

**REO**

***Focus on Petroleum***

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**IMF Africa Regional Economic Outlook  
Discussion GW ESIA IIEP, Washington, 7 May  
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# Summary

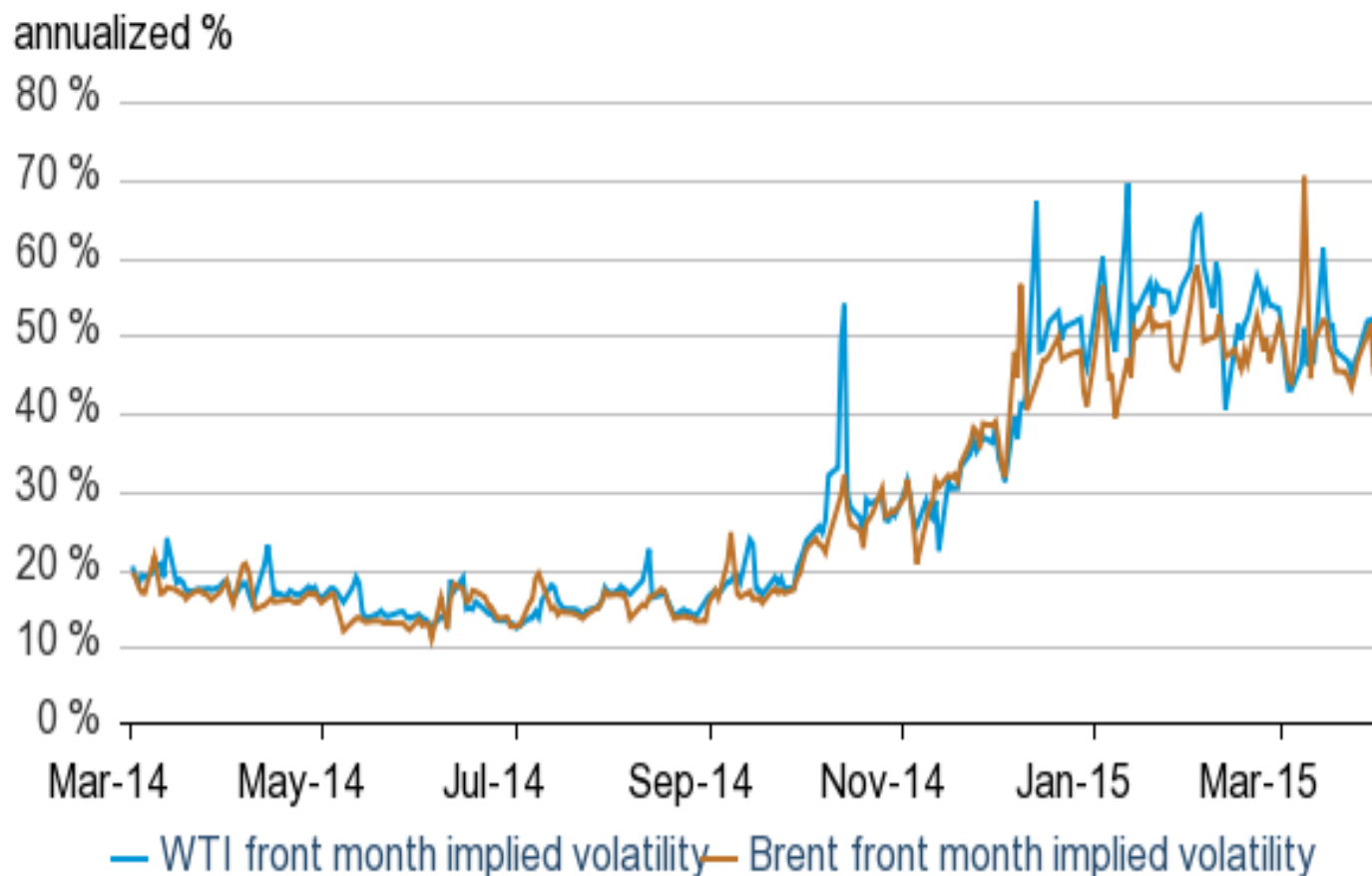
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- Basic advice about budget-cutting by oil exporters to reduce fuel subsidies, public spending neither controversial nor dependent on oil prices
- Outlook point estimates of GDP growth, FX rates, fiscal balance of limited use, given sensitivity of oil-exporters and -importers to oil prices.
- Given uncertainty over future oil prices, at the very least useful to include scenarios based on IMF projected oil price  $\pm 2\sigma$  to illustrate sensitivities of outlook items to oil prices
- Especially important given current elevated volatility level

# Crude oil price volatility high, now about 50% per year

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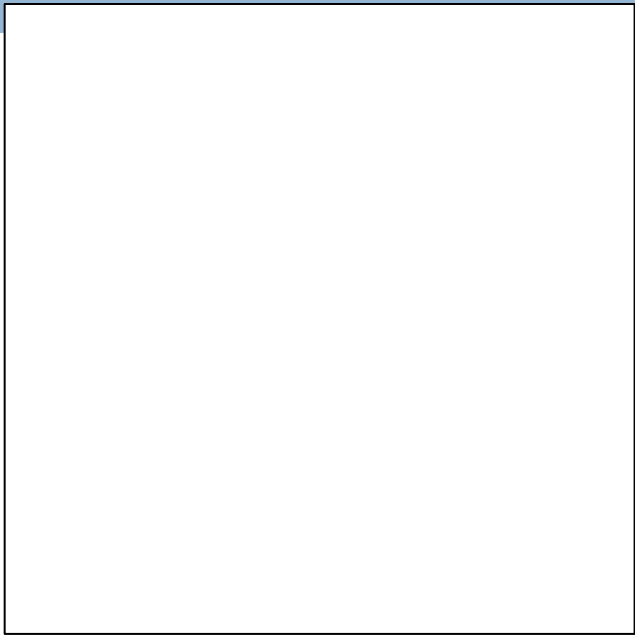
Figure 6. Crude Oil Implied Volatility



Prof. Robert Weiner, GWU, 7 May 2015

# Market consensus -- 50% chance oil price below \$50 or above \$75 over next year

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# REO overly focused on Macro, while key to success going forward more micro

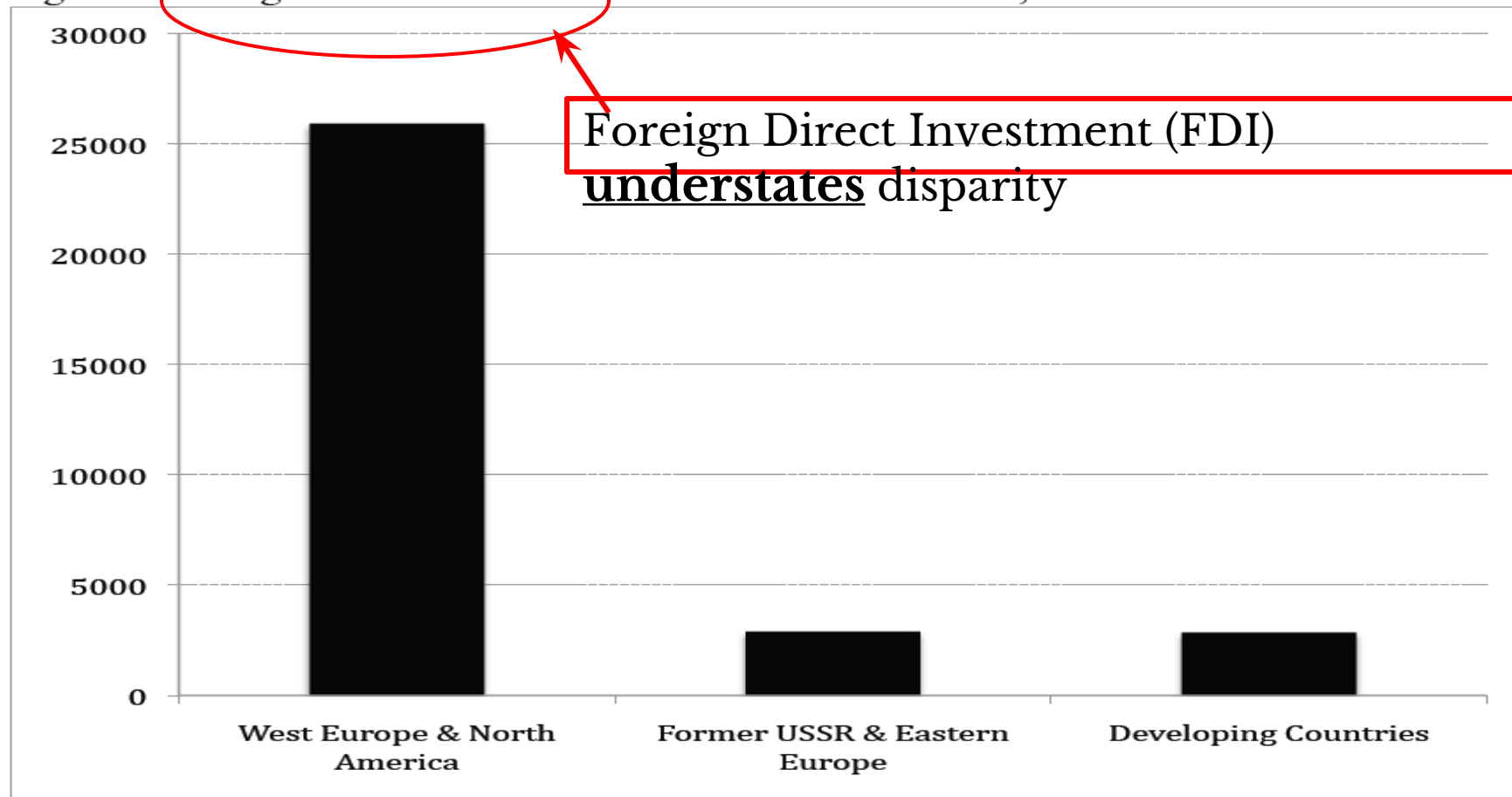
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- If oil prices materialize at IMF at upper end of 95% confidence interval (over \$100 per barrel), will the oil kids really be “all right?”
- Given importance of petroleum, natural-resource production to many African states, surprising that the words resource curse, oil-sector investment and corruption do not appear in REO
- Indefinite period of low oil prices provides opportunity to get governance houses in order
- Especially important given current elevated volatility level

# Far more natural-resource investment in rich than poor countries per unit of area

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Figure 2: Foreign Direct Investment in Extractive Industries, 2007



These figures show the stock of foreign direct investment in “petroleum, mining, and quarrying” in 2007, expressed in dollars per square kilometer of territory.

Source: Calculated from data in UNCTAD [2009]. Source: Ross [2012]

# Oil production & reserves reflect lack of investment

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## Producing oil wells worldwide (thousands), end-2011

Total	778
North America	447
sub-Saharan Africa	11
MENA	19

*Source: Oil and Gas Journal, 2012)*

## Proved Oil Reserves per unit area

*(barrels/km<sup>2</sup>, end-2009)*

North America	3735
Africa	2729
Asia-Pacific	1697

*Source: Gelb et al, Center for Global Development WP, 2012*

# Exhaustible-resource wealth/km<sup>2</sup> fall lowest in Africa despite resource-rich reputation

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Source: Collier, IMF presentation, Washington, Nov 2011

Region	'Known' subsoil assets/km <sup>2</sup> (in USD)
World	105,000
OECD	114,000
Africa	23,000
South Asia	53,000
LAC	95,000
MENA	361,000
East Asia & Pacific	77,000
ECA	93,000



# Even REO list of African petroleum countries reflects national policy, not just geology

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- REO list of eight oil countries
  - Angola, Cameroon, Chad, Congo DR, Eq. Guinea, Gabon, Nigeria, S. Sudan
- Other Sub-Saharan economies actually or potentially significantly affected by petroleum wealth
  - Côte d'Ivoire, Ghana, Kenya, Mozambique, São Tome e P., Somalia, Sudan, Tanzania, Uganda
- Some economies in latter group already show evidence of resource curse