The last Regional Outlook of the International Monetary Fund (IMF) acknowledges that 2023 has been a difficult year in sub-Saharan African economies, particularly because ot the inflationary shock that has followed the Russia's war in Ukraine. As a result, growth in 2023 is expected to fall for the second year in a row to 3.3 percent from 4.0 percent of 2022. Estimating the growth of the sub-Saharan Africa economy is similar to a lottery, due to the many variables that condition such a growth, like a possible slowdown in reform efforts by African countries, a rise in political instability, or external downside risks (including from China slowing down). Nonetheless, according to the IMF, this region should rebound next year of about 4.0 percent, with strong performances especially by non-resource intensive countries such as Rwanda, Cote d'Ivoire or Ethiopia, that should growth respectively of 7, 6.6 and 6.2 percent. However, here is the trick...

The report admits that this rebound is not guaranteed, also because four clouds are on the horizon which require determined policy action in the face of difficult tradeoffs:1) inflation is still too high, having reached double digits figures in 14 countries; 2) the region continues to face significant exchange rate pressures; 3) debt vulnerabilities are elevated, with half of the low-income countries in the region that are at high risk or in debt distress, a situation which is exacerbated by the fact that borrowing rates that are still high. Finally, the IMF report also points out that economic divergences within the region are widening—in particular, per capita incomes in resource intensive economies remain subdued.

Against this background, the IMF draw the attention of African policymakers on a series of policy priorities that they should pursue to address the above challenges:

1. Addressing inflation: For countries where inflation is high but falling, a "pause" may be warranted, with rates held at existing elevated levels until inflation is firmly on the path to target. In countries with still rising inflation, further monetary tightening may be required until there are clear signs that inflation is cooling.
2. Managing exchange rate pressures: for countries with currencies whose value is pegged to the currencies of other foreign nations (so-called anchor countries), monetary policy needs to be aligned with the anchor country to preserve external stability and prevent further losses of reserves. Instead, in countries with floating exchange rates, currencies should be allowed to adjust as much as possible, since efforts to resist fundamentals-based movements come at a significant cost. The adjustment should be accompanied by other policy measures, such as tighter monetary policy to keep inflation in check, targeted support for the

poor, structural reforms to strengthen the export sector, and fiscal consolidation where the fiscal deficit is adding to exchange rate pressures.

3. Managing debt obligations while creating space for development spending: For much of the region, fiscal policy must adapt to a tighter financing envelope and elevated debt vulnerabilities. This involves better mobilizing domestic revenue, a strategic approach to spending (which does not mean reducing the public expenditure, but to focus such expenditure on sectors with higher returns), borrowing prudently, and anchoring fiscal policy through a credible medium-term framework. In the few countries where debt is unsustainable, debt restructuring may also be needed. With large development needs and limited fiscal space, most countries need greater financial support from donors. In other words, as African countries have not enough financial resources, they must keep looking for the support of external developing partners if they want to invest in their growth.
4. Improving living standards and potential growth, particularly in resource intensive countries: Boosting income per capita will require wide-ranging structural reforms, including investment in education, better natural resource management, improved business climate and digitalization, and a commitment to trade integration.

The IMF report also mentions the African Continental Free Trade Area (AfCFTA) as a tool that can promote growth and foster trade integration in Africa, warning that lowering tariffs and non-tariff measures in the continent could not be enough. Additional reforms, such as improving transport, customs and border processing, as well as the access to trade financing, are all desirable reforms that have the potential to boost income levels and support the expansion of cross-border value chains.

The challenge, however, is the implementation of the Agreement. Priority should be given to ensuring that these deadlines are met, the report argues.