Regional Economic Outlook

Sub-Saharan Africa enjoys strong growth, thanks in part to prudent policies

Sub-Saharan Africa's economic growth is projected at 5.3 percent in 2006, the same rate as in 2005, according to the IMF's *Sub-Saharan Africa: Regional Economic Outlook (REO),* released April 21 in Washington, D.C. (Sub-Saharan Africa, defined in the *REO* as the countries covered by the IMF African Department, excludes Djibouti, Mauritania, and Sudan; the projections for the group thus differ from those in the *World Economic Outlook.*)

The report attributes the projected maintenance of relatively strong growth—by the standards of recent decades—despite higher oil import prices, to many countries' continued pursuit of prudent macroeconomic policies and to strong global demand growth. Higher growth in oil-exporting countries should offset slower growth in oil-importing countries.

In presenting the report to the press, Abdoulaye Bio-Tchane, Director of the IMF African Department, said "it's really not acceptable to see oil revenues increasing while poverty is increasing. That's the equation we have to solve, and I think the authorities, ourselves, the World Bank, and other donors … need to find the right balance." For poverty in the region to be halved by 2015—the aim of the Millennium Development Goals—a real GDP growth rate of 7 percent is required. Only Cape Verde, the Democratic Republic of Congo, Malawi, Mozambique, and Sierra Leone could see real GDP growth of 7 percent or higher in 2006. As Africa seeks to boost growth further, it will need to make effective use of the large increase in donor aid and debt relief promised in 2005 and focus on fiscal decentralization and financial sector development.

Inflation in sub-Saharan Africa registered 10.7 percent in 2005, in part because of higher oil prices, and is expected to be largely stable in 2006 at 11 percent. It should decline in many countries but rise in others, including Zimbabwe, the only country with annual inflation in triple digits. Stabilization efforts in oil exporters Angola, Chad, and Nigeria should reduce inflation to less than 8 percent; but, mainly because of oil prices, average inflation in the oil-

African countries call on IMF to complement their development efforts


Michael Spilotro/IMF

Antoinette Sayeh and Baledzi Gaolathe speak to the press.

On April 22 in Washington, D.C., Abdoulaye Diop (Senegal's Minister of Economy, Finance, and Planning), Jean-Claude Masangu Mulongo (Governor, Central Bank of the Democratic Republic of Congo), Baledzi Gaolathe (Botswana's Minister of Finance and Development Planning), and Antoinette Sayeh (Liberia's Minister of Finance) briefed the press on issues important to African countries: Zimbabwe's economic situation; the prospects for a Southern African Development Community (SADC) free trade zone, the impact of a quota redistribution on African countries, and the status of a common currency for West African countries.

Diop opened by saying it was a good time for African countries, especially the French-speaking ones, to review their positions in the IMF and the World Bank and to react to the various reform strategies. Gaolathe noted that African countries looked to these institutions to complement or supplement their development efforts.

Responding to a question about Zimbabwe's situation and whether an economic intervention to save it had been contemplated, Gaolathe indicated that SADC members would have to work cooperatively to solve that issue and would ask their international partners to support Zimbabwe's efforts to overcome its problems. He foresaw a major role for the IMF in helping Zimbabwe address its shortage of foreign exchange and its balance of payments problems.

As for an SADC free trade zone, Gaolathe noted that they were moving in that direction and should achieve the goal by 2008. By 2011, he said, they should have a common tariff and would then work toward a common market, at which point, "there should be a freer movement of labor across the region."

The West African common currency is an ongoing project, said Diop. Eight French-speaking West African Economic and Monetary Union (WAEMU) countries share a common currency (the CFA franc), and seven other countries, each with a different currency, belong to the West African Monetary Institute (WAMI). Diop described two possible scenarios for the next step: the countries that are not already WAEMU members can join it, or the seven WAMI countries can try to converge and create a common currency.

Sayeh, representing a country emerging from years of conflict and seeking to reestablish its relationships with the international community, noted that Liberia had just issued a 150-day Action Plan outlining some of the policy measures the government is taking to put the country on the road to economic recovery.

Africa's better growth continues

The gains of oil-exporting countries contribute to Africa's positive outlook, as does the continued ability of oil importers to weather higher oil prices. Inflation is likely to decline moderately in several countries, although domestic prices may show a small uptick in countries that pass through oil prices.

	Real GDP growth (percent)		Real per capita GDP growth (percent)		Consumer prices (annual average percent change)		Overall fiscal balance, including grants (percent of GDP)		External current account, including grants (percent of GDP)	
	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006
Oil-exporting countries										
Angola	15.7	26.0	12.5	22.4	23.0	13.0	4.3	5.4	8.2	11.3
Cameroon	2.6	4.2	-0.2	1.4	2.0	2.6	3.5	1.2	-1.5	-1.6
Chad	5.6	3.0	3.0	0.5	7.9	3.0	-1.5	-1.6	2.2	8.2
Congo, Republic of	9.2	5.2	6.1	2.2	2.0	2.5	19.0	19.0	13.9	13.6
Côte d'Ivoire	0.5	2.4	-2.4	-0.5	3.9	2.8	-1.9	-0.8	0.7	1.9
Equatorial Guinea	6.0	-1.1	3.0	-3.8	6.8	5.5	23.4	27.7	-13.3	-5.8
Gabon	2.9	2.9	0.4	0.4	0.1	1.0	8.0	11.8	15.7	19.6
Nigeria	6.9	6.2	4.3	3.6	17.9	9.4	9.9	17.5	14.7	18.4
Oil-importing countries										
Benin	3.5	4.0	0.7	1.1	5.5	3.0	-2.2	-2.4	-6.4	-8.8
Botswana	3.8	3.5	4.2	4.2	8.6	8.9	0.1	-1.3	8.9	4.8
Burkina Faso	7.5	4.2	5.0	1.9	6.3	2.1	-3.9	-4.2	-9.2	-9.2
Burundi	0.9	6.3	-1.1	4.2	13.6	3.1	-7.0	0.2	-4.4	-8.1
Cape Verde	6.3	7.0	4.8	5.0	0.4	2.1	-2.9	-3.9	-4.3	-10.7
Central African Republic	2.2	3.2	0.2	1.2	3.0	2.3	-2.5	-1.3	-4.1	-3.9
Comoros	2.0	3.0	-0.7	0.3	4.9	4.4	-0.1	-1.9	-4.3	-3.8
Congo, Dem. Rep. of	6.5	7.0	3.4	3.9	21.4	9.3	-3.1	-2.4	-4.8	-2.6
Ethiopia	8.7	5.3	5.8	2.4	6.8	10.8	-4.9	-5.8	-9.1	-7.5
Gambia, The	5.0	4.5	2.3	1.9	4.3	4.0	-6.1	-4.6	-13.1	-11.5
Ghana	5.8	6.0	3.2	3.3	15.1	8.8	-1.3	-2.0	-6.6	-7.8
Guinea	3.0	5.0	-0.2	1.9	31.4	24.1	-0.8	0.5	-3.4	-3.4
Guinea-Bissau	2.0	2.6	-1.0	-0.4	3.4	3.1	-9.0	-17.1	-1.5	-19.6
Kenya	4.7	3.3	2.8	1.4	10.3	11.5	-1.8	-3.4	-7.6	-4.4
Lesotho	-0.7	2.3	-2.5	0.5	3.7	5.0	2.0	-0.8	-14.7	-15.9
Madagascar	4.6	5.7	1.6	2.7	18.4	9.5	-5.4	-4.2	-12.8	-10.4
Malawi	1.9	8.3	-0.2	6.2	12.3	9.0	-5.3	-1.8	-7.7	-4.6
Mali	5.4	5.4	3.1	3.1	5.0	-1.5	-4.1	-3.4	-9.2	-7.5
Mauritius	3.5	2.7	2.6	2.0	5.6	7.1	-5.0	-4.9	-3.5	-2.5
Mozambique	7.7	7.9	5.2	5.4	7.2	7.5	-5.7	-3.8	-11.6	-10.4
Namibia	3.5	4.5	0.5	1.4	2.4	5.1	-3.8	-3.5	5.7	6.6
Niger	7.0	3.6	3.8	0.4	7.8	0.3	-4.1	-4.9	-6.1	-7.2
Rwanda	5.0	4.0	2.3	1.9	9.2	5.5	1.2	-2.2	-3.9	-9.9
São Tomé and Príncipe	3.8	4.5	1.8	2.5	16.2	14.8	56.9	59.6	-33.1	-28.4
Senegal	6.2	5.0	3.7	2.5	1.8	2.6	-3.4	-4.1	-7.9	-8.2
Seychelles	-2.3	-1.4	-2.8	-1.8	1.0	-0.7	0.7	-0.4	-14.6	-1.8
Sierra Leone	7.2	7.4	4.5	4.7	12.5	11.7	-1.9	-0.5	-8.5	-6.4
South Africa	4.9	4.3	4.0	3.4	3.4	4.5	-0.8	-1.4	-4.2	-3.9
Swaziland	2.2	1.2	2.0	1.1	4.8	5.1	-4.2	-5.6	-1.4	-1.3
Tanzania	6.9	5.8	4.6	3.9	4.6	5.2	-3.3	-6.3	-2.6	-7.6
Togo	0.8	4.2	-2.3	1.0	6.8	2.9	-0.8	-2.9	-11.6	-10.3
Uganda	5.6	6.2	2.1	2.7	8.0	6.5	-0.3	-2.0	-1.2	-3.9
Zambia	5.1	6.0	2.6	3.5	18.3	13.3	-2.3	-2.5	-10.2	-9.3
Zimbabwe	-6.5	-4.7	-6.5	-4.7	237.8	850.4	-6.1	-3.3	-11.1	1.7
Sub-Saharan Africa	**5.3**	**5.3**	**3.4**	**3.4**	**10.8**	**11.0**	**1.2**	**2.1**	**-0.5**	**0.7**
Oil-exporting countries	6.8	8.0	4.0	5.2	13.3	7.7	7.6	11.5	9.3	12.3
Oil-importing countries	4.9	4.5	3.2	2.9	10.0	12.0	-1.6	-2.2	-4.8	-4.5

Note: Figures for 2006 are IMF projections.
Data: IMF, African Department database and World Economic Outlook database, as of February 24, 2006.

importing countries (apart from Zimbabwe) should increase to 12 percent.

Fiscal deficits, including grants, are projected to worsen in more than half the oil-importing countries, notably Cape Verde, Ethiopia, Guinea-Bissau, and Kenya. The reserve cover for oil importers should, on average, remain unchanged, but it is expected to fall in Burkina Faso, Comoros, Ethiopia, Guinea-Bissau, Rwanda, and Tanzania. Continuing high oil prices are expected to raise the fiscal and current account surpluses of oil-exporting countries.

However, this outlook is subject to risks. In oil-importing countries, fiscal and current account balances may come under pressure from higher-than-expected oil prices or lower-than-expected prices for Africa's other commodities. In several parts of the region, political uncertainties and fragile security threaten growth prospects, as does the possible spread of the avian flu. Moreover, millions of people in eastern and southern Africa are experiencing food shortages and urgently need humanitarian assistance. ■

The texts of the *Regional Economic Outlook* for Sub-Saharan Africa, for Asia, and for the Western Hemisphere are available on the IMF's website (*www.imf.org*). The *Regional Economic Outlook* for the Middle East will be available at a later date.