



AFRICAN DEVELOPMENT BANK GROUP

PRESENTATION OF THE AFRICA'S MACROECONOMIC PERFORMANCE AND OUTLOOK 2025

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[Slide 1] Cover Page

1. Your Excellencies, Distinguished Delegates, Ladies and Gentlemen. Please allow me to stand on existing protocols.
2. I am very grateful for this opportunity to present the January 2025 edition of Africa's Macroeconomic Performance and Outlook Report for the year 2025 (MEO 2025) in this beautiful city of Addis Ababa.

[Slide 2] Presentation Outline

3. My presentation will provide a bird's eye view on four main areas, the details of which can be found in the report when you read it:
 - (a) Africa's Growth Performance and Outlook
 - (b) Recent Dynamics in Africa's Macro-Economic Fundamentals: Inflation, Exchange Rate Volatility, Debt Vulnerabilities; and internal and external account balances (Fiscal and Current Account Performance).
 - (c) Key Risks to Watch – Upside and Downside Risks, and
 - (d) Policy Recommendations

[Slide 3]: Africa's Growth Performance and Outlook

4. Africa's growth performance and outlook remain resilient amid multiple domestic, regional, and external challenges:
 - (a) Average real gross domestic product (GDP) growth is estimated at **3.2 percent in 2024**. This is projected to increase to **4.1 percent in 2025** and **4.4 percent in 2026**.
 - (b) In 2024, growth rates increased in 30 African countries, including two of Africa's four largest economies—South Africa and Nigeria, and **fifteen (15) African countries** recorded GDP growth rates higher than **5 percent** in 2024. This number is expected to reach **24 in 2025**.
 - (c) It is projected that **12 African countries** will be among the **world's top 20 fastest growing economies in 2025**, and
 - (d) The continent is expected to remain the second fastest-growing region, after Asia¹
 - (e) While Africa's estimated GDP growth rate in 2024 is higher than the **3.0 percent recorded in 2023**, it is less than half the minimum of **7 percent** considered necessary to create jobs and lift millions of Africans out of poverty.

[Slide 4]: Africa's Real GDP per capita continues to trail all other regions and the global average:

- (f) Even more important, Africa's estimated real GDP per capita in 2024, despite rising marginally to **0.9 percent from 0.7 percent in 2023**, continues to trail all other regions and the global average.
- (g) Real GDP per capita growth for Africa is however projected to double to **1.8 percent in 2025** and **reach 2.2 percent in 2026**, like that in Europe and in Latin America and the Caribbean but significantly below that in Asia.

¹ According to the IMF's World Economic Outlook Update report, global growth is projected to average 3.3 percent in 2025, led by emerging and developing Asia (5.1 percent), the Middle East and Central Asia (3.6 percent), Latin America and the Caribbean (2.5 percent), and the euro area (1.0 percent).

[Slide 5a]: Regional Differentiation in Growth Performance and Outlook

- (a) There are **important regional differences** in growth performance and outlook reflecting differences in impact of domestic policies to cope with global and domestic shocks.
- (b) **East Africa** will remain the continent's **fastest growing region** and half of its economies— South Sudan, Rwanda, Uganda, Ethiopia, Tanzania, and Kenya—are expected to grow by 5 percent or more in 2025. East Africa's GDP growth is projected to increase from **4.4 percent in 2024** to **5.3 percent in 2025** and to **6.1 percent in 2026**.
- (c) On the other hand, although its real GDP growth is projected to increase from an estimated **1.8 percent in 2024** to **3.0 percent in 2025** and **3.1 percent in 2026**, Southern Africa region is the **least performing** region of the continent. The good news is that the region's growth rebound marks the first time since 2021 that the region's growth has exceeded 2 percent. This can be attributed to projected robust performance in Eswatini, Zambia, and Zimbabwe of 5 percent or more, in a marked recovery from the adverse impact on growth of a severe drought in 2024.

[Slide 5b] –Differences in Growth Performance and Outlook by Country Groupings

- (d) **Across** country groupings, GDP growth in **non-resource intensive African countries** outperforms others, with an expected increase in average real GDP growth rate from **5.0 percent in 2024** to **5.3 percent in both 2025 and 2026**.
- (e) While average growth in **oil-exporting and other resource intensive economies** are expected to improve, growth in **tourism dependent economies** is expected to **moderate from 5.1 percent in 2024 to 4.9 percent and 4.5 percent in 2025 and 2026**, respectively.

[Slide 6]: Recent Dynamics in Africa's Macro-Economic Fundamentals

- 5.1 Despite successive and aggressive monetary policy tightening by central banks in many African countries, inflation remains elevated, in sharp contrast to the steady disinflation in the rest of the world during the period.

- (a) Africa's average annual inflation climbed from an average of **11.6 percent in 2021 to 18.6 percent in 2024**, a figure far above the medium-term targets of many countries².
- (b) This is projected to decline to an average of **12.6 percent in 2025–26**, as the effects of aggressive monetary policies gain traction.
- (c) By region, inflation in 2024 was highest in **West Africa at 22.5 percent**, driven mainly by a 7.9 percentage point increase in Nigeria, from 24.5 percent in 2023 to 32.4 percent in 2024. Similarly, **North Africa** recorded 20.6 percent inflation, driven by Egypt, where inflation accelerated by 9.5 percentage points, from 24.1 percent in 2023 to 33.6 percent in 2024.
- (d) This persistent inflationary pressures in the continent sharply contrast with the steady disinflation in the rest of the world. Global headline inflation is expected to decline from an annual average of **6.7 percent in 2023 to 5.8 percent in 2024 and 4.3 percent in 2025**, with advanced economies returning to their inflation targets faster than emerging market and developing economies.
- (e) The sticky inflation in African countries also **reflects the passthrough effects of high local currency depreciations** – impacting the domestic-currency price of imports, asset prices and inflation expectation/speculation; high public debt; strong fiscal dominance; and central-bank deficit financing. **Other structural factors** such as **weak macro-economic governance, climate change effects, poor energy and food supply chain management, poor rural infrastructure and other factors that increase the food and energy prices, etc.**, also account for the persistence in inflation.
- (f) Maintaining a balanced monetary and fiscal policy mix that drives price stability and affordable inflation-adjusted borrowing costs of capital for productivity growth in the real sectors, especially in food and energy production, is therefore key to achieving sustainably low, stable inflation outcome.

³ This was largely driven by a strong buildup of inflationary pressures in 16 African countries, including Egypt and Nigeria, two of the largest.

5.2 [Slide 7]: On Foreign Exchange Market Performance:

Depreciation of African currencies against the US\$ persisted throughout 2024, but prospects for more stable exchange rates are emerging in some countries.

- (a) Most African currencies experienced significant and sustained depreciation between 2022 and 2024. Notable cases include Zimbabwe, Sudan, South Sudan, Nigeria, and Egypt.
- (b) These rapid depreciations have been fueled by prolonged monetary policy tightening in advanced economies, constrained global demand for African exports, short-term external financing pressures as many African countries face substantial external debt repayments in 2024 and 2025, and liberalization of the foreign exchange markets in some countries, including Nigeria and Egypt.
- (c) Some countries, including Morocco, CEMAC/WAEMU countries, Comoros, and Tunisia, recorded a modest appreciation of their currencies in 2023-2024, while Botswana and Liberia had stable exchange rates.

5.3 [Slide 8]: Africa's debt dynamics presents a mixed picture:

- (a) Public debt to GDP ratios is stabilizing—though above pre-Covid-19 pandemic levels—and risks remain.
- (b) The median debt-to-GDP ratio has declined to **around 60.0 percent in 2024** from **63.5 percent in 2021–2023** and is projected to decline further to **59.2 percent in 2025**. However, debt vulnerabilities remain elevated, amplified by the increase in debt refinancing and heightening debt service costs stoked by high global interest rates and a stronger US dollar.
- (c) As of October 2024, **9 African** countries were in debt distress and **11 others** were at high risk of debt distress.
- (d) As over 70 percent of Africa's debt is denominated in foreign currency, predominantly the US dollar, **domestic currency depreciation** is a key driver of debt vulnerability in countries. Other debt-creating flows, such as **off-budget operations, support to weak state-owned enterprises, recapitalization of public banks, and arrears clearance**, also helped shape the debt trajectory in 2024.

- (e) Debt amortization accounts form a substantial share of general government revenue in Africa, with **the median total debt service estimated at 28.1 percent for 2024**; it is projected to rise to 29.2 percent in 2025.
- (f) External liquidity pressures are also expected to rise, reflected in the increasing ratio of total debt service to exports of goods and services, from 22.0 percent in 2015–2019 to 29.0 percent in 2024. This ratio was estimated at 22.0 percent in 2024 and projected to increase, albeit marginally, to 22.7 percent in 2025.^[KU1]^[NM2]
- (g) So, while debt restructuring negotiations and concerted efforts to develop and implement fiscal rules and enhance capacity in prudential management of public finances across countries have provided the much-needed incentive for prudent fiscal management in several countries, there is need to balance debt sustainability and other development objectives.
- (h) For example, rising debt burdens and external liquidity pressures have compelled governments to reduce public spending on critical areas of development. In 2010–19, for instance, average public expenditure on education in Africa was 3.6 percent of GDP, below the world average of 4.2 percent, with public spending on health even lower at 1.8 percent, while **debt service costs as share of government revenue increased from 19.2 percent in 2010-2019 to 31.4 percent in 2020 and then 28.1 percent in 2024**.
- (i) **With significant debt repayments scheduled for 2024 (\$74 billion) and 2025 (\$67 billion), most bond issuances in Africa in 2024 were intended to refinance the earlier maturing debt, rather than invest in productive sectors and human capital development, thereby endangering future growth prospects and debt-repayment capacity.** These bond issuances offer higher coupon rates than those of previously issued and maturing debt, locking countries in a vicious cycle of debt.
- (j) **So, while global financial conditions are easing gradually, African governments will continue to grapple with the combination of a high debt burden, external funding squeeze, temporary liquidity pressures, and more debt for debt refinancing to avoid debt default.**
- (k) And with a public investment efficiency gap of 39 percent, higher than either Europe (17 percent) or Asia (29 percent); growth returns to debt-financed

investment are lower in Africa than in other regions, including in low- and middle-income economies. This suggests that with policies focused on improving efficiency and returns, African countries can maximize the outcomes of public investment by up to 39 percent more, without increasing borrowing.

- (l) The fiscal consolidation measures instituted by several governments to forestall new debt accumulation is a step in the right direction, but specific focus on improving the quality and efficiency of debt could go a long way in addressing the fiscal burdens of countries.
- (m) Interventions that enhance continued capacity building and peer-to peer learning for Debt Management Offices and Finance Ministries across countries, such as the Bank's Public Financial Management Academy for Africa (PFMA), the Africa's Debt Managers Initiative Network (ADMIN) and the Debt Management Forum for Africa (DeMFA) are all positive efforts that should be accelerated.

5.4[Slide 9]: Fiscal and Current Account Balances:

- (a) Fiscal deficits have widened across the continent, and prospects for reducing the deficits in the short term are jeopardized by uncertainties and spending pressures.
 - a. Overall, Africa's fiscal position remains heavily influenced by external and domestic shocks, presenting challenges to government control of public finances.
- (b) **Africa's current account balance remains weak, due largely to volatility in global commodity markets, which impact Africa's exports.**
 - a. The structural current account deficit in Africa is partly due to the structure of its trade, particularly the low volume of international and intra-Africa trade in manufactured goods.
 - b. Since the early 2000s, Africa's trade deficit in manufactured goods has increased fivefold, reaching \$268 billion.
 - c. For African countries to reduce their exposure to global risks and break the cycle of structural current account deficits, there is urgent need to strengthen regional trade, particularly in manufactured goods.

5.5 In general, although Africa's medium-term prospects appear favorable, growth remains fragile due to multiple countervailing factors.

[Slide 10]: **Historical Perspectives:**

Africa's macro-economic performance and outlook has been marked by a history of episodic growth, volatility in macro-economic environment, recurrent inflationary pressures, debt vulnerabilities and underperforming GDP per capita growth across countries.

- (a) Looking back, over the past quarter-century, Africa's economic growth rates has been **episodic**, averaging 4.0 percent a year—not high enough to make a dent on poverty.
- (b) Performance in real GDP growth is way **below the estimated 7 – 10 percent** annual growth rates required to create sufficient jobs and help the continent break the vicious cycle of abject poverty, if maintained consistently over 4 – 5 decades.
- (c) GDP growth is also more volatile, reflecting the lack of economic diversification and dominance of low productivity sectors in driving growth.
- (d) As indicated in the AEO 2024 report, most Africans remain locked in low-to medium factor productivity sectors, making it difficult for countries to add value to resources or increase the technology content and value added in traded products.

[Slide 11]: **External Financial Flows**

7.1 After the sharp contraction of over 12.4 percent in 2022, total external financial flows to Africa— portfolio investment, foreign direct investment (FDI), remittances, and official development assistance (ODA)—rebounded by 8.7 percent to \$207.9 billion in 2023, or about 7.1 percent of Africa's GDP.

- a. **Net portfolio investment outflows fell sharply in 2023, to \$1.7 billion from \$22.8 billion in 2022.**
- b. **FDI inflows to Africa weakened in 2023, with a 3.4 percent fall of \$52.6 billion due to challenging global investment environment**

- c. **Remittance flows to Africa declined by 2.7 percent to \$95 billion in 2023, though they remain the largest source of non-debt external finance for Africa.** The decline was due mainly to structural and cyclical factors in migrant destination countries such as challenging job markets for migrants and more stringent immigration policies.
- d. The key challenge for governments and policymakers is to devise strategies that channel a greater share of remittance flows into productive investment, away from consumption smoothening.
- e. **Official Development Assistance (ODA) to Africa increased sharply, averaging \$65.3 billion annually in 2020–21, up 33 percent from \$49.1 billion annually in 2017–19.** This rise reflects donors' efforts to step up support to African countries amid growing development financing and humanitarian needs following the COVID-19 pandemic. However, in 2022, ODA flows to Africa have slowed by 5 percent to \$54.5 billion, compared to 2021, due to challenging economic realities in the Donor countries.
- f. With the recent developments in the United States, the decline in ODA resources is likely to deepen.
- g. These developments underscore the urgent need for Africa to explore and prioritize endogenous local solutions to address its development financing challenges.

7.2[Slide 12]: Mobilizing Domestic Capital for African Development remains the missing link in Africa's development struggle.

(a) African countries continue to struggle to increase government revenue, including tax and non-tax revenue.

- a. Despite recent efforts, however, Africa's average government revenue (excluding grants) dipped from **23.1 percent of GDP in 2010 to 20.2 percent in 2022**; below its comparator global regions, except **South Asia (18.1 percent of GDP)**.

- b. In **2015–19**, Africa’s average tax revenue was only **13.9 percent of GDP**, below the 15 percent threshold needed for a developing country to finance its Sustainable Development Goals, and far below its peers: **Latin America (23.9 percent)** and less than half the average for **Europe and Central Asia (31.7 percent)**.
- c. Estimates for the post pandemic period (2021–22) highlight the recovery in tax revenue to an average of **14.4 percent of GDP**, with only 20 countries recording tax revenue above the 15 percent threshold.
- d. Both government revenue overall and tax revenue have been influenced by the **cyclicality of commodity prices**, except in non-resource intensive countries which has maintained a relatively stable tax revenue levels hovering around 15 percent of GDP since 2020.

[Slide 13a]: **Key Risks to Watch – Upside and Downside Risks to Watch in 2025/6.**

8.1: Tailwinds / Upside Risks:

- (a) **Ongoing disinflation in advanced economies** could lower pass-through effects of inflation in trading Partner Countries /“imported inflation” in Africa and could increase financial flows to countries with the right market conditions.
- (b) **Continued fiscal consolidation efforts and successful debt treatment** could accelerate the downward trend in public debt, further improving the fiscal outlook with a positive impact on economic growth in the short to medium term³.
- (c) **Stronger growth in the United States and Asia** could boost Africa’s economic prospects through stronger export demand, increased investment, and higher remittances. However, the tariffs recently introduced by the European Union and the threats by the United States to do the same could hamper growth.

7.2: [Slide 13b]: Headwinds: Downside Risks to Watch

- (a) **Inflationary Pressures:** Although global inflationary pressures are easing, inflation remains persistently high in Africa, which could result in a further tightening of monetary policy and

³ Chad, Ethiopia, Ghana, and Zambia, have benefited from the provision of debt restructuring and relief.

worsen growth prospects. In Africa, inflation is forecast at **14.2 percent in 2025** and is well above medium-term single-digit targets for most countries.

- (b) **Fiscal tightening** and a **looming debt crisis** in several advanced economies risk tilting world growth to the downside⁴.
- (c) **Deglobalization, geopolitical fragmentation, rising protectionism** – are posing a threat to global trade and to Africa’s export-led economies. Rising protectionist policies led to the 2018–20 United States–China trade war, India’s increased tariffs on electronics, the European Union’s nontariff barriers such as the Carbon Border Adjustment Mechanism (CBAM), and the Trump administration’s planned hikes in tariffs on Canada, China, and Mexico, all exemplify the growing trend of inward-looking trade policies in the near term.
- (d) The imperatives for rapid implementation of policies to deepen economic diversification and regional integration is no longer a matter for policy discussion. It demands urgent action as the windows for technology and skills transfer remain.
- (e) **Geopolitical tension, global and regional conflicts:** Increasing global geopolitical tensions, especially escalation of conflicts in the Middle East, and further deterioration in regional political stability could exacerbate policy uncertainty amid multiple shocks that African countries continue to face⁵.
- (f) **The physical impacts of climate change and the impacts of climate change policy is upending development progress and development financing in African countries.** As indicated in the AEO 2023 report, Africa is losing 5 – 15 percent of GDP per capita growth annually due to climate change impacts. In addition, the interpretation and implementation of climate policy is upending development finance flows to critical sectors in African countries.

⁴ **France**, which has **public debt of over 110 percent of GDP**, recorded in December 2024 the sharpest decline in its PMI since the Covid-19 pandemic. Its downgraded credit rating by Moody’s and Standard and Poor’s in 2024 and increased borrowing costs are also weighing on the French economy. The **German economy**—the largest in the European Union—**contracted by 0.3 percent in 2023 and by 0.2 percent in 2024 according to the German statistical office**, undermining eurozone economic stability.

⁵ IMF estimates indicate that, except for North Africa, all African regions could experience a permanent decline of up to 4 percent of GDP after 10 years owing to geopolitical tensions and stand to lose an estimated \$10 billion of FDI and official development assistance inflows. Moreover, deeper fragmentation would restrict cross-border technological diffusion and hinder innovation, reducing productivity and job opportunities from migration.

[Slide 14] Policy Recommendations

Building Africa's resilience requires well-coordinated policies including:

1. [Slide 14a] : **Macroeconomic policy reforms** to achieve the twin objectives of stable inflation and sustained growth as well to incentivize capital inflows (public and private).
 - a. **To address inflation and currency devaluation:**
 - i. Ensuring close coordination of monetary and fiscal policies aimed at addressing supply-side constraints is key. Central banks in Africa should maintain their contractionary monetary policy to curb inflation while fiscal authorities provide targeted support to the most vulnerable populations through social safety nets to help prevent a further deterioration in living standards.
 - ii. Build foreign reserves buffers to strengthen resilience to global shocks and to the adverse impacts of exchange rate depreciation on macroeconomic performance, trade, and the broader economy.
 - b. To address **debt vulnerability and refinancing risks:**
 - i. **Focus on debt productivity** – borrow for investments in productive assets only.
 - ii. **Pursue preemptive debt restructuring** to prevent more countries from falling into debt distress and potential default.
 - iii. **Establish financial stabilisation mechanisms** at continental and national levels to help address debt refinancing risks.
 - iv. **Accelerate capacity building, technical assistance and peer to peer learning to accelerate prudential public finance management.** PFMA, ADMIN and DeMFA are established to achieve this objective.
 - c. To stabilize Africa's fiscal accounts, implement existing fiscal rules to sustain fiscal consolidation in countries with high inflationary pressures.
 - d. To address **current account deficits, strengthen regional trade in manufactured products.** Implement AcFTA and associated policies such as local content and

preferred procurement strategies to incentivise domestic demand, SME growth and emergence of regional industrial clusters.

2. [Slide 14b]: Accelerate actions on **Domestic Revenue Mobilisation and Effective Utilisation** - to make Africa's capital work for Africa's development. Different tried and tested policy instruments can be deployed to broaden the tax base, improve tax administration and improve the social contract between governments and citizens to enhance tax compliance

[Slide 15] Other Policy Recommendations

3. **Structural reforms to improve business environment** to mobilize domestic private capital for Africa's development.
4. Radically step up and prioritize **investment in integrated productive physical infrastructure** by deploying domestic and foreign capital.
5. Invest in **natural capital accounting, beneficiation and value addition** – to make Africa's natural capital work for Africa's development. Further details on how to implement this recommendation can be found in the Bank's report on Measuring the Green Wealth of Nations: Natural Capital and Economic Productivity in Africa which was launched at CoP29 in Baku, Azerbaijan in November 2024.
6. Implement policies to **incentivise and enhance the use of Diaspora remittances for more productive investments in key sectors**: human and physical capital, SME development and state capacity. This can be achieved through securitisation of remittances, diaspora bonds, improving macro-economic environment, political stability to enhance investment climate, and brain circulation.
7. **Urgent reforms of the global finance architecture** (equity, debt and climate finance markets) to become more nimble, accessible and affordable to African countries continue to be a necessary condition for improved participation by African countries in the global development finance systems, public and private.

[Slide 16]: Closing Words

1. More details on how Africa can implement these recommendations to double average growth in GDP and GDP per capita consistently over the next 50 years to break the vicious cycle of poverty can be found in the joint report of the African Development Bank Group, the African Union Commission and AuDA-NEPAD on “*Strategic Framework on Key Actions to Achieve Inclusive Growth and Sustainable Development in Africa*” which will be presented tomorrow at the AU conference hall.
2. We will also present the technical and operational report on the *African Financial Stability Mechanism (AFSM)* – designed to help African countries to address the heightening debt refinancing risks across countries.
3. At the forthcoming African Development Bank Group’s Annual Meetings in May 2025, the Bank will launch two important flagship reports: one on “*Public Service Delivery Index for Africa (PSDI)*” designed to objectively measure the quality of public service delivery across the continent, and the 2025 African Economic Outlook Report on “*Making Africa’s Capital Work for Africa’s Development*”.
4. Together, these flagship reports offer critical and complementary insights on how African countries can weather the raging storm of multi-polarization in global governance, deglobalization and economic fragmentation, geopolitical and trade tensions, and more.
5. Please join us tomorrow for more focused discussion on this important subject.
6. Thank you for listening. Merci beaucoup.