

Africa Debt – Risks & Outlook

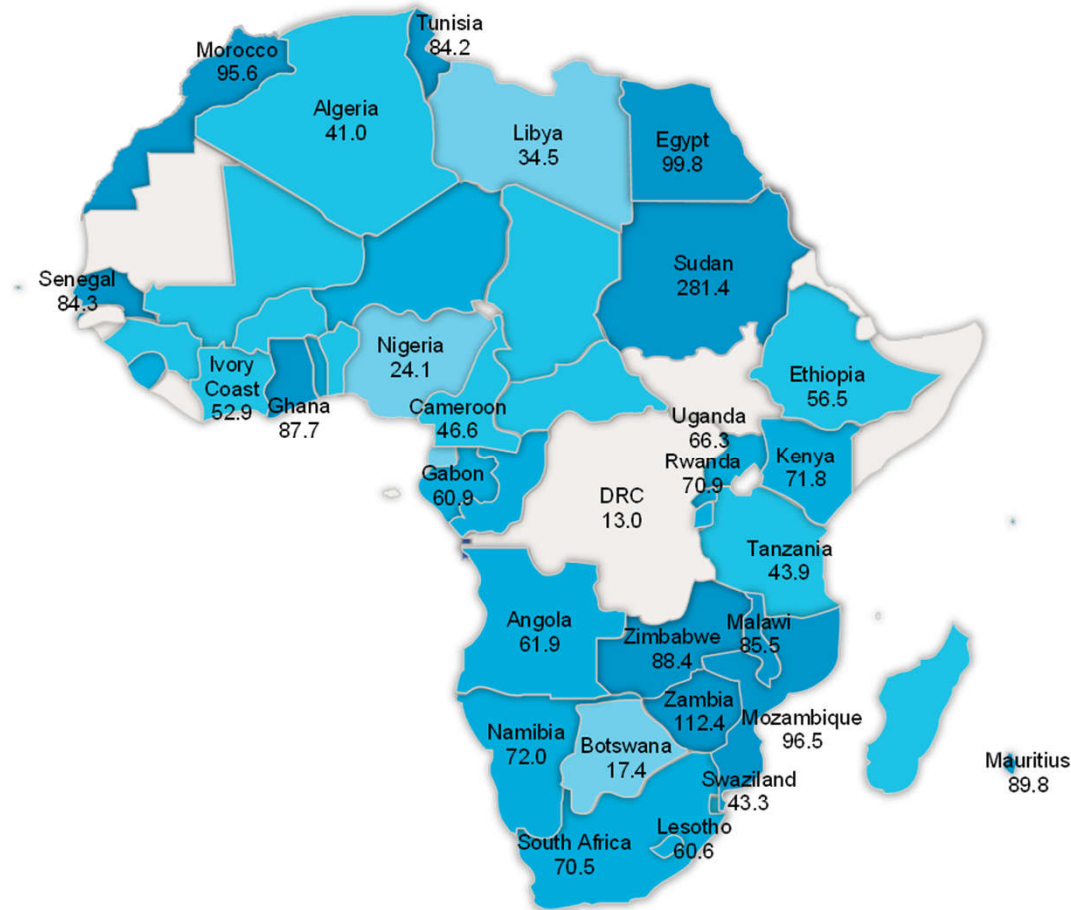
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Agenda & Core Questions

- Debt quandary: how did we get here?
- Outlook for debt & financing requirements – a tough year ahead
- Decomposing some key factors fueling external financing requirements & gross funding needs
- Reducing debt vulnerabilities: how do we embark on the path ahead?

Public debt burden: how did we get here?

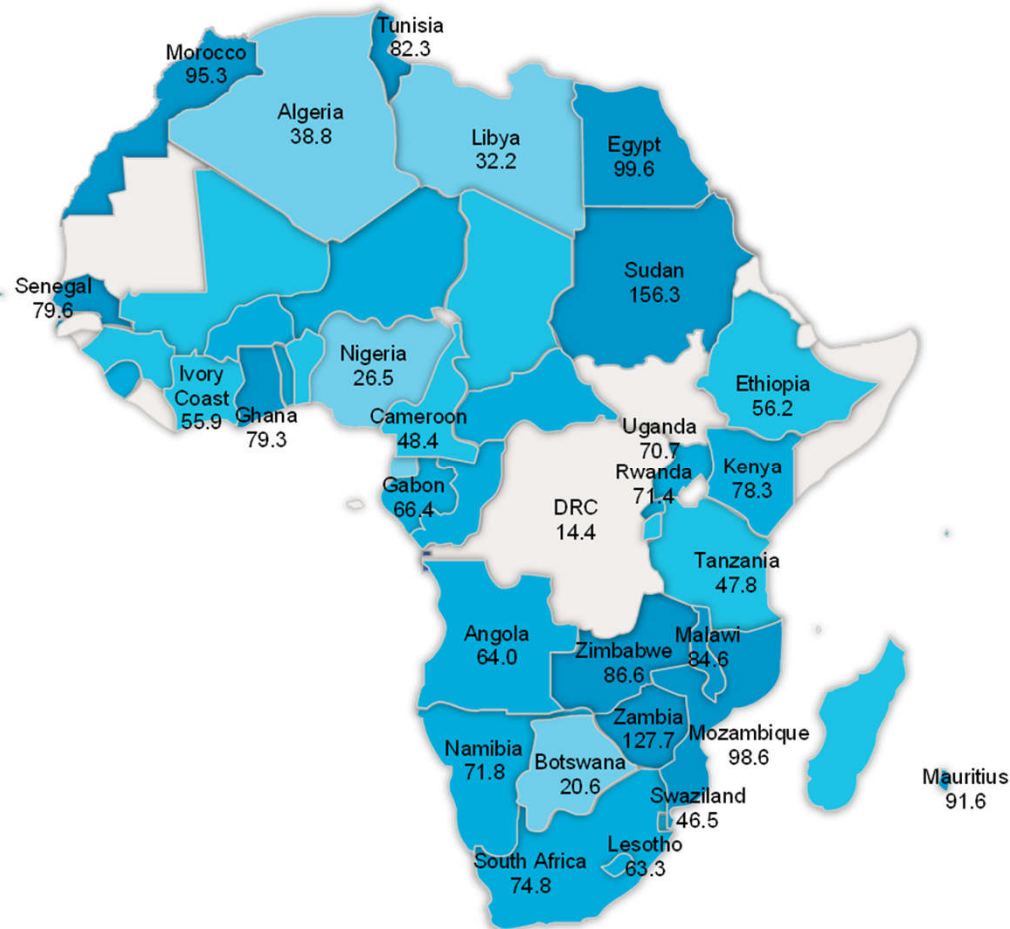


Source: Oxford Economics Africa

The unrelentless growth in debt

- A combination of external & idiosyncratic shocks weighed on primary fiscal accounts
- Shifts in creditor profiles
- Valuation effects and public balance sheet composition
- The impact of the external trade channel

... and where are we headed (1)



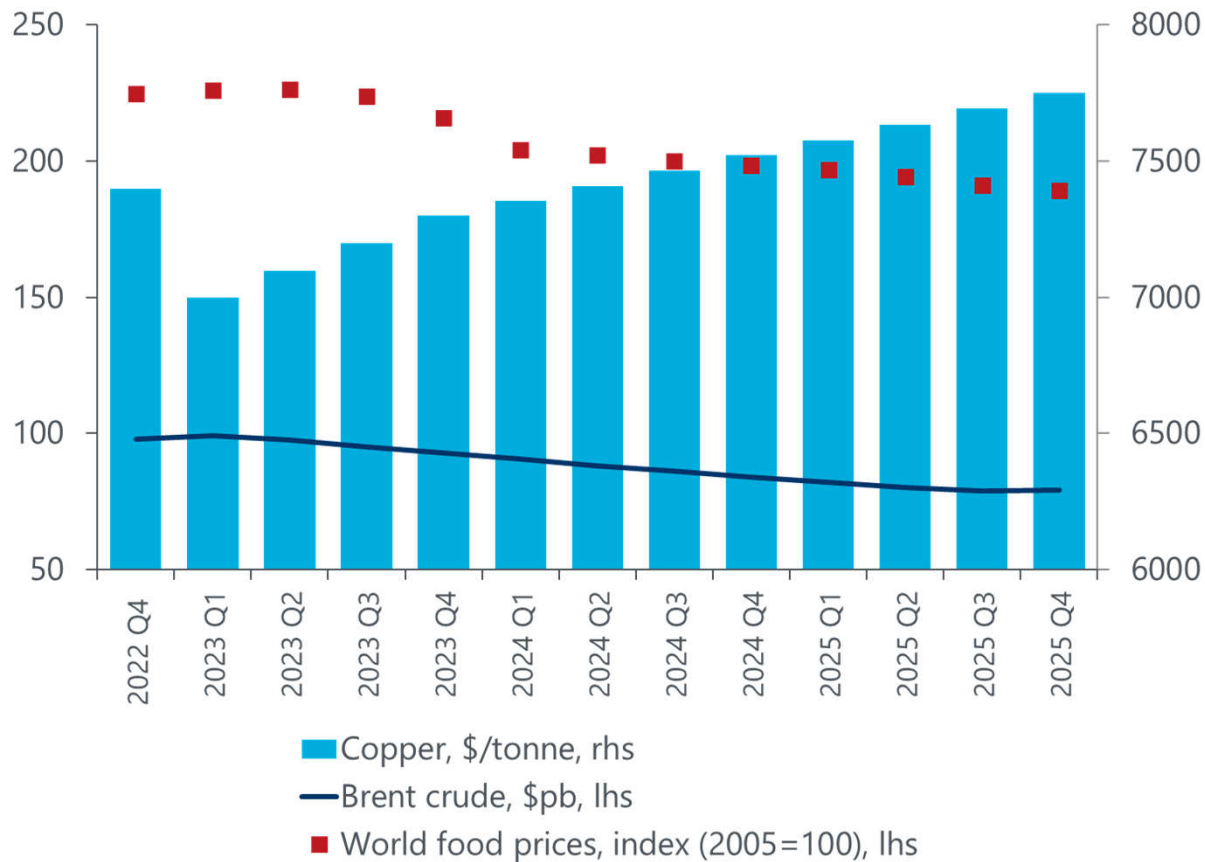
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Souring external backdrop

- Covid-19, Russia-Ukraine conflict, hawkish Fed... What is the next big thing?
- Assumptions for global financing conditions in 2023-24
- Locked out of conventional capital markets... and for how long?
- Protracted negotiations on debt flow rescheduling
- Merchandise trade positions pose risk for external financing needs

... and where are we headed (2)

Commodity Price Path



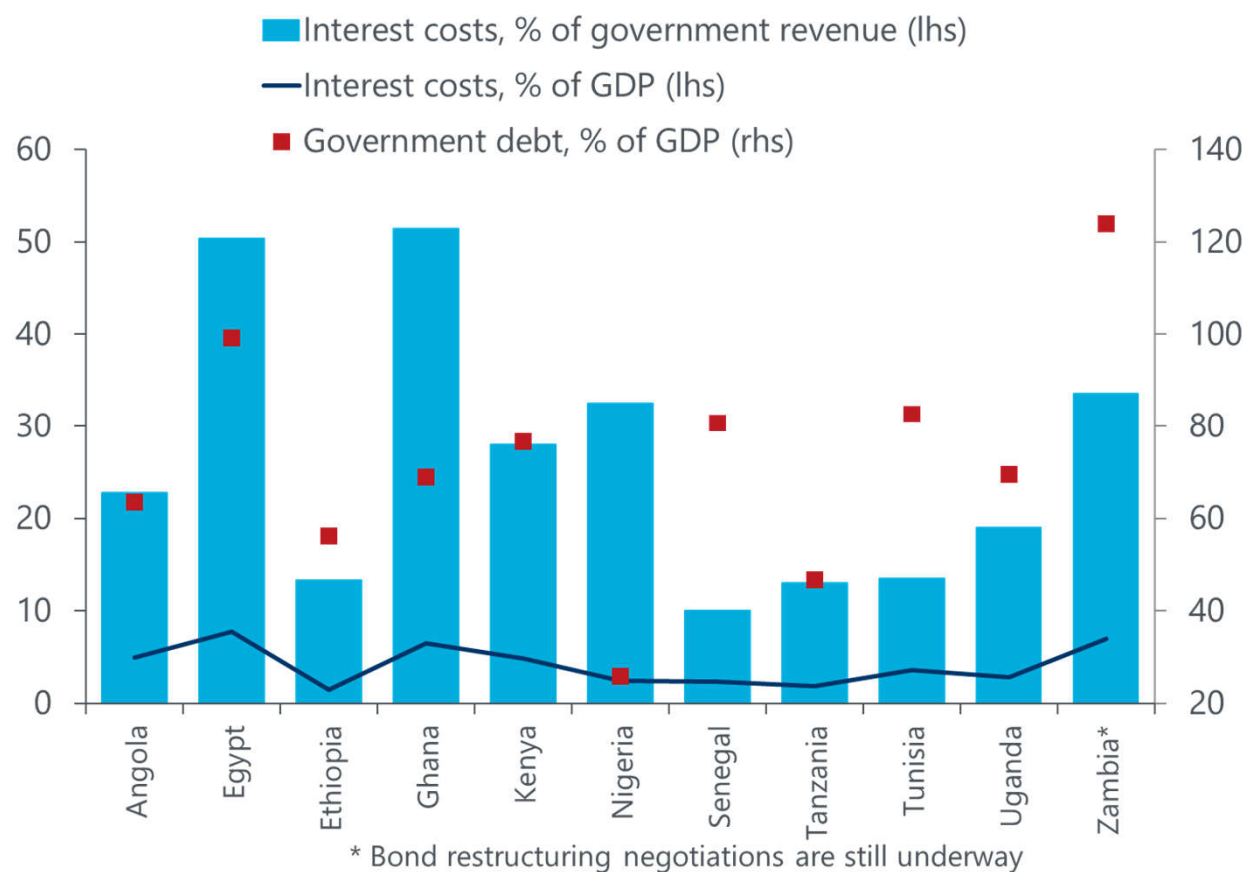
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Sources of debt pressure (1)

The burden of public debt (2022-25 forecast averages)



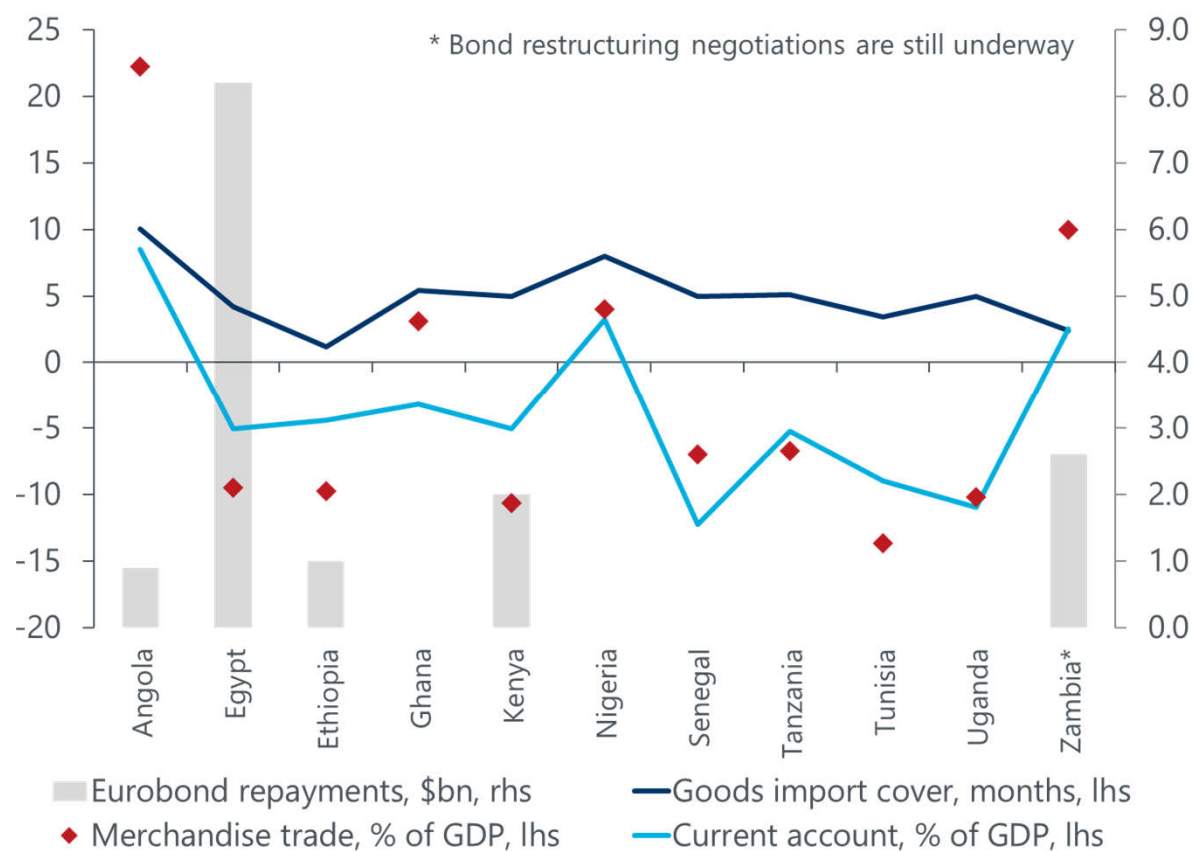
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A fragmented picture

- Emphasis on DSA to identify debt vulnerabilities
- Debt treatment to be tailored to identified risk source
- Liquidity or solvency?
- Emphasis on realistic/conservative assumptions – lessons from forecast vintages

Sources of debt pressure (2)

Pressure on external financing requirements (2022-25 forecast averages)

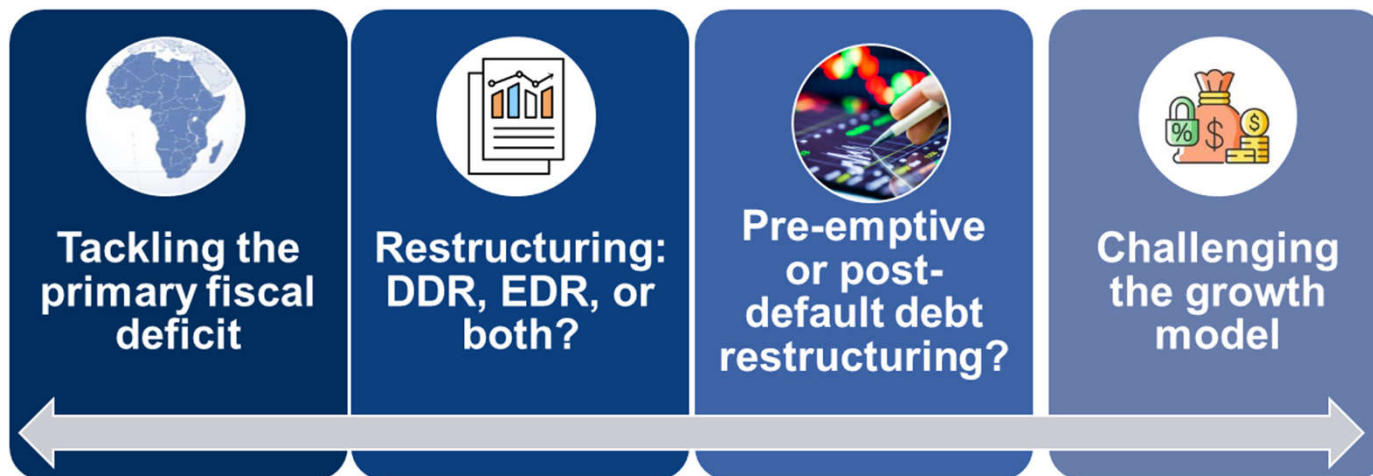


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Forging a new path: reducing debt vulnerabilities



- Protracted processes undermine efforts towards pre-emptive debt rescheduling efforts
- Address currency convertibility challenges and build out domestic benchmark curve
- Funding operations in a structurally high-inflation environment – strengthen central bank oversight role
- Ongoing policy reform to attract FDI and shift the burden of socioeconomic goals to private sector

Managing risks in a challenging climate

- **Focus on the fiscal:** address tax evasion, strengthen governance & transparency, reduce administrative costs
- **Re-pivot debt profile** towards concessional debt?
- **A post-default landscape:** regaining market access and financing options on the table



Thank you
