30 April 2025, Brussels

REPORT

Regional Economic Outlook, Sub-Saharan Africa

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Context

On April 30, 2025, the International Monetary Fund (IMF) presented their latest regional economic outlook for Sub-Saharan Africa. The event, co-organised with the European Centre for Development Policy Management (ECDPM), provided a comprehensive update on the region's economic trajectory in 2024, focusing on resilience, recovery efforts, and persistent vulnerabilities. While economic activity improved considerably across several countries, driven by ambitious reforms, the outlook remains blurred by uncertainty, financing constraints, and growing geopolitical and fiscal pressures. Moreover, a notable decline in official development assistance from traditional donors, including the US (up to 53% cut), the UK (40%), France (37%), and Belgium (25%), poses risks to low-income and fragile states. Thus, the discussions also reflected broader questions around Africa's position in a shifting global landscape.

Debt Stabilisation and Fiscal Challenges

Many Sub-Saharan African countries experienced a fragile trend of macroeconomic stabilisation in 2024, marked by a commitment to fiscal discipline and structural reform. Tax reforms, public enterprise restructuring, and expenditure controls were adopted despite constrained fiscal space. Yet these efforts are unfolding in a difficult context: elevated borrowing costs, reduced interest-free financing, and the decline of aid flows previously channeled through off-budget mechanisms such as NGOs. According to the IMF's three-pillar approach to debt service challenges, countries are urged to focus on domestic fiscal reforms, secure external financial support, and reduce their overall debt service burden.
A significant decline in foreign aid is impacting countries' ability to fund essential services, particularly in the poorest economies. With donors shifting priorities, the burden is increasingly falling on domestic systems, making fiscal consolidation more urgent but also more painful. Governments are now forced to "do more with less," prioritising revenue generation while managing inflation and currency volatility. In addition, challenges in accessing capital markets and the growing cost of debt servicing are forcing a strategic rethink of debt management. Countries need to strike a careful balance between fiscal consolidation and sustaining social investments.

Despite these constraints, market access has improved in some cases, and certain economies have begun monetary easing cycles to stimulate growth. However, many remain exposed to funding squeezes, particularly those dependent on aid. Structural fragilities and persistent

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macroeconomic imbalances necessitate continued international engagement, especially from the IMF, which advocates tailored programs. It emphasised its continued engagement in the region through policy advice and lending tools, particularly those that can support comprehensive public finance strategies and reinforce state capacity. However, there remains a pressing need for complementary external support, particularly from development partners, to strengthen public finance systems and ensure that fiscal consolidation does not come at the cost of long-term development.

Conflict, Fragility, and Inclusive Growth

The second key theme focused on political economy dynamics and fragility. The IMF highlighted that fragility in Sub-Saharan Africa is not simply about conflict but is resulting from deeper governance deficits and exclusion. Surveys show that citizens in fragile and conflict-affected states (FCS) express mistrust in judicial systems, feel socioeconomically excluded, and experience unequal treatment. The importance of ethnic identity over national identity and the state's failure to resolve conflict contribute significantly to this fragility.
This context weakens the legitimacy of public institutions, impeding efforts to implement reforms and deliver basic services. The economic implications are equally pressing: countries affected by conflict and fragility tend to have lower life expectancy and limited fiscal space, amplifying their vulnerability to external shocks and aid withdrawal.

Paradoxically, the region also stands out for its dynamism: 11 of the world’s 20 fastest-growing economies in 2024 are in Sub-Saharan Africa. This contrast between potential and precarity points to the urgent need to invest in long-term stability, through better governance, stronger institutions, and targeted support to vulnerable populations.

To support long-term growth and resilience, the IMF underscores the need for structural reforms aimed at strengthening private-sector development, improving governance, and expanding job creation, especially for youth. Boosting productivity in both formal and informal sectors, enhancing infrastructure, and fostering regional trade and financial integration are central to this transformative agenda. The private sector must play a pivotal role in driving inclusive development, with public investment anchored in transparent and accountable governance frameworks.

Conclusion

Sub-Saharan Africa is showing signs of recovery, with some economic imbalances and improved market access. However, rising uncertainty, reduced aid, and conflict dynamics threaten to slow or reverse progress. Continued engagement from partners such as the IMF and EU through platforms like the global Gateway is essential, but their approaches must evolve to reflect Africa’s development realities. Beyond macroeconomic stabilisation, support must include long-term investment in governance, infrastructure, and the private sector. The region has demonstrated resilience and potential, what remains is to anchor that promise through shared, sustained, and equitable international cooperation.

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