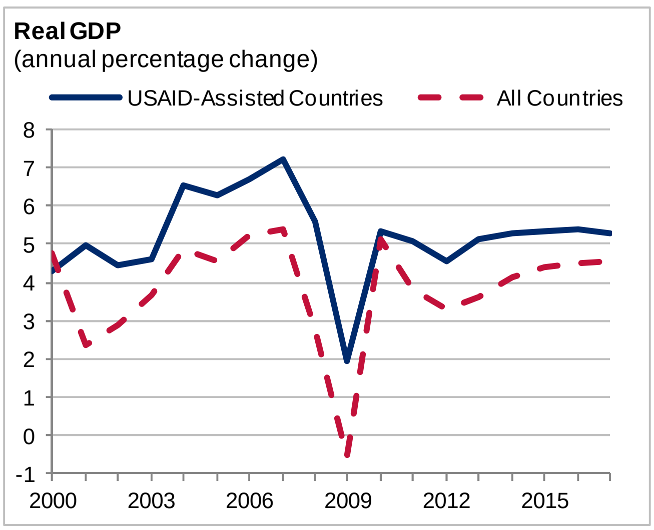
EADS Snapshot on

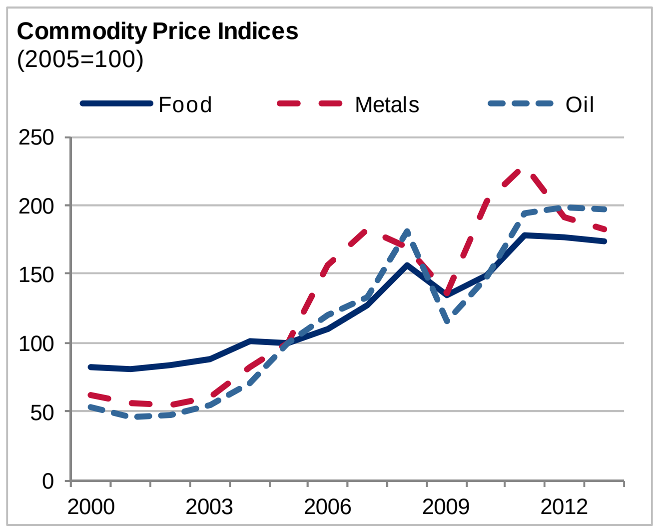
World Economic Outlook

No. 63 November 2012

This snapshot highlights global and regional trends in economic growth based on the October 2012 *World Economic Outlook* report from the IMF. The IMF forecasts that the recovery is slowing down and depends largely on how the European and U.S. policymakers resolve their short term economic challenges. The IMF expects global growth to drop to 3.3 and 3.6 percent in 2012 and 2013, respectively. Both estimates are downward revisions from the April 2012 *WEO* update. Growth in developing and emerging economies is expected to be stronger, roughly 5.6 percent in 2013 compared with 1.5 percent for advanced economies.

Countries receiving at least $2 million in USAID assistance in fiscal year 2010 are expected to outperform the forecasted world growth rate, with average growth forecast of 5.1 percent for 2013. However, countries receiving USAID assistance are expected to perform slightly below the average of developing and emerging economies, forecasted at 5.6 percent in 2012. The IMF forecasts that short-term supply constraints are likely to keep food prices elevated, but they are expected to subside if there are no additional disruptions to supply or trade restrictions. For low- and middle- income countries, which bore the brunt of the inflationary impact of the 2007–2008 food price surge, the IMF recommends that targeting underlying inflation, rather than the headline food price inflation. This targeting is expected to improve central bank credibility by stabilizing both output and inflation volatility.





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Trends in USAID-Assisted Countries

This snapshot focuses on countries that received at least $2 million in USAID assistance in fiscal year 2010. While USAID assisted countries have been growing at a higher rate than the global average, their growth is not evenly distributed. Several countries are expected to see double-digit growth over the next five years, while others are expected to see minimal growth. Countries with the top ten expected growth rate averages come from predominantly from Africa and Asia, with one country from the Middle East. Countries in the bottom ten represent every region except Asia and the Middle East and the majority of these countries are in Europe and Eurasia.

The country expected to grow the fastest over the period of 2012–2017 is Guinea, which is forecasted to increase its economy by 81 percent over the next five years. Mongolia and Iraq represent the next largest GDP increases, both expected to grow more than 60 percent over the next five years. While these countries are forecasted to have impressive GDP growth, their GDPs are relatively small and depend largely on continued commodity price growth. These countries are also less exposed to risks from the economic crisis in Europe.

Even those USAID assisted countries that register the slowest growth from 2012–2017 are still expected to see GDP increases. Many of the worst performing countries have strong linkages to Europe and their growth will likely be impeded by further uncertainty and risk in the euro zone.

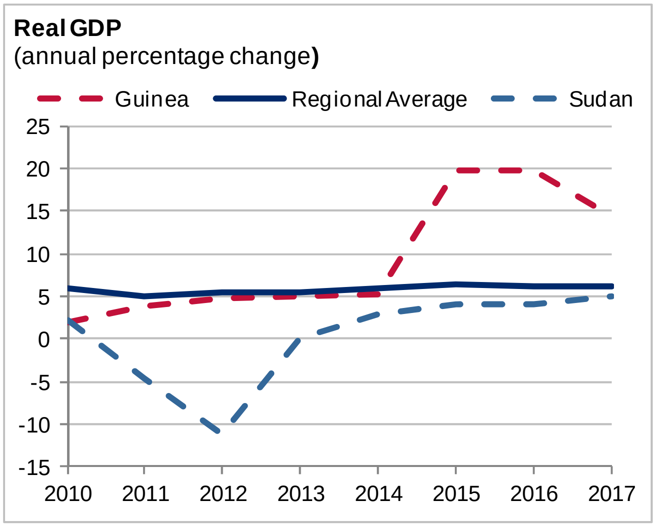
GDP Growth for USAID-Assisted Countries, 2012–2017

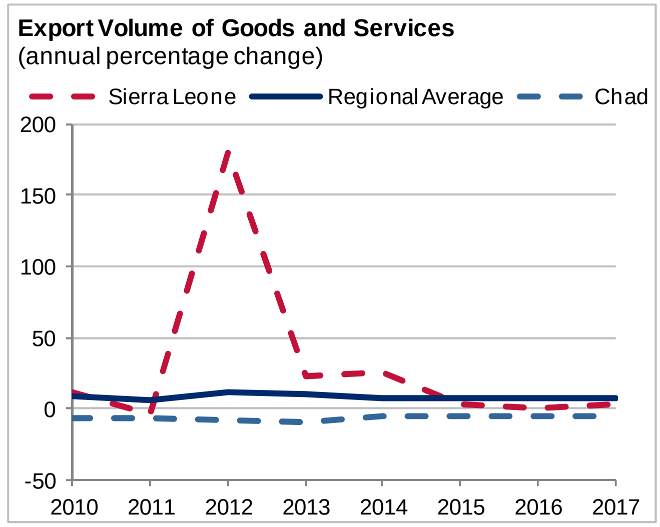
Country	Percentage Change, 2012–2017	Average Percentage Change, 2012–2017
Fastest Growing Economies		
Guinea	81.35	11.50
Mongolia	69.17	11.41
Iraq	67.82	10.80
Timor-Leste	59.62	9.83
China (P.R.C.)	50.12	8.36
Slowest Growing Economies		
Albania	12.26	2.03
Serbia	11.27	1.72
Montenegro	10.27	1.68
Jamaica	6.41	1.19
Cyprus	4.62	0.39

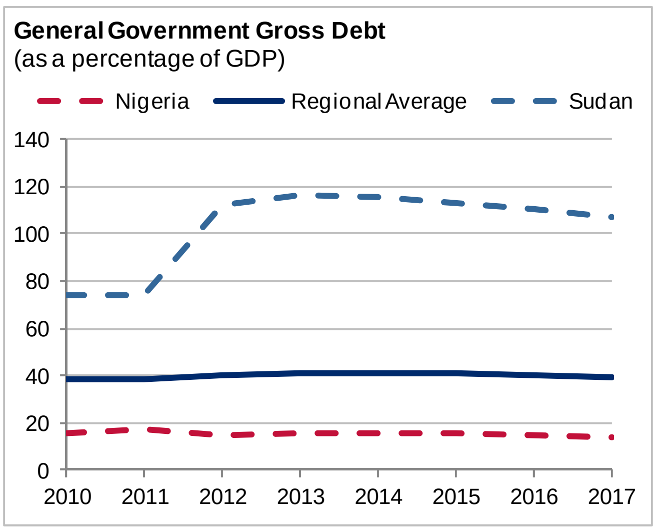
Sub-Saharan Africa

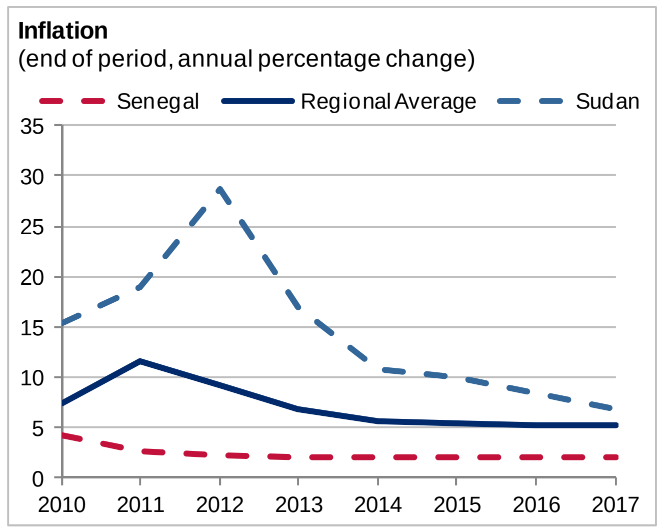
Sub-Saharan Africa is expected to continue growing strongly in the short term. Most Sub-Saharan economies are participating in this expansion with the exceptions of South Africa, which is hampered by strong linkages with Europe and some West African affected by drought and civil conflict. In addition, some food importers have been hit hard by the sharp increase in global food prices, leading to higher headline inflation and widening trade imbalances. With the exception of South Africa, financial spillovers from the escalation of the euro crisis to the region have been contained, thanks in part to export diversification, which has decreased exposure to weak demand from advanced economies, and high commodity prices, which have led to increased investment in resource extraction.

USAID assisted countries in Sub-Saharan Africa are forecasted to grow 5.5 percent in 2013 and continue growing at 6.0 percent through 2017. Exports of goods and services in the region are expected to grow by 10 percent in 2013, boosted by the increase in mining and textile exports from Madagascar. Downside risks remain high, primarily because of global uncertainties due to the euro area crisis. The primary channel for spillovers is trade. Another key risk relates to the possible further increase in food prices. A slowdown in China could also affect the region adversely, not only due to the region's deepening trade linkages with China, but also through the effect on commodity prices and China's increasingly important contributions to FDI and financing.





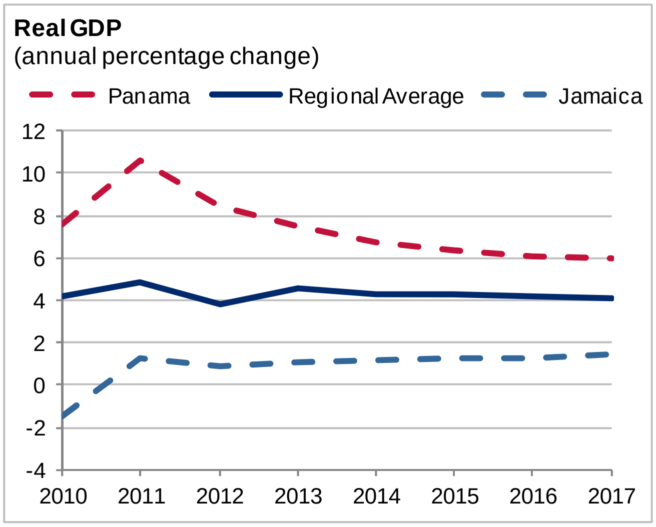


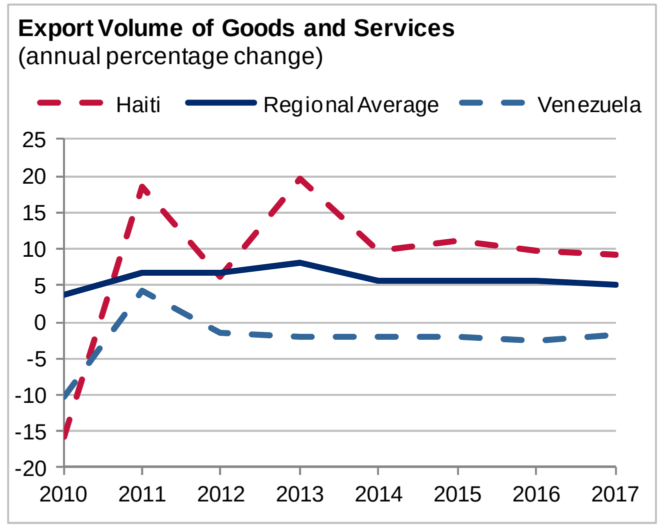


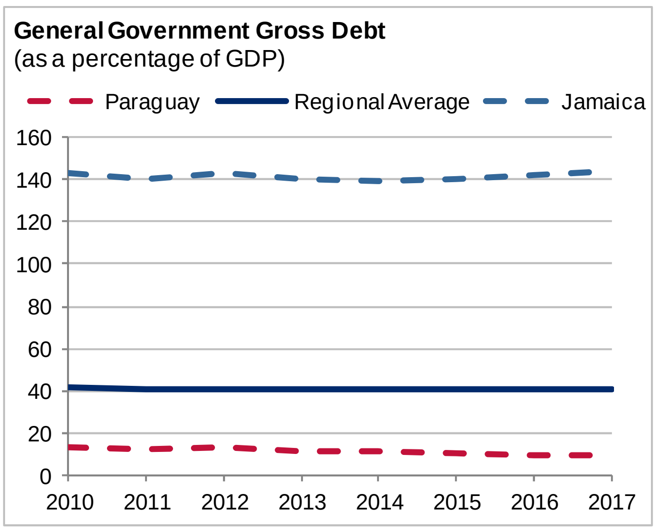
Latin America and the Caribbean

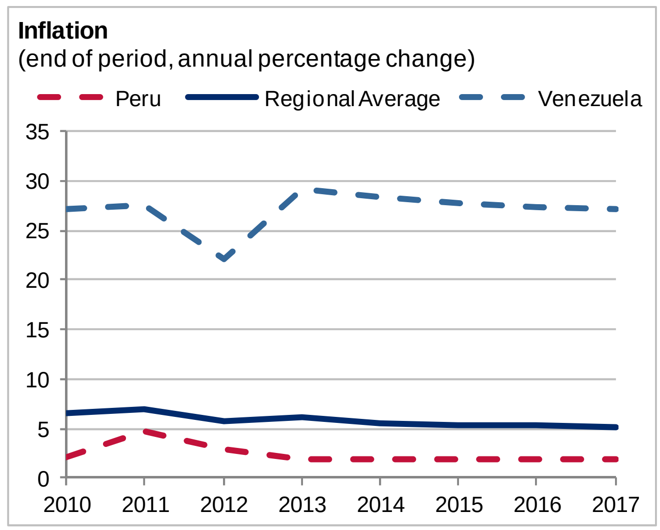
Growth in Latin America and the Caribbean (LAC) slowed in the first half of 2012 due to moderating activity in emerging Asia, which weakened the demand for LAC goods and services. This decrease in activity has also caused lower prices for most commodities and worse terms of trade for commodity exporters. In addition, the LAC region's exposure to euro area financial spillovers has led to increased risk aversion and reduced capital flows to the region. Despite exposure to European banks and slowing economic activity, credit growth throughout the region has remained robust.

USAID assisted countries in the region are forecasted to grow 3.8 and 4.6 percent in 2012 and 2013 and are expected to continue growing at around 4.0 percent through 2017. Brazil is expected to see stronger growth in late 2012, spurred by domestic demand and recent monetary policy easing. In Mexico, growth remained strong in 2012 but is expected to moderate due to weaker short-term U.S. growth prospects. In the Caribbean, high public debt and weak tourism and remittance flows continue to constrain the outlook and growth is expected to remain lackluster.





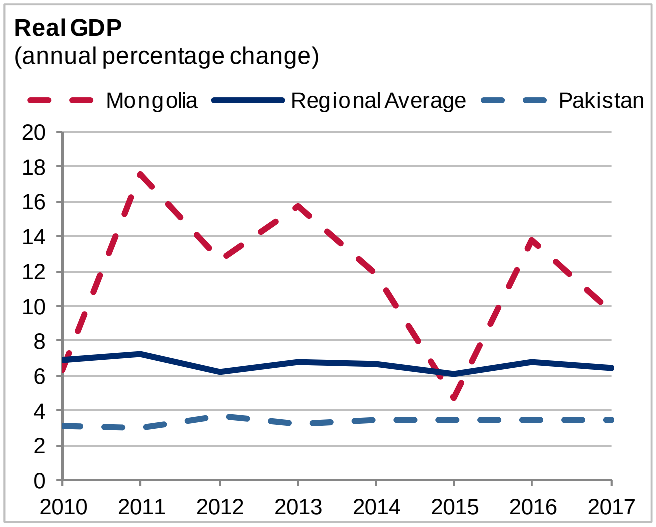


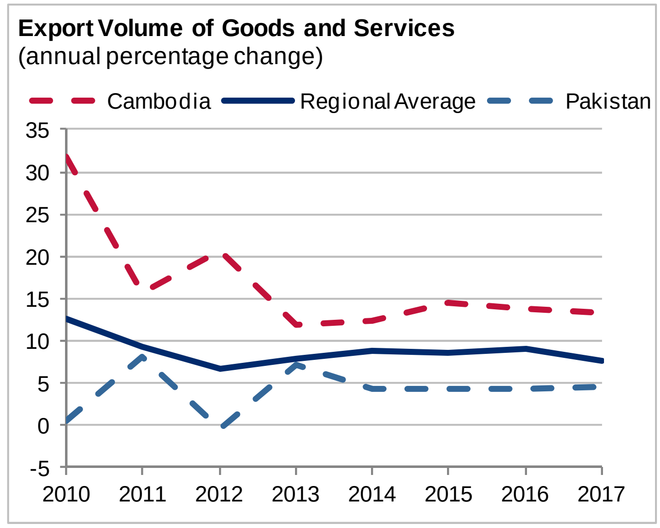


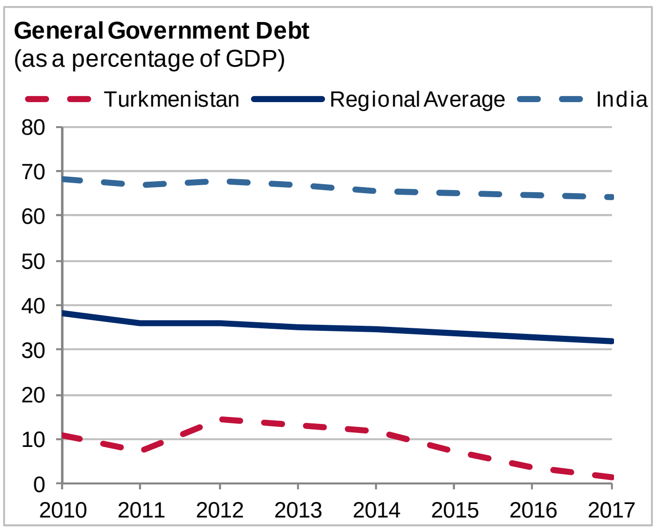
Asia

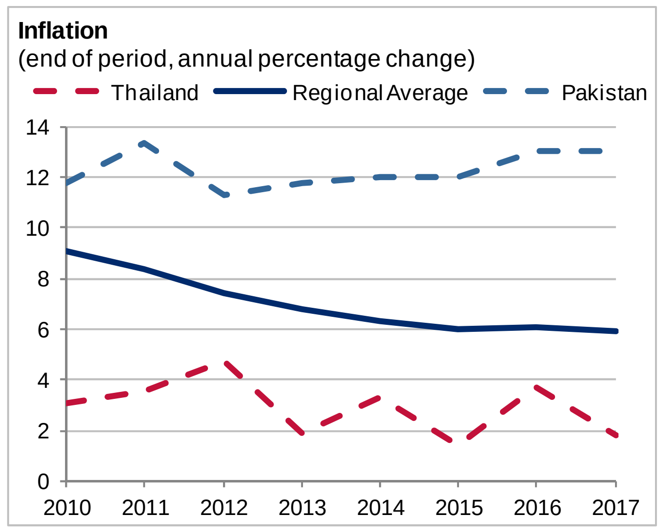
Growth in Asia continued to slow during the first half of 2012. Slower growth in import demand in advanced economies corresponded with weaker export growth in Asia. In addition, slower growth in China has affected activity in the rest of Asia with weaker demand. The exception is Thailand, where activity has rebounded through recovery from last year's floods and reconstruction with projected growth at 5.6 and 6.0 percent in 2012 and 2013. In the event of further escalation of the euro area crisis and/or failure to address the U.S. fiscal cliff, Asia's open trade-oriented economies would be faced with lower external demand and other spillovers and growth could be substantially lower.

USAID assisted countries in the region are forecasted to grow 6.8 percent in 2013 and continue to grow around 6.0 percent through 2017. Inflation in the region is projected to decline slightly to 6.8 percent in 2013 down from 7.4 and 8.3 percent in 2012 and 2011. Mongolia and Timor-Leste are forecasted to see the highest growth with double-digit growth through 2016.





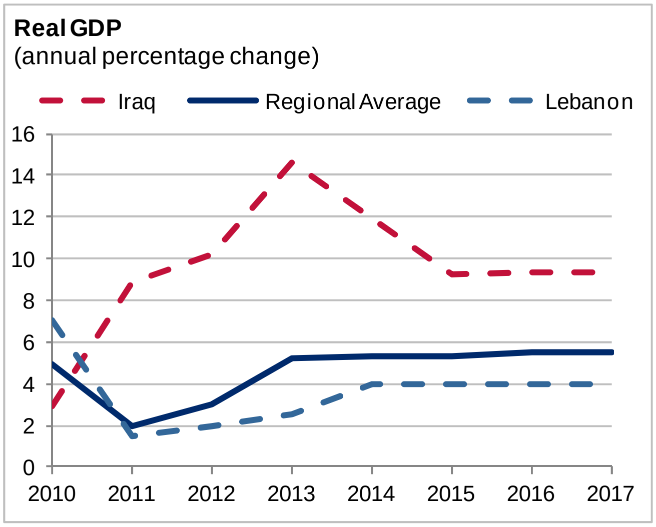


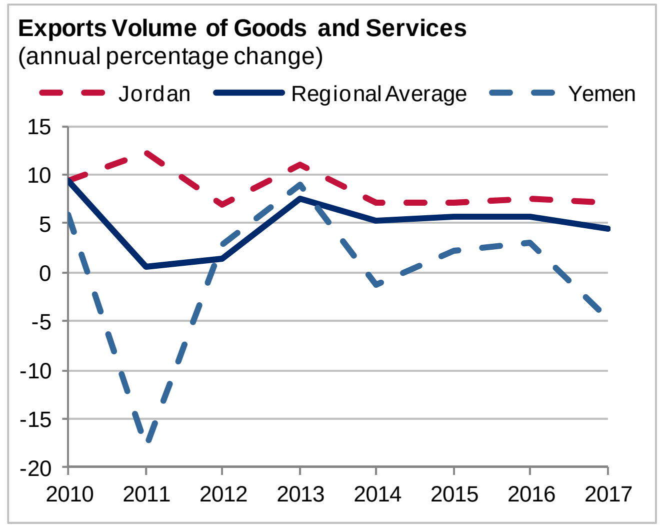


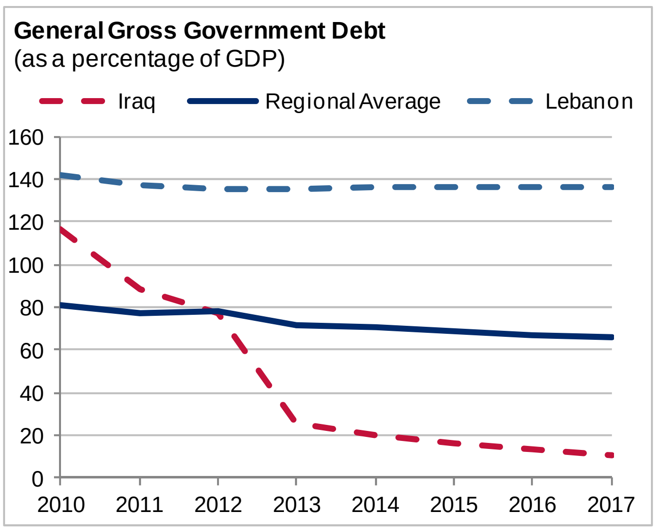
Middle East and North Africa

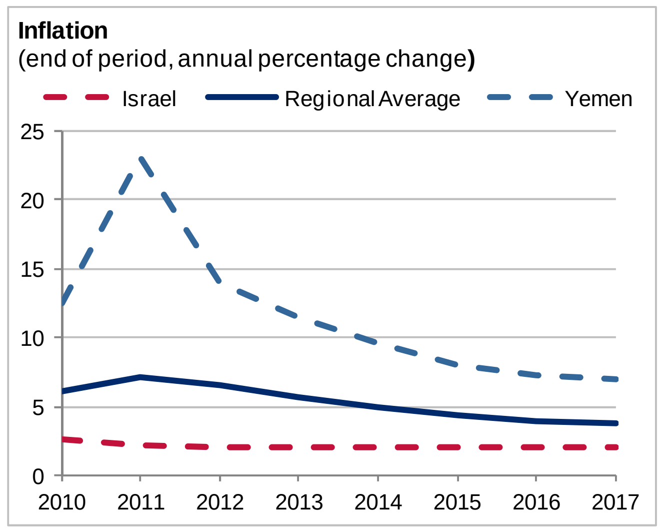
The Middle East and North Africa region has seen a marked weakening in economic activity due to uncertainty and unrest after the Arab Spring and slowing growth among major European trading partners. Growth in the region was relatively subdued at 3.0 percent in 2012 but is projected to increase to 5.2 percent in 2013 on account of oil exporters. By contrast, growth in oil importers has been slow during 2012, reflecting the impact of social unrest and high oil prices.

Export volumes in the region are expected to rebound in 2013 with 7.6 percent and continuing to grow at around 5.0 percent through 2017. Government debt is forecast to remain high in the region at 71.2 percent of GDP in 2013 and is expected to decrease to 65.7 percent of GDP in 2017. The region has also suffered a massive pullback in tourism and FDI. For oil importers, the IMF recommends focusing on preserving or rebuilding macroeconomic stability while oil exporters should take advantage of current high oil prices to diversify their economies.







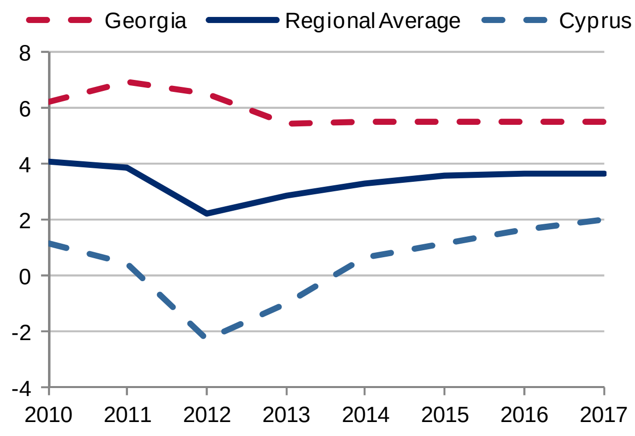


Europe and Eurasia

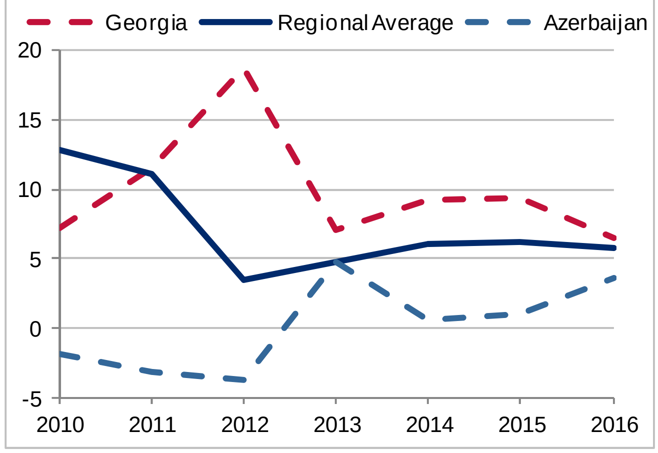
The region remains extremely vulnerable to uncertainty in advanced economies, given its strong economic and financial linkages with the euro area. Increased financial stress in the euro area and higher global risk have significantly affected financial conditions in the area. Growth in the Ukraine will slow to 3.0 and 3.5 percent in 2012 and 2013 compared with 5.1 percent in 2011, driven by weaker export and domestic demand. In Belarus, lower domestic demand after the 2011 currency crisis will weigh on growth.

Regional average growth is expected to increase slightly to 2.9 percent in 2013, up from 2.3 percent in 2012. Cyprus and Serbia are both forecasted to contract in 2012 with Cyprus contracting further in 2013 and Serbia experiencing slight growth at 2.0 percent in 2013. Regional export volume is expected to grow at a rate of 4.5 and 4.8 percent in 2012 and 2013, down significantly from 2011. General government debt is expected to decrease slightly to 39.9 percent of GDP in 2013, down from 40.5 percent in 2012 and maintain at approximately 39.0 percent through 2017. Inflation is expected to maintain the same pace for the next five years at around 5.0 percent.

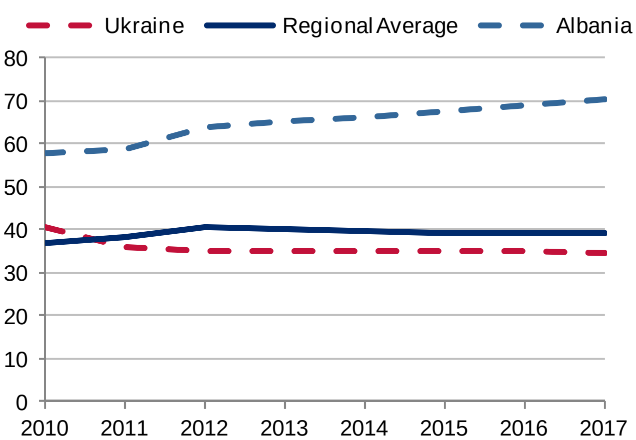
Real GDP
(annual percentage change)



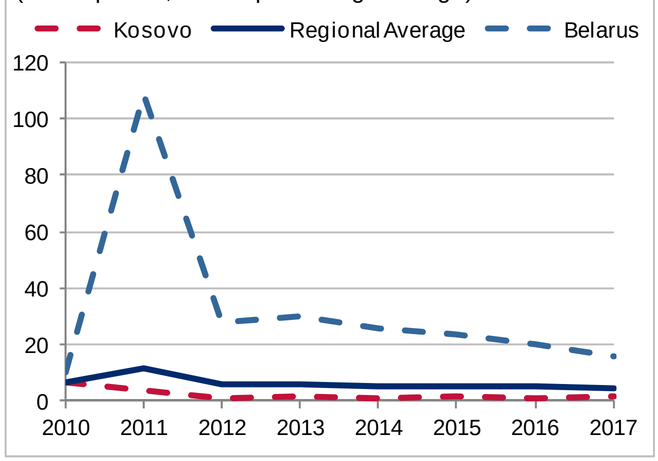
Export Volume of Goods and Services
(annual percentage change)



General Government Gross Debt
(as a percentage of GDP)



Inflation
(end of period, annual percentage change)



Additional Information

For questions or more information, please contact the author, Marie-Ellen Ehounou, at mehounou@devtechsys.com.

To access the complete dataset from the WEO report, visit the Economic and Social Database (ESDB) at http://esdb.eads.usaidallnet.gov. The ESDB website offers related datasets from the IMF, World Bank, US government agencies and other sources. Through the ESDB website, you can also access standard country profiles, utilize analytical tools such as the Financial Sector Analysis Tool, and generate customized tables and graphs.