REGIONAL ECONOMIC OUTLOOK FOR SUB-SAHARAN AFRICA

Recovery amid elevated uncertainty

The economic recovery in the Sub-Saharan Africa region is continuing but with duality in growth performance and prospects. Aggregate growth is set to pick up from 3.0 percent in 2018 to 3.5 percent in 2019, 3.7 percent in 2020 and stabilize at slightly below 4.0 percent over the medium term - or about 5.0 percent, excluding the region's two major economies of Nigeria and South Africa.

However, these aggregate numbers mask considerable duality in growth prospects within the SSA region. About half of the region's countries, mostly **non-resource-intensive** countries, are expected to grow at 5.0 percent or more, and see a faster rise in income per capita than the rest of the world on average over the medium term. However, the remaining countries, comprising mostly **resource-intensive** countries are expected to fall behind. As the **resource-intensive** countries - including Nigeria and South Africa - are home to more than two-thirds of the region's total population, it is important for the policy uncertainties that are holding back growth to be addressed for the lion's share of the region's population to enjoy improved standards of living.

Table: GDP growth for Sub-Saharan Africa – percentage changes

Country	**Real GDP growth rate**				**Estimates**	**Projections**
	2010-2015	**2016**	**2017**	**2018**	**2019**	**2020**
Angola	4.6	-2.6	-0.2	-1.7	0.4	2.9
Eswatini	3.3	3.2	1.9	0.2	-0.4	0.2
Lesotho	4.2	3.1	-1.6	1.5	3.9	0.3
Namibia	5.7	0.6	-0.9	-0.1	1.4	2.0
Nigeria	5.8	-1.6	0.8	1.9	2.1	2.5
South Africa	2.3	0.4	1.4	0.8	1.2	15
SSA	5.1	1.4	29	3.0	3.5	3.7

Source: IMF Regional Economic Outlook, April 2019

The following factors, amongst others, constitute the external and domestic headwinds that are weighing on the SSA region's growth prospects:

- The **global expansion is losing momentum**, including in key trading partners such as China and the euro area; trade tensions remain elevated; global financial conditions are volatile and have tightened somewhat relative to October 2018; and commodity prices are expected to remain low. On the domestic front, climate shocks are likely to impact agricultural output in southern Africa, while policy uncertainty is weighing on growth prospects in several countries;

- **Debt vulnerabilities remain elevated** in some countries. Weaknesses in public balance sheets are also weighing on countries' external positions, with reserve buffers below levels typically considered adequate in more than half of the countries in the region;;;

- At the same time, **high non-performing loans** continue to put a strain on financial systems, while weaknesses in public financial management systems are manifesting themselves in large domestic arrears with potential effects on growth and domestic financial systems; etc.

The familiar challenge of finding ways to address human and physical capital investment needs is being complicated by declining fiscal space and a less supportive external environment. Central to resolving this challenge is building fiscal space, enhancing resilience to shocks, and fostering an environment conducive to sustained, high and inclusive growth. Meeting this challenge would be even more difficult if the downside risks to growth materialize (for example, if global growth is even weaker than envisioned in the current baseline). This underscores the need to accelerate reforms and calibrate the size and pace of policy adjustments to ensure that any shift in policies is consistent with credible medium-term macroeconomic objectives, available financing, and debt sustainability.

While the dualism between resource-intensive and non-resource-intensive countries is manifested in their economic prospects, policy priorities, and the severity of their budgetary constraints, the countries also share the challenges of strengthening resilience and creating sustained high and inclusive growth. Addressing these challenges, amongst others, requires the following intervention measures:

- Stepping up revenue mobilization, ensuring efficient public investment, strengthening public financial management, containing fiscal risks from state-owned enterprises, improving debt management and resolution frameworks, and enhancing debt transparency. Enhancing exchange rate flexibility, in countries that are outside monetary unions, and strengthened monetary policy and financial systems are also key;

- Raising both productivity and private investment, while ensuring a more equitable sharing of the benefits of increased prosperity. Achieving this will require policies to enhance the contestability of markets and create an environment that fosters a dynamic private sector, such as addressing salient constraints to business operations and deeper trade integration and by improving access to and the provision of financial services and basic services (including health and education); etc.

Source: IMF Regional Economic Outlook for Sub-Saharan Africa, April 2019