Sub-saharan Africa and the Global Financial Crisis: the big shock and after

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UNU-WIDER Responding to Crises
Sept 2016
Did SSA avoid the immediate effects of GF Crisis?
No
Did SSA recover from the GF Crisis?
Yes (directly) and no (indirectly)
Delinked?

The de-linked ‘hypothesis’

Potential channels of transmission:

- Banking systems in global markets?
- Private capital flows?
- ODA?
- Trade?
|---------------|---------|-------|-------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|

International Monetary Fund, World Economic Outlook Database, April 2015
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Stylised facts

• Key role of trade
• Shock followed by bounce
• Followed by ‘new normal’?
• New global imbalances and volatility
• Accumulated leverage creates new fragility
Crisis weakens the ability to respond

Hysteresis

Weakened institutions:

• Fiscal space
• Trust and inequality
• Civil society fragmentation
• Education and transition to work (lost generation?)

Migration
Crisis weakens the ability to respond

Creative destruction?
The idea that crises are cathartic: destruction of existing production systems (capital) leads to new growth potential. (Marx, Schumpeter)
Could it happen in SSA?
No:
State led policy for economic diversification?
Financial development finances new enterprise?
Unjustified pessimism?

Pessimism of the intellect, optimism of ...