



Comment on Exchange Rate Regimes in Sub-Saharan Africa

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Chapter Overview

- Considers the influence of different exchange rate regimes on
 - Inflation rates
 - Output Growth
 - Growth Volatility
 - Fiscal Discipline

Characteristics of Exchange Regimes

- Larger percentage of countries have fixed systems (60%) than world developing country average (47%)
- DeFacto tendency to move towards fixed after 2008
- Fixed regime countries have lower inflation on average but also lower growth rates (after 2000)
- Intermediate regimes tended to have higher fiscal deficits than all others, but no notable increase in debt ratios

Policy Implications of Exchange Regimes

- For Less Flexible Regime Countries
 - Maintain Fiscal Discipline
 - Aggressively diversify and improve competitiveness
- For More Flexible Regime Countries
 - Strong frameworks for Price Stability
 - Fiscal Adjustment in face of Low commodity prices

Study Strengths

- Evaluation of relationships of regime to inflation and fiscal discipline, besides relationship to growth alone
- Breakdown of analysis to different timeframes
 - Growth Differences Fixed vs Float reversed in 80-89 period
- Breakdown according to different transmission mechanisms, eg competitiveness, trade openness, etc.

de Jure / de Facto distinction

- Not sure what to make of deJure/deFacto distinction.
- A difference might increase uncertainty
- Do these countries have a different inflation, growth or fiscal discipline experiences.
 - Although you evaluated inflation effects both dJ and dF, it is hard to discern the effects of differences

Characterizing Fixed Regimes

- Important to highlight which currency is the reserve
 - Success of a fixed regime is dependent on the policies of the reserve
 - Most are to the Euro .. Or to French Franc before ... how many to the dollar?
 - Impossible to see the variation of reserves in the report
 - Are there any reserve switches, besides FF to Euro?

Reserve Holdings

- Performance of countries on pegs may depend on reserve holding patterns
- In particular, did any countries suffer BoP crises?
- To what degree did reserve shortfalls inspire devaluations, or adjustments in exchange rate regimes?

Exchange Controls

- Effectiveness of exchange rate regimes depend upon capital mobility
- Report provides no detail about the extent of controls across the region

International Results - Box 2.1

- Indicates much stronger growth outcomes for fixed currency countries in other developing and emerging markets.
- Suggests that fixers with more undervalued exchange rates and who had more open trade grew faster.
- Indicates that the exchange rate regime itself is not a precise indicator

Nigeria - Box 2.2

- The case study about Nigeria provides some useful detail
- It illustrates the pressures and difficulties with transitioning from a fixed to a more flexible system.
- Also, how shocks, like the sudden decline in oil prices, forces adjustments to the exchange rate regime.



Thank You