Centre for the Study of the Economies of Africa
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AFRICA ECONOMIC UPDATE

Issue 7 July 2017

Sub-Saharan Growth Outlook

The International Monetary Fund (IMF) slightly revised upward growth projections for Sub-Saharan Africa by 0.1 percentage point in 2017 but retained growth estimates for 2018.[1] Precisely, growth estimate in the region was increased from 2.6 percent in April 2017 forecast to 2.7 percent in July 2017 forecast, while it was retained at 3.5 percent for 2018. The slight upward revision in 2017 is attributable to an upgrade in South Africa's growth prospect from 0.8 percent in April 2017 to 1.0 percent in July 2017. Despite the upward 2017 revision, 2018 forecast for South Africa was revised down from 1.6 percent in April 2017 to 1.2 percent in July 2017. Growth forecast for Nigeria remained unchanged at 0.8 percent and 1.9 percent for 2017 and 2018 respectively. The increased growth outlook in South Africa is driven by rise in mining output and better rainfall leading to bumper crop. However, political uncertainty and weak consumer and business confidence in South Africa necessitated a decrease in the country's growth forecast for 2018. Despite an improved growth forecast in Sub-Saharan Africa, growth in per capita terms in 2017 is expected to remain negative for about a third of the countries in the region. South Africa needs more stability on the political scene to curb the negative effects on the economy. Other African countries, especially commodity exporters, need significant adjustments to correct macroeconomic imbalances. Specifically, they need to shore up fiscal buffers while growth is positive to enhance their resilience to future shocks.

Monetary Policy

Available data show that most Monetary Policy Committees (MPCs) across Africa retained or adopted an expansionary monetary policy rate in meetings held in July. Specifically, interest rates were retained in Nigeria at 14 percent[2], Kenya at 10 percent[3], Swaziland at 7.35 percent[4] and Angola at 20 percent[5]. In contrast, interest rates were lowered at 6.75 percent[6], 21 percent[6] and 18 percent[7] in South Africa, Ghana and Malawi respectively while Egypt (18.75 percent)[9], for the second consecutive month, adopted a contractionary monetary policy rate in the review period. Influential to the decision of most monetary authorities were the state of inflation and economic growth in their respective countries. Interest rate was maintained in Nigeria as a result of improved inflationary pressure, investment flows and exchange rate. Kenya and Swaziland monetary authorities concluded that an unchanged interest rate remains appropriate for domestic economic growth. Disinflation in Ghana, Malawi and South Africa necessitated an expansionary monetary stance despite contrasting growth rates and outlooks in these countries. While the goal to achieve its inflation target warranted Egypt monetary authority's tightened interest rate. In line with differing economic developments, monetary policies in African countries should gradually normalize.

Inflation

Available data shows a reduction in consumer prices in most countries in the region in June 2017 relative to preceding months with most countries recording single-digit inflation rates.[10] Specifically, headline inflation decreased in Nigeria (16.1 percent), Ghana (12.1 percent), South Africa (5.1 percent), Tanzania (5.4 percent), Senegal (1.4 percent), Kenya (7.5 percent) and Rwanda (9.4 percent). Conversely, price increase was recorded in Egypt (29.8 percent), Ethiopia (8.8 percent), Zambia (6.8 percent) while it remained unchanged in Tunisia (4.8 percent) and Botswana (5.3 percent). Food prices continued to be the main driver of inflation in the region, particularly in East Africa, as improved weather conditions may be responsible for decline in food and non-beverage prices in the region. The available data also shows that inflation in Southern Africa remains low and declined, with Mozambique (18.1 percent) the only country in the region with double digit inflation rate. In West Africa, inflationary pressure in Nigeria and Ghana continue to ease despite remaining in double digits. Falling food and petroleum prices were the drivers of reduced consumer price in Ghana[11]. While, the decrease in inflation rate in Nigeria is attributable to decrease in core sub-index which offset the increase in food sub-index[12]. By contrast, price increase in Zambia is attributed to adjustments in electricity tariffs.[13] Most African countries may maintain their monetary policies in order to sustain gains in reaching inflationary targets. Also, countries need more investment to enhance agricultural productivity and tradability of food products.

Business

Business conditions in Africa continued to improve in July 2017. The Purchasing Managers' Index (PMI) – an assessment of business conditions in the manufacturing sector – increased and remained above 50 in most African countries with available data. Egypt and Kenya were the only countries that recorded PMI below the 50 index-point threshold, despite registering improvements in the review period. Specifically, Nigerian manufacturing and non-manufacturing PMI improved to 54.1 index point and 54.4 index point respectively.[14] Uganda PMI rose to 54.3 index points in July from 52.8 index points in June.[15] Business conditions improved in South Africa (50.1 index points)[16] and Zambia (52.5 index point)[17] in the review period. The improvements in business conditions in Kenya (48.1 index points) [18] and Egypt (48.6 index points)[19] were insufficient to raise PMI above the 50 index threshold. Improved business conditions in Uganda is driven by the agricultural sector following improved weather conditions. The increase in South Africa's PMI is driven by higher new business and employment sub-indices which offset the decline in output sub-index. Improved FOREX liquidity remains the key driver of the growth recorded in Nigerian business sector. Kenya's presence in the contractionary territory is attributed to political uncertainty and lack of access to credit. Similarly, the underperformance in Egypt's non-oil private sector is driven by the rise in input cost, largely owing to higher fuel price as subsidies were cut off. There is an urgent need for countries in Africa to create and sustain a conducive environment for businesses to thrive. Particularly, African governments need to create more access to business credit, and develop local value chains capable of providing production input needs.

DATA SUMMARY

Inflation Rate (%)					
Countries	Feb-17	Mar-17	Apr-17	May-17	Jun-17
Nigeria	17.78	17.26	17.24	16.25	16.1
Egypt	30.2	30.9	31.5	29.7	29.8
South Africa	6.3	6.1	5.3	5.4	5.1
Angola	38.32	36.52	34.8	32.58	30.51
Malawi	16.1	15.8	14.6	12.3	11.3
Kenya	9.04	10.28	11.48	11.7	9.21
Ethopia	7	8.5	8.6	8.7	8.8
Tanzania	5.5	6.4	6.4	6.1	5.4
Tunisia	4.6	4.8	5	4.8	4.8
Ghana	13.2	12.8	13	12.6	12.1
Ivory Coast	1.5	0.4	0.1	-0.4	1.6
Zambia	6.8	6.7	6.7	6.5	6.8
Uganda	6.7	6.4	6.8	7.2	6.4
Mozambique	20.88	21.57	21.27	20.24	18.1
Botswana	3.4	3.5	3.4	3.5	3.5
Zimbabwe	0.06	0.21	0.48	0.75	0.31
Senegal	2	2.4	2.1	1.8	1.4
Mauritius	1.3	1.3	2.9	5.9	6.4
Namibia	7.8	7	6.7	6.3	6.1
Rwanda	13.4	13	12.9	11.7	9.4
Seychelles	-0.6	-1.2	-0.78	3.18	3.69
Source: Trading Economics					

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