

Implications of Unwinding Unconventional Monetary Policies for Monetary Policy in Africa

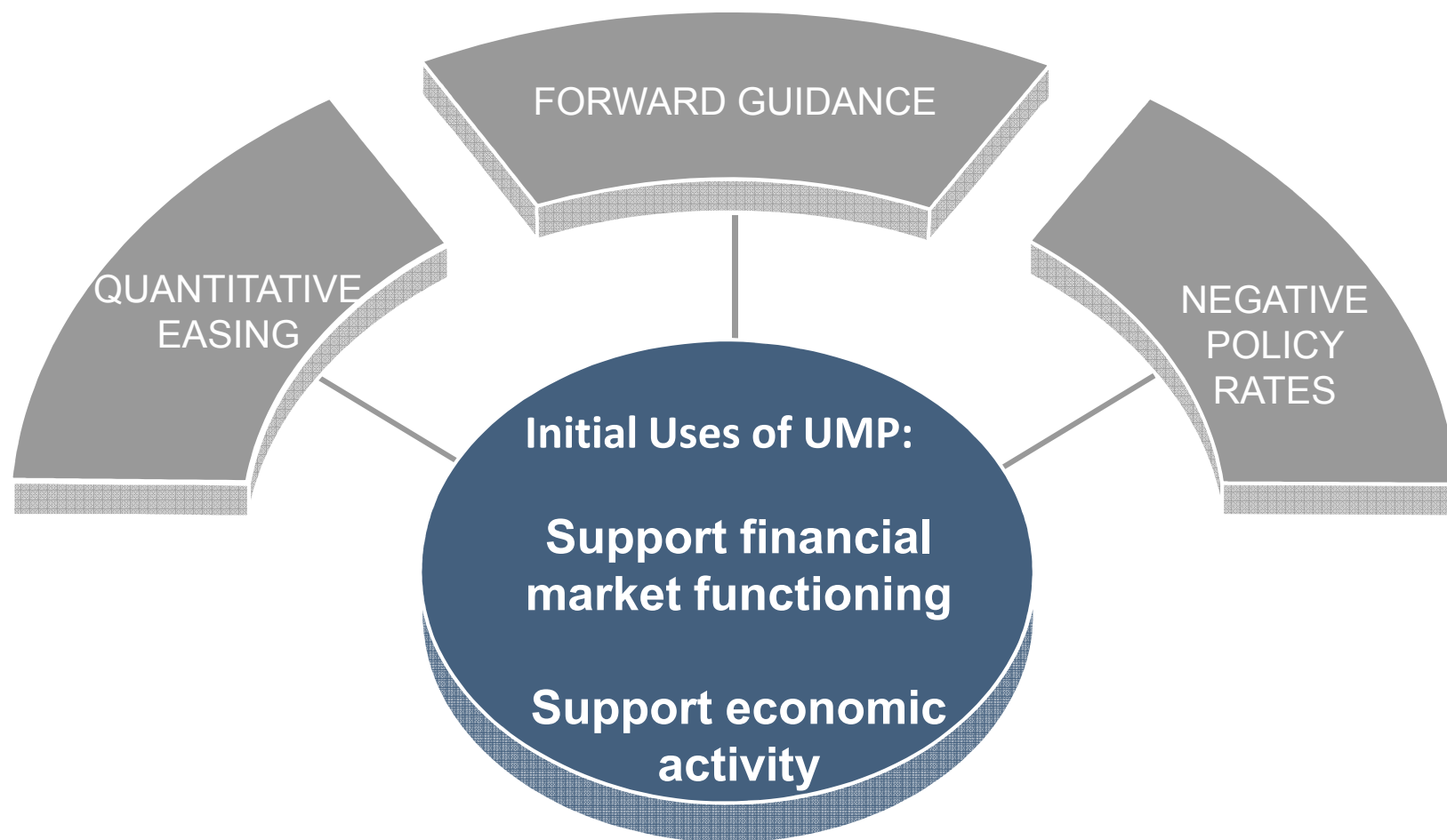
ASSOCIATION OF AFRICAN CENTRAL BANKS SYMPOSIUM

CENTRAL BANK OF NIGERIA, ABUJA, AUGUST 18, 2016

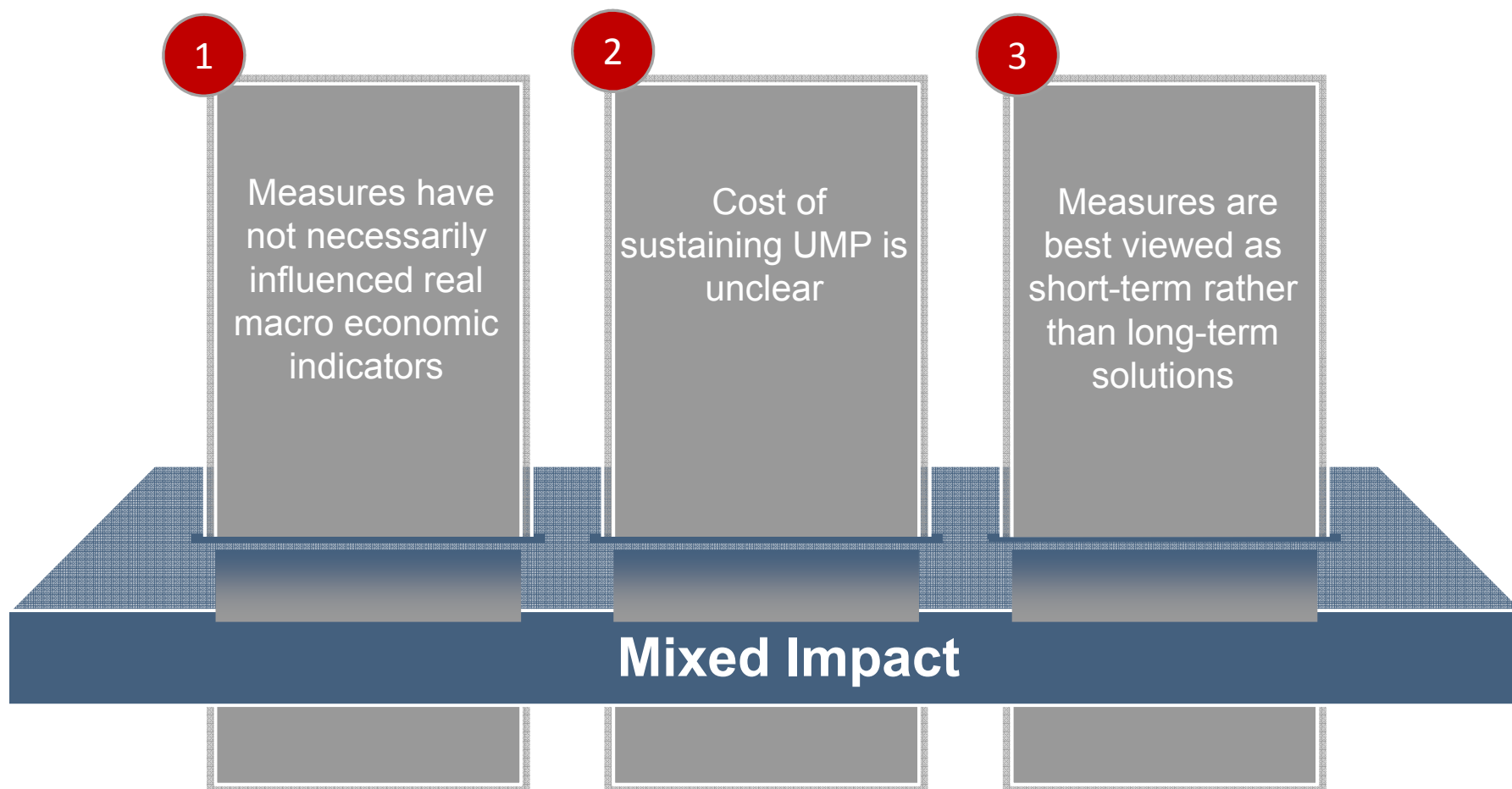
GENE LEON, INTERNATIONAL MONETARY FUND



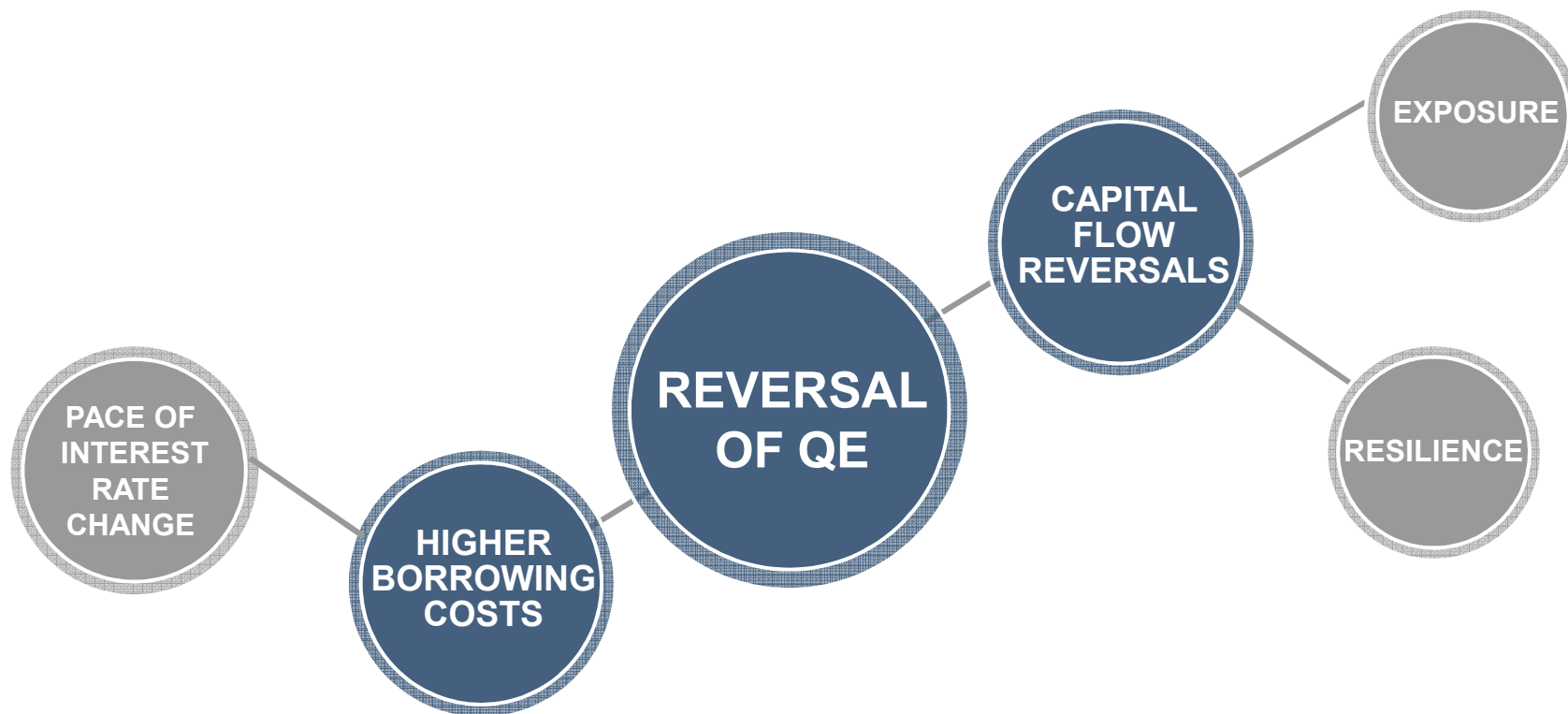
The environment for UMP



Impact of UMP



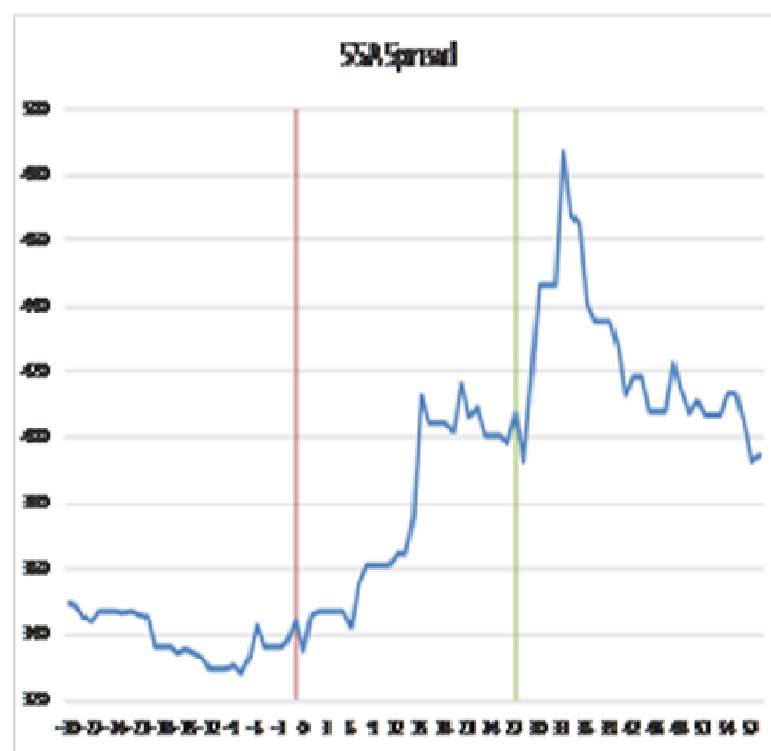
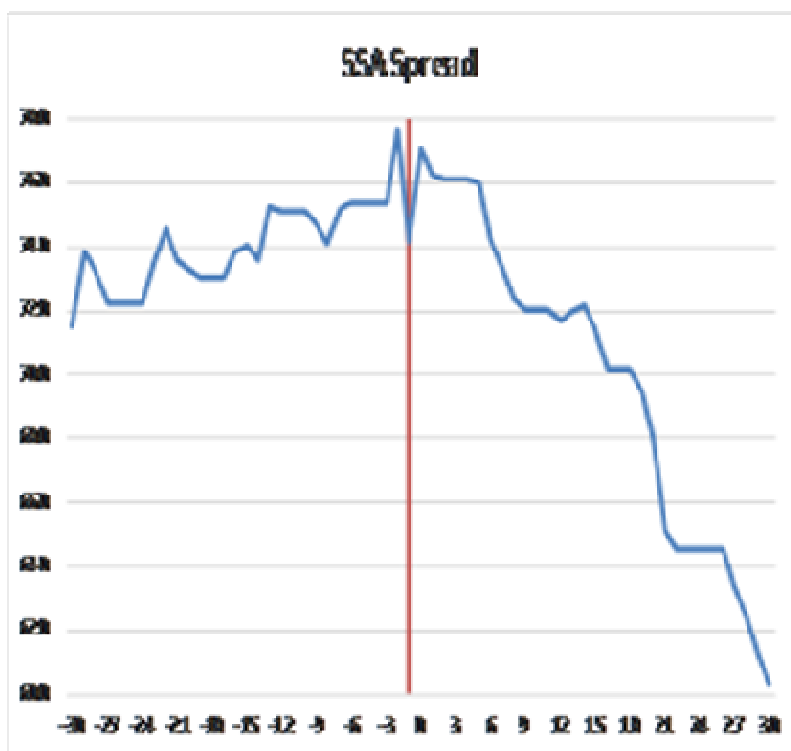
Implications of Unwinding UMP



QE announcement effects on spreads in Sub-Saharan Africa (SSA)

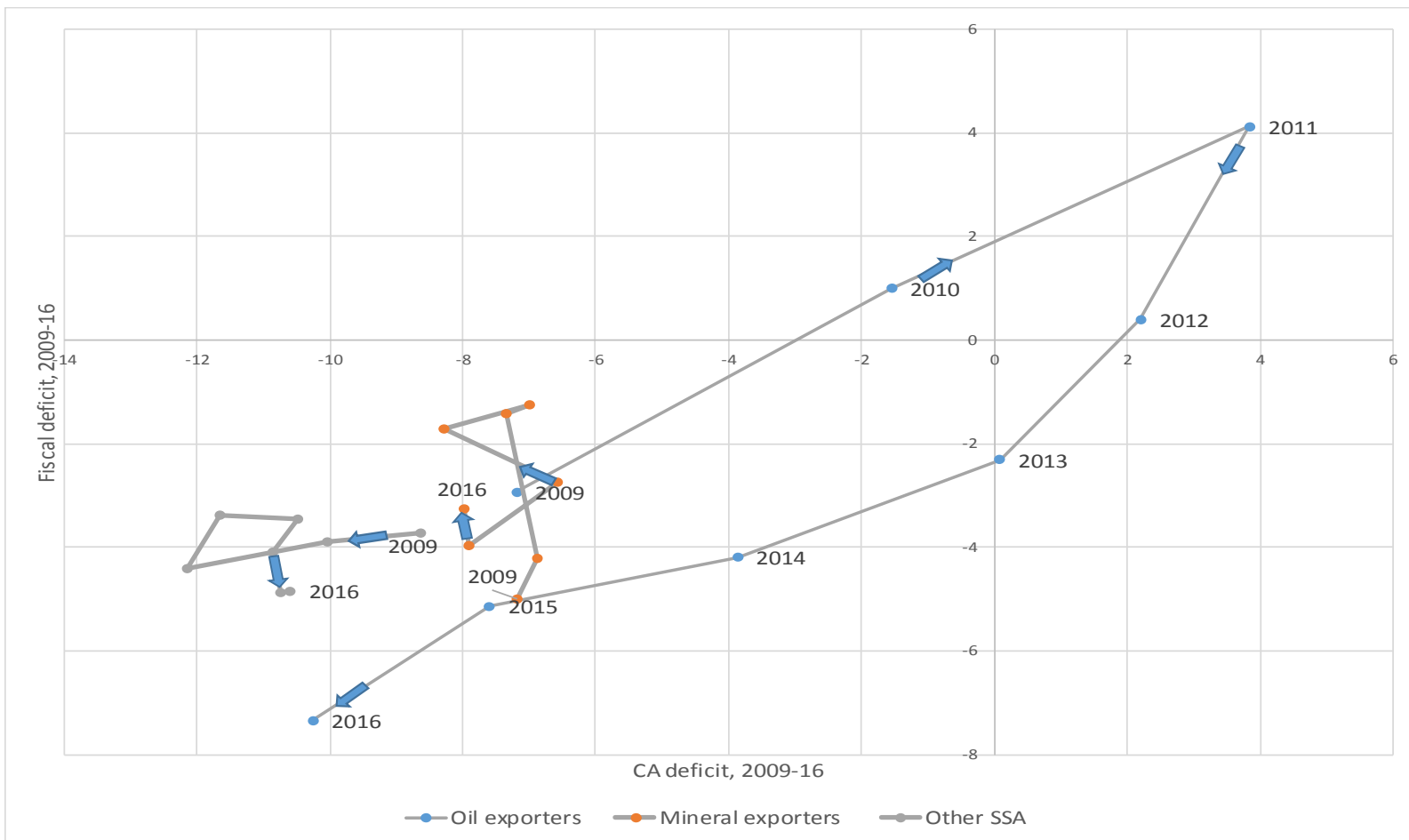
ANNOUNCEMENT THAT FOMC ANTICIPATES EXCEPTIONALLY LOW LEVELS OF FEDERAL FUNDS RATE FOR EXTENDED PERIOD + INCREASED GOV'T BOND PURCHASE, 3/18/2009.

TAPERING ANNOUNCEMENTS BY FED, 5/22/2013 AND 6/19/2013.

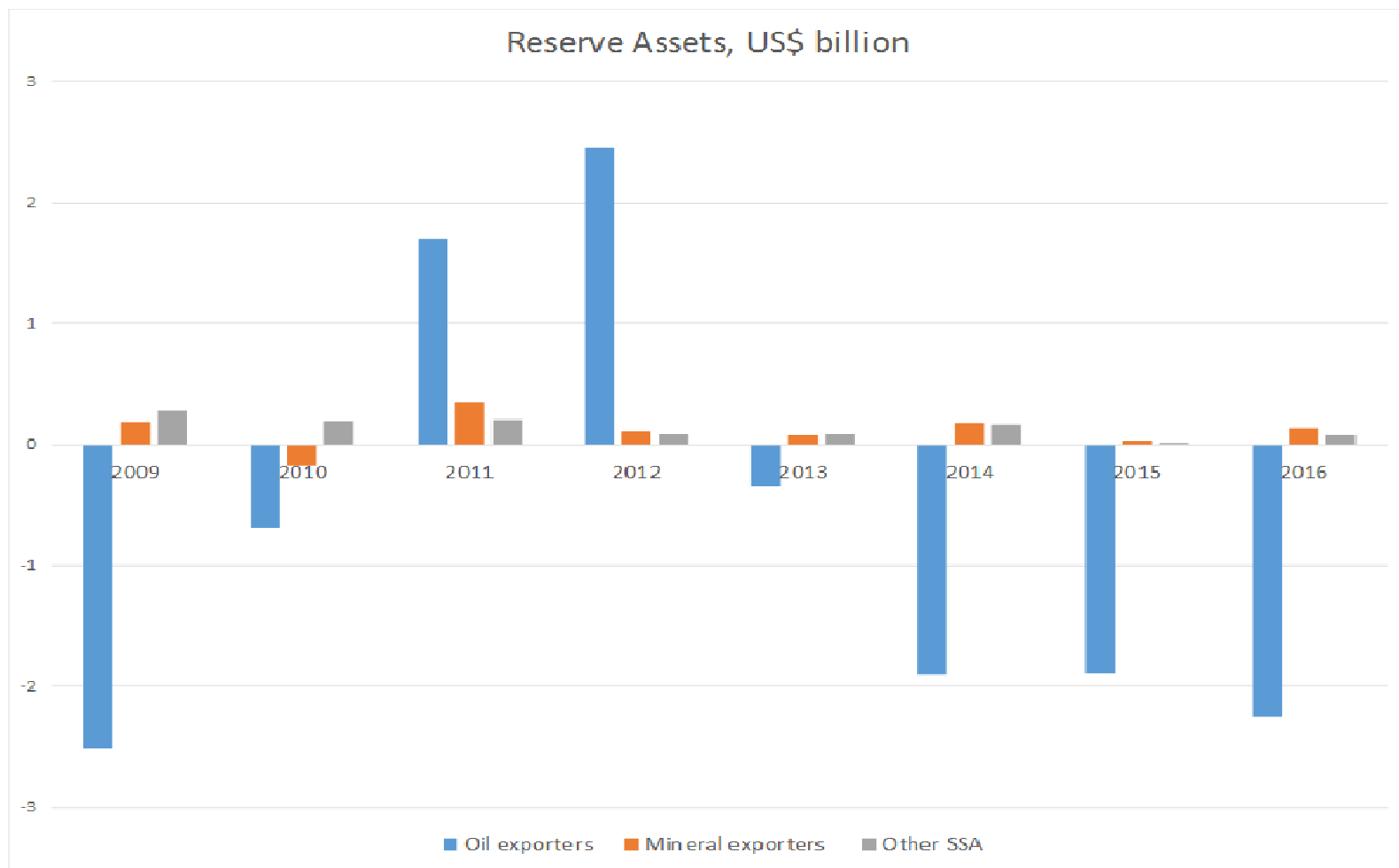


Notes: Data on spreads and exchange rates from Bloomberg/SSA Monitor. The x-axis plots the number of days to/since the particular UMP announcement. The y-axis plots the average spread across all SSA countries. In the left panel, the countries included are Ghana, Nigeria, South Africa and Gabon. In the right panel, the countries included are Ghana, Nigeria, South Africa, Gabon, Senegal, Cote d'Ivoire, Angola and Zambia.

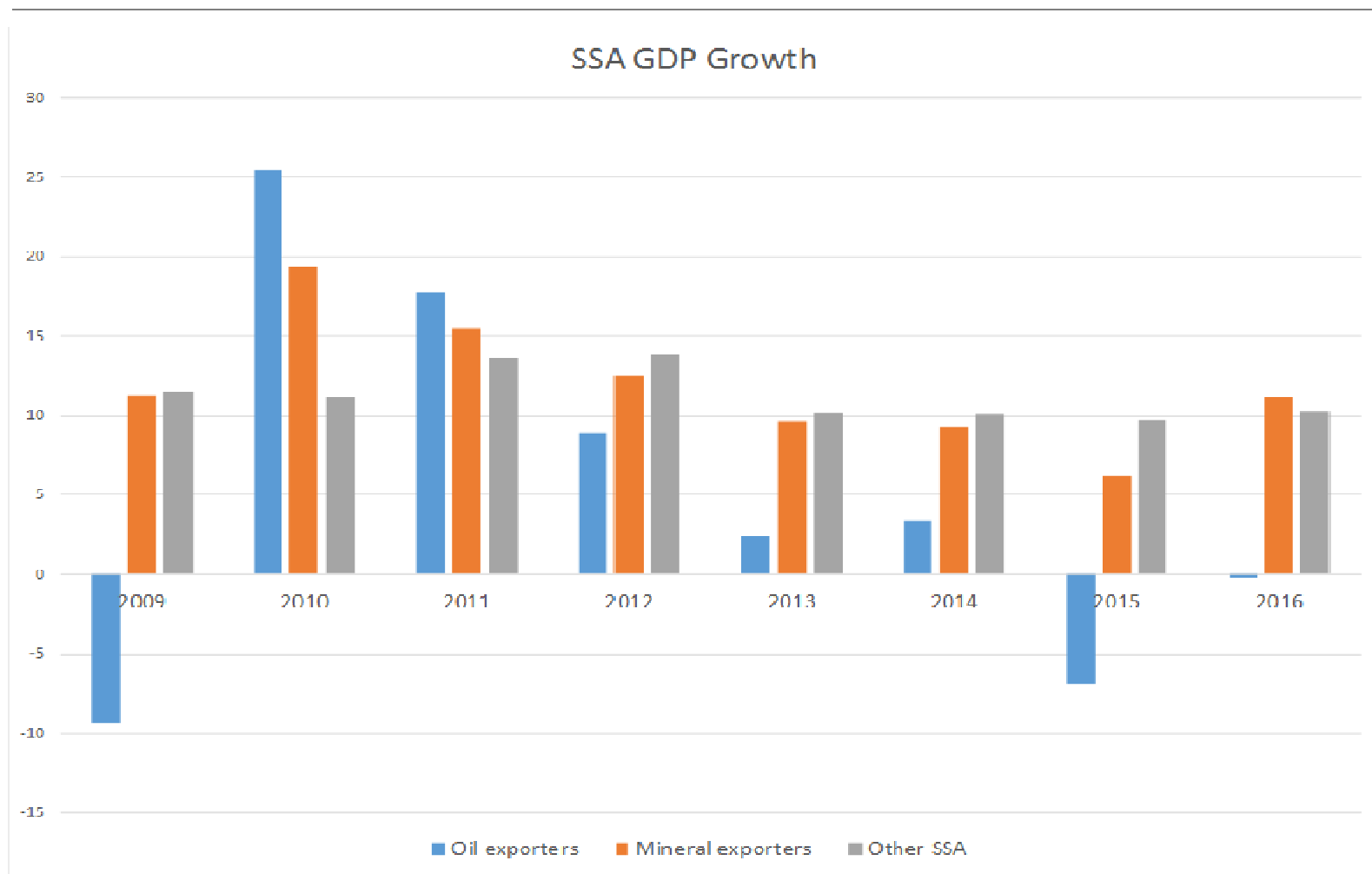
Declining macro fundamentals



Reserve Assets, US\$ billion



Sub-Saharan Africa GDP growth



Key Lessons Learned from UMP

1

Strong overall macroeconomic policy matters

4

Effective communication with financial markets and private sector investors is critical

2

Price stability should be the primary objective of monetary policy

5

Policy is best cast in credible medium-term plans aimed at keeping macroeconomic imbalances in check

3

Market infrastructure and institutional set up must be capable of instilling confidence

6

Prioritize, sequence, and focus on quality infrastructure projects with high internal rates of social return