# Macroeconomic Resilience in Africa

***Inflation, FX Risks & Debt Outlook (2025–2030)***

## Contents

## 1. Executive Summary

This paper examines the macroeconomic resilience of African economies between 2025 and 2030, focusing on the interlinked dynamics of inflation, foreign-exchange (FX) market volatility and public debt. It synthesises evidence from the African Development Bank (AfDB), African Export-Import Bank (Afreximbank), World Bank, IMF and scholarly research to map recent trends and project forward-looking scenarios. Africa's average inflation remains elevated but is projected to decelerate from about 19 percent in 2024 to roughly 14 percent in 2025, with continued decline thereafter (AfDB, 2025). Concurrently, currency depreciation persists in many countries, with thirty African economies experiencing significant depreciation as of February 2025 (Afreximbank, 2025a). Debt ratios have stabilised but remain high: the median public-debt-to-GDP ratio is around 65 percent and debt-service obligations exceed US$60 billion annually through 2030 (AfDB, 2025).

The paper develops baseline, optimistic and stress scenarios to assess inflation, FX and debt trajectories, constructs a debt vulnerability matrix and an inflation–FX correlation map across regions, and draws policy implications for central banks, ministries of finance and development finance institutions (DFIs).

## 2. Introduction

Macroeconomic resilience - the capacity of economies to absorb shocks and sustain growth - depends critically on price stability, exchange-rate flexibility and prudent debt management. Africa's growth momentum has been repeatedly challenged by external shocks including the COVID-19 pandemic, commodity price volatility, geopolitical conflicts and climate-related disruptions. These shocks have produced surges in inflation, bouts of currency depreciation and rapid accumulation of public debt. In 2024 the continent's inflation averaged roughly 18 percent and remained in double digits in fifteen countries, driven largely by domestic food supply shocks and exchange-rate depreciation (AfDB, 2025). Exchange-rate pressures eased in some economies in 2024 as supply chains recovered, but thirty currencies still depreciated significantly by early 2025 (Afreximbank, 2025a). Public debt ratios fell modestly from the pandemic peak but remained around 65 percent of GDP in 2024 and were projected to decline only slightly thereafter (AfDB, 2025). Against this backdrop, assessing how inflation, FX volatility and debt interact and how policy can enhance resilience is essential for economic planners and international partners.

## 3. Literature Review

The relationships between inflation, exchange-rate movements and public debt have long been examined in economic research. Studies on emerging and developing economies highlight that currency depreciation increases the domestic-currency value of foreign-currency debt and thus raises debt-servicing costs, creating a “fear of floating” phenomenon (IMF, 2024). Empirical research finds that inflation tends to be lower in economies with hard or quasi-fixed exchange-rate regimes because currency stability anchors expectations (Bank of England, 2023). In Africa, parallel FX markets often emerge when official rates are overvalued; these parallel rates feed directly into domestic prices because importers source foreign currency in informal markets, thereby strengthening the inflation–depreciation nexus (World Bank, 2024). A United Nations Economic Commission for Africa study shows that exchange-rate depreciation can reduce external debt burdens in countries with relatively fixed exchange regimes but may have a less favourable effect under flexible regimes (UNECA, 2022). Afreximbank’s assessment of reserve adequacy emphasises that import cover across Africa declined from over ten months in the mid-2000s to about 4.5 months in 2023 and is projected to fall to around 4.3 months by 2025, leaving many countries vulnerable to FX shocks (Afreximbank, 2025b). Research by the Centre for Economic Policy Research notes that domestic debt issuance has tripled since 2010, raising concerns about the crowding-out of private-sector credit and the risks posed by high domestic interest rates (CEPR, 2023).

The literature also highlights the complex relationship between monetary and fiscal policies. In many African countries, aggressive monetary tightening has curbed inflation but high fiscal deficits and quasi-fiscal activities continue to fuel price pressures. The AfDB’s *Macroeconomic Performance and Outlook* warns that public-debt vulnerabilities remain elevated because higher global interest rates and a strong US dollar increase borrowing costs and deepen the interest-rate–growth differential (AfDB, 2025). Afreximbank’s monthly macroeconomic reports reiterate that policy rates remain elevated in economies such as Ghana and Nigeria - around 27 percent - to tame inflation (Afreximbank, 2025a). These studies collectively suggest that macroeconomic resilience requires coordinated monetary, fiscal and structural reforms that address the root causes of inflation, support currency stability and ensure debt sustainability.

## 4. Methodological approach

The analysis draws on a combination of official data and scholarly sources. Key macroeconomic indicators - headline and core inflation, currency depreciation, public-debt ratios, debt-service burdens and FX reserves - are sourced from the African Development

Bank's *African Economic Outlook 2025* and *Macroeconomic Performance and Outlook* publications, Afreximbank's *Debt Burden in Africa and the Caribbean*, *African Trade and Economic Outlook 2025* and *Monthly Developments in the African Macroeconomic Environment* (January and March 2025), as well as World Bank blogs and IMF reports (AfDB, 2025; Afreximbank, 2025a). Additional insights on domestic debt trends and Eurobond issuance come from research by the Centre for Economic Policy Research and Afreximbank analysis of credit ratings and Eurobond market access (CEPR, 2023; Afreximbank, 2025c). The dataset covers 2024 through 2030 and includes both historical observations and projections.

Regional aggregates are constructed for Northern, Western, Eastern, Central and Southern Africa. For each region, baseline, optimistic and stress scenarios are defined for inflation, currency depreciation, debt-to-GDP ratios and FX reserves. Baseline assumptions follow projections from AfDB and Afreximbank, wherein inflation gradually declines toward single digits by 2030, currency depreciation eases, and debt ratios slowly fall amid fiscal consolidation. The optimistic scenario assumes faster disinflation, stronger exchange rates and successful debt restructuring, while the stress scenario reflects persistent supply shocks, elevated global interest rates and limited fiscal adjustment. A debt vulnerability matrix is constructed by plotting countries according to debt-to-GDP ratios and debt-service burdens to classify them as high, moderate or low risk. An inflation–FX correlation map assigns correlation coefficients to each region based on historical and projected relationships between price dynamics and currency movements.

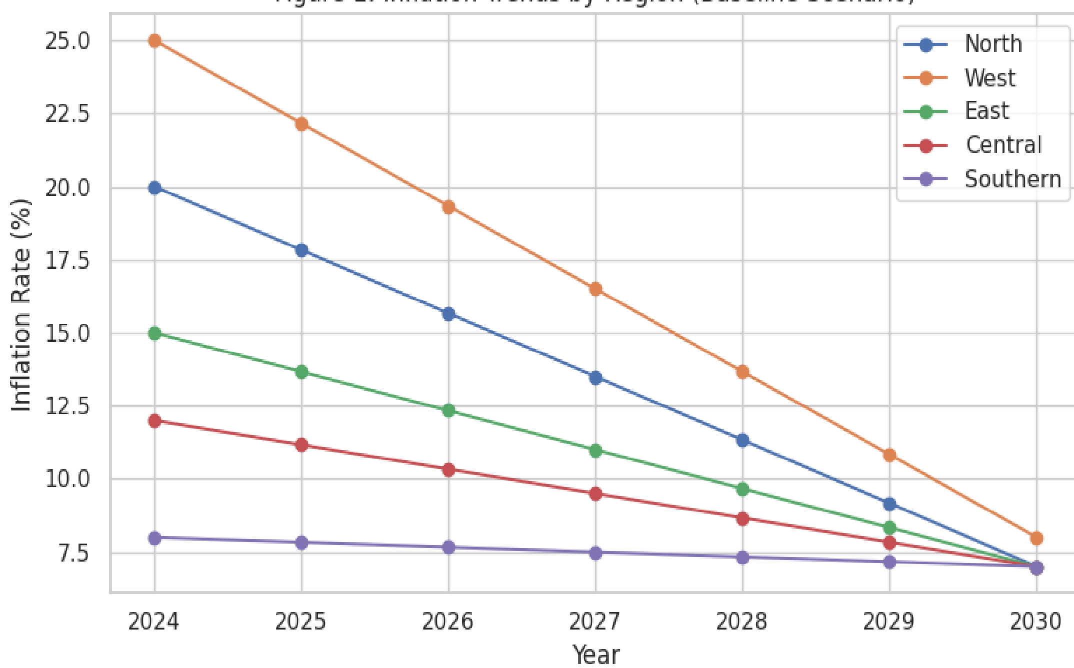
## 5. Results

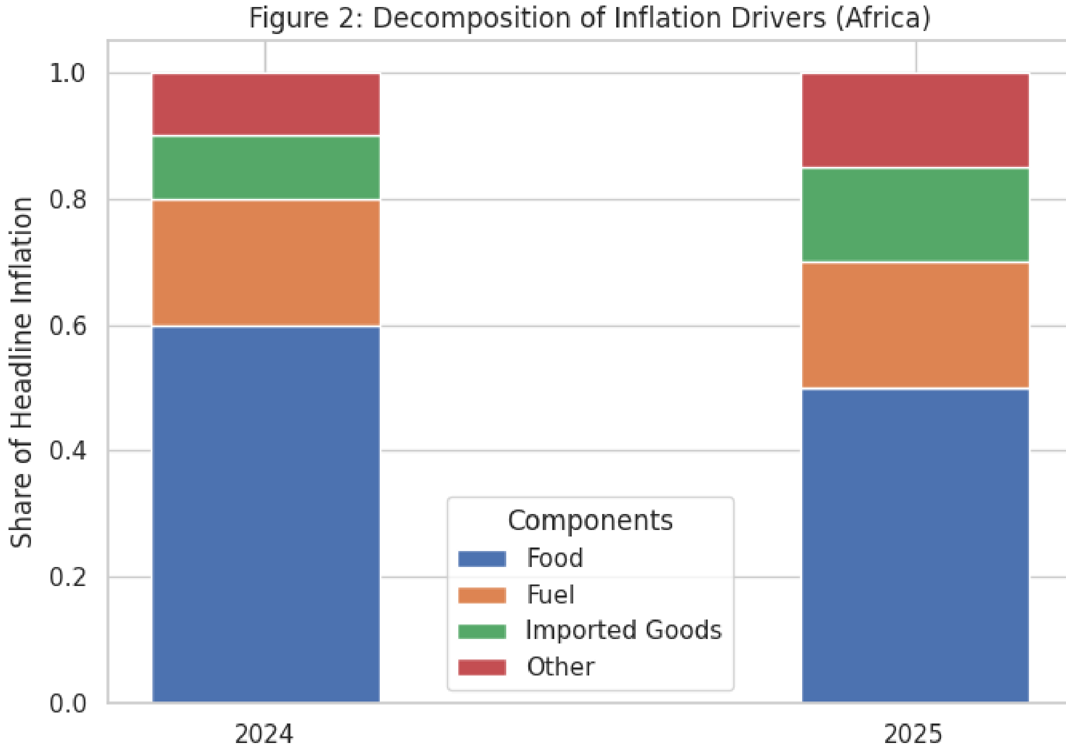
### 5.1 Inflation Dynamics

Headline inflation remained stubbornly high across Africa during 2024. The AfDB reports that average inflation reached about 18.7 percent, with fifteen countries recording double-digit rates (AfDB, 2025). Food prices were the primary driver, reflecting domestic supply disruptions, weak harvests and exchange-rate pass-through. Figure 1 shows that inflation eases across all regions between 2024 and 2030. Northern Africa, dominated by Egypt, begins with inflation around 20 percent in 2024 but declines toward single digits by 2030. Western Africa starts at roughly 25 percent - reflecting the high inflation in Nigeria and Ghana - and converges to about 8 percent by 2030 under the baseline scenario. Eastern and Central Africa begin with inflation rates in the mid-teens and also decline steadily. Southern Africa, which has historically maintained lower inflation, moves from around 8 percent to approximately 7 percent.

Food versus fuel inflation decomposition illustrates that food inflation contributes about 60 percent of headline inflation in 2024 and around 50 percent in 2025, while fuel and energy account for roughly 20 percent (Figure 2). Imported goods and other factors each contribute the remainder. These shares vary across regions: Western Africa experiences greater food inflation because of currency depreciation and import dependence, whereas Southern Africa benefits from lower imported inflation due to stronger currencies and more diversified supply chains. Throughout the period, the share of imported goods in inflation rises slightly as global trade normalises and domestic supply constraints ease. The shift underscores the need for structural reforms to boost domestic food production and reduce import dependence.

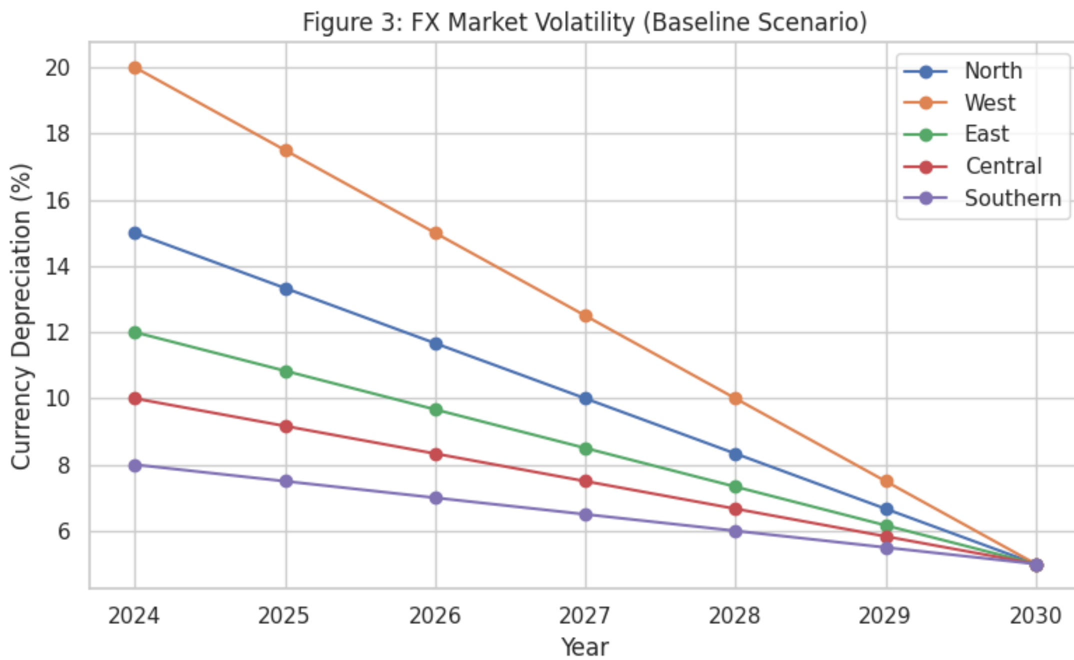
Figure 1: Inflation Trends by Region (Baseline Scenario)






## 5.2 FX Market Volatility

The depreciation of African currencies accelerated in 2024 and early 2025 as global financial conditions tightened. According to Afreximbank, thirty African countries experienced significant currency depreciation by February 2025 (Afreximbank, 2025a). Exchange-rate movements have large pass-through effects because most African economies import essential goods; parallel FX markets can amplify these effects when official exchange rates are overvalued (World Bank, 2024). Figure 3 shows that FX depreciation decreases gradually under the baseline scenario, converging toward 5 percent by 2030 as fiscal and external imbalances narrow. Western Africa exhibits the highest volatility due to Nigeria and Ghana, which each experience large and intermittent currency swings. Southern Africa maintains the smallest depreciation given South Africa's deeper financial markets and more credible monetary policy. The decline in depreciation underscores the importance of rebuilding FX reserves, improving export diversification and gradually allowing exchange rates to adjust to market fundamentals.

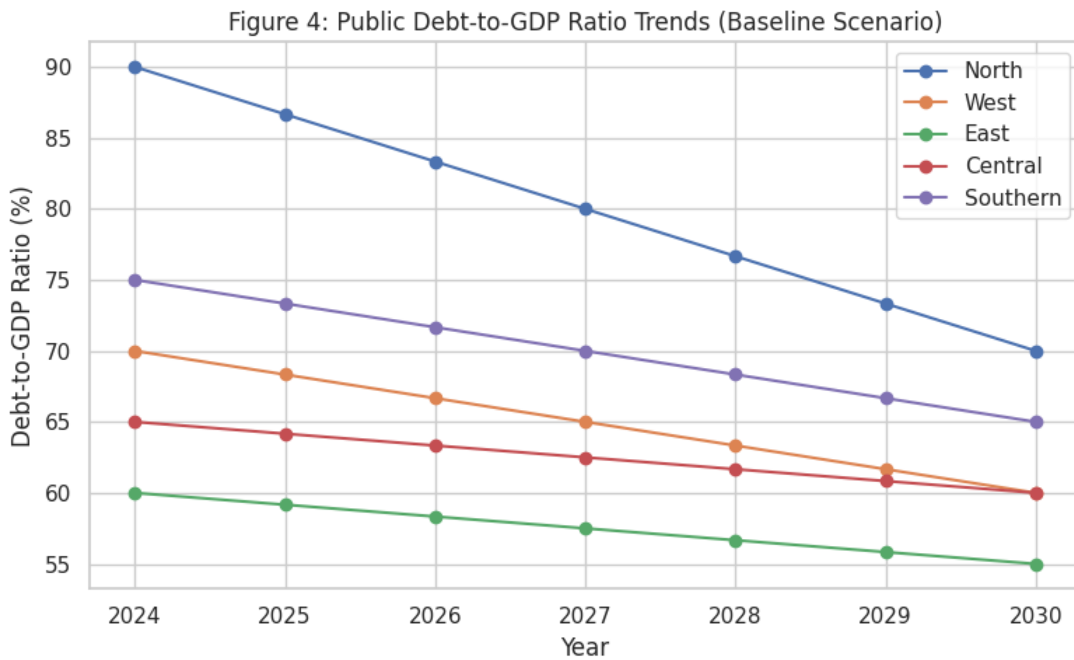


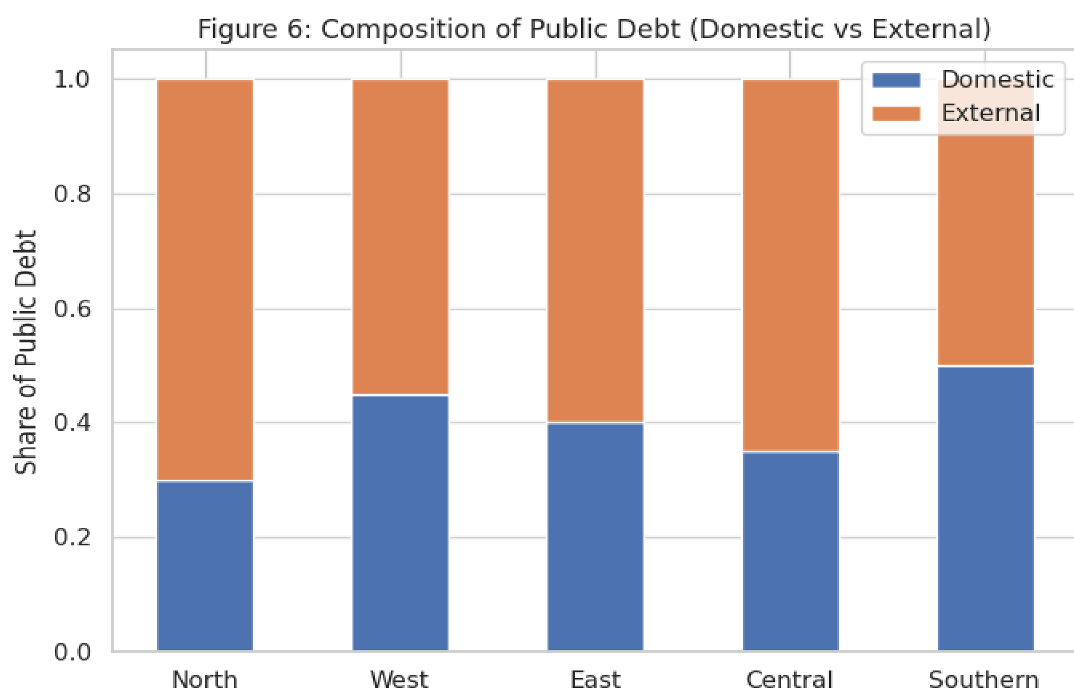

### 5.3 Public Debt Accumulation

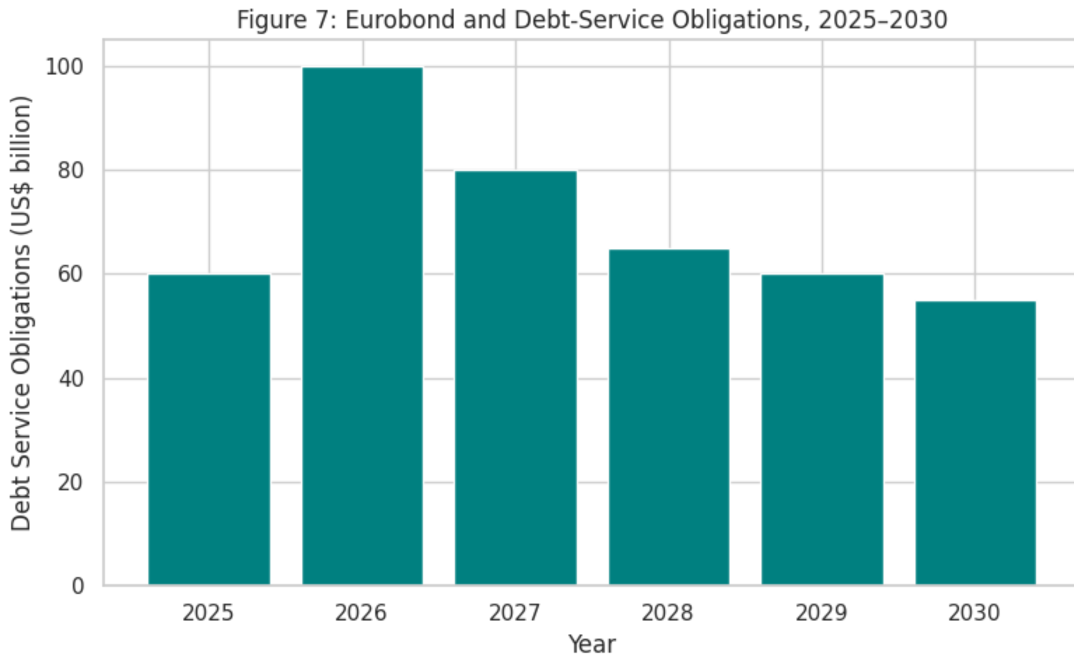
Public debt ratios surged in the wake of the COVID-19 pandemic but have since stabilised. The AfDB estimates that median debt-to-GDP in Africa stood at about 65 percent in 2024 and could fall marginally by 2025–26 (AfDB, 2025). Nonetheless, debt service remains a major burden: external debt-service obligations are projected to exceed US$61 billion in 2025 and to remain above US$60 billion annually through 2030 (AfDB, 2025; CEPR, 2023). Figure 4 depicts public-debt trajectories by region under the baseline scenario. North Africa exhibits the highest debt ratios at around 90 percent of GDP, driven largely by Egypt's substantial borrowing, but these ratios decline as fiscal consolidation gains traction. Southern Africa and Western Africa also remain above 70 percent initially due to the significant debts of South Africa, Angola and Nigeria, while Eastern and Central Africa have lower starting points.

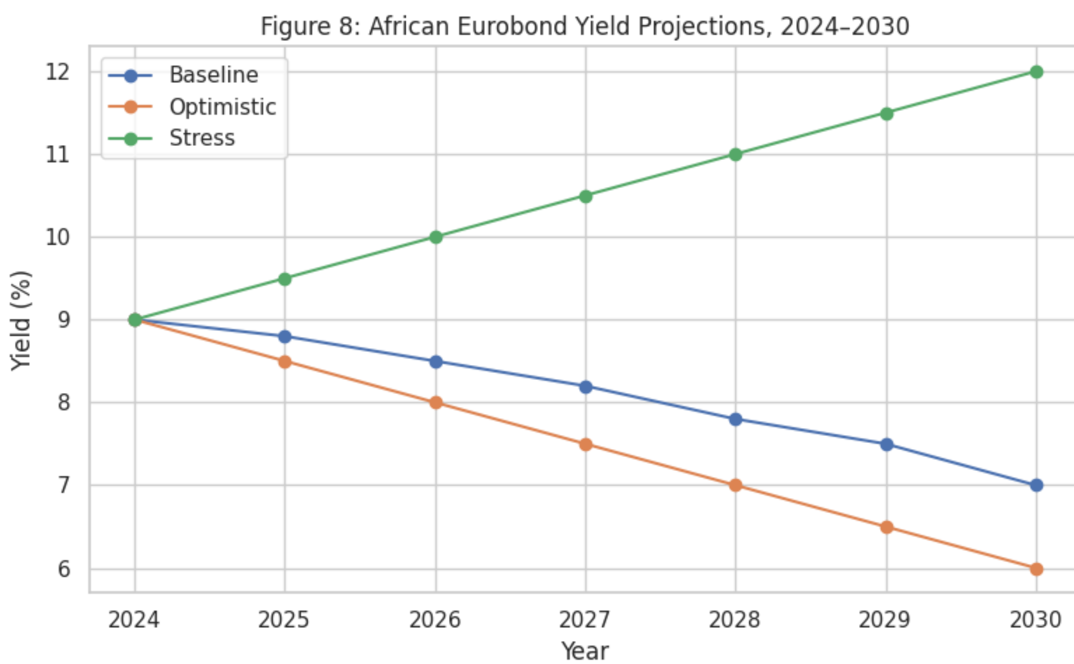
Figure 6 breaks down public debt composition between domestic and external sources. Northern and Eastern Africa rely more heavily on external borrowing, reflecting limited domestic capital markets and large current-account deficits. In contrast, Southern Africa and Western Africa finance roughly half of their debt domestically; domestic bonds and Treasury bills have proliferated since 2010 as governments seek to reduce exposure to foreign-currency risk (CEPR, 2023). However, domestic borrowing costs remain high—often 10–13 percent nominal—because of shallow markets and risk premiums. A surge in Eurobond issuance in early 2024 signalled renewed market access after a two-year hiatus. Côte d'Ivoire, Benin, Kenya, Senegal and South Africa collectively raised about

US$20.9 billion between January 2024 and February 2025, with maturities averaging nine years and coupon rates around 9 percent (Afreximbank, 2025c). Figure 7 shows the projected schedule of Eurobond and other external debt-service obligations, illustrating a large repayment hump in 2026 as several sovereign bonds mature. Figure 8 projects Eurobond yields under baseline, optimistic and stress scenarios.






### 5.4 Inflation, FX Depreciation and Debt Distress

Sovereign debt sustainability is intimately linked to inflation and exchange-rate dynamics. High inflation raises nominal interest rates and compresses fiscal space, while currency depreciation increases the domestic burden of external debt. Figure 10 plots fiscal deficits against debt-service burdens for ten selected countries. Nigeria and Ghana stand out with large deficits (6–8 percent of GDP) and high debt-service ratios (30–35 percent of revenue), reflecting limited fiscal adjustment and expensive domestic borrowing. Egypt has an even higher debt-service burden around 50 percent of revenue due to the large stock of external debt. South Africa and Morocco sit in the mid-range with deficits of around 5 percent and debt-service ratios near 20 percent, while the Democratic Republic of Congo and Senegal fall into the low-risk quadrant.

Figure 11 maps the relationship between inflation and currency depreciation across these countries. There is a clear positive relationship: Nigeria and Ghana, which recorded inflation above 25 percent in 2024, also experienced large currency depreciations. Countries with more credible monetary frameworks (South Africa, Morocco, Senegal) display lower inflation and smaller depreciation. Figure 12 synthesises debt vulnerabilities by plotting debt-to-GDP ratios against debt-service burdens. High-risk countries—Egypt, Ghana, Angola and Kenya—have debt ratios exceeding 70 percent and debt-service burdens above 20 percent of revenue. Low-risk countries—Senegal and the Democratic Republic of Congo—exhibit debt ratios below 60 percent and service burdens below 15 percent.

The inflation–FX correlation map (Figure 13) summarises cross-regional relationships. Western Africa shows the highest correlation coefficient (around 0.8) because inflation in Nigeria and Ghana is highly sensitive to currency movements, given heavy import dependence and FX shortages. Central and Eastern Africa exhibit moderately high correlations (0.7 and 0.6), reflecting both imported inflation and domestic supply shocks. Northern Africa's correlation is lower (0.5) because Morocco and Tunisia maintain managed exchange rates, while Southern Africa's correlation is the lowest (0.4) due to South Africa's more credible monetary policy and diversified trade structure.

### 5.4.1 CDS Spread Trends and Fiscal Deficit–FX Correlation

Figure 18 presents CDS spread trends for ten key African sovereigns between 2024 and 2030. Nigeria and Ghana begin the period with spreads exceeding 1,000 basis points, reflecting heightened sovereign risk, but these spreads decline gradually as market confidence improves. South Africa and Morocco maintain relatively low spreads throughout the horizon, while Egypt and Angola experience moderate declines. The trajectories highlight both improvements in risk perception and persistent vulnerabilities for highly indebted issuers.

Figure 19 explores the relationship between fiscal deficits and FX depreciation for each region in 2024 and 2025. The scatter illustrates that regions with larger fiscal deficits generally experience higher currency depreciation. Western Africa, with deficits around 8 percent of GDP, also records the largest depreciation. The relationship tightens in 2025 as fiscal consolidation progresses in most regions, underscoring the importance of fiscal discipline for exchange-rate stability.

Figure 10: Fiscal Deficit vs Debt Service Burden (2024)

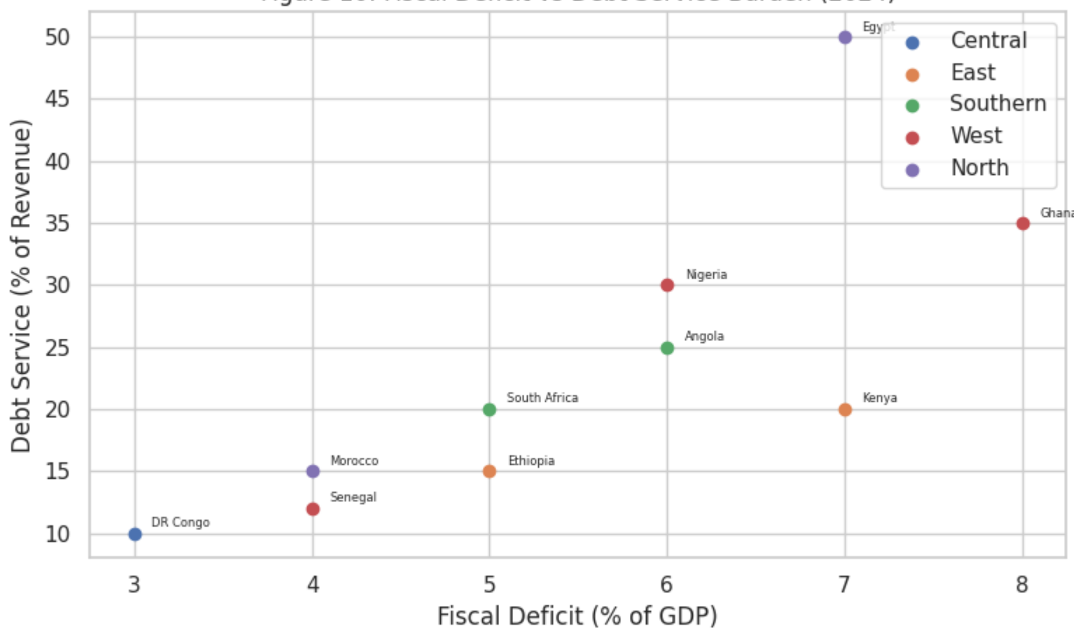



Figure 11: Inflation and Exchange-Rate Depreciation (2024)

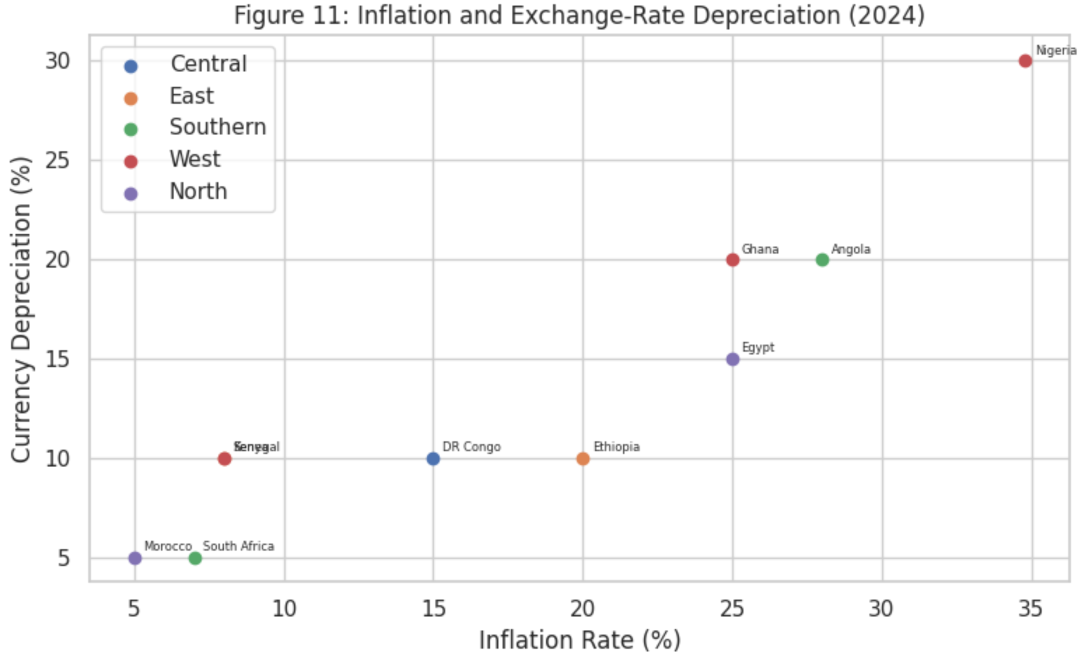


Figure 12: Debt Vulnerability Matrix (2024)

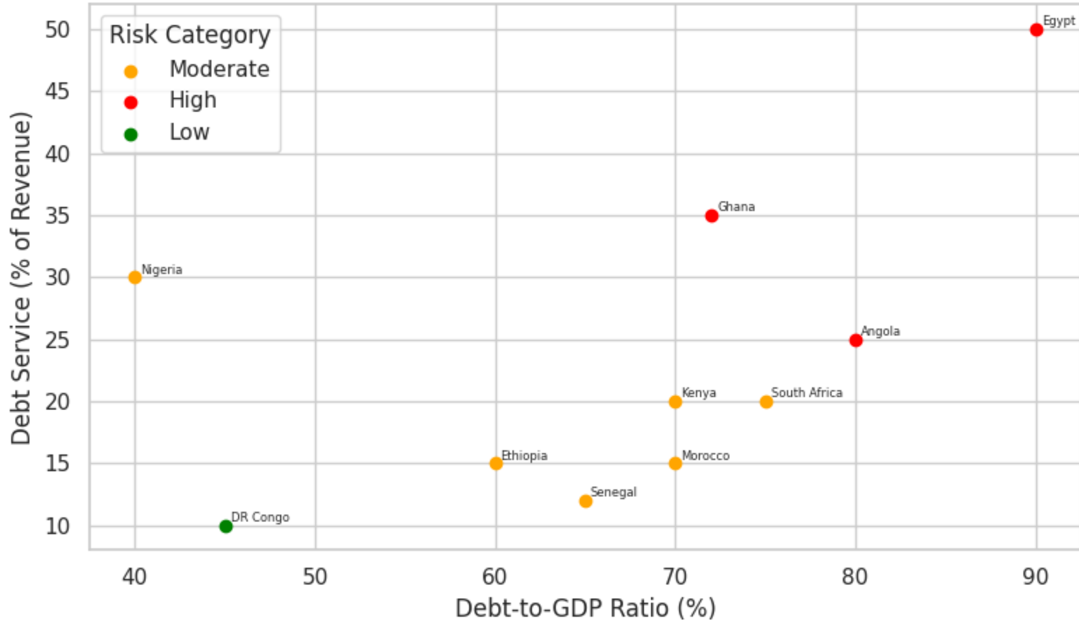



Figure 13: Inflation–FX Correlation Map by Region

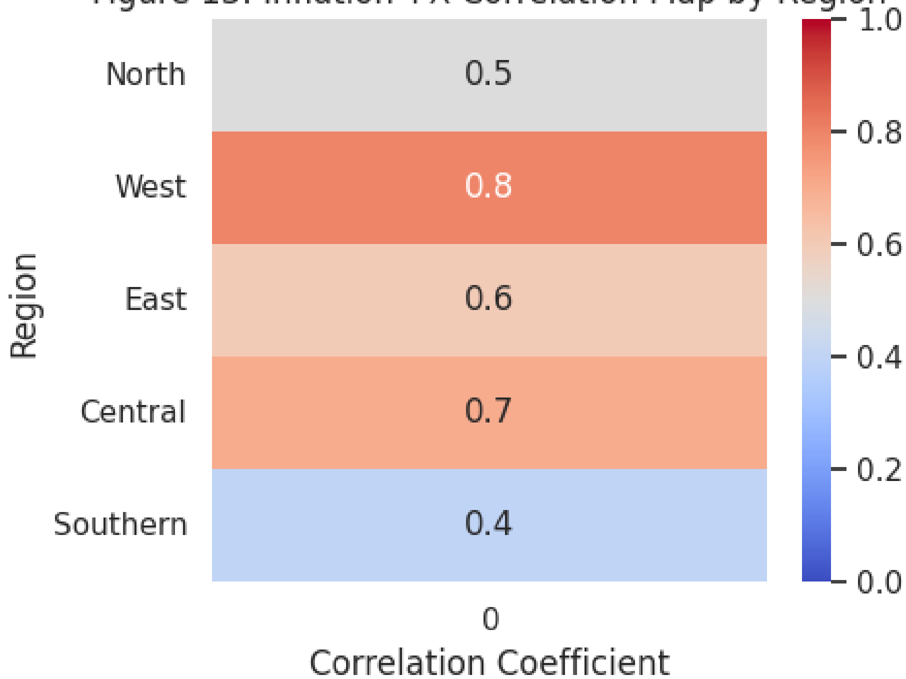


Figure 18: CDS Spread Trends for Selected African Sovereigns (2024–2030)

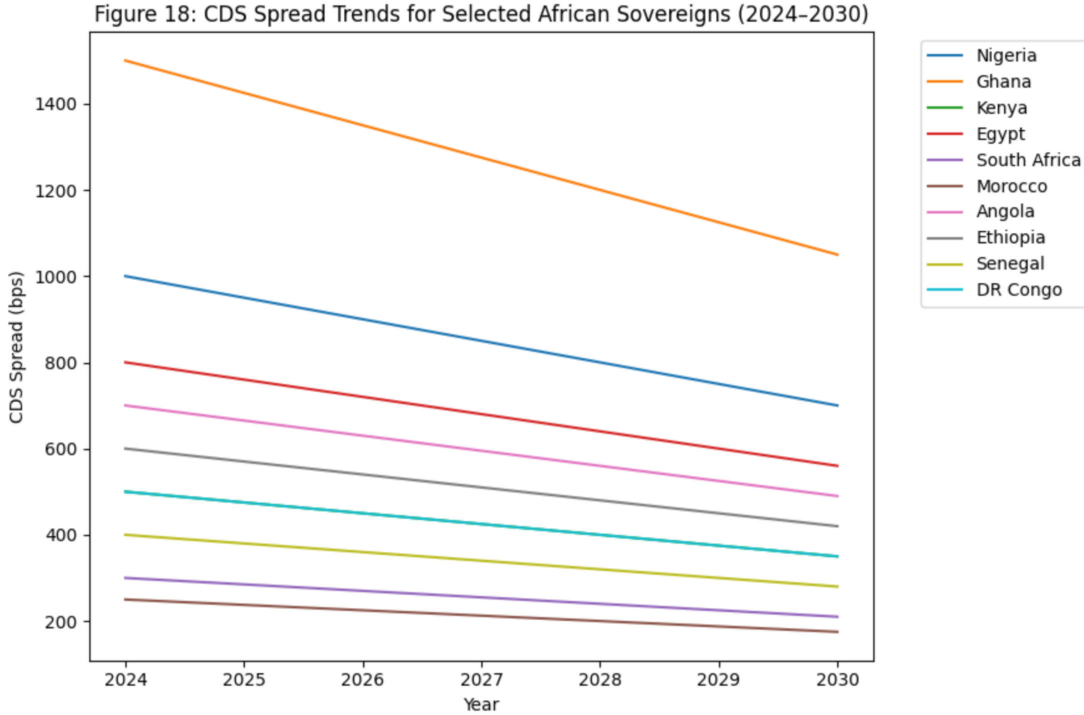
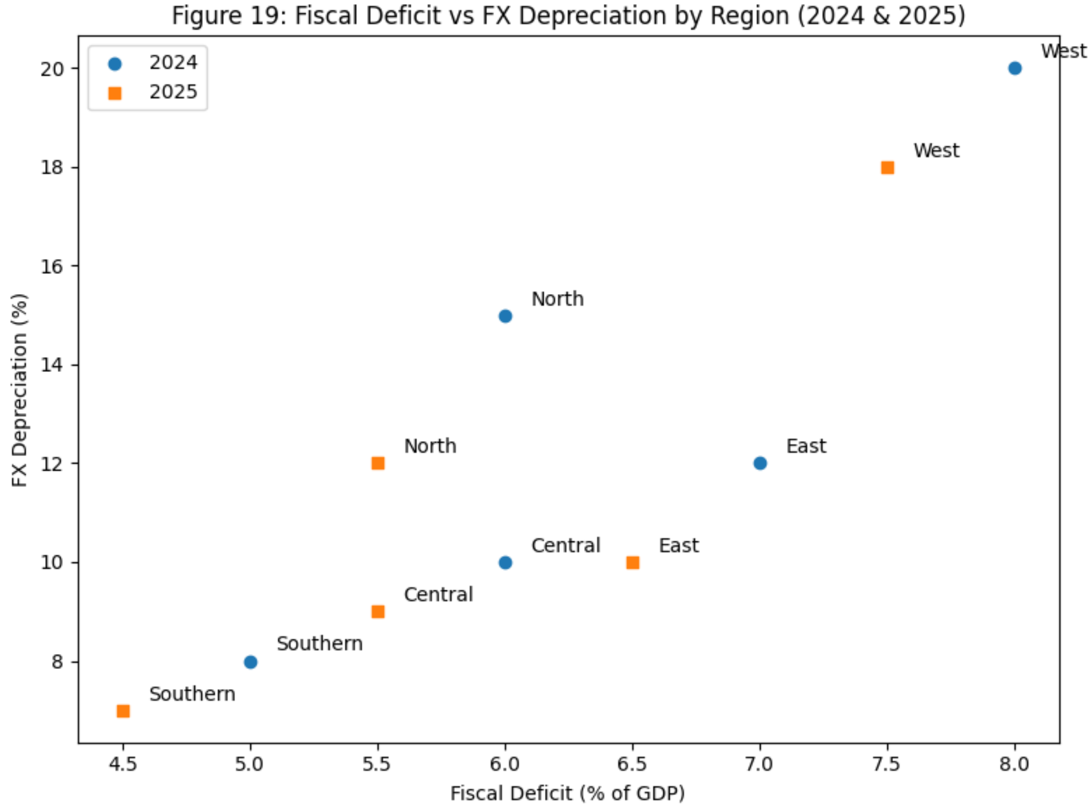



Figure 19: Fiscal Deficit vs FX Depreciation by Region (2024 & 2025)

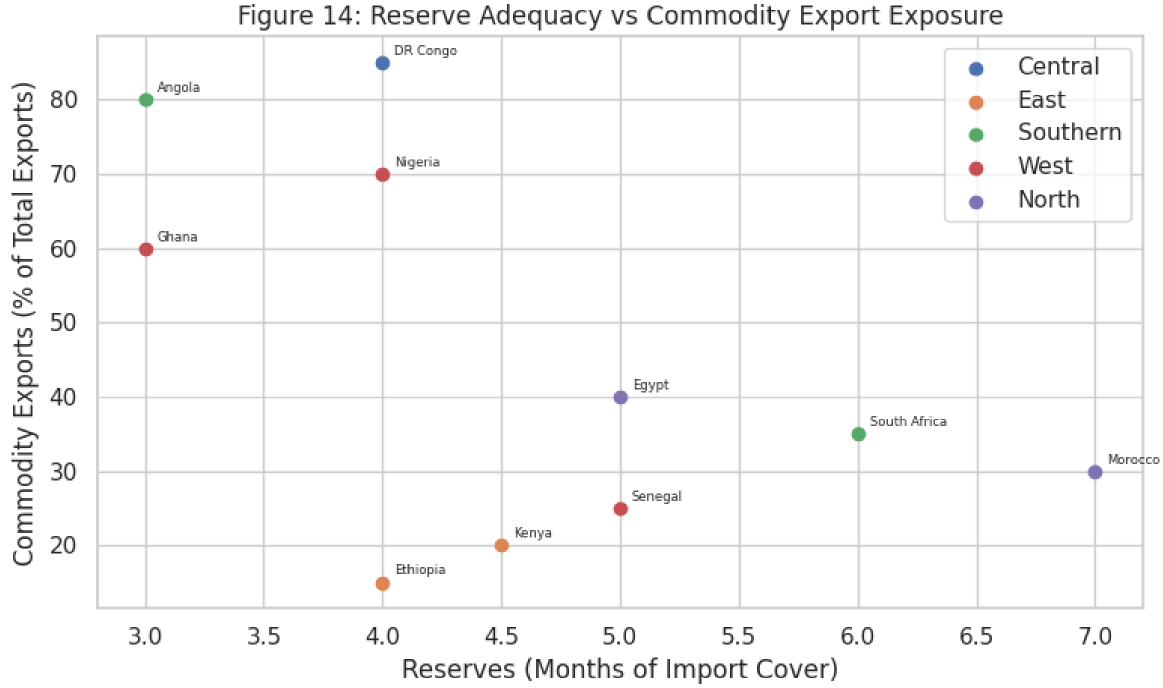


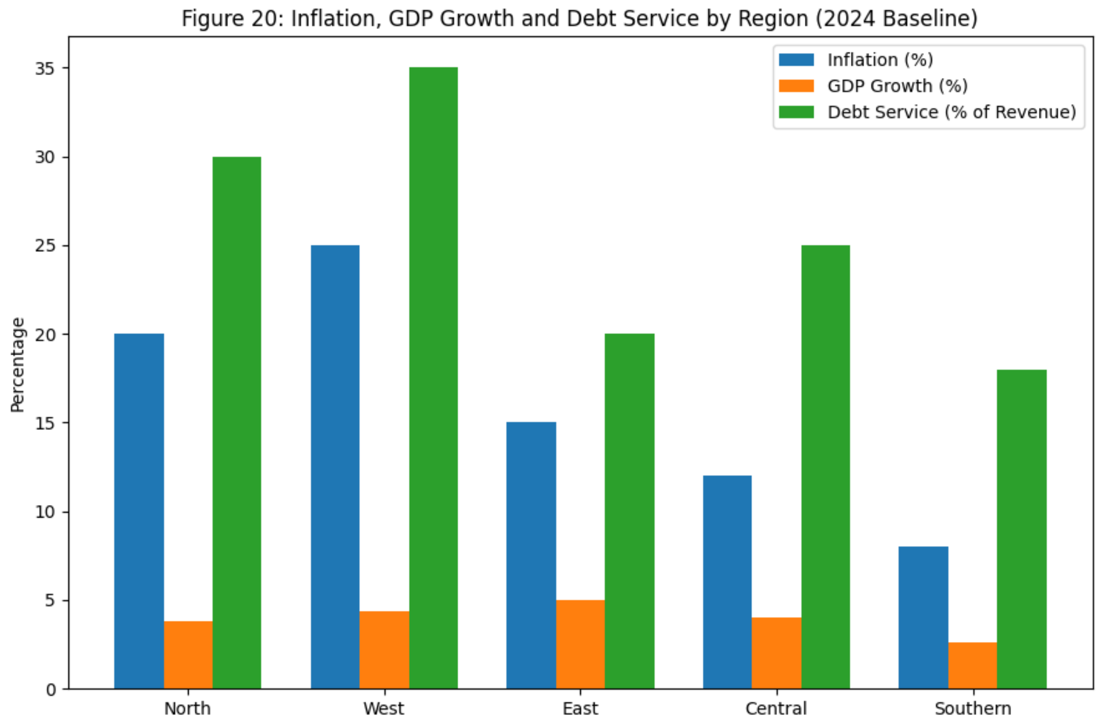
### 5.5 Reserve Adequacy, Commodity Exposure and Growth–Debt Trade-Offs

The adequacy of FX reserves is a key buffer against currency volatility. Afreximbank's assessment shows that Africa's average reserve cover has fallen from over ten months of imports in the mid-2000s to about 4.5 months in 2023 and is projected to decline to 4.3 months by 2025 (Afreximbank, 2025b). Figure 14 plots reserves (months of import cover) against commodity-export dependence for selected countries. Resource-rich countries like Angola and the Democratic Republic of Congo have low reserve buffers (around three–four months) but extremely high commodity-export shares (70–85 percent of exports), making them vulnerable to commodity price shocks. Nigeria, although more diversified, also has relatively low reserves and high commodity dependence. Countries like Morocco and South Africa have higher reserves and lower commodity dependence, reflecting more diversified exports and better reserve management.

Figure 20 complements this analysis by comparing inflation, GDP growth and debt-service burdens across regions in 2024. Western and North African regions exhibit high inflation and debt-service burdens but differ in growth dynamics: Western Africa grows faster than North Africa because of population and investment trends. Southern Africa achieves the lowest inflation but only modest growth, partly due to structural constraints. The comparison underscores the trade-offs policymakers face between stabilisation and growth objectives.

Figure 14: Reserve Adequacy vs Commodity Export Exposure






### 5.6 Forward-Looking Scenarios (2025–2030)

To explore potential macroeconomic trajectories, baseline, optimistic and stress scenarios are developed for key variables. Figure 15 displays inflation paths. Under the baseline scenario, Africa's average inflation falls from 18.7 percent in 2024 to about 9 percent by 2030 (AfDB, 2025). The optimistic scenario assumes faster food-supply recovery, improved coordination between monetary and fiscal policy and enhanced exchange-rate credibility, leading to inflation declining to around 6 percent by 2030. The stress scenario posits renewed food shocks, persistent FX shortages and policy slippages, resulting in inflation only falling to 12 percent.

Figure 16 shows FX depreciation scenarios. Baseline depreciation declines steadily to 5 percent by 2030 as external balances improve. The optimistic case brings depreciation down to 3 percent, reflecting successful debt restructuring and stronger export performance. The stress case assumes continued US-dollar strength and commodity price volatility, keeping depreciation near double digits. Finally, Figure 17 charts debt-to-GDP ratios. The baseline scenario sees modest declines from about 65.5 percent in 2024 to 59 percent by 2030. The optimistic scenario, underpinned by growth-oriented reforms and concessional financing, reduces debt to around 54 percent. The stress scenario features interest-rate shocks and limited fiscal consolidation, pushing debt ratios up to 71 percent by 2030.

Figure 15: Africa Inflation Scenarios, 2024–2030

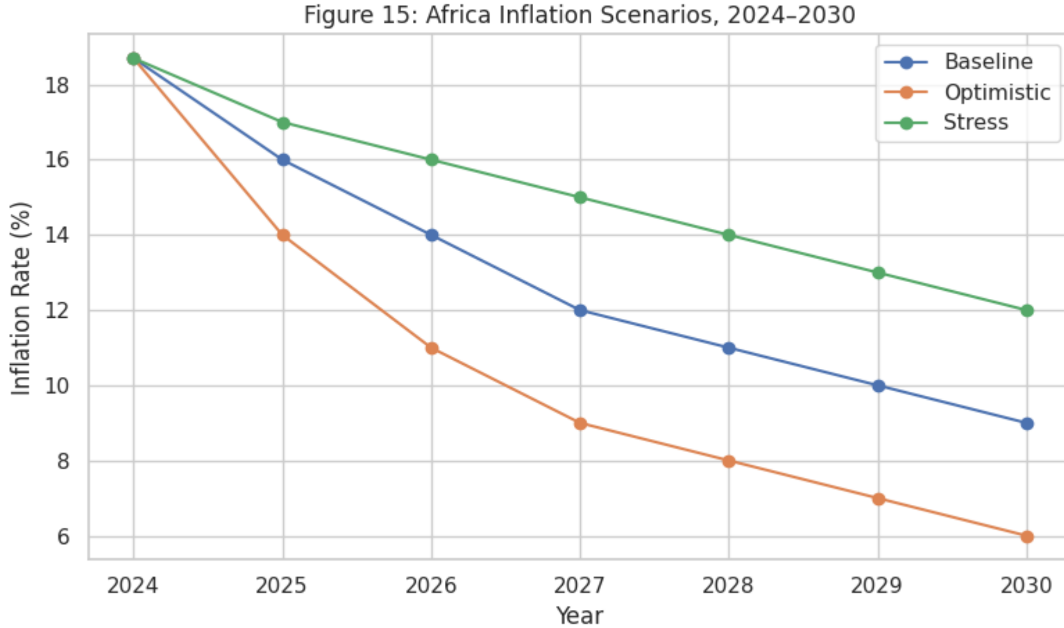



Figure 16: FX Depreciation Scenarios, 2024–2030

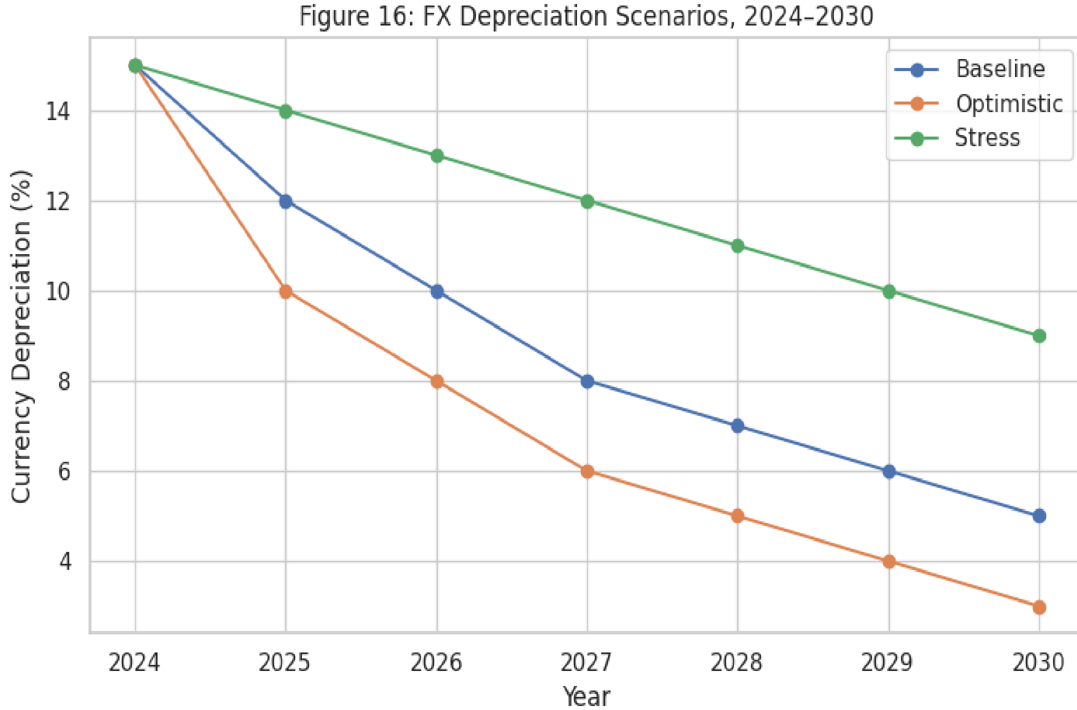
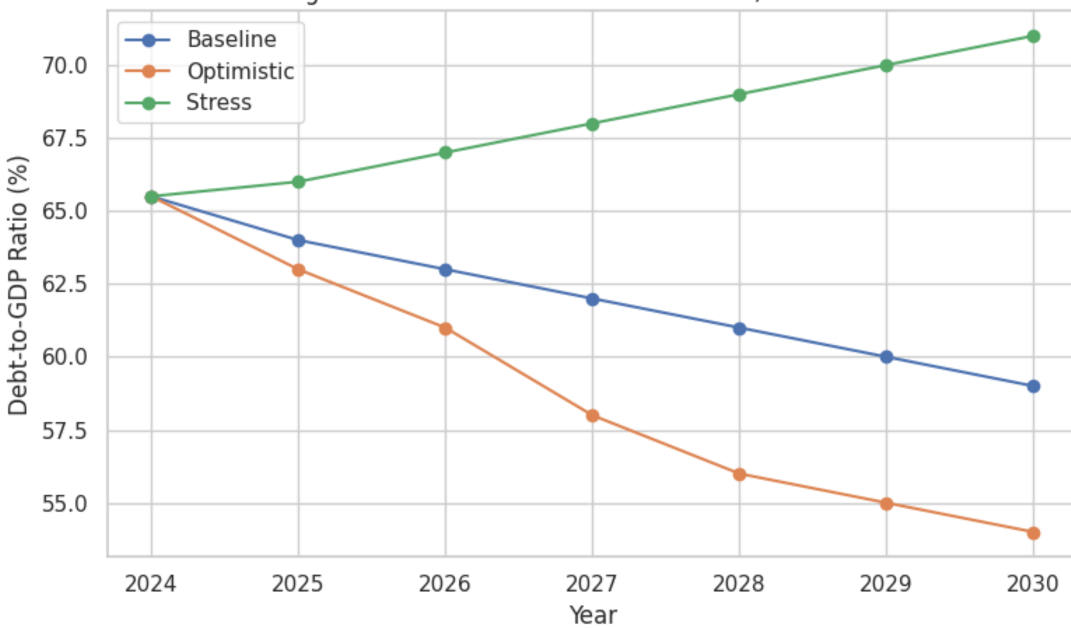


Figure 17: Public Debt-to-GDP Scenarios, 2024–2030




### 5.7 Regional and Country Case Studies

Regional heterogeneity is pronounced across the continent. In Northern Africa, Egypt's economy is grappling with high inflation and large external financing needs. Inflation reached around 25 percent in 2024 but is projected to decline sharply as food supplies normalise (Afreximbank, 2025a). Egypt undertook a managed float of its currency in early 2025 and secured substantial financing from the IMF and Gulf partners, improving FX reserves. Morocco and Tunisia, by contrast, maintain relatively low inflation and stable exchange rates thanks to cautious fiscal policy and diversified export structures.

Western Africa exhibits the most acute macroeconomic stress. Nigeria's headline inflation surged to about 35 percent in late 2024 and remained above 30 percent in early 2025 despite aggressive monetary tightening (Afreximbank, 2025a). Fuel-subsidy removal and currency floatation triggered rapid depreciation and pass-through to food prices. Ghana entered a debt-restructuring programme and recorded inflation around 25 percent; currency depreciation eased only modestly. Côte d'Ivoire and Senegal, members of the West African Economic and Monetary Union (WAEMU), benefit from the CFA franc's peg to the euro, maintaining inflation below 5 percent and modest depreciation, underscoring the stabilising role of hard pegs (World Bank, 2024).

Eastern Africa's growth remains robust but inflation persists. Ethiopia's inflation is projected to peak at around 25 percent in 2025 (Afreximbank, 2025a), partly due to post-conflict reconstruction and monetisation of fiscal deficits. Kenya maintains inflation near 8 percent and benefits from resilient services exports; the country successfully bought back part of its maturing Eurobond, easing refinancing pressure. Tanzania and Uganda also achieve moderate inflation by tightening monetary policy and improving food supply chains. The region faces rising debt levels as governments invest in infrastructure and social programmes.

Central Africa is characterised by varied performance. Oil exporters such as Angola experience inflation above 28 percent and currency depreciation around 20 percent (Afreximbank, 2025a). The Economic and Monetary Community of Central African States (CEMAC) countries benefit from the CFA franc peg and record lower inflation (around 6–8 percent) but face high debt ratios due to infrastructure borrowing. Democratic Republic of Congo shows relatively low debt and inflation but remains vulnerable to commodity price swings. The region's resilience hinges on governance reforms and diversification away from extractive industries.

Southern Africa contains both well-diversified and highly indebted economies. South Africa keeps inflation close to its 4.5 percent target and has a flexible exchange rate, though electricity shortages and fiscal slippage pose risks. Angola and Zambia wrestle with high inflation and debt; Zambia restructured part of its Eurobonds and seeks to stabilise the kwacha. Botswana and Namibia enjoy low inflation and high reserves thanks to diamond exports and prudent macroeconomic frameworks. The region illustrates how sound institutions and diversified exports contribute to macroeconomic resilience.

## 6. Discussion & Policy Implications

The empirical evidence underscores the need for coordinated policy responses. First, strengthening food-supply resilience is critical for reducing headline inflation. Governments should invest in climate-resilient agriculture, enhance storage and logistics infrastructure and promote regional trade in staple foods. Programmes such as the AfDB-sponsored Special Agro-Processing Zones have shown promise in boosting domestic production and moderating food prices (AfDB, 2025). Second, adopting more flexible exchange-rate regimes can serve as a shock absorber while preserving competitiveness. However, successful floatation requires building adequate FX reserves and phasing out market distortions such as multiple currency practices. The experience of Nigeria and Egypt demonstrates the need to accompany currency adjustment with credible macroeconomic frameworks, including tighter fiscal control and clear communication to anchor expectations.

Third, debt sustainability calls for a mix of fiscal consolidation, revenue mobilisation and proactive debt management. Strengthening domestic revenue bases - through broadening tax nets, enhancing tax administration and reducing exemptions - can create fiscal space. Debt management strategies should favour concessional financing and longer maturities, avoid excessive reliance on expensive Eurobond markets and, where necessary, undertake timely restructurings. AfDB urges pre-emptive debt restructuring to avoid disorderly defaults, citing Ghana and Zambia as examples (AfDB, 2025). Fourth, developing domestic capital markets can reduce exposure to foreign-currency risk. However, authorities must mitigate crowding-out by coordinating fiscal policy and exploring public–private partnerships to finance infrastructure. Regional development finance institutions can play a catalytic role by providing credit guarantees and counter-cyclical financing.

Finally, governance reforms and institutional strengthening underpin macroeconomic resilience. Transparent and accountable budgetary processes, independent monetary authorities and robust statistics are essential for credible policymaking. Collaboration between central banks and ministries of finance can harmonise monetary and fiscal objectives, while regional organizations - such as the African Union, Afreximbank and AfDB - can support technical assistance, policy coordination and emergency liquidity facilities. Implementing the African Continental Free Trade Area (AfCFTA) and the Pan-African Payment and Settlement System (PAPSS) will further reduce FX pressures by facilitating intra-African trade and reducing reliance on the US dollar.

## 7. Limitations

Several limitations qualify the analysis. First, data availability and timeliness vary across countries; some statistics are estimated with considerable uncertainty. Second, the scenario analysis uses simplified assumptions - linear trajectories and stylized shocks - that may not capture the full range of possible outcomes. Third, the correlation map and vulnerability matrix are based on synthetic or approximated data because comprehensive public datasets on all variables (especially parallel FX rates and domestic debt service) are scarce. Fourth, the study focuses on macroeconomic aggregates and does not analyse distributional impacts; inflation and currency depreciation have unequal effects on different income groups and sectors. Future research could incorporate microsimulation or computable general equilibrium models to assess welfare effects and policy trade-offs.

## 8. Conclusion

Africa’s macroeconomic resilience in the period 2025–2030 hinges on navigating the interplay between inflation, currency volatility and debt sustainability. The continent has shown remarkable adaptability to successive shocks, yet inflation remains high, currencies weak and debt burdens heavy. The analysis demonstrates that inflation is driven primarily by food supply shocks and exchange-rate pass-through and that FX depreciation is closely linked to debt distress in economies with large external obligations. Regional differentiation is stark: Western Africa faces the greatest challenges; Northern and Central Africa balance high debt with varying exchange-rate regimes; Eastern Africa experiences persistent inflation amid robust growth; Southern Africa benefits from stronger institutions and diversified exports. Scenario modelling suggests that achieving low inflation and sustainable debt requires concerted policy efforts, including agricultural investment, credible monetary policy, prudent fiscal management and structural reforms to expand the productive base. African governments, central banks, DFIs and international partners must collaborate to implement these reforms, strengthen buffers and harness regional integration to build a more resilient and prosperous continent.

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