

SSA: Low vaccination rates & complex policy environment impacts economy

Sub-Saharan Africa is on a different recovery path from much of the world, reflecting the region's slow vaccine rollout and stark differences in policy space, making its' recovery highly vulnerable to changes in the global outlook, including a tightening of global financial conditions.



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Such global divergence is expected to persist over the medium term.

According to the latest issue of the *sub-Saharan Africa Regional Economic Outlook* report released recently in Washington, DC, the International Monetary Fund (IMF) is predicting that the pandemic has permanently lowered the path of real GDP in sub-Saharan Africa, suggesting a loss of real per capita output of close to 5.6%.

Welcome recovery

It estimates that sub-Saharan Africa's economy will grow by 3.7% this year and 3.8% in 2022.

This recovery is being supported by favourable external conditions on trade and commodity prices as well as improved harvests and increased agricultural production in a number of countries.

“The recovery follows the sharp contraction in 2020 and is, of course, very much welcome,” says Abebe Aemro Selassie, head of IMF’s African Department.

Low vaccination rates

“Sub-Saharan Africa has been hit by a third wave of the pandemic, this time with the more contagious Delta variant, with infection rates often rising to triple, quadruple the rates seen in earlier waves,” says Selassie.

This wave has now eased over the past months or so, but he says there is little reason to believe that there won’t be repeated waves going forward.

“This is also because vaccination efforts in sub-Saharan Africa have been slower than other regions due mostly to stockpiling by advanced countries, export restrictions by major vaccine manufacturing countries, and additional demands for booster shots that we’re seeing in advanced economies that could further compromise supply.

“At the moment, only around three percent of the population in sub-Saharan Africa has been fully vaccinated, in sharp contrast to most advanced economies that are close to the 60% or more level of vaccination,” explains Selassie.

Complex policy environment

Policymakers in sub-Saharan Africa need to navigate an increasingly difficult and complex policy environment.

Against the backdrop of a context of weaker than expected growth, policymakers need to navigate among three formidable pressures:

- Pressing spending needs to address the many social and human capital and infrastructure needs they face.
- Limited borrowing capacity given the already high public debt levels in most cases
- The time consuming and politically difficult nature of mobilising tax revenues.

“How deftly countries navigate this trilemma, as we’ve been calling it, will have a huge bearing on macroeconomic wellbeing of countries as well as economic growth prospects,” says Sela.

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