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Preface

The present report summarizes the main short-term prospects for the global economy in 2008-2009 and discusses the major risks and policy challenges in that regard. The report is prepared by staff of the Development Policy and Analysis Division of the United Nations Department of Economic and Social Affairs, based on inputs from national LINK centres and information from other sources as of 13 October 2008. Most of the LINK Country Reports, which contain detailed country forecasts and policy analyses submitted by the national LINK centres, are available on the websites of both the United Nations and the University of Toronto.¹ The views expressed herein do not necessarily represent those of the United Nations or its Member States.

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

Overview

The world economy is mired in the severest financial crisis since the Great Depression of the last century. More than a year has passed since the debacle of the sub-prime mortgages in the United States spilled over into a global credit crisis in August 2007. The woes in the financial system could not be resolved through the massive liquidity injections into the financial markets by the central bank of the major developed countries and aggressive monetary policy action by the US Government. Several major financial institutions in the United States and Europe have failed. Stock market and commodity prices have tumbled while volatility has increased. Inter-bank lending has come to a virtual standstill and the spread between the interest rate on inter-bank lending and that on Treasury bills surged to the highest level in decades. Businesses, large and small, find it increasingly difficult to obtain credit as banks have become reluctant to lend, even to large non-financial corporations. Fears heightened that markets would completely choke, pushing the global economy into deep recession.

In early October, the financial crisis escalated further with collapsing stock markets in both developed and emerging economies. Many countries experienced the worst sell-off in their equity markets on record in a single week. None of the equity markets, neither in developed nor in emerging economies, has been spared. In mid-October, policymakers in the developed countries have come up with a number of more credible and internationally concerted emergency plans. Compared with the earlier piecemeal approach, which had failed to prevent the crisis from spreading, the latest plans are more comprehensive and more internationally compatible. While specific policy measures vary among countries, they all seek to recapitalize banks with public funding, resume inter-bank lending, and insure bank deposits to restore liquidity and prevent the failure of major financial institutions.

It is too soon to ascertain the effects of these plans, but doing nothing would almost certainly further deepen the problems and likely push the world economy into a deeper crisis. In any case, it will take some time for many of these policy measures to take effect as they take time to implement. Most importantly, restoring confidence among financial market agents could take months, if not years, if the past crises are to serve as a reference. The typically considerable time lag in the transmission of the financial effects to the real economy would suggest that a large number of economies would inevitably fall into recession in the immediate period ahead, with no recovery in sight within the next 12 months or so, even if the bailout package succeeds. Moreover, the huge estimated budgetary cost of the bailout of more than \$3 trillion for developed-country Governments and the uncertainty of how much of this eventually can be recovered from the markets poses an additional macroeconomic challenge.

Economic activity has already been affected by the financial crisis. The tightening credit conditions and the destruction of tens of trillions of dollars in global wealth have already led to a retrenchment of spending by households and businesses in the US, Europe and Japan. This is expected to linger for months and quarters to come. In fact, by the third quarter of 2008, most developed countries were already in recession. Developing countries will be hurt through international trade and finance channels. Commodity prices have dropped significantly, hurting primary exporters in particular, but lower developed country demand likely will affect export growth throughout the developing world. Some emerging market economies, such as Brazil, are

already facing severe curtailments in access to trade credits and the threat of a sudden stop or reversal in private capital flows has heightened. The vast amounts of foreign reserves accumulated by developing countries may quickly evaporate in the ensuing global crisis. A growing number of developing countries have already witnessed a significant deceleration in economic growth.

Against this backdrop, the growth of the world gross product (WGP) is estimated to be at 2.6 per cent for 2008, sharply down from the growth of 3.7 per cent in 2007. Under the present baseline assumptions, the growth of the world economy is expected to slide further, to a pace of about 1 per cent in 2009 (Table 1). Major assumptions for this forecast are summarized in Box 1.

Developed economies are leading this global downturn. In the United States, where the global financial crisis was originated, the recession is expected to deepen in 2009. The sizable Emergency Economic Stabilization Act (EESA) adopted by Congress, but more in particular the subsequent significant revisions including blanket government guarantees of bank liabilities and direct interventions to recapitalize financial institutions, may eventually stabilize the financial markets, if implemented effectively along with other measures. A full recovery of the economic growth, however, will take much more efforts and, as indicated, some time to come about. The recession in both Europe and Japan is also deepening. Europe is facing a pervasive banking crisis and Japan's economy is being hit by sharply weakening external demand.

Developing countries will be hurt through international trade and finance channels. Commodity prices have dropped significantly since their peaks in the summer hurting primary exporters in particular, but lower developed country demand likely will affect export growth throughout the developing world. Some emerging market economies, such as Brazil, are already facing severe curtailments in access to trade credits and the threat of a sudden stop or reversal in private capital flows has heightened. The vast amounts of foreign reserves accumulated by developing countries may quickly evaporate in the ensuing global crisis. A growing number of developing countries have already witnessed a significant deceleration in economic growth. This, no doubt, is diminishing the prospects of achieving the MDGs.

The global credit crunch is also affecting capital markets in developing countries. When there is a global financial crisis, international investors (pension funds, mutual funds, and of course, hedge funds) become more risk averse, reducing their exposure to emerging markets, which are considered to be riskier than other investments (such as US treasury notes). Some international institutional investors are forced to withdraw from these markets to cover "margin calls" at home or in other developed country markets. More fundamentally, the global financial crisis will seriously weaken growth worldwide, including in emerging markets, weakening earnings and prospects of future profits and further reducing investor interest in emerging markets. For these and other reasons, there have been significant reversals in the flows of funds to some emerging markets, including those in East Asia, the Russian Federation, India, Pakistan, and Turkey, are dangerously reliant on short-term capital inflows. In other countries, such as Brazil, Hungary, Latvia, and Estonia the crisis has manifested in the form of severe credit restraints and skyrocketing costs of borrowing abroad. These trends if intensified could have catastrophic consequences.

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

	Observed			October 2008 forecast ^a		Change from May 2008 for	
	2005 ^b	2006 ^b	2007 ^b	2008	2009	2008	2009
Gross World Product (GWP)	3.4	3.9	3.7	2.6	1.6	-0.2	-1.3
GWP - PPP weighted	4.9	5.3	5.4	4.2	3.3	-0.3	-1.2
Developed economies	2.4	2.8	2.5	1.2	0.2	-0.2	-1.4
Canada	2.9	2.7	2.7	0.4	0.8	-0.5	-1.4
Japan	1.9	2.2	2.0	0.7	0.5	-0.6	-1.0
United States	2.9	2.8	2.0	1.0	-0.5	0.0	-1.7
European Union (EU27)	1.9	3.1	2.9	1.4	0.5	-0.6	-1.5
France	1.9	2.2	2.2	0.9	0.7	-1.0	-1.3
Germany	0.8	3.0	2.5	1.8	0.2	0.1	-1.6
Italy	0.6	1.8	1.5	-0.1	-0.2	-0.6	-1.4
United Kingdom	1.8	2.9	3.1	1.0	-0.7	-0.9	-2.9
<i>Memo item: Euro Zone</i>	1.7	2.8	2.6	1.3	0.3	-0.4	-1.5
Economies in transition	6.5	7.8	8.3	7.1	5.8	-0.3	-0.8
Russia	6.4	7.4	8.1	7.3	5.8	-0.1	-0.8
Developing countries and regions	6.7	7.0	7.1	6.1	5.0	-0.1	-1.0
<i>Latin America and the Caribbean</i>	4.5	5.4	5.5	4.4	2.7	0.2	-1.3
Argentina	9.2	8.5	8.7	6.5	3.0	0.5	-1.5
Brazil	2.9	3.7	5.4	5.1	3.0	0.9	-1.0
Mexico	3.0	4.8	3.3	2.0	1.5	-0.5	-1.2
<i>Africa</i>	5.7	5.7	5.9	5.0	4.6	-1.2	-1.5
North Africa	5.0	5.2	5.3	4.9	4.5	-1.1	-1.6
Sub-Saharan Africa ^c	6.1	6.0	6.2	5.1	4.7	-2.5	-2.2
Nigeria	7.1	5.2	6.0	6.1	5.9	-1.4	-1.3
South Africa	5.0	5.4	5.1	3.2	3.0	-0.9	-1.8
<i>East and South Asia</i>	8.0	8.1	8.5	7.3	6.4	0.1	-0.5
China	10.2	11.1	11.4	9.8	8.9	-0.2	-0.5
India	11.5	7.3	8.9	7.5	7.1	-0.1	-0.3
Indonesia	5.7	5.5	6.3	5.9	4.2	0.0	-2.1
Korea, Republic of	4.2	5.0	5.0	4.5	3.4	-0.2	-1.1
Malaysia	5.3	5.8	6.3	5.9	4.5	0.7	-1.2
Philippines	5.0	5.4	7.2	4.4	3.5	-0.8	-1.8
Thailand	4.5	5.1	4.8	4.6	3.2	0.3	-1.2
<i>Western Asia</i>	6.5	5.9	4.7	5.0	3.2	-0.4	-1.9
<i>Memo: World Export volume</i>	7.4	9.3	6.4	4.3	3.2	-1.7	-2.9

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 baseline forecast

The Fed is assumed to cut its main policy interest rate, the Federal Funds rate, by an addition 50 basis points by early 2009, bringing it to a level of 1.0 per cent. In 2009, as real activity begins to stabilize in the second half of the year, the Fed is assumed to begin a process of policy normalization, bringing the Fed Funds rate to 1.75 per cent during the 4th quarter of the year. In order to stabilize the financial markets, the Fed (as well as the other major central banks) is expected to continue using direct injections of liquidity into the financial system through some special facilities, including the Term Securities Lending Facility, and the extension of non-recourse loans at the primary credit rate to depository institutions and bank holding companies to finance their purchases of high-quality asset-backed commercial paper (ABCP) from money market mutual funds.

The European Central Bank (ECB) is assumed to cut its main policy interest rate, the minimum bid rate, further during the 4th quarter of 2008 from its current level of 3.75 per cent to 3 per cent by the end of the year. In 2009 it is expected to maintain this stance until the 4th quarter, when policy turns to normalizing.

The Bank of Japan (BOJ) is assumed to hold its policy rate, the target Uncollateralized Overnight Call Rate, at its current 0.5 per cent for the rest of 2008. Then in the 2nd half of 2009 it is assumed to tighten by 50 basis points.

The euro peaked against the United States Dollar during the 2nd quarter of 2008 at \$1.60, and has depreciated significantly since then. It is assumed to remain close to current levels of around \$1.39 in the 4th quarter of 2008 and similarly for 2009.

The Japanese Yen is expected to stay close to current levels of Y102 to the \$US for the 4th quarter of 2008 and then to appreciate to average Y93 in the 4th quarter of 2009.

Brent oil prices are expected to be at \$75 per barrel in 2009, compared with an estimated average of \$105 per barrel in 2008.

Foreign direct investment (FDI) will also be affected. FDI inflows to developing countries tend to be more stable than short-term equity investments and other portfolio flows. Nonetheless, the global financial crisis will slow FDI flows to developing countries as large companies in the world already find it difficult to obtain funding to even cover operational costs. UNCTAD's latest World Investment Report expects a 10 per cent drop of FDI to emerging markets in 2008 compared to 2007, and with the slowdown, FDI will slow further in 2009. Moreover, because a good deal of FDI has involved mergers and acquisitions (including in the banking sector) rather than greenfield investments creating new economic capacities, the drop could be particularly sharp in some countries, albeit with the possibility of some offsetting 'fire-sale' FDI seeking to acquire greatly depreciated assets.

Spill-over effects through financial markets likely will hit strongest on the middle-income countries, but all developing countries will be affected through slowing trade. Half of US imports and 40 per cent of all developed country imports are from developing countries. So, shrinking demand in developed countries will have significant impacts on developing countries. In fact, a slowdown in exports of developing countries, particularly in Asia, is likely to lead to a significant slowdown in industrial production, as well as GDP, in many developing countries. In Latin America and Africa, export growth has been driven mainly by primary commodities. The possibility of a severe and protracted downturn in the global economy will depress both demand for their exports and commodity prices. High commodity prices, responsible for the last half-decade of rapid growth in many developing countries, have already begun to decline in recent months. With many governments, particularly in poorer countries, still dependent on trade for fiscal revenues, there could be further cut backs in spending as those revenues fall.

Food and energy prices had surged in part because of structural weaknesses on the supply side which meant production was unable to meet changed patterns on the demand side. Financial market conditions, however, also played a role with investors attracted to higher-yield commodity market instruments and also by a depreciating dollar which pushed up commodity prices. Fears of a global recession have now led to a flight to safety in short-term liquid assets, especially US treasury bills. Worldwide the demand for dollars has increased causing the dollar to appreciate. All these factors have caused commodity prices to come down. The price of oil has dropped 40 per cent in just the last three months and to below where it was a year ago. Also prices of basic grains have fallen, with the world price of corn being cut in half from levels reached at the end of June. Net primary commodity exporters are likely to be hurt most by these trends, while net importers of food and energy may see an improvement in their terms of trade. Most importantly, however, is the heightened uncertainty in commodity markets and hence in the export and import bills developing countries will face.

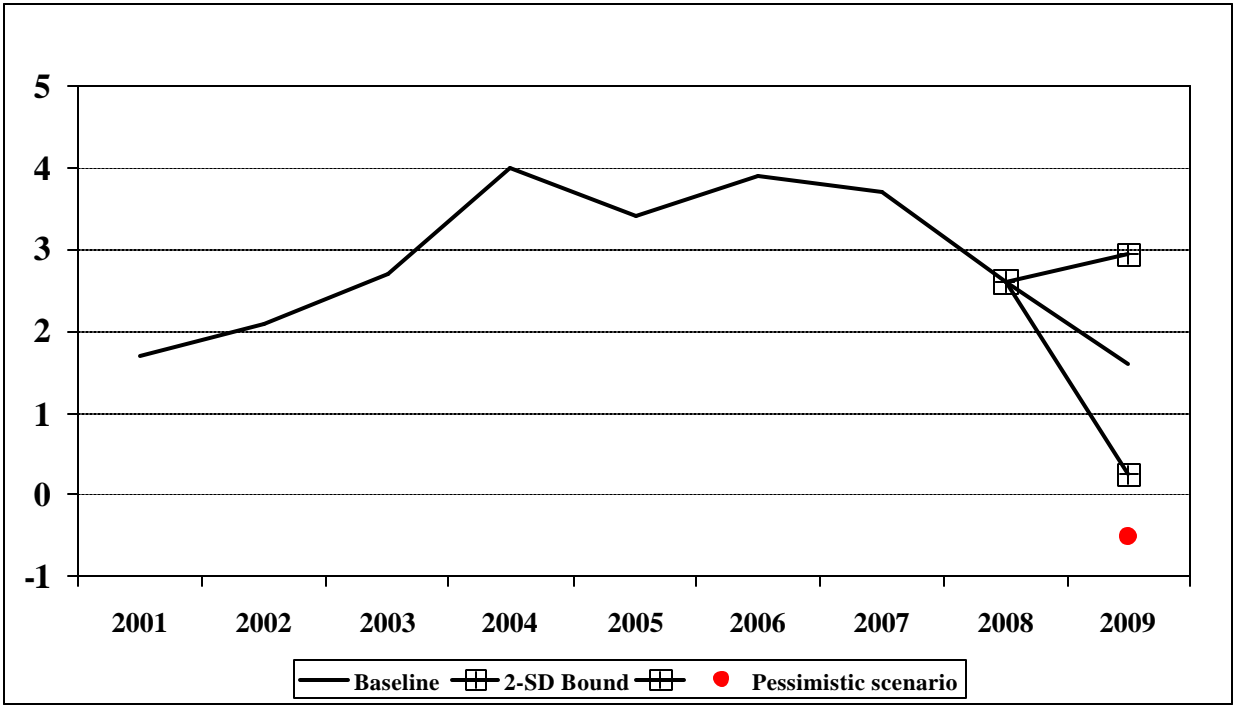
Although at this moment of the global crisis the financial constraints on developing countries as a whole are still not as binding as in the Asian and Latin American financial crises of the past, the financial stresses are growing for some countries with relatively fragile economic structures and weak external balances. Many developing countries have accumulated large foreign exchange reserves over the past few years and have been running sizable surpluses in their current accounts, providing them with a cushion against external shocks. However, what previously seemed like a significant amount of “self-insurance” could quickly evaporate. A growing number of developing economies are running increasing external deficits and are facing greater instability in their exchange rates. It is likely that reserve levels will be falling dramatically in some countries, with particular adversity in those which were running external deficits during the recent period of rapid global growth.

In other words, even seemingly large individual country reserves may quickly prove insufficient to absorb shocks of the size the present crisis will likely produce. As the cost of external financing for emerging market economies is substantially rising and with trends towards a reversal of capital inflows countries may be in for harsh domestic adjustment. Low-income countries may face greater uncertainty regarding adequate financing through official development assistance (ODA) as the donor countries themselves face greater pressure on fiscal balances.

As a result of global spillover effects, domestic credit supplies in many developing countries have also tightened. Equity markets have plummeted even more than in developed markets. Yet, for now domestic financial systems of most developing countries are in better shape than they were prior to the financial crises of the 1990s. They also seem to retain some space for macroeconomic policies having been able recently to recur to monetary easing in attempts to mitigate the weakening external demand. Even so, the growth outlook for developing countries and the economies in transition has been downgraded notably. On average, the growth of these countries is expected to be 5.0 per cent in the outlook for 2009.

Given the very large uncertainties caused by the financial turmoil, even this mediocre baseline outlook could well turn out to be far too optimistic.² Significant risks remain on the downside. In the short run, it is possible that, given the unprecedented severity and complexity of this crisis, as featured by the opaque debt structure and heavy leverage, all the policy measures adopted so far may not be able to restore the market confidence as quickly as expected. If so, a self-fulfilling vicious circle formed between the devaluation of financial assets and the slump in the real economic activity would continue, sending the world economy into a much deeper and prolonged recession, as indicated in the alternative pessimistic scenario (see figure 1).

Figure 1: World GDP Growth, 2003-2009



² As indicated in a recent study of the LINK forecasting performance for the past four decades, the LINK forecasts tend to poorly predict the adverse impact of large financial shocks on the world economy. See *LINK Global Economic Outlook November 2007* and United Nations (2008) *World Economic Situation and Prospects 2008* (<http://www.uin.org/esa/policy>).

The present financial crisis also poses challenges for the long-term global economic growth. The crisis marks the end of a prolonged period of expansion based on strong consumer demand in the United States, stimulated by easy credit and booming house prices, which in turn were financed by drawing financial resources from surplus economies, such as China, Japan and the oil-exporting countries. This pattern of global growth seemed to work for some time and a growing number of commodity-exporting countries also joined the growth bandwagon. However, as discussed in the LINK GEO of the past few years, the widening global imbalances were the early warning that this pattern of growth could not be sustainable. Now in the wake of the global crisis, assuming all the heavy-lifting rescue measures can eventually stabilize the financial markets, the world economy should change course to avoid the same problems to emerge again.

An even greater challenge this crisis poses for is the institutional framework international financial system. The present system of global economic governance has proven to be inadequate to prevent the emergence of the global macro-financial imbalances ballooning into the current crisis. The guardian of the stability of the monetary system, the IMF, has been sidelined in dealing with the crisis that has unfolded. The reliance on one single national currency – the US dollar – as the world’s major reserve currency is one reason for the chronic emergence of the imbalances. To address the global imbalances, the world community continues to rely almost exclusively on national policies. Hence, the current crisis has led to *ad hoc* fixes, instead of a transparent global system of policy coordination, reserve management and financial supervision and regulation.

It is now widely acknowledged by almost everyone, including the leaders of the world’s major economies that the problems are global and systemic. Hence, the solutions must also be global and systemic. The ability of the International Monetary Fund (IMF) to safeguard the stability of the global economy has been undermined by the vastly greater (and more volatile) resources of private actors with global reach as well as the emergence of exclusive international institutions (such as the G7, OECD and the EU) which have made international policy coordination all the more difficult. In effect, the IMF has been sidelined in handling the present crisis. The apparent irrelevance of the Bretton Woods institutions in today’s crisis also stems from their skewed voting structures and governance (crudely ‘one dollar one vote’ rather than ‘one country one vote’), and the fact that their ideas and policies are no longer in sink with the rapidly changing global economy.

Developing countries now represent a much larger proportion of world economic activity than they did in 1944. Developing countries as a group are now net creditors and have an abiding interest in a rules-based and impartial debt workout system. Given the large and persistent trade and domestic deficits in the US, the bulk of the financing for the multi-trillion dollar bailouts in rich countries will likely be funded, directly or indirectly, from savings generated by developing countries.

The current economic turmoil is the product of an era of unfettered financial deregulation. The big challenge now is to move our integrated world economy forward with the support of a new multilateral framework consistent with the goals of sustainable development, security and social justice. It seems paramount that deliberations about a new international financial architecture and, as argued for in the issues of the UN’s *World Economic Situation and Prospects* of the past few years, should address at least four core areas of reform:

1. Establishing a credible and effective mechanism for international policy coordination. To guide a more inclusive process this not only requires participation of major developing

- countries, but also more representative institutions of global governance and hence a fundamental revision of the governance structure and functions of the IMF and the World Bank.
2. Fundamental reforms of existing systems of financial regulation and supervision leading a new internationally coordinated framework that can stem the excesses of the past.
 3. Reforms of liquidity provisioning and compensatory financing mechanisms, backed, among others, through better multilateral pooling of national foreign exchange reserves and which avoid onerous policy conditionality attached to existing mechanisms.
 4. Reform of the present international reserve system, away from the almost exclusive reliance on the US dollar and towards a multilaterally backed multi-currency system which, perhaps, over time could evolve into single, world currency backed system.

Such reforms will not easily find consensus among all stakeholders, but the risk of endangering global peace and prosperity by failing to address the systemic problems underlying the present crisis are simply too high and this awareness should be the common ground to seek common solutions.

The intensification of the global financial crisis in the fall of 2008

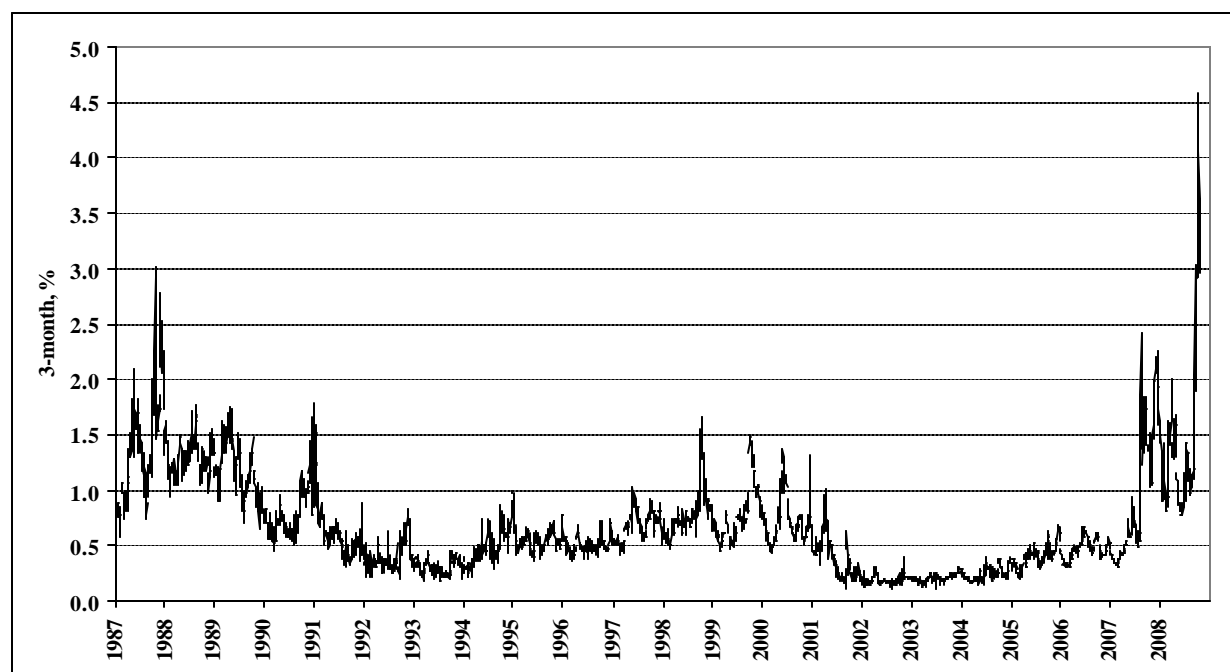
Heightened systemic risks

In September 2008, the global financial crisis intensified once again and this time around it turned into a financial tsunami. The latest episode is featured by a very severe credit squeeze, a precipitous sell-off in stock markets worldwide, and the collapse or near collapse of major financial institutions in the United States and Europe.

The continued housing slump in the United States has been at the root of the present problems. House prices have dropped by about 20 per cent from their peak levels of late 2006, and mortgage delinquency rates have surged, particularly for sub-prime loans. For example, about 40 per cent of the sub-prime mortgage loans originated in 2006 had gone delinquent by August 2008. As a result, the value of mortgage-related assets deteriorated significantly. By August 2008, financial institutions worldwide have written down a total value of about \$700 billion of asset-backed securities, of which more than \$500 billion concerned the commercial banking sector. Much more write-downs are forthcoming as the prices of those securities continue to drop, which accelerates the erosion of the capital basis of financial institutions and is severely constraining their ability to lend.

Moreover, the complex way in which those asset-backed securities were constructed made it difficult to assess their value. Investors have become extremely risk averse as market confidence as dissipated, leading to further declines in asset prices and a further drying up of liquidity in a number of funding markets. For example, banks have become extremely reluctant to lend to each other, having lost confidence about borrowers' ability to pay in general. The credit market stress is reflected in the surge of the spread between the interest rate on inter-bank lending and the interest rate on Treasury bills. In late September and early October, this spread reached the highest level in decades. In normal market conditions, the spread would be at about 20 to 30 basis points, but it soared to nearly 400 basis points (Figure 2).

Figure 2: Interest rate spread between LIBOR and US Treasury Bill



The credit crunch has become widespread, and even some large non-financial corporations thought to be solid and solvent were unable to roll over their commercial paper in the money market to satisfy short-term funding needs to cover working capital costs.

Prices of the stocks of financial companies were already under tremendous pressure before September, but a further erosion of investor confidence, combined with a significant downgrading of the outlook for the real economic sector, triggered another round of asset sell-offs in late September and early October. This affected financial stocks as much as all equities and it affected developed economy markets as much as emerging markets. For example, in the first ten days of October, equity markets worldwide plummeted by about 20 per cent on average, destroying roughly \$10 trillion worth of equity. Many markets, including the United States and some Asian countries, experienced the worst sell-off recorded in a single week. For the year, global equity markets have declined by about 40 per cent on average. In several emerging markets, the decline has been even steeper, with stock exchanges dropping by more than 60 per cent, such as in China and the Russian Federation.

A number of large financial institutions came under severe financial stress and were cut off from access to long-term capital and short-term funding markets. In the United States, these included the two government-sponsored enterprises (GSEs), Fannie Mae and Freddie Mac, as well as Lehman Brothers, American International Group (AIG), and Washington Mutual.

Fannie Mae and Freddie Mac are holding about \$5 trillion mortgage loans, about half of all the mortgage loans in the United States. They are also the issuers of multi-trillion dollar bonds bought by many other financial institutions worldwide, including the central banks of many countries, as well as pension funds. The failure of these two companies would inevitably cause unacceptably large dislocations in the global financial system. Therefore, the Federal Housing Finance Agency (FHFA) put Fannie and Freddie into conservatorship and the Treasury provided financial support.

AIG is one of the largest insurance companies in the world. It has more than one trillion dollars in assets and operates in more than 100 countries. AIG plays a central role in a number of markets to insure the risks for many other companies. For example, it holds a swap portfolio valued at about \$500 billion for the insurance of the debts of many other major financial institutions. Given the size and composition of its obligations, a failure of AIG would also severely threaten global financial stability. To salvage AIG, the US Treasury provided an emergency credit line of \$85 billion in exchange for about 80 per cent equity ownership in AIG.

Lehman Brothers and Washington Mutual filed for bankruptcy, the former being the largest firm to do so in US history, while the latter is the largest bank ever to fail.

September 2008 marked the end of independent investment banking in the US. Investment banks either went bankrupt, merged with other commercial banks, or converted themselves into commercial banks. Over the past year, 13 banks in the United States filed for bankruptcy, and more than one hundred banks are on the watch list of the Fed, among a total number of some 7,000 banks. This proportion is still small compared with the Great Depression, when about 700 out of a total of 9,000 banks failed.

The credit crisis quickly spread to Europe, with a number of large European financial institutions teetering on the edge of collapsing, such as the Dutch-Belgian bank Fortis, the French-Belgian Dexia, the British mortgage lender Bradford & Bingley, Germany Hypo Real Estate and, recently, the Dutch bank and insurance company ING.

In short, the latest intensification of the global financial crisis has heightened the systemic risks of a complete collapse of the global financial system, if no immediate action is taken.

Emergency policy responses

In response, policymakers worldwide drastically scaled up their policy measures in October. Most importantly, they made two strategic changes in the way they deal with the crisis. First, they abandoned the initial piecemeal approach and replaced it with a more comprehensive approach. Second, they have moved away from unilateral, national approaches and towards more international cooperation and coordination.

Prior to the latest episode, policymakers in the United States and Europe had adopted a number of measures to cope with the crisis over the past year. These measures included monetary easing by reducing policy interest rates. For example, in the United States, the Fed had reduced the federal funds rate, as well as the discount rate, by more than 300 basis points. The

central banks also adopted a number of unorthodox measures to inject liquidity more directly into the financial markets. For example, the Fed extended new loans to banks with a maturity longer than the customary overnight deadline. The Fed also established various new facilities to provide credit to non-banking financial institutions. The European Central Bank (ECB) also adopted a series of special-term refinancing operations to provide extra liquidity. In total, more than a trillion dollars of liquidity have been injected into the financial system by central banks between August 2007 and September 2008.

In addition, in early 2008, the Government of the United States also adopted a fiscal stimulus package of about \$165 billion to mitigate the financial difficulties for households and businesses. The package managed to keep up a moderate rate of GDP growth for the economy until mid-2008.

However, these national policy measures taken by individual countries before September 2008 failed to curb the crisis and also failed to address the more fundamental problems. The measures entailed a piecemeal and case-by-case approach and did not recognize the systemic risks involved. They almost exclusively focused on liquidity constraints in the financial system, but ignored the insolvency risks facing many financial institutions. The approach also by and large underestimated international spillover effects and failed to address global contagion.

The failure of large financial institutions posing systemic risk forced policymakers to overhaul their approach to managing the crisis and to embark on a more comprehensive approach. The Government of the United States passed the Emergency Economic Stabilization Act (EESA) in October of 2008. One of the key elements of the EESA is to authorize the Treasury to establish a Troubled Asset Relief Program (TARP), worth up to \$700 billion, to purchase troubled assets from financial institutions. The EESA also requested a program to guarantee troubled assets of financial institutions, and to modify troubled loans wherever possible to help families keep their homes.

In case of panic in financial markets, the market price for many mortgage-related assets would drop much below normal levels, such as the hold-to-maturity price. By the rule of “mark to market”, financial institutions would have to mark down their asset values to the prevailing fire-sale price. When the Treasury purchases these assets and given the fact that the government is not capital-constrained in principle, the price of those assets can recover over time. The hope is that this will boost the capital position of the banking system. This is the logic behind the TARP.

However, there are some difficulties in implementing the TARP, for example, how to price those troubled assets. These difficulties have delayed the implementation. More recently, after many European Governments took initiative to directly buy shares of the troubled banks, the United States followed, modifying the TARP by allocating \$250 billion to buy shares of the banks. The Treasury of the United States has already identified 9 large banks as the candidates requiring direct government intervention and will buy the preferred stocks of these banks with a 5 per cent dividend.

In order to limit the negative international spillover effects of the policies adopted by individual countries and to contain the global contagion of the crisis, policymakers worldwide

have also improved international policy coordination. In the first week of October, several central banks cut policy interest rates in coordinated fashion. On the second weekend, a Summit of leaders of the 15 euro zone countries adopted a package of more coherent policy measures to the tune of over \$2 trillion. On the same weekend, at the joint meeting of the World Bank and the IMF, the International Monetary and Financial Committee, on behalf of the 185 members, endorsed the G-7 initiative, which laid out five principles for managing the crisis: to support systemically important financial institutions and prevent their failure; to unfreeze credit and money markets and ensure that banks and other financial institutions have broad access to liquidity and funding; to ensure that banks and other major financial intermediaries can raise capital from public as well as private sources; to ensure that national deposit insurance and guarantee programs are robust and consistent; to restart the secondary markets for mortgages and other securitized assets.

These policies will increase financial leverage of the public sector in the wake of deleveraging in the private sector. They will imply a massive transfer of risks from the private to the public sector. The balance sheet of the Fed already increased markedly from \$900 billion in mid-2008 to about \$1,500 billion in October 2008 and will continue to grow. The stock of public debt in the United States is expected to near \$12 trillion in 2009, or about 70 per cent of GDP.

With their prodigious size, totalling more than \$3 trillion, and the new resolve of individual governments, as well as the international community, there is increased confidence that these bolder emergency policy measures may work. However, if anything, it will take time for these measures to take effect. Given the destruction of “informational capital” (erosion of confidence) that has taken place over the past months, it will take months, or even years, before the beleaguered banks will significantly revive lending and before fraught investors will see their confidence restored, if the past crises are any guide to go by. It will take even longer for these policy measures to show their effects on regaining the strength of the real economy.

Moreover, given a total budget implication of more than \$3 trillion for the governments of most developed economies, the longer-run macroeconomic ramifications of these plans for these countries, as well as for the global economy, are even harder to gauge, including the impact on the long-run interest rates, on the exchange rates of the major currencies, on inflation, and on the global imbalances.

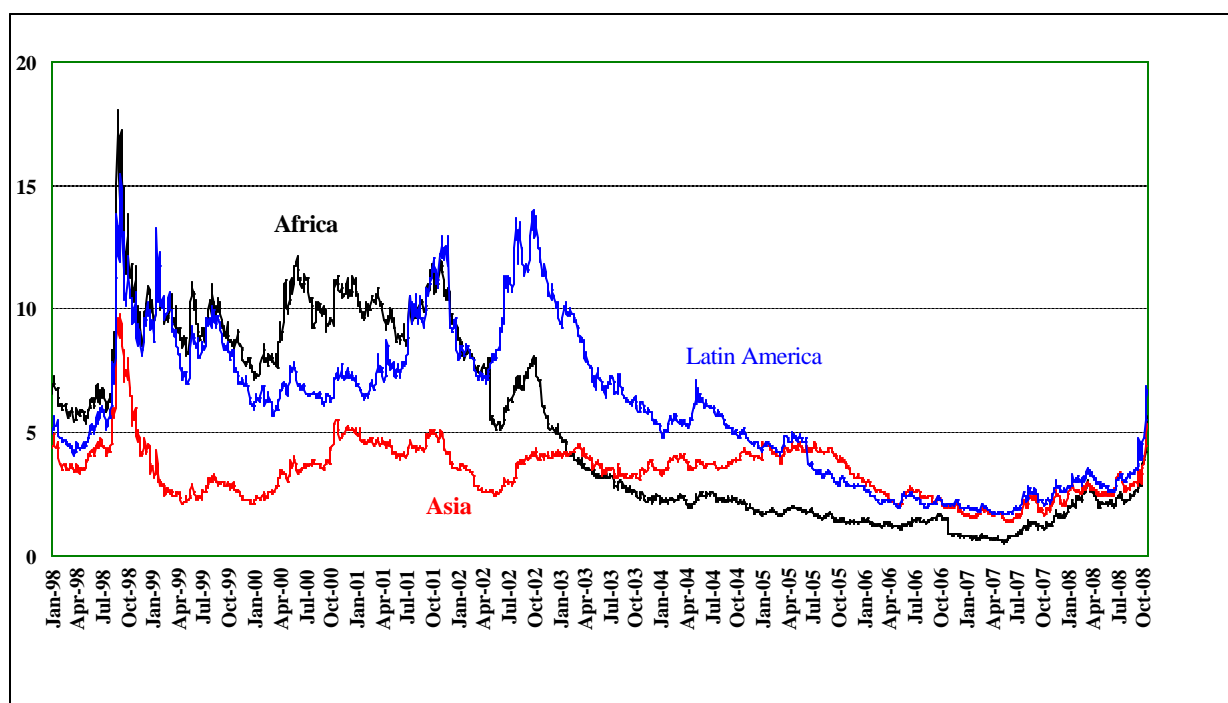
International economic conditions for developing countries and the economies in transition

Amid the intensification of the global financial crisis, the broader international economic environment for developing countries and the economies in transition has deteriorated sharply since mid-2008. The cost of external borrowing has risen considerably and capital inflows are reversing. Both currency and commodity markets have become extremely volatile, with the exchange rates depreciating at an alarming pace in several countries and prices of primary commodities tumbling. Developing-country export growth is decelerating and many countries are seeing a shift into current account deficits. A number of low-income countries are already facing severe balance-of-payment constraints. Developing countries and economies in transition

should expect to face even bigger challenges in the outlook for 2009, as the global economy slides into a recession.

The *external financing costs* for emerging market economies started to edge up in the second half of 2007 from record lows, but remained within a normal range until September 2008. Thereafter, the costs surged along with the tightening of the global credit market. Spreads as measured through the Emerging Markets Bond Index (EMBI) soared from 250 to about 550 basis points within a couple of weeks in late September (see Figure 3). Unlike in recent years when the spread varied across regions and countries to indicate investors' discrimination of country-specific risks, the latest surge in the spread has been uniform, suggesting contagion in the market and generalized aversion to investing in emerging markets. Spreads are expected to remain high in the outlook for 2009, as the strains in global credit markets linger, but some renewed differentiation in spreads across regions and countries may re-emerge once it becomes clearer how different countries are able to cope with the crisis.

Figure 3: Yield spreads on emerging market bonds



Private capital inflows to emerging market economies maintained a relatively robust pace in the first half of 2008, after peaking in 2007, but dropped sharply in the third quarter of 2008. Declines in bank loans and portfolio equity inflows explain most of the drop. Bank lending declined by about 40 per cent from 2007 levels as a consequence of the freeze in inter-bank lending worldwide as well as an adjustment after the large increase in bank lending to emerging markets in 2007, when the volume of lending doubled in the flows to the Russian Federation and the Republic of Korea. Portfolio equity inflows fell on average by about 30 per cent from the

previous year, also coinciding with the wave of sell-offs in emerging equity markets. In some emerging markets, equity prices dropped by as much as 60 per cent. By contrast, foreign direct investment inflows to these countries remained relatively stable; a decline of about 10 per cent is estimated for 2008 from the record highs of 2007.

In the outlook for 2009, downward pressures remain for capital inflows to emerging market economies. A continued de-leveraging in the large financial institutions of developed countries and the eroded confidence of international investors will likely limit portfolio inflows to emerging market economies, while the pro-cyclical nature of FDI flows will also imply a slowdown in FDI along with weakening growth prospects for emerging market economies. On the other hand, given the fact that emerging market economies are not the epicentre of this financial crisis and the growth in many of them remains relatively stronger than in developed economies, capital flows to these countries might gradually regain impetus as global financial markets start to stabilize.

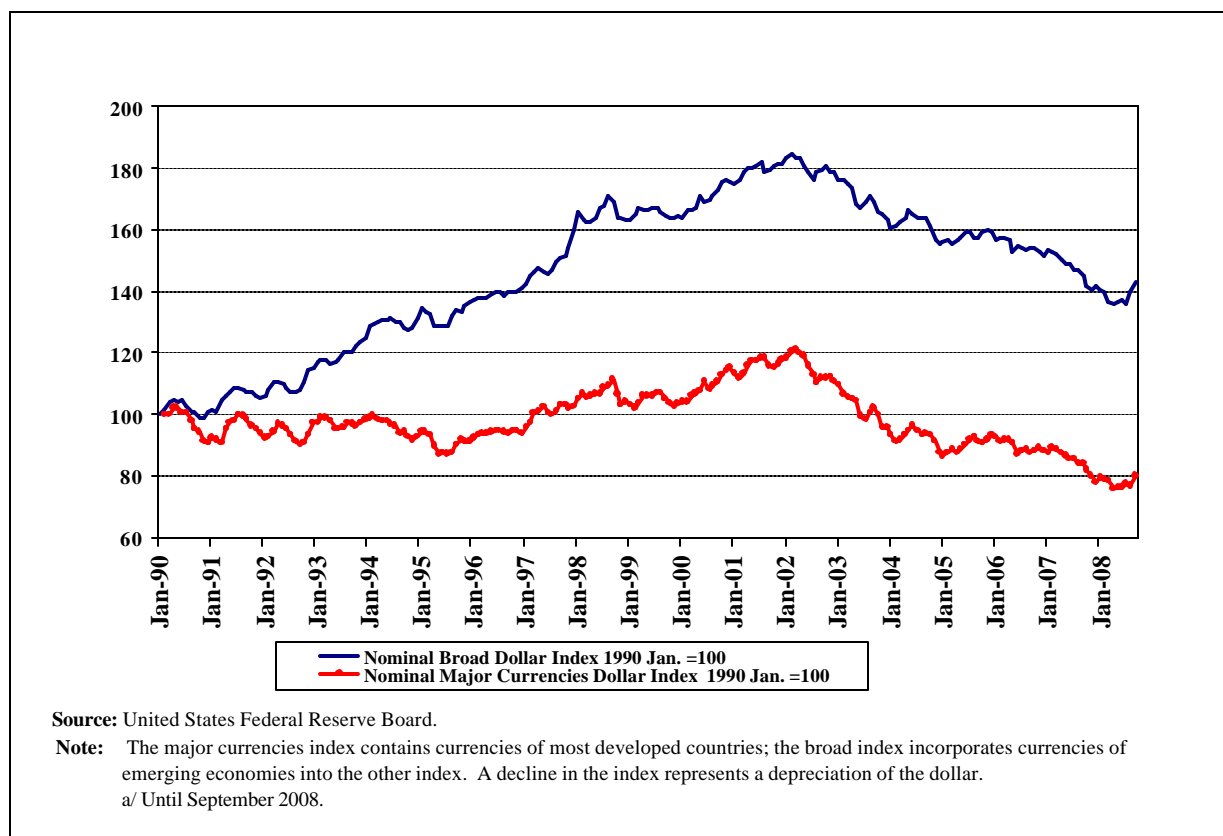
The *outflows of capital* from emerging to developed market economies continued to be larger than the inflows. On balance, emerging market economies are net lenders to the rest of the world, financing the external deficits of the United States and other developed economies. Sovereign wealth funds (SWFs) of emerging market economies continued to grow, to a total size of about \$5 trillion in 2008. During the early stage of the global financial crisis, many SWFs had injected sizable amounts of money into the beleaguered financial institutions of developed countries, but became more prudent after registering considerable losses on existing assets. Capital outflows from emerging market economies to low-income countries, particularly in Africa, have also increased.

Most of the net transfer of financial resources from developing to developed countries is through the accumulation of international reserves. The total value of *official foreign exchange reserves* of developing countries reached over \$3 trillion in 2007, and rose further in the first half of 2008. China's foreign-exchange reserves, for example, rose from \$1.5 trillion at the end of 2007 to about \$1.9 trillion in the third quarter of 2008. Nevertheless, a significant deceleration in the pace of reserve accumulation has been reported amid the intensification of the global financial crisis. In the outlook, the foreign reserves of developing countries are expected to stagnate, or even decline in some countries, as more of these countries are expected to experience weakening current accounts and/or capital accounts.

Volatility in *foreign exchange markets* has also increased substantially along with the deepening of the global financial crisis (figure 4). The United States dollar continued its trends towards depreciation vis-à-vis other major currencies, particularly the euro. This continued until the end of June of 2008, after having reached a low of \$1.60 to the euro in March 2008. However, after the financial crisis spread rapidly to other developed economies, leading to a banking crisis in Europe and a significant deterioration in the economic outlook for other developed countries, the dollar rebounded sharply, reaching \$1.36 to the euro in early October. The degree of volatility in the exchange rate between the dollar and euro in September-October was unprecedented. Meanwhile, many currencies in developing countries have also either reversed their earlier trend of appreciation vis-à-vis the dollar, or slowed their appreciation. Currencies in a number of developing countries, particularly those that are commodity exporters, have

depreciated against the dollar substantially since mid-2008. A heightened risk aversion of international investors has led to a flight to safety, as indicated by the lowering of the yield of the short-term United States Treasury bill to almost zero. This worldwide increase in the demand for dollars is a key factor behind the rebound of the dollar.

Figure 4: Exchange-rate index for the United States



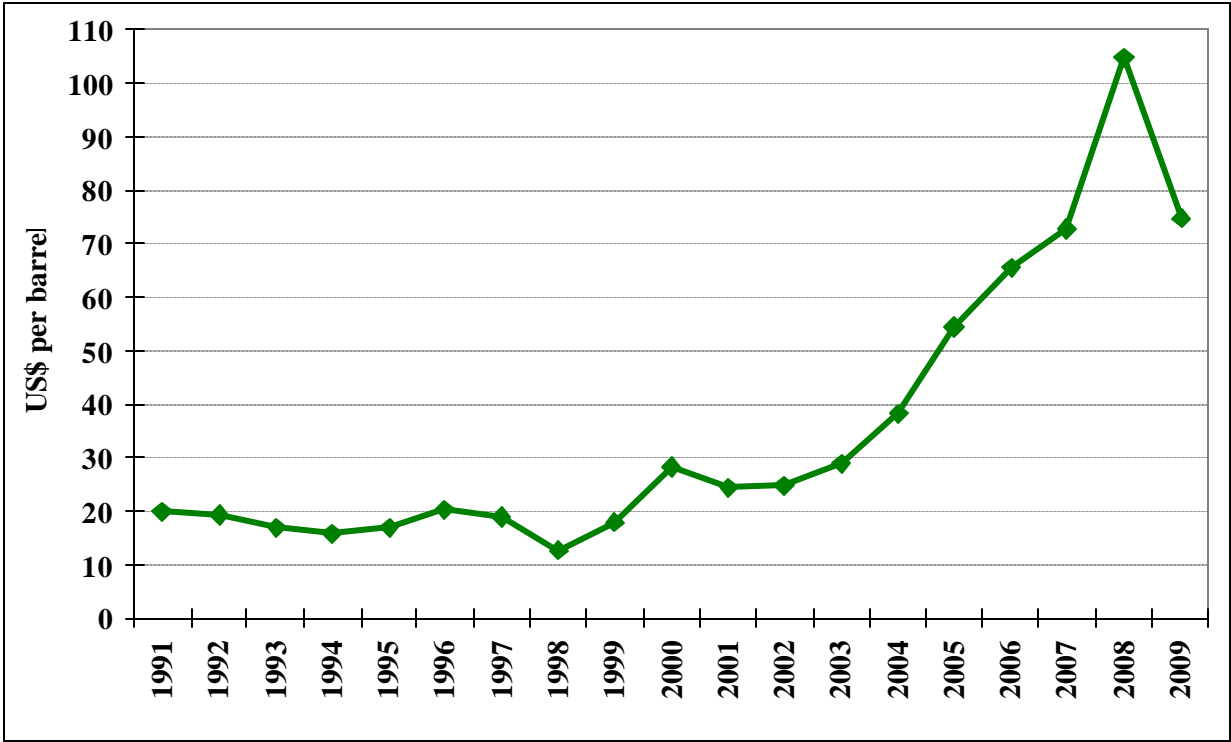
In the outlook, this factor may continue to prevail to support a strong dollar in the short run. In the next 6 to 12 months (although the timing is highly uncertain), the dollar may resume its trend towards depreciation against other major currencies, given the persistence of the large current account deficit of the United States and the expected soaring in the public debts associated with the rescue measures to tackle the financial crisis.

The *prices of oil and non-oil primary commodities* have also shown unprecedented gyrations during 2008, largely driven by financial factors, as well as changes in the balance between supply and demand. The prices of most commodities registered a significant gain in the first half of 2008, continuing the multi-year upward trend since 2003. Food prices, especially the price of rice, surged the most in early 2008, leading to a food crisis in some 40 developing

countries. Oil prices also soared by about 50 per cent in the first half of the year. While some commodity-specific factors on either the supply or demand side could explain part of the surge in

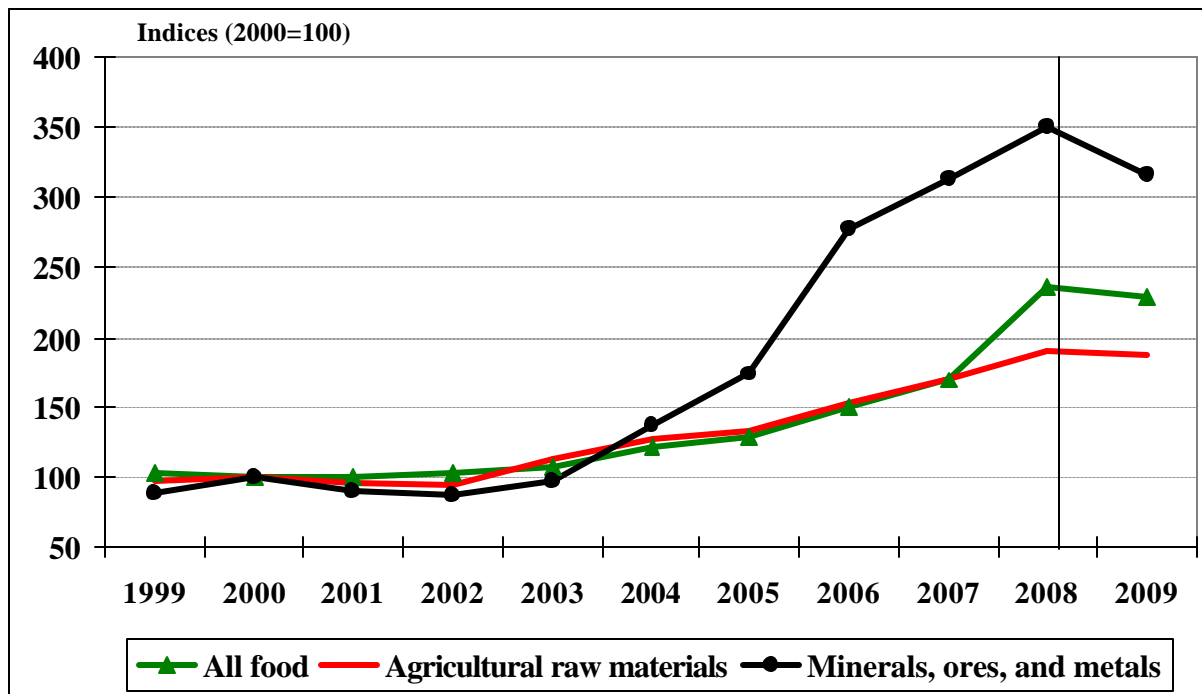
these prices, a common factor had been the relocation of funds by investors from other financial assets towards commodity markets along with the declining in the value of other financial assets. These trends have reversed sharply, however, since mid-2008 (see figures 5 and 6). Oil prices have plummeted by more than 50 per cent from the peak levels of July to early October. The prices of other commodities, including basic grains, have also declined significantly. In the outlook, most of these prices are expected to moderate further, along with the moderation in the global demand, but a cut in supply of oil, as already indicated by OPEC, may keep oil prices from falling.

Figure 5: Brent oil prices, 1991 – 2009



Growth of world *trade* decelerated to 4.3 per cent in early 2008, down from 6.4 per cent in 2007, due mainly to a decline in the imports of the United States. Imports of the United States, which account for about 15 per cent of the world total, registered a decline in each quarter since the fourth quarter of 2007 and dropped as deeply as 7 per cent in the second quarter of 2008. In the outlook, import demand in most economies is expected to weaken further, leading to a further weakening of growth in global trade in 2009.

Figure 6: Prices of non-oil commodities



Growth Prospects

Among *developed economies*, the economy of the *United States* is falling into recession and the key question is the depth and duration of the recession. The economy has been on a fragile footing since 2007, but until mid-2008, the major drag had been a slump in the housing sector while strong external demand and a sizable fiscal stimulus package had kept the economy growing at a mild pace. The situation, however, deteriorated significantly in the second half of the year, as the financial crisis intensified dramatically. The most severe credit crunch since the Great Depression of the last century has turned a housing-sector-led slowdown into a full-scale retrenchment of households and businesses for the economy at large. In response to the financial meltdown, the government has drastically scaled up its policy measures, including passage of the Emergency Economic Stabilization Act (EESA). An effective implementation of the EESA, along with further monetary easing, is hoped to eventually stabilize the financial markets, but a recession in the real economy lasting at least three quarters is inevitable. In the baseline outlook, GDP growth is forecast to be -0.5 per cent in 2009, compared with an estimated growth of 1 per cent for 2008. Risks for a much deeper and longer recession remain high, should all the policy measures fail to unplug the credit markets soon.

The Euro area as well as most of *Western Europe* started the year on a high note, with growth of 0.7 per cent in the 1st quarter of 2008, a significant rebound from the 4th quarter of

2007, but activity decelerated rapidly thereafter and the 2nd quarter registered -0.2 per cent. Activity is expected to continue to be slow in the rest of 2008, with another contraction expected in the 3rd quarter, implying a technical recession. The strong carry over from the 1st quarter, however, leads to a GDP growth forecast of 1.3 per cent for the year as a whole, but with no carry over into 2009 and only a gradual rebound expected in the 2nd half of that year, GDP is expected to grow by only 0.3 per cent in 2009. In the outlook, the growth profile is for further slowing in the 3rd quarter with some stabilization in the 4th quarter and gradual picking up of activity at very low levels in 2009. Both domestic demand and net exports are expected to remain weak. Weaker currencies and a lower oil price will help in the stabilization of activity, but the ongoing difficulties in financial markets represent a serious impediment to a full recovery.

Following several years of buoyant economic expansion throughout the entire region, the *new EU member countries* exhibited divergent growth patterns in 2008. While a number of economies such as Bulgaria, Poland, Romania and Slovakia managed to sustain, or even accelerate, high growth rates of around 5 to 8 per cent, the three Baltic economies have witnessed a sharp slowdown. Estonia and Latvia saw their GDP shrinking, with only a modest recovery expected in 2009. The economies of other countries in the region, except Hungary, will slow in 2009, as domestic demand is weakening in response to higher credit costs and accelerated inflation. Against the backdrop of a global economic slowdown, exports to the major trading partners are declining and the degree of external trade diversification is insufficient to ensure a strong export performance. The region's aggregate GDP growth is expected to slow from an estimated 4.9 per cent in 2008 to 4.3 per cent in 2009.

The economy of *Japan* has so far been relatively shielded from any direct fallout of the global financial crisis. Japanese financial institutions have only limited exposure of to sub-prime loans in the United States, and the high level of domestic savings also cushion the country to international credit crunch. However, economic activity will suffer from the transmission of the global credit squeeze in the form of weaker export demand from the United States and Europe as well as a number of emerging markets. On the domestic side, slower growth in private consumption due to softer labour demand and wage growth as well as higher inflation will be a major drag on the overall growth performance. At the same time, government spending will be dominated by the need for continued fiscal consolidation in light of the country's debt level, which has been among the highest in the industrialized world since extensive fiscal support measures during the recession in the 1990s. Business investment will pick up again in view of firms' efforts to increase productivity, leading to growth of 0.7 per cent in 2008 and 0.5 per cent in 2009, a marked slowdown from the previous forecast.

In other developed economies, the economy of *Canada* will experience a pronounced slowdown in growth from 2.7 per cent in 2007 to 0.4 per cent in 2008, before rebounding somewhat to growth of 0.8 per cent in 2009. Higher inventories, weaker investment, and the weak United States economy will be major drags on growth, while fiscal policy will have only limited space to provide any impulse. *Australia's* growth profile has seen a downward shift to a rate of 2.6 per cent in 2008 and 2.1 per cent in 2009, with private consumption emerging as a major drag. Real household incomes are being squeezed from the still high level of interest rates, tighter credit conditions, a weakening housing market and flat real wages in view of continued

inflationary pressure. The economy of *New Zealand* will expand at a slower-than-expected pace of 0.6 per cent in 2008, with a moderate acceleration to around 1.3 per cent forecast for 2009. The slowdown has been fairly broad-based, with private consumption suffering from higher inflation, high debt levels and the correction in housing prices. While government spending is expected to be solid in 2009, export growth may recover in late 2009 on the back of currency depreciation and an anticipated recovery in the agricultural sector.

In the *economies in transition*, the *Commonwealth of Independent States* (CIS) has seen robust growth in 2008 amid the global slowdown, but the outlook is highly uncertain given the financial turmoil and volatile energy and food prices. Despite some moderation from the previous year, aggregate GDP for the group as a whole grew by 7.3 per cent in 2008, down from 8.4 per cent in 2007, which was the fastest rate since the start of transition. This slowdown is driven by a combination of factors that started to play out in mid-2007 in a number of countries and are likely to continue to be a drag on 2009 growth throughout the region. The increased geopolitical tension in the region as a consequence of the military conflict between Georgia and the Russian Federation in August 2008 in combination with rising fears of a recession triggered by the unfolding US financial crises have led to mounting uncertainties regarding the short-term prospects for regional growth. In addition, declining commodity prices, in particular for oil and metals, will further adversely affect growth in the commodity-exporting countries of this region. In light of this, regional economic growth will further moderate by about one percentage point in 2009 to a more sustainable but still strong rate of 5.9 per cent.

The economies of *South-eastern Europe* maintained relatively high rates of economic growth in 2008, underpinned by robust domestic demand. With the exception of Croatia, all economies grew at a rate of 5 per cent or higher. Economic growth, however, was slowing towards the end of the year, and in 2009 the sub-region will see a more modest economic performance. As the global financial turmoil escalates, it is difficult to expect strong import demand in the major export markets, and with tighter credit conditions, domestic demand is set to weaken as well. The aggregate GDP of the region expanded by 5.2 per cent in 2008, with the growth rate expected to slow to 5.1 per cent in 2009.

Among *developing economies*, growth in *Africa* remained resilient in 2008 in the face of the global economic slowdown. Sustained by increased revenue from the continent's commodity exports as well as improvements in non-oil sectors such as agriculture and tourism, growth decelerated to 5.0 per cent, from 5.9 per cent in 2007. Economic growth is also being supported by increased political and macroeconomic stability, which has encouraged increased public and private investment flows into infrastructure building and key growth sectors. Yet, disparities exist and growth is uneven across the continent as household spending has been constrained in many cases by rapid inflation growth triggered by high fuel and food prices, higher interest rates, and to a lesser extent, domestic disturbances. The direct impact of the financial crisis on the African economies has been limited, however, the indirect effects will likely be more pronounced. The impact of volatile and falling commodity prices, particularly crude oil, on export revenue and the inflow of capital into the region is expected to lead to a moderation in growth to 4.6 per cent in 2009.

Growth in *East Asian* countries has experienced a slowdown since early 2008, due to weakening external demand from developed countries and a rise in inflation triggered by the higher prices for crude oil and commodities. Individual financial institutions in some of these economies have registered significant losses due to their exposure to asset-backed securities of the United States, but the direct losses thus far have been limited with respect to GDP. In the outlook, a global recession will significantly slow export growth in the region given its high dependence on markets in the United States and other developed countries. Some signs of weakening in their exports are already emerging and will become more evident in the outlook. Most economies in the region still have some policy space to stimulate domestic demand to offset the weakness in the external sector. China has started to move in that direction. Being the region's growth engine, it will be critical how China can weather the global financial storm in determining the outlook for the region as a whole. Growth in China is expected to moderate to 8.9 per cent in 2009, compared with an estimated 9.8 per cent for 2008. For the region, growth is projected to reach 6.4 per cent in 2009, down from 7.4 per cent in 2008.

South Asia has been seeing a deterioration of its macroeconomic conditions, notably in the form of slowing economic growth and rising inflation rates due to the effects of weakening external demand, tightening credit conditions, political uncertainty and higher food and energy prices. Economic activity in India, the largest economy in the region, has weakened notably, as industrial production decelerated, the external deficit widened and capital inflows have been shrinking. The lag effects of monetary tightening due to high inflation and a continued weakening in the external sector are expected to weigh on the growth of India in the outlook, with a pace of 7.1 per cent forecast for 2009. The region will see a slower but still solid economic expansion underpinned by domestic investment. However, the risks to the forecast are more pronounced on the downside, for example in view of a possibly sharper fall or even reversal in capital inflows.

Driven by high oil prices and strong consumption and investment spending, economic activity in the *Western Asia* region continued to expand at a robust pace in 2008. Average real GDP growth in the region is projected to be 5.0 per cent, higher than in 2007, but slightly lower than previously expected. The majority of Western Asian countries, oil-exporters and non-oil economies alike, registered strong economic growth throughout the first half of 2008. With the financial crisis in the United States worsening and spreading across the globe, the short- and medium-term outlook for the region has darkened considerably since the last update. Just as other developing regions, Western Asia is expected to suffer from deteriorating financing conditions and weaker domestic demand, in addition to lower export earnings. As a result, average real GDP growth in the region is anticipated to slow to 3.2 per cent in 2009, the lowest rate since 2002. The risk of a further slide in oil prices makes this growth forecast even more vulnerable.

GDP growth in *Latin America and the Caribbean* is expected to decrease significantly in 2009. The region as a whole has already registered an economic slowdown, with economic growth falling from 5.7 per cent in 2007 to 4.4 per cent in 2008. In 2009, the growth rate should decline to 2.7 per cent. Since mid-2007, less favourable external conditions have been compensated by relatively strong domestic demand, high commodity prices and diversification of exports across a larger number of trading partners, leading to a better than previously expected

performance during the first half of 2008. As external conditions continue to deteriorate, including declining commodity prices and a continued weakening of external demand, GDP growth in the region is expected to decline. South America should continue to grow faster than Central America, Mexico and the Caribbean. The slowdown of the United States has had a higher impact on Central America and Mexico, whose manufactured exports and remittances are much more dependent on US markets. In Mexico, for example, GDP growth should fall from 3.2 per cent in 2007 to 2.0 per cent in 2008 and to 1.5 per cent in 2009.

Outlook for employment and inflation

Employment

The employment situation is expected to deteriorate in most regions during the outlook period, as the employment gains of recent years decelerate or reverse trend in the midst of the global economic slowdown. Employment began to change course in many economies by the second half of 2008, as lower consumption, production, and trade started to adversely impact on the demand for labour. This trend will continue into 2009, as economic uncertainty lingers and global economic growth further contracts.

Among developed economies, disparities exist in the employment situation during 2008, due mainly to the country-specific structure and different phases of the global financial crisis. However, as economic deceleration continues to spread throughout the region, unemployment is expected to increase in almost all developed economies. Unemployment rates in the United States surpassed 6 per cent in the first half of 2008, after being at the low level of 4.5 per cent in mid-2007. In 2009, rates are expected to rise above 7 per cent as job losses, which have been concentrated in manufacturing and construction, are permeating into almost all sectors of the economy. In Western Europe, labour markets were relatively stable, but unemployment rates have been gradually trending upwards since the multi-year low of 7.2 per cent was reached in December 2007. Employment is expected to deteriorate further as output falls well below potential in the region. Likewise in the CIS region, employment improvements are expected to reverse trend in 2008 as growth stalls, particularly in the construction sector. Conversely, Japan's unemployment rate is expected to remain stable, at 4 per cent, as structural issues inherent in the aging labour market keep the supply of skilled labour at a shortage even as demand contracts.

Following on five years of robust economic growth, the employment situation in developing economies is also in a relatively mixed picture, exhibiting noticeable gains in some economies, but little or no improvements in others. A more homogeneous trend is expected in the outlook, as labour markets deteriorate in all developing regions. In Africa, the expansion in services, construction and public works sector, which helped to boost employment creation in urban areas in some economies, is expected to weaken, pushing unemployment rates higher and forcing workers into the already large informal economy. A large informal economy also exists in South Asia, which persists in keeping wages for unskilled workers stagnant even as wage inflation exists for the skilled labour force. In West Asia, unemployment rates have started to trend upwards after modest improvements of the previous years; while in Latin America, lower growth prospects and structural issues are expected to end the campaign of formal sector job growth and engender higher unemployment rates. Employment deterioration is also apparent in

East Asia where employment growth has been decelerating since the second half of 2007, partly due to reduced growth in the manufacturing industry.

Inflation

Global inflation is expected to moderate in the outlook for 2009, from its peak registered in 2008, and this trend is widely spread across regions (see Annex table A3). Surging commodity prices, particularly for oil and food, have boosted global inflation in 2008, pushing up CPI inflation rates to their highest levels for a decade, although more markedly in the developing economies and the economies in transition than in the developed economies. Despite some weakening of food and energy prices later in the year, inflationary pressures remain high across the world, posing a risk of persistent high inflation rates, in particular in countries where the second-round effects have not yet been passed through to CPI inflation. A further world economic slowdown, however, should reverse the trend in global inflation as demand for commodities declines and descending prices for food and energy filter into lower CPI inflation rates during 2009. Tightening credit constraints, which spread across regions in 2008, should also affect slowing inflation worldwide.

In *developed countries*, inflation is expected to recede in 2009. Inflation seemed to have peaked in mid 2008 in most developed countries, along with the reversal of the commodity prices, but the core inflation remains at or above either the perceived target or the actual targets of the central banks of many developed economies, such as the *United States*, and *Western Europe*. Inflationary pressures in the *new EU member states* in 2008 were driven by continued growth in wages, increases in excise taxes and regulated prices, in addition to global food and energy prices. After a long period of deflation in *Japan*, consumer prices are being pushed up to a rate of 1.3 per cent in 2008 owing largely to high commodity prices and relatively loose monetary policy. In the outlook for 2009, further receding commodity prices, weakening global demand, and lower capacity utilization rates are expected to bring down inflation to a range less pressing for the monetary authorities in most developed countries.

In the *Economies in Transition* consumer prices have reached their highest levels after the initial period of price liberalisation in the 1990s. CPI inflation rates in *the CIS region* reached an average annual rate of about 16 per cent in 2008, up from 10 per cent in 2007, with inflation reaching 20 or even 30 per cent in some countries. In the outlook, government interventions, including tighter policies, weakening domestic demand and easing of commodity prices will likely lead the inflation rate to about 12 per cent. Similarly, in *South-eastern Europe*, inflation accelerated in 2008, as domestic inflationary pressures were amplified by the global energy and food price shock, with a few countries reaching a double-digit inflation rate. In the outlook, inflation is expected to lower in 2009, with CPI inflation rates declining by few percentage points to a range of 3 to 5 per cent in most of the countries.

Inflation in the *developing countries* is expected to decelerate to about 6 per cent in 2009. In *Africa*, inflation has been on an upward trend in most economies in 2008, driven mainly by rising international food and fuel prices and domestic crop failures and conflict, with the increasing food prices a major concern throughout the continent because the expenditure on food items constitutes a high proportion of spending by the poor who lack safety nets. Improvements in food supplies from the fall harvests and lower international commodity prices should lower prices in 2009. In *West Asia*, CPI inflation accelerated rapidly, to a rate of 9.8 per cent in 2008. Rising food prices and housing

costs were the major drivers, but so were an ample liquidity and the rapid expansion of consumer credit. A gradual moderation of inflation rates across this region is expected in 2009. In *East Asia*, CPI inflation is forecast to moderate from 6.2 per cent in 2008 to 4.0 per cent in 2009. While the soaring inflation seemed to have peaked in mid 2008 for most economies in the region, few of them may continue to see a persistent high inflation due to the lags in the adjustment of the subsidised energy prices. Inflation in the *South Asia* region is of major concern, accelerating in India and Pakistan to 13 per cent and 24 per cent respectively in the summer of 2008, driving by higher food and energy prices, but higher inflationary expectations is also a policy challenge. In the *Latin America and the Caribbean* region, after a surge of average CPI inflation to 7 per cent in 2008, inflation is expected to moderate in 2009. However, inflationary pressure remains elevated in some countries.

Macroeconomic policies

In the second half of 2008, monetary and fiscal policies in many economies entered into a new realm in response to the fallout of the intensification of the global financial crisis.

Monetary policy has or is shifting from concern over inflationary pressures to concern over the economic slump. Up until September 2008, central banks had attempted to cope with the global credit problems via direct injections of liquidity and other non-traditional measures while interest rates were used to guide inflation and growth. But a strategic change was made in October, when six of the major central banks – the Fed, the ECB, the Bank of England, the Bank of Canada, the Swiss National Bank, and the Swedish Riksbank – cut their official target rates in a coordinated move by 50 basis points (bp) each. In the statement, the Bank of Japan expressed its strong support for these policy actions, but did not cut rates. Other central banks also cut rates: the People's Bank of China cut its policy rate by 27bp and there were rate cuts in Australia (100bp), Israel (50bp) and Hong Kong (100bp) during the same time period (table 2). In the outlook, monetary policy in most many economies is expected to remain highly accommodative in most part of 2009.

On the fiscal side, there have been unprecedented government bailouts of banks, nationalizations (partial) of various financial institutions, and the beginnings of fiscal expansions in some countries. Significant fiscal expansions are expected in some countries, while continuing injections of public money in the quest to return institutions to solvency will lead to greatly increased public deficits.

Developed economies

In the *United States*, both monetary and fiscal policies have been almost exclusively focused on battling the financial crisis since the second half of 2008. In the short run, this will continue, with government policy focusing on unfreezing credit markets, via various measures to provide liquidity, ensure capital for banks, insure bank deposits, insure inter-bank lending, and remove troubled assets from financial institutions. In the medium run, macroeconomic policy is expected to be expansionary, to stimulate an economic recovery.

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

	16 October 2008	Change from Aug 07 (bp)	Last change
Australia	6.00	-50	7 Oct 08 (-100 bp)
Brazil	13.75	225	10 Sep 08 (+75 bp)
Canada	2.50	-200	8 Oct 08 (-50 bp)
Chile	8.25	275	4 Sep 08 (+50 bp)
China	6.93	-9	8 Oct 08 (-27 bp)
Czech Republic	3.50	25	7 Aug 08 (-25 bp)
Hong Kong SAR ^a	2.00	-475	9 Oct 08 (-50 bp)
Hungary	8.50	75	26 May 08 (+25 bp)
India	9.00	125	29 Jul 08 (+50 bp)
Indonesia	9.50	125	7 Oct 08 (+25 bp)
Japan	0.50	0	21 Feb 07 (+25 bp)
Korea, Republic of	5.00	0	9 Oct 08 (-25 bp)
Malaysia	3.50	0	26 Apr 06 (+25 bp)
Mexico	8.25	100	15 Aug 08 (+25 bp)
New Zealand	7.50	-75	11 Sep 08 (-50 bp)
Norway	5.25	50	15 Oct 08 (-50 bp)
Philippines	6.00	0	28 Aug 08 (+25 bp)
Poland	6.00	125	25 Jun 08 (+25 bp)
Slovakia	4.25	0	27 Apr 07 (-25 bp)
South Africa	12.00	200	12 Jun 08 (+50 bp)
Sweden	4.25	75	8 Oct 08 (-50 bp)
Switzerland	2.50	0	8 Oct 08 (-25 bp)
Taiwan Province of China	3.25	13	9 Oct 08 (-25 bp)
Thailand	3.75	50	27 Aug 08 (+25 bp)
Turkey	16.75	-75	17 Jul 08 (+50 bp)
United Kingdom	4.50	-125	8 Oct 08 (-50 bp)
United States	1.50	-375	8 Oct 08 (-50 bp)

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

Since the eruption of the financial crisis in late 2007, the Fed has reduced the federal funds rate, as well as the discount rate, sharply to a level of 1.5 per cent in October 2008, and used a full gamut of unorthodox monetary measures to inject liquidity in an attempt to quell the credit crunch. With inflationary risks receding, and recessionary risks increasing, the Fed is expected to cut its main policy interest rate by an additional 50 basis points by early 2009, bringing it to a level of 1.0 per cent. The United States government has adopted various fiscal

measures, broadly defined, in tackling the crisis, including a stimulus package, and the ESSA to buy stakes of banks and purchase troubled assets from financial institutions. In the outlook, another fiscal stimulus package is likely, to help the real economy recover from the recession.

There is very little room for policy stimulus in *Japan* given the already low policy interest rates and the large fiscal deficit. The Bank of Japan has adopted a neutral policy stance and is expected to keep its policy interest rate at the current level of 0.5 per cent into 2009, reflecting the increased downside risks, as the global slowdown worsens. In the second half of 2009, renewed growth momentum and solid increases in consumer prices will lead to two further hikes of the policy interest rate by 25 basis points, bringing the policy rate to 1.00 per cent.

Government spending will be dominated by the need for continued fiscal consolidation in light of the country's high level of debt, amongst the highest in the industrialized world since the extensive fiscal support measures undertaken during the recession in the 1990s. Although the government unveiled a stimulus package to support economic growth, this is relatively small compared to the fiscal support initiated in the United States and less than one fifth of it constitutes new government spending. In the medium term, the outlook for the public finances remains bleak, as the option of higher income and consumption taxes remains on the table.

Western Europe is in the midst of a change in policy direction as the global credit crisis has entered a new phase of contagion, activity is clearly slowing substantially, and inflationary pressures appear to have peaked in many countries. Central banks, until recently, had been maintaining tight stances and communicating concerns over inflationary pressures, while attempting to combat the credit crisis via direct liquidity injections and other non-traditional methods. They have now switched to easing mode. The ECB, as most other central banks in the region, had been attempting to hold the line on inflation, even raising its main policy interest rate, the minimum bid rate, to 4.25 per cent in July. But it joined in the concerted central bank action in October, cutting its policy rate by 50 basis points. In addition it changed its weekly main refinancing operations to a fixed rate tender procedure with full allotment rather than the previous variable rate tender, thus providing unlimited liquidity at the fixed rate. The Bank of England, the Swiss National Bank, and the Swedish Riksbank also cut their policy rates by 50 bps. In the outlook, the ECB is expected to cut rates by a further 75 bps, bringing the policy rate to 3.0%. Further cuts are also assumed by other central banks in the region.

Fiscal positions are expected to deteriorate significantly over the forecast horizon - weaker growth will impinge on tax revenues, and automatic stabilizers will come more into play. In addition discretionary fiscal stimulus, in some cases of significant amount, is expected to be employed at least in those countries with the budgetary room, and perhaps by a larger group. But the fiscal implications of the bailouts of financial and other firms may well dwarf these impulses as the global financial crisis continues.

In the *New EU* countries, monetary policy was tightened in 2008 in response to higher inflation. In the countries with flexible currencies, interest rates were increased in the Czech Republic (at the beginning of the year), Poland, Hungary and Romania. In those countries where the conduct of an independent monetary policy is constrained by their exchange rate regime, certain measures were undertaken to dampen domestic credit, such as increased credit

supervision in Slovenia. In the outlook, Slovakia is set to adopt the euro at the beginning of 2009 and therefore will not conduct an independent monetary policy. The policy in other countries is likely to be loosened against the backdrop of slowing economies and declining rates of industrial production, provided there is no strong downward pressure on their currencies.

On the fiscal policy side, although the public budgets in Central Europe improved, this largely reflects pro-cyclical factors and improved tax administration, as well as the success of the shift to indirect taxation. Since the eventual adoption of the euro remains an anchor for macroeconomic policies, certain progress was achieved in reducing the budget expenditure in Central Europe, and the countries are aiming at low deficits within three years. In the Baltic States, fiscal positions are in a good shape, but may deteriorate in 2009, and since for those economies monetary policy options are limited, the role of fiscal policy is increasing.

Among other developed economies, the Central Bank of *Australia* cut interest rates in September for the first time in seven years to 7.0 per cent and cut further at the beginning of October to 6.0 per cent. In view of the spreading global financial crisis, monetary policy will take advantage of this additional room for manoeuvre by lowering interest rates further in 2009. *Canadian* monetary policy will continue to face the challenge of manoeuvring between pressure on economic activity in the export-oriented manufacturing sectors located in Ontario and Quebec, and the commodity-led economic boom in the western provinces. Moderating inflation combined with rising unemployment will create increasing room for modest interest rate cuts in 2009. On the fiscal side, the positive effects of tax cuts that took effect in the first half of 2008 have faded and the possibility for further fiscal stimulus is constrained by weaker revenue growth and political reluctance to go for more elaborate deficit spending. In *New Zealand*, inflation continues to exceed the central bank's target range of 1-3 per cent. However, price pressures are expected to recede with the weakening of domestic demand, the softening housing market and the flattening of commodity prices. Policy makers have begun cutting interest rates from their recent high and are expected to maintain their loosening stance in 2009 in an attempt to counter slowing economic growth as well as higher financing costs for businesses in the wake of tighter global credit conditions.

Economies in transition

Central banks in *the CIS* shifted their focus away from inflation to measures to support liquidity and asset prices, as credit constraints and volatility in financial markets mounted in mid-2008. In Kazakhstan, the Central Bank adopted a policy of gradually reducing its policy rates in order to ease liquidity conditions in the banking sector along with additional measures to improve transparency and stimulate banks to acknowledge their losses. In addition, the government set up a distressed asset fund to recover the weakened banking sector. In the Russian Federation and Ukraine, monetary policies were broadly accommodative in early 2008. Later in the year, as the global financial crisis impacted the Russian market, the Central Bank switched priorities to alleviate the credit squeeze and support the banking sector through a set of instruments, including a cut in the reserve requirements and a lowering of interest rates. Monetary authorities in a number of countries also supported their national currencies through direct interventions in the foreign exchange market, as the latter saw considerable pressure due to significant capital outflows in the latter part of the year.

The fiscal stance in the region remained broadly expansionary throughout 2008. Rising public expenditures in many countries have been matched by strong revenues in part owing to improved tax administration. However, increased social spending in some economies is causing a deterioration of fiscal balances. Ukraine is a case in point where increases in social benefits and pensions have widened the fiscal deficit. In some economies in Central Asia, food subsidies for the poor, such as in Kyrgyzstan, subsidies in agriculture in Azerbaijan, Kyrgyzstan, Tajikistan and Uzbekistan, and reduced taxes and duties on food in Azerbaijan, Kyrgyzstan, and Tajikistan – all of which were introduced to mitigate the effects of increased food prices on the poor – have deteriorated these countries' fiscal balances.

Although the conduct of an independent monetary policy in the countries in *SEE* is somewhat complicated by adopting the euro or by formal or informal currency pegs, monetary authorities have undertaken a number of measures to constrain overly buoyant domestic credit growth. More administrative controls on domestic lending were introduced in the Former Yugoslav Republic of Macedonia, and in Bosnia and Herzegovina the minimum reserve requirement has been increased. In Croatia, the central bank continued regular interventions in the currency market to reduce exchange rate volatility.

Fiscal b in the region are generally close to balance (with the exception of Albania, where large amounts have been spent on public infrastructure), thanks to several years of robust economic growth. These may deteriorate, however, if expansionary policies are undertaken to combat the global downturn.

Developing countries

Monetary policies in most *developing economies* were in a tightening phase, during the first half of 2008, as inflation rates rose sharply on the back of surging food and energy prices. In many developing countries with monetary autonomy, including Brazil, China, Egypt, India, and Mexico, central banks increased interest rates between January and August 2008. At the same time, a number of central banks - especially in countries where monetary independence is constrained due to a pegged exchange rate – adopted measures to curb domestic credit growth and reduce liquidity, including higher reserve requirements and tighter standards for consumer loans. As inflationary pressures abated and the global financial crisis increased concerns of a severe economic downturn, monetary authorities in many developing countries cut interest rates, along with the central banks in developed economies. In addition, central banks applied various measures to increase liquidity and insure investors. The majority of developing countries will further ease monetary policy in 2009.

Fiscal policies in the majority of developing countries continued to be expansionary in 2008 due to increased fiscal space as a result of higher revenues in previous years and strong pressures to counteract the surge in food and oil prices. In view of high and rising inflation rates that eroded the purchasing power of large segments of society, many developing countries combined tighter monetary policies with higher fiscal spending. The large increase in the price of oil and other commodities led to strongly diverging fiscal balance patterns in net-exporters of

these goods and net-importers. Amid soaring crude oil prices, many oil-importing countries, especially in Asia, reduced fuel subsidies during the first half of 2008. In 2009, with economies in most developing countries expected to slow down considerably, fiscal balances are likely to deteriorate as many governments will face lower revenues and increased spending needs to support growth.

In most *African economies*, monetary policy is either in a tightening or neutral stance in order to keep inflation under control. In Nigeria, the central bank has increased the amount of foreign exchange sold to retail banks in order to offset the rise in government expenditures from windfall oil profits. Ghana and Mozambique switched to a tightening stance in 2008 to stabilize exchange rates and control imported inflation. The Bank of Ghana increased the prime rate from 16 to 17 per cent in July in an attempt to combat inflationary pressures. In South Africa, the benchmark rate was increased from 11 per cent to 12 per cent during the first half of 2008. However, the South African Central Bank kept interest rates constant in August despite the continued rise in inflation, owing to the weakness in the economy.

Fiscal policy has been expansionary in much of *Africa* as economies continue to use the increased fiscal space afforded by growing government domestic revenues and/or significant aid flows to scale up public spending. In South Africa, government consumption and fixed investment for infrastructure building are expected to be the driver for growth, crowding-in private sector investment to some extent and offsetting the slowing in private consumption. On average, oil-exporting countries maintained a high but declining budget surplus, while fiscal deficits have widened for oil-importing countries as government outlays for fuel subsidies expanded greatly. Ghana's fiscal deficit has risen to about 10 per cent of GDP owing in part to rising fuel and food subsidies; in Tunisia rising oil prices have increased the fiscal deficit to 3 per cent of GDP; while in Morocco, subsidy costs rose 151 per cent from the budgeted amount due to the rise in fuel subsidies.

In *East and South East Asia*, monetary authorities adopted either a tightening or a neutral policy stance during the first eight months of 2008 responding to persistently increasing inflation rates. The People's Bank of China increased the rate of reserve requirements several times, while the Bank of Korea increased interest rates in August by a quarter percentage point. As inflationary pressures gradually abated, monetary authorities in the region were in a much better position to react to the shocks that originated in international financial markets. In early October 2008, the monetary authorities in China, Hong Kong SAR, Republic of Korea and Taiwan Province of China cut their policy rates. Several central banks in South-East Asia, including those in Indonesia and the Philippines, are still in a tightening cycle due to strong inflationary pressures, but the policy stance in these countries is likely to ease in 2009.

On the fiscal side, China has ample policy space to counter the global financial crisis due to the large size of its foreign reserves, amounting to about \$1.9 trillion, and a balanced government budget position. Fiscal subsidies and tax cuts were already increased for SMEs in 2008. In 2009, more forceful fiscal stimuli are likely to be implemented, including tax reductions and increased government spending on infrastructure and public services. With these measures to support domestic demand, along with the limited opening of its capital account, China could effectively contain the adverse external shocks.

In *South Asia*, inflation and inflationary expectations soared in 2008 due to higher food and energy prices, posing a significant challenge for central banks in the region. Consequently, monetary policy has maintained a tightening stance, especially in India and Pakistan. Fiscal balances remain under pressure throughout. Government spending has remained strong in 2008, continuing to underpin economic growth but also leading to higher fiscal deficits. A number of countries such as Bangladesh, India and Sri Lanka implemented tax rebates on fuel and food, whereas others maintained their subsidization of fuel and food products as well as fertilizers. Rising fiscal deficits lend urgency to look at ways of reducing the subsidization of food and energy prices, but this would add to inflationary pressures and demand even tighter monetary policies, possibly curtailing domestic demand even further. In this sense, policy makers find themselves exposed to a difficult trade-off between fighting inflation and supporting economic activity.

Throughout the past year, most central banks in *Western Asia* faced a situation where domestic demand and output grew strongly and inflation rates rose to multi-year highs, while at the same time the risks of a substantial economic downturn increased. Responding to changing conditions and priorities, the central banks of Israel and Turkey cut interest rates in the first quarter of 2008, but increased them in the second and third quarter. Western Asian economies with pegged exchange rates faced rapid monetary expansion in 2008, surging domestic inflation and an accommodative policy stance in the United States. Given very limited monetary policy autonomy, central banks in these countries adopted various measures to curb credit growth and reduce liquidity including higher bank reserve requirements and tighter standards for consumer loans. Reacting to the global financial turmoil, several central banks in the region injected liquidity and cut interest rates in October, along with the U.S. Federal Reserve and others. In 2009, monetary easing is anticipated in the majority of countries in Western Asia including Israel and Turkey, where the priority of central bank policies has shifted from containing inflationary pressures to avoiding a recession.

Fiscal policies in most *Western Asian* economies have remained expansionary throughout 2008 with large increases in expenditures in the wake of a robust economic upturn. With revenues from oil soaring, GCC countries continue to run substantial surpluses despite strong growth in spending, particularly on infrastructure projects, social services and salary hikes for public sector employees. In countries with a weaker revenue base such as Jordan, Lebanon, the Syrian Arab Republic, and Yemen, fiscal deficits are expected to remain significant in 2008 and 2009. While fuel subsidies were reduced in several of those countries in the course of 2008, spending on salaries, food subsidies, and various forms of transfers increased rapidly. Large levels of public debt, as measured by the debt to GDP ratio, make Jordan and especially Lebanon vulnerable to a deterioration in investor confidence. Israel and Turkey, in turn, are expected to register small fiscal deficits in 2008, but the challenges are likely to increase in 2009 as tax revenues slow and spending pressures increase.

The majority of countries in *Latin America and the Caribbean* implemented restrictive monetary policies in 2008 in an attempt to control strong inflationary pressures. In 2007, monetary policy was generally loose with real interest rates remaining low. However, as inflation accelerated considerably in 2008, many central banks in Latin America and the Caribbean

increased benchmark interest rates. In Brazil, the benchmark rate was raised on September 10 for the fourth consecutive month to 13.75 per cent, the highest level in two years. The Central Bank of Mexico also tightened monetary conditions three times during the year, raising the benchmark interest rate from 7.5 per cent in January to 8.25 per cent in August. However, in the actual context of decreasing international prices of commodities, a deceleration of economic activity in the region, and reduced external liquidity, monetary policy might be eased in many countries in the course of 2009.

In Latin America and the Caribbean, higher export prices during recent years translated into increased public revenues and primary surpluses, reducing public debt and allowing fiscal policies to expand in 2008. While fiscal spending rose by 0.2% of GDP in 2007, the average public debt level in the region decreased to 33 per cent of GDP. In 2008, fiscal balances continued to improve, but at a lower rate than in 2007. Recent positive fiscal trends will provide a cushion against the negative impact of the ongoing financial crisis on investment and growth in the region. In 2009, several countries in the region are likely to adopt fiscal stimulus measures, including infrastructure spending. However, the recent drop in prices of oil and other commodities will adversely affect governments' finances in a number of countries, adding pressure on next years' budget. In countries highly dependant on oil revenues, such as Venezuela, the government will not be able to continue to expand public consumption at the same pace as in previous years and countercyclical policies will be difficult to implement.

Uncertainties and downside risks

The lingering fear of a financial meltdown and serious recession remains. If the efforts of central banks around the world to save their financial systems are exhausted before banks have expunged a significant amount of 'toxic' assets, they will remain reluctant to open up credit lines to businesses and households. Moreover, the asset depreciation spiral will continue as financial institutions de-leverage. This is the central assumption driving the downside risk scenario, with the implication of: (a) severe credit constraints in the major economies, thus forcing reductions in consumption, residential and business investment and effectively negative growth of domestic demand; (b) capital flow reversals affecting emerging countries and major recipients of FDI; and (c) reduced official flows and ODA for least developed countries.

Under these conditions some countries will relax fiscal and monetary policy further, within certain constraints such as the increase of public debt. Import demand in the advanced countries would decline significantly, to the extent of causing recessions or severe slowdowns in export-led economies. The reserves that these countries have accumulated would rapidly depreciate as the financial industry in advanced countries weakens and governments of developed countries flood markets with increasingly large amounts of liquidity. A deepening global recession would make recovery of financial activity even harder and more interventions from central banks will be required, in turn triggering a deeper crisis. Any recovery would likely not materialise for many more years. The obvious parallel here is with the Japanese economy, which saw a reduction in growth from an average close to 6 per cent in the period from 1965 to

1989 to just 1.5 per cent in the 1990s. Within these broad assumptions, trade and financial linkages would play their part in driving the outcomes of the kind described in Table 3 below.³

Table 3: A more pessimistic scenario

	2008	2009
World	1.9	-0.5
U.S.A.	0.8	-1.8
Western		
EUROPE	1.0	-1.5
Japan	0.5	-1.5
Other Developed	1.0	-0.1
Economies in transition (former USSR)	5.2	1.9
Africa Middle Income (North + South Africa)	4.5	1.4
Africal Low Income (Sub-Saharan Africa excl. SouthAfrica)	4.4	1.0
China	8.2	4.9
India	6.5	2.3
East Asia High Income (HongK+Korea+Taiwan+Singapore)	3.2	2.5
Other East Asia Middle Income	4.1	2.2
South Asia excl. India	4.7	2.4
Other Asia Low Income	4.9	1.9
Western Asia excl. Israel	3.6	2.0
South America	4.5	-0.8
Central America, Mexico and Caribbean	2.0	-1.2

³ The outcomes are drawn with great uncertainty; the patterns estimated in the model represent behaviour under 'normal conditions'.

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October 2008

Annex Table

Table A.1
World and regions: rates of growth of real GDP, 2002-2009
(Annual percentage change^a)

	2002	2003	2004	2005	2006	2007 ^b	2008 ^c	2009 ^d
World	2.1	2.7	4.0	3.4	3.9	3.7	2.6	1.6
Developed economies	1.3	1.8	3.0	2.4	2.8	2.5	1.2	0.2
North America	1.7	2.4	3.6	2.9	2.8	2.1	1.0	-0.4
Asia and Oceania	0.7	1.8	2.8	2.0	2.3	2.3	1.0	0.7
Europe	1.2	1.3	2.6	1.9	3.1	2.9	1.4	0.5
European Union	1.2	1.3	2.5	1.9	3.1	2.8	1.4	0.4
EU-15	1.1	1.2	2.4	1.8	2.9	2.7	1.2	0.2
New EU Members	2.9	4.2	5.6	4.1	6.3	6.0	4.9	4.3
Other Europe	0.9	0.4	3.2	2.7	3.0	3.5	1.8	1.6
<i>Memorandum items:</i>								
Euro Zone	0.9	0.8	2.1	1.7	2.8	2.6	1.3	0.3
Major developed economies (G-7)	1.2	1.7	2.9	2.2	2.6	2.2	0.9	-0.1
OECD	1.5	1.9	3.1	2.4	2.9	2.6	1.3	0.3
Economies in transition	5.0	7.3	7.6	6.5	7.8	8.3	7.1	5.8
South-eastern Europe	4.2	3.3	4.6	4.5	5.1	6.2	5.2	5.1
Commonwealth of Independent States	5.1	7.7	7.9	6.6	8.0	8.4	7.3	5.9
Net fuel exporters	5.1	7.4	7.4	6.9	8.0	8.5	7.3	6.0
Net fuel importers	5.5	9.1	11.4	4.9	8.0	8.3	7.1	5.1
Developing countries	4.4	5.2	7.1	6.7	7.0	7.1	6.1	5.0
Africa	5.5	4.9	5.9	5.7	5.7	5.9	5.0	4.6
North Africa	3.5	5.7	4.9	5.0	5.2	5.3	4.9	4.5
Sub-Saharan Africa ^d	4.6	3.8	6.4	6.7	6.7	7.2	6.3	5.6
Net fuel exporters	8.3	6.5	6.6	7.0	5.7	6.9	6.0	5.5
Net fuel importers	3.6	3.8	5.4	4.8	5.7	5.2	4.3	4.0
East and South Asia	6.6	6.9	7.7	8.0	8.1	8.5	7.3	6.4
East Asia	7.1	6.9	8.0	7.6	8.4	8.7	7.4	6.4
South Asia	4.9	6.9	6.7	9.5	6.9	7.9	7.1	6.6
Net fuel exporters	6.7	7.0	5.4	5.3	6.2	6.5	6.0	5.5
Net fuel importers	6.6	6.9	7.8	8.1	8.1	8.6	7.4	6.5
Western Asia	2.9	5.1	8.1	6.5	5.9	4.7	5.0	3.2
Net fuel exporters	1.1	5.5	8.5	6.5	5.9	4.7	6.4	3.7
Net fuel importers	5.2	4.7	7.7	6.5	6.0	4.8	3.2	2.6
Latin America and the Caribbean	0.5	1.8	5.9	4.5	5.4	5.5	4.4	2.7
South America	0.0	1.8	7.1	4.9	5.4	6.4	5.5	3.1
Mexico and Central America	1.0	1.6	4.2	3.2	5.0	3.7	2.3	1.8
Caribbean	3.5	3.3	3.5	8.6	10.2	6.7	4.4	3.5
Net fuel exporters	-1.6	1.8	6.4	5.1	6.2	5.1	3.5	2.0
Net fuel importers	2.6	1.8	5.5	4.0	4.7	5.9	5.2	3.3
<i>Memorandum items:</i>								
Least developed countries	5.7	5.2	7.2	7.9	7.7	7.8	6.5	15.4
East Asia (excluding China)	5.4	4.1	5.9	5.0	5.6	5.8	4.6	3.3
South Asia (excluding India)	5.5	6.1	6.0	5.9	6.1	6.1	6.2	5.5
Western Asia (excluding Israel and Turkey)	1.3	5.3	8.3	6.3	5.6	4.7	6.3	3.7
Landlocked developing economies	5.5	5.7	7.7	7.7	9.2	8.2	6.5	6.3
Small island developing economies	3.6	3.3	5.8	7.3	8.4	6.9	3.8	2.2

Source : Project LINK

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

b Partly estimated.

c Forecasts, based in part on Project LINK.

d Excluding Nigeria & South Africa.

Table A.2
Rates of growth of real GDP, 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	0.4	0.8
United States	1.6	2.5	3.6	2.9	2.8	2.0	1.0	-0.5
Asia and Oceania								
Australia	3.2	4.1	2.7	2.8	2.7	4.2	2.6	2.1
Japan	0.3	1.4	2.7	1.9	2.2	2.0	0.7	0.5
New Zealand	4.6	3.6	5.0	2.8	2.3	3.2	0.6	1.3
European Union								
EU-15								
Austria	0.9	1.2	2.3	2.0	3.3	3.4	2.0	1.2
Belgium	1.5	1.0	3.0	1.7	2.8	2.8	1.4	1.2
Denmark	0.5	0.4	2.3	2.5	3.9	1.7	0.5	0.3
Finland	1.6	1.8	3.7	2.8	4.9	4.5	2.3	1.3
France	1.0	1.1	2.5	1.9	2.2	2.2	0.9	0.7
Germany	0.0	-0.2	1.2	0.8	3.0	2.5	1.8	0.2
Greece	3.9	5.0	4.6	3.8	4.2	4.0	3.1	2.6
Ireland	6.4	4.5	4.7	6.4	5.7	6.0	0.6	-1.0
Italy	0.5	0.0	1.5	0.6	1.8	1.5	-0.1	-0.2
Luxembourg	4.1	2.1	4.9	5.0	6.1	4.4	2.8	2.6
Netherlands	0.1	0.3	2.2	2.0	3.4	3.5	2.2	1.2
Portugal	0.8	-0.8	1.5	0.9	1.3	1.8	0.7	0.3
Spain	2.7	3.1	3.3	3.6	3.9	3.7	1.4	-0.9
Sweden	2.4	1.9	4.1	3.3	4.1	2.7	1.7	1.4
United Kingdom	2.1	2.8	3.3	1.8	2.9	3.1	1.0	-0.7
New EU members								
Bulgaria	4.9	4.5	5.7	5.5	6.3	6.2	6.5	5.4
Cyprus	2.1	1.9	3.8	3.8	3.8	4.4	3.6	2.6
Czech Republic	1.5	3.7	4.6	6.1	6.8	6.6	4.1	3.6
Estonia	7.2	6.7	7.8	10.5	11.2	7.0	-1.0	0.5
Hungary	4.3	4.1	4.9	1.5	3.9	1.3	2.0	2.5
Latvia	6.4	7.2	8.5	10.3	12.2	10.3	-0.6	1.0
Lithuania	6.8	10.5	7.0	7.5	7.5	8.8	5.0	4.0
Malta	1.1	-2.1	0.2	0.8	3.3	3.8	2.9	2.3
Poland	1.4	3.8	5.3	3.2	5.8	6.3	5.5	4.7
Romania	5.1	5.2	8.3	4.2	7.9	6.0	8.0	6.0
Slovak Republic	4.6	4.5	5.5	6.1	8.6	10.4	7.8	6.3
Slovenia	3.5	2.6	4.4	4.0	4.8	6.1	4.2	4.0
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	3.7	1.7	1.9
Switzerland	0.4	-0.2	2.5	2.5	3.4	3.3	1.9	1.3
Economies in transition								
South-eastern Europe								
Albania	3.4	6.0	6.0	5.6	5.2	6.0	5.8	5.5
Bosnia and Herzegovi	3.7	3.2	4.0	5.3	5.5	6.8	5.2	5.5
Croatia	5.2	4.3	3.8	3.2	4.8	5.6	4.3	4.2
Montenegro	1.9	2.5	4.4	4.2	8.6	7.0	7.0	6.0
Serbia	3.8	1.0	6.0	6.0	5.8	7.0	6.3	6.0
The former Yugoslav Republic of Macedonia	0.9	3.4	2.5	4.0	3.1	5.1	5.0	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	16.0	14.0
Belarus	5.0	7.0	11.4	9.4	9.9	8.7	10.0	8.0
Georgia	5.5	11.1	5.9	9.6	9.3	12.7	7.0	5.0
Kazakhstan	9.8	9.3	9.6	9.7	10.6	8.5	5.0	5.5
Kyrgyzstan	0.0	7.0	7.0	-0.2	2.7	8.2	6.5	5.5
Republic of Moldova	7.8	6.6	7.4	7.5	4.0	3.3	6.0	5.0
Russian Federation	4.7	7.3	7.2	6.4	7.4	8.1	7.3	5.8
Tajikistan	10.8	11.0	10.3	6.7	7.0	7.8	6.0	7.0

Turkmenistan	0.3	3.3	4.5	9.6	9.0	8.0	7.0	6.0
Ukraine	5.2	9.6	12.1	2.7	7.3	7.6	6.0	3.8
Uzbekistan	4.0	4.4	7.7	7.0	7.3	9.5	8.0	7.5
Developing countries								
Africa								
Algeria	4.7	6.9	5.2	5.3	2.1	4.6	3.1	2.9
Angola	14.3	3.3	11.2	20.6	18.6	21.0	12.9	10.1
Benin	4.4	3.9	3.1	2.9	3.8	4.5	4.7	5.0
Botswana	9.6	3.1	9.2	-0.8	6.1	3.3	3.8	3.6
Burkina Faso	4.6	8.0	4.6	7.1	5.5	4.2	4.9	4.7
Burundi	4.1	-1.0	4.8	0.8	4.2	3.5	5.2	4.9
Cameroon	4.0	4.2	3.6	2.0	3.2	3.3	4.2	4.2
Cape Verde	5.3	4.7	4.4	5.8	10.8	7.0	6.5	6.0
Central African Republic	0.3	-7.6	1.3	2.2	4.0	4.2	4.7	4.5
Chad	8.5	14.7	33.6	7.9	0.2	1.3	2.0	1.5
Comoros	4.1	2.5	-0.2	4.2	1.3	1.0	1.0	1.0
Congo	4.6	0.8	3.5	7.8	6.2	-1.0	8.0	7.8
Côte d'Ivoire	-1.6	-1.7	1.5	1.8	-0.3	1.6	2.8	3.0
Democratic Republic of the Congo	3.5	5.8	6.7	7.9	5.0	6.5	7.8	7.6
Djibouti	2.7	3.3	2.8	3.3	4.8	5.5	5.0	4.9
Egypt	4.1	4.1	4.5	6.8	6.8	7.1	6.2	5.9
Equatorial Guinea	20.9	11.6	31.7	6.7	-5.2	10.0	10.9	0.5
Eritrea	0.7	6.0	1.9	0.5	-1.0	1.0	2.0	2.0
Ethiopia	0.0	-3.1	12.3	8.7	10.6	8.5	7.5	7.0
Gabon	0.0	2.4	1.1	3.0	1.2	5.6	3.9	3.5
Gambia	-3.2	6.9	2.4	5.1	6.5	7.0	6.1	5.9
Ghana	4.6	5.2	5.8	6.0	6.2	6.0	6.0	5.8
Guinea	4.2	1.2	2.7	3.3	2.2	1.5	1.8	1.6
Guinea-Bissau	-7.1	-0.6	2.0	2.2	1.8	2.7	3.3	3.3
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	7.5	5.0
Liberia	31.8	-31.3	2.6	5.3	7.8	9.4	9.5	9.0
Libyan Arab Jamahiriya	1.1	7.1	5.4	5.6	5.2	5.8	6.0	5.8
Madagascar	-12.7	9.8	5.3	4.6	4.9	6.4	6.8	6.5
Malawi	2.9	6.1	7.1	2.5	7.9	7.5	6.6	6.6
Mali	4.3	7.6	2.2	6.1	5.2	2.8	3.9	3.5
Mauritania	1.1	5.6	5.2	5.4	11.4	1.0	4.2	4.1
Mauritius	1.6	4.4	4.8	2.3	5.0	4.0	5.5	5.1
Morocco	3.2	5.5	4.2	1.7	7.8	2.9	5.3	4.3
Mozambique	8.2	8.0	7.4	7.7	8.0	7.4	6.5	6.3
Namibia	6.7	3.5	6.6	4.8	3.9	3.6	3.5	3.4
Niger	5.8	3.8	-1.0	7.0	5.0	3.0	4.0	3.8
Nigeria	21.2	10.3	10.6	7.1	5.2	6.0	6.1	5.9
Rwanda	9.4	1.0	4.0	6.0	6.0	6.0	5.8	5.6
Sao Tome and Principe	3.5	4.1	4.0	6.0	6.7	6.0	5.3	5.2
Senegal	1.2	6.7	5.6	5.5	3.1	4.5	4.6	4.5
Sierra Leone	27.5	9.3	7.4	7.2	7.4	6.8	5.8	5.6
Somalia	4.0	2.5	-0.2	4.2	1.2	-3.5	2.0	1.5
South Africa	3.7	3.1	4.9	5.0	5.4	5.1	3.2	3.0
Sudan	6.4	5.0	5.2	8.6	11.3	10.0	6.0	5.8
Togo	3.5	2.0	-0.8	0.8	4.1	2.4	2.9	2.5
Tunisia	1.7	5.6	6.0	4.2	5.2	6.3	4.5	3.9
Uganda	6.8	4.4	5.7	6.6	5.4	6.0	5.7	5.6
United Republic of Tanzania	7.2	7.1	6.7	6.8	6.7	7.1	6.8	6.6
Zambia	3.3	5.1	5.4	5.2	6.2	5.5	5.9	5.8
Zimbabwe	-4.3	-10.4	-3.8	-5.3	-4.8	-6.0	-4.5	-3.0
East and South Asia								
Bangladesh	4.8	5.8	6.1	6.3	6.6	6.4	6.2	7.0
Brunei Darussalam	3.9	2.9	0.5	0.4	5.1	0.4	-0.3	1.2
China	9.1	10.0	10.1	10.2	11.1	11.4	9.8	8.9
Hong Kong, Special Administrative Region of China	1.8	3.0	8.5	7.1	7.0	6.4	4.5	3.0
India	4.5	7.3	7.1	11.5	7.3	8.9	7.5	7.1
Indonesia	4.5	4.8	5.0	5.7	5.5	6.3	5.9	4.2

Iran, Islamic Republic of	6.7	7.1	5.1	4.7	5.8	6.2	6.5	6.0
Korea, Republic of	7.0	3.1	4.7	4.2	5.0	5.0	4.5	3.4
Malaysia	5.4	5.8	6.8	5.3	5.8	6.3	5.9	4.5
Myanmar	12.0	13.8	13.6	13.6	12.7	5.5	0.9	3.0
Nepal	1.9	4.3	3.9	3.0	4.1	2.6	5.6	5.0
Pakistan	4.6	4.8	7.5	7.7	6.2	6.0	6.1	4.3
Papua New Guinea	-0.2	2.2	2.7	4.8	2.6	6.2	6.1	4.8
Philippines	4.4	4.9	6.4	5.0	5.4	7.2	4.4	3.5
Singapore	4.2	3.5	9.0	7.3	8.2	7.7	2.8	0.6
Sri Lanka	4.0	6.0	5.4	6.2	7.7	6.8	4.4	4.2
Taiwan, Province of China	4.6	3.5	6.2	4.2	4.9	5.7	4.1	3.0
Thailand	5.3	7.1	6.3	4.5	5.1	4.8	4.6	3.2
Vietnam	7.1	7.3	7.8	8.4	8.2	8.5	5.1	4.3
	Western Asia							
Bahrain	5.2	7.2	5.6	7.9	6.5	8.1	6.4	3.7
Iraq	-6.9	-33.1	23.0	-0.7	6.2	5.0	9.0	5.5
Israel	-0.6	2.3	5.2	5.3	5.2	5.4	4.0	1.8
Jordan	5.8	4.2	8.6	7.1	6.3	6.0	5.3	3.8
Kuwait	3.0	16.5	10.5	11.4	6.3	4.6	6.2	3.2
Lebanon	2.0	3.0	5.0	1.0	-3.0	4.0	5.5	4.0
Oman	2.6	2.0	5.4	6.0	7.2	6.1	6.0	4.2
Qatar	7.1	3.5	20.8	6.1	7.0	9.5	10.5	6.5
Saudi Arabia	0.1	7.7	5.3	5.6	3.1	3.4	5.6	3.2
Syrian Arab Republic	5.9	1.1	6.7	4.5	5.1	6.6	4.0	3.3
Turkey	7.9	5.8	8.9	7.4	6.9	4.6	2.8	2.7
United Arab Emirates	2.6	11.9	9.7	8.2	11.6	5.2	6.8	3.7
Yemen	3.9	3.7	4.0	4.6	3.3	3.3	3.4	3.0
	Latin America							
Argentina	-10.9	8.8	9.0	9.2	8.5	8.7	6.5	3.0
Barbados	0.7	2.0	4.8	4.3	3.3	3.2	1.7	1.0
Bolivia	2.5	2.7	4.2	4.4	4.8	4.6	5.9	5.0
Brazil	2.7	1.1	5.7	2.9	3.7	5.4	5.1	3.0
Chile	2.2	3.9	6.0	5.6	4.3	5.1	4.5	3.0
Colombia	2.5	4.6	4.7	5.7	6.8	7.7	4.0	3.0
Costa Rica	2.9	6.4	4.3	5.9	8.8	7.3	4.0	3.5
Cuba	1.8	3.8	5.4	11.2	12.1	7.3	5.0	4.5
Dominican Republic	5.8	-0.3	1.3	9.3	10.7	8.5	4.7	2.8
Ecuador	4.2	3.6	8.0	6.0	3.9	2.5	2.8	2.0
El Salvador	2.3	2.3	1.9	3.1	4.2	4.7	3.0	2.5
Guatemala	3.9	2.5	3.2	3.3	5.3	5.7	3.9	3.4
Guyana	1.1	-1.0	3.3	-2.0	5.2	5.5	4.6	4.0
Haiti	-0.3	0.4	-3.5	1.8	2.3	3.2	2.3	1.5
Honduras	3.8	4.5	6.2	6.1	6.3	6.3	4.2	4.0
Jamaica	1.1	2.3	1.0	1.4	2.5	1.4	0.7	0.8
Mexico	0.8	1.4	4.2	3.0	4.8	3.3	2.0	1.5
Nicaragua	0.8	2.5	5.3	4.3	3.9	3.8	3.0	2.5
Panama	2.2	3.4	8.4	7.2	8.7	11.5	8.3	6.5
Paraguay	-0.1	3.8	4.1	2.9	4.3	6.8	5.5	4.0
Peru	5.0	4.0	5.1	6.7	7.6	9.0	9.2	5.5
Trinidad and Tobago	7.9	13.4	6.5	8.0	12.0	5.5	5.0	4.0
Uruguay	-11.2	2.4	11.9	6.4	7.0	7.5	6.5	4.0
Venezuela, Bolivarian Republic of	-8.9	-7.8	18.3	10.3	10.3	8.4	6.5	2.2

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 change^a)

	2002	2003	2004	2005	2006	2007 ^b	2008 ^c	2009 ^d
World	2.9	3.0	2.9	3.0	3.0	3.0	4.9	3.1
Developed economies	1.6	1.8	2.0	2.2	2.3	2.2	3.5	1.8
North America	1.7	2.3	2.6	3.3	3.1	2.8	4.2	1.4
Asia and Oceania	-0.3	0.2	0.4	0.2	0.8	0.4	1.3	1.2
Europe	2.2	2.0	2.0	2.0	2.1	2.2	3.7	2.5
European Union	2.2	2.0	2.0	2.1	2.1	2.3	3.7	2.5
EU-15	2.0	1.9	1.8	2.0	2.0	2.2	3.5	2.4
New EU Members	5.3	3.6	5.1	3.9	3.5	4.1	6.0	4.2
Other Europe	1.0	1.5	0.7	1.4	1.7	0.8	3.5	2.6
<i>Memorandum items:</i>								
Euro Zone	2.2	2.0	2.1	2.0	2.0	2.1	3.5	2.5
Major developed economies (G-7)	1.2	1.7	1.9	2.2	2.2	2.1	3.4	1.6
OECD	2.0	2.1	2.1	2.3	2.4	2.3	3.6	2.0
Economies in transition	13.8	12.0	10.1	11.8	9.2	9.1	15.2	11.8
South-eastern Europe	7.4	3.7	3.9	6.6	6.2	3.8	7.6	4.9
Commonwealth of Independent States	14.4	12.7	10.6	12.3	9.5	9.6	15.9	12.4
Net fuel exporters	15.0	13.1	10.6	12.4	9.6	9.3	14.9	11.6
Net fuel importers	10.7	10.6	10.9	11.8	8.8	11.3	22.3	17.2
Developing countries^d	5.9	5.8	5.0	4.6	4.5	5.3	8.2	6.4
Africa ^d	9.2	8.9	6.6	6.7	6.2	6.4	10.7	7.6
North Africa	0.7	2.3	4.7	2.6	4.5	5.3	9.6	7.0
Sub-Saharan Africa (Excluding Nigeria & South Africa) ^d	17.6	17.0	9.7	9.7	8.5	7.6	12.7	8.6
Net fuel exporters	11.6	12.5	10.6	8.4	6.3	6.6	9.9	7.8
Net fuel importers ^d	7.4	6.1	3.5	5.4	6.0	6.3	11.2	7.4
East and South Asia	2.1	2.7	4.1	3.6	3.7	4.9	7.5	5.4
East Asia	1.0	1.8	3.5	2.9	2.7	4.0	6.4	4.1
South Asia	5.9	5.9	6.4	6.5	7.4	8.5	11.8	10.2
Net fuel exporters	11.5	13.1	12.8	11.9	10.6	14.7	23.3	19.8
Net fuel importers	1.6	2.2	3.7	3.2	3.4	4.5	6.8	4.7
Western Asia	17.4	8.6	4.0	4.5	5.9	6.0	10.0	8.0
Net fuel exporters	0.3	1.1	1.4	2.4	3.7	5.2	10.8	8.4
Net fuel importers	33.0	15.5	6.3	6.5	8.0	6.7	9.2	7.6
Latin America and the Caribbean	8.8	10.8	6.9	6.3	5.2	5.3	7.9	7.4
South America	10.9	13.8	7.0	7.2	5.7	5.8	9.0	8.5
Mexico and Central America	5.1	4.6	4.9	4.4	3.9	4.3	5.5	5.1
Caribbean	5.3	18.0	30.7	7.3	8.3	7.2	12.9	11.0
Net fuel exporters	7.7	8.5	7.0	5.7	5.1	6.2	8.9	8.5
Net fuel importers	9.6	12.5	6.9	6.7	5.2	4.6	7.1	6.6
<i>Memorandum items:</i>								
Least developed countries	19.9	18.4	11.1	10.5	9.7	9.5	13.4	10.0
East Asia (excluding China)	2.9	2.5	3.2	3.9	3.9	3.1	6.4	4.5
South Asia (excluding India)	8.8	9.9	11.1	10.8	9.8	12.4	20.8	16.9
Western Asia (excluding Israel and Turkey)	0.7	1.5	1.8	2.8	4.3	5.5	11.1	8.6

Source: Project LINK

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

b Partly estimated.

c Forecasts, based in part on Project LINK.

d Excluding Zimbabwe.

Table A.4
Consumer price inflation, 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	3.0	2.3
United States	1.6	2.3	2.7	3.4	3.2	2.9	4.3	1.3
Asia and Oceania								
Australia	3.0	2.8	2.3	2.7	3.5	2.3	4.7	3.5
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	4.1	3.3
European Union								
EU-15								
Austria	1.8	1.4	2.1	2.3	1.4	2.2	3.4	2.3
Belgium	1.6	1.6	2.1	2.8	1.8	1.8	4.6	3.6
Denmark	2.4	2.1	1.2	1.8	1.9	1.7	3.7	2.7
Finland	1.6	0.9	0.2	0.6	1.6	2.5	4.1	2.2
France	1.9	2.1	2.1	1.7	1.7	1.5	3.7	2.3
Germany	1.4	1.0	1.7	1.6	1.6	2.3	2.8	2.3
Greece	3.6	3.6	2.9	3.6	3.2	2.9	4.7	3.1
Ireland	4.6	3.5	2.2	2.4	3.9	4.9	3.9	2.5
Italy	2.5	2.7	2.2	2.0	2.1	1.8	3.5	2.3
Luxembourg	2.1	2.1	2.2	2.5	2.7	2.3	4.0	3.0
Netherlands	3.3	2.1	1.2	1.7	1.2	1.6	2.8	3.3
Portugal	3.6	3.3	2.4	2.3	3.1	2.4	2.9	2.1
Spain	3.1	3.0	3.0	3.4	3.5	2.8	4.1	2.8
Sweden	2.3	1.5	0.1	0.1	1.1	2.7	3.8	2.5
United Kingdom	1.3	1.4	1.3	2.1	2.3	2.3	3.8	1.9
New EU members								
Bulgaria	5.8	2.2	6.3	5.0	7.1	8.4	12.0	5.2
Cyprus	2.8	4.1	1.9	2.0	2.2	2.2	5.0	3.8
Czech Republic	2.0	-0.1	2.8	1.9	1.7	3.2	5.6	4.7
Estonia	3.6	1.3	3.0	3.6	4.4	6.6	11.0	6.0
Hungary	5.3	4.6	6.7	3.5	4.0	8.0	6.2	3.9
Latvia	1.9	2.9	6.2	6.9	6.6	10.1	15.0	7.0
Lithuania	0.4	-1.2	1.2	2.7	3.8	5.8	11.0	7.0
Malta	2.2	1.3	2.8	3.0	2.8	1.2	5.0	3.6
Poland	1.9	0.7	3.4	3.5	2.4	2.4	4.3	3.6
Romania	22.5	15.4	12.0	9.0	6.6	4.8	8.0	5.0
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	3.6	5.2	3.2
Other Europe								
Iceland	5.2	2.1	3.2	4.0	6.7	5.1	13.4	13.0
Norway	1.3	2.5	0.5	1.5	2.3	0.7	4.0	3.1
Switzerland	0.6	0.6	0.8	1.2	1.1	0.7	2.7	1.8
Economies in transition								
South-eastern Europe								
Albania	7.8	0.5	2.3	2.4	2.4	2.9	4.2	3.2
Bosnia and Herzegovina	0.9	0.2	-0.3	3.0	6.0	2.0	8.0	4.5
Croatia	1.7	1.8	2.1	3.0	3.2	2.9	6.4	3.9
Montenegro	1.9	2.5	3.3	3.4	2.1	4.3	8.8	6.7
Serbia	19.3	9.6	9.8	16.1	12.7	6.5	10.3	7.0
The former Yugoslav Republic of Macedonia	2.3	1.1	-0.4	0.0	3.0	2.8	8.0	5.0
Commonwealth of Independent States								
Armenia	1.0	2.7	8.1	0.6	2.9	4.4	9.7	6.0
Azerbaijan	2.8	2.1	6.7	9.6	8.3	16.6	22.5	20.0
Belarus	42.8	28.5	18.3	10.4	7.0	8.4	15.5	10.2
Georgia	5.6	4.8	5.7	8.2	9.2	9.2	11.0	6.5
Kazakhstan	6.0	6.4	6.9	7.6	8.6	10.8	19.7	12.0
Kyrgyzstan	2.1	3.0	4.1	4.4	5.6	10.2	27.5	15.5
Republic of Moldova	5.3	11.7	12.5	12.0	12.7	12.6	15.0	9.5
Russian Federation	15.8	13.6	10.9	12.7	9.7	9.0	14.5	11.5
Tajikistan	12.2	16.3	7.2	7.2	10.0	13.4	30.0	18.5
Turkmenistan	15.0	15.3	10.0	12.0	9.0	6.4	12.0	10.0
Ukraine	0.8	5.2	9.1	13.5	9.6	12.8	26.2	21.4
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	2.6	3.5	5.0	4.4	
Angola	108.9	98.2	43.5	23.0	13.3	12.2	12.6	10.0	
Benin	2.5	1.5	0.9	5.4	3.8	1.3	5.0	3.5	
Botswana	8.0	9.2	7.0	8.6	8.5	8.1	14.0	9.0	
Burkina Faso	2.3	2.0	-0.4	6.4	2.8	-0.2	7.6	5.0	
Burundi	-1.4	7.9	10.7	13.5	2.8	8.3	15.0	8.5	
Cameroon	2.9	0.6	0.3	2.0	5.1	0.9	5.8	5.4	
Cape Verde	1.9	1.2	-1.9	0.4	5.4	4.4	5.0	3.5	
Central African Republic	2.3	4.4	-2.2	2.9	3.1	3.0	4.1	3.4	
Chad	5.2	-1.9	-5.3	8.0	8.0	-9.0	10.0	7.0	
Comoros	3.5	3.8	4.5	3.0	3.4	3.7	4.5	4.0	
Congo	3.8	-1.3	3.6	2.5	4.7	2.7	5.0	4.0	
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	17.0	11.0	
Djibouti	0.6	2.0	3.1	3.1	3.5	8.0	10.0	7.0	
Egypt	2.7	4.5	11.3	4.9	7.6	9.5	17.1	9.7	
Equatorial Guinea	7.6	7.3	4.2	5.7	4.5	6.1	7.0	5.5	
Eritrea	17.4	22.7	25.1	12.5	16.7	17.0	18.0	15.5	
Ethiopia	1.6	17.8	3.3	11.6	12.3	17.2	41.0	21.0	
Gabon	0.0	2.1	0.4	1.2	4.1	5.0	6.0	3.5	
Gambia	8.5	17.0	14.2	3.2	2.1	5.1	6.0	5.1	
Ghana	14.2	27.4	12.6	15.4	11.7	10.7	16.0	11.0	
Guinea	3.0	12.9	17.5	31.4	34.7	24.0	30.0	25.0	
Guinea-Bissau	3.9	-3.5	0.9	3.4	1.9	4.6	6.5	3.5	
Kenya	2.0	9.8	11.7	10.3	14.5	9.7	25.0	10.0	
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	7.4	11.4	15.0	13.0	
Libyan Arab Jamahiriya	-9.9	-2.1	-2.2	2.0	3.4	6.3	12.5	12.0	
Madagascar	15.9	-1.2	13.8	18.4	10.8	10.3	9.5	7.0	
Malawi	14.7	9.6	11.4	15.4	14.0	7.9	9.0	9.5	
Mali	5.0	-1.3	-3.1	6.4	1.5	1.4	6.0	3.0	
Mauritania	5.4	5.3	10.4	12.1	6.2	7.2	9.0	5.0	
Mauritius	6.5	3.9	4.7	4.9	8.9	9.3	10.0	8.3	
Morocco	2.8	1.2	1.5	1.0	3.4	2.0	5.0	4.7	
Mozambique	16.8	13.5	12.6	6.4	13.2	8.2	11.5	10.2	
Namibia	11.3	7.2	4.2	2.3	5.1	6.7	11.5	8.0	
Niger	2.6	-1.6	0.2	7.8	0.1	0.1	8.0	4.5	
Nigeria	12.9	14.0	15.0	17.9	8.2	6.5	7.6	7.9	
Rwanda	2.0	7.4	12.0	9.2	8.9	9.1	9.5	8.0	
Sao Tome and Principe	10.1	9.9	13.8	17.1	23.1	20.0	28.0	22.0	
Senegal	2.3	0.0	0.5	1.7	2.1	5.9	6.5	3.0	
Sierra Leone	-3.7	7.5	14.2	12.1	9.7	11.7	14.5	12.0	
Somalia	10.0	12.0	12.0	12.0	14.0	15.0	20.0	15.0	
South Africa	9.2	5.8	1.4	3.5	4.6	6.5	11.2	7.0	
Sudan	8.3	7.7	8.4	8.5	7.2	8.0	15.0	12.0	
Togo	3.1	0.9	0.4	6.8	2.2	1.0	6.5	3.8	
Tunisia	2.7	2.7	3.6	2.1	4.5	3.1	5.0	4.5	
Uganda	-0.3	7.8	3.3	8.2	6.6	6.6	9.0	7.0	
United Republic of Tanzania	4.6	4.4	4.1	4.4	6.7	7.0	9.0	7.0	
Zambia	22.2	21.4	18.0	18.3	9.0	10.7	11.8	10.0	
Zimbabwe	133.2	365.0	350.0	237.8	1016.7	12500	11000000	180	
East and South Asia									
Bangladesh	3.3	5.7	9.2	7.0	7.2	7.2	9.9	6.5	
Brunei Darussalam	-2.3	0.3	0.8	1.2	0.1	0.4	0.6	0.9	
China	-0.8	1.2	3.9	1.8	1.5	4.8	6.3	3.7	
Hong Kong, Special Administrative Region of China	-3.1	-2.5	-0.4	0.9	2.1	2.0	4.5	4.3	
India	4.4	3.8	4.0	4.3	6.2	6.5	7.2	6.9	
Indonesia	11.9	6.6	6.2	10.5	13.1	6.4	10.3	8.4	
Iran, Islamic Republic of	14.3	16.5	14.8	13.4	11.9	17.0	24.0	22.0	
Korea, Republic of	2.8	3.5	3.6	2.8	2.2	2.5	4.8	3.6	
Malaysia	1.8	1.0	1.5	3.0	3.6	2.0	5.8	3.5	
Myanmar	57.1	36.6	4.5	9.4	20.0	35.0	34.2	30.5	
Nepal	3.0	5.7	2.8	4.5	8.0	6.4	7.9	8.5	
Pakistan	3.3	2.9	7.4	9.1	7.9	7.6	21.6	15.3	
Papua New Guinea	11.8	14.7	2.2	1.8	2.4	0.9	7.9	4.1	
Philippines	3.0	3.5	6.0	7.6	6.2	2.8	8.8	7.2	

Singapore		-0.4	0.5	1.7	0.4	1.0	2.1	6.5	2.8
Sri Lanka		9.6	6.3	9.0	11.0	10.0	15.8	21.5	12.0
Taiwan, Province of China		-0.2	-0.3	1.6	2.3	0.6	1.8	3.7	1.8
Thailand		0.6	1.8	2.8	4.5	4.6	2.2	6.3	3.2
Viet Nam		3.8	3.2	7.8	8.3	7.4	9.0	24.7	15.4
	Western Asia								
Bahrain		-0.5	1.6	2.4	2.6	2.1	3.3	4.3	4.0
Israel		5.7	0.7	-0.4	1.3	2.1	0.5	4.9	4.3
Jordan		1.8	1.6	3.4	3.5	6.3	5.4	14.4	7.9
Kuwait		0.9	1.0	1.2	4.1	3.1	5.5	10.2	7.5
Oman		-0.3	0.2	0.8	1.9	3.4	5.9	11.2	8.5
Qatar		0.2	2.3	6.8	8.8	11.8	13.8	14.0	10.5
Saudi Arabia		0.2	0.6	0.3	0.7	2.2	4.1	11.0	8.7
Syrian Arab Republic		-0.1	5.8	4.4	7.4	10.0	5.2	8.5	6.0
Turkey		45.0	21.6	8.6	8.2	9.6	8.8	10.2	8.5
Yemen		12.2	10.8	12.5	11.8	20.8	12.6	16.8	14.4
	Latin America								
Argentina		25.9	13.4	4.4	9.6	10.9	8.8	9.0	9.1
Barbados		0.1	1.6	1.4	6.1	7.3	4.0	8.9	6.4
Bolivia		0.9	3.3	4.4	5.4	4.3	8.7	14.3	10.6
Brazil		8.5	14.7	6.6	6.8	4.2	3.6	5.8	5.8
Chile		2.5	2.8	1.1	3.1	3.4	4.4	8.9	6.5
Colombia		6.3	7.1	5.9	5.0	4.3	5.5	7.3	5.5
Costa Rica		9.2	9.4	12.3	13.8	11.5	9.4	12.2	10.9
Dominican Republic		5.2	27.4	51.5	4.2	7.6	6.1	12.3	10.7
Ecuador		12.5	7.9	2.7	2.4	3.0	2.3	8.6	5.1
El Salvador		1.9	2.1	4.5	4.7	4.0	3.9	7.6	7.4
Guatemala		8.0	5.5	7.4	8.4	6.5	6.8	10.6	7.7
Guyana		5.3	6.0	4.7	6.9	6.6	12.3	8.6	6.8
Haiti		9.9	26.7	28.3	16.8	14.2	9.1	14.5	11.5
Honduras		7.7	7.7	8.1	8.8	5.6	6.9	11.2	10.3
Jamaica		7.1	10.3	13.6	15.3	8.6	9.3	20.2	15.4
Mexico		5.0	4.5	4.7	4.0	3.6	4.0	4.9	4.7
Nicaragua		3.8	5.3	8.5	9.6	9.1	11.1	20.5	11.4
Panama		1.0	0.4	0.2	3.2	2.1	4.2	9.2	5.9
Paraguay		10.5	14.2	4.3	6.8	9.6	8.1	10.5	5.6
Peru		0.2	2.3	3.7	1.6	2.0	1.8	5.6	4.4
Trinidad and Tobago		4.1	3.8	3.7	6.9	8.3	7.9	10.1	10.0
Uruguay		14.0	19.4	9.2	4.7	6.4	8.1	6.8	6.2
Venezuela, Bolivarian Republic of		22.4	31.1	21.8	16.0	13.7	18.7	31.2	31.3

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	6411	7463	9070	10387	11998	13948	16792	16650
	Imports	6448	7502	9155	10424	11968	13838	16680	16652
Developed economies	Exports	4152	4780	5666	6173	6944	7993	9259	8960
	Imports	4434	5145	6138	6862	7771	8831	10300	9726
	Balance	-282	-364	-472	-690	-827	-838	-1041	-767
North America	Exports	950	997	1148	1280	1433	1580	1789	1783
	Imports	1417	1529	1779	2026	2239	2372	2642	2454
	Balance	-467	-532	-631	-746	-807	-791	-854	-672
Asia and Oceania	Exports	475	537	646	695	764	855	990	1009
	Imports	389	450	539	625	695	772	962	947
	Balance	86	87	106	70	69	83	28	62
Europe	Exports	2726	3244	3869	4193	4742	5549	6465	6156
	Imports	2627	3164	3817	4205	4829	5675	6677	6313
	Balance	99	80	52	-12	-87	-126	-211	-157
European Union	Exports	2578	3075	3670	3967	4482	5251	6118	5829
	Imports	2508	3027	3657	4032	4637	5449	6418	6060
	Balance	70	48	13	-65	-154	-198	-300	-231
EU-15	Exports	2405	2853	3374	3605	4059	4695	5373	5082
	Imports	2295	2756	3305	3604	4124	4774	5509	5150
	Balance	111	97	69	1	-65	-79	-136	-68
New EU Members	Exports	172	222	296	362	424	556	745	747
	Imports	213	271	352	428	513	675	909	910
	Balance	-41	-49	-56	-66	-89	-119	-164	-164
Other Europe	Exports	149	171	202	231	265	307	362	339
	Imports	120	138	162	179	200	239	278	264
	Balance	30	33	41	52	65	68	84	75
Euro Zone	Exports	2003	2397	2853	3041	3415	4018	4658	4412
	Imports	1861	2257	2713	2964	3397	3943	4649	4357
	Balance	143	140	140	77	19	75	9	55
Economies in transition	Exports	162.7	205.7	280.6	384.7	493.2	620.9	914.7	890.9
	Imports	129.6	162.8	209.4	264.3	342.8	476.5	650.6	733.7
	Balance	33.1	42.8	71.2	120.4	150.4	144.4	264.1	157.2
South-eastern Europe	Exports	9.6	11.6	15.3	19.5	23.0	29.4	36.6	39.1
	Imports	24.5	29.1	35.5	41.7	48.0	62.7	77.9	82.0
	Balance	-14.8	-17.5	-20.2	-22.2	-25.0	-33.3	-41.3	-42.9
Commonwealth of Independent States	Exports	153.1	194.1	265.2	365.2	470.2	591.5	878.1	851.8
	Imports	105.2	133.7	173.9	222.6	294.8	413.7	572.7	651.7
	Balance	47.9	60.4	91.3	142.6	175.5	177.7	305.4	200.1
Net fuel exporters	Exports	124.0	157.3	214.2	315.9	413.2	519.8	779.6	743.0
	Imports	75.0	93.4	121.3	168.8	226.6	322.5	443.1	508.1
	Balance	49.0	63.9	92.8	147.1	186.6	197.3	336.5	234.9
Net fuel importers	Exports	29.1	36.8	51.1	49.3	57.0	71.7	98.5	108.7
	Imports	30.2	40.3	52.6	53.8	68.2	91.3	129.6	143.5
	Balance	-1.1	-3.5	-1.5	-4.6	-11.2	-19.6	-31.1	-34.8
Developing countries	Exports	2096.1	2477.1	3123.8	3829.6	4560.2	5333.8	6618.8	6800.0
	Imports	1884.1	2194.6	2807.9	3297.0	3853.4	4529.7	5729.3	6191.9
	Balance	212.0	282.6	315.9	532.6	706.8	804.1	889.5	608.1
Africa	Exports	140.0	172.9	223.6	308.4	367.8	444.4	617.2	609.6
	Imports	137.6	165.6	209.3	256.5	306.2	384.2	496.9	534.3
	Balance	2.4	7.3	14.3	51.9	61.6	60.2	120.2	75.3
North Africa	Exports	48.1	62.4	77.0	106.2	142.2	170.7	261.7	259.2
	Imports	54.1	57.7	70.7	88.1	106.5	142.4	215.1	248.5
	Balance	-6.0	4.6	6.3	18.1	35.7	28.3	46.6	10.6
Sub-Saharan Africa (Excluding Nigeria & South Africa)	Exports	47.1	54.1	69.3	95.4	115.8	141.2	201.5	185.0
	Imports	46.7	55.9	70.9	84.7	94.8	112.6	133.8	141.3
	Balance	0.4	-1.8	-1.6	10.7	21.0	28.6	67.6	43.7
Net fuel exporters	Exports	64.0	82.2	109.3	177.3	212.9	257.2	389.8	371.2
	Imports	47.5	53.0	64.9	88.0	99.4	130.7	192.5	229.6
	Balance	16.6	29.3	44.4	89.2	113.5	126.5	197.2	141.6
Net fuel importers	Exports	76.0	90.6	114.3	131.1	154.9	187.2	227.4	238.4
	Imports	90.1	112.6	144.4	168.5	206.8	253.5	304.4	304.7
	Balance	-14.1	-22.0	-30.1	-37.4	-51.9	-66.3	-77.0	-66.3

East and South Asia	Exports	1341.8	1601.5	2011.0	2388.9	2841.4	3328.2	3952.3	4265.9
	Imports	1202.4	1436.7	1840.3	2151.3	2504.7	2864.3	3613.4	4007.6
	Balance	139.4	164.8	170.8	237.7	336.7	463.9	339.0	258.3
East Asia	Exports	1242.7	1483.7	1862.2	2195.5	2612.1	3057.0	3625.1	3899.8
	Imports	1100.4	1311.7	1671.1	1930.5	2234.6	2565.1	3217.6	3561.4
	Balance	142.3	172.0	191.0	265.1	377.6	491.9	407.5	338.5
South Asia	Exports	99.1	117.9	148.9	193.4	229.3	271.1	327.2	366.0
	Imports	101.9	125.0	169.1	220.8	270.1	299.2	395.8	446.2
	Balance	-2.8	-7.2	-20.3	-27.4	-40.8	-28.0	-68.6	-80.2
Net fuel exporters	Exports	48.6	58.6	76.0	100.1	120.0	143.9	181.1	178.6
	Imports	40.4	51.7	65.3	77.9	91.7	112.3	141.5	154.5
	Balance	8.2	6.9	10.6	22.2	28.2	31.6	39.7	24.1
Net fuel importers	Exports	1293.2	1543.0	1935.1	2288.9	2721.4	3184.2	3771.2	4087.3
	Imports	1162.0	1385.0	1774.9	2073.4	2412.9	2751.9	3471.9	3853.1
	Balance	131.2	157.9	160.1	215.5	308.5	432.3	299.3	234.2
Western Asia	Exports	258.6	316.7	414.7	555.3	665.2	785.1	1097.2	984.3
	Imports	208.5	245.1	334.7	386.0	442.0	566.6	703.7	721.0
	Balance	50.2	71.6	80.0	169.3	223.2	218.5	393.5	263.2
Net fuel exporters	Exports	186.9	229.3	303.5	427.3	524.3	604.7	856.6	721.5
	Imports	109.0	126.8	174.4	215.4	253.8	324.9	408.5	450.5
	Balance	77.9	102.5	129.1	211.8	270.5	279.8	448.1	271.0
Net fuel importers	Exports	71.7	87.4	111.3	128.1	141.0	180.4	240.6	262.7
	Imports	99.4	118.2	160.4	170.6	188.2	241.7	295.2	270.5
	Balance	-27.7	-30.9	-49.1	-42.5	-47.3	-61.3	-54.6	-7.8
Latin America and the Caribbean	Exports	355.7	386.0	474.4	576.9	685.8	776.1	952.1	940.3
	Imports	335.7	347.2	423.7	503.2	600.6	714.6	915.3	929.1
	Balance	20.0	38.8	50.8	73.7	85.2	61.5	36.8	11.2
South America	Exports	160.6	184.2	244.0	311.3	376.7	449.7	597.0	586.4
	Imports	115.8	122.6	165.0	206.9	257.0	341.8	495.0	503.8
	Balance	44.8	61.6	79.0	104.3	119.7	107.8	102.1	82.6
Mexico and Central America	Exports	182.1	187.0	213.1	244.4	283.5	299.5	323.8	326.7
	Imports	198.5	202.5	233.7	265.5	306.1	331.6	367.6	373.6
	Balance	-16.4	-15.4	-20.6	-21.0	-22.6	-32.1	-43.8	-46.9
Caribbean	Exports	12.9	14.8	17.4	21.2	25.6	26.9	31.2	27.1
	Imports	21.4	22.2	25.0	30.8	37.4	41.2	52.7	51.6
	Balance	-8.5	-7.3	-7.6	-9.6	-11.9	-14.3	-21.5	-24.5
Net fuel exporters	Exports	235.4	245.8	290.4	350.8	409.9	441.7	531.3	532.0
	Imports	213.7	217.9	265.0	310.7	368.0	414.6	480.6	493.0
	Balance	21.7	27.8	25.4	40.1	41.9	27.0	50.7	38.9
Net fuel importers	Exports	120.2	140.3	184.1	226.1	275.9	334.4	420.8	408.3
	Imports	122.0	129.3	158.7	192.5	232.6	300.0	434.7	436.0
	Balance	-1.8	11.0	25.4	33.6	43.3	34.4	-13.9	-27.7

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	16.4	21.5	14.5	15.5	16.3	20.4	-0.8
	Imports	3.7	16.4	22.0	13.9	14.8	15.6	20.5	-0.2
Developed economies	Exports	3.6	15.1	18.5	8.9	12.5	15.1	15.8	-3.2
	Imports	3.0	16.0	19.3	11.8	13.2	13.6	16.6	-5.6
North America	Exports	-4.2	5.0	15.1	11.5	11.9	10.3	13.2	-0.3
	Imports	1.5	7.9	16.4	13.9	10.5	5.9	11.4	-7.1
Asia and Oceania	Exports	3.1	13.1	20.2	7.7	9.9	11.9	15.8	1.9
	Imports	-0.3	15.6	19.8	15.9	11.2	11.0	24.7	-1.6
Europe	Exports	6.7	19.0	19.3	8.4	13.1	17.0	16.5	-4.8
	Imports	4.3	20.4	20.7	10.2	14.8	17.5	17.6	-5.4
European Union	Exports	6.7	19.3	19.3	8.1	13.0	17.1	16.5	-4.7
	Imports	4.2	20.7	20.8	10.2	15.0	17.5	17.8	-5.6
EU-15	Exports	6.2	18.6	18.3	6.9	12.6	15.7	14.4	-5.4
	Imports	3.6	20.1	19.9	9.0	14.4	15.8	15.4	-6.5
New EU Members	Exports	14.2	29.0	33.0	22.3	17.2	31.3	34.0	0.2
	Imports	11.4	27.2	29.7	21.7	19.8	31.7	34.7	0.1
Other Europe	Exports	7.2	14.3	18.7	14.1	14.9	15.7	17.9	-6.5
	Imports	6.5	15.3	17.5	10.6	11.9	19.2	16.1	-4.9
Euro Zone	Exports	6.5	19.7	19.0	6.6	12.3	17.6	15.9	-5.3
	Imports	3.2	21.3	20.2	9.3	14.6	16.1	17.9	-6.3
Economies in transition	Exports	6.3	26.4	36.4	37.1	28.2	25.9	47.3	-2.6
	Imports	12.0	25.6	28.6	26.2	29.7	39.0	36.5	12.8
South-eastern Europe	Exports	6.4	20.3	32.0	27.3	17.8	28.1	24.3	6.9
	Imports	20.2	19.1	21.9	17.5	15.2	30.7	24.1	5.3
Commonwealth of Independent States	Exports	6.3	26.8	36.7	37.7	28.8	25.8	48.5	-3.0
	Imports	10.3	27.1	30.1	28.0	32.4	40.4	38.4	13.8
Net fuel exporters	Exports	5.5	26.8	36.2	47.5	30.8	25.8	50.0	-4.7
	Imports	10.9	24.5	29.9	39.1	34.3	42.3	37.4	14.7
Net fuel importers	Exports	10.0	26.5	38.7	-3.5	15.7	25.7	37.5	10.3
	Imports	8.9	33.6	30.4	2.3	26.7	33.8	42.1	10.7
Developing countries	Exports	7.2	18.2	26.1	22.6	19.1	17.0	24.1	2.7
	Imports	5.0	16.5	28.0	17.4	16.9	17.6	26.5	8.1
Africa	Exports	3.4	23.4	29.3	37.9	19.3	20.8	38.9	-1.2
	Imports	3.4	20.4	26.4	22.6	19.4	25.5	29.3	7.5
North Africa	Exports	0.1	29.6	23.5	38.0	33.8	20.1	53.3	-1.0
	Imports	11.4	6.8	22.5	24.7	20.8	33.8	51.1	15.5
Sub-Saharan Africa (Excluding Nigeria & South Africa)	Exports	15.1	14.9	28.0	37.7	21.4	22.0	42.7	-8.2
	Imports	4.5	19.7	26.9	19.4	11.9	18.8	18.9	5.5
Net fuel exporters	Exports	0.1	28.4	32.9	62.1	20.1	20.8	51.5	-4.8
	Imports	3.2	11.6	22.5	35.6	12.9	31.5	47.3	19.2
Net fuel importers	Exports	6.2	19.3	26.1	14.8	18.1	20.9	21.5	4.8
	Imports	3.5	25.0	28.2	16.7	22.7	22.6	20.1	0.1
East and South Asia	Exports	9.9	19.4	25.6	18.8	18.9	17.1	18.8	7.9
	Imports	8.7	19.5	28.1	16.9	16.4	14.4	26.2	10.9
East Asia	Exports	9.7	19.4	25.5	17.9	19.0	17.0	18.6	7.6
	Imports	8.8	19.2	27.4	15.5	15.8	14.8	25.4	10.7
South Asia	Exports	12.2	18.9	26.3	29.9	18.5	18.3	20.7	11.9
	Imports	7.5	22.6	35.3	30.6	22.3	10.8	32.3	12.7
Net fuel exporters	Exports	14.3	20.4	29.7	31.8	19.8	20.0	25.8	-1.4
	Imports	21.5	27.8	26.4	19.2	17.8	22.5	25.9	9.2
Net fuel importers	Exports	9.7	19.3	25.4	18.3	18.9	17.0	18.4	8.4
	Imports	8.3	19.2	28.2	16.8	16.4	14.1	26.2	11.0
Western Asia	Exports	5.0	22.5	31.0	33.9	19.8	18.0	39.7	-10.3
	Imports	7.2	17.6	36.6	15.3	14.5	28.2	24.2	2.5
Net fuel exporters	Exports	4.3	22.7	32.3	40.8	22.7	15.3	41.6	-15.8
	Imports	5.4	16.3	37.5	23.6	17.8	28.0	25.7	10.3
Net fuel importers	Exports	6.8	21.8	27.3	15.1	10.1	28.0	33.4	9.2
	Imports	9.2	18.9	35.6	6.4	10.4	28.4	22.1	-8.4
Latin America and the Caribbean	Exports	1.0	8.5	22.9	21.6	18.9	13.2	22.7	-1.2
	Imports	-7.0	3.4	22.0	18.8	19.3	19.0	28.1	1.5
South America	Exports	1.3	14.7	32.5	27.6	21.0	19.4	32.8	-1.8
	Imports	-17.9	5.8	34.6	25.4	24.2	33.0	44.8	1.8
Mexico and Central America	Exports	1.3	2.7	13.9	14.7	16.0	5.7	8.1	0.9
	Imports	0.9	2.0	15.4	13.6	15.3	8.3	10.9	1.6
Caribbean	Exports	-6.2	15.0	17.2	22.1	20.3	5.1	16.3	-13.1
	Imports	-8.0	3.7	12.7	23.3	21.4	10.0	28.1	-2.2
Net fuel exporters	Exports	0.6	4.4	18.1	20.8	16.8	7.7	20.3	0.1
	Imports	-6.5	2.0	21.6	17.3	18.4	12.7	15.9	2.6
Net fuel importers	Exports	1.8	16.7	31.2	22.8	22.0	21.2	25.8	-3.0
	Imports	-8.0	6.0	22.8	21.3	20.8	29.0	44.9	0.3

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	4.4	5.6	11.2	7.4	9.3	6.4	4.3	3.2
	Imports	4.1	6.5	11.8	8.0	8.9	6.3	4.6	3.2
Developed economies	Exports	2.2	2.5	8.9	5.1	8.1	4.6	3.1	0.7
	Imports	2.5	4.6	9.5	6.5	7.0	3.8	1.2	-1.1
North America	Exports	-2.4	0.5	9.0	5.7	6.1	4.8	3.8	1.4
	Imports	3.2	4.7	10.8	6.8	5.0	1.4	-4.1	-4.1
Asia and Oceania	Exports	6.6	8.1	12.1	4.9	8.2	6.9	-2.2	-3.9
	Imports	3.1	7.1	8.2	5.7	5.5	3.7	5.8	-5.5
Europe	Exports	3.1	2.1	8.2	4.9	8.8	4.0	3.9	1.4
	Imports	2.0	4.1	9.0	6.5	8.3	5.2	3.3	1.2
European Union	Exports	3.3	2.2	8.4	4.9	8.8	3.6	4.0	1.4
	Imports	2.3	4.3	9.0	6.3	8.1	4.8	3.3	1.2
EU-15	Exports	2.9	1.5	7.6	4.4	8.5	2.8	3.3	0.6
	Imports	1.9	3.7	8.3	5.9	7.6	3.9	2.5	0.2
New EU Members	Exports	8.3	12.7	18.1	11.5	11.5	12.3	11.7	8.7
	Imports	7.3	10.3	16.5	10.1	13.1	12.8	9.4	8.4
Other Europe	Exports	0.5	-0.4	4.8	3.8	8.4	10.7	2.4	0.9
	Imports	-5.0	-1.3	9.0	11.7	13.8	14.0	3.4	1.1
Euro Zone	Exports	3.5	1.8	8.8	4.3	8.4	4.3	3.5	0.6
	Imports	1.6	3.6	8.8	6.4	7.4	4.1	2.9	0.5
Economies in transition	Exports	7.9	13.2	15.5	0.3	7.1	9.2	4.1	5.4
	Imports	11.8	16.2	19.3	8.4	18.5	24.8	16.7	15.6
South-eastern Europe	Exports	5.2	7.5	17.6	17.4	9.5	17.3	8.9	7.0
	Imports	17.0	3.5	9.6	10.8	9.9	16.4	7.8	8.2
Commonwealth of Independent States	Exports	8.0	13.6	15.4	-0.7	7.0	8.6	3.7	5.2
	Imports	10.7	19.1	21.2	8.0	20.1	26.2	18.1	16.6
Net fuel exporters	Exports	8.0	13.7	14.5	2.7	7.9	8.5	3.5	4.3
	Imports	11.6	18.8	24.1	15.4	22.3	28.1	20.4	16.8
Net fuel importers	Exports	8.0	12.8	19.6	-16.7	1.9	9.4	5.3	10.5
	Imports	8.3	20.1	14.0	-12.8	11.6	18.5	8.1	15.7
Developing countries	Exports	8.6	10.8	15.0	11.9	11.5	8.9	6.2	6.5
	Imports	7.4	10.4	16.3	11.1	11.9	9.6	9.5	9.0
Africa	Exports	4.7	10.0	9.0	17.3	0.8	10.1	9.7	3.8
	Imports	5.0	10.6	10.7	17.0	11.5	17.4	14.4	10.2
North Africa	Exports	1.2	15.9	1.1	11.4	17.2	10.4	13.3	6.8
	Imports	11.8	5.8	8.7	17.8	16.0	24.8	23.8	17.0
Sub-Saharan Africa (Excluding Nigeria & South Africa)	Exports	11.1	2.7	10.5	13.2	5.2	8.2	5.2	5.2
	Imports	3.9	6.9	14.6	12.8	5.8	9.3	4.8	7.8
Net fuel exporters	Exports	6.6	19.4	8.0	28.0	-4.7	9.6	14.8	5.3
	Imports	8.5	16.3	6.9	30.9	4.5	22.9	23.0	18.2
Net fuel importers	Exports	3.1	1.1	10.1	5.7	8.0	10.8	3.8	1.9
	Imports	3.2	7.6	12.9	9.5	16.1	14.2	9.1	4.6
East and South Asia	Exports	12.0	12.9	17.8	13.4	14.2	10.6	7.9	7.4
	Imports	11.4	11.9	18.0	11.3	12.1	8.0	9.4	9.7
East Asia	Exports	12.0	13.5	18.5	13.6	14.4	10.8	8.1	6.8
	Imports	11.8	12.0	17.7	10.4	11.7	8.6	8.8	9.0
South Asia	Exports	11.8	6.0	9.2	10.9	11.3	7.9	4.8	16.0
	Imports	7.5	11.2	22.1	21.0	15.7	2.3	15.2	17.0
Net fuel exporters	Exports	13.4	7.4	6.1	3.1	4.7	9.5	-5.1	12.6
	Imports	21.2	17.9	14.0	10.1	12.6	14.9	12.5	10.2
Net fuel importers	Exports	11.9	13.2	18.3	13.7	14.5	10.6	8.3	7.2
	Imports	11.1	11.7	18.2	11.3	12.1	7.7	9.3	9.7
Western Asia	Exports	4.5	8.9	8.0	5.4	6.1	6.2	3.3	4.1
	Imports	7.3	7.9	23.6	8.2	9.6	15.2	8.6	9.5
Net fuel exporters	Exports	3.4	7.3	5.8	4.9	4.8	4.7	0.8	2.1
	Imports	5.2	5.6	24.8	16.4	12.9	17.9	10.0	13.1
Net fuel importers	Exports	7.6	13.2	13.8	6.7	9.4	9.9	8.8	8.2
	Imports	9.8	10.4	22.2	-0.7	5.4	11.6	6.7	4.1
Latin America and the Caribbean	Exports	1.7	4.3	11.3	8.3	7.9	2.0	-2.2	4.4
	Imports	-4.1	6.2	7.5	9.9	13.0	8.9	8.2	5.0
South America	Exports	2.1	4.6	12.8	9.8	5.9	3.2	2.0	7.4
	Imports	-12.0	16.5	2.5	9.6	14.3	19.0	21.7	8.7
Mexico and Central America	Exports	1.7	3.8	10.2	7.1	10.1	0.7	-6.1	2.2
	Imports	2.0	0.9	11.4	9.6	11.9	2.8	-2.7	1.8
Caribbean	Exports	-2.6	9.0	5.9	4.1	4.3	3.2	-4.4	-7.2
	Imports	-7.4	-2.9	3.9	15.5	15.0	2.9	12.7	0.7
Net fuel exporters	Exports	-0.2	1.6	10.0	8.3	8.7	-0.4	-4.7	3.2
	Imports	-5.2	-0.1	15.9	12.4	14.0	5.6	0.9	3.8
Net fuel importers	Exports	5.5	9.5	13.5	8.3	6.4	6.1	1.9	6.3
	Imports	-2.1	16.7	-4.4	5.8	11.1	15.0	20.7	6.6

Source: Project LINK

a Partly estimated.

b Forecasts, based in part on Project LINK.