A New Shock and Little Room to Maneuver

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Another Shock: Three spillover channels

- Energy prices
- Food prices
- Financial conditions
Soaring Energy Prices and Terms-of-Trade Swings

- A sharp spike in oil prices; some pullback, but remain high
- Windfall gain for oil exporters, but sizable terms-of-trade shock for most of the region

Impact of Ukraine Conflict on Commodity Price Outlook

Food Prices
(Index, 2016=100)

Oil Prices
(USD, APSP)

Sub-Saharan Africa: Terms of Trade, Jan. GAS vs. Mar. GAS
(Percent change, 2022)

Sources: IMF, Primary Commodity Price System and IMF staff calculations.
Rising Food Prices Hurt the Vulnerable Most

Top 10 Sources of Wheat Imports to Sub-Saharan Africa

- Lithuania
- Latvia
- Germany
- Canada
- USA
- Ukraine
- France
- Poland
- Argentina
- Russia

Sub-Saharan Africa ($2.5 billion)

Sources: UNCTAD and IMF staff calculations.

Prevalence of Moderate or Severe Food Insecurity, 2019

(Percent of population, median)

AE: 5.8%
EMDE: 23.6%
SSA: 57.7%

Sources: United Nations, Food and Agriculture Organization and IMF staff calculations.
Notes: AE = Advanced Economies, EMDE = Emerging Market and Developing Economies, SSA = Sub-Saharan Africa.
Sub-Saharan Africa: Sovereign Spreads during the War in Ukraine

- **Flight to safety;** significant market volatility
- **Uncertain outlook;** commodity price shock has complicated monetary policy normalization
- Regional spreads broadly in line with global trends
- **Differentiation** between commodity importers and exporters

Sources: Bloomberg, L.P. and IMF staff calculations.
A more complicated regional outlook

- Different commodity exposures
- Social tensions and political instability
- An ongoing pandemic
Different Commodity Exposures

Sub-Saharan Africa: 2022 Real GDP Growth
Revisions since October 2021
(Percent)

- The recovery has been held back, softening 2022 growth to 3.8 percent.
- Strong heterogeneity across the region.

Sources: IMF, World Economic Outlook Database and IMF staff calculations.
• With growing food insecurity, this shock is hitting the region’s most vulnerable
• Coincides with elevated political discontent and security challenges

Sources: Uppsala conflict Dataset, ACLED, Penn World Tables, and IMF staff calculations.
An Ongoing Pandemic: Growth Headwinds

Vaccination Rates, 2021–2022
(Percent of population, as of Mar. 31, 2021)

- The region remains exposed to new COVID-19 waves
- The pandemic harmed much-needed human capital
- Scarring may be compounded by the war in Ukraine

Source: Johns Hopkins University COVID-19 Tracking Project and IMF staff calculations.
Notes: AE = Advanced Economies; EMDE = Emerging Market and Developing Economies; SSA = Sub-Saharan Africa. Non-SSA EMDEs exclude China.
Three key priorities: short term

- Reduce Debt Vulnerabilities
- Balance Inflation and Growth
- Manage Exchange Rate Pressures
Reducing Debt Vulnerabilities

**Sub-Saharan Africa: Tax Revenue, 2018–25**

(Percent of GDP)

Sources: World Economic Outlook database and IMF staff calculations. Note: Dotted-lines represent pre-COVID-19 projections.

**Sub-Saharan Africa: Composition of Public Debt, 2000–20**

(Percent of GDP)

Sources: World Bank, International Debt Statistics; and IMF, World Economic Outlook database. Note: Excludes Equatorial Guinea, Namibia, Seychelles, and South Sudan due to data availability.

**Key Priorities**
Balancing Inflation and Growth

Sub-Saharan Africa: Inflation, 2021–22
(Percent, e.o.p., fragile countries in red)

Sub-Saharan Africa: GDP response to U.S. Monetary Tightening
(Average growth response to 25bps U.S. rate increase)

Sources: Haver Analytics and IMF staff estimates.
Note: Dots show PPP GDP-weighted-average estimates; lines denote 95 percent confidence intervals.

Key Priorities
Managing Exchange Rate Pressures

**Sub-Saharan Africa: Exchange Rates, 2019–22**
(vs. US$; Index, end 2019=100)

**Sub-Saharan Africa: International Reserves, 2021**
(Months of imports)

Sources: Bloomberg, L.P; IMF, World Economic Outlook Database, and IMF staff calculations

Key Priorities
Three essential reforms: medium term

Enhance resilience and lift medium-term growth

Energy transition
Diversification
Boost private investment
Cleaner, Greener Growth

- Unrivalled potential for renewable energy and an abundance of minerals
- A successful transition offers opportunities for diversification and job creation
- Ensuring the green transition is also a just transition

Vulnerability to Climate Change
(Index, 2019; red = sub-Saharan Africa)

Sources: Notre Dame Global Adaptation Initiative; IMF, World Economic Outlook Database; and IMF staff calculations.
Promoting Diversification

Export Concentration, 2020

(Index)

Sources: UNCTAD, UN Comtrade Database, and IMF staff calculations.
Note: AE = Advanced Economies; EMDE = Emerging Market and Developing Economies; LIC = Low Income Countries; SSA = Sub-Saharan Africa

Selected Regions: Role of Primary Exports

(Percent, share of exports)

Sources: UNCTAD, UN Comtrade Database, and IMF staff calculations.

Essential Reforms
Strengthening trade integration
Mobilizing private financing
Enhancing financial inclusion through digital innovation

Global Population by Region, 1800–2100 (Billions)

Sources: UN Population Division and IMF staff calculations.

Essential Reforms
International Support Remains Crucial

An ongoing emergency

- Fragile and conflict-affected states at risk of falling further behind
- $23 billion SDR allocation
- $100 billion SDR rechanneling
- Swift movement on the Common Framework is essential

Financing needs remain sizable

- $425 billion needed to recover from the pandemic
- $30–50 billion per year for climate adaptation
- For commodity importers, the war in Ukraine will add $6–10 billion to financing needs each year
Thank you