

# Main Findings

*The economic slowdown in sub-Saharan Africa looks set to be mercifully brief:*

- ***Output is projected to expand by 4¾ percent in 2010, compared to 2 percent in 2009.*** Most countries in the region are now bouncing back from the growth slowdown or contraction in output experienced during the global recession. The brevity of the slowdown owes much to the relative strength of the region's economies heading into 2008–09, the expansionary macroeconomic stance then adopted by most countries, and the relatively quick recovery in global economic activity.
- ***Although most low-income countries experienced only a small decline in growth, the slowdown has imposed some lasting costs on the region.*** Progress in poverty reduction has been held up. Some of the region's oil exporters and middle-income countries have faced large adjustments, including sharply rising unemployment.
- ***The prospects for 2011 and beyond look good.*** Output growth is projected to accelerate to 5¾ percent in 2011, playing off the expected continued improvement in global economic conditions. Over the medium term, growth rates in most sub-Saharan African countries are expected to be only marginally below those enjoyed in the mid-2000s.
- ***The main risks to the outlook*** are a possible hiatus in the global recovery (causing demand and commodity prices to slip) and, internally, political instability or a deterioration in financial systems in some countries.

***Perhaps one of the least noticed aspects of the global downturn has been the resilience of the sub-Saharan Africa region.*** The limited integration of many countries in the region into the global economy may have helped, but only marginally. Previous (milder) global economic slowdowns had a much more damaging impact. This time, the global downturn was much sharper, but the dislocation was far less. The main factor distinguishing this slowdown from previous cycles has been the stronger macroeconomic position of most countries in the region.

***As the global financial crisis started to unfold, economic policies were directed quickly and effectively toward ameliorating the impact of the external shocks.*** Most governments that anticipated the slowdown made plans to accelerate public spending growth, despite stagnant or declining ratios of revenue to GDP. The rise in their fiscal deficits helped to offset faltering private spending. On the monetary policy side, policy interest rates were also reduced except where this would have been counterproductive because of exchange rate considerations or inflationary pressures.

***Moreover, most countries were able to shield pro-poor and pro-growth public spending.*** According to preliminary budget outturn numbers, health, and education spending increased in real terms in 20 of the 29 low-income countries in the region in 2009. In a similar vein, government capital spending also looks to have held up in 2009, increasing in real terms in more than half of the countries in the region.

***External financing proved to be much less of a constraint than feared.*** The boom-bust cycle in private financial inflows was less marked than in other regions, largely due to the high share in sub-Saharan Africa of foreign direct investment over other more volatile forms of private capital. Remittances also fell only slightly and official financing flows have increased in response to efforts by the IMF and other agencies to scale up

support in response to the crisis. Foreign investors are already beginning to return to the region's more advanced economies, where macroeconomic policies will need to take into account these renewed flows to avoid overheating, unwarranted exchange rate appreciation, and asset price booms.

***More than a third of countries in the region, however, remain on the margins of international capital markets and dependent on official forms of external financing.*** For these countries, the same reforms that are needed to raise productive potential—including promoting trade and financial sector development, encouraging domestic saving and investment, raising standards of governance, and strengthening institutions—are also likely to help attract private inflows on a sustained basis.

***Looking ahead, for most countries in the region, the emphasis of economic policies now needs to be on medium-term development objectives consistent with macroeconomic stability considerations.*** With recovery under way, fiscal policies in these countries needs to shift from near-term and output stabilization considerations toward a more traditional focus on strengthening health and education systems and addressing infrastructure gaps. Where fiscal deficits have been increased beyond sustainable medium-term paths, these should be revisited so that policy buffers can be restored. Of course, in some countries where output remains well below potential, there remains a strong case for fiscal policy to help sustain demand in the near term, subject to financing availability.