

The Global Crisis and Sub-Saharan Africa

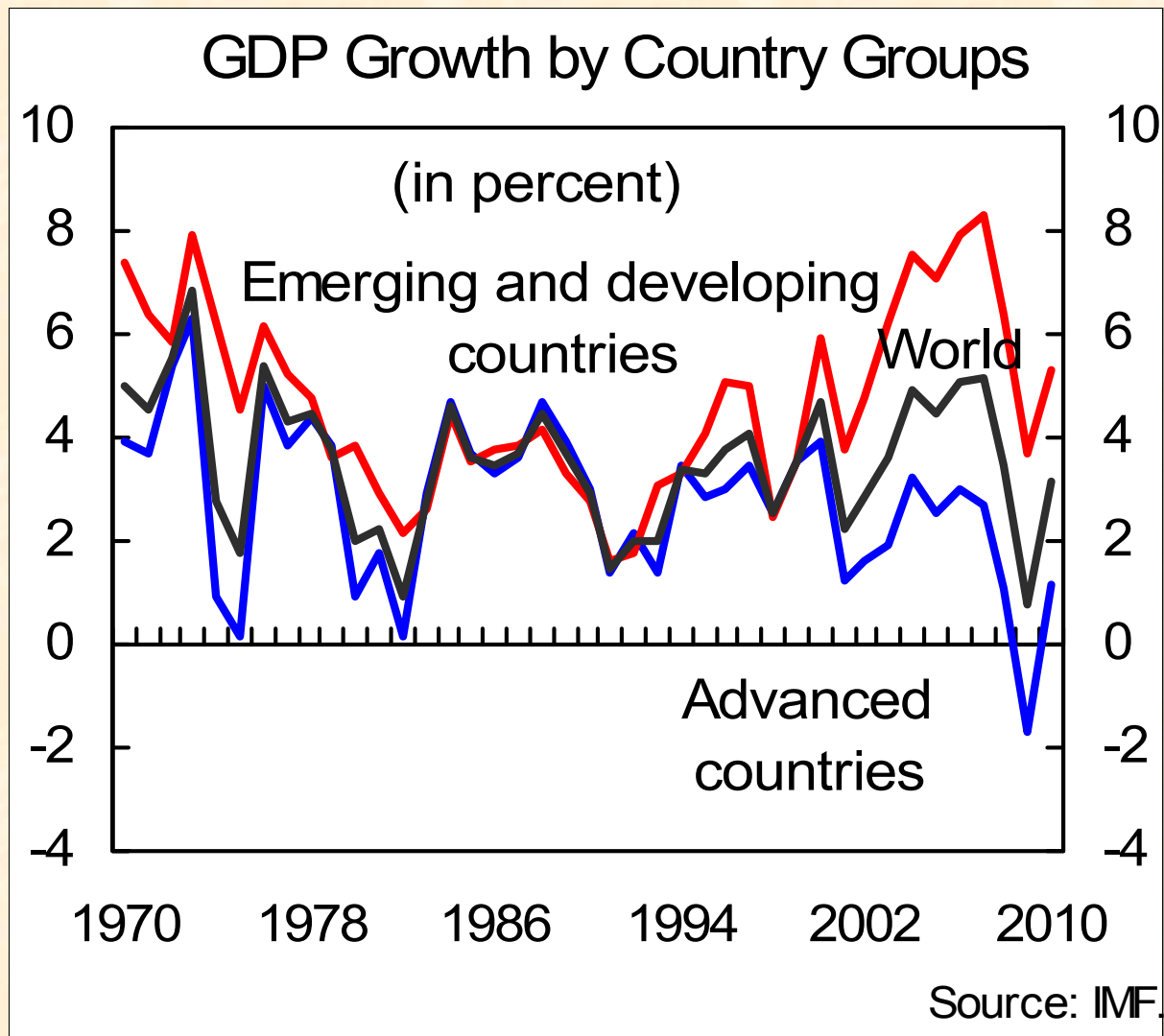
A world map rendered in a light blue, dotted style. The continent of Sub-Saharan Africa is highlighted in a solid red color, drawing attention to the region of focus.

**African Department
International Monetary Fund**

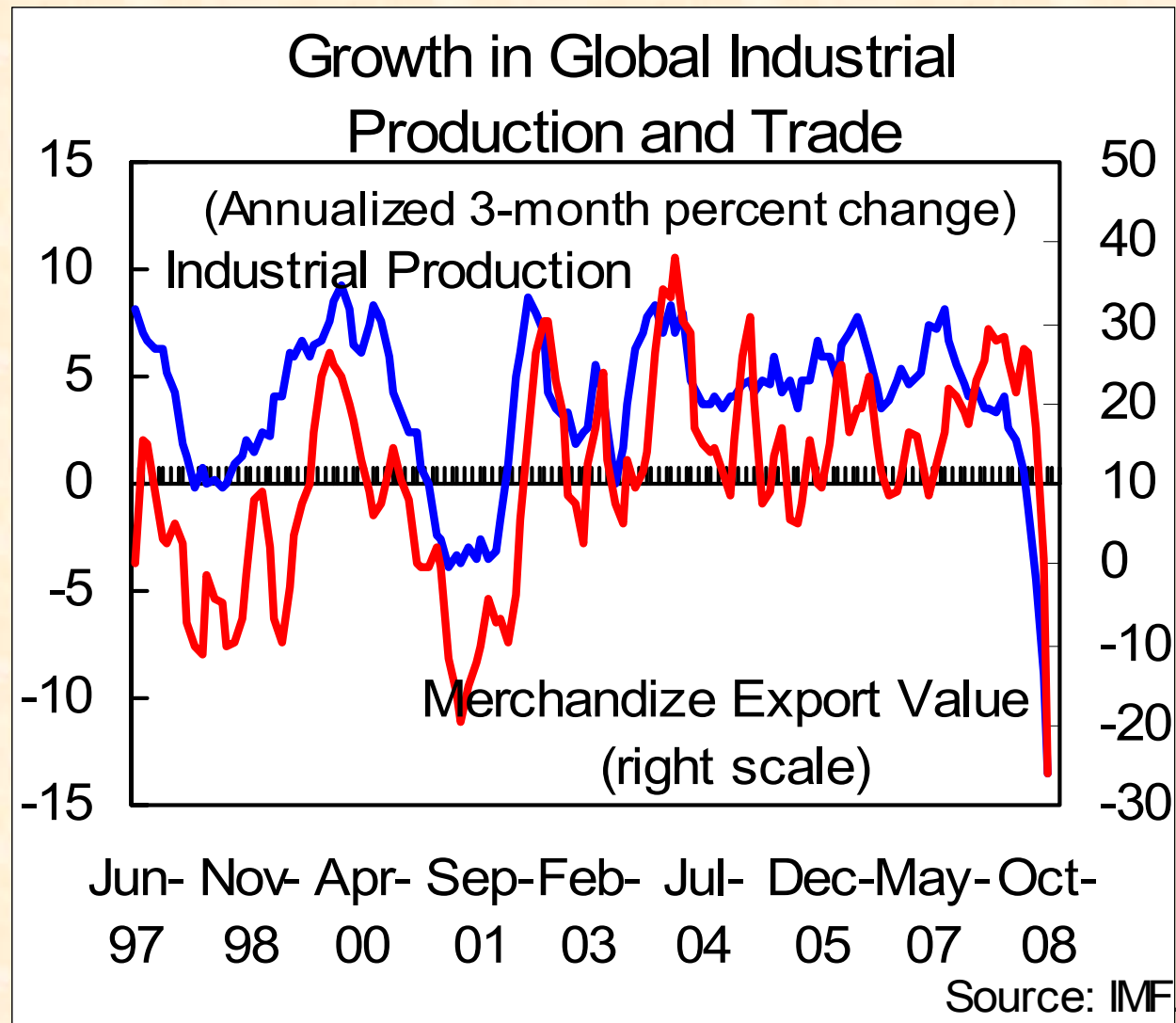
Main Messages

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...



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

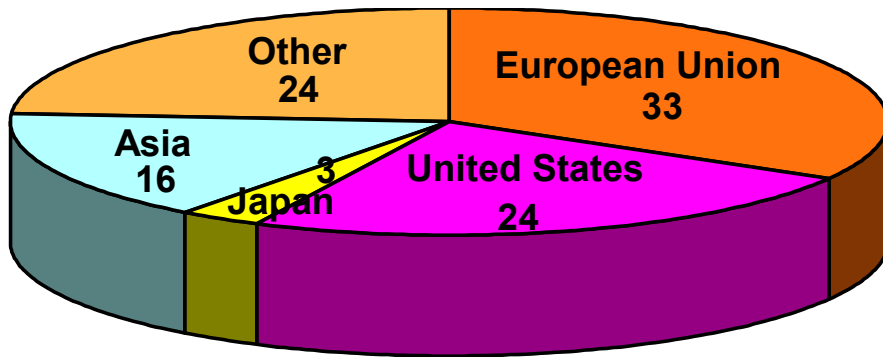


Main Transmission Channels of the Crisis to Sub-Saharan Africa

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

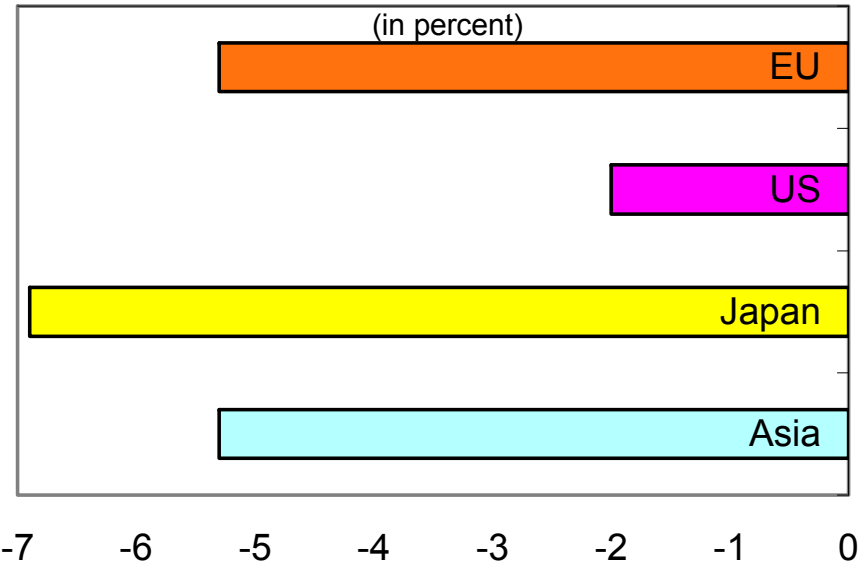
Lower External Demand

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

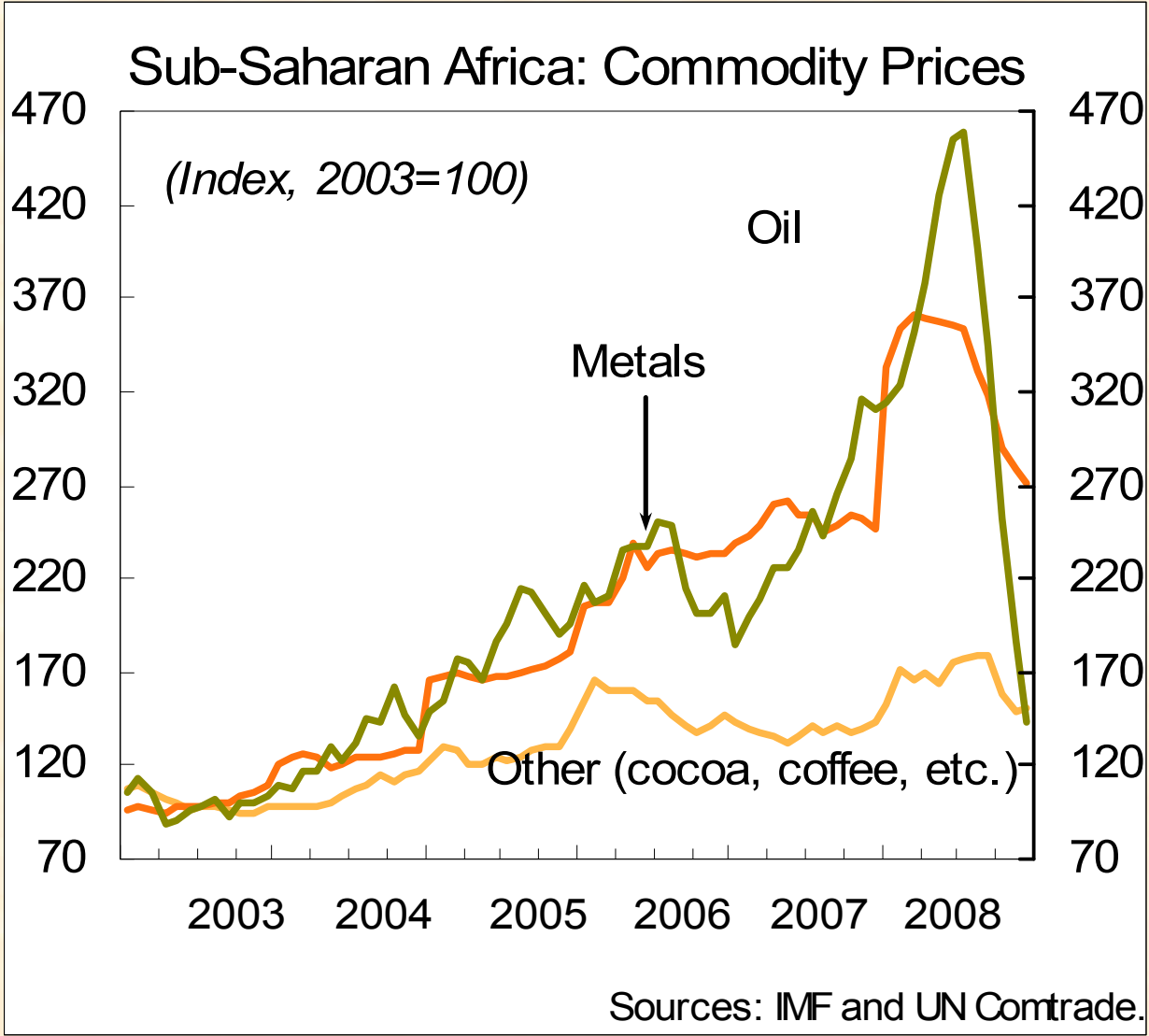


Source: IMF.

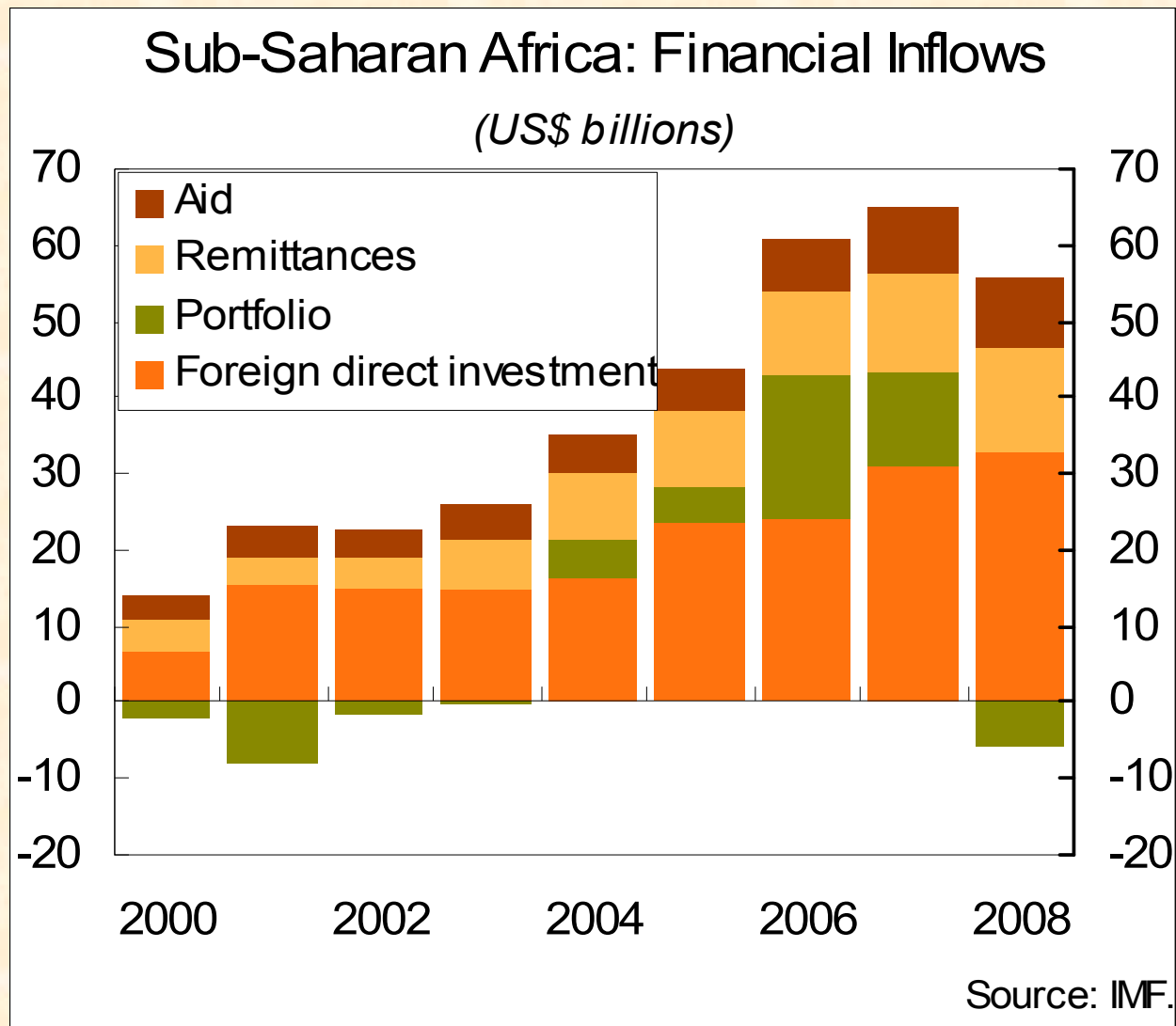
Import Volume Growth Rates, 2009
(in percent)



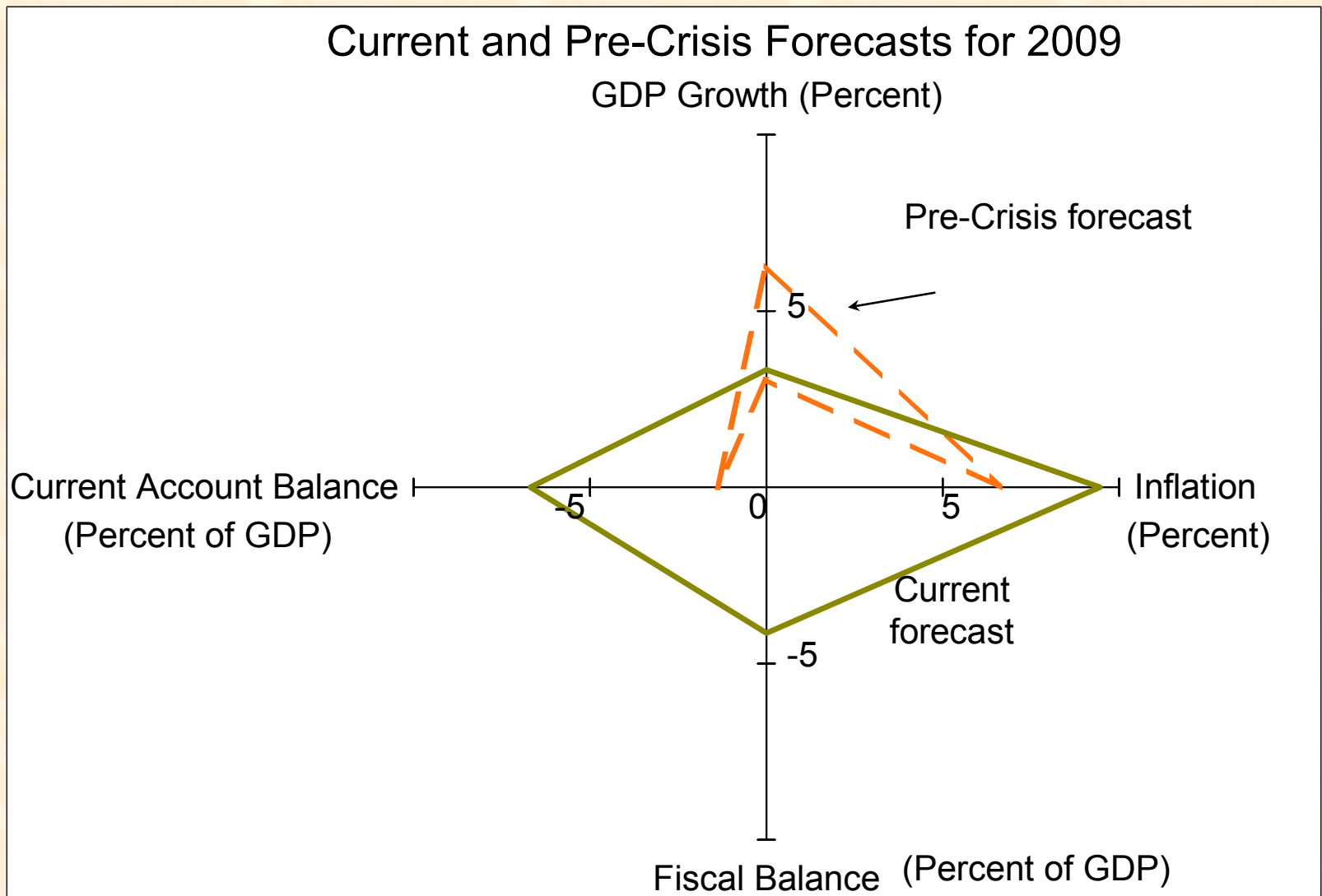
Slumping Commodity Prices



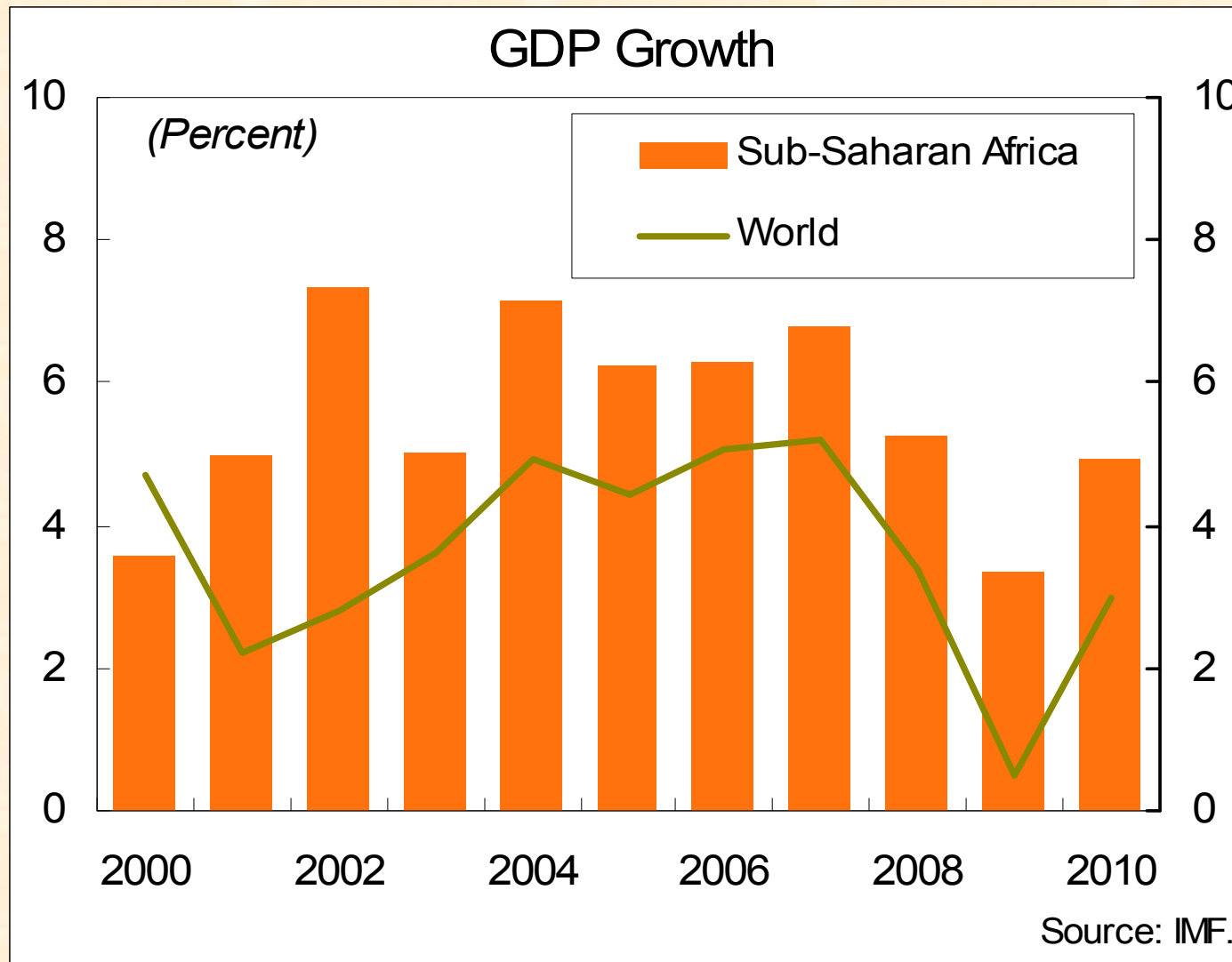
Scarcer Financial Inflows



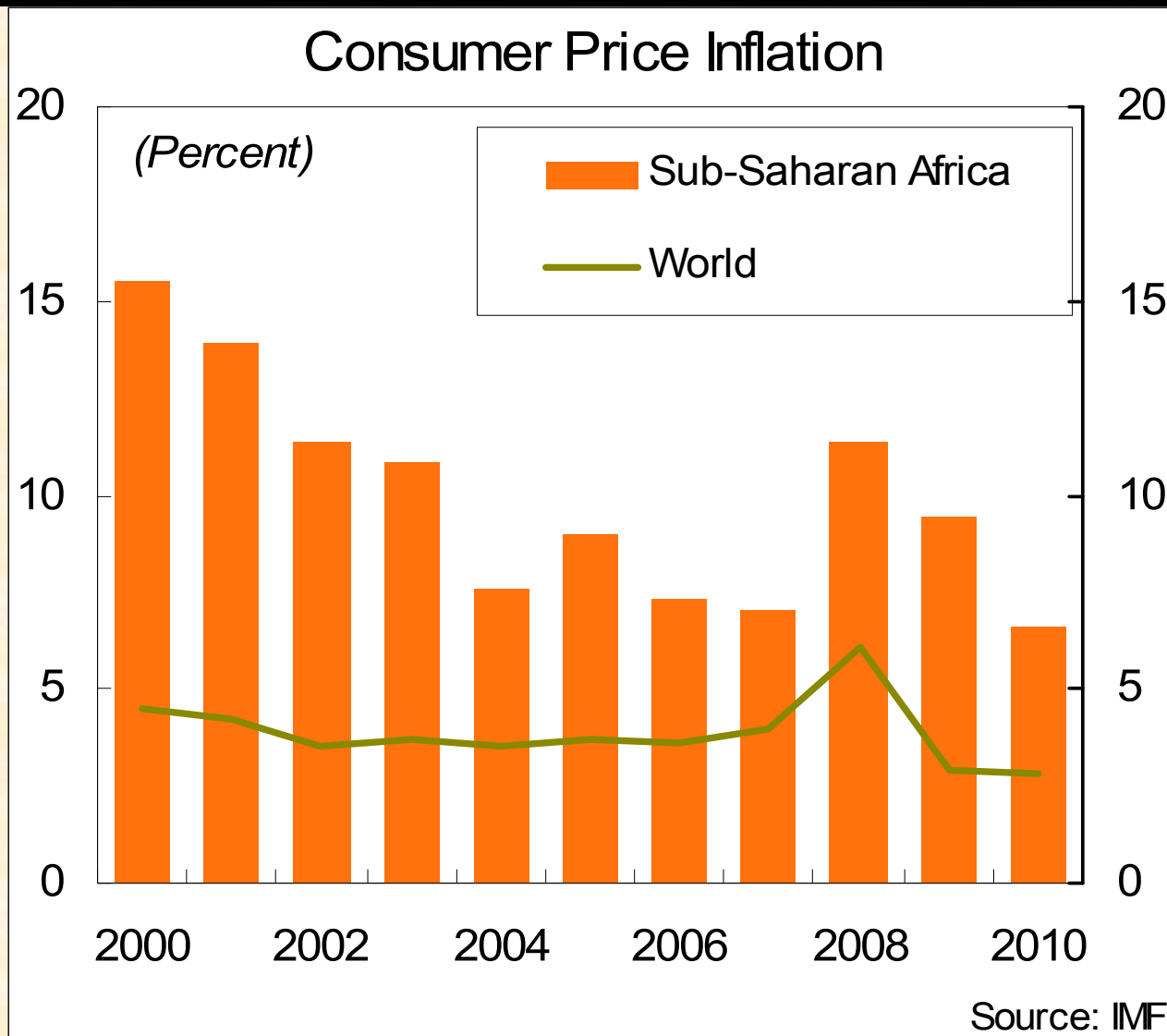
Main Effects of The Crisis



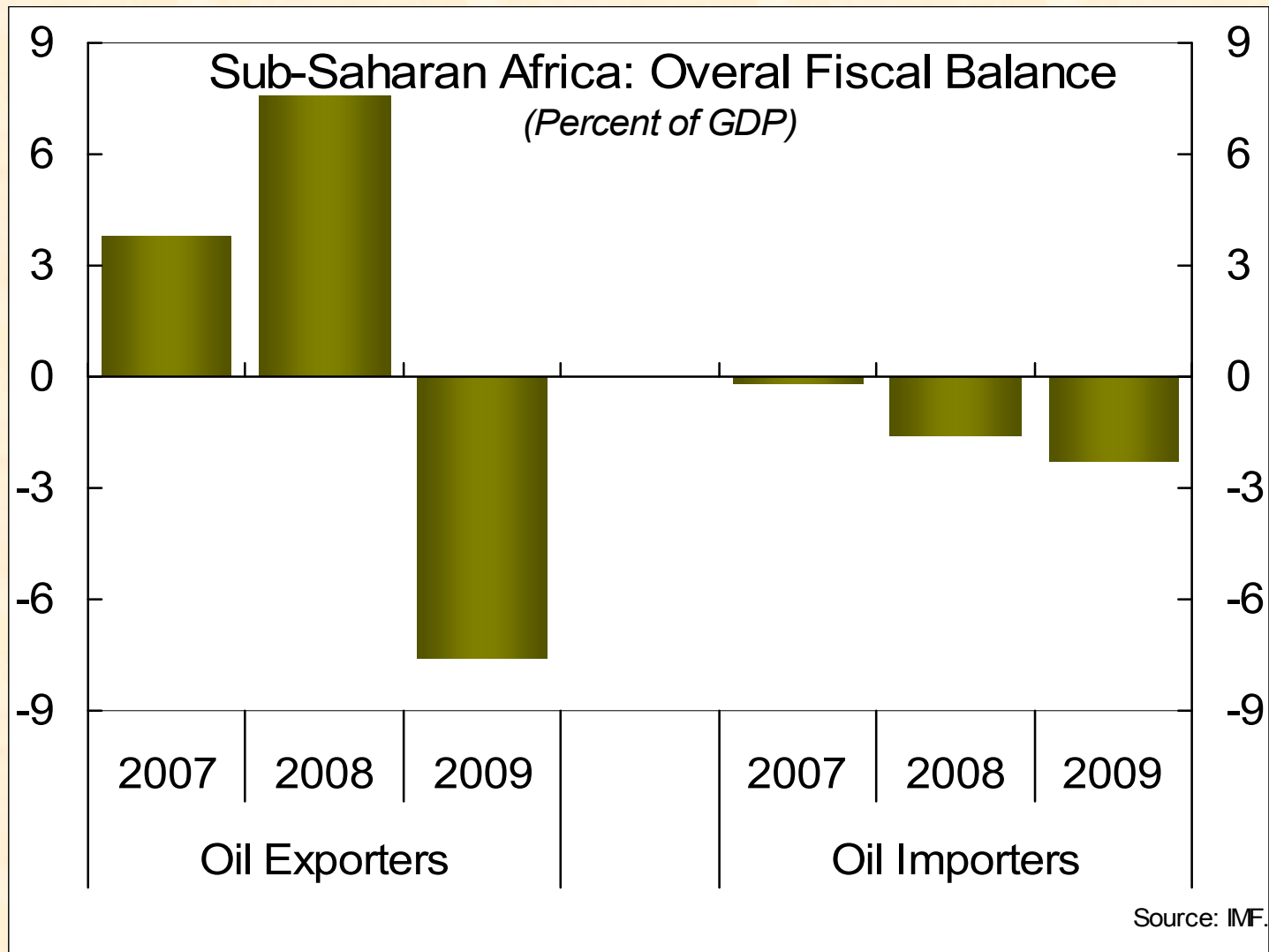
Growth is slowing down



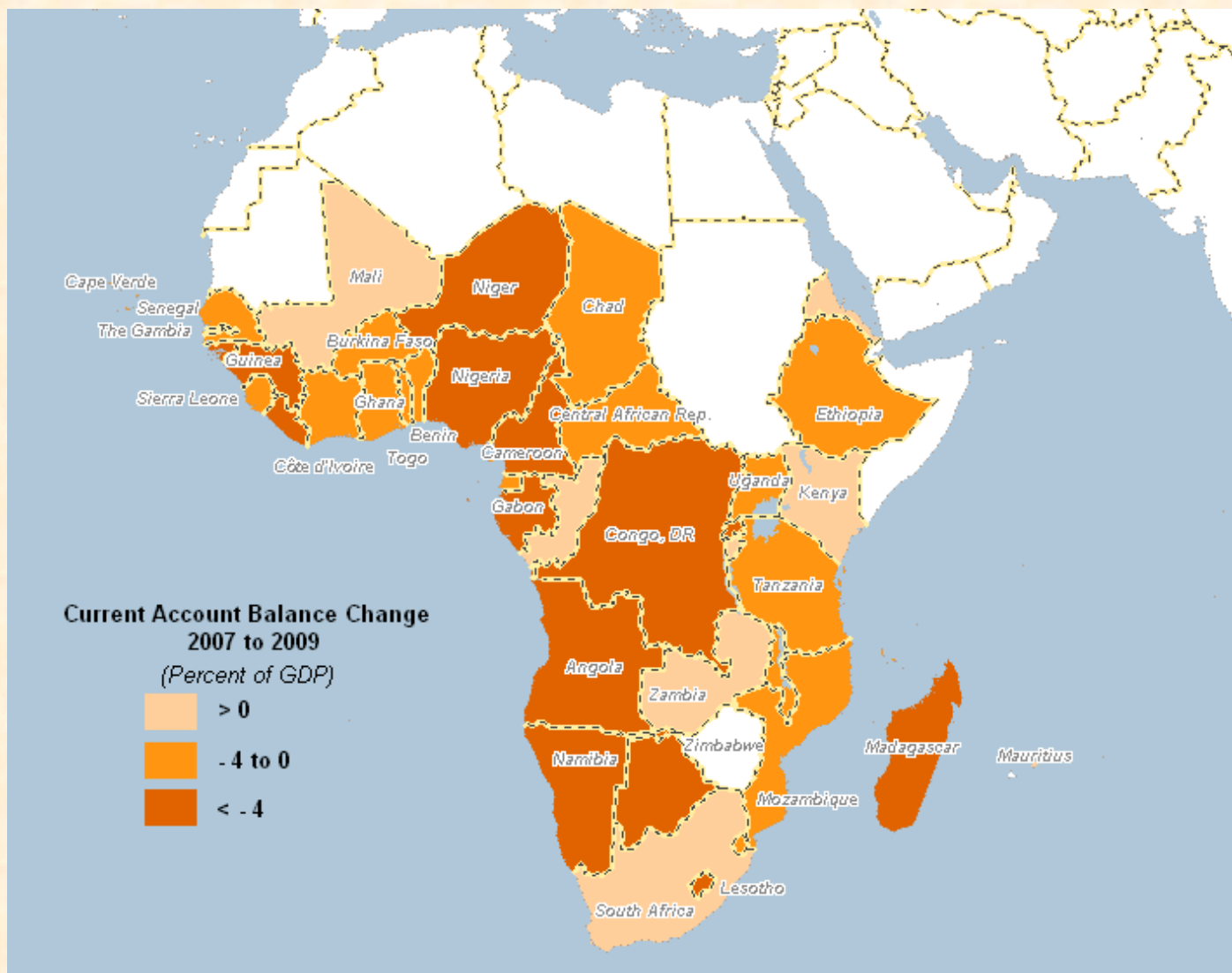
Inflation is slowly falling, from a high level



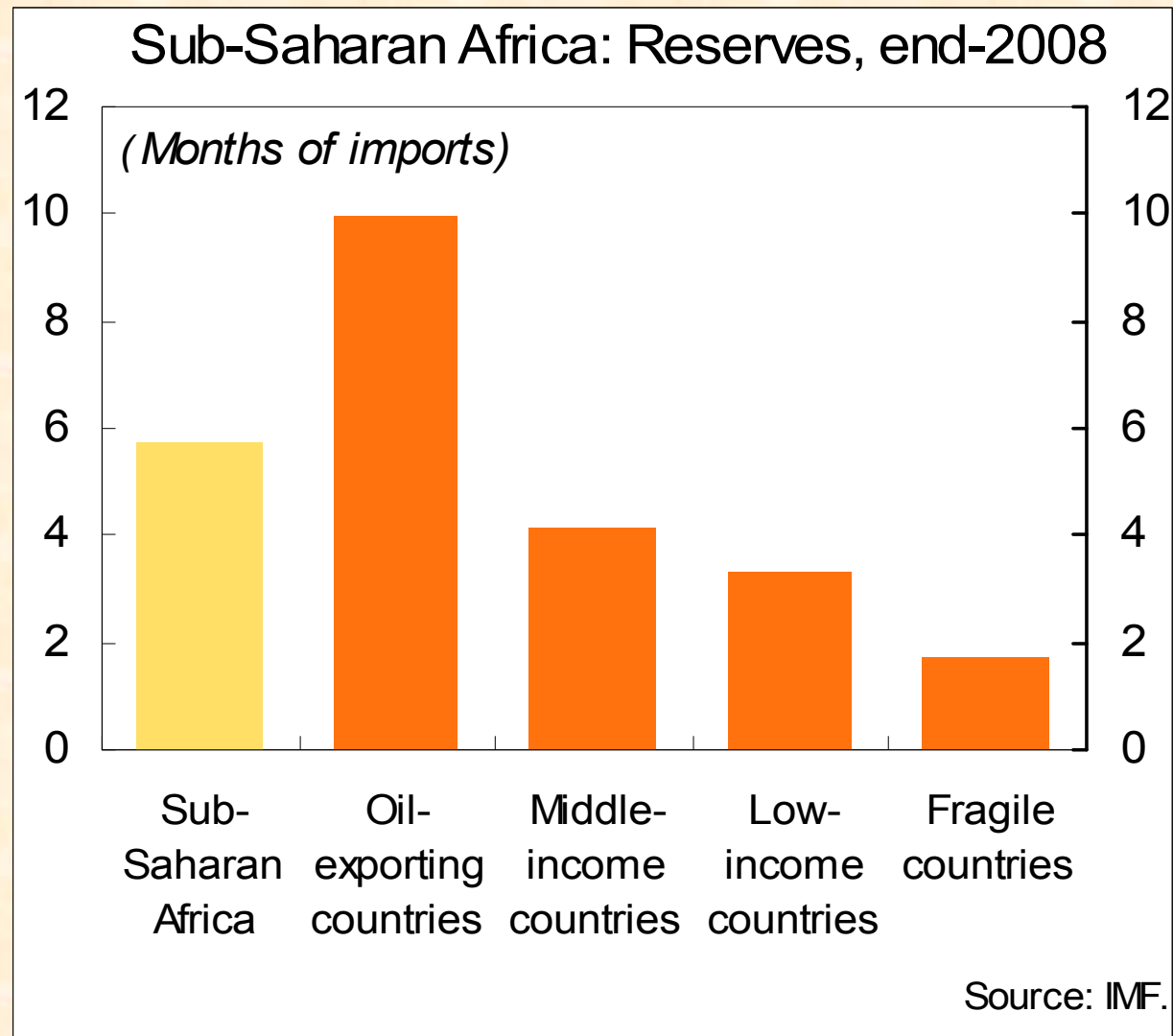
Fiscal balances are deteriorating



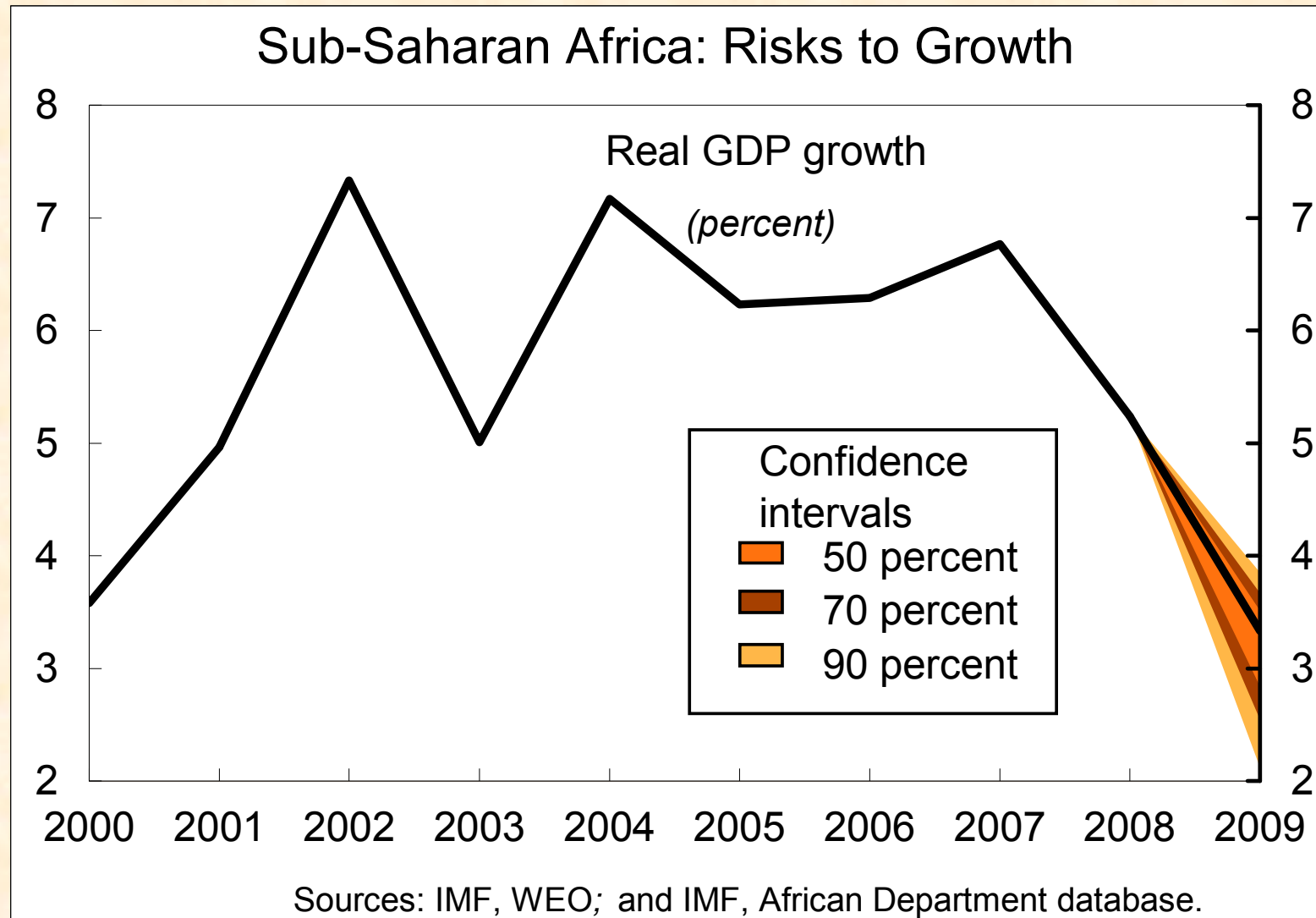
Current account balances are worsening



Reserve levels remain adequate, but risks are mounting



Risks to growth are large and on the downside



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
 - High-level Conference in Tanzania, March 10-11.