



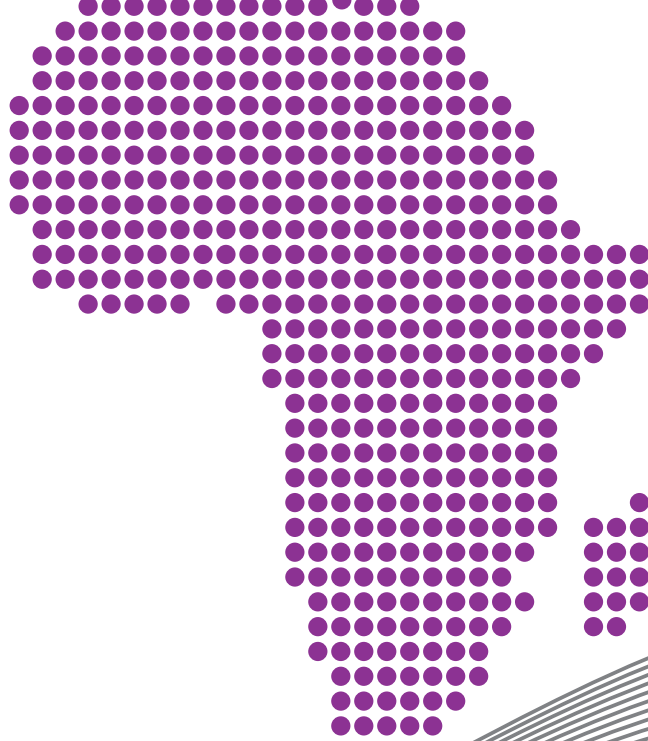
AFRICA'S MACROECONOMIC PERFORMANCE AND OUTLOOK

UPDATE

NOVEMBER 2025



AFRICAN DEVELOPMENT BANK GROUP
GROUPE DE LA BANQUE AFRICAINE
DE DEVELOPPEMENT



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KEY MESSAGES

Despite rising fragmentation and uncertainty in global trade policy, Africa's economic growth outlook has improved. Average real GDP growth is projected at 4.2 percent for 2025 and 4.3 percent for 2026. This growth rate is 0.3 percentage point higher in both periods than the projections in the May 2025 *African Economic Outlook* (AEO), reflecting ongoing reforms and measures to address structural rigidities across several countries. The positive outlook is underpinned by buoyant private consumption spending, accommodative monetary policy, a weaker US dollar that is aiding disinflation, and stronger growth among key trading partners.

Inflation is now projected to average 13.7 percent for 2025 and 10.3 percent for 2026. In 35 countries, projected inflation is below 5 percent for both 2025 and 2026, supported by strengthening domestic currencies, improved weather conditions, and easing food and fuel prices. Double-digit inflation is projected in a dozen countries, driven by structural and macroeconomic challenges, including fiscal and external imbalances, increasing public debt, conflict, climate-related shocks, and supply-demand mismatches.

The average fiscal deficit is projected to widen to 5.1 percent of GDP for 2025, up from the 4.7 percent projected in the May 2025 forecast. The worsening fiscal deficit projection reflects increased interest payments and subdued government revenue due to low export earnings in most countries and low tourism receipts. Declining commodity prices (particularly oil and agricultural products) have reduced the revenue of oil-exporting and non-resource-intensive countries,

while the weaker US dollar is affecting tourism receipts in domestic currencies.

The average current account deficit is projected to improve to 1.9 percent of GDP for 2025 and 2.0 percent for 2026, up from the 2.5 percent for 2025 and the 2.7 percent for 2026 projected in the May 2025 forecast. This is driven by a stronger trade balance, attributable to the favorable import bill resulting from the weaker US dollar. Despite the appreciation of domestic currencies, the improved global growth has also supported export earnings in many African countries. However, increased global trade uncertainty remains a major risk to current account balances across Africa.

Africa's public debt increased by nearly 170 percent to more than \$1.8 trillion between 2010 and 2024. This reflects the large infrastructure financing needs, responses to multiple shocks, and shifts in global financing. In addition, debt composition has shifted from concessional lending toward external commercial sources, non-Paris Club creditors, and domestic borrowing. The share of domestic debt in total debt increased from 29 percent in 2010 to 38 percent in 2023. On the positive side, gross public debt-to-GDP ratios are shrinking, from an average of 66.3 percent in 2023 to 65.5 percent for 2024, and are projected to fall below 65 percent for 2025 and 2026 reflecting stronger nominal GDP growth and tighter fiscal discipline and debt management.

Monetary policy must be carefully calibrated to balance the needs to contain inflation and facilitate growth. Central banks need to exercise

Governments should rationalize spending, improve spending efficiency, target subsidies toward productive investment, and provide social support

prudent judgment in setting monetary and interest rate targets and coordinating policy actions to address emerging challenges.

On the fiscal side, governments should rationalize spending, improve spending efficiency (including in state-owned enterprises), better target subsidies toward more productive and labor-intensive investment, and provide social support to the most vulnerable. Enhancing domestic resource mobilization through digital tax systems, improving tax administration, and curbing resource leaks will strengthen fiscal space for capital and social spending to spur growth.

Comprehensive debt management strategies and coordination across spending agencies on borrowing plans are needed to contain rising debt vulnerabilities. More transparent borrowing and regular reporting of outstanding public debt, integration of contingent liabilities into fiscal frameworks, and stronger parliamentary oversight are needed to keep debt within regulatory borrowing thresholds. Harmonized debt sustainability measures at the regional level, advocacy for a fairer global debt architecture by African countries and partner institutions, and reforms of the Group of 20 Common Framework will help restore debt sustainability.

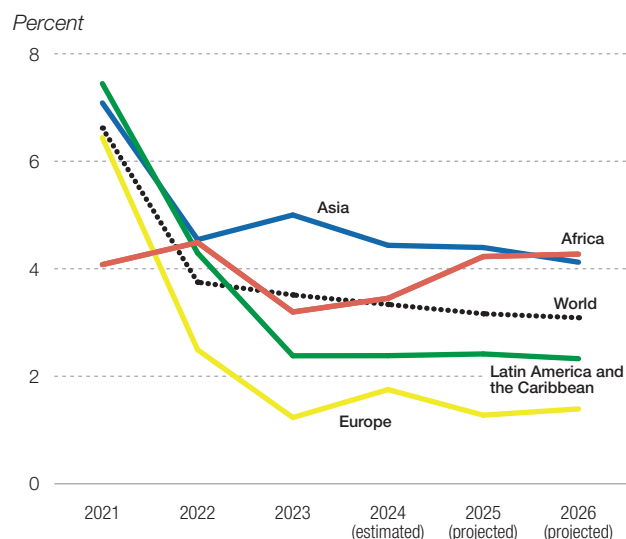
GROWTH PERFORMANCE AND OUTLOOK

Despite rising fragmentation and uncertainty in global trade policy, Africa's economic growth outlook has improved, reflecting the positive impact of ongoing reforms in several countries. The reforms are aimed at enhancing economic resilience by mitigating the effects of shifting global dynamics and addressing domestic structural rigidities. Average real GDP growth for the continent is projected at 4.2 percent for 2025 and 4.3 percent for 2026 (figure 1.1), 0.3 percentage point higher in each year than the projections in the May 2025 African Economic Outlook (AEO).

The improved growth outlook is broad-based, with 26 countries seeing upward revisions to their 2025 growth projections and 33 countries to their 2026 growth projections. This positive outlook reflects stronger than anticipated private consumption spending in some countries, including Egypt, Ghana, Morocco, and South Africa, due to public and private sector wage increases, accommodative monetary policy, a weaker US dollar that is aiding disinflation, stronger growth among key trading partners that is supporting export performance, and the unanticipated front-loading of imports after the April 2025 tariff announcements by the United States. The US Dollar Index fell about 6.7 percent between January and September 2025.¹ The growth outlook has also been strengthened by China's lifting of tariffs on imports from the 53 African countries with which it has diplomatic relations.² These preferential trade policies will lessen the adverse impact of the September 2025 expiration of the US African Growth and Opportunity Act on Africa's exports eligible for duty-free access to the United States.

Despite the overall improved outlook, projected growth for 19 countries for 2025 and 16

FIGURE 1.1 Real GDP growth, by region and for the world, 2021–26



Source: Africa Development Bank statistics and data from IMF (October 2025).

countries for 2026 is lower than the May 2025 projections because of contracting government revenue and widening fiscal deficits. In addition, global trade policy uncertainties are likely to continue shaping international trade dynamics, demand for Africa's exports, its external positions, and hence its growth. Structural weaknesses and institutional inefficiencies that affect large parts of the continent could weaken the growth outlook.³ In addition, the persistence of internal conflicts, especially in Sudan, the Horn of Africa, and the Sahel, will continue to adversely influence investment and economic growth in countries experiencing conflict-induced instability.

Africa's revised real GDP growth projections exceed those for the global average

On the upside, Africa's revised real GDP growth projections exceed those for the global average. The October 2025 *World Economic Outlook* report projects average economic growth for the continent of 3.2 percent for 2025 and 3.1 percent for 2026. Of the other global regions, only Asia is projected to post higher growth, at 4.4 percent for 2025 and 4.1 percent for 2026 (see figure 1.1).

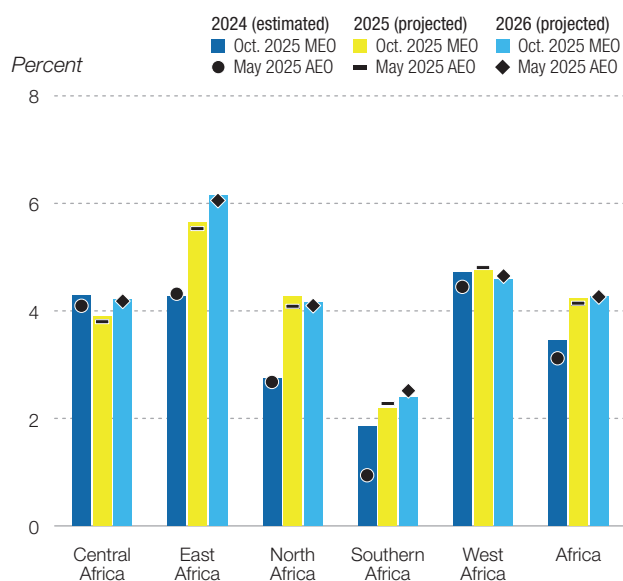
For three of the five African regions, forecasted growth rates have been revised upward in this update (figure 1.2).

- Projected growth in **Central Africa** for 2025 has been revised upward to 3.9 percent from 3.2 percent in the May 2025 AEO forecast. The growth outlook is expected to be broad-based, with five of the region's seven countries seeing upward revisions for 2025. Only Congo's growth outlook was downgraded, to 3.1 percent from the 3.5 percent forecast in the May 2025 AEO, reflecting the impact of lower global oil prices. The oil sector accounts for 25 percent of the country's GDP, 90 percent of exports, and 65 percent of fiscal revenue. The region's growth outlook for 2026 has also been upgraded, to 4.2 percent from 3.9 percent in

the May 2025 forecast. Although the growth outlook has strengthened, trade policy uncertainties and global developments in commodity markets will continue to influence projections in a region where countries depend heavily on commodity exports, including minerals, oil, and gas.

- **East Africa** remains the continent's fastest-growing region, with GDP projected to expand by 5.9 percent for 2025 and 6.2 percent for 2026. Projected growth has been downgraded by 0.3 percentage point for 2025 and upgraded by 0.2 percentage point for 2026 from the May 2025 AEO forecast. The downgrade for 2025, which affects six countries, reflects fiscal pressure that has constrained investment in infrastructure and other growth-enhancing sectors. Growth projections have also been upgraded in Uganda. In five other countries the outlook remains unchanged from the May 2025 AEO forecasts. Sudan could emerge from its Covid-19- and conflict-induced recession, with real GDP growth projected at 1.5 percent for 2025, a great improvement from the contraction of 13.5 percent for 2024. This turnaround is attributed to increased economic activity in the vital hub of Port Sudan. However, the humanitarian crisis emanating from continuing conflict may inhibit growth momentum in the medium term.
- **North Africa's** growth outlook for 2025 has been upgraded to 4.3 percent from 3.6 percent in the May forecasting round. Across the region, the growth outlook has been revised upward between 0.2 percentage point in Algeria (from 3.6 percent to 3.8 percent) and 5.5 percentage points in Libya (from 6.9 percent to 12.4 percent). The large increase in Libya reflects strong recovery in the country's oil production, which averaged 1.4 million barrels a day in January–October 2025, up from about 1.1 million barrels a day in 2024. The 2026 growth outlook for North Africa has also been upgraded from 3.9 percent in the May 2025 AEO forecast to 4.1 percent. Growth in the region is benefiting from increased inflows of foreign direct investment from Europe and the Middle East.
- **Southern Africa's** growth outlook for 2025 remains unchanged from the May forecasting

FIGURE 1.2 GDP growth outlook in Africa, by region, 2024–26



MEO is *Africa's Macroeconomic Performance and Outlook*. AEO is *African Economic Outlook*.

Source: African Development Bank statistics.

round, at 2.2 percent. The growth outlook for 2026, however, has been downgraded from 2.5 percent to 2.4 percent. The absence of decisive structural reforms to deal with energy and transport bottlenecks (South Africa) and limited diversification combined with volatile global commodity prices, notably oil and diamonds (Angola and Botswana), constrain the region's growth. For 2025, 8 of the region's 13 countries are projected to post lower growth rates than in the previous forecast period. Notable downgrades include Eswatini (from 6.5 percent to 4.3 percent), Botswana (from 0.8 percent to -0.8 percent), Malawi (from 3.0 percent to 2.2 percent), Mozambique (from 2.7 percent to 2.0 percent), and Angola (from 3.0 percent to 2.5 percent). These downgrades are offset by the growth upgrade in the region's biggest economy, South Africa, from 0.8 percent to 1.2 percent for 2025. The upgrade follows a rebound in the mining and manufacturing sectors and in energy generation, which has helped ease load shedding.

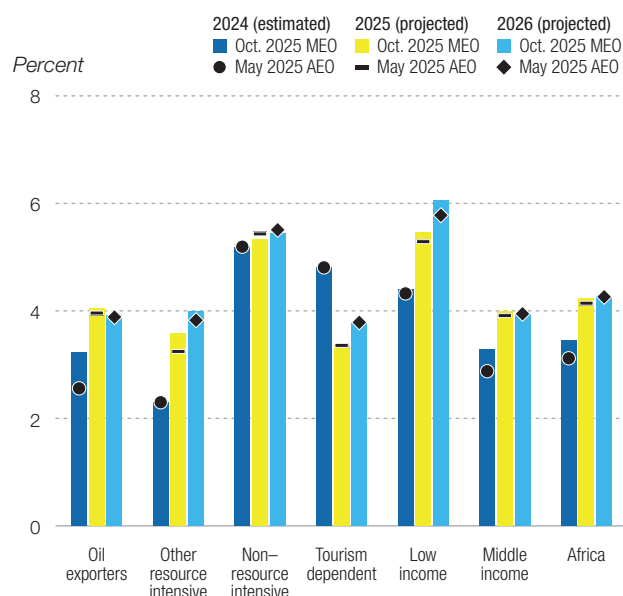
- **West Africa's** growth projections remain strong, sustaining the post-pandemic recovery. The outlook for 2025 is upgraded to 4.8 percent from 4.3 percent in the May 2025 AEO forecast, while the outlook for 2026 is upgraded to 4.6 percent from 4.3 percent. This improvement was led by two of the region's major economies—Nigeria (from 3.2 percent to 4.0 percent) and Ghana (from 4.5 percent to 5.5 percent). The upward revision for Nigeria reflects stronger performance than at the time of the May forecast in the services sector, especially information and communication technologies, finance, and real estate, and reduced exchange rate volatility stemming from higher foreign exchange reserves. In Ghana, improved confidence in the country's reform agenda, traction in debt restructuring, and appreciation of the cedi by more than 20 percent since the beginning of the year have bolstered economic prospects. Counterbalancing improvements in Nigeria and Ghana are growth outlook downgrades for Senegal (from 10.3 percent to 8.1 percent), following revelations of hidden debt, and for Guinea-Bissau (from 5.6 percent to 5.1 percent), due to

volatility in international prices for cashew nuts, the country's main export.

Across countries grouped by economic structure, the growth outlook for resource-rich countries (oil-exporting and other resource-intensive countries) has been upgraded for 2025 (figure 1.3), reflecting increased global demand for commodities. Projected growth has been revised upward for oil-exporting countries, from 3.1 percent to 3.7 percent, and for other resource-intensive countries, from 3.1 percent to 3.5 percent. The projected 2025 growth rate for non-resource-intensive countries, although higher than for resource-rich countries, was revised downward from the previous forecast period, from 5.5 percent to 5.3 percent. The downward revision reflects the widening fiscal deficits in many of these countries. For tourism-dependent economies, projected growth remained stable at 3.4 percent, aided by the strong impetus from infrastructure investment in logistics and transport (Mauritius), digital technology and renewable energy (Cabo Verde and Seychelles) and by ongoing diversification to strengthen the growth contribution of the agricultural and fisheries sectors.

The growth outlook for oil-exporting and other resource-intensive countries has been upgraded for 2025

FIGURE 1.3 Projected GDP growth outlook in Africa, by country grouping, 2024–26



MEO is Africa's Macroeconomic Performance and Outlook. AEO is African Economic Outlook.

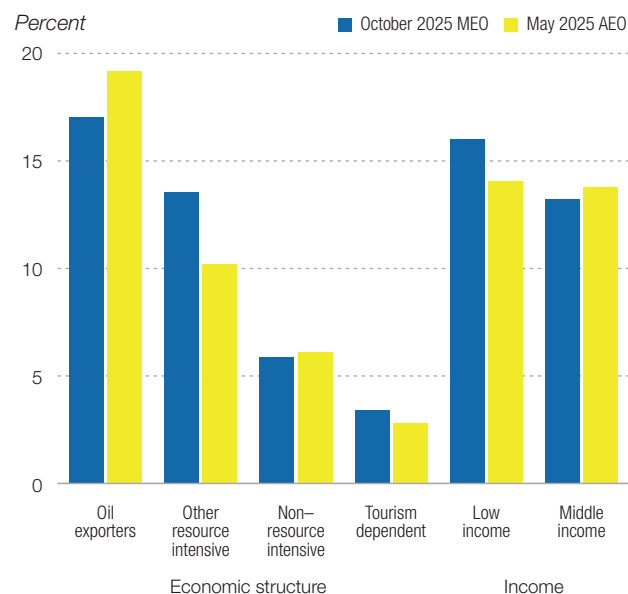
Source: African Development Bank statistics.

OTHER MACROECONOMIC DEVELOPMENTS AND OUTLOOK

Inflation in Africa is projected at 13.7 percent for 2025 and 10.3 percent for 2026. The revised inflation forecast for 2025 is 0.1 percentage point lower than the projection of 13.8 percent in May 2025, while the forecast for 2026 is 0.5 percentage point higher than the May forecast of 9.8 percent. In 35 countries, inflation is projected to fall below 5 percent for both 2025 and 2026. In a dozen countries, double-digit or higher inflation has remained persistent: Angola, Burundi, Egypt, Ethiopia, Ghana, Malawi, Nigeria, São Tomé and Príncipe, South Sudan, Sudan, Zambia, and Zimbabwe. In several of these countries, elevated inflationary pressure is driven by supply constraints arising from adverse weather and conflicts, weak domestic currency, and persistent fiscal and external imbalances. This dichotomy in inflation forecasts points to an emerging two-speed disinflation pattern. One set of countries is converging rapidly toward single-digit inflation, supported by tighter monetary policy, easing food and fuel prices, and improved fiscal management. The other set continues to face macroeconomic and structural challenges, including persistent currency depreciation and the effects of subsidy removal, ongoing conflicts, and climate-related shocks.

Differences in income levels and economic structure further shape this divergence. Low-income countries are expected to record higher inflation of 16.0 percent for 2025, reflecting an upward revision of 1.9 percentage points relative to the previous forecast of 14.1 percent. By contrast, inflation in middle-income economies has been revised downward by 0.6 percentage point, from 13.8 percent to 13.2 percent. A similar pattern emerges across countries grouped by economic structure. Among oil exporters, projected inflation for 2025 has been

FIGURE 2.1 Consumer price inflation projections for 2025, by country grouping, May versus October forecasts



MEO is *Africa's Macroeconomic Performance and Outlook*. AEO is *African Economic Outlook*.

Source: African Development Bank statistics.

revised downward by 2.2 percentage point, from 19.2 percent to 17 percent (figure 2.1). For non-resource-intensive countries, the forecast has also been lowered slightly by 0.2 percentage points, from 6.1 percent to 5.9 percent. In contrast, projected inflation for 2025 has been revised upward from 2.8 percent to 3.4 percent for tourism-dependent economies and from 10.2 percent to 13.5 percent for other resource-intensive economies

As inflationary pressure eases, central banks in many African countries have begun lowering

The fiscal deficit is projected to widen to 5.1 percent of GDP for 2025, up from the 4.7 percent projected in the May forecast

interest rates or paused their contractionary monetary policies in recent months. For example, the Central Bank of Kenya cut its policy rate by 25 basis points to 9.25 percent in October 2025, citing a sustained drop in inflation from 7.7 percent in 2023 to 4.5 percent in 2024. In September 2025, the Central Bank of Angola also cut its policy interest rate, from 19.5 percent to 19 percent, citing easing inflation. The Central Bank of Nigeria cut its benchmark rate by 50 basis points to 27 percent after inflation declined to 20.1 percent in August 2025, marking the first decline in the policy rate since 2020 at the height of the Covid-19 pandemic. Meanwhile, the South African Reserve Bank held its key policy rate at 7.0 percent in September 2025, following earlier cuts, suggesting that its inflation outlook is consistent with the 3–6 percent medium-term target range. Similarly, central banks of Lesotho, Mozambique, the Central African Economic and Monetary Community, and the West African Economic and Monetary Union recently cut policy rates. After initial cuts, the central banks of Morocco, Namibia, and Uganda have kept their policy rates steady for

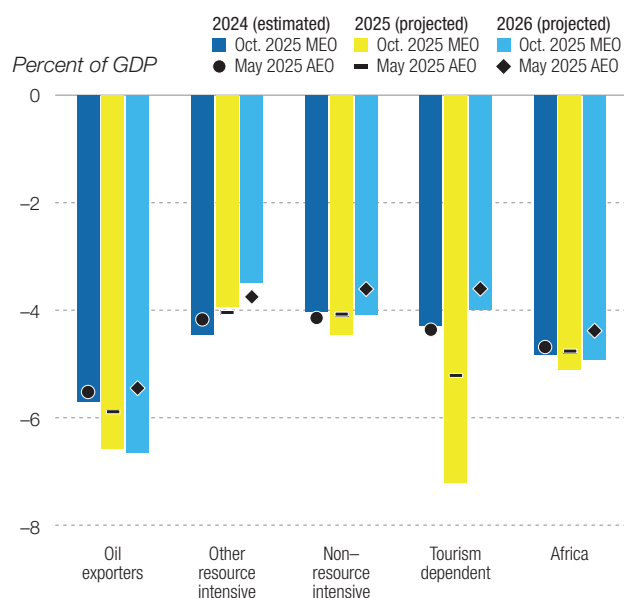
more than five months. Despite these rate cuts and the pause in contractionary monetary policy, risks to the medium-term inflation outlook remain in at least 12 countries.

Africa’s fiscal performance is marked by persistent deficits and emerging spending pressure. The fiscal deficit is projected to widen to 5.1 percent of GDP for 2025 (figure 2.2), up from the 4.7 percent projected in the May forecast, reflecting increased interest payments and subdued government revenue due to low export earnings in most countries and low tourism receipts. The decline in commodity prices (particularly oil and agricultural commodities) has cut the revenue of oil-exporting and non-resource-intensive countries. The weak dollar is also affecting tourism receipts in local currency terms, shrinking revenue for those countries. Similarly, the deficit for 2026 is projected to widen from 4.4 percent of GDP in the May forecasting round to 4.9 percent.

Tourism-dependent economies are projected to record the largest widening in the fiscal deficit for 2025 among countries grouped by economic structure, at 7.2 percent of GDP, up from 5.2 percent in the May forecast. Next are oil exporters, at 6.6 percent of GDP, up from 5.8 percent in May, and non-resource-intensive economies, at 4.5 percent of GDP, up from 4.0 percent in May. The fiscal deficit in other resource-intensive countries is projected to remain broadly stable, narrowing marginally to 3.9 percent of GDP from 4.0 percent in the May forecast. This relative improvement is attributed to rising prices for some minerals, including gold and copper.

The continent’s average current account deficit is projected to narrow to 1.9 percent of GDP for 2025, from the 2.5 percent forecasted in May (figure 2.3). The current account deficit for 2026 is also projected to narrow, to 2.0 percent of GDP, down from the 2.7 percent forecasted in May. Africa’s low degree of trade integration into the global economy and relatively limited exposure to the US market have helped slightly moderate the impact of higher tariffs on the continent’s trade. However, the full impact of the US tariffs announced in August is

FIGURE 2.2 Projected fiscal balance, by country grouping, 2024–26



MEO is Africa’s Macroeconomic Performance and Outlook. AEO is African Economic Outlook.

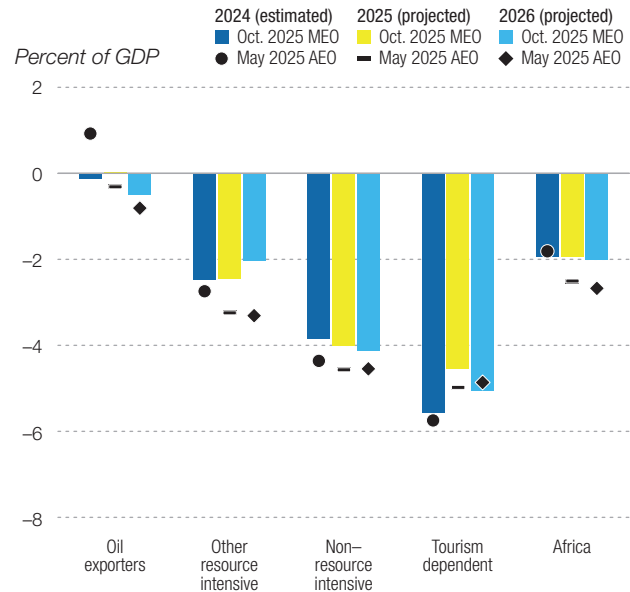
Source: African Development Bank statistics.

still unfolding, exacerbating the continuing global trade uncertainty.

The current account deficit is projected to narrow across all country economic groups in 2025.

In tourism-dependent economies, the average deficit is projected to narrow from the May 2025 AEO forecast, from 5.0 percent of GDP to 4.5 percent for 2025, but to widen from 4.9 percent of GDP to 5.1 percent for 2026. For this country group, the widening deficit in 2026 reflects increased government imports and anticipated moderation in tourism growth due to increased global uncertainty. Oil-exporting countries are now projected to have a balanced current account for 2025, erasing the 0.3 percent of GDP deficit forecasted in May, reflecting increased export volumes. The improved current account position for the group is driven mainly by Nigeria, whose current account balance is projected to be 6.6 percent of GDP for 2025. For other resource-intensive economies, the current account deficit is projected to narrow from the May 2025 projections, from 3.2 percent of GDP to 2.5 percent for 2025 and from 3.3 percent to 2 percent for 2026. Several countries in this group are projected to record current account surpluses for 2025—2.9 percent of GDP for Ghana, 1.8 percent for Zimbabwe, and 0.5 percent for Zambia—supported mainly by strong gold and copper export performance.

FIGURE 2.3 Projected current account balance, by country grouping, 2024–26



MEO is Africa's Macroeconomic Performance and Outlook. AEO is African Economic Outlook.

Source: African Development Bank statistics.

RISING DEBT PRESSURE AND DEVELOPMENT FINANCING TRADEOFF

Africa's public debt has increased sharply in nominal terms over the past decade—by nearly 170 percent, to above \$1.8 trillion—driven in part by infrastructure financing needs and spending pressure in response to multiple shocks. The resurging debt also reflects a combination of structural and global financial shifts. On the positive side, debt-to-GDP ratios are declining, from an average of 63.9 percent in 2023–24 to a projected 62.0 percent for 2025 and 61.4 percent for 2026.⁴ The decline reflects the recent rebound in economic growth and fiscal consolidation in several countries.

Despite the decline, debt vulnerabilities remain, due mostly to the changing composition of debt and associated servicing costs. The structure and composition of public external debt in Africa have shifted from concessional lending toward commercial borrowing, including eurobonds, and financing from non-Paris Club creditors, driving up debt service costs. Commercial borrowing's share of total borrowing increased from 35 percent in 2010 to 46 percent at the end of 2023.

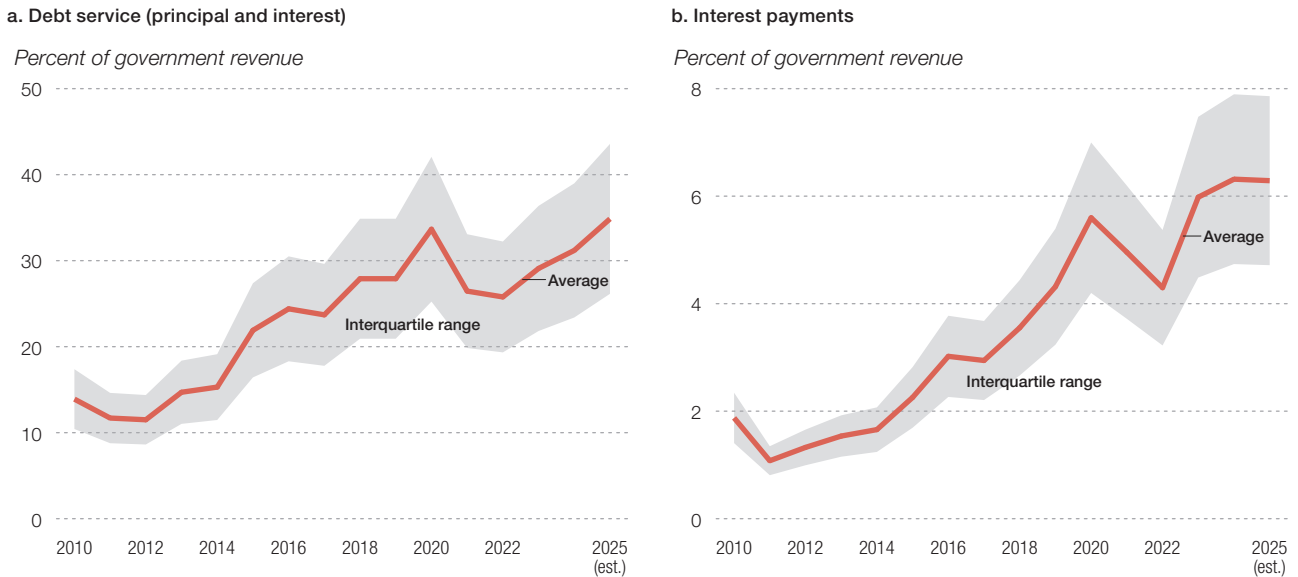
Facing low revenue, limited access to international financing, and growing spending pressure, African countries have resorted to domestic borrowing to diversify their financing sources, cover the resource shortfall, and reduce exposure to exchange rate risk associated with external debt. Sustained domestic borrowing has increased domestic debt's share of total debt from 29 percent in 2010 to 38 percent in 2024, bringing it to nearly \$500 billion. In frontier market economies with deep local bond markets, domestic debt has accounted for more than 50 percent of total public debt since 2021. Commercial banks remain the primary holders of government securities, heightening

sovereign bank links and increasing the likelihood of transmitting fiscal risk to the banking sector. These concentrated sovereign debt holdings constrain private sector credit, crowd out productive investment, and weaken job creation and long-term growth prospects. Although domestic debt can be restructured more easily because it is issued under domestic regulations, such operations can have adverse effects on the financial system and private credit conditions. Ghana's 2022 default illustrates this vividly: with about half its total debt owed to domestic creditors, the ensuing \$17.5 billion restructuring led to a 9.5 percent contraction in credit to the private sector in October 2023.

Higher commercial borrowing to cover revenue shortfalls has compounded debt vulnerability across the continent as debt servicing costs have risen. As of September 2025, 7 African countries were in debt distress, and 13 were at high risk of debt distress. The consequences of the soaring debt service costs for Africa's development are considerable. The average share of government revenue devoted to external debt service (principal and interest) rose from 11.7 percent in 2011 to over 31 percent in 2024, with the interquartile range widening across countries (figure 3.1a). In 2024, African countries allocated an average of 6.3 percent of government revenue to interest payments on external debt (figure 3.1b). Interest cost as a share of revenue exceeded 10 percent in Angola, Ghana, Guinea-Bissau, Senegal, and Zambia. Of the 51 African countries with data, 25 spent more on interest payments than on healthcare between 2021 and 2023 (figure 3.2).

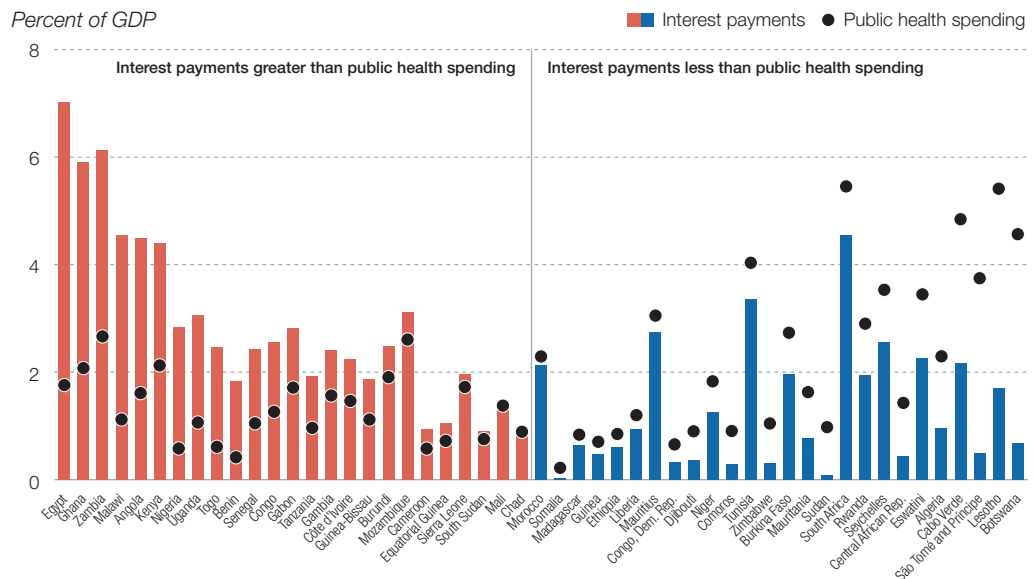
Several interrelated challenges undermine debt sustainability in Africa. First, the cost of

FIGURE 3.1 Public external debt service and interest payments, 2024



Source: African Development Bank staff calculations using data from the World Bank International Debt Statistics database.

FIGURE 3.2 Interest payments on public external debt and health spending, 2021–23



Source: African Development Bank staff calculations using data from the World Bank International Debt Statistics database and World Development Indicators database.

servicing debt has increased due to rising global interest rates, heightened sovereign risk perceptions, and currency depreciation. These factors have amplified the burden of debt repayment. Second, limited transparency and fragmented creditor coordination—particularly among bilateral,

private, and emerging lenders—complicate and slow debt restructuring. Third, domestic resource mobilization in many African countries is low, with tax-to-GDP ratios averaging only 14 percent. This leaves limited scope for financing development domestically and for absorbing adverse shocks.

Fourth, macroeconomic and climate-related shocks—including commodity price volatility, extreme weather events, and conflict—exacerbate fiscal stress, especially in resource-rich and fragile states. Fifth, weaknesses in public financial management—including challenges in budget execution and oversight, growing subventions to and contingent liabilities from state-owned enterprises, and off-budget borrowing—further undermine fiscal sustainability and increase debt-related risk.

The cost of servicing debt has increased, transparency and coordination are limited, domestic resource mobilization is low, shocks and volatility add to fiscal stress, and public financial management undermines sustainability

FORCES SHAPING THE MEDIUM-TERM ECONOMIC OUTLOOK

Multiple factors shape Africa's medium-term growth outlook. These include lingering inflation in some countries, the improved global growth outlook, and commodity prices. Countries experiencing lingering inflationary pressure face a difficult tradeoff: either implement additional disinflationary measures—which could dampen the growth outlook—or pause contractionary policies to spur economic activity—which could propagate inflationary pressure and de-anchor inflation expectations. The safer action would be to implement contractionary monetary policy to tame inflation, while treading carefully on the fiscal front, given already stretched budgets. Persistent inflationary pressure in countries with double-digit or higher rates could hurt real output through the sacrifice ratio, where the speed of disinflation hurts economic activity.⁵

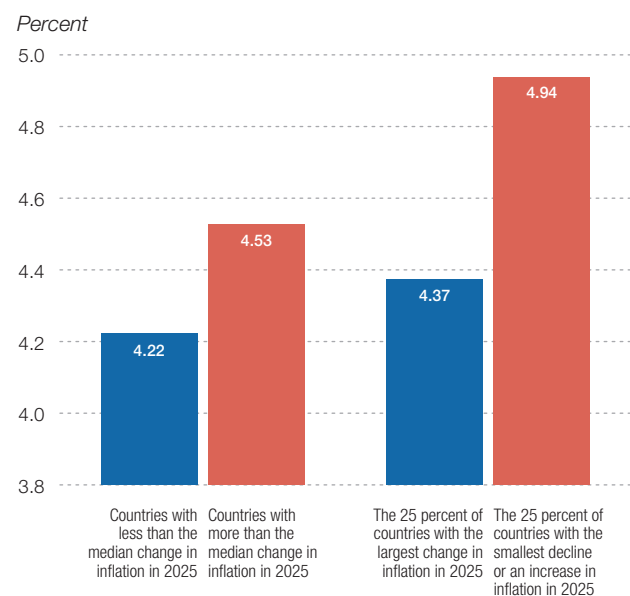
The countries with the largest projected decline in inflation in 2025 are projected to have lower GDP growth. Countries with less than the median change in inflation are projected to grow by 0.3 percentage point less than countries with more than the median change (figure 4.1). But the growth impact varies across countries depending on how much inflation deviates from the target in inflation-targeting countries, whether inflation is driven by cost-push or demand-pull factors, the credibility of monetary policy, and the degree of inflation expectations.

Emerging signs of resilience in the global economy bode well for Africa's growth prospects, though uncertainty remains. The improved global growth outlook—coupled with recent improvements in global financial markets (marked by rebounding equity markets), a

weakening US dollar, and stabilizing policy rates in advanced economies—has created favorable external conditions for Africa. The continent stands to benefit from continued global resilience and improved economic prospects through traditional trade, investment, and remittance channels.

The impact of uncertainty around US tariff policy on Africa's medium-term growth outlook is mixed. The revised growth projections for 2025 and 2026 reflect the effect of updated US tariffs on African exports. Except for Cameroon, Chad, Democratic Republic of Congo, and Nigeria, where US tariffs were raised by 1–4 percentage points in August 2025, tariff rates across

FIGURE 4.1 Projected average GDP growth in 2025, by extent of inflation reduction



Source: African Development Bank staff calculations based on African Development Bank statistics.

Developments in commodity prices will continue to shape Africa's medium-term growth outlook

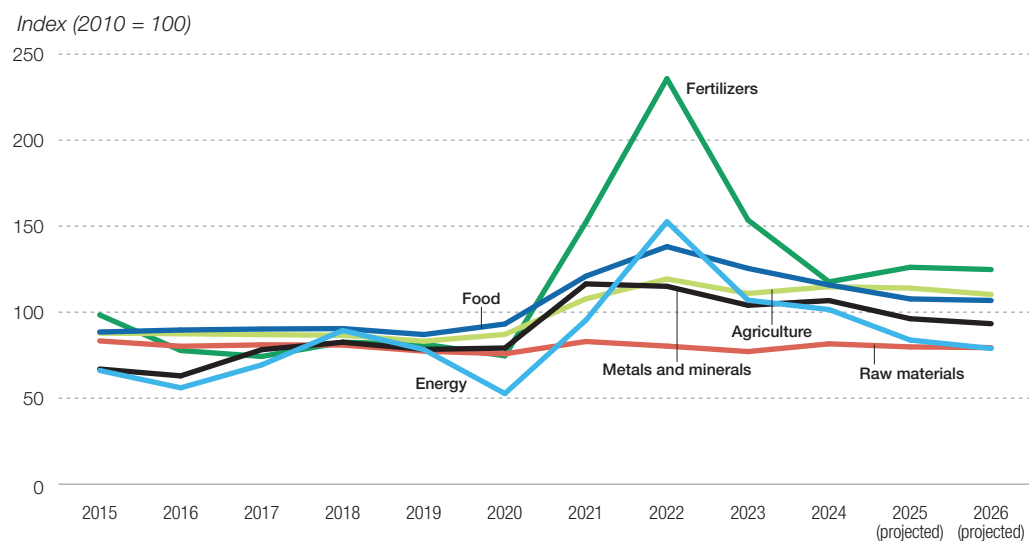
Africa remain broadly aligned with the April 2025 announcements or have been reduced.⁶ This is all against the backdrop of Africa's low trade with the United States, estimated at 5.0 percent of total US exports to the rest of the world and 4.9 percent of total US imports.⁷ The African Development Bank and the United Nations Economic Commission for Africa estimate that a baseline 10 percent tariff rate would lead to a 0.21–0.70 percent decline in the continent's GDP. But 12 African countries whose value of exports to the United States is above the continental average will bear the brunt of the higher tariffs.

Developments in commodity prices will continue to shape Africa's medium-term growth outlook. The recent breakthrough in peace negotiations in the Middle East has eased concerns over disruptions to global oil supply. Energy prices are projected to decline by 17.5 percent in 2025 and by 6 percent in 2026 (figure 4.2), driven by strong supply from Organization of the Petroleum

Exporting Countries members and nonmember partners (known as OPEC+), as well as other producers, and the ongoing energy transition, including growth in electric vehicles. Lower oil and natural gas prices could support economic growth in net oil-importing countries by containing inflationary pressure. Similarly, food prices are expected to fall by about 7 percent in 2025 before stabilizing in 2026, providing relief to households and supporting food security.

The price of gold has nearly doubled since the beginning of 2023—passing \$4,000 per troy ounce for the first time in October 2025—as central banks increase reserves and investors seek safe-haven assets. And the price could remain high as uncertainties persist, which would cushion the impact of lower revenue from other commodities in gold-exporting countries such as Burkina Faso, Ghana, Mali, and South Africa. But the prices of metals and minerals are projected to decline by an average of 6.4 percent for 2025 and 2026, which could harm mineral-rich countries.

FIGURE 4.2 Global commodity price indices, 2015–2026



Source: Staff calculations based on data from the World Bank Commodity database.

RISKS TO THE OUTLOOK

Risks to Africa's outlook are tilted to the downside.

DOWNSIDE RISKS

The combination of macro-fiscal and geopolitical pressures amplifies the downside risks to Africa's growth outlook, weakens resilience to shocks, and complicates policy reforms. Rising debt-service burdens, constrained fiscal space, low external reserves, and political tensions threaten to delay economic reforms and structural transformation. As financing needs increase, governments may be pushed into procyclical austerity or costly short-term borrowing. Lower policy rates in advanced economies are easing global financial conditions, with some African countries returning to the eurobond market in 2025. For instance, Kenya raised \$1.5 billion in the eurobond market in October 2025, followed by Angola, with a \$1.75 billion issuance.

But even with lower policy rates, borrowing costs remain high because sovereign yield spreads are still above pre-Covid-19 pandemic levels. This could undermine African countries' ability to finance long-term investment, respond to climate shocks, and support vulnerable people. A recent Moody's report on three of Africa's largest markets—Kenya, Nigeria, and South Africa—points to high borrowing costs despite easing global financial conditions.⁸ The 10-year yield on South Africa's dollar-denominated debt averaged more than 10 percent during the first half of 2025, well above rates in other emerging market economies. Limited access to affordable

capital is compounded by declining concessional financing and by bilateral donors' aid cuts amid reprioritization of domestic policies and fiscal constraints. This funding squeeze could have adverse macroeconomic and growth implications for African countries.

Political instability in parts of the Horn of Africa and the Sahel remain a major downside risk to the continent's growth outlook.

Protracted conflicts disrupt economic activity and divert scarce resources from development priorities and other growth-enhancing investment to military spending. In addition, capital inflows to these countries have slowed, project financing has fallen, and diplomatic tensions with regional blocs have disrupted trade and financial links. Persistent political instability can also spill over national borders, affecting trade activity in neighboring countries. The fluidity of these shocks means that Africa's growth outlook will evolve in line with trends in these political environments.

Fiscal distress and political instability are mutually reinforcing.

African countries experiencing fiscal constraints and debt challenges face a greater risk of social discontent, while fragile political environments undermine fiscal reform and delay debt-restructuring negotiations. Fragility compounds debt vulnerability by eroding domestic revenue collection, increasing military and emergency spending, and reducing the effectiveness of budget planning. Persistent sovereign debt vulnerabilities in major economies—combined with escalating instability in parts of Africa, such as the Sahel region—could create a drag on the continent's growth outlook.

Evolving geopolitical dynamics, trade friend-shoring, and new economic powers are reshaping the global economic order and altering trade and investment patterns, with major implications for Africa. Despite recent breakthroughs in peace negotiations in the Middle East, the outlook for a lasting de-escalation of the multiple conflicts remains uncertain. The evolution of these conflicts and the extent to which they disrupt global supply chains and commodity markets will affect the continent's growth trajectory. The current tensions already constrain Africa's growth potential by amplifying uncertainty and fragmentation, dampening global demand, and reducing export and capital inflows to the continent.

Faster decline in inflationary pressure in countries with high inflation could accelerate growth over the medium term

The increasing global fragmentation is shaping Africa's growth performance and outlook. The shift from broad multilateral cooperation toward more localized, bloc-based relations has yielded mixed results.⁹ Although fragmentation could offer new opportunities through South–South alliances, with Brazil, China, India, Russia, and Türkiye seeking new markets, resources, and spheres of influence, Africa has yet to fully seize these prospects. In addition, low-income countries, many of them in Africa, are most exposed to these losses because of their participation in global trade, mostly as price-takers.

UPSIDE RISKS

Faster decline in inflationary pressure in countries with high inflation could accelerate growth over the medium term. Many African countries are easing monetary policy in line with low inflation and a favorable outlook. Subdued global commodity prices since the start of 2025 could further benefit from the recent Middle East peace agreement and accelerate the decline in inflation in countries with double-digit or higher rates, which would provide more headroom for accommodative monetary policy. Should this happen, the medium-term growth outlook would be stronger than currently projected.

Accelerating implementation of the African Continental Free Trade Area (AfCFTA) could boost intra-Africa trade and medium-term growth. Ongoing uncertainty in trade policy provides African countries reasons to accelerate AfCFTA implementation by decisively addressing nontariff barriers, slow border procedures, and regulatory disparities. Addressing these bottlenecks would boost intra-Africa trade and improve growth prospects.

POLICY RECOMMENDATIONS

Monetary and exchange rate policies should be carefully calibrated to avoid overly tight stances that could suppress growth and excessive easing that could further strengthen already high inflationary pressure. Central banks will need to exercise prudent judgment in setting monetary and interest rate targets and coordinating policy actions.

On the fiscal side, governments should rationalize recurrent spending and improve the efficiency of public spending, including in state-owned enterprises. Governments need to strengthen fiscal governance by addressing leaks in public resource management and improving transparency and accountability in budget execution. Public investment programs need to be progressively restructured to channel resources toward productive and labor-intensive sectors, such as infrastructure and agriculture, while better targeting social transfers to protect the most vulnerable. Such reforms will enhance the quality and credibility of public spending, create jobs, and promote more inclusive and sustainable growth.

On the supply side, addressing structural bottlenecks and strengthening supply chains are essential to improving value addition for sustained growth. Rising global fragmentation underscores the urgency to deepen intra-Africa trade under the African Continental Free Trade Area (AfCFTA), diversify production and export bases, and build resilience against external shocks. This will provide an opportunity to

strengthen the AfCFTA's negotiating power and align its international engagements with regional development goals. While uncertain trade policy highlights the risk of overrelying on extracontinental markets and global value chains, it presents an opportunity to accelerate regional integration and strengthen institutional capacity.

On the debt side, a comprehensive policy response is needed to reduce debt vulnerabilities while safeguarding development financing. Strengthening fiscal governance and debt management is a critical first step, requiring more transparent and regular reporting of public debt, integration of contingent liabilities into fiscal frameworks, and stronger parliamentary oversight. Enhancing domestic resource mobilization by modernizing and digitalizing tax systems, improving tax administration, and curbing leaks and inefficiencies is essential. At the regional level, greater coordination to promote harmonized debt sustainability practices and build early warning systems will enable governments to proactively manage risk and learn from shared experiences. At the international level, the African Development Bank and African countries must continue to advocate for a fairer and more effective global debt and financing architecture. Reform of the Group of 20 Common Framework to ensure timely, predictable, and inclusive restructuring, especially by engaging private and non-Paris Club creditors, is vital to restoring debt sustainability and aligning relief with the continent's long-term development goals.

NOTES

1. Board of Governors of the Federal Reserve System (US), Nominal Broad U.S. Dollar Index [DTWEX-BGS], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/DTWEXBGS>, November 1, 2025.
2. China's zero tariff policy applies to all 53 African countries with which it has diplomatic relations. It does not apply to Eswatini, which has diplomatic relations with Taiwan.
3. African Development Bank Group. 2025. *African Economic Outlook 2025*. African Development Bank Group.
4. African Development Bank Group. 2025. *Macroeconomic Performance and Outlook Report 2025*. African Development Bank Group.
5. The sacrifice ratio is defined as output loss per percent inflation decline. For estimates for South Africa, see International Monetary Fund, African Department, 2025, "Macroeconomic Effects of a Potential Change in South Africa's Inflation Target," *South Africa: Selected Issues* 029: 48–66, <https://www.elibrary.imf.org/view/journals/002/2025/029/article-A003-en.xml>.
6. For example, the rate announced in April 2025 was 32 percent for Angola, 37 percent for Botswana, 21 percent for Côte d'Ivoire, 50 percent for Lesotho, 47 percent for Madagascar, and 40 percent for Mauritius; for all six countries, the rate implemented was 15 percent (Sophia Busch, 2025, "Trump Tariff Tracker," Atlantic Council, <https://www.atlanticcouncil.org/programs/geoeconomics-center/trump-tariff-tracker/>).
7. Africa Union Commission, United Nation Economic Commission for Africa, and African Development Bank. 2025. Impacts of Increased US Tariffs on Africa.
8. <https://www.moody's.com/web/en/us/insights/credit-risk/emerging-markets/credit-conditions-south-africa-kenya-nigeria.html>.
9. Shekhar Aiyar et al. 2023. *Geoeconomic Fragmentation and the Future of Multilateralism*. International Monetary Fund.

Despite rising fragmentation and uncertainty in global trade policy, Africa's economic growth outlook has improved. Average real GDP growth is projected at 4.2 percent for 2025 and 4.3 percent for 2026. This growth rate is 0.3 percentage point higher in both periods than the projections in the May 2025 *African Economic Outlook* (AEO), reflecting ongoing reforms and measures to address structural rigidities across several countries. The positive outlook is underpinned by buoyant private consumption spending, accommodative monetary policy, a weaker US dollar that is aiding disinflation, and stronger growth among key trading partners.

Comprehensive debt management strategies and coordination across spending agencies on borrowing plans are needed to contain rising debt vulnerabilities. More transparent borrowing and regular reporting of outstanding public debt, integration of contingent liabilities into fiscal frameworks, and stronger parliamentary oversight are needed to keep debt within regulatory borrowing thresholds. What will help restore debt sustainability? Harmonized debt sustainability measures at the regional level, advocacy for a fairer global debt architecture by African countries and partner institutions, and reforms of the Group of 20 Common Framework.

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