



**AFRICAN
DEPARTMENT**



SUB-SAHARAN AFRICA: A DIFFICULT RECOVERY

OEET, DECEMBER 11, 2020

Carlo Sdravovich, Division Chief, African
Department, International Monetary Fund

*Based on the AFR Regional Economic Outlook prepared by
Regional Studies Division*

Roadmap

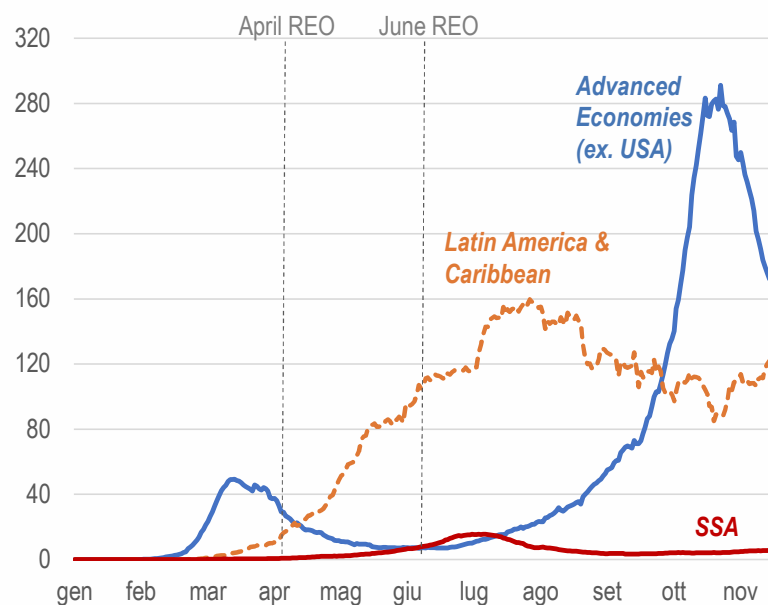
- Evolution of COVID-19 in Sub-Saharan Africa
- Impact on the Region
- Outlook and Policies

Evolution of COVID-19 in SSA

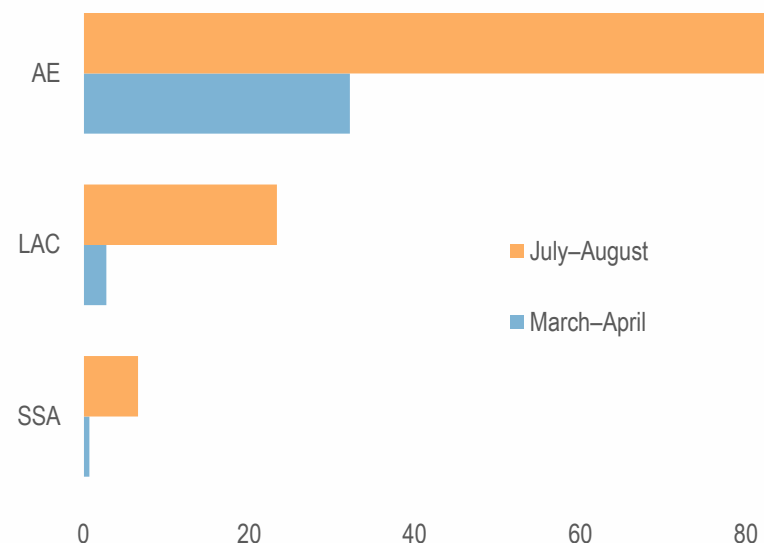
Lower cases and out of sync with the rest of the world

New COVID Cases, Selected Regions

(Per million population, 7-day moving average)



Number of COVID-19 Tests per 1,000 People

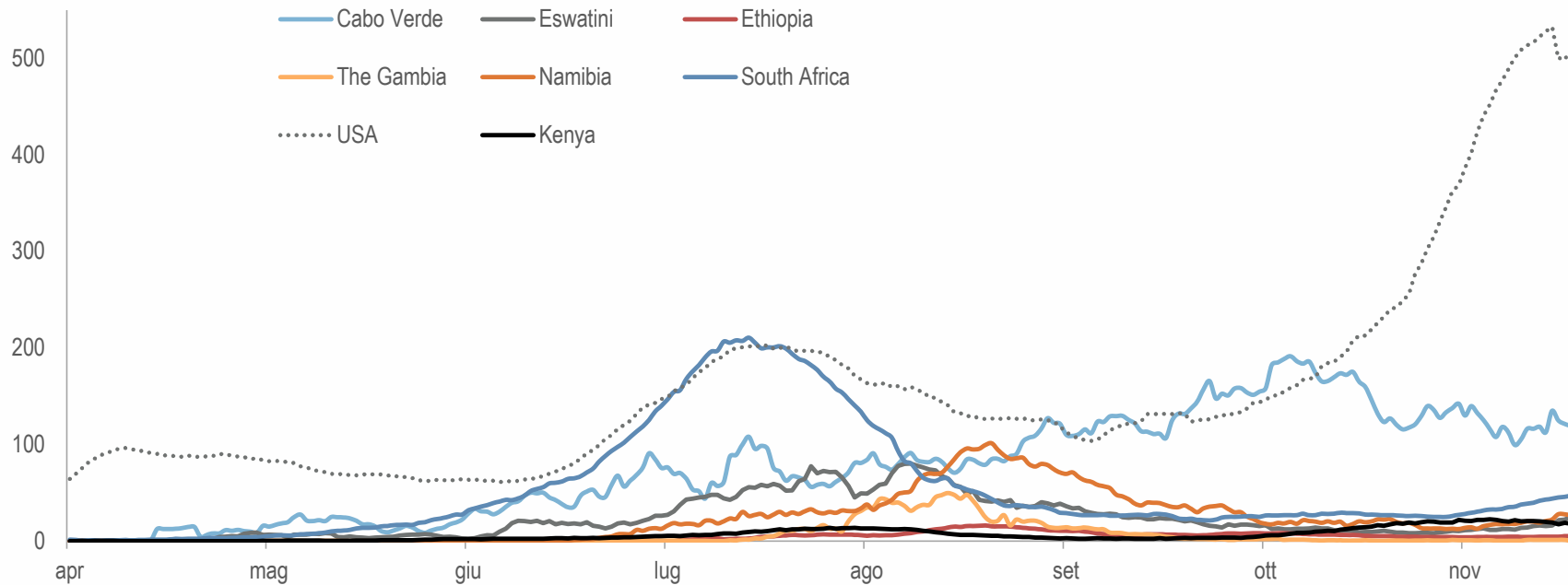


Sources: Johns Hopkins University COVID Tracker, Our World in Data, and IMF staff calculations.

Note: Daily COVID-19 case data updated as of December 1, 2020.

However, the regional experience is far from uniform

New Confirmed Cases of COVID-19 per Million, SSA and USA
(7-day moving average)



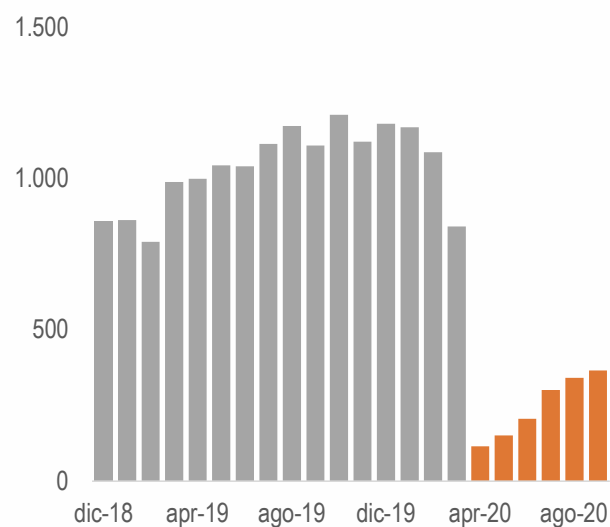
Sources: Johns Hopkins University COVID Tracker, Our World in Data, and IMF staff calculations.
Note: Daily COVID-19 case data updated as of December 1, 2020.

Impact on the Region

Lockdowns weighed on travel, trade, and commodities

Flight Arrivals in SSA

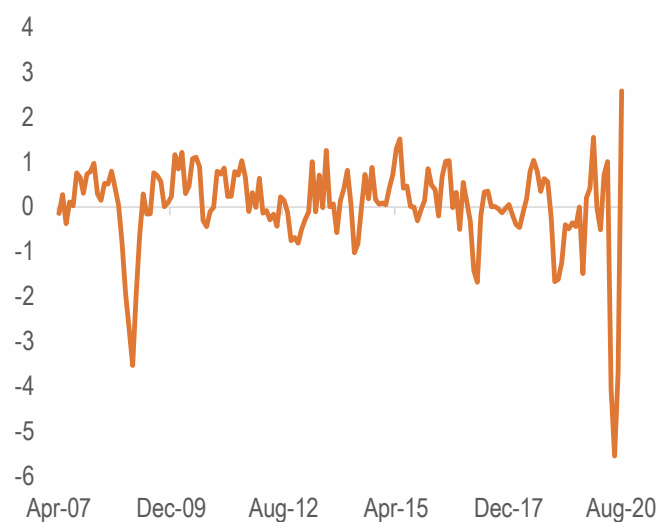
(Flights per month, mean)



Sources: FlightRadar24 and IMF staff calculations.

Export Volumes: Africa, Middle East

(Percent change, 3-month moving average)

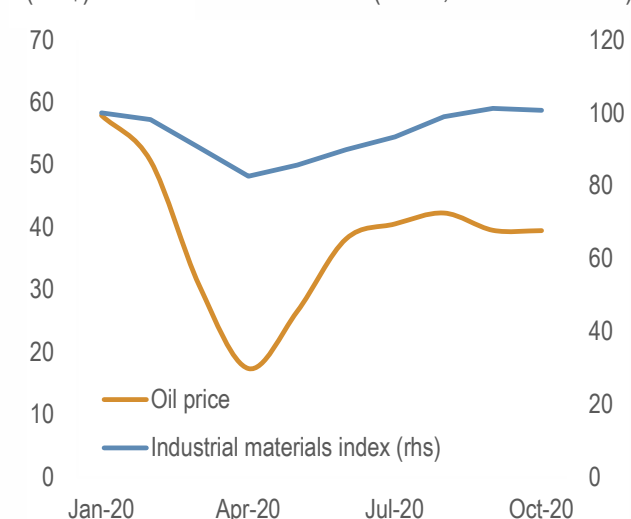


Sources: CPB World Trade Monitor and IMF staff calculations.

Oil and Non-oil Commodity Prices

(US\$)

(Index, Jan. 2020=100)

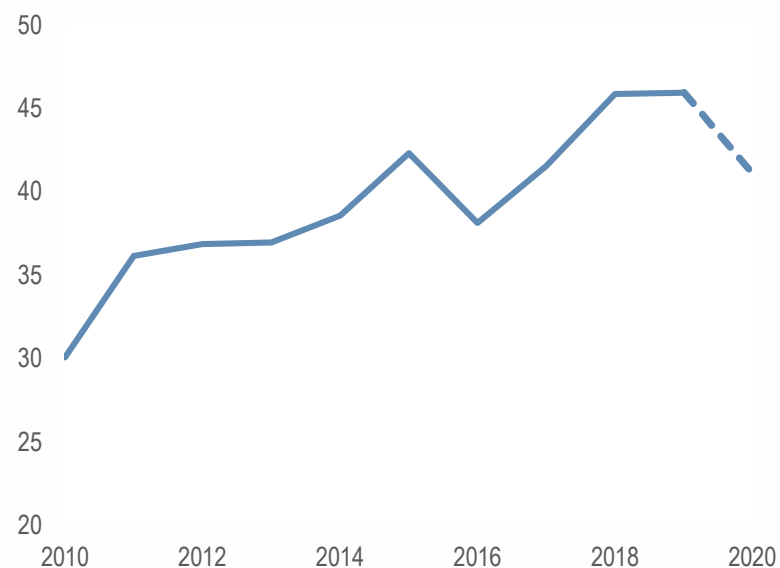


Sources: Haver Analytics and IMF staff calculations.

Remittances and capital inflows also affected

Remittance Flows to SSA

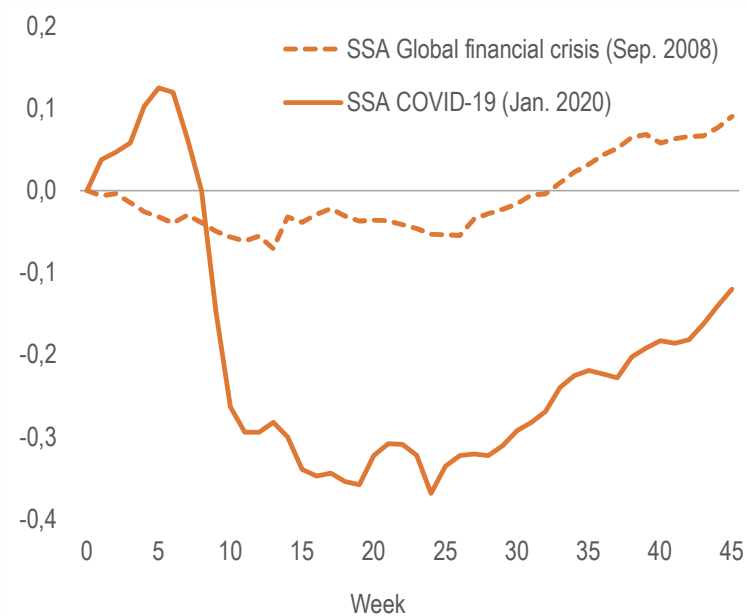
(Billion US\$)



Sources: World Bank Bilateral Remittance Matrix and IMF staff calculations.

Cumulative Portfolio Flows in SSA Frontier Markets

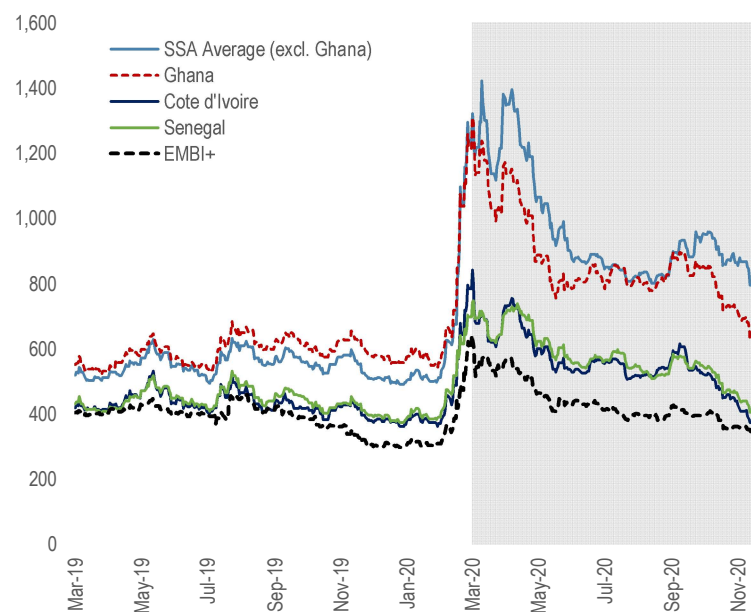
(Percent of GDP since the start of each episode)



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

Access to markets is still uncertain

Spreads
(Basis Points)



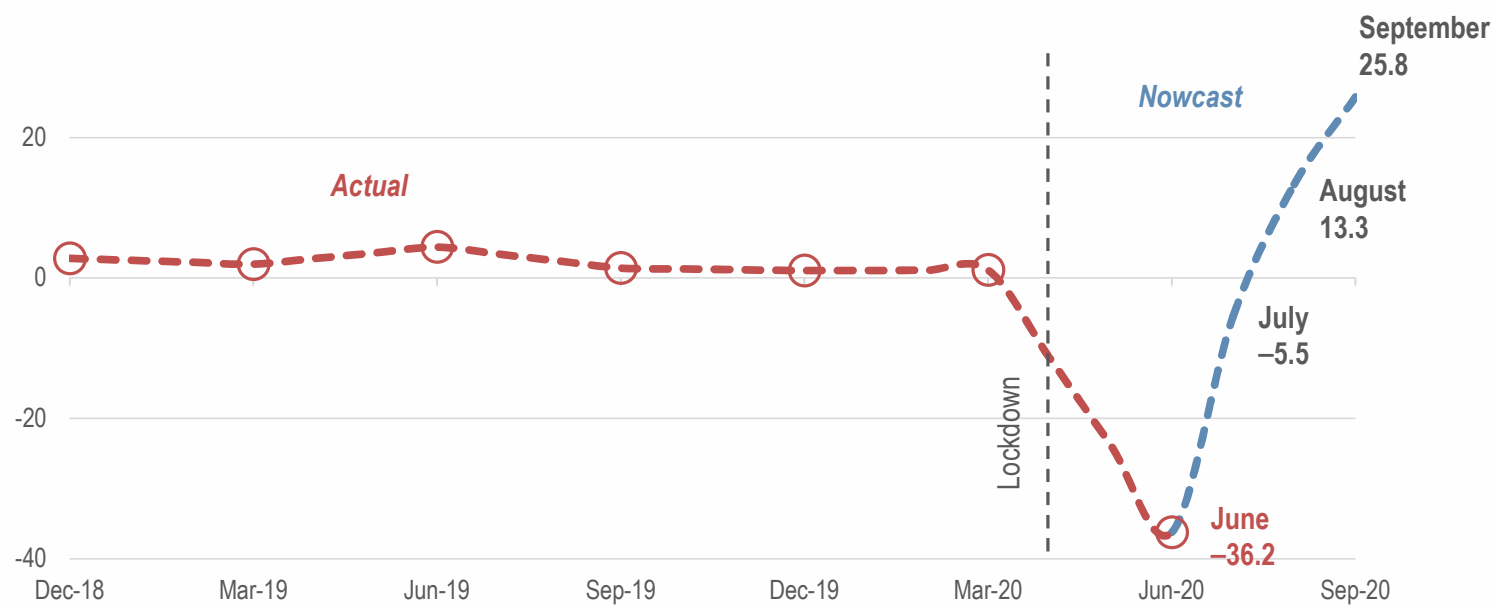
Sources: Bloomberg L.P

- External financing conditions for frontier markets improved after initial shock
- Global liquidity, search for yield support quotations
- Financial markets may be open (*Cote d'Ivoire's \$1bn issuance*)
- But prospects are uncertain for 2021

Output seems to have bottomed out...

Real GDP Growth, Data and Nowcasts, 2018-20

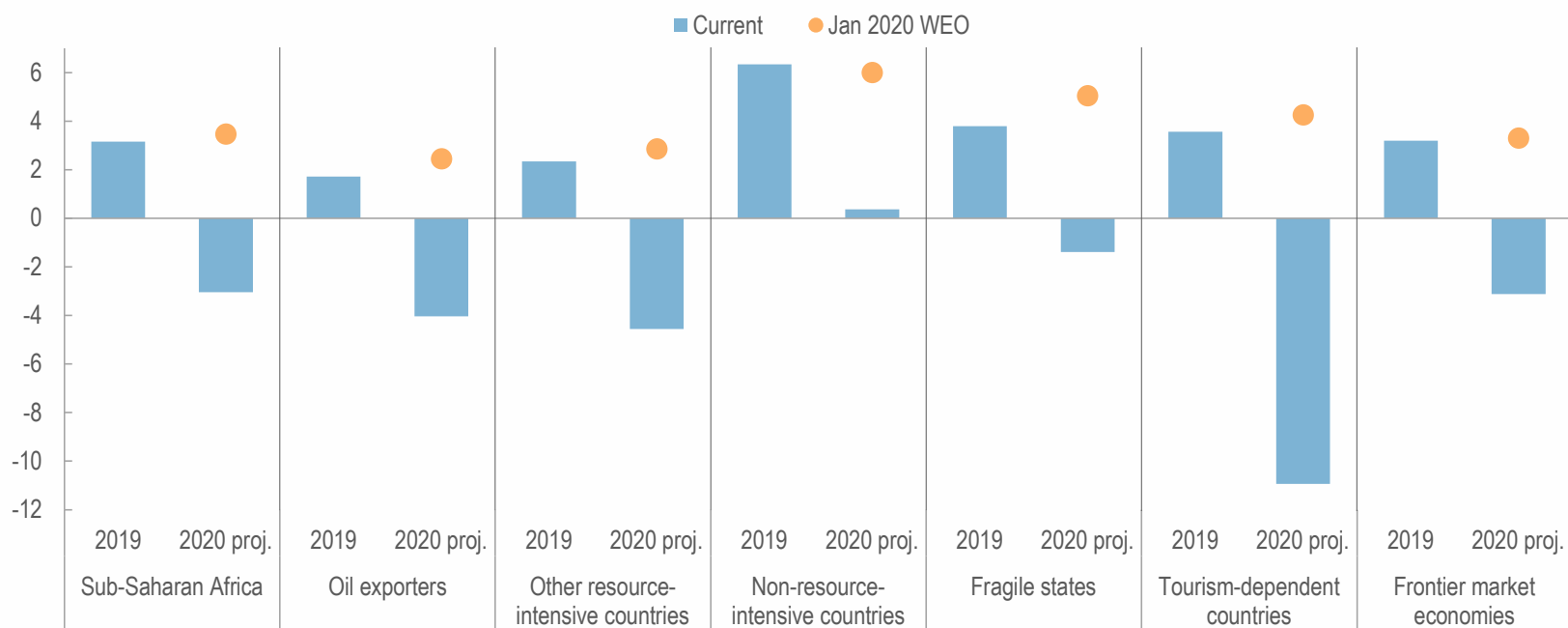
(Percent, rolling q-on-q annualized)



Sources: Haver Analytics, national authorities, and IMF staff calculations.

Output will contract by 3.0 percent in 2020

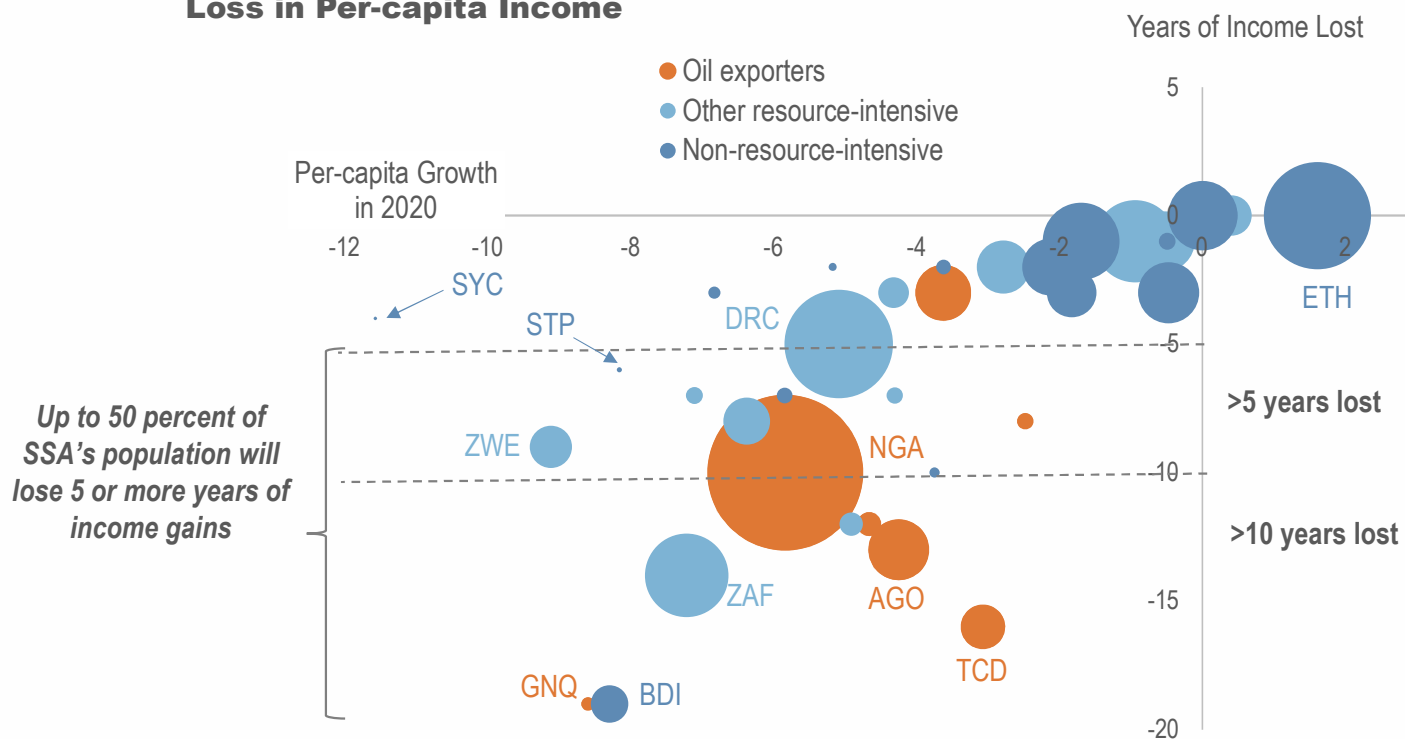
Real GDP Growth
(Percent)



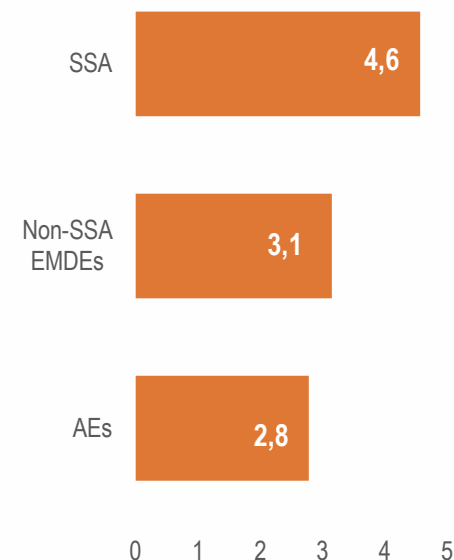
Sources: IMF, World Economic Outlook and IMF staff calculations.

The crisis will set back hard-won gains in income

Loss in Per-capita Income



Fall in Cumulative GDP Per-capita Growth, 2020–21 (Percent)



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

Note: Each circle is proportional to the size of the population. The x-axis represents the number of years of per-capita income that was wiped out in 2020.

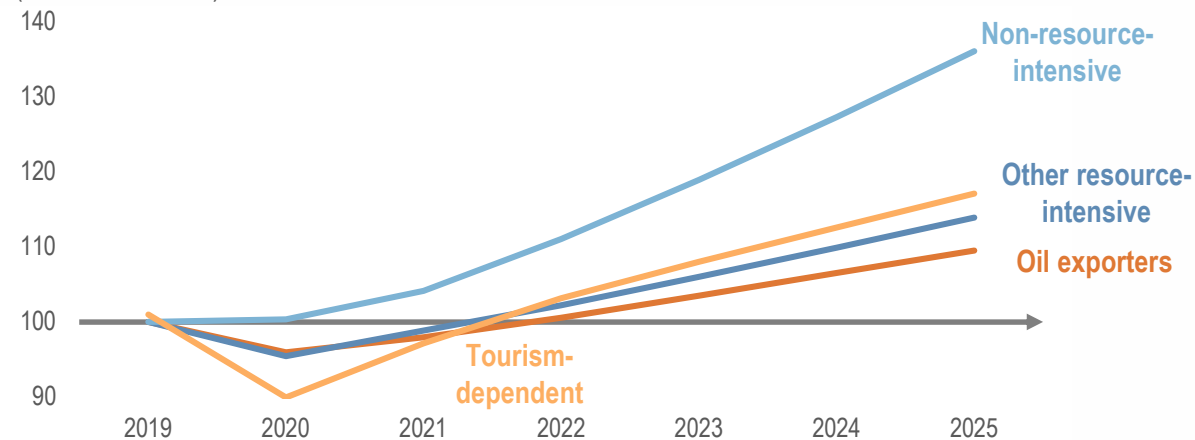
Outlook and Policies

Prolonged and uneven recovery to start in 2021...

Baseline Scenario

Real GDP

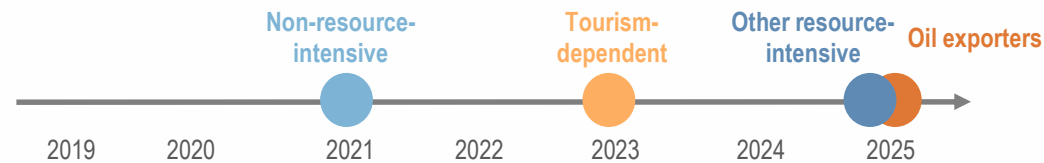
(Index, 2019=100)



Downside Scenario

The Length of the Recovery

(Time at which GDP returns to 2019 level)

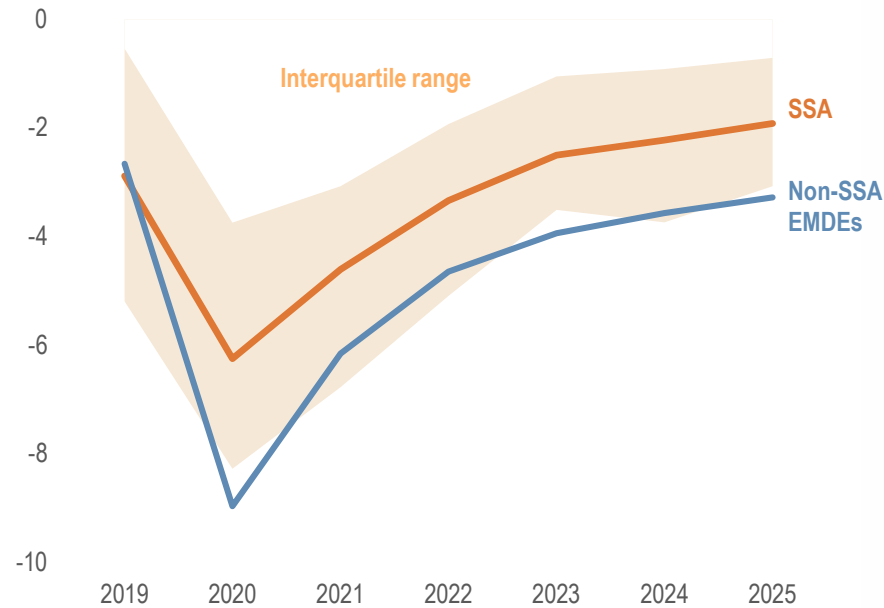


Sources: IMF, World Economic Outlook and IMF staff calculations.

Consolidation will weigh on outlook

Fiscal Deficits

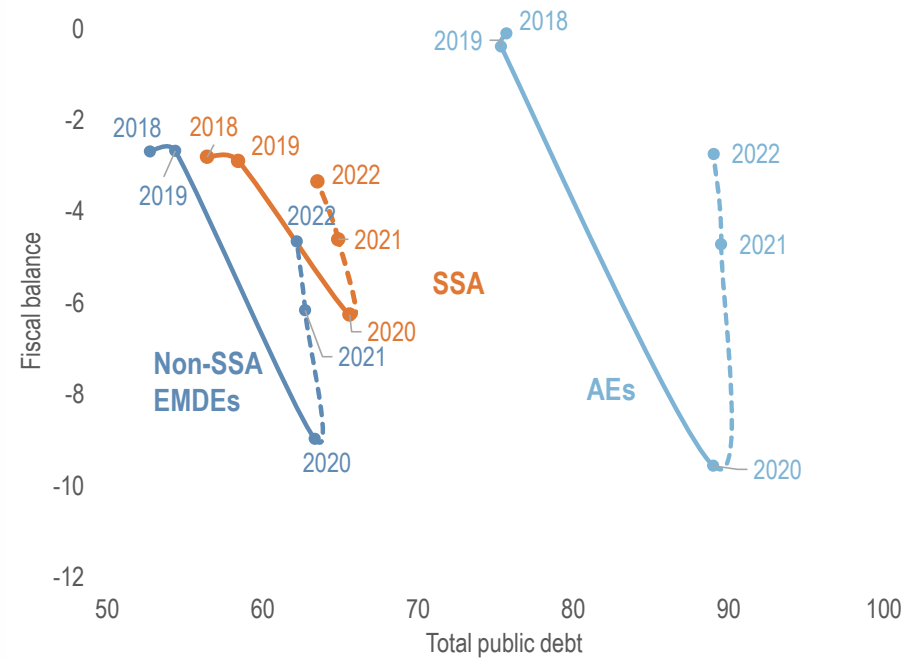
(Percent of GDP, mean)



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

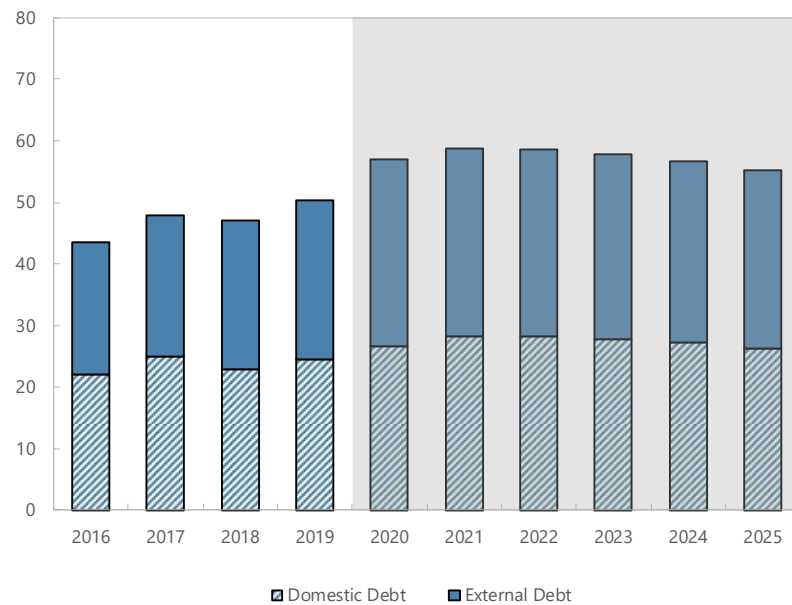
Fiscal Balance and Public Debt, 2018–22

(Percent of GDP, mean)



Public debt will decline slowly

SSA Average Public Debt
(Percent of GDP)



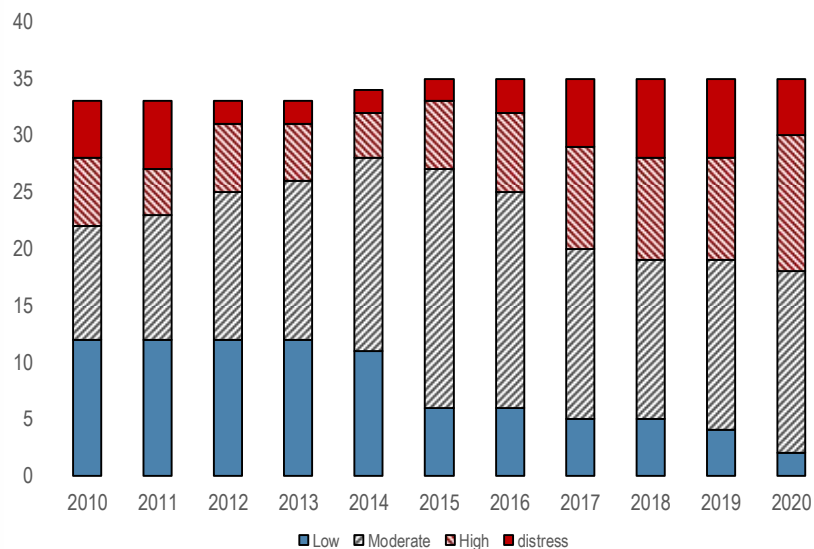
Sources: IMF staff calculations.

- Average public debt at **53** percent of GDP
- Shift towards commercial and away from concessional, bilateral debt
- Decline predicated on fiscal consolidation, return to higher growth

More countries at high risk or in debt distress

SSA Debt Risk Status for Low-Income Countries

(Number of countries)



Sources: IMF staff calculations.

- Number of countries in DSA high risk of debt distress or in debt distress is now **17**.
- Nature of debt distress is more complex given rise of **commercial debt, China**
- The approach to sovereign debt crises and debt restructuring is evolving - **G20's Common Framework**

Shape of recovery hinges on transformative reforms...

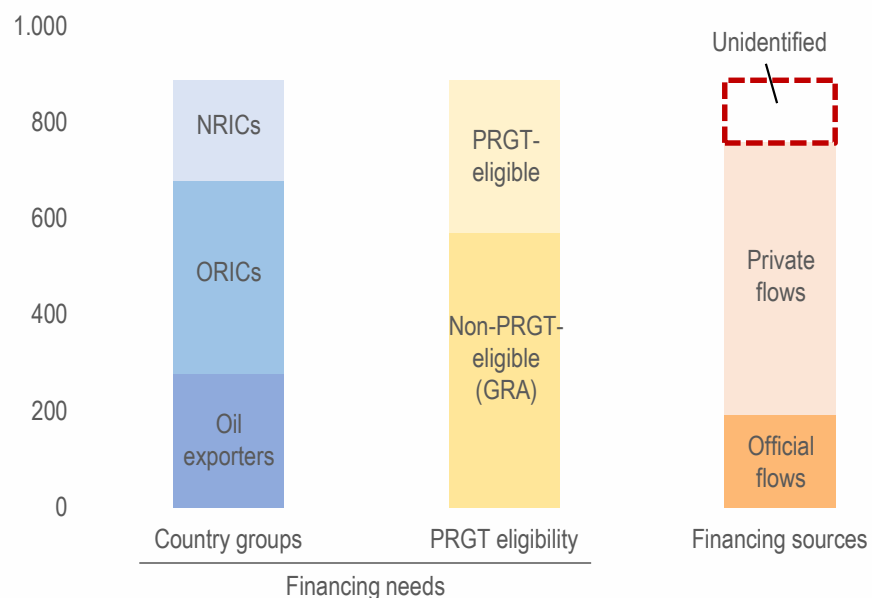
These reforms include:

- *Domestic revenue mobilization;*
- A strengthened focus on *social protection* to reverse the COVID-19 induced increase in poverty;
- Policies to promote connectivity and *digitalization;*
- Enhancing *transparency*, improving *governance*, eliminating corruption.

...as well as significant external financing

- The region's gross financing needs are projected at approximately **US\$900 billion** for 2020–23, of which just over **50 percent** are external debt amortization.
- The DSSI has contributed **0.3 percent** of the financing needs thus far.
- A substantial financing gap remains, estimated between **US\$130–410 billion** for 2020–23.

External Financing Needs and Sources, 2020–23
(Billion US\$)



Source: IMF staff calculations.

Note: This scenario (optimistically) assumes private financial flows revert close to pre-crisis levels.
NRICs = non-resource-intensive countries; ORICs = other resource-intensive countries.

Key messages

- The *recovery* ahead remains difficult and *risks* are tilted to the downside.
- *Protecting lives and livelihoods* remains a priority...
- ...but *debt* must be brought back to sustainable levels without jeopardizing *longer-term growth*...
- ...and *transformative reforms* are urgently needed to promote a greener, inclusive, job-rich, and resilient recovery...
- ...which will be difficult without *external support*.



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