



International Monetary Fund

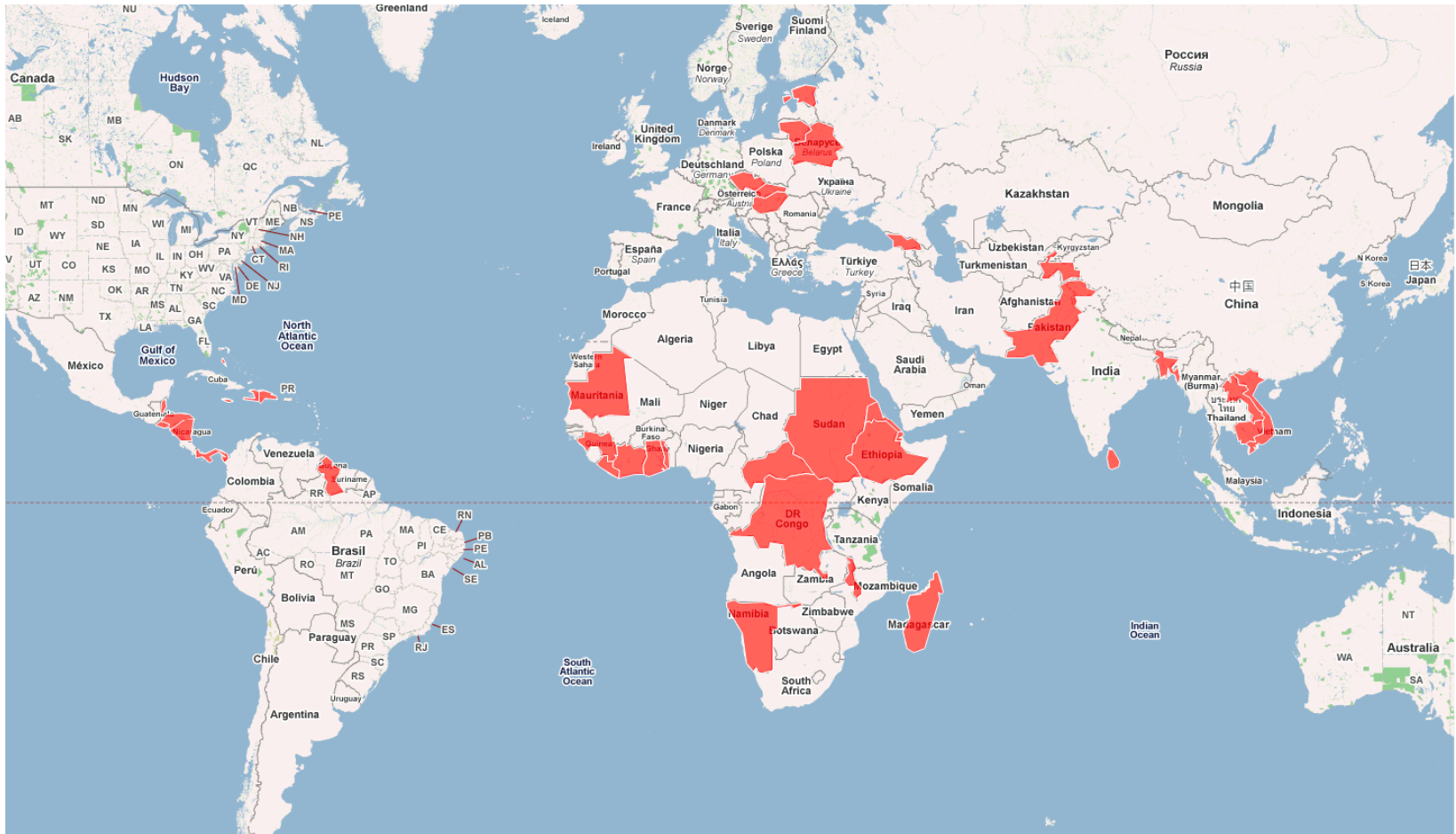
The Food and Fuel Price Crisis

Seminar on Recent Developments, Macroeconomic
Impact, and Policy Responses

September 24, Washington, DC

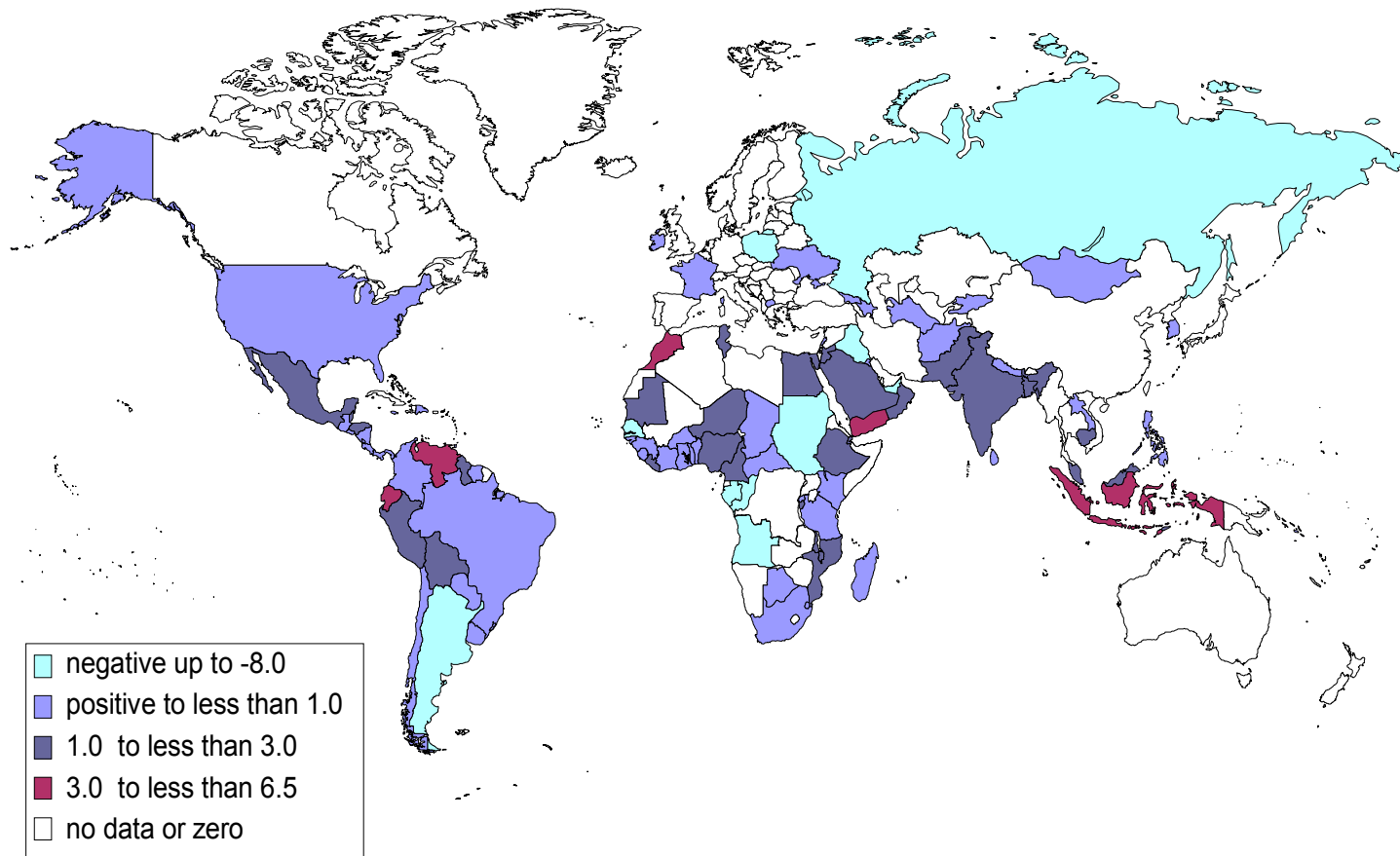
50 Countries Still Hurt By Food, Fuel Crisis

Fifty low- and middle-income countries have reserve cover of less than 3 months



Fiscal Costs Are Rising

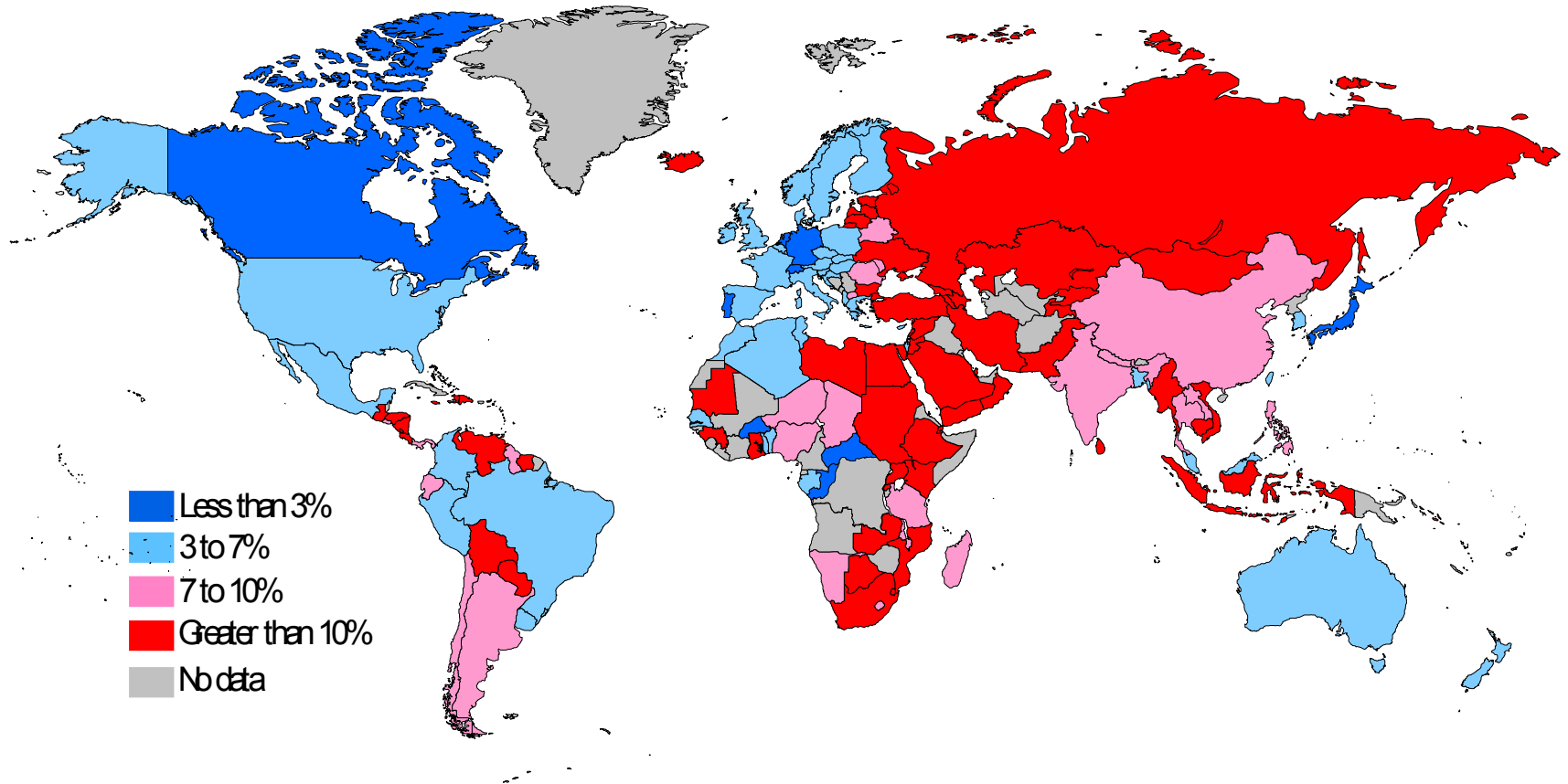
In 24 countries, fiscal costs are expected to exceed 2 percent of GDP



Inflation Is of Increasing Concern

(Pink = 7% to 10%; Red = More than 10%)

Overall CPI Inflation



IMF Is Helping Countries Manage Impact

Stepped Up Lending to 15 Countries

New PRGF Arrangement

Burundi

Djibouti

Mali

Niger

Additional Financing Under Existing PRGF

Benin

Burkina Faso

Central African Republic

Grenada

Guinea

Haiti

Kyrgyz Republic

Madagascar

Malawi

Nicaragua

Togo

Food and Fuel Prices—Recent Developments, Macroeconomic Impact, and Policy Response An Update

Hugh Bredenkamp

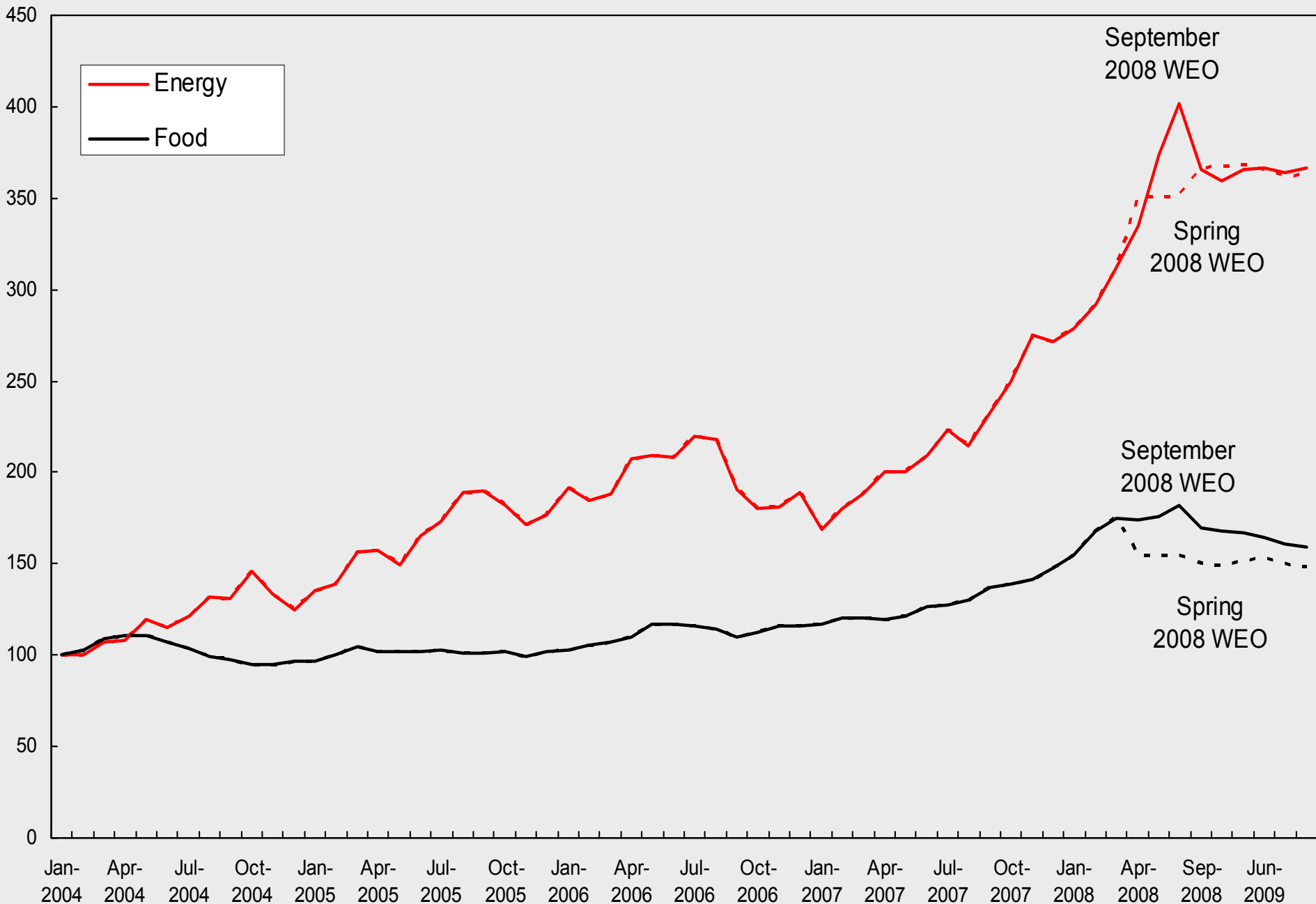
Strategy, Policy, and Review Department

International Monetary Fund

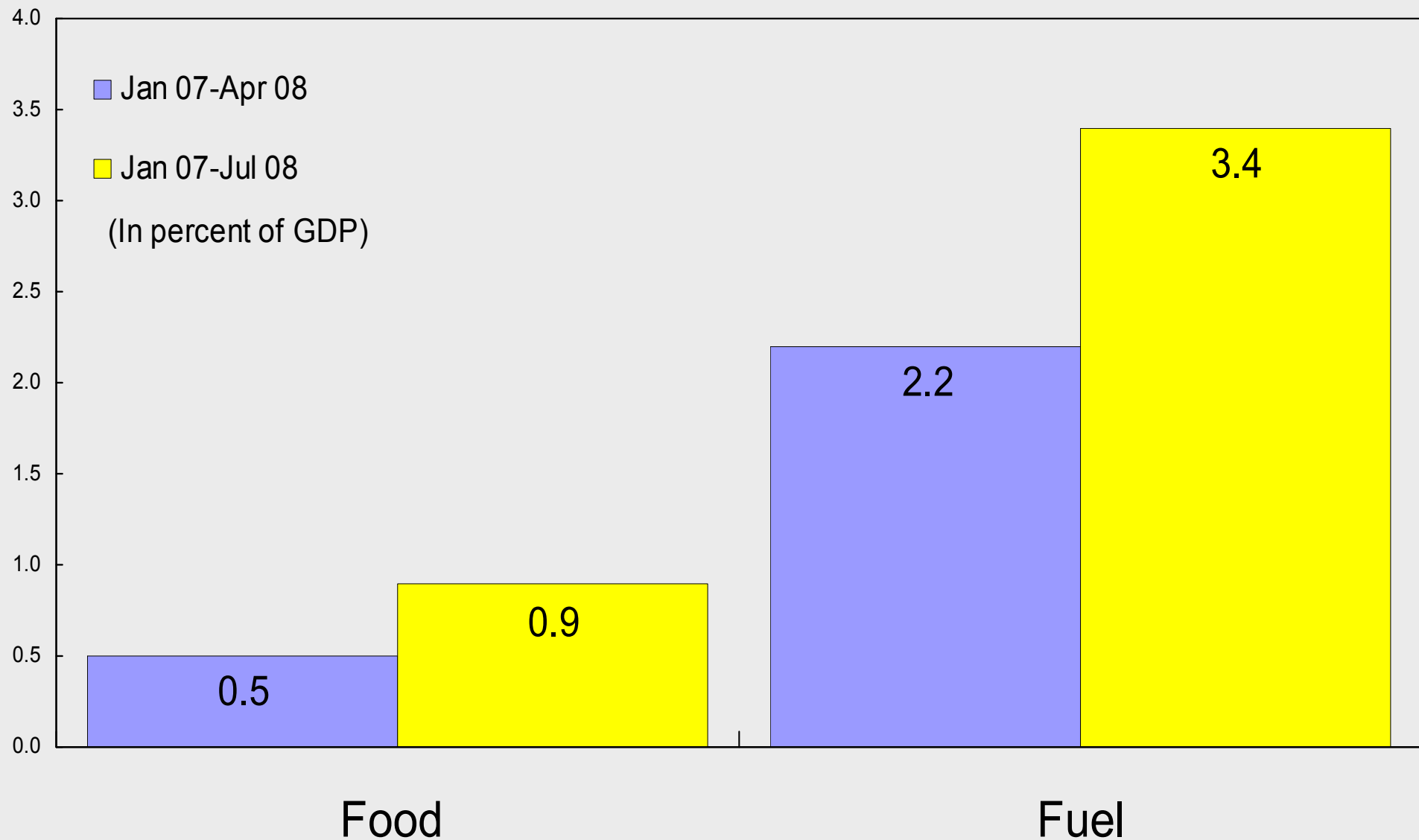
Washington D.C.

September 24, 2008

Despite the recent easing, food and fuel prices remain high...



The impact of prices on the BOP of net food- and oil-importing LICs has continued to mount...



A large number of countries is expected to remain vulnerable at end-2008....

	<u>Spring 2008 WEO</u>	<u>Sept. 2008 WEO</u>
Number of countries impacted 1/ of which PRGF-eligible countries	47 29	50 33
Large reserve declines (versus end-2007) 2/ of which PRGF-eligible countries	15 9	15 10

1/ Reserve cover below 3 months of imports.

2/ Drop in reserves larger than 1/2 month of imports.

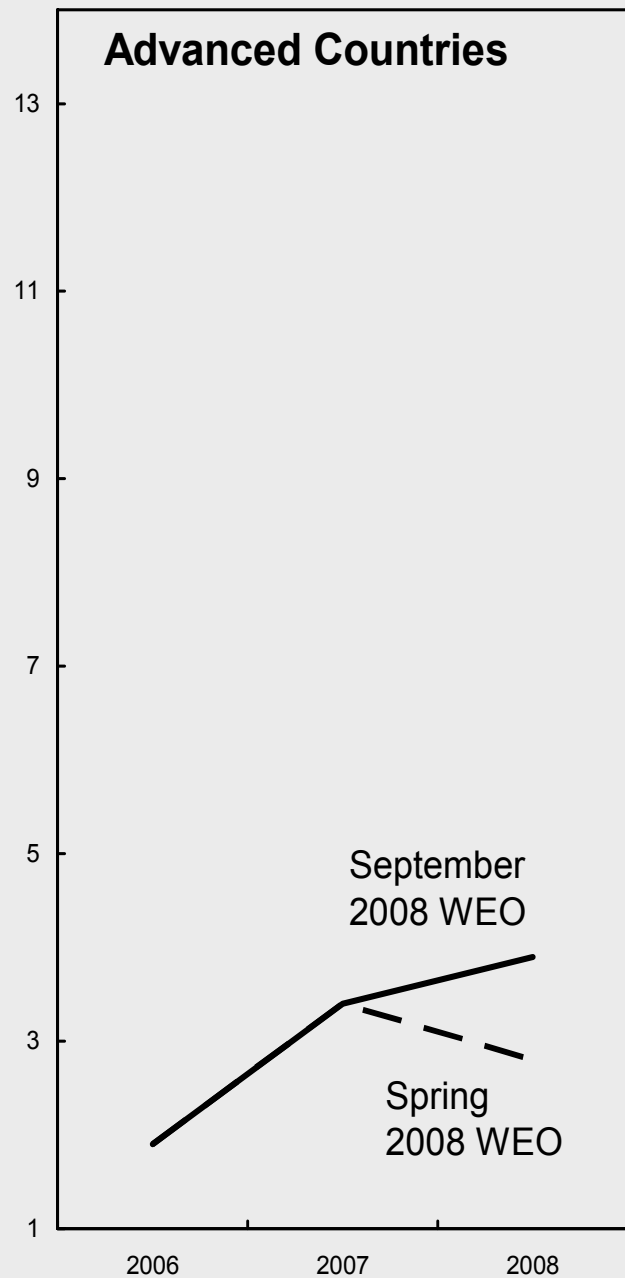
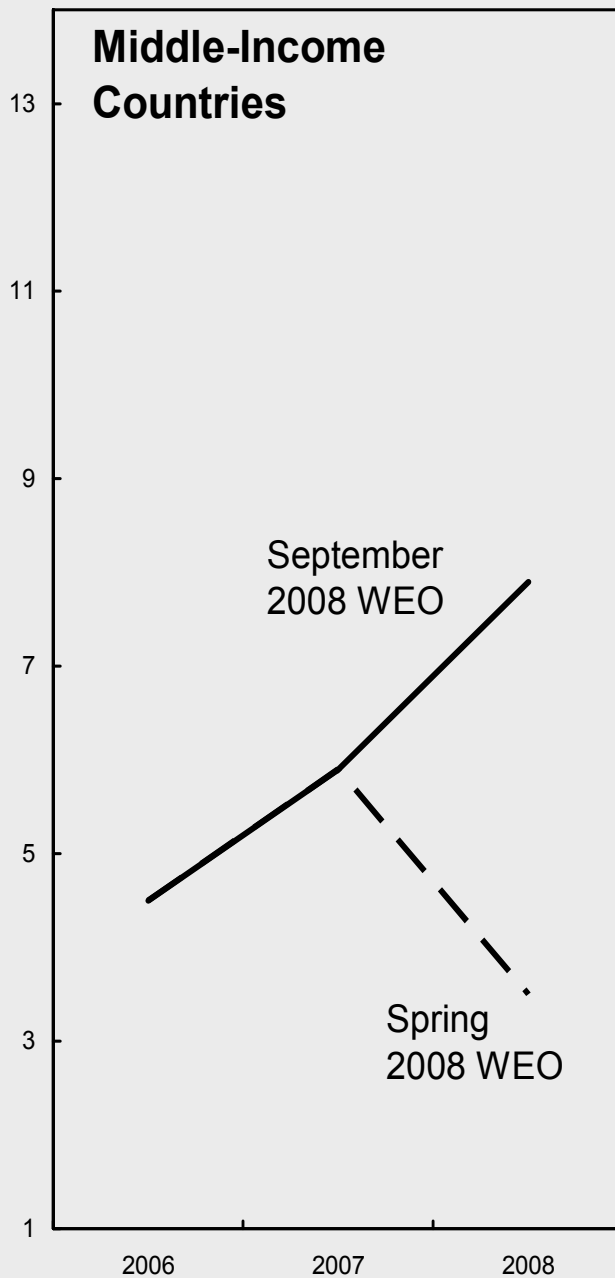
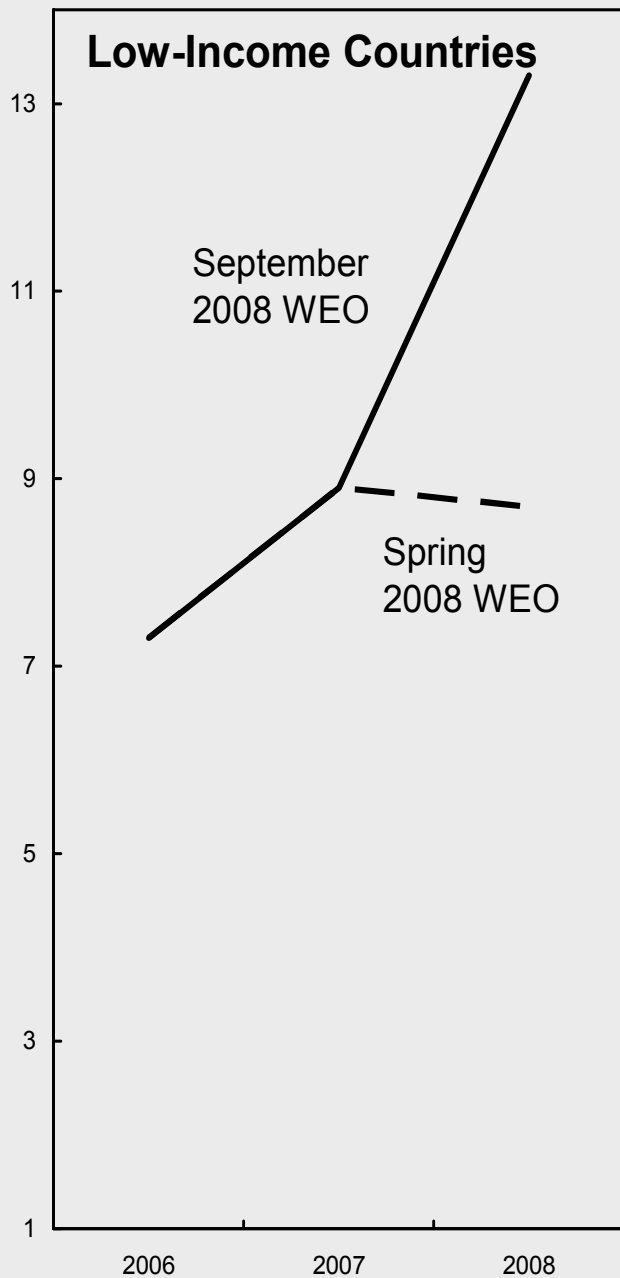
....and continue to be vulnerable through 2009.

	2008	Sept. 2008 WEO	2009	
			Oil price Low	Oil price High
Number of countries impacted 1/	50	51	47	58
Large reserve declines (versus end-2007) 2/	15	23	20	35

1/ Reserve cover below 3 months of imports.

2/ Drop in reserves larger than 1/2 month of imports.

Inflation has accelerated, contrary to expectations...



The fiscal costs are also on the rise...

- ◆ The use of subsidies and tax cuts to soften the oil price “blow” is spreading.
- ◆ Fuel subsidies account for almost 2/3 of the increase in fiscal costs since 2006.
- ◆ Total cost of food and fuel subsidies is expected to exceed 2 percent of GDP in 24 countries.
- ◆ Safety net measures remain poorly targeted.

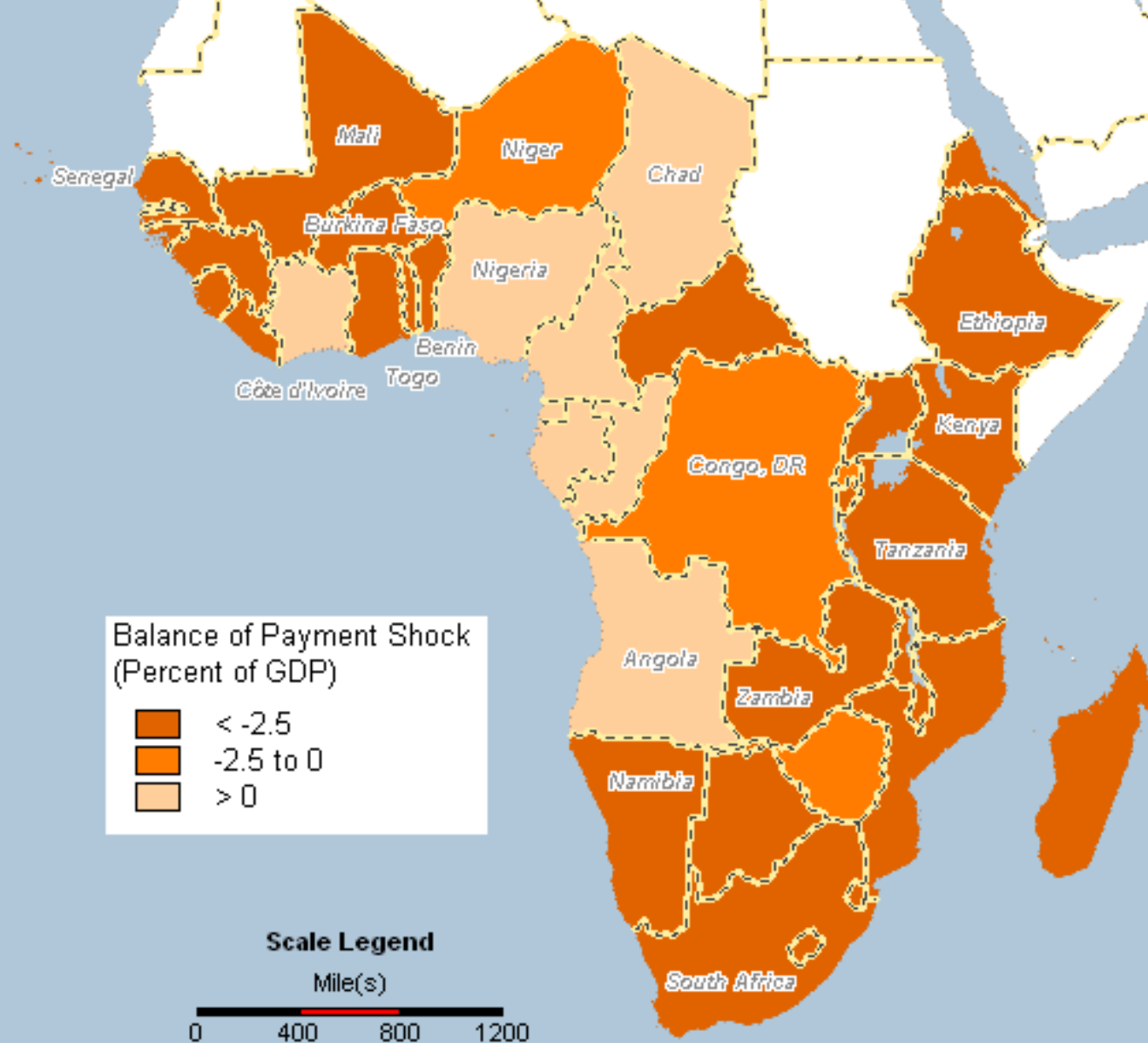
Fund financial support is ongoing...

Additional Financing Under PRGF Arrangements

(in millions of US dollars)

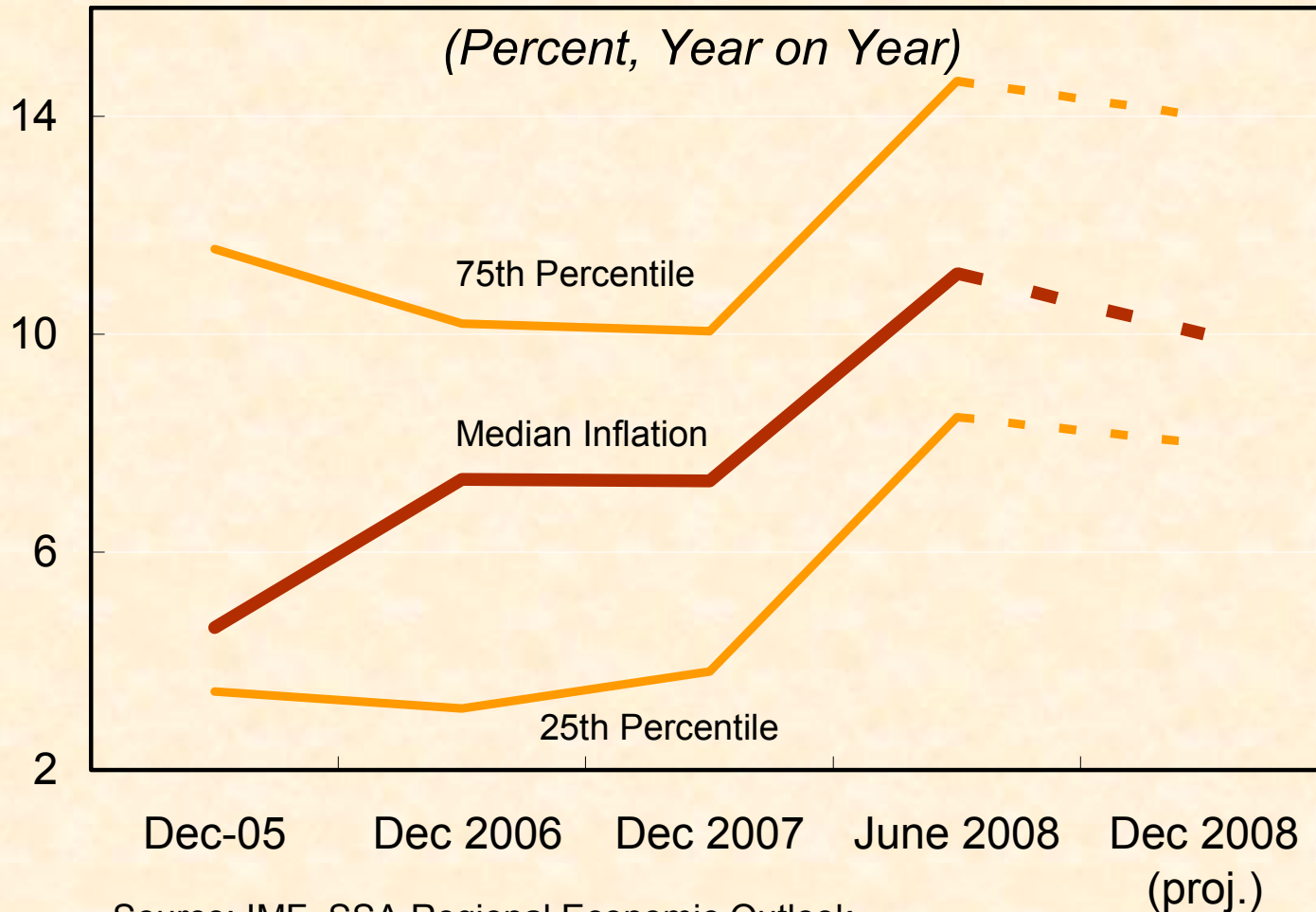
Under new PRGF arrangements (4)	2008
Burundi	17.9
Djibouti	3.7
Mali	28.9
Niger	14.5
Under existing PRGF arrangements (11)	
Benin	14.4
Burkina Faso	14.0
Central African Republic	12.9
Grenada	2.3
Guinea	33.2
Haiti	25.4
Kyrgyz Republic	13.8
Madagascar	28.4
Malawi	16.1
Nicaragua	10.1
Togo	28.4
Total	263.8

Sub-Saharan Africa: Food and Oil Price Shocks



Inflationary Pressures Have Built-Up

Sub-Saharan Africa: Inflation Distribution



Increase in Access for AFR PRGF-Eligible Countries
As of 9/23/08

Countries	of	In % of quota	Board Date
Benin	9.29	15	6/16/08
Burkina Faso	9.03 1/	15	1/9/08
Burundi	11.55 2/	15	7/9/08
Central African Republic	8.36	15	6/18/08
Guinea	21.42	20	7/28/08
Madagascar	18.33	15	7/2/08
Malawi	10.41	15	7/14/08
Mali	18.66 3/	20	5/28/08
Niger	6.58 4/	10	5/28/08
Togo	18.35	25	9/22/08

1/ Burkina Faso's augmentation was approved by the Board last January.

2/ Burundi's new arrangement had access of 60 percent of quota (normal access would be 45

3/ Mali's new arrangement had access of 30 percent of quota (normal access would be 10 percent).

4/ Niger's new arrangement had access of 35 percent of quota (normal access would be 25 percent).