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LINK Global Economic Outlook

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Table of Contents

List of Text Boxes, Figures and Tables

List of Annex Tables

Acknowledgements

This report presents short-term prospects for the global economy in 2010-2011, including major risks and policy challenges. The report draws inputs from the experts of Project LINK, as well as analysis of staff in the Global Economic Monitoring Unit (GEMU)/Development Policy and Analysis Division (DPAD)/United Nations Department of Economic and Social Affairs. 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 October 2009, the world economic situation has continued to improve. A stronger-than-expected recovery in the first half of 2010 has led to a slight upward revision of the LINK forecast for global growth. However, the pace of the recovery remains too weak to close the global output gap in the next two years. The recovery is also uneven across countries, with encouraging growth prospects for some developing countries contrasting but lacklustre in most developed economies and below-potential elsewhere in the developing world.

Significant weaknesses in the global economy remain. Despite the large amounts of liquidity injected into the financial system, credit conditions remain tight and credit growth is feeble in major developed economies, as the process of financial de-leveraging is still ongoing. Unemployment rates are elevated and are expected to remain so for a protracted period in most economies, curbing recovery in domestic demand. Fiscal positions have deteriorated in many countries, most pronounced in a number of developed countries, increasing political and economic constraints on the still needed policy supports to the unfledged recovery.

Because of these weaknesses, the risk of a protracted period of mediocre growth for the world economy remains high in the aftermath of the global financial crisis.

Various policy measures have played a pivotal role in saving the world financial system from disintegrating and for engendering the global recovery. In the near term, policy support remains essential for solidifying and broadening the global recovery. One key area is the need to strengthen policy support for boosting employment. A robust recovery in jobs is crucial to sustaining the recovery in effective demand.

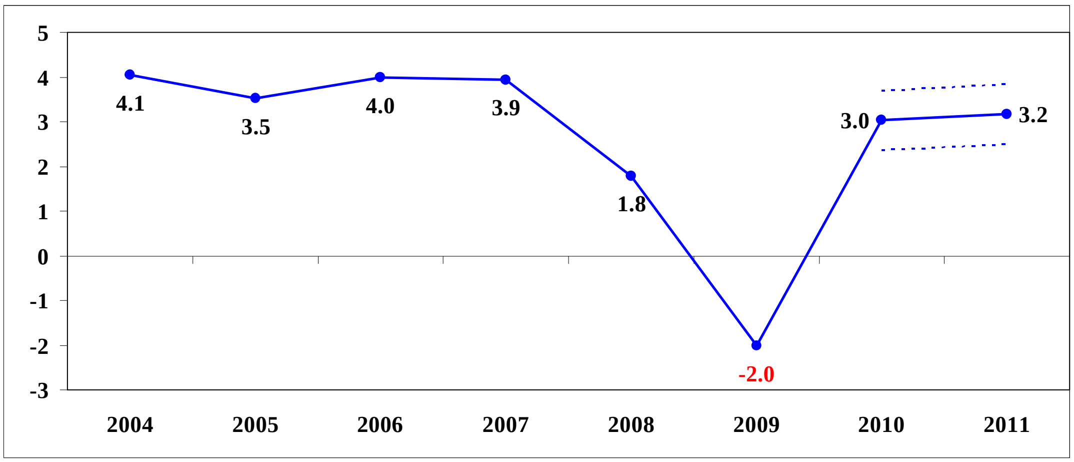
During the financial crisis, increased international policy cooperation among major economies, particularly, in the Group of 20, played an important role in restoring confidence and averting an otherwise even worse outcome. As the financial crisis ebbs, however, the cooperative spirit is fading. Given the diversity in their pace of recovery and in their idiosyncratic challenges, individual countries have different policy priorities. The country-specific policy adjustments, however, require more, not less, international coordination, so as to strengthen policy synergies at the global level and to mitigate negative policy spillovers to the world economy. Meanwhile, the unfinished agenda in reforming national and international financial systems requires further broad international policy cooperation.

Global macroeconomic prospects

A mild recovery in global growth

Having fallen into the most severe recession since World War Two, the world economy is on the way to recovery. Based on the assumption of continued, though gradually declining, support from policy stimuli (see box 1), World Gross Product (WGP) is expected to grow by 3.0 per cent in 2010, compared with a contraction of 2.0 per cent in 2009. Growth of WGP is expected to strengthen to 3.2 per cent in 2001 (Table 1 and figure 1).

Figure 1 - Growth of world gross product (% change), 2004-2011[a]



Source: Project LINK
[a] 2009 is partly estimated figure, 2010 and 2011 are forecasted figures. The dashed lines define the upper- and lower-bound of one standard deviation of forecasting errors.

Buttressed by unprecedentedly large scale of government support worldwide over the last one and a half years, global financial markets have progressively stabilized. By mid-2010, systemic risks in the world financial system have abated notably. Risk premiums in most parts of credit markets have lowered to the pre-crisis levels; major equity markets have recuperated on average half of the deep declines during the crisis; banks and other financial institutions have been able to rebuild their capital; foreign capital inflows, which reversed sharply during the crisis, have gradually returned to emerging economies; and the prices of primary commodities have rebounded from the abyss.

A number of weaknesses remain, however, in the global financial markets. Despite the huge amount of liquidity that central banks injected in the financial system, credit flows to non-financial sector in many economies, particularly the major developed economies, continue to be subdued. While the rebound in the value of securities has mitigated the losses of many financial institutions, further write-downs of troubled assets and continued de-leveraging are still on-going. At the same time, as a result of both the direct impact of the financial crisis and the costs of the policy measures in response to the crisis, public finance positions of many developed countries have deteriorated rapidly, becoming a new source of financial instability.

Table 1 –Gross domestic product and world trade

Annual percentage change		Observed		June 2010 forecast [a]		Change from October 2009 report for	
	2007[b]	2008[b]	2009[b]	2010	2011	2009	2010
Gross World Product (GWP)	3.9	1.8	-2.0	3.0	3.2	0.2	0.6
GWP - PPP weighted	5.0	2.9	-0.8	3.9	4.0	-0.8	0.1
Developed economies	2.6	0.4	-3.4	1.9	2.1	0.1	0.5
Canada	2.5	0.4	-2.6	3.3	3.2	0.0	0.7
Japan	2.4	-1.2	-5.2	1.3	1.3	0.4	-0.4
United States	2.1	0.4	-2.4	2.9	2.5	0.1	0.8
European Union (EU27)	2.9	0.8	-4.2	1.0	1.8	-0.1	0.4
France	2.3	0.4	-2.2	1.2	1.3	0.0	0.5
Germany	2.5	1.3	-5.0	1.5	1.4	-0.2	0.3
Italy	1.6	-1.0	-5.0	0.8	1.0	0.3	0.7
United Kingdom	2.6	0.6	-5.0	1.1	2.3	-0.5	0.5
Memo item: Euro Zone	2.8	0.6	-4.0	0.9	1.5	0.1	0.5
Economies in transition	8.3	5.4	-6.7	3.9	3.4	-0.3	2.3
Russian Federation	8.1	5.6	-7.9	4.3	3.0	-0.9	2.8
Developing countries and regions	7.5	5.3	2.2	5.9	5.8	0.3	0.8
Latin America and the Caribbean	5.7	4.0	-2.1	4.0	3.9	0.1	1.1
Argentina	8.7	7.2	0.9	4.0	2.5	0.9	1.5
Brazil	6.1	5.1	-0.2	5.8	5.6	-0.2	2.3
Mexico	3.4	1.3	-6.5	3.5	2.8	0.6	0.5
Africa	5.8	5.0	2.4	4.7	5.3	0.8	0.4
North Africa	4.7	4.9	3.6	4.6	5.3	0.1	0.7
Sub-Saharan Africa[c]	7.3	6.2	2.8	5.6	5.9	0.5	0.4
Nigeria	6.9	6.0	6.9	6.5	7.0	5.0	1.5
South Africa	5.1	3.1	-1.8	2.7	3.5	0.4	-0.4
East and South Asia	9.2	6.2	4.8	7.1	6.9	0.5	0.7
China	13.0	9.0	8.7	9.2	8.8	0.3	0.5
India	8.6	7.3	6.4	7.9	8.1	0.5	1.4
Indonesia	6.3	6.0	4.5	5.6	5.8	0.2	0.6
Korea, Republic of	5.1	2.2	0.2	4.5	3.8	1.4	1.0
Malaysia	6.3	4.5	-1.7	5.3	4.5	1.9	2.3
Philippines	7.2	4.6	0.9	3.7	4.0	-0.6	0.5
Thailand	4.9	4.8	-2.3	4.0	4.1	1.2	0.9
Western Asia	5.2	4.3	-1.0	4.2	4.0	0.2	0.4
Memo: World export volume	7.0	2.7	-12.3	7.4	5.9	0.1	0.4

Source: LINK Global forecast.
[a] Pre-meeting forecasts, [b] Actual or mote recent estimates, [c] Excluding Nigeria and South Africa

Box 1 - Major assumptions for baseline forecast

Central bank policy rates have been cut decisively since the onset of the crisis. The United States Federal Reserve (Fed) cut its main policy rate, the Federal funds rate, by 520 basis points (bps) since September 2007, to its current target range of 0 to 0.25 percent. The Fed is expected to hold the rate at the current level until the fourth quarter of 2010, to be followed by a gradual increase in the rate.

The European Central Bank (ECB) brought its main policy rate, the fixed rate for refinancing operations, down by a cumulative 325 bps to the current 1 per cent in the period July 2008 to May 2009. The ECB is expected to hold the rate until the beginning of 2011.

The Bank of Japan (BOJ), which until October 2008 had been on a course of very gradual normalization of its main policy rate, reversed course and brought the rate down to around 0.1 percent. The BOJ is expected to hold the rate until the third quarter of 2011.

The value of the United States dollar against the euro has significantly fluctuated during the crisis. Given the assumption for major policy interest rates - interest differentials between the United States and the Euro area are expected to narrow and risk is expected to be evenly balanced between the two areas - it is assumed that the dollar-euro exchange rate will average 1.25 for the rest of 2010 and 2011.

Volatility against the Yen has been less. Despite the weak economic prospects for Japan and a still large interest differential, the Yen has been one of the carry-trade currencies which has provided it strong support. This is assumed to keep the Yen at current levels of 90 for the rest of the forecast period.

Brent crude oil is expected to average at $72 per barrel in 2010 and $76 per barrel in 2011.

The recovery in the real economy is inadequate in its strength at the global level and uneven in its pace across countries. In most developed countries, the recovery in demand from the private sector is not yet on a solid footing. Facing the challenges of elevated unemployment rates, soaring public debt, and limited credit flows, growth prospects for most developed economies remain lacklustre, unable to provide enough impetus to the global economy. While developing Asia, particularly China and India, is leading the way among developing countries, the recovery is much more subdued in many economies of Africa and Latin America and still fragile in most economies in transition.

In developed economies, despite a continued recovering in financial markets, credit constraints continue to act 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. Moreover, high and persistent unemployment rates and the weakened income will continue to curb household consumption and business investment. GDP of the

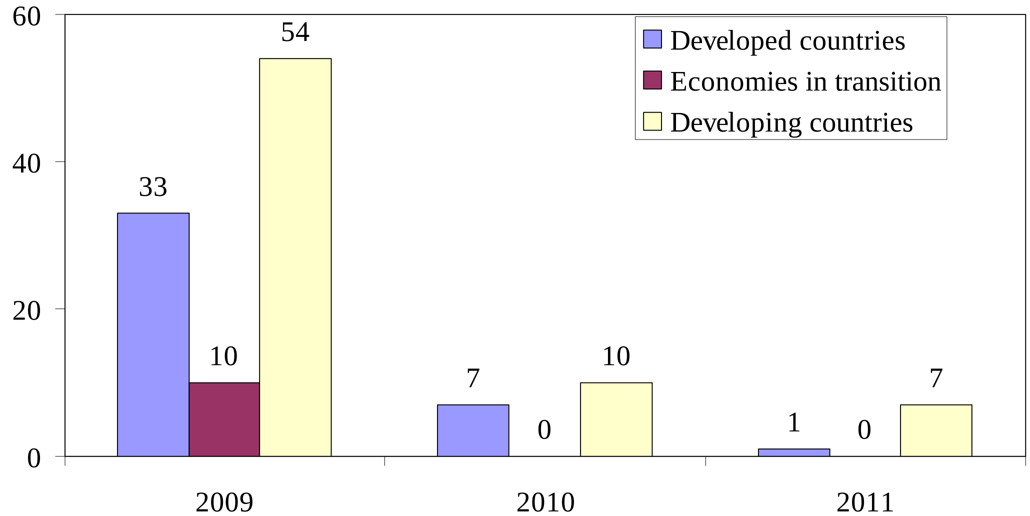
United States is expected to grow by 2.9 per cent in 2010, from a slump of 2.4 per cent in 2009. Growth is then forecast to slacken to 2.5 per cent in 2011. In the European Union and Japan the recovery is projected to be even weaker; GDP is forecast to grow by 1.0 and 1.3 per cent respectively in 2010. In Japan this rate is expected to be maintained in 2011. In the European Union it is expected to accelerate to 1.8 per cent in 2011. The impetus to global growth that is provided by the major developed economies will hence be weak in the near-term outlook.

Many developing countries are still suffering from the fallout of the crisis that has led to a decrease in external flows, lower remittances, lower trade revenues, commodity price fluctuations and shortfalls in tourism revenue. A total of 97 countries registered a decline in per capita income during 2009, the majority of which were developing countries (see figure 2, and annex table A.1 and A.2). Twenty of these were in Africa and 17 were in Latin America and the Caribbean. With improved global prospects, the number of countries that experience contracting per capita GDP is set to decline significantly. In 2010, none of the economies in transition will be contracting, while the number of developed and developing economies that contract on a per capita basis will decrease to seven and ten respectively. This trend is forecast to continue into 2011.

GDP growth for developing countries is forecast to rebound to an average of 5.9 per cent in 2010, before slowing somewhat to 5.8 per cent in 2011. This is a significant improvement compared to the 2.2 per cent growth that was registered in 2009, yet it is still below the highs observed in the pre-crisis period, when growth averaged 7.2 per cent for the period 2004-07. While China and India continue to lead the recovery in East Asia and South Asia respectively, other economies such as those of Malaysia and Singapore are also seeing a strong rebound. In Latin America, Brazil, Chile and Peru are leading the recovery. However, as a group, growth in developing countries continues to be highly dependent on the external sector, commodity prices and capital flows. Indeed, although in many countries domestic demand has shown robust growth, policy measures to further strengthen domestic demand need to be intensified, particularly as past efforts to do so have not resulted in any fundamental structural change of these economies. Moreover, at 5.6 per cent in 2010 and 2011, growth in the Least Developed Countries continues to remain below the 7 per cent deemed necessary, among other conditions, to make substantial progress towards attaining the Millennium Development Goals (MDGs). On a per capita basis, growth of GDP in sub-Saharan Africa will remain below 3 per cent in 2010 and 2011. In four countries (Chad, Comoros, Madagascar and Somalia) it will even be negative in 2010 and 2011.

In 2010, the economies in transition are forecast to grow by 3.9 per cent, due primarily to the stronger performance of the net fuel exporters, a significant improvement from the 6.7 per cent contraction that was registered for in 2009. It is however also barely half of the average growth rate of 7.6 per cent for the period 2004-2007, signalling that the economies are growing far below potential. Weak domestic demand caused, inter alia, by high unemployment rates is contributing to this. The rate of growth for these countries is expected to slow to 3.4 per cent in 2011.

Figure 2 - Number of countries with declining GDP per capita, 2009-2011[a]



Source: UN/DESA
[a] 2009 data are partly estimated, 2010 and 2011 data are forecasts, according to baseline scenario of WESP update per mid 2010.

Table 2 –Frequency of high and low growth of per capita output

	Number of countries	**Growth exceeding 3 per cent**			
		2008	2009[a]	2010[b]	2011[b]
Developed economies	35	6	0	1	9
Economies in transition	18	15	3	5	12
Developing economies	107	55	17	41	44
Africa	51	23	10	18	24
East Asia	13	6	4	11	10
South Asia	6	5	2	3	3
Western Asia	13	8	1	3	3
Latin America and the Caribbean	24	13	0	6	4

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

Elevated unemployment rates

The global crisis has had a profound impact on levels of unemployment. Indeed, the estimated global rate of unemployment rose to 6.6 per cent by the end of 2009 up from 5.7 per cent at the end of 2007, with the number of unemployed worldwide rising by an estimated 34 million people. The impact of the global crisis on employment levels varies greatly across countries, however. Unemployment rates in the three Baltic countries and Spain increased by more than 10 per cent between 2007 and 2009; similarly Ireland, the United States and Iceland experienced increases in the order of 5 percentage points or more as labour demand was also affected by sharper shocks in credit markets (and a collapse in construction activity) triggered by the burst of housing bubbles. In contrast, Brazil, Jordan, Macedonia and Uruguay registered a significant decline in the unemployment rate between 2007 and 2009, despite having experienced mild or short-lived recessions. Employment policies played an important role in explaining variations in the degree to which the crisis has affected unemployment rates; job-support measures have helped contain increases in unemployment in some European countries and in a few large developing countries. For instance, in Germany workers were put on state-supported short-time working schemes despite drastic declines in orders in many competitive export industries. In most developing countries informal sectors absorbed part of the impact on labour. However, as a consequence of the crisis, working poverty levels will increase. According to the International Labour Organization, the number of working poor is estimated to have increased by 215 million.[2] Indeed, the reduction in employment and income opportunities has led to a considerable slowdown in the progress towards poverty reduction and the fight against hunger. Thus, an additional 7.0 per cent of workers in developing countries were at risk of falling into absolute poverty (living under $1.25 a day) between 2008 and 2009 as they lack access to social protection which could compensate for losses in employment and income.

In the outlook, unemployment rates are expected to remain high in developed countries while informal sectors in many developing economies may continue to expand as firms postpone hiring and as fiscal consolidation may constrain employment programmes.

Weak labour markets, lower global demand and excess capacity contributed to general downward pressures on prices in 2009, such that global inflation declined from 4.7 per cent in 2008 to 1.4 per cent in 2009. In the outlook, global inflation is forecast to accelerate to 2.4 per cent in 2010, before slowing somewhat to 2.3 per cent in 2011 (Annex table A.3 and A.4). The outlook, however, varies between regions mostly owing to the unbalanced global recovery: while in developed countries inflationary pressures are expected to remain subdued due to low demand and excess capacity, the picture in developing countries is more diverse. In most developed countries the outlook for inflation will remain muted due to the large output gap and weak labour markets that restrain demand. For instance, core inflation has declined toward 1 per cent in the United States and the Euro area, while deflation has worsened in Japan. Similarly, inflation rates in some of the new EU member and in South-eastern Europe, such as in Bulgaria, Estonia and Latvia, Bosnia and Herzegovina and the FYR of Macedonia, entered negative territory in 2009, and will remain low in 2010.

Tame inflation outlook

Declines in inflation are also projected for the Commonwealth of Independent States and for Africa as a whole in 2010. However, the number of countries experiencing lower inflation and the magnitude of the declines will fall as internal and external demand strengthens and non-food commodity prices increase, especially in oil-importing countries. Indeed, in fuel-exporting countries, such as in Angola, the Republic of Congo, Gabon and Kazakhstan, demand-pull pressures will lead to increases in prices of non-traded goods. By contrast, inflation will intensify due to currency depreciation or the

[2] ILO (2010), *Global Employment Trends, January 2010*. Geneva: International Labour Office

growing monetization of fiscal deficits in a number of countries, including Eritrea, Guinea and Mauritania.

In Western Asia inflation reached 4.3 per cent in 2009. It is expected to accelerate to 6.0 per cent in 2010, with stronger overall demand and higher commodity prices expected to increase inflation rates in Jordan, Lebanon, the Syria Arab Republic and Turkey. In Latin America inflation reached 6.1 per cent in 2009, with acceleration to 6.6 per cent expected in 2010 due to stronger demand particularly in Central America and the Caribbean. In East Asia average price pressures have so far been moderate; however, inflation is expected to increase from a decade-low of 0.6 per cent in 2009 to 3.0 per cent in 2010, despite being mitigated by subdued labour-cost pressures, continuing output gaps and low import-price inflation. In South Asia considerable inflationary pressures continue to be observed. The average rate of inflation declined only slightly from 12.6 per cent in 2008 to 11.5 per cent in 2009 and is forecast to remain constant in 2010. Inflationary pressures remain elevated in most countries, especially for food products and utilities. In India, inflation reached a decade high of 10.9 per cent owing to a poor monsoon, higher international commodity prices and stronger domestic demand. In response, the Reserve Bank of India has already shifted its focus from supporting the recovery process to containing price increases.

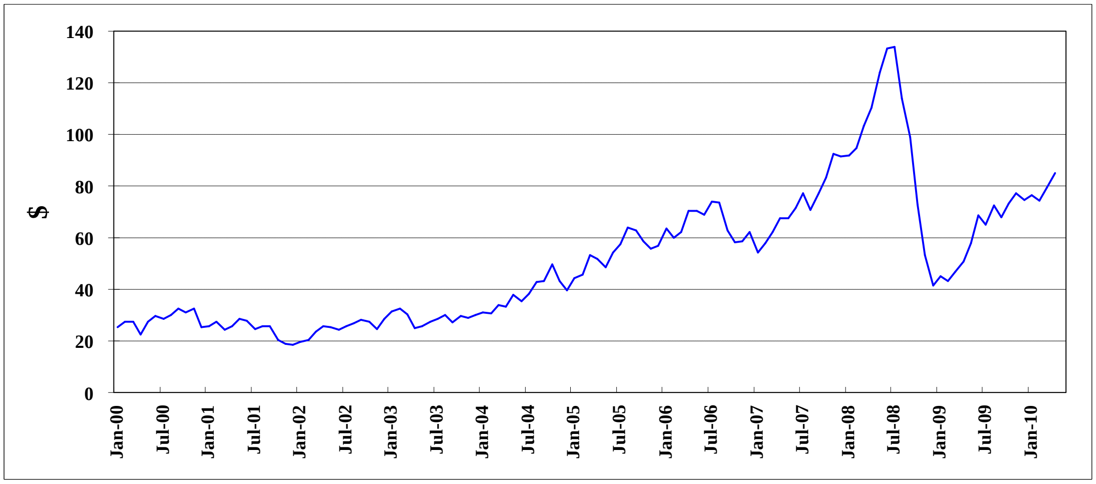
The international economic environment for developing countries

The international economic environment for developing countries has generally started to improve. Capital inflows are returning, external financing costs are declining, commodity prices are rebounding, and trade flows are recovering. These factors are not equally beneficial to all developing countries, however. While some developing countries are benefiting from higher commodity prices, others are seeing their terms of trade deteriorate and their trade deficits widen. Similarly, quite a few are expected to continue to face more restricted access to capital inflows, while the level of official development assistance (ODA) remains short of the commitments made as part of the global partnership for development.

Commodity prices rebounding

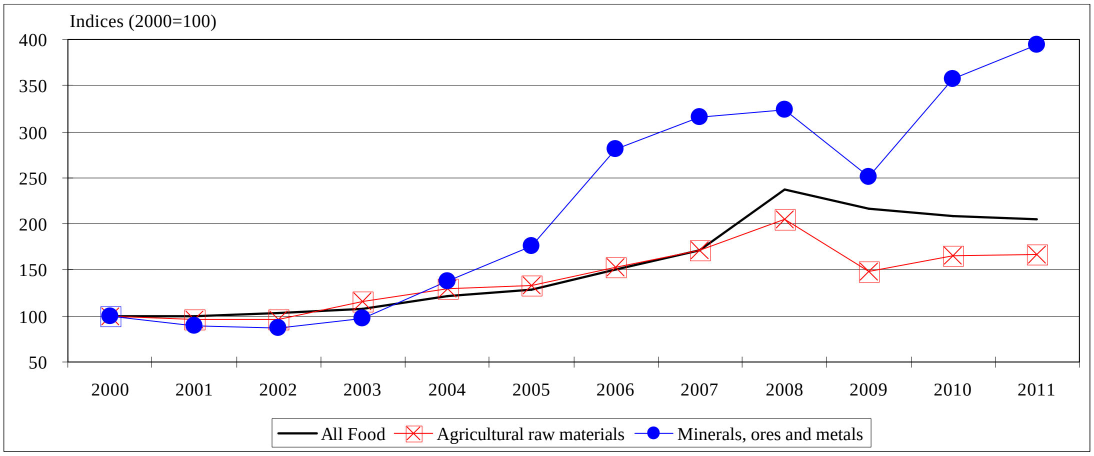
Sharp declines were observed in *commodity prices* in 2009 as the global financial crisis unfolded. Prices indices of agricultural raw materials, minerals, ores and metals and of staples declined by more than 20 per cent in 2009 due to weak global demand; oil prices dropped by more than 35 per cent. These trends are however being reversed in 2010 as global economic activity gradually resumes. Although prices will remain well below the highs observed in 2008, the increase will benefit many developing countries, particularly those heavily dependent on primary exports. Thus, minerals, ores and metals are expected to increase by more than 40 per cent as, for instance, robust growth in some developing economies, China in particular, will sustain demand and offset subdued industrial metal needs in developed countries. In the case of iron-ore, prices will not be anymore set annually but quarterly, leaving room for rapid increases in the short-term as demand is strong, while major increases of 50 and 45 per cent respectively are expected for iron ore and copper prices.

Figure 3 - Brent oil price, January 2000 - May 2010



Source: UN/DESA

Figure 4 - Non-oil commodity price, 2000 – 2011



Source: UN/DESA

For the first three months of 2010, the price of Brent crude oil fluctuated in a corridor between $69.50 and $80.67 per barrel. It is expected to average at $72 per barrel in 2010, representing a 16 per cent increase over 2009, while demand growth for oil is expected to reach 1.5 per cent in 2010 with flat demand in the OECD economies being accompanied by a measured increase in demand from non-OECD economies, including China and India.

In contrast, food prices are forecast to decline by an estimated 3.4 per cent in 2010. Higher-than-expected supply of soybeans is, for instance, anticipated to outweigh the expected increase in demand, such that soybean prices are forecast to decline moderately in 2010 and 2011. Similarly, production of wheat recovered in 2009 and expectations are of a good harvest in 2010, such that its price is expected to decline by 4 per cent only in 2010 and to recover by 5 per cent in 2011.

Trade flows recovering

World trade continues to pick up gradually owing to the rebound of export production in East Asia and other developing regions. However, the recovery remains constrained by weak aggregate demand and somewhat elevated trade finance costs. In the first two months of 2010, the world trade volume was 13 per cent higher than a year ago, but still 9 per cent below the corresponding level in 2008. World trade is expected to grow by 7.6 per cent in 2010, having declined by 13.1 per cent in 2009. This gradual upward trend is forecast to continue in 2011, with trade volumes expanding by 5.9 per cent (see tables A.5, A.6 and A.7).

Trade in developed economies, particularly in Europe, remains subdued owing to a sluggish recovery of final demand. Japan's exports have rebounded strongly after the country experienced the biggest decline in the aftermath of the Lehman Brothers' collapse. Driven by strong demand from East Asia, year-on-year export growth in Japan accelerated to about 36 per cent in the first two months of 2010 while the United States and Europe experienced increases of 15 per cent and 7 per cent, respectively. However, these improvements partly reflect the low bases of early 2009; trade volumes in all developed regions are still far below pre-crisis levels.

In East Asia, in contrast, trade volumes are now almost back at pre-crisis levels. Intra-Asian trade strengthened with the strong recovery of industrial production in regional value chains and related demand for intermediate goods, supported by large stimulus packages. The impact of China's massive development projects in infrastructure and construction will boost export revenues in mineral- and oil-exporting countries in Africa, South America and Western Asia. For instance, Peru's total export revenues increased by a factor of 2.4 year-on-year in the fourth quarter of 2009, with exports to China more than quadrupling during this period. Meanwhile, energy-importing low-income countries have seen their terms of trade decline in the course of 2009, offsetting earlier gains. Moreover, they are expected to face a renewed surge in their trade deficits as import spending is likely to grow faster than export earnings in 2010 and 2011.

On the downside, international protectionism increased somewhat during the course of the financial crisis: a number of countries, developed as well as developing, have raised tariffs and introduced new non-tariff measures in response to the sharp decline in production in certain industries, while some fiscal and financial measures have favoured domestic over foreign actors. More importantly, trade financing tightened in the early stages of the crisis, and still remains tight for many low-income countries.

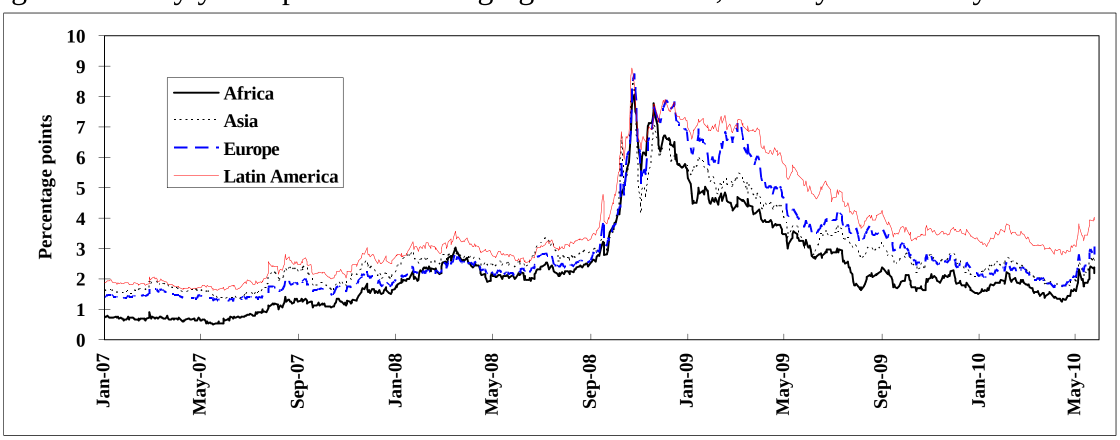
Capital inflows returning to emerging economies

After a precipitous decline in late 2008 and early 2009, *net private capital inflows* to emerging economies have been on the rise. The net private inflows to these economies in 2009, totalling some $500 billion, were however less than half of pre-crisis peak levels registered in 2007, about $1.2 trillion. While foreign direct investment inflows registered a decline by about 30 per cent in 2009, portfolio investment rebounded markedly, turning from net outflows in 2008 to inflows of some $100 billion. Foreign commercial banks also registered net outflows in 2009. In the outlook for 2010, total net capital inflows to this group of countries are expected to recover by about 30 per cent, to above $700 billion, but the growth will moderate considerably in 2010.

A better growth prospect for emerging economies, compared with developed countries, would justify a continued recovery in capital inflows to these economies, but a number of factors suggest a moderate pace in the outlook. From the supply perspective, the ongoing de-leveraging of many financial institutions in developed countries and the possible "crowd-out" effect of the rapidly mounting levels of public debts in these countries will likely limit capital flows to emerging economies. On the other hand, from the perspective of emerging economies, demand for capital inflows may also be moderate, as domestic liquidity in many of these countries is ample, auspicious for domestic companies to raise funds at local markets. Meanwhile, with a substantial recovery in the valuation of equity markets in many emerging economies since early 2009, an increasing concern has been expressed about possible speculative bubbles in these markets. Some developing countries have indeed adopted various measures to curb short-term speculative capital inflows.

After a surge during the global financial crisis, *external financing costs* for emerging market economies have retreated to the pre-crisis levels, as measured through the Emerging Markets Bond Index (EMBI) (figure 5).

Figure 5 - Daily yield spreads on emerging market bonds, January 2000 - May 2010



Source: UN/DESA based on data of J.P.Morgan

Official development assistance (ODA) amounted to $119.6 billion in 2009, representing 0.31 per cent of donors' aggregate gross national income (GNI). This share remained below historic patterns as throughout the 1980s, for example, ODA hovered around 0.34 per cent of donors' income. Also, in 2005, as the summit meeting at Gleneagles revisited commitments against the background of deep declines of ODA since 1992, ODA net disbursements reached 0.33 of donors' GNI.

The 15 European Union (EU) countries which are members of the Development Assistance Committee (DAC) promised that net ODA flows in 2010 would reach at least 0.51 per cent of their GNI. After considering the fact that some countries have committed above such floor, and after including the 7 non-EU members of the DAC, the aggregate commitment for 2010 should represent 0.36 per cent of their aggregate GNI. In dollar terms, this would have amounted to about $128 billion, measured in constant dollars of 2004. Even if this falls short of the once decided 0.7 per cent of GNI, it would have meant, for example, a significant improvement from the 0.26 per cent of aggregate GNI disbursed in 2004. However, as of April 2010 the projections are for a total of $108 billion in constant dollars of 2004. While this is about 3 per cent above the figure disbursed in 2005 ($105 billion in constant dollars of 2004) when leaders met in Gleneagles, it would be $ 20 billion (in constant terms) short of the target. Africa is likely to experience a significant part of such a shortfall, in the order of $14 billion.

An important caveat regarding these numbers is that they mask a diverse picture with respect to the stance of individual donor countries. A number of countries are projected to be above their self-imposed targets in 2010, such as Sweden, with 1.01 per cent of its GNI (as opposed to the already large 1 per cent of GNI promised in 2005). Other countries like, for example, Luxembourg and Norway will stick to commitments which were at least 0.7 per cent. A few European countries such as Finland and Spain are projected to fail delivering their own targets but will nonetheless remain at or above the 0.51 per cent set out as a floor. Similarly, the United States of America is projected to deliver a greater proportion of GNI than what was promised in 2005, even if such a proportion remains significantly lower than its European counterparts (0.19 per cent of GNI instead of the 0.18 per cent promised in 2005). Finally, the disappointing projections that have a significant impact on the overall shortfall are attributed to a few large donors, including Italy, Japan, Germany and France.

Historically, despite extraordinary efforts by some developed countries, total disbursements have never reached commitments, but this time the financial crisis may have played an additional role. The majority of donor countries saw their economies contract, implying a parallel reduction also in ODA payments. However, this calculation would explain a reduction in ODA only by $2.3 billion instead of the actual shortfall of $20 billion. Perhaps another factor at work is heightened internal fiscal pressures. On these counts, both donor and recipient countries were affected.

From the perspective of recipient countries, a shortfall of this magnitude is already critical, especially in those countries where ODA represents a sizeable part of government receipts. Yet, the notion of an ODA shortfall becomes even more acute when considering the additional needs resulting from the sharp fall of prospective incomes, the collapse of trade and the rise of unemployment and ‘vulnerable employment’ in poorer countries. In light of non-existent or only rudimentary social safety nets, this is causing additional social hardship and setbacks in national development strategies. Furthermore, developing countries face increased challenges in the form of food security and climate change, all of which coalesce to create a much greater ‘shadow ODA gap’, based on the current situation, than the one derived by comparing previous commitments and actual disbursements.

Foreign exchange reserves increasing rapidly

The global financial crisis and attendant recession has seen large swings in the major *exchange rates* as the competing forces of risk and expected relative returns ebbed and flowed (see box 1), while holdings of *foreign exchange reserves* worldwide have continued to increase. During 2009, they increased by about $1 trillion to a total of $7.7 trillion. Developing countries and the economies in transition account for almost all of the increase. China alone, holds one-third of all global reserves, totalling $2.4 trillion, yet the countries with the largest percentage increase in reserves were in Latin America, and included Mexico and Brazil, for example. The Russian Federation also increased its reserves by $38 billion over the year, despite the heavy use of reserves in the beginning of 2009 when a crisis of the rouble had to be averted.

A main source for the accumulation of reserves in developing countries and the economies in transition has been the recovery in capital flows to these economies. Several countries have been using the additional reserves to intervene in currency markets to offset pressures towards exchange rate appreciation. The substantial increase in reserves further may have been motivated by lessons learnt in the financial crises of the past decade, in which countries with large amounts of foreign exchange reserves seemed to be in a better position for weathering the external shocks. However, this form of self-insurance comes at a significant cost for developing countries as the trillions of dollars held as reserves and invested to finance deficits in major developed countries could otherwise be used for the development of their own economies. It also seems paradoxical that individual countries continue to accumulate reserves for self insurance despite the substantial expansion of the resources of the International Monetary Fund to meet financing needs of member states in the occurrence of external shocks. Indeed, it highlights the importance of moving forward with reforms of the global reserve system.

Uncertainties and risks

Although the global economy is slowly recovering from the deep recession, a number of uncertainties and risks cloud the outlook, in particular those associated with elevated unemployment rates, rising public sector indebtedness in major economies and possible resurging global imbalances under the present path of global recovery.

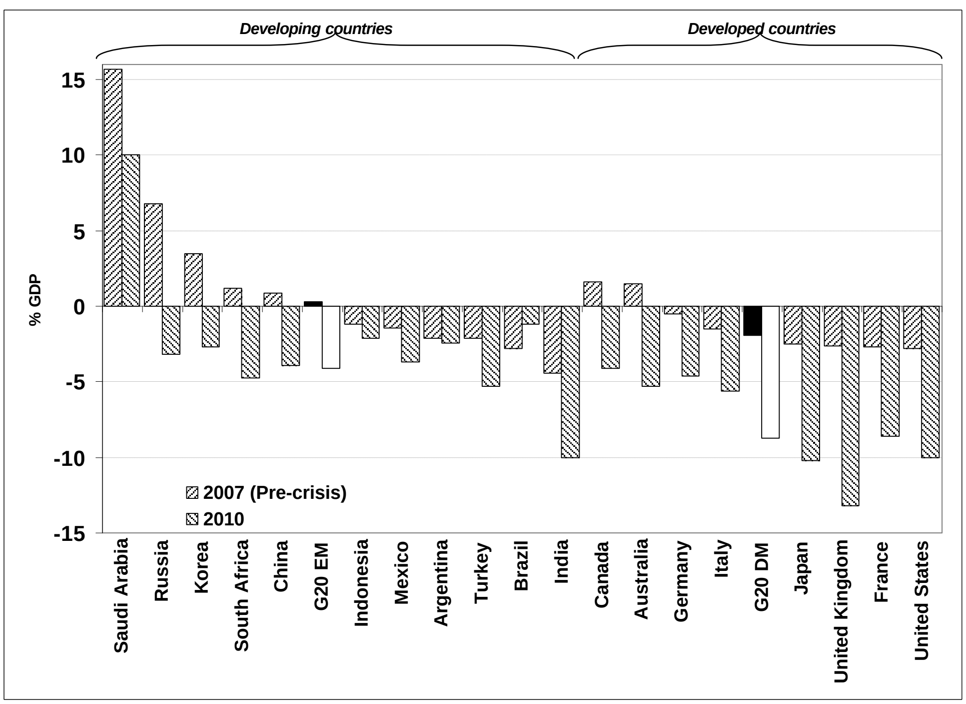
Risks associated with high unemployment rates

The persistently high unemployment rates and the subdued recovery pace might form a vicious circle, entrapping the economy into a protracted period of below-potential growth, or, in some cases, even a double-dip recession. The high unemployment will curb the recovery in household consumption, which in turn will drag the output growth, and a below-potential growth will be unable to reduce the unemployment caused by the crisis. Meanwhile, the longer this vicious circle lasts, the higher the risk for the “cyclical’ unemployment to turn into the “structural” unemployment, impairing the prospects for the economic growth in the longer run.

Rapidly deteriorated fiscal positions in developed economies

Fiscal deficits have widened significantly since the onset of the crisis. In several, mainly developing, countries the crisis has eroded fiscal surpluses (figure 6), while in others it has exacerbated the precarious fiscal situation that existed prior to the crisis. Thus, the general government budget deficit will reach 6.7 per cent of GDP in the Euro area in 2010, compared to a pre-crisis deficit of 0.6 per cent in 2007, and will reach 9.2 per cent of GDP the United States, compared to 2.8 per cent in 2007. In 2010 fiscal deficits in the advanced G20 economies will be more than double those of emerging G20 economies as the crisis has triggered automatic stabilizers, leading to large declines in revenue and large increases in expenditure. In most cases public debt has also increased significantly (figure 7). Moreover, fiscal deficits and public debt have deteriorated more in developed than in developing countries.

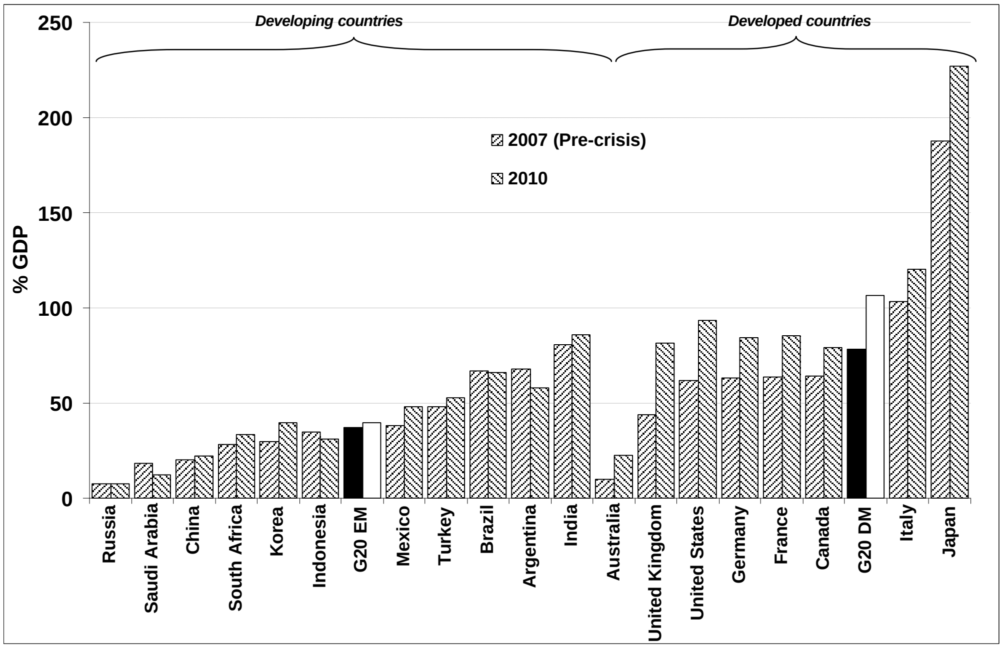
Figure 6 - Overall fiscal balance of G20 countries



Source: IMF (2009), The State of Public Finances Cross-Country Fiscal Monitor: November 2009, IMF Staff position note SPN/09/25. November 3, 2009.

Two main risks are associated the rapidly deteriorated fiscal positions. The already visible one is renewed financial instability, as epitomized by the most recent Greek crisis (see Box 2). A more profound risk, however, is heightened pressure for premature withdrawal of the policy stimulus, which could abort the recovery and entrap the economy into a double-whammy state of stagnation and high public debt.

Figure 7 - General government debt of G20 countries



Source: IMF (2009), The State of Public Finances Cross-Country Fiscal Monitor: November 2009, IMF Staff position note SPN/09/25. November 3, 2009.

Box 2 – The Greek fiscal crisis

In late April and early May of 2010, the Greek debt crisis morphed into a regional crisis for the euro zone, reverberating through financial markets worldwide. Contagion in debt markets led sovereign bond interest rates to rise significantly for several European countries, while the cost of insuring these holdings through credit default swaps (CDS) has skyrocketed. This led these countries to initiate substantial deficit reduction programs. However, the situation was exacerbated by the downgrading of Greek, Portuguese and Spanish bonds during April, to the point where Greek debt was rated below investment grade.

This has made the financing of their deficits more costly. It has negatively affected the financial conditions of those commercial banks that are holding the public debt – mainly European banks – and has raised concerns for renewed troubles in the banking sector, which has not yet recovered from the global financial crisis. Moreover, the situation has also exposed institutional weaknesses of the European monetary union, for lacking a lender-of-last-resort mechanism. The existence of such a mechanism would have allowed a swifter response to the Greek debt crisis.

As it became increasingly clear that Greece would be unable to service its debt, a number of rescue plans were proposed culminating in the second week of May in an agreement with the European Commission which brought in the IMF. This was a financing package worth 110 billion euro ($146 billion) to cover Greece's borrowing needs through the end of 2012. In addition, the European Central Bank (ECB) suspended indefinitely the minimum credit rating threshold for collateral eligibility requirements for Greek sovereign debt.

The package required Greece to implement drastic fiscal austerity measures. But market turmoil continued, focusing on doubts of the feasibility of reaching the agreed deficit targets, given the recessionary economic environment engendered by the drastic fiscal consolidation, doubts which also applied to the other affected countries, and which spread to concerns among some observers as to the viability of the European Monetary Union itself, amid fears that some countries might be forced to exit from the common currency. This has led to a loss of confidence in the euro which has fallen against the dollar from $1.45 at the beginning of 2010 to below $1.25 by mid May 2010, and has raised the spectre of another round of banking problems as European banks have large exposure to regional sovereign debt.

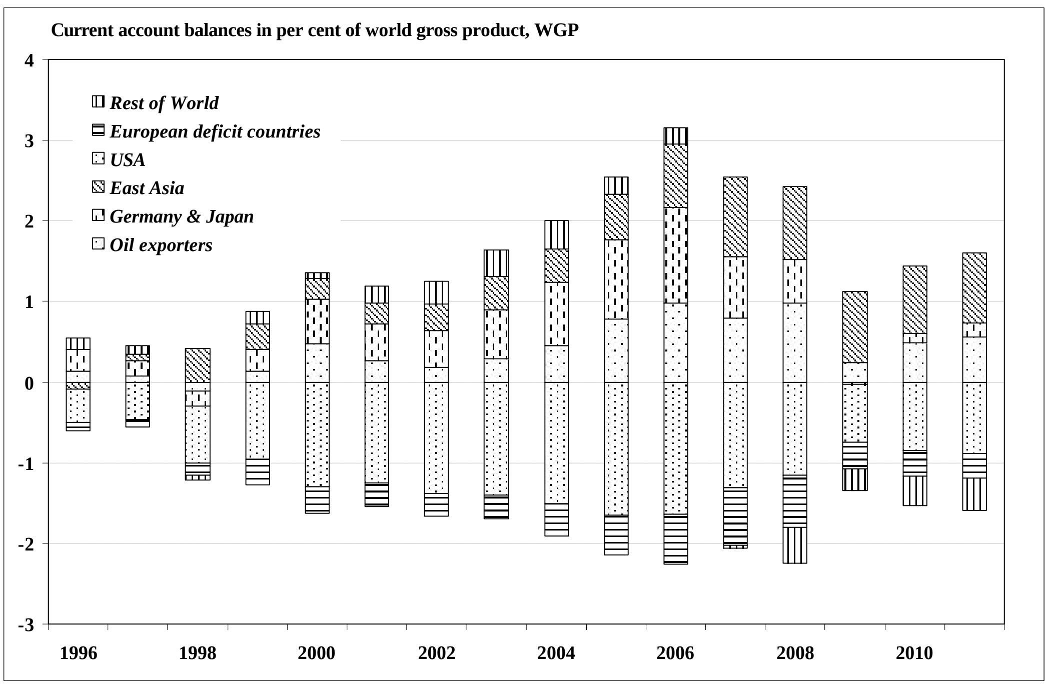
Immediately following this package, a second and more ambitious package was agreed upon, including funding of up to €720 billion ($930 billion) that is available to any euro country running into severe difficulties, which comprises government-backed loan guarantees and bilateral loans worth up to €440bn ($568 billion) that are provided by euro zone members, €60bn ($77 billion) supported by all EU members through expansion of an existing balance of payments facility and up to €220bn ($284 billion) provided by the IMF. In addition, the ECB intervened for the first time in government bond markets, thus joining the United States Federal Reserve and other main central banks in reactivating extra US dollar liquidity facilities. Market conditions have since stabilized somewhat for Greek government bonds and those of several other European countries. However, the euro continues to weaken.

Under the agreement with the EU and the IMF, Greece needs to implement drastic fiscal austerity measures. Public debt currently is estimated at 115 per cent of GDP, while the budget deficit was 13.6 per cent of GDP in 2009. Current fiscal adjustment plans should bring the deficit to below 3 per cent of GDP by 2014 by, for instance, reducing and freezing pensions and wages, raising the value-added tax and taxes on luxury items, and strengthening tax collection. Measures will also include creating a financial stability fund to ensure a sound level of bank capital, curtailment of entitlement programs, structural reforms of the labour market and state enterprises and a significant reduction in military expenditure. It is estimated that a recession will continue in Greece until 2012.

Resurging global imbalances

As the crisis unfolded, the *global imbalances* narrowed markedly in 2009 (see figure 8). The large external deficit of the United States declined from $700 billion in 2008 to about $420 billion in 2009, approximately 3 per cent of its GDP. This was mirrored by smaller savings surpluses in China, Germany, Japan and a group of oil-exporting countries. This adjustment was a pure effect of the recession with the sharp retrenchment in imports of deficit countries and the collapse in exports of surplus countries, especially in early 2009. In the United States, declining import demand was closely linked to lower household consumption and a precipitous fall in both residential and business investment. The household savings rate increased from 1.7 per cent in 2007 to 4.2 per cent of disposable household income in 2009. Government savings, in contrast, declined along with the widening of the budget deficit which surged from 1.2 per cent of GDP in 2007 to 9.9 per cent in 2009. Adjustments in savings and investment balances of major surplus economies vary from country to country, but falling government savings has been a common trend. Among the surplus countries that entered into recession, like Germany and Japan, falling tax revenue as well as higher fiscal spending as part of stimulus measures are key factors behind the decline in their aggregate savings surpluses. The decline in investment demand in Germany and Japan only partly could offset this trend. In China, in contrast, fiscal stimulus and a strong increase in investment demand are main factors behind the reduction in its savings surplus in 2009. Consumption demand in China also increased markedly, but compared with other major economies total consumption relative to GDP remains very extremely low.

Figure 8 - Global imbalances, 1996 – 2011



Source: UN/DESA based on WESP update as per mid 2010 and IMF World Economic Outlook database (April 2010)

In the outlook, however, the global imbalances could widen again with the path of the global recovery that has been set in. The large budget deficit of the United States is expected to remain high for some time to come and likely will decrease only gradually as a share of GDP. At the same time the private sector in the United States is not expected to generate large enough savings surpluses to finance the government deficits, implying that the economy will need to continue rely of foreign borrowing. As the recovery proceeds, business confidence improves and output gaps are closed, one should expect private investment demand to pick up running ahead of growth in private savings. Consequently, even with a gradual rebalancing from public to private demand during the recovery, the United States external deficit may increase further in the medium term. In Europe, the recovery may show a similar pattern of rebalancing, assuming that an ongoing recovery will induce a phasing out of the fiscal stimulus measures and private consumption and investment demand will pick up again from 2011. Such trends in Europe and the United States would need to be matched by increasing surpluses elsewhere. In major surplus countries, the saving-investment patterns have not been fundamentally changed. All other things being equal, the recovery will sustain the rebound in oil prices and thereby savings surpluses in major oil exporting countries. Most countries in Asia have resumed their export-led growth paths. China is taking policy measures to rebalance growth towards domestic demand, particularly by stimulating household consumption growth, but in such a large economy it will take a long time to structurally alter the basic drivers of growth. In the short run, China's external surpluses may still be expected to increase, especially as China's net investment income on foreign assets is becoming an increasingly important contributor to the country's foreign-exchange earnings.

Policy challenges

Monetary policy stance

In response to the financial crisis, monetary policy has seen an unprecedented depth of policy stance and breadth of policy scope. Indeed, as shown in table 3, many central banks have reduced their interest rates by a significant margin since the onset of the crisis. In most developed, and some developing countries, central banks have cut interest rates to 1 per cent or lower, such as in, for example, Japan, the United States and the Euro area as well as in Chile and in Hong Kong, SAR. Moreover, although in some countries, such as in Australia, Brazil and in India inflationary pressures or fear of overheating have lead to recent increases in interest rates, the central banks of the major developed economies are expected to maintain their current policy stance throughout most of 2010, and only begin a process of tightening of policy thereafter (see box 1).

With little room left for further loosening of conventional *monetary policy* (see box 1), and particularly since the dramatic worsening of the global financial crisis in late 2008, central banks in major developed economies have adopted a wide range of unconventional monetary measures, including: the provision of short-term liquidity to banks and other depository institutions and other financial institutions, through discount window and various term auction facilities; the provision of liquidity directly to borrowers and investors in key credit markets, such as the Commercial Paper Funding Facility and the Money Market Investor Funding Facility; and the purchase of longer-term securities for the central bank's portfolio, for example, mortgage-backed securities and longer-term Treasury securities.

As financial market conditions improved, most short-term liquidity measures in the first and second groups have been wound down completely by the end of the first quarter of 2010, but most long-term securities the central banks have purchased remain on their balance sheets. Corresponding to the expanded balance sheets of the central banks, particularly pronounced for the Fed, excess reserves of commercial banks at the central banks have increased significantly.

Table 3 – Monetary policy in selected countries, as of 20 June 2010

Country	Official interest rate	Date of last change	Change (bp)	Current (%)	Change from Aug 2007 (bp)
Australia	Cash rate	May 4, 2010	+25	4.50	-175
Brazil	SELIC overnight rate	June 10, 2010	+75	10.25	-175
Canada	Overnight funding rate	June 1, 2010	+25	0.50	-375
Chile	Discount rate	July 9, 2009	-25	0.50	-450
China	1-year working capital	December 22, 2008	-27	5.31	-126
Colombia	Repo rate	April 30, 2010	-50	3.00	-600
Czech Republic	2-week repo rate	May 6, 2010	-25	0.75	-200
Euro area	Refi rate	May 7, 2009	-25	1.00	-300
Hong Kong, SAR[a]	Discount window base	December 17, 2008	-100	0.50	-625
Hungary	2-week deposit rate	April 26, 2010	-25	5.25	-250
India	Repo rate	April 20, 2010	+25	5.25	-250
Indonesia	BI rate	August 5, 2009	-25	6.50	-200
Israel	Base rate	March 28, 2010	+25	1.50	-250
Japan	Overnight call rate	December 19, 2008	-20	0.10	-43
Korea	Base rate	February 12, 2009	-50	2.00	-250
Malaysia	Overnight policy rate	May 13, 2010	+25	2.50	-100
Mexico	Repo rate	July 17, 2009	-25	4.50	-270
New Zealand	Cash rate	June 10, 2010	+25	2.75	-525
Norway	Deposit rate	May 5, 2010	+25	2.00	-250
Peru	Reference rate	June 10, 2010	+25	1.75	-275
Philippines	Reverse repo rate	July 9, 2009	-25	4.00	-350
Poland	7-day intervention rate	June 24, 2009	-25	3.50	-100
Romania	Base rate	May 4, 2010	-25	6.25	-75
Russia	1-week deposit rate	April 29, 2010	-25	3.25	25
South Africa	Repo rate	March 25, 2010	-50	6.50	-300
Sweden	Repo rate	July 2, 2009	-25	0.25	-325
Switzerland	3-month Swiss Libor	March 12, 2009	-25	0.25	-225
Taiwan, POC[b]	Official discount rate	February 18, 2009	-25	1.25	-188
Thailand	1-day repo rate	April 8, 2009	-25	1.25	-200
United Kingdom	Repo rate	March 5, 2009	-50	0.50	-500
United States	Federal funds rate	December 16, 2008	-87.5	0.125	-512.5

Source: UN/DESA based on data of JP Morgan
[a] Special Administration Region of China, [b] Province of China

In the outlook, central banks are not expected to reduce their holdings of long-term securities, purchased during the crisis, in 2010, thus keeping long-term interest rates at relatively low levels. Meanwhile, central banks have communicated various strategies for dealing with the large excess reserves should these reserves pose inflation risks, as well as strategies for unwinding the long-term securities on their balance sheets when economic recovery becomes robust.

Fiscal policy measures

Fiscal policy has taken on a larger role in the crisis as a large number of countries responded to the economic and financial crisis with fiscal stimulus packages to support aggregate demand. While the crisis and the policy response have led to a substantial widening of fiscal deficits, withdrawing stimulus measures prematurely risks exacerbating fiscal difficulties and causing debt-to-GDP ratios to rise further. It is therefore important that stimulus measures are maintained until a marked recovery is taking place.

While the fiscal packages were critical for stabilizing individual economies in 2009, the economic recovery was unbalanced. In part this was due to differences in the size of these packages, with countries that implemented the largest packages – mainly developing countries –quickly returning to high growth. It also stemmed from differences in the composition of packages. Public consumption had a strong impact on reducing the duration of a downturn, and accounted for more than half of all stimuli planned in 2009 in, for instance, Australia, France, Italy, Japan, Russia and the United States. However, public investment is generally more effective at stimulating growth, thus benefiting, for instance, China, South Africa and Saudi Arabia, where more than three quarters of the stimulus package were related to investment.

In 2010, stimulus spending needs rather to be maintained to provide an impetus to higher growth, at least until there are clear signs that consumer confidence has returned to a degree sufficient to lead the recovery. Several challenges need to be overcome in sustaining the stimulus. Developed countries will need to balance the short-term need for continued policy support to strengthen the recovery with the longer-term need for consolidating public debt to maintain fiscal sustainability. Indeed, in several developed countries, the aim to consolidate budgets without derailing the recovery has already been overwhelmed by the shock waves emanating from the fiscal crisis that started in Greece (box 2).

Steps must also be taken to intensify the labour intensiveness of fiscal stimulus measures. In contrast, resource-availability and multilateral support lie at the centre of the debate in developing countries. The fact that a number of developing countries, mainly resource rich economies, were able to tap reserves highlights the importance of implementing counter-cyclical macroeconomic policies. It also underscores the need for fiscal stabilisation funds, especially in low-income countries, in which a glaring absence of any significant fiscal stimulus must be noted due to limited resources and to the constrained fiscal space resulting from the pro-cyclical fiscal stance that they commonly adopt.

Continued policy supports remaining crucial for recovery

The subdued and uneven recovery of the global economy poses additional policy challenges. First, dealing with the jobs crisis is of immediate urgency as persistent high unemployment and underemployment rates are slowing the global recovery itself as well as progress towards poverty reduction in developing countries. Much of the demand recovery still rests on government support. In most countries, these support measures will need to be maintained during 2010 and perhaps into 2011. In order to accelerate recovery in job markets, however, much more of the demand stimulus will need to be focused on providing incentives to productive employment creation. Job growth will also be a key ingredient in redressing the trend towards widening fiscal deficits by stemming the drop in tax revenue and reduce the need for social protection spending. Exit strategies from the extraordinary stimulus measures thus will need to be closely coordinated with labour market policies.

Second, there is a need for more resources and greater efforts to make up for the significant setbacks in progress towards the MDGs. Low-income countries with limited fiscal space are in need of additional ODA to finance the expansion of social services and programs needed to meet the MDGs and engage in counter-cyclical policies. These increased needs contrast with the still significant shortfall in aid delivery against commitments. Although OECD's Development Assistance Committee (DAC) expects continued modest growth in total net ODA for 2009 and 2010, as indicated above, the estimated shortfall against the Gleneagles commitments will be $20 billion in 2010. Apart from fulfilling commitments, donor countries should consider mechanisms to de-link aid flows from their business cycles to prevent delivery shortfalls in times of crisis when the need for development aid is most urgent.

More broadly, the global crisis has highlighted the need for very large liquidity buffers to deal with sudden and large capital market shocks. In response to the financial crises of the 1990s, many developing countries have responded by accumulating vast amounts of reserves as a form of self-insurance. But doing so comes at high opportunity costs and, moreover, it has been conducive to the problem of the global imbalances. By better pooling reserves regionally and internationally such costs to individual countries could be reduced and it could also form the basis for more reliable emergency financing and the establishment of an international lender of last resort mechanism. Broadening existing SDR arrangements could be part of such new arrangements and, as argued at greater length in the World Economic Situation and Prospects 2010 (http://www.un.org/esa/policy/wess/wesp.html), form part of a much needed broader reform of the global reserve system.

Third, those efforts will need to be underpinned by strengthened international policy coordination to avoid weakening of the recovery which may result from premature and uncoordinated exit strategies from the macroeconomic stimulus measures and failure to address the spill-over effects from emerging public debt crises in developed countries. Further progress on systemic reforms will also be needed. The lack of a concerted approach and greater policy coordination among members of the European Union to tackle concerns of fiscal sustainability particularly in Greece, and the fallout of the initial indecisiveness on financial markets, highlights the importance, particularly in times of greater uncertainty, of a broad and effective policy coordination among the major economies to prevent the return of global imbalances and to ensure that the recovery is sustainable. In this regard, the G20 Summit at Pittsburgh launched a framework for strong, sustainable and balanced growth, under which the deficit members in the G-20, mainly the United States, pledge to undertake policies to support private savings and to consolidate their fiscal deficit, while the surplus members agree to strengthen domestic sources of growth, through measures such as reducing financial markets distortions, boosting productivity in service sectors, and improving social safety nets. Although this framework has laid the first step towards a more balanced global growth, more specific and concrete policies need to follow. This is particularly important in the medium term, in which policy makers need to coordinate an ‘exit strategy’ and phase out stimulus measures once unemployment rates have decreased significantly, whilst simultaneously retaining a countercyclical policy framework. In the longer term, countries should ultimately coordinate their macroeconomic policies towards a combination of manageable global imbalances. These policies would require greater net financial transfers to developing countries and should ensure in the outlook that fiscal policy stances remain expansionary in developing countries, but are gradually phased out in developed countries.

Regional prospects

Developed economies

United States

After four quarters of continuous decline, the United States economy resumed growth in the third quarter half of 2009. One feature of this recovery is the substantial contribution of the inventory change which has accounted for more than half of GDP growth between the second quarter of 2009 and the first quarter of 2010. Over the third quarter of 2009, the speed of inventory de-stocking decelerated sharply and eventually turned to re-stocking in the first quarter of 2010. Recent sales and inventory statistics point to the possibility that stock building may not decelerate soon.

The slump in the housing sector which started in 2006 has stabilized in the sense that house building activity bottomed out during the second half of 2009 and has been modestly increasing since. Nonetheless, the trend for housing prices remains ambiguous as the two key housing price indices (Case-Shiller and FHFA) were still showing different directions of change in early 2010. Nevertheless, both price indices show a significant loss (in the range of 20 per cent or more) in the value for housing wealth relative to the mid-2006 peak.

Survey-based measurements for consumer confidence and revenue for retail industry for the first quarter of 2010 highlight the potential for increased household consumption. However, due to the sustained high unemployment rate and the crisis-induced write-off of household wealth, private consumption is expanding at a much lower speed than what would usually be the case at this stage of the business cycle. For 2010 and 2011 private consumption is expected to grow by only 2.5 per cent. While federal government expenditure will continue to support growth in 2010, state and local government expenditure, which is subject to balanced-budget constraints amidst lower revenues, may become a draining factor.

During the recession, the annual level of imports of goods and services decreased by more than 17 per cent in real terms from 2007 to 2009. The corresponding abatement of the trade deficit technically damped the contraction of GDP. In the second half of 2009, exports and imports of goods expanded at an accelerated speed; and export growth is expected to still exceed that of imports in 2010 and 2011. However, in the outlook the contribution of net exports to growth will be much weaker than during the crisis period, mainly due to the recovery of imports. Having decreased to $420 billion in 2009, the current account deficit is likely to increase by more than $100 billion in 2010.

Quarterly output is expected to surpass its pre-crisis peak during the second half of 2010. GDP is expected to expand by 2.9 per cent in 2010, before slowing to around 2.5 per cent in 2011 as factors such as inventory change and federal government outlays will gradually lose their momentum to support growth.

According to payroll statistics, more than eight millions of jobs have been lost since late 2007. As a result, the rate of unemployment exceeded ten per cent in October 2009. However, while the number for initial jobless claims peaked in early 2009 and has been declining since, the downward trend has levelled-off since the beginning of 2010. The employment level reached its trough in late 2009 and has maintained an upward trend in 2010, thereby reducing the rate of unemployment by 0.2 percentage points in the six months October 2009. This sluggish improvement can partially be attributed to the re-entrance of discouraged workers. The annual average level of unemployment is forecast to reach 9.5 per cent for 2010 and 9.0 per cent for 2011.

Parallel to the development of the unemployment situation, the growth rate of hourly earnings has continuously declined since 2007. Meanwhile, labour productivity has increased significantly, thereby decreasing the unit labour cost over 2009. The core CPI inflation rate has declined toward the level of one per cent recently, while the annual headline CPI inflation rate is predicted to be two per cent for both 2010 and 2011.

The recession has left two major challenges to the Government. The first one is how to tackle the high rate of unemployment and the weak job market. Besides the fiscal cost of unemployment insurance and social welfare, possible negative impacts on consumer confidence will also constrain the expansion of private consumption.

The second challenge relates to how to reduce the deficit over the mid-term and prevent the over-accumulation of public debt. Thus, the federal government deficit has soared to $1.4 trillion, about 10 per cent of GDP, in the fiscal year that ended in September 2009, due to lower revenue, extensive stimulus packages and greater expenditure. Federal public debt has also soared (53 percent of GDP in 2010). Given that almost half of United States public debt is held by foreigners, it is critical to ensure that international investors’ confidence is not eroded in order to keep financing costs within a sustainable range.

The improvement in the condition of the financial system has enabled the United States Federal Reserve Bank (Fed) to unwind special liquidity facilities and stop purchasing long-term assets. Meanwhile, the Fed has also decided to keep the exceptionally low level of policy rate for "an extended period". It is expected that the federal fund rate will remain at this low level until the end of 2010 and will only be increased mildly in 2011.

Japan

Having contracted by more than 5 per cent in 2009, the worst performance since the oil shock in the early1970s, the economy of Japan is in recovery. While a collapse in exports was the major cause of the recession, a rebound in exports has turned the economy around, along with the effects of various policy stimuli. Private demand has also recovered, however at a more gradual pace. Despite a slight decline in the unemployment rate, employment and income conditions are still inauspicious while the persistent trend of deflation remains a key policy challenge. The recovery is expected to continue in 2010-2011, but growth is likely to be lacklustre. With a high dependency on exports, the economy remains susceptible to any relapse in the recovery of its major trade partners. While high unemployment and low consumer confidence are likely to curb household spending, concerns about the high and growing level of public debt may constrain further fiscal stimuli.

Real exports registered a decline of 25 per cent in 2009. However, they have been recovering since the second quarter of 2009, with exports to East Asia, particularly China, leading the way, followed by exports to the United States and the European Union. Exports of capital goods and ICT related goods, has been especially strong. Meanwhile, the recovery of real imports has been considerably weaker than that of exports. The drastic plunge in exports during the peak of the global financial crisis led to a trade deficit for Japan for a period of a few months, however the surplus has recently returned steadily. In the outlook, growth of exports is expected to moderate alongside a diminishing global inventory cycle effect and due to the yen appreciation vis-à-vis other major currencies.

The recovery in domestic private demand has lagged that of exports. However, since late 2009 the decline in business fixed investment has come to a halt and private consumption, particularly of durable goods, is picking up. This is though mainly due to policy stimulus measures amid a continued severe employment and income situation. Housing investment has also bottomed out.

The unemployment rate rose to an all-time high in the second half of 2009. Despite some recent improvement it remains at a high level (by Japanese standards). Moreover, the ratio of job offers to applicants is still at a low level and wage income continues to decline.

Japan has been in deflation for the most part of the last two decades. Indeed, deflation worsened in 2009 as all prices indices fell significantly. Although deflation is an indication of substantial slack in the economy, it may also relate to the structural problem of an ageing population in Japan.

After the eruption of the global financial crisis in late 2008, the Bank of Japan implemented various monetary policy measures in three main areas, including reductions in the policy interest rate, measures to ensure stability in financial markets, and measures to facilitate corporate financing. Facing a tenacious deflation, the latest action was taken towards the end of 2009 to further ease monetary conditions by introducing a new funds-supplying operation to inject an additional 10 trillion yen (or $115 billion) into the economy. In the outlook, monetary policy is expected to maintain its current stance until late 2010, after which a gradual increase in policy interest rates may be observed.

A series of fiscal stimulus packages have been launched since mid-2008, including extra-budgetary government spending totalling about 5 per cent of GDP. The new budget for fiscal year 2010 includes some reduction in public investment, however direct support to households will increase. A continued implementation of the stimulus package (at 1.4 per cent of GDP) announced in late 2009 is expected. The recession has led to a widening of Japan's budget deficit to over 6 per cent of GDP in 2009, up from 2.2 per cent of 2008. Despite a debt level at about 200 per cent of GDP, so far the increase in the government deficit has been matched by increases in corporate and household savings such that Japan continues to be a net exporter of capital to the rest of the world.

Australia and New Zealand

The economy of Australia has managed to avoid falling into a recession amid the global financial crisis as aggressive stimulus measures supported consumption and investment to offset external shocks. Growth of domestic demand has been exceptionally strong since late 2009, particularly in private investment in the booming mining sector, while net exports continue to drag on GDP growth. Employment growth was very strong in late 2009 and early 2010. GDP is expected to grow by above 3 per cent in 2010.

With the improvement in economic outlook, the Reserve Bank of Australia (RBA) has raised interest rates by a total of 125 basis points between October 2009 and April 2010. It was the first developed economy to have done so. Accordingly, the large government stimulus programs that played a key role in the acceleration in GDP growth are being scaled back.

GDP growth has been positive in New Zealand since the second quarter of 2009, ending its prolonged recession which started at the end of 2007. While net exports have made a solid contribution to growth, household consumption and business investment have also increased, driven by low interest rates. Consumer and business confidence continued to improve, pointing to a further recovery. Overall, the economy appears to have picked up at a greater pace in late 2009 and early 2010. Nevertheless, activity remains diverse both within and across sectors, and the overall pace of recovery is sluggish compared to rebounds from past recessions. GDP is expected to grow by about 2 per cent in 2010.

Canada

The Canadian economy resumed growth over the second half of 2009. Although the speed of growth for that period was slower than that of the United States, the recovery in Canada was able to draw more upon domestic final demand and less on the inventory cycle as was the case for the United States.

In 2010, GDP in Canada is expected to grow by 3.1 per cent. The main contributing elements will be private and government consumption as well as domestic investment. Due to the subdued recovery in the United States and the appreciation of the Canadian dollar vis-à-vis the United States dollar, exports will slowly resume. The recovery of domestic activity will contribute to a significant increase in imports such that the current account balance will remain in deficit for 2010 and 2011.

The housing sector in Canada has rebounded from the trough of early 2009 and house prices continued to rise over the year. To prevent a bubble-bust cycle, the Government has asked banks to apply higher standards for mortgages. Moreover, on 20 April 2010, the Bank of Canada signalled that it may increase the policy rate from its exceptionally low level over the second half of 2010. This may cause a further appreciation of the Canadian dollar, which has gained about 15 per cent vis-à-vis dollar since early 2007.

Western Europe

After its worst recession of the post war period, Western Europe finally resumed growth in the third quarter of 2009. The rebound was driven by net exports and temporary factors - the end of inventory de-stocking and fiscal support, such as the successful car scrapping schemes. Investment continued to be a significant drag to activity. Consumption, while declining, provided some stabilization. In the fourth quarter activity stagnated as the positive impact of some of these temporary factors faded. At the end of the year only Ireland, Greece, Spain and Cyprus remained in recession, while Sweden had fallen back into recession. For the year as a whole, the euro area contracted by 4.1 per cent. GDP fell by 4.9 per cent in the UK, 2.2 per cent in France, 5.0 per cent in Italy, 5.0 per cent in Germany, and 3.6 per cent in Spain.

Activity is expected to pick up slowly over the course of 2010. Confidence surveys show a tremendous improvement from the record lows registered during the recession.[3] Hard data such as industrial production has been slower to respond, but has made up about one third of its pre-crisis level. However, the main driving forces apart from trade are still temporary and significant headwinds remain: balance sheet adjustment is incomplete and will take some time to run its course; financing conditions remain tight; uncertainty remains high; capacity utilization, while improving from historic lows, is still well below its average level. In the outlook, growth is expected to continue to be driven by exports and in the short-term, inventory re-stocking coupled with diminishing fiscal stimuli. Fixed investment spending is expected to provide increasing support later in the

[3] The European Commission's Economic Sentiment Index regained its long term average in May.

forecast period. Consumption is expected to remain weak. GDP is forecast to grow by 0.9 per cent in 2010 and 1.5 per cent in 2011.

Although consumption expenditure is expected to remain sluggish, it has provided some stabilization during the downturn, particularly as lags in labour market developments were in many cases aided by government support for employment and other government programs such as car-scrapping schemes. Low inflation also provided support to disposable income. However, the labour market has deteriorated significantly since the onset of the downturn and is expected to be slow in recovery, both in terms of employment and wage growth. In countries where consumption had been boosted by housing market bubbles, household balance sheets have deteriorated significantly and will take time to be repaired. Consumer confidence has improved, but remains below its long term average while household savings rates, which increased sharply during the crisis, have probably peaked.

Private investment, both for equipment and for construction was a key driver to the collapse in activity: fixed investment fell by 10.8 per cent in the euro area in 2009, and was pulled down by the collapse in domestic and external demand, as well as by the deterioration in external financing conditions. While investment is expected to gradually pick up over the forecast period, it will remain subdued. Meanwhile, capacity utilization has risen substantially from its record low in the third quarter of 2009, yet it too remains below its long term average. Overall, financing conditions continued to tighten at the beginning of 2010, albeit at a reduced pace, suggesting that a possible turning point is near. Indeed, new orders have picked up substantially, driven by strong foreign demand, however the record high-level of new-orders-to-inventory ratio implies that firms remain risk averse. Residential investment is likely to experience an even more protracted period of recovery as housing busts usually take a long time to heal and are subject to overshooting.

Private investment, both for equipment and for construction, was a key driver to the collapse in activity: fixed investment fell by 10.8 per cent in the euro area in 2009, pulled down by the collapse in domestic and external demand, as well as by the deterioration in external financing conditions. Investment is expected to gradually pick up over the forecast period, but remain subdued. Capacity utilization has risen substantially from its record low in the third quarter of 2009, but remains below its long term average. Financing conditions, while continuing to tighten at the beginning of 2010, did so at a reduced pace, suggesting that a possible turning point is near. New orders have picked up substantially, driven by strong foreign demand. However, the record high-level of new-orders-to-inventory ratio implies that firms remain risk averse. Residential investment is likely to experience an even more protracted period of recovery, as housing busts usually take a long time to heal and are subject to overshooting.

Headline inflation as measured by the Harmonized Index of Consumer Prices (HICP) fell dramatically during the global crisis, declining in the euro area from a high of 4 per cent in mid 2008 to a low of -0.7 per cent in July of 2009. It has since increased slowly, rising to around 1.4 per cent in March 2010. This pronounced pattern was mostly due to base effects emanating from the tremendous swings in oil and other commodity prices. The underlying negative price pressures from the growing economic slack can be seen more clearly in core inflation, which excludes energy, food, alcohol and tobacco, and which has slowly drifted down from 2 per cent in March 2008 to around 1 per cent in the first quarter of 2010. Going forward, price pressures are expected to remain muted. The output gap is historically large, and given the modest growth profile envisaged, it will close only slowly, while extremely weak labour markets and their lagging development mean that wages will be slow to pick up. Nevertheless, some upward pressure on prices will stem from the rise in oil and other commodity prices as well as from the depreciation of the euro and other regional currencies.

Labour market conditions deteriorated significantly over the course of the recession. In the euro area, the rate of unemployment reached 10 per cent in February 2010 for a total increase of 2.8 percentage points since its previous low in 2008. However, developments varied significantly across the region. In Ireland, unemployment reached 13.2 per cent and in Spain 19 per cent, increases of 9 and 11 percentage points respectively. In contrast, in Germany unemployment peaked at 7.6 per cent in August, an increase of only 0.5 percentage points. Some of this divergence is due to the more direct exposure of Ireland and Spain to the collapse of housing markets, whereas other countries were affected by the general collapse in demand, both domestic and external. In some countries labour hoarding, aided in part by government policy measures, dampened the increase in unemployment. In the outlook, the increase in unemployment is expected to peak in late 2010 averaging 10.2 per cent for the year as a whole, and given the weakness of growth and the usual lag between economic activity and labour markets, to remain at a similar level in 2011.

Fiscal positions moved sharply into deficit during the recession, due to the workings of automatic stabilizers, stimulus plans, higher than usual revenue elasticities, and in some cases, massive bail-outs of financial sectors. Overall, the euro area deficit rose from 2.0 per cent of GDP in 2008 to 6.3 per cent in 2009, while debt increased from 69.4 per cent of GDP in 2008 to 78.7 per cent in 2009 as policy focused on stimulating economic activity. At the country level, Greece, the UK, Ireland and Spain recorded double digit deficits, while Belgium, France, Italy and Portugal registered deficits in the range of 5 per cent to 9.5 per cent of GDP. Going forward, policy has been focusing on the timing of the shift to budget consolidation, in order to avoid derailing the recovery but has recently been overwhelmed by the shock waves emanating from the fiscal crisis that started in Greece (box 2).

Clearly the risks to the outlook are dominated by the fiscal crisis, with dangers of currency turmoil and renewed banking problems, which could lead to a double dip recession. More generally the meagre growth profile expected in the outlook means that many different types of shocks could be sufficient to derail the recovery. Other downside risks include: the hand-off from export plus government led growth to domestic demand requires labour markets to improve, but there is the risk that there could be very little employment creation during the recovery or that there could even be a round of labour shedding in future. Another labour market risk is that the short term unemployed could become stuck in long term unemployment, which is far harder to tackle and would also reduce the potential growth of the economy. On the upside, unemployment could turn around sooner - there are already some possible signs of stabilization in some countries - and external demand could be stronger, leading to a more rapid resumption of investment spending.

The new EU members

Emerging from the severe economic downturn triggered by the plummeting export demand and the serious distress of financial systems in 2009, the new EU member States stabilized somewhat in the last quarter of the year. For the year as whole, however, the decline in output was dramatic in most of these countries, with double-digit contractions in GDP being registered in the Baltic States. The economic indicators for the first months of 2010 suggest that the incipient recovery, which emerged in late 2009, has continued and that most of the region has bottomed out. Indeed, some of the countries registered noticeable rebounds in industrial production. However, these improvements were largely driven by net exports. In spite of the improved business sentiment in the first quarter of 2010, and despite greater levels of confidence in financial markets, continuing efforts by consumers to reduce their debt, ongoing fiscal consolidation by the Governments, reluctance of businesses to invest and banks to lend and rising unemployment will prevent private and public domestic spending from providing a well-needed boost to those economies in 2010.

The short-term prospects for the new EU members critically depend on the recovery of exports to the euro zone. While the region, with the exception of the Baltic States, is expected to return to growth in 2010, the recovery will be anaemic in many countries, with GDP expanding by less than 2 per cent. Only Poland, which was the sole country in the entire EU to escape recession in 2009, will achieve stronger growth. Thus, aggregate GDP of the region will grow by only 1.6 per cent in 2010, having contracted by 3.6 per cent in 2009. The risk of a double-dip recession, caused in part by a premature withdrawal of monetary stimulus or too zealous efforts of fiscal consolidation, cannot be discounted. Growth is expected to strengthen to 3.2 per cent in 2011, assuming that export demand will pick up and that lending to the real sector is restored.

In the first months of 2010 industrial production rebounded in individual export-oriented sectors of Central Europe and the Baltic States. However, these trends are unlikely to persist, especially given that the ‘cash for clunker’ type programs in the European Union have largely expired. Meanwhile, sectors that are oriented towards domestic demand, including construction and retail trade, remained depressed.

Nevertheless, the overall economic environment of the region has improved in several aspects: the capitalization of the financial sector has increased and various stress-tests confirm banks’ resilience to market risk. The conditions of external borrowing have become more favourable and IMF programs for Latvia, Hungary and Romania remain on track, while foreign banks operating in the region remain committed to their pledges made under the “Vienna Initiative”.[4] Moreover, the flow of funds from the European Union into the region will continue in 2010; these funds form an important component of the Governments’ recovery strategies. Meanwhile, adoption of the euro continues to remain an important macroeconomic policy anchor in the region, although for most countries its timing remains uncertain.

The unfolding fiscal crisis in Greece should not pose an imminent danger for the new EU members. However, it may impact the region through reduced FDI and remittance inflows.

Inflation in the new EU members remained low in late 2009 and early 2010, subsiding in those countries with flexible exchange rates. It entered negative territory in Bulgaria, Estonia and Latvia, where wages were cut to preserve competitiveness under the fixed currencies. The decline in consumer prices in Estonia and Latvia is likely to continue until the end of 2010, albeit at a slower rate due to base effects. Thus, even moderate increases in the cost of raw materials should not offset declining labour costs. Elsewhere, disinflation is expected to continue in 2010. Countries with flexible currencies still remain vulnerable to massive asset sell-offs, and possible currency depreciation may pass through into imported inflation. However, overall, inflation should stay within their 2-4 per cent target range.

In 2010, Governments of the new EU members will remain focused on restoring balance in public finances amid growing concerns about the sustainability of their public debt, which increased from 9 per cent of GDP in 2007 to 36 per cent of GDP in 2009 in Latvia, and exceeded 70 per cent of GDP in Hungary. The loss of tax and tariff revenues combined with countercyclical fiscal spending increased budget deficits in most countries in the region from below 3 per cent of GDP in 2008 to an average of 6.3 per cent of GDP in 2009. In line with their commitments to the Stability and Growth Pact of the European Union, and conditions of IMF programs for Hungary, Latvia and Romania, Governments intend to reduce their fiscal deficits by 1 to 2 percentage points in 2010, predominantly by trimming expenditures. Estonia is planning to adopt the euro in 2011 and is therefore obligated to maintain a budget deficit below 3 per cent of GDP.

In addition to reductions in public sector wages and bonuses, Governments in the region intend to introduce changes in the structure of public finances to put them on a more sustainable footing. This will restrict policy stimulus in 2010 to efforts to promote exports and FDI and to create a better investment climate. However, fiscal budgets of the new EU members may well come under pressure if Governments decide to further prioritize stimulus over fiscal consolidation. Indeed, some austerity measures could be reversed, as has already happened in the Czech Republic.

Monetary policies in the new EU countries remain accommodative. Policy rates in Slovakia and Slovenia, as members of the eurozone, are set by the ECB, Elsewhere, monetary loosening to support inter-bank lending and to revive credit flows, which

[4] The “Vienna Initiative” is an informal name for the European Bank Coordination Initiative, under which foreign banks operating in East European countries pledged to maintain their exposure to those economies.

started in the second half of 2009 when inflationary pressures abated and the currencies stabilized, has not been reversed yet. Indeed, Hungary and Romania have continued to reduce policy rates in 2010. Meanwhile, the strong deposit base in the region is accompanied by declining money market interest rates. It is however possible that in several countries (the Czech Republic is a case in point) the focus of monetary policy may shift to price stability.

Monetary authorities are also seeking to restart private lending and to encourage mortgages in domestic currency. However, although banks in many of the new EU countries remained profitable in 2009, they also remained cautious on extending new credit, particularly as the share of non-performing loans has been increasing. Thus, despite ample liquidity, lending to the non-banking sector remains depressed.

Notwithstanding the overall economic upturn, unemployment in the region continued to rise in the last quarter of 2009. This was especially the case for low skill-workers and for new entrants into labour market, despite active policies to support employment by offering tax breaks and other incentives. In the Baltic States unemployment rates have increased to about 15 per cent from as low as 4 per cent in 2008. In Latvia unemployment reached 19.7 per cent in the fourth quarter of 2009. Elsewhere, the unemployment rate increased by 2 to 3 percentage points to an average of 10 per cent in 2009. In parallel, many people moved from full-time to part-time jobs.

The rise in unemployment slowed however significantly in the first quarter of 2010. This suggests that the worst may be over, and that export-oriented companies are retaining workers. In April unemployment declined in Latvia – the first decline registered since the outbreak of the crisis. Nevertheless, a serious improvement in labour markets is not expected until 2011. Moreover, a longer duration of unemployment in the region may lead to a rise in structural unemployment.

Current account balances in the Baltic States moved from deficit to surplus in 2009. They continued to improve in 2010. The surplus in Latvia, which doubled in the first two months of the year due to increased exports, may exceed 10 per cent of GDP for the year as a whole. In contrast, current account deficits declined by about 2 percentage points of GDP in most of Central Europe in 2009, and may widen even further due to mild import growth and increasing profit repatriation. Higher energy prices may further increase pressure on current accounts.

Economies in transition

South-eastern Europe

The economies of South-eastern Europe stabilized at the beginning of 2010 after several quarters of contraction; the risks to their macroeconomic stability that surfaced in 2009 have diminished and the region is expected to return to growth in 2010, along with improving export prospects and increasing commodity prices, and some economies have already shown signs of a recovery and an increase in industrial production. Aggregate output of South-eastern Europe is expected to expand by 1.1 per cent in 2010, following a decline by 3.7 per cent in 2009. The recovery may accelerate in 2011 to 3 per cent, assuming favourable external conditions and a moderate recovery in domestic demand.

The impact of the global economic downturn on the South-east European countries in 2009 was more moderate than initially feared, in part due to the prompt delivery of assistance by the IMF to Bosnia and Herzegovina and Serbia, and to the policy stimulus in Albania and the FYR of Macedonia. The major banks in the region avoided collapses despite their high degree of financial leverage, formal or informal currency pegs were maintained, and the Governments did not resort to massive bailout or nationalization of enterprises. Foreign banks operating in South-eastern Europe maintained their exposure in accordance with the commitments undertaken under the "Vienna Initiative". Among the countries of the region only Croatia and Montenegro suffered serious output losses in 2009, registering a 5.8 and 4.5 per cent decline, respectively, in GDP, while Albania managed to achieve economic growth, in part explained by heavy public infrastructure spending in the first half of the year.

Nevertheless, exports of the region decreased by 25 to 30 per cent in volume terms and were also affected by lower commodity prices, in particular, for aluminium and steel. Credit growth abruptly slowed and the flow of remittances shrunk. In order to defend their currencies some countries, Serbia in particular, had to spend a noticeable share of their foreign exchange reserves against the backdrop of declining FDI and export revenues and a high cost of foreign borrowing. The sharp contraction in corporate investment spending adversely affected the region's long-term productive capacity.

In 2010 growth will be constrained by still moderate export performance, modest FDI, limited availability of credit and the worsening liquidity situation of companies caused by difficulties in collecting receivables and obtaining loans. Private consumption will be restrained by the rising unemployment, increased taxes and declining house values. Most of the economic expansion in 2010 is expected to be generated by net exports, as domestic demand remains is subdued and the sectors such as construction and retail are stagnating.

Fallout from the current fiscal crisis in Greece may affect Albania, the FYR Macedonia and Montenegro through lower remittances and weaker exports, as well as less favourable terms of borrowing in international capital markets. The subsidiaries of Greek banks in South-eastern Europe may potentially become another source of instability, although they are well capitalized and should not be affected by difficulties faced by their parent banks.

Combating recession will continue to be the policy focus of South-eastern Europe in 2010. However, the scope for direct public stimulus in 2010 is severely limited and the Governments' aim at improving the business environment and access of businesses to financing and seeking for strategic investors. In the FYR of Macedonia, the Government is planning to simplify business regulations, including those for obtaining construction permits, and increase access of companies to credit lines from the European Investment

Bank. In Serbia, the Government has stated its intention to provide state guarantees for public investment in road building and energy. In Croatia, the Government presented its Economic Recovery Programme in April, aiming to increase competitiveness and to boost exports. The programme includes privatization of state enterprises and tax breaks to companies.

In 2009 inflation in the region remained in low single digits and turned negative in Bosnia and Herzegovina and the FYR of Macedonia. The only country that experienced high inflation (above 10 per cent) was Serbia, where the currency sharply depreciated in the first half of the year.

The announced reductions or freezes in public sector wages, the low overall real wage growth and the weak retail trade turnover should prevent domestic demand from exerting inflationary pressure in 2010. The only inflationary risks may emerge from the possibility of uncontrolled depreciation or an increase in imported food and energy prices. In spite of some acceleration in inflation in early 2010, low inflation should continue through the year, with the exception of Serbia, but even there inflation is expected to fall to about 6 per cent by the end of 2010, in line with the central bank's inflation targeting framework.

In 2009, governments in the region attempted to react to the downturn by countercyclical policy measures, such as spending on infrastructure. In light of shrinking tax receipts, however, the governments had to seek external funding, yet only Croatia was able to borrow necessary resources in international capital markets. Therefore, the policy stimulus had to be limited to tax breaks for certain industrial sectors, provision of subsidized loans, etc., and the fiscal authorities had to cut public spending and introduce new taxes along with the increases in the VAT rate.

The budgets for 2010 do not incorporate large public stimulus measures. Bosnia and Herzegovina and Serbia have to adhere to the conditions of their IMF's Stand-by loans and implement cuts in public sector spending, including in wages and benefits. The Fund has reached an agreement with Serbia on a 4 per cent budget deficit in 2010, about half of which will be financed by issuing bonds, and further increases in taxes in order to meet this target cannot be ruled out.

Falling inflation rates and improved bank liquidity allowed for a significant monetary loosening in the region. In Serbia policy rates were cut by about 950 basis points from January 2009 to May 2010. Almost all central banks reduced mandatory reserve requirements in 2009. To retain confidence in the banking system, the Governments in the region introduced deposit insurance in 2009 and in the last quarter of the year the deposits base of the banks significantly improved.

The accommodative monetary polices should continue in 2010, along with the central banks' focus on currency pegs or inflation targets. Since the beginning of the year, mandatory reserve requirements were cut in Croatia and in Serbia in order to release funds for commercial lending. In Croatia, the Central Bank seeks to boost credit to the private sector, which was crowded out by the government borrowing in 2009, while in

Serbia the Central Bank, together with the Government, have prepared plans to channel about 1.3 billion euro to the business sector in the form of subsidised loans.

The region‘s labour markets deteriorated markedly in 2009 in a number of countries, especially in construction, manufacturing and retail trade sectors. The unemployment rate in Croatia has reached 15 per cent in 2009 and has increased further to 18.4 per cent in March 2010. In Serbia both formal and informal employment contracted over the course of 2009. In contrast, the labour markets improved in 2009 in the FYR of Macedonia and in Montenegro, with employment levels increasing and unemployment rates falling, and further improvement was registered in January 2010. However, this can be partially explained by shifting of labour from informal into formal sector of the economy and by including foreign workers in Montenegro into the official statistics.

The increase in the unemployment rate in the region slowed noticeably in the first months of 2010 as employers, facing better export prospects, decided to retain labour. In Serbia the employment level even increased slightly. However, a significant improvement in the region’s labour markets is unlikely in the near term.

In 2009, current account deficits in the region declined form their alarmingly high levels reflecting the improvement in merchandise trade balances. These trends are expected to stabilize in 2010. Although the deficits remain large, exceeding 9 per cent of GDP in Albania and the Former Yugoslav Republic of Macedonia and 13 per cent of GDP in Montenegro, all countries are expected to meet their external funding requirements.

Commonwealth of Independent States (CIS)

Growth performance of the CIS was dismal in 2009, highlighting the region’s vulnerability to external shocks and its reliance on external demand and external capital. With the global economy gradually recovering, and commodity prices, in particular for oils and metals, increasing significantly, the region is expected to grow by 4.2 per cent in 2010, compared to a 7 per cent contraction in 2009, which was the weakest growth performance of all regions in 2009. In 2011, growth is forecast to decline to 3.5 per cent.

Growth in 2010 will be restrained by low foreign direct investment, and, in low-income countries, low inflows of workers’ remittances. Moreover, the combination of ample idle capacity, tight external financing and weak external demand will result in a recovery that, to a large extent, is jobless. Consequently, domestic demand is weak as unemployment remains high and banks are hesitant to increase credit, despite continuing attempts of the authorities to boost liquidity and stimulate aggregate demand through accommodative monetary policy. Countries will benefit from anti-crisis measures, although these are being gradually withdrawn. Resource-rich countries are expected to benefit from higher oil prices, while the resource-poorer countries, such as Belarus, Armenia, Kyrgyzstan and Ukraine, will continue to draw upon resource from third-party, such as stand-by arrangements with the IMF and inflows from the European Union, which extended a €500 million loan to Ukraine in May 2010.

The global economic and financial crisis manifested itself in the CIS through significant capital outflows and large declines in export demand, which were coupled with a collapse in international prices of many commodities that are important in the region. These developments affected particularly the larger economies of the region, the Russian Federation, Ukraine and Kazakhstan. While GDP contracted by 7.9 per cent in the Russian Federation in 2009, with year-on-year contractions registered in all four quarters of 2009, it expanded by 2.9 per cent in the first quarter of 2010 on the back of higher oil prices and as companies engaged in restocking. In 2010 domestic demand will provide a further impetus to growth in 2010 as public wages and pensions increase and real wages reverse the downward trend of 2009. The recovery is expected to remain weak due to tight credit, increases in non-performing loans and modest employment growth. However, non-performing loans will stabilise and capital inflows are resuming, in some cases strongly. The economy is thus expected to grow by 4.3 per cent in 2010, benefiting also from low base effects.

A large swing in output growth is also expected in Ukraine. Following an astonishing contraction of 15 per cent in 2009, output expanded by 4.8 per cent in the first quarter of 2010, and growth is likely to reach 4.2 per cent in 2010. It is likely to exceed 5 per cent in 2011. Although some countries, such as Azerbaijan and Uzbekistan, which delivered solid growth performance of 9.3 per cent and 8.1 per cent in 2009 respectively, will continue to grow at rates above 7 per cent as higher fuel prices solidify, it is important to note that higher rates of growth in countries in the region in 2010 will to a large part be driven by base effects, reflecting low GDP in the first half of 2009.

The sharp declines in production that affected the region in 2009 led to significant increases in unemployment and short-term work and, in parts, declines in labour productivity. The gradual economic recovery in 2010 will entail only moderate employment growth as capacity utilization is low in many sectors, particularly in construction, which as been severely affected by the crisis. The unemployment rate increased marginally in Kazakhstan to 6.5 per cent at the beginning of 2010, having run at 6.3 per cent for the second half of 2009. In the Russian Federation it has been on an upward trend, reaching 8.6 per cent in February 2010, with marked regional disparities. The Government will continue in 2010 to respond to the weak labour market through regional programmes to create jobs and by extending assistance with job search, in an attempt to replicate the success of these programmes in 2009, which involved up to 2.8 million people in 2009 and contained further increases in unemployment. However, overall unemployment in the region is unlikely to decline significantly in the outlook period.

Weak domestic demand has reduced inflationary pressures, with average annual inflation declining to 11.6 per cent in 2009, compared to 15.4 per cent in 2008. Despite several significant currency depreciations, CPI rates were on a general downward trend, and reached record lows in several countries. In the Russian Federation annual inflation rates reached 6.5 per cent in March 2010. Although pressures will increase as economic activity picks up and as capital inflows accelerate, particularly to the resource rich members of the region, as this will intensify pressure on currencies to appreciate, such as is already the case in Kazakhstan and in other resource-rich countries, the Russian Federation in particular. Moreover, upward adjustments in utility prices will also lead to greater rates of inflation in net fuel importing countries; this is particularly the case for Ukraine and Belarus. However, weak consumer demand will have a dampening effect, such that region annual inflation will reach an estimated 8.3 per cent in 2010, before rising to 8.5 per cent in 2011.

Current accounts deteriorated in 2009 as global weakening of demand triggered significant declines in exports. However, declines were cushioned by a general strengthening of export earnings in the last quarter of 2009 as commodity prices improved and global demand strengthened. They were also softened by the contraction in domestic demand and the impact on imports of the depreciation of currencies in the region. The greatest impact on current accounts occurred in net oil exporters, where the significant decline in oil prices amply offset greater export volumes in, for instance, the Russian Federation. However, while the former still registered a current account surplus of 3.9 per cent of GDP in 2009, compared to 6.1 per cent in 2008, the current account balance turned negative in Kazakhstan. Meanwhile, lower import bills contributed to a narrowing of the current account deficit in some of the net fuel importers, such as Georgia and Moldova. In Ukraine, it narrowed by more than three quarters to 1.5 per cent of GDP. While countries in the region are expected to see an improvement in their current account balances in 2010 as export demand increases and domestic demand remains weak, increases in the price of gas imports from the Russian Federation will however restrain improvements in trade balances in Ukraine and in Belarus.

Countries of the CIS depend on external financing. This amplified their vulnerability to the economic downturn as large declines in FDI inflows were registered in 2009, in resource-rich countries, while workers' remittances, which represent a significant share of GDP in the Republic of Moldova, Tajikistan and Armenia, declined as labour markets in the Russian Federation and Kazakhstan deteriorated. Thus, in Tajikistan remittances fell by almost one third in 2009. In 2010, FDI is expected to continue on the upward trend that commenced in the second half of 2009. However, the weak outlook for growth in the Russia Federation and in Kazakhstan, which are important sources of capital for some of the smaller economies, will limit FDI outflows from these countries in the forecast period.

The primary focus of monetary authorities in 2010 will be to safeguard confidence in domestic financial markets and to revive the flow of credit. There was only limited success in achieving these goals in 2009. Thus, following the devaluation of a number of currencies in 2009 in response to substantial downward pressure on reserves that resulted from large capital outflows and concerns over loosing competitiveness, the authorities attempted to boost domestic demand and ease liquidity, primarily by easing reserve requirements and cutting interest rates. For instance, since the onset of the crisis, the refinancing rates has been cut by 1,300 basis to 2 per cent in Azerbaijan, while in the Russian Federation it was cut 12 times in as many months, reducing the refinancing rate by 475 basis points to 8.25 per cent in March 2010. However, credit has overall remained weak as banks deposited much of their accumulated excess liquidity with the central banks in response to the fragile state of the banking sector, which is characterised by a large increase in non-performing loans.

Bolstered by continuing low rates of inflation, monetary policy is expected to remain loose in 2010 to foster domestic demand, especially as the need to increase provisions against loan losses could further reduce the financial sectors' appetite for credit growth. However, strong capital inflows are also influencing the actions of monetary authorities; some tightening is taking place in the form of appreciating currencies.

Fiscal policy played an important part in stimulating the economies in 2009. Fiscal stimulus packages have been significant in some countries, particularly in net fuel exports that had accumulated large surpluses in the past. In Kazakhstan, for instance, the stimulus amounted up to 15 per cent of GDP. In contrast, the resource-poor economies, such as Armenia, Belarus, Kyrgyzstan, the Republic of Moldova, Tajikistan and Ukraine resorted to standby arrangements with the IMF providing resources to support their economies. Consequently, budget deficits widened across in 2009 as revenues were affected by lower economic activity and lower prices of natural resources and as expenditure, in particular social expenditure, increased. In the Russian Federation, the budget balance registered a deficit of 5.9 per cent, compared to a surplus of 4.1 per cent in 2008. The deficit is likely to reach 4 per cent in 2010. In Kazakhstan the budget deficit is likely to improve marginally to 3.1 per cent of GDP in 2010, compared to 3.2 per cent in 2009, while in authorities will try to decrease the budget deficit from 6.6 per cent of GDP in 2009 to 5 per cent in 2010.

While resource-rich countries were able to tap their reserves to finance fiscal deficits and increased expenditure, they remain vulnerable to the evolution of the price of oil. Thus, fiscal deficits will continue to characterise the Russian Federation unless oil reaches an average price of $100 per barrel in 2010. Indeed, authorities will also need to tap domestic and foreign markets as well as its Reserve Fund if prices fall back to $50. Meanwhile, Kazakhstan has limited the maximum amount that its national oil fund can be drawn upon in 2010

High rates of unemployment will continue to exert pressure on social expenditure in the region, as will public sector wage increases in, for instance, Belarus and Ukraine, and increases in pensions in the Russia Federation. Lower inflows of remittances will further contribute to the persistence of deficits in low-income members of the region, which will continue to need to draw upon budgetary support from the IMF.

The outlook for the region hinges to a large degree on the performance of the global economy, given the importance of external demand for the recovery and continued dependence on external finance. Domestic factors that could negatively affect the region include continued unemployment growth and political uncertainties in several countries. External factors include a premature withdrawal of macroeconomic stimulus measures in countries outside the region, which could cause lower export demand for the CIS, and a weakening oil price, which would result in a deteriorating external balance for fuel exporters. The rising food prices also pose a risk, particularly to the net fuel importing countries.

Developing countries

Africa

After growing 2.4 per cent in 2009, GDP growth in Africa is expected to increase to 4.7 per cent in 2010 and 5.3 in 2011. This is owing to the rebounds of exports and commodities prices, particularly for hydrocarbons and minerals, some fiscal and monetary stimuli, the continued rapid expansion of the telecommunication sector, as well as the ongoing revival of manufacturing and increased investments. While the intensity of this upward trend differs among countries, growth is forecast to remain below pre-crisis levels in many African countries. Growth will also remain insufficient to achieve meaningful improvements in social conditions unless there can be profound structural transformations leading to job creation.

At the subregional level, North Africa's growth is forecast to 4.6 per cent in 2010, driven by robust domestic demand and a revival in manufacturing. Southern Africa is forecasted to grow 3.8 per cent in 2010, as growth gathered momentum in South Africa's economy after accelerating sharply at the end of 2009. In 2010, the FIFA World Cup will revitalize tourism, offsetting the subdued household consumption expenditure, which is expected to strengthen only in 2011. The extracting industries will also benefit the subregion. In Central Africa, oil production is expected to decline further. However, higher oil prices will boost fiscal revenues, allowing governments to pursue expansionary fiscal policy and investments in public infrastructure, leading Central Africa's growth to 4.5 per cent in 2010. In West Africa, strong agricultural performances in its largest economies have cushioned the negative impacts of the crisis, which was in the end less severe than expected. Looking forward, services such as telecommunications and construction are expected to perform well, together with an expansion of gold mines in Ghana and hydrocarbons extraction in Côte d'Ivoire and Nigeria. Hence, growth in West Africa is expected to rise to 5.7 per cent in 2010. East Africa will register 5.5 per cent growth in 2010 and is again expected to record some of the African top-performers, underpinned by the high growth rates in construction and telecommunication sectors. In addition, better agricultural output and a revival of tourism are expected. However, the instability in some countries, together with long-standing constraints, such as poor energy and transport infrastructure, will remain the major obstacles to faster economic development.

Average inflation in Africa is projected to decline further in 2010, due to further easing of global food prices, gradual tightening of monetary policy, and limited exchange rates depreciation. Aggregate inflation is forecasted to fall from 8.1 per cent in 2009 to 7.0 per cent in 2010 and 6.2 per cent in 2011. However, inflationary pressures can be expected in oil-importing countries. At the same time, in countries such as Angola, the Republic of Congo and Gabon, demand-pull inflationary pressures will lead to strong increases in prices for non-traded goods, fuelling inflation in, while continued currency depreciation or the growing monetization of fiscal deficits will sustain the actual high inflation rates in Eritrea, Guinea and Mauritania.

The recovery in employment is expected to lag, particularly in countries like South Africa where private domestic demand remains subdued. Nevertheless, recent quarterly data point towards a slight increase of employment during the fourth quarter of 2009, such as in Mauritius and South Africa. In general, current levels of unemployment and precarious employment remain, however, high. Moreover, it is likely that higher growth rates in the outlook period will not translate into significant job creation as reflected by the jobless growth that the continent experienced before the economic crisis. Among countries for which recent data are available, Algeria and Morocco stand out by registering a mild decline of unemployment in 2009 compared to 2008.

Several central banks, including those in Ghana, Kenya, Rwanda and South Africa, cut further key policy interest rates, during the first quarter of 2010, to strengthen the ongoing recovery. In the outlook period, no further significant cuts are expected. In Nigeria, financial sector reform, particularly the tightening of banking supervision, continues after the stock market bubble burst in 2008.

African exports are still largely dominated by hydrocarbons and minerals, which represented approximately 78 per cent of the total value of aggregate exports in goods in 2008. Due to higher commodities prices, the aggregate trade account balance will switch back to surplus in 2010 and 2011. In many middle income oil-importing African economies, the global recovery is also expected to reinvigorate exports. However, in these economies overall imports costs are expected to more than offset exports earnings, leading to a widening of trade deficits.

Net bilateral official development assistance (ODA) to Africa was $28 billion in 2009, according to the OECD, representing an increase of 3 per cent in real terms over 2008. Of this, $25 billion went to sub-Saharan Africa, an increase of about 5 per cent over 2008. Though there has been an increase in ODA to Africa, the continent is likely to receive only about $11 billion of the $25 billion increase envisaged at Gleneagles, due mainly to some European donors who give large shares of their ODA to Africa not meeting their ambitious targets. Altogether, it is estimated that 47 of 53 African countries will register a current account deficit in 2010. Carry trade inflows to economies such as Egypt and South Africa have caused their currency to appreciate steadily vis-à-vis the United States dollar over the last months. This trend is expected to continue owing to a favourable perception of emerging-market risks. The CFA franc will remain pegged to the euro during the forecast period and will therefore fluctuate against the United States dollar in line with the exchange rate between the United States dollar and the euro.

Finally, structural downside risks are related to Africa’s dependence on exports of primary commodities and weather conditions, together with an unexpected worsening in political and security situations, particularly in countries holding elections in 2010, might dampen growth prospects.

East Asia

After experiencing a severe downturn in late 2008 and early 2009, East Asia's economies have rebounded strongly over the past year. The outlook for 2010 and 2011 is favourable as industrial production and exports continue to expand while improved labour market conditions will support household demand. Led by strong growth in China, regional GDP is expected to increase by 7.3 per cent in 2010, up from 4.7 per cent in 2009. In 2011, growth is forecast to slow to 6.9 per cent owing to a baseline effect and the adverse growth impact associated with a gradual withdrawal of monetary and fiscal stimulus measures.

The region's recovery is not only faster than anticipated but also remarkably broad-based and well balanced. In most countries the strong rebound in exports since the second quarter of 2009 has been accompanied by a gradual recovery of business investment. At the same time, household demand continued to expand, while public expenditures on both investment and consumption rose significantly. Growth disparities within the region will narrow markedly in 2010. Some of the region's worst-performing economies in 2009, such as Malaysia and Singapore, are likely to be among the fastest growing ones in 2010 due to their high share of manufacturing exports in GDP. Countries that were resilient to the crisis owing to healthy domestic demand, for instance Indonesia and Viet Nam, will continue to perform strongly. As in previous years, China will be the region's fastest-growing economy in 2010, providing stimulus for the rest of East Asia as well as for countries outside the region, especially commodity-exporters. However, China's growth is expected to decelerate in the second half of 2010 as tighter monetary conditions are likely to lead to slower credit expansion and investment spending. Full-year GDP growth in China is estimated at 9.2 per cent in 2010 and 8.8 per cent in 2011.

Labour markets in East Asia continued to recover in early 2010, and in some countries unemployment rates are now close to – or even below - pre-crisis levels. These countries include China and Indonesia, two of the most resilient economies during the current crisis, as well as Singapore, which has experienced a particularly strong recovery since mid-2009. Across the region improvements in the labour market situation have resulted from two factors: the strong rebound of economic activity with all GDP components contributing to growth; and the introduction of a variety of direct and indirect government measures to support and generate employment. Such measures include tax reductions, easier access to credit (especially for small and medium sized enterprises), direct wage subsidies (most notable is Singapore's job credit scheme) and higher infrastructure spending. However, employment was mainly generated in the service sector, while job creation in the manufacturing sector has so far been sluggish despite the rebound in production. Employment creation has been slow in Hong Kong Special Administrative Region of China and in Taiwan Province of China, where current unemployment rates continue to be well above pre-crisis levels. In the outlook period, most economies are likely to see further moderate improvements in labour market conditions, with gradually increasing employment in manufacturing and higher wages.

Consumer price inflation in East Asia has started to pick up since mid-2009 as the region's economies rebounded and the international prices of oil and other commodities moved up. However, in most countries inflationary pressures have so far been moderate – the major exception being Viet Nam - and are likely to remain so throughout 2010 and 2011. Average inflation in the region is expected to rise from a decade low of 0.6 per cent in 2009 to 3.0 per cent in 2010 and 2011. In general, the costs of transportation, clothing and food have increased more sharply than those of other goods and services. Inflation is mitigated by several factors, including subdued labour-cost pressures, continuing – though shrinking – output gaps and low import-price inflation, partly as a result of appreciating currencies. During the first quarter of 2010, the currencies of most East Asian countries appreciated significantly versus the dollar and especially the euro. The Malaysian Ringgit and the Korean Won gained about 8 per cent against the dollar and about 14 per cent against the euro between December 2009 and April 2010. Overall, inflation expectations across the region remain well contained and within central banks' target. However, stronger-than-expected wage growth, if labour markets tighten, or a significant rise in commodity prices may fuel inflation, triggering more rapid policy adjustments than currently anticipated.

Monetary conditions across East Asia remain accommodative even though several central banks started to tighten policy in the first quarter of 2010 following faster-than-expected recovery from the crisis. With the exception of Malaysia and Viet Nam, monetary authorities have so far refrained from increasing their main policy rates. Against the backdrop of subdued inflationary pressures and continuing risks in the global economy, central banks indicated that they would continue to support domestic growth, while gradually removing the extraordinary measures taken in response to the financial crisis. The Central Bank of Taiwan Province of China, for example, has adjusted its quantitative easing policy and aims at bringing down the level of liquidity in financial markets. In China, the Government and the Central Bank have started to implement a variety of measures to rein in credit growth and cool down the domestic property market. These measures include for instance an increase in the commercial lenders' reserve requirement ratio and higher mortgage and down-payment ratios for second homes. With these moves, China's authorities responded to increased concerns of a housing market bubble, after urban property prices rose at a record pace of 11.7 per cent year-on-year in March 2010, up from 9.5 per cent in January. In the course of 2010, the Central Bank of China is expected to further tighten monetary policy by increasing policy rates and by applying other measures, probably including a slight appreciation of the yuan against the dollar. Other economies in the region are likely to follow a similar path, including a gradual hiking of interest rates during the outlook period.

The large-scale fiscal stimulus packages implemented by Governments in East Asia played a key role in the region's rapid recovery. Along with the easing of monetary policies, the fiscal stimulus measures supported domestic demand, thus mitigating the adverse impact of the trade collapse. However, the extraordinary expansion in Government expenditures, combined with lower fiscal revenues, also increased budget deficits. In most East Asian economies, deficits have nonetheless remained at moderate levels. China's central government deficit, for example, is estimated at only 2.9 per cent in 2009 – up from 0.4 per cent in 2008 – despite stimulus measures worth 500 billion yuan (about $73 billion) mainly used for infrastructure projects. The size of the stimulus is expected to increase further in 2010, reaching about 570 billion Yuan (about $83 billion). Meanwhile, the Chinese Government has expressed its intention to modify the development strategy by focusing more on improving standards of living instead of economic growth and by gradually rebalancing the country's macroeconomic structure. Other East Asian Governments will start withdrawing the fiscal stimulus measures in the course of 2010. The Malaysian Government was among the first in the region to announce spending cuts for this year after the budget deficit widened to 7 per cent in 2009. Overall, budget deficits as a share of GDP are expected to narrow in 2010 as economic growth accelerates and some Governments reduce expenditures. However, tax revenues relative to GDP will remain below pre-crisis levels in many countries, including the Philippines and the Republic of Korea, as a result of tax cuts implemented in 2009.

External trade of East Asia continued to rebound over the past two quarters as the global and regional environment became more favourable. The trade sectors benefited from several factors: the restocking of inventories - particularly for "postponable goods" such as electronic and machinery products -; a gradual recovery of final demand in developed economies; and increased intra-regional demand, which was boosted by China's fiscal stimulus package. These positive trends are expected to continue throughout 2010 and most economies are likely to see external trade surpass pre-crisis levels before the end of the year. However, the regional composition of trade in East Asia will have changed: the share of intra-regional trade, and especially trade with China, is increasing considerably at the expense of trade with the United States and European countries.

In most countries import bills are expected to grow more rapidly in 2010 than export earnings owing to higher global commodity prices, the recovery in demand across the region and – in some cases – an appreciation of the domestic currencies. Trade balances and current account surpluses are therefore expected to be lower than in 2009 when merchandise imports contracted more sharply than exports. China is forecast to experience a particularly strong decline in its trade balance surplus. In the first quarter of 2010, the trade surplus was 76.7 per cent lower than a year earlier. Unlike most East Asian economies, China recorded declining trade balance and current account surpluses in 2009, with the latter falling by 35 per cent. A gradual – though slow - appreciation of the yuan against the dollar is likely to further shift demand towards domestic consumers, thus helping to rebalance the Chinese and the global economy.

The economic prospects for East Asia have improved considerably over the past six months. However, significant downside risks to the outlook remain. On the one hand, buoyant domestic conditions, coupled with massive capital inflows, may drive inflation above the target ranges of monetary authorities, while also increasing the risks of property market bubbles, especially in China. Central banks may respond to such a scenario by tightening monetary policy more aggressively than currently anticipated, thereby curtailing growth but also increasing the interest rate differential with developed economies, which could result in even higher capital inflows. On the other hand, if the sovereign debt crisis in Europe further deteriorates, there may be a renewed increase in global risk aversion and additional pressures on the financial sector to deleverage. This may hinder the ability of the corporate sector in East Asia to refinance itself.

South Asia

After slowing markedly in 2008 and early 2009, economic activity in South Asia has gained strength since mid-2009, driven by fiscal stimulus measures and a gradual recovery in private sector demand. For the region as a whole, GDP grew by 5.2 per cent in 2009, down from 6.2 per cent in 2008. Growth is forecast to accelerate to 6.5 per cent in 2010 and 6.9 per cent in 2011.

Overall, South Asia proved more resilient to the global crisis than other developing regions. This reflects a lower degree of integration with international financial markets, less dependence on manufacturing exports and robust domestic demand, which was supported by countercyclical monetary and fiscal policies and by continuing strong inflows of workers' remittances (particularly in Bangladesh, Nepal and Sri Lanka). Economic conditions have, however, remained relatively weak in the Islamic Republic of Iran - despite the recent increase in oil prices - and in Pakistan, where the Government is implementing a structural adjustment program under the supervision of the IMF. In the outlook period, growth is expected to continue gaining momentum as the global economy gradually recovers and domestic demand strengthens further. The region's recovery is led by India, where growth accelerated to 7.0 per cent in the second half of 2009. The stronger-than-expected upturn was underpinned by a rapid expansion of manufacturing output and robust growth of the service sector. This helped to compensate for weak agricultural output following a poor 2009 monsoon season. The short-term outlook for India's economy is favourable; a recovery of exports, in combination with a further strengthening of private domestic consumption and investment, is forecast to lift growth to 7.9 per cent in 2010 and 8.1 per cent in 2011. Stronger exports will also support the recovery in Sri Lanka, which is expected to benefit from a "peace dividend" – following the end of the 26-year long civil war – in the form of higher investment, agricultural production and tourism earnings.

Labour market conditions across South Asia deteriorated moderately in 2009 as most economies weathered the global recession better than expected. Regional unemployment is estimated to have increased from 4.8 per cent in 2008 to 5.1 per cent in 2009. Labour market surveys in India and Sri Lanka point to positive employment effects in the second half of 2009. In Sri Lanka, the official unemployment rate declined from 6.2 per cent in the second quarter to 5.9 per cent in the third, about half a percentage point above the pre-crisis level. India's latest survey on the effect of the economic slowdown shows that employment expanded in the third and fourth quarter of 2009 - most notably in export industries - thus reversing the negative trend of previous quarters. Moreover, the National Rural Employment Guarantee Programme (NREGP), by which the Government grants adults living in rural areas at least 100 days of wage employment per year, helped to mitigate the effect of slowing domestic growth. However, official unemployment figures do not capture the full magnitude of the challenges the region is facing as the labour markets are characterized by large informal sectors, high rates of underemployment and heavy dependence on agriculture. According to ILO estimates, the proportion of workers in vulnerable employment increased in 2009 to 77.4 per cent, after declining steadily between 2004 and 2008.

In contrast to other developing regions, South Asia continues to face considerable inflationary pressures, most notably in food products and utilities. The average rate of consumer price inflation in the region declined only moderately from 12.6 per cent in 2008 to 11.5 per cent in 2009, with all economies except Bangladesh and Sri Lanka recording double-digit inflation. In 2010, average inflation is estimated to reach 11.6 per cent before declining to 9.3 per cent in 2011 as a result of slower price increases of food and fuel products and weaker credit expansion. Several factors could push inflation higher, including a significant rise in the oil price, weak agricultural output and a massive reduction of subsidies for food products and utilities. In India, consumer price inflation accelerated further in 2009, reaching a decade-high of 10.8 per cent as a poor monsoon, rising international commodity prices and robust domestic demand exerted upward pressure on prices. Rapidly rising prices of manufactured goods pushed year-on-year inflation above 15 per cent during the first quarter of 2010, but the rate of price increases is expected to slow gradually as the Reserve Bank of India tightens monetary policy and as the impact of the poor 2009 monsoon on food prices dies down.

In most South Asian countries monetary conditions have remained accommodative as central banks strike a balance between ensuring financial stability, controlling inflation and supporting the economic recovery. Monetary authorities in Bangladesh, Pakistan and Sri Lanka maintained their respective policy stances in the first quarter of 2010 after easing monetary policy in the course of 2009. In India, the Reserve Bank of India has already shifted its focus from supporting the recovery process to containing inflationary pressures, which have intensified considerably since mid-2009. With the economic recovery consolidating, India’s monetary authorities increased the cash reserve ratio for banks in January 2010, before raising the main policy rates (the repo rate and the reverse repo rate) in March and April. These moves are expected to mark the beginning of an extended cycle of monetary tightening. In Sri Lanka, the Central Bank lowered interest rates five times in 2009, but commercial bank lending rates did not decline significantly and credit to the private sector remained weak. As the recovery gains further momentum, the Central Bank may start to tighten monetary policy in the third quarter of 2010. In Pakistan, by contrast, economic conditions remain very fragile and monetary policy may be further loosened if inflationary pressures continue to ease.

Most Governments in South Asia face the challenge of continuing to support the economic recovery, while simultaneously taking steps to reduce the large fiscal deficits. In response to the global economic downturn and weakening domestic conditions, Bangladesh, India and Sri Lanka implemented countercyclical fiscal measures that included support for the sectors most severely affected by the crisis (especially export-oriented industries), additional spending on infrastructure and social programs and – in the case of India – tax cuts. In Pakistan, the Government reduced total expenditures, by, for example, cutting fuel subsidies and starting to downsize the public sector development program (including spending on health and education). However, higher expenditures on military operations and on public order and safety strained the budget. At the same time, fiscal revenue growth across the region slowed markedly or turned negative in 2009 as tax receipts fell on the back of weaker domestic economic and a collapse in external trade. This further heightened the need to improve tax administration and collection, both of which are notoriously weak in South Asia. In India and Sri Lanka, the budget deficits increased substantially in 2009, reaching about 7.5 per cent and 10.2 per cent of GDP, respectively. In Pakistan, the budget deficit of about 5.2 per cent of GDP was higher than initially projected by the Government and the IMF. Looking ahead, budget deficits are expected to shrink in most countries in 2010 and 2011, owing to the combination of expenditure cuts, such as reduced fuel and fertilizer subsidies, and higher revenues, associated with a pick-up in trade and growth as well as new or higher taxes.

After declining sharply in 2009, trade has started to recover in most South Asian countries, especially in India, the Islamic Republic of Iran and Sri Lanka. For the region as a whole, export and import values are expected to increase by about 15 per cent in dollar terms in 2010, following declines of about 20 per cent in 2009. Import spending in 2009 fell more sharply than export revenues, primarily as a result of lower energy prices, in all countries except the Islamic Republic of Iran. As a result, trade balances improved. Pakistan and Sri Lanka experienced particularly large declines in import spending, with the structural adjustment programs compressing domestic demand. Remarkably, Bangladesh's export earnings fell only by 2 per cent from their record level of 2008 as the garment sector remained resilient during the first half of 2009. The combination of improved trade balances and continuing strong growth in remittance inflows generally led to improved current account balances. India's current account deficit halved in 2009, but was still bigger than in 2005-07. In 2010 and 2011, current account balances are expected to deteriorate everywhere, except in the Islamic Republic of Iran. With domestic demand recovering, import spending is likely to grow faster than export earnings. In addition, growth in remittance inflows is forecast to slow markedly in 2010.

Downside risks to the region's economic outlook are related to the region's large fiscal deficits, the dependence on weather conditions and to security problems, most notably in Pakistan. Moreover, if inflationary pressures exceed current expectations, domestic authorities will see a need to tighten monetary – and perhaps fiscal – policy more rapidly than currently expected, which would weaken domestic demand and slow growth.

Western Asia

Following a contraction in regional growth in 2009 by 1.0 per cent, West Asia is forecast to see a recovery to growth of 4.2 per cent in 2010 and continued solid growth of 4.0 per cent in 2011.

Economic growth in the oil-exporters continues to benefit from oil prices in the range between $70 and $86 per barrel. These will back expansionary fiscal policies, which in turn will also support private consumption. In Saudi Arabia, for example, after a higher than expected overall growth rate of 0.2 per cent in 2009, government spending in 2010 will increase by 4.1 per cent, helping to lift private consumption growth above 3.0 per cent and underpinning GDP growth of 3.4 per cent. This is in line with the previous forecast. In 2011, oil exporters are likely to see a further moderate acceleration in growth on the back of sustained oil prices. Even in this generally more robust economic environment, the positive outlier remains Qatar, where the start-up of new production facilities for liquefied natural gas (LNG) will boost economic growth in 2010 and in 2011.

In the non-oil exporters, which in part experienced severe trade shocks in 2009, improved global economic conditions continue to drive a recovery in economic activity. In Turkey, for example, the growth forecast for 2010 has been revised upwards from 2.2 per cent to 3.5 per cent following a contraction of 4.7 per cent in 2009 due to a significant collapse in trade at the height of the crisis. Besides base effects, the economy will also benefit from lower interest rates and improved credit conditions as well as continued fiscal impulses. Against this background, both private consumption and gross fixed investment will swing from a contraction in 2009 to solid positive growth in 2010. Similarly, growth in Lebanon is likely to surpass the previous forecast, reaching 5.5 per cent in 2010 on the back of continued strength in the tourism sector and sustained investment inflows in light of the upswing in regional economic growth. In Israel, private consumption and government spending helped the economy expand by 0.7 per cent in 2009. In light of the continued improvement in trade and investment, the growth forecast for 2010 has been revised upwards from 2.0 per cent to 2.9 per cent. In 2011, the non-oil exporters will see further increases in their growth rates due to a continued recovery in external demand, although the dampening effect of fiscal constraints on domestic demand will become an increasingly relevant offsetting factor in this respect.

The effect of the economic crisis on employment remains a major policy challenge in the region. In a number of countries, especially in the oil-exporters, this is closely tied to the need for a continued focus on diversifying economic activity and promoting a stronger role of the private sector in the economy. At the same time, however, there are also signs of stabilization in labour markets. In Turkey, for example, the unemployment rate is expected to recede by one percentage point in 2010 to 13.1 per cent and stagnate around this level in 2011. In Israel the unemployment rate is forecast to remain unchanged at around 7.5 per cent in 2010, with a decrease toward 7.0 per cent expected in 2011 on the back of a continued strengthening of the economy.

The region will experience stable inflation in 2010 with a small reduction forecast for 2011. However, forecasts of inflation trends show some variation across individual countries. Numerous economies, such as Turkey, Jordan, Lebanon and Syria, are expected to see higher inflation rates in 2010 due to base effects, stronger overall demand and higher commodity prices, with the weakening of these effects and, in part, tighter monetary policy causing some moderation in inflation rates in 2011. By contrast, Saudi Arabia will see inflation rates decrease from 5.1 per cent in 2009 to around 4.0 per cent both in 2010 and 2011. However, subsidies distort this picture and upside risks remain, for example in the form of higher import prices due to a weaker dollar-pegged currency. Qatar experienced deflation in 2009, especially due to weakness in the real estate market in the form of lower rents. In 2010, the economy is forecast to return to positive price growth, not least because of a recovering property market propelled by immigration, with an accelerated increase in prices of around 4.0 per cent forecast for 2011. Somewhat ahead of the curve, Israel experienced inflation rates above policy-makers' target band in 2009, prompting a tightening in monetary policy. In light of this, inflation is expected to fall back into the target range in 2010 and 2011, albeit with a risk to the upside stemming from stronger than expected growth.

In the area of monetary policy, those countries with dollar pegs will largely follow the expected trajectory of higher interest rates of the United States Federal Reserve. However, the effects of higher oil prices may induce policy makers in some countries with a dollar peg, such as Saudi Arabia, to tighten policy earlier and in a more decisive way. In the other economies of the region monetary policy will largely remain on hold in the second half of the year, setting the stage for a subsequent shift to a tightening bias. This applies, for example, to Turkey, with additional upside risks for the policy interest rate emanating from possible currency weakness, for example in the case of a contagion effect from sovereign debt crises, and higher commodity prices. Israel already saw a tightening in monetary policy, but policy makers will hold off with any further interest rate increases in the second half of the year in light of stabilizing inflation rates. Monetary policy in Israel is also trying to deal with an appreciation of the shekel and the effects of this on the export sector. This has led to repeated currency market interventions by the central bank and provides a further motive for policy makers to hold back with any further interest rate hikes.

Fiscal balances will generally improve in the oil-exporting countries in 2010. Kuwait, Oman and Qatar were the only countries that registered budget surpluses in 2009 and are expected to see a further increase in their fiscal balances this year due to the sustained level of oil prices. For the same reason, Saudi Arabia and the United Arab Emirates will experience a swing from budget deficits in 2009 to relatively modest budget surpluses of slightly less than 2.0 per cent of GDP in 2010. This more positive fiscal picture will also persist in 2011, although budget surpluses are expected to come under some renewed pressure in the absence of more fundamental public sector reforms and changes to current subsidy systems.

The majority of non-oil exporters will remain under relatively greater fiscal pressure from weaker tax revenues and higher spending on social welfare and investment. Accordingly, virtually all of these economies will register budget deficits in 2010 and in 2011. However, the improvement in overall economic activity and the emerging effect on tax revenues and public expenditure will help keep budget deficits at current levels or, as in the case of Israel, even lead to a noticeable reduction in the budget deficit. A particular risk remains in the effect of any rise in interest rates. In Lebanon, for example, with a forecast budget deficit of more than 9.0 per cent both in 2010 and 2011, about one third of total expenditure if on interest payments; a significant increase in interest rates could lead to a more unstable fiscal situation.

Higher oil prices underpin the trade performance of the oil exporters in the region. Saudi Arabia will see a marked increase in its trade balance surplus in 2010. This will lead to an increase in the overall current-account balance to 10.0 per cent of GDP in 2010, almost twice the level of 2009. This trend will be even more pronounced in Qatar where new production capacities for liquid natural gas and crude oil will almost double exports in 2010. Consequently, the current account surplus will increase from 1.0 per cent of GDP in 2009 to almost 20.0 per cent in 2010. In 2011, external accounts of the oil exporters will show lower growth rates in light of the assumption of only moderately higher oil prices.

In the non-oil exporters, recovering exports due to the improved international economic environment are outpaced by even faster import growth in a number of countries. This will worsen trade balances. In Turkey, this will drive an increase in the current-account deficit in 2010 and in 2011. In the case of Jordan, a rising trade deficit combined with a higher surplus on the services balance will produce a net decrease in the current-account deficit in 2010 and 2011.

The outlook is subject to a number of risks. While the fiscal problems encountered by Greece pose the risk of some contagion effect on, for instance, Turkey, the likelihood of such a scenario remains small. One reason is the support of the European Union to Greece. Moreover, other emerging and developing markets have the benefit of greater flexibility in their exchange rate and monetary policy. The broader political and security situation poses a further risk. Countries like Lebanon remain especially vulnerable in this respect due to a lack of diversification in economic activity and a high dependence on the service sector, which includes in particular tourism. Moreover, the region's economic forecast remains subject to developments in the oil market, as more pronounced and sustained swings in the oil price would have a significant impact on the economic situation across the region.

Latin America and the Caribbean

After contracting by 2.1 per cent in 2009, *Latin America and the Caribbean* is expected to grow 4.0 per cent in 2010 and 3.9 per cent in 2011. The general trend is better than previously expected on the back of higher commodity prices, but the economic recovery will vary significantly across countries.

In South America, several economies experienced a mild recession in 2009 and rebounded strongly in the last quarter, benefiting from higher commodity prices and China's sustained economic growth. In Argentina, for instance, GDP grew by 0.9 per cent in 2009, faster than in all other big economies in the region. In 2010, the subregion is expected to grow 4.5 per cent. The Brazilian economy is expected to post a GDP growth of 5.8 per cent in 2010, on the back of a robust domestic demand, while Chile and Peru will experience a fast recovery of GDP in 2010; their growth will reach 4.5 and 5.5 per cent respectively and will be underpinned by stronger mining exports. In contrast, the recovery is expected to be lagging in Venezuela (Bolivarian Republic of) due to energy constraints and sluggish domestic demand. The recent surge in oil prices will however boost fiscal revenues and government spending, which will be the main driving factors of economic growth.

In Mexico, Central America and the Caribbean, economic activity is expected to recover moderately from low levels, driven by moderate economic growth in the United States. High unemployment rates in the United States and weak demand for imports will affect manufactured exports from Mexico and Central America and tourism inflows to the Caribbean. In addition, remittances will remain subdued, while a majority of governments in the subregion will face fiscal constraints for additional stimuli. Having contracted by 6.5 per cent in 2009, the Mexican economy is expected to grow by 3.5 per cent in 2010; pre-crisis economic levels will not be restored before end of 2011. In the Caribbean, economic activity is expected to remain weak despite positive GDP growth for the region as a whole in 2009, which was in part due to strong growth in the Dominican Republic.

Inflation decreased significantly in 2009 and is expected to stay low in 2010 before increasing in 2011. A major risk to price stability is however external inflation, in particular for energy importers from Central America and the Caribbean. This effect can be offset where national currencies appreciate, such as the Costa Rican colón and several South American currencies. Venezuela (Bolivarian Republic of) is also expected to face a spike in the inflation rate, in part due to a recent devaluation of the Venezuelan Bolivar.

A main challenge in 2010 will be to improve the gloomy situation in labour markets. Unemployment rates increased in a large number of countries in 2009. They are still high, despite strong rebounds in economic growth in the last quarter of 2009. At the regional level, unemployment increased to 8.3 per cent in 2009, up from 7.4 per cent in 2008. Brazil is one of the few exceptions where the unemployment rate in late 2009 was below pre-crisis levels. In addition, the sluggish labour markets in developed economies affect negatively the prospects for remittances to Latin America and the Caribbean. Thus, private income is expected to decrease, reversing the declining poverty trends that were observed during 2002-08.

In commodity exporting countries progressive monetary tightening may start in the second half of the year. In specific cases, such as Brazil, a fast recovery of domestic demand may lead to overheating of the economy; thus, its Central Bank already increased interest rates in the second quarter of 2010. In countries that are more dependent on the United States economy, monetary tightening is expected to be more gradual by the end of the forecast period, as the recovery will be slower.

In general, fiscal expansionary policies introduced during the economic crisis helped in mitigating the depth and length of the recession, albeit in varying degrees according to countries' fiscal space. Fiscal stimuli packages are in general projected to be maintained until end of 2010, however fiscal deficits increased markedly in 2009 and consolidation will be a main concern in a great number of countries, particularly in Central America and the Caribbean. In these countries the economic recovery is however expected to be slower and hence fiscal stimuli should ideally be extended, rather than be reversed before the recovery has gained traction. In contrast, government revenues have been increasing in commodity exporting countries since early 2010, thus providing more fiscal space for additional stimuli should private demand not recover as fast as expected. In these countries sequencing of the stimuli withdrawal will be the main concern facing fiscal policy.

In 2009, in great number of countries current-account deficits decreased (or in fact posted positive results), as lower imports offset the contraction in exports. This was however not the case for oil exporters, such as the Bolivarian Republic of Venezuela and Ecuador, where current account deteriorated markedly due to a sharp drop in oil prices.

In early 2010, export earnings increased rapidly in several countries in the region as commodity prices rebounded in the wake of the global economic recovery. This could improve the regional trade balance and current accounts. However, imports are also expected to increase as economic prospects improve. In energy importing countries higher trade deficits are expected in 2010, particularly in Caribbean and Central American countries which will continue to suffer from relatively weak manufactured exports and low tourism revenues as economic conditions remain weak in developed countries.

Capital inflows to the region are expected to increase as prospects for economic growth and commodity prices improve. A main recipient of these inflows will be Brazil, where international reserves reached $240 billion in February 2010, an all-time high, reflecting in part the dynamic foreign investment in Brazil. However, remittance flows to the region have decreased substantially and are expected to recover only moderately as unemployment rates remain high in the United States and Spain. Mexico suffered the highest decrease in remittances in 2009, which were 15 per cent less than in 2008. Many small open economies, which are more vulnerable to external shocks, will need to finance their current account deficits with loans from multilateral organizations.

Overall, a relapse in the global economy, which could dampen commodity prices, poses the main risk for South American countries. In Central America and the Caribbean uncertainty regarding the ability of governments in maintaining fiscal stimuli throughout 2010 remains strong. A premature withdrawal would dampen growth significantly as the recovery is still fragile in many countries in the region.

Annex tables

Table A.1
World and regions: rates of growth of real GDP, 2004-2011
(Annual percentage change[a])

	2004	2005	2006	2007	2008	2009[b]	2010[c]	2011[c]
World	4.1	3.5	4.0	3.9	1.8	-2.0	3.0	3.2
Developed economies	3.0	2.5	2.8	2.6	0.4	-3.4	1.9	2.1
North America	3.5	3.1	2.7	2.2	0.4	-2.4	2.9	2.6
Asia and Oceania	2.8	2.2	2.1	2.7	-0.7	-4.2	1.6	1.5
Europe	2.6	2.0	3.2	2.9	0.8	-4.1	-1.0	1.8
European Union	2.5	2.0	3.2	2.9	0.8	-4.2	1.0	1.8
EU-15	2.4	1.8	3.0	2.7	0.5	-4.2	0.9	1.7
New EU Members	5.6	4.7	6.5	6.1	3.9	-3.5	1.7	3.2
Other Europe	3.2	2.7	3.0	3.3	1.8	-1.7	-1.9	2.2
Memorandum items:								
Euro Zone	2.2	1.7	3.0	2.8	0.6	-4.0	0.9	1.5
Major developed economies (G-7)	2.9	2.3	2.6	2.2	0.2	-3.5	2.1	2.0
OECD	3.1	2.6	2.9	2.7	0.5	-3.4	2.0	2.2
Economies in transition	7.7	6.5	8.0	8.3	5.4	-6.7	3.9	3.4
South-eastern Europe	5.6	4.7	5.2	6.1	4.3	-3.7	1.1	3.0
Commonwealth of Independent States	7.9	6.6	8.3	8.4	5.5	-7.0	4.2	3.5
Net fuel exporters	7.3	6.9	8.3	8.5	5.6	-6.5	4.3	3.3
Net fuel importers	11.7	4.7	8.0	8.2	4.5	-9.9	3.4	4.8
Developing countries	7.2	6.6	7.3	7.5	5.3	2.2	5.9	5.8
Africa	6.3	5.4	5.9	5.8	5.0	2.4	4.7	5.3
North Africa	4.8	5.5	5.3	4.7	4.9	3.6	4.6	5.3
Sub-Saharan Africa	6.3	5.8	6.0	6.3	4.8	0.8	4.3	4.9
Net fuel exporters	6.2	5.2	5.4	5.4	4.9	4.3	5.3	5.8
Net fuel importers	6.3	5.5	6.3	6.1	5.0	1.3	4.3	4.9
East and South Asia	7.8	7.7	8.6	9.2	6.2	4.8	7.1	6.9
East Asia	7.9	7.6	8.7	9.5	6.1	4.7	7.3	6.9
South Asia	7.5	8.1	8.4	7.8	6.5	5.1	6.5	6.9
Net fuel exporters	5.0	5.6	6.7	6.7	3.9	1.8	3.6	3.8
Net fuel importers	7.9	7.8	8.7	9.3	6.3	4.9	7.3	7.0
Western Asia	8.3	6.7	6.1	5.2	4.3	-1.0	4.2	4.0
Net fuel exporters	8.6	6.0	5.9	5.4	6.6	0.6	4.8	4.6
Net fuel importers	8.1	7.4	6.3	5.0	2.0	-2.8	3.5	3.3
Latin America and the Caribbean	5.8	4.6	5.6	5.7	4.0	-2.1	4.0	3.9
South America	7.0	5.1	5.5	6.8	5.3	-0.3	4.5	4.6
Mexico and Central America	4.0	3.4	5.2	3.8	1.7	-5.9	3.4	2.8
Caribbean	3.8	8.0	10.2	6.6	3.8	1.0	2.5	2.6
Net fuel exporters	6.1	5.1	6.3	5.2	2.9	-4.0	2.9	2.8
Net fuel importers	5.4	4.1	4.8	6.3	5.2	-0.1	5.2	5.0
Memorandum items:								
Least developed countries	8.3	7.8	7.5	8.2	7.1	4.0	5.6	5.6
Sub-Saharan Africa (excluding Nigeria and South Africa)	7.6	6.5	6.6	7.3	6.2	2.8	5.6	5.9
East Asia (excluding China)	5.9	5.0	5.7	5.9	3.0	0.0	4.9	4.4
South Asia (excluding India)	5.5	5.6	6.3	6.3	4.8	2.2	3.5	4.0
Western Asia (excluding Israel and Turkey)	8.3	5.9	5.7	5.5	6.6	0.9	4.8	4.5
Landlocked developing economies	7.3	8.2	9.1	8.6	5.8	3.0	5.0	5.3
Small island developing economies	6.1	7.1	8.4	7.0	2.8	-0.3	4.4	3.7

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.

Table A.2
Rates of growth of real GDP, 2004-2011
(Annual percentage change)

	2004	2005	2006	2007	2008	2009[a]	2010[b]	2011[b]
Developed economies								
North America								
Canada	3.1	3.0	2.9	2.5	0.4	-2.6	3.3	3.2
United States	3.6	3.1	2.7	2.1	0.4	-2.4	2.9	2.5
Asia and Oceania								
Australia	3.2	3.5	2.4	4.9	2.2	1.3	3.0	2.5
Japan	2.7	1.9	2.0	2.4	-1.2	-5.2	1.3	1.3
New Zealand	4.0	3.1	2.3	3.1	-0.7	-0.7	2.0	2.0
European Union								
EU-15								
Austria	2.5	2.5	3.5	3.5	2.0	-3.6	1.3	1.8
Belgium	3.2	1.8	2.8	2.9	1.0	-3.0	1.4	1.8
Denmark	2.3	2.4	3.4	1.7	-0.9	-5.1	0.7	2.5
Finland	4.1	2.9	4.4	4.9	1.2	-7.8	1.6	1.8
France	2.5	1.9	2.2	2.3	0.4	-2.2	1.2	1.3
Germany	1.2	0.8	3.2	2.5	1.3	-5.0	1.5	1.4
Greece	4.6	2.2	4.5	4.5	2.0	-2.0	-1.9	0.2
Ireland	4.6	6.2	5.4	6.0	-3.0	-7.0	-1.0	2.2
Italy	1.5	0.7	2.0	1.6	-1.0	-5.0	0.8	1.0
Luxembourg	4.4	5.4	5.6	6.5	0.0	-4.5	1.7	2.1
Netherlands	2.2	2.0	3.4	3.6	2.0	-4.0	1.5	2.0
Portugal	1.5	0.9	1.4	1.9	0.0	-2.7	0.7	1.2
Spain	3.3	3.6	4.0	3.6	0.9	-3.6	-1.1	2.1
Sweden	4.1	3.3	4.2	2.5	-0.2	-4.9	2.3	3.8
United Kingdom	3.0	2.2	2.9	2.6	0.6	-5.0	1.1	2.3
New EU Member								
Bulgaria	6.6	6.2	6.1	6.2	6.0	-5.0	1.0	3.0
Cyprus	4.2	3.9	4.1	4.4	3.7	-1.7	2.0	1.9
Czech Republic	4.5	6.3	6.8	6.1	2.5	-4.2	1.0	2.5
Estonia	7.5	9.2	10.4	6.3	-3.6	-14.1	-1.0	3.0
Hungary	4.9	3.5	4.0	1.0	0.6	-6.3	0.2	3.0
Latvia	8.7	10.6	12.2	10.0	-4.6	-18.0	-2.5	3.0
Lithuania	7.4	7.8	7.8	8.9	3.0	-15.0	-2.0	2.5
Malta	0.7	3.9	3.6	3.8	2.1	-2.5	0.8	1.5
Poland	5.3	3.6	6.2	6.8	5.0	1.7	3.0	4.0
Romania	8.5	4.2	7.9	6.3	7.3	-7.1	1.5	3.0
Slovak Republic	5.0	6.7	8.5	10.6	6.2	-4.7	2.9	3.4
Slovenia	4.3	4.3	5.9	6.8	3.5	-7.8	1.0	1.0
Other European								
Iceland	7.7	7.5	4.3	5.6	1.3	-7.7	-3.5	1.0
Norway	3.9	2.5	2.1	2.7	1.8	-1.5	3.1	2.7
Switzerland	2.5	2.6	3.6	3.6	1.8	-1.5	1.2	1.8
Economies in transition								
South-eastern Europe								
Albania	5.7	5.7	5.4	6.0	7.8	2.6	3.0	5.0
Bosnia and Herzegovi	6.3	3.9	6.9	6.0	5.5	-3.0	1.0	3.0
Croatia	4.2	4.2	4.7	5.5	2.4	-5.8	0.5	2.5
Montenegro	4.4	4.2	8.6	10.7	6.9	-6.0	1.0	3.0
Serbia	8.3	5.6	5.2	6.9	5.4	-2.9	1.5	3.0
The former Yugoslav Republic of Macedonia	4.1	4.1	4.0	5.9	5.3	-0.7	1.5	3.0
Commonwealth of Independent States								
Armenia	10.5	14.0	13.4	13.8	6.8	-14.4	1.5	3.0
Azerbaijan	10.2	26.4	34.5	25.1	10.8	9.3	7.0	6.5
Belarus	11.4	9.4	10.0	8.6	10.0	2.0	2.0	3.0
Kazakhstan	9.6	9.7	10.6	8.7	3.3	1.2	2.5	3.5
Kyrgyzstan	7.0	-0.2	3.1	8.5	7.6	2.3	4.0	6.0
Republic of Moldova	7.4	7.5	4.8	3.0	7.2	-7.7	2.0	3.0
Russian Federation	7.2	6.4	7.7	8.1	5.6	-7.9	4.3	3.0
Tajikistan	10.3	6.7	6.7	7.5	7.9	3.4	4.0	5.0
Turkmenistan	5.0	13.0	11.4	11.6	9.8	6.1	7.0	5.0
Ukraine	12.1	2.7	7.3	7.9	2.1	-15.0	4.2	5.7
Uzbekistan	7.7	7.0	7.3	9.5	8.0	8.1	8.5	9.0
Georgia	5.9	9.6	9.4	12.3	2.0	-3.9	2.0	4.0

	2004	2005	2006	2007	2008	2009[a]	2010[b]	2011[b]
Developing economies								
Africa								
Algeria	5.2	5.1	1.8	3.0	3.0	2.1	4.5	4.5
Angola	11.2	20.6	18.6	20.3	14.8	0.2	9.3	7.0
Benin	3.1	2.9	3.8	4.6	5.0	2.6	3.4	4.4
Botswa	6.0	1.6	5.1	4.4	2.9	-6.0	8.0	5.5
Burkina Faso	4.6	7.1	5.5	3.6	4.5	3.3	4.2	4.5
Burundi	4.4	0.9	5.1	3.6	4.5	3.5	4.0	4.5
Cameroon	3.7	2.3	3.2	3.4	3.5	1.6	2.7	2.9
Cape Verde	4.3	6.5	10.8	7.8	5.9	3.0	4.5	5.0
Central African Republic	1.3	2.2	4.1	3.7	2.2	2.4	3.1	4.0
Chad	33.7	7.9	0.2	0.1	0.3	-1.4	2.5	2.5
Comoros	-0.2	4.2	1.2	-1.0	1.0	1.0	1.5	2.0
Congo	3.6	7.7	6.2	-1.6	5.6	7.4	11.0	7.0
Côte d'Ivoire	1.6	1.8	1.2	1.5	2.3	3.7	4.0	4.3
Democratic Republic of the Congo	6.6	7.9	5.6	6.3	6.2	2.7	5.5	6.0
Djibouti	3.0	3.2	4.8	4.8	5.8	5.5	5.0	5.7
Egypt	4.3	5.7	7.0	7.1	5.3	4.7	5.0	6.3
Equatorial Guinea	32.6	8.9	5.3	23.2	15.2	3.0	5.0	5.5
Eritrea	1.5	2.6	-1.0	1.3	1.0	2.5	4.0	4.5
Ethiopia	5.8	12.6	11.3	11.0	11.2	8.5	9.0	10.0
Gabon	1.4	3.0	1.2	5.9	1.8	-1.0	4.5	4.3
Gambia	9.2	0.3	3.4	6.0	6.3	4.3	4.5	5.0
Ghana	5.6	5.9	6.4	6.2	6.7	4.5	5.7	14.0
Guinea	2.3	3.0	2.5	1.8	4.0	0.0	2.7	3.0
Guinea-Bissau	2.2	3.5	1.8	3.7	3.1	3.0	4.0	4.2
Kenya	5.1	5.8	6.4	7.0	2.0	2.5	3.5	5.5
Lesotho	4.6	0.7	8.1	5.1	3.5	1.8	3.3	3.0
Liberia	2.6	5.3	7.8	9.5	7.1	4.9	6.3	8.0
Libyan Arab Jamahiriya	4.4	10.3	6.7	5.1	6.7	2.5	5.0	5.5
Madagascar	5.3	4.6	5.0	6.3	5.0	-1.0	-0.5	1.5
Malawi	9.5	3.3	8.3	7.9	7.4	7.5	6.5	7.0
Mali	2.3	6.1	5.3	4.3	4.7	4.1	4.3	5.0
Mauritania	6.7	5.4	29.4	1.0	2.2	1.0	4.7	5.0
Mauritius	5.8	1.2	3.9	5.4	5.7	3.1	4.6	5.0
Morocco	4.8	3.0	7.8	2.7	5.4	5.2	4.0	5.0
Mozambique	7.9	8.4	8.7	7.4	7.0	5.8	6.5	7.3
Namibia	12.3	2.5	7.1	5.5	2.9	-0.7	4.0	4.5
Niger	-0.8	8.4	5.8	3.3	5.9	1.0	4.7	5.0
Nigeria	10.5	3.4	7.5	6.9	6.0	6.9	6.5	7.0
Rwanda	5.3	7.2	7.3	7.9	11.2	6.0	6.8	7.0
Sao Tome and Principe	6.6	5.7	6.7	6.0	5.8	4.0	4.5	6.0
Senegal	5.9	5.6	2.4	4.7	2.5	1.5	3.4	3.5
Sierra Leone	9.6	7.5	7.3	6.4	5.5	4.0	5.3	6.0
Somalia	2.8	2.4	2.6	2.6	2.6	-2.0	-1.0	0.0
South Africa	4.9	5.0	5.3	5.1	3.1	-1.8	2.7	3.5
Sudan	17.8	8.7	9.4	10.5	7.6	3.5	6.0	5.5
Togo	2.3	1.2	2.0	3.5	1.1	2.4	2.6	3.0
Tunisia	6.0	4.0	5.5	6.3	6.1	3.1	4.5	5.0
Uganda	5.8	10.0	7.0	8.1	9.2	6.4	6.8	7.2
United Republic of Tanzania	7.8	7.3	6.7	7.1	7.5	6.0	6.6	7.1
Zambia	6.2	5.2	6.2	5.8	6.3	6.2	7.0	6.0
Zimbabwe	0.7	-4.0	-5.4	-6.1	-12.6	3.7	3.0	3.0
East and South Asia								
Bangladesh	5.8	6.1	6.3	6.5	6.3	5.9	5.6	5.9
Brunei Darussalam	0.5	0.4	4.4	0.6	-1.5	-1.0	1.2	1.0
China	10.1	10.4	11.6	13.0	9.0	8.7	9.2	8.8
Hong Kong, Special Administrative Region of China	8.5	7.1	7.0	6.4	2.4	-2.7	5.1	4.7
India	8.6	9.4	9.5	8.6	7.3	6.4	7.9	8.1
Indonesia	5.0	5.7	5.5	6.3	6.0	4.5	5.6	5.8
Iran, Islamic Republic of	4.5	5.2	6.5	6.6	3.5	1.0	2.9	3.2
Korea, Republic of	4.6	4.0	5.2	5.1	2.2	0.2	4.5	3.8
Malaysia	6.8	5.3	5.8	6.3	4.5	-1.7	5.3	4.5
Myanmar	13.6	13.4	12.8	9.9	4.5	4.4	5.2	5.0
Nepal	3.8	3.4	3.4	4.0	5.2	4.7	3.8	4.5
Pakistan	6.9	6.1	6.0	6.0	6.0	2.1	3.2	3.8
Papua New Guinea	0.6	3.9	2.3	6.2	7.6	4.5	5.5	5.6
Philippines	6.4	5.0	5.4	7.2	4.6	0.9	3.7	4.0
Singapore	9.3	7.3	8.4	7.8	1.1	-2.0	6.9	4.8
Sri Lanka	5.4	6.2	7.7	6.8	6.0	3.5	5.7	6.3
Taiwan, Province of China	6.2	4.7	5.4	6.0	0.7	-1.9	4.9	4.2
Thailand	6.3	4.6	5.2	4.9	4.8	-2.3	4.0	4.1
Vietnam	7.8	8.4	8.2	8.5	6.2	5.3	6.2	6.4

	2004	2005	2006	2007	2008	2009[a]	2010[b]	2011[b]
Western Asia								
Bahrain	5.6	7.9	6.6	8.4	6.3	2.9	3.5	4.2
Iraq	54.2	4.4	10.2	0.4	9.8	4.5	6.2	6.4
Israel	5.0	5.1	5.2	5.4	4.1	0.7	2.9	3.1
Jordan	8.6	8.1	8.0	8.9	7.9	3.1	3.0	3.7
Kuwait	10.7	10.5	5.2	4.3	6.3	-1.6	3.8	4.6
Lebanon	5.0	1.0	0.0	7.5	8.5	7.0	5.5	5.3
Oman	3.4	4.0	5.5	6.8	12.8	3.5	3.8	4.0
Qatar	20.8	6.1	15.0	15.3	16.4	9.5	18.0	11.4
Saudi Arabia	5.4	4.3	3.3	3.8	4.2	0.2	3.4	3.5
Syrian Arab Republic	6.7	6.0	5.2	6.3	5.2	3.0	3.8	4.1
Turkey	9.4	8.4	6.9	4.7	0.9	-4.7	3.5	3.3
United Arab Emirates	9.7	8.2	9.4	6.3	7.4	-2.5	3.1	3.7
Yemen	3.1	5.8	4.5	4.7	3.9	3.8	4.8	2.4
Latin America and the Caribbean								
Argentina	9.0	9.2	8.5	8.7	7.2	0.9	4.0	2.5
Barbados	3.7	4.3	3.3	3.2	0.6	-5.3	-0.5	2.0
Bolivia, Plurinational State of	4.2	4.4	4.8	4.6	6.1	3.3	3.5	3.0
Brazil	5.7	3.2	4.0	6.1	5.1	-0.2	5.8	5.6
Chile	6.0	5.6	4.3	5.1	3.0	-1.5	4.5	5.0
Colombia	4.7	5.7	6.9	7.5	2.5	0.4	2.5	3.6
Costa Rica	4.3	5.9	8.8	7.8	3.8	-1.1	2.2	2.5
Cuba	5.8	11.2	12.1	7.3	4.3	1.0	3.0	2.0
Dominican Republic	1.3	9.3	10.7	8.5	5.3	3.5	4.0	4.0
Ecuador	8.0	6.0	3.9	2.5	5.3	0.4	2.7	2.4
El Salvador	1.9	3.1	4.2	4.7	2.5	-3.0	2.5	2.0
Guatemala	3.2	3.3	5.3	6.4	4.0	-0.5	2.2	2.3
Guyana	3.3	-2.2	-2.4	9.1	3.2	1.0	2.5	2.3
Haiti	-2.6	0.4	2.2	3.0	1.8	2.0	-10.0	4.0
Honduras	6.2	6.1	6.6	6.3	4.0	-3.0	3.0	2.5
Jamaica	1.4	1.0	2.7	1.4	-1.2	-3.5	-0.5	1.0
Mexico	4.0	3.3	5.0	3.4	1.3	-6.5	3.5	2.8
Nicaragua	4.4	3.8	3.3	3.1	3.0	-2.1	2.0	1.8
Panama	7.5	7.2	8.5	11.5	9.2	2.4	4.5	4.0
Paraguay	4.1	2.9	4.3	6.8	5.8	-3.5	6.0	4.0
Peru	5.0	6.8	7.7	8.9	9.8	0.9	5.5	5.0
Trinidad and Tobago	8.0	5.4	13.3	5.5	3.5	-1.0	2.5	2.0
Uruguay	5.0	7.5	4.6	7.6	8.9	2.9	3.5	3.5
Venezuela, Bolivarian Republic of	18.3	10.3	9.9	8.9	4.9	-3.3	-1.0	3.0

Source: Project LINK

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

Table A.3
World and regions: consumer price inflation, 2004-2011
(Annual percentage change[a])

	2004	2005	2006	2007	2008	2009[b]	2010 [c]	2011[c]
World	2.9	3.1	3.0	3.0	4.7	1.4	2.3	2.3
Developed economies	2.0	2.3	2.3	2.1	3.3	0.1	1.1	1.2
North America	2.6	3.3	3.1	2.8	3.7	-0.3	1.5	1.5
Asia and Oceania	0.4	0.2	0.8	0.4	1.8	-1.0	-0.7	0.1
Europe	2.1	2.1	2.2	2.2	3.5	0.8	1.5	1.4
European Union	2.1	2.2	2.2	2.2	3.5	0.8	1.5	1.4
EU-15	1.9	2.1	2.2	2.1	3.3	0.7	1.4	1.3
New EU Members	5.1	3.4	3.1	4.1	6.2	3.2	2.6	2.5
Other Europe	0.8	1.4	1.8	0.8	3.1	1.0	1.9	2.1
Memorandum items:								
Euro Zone	2.2	2.2	2.2	2.1	3.3	0.3	1.2	1.3
Major developed economies (G-7)	1.9	2.3	2.3	2.1	3.2	-0.1	1.0	1.1
OECD	2.2	2.4	2.5	2.3	3.4	0.3	1.4	1.4
Economies in transition	10.0	11.7	9.2	9.0	14.6	10.9	7.8	8.0
South-eastern Europe	4.1	6.5	5.7	3.7	7.5	4.0	3.0	3.7
Commonwealth of Independent States	10.5	12.2	9.5	9.6	15.4	11.6	8.3	8.5
Net fuel exporters	10.5	12.3	9.7	9.3	14.4	11.3	7.7	8.1
Net fuel importers	11.0	12.0	08.4	11.4	21.8	14.0	12.5	10.6
Developing countries[d]	5.1	4.8	4.6	5.3	8.2	4.4	5.6	5.3
Africa[d]	6.1	6.5	5.9	6.3	11.2	8.1	7.0	6.2
North Africa	4.6	2.6	4.1	5.2	9.1	6.0	5.9	5.2
Sub-Saharan Africa[d]	5.1	6.5	6.5	7.1	12.4	8.5	6.8	6.1
Net fuel exporters	9.6	8.1	5.8	6.0	10.8	8.8	8.4	7.1
Net fuel importers[d]	3.6	5.4	6.0	6.5	11.5	7.6	6.1	5.6
East and South Asia	4.1	3.6	3.7	4.9	7.4	3.0	4.9	4.4
East Asia	3.5	2.8	2.8	3.9	6.0	0.6	3.0	3.0
South Asia	6.2	6.5	7.1	8.6	12.6	11.5	11.6	9.3
Net fuel exporters	12.9	12.0	10.6	14.7	24.1	12.7	10.4	9.2
Net fuel importers	3.7	3.2	3.4	4.5	6.6	2.5	4.6	4.2
Western Asia	5.2	5.7	6.5	6.2	10.0	4.7	6.0	5.5
Net fuel exporters	1.3	2.4	3.6	5.2	10.6	3.9	3.5	3.9
Net fuel importers	8.2	8.2	8.7	7.0	9.6	5.4	7.9	6.7
Latin America and the Caribbean	6.9	6.2	5.1	5.3	7.8	6.1	6.6	6.8
South America	7.0	7.2	5.7	5.8	8.8	6.8	7.3	7.8
Mexico and Central America	4.9	4.4	3.9	4.2	5.8	5.1	5.3	5.1
Caribbean	29.8	7.4	8.2	7.2	13.0	4.4	8.1	7.5
Net fuel exporters	6.8	5.6	5.0	6.0	8.8	8.0	8.1	8.2
Net fuel importers	6.9	6.7	5.2	4.7	7.0	4.6	5.4	5.7
Memorandum items:								
Least developed countries	9.8	10.1	8.9	9.3	13.4	8.7	9.0	7.8
Sub-Saharan Africa [d] (Excluding Nigeria and South Africa)	8.4	9.3	8.2	7.2	13.2	9.7	7.6	6.4
East Asia (excluding China)	3.2	3.9	3.9	3.0	6.0	1.9	3.2	3.2
South Asia (excluding India)	11.0	11.0	9.8	12.8	21.2	12.6	10.7	9.2
Western Asia (excluding Israel and Turkey)	1.7	2.7	3.9	5.3	11.0	3.7	3.8	4.1

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, 2004-2011
(Annual percentage change)

	2004	2005	2006	2007	2008	2009[a]	2010[b]	2011[b]
Developed economies								
North America								
Canada	1.9	2.2	2.0	2.1	2.4	0.3	2.1	2.1
United States	2.7	3.4	3.2	2.9	3.8	-0.4	1.4	1.4
Asia and Oceania								
Australia	2.3	2.7	3.5	2.3	4.4	1.8	2.5	2.5
Japan	0.0	-0.3	0.2	0.1	1.4	-1.4	-1.2	-0.3
New Zealand	2.3	3.0	3.4	2.4	4.0	-1.4	-1.2	-0.3
European Union								
EU-15								
Austria	2.0	2.1	1.7	2.2	3.2	0.8	1.0	1.0
Belgium	1.9	2.5	2.3	1.8	4.5	-0.1	1.6	1.7
Denmark	0.9	1.7	1.9	1.7	3.6	1.1	1.8	2.1
Finland	0.1	0.8	1.3	1.6	3.9	1.6	1.3	1.5
France	2.3	1.9	1.9	1.6	3.2	0.1	1.1	1.4
Germany	1.8	1.9	1.8	2.3	2.8	0.2	0.9	1.0
Greece	3.0	3.5	3.3	3.0	4.2	1.2	2.9	1.0
Ireland	2.3	2.2	2.7	2.9	3.1	-1.7	-1.1	0.0
Italy	2.3	2.2	2.2	2.0	3.5	0.7	1.2	1.7
Luxembourg	2.2	2.5	2.7	2.3	3.4	0.4	2.0	2.2
Netherlands	1.4	1.5	1.7	1.6	2.2	1.0	1.0	1.5
Portugal	2.5	2.1	3.0	2.4	2.7	-0.1	2.0	1.2
Spain	3.1	3.4	3.6	2.8	4.1	-0.3	1.5	1.4
Sweden	1.0	0.8	1.5	1.7	3.4	1.9	1.8	1.0
United Kingdom	1.3	2.1	2.3	2.3	3.6	2.2	2.5	1.4
New EU members								
Bulgaria	6.3	5.0	7.3	8.4	12.3	2.5	2.1	2.5
Cyprus	2.3	2.6	2.5	2.4	4.7	1.0	2.0	2.0
Czech Republic	2.8	1.8	2.5	2.9	6.4	0.6	1.5	2.0
Estonia	3.0	4.1	4.4	6.6	10.4	0.2	1.0	2.5
Hungary	6.8	3.6	3.9	7.9	6.1	4.0	4.1	2.9
Latvia	6.2	6.7	6.5	10.1	15.4	3.5	-3.5	0.5
Lithuania	1.1	2.7	3.7	5.7	10.9	4.5	1.0	2.5
Malta	2.8	3.0	2.8	1.3	4.7	2.5	2.0	2.0
Poland	3.6	2.1	1.1	2.4	4.3	3.9	2.6	2.5
Romania	11.9	9.0	6.6	4.8	7.8	5.6	4.8	3.4
Slovak Republic	7.5	2.7	4.5	2.8	4.6	1.6	1.0	1.7
Slovenia	3.6	2.5	2.5	3.6	5.7	0.9	2.0	2.6
Other Europe								
Iceland	3.2	4.0	6.7	5.1	12.7	12.0	6.5	3.0
Norway	0.6	1.5	2.5	0.7	3.4	2.3	1.7	2.3
Switzerland	0.8	1.2	1.1	0.7	2.4	-0.5	1.8	1.9
Economis in transition								
South-eastern Europe								
Albania	2.3	2.4	2.4	2.9	3.4	2.2	3.5	3.5
Bosnia and Herzegovina	-0.3	3.0	5.9	1.8	7.3	-0.5	1.5	2.1
Croatia	2.0	3.3	3.2	2.9	6.1	2.4	1.6	3.0
Montenegro	2.2	2.6	3.0	4.3	8.6	4.0	2.0	2.0
Serbia	11.1	16.2	11.8	6.1	11.6	10.5	6.1	6.1
The former Yugoslav Republic of Macedonia	0.9	0.2	3.3	3.6	7.2	-1.0	2.0	2.6
Commonwealth of Independent States								
Armenia	7.0	0.6	2.9	4.4	9.0	3.4	4.0	6.0
Azerbaijan	6.7	9.7	8.4	16.6	20.8	1.5	5.0	4.8
Belarus	18.1	10.3	7.0	8.4	14.8	13.0	9.0	8.0
Kazakhstan	7.1	7.9	8.7	10.8	17.1	7.3	7.3	7.3
Kyrgyzstan	4.1	4.3	5.6	10.2	24.5	6.8	8.0	5.2
Republic of Moldova	12.4	11.9	12.7	12.4	12.7	0.0	4.0	3.0
Russian Federation	10.9	12.7	9.7	9.0	14.1	11.8	7.8	8.3
Tajikistan	7.2	7.3	10.0	13.2	20.4	6.4	8.0	9.5
Turkmenistan	5.9	10.7	8.2	6.3	14.5	10.0	9.0	9.0
Ukraine	9.0	13.5	9.1	12.8	25.2	15.9	14.8	12.2
Uzbekistan	6.6	10.0	14.2	12.3	12.7	7.8	7.0	8.0
Georgia	5.7	8.3	9.2	9.2	10.0	1.7	1.3	1.3

	2004	2005	2006	2007	2008	2009[a]	2010[b]	2011[b]
Developing economies								
Africa								
Algeria	3.6	1.6	2.5	3.5	4.4	5.7	5.4	4.8
Angola	43.5	23.0	13.3	12.2	12.5	13.8	15.0	13.0
Benin	0.9	5.4	3.8	1.3	7.9	2.2	2.7	3.0
Botswana	6.9	8.6	11.6	7.1	12.7	8.0	6.2	6.4
Burkina Faso	-0.4	6.4	2.3	-0.2	10.7	2.6	2.4	2.2
Burundi	7.9	13.5	2.8	8.3	24.1	11.1	8.0	7.3
Cameroon	0.2	2.0	5.1	0.9	5.3	3.0	2.8	2.6
Cape Verde	-1.9	0.4	5.4	4.4	6.8	1.0	1.8	2.4
Central African Republic	-2.1	2.9	6.6	1.0	9.3	3.5	2.4	3.2
Chad	-5.4	7.9	8.0	-9.0	10.3	5.0	8.5	5.0
Comoros	3.3	7.2	3.4	4.5	4.8	4.9	2.1	2.5
Congo	2.4	3.1	6.5	2.7	7.3	4.2	3.8	3.3
C?te d'Ivoire	1.4	3.9	2.5	1.9	6.3	1.0	1.5	2.7
Democratic Republic of the Congo	4.0	21.3	13.1	16.9	17.3	46.2	26.2	13.5
Djibouti	3.1	3.1	3.5	5.0	12.0	1.7	3.0	4.0
Egypt	11.3	4.9	7.6	9.3	18.3	11.8	9.8	7.8
Equatorial Guinea	4.2	5.6	4.4	2.8	6.6	4.5	6.0	5.2
Eritrea	21.5	19.9	16.7	17.0	18.0	15.5	14.0	12.0
Ethiopia	3.3	11.6	12.3	17.2	44.4	8.5	10.0	8.0
Gabon	0.4	1.2	-1.4	5.0	5.3	1.9	3.8	2.5
Gambia	14.2	4.8	2.1	5.4	4.5	4.6	4.2	4.0
Ghana	12.6	15.1	10.9	10.7	16.5	19.3	12.0	9.0
Guinea	17.5	31.4	34.7	22.9	15.0	9.0	15.0	11.0
Guinea-Bissau	0.9	3.3	2.0	4.6	10.5	3.5	3.3	2.5
Kenya	11.6	10.3	14.5	9.8	26.2	20.5	5.0	4.5
Lesotho	5.0	3.4	6.0	8.0	10.7	7.2	6.1	5.2
Liberia	3.6	6.9	8.0	13.7	17.5	7.4	6.0	5.0
Libyan Arab Jamahiriya	-2.2	2.7	1.5	6.3	10.4	2.5	5.0	5.2
Madagascar	13.8	18.5	10.8	10.3	9.2	9.0	10.0	10.0
Malawi	11.4	15.4	14.0	8.0	8.7	8.4	8.3	7.6
Mali	-3.1	6.4	1.5	1.4	9.2	2.2	2.0	2.3
Mauritania	10.4	12.1	6.2	7.3	7.3	2.2	4.5	4.5
Mauritius	4.7	4.9	8.9	8.8	9.7	2.5	2.1	2.4
Morocco	1.5	1.0	3.3	2.0	3.8	1.2	2.4	2.6
Mozambique	12.7	7.2	13.2	8.2	10.3	3.3	5.0	6.0
Namibia	4.1	2.3	5.1	6.7	10.4	8.8	6.4	6.2
Niger	0.3	7.8	0.0	0.1	11.3	4.3	8.4	2.0
Nigeria	15.0	17.9	8.2	5.4	11.6	12.4	11.5	9.5
Rwanda	12.3	9.0	8.9	9.1	15.4	10.4	6.4	6.5
Sao Tome and Principe	12.8	17.2	23.1	18.5	26.0	17.0	12.3	7.4
Senegal	0.5	1.7	2.1	5.9	5.8	-1.1	1.6	2.1
Sierra Leone	14.2	12.1	9.5	11.7	7.1	11.0	9.0	9.3
Somalia	12.0	12.0	14.0	15.0	30.0	25.0	25.0	25.0
South Africa	1.4	3.4	4.6	7.1	11.5	7.1	5.8	5.8
Sudan	8.4	8.5	7.2	8.0	14.3	11.3	10.0	9.0
Togo	0.4	6.8	2.2	1.0	8.7	2.0	2.1	2.6
Tunisia	3.6	2.0	4.5	3.1	4.9	3.8	4.0	3.5
Uganda	3.7	8.4	7.3	6.1	12.1	13.1	9.1	8.0
United Republic of Tanzania	4.7	5.0	7.3	7.0	10.3	12.1	7.8	5.0
Zambia	18.0	18.3	9.0	10.7	12.4	13.4	8.2	7.5
Zimbabwe	282.4	302.1	1096.7	24411.0	0.0	0	5.0	5.0
East and South Asia								
Bangladesh	9.2	7.0	6.8	9.1	8.9	5.4	7.6	7.2
Brunei Darussalam	0.8	1.2	0.1	0.3	2.7	1.3	1.5	1.6
China	3.8	1.8	1.6	4.8	5.9	-0.7	2.9	2.8
Hong Kong, Special Administrative Region	-0.4	0.9	2.0	2.0	4.3	0.5	2.1	2.4
India	3.8	4.2	5.8	6.4	8.3	10.9	12.0	9.3
Indonesia	6.1	10.5	13.1	6.0	9.8	4.9	4.5	5.1
Iran, Islamic Republic of	14.8	13.4	11.9	17.1	25.4	14.8	11.0	9.6
Korea, Republic of	3.6	2.8	2.2	2.5	4.7	2.8	2.9	2.8
Malaysia	1.5	3.0	3.6	2.0	5.4	0.6	2.2	2.4
Myanmar	4.5	9.4	20.0	32.9	22.5	8.5	8.0	8.8
Nepal	2.8	6.8	7.6	6.4	11.2	11.6	10.1	8.5
Pakistan	7.4	9.1	7.9	7.8	20.2	13.9	12.2	9.8
Papua New Guinea	2.2	1.8	2.4	0.9	10.7	7.0	7.5	8.1
Philippines	5.9	7.6	6.3	2.8	9.3	3.3	4.6	4.7
Singapore	1.7	0.4	1.0	2.1	6.6	0.6	2.2	2.2
Sri Lanka	7.6	11.6	10.0	15.8	22.6	3.5	6.7	6.5
Taiwan, Province of China	1.6	2.3	0.6	1.8	3.5	-0.9	2.2	2.5
Thailand	2.8	4.5	4.6	2.2	5.4	-0.8	3.4	3.0
Viet Nam	7.8	8.3	7.4	8.3	23.1	6.7	9.8	9.2

	2004	2005	2006	2007	2008	2009[a]	2010[b]	2011[b]
Western Asia								
Bahrain	2.4	2.6	2.0	3.3	3.5	3.0	3.5	4.0
Israel	-0.4	1.3	2.1	0.5	4.6	3.3	2.0	2.2
Jordan	3.4	3.5	6.3	5.4	14.9	-0.7	4.7	2.9
Kuwait	1.2	4.1	3.1	5.5	10.6	4.0	1.8	2.1
Oman	0.8	1.9	3.2	6.0	12.1	4.6	2.9	1.5
Qatar	6.8	8.8	11.8	13.8	15.0	-4.9	1.2	3.9
Saudi Arabia	0.3	0.7	2.2	4.2	9.9	5.1	3.9	4.1
Syrian Arab Republic	4.4	7.2	10.0	3.9	15.7	2.6	6.8	6.1
Turkey	10.6	10.1	10.5	8.8	10.4	6.3	9.5	7.8
Yemen	12.5	11.8	10.8	7.9	19.0	3.7	12.1	12.9
Latin America and the Caribbean								
Argentina	4.4	9.6	10.9	8.8	8.6	6.3	9.2	10.3
Barbados	1.4	6.1	7.3	4.0	8.1	5.2	6.7	6.7
Bolivia, Plurinational State of	4.4	5.4	4.3	8.7	14.0	3.3	3.5	4.2
Brazil	6.6	6.9	4.2	3.6	5.7	4.9	5.2	5.2
Chile	1.1	3.1	3.4	4.4	8.7	1.5	2.5	3.1
Colombia	5.9	5.0	4.3	5.5	7.0	4.2	3.1	4.0
Costa Rica	12.3	13.8	11.5	9.4	13.4	7.8	6.8	7.2
Dominican Republic	51.5	4.2	7.6	6.1	10.6	1.4	6.8	6.1
Ecuador	2.7	2.4	3.0	2.3	8.4	5.2	4.4	4.7
El Salvador	4.5	4.7	4.0	4.6	6.7	1.1	3.1	4.2
Guatemala	7.4	8.4	6.5	6.5	12.6	1.9	4.0	5.2
Guyana	4.7	6.9	6.6	12.3	8.1	3.9	6.8	6.3
Haiti	22.8	15.7	13.1	8.5	15.5	3.4	10.0	8.5
Honduras	8.1	8.8	5.6	6.9	11.4	5.5	6.9	8.0
Jamaica	13.6	15.3	8.6	9.3	22.0	9.6	13.2	12.0
Mexico	4.7	4.0	3.6	4.0	5.1	5.3	5.4	5.0
Nicaragua	8.5	9.6	9.1	11.1	19.8	3.7	6.2	6.4
Panama	0.2	3.2	2.1	4.2	8.8	2.4	4.0	3.9
Paraguay	4.3	6.8	9.6	8.1	10.2	2.6	4.6	6.0
Peru	3.7	1.6	2.0	1.8	5.8	2.9	1.5	2.4
Trinidad and Tobago	3.7	6.9	8.3	7.9	12.0	7.0	7.0	7.2
Uruguay	9.2	4.7	6.4	8.1	7.9	7.1	7.2	7.1
Venezuela, Bolivarian Republic of	21.7	16.0	13.7	18.7	31.4	28.6	30.0	32.0

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, 2004-2011
(billions of dollars)

Region	Flow	2004	2005	2006	2007	2008	2009[a]	2010[b]	2011[b]
World	Exports	9103	10341	11956	13821	15852	12228	13838	15081
	Imports	9074	10285	11820	13621	15710	12063	13653	14880
Developed economies	Exports	5667.5	6117.5	6900.5	7902.1	8776.1	6794.4	7451.9	8061.7
	Imports	6069.5	6731.3	7659.0	8649.4	9636.9	7270.6	7962.9	8584.8
	Balance	-402.0	-613.8	-758.5	-747.2	-860.8	-476.2	-511.0	-523.0
North America	Exports	1136.2	1264.3	1416.1	1570.5	1739.7	1371.4	1645.2	1787.7
	Imports	1757.5	1991.9	2206.3	2341.9	2516.2	1877.0	2272.1	2465.4
	Balance	-621.3	-727.6	-790.2	-771.5	-776.6	-505.6	-626.9	-677.8
Asia and Oceania	Exports	646.5	697.3	763.4	846.8	968.5	723.0	868.9	957.4
	Imports	537.4	619.4	693.6	761.7	936.0	684.7	821.0	921.9
	Balance	109.0	77.8	69.8	85.1	32.5	38.2	47.9	35.4
Europe	Exports	3883.1	4153.5	4717.5	5478.8	6060.8	4696.0	4934.6	5314.7
	Imports	3772.1	4115.3	4751.4	5533.8	6170.2	4702.3	4864.6	5193.3
	Balance	111.0	38.3	-33.9	-55.1	-109.4	-6.3	70.0	121.4
European Union	Exports	3675.9	3917.3	4446.9	5171.1	5689.8	4405.2	4630.3	4994.1
	Imports	3605.6	3932.9	4548.9	5297.3	5906.7	4482.9	4635.3	4953.6
	Balance	70.3	-15.6	-102.0	-126.2	-216.8	-77.7	-5.0	40.5
EU-15	Exports	3370.9	3562.5	4015.8	4624.1	5035.5	3877.5	4077.6	4391.6
	Imports	3265.8	3543.2	4066.1	4677.1	5161.6	3903.0	4005.9	4277.0
	Balance	105.1	19.4	-50.3	-53.0	-126.1	-25.6	71.7	114.6
New EU Members	Exports	305.0	354.8	431.1	547.0	654.4	527.7	552.7	602.5
	Imports	339.8	389.7	482.8	620.2	745.1	579.9	629.4	676.6
	Balance	-34.8	-34.9	-51.7	-73.3	-90.8	-52.2	-76.6	-74.1
Other Europe	Exports	209.0	238.7	274.1	313.7	378.1	294.9	307.4	322.6
	Imports	169.0	187.1	210.2	248.4	278.0	226.0	234.5	243.8
	Balance	40.0	51.6	64.0	65.3	100.1	68.8	72.9	78.9
Euro Zone	Exports	2844.3	2985.1	3354.4	3944.7	4306.8	3327.0	3495.9	3746.4
	Imports	2665.8	2874.6	3295.5	3844.3	4292.0	3254.4	3331.3	3543.2
	Balance	178.5	110.5	59.0	100.5	14.8	72.6	164.6	203.2
Economies in transition	Exports	283.1	365.2	455.1	551.6	741.1	484.2	600.1	653.0
	Imports	208.6	258.0	328.1	440.5	573.7	389.0	457.2	511.7
	Balance	74.5	107.2	127.0	111.1	167.4	95.2	142.9	141.3
South-eastern Europe	Exports	16.9	19.3	23.6	30.1	36.0	27.7	29.7	31.7
	Imports	34.3	40.9	48.6	62.4	76.5	55.3	57.9	62.3
	Balance	-17.4	-21.7	-25.0	-32.3	-40.5	-27.6	-28.2	-30.6
Commonwealth of Independent States	Exports	266.2	345.9	431.6	521.6	705.2	456.5	570.4	621.3
	Imports	174.3	217.1	279.6	378.1	497.2	333.8	399.3	449.4
	Balance	91.9	128.9	152.0	143.4	208.0	122.8	171.2	171.9
Net fuel exporters	Exports	214.1	289.4	366.6	439.8	595.9	387.4	495.9	537.7
	Imports	121.3	155.0	201.3	272.1	350.9	242.9	299.4	340.3
	Balance	92.9	134.4	165.3	167.7	244.9	144.4	196.5	197.5
Net fuel importers	Exports	52.0	56.5	65.0	81.7	109.3	69.2	74.5	83.5
	Imports	53.0	62.0	78.2	106.0	146.3	90.8	99.8	109.2
	Balance	-1.0	-5.5	-13.3	-24.3	-37.0	-21.7	-25.3	-25.6
Developing countries	Exports	3152.3	3858.3	4600.7	5367.2	6334.3	4948.8	5786.0	6366.7
	Imports	2795.7	3295.6	3833.0	4531.2	5499.8	4403.4	5232.4	5783.2
	Balance	356.7	562.7	767.7	836.0	834.5	545.4	553.6	583.5
Africa	Exports	238.9	322.9	379.3	449.8	568.1	383.8	474.5	521.2
	Imports	203.8	250.2	284.2	358.1	451.1	387.1	435.5	471.4
	Balance	35.1	72.6	95.1	91.7	117.0	-3.3	39.0	49.9
North Africa	Exports	81.6	112.6	136.4	162.3	209.9	136.6	160.7	175.4
	Imports	74.1	86.3	98.8	130.7	172.3	156.4	165.8	179.1
	Balance	7.4	26.2	37.6	31.6	37.6	-19.8	-5.1	-3.8
Sub-Saharan Africa	Exports	74.3	98.8	120.2	145.5	187.9	134.8	169.9	190.2
(Excluding Nigeria & South Africa)	Imports	66.2	81.3	93.0	115.5	151.3	136.2	156.7	168.6
	Balance	8.1	17.5	27.2	30.0	36.6	-1.4	13.2	21.7
Net fuel exporters	Exports	120.4	184.0	217.2	260.2	341.8	207.1	271.6	299.4
	Imports	71.1	94.8	101.1	136.2	177.5	161.9	180.7	194.6
	Balance	49.3	89.3	116.2	124.1	164.3	45.2	90.9	104.9
Net fuel importers	Exports	118.5	138.8	162.1	189.6	226.2	176.7	202.9	221.8
	Imports	132.7	155.5	183.1	221.9	273.6	225.2	254.8	276.8
	Balance	-14.2	-16.6	-21.1	-32.3	-47.3	-48.5	-52.0	-55.0
East and South Asia	Exports	2011.3	2394.7	2848.8	3341.8	3818.9	3167.9	3698.5	4078.5
	Imports	1837.8	2151.0	2501.5	2889.9	3455.7	2832.5	3395.1	3778.8
	Balance	173.5	243.7	347.3	451.9	363.2	335.3	303.3	299.7
East Asia	Exports	1861.5	2196.2	2612.6	3055.9	3485.2	2901.6	3396.3	3747.2
	Imports	1669.9	1928.7	2232.1	2566.8	3028.3	2490.5	3003.0	3340.7
	Balance	191.6	267.5	380.5	489.1	456.9	411.1	393.3	406.4
South Asia	Exports	149.8	198.5	236.2	285.9	333.8	266.2	302.2	331.3
	Imports	167.9	222.3	269.4	323.1	427.5	342.0	392.1	438.0
	Balance	-18.1	-23.8	-33.2	-37.2	-93.7	-75.8	-89.9	-106.7
Net fuel exporters	Exports	75.4	103.1	123.5	153.7	172.7	109.4	153.5	161.1
	Imports	65.5	79.4	94.2	117.6	146.9	125.4	136.3	146.5
	Balance	9.9	23.7	29.3	36.1	25.9	-16.0	17.3	14.6
Net fuel importers	Exports	1935.9	2291.7	2725.3	3188.2	3646.2	3058.4	3544.9	3917.4
	Imports	1772.3	2071.6	2407.3	2772.3	3308.9	2707.1	3258.9	3632.3
	Balance	163.6	220.1	318.0	415.8	337.3	351.3	286.1	285.1
Western Asia	Exports	420.6	560.1	677.9	795.9	1043.4	699.0	819.7	892.1
	Imports	328.5	390.8	447.0	569.3	723.8	527.3	609.9	658.2
	Balance	92.1	169.3	230.9	226.6	319.6	171.7	209.8	234.0
Net fuel exporters	Exports	302.5	425.7	522.2	605.1	803.6	519.8	619.3	671.6
	Imports	174.1	209.2	237.1	311.0	397.3	317.8	347.3	375.2
	Balance	128.4	216.5	285.1	294.1	406.3	202.0	272.0	296.4
Net fuel importers	Exports	118.1	134.4	155.7	190.8	239.8	179.2	200.4	220.6
	Imports	154.4	181.6	209.9	258.3	326.5	209.5	262.6	283.0
	Balance	-36.3	-47.3	-54.2	-67.5	-86.8	-30.3	-62.1	-62.4
Latin America and the Caribbean	Exports	481.6	580.6	694.7	779.7	903.9	698.1	793.3	874.8
	Imports	425.5	503.6	600.3	713.9	869.1	656.4	791.9	874.9
	Balance	56.1	77.0	94.5	65.8	34.7	41.7	1.5	-0.1
South America	Exports	249.4	315.1	383.4	441.7	540.1	410.7	468.0	516.4
	Imports	165.3	207.3	257.1	331.9	440.6	329.3	412.0	463.5
	Balance	84.1	107.8	126.3	109.8	99.5	81.4	56.0	53.0
Mexico and Central America	Exports	214.8	244.3	283.7	309.5	332.3	266.4	300.9	332.5
	Imports	235.2	265.5	306.1	340.3	375.6	288.1	335.4	364.7
	Balance	-20.4	-21.2	-22.4	-30.8	-43.3	-21.7	-34.5	-32.2
Caribbean	Exports	17.4	21.2	27.6	28.4	31.5	21.1	24.4	25.9
	Imports	25.0	30.8	37.1	41.7	52.9	39.1	44.5	46.8
	Balance	-7.6	-9.6	-9.4	-13.3	-21.4	-18.0	-20.1	-20.9
Net fuel exporters	Exports	296.0	354.9	418.5	460.2	537.1	404.4	454.8	502.9
	Imports	265.3	311.1	367.6	425.6	482.4	365.3	420.8	467.0
	Balance	30.7	43.9	50.9	34.5	54.7	39.1	34.0	35.9
Net fuel importers	Exports	185.6	225.7	276.2	319.5	366.8	293.7	338.5	371.9
	Imports	160.2	192.5	232.6	288.3	386.7	291.1	371.1	407.9
	Balance	25.4	33.2	43.6	31.2	-20.0	2.6	-32.5	-36.0

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, 2004-2011
(annual percentage change)

Region	Flow	2004	2005	2006	2007	2008	2009[a]	2010[b]	2011[b]
World	Exports	21.4	13.6	15.6	15.6	14.7	-22.9	13.2	9.0
	Imports	22.0	13.3	14.9	15.2	15.3	-23.2	13.2	9.0
Developed economies	Exports	18.3	7.9	12.8	14.5	11.1	-22.6	9.7	8.2
	Imports	19.4	10.9	13.8	12.9	11.4	-24.6	9.5	7.8
North America	Exports	13.5	11.3	12.0	10.9	10.8	-21.2	20.0	8.7
	Imports	16.4	13.3	10.8	06.1	7.4	-25.4	21.1	8.5
Asia and Oceania	Exports	20.8	7.9	9.5	10.9	14.4	-25.3	20.2	10.2
	Imports	20.0	15.3	12.0	9.8	22.9	-26.8	19.9	12.3
Europe	Exports	19.3	7.0	13.6	16.1	10.6	-22.5	5.1	7.7
	Imports	20.6	9.1	15.5	16.5	11.5	-23.8	3.5	6.8
European Union	Exports	19.4	6.6	13.5	16.3	10.0	-22.6	5.1	7.9
	Imports	20.9	09.1	15.7	16.5	11.5	-24.1	3.4	6.9
EU-15	Exports	18.4	5.7	12.7	15.1	8.9	-23.0	5.2	7.7
	Imports	20.0	8.5	14.8	15.0	10.4	-24.4	2.6	6.8
New EU Members	Exports	32.0	16.3	21.5	26.9	19.6	-19.4	4.7	9.0
	Imports	30.7	14.7	23.9	28.5	20.1	-22.2	8.5	7.5
Other Europe	Exports	18.4	14.2	14.9	14.5	20.5	-22.0	4.3	4.9
	Imports	16.0	10.7	12.3	18.2	11.9	-18.7	3.7	4.0
Euro Zone	Exports	19.1	5.0	12.4	17.6	9.2	-22.8	5.1	7.2
	Imports	20.2	7.8	14.6	16.7	11.6	-24.2	2.4	6.4
Economies in transition	Exports	36.0	29.0	24.6	21.2	34.3	-34.7	23.9	8.8
	Imports	28.0	23.7	27.2	34.2	30.2	-32.2	17.5	11.9
South-eastern Europe	Exports	27.3	14.0	22.3	27.6	19.6	-22.9	7.1	6.8
	Imports	17.4	19.3	18.7	28.4	22.6	-27.7	4.8	7.5
Commonwealth of Independent States	Exports	36.6	30.0	24.8	20.8	35.2	-35.3	25.0	8.9
	Imports	30.3	24.6	28.8	35.3	31.5	-32.9	19.6	12.6
Net fuel exporters	Exports	36.2	35.2	26.7	20.0	35.5	-35.0	28.0	8.4
	Imports	29.9	27.9	29.9	35.2	29.0	-30.8	23.2	13.6
Net fuel importers	Exports	38.2	8.6	14.9	25.8	33.8	-36.7	7.8	12.1
	Imports	31.2	17.0	26.2	35.5	38.0	-37.9	10.0	9.3
Developing countries	Exports	26.1	22.4	19.2	16.7	18.0	-21.9	16.9	10.0
	Imports	27.7	17.9	16.3	18.2	21.4	-19.9	18.8	10.5
Africa	Exports	30.5	35.2	17.5	18.6	26.3	-32.4	23.6	9.9
	Imports	25.3	22.8	13.6	26.0	26.0	-14.2	12.5	8.2
North Africa	Exports	29.2	38.0	21.1	19.0	29.3	-34.9	17.6	9.1
	Imports	29.7	16.5	14.4	32.4	31.8	-9.2	6.0	8.1
Sub-Saharan Africa	Exports	29.9	33.0	21.6	21.1	29.1	-28.3	26.1	12.0
(Excluding Nigeria & South Africa)	Imports	22.3	22.9	14.3	24.2	31.1	-10.0	15.1	7.6
Net fuel exporters	Exports	36.7	52.8	18.0	19.8	31.4	-39.4	31.2	10.2
	Imports	19.6	33.2	6.7	34.7	30.4	-8.8	11.6	7.7
Net fuel importers	Exports	24.8	17.2	16.7	17.0	19.3	-21.9	14.8	9.3
	Imports	28.6	17.2	17.8	21.2	23.3	-17.7	13.2	8.6
East and South Asia	Exports	25.4	19.1	19.0	17.3	14.3	-17.0	16.7	10.3
	Imports	28.2	17.0	16.3	15.5	19.6	-18.0	19.9	11.3
East Asia	Exports	25.4	18.0	19.0	17.0	14.0	-16.7	17.0	10.3
	Imports	27.5	15.5	15.7	15.0	18.0	-17.8	20.6	11.2
South Asia	Exports	25.2	32.6	19.0	21.1	16.7	-20.2	13.5	9.6
	Imports	35.6	32.4	21.2	20.0	32.3	-20.0	14.7	11.7
Net fuel exporters	Exports	28.8	36.7	19.8	24.4	12.4	-36.6	40.3	4.9
	Imports	29.5	21.2	18.7	24.8	24.9	-14.6	8.7	7.5
Net fuel importers	Exports	25.3	18.4	18.9	17.0	14.4	-16.1	15.9	10.5
	Imports	28.1	16.9	16.2	15.2	19.4	-18.2	20.4	11.5
Western Asia	Exports	30.4	33.2	21.0	17.4	31.1	-33.0	17.3	8.8
	Imports	34.6	19.0	14.4	27.4	27.1	-27.1	15.7	7.9
Net fuel exporters	Exports	31.9	40.7	22.7	15.9	32.8	-35.3	19.1	8.4
	Imports	37.9	20.1	13.3	31.2	27.8	-20.0	9.3	8.0
Net fuel importers	Exports	26.7	13.8	15.9	22.6	25.6	-25.3	11.9	10.0
	Imports	31.1	17.6	15.6	23.1	26.4	-35.8	25.3	7.8
Latin America and the Caribbean	Exports	23.7	20.6	19.7	12.2	15.9	-22.8	13.6	10.3
	Imports	22.1	18.4	19.2	18.9	21.7	-24.5	20.6	10.5
South America	Exports	33.1	26.3	21.7	15.2	22.3	-24.0	14.0	10.4
	Imports	33.6	25.4	24.0	29.1	32.7	-25.3	25.1	12.5
Mexico and Central America	Exports	14.8	13.7	16.1	9.1	7.4	-19.8	12.9	10.5
	Imports	16.2	12.9	15.3	11.2	10.4	-23.3	16.4	8.7
Caribbean	Exports	17.2	22.2	30.3	2.8	10.9	-33.2	16.1	6.0
	Imports	12.7	23.2	20.4	12.4	27.0	-26.2	13.9	5.1
Net fuel exporters	Exports	18.9	19.9	17.9	10.0	16.7	-24.7	12.5	10.6
	Imports	21.0	17.2	18.2	15.8	13.3	-24.3	15.2	11.0
Net fuel importers	Exports	32.4	21.6	22.4	15.7	14.8	-19.9	15.2	9.9
	Imports	24.0	20.2	20.8	23.9	34.2	-24.7	27.5	9.9

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	2004	2005	2006	2007	2008	2009[a]	2010[b]	2011[b]
World	Exports	11.0	7.1	9.8	7.0	2.7	-12.3	7.4	5.9
	Imports	11.6	7.0	9.2	6.8	4.5	-14.0	7.9	5.9
Developed economies	Exports	8.6	4.3	9.2	5.0	2.1	-15.5	5.8	5.4
	Imports	9.0	4.7	8.1	3.8	1.0	-15.6	4.4	4.7
North America	Exports	7.5	5.7	7.5	5.3	3.9	-14.7	14.6	5.6
	Imports	7.6	6.5	5.1	-0.3	-2.0	-16.6	14.4	5.2
Asia and Oceania	Exports	12.6	5.1	9.9	8.2	3.4	-24.4	14.3	7.4
	Imports	9.4	6.2	5.1	1.4	10.0	-16.8	12.7	8.5
Europe	Exports	8.1	3.6	9.6	4.2	1.1	-13.8	0.9	4.8
	Imports	9.6	3.5	10.1	6.2	1.1	-14.9	-1.4	3.7
European Union	Exports	8.3	3.7	9.9	4.1	0.9	-14.1	1.1	5.0
	Imports	9.8	3.4	10.2	6.2	1.1	-15.1	-1.4	3.8
EU-15	Exports	7.6	3.3	9.3	3.5	0.5	-14.7	1.1	4.9
	Imports	9.1	3.0	9.3	4.9	0.1	-15.5	-2.1	3.7
New EU Members	Exports	17.2	8.4	15.8	11.4	5.1	-8.4	0.6	5.8
	Imports	17.8	07.7	18.5	16.8	8.3	-12.8	3.9	4.5
Other Europe	Exports	4.1	2.0	4.8	4.5	5.1	-7.5	-1.8	1.8
	Imports	5.7	6.0	07.7	7.3	2.4	-10.0	-0.8	1.0
Euro Zone	Exports	8.6	2.7	9.2	5.6	0.3	-14.8	1.2	4.4
	Imports	9.2	2.3	9.2	6.4	1.2	-15.1	-2.4	3.3
Economies in transition	Exports	14.4	-4.7	4.5	5.2	1.2	-10.4	8.9	3.7
	Imports	14.3	13.1	20.3	23.3	15.4	-23.1	12.1	8.7
South-eastern Europe	Exports	14.8	6.9	13.3	17.1	5.0	-15.7	3.4	4.3
	Imports	6.2	12.4	12.4	16.3	9.6	-19.3	0.4	4.5
Commonwealth of Independent States	Exports	14.4	-5.4	3.9	4.2	0.9	-9.9	9.3	3.6
	Imports	16.0	13.2	21.8	24.5	16.4	-23.6	14.0	9.3
Net fuel exporters	Exports	13.4	-5.0	4.5	3.3	-0.9	-6.7	11.2	2.7
	Imports	16.9	20.0	24.0	24.9	16.2	-22.7	17.4	10.3
Net fuel importers	Exports	19.1	-7.4	1.1	8.6	9.2	-23.1	-0.2	8.6
	Imports	14.0	-2.5	15.5	23.3	16.9	-26.4	3.0	5.2
Developing countries	Exports	15.1	12.7	11.1	10.0	3.6	-8.0	9.4	6.7
	Imports	17.2	11.4	10.7	11.1	9.8	-10.8	12.8	7.3
Africa	Exports	14.1	26.6	-06.2	11.7	0.6	-6.2	8.0	5.3
	Imports	14.1	16.5	7.4	16.4	13.3	-3.5	6.8	5.0
North Africa	Exports	8.6	9.8	10.8	10.8	5.6	-01.2	-0.3	5.3
	Imports	17.7	8.4	9.2	22.0	18.8	3.0	0.7	4.8
Sub-Saharan Africa	Exports	12.1	11.2	5.1	7.4	2.3	-4.1	10.5	7.5
(Excluding Nigeria & South Africa)	Imports	11.4	18.7	5.8	15.1	17.6	1.3	8.8	4.2
Net fuel exporters	Exports	18.8	42.5	-14.2	16.1	-1.7	-4.4	9.2	4.7
	Imports	-9.6	25.4	1.2	25.0	18.0	2.0	6.6	4.5
Net fuel importers	Exports	9.0	7.9	6.2	6.1	3.8	-8.5	6.4	6.2
	Imports	16.7	11.7	11.2	11.7	10.3	-7.2	6.9	5.3
East and South Asia	Exports	17.1	14.3	14.5	11.2	4.8	-8.3	10.9	7.0
	Imports	17.7	10.8	10.8	9.1	8.5	-8.8	13.6	8.0
East Asia	Exports	17.7	14.2	14.9	11.2	5.1	-8.6	11.3	7.1
	Imports	17.2	9.8	10.7	8.6	7.6	-9.0	14.3	8.0
South Asia	Exports	10.1	15.7	9.0	10.5	0.1	-4.2	4.1	5.8
	Imports	22.5	21.7	11.0	13.7	16.9	-7.4	7.0	7.9
Net fuel exporters	Exports	5.5	6.5	4.4	13.1	-11.4	-11.6	25.2	1.6
	Imports	17.5	14.2	13.8	20.3	14.1	-4.7	3.8	4.7
Net fuel importers	Exports	17.6	14.5	14.8	11.1	5.2	-8.2	10.5	7.1
	Imports	17.7	10.7	10.7	8.7	8.3	-9.0	14.0	8.2
Western Asia	Exports	8.5	3.2	6.2	7.1	0.8	-5.8	4.1	4.4
	Imports	21.5	10.6	8.2	19.2	14.6	-18.0	9.5	4.8
Net fuel exporters	Exports	6.8	2.4	4.1	4.9	-3.0	-0.6	2.0	2.5
	Imports	24.4	12.2	7.6	24.1	15.0	-10.5	3.6	4.9
Net fuel importers	Exports	12.4	5.1	10.6	11.6	08.0	-14.9	8.4	7.9
	Imports	18.3	8.8	9.0	13.5	14.0	-27.8	19.0	4.7
Latin America and the Caribbean	Exports	11.9	6.5	8.1	5.5	0.7	-8.5	6.1	7.5
	Imports	13.7	12.2	13.5	11.4	10.2	-16.8	14.8	7.3
South America	Exports	13.5	7.7	5.4	4.9	0.5	-3.9	5.0	7.4
	Imports	22.7	17.8	16.4	20.8	18.6	-15.8	18.6	9.3
Mexico and Central America	Exports	10.8	5.6	10.6	6.4	1.4	-11.8	7.3	7.9
	Imports	9.5	8.3	11.3	5.1	2.6	-17.6	11.8	5.9
Caribbean	Exports	5.9	5.1	12.5	-0.4	-5.4	-21.4	5.9	3.4
	Imports	3.9	14.8	14.5	5.0	14.6	-18.1	8.1	2.1
Net fuel exporters	Exports	10.8	7.2	9.7	4.3	1.8	-10.5	5.2	7.3
	Imports	13.5	11.8	13.3	8.6	3.9	-17.5	10.1	7.9
Net fuel importers	Exports	13.8	5.3	5.4	7.5	-1.2	-4.7	7.7	7.9
	Imports	14.2	12.9	13.8	16.3	20.2	-15.8	21.1	6.7

Source: UN/DESA

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