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# **LINK Global Economic Outlook**

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# **Table of Contents**

## **Preface**

### **Overview of macroeconomic trends**

#### **International economic conditions for developing countries and the economies in transition**

#### **Growth and policy prospects by regions**

#### **Employment Outlook**

#### **Uncertainties and risks**

#### **Policy challenges**

## **List of Tables, Figures and Text Boxes**

Table 1	Gross domestic product and world trade
Table 2	Frequency of high and low growth of per capita output, 2007-2010
Table 3	Monetary policy stance: policy interest rates
Table 4	Public funds committed to address the global financial crisis
Table 5	Pessimistic scenario

Figure 1	Growth of world gross product
Figure 2	Growth of world gross product per capita
Figure 3	Yield spreads on emerging market bonds
Figure 4	Oil prices
Figure 5	Prices of non-oil commodities
Figure 6	Global imbalances
Figure 7	Exchange-rate index for the United States

Box 1.	Prospects for Least developed countries
Box 2.	Employment Policy
Box 3.	Remittances

## **List of Annex Tables**

Table A1.	World and regions : rates of growth of real GDP, 2003-2010
Table A2.	Rates of growth of real GDP, 2003-2010
Table A3.	World and regions : consumer price inflation, 2003-2010
Table A4.	Consumer price inflation, 2003-2010
Table A5.	World trade: value of exports and imports, by major country group, 2003 - 2010
Table A6.	World trade: changes in value of exports and imports, by major country group, 2003-2010
Table A7.	World trade: changes in volume of exports and imports, by major country group, 2003-2010

## Preface

In the present report, the main short-term prospects for the global economy in 2009-2010 are summarised and the major risks and policy challenges related to these expectations are discussed. The report is prepared by the Development Policy and Analysis Division (DPAD) of the United Nations Department of Economic and Social Affairs, under the general direction of Rob Vos. The writing team, led by Malinka Koparanova, includes Ingo Pitterle and Matthias Kempf, with contributions from DPAD team – Pingfan Hong, Clive Altshuler, Grigor Agabekian, Alex Izurieta, Hung-Yi Li, Sergio P. Vieira and Nicolas Maystre – Marva Corley from ILO, as well as inputs from national LINK centres and information from other sources as of 22 May 2009. Ann D’ Lima and Cordelia Gow provided statistical assistance. Most of the LINK Country Reports, which contain detailed country forecasts and policy analyses submitted by the national LINK centres, are available on the websites of both the United Nations and the University of Toronto.<sup>1</sup> The views expressed herein do not necessarily represent those of the United Nations or its Member States.

*New York*

*30 May 2009*

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<sup>1</sup> <http://www.un.org/esa/analysis/link> and <http://www.chass.utoronto.ca/link>

## Overview of macroeconomic trends

Since the last LINK forecast of October 2008, the world economy has sunk in its first global and deepest recession of the post-war period. With its increasing impact both in scope and depth worldwide, the crisis has affected many countries by the combination of depressed demand in the developed economies and dysfunctional financial markets. As a result, most LINK country growth forecasts for 2009 have been revised downwards from their previous forecasts with the largest adjustments registered among the developing countries and the economies in transition (see Table 1). In the baseline scenario of the current outlook, world gross product (WGP) is forecast to fall by more than 2.6 per cent in 2009, compared with a growth of 2.1 per cent in 2008 and an average growth above 3 per cent in the years prior to the crisis (see Figure 1). While a mild recovery in the growth of WGP is possible for 2010, risks remain on the downside. A more prolonged global recession is possible if the problems in financial and corporate sectors in major market economies persist and business and consumer confidence remain depressed in most economies throughout 2009. In that case, more concerted international policy actions may be needed to have the world economy bottom out in 2010. In addition, the fragile situation could be exacerbated if the new influenza virus A/H1N1 outbreak in Mexico turns into pandemic with significant consequences for human life and economic activity.

In a more optimistic, but increasingly less likely scenario, world economic recovery would begin in the second half of 2009 and WGP would expand by 2.3 per cent in 2010. This scenario would require problems in financial markets to be, by and large, resolved in the first half of 2009 with fiscal stimulus measures taking visible effect during the year. By May 2009, such conditions were far from present.

While the crisis originated in developed countries and these countries are also leading the economic downturn, developing countries are being hit hard as well through capital reversals, rising borrowing costs, collapsing world trade and commodity prices, and subsiding remittance flows. In the baseline scenario, world income per capita is expected to fall by 3.7 per cent in 2009 the decline is not only sharp in developed economies, but also in a large number of developing countries (see Figure 2).

**Table 1. Gross domestic product and world trade**  
(Annual percentage change)

	Observed			June 2009 forecast <sup>a</sup>		Change from Oct. 2008 report for	
	2006 <sup>b</sup>	2007 <sup>b</sup>	2008 <sup>b</sup>	2009	2010	2008	2009
Gross World Product (GWP)	3.9	3.9	2.1	-2.6	1.6	-0.5	-4.2
GWP - PPP weighted	4.9	5.2	3.3	-1.0	2.7	-0.9	-4.3
<b>Developed economies</b>	2.8	2.5	0.8	-3.9	0.6	-0.4	-4.1
Canada	3.1	2.7	0.5	-3.0	1.0	0.1	-3.8
Japan	2.0	2.4	-0.6	-7.1	1.5	-1.3	-7.6
United States	2.8	2.0	1.1	-3.5	1.0	0.1	-3.0
European Union (EU27)	3.1	2.9	0.9	-3.5	0.0	-0.5	-4.0
France	2.2	2.2	0.7	-3.3	-0.1	-0.2	-4.0
Germany	3.0	2.5	1.3	-4.3	0.5	-0.5	-4.5
Italy	1.8	1.5	-1.0	-4.3	-0.4	-0.9	-4.1
United Kingdom	2.8	3.0	0.7	-3.7	-0.2	-0.3	-3.0
<i>Memo item: Euro Zone</i>	2.9	2.7	0.8	-3.7	-0.1	-0.5	-4.0
<b>Economies in transition</b>	8.0	8.3	5.3	-5.9	1.4	-1.8	-11.7
Russian Federation	7.7	8.1	5.6	-6.8	1.5	-1.7	-12.6
<b>Developing countries and regions</b>	7.0	7.6	5.4	1.4	4.3	-0.7	-3.6
<i>Latin America and the Caribbean</i>	5.5	5.5	4.0	-1.9	1.7	-0.4	-4.6
Argentina	8.5	8.7	7.0	-1.8	1.0	0.5	-4.8
Brazil	3.7	5.4	5.1	-0.6	2.5	0.0	-3.6
Mexico	5.1	3.3	1.4	-4.8	1.2	-0.6	-6.3
<i>Africa</i>	5.9	6.0	4.9	0.9	4.0	-0.1	-3.7
North Africa	5.3	5.3	5.3	2.9	3.9	0.4	-1.6
Sub-Saharan Africa <sup>c</sup>	7.0	7.5	5.5	1.5	4.5	0.4	-3.2
Nigeria	6.0	6.2	6.0	-0.5	4.7	-0.1	-6.4
South Africa	5.3	5.1	3.1	-1.8	3.1	-0.1	-4.8
<i>East and South Asia</i>	8.1	9.3	6.2	3.2	5.6	-1.1	-3.2
China	11.1	13.0	9.0	7.6	8.2	-0.8	-1.3
India	7.3	9.3	7.3	5.0	6.3	-0.2	-2.1
Indonesia	5.5	6.3	6.1	2.5	3.8	0.2	-1.7
Korea, Republic of	5.0	5.0	2.2	-3.4	1.5	-2.3	-6.8
Malaysia	5.8	6.3	4.6	-2.0	2.5	-1.3	-6.5
Philippines	5.4	7.2	4.6	1.1	3.3	0.2	-2.4
Thailand	5.1	4.9	2.6	-3.1	1.9	-2.0	-6.3
<i>Western Asia</i>	5.8	4.9	4.5	-0.7	2.9	-0.5	-3.9
<i>Memo: World Export volume</i>	9.6	6.6	2.4	-11.1	3.6	-1.9	-14.3

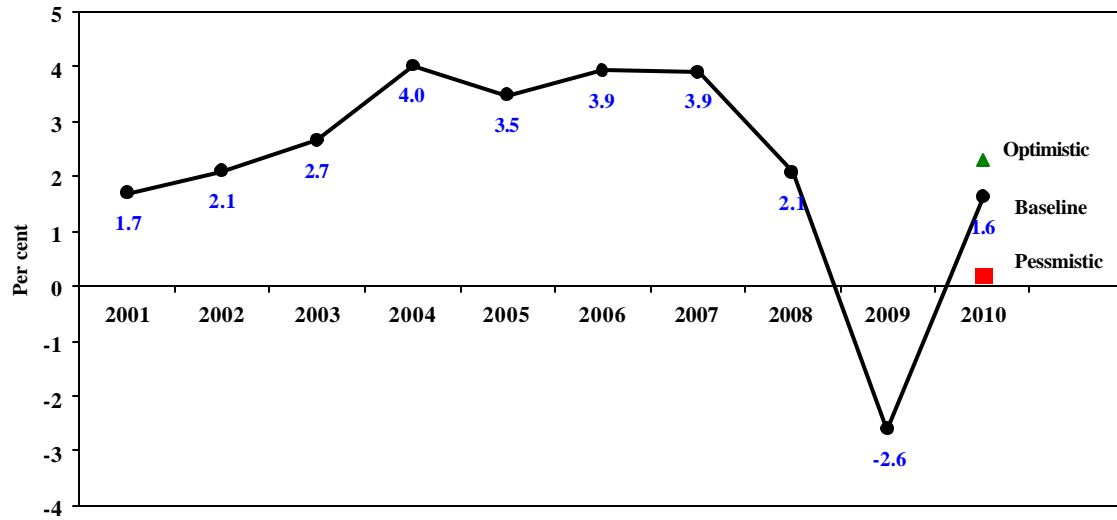
Source: LINK Global Forecast.

<sup>a</sup> Pre-Meeting forecasts.

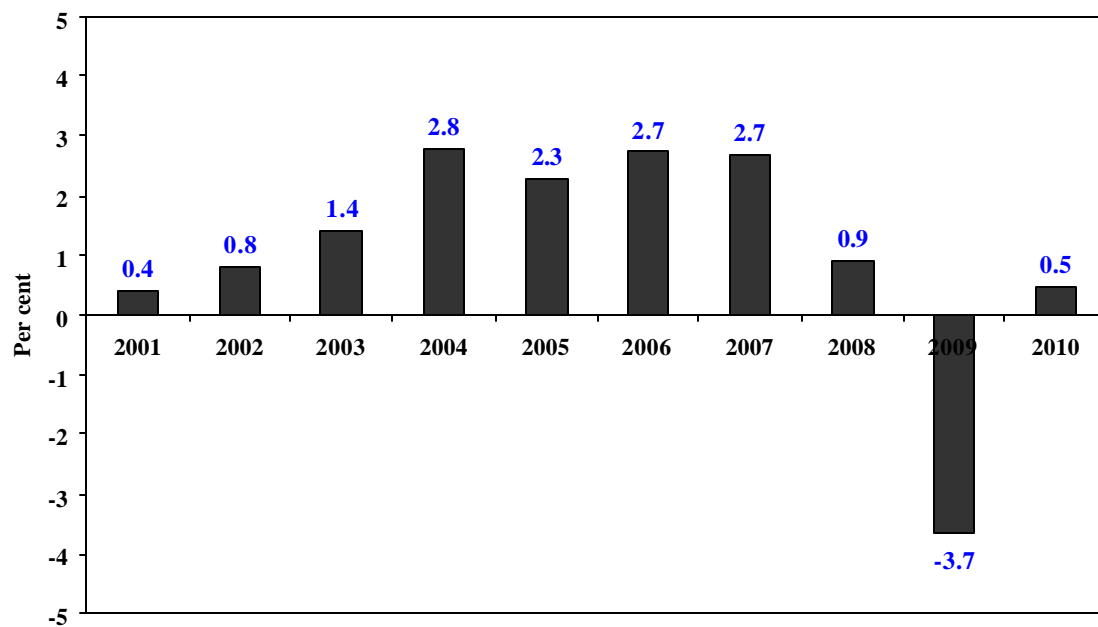
<sup>b</sup> Actual or most recent estimates.

<sup>c</sup> Excluding Nigeria and South Africa.

**Figure 1 Growth of world gross product**



**Figure 2 Growth of world gross product per capita**



At least 60 developing countries (of 107 countries for which data are available) are expected to suffer declining per-capita incomes, while only 8 would register per-capita GDP growth of 3 per cent or higher – considered as the minimum required growth rate for achieving significant reduction in poverty – down from 71 countries in 2007 and 51 in 2008 (see Table 2). Economic setbacks are expected across the board, though strongest in the Commonwealth of Independent States (CIS), Sub-Saharan Africa and Latin America. Also, the least developed countries (LDCs) will be severely affected, with growth decelerating by 3.5 percentage points from the robust growth witnessed in recent years (see Box 1).

The deepening of the global financial crisis into a global economic slowdown is also being felt in labour markets worldwide. As a result, unemployment rates have increased in virtually all regions. The sharp fall in international trade has forced many businesses, especially in export-oriented countries such as China, Japan and Germany to adjust their capacities accordingly, reducing the demand for labour. In addition, businesses face generally more restrictive financing conditions, with negative repercussions for investment and international trade flows. Especially among a number of developing countries that depend on commodity exports, the lower level of commodity prices and the resulting contraction in the primary sector has aggravated often already pre-existing employment problems (see Box 2). As employment tends to lag economic activity by several quarters, unemployment rates are forecast to continue rising beyond the possible starting point of output recovery.

Weakening economic activity as well as falling prices for food, energy and other commodities have led to declining inflation rates in most countries. However, this broad trend encapsulates significant country-specific differences. While monthly inflation has already dipped into negative territory on a year-on-year basis in the United States and is forecast to do so in Western Europe and a number of East Asian economies in the course of 2009, a number of transition economies and developing countries, especially in Asia and Africa, are facing still elevated inflation rates or, relatively slow drops in inflation. Subsidies, among other things on fuel products, are one factor behind this phenomenon,



**Table 2. Frequency of high and low growth of per capita output, 2007-2010**

	<i>Number of countries monitored</i>	<i>Decline in GDP per capita</i>				<i>Growth of GDP per capita exceeding 3 per cent</i>			
		2007	2008 <sup>a</sup>	2009 <sup>b</sup>	2010 <sup>b</sup>	2007	2008 <sup>a</sup>	2009 <sup>b</sup>	2010 <sup>b</sup>
		<i>Number of countries</i>							
World	160	16	26	107	41	104	71	8	22
<i>of which:</i>									
Developed economies	35	0	12	33	17	18	7	0	1
Economies in transition	18	0	1	14	2	17	13	1	4
Developing countries	107	16	13	60	22	69	51	7	17
<i>of which:</i>									
Africa	51	14	7	26	8	29	21	1	9
East Asia	13	1	3	8	1	11	5	1	2
South Asia	6	0	0	0	0	5	5	2	3
Western Asia	13	1	1	6	3	7	7	2	2
Latin America	24	0	2	20	10	17	13	1	1
<i>Memorandum items:</i>									
Commonwealth of Independent States	12	0	0	9	1	12	9	1	4
Least developed countries	39	11	6	18	7	21	15	1	7
Sub-Saharan Africa <sup>c</sup>	44	14	7	24	8	24	16	1	8
Landlocked developing countries	25	5	2	15	2	16	13	1	6
Small island developing States	17	2	4	11	3	11	9	1	2
	<i>Share<sup>d</sup></i>	<i>Percentage of world population</i>							
Developed economies	15.8	0.0	4.2	15.1	4.9	2.5	1.5	0.0	0.1
Economies in transition	5.0	0.0	0.2	4.4	1.0	4.9	3.7	0.4	0.7
Developing countries	79.1	2.0	2.9	20.0	4.5	71.7	64.2	41.2	45.5
<i>of which:</i>									
Africa	13.5	1.6	1.1	6.5	1.2	10.1	8.5	0.1	2.8
East Asia	30.5	0.0	0.4	4.0	0.0	30.4	26.6	20.9	22.2
South Asia	23.7	0.0	0.0	0.0	0.0	26.1	26.5	22.5	23.2
Western Asia	2.8	0.4	1.1	1.7	1.3	1.6	0.6	0.4	0.4
Latin America	8.5	0.0	0.2	7.8	2.0	6.3	5.2	0.2	0.2
<i>Memorandum items:</i>									
Commonwealth of Independent States	4.6	0.0	0.0	4.0	0.8	4.6	3.5	0.4	0.7
Least developed countries	10.5	1.1	0.6	2.8	0.7	8.1	7.3	2.3	4.5
Sub-Saharan Africa <sup>c</sup>	8.4	1.6	1.1	3.7	1.2	5.9	4.6	0.1	2.3
Landlocked developing countries	4.9	0.8	0.3	1.8	0.3	3.3	2.8	0.4	2.0
Small island developing states	0.8	0.0	0.3	0.5	0.0	0.5	0.5	0.2	0.2

*Source:* Department of Economic and Social Affairs of the United Nations Secretariat, including population estimates from *World Population Prospect, the 2006 Revision*

a Partly estimated.

b Forecast, based in part on Project LINK.

c Excluding Nigeria and South Africa.

d Percentage of world population for 2007.

### **Box 1 Prospects for Least developed countries**

Most least developed countries (LDCs) escaped the first round effects of the subprime crisis owing to their lack of integration into the global financial system. However, they were not immune from the slowdown in global trade and the collapse in commodity prices. The average growth for the entire group will slow from 6.1 per cent in 2008 to 2.7 per cent in 2009, its lowest rate since 1994 and at least six LDCs are expected to contract this year. Remittances inflows, which represent at least 5 per cent of GDP in about one third of the LDCs, have so far supported consumption and investment. However, they are expected to decline during the outlook period as global unemployment rises. Tourism receipts will continue to fall, particularly in countries such as the Maldives and Senegal. In most oil and mineral-exporting LDCs, current account surpluses will shift to deficits, as export receipts have fallen dramatically. With capital outflows exerting additional pressure on local currencies, central banks in several countries had to massively sell foreign reserves to support their currency. The Democratic Republic of the Congo's reserves fell to \$36 million (one week worth of imports), prior to receiving about \$200 million from the IMF in early 2009, while Angola has used more than \$3 billion of its reserves since the end of November to keep its currency pegged to the dollar. This shock illustrates the ongoing vulnerability of LDCs to the collapse of international commodity prices – an issue highlighted in WESP 2009.

However, the drop in international commodity prices has not uniformly translated into lower prices on local markets and many food-importing LDCs are still suffering from high local food prices and food shortages.<sup>2</sup> This can be attributed to the rapidly weakening of local currencies and to poor harvests, particularly in East Africa. The Tanzanian Government stopped issuing food export permits in early 2009 to prevent a food shortage as about 250' 000 people are in need of food aid, a crisis that has spilled over into neighboring countries such as Uganda.

With the tightening of credit markets and the slowdown of capital inflows into the region, official development assistance (ODA) remains critical to development efforts in

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<sup>2</sup> UNCTAD commodity price bulletin.

the LDCs. Many post-conflict countries, like Liberia, Uganda and Sierra Leone, are highly dependent on foreign aid, especially for infrastructure development, and some East African countries have a ratio of aid to current government spending exceeding 60 per cent. The unprecedented fiscal stimulus packages in developed economies have raised concerns of reduced funds for ODA. In a recent study, UNCTAD found that ODA efforts from countries that suffered banking crises declined significantly. Additionally, many donor countries set their aid targets as a percentage of GDP; as GDP falls, aid may follow suit. It is therefore important for the international community to collectively hold itself accountable to its aid commitments to keep the Millennium Development Goals alive and prevent the LDCs from losing the progress they have gained thus far.

### **Box 2 Employment Stimulus Policies**

After 4 years of declining unemployment rates, the past year has witnessed a rapid deterioration in the employment situation that is expected to worsen as the global economy continues to contract. Initial projections put the rise in unemployment between 29 million (lowest scenario) and 59 million (highest scenario) in 2009 as compared to 2007.<sup>3</sup> Though most evident in the United States, where the number of unemployed has grown by 5 million since April 2008 to March 2009—labour markets have rapidly worsened in Japan and the Euro area. Such profound employment changes have induced protests and strikes in a number of developed economies as workers seek improved job security and social benefits as well as restrictions on labour immigration and outsourcing.

Employment in the export-oriented industries in the developing economies has been particularly hard hit by the slowdown in global trade leading many more workers to seek work outside of the formal sector and engendering a reversal in rural-to-urban migration flows. In China, for example, the evidence from informal surveys suggests that 10 per cent of peasant workers are now unemployed as the result of workers returning from urban areas. Consequently the number of vulnerable workers globally is expected to

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<sup>3</sup> ILO, Global Employment Trends, May 2009, Geneva.

rise dramatically and between 40 and 47 per cent of the world's employed are not expected to earn enough to lift themselves and their families above the \$2 a day per person poverty line (ILO, 2009).<sup>4</sup>

Although global employment challenges over the past years have been related to dynamics on both the supply and demand side, the employment slowdown that is currently transpiring is directly related to the slowdown in global aggregate economic demand. Some might argue that the challenge for employment policy in such an environment is to stabilize labour markets without prolonging the recession. It is suggested that the depression of the 1930s was prolonged due to the effect of government policies artificially boosting employment and keeping wages higher than what they would have been under free market conditions. Even if this were the case, the current crisis is different in that wage moderation was (and still is) a characteristic of low and middle-income households of many deficit economies prior to the crisis. In fact, the rising demand for credit to sustain consumption is directly related to the slowdown in wage growth. In the US, median real wages grew by a mere 0.3 per cent per year between 2000 and 2006, while labour productivity increased by 2.5 per year.<sup>5</sup> Additionally, weak employment growth has been a key characteristic of many of the commodity exporting developing countries that witnessed strong growth levels over the past 5 years. In this respect the current employment crisis presents an opportunity to realign economic goals with social improvements and long term goals of capacity building and sustainable development.

Many countries are indeed instituting some form of fiscal stimulus packages, some with employment generation as a key component of boosting growth. China is enacting a 42 billion yuan employment stimulus program to offset unemployment caused by the global crisis. The stimulus will focus on the service sector, labour intensive industries, and small and medium enterprises. Such policies should be well targeted to reach the most vulnerable in the labour market, while at the same time maintaining stability in line with long term goals of full employment and improved labour productivity. In general, however, the components of the policy should be a three-pronged strategy to maintain

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<sup>4</sup> ILO, Global Employment Trends, May 2009, Geneva

<sup>5</sup> ILO, The Financial and Economic Crisis: A Decent Work Response, 2009 Geneva

employment, provide assistance to the unemployed and prepare worker for the jobs of the future:

*1. Stem job losses and create employment opportunities*

This entails boosting aggregate demand, while supporting sustainable employment. In this regard, programs with the most immediate and sustainable impact in terms of employment creation are infrastructure projects due to the multiplier effects on the economy. Improvements in roads and transportation networks as well school building and environmental standards—particularly those projects that are shovel-ready and can be enacted quickly can also be aligned with long term goals of sustainable growth development. In export-oriented economies that suffer from weakened foreign demand, policies of improved social security and health care could help to rebalance demand towards domestic consumption.

*2. Provision of social protection for the unemployed and underemployed*

Automatic stabilizers are an important component of support during an economic downturn as they can help to support incomes and provide various forms of social protection, such as health insurance and social security. These countercyclical policies also help to boost demand through multiplier effects. For example, in the United States the multiplier effect of unemployment compensation is estimated to range between \$1.63 and \$2.15 for each dollar spent. Benefit packages differ widely by country, and globally about two-thirds of the employed are not provided with the most basic of benefits. In addition, many of the most vulnerable fall outside of the ranks of the unemployed, having dropped out of the labour market completely or remaining underemployed in the informal economy. Although few low-income economies have the policy space to offer such a wide range of protection, the social and economic benefits cannot be ignored.

*3. Prepare workers for sustainable employment*

The current jobs crisis has quickened the death knell for workers in ageing industries in the developed economies and exposed the lack of industrial diversification in developing economies. A provision of employment stimulus should seek to not only stem the flood of job losses but shore up the base of labour markets through skills and training for future job opportunities. Such a strategy will improve human capacity, productivity, incomes and living standards.

As they smoothed out the previous run-up in prices. Weakening currencies are another factor partly offsetting deflationary pressures, especially in a number of developing countries in Africa and Latin America. The current forecast entails a continued moderation in inflation levels. The expected stabilization of economic activity in 2010 and the fading of the negative base effect following the spike in commodity prices in the first half of 2008 are likely to prevent an entrenchment of deflation.

Against this background, monetary and fiscal policymakers across the globe have undertaken unprecedented measures to restore confidence in financial markets and to stimulate economic growth. In most developed economies, Central Banks have cut policy rates sharply - often bringing them to historically low levels –, while also providing large amounts of short-term liquidity to financial institutions in order to ease the credit freeze, spur lending activity and cushion the economic downturn (see Table 3).

In addition to conventional monetary policy measures, several major Central Banks, including the United States Federal Reserve Bank, the European Central Bank, the Bank of England, and the Bank of Japan have adopted quantitative easing to support money supply growth through the direct purchase of government bonds and other securities. Central Banks across East Asia also loosened monetary policy significantly over the past six months as exports plunged and domestic economic conditions deteriorated rapidly. Monetary policy responses in many economies in transition as well as in several developing countries, for instance in Latin America, were not only determined by the sharp economic downturns and declining inflation rates, but also by the need to avert massive capital outflows and abrupt exchange rate depreciations as investors became increasingly risk-averse. A case in point is the Russian Federation, where the Central Bank had to increase policy rates in early 2009 to prevent banks from converting excess domestic liquidity positions into foreign exchange. As the financial turmoil has subsided somewhat and as inflation continued to decline the Central Banks in those countries were able to switch to a more expansionary monetary policy stance by lowering policy rates and reserve requirements.

**Table 3. Monetary policy in selected countries**

		Change from	
	May 2009	Aug 07 (bp)	Last change
Australia	3.00	-350	7 Apr 09 (-25 bp)
Brazil	10.25	-125	29 Apr 09 (-100 bp)
Canada	0.25	-425	21 Apr 09 (-25 bp)
Chile	1.25	-425	7 May 09 (-50 bp)
China	5.31	-171	22 Dec 08 (-27 bp)
Colombia	6.00	-325	30 Apr 09 (-100 bp)
Czech Republic	1.50	-175	7 May 09 (-25 bp)
Euro area	1.00	-300	7 May 09 (-25 bp)
Hong Kong, China	0.50	-625	17 Dec 08 (-100 bp)
Hungary	9.50	175	19 Jan 09 (-50 bp)
India	4.75	-300	21 Apr 09 (-25 bp)
Indonesia	7.25	-100	5 May 09 (-25 bp)
Japan	0.10	-40	19 Dec 08 (-20 bp)
Korea, Republic of	2.00	-300	12 Feb 09 (-50 bp)
Malaysia	2.00	-150	24 Feb 09 (-50 bp)
Mexico	5.25	-200	15 May 09 (-75 bp)
New Zealand	2.50	-575	30 Apr 09 (-50 bp)
Norway	1.50	-325	6 May 09 (-50 bp)
Philippines	4.50	-150	16 Apr 09 (-25 bp)
Peru	4.00	-75	7 May 09 (-100 bp)
Poland	3.75	-100	25 Mar 09 (-25 bp)
Romania	9.50	250	6 May 09 (-50 bp)
The Russian Federation	7.75	450	23 Apr 09 (-50 bp)
South Africa	8.50	-150	30 Apr 09 (-100 bp)
Sweden	0.50	-300	21 Apr 08 (-50 bp)
Switzerland	0.25	-225	12 Mar 09 (-25 bp)
Taiwan Province of China	1.25	-188	18 Feb 09 (-25 bp)
Thailand	1.25	-200	8 Apr 09 (-25 bp)
Turkey	9.25	-825	14 May 09 (-50 bp)
United Kingdom	0.50	-525	5 Mar 09 (-50 bp)
United States	0.125	-512	16 Dec 08 (-87.5 bp)

**Source:** JP Morgan Chase Bank.

a Special Administration Region of China.

As the global financial and economic crisis unfolded, policymakers became increasingly – though sometimes reluctantly – aware of the need to provide public funds for rescuing domestic financial industries and for stimulating demand to avoid even steeper and more prolonged recessions. According to recent estimates, Governments

worldwide made a total of about \$20 trillion in funds available, corresponding to almost 34 per cent of WGP (see Table 4). This includes about \$18 trillion to recapitalize banks, take partial or full government ownership of financial institutions, and provide guarantees on bank deposits and other financial assets as well as fiscal stimulus plans totalling about \$2.7 trillion for the period 2009-2011. However, this fiscal stimulus will be almost exclusively provided by the Governments of the G-20 countries as many developing countries, particularly in Sub-Saharan Africa, lack the fiscal space to take significant counter-cyclical policy measures. The combination of declining fiscal revenues and increases in Government expenditures will lead to sharply higher budget deficits across the globe in 2009 and 2010.

### **International economic conditions for developing countries and the economies in transition**

Since late 2008, the recession in major developed economies deepened and spilled increasingly over to the developing countries and economies in transition through international financial and trade channels. While private capital and trade flows to developing countries have fallen precipitously, international prices of many primary commodities have rapidly declined. This inauspicious international economic environment is expected to persist during 2009 and could even protract, posing tremendous challenges to developing countries in financing investments for long-run sustainable growth and development.

#### ***Sharp reversal of private capital inflows and rising costs of external financing***

Net private capital inflows to emerging economies (which consist of some 30 large developing countries and economies in transition) are estimated to have declined by more than 50 per cent during 2008, dropping from the peak level of more than \$1 trillion registered in 2007 to less than \$500 billion. A further dramatic decline of 50 per cent is expected for 2009.



**Table 4. Public funds<sup>a</sup> committed to address the global financial crisis between 1 September 2008 and 31 March 2009**

	Share of GDP (%)		Amount (US\$ billions)		Years to spend fiscal stimulus
	Total	<i>of which:</i> Fiscal stimulus	Total	<i>of which:</i> Fiscal stimulus	
Argentina	7.3	6.4	25	22	1
Australia	0.7	0.0	7	0	
Belgium	30.9	0.0	164	0	
Brazil	5.1	3.6	85	60	1
Canada	25.3	3.3	396	52	2
Chile	2.8	2.8	5	5	1
China	4.5	4.0	190	169	2
France	23.0	4.0	685	119	3
Germany	28.0	6.3	1,069	241	3
Greece	11.6	0.0	43	0	
Hong Kong SAR <sup>b</sup>	2.4	2.4	5	5	1
Hungary	6.2	0.0	10	0	
Iceland	263.0	0.0	50	0	
India	7.5	1.9	93	24	1
Indonesia	1.6	1.5	8	7	1
Italy	4.5	0.7	108	17	3
Japan	27.7	14.8	1,342	717	1
Kazakhstan	11.1	11.1	16	16	2
Korea, Republic of	19.8	5.5	189	52	1
Malaysia	9.1	2.8	18	5	2
Mexico	1.5	1.5	17	17	1
Netherlands	39.8	0.0	362	0	
Norway	13.8	0.0	66	0	
Peru	2.5	2.5	3	3	1
Philippines	3.1	3.1	5	5	1
Poland	3.6	0.0	20	0	
Portugal	14.4	0.0	37	0	
Russian Federation	15.1	8.0	269	142	1
Saudi Arabia	9.4	0.0	50	0	
Singapore	8.0	8.0	15	15	1
South Africa	3.7	3.7	11	11	3
Spain	27.3	4.5	460	76	3
Sweden	70.0	0.0	359	0	
Switzerland	12.1	0.0	60	0	
Taiwan Province of China	2.1	2.1	9	9	1
Thailand	3.4	3.4	9	9	1
Turkey	0.2	0.0	2	0	
United Kingdom	51.6	4.1	1,438	114	3
United States	92.9	5.2	13,255	742	3
<b>World</b>	<b>33.8</b>	<b>4.3</b>	<b>20,955</b>	<b>2,655</b>	

Source: UN-DESA, based on information from: IMF, 6 March 2009, "The state of public finances: outlook and medium-term policies after the 2008 crisis"; Credit Suisse, 19 March 2009, "Fiscal policy around the world"; UN/DESA database.

Note:

Definition and contents of the policy measures vary from country to country.

The size of these packages may not be comparable across countries.

a. Includes financial bailout packages (including government guarantees on bad debts), liquidity injections into financial systems and fiscal stimulus packages.

b. Special administrative region of China

Among all the components of net private capital inflows, the sharpest drop was in *bank lending* to emerging economies, reversing an inflow of about \$400 billion inflows in 2007 into a projected net outflow in 2009. Economies in transition, including the Russian Federation and Ukraine, and several economies in Central and Eastern Europe have experienced the most drastic reversal in international bank lending. Net *portfolio equity* investments also reversed to outflows from emerging economies, following the sell-off in international equity markets and the search for safe-haven investments. Even though foreign direct investment (FDI) flows tend to be less volatile than most other components of private capital flows, they also declined by more than 10 per cent in 2008.

In the outlook, net private capital flows to developing countries and economies in transition are expected to decline further in 2009-2010. Institutional investors in developed countries are expected to continue reducing their exposure to emerging economies, while international banks may further curtail their cross-border lending. Various banking rescue measures adopted in developed countries might in effect exacerbate this trend. FDI are expected to decline amid falling global capital spending, sharp declines in corporate profits, a continued downtrend in primary commodity prices and weakening real estate prices in emerging economies.

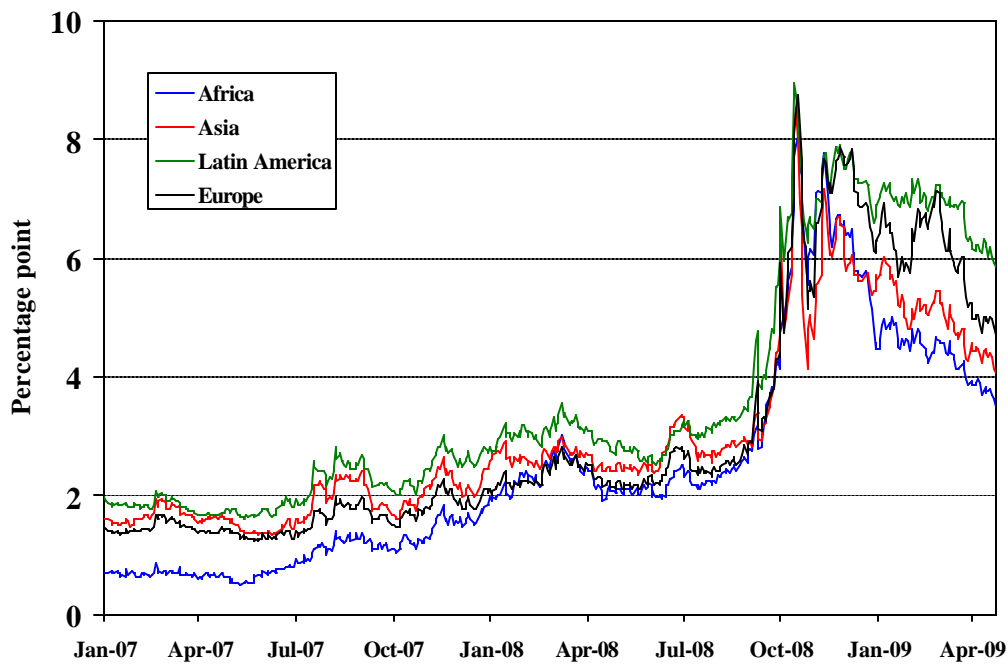
The economies in Africa have also been relying increasingly on private capital inflows. Given the size of most domestic capital markets, even a small decline in these flows could have a sizeable impact on securities prices. In terms of market borrowing, there have been no international bond issues by African countries in 2008. As a consequence of the crisis, Kenya, Nigeria, Tanzania, and Uganda have already had to cancel plans to raise funds in international capital markets for infrastructure projects.

*External financing costs* for emerging economies, as well for other developing countries, have surged in late 2008 and remained at very high levels in the first quarter of 2009. The Emerging Markets Bond Index (EMBI), soared from 250 to about 800 basis points within a few weeks in the third quarter of 2008 (see Figure 3). This surge has been relatively uniform, suggesting that contagion and generalized aversion to investing in emerging markets has taken hold among investors.

The *outflows of capital* from emerging economies, particularly those to other developing countries, which gathered some momentum prior to mid 2008, have also

moderated. Although China's outward investment almost tripled during 2008 to \$50 billion, exports of capital from oil-exporting developing countries declined notably.

Figure 3. Daily yield spreads on emerging market bonds, January 2007-April 2009



Source: JP Morgan Chase

The shortage of affordable financing will have major repercussions for infrastructure spending, which is critical for longer-term growth. Investments in public and private infrastructure projects in sub-Saharan Africa and Latin America declined substantially after various crises and fiscal adjustments in the 1980s and 1990s, while infrastructure investment also dropped substantially after the financial crisis of the late 1990s in East Asia and had not recovered to pre-crisis levels by 2007. Maintaining, constructing or rehabilitating much needed public infrastructure is critical to sustained development and growth, including by influencing the location of new private sector activities.

### *World trade is collapsing and remittances are subsiding*

Collapsing world trade is hurting developing countries disproportionately hard. Global trade flows fell sharply at the end of 2008 and have continued to decline in the first quarter of 2009 at an annual rate of more than 40 per cent in the three months up to February 2009 (see Table A6). For the year 2009, the volume of world trade is expected to fall by 11 per cent, the largest annual decline since the Great Depression of the 1930s (see Table A7). The impact of falling global demand is compounded by a drying up of trade finance and a rise in protectionist trends.

The sharpest declines in trade have been observed among Asian economies, where in some cases exports and imports declined by annualized rates of 50 per cent or more. Both China and India have registered significant year-over-year declines in their exports for the first time in decades. Also imports from these countries are falling which, together with the drop in demand in industrialized countries, is affecting commodity exports by low-income countries.

Sharp declines in commodity prices compound the adverse impact for many developing countries, especially for those heavily dependent on primary exports. From 2002 to mid-2008, many countries gained from the upward, albeit volatile trend in the prices of oil and non-oil commodities. The intensification of the global financial crisis since mid-2008 has led to a sharp reversal in this trend. Oil prices have plummeted by more than 70 per cent from their peak levels of mid-2008 (see Figure 4). Prices of metals dropped by 50 per cent and those of other commodities, including basic grains, also declined significantly (see Figure 5). Although these prices are showing some stabilization in the first quarter of 2009, no significant rebound is expected in the outlook, continuing to depress export earnings and government revenues in many developing countries. Food and energy-importing countries may see their terms of trade improve, though in most cases this gain will be more than offset by the collapse in export demand, rising costs of borrowing and/or falling remittance flows. Among net exporters of commodities, low-income countries are being hit hardest by plunging world market

prices, as primary exports comprise on average 70 per cent of their total exports and also a high share of government revenue comes from these exports.

Figure 4 Brent oil prices, January 2002 - April 2009

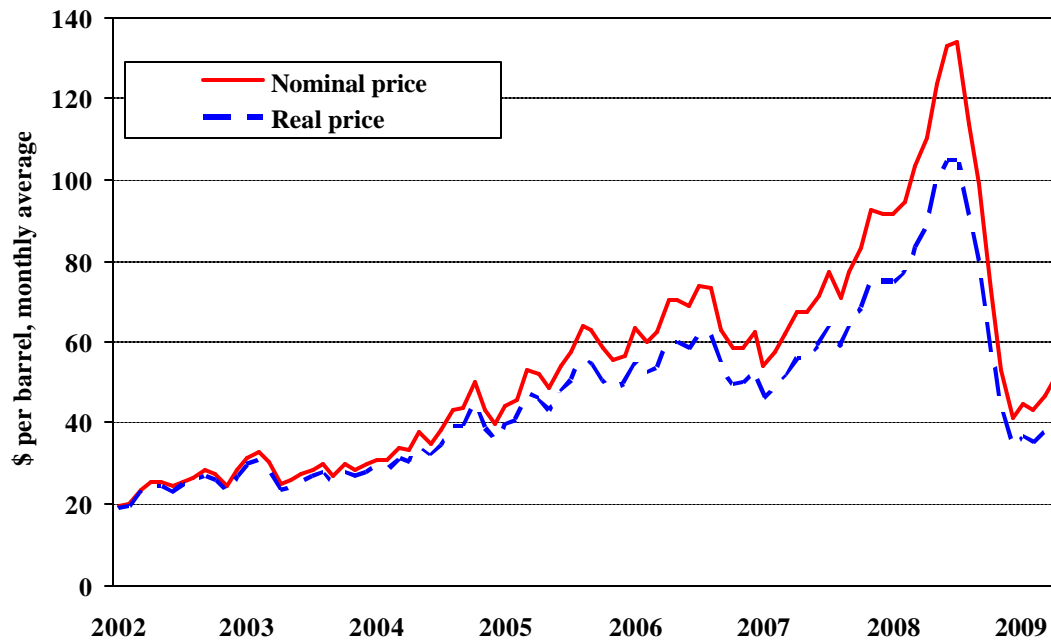
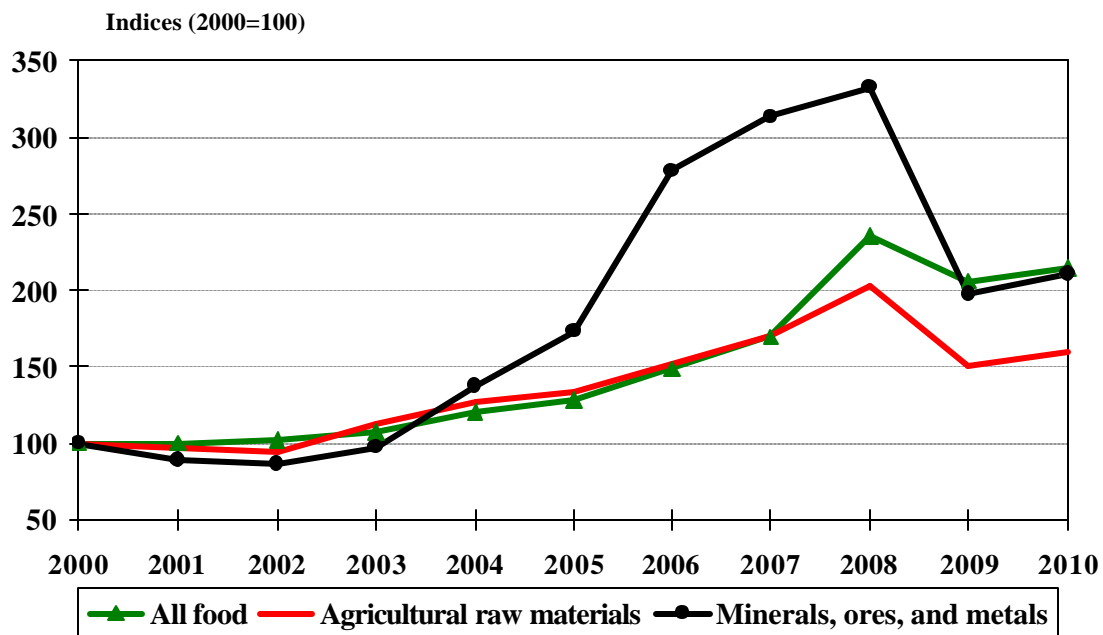


Figure 5 Prices of non-oil commodities



*Remittances* to developing countries have also moderated significantly (see Box 3). Totalling more than \$300 billion in 2008, or three times of the Official Development Assistance (ODA) flows to developing countries, remittances have been important sources for supporting consumption and broad development. For several small economies, remittances account for more than 20 per cent of their GDP. Remittance flows used to be relatively stable, and often counter-cyclical. In view of the severe global financial crisis, however, these flows are expected to fall in 2009, particularly in Latin America and the Caribbean, Africa and some CIS countries, such as the Republic of Moldova, Tajikistan and Kyrgyzstan.

### **Box 3**

#### **Remittances to developing countries**

After several years of strong growth, remittance flows are expected to decrease in 2009 by about 5 to 8 per cent. As the economic downturn accelerates, unemployment across regions and sectors rises sharply, affecting millions of migrant workers and consequently the level of remittances. A decline in remittances may cause hardship in several developing and some economies in transition, especially when private-capital flows plunged already nearly 50 per cent.

In 2008, remittance flows to developing countries exceeded \$300 billion, representing an increase of almost 9.0 per cent from 2007. This increasing trend, varying from 0.2 per cent in Latin America and the Caribbean to 26.7 per cent in South Asia, is attributable to several factors. First, the number of international migrant workers as well as their incomes increased markedly over the past few years. This was particularly the case of Indian migrants working abroad, whose number increased from 466,000 in 2003 to around 809,000 in 2007, making India the top recipient of remittances among developing countries. Second, lower remittance costs and exchange rates' fluctuations have also influenced the value and size of remittances. The depreciation of the US dollar for instance against Latin American currencies during the last few years has forced migrants to increase the level of remittances to compensate for the loss in the purchasing power of their money back home.

Remittances began however to slow down sharply in the third quarter of 2008, as

the economic downturn accelerated. This was notably the case for Latin American and Caribbean countries. The rapid deterioration of the job market in the United States, source of 80 per cent of remittances to Latin American and the Caribbean, severely affected a large number of countries in Central American and the Caribbean, including El Salvador and Guatemala where remittances were down by almost 10 per cent year-on-year in the first two months of 2009. According to the Inter-American Development Bank, remittances to the region dropped for the first time in a decade during the first quarter of 2009.

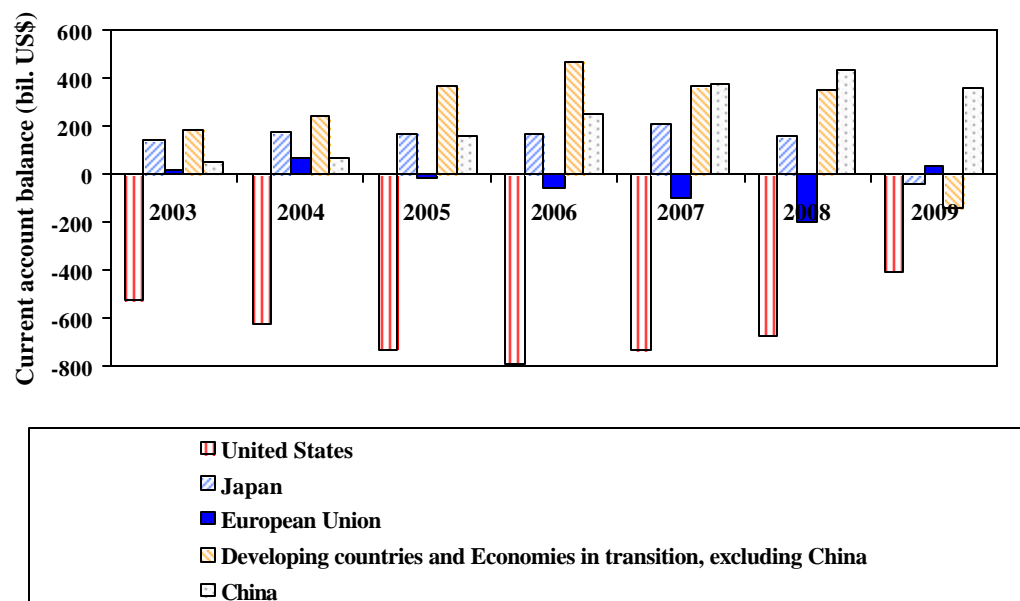
In case such inflows continue to decline, poor and small economies will be particularly hard hit. This is the situation of several CIS countries, such as Tajikistan, Moldova, Uzbekistan and Kyrgyz Republic, whose migrants are mainly affected by the reduction in work permits for foreign workers in the Russian Federation and the significant devaluation of the Russian rouble. In these countries remittances reached between 20 and 45 per cent of the national GDP, becoming an increasingly important source of income. Remittances were the largest type of financial inflow, larger than either capital inflows or official development assistance. As a result, a significant decline of remittance inflows is likely to create financing gaps in the balance of payments. In addition, it will affect private consumption and investment, with potential negative effects on GDP growth.

The overall magnitude of the decline remains however uncertain, as the actual economic crisis is affecting both recipient and sending countries and several factors may have opposing effects on remittances. On the one hand, as unemployment rates and immigration controls increase in hosting countries, the stock of migrants may decrease. Data on returning migrants is not yet available, but Indian authorities expect that hundreds of thousands of migrants will be sent home from Western Asian countries this year, in particular from Dubai. On the other hand, migrants represent a lower-cost and more flexible labour force, and may be able to switch to sectors and locations that are less affected by the crisis. Even though the unemployment rate among Hispanics in the United States reached 11.4 percent in March 2009, the number of returning migrants has remained relatively low. This may continue to be the case as long as the situation in the home countries deteriorates in parallel.

### *Increasing balance-of-payments problems*

The severe external shocks are heavily impacting on balance-of-payments positions of emerging economies and other developing countries (see Figure 6). The sizeable surpluses of the oil-exporting countries have started to decline sharply since mid-2008. Taken together, the Latin American countries had managed to register an unprecedented current account surplus in the five years prior to the 2008 crisis. Now, their combined balance will be back in deficit in 2009. The external surplus of developing Asia, excluding China, will shrink heavily in 2009, but a small surplus will remain as import demand is falling heavily along the collapse of their exports. The external balances of the emerging European economies, which ran large deficits for many years, will take a tailspin following strongly contracting imports forced by the reversal in external capital flows.

Figure 6 Global imbalance



Prior to the eruption of the global financial crisis, many developing countries and economies in transition had accumulated significant amount of *foreign reserves*, totalling more than \$4 trillion in 2008. Since mid-2008, however, a sharp reversal of capital



inflows and a deteriorating current account have led to a decline in the foreign reserves in many of them, except for China and a few other Asian economies. Capital flight and attempts at defending national currencies from precipitous depreciation have also caused a steep decline in foreign reserves of some economies, such as the Russian Federation.

Against this background, an increasing number of economies is facing tremendous challenges in financing their balance of payments deficits. In 2009, more than 100 developing countries are expected to have inadequate current account surpluses to cover private debt due and a financing gap ranging between \$200 billion and \$700 billion is forecast.

Currencies of many developing countries have also been under pressure as external conditions deteriorated and investors pulled out capital in order to reduce portfolio risks. Numerous developing countries have seen strong currency depreciations over the past six to nine months, in some cases of more than 20 per cent. These depreciations have made external debt service much more expensive in terms of local currency and are already affecting budget positions of governments and businesses. These factors are also putting debt sustainability under severe stress. Many countries are facing difficulties to roll over their foreign debts, with some \$3 trillion of foreign debts in total for emerging economies maturing during 2009. Countries that received substantial debt relief under the heavily-indebted poor countries (HIPC) and the Multilateral Debt Relief Initiative are also at increased risk. Recent data show that about one-third of developing countries in sub-Saharan Africa have external debt-to-GNP ratios of more than 50 per cent and debt service-to-GNP ratios of more than 2 per cent, which would classify these as vulnerable to external shocks and at risk of debt distress.

To compensate the decline in private capital flows to developing countries and to provide additional resources to mitigate the impact of the financial crisis on their efforts in fulfilling the MDGs, increased official financing will be needed. Prior to the crisis, during 2006-2007, ODA flows to developing countries were falling measurably. In 2008, aid flows from DAC donors increased again reaching almost \$120 billion returning to a share of 0.3 per cent of donor countries' combined GNI. The crisis may put downward pressure on aid flows as many donors target annual aid flows as a share of GNI, such that the value of aid will fall with national income even if the share remains fixed. Even

though donor countries have repeatedly reiterated their ODA commitments, timely following through on these may still be disrupted if the present crisis is protracted.

The IMF and World Bank have significantly stepped up lending operations. By April 2009, a dozen emerging economies received emerging financing from the IMF programmes, totalling some \$50 billion. The Fund has also stepped up its lending to low-income countries.

At their London Summit in April 2009, the leaders of the “Group of 20” agreed to provide an additional \$1.1 trillion in international financial support for countries with external financing problems, including a tripling of resources available to the IMF to \$750 billion (including a new SDR allocation of \$250 billion), additional lending by multilateral development banks of at least \$100 billion, and support of trade finance of \$250 billion. Donor countries also reaffirmed all existing commitments to provide more aid and debt relief to the poorest countries. While significant, it possibly is not enough to meet the challenges posed by this worldwide crisis. In early 2009, the United Nations estimated the additional financing needs of developing countries alone would be in the order of \$1 trillion for 2009 and 2010.

## **Growth and policy prospects by regions**

### ***Developed economies***

#### **United States**

In the baseline scenario, GDP in *the United States* is expected to contract by 3.5 per cent in 2009 and to recover at a meagre rate of 1.0 per cent in 2010. The slump in the housing sector that started in 2006 is still ongoing, while the credit crunch, asset price deflation and rising unemployment underpin a sharp retrenchment of business investment and household consumption. In early 2009, the housing price had declined almost 30 per cent from the peak value reached in mid-2006. The prices of other types of fixed investments have also declined since the second half of 2008. The credit crunch, especially following the collapse of Lehman Brothers in September 2008, has caused the sudden stop of investment in nonresidential constructions in the last quarter.

Inflationary pressures in the United States have subsided since the second quarter of 2008 as commodity prices weakened. The core consumer price index has stayed within a narrow band and in March 2009, the year-on-year inflation rate measured by headline CPI became negative for the first time since 1955. Annual inflation rate is expected to be negative in 2009 and around 1.5 per cent in 2010.

There have been comprehensive policy responses to the economic downturn and the financial crisis. The Federal Reserve Bank of the United States (Fed) lowered its policy interest rate to virtually zero in December 2008. This rate is expected to remain unchanged until the last quarter of 2010. By early April 2009, the Fed had also injected a total of almost \$860 billion of short-term (less than 90 days) liquidity to the financial institutions. It has also introduced the new Commercial Paper Funding Facility (CPFF) and the Term Asset-backed Securities Loan Facilities (TALF) to directly lend funds to market participants. However, these conventional monetary policy actions did not restore the normal functioning of financial markets. The Fed has therefore also employed the “quantitative easing” (QE) practice by buying Treasury securities, agency debt and mortgage-backed securities (MBS) backed by government agencies. On the fiscal side, a large stimulus package has been signed into law in February 2009. According to the Congressional Budget Office (CBO), this package amounts to \$787 billion over the period of 2009 to 2010. Among other things, it includes a federal tax relief to both individuals and companies. Arguably, the most important policy actions are those targeting the financial sector. Over-leveraging of financial institutions was one of the main factors behind the current global financial crisis. As a result, many institutions accumulated a significant amount of what are now called “toxic assets” on their balance-sheets. The United States Government responded by introducing the Public-Private Investment Programme (PPIP) in March 2009. The PPIP aims at facilitating the disposal of bad loan and mortgage- and asset-backed securities from the banks’ books. The Treasury will use part of its funds from the Troubled Asset Relief Programme (TARP) plus financing from the Fed and debt guarantees from the Federal Deposit Insurance Corporation to help private investors buy up to \$500 billion of troubled assets initially. However, as the current framework does not guarantee finding a price that is acceptable

to both sides, the toxic assets may stay on the banks' balance-sheets, which would further constrain their capacity to supply credits.

### Japan

The economy of *Japan* has fallen into its deepest recession in three decades. A retrenchment in global demand, particularly for automobile products, and information technology and machinery goods, has led to a collapse in Japan's exports. This, in turn, led to declining corporate profits, tightening financial conditions, rising unemployment, worsening households income, and weakening domestic demand. Initially, the global financial crisis had little direct impact on Japan, as Japanese banks and other financial institutions held only very few of the US sub-prime mortgage loan derivatives. As the crisis deepened since mid-2008, however, Japan was hit hardest among the major developed economies through the collapse of global trade. In early 2009, Japan's exports plummeted at an annual pace of more than 50 per cent, and its trade balance turned from a large surplus to a deficit. In the outlook, a strengthening in the demand for automobiles and information technology and machinery goods will highly depend on a recovery in other major developed economies, as well as in emerging economies.

The external shock has spread rapidly to the domestic economy, causing a sharp drop in industrial production since mid-2008 in response to the precipitating exports, and a significant decline in corporate profits, forcing firms to curtail business investment and to reduce the workforce. The nominal wage rate has also been on a decline, heightening the risk for a return of deflation, which had haunted the Japanese economy in the late 1990s and early 2000s.

In order to mitigate the impact of the global financial crisis on the Japanese economy, the Bank of Japan has taken three types of monetary policy measures: reducing the policy interest rate; ensuring stability in financial markets; and facilitating corporate financing. The policy interest rate, namely the uncollateralized overnight call rate, was cut to and maintained at 0.1 per cent since the end of 2008. Measures to ensure financial market stability include the purchase of stocks held by commercial banks and increased outright purchases of Japanese government bonds. Measures to facilitate corporate financing include the purchase of corporate bonds and commercial papers.

On the fiscal front, several of fiscal stimulus packages were launched, including additional government spending totalling about 5 per cent of GDP. The most recent package released in April 2009 amounted to ¥15.4-trillion (\$154.4 billion), or 3 per cent of GDP. The stimulus includes expenditures for social welfare provisioning, regional economic recovery, investment in infrastructure and environmental projects, additional support to bolster the corporate sector's access to credit, and improvements to healthcare. The government deficit is projected to reach around 6.5 per cent of GDP for 2009-2010. This will lead to a further expansion of the already large public debt, which now stands at 180 per cent of GDP.

#### Australia and New Zealand

The economy of *Australia* has suffered a combination of a severe global downturn and a sharp decline in commodity prices. GDP is expected to fall by 1.7 per cent in 2009, followed another decline of 0.2 per cent in 2010. In response to weaker external demand, businesses have cut back investment and production, particularly in the mining and construction sectors. Businesses have also faced growing difficulties in obtaining credit. Household net worth is estimated to have fallen by around 10 per cent in 2008, which along with increased uncertainty about the outlook has significantly curbed consumption while boosting the savings rate. On the other hand, increased government payments as part of the country's fiscal stimulus measures have somewhat supported household disposable income.

Inflation in Australia had been relatively high in the past few years, above 4 per cent for 2008, but has decelerated sharply since late 2008. Further moderation in inflation is expected for 2009-2010, to a rate of about 2 per cent.

The Reserve Bank of Australia has eased monetary policy by reducing interest rates by a total of 350 basis points since 2008, bringing the rate down to 3 per cent. The Australian Government has so far adopted two fiscal stimulus packages, totaling about 5 per cent of GDP. The latest one, released in February 2009, is estimated at A\$42 billion (4 per cent of GDP), but will spread over several years. Key measures include targeted grants to low- and middle-income households; increase in infrastructure spending; a temporary business investment tax break for small and general businesses; and the

provision of free ceiling insulation for around 2.7 million Australian homes. As a result, the Government budget position will turn from surplus to deficit.

*New Zealand's* economy is in its most prolonged recession since the 1970s, suffering from a combination of a weakening domestic housing market and the global financial and economic crisis. Gross domestic product is expected to grow by only 0.2 per cent in 2009. The economy may stabilize in 2010, supported by markedly lower interest rates, a weaker New Zealand dollar, and significant fiscal stimulus, as well as by moderate growth of the global economy.

Declines in international commodity prices, reduced demand for many of New Zealand's manufactured export products, and declining tourism earnings have been accompanied by difficulties for banks to secure offshore funding. As a result, firms have cut back on investment and reduced labour demand. The worsening employment outlook is weighing on consumer confidence, while households were already scaling back spending in response to falling housing and financial wealth.

The Reserve Bank of New Zealand has reduced interest rates by 525 basis points in little more than six months, taking interest rates to 3 per cent. Further falls in the lending rates faced by households and businesses are expected. The Government has so far adopted fiscal stimuli that total 4.3 per cent of GDP.

#### Canada

The economy of *Canada* has been severely hit by the recession in the United States, and the sluggishness of international markets of energy and minerals. Growth is likely to contract by about 3 per cent in 2009 on the back of poor business expectations, and low consumer confidence, coupled with a fall in global trade. Under such recessionary conditions the main concern will be deflation rather than inflation. The CPI in April was 0.4 per cent, outside the band of 1 to 3 per cent. The tendency for prices to fall in the wake of sluggish demand will be partially countered by the pass-through of imported prices as the devaluation will likely continue.

Similar to their counterparts in the United States, policymakers in Canada have reacted decisively to the crisis. The Central Bank has lowered the main policy interest rate to 0.25 per cent and is likely to keep it at this level until late 2010. The fiscal stimulus announced by the Canadian Government is estimated to total about 2 per cent of

GDP in 2009 and 1.5 per cent in 2010. These measures taken together, and the expectation that the United States economy starts to recover mildly next year, may help to lift the Canadian economy to a positive rate of about 1 per cent in 2010.

#### Western Europe

The economies in *Western Europe* have been hard hit by multiple shocks emanating from the global economic and financial crisis, which are impacting manufacturing sectors, investments, financial sectors, construction, consumption and employment. The euro area and all of the major economies of the region have been in technical recession since the second quarter of 2008 with four consecutive quarters of negative growth so far, but the real collapse in activity started in the fourth quarter of 2008, which was then followed by a dramatic decline in the first quarter of 2009. Activity is expected to gradually stabilize going forward, but for the year as a whole growth in the euro area is expected to fall by 3.7 per cent in 2009 after registering only 0.7 per cent in 2008 and with only moderate recovery anticipated in 2010, coupled with a tremendous negative growth carry over from 2009, growth is expected to continue to decline by 0.1 per cent in 2010

Country performances differ depending on their susceptibility to the myriad of shocks emanating from the crisis: some are suffering from the aftermath of the collapse in housing markets with negative impacts on consumption from declining wealth such as the United Kingdom and/or devastation in the construction sector with declining investment and rising unemployment such as Spain; some are particularly impacted from the collapse of world manufactured trade especially in the capital and consumer durables sectors, such as Germany; most are impacted by the drying up of bank financing; and some economies have been hit by their high dependence on their financial services sectors such as the United Kingdom, Ireland and, at the extreme, Iceland (see Table A2).

To date, evidence of a possible bottoming out of activity in the region remains extremely sketchy. High frequency “hard data”, are no longer plunging but rather are drifting down (an improvement in the second derivative). Industrial production, for example, after plunging in the fourth quarter of 2008, has exhibited a more moderate decline at the beginning of 2009, yet stands 18.4 per cent below its level of a year ago in February, with capital and intermediate goods more than 20 per cent below. The pace of

decline in industrial new orders has also diminished but stands at 35.4 per cent below its level of the previous year. The volume of retail trade has seen a less dramatic downturn standing about 4 per cent less than year ago in March.

Consumption expenditure in Western Europe was weak in 2008, with several quarters of negative growth in many countries. Prospects for 2009 are not encouraging with the expectation of a continued contraction for the first half of the year followed by a marginal rebounding in the second half, but not to a point where it is a significant positive driver to activity. Inflation has fallen significantly since its peak in mid-2008, providing some impetus, but with the intensifying slowdown, employment dynamics have reversed, contracting in the second half of 2008, and rates of unemployment have increased across the region. Wages have continued to move up moderately, lagging the developments in the real sector, but are expected to flatten or fall as the output gap widens. Consumer confidence has fallen dramatically as the outlook deteriorated especially with employment prospects increasingly grim. Wealth has also declined with both collapsing equity prices and the bursting of the housing bubble. Financing conditions have tightened and commercial loans to the household sector have declined significantly. In countries where housing wealth had boosted expenditure, especially where equity withdrawal was easier, consumption is expected to be even more of a drag.

Private investment expenditure both for equipment and construction has been a major contractionary force driving the collapse in activity. Capacity utilization rates have fallen to 75 per cent, their lowest level in the last 19 years. Industrial confidence remains near record lows. The outlook for future demand has deteriorated significantly. Despite the large drop in policy interest rates, financing is increasingly difficult as evidenced by the continued slowing of bank loans to non-financial corporations and surveys reporting that lending conditions continue to tighten significantly. The behaviour of housing investment varies significantly across countries in the region, depending on whether the country experienced a housing boom or not but countries such as Ireland, the United Kingdom, and Spain have experienced very sharp drops in investment.

Inflation has fallen sharply across the region since its peak of 4 per cent in July 2008 (see Table A4). Falling energy and food prices have been the key elements behind the rapid fall, but the strong recessionary forces are playing an increasing role with a



substantial widening of the output gap. Headline inflation is expected to continue to decelerate and even to turn briefly negative (on a year-over-year basis) towards the middle of 2009, but turn up moderately in 2010, as the strongly negative base effects resulting from the comparison to the high energy and food prices of the previous year, fade out. Core inflation has been more stable and is expected to drift more slowly down during 2009 and stabilize at low levels in 2010.

Monetary policy has been very active over the course of the economic downturn, with all of the Central Banks in the region bringing policy rates down sharply as well as increasingly employing non-conventional policy measures. The European Central Bank (ECB) has steadily lowered its main policy rate, the refinancing rate, from 4.25 per cent in July 2008 to currently 1 per cent.<sup>6</sup> In the baseline outlook, it is assumed that the ECB will further cut the rate to 0.5 per cent in mid 2009, and then remain on hold until there is convincing evidence of recovery. Other central banks are similarly assumed to maintain their expansionary stances until late into 2010. With policy rates ever closer to zero there is little traditional ammunition left, so it is likely that there will be increasing use of unorthodox measures. Since the beginning of the crisis, regional central banks have been directly supplying liquidity to the market. In support of such policy, the ECB moved from a variable rate tender with fixed allotment in its re-financing operations to a fixed rate tender with unlimited allotment, giving it tighter control of the overnight interest rate. The Bank of England (BoE) announced in March 2009 the adoption of quantitative easing measures through an Asset Purchase Program, which would involve the direct purchase of government securities, for which 75 billion Pounds Sterling has been allocated. In May 2009, the ECB joined by pledging to buy €60 billion of covered bonds, which are issued by banks and backed by mortgages or public sector loans. The direct purchase of government bonds would be more difficult to adopt given legal obstacles – which may however be circumvented by purchasing the bonds in the secondary markets – and the problem of choosing the appropriate mix of national bonds.<sup>7</sup> Bond yield

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<sup>6</sup> Among other regional central banks, the Bank of England (BoE) has brought its policy rate down to 0.5 per cent, the Bank of Sweden to 0.5 per cent; the Bank of Switzerland is targeting a range of 0 to .75 per cent; the Bank of Denmark has its policy rate at 1.65 per cent and the Bank of Norway at 1.5 per cent.

<sup>7</sup> According to article 21 of the “Protocol on the Statute of the European System of Central Banks and of the European Central Bank”, the ECB is not allowed to purchase government bonds in the primary market.

differentials vis-à-vis Germany have already widened significantly since the onset of the crisis and could be disrupted by large scale purchases.

Meanwhile, fiscal policy has become expansive as many countries began to implement stimulus measures. The European Economic Recovery Pact (EERP) was put forth by the European Commission (EC) in December. It contained proposals for a major fiscal boost and a set of structural reforms. The fiscal boost called for member states to enact fiscal expansions of about €200bn (1.5 per cent of regional GDP). The EC estimates that at the Euro area level the degree of discretionary stimulus announced thus far is 1.1 per cent of GDP in 2009 and 0.8 per cent of GDP in 2010. At the country level, Germany, Spain and the United Kingdom have announced on-budget fiscal programmes close to 1.5 per cent of GDP, with programmes in France and Italy of slightly less than 1 per cent.<sup>8</sup> These measures, however, understate the amount of fiscal support as automatic stabilizers are of significant magnitude in Western Europe. The EC estimates that total stimulus measures including stabilizers account for 4.5 per cent of aggregate GDP in 2009 and 2010. The above measures, coupled with the poor growth outlook, are expected to lead to significant deteriorations of budget positions. For the Euro area, the deficit to GDP ratio is likely to increase by around 5 percentage points by 2010. In addition, there have been sizeable off-budget measures such as credit guarantees to the banking system and the bailing out of financial institution. These latter will have a significant impact on the level of debt. While these measures are significant, they may not be sufficient to kick start demand. It is not clear, however, whether much more can realistically be done. In France and Germany, there is great reluctance concerning further fiscal stimulus measures. The United Kingdom may do more but is already facing a huge increase in its budget deficit. Italy and Greece, which face large budget deficits and debt levels, and Ireland, which has major problems in its banking system, may be unable to enact more stimuli owing to increasing spreads on long-term government bonds.

#### New EU Member States

The economies of *the new EU member states* have steadily deteriorated towards the end of 2008, with GDP growth turning negative in the Baltic States, Hungary and

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<sup>8</sup> See Credit Suisse, “Fiscal Policy around the World”, Economics Research, 19 March 2009, available at <http://www.credit-suisse.com/researchandanalytics>.

Slovenia and declining to near zero elsewhere in the region in the last quarter of the year. The economic contraction continued through the first half of 2009, reflected in double-digit declines in industrial production, plummeting exports and retail trade and depressed consumer and business confidence. The aggregate GDP of the region is expected to shrink by 1.7 per cent per cent in 2009 and to recover only modestly by 1.5 per cent in 2010.

While for many of those economies the recession and the stagnating import demand in the EU-15 can be accounted as the primary reason for this downturn, the region is also affected by the contagion effects of the global financial markets. Sharply increased costs of external borrowing, the deleveraging by the foreign banks, the liquidity squeeze in inter-bank markets, and increased risk aversion among investors have led to an abrupt slowdown in domestic credit growth, which was one of the main factors behind the EU-12 dynamism. In the Baltic States, the end of the housing bubble in 2008 and the sharp decline in private consumption pulled those economies into deep recession. In the entire region those sectors that depend on business and consumer loans, such as residential and business construction, contracted by 20 to 25 per cent in the first half of 2009. For the rest of the year the prospects look gloomy both for export-oriented industries, such as automotive and electronics, and for those targeting domestic markets.

The recession is aggravated by the vulnerability of the new EU member states to the unfavourable global credit condition and a possible reversal of capital flows. The large external financing requirements originating from the high degree of indebtedness of the private sector and the large share of short-term foreign debt necessitate a continuing flow of funds from the parent banks in the EU-15. The risks to the region are heightened by the increasing ratio of non-performing loans and the difficulties experienced by the parent EU-15 banks themselves.

After reaching its peak in summer 2008, consumer price inflation in the new EU member states subsided as food and energy prices dropped from their historic highs and the expansion of domestic credit slowed. The weakening of wage pressures in response to sluggish labor markets and reductions in public sector salaries may turn core inflation negative in a number of countries in 2009. However, increases in indirect taxes and

regulated prices together with currency depreciations will continue to exert inflationary pressures.

On January 1, 2009 Slovakia adopted the euro, leaving only supervisory functions to the central bank. Elsewhere in the region, as economic conditions deteriorated and inflationary pressures subsided, the Central Banks started to loosen monetary policy to support inter-bank markets and credit flows. Interest rates were reduced in the Czech Republic, Hungary, Poland and Romania, while in Bulgaria and Latvia the mandatory reserve requirements were cut. However, the commitment to exchange-rate pegs in the Baltic States and Bulgaria and the increased currency volatility in Central Europe constrained the conduct of monetary policy. The pressure on currencies in the region and the high stock of private foreign debt have increased the attractiveness of adopting the euro, and most of the countries have set 2011 or 2012 as the official target date for euro adoption, including Poland, which recently has adopted a roadmap to the euro. To counteract the impact of the global recession, the Governments and Central Banks in the region attempt to implement countercyclical policy measures. However, policy space in the region is limited. Discretionary fiscal spending is constrained by financing difficulties and the necessity to maintain credibility versus lenders, the conditionality of the IMF-led international assistance packages, as well as by the commitment to exchange rate stability. In the Baltic States, which face the most severe economic downturn, the Governments are compelled to fiscal austerity. Most of the economic stimuli in the region therefore consist of lowering taxes, re-directing public spending, and intensifying the efforts to promote exports and FDI by extending export credit guarantees and adopting more business-friendly legislations. The countries also aim at improving the absorption of the EU funds. Although the Governments pledged their formal commitments to the restrictions of the EU's Stability and Growth Pact or the Maastricht criteria, the slowing economies are likely to produce shortfalls in the budget revenues and the fiscal deficits in 2009 may exceed 8 per cent of GDP in the Baltic States and 3 per cent of GDP in Central Europe.

### *Economies in transition*

#### CIS

After a solid performance outpacing the world economy for several years in a row, growth in the CIS has sharply deteriorated since the summer of 2008 at a pace overshooting previous pessimistic forecasts, including those in *the World Economic and Social Prospects (WESP) 2009* (see Table A2). As the global financial and economic crisis deepened further in 2009, weakening of commodity prices, in particular for oil and metals, tightening of external financing and reduced external demand are adversely affecting more economies in this region at a faster-than-anticipated speed. Regional GDP is expected to fall by over 6 per cent in 2009 compared with a growth of 5.4 in 2008 and an average growth of over 7 per cent for the last seven years. While a weak recovery in the economic activity of most economies is possible for 2010 – with an average growth rate of about 1.4 per cent –, the risks are skewed to the downside.

In 2009, the deceleration of regional economic activity reflects sharp swings in the growth rates of the largest economies, notably in the Russian Federation, Ukraine and Kazakhstan, with a similar pattern of drastic declines in industrial output, falling investment and construction, and a more recent slowdown in private consumption. In the Russian Federation, growth fell by an annualized rate of 9.5 per cent in the first quarter of 2009 on the back of a double-digit decline in industrial output, a severe contraction of investment and weakening consumption as real wages started to fall and unemployment to rise. Exports decline sharply despite the continued depreciation of the rouble, further dragging down economic growth. As the contagion of the global financial crisis deepened and spread to the Russian markets, the government has scaled up measures to shore up commercial banks and enterprises and mitigate the social consequences of the crisis, including a recently announced broad-based anti-crisis programme with a price tag of about 9.1 per cent of GDP. The fiscal stimuli, if successfully implemented and enough to shore up the battered economy will give the possibility for a bottoming out in late 2009 and a weak recovery in 2010.

In Ukraine, growth continued to decline precipitously and is likely to result in a double-digit rate of contraction in 2009 as political turmoil, tightened credit conditions and weak exports of metals persist. In the beginning of 2009, industrial output dropped over one third, construction fell by over 50 per cent and exports of metals declined sharply; all of these causing an estimated contraction of GDP of about 20 per cent. The

outlook for Ukraine's economy is aggravated by uncertainties regarding access to external financing, including a delay in the second tranche of the IMF-supported loan in early 2009 amidst growing needs to support the country's currency and balance of payments positions. The country's long-term sovereign foreign currency rating was downgraded by Standard & Poor's to CCC+ , while the growing indebtedness of banks and non-banks corporations to foreign creditors remain elevated increasing the probability of a default. In Kazakhstan, the economic slowdown continues for a second year on the back of constrained credit availability, worsened terms of trade as a result of lower commodity prices and a downturn in regional markets.

In light of the deepening slump in the largest economies in the region, growth in rest of the CIS has been adversely affected through massive declines in trade, foreign direct investment and workers' remittances inflows as well as a severe shortage of credit. These economies will see a drastic slowdown throughout the year, with the poorest countries suffering the most. Kyrgyzstan is a case in point, where the economy is grappling with a shortfall in hydropower, mounting problems in the banking system that have spilled over from Kazakhstan's banking crisis, upward pressure on food prices and the consequences of an earthquake in the country. In 2010, a modest recovery is expected to start in these economies conditional on revival in the largest regional centres and stabilisation in external financing. To support policy makers in dealing with deteriorating economic conditions in this region, the IMF has extended loans to Armenia, Belarus, Kyrgyzstan and Ukraine.

In 2008, average annual CPI inflation rates reached record highs in most economies in the CIS driven by rising food and commodity prices, and large capital inflows (see Table A4). Overheating of their economies, of Azerbaijan, Kazakhstan, the Russian Federation, and Ukraine, significantly contributed to a marked acceleration of both producer and consumer prices. As these pressures eased by the end of the year and in the beginning of 2009, inflation rates subsided but remain at elevated levels, particularly in Belarus and Ukraine. In Kyrgyzstan, persistent shortages of power generation and strong imported inflationary pressure are an additional burden that keeps producer prices and cost of services at high levels. In the outlook, inflationary pressures will abate further in the region as domestic demand weakens, capital flows continue to

decline and commodity prices remain weak. At the same time, ongoing devaluations and the expected pass-through effects in some economies, as well as upward adjustments in utility prices will keep average inflation rates higher in these countries than elsewhere.

As the global credit crunch started affecting the region, the currencies of many CIS came under pressure in the beginning of 2009 and monetary authorities responded in various ways. In the Russian Federation, the Central Bank intervened repeatedly to smooth the rouble depreciation at the expenses of a significant reduction of its foreign exchange reserves. A recent stepwise devaluation, which included a widening of the trading band of the rouble against a currency basket (55 per cent US dollar and 45 per cent Euro), has reduced the pressure on the rouble. The Central Bank adjusted its monetary policy stance from loosening – in providing liquidity to banks in late 2008 – to tightening in the beginning of 2009 through a series of interest rate increases to prevent banks from converting liquidity position into foreign exchange. As the value of the Russian rouble stabilised and inflationary pressure subsided later in the year, interest rates were cut, signalling a switch to a downward trend.

In Kazakhstan, the Central Bank introduced a one-off devaluation in early February as a response to substantial downward pressure on reserves as well as concerns over stringly weakening competitiveness. In addition, it cut the refinancing rate and reduced the reserve requirements for commercial banks to ease liquidity. The earlier sharp fall in inflation allowed and easing of monetary policy and further steps in this direction are likely in the short-term. In Ukraine, the Central Bank moved to a flexible exchange rate after an initial re-pegging of the currency. In countries with sharply deteriorating external imbalances and weakening currencies, such as Kazakhstan and Ukraine, risks of speculative attacks on their currencies remain high in the forecast period.

Meanwhile, contracting economic activity has hit budget revenues throughout the CIS, triggering a marked downward adjustment in 2009 budget balances. In the resource-rich countries, oil-related revenues abruptly declined as volumes of exports and prices drastically went down. As a result, hefty budget surpluses turned rapidly into widening deficits, which were further boosted by growing social needs. In the Russian Federation, the recent revision of the 2009 fiscal budget reflects a decline in revenues, causing a

deficit of about 7.4 per cent of GDP. Growing needs for social expenditures, including increased unemployment benefits and pensions to compensate for accumulated inflation, are envisaged to be covered by the Reserve Fund. Although anti-crisis measures to boost liquidity and help enterprises and commercial banks endure the credit crunch are an additional burden to the current budget, their implications are expected to stimulate growth and change its pattern in the short term. Additional fiscal spending to provide financial support to the banking and real sectors is expected to widen Kazakhstan's fiscal deficit from about 2.1 per cent in 2008 to around 3.6 per cent of GDP in 2009. In Ukraine, Kyrgyzstan and Armenia, increased fiscal deficits, partly owing to additional support for the most vulnerable groups, will be covered by IMF loans.

#### South-eastern Europe

The economies of *South-eastern Europe* notably weakened in the last quarter of 2008 and the deceleration continued into 2009. Initially believed to be sheltered from the global financial turmoil thanks to their relatively limited degree of financial integration with the rest of the world, the sub-region nevertheless suffered massive setbacks due to shrinking exports, lower FDI and portfolio capital inflows, a decline in the flow of remittances, slowing domestic credit growth, and higher costs of external financing. Virtually all those factors that contributed to the robust growth of previous years, now started to act in reverse as transmission channels for the global recession. As a result, all economies of the sub-region, with the exception of Albania, are expected to see negative GDP growth rates in 2009 and are likely to stagnate in 2010. The aggregate GDP of the region is expected to decline by 1.9 per cent in 2009 and to recover by 1.0 per cent only in 2010. In an optimistic scenario, assuming an upturn in the European Union, GDP growth in the region in 2010 may reach 2.5 per cent, while in a more pessimistic scenario the economies of South-eastern Europe may decline by 0.3 per cent in 2010.

Both domestic factors and the external environment were unfavourable for growth in 2009. The decline in export demand caused by the recession in the major trade partners has led to a slowdown in many industrial and extractive sectors, such as steel, automotive, textile, chemicals and minerals. The tourism industry, important for the region, is performing poorly. On the other hand, weaker consumer and business confidence, the increased indebtedness of the private sector and an ongoing tightening of



the credit market, have caused a sharp slowdown in the construction sector and in financial intermediation. As a consequence of the economic crisis, many FDI projects into the region are also being put on hold, which is likely to result in a general decline in investment rates, despite continuing public investment projects.

In 2008, domestic inflationary pressures were amplified by the global energy and food price shocks. However, as international commodity prices dropped and domestic and export demand slowed sharply, inflation in the sub-region resumed its downward trend and is expected to remain in low single digits in 2009. Serbia is a possible exception to this pattern as the sharp increases in the prices of certain services at the beginning of the year have pushed up the annual rate of inflation.

The primary focus of monetary authorities has shifted from constraining domestic credit growth, along with maintaining stable exchange rates or meeting the inflation target, to safeguarding confidence in domestic financial markets. Many countries in the region have large external financing requirements and are very vulnerable to the abrupt slowdown in capital inflows. Some countries had to spend a significant share of their foreign exchange reserves to support the increasingly volatile currencies as their financial markets underwent a turbulent period in the last quarter of 2008. The South-east European economies do not possess sufficient resources to inject liquidity into the financial sector and had to seek international assistance to stabilize their financial markets and avoid balance-of payment difficulties. Serbia and Bosnia and Herzegovina have negotiated Stand-by Agreements with the IMF and are looking for additional sources of external funding. Meanwhile, the monetary conditions are being relaxed wherever possible. In Serbia, the Central Bank has reversed the monetary policy stance by cutting interest rates, in response to slowing output and moderating inflation, and in Bosnia and Herzegovina the mandatory reserve requirements were reduced to restore the flow of credit. To counteract the economic recession, the governments in the region have also adopted a number of measures to increase public spending, mostly on infrastructure and IT projects, as well as in the social sphere. The ability of these countries to conduct an expansionary fiscal policy in the case of an economic downturn is, however, limited. As their governments conducted Pro-cyclical fiscal policies in previous years, the countries of South-eastern Europe failed to build-up fiscal reserves during the boom period.

Moreover, the official fiscal revenue targets are unlikely to be met in 2009 and a number of Governments in the region had to seek additional borrowing in order to finance their budget deficits or to repay external debt. Some countries have adopted supplementary privatization programs to raise public revenue. Counter cyclical policies are limited further as, the new loans from the IMF and other institutions are associated with fiscal austerity conditions. The scope of most of these loan programs is limited to support for the financial sector to prevent an outflow of capital and to increase creditworthiness. Even with the austerity conditions, however, the budget surpluses in some countries are expected to turn into deficits in 2009.

### ***Developing economies***

#### **Africa**

Among developing countries, growth in *Africa* is sharply decelerating largely owing to contracting world demand, the global credit squeeze and falling capital inflows, including foreign direct investments and remittances. Although the manifestations of the negative effects of the financial crisis in most of the sub-Saharan African economies lagged behind those in more industrialized economies, they are now painfully being felt. The average growth rate for the region in 2008 was revised downward from 5.1 to 4.9 per cent. The outlook for 2009 is even more grim with a growth rate forecast of 0.9 per cent, well below the growth rate of the population of 2.2 per cent. The resulting negative real growth per capita marks a sharp reversal from the positive trend of the last decade. It will also cause setbacks in the hard-won social and economic gains that were made in terms of poverty reduction and progress towards the millennium development goals. Conditional on a recovery of the global economy, including rebounding of world trade and commodity prices, Africa is forecast to register growth of 4.0 per cent in 2010.

As world aggregate demand dropped sharply and credit dried up, export revenues of some of the major oil and mineral exporters in the region have fallen rapidly. The economies of Angola and Nigeria are expected to contract by 4.2 per cent and 0.5 per cent in 2009, respectively, following positive growth of 12.1 per cent and 6.0 per cent in 2008. South Africa is also expected to fall into recession this year after its manufacturing sector was severely hit. The slump spilled over to its neighbours whose economies are

closely linked to that of South Africa, particularly in Lesotho, Swaziland and Namibia. Manufactured exports throughout the region are suffering from the contraction of the global demand. The effect will be felt most in countries like Botswana (which also experienced a sharp decline in demand for diamonds), Mauritius, Morocco and Tunisia whose exports are mainly destined to high-income countries. Similar patterns apply for countries that export timber such as Central African Republic and Côte d'Ivoire. Nevertheless, food exporters will likely be more resilient as the demand and prices for commodities like cocoa, coffee, tea and bananas have not declined very much. Although banks in Africa are still sound, the drying up of global credit forced several African countries like Kenya, Nigeria, Tanzania and Uganda to postpone their Eurobond issues, harming planned infrastructure investments. In parallel, the global tightening of credit has restrained the availability of trade finance and was accompanied by a drastic reduction of capital inflows, including foreign direct investments, remittances, and tourism revenues. Aid flows may also drop if political pressure in donor countries continues to limit aid budgets prevail.

With falling commodities prices, inflation has stabilized or slightly declined lasting recent months, but will remain around 8 per cent on average for the region in 2009. In April, Zimbabwe managed to bring down its skyrocketing rate of inflation when the Government decided to abandon the national currency for at least one year, after allowing the use of multiple foreign currencies since January 2009. Inflation in Egypt is expected to come down to 9.1 per cent in 2009 after the country experienced a sharp increase in inflation to 18.3 per cent in 2008, mainly owing to higher fuel prices and tax increases. Inflation remains high in Ghana and Nigeria, where latest year-on-year increases stood at around 20 per cent and 15 per cent, respectively. While inflationary pressures have declined, many African currencies depreciated vis-à-vis the euro and the dollar and some Governments reduced their subsidies on food. This led to higher import and food prices in local markets, reminding observers of the food crisis which still constitutes one of the major threats for Africa.

As the effects of the economic crisis became more visible and inflation pressures moderated, several African Central Banks started to ease monetary policy. The Central Bank of South Africa reduced its repurchase rate by a total of 3.5 percentage points to 8.5

per cent between December 2008 and May 2009. Most Central Banks in Africa continue to target limited growth of the money supply. However, because of financial markets, the effectiveness of monetary policy instruments is limited and the banking sector still remains high liquid in many African countries. Central Banks in many countries are therefore reluctant to continue to ease monetary policy, as they expect this would trigger further depreciations and capital outflows. Almost all African countries are expected to run fiscal deficits in 2009 as revenues are declining and some Governments have embarked on fiscal stimulus packages.

The drastic deterioration of the terms of trade for oil and mineral-exporting countries such as Angola, Chad, Republic Democratic of the Congo and Nigeria will force Governments to revise their 2009 budgets. Meanwhile, Governments in many oil-importing countries, which adopted various measures to mitigate the impact of high food and fuel prices, are now facing lower pressures. The situation will be more critical in some vulnerable countries which rely heavily on donor support and have run fiscal and current-account deficits for years as they will need to adjust their domestic demand to reduce import costs. Potential declines in donor support may have strong effects on budgets in countries like Niger, Guinea-Bissau, Tanzania, Madagascar, Democratic Republic of the Congo, Rwanda and Burundi, where the share of aid in financing total government spending exceed 60 per cent. Altogether, the latest *African Economic Outlook 2009* of the African Development Bank, OECD Development Centre and the UN Economic Commission for Africa forecasted an average budget deficit of 5.5 per cent of output this year, compared to a surplus of 3.4 per cent in 2008, with Angola, Botswana and Liberia facing fiscal deficits of more than 10 per cent of GDP.

#### East Asia

Amid a dramatic downturn in global demand, economic growth in *East Asia* has declined sharply since the financial crisis deepened. Average growth in the region slowed from 9.6 per cent in 2007 to 6.1 per cent in 2008, and is forecast to decline to 2.9 per cent in 2009.

While about half of the countries in the region are expected to register contractions of GDP in 2009, China is likely to record relatively robust growth of 7.6 per cent thanks to the Government's large fiscal stimulus package and healthy growth in

private consumption and investment. Like all other East Asian economies, China has experienced sharply declining merchandise exports and weakening industrial production. As a result, year-on-year GDP growth slowed to 6.1 per cent in the first quarter of 2009, the lowest growth since quarterly records began in 1992. However, signs of stabilization have emerged during the past few months in the region's largest economy, including significant year-on-year growth in fixed asset investment, property transactions and retail sales. The resilience in investment and consumption spending not only suggests that the Government's fiscal stimulus package is starting to work, but also makes a growth recovery in the second half of 2009 likely. In 2010, growth in China is forecast to recover to a rate of 8.2 per cent.

Other parts of East Asia face much more severe economic downturns. Collapsing exports, combined with drastically reduced capital flows and increased economic uncertainty have caused significant contractions in investment demand. Private consumption has also begun to weaken, partly owing to rising unemployment levels across the region. Hong Kong, SAR, Taiwan, POC, Republic of Korea, Singapore and Malaysia are hardest hit by the global crisis as growth in these economies is heavily dependent on external demand, most notably for electronic consumer goods. In 2009, all five economies are expected to register negative GDP growth, ranging from -2 per cent in Malaysia to -7.6 per cent in Singapore. Thailand is also facing a severe recession as political instability and security concerns further erode investors' confidence. In 2010, East Asian economies are anticipated to recover moderately from the current downturn, with average growth in the region forecast at 5.6 per cent.

In 2008, annual consumer price inflation reached its highest level since the Asian financial crisis in most countries of East Asia, averaging 6.0 per cent for the region as a whole. However, inflation across the region has dropped sharply since mid-2008 as global prices of fuel and food declined and domestic demand weakened. In the first quarter of 2009, China, Taiwan Province of China and Thailand reported year-on-year declines in consumer prices, whereas inflation in Indonesia and the Philippines has so far remained elevated. Inflation rates across the region will likely continue to fall throughout most of 2009, and a number of countries are expected to experience several months of deflation. Nonetheless, the risk of a sustained deflationary spiral of declining output and

prices appears to be low, partly owing to the aggressive monetary and fiscal policy actions of recent months. International commodity prices and domestic demand are expected to recover moderately in 2010, resulting in a slight upward trend in inflation across the region.

In response to the turmoil on global financial markets, rapidly deteriorating economic conditions and easing inflationary pressures, Central Banks in East Asia loosened monetary policy significantly over the past six months. Monetary authorities in almost all countries in the region cut their policy rates multiple times since October 2008. In addition to reducing interest rates, many Central Banks also lowered their minimum reserve requirements to support domestic liquidity and credit creation. The monetary easing, in combination with the fiscal stimulus packages, has helped fuel credit growth in several East Asian economies, most notably in China, where bank lending in the first quarter of 2009 increased by 27 per cent from a year earlier. Monetary policy in the region will remain accommodative throughout 2009. Several Central Banks, including the People's Bank of China, the Bank of Indonesia, and the Central Bank of the Philippines, still have considerable room for further cuts in interest rates and reserve ratios.

Facing an unprecedented slump in external demand and rapidly contracting industrial output, most Governments in East Asia have announced - and began to implement - large fiscal packages to stimulate domestic demand, support the business sector, and mitigate the social impact of the crisis. In November 2008, China revealed a Yuan 4 trillion (\$586 billion) stimulus package that includes government spending on transport systems, post-earthquake reconstruction, public housing, rural infrastructure, technological innovation, and environmental protection. While the total size of the package amounts to approximately 12 per cent of China's 2009 GDP, the actual stimulus in response to the financial crisis is much smaller. This additional spending is estimated at about 2 per cent of GDP in 2009 and 2010. Other large stimulus packages, relative to the size of the domestic GDP, were announced in Malaysia, the Republic of Korea and Singapore. Most of the plans favour expenditure-side and quasi-fiscal measures over tax cuts. Major exceptions are the stimulus packages in the Republic of Korea and Indonesia, which focus on reductions in corporate and personal income taxes in order to stimulate

consumption growth. Importantly, several fiscal packages in the region foresee expansions of existing social safety net programs. The combination of a massive increase in government expenditures and declining fiscal revenues will lead to sharply higher budget deficits in 2009 and 2010, ranging from an estimated 2.8 per cent of GDP in China to approximately 8 per cent in Viet Nam. Nonetheless, public debt levels as a share of GDP remain moderate in East Asian countries, with the exception of Singapore.

### South Asia

After several years of macroeconomic stability and strong growth, the economies in *South Asia* are facing a challenging environment. Between 2004 and 2007, annual growth in the region averaged 7.6 per cent on the back of strong expansions in private consumption and fixed investment. Since the global financial crisis deepened in the third quarter of 2008, South Asian countries have faced a slowdown in capital inflows as well as a decline in export demand. As a result, external vulnerabilities became apparent in several countries in the region, most notably in Pakistan, where the Government only averted a balance-of-payment crisis by agreeing to a \$7.6 billion emergency loans from the IMF.

The economic downturn in South Asia is nonetheless expected to be less severe than in other developing regions. This mainly reflects the fact that the contribution of net exports to growth was low even before the financial crisis as South Asian economies are dominated by the service sector. While domestic demand will slow down in 2009 amid increased economic uncertainty, it is expected to hold up better than in other regions. Average growth in the region is expected to drop from 6.8 per cent in 2008 to 4.1 per cent in 2009 before recovering to 5.4 per cent in 2010.

In India, GDP growth decelerated to its slowest pace in six years in the fourth quarter of 2008 as access to financing deteriorated, resulting in a marked slowdown in fixed investment growth. Private expenditure on consumption and investment in the region's largest economy is expected to continue to grow in 2009, albeit at a significantly lower rate than in the past few years. Increased government spending will provide additional support for growth. Real GDP growth is projected to decline from 7.3 per cent in 2008 to 5 per cent in 2009. Growth is also expected to decelerate moderately in Bangladesh, Nepal, and Sri Lanka, whereas the Islamic Republic of Iran and Pakistan are

likely to experience sharper economic downturns in 2009. In Pakistan, the fiscal adjustment measures requested by the IMF as part of its emergency financing package will constrain domestic demand and GDP growth in 2009 is expected to drop to 2.2 per cent from 6 per cent in 2008.

Consumer price inflation across South Asia has slowed considerably in recent months, after trending upward throughout most of last year. In 2008, sharp increases in the global prices of food and energy, combined with robust domestic demand, pushed inflation rates to decade-highs. The Islamic Republic of Iran, Pakistan, and Sri Lanka registered average annual inflation of more than 20 per cent. The pace of price increases was more moderate in Bangladesh and India, where annual inflation averaged about 8.5 per cent. As global food and energy prices declined significantly during the second half of 2008, inflationary pressures across South Asia began to recede. Yet, rates of consumer price inflation have fallen less rapidly than in other regions owing to increased inflationary expectations and a weakening of currencies relative to the US dollar in the third quarter of the year. That is particularly the case in Pakistan, where year-on-year inflation has so far remained above 20 per cent as a result of continuously high food inflation and a reduction of fuel subsidies that led to a massive increase in transportation costs. In 2009, inflation rates across South Asia will continue to fall as international prices of crude oil and other commodities remain moderate.

In view of deteriorating economic conditions and slowing inflation, many Central Banks in South Asia eased monetary policy during the past six months. Those moves ended a long cycle of monetary tightening in the region as monetary authorities shifted their focus from controlling inflation to providing liquidity to financial markets and supporting economic growth. The Reserve Bank of India cut its main policy rate by a total of 425 basis points to 4.75 per cent between October 2008 and May 2009 and reduced the cash-reserve ratio in order to stimulate lending and investment activities. However, India's commercial banks have been reluctant to pass on lower interest rates to borrowers. The effectiveness of the recent policy rate cuts in India has also been undermined by additional Government borrowing, which exerted upward pressure on market interest rates.



Monetary policy in Bangladesh, Pakistan, and Sri Lanka has remained relatively tight as Central Banks cut interest rates cautiously in early 2009. In April 2009, the Central Bank of Pakistan lowered the main policy rate for the first time in six years from 15 per cent to 14 per cent after inflation dropped to its lowest level in more than a year and the IMF agreed to the easing of monetary conditions.

The South Asian economies, with the exception of the Islamic Republic of Iran, continued to post large budget deficits in 2008, mostly owing to rapid expenditure growth. In 2009, budget deficits are likely to widen further in most South Asian countries as the positive impact of lower oil and food prices on fiscal balances is outweighed by slowing tax revenues and additional fiscal spending to support economic growth. In India, the fiscal deficit rose to approximately 6 per cent of GDP in 2008, much higher than previously expected. Faced with a deteriorating economic situation, the Indian Government decided to temporarily deviate from its fiscal consolidation path. It announced a series of fiscal stimulus measures to counter the effects of the global downturn on the domestic economy, including extensive tax cuts, additional credit facilities, and increased expenditure on rural infrastructure and social security programs. The Governments of Bangladesh and Sri Lanka have also announced fiscal stimulus packages in response to the economic slowdown. Bangladesh's \$500 million package, unveiled in April 2009, includes additional spending on agriculture, the power sector, social security, and cash subsidies to exporters. In 2009, fiscal deficits are expected to exceed 6 per cent in India, Pakistan, and Sri Lanka. The Islamic Republic of Iran is likely to record its first fiscal deficit since 2001 as revenues from oil exports decline sharply, while government spending is expected to remain strong, especially in the run-up to the presidential election in June 2009.

#### Western Asia

After growth of 4.5 per cent in 2008, the economies in *West Asia* will see an economic contraction by 0.7 per cent in 2009 and a return to positive growth of 2.9 per cent in 2010. Oil-exporting countries are being hit by reduced export revenues due to lower oil prices and, especially in the case of the OPEC members, scaled-back oil production, as well as a sharp drop in asset prices and tighter credit markets. Non-oil exporters in the region suffer from the global crisis through weaker demand for their

manufacturing and tourism sectors, tighter international credit conditions, reduced investment inflows and lower remittances.

The fall in oil prices is a major driving factor for the economic slowdown in the region. Among the oil-exporters, the lowest growth rates for 2009 are forecast for Saudi Arabia and Kuwait, with their GDP contracting by 0.8 per cent and 0.7 per cent, respectively. In Saudi Arabia, continued strong government spending can only partially cushion the negative effect on growth from reduced oil production, although higher oil prices will underpin a pickup in growth to 2.8 per cent in 2010. Similarly, in Kuwait, cuts in oil production and a drop in investment and consumption will depress growth in 2009, before oil markets will drive a recovery of GDP growth to 2.9 per cent in 2010. Many Kuwaiti financial institutions borrowed heavily abroad to invest in the local real estate market or in private equity, and are now being hit by the fall in real estate prices. At the same time, the sharp fall in stock prices from their peak in June 2008 has also eroded private investor confidence.

A similar economic picture has emerged for the non-oil exporters. The sharp contraction in global trade will be a major driver of the deceleration in economic activity in countries such as Israel and Turkey, which will see their GDP contract by 0.9 per cent and 4.5 per cent, respectively, in 2009. Moreover, a marked slowdown in tourism will also reverberate negatively in the region. In Jordan, for example, two-thirds of GDP is generated in the service sector, including tourism, making the expected slowdown in services a main driver of the slowdown in GDP growth from 5.3 per cent in 2008 to 3.4 per cent this year. Throughout the region, the bleaker outlook for the external sector also underpins rising unemployment rates, which constrains available incomes and weakens domestic private consumption. However, a recovery in exports, private consumption and fixed investment is forecast to revive growth in 2010, reaching 0.8 per cent in Israel and 1.2 per cent in Turkey.

Some of the strongest economic performances in the region will occur in countries that have major natural resource projects coming on stream. Qatar, for example, will see growth of almost 12.1 per cent this year and 15.3 per cent in 2010 due to heavy investment in liquefied natural gas (LNG) projects. A similar, although more constrained positive scenario plays out in Yemen, where lower oil prices and lower oil production

will at least partially be offset by an increase in exports due to new LNG production capacities, contributing to GDP growth of more than 5.0 per cent in both 2009 and 2010. Iraq represents another positive example in the region, as improved security will allow some economic catch-up effect to take hold after years of economic sanctions and war.

Inflation in the region has been falling in many countries including Israel, Jordan, Lebanon and Turkey due to the economic slowdown, lower commodity prices and, in the case of pegged currencies, the strengthening of the dollar. Inflation rates are forecast to remain subdued in 2009 in view of slower growth in domestic demand as well as the drop from a high base in the previous year. In 2010, stabilizing economic activity will also support moderate price increases.

Lower inflation in most countries of the region has provided room for looser monetary policies in reaction to the economic crisis. Monetary authorities in Israel and Turkey, for example, aggressively cut policy interest rates. Meanwhile, fiscal balances are being squeezed from various sides. Lower oil prices and weaker economic activity hit fiscal revenues at a time when fiscal stimulus measures were initiated to support economic activity through public investment, especially in infrastructure projects. In the non-oil exporting countries, but also in oil producers such as the Syrian Arab Republic, lower oil prices are providing some relief by reducing the cost of fuel subsidies. This has offloaded some the pressure on Governments to undertake further reaching and potentially unpopular reform measures. As part a general trend of deteriorating fiscal surpluses balances, a number of oil exporters such as Saudi Arabia, Kuwait, the United Arab Emirates and Qatar are expected to see fiscal budgets turn into deficits. Saudi Arabia will experience the largest budget shortfall, with its deficit amounting to 8.7 per cent of GDP in 2009 and 7.6 per cent of GDP in 2010, as lower oil revenues are accompanied by higher public spending in an effort to support economic activity and the creation of employment opportunities. Among the non-oil exporting countries, the budget deficit of Turkey is anticipated to increase from 1.8 per cent of GDP in 2008 to 4.4 per cent of GDP in 2009, before stabilizing at this level in 2010. Similarly, Israel's deficit will rise to and then stabilize at around 5.0 per cent of GDP in 2009, compared to a deficit of 2.1 per cent in 2008.

#### Latin America and the Caribbean

Growth in *Latin America and the Caribbean* slowed more rapidly than originally expected in the fourth quarter of 2008, dragged down by weakening external demand as well as a rapid contraction of domestic demand, due to tight credit conditions and rising fears about unemployment. After five consecutive years of GDP growth over 4.0 per cent, negative growth of 1.9 per cent is now expected in 2009. In 2010, economic activity might recover and expand on average by 1.7 per cent should global economic conditions become more favourable. In the first half of 2008, the region performed better than previously expected. Favorable terms of trade, strong consumer demand and increased gross fixed investment compensated for weaker external demand. However, the correction in high commodity prices and rapidly weakening external demand discouraged industrial, energy and mining production, and led to a severe economic slowdown since the last quarter of 2008. In addition, domestic demand, which has the main driving force of economic growth, particularly in the large economies of the region, including Argentina, Brazil, Mexico, and Venezuela (Bolivarian Republic of), decelerated sharply in the fourth quarter of 2008 and the first quarter of 2009.

Growth prospects for 2009 are negative therefore. In addition to the deterioration of the external environment, consumer confidence remains sluggish and industrial activity continues to contract, as observed in several countries, including Brazil and Mexico. At the same time, the slowdown in capital inflows will remain a main concern, posing difficulties in investment financing. Nevertheless, public spending on infrastructure, the energy sector and social programs is expected to prevent a much sharper deceleration. In addition, the depreciation of local currencies may support export competitiveness, in particular for manufactured goods, and partially offset the decline in commodity prices. These factors may not be strong enough to avoid a contraction of the economy in a number of countries in 2009, but should contribute to a gradual recovery in 2010.

South American countries are more dependent on commodity export revenues and will suffer more severely from their lower prices, impacting negatively on the terms of trade and fiscal revenues. A deceleration in credit growth will continue to affect private consumption and investment, despite rapid interventions from national entities as in Brazil in the last quarter of 2008. Gross domestic product for South America as a whole

is expected to contract by 0.9 per cent in 2009, following 5.3 per cent growth in 2008. Despite the significant economic slowdown, government spending is expected to help in posting positive growth in some countries, such as Peru and Plurinational State of Bolivia, already in 2009. Agricultural exports may also continue to perform well, limiting the economic downturn in Uruguay.

Together, Central America and Mexico are expected to register the highest negative growth in the region, -4.3 per cent in 2009, following positive growth of 1.7 per cent in 2008. The sub-region is directly hit by the recession in the United States, the major trading partner for most of its manufactured exports and the major destination for its migrant workers. In Central America, a decreasing inflow of tourists will affect particularly Costa Rica, as tourism is a key source of foreign exchange earnings. Mexico's GDP is expected to contract significantly, by 4.8 per cent, driven by the United States recession, lower oil prices and production, and tight credit conditions.

The Caribbean is expected to register slightly positive economic growth of 0.7 per cent in 2009. This is mainly driven by a relatively robust economic performance in Cuba, with an expected GDP growth of 3.0 per cent in 2009, in part helped by the easing of US restrictions. Economic activity in other Caribbean countries is expected to slow down significantly, being particularly sensitive to the United States economic downturn, the decrease in tourism and limited fiscal space to undertake countercyclical measures.

In most Latin American and Caribbean countries inflationary pressures in 2009 will ease owing to a deceleration of domestic demand and lower commodity prices, especially in countries that are net importers of food and energy. The impact of lower world commodity prices may not be felt immediately in domestic prices since part of them were subsidized, but the average inflation rate is expected to decline from 7.9 per cent in 2008 to around 6.4 per cent in 2009. In turn, exchange-rate depreciation of local currencies will put an upward pressure on domestic prices, as imports become more expensive, but it is not expected to offset the influence of the factors mentioned above. In specific cases, such as in Venezuela, inflation will continue to be high in 2009 owing to supply shortages of consumer goods and the evolution of the parallel exchange rate.

A prolonged period of monetary tightening has come to an end as inflation pressures are decreasing. In the last quarter of 2008 and in early 2009, several Central

Banks started to ease monetary policy aggressively in response to emerging liquidity shortages stemming from the ongoing global financial crisis. Central Banks are expected to further reduce policy rates in 2009, which may have some positive effect on consumption and investment demand in the second half of 2009. However, the scope to enact interest rate cuts is limited in countries, such as Argentina, that want to prevent additional pressure on the foreign-exchange market and capital outflows. In order to prevent a liquidity crisis, the Central Bank of Brazil has also reduced the legal reserve requirement on deposits and opened several lines of credits to banks and specific sectors of the economy.

Meanwhile, the regional fiscal position is expected to deteriorate in 2009. A sharp fall in commodity prices and export demand, combined with a slowdown of domestic economic activity, will affect public revenues. At the same time, a large number of governments announced additional public spending plans in 2009 and 2010 to stimulate their economies, in particular in the social, energy and infrastructure sectors. The space for countercyclical measures may be larger for countries that previously had fiscal surpluses or that have accumulated ample foreign-exchange reserves. In turn, several countries, such as Argentina, Venezuela (Bolivarian Republic of) and Ecuador will have difficulties implementing countercyclical policies. High public spending in 2008 has left those governments with limited funds and Venezuela (Bolivarian Republic of) has already significantly cut budgeted spending for 2009.

## **Employment outlook**

The deepening of the global financial crisis is causing further deterioration of the employment situation in most regions. As economic uncertainties linger and economic growth remains on a contracting path, this trend will continue in the outlook period.

*In the developed economies*, the trend of rising unemployment has become broader and more pronounced. While the United States saw its unemployment rate rise to 8.9 per cent in April, Western Europe experienced an increase to 8.9 per cent in March from 7.2 per cent a year earlier. However, this overall figure masks the situation in some especially hard-hit national labour markets such as Spain, where unemployment rose to

17.4 per cent in March from 9.5 per cent a year earlier, and Ireland, with an increase in unemployment from 5.2 per cent to 10.6 per cent in the same period.

The sharp decline in industrial orders, the stagnating construction sector and the reductions in public workforce along with the return of migrants from the EU-15 have led to increasing unemployment in the new EU members, reversing the noticeable progress accomplished since 2004. The recession in the Baltic States has already led to a sharp increase of unemployment rates to about 12 per cent in the first half of 2009 from as low as 4 per cent in 2008. In other countries, the unemployment rate has increased by 2 to 3 percentage points to an average of 9 per cent.

Despite various fiscal stimulus packages, unemployment is forecast to increase further, both in the United States and in Western Europe into 2010 due to the usual reluctance of businesses in hiring until the economic recovery is on a firm footing. In Japan, the unemployment rate has also been on the rise, although it has not yet reached the high level of the early 2000s.

The labour market trends are similar in *the economies in transition*. In the CIS, unemployment and short-term working has significantly increased owing to the sharp declines in output and the continued credit squeeze across the region. In the Russian Federation, for example, unemployment reached 8.6 per cent in early 2009. Likewise, in South-eastern Europe, the economic slowdown, the decline in export orders, the poor performance of the tourism industry and the continuing return of migrants from the EU have led to an increase in unemployment rates by several percentage points. In Croatia, for example, the unemployment rate has reached double-digit levels. In Bosnia and Herzegovina and the Former Yugoslav Republic of Macedonia, where unemployment rates were already exceptionally high before the crisis, standing at around 35 to 45 per cent, they have increased further by 3 to 5 percentage points. Both in the CIS and in South-eastern Europe, unemployment rates are forecast to increase further throughout 2009.

In the *developing countries*, the erosion of employment gains accumulated over the period of strong growth in the past few years has gathered further pace, both in terms of the number of jobs lost and the increase in vulnerable employment. In East Asia, plunging exports and industrial production have driven a significant increase in layoffs

since the financial crisis intensified, prompting many governments in the region to use active labour market policies to limit the increase in unemployment. Similarly, South Asia is also being hit by the weaker international economic environment, with significant job losses mostly in export-oriented sectors. In Africa, the collapse of commodity prices has forced a number of international mining companies to close, underpinning significant job losses for example in the Democratic Republic of the Congo. The labour market picture in Africa is further compounded by the decline or delay of new construction projects, causing negative feed-through effects on the manufacturing and service sectors. In line with other regions, Latin America is seeing rising unemployment rates especially on the back of weakening manufacturing sectors in countries such as Brazil and Mexico. Unemployment and underemployment are forecast to increase throughout the developing countries in 2009, with any trend reversal depending on a sustained recovery in the developed economies.

## **Uncertainties and risks**

The outlook for the global economy is subject to a number of uncertainties and important risks, which are mainly on the downside. The first group of risks encompasses domestic factors that could push major economies into a more severe downturn, such as growing unemployment, which can lead to falling consumption and investments, and become a burden to already overstretched budgets. Also, insufficient measures to clean up the balance sheets of the banking sectors could further postpone the bottoming out of the crisis owing to the lack of efficient financial intermediation. If the announced fiscal stimuli, which were described in the previous sections of this report, fail to work, the crisis will be prolonged and more resources will be needed to boost growth at a later stage. The fiscal stimuli could be insufficiently effective if financial sector problems continue and more forceful intervention policy coordination takes place (see below). In this case, which corresponds to the pessimistic scenario of the current forecast, the WGP is expected to grow by only 0.2 per cent in 2010 (see Table 5).



**Table 5**  
**Pessimistic scenario**

	2004- 2007 <sup>a</sup>	2008 <sup>b</sup>	2009 <sup>c</sup>	2010 <sup>c</sup>	
				Baseline Scenario	Pessimistic Scenario
<b>World</b>	3.8	2.1	-2.6	1.6	0.2
<b>Developed economies</b>	2.6	0.8	-3.9	0.6	-0.4
USA	2.6	1.1	-3.5	1.0	0.0
Japan	2.1	-0.6	-7.1	1.5	0.4
European Union	2.6	0.9	-3.5	0.0	-1.0
EU15	2.5	0.7	-3.7	-0.1	-1.1
New EU	5.5	4.0	-1.7	1.5	-0.5
Euro zone	2.4	0.8	-3.7	-0.1	-1.2
Other European	3.0	1.9	-3.0	0.1	-1.1
Other developed countries	3.1	1.0	-2.3	0.4	-0.5
<b>Economies in transition</b>	7.6	5.3	-5.9	1.4	-0.6
South-eastern Europe	5.3	4.2	-1.9	1.0	-0.3
CIS	7.8	5.4	-6.2	1.5	-0.6
<b>Developing economies</b>	7.1	5.4	1.4	4.3	2.0
Africa	5.9	4.9	0.9	4.0	1.7
North Africa	5.2	5.3	2.9	3.9	2.1
Sub-Saharan Africa	6.2	4.7	-0.1	4.0	1.4
Sub-Saharan Africa (excl. South Africa, Nigeria)	7.1	5.5	1.5	4.5	1.6
East and South Asia	8.5	6.2	3.2	5.6	3.8
East Asia	8.5	6.1	2.9	5.6	3.9
South Asia	8.3	6.8	4.1	5.4	3.1
Western Asia	5.9	4.5	-0.7	2.9	-1.1
Latin America and the Caribbean	5.2	4.0	-1.9	1.7	-0.7
South America	5.6	5.3	-0.9	1.9	-0.5
Mexico and Central America	4.1	1.7	-4.3	1.2	-1.0
Caribbean	8.5	3.9	0.7	2.6	-0.8
Least developed countries	8.1	6.1	2.7	4.6	2.2
Least developed countries (excl. Bangladesh)	8.6	6.2	2.1	4.5	1.7
<i>Memorandum items:</i>					
World trade	7.8	2.4	-11.1	4.1	0.5
World output growth with PPP-based weights	4.9	3.3	-1.0	2.7	1.2

a Average percentage change.

b Partly estimated.

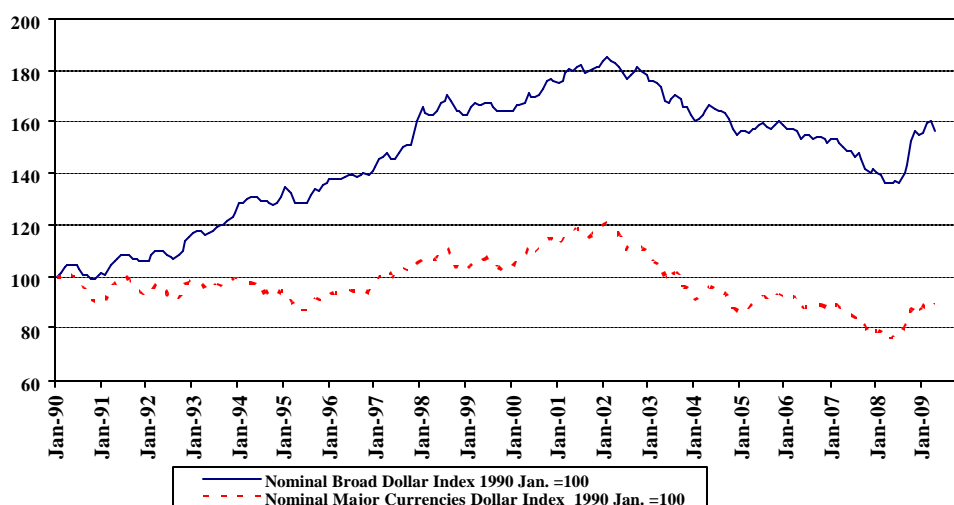
c Forecast, based in part on Project LINK.

The second group of risks are related to international factors which focus on the channels of transmission of the effects: financial and trade flows. In this regard, the risk of a disorderly adjustment of the global imbalances, which has been repeatedly discussed in previous LINK reports, remains. An update of this risk, in combination with the spillover effects of fiscal measures is presented below.

### *A disorderly adjustment in the global imbalances poses a continued risk*

The present crisis emerged from an unsustainable pattern of global growth, which manifested itself, among other things, in widening global financial imbalances with increasing current account deficits of the United States financed through large and rising surpluses in China, Japan, some European countries (especially Germany), and major oil exporters. As this pattern continued, the risk of a steep depreciation in the world's main reserve currency, the United States dollar, heightened. In fact, prior to the present crisis the dollar had indeed weakened significantly, showing increased volatility against other major currencies (see Figure 7).

Figure 7 Exchange-rate index for the United States, 1990-2009<sup>a</sup>



Source: United States Federal Reserve Board.

Note: The major currencies index contains currencies of most developed countries; the broad index incorporates currencies of emerging economies into the other index. A decline in the index represents a depreciation of the dollar.

a/ Until April 2009.

The global imbalances have narrowed visibly in 2008. Unfortunately, however, this is a result of a deflationary process caused by collapsing trade and worldwide financial deleveraging rather than as an orderly adjustment process. As a consequence and in view of insufficient coordination of stimulus packages among the major economies, the risk of major exchange-rate volatility, including a dollar collapse, has increased rather than decreased.

The United States external deficit narrowed to \$670 billion in 2008, and is expected to decline further to about \$400 billion in 2009. Among the originally major surplus economies, the euro area has shifted into deficit, while Japan's large surplus has almost completely vanished since mid-2008. Surpluses of the oil-exporting countries also have declined substantially. Only China's surplus has continued to grow (to \$420 billion in 2008), as imports have fallen more steeply than exports.

The impact of the fiscal stimulus packages adopted by the major economies on the global imbalances is uncertain. In the case of the United States, however, it is expected that Federal government deficit will increase to about \$1,900 billion (14 per cent of GDP) in 2009, up from \$450 billion (3.2 per cent of GDP) in 2008. Increased US household savings (up by about 4 per cent of GDP) will help finance part of the increase in the fiscal deficit, but the remainder will need to come from foreign savings or additional money printing. Either way, this will likely put renewed downward pressure on the dollar as investors may increasingly fear for future losses in their dollar asset holdings. Without adequate coordination of the fiscal stimulus packages worldwide uncertainty about the unwinding of the global imbalances could thus become a source of further financial instability.

A third group of risks includes the possibility of turning the new influenza virus A/H1N1 into a pandemic, as well as geopolitical shocks endangering the global economy as a whole.

## **Policy challenges**

As indicated, since the intensification of the financial crisis in September 2008, Governments worldwide have made massive public funding (amounting to \$18 trillion or

almost 30 per cent of WGP) available to recapitalize banks, taking partial or full government ownership of ailing financial institutions and providing ample guarantees on bank deposits and other financial assets. Further, recognizing that monetary and financial measures will not be enough to stave off a recession, many countries have also adopted fiscal stimulus plans, totalling about \$2.7 trillion (about 4 per cent of WGP), but to be spent over 2009-2011. While significant, this may still fall somewhat short of the stimulus of 2-3 per cent of WGP *per year* that would be required to make up for the estimated decline in global aggregate demand.

More concerted action will be needed in four major areas.

*First*, further decisive and cooperative action is needed to restore the financial health of banks, especially in developed countries. As indicated, despite the unprecedented support given so far, problems in financial sectors remain and additional efforts for adequate recapitalization of banks will be needed to facilitate resumption of domestic and international lending. Without this, the fiscal stimulus is not likely to be very effective.

*Second*, the fiscal stimulus measures should be better coordinated and aligned with global sustainable development objectives. Thus far, there has been no true coordination of the fiscal measures being undertaken by national governments. Without adequate coordination, the stimulus measures may fall short of what is needed. A failure to coordinate sizes and timing of the stimuli will limit the associated multiplier effects, thus reducing the impact on global economic growth and employment. Importantly, more than 80 percent of the stimulus is being undertaken by the major developed countries. As these economies face stronger downturns and have greater response capacities, most countercyclical efforts should indeed originate from there, but this does not ensure adequate rebalancing of the global economy. Moreover, since much of the stimulus will come from the major deficit countries, without corrective action, the problem of the global imbalances will be perpetuated (see the previous section). Meanwhile, most developing countries lack the resources to undertake needed countercyclical measures for their economies. While significant, the additional international liquidity that is going to be provided by the international community following the agreement of the “Group of 20”, is insufficient to give developing countries the resources they need to ensure a more

balanced global stimulus aligned with long-term development needs.<sup>9</sup> Another concern is that many of the stimulus packages imply (often unintended) unfair trading practices by providing subsidies and incentives to domestic firms. This may constrain the recovery of economies that do not have the resources for fiscal stimulus and support to domestic industries. Global coordination should also deal with this concern.

*Third*, fundamental reforms of the international financial system are needed to overcome the systemic flaws which caused this crisis in the first place and to guard against future crises. Without elaborating in detail here,<sup>10</sup> such reforms should first deal with the major weaknesses in the regulation and supervision of the international financial system. Existing mechanisms are now generally seen as insufficient for mitigating the inherent pro-cyclicality of the financial system, which tends to foster asset price bubbles. A macro-prudential regulatory system needs to be created, based on countercyclical capital provisioning, to develop institutions for the supervision of all financial market segments concentrating systemic risk, including hedge funds and cross-border flows.

Strengthened international tax cooperation should form a critical element of a more effective global system of financial regulation. Such cooperation should help reduce tax evasion which is often linked with money laundering, corruption, financing of terrorism, and drug trafficking. As tax evasion is pervasive, improved tax coordination to combat it should also help boost the fiscal capacity of governments worldwide, which in turn would enhance financing available for recovery and development. For developing countries, it will be critical to establish an international mechanism for sovereign debt restructuring and relief based on a flexible approach towards debt sustainability while providing additional funding. As analyzed, the balances of payments of many countries are rapidly deteriorating because of the global crisis, while Governments will need to undertake massive countercyclical responses. Where needed, standstill agreements and temporary moratoriums on existing debt-payment obligations should be part of the package to give countries some additional financial breathing space. This would also

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<sup>9</sup> Much of the \$1.1 trillion would be allocated in accordance to existing quota in the IMF and most will be for short-term emergency lending, implying only a minor part will become directly available for long-term development financing in middle- and low-income developing countries. See also Report of the Secretary-General on the World Financial and Economic Crisis and its Impact on Development (A/CONF.214/4).

<sup>10</sup> See WESP 2009, UNCTAD (2009) 'The Global Economic Crisis: Systemic Failures and Multilateral Remedies (UNCTAD/GDS/2009/1) and Report of the Secretary-General on the World Financial and Economic Crisis and its Impact on Development (A/CONF.214/4).

reduce requirements for new funding. Beyond this immediate need for action, an orderly sovereign debt workout mechanism and an improved framework for handling cross-border bankruptcies are needed.

Most fundamentally, a new global reserve system which no longer relies on national or regional currencies as the major reserve currency must be created. Overcoming the major insufficiencies of the current system requires a set of broad reform measures. A new system which allows for better pooling of reserves at the regional and international levels and which is not based on a single or even multiple national currencies needs to be developed. It should permit the emission of international liquidity (SDRs or some equivalent thereof) so as to create a more stable global financial system. To make such a more prominent role of SDRs effective, it would need to be accompanied by further reform and policy measures.

*Fourth*, a new framework for global economic governance in line with early 21<sup>st</sup> century realities needs to be created. Fundamental reform of the governance structure of the Bretton Woods institutions is needed. At the Doha Conference on Financing for Development, Member States agreed in December 2008 that such a reform must be comprehensive so that they can more adequately reflect changing economic weights in the world economy, be more responsive to current and future challenges and strengthen the legitimacy and effectiveness of these institutions. Existing inequities in voting weights in these institutions prevent them from incorporating the needs of users of their funds adequately in their operations and are in conflict with their public character and role as facilitators of international cooperation. These reforms should also lead to the establishment of a credible and legitimate mechanism for improved international coordination of macroeconomic policies. The global responses so far have been concerted at the level of the G7, G8, G20 or other ad hoc fora, lacking the participation or representation of important parts of the international community, especially from developing countries. Institutionalized macroeconomic policy coordination should be embedded in a more representative multilateral framework. The IMF could provide such a platform following adequate reform of its governance structure and revision of its functions. Its policy making body, the International Monetary and Financial Committee (IMFC) could be tasked with mediating agreements of international policy coordination,

including measures to guard against policies that can lead to unsustainable imbalances at the global level.

Broader global economic governance reforms must also be considered to ensure coherence in the global governance of the international financial architecture, the multilateral trading system, the framework for addressing climate change, the development agenda, and peace and security. Such coordination could take place through a new Global Economic Council that is part of the UN system, as proposed by some Member States, or through deep reform of the UN's Economic and Social Council. Whichever the mechanism, it is essential that a body be created which can provide coordination and oversight of responses to the broader range of global challenges and set the world on a new but sustainable development path.





# **LINK Global Economic Outlook**

## **June 2009**

### **Annex Table**

**Table A.1**  
**World and regions: rates of growth of real GDP, 2003-2010**  
(Annual percentage change<sup>a</sup>)

	2003	2004	2005	2006	2007	2008 <sup>b</sup>	2009 <sup>c</sup>	2010 <sup>d</sup>
<b>World</b>	2.7	4.0	3.5	3.9	3.9	2.1	-2.6	1.6
<b>Developed economies</b>	1.8	3.0	2.4	2.8	2.5	0.8	-3.9	0.6
North America	2.5	3.6	2.9	2.8	2.1	1.1	-3.4	1.0
Asia and Oceania	1.7	2.8	2.1	2.1	2.7	-0.3	-6.2	1.3
Europe	1.3	2.5	2.0	3.1	2.9	0.9	-3.5	0.0
European Union	1.3	2.5	1.9	3.1	2.8	0.8	-3.5	0.0
EU-15	1.2	2.3	1.8	2.9	2.7	0.7	-3.7	-0.1
New EU Members	4.2	5.6	4.1	6.4	6.1	4.0	-1.7	1.5
Other Europe	0.4	3.2	2.7	2.9	3.3	1.9	-3.0	0.1
<i>Memorandum items:</i>								
Euro Zone	0.8	2.2	1.7	2.9	2.6	0.7	-3.7	-0.1
Major developed economies (G-7)	1.7	2.9	2.2	2.6	2.2	0.6	-4.2	0.8
OECD	1.9	3.1	2.5	2.9	2.6	0.8	-3.9	0.7
<b>Economies in transition</b>	7.3	7.6	6.5	8.0	8.3	5.3	-5.9	1.4
South-eastern Europe	3.3	4.6	4.5	5.2	6.2	4.2	-1.9	1.0
Commonwealth of Independent States	7.7	7.9	6.6	8.3	8.5	5.4	-6.2	1.4
Net fuel exporters	7.4	7.4	6.9	8.3	8.5	5.6	-6.0	1.8
Net fuel importers	9.1	11.4	4.9	8.0	8.4	4.4	-7.5	-0.5
<b>Developing countries</b>	5.2	7.1	6.8	7.0	7.6	5.4	1.4	4.3
Africa	4.9	5.8	5.8	5.9	6.0	4.9	0.9	4.0
North Africa	5.7	4.9	5.1	5.3	5.3	5.3	2.9	3.9
Sub-Saharan Africa <sup>d</sup>	3.6	5.7	7.0	7.0	7.5	5.5	1.5	4.5
Net fuel exporters	6.5	6.6	6.9	5.9	6.9	6.1	1.3	4.4
Net fuel importers	3.8	5.1	5.0	5.8	5.3	4.0	0.6	3.7
East and South Asia	6.9	7.7	8.0	8.1	9.3	6.2	3.2	5.6
East Asia	6.9	8.0	7.6	8.4	9.6	6.1	2.9	5.7
South Asia	6.9	6.7	9.5	6.9	8.5	6.8	4.1	5.4
Net fuel exporters	7.0	5.4	5.3	6.2	7.7	5.4	1.9	3.0
Net fuel importers	6.9	7.8	8.1	8.1	9.4	6.3	3.2	5.7
Western Asia	5.1	8.2	6.8	5.8	4.9	4.5	-0.7	2.9
Net fuel exporters	5.5	8.5	6.5	5.7	5.0	6.4	1.0	4.0
Net fuel importers	4.7	7.8	7.2	6.0	4.8	2.1	-2.9	1.4
Latin America and the Caribbean	1.8	5.9	4.6	5.5	5.5	4.0	-1.9	1.7
South America	1.8	7.1	4.9	5.4	6.4	5.3	-0.9	1.9
Mexico and Central America	1.6	4.2	3.4	5.2	3.7	1.7	-4.3	1.2
Caribbean	3.3	3.5	8.6	10.2	6.7	3.9	0.7	2.6
Net fuel exporters	1.8	6.4	5.2	6.4	5.1	2.9	-3.5	0.9
Net fuel importers	1.8	5.5	4.0	4.7	5.8	5.1	-0.3	2.5
<i>Memorandum items:</i>								
Least developed countries	5.1	6.5	8.2	8.0	8.2	6.1	2.7	4.6
East Asia (excluding China)	4.1	5.9	5.0	5.6	5.8	2.7	-2.8	2.2
South Asia (excluding India)	6.1	6.0	5.9	6.1	6.9	5.7	2.4	3.4
Western Asia (excluding Israel and Turkey)	5.3	8.3	6.3	5.4	5.0	6.3	1.2	4.0
Landlocked developing economies	5.7	7.7	7.7	9.2	8.5	5.3	0.8	3.8
Small island developing economies	3.3	5.8	7.3	8.4	7.0	2.8	-2.7	2.3

Source : Project LINK

a Calculated as a weighted average of individual country growth rates of gross domestic product (GDP), where weights are based on GDP in 2005 prices and exchange rates.

b Partly estimated.

c Forecasts, based in part on Project LINK.

d Excluding Nigeria & South Africa.

Table A.2  
Rates of growth of real GDP, 2003-2010  
(Annual percentage change)

	2003	2004	2005	2006	2007	2008 <sup>a</sup>	2009 <sup>b</sup>	2010 <sup>b</sup>
<b>Developed economies</b>								
<b>North America</b>								
Canada	1.9	3.1	2.9	3.1	2.7	0.5	-3.0	1.0
United States	2.5	3.6	2.9	2.8	2.0	1.1	-3.5	1.0
<b>Asia and Oceania</b>								
Australia	3.4	3.2	3.1	2.6	4.2	2.1	-1.7	-0.2
Japan	1.4	2.7	1.9	2.0	2.4	-0.6	-7.1	1.5
New Zealand	4.4	4.4	2.7	2.7	3.0	-1.0	0.2	3.8
<b>European Union EU-15</b>								
Austria	0.8	2.5	2.9	3.4	3.1	1.8	-3.8	0.5
Belgium	1.0	3.0	1.8	3.0	2.8	1.1	-3.0	-0.6
Denmark	0.4	2.3	2.4	3.3	1.6	0.0	0.0	0.7
Finland	1.8	3.7	2.8	4.9	4.5	0.9	-5.0	-1.1
France	1.1	2.5	1.9	2.2	2.2	0.7	-3.3	-0.1
Germany	-0.2	1.2	0.8	3.0	2.5	1.3	-4.3	0.5
Greece	5.6	4.9	2.9	4.5	4.0	2.9	0.1	1.2
Ireland	4.5	4.7	6.4	5.7	6.0	-2.3	-5.9	-4.0
Italy	0.0	1.5	0.6	1.8	1.5	-1.0	-4.3	-0.4
Luxembourg	1.6	4.6	5.2	6.4	5.2	-0.9	-4.0	-0.5
Netherlands	0.3	2.2	2.0	3.4	3.5	2.0	-3.5	-0.3
Portugal	-0.8	1.5	0.9	1.4	1.9	0.0	-4.2	-0.5
Spain	3.1	3.3	3.6	3.9	3.7	1.2	-2.9	-0.2
Sweden	1.9	4.1	3.3	4.2	2.5	-0.2	-3.9	0.9
United Kingdom	2.8	2.8	2.1	2.8	3.0	0.7	-3.7	-0.2
<b>New EU members</b>								
Bulgaria	4.5	5.7	5.5	6.3	6.2	6.0	0.5	3.5
Cyprus	1.9	3.8	3.8	3.8	4.4	3.7	1.0	1.0
Czech Republic	3.7	4.6	6.1	6.8	6.6	3.5	-2.5	1.2
Estonia	6.7	7.8	10.5	11.2	7.0	-3.6	-10.0	-2.5
Hungary	4.1	4.9	1.5	3.9	1.3	0.5	-4.5	0.5
Latvia	7.2	8.5	10.3	12.2	10.3	-4.6	-15.0	-4.0
Lithuania	10.5	7.0	7.5	7.5	8.8	3.2	-8.5	-2.5
Malta	-2.1	0.2	0.8	3.3	3.8	2.3	-2.0	0.5
Poland	3.8	5.3	3.2	6.2	6.5	4.8	1.0	2.1
Romania	5.2	8.3	4.2	7.9	6.0	7.1	-1.8	2.3
Slovak Republic	4.5	5.5	6.1	8.6	10.4	6.3	-1.0	2.0
Slovenia	2.6	4.4	4.0	4.8	6.1	3.5	-4.0	1.0
<b>Other Europe</b>								
Iceland	2.7	7.6	7.2	4.4	5.5	0.3	-12.4	-0.9
Norway	1.0	3.9	2.7	2.3	3.1	2.4	-1.7	0.9
Switzerland	-0.2	2.5	2.5	3.4	3.3	1.6	-3.7	-0.5
<b>Economies in transition</b>								
<b>South-eastern Europe</b>								
Albania	6.0	6.0	5.6	5.2	6.0	5.8	2.0	3.0
Bosnia and Herzegovi	3.2	4.0	5.3	5.5	6.8	5.2	-1.5	1.5
Croatia	4.3	3.8	3.2	4.8	5.6	2.4	-3.0	0.9
Montenegro	2.5	4.2	4.0	8.6	9.5	7.0	-2.0	0.5
Serbia	1.0	6.0	6.0	5.8	7.0	5.4	-2.0	0.5
The former Yugoslav Republic of Macedonia	3.4	2.5	4.0	3.1	5.1	5.0	-1.0	1.0
<b>Commonwealth of Independent States</b>								
Armenia	14.0	10.5	13.9	13.3	13.8	6.8	-3.5	0.5
Azerbaijan	11.2	10.2	26.4	34.5	25.0	10.8	3.0	5.5
Belarus	7.0	11.4	9.4	9.9	8.7	10.0	-3.5	1.8
Georgia	11.1	5.9	9.6	9.3	12.7	2.1	-1.0	3.5
Kazakhstan	9.3	9.6	9.7	10.6	8.5	3.2	-2.2	2.0
Kyrgyzstan	7.0	7.0	-0.2	2.7	8.2	7.6	1.0	3.0
Republic of Moldova	6.6	7.4	7.5	4.0	3.3	7.2	-4.0	0.5
Russian Federation	7.3	7.2	6.4	7.7	8.1	5.6	-6.8	1.5
Tajikistan	11.0	10.3	6.7	7.0	7.8	7.9	1.5	2.0

Turkmenistan	3.3	4.5	9.6	9.0	8.0	5.0	3.5	4.5
Ukraine	9.6	12.1	2.7	7.3	7.9	2.1	-10.5	-2.2
Uzbekistan	4.4	7.7	7.0	7.3	9.5	9.0	5.5	6.5
<b>Developing countries</b>								
<b>Africa</b>								
Algeria	6.9	5.2	5.3	2.1	3.8	3.2	2.4	4.8
Angola	3.3	11.2	20.6	18.6	21.0	12.1	-4.2	6.3
Benin	3.9	3.1	2.9	3.8	4.5	4.6	3.2	4.1
Botswana	3.1	9.2	-0.8	6.1	6.6	2.8	-7.3	8.6
Burkina Faso	8.0	4.6	7.1	5.5	4.2	4.2	3.3	4.2
Burundi	-1.0	4.8	0.8	4.2	3.5	4.8	2.8	3.9
Cameroon	4.2	3.6	2.0	3.2	3.3	3.8	1.7	2.5
Cape Verde	4.7	4.4	5.8	10.8	7.0	5.6	2.3	3.1
Central African Republic	-7.6	1.3	2.2	4.0	4.2	2.7	1.9	3.4
Chad	14.7	33.6	7.9	0.2	1.3	-0.2	0.2	2.7
Comoros	2.5	-0.2	4.2	1.3	1.0	0.5	0.3	1.6
Congo	0.8	3.5	7.8	6.2	-1.0	7.2	6.5	7.7
Côte d'Ivoire	-1.7	1.5	1.8	-0.3	1.6	2.3	2.0	3.9
Democratic Republic of the Congo	5.8	6.7	7.9	5.0	6.5	7.1	2.4	5.4
Djibouti	3.3	2.8	3.3	4.8	5.5	4.8	4.4	4.7
Egypt	4.1	4.5	6.8	6.8	7.1	7.2	3.6	3.7
Equatorial Guinea	4.4	1.2	20.7	6.0	10.0	7.3	-4.3	-1.4
Eritrea	6.0	1.9	0.5	-1.0	1.0	0.9	1.0	4.1
Ethiopia	-3.1	12.3	8.7	10.6	8.5	7.8	5.5	6.6
Gabon	2.4	1.1	3.0	1.2	5.6	2.4	0.5	2.5
Gambia	6.9	2.4	5.1	6.5	7.0	5.3	3.6	4.1
Ghana	5.3	5.8	6.0	6.2	6.0	6.0	4.1	4.6
Guinea	1.2	2.7	3.3	2.2	1.5	3.8	1.6	2.7
Guinea-Bissau	-0.6	2.0	2.2	1.8	2.7	3.2	1.7	3.0
Kenya	2.9	4.7	5.8	6.0	6.1	1.7	1.5	2.3
Lesotho	3.2	2.7	1.3	6.6	4.8	3.5	0.3	2.5
Liberia	-31.3	2.6	5.3	7.8	9.4	7.5	4.7	7.2
Libyan Arab Jamahiriya	7.1	5.4	5.6	5.9	6.8	6.2	2.9	3.5
Madagascar	9.8	5.3	4.6	4.9	6.4	5.1	-0.4	1.8
Malawi	6.1	7.1	2.5	7.9	7.5	6.4	5.2	7.6
Mali	7.6	2.2	6.1	5.2	2.8	3.8	2.8	4.4
Mauritania	5.6	5.2	5.4	11.4	1.0	3.3	2.7	4.6
Mauritius	4.4	4.8	2.3	5.0	5.4	4.9	0.6	3.7
Morocco	5.5	4.2	2.2	7.8	3.2	5.2	2.5	3.4
Mozambique	8.0	7.4	7.7	8.0	7.4	5.8	3.7	4.4
Namibia	3.5	6.6	4.8	3.9	3.6	2.7	-0.9	1.7
Niger	3.8	-1.0	7.0	5.0	3.0	3.7	2.6	3.9
Nigeria	10.3	10.6	6.5	6.0	6.2	6.0	-0.5	4.7
Rwanda	1.0	4.0	6.0	6.0	6.0	7.8	4.8	5.9
Sao Tome and Principe	4.1	4.0	6.0	6.7	6.0	5.2	3.5	4.7
Senegal	6.7	5.6	5.5	3.1	4.5	3.2	2.5	4.1
Sierra Leone	9.3	7.4	7.2	7.4	6.4	5.1	4.3	5.2
Somalia	2.5	-0.2	4.2	1.2	-3.5	1.8	0.9	1.4
South Africa	3.1	4.9	5.0	5.3	5.1	3.1	-1.8	3.1
Sudan	5.0	5.2	8.6	11.3	10.0	5.7	5.2	5.3
Togo	2.0	-0.8	0.8	4.1	2.4	0.8	1.6	2.0
Tunisia	5.6	6.0	4.1	5.5	6.3	4.8	2.5	3.8
Uganda	4.4	5.7	6.6	5.4	8.6	5.6	4.2	5.3
United Republic of Tanzania	7.1	6.7	6.8	6.7	7.1	6.6	4.4	4.6
Zambia	5.1	5.4	5.2	6.2	5.5	5.7	0.6	3.4
Zimbabwe	-10.4	-3.8	-5.3	-4.8	-6.0	-4.8	0.5	3.3
<b>East and South Asia</b>								
Bangladesh	5.8	6.1	6.3	6.6	6.3	6.0	5.1	5.3
Brunei Darussalam	2.9	0.5	0.4	5.1	0.6	-2.5	1.3	1.6
China	10.0	10.1	10.2	11.1	13.0	9.0	7.6	8.2
Hong Kong, Special Administrative Region of China	3.0	8.5	7.1	7.0	6.4	2.6	-5.0	1.5
India	7.3	7.1	11.5	7.3	9.3	7.3	5.0	6.3
Indonesia	4.8	5.0	5.7	5.5	6.3	6.1	2.5	3.8

Iran, Islamic Republic of	7.1	5.1	4.7	5.8	7.8	5.5	1.5	2.6
Korea, Republic of	3.1	4.7	4.2	5.0	5.0	2.2	-3.4	1.5
Malaysia	5.8	6.8	5.3	5.8	6.3	4.6	-2.0	2.5
Myanmar	13.8	13.6	13.6	12.7	11.9	4.2	2.5	3.8
Nepal	4.3	3.9	3.0	4.1	3.2	4.7	3.3	3.6
Pakistan	4.8	7.5	7.7	6.2	6.0	6.0	2.2	3.6
Papua New Guinea	2.2	2.7	4.8	2.6	5.0	7.2	2.8	4.5
Philippines	4.9	6.4	5.0	5.4	7.2	4.6	1.1	3.3
Singapore	3.5	9.0	7.3	8.2	7.8	1.1	-7.6	2.1
Sri Lanka	6.0	5.4	6.2	7.7	6.8	6.0	3.2	4.5
Taiwan, Province of China	3.5	6.2	4.2	4.9	5.7	0.1	-6.1	1.6
Thailand	7.1	6.3	4.5	5.1	4.9	2.6	-3.1	1.9
Vietnam	7.3	7.8	8.4	8.2	8.5	6.2	3.2	4.8
<b>Western Asia</b>								
Bahrain	7.2	5.6	7.9	6.5	8.1	5.6	2.5	2.9
Iraq	-33.1	23.0	-0.7	6.2	1.5	8.7	6.3	6.2
Israel	2.3	5.2	5.3	5.2	5.4	4.0	-0.9	0.8
Jordan	4.2	8.6	7.1	6.3	6.0	5.3	3.4	3.0
Kuwait	16.5	10.5	11.4	6.3	4.6	7.5	-0.7	2.9
Lebanon	3.0	7.4	1.1	-3.0	4.0	6.3	2.2	3.0
Oman	2.0	5.4	5.8	7.5	5.9	6.2	2.1	3.9
Qatar	3.5	20.8	6.1	12.2	13.5	14.2	12.1	15.3
Saudi Arabia	7.7	5.3	5.6	3.0	3.4	4.3	-0.8	2.8
Syrian Arab Republic	1.1	6.7	4.5	5.1	6.6	4.8	2.7	3.8
Turkey	5.8	8.9	8.4	6.9	4.7	1.1	-4.5	1.2
United Arab Emirates	11.9	9.7	8.2	9.4	6.3	7.4	-0.4	2.1
Yemen	3.7	4.0	4.6	3.3	3.4	3.3	5.1	5.4
<b>Latin America</b>								
Argentina	8.8	9.0	9.2	8.5	8.7	7.0	-1.8	1.0
Barbados	2.0	4.8	4.3	3.3	3.2	0.6	-2.5	0.7
Bolivia, Plurinational State of	2.7	4.2	4.4	4.8	4.6	5.3	1.6	1.2
Brazil	1.1	5.7	2.9	3.7	5.4	5.1	-0.6	2.5
Chile	3.9	6.0	5.6	4.3	5.1	3.2	-0.5	2.2
Colombia	4.6	4.7	5.7	6.8	7.7	2.5	-1.0	1.0
Costa Rica	6.4	4.3	5.9	8.8	7.3	2.9	-0.8	1.0
Cuba	3.8	5.4	11.2	12.1	7.3	4.3	3.0	3.8
Dominican Republic	-0.3	1.3	9.3	10.7	8.5	5.3	-1.2	2.0
Ecuador	3.6	8.0	6.0	3.9	2.5	5.3	-2.0	1.0
El Salvador	2.3	1.9	3.1	4.2	4.7	2.5	-0.5	0.5
Guatemala	2.5	3.2	3.3	5.3	5.7	4.0	-1.0	1.5
Guyana	-1.0	3.3	-2.0	5.2	5.4	3.0	-1.2	2.2
Haiti	0.4	-3.5	1.8	2.3	3.2	1.3	-0.5	2.0
Honduras	4.5	6.2	6.1	6.3	6.3	4.0	-2.0	0.5
Jamaica	2.3	1.0	1.4	2.5	1.2	-1.2	-3.0	0.5
Mexico	1.4	4.2	3.2	5.1	3.3	1.4	-4.8	1.2
Nicaragua	2.5	5.3	4.3	3.9	3.8	3.0	-0.5	1.0
Panama	3.4	8.4	7.2	8.7	11.2	9.2	0.0	1.5
Paraguay	3.8	4.1	2.9	4.3	6.8	5.8	-2.0	1.8
Peru	4.0	5.1	6.7	7.6	8.9	9.8	2.4	3.8
Trinidad and Tobago	13.4	6.5	8.0	12.0	5.5	3.5	0.5	1.8
Uruguay	2.4	11.9	6.4	7.0	7.4	8.9	0.5	1.5
Venezuela, Bolivarian Republic of	-7.8	18.3	10.3	10.3	8.4	4.8	-3.0	-1.0

Source: Project LINK

a Partly estimated.

b Forecasts, based in part on Project LINK.

**Table A.3**  
**World and regions: consumer price inflation, 2003-2010**  
(Annual percentage change<sup>a</sup>)

	2003	2004	2005	2006	2007	2008 <sup>b</sup>	2009 <sup>c</sup>	2010 <sup>d</sup>
<b>World</b>	3.0	2.9	3.1	3.0	3.0	4.7	1.3	2.2
<b>Developed economies</b>	1.9	2.0	2.3	2.4	2.1	3.3	-0.1	1.1
North America	2.3	2.6	3.3	3.1	2.8	3.7	-1.3	1.5
Asia and Oceania	0.2	0.4	0.2	0.8	0.4	1.9	0.2	0.0
Europe	2.0	2.1	2.2	2.2	2.2	3.5	1.0	1.3
European Union	2.1	2.1	2.2	2.3	2.2	3.5	1.0	1.3
EU-15	2.0	1.9	2.1	2.2	2.1	3.3	0.9	1.2
New EU Members	3.6	5.1	3.9	3.5	4.1	6.0	3.0	2.7
Other Europe	1.2	0.8	1.4	1.8	0.8	3.3	0.2	0.8
<i>Memorandum items:</i>								
<b>Euro Zone</b>	2.1	2.1	2.2	2.2	2.1	3.3	0.6	1.1
<b>Major developed economies (G-7)</b>	1.7	1.9	2.3	2.3	2.1	3.2	-0.3	1.0
<b>OECD</b>	2.1	2.1	2.4	2.4	2.2	3.4	0.1	1.3
<b>Economies in transition</b>	12.0	10.1	11.8	9.2	9.1	14.6	12.7	12.9
South-eastern Europe	3.7	3.9	6.6	6.2	3.8	7.5	4.3	3.4
Commonwealth of Independent States	12.7	10.6	12.3	9.5	9.6	15.3	13.4	13.8
Net fuel exporters	13.1	10.6	12.4	9.6	9.3	14.3	13.0	13.8
Net fuel importers	10.6	10.9	11.8	8.8	11.3	21.2	16.2	13.3
<b>Developing countries<sup>d</sup></b>	5.8	5.0	4.6	4.5	5.2	8.1	4.5	4.4
Africa <sup>d</sup>	8.9	6.6	6.7	6.1	6.3	10.8	7.6	6.1
North Africa	2.3	4.7	2.6	4.5	5.3	9.5	5.6	4.1
Sub-Saharan Africa (Excluding Nigeria & South Africa) <sup>d</sup>	17.0	9.7	9.7	8.2	7.5	11.4	9.6	7.9
Net fuel exporters	12.5	10.6	8.4	6.2	6.3	11.1	8.2	6.1
Net fuel importers <sup>d</sup>	6.1	3.5	5.4	6.0	6.3	10.5	7.1	6.1
East and South Asia	2.7	4.1	3.6	3.7	4.9	7.5	3.1	3.4
East Asia	1.8	3.5	2.9	2.7	3.9	6.0	1.3	2.2
South Asia	5.9	6.4	6.5	7.4	8.5	12.9	9.6	7.6
Net fuel exporters	13.1	12.8	11.9	10.6	14.6	24.2	16.5	13.3
Net fuel importers	2.2	3.7	3.2	3.4	4.5	6.7	2.5	2.9
Western Asia	8.6	4.0	4.5	5.9	5.9	9.9	4.3	4.9
Net fuel exporters	1.1	1.4	2.4	3.7	5.2	10.6	3.3	4.2
Net fuel importers	15.5	6.3	6.5	8.0	6.6	9.3	5.2	5.6
Latin America and the Caribbean	10.8	6.9	6.3	5.2	5.3	7.9	6.4	5.8
South America	13.8	7.0	7.2	5.7	5.8	8.8	7.0	6.8
Mexico and Central America	4.6	4.9	4.4	3.9	4.3	5.8	5.0	3.8
Caribbean	18.0	30.7	7.3	8.3	7.2	13.5	8.2	7.1
Net fuel exporters	8.5	7.0	5.7	5.1	6.2	9.0	8.4	7.6
Net fuel importers	12.6	6.9	6.7	5.2	4.6	7.1	4.8	4.4
<i>Memorandum items:</i>								
<b>Least developed countries</b>	18.4	11.1	10.5	9.7	9.6	12.5	9.6	8.6
<b>East Asia (excluding China)</b>	2.5	3.2	3.9	3.9	3.1	6.1	2.2	2.9
<b>South Asia (excluding India)</b>	9.9	11.1	10.8	9.8	12.7	21.9	15.8	13.2
<b>Western Asia (excluding Israel and Turkey)</b>	1.5	1.8	2.8	4.3	5.3	10.9	3.4	4.4

Source: Project LINK

a Calculated as a weighted average of individual country growth rates of consumer price index (CPI), where weights are based on GDP in 2005, in United States dollars .

b Partly estimated.

c Forecasts, based in part on Project LINK.

d Excluding Zimbabwe.

**Table A.4**  
**Consumer price inflation, 2003-2010**  
**(Annual percentage change)**

	2003	2004	2005	2006	2007	2008 <sup>a</sup>	2009 <sup>c</sup>	2010 <sup>c</sup>
<b>Developed economies</b>								
<b>North America</b>								
Canada	2.8	1.9	2.2	2.0	2.1	2.4	-0.3	0.5
United States	2.3	2.7	3.4	3.2	2.9	3.8	-1.4	1.6
<b>Asia and Oceania</b>								
Australia	2.8	2.3	2.7	3.5	2.3	4.4	1.5	2.8
Japan	-0.2	0.0	-0.3	0.2	0.1	1.5	-0.1	-0.5
New Zealand	1.8	2.3	3.0	3.4	2.4	3.0	1.9	2.1
<b>European Union</b>								
<b>EU-15</b>								
Austria	1.3	2.0	2.1	1.7	2.2	3.2	0.9	1.3
Belgium	1.5	1.9	2.5	2.3	1.8	4.5	1.0	1.4
Denmark	2.0	0.9	1.7	1.9	1.7	3.1	1.6	2.0
Finland	1.3	0.1	0.8	1.3	1.6	3.9	1.2	1.1
France	2.2	2.3	1.9	1.9	1.6	3.2	0.4	0.6
Germany	1.0	1.8	1.9	1.8	2.3	2.8	0.5	1.3
Greece	3.4	3.0	3.5	3.3	3.0	4.1	2.0	2.3
Ireland	4.0	2.3	2.2	2.7	2.9	4.1	-2.5	0.0
Italy	2.8	2.3	2.2	2.2	2.0	3.5	0.7	0.7
Luxembourg	2.1	2.2	2.5	2.7	2.3	4.1	-0.5	1.2
Netherlands	2.2	1.4	1.5	1.7	1.6	2.5	1.0	1.0
Portugal	3.3	2.5	2.1	3.0	2.4	2.7	-1.0	0.4
Spain	3.1	3.1	3.4	3.6	2.8	4.1	1.0	2.1
Sweden	2.3	1.0	0.8	1.5	1.7	3.3	1.7	0.8
United Kingdom	1.4	1.3	2.1	2.3	2.3	3.6	2.0	1.7
<b>New EU members</b>								
Bulgaria	2.2	6.3	5.0	7.1	8.4	12.0	5.6	6.6
Cyprus	4.1	1.9	2.0	2.2	2.2	4.4	1.0	2.0
Czech Republic	-0.1	2.8	1.9	1.7	3.2	6.0	1.9	2.0
Estonia	1.3	3.0	3.6	4.4	6.6	10.6	1.0	2.0
Hungary	4.6	6.7	3.5	4.0	8.0	6.1	3.0	3.0
Latvia	2.9	6.2	6.9	6.6	10.1	15.3	2.5	0.5
Lithuania	-1.2	1.2	2.7	3.8	5.8	11.0	4.5	4.0
Malta	1.3	2.8	3.0	2.8	1.2	4.8	2.0	2.0
Poland	0.7	3.4	3.5	2.4	2.4	4.2	2.6	2.3
Romania	15.4	12.0	9.0	6.6	4.8	7.9	6.0	4.5
Slovak Republic	8.6	7.5	2.7	4.5	1.9	3.9	1.9	2.3
Slovenia	5.6	3.6	2.5	2.5	3.6	5.5	1.3	2.1
<b>Other Europe</b>								
Iceland	2.1	3.2	4.0	6.7	5.1	12.7	12.5	7.0
Norway	1.9	0.6	1.5	2.5	0.7	3.8	1.4	1.0
Switzerland	0.6	0.8	1.2	1.1	0.7	2.4	-1.3	0.4
<b>Economies in transition</b>								
<b>South-eastern Europe</b>								
Albania	0.5	2.3	2.4	2.4	2.9	3.5	1.5	3.0
Bosnia and Herzegovina	0.2	-0.3	3.0	6.0	2.0	7.4	1.5	2.0
Croatia	1.8	2.1	3.0	3.2	2.9	6.1	2.4	2.5
Montenegro	7.5	3.1	3.4	2.1	3.5	8.5	3.2	2.5
Serbia	9.6	9.8	16.1	12.7	6.5	10.9	10.0	6.0
The former Yugoslav Republic of Macedonia	1.1	-0.4	0.0	3.0	2.8	8.3	1.0	1.5
<b>Commonwealth of Independent States</b>								
Armenia	2.7	8.1	0.6	2.9	4.4	9.0	4.6	3.5
Azerbaijan	2.1	6.7	9.6	8.3	16.6	20.8	10.5	9.5
Belarus	28.5	18.3	10.4	7.0	8.4	14.8	9.5	8.0
Georgia	4.8	5.7	8.2	9.2	9.2	10.0	6.0	5.0
Kazakhstan	6.4	6.9	7.6	8.6	10.8	17.0	10.5	8.0
Kyrgyzstan	3.0	4.1	4.4	5.6	10.2	24.5	13.5	10.3
Republic of Moldova	11.7	12.5	12.0	12.7	12.6	12.7	5.5	4.5
Russian Federation	13.6	10.9	12.7	9.7	9.0	14.1	13.3	14.5
Tajikistan	16.3	7.2	8.0	12.0	13.4	20.5	10.5	9.5
Turkmenistan	15.3	10.0	12.0	9.0	6.4	12.0	10.0	9.0
Ukraine	5.2	9.1	13.5	9.6	12.8	25.2	20.5	16.8
Uzbekistan	19.0	14.2	15.0	10.5	12.3	12.0	10.0	8.0

Developing countries									
Africa									
Algeria	2.6	3.6	1.6	2.6	3.5	4.5	3.9	2.6	
Angola	98.2	43.5	23.0	13.3	12.2	12.5	12.6	10.4	
Benin	1.5	0.9	5.4	3.8	1.3	8.0	4.1	2.5	
Botswana	9.2	7.0	8.6	11.6	7.1	12.6	9.8	7.7	
Burkina Faso	2.0	-0.4	6.4	2.4	-0.2	10.7	5.2	4.4	
Burundi	7.9	10.7	13.5	2.8	8.3	24.4	11.5	7.1	
Cameroon	0.6	0.3	2.0	4.9	1.1	5.3	2.5	2.2	
Cape Verde	1.2	-1.9	0.4	4.8	4.4	6.8	3.2	2.8	
Central African Republic	4.4	-2.2	2.9	6.7	0.9	9.3	4.1	3.8	
Chad	-1.9	-5.3	8.0	7.7	-7.4	8.3	3.5	3.4	
Comoros	3.8	4.5	3.0	3.4	4.5	4.8	4.1	3.8	
Congo	-1.3	3.6	2.5	4.7	2.6	6.0	5.0	3.3	
Côte d'Ivoire	3.3	1.4	4.0	2.5	1.9	6.3	4.4	2.7	
Democratic Republic of the Congo	12.8	4.0	21.4	13.2	16.7	18.0	25.0	22.0	
Djibouti	2.0	3.1	3.1	3.5	5.0	12.0	5.2	4.6	
Egypt	4.5	11.3	4.9	7.6	9.5	18.3	9.1	6.4	
Equatorial Guinea	7.3	4.2	5.7	4.5	2.8	5.9	4.3	4.7	
Eritrea	22.7	25.1	12.5	15.1	9.3	11.0	10.3	10.2	
Ethiopia	17.8	3.3	11.6	12.3	15.8	25.3	18.8	14.2	
Gabon	2.1	0.4	1.2	-1.4	5.0	5.3	2.4	2.1	
Gambia	17.0	14.2	3.2	2.1	5.4	4.5	6.2	5.6	
Ghana	27.4	12.6	15.4	10.2	10.7	16.5	17.4	12.9	
Guinea	12.9	17.5	31.4	31.4	34.7	22.9	21.1	20.7	
Guinea-Bissau	-3.5	0.9	3.4	-0.1	4.6	10.4	4.1	4.5	
Kenya	9.8	11.7	10.3	14.5	9.8	13.1	12.5	11.3	
Lesotho	6.7	5.0	3.4	6.1	8.0	10.7	7.4	6.5	
Liberia	10.3	3.6	6.9	7.2	11.4	17.5	2.6	2.7	
Libyan Arab Jamahiriya	-2.1	-2.2	2.0	3.4	6.3	12.5	8.5	6.7	
Madagascar	-1.2	13.8	18.4	10.8	10.4	9.2	9.6	10.5	
Malawi	9.6	11.4	15.4	13.9	7.9	8.7	8.7	7.9	
Mali	-1.3	-3.1	6.4	1.5	1.5	9.1	2.4	2.4	
Mauritania	5.3	10.4	12.1	6.2	7.3	7.3	5.3	5.1	
Mauritius	3.9	4.7	4.9	8.9	9.1	8.8	6.5	5.8	
Morocco	1.2	1.5	1.0	3.4	2.0	3.8	2.1	1.9	
Mozambique	13.5	12.6	6.4	13.2	8.2	10.3	5.8	5.3	
Namibia	7.2	4.2	2.3	5.1	6.7	10.3	9.6	7.5	
Niger	-1.6	0.2	7.8	0.1	0.1	11.3	4.2	2.4	
Nigeria	14.0	15.0	17.9	8.2	5.4	11.6	11.4	8.5	
Rwanda	7.4	12.0	9.2	8.9	9.1	15.4	13.4	10.2	
Sao Tome and Principe	9.9	13.8	17.1	23.1	18.5	26.0	17.6	13.0	
Senegal	0.0	0.5	1.7	2.1	5.9	5.8	2.1	2.0	
Sierra Leone	7.5	14.2	12.1	9.5	11.7	14.8	9.8	7.8	
Somalia	12.0	12.0	12.0	14.0	15.0	20.0	15.0	10.0	
South Africa	5.8	1.4	3.5	4.6	6.5	11.3	6.0	5.4	
Sudan	7.7	8.4	8.5	7.2	8.0	14.3	10.0	9.0	
Togo	0.9	0.4	6.8	2.2	1.0	8.4	3.1	2.5	
Tunisia	2.7	3.6	2.1	4.5	3.1	5.0	2.6	2.4	
Uganda	7.8	3.3	8.2	6.6	6.8	7.3	14.5	8.7	
United Republic of Tanzania	4.4	4.1	4.4	7.3	7.0	10.3	13.2	11.0	
Zambia	21.4	18.0	18.3	9.0	10.7	12.4	13.4	10.7	
Zimbabwe	365.0	350.0	237.8	1016.7	12500.0	11000000	-2	4	
East and South Asia									
Bangladesh	5.7	9.2	7.0	7.2	9.1	8.9	5.6	5.8	
Brunei Darussalam	0.3	0.8	1.2	0.1	0.3	2.7	1.1	1.4	
China	1.2	3.9	1.8	1.5	4.8	5.9	0.5	1.6	
Hong Kong, Special Administrative Region of China	-2.5	-0.4	0.9	2.1	2.0	4.3	1.3	1.8	
India	3.8	4.0	4.3	6.2	6.4	8.3	6.5	4.7	
Indonesia	6.6	6.2	10.5	13.1	6.3	10.2	6.0	5.6	
Iran, Islamic Republic of	16.5	14.8	13.4	11.9	17.1	25.6	19.8	15.9	
Korea, Republic of	3.5	3.6	2.8	2.2	2.5	4.7	2.6	2.9	
Malaysia	1.0	1.5	3.0	3.6	2.0	5.4	1.5	2.3	
Myanmar	36.6	4.5	9.4	20.0	35.5	25.6	19.0	17.0	
Nepal	5.7	2.8	4.5	8.0	6.1	10.8	10.4	9.1	
Pakistan	2.9	7.4	9.1	7.9	7.6	22.9	16.9	14.0	
Papua New Guinea	14.7	2.2	1.8	2.4	0.9	10.7	6.5	6.4	
Philippines	3.5	6.0	7.6	6.2	2.8	9.3	3.9	4.3	



Singapore	0.5	1.7	0.4	1.0	2.1	6.5	1.1	1.7
Sri Lanka	6.3	9.0	11.0	10.0	15.8	22.6	5.1	6.3
Taiwan, Province of China	-0.3	1.6	2.3	0.6	1.8	3.5	-1.2	1.1
Thailand	1.8	2.8	4.5	4.6	2.3	5.5	-0.1	1.9
Viet Nam	3.2	7.8	8.3	7.4	8.3	23.1	7.5	6.0
<b>Western Asia</b>								
Bahrain	1.6	2.4	2.6	2.1	3.3	6.8	0.9	2.9
Israel	0.7	-0.4	1.3	2.1	0.5	4.6	0.7	0.8
Jordan	1.6	3.4	3.5	6.3	5.4	14.4	4.5	5.1
Kuwait	1.0	1.2	4.1	3.1	5.5	10.2	7.0	5.6
Oman	0.2	0.8	1.9	3.4	5.9	11.2	7.5	5.1
Qatar	2.3	6.8	8.8	11.8	13.8	15.1	9.0	8.1
Saudi Arabia	0.6	0.3	0.7	2.2	4.1	9.9	1.3	3.0
Syrian Arab Republic	5.8	4.4	7.4	10.0	5.2	14.2	7.5	8.1
Turkey	21.6	8.6	8.2	9.6	8.8	10.4	6.8	7.2
Yemen	10.8	12.5	11.8	20.8	8.4	18.5	6.2	9.5
<b>Latin America</b>								
Argentina	13.4	4.4	9.6	10.9	8.8	8.6	6.7	7.8
Barbados	1.6	1.4	6.1	7.3	4.0	7.7	5.0	5.8
Bolivia, Plurinational State of	3.3	4.4	5.4	4.3	8.7	14.0	7.0	7.8
Brazil	14.8	6.6	6.8	4.2	3.6	5.8	4.4	3.5
Chile	2.8	1.1	3.1	3.4	4.4	8.7	2.9	3.5
Colombia	7.1	5.9	5.0	4.3	5.5	7.0	5.5	4.5
Costa Rica	9.4	12.3	13.8	11.5	9.4	13.4	9.5	7.5
Dominican Republic	27.4	51.5	4.2	7.6	6.1	12.3	8.9	7.4
Ecuador	7.9	2.7	2.4	3.0	2.3	8.4	4.0	4.2
El Salvador	2.1	4.5	4.7	4.0	3.9	7.3	1.8	2.4
Guatemala	5.5	7.4	8.4	6.5	6.8	11.4	5.0	7.0
Guyana	6.0	4.7	6.9	6.6	12.3	8.3	5.2	7.2
Haiti	26.7	28.3	16.8	14.2	9.1	14.5	7.0	8.3
Honduras	7.7	8.1	8.8	5.6	6.9	11.4	7.9	7.7
Jamaica	10.3	13.6	15.3	8.6	9.3	22.0	9.1	9.5
Mexico	4.6	4.7	4.0	3.6	4.0	5.1	4.9	3.6
Nicaragua	5.3	8.5	9.6	9.1	11.1	20.0	8.0	9.5
Panama	0.4	0.2	3.2	2.1	4.2	8.8	3.5	3.0
Paraguay	14.2	4.3	6.8	9.6	8.1	10.2	4.5	5.6
Peru	2.3	3.7	1.6	2.0	1.8	5.8	4.5	3.3
Trinidad and Tobago	3.8	3.7	6.9	8.3	7.9	12.1	7.2	5.0
Uruguay	19.4	9.2	4.7	6.4	8.1	7.9	7.0	6.7
Venezuela, Bolivarian Republic of	31.1	21.8	16.0	13.7	18.7	30.4	30.3	32.6

Source: Project LINK

a Partly estimated.

b Forecasts, based in part on Project LINK.

**Table A.5**  
**World trade: value of exports and imports, by major country group, 2003-2010**  
(billions of dollars)

Region	Flow	2003	2004	2005	2006	2007	2008 <sup>a</sup>	2009 <sup>b</sup>	2010 <sup>b</sup>
<b>World</b>	Exports	7427	9007	10344	11967	13875	15916	12302	12934
	Imports	7462	9109	10399	11948	13798	15812	12229	12844
<b>Developed economies</b>	Exports	4745	5604	6139	6921	7917	8653	7016	7227
	Imports	5108	6097	6844	7756	8763	9599	7585	7854
	Balance	-362	-493	-705	-835	-846	-945	-569	-626
<b>North America</b>	Exports	997	1123	1268	1422	1567	1743	1304	1346
	Imports	1529	1779	2037	2240	2376	2535	1847	2037
	Balance	-532	-657	-769	-819	-809	-792	-544	-691
<b>Asia and Oceania</b>	Exports	560	672	722	796	869	994	680	757
	Imports	491	587	666	745	816	999	855	946
	Balance	69	85	56	50	53	-5	-176	-189
<b>Europe</b>	Exports	3186	3805	4144	4698	5474	5907	5028	5119
	Imports	3087	3729	4135	4762	5557	6050	4876	4863
	Balance	99	77	9	-63	-83	-142	152	256
<b>European Union</b>	Exports	3016	3605	3916	4436	5174	5575	4688	4792
	Imports	2949	3568	3961	4570	5335	5791	4639	4629
	Balance	67	37	-45	-134	-161	-216	49	163
<b>EU-15</b>	Exports	2794	3309	3554	4012	4618	4882	4096	4173
	Imports	2678	3216	3533	4058	4660	4969	3956	3898
	Balance	116	93	21	-45	-42	-87	141	275
<b>New EU Members</b>	Exports	222	296	362	424	556	693	591	619
	Imports	271	352	428	513	675	821	683	731
	Balance	-49	-56	-66	-89	-119	-129	-92	-112
<b>Other Europe</b>	Exports	172	204	233	268	307	341	345	332
	Imports	139	163	179	200	236	274	244	242
	Balance	33	41	54	68	71	67	102	90
<b>Euro Zone</b>	Exports	2336	2781	2977	3350	3935	4285	3530	3576
	Imports	2174	2616	2866	3286	3826	4222	3373	3328
	Balance	161	165	111	64	109	62	158	247
<b>Economies in transition</b>	Exports	205.7	280.5	384.2	492.8	620.5	853.6	609.8	645.9
	Imports	162.8	209.4	264.2	342.8	477.1	623.9	409.4	432.0
	Balance	42.9	71.1	120.0	150.0	143.3	229.7	200.4	213.9
<b>South-eastern Europe</b>	Exports	11.7	15.2	19.1	22.5	28.9	34.7	29.5	30.9
	Imports	29.1	35.5	41.7	48.0	62.7	74.2	58.7	61.9
	Balance	-17.5	-20.2	-22.6	-25.4	-33.8	-39.5	-29.2	-31.0
<b>Commonwealth of Independent States</b>	Exports	194.1	265.2	365.2	470.2	591.6	818.9	580.3	615.0
	Imports	133.7	173.9	222.6	294.8	414.4	549.7	350.6	370.1
	Balance	60.4	91.3	142.6	175.4	177.1	269.2	229.7	244.9
<b>Net fuel exporters</b>	Exports	157.3	214.2	315.9	413.2	519.9	724.6	502.2	528.9
	Imports	93.4	121.3	168.7	226.6	323.0	425.7	259.5	269.0
	Balance	63.9	92.9	147.1	186.6	196.9	298.9	242.6	259.9
<b>Net fuel importers</b>	Exports	36.8	51.1	49.3	57.0	71.7	94.3	78.2	86.1
	Imports	40.3	52.6	53.8	68.2	91.4	124.0	91.1	101.1
	Balance	-3.5	-1.5	-4.5	-11.1	-19.7	-29.7	-12.9	-15.0
<b>Developing countries</b>	Exports	2476.4	3122.6	3820.3	4553.3	5337.7	6409.0	4675.9	5060.7
	Imports	2191.8	2802.7	3291.0	3848.9	4557.8	5589.5	4234.5	4558.5
	Balance	284.6	319.8	529.3	704.4	779.9	819.5	441.4	502.2
<b>Africa</b>	Exports	174.4	227.4	309.1	383.5	454.7	617.3	326.3	371.8
	Imports	163.7	205.9	253.6	305.2	387.8	506.6	355.3	389.8
	Balance	10.8	21.5	55.5	78.4	66.8	110.8	-29.1	-18.0
<b>North Africa</b>	Exports	62.4	77.0	106.2	142.2	170.7	278.5	136.3	156.3
	Imports	57.7	70.7	87.0	106.4	145.6	227.2	151.7	167.7
	Balance	4.6	6.3	19.2	35.7	25.1	51.4	-15.5	-11.5
<b>Sub-Saharan Africa (Excluding Nigeria &amp; South Africa)</b>	Exports	55.7	73.1	96.1	116.4	140.4	170.9	121.7	140.6
	Imports	54.0	67.5	82.9	94.0	114.3	137.4	126.7	136.6
	Balance	1.7	5.6	13.2	22.4	26.1	33.5	-4.9	4.0
<b>Net fuel exporters</b>	Exports	83.2	112.4	177.1	230.4	274.2	414.0	178.6	215.3
	Imports	53.0	65.6	86.7	109.0	154.5	229.0	155.4	172.6
	Balance	30.2	46.8	90.4	121.4	119.6	185.0	23.2	42.8
<b>Net fuel importers</b>	Exports	91.2	115.0	132.0	153.1	180.5	203.4	147.7	156.4
	Imports	110.7	140.3	166.9	196.2	233.3	277.6	200.0	217.3
	Balance	-19.5	-25.3	-34.9	-43.1	-52.8	-74.2	-52.3	-60.8

<b>East and South Asia</b>	Exports	1599.2	2006.0	2379.0	2818.8	3306.1	3825.4	3120.1	3317.3
	Imports	1436.2	1839.3	2149.6	2509.1	2883.4	3479.4	2730.5	2945.5
	Balance	163.0	166.7	229.4	309.7	422.7	346.0	389.6	371.8
<b>East Asia</b>	Exports	1483.7	1862.2	2195.5	2595.5	3028.5	3490.2	2851.8	3020.6
	Imports	1311.4	1670.5	1929.4	2233.9	2565.0	3068.4	2376.0	2544.6
	Balance	172.3	191.6	266.1	361.6	463.5	421.9	475.8	475.9
<b>South Asia</b>	Exports	115.5	143.8	183.5	223.3	277.6	335.2	268.3	296.8
	Imports	124.8	168.7	220.2	275.2	318.4	411.0	354.5	400.9
	Balance	-9.3	-24.9	-36.7	-51.9	-40.8	-75.8	-86.2	-104.1
<b>Net fuel exporters</b>	Exports	58.6	76.0	100.1	119.7	145.3	186.2	120.0	134.0
	Imports	51.6	65.2	77.7	91.7	112.2	139.3	110.5	119.1
	Balance	6.9	10.7	22.4	28.0	33.1	46.9	9.5	15.0
<b>Net fuel importers</b>	Exports	1540.6	1930.0	2278.9	2699.0	3160.8	3639.2	3000.1	3183.3
	Imports	1384.6	1774.0	2071.9	2417.3	2771.2	3340.1	2620.0	2826.5
	Balance	156.1	156.0	207.0	281.7	389.6	299.2	380.0	356.8
<b>Western Asia</b>	Exports	316.7	414.7	555.3	665.2	793.0	1054.6	573.7	683.1
	Imports	244.7	334.0	384.7	434.2	563.7	721.1	495.2	536.9
	Balance	72.0	80.7	170.6	231.0	229.3	333.5	78.5	146.2
<b>Net fuel exporters</b>	Exports	229.3	303.5	427.3	524.3	609.4	796.8	424.6	520.3
	Imports	126.5	173.7	214.2	246.0	317.6	400.2	318.6	344.0
	Balance	102.8	129.8	213.1	278.3	291.8	396.6	106.0	176.4
<b>Net fuel importers</b>	Exports	87.4	111.3	128.1	141.0	183.6	257.8	149.1	162.8
	Imports	118.2	160.4	170.5	188.2	246.1	320.9	176.6	192.9
	Balance	-30.8	-49.1	-42.5	-47.2	-62.5	-63.2	-27.5	-30.1
<b>Latin America and the Caribbean</b>	Exports	386.0	474.4	576.9	685.8	783.9	911.6	655.8	688.4
	Imports	347.2	423.6	503.1	600.5	722.9	882.5	653.4	686.2
	Balance	38.9	50.8	73.8	85.3	61.0	29.2	2.4	2.2
<b>South America</b>	Exports	184.2	244.0	311.3	376.7	442.8	534.5	374.7	410.0
	Imports	122.5	164.9	206.8	257.0	335.1	439.5	338.2	374.2
	Balance	61.7	79.0	104.4	119.8	107.7	95.0	36.5	35.7
<b>Mexico and Central America</b>	Exports	187.0	213.1	244.4	283.5	314.2	346.6	260.5	248.3
	Imports	202.5	233.7	265.4	306.1	346.4	390.1	274.1	266.1
	Balance	-15.4	-20.6	-21.0	-22.6	-32.2	-43.5	-13.6	-17.8
<b>Caribbean</b>	Exports	14.8	17.4	21.2	25.6	26.9	30.5	20.6	30.1
	Imports	22.2	25.0	30.8	37.4	41.3	52.9	41.0	45.8
	Balance	-7.3	-7.6	-9.6	-11.9	-14.5	-22.3	-20.5	-15.7
<b>Net fuel exporters</b>	Exports	245.8	290.4	350.8	409.9	457.3	546.6	377.6	370.2
	Imports	217.9	264.9	310.6	367.9	432.3	496.4	360.6	349.9
	Balance	27.8	25.4	40.2	42.0	24.9	50.2	16.9	20.3
<b>Net fuel importers</b>	Exports	140.3	184.1	226.1	275.9	326.6	365.0	278.2	318.3
	Imports	129.2	158.7	192.4	232.6	290.6	386.1	292.8	336.4
	Balance	11.1	25.4	33.7	43.3	36.1	-21.1	-14.6	-18.1

Source: UN/DESA

a Partly estimated.

b Forecasts, based in part on Project LINK.

**Table A.6**  
**World trade: changes in value of exports and imports, by major country group, 2003-2010**  
(annual percentage change)

Region	Flow	2003	2004	2005	2006	2007	2008 <sup>a</sup>	2009 <sup>b</sup>	2010 <sup>b</sup>
World	Exports	16.6	21.3	14.8	15.7	15.9	14.7	-22.7	5.1
	Imports	16.1	22.1	14.2	14.9	15.5	14.6	-22.7	5.0
Developed economies	Exports	15.4	18.1	9.6	12.7	14.4	9.3	-18.9	3.0
	Imports	15.7	19.4	12.3	13.3	13.0	9.5	-21.0	3.5
North America	Exports	5.0	12.6	12.9	12.1	10.3	11.2	-25.2	3.2
	Imports	7.9	16.4	14.5	10.0	6.1	6.7	-27.1	10.2
Asia and Oceania	Exports	12.8	20.1	7.4	10.1	9.2	14.5	-31.7	11.4
	Imports	15.4	19.7	13.5	11.8	9.5	22.4	-14.4	10.6
Europe	Exports	19.6	19.4	8.9	13.4	16.5	7.9	-14.9	1.8
	Imports	19.9	20.8	10.9	15.2	16.7	8.9	-19.4	-0.3
European Union	Exports	19.9	19.5	8.6	13.3	16.6	7.8	-15.9	2.2
	Imports	20.1	21.0	11.0	15.4	16.7	8.5	-19.9	-0.2
EU-15	Exports	19.2	18.4	7.4	12.9	15.1	5.7	-16.1	1.9
	Imports	19.5	20.1	9.9	14.8	14.8	6.7	-20.4	-1.4
New EU Members	Exports	29.0	33.0	22.3	17.2	31.3	24.5	-14.7	4.7
	Imports	27.2	29.7	21.7	19.8	31.7	21.6	-16.8	7.0
Other Europe	Exports	15.2	18.7	14.3	14.9	14.6	11.1	1.3	-3.7
	Imports	15.8	17.3	10.1	11.5	18.2	15.8	-11.0	-0.6
Euro Zone	Exports	20.5	19.1	7.1	12.5	17.5	8.9	-17.6	1.3
	Imports	21.3	20.3	9.5	14.7	16.4	10.4	-20.1	-1.3
Economies in transition	Exports	26.4	36.3	37.0	28.2	25.9	37.6	-28.6	5.9
	Imports	25.6	28.6	26.2	29.7	39.2	30.8	-34.4	5.5
South-eastern Europe	Exports	20.6	30.8	25.1	18.1	28.1	20.0	-15.0	4.9
	Imports	19.1	21.9	17.4	15.2	30.7	18.3	-20.8	5.4
Commonwealth of Independent States	Exports	26.8	36.7	37.7	28.8	25.8	38.4	-29.1	6.0
	Imports	27.1	30.0	28.0	32.5	40.6	32.7	-36.2	5.6
Net fuel exporters	Exports	26.8	36.2	47.5	30.8	25.8	39.4	-30.7	5.3
	Imports	24.5	29.9	39.1	34.3	42.5	31.8	-39.0	3.6
Net fuel importers	Exports	26.5	38.7	-3.5	15.7	25.7	31.5	-17.1	10.1
	Imports	33.5	30.4	2.3	26.7	34.1	35.6	-26.5	11.0
Developing countries	Exports	18.1	26.1	22.3	19.2	17.2	20.1	-27.0	8.2
	Imports	16.4	27.9	17.4	17.0	18.4	22.6	-24.2	7.7
Africa	Exports	24.0	30.4	35.9	24.1	18.5	35.8	-47.1	13.9
	Imports	19.9	25.8	23.2	20.4	27.1	30.6	-29.8	9.7
North Africa	Exports	29.6	23.5	38.0	33.8	20.1	63.1	-51.1	14.7
	Imports	6.8	22.4	23.1	22.3	36.8	56.0	-33.2	10.5
Sub-Saharan Africa (Excluding Nigeria & South Africa)	Exports	16.7	31.3	31.4	21.1	20.6	21.7	-28.8	15.5
	Imports	18.4	25.1	22.7	13.4	21.6	20.2	-7.8	7.8
Net fuel exporters	Exports	30.8	35.1	57.5	30.1	19.0	51.0	-56.9	20.6
	Imports	11.7	23.8	32.1	25.8	41.8	48.2	-32.1	11.1
Net fuel importers	Exports	18.4	26.1	14.8	16.0	17.9	12.7	-27.4	5.9
	Imports	24.3	26.7	19.0	17.5	18.9	19.0	-28.0	8.6
East and South Asia	Exports	19.2	25.4	18.6	18.5	17.3	15.7	-18.4	6.3
	Imports	19.4	28.1	16.9	16.7	14.9	20.7	-21.5	7.9
East Asia	Exports	19.4	25.5	17.9	18.2	16.7	15.2	-18.3	5.9
	Imports	19.2	27.4	15.5	15.8	14.8	19.6	-22.6	7.1
South Asia	Exports	16.4	24.5	27.6	21.7	24.3	20.7	-20.0	10.6
	Imports	22.4	35.2	30.5	25.0	15.7	29.1	-13.7	13.1
Net fuel exporters	Exports	20.4	29.7	31.8	19.6	21.4	28.1	-35.5	11.7
	Imports	27.7	26.4	19.1	18.0	22.4	24.1	-20.7	7.8
Net fuel importers	Exports	19.1	25.3	18.1	18.4	17.1	15.1	-17.6	6.1
	Imports	19.2	28.1	16.8	16.7	14.6	20.5	-21.6	7.9
Western Asia	Exports	22.5	31.0	33.9	19.8	19.2	33.0	-45.6	19.1
	Imports	17.4	36.5	15.2	12.9	29.8	27.9	-31.3	8.4
Net fuel exporters	Exports	22.7	32.3	40.8	22.7	16.2	30.8	-46.7	22.5
	Imports	16.0	37.3	23.3	14.8	29.1	26.0	-20.4	8.0
Net fuel importers	Exports	21.8	27.3	15.1	10.1	30.3	40.4	-42.2	9.2
	Imports	18.9	35.6	6.3	10.4	30.8	30.4	-45.0	9.2
Latin America and the Caribbean	Exports	8.5	22.9	21.6	18.9	14.3	16.3	-28.1	5.0
	Imports	3.4	22.0	18.8	19.4	20.4	22.1	-26.0	5.0
South America	Exports	14.7	32.5	27.6	21.0	17.5	20.7	-29.9	9.4
	Imports	5.8	34.6	25.4	24.2	30.4	31.1	-23.0	10.6
Mexico and Central America	Exports	2.7	13.9	14.7	16.0	10.8	10.3	-24.9	-4.7
	Imports	2.0	15.4	13.6	15.3	13.2	12.6	-29.7	-2.9
Caribbean	Exports	15.0	17.2	22.1	20.3	5.1	13.7	-32.7	46.6
	Imports	3.7	12.7	23.3	21.5	10.5	27.9	-22.4	11.7
Net fuel exporters	Exports	4.4	18.1	20.8	16.8	11.6	19.5	-30.9	-2.0
	Imports	2.0	21.6	17.3	18.4	17.5	14.8	-27.3	-3.0
Net fuel importers	Exports	16.7	31.2	22.8	22.0	18.4	11.8	-23.8	14.4
	Imports	5.9	22.8	21.3	20.8	24.9	32.9	-24.2	14.9

Source: UN/DESA

<sup>a</sup> Partly estimated.

<sup>b</sup> Forecasts, based in part on Project LINK.

Table A.7

World trade: changes in volume of exports and imports, by major country group, 2003-2010  
(annual percentage change)

Region	Flow	2003	2004	2005	2006	2007	2008 <sup>a</sup>	2009 <sup>b</sup>	2010 <sup>b</sup>
World	Exports	5.7	10.7	7.7	9.6	6.6	2.4	-11.1	3.6
	Imports	5.9	11.1	7.6	8.8	6.5	2.4	-11.2	4.6
Developed economies	Exports	2.6	7.9	5.4	8.5	4.8	0.7	-11.5	3.1
	Imports	4.0	8.9	5.9	7.2	3.8	-1.5	-9.8	4.7
North America	Exports	0.7	7.0	7.3	7.8	5.7	4.6	-12.6	1.1
	Imports	4.6	10.7	7.3	5.1	2.1	-3.5	-12.8	8.1
Asia and Oceania	Exports	7.9	12.1	4.8	10.7	6.4	0.3	-31.4	13.9
	Imports	7.0	8.0	3.4	4.9	3.1	1.7	-9.2	7.2
Europe	Exports	2.2	7.3	4.9	8.2	4.0	-0.7	-6.1	1.9
	Imports	3.0	7.9	5.5	9.0	4.9	-0.9	-8.2	2.4
European Union	Exports	2.4	7.5	5.0	8.2	3.7	-0.7	-6.3	2.1
	Imports	3.2	7.9	5.3	8.9	4.5	-1.2	-8.4	2.4
EU-15	Exports	1.6	6.5	4.1	7.9	2.3	-1.9	-6.7	2.0
	Imports	2.2	7.0	4.5	8.3	2.6	-2.5	-8.4	2.1
New EU Members	Exports	12.9	19.2	15.0	11.7	17.3	9.5	-3.3	2.9
	Imports	13.0	16.8	12.7	13.6	19.6	7.3	-8.3	4.2
Other Europe	Exports	-0.5	4.7	3.8	8.3	10.0	-1.4	-3.0	-0.8
	Imports	-0.8	8.7	11.1	13.4	13.0	5.5	-5.3	2.3
Euro Zone	Exports	2.0	7.2	3.3	7.2	4.5	-1.5	-7.1	1.9
	Imports	2.4	6.8	3.4	7.4	4.0	-3.3	-8.4	1.9
Economies in transition	Exports	13.1	15.6	0.2	7.1	8.7	3.1	3.3	2.0
	Imports	16.2	19.2	9.9	19.1	23.7	11.6	-6.5	5.4
South-eastern Europe	Exports	7.7	17.8	17.4	9.5	17.5	5.9	-0.7	3.2
	Imports	6.2	10.1	11.3	9.0	19.3	5.5	-9.8	3.6
Commonwealth of Independent States	Exports	13.5	15.4	-0.8	6.9	8.1	2.9	3.6	1.9
	Imports	18.5	21.1	9.7	21.0	24.4	12.6	-6.0	5.7
Net fuel exporters	Exports	13.5	14.6	2.7	7.8	7.9	2.0	3.3	1.4
	Imports	18.5	24.0	16.2	22.9	25.4	12.2	-6.3	6.1
Net fuel importers	Exports	13.1	19.6	-16.7	1.9	9.5	8.5	5.1	4.5
	Imports	18.7	13.7	-8.7	14.3	20.8	14.6	-4.6	4.2
Developing countries	Exports	10.9	15.1	11.8	11.5	9.3	4.9	-11.6	4.3
	Imports	9.7	15.6	10.8	11.2	10.2	8.6	-13.9	4.4
Africa	Exports	10.6	9.9	16.1	8.5	7.6	9.3	-14.4	7.4
	Imports	11.3	10.0	16.8	14.7	20.1	15.4	-14.4	6.1
North Africa	Exports	16.1	1.1	11.4	17.1	10.6	24.9	-26.5	7.9
	Imports	6.6	8.7	15.9	16.9	27.9	28.7	-22.5	7.2
Sub-Saharan Africa (Excluding Nigeria & South Africa)	Exports	4.6	13.4	9.7	5.0	6.8	-3.5	7.9	5.9
	Imports	7.9	12.3	14.1	6.2	12.8	5.5	6.0	4.9
Net fuel exporters	Exports	21.5	9.6	25.4	8.4	5.7	11.0	-21.4	9.3
	Imports	16.7	8.0	27.2	16.7	30.8	19.5	-16.5	4.6
Net fuel importers	Exports	0.6	10.2	5.8	8.6	10.0	7.3	-5.3	5.5
	Imports	8.4	11.1	10.9	13.4	13.0	12.3	-12.7	7.3
East and South Asia	Exports	13.2	17.9	13.4	13.6	10.8	5.5	-12.7	4.0
	Imports	11.2	17.5	11.0	11.1	7.9	6.8	-14.9	4.3
East Asia	Exports	13.7	18.6	13.6	13.7	10.5	5.9	-13.9	3.7
	Imports	11.2	17.1	10.1	10.9	7.9	6.2	-16.9	3.7
South Asia	Exports	6.3	9.3	10.9	11.6	14.4	0.9	6.1	6.7
	Imports	11.6	21.4	20.4	12.9	8.0	12.5	3.3	8.7
Net fuel exporters	Exports	7.1	6.2	3.0	4.3	10.7	-0.6	1.9	2.3
	Imports	16.7	14.9	11.9	12.4	16.5	11.8	-12.4	5.7
Net fuel importers	Exports	13.4	18.4	13.7	13.9	10.8	5.7	-13.1	4.0
	Imports	11.0	17.6	11.0	11.0	7.6	6.6	-15.0	4.3
Western Asia	Exports	8.2	7.8	5.3	5.8	7.2	3.8	-9.2	6.8
	Imports	6.6	21.7	7.2	6.6	16.8	13.7	-16.6	5.4
Net fuel exporters	Exports	6.9	5.8	4.8	4.4	6.0	-1.9	-5.0	8.2
	Imports	5.5	23.6	14.6	7.8	20.8	11.5	-8.9	5.4
Net fuel importers	Exports	11.9	13.4	6.6	9.3	9.9	16.5	-17.2	3.9
	Imports	7.7	19.8	-1.0	5.1	11.6	16.7	-27.0	5.5
Latin America and the Caribbean	Exports	4.4	11.3	8.3	7.9	4.6	0.2	-5.8	2.5
	Imports	5.5	7.0	9.9	13.1	11.0	8.9	-7.8	3.1
South America	Exports	4.6	12.8	9.7	5.8	3.5	-1.5	-1.5	2.0
	Imports	16.0	1.9	9.8	14.7	18.4	14.4	-10.2	4.8
Mexico and Central America	Exports	3.8	10.2	7.1	10.1	5.8	1.9	-9.3	1.2
	Imports	0.3	11.1	9.6	11.8	7.1	4.6	-5.6	1.2
Caribbean	Exports	8.5	6.0	3.8	4.0	3.6	-3.1	-12.8	32.9
	Imports	-6.0	1.2	14.3	16.1	0.9	12.5	-10.7	8.6
Net fuel exporters	Exports	1.6	10.0	8.2	8.7	3.7	1.7	-7.2	0.8
	Imports	-0.4	15.7	12.6	14.1	9.8	5.8	-6.2	1.7
Net fuel importers	Exports	9.6	13.5	8.3	6.4	6.2	-2.3	-3.4	5.6
	Imports	15.4	-5.6	5.3	11.3	13.3	14.9	-10.6	5.6

Source: UN/DESA

a Partly estimated.

b Forecasts, based in part on Project LINK.