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Acknowledgement

This report presents short-term prospects for the global economy in 2010, including major risks and policy challenges. The report draws inputs from the experts of Project LINK, as well as analysis of staff in the Department of Economic and Social Affair. 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]

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

Overview

Since the last LINK Global Economic Outlook of June 2009, the world economic situation has been on the mend. Global equity markets have rebounded and risk premiums on lending have fallen. International trade and global industrial production have also been recovering noticeably, with an increasing number of countries registering positive quarterly GDP growth. These revivals are in part driven by the effects of the massive policy stimuli injected worldwide since late 2008, but also reflect strong cyclical inventory adjustment.

Fragilities remain in the world economy. Credit conditions are still tight in major developed economies, where most financial institutions need to continue de-leveraging and cleansing of their balance-sheets. The recovery of domestic demand remains tentative at best in many economies and is far from autonomous. High unemployment rates and the large output gap in most countries, along with a number of other factors, such as the possibility of further spread of the H1N1 influenza pandemic that could hurt economic activity, continue to pose challenges for policymakers worldwide. Meanwhile, the global imbalances may re-emerge, leading to a resurgence of financial instability.

In the baseline outlook, world gross product (WGP) is expected to grow by 2.4 per cent in 2010, after falling by an estimated 2.2 per cent in 2009—the worst performance since World War II, compared with a growth of 1.9 per cent in 2008 and an average growth above 3 per cent in the years prior to the crisis.

The economic and social impacts of the global financial crisis on developing countries are consequential and multifaceted, particularly for the low-income countries and the most vulnerable people. Falling household incomes, dwindling government revenues and rising unemployment, combined with a fragile social safety net, are severely impeding, or even eroding in some cases, the progress towards poverty reduction and the fight against hunger, as well as the other Millennium Development Goals (MDGs), especially in those countries that were not on track to meet most of these goals even prior to the crisis, such as a number of economies in sub-Sahara Africa. Some of the adverse impacts could be long-lasting, as they are weakening the broad basis of human development, in such areas as maternal and infant mortality, education enrolment and completion rates, women's employment and access to public services.

In response to the global financial crisis, many countries have taken massive policy actions. Most developed economies have made available prodigious public funding, totalling about 30 per cent of WGP, to recapitalize banks, take partial or full Government ownership of ailing financial institutions and provide ample guarantees on bank deposits and other financial assets. A large number of developed and emerging economies have also adopted various fiscal stimulus packages, totalling about $2.6 trillion, or about 4.3 per cent of WGP, for 2009-2011. Even a more number of countries have substantially eased monetary policy.

Meanwhile, under the auspices of the G-20, some $1.1 trillion of financial resources were committed. An important share of these resources has been mobilized through the international financial institutions since April 2009. They are meant to help developing countries finance counter-cyclical spending, bank recapitalization, infrastructure, trade finance, balance of payments support, debt rollover, and social support.

Most observers agree that these policies have indeed been critical for preventing the global economy from falling into another great depression. Yet they have also given rise to some concern. For example, some governments fear that the rapid deterioration of fiscal positions could affect economic growth in the longer run and are calling for the exit of the policy stimuli. The proper application of counter-cyclical policy requires the judicious phasing out of stimulus and bailout measures when the world economy reaches the stage of solid recovery. For the time being, however, a premature withdrawal of policy supports poses a significant risk, as both the financial sector and the real economy continue to be feeble. In order to reduce uncertainties and to anchor market expectations, it is advisable for policymakers to work out credible plans for the policy transition in advance, but to avoid a premature execution. While the timing of the policy transition may vary from country to country, it is most important that the exit strategies should be coordinated: both coordinated domestically among monetary, fiscal and financial policy authorities, and coordinated internationally, to avoid inconsistency and negative international policy spillovers, which will delay, or even derail, global recovery.

Many developing countries continue to lack the resources to undertake the needed counter-cyclical measures for mitigating the impact of the global financial crisis on their economies. The increased financial resources through the international financial institutions should be urgently and adequately channelled into low income countries. In addition to the increased concessional financing, the international community needs to deliver on the ODA commitments.

The crisis has led to narrowing the global imbalances, with the external deficit of the United States declining, yet in a counterproductive fashion. The structural problems that caused the emergence of the wide global imbalances in the first place have not been removed, and the imbalances can re-emerge once again. For instance, the rise of the budget deficit in the United States will likely renew pressure on widening the external deficit. In most surplus countries, especially in Asia, conditions of high dependence on exports for growth and the relatively weak domestic demand have not fundamentally changed. As such, the pre-crisis trends in imbalances may come back in a context of post-recession and mounting public indebtedness in the major economies, which will in turn increase exchange-rate instability and a strong downward pressure on the dollar. Therefore, effective international policy coordination is needed to avert such destabilizing factors to become a new drag on the global recovery and to steer the world economy towards a more balanced and sustainable growth path. In this regard, the launch of the framework for “strong, sustainable and balanced growth” by G-20 has laid a first step towards this goal, but more policy actions are needed to follow through.

Rising protectionism also poses a further risk to the global recovery. The WTO has recorded an increasing number of trade protectionist measures taken since the eruption of the crisis. So far, protectionist measures are still limited to individual acts of low intensity, with some of these measures complying with WTO rules, but international communities should reaffirm their commitment to the multilateral trade system under the WTO, to prevent a dangerous proliferation of new protectionism, which could drag the global recovery. More importantly, the most recent renewed efforts to continue the Doha Round negotiations should be strengthened to a successful completion of the development round.

The global financial crisis has exposed major deficiencies in the international financial architecture and global economic governance, as well as failures of regulation and supervision at national levels. As the global economy recovers, more, rather than less, urgent efforts are needed to spearhead reforms of international and national financial systems, to prevent a similar crisis from recurring.

At the international level, the mandate and governance of international financial institutions need to be reformed, in addition to the significantly increased resources for these institutions. The reform of the governance of these institutions is a core element to improve the credibility, legitimacy, and effectiveness. The proposed increase in the share of votes for developing economies in these institutions is a step in the right direction.

Some consideration has been given towards strengthening such areas as prudential oversight, risk management, transparency, but more concrete proposals for reform are needed to develop rules to improve both the quantity and quality of bank capital, to discourage excessive leverage and to mitigate pro-cyclicality. Compensation practices need to be reformed to support financial stability, as excessive compensation in the financial sector has encouraged excessive risk taking. Frameworks should be developed for effective cross-border resolution of financial groups to help mitigate the disruption of financial institution failures and reduce moral hazard in the future.

Global macroeconomic prospects

After a sharp and synchronized global downturn, indeed the deepest contraction since World War II, the world economy is improving. Even with an increasing number of economies showing positive growth since the second quarter of 2009, WGP is still estimated to register a decline of 2.2 per cent for the year. Premised on the assumption of a continued supportive policy stance worldwide (box 1), only a mild growth of 2.4 per cent is forecast in the baseline outlook for 2010 (table 1 and figure 1). For the period of 2008-2010, the global financial crisis is estimated to entail a loss of at least 7 percentage points on WGP, when compared with the average growth prior to the crisis.

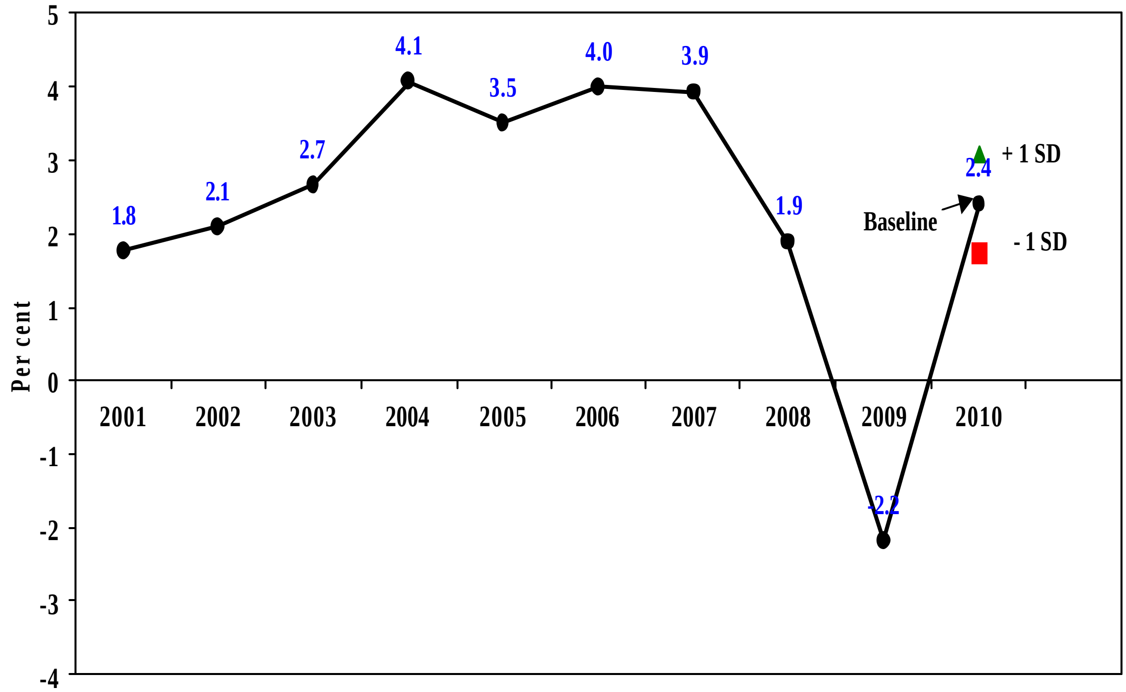
Since March 2009, financial markets worldwide have shared a discernable stabilization (box 2). International trade flows, as well as the international prices of primary commodities, have also experienced a measurable recuperation from the abyss,

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

	Observed			October 2009 forecast [a]		Change from June 2009 report for	
	2006[b]	2007[b]	2008[b]	2009	2010	2009	2010
Gross World Product (GWP)	4.0	3.9	1.9	-2.2	2.4	0.4	0.8
GWP - PPP weighted	5.6	5.8	3.5	0.0	3.8	1.0	1.1
Developed economies	2.8	2.5	0.5	-3.5	1.4	0.4	0.8
Canada	2.9	2.5	0.4	-2.6	2.6	0.4	1.6
Japan	2.0	2.3	-0.7	-5.6	1.7	1.5	0.3
United States	2.7	2.1	0.4	-2.5	2.1	1.0	1.1
European Union (EU27)	3.2	2.9	0.9	-4.1	0.6	-0.6	0.5
France	2.2	2.3	0.7	-2.2	0.7	1.1	0.8
Germany	3.2	2.5	1.3	-4.8	1.2	-0.5	0.7
Italy	2.0	1.6	-1.0	-5.3	0.1	-1.0	0.5
United Kingdom	2.9	2.6	0.7	-4.5	0.6	-0.8	0.8
Memo item: Euro Zone	3.0	2.7	0.8	-4.1	0.4	-0.4	0.5
Economies in transition	8.0	8.4	5.5	-6.4	1.6	-0.5	0.2
Russian Federation	7.7	8.1	5.6	-7.0	1.5	-0.2	0.0
Developing countries and regions	7.4	7.6	5.4	1.9	5.1	0.5	0.9
Latin America and the Caribbean	5.6	5.5	4.0	-2.2	2.9	-0.3	1.2
Argentina	8.5	8.7	6.8	0.0	2.5	1.8	1.5
Brazil	4.0	5.7	5.1	0.0	3.5	0.6	1.0
Mexico	4.8	3.2	1.3	-7.1	3.0	-2.3	1.8
Africa	6.2	6.1	5.6	1.6	4.3	0.7	0.3
North Africa	5.4	5.1	3.8	3.5	3.9	0.6	0.0
Sub-Saharan Africa c	7.2	7.8	6.4	2.3	5.2	0.8	0.8
Nigeria	7.5	6.9	14.3	1.9	5.0	2.4	0.3
South Africa	5.3	5.1	3.1	-2.2	3.1	-0.4	0.0
East and South Asia	8.7	9.4	6.1	4.3	6.4	1.1	0.8
China	11.6	13.0	9.0	8.4	8.7	0.8	0.5
India	9.8	9.3	7.3	5.9	6.5	0.9	0.2
Indonesia	5.5	6.3	6.1	4.3	5.0	1.8	1.2
Korea, Republic of	5.2	5.1	2.2	-1.2	3.5	2.2	2.0
Malaysia	5.8	6.2	4.6	-3.6	3.0	-1.6	0.5
Philippines	5.3	7.1	3.8	1.5	3.2	0.4	-0.1
Thailand	5.2	4.9	2.6	-3.5	3.1	-0.4	1.2
Western Asia	6.0	4.9	4.5	-1.2	3.8	-0.5	1.0
Memo: World Export volume	9.6	6.6	2.4	-12.4	5.5	-1.3	1.9

Source: LINK Global Forecast.
a Pre-Meeting forecasts.
b Actual or most recent estimates.
c Excluding Nigeria and South Africa.

Figure 1 Growth of world gross product



Box 1 Major assumptions for the baseline forecast

Given the complex structure of the monetary policy measures adopted by major economies during the crisis, the following assumptions on policy interest rates will clearly over-simplify the policy stance in the outlook.

The Fed is assumed to hold its main policy interest rate, the Federal Funds rate, at the current range of 0.0-0.25 per cent until the last quarter of 2010, after which it embarks upon a slow process of policy normalization, with an increase of 50 basis points during the quarter.

The European Central Bank (ECB) is also assumed to hold its main policy interest rate, the minimum bid rate, at the current level of 1.00 per cent through the third quarter of 2010, and then raise its policy rate by 50 basis points in the fourth quarter.

The Bank of Japan (BOJ) is assumed to hold its policy rate, the target Uncollateralized Overnight Call Rate, at its current 0.10 per cent until the end of 2010.

During this period, the central banks in the major economies will continue to rely on adjusting the unconventional measures that are already in place to manage the liquidity in their economies, and are assumed to initiate a gradual withdrawal of some of these measures in the second half of 2010.

The $US appreciated against the euro to around 1.25 in the 1st quarter of 2009, but has since depreciated significantly, averaging 1.43 in the third quarter and hovering at 1.48 in latter

September. Against the Yen the US dollar also saw a rebound in the first quarter of 2009 but has similarly lost ground since then and averaged 94 in the third quarter and has been near 91 in September. In the outlook it is assumed that the dollar will stay in a trading range centred at 1.44 against the euro and for the Yen near 90 through 2010, with significant volatility.

Brent oil prices are expected to be at $61 per barrel in 2009, $72 in 2010.

Box 2: Improvement in global financial markets[2]

Since March 2009, global financial markets have been on the mend. Supported by a wide spectrum of policy measures of massive scales in major developed countries, stabilization has gradually shown in various parts of the financial markets. The systemic risks for the collapses of the strategically important financial institutions have been mitigated, equity prices worldwide have rebounded notably, recovering by about 50 per cent of the declines registered in the downturn on average by October 2009, and the spreads in credit markets have been normalizing. Despite all these improvements, credit conditions remain tight in major developed economies, and most financial institutions are still in the stage of de-leveraging, consolidating and cleansing of their balance-sheets.

In *equity markets*, better than expected economic data and corporate earnings have helped lift benchmark indices to new highs for the year, but markets remain volatile. By October 2009, the S&P 500 index reached its highest levels since early October 2008, although still 40 per cent below its peak of 2007. Equity markets in Europe and Japan have also moved in the same direction with the same magnitude. Emerging market equities have increased along with those in developed markets.

The financial sector, which had led the market down in 2008 and early 2009, has led the markets turnaround. In turn, improvements in equity market conditions also helped financial institutions regain access to market funding and reduce the need for government assistance. For example, 10 large financial firms of the United States were granted permission to repay a combined $68 billion of preferred shares issued to the government under the Capital Purchase Program. A number of these firms also subsequently redeemed the warrants attached to share purchase, thereby formally relieving themselves of the costs and non-price conditions of the programme. Similarly, banks in other major developed countries increasingly returned to the market, with some also seeking to reduce their dependence on government support.

However, more recently, markets have also become concerned over the strength of economic recovery, in particularly questioning about the quality and sustainability of the profitability of banks. These concerns have led to increased volatility in world financial markets in September and October.

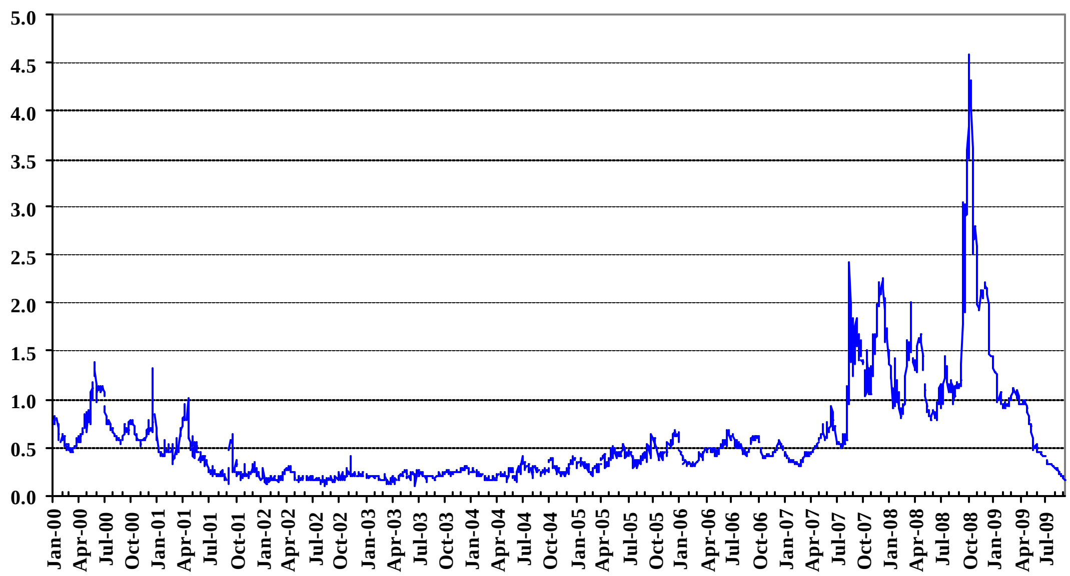
In *bond markets*, the long-term government bond yields of developed economies showed

[2] Information in this box was based on, with staff's updates, Bank of International Settlements *BIS Quarterly Review*, September 2009, IMF *Global Financial Stability Report*, October 2009, and other sources.

high volatility, driven by the changing expectations for growth and inflation, as well as for monetary and fiscal policies. The yield on the 10-year bond of the United States, for example, increased by about 150 basis points from the trough registered at the beginning of 2009, amid an improving expectation for a recovery of the economy, but also a reflection of the reversal of investors "flight to safety" during the panic of early 2009.
In the summer of 2009, bond investors seemed to weigh more the consequences of a growing supply of government debt. This was particularly evident in the case of the United States, where the government was expected to borrow a total of $1.8 trillion dollars in fiscal year of 2009, more than doubling the already elevated level in 2008. Concerns that such a large amount of new government debt would be difficult for markets to absorb, in combination with worries about the sustainability of rapidly growing fiscal deficits pushed up the yields in the first half of the year. More recently, however, the upward pressure on yields seems to have abated. At the current level, 3.25 per cent, the yields on the long-term government bond of developed countries indicate a market expectation of a mild growth recovery and a benign inflation, as well as a continued low policy interest rates.

Conditions in *money markets* have also been normalizing. In inter-bank money markets, spreads between three month Libor rates and corresponding OIS rates fell to levels not seen since January 2008 (figure box 2.1). Spreads between yields on government-guaranteed bonds and sovereign bonds narrowed further.

Figure Box 2.1 Daily spread between 3-month LIBOR and 3-months US treasury bill interest rate



Credit markets have also improved over the last few months. Credit spreads narrowed and corporate bond issuance remained high amid initial recovery signs and positive earnings from a number of major financial institutions. Nevertheless, spreads were still elevated and important market segments, such as those for asset-backed securities (ABS) and commercial mortgage-backed securities (CMBS), remained subdued, requiring further policy actions to support these markets.

Overall normalizing credit spreads also reflected improvements in the outlook for defaults. Actual default rates continued to rise, but market forecasts of future default rates declined further, supported by early signs of economic recovery and improved earnings. However, the still less than robust financial health of banks was reflected in the continued tightening of lending standards. In addition, despite moderate financial sector bond issuance, banks continued to rely in part on government guaranteed funding.

The ongoing improvement in credit market conditions was also reflected in the rate of global corporate bond issuance. The high volumes of non-financial issuance in the major currencies coincided with the continued efforts of banks to deleverage and improve their balance sheets.

The mortgage and securitisation markets in the United States continued to benefit from government support. Agency mortgage-backed spreads have declined since November of 2008 following the Fed's announcement of plans to purchase agency securities. The mortgage bond markets in the United States were supported by policies, but other parts of the credit markets continued to reflect the weak financial situation, such as markets for asset-backed securities (ABS) backed by consumer and business loans and for commercial mortgage backed securities (CMBS). Weakness also remained in the commercial paper (CP) market. The lower rate of CP issuance, together with the high corporate bond issuance, point to a significant decline in short-term corporate funding.

Credit markets in the euro area have been supported by policies, with the spreads for covered bond narrowing significantly.

accompanied by a broad rebound in global industrial production. These revivals so far have indeed been in part responding to two common factors: the massive, and to some extent concerted, policy actions taken by the major economies, which effectively arrested a further erosion of confidence worldwide; and a change in the global inventory cycle, namely, a moderation of the earlier panic-driven excessive shedding of inventory. Such a synchronicity in the early stage of stabilization, however, cannot warrantee a broad-based and balanced global recovery in the years to come, without further strengthened international policy coordination. Therefore, the projected recovery in the baseline outlook is expected to be less synchronized, or rather diverse, in terms of timing and strength of the recovery across countries.

In developed economies, despite a continued recovering in financial markets, credit constraints remain as an impediment to the recovery. The effects of both the existing policy measures and the cyclical inventory adjustment are expected to diminish over time. The high unemployment rates and the weakened income and wealth position will continue to curb household consumption and business investment. GDP of the United States is expected to grow by 2.1 per cent in 2010, from a slump of 2.5 per cent in 2009, while the recovery in both the European Union and Japan is projected to be even weaker, with GDP growing by 0.6 and 1.7 per cent respectively in 2010. In general, major developed economies, particularly the consumption demand in these economies, are not expected to provide a strong impetus to the global growth in the near-term outlook.

GDP for developing countries on average is expected to grow by 5.1 per cent in 2010, recovering from an estimated growth of 1.9 per cent in 2009, compared with the growth of above 7 per cent before the crisis. The recovery in the Economies in Transition will be much weaker, with GDP growing only by 1.6 per cent in 2010, after contracted by 6.4 per cent in 2009.

Some developing economies, such as China, have rebounded earlier than other countries, but as a group, growth in developing countries and the economies in transition will still highly depend on international trade, commodity prices and capital flows. The conditions for trade and finance have been substantially wreaked havoc on by the financial crisis, and, even with some expected improvement, will remain challenging in the outlook. Despite some policy efforts to strengthen their domestic demand, some structural problems in these economies have not been fundamentally changed. Meanwhile, the damage of this global financial crisis on the social and economic foundation in some low-income developing countries could be long-lasting, and may undermine the potential growth of these economies in the medium and long run. For example, in the next few years, growth in sub-Sahara Africa may not be able to resume the pre-crisis pace of above-6 per cent.

The continued weakness of the world economy is manifest in still rapidly increasing unemployment. The unemployment rates in many economies will continue to rise in the outlook for 2010, as long as output gaps remain large. Many developed economies have seen a rise in the unemployment rate by 3 percentage points or higher over the past two years. For example, in the United States, with some 8 million jobs lost, the unemployment rate has increased by 5 percentage points, to 9.8 per cent, and will likely surpass 10 per cent in the outlook. By taking into account the number of people who lost jobs and were discouraged to drop from the participating list, the broader definition of the unemployment rates would be a few percentage points higher in many countries. The unemployment rates in most developing countries have also moved higher, although the official data do not include a large proportion of the unemployed in the countryside and in the informal sector. A common feature for many economies is the larger-than-average increase in the unemployment rate for youth (age 16-24), which had already been higher than other groups. For example, the youth employment rate in the European Union increased by 4 percentage points in the past year, to reach 19.7 per cent, and in the United States, by 5 percentage points, to 8 per cent. In developed and developing countries alike an increasing number of new college graduates are unable to find jobs at this moment.

A majority of countries have experienced a significant disinflation—lower inflation rates—in the past year, while a growing number of economies, mainly developed countries, plus a few emerging economies in Asia, are falling into a mild deflation—declining of general price indices. The substantial rise in the unemployment rates and the plunge in capacity utilization suggest a considerably large slack in the world economy. With a moderate recovery in global demand, a limited room for further increases in the prices of primary commodities, and a continued effort by business sector to curb costs and wages, the outlook for inflation in 2010 should be subdued. Addressing deflation remains a policy priority for many countries in the near term, while the concerns about inflationary pressures associated with the ballooning government deficits and the ample liquidity injected during the crisis can be dealt with in the medium run, after the global recovery becomes solid.

International economic conditions for developing countries and the economies in transition

After a sharp deterioration in late 2008 and early 2009, international economic environment for developing countries and the economies in transition has been stabilizing and improving, but it remains daunting in the outlook. Certain categories of private capital flows are returning to some emerging economies, and the external financing costs are normalizing, but the general external financing conditions for developing countries will remain tight in 2010. Global trade flows have been rebounding and international prices of primary commodities have been recuperating, but the contribution of international trade to growth of developing countries is not expected to recover its full strength in the near-term outlook. In such an inauspicious international economic environment, recovery of growth in most developing countries and the economies in transition will have to rely more on domestic demand than on external demand. Some developing countries may continue to face constraints on financing their balance of payment, requiring more supports from official financing flows.

Net *private capital inflows* to emerging economies, which consist of some 30 large developing countries and the economies in transition,[3] declined precipitously in late 2008 and early 2009, but have since rebounded somewhat. After peaking at about $1.2 trillion in 2007 before the crisis, the inflows halved in 2008, further plunged in 2009, to an estimate of $350 billion, and are expected to recover to about $650 billion in 2010.

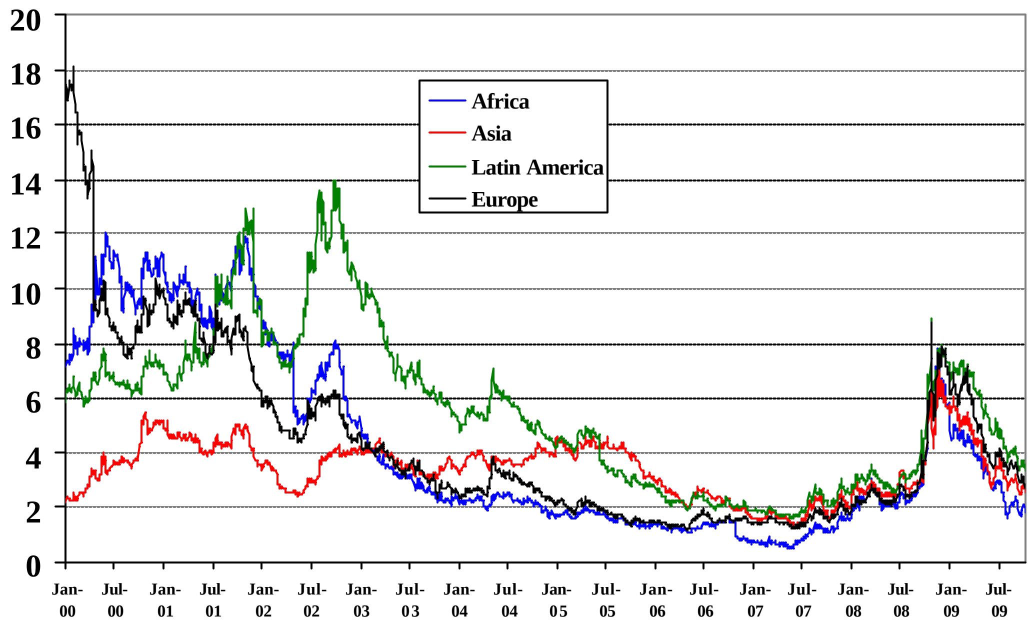
Among all the components of net private capital inflows, *bank lending* to emerging economies dropped the most, reversing from some $400 billion inflows of 2007 to net outflows in 2009. Some economies in transition, such as Russian Federation, Ukraine, and a few others in Central and Eastern Europe have experienced the most drastic reversal of international bank lending. Despite the recent stabilization in the banking sector worldwide, bank lending flows to emerging economies are expected to be limited in the outlook. *Non-bank lending* flows also declined notably during the crisis, but they have rebounded notably since mid-2009, as more emerging economies managed to increase issuing bonds. Net *portfolio equity* registered a large amount of outflows in 2008, as international investors reacted aggressively to the selling-off in the equity

[3] See Institute of International Finance, *Capital Flows to Emerging Market Economies*, October 2009 http://www.iif.com/emr/article+204.php

markets worldwide, but they have also recuperated markedly since March 2009, along with a rebound in the equity markets of most emerging economies. However, some of the returning portfolio flows may well be speculative. While foreign direct investment (*FDI*) flows tend to be less volatile than other components of private capital flows, they have also declined by more than 30 per cent in 2009. In the outlook for 2010, FDI flows are expected to grow by about 20 per cent[4].

External financing costs for emerging market economies surged in late 2008, as measured through the Emerging Markets Bond Index (EMBI). Since March 2009, along with the stabilization of global financial markets, the spreads have been normalizing.

Figure 2. Daily yield spreads on emerging market bonds, January 2000 - October 2009
Percentage points



The *outflows of capital* from emerging economies, particularly those to other developing countries, which had gathered some momentum prior to the global financial crisis, also moderated in the past two years, as investors in emerging economies were also recoiling as those in developed economies. Bucking the trend, however, China's outward investment continued to surge, reaching an estimate of $150 billion in 2009, but exports of capital from oil-exporting developing countries declined notably—along with the collapse in their oil revenues.

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[4] See UNCTAD *World Investment Report 2009*
http://www.unctad.org/Templates/Page.asp?intItemID=1465

Net *official flows* to developing countries and the economies in transition have increased in 2009, as the IMF and other international financial institutions expanded their financial resources significantly and started to disburse lending. Emerging European economies received the lion's share of these net official flows. Meanwhile, bilateral official flows also increased as central banks arranged foreign exchange swaps to deal with lack of international liquidity. More efforts are needed to expedite official flows to low income countries to alleviate their balance-of-payment constraints.

Remittance flows to developing countries have moderated. Totalling more than $300 billion in 2008, or three times of the Official Development Assistance (ODA) flows to developing countries, remittance flows have been important sources for supporting consumption and broad development in many developing countries. For several small economies, remittance flows account for more than 20 per cent of their GDP. Remittance flows used to be relatively stable, and even counter-cyclical, but facing the severe global financial crisis, these flows fell in 2009, particularly in some Latin American countries. Meanwhile, for some East and South Asian countries there was positive growth in the flow of remittances, though at slower pace than in previous years.

The impact of the financial crisis on international *trade flows* is as severe as on capital flows. Triggered by a retrenchment in import demand in major developed countries and also impeded by tightening trade financing, trade flows were falling at an annual rate of 30-50 per cent in most economies in late 2008 and early 2009, with Asian economies experiencing the sharpest decline. Since the second quarter of 2009, trade flows have been recovering, but the recovery has partly been driven by moderation in inventory reduction, with import demand from consumption and business investment remaining weak. Even with the recent rebound, trade flows for 2009 as a whole are still estimated to decline by more than 12 per cent. A mild growth of 5 per cent is forecast for the volume of world trade in 2010.

The financial crisis has led to collapses in the *prices of oil and non-oil primary commodities.* The prices of primary commodities had been on an uptrend since 2002, with a significant surge in late 2007 and early 2008, but the intensification of the global financial crisis in mid-2008 broke this trend sharply (figures 3 and 4). Oil prices plummeted by as much as 70 per cent from their peak levels of mid-2008 by early 2009, before rebounded to the current level of about $80 per barrel, which is still about 45 per cent lower than the peak levels. The prices of metals dropped even deeper from their peaks, and with the recent rebound, the prices stand currently only at about one third of the peaks. The prices of agricultural products, including grains, also declined significantly from their peaks. With the measurable rebound in the prices of most primary commodities since March 2009, the room for further increase is limited in the outlook for 2010, as the slack in supply of these commodities is not expected to close soon along with a mild recovery in demand. The only upward pressure will come from the risks associated with further weakening of the United States dollar, in which the prices of almost all the primary commodities are denominated.

International protectionism has increased during the course of the financial crisis, making the international economic environment even less conducive to many developing countries. Quite a number of countries, developed as well as developing, have raised tariffs and introduced new non-tariff measures in response to a sharp decline in production in certain industries. The fiscal stimulus packages and the financial measures

Figure 3 Brent oil prices, January 2000 - April 2009

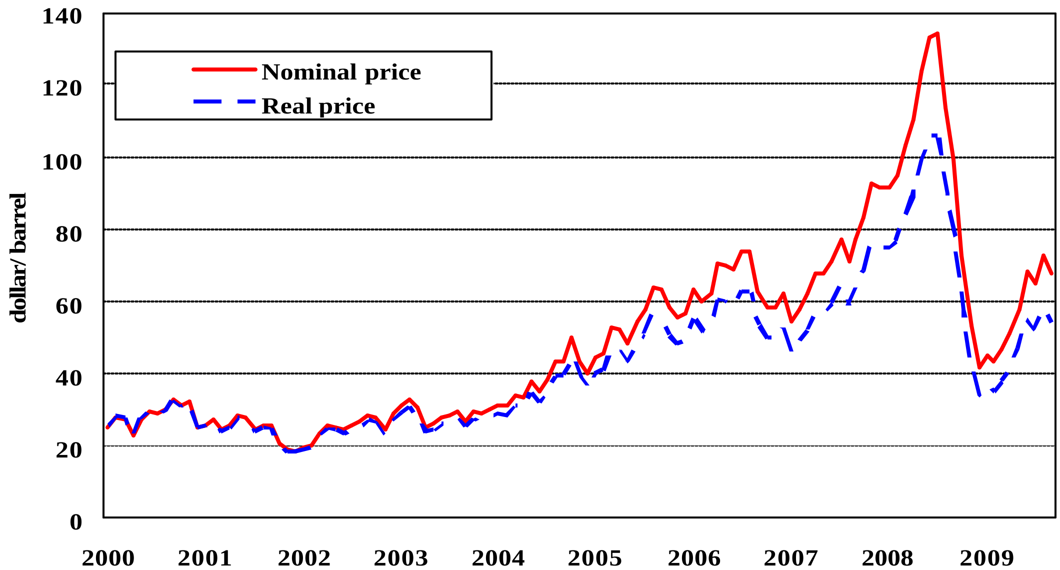
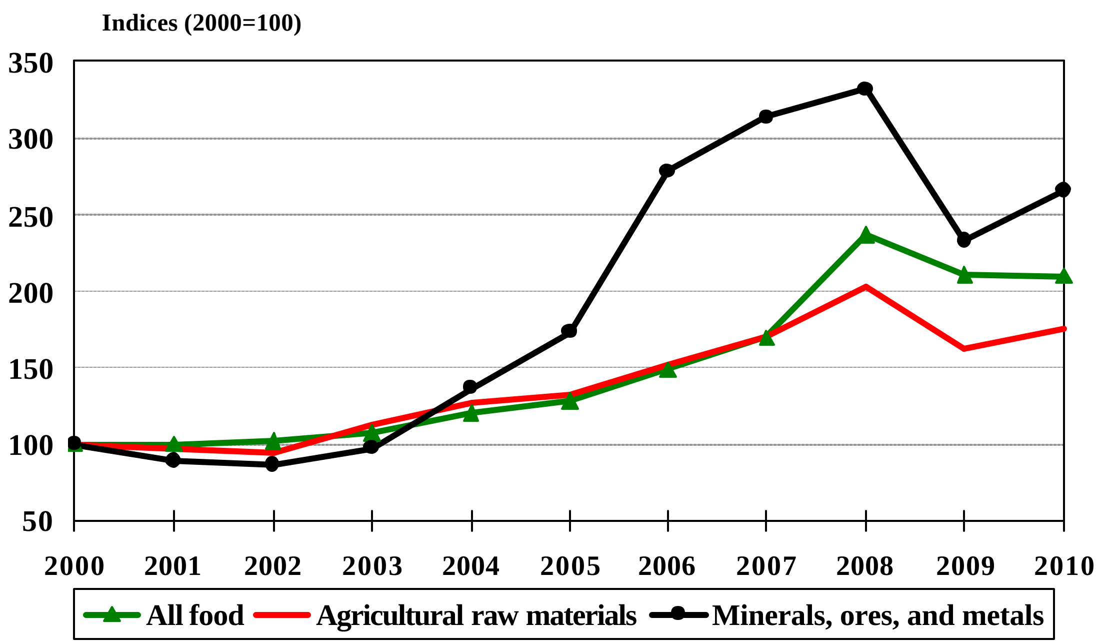


Figure 4 Prices of non-oil commodities



adopted by many developed countries also contain certain protectionist elements to provide subsidies and supports to domestically produced goods and services at the expense of imports. A few countries also re-introduced export subsidies for some agricultural products. Meanwhile, the number of cases for using of trade defence mechanism, including antidumping and safeguard clauses, has also been rising in 2008-2009. Although these protection measures have so far not led to a pervasive and high-intensity protectionism, some domestic the pressure remains, particularly along with a further deterioration in the unemployment situation in many countries.

Uncertainties and risks

Even the mild recovery as projected in the baseline outlook is subject to downside risks and uncertainties. For example, the seemingly stronger-than-expected rebound in equity prices worldwide may have belied the remaining credit constraints in major economies. The bouncing sequential monthly growth of trade flows and industrial production in quite a few countries may send a false signal of a strong recovery, even though the levels of trade flows and the industrial production indices are still far below the pre-crisis peaks. The complacency may lead to a premature withdrawal of the various countercyclical policies put in place, which may abort the nascent recovery. As a result, many economies could fall into either a double-dip recession, or a prolonged period of stagnation: a combination of below-potential growth with rising public debts, as shown by the experience of a few major developed economies in the past recessions.

Even under the assumption of a continued policy support, there are still risks for a re-emergence of the global imbalances, which could lead to renewed financial instability.

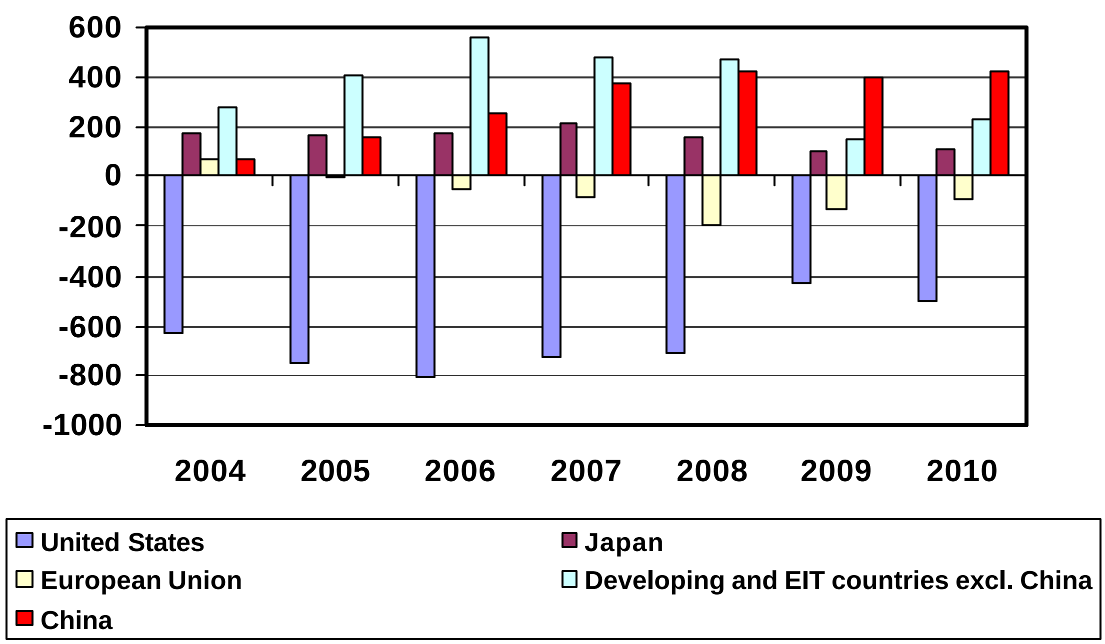
The global financial crisis and the worldwide recession have led to an adjustment of imbalances in the current accounts across countries in a disorderly and counter productive fashion: led by a retrenchment in imports of the major deficit country, the United States, and a collapse of exports in most surplus countries, along with a collapse of international trade and output.

The risks for such a counterproductive adjustment of the global imbalances had been repeatedly warned of in the LINK GEO and the United Nations World Economic Situation and Prospects, as well as other publications, in the run up to the crisis. Unfortunately, policymakers worldwide had failed to adopt concerted policies to engender a benign global rebalancing before this financial crisis erupted.

The financial crisis has indeed cleansed some of the excesses that fuelled the widening of the global imbalances. For instance, a large amount of the sub-prime mortgage debts and the associated financial derivatives have been written off. However, many structural problems that had provided a hotbed of the chronic global imbalances in the first place have not been rectified. In fact, as the financial crisis is abating and the global growth is tentatively recovering, the risks for a re-emergence of the imbalances are also increasing. For example, in most surplus countries, the structure of heavy dependence on exports for growth and relatively weak domestic demand has not fundamentally changed. In deficit countries, particularly the United States, mounting public indebtedness and the still high level of private sector indebtedness may push up the external deficit again.

The large external deficit of the United States narrowed from the peak of $800 billion in 2006, or more than 6 per cent of GDP, to an estimate of $450 billion in 2009, or about 3 per cent of GDP. Among the original major surplus economies, the euro area has already moved into deficit which continues to widen, while Japan's surplus has dropped since mid-2008, though rebounded lately. The savings surpluses of the oil-exporting countries have also declined substantially, but the surplus in China remained high, at above $400 billion in 2009.

Figure 5 Current account imbalances



The narrowing of the current-account deficit in the United States since the eruption of the financial crisis has mainly been driven by a sharp downward adjustment in household consumption, residential investment and business investment, as well as an increase in household savings. Consumption expenditure has turned from an average annual growth of about 3 per cent in the years prior to the crisis to a decline of 0.2 and 0.7 per cent in 2008 and 2009 respectively. Housing investment has declined by about 20 per cent each year for 2007-2009, and business investment has turned from a growth of about 7 per cent prior to the crisis to no growth in 2008 and decline of 17 per cent in 2009. Household saving rate went up from 1.7 per cent in 2007 to about 4 per cent in 2009. On the other hand, the government deficit has increased. With the recession reducing government revenue and the stimulus measures increasing expenditure, the budget deficit of the United States has surged from $160 billion in 2007, or a little more than 1 per cent of GDP, to an estimate of $1.5 trillion in 2009, or more than 10 per cent of GDP. This is much more than the expected rise in private savings, hence a substantial widening the external deficit of the United States is very likely.

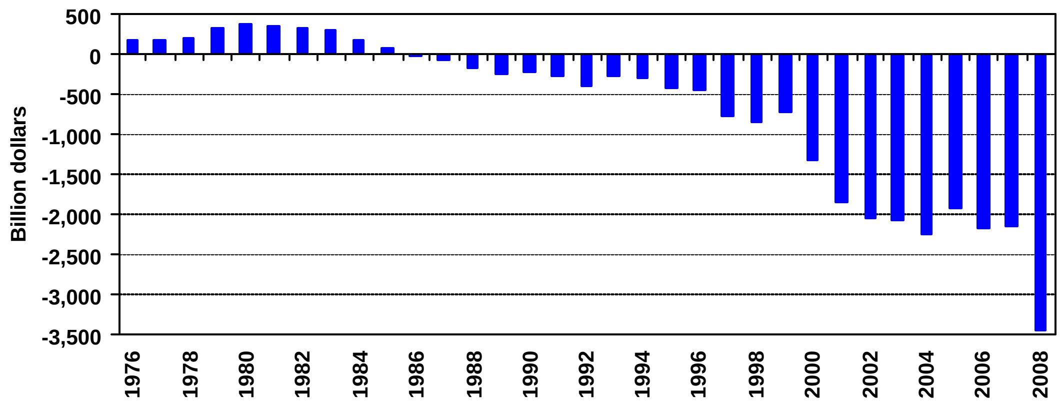
The corresponding reduction in the aggregate of current-account surplus in major surplus economies has been driven by different factors. The dwindling surplus in most oil-exporting countries, for example, mainly reflects declines in revenues of oil exports as the oil prices plunged, as well as the increased government spending in the stimulus packages to boost domestic demand. The drop in the exports of manufactured goods in Germany and Japan have been a major factor in the decline in the trading surplus of these countries, accompanied by lower domestic savings as a consequence of a deterioration of government savings and declines in consumption demand lagging behind the slump in GDP.

In the case of China, where the current-account surplus has continued to rise in level but moderated slightly in terms of percentage of GDP, the persistent surplus reflects two factors. In the external sector, the large proportion of China's "processing trade", accounting for about 60 per cent of China's total trade, made a synchronized decline in China's exports and imports: as the orders for China's exports dropped, China's orders for the imports of raw materials and intermediate goods, which are used as inputs for manufacturing the exports, also dropped. On the domestic front, the large stimulus package enacted since late 2008 has indeed boosted domestic demand to offset some of the dragging effects from the weakening external demand, but the stimuli have shown more effects on boosting fixed investment than on household consumption, leaving household consumption to GDP ratio at a low level below 40 per cent, although government deficit has increased by 2-3 percentage points of GDP from the original near balanced position.

Moreover, the net foreign investment position of the United States increased substantially in the past two years, worsening, rather than improving, the sustainability of a further re-emerging external deficit in the outlook. The financial crisis led to a significant change in the net foreign investment position of the United States, as well as that of many other countries. As a result of running a chronic external deficit, the net foreign investment position of the United States has been in deficit since late 1980s, but the deficit position increased significantly since 2000, reaching $2.1 trillion in 2007 (figure 6).[5] The eruption of the global financial crisis in 2008 has once again worsened it significant, with the deficit position surging to $3.5 trillion by the end of 2008, or 25 per cent of GDP. The increment of about $1.4 trillion in the deficit position of next foreign investment of the United States doubled the current account deficit registered in 2008, implying a tremendous change in the valuation and portfolio of the United States owned assets abroad and foreign owned assets in the United States.

[5] United States Bureau of Economic Analysis, *The international investment position of the United States at yearend 2008.*

Figure 6 International investment position of the United States



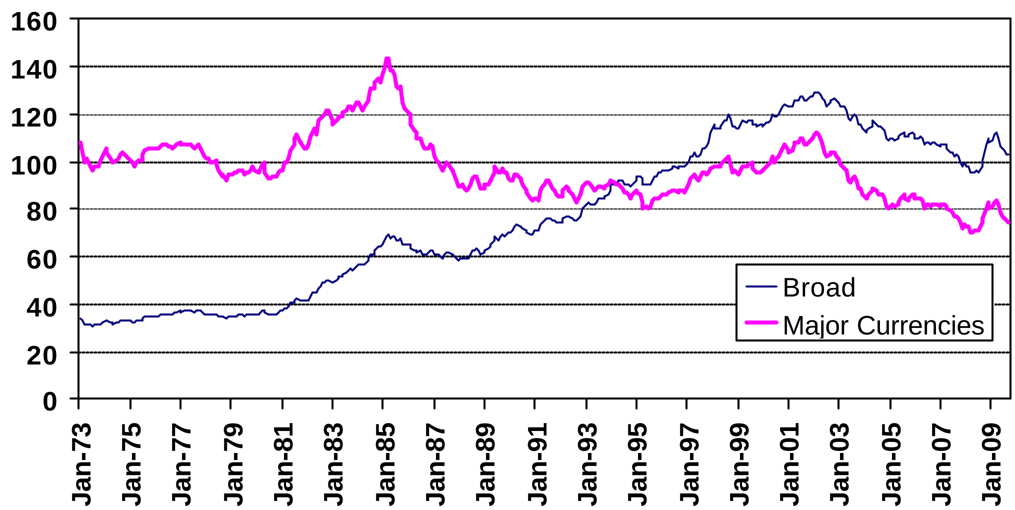
The United States owned assets abroad increased by $1.6 trillion to $19.9 trillion by the end of 2008, while foreign owned assets in the United States increased by $2.9 trillion to $23.4 trillion, but the increased assets on both sides were mainly the financial derivatives, offsetting the decline in the value of non-derivative assets on both sides. Because of the plunge in equity prices and the writing off in sub-prime mortgage related debts, the valuation of the United States owned assets abroad lost about $2 trillion, while the counterpart lost $1.2 trillion. Both the United States and the foreign countries have reduced their holdings of private sector securities abroad as a result of increased risk aversion in the crisis, but foreign countries increased their holdings of the United States Treasury securities by about $834 billion in 2008, reflecting the "flight to safety". This item accounts for a large part of the net increase in the foreign owned assets in the United States.

The deepening of the financial crisis in the early part of 2009 should have moved the net foreign investment position of the United States further in the same direction as in 2008, but the improvement in world financial markets since March 2009 may have stabilized, or even reversed somewhat, the widening deficit position. In any case, the net foreign investment position of the United States stands worse than prior to the global financial crisis, weakening the potential of the United States for sustaining a further increase in its external deficit.

Closely associated with the abrupt adjustment of the global imbalances and the further worsening of the net foreign investment position of the United States has been the erratic movement of the exchange rate of the United States dollar vis-à-vis other major currencies. After a continued general depreciation trend since 2002, the dollar recorded a significant rebound in the second half of 2008 and early 2009. This sharp rebound of the dollar was mainly driven by the effects of flight to safety as the global financial crisis heightened risk aversion in general and caused a massive move of financial assets worldwide into the United States Treasury bills. Since March 2009, however, the dollar has resumed its downturn, amid the improvement in global financial markets, which reversed the process of flight to safety, along with an increasing concern about the surge in the budget deficit of the United States and its worsening net foreign investment position. The value of the dollar has dropped to the lowest level in history vis-à-vis other major currencies, although remains high vis-à-vis a broader array of currencies (figure 7).

In the outlook, as the world economy starts to recover, without much change in the structure of global growth, the risks for a re-emergence of the widening global imbalances remain high. With a less sustainable net foreign indebtedness of the United States, a renewed expansion of its twin deficits will keep a downward pressure on the already weakening value of the dollar. As a result, the risks for a relapse of financial instability to the world economy and thus to a disrupted recovery are serious

Figure 7. Trade Weighted Exchange Index : Broad and Major



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Policy challenges

Since the last LINK GEO of June 2009, no countries have launched any major new policy initiatives, but most countries have continued to implement the policy measures they enacted in late 2008 and early 2009. These measures cover three broad policy areas: monetary, fiscal and financial. In general, and in a varying degree, these policies have been successful for restoring global confidence, stabilizing financial markets, supporting effective demand and alleviating the economic and social impact of the financial crisis. At the same time, however necessary they might be in the crisis, these policies have also redistributed risks from the financial sector to other sectors in the broad economy and reallocated debts from private sector to public sector, as well as led to a substantial expansion of the balance sheet of the central banks (mainly in developed countries) and considerable deterioration in government budget positions in many countries.

In the outlook, major challenges facing policymakers worldwide include: (1) continuing policy support until the global recovery becomes solid; (2) unwinding stimulus and bailout measures in an orderly and coordinated way to strengthen public finance position and counter-cyclical policy capacity for the longer run; and (3) coordinating macroeconomic policies internationally to ensure a sustainable and balanced global growth without recurrence of large global imbalances. The timing for the transition from the phase of policy supporting to the phase of unwinding poses a particular challenge: a too-early exit would jeopardize the recovery but a too-late unwinding would sow the seeds for another round of boom-bust instability.

Monetary policy

In response to the financial crisis, monetary policy worldwide in the past year has been characterized by the unprecedented degree in the depth of policy stance and the breadth of policy scope.

As shown in table 2, many central banks have reduced their policy interest rates by a large margin, with a number of central banks in developed economies cutting their interest rates close to zero, for instance, the Federal Reserve (Fed) of the United States, the Bank of Japan, the Bank of England, the Bank of Canada, Sveriges Riksbank, and the Swiss National Bank, and many others to the historical lows. A few exceptions are those countries experiencing tremendous depreciation of their currencies, such as Hungary, Iceland and Russia, where central banks were forced to raise policy interest rates in early stage of the crisis, and have only started to lower the rates more recently in 2009.

While the magnitude and the pace of easing policy interest rates were impressive, particularly in the aftermath of the intensified systemic risks in September 2008, more substantial has been the broad scope of unconventional measures taken by the central banks of major developed countries.

As policy rates in many countries reached historically low levels, the limitations of relying on policy interest rate alone to deal with the crisis became more apparent. With credit spreads surging and flows of financing and credit seizing up, the crisis significantly reduced the degree of monetary accommodation associated with any given level of the policy interest rates. Any further reduction in the rates may not be passed on to households and firms. In any case, the nominal policy interest rates cannot go below zero. Therefore, many central banks took additional measures to improve the functioning of credit markets and to ease financial conditions.

Table 2. Monetary policy in selected countries

	October 2009	Change from Aug 07 (bp)	Last change
Australia	3.00	-325	5 Oct 09 (+25 bp)
Brazil	8.75	-275	22 Jul 09 (-50 bp)
Canada	0.25	-425	21 Apr 09 (-25 bp)
Chile	0.50	-500	9 Jul 09 (-25 bp)
China	5.31	-171	22 Dec 08 (-27 bp)
Colombia	4.00	-525	25 Sep 09 (-50 bp)
Czech Republic	1.25	-200	6 Aug 09 (-25 bp)
Euro area	1.00	-300	7 May 09 (-25 bp)
Hong Kong, China	0.50	-625	17 Dec 08 (-100 bp)
Hungary	7.50	-25	28 Sep 09 (-50 bp)
India	4.75	-300	21 Apr 09 (-25 bp)
Indonesia	6.50	-175	5 Aug 09 (-25 bp)
Israel	0.75	-325	24 Aug 09 (+25 bp)
Japan	0.10	-40	19 Dec 08 (-20 bp)
Korea, Republic of	2.00	-300	12 Feb 09 (-50 bp)
Malaysia	2.00	-150	24 Feb 09 (-50 bp)
Mexico	4.50	-275	17 Jul 09 (-25 bp)
New Zealand	2.50	-575	30 Apr 09 (-50 bp)
Norway	1.25	-350	17 Jun 09 (-25 bp)
Philippines	4.00	-200	9 Jul 09 (-25 bp)
Peru	1.25	-350	6 Aug 09 (-75 bp)
Poland	3.50	-125	24 Jun 09 (-25 bp)
Romania	8.00	100	29 Sep 09 (-50 bp)
Russia	5.25	200	29 Sep 09 (-50 bp)
South Africa	7.00	-300	13 Aug 09 (-50 bp)
Sweden	0.25	-325	2 Jul 09 (-25 bp)
Switzerland	0.25	-225	12 Mar 09 (-25 bp)
Taiwan Province of China	1.25	-188	18 Feb 09 (-25 bp)
Thailand	1.25	-200	8 Apr 09 (-25 bp)
Turkey	6.75	-1075	15 Oct 09 (-50 bp)
United Kingdom	0.50	-525	5 Mar 09 (-50 bp)
United States	0.125	-512.5	16 Dec 08 (-87.5 bp)

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

Most of the unconventional measures fall into three categories by policy objectives.[6]

[6] More information can be found in Bank for International Settlements (2009) *79th annual report*.

The first category consists of measures to ensure that the market interest rates will come down along the policy rate. To help anchor short-term market rates to the policy target, the Bank of England and the United States Fed reduced the width of the effective band on overnight rates by changing the rates applied on end-of-day standing facilities. Some central banks expanded their capacity to reabsorb excess reserves to neutralise the impact on overnight interest rates of the much expanded operations. The Bank of England and the Swiss National Bank issued central bank bills; the ECB and the Reserve Bank of Australia relied increasingly on accepting interest bearing deposits; and the United States Fed took in greater amounts of deposits from the Treasury and started to pay interest on reserves.

The second category involves initiatives to alleviate strains in wholesale inter-bank markets, by reducing term inter-bank market spreads. Central banks provided more term funding so as to offset some of the shortfalls in market supply, and they also ensured a smooth distribution of reserves in the system and access to funding from the central banks. They relaxed eligible collateral and counterparty coverage, lengthened the maturity of refinancing operations, and established inter-central-bank swap lines to alleviate mostly dollar funding pressures in offshore markets. In addition, many central banks introduced or eased conditions for lending out highly liquid securities, government bonds, against less liquid market securities in order to improve funding conditions in the money market.

The third category consists of responses aimed at supporting specific credit markets, particularly the non-bank segments, and easing financial conditions more broadly. Measures included the provision of funds to non-bank financial institutions to improve liquidity and reduce risk spreads in specific markets, such as purchasing commercial paper, asset-backed securities and corporate bonds, as well as the direct purchase of public sector securities to influence benchmark yields more generally. Some central banks also intervened in the foreign exchange market to contain upward pressure on their currencies so as to reduce deflationary risks and loosen monetary conditions more generally.

As a result of these actions, central bank balance sheets expanded substantially and their composition changed significantly. The United States Fed focused heavily on non-bank credit markets as well as on operations involving private sector securities, for example, the Commercial Paper Funding Facility and the Term Asset-Backed Securities Loan Facility. The Bank of England initially concentrated its Asset Purchase Facility primarily on purchases of government bonds. The ECB emphasized banking system liquidity by conducting fixed rate full-allotment refinancing operations with maturities of up to 12 months and by purchasing covered bonds. In the Bank of Japan, substantial efforts were directed at improving funding conditions for firms through various measures related to commercial paper and corporate bonds.

In the outlook, most central banks may continue to keep their expansionary policy stance for the large part of 2010, to support a recovery, but a few central banks may start to neutralize their policy rates sooner than others. For example, the Reserve Bank of

Australia raised the policy interest rate by 25 basis points in October 2009. Some countries may also start to unwind gradually the unconventional measures.

Technically, it is not difficulty to unwind those unconventional monetary measures. Short-term liquidity measures can unwind naturally as market conditions improve. For example, the short-term lending to financial institutions by the United States Fed swelled from zero to more than $1 trillion by the end of 2008, but has since reduced to about $200 billion as financial markets improved. Assets purchased by the central banks can also be resold into markets, although it will take much longer to unwind some illiquid assets on some central bank balance sheets. The key challenges are the timing of the unwinding, and the coordination among the unwinding of monetary policy and that of fiscal policy and the government financial measures (more discussion below).

Government financial rescue measures

When the systemic risks for the global financial system intensified in late 2008, governments, mainly in developed economies, have also taken a wide variety of financial measures to stabilize the financial sector. These measures included government provision of deposit and debt guarantees, public funds to recapitalize the banks, government purchase of assets or provision of insurance against unusually large losses on specified portfolios of key institutions, and in some cases, nationalization (partial or in full) of insolvent financial institutions to protect depositors and avoid contagion. These measures targeted the liquidity and solvency of specific institutions, as well as the functioning of financial markets.

More than 20 countries introduced or increased guarantees on retail and commercial deposits, reducing the likelihood of bank runs. Government debt guarantees allowed eligible banks to issue new bonds backed by explicit government support in return for an annual fee paid by the issuer. The details of these measures varied across countries. For example, European banks faced higher costs for debt guarantees than banks in the United States. While the United States charged a flat rate to all borrowers regardless of rating, the cost of European guarantees was linked to past credit default swap (CDS) spreads, making them more expensive for riskier borrowers. The risk on government-guaranteed bonds varies across countries, with some regulators treating them as risk-free from a capital perspective and others assigning a 20 per cent capital charge.

Governments recapitalized the banks to reduce their financial leverage and increase their solvency. Most governments bought hybrid securities, such as preferred shares or mandatory convertible notes. Governments bought mostly preferred shares, as these limit the risk of loss to the taxpayer while providing a more attractive dividend stream than common shares, but preferred shareholders typically cannot vote at shareholder meetings, which constrains their ability to influence management. The preferred shares purchased by the United States had the potential for capital appreciation, as they included 10-year warrants that provided the government with the option to purchase common stock at a specified price.

Government capital injections came with conditionality. Many countries followed France's example and required banks receiving government support to extend new domestic loans with an associated reporting requirement. The United States and German capital injections had limits on the payment of common dividends, but the United Kingdom explicitly prohibited common dividends as long as the government's preferred shares remained outstanding. Many rescue packages outlined general restrictions on executive pay, but governments lacked the votes, the support of the banks' boards and the legal basis to block payments.

A few governments also purchased troubled assets from large financial institutions or provided insurance against losses on designated portfolios. For example, the Swiss National Bank (SNB) bought mortgage-related assets from UBS and placed them in a special investment vehicle. The United States Treasury set up the Public-Private Investment Program (PPIP), to value the troubled assets and to remove them through an auction mechanism. Under the PPIP, eligible private sector investors are invited to bid on troubled real estate assets held by banks. A few governments offered asset insurance to a handful of banks, but the bank need to pay the government an insurance premium.

Governments in Iceland, Ireland, the United Kingdom and the United States took control of a number of insolvent financial institutions to protect depositors and to prevent contagion to other financial institutions.

The effects of these rescue measures are mixed. For instance, these measures have successfully narrowed the credit spreads over government bonds and spreads on CDS contracts, but most banks still found it difficult or impossible to raise new capital from private investors.

Government guarantees and asset insurance have exposed taxpayers to potentially large losses.

Creditors viewed the government actions more positively, as seen in the narrowing of CDS spreads across banks headquartered in different countries. By increasing a bank's capital ratio and providing a means to refinance existing debt, government rescue packages reduced the probability of default, pushing down CDS premiums on average. Despite these positive signs, some banks continued to show signs of distress and credit spreads remained elevated.

In addition, regulators of the United States also conducted stress tests on 19 bank holding companies, to ensure that they were sufficiently capitalized given a set of assumptions about losses on various bank assets over the next two years. Following the release of the results in mid 2009, the regulators requested 10 of the banks examined to increase their level of capital or to improve the quality by including more common shares. Several banks took advantage of the reduced uncertainty and the increased risk appetite of investors that accompanied the publication of the stress test results to raise equity and issue debt. The United Kingdom conducted a similar exercise.

A few issues were raised in the public debate on the governments' rescue measures. First, the trade-off between short- and medium-term objectives: short-term actions that delay adjustment may not be compatible with the medium-term need for banks to de-leverage their balance sheets so as to lay the basis for a healthier financial system. Second, rescue packages for banks deemed too big or too interconnected to fail raise questions of moral hazard. By protecting creditors and limiting the losses of equity holders, government interventions risk reducing the incentive for capital providers to monitor banks in the future. Third, rescue packages and government-assisted sales of failed banks may increase systemic risk by creating even larger financial institutions. Finally, the uncoordinated responses across countries have raised concerns about distortions to competition. In particular, national rescue packages have featured different conditions, coverage and cost, with some banks receiving support on more attractive terms than their competitors.

Fiscal policy

A large number of countries have implemented fiscal policy measures to support aggregate demand. Table 3 summarizes most fiscal stimulus packages adopted by 59 countries since late 2008, totalling US$2.6 trillion, or 4.7 per cent of the combined GDP of these countries, or 4.3 per cent of WGP. Across countries, the magnitude of the stimuli ranges from less than 1 per cent of GDP to more than 10 per cent.

These packages consist of a wide range of measures, including increases in spending on public consumption and infrastructure investment, and measures to boost household disposable income, through cutting tax and increasing benefits and subsidies, as well as tax cuts for businesses. The composition of the packages also varies across countries. For example, tax related measures account for more than half of the size of the packages in many developed countries, with the highest proportion in New Zealand and the United Kingdom. In contrast, expenditure measures account for a large part of the packages in developing countries, such as China, India, Indonesia and Thailand. In particular, spending on infrastructure forms a large part in such developing economies, as Argentine, China, Korea, Malaysia, Singapore, and Taiwan Province of China.

Relative to GDP, the size of the stimulus packages adopted by many developing countries seems to be larger than that of developed countries, but this is partly because most developing countries do not have a strong "automatic stabilizer" built in their budget so that they have to rely mainly on discretionary stimulus packages to deal with the consequences of the crisis. In contrast, many developed countries have "automatic stabilizers", namely, those tax and expenditure measures, in the forms of social security and transfers, built as rules in the government budget in response to business cycles.

Table 3. Fiscal stimulus to address the global financial and economic crisis[a]

	Share of GDP (%)	Fiscal stimulus (US$ billion)		Share of GDP (%)	Fiscal stimulus (US$ billion)
Argentina	1.2	3.9	Lithuania	1.9	0.9
Australia	4.7	47.0	Luxembourg	3.6	2.0
Austria	4.5	18.8	Malaysia	5.5	12.1
Bangladesh	0.6	0.5	Mexico	2.1	22.7
Belgium	1.0	4.9	Netherlands	1.0	8.4
Brazil	0.2	3.6	New Zealand	4.2	5.4
Canada	2.8	42.2	Nigeria	0.7	1.6
Chile	2.4	4.0	Norway	0.6	2.9
China	13.3	585.3	Peru	2.6	3.3
Czech republic	1.8	3.9	Philippines	4.1	7.0
Denmark	2.5	8.7	Poland	2.0	10.6
Egypt	1.7	2.7	Portugal	1.2	3.0
Finland	3.5	9.5	Russia	1.2	20.0
France	1.3	36.2	Saudi Arabia	12.5	60.0
Georgia	10.3	1.3	Singapore	5.8	10.6
Germany	2.2	80.5	Slovenia	1.0	0.5
Greece	0.0	0.0	South Africa	1.5	4.2
Honduras	10.6	1.5	Spain	0.9	15.3
Hong Kong SAR b	5.2	11.3	Sri Lanka	0.2	0.1
Hungary	10.9	17.0	Sweden	2.8	13.4
Iceland	0.0	0.0	Switzerland	0.5	2.5
India	3.2	38.4	Taiwan Pr. of China	3.9	15.3
Indonesia	1.4	7.1	Tanzania	6.4	1.3
Israel	1.4	2.8	Thailand	14.3	39.0
Italy	0.7	16.8	Turkey	5.2	38.0
Japan	6.0	297.5	United Kingdom	1.4	38.0
Kazakhstan	13.8	18.2	United States	6.8	969.0
Kenya	0.9	0.3	Vietnam	9.4	8.4
Korea	5.6	53.4			
			All countries above	**4.7**	**2,633**
			All countries	**4.3**	

[a]: This list of countries is not necessarily exhaustive. Source: UN-DESA, based on information from (IMF 2009) (OECD 2009), (Credit Suisse 2009) and (Zhang, Thelen et al. 2009). Note that the definition and contents of the policy measures vary from country to country and that the size of these packages may not be comparable across countries.

The size of the packages also depends highly on the resources availability. Most developed countries were able to finance stimulus packages by issuing government bonds, either domestically or in global capital markets, and a number of developing countries that had accumulated large amount of foreign reserves prior to the crisis were also able to stipulate sizeable packages, for instance, the resource rich economies of the CIS, the Gulf countries, Chile, and a few Asian economies with large foreign reserves. In contrast, a majority of low income countries were unable to adopt any fiscal stimuli because they had very limited resources to do so.

These stimulus packages, combined with monetary and financial measures, are considered to have been critical for stabilizing the global economy, as well as individual economies, but more precise assessments on the effectiveness of these stimulus packages for individual countries are not available yet. One difficulty is to identify the effects of fiscal stimulus from other policy effects. Many countries have so far implemented only part of the packages. For instance, the United States is estimated to have implemented 25 per cent of the total size of its stimulus package by the third quarter of 2009.

The fiscal positions of most countries have deteriorated, resulting from, in some cases, a combined decline in revenue and increase in stimulus spending, and in other cases, particularly for many low income countries, mainly the declined revenue. The deterioration is found to be most significant in many developed countries. For example, the general government budget deficit in the euro area is forecast to reach 6.5 per cent of GDP in 2010, compared to a pre-crisis deficit of 0.6 per cent in 2007, with deficit surging to 14.8 per cent in Ireland, and 9.5 per cent in Spain. The deficit is forecast to reach more than 10 per cent of GDP in the United States in 2010, 10.3 per cent in Japan, and 11.6 per cent in the United Kingdom. While most developing countries have experienced deterioration in their budget balance by about 3 to 5 percent of GDP, some have experienced much larger increase, such as a few oil exporting countries and economies in South Asia. In general, the policy space for further increase in fiscal stimuli in the outlook becomes limited in most developing countries, without receiving more external financial resources.

With rapidly widening budget deficit and soaring public debt, concerns are increasing on fiscal sustainability, and political pressures are built up for ending fiscal stimulus packages and starting to consolidate government finance. Such concerns are more pressing in developed countries, where the crisis-led cyclical increase in public debt has aggravated the structural fiscal pressures from population aging and other longer-term fiscal problems. The average public debt to GDP ratio in developed economies is expected to exceed 100 per cent in 2010 and higher afterward. The challenge is how to balance the short-term need for continued policy supports in order to strengthen the recovery and the longer-term need for consolidating the public debt in order to maintain fiscal sustainability. As attested by the experience of different cases in developed countries, a premature withdrawal of fiscal stimuli is not a good solution. Countries that had managed to sustain fiscal stimuli to boost a strong growth recovery could eventually "grow" out of cyclical budget deficit and public debt, as the United States experienced in the 1990s, but countries that had withdrawn stimulus too soon could find themselves in a quandary of growth stagnation and steadily rising public debt, as in the case of Japan in the 1990s and early 2000s.

Policy coordination

More efforts to strengthen policy coordination are crucial for meeting the policy challenges to sustain a strong and balanced global recovery, including coordination among monetary, financial and fiscal policies within a country and coordination of macroeconomic policies across countries.

Within an economy, further strengthening coordination among various policy measures can engender more policy synergy to ensure a sustained recovery. Later, a coordinated sequencing in unwinding different stimulus measures is also crucial. For example, monetary policy may need to remain accommodative when some fiscal stimulus measures start to wane so that private demand can continue to grow at a robust pace as the impetus of public demand diminishes.

On the international front, certain degree of success has been made in international policy cooperation and coordination over the past year when the world economy was facing the synchronized shock of the financial crisis. For example, a number of major central banks coordinated their monetary easing and G-20 countries also cooperated in a broad scope of policy actions. As the crisis abates, it is equally important to ensure international consistency of macroeconomic policies, particularly, when countries may feel less pressed to continue international policy coordination and cooperation.

In the short run, international policy coordination should be focused on how to strengthen and broaden the nascent recovery in the world economy. For example, as the divergence in the pace and strength of the recovery is growing across countries, concerted international efforts are needed to strengthen policy stimuli in those economies that are lagging in the recovery, particularly those low income developing countries. Moreover, international cooperation is also needed to discourage any premature exit of policy stimuli by some individual countries, especially the major economies, as this can jeopardize the recovery in the rest of the world.

In the medium term, when it is the right time for the unwinding of policy stimuli, the exit strategies of individual countries should be coordinated internationally, to avoid creating any unnecessary shocks to financial markets and the real economy.

More importantly, international policy coordination is needed to avert a re-emergence of the global imbalances. As mentioned earlier, risks remain for the global imbalances to grow again when the world economy recovers, leading to another round of instability for the world economy.

In this respect, the G20 Summit at Pittsburgh launched a framework for strong, sustainable and balanced growth. In this framework, G-20 members with significant external deficits, mainly the United States, pledge to undertake policies to support private savings and undertake fiscal consolidation while maintaining open markets and strengthening export sectors. On the other hand, surplus countries, including China, Germany and Japan, agree to strengthen domestic sources of growth, through such measures, varying on country-specific circumstances, as increasing investment, reducing financial markets distortions, boosting productivity in service sectors, improving social safety nets, and lifting constraints on demand growth.

G20 countries have also agreed on the need for regular consultations, strengthened cooperation on macroeconomic policies, the exchange of experiences on structural policies, and mutual assessment. More specifically, they will set up a set of shared policy objectives, under which individual countries will set out their medium-term policy frameworks. They will also develop, with the assistance of the IMF, a forward looking assessment of economic developments to analyze patterns of demand and supply, credit, debt and reserves growth, and assess the implications and consistency of fiscal and monetary policies, credit growth and asset markets, foreign exchange developments, commodity and energy prices, and current account imbalances. Regular report will be made to both G-20 and the International Monetary and Financial Committee on global economic developments, key risks, and concerns with respect to patterns of growth and suggested G-20 policy adjustments, individually and collectively.

This framework has laid the first step towards international policy coordination, at least among the major developed and emerging economies, to prevent a recurrence of the large global imbalances. The success of this framework, however, will depend not only on how to institutionalize the mechanism as delineated above, which so far is still on ad hoc basis, but also on the progress in the broad reforms of the international financial architecture and the global economic governance.[7]

Regional Prospects

The United States

The United States economy seems to have passed the trough of the worst recession since the Second World War. With a slump in the first half of the year, the growth rate for 2009 as a whole is expected to be -2.5 per cent. A mild recovery of 2.1 per cent is forecast for 2010, as private consumption is expected to remain weak due to high unemployment rate and the need for rebuilding household wealth that has lost during the financial crisis.

This recession was mainly caused by the bubble-cycle of the housing sector and the associated credit crisis. By the time the housing market reached its trough in May 2009, the level of new home sales had dropped by almost 74 per cent from its peak of 2006. The Case-Shiller Price Index for twenty cities has declined by 32 per cent in the same period. Builders, while trying to reduce the supply of new homes, have pushed the level of housing starts to their lowest level in history, 79 per cent lower than the peak level of 2006. These factors have triggered a continuous decline in residential investment since 2006. Since mid 2009, signs of a turn-around have emerged in the housing sector, especially in construction activity and housing prices.

[7] See more details in the forthcoming UN *World Economic Situation and Prospects 2010*.

In the crisis, the reduced value of housing assets held by households and the accompanied lower value of financial assets have significantly reduced the net wealth of households. In order to rebuild their balance sheets, households have adjusted their consumption behavior in the form of a higher saving ratio. The surge in unemployment has also induced households to increase their saving ratio as a buffer against income uncertainty. The ratio of personal saving to disposable income has increased from 1.2 per cent for the first quarter of 2008 to 4.9 per cent in the second quarter of 2009.

The predicted stabilization of the housing market is expected to help the recovery of private consumption. However, this recovery is expected to be weak: the annual growth rate of private consumption is estimated to be below zero in 2009 and will increase by only 1.5 per cent in 2010.

Business investment suffered a shock of the same magnitude as residential investment. Capital spending on equipment and software items started to decline from the beginning of 2008, while business spending on construction joined the downturn in the second half of 2008. The credit tightening, falling equity prices and declining corporate profits have all dragged down business fixed investment. Although the fall in capital goods orders may have bottomed out in mid 2009, business construction is expected to remain weak for an extended period, dragging by the general weakness in the economy, the inventory overhang and the difficulty in financing.

Labour market conditions have been deteriorating since 2008, with the number of civilian employment on a constant decline. By the end of 2009, about eight million people had lost their job, pushing up the unemployment rate to almost 10 per cent. Given the relatively weak recovery in 2010 and the reduction of average weekly hours observed over the past two years, employment is not expected to increase in 2010 and, correspondingly, the unemployment rate will stay at an elevated level for even longer.

Simultaneously to the surge in the unemployment rate has been a decline in wage growth. Toward the end of 2009, the annual growth rate of hourly wages is approaching 2 per cent. Combined with the common assumption about labour productivity growth, it can be expected that core inflation will not be significant. The headline inflation rate peaked in July 2008 at a level of 5.6 per cent. It has since then been declining and reached a low of -2.1 per cent in July 2009. This swing in inflation mainly represented the sharp decline of the price for energy and certain commodities over the summer of 2008. The annual headline inflation rate is expected to be -0.4 per cent for 2009. For 2010, given the assumption of resumed growth in energy and commodity prices, the headline inflation is expected to be 1.4 per cent. The core inflation rate also displayed the same pattern of reduction, although the decrease was only from 2.5 per cent to 1.4 per cent.

The net exports of the United States have undergone a major adjustment over the past few years. After reaching its peak in mid-2006, the trade deficit has fallen by more than half in terms of values. In volume terms, the growth in imports started to slow down or even become negative in late-2006 and has fallen by around 14 per cent in 2009. The growth of exports (in volume terms) started to increase in 2007 and has reached 5.4 per cent in 2008. However, the global recession in 2009 has reduced the exports of the United States by 10.4 per cent. In addition, the drop in fuel prices since the summer of 2008 has helped to reduce the import bill by around 80 billion dollars in 2009. The lower trade deficit has also reduced the current account deficit, but the deficit is expected to increase some what in 2010.

On the policy front, the Federal Reserve is expected to keep the federal fund rate within the current range of 0.0 – 0.25 per cent until the third quarter of 2010. It is also expected that the 700 billion dollars authorized for the Trouble Asset Relief Program (TARP) will be fully used. Among the announced elements of TARP, the Public-Private Investment Program (PPIP) is the main one that has not been put into operation yet (although in the fourth quarter of 2009, there are some reports indicating progress regarding the PPIP). If it can be fully implemented as planned, it may further reduce the credit constraints encountered by businesses and households.

Regarding fiscal policy, the implementation of the 787 billion dollar stimulus package is expected to continue in 2010-2011, but there will be no new stimulus package in 2010.

Downside risks include the possibilities for a downward spiral to resume in financial markets, with the housing slump dragging on, the unemployment rates soaring further and business capital spending continuing to drop.

Western Europe

Economic activity in Western Europe plummeted in the final quarter of 2008 and continued its descent in the first quarter of 2009, as exports dropped sharply following the collapse in world demand, and investment spending reeled from the multiple shocks emanating from the financial crisis and the greatly diminished future demand outlook. Firms adjusted by cutting production, greatly reducing their inventory levels and beginning to curtail employment. The second quarter of the year displayed signs of a stabilization of activity as the fall in GDP was small, and France and Germany both registered positive growth thus exiting technical recession. Italy, Spain and the UK continued to contract but at a marginal rate.

Leading indicators began to signal a possible turning point in March, with indices, such as the European Commission's Economic Sentiment Indicator, indicating a gradual improvement in overall confidence. But for the most part, these measures at both the aggregate and sectoral levels remain well below their historical averages (typically starting in 1990), or, as in the case of the Eurozone Manufacturing PMI, below the level demarking contraction and expansion. The German IFO business climate index, which distinguishes between current conditions and expectations of future activity, has displayed a continuous improvement in the future expectations component, which has just returned to its long-run average, but the component tracking current conditions has only just turned the corner, increasing in July and August, and remains well below its historical average. Industrial production transitioned from collapse in 2008 to slow decline at the beginning of 2009, and now to continuous monthly improvements since May. [8] It remains well below its level from the onset of the crisis and in the case of the euro area 15.4 per cent below its level of a year ago, but should continue to increase as industrial new orders have been rising for several months in Germany, France and Italy, although not yet in the UK.

The recovery is expected to broaden across countries during the second half of 2009 but to remain sub-par and given the strong negative carry over from the end of 2008 and beginning of 2009, GDP growth for the EU15 is expected to fall by 4.2 per cent in 2009 and grow by only 0.5 per cent in 2010. Exports are expected to rebound as global demand improves; the inventory cycle is turning and should provide support for some quarters ahead; consumption has held up so far and is expected to continue to provide support; and with continuing normalization of credit conditions and improving demand prospects, investment should recover. Performance across countries will remain uneven however explained in part by the degree of reliance on and the health of housing markets, financial sectors, product orientation and general competitive positions.

Consumption, while decelerating, has provided support in many countries during the downturn. The sharp fall in inflation coupled with lags in labour market developments - wage growth continued to pick up well after the onset of the crisis and increases in unemployment have lagged the deterioration in output - have supported disposable income. Automatic stabilizers and discretionary government spending either through directly supporting labour markets or through cash-for-clunker programs, for example, have bolstered consumption spending. Consumption is expected to hold up, as other components of demand begin to strengthen, stabilizing employment and wages.

The precipitous decline of investment, both in equipment and housing, were major drivers of the recession. The former resulted from a combination of collapsing foreign demand leading to a sharp draw down in inventories, and the decrease in capacity utilization to near record low levels, coupled with the multiple negative impacts from the global financial crisis. These impulses are expected to turn around in the outlook, but investment spending is expected to remain weak. Housing investment was hit by the collapse of the housing market, and greatly exacerbated by the financial crisis. While slowly stabilizing, it is not expected to contribute significantly to growth.

The other major shock, the collapse of exports, came as world demand plummeted. The negative external shock hit some countries particularly hard due to their product specialization and geographic orientation. Germany, which is very strong in capital goods and had benefited from strong demand in Asia and oil-producing countries, was badly affected, which had knock-on affects across the region. Imports also collapsed as regional growth fell, to the extent that in the second quarter of 2009 net exports actually added to growth. There are tentative signs of a recovery in exports, with foreign orders increasing, and export volumes are expected to pick up in the latter half of 2009

[8] Eurostat's August release of industrial production figures for the European Union showed a significant upward revision to the figures for 2009.

and register positive growth in 2010, but not to pre-crisis levels, held back in part by the strength of regional currencies. Imports will also pick up as activity firms.

Euro area unemployment has drifted up from a relative low of 7.2 per cent in March of 2008 to 9.6 per cent in August of 2009, but with tremendous divergence across countries. Spain registered 18.9 per cent in August, an increase of 9.5 percentage points in the same time period, Ireland was at 12.5 per cent, an increase of 7.3 percentage points, France was at 9.5 per cent, an increase of 2.1, the United Kingdom at 7.8, an increase of 2.1, while Germany was at 7.5 per cent, an increase of only 0.3. This divergence is distorted by labour market policies in Germany and France to keep workers off the unemployment roles, but also reflects the severity and nature of the economic downturns in the respective countries. In the outlook, unemployment is expected to continue to drift upwards and not turn around until mid 2010.

Headline inflation has come down from a high of just over 4 per cent in mid-2008 to negative rates in June-September 2009. This is not indicative of a deflationary environment but rather is mostly due to strong negative base effects resulting from the high oil prices of one year ago, which will reverse their impact in the months ahead. The impact of the recession can be more clearly seen in core inflation, which had been close to 2 per cent in the second half of 2008, but which has subsequently drifted down to 1.3 per cent in July and August. A widening output gap as demand falls short of supply, coupled with a strengthened exchange rate in some cases, continues to exert downward pressure on prices. As demand recovers, core inflation should begin to rise, but it is expected to remain well below 2 per cent in the forecast period.

Fiscal policy has played a major role in softening the impact of the numerous global shocks on the region, with significant stimulus packages enacted by most countries, under the auspices of the Economic Recovery Plan enacted by the European Commission. This, together with the full play of automatic stabilizers, has provided support to activity but has led to significant deteriorations of budgetary positions, limiting the possibilities for further discretionary policy and posing questions about the timing and degree of future budget consolidations. In the outlook, it is assumed that current policies will be maintained, but no new ones enacted.

Monetary policy has also been very active. The ECB brought rates down from 4.25 per cent in July 2008 to the current 1.00 per cent in May of 2009, for a cumulative cut of 325 basis points. The Bank of England and the other central banks in the region have also brought rates down dramatically to, in most cases, near zero. But this has been followed by extensive use of unconventional measures. The ECB moved from a variable tender with fixed allotment to a fixed rate tender with unlimited allotment of liquidity and subsequently extended the lending maturity to 1 year. The Bank of England adopted quantitative easing, through the Asset Purchase Facility, whereby the BOE purchased UK government securities (gilts) in the secondary market as well as high-quality private sector assets, including commercial paper and corporate bonds. These and other types of unconventional policy measures are expected to be gradually withdrawn over the forecast period, while interest rate policy remains on hold until the final quarter of 2010.

Downside risks to the forecast remain significant. If labour markets were to deteriorate more significantly before the recovery is ensured, consumption could falter, leading to a renewed downturn. Similarly, premature removal of fiscal stimuli or tightening of monetary policy could lead to a renewed downturn. Investment may not pick up if the record low capacity utilization lingers due to too slow a recovery in demand, or if credit availability continues to be difficult. The labour market situation poses another risk if the short-term unemployed begin to move into the ranks of the long-term unemployed, a far more intractable problem and one which could reduce potential output.

New EU members

The new EU member states in 2009 recorded massive output losses as a result of collapsing export demand for their key industries and the serious distress of their financial systems in late 2008 and early 2009. With the exception of Poland, which has a less export-dependent economy and a relatively healthy financial sector, all countries in the region saw their GDP contracting in 2009. Output in the Baltic States plunged by around 15 per cent, sweeping away years of dynamic growth. Although quarterly indicators suggest that by the end of 2009 some of those economies have already bottomed out, the prospects for 2010 remain uncertain. The recession in the Baltic States is likely to continue, with output declining by a further 3 to 4 percentage points, and only a marginal improvement can be expected in Central Europe. The aggregate GDP of the region, after more than a decade of continuous growth, will decline by 3.4 per cent per cent in 2009 and is expected to recover by 1.6 per cent only in 2010.

In 2009, external conditions for the new EU members were difficult. The recession in the EU-15 has led to double-digit declines in such export-oriented sectors of the new EU members as automotive and electronics, which play a key role in Central Europe. The sharply increased costs of external finance, deleveraging by foreign banks and the overall risk aversion have led to a liquidity crisis in inter-bank markets and a domestic credit crunch, ending several years of a consumption boom and housing bubble, especially in the Baltic States. Those sectors that depend on business and consumer credit, such as residential and business construction have shrunk by 20 to 25 per cent in 2009.

The growing indebtedness of the private sector and the large share of housing and mortgage loans, financed by short-term foreign borrowing, made the viability of the EU-10 financial sector dependant on the continuing inflow of funds and the smooth functioning of inter-bank markets. These capital flows were seriously disrupted in 2008 and early 2009. To protect the financial system, the Governments and the central banks in the region provided emergency liquidity assistance to the banking sector, increased deposit insurance, reallocated resources from public spending to private credit and negotiated international assistance packages. Such assistance, led by the EU and the IMF, was provided to Latvia and Hungary in 2008 and to Romania in 2009. In addition, Poland has negotiated a precautionary flexible credit line facility with the IMF in 2009 to facilitate rolling over its short-term debt.

By the end of 2009, the new EU members were able to return to international capital markets and thanks to international assistance packages, the worries about a possible collapse of their financial systems seem to be over. In some countries, the banking sector remained profitable. The car-scrapping schemes adopted in the EU-15 and domestic subsidies helped to sustain industrial production and capacity utilization rates in the region. Nevertheless, both external and domestic demands for the region are expected to recover only slowly. Private consumption will be restrained by weak consumer confidence, deteriorating labour markets and households' attempt to consolidate their balance sheets, as well as the increases in the VAT rate undertaken in 2009 and fiscal austerity measures. The speed of economic recovery in the region will depend not only on external conditions, but also on those countries' ability to revitalize their banking sector.

Inflation subsided in the region in 2009 in response to lower food and energy prices and the abrupt weakening of domestic demand. The sluggish labor markets, the reductions in public wages and the return of migrants contributed to weaker wage pressures, turning core inflation negative in a number of countries. The increases in indirect taxes to meet fiscal revenue targets and in regulated prices as well as the periods of currency depreciation were the main inflationary factors in 2009. In 2010, inflation is expected to remain at low single-digit levels, and may even turn negative in the Baltic States.

To provide an economic stimulus, the Governments in the region lowered taxes, undertook efforts to promote exports and FDI by extending export credit guarantees and adopting more business-friendly legislation, and aimed at improved absorption of EU funds. However, there is little room for discretionary fiscal spending. In those countries which receive international assistance led by the EU and the IMF, the Governments are committed to fiscal austerity. Facing serious revenue shortfalls throughout the region in 2009, the fiscal authorities had to revise the budgets repeatedly, cutting expenditures and increasing indirect taxes. The draft budgets for 2010 assume further austerity measures, which may have a contractionary effect. In the Baltic States, where the recession is the deepest, the Governments aim at reducing the deficits from as high as 9 per cent of GDP in Latvia and Lithuania in 2009 to about 4 per cent of GDP in 2010 as they are committed to the eventual adoption of the euro.

Two countries in the region, Slovakia and Slovenia, are members of the euro zone. Elsewhere, the central banks started to loosen monetary conditions as soon as inflationary pressures subsided and currencies stabilized, in order to support inter-bank markets and to revive credit flows. The mandatory reserve requirements were reduced in Bulgaria and Latvia in late 2008, while interest rates were cut in the Czech Republic, Hungary, Poland and Romania.

The sharp decline in export demand, the stagnating construction sector and the reductions in the public workforce along with the return of migrants from the EU-15 have led to an increase in unemployment in the region. In the Baltic States, the unemployment rates increased to about 15 per cent from as low as 4 per cent in 2008. In other countries, the unemployment rate has increased by 2 to 3 per cent to the average of 10 per cent and since unemployment is a lagging indicator, further increases by several percentage points are expected in 2010 before the situation improves in 2011.

The weakening domestic demand and shrinking imports have led to an adjustment in the current account balances in the Baltic States. From double-digit deficits in 2008 (as a share of GDP), those balances turned into a surplus in 2009, not only thanks to a significant improvement in trade balances, but also because of the declining profitability of foreign investors and write-offs of their asset values, as well as the increasing transfers from the EU. In the countries of Central Europe, the current account deficits also declined as a share of GDP by about 2 percentage points for similar reasons.

Developed Asia and Pacific

The economy of *Japan* is tentatively recuperating from the worst recession in three decades. Since the second quarter of 2009, exports and industrial production have rebounded, leading to an improvement in business sentiment. A mild recovery of 1.7 per cent is expected for 2010, compared with an estimated slump of 5.6 per cent in 2009. The relatively high unemployment rate and the large slack in production capacity will, however, persist, with deflation remaining a key risk in the outlook. The Bank of Japan is expected to maintain its expansionary policy stance until mid 2010, and the Government will continue to implement the stimulus measures that have been announced so far.

The momentum of rebound in exports has moderated more recently, partly reflecting the cyclical nature of the global inventory adjustment. Exports will continue to recover in 2010, but only at a moderate pace, particularly in value terms, due to the negative effect of the appreciation of the yen and domestic deflationary pressure.

Domestic demand remained weak in the second half of 2009, despite a rebound in industrial production. Business investment continued to decline, although at a moderated pace. Corporate financing conditions have improved, as the premium for corporate bond issuance narrowed and funding for the private sector in general has increased, though only slowly. However, corporate profits have continued to decline substantially. Private consumption remains weak in general, dragged down by the deteriorating employment situation. Under the given circumstances, private consumption will continue to be severely constrained in the outlook and deflation continues in the economy.

The Bank of Japan has taken a number of monetary policy measures to ensure stability in financial markets and to facilitate corporate financing. So far, these measures have shown some effects. However, with a large output gap in the economy and continued weakness in domestic demand, the Bank of Japan will likely keep the policy interest rate near zero and extend various unconventional monetary and financial measures, at least until mid 2010.

A series of fiscal stimulus packages have been launched since mid-2008, including additional government spending totalling about 5 per cent of GDP. A continued implementation of the stimulus package is expected in the outlook. The government deficit is estimated to be around 6.5 per cent of GDP for 2009-2010, putting more pressure on the already large public debt, which accounts for 180 per cent of GDP.

The economy of *Australia* has managed to avoid falling into a recession amid the global financial crisis, as aggressive stimulus measures have supported household consumption and business investment to offset the external shocks. GDP is expected to grow by about 1.3 per cent in 2010, compared with an estimated 0.8 per cent in 2009. Risks remain on the downside, as rising unemployment and depressed asset prices continue to weigh on domestic demand, particularly when policy stimuli start to diminish.

Australia has adopted drastic monetary and fiscal measures. The Reserve Bank of Australia (RBA) had reduced interest rates significantly, by a total of 425 basis points, before the recent action to increase the rate in October 2009. Among all the central banks in developed economies, RBA was the first one to start unwinding its expansionary monetary policy, viewing the risk of serious economic contraction in Australia as diminished and a gradually lessening of monetary policy as prudent in order to increase the sustainability of growth in economic activity and to keep inflation consistent with the target over the years ahead.

In addition to major tax cuts in its regular budget for 2008/2009, the Australian Government also adopted two fiscal stimulus packages, totalling a size of about 5 per cent of GDP. As a result, the government budget position is turning from a surplus to a projected deficit at 4.5 per cent of GDP in 2010.

New Zealand showed a positive GDP growth in the second quarter of 2009, the first time since the end of 2007, ending its most prolonged recession since the 1970s. While net exports made a solid contribution, both household consumption and business investment also increased, driven by record-low interest rates. Consumer and business confidence continued to improve, pointing to a further recovery. GDP is expected to grow by 2.8 per cent in 2010, recovering from a decline of 1.3 per cent in 2009. The Reserve Bank of New Zealand has reduced interest rates by 575 basis points in little more than six months, taking interest rates to 2.5 per cent. The Government has so far adopted fiscal stimuli accounting for 4.3 per cent of GDP.

Current account deficits in both Australia and New Zealand have narrowed notably in the financial crisis.

South-eastern Europe

The economies of South-eastern Europe, after several years of dynamic growth, slipped into a recession in 2009. The global economic and financial crisis affected this sub-region as well, despite its limited exposure to international financial markets. The spillovers of the global downturn have reached these countries through the same channels of trade, investment, credit and remittances which used to support the robust expansion in previous years. In 2009, exports of the region dropped by 25 to 30 per cent in volume terms, FDI declined significantly, portfolio capital inflows became negligible, domestic credit markets stagnated and the flow of remittances has shrunk. As a result of weaker external and domestic demand, all of the South-east European economies saw negative GDP growth rates in 2009, with the exception of Albania, which is less dependent on exports and where growth was supported by heavy government spending on infrastructure.

The large external financing requirements of the economies make them vulnerable to capital flight. In order to support their increasingly volatile currencies, some of the countries in the region had to spend part of their foreign exchange reserves, as they confronted a decline in FDI inflows and higher costs of foreign borrowing. To stabilize the financial sector, to prevent balance-of-payment problems and to increase their creditworthiness, Serbia and Bosnia and Herzegovina have concluded stand-by agreements with the IMF in 2009. Other countries are trying to avoid the conditionality of borrowing from the Fund in order to be able to implement fiscal stimulus and are tapping international capital markets instead.

In all economies of the sub-region, an increase in GDP by more than 1 per cent in 2010 is unlikely. Economic expansion will be hindered by weak export prospects, delays in FDI-related projects and the limited availability of credit. Rising unemployment, higher taxes and declining real estate values will constrain private consumption. The aggregate GDP of the region, after shrinking by 3.4 per cent in 2009, will expand by only 0.7 per cent in 2010

In 2009, inflation in the sub-region resumed its downward trend after being pushed up by the high food and energy prices in 2008 and remained in the low single digits. About the same rate of inflation is expected for 2010, against the backdrop of depressed domestic and export demand. Serbia remained an exception to this pattern with average annual inflation exceeding 10 per cent due to growing prices of services and depreciation of the currency, but in 2010 inflation is expected to subside there as well, to about 6 per cent.

To counteract the downturn, the Governments in the sub-region adopted a number of countercyclical policy measures, such as spending on infrastructure, offering tax breaks to certain sectors and redirecting public funds to investment. In the light of shrinking tax receipts, however, the budgets for 2009 had to be revised repeatedly, both in terms of revenues and expenditures. Public sector wages and pensions have been cut, along with other public spending. To meet the revenue targets, certain new taxes have been introduced, along with the increases in the VAT and excise tax rates. Some countries adopted privatization programs to raise funds. For Bosnia and Herzegovina and Serbia, the conditionality of the stand-by loans from the IMF implies fiscal austerity conditions.

The primary focus of monetary authorities in 2009 was to safeguard confidence in domestic financial markets, but also to revive the flow of credit. In response to slowing output and moderating inflation, interest rates were cut in Serbia, and the mandatory reserve requirements were reduced in Bosnia and Herzegovina and Croatia. However, the increasing share of non-performing loans remains an obstacle to domestic lending.

The situation in the sub-region's labor markets markedly deteriorated in 2009. The economic recession and the return of migrants from the EU have led to an increase in unemployment rates by several percentage points. The unemployment rate in Croatia has increased to 15 per cent from about 9 per cent in 2009. In Bosnia and Herzegovina and the Former Yugoslav Republic of Macedonia, the exceptionally high unemployment rates of around 35 to 45 per cent have increased by a further 3 to 5 percentage points. The outlook for 2010 is pessimistic, with the possibility of a further 2-3 percentage point increase in the unemployment rates. A significant pick-up in the growth in these economies is needed to improve the situation.

The current account deficits in the sub-region, which in 2008 were driven up to alarming levels by higher prices of imported food and energy, declined somewhat in 2009, mostly because of the sharp contraction in imports and improvement in merchandise trade balances. Still, these deficits remain large, exceeding 9 per cent of GDP in Albania, Bosnia and Herzegovina and the Former Yugoslav Republic of Macedonia, where the improvements in trade balances were offset by declining remittances, and amounting to more than 15 per cent of GDP in Montenegro. A further reduction in the current account deficits may be expected in 2010 along with a continuing adjustment in trade balances.

Commonwealth of Independent States

The CIS is forecast to contract by 6.6 per cent in 2009, compared to growth of 5.6 per cent in 2008. The significant economic contraction is largely a result of the decline in Russia and Ukraine, which are forecast to contract by 7 per cent and 13.2 per cent, respectively. In fact, only Azerbaijan, Kyrgyzstan, Tajikistan and Uzbekistan are likely to register positive growth rates in 2009. Overall, a return to positive, yet weak, growth of up to 1.7 per cent in 2010 is possible, although this depends on the external economic environment not relapsing into recession.

The impact of the economic crisis affects the CIS through diminished export revenues due to lower commodity prices, lower demand for exports due to reduced economic activity in the region's main export markets and a withdrawal of capital.

Exports from the region have declined significantly, with losses in export earnings from goods forecast to exceed $250 billion in 2009. While the weaker global economy has contributed to the decrease in export earnings, the decline has been particularly exacerbated by a precipitous fall in the price of not only oil and gas, but also that of various metals and cotton. While exports are expected to regain momentum in the second half of 2009, the overall declines will remain significant: for instance, in the Russian

Federation and in Ukraine, exports are forecast to show annual decreases of approximately 37 and 41 per cent respectively by the end of 2009. With commodity prices again on the rise and global demand gradually returning, trade is however likely to improve in 2010.

Meanwhile, imports have decreased in all countries in the region in response to weaker domestic demand. These declines have, however, been insufficient to offset export losses. Consequently, trade balances will decline in 2009: in the Russian Federation, the surplus registered on the current account is forecast to turn to a deficit of $16 billion, while in Kazakhstan, the $6.9 billion surplus of 2008 will turn to a deficit of $2.6 billion in 2009.

In addition to the loss of export revenue and deteriorating current account balances, large reversals of capital flows to the region that were characteristic in 2009 are placing pressure on capital accounts. In response to the global credit crisis, in many countries FDI decreased and credit was curtailed as profits were repatriated in an attempt of financial institutions abroad to de-leverage and to consolidate and clean their balance sheets. In turn, these capital outflows heightened pressure for currency depreciation in several countries, indeed, currencies in Kazakhstan, Ukraine and the Russian Federation depreciated in 2009. While these depreciations enabled authorities to take a looser monetary policy stance, they also contributed to the significant decrease in the terms of trade for the region, thereby contributing also to the worsening of the current account. Moreover, particularly the rouble could face renewed risks of depreciation should oil prices decline or should demand for foreign exchange increase due to greater (perceived) risks on the underlying Russian economy.

Inflation has abated in the region and is forecast to reach 12.5 per cent in 2009, compared to 15.4 per cent in 2008, due to weaker demand resulting from lower real wages and a lack of consumer confidence as well as lower food and commodity prices. Nevertheless, inflation remains higher than in most other regions. This is due partly to currency depreciations that have contributed by increasing the price of imports. It is however also partly due to the market structure in many economies, where market imperfections limit the transmission of lower producer prices to the consumer. For instance, while producer prices were 12.5 per cent lower in July 2009 in the Russian Federation than a year earlier, the CPI remained persistently higher at 12 per cent.

Unemployment is increasingly becoming a concern in the region. For example, while unemployment increased by more than half between December 2008 and June 2009, reaching 9.9 per cent in Ukraine, it is forecast to reach 10 per cent by the end of 2009 in the Russian Federation. This has resulted in spillovers to the region, taking the form of large numbers of returning migrant workers and of decreased remittances, upon which many countries rely. In Tajikistan, for instance, remittances declined by 22 per cent in the first half of 2009 alone, while they were a third lower in the Republic of Moldova. The impact on remittances is particularly important for several countries in the region. They account, for example, for 30 per cent and 20 per cent of GDP in the Kyrgyz Republic and in Uzbekistan, respectively.

The decline in economic activity has also had a profound impact on the fiscal situation as budget revenues have contracted and the need for public expenditure to shore up demand has increased. Given the extent to which the region has been affected by the crisis, it is unsurprising that significant fiscal stimulus packages are being implemented: in Kazakhstan, this package amounts to 13.8 per cent of GDP – the highest amount recorded in 59 countries. In several countries, these packages comprise significant social expenditure: in the Russian Federation, for instance, more than a third of the package is earmarked for social protection components.

A number of countries have been able to tap accumulated reserves to finance their countercyclical fiscal measures. This is particularly the case for the resource-rich economies. In others, such as in Armenia, Belarus, Kyrgyzstan, the Republic of Moldova, Tajikistan and Ukraine, standby arrangements with the IMF are providing resources to support their economies. Nevertheless, fiscal deficits will increase in 2009: while several countries were able to post a fiscal surplus in 2008, none will be able to do so in 2009 and the average fiscal deficit will increase from 0.6 per cent of GDP in 2008 to 4.4 per cent of GDP in 2009. Significant decreases in expenditure, such as those that have been announced in the 2010 budget for the Russian Federation, will contribute to the general improvement in budget deficits forecast for 2010.

Africa

There seems to be a growing sentiment that the worst of the economic and financial crisis has passed as signs of recovery in Africa begin to appear. The future of many mineral- and oil-exporters looks brighter than in early 2009 as the prices of these commodities have rebounded notably. For instance, Botswana expanded by 1.3 per cent year-on-year in the second quarter of 2009, after contracted by 18.8 per cent in the previous quarter, as diamond mines reopened and farming surged.

However, almost all African countries are still far from the high pace of economic development they achieved during 2002-2007. Considerable economic difficulties remain in the two largest sub-Saharan African economies. In South Africa, manufacturing activity and the labour market remain depressed. In Nigeria, the banking system is under harsh distress. More worrisome, hunger levels are soaring in East Africa where seven countries have been experiencing a severe and persistent five-year drought.

The average growth for Africa is estimated to be around 1.6 per cent in 2009, below the growth rate of its population of 2.3 per cent. This decline in per-capita income marks an unfortunate reversal of an improving trend between 2002 and 2008, when the average economic growth rate *per capita* exceeded 3 per cent. This reversal will offset part of the hard-earned social and economic gains that have been made in reducing poverty and the large gap which still separates Africa from its Millennium Development Goals.

Economic conditions also vary considerably across the region. *Southern Africa* is expected to contract by 1.7 per cent in 2009, the worst regional performance in the continent. Indeed, South Africa recorded its third consecutive negative real growth rate in the second quarter of 2009. This slowdown also spilled over to its neighbours, particularly Lesotho, Swaziland and Namibia. *West Africa* is expected to grow by 3 per cent in 2009, because the situation in Nigeria, the second-largest sub-Saharan economy, is more nuanced. On the one hand, the non-oil sector – particularly agriculture, which picked up in the second quarter – registered a growth rate of around 3-4 per cent. On the other hand, the industrial sector and Nigeria's crude oil production declined year-on-year during the second quarter of 2009. In the meantime, food exporters in the region proved to be quite resilient as the demand and prices for commodities like cocoa, coffee and bananas remain robust. *North Africa*, with average growth in 2009 of 3.5 per cent, was more resilient owing to robust domestic consumption and excellent harvests in Algeria and Morocco. In Morocco, the unemployment rate even decreased from 9.6 to 8.0 per cent between the first and second quarter of 2009. *East Africa* will probably record the continent's highest development rate in 2009 by growing around 4 per cent due to the dynamism in the five members of the East African Community. Nevertheless, hunger levels are soaring in seven East African countries given the severe and persistent five-year drought.

Regarding trade, aggregate exports have declined faster than imports due to the sharp drop in the prices of oil and minerals. Hence, the African trade and current account, which is mainly determined by the price of oil, will fall into deficit in 2009 and most likely remain there in 2010. However, this aggregate picture dramatically contrasts with some country-specific situations. For instance, South Africa, whose volume of merchandise imports in the first half of 2009 declined sharply, experienced a turnaround in the deficit on the trade account in the second quarter of 2009.

Foreign direct investment (FDI) inflows increased by 27 per cent in Africa in 2008. Natural-resources producers attracted a large share of the region's inflows. In 2009, a decline in FDI inflows into Africa is expected, following five years of uninterrupted growth. Nevertheless, Rwanda, whose FDI went up sharply during the first half of 2009, is one of the few exceptions.

All African currencies depreciated vis-à-vis the dollar, based on the average monthly levels for African currencies between January and August 2009 compared to the 2008 average. While the average depreciation (simple or weighted by country GDP) was around 10 per cent until August 2009, the currencies of the Democratic Republic of the Congo, Ghana, Seychelles and Zambia had depreciated by more than 30 per cent.

Inflation was generally lower at around 9 per cent during 2009, as food and oil prices declined from their peak in 2008, although sub-regional levels remain diverse. In the CFA franc zone, inflation is forecast to be 4.2 per cent in 2009. In North and Southern Africa, it is expected to be around 8 per cent, while it is likely to remain around 16 per cent in East Africa. In the outlook, as prices are expected to remain stable or decline only slightly, inflation is forecast to be around 7 per cent in 2010. However, food prices might soar further in many East African countries if the situation deteriorates.

Many of Africa's biggest central banks have reduced their main interest rates by 3 to 5 percentage points since the last quarter of 2008. While most African countries' financial systems have not been adversely affected by the crisis, the Central Bank of Nigeria injected $2.6 billion into five troubled banks in August before injecting an additional $1.3 billion into four other banks at the beginning of October 2009.

While African countries have taken a number of initiatives to lessen the impact of the economic downturn, its recovery will mainly depend on the revival of the global economy. As global demand recovers, African commodity exports and prices are projected to increase and to amplify GDP growth to about 4.3 per cent in 2010. In addition, Africa's growth in 2010 will benefit from plans to boost domestic demand as well as an expected, though slow, recovery in FDI and other private flows. However, numerous downside risks to Africa's growth remain. A key structural risk element relates to the continued high dependence on primary commodity exports that are often subject to significant fluctuations in demand and prices. Other downside risks include the possibility of too slow a global growth recovery or a prolonged recession, failure of donors to meet aid commitments, fragility in domestic financial markets, squeezed access to international credit, erratic weather conditions and political instability in some countries. To mitigate these risks, Africa needs to exert more effort, with the help of donors and international financial institutions, to implement long-term reforms and strategies to reduce vulnerability to external shocks, strengthen private sector development and promote investment for growth recovery, employment generation and poverty reduction.

East Asia

The East Asian economies rebounded strongly in the second and third quarter of 2009, following sharp downturns over the previous six months when rapidly contracting exports and industrial production led to marked declines in domestic investment. In a group of countries, including China, Indonesia, the Philippines, Thailand, and Viet Nam, significantly higher government spending on consumption and fixed capital formation, as part of the countries' fiscal stimulus packages, has been a key driver of the recovery. In addition, aggressive monetary easing fuelled credit growth and domestic demand, most notably in China and Viet Nam. Private spending gained strength in most countries of the region in the course of 2009, partly as a result of fiscal policy measures such as tax rebates, the extension of credit lines to households and firms and cash grants to employers to subsidize wage bills. The gradual recovery in exports and manufacturing output during the second quarter also contributed to the rebound in economic activity across the region, particularly in the heavily export-dependent economies[9] and in the Republic of Korea. Since imports contracted much faster than exports in the second

[9] The following countries are classified as heavily export-dependent in this context: Hong Kong Special Administrative Region of China, Malaysia, Singapore and Taiwan Province of China.

quarter on a year-on-year basis, net exports provided a significant contribution to GDP growth in many economies

However, despite the region's rebound over the past two quarters and the remarkable strength of economic activity in China, average growth in East Asia is expected to decline from 6.1 per cent in 2008 to 4.1 per cent in 2009. Over the next year, growth across the region is projected to gain further momentum, averaging 6.6 per cent in 2010 as global demand continues to recover and Governments across the region maintain their expansionary fiscal policy stances. The improvement, relative to 2009, will be most noticeable in the heavily export-dependent economies as well as in the Republic of Korea and Thailand, all of which experienced full-year contractions of GDP in 2009. These economies are likely to benefit most from the expected moderate recoveries of global demand and trade activity. In China, Indonesia, and Viet Nam, economic activity is projected to strengthen moderately over the next year after all three countries registered stronger-than-expected growth during the first nine months of 2009. In China, full-year growth in 2010 is forecast at 8.7 per cent. This follows expected growth of 8.4 per cent in 2009, when domestic demand was mainly boosted by government expenditures and a surge in bank lending. While the baseline outlook for East Asia is favourable and the region is most likely to lead a global economic recovery, partly owing to its strong macroeconomic fundamentals, a number of major downside risks remain.

In most East Asian countries, labour markets stabilized in the course of 2009, after deteriorating sharply earlier in the year when the manufacturing industries across the region suffered dramatic contractions. Government measures in the form of direct wage subsidies, tax reductions, easier credit access for firms and higher infrastructure spending have played a key role in alleviating the employment crisis in the region as job losses in the export-oriented sectors continued. In the heavily export-dependent economies of the region, unemployment rates are significantly higher than a year ago, though below the levels in most developed and developing countries. The impact of the current crisis on employment has been less severe in East Asian economies that rely less on external demand. In several countries of the region, there has been an increase in informal and vulnerable employment as weak social protection systems and widespread poverty force people to take whatever work is available. In 2010, labour markets across East Asia are expected to improve modestly as export industries recover and domestic demand continues to be supported by higher government spending.

Consumer price inflation across East Asia fell sharply during the first half of 2009 as a result of considerably lower international oil and commodity prices, weaker domestic demand and significant excess capacities. In several economies of the region, including, among others, China, Malaysia, Taiwan Province of China and Thailand, consumer price indices declined for a number of months on a year-on-year basis. However, deflationary pressures eased in the third quarter of 2009 as the base effect of last year's surge in energy and commodity prices began to wane and economic activity across the region recovered. Inflationary pressures are expected to build up slowly over the next few quarters as demand continues to recover and excess capacities shrink. Nonetheless, in most countries of the region, possibly with the exception of Viet Nam, full-year inflation will remain relatively low.

Central banks across the region eased monetary policy aggressively between October 2008 and April 2009 to increase credit flows, support domestic liquidity and stimulate demand. The downward trend in inflation gave the monetary authorities further room to loosen monetary policy. With economic activity recovering and consumer price indices starting to move up again, most East Asian central banks left policy rates unchanged in the third quarter of 2009. While the Central Bank of China is expected to start tightening monetary policy in the coming quarters, most other monetary authorities will maintain their accommodative policy stances until a sustained recovery is ensured or inflationary pressures increase considerably. Central banks in those countries in which year-on-year inflation remained positive throughout 2009, including Indonesia and the Republic of Korea, are likely to be among the first to raise interest rates, perhaps as early as in the first half of 2010.

Most East Asian Governments responded to the sharp economic downturn in the second half of 2008 by announcing large fiscal stimulus packages to strengthen domestic demand, support the business sector, and mitigate the impact of the crisis on the vulnerable and poor. These packages are now gradually being implemented and Governments across the region will maintain their expansionary fiscal policy stances in 2010, before starting to remove some of the measures and adopt a more neutral policy stance. Fiscal revenues will fall significantly in most countries of the region in 2009, giving rise to a sharp deterioration of fiscal balances. In the majority of countries, the expected deficits for 2009 will remain moderate, but high deficits in Malaysia and Viet Nam may raise concerns about fiscal sustainability. In 2010, budget deficits as a share of gross domestic product will mostly be similar to the levels of 2009.

After declining precipitously between October 2008 and January 2009, exports of East Asian economies recovered in the second quarter of 2009, as a result of improved global trade finance and a pickup in final demand for high- and medium-technology manufacturing goods. Several countries of the region, most notably the Republic of Korea, also benefited from large depreciations of their national currencies in 2008. In most East Asian economies - the main exception is China - the decline in export earnings in 2009 has been more than offset by lower import bills. As a result, trade balances improved markedly in many countries, including Indonesia, the Republic of Korea, Taiwan Province of China and Thailand. In China, by contrast, the trade surplus declined significantly in 2009. In 2010, import bills will rise considerably across the region as domestic demand recovers and international energy prices move up. Trade surpluses may therefore shrink despite a continuing expansion of exports.

While the overall outlook for East Asia is favourable, the region faces a number of severe short- and medium-term downside risks. First, a renewed downturn of global demand for manufacturing goods would hit especially the heavily export-dependent economies of the region hard. In countries with a flexible exchange rate, the negative impact of falling demand in developed economies could be aggravated by stronger domestic currencies, especially relative to the US dollar. Second, continued large capital inflows, combined with strong domestic credit growth and sharply higher international commodity prices, could fuel asset bubbles and inflationary pressures in some countries. Central banks may therefore see the need to tighten monetary policy more aggressively than currently anticipated, thus hampering the economic recovery.

South Asia

South Asian economies, most notably Bangladesh and India, have shown considerable resilience owing to robust domestic demand and limited dependence on exports. The slowdown in growth over the past year was less severe than in other developing regions and several South Asian economies, including India, Sri Lanka and possibly Pakistan, are likely to have passed the lowest point of the downturn. Merchandise exports across the region have fallen sharply since the global financial crisis intensified. However, continued strong growth in remittance inflows, reduced inflationary pressures, accommodative monetary policies and sizeable fiscal stimulus measures in several countries have supported domestic demand. In addition, a number of country-specific factors, such as the end of the civil war in Sri Lanka, the re-election of the Government in India and strong rice and wheat harvests in Bangladesh helped sustain growth. Average growth in South Asia is nonetheless projected to decline from 6.1 per cent in 2008 to 4.7 per cent in 2009, the lowest rate since 2001. In 2010, economic activity across South Asia is expected to gain further strength, particularly in India and Sri Lanka, with average growth in the region forecast at 5.5 per cent.

Economic growth in India averaged 6 per cent in the first two quarters of 2009 and was underpinned by large increases in government consumption expenditure. Private consumption and fixed capital formation also continued to expand - although at a lower pace than in previous years - owing to tax cuts and the easing of credit delivery to specific economic sectors. Despite weak agricultural output, the economy is expected to gain further strength in the course of 2010, with full-year growth forecast at 6.5 per cent. Pakistan and Sri Lanka have started to recover from large macroeconomic and external imbalances, following agreements with the IMF. However, Pakistan's outlook continues to be fragile owing to the volatile security situation and continuing violence. Sri Lanka's prospects, by contrast, have significantly improved as the end to its 25-year-long civil war in May 2009 has already begun to stimulate tourism and investment. In Bangladesh, economic activity has so far been only mildly impacted by the global crisis, with economic growth expected to slow from 6 per cent in 2008 to 5.6 per cent in 2009. However, since the pace of growth in remittance inflows declined in recent months and exports began to weaken, growth in 2010 is forecast to decelerate further to 5.4 per cent.

With economic growth in South Asia falling to its lowest level since 2002, labour market pressures across the region intensified over the past year. Recent surveys in India and Sri Lanka show that the economic downturn has adversely impacted both employment levels, particularly in export-oriented industries, and the quality of employment. The results of the labour market surveys also indicate that over the past year informal and vulnerable employment further increased, labour force participation rates declined and that young people were disproportionately affected by the crisis.

Consumer price inflation in most South Asian countries slowed in 2009 owing to the drop in the prices of oil and other commodities and weaker aggregate demand pressures. Average inflation in the region is expected to decline from its decade-high of 12.5 per cent in 2008 to 10.5 per cent in 2009. However, in several South Asian countries, including in India, the Islamic Republic of Iran, Nepal and Pakistan, inflation - and particularly food price inflation - has remained persistently high due to a variety of factors. These include large nominal exchange rate depreciations, the reduction of fuel and other subsidies, the upward revision of minimum support prices for agricultural crops as well as poor harvests owing to late monsoon rains in 2009. In some countries, upward pressures have become stronger in recent months, mainly owing to the price increases of oil and agricultural commodities. For the region as a whole, inflation in 2010 is projected to be similar to or slightly below the level of 2009.

Since the global financial crisis intensified in September 2008, most central banks in South Asia have eased monetary policy, following a long cycle of monetary tightening in the region. Cuts in the main policy rates and other expansionary measures were facilitated by declining inflationary pressures and aimed at augmenting liquidity and supporting domestic economic activity. Most importantly, the monetary authorities tried to ensure adequate credit flows to productive sectors. In India, the quick and aggressive moves by the Central Bank helped stabilize the domestic financial sector and cushion the impact of the global crisis on the domestic economy. Other central banks in the region eased monetary policy more slowly as inflationary concerns persisted. Meanwhile, pressures on the domestic currencies of India, Pakistan and Sri Lanka have eased since the second quarter of 2009. In the near term, most South Asian central banks are expected to maintain their accommodative policy stance as growth remains below potential and inflation declines. However, the Central Bank of India and a few others may tighten monetary policy in the course of 2010 to subdue inflationary pressures.

Faced with challenging global conditions and slowing domestic economies, Governments across South Asia presented expansionary budgets for the new fiscal year 2009/10 that aim to strengthen economic activity and mitigate the adverse impact of the slowdown on the poor. In Bangladesh, India and Sri Lanka this follows the announcement of fiscal stimulus packages between December 2008 and May 2009. The new fiscal measures include support for the sectors that were most severely affected by the crisis, additional spending on infrastructure and social programs and – in the case of India – sizeable tax cuts. While fiscal expenditures are increasing significantly, revenue growth has weakened over the past year. Most South Asian economies are therefore expected to experience further deteriorating fiscal balances in 2009. In Bangladesh, India, and Sri Lanka, fiscal problems are deepening as the budget deficits in 2009 are expected to rise to 6 per cent to 9 per cent of gross domestic product, with only moderate declines anticipated for 2010.

Export sectors in South Asia have been hard hit by the global economic crisis as demand from developed countries, particularly for manufactured goods, declined sharply. On a year-on-year basis, the Islamic Republic of Iran and India registered the most severe contractions, with India's export earnings falling by 26 per cent year-on-year in the first eight months of 2009. However, on a month-on-month basis, exports started to recover in several South Asian economies during the third quarter of 2009, a trend that is likely to continue in 2010. Despite the drop in export revenues across the region, trade and current account balances improved everywhere except in the Islamic Republic of Iran in 2009. The decline in global energy and food prices, combined with the slowdown in domestic demand, led to sharply lower import bills, while remittance inflows continued to increase substantially. India, Pakistan and Sri Lanka registered lower current account deficits, as a share of gross domestic product, and Bangladesh reported a larger surplus than in 2008.

In the near-term, South Asia's economic outlook appears fairly stable given the resilience in domestic demand. However, weaker-than-expected agricultural output and a sharper slowdown in remittance inflows may drag down economic growth in several countries in 2010. Lower agricultural output, combined with a marked rise in energy prices, may also push up consumer price inflation, which would constrain household spending. The high fiscal deficits of many South Asian countries, including India, pose considerable downside risks in the medium-term.

West Asia

West Asia experienced an economic contraction by 1.2 per cent in 2009, driven in particular by weaker oil prices, a fall in external demand and less investment inflows. In 2010, the region is forecast to experience a rebound in economic growth to 3.8 per cent, underpinned by a solid performance of the oil-exporting economies in light of higher oil prices. Non-oil exporters, by contrast, will face greater problems in regaining their footing, with continued weakness in global demand putting pressure on exports.

Looking at individual growth components, the external sector, which in many respects led the region into the downturn, will also determine the extent and speed of the recovery. Oil exporters will benefit from the recovery in oil prices. In Saudi Arabia, for example, after a sharp contraction in the trade surplus by more than half in 2009 compared to the previous year, the trade surplus will move up again by about 37 per cent to 103 billion dollars in 2010. At the same time, non-oil exporters have been suffering from a sharp drop in global demand across virtually all product groups. However, with imports having contracted even more severely, countries like Turkey and Israel experience a fall in their trade deficits in 2009, before stabilizing domestic demand will again cause a return to an increasing trade deficit in 2010.

Private consumption has suffered from generally weaker consumer sentiment in the course of the crisis as well as lower remittance flows into economies such as Lebanon. At the same time, personal disposable incomes are also under pressure from rising unemployment, although, like for example in Turkey, government stimulus measures have helped to avoid an even sharper contraction in household consumption.

Moreover, in a number of economies, the relatively large share of the public sector in total employment has limited the negative effect of the crisis on employment, disposable household incomes and private consumption.

Government consumption and fiscal policies remain a dominant force in economic activity in many economies in the region. However, fiscal balances are being squeezed from a number of directions. In the oil-exporters, revenue will be lower due to lower oil prices, while especially non-oil-exporters will see lower tax flows due to weaker domestic demand. On the expenditure side, while lower oil prices will benefit many economies in the form of reduced subsidy payments, this will be outweighed by increased spending in an effort to create jobs and, in the case of oil-exporters, to diversify the structure of the economy. Taken together, supportive fiscal policies will lead to a deficit in the public budget of virtually all economies in the region, including more extreme swings in fiscal positions such as in the case of Saudi Arabia, which is forecast to see a fall in its budget balance from a surplus of 33.0 per cent of GDP in 2008 to a deficit of 9.0 per cent of GDP in 2009. However, oil-exporters will be in a relatively more comfortable position to sustain deficit spending measures by drawing on reserves accumulated during the previous period of higher oil prices.

Investment flows have taken on a more selective nature in the wake of the crisis, not least due to increased risk aversion. During the height of the crisis, the drying-up of international credit markets and the sharp contraction in crude oil prices severely curtailed investment levels. However, the normalizing process in credit markets and the recovery in oil prices have also revived investment flows, although with stronger risk awareness attached to them. In addition, government stimulus measures have also helped to underpin investment levels.

Inflation has been falling throughout the region in view of weaker demand and lower commodity prices. In this context, in the oil-exporting economies, the lower oil price has removed upward price pressures both on the supply side and the demand side, as lower revenues have curtailed overall demand. The decline in inflation has been particularly pronounced in Qatar, with consumer price inflation declining from 15.2 per cent in 2008 to -1.4 per cent in 2009 due to lower commodity prices and a considerably weaker housing market. A similar scenario has been panning out in the United Arab Emirates, with inflation dropping from 15.8 per cent in 2008 to 1.5 per cent in 2009. In 2010, inflation is forecast to pick up moderately due to the impact of the decline in the value of the dollar in those economies with a currency peg as well as low base effects. Against this background, monetary policy will still maintain a supportive stance that is focused on stabilizing economic growth, although this room of maneuvering will diminish more noticeably in the second half of 2010. With Israel already having seen the first hike in its policy interest rate in light of inflation that is running slightly above policy makers' target range, more economies are expected to follow suit in 2010.

Latin America and the Caribbean

After five consecutive years of GDP growth over 4.0 per cent, the economy of Latin American and the Caribbean contracted by 2.2 per cent in 2009, as the whole region suffered a sharp decline in growth in the first half of the year. Mexico, whose economy contracted by 10.4 per cent in the first half of the year, as well as Central American countries are among the economies forecasted to register the lowest growth figures this year. In 2010, the regional economy, which has already shown signs of recovery since the third quarter of 2009, is expected to return to a positive growth rate of 2.9 per cent.

Latin American and Caribbean economies suffered primarily from weak external demand and low commodity prices for their exports. In addition, a rapid contraction of private consumption and investment aggravated the economic situation in 2009. However, a much sharper deceleration was otherwise prevented in several countries with active counter-cyclical policies, including a significant increase in government spending. Next year, the region as a whole is expected to recover mainly due to the rebound of commodity prices and higher external demand.

The pace of recovery is expected to vary across the region. In South America, the recovery will be faster, led by Brazil and sustained by the expansion of domestic consumption and the improvement of external demand, in particular from China. The Brazilian economy is now expected to grow by 3.5 per cent in 2010. In contrast, the recovery is expected to lag in Mexico and the Central American and Caribbean countries, which depend more on the US economy. Mexico, however, is forecast to achieve growth of 3.0 per cent in 2010, recovering from very low levels.

In the first half of 2009, job losses increased rapidly in several sectors, particularly manufacturing, pushing up unemployment rates and the size of the informal sector. However, stimulus packages have prevented more employment losses and the increase of unemployment rates started to slow in the second quarter of 2009. The regional unemployment rate is expected to rise up to 8.5 per cent in 2009. Despite a projected economic recovery in the region, unemployment rates are not expected to decrease much in 2010.

In most Latin American and Caribbean countries, inflationary pressures eased in 2009. The average inflation is estimated to be about 6 per cent, lowering from 8.4 per cent in 2008. Inflation is expected to decrease more significantly in Chile, Colombia, Ecuador and Peru. This is mainly explained by two factors. First, a deceleration of domestic demand, with higher unemployment rates, cooled down pressure on domestic prices. Second, the fall in commodity prices reduced inflation pressures for net importers of food and energy. In turn, the Bolivarian Republic of Venezuela is expected to continue to register high inflation rates of around 30 per cent, driven by higher taxes and a shortage of essential products. In 2010, despite higher oil prices, inflation in the region is expected to be under control as domestic demand will remain contained in many countries and some currencies, such as the Brazilian Real, are moving toward appreciation.

Central banks, in particular in Brazil, Chile, Mexico and Peru, started to ease monetary policy aggressively in response to emerging liquidity shortages. In addition, several central banks, in particular in Argentina and Brazil, lowered the legal reserve requirements in order to prevent a liquidity crisis. The central bank of Brazil has also opened several lines of credits to banks and specific sectors of the economy and in July 2009, bank credit in Brazil was already 20 per cent higher than in June 2008.

Interest rates are expected to remain low in 2010, at least until a solid recovery is under way, and as long as inflation rates remain stable. In case growth figures are weaker than expected and inflation stays under control, several central banks still have room to ease monetary policies.

In a great number of countries, Governments were particularly active in implementing counter-cyclical fiscal policies, in particular those with previous fiscal surpluses and ample foreign-exchange reserves, such as Brazil, Chile, Panama and Peru. A lot of these fiscal stimulus packages included social programmes, such as in Brazil, mitigating the impact of the financial crisis on private consumption. In addition, tax breaks in Brazil stimulated domestic demand and helped in driving the economy out of recession already in the second quarter of 2009.

The space for additional countercyclical measures in 2010 is significantly reduced in a large number of countries, in particular in countries whose public spending depends on oil export revenues, such as Mexico and the Bolivarian Republic of Venezuela. Mexico's government had already to cut spending in 2009, before the economy had reached a bottom, as oil revenues went down significantly in the first half of the year. Caribbean economies also face limited room for counter-cyclical policies due to reduced budgetary revenues and already high debt levels. International support will be important for the continuation of fiscal stimulus measures in these countries.

The small deficit of the current account in 2008 is expected to widen in 2009. This is mainly due to a deterioration of the trade balance in countries that had significant trade surpluses in previous years, such as the Bolivarian Republic of Venezuela. At regional level, trade balance is expected to deteriorate, despite a significant reduction of imports. In 2009, South American countries faced a significant loss in the terms of trade due to the correction in commodity prices. In parallel, Central American countries and other net energy importers will improve their trade deficits, as the relative price of imports decreased substantially. In 2010, an expected global economic recovery and higher commodity prices will help in increasing export volumes and prices, improving the regional trade balance and currents accounts.

The inflow of remittances fell also markedly in the region since the beginning of 2009, putting additional pressure on the current transfers account. These flows are not expected to increase in 2010, as labour market in developed economies may take time before recovering. Instead, capital inflows to the region through foreign direct investment are already picking up, in particular to Brazil. After concerns of national currency depreciation in late 2008, in some countries, such as Brazil, the weakening of the dollar is now a major concern, as their currencies appreciated in nominal terms. In turn, Mexico and some Central American countries registered nominal depreciations of their currencies.

A weaker than expected global recovery would limit external demand for exports of the region, but the region is still highly dependent on commodity prices and demand from the United States, in particular for manufactured products. In case the recovery in exports and commodity prices is not sustained, the currencies in the region may depreciate again, discouraging capital inflows and weakening economic prospects for the region in 2010. Moreover, if labour market conditions continue to deteriorate more than anticipated, this would drag consumer confidence and domestic demand, curbing an early economic recovery in 2010. As fiscal positions have deteriorated significantly, many countries in the region will face limited room for more counter-cyclical policies, which remain crucial to sustain the economic recovery.

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October 2009

Annex Table

Table A.1

World and regions: rates of growth of real GDP, 2003-2010

(Annual percentage change[a])

	2003	2004	2005	2006	2007	2008[b]	2009[c]	2010[c]
World	2.7	4.1	3.5	4.0	3.9	1.9	-2.2	2.4
Developed economies	1.8	3.0	2.5	2.8	2.5	0.5	-3.5	1.4
North America	2.4	3.5	3.1	2.7	2.2	0.4	-2.5	2.1
Asia and Oceania	1.7	2.8	2.1	2.1	2.6	-0.3	-4.6	1.7
Europe	1.3	2.5	2.0	3.1	2.8	0.9	-4.0	0.6
European Union	1.3	2.5	2.0	3.1	2.8	0.8	-4.1	0.6
EU-15	1.2	2.3	1.8	3.0	2.6	0.7	-4.2	0.5
New EU Members	4.3	5.6	4.4	6.5	6.2	4.0	-3.4	1.6
Other Europe	0.4	3.2	2.7	2.9	3.3	1.8	-2.0	0.7
Memorandum items:								
Euro Zone	0.8	2.2	1.7	3.0	2.7	0.7	-4.1	0.4
Major developed economies (G-7)	1.7	2.9	2.3	2.6	2.2	0.3	-3.6	1.6
OECD	1.8	3.1	2.5	2.9	2.6	0.6	-3.5	1.5
Economies in transition	7.3	7.8	6.5	8.0	8.4	5.5	-6.4	1.6
South-eastern Europe	3.9	5.7	4.7	5.2	6.2	4.3	-3.4	0.7
Commonwealth of Independent States	7.6	8.0	6.6	8.2	8.6	5.6	-6.6	1.7
Net fuel exporters	7.4	7.4	6.9	8.3	8.5	5.6	-6.1	1.8
Net fuel importers	9.0	11.6	4.7	8.0	8.9	5.2	-10.1	0.9
Developing countries	5.1	7.4	6.7	7.4	7.6	5.4	1.9	5.1
Africa	5.3	8.1	5.6	6.2	6.1	5.6	1.6	4.3
North Africa	6.6	4.9	5.8	5.4	5.1	3.8	3.5	3.9
Sub-Saharan Africa[d]	4.1	6.5	6.8	7.2	7.8	6.4	2.3	5.2
Net fuel exporters	7.3	11.8	5.5	5.5	5.7	6.6	2.7	4.6
Net fuel importers	4.1	5.8	5.7	6.6	6.4	5.0	0.9	4.1
East and South Asia	6.8	7.8	7.7	8.7	9.4	6.1	4.3	6.4
East Asia	6.8	7.9	7.7	8.7	9.6	6.1	4.1	6.6
South Asia	6.6	7.2	8.1	8.6	8.5	6.1	4.7	5.5
Net fuel exporters	7.0	5.4	5.3	6.3	7.7	3.9	1.8	3.3
Net fuel importers	6.8	7.9	7.9	8.8	9.4	6.2	4.4	6.5
Western Asia	4.9	8.1	6.8	6.0	4.9	4.5	-1.2	3.8
Net fuel exporters	5.5	8.2	6.5	5.8	4.9	6.5	0.1	5.0
Net fuel importers	4.2	8.0	7.3	6.2	5.0	2.1	-2.9	2.3
Latin America and the Caribbean	1.8	5.8	4.7	5.6	5.5	4.0	-2.2	2.9
South America	1.9	7.0	5.1	5.5	6.5	5.3	-0.2	3.0
Mexico and Central America	1.6	4.0	3.4	5.0	3.6	1.7	-6.5	2.9
Caribbean	3.5	3.9	8.3	10.4	6.6	3.7	0.2	2.5
Net fuel exporters	1.9	6.3	5.2	6.2	5.0	2.9	-4.3	2.4
Net fuel importers	1.8	5.4	4.2	4.9	6.0	5.1	-0.1	3.4
Memorandum items:								
Least developed countries	5.4	7.2	7.9	8.0	8.5	7.0	3.3	5.4
East Asia (excluding China)	4.0	5.9	4.9	5.6	5.9	2.7	-1.2	3.7
South Asia (excluding India)	6.1	5.9	5.9	6.1	6.9	3.7	2.3	3.4
Western Asia (excluding Israel and Turkey)	5.4	8.1	6.4	5.6	5.0	6.5	0.3	4.9
Landlocked developing economies	6.2	7.8	8.1	9.3	8.8	6.0	1.0	4.4
Small island developing economies	3.6	6.1	7.3	8.5	6.9	2.8	-0.9	3.1

Source : Project LINK

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

b Partly estimated.

c Forecasts, based in part on Project LINK.

d Excluding Nigeria & South Africa.

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

	2003	2004	2005	2006	2007	2008[a]	2009[b]	2010[b]
Developed economies								
North America								
Canada	1.9	3.1	3.0	2.9	2.5	0.4	-2.6	2.6
United States	2.5	3.6	3.1	2.7	2.1	0.4	-2.5	2.1
Asia and Oceania								
Australia	3.4	3.2	3.1	2.6	4.2	2.3	0.8	1.3
Japan	1.4	2.7	1.9	2.0	2.3	-0.7	-5.6	1.7
New Zealand	4.3	4.4	2.8	2.7	3.0	-1.0	-1.3	2.8
European Union								
EU-15								
Austria	0.8	2.5	2.5	3.5	3.5	2.0	-3.8	1.0
Belgium	1.0	3.0	1.8	3.0	2.8	1.1	-3.5	0.4
Denmark	0.4	2.3	2.4	3.3	1.6	-1.2	-3.0	1.1
Finland	1.8	3.7	2.8	4.9	4.2	1.0	-7.0	0.0
France	1.1	2.5	1.9	2.2	2.3	0.7	-2.2	0.7
Germany	-0.2	1.2	0.8	3.2	2.5	1.3	-4.8	1.2
Greece	5.6	4.9	2.9	4.5	4.0	2.9	-0.6	-0.4
Ireland	4.4	4.6	6.2	5.4	6.0	-3.0	-7.8	-2.3
Italy	0.0	1.5	0.7	2.0	1.6	-1.0	-5.3	0.1
Luxembourg	1.6	4.4	5.4	5.6	6.5	0.0	-4.5	0.4
Netherlands	0.3	2.2	2.0	3.4	3.6	2.0	-4.7	0.0
Portugal	-0.8	1.5	0.9	1.4	1.9	0.0	-3.5	0.1
Spain	3.1	3.3	3.6	3.9	3.7	1.2	-3.8	-0.9
Sweden	1.9	4.1	3.3	4.2	2.6	-0.2	-5.0	1.5
United Kingdom	2.8	3.0	2.2	2.9	2.6	0.7	-4.5	0.6
Bulgaria	5.0	6.6	6.2	6.3	6.2	6.0	-5.7	3.8
Cyprus	1.9	4.2	3.9	4.1	4.4	3.7	-1.0	1.0
Czech Republic	3.7	4.6	6.1	6.8	6.6	3.5	-4.0	1.0
Estonia	7.6	7.2	9.4	10.0	7.2	-3.6	-12.0	-3.0
Hungary	4.1	4.9	1.5	3.9	1.3	0.5	-4.5	0.5
Latvia	7.2	8.7	10.6	12.2	10.0	-4.6	-17.5	-4.0
Lithuania	10.2	7.3	7.8	7.8	8.9	3.0	-15.9	3.8
Malta	-0.3	0.4	4.1	3.8	3.7	2.3	-3.8	-0.6
Poland	3.9	5.3	3.6	6.2	6.7	4.7	1.1	2.9
Romania	5.3	8.5	4.1	7.9	6.2	7.1	-7.6	0.1
Slovak Republic	4.7	5.2	6.5	8.5	10.4	6.4	-3.5	1.2
Slovenia	2.8	4.3	4.4	5.9	6.8	3.5	-5.5	1.5
Iceland	2.4	7.7	7.5	4.3	5.6	1.3	-6.3	0.5
Norway	1.0	3.9	2.7	2.3	3.1	2.1	-1.2	2.1
Switzerland	-0.2	2.5	2.5	3.4	3.3	1.6	-2.5	-0.4
Economies in transition								
South-eastern Europe								
Albania	5.8	5.7	5.8	5.5	6.3	6.5	4.0	2.5
Bosnia and Herzegovi	3.5	6.3	3.9	6.9	6.8	5.4	-3.0	1.0
Croatia	5.0	4.2	4.2	4.7	5.5	2.4	-5.0	0.1
Montenegro	2.4	8.3	5.6	5.2	6.9	5.4	-4.0	0.8
Serbia	2.5	4.2	4.0	8.6	9.5	7.0	-2.0	0.5
The former Yugoslav Republic of Macedonia	2.8	4.1	4.1	4.0	5.9	5.0	-3.0	1.0
Commonwealth of Independent States								
Armenia	14.0	10.5	13.9	13.2	13.8	6.8	-15.0	1.0
Azerbaijan	10.5	10.4	24.3	30.6	25.1	10.8	6.0	7.0
Belarus	7.0	11.4	9.4	10.0	8.6	10.0	-3.0	1.5
Georgia	11.1	5.9	9.6	9.4	12.3	2.1	-4.0	2.0
Kazakhstan	9.3	9.6	9.7	10.7	8.9	3.3	-2.0	2.0
Kyrgyzstan	7.0	7.0	-0.2	3.1	8.5	7.6	1.0	3.0
Republic of Moldova	6.6	7.4	7.5	4.8	3.0	7.2	-8.5	1.5
Russian Federation	7.3	7.2	6.4	7.7	8.1	5.6	-7.0	1.5
Tajikistan	10.0	10.1	7.3	6.8	7.7	7.9	2.0	3.0
Turkmenistan	17.1	14.7	13.1	11.4	11.6	9.8	-3.0	8.0
Ukraine	9.6	12.1	2.7	7.3	8.9	3.2	-13.2	0.4
Uzbekistan	4.2	7.7	7.0	7.3	9.5	9.0	7.0	7.0
Developing countries								

Africa								
Algeria	6.9	5.2	5.1	2.0	3.0	3.0	2.1	3.7
Angola	3.3	11.2	20.6	18.6	20.3	13.2	0.2	9.3
Benin	4.0	3.0	2.9	3.8	4.6	5.0	3.8	3.0
Botswa	6.3	6.0	1.6	5.1	4.4	2.9	-10.3	4.1
Burkina Faso	7.3	4.6	7.1	5.5	3.6	5.0	3.5	4.1
Burundi	-1.2	4.8	0.9	5.1	3.6	4.5	3.2	3.6
Cameroon	4.0	3.7	2.3	3.2	3.3	2.9	1.6	2.7
Cape Verde	4.7	4.3	6.5	10.8	7.8	5.9	2.5	4.0
Central African Republic	-7.1	1.0	2.4	3.8	3.7	2.2	2.4	3.1
Chad	14.7	33.6	7.9	0.2	0.2	-0.2	1.6	4.6
Comoros	2.5	-0.2	4.2	1.2	0.5	1.0	1.0	1.5
Congo	0.8	3.5	7.8	6.2	-1.6	5.6	7.4	12.2
Côte d'Ivoire	-1.7	1.6	1.9	0.7	1.6	2.3	3.7	4.0
Democratic Republic of the Congo	5.8	6.6	7.9	5.6	6.3	6.2	2.7	5.4
Djibouti	3.2	3.0	3.2	4.8	5.1	5.8	5.1	5.4
Egypt	4.1	4.5	6.8	7.1	7.2	3.6	4.7	4.5
Equatorial Guinea	14.0	38.0	9.7	1.3	21.4	11.3	-3.4	0.8
Eritrea	-2.7	1.5	2.6	-1.0	1.3	1.0	0.3	1.4
Ethiopia	-3.5	9.8	12.6	11.5	11.5	11.6	7.5	8.0
Gabon	2.4	1.1	3.0	1.2	5.6	2.3	-1.0	2.6
Gambia	6.9	7.0	5.1	6.5	6.3	6.1	3.6	4.3
Ghana	5.2	5.6	5.9	6.4	5.7	7.3	4.5	5.0
Guinea	1.2	2.3	3.0	2.5	1.8	4.9	0.0	2.7
Guinea-Bissau	-0.6	2.2	3.5	0.6	2.7	3.3	1.9	2.5
Kenya	2.8	4.6	5.9	6.4	7.1	1.7	2.5	4.0
Lesotho	4.0	4.5	0.7	8.1	5.1	3.5	-1.0	3.1
Liberia	-31.2	2.6	5.3	7.6	9.5	7.1	4.9	6.3
Libyan Arab Jamahiriya	13.0	4.4	10.3	6.7	7.5	3.4	1.8	5.2
Madagascar	9.8	5.3	4.6	5.0	6.2	7.1	-0.4	0.9
Malawi	5.7	5.4	3.3	6.7	8.6	9.7	5.9	4.6
Mali	7.2	1.2	6.1	5.3	4.3	5.1	4.1	4.5
Mauritania	5.6	5.2	5.4	11.4	1.0	2.2	2.3	4.7
Mauritius	4.1	4.3	3.4	3.5	4.2	6.6	2.1	3.0
Morocco	6.3	4.8	3.0	7.8	2.7	5.4	5.3	2.4
Mozambique	6.5	7.9	8.4	8.7	7.0	6.8	4.3	5.2
Namibia	4.3	12.3	2.5	7.1	5.5	2.9	-0.7	1.7
Niger	7.1	-0.8	8.4	5.8	3.3	9.5	1.0	5.2
Nigeria	10.4	33.7	3.4	7.5	6.9	14.3	1.9	5.0
Rwanda	0.3	5.3	7.2	7.3	7.9	11.2	5.3	5.2
Sao Tome and Principe	5.4	6.6	5.7	6.7	6.0	5.8	4.0	4.5
Senegal	6.7	5.9	5.6	2.4	4.7	2.5	1.5	3.4
Sierra Leone	9.5	9.7	7.1	5.1	6.4	5.5	4.0	4.0
Somalia	2.5	-0.2	4.2	1.2	-3.5	1.8	-2.0	1.0
South Africa	3.1	4.9	5.0	5.3	5.1	3.1	-2.2	3.1
Sudan	7.1	5.1	6.3	11.3	10.2	6.8	3.5	5.5
Togo	5.2	2.4	1.2	3.9	1.9	1.1	2.4	2.6
Tunisia	5.6	6.0	4.1	5.3	6.3	4.6	3.0	4.0
Uganda	6.5	6.8	6.3	10.8	8.4	9.0	6.0	7.0
United Republic of Tanzania	6.9	7.8	7.4	6.7	7.1	7.4	5.0	5.6
Zambia	5.1	5.4	5.3	6.2	6.3	5.8	4.5	5.0
Zimbabwe	-10.4	-3.6	-4.0	-6.3	-6.9	-14.1	3.7	6.0
East and South Asia								
Bangladesh	5.8	6.1	6.3	6.5	6.3	6.0	5.6	5.4
Brunei Darussalam	2.9	0.5	0.4	4.4	0.6	-1.5	-1.0	0.8
China	10.0	10.1	10.4	11.6	13.0	9.0	8.4	8.7
Hong Kong, Special Administrative Region of China	3.0	8.5	7.1	7.0	6.4	2.4	-3.6	2.9
India	6.9	7.9	9.2	9.8	9.3	7.3	5.9	6.5
Indonesia	4.8	5.0	5.7	5.5	6.3	6.1	4.3	5.0
Iran, Islamic Republic of	7.2	5.1	4.7	5.8	7.8	3.5	1.0	2.5
Korea, Republic of	2.8	4.6	4.0	5.2	5.1	2.2	-1.2	3.5
Malaysia	5.8	6.8	5.3	5.8	6.2	4.6	-3.6	3.0
Myanmar	13.8	13.6	13.6	13.1	11.9	4.0	2.5	3.5
Nepal	3.9	4.7	3.1	3.7	3.2	4.7	4.0	4.1
Pakistan	4.9	7.4	7.7	6.1	6.0	2.5	2.4	3.3
Papua New Guinea	2.2	2.7	3.6	2.6	6.5	7.0	3.9	3.7
Philippines	4.9	6.4	5.0	5.3	7.1	3.8	1.5	3.2
Singapore	3.8	9.3	7.3	8.4	7.8	1.1	-2.7	4.0

Sri Lanka	5.9	5.4	6.2	7.7	6.8	6.0	2.8	5.7
Taiwan, Province of China	3.5	6.2	4.2	4.8	5.7	0.1	-3.8	3.9
Thailand	7.1	6.3	4.6	5.2	4.9	2.6	-3.5	3.1
Vietnam	7.3	7.8	8.4	8.2	8.5	6.2	5.2	6.4
Western Asia								
Bahrain	7.2	5.6	7.9	6.6	8.1	6.1	2.8	3.6
Iraq	-33.1	23.0	-0.7	6.2	1.5	7.5	5.2	6.1
Israel	1.8	5.0	5.1	5.3	5.2	4.0	0.1	2.0
Jordan	4.2	8.6	8.1	8.0	8.9	7.9	2.8	3.0
Kuwait	17.3	10.2	10.6	5.1	2.5	6.3	-0.6	4.1
Lebanon	4.1	7.5	2.5	0.6	7.5	6.2	2.9	3.1
Oman	0.4	3.4	4.9	6.0	7.7	7.8	2.4	3.5
Qatar	6.3	17.7	9.2	15.0	15.3	16.4	8.9	19.5
Saudi Arabia	7.7	5.3	5.6	3.2	3.3	4.4	-0.8	3.1
Syrian Arab Republic	-2.1	6.7	4.5	5.1	4.2	4.8	1.7	3.5
Turkey	5.3	9.4	8.4	6.9	4.7	0.9	-4.9	2.2
United Arab Emirates	11.9	9.7	8.2	9.4	6.3	7.4	-3.6	3.8
Yemen	3.7	4.0	5.6	3.2	3.3	3.2	3.6	4.8
Latin America								
Argentina	8.8	9.0	9.2	8.5	8.7	6.8	0.0	2.5
Barbados	2.0	4.8	3.9	3.2	3.4	0.2	-2.8	0.5
Bolivia, Plurinational State of	2.7	4.2	4.4	4.8	4.6	6.1	2.5	2.8
Brazil	1.1	5.7	3.2	4.0	5.7	5.1	0.0	3.5
Chile	4.0	6.0	5.6	4.6	4.7	3.2	-1.2	3.7
Colombia	4.6	4.7	5.7	6.9	7.5	2.5	-0.5	2.5
Costa Rica	6.4	4.3	5.9	8.8	7.8	2.6	-3.0	2.0
Cuba	3.8	5.8	11.2	12.1	7.3	4.3	1.0	3.0
Dominican Republic	-0.3	1.3	9.3	10.7	8.5	5.3	1.5	2.6
Ecuador	3.6	8.0	6.0	3.9	2.5	6.5	-0.5	1.0
El Salvador	2.3	1.9	3.1	4.2	4.7	2.5	-2.3	2.5
Guatemala	2.5	3.2	3.3	5.4	6.3	4.0	-2.0	2.2
Guyana	-0.7	1.6	-2.0	5.1	5.4	3.0	-1.0	2.2
Haiti	0.4	-3.5	1.8	2.3	3.4	1.3	-0.5	2.4
Honduras	4.5	6.2	6.1	6.6	6.3	4.0	-3.5	3.0
Jamaica	3.5	1.4	1.0	2.7	1.5	-0.9	-3.0	0.7
Mexico	1.4	4.0	3.2	4.8	3.2	1.3	-7.1	3.0
Nicaragua	2.5	5.3	4.3	3.9	3.2	3.2	-1.5	2.0
Panama	4.2	7.5	7.2	8.5	11.5	9.2	2.5	3.5
Paraguay	3.8	4.1	2.9	4.3	6.8	5.8	-3.5	2.5
Peru	4.0	5.0	6.8	7.7	8.9	9.8	1.0	4.2
Trinidad and Tobago	14.4	8.0	6.2	13.5	4.6	2.3	-2.7	2.0
Uruguay	2.3	4.6	6.8	4.6	7.6	8.9	1.0	3.8
Venezuela, Bolivarian Republic of	-7.8	18.3	10.3	10.3	8.4	4.8	-1.4	0.0

Source: Project LINK

a Partly estimated.

b Forecasts, based in part on Project LINK.

Table A.3

World and regions: consumer price inflation, 2003-2010

(Annual percentage change[a])

	2003	2004	2005	2006	2007	2008[b]	2009[c]	2010[c]
World	3.0	2.9	3.1	3.0	3.0	4.7	1.3	2.2
Developed economies	1.9	2.0	2.3	2.3	2.1	3.3	0.1	1.3
North America	2.3	2.6	3.3	3.1	2.8	3.7	-0.3	1.5
Asia and Oceania	0.2	0.4	0.2	0.8	0.4	1.8	-0.6	0.6
Europe	2.0	2.1	2.1	2.2	2.2	3.5	0.7	1.3
European Union	2.1	2.1	2.2	2.2	2.3	3.5	0.7	1.4
EU-15	2.0	1.9	2.1	2.2	2.1	3.3	0.6	1.3
New EU Members	3.6	5.1	3.4	3.0	4.2	6.1	3.0	2.6
Other Europe	1.2	0.8	1.4	1.8	0.8	3.1	1.0	1.1
Memorandum items:								
Euro Zone	2.1	2.1	2.2	2.2	2.1	3.3	0.2	1.1
Major developed economies (G-7)	1.7	1.9	2.3	2.3	2.1	3.1	-0.1	1.3
OECD	2.1	2.1	2.4	2.4	2.2	3.4	0.3	1.4
Economies in transition	12.0	10.1	11.8	9.2	9.1	14.7	11.9	7.3
South-eastern Europe	4.0	4.3	6.7	6.0	3.8	8.0	4.7	3.7
Commonwealth of Independent States	12.8	10.7	12.3	9.5	9.5	15.3	12.6	7.7
Net fuel exporters	13.1	10.6	12.4	9.6	9.3	14.4	12.2	7.3
Net fuel importers	10.9	11.1	12.0	8.7	11.4	21.8	15.3	10.5
Developing countries[d]	5.9	5.0	4.6	4.4	5.2	8.1	4.3	4.7
Africa[d]	8.9	6.1	6.4	5.6	6.2	10.6	8.1	6.1
North Africa	2.3	4.7	2.6	4.2	5.3	9.2	5.9	4.3
Sub-Saharan Africa (Excluding Nigeria & South Africa)[d]	17.1	9.9	9.8	8.3	7.4	12.1	10.2	7.4
Net fuel exporters	12.5	10.6	8.5	6.0	6.2	10.9	8.4	6.4
Net fuel importers[d]	6.1	2.7	4.8	5.4	6.1	10.3	7.9	5.9
East and South Asia	2.7	4.1	3.6	3.6	4.9	7.4	2.8	4.2
East Asia	1.8	3.5	2.9	2.7	3.9	6.0	0.6	2.6
South Asia	5.9	6.1	6.5	7.1	8.5	12.6	10.9	9.8
Net fuel exporters	13.1	12.8	11.9	10.6	14.6	24.1	12.0	10.1
Net fuel importers	2.2	3.7	3.2	3.3	4.5	6.6	2.3	3.9
Western Asia	8.6	4.0	4.5	5.8	5.9	10.0	4.2	5.0
Net fuel exporters	1.1	1.5	2.3	3.7	5.2	10.7	3.9	4.3
Net fuel importers	15.5	6.3	6.5	7.7	6.6	9.3	4.4	5.6
Latin America and the Caribbean	10.8	6.9	6.2	5.2	5.3	7.8	6.2	5.4
South America	13.8	7.0	7.2	5.7	5.8	8.7	6.9	6.4
Mexico and Central America	4.6	4.9	4.4	3.9	4.3	5.8	5.1	3.4
Caribbean	18.8	30.4	7.2	8.2	7.1	12.8	4.0	6.3
Net fuel exporters	8.5	7.0	5.7	5.1	6.1	9.0	8.5	6.8
Net fuel importers	12.6	6.9	6.7	5.2	4.7	7.0	4.5	4.3
Memorandum items:								
Least developed countries	19.0	11.0	10.6	9.0	9.3	12.4	8.8	8.1
East Asia (excluding China)	2.5	3.2	3.9	4.0	3.0	6.1	1.9	3.0
South Asia (excluding India)	10.1	10.8	10.9	9.8	12.7	21.0	12.2	9.8
Western Asia (excluding Israel and Turkey)	1.5	1.9	2.6	4.0	5.3	11.1	3.9	4.6

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, 2003-2010
(Annual percentage change)

	2003	2004	2005	2006	2007	2008[b]	2009[c]	2010[c]
Developed economies								
North America								
Canada	2.8	1.9	2.2	2.0	2.1	2.4	0.3	2.1
United States	2.3	2.7	3.4	3.2	2.9	3.8	-0.4	1.4
Asia and Oceania								
Australia	2.8	2.3	2.7	3.5	2.3	4.4	1.3	1.8
Japan	-0.2	0.0	-0.3	0.2	0.1	1.4	-1.0	0.3
New Zealand	1.8	2.3	3.0	3.4	2.4	4.0	3.0	1.7
European Union								
EU-15								
Austria	1.3	2.0	2.1	1.7	2.2	3.2	1.2	1.5
Belgium	1.5	1.9	2.5	2.3	1.8	4.5	0.0	0.8
Denmark	2.0	0.9	1.7	1.9	1.7	3.6	1.2	2.0
Finland	1.3	0.1	0.8	1.3	1.6	3.9	1.7	1.3
France	2.2	2.3	1.9	1.9	1.6	3.2	0.2	1.0
Germany	1.0	1.8	1.9	1.8	2.3	2.8	0.0	1.1
Greece	3.4	3.0	3.5	3.3	3.0	4.2	1.8	1.8
Ireland	4.0	2.3	2.2	2.7	2.9	3.1	-2.7	-0.8
Italy	2.8	2.3	2.2	2.2	2.0	3.5	1.0	1.4
Luxembourg	2.1	2.2	2.5	2.7	2.3	3.4	0.5	1.2
Netherlands	2.2	1.4	1.5	1.7	1.6	2.2	0.8	1.0
Portugal	3.3	2.5	2.1	3.0	2.4	2.7	-1.0	0.3
Spain	3.1	3.1	3.4	3.6	2.8	4.1	-0.7	0.7
Sweden	2.3	1.0	0.8	1.5	1.7	3.4	-0.2	0.6
United Kingdom	1.4	1.3	2.1	2.3	2.3	3.6	2.1	2.3
New EU members								
Bulgaria	2.2	6.4	5.0	7.3	8.4	12.4	2.8	3.8
Cyprus	4.1	2.3	2.6	2.5	2.4	4.7	1.0	2.0
Czech Republic	-0.1	2.8	1.9	1.7	3.2	6.0	1.0	2.0
Estonia	1.3	3.0	4.1	4.4	6.6	10.6	-0.5	1.0
Hungary	4.6	6.7	3.5	4.0	8.0	6.1	3.0	2.7
Latvia	3.0	6.2	6.7	6.5	10.1	15.3	3.0	1.0
Lithuania	-1.1	1.1	2.7	3.8	5.7	11.0	5.0	2.5
Malta	0.5	2.8	3.0	2.8	1.3	4.6	2.5	2.0
Poland	0.7	3.4	2.2	1.3	2.5	4.2	3.8	3.0
Romania	15.3	11.9	9.0	6.6	4.8	7.8	5.5	3.6
Slovak Republic	8.5	7.6	2.7	4.5	2.8	4.6	1.6	1.4
Slovenia	5.6	3.6	2.5	2.5	3.6	5.7	0.2	1.7
Other Europe								
Iceland	2.1	2.8	4.2	6.7	5.1	12.7	12.0	7.0
Norway	1.9	0.6	1.5	2.5	0.7	3.4	2.3	1.7
Switzerland	0.6	0.8	1.2	1.1	0.7	2.4	-0.6	0.4
Economies in transition								
South-eastern Europe								
Albania	2.6	2.3	2.4	2.4	2.9	3.4	2.5	3.0
Bosnia and Herzegovina	0.2	-0.3	3.0	5.9	1.8	7.3	1.0	2.0
Croatia	1.8	2.0	3.3	3.2	2.9	6.1	3.0	3.0
Montenegro	6.7	2.2	2.6	3.0	4.3	9.0	4.1	3.5
Serbia	9.9	11.0	16.1	11.7	6.4	12.9	10.5	6.0
The former Yugoslav Republic of Macedonia	1.1	0.9	0.2	3.3	3.6	7.2	0.5	2.0
Commonwealth of Independent States								
Armenia	4.7	7.0	0.6	2.9	4.4	9.0	4.2	6.0
Azerbaijan	2.1	6.7	9.6	8.2	16.6	20.8	2.7	4.8
Belarus	28.5	18.3	10.4	7.0	8.3	14.8	14.3	8.0
Georgia	4.8	5.7	8.3	9.2	9.2	10.0	1.0	1.3
Kazakhstan	6.4	6.9	7.6	8.6	10.8	17.1	8.2	7.3
Kyrgyzstan	3.0	4.1	4.4	5.6	10.2	24.5	7.9	5.2
Republic of Moldova	11.7	12.5	12.0	12.8	12.4	12.8	1.0	3.0
Russian Federation	13.6	10.9	12.7	9.7	9.0	14.1	12.7	7.3
Tajikistan	16.3	7.2	7.2	10.0	13.4	20.9	7.8	9.5
Turkmenistan	15.3	10.0	12.0	9.0	6.4	12.0	10.0	9.0
Ukraine	5.2	9.1	13.5	9.6	12.8	25.2	17.2	12.0
Uzbekistan	19.0	14.2	15.0	10.5	12.3	12.0	10.0	8.0

Developing countries								
Africa								
Algeria	2.6	3.6	1.6	2.5	3.5	4.4	4.6	3.4
Angola	98.2	43.5	23.0	13.3	12.2	12.5	14.0	15.4
Benin	1.5	0.9	5.4	3.8	1.3	7.9	4.0	2.8
Botswana	9.2	6.9	8.6	11.6	7.1	12.7	8.4	6.4
Burkina Faso	2.0	-0.4	6.4	2.3	-0.2	10.7	3.8	2.3
Burundi	7.9	10.7	13.5	2.8	8.3	24.1	12.9	8.3
Cameroon	0.6	0.2	2.0	5.1	0.9	5.3	2.9	2.0
Cape Verde	1.2	-1.9	0.4	5.4	4.4	6.8	1.5	2.0
Central African Republic	4.1	-2.1	2.9	3.1	4.5	9.3	4.6	2.8
Chad	-1.8	-5.4	7.9	7.7	-7.4	8.3	6.5	3.0
Comoros	4.6	3.3	7.2	3.4	4.5	4.8	4.9	2.1
Congo	-0.6	2.4	3.1	6.5	2.7	7.3	4.7	5.4
Côte d'Ivoire	3.3	1.4	3.9	2.5	1.9	6.3	5.9	3.2
Democratic Republic of the Congo	12.9	4.0	21.3	13.1	16.9	17.3	39.2	14.6
Djibouti	2.0	3.1	3.1	3.5	5.0	12.0	5.5	5.0
Egypt	4.5	11.3	4.9	7.6	9.3	18.3	10.1	6.2
Equatorial Guinea	7.3	4.2	5.6	4.4	2.8	6.6	4.1	6.1
Eritrea	22.7	25.1	12.5	15.1	9.3	12.6	14.0	14.5
Ethiopia	17.8	3.3	11.6	12.3	15.8	25.3	12.0	10.0
Gabon	2.2	0.4	1.2	-1.4	5.0	5.3	2.6	3.8
Gambia	17.0	14.2	4.8	2.1	5.4	4.5	6.4	5.8
Ghana	26.7	12.6	15.1	10.9	10.7	16.5	18.5	10.2
Guinea	17.5	31.4	31.4	34.7	22.9	18.4	4.9	9.4
Guinea-Bissau	-3.5	0.9	3.3	2.0	4.6	10.5	0.4	2.5
Kenya	9.8	11.6	10.3	14.5	9.8	26.2	20.0	7.8
Lesotho	6.7	5.0	3.4	6.0	8.0	10.7	7.7	6.5
Liberia	10.3	3.6	6.9	7.2	13.7	17.5	7.3	5.0
Libyan Arab Jamahiriya	-2.2	-2.2	2.7	1.5	6.3	10.4	5.0	4.5
Madagascar	-1.2	13.8	18.5	10.8	10.3	9.2	9.9	9.7
Malawi	9.6	11.4	15.4	14.0	8.0	8.7	8.6	8.2
Mali	-1.3	-3.1	6.4	1.5	1.4	9.2	2.5	2.1
Mauritania	5.2	10.4	12.1	6.2	7.3	7.3	4.9	5.8
Mauritius	3.9	4.7	4.9	8.9	9.1	8.8	6.4	4.0
Morocco	1.2	1.5	1.0	3.3	2.0	3.8	2.8	2.8
Mozambique	13.4	12.7	7.2	13.2	8.2	10.3	3.5	5.5
Namibia	7.2	4.1	2.3	5.1	6.7	7.1	9.1	6.8
Niger	-1.6	0.3	7.8	0.0	0.1	11.3	4.8	2.3
Nigeria	14.0	15.0	17.9	8.2	5.4	11.6	11.5	8.5
Rwanda	7.4	12.3	9.0	8.9	9.1	15.4	11.5	6.3
Sao Tome and Principe	9.9	13.8	17.1	23.1	18.5	26.0	17.1	11.9
Senegal	0.0	0.5	1.7	2.1	5.9	5.8	-0.9	1.8
Sierra Leone	7.5	14.2	12.1	9.5	11.7	14.8	10.6	8.5
Somalia	12.0	12.0	12.0	14.0	15.0	20.0	15.0	10.0
South Africa	5.7	-0.7	2.0	3.2	6.2	10.1	7.2	6.1
Sudan	7.7	8.4	8.5	7.2	8.0	14.3	11.0	9.0
Togo	-1.0	0.4	6.8	2.2	1.0	8.7	2.8	2.1
Tunisia	2.7	3.6	2.0	4.5	3.1	4.9	3.5	3.4
Uganda	8.7	3.7	8.5	6.6	6.8	7.3	14.2	10.8
United Republic of Tanzania	5.3	4.7	5.0	7.3	7.0	10.3	10.6	4.9
Zambia	21.4	18.0	18.3	9.0	10.7	12.4	14.0	10.2
Zimbabwe	365.0	350.0	237.8	1016.7	12500.0	11000000	3	8
East and South Asia								
Bangladesh	7.2	7.6	7.0	6.8	9.1	8.9	5.0	5.5
Brunei Darussalam	0.3	0.8	1.2	0.1	0.3	2.7	1.3	1.5
China	1.2	3.9	1.8	1.5	4.8	5.9	-0.7	2.3
Hong Kong, Special Administrative Region of China	-2.6	-0.4	0.9	2.0	2.0	4.3	0.1	2.7
India	3.8	3.8	4.2	5.8	6.4	8.3	10.3	9.8
Indonesia	6.6	6.2	10.5	13.1	6.0	9.8	5.1	5.5
Iran, Islamic Republic of	16.5	14.8	13.4	11.9	17.1	25.4	14.0	11.0
Korea, Republic of	3.5	3.6	2.8	2.2	2.5	4.7	2.8	2.8
Malaysia	1.0	1.5	3.0	3.6	2.0	5.4	0.9	2.5
Myanmar	36.6	4.5	9.4	20.0	32.9	22.5	8.5	8.0
Nepal	5.7	2.8	6.8	7.6	6.4	11.2	12.7	11.5
Pakistan	2.9	7.4	9.1	7.9	7.6	20.2	14.2	10.5
Papua New Guinea	14.8	2.2	1.7	2.4	0.9	10.7	6.7	6.3
Philippines	3.6	5.9	7.6	6.3	2.8	9.3	3.0	4.3

Singapore	0.5	1.7	0.5	1.0	2.1	6.5	0.4	1.8
Sri Lanka	6.3	7.6	11.6	10.0	15.8	22.6	3.8	6.5
Taiwan, Province of China	-0.3	1.6	2.3	0.6	1.8	3.5	-0.6	1.4
Thailand	1.8	2.8	4.5	4.6	2.2	5.5	-1.2	1.8
Viet Nam	3.2	7.8	8.3	7.4	8.3	23.1	6.7	8.5
Western Asia								
Bahrain	1.6	2.4	2.6	2.1	3.3	7.0	0.9	3.6
Israel	0.7	-0.4	1.3	2.1	0.5	4.6	3.1	3.0
Jordan	1.6	3.4	3.5	6.3	5.4	14.9	1.7	5.8
Kuwait	0.9	1.1	4.1	3.1	5.5	10.6	5.6	4.7
Oman	0.2	0.8	1.9	3.2	6.0	12.5	5.6	3.2
Qatar	2.3	6.8	8.8	11.8	13.6	15.2	-1.4	4.1
Saudi Arabia	0.6	0.5	0.5	2.2	4.2	9.9	4.5	4.0
Syrian Arab Republic	5.8	4.4	7.2	10.0	3.9	15.7	3.7	7.5
Turkey	21.6	8.6	8.2	9.6	8.8	10.4	5.9	7.0
Yemen	10.8	12.5	11.8	10.8	7.9	19.0	4.2	11.5
Latin America								
Argentina	13.4	4.4	9.6	10.9	8.8	8.6	6.0	7.0
Barbados	1.6	1.4	6.1	7.3	4.0	8.1	5.2	6.7
Bolivia, Plurinational State of	3.3	4.4	5.4	4.3	8.7	14.0	3.6	4.4
Brazil	14.8	6.6	6.8	4.2	3.6	5.6	4.8	4.1
Chile	2.8	1.1	3.1	3.4	4.4	8.7	1.9	2.5
Colombia	7.1	5.9	5.0	4.3	5.5	7.0	4.5	4.0
Costa Rica	9.4	12.3	13.8	11.5	9.4	13.4	8.3	6.5
Dominican Republic	27.4	51.5	4.2	7.6	6.1	10.6	1.4	5.9
Ecuador	7.9	2.7	2.4	3.0	2.3	8.4	5.4	5.3
El Salvador	2.1	4.5	4.7	4.0	4.6	7.3	1.2	2.0
Guatemala	5.5	7.4	8.4	6.5	6.4	12.6	2.3	4.2
Guyana	6.0	4.7	6.9	6.6	12.3	8.1	5.2	6.6
Haiti	39.3	22.8	15.7	13.1	8.5	15.5	0.4	6.5
Honduras	7.7	8.1	8.8	5.6	6.9	11.4	5.2	7.2
Jamaica	10.3	13.6	15.3	8.6	9.3	22.0	8.5	5.8
Mexico	4.6	4.7	4.0	3.6	4.0	5.1	5.3	3.3
Nicaragua	5.3	8.5	9.6	9.1	11.1	19.8	3.9	5.7
Panama	0.5	0.2	3.2	2.1	4.2	8.8	2.6	2.5
Paraguay	14.2	4.3	6.8	9.6	8.1	10.2	2.5	5.1
Peru	2.3	3.7	1.6	2.0	1.8	5.8	3.2	2.0
Trinidad and Tobago	3.8	3.7	6.9	8.3	7.9	12.0	7.6	7.3
Uruguay	19.4	9.2	4.7	6.4	8.1	7.9	7.3	6.6
Venezuela, Bolivarian Republic of	31.1	21.7	16.0	13.7	18.7	30.4	30.0	28.0

Source: Project LINK

a Partly estimated.

b Forecasts, based in part on Project LINK.

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

Region	Flow	2003	2004	2005	2006	2007	2008[a]	2009[b]	2010[b]
World	Exports	7468	9056	10398	12025	13928	16058	12228	13519
	Imports	7487	9134	10418	11957	13811	16019	12231	13537
Developed economies	Exports	4767	5627	6157	6938	7937	8923	6901	7523
	Imports	5125	6109	6852	7770	8781	9871	7495	8183
	Balance	-358	-482	-695	-832	-844	-948	-593	-660
North America	Exports	1000	1122	1266	1414	1556	1719	1305	1453
	Imports	1534	1782	2040	2243	2377	2544	1864	2135
	Balance	-535	-660	-774	-829	-821	-825	-558	-683
Asia and Oceania	Exports	560	672	722	796	869	1004	727	823
	Imports	491	587	666	745	816	997	729	779
	Balance	69	85	56	50	53	7	-1	45
Europe	Exports	3207	3832	4167	4725	5506	6194	4867	5245
	Imports	3099	3738	4141	4775	5576	6319	4897	5263
	Balance	108	93	26	-50	-70	-125	-30	-18
European Union	Exports	3017	3605	3911	4435	5170	5780	4537	4913
	Imports	2945	3562	3941	4552	5317	6011	4644	5008
	Balance	72	43	-30	-116	-147	-231	-107	-95
EU-15	Exports	2794	3309	3555	4012	4621	5110	4022	4348
	Imports	2678	3216	3535	4061	4675	5234	4103	4358
	Balance	116	93	20	-48	-53	-124	-81	-10
New EU Members	Exports	223	296	356	423	549	670	515	565
	Imports	267	346	406	491	642	777	541	650
	Balance	-43	-50	-50	-68	-94	-107	-26	-85
Other Europe	Exports	190	228	258	293	343	420	332	334
	Imports	155	179	205	231	271	319	259	261
	Balance	35	49	53	63	72	101	73	73
Euro Zone	Exports	2336	2781	2978	3351	3940	4377	3456	3750
	Imports	2174	2615	2867	3290	3841	4362	3415	3672
	Balance	162	166	111	61	99	15	40	78
Economies in transition	Exports	216.8	293.2	397.1	509.8	643.6	877.8	486.7	554.6
	Imports	161.9	207.0	262.1	341.2	473.9	622.4	342.2	408.6
	Balance	54.9	86.3	135.0	168.6	169.7	255.5	144.5	145.9
South-eastern Europe	Exports	22.6	27.8	32.0	39.5	52.1	65.4	47.9	52.1
	Imports	28.4	33.3	39.4	46.5	59.5	72.4	24.7	55.6
	Balance	-5.8	-5.5	-7.4	-7.0	-7.4	-7.0	23.2	-3.5
Commonwealth of Independent States	Exports	194.2	265.4	365.2	470.3	591.5	812.4	438.8	502.4
	Imports	133.5	173.6	222.7	294.7	414.4	550.0	317.5	353.0
	Balance	60.7	91.8	142.5	175.6	177.1	262.4	121.3	149.4
Net fuel exporters	Exports	157.3	214.2	315.9	413.2	519.8	718.4	376.4	433.4
	Imports	93.3	121.3	168.7	226.7	322.9	425.8	239.5	268.3
	Balance	63.9	92.8	147.1	186.5	196.9	292.7	137.0	165.1
Net fuel importers	Exports	37.0	51.3	49.3	57.1	71.6	94.0	62.4	69.0
	Imports	40.2	52.3	54.0	68.0	91.4	124.2	78.1	84.7
	Balance	-3.2	-1.0	-4.7	-10.9	-19.8	-30.2	-15.6	-15.7
Developing countries	Exports	2484.3	3136.0	3843.5	4576.6	5347.6	6257.0	4839.5	5441.9
	Imports	2200.5	2817.5	3304.3	3845.1	4556.4	5526.2	4394.4	4945.2
	Balance	283.8	318.6	539.2	731.5	791.2	730.7	445.1	496.8
Africa	Exports	174.0	229.1	313.8	369.4	436.5	561.7	388.1	447.5
	Imports	165.2	208.3	254.4	296.6	373.7	497.3	400.2	445.5
	Balance	8.8	20.8	59.4	72.8	62.8	64.4	-12.1	2.0
North Africa	Exports	60.3	76.9	107.7	130.2	152.3	203.0	142.8	166.5
	Imports	57.0	70.9	85.9	95.3	122.8	180.9	144.2	163.0
	Balance	3.3	6.0	21.8	34.9	29.6	22.1	-1.3	3.6
Sub-Saharan Africa	Exports	57.4	74.9	99.4	121.0	146.0	185.9	129.1	157.3
(Excluding Nigeria & South Africa)	Imports	56.2	69.6	84.9	95.6	120.1	167.3	147.3	168.2
	Balance	1.1	5.3	14.4	25.4	25.8	18.6	-18.2	-10.9
Net fuel exporters	Exports	81.2	112.4	178.6	210.8	250.0	331.0	201.6	243.9
	Imports	52.9	65.9	87.7	99.6	134.9	191.9	144.3	166.5
	Balance	28.3	46.5	90.9	111.2	115.1	139.1	57.4	77.5
Net fuel importers	Exports	92.8	116.8	135.2	158.6	186.5	230.6	186.5	203.5
	Imports	112.3	142.4	166.7	197.0	238.8	305.4	255.9	279.0
	Balance	-19.5	-25.7	-31.5	-38.4	-52.3	-74.7	-69.5	-75.5

East and South Asia	Exports	1604.2	2011.3	2395.1	2849.3	3342.2	3802.6	3172.4	3539.8
	Imports	1443.0	1850.0	2167.8	2523.8	2912.8	3452.5	2824.2	3213.8
	Balance	161.2	161.3	227.3	325.4	429.3	350.1	348.2	326.0
East Asia	Exports	1484.5	1861.5	2196.6	2613.1	3056.3	3472.1	2905.3	3243.0
	Imports	1310.1	1669.6	1928.2	2233.1	2563.4	2992.4	2469.2	2818.0
	Balance	174.4	192.0	268.4	380.1	492.9	479.7	436.1	425.0
South Asia	Exports	119.6	149.8	198.5	236.2	285.9	330.6	267.1	296.8
	Imports	132.9	180.4	239.6	290.8	349.5	460.2	355.0	395.8
	Balance	-13.2	-30.7	-41.1	-54.6	-63.6	-129.6	-87.9	-99.0
Net fuel exporters	Exports	58.6	75.4	103.0	123.1	152.8	167.2	131.5	153.1
	Imports	52.2	67.6	81.9	97.1	120.7	148.5	126.7	137.9
	Balance	6.4	7.8	21.0	26.0	32.1	18.7	4.8	15.2
Net fuel importers	Exports	1545.6	1935.9	2292.2	2726.2	3189.4	3635.5	3040.9	3386.6
	Imports	1390.8	1782.4	2085.9	2426.7	2792.1	3304.0	2697.5	3075.9
	Balance	154.8	153.5	206.3	299.5	397.3	331.4	343.4	310.7
Western Asia	Exports	316.8	413.8	553.8	663.3	789.4	997.2	660.8	775.0
	Imports	243.8	333.6	378.6	424.3	556.0	711.4	522.4	559.2
	Balance	73.0	80.1	175.2	239.0	233.4	285.8	138.4	215.8
Net fuel exporters	Exports	229.4	302.5	425.7	522.2	605.9	768.1	497.9	598.4
	Imports	126.2	174.1	209.2	237.1	310.9	403.9	319.8	354.5
	Balance	103.2	128.4	216.5	285.1	295.0	364.2	178.1	243.9
Net fuel importers	Exports	87.4	111.3	128.1	141.1	183.6	229.1	162.9	176.6
	Imports	117.6	159.5	169.4	187.2	245.1	307.5	202.6	204.7
	Balance	-30.2	-48.3	-41.3	-46.1	-61.5	-78.4	-39.7	-28.2
Latin America and the Caribbean	Exports	389.3	481.9	580.9	694.7	779.5	895.5	618.2	679.7
	Imports	348.4	425.6	503.5	600.5	713.9	865.0	647.6	726.7
	Balance	40.9	56.3	77.3	94.2	65.6	30.5	-29.4	-47.0
South America	Exports	187.4	249.6	315.3	383.4	441.6	534.8	367.4	415.6
	Imports	123.8	165.3	207.2	257.1	331.9	437.9	327.3	382.1
	Balance	63.6	84.3	108.1	126.3	109.6	96.9	40.1	33.5
Mexico and Central America	Exports	187.0	214.8	244.3	283.6	309.5	329.7	227.0	236.5
	Imports	202.5	235.2	265.5	306.1	340.1	374.2	278.2	296.6
	Balance	-15.4	-20.4	-21.2	-22.5	-30.6	-44.5	-51.2	-60.2
Caribbean	Exports	14.8	17.4	21.2	27.6	28.4	31.0	23.8	27.6
	Imports	22.2	25.0	30.8	37.3	41.9	53.0	42.1	48.0
	Balance	-7.3	-7.6	-9.6	-9.6	-13.5	-21.9	-18.3	-20.3
Net fuel exporters	Exports	249.0	296.0	354.9	418.5	460.0	531.2	367.9	391.3
	Imports	219.2	265.3	311.0	367.7	425.7	479.3	371.2	398.4
	Balance	29.8	30.7	43.9	50.9	34.3	51.9	-3.3	-7.1
Net fuel importers	Exports	140.3	185.8	226.0	276.1	319.5	364.2	250.3	288.4
	Imports	129.3	160.2	192.5	232.8	288.2	385.7	276.4	328.2
	Balance	11.0	25.6	33.4	43.3	31.3	-21.4	-26.1	-39.8

Source: UN/DESA

a Partly estimated.

b Forecasts, based in part on Project LINK.

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

Region	Flow	2003	2004	2005	2006	2007	2008[a]	2009[b]	2010[b]
World	Exports	16.6	21.3	14.8	15.6	15.8	15.3	-23.9	10.6
	Imports	16.1	22.0	14.1	14.8	15.5	16.0	-23.6	10.7
Developed economies	Exports	15.3	18.1	9.4	12.7	14.4	12.4	-22.7	9.0
	Imports	15.6	19.2	12.1	13.4	13.0	12.4	-24.1	9.2
North America	Exports	4.9	12.2	12.8	11.7	10.1	10.5	-24.1	11.3
	Imports	7.9	16.1	14.5	10.0	6.0	7.0	-26.7	14.6
Asia and Oceania	Exports	12.8	20.1	7.4	10.1	9.2	15.6	-27.5	13.1
	Imports	15.4	19.7	13.5	11.8	9.5	22.2	-26.9	6.8
Europe	Exports	19.5	19.5	8.7	13.4	16.5	12.5	-21.4	7.8
	Imports	19.8	20.6	10.8	15.3	16.8	13.3	-22.5	7.5
European Union	Exports	19.8	19.5	8.5	13.4	16.6	11.8	-21.5	8.3
	Imports	20.1	21.0	10.6	15.5	16.8	13.0	-22.7	7.8
EU-15	Exports	19.2	18.4	7.4	12.9	15.2	10.6	-21.3	8.1
	Imports	19.5	20.1	9.9	14.9	15.1	12.0	-21.6	6.2
New EU Members	Exports	28.7	32.7	20.2	18.7	29.8	22.1	-23.1	9.8
	Imports	27.1	29.8	17.3	20.9	30.9	20.9	-30.4	20.1
Other Europe	Exports	14.3	20.0	13.4	13.6	16.7	22.7	-21.0	0.5
	Imports	14.8	15.2	14.9	12.6	17.4	17.7	-18.9	0.8
Euro Zone	Exports	20.5	19.1	7.1	12.5	17.6	11.1	-21.1	8.5
	Imports	21.3	20.3	9.6	14.8	16.7	13.6	-21.7	7.5
Economies in transition	Exports	26.4	35.3	35.4	28.4	26.2	36.4	-44.6	13.9
	Imports	26.6	27.8	26.6	30.2	38.9	31.3	-45.0	19.4
South-eastern Europe	Exports	21.4	23.2	15.1	23.6	31.9	25.5	-26.9	8.9
	Imports	26.1	17.5	18.2	18.0	28.0	21.6	-65.9	125.5
Commonwealth of Independent States	Exports	27.0	36.7	37.6	28.8	25.8	37.4	-46.0	14.5
	Imports	26.7	30.0	28.3	32.3	40.6	32.7	-42.3	11.2
Net fuel exporters	Exports	26.8	36.2	47.5	30.8	25.8	38.2	-47.6	15.1
	Imports	24.4	30.0	39.1	34.3	42.5	31.8	-43.8	12.1
Net fuel importers	Exports	27.9	38.7	-3.9	15.9	25.4	31.2	-33.6	10.5
	Imports	32.5	30.1	3.2	26.1	34.4	35.9	-37.2	8.5
Developing countries	Exports	18.3	26.2	22.6	19.1	16.8	17.0	-22.7	12.4
	Imports	16.5	28.0	17.3	16.4	18.5	21.3	-20.5	12.5
Africa	Exports	22.6	31.6	37.0	17.7	18.2	28.7	-30.9	15.3
	Imports	20.6	26.1	22.1	16.6	26.0	33.1	-19.5	11.3
North Africa	Exports	25.8	27.5	40.0	21.0	17.0	33.2	-29.6	16.6
	Imports	6.2	24.4	21.0	11.0	28.8	47.3	-20.3	13.1
Sub-Saharan Africa	Exports	16.6	30.5	32.7	21.7	20.7	27.3	-30.6	21.9
(Excluding Nigeria & South Africa)	Imports	21.0	23.7	22.0	12.5	25.7	39.2	-11.9	14.2
Net fuel exporters	Exports	27.9	38.4	58.9	18.0	18.6	32.4	-39.1	21.0
	Imports	11.1	24.5	33.1	13.5	35.5	42.3	-24.8	15.4
Net fuel importers	Exports	18.3	25.7	15.8	17.3	17.6	23.7	-19.1	9.1
	Imports	25.6	26.8	17.1	18.2	21.2	27.9	-16.2	9.0
East and South Asia	Exports	19.4	25.4	19.1	19.0	17.3	13.8	-16.6	11.6
	Imports	19.5	28.2	17.2	16.4	15.4	18.5	-18.2	13.8
East Asia	Exports	19.4	25.4	18.0	19.0	17.0	13.6	-16.3	11.6
	Imports	19.3	27.4	15.5	15.8	14.8	16.7	-17.5	14.1
South Asia	Exports	18.9	25.2	32.6	19.0	21.1	15.6	-19.2	11.1
	Imports	21.4	35.8	32.8	21.3	20.2	31.7	-22.9	11.5
Net fuel exporters	Exports	20.4	28.8	36.6	19.5	24.2	9.4	-21.3	16.4
	Imports	21.8	29.6	21.2	18.5	24.3	23.0	-14.7	8.8
Net fuel importers	Exports	19.4	25.3	18.4	18.9	17.0	14.0	-16.4	11.4
	Imports	19.4	28.2	17.0	16.3	15.1	18.3	-18.4	14.0
Western Asia	Exports	22.5	30.6	33.8	19.8	19.0	26.3	-33.7	17.3
	Imports	17.3	36.8	13.5	12.1	31.0	28.0	-26.6	7.0
Net fuel exporters	Exports	22.7	31.9	40.7	22.7	16.0	26.8	-35.2	20.2
	Imports	15.8	37.9	20.1	13.3	31.1	29.9	-20.8	10.8
Net fuel importers	Exports	21.8	27.3	15.1	10.1	30.2	24.8	-28.9	8.4
	Imports	18.9	35.7	6.2	10.5	30.9	25.5	-34.1	1.1
Latin America and the Caribbean	Exports	9.2	23.8	20.5	19.6	12.2	14.9	-31.0	9.9
	Imports	3.7	22.1	18.3	19.3	18.9	21.2	-25.1	12.2
South America	Exports	16.0	33.2	26.3	21.6	15.2	21.1	-31.3	13.1
	Imports	6.5	33.6	25.3	24.1	29.1	31.9	-25.3	16.7
Mexico and Central America	Exports	2.7	14.9	13.7	16.1	9.1	6.5	-31.2	4.2
	Imports	2.0	16.2	12.9	15.3	11.1	10.0	-25.7	6.6
Caribbean	Exports	15.0	17.2	22.1	30.2	2.7	9.2	-23.1	15.8
	Imports	3.7	12.7	23.3	20.8	12.4	26.5	-20.4	13.8
Net fuel exporters	Exports	5.4	18.9	19.9	17.9	9.9	15.5	-30.7	6.4
	Imports	2.4	21.1	17.2	18.2	15.8	12.6	-22.6	7.3
Net fuel importers	Exports	16.7	32.5	21.6	22.2	15.7	14.0	-31.3	15.2
	Imports	6.0	24.0	20.1	20.9	23.8	33.8	-28.3	18.8

Source: UN/DESA
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, 2003-2010
(annual percentage change)

Region	Flow	2003	2004	2005	2006	2007	2008[a]	2009[b]	2010[b]
World	Exports	5.6	10.6	8.0	9.6	6.6	2.8	-12.6	5.5
	Imports	5.3	11.4	7.5	8.9	6.7	3.1	-12.3	5.4
Developed economies	Exports	3.0	8.3	5.6	9.0	4.9	3.3	-15.2	4.9
	Imports	4.0	8.6	5.8	7.5	3.7	0.1	-12.3	3.9
North America	Exports	0.7	6.6	7.1	7.3	5.5	4.3	-13.5	7.6
	Imports	0.2	7.2	7.8	4.3	-0.6	-4.1	-12.7	9.1
Asia and Oceania	Exports	7.9	12.1	4.8	10.7	6.4	4.8	-26.1	11.5
	Imports	6.3	8.8	4.5	4.8	1.1	7.1	-14.7	1.5
Europe	Exports	2.9	8.0	5.2	9.3	4.4	2.6	-13.2	2.6
	Imports	5.7	9.3	5.0	9.7	6.4	1.0	-11.7	2.0
European Union	Exports	3.0	8.2	5.4	9.6	4.3	2.2	-13.5	3.0
	Imports	6.0	9.6	4.8	9.9	6.4	0.7	-11.9	2.3
EU-15	Exports	2.3	7.4	4.9	9.4	3.4	1.8	-13.9	3.2
	Imports	5.5	8.9	4.2	9.3	4.9	-0.1	-10.7	1.0
New EU Members	Exports	12.9	17.7	11.4	12.2	13.7	6.5	-9.6	1.1
	Imports	11.3	17.0	10.0	15.2	18.7	7.1	-20.0	13.0
Other Europe	Exports	1.9	5.9	2.0	3.9	6.8	8.0	-8.4	-3.0
	Imports	0.6	4.8	10.0	7.8	6.6	5.8	-8.3	-4.1
Euro Zone	Exports	2.8	8.3	4.8	9.2	5.5	1.8	-14.2	3.3
	Imports	7.0	9.0	3.9	9.1	6.4	1.2	-10.7	2.0
Economies in transition	Exports	13.3	14.2	0.7	7.6	9.5	2.6	-9.6	1.9
	Imports	12.2	14.1	15.9	23.1	27.7	14.8	-35.9	12.1
South-eastern Europe	Exports	8.7	11.8	8.3	13.2	21.6	9.8	-20.2	5.0
	Imports	9.9	6.2	11.3	11.4	15.8	6.6	-61.1	112.9
Commonwealth of Independent States	Exports	13.8	14.5	-0.2	6.9	8.1	1.6	-8.0	1.5
	Imports	12.7	15.7	16.8	25.2	29.6	16.0	-32.7	4.6
Net fuel exporters	Exports	13.7	13.4	3.6	7.8	7.9	0.6	-5.1	1.3
	Imports	10.8	16.8	30.1	28.1	31.6	16.8	-36.3	5.9
Net fuel importers	Exports	14.5	19.5	-17.1	2.1	9.1	7.6	-23.9	3.0
	Imports	17.3	13.1	-14.5	14.8	21.6	12.6	-16.4	-0.1
Developing countries	Exports	9.8	14.6	12.7	10.7	9.1	2.1	-8.9	6.5
	Imports	7.9	17.4	10.5	10.6	10.7	7.5	-10.1	7.4
Africa	Exports	8.3	14.6	29.0	-6.9	10.9	3.4	-2.4	5.8
	Imports	7.1	14.3	15.9	10.4	16.3	17.5	-7.9	6.1
North Africa	Exports	11.3	6.4	10.5	9.1	7.9	12.0	1.0	1.7
	Imports	-6.8	12.4	13.1	5.8	18.7	30.5	-8.4	7.1
Sub-Saharan Africa	Exports	4.5	12.7	10.9	5.3	7.0	0.7	-6.3	9.2
(Excluding Nigeria & South Africa)	Imports	6.7	12.0	17.5	4.4	16.6	23.3	1.1	9.6
Net fuel exporters	Exports	17.2	19.3	49.4	-15.8	14.8	0.3	-1.1	4.8
	Imports	-1.0	13.4	25.7	8.4	25.4	25.9	-14.7	9.9
Net fuel importers	Exports	0.6	9.8	6.8	6.7	6.3	7.4	-4.1	6.9
	Imports	11.3	14.7	11.3	11.4	11.7	12.8	-3.5	3.9
East and South Asia	Exports	11.5	16.7	13.7	14.4	9.7	3.1	-9.4	7.6
	Imports	11.1	17.7	10.4	10.7	8.2	5.2	-8.0	8.6
East Asia	Exports	11.8	17.2	13.6	14.8	9.7	3.4	-10.0	7.9
	Imports	11.1	17.2	9.2	10.7	7.6	4.1	-8.0	9.0
South Asia	Exports	8.6	10.1	15.4	8.9	10.3	-0.7	-1.3	3.5
	Imports	10.5	22.1	22.2	11.4	13.1	13.9	-8.1	5.3
Net fuel exporters	Exports	7.1	5.5	6.4	4.1	12.9	-13.4	9.3	4.0
	Imports	10.5	17.3	13.5	13.2	18.6	9.5	-4.5	4.0
Net fuel importers	Exports	11.7	17.1	14.0	14.7	9.6	3.6	-9.9	7.7
	Imports	11.1	17.7	10.2	10.7	7.8	5.0	-8.2	8.8
Western Asia	Exports	8.2	7.6	5.2	4.0	9.1	-2.3	-6.3	3.0
	Imports	5.7	23.3	5.7	6.1	22.2	13.1	-15.7	1.7
Net fuel exporters	Exports	6.9	5.4	4.8	4.3	5.9	-5.2	-1.3	3.7
	Imports	5.2	24.3	12.3	7.5	23.6	14.6	-10.4	5.2
Net fuel importers	Exports	11.7	13.7	6.1	3.2	17.0	4.4	-16.5	1.2
	Imports	6.3	22.2	-1.7	4.3	20.2	11.2	-23.3	-4.1
Latin America and the Caribbean	Exports	4.9	11.9	7.2	8.6	5.2	-0.4	-11.1	4.2
	Imports	-2.2	13.7	12.1	13.5	11.5	8.1	-14.9	7.5
South America	Exports	5.8	13.4	8.6	6.6	4.3	-1.3	-12.5	4.8
	Imports	-1.6	22.4	17.8	16.6	20.5	15.9	-12.7	11.4
Mexico and Central America	Exports	3.8	10.9	6.0	10.4	6.4	0.9	-9.8	3.4
	Imports	-2.5	9.6	8.2	11.1	5.4	1.0	-18.0	3.1
Caribbean	Exports	8.5	6.0	3.8	11.2	1.3	-6.9	-9.7	8.6
	Imports	-3.1	3.8	14.7	14.8	5.3	12.6	-7.9	8.8
Net fuel exporters	Exports	2.4	10.3	7.3	9.8	4.1	0.8	-7.0	2.1
	Imports	-2.8	13.5	11.7	13.2	8.8	1.9	-13.5	3.2
Net fuel importers	Exports	9.6	14.7	7.1	6.6	7.2	-2.6	-18.2	8.5
	Imports	-1.3	14.1	12.9	13.9	16.0	17.9	-16.9	13.5

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