

The Impact of the Global Financial Crisis on Sub-Saharan Africa

Regional Economic Outlook May 2009

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Agenda

How are recent developments in the world economy affecting sub-Saharan Africa?

What is the outlook and what are the risks?

How can the challenges be confronted?

What is the outlook for Nigeria?

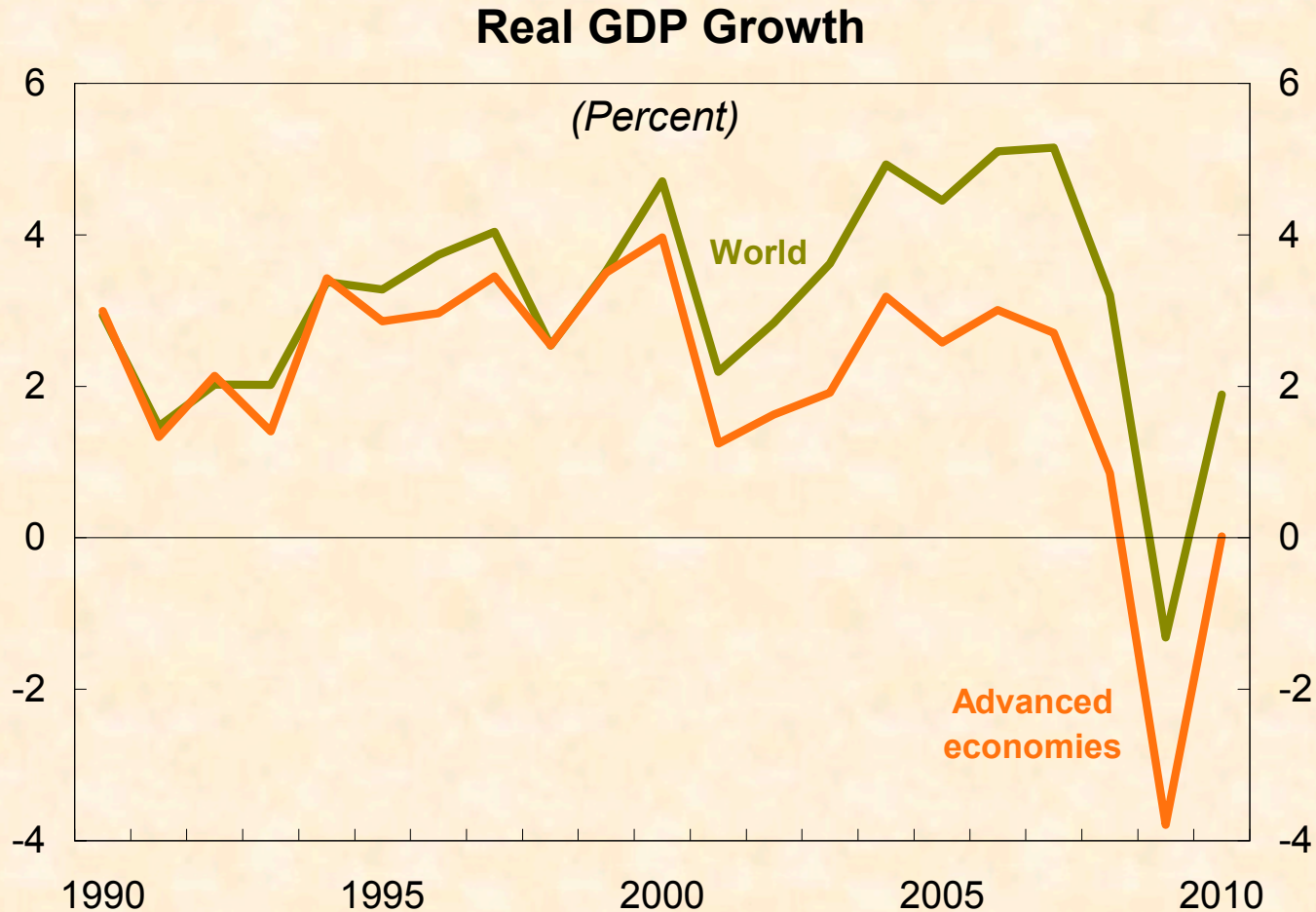
What can the international community do?

What does the IMF do?





Global growth projections

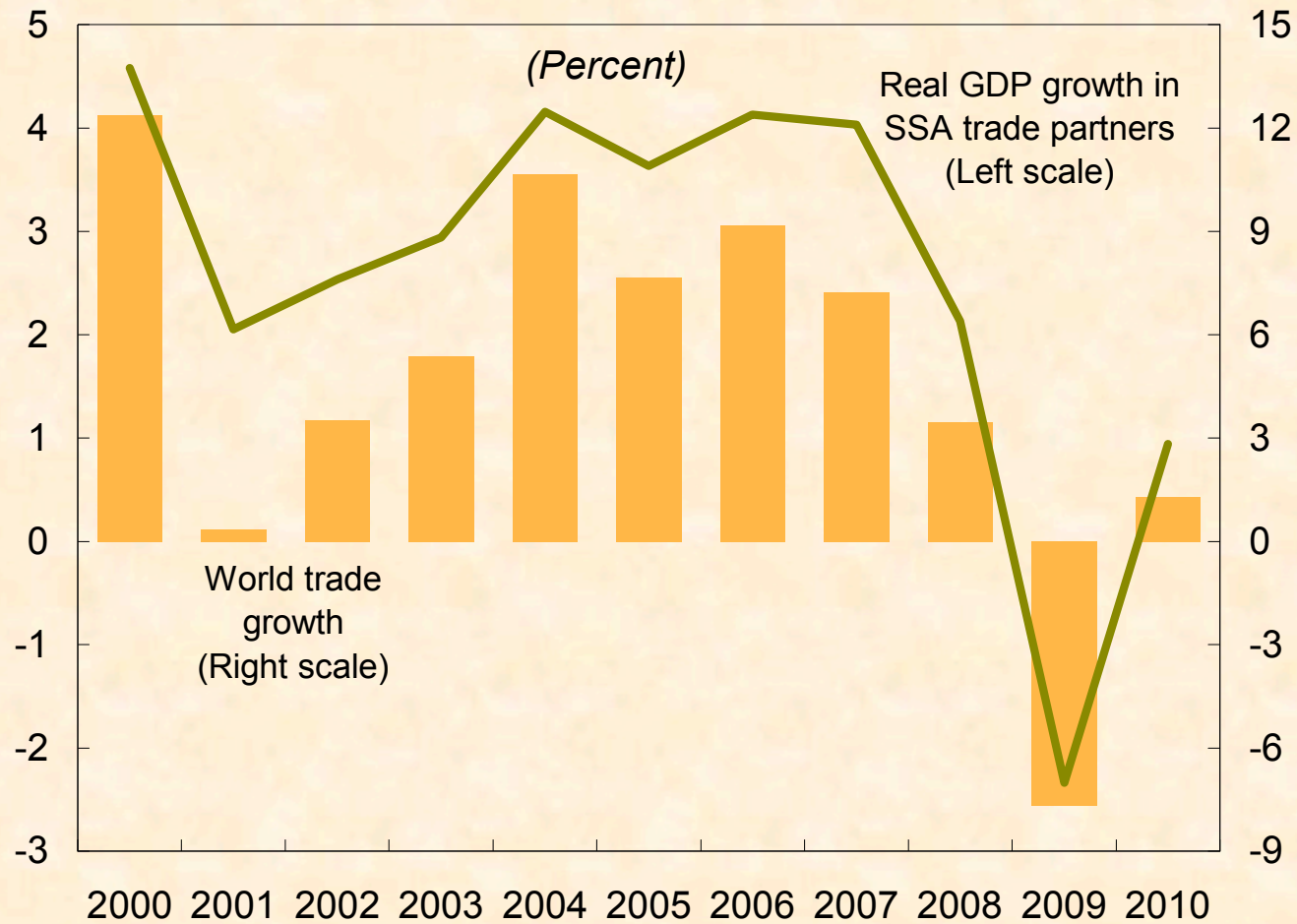


Source: IMF, *World Economic Outlook*



Lower demand for African exports

GDP Growth in Recipients of Sub-Saharan African Exports and World Trade Growth

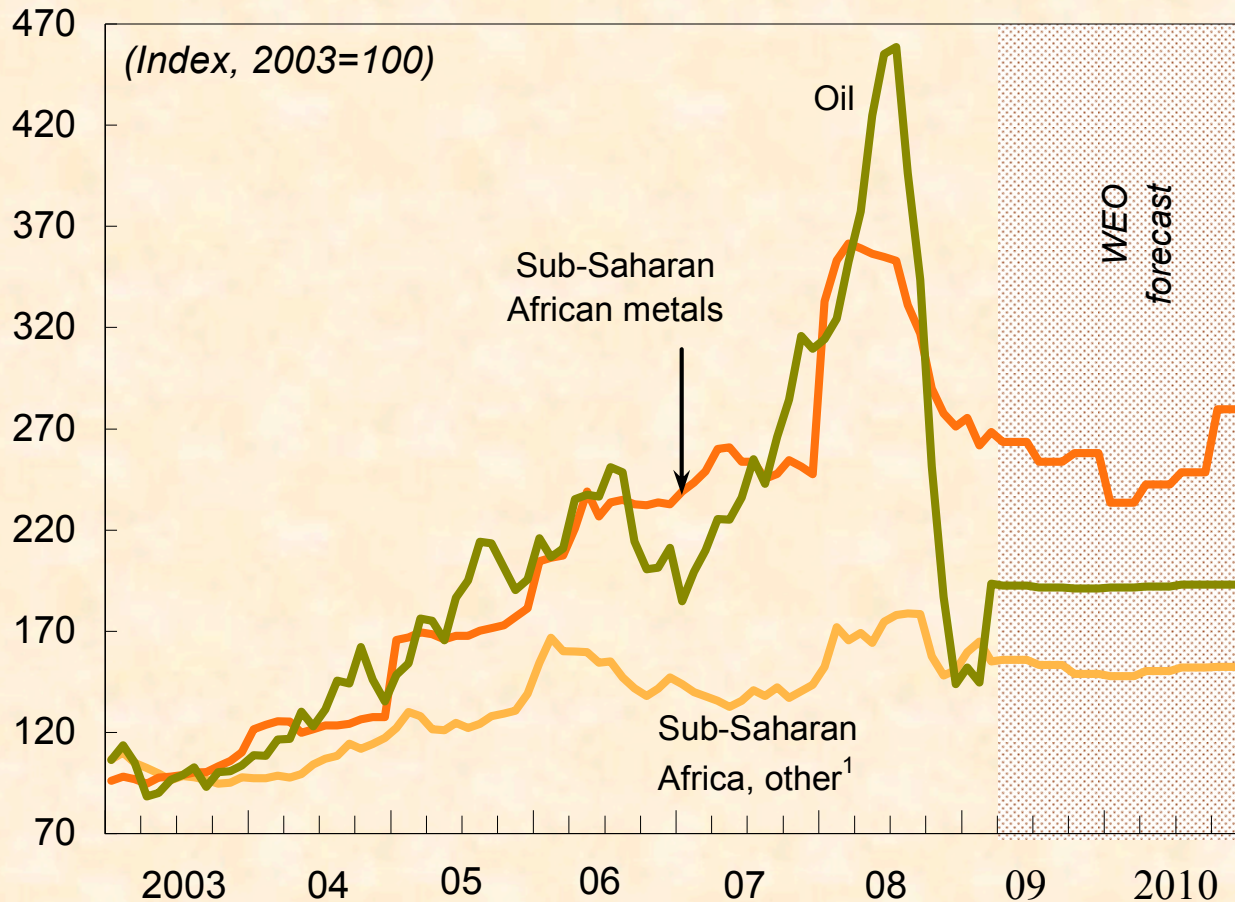


Source: IMF, *World Economic Outlook*



Key commodity prices have fallen to 2007 levels or even lower...

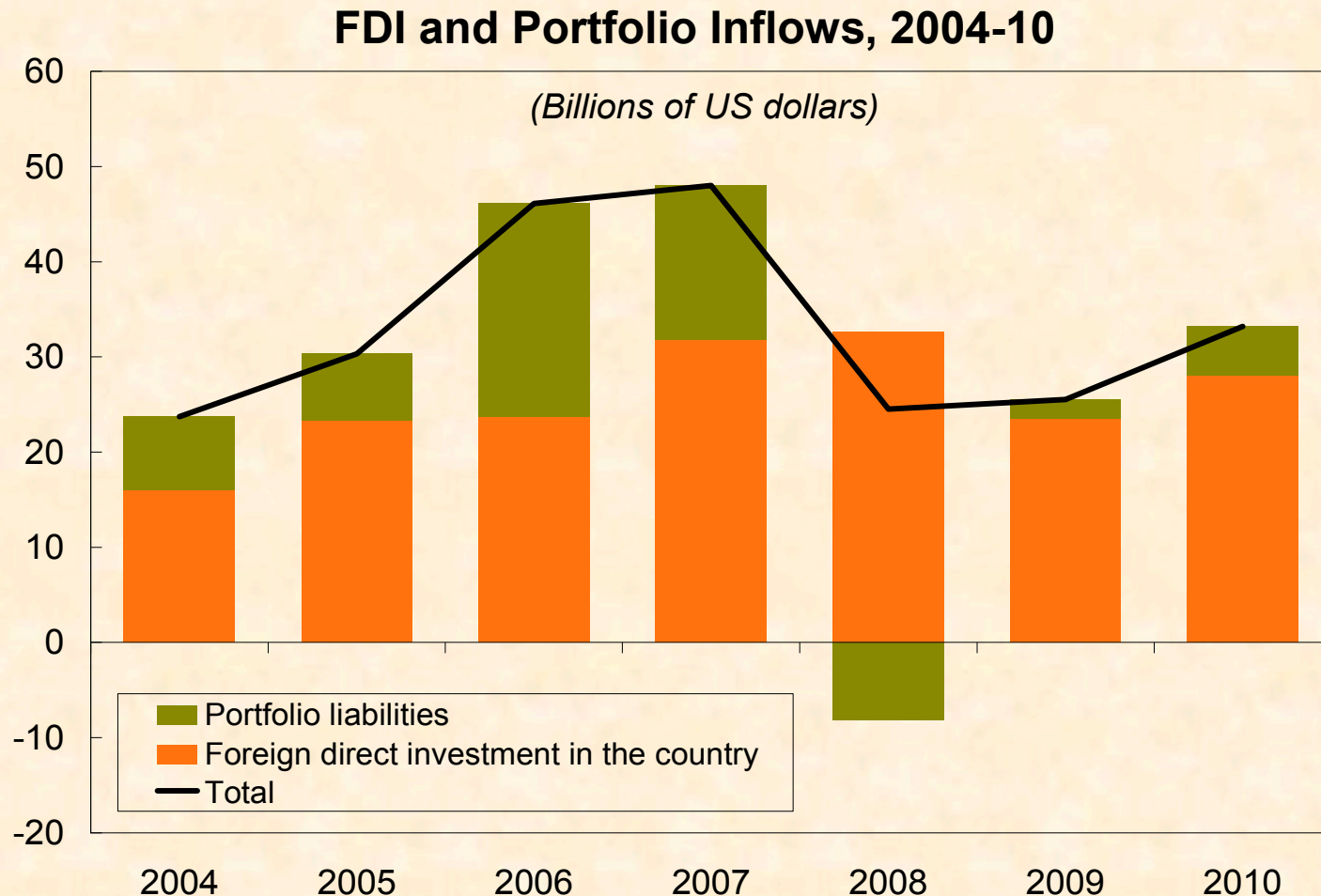
Commodity Prices



Sources: IMF, Commodity Prices; and UN Comtrade.

1 Composite of cocoa, coffee, sugar, tea, and wood, weighted by sub-Saharan African exports.

Downward pressure on FDI and portfolio inflows

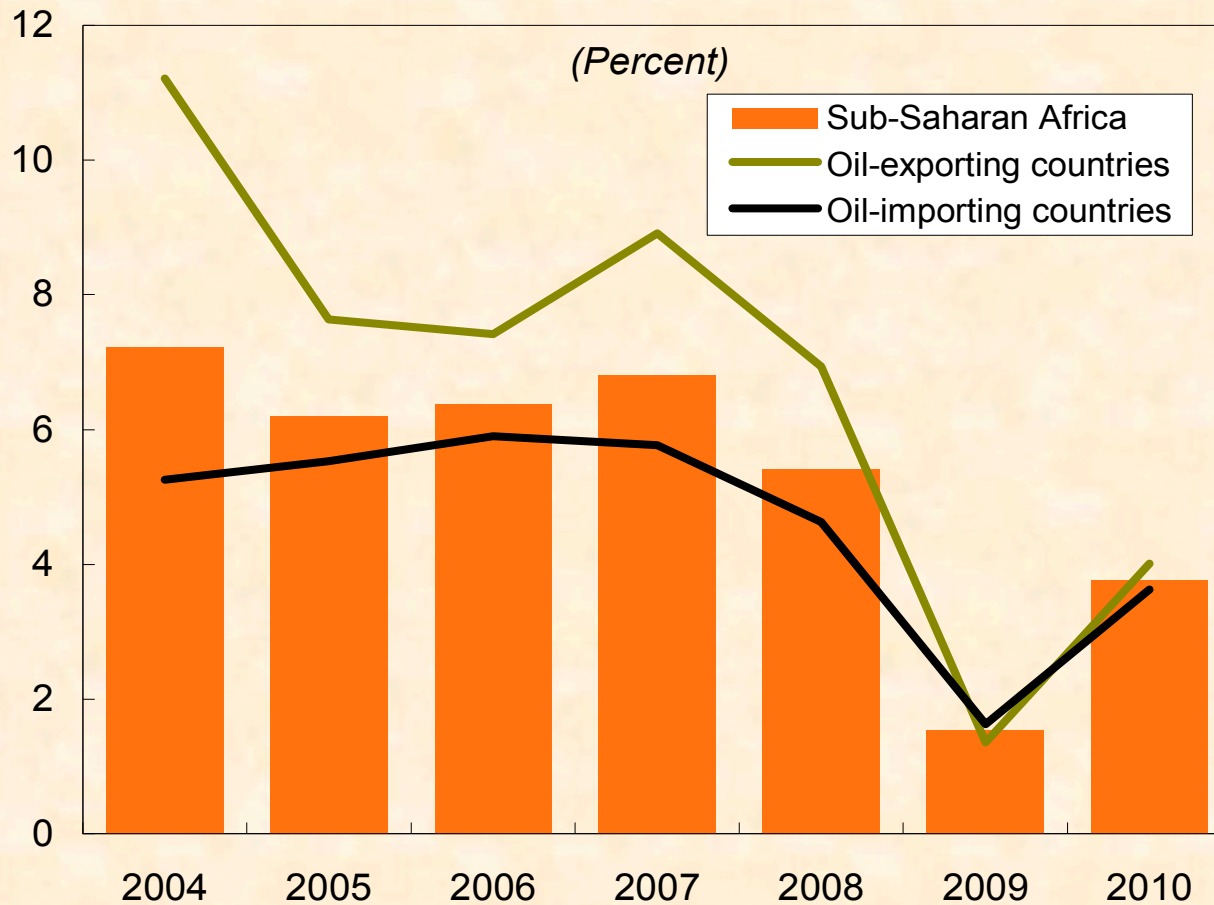


Source: IMF, *World Economic Outlook*



Growth is projected to decline in 2009 and recover mildly in 2010

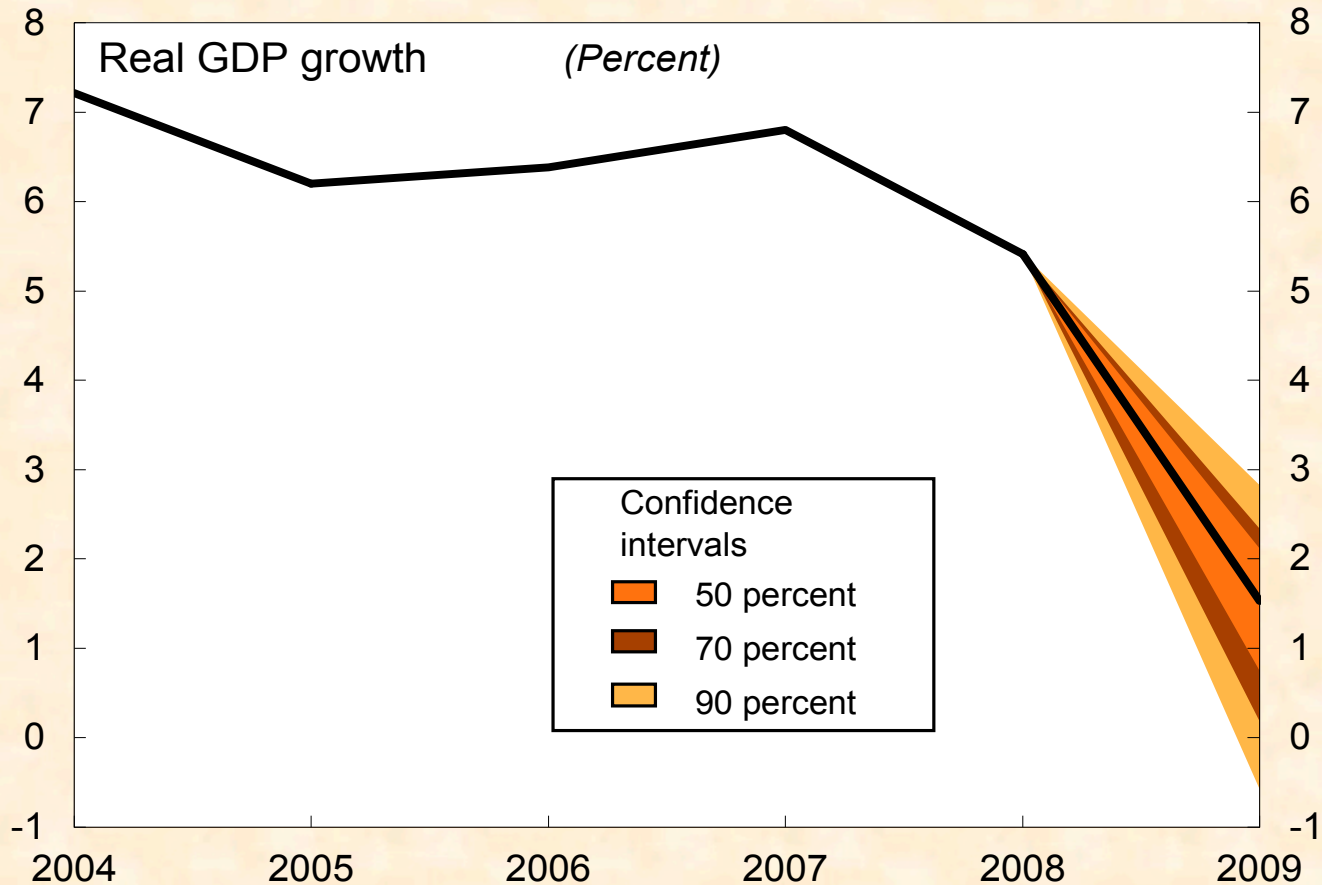
GDP Growth, 2004-10



Source: IMF, African Department database

Risks to the outlook are mostly on the downside

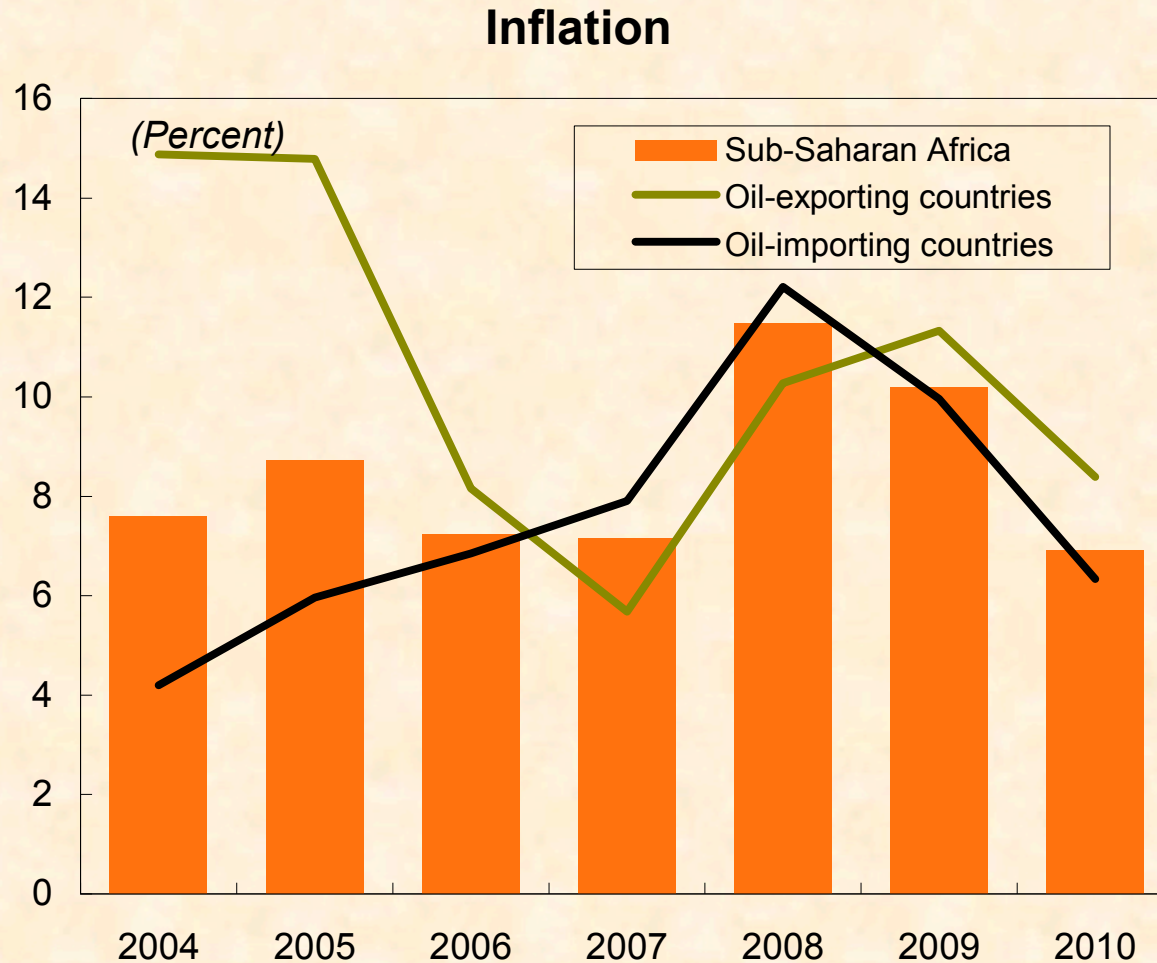
Growth Prospects



Source: IMF



Inflation will decline in most countries

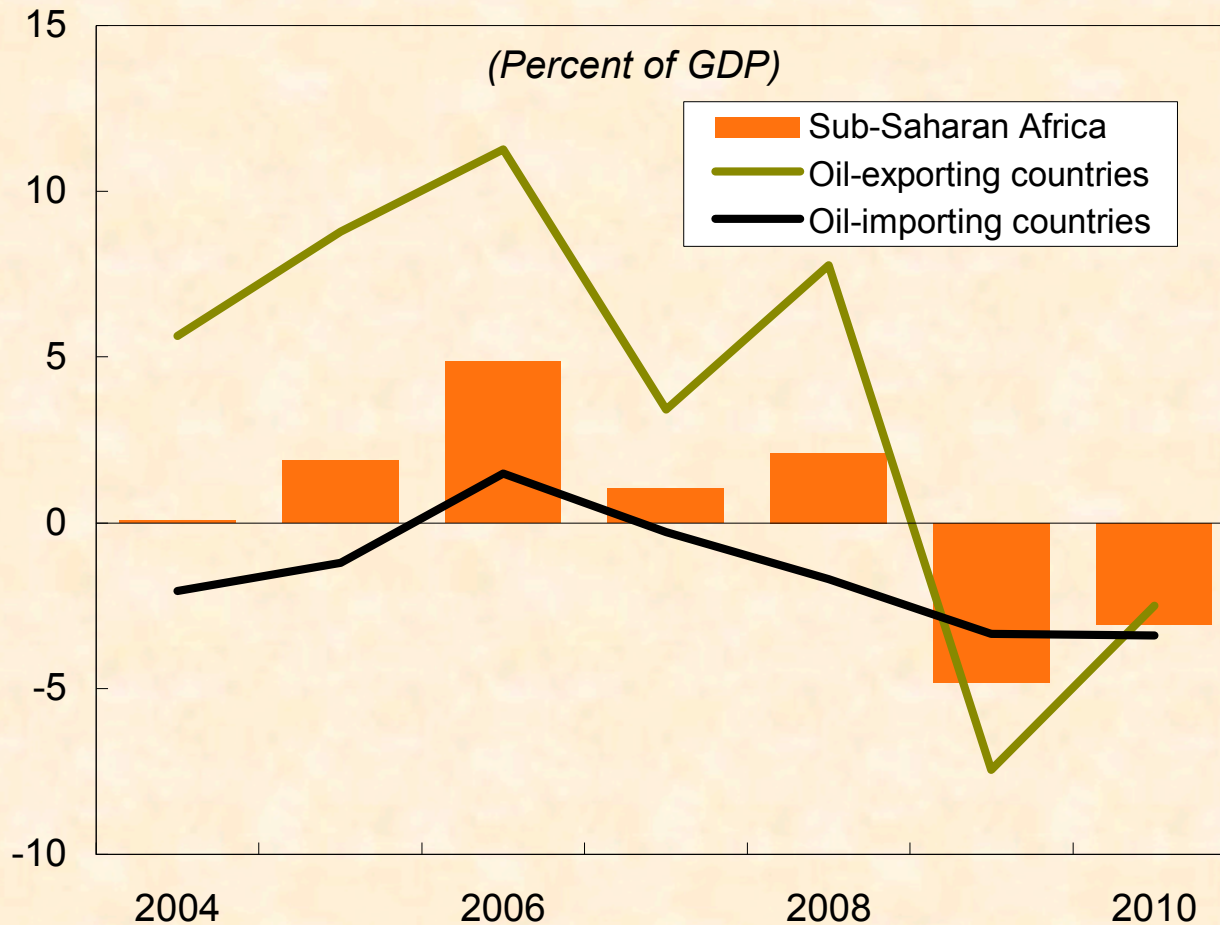


Sources: IMF, African Department database



Fiscal deficits are expected to widen

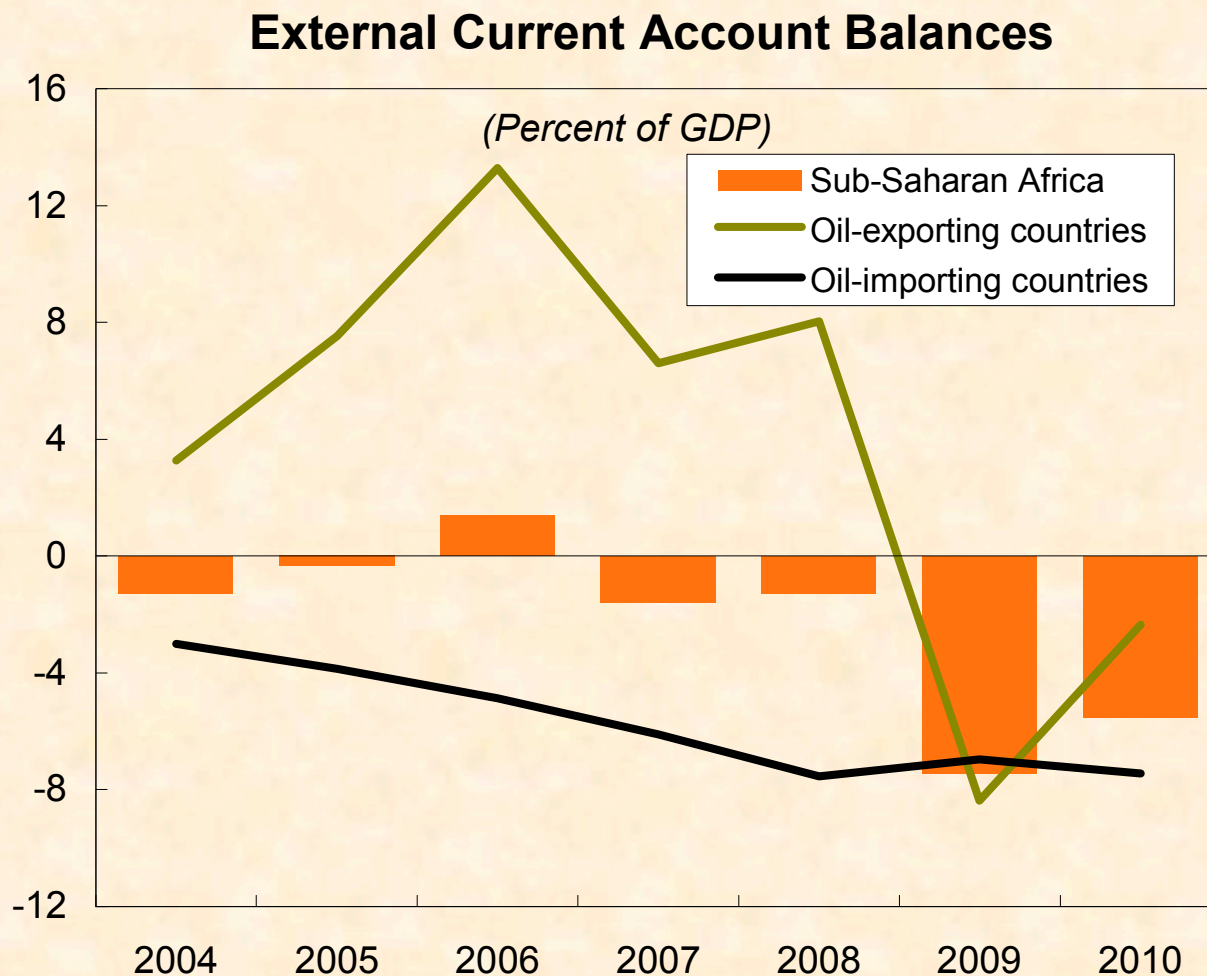
Central government overall fiscal balances, 2000-10



Source: IMF, African Department database



External position expected to weaken



Source: IMF, African Department database



How can the challenges be dealt with?

- Use available fiscal space
- Where possible, ease monetary policy and let the exchange rate adjust to the external environment
- Closely monitor financial vulnerabilities and be prepared to act promptly
- Keep medium-term goals in sight



Use available fiscal space

- Smooth shock through demand management
 - Is there adequate financing?
 - Is debt sustainability at risk?

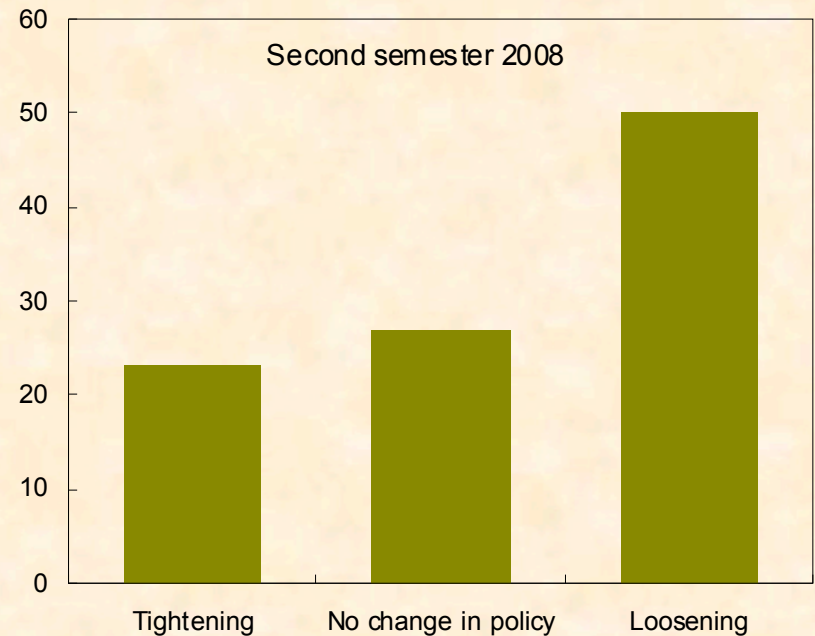
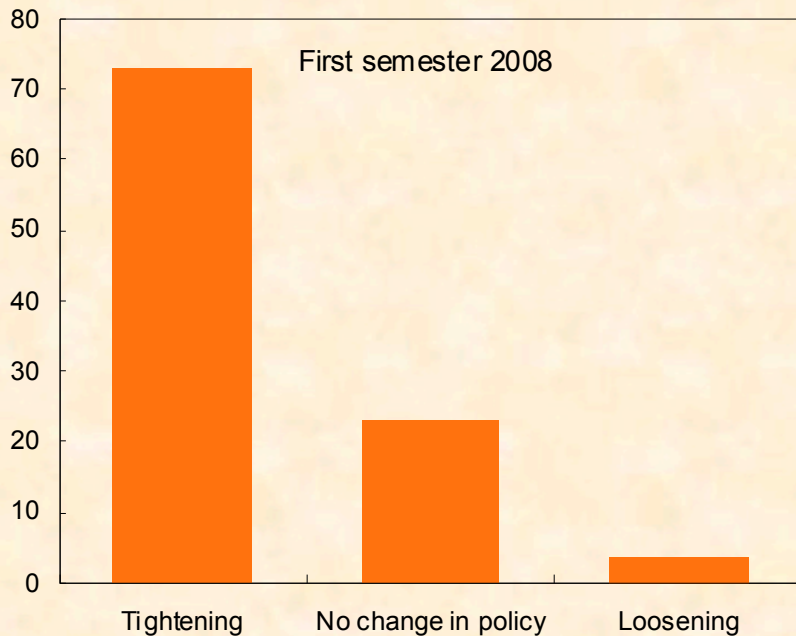
- Maintain critical services

- Ramp up investment spending



Where possible, ease monetary policy

Change in Monetary Policy (Percent of SSA countries)

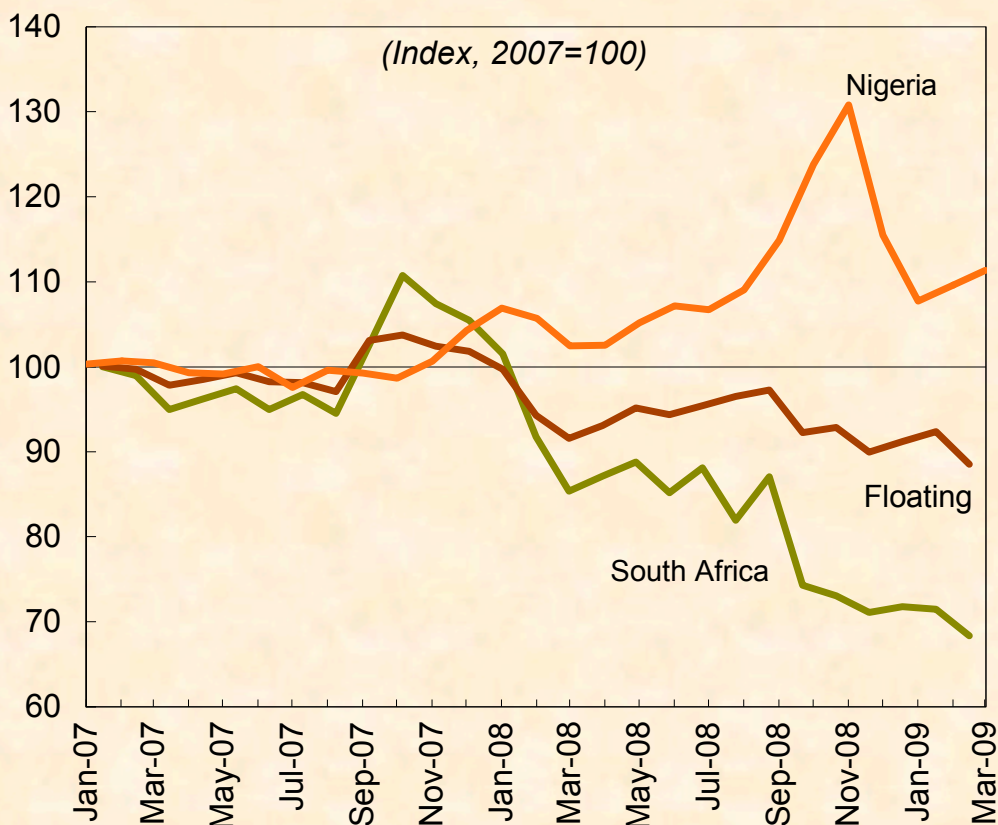


Source: IMF staff estimates



Let the exchange rate adjust to the external environment

Real Effective Exchange Rates in Selected SSA Countries



Source: IMF, Information Notice System





Keep medium-term goals in sight

- Enhance public financial management
- Strengthen social safety nets
- Lower the cost of doing business
- Avoid new restrictions on trade flows

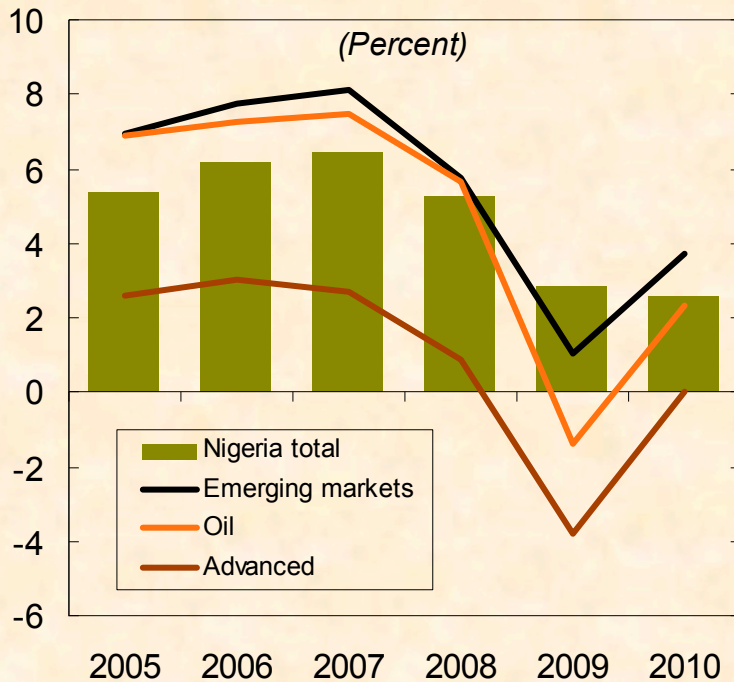


Transmission channels to Nigeria

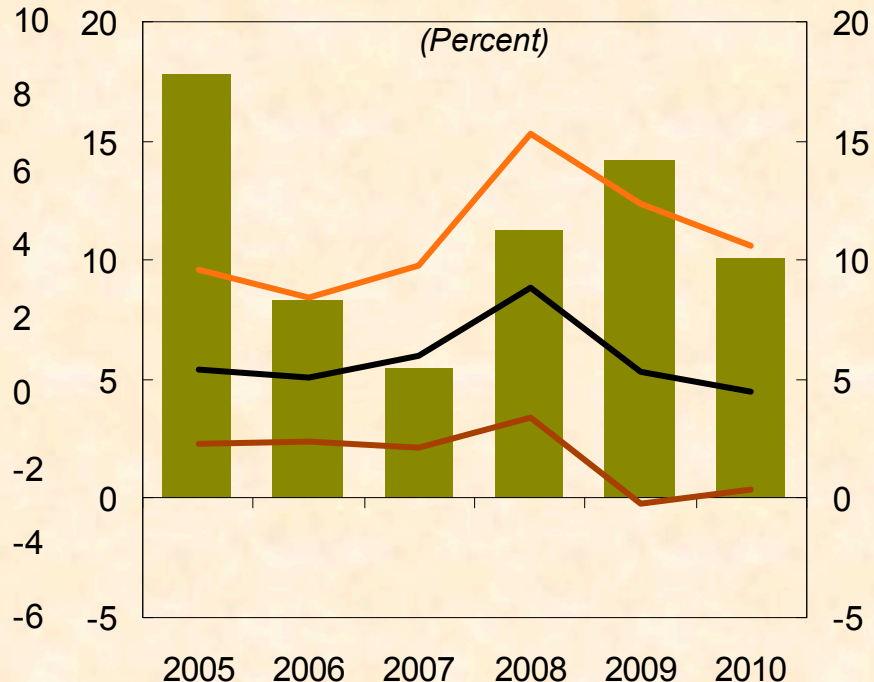
- Oil prices are lower
- Financing flows are weaker
- Growth slowdown

Nigeria : Slowdown in growth but pick-up in inflation

Real GDP



Inflation

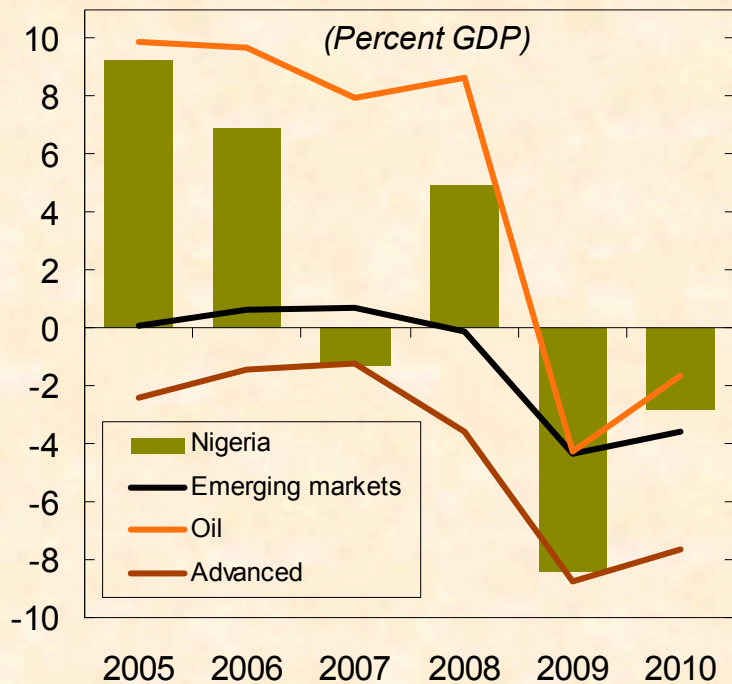


Source: IMF, World Economic Outlook

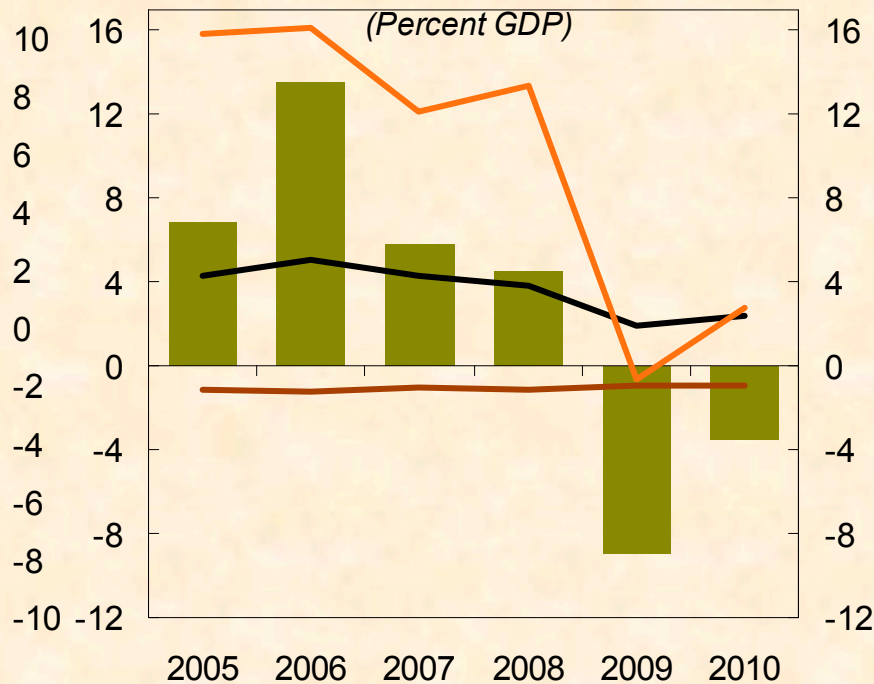


Nigeria: Significant swing in fiscal and current account balance

Fiscal Balance



Current Account Balance



Source: IMF, World Economic Outlook





Nigeria: Macroeconomic policy response

- Stronger position going into crisis
- Fiscal response well-tuned
- End-2008 depreciation appropriate
- Exchange rate unification and flexibility an important goal



The Role of the IMF

- Important steps taken:
 - Revised concessionality framework
 - Doubled access limits

- Ongoing initiatives:
 - Revising lending instruments
 - SDR allocation

- Policy advice and technical assistance



Thank you

