



The Global Financial Crisis and Sub-Saharan Africa



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Development Partner Group Meeting

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Resident IMF Representative



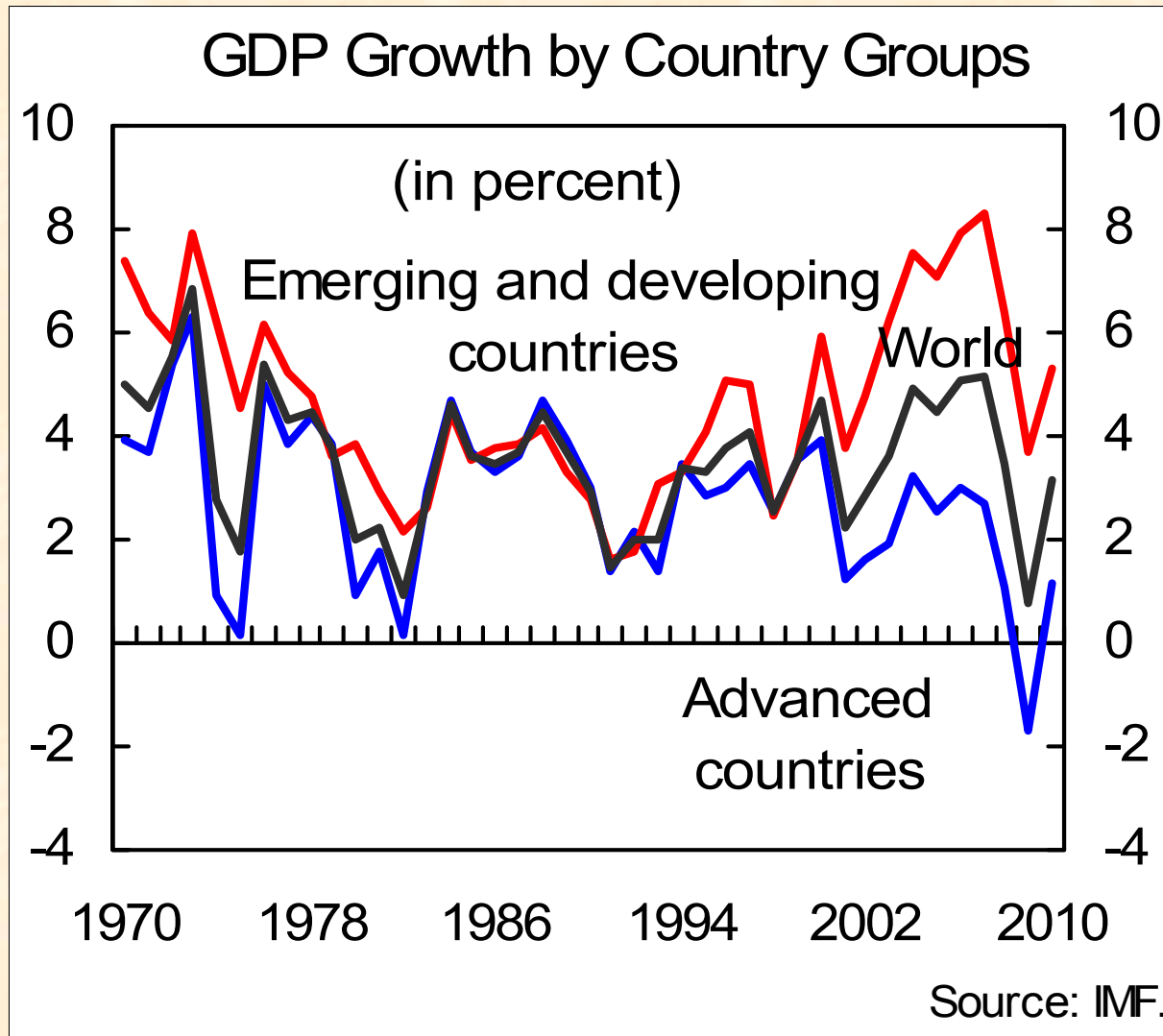


Main Messages

1. The global crisis is seriously affecting SSA.
2. Growth is declining quickly, while inflation is falling slowly, from a high level.
3. Fiscal and BoP pressures are emerging.
4. Downside risks continue to dominate.
5. Challenges for policymakers:
 - Maintaining stability and supporting demand amidst reduced external financing.
 - Reducing vulnerability to financial turmoil.
 - Not losing sight of medium-term goals.



Global growth is slowing sharply...

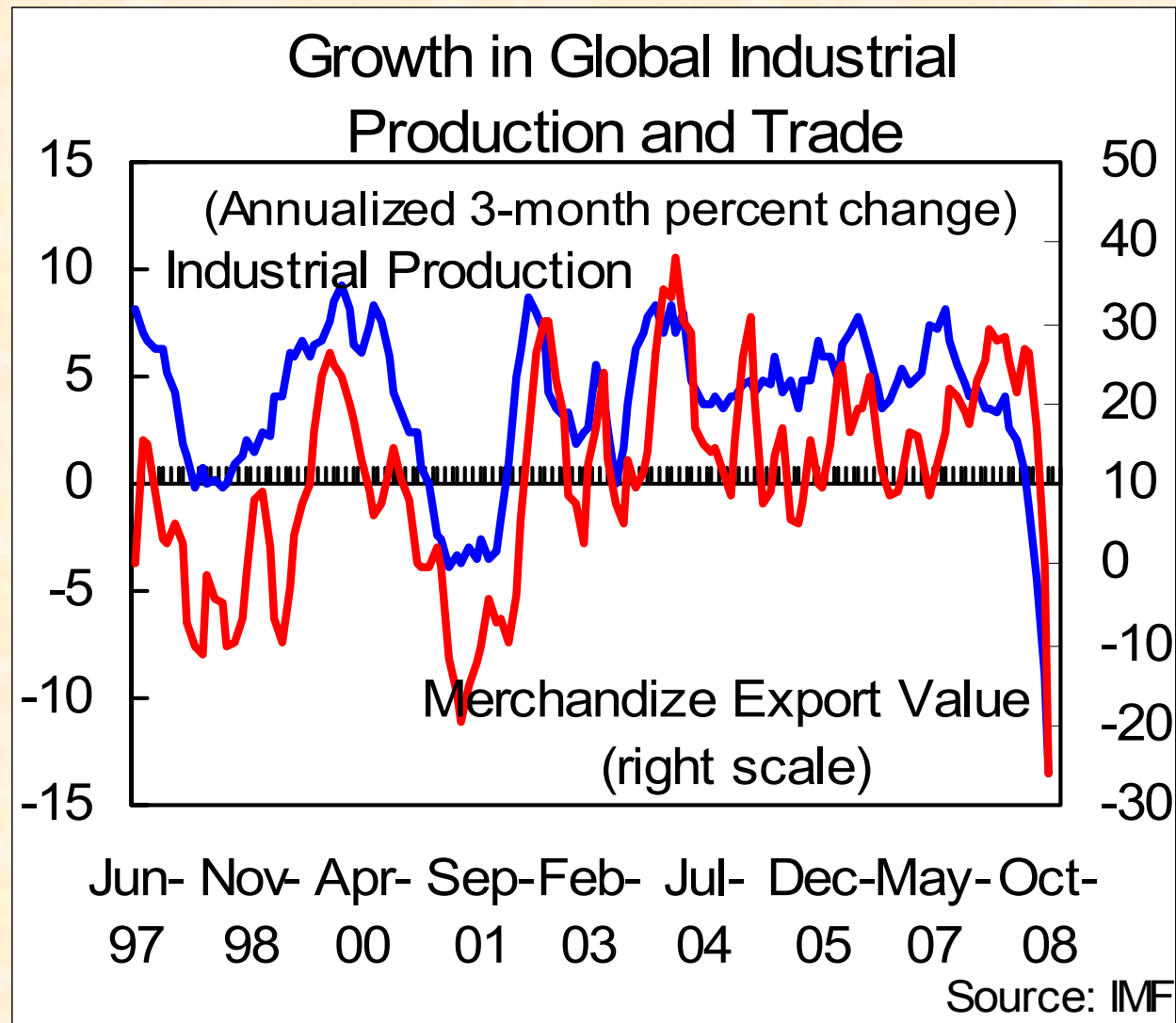


Uncertainty and downside risk

	Actual	Estimate	WEO Oct 2008		WEO Jan 2009		WEO March 2009	
	2007	2008	2009	2010	2009	2010	2009	2010
World output	5.2	3.2	2.2	3.8	0.5	3	-1.0 to -0.5	1.5 to 2.5
Advanced economies	2.7	0.8	-0.3	1.6	-2	1.1	-3.5 to -3.0	0.0 to 0.5
United States	2	1.1	-0.7	1.5	-1.6	1.6	-2.6	0.2
Euro area	2.6	0.9	-0.5	0.9	-2	0.2	-3.2	0.1
Japan	2.4	-0.7	-0.2	1.1	-2.6	0.6	-5.8	-0.2
United Kingdom	3	0.7	-1.3	1.1	-2.8	0.2	-3.8	-0.2
Newly ind. Asian ec.	5.6	2.1	2.1	4.2	-3.9	3.1	-5.1	1.9
Emerging and developing	8.3	6.1	5.1	6.2	3.3	5	1.5 to 2.5	3.5 to 4.5
Sub-Sahara	6.9	5.4	5.1	5.7	3.5	5	2.2	4.1
Mozambique	7	6.8	6.2	6.5	5.5	5.4	?	?
Russia	8.1	6.2	3.5	4.5	-0.7	1.3	-3.0	1.0
Developing Asia	10.6	7.8	7.1	8.0	5.5	6.9	5.0	6.1
China	13	9	8.5	9.5	6.7	8	6.5	7.5
India	9.3	7.3	6.3	6.8	5.1	6.5	4.5	5.6
ASEAN-5	6.3	5.4	4.2	5.4	2.7	4.1	0.7	2.7
Middle East	6.4	6.1	5.4	5.3	3.9	4.7	2.6	3.7
Western Hemisphere	5.7	4.6	2.5	4.0	1.1	3	-1.0	2.0
Brazil	5.7	5.8	3.0	4.5	1.8	3.5	-0.7	2.7
Mexico	3.2	1.8	0.9	3.5	-0.3	2.1	-3.1	1.0
World trade volume	7.2	4.1	2.0	5.7	-2.8	3.2	-7.7	1.3



... as industrial production and trade have slumped in late 2008.





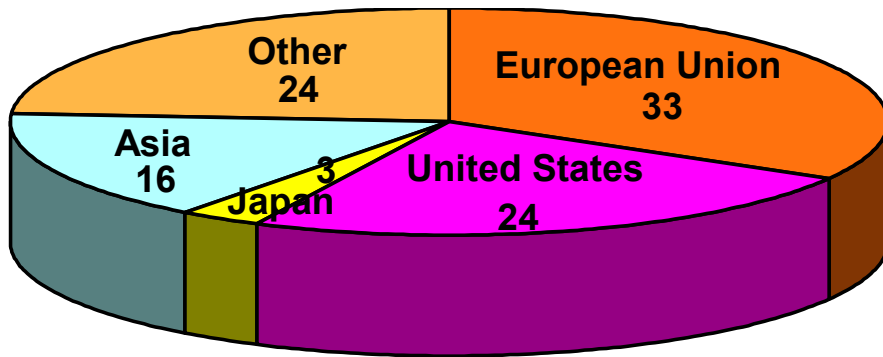
Main Transmission Channels of the Crisis to Sub-Saharan Africa

- Declining External Demand for SSA's Output.
- Slumping Commodity Prices.
- Scarcer Financial Flows.



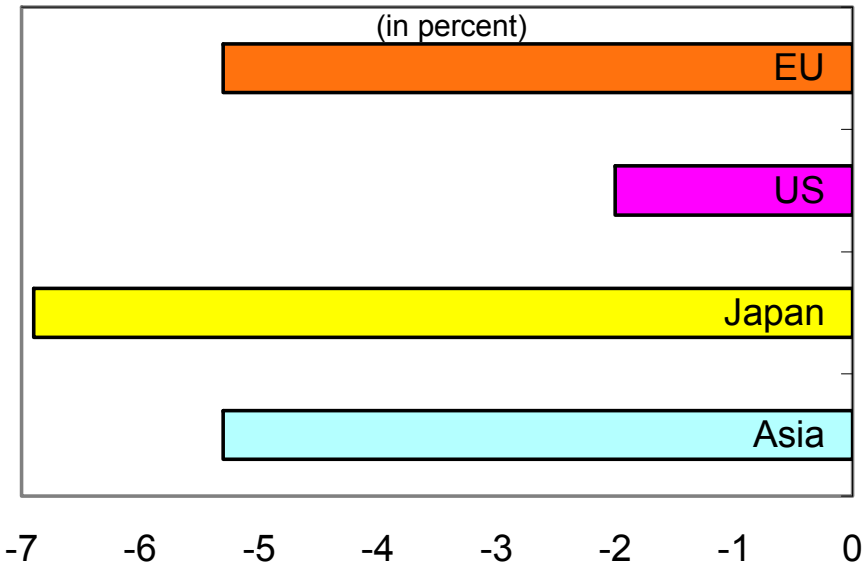
Lower External Demand

Shares in Africa's Exports, 2007
(in percent of total)



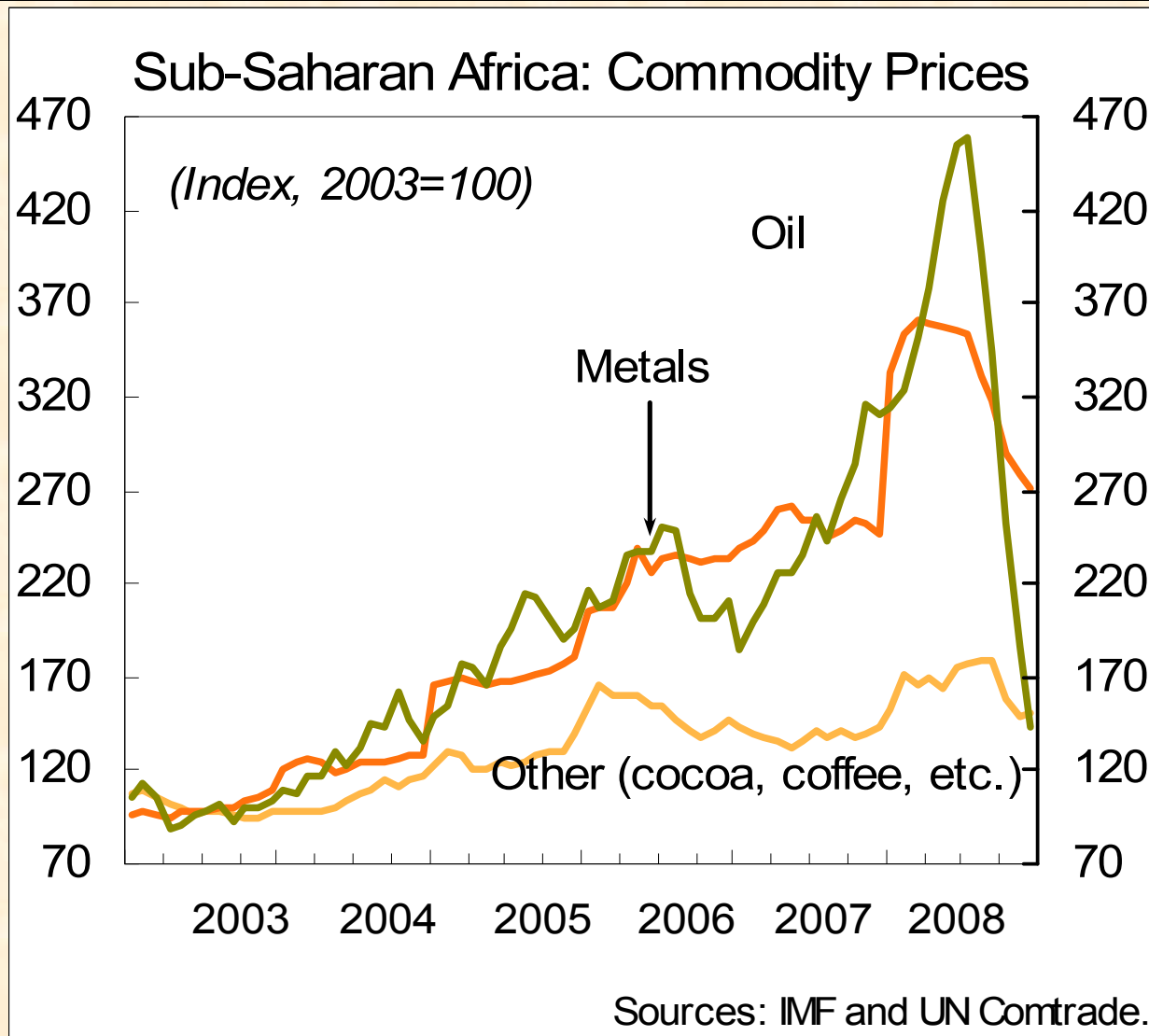
Source: IMF.

Import Volume Growth Rates, 2009
(in percent)



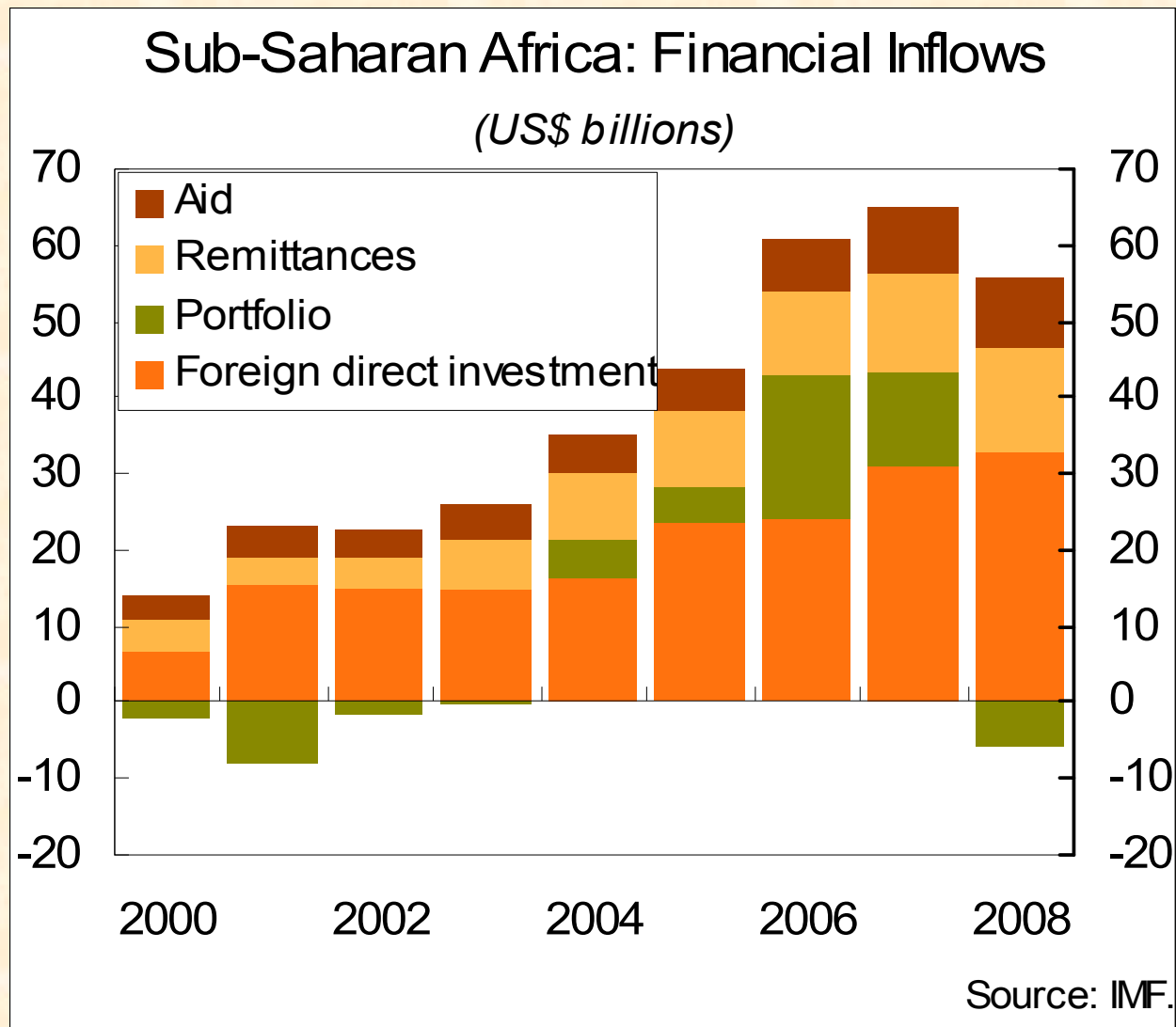


Slumping Commodity Prices





Scarcer Financial Inflows



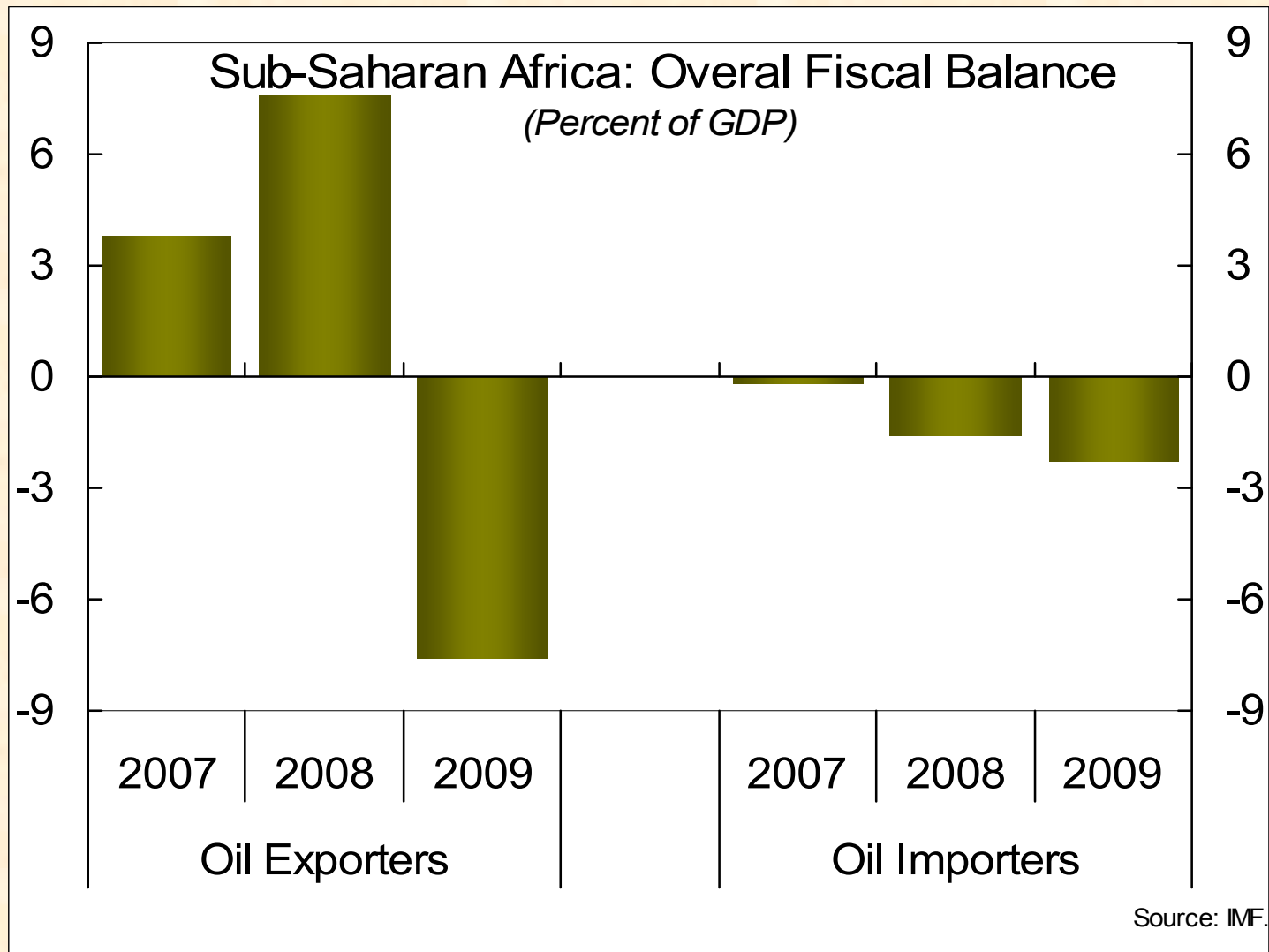


Main Effects of The Crisis

- Projected **growth** declined by 3 percentage points to 2.2%.
- Average inflation 2009: 9½ percent.
- **Fiscal balances** deteriorates by 7¼ percentage points of GDP to a deficit of 4 percent of GDP.
- **Widening in current account deficits** by about 5¼ percentage points of GDP for the region.

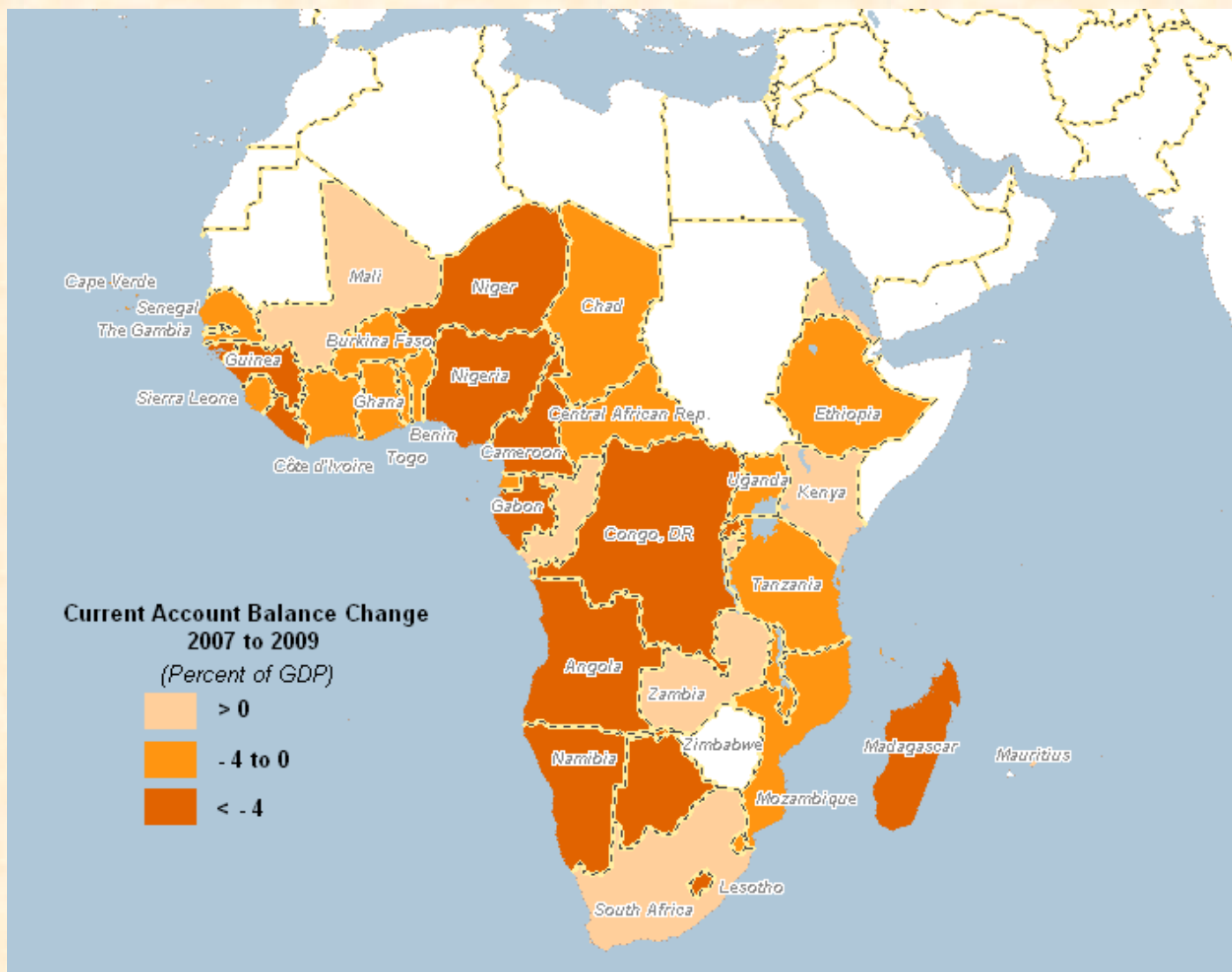


Fiscal balances are deteriorating



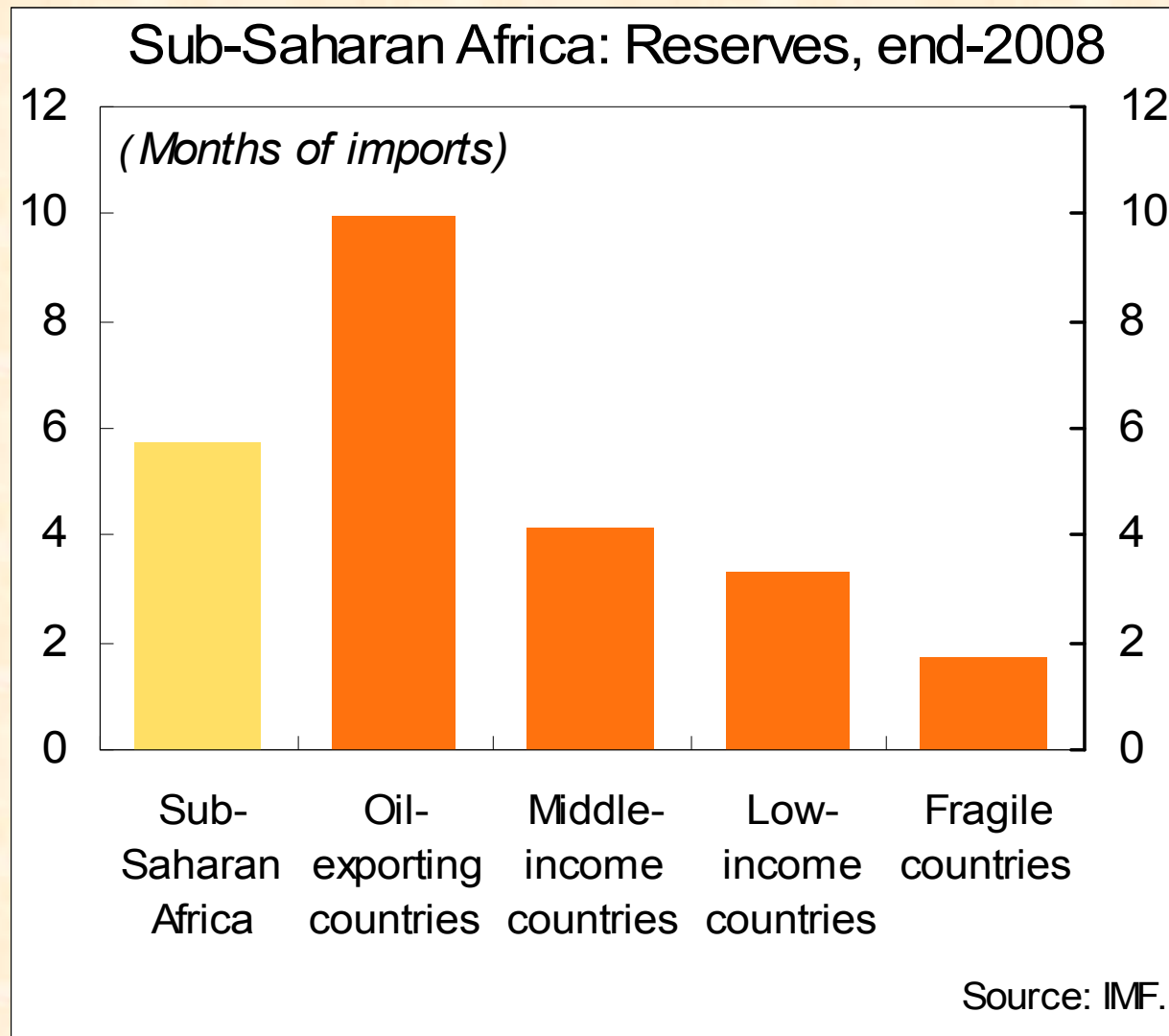


Current account balances are worsening





Reserve levels remain adequate, but risks are mounting





Policy Response

- Challenge:
 - Maintaining stability and supporting growth amidst reduced external inflows.
- For this:
 - Use fiscal space judiciously, considering medium-term sustainability.
 - Where inflation is falling, use monetary policy to counter demand slowdown.
 - Develop plans for adjustment to potential shortfalls in external financing.



Role of International Community

- Maintain focus on the MDGs and Gleneagles commitments.
- Resist protectionist pressures.
- Strengthen international financial architecture.



Role of the Fund

- The IMF stands ready to play its part:
 - Financial Support
 - Technical Assistance
 - Policy Advice

Thank you

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