African Trade and Economic Outlook 2025

African Resilience in a Changing World Order

AFREXIMBANK

Transforming Africa's Trade

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Foreword

Africa's economic resilience remains under pressure from an increasingly uncertain global environment. Over the past few years, the continent has navigated a complex landscape marked by global inflationary pressures and associated tightening financial conditions, geopolitical conflicts, supply chain disruptions, and the escalating effects of climate change. While these challenges have created significant economic headwinds, Africa has demonstrated remarkable adaptability and strength. The continent's resilience has been underpinned by a combination of several factors including ongoing structural reforms, robust domestic consumption, increasing regional trade integration, and growing participation in the global digital economy.

The 2025 African Trade and Economic Outlook (ATEO) provides an in-depth analysis of Africa's economic and trade performance, projecting the continent's growth trajectory in the short-to-medium term. The report highlights the key macroeconomic and trade developments shaping Africa's recovery, detailing opportunities for sustainable growth amid heightening global and domestic uncertainties. Notably, despite global economic fragility, Afreximbank Research projects Africa's real GDP to grow by 4.0% in 2025, reaching 4.1% in 2026 and 4.2% in 2027. Encouragingly, 41% of African economies are expected to grow at rates of 5% or higher, nearly double the global average, reflecting the continent's expanding role as a driver of global growth.

Trade remains a central pillar of Africa's economic transformation. The continued implementation of the African Continental Free Trade Area (AfCFTA) has significantly boosted intra-African trade, encouraging regional integration and contributing to diversifying the continent's export basket and destination thereby reducing its reliance on external markets. In 2024, intra-African trade increased by 7.7%, reflecting the growing effectiveness of regional trade policies and improvements in trade-carrying infrastructure. However, despite these gains, Africa's trade landscape remains vulnerable to global price volatility and external shocks, underscoring the need to accelerate industrialization, value-added production, and economic diversification. By shifting away from commodity dependence and investing in manufacturing and services, Africa can enhance its trade resilience and create new opportunities for long-term, sustainable growth.

While Africa's economic outlook remains broadly positive, the balance of risks continues to tilt toward the downside. The ongoing volatility in global commodity markets, persistent fiscal and external imbalances, and the risk of debt distress in several African economies pose potential challenges. Geopolitical tensions and economic slowdowns in major economies, such as the United States and China, could also impact global trade flows and investment inflows into Africa. Furthermore, climate-related disruptions, including droughts, floods, and extreme weather conditions, threaten food security, infrastructure development, and economic stability across the continent. These risks underscore the need for proactive policies and coordinated regional strategies to build resilience and mitigate external vulnerabilities.

To sustain and accelerate Africa's growth momentum, policymakers must focus on structural transformation, economic diversification, and strengthening macroeconomic stability. Enhancing debt sustainability, improving fiscal management, and promoting investment in critical infrastructure will be key to ensuring long-term economic resilience. Additionally, investing in human capital development, particularly in education, healthcare, and digital skills, will be essential to unlocking Africa's full economic potential and fostering inclusive growth. The expansion of trade financing mechanisms, the development of regional value chains, and the deepening of financial markets will also play a crucial role in boosting private sector growth and supporting the continent's economic ambitions.

At Afreximbank, we recognize that research is a cornerstone of Africa's development, providing the data-driven insights needed to shape effective policies, drive investment, and unlock new opportunities for sustainable growth. We hope that this report, produced by Afreximbank Research, will contribute to these efforts by equipping policymakers, investors, development institutions, and other stakeholders with critical analysis to navigate Africa's evolving economic landscape. By leveraging the insights presented in this publication, we can collectively work toward building a more integrated, resilient, and prosperous Africa—one that is well-positioned to overcome global challenges and seize the opportunities of the future.

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List of Abbreviations

Afreximbank	African Export-Import Bank
AfCFTA	African Continental Free Trade Area
CEMAC	Central African Economic and Monetary Community
ECI	Economic Complexity Index
ECO	Ecosystem Vitality Index
EMDEs	Emerging markets and developing economies
EPI	Environmental Performance Index
EU	European Union
GEP	Growth elasticity of poverty
HHI	Herfindahl-Hirschman Index
HLT	Environmental Health Index
IMF	International Monetary Fund
FDI	Foreign direct investment
ND-GAIN	Notre Dame-Global Adaptation Initiative
OECD	Organisation of Economic Co-operation and Development
PCC	Climate Change Index
S&P	Standard & Poor's
SSA	Sub-Saharan Africa
UNCTAD	United Nations Conference on Trade and Development
WAEMU	West African Economic and Monetary Union

Executive Summary

The opening chapter comprehensively analyzes the current landscape of African economies amid a dynamic global context. It scrutinizes macroeconomic trends and trade dynamics assessed for 2024, specifically through the lens of post-COVID-19 pandemic recovery trajectories. The chapter also delves into projections and forecasts for 2025, meticulously evaluating the potential risks and uncertainties confronting African countries in this evolving scenario.

Africa continues to exhibit significant resilience in the face of global challenges such as the COVID-19 pandemic, escalating geopolitical tensions, and adverse climatic events. In 2024, the continent experienced a GDP growth rate of 3.4%, fueled by robust domestic consumption and a thriving services sector. Nevertheless, Africa's economic landscape remains precarious due to its heavy dependence on natural resource exports, rendering it vulnerable to global price volatility. The inflation rate persisted at an elevated average of 19.3% in 2024, driven by surging food and energy prices, alongside supply chain disruptions exacerbated by protracted conflict between Russia and Ukraine. Fiscal and external imbalances widened. The average public debt declined but remained elevated at 67.2% of GDP, which was helped by resilient growth and high inflation. In 2024, African trade experienced a robust recovery, reflecting a 5.8% increase in overall trade volume. Intra-African trade showed a strong performance, growing by 7.7% in 2024.

Looking ahead, Africa is well positioned to raise its economic growth prospects. Real GDP growth is expected to rise gradually, reaching 4.0% in 2025, 4.1% in 2026, and 4.2% in 2027. This gradual recovery will be supported by increased global demand for African exports, the disinflation trend, and the implementation of structural reforms to diversify African economies. Furthermore, 41% of African economies are projected to grow by at least 5%, double the global rate of 21%.

The balance of risks currently leans toward the downside. There are downside risks to the African economic outlook, including rising geopolitical tensions and fluctuating commodity prices. Economic slowdown in the United States and China may also impact the international financial conditions and the demand for African resources. Internal conflicts and climate change threaten stability and growth. However, potential upside risks include the anticipated decline in global interest rates, which would begin in 2025 if geopolitical uncertainty remains unchanged, potentially enhancing access to financing. Additionally, the African Continental Free Trade Area (AfCFTA) presents an opportunity to boost economic integration and intra-African trade, reducing vulnerability to external shocks in the medium term.

To address potential downside risks, several short-term strategies should be implemented. These strategies include adopting a nuanced and proactive monetary policy stance, enhancing resilience against climate-related and geopolitical disruptions, boosting domestic consumption alongside the service sector, and accelerating the implementation of the AfCFTA agreement. In the medium term, the focus should shift toward economic diversification through strategic investments in human capital development and workforce training within key emerging sectors. Additionally, efforts should be made to improve economic governance, public infrastructure, and initiatives to strengthen intra-African trade dynamics.

The second chapter delves into critical dimensions necessary to bolster resilience and advance the sustainability of African economies. African countries face several interrelated challenges in transitioning to a more inclusive and sustainable growth pathway within an increasingly uncertain global landscape. The chapter identifies various challenges that must be addressed to achieve stability and sustainable development.

The first challenge is heavy reliance on commodity exports, which makes African countries vulnerable to fluctuations in world commodity prices. This dependence leads to significant volatility in their economic output and export earnings.. To reduce their exposure to these price fluctuations, it is crucial to accelerate the structural shift to a more diversified and resilient economy.

The second challenge is debt sustainability. Due to their large development financing needs, many African countries have experienced an unprecedented rise in public debt over recent years, forcing several of them to devote over 50% of their revenues to debt service. This increase was facilitated by a low-interest rate environment following the 2008–2009 global financial crisis and was further exacerbated by fiscal responses to the COVID-19 pandemic and the fallout from the Ukraine crisis. Ensuring debt sustainability requires more efficient public spending and prioritization of growth-oriented investment projects.

The third challenge involves human capital and skill development. Despite notable economic performance over the past two decades, many African countries have not significantly improved health outcomes. Additionally, progress in education—both in terms of quantity and quality—has been limited. Governments should allocate more resources to enhance healthcare and promote collaborations between the public and private sectors. Strengthening training in sciences and technology facilitates skill development and talent allocation, which is essential for successful structural transformation.

The fourth challenge is the weak social outcomes of economic growth. With slow progress in poverty reduction, Africa continues to have the highest poverty rates globally and remains one of the most inequitable regions. To boost poverty-reducing potential growth, improving the provision of basic public infrastructure and services is vital, reducing dependency on natural resources through structural transformation. Addressing inequalities must be an integral part of sustainable development goals, ensuring equitable access to quality education, healthcare, energy, transport infrastructure, and financial services.

Finally, the fifth challenge relates to growing concerns about environmental degradation and the increasing frequency of extreme weather events. For sustainable economic development, promotion of green growth must align with comprehensive policy frameworks that address climate change adaptation and mitigation strategies while recognizing continental development needs and challenges. It is essential to Integrate climate change considerations into infrastructure planning and design.

Chapter 1: State Of Play Of The African Resilience: Recent Macroeconomic And Trade Developments And Outlook

Key messages

- Global disruptions have notably affected economic performance and trade. In 2024, global GDP growth slowed to 3.2%, but trade volumes recovered, increasing by 5.3% to reach US$50.2 trillion. Inflationary pressures raised interest rates significantly, and while commodity markets stabilized, ongoing supply chain tensions still challenge operational efficiency.

- Africa faces significant economic challenges, including the impacts of the pandemic, internal conflicts, and climate disasters. In 2024, Africa's GDP grew by 3.4%, but inflation hit 19.3%, and public debt stood at 67.2% of GDP.

- African trade showed signs of recovery in 2024, albeit moderately. African trade increased by 5.8% in 2024 after a 6% decline in 2023, while intra-African trade rose 8%.

- Despite global uncertainties, Africa is expected to accelerate its economic growth, driven by rising export demand and economic reforms. Africa's GDP is projected to grow by 4.0% in 2025 and 4.2% in 2027, outpacing global averages.

- African trade is expected to grow significantly, with an average annual increase of 5.3% in 2025, 5.4% in 2026, and 5.6% in 2027. Africa's trade is set to reach US$1.5 trillion by 2025, with intra-African trade growing at 6.6% annually.

I. Introduction

The global economy has faced several significant shocks in recent years, each leaving lasting impacts. The COVID-19 pandemic caused major disruptions worldwide, followed by rising geopolitical tensions and increasingly extreme weather events. By 2024, the post-pandemic economic recovery had slowed, with global growth projected at only 3.2%. This global slowdown is accompanied by widespread inflation affecting many countries, prompting major central banks to implement tighter monetary policies to manage inflationary pressures and leading to depreciation pressures on several currencies in the developing world. Recently, toward the end of 2024, trade tensions and geopolitical fractures intensified, creating uncertainty regarding the global growth trajectory and adding complexity to an already fragile economy. These issues further exacerbated existing challenges, including global supply chain disruptions, maritime transport issues, and shifts in global trade dynamics.

Despite a challenging global environment, Africa's economic growth improved (albeit slightly) from 3.3% in 2023 to 3.4% in 2024. In this uncertain global context, Africa finds itself at a crossroads. Notwithstanding pressures from the global economic slowdown and geopolitical tensions, the continent has proven remarkably resilient in the face of myriad challenges. The slowdown in global demand, exacerbated by rising commodity prices and pressure on supply chains, affected African exports for energy and mining products. Nevertheless, unlike other regions, Africa maintained economic stability mainly on the back of robust domestic consumption, a stable services sector, and economies that are less dependent on natural resources.

However, the resilience of African economies remains fragile due largely to several external factors. For instance, political instability in some regions, internal tensions, armed conflicts, and climate-related disasters weigh heavily on the continent's economic activities. Structural policy challenges such as persistent budget deficits, growing public debt burdens, and rising inflation further complicate economic management in certain regions. In response to these challenges, monetary policies have been tightened, with many African central banks adopting anti-inflation strategies to stabilize their economies.

Looking ahead, Africa stands to benefit from several opportunities that could support its recovery. On the back of several key factors, the continent's economic growth is expected to accelerate, outpacing that of the global economy. Global demand for African exports, fueled by the ongoing recovery of global consumption, could help boost Africa's economic growth. Moreover, stabilizing inflation in many African countries is expected to increase consumers' purchasing power, strengthening domestic demand.

II. Macroeconomic and Trade Developments on the Global Stage

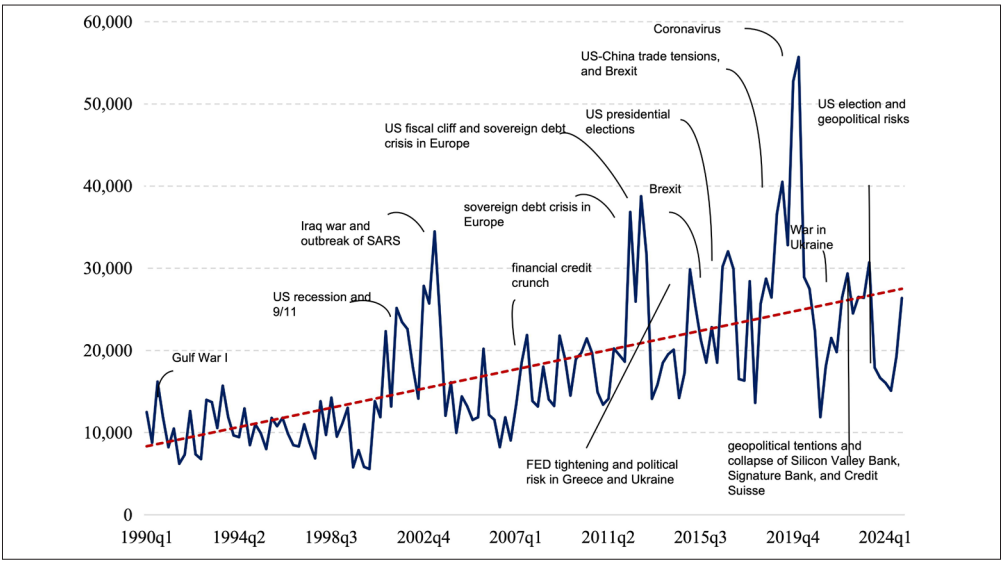
Overlapping shocks and geopolitical tensions have impacted the global economy over the past five years. Following a relatively stable period during the 1990s, economic shocks including the COVID-19 pandemic, Ukraine crisis, and other significant political and geopolitical tensions emerged in the early 2000s, contributing to heightening global uncertainty (Figure 1). These developments resulted in substantial macroeconomic consequences worldwide. Additionally, climate and extreme weather events have raised significant concerns. In 2024, climate events adversely affected several regions and the global economy. Heatwaves in Southern Europe, the United States, and parts of Asia have increased energy demand and decreased productivity. Severe flooding in South Asia caused displacement and food insecurity. Meanwhile, droughts in the Horn of Africa, Southern Europe, and the American Midwest resulted in low crop yields. Coral reef degradation threatened coastal communities, exacerbated macroeconomic challenges, such as overshooting inflation, sluggish growth, and rising debt in developing countries.

After recovering from the pandemic, the global economy experienced a slowdown with uneven growth rates. The economic slowdown that started in 2022 continued into 2024, with global GDP growth decreasing by 0.1 percentage points to 3.2% (Table 1). Advanced economies have seen limited growth, with the United States maintaining around 3% in 2023 and 2024, while the euro area struggled at 0.4% in 2023 and 0.8% in 2024. Japan's economy declined sharply to 0.3% in 2024, from 1.7% the year prior, whereas the United Kingdom improved slightly to 1.1%. In emerging and developing economies, GDP growth fell by 0.2 percentage points to 4.2% in 2024 due to deceleration in China and India, which recorded growth rates of 4.8% and 7%, respectively.

Commodity markets appear to have regained some degree of calm after the post-COVID boom. The global economic recovery from COVID-19 boosted commodity demand, causing price increases. The Russia-Ukraine war further influenced oil, natural gas, and grain prices due to Western-led sanctions against Russia and reduced Russian exports. However, since 2023, commodity prices have stabilized (Figure 2). This lull continued into 2024, although prices remained at historically high levels.

Although easing, supply chain constraints have persisted. In 2024, the shipping sector witnessed a remarkable resurgence driven by multiple factors, including realigned shipping routes, severe port congestion, and elevated operational expenses. Consequently, shipping costs plummeted by approximately 60% from the peak levels observed

Figure 1: Dynamics of World Uncertainty Index, 1990 Q1–2024 Q4



Source: Ahir, Bloom, and Furceri, "World Uncertainty Index," National Bureau of Economic Research Working Paper, 2022.

Table 1: Recent Dynamics of GDP Growth in Major Economies

	2019	2020	2021	2022	2023	2024
World	2.9	-2.7	6.6	3.6	3.3	3.2
Advanced Economies	1.9	-4.0	6.0	2.9	1.7	1.8
United States	2.6	-2.2	6.1	2.5	2.9	2.8
Euro Area	1.6	-6.1	6.2	3.3	0.4	0.8
Japan	-0.4	-4.2	2.7	1.2	1.7	0.3
United Kingdom	1.6	-10.3	8.6	4.8	0.3	1.1
Other advanced Economies	2.0	-1.6	5.9	2.7	1.8	2.1
Emerging and developing	3.7	-1.8	7.0	4.0	4.4	4.2
China	6.0	2.2	8.4	3.0	5.2	4.8
India	3.9	-5.8	9.7	7.0	8.2	7.0

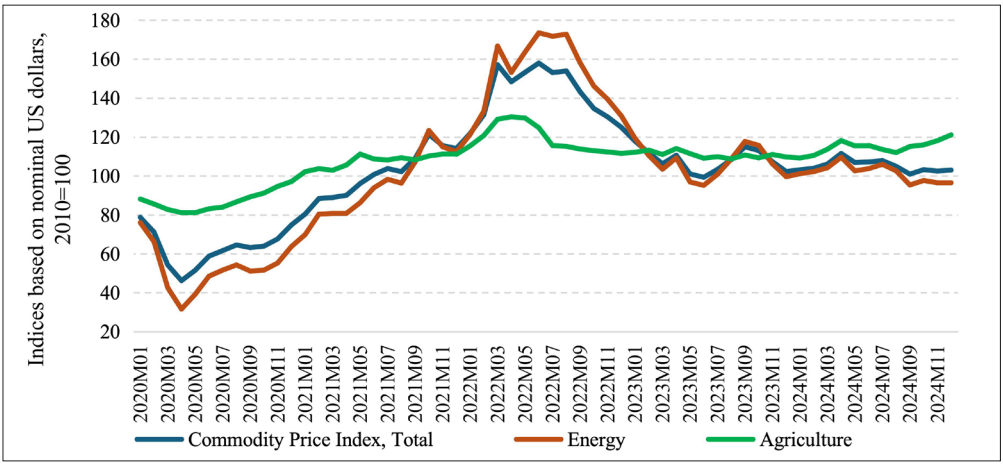
Source: International Monetary Fund, World Economic Outlook (WEO), October 2024.

during the COVID-19 pandemic, which resulted in historically high freight rates. However, it is crucial to recognize that current shipping costs remain more than double the average rates experienced in 2023. This persistent cost elevation underscores ongoing supply chain challenges and the residual impacts of the pandemic (Figure 3) as of October 2024.

Generalised increase in price levels prompted central banks to adjust their policy stances to contain infaltionary pressures. In 2022, global price increases were driven by factors such as the post-COVID economic rebound, ongoing supply chain disruptions, and rising geopolitical tensions. These increases culminated in the U.S. average inflation reaching historic level at 8.7%, while the Euro area recorded an even higher rate of 10.6% (Figure 4). However, by the end of 2024, inflation figures decreased significantly, settling at 2.3% in the United States and 2% in the Eurozone, a trend reflected across other major economies. Considering these developments and supported by sluggish economic fundamentals, central banks shifted to more accommodative monetary policies. Notably, in September 2024, the Federal Reserve began a rate-cutting cylce, starting with a 50-basis point reduction in the federal funds rate.

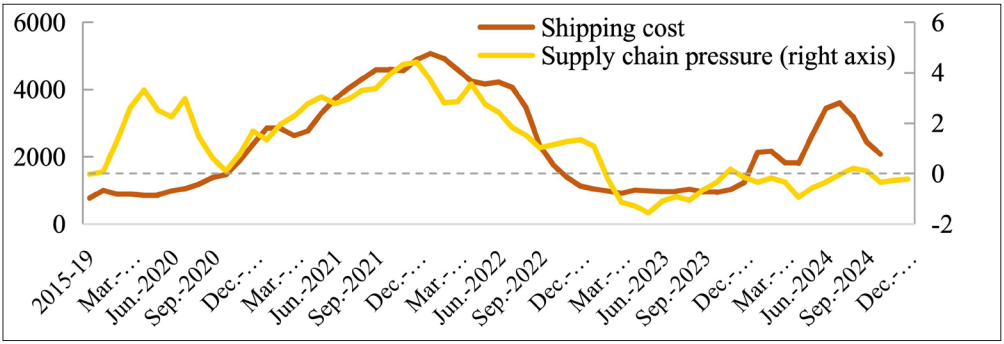
Since 2022, the U.S. dollar has experienced significant appreciation, reaching levels not seen in the last two decades. The dollar index peaked in late 2022 and has since stabilized, on account of the Federal Reserve's aggressive interest rate hikes to combat inflation. Consequently, the dollar has become more attractive to global investors. Geopolitical instability and economic downturns in other regions have prompted a flight to safety, strengthening the dollar as a haven asset, compared with weaker currencies, including the euro and yen, further bolstered the dollar's performance. In 2024, the dollar index increased by 2.2% compared with 2023, reflecting its resilience in a complex global economic environment (Figure 5).

Figure 2: Global Dynamics of Commodity Prices



Source: World Bank, Commodity Markets, 2025.

Figure 3: Shipping Costs and Supply Chain Pressure



Sources: Federal Reserve Bank, New York, January 2025; International Monetary Fund, World Economic Outlook, October 2024; and UN Trade and Development, January 2025. Note: Panel (a) displays the average annual inflation rates. Panel (b) displays commodity price indices (average 2015–2019 = 100). In panel 3, shipping costs are proxied by the Shanghai Containerized Freight Index, and the supply chain pressure measure corresponds to the Global Supply Chain Pressure Index. "2015–19" on the x-axis represents the average value over the 2015–2019 period.

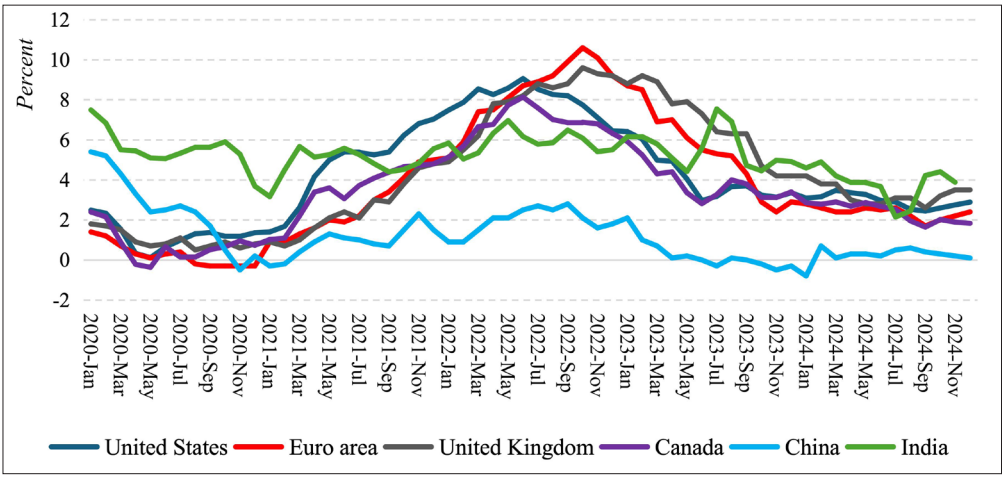
Global trade is showing resilience despite challenges, including trade fragmentation. After a 5.1% contraction in 2023, global goods trade rebounded to US$50.2 trillion, but its share of world output remained steady at 45.6% in 2024 (Figure 6). Advanced economies saw a 5.2% increase in trade value, led by the United States, Japan, and South Korea. In fact, South Korea had the highest trade growth at 8.1%, while trade in the United States grew by 4.5%. Emerging and developing economies outperformed with a 5.5% growth rate, driven by China's US$6.3 trillion in merchandise trade and India's 6.4% growth. In the first three quarters, Africa showed strong trade momentum, reaching 80% of its total trade value in 2023.

III. Recent Macroeconomic Developments in Africa

1. Africa's Resilience

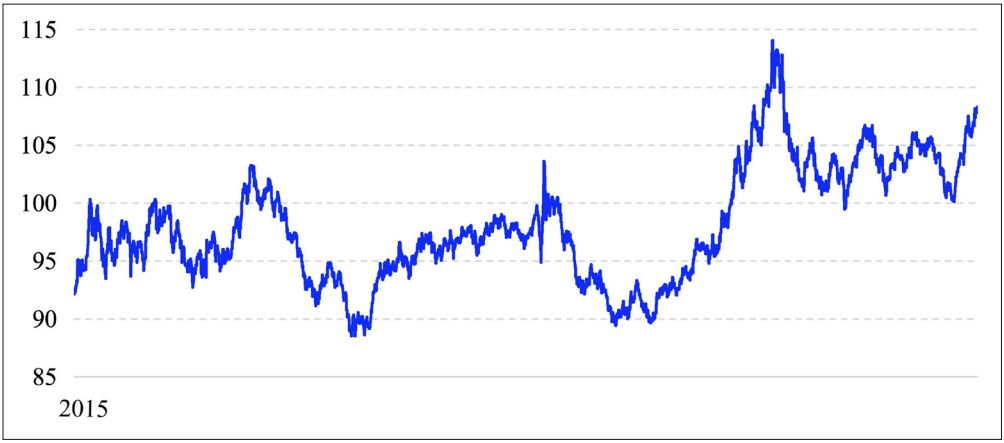
The global economic slowdown has challenged African growth, yet the continent has remained resilient. Subdued global consumption in 2024, driven by geopolitical tensions and increased supply chain pressures, has negatively affected African exports,

Figure 4: Recent Developments in Inflation in Major Economies.



Source: Organisation for Economic Co-operation and Development, 2025.

Figure 5: US Dollar Index Dynamics



Source: Investing.com, 2025. Note: The United States Dollar Index (DXY) measures the dollar's performance against a basket of currencies: EUR (57.6%), JPY (13.6%), GBP (11.9%), CAD (9.1%), SEK (4.2%), and CHF (3.6%).

especially in primary commodities. Domestically, Africa has been facing growth challenges stemming from terrorism in the Sahel, conflicts in the Democratic Republic of Congo, and political instability in Sudan. Climate-related disasters have further hindered economic prospects, including severe droughts in Somalia and the Sahel and cyclones in the Comoros, Madagascar, and Mozambique. Despite these challenges, the continent's growth has improved (albeit slightly), rising from 3.3% in 2023 to 3.4% in 2024. Although this growth rate remains below the levels seen in 2022, it surpasses pre-pandemic figures from 2019, indicating a degree of recovery amid ongoing difficulties (Figure 7).

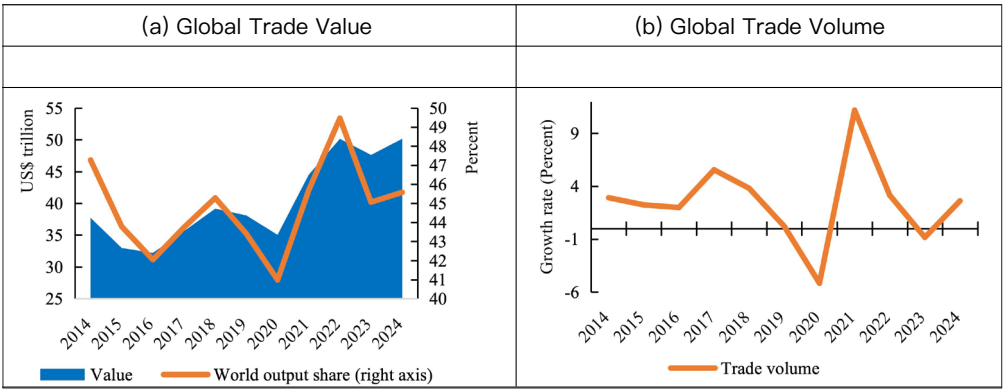
From the demand side, Africa's resilience is fueled by robust household consumption, though net exports adversely affected overall performance. Household consumption demonstrated resilience, contributing 2.7 percentage points to GDP growth in 2024, up from 1.8 in 2023. Investment contributions slowed, adding

1.8 percentage points, down from 2.0 (Figure 8). Public expenditure rose to 0.2 percentage points, returning from -0.1 in 2023. However, stagnation in net exports continues to pose a significant challenge, contributing -0.8 percentage points to growth in 2024, worsening from -0.2 the prior year.

A stable services sector underpinned the resilience of African economies from the supply side. The services sector contributed approximately 2.3% from 2023 to 2024 (Figure 9). In contrast, the industrial sector experienced a slight contraction, with its contribution to economic growth decreasing by 0.1 percentage points compared with 2023, resulting in a revised contribution of 0.5 percentage points. The agricultural sector continues to face challenges due to climatic disruptions; however, there has been a slight improvement in its growth contribution, increasing from 0.27 percentage points in 2023 to 0.33 percentage points in 2024.

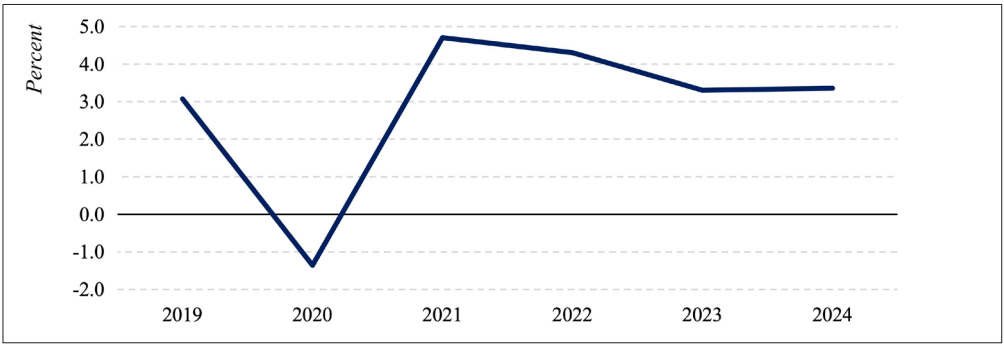
Non-resource-intensive economies are becoming key growth drivers in Africa, showing resilience against global economic challenges. An analysis of growth in African economies reveals significant variations. In 2024, non-resource-intensive economies grew by 5.1% from 4.9% in 2023 (Figure 10). This trend has reflected strong performance since 2019, except for 2020, when COVID-19 impacted growth. Conversely, resource-intensive economies are estimated to experience slower growth, with a forecast of 2.3% for 2024, representing an improvement of 0.7 percentage

Figure 6: Trends in Global Goods Trade



Sources: International Monetary Fund (IMF), Direction of Trade Statistics (DOTS), December 2024; IMF, World Economic Outlook, October 2024; and Afreximbank Research. Note: Global trade encompasses the total exports and imports (current US$), with 2024 figures estimated from IMF DOTS data and Afreximbank Research for the last quarter. These data exclude trade services.

Figure 7: Africa's Real GDP Growth, 2019–2024

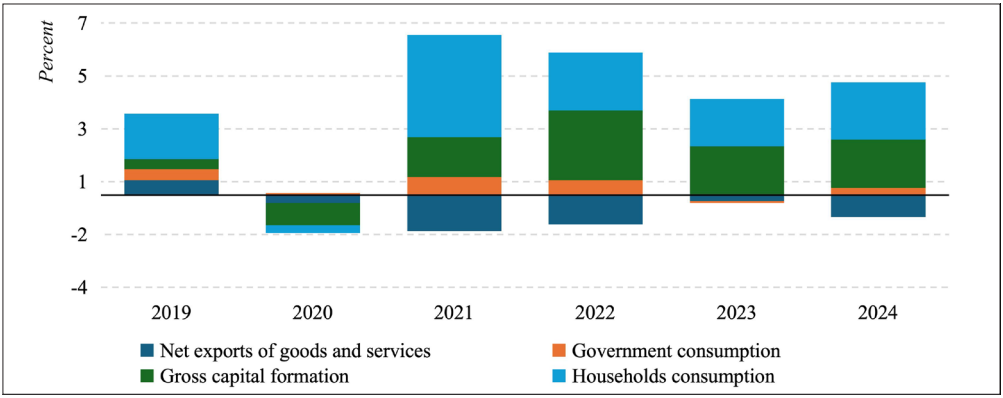


Sources: International Monetary Fund, World Economic Outlook, October 2024, and Afreximbank Research.

points from 2023 after a rebound in 2021. Notably, oil-exporting countries performed slightly better than other resource-rich countries, with an estimated growth rate of 3.2%, a slight decrease from the previous year.

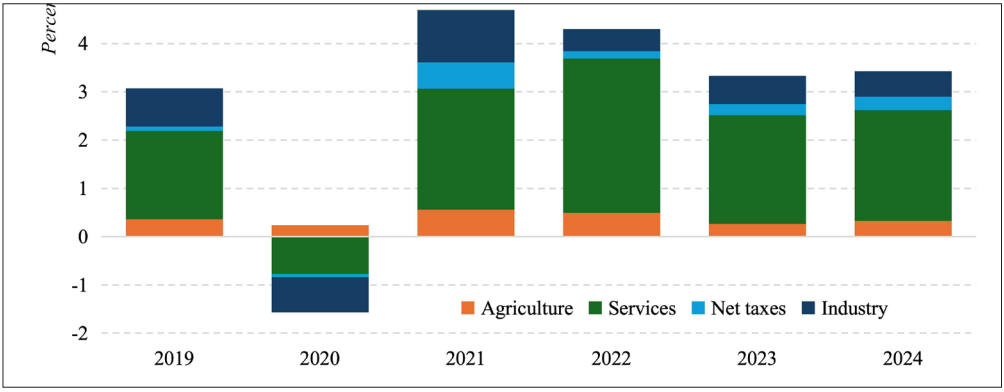
In 2024, Eastern Africa emerged as the best-performing region in terms of economic growth across the continent (Figure 11). Uniquely, Eastern Africa avoided a recession during the COVID-19 pandemic in 2020 and has since demonstrated strong economic performance, achieving an average growth rate of 4.4% from 2021 to 2024. Rwanda stood out with an impressive growth rate of 8.6%, followed by Ethiopia at 6.6%. In 2024, Eastern Africa recorded an average growth rate of 4.4%, slightly up from 2023, and outperformed Africa whose growth rose from 3.6% in 2023 to 4.1% in 2024. Southern Africa also experienced a slight increase in growth, improving from 1.8% in 2023 to 2.2% in 2024, although South Africa's underperformance held this growth back. In contrast, Northern Africa saw a decline in growth, with an estimated rate of 3.2% in 2024, due to instability in Libya and sluggish economic activity in Algeria.

Figure 8: Demand-Side Decomposition of Africa's GDP Growth, 2019–2024



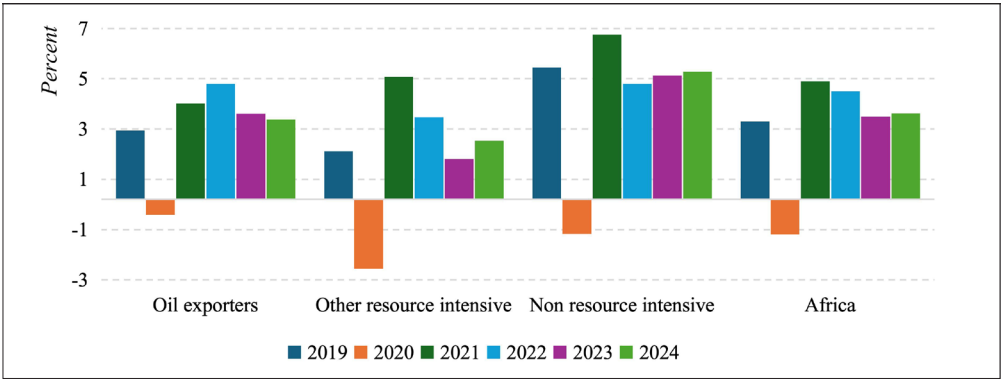
Sources: World Bank; International Monetary Fund, World Economic Outlook, October 2024; Afreximbank Research.

Figure 9: Sectoral Decomposition of Africa's GDP Growth, 2019–2024



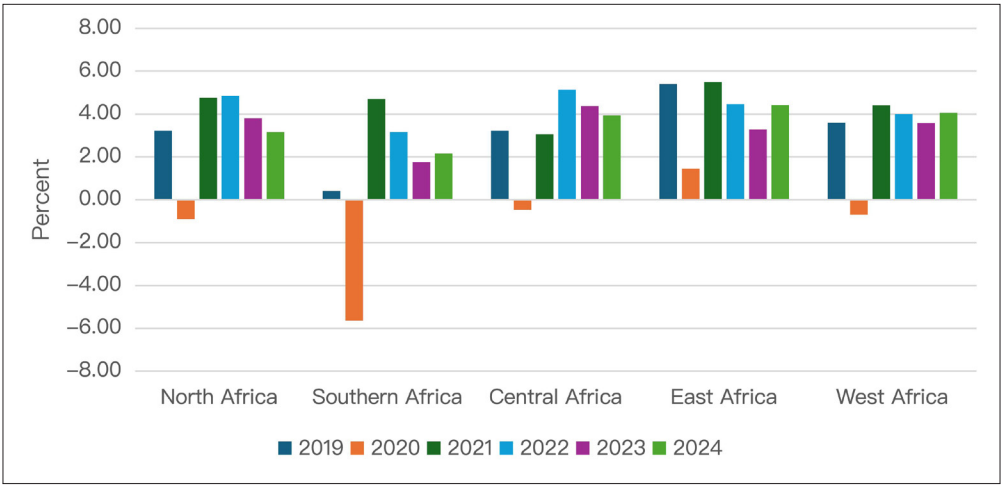
Sources: World Bank; International Monetary Fund, World Economic Outlook, October 2024; Afreximbank Research.

Figure 10 Real GDP Growth by Economic Groups, 2019–2024



Sources: International Monetary Fund, World Economic Outlook, October 2024; Afreximbank Research.

Figure 11: Real GDP Growth by Region, 2019–2024

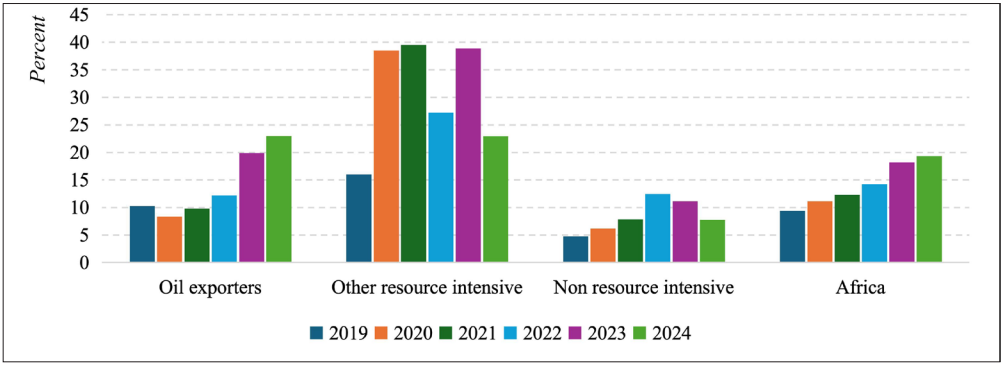


Sources: International Monetary Fund, World Economic Outlook, October 2024; Afreximbank Research.

2. Monetary Policy and the Challenges of Inflation

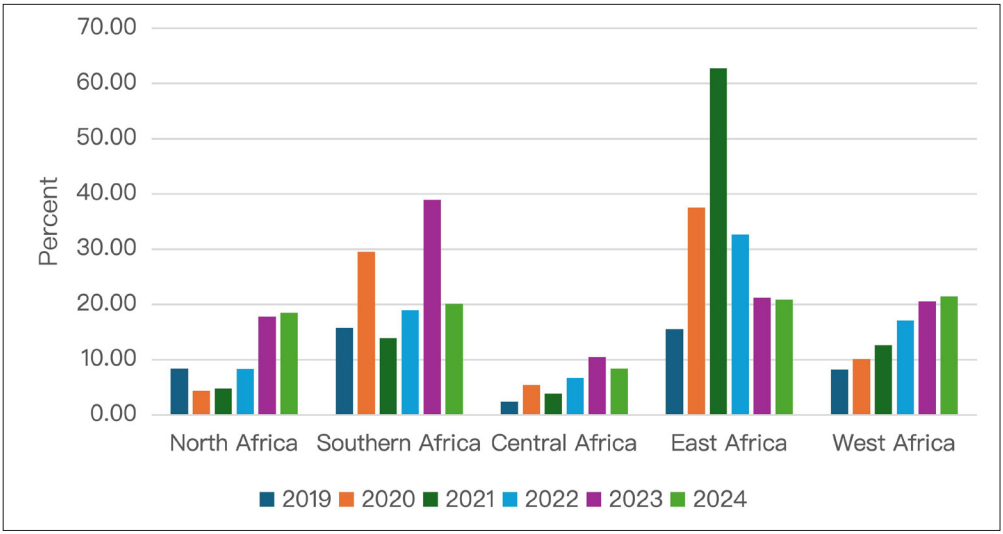
Since 2020, inflation in Africa exceeded double digits due to supply chain bottlenecks, rising oil prices, geopolitical tensions, and expansionary monetary policies. In 2024, the average inflation rate on the continent reached 19.3%, up by 1.1 percentage points from 2023 (Figure 12). Non-oil resource-intensive economies are facing higher inflation, with rates nearing 40% over the past five years, though it decreased to 23% in 2024 due to higher import costs. Oil-exporting countries saw inflation rise from 12.2% in 2022 to 23% in 2024. Meanwhile, non-resource-intensive economies entered a disinflationary cycle, with inflation dropping from 12.5% in 2022 to 7.8% in 2024.

Figure 12: Inflation by Economic Group, 2019–2024



Sources: International Monetary Fund, World Economic Outlook, October 2024; Afreximbank Research.

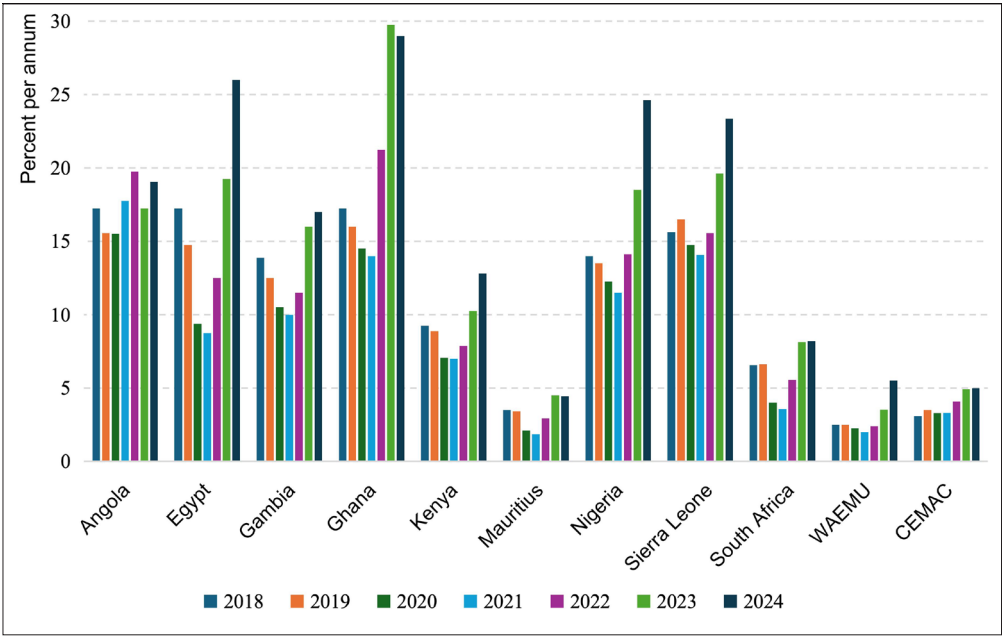
Figure 13: Inflation by Region, 2019–2024



Sources: International Monetary Fund, World Economic Outlook, October 2024; Afreximbank Research.

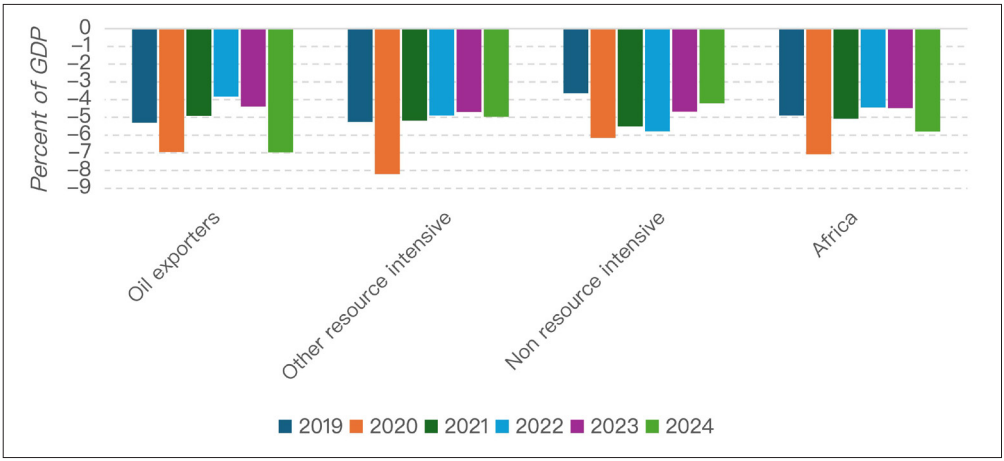
Inflation dynamics across Africa have shown significant regional differences (Figure 13). Western Africa experienced the highest inflation increase, from 20.6% in 2023 to 21.4% in 2024. Likewise, Northern Africa saw a more moderate inflation rise, with an increase of just about 0.7 percentage points, bringing the rate to 18.5% in 2024, up from 17.8% the previous year. However, disinflationary trends emerged in the Central, Eastern, and Southern regions in 2024. Southern Africa witnessed a substantial decrease in inflation, plummeting from 38.9% in 2023 to 20.1% in 2024. This drop is attributed to effective inflation control measures implemented in Zimbabwe. In Central Africa, inflation declined by 2.1 percentage points, falling from 10.5% in 2023 to 8.4% in 2024. Meanwhile, Eastern Africa experienced a slight disinflation of 0.3 percentage points, with inflation decreasing from 21.2% in 2023 to 20.9% in 2024. The persistence of high inflation rates in several regions can be attributed to the ongoing depreciation of African currencies against the U.S. dollar. This situation is further exacerbated by extreme weather events that have disrupted agricultural production and increased price levels across the continent.

Figure 14: Monetary Policy-Related Interest Rate



Source: International Monetary Fund, International Financial Statistics, 2024. Note: Data are available for the West African Economic and Monetary Union (Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal, Togo) and the Central African Economic and Monetary Community (Cameroon, Central African Republic, Chad, Gabon, Equatorial Guinea, Republic of Congo), both of which are monetary unions.

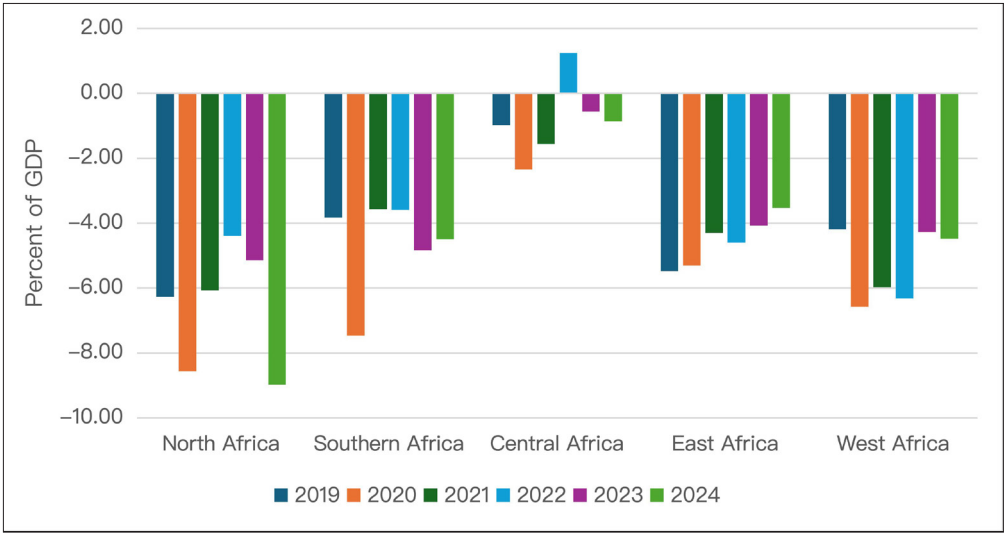
Figure 15: Fiscal Balance (Percent GDP) by Economic Group, 2019–2024



Source: International Monetary Fund, World Economic Outlook, October 2024.

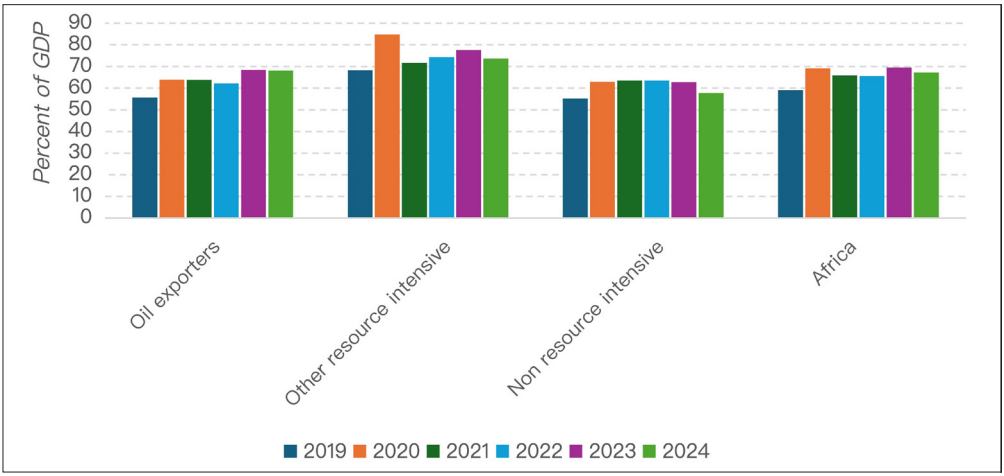
In 2024, in response to elevated inflationary pressures, most central banks across Africa adopted a tight monetary policy stance. On average, monetary policy interest rates were raised by 2.1 percentage points between December 2023 and December 2024. Significant hikes were observed in Egypt, where rates surged by 6.75 percentage points to 26%; in Nigeria, with a 6.1 percentage points increase to 24.6%; and in Sierra Leone, which saw a 3.7 percentage points increase to reach 23.4%. Inflation rates reached notable peaks during the same period, with Egypt experiencing 33.3%, Nigeria at 32.5%, and Sierra Leone at 36.6%. In contrast, the West African Economic and Monetary Union (WAEMU) and the Central African Economic and Monetary Community (CEMAC) maintained relatively lower interest rates due

Figure 16: Fiscal Balance (Percent GDP) by Region, 2019–2024



Source: International Monetary Fund, World Economic Outlook, October 2024.

Figure 17: Public Debt (Percent GDP) by Economic Group, 2019–2024



Sources: International Monetary Fund, World Economic Outlook, October 2024; Afreximbank Research.

to more stable inflation, helped by their pegs to the Euro. Nonetheless, both monetary unions recorded increases in interest rates: WAEMU saw a rise of 2 percentage points while CEMAC experienced a modest uptick of 0.1 percentage points in 2024 (Figure 14).

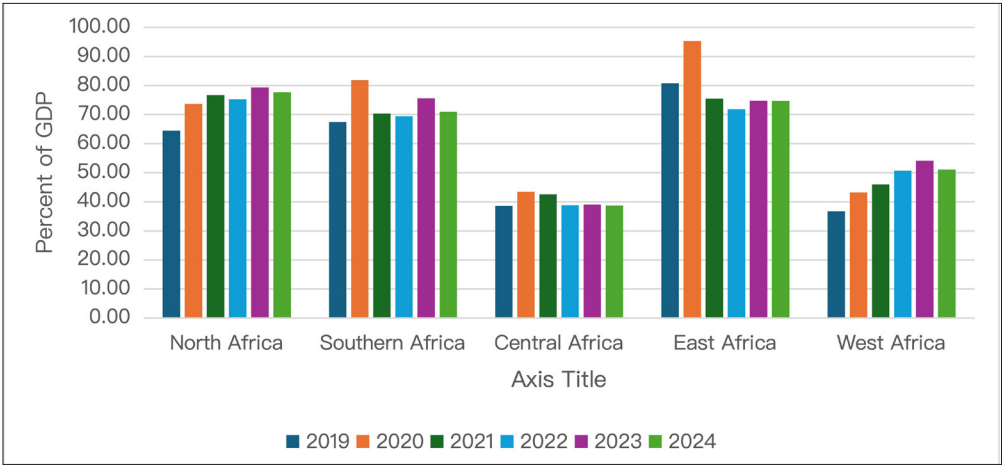
3. Persistent Fiscal Imbalances

Africa has faced a fiscal deficit since the COVID-19 pandemic. The deficit rose to 7.1% of GDP during the pandemic, driven increased government government spending in 2020 (Figure 15). By 2022, it had improved to 4.5%, but it widened to 4.3% in 2023 and was estimated to reach 5.8% in 2024 due to rising interest payments on debt and currency depreciation. Oil-exporting countries' deficits increased to 7% of GDP in 2024, up from 4.4% in 2023, fueled by steady oil prices and increased spending. Resource-intensive economies' deficits stabilized at around 5% after reaching a peak of 8.2% in 2020, while non-resource-dependent economies reduced their deficits from 6.2% in 2020 to 4.2% in 2024 through improved expenditure management (Figure 15).

Fiscal deficits across Africa exhibit significant regional disparities (Figure 16). Central Africa has the strongest fiscal position, with expectations of near fiscal balance by 2024, though it faces widening imbalances due to commodity price fluctuations and varying fiscal policies. Gabon is experiencing significant deterioration with a growing deficit while the Republic of Congo sees a declining surplus. In Eastern and Southern Africa, deficits have reduced by 0.3 percentage points due to fiscal consolidations in Burundi, Ethiopia, and Kenya, although Comoros, Djibouti, and Rwanda face worsening fiscal positions. Southern Africa benefits from improvements in Angola, Madagascar, Malawi, Namibia, and Zambia. Conversely, Northern Africa's fiscal deficit is estimated to have risen to 9% of GDP in 2024 from 5.1% in 2023, driven by weaknesses in the energy sector and currency devaluation, particularly in Egypt and Algeria. Libya's fiscal position shifted from an 8.2% surplus in 2023 to a 4.8% deficit in 2024. In Western Africa, fiscal deficits remain stable, increasing slightly from 4.3% to 4.5%, with Senegal and Burkina Faso having the highest deficits at 7.5% and 5.7%, respectively. Most other countries maintain deficits below 5%, notably Mauritania at 1.2%.

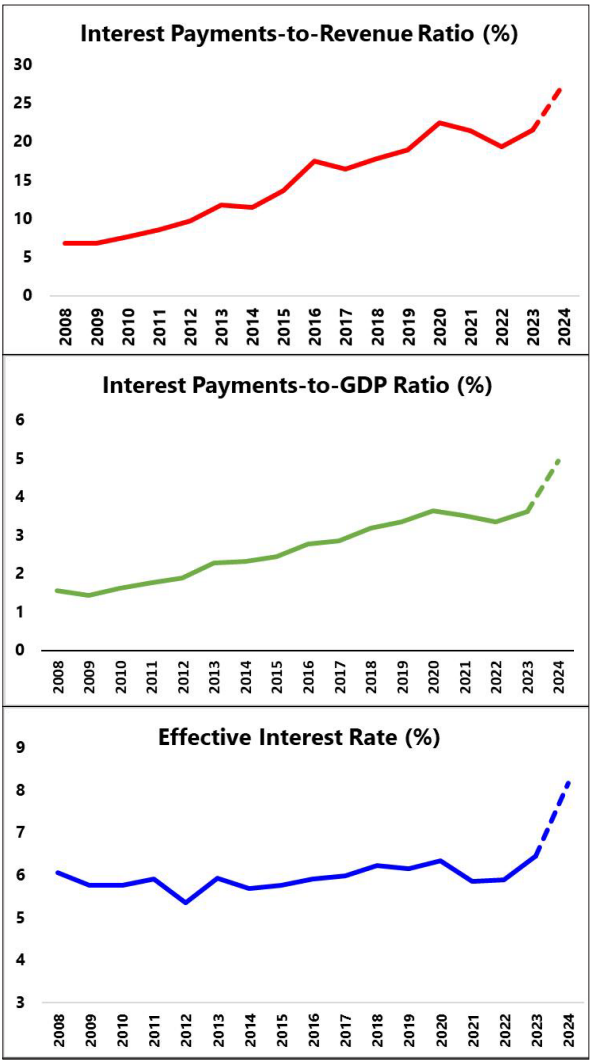
Persistent deficits have driven Africa's debt-to-GDP ratio above 60% since the COVID-19 pandemic. African economies have shown resilience, increasingly relying on external borrowing since 2020 to navigate global crises and secure development funding. The continent's debt-to-GDP ratio trended upward, increasing from 59% in 2019 to 69.2% in 2020. It subsequently decreased to 65.7% by 2022 before reaching a new peak of 69.6% in 2023. Projections for 2024 indicated a further decline, with the ratio expected to drop to 67.2% (Figure 17). It subsequently decreased to 65.7% by 2022 before reaching a new peak of 69.6% in 2023. Projections for 2024 indicated a further decline, with the ratio expected to drop to 67.2%. It subsequently decreased to 65.7% by 2022 before reaching a new peak of 69.6% in 2023. Projections for 2024 indicate a further decline, with the ratio expected to drop to 67.2%. Resource-intensive countries have the highest debt ratios, which peaked at 77.6% in 2023 but which are expected to decline to 73.7% in 2024. Oil-exporting economies are nearly 70% of GDP, at 68.5% in 2023 and 68.1% in 2024. Non-resource-rich economies saw their debt stabilize around 63% between 2020 and 2023, dropping to 57.9% in 2024.

Figure 18: Public Debt (Percent GDP) by Region, 2019–2024



Sources: International Monetary Fund, World Economic Outlook, October 2024; Afreximbank Research.

Figure 19: Cost of Borrowing on African Debt, 2008–2024



Sources: International Monetary Fund, World Economic Outlook, October 2024; Afreximbank Research.

The continent displays considerable regional variations in public debt dynamics (Figure 18). In 2024, Northern Africa's public debt-to-GDP ratio improved to 77.7%, down from 79.4% in 2023, driven by reductions in Algeria and Tunisia. Central and Western Africa saw the lowest debt ratios, with Central Africa declining to 38.7% and Western Africa to 51.1%, though Burkina Faso, Ghana, and Sierra Leone did not follow this trend. In Central Africa, the drop in debt ratios was due to improvements in Cameroon, the Central African Republic, the Democratic Republic of the Congo, the Republic of Congo, and São Tomé and Príncipe. Southern Africa's ratio decreased to 71% in 2024 from 75.6% in 2023, although Angola, Lesotho, and Namibia were exceptions. Eastern Africa's debt ratio remained stable around 60% from 2020 to 2023 before dropping significantly to 52.2% in 2024, but Sudan's situation worsened to 354.3% of GDP.

The recent cost increase, which is attributed to rising global interest rates, is a significant aspect of the continent's debt. Borrowing costs for African countries have surged, with effective interest rates reaching 8.2% in 2024, compared with rates of 5.4% to 6.3% between 2008 and 2019 (Figure 19). This escalation has resulted in various economic challenges, including increased inflation and improved lender risk perception. Interest payments as a percentage of GDP rose to 5% in 2024 and now comprise 27.5% of government revenue. This situation raises concerns about funding essential programs, particularly for the poorest countries that find investing in crucial sectors such as health, education, and the environment complex.

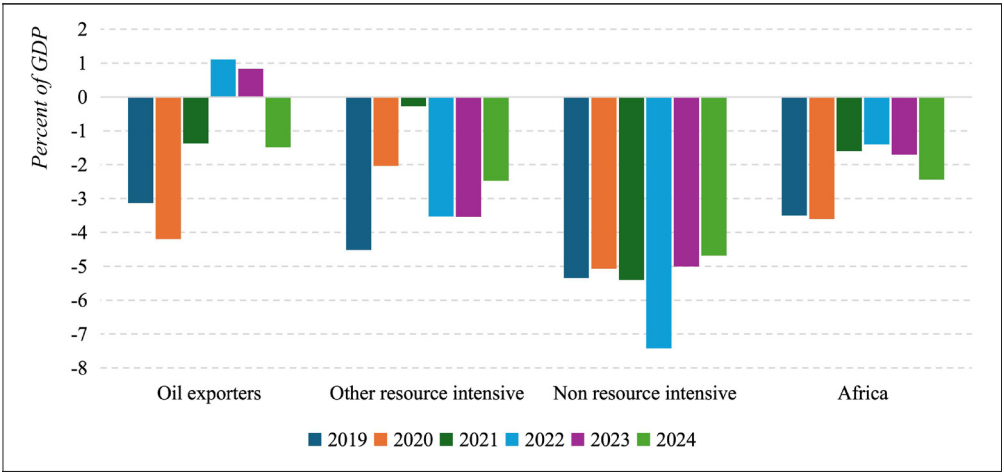
4. Deteriorating External Position

The current account deficit has been increasing but remains below pre-pandemic levels. Between 2021 and 2023, it decreased to less than 2% of GDP due to rising commodity prices. However, it rose to 2.4% of GDP in 2024 as global commodity prices softened while import costs stayed high (Figure 20). Non-resource-intensive economies face significant deficits, averaging 4.7% of GDP, compared with 2.5% for resource-intensive economies. Oil-exporting countries recorded a surplus of 1.1% of GDP in 2022, but this surplus became a deficit of 1.5% in 2023. Resource-intensive economies not concentrated on oil peaked at 3.5% of GDP in 2022 and 2023, with estimates suggesting a decrease to 2.5% of GDP by 2024 (Figure 20). The continent's structural deficit stems from African countries' reliance on imports, low export diversification, and fluctuations in commodity prices.

Current account deficits among African economies exhibit considerable regional variations (Figure 21). In Northern Africa, the current account deficit as a percentage of GDP expanded to 3.4% of GDP in 2024 from a balanced position in 2023, reflecting substantial declines in Egypt (-5 percentage points), Algeria (-2.1 percentage points), and Morocco (-1.3 percentage points). In Eastern Africa, deficits remain above the continental average, stabilizing at 4.5% of GDP in 2023 and tightening slightly to 4.2% in 2024. The alarming forecast for Rwanda and Burundi is noteworthy; their deficits are estimated at 12.2% of GDP and 17.3% of GDP, respectively. By contrast, Djibouti is set to achieve a surplus of 5.4% of GDP. Western Africa exhibits notable progress in external balances, with a modest deficit of 0.2% of GDP in 2024, supported by surpluses from key economies such as Ghana, Guinea, and Nigeria. Southern Africa, however, has been grappling with an upward trend in current account deficits since 2022, culminating in a deficit of 2.3% of GDP in 2024. Significant deteriorations are observed in Botswana (3.6 percentage points), Lesotho (3.6 percentage points), and Mozambique (12.6 percentage points). In contrast, Central Africa has narrowed its current account deficit from 2.6% of GDP in 2023 to 1.9% in 2024, a change attributed to its net oil-exporting status. This improvement is standard, with the exceptions of Chad and the Republic of Congo, which face ongoing challenges.

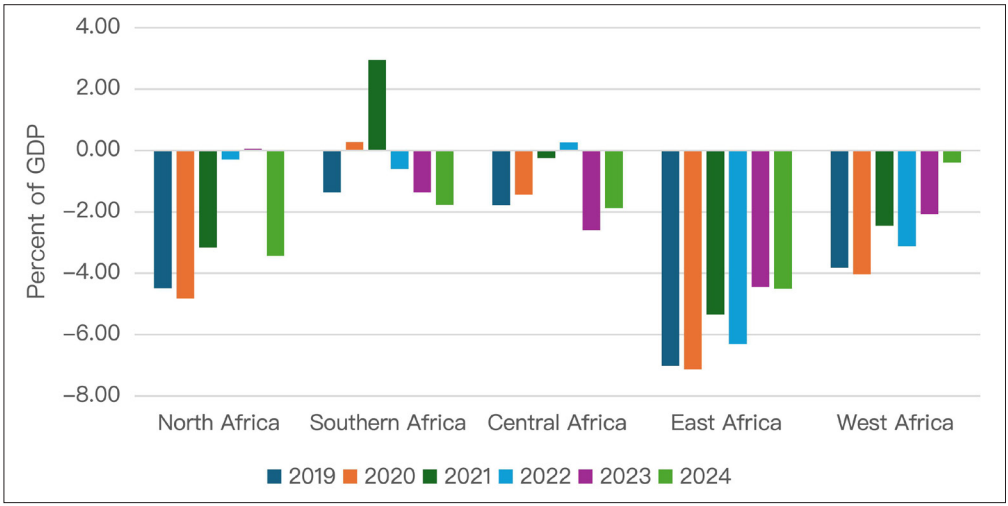
The analysis of the current account shows that fiscal deficits significantly affect the continent's net external position dynamics. The increase in Africa's current account deficit in 2023 and 2024 is due to a rising fiscal deficit while net private savings have

Figure 20: Current Account (Percent GDP) by Economic Group, 2019–2024



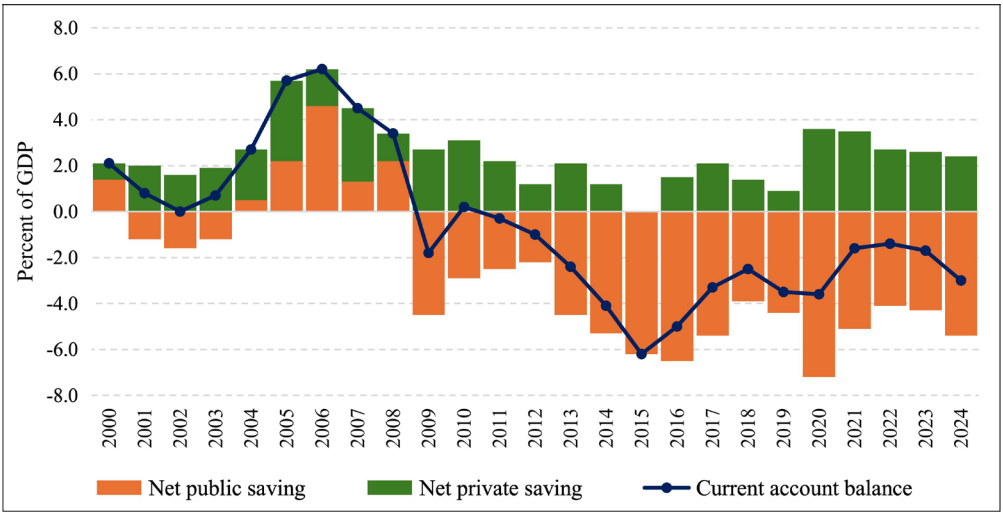
Sources: International Monetary Fund, World Economic Outlook, October 2024; Afreximbank Research.

Figure 21: Current Account (Percent GDP) by Region, 2022–2024



Sources: International Monetary Fund, World Economic Outlook, October 2024; Afreximbank Research.

Figure 22: Current Account Decomposition (Percent GDP), 2000–2024



Sources: International Monetary Fund, World Economic Outlook, October 2024; Afreximbank Research.

remained relatively stable (Figure 22). This increase suggests that government spending contributes to fiscal deficits and has increased domestic demand, which is satisfied through imports instead of locally produced goods and services. African policymakers should encourage domestic production by prioritizing government contracts for local firms and promoting local consumption.

On the financing side, market access improved due to rising sovereign ratings for African frontier countries. Enhancements in credit ratings significantly affect debt dynamics. These ratings allow frontier markets to issue bonds in foreign and local currencies, which

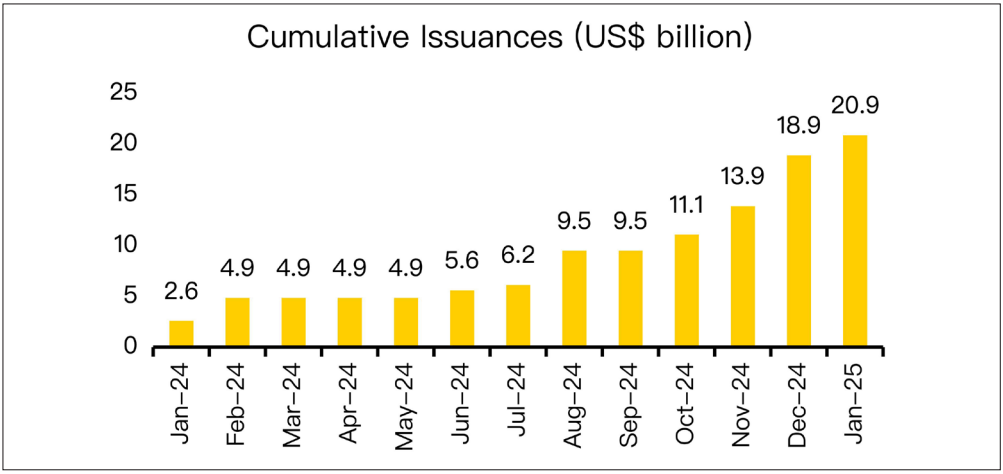
is vital for accessing markets. In 2024, several African countries saw positive changes in their credit ratings, receiving upgrades from major agencies such as Standard & Poor's (S&P), Moody's, and Fitch. Specifically, these agencies upgraded six countries: Benin, Cameroon, Cabo Verde, Côte d'Ivoire, Tanzania, and Zambia. The credit rating outlook was revised to positive for eight other countries: Côte d'Ivoire, Egypt, Gabon, Morocco, Namibia, Nigeria, Seychelles, and Tunisia. Notably, Niger and Uganda faced downgrades due to fiscal deterioration, even amid overall regional improvements.

Market access for several African countries resumed in 2024, thanks to improved credit ratings and a rate-cut cycle, although with higher premiums. In 2024, several African countries experienced credit rating upgrades from agencies such as S&P, Moody's, and Fitch, though these upgrades could be reversed. Six countries—Benin, Cameroon, Cabo Verde, Côte d'Ivoire, Tanzania, and Zambia—received upgrades while eight others revised their outlooks positively (Table 2). The revival of the Eurobond market indicated a shift in access, marked by higher premiums resulting from interest rate hikes by the U.S. Federal Reserve since March 2022. There was significant Eurobond issuance following the improved ratings, with Côte d'Ivoire raising US$2.6 billion in early 2024 through bonds maturing in 9 and 13 years at 6.30% and 6.85%, respectively. Benin issued a US$750 million bond with a 14-year maturity at 8.375%; Kenya raised US$1.5 billion through a seven-year note with a yield of 10.375%. Other notable issuances included Senegal's US$750 million bond at 7.75%, Cameroon's US$550 million at 10.75%, and South Africa's US$3.5 billion issuance. In December 2024, Nigeria raised US$2.2 billion, and Angola issued US$1.2 billion. Cumulatively, African countries issued US$20.9 billion in Eurobonds from January 2024 to February 2025, with an average maturity of more than nine years and an interest rate of approximately 9% (Figure 23).

IV. Recent Trade Developments in Africa

With improvements in the international context, Africa's trade recovery has been effective, though it remains moderate in 2024. After rebounding from the lows experienced during the pandemic, Africa's goods trade reached record highs in 2022, with total trade (exports and imports) amounting to US$1,407 billion (Figure 24). However, in 2023, due to tightening monetary policies amid a highly uncertain international environment, African trade lost steam, declining by about 6%. In 2024, Africa's trade gathered momentum, growing by 5.8% and returning to 2022 levels. Despite slower growth in most trading partners—especially China and Europe—Africa's goods exports increased by approximately 10%, reaching US$682 billion. Exports rose by 9.8% while imports grew by about 2.4%, totaling US$719 billion. As a result, Africa narrowed its goods trade deficit to US$37 billion in 2024, down from US$80 billion in 2023. This expansion in Africa's exports in 2024 was supported by stabilizing commodity prices, marking a significant shift from the volatility seen in previous years. Compared with 2023, fluctuations in commodity

Figure 23: Eurobonds Issuance Year to Date, Africa, September 2024



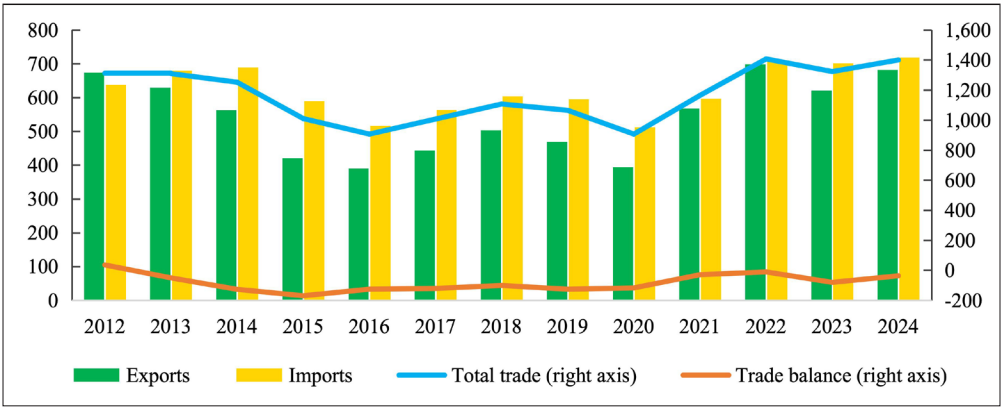
Source: Afreximbank Research.

Table 2: Latest Credit Ratings, African Countries, September 2024

Sovereign	Moody's			S&P			Fitch		
	Previous	Current	Direction	Previous	Current	Direction	Previous	Current	Direction
UPGRADES									
Benin				BB- (stable)	BB- (pos)	↑			
Cameroon				BB- (stable)	BB- (pos)	↑			
Cabo Verde							B- (stable)	B (stable)	↑
Cote d'ivoire				BB- (stable)	BB- (pos)	↑			
Tanzania	B2 (pos)	B1 (stable)	↑						
Zambia	Ca (stable)	Caa2 (stable)	↑						
Total		2			3			1	
DOWNGRADES									
Niger	Caa2 (Neg)	Caa3 (stable)	↓						
Gabon	Caa1 (Neg)	Caa2 (stable)	↓						
Uganda	B2 (Neg)	B3 (stable)	↓						
Total		3							
POSITIVE CHANGES CREDITATING OUTLOOKS									
Cote d'ivoire				BB- (stable)	BB- (pos)	↑			
Egypt	Caa1 (Neg)	Caa1 (pos)	↑	B- (stable)	BB- (pos)	↑	B- (stable)	B- (pos)	↑
Gabon							B- (Neg)	B- (stable)	↑
Morocco				BB+ (stable)	BB+ (pos)	↑			
Namibia	B1 (stable)	B1 (pos)	↑						
Seychelles							BB- (stable)	BB- (pos)	↑
Tunisia	Caa1 (Neg)	Caa2 (stable)	↑						
Nigeria							B- (stable)	B- (pos)	↑
Total		3			3			4	

Source: Afreximbank Research.

Figure 24: Trends in Africa's Trade (US$ Billion)



Sources: International Monetary Fund (IMF), Direction of Trade Statistics (DOTS), December 2024; Afreximbank Research. Note: Total trade refers to the combined value of exports and imports. The figures for 2024 are estimates based on IMF DOTS data and Afreximbank Research for the final quarter. These data do not include trade in services.

prices for African countries were much less pronounced, with quarterly changes confined within a ±2% range. This stabilization provided resource-rich countries with a more predictable trade environment.

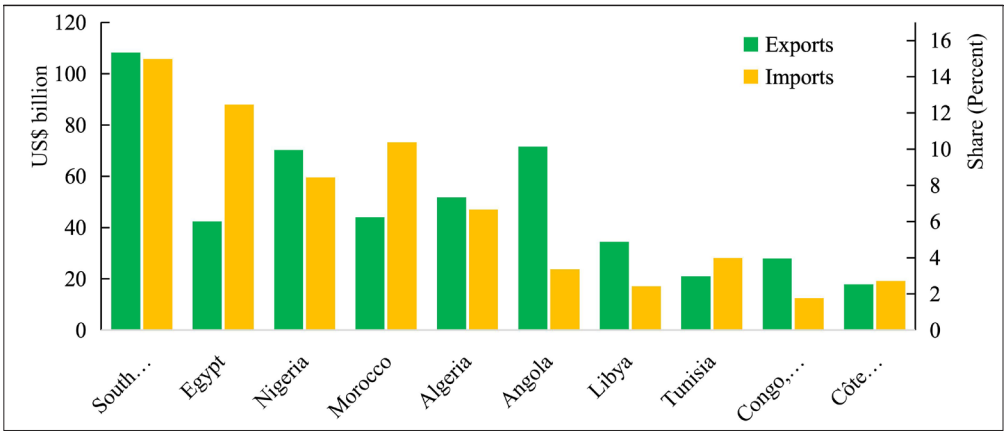
Oil-exporting countries, including Algeria, Angola, and Nigeria, experienced significant benefits from the relative stability of global crude oil prices in 2024. Following the price surges in 2022 driven by the Russia-Ukraine war and the price moderation in 2023 due to a global economic slowdown, 2024 marked a period of balanced oil markets. Consequently, oil-exporting countries were able to maintain strong export earnings while avoiding severe price fluctuations. A comparable situation applied to mineral exporters, particularly those producing critical resources for the global energy transition, such as cobalt, copper, manganese, and platinum group metals. These resources have become strategic assets, further enhancing Africa's export revenues.

The leading player in African trade, South Africa accounts for about 15% of the continent's total trade (Figure 25). By the third quarter of 2024, South Africa's exports totaled US$82.3 billion and imports US$79.6 billion, with estimates pointing to US$108 billion in exports and US$106 billion in imports by year-end. Egypt ranks second, with total trade reaching US$88 billion; its first three quarters showed US$66 billion, up from US$74 billion in 2023. In third place, Nigeria showcases balanced trade with US$70 billion in exports and US$60 billion in imports. Côte d'Ivoire, contributing 2.6% of trade, saw stable imports at US$19 billion but decreased exports at US$18 billion. Due to rising exports, Angola had the best trade balance, with a surplus of US$47.8 billion, while Libya and Nigeria followed with surpluses of US$17 billion and US$10.7 billion, respectively.

The European Union (EU) is Africa's largest source of imports at 29% and its leading export destination at 31% (Figure 26). In 2024, total exports to the EU increased by 0.8% compared with 2023, reaching US$210 billion, while imports from the EU remained stable at US$179 billion. Within the EU, France, Germany, Italy, the Netherlands, and Spain emerged as significant individual partners. China is Africa's second-largest trading partner, representing 18.3% of imports and 12.6% of exports. In 2024, imports from China notably surpassed exports, totaling US$132 billion in imports and US$86 billion in exports, emphasizing China's role as a major supplier to African markets. Intra-African trade shows strong performance, approaching the levels of Africa's trade relationship with China. Other notable partners, such as Türkiye, Korea, and Japan, demonstrate modest engagement, reflecting more specialized or niche trade relationships. Africa's trade remains resilient amid fragmentation trends, with a firm reliance on traditional partners and a limited yet growing intra-African trade network.

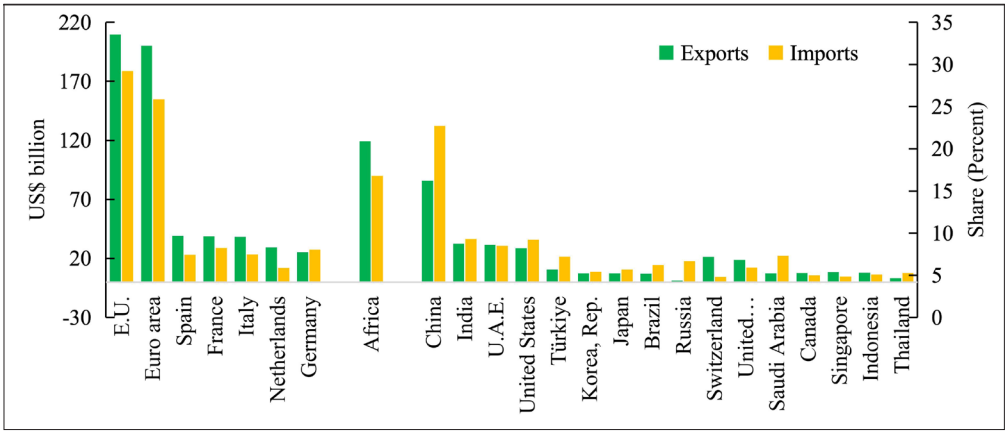
Intra-African trade continued to expand in 2024 despite international challenges. Total trade within the continent reached US$208 billion in 2024, up from US$193 billion in 2023 (Figure 27). Increased exports have driven the growth of African economies due to the implementation of the African Continental Free Trade Area (AfCFTA). This initiative aims to reduce trade barriers and enhance cooperation among African countries.

Figure 25: Africa's Top 10 Trading Countries



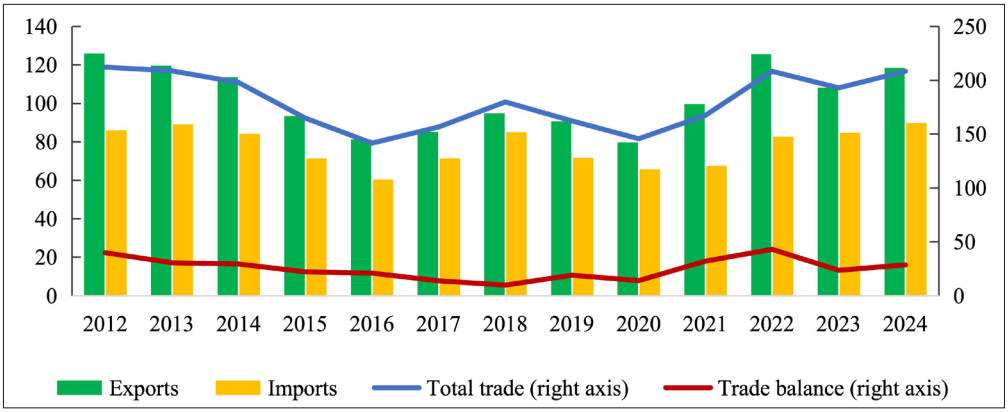
Sources: International Monetary Fund (IMF), Direction of Trade Statistics (DOTS), December 2024; Afreximbank Research. Note: The bars represent midpoint estimates for 2024 from IMF DOTS and Afreximbank, excluding services. From the first quarter of 2022 to the third quarter of 2024, selected countries accounted for 66% of Africa's imports and 71% of its exports.

Figure 26: Africa's Main Trade Partners, 2024



Sources: International Monetary Fund, Direction of Trade Statistics, December 2024; Afreximbank Research. Notes: Shares in trade of goods. Data are from Q1 to Q3 2024. Selected trade partners account for 90% of Africa's trade.

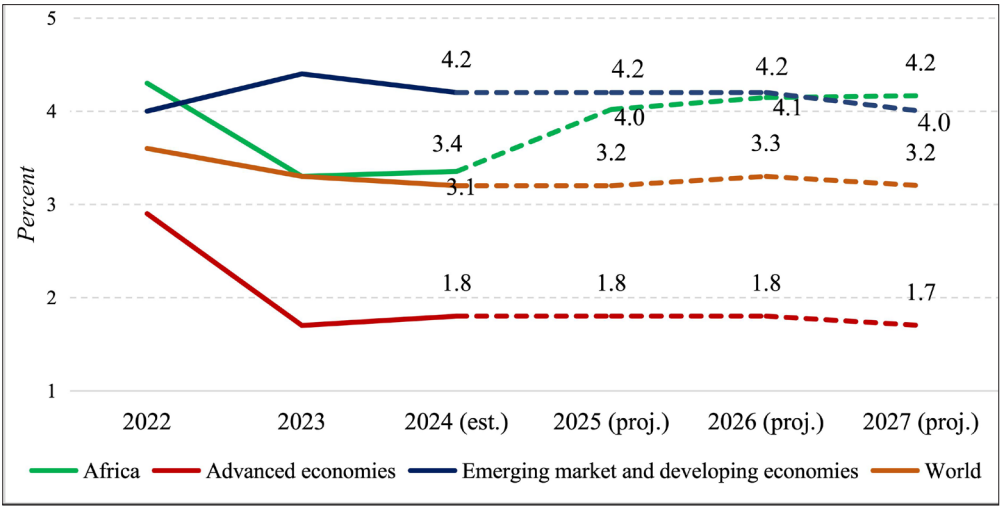
Figure 27: Trends in Intra-African Trade (US$ Billion)



Sources: International Monetary Fund (IMF), Direction of Trade Statistics (DOTS), December 2024; Afreximbank Research. Note: Total trade is defined as the sum of exports and imports. Figures for 2024 are estimates based on IMF DOTS data and Afreximbank Research for the last quarter. Data do not include trade in services.

Between 2023 and 2024, intra-African trade surged, with Southern Africa being the most significant contributor (Table 3). Exports from Southern Africa rose from US$29.5 billion to US$35.9 billion, reflecting a 21.7% increase. Eastern and Western Africa experienced significant export growth, reaching US$23.3 billion and US$28.8 billion, respectively. Meanwhile, Northern Africa saw its exports increase from US$16.9 billion to US$20.6 billion, and Central Africa experienced the slowest growth, with exports rising from US$8.7 billion to US$10.6 billion. Southern Africa led in imports, growing from US$19.4 billion to US$22.3 billion, followed closely by Eastern Africa and Western Africa, which reached US$23.6 billion and US$24.6 billion, respectively. Overall, while the dynamics of African trade are positive, growth is concentrated within subregions that exhibit varying levels of integration. Addressing structural challenges is crucial to enhance trade relations and maximize regional trade potential. Key players in intra-African trade include Côte d'Ivoire, Egypt, Nigeria, and South Africa, with South Africa accounting for 25% of intra-African exports and 12% of imports.

Figure 28: Global and African Growth Outlook



Sources: International Monetary Fund, World Economic Outlook, October 2024; Afreximbank Research.

Table 3: Subregional Performances in Intra-African Trade

	Intra-African trade (total, US$ billion)									
	Average 2015-19	2023		2024		Partners (Percent of total intra-African trade)				
		Q1-3	Q1-4	Q1-3	Q1-4	C.AF.	E.AF.	N.AF.	S.AF.	W.AF.
Exports										
Central Africa	10.9	6.5	8.7	9.4	10.6	37	35	2	23	3
Eastern Africa	13.1	14.1	19.1	16.1	23.3	15	55	4	24	1
Northern Africa	10	12.6	16.9	13	20.6	3	12	65	2	19
Southern Africa	25.8	21.7	29.5	22.5	35.9	7	34	1	52	5
Western Africa	23.5	16.7	23.2	18.8	28.8	4	0	2	33	61
Imports										
Central Africa	8.2	5.9	7.7	5.2	8.8	32	17	12	25	14
Eastern Africa	14.8	15.1	20.6	16.2	23.6	2	36	8	50	3
Northern Africa	12	6.8	9.3	7.2	10.6	4	8	77	5	6
Southern Africa	20.9	13.9	19.4	16.4	22.3	4	7	2	69	18
Western Africa	11.1	15.9	21.5	15.7	24.6	2	1	14	8	75

Sources: International Monetary Fund (IMF), Direction of Trade Statistics (DOTS), December 2024; Afreximbank Research. Note: Q1–3 refers to the first three quarters of the year. Data for 2024 (Q1–4) are estimates based on IMF DOTS data and calculations by Afreximbank for the fourth quarter. These data exclude trade in services. Partner shares are calculated using IMF DOTS data. Abbreviations: C.AF.: Central Africa; E.AF.: Eastern Africa; N.AF.: Northern Africa; S.AF.: Southern Africa; W.AF.: Western Africa.

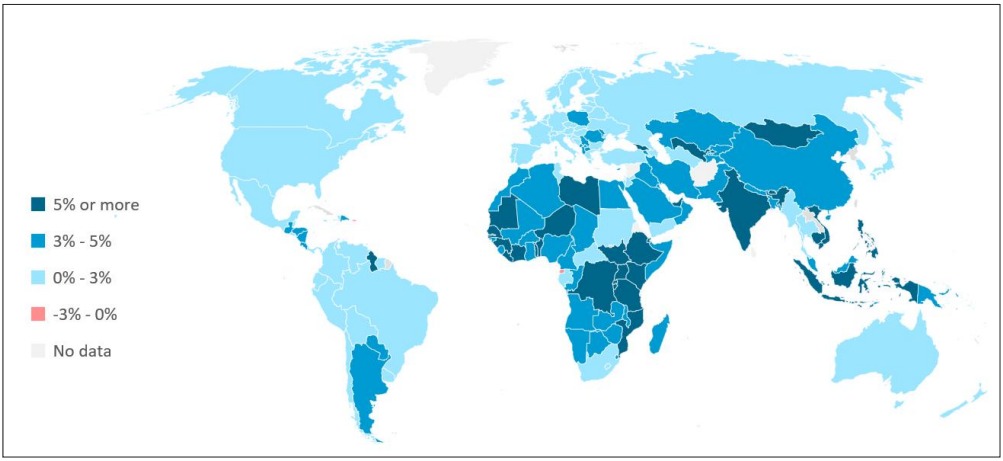
V. Macroeconomic Outlook

1.Growth Outlook

Despite rising global uncertainty, Africa's growth is expected to accelerate significantly compared with the global average starting in 2025. In 2024, Africa's GDP growth was estimated to be 3.4%, slightly above the global rate of 3.2%, with more substantial growth anticipated from 2025 onward (Figure 28). In 2025, expected growth is set to rise to 4.0%, just below the average for emerging economies and 0.8 percentage points above the global average. By 2026, growth is projected to reach 4.1%, approaching the 4.2% average for emerging economies. By 2027, Africa is anticipated to achieve a growth rate of 4.2%, exceeding both the average for emerging economies and the global average.

A comprehensive review of the projected global economic growth for 2025 indicates that the most significant growth will be concentrated in Africa. Nearly 80% of African economies are expected to achieve a GDP growth of at least 3% in 2025, compared with 60% globally (Figure 29). Furthermore, 41% of African economies are anticipated to experience real GDP growth of at least 5%, double the global proportion of 21%. Africa is expected to drive growth dynamics in the coming years. It is projected to account for 54% of economies with a growth rate exceeding 5% in 2025, a rise of 13 percentage points from 2024 (Table 4). Additionally, the continent is expected to represent nearly half of the world's top performers in GDP growth in 2026 and 2027, accounting for 49% in both years.

Figure 29: Real GDP Growth (Annual Percentage Change), 2025



Sources: International Monetary Fund, World Economic Outlook, October 2024; Afreximbank Research.

Table 4: Ratio of Top Growth Performers

Region	Number of countries with growth rate above 5%			
	2024	2025	2026	2027
World	41	39	37	39
Africa	17	21	18	19
Africa/World ratio (Percent)	41	54	49	49

Source: Authors' calculation based on the International Monetary Fund's World Economic Outlook data, October 2024, and Afreximbank Research.

All African regions are expected to see an improvement or to avoid setbacks in GDP growth starting in 2025 (Figure 30).

Northern Africa is anticipated to achieve robust economic growth, with GDP projections pointing to growth acceleration to 3.8% in 2025 from 3.2% in 2024, eventually reachinga 4.1% in 2026 before stabilizing in 2027. This upward trajectory is largely influenced by improved economic conditions in Egypt, Morocco, and Tunisia. The resurgence is driven by a recovery in the services sector, with significant contributions from trade and tourism activities.

In Southern Africa, economic growth is projected to rise by 0.4 percentage points, reaching 2.6% by 2025 and 3% by 2027. This growth is expected to be common, with notable exceptions being Eswatini and Mauritius. The primary contributors to this growth trajectory are Botswana and Zambia, each of which are expected to account for an increase of 1.4 percentage points in the overall performance of the region.

Central Africa is projected to experience a modest growth increment from 3.9% in 2024 to 4.2% in 2025, with growth rates anticipated to fluctuate through 2027. This optimistic projection for 2025 is broad-based, excluding Equatorial Guinea and the Republic of Congo, where growth prospects are set to diverge from the regional trend.

Eastern Africa is expected to lead in economic growth on the continent, with GDP growth projected to increase from 4.4% in 2024 to 5.7% in 2025. This region is anticipated to maintain strong momentum, with GDP growth exceeding 6.0% by 2027. A significant change in the dynamics of the eastern region is the expectation that the Sudanese economy will stabilize after recovering from the impacts of internal conflict.

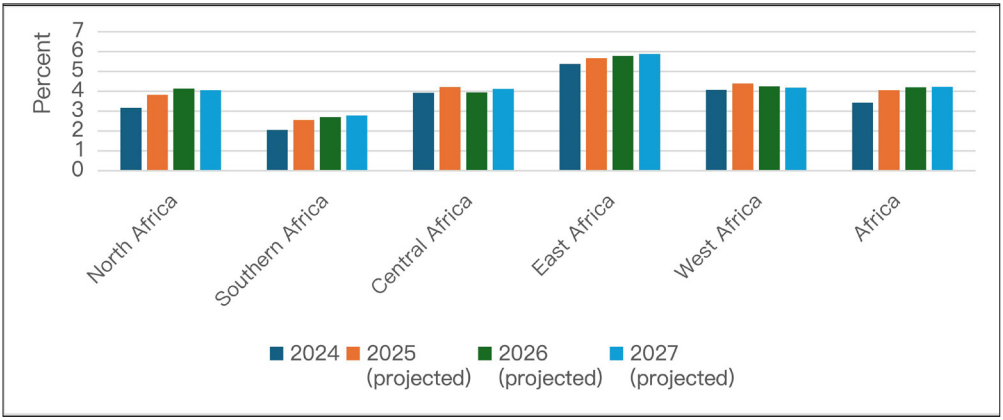
Western Africa's economic projections indicate a growth shift from 4.1% in 2024 to 4.4% in 2025, followed by a stabilization of approximately 4.2% for 2026 and 2027. This forecast is significantly shaped by positive developments in Nigeria, where GDP growth is anticipated to rise to 3.4% in 2025, driven by the implementation of ongoing economic reforms. The region's growth trajectory is likely to exhibit common improvements, albeit with some notable exceptions. Benin is projected to stabilize at a sustained level of around 6%, while Niger is facing a considerable decline, with a reduction in growth by three percentage points. Additionally, The Gambia is expected to experience stagnation but maintain growth greater than 5%.

Although caution is still advisable, two factors contribute to the anticipated improvement in African economies. First, the recovery in global demand, especially for African exports, is expected to boost economic growth. Second, declining inflation rates in many African countries will enhance private consumption and increase business competitiveness. Stabilizing public finances in some countries will foster better resource management and encourage productive investments. Furthermore, renewed access to international capital markets and the implementation of structural reforms to diversify economies and strengthen infrastructure will be crucial to the drivers of growth. However, climate shocks and political instability must be addressed to sustain this positive momentum.

2. Disinflationary Process

Africa is expected to gradually recover from the high inflation experienced post-pandemic, although inflation rates will vary significantly across its regions (Figure 31). The average inflation rate for Africa is projected to decrease from 19.3% in 2024 to 14.8% in 2025. This trend is anticipated to continue because inflation is expected to dip below the single-digit

Figure 30: Real GDP Growth (Percent), by African Region, 2024–2027



Sources: International Monetary Fund's World Economic Outlook databases and Afreximbank Research, 2024.

threshold in 2026 and 2027, with forecasts of 10.5% and 9.1%, respectively.

In Northern Africa, inflation is predicted to decline by 4.8 percentage points, reaching 13.6% by 2025. This trend is expected to persist, with further reductions forecasted at 8.4% in 2026 and 7.2% in 2027. The primary factor driving this disinflationary trend is a significant decrease in prices in Egypt, which is anticipated to result in a cumulative reduction of 19.1 percentage points over the three-year projection period.

Central Africa is expected to see a significant decline in inflation rates, decreasing from 8.4% in 2024 to 4.6% in 2025. This downward trajectory is expected to continue with rates falling to 4.3% in 2026 and to 4.1% in 2027. The Democratic Republic of the Congo's effective control of inflation is the main driver of this decline, contributing to an aggregate reduction of 9.9 percentage points from 2024 to 2027.

In Western Africa, inflation is also expected to decrease significantly, with a projected drop of 5.7 percentage points, bringing the rate to 15.7% in 2025. This decline is anticipated to stabilize at 11.1% in 2026, followed by a further reduction to 9.3% in 2027. Key economies such as Ghana, Nigeria, and Sierra Leone are forecasted to substantially reduce inflation rates by 14.6, 16.7, and 27.8 percentage points, respectively.

Eastern Africa is expected to experience a significant decline in inflation rates, with estimates showing a decrease from 20.9% in 2024 to 14.9% in 2025. This downward trend is expected to continue, with inflation anticipated to decline to 10.5% in 2026 and 8.6% in 2027. Notably, Burundi is projected to achieve a cumulative reduction in inflation of approximately 9.6 percentage points. In comparison, Ethiopia is expected to see a decrease of around 9 percentage points during the forecast period. Additionally, after a prolonged period of hyperinflation, Sudan's inflation is projected to stabilize and return to more manageable levels.

In Southern Africa, a sustained disinflationary trend is projected, with inflation rates expected to decrease from 20.1% in 2024 to 18.8% in 2025. This decline is anticipated to continue, with rates falling to 15.7% in 2026 and 14.7% in 2027. Notably, Angola is forecasted to achieve a cumulative reduction in inflation of approximately 15.6 percentage points. Malawi's inflation is expected to decrease significantly by some 18.7 percentage points. Zimbabwe is poised for a substantial contraction of approximately 32.2 percentage points over the forecast horizon.

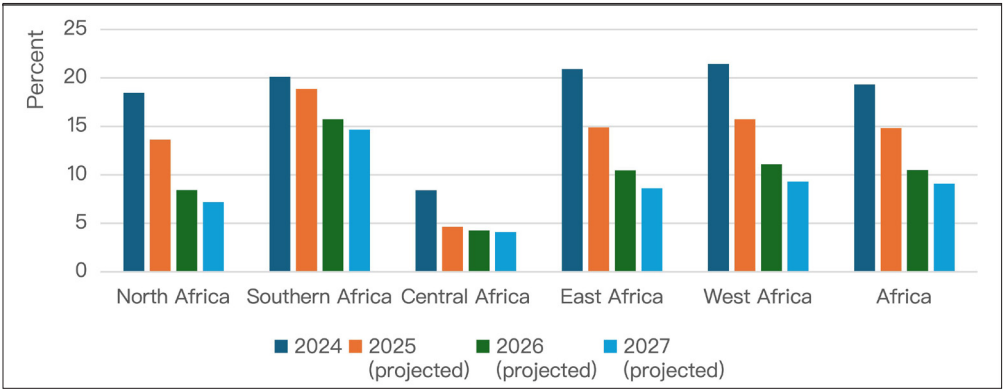
3. Improving Fiscal and External Positions

Fiscal consolidation measures, alongside growth projections, are anticipated to enhance the fiscal landscape across Africa. All regions except Central Africa are expected to show improvements. The continent's average fiscal deficit is projected to decrease from 5.8% of GDP in 2024 to 5.4% of GDP in 2025, eventually reaching 4% of GDP by 2027 (Figure 32).

In North Africa, the fiscal deficit is forecasted to decline from 8.6% of GDP in 2025 to 5.6% of GDP by 2027. Key economies such as Algeria, Egypt, and Libya are expected to substantially reduce fiscal imbalances, with projected improvements of 2.1, 4.5, and 4.4 percentage points, respectively.

The fiscal situation in South Africa is expected to stabilize; the country's projected deficit is 4.1% of GDP

Figure 31: Inflation (Percent), by African Region, 2024–2027



Sources: International Monetary Fund's World Economic Outlook databases and Afreximbank Research, 2024.

in 2025 and 3.3% of GDP in 2027. Malawi, Mozambique, Zambia, Zimbabwe, and South Africa are expected to implement stringent fiscal consolidation, achieving improvements of 6, 3.9, 3.5, 2.8, and 1.1 percentage points, respectively, over the forecast period. Notably, Botswana is predicted to shift from a consistent deficit to a budget surplus of 0.5% of GDP by 2027, with Seychelles expected to achieve a similar transition to a surplus of 0.2% of GDP within the same timeframe. Conversely, due to increased planned expenditures, Angola's fiscal buffers are projected to remain unchanged at 1.6% of GDP from 2024 through 2027. Lesotho's fiscal buffers are also set to decline from 5.2% of GDP in 2024 to 0.8% by 2027. This drop is attributed to heightened spending commitments.

In Eastern Africa, the fiscal deficit is set to decrease from 3.5% of GDP in 2024 to 3.1% in 2025 and to further decline to 2.6% by 2027. Despite unfavorable developments in Ethiopia and Sudan, this improvement is shared across the region.

Western Africa's fiscal deficit is anticipated to fall from 4.5% of GDP in 2024 to 3.8% in 2025 and to stabilize at 3.6% by 2027. This trend of fiscal improvement applies to most countries in the region, with the notable exception of Mauritania.

In contrast, Central Africa is projected to experience a continued deterioration in fiscal positions, with deficits expected to widen from 0.9% of GDP in 2024 to 1.3% of GDP in 2025 and to 1.6% of GDP in both 2026 and 2027. This fiscal decline is common among most countries in the region, apart from the Central African Republic and the Democratic Republic of the Congo.

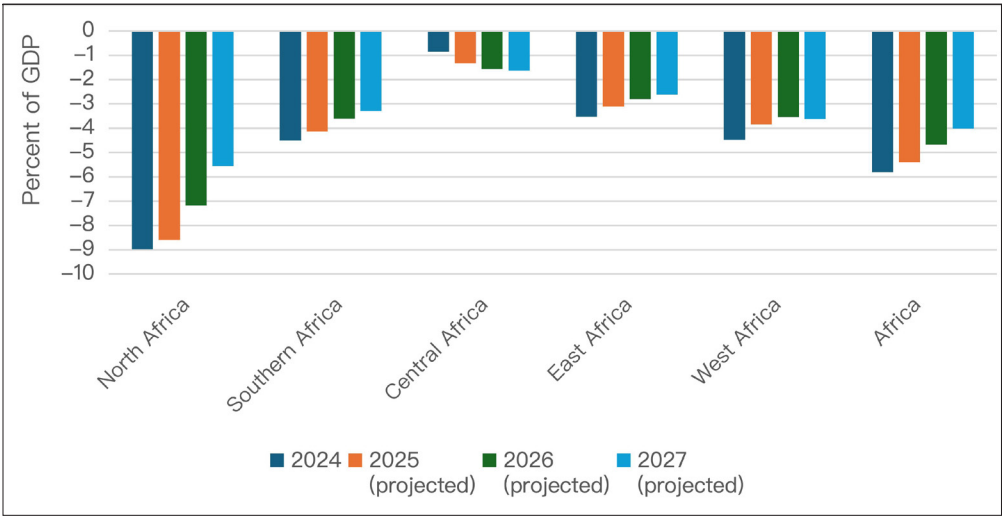
Africa's public debt as a percentage of GDP is expected to decline as economic growth improves and fiscal consolidation efforts strengthen. Africa's debt-to-GDP ratio, estimated at 67.2% of GDP in 2024, is projected to decline to 65% of GDP in 2025, 61.9% of GDP in 2026, and 60.6% of GDP in 2027, due to fiscal consolidation efforts (Figure 33).

All regions, except for Western Africa, are anticipated to experience reductions in their debt-to-GDP ratios (Figure 33).

In Northern Africa, projections indicate a gradual decline in the debt-to-GDP ratio, decreasing from 77.7% of GDP in 2024 to 76.1% of GDP in 2025, followed by further reductions to 69.2% of GDP in 2026 and reaching 66.8% of GDP by 2027. Notably, Egypt is expected to achieve the region's most significant reduction, with a decrease of 19.6 percentage points over the forecast period. Conversely, Algeria and Tunisia are projected to experience incremental increases in their debt ratios, rising by 2.5 and 1.4 percentage points, respectively, during the same time frame.

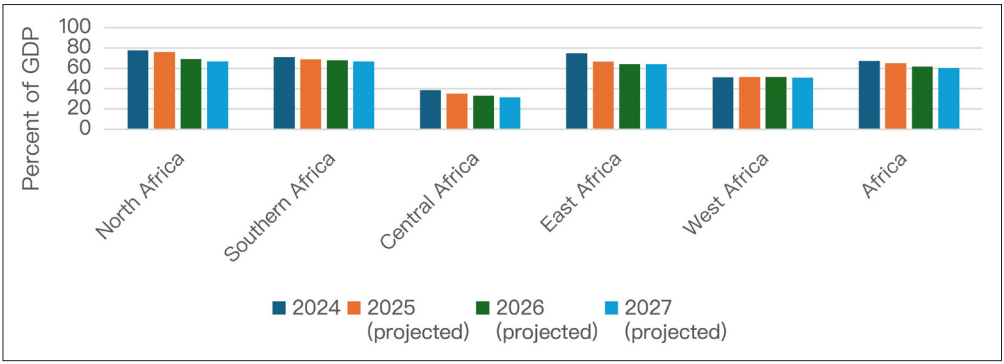
Debt projections for Central Africa suggest a decrease to 38.7% of GDP in 2025, with further reductions to 35.3% of GDP in 2026, followed by an eventual increase to 42.4% of GDP in 2027. Key contributors to fiscal consolidation within this region include São Tomé and Príncipe, Gabon, the Republic of Congo, and Cameroon, which collectively forecast reductions in debt levels of 7.1, 17.6, 10.4, and 18 percentage points

Figure 32: Fiscal Balance (Percent of GDP), by African Region, 2024–2027



Sources: International Monetary Fund's World Economic Outlook databases and Afreximbank Research, 2024.

Figure 33: Public Debt (Percent of GDP), by African Region, 2024–2027



Sources: International Monetary Funds' World Economic Outlook databases and Afreximbank Research, 2024.

of GDP, respectively, over the three-year projection period. In contrast, Equatorial Guinea is expected to diverge from this trend, with its debt burden projected to rise by 12.4 percentage points of GDP during the same interval.

In Eastern Africa, the debt-to-GDP ratio is projected to decrease to 66.6% of GDP in 2025 and to stabilize at 64.1% of GDP in both 2026 and 2027. Notably, this analysis excludes Sudan, which has been significantly impacted by conflict. The primary contributors to Eastern Africa's debt-to-GDP ratio reduction are anticipated to include Burundi, Djibouti, Ethiopia, Kenya, Tanzania, and Uganda, with respective decreases of 3.4, 12.8, 9.1, 4.5, 3.6, and 3.1 percentage points of GDP during the forecast period. Conversely, an increase in the debt ratio is expected in both Comoros and Rwanda.

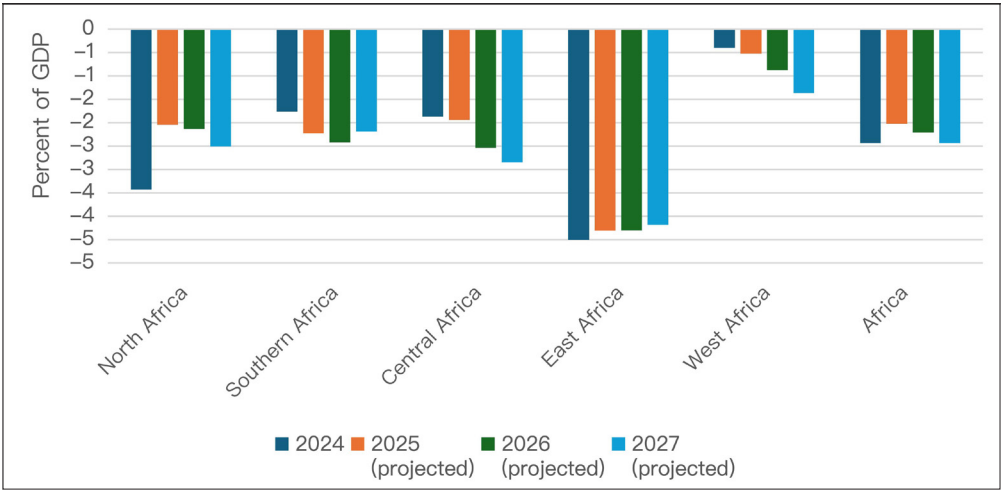
In Southern Africa, the debt-to-GDP ratio is projected to decrease to 68.9% of GDP by 2025, down from 71% in 2024; it is anticipated to decline to 68% in 2026 and 66.8% in 2027. Key contributors to this debt reduction include Angola, Lesotho, Malawi, Namibia, and Zimbabwe, which collectively account for reductions of 30.7, 7.2, 7, 5.3, and 8.3 percentage points of GDP, respectively, throughout the forecast period.

In contrast, debt ratios are expected to increase in Botswana, Mauritius, and South Africa, indicating diverging regional fiscal trajectories.

In Western Africa, public debt is projected to stabilize at approximately 50% of GDP during the forecast period due to Nigeria's steady debt levels, which are expected to remain at 45% of GDP.

Despite regional disparities, Africa's overall current account deficit is expected to improve slightly to 2.0% of GDP from 2.4% of GDP in 2024, but it could return to 2.4% of GDP by 2027 (Figure 34). Due to Algeria and Libya's rising imports, Northern Africa is expected to reduce its fiscal deficit to 2% of GDP by 2025; that deficit is expected to rise slightly to 2.5% by 2027. In contrast, Egypt is projected to improve its external financial position. Southern Africa's current account deficit may widen marginally to more than 2.2% of GDP in 2025. Central Africa's deficit is predicted to escalate from 1.9% in 2024 to 2.8% by 2027 due to challenges in Gabon and the Republic of Congo. Eastern Africa's deficit should gradually decline from 4.5% in 2024 to about 4.2% from 2025 to 2027. Meanwhile, Western Africa's deficit is set to grow from 0.4% in 2024 to 1.44% by 2027 due to Nigeria's shift from surplus to deficit amid rising import needs.

Figure 34: Current Account Balance (Percent of GDP), by African Region, 2024–2027



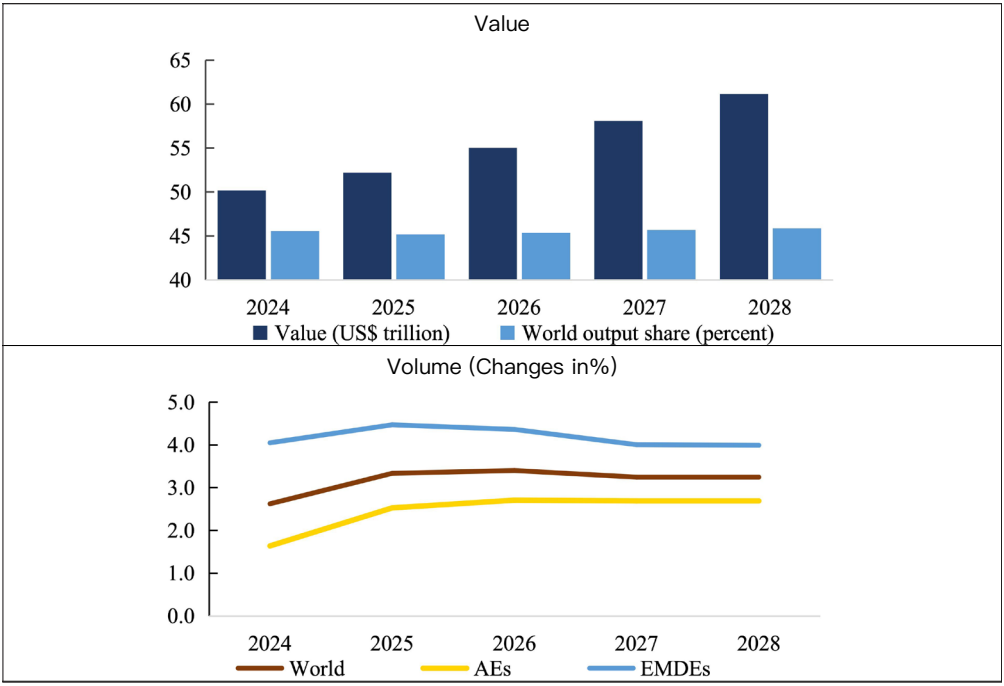
Sources: International Monetary Funds' World Economic Outlook databases and Afreximbank Research, 2024.

VI. Trade Outlook

Risks to the global economy, particularly concerning global trade, are becoming increasingly evident. In the baseline scenario, global trade in goods—the total of exports and imports measured in current U.S. dollars—is expected to grow in 2025, remaining stable and fluctuating annually between 4% and 5.5% through 2028 (Figure 35). Estimates for 2025 suggest that global trade will reach approximately US$52.2 trillion, resulting in a relatively stable global trade-to-GDP ratio of 45.3%, compared with 45.6% in 2024. Over the medium term, the global trade-to-GDP ratio is anticipated to hold steady while the overall trade value is forecasted to rise gradually, reaching US$60 trillion by 2028. According to estimates from the October 2024 International Monetary Fund (IMF) World Economic Outlook (IMF, 2024), global trade volume is projected to grow at an average annual rate of 3.3% from 2024 to 2028 (Figure 35). Advanced economies are expected to experience slower growth, averaging about 2.7% annually. In contrast, emerging markets and developing economies are expected to contribute a larger share to the growth of trade volume, achieving a robust average annual growth rate of 4.2% even while facing a challenging international landscape. Despite persistent geopolitical tensions, ongoing inflationary pressures, and fragmented global value chains impacting cross-border trade dynamics, global trade is projected to gain momentum following near stagnation in 2023. However, the outlook remains biased toward the downside, with significant vulnerabilities, including the potential escalation of trade disputes, slower-than-expected global growth, and risks of financial instability in major economies.

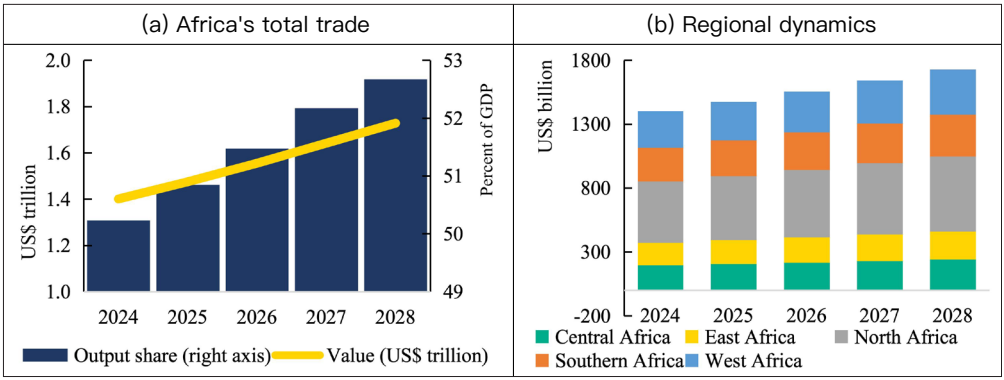
African trade is projected to experience considerable growth, with an average annual increase of 5.1% anticipated for 2025 and 2026, escalating to 5.4% by 2028 (Figure 36). Total trade on the continent is expected to hit US$1.5 trillion by 2025 and to rise to US$1.7 trillion in the medium term. As trade outpaces GDP growth, the trade-to-GDP ratio is forecasted to grow to 51% in 2025 and 52.7% by 2028. The IMF's October 2024 estimates predict a median annual trade volume growth rate of 4.6% from 2025 to 2028. Trade is expected to increase steadily across all African regions. Northern Africa will lead with an estimated US$502 billion in trade in 2025 (34.1%), rising to US$588 billion by 2028. Western Africa's trade, valued at US$287 billion in 2024, is projected to rise to US$302 billion in 2025 and to US$339 billion by 2028. Southern Africa's trade, valued at US$265 billion in 2024, is expected to grow to US$279 billion in 2025 and to US$327 billion by 2028. Eastern Africa's trade, valued at US$178 billion in 2024, is anticipated to surpass US$200 billion between 2026 and 2027, reaching approximately US$219 billion by 2028.

Figure 35: Global Trade Outlook



Sources: International Monetary Fund (IMF), World Economic Outlook (WEO), October 2024; Afreximbank Research. Notes: Panel 1 shows midpoint estimates for goods trade, defined as the sum of exports and imports as a share of world output based on IMF WEO GDP forecasts. Panel 2 calculates trade volume growth for each group as a weighted export and import growth average, with weights based on total goods trade from 2022 to 2024. AEs: advanced economies; EMDEs: emerging and developing markets.

Figure 36: African Trade Outlook



Sources: International Monetary Fund, World Economic Outlook, October 2024; Afreximbank Research. Notes: Panels a and b present midpoint estimates for Africa's trade with the world and subregional trade performances, respectively. Trade refers to the sum of goods' exports and imports.

Intra-African trade is expected to grow even faster than extra-African trade, with an estimated annual growth rate of 6.6% over the 2025–2028 period (Figure 37). Projections indicate that intra-African trade will comprise 8% of the continent's GDP by 2028, reaching US$261.4 billion, up from 7.5% in 2024. Central Africa, by capturing 12.2% of intra-African trade, is anticipated to experience the highest growth rate at 12% annually, increasing its trade from US$19.4 billion in 2024 to US$31.8 billion by 2028. Western Africa contributed 25.3% in 2024, with trade rising from US$52.8 billion to US$68.6 billion by 2028, representing a growth rate of 6.8%. Southern Africa's trade is projected to rise at a slower rate of 3.9%, increasing from US$58.1 billion in 2024 to US$68.2 billion by 2028. Eastern Africa's share is expected to decline from 22.5% to 20.6%, growing from US$46.8 billion to US$53.9 billion. Northern Africa is projected to maintain a 15% share, with an annual growth rate of 5.7% through 2028.

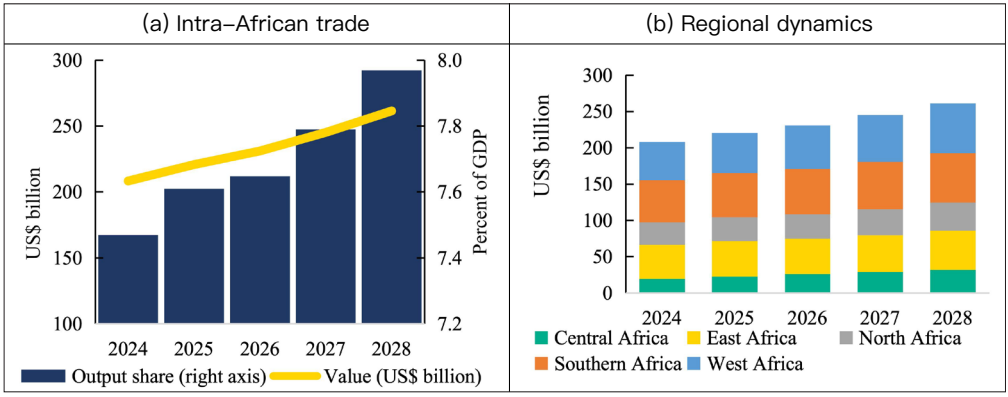
These prospects for African trade are underpinned by regional initiatives, shifting global dynamics, and the continent's growing role in critical areas such as sustainable development and the energy transition. African trade is expected to benefit from the relative stabilization of commodity prices, which will provide a more predictable environment for resource-dependent economies.

VII. Risk Factors in the Outlook

A balanced assessment of risks characterizes the outlook for African economies. On the downside, potential challenges include the increasing fragmentation of the global economy due to escalation of trade tensions. Additionally, adverse developments in commodity markets, a deceleration in economic growth in China, growing political instability across several regions, and intensification of climate-related events pose significant threats to the African economic outlook.

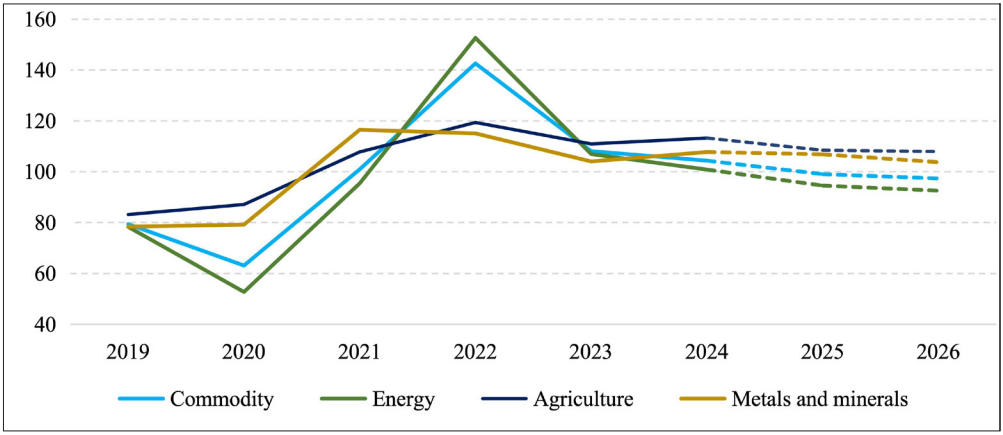
- Concerns about trade wars, particularly regarding China, the United States, Canada, Mexico, and Europe, are rising, which could negatively affect Africa's economic outlook. President Donald Trump's election has heightened the risk of trade disruptions and decreased Chinese demand for African exports. The rise of far-right political parties in Europe may result in stricter immigration policies, limiting remittances from the African diaspora that many families depend on. This remittances reduction could slow consumption and investment, potentially hindering economic growth in several African countries. In 2025 and beyond, global uncertainty is likely to continue, disrupting supply chains and hampering economic progress.
- Unfavorable developments in commodity markets could pose significant challenges to Africa's economic outlook. The primary risk to this outlook arises from the continent's vulnerability to external shocks, such as volatility in commodity prices and geopolitical tensions. The World Bank forecasts a slight decline in commodity prices for 2025 and 2026, although they will still be higher than 2019 levels (Figure 38). Additionally, a significant drop in oil or mineral prices could severely affect export revenues for several countries, exacerbating their external economic positions.
- The dynamics of the Chinese economy pose a significant risk to Africa's economic outlook because of strong trade ties. The IMF projects that Chinese growth will decline from 4.8% in 2024 to 3.6% by 2027. A slowdown in Chinese growth could diminish demand for African natural

Figure 37: Intra-African Trade Outlook



Sources: International Monetary Fund, World Economic Outlook, October 2024; Afreximbank Research. Notes: Panels a and b present midpoint estimates for intra-African trade and subregional performances, respectively. Trade refers to the sum of goods' exports and imports.

Figure 38: Commodity Price Projections (Index, 100: 2010)

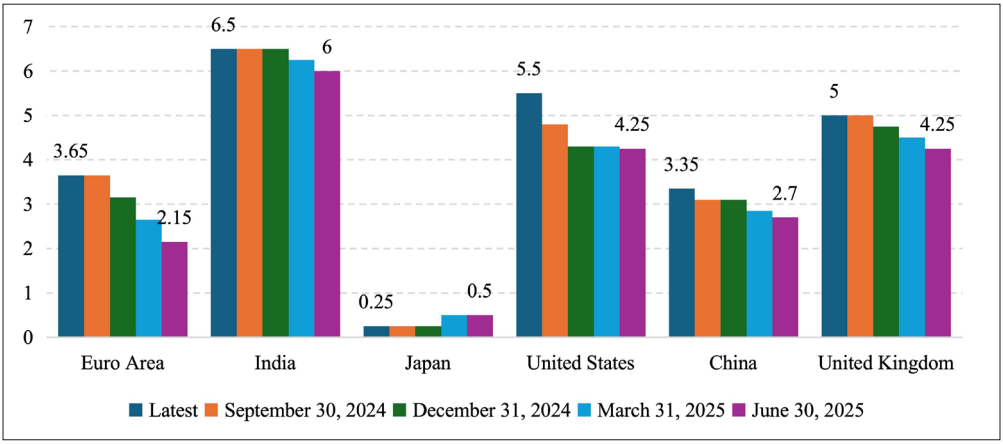


Source: Authors based on World Bank Commodity Market Outlook Report, 2025.

resources, including oil and minerals, affecting export revenues. Moreover, because China is a significant source of foreign direct investment (FDI) in Africa, a downturn could result in reduced investment, tighter credit restrictions, and increased pressure on African countries facing rising debt to China.

- Political instability and weak governance present significant risks to economic growth in Africa. In 2025, ongoing conflict in the Democratic Republic of Congo and tensions from the M23 rebel movement may disrupt mining production in areas such as the Great Lakes region. The Sahel, particularly Mali, Burkina Faso, and Niger, is experiencing increasing jihadist violence, resulting in insecurity and economic disruptions. If countries were to exit ECOWAS, trade would be hindered, and the African Continental Free Trade Area (AfCFTA) would be threatened, raising business costs and limiting investments and undermining regional integration.
- The hottest year yet, 2024 was marked by severe hurricanes, floods, and wildfires. Climate change has emerged as a top global risk. The consequences of climate change pose challenges for Africa's economic growth. African countries are especially vulnerable to extreme weather events, such as droughts, floods, and storms, which directly impact agriculture—a crucial sector for many economies. An increase in the frequency and intensity of these events could result in a significant decline in agricultural production, a slowdown in economic growth, and a rise in poverty and inequality.
- Positive factors for the African economic outlook include the ongoing relaxation of monetary and financial conditions, enhanced implementation of AfCFTA, and a favorable progression in commodity prices. Together, these elements could significantly bolster economic growth across the continent.
- Easing monetary and financial conditions in developed economies could benefit Africa. While notable variations exist across jurisdictions, global financial conditions remain largely accommodative (Figure 39). Major central banks worldwide plan to lower their policy interest rates in 2025. Rate drops could enhance African economies' access to global capital markets at more affordable costs. By facilitating economic financing, such a development could support the downward trend of Africa's debt ratio and strengthen the continent's sustainability.
- Despite various global challenges, effectively implementing AfCFTA could significantly benefit Africa. This initiative aims to reduce intra-African trade barriers, facilitating trade among African countries. By eliminating customs duties and simplifying administrative processes, AfCFTA could increase intra-African direct investment, enhance productivity, and promote the establishment of regional value chains. Furthermore, heightened investment in technology sectors, particularly fintech and telecommunications, creates new growth opportunities for African start-ups and fosters financial inclusion.

Figure 39: Central Rates Forecasts, Major Central Banks, 2024–2025



Source: Afreximbank Research, Trading Economies.

- A positive shift in commodity prices could enhance export earnings and economic growth in Africa. In 2024, the commodity market remains relatively stable, but notable price increases have been recorded for cocoa (123%), coffee (46%), and gold (23%). This trend benefits Western African countries, including Côte d'Ivoire and Ghana, which lead in cocoa production, by boosting their export earnings. Ethiopia, Côte d'Ivoire, and Cameroon benefit from rising coffee prices, while Ghana, Mali, Burkina Faso, and South Africa gain from increased gold prices, propelled by global economic uncertainty.

VIII. Conclusion

Africa stands out for its remarkable resilience in recent years. African economies are navigating a complex global landscape characterized by significant transitions, ongoing challenges, and new growth opportunities. In 2024, the continent recorded a slight GDP increase despite external and internal pressures. Domestic consumption and the services sector played a crucial role in this relative stability, though dependence on natural resource exports leaves African economies highly exposed to global volatility. High inflation and rising fiscal deficits remain significant obstacles, but signs of recovery are emerging, with improved growth prospects expected from 2025 onward.

In this precarious global context, Africa's outlook is bolstered by several factors. Demand for African exports, an anticipated decline in inflation, and economic reforms aimed at diversifying economies and improving governance are expected to facilitate a recovery in growth. The African Continental Free Trade Area presents a valuable opportunity to enhance intra-African trade, increase investment, and promote regional integration. The expansion of key sectors, such as fintech and digital technologies, creates new opportunities for financial inclusion and local entrepreneurship, contributing to the development of a more diversified and resilient economy.

However, notable risks accompany the resilience in the region. Ongoing geopolitical tensions, reliance on commodity exports, and the adverse effects of climate change pose significant threats to regional stability. Political turbulence in certain areas, internal conflicts, and severe weather events—such as droughts and flooding—considerably hinder the economic outlook. Furthermore, managing public debt and external deficits presents a critical challenge, increasing African economies' susceptibility to domestic and global shocks.

African governments should implement ambitious economic reforms to fully capitalize on growth opportunities. Policymakers must consider comprehensive policy recommendations tailored to each country's circumstances and time frame. Strategic priorities should include diversifying economies, enhancing governance, investing in infrastructure, and strengthening intra-African trade.

Given current geopolitical conditions, strategic measures are essential for improving economic stability and adaptability to crises. Diversifying trade relations to reduce dependence on dominant partners such as China could bolster the resilience of African economies. Similar considerations should apply to climate challenges; policymakers must develop

appropriate financial instruments, such as disaster insurance, to assist countries most vulnerable to droughts, floods, and other extreme weather events.

Policymakers should support the factors driving African resilience: domestic consumption and the services sector. They should implement strategies to increase household spending, particularly by enhancing social transfers to low-income families. Given the substantial growth of the services sector, it is vital to promote digital initiatives that support technology start-ups and the development of digital skills, thereby fostering innovation and boosting the competitiveness of the African digital economy.

Proactive monetary policy and targeted safety nets are crucial for economic resilience. As African central banks tighten policies to combat inflation, adopting strategies that manage inflation without stifling growth is critical. This effort may involve lowering interest rates in countries where inflation stabilizes and enhancing social safety nets to protect vulnerable populations while supporting local private sectors.

Several key factors should be prioritized to support trade integration in Africa, notably through AfCFTA and infrastructure development. Implementing AfCFTA protocols and reducing customs barriers will accelerate trade integration across the continent, creating opportunities for the private sector to thrive. African governments should encourage intra-African production by providing tax incentives to companies that manufacture goods intended for trade within the African market. Additionally, they should enhance local value chains by prioritizing public contracts for African companies and promoting local consumption. Moreover, it is essential for African countries to actively work toward implementing the African Union's protocol on free movement; doing so could significantly improve the efficiency of regional trade. Investing in and developing strong transport, storage, and logistics infrastructures is crucial. Strengthening and modernizing the connectivity of ports, airports, and road networks will facilitate trade among African countries. These measures are essential for streamlining intra-African trade, ultimately leading to greater economic integration and competitiveness.

Navigating the unique challenges and opportunities in 2025 is critical. In an increasingly uncertain global landscape, Africa stands at a pivotal juncture. By implementing robust economic policies and fostering deeper regional integration, the continent has the potential to address its existing challenges and to establish itself as a significant contributor to global economic growth in the years to come.

Appendix

Table 5: Countries by Regions

Northern Africa	Southern Africa	Central Africa	Eastern Africa	Western Africa
Algeria	Angola	Cameroon	Burundi	Benin
Egypt	Botswana	Central African Republic	Comoros	Burkina Faso
Libya	Eswatini	Chad	Djibouti	Cabo Verde
Morocco	Lesotho	Democratic Republic of the Congo	Eritrea	Côte d'Ivoire
Tunisia	Madagascar	Republic of Congo	Ethiopia	Ghana
	Malawi	Equatorial Guinea	Kenya	Guinea
	Mauritius	Gabon	Rwanda	Guinea–Bissau
	Mozambique	São Tomé and Príncipe	Tanzania	Liberia
	Namibia		Uganda	Mali
	Seychelles		Sudan	Mauritania
	South Africa		South Sudan	Niger
	Zambia		Somalia	Nigeria
	Zimbabwe			Senegal
				Sierra Leone
				The Gambia
				Togo

Table 6: Countries by Economic Groups

Oil exporters	Other resource intensive	Non–resource intensive
Algeria	Botswana	Benin
Angola	Burkina Faso	Burkina Faso
Cameroon	Central African Republic	Cabo Verde
Chad	Democratic Republic of the Congo	Comoros
Egypt	Ghana	Côte d'Ivoire
Equatorial Guinea	Guinea	Djibouti
Gabon	Liberia	Eswatini
Libya	Mali	Ethiopia
Nigeria	Namibia	The Gambia
	Niger	Guinea–Bissau
	Sierra Leone	Kenya
	South Africa	Lesotho
	Sudan	Madagascar
	Tanzania	Malawi
	Zambia	Mauritania
	Zimbabwe	Mauritius
		Morocco
		Mozambique
		Rwanda
		São Tomé and Príncipe
		Senegal
		Seychelles
		Togo
		Tunisia
		Uganda

Note: Eritrea, Somalia, and South Sudan are excluded due to data unavailability.


12,267.50
+42.2
-260.5

Chapter 2: Challenges Of African Economic Sustainability In An Uncertain Landscape

Key messages

- Over the past two decades, Africa has been one of the fastest-growing regions globally, but its growth has been unstable due to dependence on volatile commodity exports.
- African countries struggle with economic diversification, which affects their ability to sustain sovereign debt. The surge in sovereign debt is fueled by infrastructure financing needs and a low-interest rate environment since the 2008–2009 financial crisis and is worsened by the fiscal impacts of the COVID-19 pandemic.
- Africa faces challenges with underdeveloped human capital (despite economic growth in the last two decades), low poverty reduction, and increasing income inequality.
- African countries must address rising concerns about environmental degradation and extreme weather events, which increasingly impact their economies.
- African countries should focus on structural transformation, efficient public spending, skill development, poverty reduction, and environmental protection to achieve inclusive and sustainable growth.

I. Introduction

Emerging uncertainties and the growing geo-fragmentation of the global economy jeopardize the resilience of the African continent. Despite experiencing significant growth in recent years, socioeconomic outcomes, including poverty rates and levels of inequality, remain below optimal thresholds while vulnerabilities have risen due to inadequate diversification. Enhancing resilience and promoting sustainable development frameworks is crucial, especially in the medium to long term.

Over the past 25 years, Africa has experienced rapid and volatile economic growth alongside significant population increases. From 2000 to 2024, the continent's average economic growth was about 3.7% per year, but growth per capita has been modest, not exceeding 1.3% annually. This economic growth has been inconsistent due to structural challenges and overlapping crises; many economies depend on primary commodity exports while importing essential food products. Recent global challenges, such as the COVID-19 pandemic and the Russia-Ukraine war that began in 2022, have intensified this vulnerability. Moreover, climate-related disasters, including floods and droughts, have further contributed to economic fluctuations over the past two decades, heightening Africa's susceptibility to extreme weather events.

Despite recent economic growth, sub-Saharan Africa still faces high poverty rates and inadequate progress in health and education. The region remains one of the most inequitable in the world, underscoring the need for targeted interventions. Developing human capital and promoting skills development are essential for facilitating structural transformation and achieving economic diversification across the continent. Furthermore, there are growing concerns about the increasing frequency of extreme weather events, which pose significant challenges and contribute to economic volatility, undermining social progress in African economies. Addressing these issues is crucial for achieving sustainable development and resilience in the region.

This chapter examines key dimensions for enhancing resilience and promoting sustainability within African economies. The initial section addresses the continent's macroeconomic instability, resulting from a confluence of overlapping shocks. It highlights the critical issue of economic diversification, a significant contributor to this instability and to the non-inclusiveness of growth patterns observed across the region.

The second section delves into the sustainability of sovereign debt. Over recent decades, numerous African governments have accrued substantial debt levels to fulfill infrastructure development needs and mitigate the adverse effects of climate-related shocks. Favorable conditions in a low-interest rate environment, stemming from the 2008–2009 global financial crisis, facilitated the issuance of Eurobonds by several African countries at relatively lower costs, albeit still higher than those faced by industrialized counterparts. However, the burden of sovereign debt has been exacerbated by fiscal measures deployed to address the economic ramifications of the COVID-19 pandemic, raising significant concerns regarding debt sustainability across the continent. These concerns have been amplified by the global tightening of monetary policies to control inflation, which is driven by demand-supply imbalances resulting from pandemic recovery efforts and the ongoing Russia-Ukraine war.

The third section focuses on human capital and skills development, evaluating their roles in contributing to structural transformation and facilitating economic diversification.

The fourth section assesses the challenges African countries face in enhancing the effectiveness of growth as a tool for alleviating poverty and reducing inequality.

The fifth section investigates obstacles to achieving green growth and effectively managing climate-induced shocks.

Finally, the chapter concludes with policy recommendations to address these challenges, thereby enabling African economies to transition toward more inclusive and sustainable growth trajectories.

II. Macroeconomic Instability and the Lack of Economic Diversification

1. Macroeconomic Stability

In the past two decades, Africa has demonstrated significant economic growth, becoming one of the world's fastest-growing regions. From 2000 to 2009, sub-Saharan Africa achieved an average annual growth rate of 5.3%, compared with 4.6% in Northern Africa (Table 7). In comparison, emerging markets and developing economies grew at an average rate of 5.8%, significantly outpacing advanced economies, which grew at just 1.8%. However, during the 2010s, Africa experienced a slowdown in economic growth. sub-Saharan Africa's average economic growth rate fell to 4.1%, while Northern Africa's decreased to 2.9%. Meanwhile, emerging markets and developing economies grew at 4.5%, and advanced economies increased by only 2%. From 2020 to 2024, the COVID-19 pandemic further disrupted economies, leading to a decline in Africa's economic growth, which dropped below 3%. During the same period, emerging markets and developing economies grew at 3.4% and advanced economies at 1.6%.

Africa's per capita economic growth fell from 2.5% in the 2000s to 0.4% post-pandemic. Since 2010, per capita growth rates in African economies have been among the lowest, highlighting the continent's failure to sufficiently leverage its demographic dividend, which reflects the opportunity represented

by its larger working-age population. This inability to exploit the demographic window of opportunity accounts for the challenges African economies face in achieving inclusive growth. This situation results from weak economic diversification and a lack of skills development that aligns with market needs and potential.

During the 2010s, African economies exhibited the highest volatility in global GDP per capita growth rates (Figure 40). This volatility is attributed to the continent's significant dependence on commodity exports, which are subject to price fluctuations, alongside a reliance on rain-fed agriculture that is particularly vulnerable to extreme weather events. Over the past decade, countries have heavily relied on resource extraction, and those dependent on tourism have displayed pronounced per capita growth volatility. Specifically, between 2015 and 2014, Libya emerged as the most volatile economy due to its dependence on oil exports, coupled with ongoing political instability that began in 2011. Other oil-exporting countries, such as South Sudan and Equatorial Guinea, along with non-oil resource-intensive countries, including Sudan and Botswana, similarly experienced heightened growth volatility. Moreover, the COVID-19 pandemic severely disrupted tourism, resulting in significant fluctuations in per capita growth in countries such as Cabo Verde, Mauritius, and Seychelles.

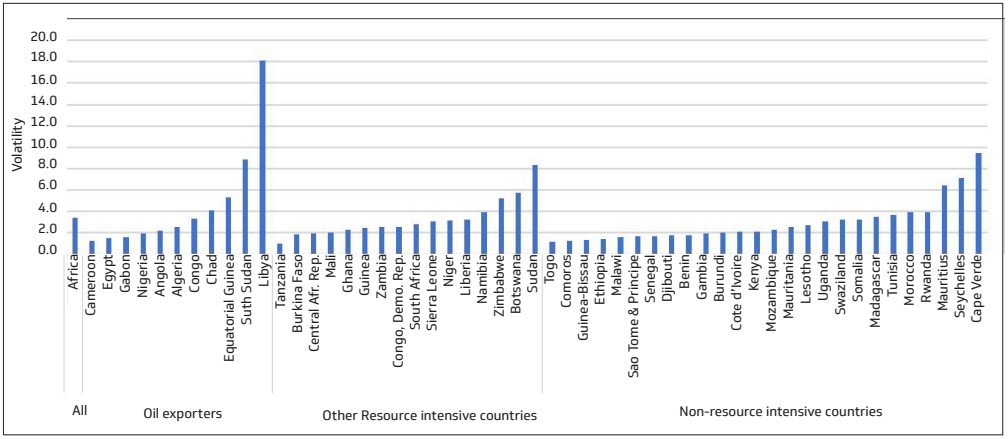
A noticeable pattern in the region suggests that increased volatility correlates with more significant fluctuations in inflation rates, particularly in resource-dependent economies (Figure 41). This observation aligns with the Dutch disease phenomenon, wherein a boom in the resource sector contributes to a decline in non-resource tradable sectors such as agriculture and manufacturing, accompanied by a rise in domestic prices and, consequently, a real exchange rate appreciation. Price instability within the continent is further compounded by the fact that many African countries are net food importers. In the global market, food imports have displayed pronounced volatility. Recently, food prices have surged across various African economies, driven by demand-supply mismatches related to the pandemic and disruptions stemming from the Russia-Ukraine war.

Table 7: Growth Rate and Its Volatility by Region, 2000–2024

Variables	Regions	2000-09	2010-19	2020-2024
Mean of GDP growth	Advanced economies	1.8	2.0	1.6
	Major advanced economies (G7)	1.4	1.9	1.5
	Emerging markets and developing economies	5.8	4.8	3.4
	Africa	5.0	3.6	2.6
Mean of GDP per capita growth	Advanced economies	1.2	1.6	1.3
	Major advanced economies (G7)	0.8	1.5	1.2
	Emerging markets and developing economies	4.3	3.4	2.5
	Africa	2.5	1.1	0.4
Standard deviation of GDP per capita growth	Advanced economies	2.1	0.6	3.7
	Major advanced economies (G7)	2.1	0.5	3.7
	Emerging markets and developing economies	2.0	1.0	3.4
	Africa	1.0	0.9	2.5

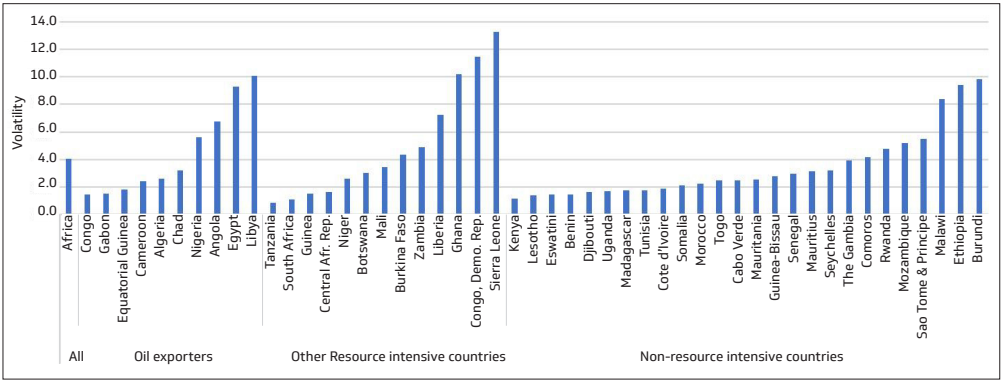
Source: Calculations based on International Monetary Fund's World Economic Outlook, October 2024. Note: Volatility is computed by the standard deviation of the annual growth rate of real GDP per capita PPP over the corresponding period.

Figure 40: Volatility of GDP per Capita Growth of African Countries, 2015–2024



Source: Calculations based on International Monetary Fund's World Economic Outlook, October 2024. Note: Volatility is computed by the standard deviation of the annual growth rate of real GDP per capita PPP over 2015–2024. For Africa, the value is the unweighted average across countries.

Figure 41: Volatility of Inflation of African Countries, 2015–2024



Source: Calculations based on the International Monetary Fund's World Economic Outlook, October 2024. Note: Volatility is computed by the standard deviation of the annual (Consumer Price Index-based) inflation rate over the period 2015–2024. For Africa, the value is the unweighted average across countries.

2. Lack of Economic Diversification

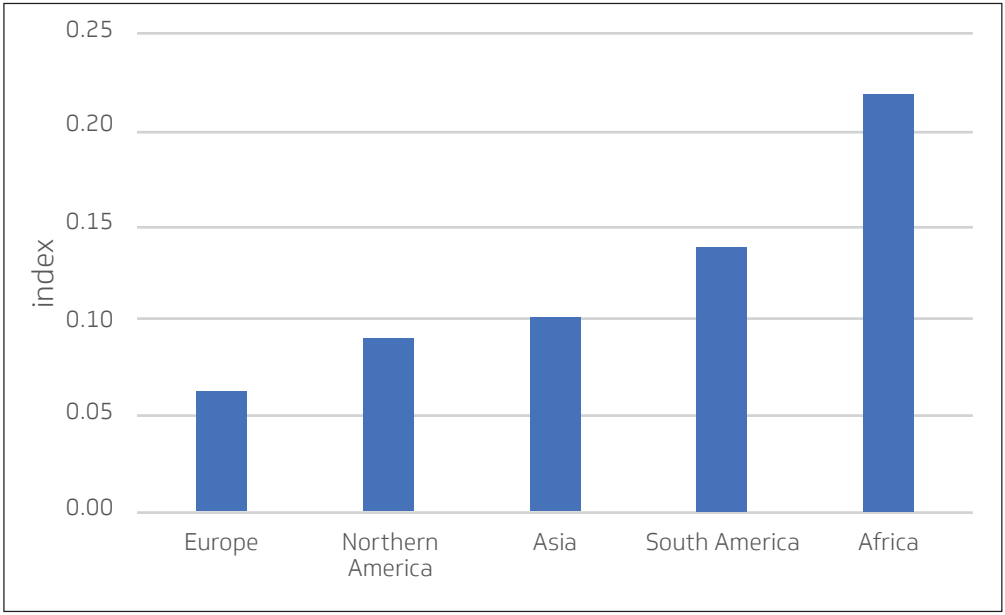
A significant factor contributing to the volatility of economic growth in African countries is their heavy reliance on exporting natural resources. This reliance can be illustrated using the Herfindahl-Hirschman Index (HHI), which measures export concentration. The HHI, as reported by the United Nations Conference on Trade and Development (UNCTAD, 2024), ranges from 0 to 1. A value of 1 indicates the highest level of export concentration (and the lowest level of diversification); 0 signifies the lowest concentration (and the highest diversification).

From 2020 to 2023, Africa had the highest concentration level globally, with an HHI of 0.20, compared with only 0.06 for Europe (Figure 42). All African economies had HHI values exceeding the G7 countries' average of 0.10. Only seven African countries—Djibouti, Tunisia, Egypt, South Africa, Mauritius, Morocco, and Kenya—reported HHI values below 0.20 (Figure 43). Eighteen economies on the continent had concentration indices exceeding 0.50. The countries with the highest concentration scores were Botswana (0.85), Mali (0.82), and Angola (0.80), all heavily reliant on commodity exports.

The lack of export diversification in Africa is underscored by the Economic Complexity Index (ECI), which reflects the diversity of a country's exports and the number of producing countries(Hidalgo & Hausmann, 2009). In the 2022 ECI ranking of 145 countries, Tunisia ranks as the highest African nation at 48th, followed by Mauritius and Eswatini at 58th and 69th, respectively (Table 8). Nigeria, the continent's fourth-largest economy, ranks poorly at 140th due to its heavy dependence on oil exports. The lowest positions in the ECI globally—occupied by African countries with Guinea, Congo, and Chad at the bottom—highlight the continent's lack of diversification. The limited diversification of African economies significantly restricts the private sector's job creation capacity, hindering its ability to harness the demographic window of opportunity and promote inclusive growth. Heavy reliance on raw material exports and a lack of local manufacturing capabilities lead to job generation predominantly concentrated in the fossil fuel and mining industries and urban service sectors.

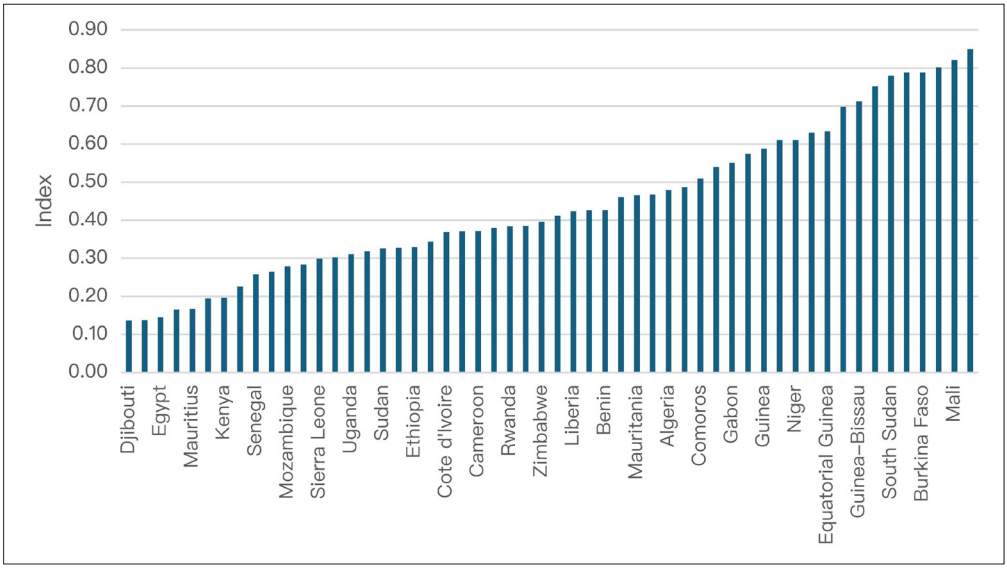
Furthermore, the increased macroeconomic instability resulting from this lack of diversification presents a crucial barrier to inclusivity across the

Figure 42: Export Concentration Index of Regions, 2020–2023



Source: Calculations based on data from the United Nations Conference on Trade and Development, 2024. Note: For each country, the value is the annual average over the period 2020–2023.

Figure 43: Export Concentration Index of African Economies, 2020–2023



Source: Calculations based on data from the United Nations Conference on Trade and Development, 2024. Notes: For each country, the value is the annual average over the period 2020–2023.

continent. The notable income volatility is driven by fluctuating terms of trade that hamper investment. It stifles job creation, worsening levels of extreme poverty and inequality, with the most vulnerable populations shouldering the brunt of shocks. The negative impacts of macroeconomic instability on inclusiveness are particularly severe in Africa due to the underdevelopment of its financial systems, which inhibits households and businesses from managing economic shocks through adequate access to credit.

African countries must effectively navigate into their product spaces to improve their economic complexity and achieve more diversified economies. For any country, the product space emphasizes diversification options based on the similarity of products linked to revealed comparative advantages (Hidalgo et al., 2007). Producing certain goods depends on existing capacities, making them easily reproducible from similar products. Structural transformation and economic diversification operate by reallocating resources to goods related to those already produced. This transformation and diversification are bolstered by enhancing energy and transport infrastructure and advancing science and technology education to meet local manufacturing needs.

III. Sovereign Debt Sustainability

In recent decades, African governments faced urgent financing needs, significantly increasing their debt levels. This rise in sovereign debt has been supported by a low-interest-rate environment that followed the 2008–2009 global financial crisis. The situation has been further complicated by the fiscal costs of the COVID-19 pandemic, as well as by policies aimed at protecting vulnerable populations from food insecurity due to the Russia-Ukraine war. These factors raised serious concerns about sovereign debt sustainability across the continent. These concerns have been exacerbated by tightening of global monetary policy to combat inflation resulting from demand-supply mismatches from the pandemic recovery and the Russia-Ukraine war.

1. Rise of Sovereign Debt

Recent concerns regarding surging public debt levels raise critical questions about the relationship between public debt and African economic growth. Theoretically, the effects of public debt on economic growth remain ambiguous.

In the short term, sovereign debt could stimulate growth through a fiscal multiplier effect. In the long term, it could promote growth if allocated to infrastructure investments that enhance private sector productivity. However, public debt might hinder long-run growth by requiring higher taxation to service that debt, ultimately reducing the savings

Table 8: Economic Complexity of African Economies, 2022

Country	Index	Rank	Country	Index	Rank
Tunisia	0.30	48	Zambia	-0.81	112
Mauritius	0.09	58	Madagascar	-0.82	113
Eswatini	-0.09	69	Botswana	-0.87	115
Egypt	-0.20	75	Zimbabwe	-0.89	116
South Africa	-0.21	76	Tanzania	-1.00	120
Kenya	-0.25	81	Cote d'Ivoire	-1.01	122
Morocco	-0.37	87	Libya	-1.06	126
Niger	-0.43	89	Togo	-1.10	127
Angola	-0.47	92	Mauritania	-1.35	132
Rwanda	-0.54	94	Cameroon	-1.38	133
Namibia	-0.55	95	Liberia	-1.39	134
Uganda	-0.57	96	Sudan	-1.41	135
Burkina Faso	-0.58	98	Gabon	-1.48	136
Benin	-0.60	99	Eq. Guinea	-1.55	138
Senegal	-0.67	101	Mozambique	-1.55	139
Ghana	-0.71	104	Nigeria	-1.71	140
Malawi	-0.71	105	Guinea	-2.11	143
Algeria	-0.72	106	Congo	-2.18	144
Ethiopia	-0.80	110	Chad	-2.49	145
Mali	-0.80	111			

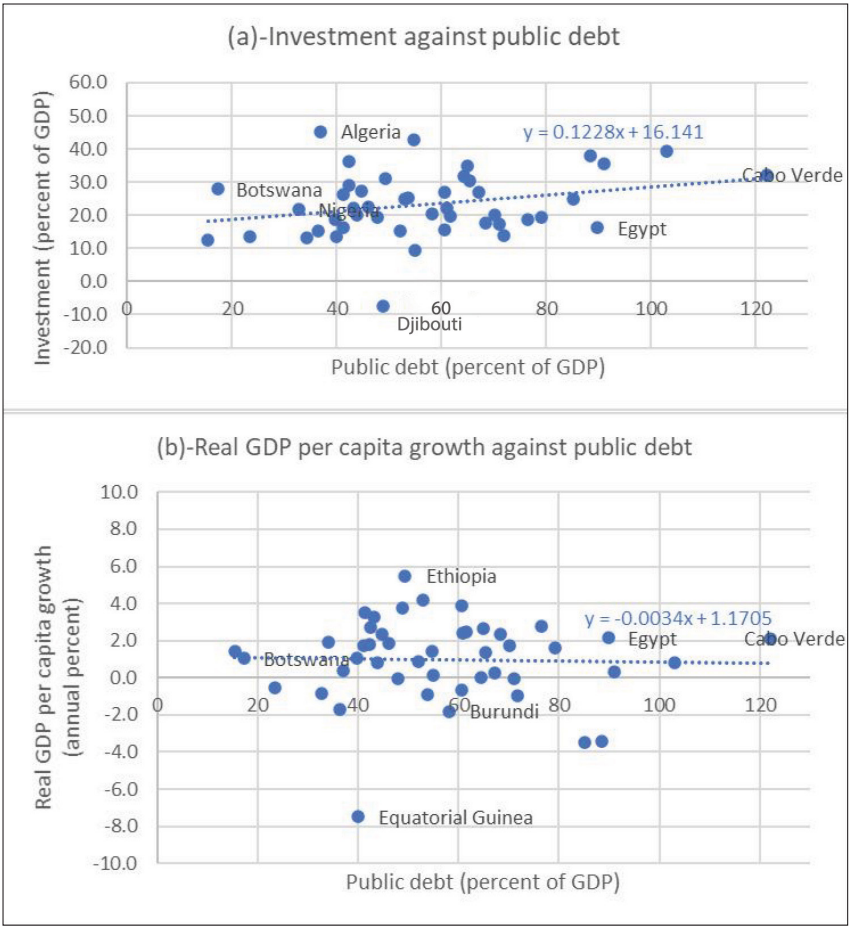
Source: Economic Complexity Index, https://atlas.hks.harvard.edu/rankings.

rate. This phenomenon, in turn, leads to increased sovereign risk, resulting in elevated interest rates that crowd out private investment. The crowding-out effect is particularly pronounced in African economies and is attributed to their relatively underdeveloped domestic financial markets.

Evidence suggests that the relationship between debt and growth varies across countries and is influenced by both the debt level and institutions' strength. Generally, a weak positive association exists between government debt and economic growth in countries with lower debt-to-GDP ratios, whereas countries with higher ratios often experience adverse effects (Reinhart & Rogoff, 2010). Despite African countries exhibiting lower debt-to-GDP ratios than industrialized countries, the potential growth-enhancing effects of public debt in African countries are limited by the low quality of those countries' institutions. Notably, while sovereign debt may be growth-neutral in countries with strong institutional frameworks, it tends to be detrimental in those with weaker institutions (Kourtellos et al., 2013). That's because rising debt is associated with fund misappropriation and resource allocation to unproductive government expenditures, which is inefficient.

An analysis of data from 2015 to 2024 indicates a significant positive correlation between the investment rate and the sovereign debt-to-GDP ratio (Figure 44, panel a). This correlation underscores the hypothesis that sovereign debt has been crucial in financing infrastructure projects. Specifically, an increase of 1 percentage point in the debt-to-GDP ratio is associated with an approximate 0.12 percentage point uplift in the investment-to-GDP ratio. However, the anticipated benefits of these infrastructural investments have not resulted in a strong positive correlation between the debt-to-GDP ratio and real GDP per capita growth (Figure 44, panel b). In fact, during this period, the relationship between real GDP per capita growth rates and debt-to-GDP ratios has been slightly negative. This finding aligns with the previously discussed challenges that impede the growth-enhancing capacity of public debt, particularly in light of Africa's significant annual population growth rate of 2.4.

Figure 44: Investment and Growth Against Public Debt, 2015–2024



Source: Calculations based on data from International Monetary Fund's World Economic Outlook, October 2024. Note: Data are averaged over the period 2015–2024.

2. Drivers of Sovereign Debt

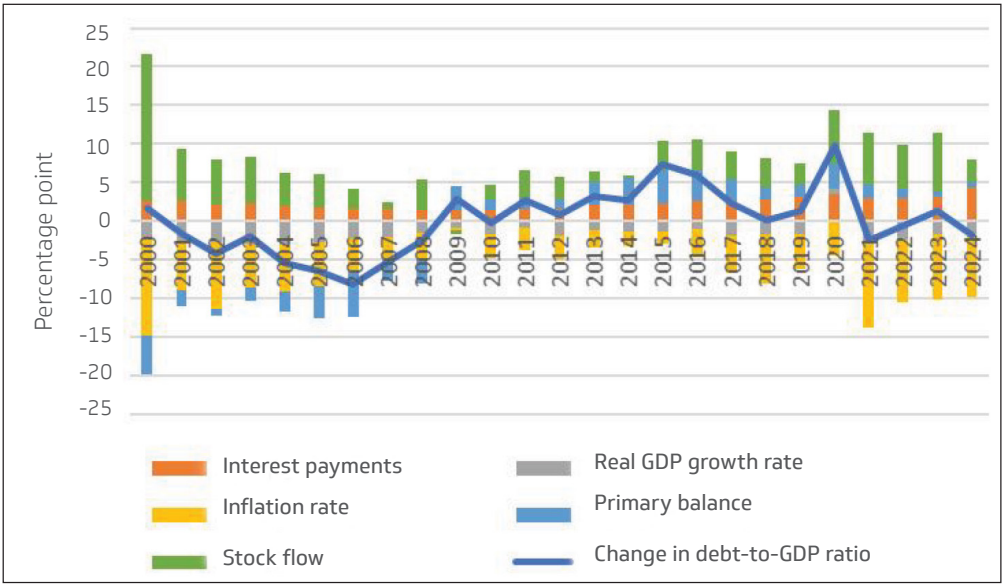
Since 2000, stock-flow adjustments have been the primary driver of African sovereign debt dynamics (Figure 45 and Appendix 1). These adjustments include valuation effects, arising from fluctuations in exchange rates that impact foreign-denominated debt, as well as from "below-the-line" fiscal-financial operations such as privatization receipts and changes in government deposit levels. In recent decades, interest payments and the primary balance have significantly contributed to the increasing debt burden across the continent. Growing dependence on external debt, exacerbated by a surge in Eurobond issuances, has made African countries more vulnerable to the consequences of exchange rate depreciation, increasing the domestic currency value of their debt-servicing obligations.

Since 2006, declining inflation and growth rates have not prevented the debt-to-GDP ratio from rising. Notably, even with historically low global interest rates over the past decade, the negative gap between interest rates and economic growth has not been enough to stabilize the increase in the debt-to-GDP ratio across the continent. Moreover, the recent narrowing of this interest rate-growth differential, which may trend toward positive territory, raises significant concerns regarding the sustainability of public finances in African countries.

3. Reversal of the Interest Rate-Growth Differential

A significant shift in the composition of creditors parallelled the rise in African sovereign debt over recent decades. Notably, there has been a transition from traditional Paris Club lenders to Eurobond investors and China. In the past decade, the search for higher yields by foreign private investors in a low-interest-rate environment enabled several African countries to issue Eurobonds at comparatively lower costs. However, these costs remain above those faced by more industrialized countries. Chinese and private lending rates increased in the past 20 years while official credit rates decreased (Table 9 and Figure 46). Specifically, the average interest rates on official loans decreased from 1.11% in 2000–2009 period to 0.95% in 2015–2020 (Table 9). In contrast, the interest rates associated with Chinese loans increased by approximately 0.89 percentage points, moving from 1.58% in the earlier period to 2.47% in the later period. Remarkably, the required interest rates from private creditors surged significantly, escalating from 1.64% in 2000–2009 to 5.08% in 2015–2020—a dramatic increase of 3.44 percentage points over this time frame.

Figure 45: Drivers of Sovereign Debt, 2000–2024



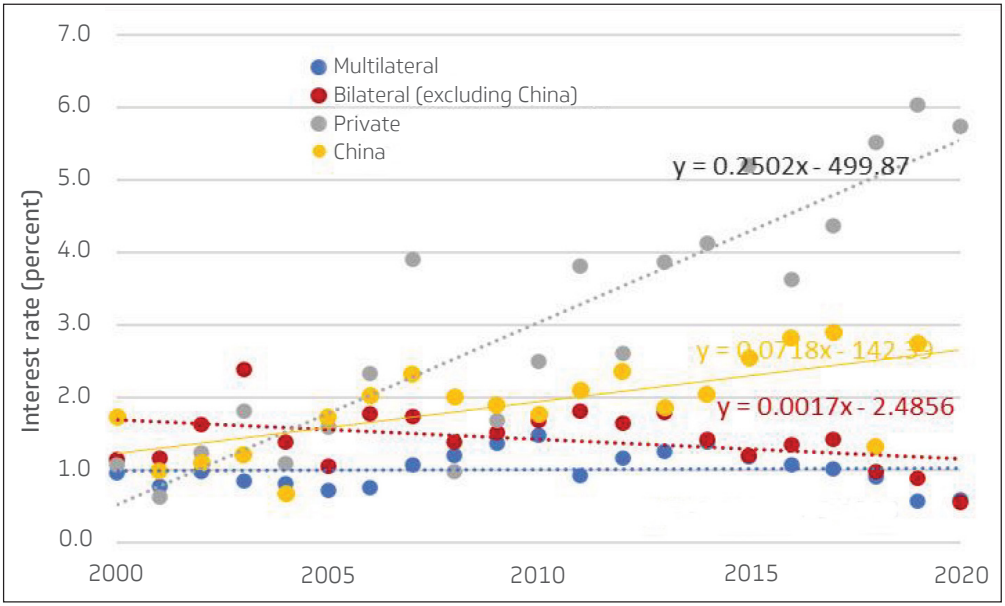
Source: Afreximbank Research.

Table 9: Interest Rate by Type of Creditors

	2000-2009	2010-2014	2015-2020
All	1.28	1.62	1.28
Official	1.11	1.39	0.95
Multilateral	0.96	1.25	0.90
Bilateral (excluding China)	1.52	1.68	1.07
China	1.58	2.03	2.47
Private	1.64	3.38	5.08

Source: Calculations are based on the African debt database compiled by Mihalyi and Trebesch (2022).

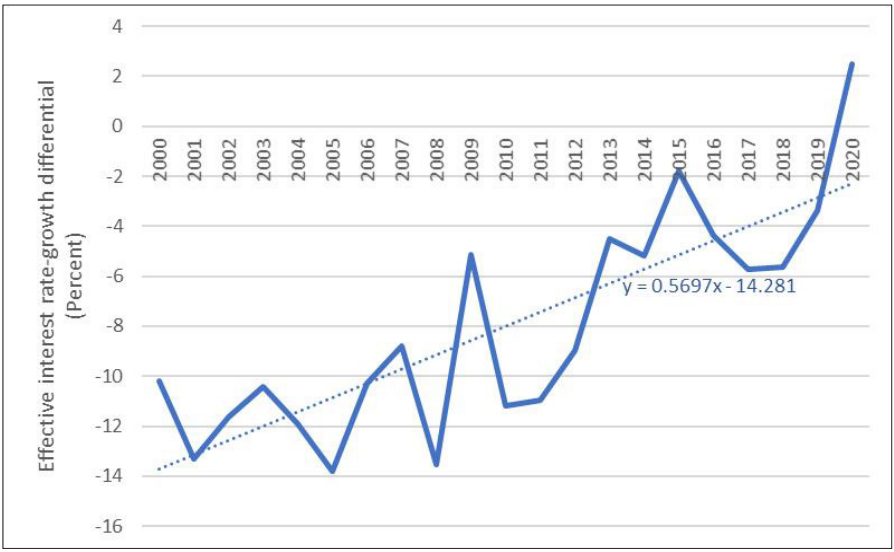
Figure 46: Interest Rate Trends by Type of Creditors, 2000–2020



Source: Calculations based on the African debt database compiled by Mihalyi and Trebesch (2022).

The upward trend in interest rates charged by Chinese and private creditors aligns with growing concerns about the evolution of the interest rate-growth differential, which is critical for sovereign debt sustainability (Appendix 2). A negative differential creates a favorable snowball effect that supports debt sustainability, whereas a positive differential hinders it. Higher debt prompts investors to demand a higher risk premium, which increases the fiscal burden, moving the interest rate-growth differential into positive territory. This conjecture is supported by the dynamics of the interest rate-growth differential in Africa over the past two decades (Figure 47). Although it fluctuated, the differential showed an upward trend, rising from double-digit negative values in the 2000s to a positive value of 2.48% in 2020.

Figure 47: Interest Rate Growth Differential (Percent), 2000–2020



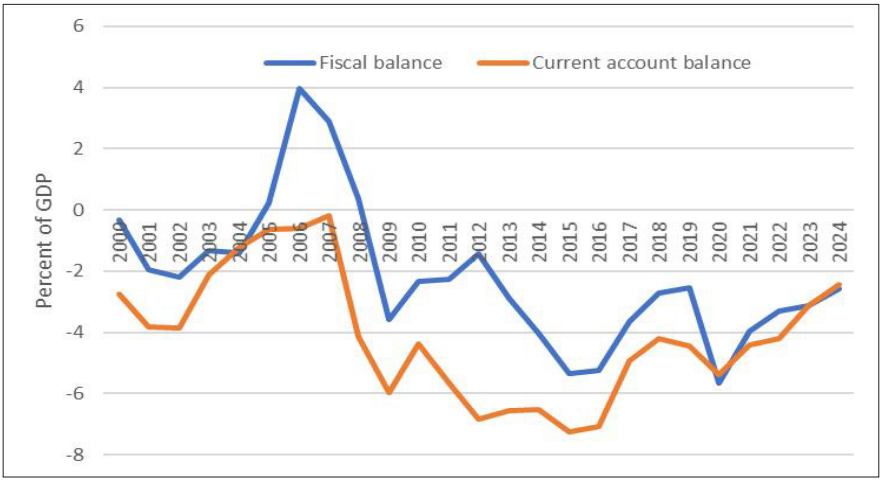
Sources: Calculations based on data from International Monetary Fund's World Economic Outlook, October 2024; Afreximbank Research. Note: Data are averages over African countries for each year.

Empirical analysis indicates that the narrowing of the interest rate-growth differential over the past two decades has been positively associated with increased public debt (Table 11 in Appendix 2). On average, a 1 percentage point increase in the sovereign debt-to-GDP ratio led to a contraction in the interest rate-growth differential by 0.17 to 0.30 percentage points. This finding suggests that rising public debt contributed to a shift in the differential from a negative regime to a positive one. In other words, the debt-to-GDP ratio and the interest rate-growth differential are interconnected. Even though African countries are currently in a negative (favorable) environment, they must focus on debt sustainability. Notably, favorable differentials have not always resulted in debt reduction; instead, they have often been linked to weaker fiscal consolidation, which offsets their positive effects on debt sustainability. African economies must prioritize growth-oriented investment projects when managing fiscal policies.

4. Persistence of External Imbalances

The increase in sovereign debt across Africa be attributed to persistent chronic fiscal deficits that have lasted for several decades. Low national savings mobilization and underdeveloped domestic financial markets worsen this situation, resulting in ongoing account deficits for many years (Figure 48). Over the past 20 years, the continent's average fiscal balance has consistently shown a deficit. The one exception, between 2005 and 2008, was due to an oil boom that significantly boosted government revenue. The highest fiscal surplus, reaching about 4.00% of GDP, was recorded in 2006. However, in 2020, fiscal responses to the COVID-19 pandemic led to the worst public deficit-to-GDP ratio, which climbed to 5.37%. The current account balance has remained in deficit over the last two decades. The lowest current account deficit, at 0.19% of GDP, occurred in 2007 due to higher oil prices. In contrast, during the oil price drop from 2014 to 2016, the current account deficit peaked in 2015 at 7.27% of GDP.

Figure 48: Fiscal Balance and Current Account Balance (Percent of GDP), 2000–2024



Source: Calculations based on data from International Monetary Funds' World Economic Outlook, October 2024; Afreximbank Research. Note: Data are averages over African countries for each year.

Empirical research from 2000 to 2023 supports the twin deficit hypothesis (positive causal relationship between the fiscal balance and the current account balance) in Africa (Annex 2.3). The evidence shows that when there is an exogenous fiscal deficit equivalent to 1% of GDP, the current account deteriorates significantly—by 0.27% of GDP in the year of the shock and by 0.28% in the following year (Figure 49).

The presence of twin deficits is not necessarily detrimental in the short term. If investments in public infrastructure projects drive fiscal deficits in African countries, the external balance is expected to worsen in the short term due to the importation of investment goods needed for these projects. However, in the long term, the productivity gains from such investments should lead to higher growth rates and an improvement in the current account balance.

Given the persistent nature of external imbalances, African countries should prioritize productivity-oriented expenditures. Government spending should focus on infrastructure investment to diversify the economy and reduce reliance on commodity exports.

IV. Human Capital and Skills Development

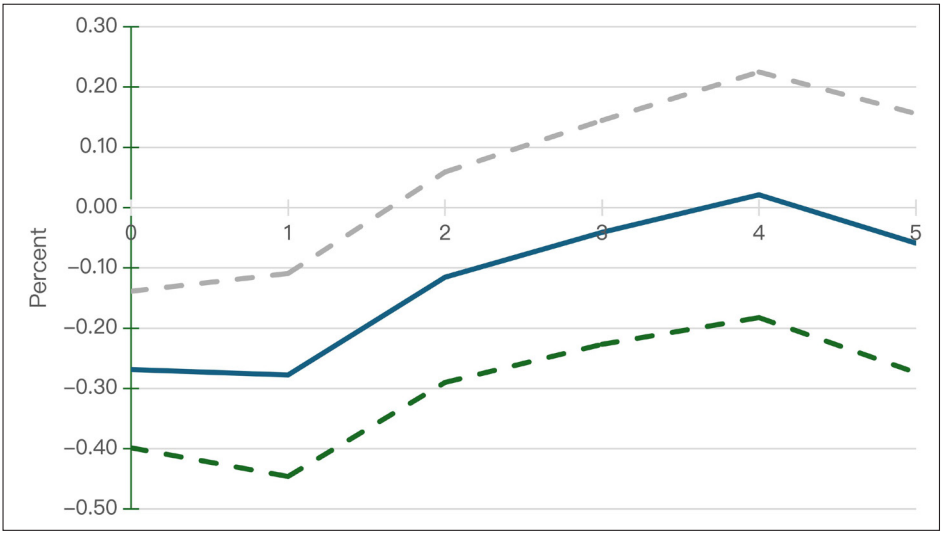
African countries must enhance human capital and skills development, which is essential for facilitating structural transformation and economic diversification.

1. State of Healthcare

Despite notable economic advancements over the past two decades, numerous African countries continue to experience insufficient improvements in health outcomes. For sustainable economic development, it is imperative to enhance public health because better health outcomes correlate with increased labor productivity and job creation. Life expectancy, a critical public health metric, has significantly improved in Africa over the last 20 years, with an average increase of 8 years from 2000 to 2022, reaching 63 years (Figure 50). Nevertheless, this figure still falls at least a decade short of life expectancy levels observed in other global regions.

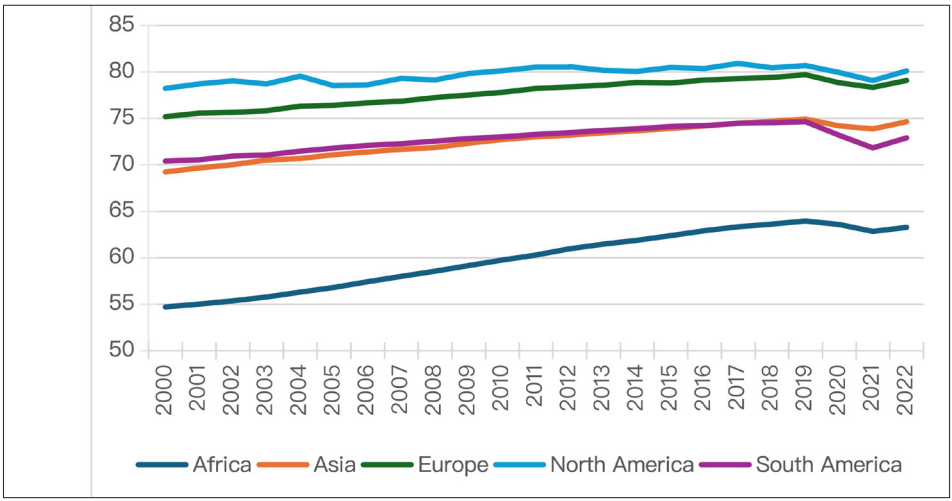
The correlation between health and economic productivity is well-documented. Evidence suggests that enhancements in health status catalyze per capita economic growth through a reduction in the dependency ratio and increased incentives for investment in education, physical capital, and innovation (Bloom et al., 2024). This health-economic nexus is particularly pronounced in African economies, where data indicates that a 1% increase in life expectancy correlates with an approximately 5.78% increase in real GDP per capita (Figure 51). This finding highlights the critical need for developing and strengthening health systems across African countries to achieve sustainable economic advancement.

Figure 49: Dynamic Response of the Current Account to Fiscal Deficit (Percent)



Source: Computations based on data from International Monetary Fund's World Economic Outlook, October 2024; Kose et al. (2022).
Note: The solid line shows the estimated impulse response; the dashed lines indicate the 90% confidence band.

Figure 50: Life Expectancy, 2000–2022

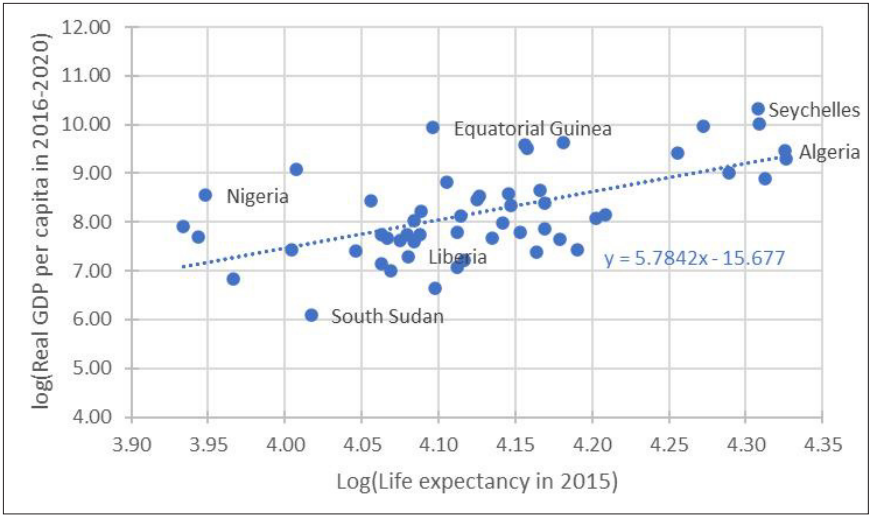


Source: Data from World Bank World Development Indicators.

One significant barrier to improving life expectancy in African countries is insufficient financial resources for healthcare. Relative to other global regions, Africa demonstrates markedly lower health expenditures. For instance, in 2021, the average health spending per capita was just US$320 (in current PPP dollars), representing the lowest figure worldwide—a figure approximately 4 times less than that in Asia and South America, 14 times less than that in Europe, and 28 times less than that in North America (Figure 52). Among African countries, the lowest per capita health expenditures were reported in South Sudan (US$32), the Democratic Republic of Congo (US$46), Madagascar (US$57),

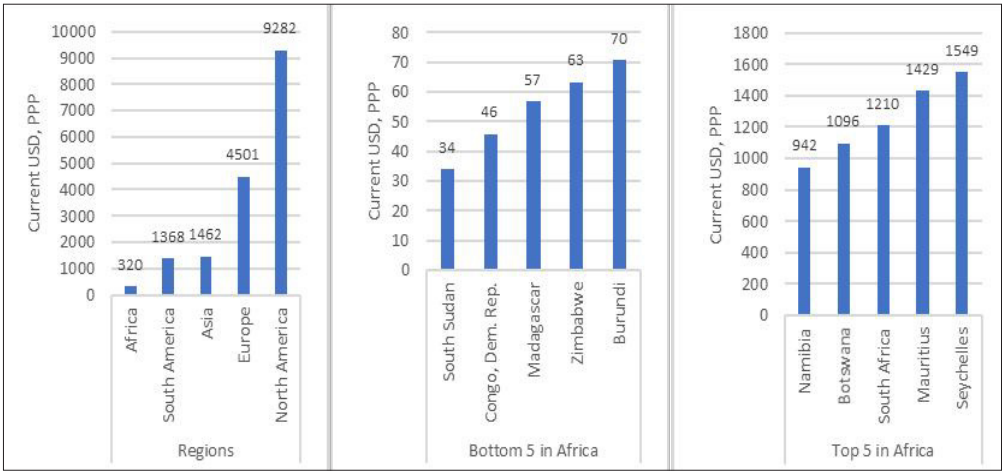
Zimbabwe (US$63), and Burundi (US$70). In contrast, Seychelles topped the expenditure list in 2021 at US$1,549. While this amount remains below the averages for Europe and North America, it surpasses expenditures observed in South American and Asian countries. Following Seychelles, Mauritius (US$1,429), South Africa (US$1,210), Botswana (US$1096), and Namibia (US$942) exhibited the following highest levels of health spending per capita.

Figure 51: Life Expectancy and Real GDP per Capita



Source: Calculations based on data from World Bank World Development Indicators.

Figure 52: Health Expenditure per Capita (Current US$, PPP), 2021



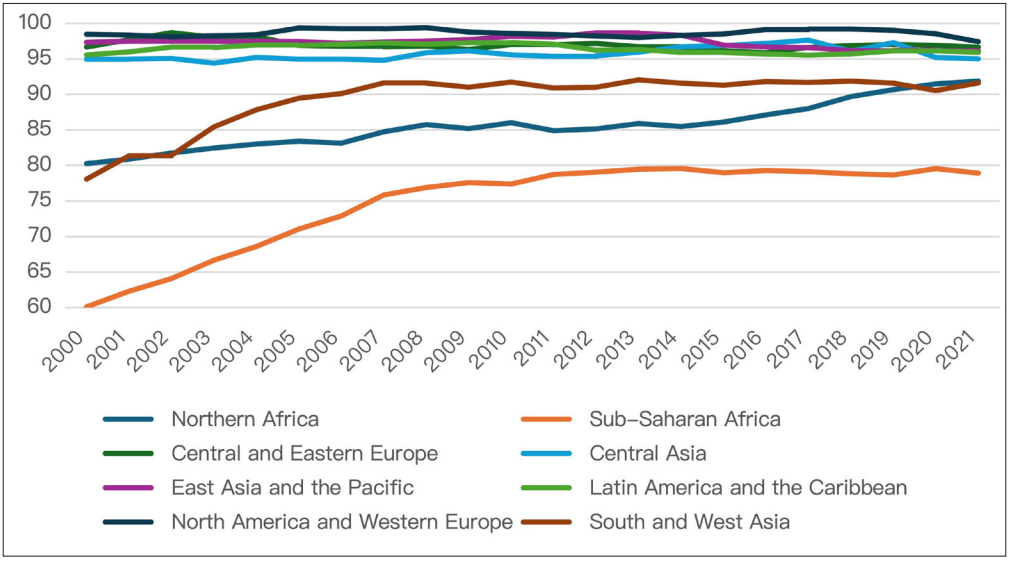
Source: Calculations based on data from World Bank World Development Indicators.

2. Education and Allocation of Talents

Over the past two decades, African countries have made remarkable progress in educational quantity as measured by the school enrollment rate (Figure 53). The net enrollment rate for primary schools in sub-Saharan Africa increased by 19.47 percentage points during this period, rising from 60.08% in 2000 to stabilize at approximately 79% since 2014. In Northern African countries, the average enrollment rate continuously rose from 80% in 2000 to 92% in 2021, reaching levels comparable to South and Western Asia after diverging in 2002. However, the current enrollment rate in sub-Saharan Africa remains significantly lower than that of other regions by at least 12 percentage points.

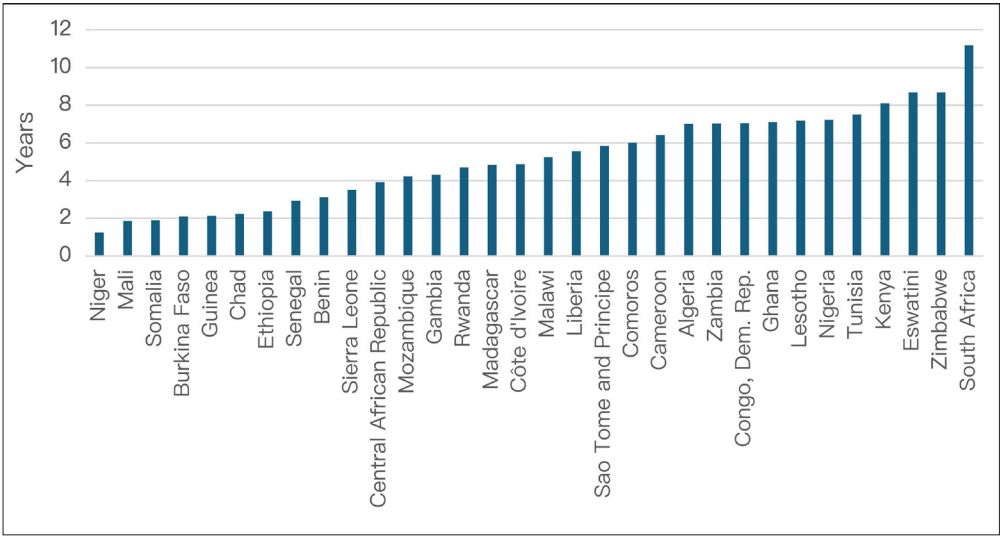
Despite the impressive progress in primary school enrollment rates, educational attainment—measured by the average years of schooling for individuals aged 25 and older—remains low in many African countries (Figure 54). In Niger, the average number of years of schooling is less than one year; in countries such as Burkina Faso, Mali, and Somalia, the average is about two years. South Africa boasts the highest educational attainment on the continent, with an average of 11 years, slightly below the Organisation of Economic Co-operation and Development (OECD) average of 12 years. Following South Africa are Eswatini and Zimbabwe, in each of which the average number of years of schooling is nine years. The relatively low average educational attainment in Africa correlates with a lower quality of education, as reflected by harmonized scores from major international student achievement testing programs (Figure 55, panel a). In 2020, among the 46 African countries for which data were available, only 10 countries scored above 400 on a scale where 300 represents minimal attainment and 625 indicates advanced attainment. Mauritius achieved the highest score on the continent at 473, followed by Seychelles with a score of 463. The low levels of both educational quantity and quality in Africa are evident in World Bank's Human Capital Index (Figure 55, panel b), which integrates data on both the quantity and quality of education and ranks countries from 0 to 1. On this index, Mauritius and Seychelles rank as the top two African countries, with scores of 0.62 and 0.63, respectively.

Figure 53: Net Enrollment Rate for Primary School, 2000–2021



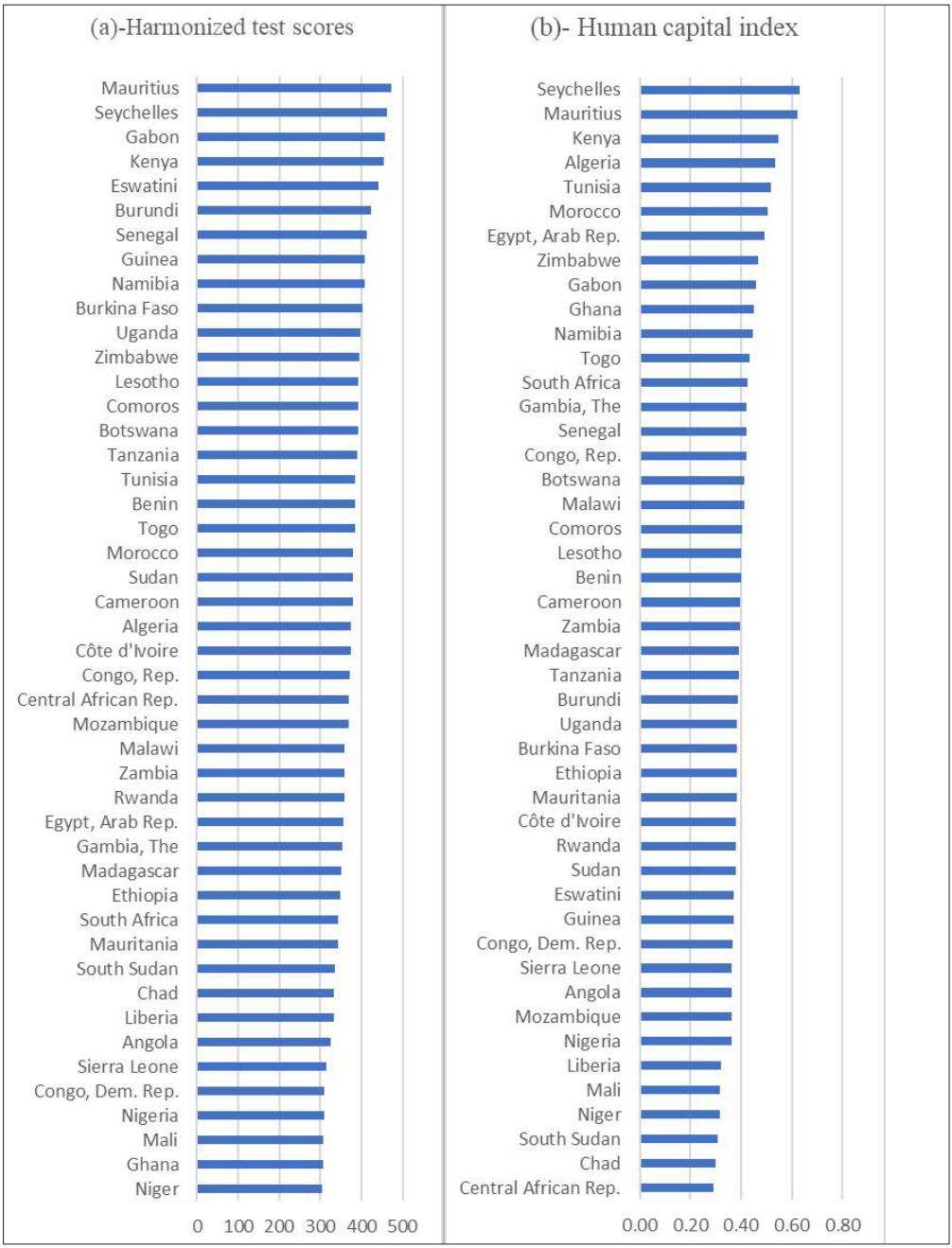
Source: UNESCO Institute of Statistics.

Figure 54: Mean Years of Schooling, 2018–2022



Source: Calculations based on data from UNESCO Institute of Statistics.

Figure 55: Harmonized Test Scores and Human Capital Index, 2020



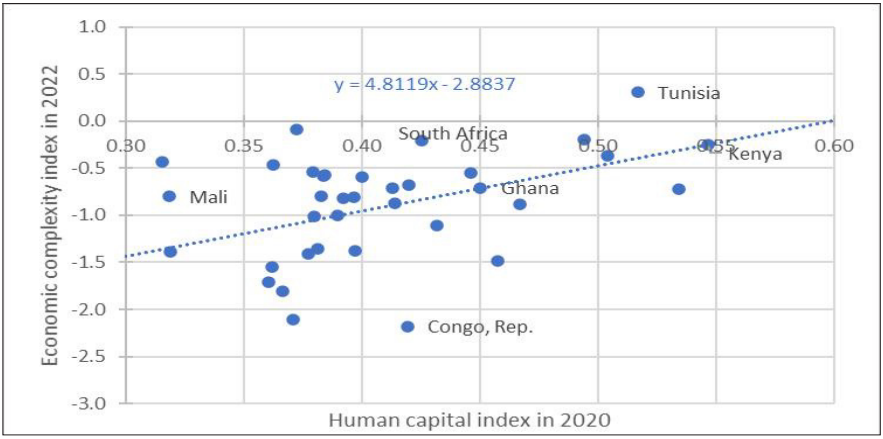
Source: Calculations based on data from UNESCO Institute of Statistics.

African countries must enhance their human capital to boost their economic complexity and effectively undergo structural transformation. Economic complexity is determined by the accumulation of productive knowledge that arises from the diversity of capabilities within a society and their interactions. Improving the quantity and quality of human capital is essential to increase economic complexity. This is particularly evident in African countries, where there is a strong positive correlation between the Human Capital Index in 2020 and the Economic Complexity Index in 2022 (Figure 56).

African economies should improve science and technology training to attract youth. Despite the critical importance of science and technology in driving innovation and sustainable growth, African universities tend to enroll many students in humanities and social sciences programs, which overshadows enrollment in science, engineering, and technology programs. From 2020 to 2022, approximately 23.08% of graduates from tertiary education were from science, technology, engineering, and mathematics (STEM) programs, which is lower than in other regions, except for South America. This trend can be linked to rent-seeking behavior in environments with low institutional quality, causing students to pursue programs that offer better financial returns, such as law, business, and social sciences, rather than STEM disciplines.[1]

Low STEM enrollment rates lead to poor research output, impacting innovation and training programs, especially for trainers. Between 2020 and 2022, the number of full-time equivalent (FTE) researchers per million inhabitants in Africa stood at 414, slightly fewer than in South America (446). The numbers of FTE researchers per million inhabitants are much higher in Asia (2,131), Europe (4,176), and North America (5,163). This deficit in research activity across Africa is further underscored by the region's gross domestic expenditure on research and development, which averaged only 0.60% of GDP from 2020 to 2022. Although this percentage surpasses that of South America (0.24%), it remains substantially lower than that of developed countries (Table 10). Consequently, African economies must foster research endeavors to enhance training quality and knowledge generation, particularly within science and technology.

Figure 56: Human Capital Index and Economic Complexity Index, 2020–2022



Source: Calculations based on data from World Bank's Human Capital Index 2020 (World Bank 2020) and the Economic Complexity Index from https://atlas.hks.harvard.edu/rankings.

[1] Ebeke, Omgba, and Laajaj (2015) provide empirical evidence on this relationship.

Table 10: Graduates from STEM Programs and Research and Development, 2020–2022

Region	Percentage of graduates from STEM	Researchers per million inhabitants (FTE)	GERD as a Percentage of GDP
Africa	23.08	414	0.60
Asia	24.25	2131	1.10
Europe	26.59	4176	1.59
North America	25.34	5163	2.34
South America	18.42	446	0.24

Source: Calculations are based on data from the UNESCO Institute of Statistics. Note: Science, technology, engineering, and mathematics (STEM) programs encompass (1) natural sciences, mathematics, and statistics; (2) information and communication technologies, and (3) engineering, manufacturing, and construction. Data are averaged over the period 2020–2022. FTE: full-time equivalent ; GERD: gross domestic expenditure on research and development.

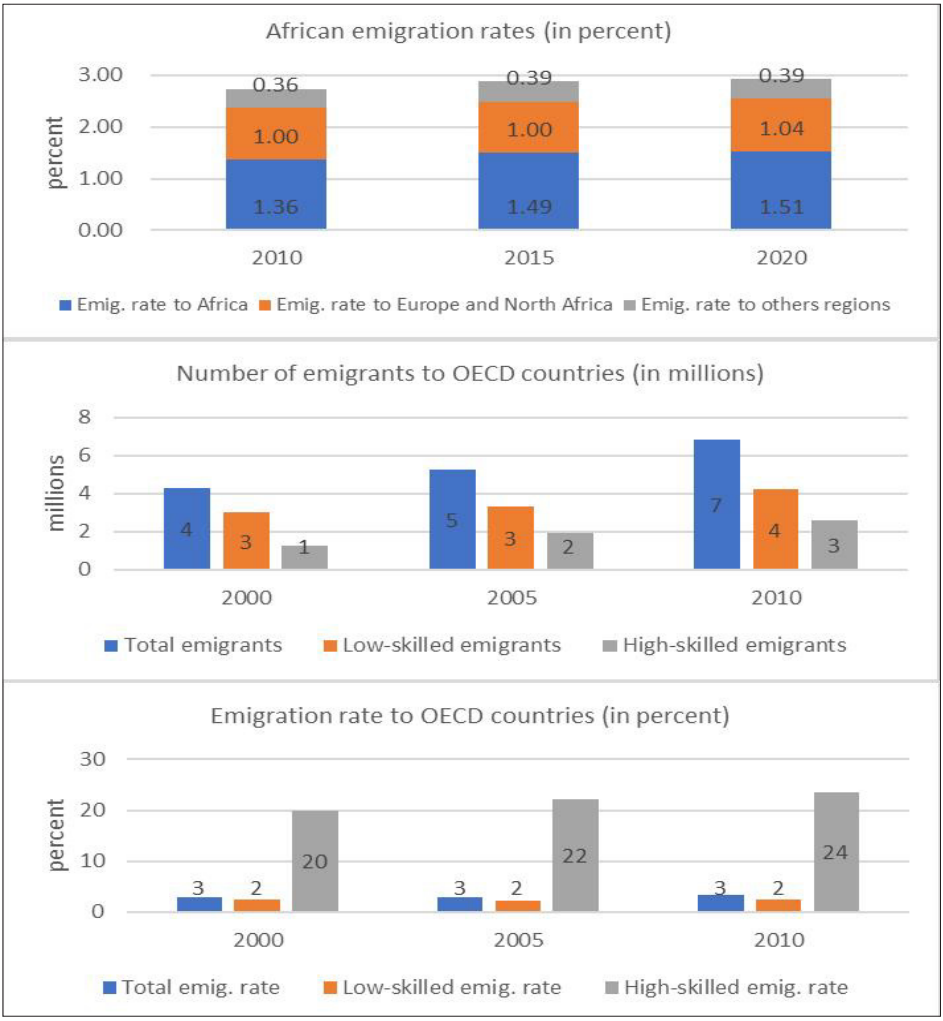
3. Opportunities Offered by the Diaspora

A significant issue related to human capital accumulation in Africa is the emigration of working-age individuals to OECD countries, particularly the high-skill emigration known as brain drain. Education and skills play a major role in economic development; brain drain poses a notable challenge to the growth of African economies. Although Africa has a high rate of intra-continental migration, the intensity of high-skill emigration to developed countries in Europe and North America has been rising over recent decades. The overall emigration rate, calculated as the stock of all emigrants as a percentage of the total native population in the country of origin, increased in Africa from 2.72% in 2010 to 2.94% in 2020 (Figure 57). In 2020, the emigration rate within the continent was 1.51%, compared with 1.04% for emigration to Europe and North America. That year, intra-continental emigration accounted for approximately 52% of total emigration, while emigration to Europe and North America represented about 35%.

Analyzing data solely at the aggregate level masks the intensity and implications of high-skill emigration from Africa. To better understand the loss of labor market potential experienced by the origin countries, assessing emigration rates by skill level is crucial (Brücker et al., 2013). This measure considers the number of skilled emigrants as a share of the native population in the country of origin who have the same skills. Based on this approach, the rate of high-skill emigration rose from 20% in 2000 to 24% in 2010, the last year with available data. This means that, in 2010, 24% of highly skilled Africans resided in OECD countries. Given the skill-selective migration policies in developed countries, the current high-skilled emigration rate from Africa is likely even higher.

Despite the detrimental direct effects of depriving home countries of talent, emigration yields positive indirect effects on the economies of the origin countries. The primary channels for these positive effects include migrant remittances, which serve as a source of financing, skills acquired by returning migrants, and knowledge transfer from the diaspora. Remittances significantly finance investments and education for migrants' families in their home countries. In many African countries, remittances constitute a substantial portion of GDP. For example, in 2023, remittances represented about 22% of GDP in Gambia, 19% in Liberia, and 10% in Senegal.

Figure 57: Emigration from Africa to OECD Countries, 2000–2010



Source: Data calculations are derived from the United Nations population statistics databases (UN 2020; UN 2024) and the Institute for Employment Research (Institut für Arbeitsmarkt und Berufsforschung) (Brücker, Capuano, and Marfouk 2013). Note: The "total emigration rate" is the percentage of all emigrants relative to the native population in the country of origin. The "low-skilled emigration rate" refers to emigrants with less than tertiary education as a percentage of the native population with the same educational level. The "high-skilled emigration rate" is the percentage of emigrants with tertiary education relative to the native population with tertiary education.

V. Poverty-reducing Power of Growth and Inequality-Growth Nexus

Despite experiencing consistent economic growth over recent decades, Africa still has the highest poverty rates in the world and a relatively slow rate of poverty reduction. The region is among the most inequitable globally. African countries face multiple challenges in improving the effectiveness of growth to reduce poverty and inequality.

1. Poverty-Reducing Power of Growth

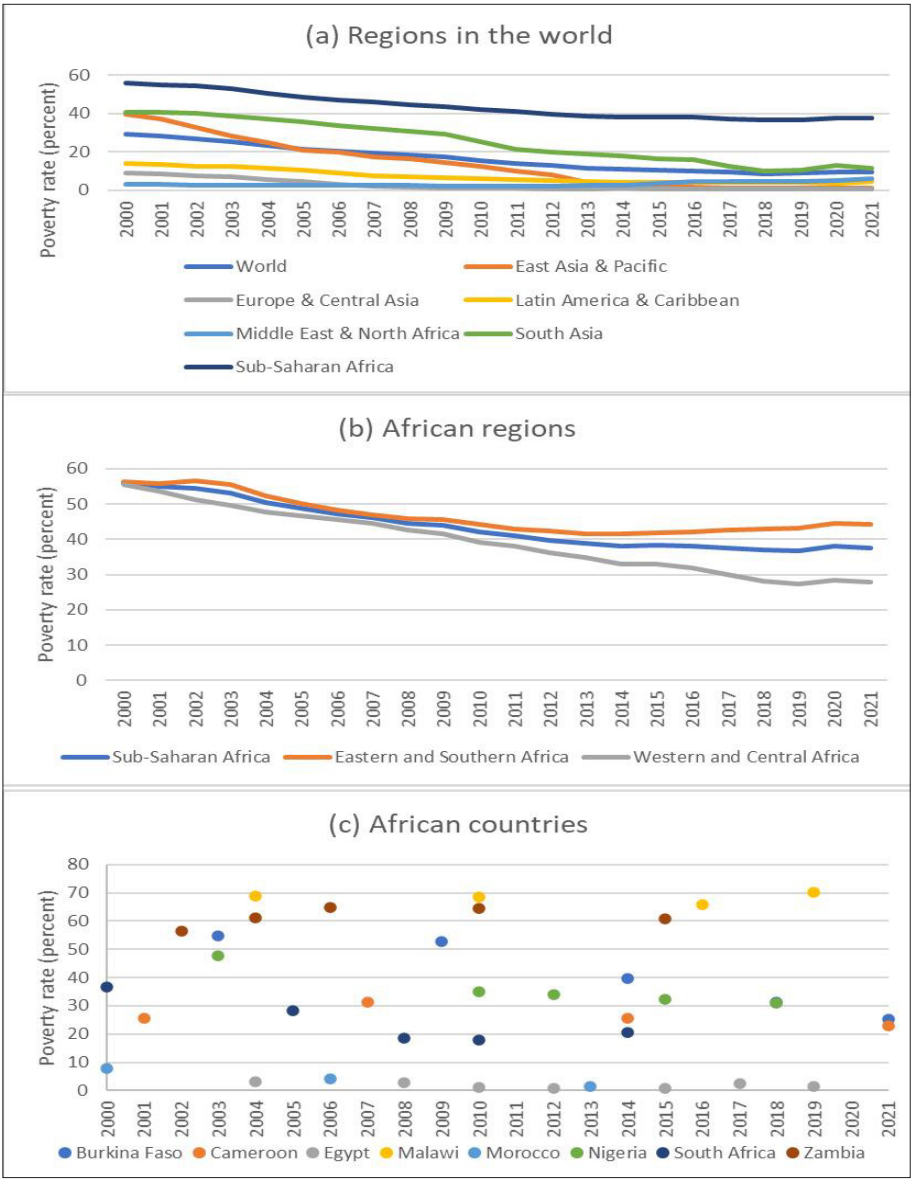
The global poverty rate, defined as the percentage of the population living on less than US$2.15 a day (based on 2017 purchasing power parity), has significantly decreased from 29% in 2000 to approximately 9% in 2022. This drop represents a reduction of 20 percentage points (see Figure 58, panel a). The decline is attributed to regions outside of Africa, particularly Eastern Asia and the Pacific. The poverty rate in Eastern Asia and the Pacific fell dramatically over the past few decades, decreasing from 40% in 2000 to less than 2% by 2016.

In contrast, sub-Saharan African economies experienced a more moderate reduction in poverty, with a decline of 18 percentage points, a drop from 55% in 2000 to 38% in 2021. However, there is significant variability in poverty reduction across sub-Saharan Africa countries (Figure 58, panel b and Figure 58, panel c). Western and Central African economies recorded the largest decline, with their poverty rates falling by 28 percentage points, from 55% in 2000 to 27% in 2022. The poverty rate in Eastern and Southern Africa was the same as in Western and Central Africa in 2000 (55%) and only slightly decreased to 44% in 2021. Countries such as Malawi and Zambia continue to have some of the highest poverty rates in the world. Their elevated poverty levels are largely due to a high percentage of their population living in rural areas without basic infrastructure and their reliance on rain-fed agriculture. Conversely, Burkina Faso achieved a notable reduction in poverty, with a decline of about 30 percentage points from 55% in 2003 to 25% in 2021, thanks to economic and social policies implemented since the 1990s.

Compared with sub-Saharan Africa countries, Northern African countries have demonstrated relatively better performance in poverty reduction since the early 2000s. For example, Egypt's poverty rate dropped from 3% in 2000 to less than 2% in 2019; Morocco's rate fell from 8% in 2000 to below 2% in 2013. Over the past two decades, African countries have exhibited a relatively low growth elasticity of poverty (GEP). An empirical investigation of 35 African countries from 2000 to 2021 indicates that, on average, a one percentage point increase in GDP per capita results in only about a one percentage point (1.10 at best) decrease in the poverty rate in Africa (Table 12 in Appendix 4). This elasticity is at least half what other regions observe (Bergstrom, 2022).

Several factors contribute to the low GEP in sub-Saharan Africa. One primary factor driving Africa's economic challenges is the high level of income inequality, which weakens the link between economic growth and poverty reduction. In environments with significant income inequality, an increase in GDP tends to have a smaller impact on household consumption expenditures, limiting the potential for poverty alleviation. The limited access to essential public infrastructure and services further hampers Africa's GEP. Many rural areas in African countries lack adequate public services such as education and healthcare and face high costs to access essential infrastructure, including electricity, sanitation, and drinking water. As a result, rural populations do not fully benefit from increases in national output. Moreover, Africa's low GEP is partly due to its heavy reliance on natural resources. In resource-dependent countries with weak institutional frameworks, rent-seeking behavior undermines the relationship between economic growth and household consumption.

Figure 58: Poverty Rate, 2000–2019



Source: World Bank Poverty and Inequality Platform: www.pip.worldbank.org.

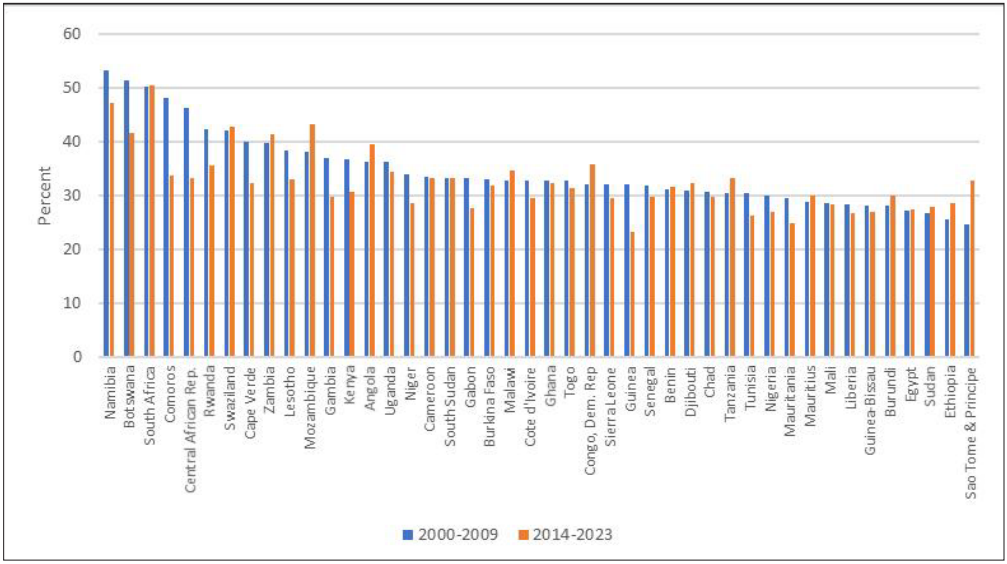
2. Inequality-Growth Nexus

Africa's high levels of poverty are attributed to the unequal distribution of wealth. As previously stated, initial inequality significantly influences the GEP. Notably, reducing inequality today not only alleviates poverty in the present, but also fosters future poverty reduction. Many African countries demonstrate considerable inequalities. For instance, Namibia was the most unequal country in the 2000s, with the top 10% of the wealthiest citizens controlling approximately 53% of total consumption (Figure 59). Over the past decade, this figure has decreased to 47%. During that time, Botswana ranked as the second-most unequal country, with the top 10% holding 51% of consumption, which has declined by 10 percentage points to 41% between 2014 and 2023. The most significant decreases in inequality were recorded in Comoros, which experienced a 14-percentage-point reduction, and the Central African Republic, which saw a 13-percentage-point drop. Over the last 20 years, South Africa has maintained a consistently high level of inequality, with the top 10% of earners capturing 50% to 51% of total consumption. In the 2000s, São Tomé and Principe had the lowest levels of inequality among countries with available data, with only 25% of consumption held by the top 10%. However, in the last decade, inequality has risen in São Tomé and Principe, with the top 10% now accounting for 33% of consumption.

Other African countries, such as Mozambique (which saw an 8-percentage-point increase in consumption share) and the Democratic Republic of Congo (which experienced a 4-percentage-point increase), have confronted rising inequality over the past two decades.

The pattern of inequality in Africa over the past two decades has not aligned with the predictions of the Kuznets curve. According to this theory, inequality tends to rise during the early stages of development as investment opportunities increase for those with physical capital. Eventually, when a country reaches a certain level of development, growth becomes driven by human capital, which should reduce inequality. However, the relationship between real GDP per capita and the share of consumption held by the wealthiest 10% of African economies shows a weak U-shape (Figure 60), contradicting the Kuznets hypothesis. This weak U-shaped relationship indicates that economic performance in Africa has not been matched by implementation of inclusive policies. It underscores the poorest individuals' limited access to the public infrastructure and services that are crucial for enhancing the growth's poverty-reducing potential. The relationship between inequality and growth is bidirectional: inequality, in turn, influences economic growth (Barro, 2000). With credit constraints, affluent households take advantage of investment opportunities. A more equitable distribution of

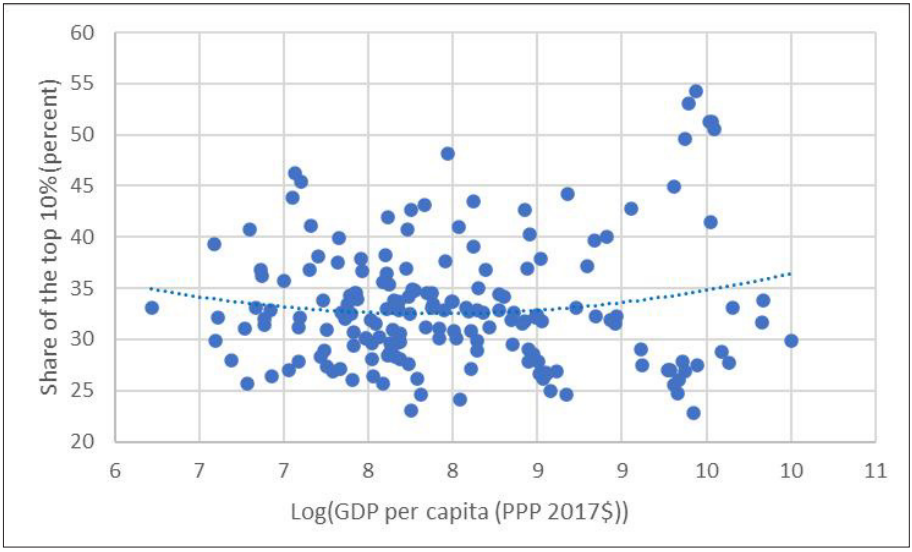
Figure 59: Share of Consumption Held by the Top 10% Richest, 2000–2023



Source: Calculations are based on data from World Bank Poverty and Inequality Platform (version 20240627_2017_01_02_PROD): www.pip.worldbank.org (World Bank 2025).

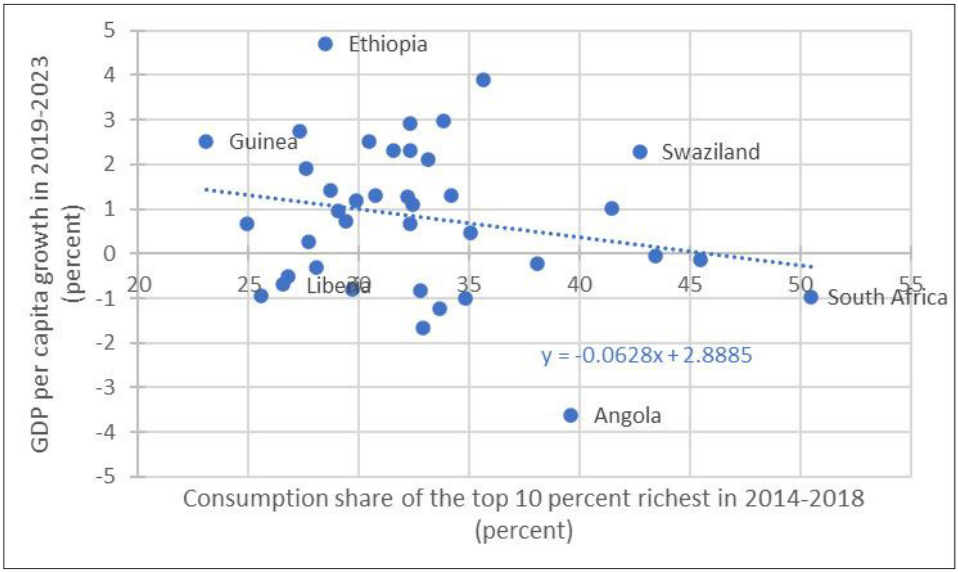
income and assets enhances investment productivity. Reducing inequality generally promotes economic growth. This idea is supported by empirical research conducted on African countries from 2014 to 2023, which shows that a one percentage point decrease in the consumption share of the wealthiest 10% between 2014 and 2018 was associated with a 0.06 percentage point increase in the annual growth rate of real GDP per capita from 2019 to 2023 (Figure 61).

Figure 60: Consumption Share Held by the Top 10% Richest Versus Real GDP per Capita, 2000–2023



Source: Computations are based on data from the World Bank World Development Indicators (WDI) and the Poverty and Inequality Platform (version 20240627_2017_01_02_PROD): www.pip.worldbank.org (World Bank 2025).

Figure 61: Real GDP per Capita Growth Versus Consumption Share Held by the Top 10% Richest, 2014–2023



Source: Computations are based on data from the World Bank World Development Indicators (WDI) and the Poverty and Inequality Platform (version 20240627_2017_01_02_PROD): www.pip.worldbank.org (World Bank 2025).

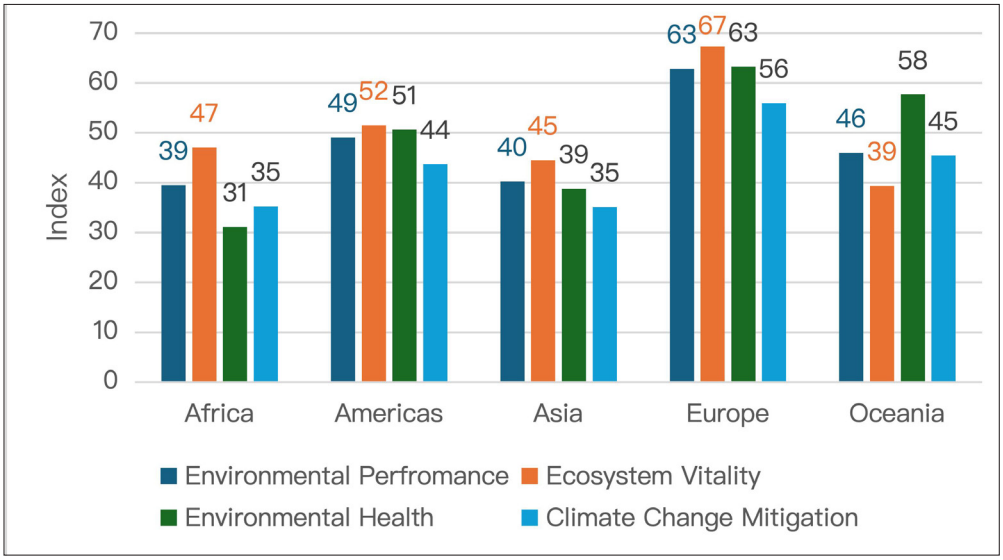
VI. Green Growth and Climate-related Shocks

1. Green Growth

Africa should promote green growth initiatives while leveraging its rich natural resources to drive sustainable economic development. According to the 2024 Environmental Performance Index (EPI), the continent lags in environmental performance (Figure 62). The EPI consists of three components (Wendling et al., 2024): (1) an ecosystem vitality index (ECO) that evaluates how effectively countries preserve, protect, and enhance ecosystems and the services they provide; (2) an environmental health index (HLT) that assesses how well countries protect their populations from environmental health risks; and (3) a climate change index (PCC) that indicates how effectively countries implement climate change mitigation policies. The overall EPI is computed as a weighted average of ECO, HLT, and PCC, with respective weights of 45%, 20%, and 35%. The indices (EPI, ECO, HLT, and PCC) are normalized on a scale of 0 to 100, with 100 representing "perfect performance". Previously, the overall EPI was calculated as a weighted average of HLT and ECO only, with HLT weighted at 40% and ECO at 60%.

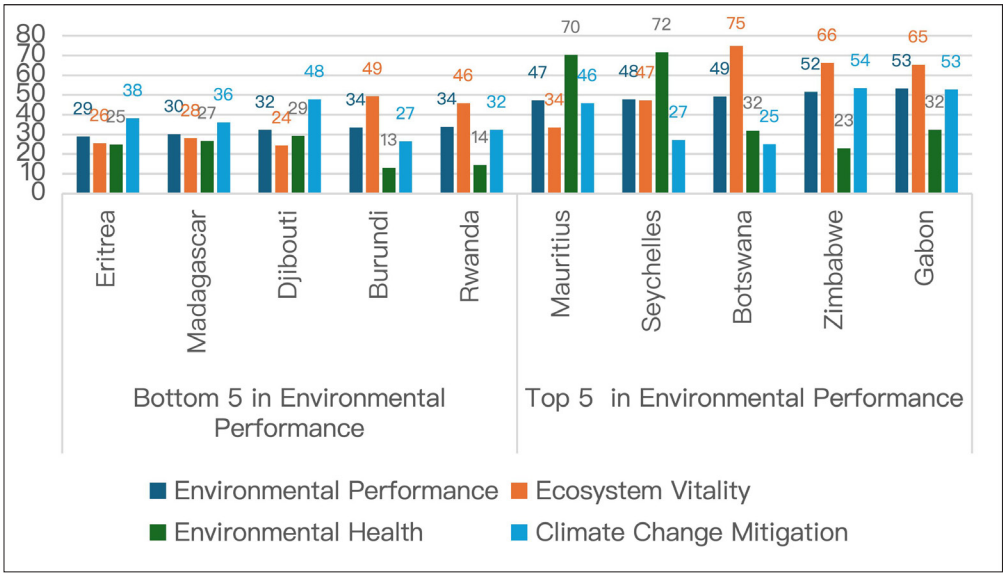
According to the 2024 EPI report, among regions, Africa has the lowest environmental performance score of 39, closely followed by Asia, with a score of 40. This poor performance is due to its environmental health score, which is only 31. In contrast, Europe boasts the highest EPI score, achieving top results in all three dimensions (ECO, HLT, and PCC). The five lowest-scoring African countries are Eritrea (29), Madagascar (30), Djibouti (32), Burundi (34), and Rwanda (34). The five highest-scoring are Mauritius (47), Seychelles (48), Botswana (49), Zimbabwe (52), and Gabon (53) (Figure 63). This ranking is attributed to differing ecosystem vitality and environmental health performances.

Figure 62: Environmental Performance by Region, 2024



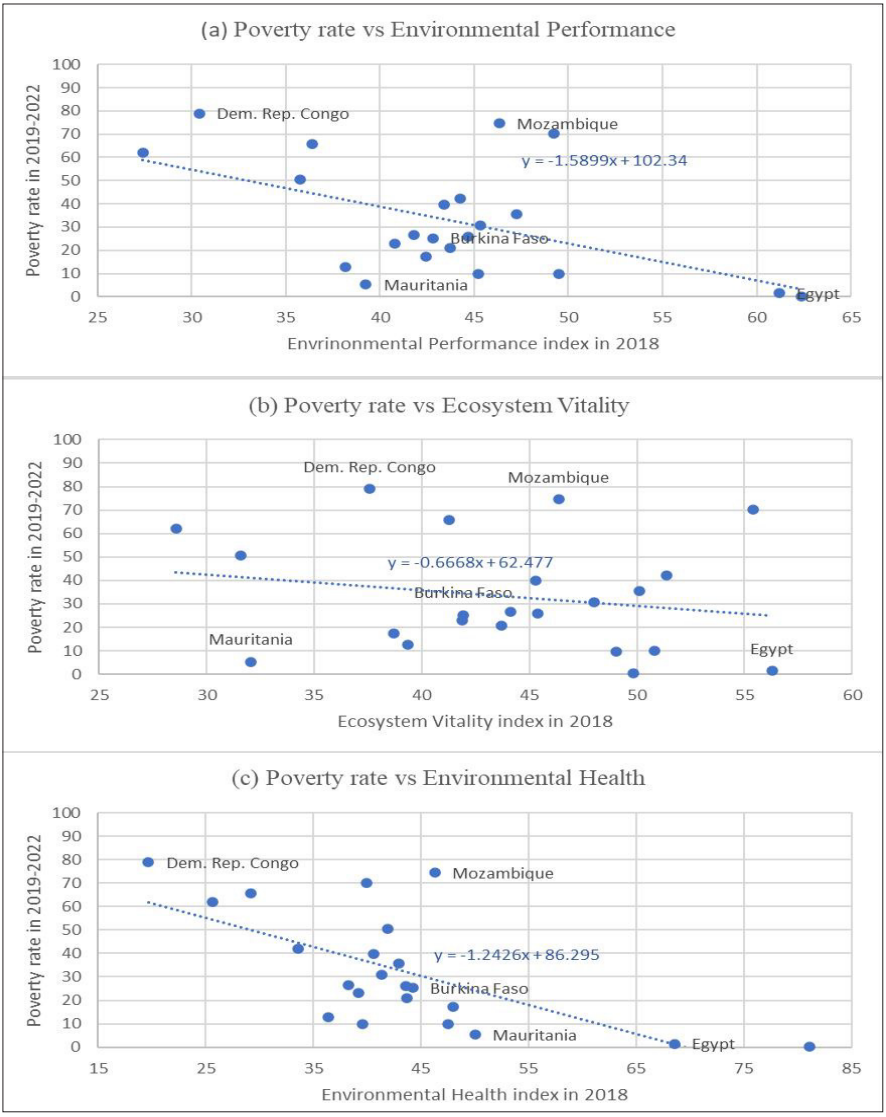
Source: Calculations are based on data from Yale University: https://epi.yale.edu (Wendling et al. 2024).

Figure 63: Environmental Performance in Africa, Bottom Five and Top Five, 2024



Source: Data are from Yale University: https://epi.yale.edu (Wendling et al. 2024).

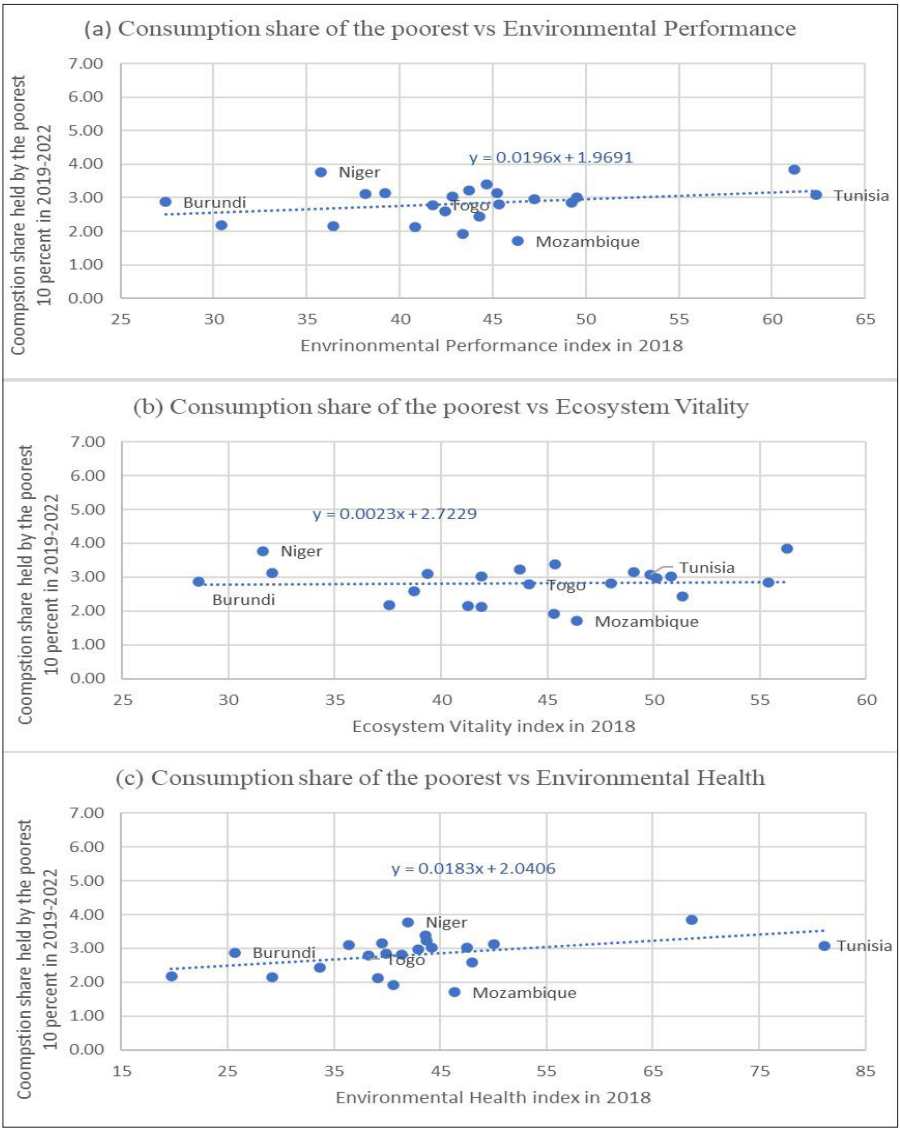
Figure 64: Poverty Rate versus Environmental Performance



Source: Computations are based on World Bank World Development Indicators (WDI) and the Poverty and Inequality Platform (version 20240627_2017_01_02_PROD): www.pip.worldbank.org (World Bank 2025) and from Yale University: https://epi.yale.edu (Wendling et al. 2024).
Note: The climate change index is not reflected in the computations because it did not exist in the 2018 EPI report.

[2] The climate change index is not reflected in Figure 64 and Figure 65 because it did not exist in the 2018 EPI report.

Figure 65: Consumption Share of the Poorest Versus Environmental Performance, 2018–2022



Source: Computations are based on World Bank World Development Indicators (WDI) and the Poverty and Inequality Platform (version 20240627_2017_01_02_PROD): www.pip.worldbank.org (World Bank 2025) and from Yale University: https://epi.yale.edu (Wendling et al. 2024).
Note: The climate change index is not reflected in the computations because it did not exist in the 2018 EPI report.

Promoting green growth through environmental preservation is essential for fostering inclusive development across Africa. Enhanced environmental performance, particularly concerning public health, is correlated with declines in poverty and the reduction of inequality among African countries (Figure 64 and Figure 65).[2]

The ramifications of environmental degradation disproportionately impact vulnerable populations, highlighting the need for targeted policies. Empirical data indicate that a one-unit increase in the EPI score is linked to a decrease of approximately 1.59 percentage points in the poverty rate and a marginal increase of about 0.02 percentage points in the consumption share of the lowest decile.

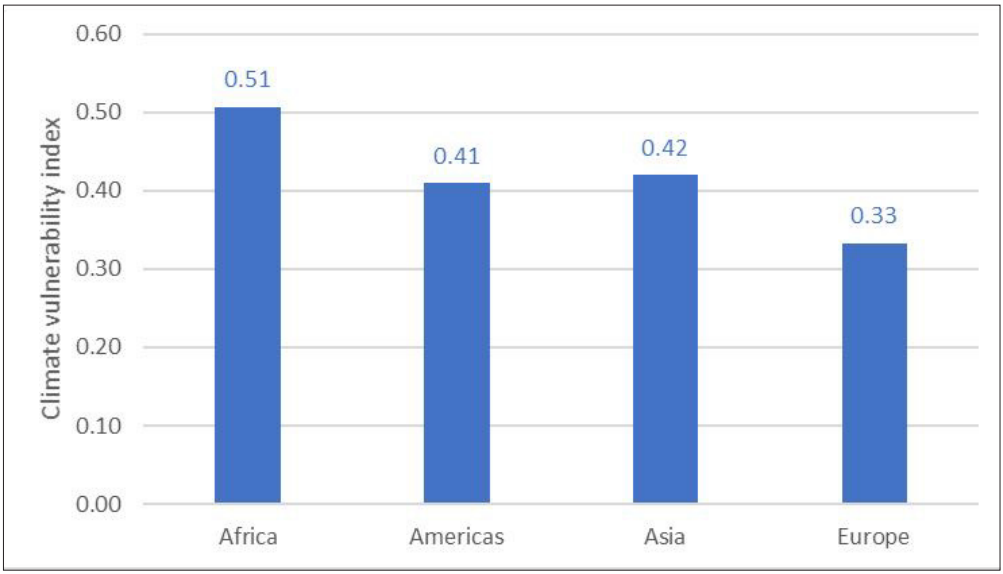
2. Climate-Related Shocks

Climate-related factors, such as droughts, floods, heat waves, and tropical storms, are significant sources of vulnerability in African economies, which are highly reliant on rain-fed agriculture and have limited capacity to cope with and adapt to climate events. This vulnerability is evident from the climate vulnerability index developed by the Notre Dame-Global Adaptation Initiative (ND-GAIN) (Figure 66). The ND-GAIN vulnerability index captures a country's exposure, sensitivity, and ability to adapt to the negative impacts of climate change. It assesses vulnerability across six life-supporting sectors: food, water, health, ecosystem services, human habitat, and infrastructure. The index ranges from 0 to 1, with 1 representing the highest vulnerability.

In 2022, Africa registered a vulnerability score of 0.51, significantly higher than the scores of 0.42 for Asia, 0.41 for the Americas, and 0.33 for Europe. Chad (0.65) and Niger (0.63) emerged as the most vulnerable countries, reflecting their substantial exposure and limited adaptability to climate shocks (Figure 67). In contrast, the Northern African countries of Algeria (0.36), Morocco (0.37), and Tunisia (0.38) the least vulnerable, reflecting their geographic advantages and relatively better adaptive capacities.

African countries must enhance their adaptive capacity in response to increasingly frequent extreme weather events driven by climate change. Research indicates a negative correlation between income per capita and historical climate vulnerability (Figure 68). Among African economies, a reduction in vulnerability by 0.1 units in 2015 corresponded with a projected increase in annual average real GDP per capita of 0.9% (2017 PPPUS$) for the period 2020–2024.

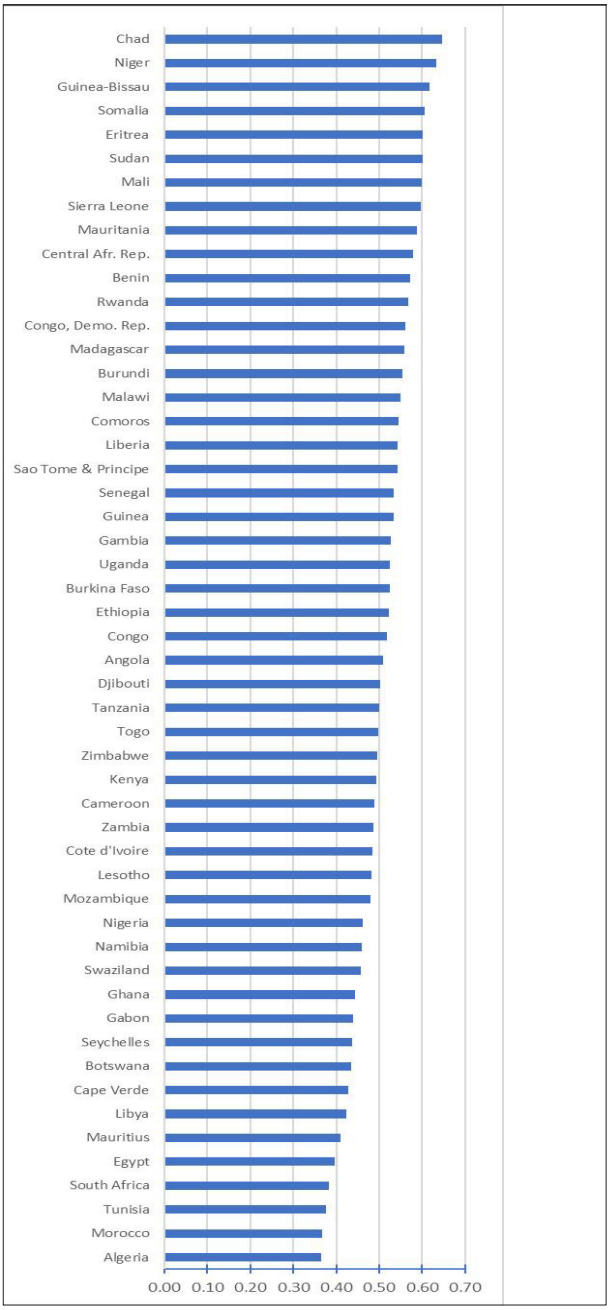
Figure 66: Climate Vulnerability by Regions, 2022



Source: Computations are based on data from the International Monetary Fund's World Economic Outlook and the Notre Dame-Global Adaptation Index (ND-GAIN).

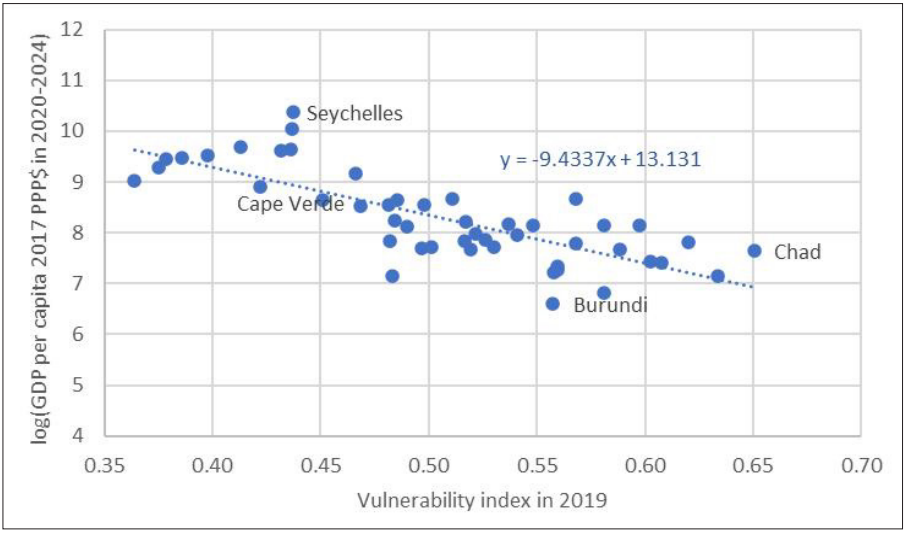
[2] The index of climate change mitigation is not on in Figure 64 and Figure 65 because it did not exist in the 2018 EPI report.

Figure 67: Climate Vulnerability Index of African Countries, 2022



Source: Computations are based on data from the International Monetary Fund's World Economic Outlook and the Notre Dame-Global Adaptation Index (ND-GAIN).

Figure 68: Real GDP per Capita Versus Climate Vulnerability



Source: Computations are based on data from the International Monetary Fund's World Economic Outlook for October 2024 and the Notre Dame-Global Adaptation Index (ND-GAIN).

VII. Conclusion

African countries are striving for inclusive and sustainable economic growth amid global uncertainties. Their economies, characterized by volatile expansion reliant on commodity exports, are vulnerable to external shocks. This reality highlights the need for diversification and structural reforms to enhance resilience. Furthermore, rising public debt raises concerns about fiscal sustainability, emphasizing the importance of growth-oriented public expenditure. Studies suggest that while public debt minimizes economic growth, it compresses the interest rate-growth differential and leads to external imbalances. Additionally, economic growth is accompanied by sluggish social indicators, revealing uneven development across populations and significant deficiencies in human capital, particularly in health and education. There is a notable link between the advancement of human capital and economic complexity, which is hindered by low enrollment in science and technology fields. Despite recent growth, poverty remains common, indicating that economic advancements have not translated into improved social outcomes. High inequality and limited access to public services contribute to a low GEP, challenging the expectations set by the Kuznets curve. Furthermore, Africa faces environmental degradation and climate vulnerabilities, ranking low in various performance metrics and possessing the highest climate vulnerability index. An urgent need is to enhance adaptive capacities to address climate-related challenges and improve overall conditions.

African countries must confront the previously outlined challenges and focus on the following strategic recommendations to facilitate a shift to more inclusive and sustainable growth trajectories.

- Accelerate structural transformation to achieve a more diversified economy, thereby strengthening macroeconomic resilience. A significant factor in African countries' economic instability is their heavy dependence on export of natural resources. To improve resilience, these countries must accelerate structural transformation and reduce reliance on commodity exports. This effort involves reallocating resources to produce goods similar to those already made domestically. Energy and transport infrastructure improvements and advancements in science and technology education are key to this shift. Additionally, promoting the agricultural sector and developing agro-industries for local product processing are essential for economic diversification and stability.
- Ensure sovereign debt sustainability by prioritizing growth-oriented investment projects. African countries must enhance public spending efficiency to ensure sovereign debt sustainability. This effort

involves prioritizing investments in productive projects, particularly infrastructure, to diversify their economies and decrease reliance on commodity exports. Such strategies foster long-term growth, mitigate risks related to interest rates, and help address external imbalances in African economies.

- Improve healthcare to boost economic performance. Despite economic progress in many African countries, health outcomes remain inadequate. Improving public health is crucial for sustainable economic development because it enhances labor productivity and job creation. To strengthen healthcare infrastructure, African countries must allocate more resources to health services and invest in transportation and energy. Additionally, fostering public-private partnerships improves access to quality health services and addresses resource limitations in healthcare.
- Promote skills development and the effective allocation of talent. African economies must align skills development with market needs to capitalize on the demographic window of opportunity. Enhancing training in science and technology is key to attracting youth and increasing economic complexity for new goods production.
- Enhance growth to more effectively reduce poverty and combat inequality. To enhance growth's impact on poverty reduction, African countries should improve basic public infrastructure and services while reducing reliance on natural resources through structural transformation. Fostering the manufacturing sector and local commodities processing creates labor-intensive jobs. Lowering inequality is crucial, so addressing disparities should be part of sustainable development goals. Equitable access to education, healthcare, energy, transport, financial services, and targeted safety-net programs are essential for supporting the most vulnerable populations.
- Achieve sustainable growth and effectively manage climate-related impacts. African policy frameworks for environmental protection should be strengthened without placing excessive financial burdens on low-income households. These initiatives must create job opportunities for disadvantaged communities while promoting environmental sustainability and socioeconomic equity. Green growth should align with policies addressing climate change adaptation and mitigation to support sustainable economic development. African countries must integrate climate considerations into infrastructure planning and enhance disaster preparedness through improved surveillance systems and an expanded network of early warning centers.

Appendix 1: The Interest Rate–Growth Differential $r - g$ and Sovereign Debt Sustainability

The motion of sovereign debt as a share of GDP is described by:

$$\begin{aligned} d_t - d_{t-1} &= \frac{r_t - g_t}{1 + g_t} d_{t-1} - pb_t + sfa_t \\ &= \frac{i_t - ng_t}{1 + g_t} d_{t-1} - pb_t + sfa_t \\ &= \frac{i_t - \pi_t - g_t}{1 + g_t} d_{t-1} - pb_t + sfa_t \end{aligned}$$

where d_t is the debt–to–GDP ratio; r_t (i_t) is the implicit real (nominal) interest rate on debt with $r_t \cong i_t - \pi_t$ and π_t denoting the inflation rate; g_t (ng_t) is the growth rate of real (nominal) GDP, pb_t is the primary balance–to–GDP ratio reflecting fiscal policy and sfa_t is the stock–flow adjustment that captures valuation effects (such as the effect of exchange rate variation on foreign–denominated debt) and "below–the–line" fiscal–financial operations (such as privatization receipts and accumulation/depletion of government deposits).

The interest rate–growth differential $r - g = i - gn$ is a key factor for debt sustainability. Indeed, a negative $r - g$ differential creates a favorable snowball effect supporting debt sustainability, while a positive differential generates an unfavorable snowball effect that hinders debt sustainability.

Appendix 2: Impact of Sovereign Debt on the Interest Rate–Growth Differential

Following Lian et al. (2020), we consider the following regression model over the period 2000–2022:

$$(r-g)_{it} = \alpha + \beta \Delta d_{it-1} + \mu_i + \tau_t + \varepsilon_{it}$$

where $(r-g)_{it}$ is the interest rate–growth differential, d_{it-1} is the past debt–to–GDP ratio, $\Delta d_{it-1} = d_{it-1} - d_{it-2}$ is the past change in the debt–to–GDP ratio, μ_i stands for country–fixed effect, τ_t represents period–fixed effect and ε_{it} is the error. To remove cyclical fluctuations, we consider 5–year overlapping averages (using non–overlapping averages reduces the efficiency of estimations, given the time dimension of our sample). $(r-g)_{it}$ is the average interest rate–growth differential of the country i for the years $t-4, t-3, t-2, t-1$ and t; Δd_{it-1} is the average change of the debt–to–GDP ratio for the years $t-5, t-4, t-3, t-2$ and $t-1$.

Table 11: Impact of Public Debt on the Interest Rate-Growth Differential

Dependent variable: Interest rate-growth differential				
	(1)	(2)	(3)	(4)
Δ (Public debt/GDP)$_{t-1}$	0.288***	0.303***	0.191***	0.170***
	(0.093)	(0.065)	(0.071)	(0.050)
Constant	-6.860***	-5.758***	-10.413***	-9.476***
	(0.492)	(1.168)	(1.451)	(1.546)
Observations	767	767	767	767
R-squared	0.139	0.610	0.202	0.674
Country fixed effects	No	Yes	No	Yes
Time fixed effects	No	No	Yes	Yes
Number of countries	47	47	47	47

Sources: Estimations are based on data from International Monetary Fund's World Economic Outlook for October 2024 and Afreximbank Research.
Note: Robust standard errors in parenthesis are Newey-Western heteroscedasticity and autocorrelation-consistent standard errors. ***, **, and * denote significance at the 1%, 5%, and 10% levels, respectively.

Appendix 3: Dynamic Impact of Fiscal Consolidation on External Imbalances

To evaluate the impact of fiscal consolidation on the current account balance, we use the local projection method (LP) developed by Jordà (2005). Our data sample includes 42 African countries (selected based on data availability) over the period 2000–2023. For each horizon $h = 0,1,2,\ldots,5$, the model is as follows:

$$ca_{it+h} - ca_{it-1} = \alpha^h cafd_{it} + \sum_{k=1}^{K} \beta_k^h x_{k,it} + \mu_i + \tau_t + \varepsilon_{it}$$

where ca is the current account balance as a share of GDP, cafd is the cyclically adjusted fiscal deficit as a share of the potential GDP; x_k are control variables, including the first lag of the dependent variable, the first lag, and the lead of cab to correct for bias introduced by overlapping forecast horizons (Teulings and Zubanov, 2014); μ_i and τ_t are respectively country–fixed and year–fixed effects. The cyclically adjusted deficit as a share of the potential GDP ensures the homogeneity of fiscal shock; realized fiscal deficit is cyclically sensitive. Data are collected from the IMF World Economic Outlook (October 2024) and Kose et al. (2022).

Appendix 4: Growth Elasticity of Poverty (GEP)

To estimate the GEP in Africa over the period 2000–2022, we consider the following regression, as in Wu et al. (2024):

$$\Delta \log p_{it} = a + b\ \Delta \log y_{it} + u_i + \epsilon_{it}$$

where $\Delta \log p_{it}$ is the annualized log change in poverty rate (p_{it}) between period t and $t-1$ in country i; $\Delta \log y_{it}$ denotes the annualized log change in real GDP per capita expressed in 2017 Purchasing Power Parity (PPP); u_i stand for country–fixed effects. Following the literature on the GEP, we consider only data on comparable surveys for each country between 2000 and 2022.

Table 12: Growth Elasticity of Poverty

Dependent variable: Change in log (poverty rate)				
	(1)	(2)	(3)	(4)
Change in log (GDP per capita PPP)	-0.834***	-0.803***	-1.097***	-1.097***
	(0.249)	(0.250)	(0.341)	(0.341)
Constant	-0.001	-0.001	-0.058**	-0.058**
	(0.008)	(0.007)	(0.023)	(0.023)
Observations	77	75	77	75
R-squared	0.130	0.124	0.765	0.755
Country fixed effects	No	No	Yes	Yes
Only SSA countries	No	Yes	No	Yes

Sources: Estimations are based on data from the World Bank Poverty and Inequality Platform (version 20240627_2017_01_02_PROD): www.pip.worldbank.org (World Bank 2025). Notes: Robust standard errors are in parenthesis. ***, **, and * denote significance at the 1%, 5%, and 10% levels, respectively. PPP: purchasing power parity; SSA: sub-Saharan Africa.

Table 13: GDP Growth Rate, Percent Change

	Actuals			Estimate	Projections		
	2021	2022	2023	2024	2025	2026	2027
Africa	**4.7**	**4.3**	**3.3**	**3.4**	**4.0**	**4.1**	**4.2**
Northern Africa	**4.8**	**4.8**	**3.8**	**3.2**	**3.8**	**4.1**	**4.1**
Algeria	3.8	3.6	4.1	3.4	3.1	2.7	2.3
Egypt	3.3	6.7	3.8	3.0	4.1	4.9	5.0
Libya	28.3	-8.3	10.2	7.6	6.7	4.6	3.4
Morocco	8.2	1.5	3.4	3.0	3.7	3.5	3.3
Tunisia	4.7	2.7	0.0	1.9	2.1	1.9	1.8
Western Africa	**4.4**	**4.0**	**3.6**	**4.1**	**4.4**	**4.2**	**4.2**
Benin	7.2	6.3	6.4	6.1	6.0	6.0	6.0
Burkina Faso	6.9	1.8	3.1	4.4	4.4	4.3	4.3
Cabo Verde	7.0	17.4	5.1	4.7	5.0	4.6	4.4
Côte d'Ivoire	7.1	6.2	6.2	6.6	6.8	6.5	6.4
Ghana	5.1	3.8	2.9	3.4	4.4	4.8	5.3
Guinea	5.6	4.0	5.7	5.0	6.3	6.2	5.7
Guinea-Bissau	6.2	4.6	5.2	4.8	4.8	4.6	4.5
Liberia	5.0	4.8	4.6	5.2	6.1	5.8	5.5
Mali	3.1	3.5	4.4	3.9	4.2	4.4	4.6
Mauritania	0.7	6.8	6.5	5.2	5.5	5.0	4.7
Niger	1.4	11.9	2.4	9.5	6.6	5.9	6.1
Nigeria	3.6	3.3	2.9	3.1	3.4	3.3	3.1
Senegal	6.5	4.0	4.6	8.1	8.5	6.1	6.0
Sierra Leone	5.9	5.3	5.7	4.0	4.4	4.5	4.7
The Gambia	5.3	4.9	5.3	5.8	5.7	5.3	5.2
Togo	6.0	5.8	5.6	5.5	5.5	5.4	5.3
Central Africa	**3.1**	**5.1**	**4.4**	**3.9**	**4.2**	**3.9**	**4.1**
Cameroon	3.0	3.7	3.2	4.1	4.6	4.5	4.5
Central African Republic	1.0	0.5	0.7	2.0	2.8	2.6	2.8
Chad	-0.9	3.6	4.9	3.1	3.3	2.4	2.0
Democratic Republic of the Congo	5.9	8.8	8.4	5.5	6.0	5.5	5.7
Equatorial Guinea	0.9	3.7	-6.2	2.8	2.6	2.7	2.7
Gabon	1.5	3.0	2.4	4.0	4.1	3.9	3.6
Republic of Congo	1.1	1.8	2.0	-1.7	-3.0	-2.6	-0.4
São Tomé and Príncipe	1.9	0.2	0.4	2.4	3.2	3.5	3.3
Eastern Africa	**5.5**	**4.5**	**3.3**	**4.4**	**5.7**	**6.0**	**6.2**
Burundi	3.1	1.8	2.7	4.6	5.2	5.5	5.8
Comoros	2.0	2.6	3.0	3.5	3.9	4.1	4.1
Djibouti	4.5	3.9	7.0	5.7	5.7	5.2	4.9
Ethiopia	6.3	6.4	7.2	6.7	6.8	7.3	7.5
Kenya	7.6	4.9	5.6	5.0	5.3	5.4	5.5
Rwanda	10.9	8.2	8.2	7.1	7.2	7.2	6.9
Sudan	0.5	-2.5	-18.3	-11.2	0.5	2.8	3.5
Tanzania	4.8	4.7	5.1	5.6	6.0	6.0	6.1
Uganda	5.5	6.3	4.6	5.9	6.8	6.5	6.4
Southern Africa	**4.7**	**3.2**	**1.8**	**2.2**	**2.6**	**2.8**	**3.0**
Angola	2.1	4.2	1.0	3.0	3.1	3.2	3.4
Botswana	11.9	5.5	2.7	2.9	4.3	4.0	3.9
Eswatini	10.7	0.5	4.9	3.7	3.5	2.9	3.0
Lesotho	1.7	1.6	2.2	1.9	2.2	2.3	2.3
Madagascar	5.7	4.0	3.8	4.5	4.6	4.3	3.9
Malawi	4.6	0.9	1.5	2.5	3.4	3.8	3.8
Mauritius	3.4	8.9	7.0	4.9	4.6	3.6	3.3
Mozambique	2.4	4.4	5.4	4.9	5.4	4.8	7.9
Namibia	3.6	5.4	4.2	3.1	3.6	3.5	3.3
Seychelles	0.6	15.0	3.2	3.6	4.0	3.7	3.7
South Africa	5.0	1.9	0.7	1.1	1.6	1.9	2.0
Zambia	6.2	5.3	5.4	3.6	5.0	5.2	5.0
Zimbabwe	8.5	6.1	5.3	3.0	3.8	3.3	3.6

Source: Afreximbank Research 2024.

Table 14: Inflation Rate, Percent Change

	Actuals			Estimate	Projections		
	2021	2022	2023	2024	2025	2026	2027
Africa	**12.3**	**14.2**	**18.2**	**19.3**	**14.8**	**10.5**	**9.1**
Northern Africa	**4.8**	**8.4**	**17.8**	**18.5**	**13.6**	**8.4**	**7.2**
Algeria	7.2	9.3	9.3	6.0	5.7	5.9	6.2
Egypt	4.5	8.5	24.4	27.7	19.6	10.8	8.6
Libya	2.9	4.5	2.4	2.6	3.4	3.5	3.4
Morocco	1.4	6.6	6.1	1.6	2.3	2.1	2.1
Tunisia	5.7	8.3	9.3	7.4	7.2	6.9	7.3
Western Africa	**12.6**	**17.1**	**20.6**	**21.4**	**15.7**	**11.1**	**9.3**
Benin	1.7	1.4	2.8	2.4	1.6	1.9	1.8
Burkina Faso	3.9	14.1	0.7	2.3	2.0	2.0	2.0
Cabo Verde	1.9	7.9	3.7	1.9	1.9	1.8	1.8
Côte d'Ivoire	4.2	5.2	4.4	3.6	2.9	2.4	2.1
Ghana	10.0	31.9	39.2	23.1	14.5	9.5	8.5
Guinea	12.6	10.5	7.8	8.8	8.8	7.6	7.3
Guinea-Bissau	3.3	7.9	7.2	4.3	3.7	2.3	2.3
Liberia	7.8	7.6	10.1	8.7	7.4	5.1	4.9
Mali	3.8	9.7	2.1	2.5	2.1	2.0	2.0
Mauritania	3.6	9.6	4.9	3.5	4.0	4.0	4.0
Niger	3.8	4.2	3.7	4.2	3.1	2.6	2.0
Nigeria	17.0	18.8	24.7	29.8	22.3	15.8	13.1
Senegal	2.2	9.7	5.9	2.4	2.3	1.8	2.0
Sierra Leone	11.9	27.2	47.7	39.2	27.7	15.2	11.4
The Gambia	7.4	11.5	17.0	11.1	6.7	6.0	6.0
Togo	4.5	7.6	5.3	3.1	2.7	2.0	1.9
Central Africa	**3.9**	**6.7**	**10.5**	**8.4**	**4.6**	**4.3**	**4.1**
Cameroon	2.3	6.3	7.4	4.6	3.4	3.4	2.8
Central African Republic	4.3	5.6	3.0	4.1	3.3	3.6	3.3
Chad	-0.8	5.8	4.1	4.2	3.1	3.0	3.0
Democratic Republic of the Congo	9.0	9.3	19.9	16.4	7.6	6.5	6.5
Equatorial Guinea	-0.1	4.9	2.5	2.5	2.3	2.1	2.0
Gabon	1.1	4.3	3.6	3.9	2.6	2.6	2.6
Republic of Congo	2.0	3.0	4.3	3.1	2.3	2.7	2.6
São Tomé and Príncipe	8.1	18.0	21.2	13.0	7.7	6.0	6.0
Eastern Africa	**62.8**	**32.7**	**21.2**	**20.9**	**14.9**	**10.5**	**8.6**
Burundi	8.3	18.9	27.0	18.1	15.2	12.1	8.5
Comoros	0.0	12.4	8.5	2.1	1.8	1.8	1.8
Djibouti	1.2	5.2	1.4	2.6	2.2	2.7	2.9
Ethiopia	26.8	33.9	30.2	22.5	16.4	14.6	13.5
Kenya	6.1	7.6	7.7	5.6	5.3	5.8	5.6
Rwanda	0.8	13.9	14.0	3.8	5.2	4.9	4.9
Sudan	359.1	138.8	77.2	132.6	80.2	33.8	16.7
Tanzania	3.7	4.4	3.8	3.5	3.9	3.8	4.1
Uganda	2.2	7.2	5.4	4.0	4.9	4.6	4.8
Southern Africa	**13.9**	**19.0**	**38.9**	**20.1**	**18.8**	**15.7**	**14.7**
Angola	25.8	21.4	13.6	26.7	24.2	14.1	11.1
Botswana	6.7	12.2	5.1	4.4	4.4	4.2	4.1
Eswatini	3.7	4.8	4.9	4.9	4.8	3.8	3.9
Lesotho	6.0	8.3	6.3	6.6	6.0	5.2	5.1
Madagascar	5.8	8.2	9.9	7.1	6.8	6.2	5.9
Malawi	9.3	20.8	28.8	29.4	18.5	13.6	10.7
Mauritius	4.0	10.8	7.0	4.3	3.9	3.8	3.6
Mozambique	6.6	10.4	7.0	3.7	4.4	4.6	4.9
Namibia	3.6	6.1	5.9	4.8	4.5	4.5	4.6
Seychelles	9.8	2.6	-1.0	0.2	1.8	3.1	3.5
South Africa	4.6	6.9	5.9	5.6	5.3	4.5	4.5
Zambia	22.0	11.0	10.9	13.7	9.6	7.4	7.0
Zimbabwe	98.5	193.4	667.4	210.0	199.6	187.6	177.8

Source: Afreximbank Research 2024.

Table 15: Primary Balance, Percent of GDP

	Actuals			Estimate	Projections		
	2021	2022	2023	2024	2025	2026	2027
Africa	**-5.1**	**-4.5**	**-4.5**	**-5.8**	**-5.4**	**-4.7**	**-4.0**
Northern Africa	**-6.1**	**-4.4**	**-5.1**	**-9.0**	**-8.6**	**-7.2**	**-5.6**
Algeria	-6.3	-3.0	-5.2	-9.3	-8.6	-7.6	-7.2
Egypt	-7.0	-5.8	-5.8	-10.1	-10.1	-8.2	-5.6
Libya	14.8	23.6	8.2	-4.8	-2.1	-1.2	-0.3
Morocco	-6.0	-5.4	-4.4	-4.3	-3.8	-3.3	-3.2
Tunisia	-7.6	-6.9	-6.9	-5.9	-5.1	-5.4	-5.8
Western Africa	**-6.0**	**-6.3**	**-4.3**	**-4.5**	**-3.8**	**-3.5**	**-3.6**
Benin	-5.7	-5.6	-4.1	-3.7	-2.9	-2.9	-2.9
Burkina Faso	-7.5	-10.7	-6.9	-5.7	-4.7	-3.8	-3.0
Cabo Verde	-7.5	-4.1	-0.3	-2.9	-2.1	-1.2	-0.6
Côte d'Ivoire	-4.9	-6.8	-5.2	-4.0	-3.0	-3.0	-3.0
Ghana	-12.0	-11.8	-3.6	-4.7	-3.7	-3.1	-2.8
Guinea	-1.7	-0.9	-1.8	-3.0	-2.6	-2.6	-2.5
Guinea-Bissau	-5.9	-6.1	-8.2	-3.8	-3.0	-3.0	-3.0
Liberia	-2.5	-5.3	-7.1	-2.4	-3.5	-2.4	-1.9
Mali	-4.8	-5.0	-3.9	-3.6	-3.3	-3.0	-3.0
Mauritania	2.6	-3.1	-2.5	-1.2	-1.2	-1.3	-1.5
Niger	-6.1	-6.8	-5.4	-4.1	-3.0	-3.0	-3.0
Nigeria	-5.5	-5.4	-4.2	-4.6	-4.2	-4.0	-4.3
Senegal	-6.3	-6.6	-4.9	-7.5	-4.5	-3.0	-3.0
Sierra Leone	-4.3	-5.9	-5.0	-2.9	-3.6	-1.7	-0.9
The Gambia	-4.8	-4.9	-3.7	-2.7	-0.3	-0.3	-0.5
Togo	-4.7	-8.3	-6.7	-4.9	-3.0	-3.0	-3.0
Central Africa	**-1.6**	**1.2**	**-0.6**	**-0.9**	**-1.3**	**-1.6**	**-1.6**
Cameroon	-3.0	-1.1	-0.6	-0.5	-0.8	-1.1	-1.1
Central African Republic	-6.0	-5.3	-3.6	-3.1	-1.8	0.1	0.3
Chad	-1.5	4.2	-1.3	-0.7	-2.6	-3.1	-2.8
Democratic Republic of the Congo	-1.6	-0.5	-1.7	-2.0	-1.2	-1.1	-1.0
Equatorial Guinea	2.7	11.8	2.5	3.0	0.3	-0.9	-2.7
Gabon	-1.9	-0.9	-1.9	-3.9	-6.5	-7.2	-7.9
Republic of Congo	1.6	8.9	5.8	3.8	3.0	2.8	3.6
São Tomé and Príncipe	-1.5	-2.2	1.1	4.0	4.2	1.6	1.5
Eastern Africa	**-4.3**	**-4.6**	**-4.1**	**-3.5**	**-3.1**	**-2.8**	**-2.6**
Burundi	-5.3	-10.6	-8.4	-7.4	-3.6	-3.6	-3.3
Comoros	-2.8	-4.0	-1.3	-2.8	-2.5	-2.4	-1.5
Djibouti	-3.1	-1.4	-3.4	-4.5	-4.1	-3.6	-2.9
Ethiopia	-2.8	-4.2	-2.6	-1.7	-1.7	-2.1	-2.0
Kenya	-7.2	-6.1	-5.8	-5.0	-4.3	-4.0	-3.6
Rwanda	-7.0	-5.7	-5.1	-7.3	-3.7	-2.9	-2.9
Sudan	-0.3	-2.1	-3.6	-2.8	-3.8	-3.8	-3.7
Tanzania	-3.5	-3.9	-3.5	-2.9	-2.9	-2.8	-2.7
Uganda	-7.4	-5.9	-4.9	-4.9	-3.8	-1.5	-1.0
Southern Africa	**-3.6**	**-3.6**	**-4.8**	**-4.5**	**-4.1**	**-3.6**	**-3.3**
Angola	3.4	0.6	-1.9	1.6	1.3	0.9	0.9
Botswana	-2.4	0.0	-4.7	-5.9	-1.7	-0.4	0.5
Eswatini	-4.5	-6.2	-1.5	-1.7	-3.7	-3.5	-2.6
Lesotho	-5.4	-5.5	9.2	5.2	5.9	3.0	0.8
Madagascar	-2.8	-5.5	-4.1	-3.8	-3.8	-4.0	-3.8
Malawi	-8.3	-9.3	-9.2	-8.0	-5.6	-3.0	-2.0
Mauritius	-4.1	-3.1	-4.1	-2.9	-2.9	-2.7	-2.4
Mozambique	-3.9	-5.1	-4.1	-4.2	-2.0	-0.9	-0.4
Namibia	-8.8	-6.1	-3.1	-2.6	-4.1	-4.5	-4.6
Seychelles	-5.8	-0.7	-1.2	-1.4	-1.4	-0.8	0.2
South Africa	-5.5	-4.3	-5.8	-6.2	-6.3	-5.4	-5.1
Zambia	-8.1	-7.8	-6.5	-6.1	-2.8	-3.4	-2.6
Zimbabwe	-2.2	-6.0	-6.2	-10.4	-7.9	-7.8	-7.6

Source: Afreximbank Research 2024.

Table 16: General Government Gross Debt, Percent of GDP

	Actuals			Estimate	Projections		
	2021	2022	2023	2024	2025	2026	2027
Africa	**65.9**	**65.7**	**69.6**	**67.2**	**65.0**	**61.9**	**60.6**
Northern Africa	**76.7**	**75.2**	**79.4**	**77.7**	**76.1**	**69.2**	**66.8**
Algeria	55.1	48.1	48.6	39.9	36.8	40.2	42.4
Egypt	89.9	88.5	95.9	97.8	96.3	83.1	78.2
Libya	..	..	..	..	..	..	..
Morocco	69.4	71.5	69.5	66.4	66.4	65.9	65.0
Tunisia	79.7	82.9	82.4	73.1	75.4	77.0	77.6
Western Africa	**46.0**	**50.8**	**54.1**	**51.1**	**51.4**	**51.6**	**50.9**
Benin	50.3	54.2	54.5	49.1	49.1	48.0	47.1
Burkina Faso	55.6	58.4	55.9	56.3	58.8	60.0	60.0
Cabo Verde	149.1	124.0	114.0	109.2	106.8	104.2	98.9
Côte d'Ivoire	50.2	56.6	58.1	51.8	53.1	52.7	52.3
Ghana	79.2	92.7	82.9	83.3	80.9	77.9	74.9
Guinea	42.7	40.2	40.8	36.5	31.6	29.3	27.8
Guinea-Bissau	79.0	80.8	79.4	73.1	72.4	70.2	68.1
Liberia	53.3	54.0	58.8	49.4	49.8	51.0	51.7
Mali	50.3	53.1	55.9	48.1	50.2	51.1	50.8
Mauritania	54.5	50.5	48.2	46.5	45.4	46.0	46.7
Niger	51.3	50.6	56.6	44.8	44.0	42.7	41.6
Nigeria	35.7	39.7	46.4	43.6	44.9	46.1	45.8
Senegal	73.3	76.0	81.2	73.1	66.5	63.4	63.4
Sierra Leone	47.1	54.0	49.2	77.5	67.1	65.4	63.3
The Gambia	83.1	82.9	75.2	68.2	62.1	58.2	53.6
Togo	64.9	67.4	68.0	61.2	63.6	62.4	61.0
Central Africa	**42.6**	**38.8**	**39.1**	**38.7**	**35.3**	**33.0**	**31.4**
Cameroon	47.2	45.6	43.2	39.8	37.2	34.5	32.7
Central African Republic	48.5	51.0	57.6	52.5	53.3	54.1	50.2
Chad	42.4	34.5	32.7	34.1	32.1	30.8	29.7
Democratic Republic of the Congo	15.9	14.3	14.4	12.3	9.6	7.9	6.5
Equatorial Guinea	42.3	30.2	37.4	67.5	69.4	75.0	79.9
Gabon	68.4	65.6	72.1	104.4	97.1	91.7	86.8
Republic of Congo	97.8	92.5	99.0	48.3	41.6	37.5	37.9
São Tomé and Príncipe	60.1	55.9	50.7	50.4	43.9	38.9	32.4
Eastern Africa	**75.5**	**71.8**	**74.8**	**74.7**	**66.6**	**64.1**	**64.1**
Burundi	66.6	68.4	62.4	57.3	68.4	58.3	53.9
Comoros	26.3	28.1	33.2	29.8	32.2	33.1	33.4
Djibouti	40.4	36.6	34.6	56.4	52.6	48.4	43.6
Ethiopia	53.8	46.9	38.7	33.7	26.5	24.9	24.6
Kenya	68.2	67.8	73.1	69.9	70.1	68.1	65.4
Rwanda	66.6	60.6	64.5	53.7	62.9	65.0	65.1
Sudan	189.6	186.8	252.2	354.3	277.5	254.8	270.1
Tanzania	43.4	44.9	46.9	43.5	43.2	41.4	39.9
Uganda	50.4	50.0	51.0	46.1	45.4	44.7	43.0
Southern Africa	**70.4**	**69.5**	**75.6**	**71.0**	**68.9**	**68.0**	**66.8**
Angola	74.3	56.1	73.7	89.5	75.1	66.6	58.8
Botswana	18.7	18.1	20.1	15.4	17.1	17.1	16.3
Eswatini	37.0	40.7	38.5	37.1	34.9	36.1	37.1
Lesotho	58.4	64.5	61.5	67.4	63.3	60.7	60.2
Madagascar	51.9	53.9	55.6	51.1	50.2	50.3	51.0
Malawi	66.5	76.7	91.3	78.9	72.0	72.8	71.9
Mauritius	85.9	81.2	78.6	76.0	76.3	77.2	77.6
Mozambique	104.3	100.3	93.9	88.5	93.4	92.1	86.9
Namibia	69.6	70.0	66.1	67.7	64.5	63.1	62.4
Seychelles	71.2	58.9	56.5	55.6	57.9	57.1	54.6
South Africa	68.7	70.8	73.4	73.0	74.1	77.0	79.1
Zambia	111.0	99.5	127.3	..	..	..	..
Zimbabwe	58.2	102.1	96.7	79.8	88.0	77.6	71.5

Source: Afreximbank Research 2024.

Table 17: Current Account Balance, Percent of GDP

	Actuals			Estimate	Projections		
	2021	2022	2023	2024	2025	2026	2027
Africa	**-2.0**	**-1.9**	**-1.5**	**-2.4**	**-2.0**	**-2.2**	**-2.4**
Northern Africa	**-3.2**	**-0.3**	**0.1**	**-3.4**	**-2.0**	**-2.1**	**-2.5**
Algeria	-2.4	8.4	2.5	0.4	-1.1	-2.2	-2.7
Egypt	-4.4	-3.5	-1.2	-6.2	-3.4	-3.0	-3.3
Libya	16.1	28.6	14.6	17.8	18.5	16.5	14.1
Morocco	-2.3	-3.6	-0.6	-1.9	-2.1	-2.1	-2.2
Tunisia	-6.0	-9.0	-2.7	-2.5	-2.7	-3.1	-2.8
Western Africa	**-2.5**	**-3.1**	**-2.1**	**-0.4**	**-0.5**	**-0.9**	**-1.4**
Benin	-4.2	-6.1	-5.9	-4.9	-4.3	-4.3	-4.1
Burkina Faso	0.4	-7.4	-8.0	-6.1	-5.0	-4.8	-4.6
Cabo Verde	-11.9	-3.6	-3.1	-5.8	-6.1	-7.0	-6.9
Côte d'Ivoire	-3.9	-7.7	-8.0	-2.6	-2.6	-2.6	-2.5
Ghana	-2.7	-2.3	-1.4	0.5	-0.4	-1.4	-1.6
Guinea	-2.5	-8.6	-8.8	2.7	3.7	4.7	5.4
Guinea-Bissau	-0.8	-8.6	-8.7	-4.8	-4.0	-3.3	-3.0
Liberia	-17.8	-19.0	-26.4	-23.6	-21.0	-19.0	-16.8
Mali	-7.4	-10.8	-7.1	-4.1	-3.7	-3.6	-3.0
Mauritania	-8.6	-14.9	-8.8	-11.0	-9.4	-9.1	-9.0
Niger	-14.1	-16.2	-14.4	-4.7	-3.0	-3.8	-5.6
Nigeria	-0.7	0.2	1.7	1.7	1.2	0.7	-0.2
Senegal	-12.1	-20.0	-18.8	-10.6	-6.7	-6.0	-5.5
Sierra Leone	-5.7	-2.2	-6.0	-3.7	-4.6	-4.4	-3.5
The Gambia	-4.2	-4.2	-8.6	..	..	..	..
Togo	-2.2	-3.5	-2.9	-4.1	-3.5	-3.1	-2.9
Central Africa	**-0.2**	**0.3**	**-2.6**	**-1.9**	**-1.9**	**-2.5**	**-2.8**
Cameroon	-4.0	-3.4	-3.9	-2.6	-2.5	-2.5	-2.4
Central African Republic	-11.2	-12.9	-8.8	-7.1	-6.1	-4.5	-4.1
Chad	-1.8	5.5	-0.9	-1.6	-2.2	-2.6	-2.7
Democratic Republic of the Congo	-1.0	-4.9	-6.3	-4.1	-3.6	-3.3	-3.2
Equatorial Guinea	4.2	2.1	-0.8	2.3	2.4	1.8	-0.7
Gabon	3.5	10.9	5.4	6.7	6.6	1.0	-0.9
Republic of Congo	12.8	17.7	6.4	-3.1	-5.6	-6.7	-7.2
São Tomé and Príncipe	-13.1	-14.4	-12.3	-0.1	-0.1	-0.1	-0.1
Eastern Africa	**-5.4**	**-6.3**	**-4.4**	**-4.5**	**-4.3**	**-4.3**	**-4.2**
Burundi	-11.9	-15.9	-13.8	-17.3	-14.9	-13.3	-11.8
Comoros	-0.3	-0.6	-2.5	-4.4	-3.5	-4.6	-4.3
Djibouti	-6.6	17.6	22.4	5.4	4.6	-1.5	0.7
Ethiopia	-3.2	-4.3	-2.9	-2.8	-2.5	-2.8	-3.2
Kenya	-5.2	-5.0	-4.0	-4.3	-4.3	-4.2	-4.0
Rwanda	-10.9	-9.4	-11.7	-12.2	-10.6	-9.4	-8.8
Sudan	-7.5	-11.3	-3.6	-4.7	-5.3	-6.2	-6.8
Tanzania	-3.9	-5.7	-5.3	-3.9	-3.9	-3.8	-3.7
Uganda	-8.4	-8.6	-7.4	-7.3	-6.6	-5.5	-4.1
Southern Africa	**2.9**	**-0.6**	**-1.4**	**-1.8**	**-2.2**	**-2.4**	**-2.2**
Angola	10.0	8.3	3.8	4.4	2.3	1.9	1.7
Botswana	-1.3	-1.2	-0.6	-4.2	-0.5	-0.1	0.3
Eswatini	2.6	-2.7	2.2	1.5	1.0	-1.0	-1.3
Lesotho	-9.0	-13.8	-0.2	-3.8	-6.1	-4.6	-4.4
Madagascar	-4.9	-5.4	-4.5	-5.1	-4.7	-5.3	-5.5
Malawi	-15.4	-16.7	-16.3	-13.3	-13.3	-12.1	-11.9
Mauritius	-13.0	-11.1	-3.3	-3.8	-3.6	-3.5	-3.8
Mozambique	-21.3	-36.4	-10.6	-23.2	-29.7	-32.7	-28.0
Namibia	-11.4	-13.0	-14.8	-10.5	-9.9	-11.4	-11.9
Seychelles	-8.7	-7.4	-7.2	-7.8	-7.8	-7.5	-7.5
South Africa	3.7	-0.5	-1.6	-2.0	-2.1	-2.2	-2.1
Zambia	11.9	3.8	-1.9	0.8	2.6	3.6	4.7
Zimbabwe	1.0	0.9	0.4	0.1	0.6	0.8	1.0

Source: Afreximbank Research 2024.

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