USAID FROM THE AMERICAN PEOPLE

EADS Snapshot on

World Economic Outlook

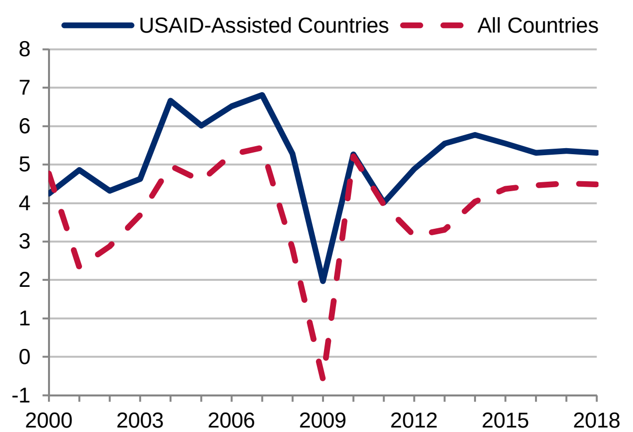
No. 72 May 2013

The *World Economic Outlook (WEO)*, published by the International Monetary Fund (IMF), focuses on major economic policy issues as well as global economic developments and prospects. The *WEO* report includes IMF staff analysis and projections to the year 2018 on 200 countries and regions.

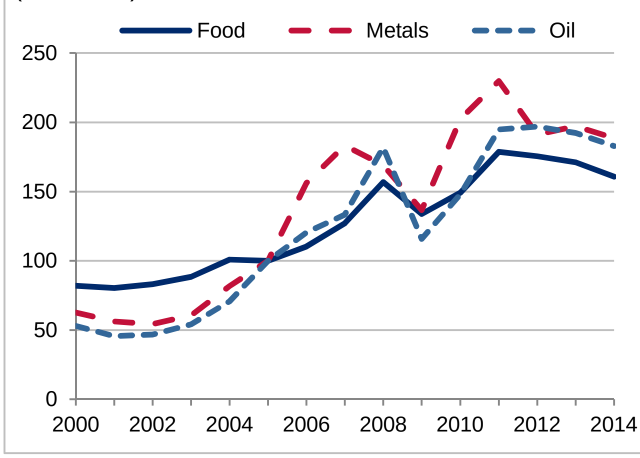
This snapshot highlights global and regional trends in economic growth based on the April 2013 *World Economic Outlook* report. The IMF reports that the global recovery is precarious and depends largely on developments in the euro area. Growth is still uncertain due to politics in Italy, the post banking crisis in Cyprus, and high fiscal deficits and debt in the United States and Japan. The IMF predicts global growth to slightly increase to 3.3 percent in 2013 from 3.2 percent in 2012. Growth in developing and emerging economies is expected to be stronger, roughly 5.3 percent in 2013, but will depend on how closely linked these economies are to the euro area. A history of policy improvements and weak linkages to troubled European economies will continue to benefit emerging and developing economies. However, concerns over the sustainability of growth, particularly growth linked to credit access and commodity prices, remain in the developing world.

Countries receiving at least $2 million in USAID assistance in fiscal year 2011, with an average growth forecast of 5.5 percent for 2013, are expected to outperform the forecast world growth rate of 3.3 percent, but only slightly above the 5.3 percent average seem for the entire group of developing and emerging economies. The IMF expects the food price index to slightly decrease from 175.4 in 2012 to 171.1 in 2013. Despite the decrease, the index still encounters many elevated risks such as low food inventories, higher-than-expected oil prices, and adverse weather conditions. Metal prices are expected to increase in 2013 after a decrease in 2012 due to slowing consumption and weak import demand in China. The slight forecast increase in metal prices is related to improving macroeconomic sentiment. Oil prices have remained very high and they are expected to decrease slightly in 2013. Prices will stay elevated compared to recent years due to geopolitical events in several oil exporting countries in the Middle East and U.S. sanctions against Iran.

Real GDP
(annual percentage change)



Commodity Price Indices
(2005=100)



Trends in USAID-Assisted Countries

This snapshot focuses on countries that received at least $2 million in USAID assistance in fiscal year 2011. While USAID-assisted countries have been growing at a higher rate than the global average, their growth is not evenly distributed. Only South Sudan is expected to see double-digit growth over the next five years, while others are expected to see single-digit growth. Countries with the top ten expected growth rate averages come predominantly from Africa, Asia, and the Middle East. Countries in the bottom ten represent every region except the Middle East and Africa, and the majority of these countries are in Europe and Eurasia. These countries are more exposed to risks from the economic crisis in Europe.

The country expected to grow the fastest from 2013–2018 is South Sudan, which is forecast to increase its economy by 129 percent over the next five years. Mongolia, Guinea, and Timor-Leste represent the next largest GDP increases, and are expected to grow more than 55 percent over the next five years. While these countries are expected to have impressive GDP growth, their GDPs are relatively small and depend largely on continued commodity price growth.

Even those USAID-assisted countries that register the slowest growth from 2013–2018 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, 2013–2018

Country	Percentage Change, 2013–2018	Average Percentage Change, 2013–2018
Fastest Growing Economies		
South Sudan	129.31	21.15
Mongolia	54.04	9.87
Guinea	64.94	9.68
Timor-Leste	58.16	9.67
Libya	43.64	9.64
Slowest Growing Economies		
Japan	6.15	1.26
Jamaica	9.44	1.78
El Salvador	10.54	1.78
Montenegro	11.14	1.98
Ireland	13.89	2.38

Regional Economic Development and Forecast

This snapshot focuses on five world regions, which are the Middle East and North Africa, Sub-Saharan Africa, Latin America and the Caribbean, Asia, and Europe and Eurasia. The analysis and charts concentrate on the movement and trends of the economy as a whole by examining four macroeconomic indicators with historic and forecast data. The four indicators are real GDP, export volume of goods and services, general gross debt as a percentage of GDP and inflation.

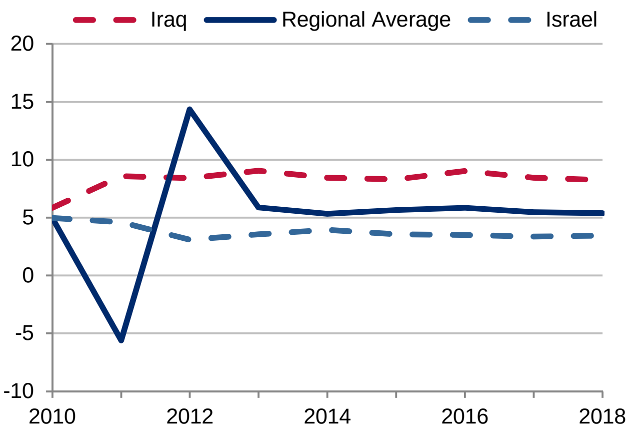
Graphs included in the snapshot illustrate the best and worst performers and the regional average, which includes only countries that received $2 million in USAID assistance in fiscal year 2011. Unless otherwise specified, when the snapshot discusses a region, it refers to countries in that region that received $2 million in USAID assistance in the fiscal year 2011.

Middle East and North Africa

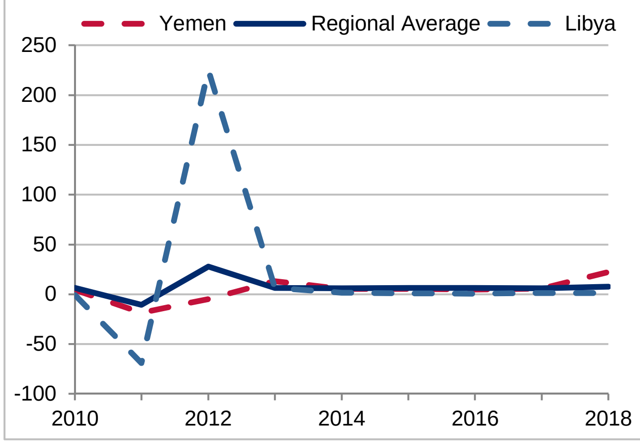
The Middle East and North Africa (MENA) region has seen a remarkable increase in real GDP, with 14.4 percent growth in 2012, due to the restoration of Libya's oil production and robust expansion in the oil exporters' countries. However, growth in the region is expected to slow to 5.9 percent in 2013 due to weak global oil demand. The MENA region still faces many challenges due to continuing political and social unrest and regional spillovers from the Syrian civil war.

The region is predicted to continue having low growth in export of goods and services mainly due to the slow recovery of European trading partners. Export volumes in the region are expected to grow at 6.5 percent. Government debt as a percentage of GDP is forecast to decrease from 61.6 percent in 2013 to 56.5 percent in 2018. The decrease is mainly due to reduced energy subsidies and greater exchange rate flexibility. Inflation is on par with the better performing regions; it was 4.5 percent in 2012 and expected to decrease to 3.9 percent in 2018.

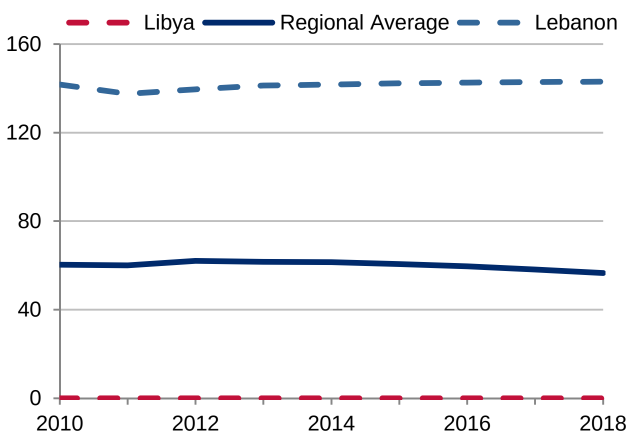
Real GDP
(annual percentage change)



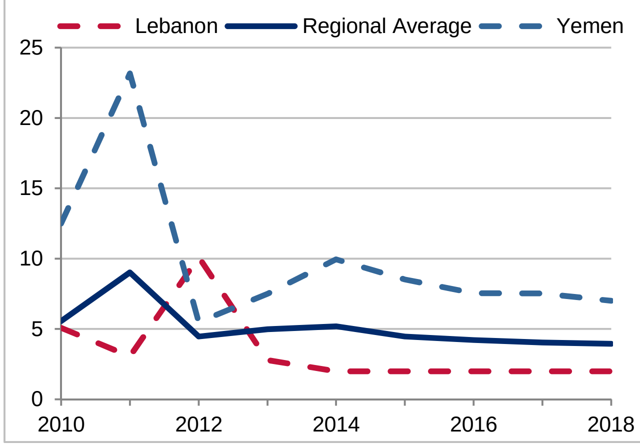
Exports Volume of Goods and Services
(annual percentage change)



General Gross Government Debt
(percentage of GDP)



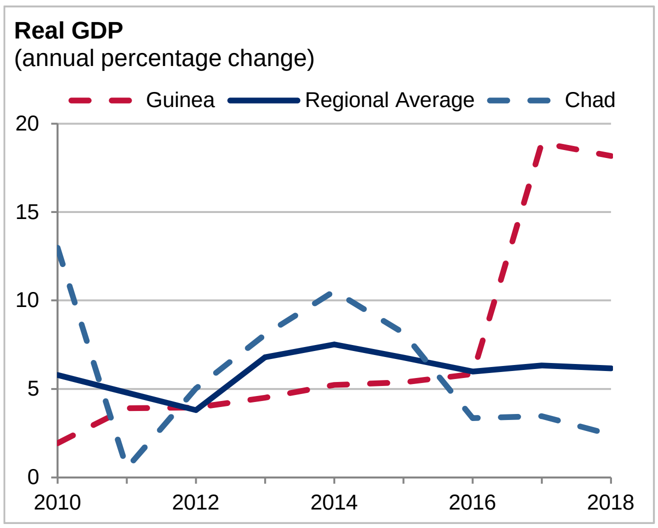
Inflation
(end of period, annual percentage change)

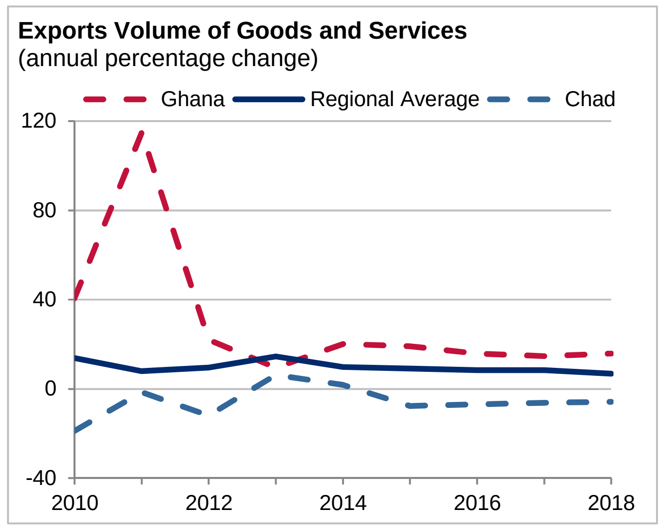


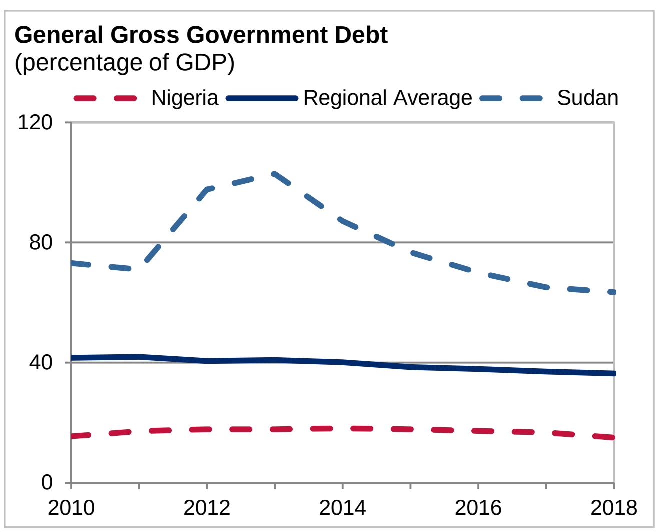
Sub-Saharan Africa

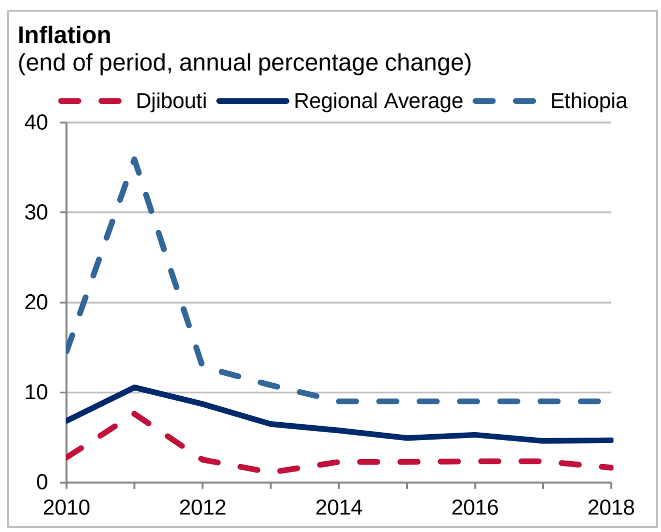
Sub-Saharan Africa continues to experience strong growth, despite the euro area debt crisis, and weaker growth in China and in the U.S. economy. These external weaknesses have been offset by robust domestic demand due to private consumption and investment. South Africa and South Sudan were the exceptions, the latter due to the interruption of oil exports and the former owing to a decrease in demand from Europe. West African countries are leading the growth in Sub-Saharan Africa by attracting investment through the commodity sector, composed mainly of oil and iron. West Africa has attracted more foreign direct investment (FDI) than East and Southern Africa combined.

Sub-Saharan Africa is forecast to grow 6.8 percent in 2013 and expected to have the fastest growing region at more than 6.6 percent at an annual rate through 2018. Inflation is forecast to fall in 2013 to 6.5 percent, mainly due to the absence of new fuel and food price shocks. Inflation is expected to stay low at 5.3 percent through 2018. Government debt is predicted to stay in the low 40s' percent until 2018. Growth of exports of goods and services in the region are expected to peak in the region at 14.5 percent and decline to 9.5 percent by 2018.





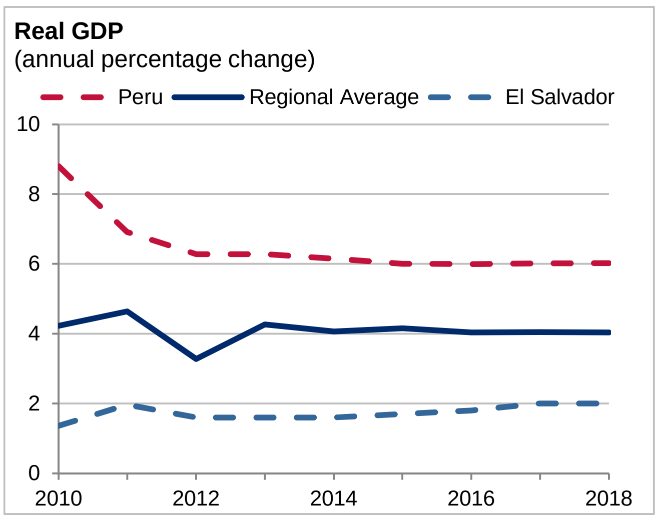


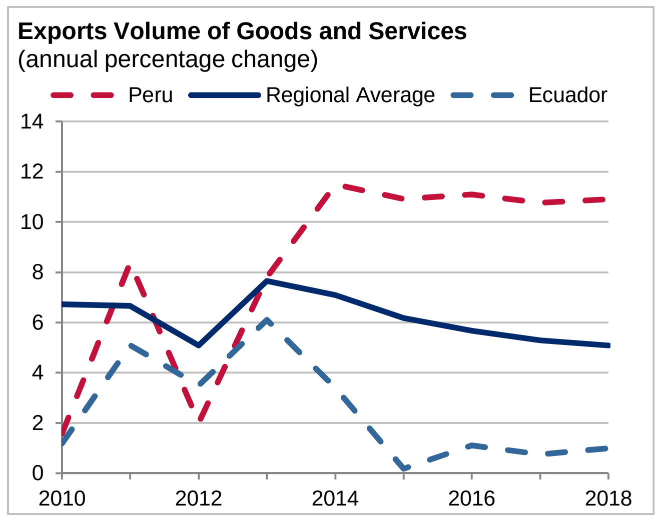


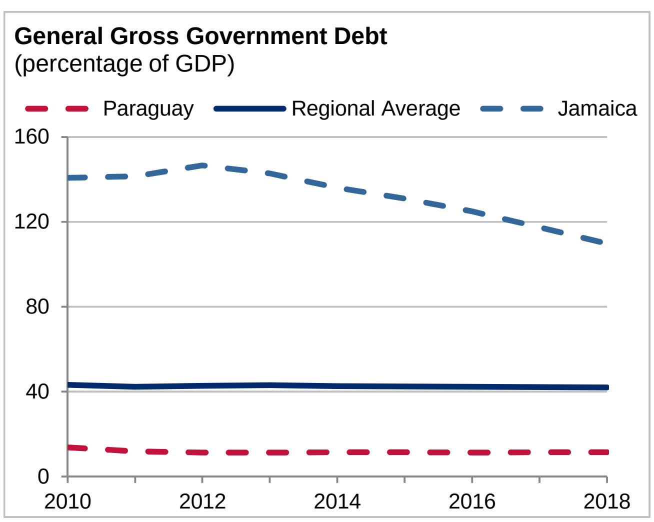
Latin America and the Caribbean

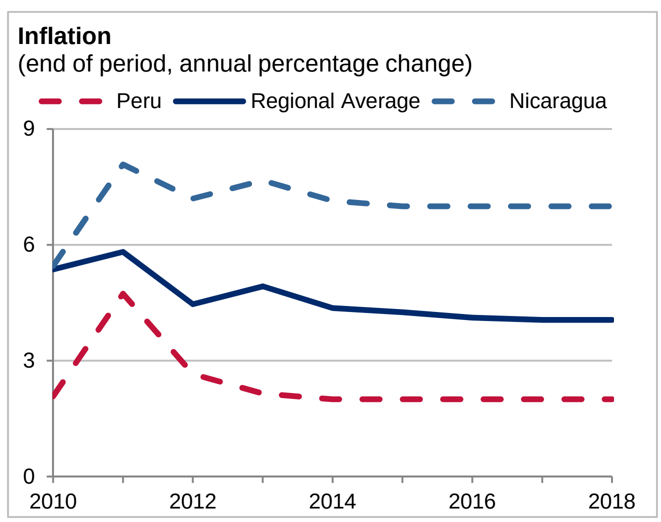
Latin America and the Caribbean (LAC) region is forecast to grow slowly in 2013 and that trend is dependent on its trading partners in East Asia, particularly China. This trade dependency poses a great risk to the region due to the decrease in Chinese economic growth. Even with the risky slow growth, domestic demand remained strong in most Latin American countries, supported by high commodity prices, strong capital inflows, and easy financing conditions.

The LAC is expected to grow at an average rate of 4.3 percent in 2013, making it the second slowest regional performer after Europe and Eurasia. Peru is forecast to see the strongest growth in 2013, spurred by low inflation and robust export of goods and services. On the other hand, Brazil was negatively affected by the slowdown in external demand due to its high dependency on high commodity exports. Government debt in the region is expected to be largely stable at around 42.4 percent of GDP through 2018. However, countries such as Haiti, Honduras, and El Salvador are expected to see higher government debt levels.







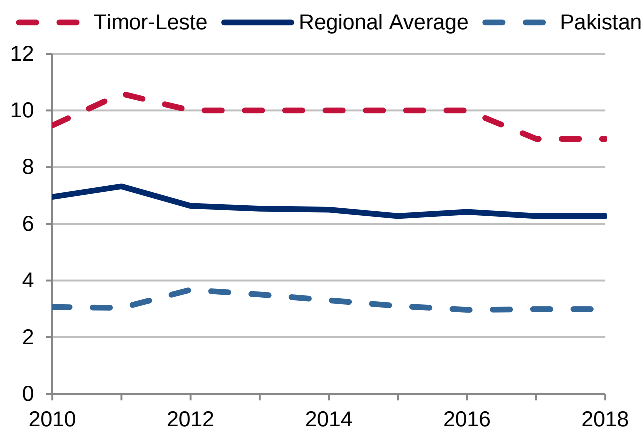


Asia

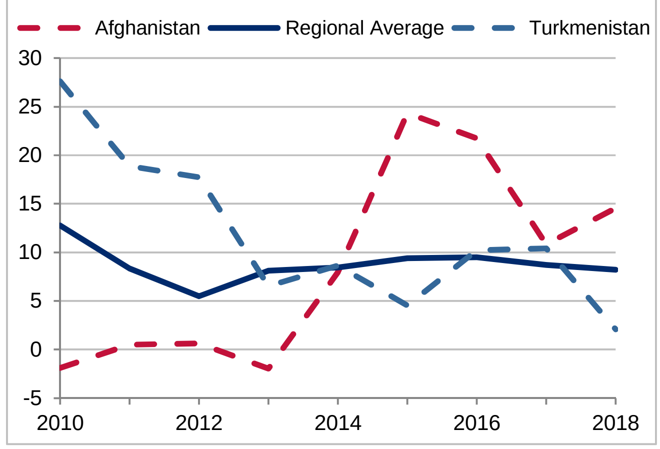
Asia depends tremendously on export and investment for the growth of its economy. Due to internal demand spillovers, particularly in China and Japan, growth has slightly increased in Asia. Nevertheless, growth in USAID-assisted countries in Asia is expected to slow down to 6.5 percent in 2013. Pakistan has the lowest forecast GDP growth in the region mainly because of its high fiscal deficit and sharp fall in private investment due to the difficult business environment. Timor-Leste and Mongolia are expected to see the highest growth through 2014.

The region is projected to have steady inflation around 6.2 percent through 2018, primarily due to stable outlook for global food and commodity prices. Pakistan is forecast to see the highest inflation rate with double-digit figures through 2018. General government debt is expected to decrease slightly to 35.4 percent of GDP in 2013, down from 36.1 percent in 2012, and remain at approximately 34.7 percent through 2018. Pakistan is expected to have the highest government debt as percentage of GDP, with debt forecast to increase to 72.4 percent in 2018, up from 62.0 percent in 2012.

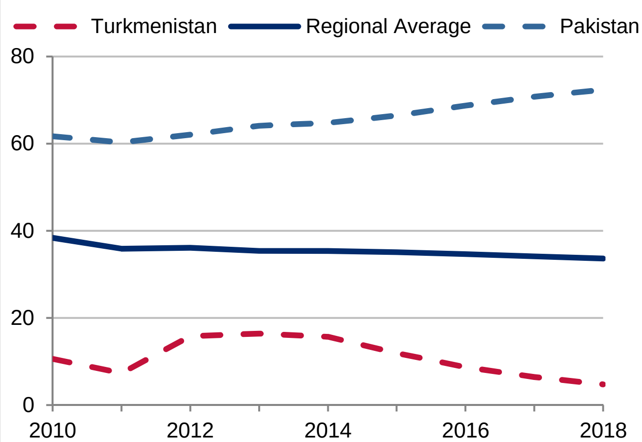
Real GDP
(annual percentage change)



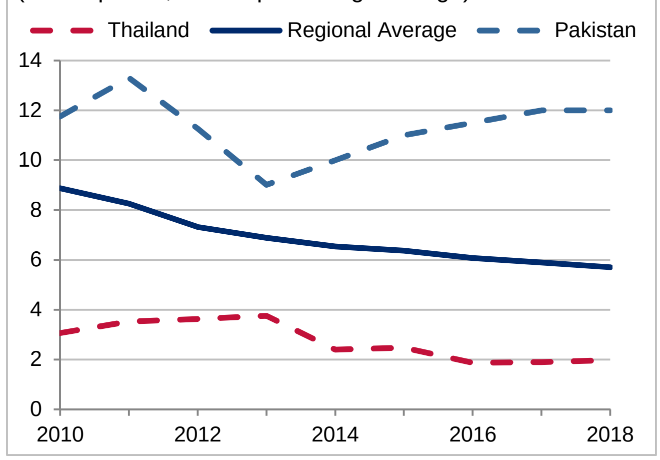
Exports Volume of Goods and Services
(annual percentage change)



General Gross Government Debt
(percentage of GDP)



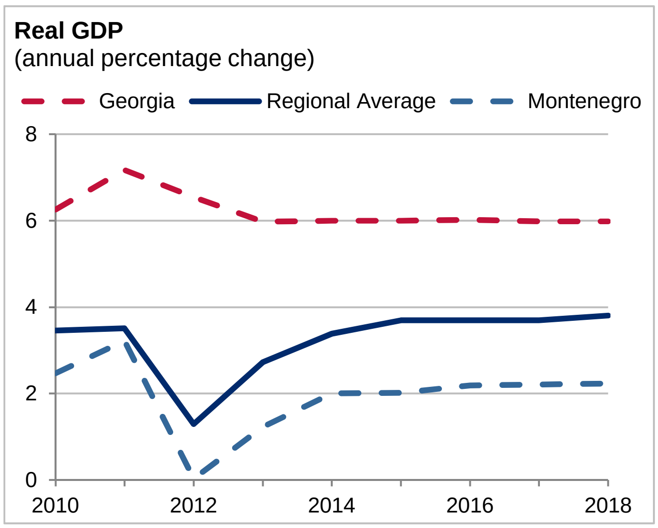
Inflation
(end of period, annual percentage change)

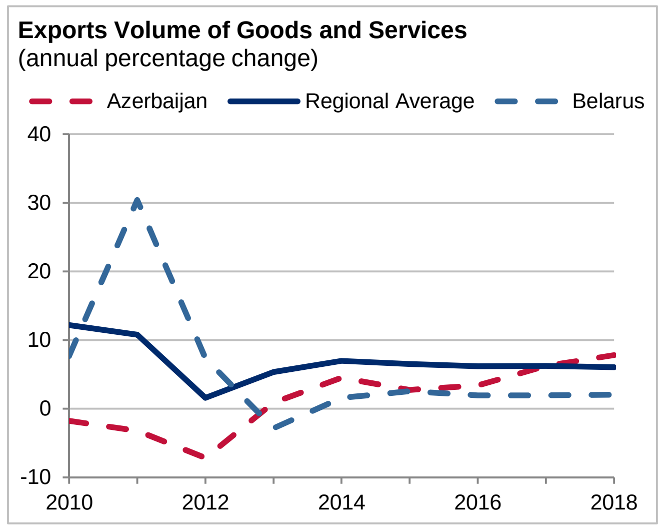


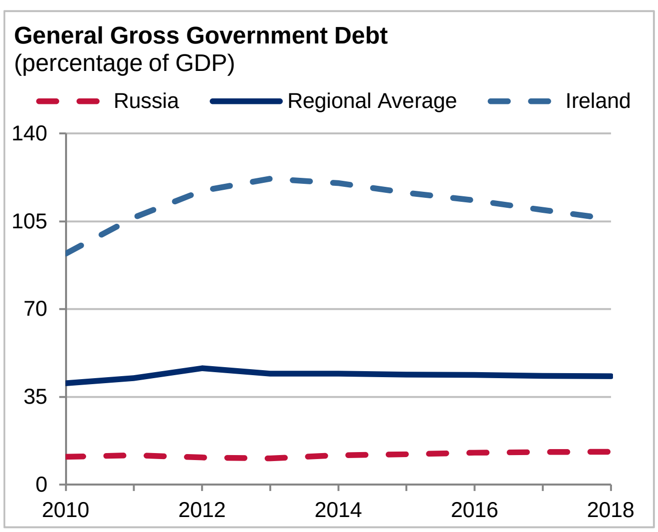
Europe and Eurasia

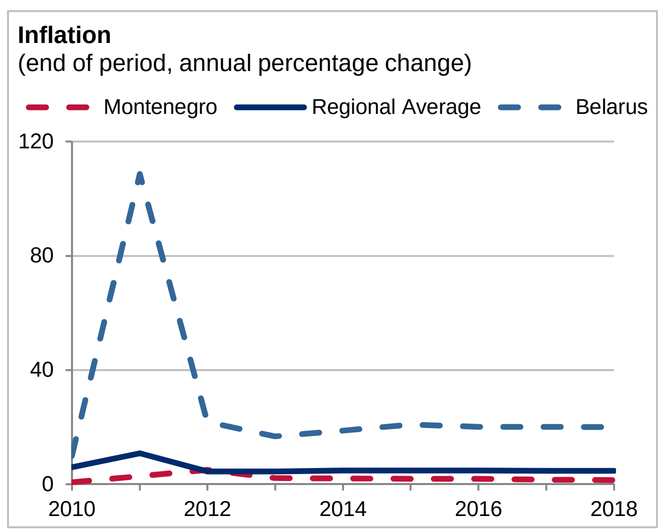
Growth in the region is forecast to increase slightly in 2013 with high oil prices, structural policy reforms, and external environment improvements. Despite the slight increase in growth, the region's financial condition is still recovering from the surge of financial stress in the euro area and high global risk. Georgia is projected to see a decrease in growth due to uncertainties from October's election and political transitions. Government debt in Ireland is expected to increase to 122 percent of GDP in 2013.

The region is forecast to grow at 2.7 percent in 2013 and continue to grow around 3.5 percent through 2018. Inflation is expected to remain stable at approximately 4.7 percent through 2018. In Russia, inflation is projected to stay high at an average of 6.0 percent through 2018. Export volume is predicted to recover and increase to 5.3 percent in 2013 and maintain the same pace for the next five years at around 6.2 percent. General government debt is expected to decrease slightly to 44.1 percent of GDP in 2013.









EADS Economic Trends Reports

This snapshot will be followed by the annual economic trends reports on ten regions of interest to USAID staff. The ten regions are: West Africa, Southern Africa, East and Central Africa, South Asia, East Asia, Central Asia, South America, Central America and Mexico, Caribbean, and Middle East and North Africa. The economic trends reports give a more detailed analysis of each of the geographical areas.

To access the available regional reports on economic trends, visit the Economic and Social Database (ESDB) at http://esdb.eads.usaidallnet.gov/docs/econ_trends/.

Additional Information
For questions or more information, please contact the author, Georges Fadel, at gfadel@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, U.S. 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.