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# **Global Challenges and Policies in Sub-Saharan Africa**

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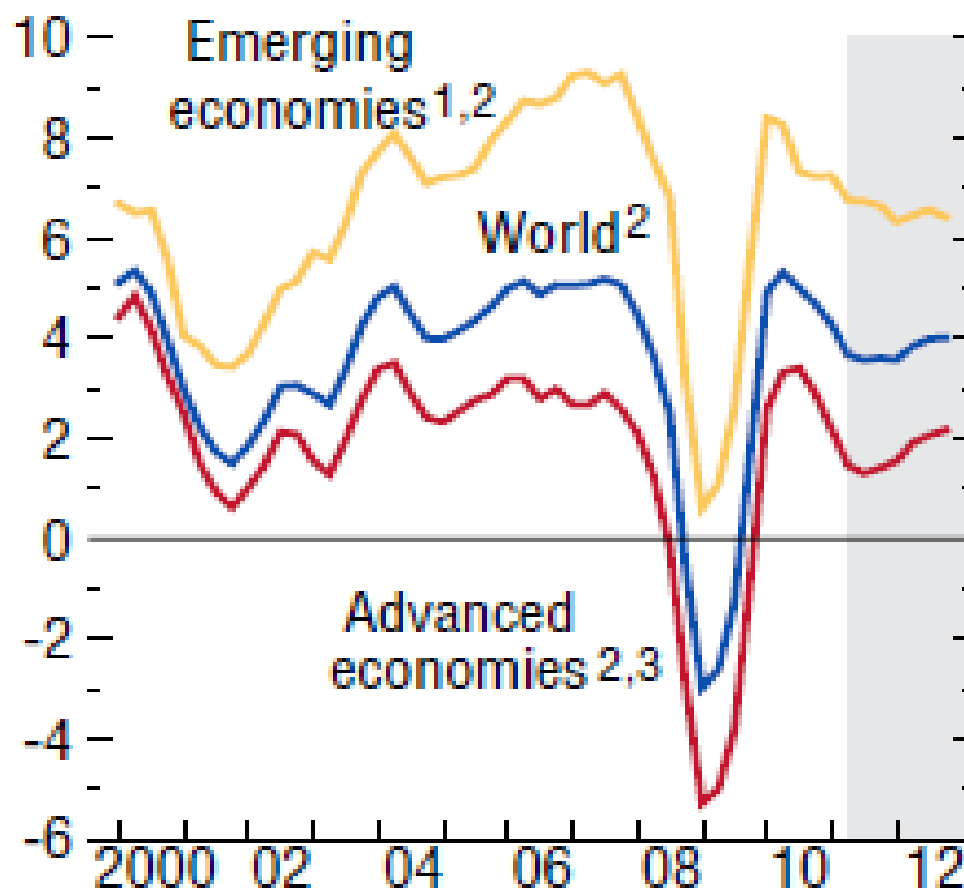
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# Outline

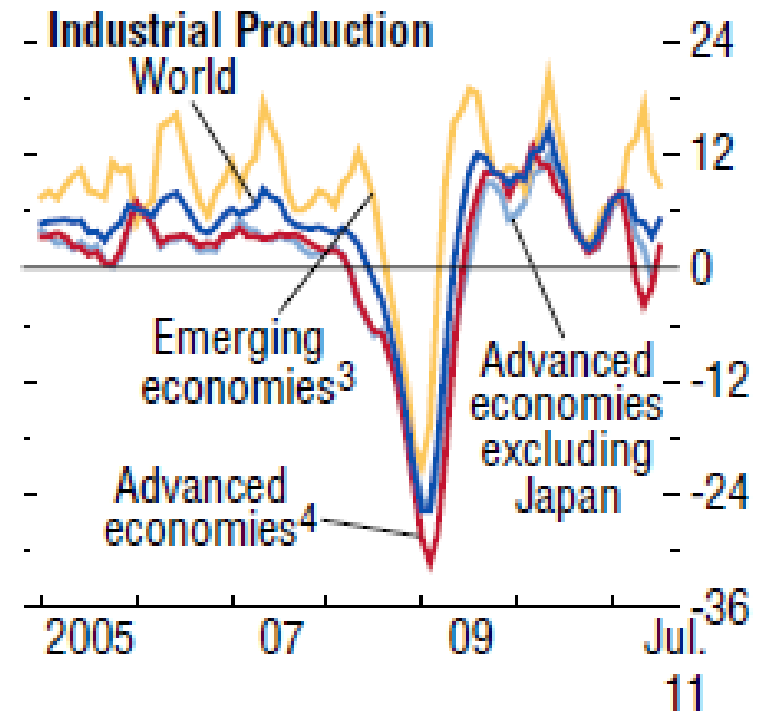
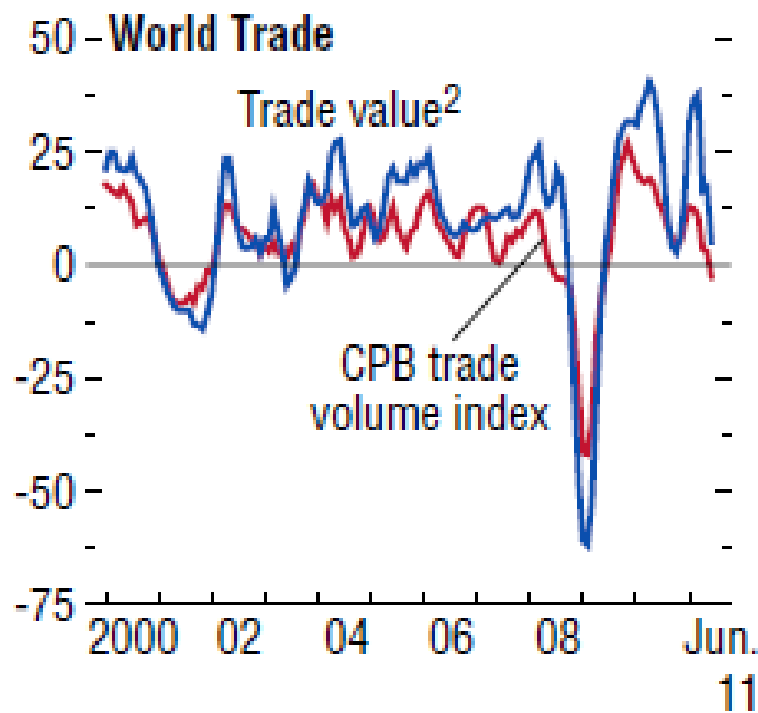
- Global economic developments
- Policies in Sub-Saharan Africa
- The evolving role of the IMF

# Global Economic Developments

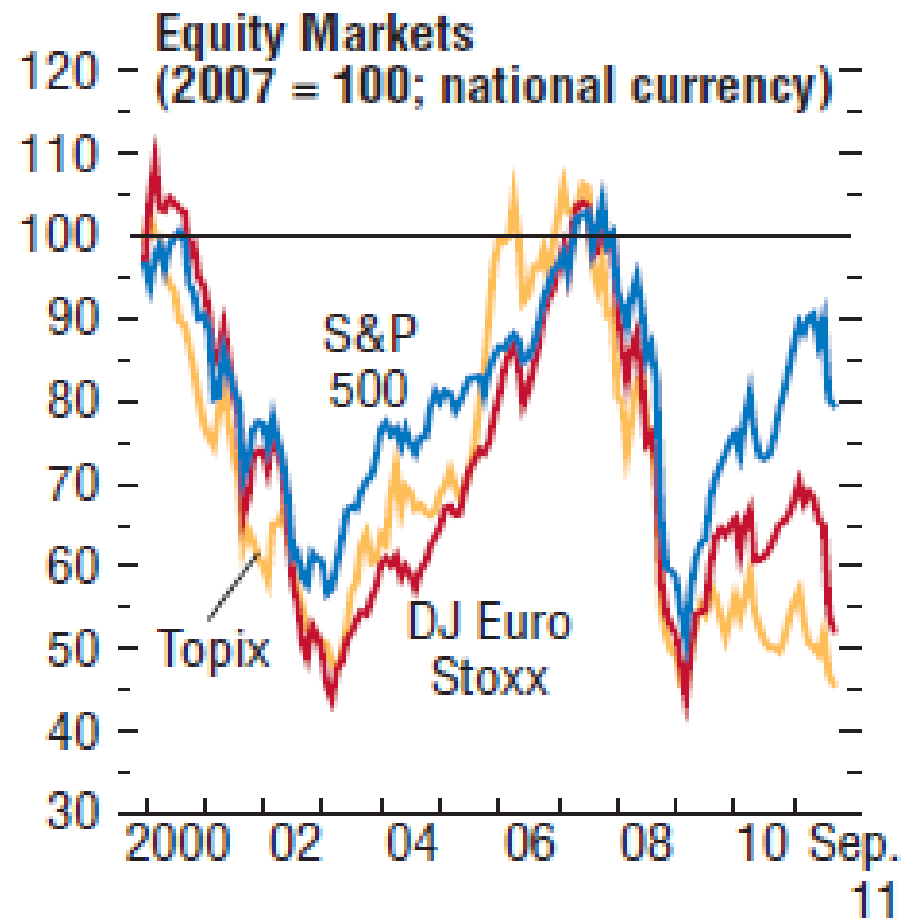
The two-speed recovery is moderating,  
and downside risks are large.



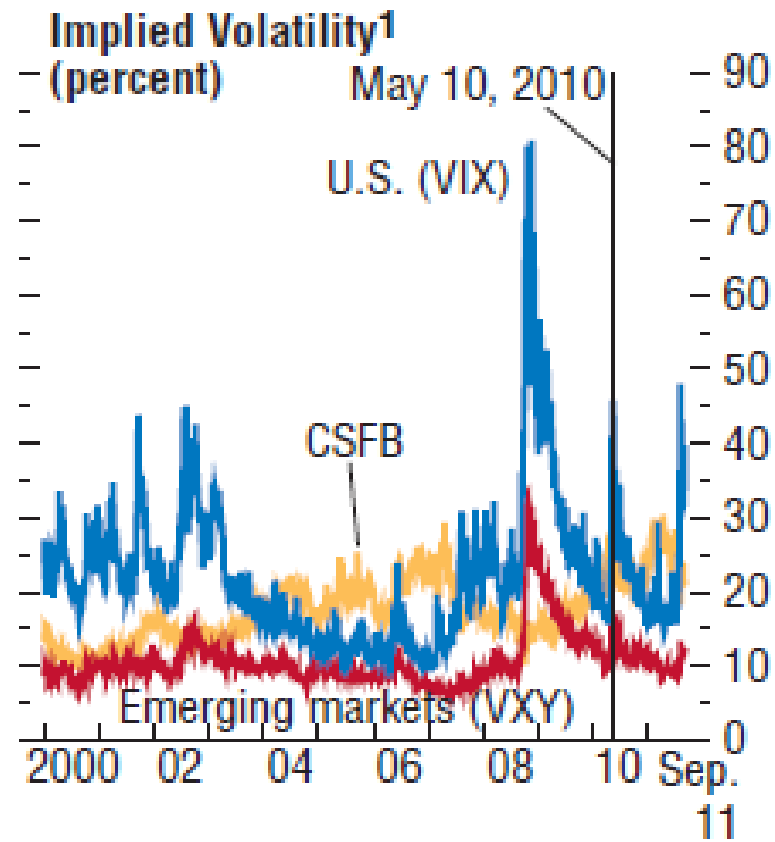
# Indeed, global trade and industrial production has lost momentum...



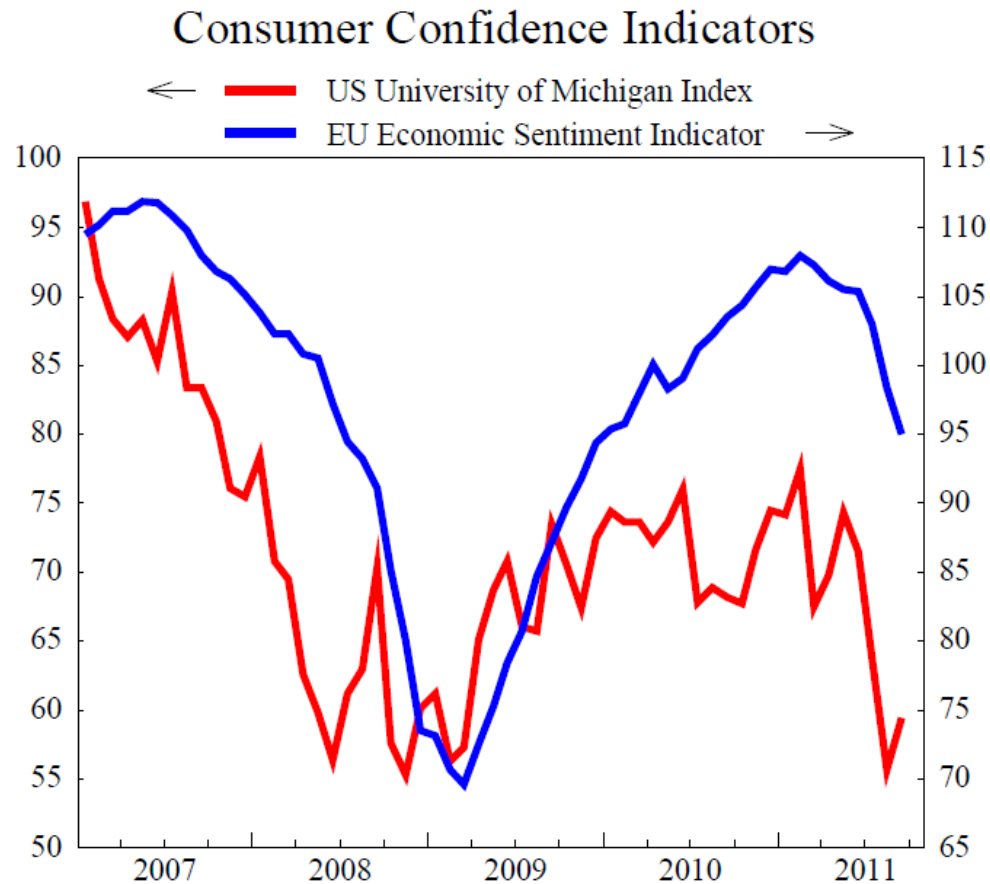
# ...equity markets dropped sharply...



...and volatility surged.

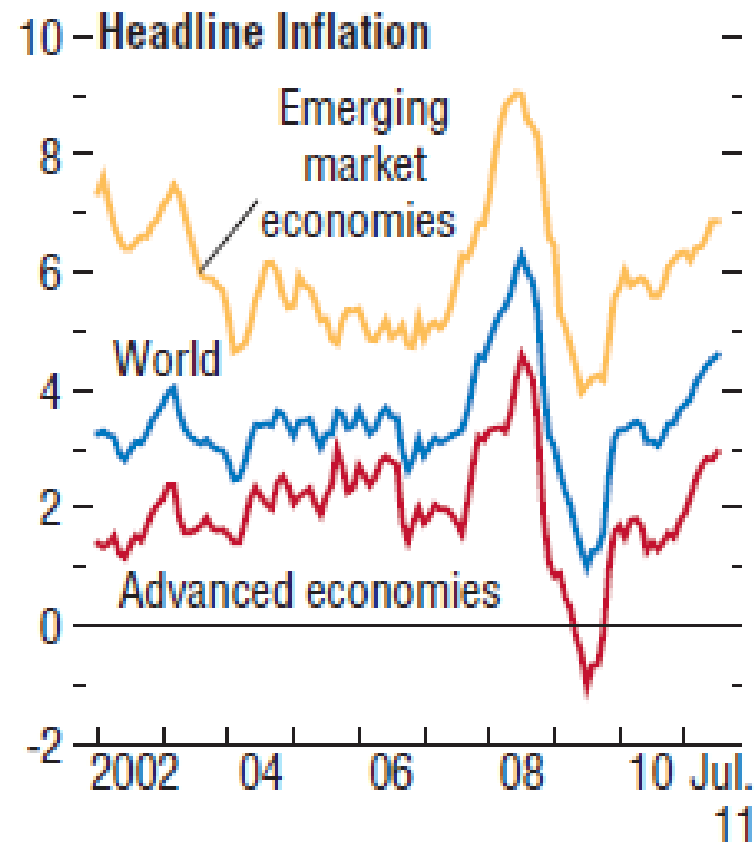


# Confidence is weakening sharply.

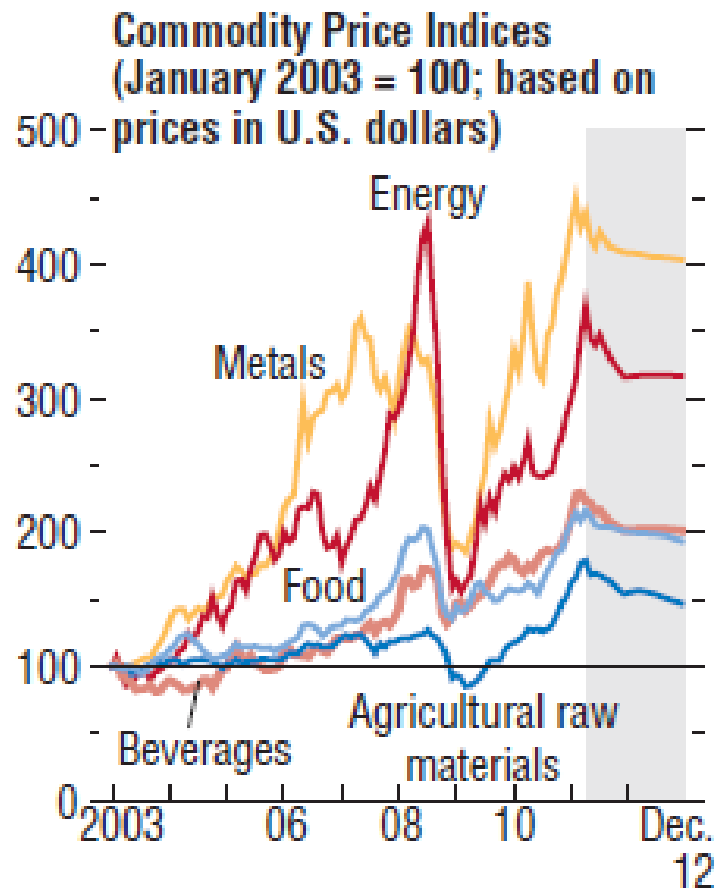




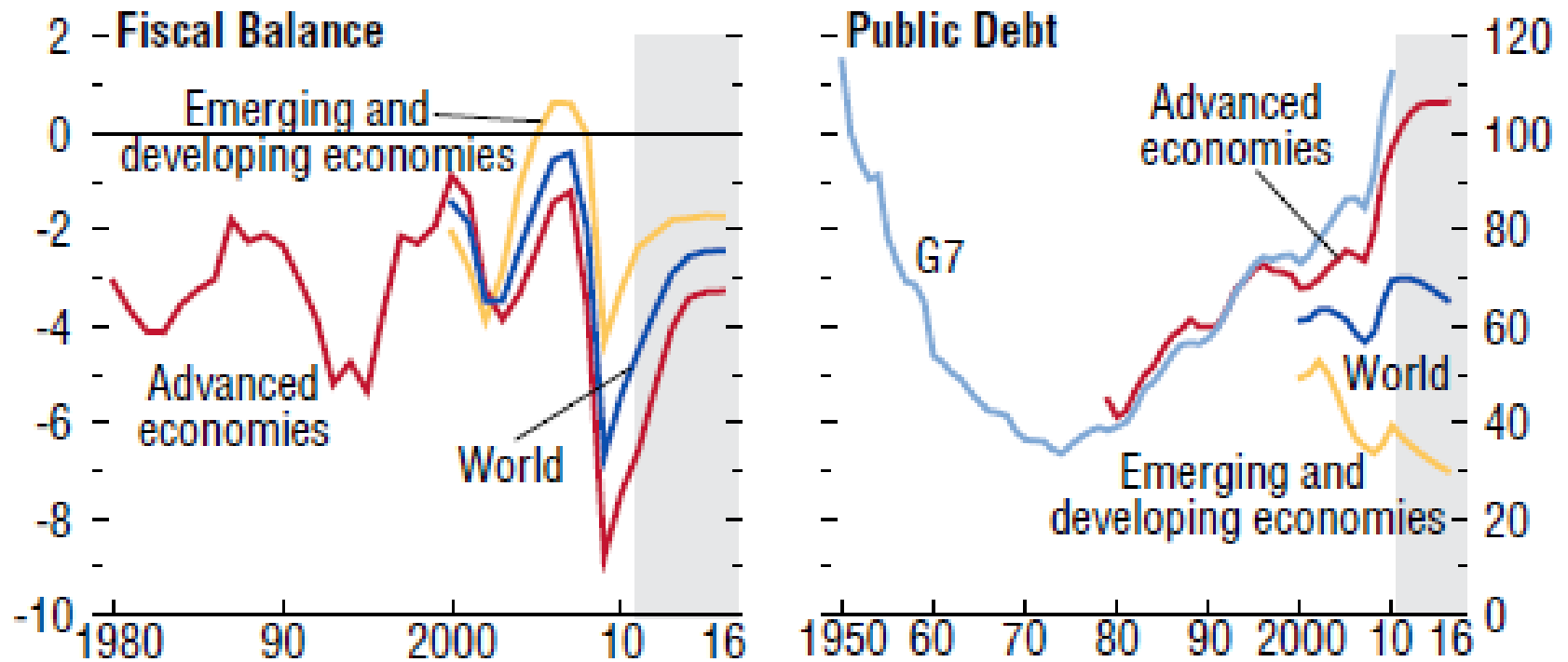
# Inflationary pressures remain elevated in emerging market economies...



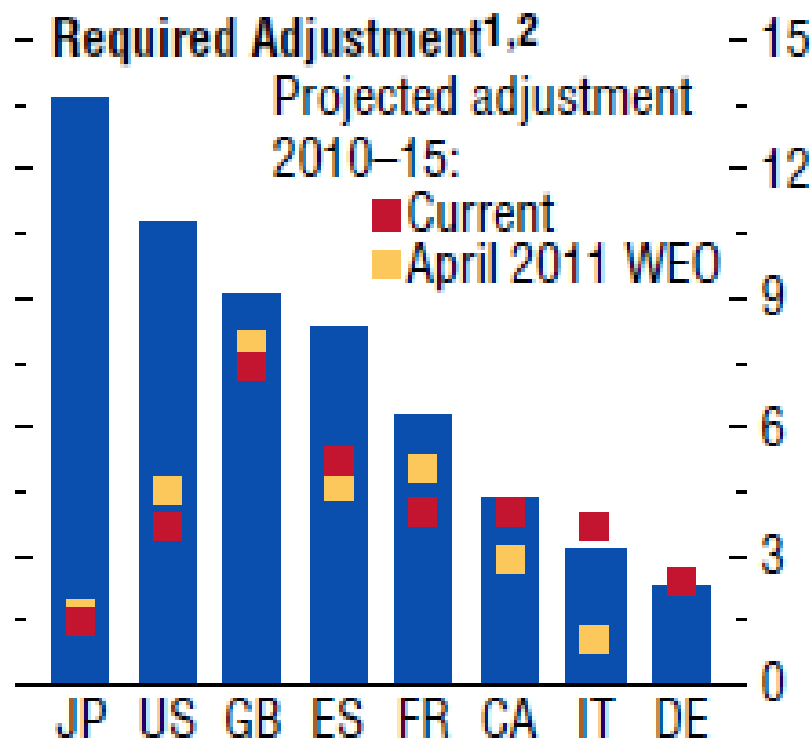
...reflecting high commodity prices.



# Key problem: public debt and deficits rose sharply during the global financial crisis...



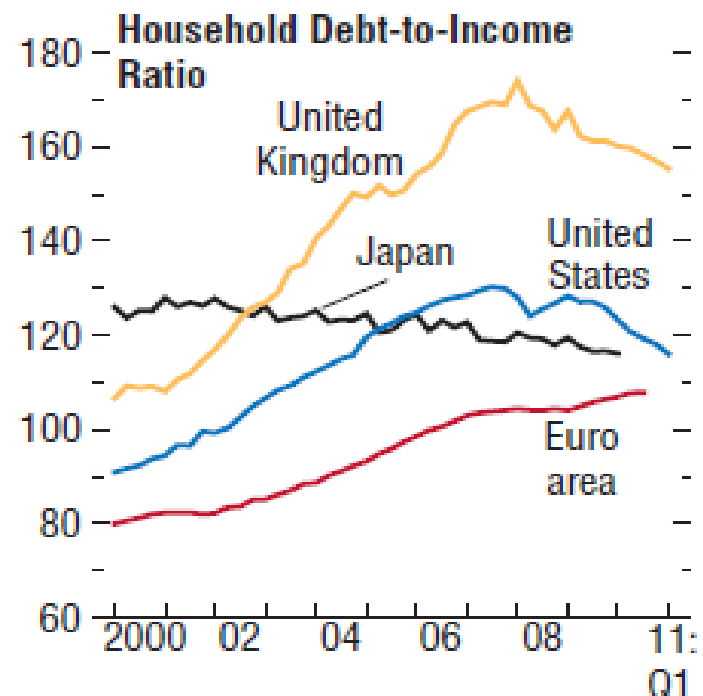
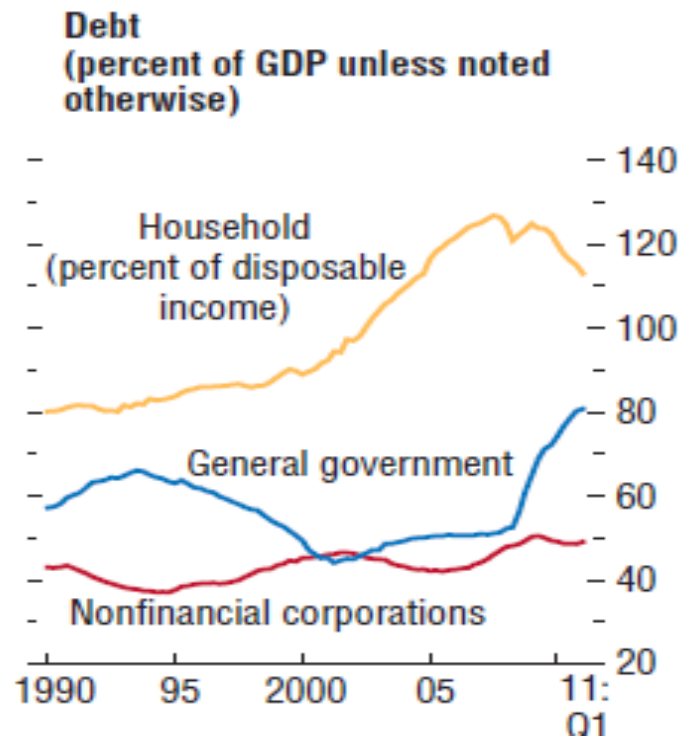
# ...requiring large fiscal adjustments in advanced economies.



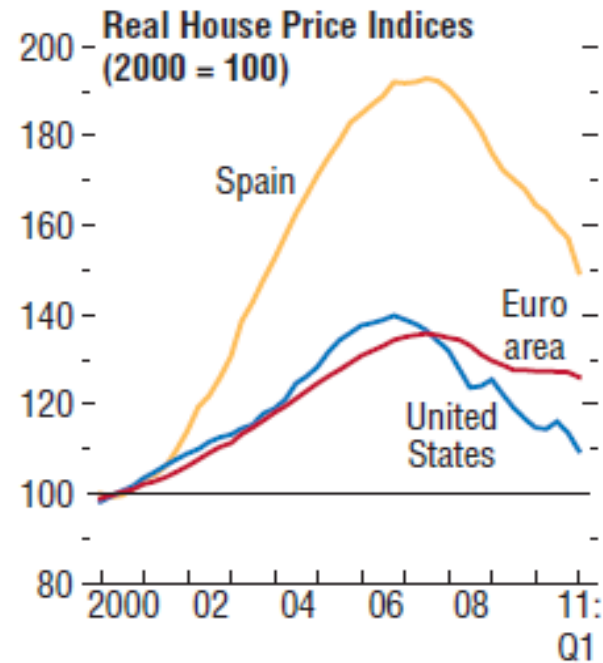
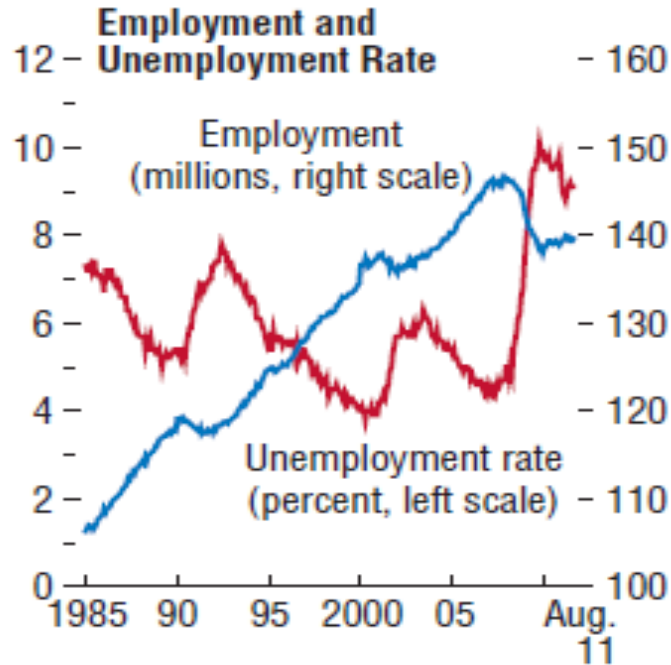
1/ In percent of GDP

2/ To bring down the debt-to-GDP ratio to 60 percent by 2030

# In the U.S., government and household debts are high...

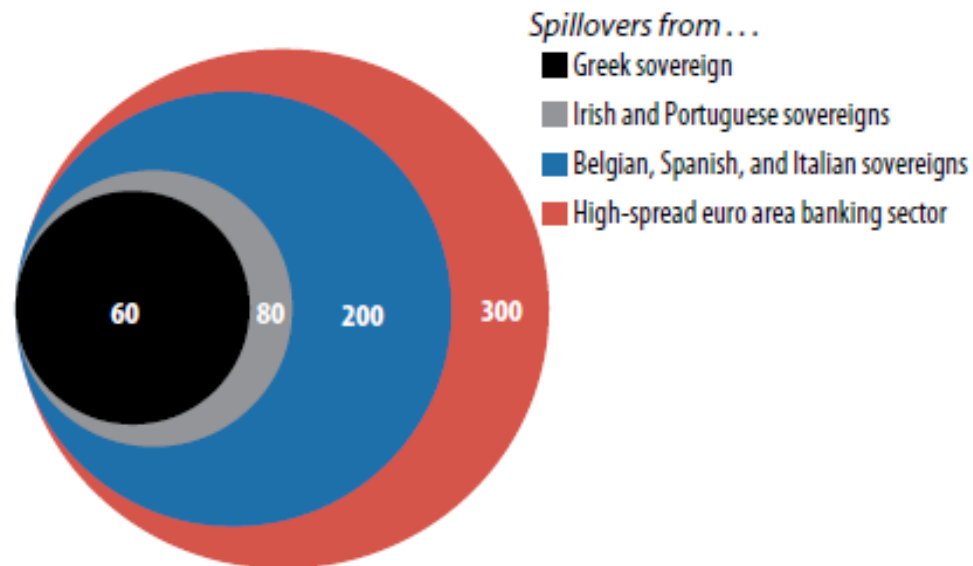


...but high unemployment and weak real estate prices are creating a substantial drag on debt reduction.

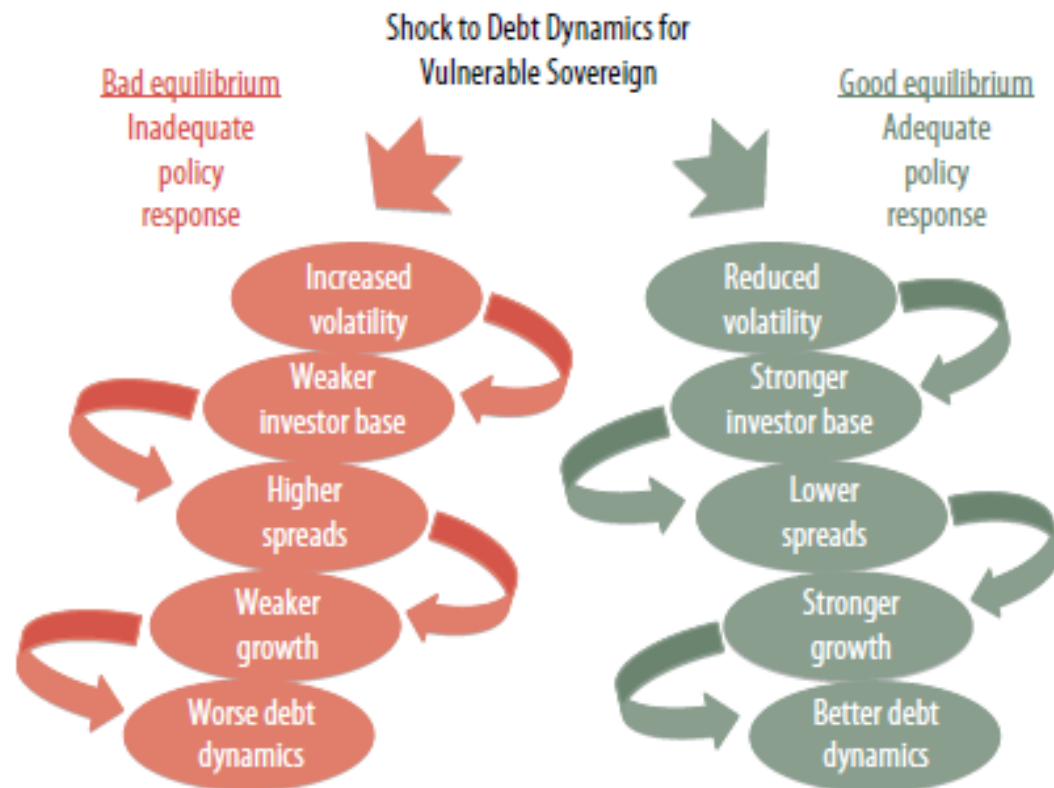


# Sovereign debt concerns are spilling over to the banking system.

**Cumulative spillovers from high-spread Euro Area Sovereigns to the European Union Banking System  
(Billions of euros)**

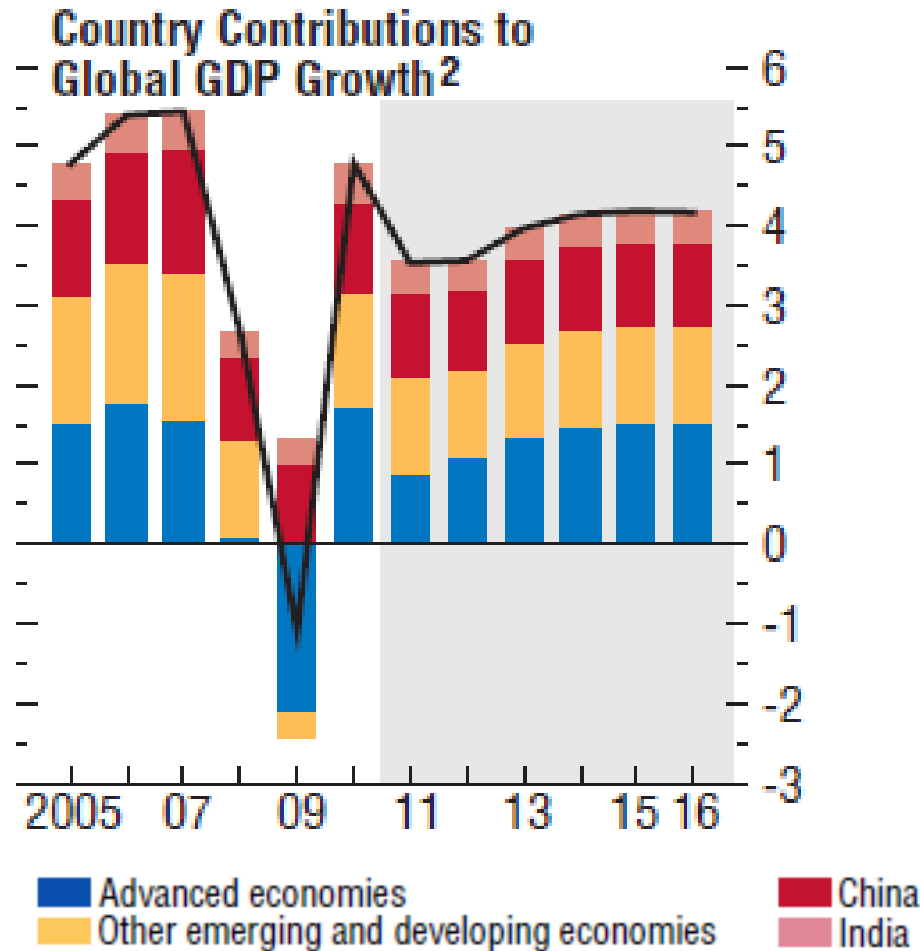


# Appropriate policy response in advanced economies is critical.

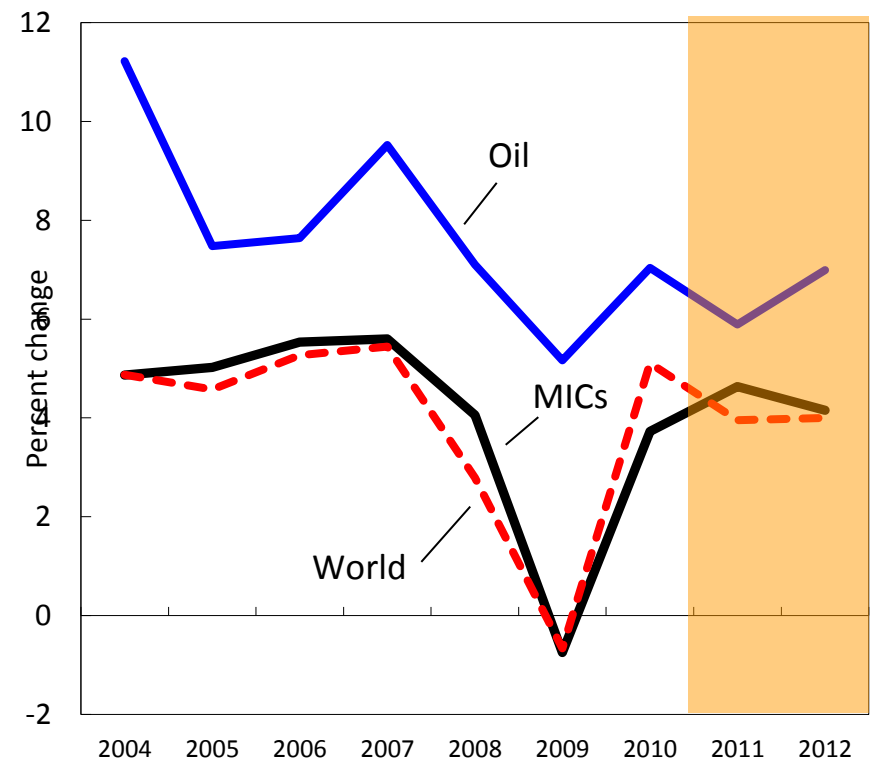
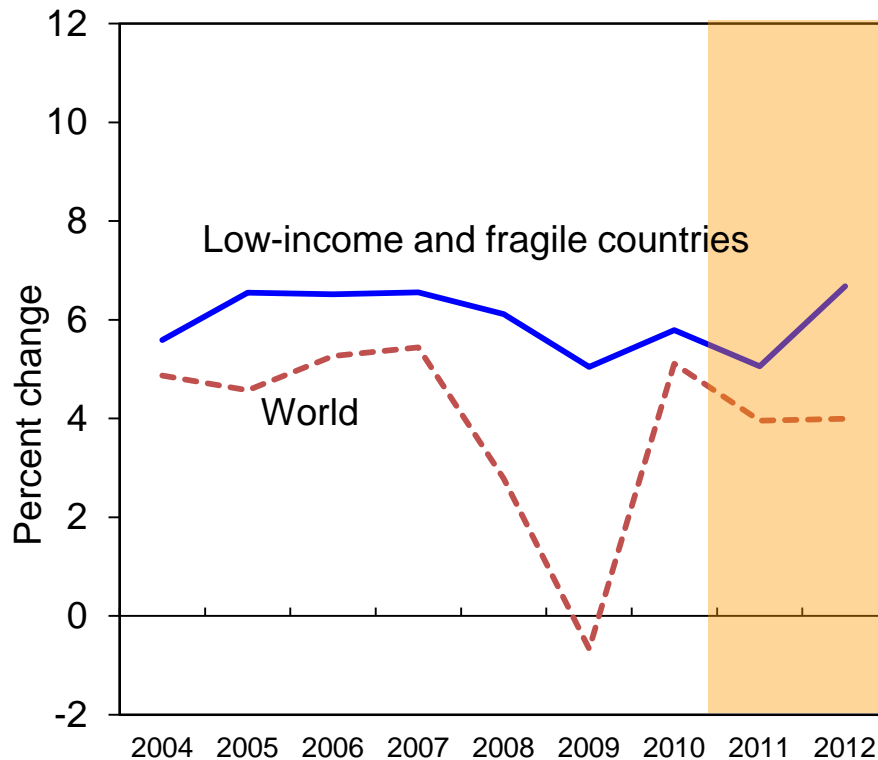




# The role of the emerging markets will remain important.



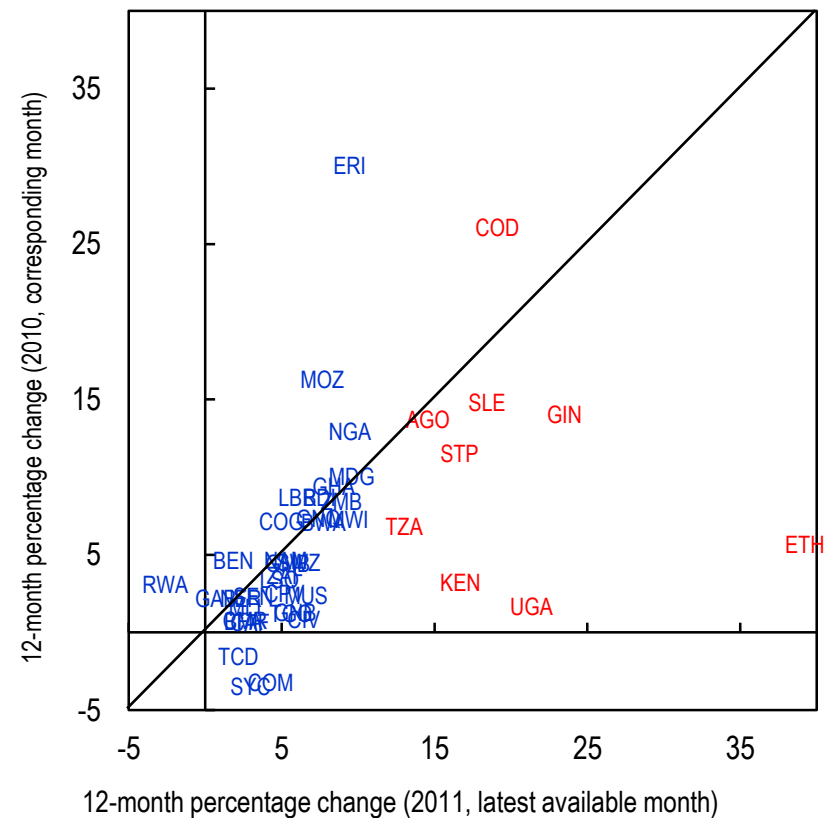
# Growth in sub-Saharan Africa is expected to be 5¼ percent in 2011 and 5¾ percent in 2012.



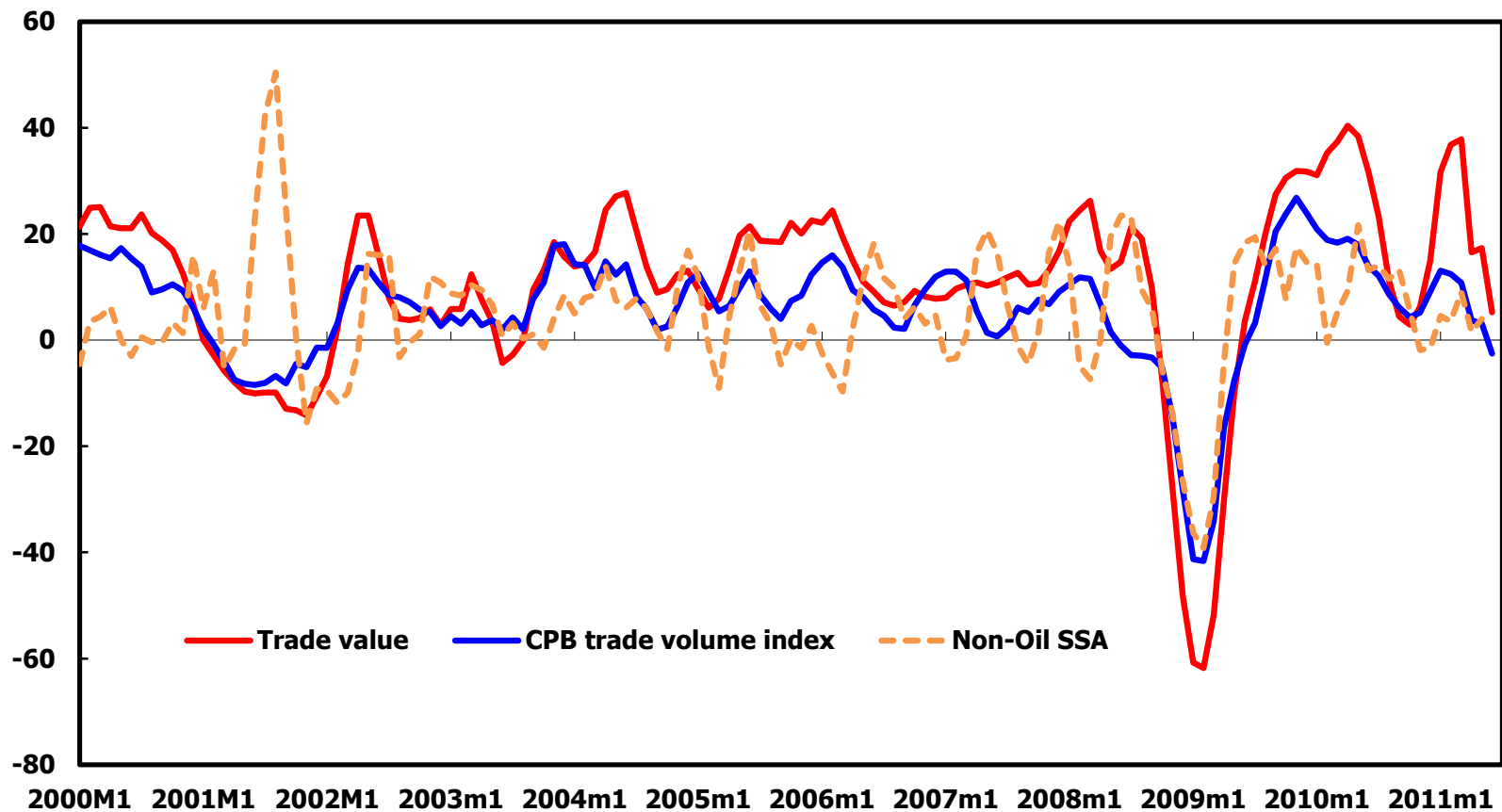
# Inflation has picked up in many countries in Africa.

## Latest Year-on-Year CPI Inflation

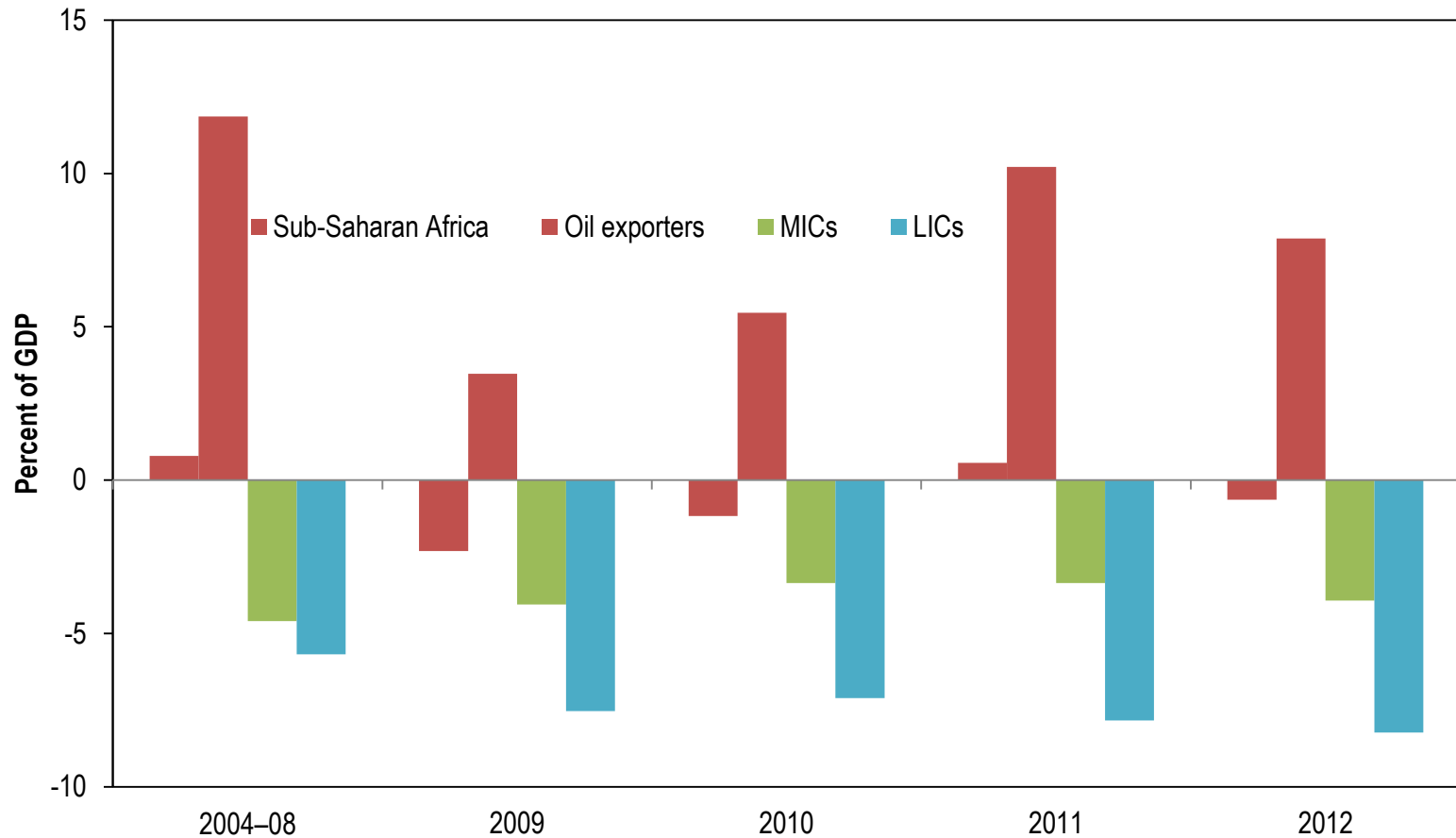
- CPI inflation averaged 10 percent in June 2011, compared to 7½ percent in June 2010.
- Higher global food and fuel prices have played a role.
- Worrisome second-round price increases taking hold in a number of countries.



# Could Sub-Saharan Africa decouple and avoid another slowdown?



# External current accounts have worsened in non-oil exporters.



# Policies in Sub-Saharan Africa

# Policy Challenges: Sustaining the Expansion

- Fast-growing LICs need to consider tightening their monetary stance to restrain inflationary pressures.
- Countries in which fiscal deficits are not declining from their 2009-10 highs, and where growth remains strong, should focus on rebuilding fiscal policy buffers.
- Slower-growing countries (mostly middle income) without financing constraints should retain a supportive macroeconomic stance.
- Oil exporters should be using their windfall gains to build up fiscal buffers.

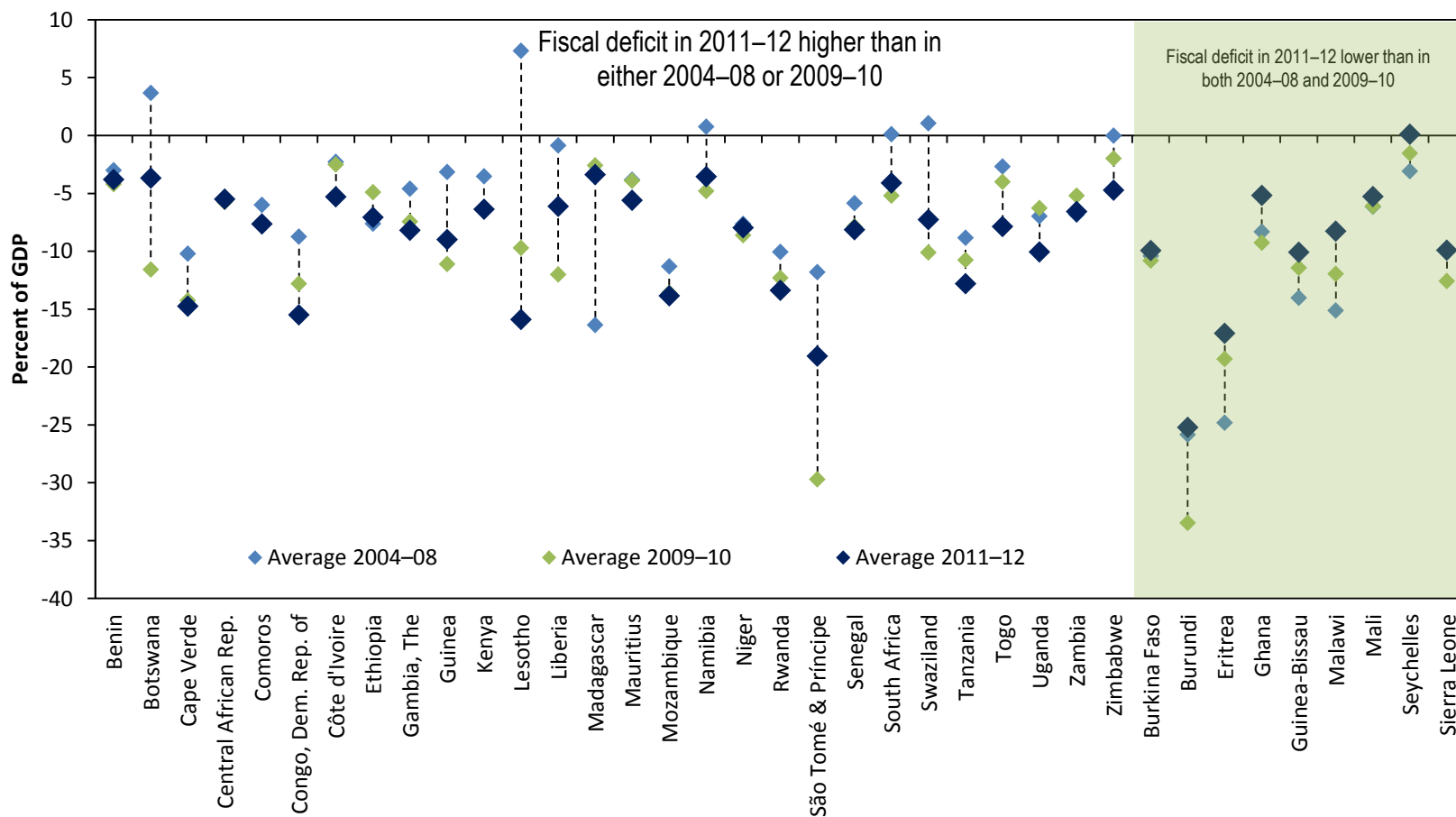
# Policy Challenges: What if the global economy slows?

Each country's response will depend on available policy buffers:

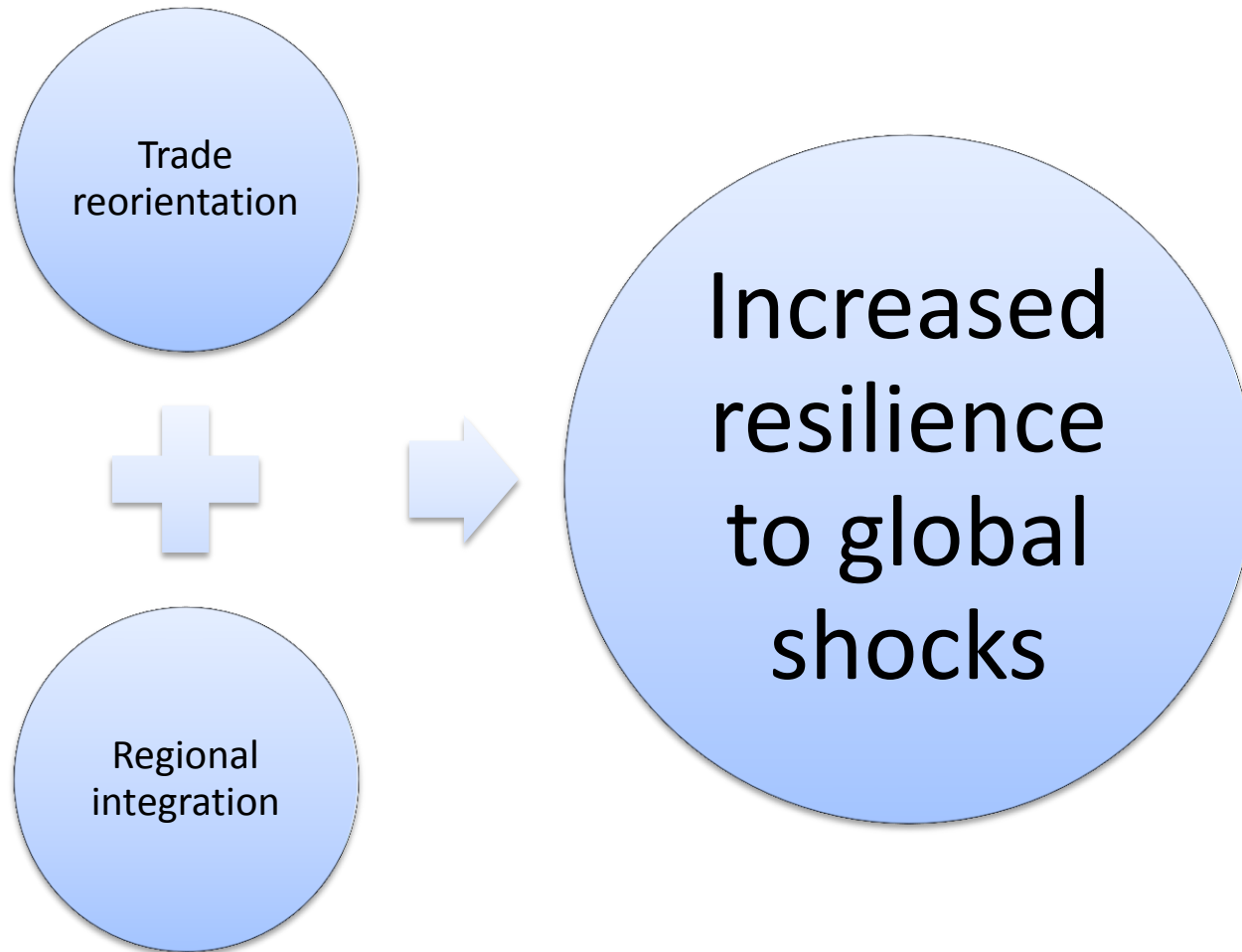
- Those without financing constraints should maintain planned spending levels even if revenues fall short of expectations.
- Monetary policy could also be eased where exchange rates are not under strong downwards pressure and inflation is trending towards targeted levels.
- To the extent the slowdown in growth induces a sharp drop in oil prices, inflation pressures would likely ease, providing more room for monetary easing.



# Many countries have weaker fiscal buffers then when they entered the global financial crisis.



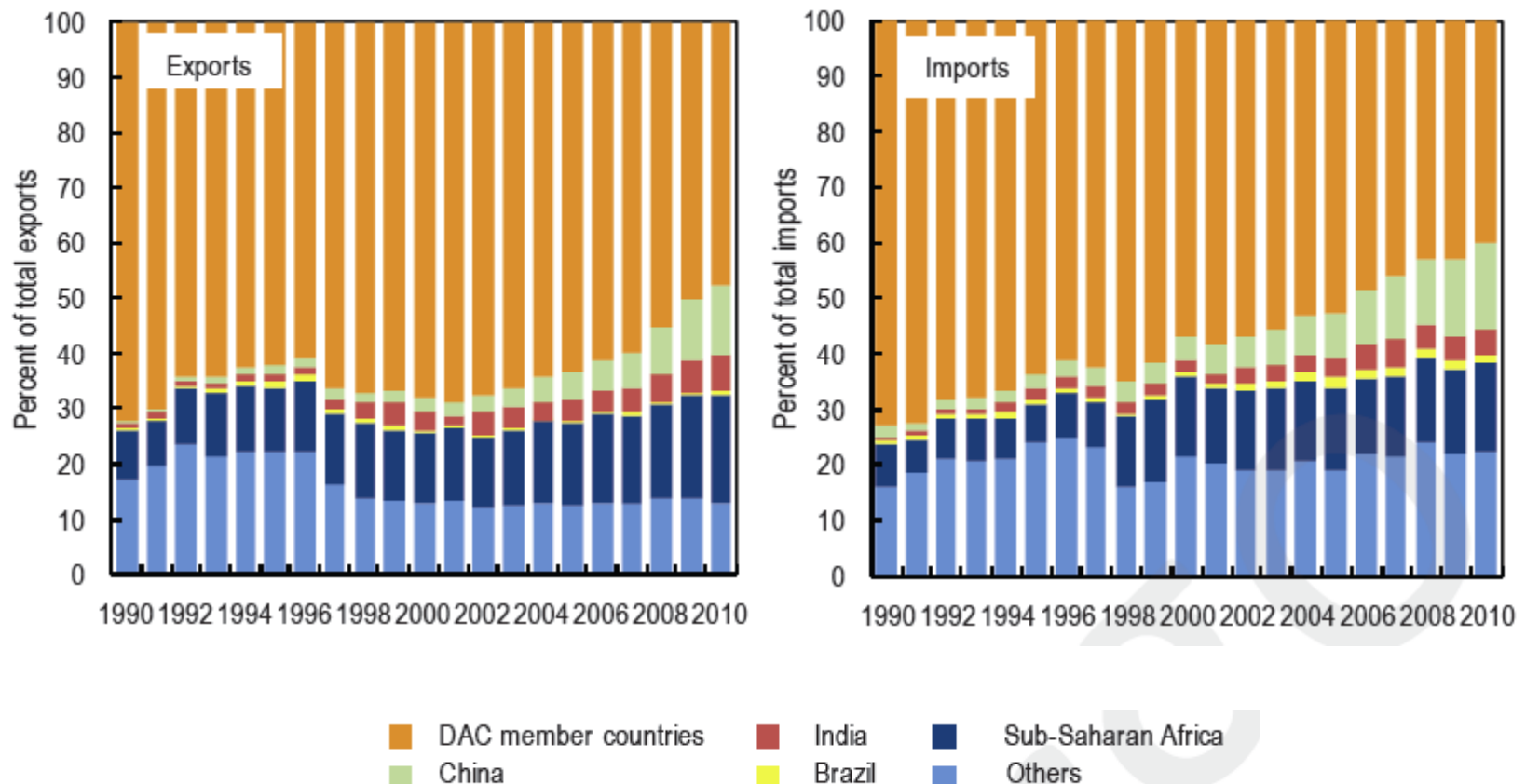
# Trade re-orientation and regional integration will boost resilience.



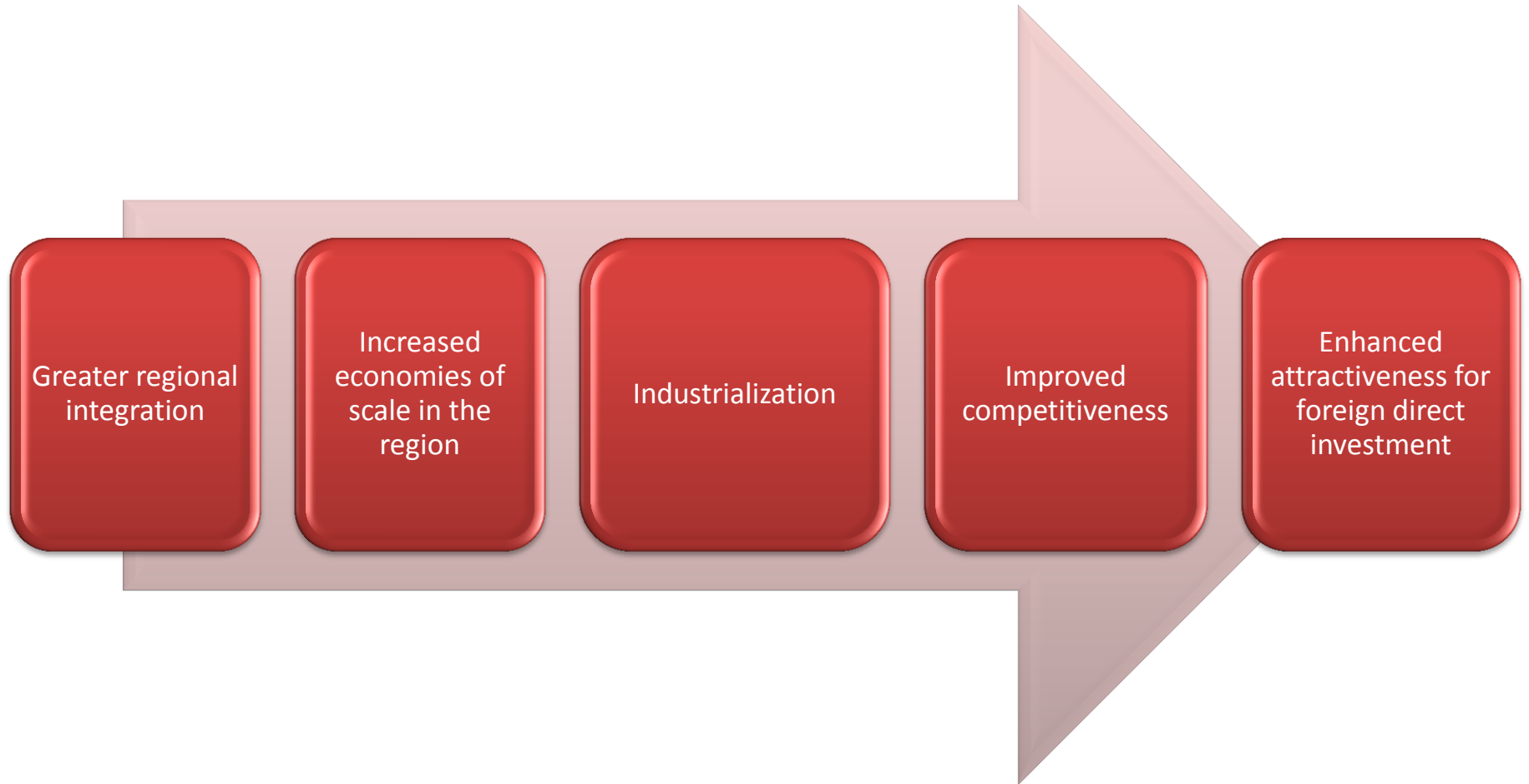
# Benefits of trade reorientation



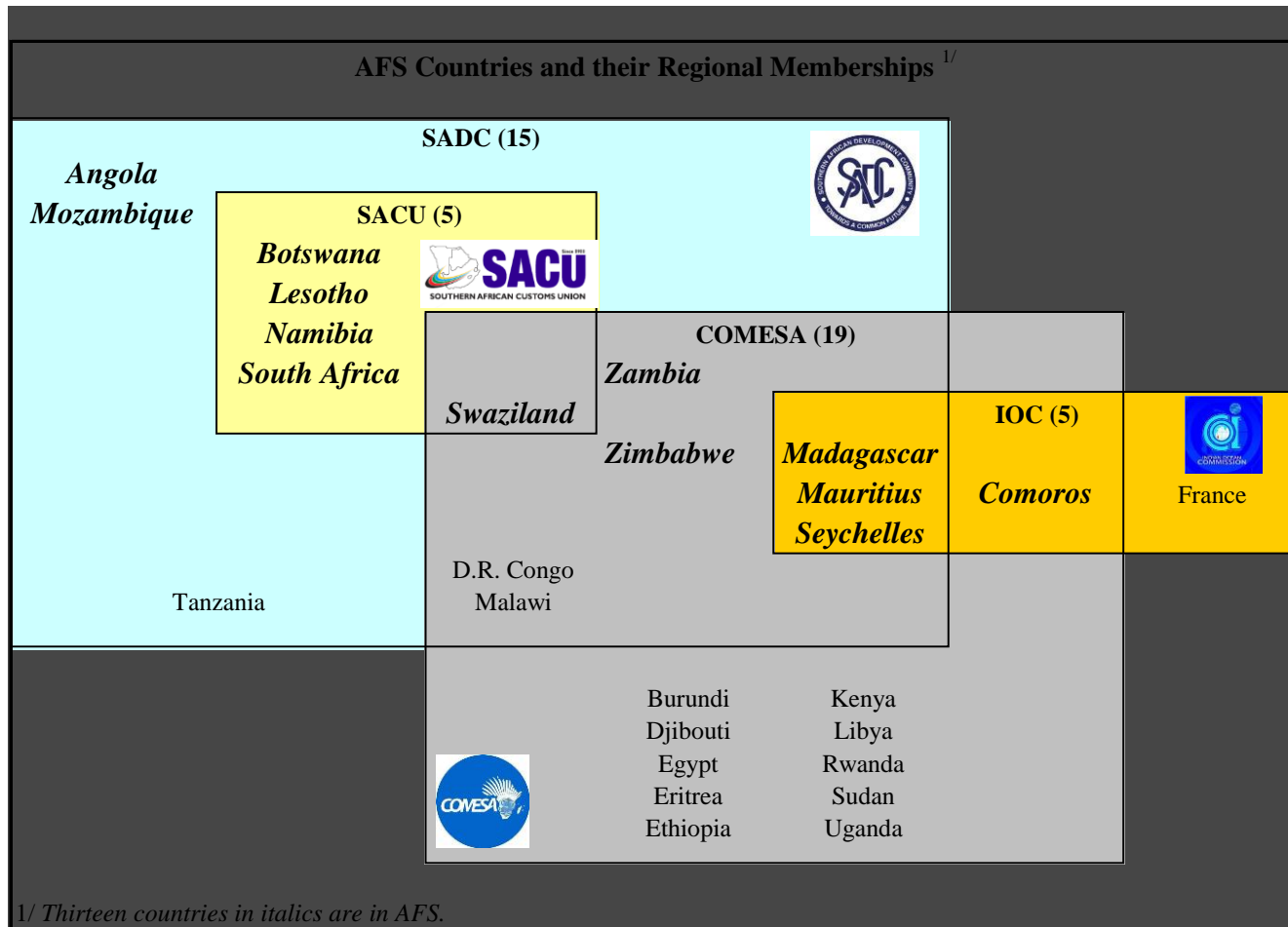
# Sub-Saharan African trade is re-orientating toward emerging markets.



# Regional Integration: Unlocking Untapped Resources



# Blocs in the Region



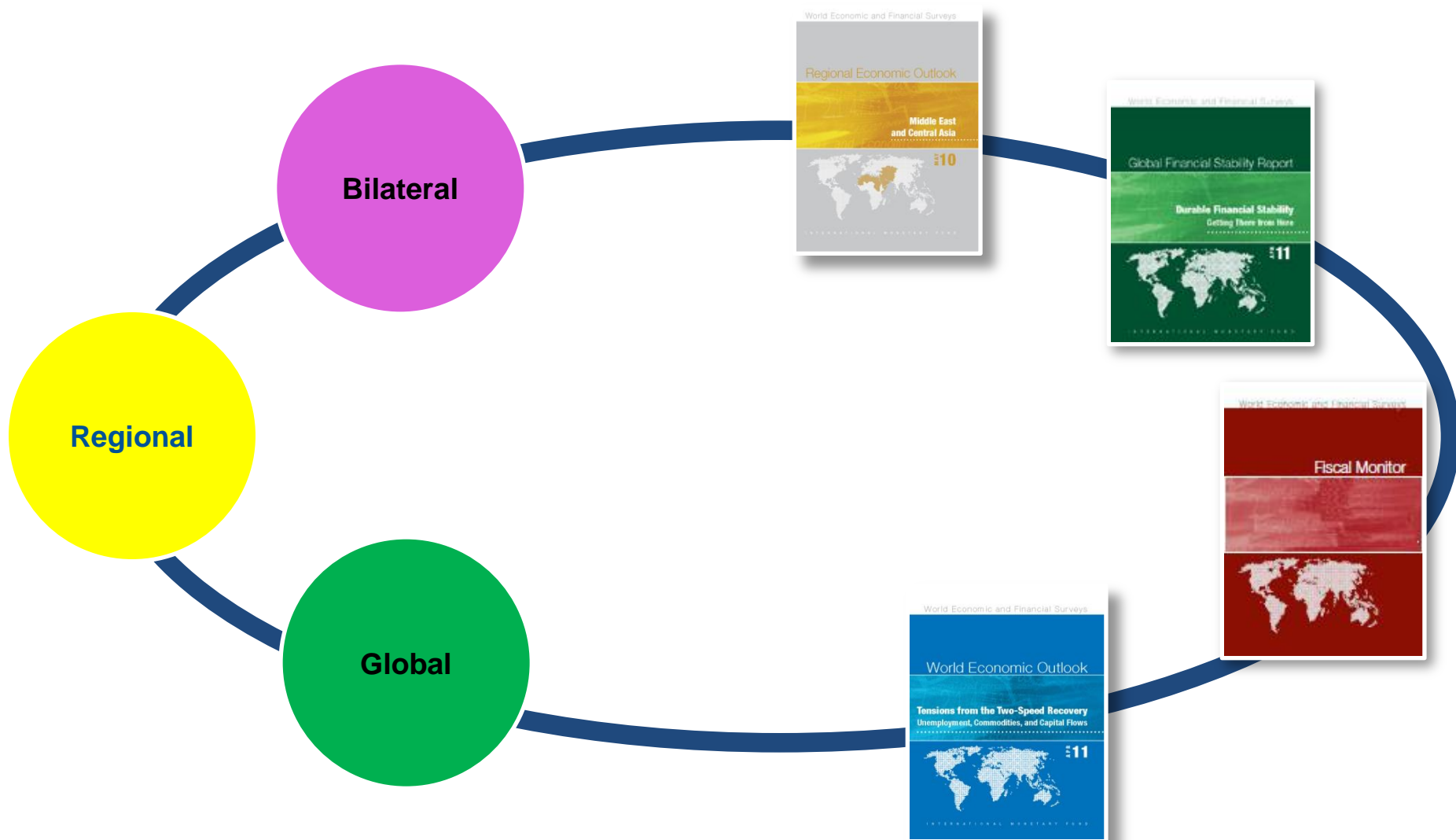
# EAC-COMESA-SADC

- Prospective Free Trade Zone could cover 26 countries with:
  - Population of 600 million
  - GDP of about \$1 trillion
- IMF support of regional integration and harmonization through:
  - Policy advice
  - Technical assistance, including from AFRITAC South

# The Evolving Role of the IMF

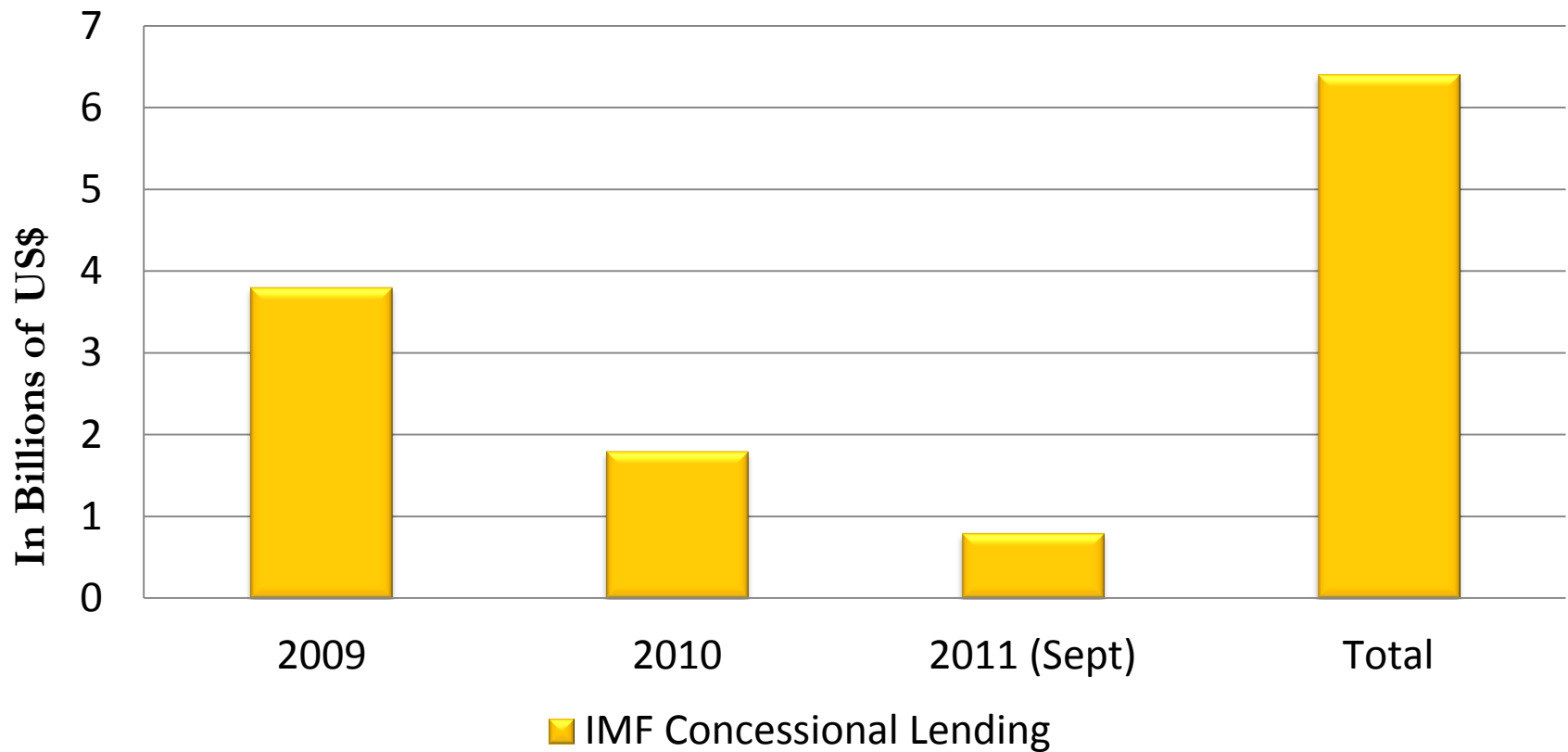


# Surveillance



# Concessional lending

## IMF Concessional Lending



# AFRITAC



# Thank You.

