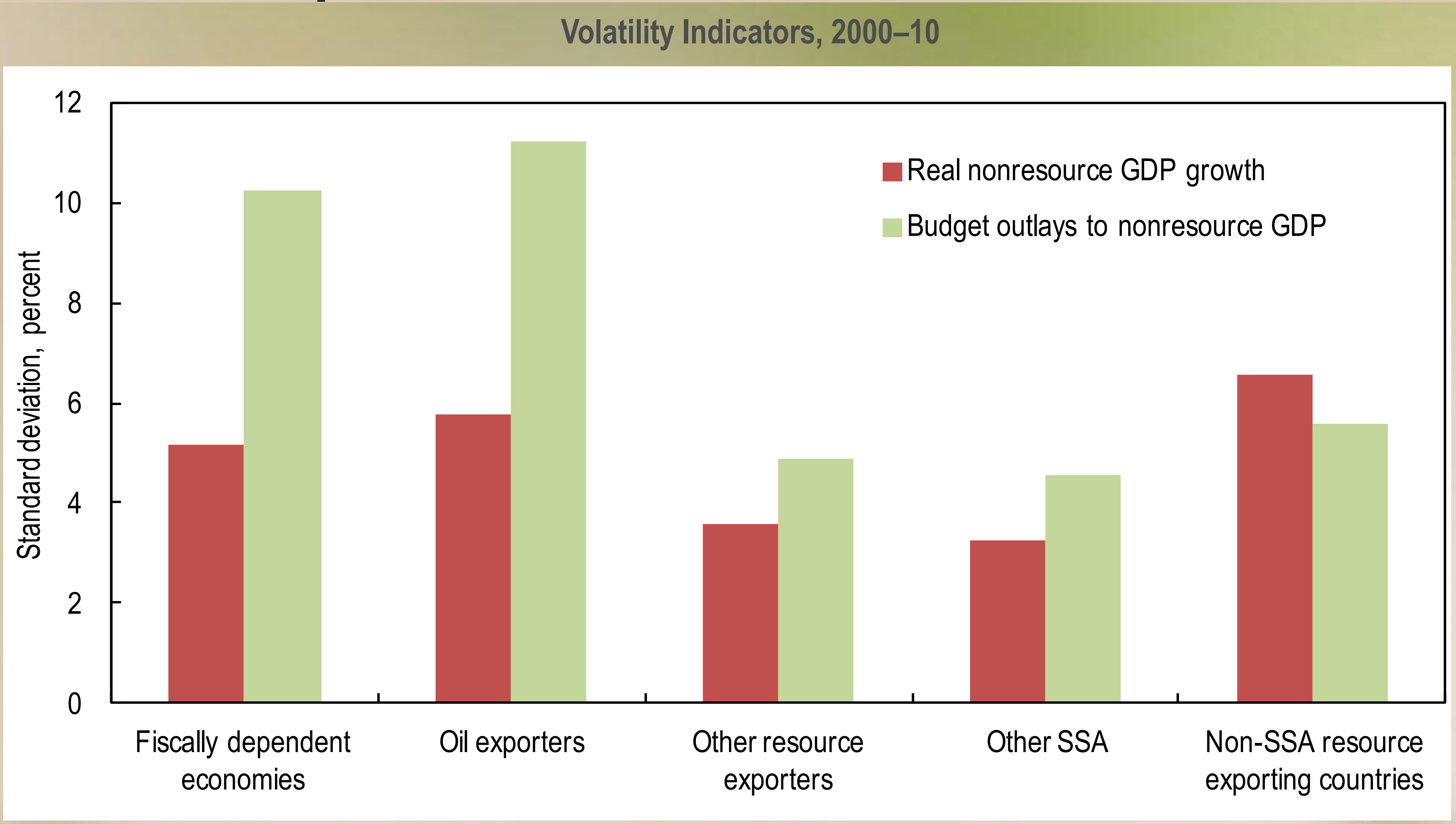


Natural Resource Share

High Impact	>=50% of Total Revenue (excluding grants)
Medium Impact	20-50% of Total Revenue (excluding grants)
Low Impact	<20% of Total Revenue (excluding grants)

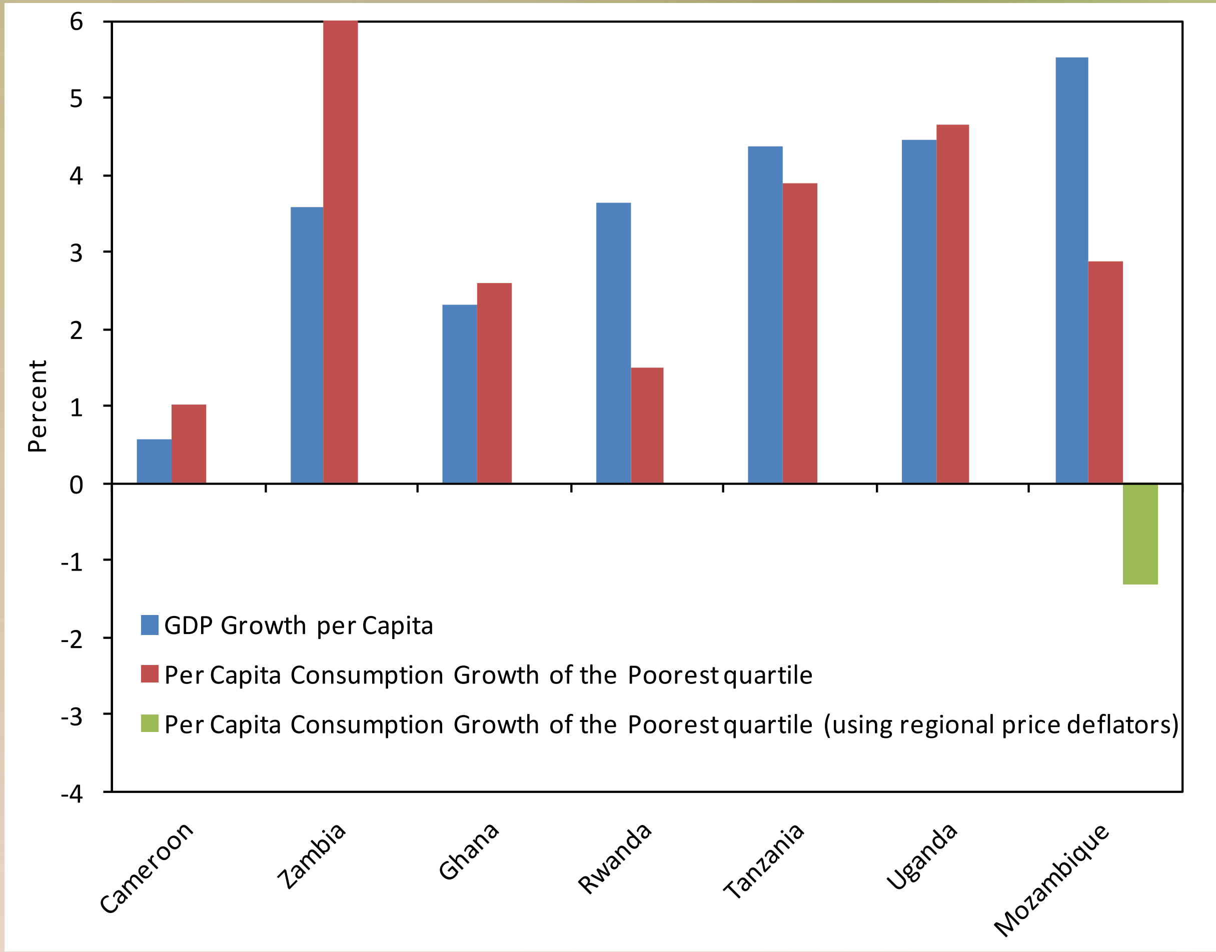


Macroeconomic volatility: elevated in many natural-resource exporters.



Medium-term Challenges (2): Inclusiveness

Per Capita GDP Growth and Consumption Growth of the Poorest Quartile

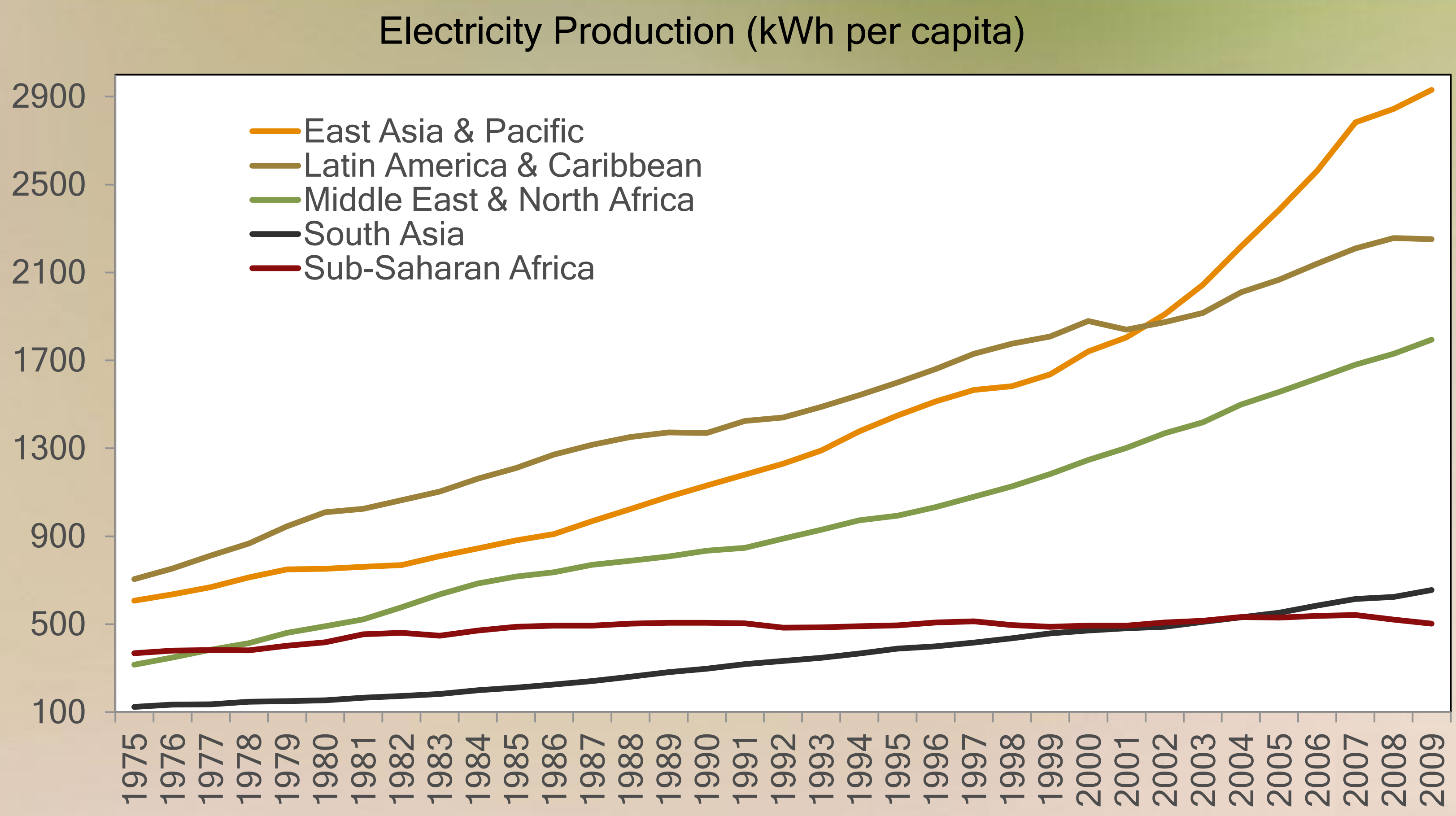


Source: International Monetary Fund, Regional Economic Outlook for Sub-Saharan Africa, October 2011

Medium-term Challenges (3a): Infrastructure

Normalized units	Sub Saharan Africa-Low Income Countries	Other Low Income Countries
Paved Road Density	31	134
Total road density	137	211
Main line density	10	78
Mobile density	55	76
Internet density	2	3
Generation Density	37	326
Electricity Coverage	16	41
Improved water	60	72
Improved sanitation	34	51

Medium-term Challenges (3b):
Infrastructure - Energy

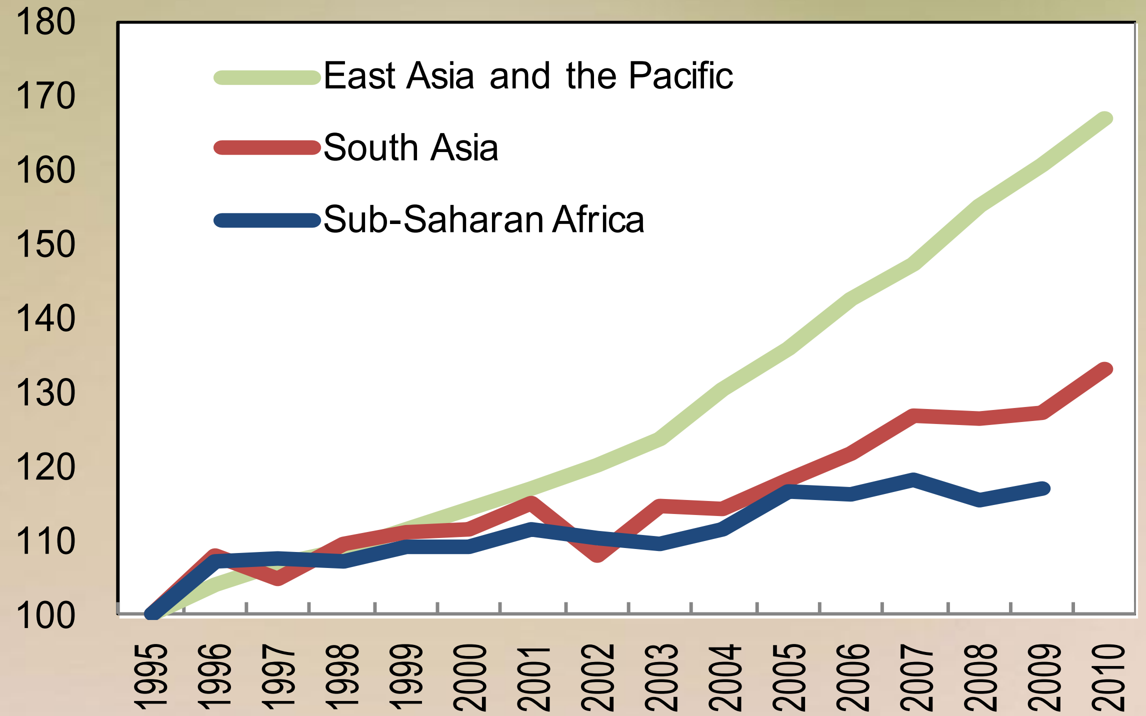


Source: World Development Indicators and IMF staff estimates.

Medium-term Challenges (4)
Structural Transformation

Average labor productivity in the agriculture sector

(Agriculture value added per worker, constant 2000 US$, Index: 1995=100)



Source: World Bank, World Development Indicators.

Thank You