



International Monetary Fund

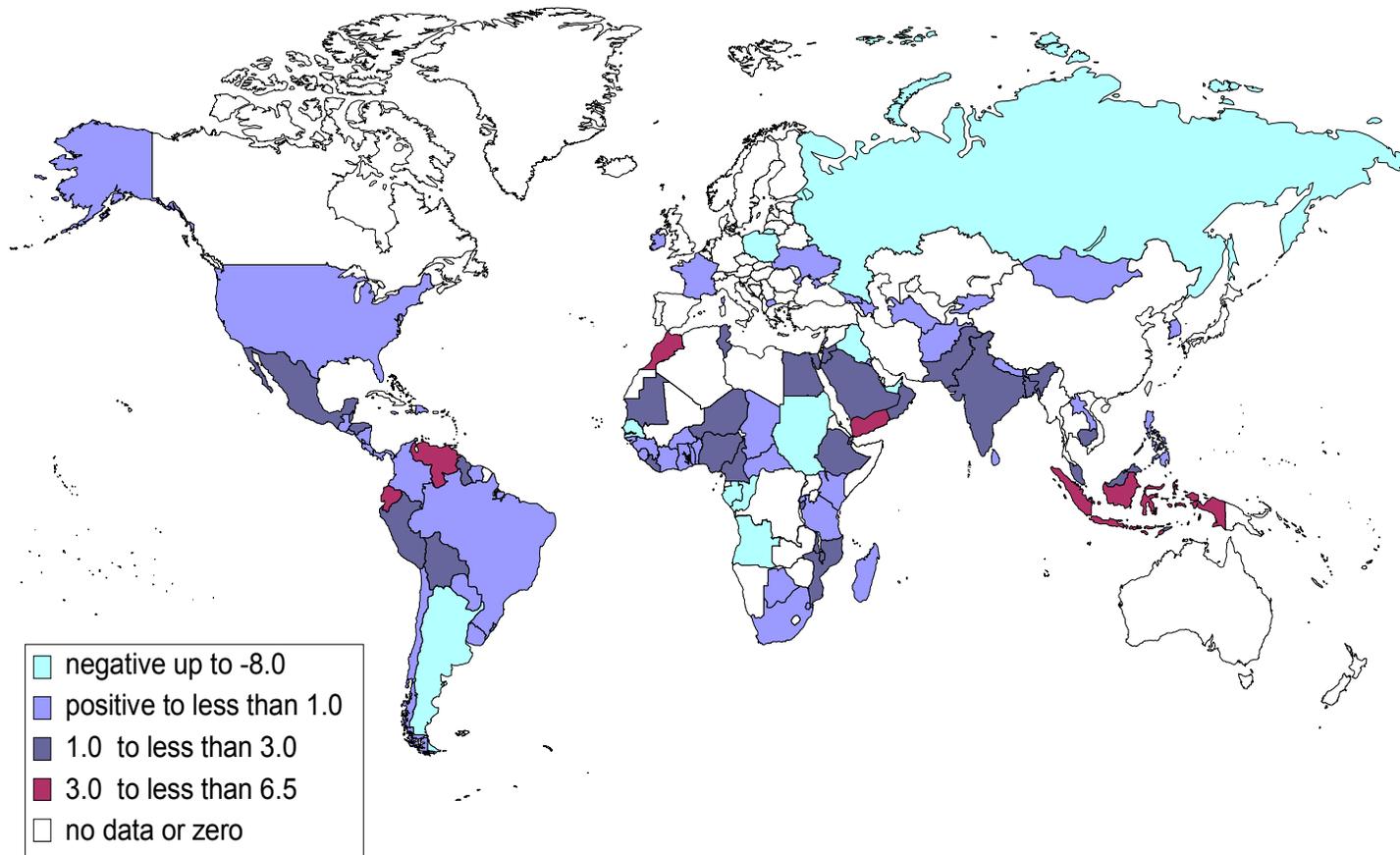
The Food and Fuel Price Crisis

Seminar on Recent Developments, Macroeconomic
Impact, and Policy Responses

September 24, 2008 Washington, DC

Fiscal Costs Are Rising

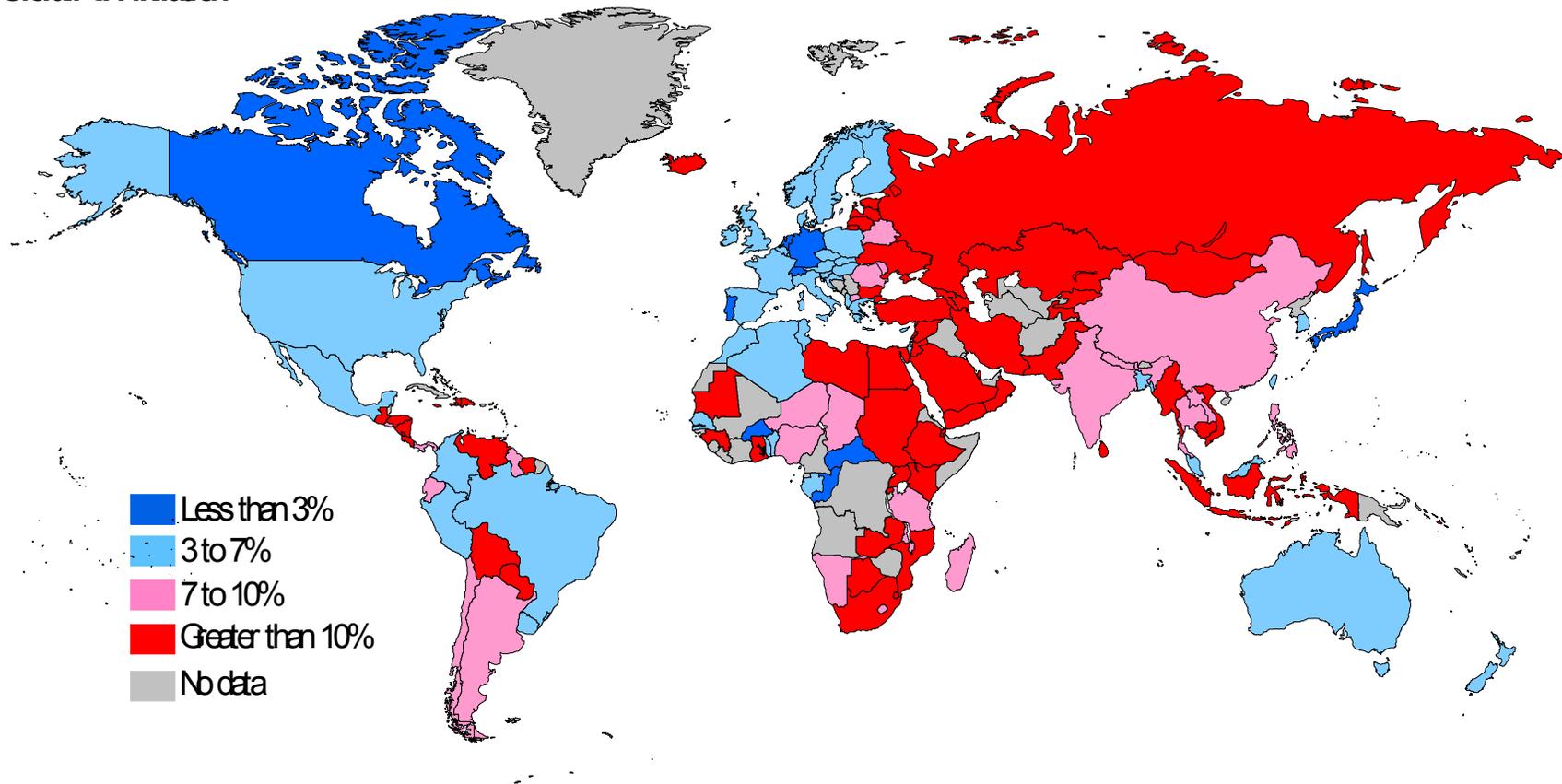
In 24 countries, fiscal costs are expected to exceed 2 percent of GDP



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

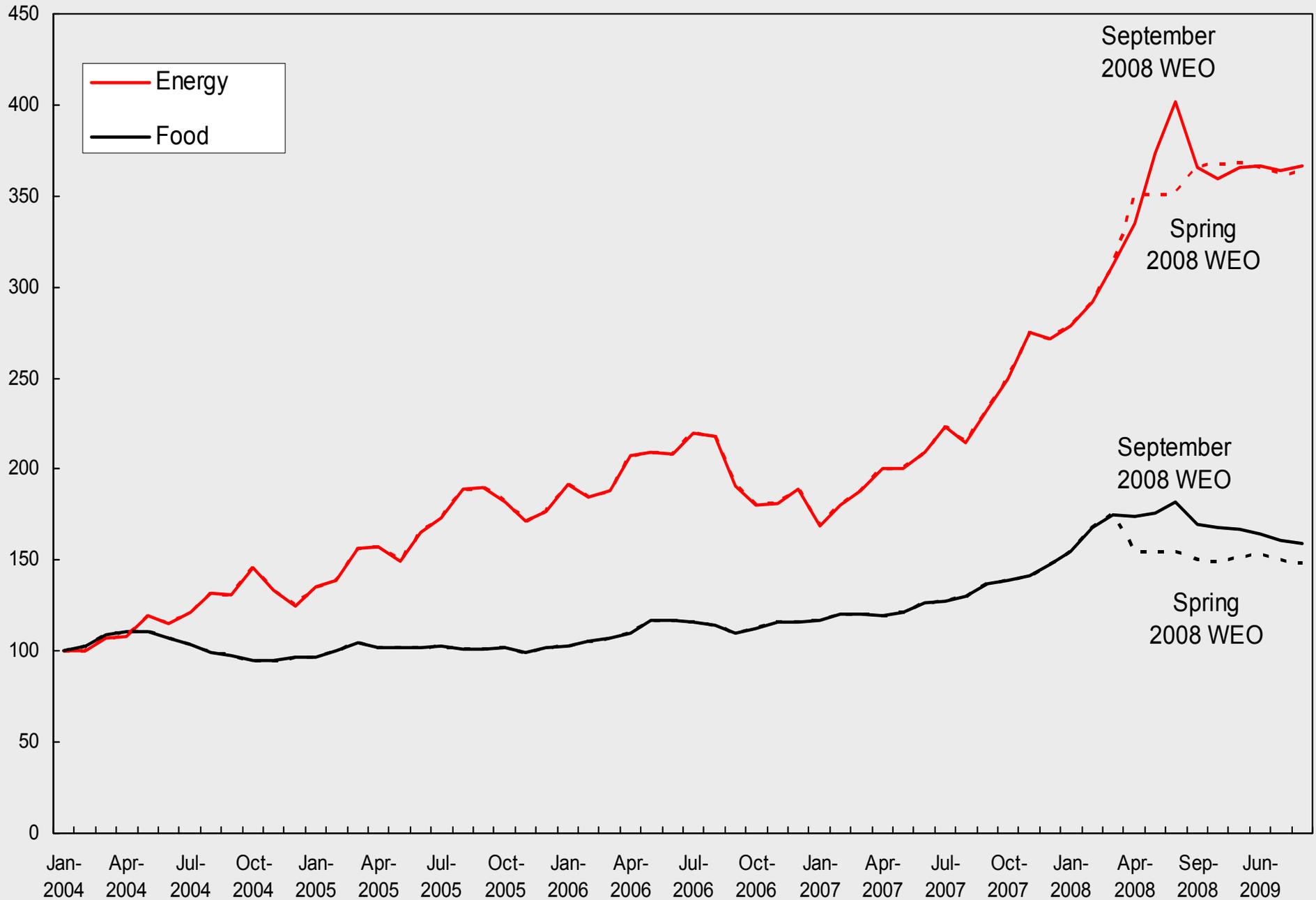
Strategy, Policy, and Review Department

International Monetary Fund

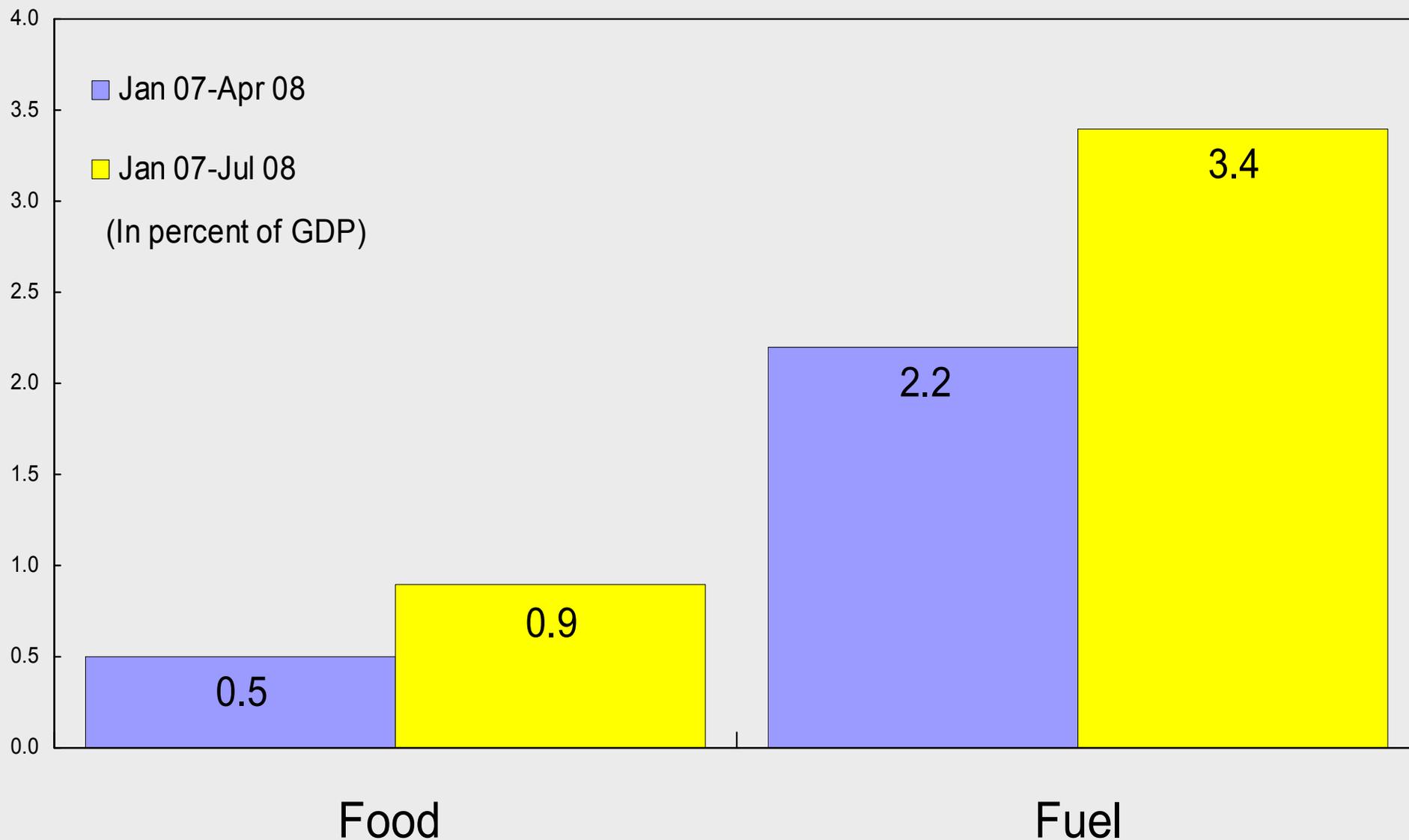
Washington D.C.

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.

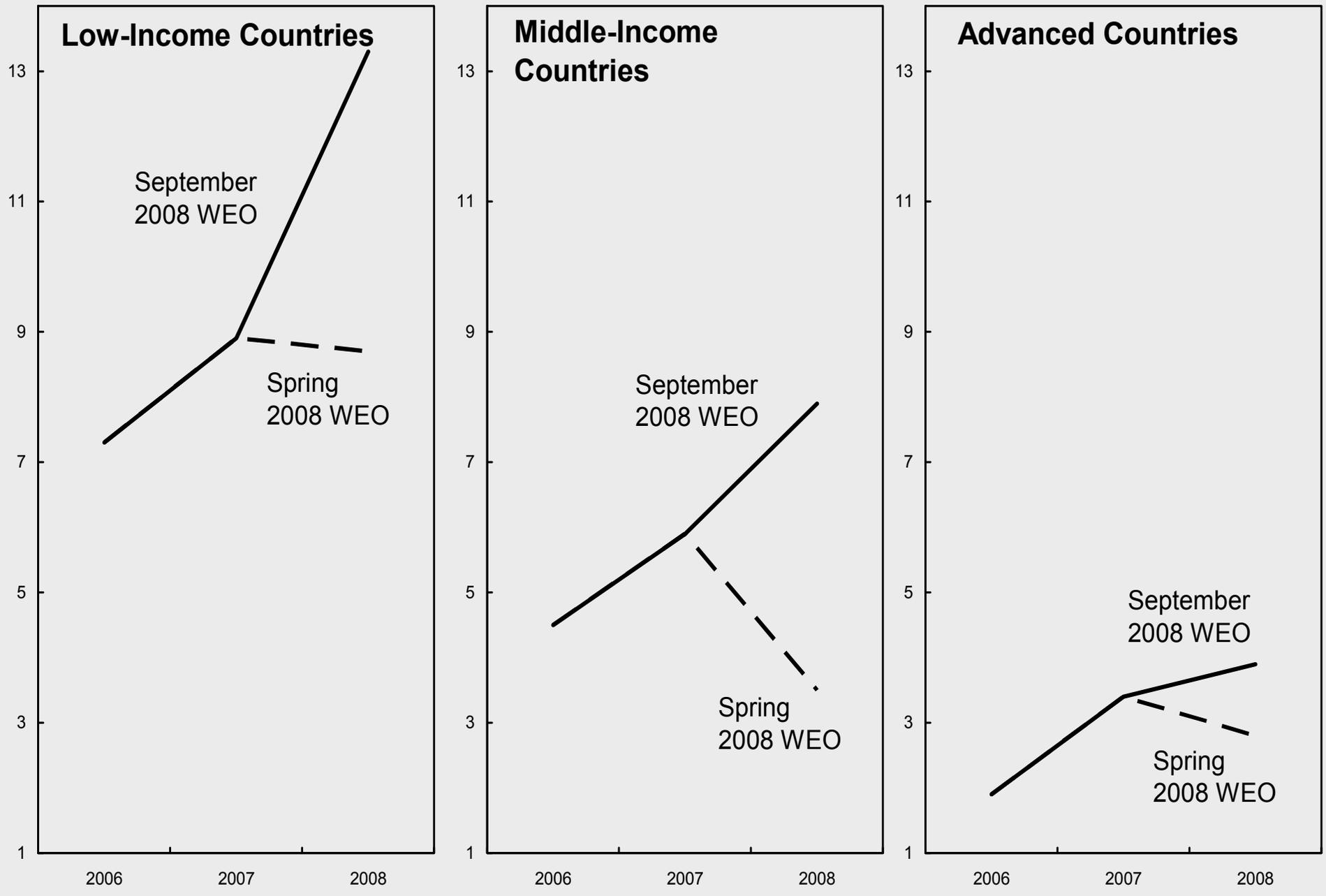
....and continue to be vulnerable through 2009.

	2008	Sept. 2008 WEO	2009 Oil price	
			Low	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)

	2008
Under new PRGF arrangements (4)	
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