

# Regional Economic Outlook

David Robinson  
African Department  
International Monetary Fund  
Gaborone, August 2017



# Outline



**A Broad-based Slowdown**



**Increasing Vulnerabilities**

Adjustment



Financing

**Insufficient Adjustment**

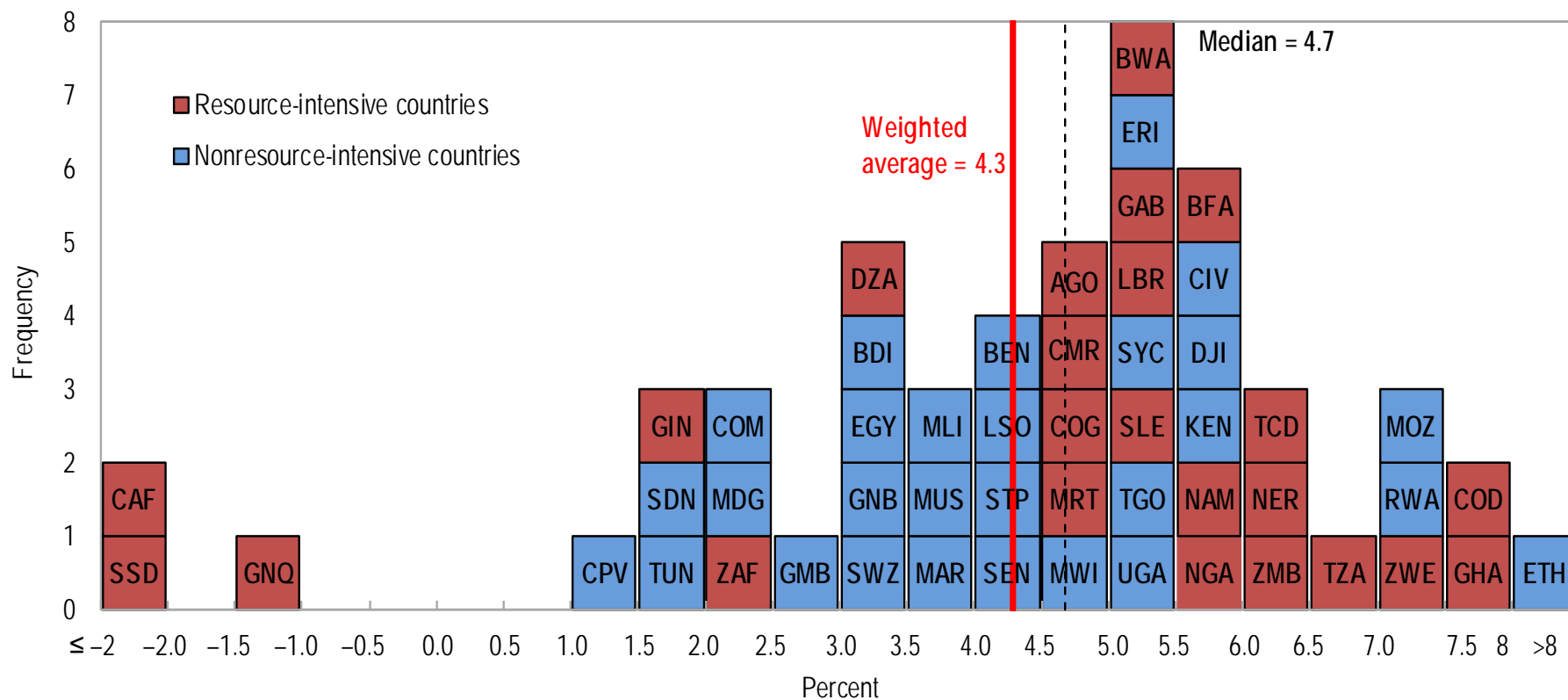


**Outlook and Policy Response**

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



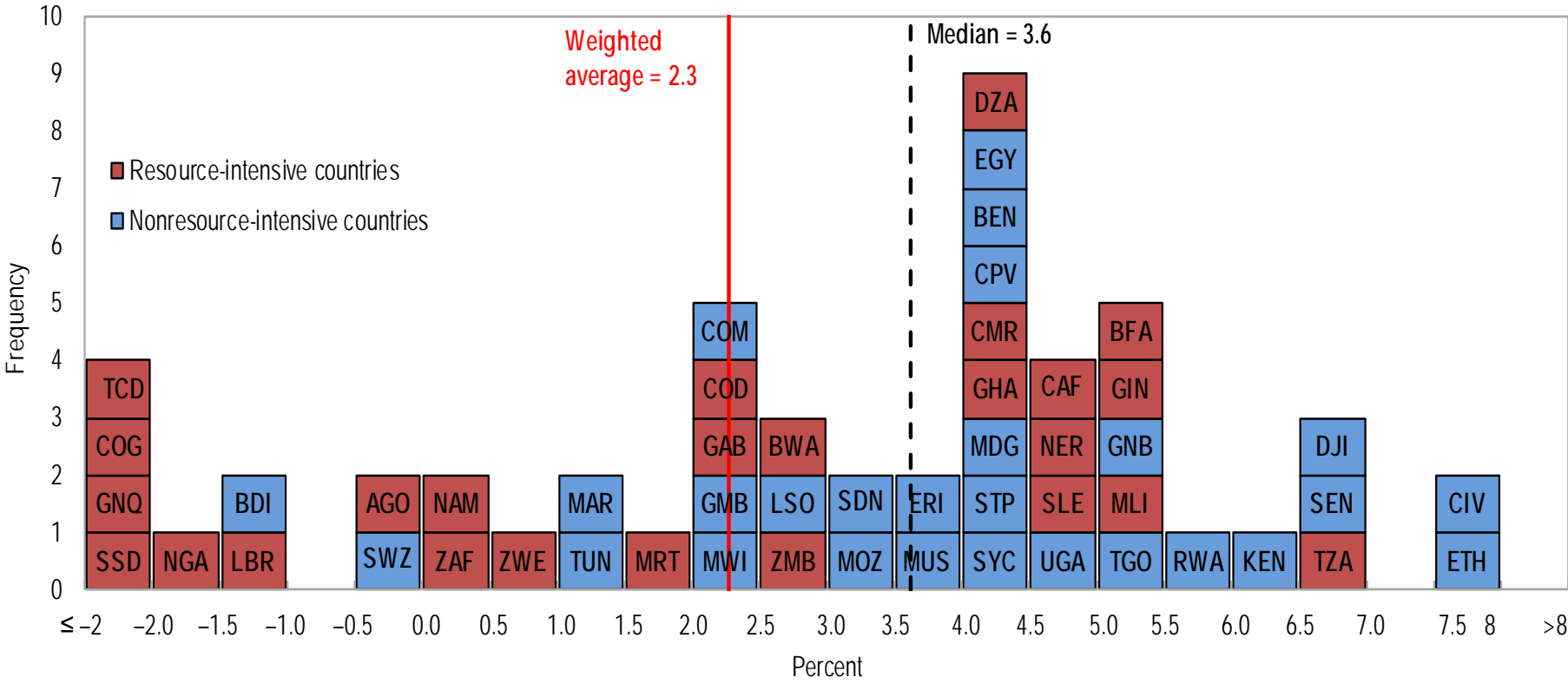
## Real GDP Growth, Average 2010–15



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



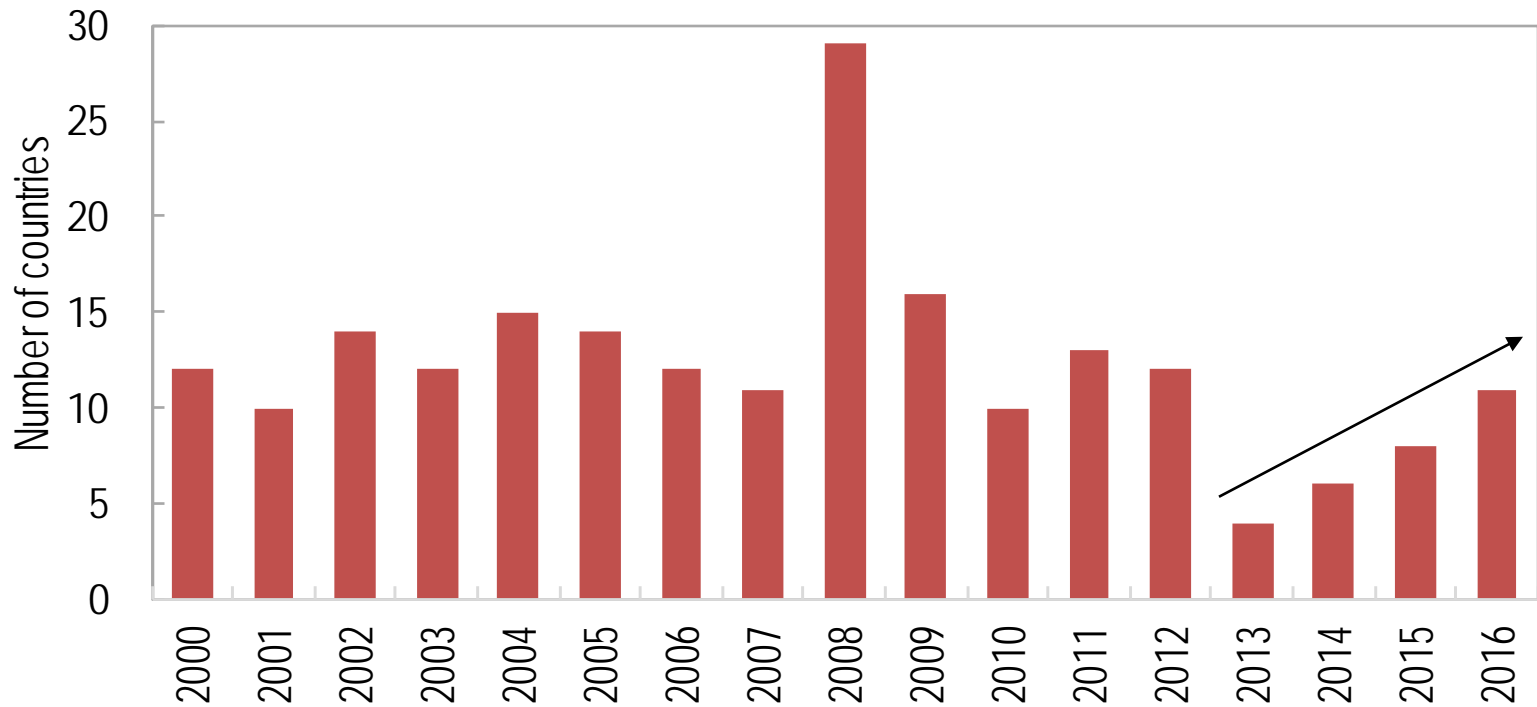
## Real GDP Growth, 2016





... and inflation is ticking up in many countries in the region.

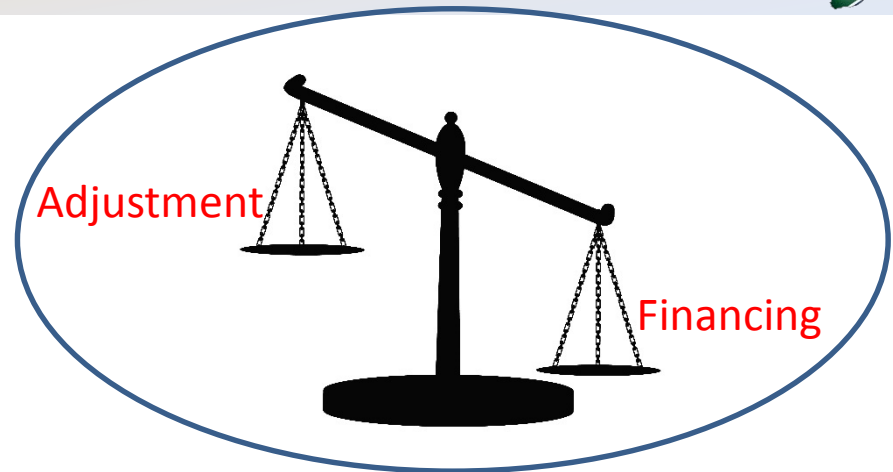
### Number of Countries with Inflation Rates Greater than 10 Percent



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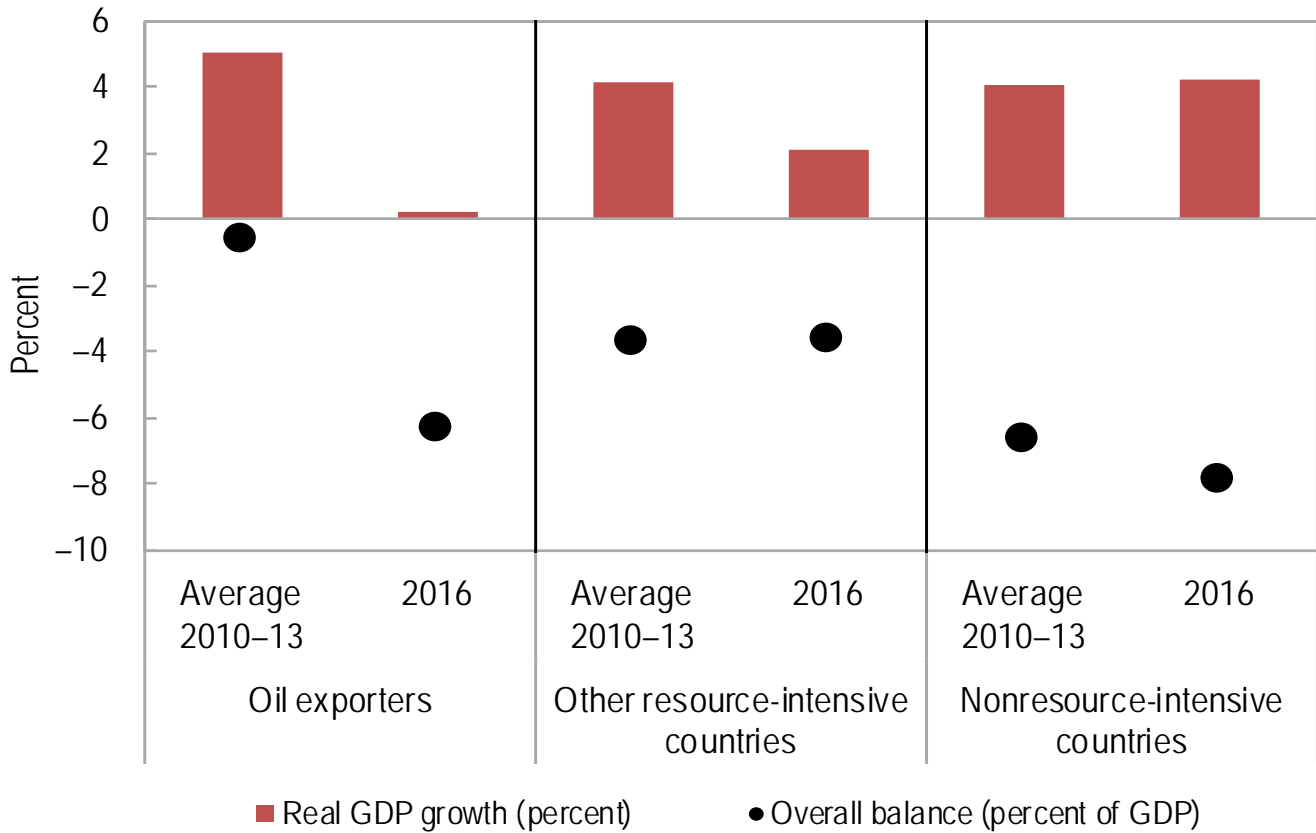


**Outlook and Policy Response**

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



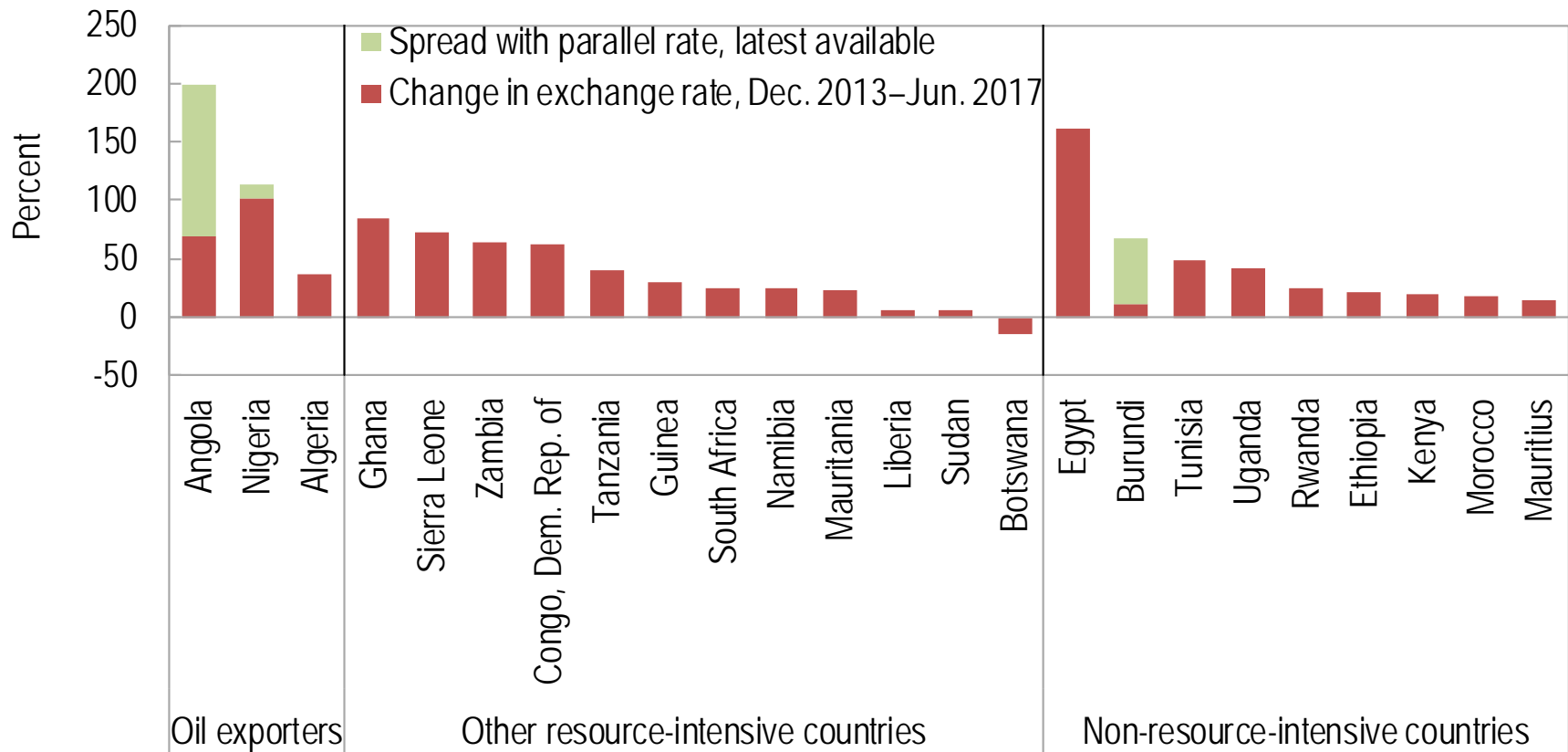
## Fiscal Balance and Real GDP Growth, 2010–16



# 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)

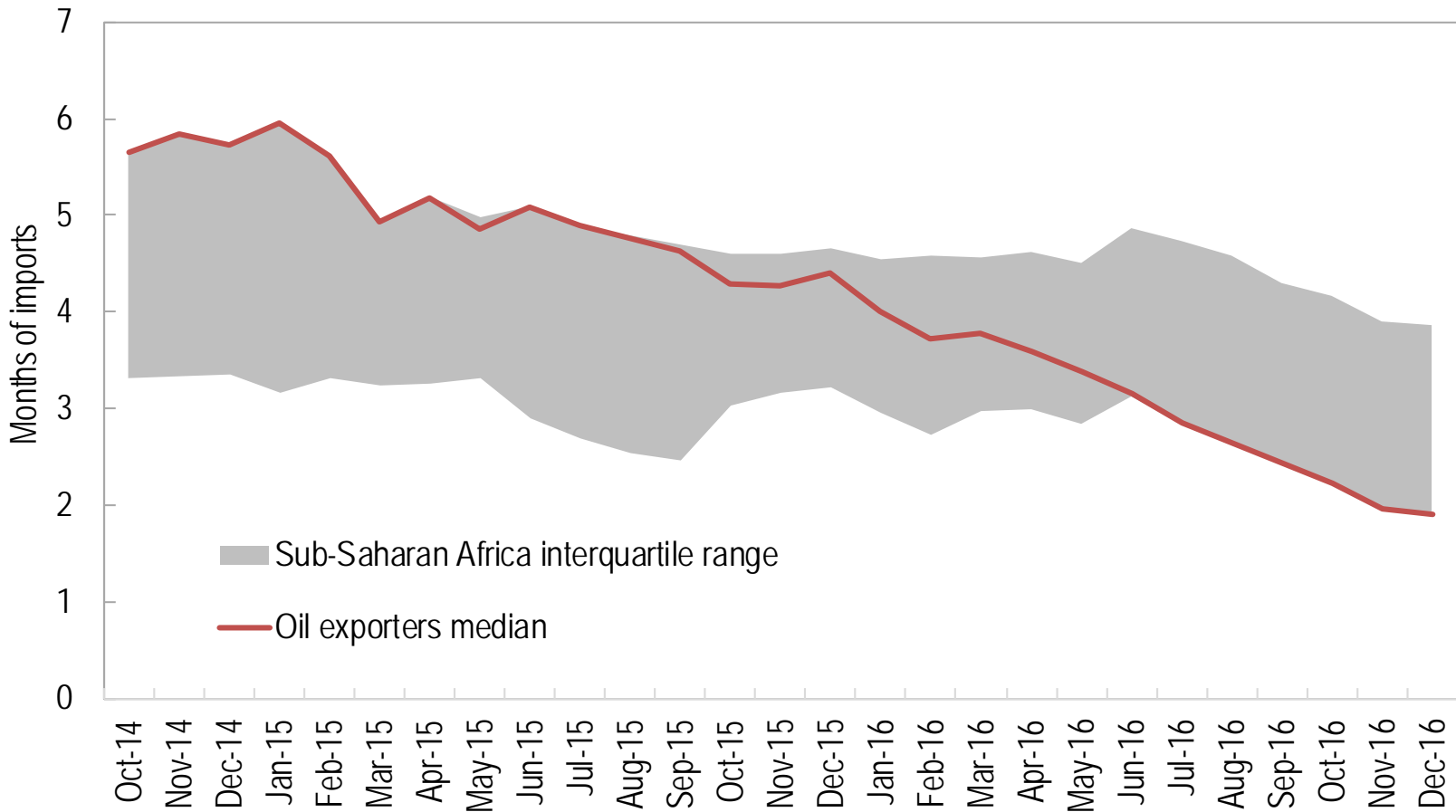




... and reserves are trending lower for the region, and acutely so in oil exporters.



### International Reserves, 2014–16



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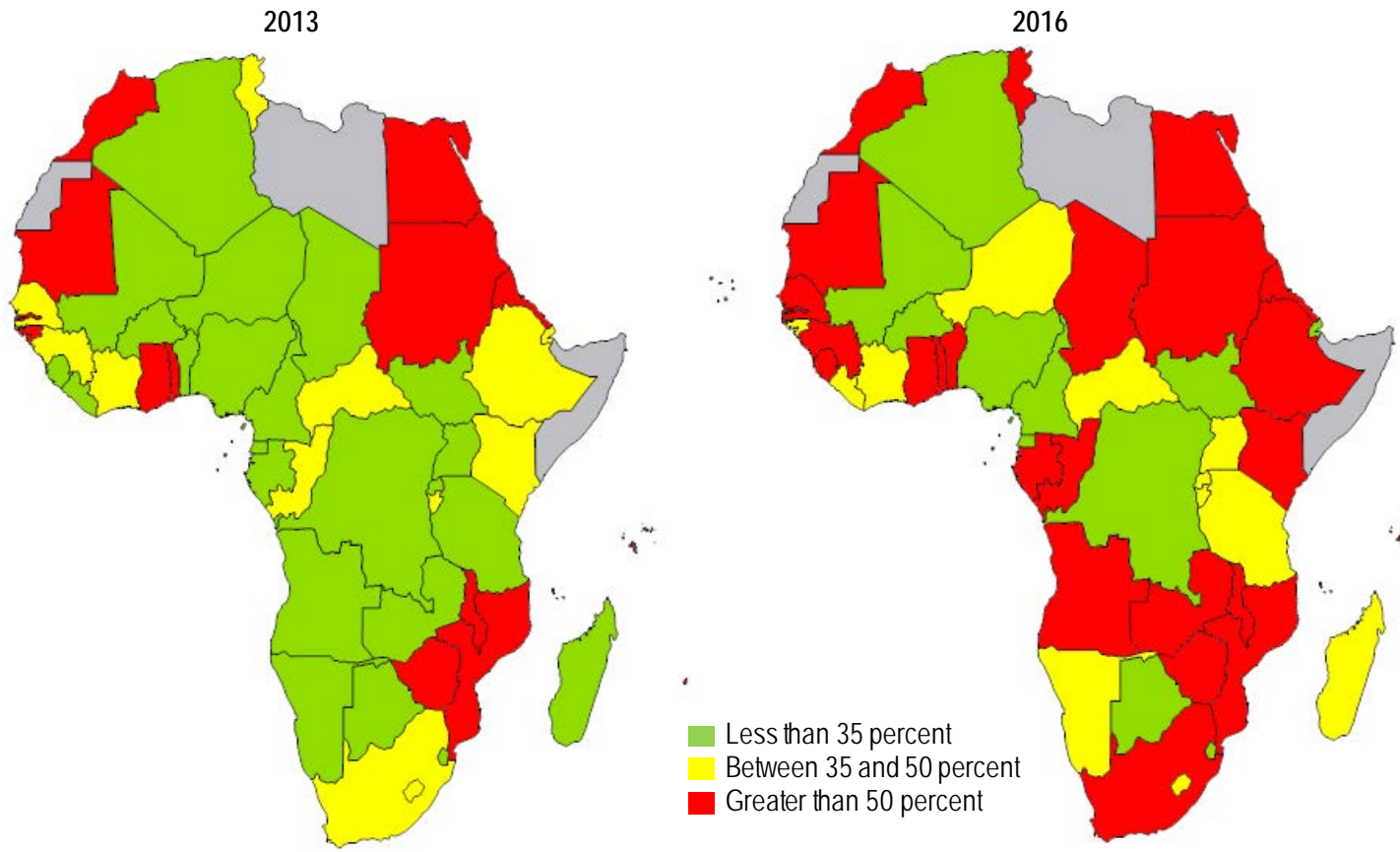


**Recalibrating the Policy Response**



# Debt levels have increased across the region...

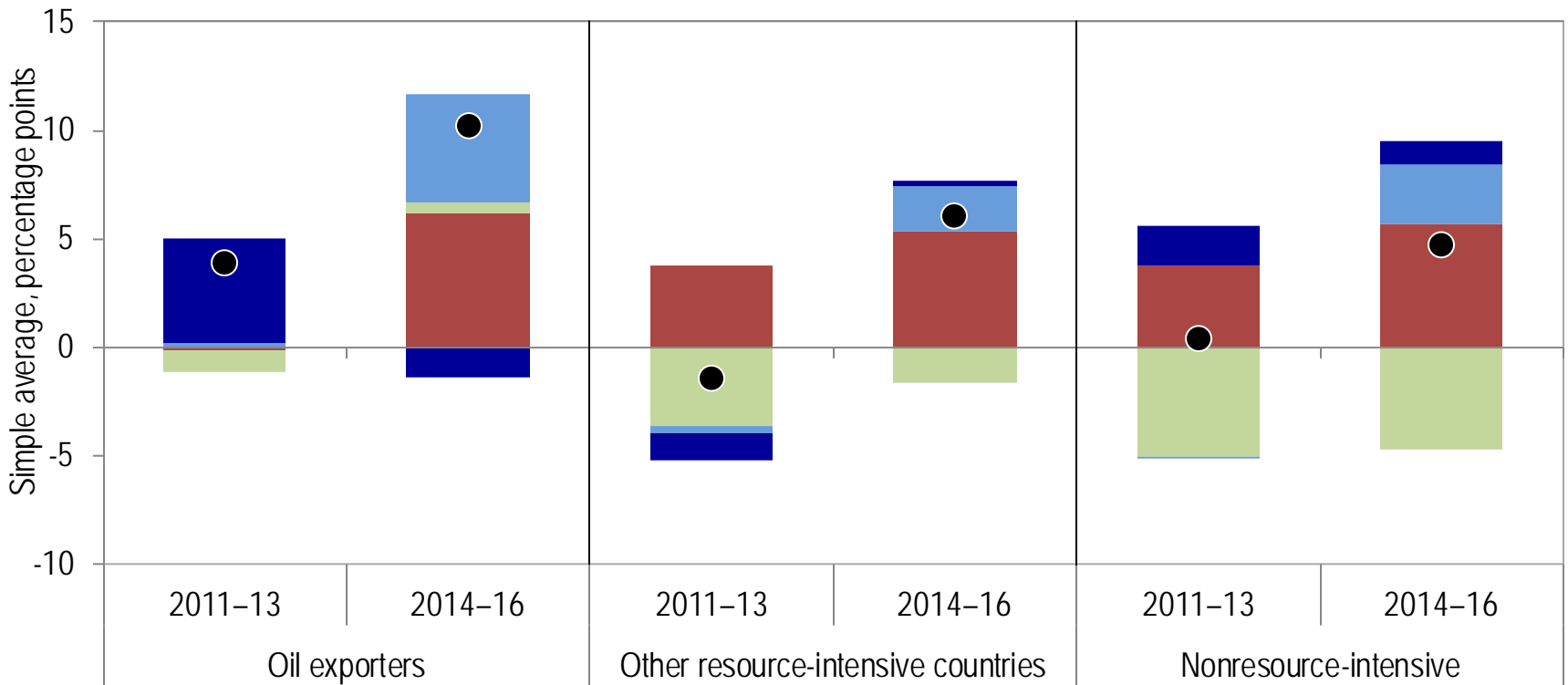
## Public Sector Debt-to-GDP Ratios, 2013 and 2016





.. with fiscal deficits being the largest contributors to debt accumulation...

Public Sector Debt Accumulation, 2010–16

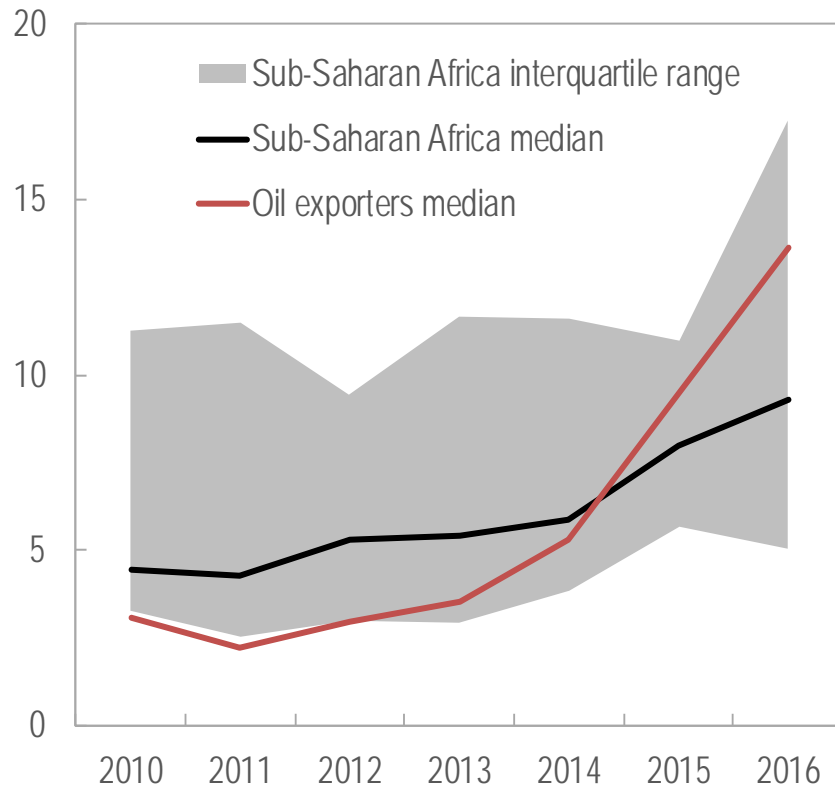


■ Primary deficit   ■ Real growth and interest rate   ■ Exchange rate depreciation   ■ Other   ● Change in debt

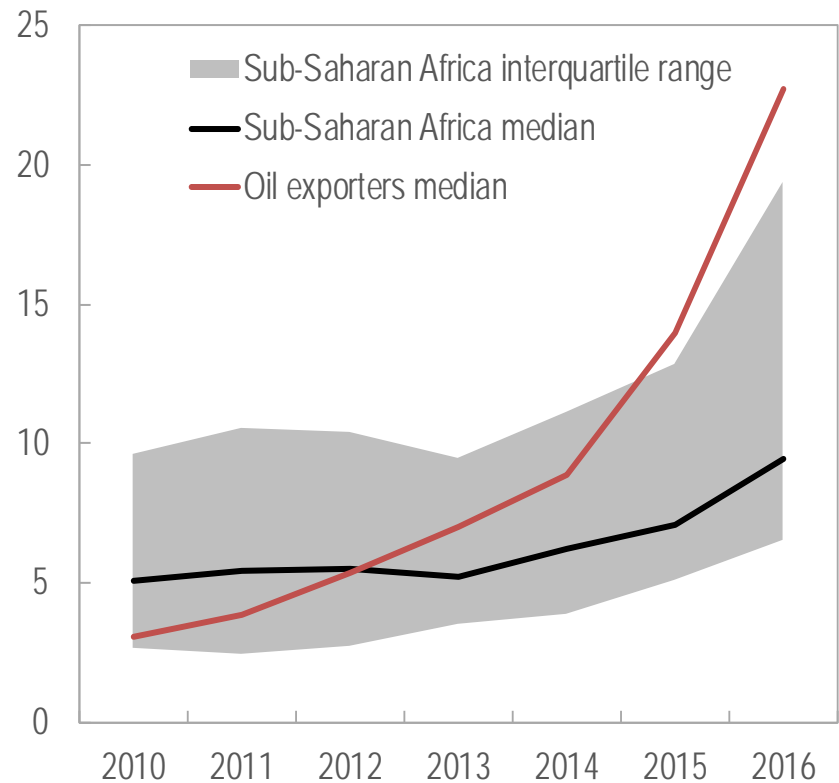
Also, debt-service ratios have deteriorated, particularly in oil exporters.



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



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



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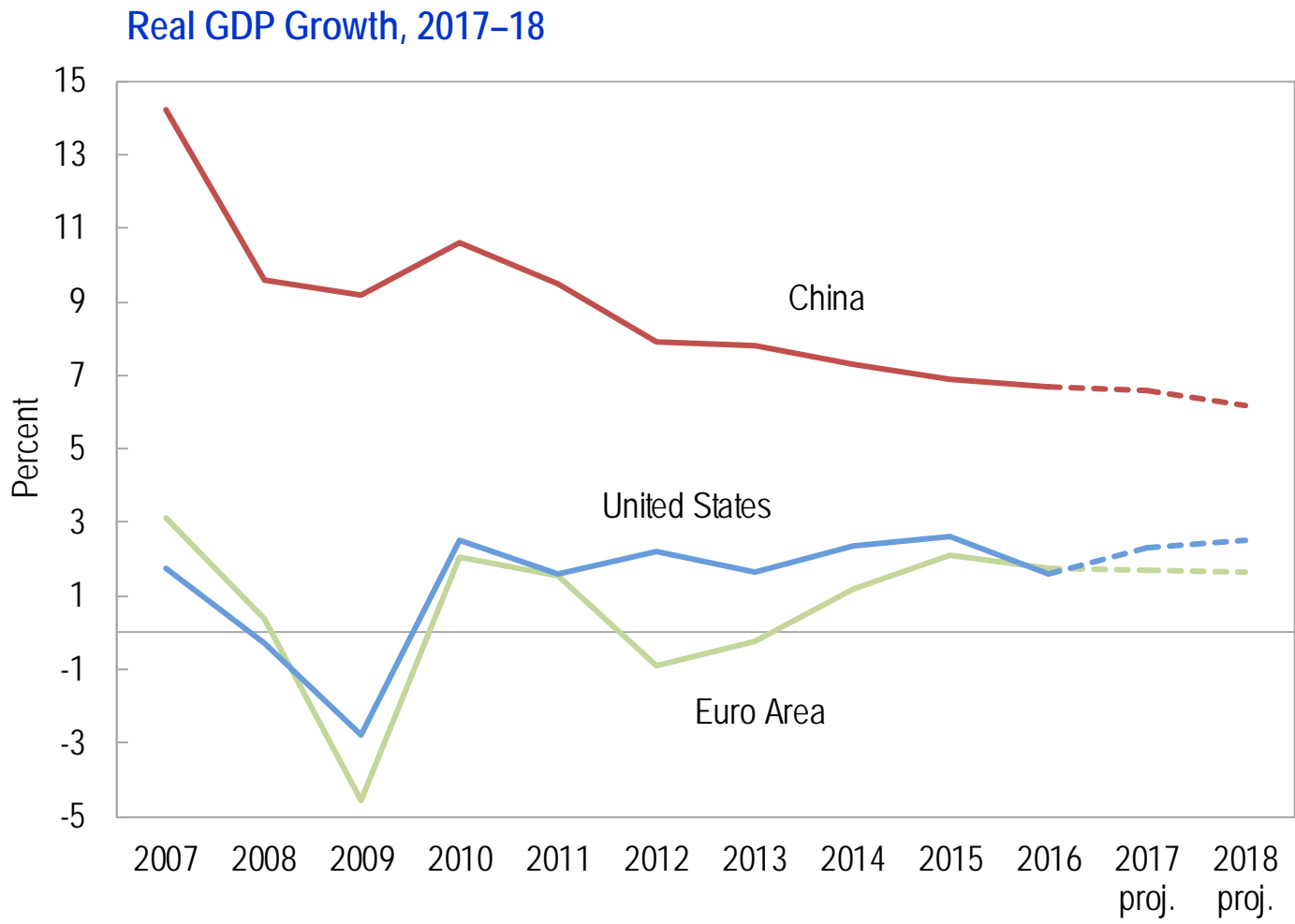
**Insufficient Adjustment**



**Outlook and the Policy Response**



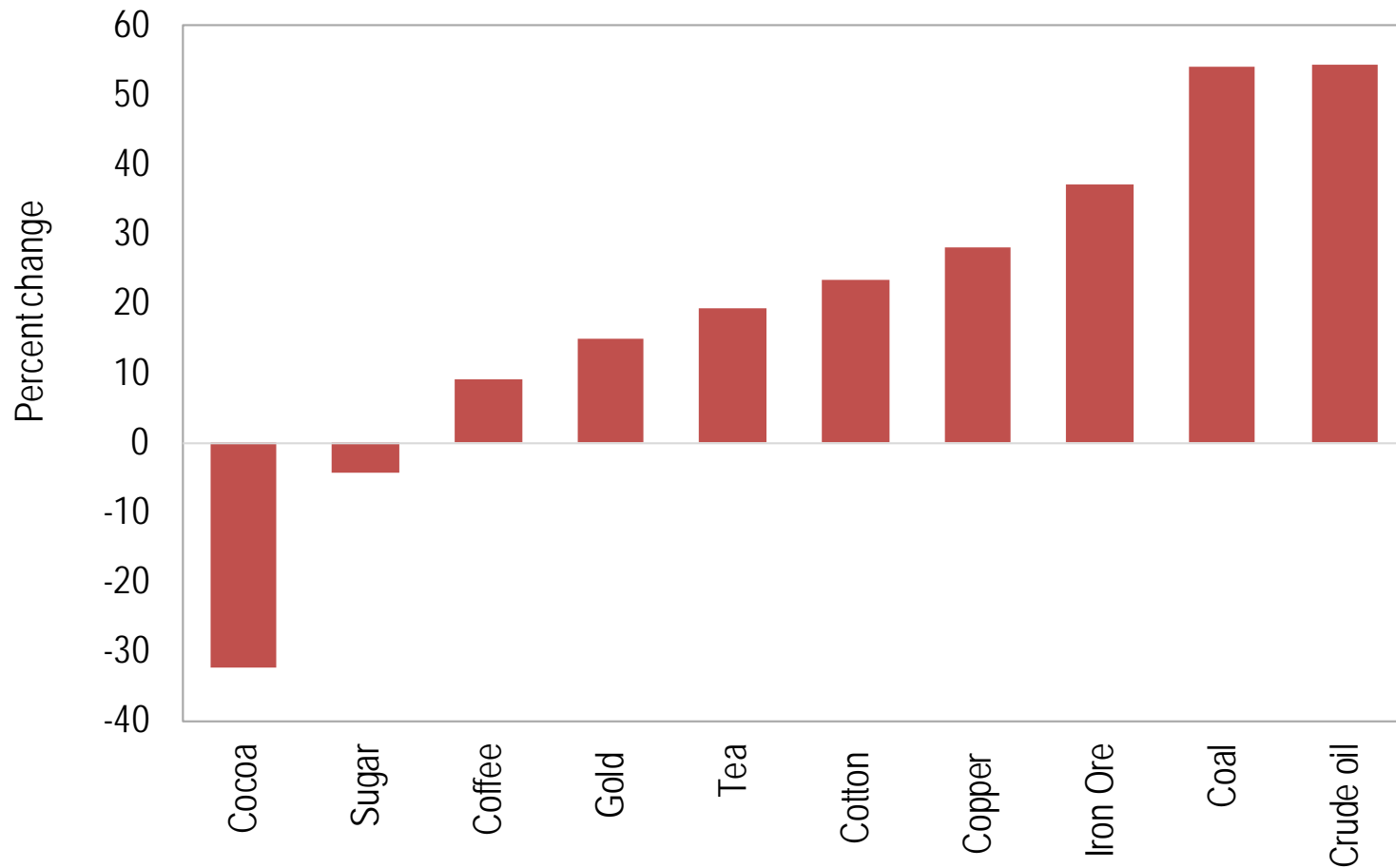
# The pickup in global growth remains on track...



# ... and commodity prices have recovered somewhat...

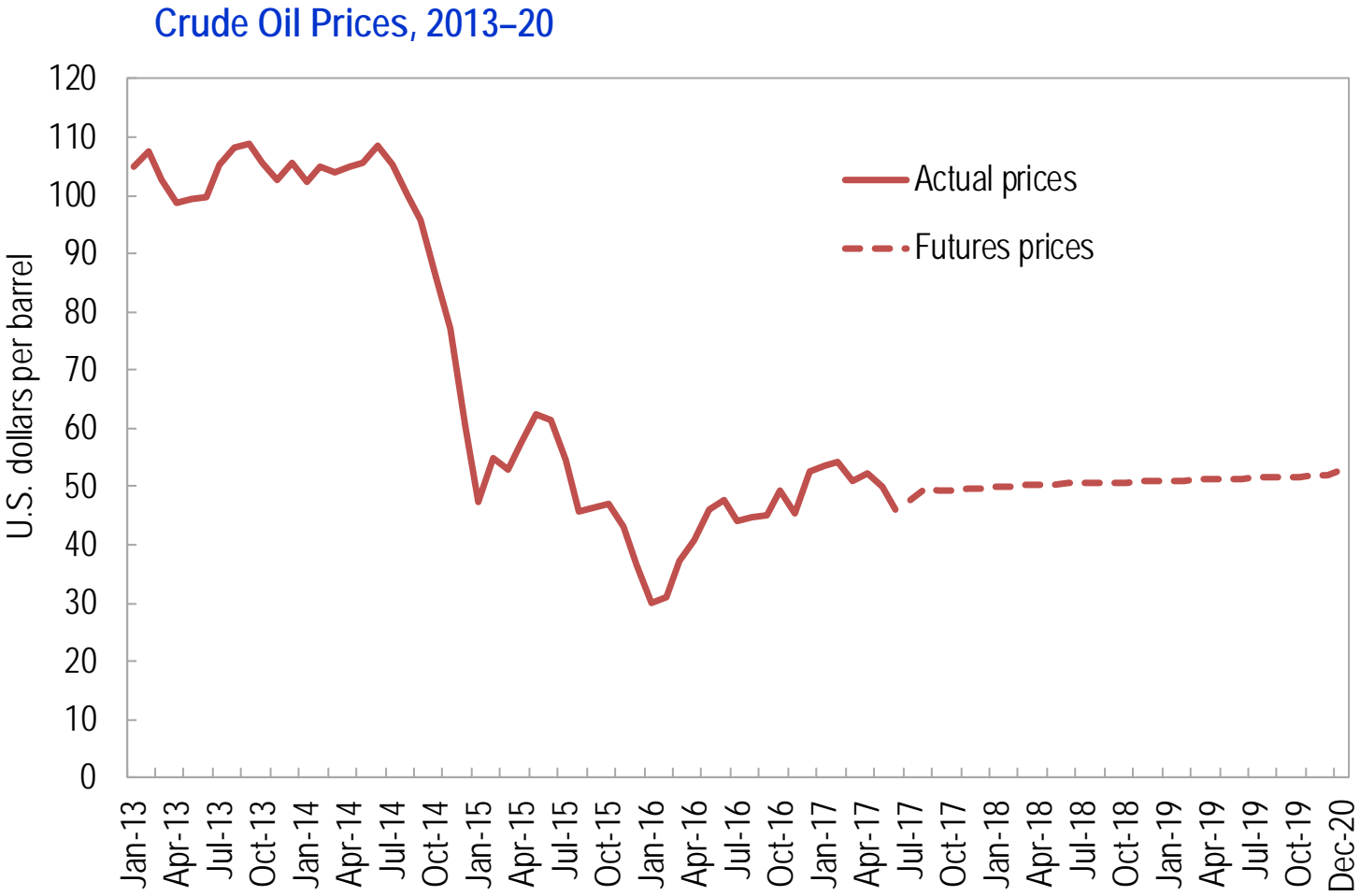


Change in Selected Commodity Prices since January 2016





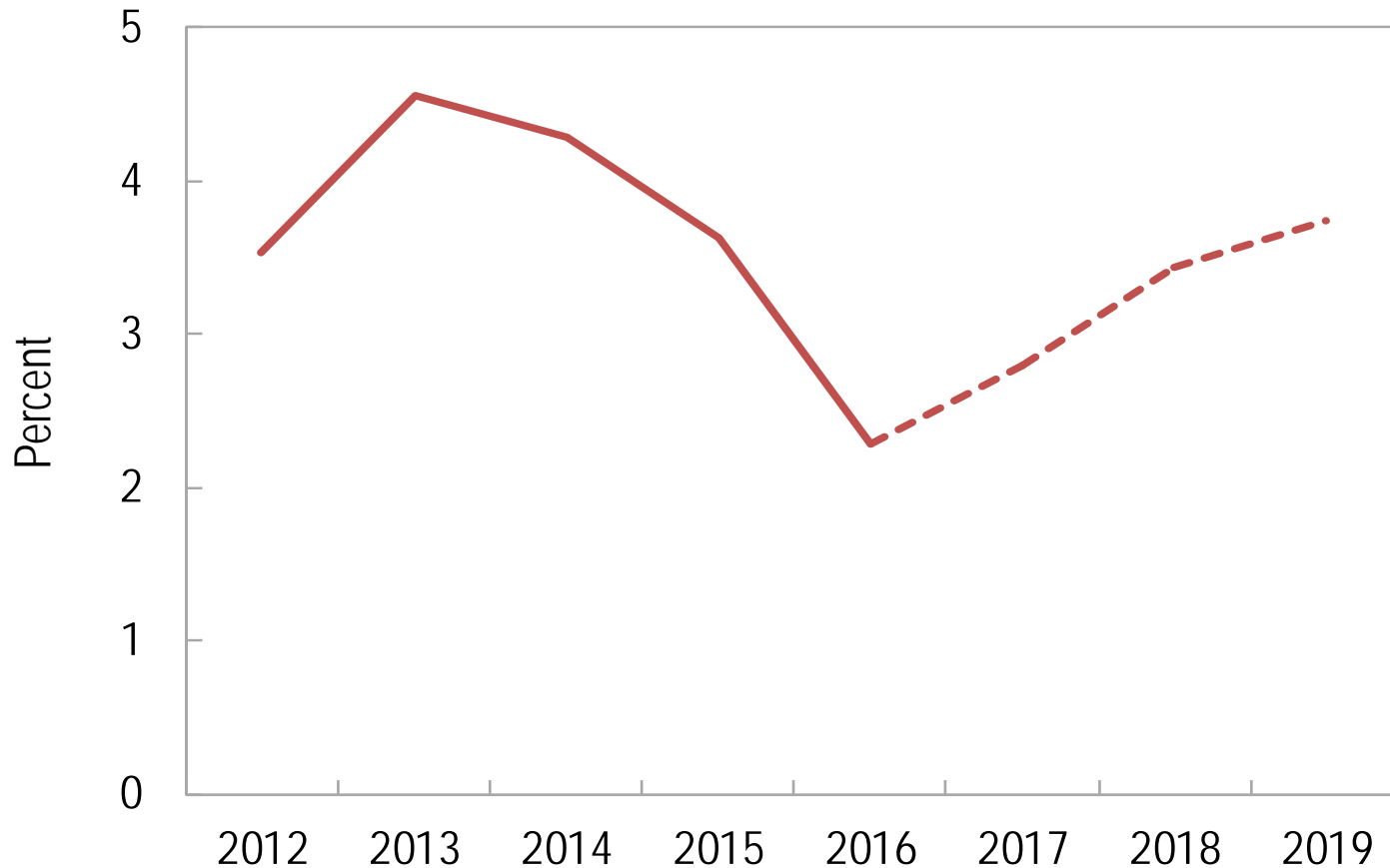
... but oil prices are expected to remain low over the medium-term.



The outlook for the region is still subdued with a modest growth rebound, subject to downside risks.



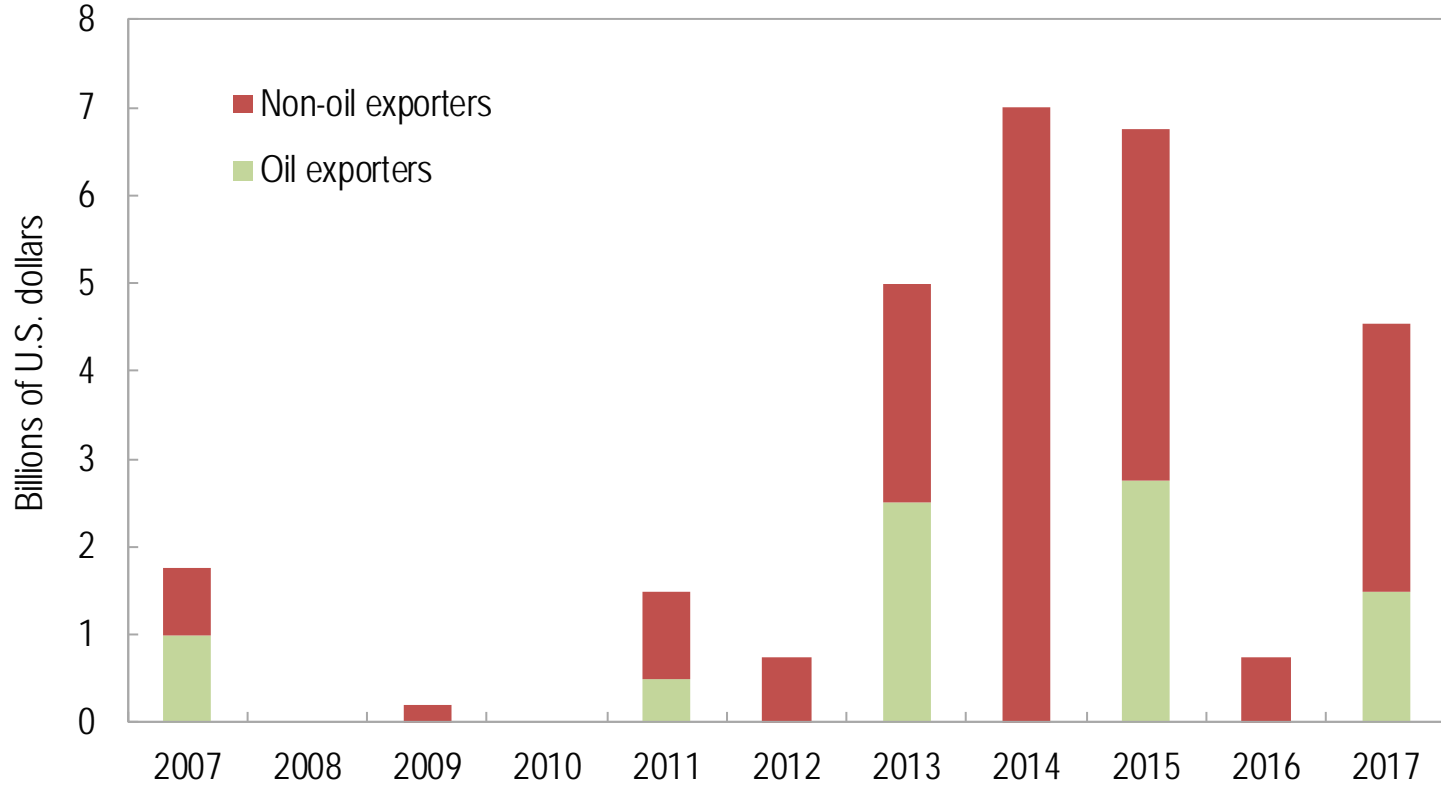
Real GDP Growth



# Bond issuances have re-started after a halt in 2016.

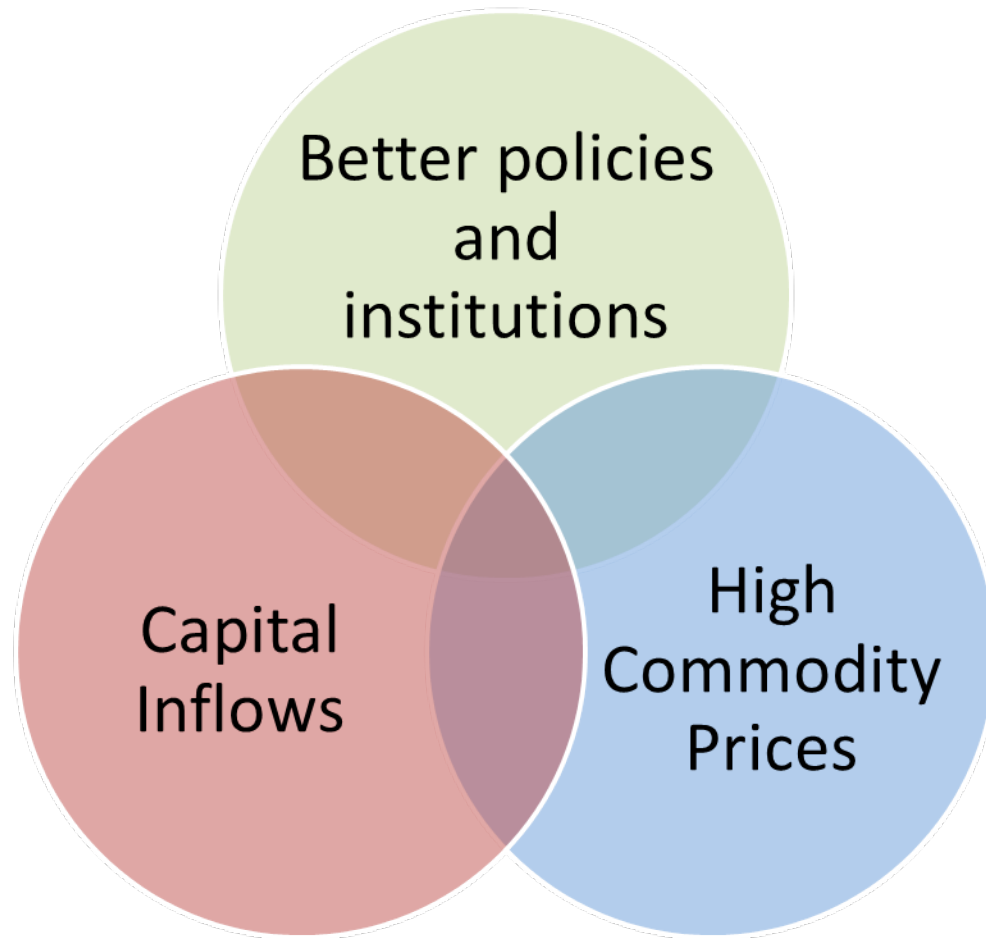


## Sub-Saharan Africa Frontier Market Economies: International Sovereign Bond Issuances, 2007-17



Note: Date through June 2017.

What explains current difficulties? Useful to consider factors underpinning strong growth over the last 10-15 years.



# Three priority areas to ensure a stronger and durable recovery:



- Reinforce emphasis on macroeconomic stability
- Structural reforms to support healthier macro balances and to support growth and job creation
- Stronger emphasis on social protection

# Reforms needed to support macro objectives



- Design fiscal consolidation—where needed—to mitigate the impact on growth
- Domestic revenue mobilization
- Greater emphasis on safeguarding financial stability
- State-owned enterprise reforms to limit contingent liabilities
- Clarity on policy stance

# Upcoming October 2017 sub-Saharan Africa Regional Economic Outlook



Analytical work on:

- Fiscal consolidations
- Structural transformation



Thank you!