



Global Crisis in Africa / IMF Outlook for Sub-Saharan Africa Highlights Impact of Global Financial Crisis

WASHINGTON, May 20, 2009/African Press Organization (APO)/ — The International Monetary Fund (IMF) today warned that the economies of sub-Saharan Africa are experiencing a severe downturn

and called for a strong public policy response to limit the impact on the region's poorest while preserving macro-economic gains. The IMF's latest Regional Economic (REO) projects growth in sub-Saharan Africa at 1½ percent in 2009, or well below trend, before recovering to just under 4 percent in 2010, which is still below pre-crisis levels.

Mr. Mark Plant, Deputy Director of the IMF's African Department commented on the report's main findings in Lagos today:

“These are difficult times for sub-Saharan Africa. Growth prospects have deteriorated markedly. Fiscal and external positions are now expected to weaken substantially through 2010. The credit crunch in advanced economies has led portfolio flows to reverse or slow, deterred foreign investment, and made trade finance more costly. Remittances flows may be weakening. Credit risk and nonperforming assets are likely to increase and weaken the balance sheets of financial institutions and corporations. Demand for African exports has fallen and prices for most commodities have declined. Oil and other commodity exporters will be particularly hard hit.

“Nigeria, one of the region's main oil producers, has been severely hit. The report projects a growth of 2.9 percent for Nigeria in 2009 and 2.6 percent in 2010, a major decline from last year's 5.3 percent rate of growth. A key factor is lower than anticipated oil production. Growth in the non-oil sector is projected to be somewhat higher at 4 percent in 2009. The decline in oil prices, drying up of global capital flows, and slowing credit to the private sector are some of the reasons for the decline in growth.

“Against this background, the priority for all sub-Saharan African countries must be to contain the adverse impact of the crisis on growth and poverty, while preserving the hard-won gains of recent years, including macroeconomic stability and debt sustainability. This is best accomplished in Nigeria and elsewhere by utilizing available fiscal space and enabling adequate exchange rate flexibility to cushion the adjustment and provide incentives for recovery of investment.

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“Africa will need additional financial resources in that it needs at least the doubling of the aid promised by the G-8 Heads of State at the Gleneagles Summit in 2005. Without additional donor support, poverty reduction and economic development in Africa could be set back by several years and political stability might even be endangered in some countries. The IMF is doing its part to support Africa. We are revising our lending instruments to make them more flexible and we have doubled the access to concessional resources for low income countries. We also continue to provide policy advice and extensive technical assistance to strengthen economic policymaking in these countries,” Mr. Plant underscored.

SOURCE: International Monetary Fund (IMF)

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