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# **Sub-Saharan Africa: Economic Development and Outlook**

April 2016

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# Summary

## Part 1: A look at Growth Prospects

Economic growth in Africa has slowed in 2015-16, as some countries have been negatively affected by falling prices of their main commodity exports. Growth remains however higher than in many other emerging and developing regions of the world, and we observe large disparities between African countries, especially between oil importers and oil exporters.

## Part 2: The Challenges to Growth and Job Creation

The document explored the challenges to growth on the continent, distinguishing between the new challenges (the fall of commodity prices and the deteriorating conditions in international financial markets) and the long-term trends, such as demographic growth and climate change.

## Part 3: Prospects by country groups

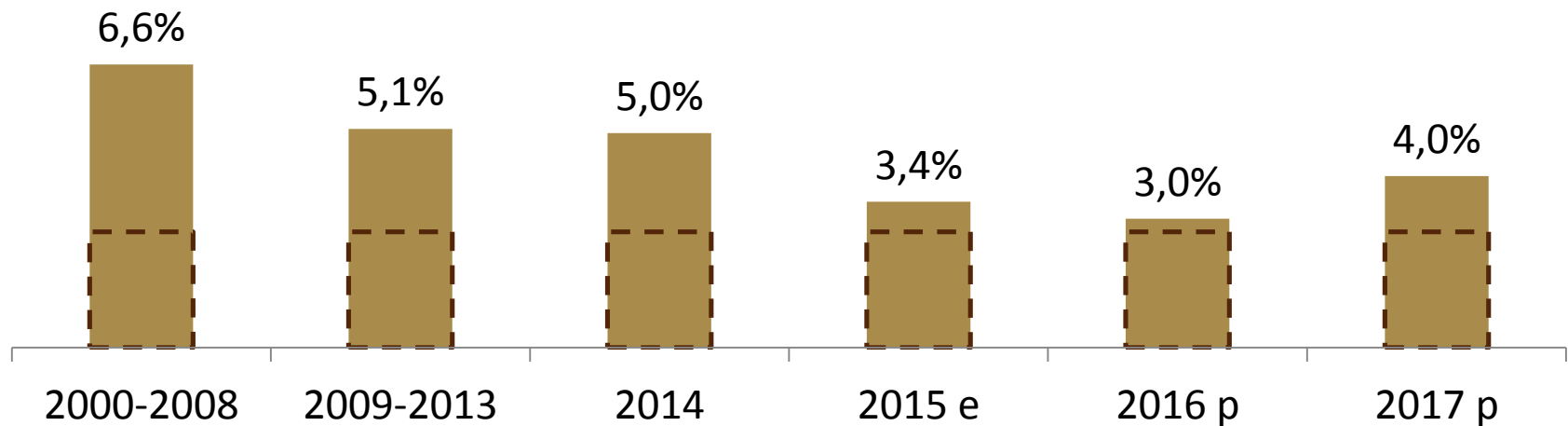
Finally, the document presents a quick overview of growth prospects in countries of particular interest for I&P:

### Main Sources

- AfDB, OECD, UNDP (2015), [African Economic Outlook, Regional Development and Spatial Inclusion](#)
- IMF (October 2015) [Regional Economic Outlook: Sub-Saharan Africa, dealing with the Gathering Clouds](#)
- World Bank (April 2016), [Africa's Pulse, An analysis of issue shaping Africa's economic future](#)
- [World Bank Countries Overview](#)

# 1.A look at growth prospects

# Economic growth has slowed down in 2015-2016 ...



Source: International Monetary Fund and United Nations

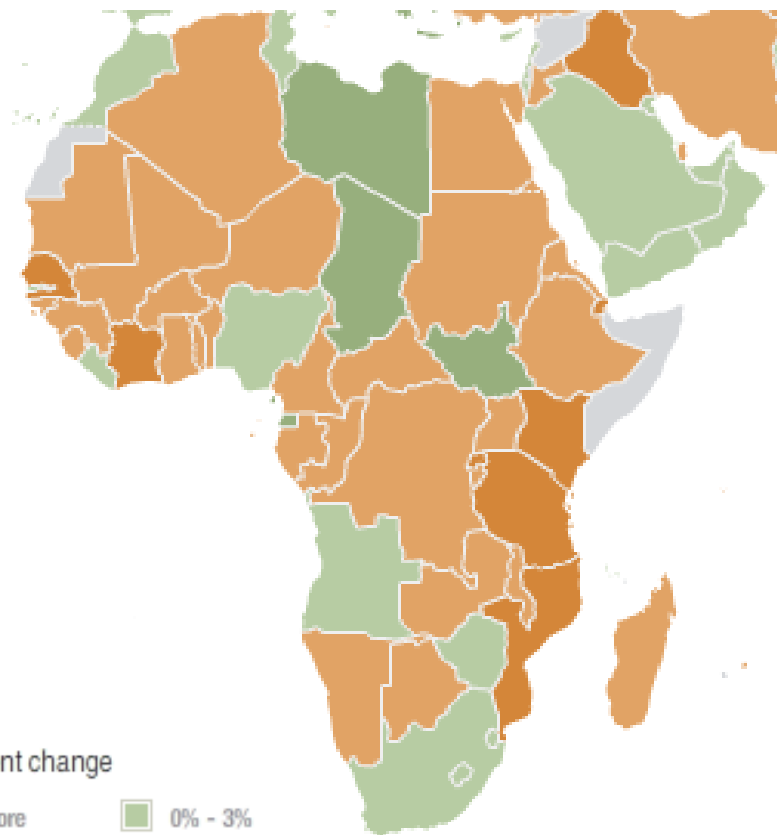
2,7% : Demographic growth

## Main Factors

- Deceleration of growth in emerging countries – leading to a drop of export demand, and a decrease in commodity prices and inflows of FDI
- Deteriorating conditions in the global financial market – resulting in capital exit, exchange rate depreciation, inflation, and larger spreads on sovereign debt

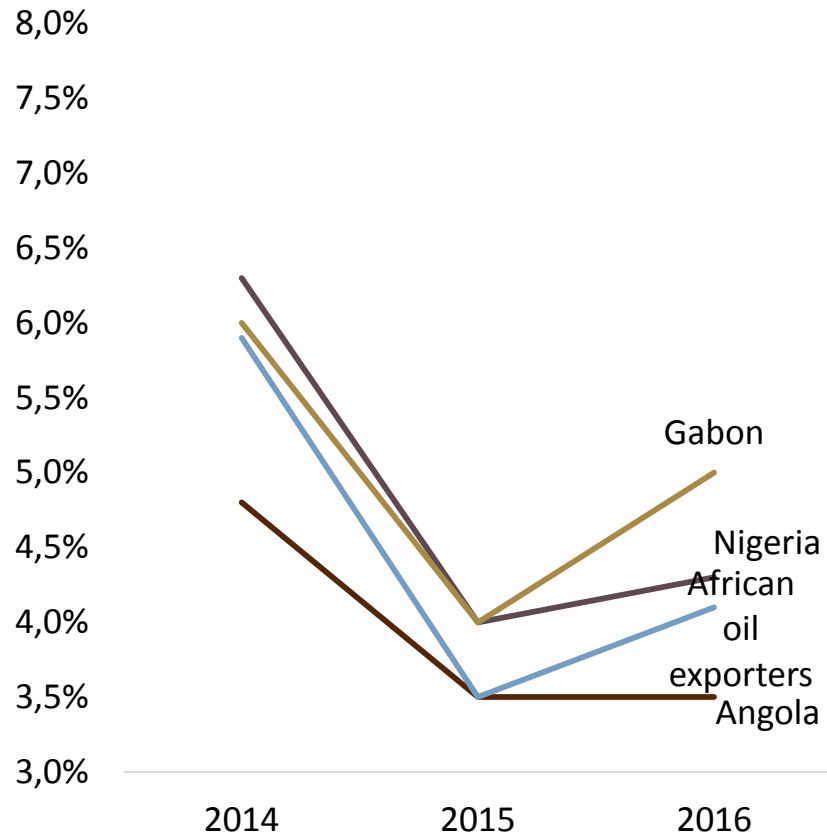
# But with considerable disparities

## Economic Growth Prospects (2015)

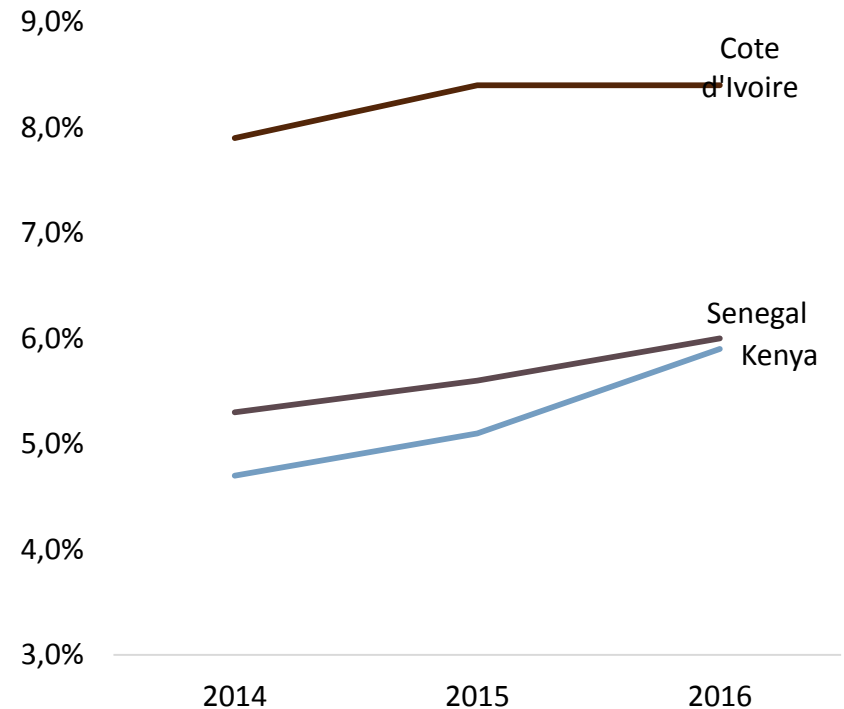


- Most **commodity exporters** have experienced slowing growth, widening fiscal and external deficits, and some combination of exchange rate depreciation and declines in reserves (in terms of months of import cover).
- Most **diversified exporters** have continued to record robust economic growth, albeit with some widening of fiscal deficits (often linked to rising public investment levels); current account positions have deteriorated in some larger economies, while deficit levels remaining elevated in many countries, financed in some cases through significant increases in public external **debt**.
- Several countries have suffered setbacks from **natural disasters** (including Ebola) or from **internal conflicts**.

# Growth in Oil-exporting countries and Frontier Economies

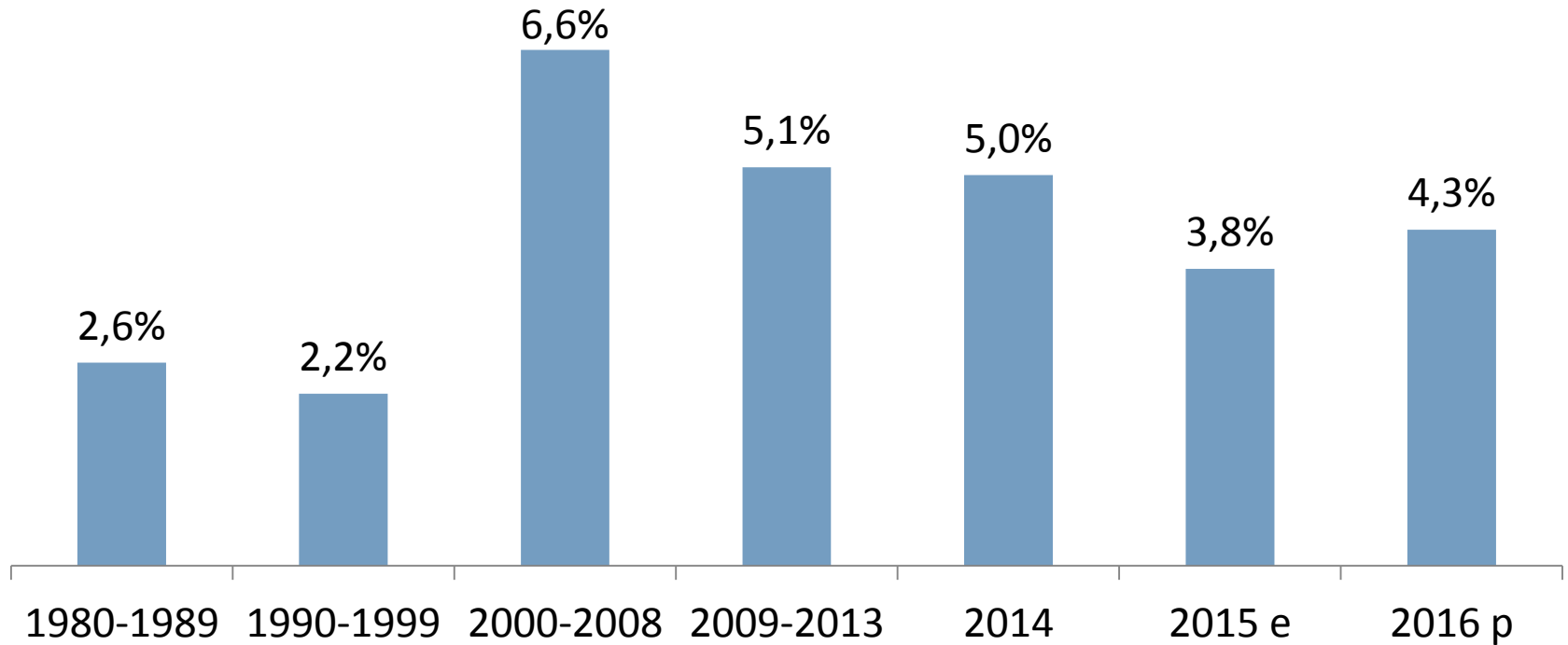


GDP Growth in oil-exporting countries



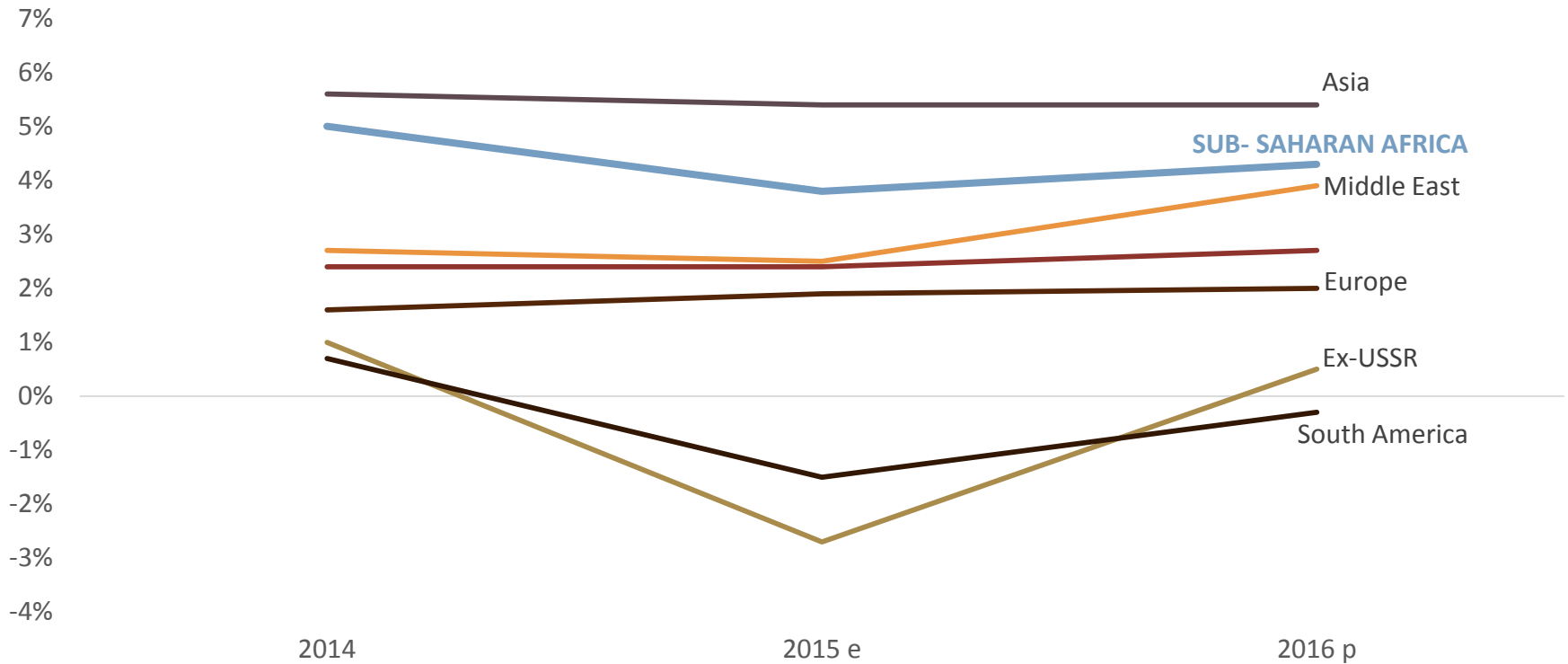
GDP Growth in Frontier Economies

# Growth remains higher than in the 80s and 90s



Source: International Monetary Fund

# Sub-Saharan Africa remains one of the best performing region (second only to Asia)



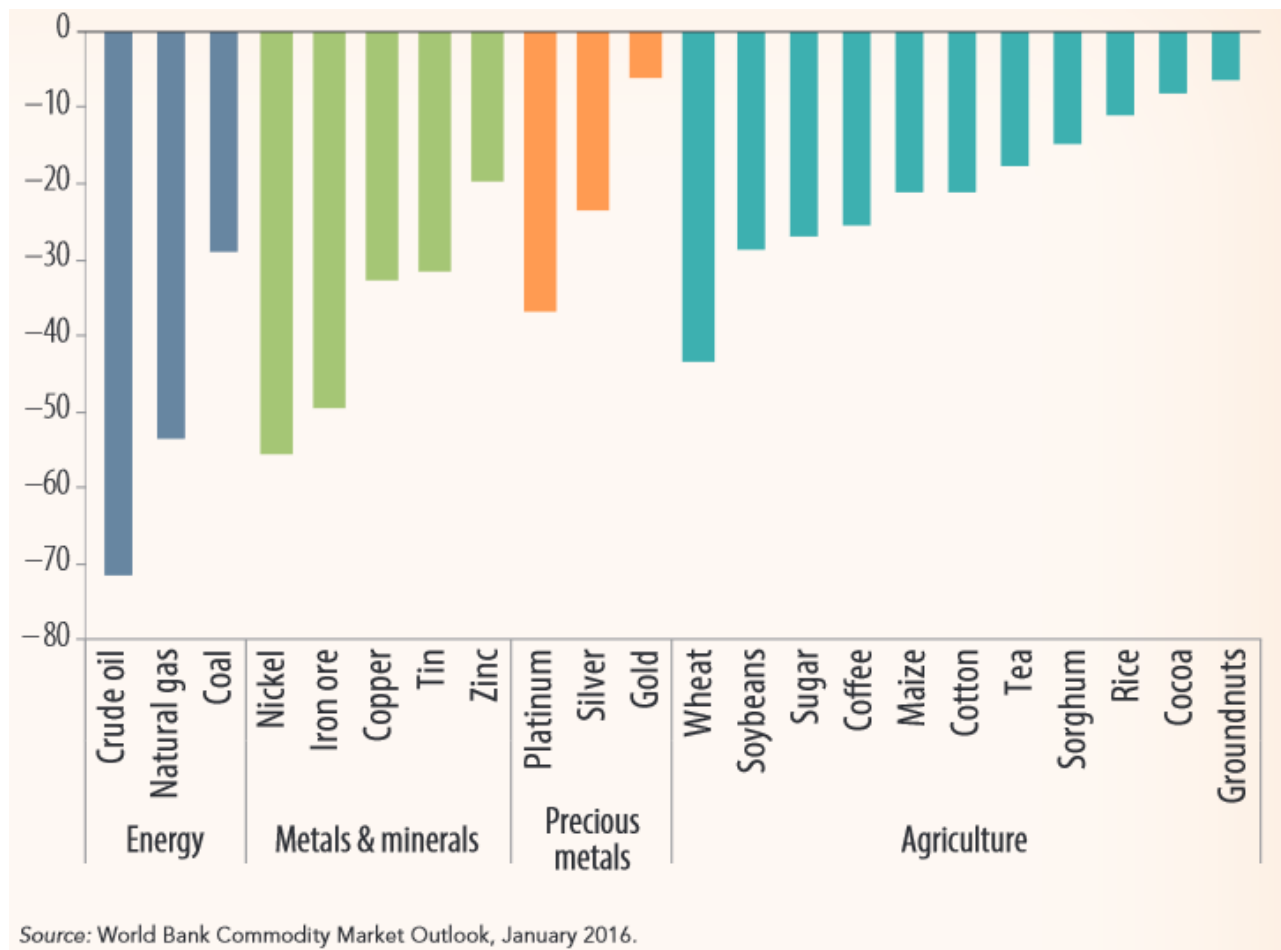
Source: International Monetary Fund



# 2. The Challenges to Growth and Job Creation

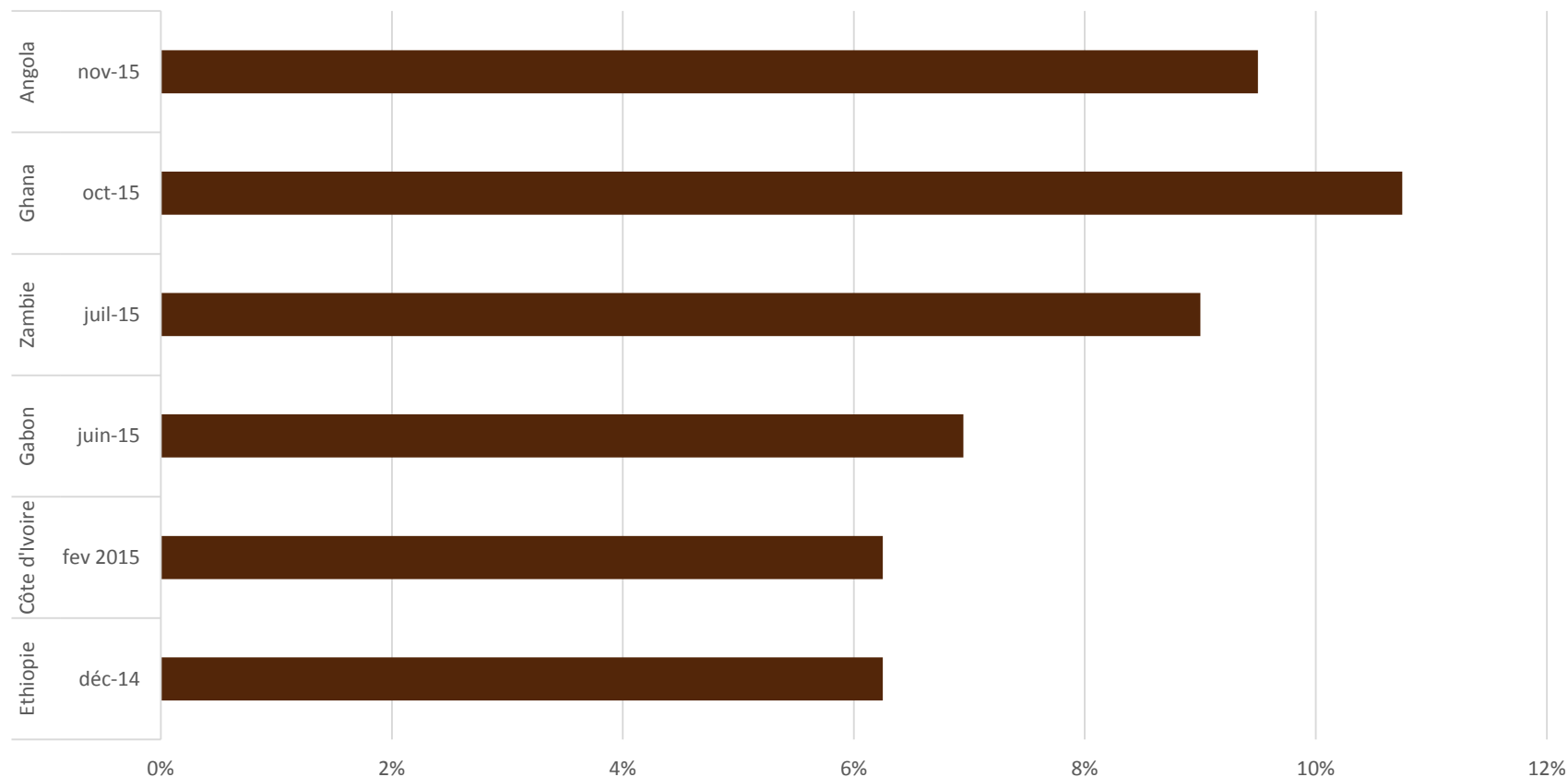
# Lower commodity prices

The fall in commodity prices represents a significant shock for the region, as fuels, ore and metals account for more than 60% of the region's exports. The impact is seen most in oil-exporting countries, where average growth is estimated to have slowed from 5.4% in 2014 to 2.9% in 2015.



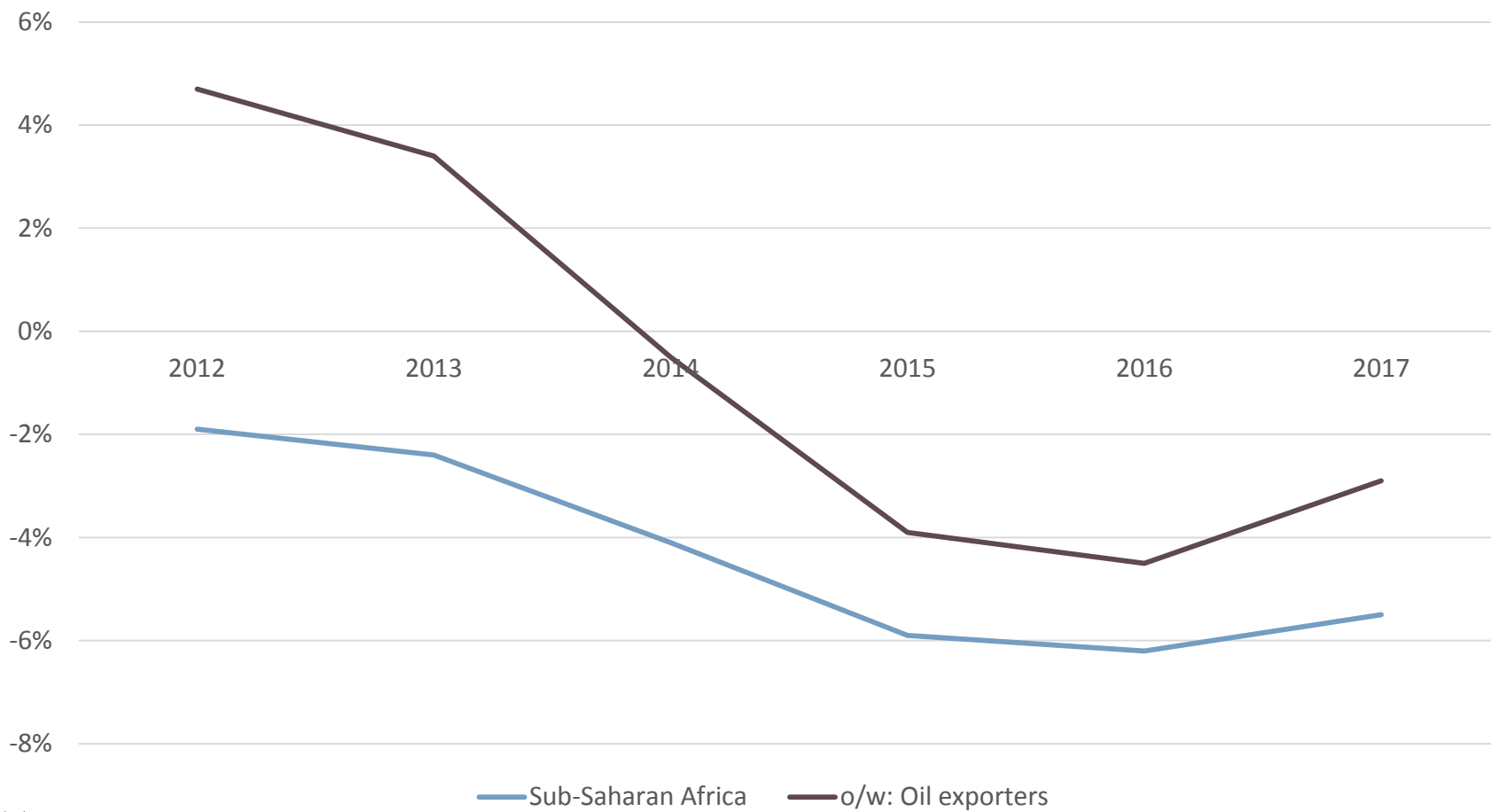
# Deteriorating conditions in global financial markets

Warning : concerns about access to external capital markets are not theoretical



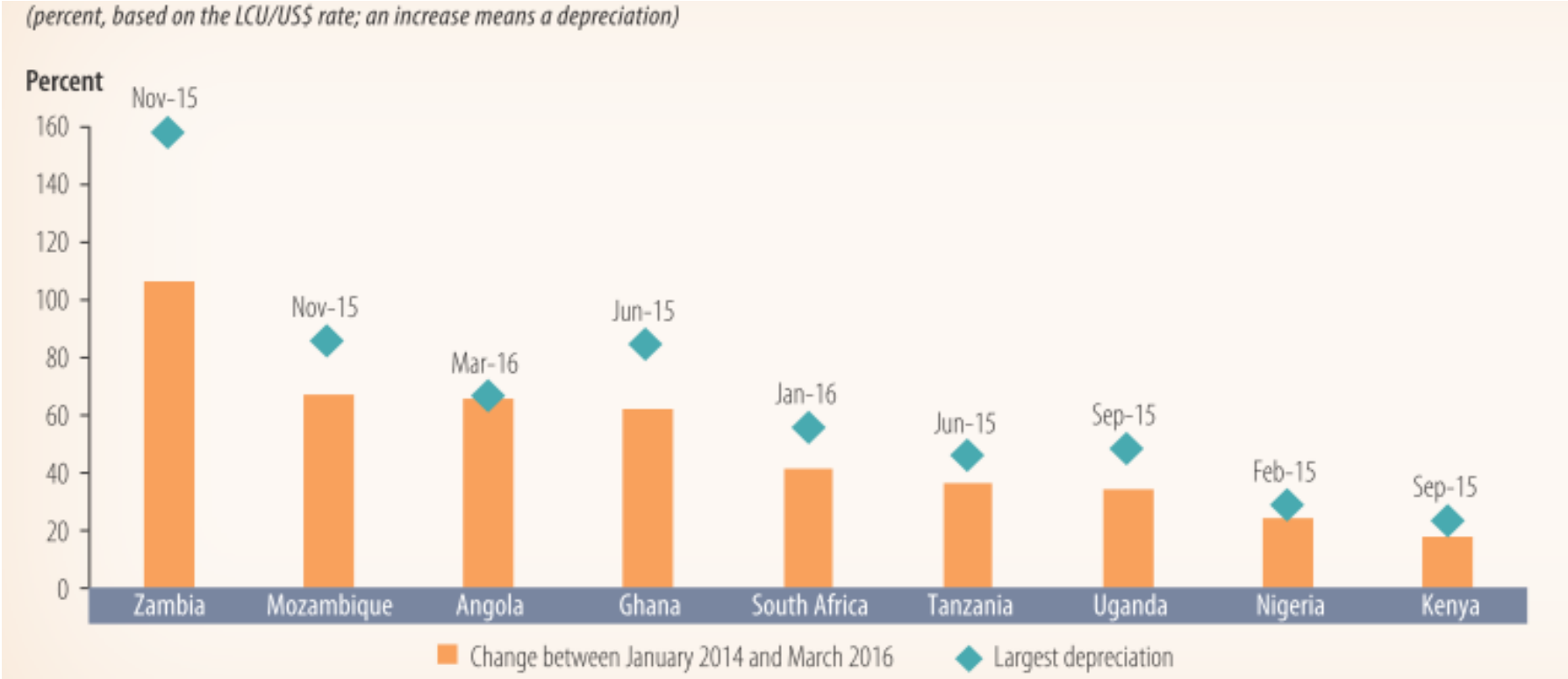
# ... Resulting in large current account deficits

Current account balance



# ... And to currency depreciation

Currency Depreciation against the Dollar, Selected SSA Countries



# Increasing risks of debt distress

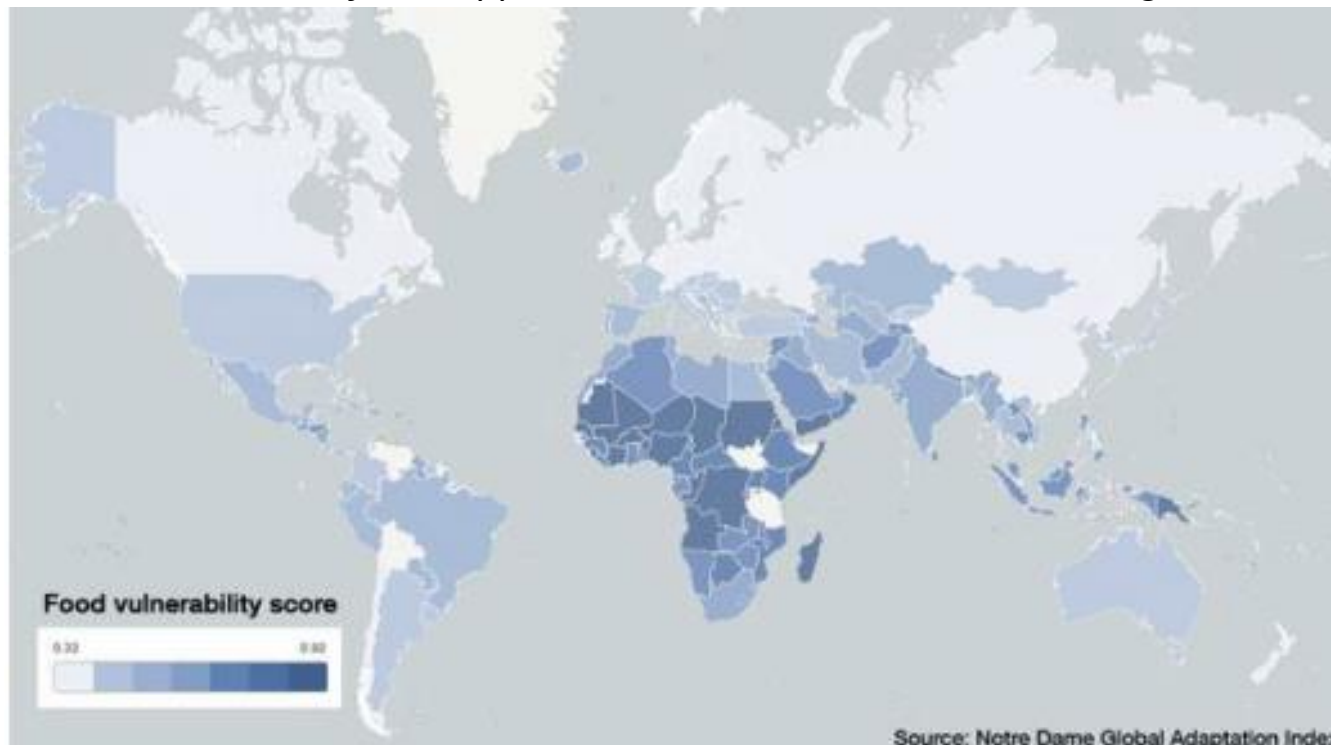
With lower growth and higher interest rates, the positive dynamics that had so far put a relative lid on public debt increases could rapidly reverse in some countries

<i>High risk</i>	Cameroun	Ghana, Mauritania, Central Africa	Burundi, Chad, Djibouti, Sao Tome, Sudan, Zimbabwe
<i>Moderate risk</i>	Congo, Ethiopie, Zambie, Madagascar	Mali, Sierra Leone, Niger, Malawi, Burkina Faso, Togo, Guinée, Cote d'Ivoire, Mozambique	RDC, Comores
<i>Low risk</i>	Benin, Kenya, Liberia, Nigeria, Rwanda, Senegal, Tanzania, Uganda		
	<i>Low risk</i>	<i>Moderate risk</i>	<i>High risk</i>

# Climate change

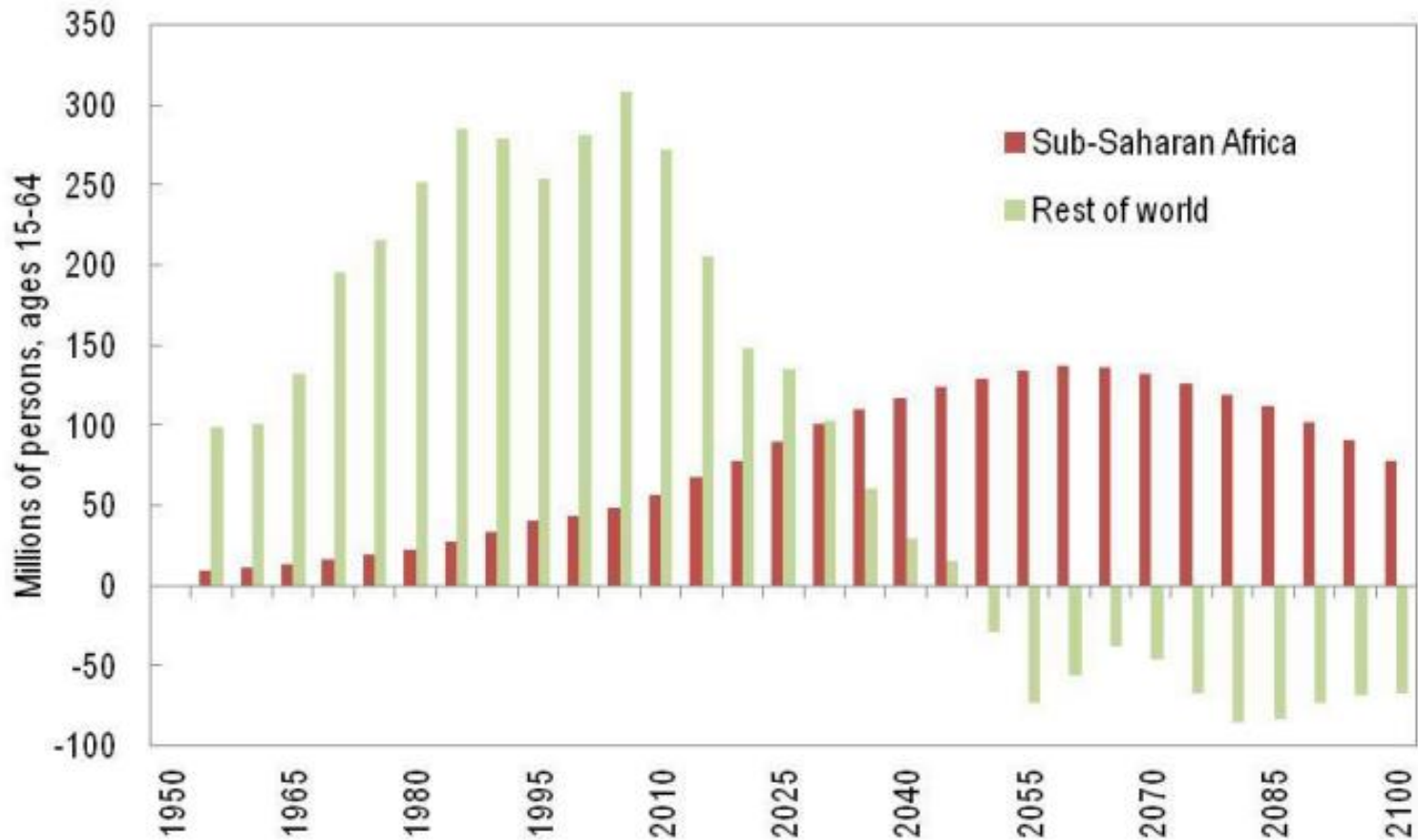
Africa will be severely struck by the impacts of climate change. In Africa and other developing regions of the world,, climate change is a threat to economic growth (due to changes in natural systems and resources), long-term prosperity, as well as the survival of already vulnerable populations. Consequences of this include persistence of economic, social and environmental vulnerabilities particularly for the economic and livelihood sectors.

*Where are food supplies most vulnerable to climate change ?*



# Demographic Change

Sub-Saharan Africa's population (currently 800 million) is projected to rise to **2 billion by 2050**, with a working age population (ages 15-64) projected to **triple to 1.25 billion**. Sub-Saharan Africa will need to **create jobs at an extremely rapid pace** (about 18 million per year until 2035) to absorb this growing labor force





# Africa through the lens of demography: an elusive dividend?



**As fertility rates decline, countries are presented with the opportunity for two types of “demographic dividend”**

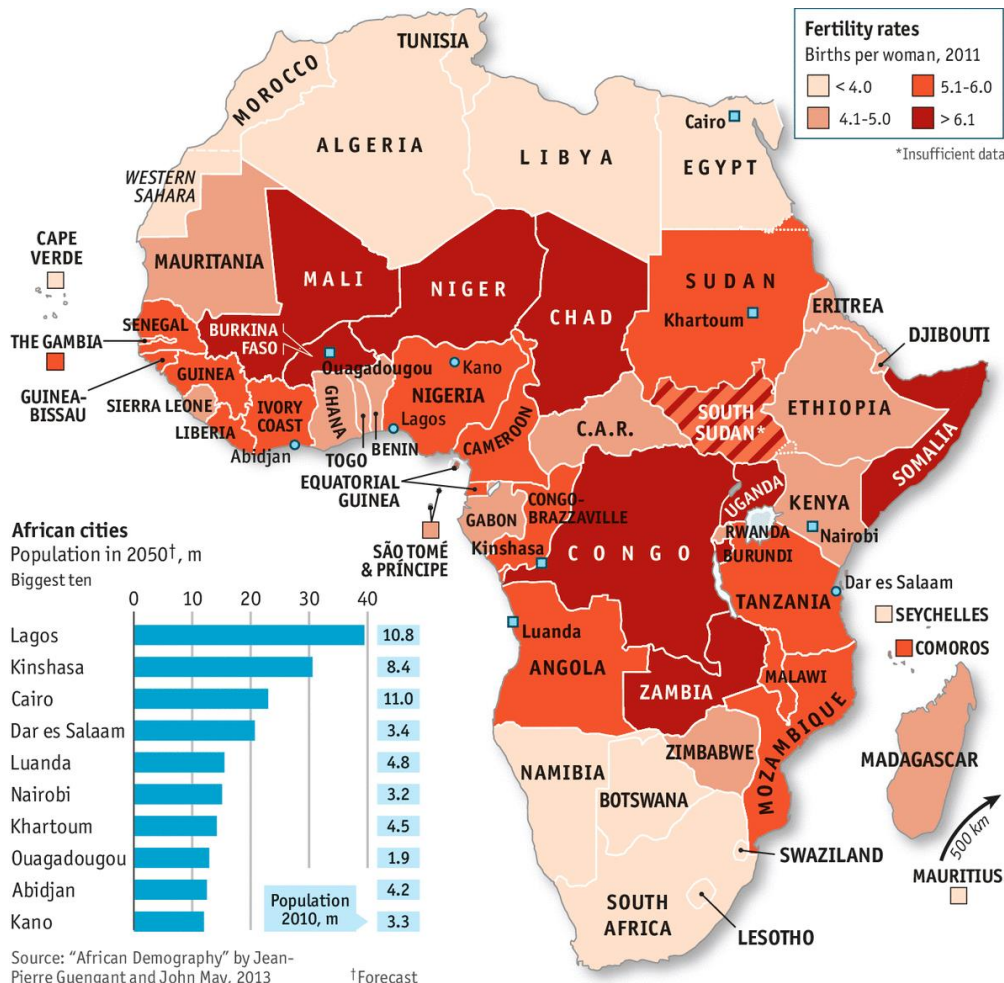
- A **1<sup>st</sup> demographic dividend** is possible as the growing labor force supports fewer children.
- As changes in the age structure expand production and resources, a **2<sup>nd</sup> demographic dividend** may arise as savings build up and greater investment is possible in human and physical capital.

The bonus provided by the first dividend is transitory, while the second dividend produces lasting benefits in the form of **greater productivity growth and enhanced sustainable development.**

Yet, **these outcomes are not automatic—they depend on effective policies.** The two demographic dividends thus represent an opportunity—and not a guarantee— of greater prosperity and improved living standards.

Sources:  
World Bank; Lee and Mason, 2006

# Demography: An heterogeneous situation



**Below <4:** 13 countries, 22% of the continent's population. Not a single one is in West, Central or East Africa.

**Between 4 and 5:** 15 countries, 22% of the population. These countries are only starting to converge (striking falls in fertility for a few years, which have then stalled). The group includes some of the continent's recent relative economic successes, such as Ghana, Rwanda and Ethiopia

**Between 5 and 6:** 16 countries, 37% of the population. It includes Africa's giant, Nigeria, which has 170m people. These countries are not really converging, though their demographic patterns are starting to change, fitfully

**Above 6:** this last group is seeing even less change (the situation is not so different from the 1960s). Most are landlocked and have low rate of urbanization

# 3. Prospects by Country Groups

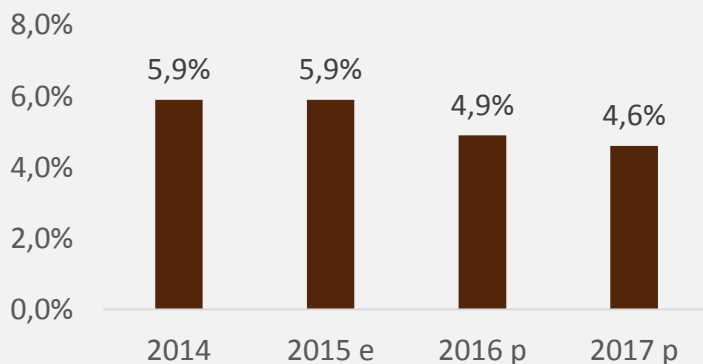
# Cameroon

Cameroon's macroeconomic and security environments have deteriorated since the last consultation. In 2014–15, the economy has shown resilience in the face of the twin shocks of the oil price slump and heightened security threats, with still robust growth and low inflation



<b>Population</b>	22.77 million	2014
<b>GDP</b>	\$32.05 billion	2014
<b>GDP growth</b>	5.9%	2014
<b>Inflation</b>	1.9%	2014

## Real GDP growth



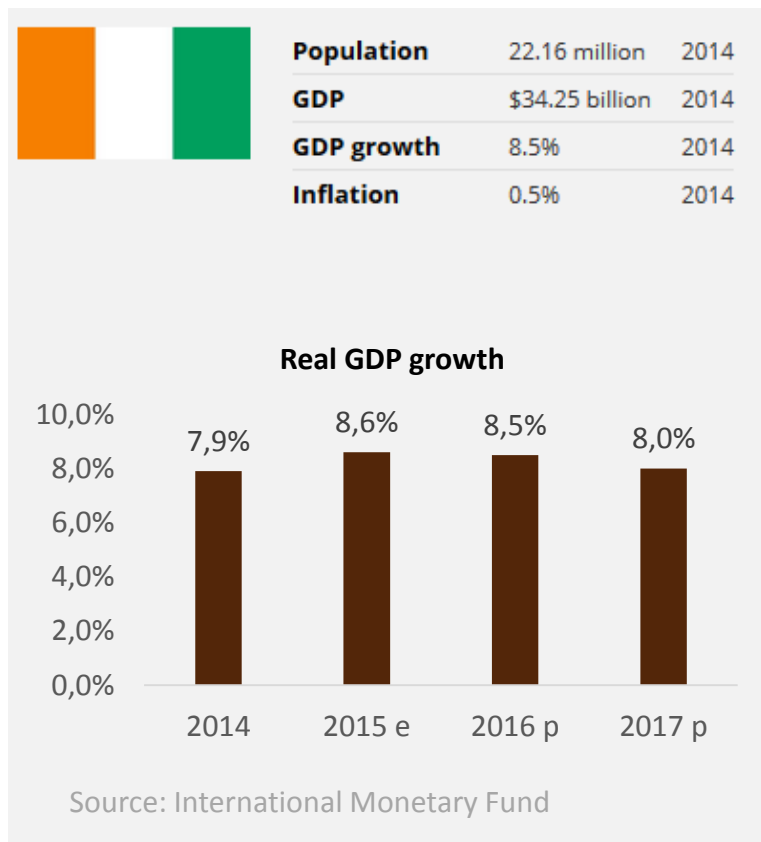
Source: International Monetary Fund

Continued 5% growth despite twin shocks of the oil price slump and security threats

But pressure is building: weak fiscal performance (incl. accumulation of domestic arrears), risk of debt distress heightened by recent Eurobond issue in November 2015 (\$750 million of securities at 9.75% )

# Côte d'Ivoire

Over the course of the past four years, Côte d'Ivoire has made an impressive transition from crisis (post-election crisis in 2011) to relative stability, and from fragility and low equilibrium, to aspiring emerging economy status.



**High growth rates, prevailing since 2012, are expected to continue**

- With renewed efforts to address the infrastructure gaps and improve the business climate
- Actions to improve PFM and public debt management.

**Global financial conditions may complicate the financing of the large public investment program.**

- In the recent past (July 2014, February 2015), Côte d'Ivoire successfully issued sovereign bonds on the international market, reflecting the attractiveness of Côte d'Ivoire to international investors.

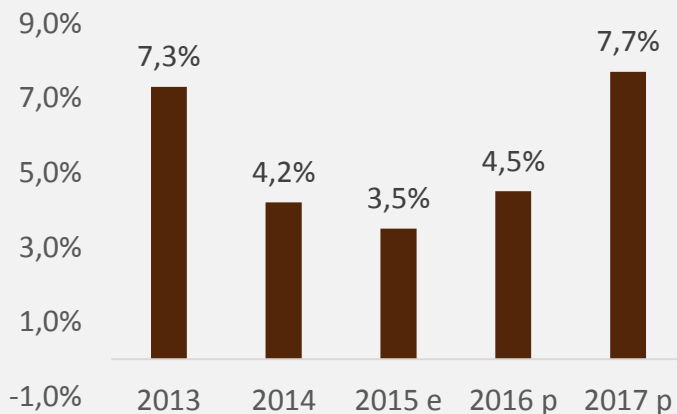
# Ghana

Up to 2013, Ghana was a reference in the West African region. An improved public management is a key condition to ensure a strong economic growth in the coming years.



<b>Population</b>	26.79 million	2014
<b>GDP</b>	\$38.62 billion	2014
<b>GDP growth</b>	4.0%	2014
<b>Inflation</b>	15.5%	2014

Real GDP growth



Source: International Monetary Fund

**Strong inclusive growth in the past 20 years until 2013, with a favorable business climate.**

- Difficult years since 2013, with poor macroeconomic management resulting in large public deficits, high inflation and interest rates, currency depreciation and low growth.
- Poor electricity supply

## Recent developments:

- Return of confidence with program backed by IMF. Sharp rebound in exchange rate. But tough challenge to adhere to stringent fiscal consolidation during an election year.
- **Inflation remains high.** Growth expected to slow further this year; but oil and gas fields to come on stream in 2016-17; and the power crisis would start being addressed.

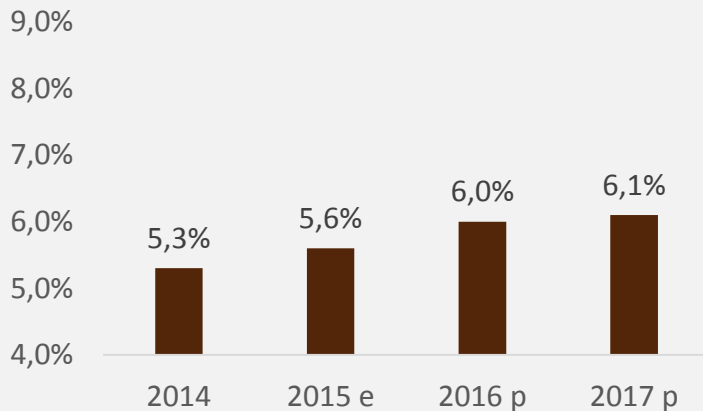
# Kenya

With a rapidly growing economic and ambitious public investment policy, Kenya is emerging as one of Africa's strongest performers. A stable macroeconomic environment, continued investment in infrastructure, improved business environment, exports and regional integration will help sustain the growth momentum.



<b>Population</b>	44.86 million	2014
<b>GDP</b>	\$60.94 billion	2014
<b>GDP growth</b>	5.3%	2014
<b>Inflation</b>	6.9%	2014

Real GDP growth



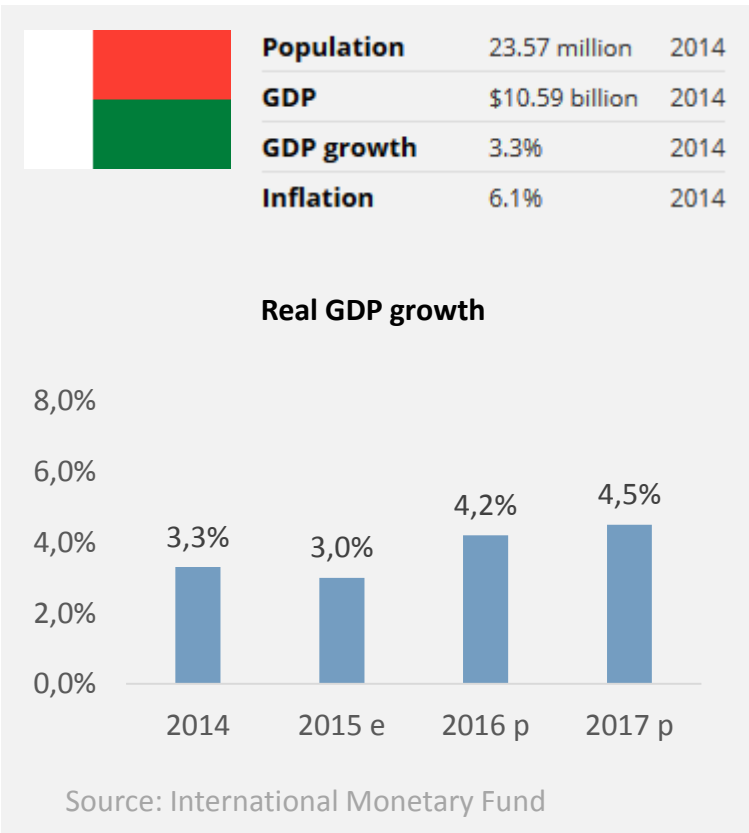
Source: International Monetary Fund,

- **Ambitious public investment** (electricity, railways) financed on international financial markets and by China and a favorable business environment
- Impact of the volatility in global markets and security challenges (notably related to the tourism industry)
- With large twin deficits, shilling has depreciated 14%, borrowing costs jumped to 20%. FDI (for oil exploration) and capital inflows are tapering.
- But inflation is in check, private consumption and public infrastructure are solid.



# Madagascar

The latest economic updates reveal a slow economic recovery (decline of new business creation, job creation, and consumption of petroleum products) Catastrophic meteorological conditions have also taken a toll on the economy, resulting in higher inflation and a reduction of household purchasing power.



- Failing economic recovery owing to external shocks, persistent political instability, and weak governance.
- To meet large infrastructure and social needs would require increased revenue and external financing
- The authorities have maintained macroeconomic stability. However, current growth and investment outcomes are not sufficient to make significant progress.

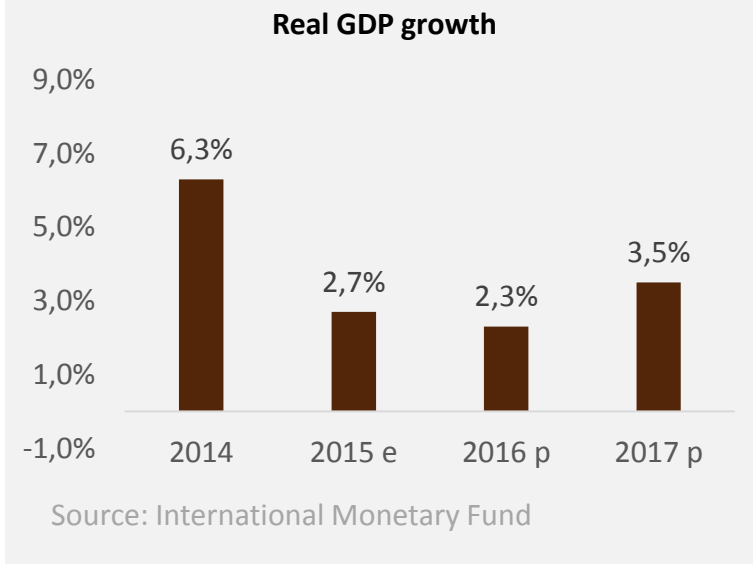


# Nigeria

With a population of about 173 million people, Nigeria is the largest economy in Africa and accounts for 47% of West Africa's population. It is also the biggest oil exporter in Africa, with the largest natural gas reserves in the continent.



	<b>Population</b>	177.5 million	2014
	<b>GDP</b>	\$568.5 billion	2014
	<b>GDP growth</b>	6.3%	2014
	<b>Inflation</b>	8.1%	2014



- The Largest economy in Africa
- Oil exporting country, but with diversified economy and strong growth over the last 10 years
- But poor public infrastructure (electricity), lack of inclusiveness, security problems, corruption, and lengthy political transition

## Impact of the falling price of petroleum:

- Lower growth, exports, government revenue and public investment expenditure, and increasing risks to the banking sector
- Exchange rate depreciation, large parallel market spread, and increasing inflation

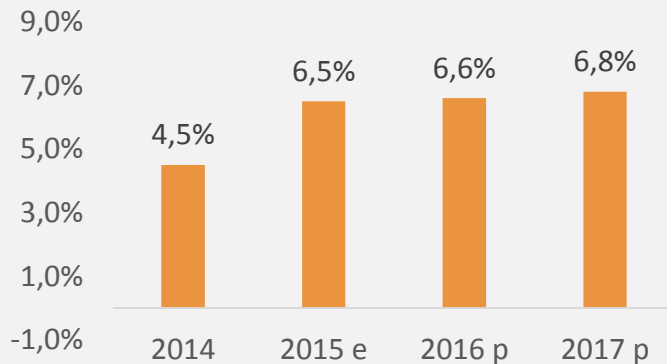
# Senegal

Senegal is one of the most stable countries in Africa, and has considerably strengthened its democratic institutions since its independence in 1960. Senegal aspires to become an emerging country by 2035 and experiences rapid growth since 2014.



<b>Population</b>	14.67 million	2014
<b>GDP</b>	\$15.66 billion	2014
<b>GDP growth</b>	4.7%	2014
<b>Inflation</b>	-1.1%	2014

Real GDP growth



Source: International Monetary Fund

## Protracted period of low growth through 2013:

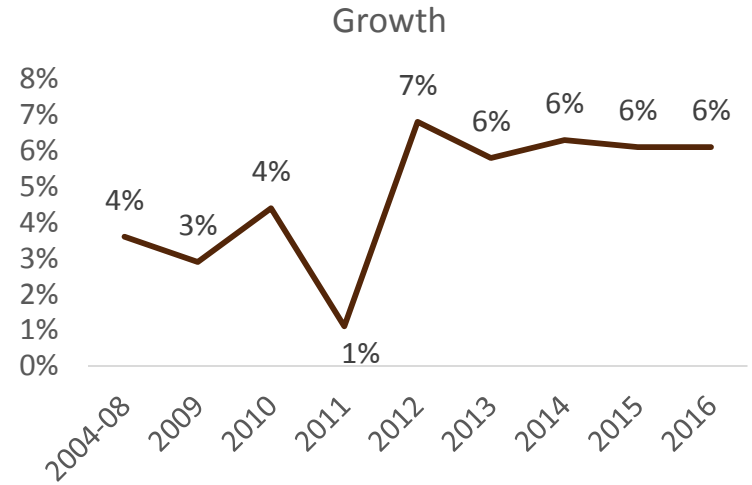
- With poor business climate, problems in the energy sector,
- Inadequate infrastructure and low efficiency of public investment—resulting in poverty still standing at about 50%.

## New momentum, with growth to exceed 5 % in 2015 and beyond:

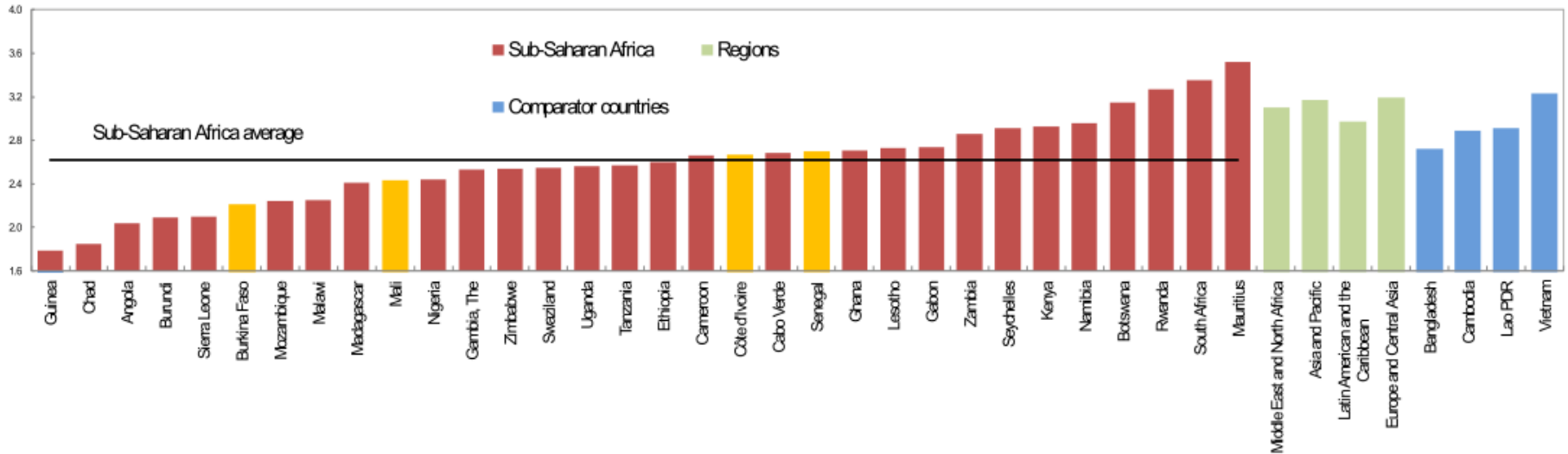
- Driven by foreign direct investment, public investment in infrastructure, and reforms in the agricultural sector.
- Continued prudent fiscal policies and fast implementation of reforms—as the 2017 election approaches—will be key.

# Zone UEMOA

- Continued strong growth since 2012
- Large public investment programs
- No (significant) exchange rate overvaluation
- But weak structural competitiveness (business climate; costs of inputs; investment efficiency)
- Segmented banking system



Sub-Saharan Africa, Other Regions, and Comparator Countries: Global Competitiveness Index, 2014  
(UEMOA countries in yellow)



# Conclusions

- **Until early 2000s, African economies have followed a relatively similar growth path**
- **We now observe a diversification of economic models (especially since 2012-2013), with four main categories:**
  - Oil exporters
  - Oil Importers
  - Countries specializing in industrialization / export
  - Failed States
- **As a consequence, African countries are moved by contradictory economic criteria and tendencies.**

The current situation (lower commodity prices) is for example quite favorable for countries that are net oil importers, but is challenging for the exporters.