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AFRICAN ECONOMIC OUTLOOK 2026

Mobilizing Africa's Development Financing at Scale in a Fragmented World

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Presentation outline

01 Africa's Economic Performance and Outlook

02 Mobilizing Capital at Scale for Accelerated and Resilient Growth in Africa

03 Strengthening and Consolidating Africa's Financial Systems and Agency in the Changing World

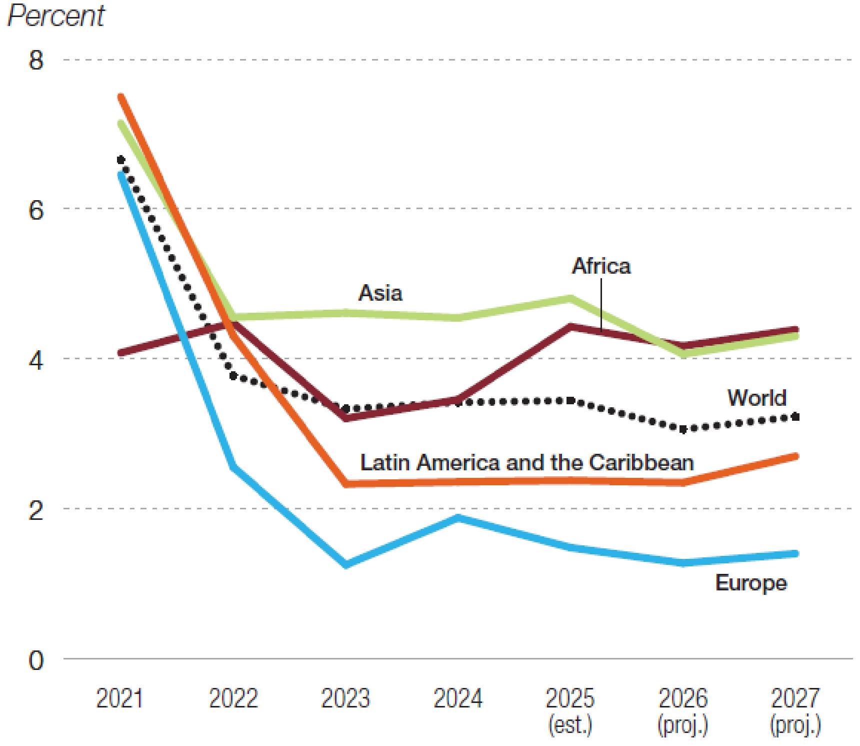
04 Policy Recommendations and Key Actions

CHAPTER 1

Africa’s Economic Performance and Outlook

African Economies Continue to Demonstrate Remarkable Resilience Despite Recurrent Global Shocks and Increased Fragmentation

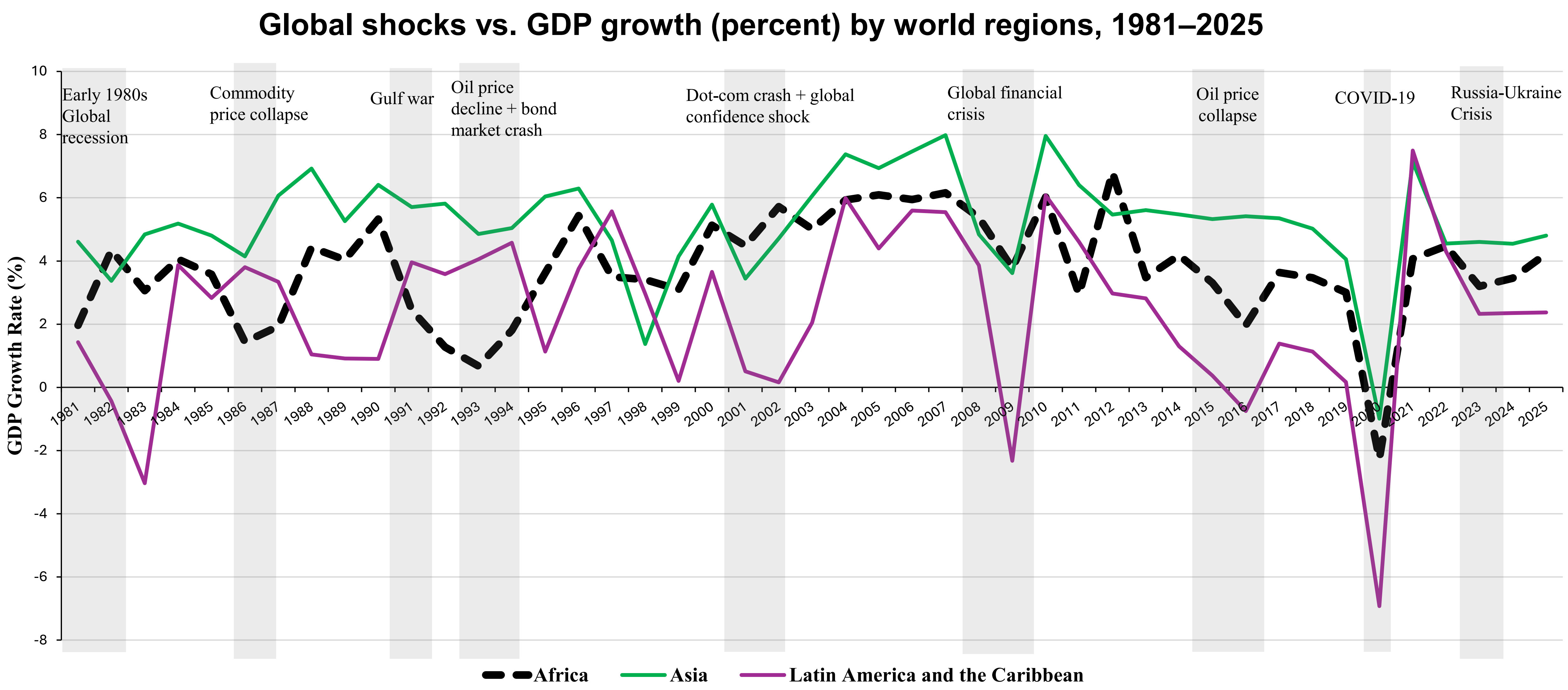
Real GDP growth:
Africa and other regions I 2021 - 2027



Source: African Development Bank statistics

01	Real GDP growth estimated at **4.4%** in **2025**, up from **3.5%** in **2024,** higher than the global average of **3.4%**.
02	Growth was broad-based, **36** countries expanded**, 22** of them by more than **5%**; and **6** countries exceeded **7%**.
03	In 2025, **12 of the 20 fastest growing economies** in the world were African.
04	Impacts of ongoing Middle East Conflict on food, fuel and fertilizer prices will impact growth outlook in 2026.
05	Two Scenarios: Real GDP growth is projected to moderate to **4.2%-4.0%** in **2026, if conflict is resolved in 3 or 6 months, respectively.**
06	Real GDP Growth to recover to **4.4%** in **2027,** demonstrating continued resilience.

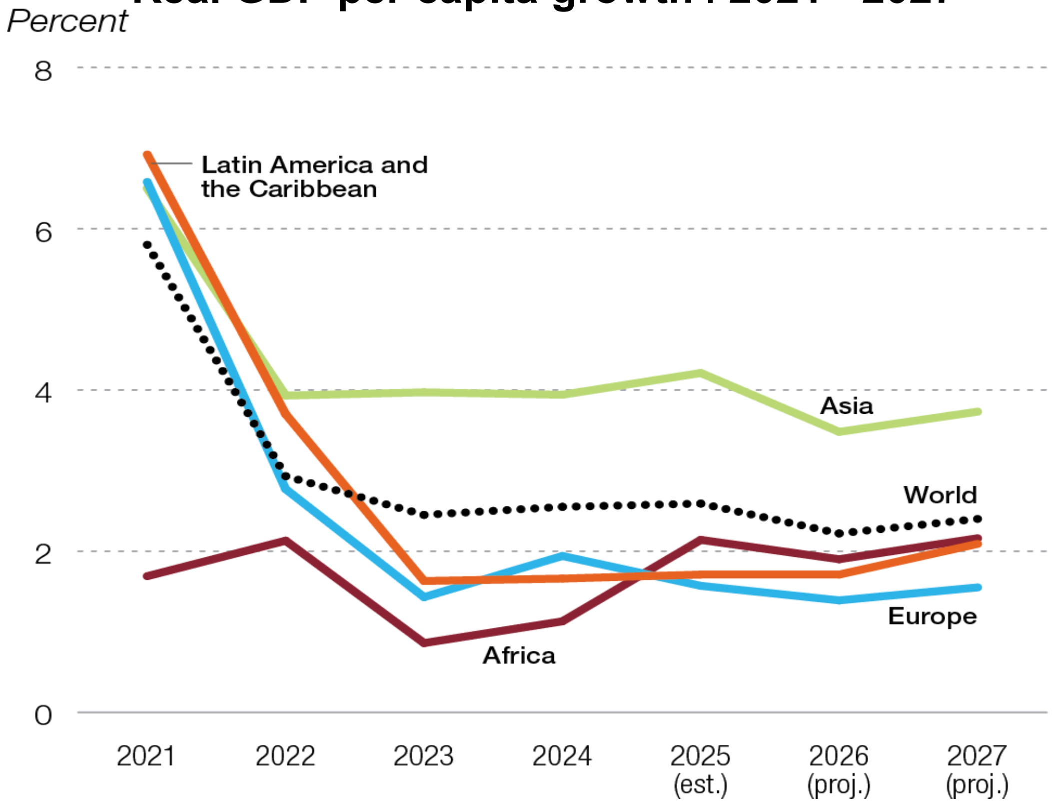
Impacts of Multiple Shocks and Global Fragmentation on Africa's Growth Performance



Source: African Development Bank Statistics. Notes: e – estimated; p - projected

Africa's Resilience Paradox: High Real GDP Growth Rates Not Driving Structural Transformation, Job Creation and Poverty Reduction

Real GDP per capita growth | 2021 - 2027



Source: African Development Bank Statistics and World Economic Outlook, Updated October 2025.
Notes: e – estimated; p - projected

01 Africa's GDP per capita growth: **2.1%** (2025), **1.1%** (2024). Projections: **1.9%** (2026) and **2.2%** (2027), less than global average of **2.2%** (2026) and **2.4%** (2027)

02 Below minimum threshold (**3.5%**) needed to reduce poverty and inequality.

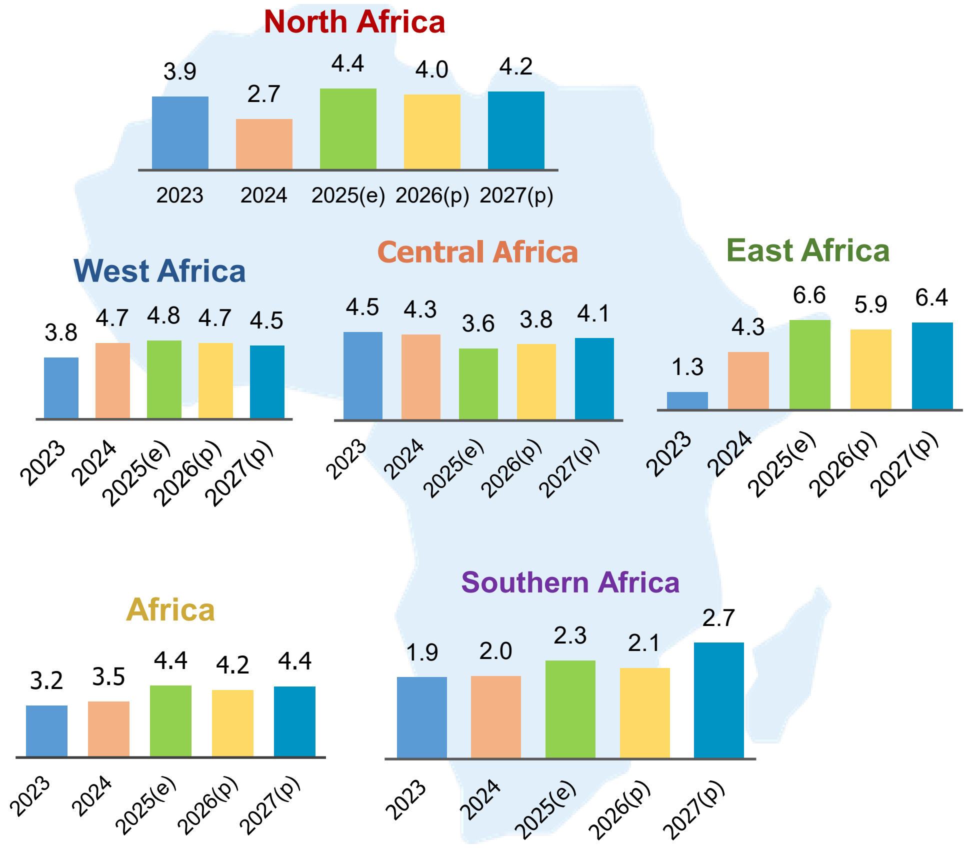
03 Top **10% of Africa's population** accounts for **40–65%** of total income.

04 Close to **9 out of 10** of the **world's extremely poor people** will be in Africa by 2030.

05 **Strategic policies and investments** in jobs for youths and women and better distribution of wealth creation opportunities required

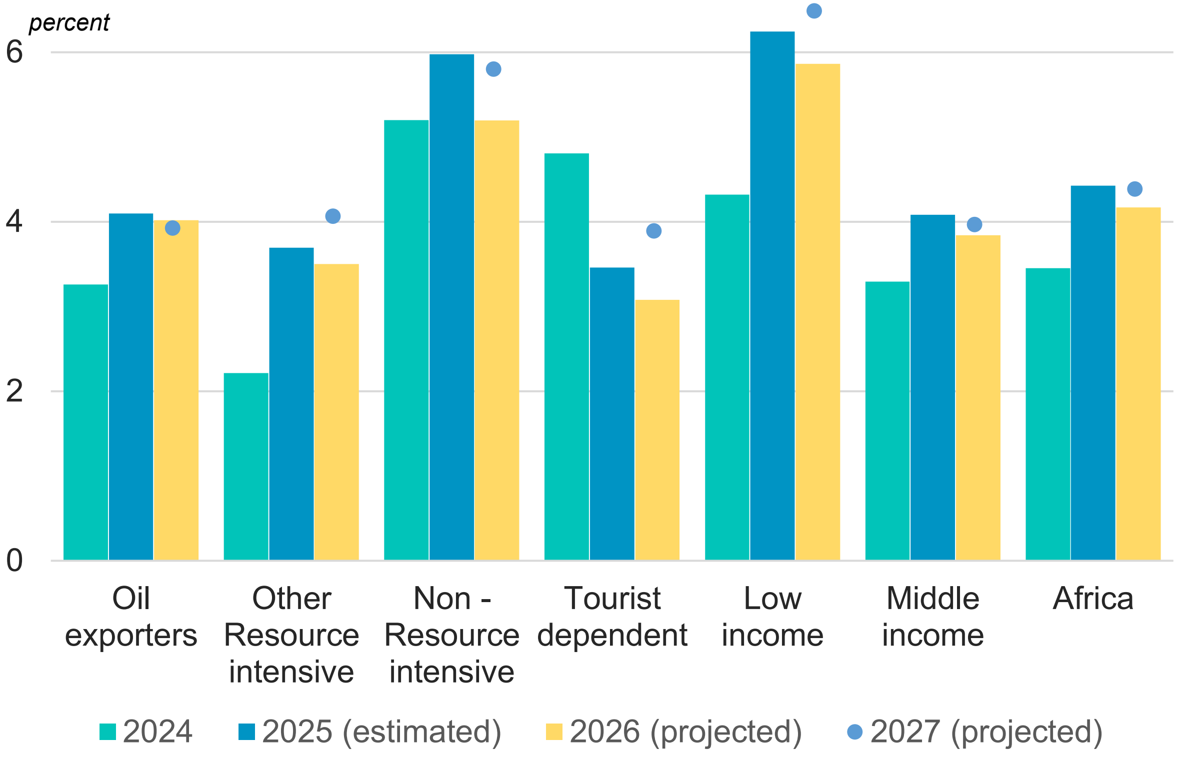
Resilience Capacity, Growth Performance and Impacts of Shocks and Global Fragmentation Vary by Region and Economic Structure

(a) Real GDP growth (percent) by region, 2024 – 2027



Source: African Development Bank Statistics

(b) Real GDP growth by country groupings, 2024 – 2027

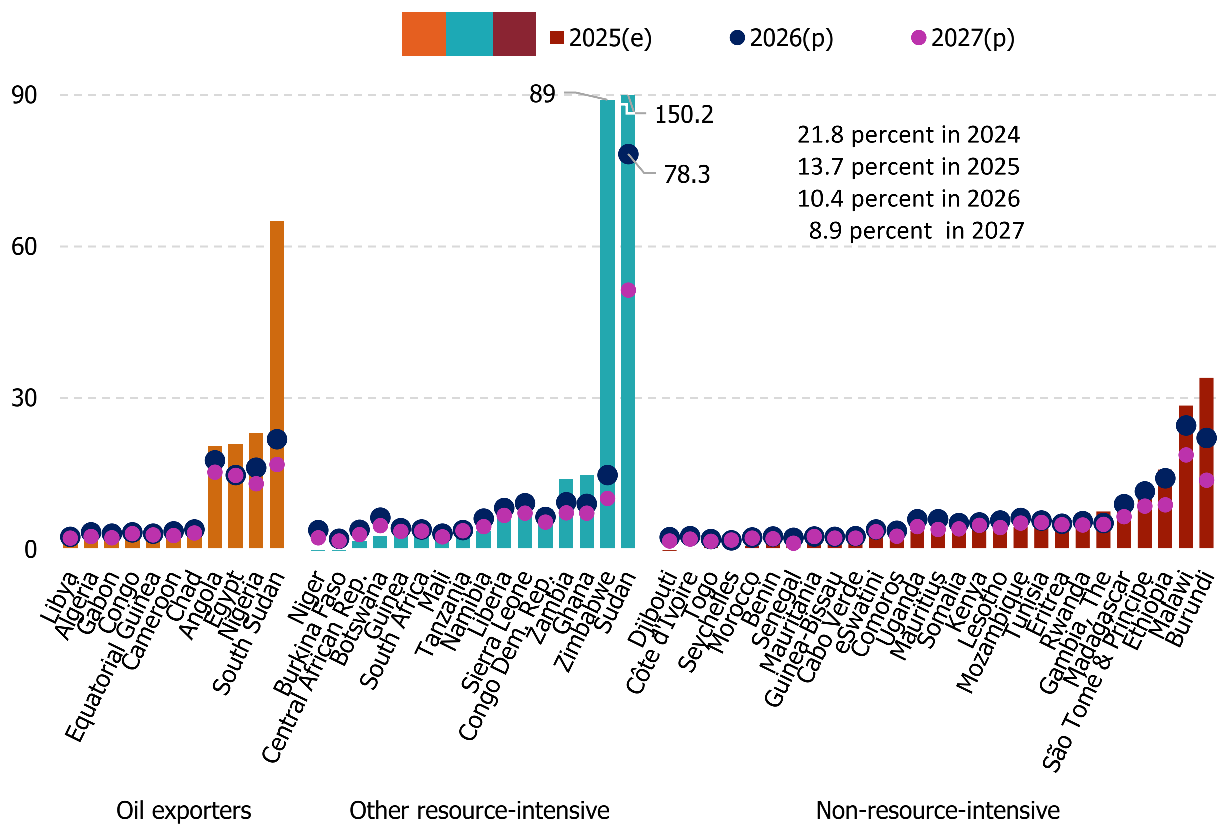


Source: African Development Bank Statistics

Macroeconomic Fundamentals

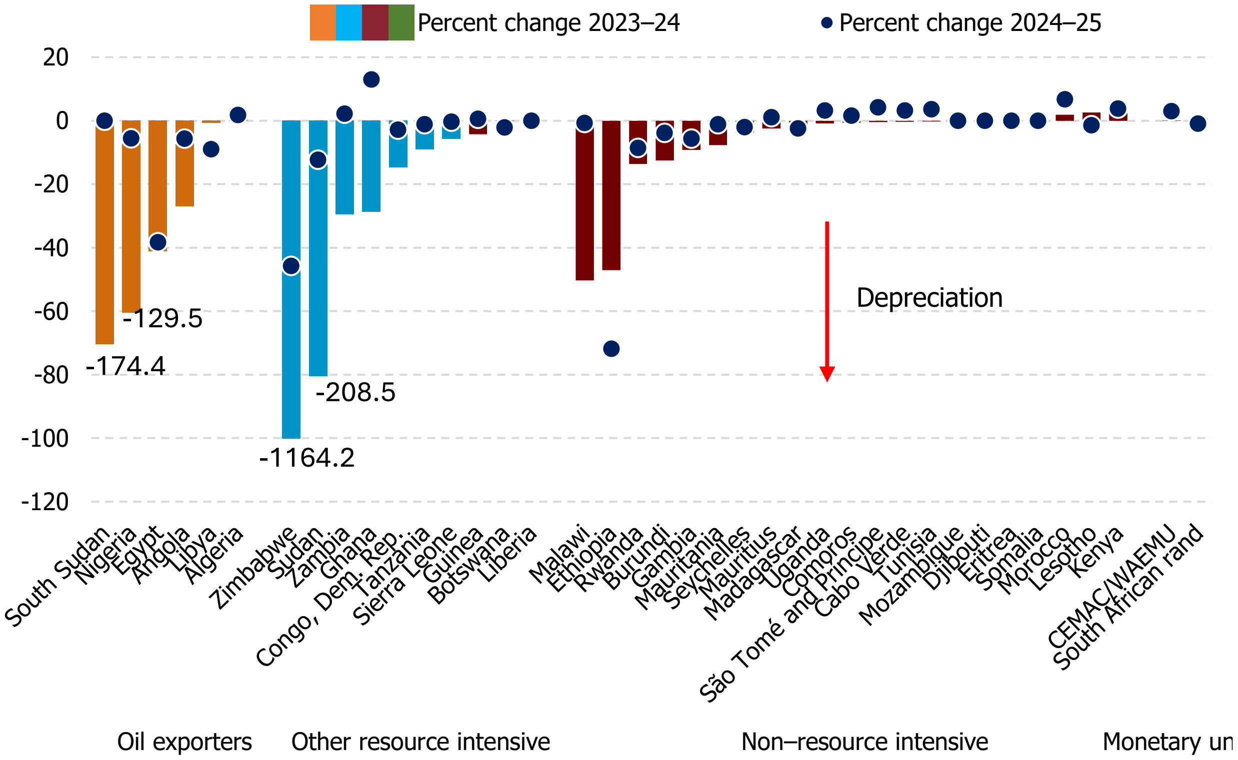
Africa’s Macroeconomic Fundamentals are Improving, Despite Emerging Global Shocks

A Consumer price inflation (percent per annum), 2025 - 2027



Source: African Development Bank Group statistics

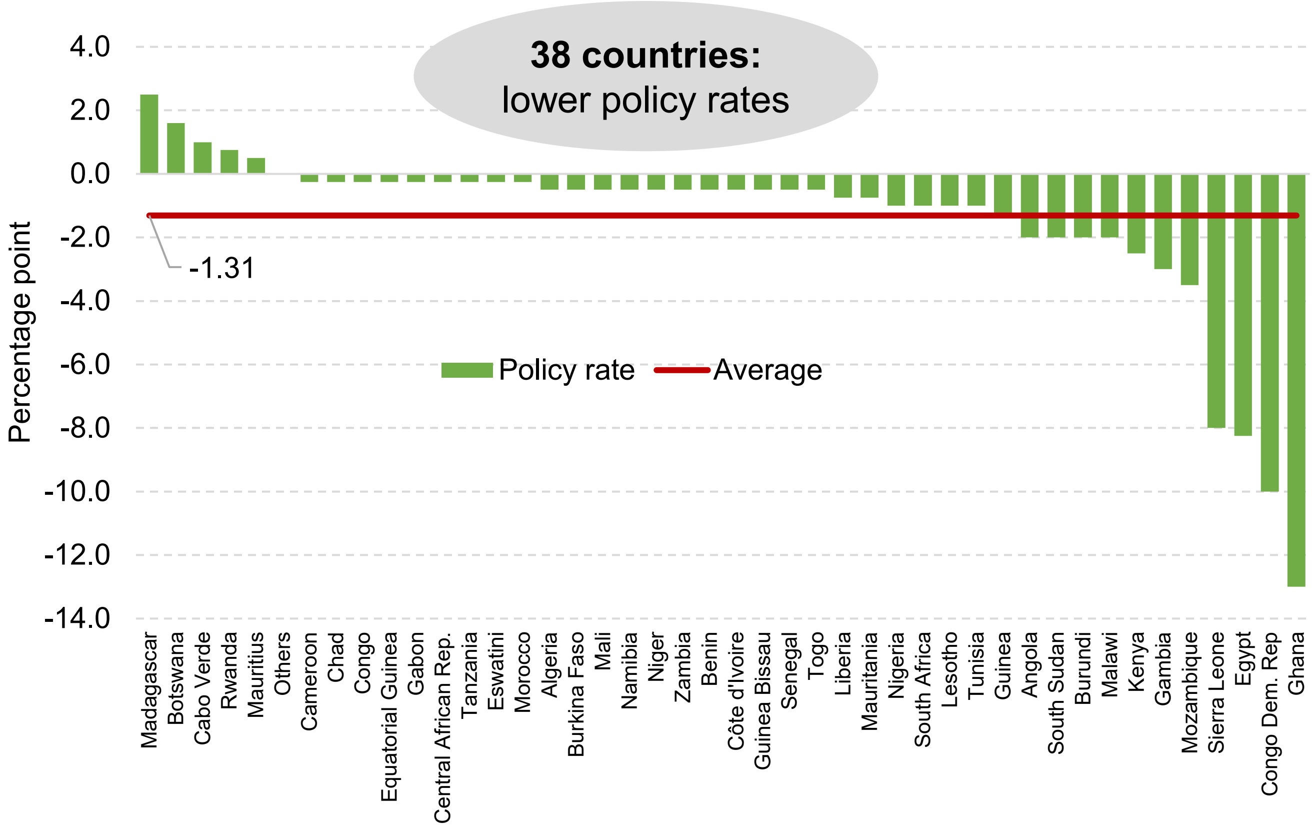
B Exchange rate changes: 2023-2024 vs 2024-2025



Source: African Development Bank Group statistics

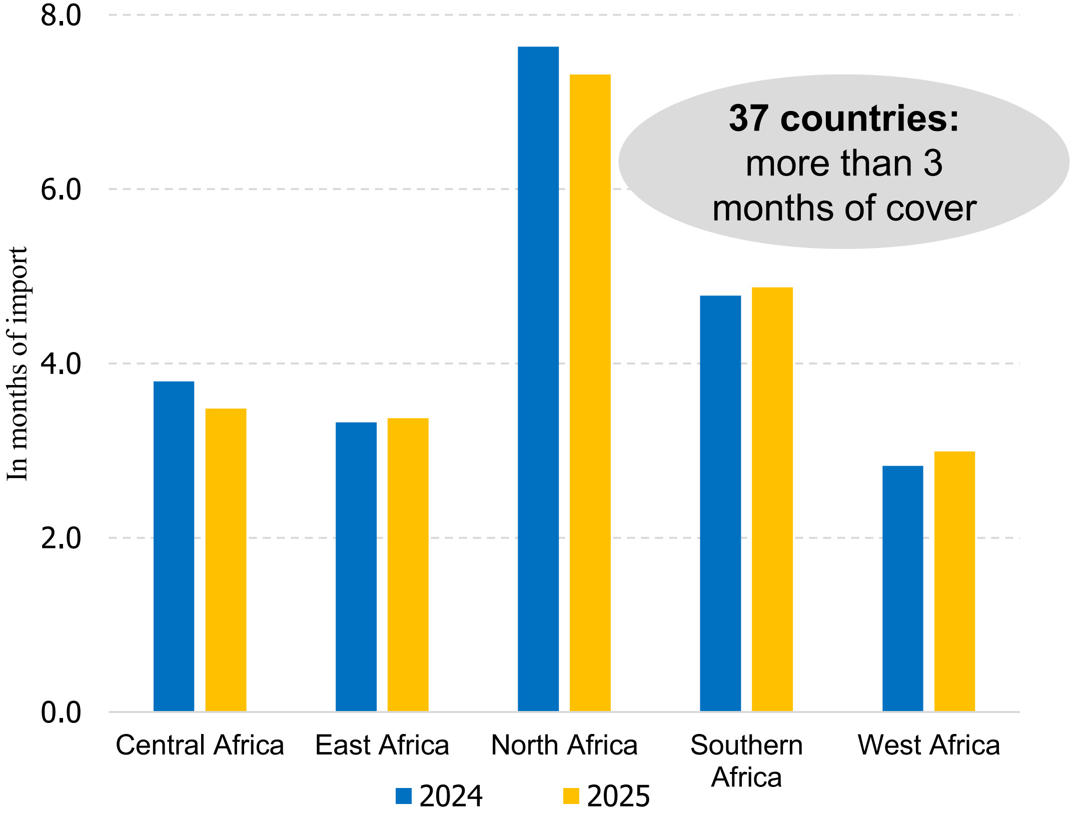
Monetary Policy Easing and Relatively Buoyant Foreign Exchange Reserves are Helping to Protect Growth Gains

A **Monetary policy rate changes by African central banks, January 2025 to March 2026**



Source: African Development Bank Group statistics

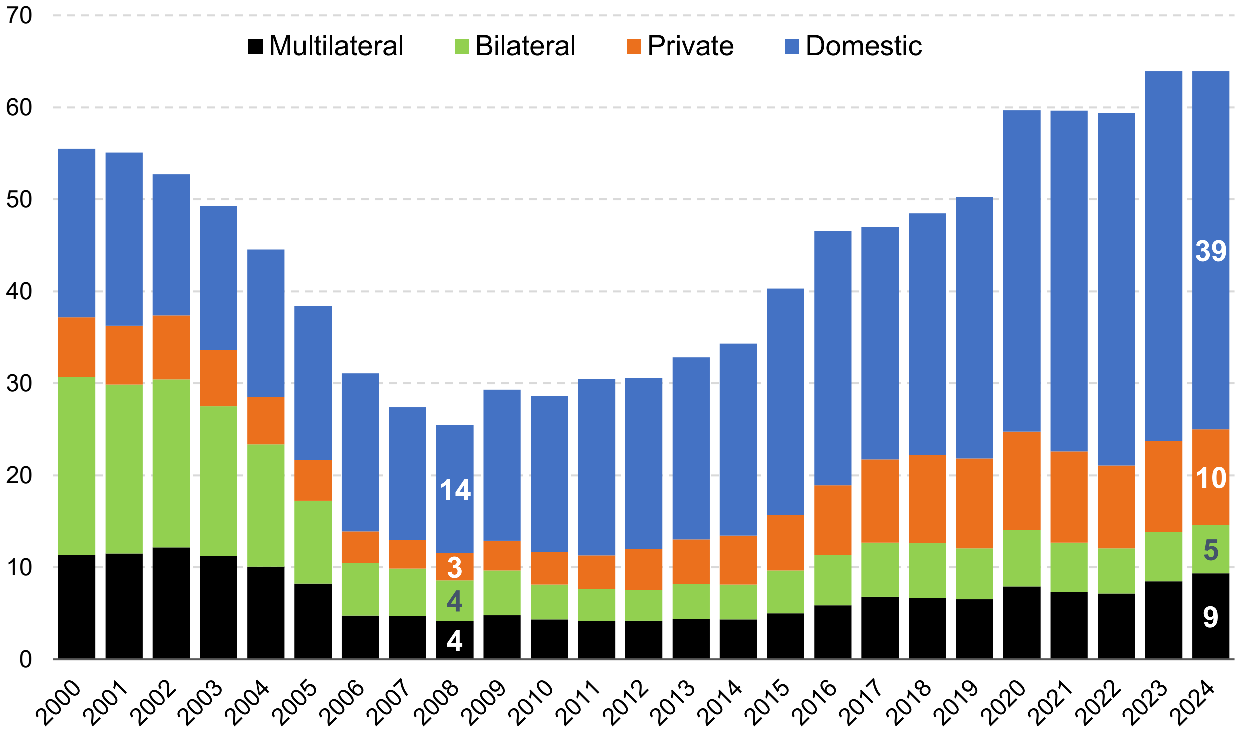
B **Foreign exchange reserves adequacy by African region, 2024 and 2025**



Source: African Development Bank Group statistics

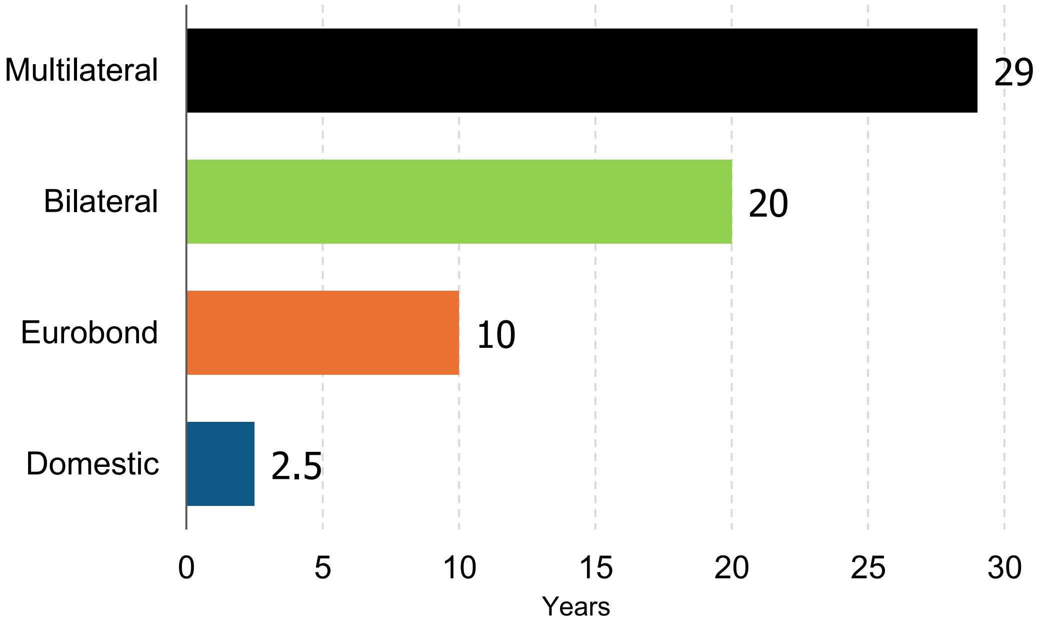
Debt Vulnerabilities Remain Amid Evolving Development Financing Landscape

A Gross Debt and Decomposition by Creditor Type, 2000 – 2024 (percent of GDP)



Source: AfDB Staff Calculations based on World Bank Data

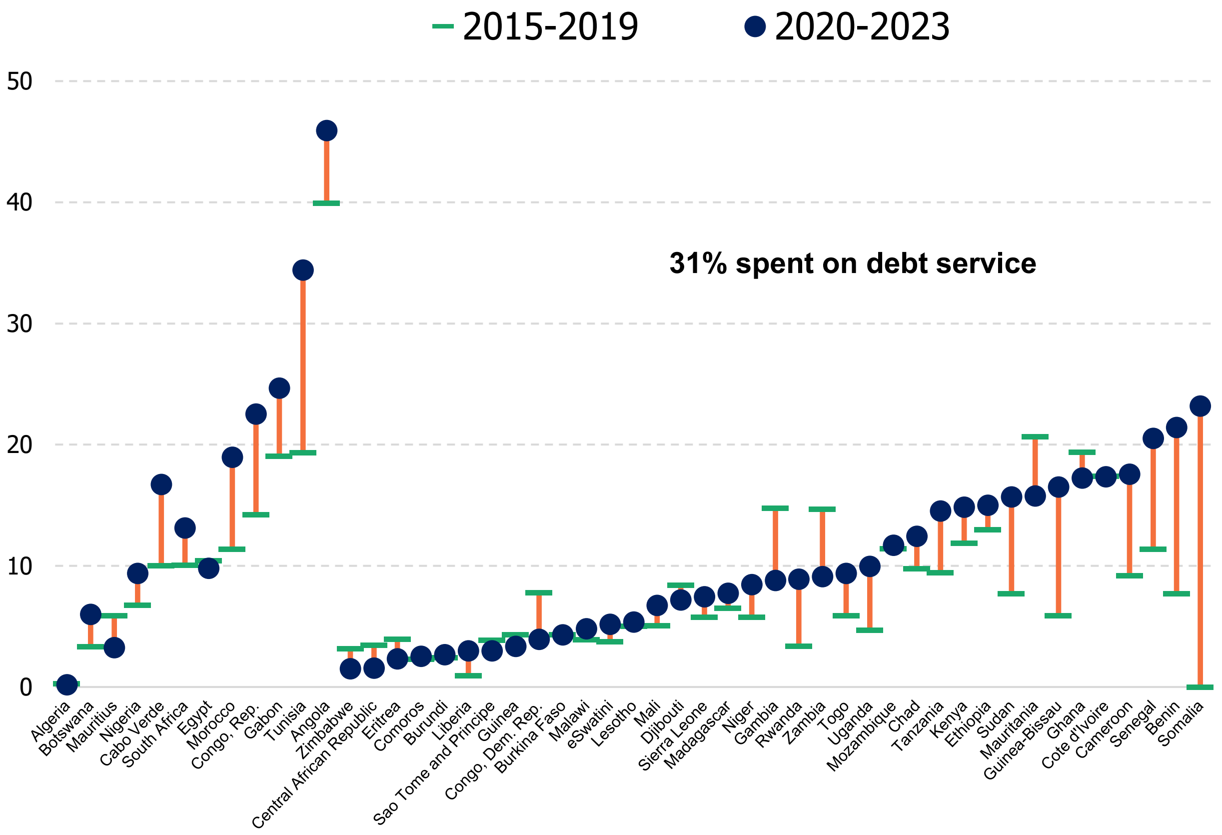
B Distribution of debt maturity (in years) by instrument, 2015-2024



Source: Sy and Laws (2026)

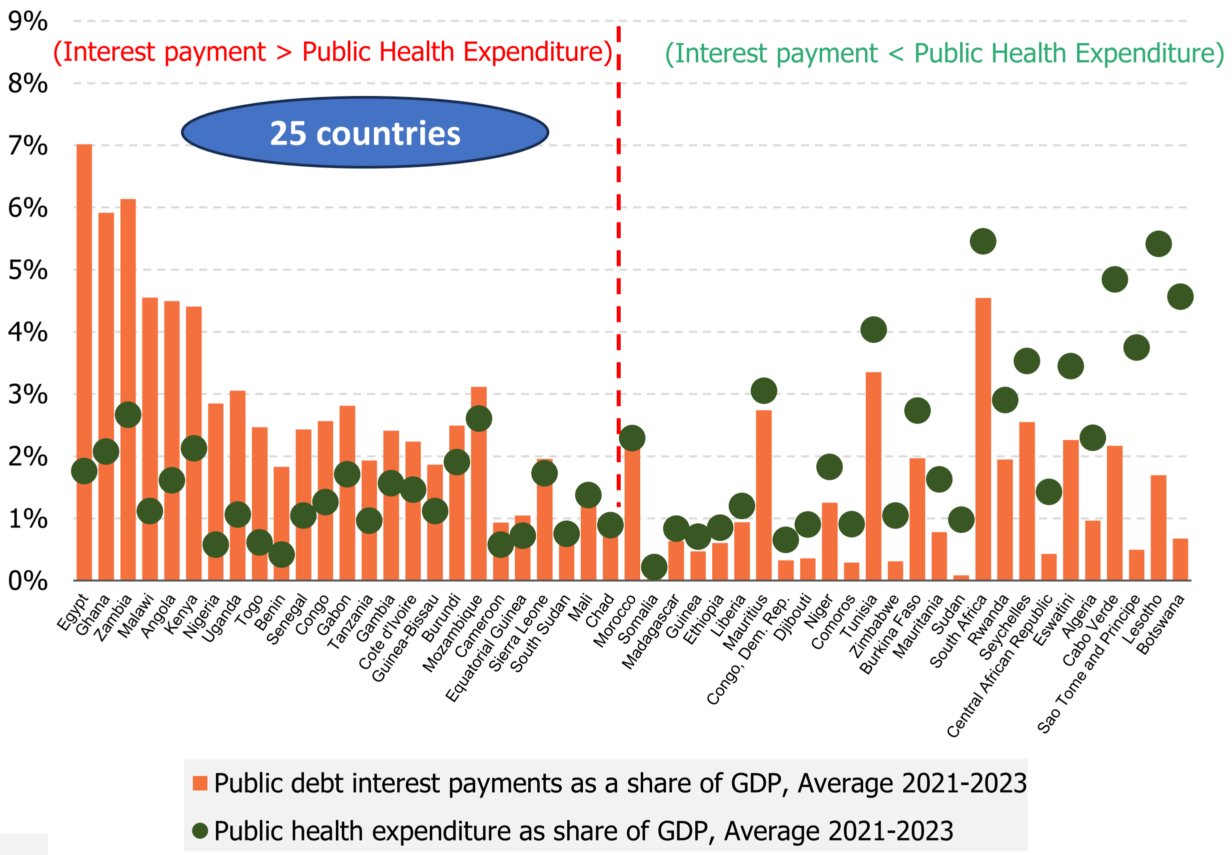
High Cost of Debt Service is Crowding Out Social and Development Spending

A External public debt service (principal and interest) as percent of government revenue, period average



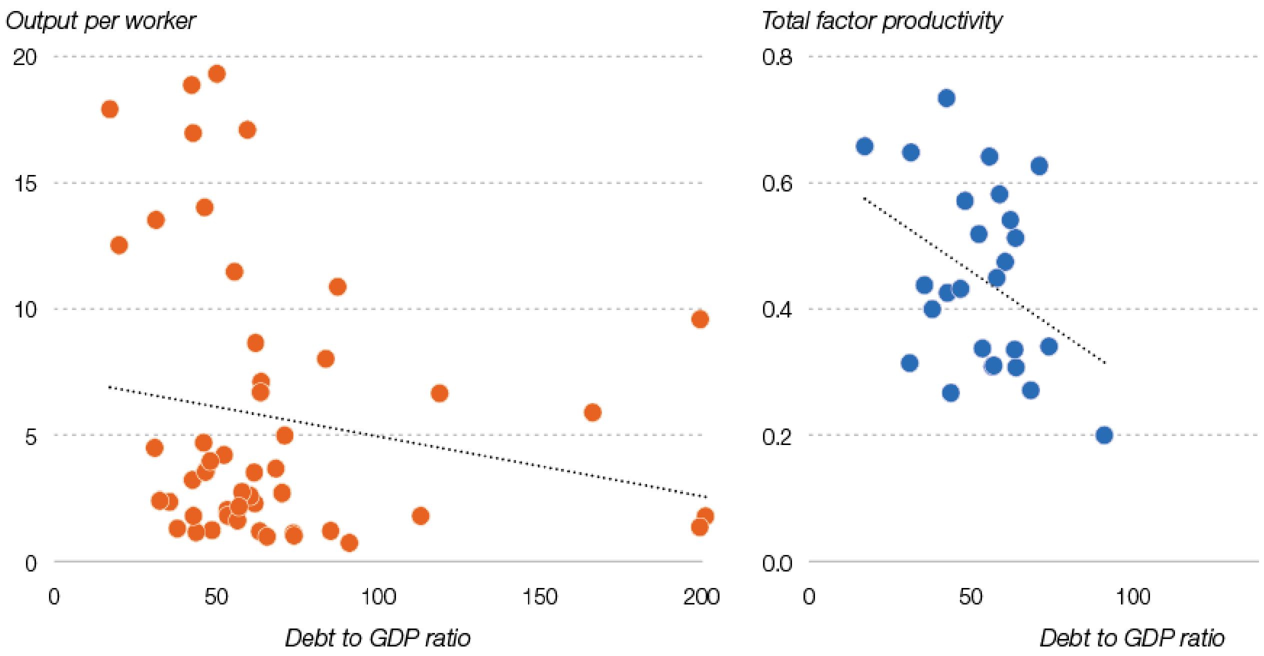
Source: Staff calculations using data from World Bank International Debt Statistics

B External public debt interest payment vs public health expenditure, as percent of GDP, average 2021-2023



And Empirical Evidence Suggests that Higher Public Debt Can Hinder Economic Productivity in Some Countries

Relationship between public debt and productivity



Source: Staff calculations based on data from Penn World Tables, the International Labour Organization, and World Economic Outlook

A Public debt is **negatively correlated** with both output per worker and total factor productivity (TFP)

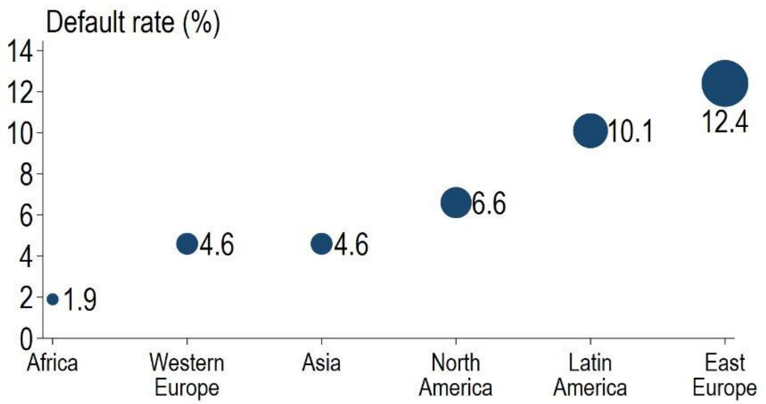
B Countries with **higher public debt** record lower levels of economic productivity

C On average, a **1%** increase in public debt can lead to **a 4.9%** decrease in labor productivity and a **4.6%** decline in TFP

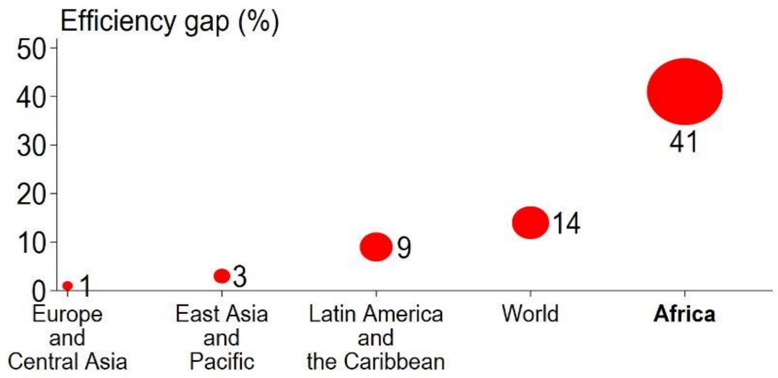
D This calls for **significant investments in addressing the key drivers of public investment gap** in Africa

Risk Pricing, Default Rates, Public Investment Efficiency and Poverty Rates in Countries Reveal Contradictions

A Africa has the lowest default rates on infrastructure and related projects

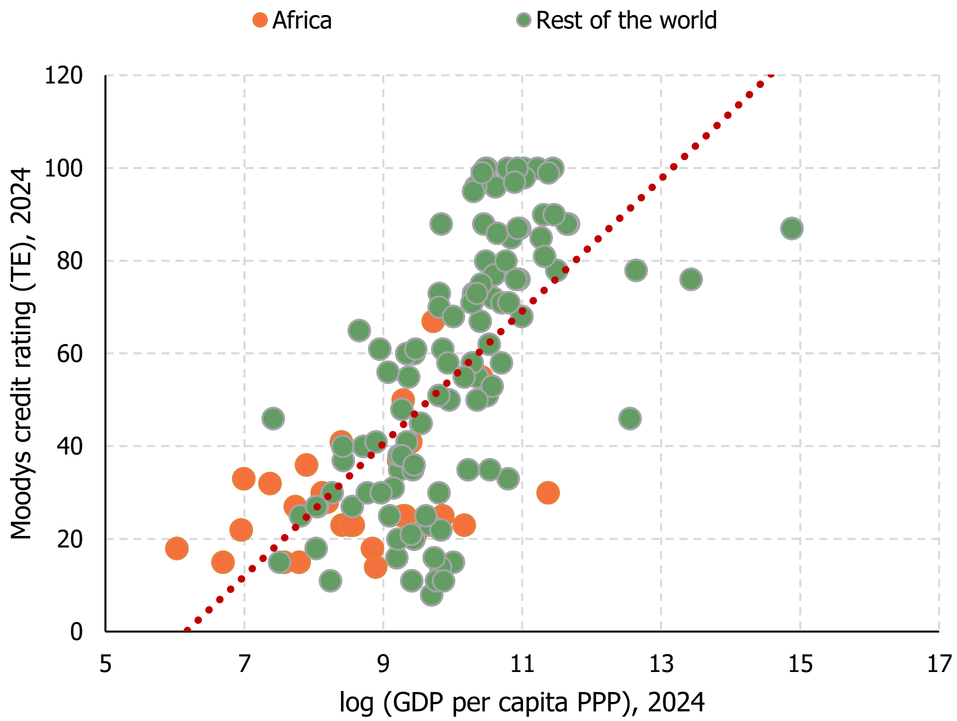


B Public investment efficiency gaps by region



Sources: (a) Moody's Analytics, 2020; **(b)** African Development Bank staff calculations

C GDP per capita is highly correlated with credit risk ratings



Source: Staff calculations using data from World Bank International Debt Statistics 2025.

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Downside Risks to the Outlook

Downside risks

01 Weaker global growth and higher global inflation

02 Sustained debt vulnerability: Debt service costs and refinancing risks

03 Increased volatility global financial flows

04 Heightened trade policy uncertainty

05 Political instability and regional conflicts

06 Climate change effects

07 Commodity dependence

08 Increased multi-polarization and global fragmentation

CHAPTER 2

Mobilizing Capital at Scale for Accelerated and Resilient Growth in Africa

Accelerating Capital Mobilisation for Inclusive Growth and Sustainable Development in Africa

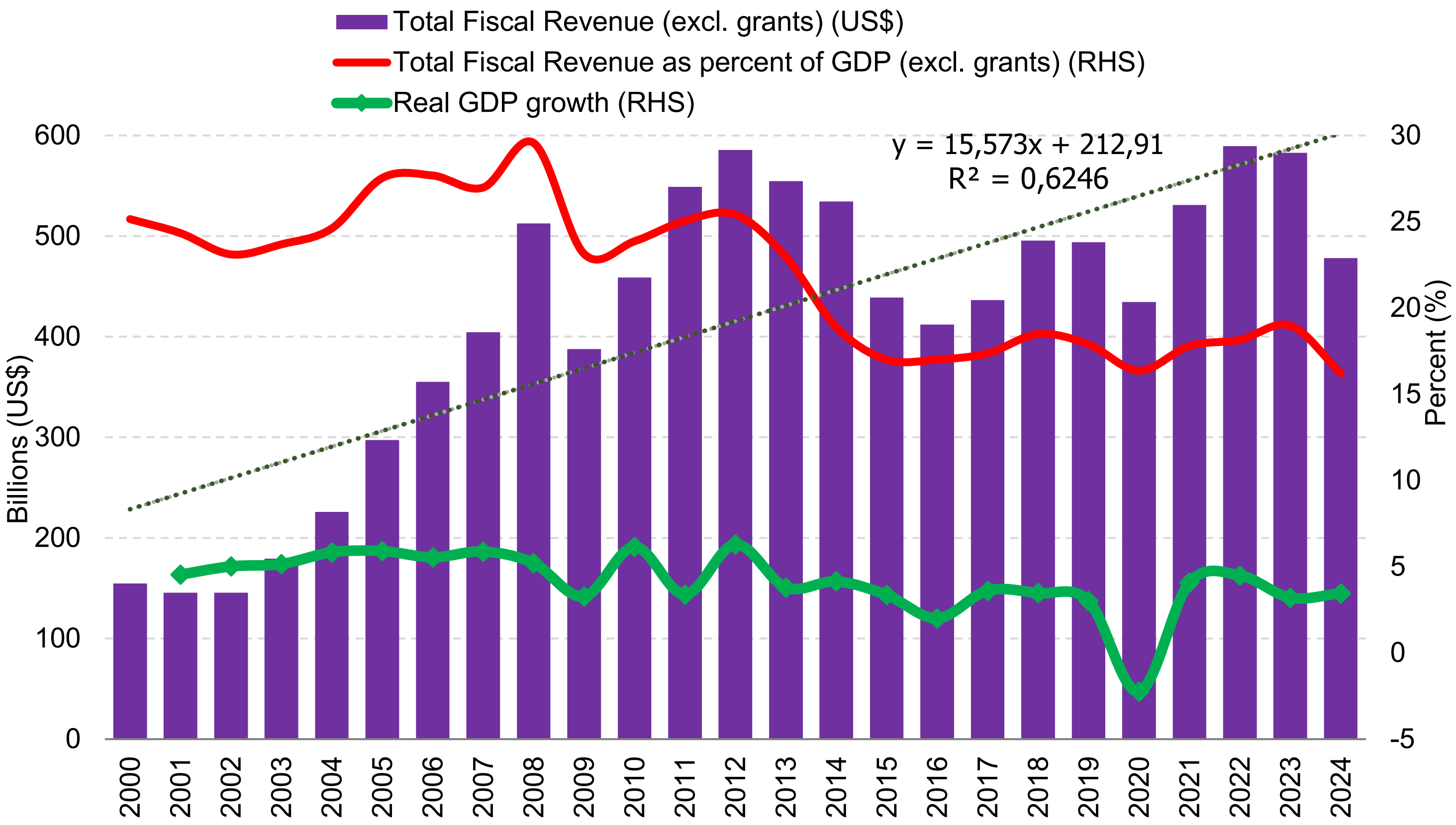
To achieve **7%** annual real GDP growth by 2030, Africa's capital stock growth needs to double from **3.3%** today to around **8.7%**

01	Unlock **Africa's DRM Potential** (Tax and Non-Revenue)
02	**Long-term Capital mobilisation** (Regional DFIs and Institutional Investors)
03	Scaling up **PPPs** and **Private Capital** Participation
04	Leveraging **Diaspora Capital, Africa's High Net Worth Individuals** and **Philanthropies**
05	Harnessing **Africa's Natural Resource Assets**
06	**A new financial architecture** that strengthens Africa's financing agency in global markets

1. Unlocking Africa’s DRM Potential at Scale

Strong Performance in Nominal Fiscal Revenue Without Durable Improvements in Tax Productivity

Trends in Africa's total fiscal revenue (excluding grants), 2000–24



Source: Staff calculations using data from UNU-WIDER and the African Development Statistics

01 Nominal tax revenue: $**145.5 bn (2001), $589.3 bn (2022); $478.1 bn (2024)**

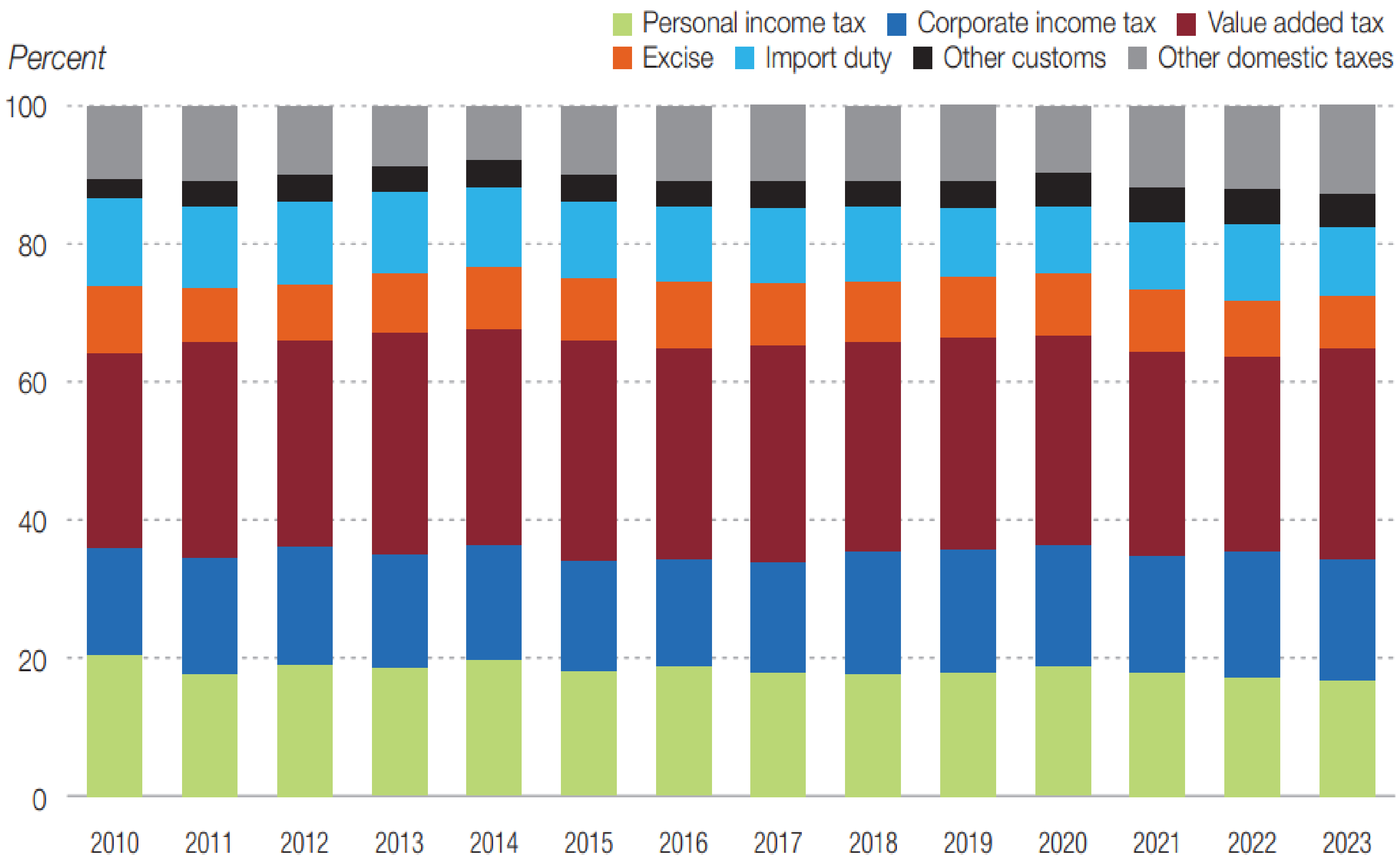
02 **Commodity price cycles**, **inflation**, **exchange rate effects**, not **tax productivity**

03 **Narrow tax base**, **extensive tax exemptions**, **administrative inefficiencies**, **under performance** of tax instruments

04 **Commodity-linked revenue dependence**, not broad-based income, consumption and property taxes.

Africa's Tax Structure and Revenue Patterns Show that VAT is the Backbone of DRM in Countries

Evolution of Africa's tax revenue structure by tax type, 2010–2023



01 Indirect taxes: **59.9 percent** of total tax revenue in 2023

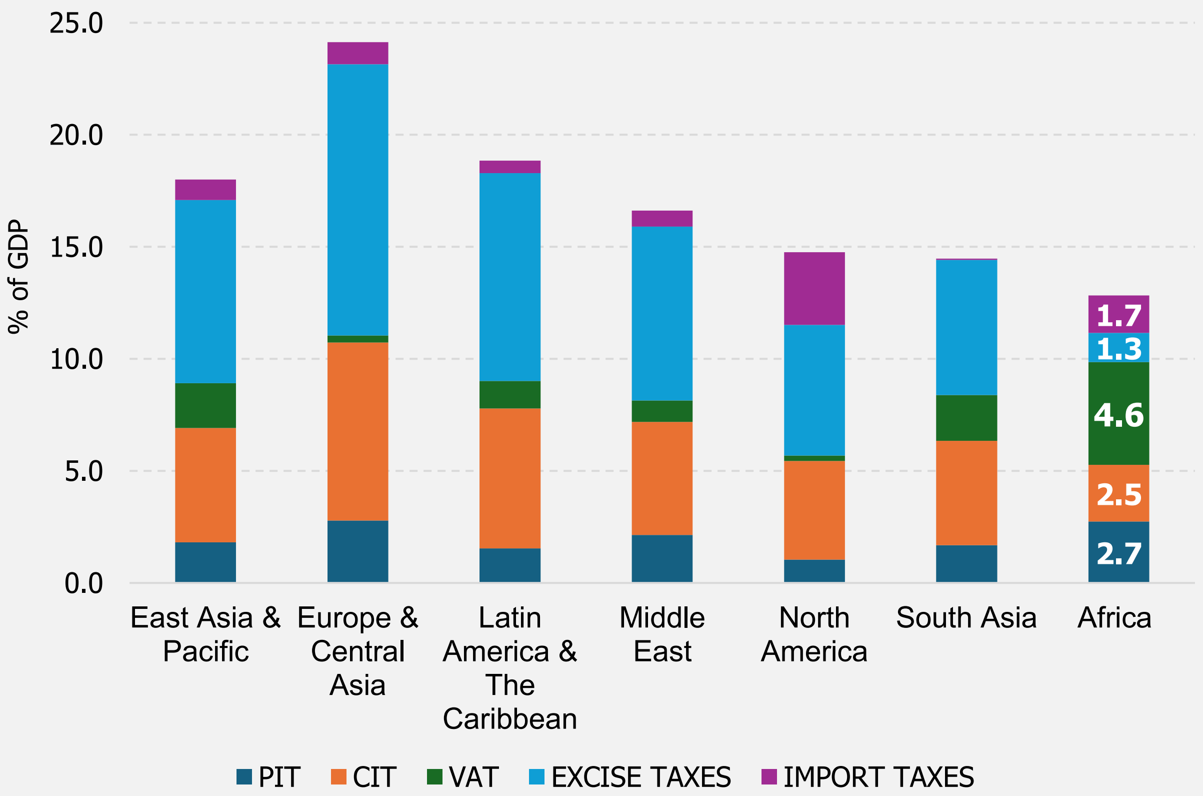
02 VAT alone accounting for roughly **28 – 33 percent** of Africa's total tax revenue collected between 2010 – 2023

03 Direct Taxes: **15 – 20 percent** of total tax revenue (2010 – 2023)

Source: Staff calculations using data from UNU-WIDER and the African Development Statistics

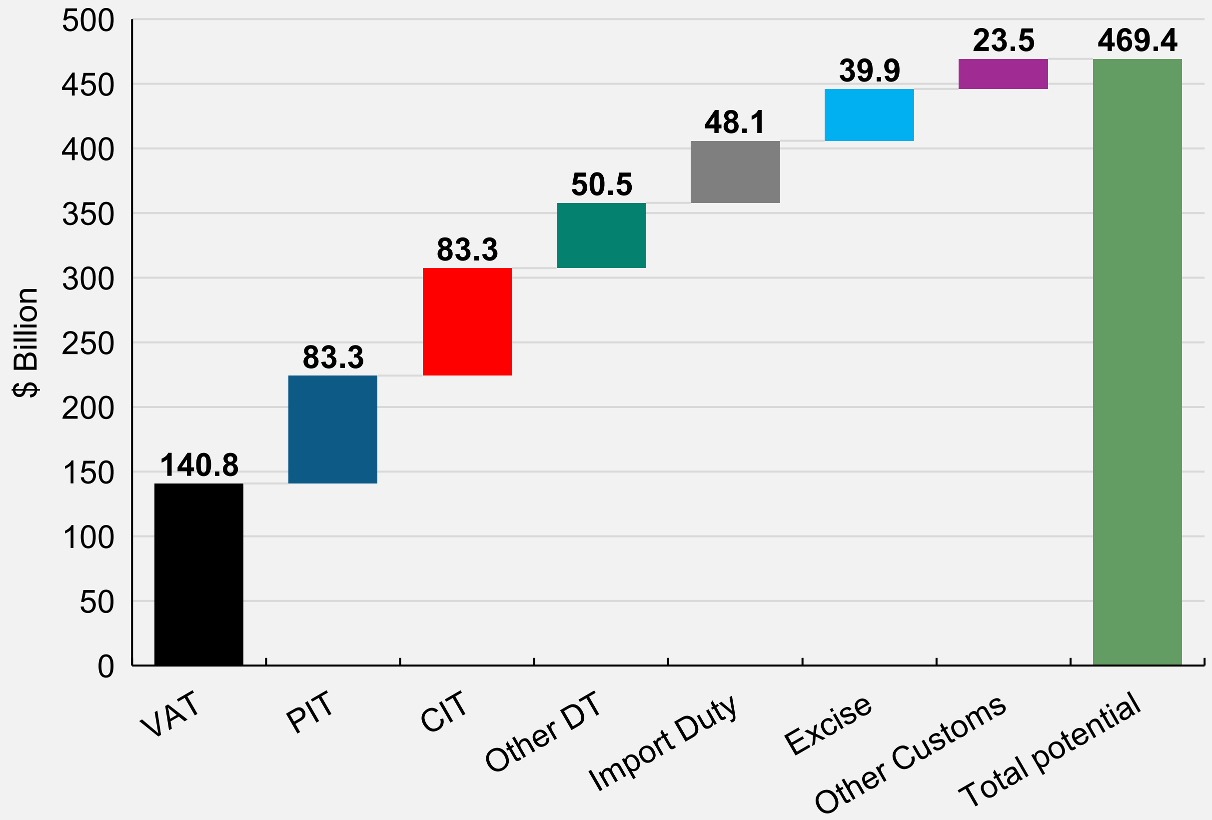
And Improved Tax Administration Can Mobilize Additional $469 billion Annually by 2030

A Africa performs below regional peers across all sources of taxes, average 2010–2023



Source: Staff calculations using data from UNU-WIDER and the African Development Statistics

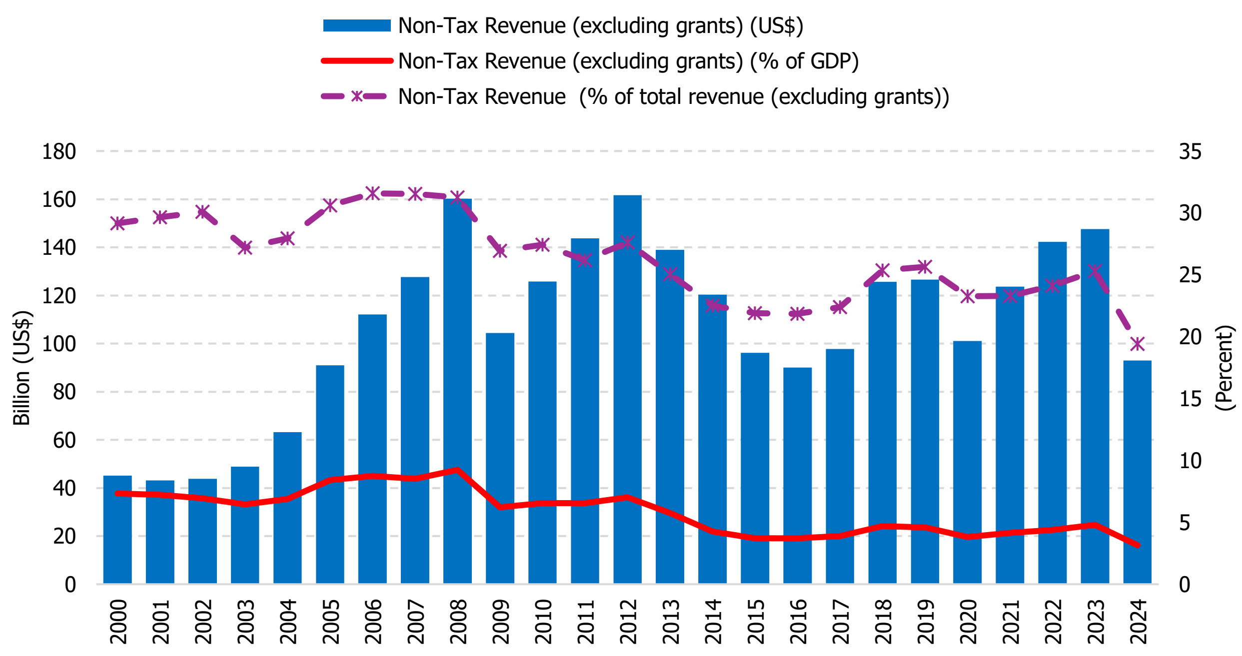
B Potential additional tax revenue gains by major tax instrument



Source: Staff calculations using data from ATAF and the African Development Statistics

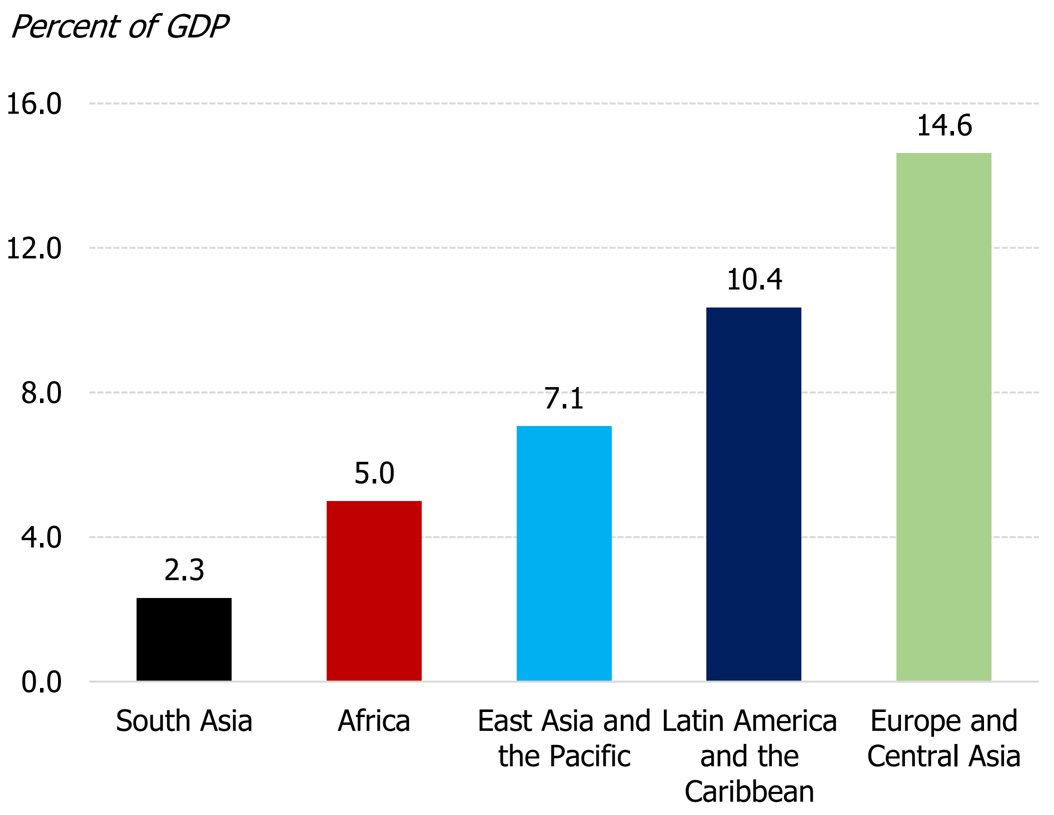
Improving Non-Tax Revenue Collection Could Mobilize Additional $311.6 billion Annually by Converging With Best Practices

A Trend in Africa's non-tax revenue (excluding grants), 2000–2024



Source: Redonda et al. (2024). Global Tax Expenditures Database (GTED), and AfDB staff calculations

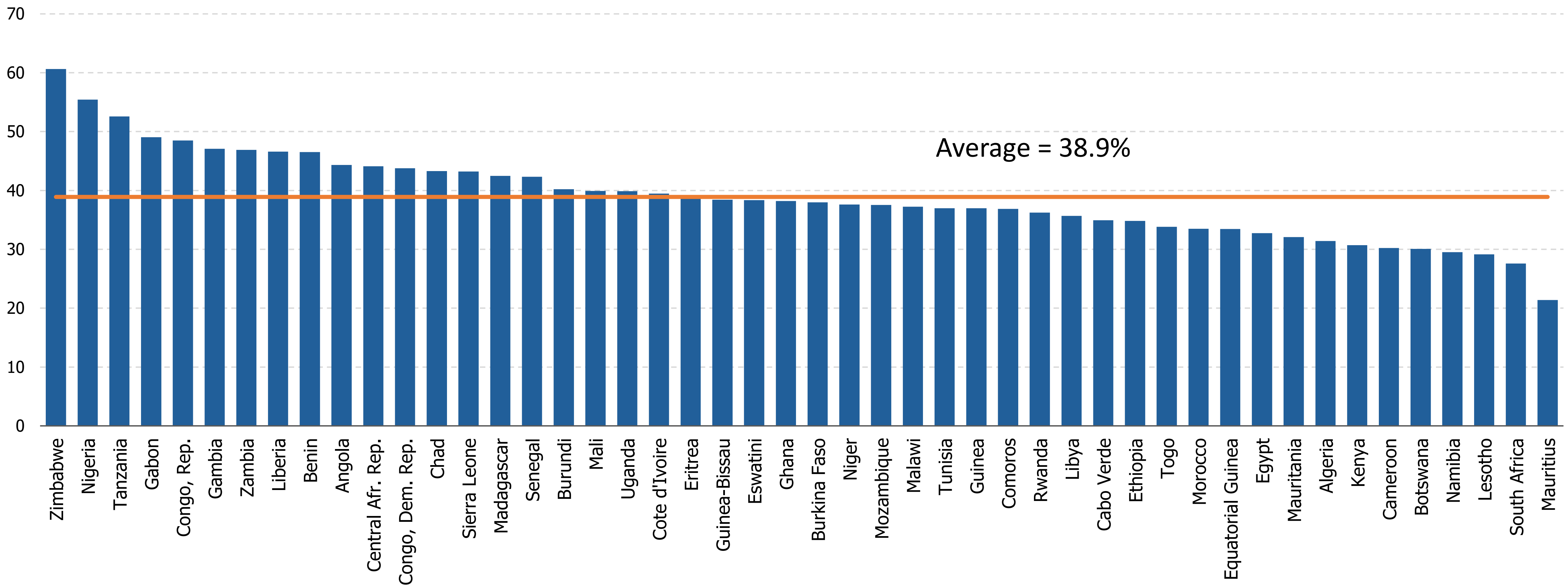
B Non-tax revenue in Africa and other regions, 2022



Source: Staff calculation based on AfDB statistics and WDI.

Formalizing the Informal Sector Could Generate up to $125 Billion in Additional Revenue Annually

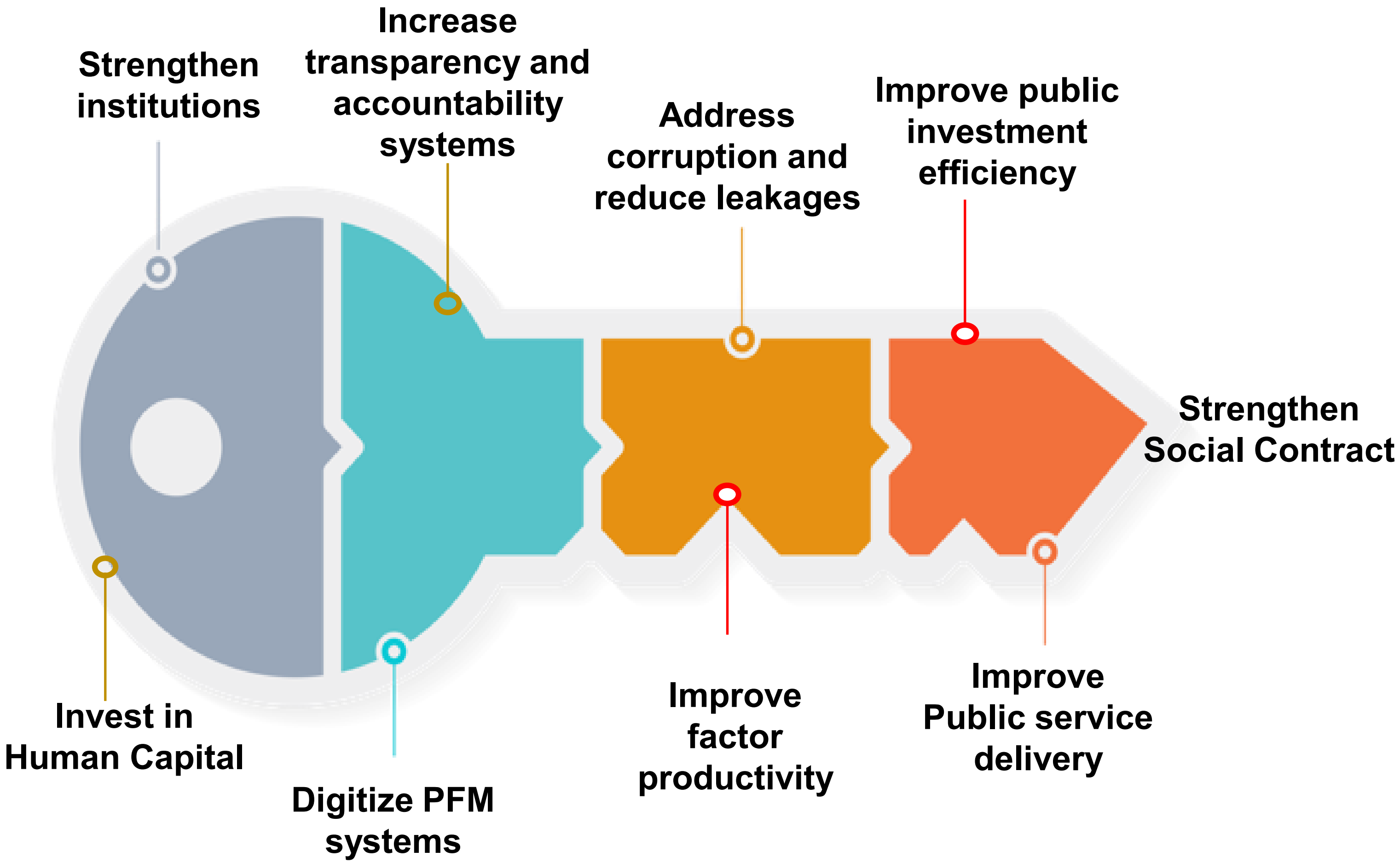
Informal sector as percentage of GDP, average 2015–2020



Source: Staff calculations using data from Elgin et al. (2021)

Realizing Africa's DRM Potential Requires Decisive Actions to:

Key Drivers

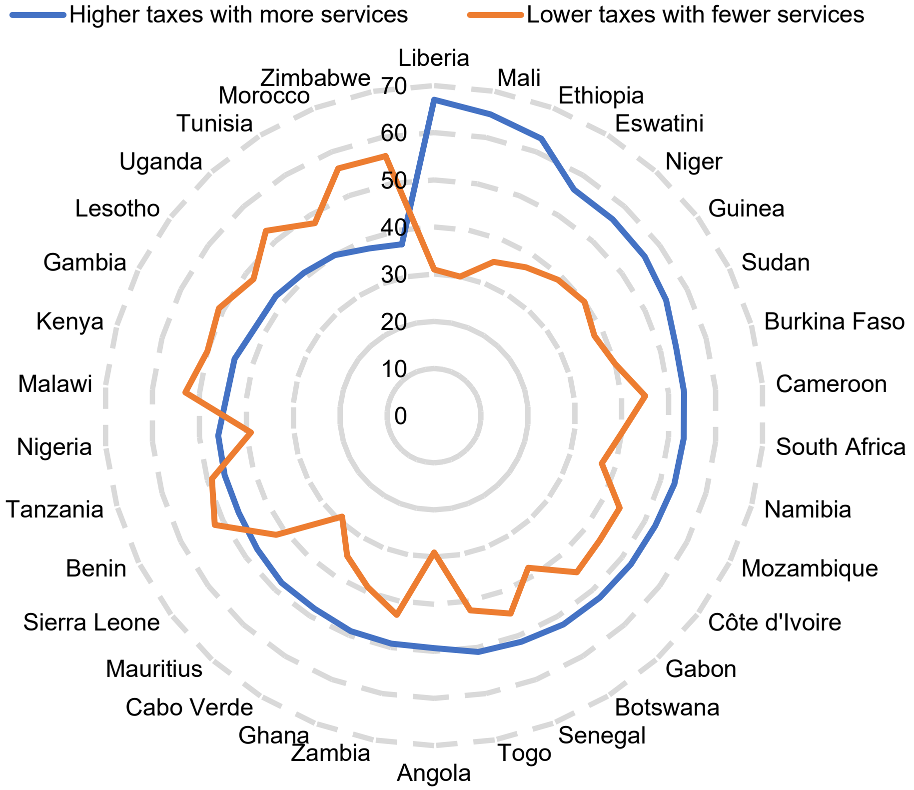


Outcomes

- Reduced implicit tax burden
- Higher voluntary tax compliance
- Reduced unemployment, inequality and poverty
- Drives structural transformation
- Strengthen economic stability, resilience capacity
- Greater financial agency and sovereignty

Strengthen Fiscal and Social Contract Between Government and Citizens Improves and Sustains Revenue Performance

Higher taxes with more services vs. lower taxes with fewer services



Source: Staff Calculations using data from the 2022 Afrobarometer surveys

01 Simplified tax policy

02 Efficient tax administration

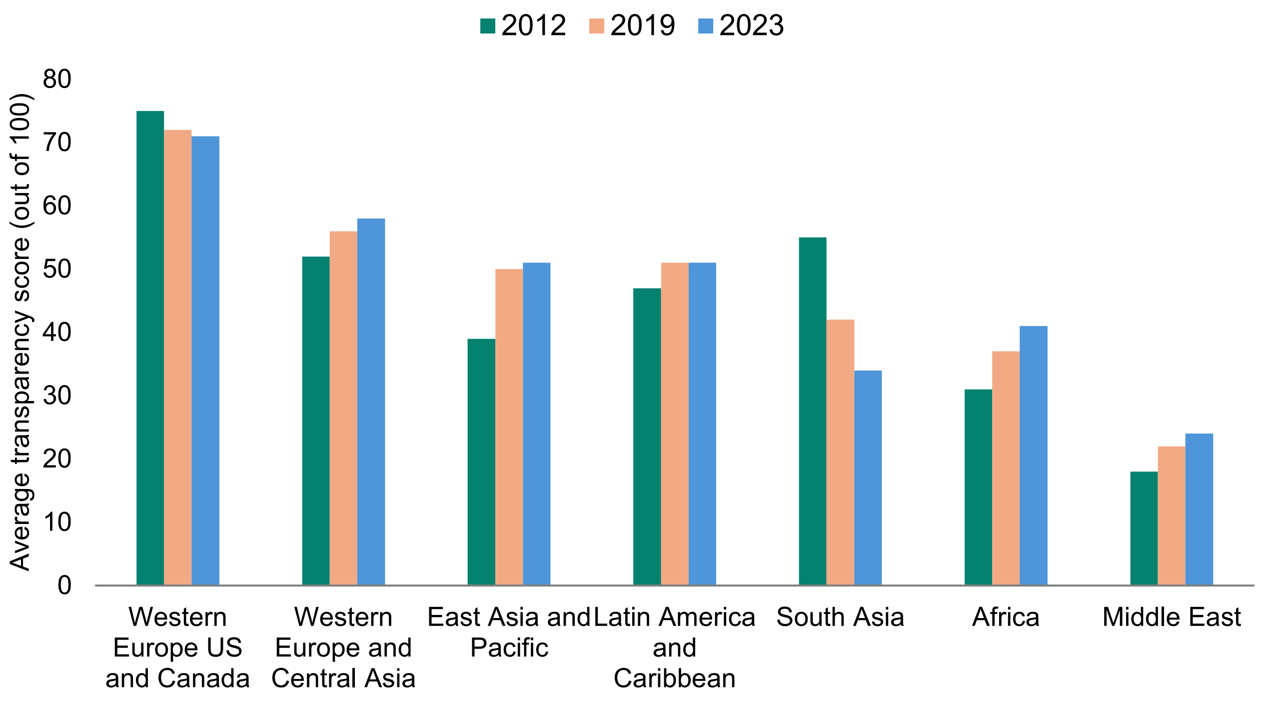
03 Public service delivery

04 Prudent fiscal governance

05 Transparency and accountability systems

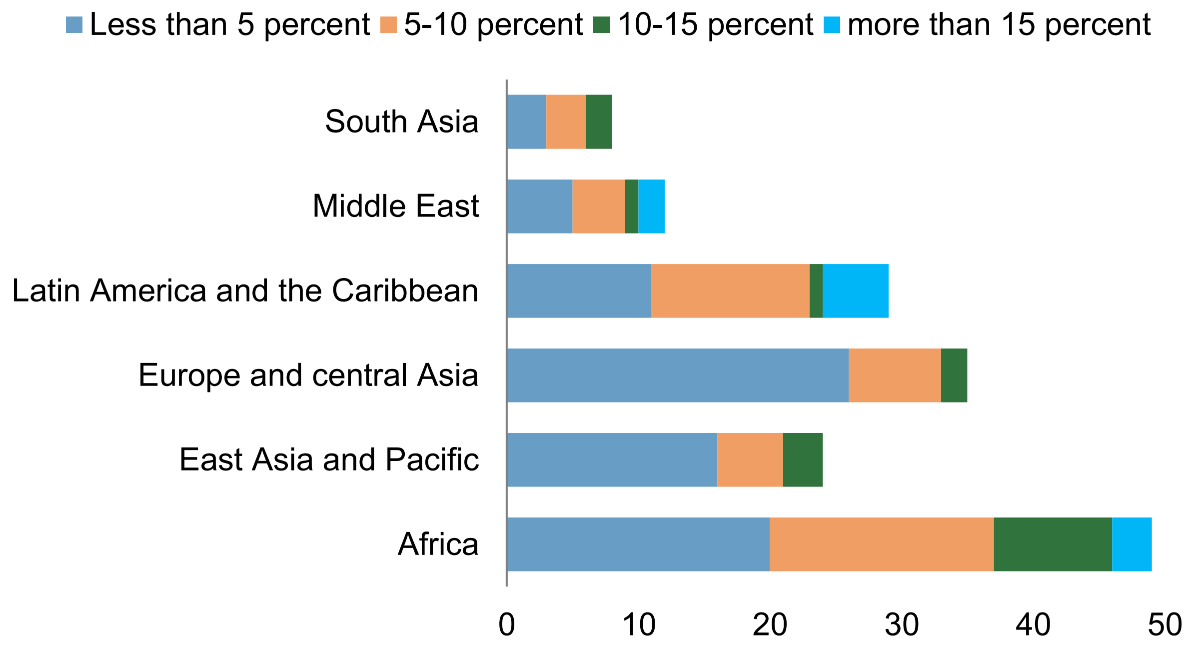
Strengthening PFM to Effectively Mobilize and Deploy Domestic Capital for Economic Productivity is Key

A Regional trends in budget transparency, 2012-2023



Source: Open Budget Survey database, 2023

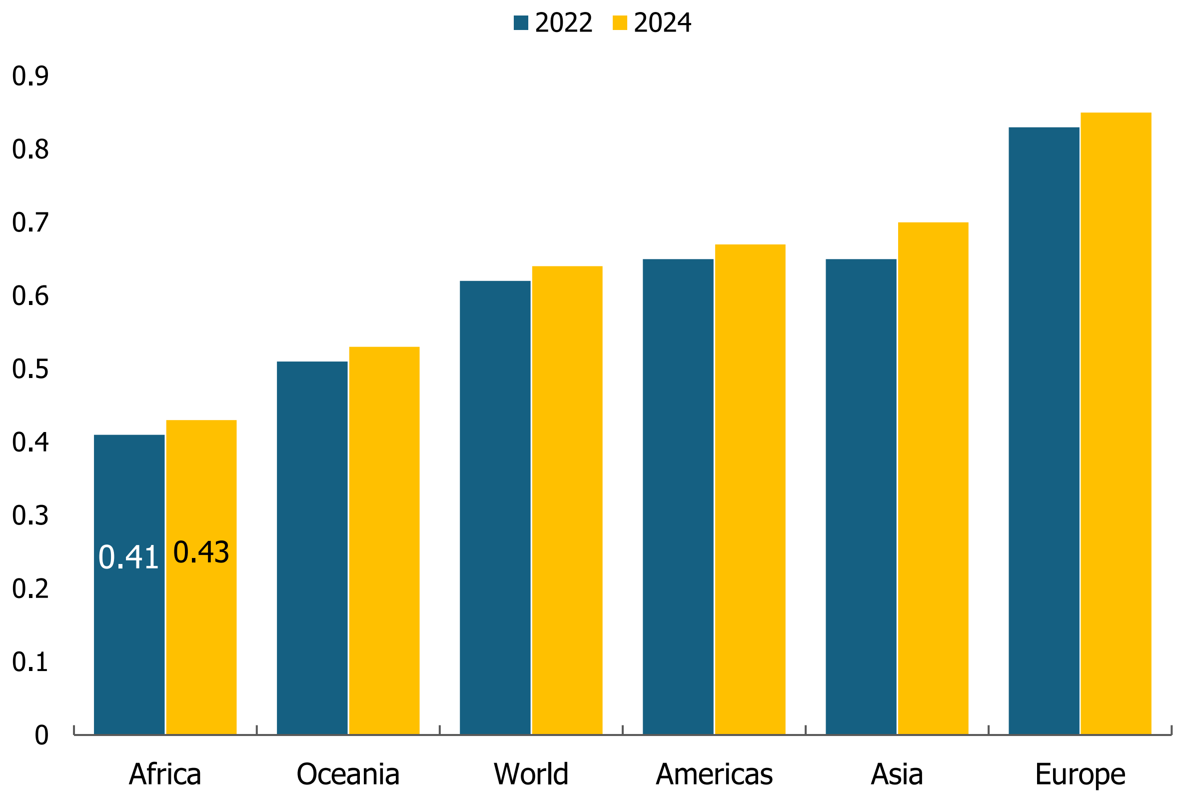
B Budget credibility: Number of countries by region, 2023



Source: World Bank Public Expenditure and Financial Accountability (PEFA).

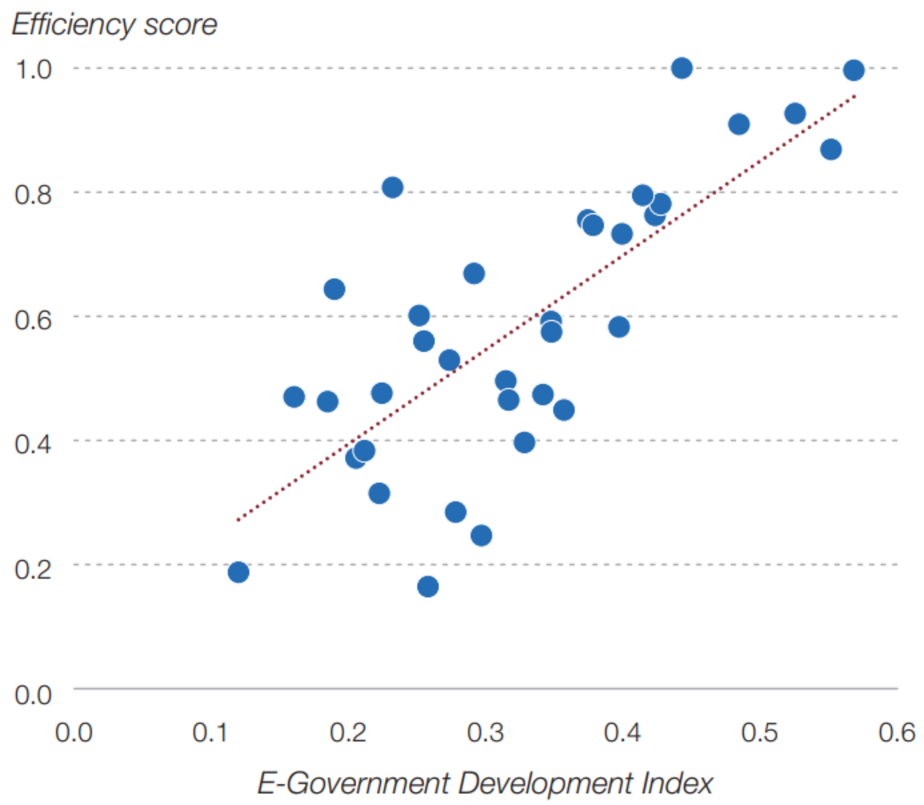
Digitalizing Public Financial Management Systems

A Regional e-Government Development Index averages, 2022 and 2024



Source: 2022 and 2024 United Nations E-Government Surveys

B Efficiency of public investments and governance



Source: Staff calculations

Proper Sequencing of Fiscal Policy Reforms Enhances Credibility, Citizen's Buy-in and Sustainable Results

….from quick wins to sustainable fiscal capacity

Stage 1: Quick wins
- Clean and integrate taxpayer registers
- Strengthen filing and payment enforcement
- Deploy e-invoicing and customs digital tools
- Tighten exemption controls

(0–18 months)

Stage 2: Structural reforms
- VAT base expansion and design reforms
- Excise restructuring
- Land titling and update of valuation roll, Property tax rollout
- Strengthening Large Taxpayer Offices and audit capacity

(2–4 years)

Stage 3: Sustainability
- Build taxpayer trust to engender voluntary compliance
- Improve dispute resolution and appeals mechanisms
- Embed reforms in Medium-Term Fiscal Frameworks (MTFFs)
- Social contract reinforcement

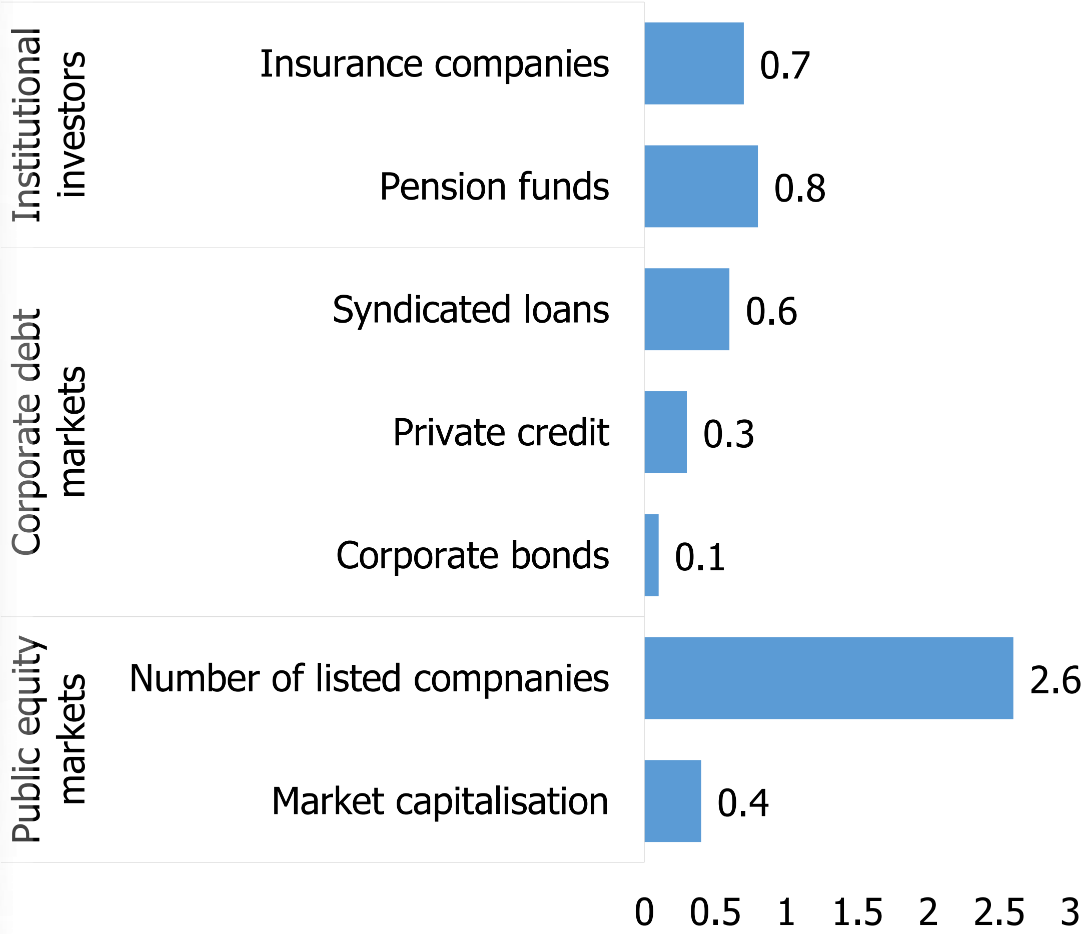
(5+ years)

Source: AfDB staff.

2. Unlocking Africa’s Institutional Investors, Private Capital and the Diaspora at Scale

Leveraging Domestic Institutional Investors, Diaspora & HNWIs

Africa's share in global capital markets, 2024 (Percent)



Source: OECD Capital Markets Series, Africa Finance Corporation (2025)

01

Africa's diaspora capital potential: Remittances

- **$104.8 billion** in 2024; **$179 billion** in 2030; **$1.1 trillion** in 2050 with properly structured instruments and securitization for infrastructure investments.

02

Untapped institutional savings capital:

- Below **2.7% of an estimated $4 trillion** of assets under management in Africa's SWFs, Pension Funds, Insurance, Central Banks, and Commercial Banks , currently deployed in long-term domestic investment

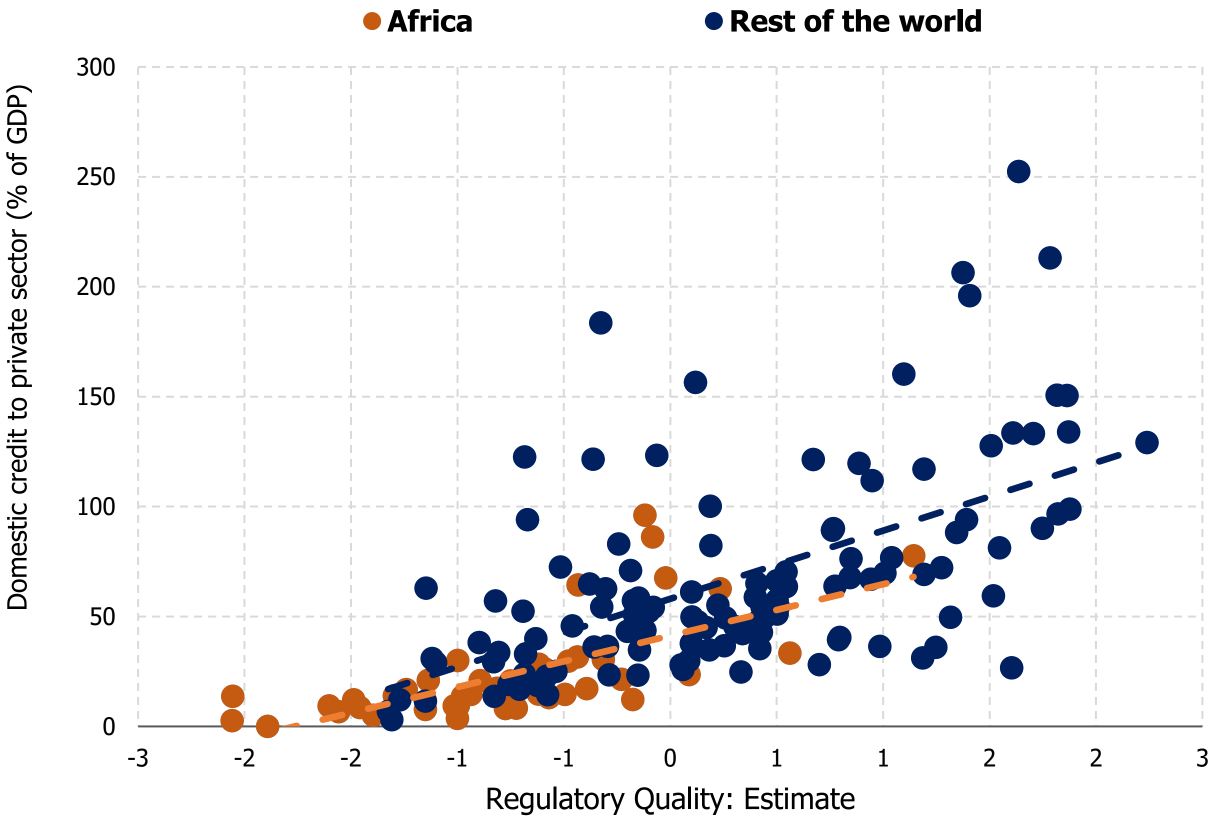
03

Africa High Net Worth individuals:

- Significant potential up to $2.5 trillion in 2025

Unlocking Private Capital at Scale Requires Good Business Environment, including Sound and Predictable Regulatory Frameworks & Incentives

Regulatory quality and credit to private sector



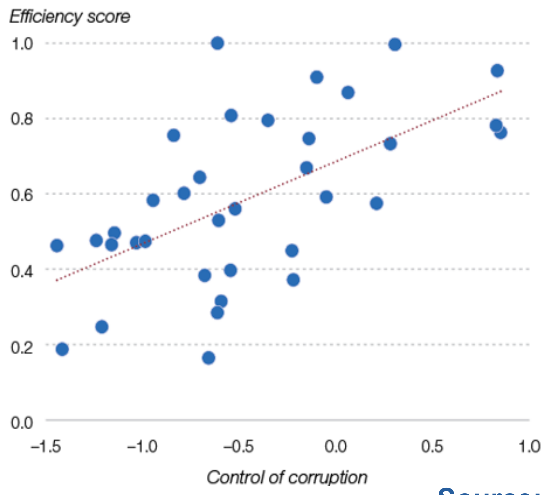
Countries with **strong and predictable regulatory frameworks** tend to have higher private sector credit as a share of GDP

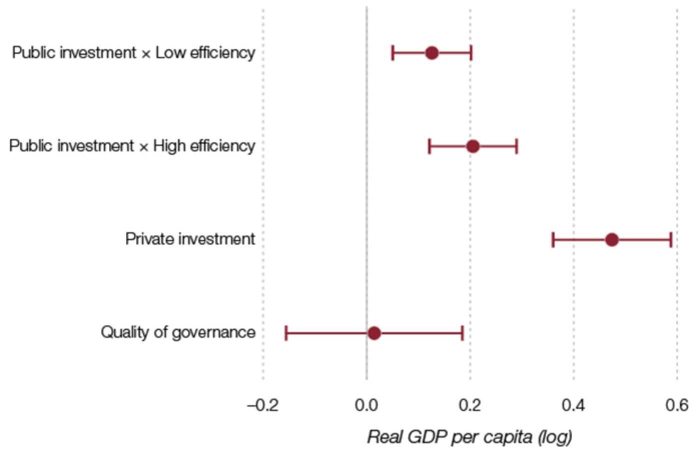
Source: African Development Bank staff computations based on World Bank (WDI), 2025

Improving Economic Governance in Countries Creates a Virtuous Cycle

(a) Public investment efficiency scores and governance

(b) Economic impact of public investment efficiency





Source: Staff calculations

- ❑ Public investment efficiency increases with **improved governance**
- ❑ A **10 percent** increase in public investment raises real GDP per capita by about **0.21 percent** in high efficiency countries, compared with only **0.13 percent** in low-efficiency peers

CHAPTER 3

Strengthening and Consolidating Africa's Financial Systems and Agency in the Changing World

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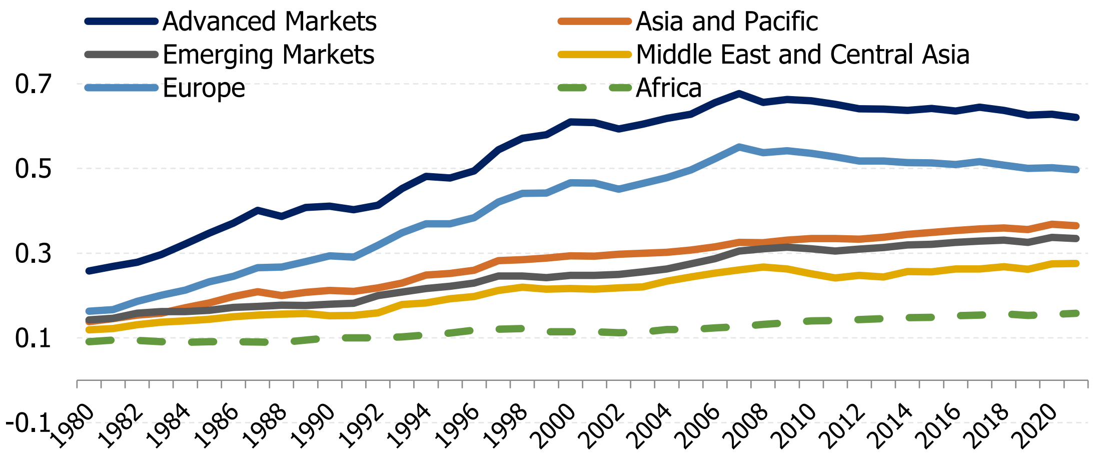
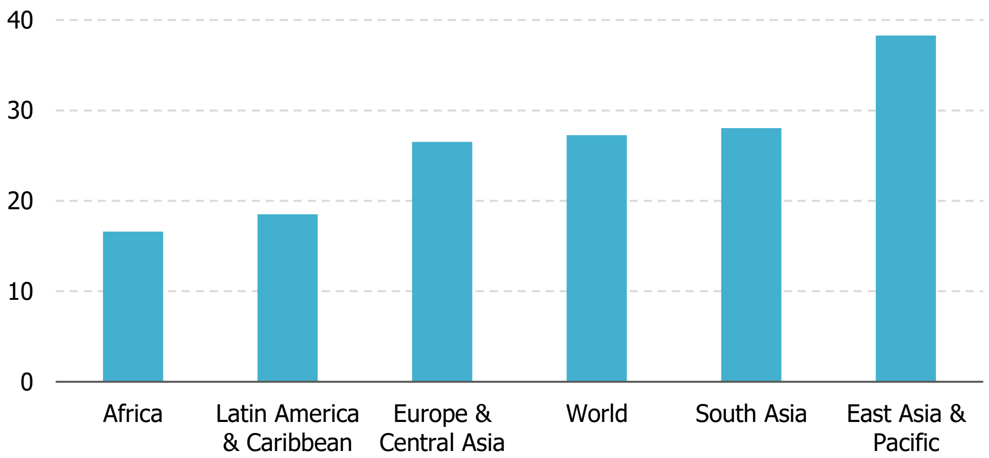
Africa's Weak Financial Systems: A Constraint on Domestic Capital Mobilization

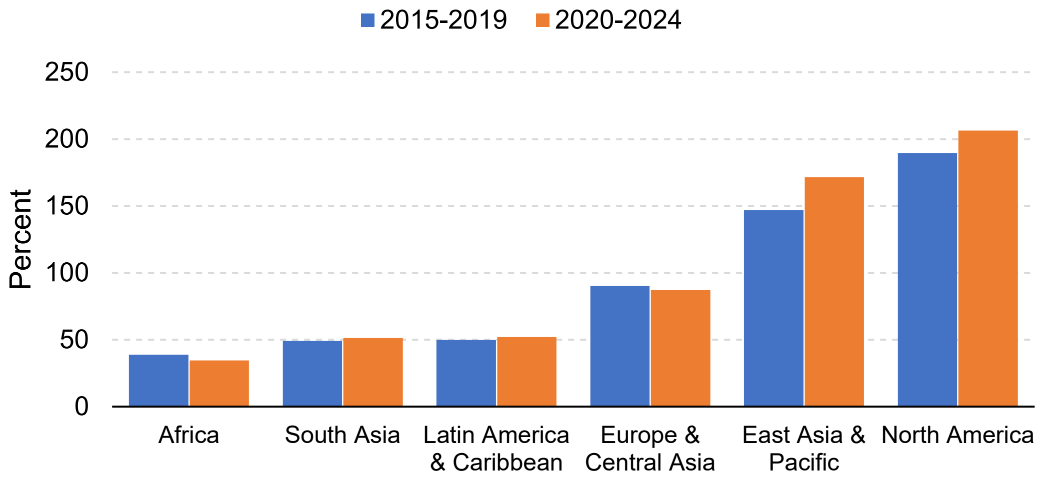
(a) Financial development index, 1980-2021



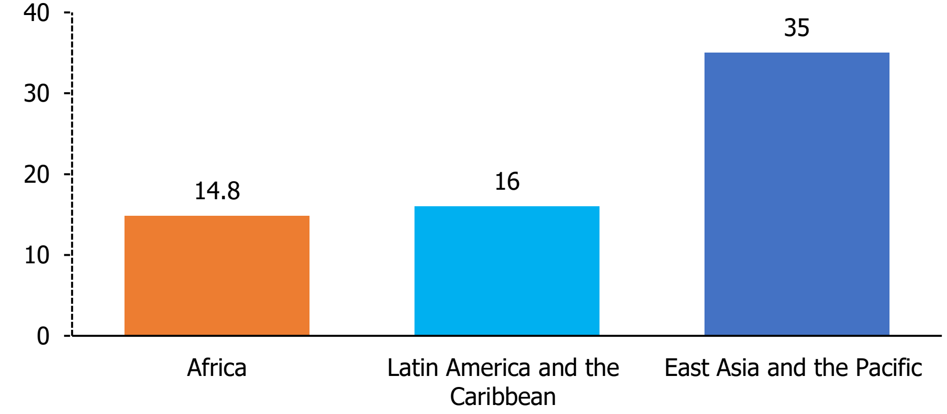
(b) Gross savings (percent of GDP), 2021–2024



(c) Domestic credit to the private sector (percent of GDP), 2015-2024



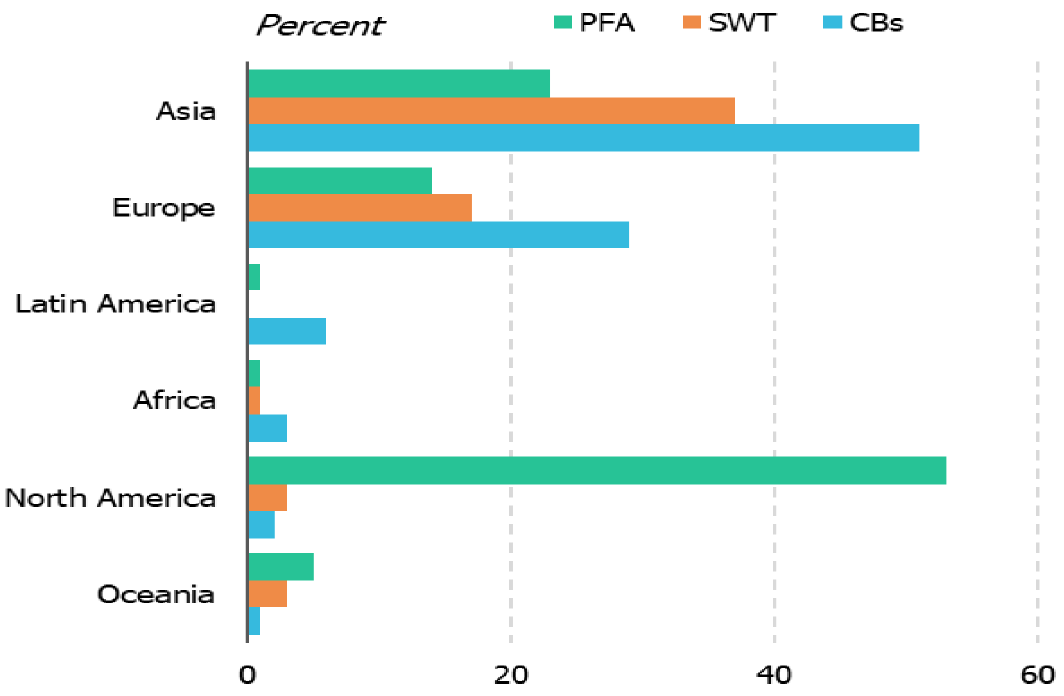
(d) Average domestic private investment as percent of GDP, 2000–2023



Source: Staff calculation using data from the IMF's Financial Development Index Database and World Bank Global Financial Development Database

Strengthening Africa's Financial System Requires Leveraging the Role of Institutional Investors, NDBs, and Emerging Financing Platforms

Shares in global assets (pension funds and SWFs), 2025



Source: Peking University, Public Development Banks & Development Financing Institutions Database, 2025

01 **Well-governed and capitalized National Development Banks.**

02 **Pension Funds and SWFs**

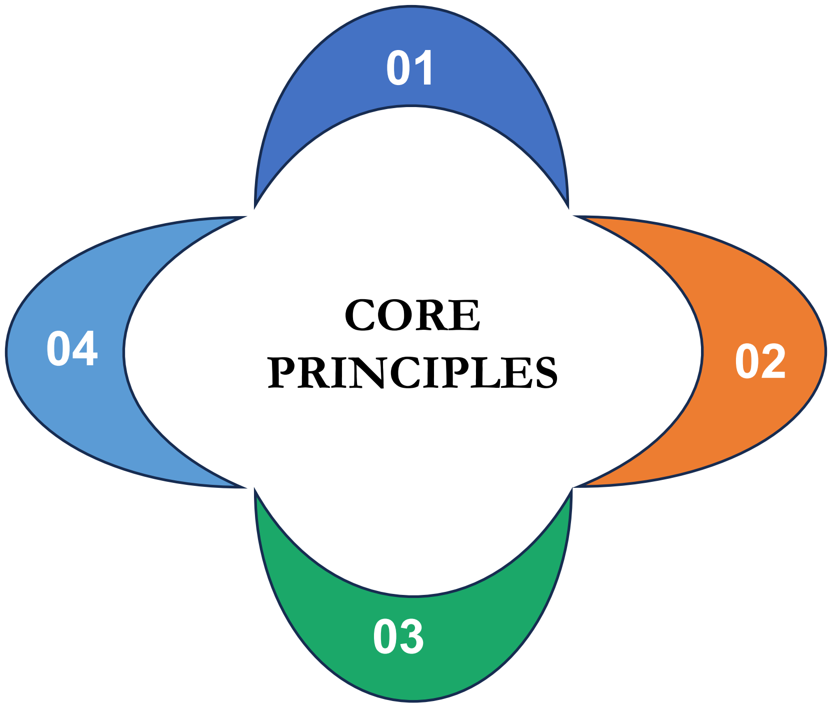
03 **Africa's insurance sector**

04 **Climate finance, Islamic finance, Innovative financial instruments**

Strengthening Africa’s Financing Agency in Global Markets Requires

Coordination

Disciplined risk transformation



Subsidiarity

Complementarity

Policy recommendations and key actions

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Policy Recommendations – African Countries

Short Term

Strategic monetary and exchange rate policy management

1. **Fiscal discipline and policy coordination:** Prudent PFM, budget transparency & credibility, debt productivity, public investment efficiency, build buffers, etc.
2. **Deepening domestic capital mobilization at scale**
3. **Implement counter-cyclical crisis response measures**
4. **Deepen and integrate domestic and regional financial markets**
5. **Strengthen social contract with citizens** – improve PSD, fight corruption, address leakages.

Policy Recommendations – African Countries

Medium-to-Long Term

1. Deepen structural reforms, and invest in key infrastructure and social services to strengthen economic resilience
2. Expand Africa's energy mix to strengthen its energy security
3. Implement pension reforms and strengthen the institutional investor ecosystem
4. Improve the quality and bankability of infrastructure projects to attract institutional investors - pension funds, SWFs, etc.
5. Mainstream climate and Islamic finance as a key component of Africa's financial architecture
6. Accelerate the reform of the African financial architecture (NAFAD, AFSM, AMI, etc.)
7. Leverage African diaspora and HNWIs and philanthropies

Policy Recommendations – Development Partners

1. Crisis response programs – trade finance, emergence budget Support, etc.
2. Coordinated technical assistance and policy dialogues and advisory services
3. Deepen international cooperation between development partners to improve DRM
4. MDBs to enhance derisking mechanisms and partial credit guarantees to scale up private investment
5. Reform and empower NDBs and DFIs to strengthen Africa's financial architecture
6. Innovative instruments to build long tern economic resilience in countries.

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