Frontier Africa Regional Report
COVID-19 Exposes Pre-Existing Challenges

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- Sub-Saharan Africa experienced the first recession in thirty years in 2020 due to the COVID-19 shock.
- The global recession weighed on external demand and pandemic-related shutdowns on domestic activity.
- However, commodity prices fared better than expected and the virus spread less than in other regions.
- Oil exporters were hit hardest while countries with more diversified export bases appear less affected.
- The economic slowdown has had a strong effect on countries' fiscal positions and policy space is scarce.
- As a result, debt is rising across the region and many countries are seeking relief through the G20 DSSI.
- Improved market sentiment has led to a return of foreign investors and alleviated financing pressure.
- Growth is expected to rebound strongly in 2021 where macro and policy environments are supportive.
- Risks, however, skew to the downside and stem from a second COVID-19 wave and political instability.

EXECUTIVE SUMMARY

Sub-Saharan Africa was hit hard by the COVID-19 shock in 2020, experiencing the first recession in roughly thirty years. However, the impact of the public health crisis and pandemic-induced global recession has been less severe than initially feared, and weaker than in other EM regions. This is the result of commodity prices recovering faster than expected and the virus' spread remaining relatively limited. Within the region, countries with more diversified export bases have managed the crisis better, while oil exporters such as Angola, Cameroon, and Nigeria are affected most negatively.

We expect a strong bounce back in 2021 in countries where macroeconomic and policy environment remain supportive—Côte d'Ivoire, Ghana, Kenya, and Tanzania—while an only moderate oil price recovery will weigh on economic activity in Angola, Cameroon, and Nigeria. Across the region, the COVID-19 shock has caused a substantial widening of fiscal deficits and government debt is set to increase sharply. As a result, while renewed risk-on sentiment in global financial markets is alleviating immediate domestic and external financing concerns, policy space is scarce. In the case of a second wave of the pandemic, governments would struggle to support the recovery as forcefully as they did in 2020H1.

In this ***Frontier Africa Regional Report***, we take a close look at macroeconomic developments in nine Sub-Saharan African countries and zoom in on the most important developments for each of them in detail. These include fiscal issues such as the financing of deficits in ***Ghana*** and escalating debt sustainability concerns in ***Zambia***, the impact of capital flows dynamics on ***Nigeria's*** external financing position, structural impediments to growth in ***Cameroon*** and ***Ethiopia*** as well as supportive macro and policy environments in ***Côte d'Ivoire***, ***Kenya***, and ***Tanzania***, and, finally, major policy reforms in times of crisis in ***Angola***.

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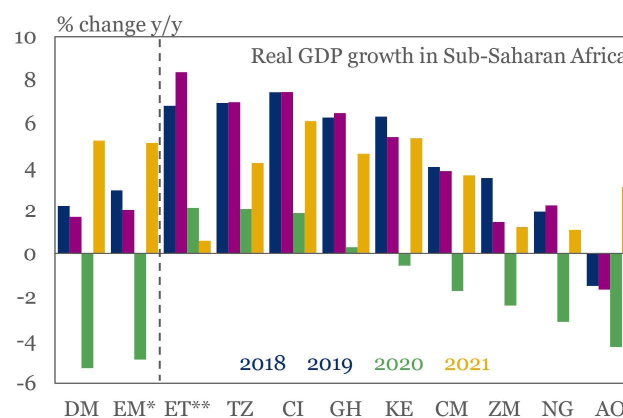
Exhibit 1. Growth outlook for Sub-Saharan Africa.



*Source: National authorities, IIF * excl. CN ** FY (July-June)*

Growth: The First Recession in 30 Years

The nine Sub-Saharan African countries covered in this report together experienced an estimated 1.6% output contraction in 2020—the worst reading on record and the first contraction in almost 30 years. Both external and domestic factors are responsible for this dynamic, ranging from lower external demand as a result of the COVID-19-induced global recession to pandemic-related shutdowns and travel restrictions. However, the decline in economic activity is significantly smaller than the one expected for developed markets and emerging markets (excl. China).

While all nine countries will see a worse economic performance in 2020 compared to the previous year, outcomes differ considerably within the country sample, with four likely to avoid a real GDP decline (Exhibit 1). Angola and Nigeria, to a significant extent due to their reliance on oil production, are expected to experience the largest contraction—of 4.3% and 3.2%, respectively. Importantly, even in the absence of a decline in real GDP, a slowdown itself has important implications for per-capita GDP as population growth remains relatively high in most countries of the region.

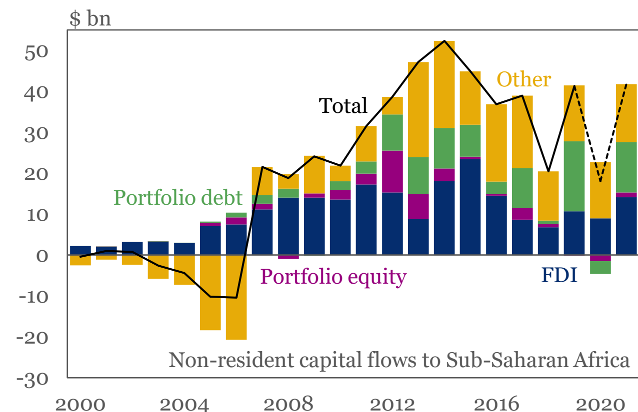
Risk-Off Sentiment Weighs on Capital Flows

As a result of the COVID-19-related risk-off sentiment in global financial markets for parts of 2020, we forecast a marked decline in non-resident capital flows to nine Sub-Saharan African countries—from $41.3 bn in 2019 to $18.0 bn in 2020 (Exhibit 2). While FDI should remain relatively stable, foreign portfolio investors are expected to reduce their exposure to the region, in particular as it pertains to debt securities, leading to outflows of $3 bn compared to inflows of $17 bn in the previous year. An important driver was the retreat of foreign investors from Nigeria's local market. Following net inflows into NGN-denominated short-term debt instruments of $10 bn in 2019, investors moved roughly $5.4 bn out of the country in 2020H1. Ghana's issuance of $3 bn in Eurobonds in early February represents the largest portfolio inflow over the course of the year.

This decline should be partially offset through stepped-up borrowing from IFIs, including the disbursement of close to $8 bn by the IMF in 2020 (to the sample of nine countries). Roughly $7 bn were paid out under the Fund's emergency funding programs—Rapid Financing Instrument (RFI), Rapid Credit Facility (RCF) and Catastrophe Containment and Relief Trust (CCRT)—with Nigeria accounting for almost half of the total ($3.4 bn). While none of the nine countries entered into a new multi-year arrangement (ECF/EFF)—Angola and Ethiopia had been program partners going into 2020—Kenya is expected to reach an agreement with the IMF in early 2021.

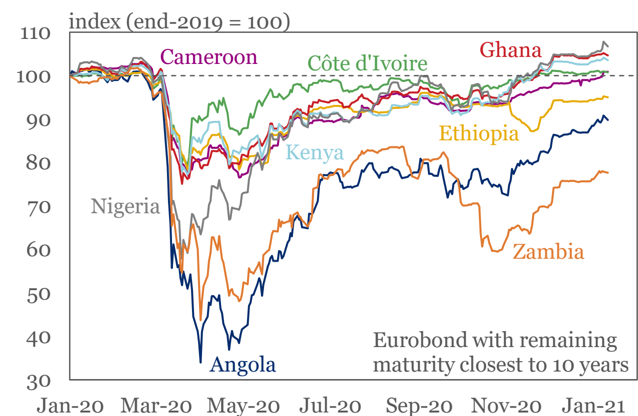
We expect non-resident capital flows to Sub-Saharan Africa to recover in 2021 to $41.8 bn and, thus, close to their 2019 level. This is largely the result of a reversal of portfolio outflows and

Exhibit 2. Non-resident capital flows to the region.



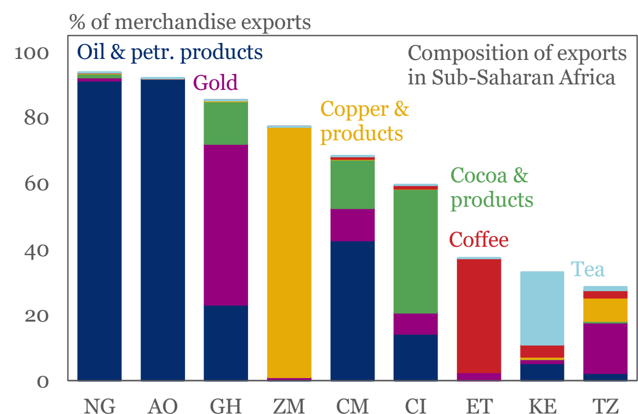
Source: National authorities, IMF, IIF

Exhibit 3. Prices of Sub-Saharan African Eurobonds.



Source: Bloomberg, IIF

Exhibit 4. Composition of merchandise exports.



Source: UN Comtrade, IIF

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a moderate increase in FDI. Prices of SSA Eurobonds demonstrate that the risk-off sentiment of 2020Q2 has largely disappeared—with the exception of Angola and Zambia where significant concerns over debt sustainability weigh on investors' views (Exhibit 3). However, even these two countries' bonds have rallied somewhat since the peak of the pandemic-related sell-off in March-May. Liquidity conditions in global financial markets remain loose as a result of DM central banks' expansionary monetary policy. As a result, we expect less differentiation between SSA assets than would be warranted by varying macroeconomic conditions. It is likely that a number of SSA sovereigns will tap the international bond market in 2020H1, including Ghana and, possibly, Kenya and Nigeria (Box 1).

Commodity Prices Drive External Adjustments

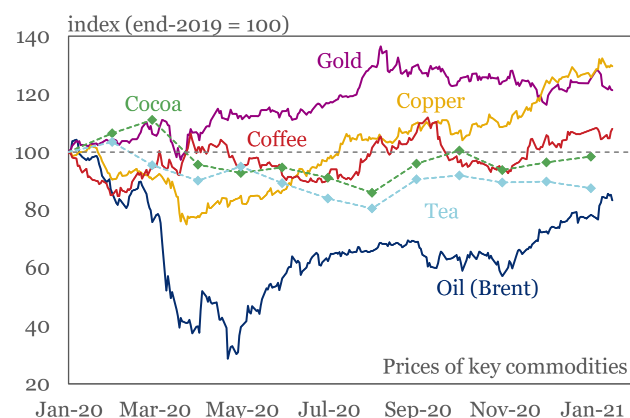
In addition to the impact of the risk-off sentiment in global financial markets in the first half of 2020, emerging markets—including those in Sub-Saharan Africa—were exposed to the effects of the COVID-19 shock primarily through lower external demand and substantial volatility of commodity prices (Box 2). A subset of six commodities accounts for more than 90% of total goods exports in two countries (Nigeria and Angola), and more than two-thirds in three more (Ghana, Zambia, and Cameroon). Kenya and Tanzania should benefit by far the most from a diversified export base, followed by Ethiopia and Côte d'Ivoire (Exhibit 4).

Prices for some of SSA countries' most important exports held up well or even rose markedly—such as gold and, following an initial period of weakness, copper—but the sharp decline and subsequent slow recovery of oil prices had a significant impact on those countries most dependent on crude oil and petroleum product exports (Exhibit 5). To quantify the total effect, we weigh the average change in a commodity's price with its relative weight within a country's goods exports, while holding the prices for all other goods constant.

This approach helps illustrate the aforementioned sharp deterioration of export prices for Sub-Saharan Africa's largest oil exports, with Angola and Nigeria experiencing declines of close to 30% relative to 2019 (Exhibit 6). Falling oil prices also exerted a significant toll on Cameroon (-14%) and Ghana (-7.5%) but the latter benefited more than any other country from the marked gold price increase in 2020. For most other countries in our sample, the price effect was moderately negative (Kenya, Côte d'Ivoire) or moderately positive (Zambia, Tanzania). The best performer is Ethiopia due to the importance of coffee exports (35% of goods exports) and the positive price dynamic (18% increase y/y).

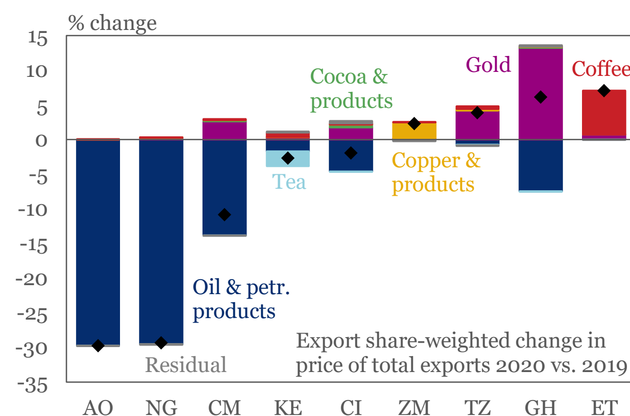
Prices, however, only capture one of the drivers of external adjustments. Our forecast for 2020 and 2021 relies on a detailed assessment of the current account's main components. Outcomes differ considerable across the SSA region depending on, among others, export volumes, demand for goods

Exhibit 5. Prices of key commodities in 2020-21.



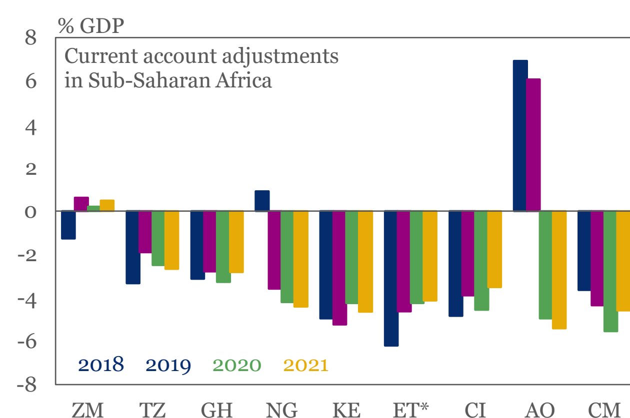
Source: Financial Times, Wall Street Journal, World Bank, IIF

Exhibit 6. Commodity price effect on exports.



*Source: UN Comtrade, FT, WSJ, WB, IIF * FY (July-June)*

Exhibit 7. Current account adjustments in 2020-21.



Source: National authorities, IIF

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and services imports, a country's dependence on tourism receipts, and foreign remittances. As economic activity in the region varied significantly, the extent of import compression does so as well and is of particular importance for the direction and size of external adjustments (Exhibit 7).

Fiscal Challenges Exacerbated by COVID-19

The COVID-19 pandemic is having a significant effect on Sub-Saharan African countries' fiscal positions. First, a slowdown, or decrease, of economic activity led to meaningful weakness on the revenue side. At the same time, additional government expenditures were required, either to address the public health impact of the pandemic itself or to provide fiscal support to the economy.

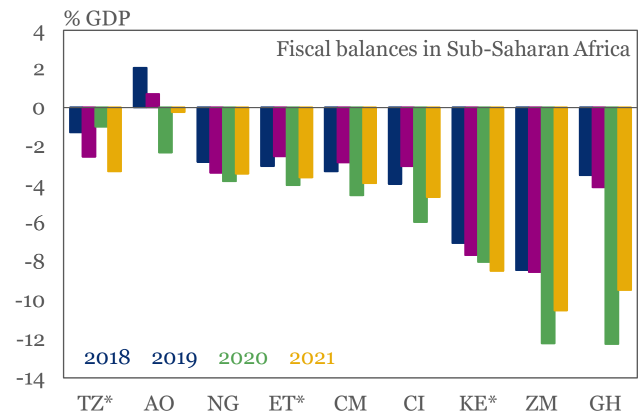
The final effect on the deficit in 2020 depends heavily on the pre-COVID-19 fiscal picture as well as the overall size of government, but also on non-COVID-19-related exceptional spending—such as, in the case of Ghana, on the financial and energy sectors (Exhibit 8). It is important to note that a number of countries—including Ethiopia, Kenya, and Tanzania—follow a fiscal year that differs from the calendar year. As a result, deficits for 2020 (or FY2019/20) do not capture the full impact of the COVID-19 shock but rather have to be interpreted together with forecasts for 2021 (or FY2020/21).

While significantly larger fiscal deficits are common across developed and emerging markets, they exacerbate already-problematic pre-pandemic indebtedness in many cases. Earlier in the year, we highlighted risks from significant Eurobond issuance in the region in recent years as countries took advantage of the low-interest rate environment. Starting in 2024, amortization of externally-issued government securities will rise sharply and remain high until the early 2030s (Exhibit 9). Nigeria and Ghana face the highest Eurobond repayments over the next 15 years (between $7.5-8 bn), followed by Côte d'Ivoire, Kenya, and Angola (between $5-6.5 bn). Altogether, the eight countries face repayments of more than $36.5 bn over this period of time, with the stock of Eurobond debt currently standing at $47.7 bn (or 5.3% of GDP).

Relatively high levels of external debt (Exhibit 10) have contributed to a deterioration of public finances, particularly in those countries that have also seen large currency depreciations (or devaluations) in 2020 (Exhibit 11). While the path of Zambia's government debt had been a major concern for a number of years, a 50% depreciation of the ZMW turned the situation fully unsustainable towards the end of last year. The country's default on Eurobond coupon payments in late-2020 now leaves Angola as most exposed among the nine countries included here, with a 35% depreciation of the AOA contributing substantially to the escalation of debt concerns.

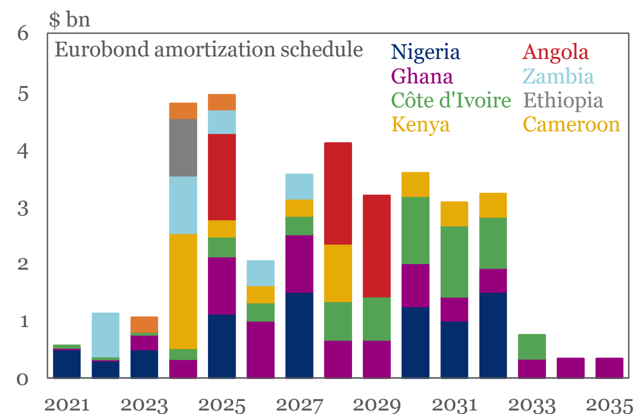
While all nine countries discussed here are eligible for the G20 Debt Service Suspension Initiative (DSSI), two have so far

Exhibit 8. Widening fiscal deficits in 2020-21.



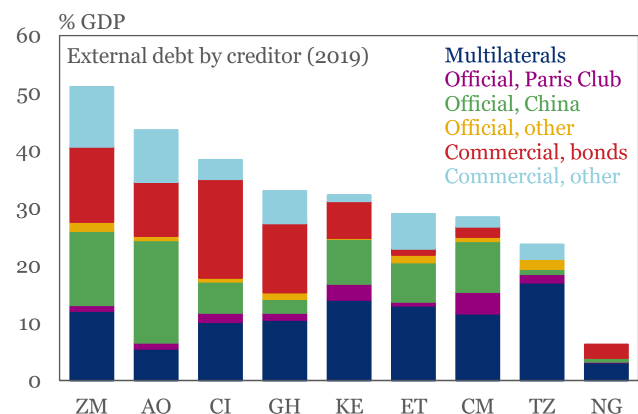
*Source: National authorities, IIF * FY (July-June)*

Exhibit 9. Eurobond amortization in 2021-35.



Source: Bloomberg, IIF

Exhibit 10. Composition of external debt.



Source: World Bank, IIF

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opted to not request participation—Ghana and Nigeria. In the case of Nigeria, relatively low public debt (20.3% of GDP as of 2020Q3) and low external debt (below 10% of GDP) mean that debt distress is not a concern at this time. In the case of Ghana, however, the risk had been already evaluated as high by the IMF in April of last year, and sharply wider deficits in 2020 and beyond will exacerbate these concerns. Nevertheless, Ghana remains committed to its approach of non-concessionary external financing. Following the clarification from ratings agencies as to the treatment of DSSI participation, Kenya was the latest country to request participation.

Risks to the Outlook: COVID-19 Uncertainty Reigns

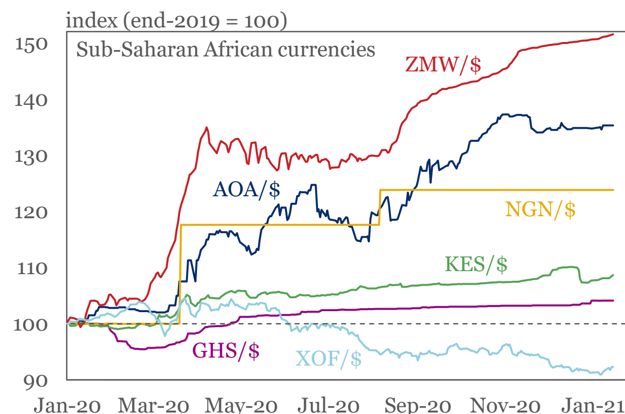
Downside risks to the outlook are considerable as another wave of the COVID-19 pandemic weighs heavily on economic activity in many developed and emerging markets going in to 2021. For the time being, Sub-Saharan African countries should be affected largely due to their reliance on these countries as export markets and origins of tourism and remittances, as infections in the region itself have remained relatively low (Exhibit 12). With the exception of South Africa, the region managed the first wave of the pandemic in 2020H1 rather well, with the warm climate as well as young populations identified as the most important drivers.

While testing capacities are limited, the largest spikes in new infections (of below 40 cases per day per million)—in Ghana over the summer, Kenya towards the end of 2020, and Zambia in recent weeks—are far below what other countries have experienced or are experiencing at the moment. South Africa is currently seeing more than 375 new infections per million inhabitants each day, while the respective number for the United States stands at above 900. However, with new and more infectious virus variants (including one first detected in South Africa) spreading throughout the world and full vaccination of populations in SSA expected to take longer than in DM and more developed EM, a direct effect through spreading infections in these countries themselves remains a significant risk. Zambia's case numbers certainly give reason for concern.

Finally, political instability should not be ignored as a potential source of concern (Exhibit 13). Many countries in the SSA region are considered as relatively unstable even before the economic impact of the COVID-19 shock may create additional political and societal pressure points. For comparison purposes, South Africa had a stability score of-0.22 in 2019, the highest-ranked SSA country, Botswana, 1.01, and the lowest-ranked, the Central African Republic, -2.18. Political instability is particularly a concern in Nigeria, Cameroon, Ethiopia, Kenya, and Côte d'Ivoire, with many of these countries experiencing recent upticks in violent confrontations.

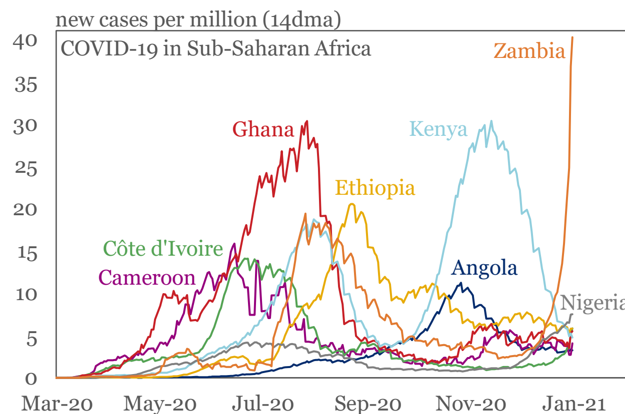
Country codes used in the report: Angola (AO), Cameroon (CM), Côte d'Ivoire (CI), Ethiopia (ET), Ghana (GH), Kenya (KE), Nigeria (NG), Tanzania (TZ), and Zambia (ZM)

Exhibit 11. Currency movements in 2020-21.



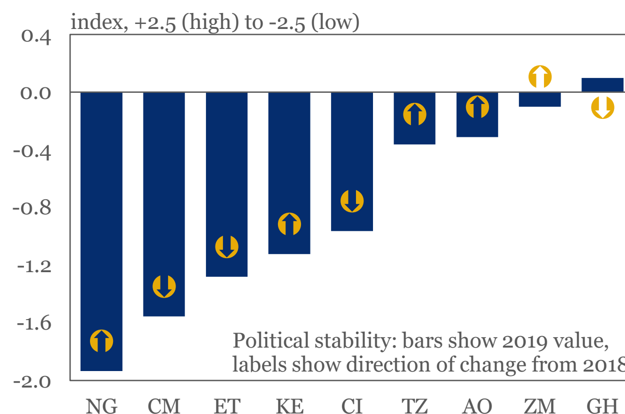
Source: National authorities, IIF

Exhibit 12. New COVID-19 infections in the region.



Source: Johns Hopkins University, IMF, IIF

Exhibit 13. Political Risk in Sub-Saharan Africa



Source: World Bank/NRGI/Brookings, IIF

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Angola

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POLICY REFORMS, DEBT RELIEF ALLAY CRISES

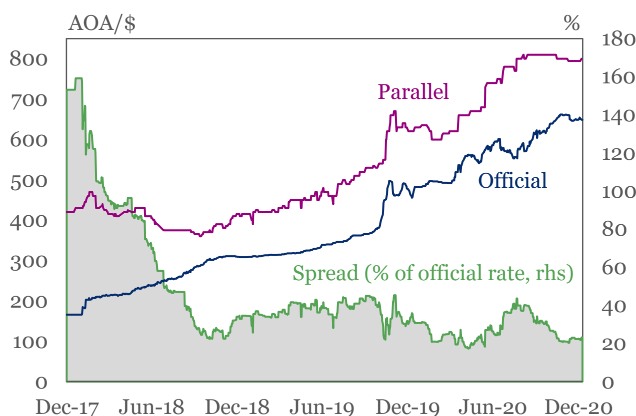
Low oil prices, oil export restrictions, and effects of the COVID-19 pandemic continue to hamper Angola's economic prospects. Our estimates show that the economy contracted by 4.3% in 2020. We expect a modest economic recovery of around 3.1% in 2021 as oil production stabilizes and lockdown restrictions ease. The reported number of new COVID-19 cases and deaths in Angola is much lower than in other developing and emerging countries. Containment measures, supported by the authorities' effective crisis management and their strong policy program, have helped soften the economic and health consequences of the pandemic shock.

The continued exchange rate depreciation has partially mitigated the impact of lower oil prices on Angola's external and fiscal positions. The average official exchange rate depreciated by 58% in 2020 (Exhibit 1), which has helped to limit current account and fiscal deficits and minimize the drain on international reserves. Nevertheless, the current account is estimated to have shifted from a surplus of 6% of GDP in 2019 to a deficit of 5% in 2020 (Exhibit 2), while the fiscal balance shifted from a small surplus to a deficit of 2.3%. Government debt increased at a rapid pace to 122% of GDP in 2020, largely due to the depreciation of the official exchange rate, which drove up the foreign currency component of Angola's debt (Exhibit 3). Inflation remains high at 22% y/y as of end-2020, spurred by the pass-through effect of currency depreciation and the accommodative monetary stance needed to combat the contractionary effects of the COVID-19 shock. With pandemic-related restrictions expected to remain in place across much of the world through at least 2021H1, it is unlikely that significant monetary tightening will occur before mid-2021.

Looking ahead, prolonged low oil prices (despite their partial recovery in recent months) are expected to continue to weigh on oil exports (which account for more than 90% of total exports). Consequently, we expect the current account to remain in large deficit in 2021, at around 5%, and external debt to continue increasing to around 90% of GDP by 2022. In this context, Angola recently reached agreements with Paris Club creditors and, more crucially, China, on debt relief under the Debt Service Suspension Initiative (DSSI), which is expected to save the country $6.7 bn over the next three years. Debt reprofiling will also bring gross financing needs down to about 10% of GDP for the medium term and will help Angola reduce its debt stock to a more manageable level.

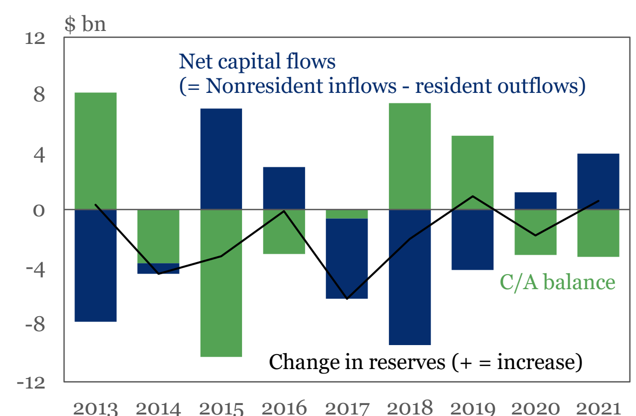
We also expect continued political stability. President Lourenco, who in 2017 peacefully succeeded his long-serving predecessor, is popular and supportive of reform efforts. He has made significant progress in reducing corruption and remains strongly committed to the current IMF program (EFF), which aims at restoring external and fiscal sustainability and diversifying the economy.

Exhibit 1. FX liberalization has led to sharp depreciation.



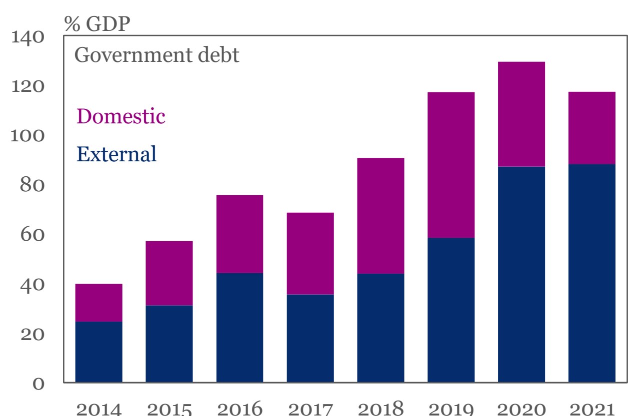
Source: Angola Forex, National Bank of Angola, IIF

Exhibit 2. C/A shift has put pressure on reserves.



Source: National Bank of Angola, IMF, IIF

Exhibit 3. External debt has grown due to AOA weakness.



Source: National Bank of Angola, IIF

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Cameroon

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SOE SECTOR CLEANUP CRITICAL

Aside from COVID-19-related global uncertainty affecting key sectors of Cameroon's economy such as the extraction of oil and other natural resources, debt distress of the state-owned oil refinery SONARA led to a knock-on effect on the domestic financial system in 2020. This has likely weighed on economic activity, exacerbating the effects of the pandemic. While we believe that the country will experience a bounce-back of 3.6% in 2021 following a 1.7% contraction last year, problems in the SOE sector remain an important downside risk.

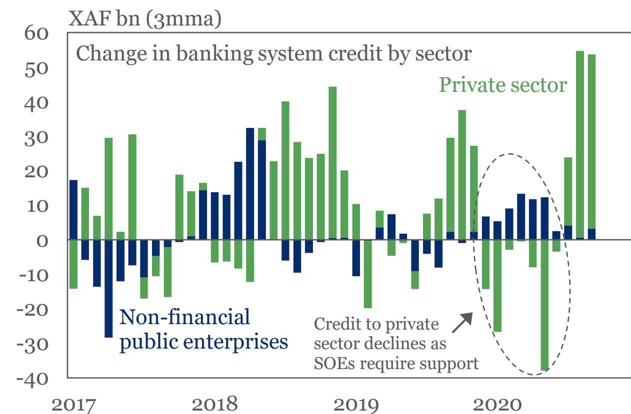
SONARA's financial struggles are far from new; Cameroon's Technical Commission for the Rehabilitation of Enterprises in the Public and Para-public Sectors (CTR) considered it essentially bankrupt as early as 2014. In 2019, the national debt committee (CNDP) authorized a $160 mn loan from Dutch energy and commodity trader Vitol to pay off crude oil suppliers and keep the company afloat. However, following a fire at SONARA's Limbe plant in May of 2019, the company became unable to service its considerable debt, estimated by the IMF to stand at XAF795bn (or $1.48 bn at today's exchange rate).

To assure creditors, the government issued a letter of comfort and progress was made in late 2019 with Cameroon's three largest banks agreeing to a restructuring/reprofiling of SONARA's debt. However, this has partially shifted the burden onto the banking system, and credit to the private sector declined markedly in 2020H1 (Exhibit 1). A previous episode of declining private sector credit in 2018 led to a subsequent decline in economic activity and, thus, we expect the credit dynamic to exacerbate the COVID-19 shock. However, the strong rebound in 2020H2 should support a robust recovery. Domestic banks' role in financing government deficits has also limited their ability to lend to corporates (Exhibit 2).

While the restructuring of SONARA's debt has temporarily stabilized the company, reconstruction of the Limbe facility—expected to cost more than $460 mn—remains uncertain. For now, the company will continue to operate solely as an oil importer, and a levy of XAF47.88 per liter was instituted to generate revenue. The government will also repurchase a 4% share held by Total SE. Should the Limbe reconstruction project ultimately fail, it is conceivable that SONARA's debt could become unsustainable again—with large potential implications for Cameroon's fiscal position and its financial system.

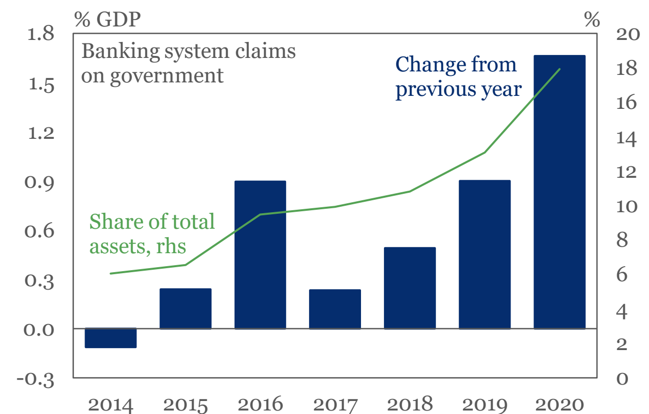
Multilateral and bilateral support, including $458 mn from the IMF, has alleviated both external and domestic financing pressure. In addition, Cameroon requested debt service suspension under the G20 DSSI and received positive responses from nine official bilateral creditors, with total relief amounting to XAF123.5 bn (or roughly $230 mn). Finally, the Autonomous Sinking Fund of Cameroon (CAA) estimates that the country could benefit from disbursements of previously committed external loans totaling XAF3.4 tn (Exhibit 3).

Exhibit 1. Private sector credit has bounced back.



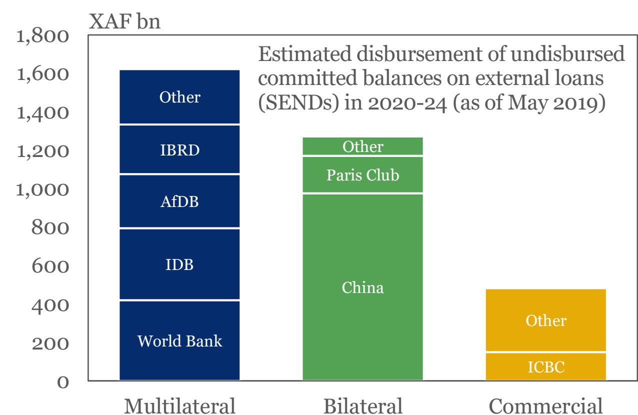
Source: Bank of Central African States, IIF

Exhibit 2. Banks have been financing the government.



Source: Bank of Central African States, IIF

Exhibit 3. Cameroon could receive additional loans.



Source: CAA, IIF

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Côte d'Ivoire

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MARKETS REWARD MACRO STABILITY

Following a rollercoaster ride in 2020H1, risk-on sentiment has forcefully returned to global financial markets. This has been a welcome development for many SSA countries that are facing growing domestic financing needs in the context of the COVID-19 shock. Côte d'Ivoire tapped the Eurobond market in November as the first SSA sovereign since Ghana's $3 bn issuance in February. The five-times oversubscribed EUR1 bn sale raises hopes that regional peers may be able to return to the international market as well in 2021—as evidenced by Benin's EUR1 bn issuance in mid-January.

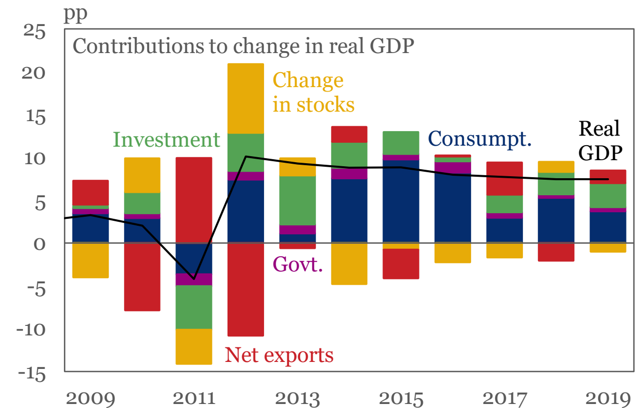
Foreign investors' interest in Côte d'Ivoire is both a reflection of the overall positive macro environment as well as indications of a robust recovery from the slowdown in 2020H1. The country has experienced high growth in recent years—averaging 8.4% since 2011 according to authorities (Exhibit 1). It also continues to benefit from its membership in the West African Economic and Monetary Union (UEMOA), which has led to a stable, if not appreciating, currency, and helped to keep inflation at low levels compared to other EM (Exhibit 2). Of course, it also prevents the country from relying on the exchange rate as an adjustment mechanism for imbalances.

Despite its dependence on commodity exports and a strict lockdown in response to the pandemic, the Ivorian economy has proven rather resilient. While we project that growth slowed to 1.9% in 2020, we expect a strong pickup of 6.1% in 2021. The country has made significant progress partially as a result of its cooperation with the IMF, including the most recent ECF/EFF approved in late 2016. The IMF disbursed a total of $1.2 bn under this program, as well as further assistance of $886 mn under the Rapid Credit Facility (RCF) and Rapid Financing Instrument (RFI) in April of 2020.

One area where insufficient progress was made during the program is domestic revenue mobilization, a challenge for many countries in Sub-Saharan Africa. The COVID-19 shock has widened budget deficits in many places, including Côte d'Ivoire, where we expect the fiscal gap to reach 5.9% of GDP in 2020 after standing at 3% of GDP the previous year (Exhibit 3). This is largely a result of higher expenditures (up 13.8% y/y in 2020H1), while domestic revenues held up relatively well (down 1.5% y/y). Authorities appear to be committed to returning to the fiscal consolidation path in 2021, and the deficit could return to pre-pandemic levels in 2022/23.

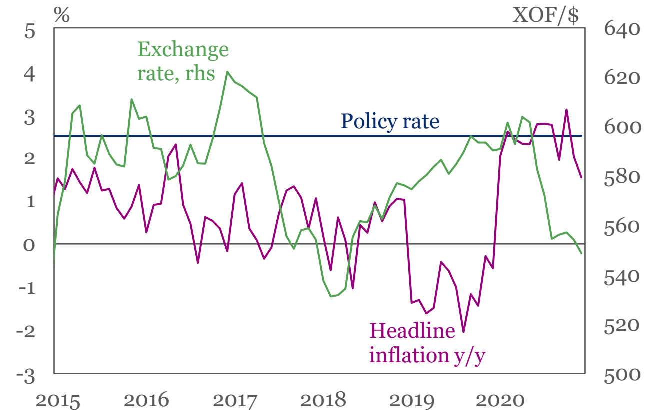
Political uncertainty weighed on investor sentiment leading up to the presidential election in October of last year. However, with the reelection of President Ouattara—who is seen by observers as committed to Côte d'Ivoire's reform path—and the calming of tensions surrounding the election in recent weeks, a more stable outcome appears possible. The opposition has agreed to not boycott the 2020Q1 parliamentary elections and to participate in a national dialogue.

Exhibit 1. Côte d'Ivoire has seen persistent strong growth.



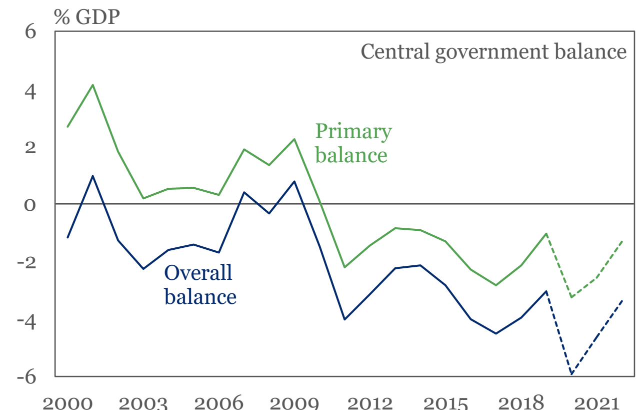
Source: BCEAO, IIF

Exhibit 2. UEMOA membership has created stability.



Source: IMF, IIF

Exhibit 3. Fiscal deficits widened due to COVID-19.



Source: BCEAO, IMF, IIF

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Ethiopia

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GROWTH MIRACLE UNDER DURESS

Ethiopia experienced exceptionally high economic growth over the past decade, with real GDP increasing on average by 9.6% per year. This performance is impressive even when compared to booming SSA peers such as Côte d'Ivoire, Ghana, and Tanzania (Exhibit 1). After roughly doubling in size in real terms over only eight years, Ethiopia's economy is now the fourth largest in Sub-Saharan Africa. While per-capita PPP GDP has doubled over the past ten years as well, it remains around one-third below the regional average.

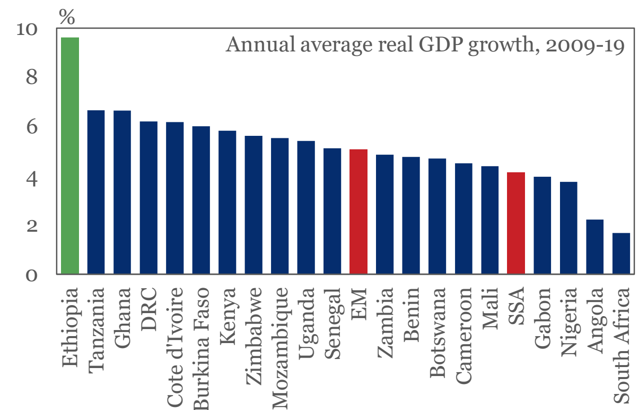
Even before the onset of the COVID-19 shock, the need for structural reforms had become evident, as the largely public investment-driven growth model was reaching its limits. Specifically, state-owned enterprises have taken on substantial external and domestic debt, which represents a contingent liability for the government (Exhibit 2). While rapid economic growth has limited its impact on near-term debt sustainability, a growing stock of FX debt represents an inherent risk, in particular in the case of an overvalued currency.

Furthermore, SOE debt also affects the stability of the domestic financial system through the Commercial Bank of Ethiopia, which has lent extensively to SOEs at lower rates than available to private borrowers. Finally, SOEs' financing needs have crowded out credit to the private sector, which will have to play a critical role in the creation of robust and sustainable growth (Exhibit 3). Since December 2019, the IMF has been supporting Ethiopia's reform efforts with a three-year $2.9 bn ECF/EFF focused on shoring up the country's resiliency and alleviating external financing pressure. Furthermore, Ethiopia received $411 mn through a RFI in April 2020 to address the pandemic and its impact on macro stability.

While the government is committed to allowing private minority ownership of a number of large SOEs—including Ethiopian Airlines, EthioTelecom and Ethiopian Shipping and Logistics Service Enterprise—and to fully privatizing others, recent political instability may deter international investors from engaging and, thus, reduce the potential for significant FDI inflows. A number of issues are of particular importance, including the simmering conflict with Egypt and Sudan over the Great Ethiopian Renaissance Dam (GERD)—one of the country's most important infrastructure projects.

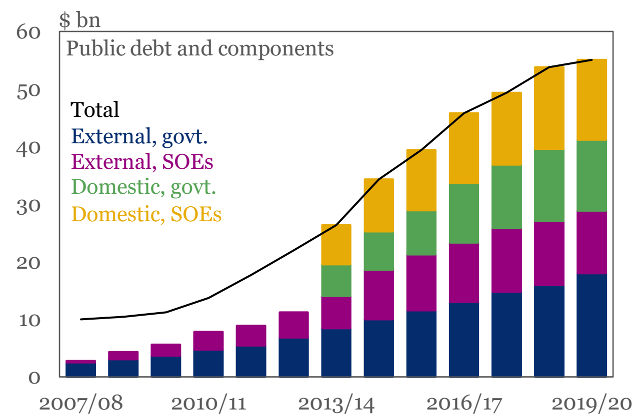
In recent months, the conflict between Ethiopia's central government and the Tigray region's leadership has dominated media coverage. While federal troops have regained control in Tigray, the conflict illustrates potentially concerning fault lines within the Ethiopian federal system. All this is taking place against the backdrop of a broader democratic transformation. Following months of uncertainty, a date for the first fully free and fair elections was finally announced (June 5, 2021). However, human rights violations persist (e.g., press freedom), and Ethiopia's democratic future is far from certain.

Exhibit 1. Ethiopia has seen exceptionally high growth.



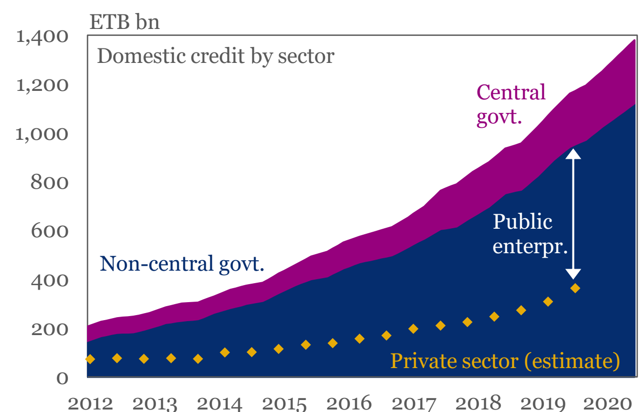
Source: IMF, IIF

Exhibit 2. SOEs have accumulated substantial debt.



Source: MoFEC, IIF

Exhibit 3. Crowding out of private sector credit.



Source: National Bank of Ethiopia, IMF, IIF

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Ghana

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FISCAL FINANCING CHALLENGES RISING

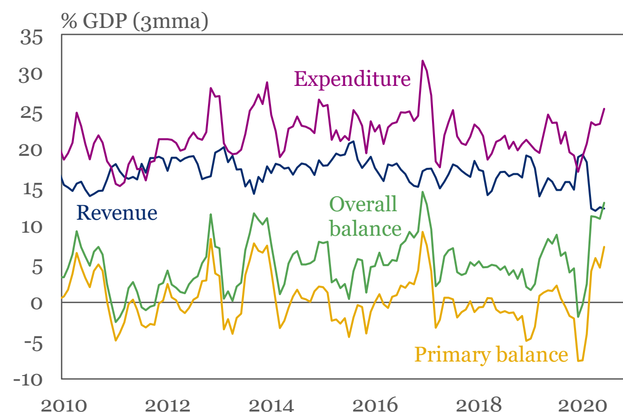
While fiscal deficits are widening across Sub-Saharan Africa in the aftermath of the COVID-19 shock, Ghana's challenges are expected to be particularly pronounced. Domestic revenues decreased by 6% y/y in Jan.-Jun., reaching the lowest share of GDP in more than ten years in Q2 despite the sharp output decline (Exhibit 1). At the same time, expenditures are rising due to higher healthcare spending and fiscal support to the economy (roughly 3.0% of GDP). Finally, Ghana is facing medium-term trends such as the rise in interest payments (to 6.4% of GDP in 2020) and additional costs related to the financial and energy sectors (at around 3.0% of GDP). Altogether, these developments lead us to expect the deficit to widen to GHS47 bn, or 12.2% of GDP this year.

Nevertheless, financing did not present a challenge in 2020 due to financial support from IFIs (including the $1 bn IMF RCF), timely $3 bn Eurobond issuance in early February, and government bond purchases by the Bank of Ghana (BOG) totaling slightly above GHS15 bn or 3.9% of GDP (with large transactions in March, May, and September). Despite non-residents not engaging in the local market at this point (net outflows of $150 mn ytd in Jan.-Sep.), the domestic financial system had ample liquidity to cover residual financing needs (Exhibit 2). However, deficits are expected to remain elevated and the same financing approach may not be feasible.

Ghana's parliament approved the issuance of $3-5 bn in Eurobonds in 2021 (depending on market conditions). With market sentiment dramatically improved—and considering successful issuance by Côte d'Ivoire in November (EUR1 bn for 12 years at 5.0%)—Ghana should be able to attract sufficient investor interest. However, the country has accessed international markets extensively in recent years—$8 bn in 2018-2020 alone—and Eurobond debt could reach above 53% of GDP in the case of a $3 bn issuance—and above 61% in the case of a $5 bn issuance (Exhibit 3). While Eurobond amortization over the near term is moderate ($300 mn in 2022-23), refinancing of the growing debt stock could become costly should the current low interest rate environment come to an end. Furthermore, growing FX debt exposes debt sustainability to substantial exchange rate risk.

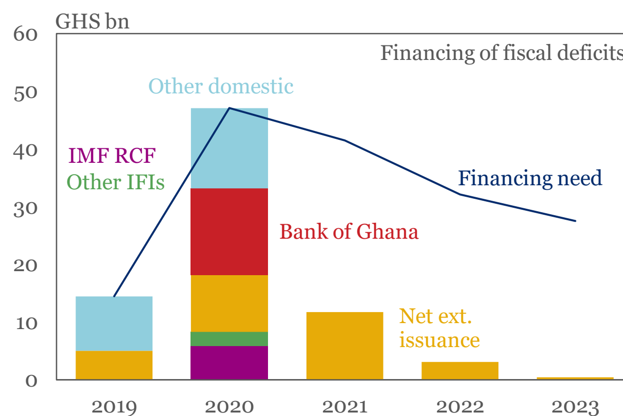
In terms of domestic deficit financing, the Bank of Ghana is not likely to be able to implement further significant government bond purchases, as claims on the government increased sharply in 2020 to 35% of total assets. Overall, the BOG now holds 23% of all domestic government debt. Additional sovereign bond purchases would also reduce foreign investors' already-sluggish interest in GHS debt. This leaves domestic financial institutions, for which claims on government currently make up 27% of total assets. There should be some absorption capacity left, but medium-term fiscal consolidation will be necessary, nonetheless. With the general election now behind us, there should be some room for it.

Exhibit 1. The fiscal deficit is widening substantially.



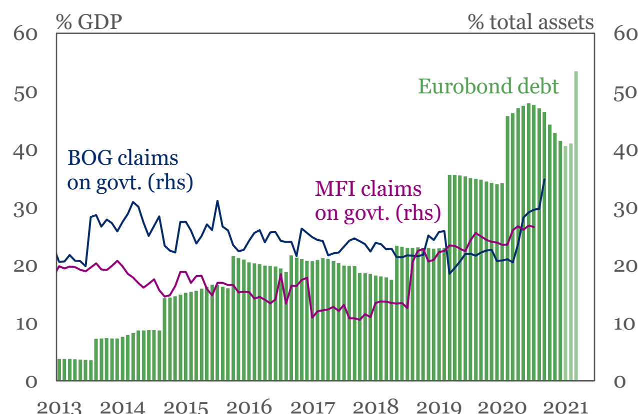
Source: Ghana Statistical Service, MoFEP, IIF

Exhibit 2. Financing will be challenging going forward.



Source: MoFEP, IIF

Exhibit 3. Eurobond issuance has been large.



Source: Bank of Ghana, Bloomberg, IIF

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Kenya

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IMF PROGRAM TO ANCHOR POLICY FRAMEWORK

Like many other SSA countries, Kenya is facing widening fiscal deficits in the context of the COVID-19-induced recession. With revenue growth slowing to 4.7% and expenditures 7.4% higher compared to the previous fiscal year, the deficit reached KES812 bn or 8.0% of GDP in FY2019/20 (Exhibit 1). Domestic net borrowing accounted for roughly 60% of its financing. As Kenya's medium-term budget strategy assumes a relatively slow fiscal consolidation path and authorities plan to move away from non-concessionary external borrowing (except for existing debt rollover), domestic deficit financing will have to continue to play an important role.

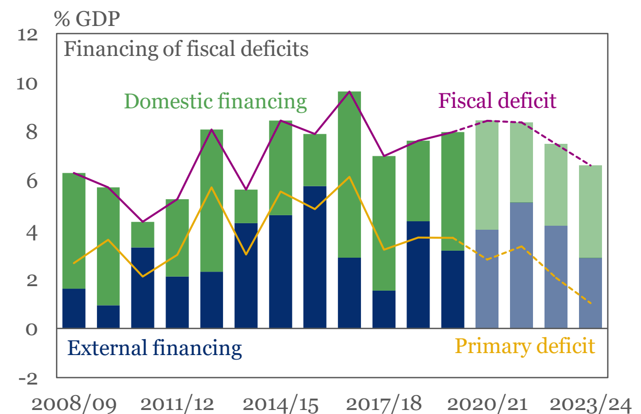
Claims on government as a share of total banking system assets have risen substantially over the last five years due to consistent absorption of domestic debt—from 17% in mid-2015 to close to 30% in 2020Q2 (Exhibit 2). Nevertheless, the domestic financial system should have room to provide more financing for Kenya's fiscal deficits. This strategy, however, runs the risk of crowding out credit to the private sector, which is needed for a robust recovery from an expected 0.6% output contraction in 2020. It is likely that a more ambitious fiscal consolidation effort will be an important component of the multi-year IMF program currently being discussed.

It appears both sides are optimistic that an agreement can be reached in the coming months and receive IMF board approval in 2021Q1. A multi-year program would provide resources to mitigate the impact of the COVID-19 shock on the most vulnerable—but most importantly, it would anchor a quicker narrowing of fiscal deficits. An important element of fiscal consolidation is the rollback of some measures that were implemented in April of 2020 to support the economy. Kenya's parliament recently approved the reversal of certain tax cuts, including to income taxes (5pp) and VAT (2pp). Another priority will be improvements to revenue collection.

Despite the small output contraction that we expect for 2020, Kenya appears to have weathered the COVID-19 crisis quite well and is set for a robust recovery this year. Adequate reserves, the flexible exchange rate, and Kenya's diversified export industry helped to mitigate commodity price volatility and the drop in global demand. The Central Bank of Kenya (CBK) had room to cut rates by 150bps but otherwise continued its orthodox approach, not engaging in QE-type measures (Exhibit 3). A significant reduction in the required cash reserve released more than KES30 bn into the economy, and guidance to banks has led to the successful restructuring of a significant share of SME loans. NPLs have risen from 6% to around 13% but are expected to remain at this level.

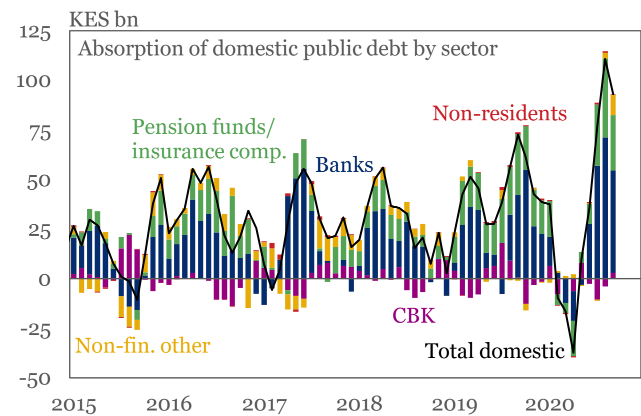
Political instability is one risk to the rather positive baseline scenario. The next general election is set to take place in August of 2022 and the previous two elections—in 2013 and 2017 caused significant tensions, including violent protests.

Exhibit 1. Domestic deficit financing plays a large role.



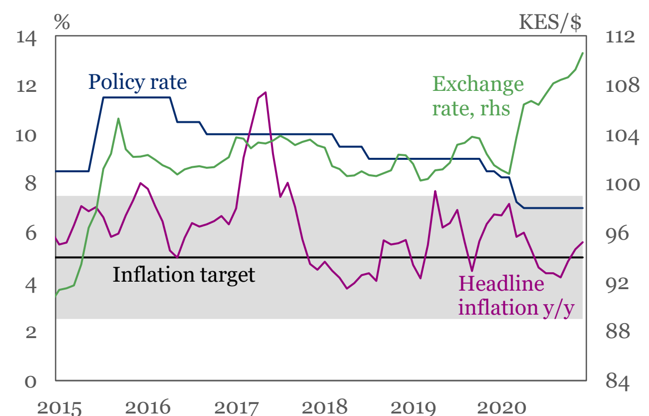
Source: Central Bank of Kenya, National Treasury, IIF

Exhibit 2. Financial system has absorbed most new debt.



Source: Central Bank of Kenya, National Treasury, IIF

Exhibit 3. Inflation and exchange rate are broadly stable.



Source: Central Bank of Kenya, KNBS, IIF

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Nigeria

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FOREIGN INVESTORS REMAINING CAUTIOUS

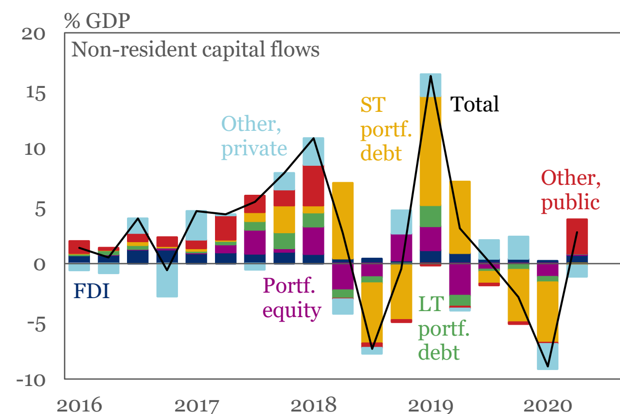
Nigeria's external financing picture worsened markedly in 2020. Responsible for this development are a number of factors, including the concurrent decline in global oil prices (by roughly 34%) and oil production cuts due to OPEC+ commitments (likely resulting in a volume drop of more than 10%). Oil-related dynamics alone should reduce merchandise exports by close to $20 bn compared to 2019. Import compression driven by economic contraction (estimated to have reached 3.2% in 2020) and FX shortages should, however, offset some of this effect and limit the overall current account deficit to around 4.2% of GDP (vs. 3.6% in 2019).

On the financial account side, changes in the composition of non-resident flows going back to 2018 are putting pressure on external financing in the context of the COVID-19 shock. Short-term portfolio flows markedly rose in importance starting in 2018Q2 as foreign investors began to purchase Central Bank of Nigeria (CBN) notes (Exhibit 1). This has led to a pronounced increase in capital flows volatility. While short-term portfolio debt outflows predate the onset of the pandemic—reaching almost $13 bn in 2019Q3-2020Q1 following inflows of roughly $17 bn in 2019H1—foreign investors have not reengaged in local debt despite a marked shift in market sentiment in 2020H2. This is a result of two developments: investors' inability to exchange repayments into FX and a shift of real interest rates into negative territory.

In 2020Q2, FX cash outflows through the CBN reached their lowest level since 2017—at approximately $1.5 bn per month (Exhibit 2). Together with the risk-off sentiment in global financial markets and an unwillingness to reinvest within the country due to unattractive real interest rates as a result of sharply higher inflation (Exhibit 3), this has led to a significant backlog, which peaked in the summer and stood at around $2 bn in September. Since then, the CBN has reduced backlog to about $0.8 bn. Nevertheless, foreign investors remain cautious and flows into local debt are unlikely to pick up in the near term. The total stock of foreign-owned short-terms instruments is estimated at $10 bn, raising the risk of further capital outflows if FX is accessible to skeptical investors.

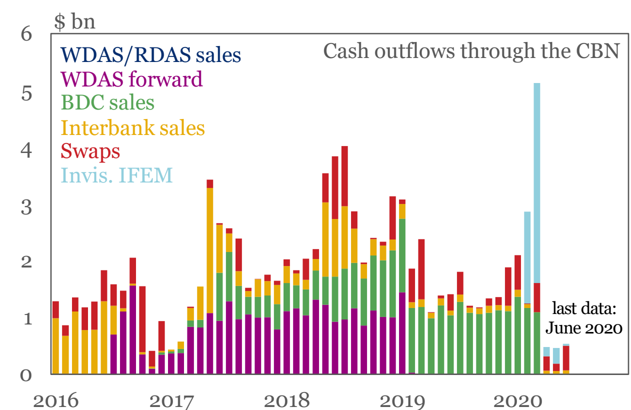
As many other SSA countries, Nigeria received financial support from the IMF, in this case $3.4 bn under the Rapid Financing Instrument (RFI). While the external financing picture is likely to remain bleak for some time, we believe that further support within the framework of a multi-year program is unlikely. This is largely due to the authorities' unwillingness to address the multiple exchange rate regime. This is not surprising as NGN depreciation would put additional pressure on households, which have already suffered from substantially higher inflation in recent months. However, Nigeria will likely be able to tap the Eurobond market should it require additional capital inflows in 2021.

Exhibit 1. Shift to short-term instruments creates volatility.



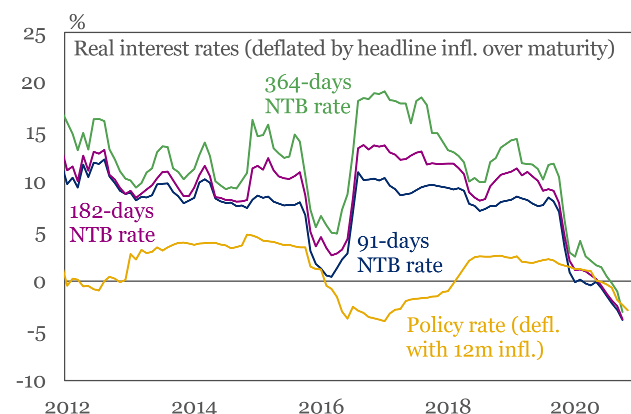
Source: Central Bank of Nigeria, NBS, IIF

Exhibit 2. FX supply by the CBN declined over the summer.



Source: Central Bank of Nigeria, IIF

Exhibit 3. Real rates have moved into negative territory.



Source: Central Bank of Nigeria, NBS, IIF

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Tanzania

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STABILITY SETS STAGE FOR RECOVERY

Tanzania's economy likely finished 2020 downbeat, but with a positive outlook for 2021. We forecast real GDP to expand by 2.0% in 2020—a better performance than most other large SSA economies despite the significant slowdown —and 4.2% next year. Net exports have been the main headwind to growth in recent quarters as the pandemic and subsequent lockdowns have taken a heavy toll on tourism (which accounts for roughly 15% of GDP). Along with these implications for economic activity, the collapse in tourism receipts has also had an impact on Tanzania's external balance (Exhibit 1). Data for October shows that travel receipts remained 75% below their October 2019 level (and total service receipts 60% below).

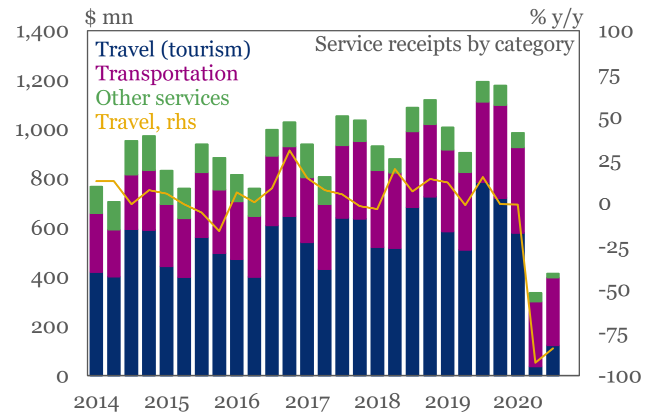
Despite the negative shock in 2020, we expect Tanzania's economy to fare better than most emerging markets in 2021. This positive baseline scenario partially reflects the peaceful October 28 general election, which resulted in a clear victory for incumbent president Magufuli. The election outcome signals policy stability and a continued focus on boosting growth following the COVID-19-related downturn this year. However, opposition parties have called for protests amid claims of voting irregularities, fueling tensions in the country. Protracted political instability could weigh on investor sentiment going forward and slow down the recovery.

The 2021 uptick in real GDP growth can partially be attributed to base effects from weak activity in 2020 but will also be the result of strengthening domestic demand in coming quarters. Private consumption is set to be a key driver of growth this year, accounting for 1.8pp (Exhibit 2). The recent trend of moderate food price growth and low energy prices should provide a boost to disposable household income in the near term (Exhibit 3). Likewise, gross fixed capital formation should contribute substantially to growth in 2021 (1.8pp).

We expect the Chama Cha Mapinduzi administration to expand infrastructure investment as part of the country's five-year national plan. While the investment climate has worsened somewhat during Magufuli's tenure, government spending and Chinese investments are likely to mitigate the fallout from lower FDI inflows. Despite the recent boom in gold exports, declining overall exports represent an important challenge ahead. Higher imports, consistent with the expected strong domestic demand, and a languishing tourism industry will also increase Tanzania's external financing needs.

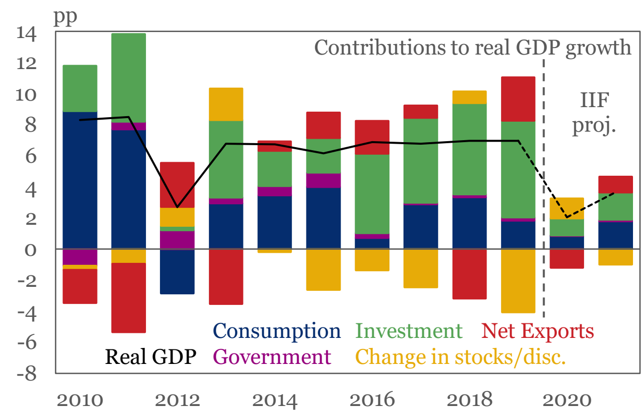
A grant by the IMF under the Catastrophe Containment and Relief Trust (CCRT) helped the country cover debt service due in 2020Q4, and it is expected that additional financial support will be granted in 2021. Tanzania is one of the few large SSA economies that has not received any IMF assistance under the RCF or RFI during or in the aftermath of the COVID-19 shock. Authorities initially requested such assistance but ultimately opted for the CCRT alone.

Exhibit 1. Tourism sector suffered a significant contraction.



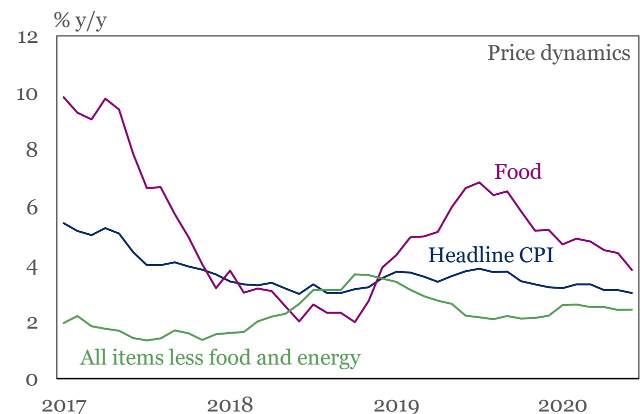
Source: Bank of Tanzania, Tanzania Revenue Authority, IIF

Exhibit 2. Private sector is set to boost growth in 2021.



Source: National Bureau of Statistics, IIF

Exhibit 3. Stable food and energy prices benefit households.



Source: National Bureau of Statistics, IIF

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Zambia

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CHANGES TO THE POLICY MIX NEEDED

Zambia's debt and external positions were challenging pre-COVID-19 but the pandemic has only exacerbated these problems—reflected in Eurobond prices trading at distressed levels since the spring. The country agreed on debt service suspension with its Paris Club creditors in August under the G20 DSSI and secured temporary relief from the China Development Bank (CDB) and China Exim Bank.

However, following unsuccessful consent solicitations directed at Eurobond holders, Zambia defaulted on coupon payments of $42.5 mn in November. We believe that, even if further compromises can be achieved with external creditors, Zambia is unlikely to stabilize over the medium term without the implementation of an adequate policy mix. This would also open the door for financial support from the IMF. The government has formally requested a financial arrangement and staff-level consultations were held in early-December. This follows a period of tense relations with the Fund.

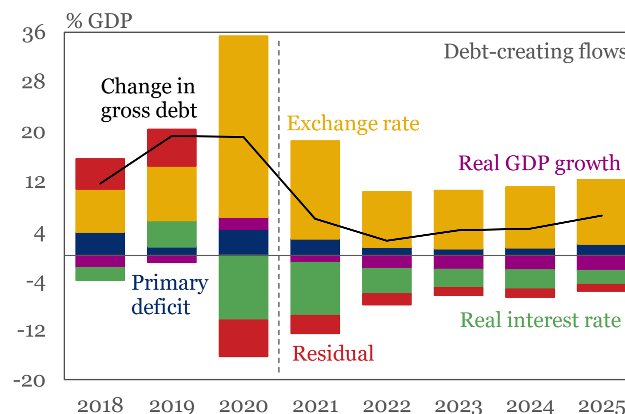
In our debt sustainability analysis, the exchange rate is the key driver of worsening debt dynamics. ZMW depreciation of more than 50% last year will alone result in a 29pp increase in the debt-to-GDP ratio in 2020 (Exhibit 1). In our baseline scenario, we assume a 20% depreciation in 2021 and more moderate 10% depreciation in subsequent years. We further assume a modest growth recovery, double-digit inflation, and slow but steady fiscal consolidation.

While this scenario results in debt reaching close to 140% of GDP in 2025, even more unfavorable outcomes are possible if ZMW depreciation is not brought under control in the outer years (Exhibit 2). Higher copper prices, better agricultural production, and import compression have reduced pressure on the ZMW in recent months. However, markets and the IMF remain concerned about central bank credibility.

In addition to substantial external financing needs, Zambia is also facing larger fiscal deficits in coming years. While the overall balance had been deteriorating due to rising interest payments, the COVID-19 shock will, in our estimate, widen the deficit to above 12% of GDP in 2020. It is not expected to return to its 2019 level of 8.5% until 2023 and this would require the primary deficit decrease to around 1% of GDP. The Bank of Zambia (BoZ) has partially financed fiscal deficits in 2019-20, which has weighed on the ZMW (Exhibit 3).

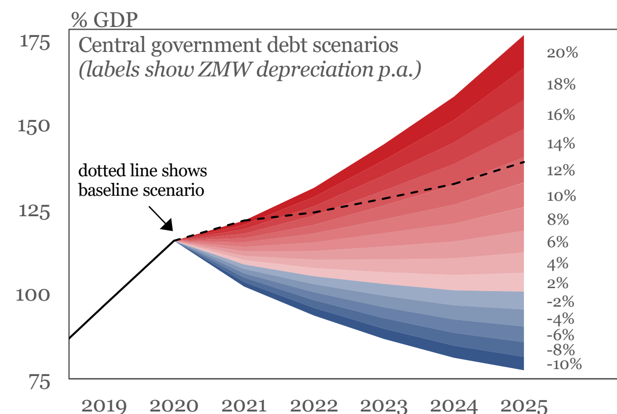
Policies to address Zambia's substantial imbalances will need to include meaningful fiscal consolidation which should reduce the reliance on monetary financing. In all likelihood, it may need to be accompanied by interest rate hikes. Such a policy mix could help reduce pressure on the ZMW and, thus, stabilize debt dynamics over the medium term. An agreement with the IMF would likely contribute meaningfully to anchoring measures long resisted by Zambian authorities.

Exhibit 1. Debt dynamics continue to deteriorate.



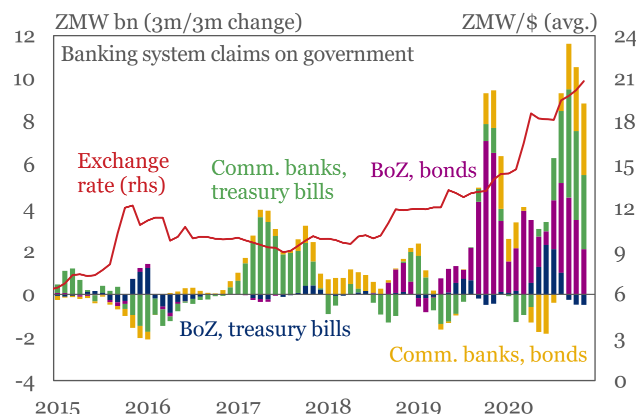
Source: IIF

Exhibit 2. ZMW movements are the key driver.



Source: IIF

Exhibit 3. BoZ deficit financing weighs on the ZMW.



Source: Bank of Zambia, IIF

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BOX 1. SOVEREIGN ISSUANCE AND CREDIT RATINGS

Khadija Mahmood, Economist, kmahmood@iif.com

The COVID-19 pandemic has exacerbated existing macroeconomic and social vulnerabilities across many EM and FM, with the abrupt deterioration in government revenues prompting many sovereigns to turn to international debt markets. Despite a temporary market shutdown in March 2020, Eurobond issuance in EM and FM has significantly accelerated, topping $210 bn in 2020 (vs. $150 bn in 2019).

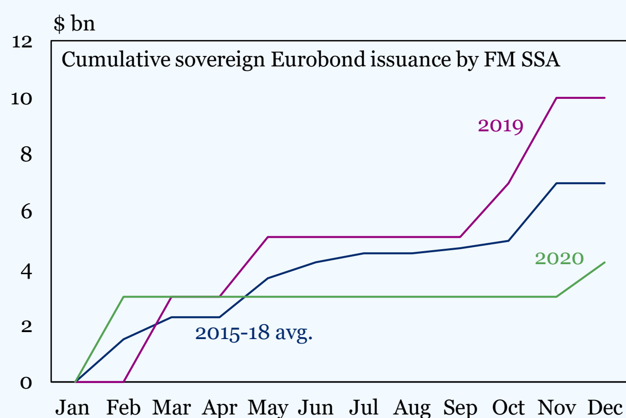
The bulk of the issuance came from Middle East and LatAm sovereigns, representing over two-thirds ($137 bn). Meanwhile, market access of Sub-Saharan Africa (SSA) sovereigns was limited. Eurobond issuance in our nine-country sample dropped significantly from $10 bn in 2019 to $4.2 bn in 2020—2% of total issuance (Exhibits 1 and 2). Generally, these sovereigns rely only moderately on international bond markets, with an average share of 8% relative to the EM/FM total. However, due to the COVID-19 pandemic, many SSA sovereigns lost their ability to access markets. Accordingly, there was no issuance activity between Feb. and Nov.

Before the shock, Ghana raised a total of $3 bn in Eurobonds in three tranches in February: 7-year bonds at 6.4%, 15-year bonds at 7.8% and 41-year bonds at 8.8%. Côte d'Ivoire became the first issuer after the COVID-19 shock, selling EUR1 bn in November at a record-low yield of 5%, made possible by a positive macro environment. Both high-yield bond issues were oversubscribed, a sign of strong investor appetite for SSA debt securities. Ghana, Kenya, and Nigeria are expected to tap international markets in 2021. If market conditions ease further, Eurobond issuance could make an even stronger comeback and recover to pre-pandemic levels.

Despite heightened concerns, SSA countries have weathered the COVID-19 shock much better than anticipated and seen more moderate GDP contractions compared to their peers—or avoided output declines altogether. However, the region has witnessed a record number of downgrades amid increasing concerns over debt sustainability. According to the IMF, four countries are already in debt stress (Rep. of Congo, Mozambique, São Tomé and Príncipe, Zimbabwe) and an additional twelve countries are at high risk of distress.

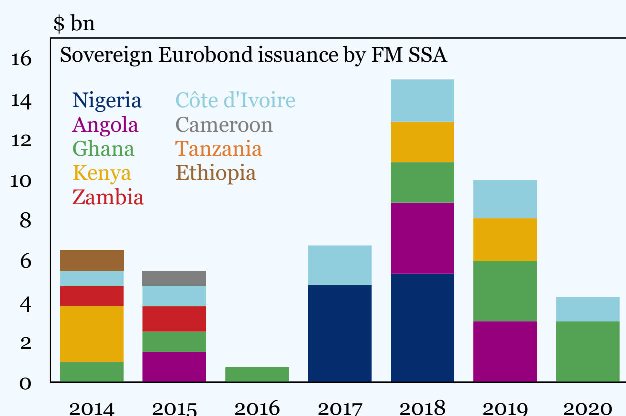
Six sovereigns from our Frontier SSA sample were downgraded by Moody's, S&P, or Fitch Ratings since March (Exhibit 3). Credit ratings for Angola and Zambia were lowered twice within one year; Angola faced weak fiscal prospects due to low oil prices and currency depreciation, and Zambia was the first African country to default on debt when it missed Eurobond coupon payments in November. The ratings outlooks for most sovereigns in the SSA region remain negative. Côte d'Ivoire is the only sovereign with a positive outlook.

Exhibit 1. Eurobond issuance dropped to low levels in 2020.



Source: Bloomberg, IIF

Exhibit 2. Only Ghana and Côte d'Ivoire issued in 2020.



Source: Bloomberg, IIF

Exhibit 3. Sovereign ratings of LT foreign currency issuers.

	Moody's rating	S&P rating	Fitch rating
Angola	Caa1	CCC+	CCC
Cameroon	B2u	B-	B
Cote d'Ivoire	Ba3	NR	B+
Ethiopia	B2	B	B
Ghana	B3	B-	B
Kenya	B2u	B+	B+
Nigeria	B2	B-	B
Tanzania	B2u	NR	NR
Zambia	Ca3	SD	RD

Source: Bloomberg, Moody's, S&P, Fitch, IIF; red (green) = negative (positive) ratings action since March 1, 2020

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BOX 2. COMMODITY PRICE OUTLOOK

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We expect average Brent oil prices to pick up to $47/bbl in 2021, still significantly lower than in 2019, when they stood at $64/bbl (Exhibit 1). The recent pickup continues to be driven by OPEC+ production cuts, the partial recovery in global demand, further depreciation of the U.S. Dollar, and news about the availability of COVID-19 vaccines. A possible return of Iranian crude oil exports and further recovery in Libyan oil production would weigh on an already saturated market and put downward pressure on prices in the second half of 2021. Upside risks to oil prices include faster containment of the pandemic and further cuts in oil upstream investments in the context of the transition to clean energy.

Nonfuel commodity prices have rebounded from their April troughs in the face of supply cuts, depreciation of the Dollar, and demand recovery. From end-May to January 12, the dollar index depreciated by 10% vis-à-vis 26 major trading partners. A weaker Dollar makes it cheaper for traders in Europe and Asia to purchase assets priced in $.

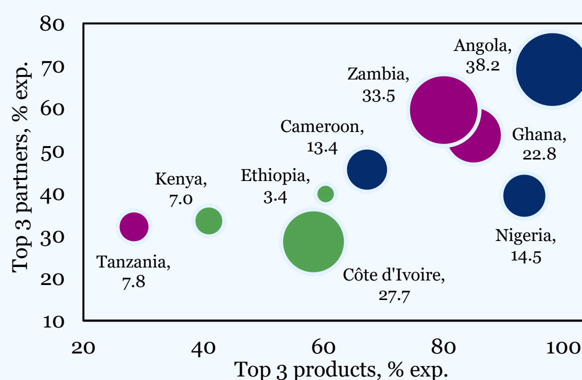
We now expect base metal prices to increase by 22%. The sharp increase in prices of aluminum, copper, iron ore, lead, and zinc in 2020H1 offset the losses from 2020H1. The decline in capital spending for base metals in recent years, combined with the impact of COVID-19, led to a sharp fall in mining production in the first ten months of last year, particularly in Brazil and Peru. At the same time, Chile's copper production remained broadly stable. Copper prices recently increased to their highest levels since March 2013—on the back of strong demand from East Asia, especially China (which accounts for half of global demand) and investor anticipation that the adoption of electric cars and renewable-energy technologies will boost demand for copper in the coming years. Rising prices have alleviated external pressure on the most copper export-dependent country in the region, Zambia, and are expected to continue to do so (Exhibit 2).

Exhibit 1. IIF commodity price forecast.

	2018	2019	2020f	2021f
Commodity price changes, % y/y				
Fuels	27.8	-12.7	-31.7	14.5
Non-fuels	1.8	-4.2	3.0	10.6
Food	0.3	-3.8	6.2	12.1
Base metals	5.5	-5.0	1.0	21.8
Precious metals	-0.7	8.5	26.6	9.0
Prices of major SSA commodities (avg.)				
Brent crude, $/bbl	71.1	64.0	42.3	47.0
Gold, $/oz	1,269	1,392	1,770	1,892
Copper, $/mt ton	6,530	6,010	6,174	7,519
Cocoa, $/kg	2.29	2.34	2.37	2.38
Coffee Arabica, $/kg	2.93	2.88	3.32	3.37

Source: IIF

Exhibit 2. Concentration of exports and destinations.



*Source: UN Comtrade, IIF * Size and label of bubble shows exports as a share of GDP ** Bubble color represents top export product: blue – crude oil, purple – metals, green – agricultural products*

We expect food prices to increase by 12% in 2021 on tighter supply conditions, partly due to supply chain disruptions. Moreover, a weaker Dollar can be bullish for most agricultural commodities (including wheat, cocoa, coffee, and sugar). Wheat, soybeans, palm oil, rice, and sugar prices have been rising steadily since May, as governments in most countries have bolstered their reserves in anticipation of disruption from the second wave of the pandemic.

Gold prices will remain elevated as uncertainty persists on how fast and strongly the global economy will recover. Moreover, continued fiscal expansion and accommodative monetary policies in most advanced and emerging economies may sustain the current elevated gold prices in 2021. Massive fiscal and current account deficits in major countries could justify owning gold. We expect the metal to average a price of $1892 per ounce in 2021.

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Appendix: Sub-Saharan Africa outlook at a glance

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020f	2021f
Angola											
Real GDP growth, in %	3.9	5.2	6.8	4.8	3.0	1.1	1.1	-1.5	-1.7	-4.3	3.1
Nominal GDP, in $ bn	111.9	128.1	136.7	145.7	116.2	100.5	122.1	106.8	84.6	60.8	63.4
Current account, in % GDP	11.7	10.8	6.0	-2.6	-8.8	-3.1	-0.5	6.9	6.1	-5.0	-5.4
Non-resident flows, in $ bn	...	1.0	1.4	8.1	11.2	8.7	-8.3	-8.4	-4.2	2.0	4.2
Reserves, in $ bn	27.0	31.2	31.5	27.0	23.8	23.7	17.5	15.4	16.3	14.5	15.1
Central govt. balance, in % GDP	8.1	4.1	-0.3	-5.7	-2.9	-4.5	-6.3	2.1	0.7	-2.3	-0.2
Primary balance, in % GDP	9.0	5.0	0.4	-4.7	-1.1	-1.7	-16.2	-12.1	-12.3	-13.4	-12.4
Central govt. debt, in % GDP	...	...	...	28.6	44.2	66.2	63.9	87.9	113.3	122.1	112.8
Cameroon											
Real GDP growth, in %	4.1	4.5	5.4	5.9	5.7	4.4	3.7	4.0	3.8	-1.7	3.6
Nominal GDP, in $ bn	29.4	29.1	32.4	34.9	30.9	32.6	35.0	38.7	39.0	39.4	43.6
Current account, in % GDP	-2.6	-3.3	-3.5	-4.0	-3.8	-3.2	-2.7	-3.6	-4.3	-5.5	-4.6
Non-resident flows, in $ bn	0.7	0.7	1.2	1.6	2.1	1.4	2.6	2.5	2.8	2.5	2.8
Reserves, in $ bn	3.2	3.4	3.5	3.2	3.5	2.2	3.2	3.5	3.9	4.3	4.8
Central govt. balance, in % GDP	...	...	...	-3.2	-2.3	-6.3	-4.0	-3.3	-2.9	-4.5	-3.9
Primary balance, in % GDP	...	...	...	-2.8	-2.0	-5.6	-3.1	-2.4	-1.8	-3.6	-3.0
Central govt. debt, in % GDP	...	...	...	...	26.1	27.2	31.6	35.0	36.3	39.6	41.4
Côte d'Ivoire											
Real GDP growth, in %	-4.2	10.1	9.3	8.8	8.8	8.0	7.7	7.4	7.5	1.9	6.1
Nominal GDP, in $ bn	25.7	26.8	31.3	35.3	33.1	35.3	38.1	43.0	44.3	46.3	52.0
Current account, in % GDP	10.4	-1.2	-2.0	1.4	-0.6	-1.2	-2.8	-4.8	-3.9	-4.6	-3.5
Non-resident flows, in $ bn	1.3	-6.6	1.6	2.0	1.9	1.5	3.9	2.1	3.1	2.1	2.5
Reserves, in $ bn	4.3	3.9	4.2	4.5	4.7	4.1	6.3	6.3	6.8	6.8	7.1
Central govt. balance, in % GDP	-4.0	-3.1	-2.2	-2.1	-2.8	-4.0	-4.5	-4.0	-3.0	-5.9	-4.6
Primary balance, in % GDP	-2.2	-1.4	-0.9	-0.9	-1.3	-2.3	-2.8	-2.1	-1.0	-3.2	-2.6
Central govt. debt, in % GDP	69.2	45.0	43.4	44.8	47.3	48.4	49.8	53.2	50.1	52.8	54.0
Ethiopia											
Real GDP growth, in %*	11.2	8.6	10.6	10.3	10.4	9.4	9.6	6.8	8.4	2.1	0.6
Nominal GDP, in $ bn*	32.0	43.3	47.6	55.6	64.6	74.3	81.8	84.3	95.9	106.5	104.2
Current account, in % GDP*	-0.6	-6.4	-5.8	-7.7	-11.2	-10.6	-7.9	-6.2	-4.6	-4.2	-4.1
Non-resident flows, in $ bn*	1.4	1.3	2.6	4.1	8.9	6.2	5.4	5.0	5.9	4.2	4.3
Reserves, in $ bn*	2.8	2.0	2.1	2.4	3.1	3.2	3.2	2.9	3.4	3.4	3.8
Central govt. balance, in % GDP*	-1.6	-1.2	-1.9	-2.6	-1.9	-2.3	-3.2	-3.0	-2.5	-4.0	-3.6
Primary balance, in % GDP*	-1.2	-0.9	-1.6	-2.2	-1.5	-1.8	-2.8	-2.5	-2.0	-3.5	-2.9
Central govt. debt, in % GDP*	...	...	...	25.7	26.4	26.8	29.4	32.0	30.6	31.4	32.1
Ghana											
Real GDP growth, in %	14.0	9.3	7.3	2.9	2.2	3.4	8.1	6.3	6.5	0.3	4.6
Nominal GDP, in $ bn	52.4	54.7	62.5	52.5	48.4	55.0	59.0	65.6	67.0	68.7	74.4
Current account, in % GDP	-6.8	-9.0	-9.1	-7.0	-5.8	-5.2	-3.4	-3.1	-2.8	-3.3	-2.8
Non-resident flows, in $ bn	4.7	4.5	5.0	4.5	3.8	4.0	4.1	1.9	4.7	3.7	4.2
Reserves, in $ bn	5.5	5.4	5.2	5.2	5.4	5.5	6.7	5.9	7.1	7.8	9.2
Central govt. balance, in % GDP	-0.7	-4.3	-6.5	-4.6	-3.6	-8.1	-4.1	-3.5	-4.1	-12.2	-9.4
Primary balance, in % GDP	1.4	-1.8	-2.9	-0.1	1.4	-3.1	1.2	1.8	1.5	-5.9	-3.8
Central govt. debt, in % GDP	32.2	35.9	41.6	50.8	54.7	56.7	55.5	57.5	62.4	70.0	72.2

*Source: IIF * FY (July-June)*
Note: All country databases can be downloaded from our website.

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Appendix: Sub-Saharan Africa outlook at a glance (continued)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020f	2021f
Kenya											
Real GDP growth, in %	6.1	4.6	5.9	5.4	5.7	5.9	4.8	6.3	5.4	-0.6	5.3
Nominal GDP, in $ bn	42.1	50.4	55.1	61.5	64.2	69.2	79.0	87.8	95.5	97.6	105.2
Current account, in % GDP	-9.1	-8.4	-8.8	-10.4	-6.7	-5.3	-6.1	-5.0	-5.2	-4.2	-4.6
Non-resident flows, in $ bn	4.3	5.8	6.1	7.5	4.9	5.6	6.7	8.7	8.0	4.5	7.5
Reserves, in $ bn	4.3	5.7	6.6	7.9	7.5	7.6	7.3	8.2	9.1	8.4	9.5
Central govt. balance, in % GDP*	-4.3	-5.3	-8.1	-5.6	-8.5	-7.9	-9.6	-7.0	-7.6	-8.0	-8.4
Primary balance, in % GDP*	-2.1	-3.0	-5.7	-3.0	-5.6	-4.9	-6.2	-3.2	-3.7	-3.7	-2.8
Public sector debt, in % GDP*	43.4	40.5	42.1	46.7	48.4	54.3	57.4	59.3	62.1	65.9	72.3
Nigeria											
Real GDP growth, in %	4.9	4.3	5.4	6.3	2.7	-1.6	0.8	1.9	2.2	-3.2	1.1
Nominal GDP, in $ bn	413.9	461.0	514.9	568.2	491.9	413.1	375.7	421.7	475.2	451.6	469.2
Current account, in % GDP	3.1	4.1	3.9	0.2	-3.1	0.7	2.8	0.9	-3.6	-4.2	-4.4
Non-resident flows, in $ bn	14.8	25.1	21.6	18.3	5.3	6.2	20.5	5.0	17.7	-3.4	12.7
Reserves, in $ bn	35.2	46.4	45.4	36.7	28.3	27.2	39.6	42.8	38.3	35.8	34.1
Central govt. balance, in % GDP	-1.8	-1.3	-1.4	-0.9	-1.6	-2.6	-3.1	-2.8	-3.4	-3.8	-3.4
Primary balance, in % GDP	-1.0	-0.4	-0.4	0.1	-0.5	-1.2	-1.6	-1.1	-1.7	-1.8	-1.5
Central govt. debt, in % GDP	10.2	10.4	10.5	10.6	11.5	14.2	16.0	15.9	16.0	19.5	21.1
Tanzania											
Real GDP growth, in %	8.5	2.7	6.8	6.7	6.2	6.9	6.8	7.0	7.0	2.0	4.2
Nominal GDP, in $ bn	35.2	39.6	45.7	50.0	47.6	49.8	53.3	57.0	61.1	64.8	69.8
Current account, in % GDP	-12.5	-9.5	-10.9	-10.1	-9.4	-5.5	-3.4	-3.3	-1.9	-2.5	-2.7
Non-resident flows, in $ bn	2.9	3.7	5.3	3.1	2.9	1.6	2.0	2.0	2.4	1.5	2.1
Reserves, in $ bn	3.7	4.1	4.7	4.4	4.1	4.4	5.9	5.0	9.1	8.7	8.3
Central govt. balance, in % GDP*	-4.2	-2.9	-4.3	-2.8	-3.0	-3.3	-1.0	-1.3	-2.5	-1.0	-3.3
Primary balance, in % GDP*	-3.5	-2.1	-3.2	-1.5	-1.6	-1.8	0.5	0.3	-0.7	0.6	-1.1
Central govt. debt, in % GDP*	26.8	26.1	29.9	30.2	35.5	37.3	37.7	39.8	38.2	37.3	38.1
Zambia											
Real GDP growth, in %	5.6	7.6	5.1	4.7	2.9	3.8	4.1	3.5	1.4	-2.4	1.2
Nominal GDP, in $ bn	23.9	26.0	28.6	27.7	21.7	21.1	25.9	27.0	23.1	19.6	18.1
Current account, in % GDP	4.0	4.8	-0.8	-1.3	-2.3	-3.3	-1.7	-1.3	0.6	0.2	0.5
Non-resident flows, in $ bn	1.5	3.1	2.3	3.0	3.7	1.8	2.0	1.5	0.9	1.0	1.5
Reserves, in $ bn	2.3	3.0	2.7	3.1	3.0	2.4	2.1	1.6	1.4	1.4	1.7
Central govt. balance, in % GDP	-1.8	-2.8	-6.2	-5.8	-9.5	-6.5	-7.8	-8.4	-8.5	-12.2	-10.5
Primary balance, in % GDP	-0.8	-1.5	-4.7	-3.6	-6.7	-3.1	-3.8	-3.8	-1.5	-4.3	-2.7
Central govt. debt, in % GDP	20.8	25.4	27.1	36.1	65.6	60.7	65.7	77.3	96.6	115.7	121.9

*Source: IIF * FY (July-June)*
Note: All country databases can be downloaded from our website.

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