The Global Crisis and Sub-Saharan Africa

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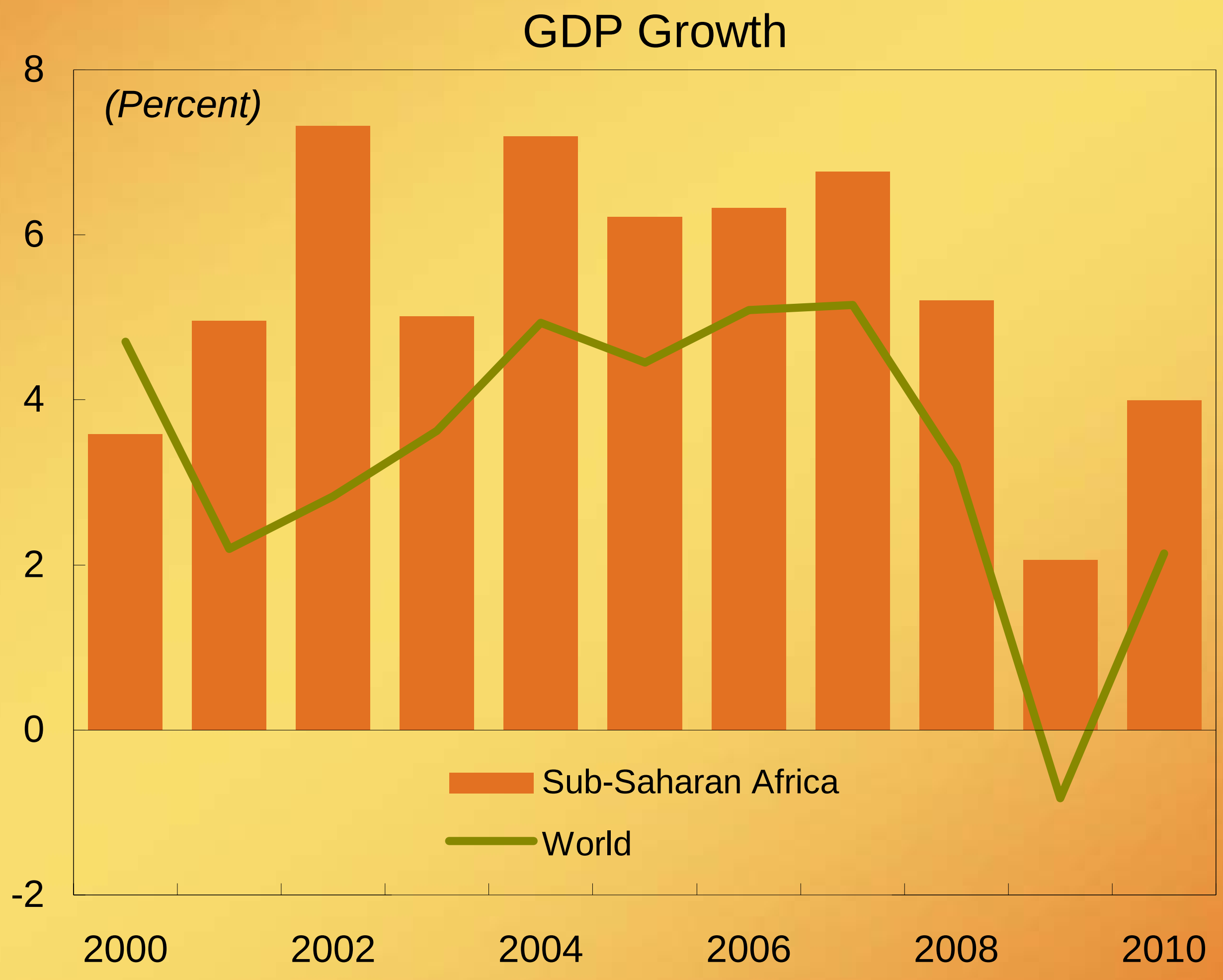
Main Messages

1. The global crisis is affecting SSA: growth is falling sharply, and fiscal and BoP pressures are mounting.
2. Policymakers have some room to respond with stimulative policies, but financing constraints impose limits.
3. The IMF has scaled up its support for Africa with increased and more flexible financing, technical assistance and policy advice.

Main Transmission Channels of the Crisis to Sub-Saharan Africa

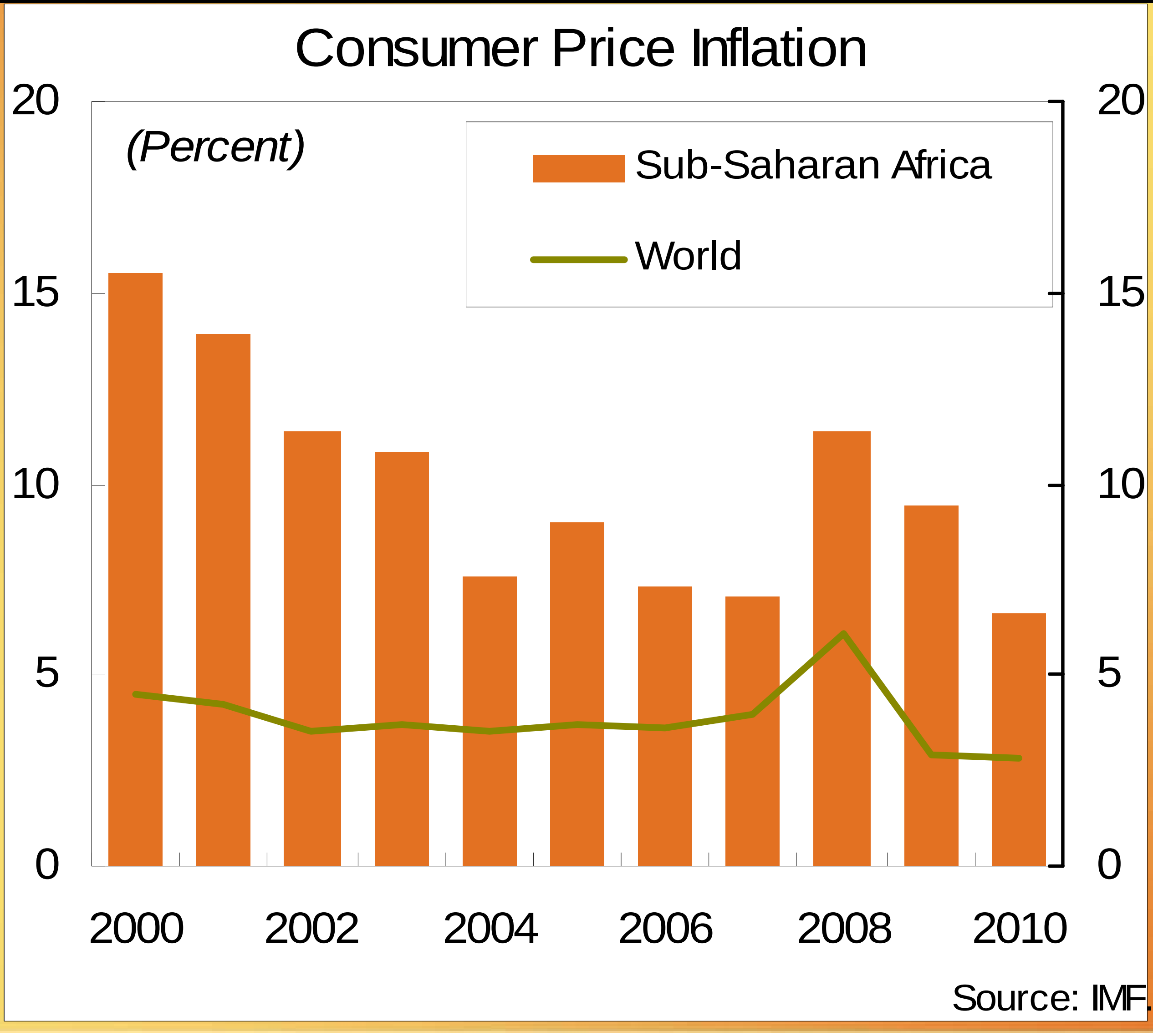
- Declining External Demand for SSA's Output.
- Slumping Commodity Prices.
- Scarcer Financial Flows.

Growth is slowing down



Sources: IMF, *World Economic Outlook;* and IMF, African Department database.

Inflation is slowly falling, from a high level



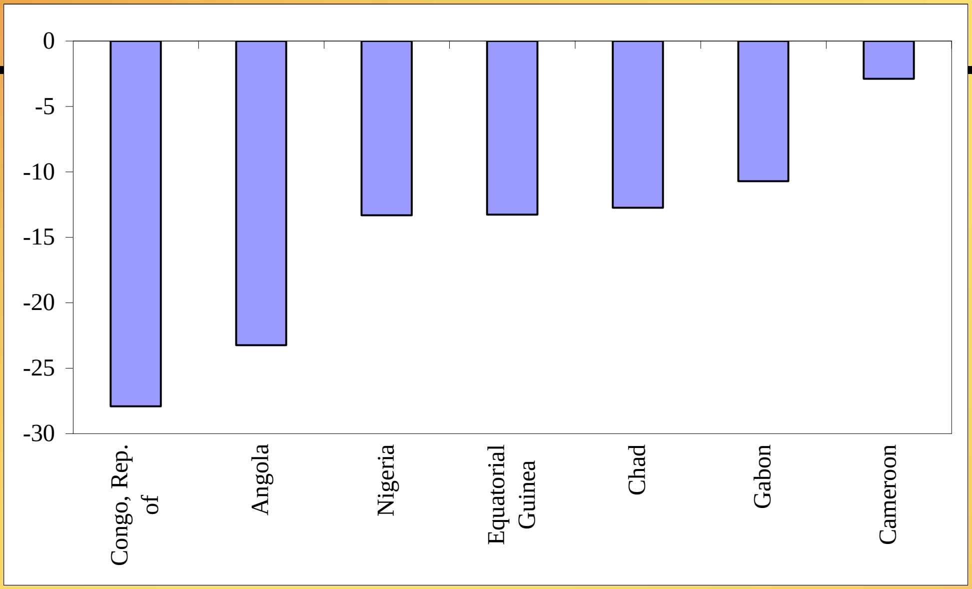
Policy Response in SSA

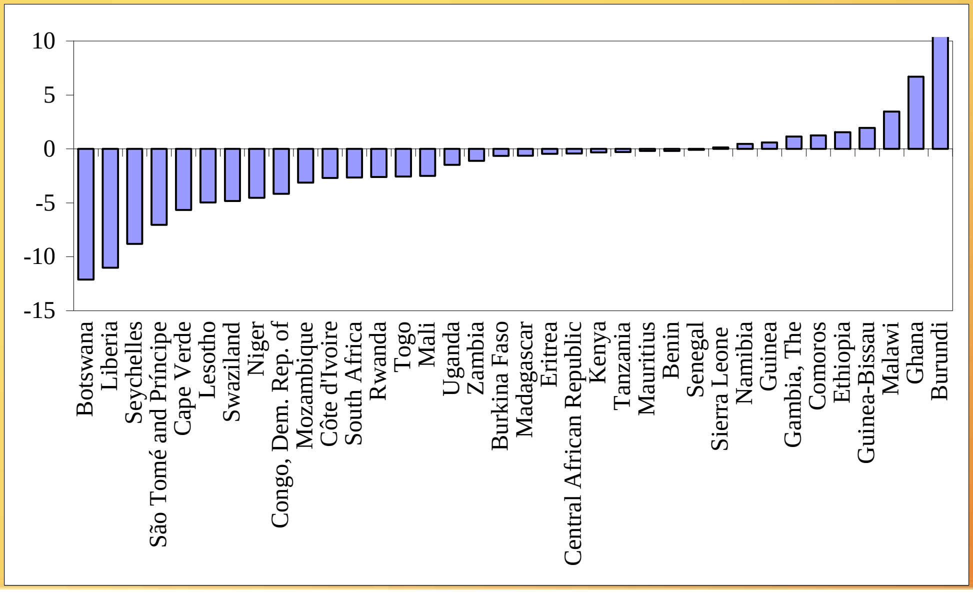
Countries should respond to the crisis by:

- Using fiscal space where available, considering medium-term sustainability.
- Where possible, using monetary policy and allowing the exchange rate to adjust to counter demand slowdown.
- Countries have been responding broadly along these lines

Fiscal Policy Response

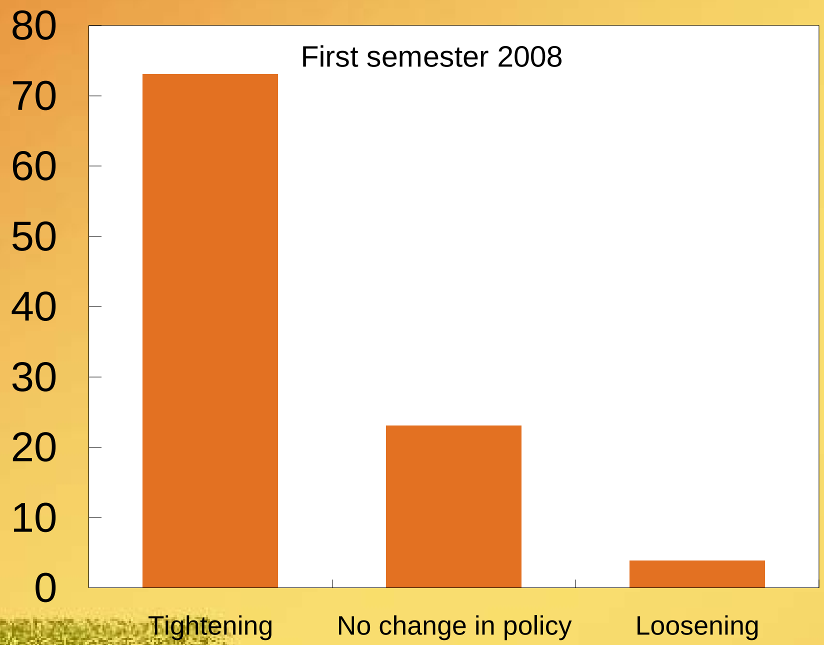
Sub-Saharan Africa: Fiscal Deficit Changes (Percentage points of GDP, 2009 minus 2008)

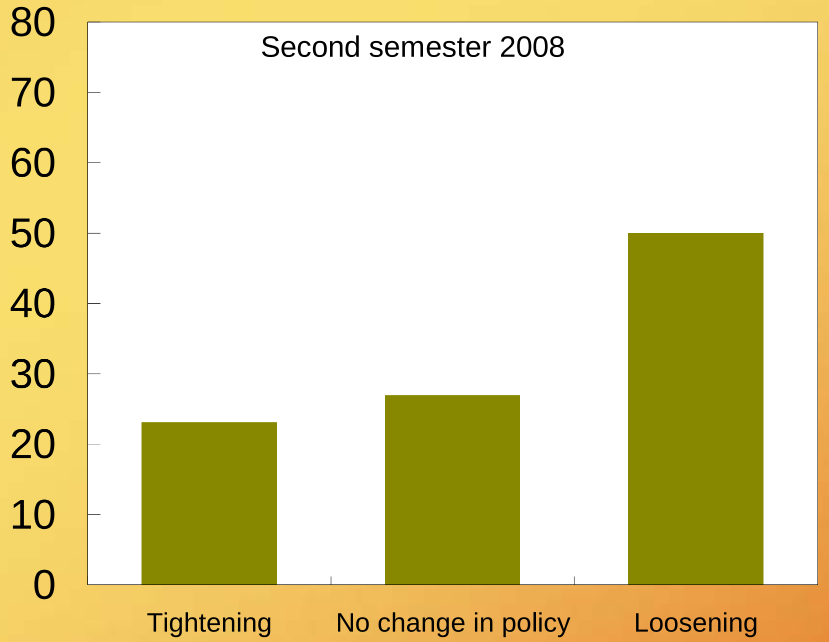




Monetary Policy Response

Percent of SSA countries





Source: IMF staff estimates

Role of International Community: The Recent G-20 Summit

- Commitment to restore growth
- Improving Financial Supervision and Regulation
- Strengthening Global Financial Institutions.
- Supporting Low-Income Countries
- Boosting IMF Resources

Fund Response

- More Resources and More Flexible Conditions for IMF Financing
- Expanding and accelerating capacity building
- Strengthening Governance, Voice, and Representation