United Nations
Department of Economic and Social Affairs

LINK Global Economic Outlook

May 2008

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Introduction

The present report summarizes the Project LINK forecast for the global economy in 2008-2009 and discusses the major risks and policy challenges in that regard. The forecast is prepared by the staff of the Development Policy and Analysis Division of the United Nations Department of Economic and Social Affairs, and is built-up from inputs from the national LINK centres, as well as from information from other sources as of 1 May 2008. Most of the LINK Country Reports, which contain the detailed country forecasts as well as the policy analyses submitted by the national LINK centres, are available on the websites of both the United Nations and the University of Toronto.[1] The views expressed herein do not necessarily represent those of the United Nations or its Member States.

[1] http://www.un.org/esa/analysis/link and http://www.chass.utoronto.ca/link

Overview

Since the last LINK forecasting exercise of November 2007, the world economy has increasingly been challenged by weakening demand from the major developed economies, particularly the United States, stemming from the credit crisis which was initially triggered by the declining US housing market, but which has now entered into a mutually reinforcing dynamic where deteriorating credit conditions spiral down with declining housing markets. This is coupled with a significant soaring of international prices of energy and food, which has boosted inflation globally and reduced room for policy manoeuvre. Finally these occur in the context of the large global imbalances, which continue to create pressures, particularly on exchange rates. As a result, most growth projections in the LINK country forecasts have been revised downwards for 2008 (see Figure 1). In the current outlook, the world economy is forecast to grow by 2.8 per cent in 2008, to be followed by another year of sluggish pace of 2.9 per cent in 2009 (see table 1).

Downside risks for the forecast remain more acute than usual, and include the possibility of a much deeper and more protracted recession in the United States, which would drag global growth to a much lower trajectory. Indeed, the *World Economic Situation and Prospects as of Mid-2008* (WESP2008-Update), which reflects the position of UN-DESA, takes a far more cautious view of the global outlook.[2] World growth is expected to slow dramatically to 1.8 per cent in 2008 and 2.1 per cent in 2009, based on a number of factors: the credit crisis is expected to deepen and continue to spread across global financial markets, and the monetary and fiscal policy stimuli implemented in the United States are not expected to have significant traction. These considerations lead the United States into a deeper recession with serious knock-on effects to the rest of the world: lower US import demand reduces the exports of countries with strong trade ties; the credit crunch directly impacts investment spending globally; housing markets deteriorate in other countries where prices have moved beyond fundamental values, negatively impacting consumption demand; finally, slowing global growth is negatively reinforced through 2nd round trade effects which affect a much large group of countries (see Figure 1).[3]

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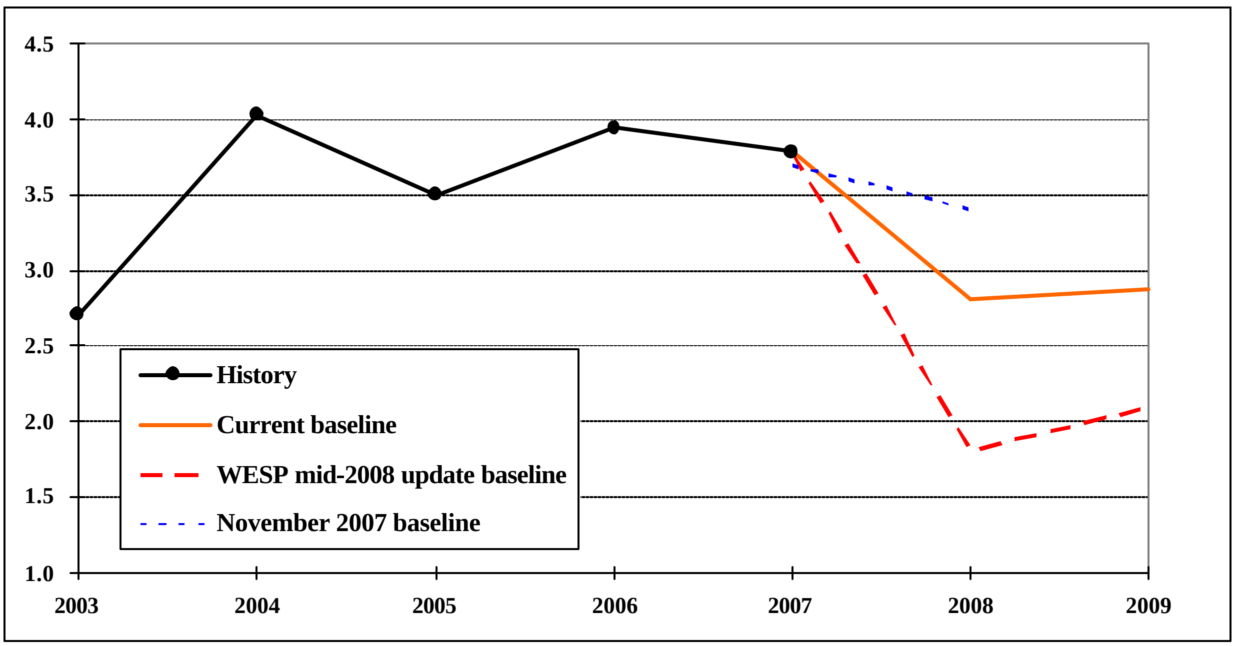
[2] http://www.un.org/esa/policy/wess/wesp2008files/wesp08update.pdf
[3] The WESP2008-update also presents an optimistic scenario for the global outlook, which is based in part on the present LINK-GEO, as well as a more pessimistic scenario. See table 1 of the 2008 update for more information.

In the LINK forecast, in contrast, the credit crisis is assumed to dissipate over the course of 2008 and 2009 and the monetary and fiscal policy stimuli taken by the United States more optimistically are assumed to have some impact in the 2nd half of 2008, boosting consumer spending and restoring confidence in the business and banking sector. Other global assumptions behind the outlook are summarized in Box 1.

Figure 1: World GDP Growth, 2003-2009



Source: Project LINK

Table 1. Gross domestic product and world trade, 2005-2007 (observed) and 2008-2009 (forecast)
(Annual percentage change)

	Observed			May 2008 forecast [a]		Change from November 2007 for	
	2005[b]	**2006[b]**	**2007[b]**	**2008**	**2009**	**2007**	**2008**
Gross World Product (GWP)	3.5	3.9	3.8	2.8	2.9	0.1	-0.6
GWP - PPP weighted	5.0	5.4	5.5	4.5	4.5	0.2	-0.4
Developed economies	2.4	2.8	2.5	1.4	1.6	0.1	-0.8
Canada	2.9	2.7	2.7	0.9	2.2	0.3	-1.0
Japan	1.9	2.2	2.1	1.3	1.5	0.1	-0.4
United States	3.1	2.9	2.2	1.0	1.2	0.1	-1.0
European Union (EU27)	1.8	3.0	2.9	2.0	2.0	0.0	-0.5
France	1.7	2.0	1.9	1.9	2.0	-0.4	-0.4
Germany	0.8	2.9	2.5	1.7	1.8	-0.1	-0.6
Italy	0.1	1.9	1.5	0.5	1.2	-0.2	-0.9
United Kingdom	1.8	2.9	3.0	1.9	2.2	0.0	-0.4
Memo item: Euro Zone	1.5	2.8	2.6	1.7	1.8	0.0	-0.6
Economies in transition	6.6	7.9	8.4	7.4	6.6	0.4	0.3
Russia	6.4	7.3	8.1	7.4	6.5	0.6	0.9
Developing countries and regions	6.7	7.1	7.3	6.2	6.0	0.4	-0.3
Latin America and the Caribbean	4.8	5.7	5.7	4.2	4.0	0.5	-0.6
Argentina	9.2	8.5	8.7	6.0	4.5	0.7	0.3
Brazil	2.9	3.7	5.4	4.2	4.0	0.9	-0.3
Mexico	3.0	4.8	3.3	2.5	2.7	0.5	-1.2
Africa	5.3	5.6	5.8	6.2	6.1	0.0	0.0
North Africa	4.5	5.5	5.6	6.0	6.1	0.0	0.0
Sub-Saharan Africa [c]	5.9	6.0	6.7	7.6	6.9	-0.3	-0.1
Nigeria	7.1	5.2	6.3	7.5	7.2	0.8	0.5
South Africa	5.1	5.4	5.1	4.1	4.8	0.3	-0.4
East and South Asia	7.9	8.1	8.5	7.2	6.9	0.5	-0.3
China	10.4	11.6	11.9	10.0	9.4	0.5	-0.1
India	9.0	9.6	9.1	7.6	7.4	0.6	-0.6
Indonesia	5.6	5.6	6.3	5.9	6.3	0.1	-0.1
Korea, Republic of	4.2	5.0	4.9	4.7	4.5	0.0	-0.3
Malaysia	5.0	5.9	6.3	5.2	5.7	0.4	-0.6
Philippines	4.9	5.4	7.3	5.2	5.3	0.5	-0.9
Thailand	4.5	5.1	4.8	4.3	4.4	0.3	-0.5
Western Asia	6.6	5.9	5.2	5.4	5.1	-0.5	0.2
Oil-exporting countries	6.9	5.9	5.6	6.5	5.8	-0.5	1.0
Oil-importing countries	6.3	5.9	4.6	3.8	4.0	-0.5	-0.9
Memo: World Export volume	7.0	9.9	7.2	6.0	6.1	0.1	-0.9

Source: LINK Global Forecast.

[a] Pre-Meeting forecasts.

[b] Actual or most recent estimates.

[c] Excluding Nigeria and South Africa.

Box 1: Major assumptions for the LINK baseline global economic forecast for 2008-2009

The United States Federal Reserve is expected to cut the federal funds rate to a level of 1.50 per cent in the second half of 2008, but then start to tighten policy in the second half of 2009 bringing the federal funds rate to 3.00 per cent; the European Central Bank is expected to maintain its policy interest rate, the minimum bid rate on refinancing operations, at 4.0 per cent for the first half of 2008, cut its policy rate by 50 basis points in the second half of the year, and then to maintain this stance throughout 2009; and the Bank of Japan is expected to keep its main policy interest rate, the target Uncollateralized Overnight Call Rate, at its current level of 0.5 per cent throughout 2008, and then to raise it by 50 basis points over the course of 2009.

The assumptions regarding fiscal policy in individual countries are based mainly on official budget plans or policy statements.

The price of Brent crude oil is estimated to average $73.50 per barrel in 2007, up from $65.14 per barrel in 2006, and is expected to rise to $95.00 in 2008 and 90 in 2009

Prices of most agricultural commodities are expected to reach a plateau in 2008, while prices of metals and minerals are expected to retreat moderately after a substantial increase over the past few years.

The United States dollar is expected to continue to depreciate against the euro in the first half of 2008, and then rebound moderately in the second half of the year and into 2009. The dollar/euro exchange rate is expected to average 1.51 for 2008 and 1.44 in 2009. Against the Yen the dollar is expected to depreciate throughout 2008 and 2009, with the yen/dollar exchange rate averaging 103 for 2008, and 99 in 2009

The key drag on global growth remains the contraction in the United States. As the housing slump continues and the credit crisis deepens, a broad array of macroeconomic indicators by mid-2008 are pointing to a recession: employment is declining, consumer confidence has dropped to its lowest level in two decades, household spending has slowed sharply, and business equipment spending is recoiling. The effects of various policy stimuli adopted so far remain uncertain and the adjustment in the housing sector will likely extend into 2009.

Significant spill-over effects from the financial turmoil originating in the sub-prime mortgage markets in the United States were found in major European countries and to a lesser extent, in Japan and other developed economies, in terms of tightening credit conditions, as well as a reversal of housing bubbles in some of these economies. Growth prospects have been downgraded in these economies as well.

Reverberation of the financial turmoil to most developing countries and the economies in transition has so far been found mainly in the synchronized selling of their equity markets, a measurable widening of the yield spreads on their external debts, and weakening exports in some of these economies to the United States. The relative resilience of these economies in facing the financial turbulence is partly due to their limited exposure to the sub-prime securities, but also due to their improved macroeconomic conditions and their large accumulation of foreign exchange reserves over the past few years. Part of that strength is also generated by the synergy within this group, driven by the sustained, rapid growth in the two most populous emerging economies, China and India. Nevertheless, in the outlook, a weakening of external demand coupled with a squeeze from higher energy and food prices is expected to reduce growth for most developing countries and economies in transition.

Labour markets have remained resilient across most developed economies, with sustained employment growth and falling rates of unemployment, accompanied by some uptick in wage growth. However, as growth slows, labour market conditions are expected to weaken. This is already occurring in the United States, and should become evident in other countries as economic activity continues to moderate in 2008 and 2009.

Inflationary pressures continue to be of concern, with rates of *headline inflation* well above last year's performance. The surge in commodity prices seems to be the single most important driving factor around the world, especially since the second half of 2007. In addition to the continued rise in oil prices, which are registering all time highs, world food commodity prices increased by 14 per cent in 2007 and further stepped up their pace to an annual rate of 42 per cent by early 2008, triggering a global food crisis and leading to social unrest in a large number of countries. These prices are expected to continue rising in 2008 and remain at high levels in 2009 before descending. Other factors exerting upward pressure on inflation are high rates of capacity utilization and higher wages. Global inflation is expected to accelerate to 3.7 per cent in 2008 despite the slowdown in growth, but begin to slow in 2009 as aggregate demand continues to grow below potential output.

Macroeconomic policies worldwide are facing a number of challenges. A slowdown in global growth led by the contraction in the United States clearly calls for policy stimuli to domestic demand, but a continued increase in global inflation—particularly the soaring international prices of oil and food, has restrained policymakers in many economies from doing so. Given this complicated circumstance, macroeconomic policies have thus far shown diverse trends among the world economies, depending on the assessment of and trade-off between different risks by individual countries, as well as the diversity of policy regimes. Table 2 depicts this diversity within the monetary policy sphere.

In the Developed economies, Canada, the United Kingdom, and the United States have cut rates substantially, as concern has focused on the downside risks to growth. In contrast, central banks in continental Europe as well as Australia have focused more on inflationary dangers either pausing policy after a period of interest rate increases (in the case of the euro area and New Zealand) or raising rates. In the Economies in Transition, inflationary concerns have led to a general tendency to tighten policy as well. In East Asia policy is tightening or has paused after tightening, in many countries, but in the Philippines, policy has been loosening to restrain the appreciation of the peso against the $US, while in Hong Kong SAR, the exchange rate peg to the $US has required policy to follow that of the US Fed, with the result that inflationary pressures are building in both countries. The GCC states also peg their exchange rates to the $US, and the consequent loosening of monetary policy is also leading to increasing inflationary pressures. In Latin America, policy is generally tighter, as inflationary pressures remain the priority and in Africa, monetary policy also continues to focus on inflation.

Such a divergence is expected to remain in the outlook for 2008-2009, although policy stances are expected to shift towards more easing positions later in the period as the risks to growth become more salient, and those for inflation less acute.

Table 2. Monetary policy stance: policy interest rates (percentage)

	May 2008	Change from Aug 07 (bp)	Last change
Australia	7.25	75	4 Mar 08 (+25 bp)
Canada	3.00	-150	22 Apr 08 (-50 bp)
Euro area	4.00	0	6 Jun 07 (+25bp)
Japan	0.50	0	21 Feb 07 (+25 bp)
New Zealand	8.25	0	26 Jul 07 (+25 bp)
Norway	5.50	75	23 Apr 08 (+25 bp)
Sweden	4.25	75	13 Feb 08 (+25 bp)
Switzerland	2.75	25	13 Sep 07 (+25 bp)
United Kingdom	5.00	-75	10 Apr 08 (-25 bp)
United States	2.00	-325	30 Apr 08 (-25 bp)
Czech Republic	3.75	50	7 Feb 08 (+25 bp)
Hungary	8.25	50	28 Apr 08 (+25 bp)
Poland	5.75	100	26 Mar 08 (+25 bp)
Russia	3.75	50	29 Apr 08(+25bp)
Slovakia	4.25	0	27 Apr 07 (-25 bp)
China	7.47	45	20 Dec 07 (+18 bp)
Hong Kong SAR[a]	3.50	-325	1 May 08 (-25 bp)
India	7.75	0	30 Mar 07 (+25 bp)
Indonesia	8.25	0	6 May 08 (+25 bp)
Korea, Republic of	5.00	0	9 Aug 07 (+25 bp)
Malaysia	3.50	0	26 Apr 06 (+25 bp)
Philippines	5.00	-100	31 Jan 08 (-25 bp)
Taiwan Province of China	3.50	38	27 Mar 08 (+12.5 bp)
Thailand	3.25	0	18 Jul 07 (-25 bp)
Brazil	11.75	25	16 Apr 08 (+50 bp)
Colombia	9.75	50	22 Feb 08 (+25bp)
Chile	6.25	75	10 Jan 08 (+25 bp)
Mexico	7.50	25	26 Oct 07 (+25 bp)
Peru	5.50	75	10 Apr 08 (+25bp)
South Africa	11.50	150	10 Apr 08 (+50 bp)
Turkey	15.75	-175	15 May 08 (+50 bp)

Source: JP Morgan Chase Bank.
[a] Special Administration Region of China.

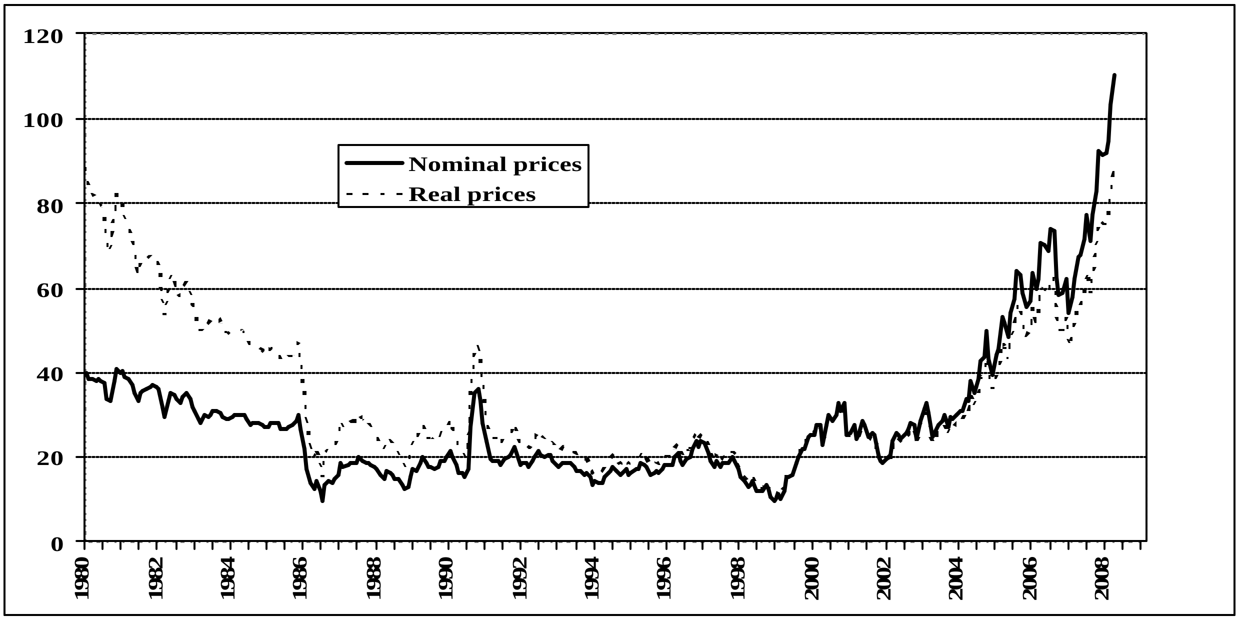
International economic conditions for developing countries and the economies in transition

The international economic environment for developing economies and economies in transition has become less favourable. Volatility in international trade and finance has increased since the beginning of 2008, particularly for international commodity and equity prices and yield spreads. In the outlook, the international economic environment for these economies will be more challenging, as the economy of the United States and other developed economies slow.

Growth of world *trade* decelerated to 6.0 per cent in early 2008, down from 7.2 per cent in 2007, due to weak import demand from the United States. Imports of the United States, which account for about 15 per cent of the world total, declined in the fourth quarter of 2007 and dropped further in early 2008. As a result, many of the dynamic exporters of manufactured goods in Asia reported a significant deceleration of export volumes. As the United States-led global downturn continues, more developing countries will see their exports weaken, including energy and commodities exporters in Africa and Latin America.

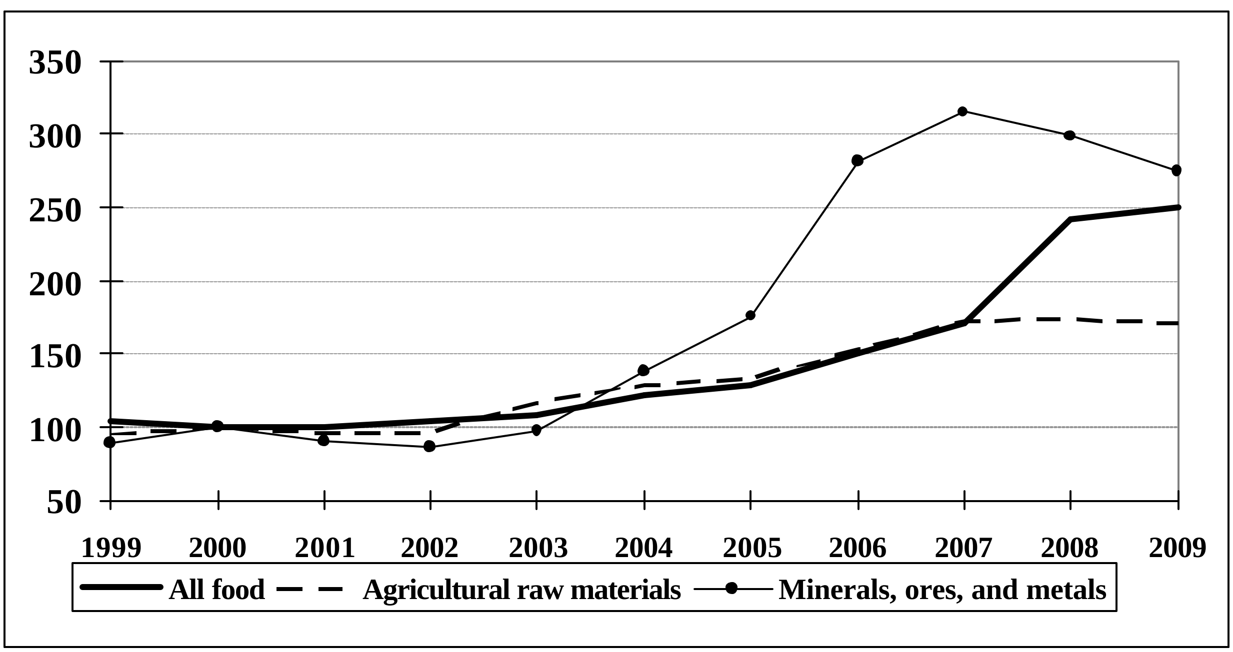
The *price of oil* (Brent crude) surged to record levels of more than $120 per barrel (pb) in the first quarter of 2008. The weakening of the United States dollar, geopolitical tensions, particularly in Nigeria, and inventory declines have outweighed demand factors in determining price movements. But as demand continues to weaken in the second half of the year, due in part to higher prices and the economic slowdown, oil prices are expected to moderate to average $95 pb in 2008 and $90 pb in 2009 (see figure 2).*Prices of agricultural and non-agricultural commodities* continued their rise of the past few years. While supply-side factors vary, robust global demand originating from fast-growing emerging economies has been a common factor. Higher oil prices have also contributed, either by directly increasing production costs or through an indirect substitution effect. For example, higher oil prices have induced bio-fuel production, increasing the prices of corn, soybeans and oil seeds. In the outlook, prices of most agricultural commodities are expected to flatten out, with the exception of major food commodities (wheat, maize, rice and soybeans), which are expected to increase in 2008 before leveling off in 2009. Prices of metals and minerals are expected to retreat moderately in 2008 and 2009 (see figure 3).

Figure 2: Monthly Brent Oil Price



Source: World Bank; the real price is deflated by the United States consumer price index

Figure 3: Prices of non-oil commodity (UNCTAD formula)



Source: UNCTAD; data for 2008 and 2009 are Project LINK assumptions

In addition to economic fundamentals, cyclical and speculative factors have also played a role in the recent increases of commodity prices. For example, the burst of the housing bubble in the United States and the associated financial crisis, as well as the depreciation of the United States' dollar may have caused investors to flock to commodity markets for better returns, leading to increased volatility, but more ominously to the possibility of speculative bubbles in these prices. If so, such herding behaviour may cast risks for a significant correction in the future, as in the cases of other financial bubbles in the past.

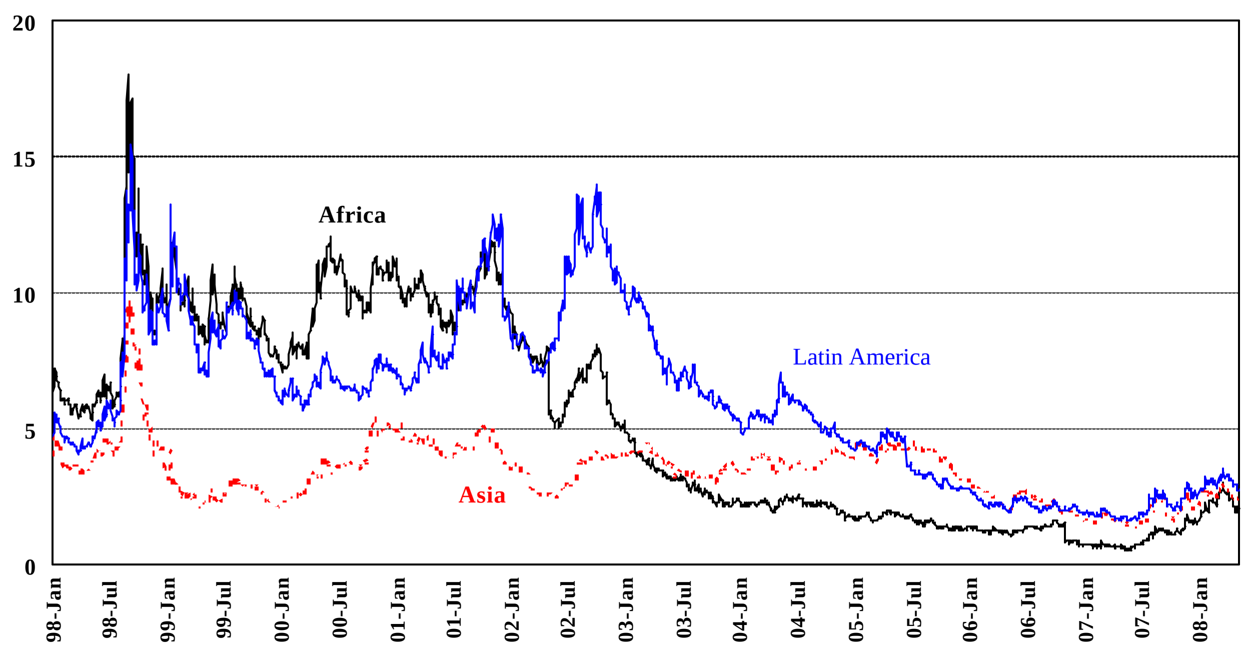
As a result of higher commodity prices, the *terms of trade* for many commodity-exporting developing countries have improved over the past five years. However, net importers of energy and food commodities are suffering adverse terms-of-trade effects. Food prices, which increased by 14 per cent in 2007 and increased further in 2008, have become a threat to the poor and to the prosperity and social stability of many developing countries.

The *external financing costs* for emerging market economies remain low by historical standards, but have increased measurably during the recent financial turmoil. The spreads in the Emerging Markets Bond Index (EMBI) have gone up by more than 100 basis points on average from all-time lows registered in the first half of 2007 (see figure 4). The increases in the spreads for emerging market economies with large external financing needs, namely, those running external deficits, indicates increasing concerns by investors about the risks for a disorderly adjustment of the external imbalances in these economies, amid the financial strains in developed markets. Meanwhile, the benchmark interest rates underlying the external financing costs for emerging market economies have been pushed downwards as a result of a "flight to safety" in the credit markets of the developed countries and as a result of cuts in interest rates by the United States Fed. There are, however, important downward risks, particularly if the financial market conditions in the developed countries continue to deteriorate and the large current-account deficit of the United States undergoes an abrupt adjustment.

Capital *inflows* to emerging market economies in 2007 reached record highs, as the underlying strength of these economies attracted international investors. The financial turmoil and the lowering of interest rates in the United States prompted outflows of capital from the

United States to emerging market economies in search of higher yields. In the outlook for 2008, however, capital flows to these economies are expected to moderate. In fact, the moderation has been underway since the outbreak of the sub-prime led financial turbulence in August 2007, as shown by the significant fall in global market issuance. The synchronized selling-off in the equity markets of these economies with the developed market economies in early 2008 may have also indicated increased risk aversion of international investors towards emerging market economies. As global growth, including the growth in most of these economies, is slowing, capital flows are expected to decline in general, due to the typically pro-cyclical nature of capital flows to these economies.

Figure 4: Yield spreads on emerging market bonds, January 1998-May 2008



Source: JP Morgan Chase Bank.

Among different types of capital flows, FDI flows to emerging market economies are expected to remain relatively stable amidst the financial crisis, although they are concentrated in a handful of emerging market economies. In contrast, portfolio investment flows and bank lending are expected to drop substantially. Net official credit flows to this group of countries as a whole are negligible, as a result of increased net repayments to official creditors.

Official Development Assistance (ODA) declined again in 2007 as it had in 2006. In 2005, ODA had increased, but mainly owing to debt relief provided, especially for Iraq and Nigeria. Most donors are not on track to meet their commitments to scale up aid and will need to make unprecedented increases to meet them by 2010. The ratio of ODA to GNI of the Development Assistance Committee (DAC) members dropped from 0.31 per cent in 2006 to 0.28 per cent in 2007. Excluding debt relief grants, DAC members' net ODA rose by 2.4 per cent. ODA to sub-Saharan Africa, excluding debt relief, increased by 10 per cent, but donors will face a real challenge to meet the promise made by donors at the Gleneagles G-8 Summit to double aid to Africa by 2010. More efforts are needed to make aid flows more predictable and counter-cyclical, improving their effectiveness.

The outflows of capital from emerging to developed market economies continue to be larger than the inflows. On balance, emerging market economies are net lenders to the rest of the world, financing the external deficits of the United States and other developed economies. In the current financial crisis, capital outflows from emerging market economies are an important source of capital to beleaguered banks in the United States. Capital outflows from emerging market economies to low-income countries, particularly in Africa, have also increased. Some capital outflows from emerging market economies involve investments from sovereign wealth funds, which due to their lack of transparency, have generated some concerns in developed countries.

Most of the net transfer of financial resources from developing to developed countries is through international reserves accumulation, however. The total value of *official reserves* of developing countries reached over $3 trillion in 2007. Foreign exchange reserves of China alone were $1.5 trillion by the end of 2007. The amassed reserves have strengthened the capacity of these countries to deal with external shocks, but they also bring costs and policy challenges. One challenge is managing large foreign exchange reserves efficiently. With a depreciating dollar, there are increasing costs to holding large amounts of reserves as most are held in dollar-denominated assets. There has been some diversification into other major currencies in order to mitigate the risk of further asset value losses. One possible reason for the weak reserve diversification is that central banks fear that a move away from dollar-denominated assets could precipitate an even stronger dollar depreciation and loss of the value of their reserve holdings. However, the accumulation of large official reserve positions by developing countries is intrinsically related to the widening global imbalances and not addressing these imbalances could lead to an abrupt loss in confidence in the international reserve currency. A hard landing of the dollar, in turn, would quickly erode the degree of "self insurance" which developing countries have built up over the past decade.

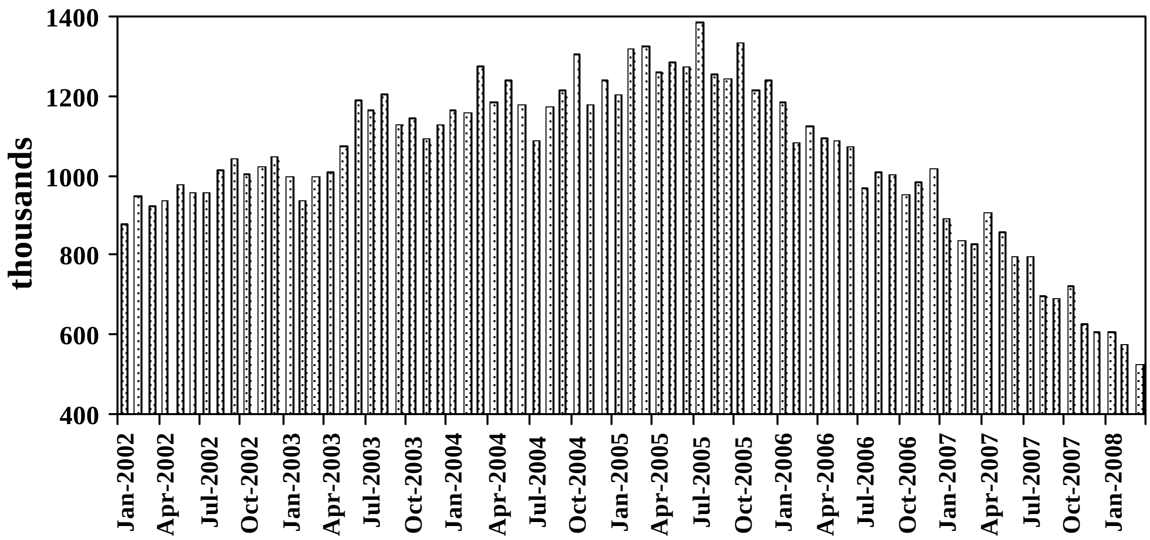
Uncertainties and risks

The unfolding financial crisis, triggered by the debacle of the sub-prime loans in the United States, has heightened the uncertainty for the global economic outlook. The path of adjustment in the housing sector of the United States in the rest of 2008, as well as in 2009, holds a key to the prospects of the world economy. Unfortunately, the outlook for the housing sector in the United States remains bleak and the contraction will not likely stabilize until 2009.

Monthly new home sales have shrunk by 50 per cent over the past two years, reaching the lowest level in more than a decade (see figure 5). Existing home sales have also dropped by about 40 per cent in the same period. Home builders have cut their supply drastically, with starts of single-family homes plunging by more than 60 per cent from their peak, and building permits for single-family homes falling to their lowest level in 17 years. However, as sales fell by even more than supply, inventories continued to rise. In early 2008, inventories of new houses corresponded to a near 10-month supply, the highest in two decades, while inventories of unsold existing houses were also above a 9-month supply, more than doubling the historical average level.

Housing prices have declined in the past year. For example, based on the Standard & Poor's/Case-Shiller index for 20 cities, prices of existing homes were down by more than 10 per cent in early 2008 from a year ago. While this is the sharpest measured decline amongst the various indices of house prices, generally, the decline in prices seems to have accelerated.

Figure 5 New Home Sales in the United States (seasonally adjusted annual rate)



Source: United States Census Bureau. (updated on the May 21 2008)

Just as the interaction between soaring housing prices and the lax housing financing fed into the formation of a housing bubble in the early years, the feedback between declining housing prices and the tightening financing conditions are forming a downward housing spiral. Declining house prices have led to a rise in the mortgage delinquency rate, particularly for sub-prime mortgage loans, which in turn led to the debacle of sub-prime loans and a full-blown credit crisis. Due to the complex securitization of mortgage loans and the over-stretched leverage of the financial system, the crisis has so far cost about $300 billion in the write-downs of many financial institutions. As credit conditions tighten, the housing slump is exacerbated. A large part of the decline in home sales over the past year has been related to the tightening of credit conditions. For example, funding for sub-prime mortgages disappeared and for jumbo mortgages dropped by more than half. These two nonconforming categories of mortgages had financed nearly 40 per cent of home sales at the peak of the housing boom.

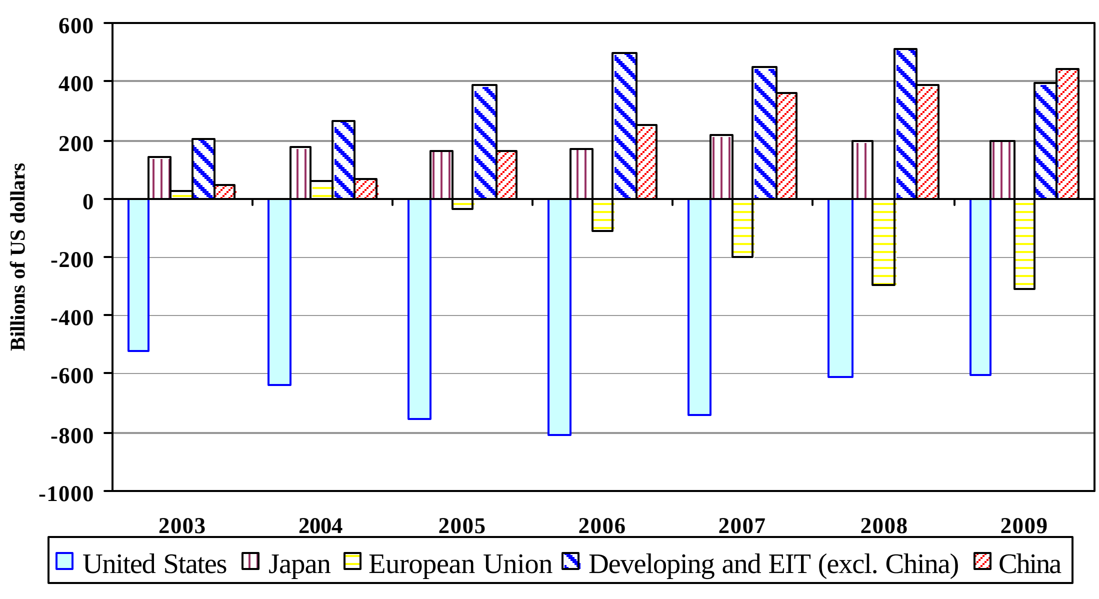
Monetary easing alone may not be sufficient to break such a downward spiral. Despite the sharp cuts of interest rates by the Fed in early 2008, mortgage rates rose through mid-March, as the spread between mortgage rates and Treasury yields widened. Several other measures have been adopted most recently to help to restore liquidity, including the Fed's new lending facility for key securities firms to reduce the urgency for dealers to sell mortgage-backed securities at fire-sale prices, and the increased growth caps on Fannie Mae and Freddie Mac, the government-sponsored enterprises (GSEs), to increase the size of mortgages that conform to GSE guidelines and to free some $200 billion in additional capital for the GSEs to buy mortgages and mortgage-backed securities. The effects of these measures and possibly others that are still under contemplation remain to be seen.

In the outlook, the housing sector is expected to continue facing tremendous downward pressures. As job losses increase and consumer confidence plunges, home demand will continue to weaken, aggravating the already excess supply of housing. As a result, house prices will continue to fall, and stabilization in the housing sector will not be likely until 2009. Housing prices are expected to decline by another 10 per cent from the beginning of 2008 to the first half of 2009, and along with a continued contraction in housing activities, residential investment is expected to decline by 20 per cent, but the rate of decline in housing activities will gradually flatten out in the second half of 2008 and turn slightly positive in 2009. Accordingly, the financial sector is assumed to gradually stabilize in the first half of 2008, with, for example, the write-down of banks for losses associated with sub-prime mortgages totalling $400 billion, and credit conditions improving in response to the policy measures above. However, there are significant downside risks to this baseline outlook. Housing prices could decline much further, bringing a continued contraction in housing activities. In such a case residential investment would decline by more and for a longer period, financial losses would be much larger, and the effects of policy measures more limited.

Closely associated with the burst of the housing bubble is the risk of an abrupt adjustment of the global imbalances. There is an inextricable linkage between the housing boom in a number of countries and the constellation of the global imbalances over the past decade: most economies that experienced a substantial appreciation of house prices also witnessed a widening deficit in their current account, as well as falling saving rates. This suggests that the housing boom in those countries, particularly the United States, was partially and indirectly financed by other countries running a surplus in their current account. Now that the housing cycle is making a downturn, the imbalances across countries may also start to reverse. However, the risks for a disorderly unwinding of the global imbalances may have also increased due to the sharp downturn of the housing market in the United States, along with the credit crisis.

Current-account imbalances across countries narrowed somewhat in 2007 and continued to narrow in early 2008 (figure 6). The deficit of the United States declined to about $740 billion in 2007, and is expected to fall further to $720 billion in 2008. Developed economies as a whole are running a current-account deficit of about $600 billion. Most developing regions are running surpluses. Developing Asia and oil-exporting developing countries contribute most to this savings surplus. China's external surplus increased further in 2007, to a level of about $300 billion. The surplus in the group of oil-exporting countries reached about $500 billion.

Figure 6. Current account imbalances



Source: IMF *International Financial Statistics* and Project LINK

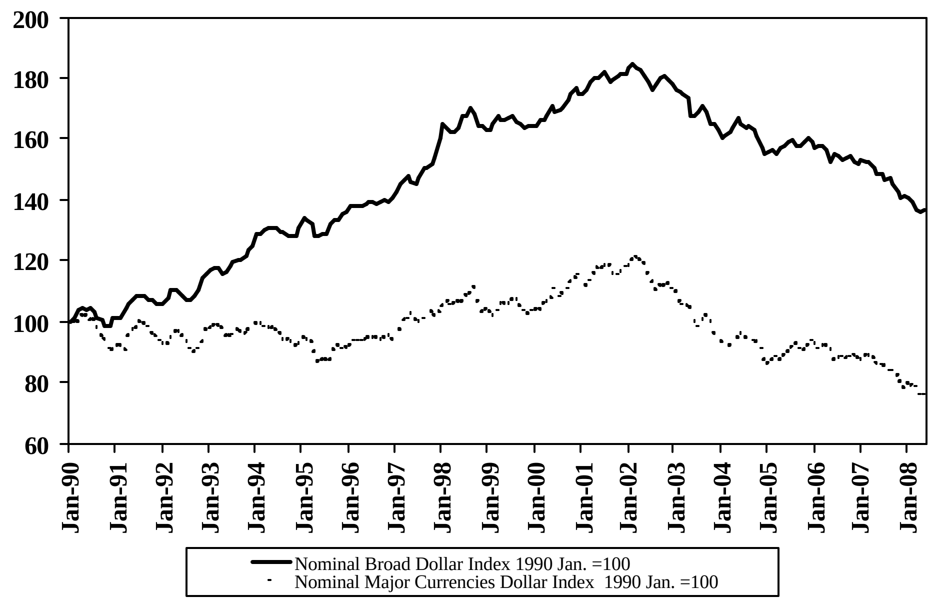
Despite the projected narrowing of the current-account deficit in the United States, the risks for a disorderly adjustment remain, as the indebtedness of the United States continues to deepen. As a result of the chronic current-account deficits over the past decade, the net international investment position of the United States reached over $2.5 trillion by the end of

2006 and is estimated to be near $3 trillion in 2007. Over several years, appreciation in the value of United States-owned assets abroad and depreciation in the value of United States-based assets have produced favourable valuation effects on its net debt position. For example, during 2006 (for which the latest accounting data are available), a deficit in the current account of more than $800 billion was substantially offset by approximately the amount of the valuation adjustment of $350 billion from changes in the prices of assets and about $220 billion from exchange-rate changes, resulting in an increment of only around $300 billion to the net international investment position of the United States. A depreciation of the United States dollar seems to be an "effective" approach for the United States to write off its foreign debt position: a privilege for the issuer of the international reserve currency. Nevertheless, these favourable valuation effects are not nearly large enough to outweigh the adverse trend associated with the large current-account deficit. In the outlook for 2008, the net foreign debt position of the United States will exceed $3 trillion, that is to say, about 25 per cent of GDP. Despite the sizable valuation effects in recent years, the net debt position of the United States will continue to rise, making it less and less sustainable, unless the current-account deficit is halved from the current level.

The large current-account deficit and the debt position of the United States are among the major factors underlying the depreciation of the United States dollar since 2002 (see figure 7). The depreciation of the United States dollar has accelerated in 2008. The value of the United States dollar vis-à-vis other major currencies has dropped by nearly 40 per cent since 2002, reaching the lowest level since the collapse of the Bretton Woods system. The dollar has also depreciated against most currencies in developing and transition economies, including the Chinese renminbi and currencies of commodity-exporting countries, except those pegged to the dollar.

In the outlook, the dollar is expected to weaken by 15 per cent vis-à-vis major currencies as the differentials in growth and interest rates continue to expand and the external deficit of the United States, while narrowing, remains unsustainable. There is a risk, however, for a much sharper depreciation of the dollar in association with the adjustment of its large current-account deficit. Since 2002, the trend of dollar depreciation has been interspersed by periodic rebounds as the differentials in the interest rates and GDP growth rates among the major economies have been in favour of the dollar, thereby offsetting the depreciation pressures stemming from the concerns surrounding the current-account deficit; but these favourable differentials for the dollar have narrowed substantially in 2007 and will continue to do so in 2008.

Figure 7. Exchange-rate index for the United States, 1990-2008[a]



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 May 2008.

A realignment of exchange rates is needed as one of the ingredients for adjusting the global imbalances. However, a hard landing of the dollar could have serious consequences. It would likely trigger a disorderly adjustment of the global imbalances and destabilize the global financial system with strong adverse effects on global economic growth. A steep fall of the dollar would immediately depress United States demand for goods from the rest of the world. Since many developing countries are holding a large amount of foreign reserves in dollar-denominated assets, a sharp depreciation of the dollar would entail substantial financial losses for these countries.

A combination of a deep housing slump in the United States and a precipitous devaluation of the United States dollar could trigger an abrupt adjustment of the global imbalances, which would not only send the economy of the United States into a recession but also lead to a hard landing for the global economy as a whole.

The world economy is also facing other serious risks. These risks include the possibility of other large-scale disasters, such as the most recent cyclone in Myanmar and the earthquake in China, another outbreak of avian influenza, and a heightening in geopolitical tensions. These supply-side shocks would aggravate the situation of the surge in international prices of food and energy, impeding the progress towards the MDGS.

Outlook by regions

North America

The economy of the United States is contracting. At issue is how deep and how long the contraction will be. Despite positive GDP growth for the first quarter of 2008, final sales in real terms registered a decline for the first time in two decades. A broad array of macroeconomic indicators are also pointing to a recession: employment has declined for four consecutive months, consumer confidence has dropped to its lowest level in two decades, consumer spending growth has slowed sharply, non-residential construction has peaked, and business equipment spending is slipping. The only supportive factor is the growth of exports. Macroeconomic policies have been responsive. The Fed has been reducing interest rates substantially along with other measures to inject ample liquidity into the financial system, and a package of fiscal stimuli has also been implemented. However, given that the main negative driving forces are structural in nature, rooted in the housing slump and the credit crisis, it is highly uncertain how effective these policy stimuli will be.

In the outlook, the economy is expected to suffer a mild recession followed by a fairly weak recovery in the second half of 2008, as the effects of the policy stimuli gather strength, and as the credit and housing markets gradually stabilize.[4] Even so, the recovery is expected to be mild, and growth in 2009 will be sluggish as well: annual GDP will grow at a pace of 1.0 per cent in 2008, and 1.2 per cent in 2009.

The housing downturn and the tightening credit conditions have led to a sharp deterioration in the outlook for the economy at large. Household spending, which in the past used to be the most resilient growth driver in the United States, has weakened notably. In addition to falling housing prices, households are facing more headwinds from a weakening labour market and high energy prices. Various measures of consumer confidence are at recession

[4] In the case of the United States, recessions are declared by the NBER Business Cycle Dating Committee, and are defined as a "a significant decline in economic activity spread across the economy, lasting more than a few months, normally visible in real GDP, real income, employment, industrial production, and wholesale-retail sales". This may or may not coincide with the usual definition of two consecutive quarters of negative GDP growth.

levels. With the low savings rate, high indebtedness, and tighter financing conditions, household spending is expected to retrench. The weakness has also spread to business investment spending, which is declining in early 2008. The labour market ran out of momentum in the second half of 2007, and in 2008 payroll employment started to decline and the unemployment rate to rise. The latter is expected to reach near 6 per cent in 2009.

Despite a sharp weakening in domestic demand, inflation has not retreated yet. The headline inflation rate has been above 4 per cent, driven by rising energy and food prices. However, this mild “stagflation” is not expected to persist: as demand continues to contract, inflation is expected to taper in the outlook.

Driven by relatively strong foreign demand and boosted by a depreciation of the dollar, real exports have been growing at a pace of about 8 per cent during 2007, and the momentum continues in early 2008. In contrast, the growth of real imports weakened conspicuously during 2007, registering a decline in early 2008. In the outlook, exports are expected to continue at a robust pace as the slowdown in the rest of world will be limited, particularly in emerging market economies. The large external deficit of the United States has narrowed in 2007, and is expected to narrow further in 2008-2009, but may not be able to drop to a sustainable level, namely, 3 per cent of GDP.

On the policy front, the Fed has reduced interest rates substantially, and is expected to cut further, with the federal funds rate lowered to 1.50 per cent in the second half of 2008. Meanwhile, a fiscal package of about $150 billion (1.1 per cent of GDP), with two thirds of it for households and the rest for businesses, will be delivered in mid-2008. As mentioned above, to what extent these policies can stimulate and sustain a recovery remains uncertain.

The downside risks to the baseline forecast are considerable in both size and probability, given the heightened uncertainties in the financial system, as caused by the complex financial innovations and high leverage, as well as the large potential in the magnitude of the correction in housing prices - the chance is high for the recession to extend into 2009. The effects of the policy stimuli, particularly the fiscal package, may only be enough to lead to a tentative recovery in the third quarter of 2008, followed by relapse into recession, which could be protracted. In addition, risks remain high for vicious circle in international trade - trading partner's foreign demand slows, exports of the United States start to weaken, US imports drop further - that would reinforce the downturn in the United States and in the rest of world.

In Canada, the previous anticipation of a moderation in economic activity is now forecast to be more pronounced, with growth for 2008 being revised downward from 1.9 per cent to 0.9 per cent. The main reason for this is a weaker foreign sector, with the weakness in the United States economy as well as the appreciation of the Canadian dollar negatively impacting exports in sectors such as automotive and timber. At the same time, the stronger dollar underpins imports from the United States, further compounding the pressure on growth from the external balance. A partial counterbalance will be continued solid consumption expenditure, based on a high employment level, robust wage increases as well as the wealth effect stemming from the continued strength of the housing sector. In addition, business investment, especially in the mining and energy sector, will maintain its robust pace in view of high rates of capacity utilization. Looking ahead to 2009, these positive drivers will combine with the expected bottoming-out of the United States slump to produce an acceleration in growth to 2.2 per cent. Given the more benign growth forecast and the stronger Canadian dollar, inflationary pressures as measured by the core inflation rate will remain within the central bank's target zone, setting the stage for further cuts in interest rates from the current 3.5 per cent to 2.75 per cent by the first quarter of 2009. A major uncertainty will be the actions taken by the United States Federal Reserve, as a sharper than expected cut in United States interest rates in response to weaker than expected activity would result in a higher interest rate differential in favour of the Canadian dollar, which could prompt a further loosening in Canadian monetary policy, depending on the reaction of the currency markets.

Western Europe

Growth in Western Europe is expected to decelerate significantly in 2008, as surging oil and commodity prices, continued financial market turbulence, slowing housing markets, faltering global trade, and continued appreciation of currencies all take their toll on activity. The effects of these global headwinds were already apparent in the 4th quarter of 2007, as activity slowed sharply, but 2008 has seen a strong rebound, as evidenced by the initial estimates of GDP growth for the first quarter. Despite this, activity is expected to resume its downward slide to below potential rates of growth for the rest of 2008, as the global headwinds exert more influence, but the strong start will give a boost to the annual figure. GDP in the EU-15 is expected to be 1.8 per cent in 2008 and as the global headwinds begin to dissipate, activity is expected to begin to pick up to 1.9 per cent in 2009.

Higher frequency data display a sharp slowdown in momentum compared to 2007 but the evidence to date is suggestive of a period of sluggish growth rather than a more precipitous decline in activity. Industrial production rebounded in the 1st quarter of 2008, driven by capital goods, after a sharp decline in the final quarter of 2007, but has lost some dynamism compared to recent years, and declined in March. Retail sales have been fairly flat since the summer of 2007, and declined in both February and March. On the positive side, monthly unemployment data continued to improve at the beginning of 2008 reaching lows not seen since the mid 1980's in many countries, with employment growth still holding. Survey data is mixed. The European Commission's economic sentiment indicator has fallen substantially, to just below its long term average, but remains well above the troughs of 2001 and 2005, with the majority of weakness situated in the service sector, while industrial confidence remains much stronger. Consumer confidence has also decelerated significantly but has only recently dipped below its long term average.

At the country level, confidence is mixed and suggests diverse conditions across the major economies: the German IFO survey declined steadily in the 2nd half of 2007, reversed course in the 1st three months of 2008, but fell in April, and while below last years levels remains well above its long term average; in France the INSEE business climate index has fallen significantly since last December but remains just above its long term average; in Italy, however, the ISAE business confidence index has fallen considerably, indicating a far more serious slowing of activity; in the United Kingdom, the CIPS survey for the service sector indicated virtual stagnation in April while the manufacturing survey showed a continued decline, and stands at the lowest level since April 2003.

The growth profile for 2008 and 2009 is expected to be increasingly driven by consumption, albeit at a moderate pace, with investment, which had been the major driver of growth in 2006 and 2007, continuing to be a support but to a substantially diminished degree. Net exports, which were another key driver in 2007, will be of only minor importance in 2008 and have no impact in 2009.

Private consumption expenditure is expected to rebound from its poor performance in the 4th quarter of 2007 and grow moderately in 2008 and 2009. Key restraining factors have been the rising energy and food prices that have slowed the growth in real disposable income, but these are expected to stabilize in the outlook. In addition, consumer confidence has fallen significantly. Strong employment growth and improving wages are providing some support, which will continue going forward but at a diminished pace as overall activity slows.

Investment spending has been the key driver of growth over the past few years, but it is expected to slow substantially over the forecast horizon. On the positive side, rates of capacity utilization in many countries in the region are well above their long term averages, confidence in manufacturing remains positive and foreign orders while decelerating are still strong. Despite the loss of competitiveness due to the appreciation of currencies, demand from oil producing countries and Asia, particularly for capital goods, has been strong. On the financing side, loans to non-financial corporations increased at a double digit pace in December and January, the highest rate since 1990. In addition non-financial corporations have healthy balance sheets, so there is adequate room for internal financing. But the global credit crisis is having an effect. External financing conditions have tightened: corporate spreads have risen and uncertainties in stock markets make equity financing more difficult - the ECB's survey of bank lending indicates a significant rise in credit standards. These factors will eventually take a toll and with the continued slowing of external demand, investment is expected to decelerate significantly in the outlook.

Export performance has been strong for the region as a whole, but with the slowing of world demand, and the strength of domestic currencies, is expected to weaken in the outlook. At the country level there continues to be significant diversity, with Germany benefiting from its strength in capital goods as well as the strong improvement in unit labour costs over the past decade, while Italy has suffered from a far less favourable product mix, competing more directly with low-cost Asian producers, and is disadvantaged by relatively high costs. Imports are also expected to slow as domestic demand decelerates, but by less than exports, boosted by elevated currencies, so that the contribution of net exports to growth will be negligible in the outlook.

Unemployment rates continued to fall across the region in 2007. For the Euro area unemployment reached 7.1 per cent in January and has remained their since, the lowest level since the beginning of EMU. From a longer time perspective many countries are at levels not seen since the mid-1980's. With growth slowing to below potential, unemployment is expected to rise marginally in 2008 and 2009.

Inflation continued to accelerate in the 1st quarter of 2008, with headline inflation reaching 3.6 per cent in March, driven by energy and food prices. Core inflation has remained much lower but has drifted up since the beginning of the year hitting 2 per cent in March, giving some concern that inflationary impulses are beginning to pass-through into general prices. Some recent wage settlements have added to this concern, especially given the tightening of the labour market, but at the same time this should be viewed in light of a long period of wage restraint in many countries. Evidence on inflation expectations as measured by the difference between nominal and inflation indexed bonds reveals some upward movement of expectations. Opposed to these trends is the continuing downward pressure on prices exerted by the strength of the euro and other regional currencies. In the outlook the slowing of activity and levelling off of energy and food prices is expected to lead to a trending down of inflation in the 2nd half of 2008 and into 2009, with headline inflation reaching 2 per cent.

Monetary policy stances in Western Europe are finely balanced against the competing forces of higher inflation and faltering growth prospects, which differ in degree across countries. After a period of tightening, the ECB has maintained its current policy rate at 4 per cent since June of 2007. At the other end of the spectrum the Bank of England has lowered rates by 75 bps since July 2007. Looking at other regional central banks, the Sveriges Riksbank raised its policy rate in February while the Swiss National bank, after a period of tightening, has maintained its policy rate since 2007. In the euro area, the ECB has been communicating its concern about inflationary pressures, so as to negate the expectations of a cut in policy rates, but with growth expected to be below potential throughout 2008 and 2009, together with a number of factors that have essentially tightened conditions anyway - the monetary conditions index (MCI), which weights real interest rate and exchange rate movements into an aggregate measure of policy tightness has risen significantly since 2007, in addition the spread between short term interbank rates and the ECB's main policy rate has also risen significantly since the onset of the financial crisis - it is assumed that the ECB will lower its policy rate by 50 basis points in the 2nd half of 2008. The Bank of England is also expected to cut rates further in 2008.

Fiscal policy over the past number of years has been geared towards regaining fiscal balance across the region. A number of countries, particularly the large economies, had breached the 3% deficit to GDP ratio limit imposed by the Stability and Growth Pact and were required to consolidate: Germany achieved balance in 2007, France and Italy have also consolidated but remain in deficit, both at 2.4%. On the other hand, the United Kingdom has boosted public spending and the fiscal deficit has reached 3.0%, while Spain has a surplus of 1.1%. At the aggregate euro area level the deficit to GDP ratio was much closer to balance, at 0.8%, so in a number of countries there is some room for fiscal stimulus. Budget balances are expected to deteriorate in 2008 and 2009 as automatic stabilizers come into play, and discretionary policies are utilized in some countries.

Key risks to the outlook include the trade impact of the slowdown in the United States, both directly and indirectly through effects on activity in Asia and the oil producing countries, which to date have been muted. Further appreciation of regional currencies is also a significant danger. The depth and duration of the global credit crisis is another key risk. So far, despite the fact that credit conditions have tightened, firms are still able to obtain financing, but this could change, with devastating effect on investment. The impact of commodity prices on activity and inflation is also a great danger. If inflation were to increase further which in most cases would mean to rates well above central bank inflation targets, policy makers would likely either postpone loosening or even tighten further. Finally there is also the risk of a more dramatic deterioration in European housing markets. The weakening of housing markets is already affecting Spain, Ireland and the United Kingdom via declining house prices and their effect on private consumption expenditure, and/or in terms of residential investment and employment in the residential sector. This situation could deteriorate further. This risk varies widely across the region and is only a danger in countries that have had large run-ups in house prices. In Germany, for example, there is very little risk as housing markets have been weak for more than a decade.

The new EU members

The economic performance of the new EU members in 2007 was generally in line with the assessment released in the WESP 2008, with the region's aggregate GDP growing at a strong rate of 6.1 per cent. Growth in Hungary slightly deviated from the forecast, as the economy expanded by only 1.3 per cent, reflecting the implementation of fiscal consolidation measures, which resulted in weaker household spending and reduced public investment. On the other hand, growth in Slovakia exceeded expectations and reached a record high of 10.4 per cent, backed by strong performance of the export-oriented industries.

Preliminary data for the beginning of 2008 suggest a slowing of growth in the region, most notably in the Baltic States, but this can be viewed as a positive development given the backdrop of weakening macroeconomic stability. External imbalances are increasing due in part to the ongoing expansion of domestic credit, while external conditions are becoming less favourable. Somewhat lower growth rates in 2008 are expected for the countries in Central Europe, except for Hungary, and growth in the Baltic States, especially in Latvia, will slow by a few percentage points. There are indications of weakening of private consumption in the region, in part in response to increasing price levels and higher interest rates, and also to a cooling of housing markets, in some countries. GDP is expected to expand by 5.1 per cent in 2008, reflecting slower credit growth, declining corporate profitability and thus more moderate business investment plans.

Domestic demand will remain the main driver of growth in 2008. Export performance will depend on a number of factors, such as the growth in real unit labour costs, exchange rate developments and import demand in the EU. In Slovakia, however, additional production capacity is expected to lead to a double-digit export expansion. The inflows of the EU structural funds will continue, and if the absorptive capacity of the region improves, should further contribute to public investment projects.

An upsurge in inflation, mostly due to the rising global food and energy prices, but also to intra-EU price convergence, is an important development in the region. A number of inflation targets were overshot in 2007 and double-digit inflation was registered in Latvia (and also in Bulgaria on a year-end basis). Inflation is likely to increase in 2008, except in Hungary, as both supply-side and demand-side inflationary pressures remain in place. In spite of slowing real wage growth, pressures from the labour market constraints and credit growth will continue. In addition, the share of food prices in the CPI's for the new EU members is relatively high, affecting headline inflation. The ongoing increases in the prices of Russian natural gas will have spillover effects both for consumers and for producers, and increasing producer costs will eventually feed into the consumer prices. Many regulated prices, including rents and energy tariffs, and indirect taxes, also continue to increase.

Counter-inflationary measures are limited, both for those countries whose currencies are fixed to the euro thus subjugating monetary policy to this goal, as well as for those with flexible exchange rates. Regardless of policy regime, attempts to slow domestic credit expansion have had limited effects on inflation. In the Baltic States, for example, further tightening is not feasible. While the slowing of activity should alleviate some pressure on inflation, it is still expected to accelerate almost everywhere in the region, exceeding 6 per cent in the Czech Republic and being close to or above a double-digit level in the Baltic States.

The situation in labour markets continues to improve, with unemployment rates declining to single digits in almost all countries in the region, and registered unemployment as low as 3.2 per cent in Lithuania. This partially reflects outward migration, but also improvements in employment levels in contrast to previous years, when strong GDP growth did not lead to a noticeable increase in the number of jobs. On the other hand, ongoing outward migration is creating skills mismatchs leading to difficulties for the future. Real wage growth and declining corporate profitability may reverse positive trends in the labour markets.

In response to increasing inflation, a series of interest rate increases took place in the region at the end of 2007 and the beginning of 2008 in the Czech Republic, Hungary, Poland and Romania. In Bulgaria interest rates also continued to increase, tightening lending conditions for businesses and customers. In order to absorb inflationary pressures by nominal appreciation, the 15 per cent currency fluctuation band was abolished in Hungary. Further monetary tightening is assumed in 2008.

Public finances improved in the region in 2007, largely due to stronger than anticipated economic growth and improved tax collection, but structural deficits declined in only a few countries. Hungary is expected to further reduce its deficit to about 4 per cent of GDP in 2008, but for most other countries budget plans are based on overly optimistic revenue estimates. In the Baltic States and Bulgaria, fiscal spending in 2008 will be restrained by the need to deal with strong external imbalances, but slowing economic growth may nevertheless lead to lower surpluses or slightly higher deficits.

Current accounts in the region remain in large deficit for a number of countries, with the trade deficit being the principal component - the current account deficit for Latvia approached 23 per cent of GDP in 2007. There are indications of a reversal of this trend in the Baltic States, but deficits will probably increase in Bulgaria and Romania, in spite of tighter external lending conditions. The imbalances were fully or largely covered by FDI in the countries of Central Europe and Bulgaria. For the Baltic States and Romania, where the deficits are double-digit, direct borrowing by the banking sector has led to an increase in private foreign debt. The growing external debt of Latvia raises particular concern, as imports of capital goods into the region will continue, and debt-service costs are rising. In the outlook, current accounts will remain in deficit, mitigated in part by the increasing amount of remittances and transfers from the EU.

The main downside risk is the possibility of slower growth in the EU-15. although this is mitigated to some extent as the directions of external trade for the regional economies is increasingly diversified, with an increasing share of intra-regional trade. Risks stemming from the US sub-prime mortgage crisis have thus far been limited, as most regional banks are not exposed to CDO's. Another risk is associated with the possible reversal of capital flows and a sharp slowdown in domestic credit growth, with repercussions both for the real sector and the banking system, increasing the importance of a reliable macroeconomic policy.

Developed Asia and Pacific

Japan's economy expanded by 2.1 per cent in 2007, marginally higher than the previous forecast of 2.0 per cent, but growth is expected to slow more than expected previously, to 1.3 per cent in 2008, before picking up marginally to 1.5 per cent in 2009. On the domestic side, this more moderate outlook is due to slower growth in private consumption, which accounted for 57.0 per cent of GDP in 2007, as both a contraction in nominal wages and more pessimistic employment opportunities have undermined available incomes and consumer confidence. This is combined with a continued tight fiscal policy stance, designed to reduce the budget deficit. Some counterbalance to activity is provided by gross fixed investment, which will see stronger growth due in part to the continued recovery of residential investment. The external sector's strong overall performance will continue to be reflected in significant current account surpluses, although the trading surplus will come under increasing pressure from the appreciating yen as well as the weakening demand from the United Sates, but continued solid demand from Asia and, in particular, China helps to mitigate these negative impacts.

The inflation forecast for 2008 remains at 0.7 per cent, although the basis for this recovery in prices from an essentially flat performance in 2007 has taken on a different set of characteristics. While capacity constraints will play a less relevant role, the increase in the prices of oil and food has become a more significant factor. However, given the only moderate level of price increases, the general setting still implies the continued risk of a return to deflation, especially when viewed in conjunction with the heightened uncertainty regarding the performance of the United States economy and the possible effects on international trade. Against this background, monetary policy will remain on hold during 2008 with interest rates kept at the current level of 0.5 per cent. In 2009, barring a sharper and more prolonged global economic slowdown, the Bank of Japan will have sufficient room to increase its policy rate in two steps of 25 basis points to 1.0 per cent.

The key risk to the outlook is a more pronounced slowdown in the United States economy, which would hit the export performance of the economy significantly, and given the reliance of the outlook on the external sector generate a much stronger reduction in Japanese economic growth. A second and related risk is of a larger appreciation of the Yen than anticipated, as this would both depress exports and put downward pressure on prices.

Australia's growth is forecast to reach 3.0 per cent in 2008, a downward revision from the previously projected growth rate of 3.6 per cent, and the trend of slowing growth is expected to continue in 2009 with an expansion of the economy by 2.8 per cent. Weaker consumption will be the major determinant, owing to higher interest rates and weaker equity and property prices. Equally, private investment will moderate as the continued strong demand from Asia is more than offset by tighter credit conditions.

Inflation has emerged as an increasing problem against the backdrop of low unemployment, high levels of capacity utilization, infrastructure bottlenecks and higher global commodity prices. Consequently, the central bank has further increased its policy interest rate, which now stands at 7.25 per cent. Weakening growth is expected to lead to a moderation in inflation in 2009 and interest rates are expected to remain at their current level into next year.

The main downside risk is the effect of a stronger than expected slowdown in the United States economy on Asia and Australia's exports to that region, highlighting the economy's greater dependence under the current more uncertain international trading conditions on solid domestic demand in economies like China and India. In addition, if inflationary pressures do not moderate in 2009, further monetary policy tightening would be likely.

New Zealand’s growth in 2008 will be 2.0 per cent, a downward revision from the previous forecast of 2.9 per cent due to a more pronounced slowdown in private consumption. Private households continue to tighten their spending in view of higher energy and mortgage costs as well as a preference for repaying debt. In 2009, growth will tick up to 2.2 per cent, as a weakening in the New Zealand dollar underpins a strengthening in the economy’s export performance. The overall external position of the economy remains under pressure. Even though stronger exports will drive a reduction in the trade deficit, the income account will show an increasing deficit, particularly due to the costs on rising debt. Monetary policy makers continue to be faced with upward inflationary pressures in view of high capacity-utilisation rates, higher transportation and energy costs, higher food prices and tight labour market conditions. Consequently, interest rates will remain at their current level of 8.25 per cent into 2009.

Commonwealth of Independent States

After posting an aggregate growth rate of over 8.6 per cent in 2007, economic activity in the CIS region is expected to moderate by about one percentage point this year and further in 2009 as the weaker global economy and the slowdown of credit growth increasingly impact on activity. The upward revision of a half of percentage point to the regional outlook for 2007 from the early projections of the LINK GEO 2007 mirrors the stronger than anticipated economic performance of the Russian Federation and Ukraine, as well as of some smaller economies, such as Armenia, Georgia, Tajikistan and Uzbekistan. It reflects the confluence of a range of factors, which continue to boost domestic demand in most of these countries, and raise export revenues in the resource-rich economies in this region. The global environment stays largely supportive: commodity prices remain high by historical standards, especially those of energy, ferrous metals and cotton, thus boosting export revenues in many CIS economies. Despite some signs of deeper and broader impact of the turmoil in the global financial markets on the economic performance of a few countries from this region, the impact of the global liquidity squeeze remains in general limited and is likely to wane in 2009 as governments step in with measures strengthening their banking sectors. In light of this, private capital inflows – both as FDI inflows and remittances – will continue to play a role in supporting strong regional growth during the forecast period.

Strong growth has been ubiquitously spread throughout the region. After an upward revision of the real GDP growth rate to 7.4 per cent in 2006, the economic performance in the Russian Federation accelerated further to 8.1 per cent in 2007 boosted by high oil prices, supportive macroeconomic policies and strong capital inflows. Robust household consumption – underpinned by continued strong increases in real wages and incomes – and strong investment activity remain the main drivers of this expansion. In 2008, growth is expected to moderate to about 7.3 per cent largely owing to stagnating oil output production as a result of growing capacity constraints, continued real appreciation of the Russian rouble and somewhat tighter liquidity conditions. In Ukraine, strong industrial growth continues with manufacturing and construction as the main drivers. Also, economic growth has benefited from a continued consumption boom on the back of impressive growth in incomes and credit expansion, and surging capital inflows. In 2008, a deceleration is expected as the economy faces external and financial vulnerabilities which may deteriorate the terms of trade gains and reduce the pace of credit expansion. After a weak performance in 2007, industrial output is rebounding in Armenia, Georgia, Tajikistan and Moldova, helped in part by a favourable external environment for export-oriented sectors. Growth in these countries is benefiting from large-scale remittances as well.

After almost a decade of double-digit growth at a rate of about 10 per cent, economic performance in Kazakhstan decelerated to 8.5 per cent in 2007 reflecting the stronger than anticipated impact of the global liquidity squeeze. Limited access to funds from international markets increased borrowing costs and precipitated a liquidity squeeze that spilled over to the construction sector and caused a stagnation of the real estate market. As a result economic growth slowed down notably in the fourth quarter of 2007 and further deceleration by another two percentage points is expected by the end of 2008. To avoid a collapse of the real estate market and a further loss of output, the government introduced a package of $4 billion to finance domestic banks through allocating funds to construction companies, investment projects (suspended by the banks) and small business support. However, these measures may trigger an expansionary fiscal stance exacerbating the already high levels of consumer price inflation there.

Unemployment in the region continues to follow a declining trend owing largely to expanding construction and services sectors in some countries, particularly in the Russian Federation. The pace of this trend, however, lags far behind recent high output growth rates.

The favourable picture of robust regional growth was marred by unusually high consumer price inflation starting in mid-2007, recording an annual average rate of 9.6 per cent. In the first half of 2008, prices accelerated further with almost all countries reaching double-digit annualised rates, as high energy and world food prices continue to feed through to consumer prices. The most significant increases were registered in Azerbaijan, Kazakhstan, Kyrgyzstan, Moldova, Tajikistan and Ukraine (in the latter two countries annualised consumer price inflation exceeded 20 per cent in the first months of 2008). While loose monetary and fiscal policies contributed to the upward inflation pressures in several countries, such as Azerbaijan, Georgia, the Russian Federation and Ukraine, shortages in agricultural products due to severe droughts and bottlenecks in electricity supply drove prices up in Moldova and Tajikistan respectively. Inflationary pressure is unlikely to abate in the short-term as the upward trend of world food prices in combination with the increases in gas and energy prices and a further liberalisation of utility prices in these countries is likely to persist in the forecast period.

Against this background, the most immediate challenge for central banks in the region is to contain rising inflation. Meanwhile, surging inflows of foreign currency – from workers' earnings as well as FDI and export revenues – are exacerbating the efforts of the monetary authorities to rein in inflation and simultaneously maintain exchange rates at levels which will keep domestic producers competitive in international markets. With few tools to sterilize excessive liquidity, the task of the central banks to strike a balance between keeping inflation rates at comfortable levels and not allowing for further appreciation of the national currencies will still remain a challenge for the region. In addition, tight credit conditions worldwide have complicated the situation in some countries prompting central banks to intervene in order to ensure relevant levels of liquidity, in particular in countries where the banking sector is significantly exposed to borrowing from abroad, such as Kazakhstan, the Russian Federation and Ukraine as well. This has fuelled monetary growth at the expense of keeping a smooth functioning of the banking system. In the first half of 2008, some central banks raised the refinancing rate – by 25 basis points in the Russian Federation and by 200 basis points in Ukraine – in an effort to manage rising inflation. Tighter monetary and credit policies are likely to be implemented in the region which eventually will encourage disinflation in late 2008 and 2009.

Expansionary fiscal policies will continue to dominate in the region as infrastructure investments are boosting government spending in addition to rising expenditures on health, salaries in the public sector and pensions. The approved 2008 budgets in several countries in the region envisage increases in fiscal spending – such as Armenia, Ukraine, and the Russian Federation – as well as tax reductions in others. For Tajikistan the expansionary stance is related to financing the three-year Poverty Reduction Strategy for 2007-2009 and a National Development Strategy for achieving long-term development goals, and in particular expanding the Public Investment Programme, all of which has triggered a significant widening of the budget deficit.

Given the high prices for oil and gas, trade balances remained positive in the resource-rich economies of the CIS, but increasing imports on the back of strong domestic demand for consumer and investment goods are narrowing these surpluses. In the Russian Federation, as oil output and export volumes are stagnating and accompanied by rising imports, the trade surplus started to shrink in 2007, although remaining sizable at the beginning of 2008, resulting in a decline of the current account surplus. Other energy exporters registered increases in the current account surpluses with the exception of Kazakhstan, where the large deficits on the income and services accounts have widened the current account deficit. Strong inflows of foreign exchange and the global weakening of the US dollar is causing appreciation of most currencies thus boosting imports in the non-energy exporters as well. With rapidly growing oil bills and booming domestic demand the current account deficits in these countries are expected to widen further. However, the imbalances will remain manageable in most countries helped by growing FDI inflows into this region.

Looking forward, the risks to the outlook for the CIS region remain tilted to the down side. As the impact of the global financial turmoil has already manifested in the liquidity problems of several countries in the region – most notably Kazakhstan, but also the Russian Federation and Ukraine – its consequences signal a potentialy sharper than expected slowdown in the economic performance of the largest economies in this region. Further deterioration in global financial conditions could cause a more pronounced credit squeeze in these countries that could dampen investment activity and consumption for longer that anticipated. In its turn, a sharper and more protracted slowdown of growth in the largest economies in this region would trigger lower demand for exports from the rest of the CIS causing trade and current account balances to deteriorate significantly. At the same time tightening in liquidity for a longer than anticipated period could lead to a serious reduction in central banks' reserves and hence reduce governments' ability to alleviate the credit squeeze through direct interventions. Also, the impact of slower growth in the world economy would dampen demand for primary commodities, which form the bulk of exports of these countries. Further downside risks include the possible postponing of shifts to tighter macroeconomic stances, especially in the fiscal part, which could augment inflationary pressures and entrench high inflation rates in these economies.

South-eastern Europe

Economic activity strengthened further in South-eastern Europe in 2007, with aggregate GDP for the subregion growing by about 6.0 per cent, a performance shared by most countries in the region except for the former Yugoslav Republic of Macedonia. Output growth, however, was gradually decelerating towards the end of 2007 and is expected be about one percentage point lower in 2008, partially reflecting the impact of measures to curb booming domestic credit.

As in the previous years, robust domestic demand, especially private consumption and fixed investment, remains the driving force behind the economic expansion, boosted by the ongoing credit boom and increase in real wages. On the sectoral side, manufacturing, services and tourism sectors supported growth in 2007, the latter benefiting from favourable weather conditions in Croatia. The construction sector also recorded a surge in activity. On the other hand, agricultural output is some areas was affected by the drought in parts of South-eastern Europe. A similar pattern of output is expected in 2008, although growth in the construction sector will depend on the implementation of large infrastructure projects and industrial output in Albania is threatened by power shortages.

Although the vibrant activity in 2007 was accompanied by a further slowing of inflation, including in Serbia, which is the only remaining country with relatively high inflation, consumer prices surged by the end of the year and in the first two months of 2008. The CPI jumped to 9.6 per cent in the former Yugoslav Republic of Macedonia and retail price inflation exceeded 11 per cent in Serbia in February 2008, largely on the basis of higher food and energy costs. Although the stability of the currency is used as a nominal anchor in almost all countries of the region, a policy which has successfully lowered inflationary expectations, it can only partially absorb inflationary pressures caused by rising prices for energy and food, particularly when amplified by strong real wage growth. In spite of other measures, such as negotiating with the large retailers in order to keep food prices in check, a reversal of the disinflationary trend of the past few years is expected in 2008, and CPI inflation should exceed by two or three percentage points the levels reached in 2007.

The situation in labour markets improved somewhat in parallel with several years of strong economic growth, with a remarkable decline of the registered unemployment rate to less than 15 per cent in Croatia (and even to a single digit number if measured on the LFS basis), but unemployment remains at exceptionally high levels in most of South-eastern Europe, especially in Bosnia and Herzegovina, where it officially exceeds 40 per cent, and in The Former Yugoslav Republic of Macedonia, although the sizeable shadow economy complicates assessment of the exact levels.

The external imbalances in most South-eastern European economies continued to widen, on the back of strong import growth and higher prices of imported oil, with the current account deficit of Montenegro exceeding 40 per cent of GDP in 2007, but since they are largely covered by FDI inflows and mostly generated by the private sector, these deficits do not threaten macroeconomic stability in the short run. In 2008 the current account deficits are expected to increase, in line with imports of consumer and capital goods including construction materials, only partially mitigated by remittances and other inward transfers into those economies.

In most countries, fiscal deficits in 2007 were below 3 per cent of GDP and Montenegro recorded a large surplus of 8 per cent. Budget revenues were boosted by strong VAT receipts and custom tariffs on buoyant imports, as well as receipts from privatization. The ongoing fiscal consolidation should create enough room for a counter-cyclical policy in the case of an economic downturn. The intended spending on public infrastructure and increases in public sector wages may, however, adversely affect the fiscal situation, and in Albania, the Government is targeting a deficit of 7.8 per cent of GDP, aimed at a large spending program to upgrade the transport network.

Monetary policy in the region focuses on fighting inflation and constraining domestic credit growth. The currency board in Bosnia and Herzegovina prevents the central bank from conducting an independent monetary policy, and in order to curb domestic lending, the minimum reserve requirement for domestic banks was raised to 18 per cent in January 2008, and further increases are possible, since the ceiling on the minimum reserve requirement was removed. Montenegro uses the euro as the legal tender and therefore cannot conduct an independent monetary policy, but the central bank introduced a number of measures, effective January 2008, to limit banks lending. In Albania, the central bank raised its intervention rate by 25 basis points in November 2007 and further incremental tightening is possible in 2008. Interest rates were drastically increased in Serbia by 300 basis points in March 2008 to fight rising inflationary pressures, and by a further 75 basis points in April 2008. In parallel, a number of measures were adopted to limit foreign currency transactions in order to improve the transmission of monetary policy. In Croatia, a number of administrative restrictions on the growth of lending by commercial banks proved to be of only limited effectiveness, since the corporate sector increasingly borrows from overseas.

Policies in the region are dominated by the eventual goal of European integration. In 2007 Montenegro signed the Stabilization and Association Agreement with the EU as the first step towards its long-term goal of the full membership, and Serbia signed a similar agreement in early 2008. The conclusion of the SAA agreement with Bosnia and Herzegovina is however delayed, although still possible in 2008.

Africa

Africa maintained its robust growth in 2007, with GDP increasing by 5.8 per cent, up from the 5.6 per cent registered in 2006, driven mainly by strong global demand and high commodity prices, along with macroeconomic stability, increased capital flows, debt relief and improved performance in non-oil sectors such as agriculture and tourism. Africa has also witnessed a decline in political conflicts and wars, although peace remains fragile in some parts of the continent. Growth performances in Africa varied across countries and regions, with oil-exporting countries recording on average a higher growth rate (6.7 per cent in 2007), but generally these remain below the levels required for the continent to achieve the Millennium Development Goals. Promoting broad-based growth is a prerequisite for Africa to create jobs, accelerate and sustain high growth and foster social development.

Growth in Africa is projected to improve slightly to 6.2 per cent in 2008 with growth in SSA marginally higher (6.3 per cent) than in North Africa (6.0 per cent). Growth factors in 2008 include high demand for Africa's commodity exports despite the slowdown in the world economy, continued effective macroeconomic management, and improving governance and security situations on the continent. The main risks to Africa's growth prospects include continuing high oil prices, rising food prices, a sharper slowdown in the US economy with secondary impacts through slower growth in Europe and the rest of the world, resulting in a fall in world demand and prices for other commodities. In addition, infrastructure bottlenecks along with unreliable energy supply will slow down investment and production. Political and social unrest in some countries constitute another major risk to Africa's growth outlook.

Africa's overall budget surplus decreased from 2.8 per cent of GDP in 2006 to 2.0 per cent in 2007 owing mainly to increases in government expenditure on infrastructure and public services. On average, oil-exporting countries maintained a high but declining budget surplus, while fiscal deficits have widened for oil-importing countries. Twenty-seven of the forty-five African countries with available data experienced fiscal deficits in 2007 compared with 28 countries in 2006. Further deterioration in fiscal balances is expected in 2008 for both oil-importing and oil-exporting African countries.

In most African economies, monetary policy continues to focus on the control of inflation and most African currencies appreciated against the US dollar in 2007. Inflation remains moderate for Africa as a whole (6.9 per cent in 2007), but inflationary pressure is intensifying especially in oil-importing African countries due to high oil prices. At the same time domestic currency appreciation discourages exports, limiting domestic investment and growth. Increasing food prices are a major concern in many African countries, where expenditure on food items constitutes a high proportion of spending by the poor who lack safety nets.

Africa’s current account surplus declined from 4.9 per cent of GDP in 2006 to 2.8 per cent in 2007 (only 45 countries are covered due to data limitations). This decline was the result of widening current account deficits in oil-importing countries (from –4.7 per cent of GDP in 2006 to –5.6 per cent in 2007). Current account surpluses are high, but declining in oil-exporting African countries (from 13.4 per cent in 2006 to 9.8 per cent in 2007) because of lower oil production and exports in some countries such as Chad on the one hand and increasing non-oil import bills on the other.

With regard to Africa’s financing constraints, there is a strong need to reduce external debt and mobilize more domestic as well as external non-debt generating resources. Despite debt relief initiatives, Africa’s external debt remains high ($255 billion in 2006 and 2007). Long-term debt accounted for about 94 per cent of the total debt in 2007. However, while official debt declined considerably with the debt relief initiative, from $205.7 billion in 1999 to $144.5 billion in 2007, the debt owed to banks and other private creditors rose from $92.4 billion in 1999 to $110.2 billion in 2007.

Despite notable improvements, domestic resource mobilization remains insufficient for Africa to finance the investment needed for achieving the MDGs; African countries will continue to rely on external capital inflows to fill the resource gap in the near future. As in previous years, FDI flows continue to go mainly to resource-rich countries to finance investment in extractive industry, while more ODA flows are directed to non-oil economies. This underlines the necessity of increasing non-debt generating financing for Africa to accelerate and sustain growth and at the same time mitigate the economic and social impact of intensifying inflationary pressure especially with respect to recent escalation in food prices.

Eastern Asia

East Asia continues to grow robustly, with GDP growth of 8.8 per cent in 2007, 0.4 percent point higher than original predicted. This positive performance was driven partly by an upward adjustment of Chinese GDP growth rates for 2006 and 2007, by 0.5 per cent respectively, but all other economies in the region, with Singapore as the exception, have reported higher growth rates as well. Regional CPI inflation is also higher for 2007 but only by 0.1 per cent. Unlike in earlier years, net exports have been the leading contributor to GDP growth only in the Philippines, Taiwan Province of China and Thailand in 2007.

For many economies in the region, the diversification of trade partners has continued in 2007. The share of the United States, traditionally the leading market in East Asian exports, is now much lower than a decade ago except for in China and Vietnam; though the United States remains the most important market for some economies' exports. This will shape the pattern of the impact of the United States slowdown on the region.

In 2008, East Asian developing economies are facing difficulties caused mainly by the slowdown of the major developed economies and the elevated prices for oil and other commodities. For China, the major drag to growth in 2008 will be the slowdown of exports. The Chinese exporting sector is facing the most momentous challenge since the last global downturn of 2001. In the first quarter of 2008, merchandise export growth decelerated to an annual pace barely above 10 per cent when measured in national currency, compared with an average rate of about 30 per cent over the past five years. In addition to the slowing of foreign demand, there are also a number of structural factors that press on firms: soaring prices of energy and raw materials, the accumulated appreciation of the renminbi by more than 15 per cent vis-à-vis the United States dollar, rising labour costs and the phasing out of some preferential policies to the exporting sector. The annual growth of China's exports is expected to decelerate to 12 per cent. Other components of expenditure are also expected to slow, responding to the tightening of policies introduced in the past two years.

Inflation has escalated since mid-2007 and has become a serious policy challenge to the Chinese government. While the initial trigger for the rise of inflation was the soaring prices of pork, caused by swine disease in 2007, a number of additional factors have shaped the upward inflation spiral: the pass-through of agricultural price increases to processed food prices, the increase in the prices of key raw materials (iron ore, coal, steel, cement, copper and aluminium) and oil, the falling profit margin for grain production leading to a grain shortage, and stronger expectations of higher inflation. As a response to the inflation issue, monetary policy in China will remain tight during 2008 which will contribute to the mild slowdown for China's growth, expected to decelerate to 10 per cent in 2008. The earthquake that happened on 12 May in Sichuan province has caused extremely heavy damages to human life and property. The impact on aggregate output, nevertheless, will not be significant. For 2009, despite the anticipated stabilization of activity in the United States, the time profile of fixed investment stimulus and the lagged effect of renminbi appreciation is expected to lead to a further slowing of China's growth to 9.4 per cent in 2009. Growth could be higher if there is significant re-building of the infrastructure damaged by the earthquake.

For other economies in the region, the recession in the United States will also induce lower growth rates in 2008. However, the current geographic pattern of international trade will make the sensitivity to the United States slowdown lower than before. Given the predicted growth speed of the Chinese economy, the other East Asia economies will see aggregated growth reduced from 5.8 per cent in 2007 to 5.0 per cent in 2008 but a small rebound to 5.3 per cent in 2009. Nevertheless, the patterns are quite diverse across countries. For example, Vietnam is expected to slow from 8.5 per cent in 2007 to only 6.8 per cent in 2008 due to the relatively high concentration of trade to the United States market while Thailand is expected to slow only marginally, from 4.8 per cent to 4.7 per cent because of the rebound of domestic demand after the stabilization of the political situation. The extreme case will be Myanmar which has been struck by a cyclone in May. Information as to the extent of damage is limited and the assessment of the economic impacts can only be based on rough assumptions. On the assumption that sufficient relief work can be accomplished in a timely manner, GDP growth is expected to stagnate in 2008, and could even decline.

Among other countries, a few will only slow down marginally; Indonesia will decelerate from 6.3 per cent to 5.9 per cent and the Republic of Korea will slow from 4.9 per cent to 4.7 per cent. But most others will decelerate more significantly in 2008. Hong Kong Special Administrative Region (SAR) of China will see growth slow to 4.9 per cent from 6.3 per cent in 2007, Malaysia will grow by 5.5 per cent after 6.3 per cent in 2007, the Philippines will grow by 5.4 per cent compared to 7.3 per cent in 2007 and Taiwan Province of China will grow by 4.7 per cent instead of the 5.7 per cent registered in 2007.

For all economies in East Asia, consumer price inflation has accelerated since the second or third quarter in 2007. The acceleration in headline inflation was mainly due to the higher prices for energy and agricultural commodities, especially grains, in the international market; although other factors, such as the hike of the goods and services tax in Singapore in July 2007, have played a role.

The variation of national inflation rates is currently vast. In the first quarter of 2008, Vietnam reported an inflation rate of 17.3 per cent while for Malaysia the same figure is still less than 3 per cent. Given the assumption that prices for relevant commodities will remain high, the regional inflation rate for the East Asia, on an annual average basis, will advance to 5.4 per cent in 2008 from 4.0 per cent in 2007 which itself has been the peak over the past decade. In 2009, regional inflation will slow to 3.8 per cent due to the softening of commodity prices and other factors. While data is limited for core inflation in the region, where available it shows that the second-round effects of the energy and food prices are spreading slowly. For Indonesia, the Philippines and the Republic of Korea, whose central banks have adopted “inflation-targeting” policy regimes, core inflation rates in early 2008 have been approaching the upper bound of their targeted ranges.

Policy responses to the inflationary pressures vary cross countries. Some countries, like Indonesia, still provide subsidies to energy items which induce a significant fiscal burden (more than 2 per cent of GDP) for the government. Many governments have also lowered the tariff rates for fuel and grain imports to compensate for the increment of international prices. Certain countries, for example Vietnam, have also introduced a ban on exports of staple food in order to guarantee domestic supply.

With the exception of the Hong Kong (SAR), Indonesia and the Republic of Korea, most currencies in the region have appreciated vis-à-vis the United States dollar since 2007 which has helped to stabilize the domestic prices of imported goods. Given the significant depreciation of the United States dollar vis-à-vis the Euro over the same period, those East Asia currencies (with the Philippines peso as the exception) have actually depreciated vis-à-vis the euro over the same period. This pattern of exchange rate realignment helps to maintain the competitiveness of East Asian products in the euro area market. Given the prediction that the euro area will not slow down as much as the United States, this may contribute to the mildness of slowdown in this region.

Exports and imports from East Asia will continue to expand in 2008 and 2009, although at a reduced pace compared to the past few years; mainly a reflection of the recession in the United States and the relatively slow expansion of the European and Japanese economies. For China, the nominal trade figures (in terms of the US dollar) still expand at double-digit figures annually, although the same measurements are much lower when measured in national currency terms due to the appreciation of the renminbi. On the import side, China needs to import large amounts of raw materials with prices that have been hiked significantly over past few years. The net effect of these two factors is that, when measured in renminbi, the trade balance in the first quarter of 2008 was much lower than the level from the same quarter of 2007. However, starting from a very high of current account surplus, even with the import growth rate (22 per cent in 2008) that will be higher than the export growth rate (17 per cent), the current account surplus will still be expanding in 2008 and for years after.

For most of the other countries in East Asia, exports (in dollar terms) will grow at a slower rate than in 2008. This reduction will be in the range of 2 to 4 percentage points. On the import side, the relatively lower GDP growth in 2008 will cause the growth in import demand to slow as well, but given the higher commodity prices, the growth in nominal imports (in dollar terms) will still be higher in 2008. As the consequence, the current account surplus (as a ratio to GDP) will decline for all economies in East Asia, although for some, like Singapore and Malaysia, this ratio will remain at a very high level.

As to the employment situation, for countries where data are available, unemployment rates are expected to remain stable or decline slowly in the forecast period. Only in China and the Philippines will unemployment rates increase. In China, on top of the pressure to increase productivity to, among other things, accommodate the appreciated renminbi, a newly implemented labour law will reduce business' willingness to hire and hold workers. Unemployment is expected to increase from the 2007 level of 4.0 per cent to 4.2 per cent in 2009 which is same level as in 2004 and 2005. For the Philippines, the relatively higher long-term population growth makes any reduction in the rate of unemployment rate difficult especially when GDP growth is decelerating.

Southern Asia

The South Asia region is expected to continue growing solidly in 2008; but with the slowdown in the major developed economies and the impact of elevated commodity prices, the speed of expansion will be slower than in 2007. While the Islamic Republic of Iran is expected to benefit from the high oil price; the other countries in the region are all net importers of oil which makes the high oil price a negative factor for the region as a whole. The hike of other non-oil commodity prices also helps to drag down growth. However the magnitude of decline will not be extreme, with GDP growth expected to slow to 6.5 per cent in 2008, after 7.4 per cent in 2007. For 2009, the region as a whole will sustain a solid growth of 6.4 per cent.

Among the net importers of oil, Bangladesh, India and Pakistan have relatively high dependences on the exports of goods and services and the United States remains the most important market for these countries' exports. The predicted United States recession in 2008 will drag down these three economies significantly. For India, growth bounced back strongly to 9.1 per cent for (calendar) year 2007 due to strong private consumption and fixed capital formation, but with slowing global activity and the increased inflation, the growth of both components will be trimmed and GDP growth in 2008 is expected to be only 7.6 per cent, with growth in 2009 expected to remain at a similar pace. A similar pattern also prevails in Pakistan. Strong private consumption and fixed capital formation have contributed to a growth rate of 6.5 per cent in 2007, while growth in 2008 is expected to decelerate to 6.1 per cent before rebounding slightly to 6.3 per cent in 2009 helped by higher export growth. Bangladesh in the past few years has developed a strong garment industry with the United States and the EU as the most important markets. The predicted slowdown in those economies will cause lower export growth for Bangladesh and reduce the GDP growth rate to 5.6 per cent from the level of 6.1 per cent in 2007. For 2009, the growth rate will bounce back to 6.1 per cent.

The strong domestic demand growth in India and Pakistan during the past few years has led to a high growth of import volumes. The accelerating increase of international commodity prices has further swelled import values. As a consequence, for both countries, the current account deficits (as a ratio to GDP) in 2007 will be at least one percentage point higher than the previous year's level. In Bangladesh, the deficits in the trade and services balances have been mainly compensated by worker's remittances in recent years. The current account balance (as a ratio to GDP) has stayed in a small range around zero for many years. In 2008 and 2009, worker's remittance to Bangladesh will grow as fast as before or even faster given the flowing of oil revenue to the West Asia oil producing countries. This will compensate for the decline in the growth of exports of goods and maintain the positive current account balance.

All countries in the region are suffering from accelerating consumer price inflation. Some countries, like India, have enjoyed high-speed growth for a number of years and bottlenecks on supply capacity started to induce the inflationary pressures in early 2007. For all countries in the region, the surge of international prices for oil and non-oil commodities, especially grain prices, has strengthened the pressure further. The situation started to deteriorate in mid-2007. For Bangladesh and Pakistan, inflation rates reached the two-digit level in early 2008 while for the Islamic Republic of Iran and Sri Lanka inflation rates have been rising from the two digit level already reached in 2006. For Bangladesh, Pakistan and Sri Lanka, inflation rates reported in early 2008, have not been observed since 1990.

Assuming that the relevant commodity prices will reach a plateau later this year, regional inflation for South Asia in 2008 will be almost 2 percentage points higher than in 2007. However, there are additional concerns with the inflation situations in these economies - the surge of staple prices and the limited availability of grain supplies from the international markets, as observed in the past few months in the rice market, will negatively influence the livelihood of people, especially the urban poor. This situation calls for government actions to provide relief and to maintain social stability.

Unemployment in South Asian countries will stay on a high level in both 2008 and 2009. The achieved rates of economic growth have not been sufficient to generate new employment to the degree necessary to compensate for the relatively high growth of labour forces in the region.

The State Bank of Pakistan raised its benchmark lending rate by 0.5 percentage points on 1 February 2008, noting that money supply growth had exceeded its target and inflationary pressures are building. In contrast, the monetary authorities for other countries in the region have not increased their policy rates since early 2007, but will face difficulties in finding the appropriate balance between controlling inflation and sustaining economic growth if their inflation outlooks do not improve soon. For India this will be especially important as India has received significant capital inflows which are sensitive to interest rate differentials.

Western Asia

The highest oil revenue on record for the Gulf Cooperation Council (GCC) economies [5], contributed to regional growth of 5.2 per cent in 2007, which is robust but lower than previously forecasted, due to flat oil production and some impact of inflation on activity. At the beginning of 2008, growth in the region is being tempered by rising commodity prices, as well as the slowdown in the United States economy, but is expected to be 5.4 per cent in 2008, supported by the continued strength of consumer demand and increased public and private investment in the oil-exporters. In the outlook, growth is expected to remain resilient at 5.1 per cent in 2009.

The growth in oil revenues, brought on by higher prices, continues to improve fiscal and trade-account positions in the GCC economies, and encourage expenditures on infrastructure and development projects as well as intra-regional foreign direct investment (FDI). In Saudi Arabia investment has been strong in the areas of upstream gas, oil refining, power and water, in addition to the expansion of spare oil capacity. The United Arab Emirates, where oil's share in GDP has been declining steadily, is investing heavily in energy intensive sectors such as petrochemicals and metals, in addition to tourism and real estate.

Yet, some of the oil-importing economies are facing growing pressures in 2008 due to higher fuel prices. Jordan, which eliminated its fuel subsidies in February 2008, is expecting growth to slow to 5.1 per cent in 2008 owing to the impact of weaker consumer demand. To safeguard the poor and ease the transition period, the government has instituted social safety nets, as well as other compensatory measures such as increasing public sector salaries and pensions. In Syria, the budget deficit for 2008 is expected to be more than double that of 2007 as a result of the rising cost of imported petroleum products. At the same time, continued FDI and remittances from the GCC economies will keep these economies from experiencing a more serious downturn.

In Israel, GDP growth in 2007 was stronger than expected as a result of robust exports, but exports are expected to slow in 2008 to 4.3 per cent due in part to the slowdown in the United States, its main trading partner, as well as an appreciating Shekel. Since imports are expected to stay strong the trade deficit will increase. In March 2008, the Central Bank took

[5] The GCC economies consist of Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates.

steps to weaken the currency by cutting interest rates by 50 basis points (from 4.25 to 3.75 per cent), but so far the easing has had limited impact and there is still a wide interest rate gap with the United States. With inflation also rising by 0.3 per cent in March, to stand at 3.7 per cent y-o-y, further monetary easing is unlikely in the near term.

In Turkey, growth slowed from 4.5 per cent in 2007 to 4.0 per cent in 2008 resulting from decreased consumer expenditures and a moderation in exports on the back of an appreciating Lira. In an attempt to weaken the currency the Central Bank lowered interest rates between September of 2007 and March 2008 (17.5 per cent to 15.25 per cent), but began to increase rates in May as inflation started to rise (9.15 per cent y-o-y in March). GDP is expected to continue to weaken during the outlook period and there are concerns that foreign capital inflows will decline significantly leaving the country unable to finance its increasing deficit.

Unemployment in the region continues to remain high, particularly in the GCC economies, where there is wide-scale unemployment among nationals and fewer new public sector jobs are being created. Outside of the GCC, no sign of significant improvements have been observed as high rates of unemployment remain stubbornly pervasive in Iraq, Jordan, Lebanon, Yemen and Syria.

Inflation is a growing concern throughout the region as both oil exporters and importers are grappling with a mix of imported and domestically-generated inflation. Increasing inflation is stemming from liquidity in the region; distributional and sectoral supply constraints; and weakened currencies caused by dollar pegs. There has been a surge in construction, rental and food prices, with the latter particulary important as the region is heavily reliant on food imports. Inflation stands at double digits in Yemen (12.5 per cent) due in part to the elimination of the fuel subsidy and in Qatar (10.0 per cent), where it is partly driven by rising rents and greater demand for expatriate labour. In Saudi Arabia, where inflation has been virtually zero for a decade, a new high in inflation was reached in December of 6.5 per cent y-o-y driven by increased rent and food, which led to an elimination of import tariffs on food in April 2008.

Most of the region's exchange rates are fixed to the dollar, causing them to face higher costs of euro-denominated and other non-dollar imports as the dollar declines. Yet a revaluation of currencies in the GCC economics would mean a loss of value in dollar denominated assets held by the region. Therefore, to ease the burden of higher costs on households, many economies have been increasing pensions and wages in the public sector, which may further exacerbate inflation. In the United Arab Emirates public salaries were increased by 70 per cent and by 40 per cent on two separate occasions in Qatar; Kuwait is expected to increase public salaries by 50 per cent and Oman by around 40 per cent. In addition, fiscal packages to subsidize consumer goods have been announced in some cases.

Most economies in the region maintain an accommodative monetary stance in keeping with the United States Federal Reserve policy, even though strong economic growth and increasing inflation rates call for a tightening of monetary policy. Additionally, the central banks are using indirect monetary instruments to mop-up excess liquidity.

The external performance of the oil-exporters stayed strong in 2007 and is expected to continue in 2008. The combined GCC current account surplus is expected to exceed $250 billion in 2008 up from $215 billion in 2007. In oil-importing economies such as Jordan, the current account deficit is expected to deteriorate due to significant increases in the import bill. In spite of improved price competitiveness (on account of the weakening Lira) the current account is expected to deteriorate in 2008 as export demand in the major trading partners weakens and high commodity prices continue to raise the import bill.

The region's outlook is clouded by the global economic slowdown, particularly the recession in the United States, which if prolonged and severe could lower the demand for and subsequently the price of oil and other non-oil exports from the region. In addition, the FDI needed to fund projects in the region could be jeopardized in an environment of global credit tightening and higher inflation in the region. Such credit tightening could be of particular concern for Turkey, which relies on foreign capital inflows to finance its deficit, which is expected to increase from 7 per cent of GDP in 2007 to around 6 per cent in 2008. Additionally, increasing inflationary pressures have led to violent protests in Yemen as prices for some basic food items have nearly doubled; and strikes by foreign workers in Bahrain and United Arab Emirates whose dollar pegged remittances have been steadily declining. If such protests spill over to other countries in the region this could have a destabilizing effect and also impact capital flows in the region.

Latin America and the Caribbean

Growth in the Latin American and Caribbean region is expected to slow significantly in 2008, but to still retain some vigour. This was anticipated in the previous LINK-GEO but the outlook has further deteriorated, with GDP for the region now expected to grow by 4.2%, as compared to the previous forecast of 4.7%. Most of the slowdown will come from economies with close ties with the United States.[6] Thus, the previously expected strength of Mexico's economy has been downgraded due to the weaker demand from the United States and a lack of dynamism in the oil sector, as is also the case for the oil sectors of Ecuador and Venezuela. Mining and industry sectors, especially in the Andean region will be less dynamic as world demand for metals and minerals weakens. Investment in natural gas and infrastructure will somewhat offset the decline in mining in Peru. The slowdown in 2008 will seem even steeper in relative terms as updated data for 2007 show a better than expected performance, 5.7% from 5.3%, due to better than expected growth in Brazil's agricultural sector during the last quarter of 2007 and Mexico's slightly better than expected overall growth.

Most of the contagion will come via the current account through weakening trade and transfers. Remittances lost their dynamism in 2007, especially those directed to Mexico and Central America, and have even decreased in 2008 in countries affected by the slowing of economic activity in the United States, and discouraged by the weaker dollar, immigration

[6] Mexico, Central America, the Caribbean countries, Venezuela, Ecuador, Colombia, and to a lesser extent, Peru and Brazil.

restrictions and relatively better economic prospects in emigrating countries. Contagion from turmoil in the financial sector should be weaker than in previous episodes, as fiscal and monetary balances are more solid than in the past. However, central banks are still bracing themselves with international reserves as a precautionary measure. Investment is expected to slow in 2008 as private investment is attenuated by tighter monetary policy and public investment will be restrained by less resource flows. Net exports are not expected to contribute significantly to growth due to weaker external demand. Further slowing of activity in 2009 is expected as demand for the region's export commodities continues to weaken and growth in previously high-growing countries such as Argentina and Venezuela decelerate to more normal levels.

Inflation has become a principal concern across the region as food and oil prices, which comprise the majority of the consumption basket, have increased. Inflationary pressures including those emanating from strong domestic demand, had already appeared in the latter half of 2007, putting an end in 2008 to the downward trend seen since 2000. South and Central America and the Caribbean will experience the highest inflation rates in the region. Food shortages and increased spending in Venezuela has kept high double-digit inflation afloat. Argentina has implemented export bans and duties on grains in order to contain prices and secure food for domestic consumption, but protests from exporters may disrupt production. The Central American and the Caribbean countries have felt the brunt of high commodity prices as they rely heavily on imported goods.

Unemployment is expected to increase slightly or at best remain constant at around 8 percent, as activity slows down, putting an end to the improvement achieved since 2004. Most of the increase will come from unemployment in Mexico, as it is most affected by the international context. Countries in South America will also experience weaker economic activity but will still be able to increase employment as they will still be growing at relatively high rates.

The five-year old current account surplus for the region is expected to disappear in 2008 as terms of trade deteriorate and current transfers dwindle. The import bill of most countries will increase as prices of food and oil reach record levels, while export growth will weaken as world demand decreases along with the price of metals and minerals. The rise in agricultural product prices will continue to benefit some agricultural exporters such as Brazil and Argentina, as long as controls are dismantled in the latter. Central America and the Caribbean will suffer the most from increased food and fuel prices and remittances will be lower, although participating countries will benefit from the implementation of the free trade agreement with the United States (DRCAFTA). Chile and Peru will suffer most from declining base metal prices, although the latter expects some of the weakness to be offset by the activation of the free trade agreement with the United States.

The existing dilemma in monetary policy has become more serious as inflationary pressures increase, interest rate differentials widen and local currencies appreciate, while economic activity is further dampened. However, the appreciation of local currencies gives some relief from the higher prices of imported goods. The Bank of Mexico has maintained its monetary stance despite inflationary concerns. The Central Bank of Chile has increased interest rates from 5% to 6.25% between July 2007 and January 2008. The CBC has also decided to actively increase international reserves for precautionary motives. The Central Bank of Brazil reversed its monetary policy in mid-April, increasing its policy interest rate after a more than two-year period of gradual reductions.

On the fiscal side, primary surpluses will decline as export commodity and tax revenues deteriorate. In general, expenditures will adjust to the expected decrease in available funds. A salient exception is Brazil’s continuation of its Growth Acceleration Plan to boost investment in infrastructure.

Risks to the outlook are dominated by the possibility of a more severe recession of the United States’ economy. The main channel of transmission would still be through the current account, with larger deficits through the weakening trade balances and a further decrease in remittances. The effect would be more widespread as export demand would not only weaken from the United States, but from the other main trading partners, Europe and China, affecting the exports of all Latin American countries. Although contagion from the financial side has been relatively contained in the region, a combination of increased international turmoil and lower economic activity in the region would trigger problems in the financial markets of the region’s emerging market economies, where multinational banks have large stakes. Fiscal balances would also deteriorate as revenues from both exports and taxes would decline. However, the present inflation pressures would weaken with slower global demand.

LINK Global Economic Outlook
May 2008

Annex Table

Table A.1

World and regions: rates of growth of real GDP, 2002-2009

(Annual percentage changea)

	2002	2003	2004	2005	2006	2007[b]	2008[c]	2009[c]
World	1.9	2.7	4.0	3.5	3.9	3.8	2.8	2.9
Developed economies	1.3	1.9	3.0	2.4	2.8	2.5	1.4	1.6
North America	1.7	2.5	3.6	3.1	2.9	2.2	1.0	1.3
Asia and Oceania	0.5	1.7	2.8	2.0	2.2	2.3	1.5	1.6
Europe	1.2	1.2	2.5	1.8	3.0	2.9	2.0	2.0
European Union	1.2	1.3	2.4	1.7	3.0	2.8	2.0	2.0
EU-15	1.1	1.2	2.3	1.6	2.8	2.7	1.8	1.9
New EU Members	2.8	4.2	5.5	4.2	6.2	6.1	5.1	4.7
Other Europe	0.9	0.3	3.2	2.7	3.0	3.3	2.3	1.7
Memorandum items:								
Euro Zone	0.9	0.8	2.0	1.5	2.7	2.6	1.7	1.8
Major developed economies (G-7)	1.1	1.8	3.0	2.3	2.6	2.2	1.2	1.5
OECD	1.4	1.9	3.1	2.5	2.9	2.5	1.5	1.7
Economies in transition	5.0	7.2	7.6	6.6	7.9	8.4	7.4	6.6
South-eastern Europe	4.2	3.4	4.5	4.4	5.0	6.2	5.1	5.2
Commonwealth of Independent States	5.1	7.6	8.0	6.8	8.2	8.6	7.6	6.8
Net fuel exporters	5.1	7.4	7.4	7.1	8.2	8.7	7.7	6.9
Net fuel importers	5.5	9.2	11.2	5.0	8.0	8.4	6.8	5.9
Developing countries	3.9	5.2	7.0	6.7	7.3	7.2	6.3	6.0
Africa	3.5	4.6	5.0	5.3	5.6	5.8	6.2	6.1
North Africa	3.3	5.2	4.8	4.5	5.5	5.6	6.0	6.1
Sub-Saharan Africa[d]	4.0	3.3	5.8	5.9	6.0	6.7	7.6	6.9
Net fuel exporters	3.5	5.8	4.7	5.9	5.6	6.7	7.5	7.0
Net fuel importers	3.4	3.7	5.3	4.7	5.6	5.1	5.0	5.4
East and South Asia	6.6	6.9	7.6	7.9	8.1	8.5	7.2	6.9
East Asia	7.0	6.8	8.0	7.7	8.6	8.8	7.5	7.2
South Asia	5.3	7.1	6.4	8.4	6.7	7.4	6.5	6.4
Net fuel exporters	6.7	7.2	5.6	5.0	6.0	5.6	5.1	5.3
Net fuel importers	6.5	6.9	7.9	8.2	8.3	8.7	7.5	7.2
Western Asia	3.1	4.7	6.8	6.6	5.9	5.2	5.4	5.1
Net fuel exporters	2.1	5.1	6.6	6.9	5.9	5.6	6.5	5.8
Net fuel importers	4.4	4.2	7.2	6.3	5.9	4.6	3.8	4.0
Latin America and the Caribbean	-0.8	2.2	6.2	4.8	5.7	5.7	4.2	4.0
South America	-1.9	2.4	7.4	5.4	5.8	6.7	4.9	4.3
Mexico and Central America	0.9	1.6	4.2	3.2	5.0	3.7	2.7	2.9
Caribbean	2.9	2.9	3.5	8.7	10.2	6.6	5.4	6.0
Net fuel exporters	-3.0	2.5	6.7	5.5	6.6	5.6	3.9	3.6
Net fuel importers	1.9	1.8	5.5	4.0	4.7	5.9	4.5	4.4
Memorandum items:								
Least developed countries	6.3	6.6	7.9	8.5	8.2	6.5	6.8	6.3
East Asia (excluding China)	5.3	4.2	6.3	5.2	5.8	5.7	5.0	5.3
South Asia (excluding India)	6.1	6.8	5.8	5.3	6.0	5.6	5.3	5.4
Western Asia (excluding Israel and Turkey)	2.2	5.0	6.5	6.6	5.7	5.4	6.3	5.7
Landlocked developing economies	4.6	4.6	6.8	7.1	8.5	8.1	6.8	6.9
Small island developing economies	3.4	3.3	6.1	7.3	8.4	7.0	5.1	5.3

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 2000 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, 2002-2009
(Annual percentage change)

	2002	2003	2004	2005	2006	2007[a]	2008[b]	2009[b]
Developed economies								
North America								
Canada	2.9	1.8	3.3	2.9	2.7	2.7	0.9	2.2
United States	1.6	2.5	3.6	3.1	2.9	2.2	1.0	1.2
Asia and Oceania								
Australia	3.2	4.1	2.7	2.8	2.7	3.9	3.0	2.8
Japan	0.3	1.4	2.7	1.9	2.2	2.1	1.3	1.5
New Zealand	4.6	3.6	5.0	2.8	2.3	3.5	2.0	2.2
European Union								
EU-15								
Austria	0.9	1.2	2.3	2.0	3.3	3.4	2.1	2.2
Belgium	1.5	1.0	3.0	1.7	2.8	2.7	1.8	1.7
Denmark	0.5	0.4	2.3	2.5	3.9	1.8	1.4	1.3
Finland	1.6	1.8	3.7	2.8	4.9	4.4	2.7	2.3
France	1.0	1.1	2.5	1.7	2.0	1.9	1.9	2.0
Germany	0.0	-0.2	1.1	0.8	2.9	2.5	1.7	1.8
Greece	3.9	5.0	4.6	3.8	4.2	4.0	2.6	3.1
Ireland	6.4	4.3	4.3	5.9	5.7	5.3	2.4	2.4
Italy	0.3	0.0	1.2	0.1	1.9	1.5	0.8	1.1
Luxembourg	4.1	2.1	4.9	5.0	6.1	5.1	4.7	4.8
Netherlands	0.1	0.3	2.2	1.5	3.0	3.5	2.3	1.7
Portugal	0.8	-0.8	1.5	0.9	1.3	1.9	1.5	1.6
Spain	2.7	3.1	3.3	3.6	3.9	3.8	1.9	1.9
Sweden	2.4	1.9	4.1	3.3	4.1	3.6	3.8	3.1
United Kingdom	2.1	2.8	3.3	1.8	2.9	3.0	1.9	2.2
New EU members								
Bulgaria	4.9	4.5	5.7	5.5	6.3	6.2	5.5	5.4
Cyprus	2.1	1.9	3.8	3.8	3.8	4.4	3.8	3.7
Czech Republic	1.5	3.7	4.6	6.1	6.4	6.5	4.8	5.0
Estonia	7.2	6.7	7.8	10.5	11.2	7.0	4.0	4.0
Hungary	4.3	4.1	4.9	1.5	3.9	1.3	2.8	4.2
Latvia	6.4	7.2	8.5	10.3	11.9	10.3	4.0	5.0
Lithuania	6.8	10.5	7.0	7.5	7.5	8.8	6.0	5.0
Malta	1.1	-2.1	0.2	0.8	3.3	3.8	3.0	3.0
Poland	1.4	3.8	5.3	3.2	5.8	6.3	5.5	4.4
Romania	5.1	5.2	8.3	4.2	7.7	6.0	6.0	6.0
Slovak Republic	4.6	4.5	5.5	6.1	8.3	10.4	8.0	5.8
Slovenia	3.5	2.6	4.4	4.0	4.8	6.1	4.4	4.1
Other Europe								
Iceland	-0.1	2.7	7.6	7.2	4.4	3.8	1.4	2.6
Norway	1.5	1.0	3.9	2.7	2.5	3.5	2.8	1.5
Switzerland	0.4	-0.2	2.5	2.4	3.2	3.1	2.0	1.8
Economies in transition								
South-eastern Europe								
Albania	3.4	6.0	6.0	5.6	5.2	6.0	6.0	5.8
Bosnia and Herzegovina	3.7	3.2	4.0	5.3	5.5	5.5	6.0	5.0
Croatia	5.2	4.3	3.8	3.2	4.8	6.1	4.5	4.8
Montenegro	1.9	2.5	4.4	4.2	8.6	6.7	5.9	6.2
Serbia	4.2	2.5	8.4	6.2	5.7	7.5	5.6	5.8
The former Yugoslav Republic of Macedonia	0.9	3.4	2.5	4.0	3.1	5.0	5.1	5.0
Commonwealth of Independent States								
Armenia	13.2	14.0	10.5	13.9	13.3	13.8	10.0	8.0
Azerbaijan	10.6	11.2	10.2	26.4	34.5	25.0	18.5	15.0
Belarus	5.0	7.0	11.4	9.4	9.9	8.7	7.8	7.0
Georgia	5.5	11.1	5.9	9.6	9.3	12.7	8.7	8.5
Kazakhstan	9.8	9.3	9.6	9.7	10.6	8.5	5.5	7.5
Kyrgyzstan	0.0	7.0	7.0	-0.2	2.7	8.2	7.5	7.0
Republic of Moldova	7.8	6.6	7.4	7.5	4.0	3.3	6.0	5.5
Russian Federation	4.7	7.3	7.2	6.4	7.4	8.1	7.5	6.5
Tajikistan	10.8	11.0	10.3	6.7	7.0	7.8	5.0	7.0

Turkmenistan	0.3	3.3	4.5	9.6	9.0	8.0	7.0	6.5
Ukraine	5.2	9.6	12.1	2.7	7.3	7.6	6.0	5.0
Uzbekistan	4.0	4.4	7.7	7.0	7.3	9.5	7.3	6.7
Developing countries								
Africa								
Algeria	4.0	6.8	5.2	5.3	2.0	4.6	5.0	5.5
Angola	14.3	3.3	11.2	20.6	18.6	21.0	25.0	15.0
Benin	4.4	3.9	3.1	2.9	3.8	4.7	5.2	5.7
Botswana	9.6	3.1	9.2	-0.8	5.4	4.8	4.5	4.0
Burki Faso	4.6	8.0	4.6	7.1	6.1	6.0	5.8	5.7
Burundi	4.1	-1.0	4.8	0.8	5.1	3.6	5.5	6.0
Cameroon	4.0	4.2	3.6	2.0	3.2	3.0	4.0	4.5
Cape Verde	5.3	4.7	4.4	5.8	10.8	7.0	7.5	7.6
Central African Republic	0.3	-7.6	1.3	2.2	3.8	4.5	4.7	4.8
Chad	8.5	14.7	33.6	7.9	0.5	-0.5	3.5	4.0
Comoros	4.1	2.5	-0.2	4.2	1.3	1.0	1.0	1.5
Congo	4.6	0.8	3.5	7.8	6.2	-1.0	9.0	8.2
Côte d'Ivoire	-1.6	-1.7	1.5	1.8	-0.3	1.6	4.5	5.2
Democratic Republic of the Congo	3.5	5.8	6.7	7.9	5.0	6.5	8.1	10.0
Djibouti	2.7	3.3	2.8	3.3	4.8	5.0	5.8	6.0
Egypt	4.1	3.2	4.1	4.5	6.8	7.1	7.1	6.8
Equatorial Guinea	20.9	11.6	31.7	6.7	-5.2	10.0	12.0	4.5
Eritrea	0.7	6.0	1.9	0.5	2.0	2.0	2.0	2.0
Ethiopia	0.0	-3.1	12.3	8.7	10.6	9.5	8.0	7.7
Gabon	0.0	2.4	1.1	3.0	1.2	5.6	4.5	5.0
Gambia	-3.2	6.9	2.4	5.1	6.5	7.0	6.5	6.5
Ghana	4.6	5.2	5.8	6.0	6.2	6.3	6.5	7.0
Guinea	4.2	1.2	2.7	3.3	2.2	1.5	4.5	5.0
Guinea-Bissau	-7.1	-0.6	2.0	2.2	1.8	4.7	6.0	6.0
Kenya	0.4	2.9	4.7	5.8	6.0	6.1	4.0	4.2
Lesotho	3.6	3.2	2.7	1.3	6.6	4.8	5.4	5.5
Liberia	31.8	-31.3	2.6	5.3	7.8	9.4	9.5	10.2
Libyan Arab Jamahiriya	1.1	7.1	5.4	5.6	5.2	5.5	5.7	5.8
Madagascar	-12.7	9.8	5.3	4.6	4.9	6.4	7.1	6.0
Malawi	2.9	6.1	7.1	2.5	7.9	7.0	6.8	6.2
Mali	4.3	7.6	2.2	6.1	5.2	4.3	4.5	5.0
Mauritania	1.1	5.6	5.2	5.4	11.4	1.0	5.0	5.0
Mauritius	1.6	4.4	4.8	2.3	5.0	5.0	5.5	6.0
Morocco	3.2	6.1	5.2	2.4	8.0	2.7	5.0	5.3
Mozambique	8.2	8.0	7.4	7.7	8.0	7.0	7.0	7.0
Namibia	6.7	3.5	6.6	4.8	4.1	4.2	4.5	5.0
Niger	5.8	3.8	-1.0	7.0	3.5	4.0	5.0	5.0
Nigeria	1.5	10.7	4.0	7.1	5.2	6.3	7.5	7.2
Rwanda	9.4	1.0	4.0	6.0	6.0	6.0	6.5	6.0
Sao Tome and Principe	3.5	4.1	4.0	6.0	6.7	6.0	6.0	6.0
Senegal	1.2	6.7	5.6	5.5	3.1	5.2	5.5	5.8
Sierra Leone	27.5	9.3	7.4	7.2	7.4	6.8	6.0	6.2
Somalia	4.0	2.5	-0.2	4.2	1.2	-3.5	2.0	3.0
South Africa	3.7	3.1	4.8	5.1	5.4	5.1	4.1	4.8
Sudan	6.4	5.0	5.2	8.6	11.3	11.0	8.0	8.0
Togo	3.5	2.0	-0.8	0.8	2.0	2.5	4.0	4.5
Tunisia	1.7	5.6	6.0	4.2	5.5	6.0	5.3	5.6
Uganda	6.8	4.4	5.7	6.6	5.4	6.0	6.3	6.0
United Republic of Tanzania	7.2	7.1	6.7	6.8	6.7	7.0	7.2	7.4
Zambia	3.3	5.1	5.4	5.2	6.2	5.5	6.1	6.0
Zimbabwe	-4.3	-10.4	-3.8	-5.3	-4.8	-5.0	-3.0	-2.0
East and South Asia								
Bangladesh	4.8	5.8	6.1	6.3	6.6	6.1	5.6	6.1
Brunei Darussalam	3.9	2.9	0.5	0.4	5.1	0.6	1.2	3.4
China	9.1	10.0	10.1	10.4	11.6	11.9	10.0	9.4
Hong Kong, Special Administrative Region of Chin	1.8	3.0	8.5	7.1	7.0	6.3	4.9	5.3
India	4.1	7.3	8.3	9.0	9.6	9.1	7.6	7.4
Indonesia	4.5	4.8	5.1	5.6	5.6	6.3	5.9	6.3
Iran, Islamic Republic of	6.7	7.2	5.5	4.7	5.8	5.4	5.0	5.1

Korea, Republic of	7.0	3.1	4.7	4.2	5.0	4.9	4.7	4.5
Malaysia	4.6	5.5	7.2	5.0	5.9	6.3	5.5	5.7
Myanmar	12.0	13.8	13.6	13.6	12.7	4.2	3.3	3.2
Nepal	1.9	4.3	3.9	3.0	2.6	3.2	4.1	4.6
Pakistan	4.6	6.1	7.5	7.7	6.6	6.5	6.1	6.3
Papua New Guinea	-0.2	2.9	2.9	3.4	2.6	5.2	4.5	4.4
Philippines	4.4	4.9	6.4	4.9	5.4	7.3	5.4	5.3
Singapore	4.2	3.5	9.0	7.3	8.2	7.7	4.9	4.8
Sri Lanka	4.0	6.0	5.4	6.0	7.3	6.2	6.3	6.0
Taiwan, Province of China	4.6	3.5	6.2	4.2	4.9	5.7	4.7	4.2
Thailand	5.3	7.1	6.3	4.5	5.1	4.8	4.7	4.4
Viet nam	7.1	7.3	7.8	8.4	8.2	8.5	6.8	7.1
Western Asia								
Bahrain	5.2	7.2	5.4	7.8	6.5	6.8	6.5	6.7
Iraq	-5.7	-44.3	46.5	3.7	6.2	5.0	7.3	7.6
Israel	-0.9	1.5	4.8	5.2	5.2	5.3	3.5	4.1
Jordan	5.7	4.1	7.7	5.0	6.3	5.7	5.1	5.2
Kuwait	5.1	13.4	10.5	11.4	6.1	5.7	7.0	6.0
Lebanon	2.0	3.0	5.0	1.1	0.0	2.0	3.0	3.0
Oman	2.3	1.9	5.8	5.8	6.8	6.1	6.3	6.0
Qatar	7.3	3.3	9.3	6.1	10.0	12.5	13.0	13.5
Saudi Arabia	0.1	7.7	5.3	6.6	4.3	4.5	6.0	5.2
Syrian Arab Republic	5.9	1.1	2.0	3.5	4.6	4.2	4.0	4.0
Turkey	7.9	5.8	8.9	7.4	6.9	4.5	4.0	3.9
United Arab Emirates	1.8	11.9	7.4	9.5	9.4	7.4	7.8	6.2
Yemen	3.9	4.2	3.1	5.6	3.2	2.9	3.2	6.0
Latin America								
Argentina	-10.9	8.8	9.0	9.2	8.5	8.7	6.0	4.5
Barbados	-0.4	2.2	4.8	4.1	3.9	4.2	2.7	3.0
Bolivia	2.8	2.5	4.2	4.0	4.6	4.2	4.5	4.5
Brazil	1.9	1.1	5.7	2.9	3.7	5.4	4.2	4.0
Chile	2.2	3.9	6.0	5.7	4.0	5.1	4.5	4.0
Colombia	1.9	4.1	4.0	5.1	6.8	7.5	4.0	4.5
Costa Rica	2.9	6.4	4.3	5.9	8.2	6.8	4.0	4.0
Cuba	1.5	2.9	5.4	11.8	12.5	7.5	7.0	8.0
Dominican Republic	5.0	-0.4	1.3	9.3	10.7	8.5	4.5	4.5
Ecuador	4.2	3.6	8.0	6.0	3.9	2.7	2.8	4.0
El Salvador	2.2	2.3	1.9	3.1	4.2	4.5	4.0	4.2
Guatemala	2.3	2.1	3.2	3.5	4.9	5.7	4.0	4.0
Guyana	-1.1	0.7	1.6	-2.0	5.1	5.4	4.0	4.0
Haiti	-0.3	0.4	-3.5	1.8	2.3	3.2	3.0	3.0
Honduras	2.7	3.5	6.2	6.1	6.3	6.3	4.0	4.0
Jamaica	1.1	2.3	1.1	1.4	2.6	1.4	2.4	2.8
Mexico	0.8	1.4	4.2	3.0	4.8	3.3	2.5	2.7
Nicaragua	0.8	2.5	5.3	4.3	3.7	3.0	3.5	3.7
Panama	2.2	4.2	7.5	7.2	8.7	11.2	8.0	7.5
Paraguay	0.0	3.8	4.1	2.9	4.2	6.0	4.0	4.0
Peru	4.9	3.8	5.1	6.7	7.6	9.0	6.5	6.5
Trinidad and Tobago	6.8	12.6	6.5	8.0	12.0	5.5	5.5	6.0
Uruguay	-11.2	2.1	11.8	6.6	7.0	7.4	6.0	4.0
Venezuela, Bolivarian Republic of	-8.9	-7.8	18.3	9.3	10.3	8.4	5.5	4.5

Source: Project LINK

a Partly estimated.

b Forecasts, based in part on Project LINK.

Table A.3
World and regions: consumer price inflation, 2002-2009
(Annual percentage changea)

	2002	2003	2004	2005	2006	2007[b]	2008[c]	2009[c]
Developed economies	1.3	1.7	1.8	2.1	2.2	2.0	2.7	1.6
North America	1.6	2.3	2.6	3.3	3.1	2.8	3.3	1.6
Asia and Oceania	-0.6	0.0	0.2	0.0	0.5	0.3	0.9	1.0
Europe	2.1	1.9	1.9	2.0	2.0	2.1	2.8	2.0
European Union	2.1	1.9	2.0	2.0	2.1	2.2	2.8	2.1
EU-15	2.0	1.8	1.8	1.9	2.0	2.1	2.7	2.0
New EU Members	4.7	3.2	4.7	3.8	3.3	4.0	5.5	3.8
Other Europe	1.0	1.4	0.7	1.4	1.7	0.8	2.7	1.7
Memorandum items:								
Euro Zone	2.1	2.0	2.0	2.0	2.0	2.1	2.7	2.0
Major developed economies (G-7)	1.1	1.6	1.8	2.1	2.2	2.0	2.5	1.5
OECD	1.7	1.9	2.0	2.2	2.3	2.1	2.8	1.8
Economies in transition	13.7	11.9	10.0	11.7	9.2	9.0	13.7	7.9
South-eastern Europe	6.5	3.3	3.5	5.9	5.7	3.7	6.0	4.2
Commonwealth of Independent States	14.5	12.8	10.7	12.3	9.5	9.6	14.6	8.4
Net fuel exporters	15.2	13.3	10.7	12.5	9.7	9.3	14.3	7.7
Net fuel importers	10.1	10.2	10.7	11.6	8.5	11.3	16.3	12.3
Developing countries[d]	6.5	6.3	5.3	5.0	5.0	5.7	7.3	6.0
Africa[d]	6.9	7.0	6.5	5.6	6.2	6.9	7.4	6.3
North Africa	0.6	2.5	5.6	3.0	5.0	6.8	6.3	6.1
Sub-Saharan Africa (Excluding Nigeria & South Africa)[d]	12.8	12.8	8.2	9.3	8.9	7.8	8.9	6.6
Net fuel exporters	6.4	8.0	9.9	5.9	6.1	7.3	7.4	7.1
Net fuel importers[d]	7.3	6.1	3.6	5.5	6.3	6.5	7.3	5.6
East and South Asia	3.1	3.6	4.6	4.2	4.2	5.7	7.1	5.3
East Asia	1.5	2.1	3.4	2.9	2.8	4.0	5.4	3.8
South Asia	7.9	8.4	8.4	8.1	8.3	10.6	12.2	9.9
Net fuel exporters	13.2	15.1	14.0	12.8	11.4	16.3	20.2	15.7
Net fuel importers	2.0	2.4	3.6	3.3	3.4	4.5	5.7	4.2
Western Asia	14.9	7.1	3.7	4.5	6.0	5.3	8.1	7.0
Net fuel exporters	0.5	0.7	1.9	3.1	4.9	5.3	7.0	6.2
Net fuel importers	29.3	13.5	5.4	5.8	7.2	5.2	9.1	7.7
Latin America and the Caribbean	10.2	11.1	6.8	6.6	5.7	5.7	7.3	6.8
South America	12.9	14.1	7.0	7.6	6.5	6.4	8.7	8.2
Mexico and Central America	5.1	4.6	4.9	4.5	3.9	4.3	4.4	4.1
Caribbean	5.4	18.9	29.1	7.9	8.4	7.4	10.0	7.3
Net fuel exporters	7.8	8.7	7.2	5.8	5.2	6.3	8.0	7.8
Net fuel importers	11.9	12.8	6.5	7.1	6.1	5.3	6.9	6.0
Memorandum items:								
Least developed countries	20.5	17.4	9.0	9.9	11.0	14.0	16.8	13.0
East Asia (excluding China)	3.2	2.7	3.0	3.7	3.8	3.5	5.3	3.7
South Asia (excluding India)	11.3	12.9	12.7	12.0	10.8	14.8	18.1	14.0
Western Asia (excluding Israel and Turkey)	0.8	1.0	2.2	3.4	5.3	5.5	7.3	6.3

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 2000, in United States dollars .

b Partly estimated.

c Forecasts, based in part on Project LINK.

d Excluding Zimbabwe.

Table A.4
Consumer price inflation, 2002-2009
(Annual percentage change)

	2002	2003	2004	27-Jun	2006	2007[a]	2008[b]	2009[b]
Developed economies								
North America								
Canada	2.3	2.8	1.8	2.2	2.0	2.1	1.7	2.0
United States	1.6	2.3	2.7	3.4	3.2	2.9	3.5	1.6
Asia and Oceania								
Australia	3.0	2.8	2.3	2.7	3.5	2.3	3.4	3.1
Japan	-0.9	-0.2	0.0	-0.3	0.2	0.1	0.7	0.8
New Zealand	2.7	1.8	2.3	3.0	3.4	2.4	2.9	2.3
European Union								
EU-15								
Austria	1.8	1.4	2.1	2.3	1.4	2.2	2.6	1.9
Belgium	1.6	1.6	2.1	2.8	1.8	1.8	3.3	1.9
Denmark	2.4	2.1	1.2	1.8	1.9	1.7	3.1	2.3
Finland	1.6	0.9	0.2	0.6	1.6	2.5	3.1	1.9
France	1.9	2.1	2.1	1.7	1.7	1.5	2.6	1.8
Germany	1.4	1.0	1.7	1.6	1.6	2.3	2.6	1.8
Greece	3.6	3.6	2.9	3.6	3.2	2.9	3.9	2.8
Ireland	4.6	3.5	2.2	2.4	3.9	4.9	2.4	2.1
Italy	2.5	2.7	2.2	2.0	2.1	1.8	2.5	1.7
Luxembourg	2.1	2.1	2.2	2.5	2.7	2.3	2.0	2.2
Netherlands	3.3	2.1	1.2	1.7	1.2	1.6	2.5	2.8
Portugal	3.6	3.3	2.4	2.3	3.1	2.4	2.4	2.1
Spain	3.1	3.0	3.0	3.4	3.5	2.8	3.6	2.6
Sweden	2.3	1.5	0.1	0.1	1.1	2.2	2.5	2.9
United Kingdom	1.3	1.4	1.3	2.1	2.3	2.3	2.6	1.9
New EU members								
Bulgaria	5.8	2.2	6.3	5.0	7.1	8.4	10.7	3.3
Cyprus	2.8	4.1	1.9	2.0	2.2	2.2	3.4	3.0
Czech Republic	2.0	-0.1	2.8	1.9	2.1	3.0	6.0	3.8
Estonia	3.6	1.3	3.0	3.6	4.4	6.6	9.0	5.0
Hungary	5.3	4.6	6.7	3.5	4.0	8.0	6.0	4.0
Latvia	1.9	2.9	6.2	6.9	6.6	10.1	12.0	6.0
Lithuania	0.4	-1.2	1.2	2.7	3.8	5.8	9.0	5.0
Malta	2.2	1.3	2.8	3.0	2.8	1.3	3.5	2.0
Poland	1.9	0.7	3.4	3.5	2.4	2.6	4.1	3.3
Romania	22.5	15.4	12.0	9.0	6.6	5.0	8.0	4.8
Slovak Republic	3.2	8.6	7.5	2.7	4.5	1.9	3.0	3.8
Slovenia	7.5	5.6	3.6	2.5	2.5	3.8	5.0	4.5
Other Europe								
Iceland	5.2	2.1	3.2	4.0	6.7	5.1	7.5	5.5
Norway	1.3	2.5	0.5	1.5	2.3	0.7	3.5	1.5
Switzerland	0.6	0.6	0.8	1.2	1.1	0.7	2.0	1.7
Economies in transition								
South-eastern Europe								
Albania	7.8	0.5	2.3	2.4	2.4	2.9	3.5	3.0
Bosnia and Herzegovina	0.9	0.2	-0.3	3.0	6.0	2.0	5.5	4.0
Croatia	1.7	1.8	2.1	3.0	3.2	2.9	5.2	3.5
Montenegro	18.3	6.7	2.2	2.6	3.0	4.3	6.2	3.9
Serbia	19.5	9.9	11.0	16.1	11.7	7.5	11.1	7.7
The former Yugoslav Republic of Macedonia	2.3	1.1	-0.4	0.0	3.0	2.8	4.8	2.8
Commonwealth of Independent States								
Armenia	1.0	2.7	8.1	0.6	2.9	4.4	5.8	4.5
Azerbaijan	2.8	2.1	6.7	9.6	8.3	16.6	19.0	20.0
Belarus	42.8	28.5	18.3	10.4	7.0	8.4	10.0	8.5
Georgia	5.6	4.8	5.7	8.2	9.2	9.2	9.8	6.0
Kazakhstan	6.0	6.4	6.9	7.6	8.6	10.8	17.5	9.2
Kyrgyzstan	2.1	3.0	4.1	4.4	5.6	10.2	18.0	10.0
Republic of Moldova	5.3	11.7	12.5	12.0	12.7	12.6	11.0	8.0
Russian Federation	15.8	13.6	10.9	12.7	9.8	9.0	14.2	7.2
Tajikistan	12.2	16.3	7.2	7.2	11.9	13.4	12.5	10.0
Turkmenistan	15.0	15.3	10.0	12.0	9.0	6.4	10.0	10.0
Ukraine	0.7	5.2	9.1	13.5	9.1	12.8	20.0	15.0
Uzbekistan	21.6	19.0	14.2	15.0	10.5	12.3	12.0	10.0

Developing countries								
Africa								
Algeria	1.4	2.6	3.6	1.6	2.5	3.7	4.0	4.6
Angola	108.9	98.2	43.5	23.0	13.3	12.2	13.4	10.0
Benin	2.5	1.5	0.9	5.4	3.8	1.3	1.6	2.0
Botswana	8.0	9.2	7.0	8.6	11.6	7.1	8.5	7.0
Burkina Faso	2.3	2.0	-0.4	6.4	2.8	-0.2	5.0	2.5
Burundi	-1.4	7.9	10.7	13.5	2.7	8.4	11.0	8.0
Cameroon	2.9	0.6	0.3	2.0	5.1	0.9	3.0	2.5
Cape Verde	1.9	1.2	-1.9	0.4	5.4	4.7	5.0	3.5
Central African Republic	2.3	4.4	-2.2	2.9	6.7	3.0	3.2	3.4
Chad	5.2	-1.9	-5.3	8.0	7.9	4.0	3.0	3.0
Comoros	3.5	3.8	4.5	3.0	3.4	3.0	4.0	3.5
Congo	3.8	-1.3	3.6	2.5	4.7	3.5	4.5	4.7
Côte d'Ivoire	3.1	3.3	1.4	4.0	5.0	2.5	4.5	3.0
Democratic Republic of the Congo	25.0	12.8	4.0	21.4	13.2	16.7	10.2	11.0
Djibouti	0.6	2.0	3.1	3.1	3.5	3.5	5.0	3.5
Egypt	2.7	4.5	11.3	4.9	7.6	11.0	9.0	8.5
Equatorial Guinea	7.6	7.3	4.2	5.7	4.5	6.1	6.0	5.0
Eritrea	17.4	22.7	25.1	12.5	15.1	17.0	21.1	15.0
Ethiopia	1.6	17.8	3.3	11.6	12.3	17.0	21.0	15.0
Gabon	0.0	2.1	0.4	1.2	4.1	5.0	4.0	3.0
Gambia	8.5	17.0	14.2	3.2	2.1	5.0	5.0	5.0
Ghana	14.2	27.4	12.6	15.4	11.7	10.5	11.0	8.9
Guinea	3.0	12.9	17.5	31.4	34.7	24.0	14.0	7.0
Guinea-Bissau	3.9	-3.5	0.9	3.4	1.9	3.0	2.8	2.5
Kenya	2.0	9.8	11.7	10.3	14.5	9.3	18.0	7.0
Lesotho	33.9	6.7	5.0	3.4	6.1	8.0	10.0	9.0
Liberia	14.2	10.3	3.6	6.9	7.2	11.2	9.0	8.0
Libyan Arab Jamahiriya	-9.9	-2.1	-2.2	2.0	3.4	6.3	7.4	6.5
Madagascar	15.9	-1.2	13.8	18.4	10.8	10.0	9.5	7.0
Malawi	14.7	9.6	11.4	15.4	14.0	7.9	8.5	9.0
Mali	5.0	-1.3	-3.1	6.4	1.2	1.2	2.5	2.7
Mauritania	5.4	5.3	10.4	12.1	6.2	7.3	7.5	6.0
Mauritius	6.5	3.9	4.7	4.9	8.9	8.9	9.5	8.3
Morocco	2.8	1.2	1.5	1.0	3.3	2.0	2.5	2.7
Mozambique	16.8	13.5	12.6	6.4	13.2	7.9	9.0	8.0
Namibia	11.3	7.2	4.2	2.3	5.1	6.7	8.0	7.0
Niger	2.6	-1.6	0.2	7.8	0.1	0.6	4.7	3.0
Nigeria	13.0	14.0	19.4	13.5	8.2	5.5	8.5	8.5
Rwanda	2.0	7.4	12.0	9.2	8.8	9.4	10.0	7.0
Sao Tome and Principe	10.1	9.9	13.8	17.1	23.1	20.0	21.1	18.0
Senegal	2.3	0.0	0.5	1.7	2.1	5.9	3.5	2.5
Sierra Leone	-3.7	7.5	14.2	12.1	9.5	11.5	12.5	12.0
Somalia	10.0	12.0	12.0	12.0	14.0	15.0	10.0	10.0
South Africa	9.2	5.8	1.4	3.5	4.6	6.5	7.2	5.5
Sudan	8.3	7.7	8.4	8.5	7.2	8.0	7.8	7.5
Togo	3.1	0.9	0.4	6.8	2.2	1.1	3.5	3.8
Tunisia	2.7	2.7	3.6	2.1	4.5	3.1	4.0	3.0
Uganda	-0.3	7.8	3.3	8.2	6.6	6.6	6.8	7.0
United Republic of Tanzania	4.6	4.4	4.1	4.4	6.7	7.0	7.5	6.0
Zambia	22.2	21.4	18.0	18.3	9.0	10.7	9.0	8.0
Zimbabwe	133.2	365.0	350.0	237.8	1016.7	10452.6	50000.0	180.0
East and South Asia								
Bangladesh	3.3	5.7	9.2	7.0	6.8	9.1	11.2	8.2
Brunei Darussalam	-2.3	0.3	0.8	1.1	0.2	-0.1	0.3	0.3
China	-0.8	1.2	3.9	1.8	1.5	4.8	5.5	4.0
Hong Kong, Special Administrative Region of China	-3.1	-2.5	-0.4	0.9	2.0	2.0	4.3	3.9
India	4.4	3.8	4.0	4.3	5.8	6.4	6.2	5.7
Indonesia	11.9	6.6	6.2	10.5	13.1	6.4	6.9	5.4
Iran, Islamic Republic of	14.3	16.5	14.8	13.4	11.9	17.2	20.6	16.5
Korea, Republic of	2.8	3.5	3.6	2.8	2.2	2.5	3.5	2.5
Malaysia	1.8	1.0	1.5	3.0	3.6	2.0	3.9	3.1
Myanmar	57.1	36.6	4.5	9.4	20.0	36.9	49.0	37.0
Nepal	3.0	5.7	2.8	6.8	7.6	6.7	8.2	6.6
Pakistan	3.3	2.9	7.4	9.1	7.9	7.6	11.4	6.2
Papua New Guinea	11.8	14.7	2.2	1.7	2.7	4.8	2.7	3.5
Philippines	3.0	3.5	6.0	7.6	6.2	2.8	4.1	3.5
Singapore	-0.4	0.5	1.7	0.5	1.0	2.1	4.9	1.9

Sri Lanka	9.6	6.3	7.6	11.6	13.7	17.5	21.4	15.7
Taiwan, Province of China	-0.2	-0.3	1.6	2.3	0.6	1.8	2.9	1.8
Thailand	0.6	1.8	2.8	4.5	4.6	2.2	5.1	3.0
Viet Nam	3.8	3.1	7.8	8.3	7.5	9.3	19.1	9.9
Western Asia								
Bahrain	-0.5	1.6	2.4	2.6	2.2	3.5	4.6	3.8
Israel	5.6	0.7	-0.4	1.3	2.1	0.5	2.9	2.3
Jordan	1.8	1.6	3.4	3.5	6.3	5.4	10.9	5.0
Kuwait	0.9	1.0	1.2	4.1	3.1	5.5	7.5	4.5
Oman	-0.7	-0.4	0.4	1.2	3.0	5.9	7.2	6.8
Qatar	0.2	2.3	6.8	8.8	11.8	13.8	10.0	8.5
Saudi Arabia	0.2	0.6	0.3	0.7	2.3	4.1	6.8	6.1
Syrian Arab Republic	1.0	0.5	4.6	7.2	10.6	6.5	7.0	7.0
Turkey	45.0	21.6	8.6	8.2	9.6	7.7	12.4	10.8
Yemen	12.2	10.8	12.5	11.8	18.2	10.0	12.5	10.0
Latin America								
Argentina	25.9	13.4	4.4	9.6	10.9	8.8	11.0	11.0
Barbados	0.2	1.6	1.4	6.1	7.3	6.0	7.0	6.0
Bolivia	0.9	3.3	4.4	5.4	4.3	8.5	9.0	8.5
Brazil	8.5	14.7	6.6	6.8	4.2	3.6	4.7	4.0
Chile	2.5	2.8	1.1	3.1	3.4	4.4	6.6	4.0
Colombia	6.3	7.1	5.9	5.0	4.3	5.5	6.0	4.5
Costa Rica	9.2	9.4	12.3	13.8	11.5	9.4	10.5	8.0
Dominican Republic	5.2	27.5	51.5	4.2	7.6	6.1	8.0	6.0
Ecuador	12.5	7.9	2.7	2.2	3.3	2.6	4.0	4.3
El Salvador	1.9	2.1	4.5	4.7	4.0	4.5	6.0	5.0
Guatemala	8.0	5.5	7.6	9.1	6.6	7.0	8.0	7.0
Guyana	5.3	6.0	4.7	6.3	7.2	12.0	8.0	8.0
Haiti	9.9	39.3	23.1	15.7	13.0	9.0	9.5	8.5
Honduras	7.7	7.7	8.1	8.8	5.6	7.0	10.0	10.0
Jamaica	7.1	10.3	13.6	15.3	8.6	9.5	18.0	10.0
Mexico	5.0	4.5	4.7	4.0	3.6	4.0	3.9	3.7
Nicaragua	4.0	5.2	8.5	9.6	9.1	11.0	15.0	14.0
Panama	1.0	1.4	0.4	2.9	1.1	4.0	5.0	4.0
Paraguay	10.5	14.2	4.3	6.8	9.6	8.0	11.0	10.0
Peru	0.2	2.3	3.7	1.6	2.0	1.8	4.2	2.5
Trinidad and Tobago	4.1	3.8	3.7	6.9	8.3	7.9	8.7	7.5
Uruguay	14.0	19.4	9.2	4.7	6.4	8.1	8.0	7.0
Venezuela, Bolivarian Republic of	22.4	31.1	21.8	16.0	13.7	18.7	30.0	31.0

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, 2002-2009
(billions of dollars)

Region	Flow	2002	2003	2004	2005	2006	2007[a]	2008[b]	2009[b]
World	Exports	6443	7490	9082	10396	12061	14081	16407	17229
	Imports	6528	7593	9268	10550	12167	14137	16534	17459
Developed economies	Exports	4170	4799	5661	6186	7001	8172	9532	9794
	Imports	4469	5184	6185	6911	7876	9052	10488	10731
	Balance	-299	-385	-524	-724	-875	-881	-956	-938
North America	Exports	950	997	1123	1266	1445	1642	1849	1856
	Imports	1417	1529	1779	2034	2252	2410	2635	2611
	Balance	-467	-532	-657	-767	-807	-768	-786	-755
Asia and Oceania	Exports	496	560	672	722	805	957	1187	1266
	Imports	425	491	587	666	783	937	1172	1213
	Balance	71	69	85	56	21	20	15	54
Europe	Exports	2722	3240	3862	4193	4746	5563	6482	6657
	Imports	2627	3163	3816	4205	4832	5693	6661	6890
	Balance	96	77	46	-12	-87	-129	-179	-233
European Union	Exports	2574	3072	3663	3967	4486	5265	6151	6339
	Imports	2507	3027	3656	4032	4639	5469	6409	6641
	Balance	67	45	7	-65	-154	-203	-258	-302
EU-15	Exports	2402	2849	3367	3605	4062	4713	5442	5554
	Imports	2294	2756	3304	3604	4127	4800	5546	5688
	Balance	108	94	63	2	-64	-87	-104	-134
New EU Members	Exports	172	222	296	362	424	552	709	785
	Imports	213	271	352	428	513	668	863	952
	Balance	-41	-49	-56	-66	-89	-117	-154	-167
Other Europe	Exports	149	171	202	231	266	307	344	333
	Imports	120	138	162	179	201	237	271	267
	Balance	30	33	41	52	65	70	73	65
Euro Zone	Exports	2000	2394	2846	3041	3419	4031	4703	4785
	Imports	1860	2256	2712	2964	3399	3967	4658	4773
	Balance	140	138	134	77	20	63	45	12
Economies in transition	Exports	162.7	205.7	280.6	384.9	494.1	619.8	779.9	836.5
	Imports	129.6	162.8	209.4	267.2	346.9	482.5	637.0	735.6
	Balance	33.1	42.8	71.2	117.7	147.2	137.3	142.8	100.9
South-eastern Europe	Exports	9.6	11.6	15.3	19.5	23.0	29.3	38.5	44.1
	Imports	24.5	29.1	35.5	41.7	48.0	62.6	77.8	88.7
	Balance	-14.8	-17.5	-20.2	-22.2	-25.0	-33.3	-39.2	-44.6
Commonwealth of Independent States	Exports	153.1	194.1	265.2	365.4	471.1	590.5	741.3	792.5
	Imports	105.2	133.7	173.9	225.5	298.9	419.9	559.3	647.0
	Balance	47.9	60.4	91.3	139.9	172.3	170.6	182.0	145.5
Net fuel exporters	Exports	124.0	157.3	214.2	316.1	414.1	519.2	654.4	696.4
	Imports	75.0	93.4	121.3	171.6	227.7	329.1	446.7	520.3
	Balance	49.0	63.9	92.8	144.5	186.4	190.1	207.7	176.1
Net fuel importers	Exports	29.1	36.8	51.1	49.3	57.0	71.3	86.9	96.0
	Imports	30.2	40.3	52.6	53.8	71.2	90.8	112.6	126.6
	Balance	-1.1	-3.5	-1.5	-4.6	-14.1	-19.5	-25.6	-30.6
Developing countries	Exports	2110.2	2485.4	3140.5	3824.3	4565.9	5290.1	6095.9	6599.2
	Imports	1930.0	2246.5	2873.6	3371.8	3944.1	4601.8	5409.9	5992.1
	Balance	180.2	238.9	266.9	452.5	621.8	688.3	686.0	607.1
Africa	Exports	140.0	172.9	230.6	305.2	370.1	440.4	540.6	576.1
	Imports	137.6	164.5	215.0	262.7	319.3	387.1	450.4	447.5
	Balance	2.4	8.4	15.6	42.5	50.8	53.3	90.2	128.7
North Africa	Exports	48.1	62.3	78.2	108.2	135.0	158.5	193.6	208.4
	Imports	54.0	56.6	76.4	88.9	103.7	125.2	142.6	156.5
	Balance	-6.0	5.8	1.8	19.2	31.3	33.2	51.0	51.8
Sub-Saharan Africa	Exports	47.1	54.1	69.3	95.2	113.7	138.4	174.7	191.6
(Excluding Nigeria & South Africa)	Imports	46.7	55.9	70.9	85.9	99.2	113.7	125.8	134.4
	Balance	0.4	-1.8	-1.6	9.4	14.5	24.7	48.9	57.1
Net fuel exporters	Exports	64.0	82.2	116.3	174.9	218.6	252.8	322.4	351.6
	Imports	47.4	51.8	69.9	94.9	114.6	140.2	161.7	181.7
	Balance	16.6	30.4	46.4	80.0	104.0	112.7	160.7	169.8
Net fuel importers	Exports	76.0	90.6	114.3	130.3	151.5	187.5	218.2	224.5
	Imports	90.1	112.6	145.1	167.8	204.7	246.9	288.7	265.7
	Balance	-14.1	-22.0	-30.8	-37.5	-53.2	-59.4	-70.5	-41.2

East and South Asia	Exports	1343.8	1596.8	2010.7	2384.1	2837.1	3325.3	3814.4	4238.6
	Imports	1227.0	1468.1	1884.6	2203.8	2554.6	2958.2	3465.2	3926.0
	Balance	116.8	128.7	126.1	180.2	282.5	367.1	349.2	312.6
East Asia	Exports	1244.7	1478.9	1861.9	2193.6	2610.8	3060.8	3502.5	3898.2
	Imports	1125.0	1343.0	1715.5	1983.0	2287.2	2648.3	3103.5	3532.3
	Balance	119.7	135.9	146.4	210.6	323.6	412.5	399.0	365.9
South Asia	Exports	99.1	117.9	148.9	190.4	226.3	264.4	311.9	340.4
	Imports	101.9	125.0	169.1	220.8	267.4	309.9	361.7	393.7
	Balance	-2.8	-7.2	-20.3	-30.4	-41.1	-45.5	-49.8	-53.4
Net fuel exporters	Exports	48.6	58.6	76.0	97.1	116.5	135.1	161.1	171.1
	Imports	42.4	54.2	68.5	80.0	94.0	114.3	136.8	150.3
	Balance	6.2	4.4	7.4	17.1	22.5	20.7	24.3	20.9
Net fuel importers	Exports	1295.2	1538.2	1934.8	2287.0	2720.6	3190.2	3653.3	4067.5
	Imports	1184.6	1413.9	1816.1	2123.9	2460.6	2843.9	3328.4	3775.7
	Balance	110.6	124.4	118.7	163.1	260.0	346.3	324.9	291.7
Western Asia	Exports	279.3	332.8	426.9	560.6	676.4	752.5	893.1	916.9
	Imports	229.3	266.7	351.2	402.6	470.4	546.4	680.9	759.5
	Balance	50.0	66.1	75.7	158.0	206.0	206.1	212.1	157.4
Net fuel exporters	Exports	208.3	246.1	316.9	435.1	529.5	567.1	678.5	688.8
	Imports	129.8	148.1	190.7	232.6	266.3	291.1	351.3	369.4
	Balance	78.5	97.9	126.1	202.6	263.2	276.0	327.3	319.4
Net fuel importers	Exports	71.0	86.7	110.0	125.5	146.9	185.3	214.5	228.2
	Imports	99.5	118.5	160.5	170.0	204.1	255.3	329.7	390.1
	Balance	-28.5	-31.8	-50.5	-44.5	-57.2	-69.9	-115.1	-162.0
Latin America and the Caribbean	Exports	347.1	383.0	472.3	574.4	682.3	772.0	847.8	867.6
	Imports	336.1	347.3	422.7	502.7	599.8	710.1	813.4	859.1
	Balance	11.0	35.7	49.6	71.7	82.5	61.8	34.4	8.5
South America	Exports	158.8	183.0	243.9	311.4	376.1	447.0	507.7	503.2
	Imports	118.4	124.0	166.1	208.5	258.8	341.6	426.6	442.7
	Balance	40.4	59.0	77.8	102.9	117.3	105.4	81.1	60.4
Mexico and Central America	Exports	180.0	185.4	211.0	242.1	281.1	298.3	310.5	335.2
	Imports	198.5	200.7	231.5	263.3	303.8	329.2	344.7	371.4
	Balance	-18.6	-15.4	-20.5	-21.2	-22.7	-30.9	-34.1	-36.2
Caribbean	Exports	8.3	14.6	17.4	20.9	25.1	26.8	29.6	29.3
	Imports	19.2	22.6	25.0	30.9	37.2	39.4	42.1	45.0
	Balance	-10.9	-8.0	-7.7	-10.0	-12.1	-12.7	-12.5	-15.7
Net fuel exporters	Exports	234.7	244.6	290.4	351.0	410.1	437.4	464.6	480.7
	Imports	215.2	219.3	266.1	312.2	369.6	415.1	448.5	473.0
	Balance	19.5	25.3	24.3	38.8	40.5	22.3	16.1	7.7
Net fuel importers	Exports	112.4	138.4	181.9	223.4	272.2	334.6	383.2	386.9
	Imports	120.9	128.0	156.6	190.5	230.1	295.0	364.9	386.1
	Balance	-8.5	10.4	25.3	33.0	42.0	39.6	18.3	0.8

Source: Project LINK

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, 2002-2009
(annual percentage change)

Region	Flow	2002	2003	2004	2005	2006	2007[a]	2008[b]	2009[b]
World	Exports	4.8	16.3	21.2	14.5	16.0	16.7	16.5	5.0
	Imports	3.7	16.3	22.0	13.8	15.3	16.2	17.0	5.6
Developed economies	Exports	3.6	15.1	17.9	9.3	13.2	16.7	16.6	2.7
	Imports	3.0	16.0	19.3	11.7	14.0	14.9	15.9	2.3
North America	Exports	-4.2	5.0	12.6	12.8	14.1	13.7	12.6	0.4
	Imports	1.5	7.9	16.4	14.3	10.7	7.0	9.4	-0.9
Asia and Oceania	Exports	3.2	12.8	20.1	7.4	11.4	18.9	24.0	6.7
	Imports	-0.3	15.4	19.7	13.5	17.6	19.6	25.1	3.4
Europe	Exports	6.6	19.0	19.2	8.6	13.2	17.2	16.5	2.7
	Imports	4.2	20.4	20.7	10.2	14.9	17.8	17.0	3.4
European Union	Exports	6.6	19.3	19.2	8.3	13.1	17.4	16.8	3.1
	Imports	4.2	20.7	20.8	10.3	15.1	17.9	17.2	3.6
EU-15	Exports	6.1	18.6	18.2	7.1	12.7	16.0	15.5	2.1
	Imports	3.6	20.1	19.9	9.1	14.5	16.3	15.5	2.6
New EU Members	Exports	14.2	29.0	33.0	22.3	17.2	30.2	28.5	10.7
	Imports	11.4	27.2	29.7	21.7	19.8	30.4	29.1	10.3
Other Europe	Exports	7.2	14.3	18.7	14.1	15.0	15.5	12.2	-3.4
	Imports	6.5	15.3	17.5	10.6	12.3	17.7	14.5	-1.4
Euro Zone	Exports	6.4	19.7	18.9	6.8	12.4	17.9	16.7	1.8
	Imports	3.2	21.3	20.2	9.3	14.7	16.7	17.4	2.5
Economies in transition	Exports	6.3	26.4	36.4	37.2	28.4	25.4	25.8	7.3
	Imports	12.0	25.6	28.6	27.6	29.8	39.1	32.0	15.5
South-eastern Europe	Exports	6.4	20.3	32.0	27.3	17.8	27.4	31.7	14.3
	Imports	20.2	19.1	21.9	17.5	15.2	30.4	24.2	14.0
Commonwealth of Independent States	Exports	6.3	26.8	36.7	37.8	28.9	25.3	25.5	6.9
	Imports	10.3	27.1	30.1	29.7	32.5	40.5	33.2	15.7
Net fuel exporters	Exports	5.5	26.8	36.2	47.6	31.0	25.4	26.0	6.4
	Imports	10.9	24.5	29.9	41.5	32.6	44.6	35.7	16.5
Net fuel importers	Exports	10.0	26.5	38.7	-3.5	15.7	25.0	22.0	10.5
	Imports	8.9	33.6	30.4	2.3	32.2	27.5	24.0	12.5
Developing countries	Exports	7.2	17.8	26.4	21.8	19.4	15.9	15.2	8.3
	Imports	4.8	16.4	27.9	17.3	17.0	16.7	17.6	10.8
Africa	Exports	3.4	23.5	33.4	32.4	21.3	19.0	22.8	6.6
	Imports	3.7	19.6	30.7	22.2	21.5	21.2	16.4	-0.6
North Africa	Exports	0.2	29.7	25.5	38.2	24.8	17.4	22.2	7.6
	Imports	12.3	4.7	35.0	16.4	16.6	20.8	13.8	9.8
Sub-Saharan Africa	Exports	15.1	14.9	28.0	37.4	19.4	21.7	26.3	9.7
(Excluding Nigeria & South Africa)	Imports	4.5	19.7	26.9	21.0	15.6	14.6	10.6	6.9
Net fuel exporters	Exports	0.2	28.5	41.5	50.4	25.0	15.6	27.5	9.1
	Imports	4.1	9.3	34.9	35.7	20.8	22.3	15.4	12.4
Net fuel importers	Exports	6.2	19.3	26.1	14.0	16.3	23.8	16.3	2.9
	Imports	3.5	25.0	28.8	15.7	22.0	20.6	16.9	-8.0
East and South Asia	Exports	9.9	18.8	25.9	18.6	19.0	17.2	14.7	11.1
	Imports	8.8	19.6	28.4	16.9	15.9	15.8	17.1	13.3
East Asia	Exports	9.7	18.8	25.9	17.8	19.0	17.2	14.4	11.3
	Imports	8.9	19.4	27.7	15.6	15.3	15.8	17.2	13.8
South Asia	Exports	12.2	18.9	26.3	27.9	18.9	16.8	17.9	9.1
	Imports	7.5	22.6	35.3	30.6	21.1	15.9	16.7	8.9
Net fuel exporters	Exports	14.3	20.4	29.7	27.8	20.0	15.9	19.3	6.2
	Imports	21.4	27.8	26.4	16.7	17.6	21.6	19.7	9.8
Net fuel importers	Exports	9.7	18.8	25.8	18.2	19.0	17.3	14.5	11.3
	Imports	8.4	19.4	28.5	16.9	15.9	15.6	17.0	13.4
Western Asia	Exports	6.6	19.1	28.3	31.3	20.7	11.2	18.7	2.7
	Imports	7.0	16.3	31.7	14.6	16.9	16.1	24.6	11.5
Net fuel exporters	Exports	6.8	18.1	28.8	37.3	21.7	7.1	19.7	1.5
	Imports	5.6	14.1	28.8	21.9	14.5	9.3	20.7	5.1
Net fuel importers	Exports	6.0	22.1	26.9	14.0	17.1	26.1	15.7	6.4
	Imports	8.7	19.1	35.4	5.9	20.1	25.1	29.1	18.3
Latin America and the Caribbean	Exports	-0.2	10.3	23.3	21.6	18.8	13.1	9.8	2.3
	Imports	-8.5	3.3	21.7	18.9	19.3	18.4	14.5	5.6
South America	Exports	1.4	15.3	33.3	27.7	20.8	18.8	13.6	-0.9
	Imports	-17.9	4.8	33.9	25.5	24.1	32.0	24.9	3.8
Mexico and Central America	Exports	-0.7	3.0	13.8	14.8	16.1	6.1	4.1	7.9
	Imports	0.6	1.1	15.4	13.7	15.4	8.4	4.7	7.7
Caribbean	Exports	-15.1	75.4	19.0	20.0	20.2	6.7	10.6	-1.1
	Imports	-25.8	17.7	10.9	23.4	20.4	5.9	6.8	6.9
Net fuel exporters	Exports	0.7	4.2	18.7	20.9	16.8	6.7	6.2	3.5
	Imports	-6.6	1.9	21.4	17.3	18.4	12.3	8.0	5.5
Net fuel importers	Exports	-1.9	23.2	31.4	22.8	21.8	22.9	14.5	1.0
	Imports	-11.6	5.9	22.3	21.6	20.8	28.2	23.7	5.8

Source: Project LINK
a Partly estimated.
b Forecasts, based in part on Project LINK.

Table A.7
World trade: changes in volume of exports and imports, by major country group, 2002-2009
(annual percentage change)

Region	Flow	2002	2003	2004	2005	2006	2007[a]	2008[b]	2009[b]
World	Exports	4.6	5.9	10.9	7.9	10.1	7.6	5.9	6.0
	Imports	3.9	6.9	11.9	7.5	8.9	6.7	6.0	6.1
Developed economies	Exports	2.3	2.3	8.3	5.3	8.7	6.4	5.8	5.1
	Imports	2.5	4.5	9.4	6.4	7.6	5.1	3.8	3.8
North America	Exports	-2.4	0.5	6.8	6.9	7.8	7.1	7.5	5.8
	Imports	3.2	4.7	10.8	7.2	5.2	2.3	0.1	2.3
Asia and Oceania	Exports	6.8	7.9	12.1	4.8	9.2	10.2	6.7	4.7
	Imports	3.2	7.0	8.0	3.4	11.4	9.5	8.5	1.9
Europe	Exports	3.2	1.9	8.0	4.9	8.9	5.3	4.9	5.0
	Imports	2.0	3.9	8.9	6.5	8.4	5.8	4.9	5.0
European Union	Exports	3.3	2.0	8.1	5.0	8.9	5.2	4.9	5.1
	Imports	2.3	4.2	8.9	6.3	8.1	5.7	4.8	5.0
EU-15	Exports	3.0	1.3	7.4	4.5	8.6	4.6	4.5	4.6
	Imports	1.9	3.6	8.1	5.9	7.6	5.0	4.2	4.5
New EU Members	Exports	8.1	12.6	17.7	10.8	11.7	11.5	9.8	10.0
	Imports	7.3	10.4	16.4	10.1	13.1	12.1	9.9	9.2
Other Europe	Exports	0.5	-0.4	4.8	3.7	8.5	7.2	4.4	3.1
	Imports	-5.0	-1.3	9.0	11.7	14.2	6.7	5.5	4.5
Euro Zone	Exports	3.5	1.5	8.5	4.4	8.5	6.1	4.5	4.6
	Imports	1.7	3.4	8.6	6.4	7.4	5.3	4.3	4.8
Economies in transition	Exports	7.9	13.3	15.4	13.4	12.3	7.2	9.5	2.5
	Imports	11.8	16.2	19.2	-14.9	8.1	9.8	10.0	8.1
South-eastern Europe	Exports	5.3	7.7	17.6	15.8	9.6	15.3	16.2	11.5
	Imports	16.8	3.2	9.2	11.2	9.8	17.1	9.6	11.3
Commonwealth of Independent States	Exports	8.0	13.6	15.2	13.3	12.5	6.7	9.1	1.9
	Imports	10.7	19.2	21.2	-19.6	7.6	7.9	10.1	7.2
Net fuel exporters	Exports	8.0	13.8	14.5	20.0	14.1	6.5	9.8	1.3
	Imports	11.6	18.8	24.1	-22.0	3.8	5.3	8.6	4.7
Net fuel importers	Exports	8.0	13.0	19.0	-17.6	1.9	8.4	4.4	6.6
	Imports	8.3	20.2	13.9	-13.0	17.2	13.7	13.2	11.9
Developing countries	Exports	9.0	11.9	15.1	11.5	12.2	9.5	5.9	7.6
	Imports	6.8	11.9	16.9	11.3	11.2	9.4	9.7	9.8
Africa	Exports	2.3	9.3	11.4	10.1	6.7	8.0	5.0	6.3
	Imports	4.2	8.6	14.6	13.1	15.7	13.8	11.3	2.1
North Africa	Exports	-0.1	20.8	2.4	16.7	10.1	6.5	3.9	7.9
	Imports	13.3	4.2	18.8	7.7	12.4	13.3	10.9	12.5
Sub-Saharan Africa	Exports	11.1	3.0	10.1	12.0	3.7	8.1	6.2	7.6
(Excluding Nigeria & South Africa)	Imports	3.7	7.0	14.3	13.6	10.3	6.7	4.3	6.6
Net fuel exporters	Exports	1.5	18.1	13.0	12.4	7.5	4.8	5.1	7.8
	Imports	6.6	10.1	17.2	22.8	15.2	15.6	11.6	14.2
Net fuel importers	Exports	3.0	1.4	9.8	7.7	5.7	11.6	4.9	4.7
	Imports	3.1	7.8	13.2	7.8	16.0	12.6	11.1	-5.6
East and South Asia	Exports	12.6	14.9	18.1	13.7	14.9	12.3	7.0	8.2
	Imports	10.9	14.5	19.1	12.1	10.5	9.8	9.4	11.1
East Asia	Exports	12.6	15.5	18.8	14.0	15.1	12.6	7.1	8.3
	Imports	11.6	14.5	19.7	10.3	10.2	10.1	9.7	11.1
South Asia	Exports	11.8	6.1	9.1	9.3	11.8	7.0	6.2	7.5
	Imports	3.7	14.5	12.1	34.4	12.9	6.7	5.7	10.9
Net fuel exporters	Exports	13.6	7.8	6.1	-0.1	5.2	6.2	2.0	6.7
	Imports	22.5	17.5	14.8	10.0	13.0	15.8	9.5	9.2
Net fuel importers	Exports	12.5	15.1	18.6	14.1	15.2	12.4	7.1	8.3
	Imports	10.6	14.4	19.3	12.2	10.4	9.6	9.4	11.1
Western Asia	Exports	6.0	5.8	5.6	3.3	7.4	0.3	0.9	4.2
	Imports	7.0	7.0	18.9	7.1	12.2	4.6	14.5	9.9
Net fuel exporters	Exports	5.8	3.3	2.8	2.3	3.8	-3.2	-1.1	-0.2
	Imports	5.4	4.3	16.4	14.1	9.5	1.3	14.9	3.2
Net fuel importers	Exports	6.8	13.5	13.4	6.0	16.5	8.3	4.9	12.4
	Imports	9.3	10.7	21.9	-1.3	15.9	8.9	14.0	17.9
Latin America and the Caribbean	Exports	1.0	6.2	11.8	8.3	5.0	2.6	3.7	7.0
	Imports	-5.3	6.8	7.5	10.3	11.9	9.4	7.0	7.7
South America	Exports	3.1	5.4	13.8	9.8	4.8	4.6	3.5	5.4
	Imports	-11.5	16.9	3.0	10.3	15.3	20.1	13.1	7.5
Mexico and Central America	Exports	-0.3	4.1	10.2	7.4	5.2	0.6	4.1	9.2
	Imports	1.8	0.0	11.4	9.8	9.4	2.7	2.7	7.8
Caribbean	Exports	-10.5	60.9	7.5	1.8	4.3	2.4	1.5	-1.3
	Imports	-25.2	10.2	2.2	15.6	14.0	-0.9	-1.2	8.0
Net fuel exporters	Exports	0.5	1.7	10.8	8.7	7.2	0.3	3.0	6.9
	Imports	-5.2	0.8	16.0	12.7	12.2	6.5	5.5	7.5
Net fuel importers	Exports	2.0	15.2	13.5	7.8	1.0	6.8	4.9	7.1
	Imports	-5.6	16.8	-4.8	6.1	11.4	14.7	9.6	7.9

Source: Project LINK
a Partly estimated.
b Forecasts, based in part on Project LINK.