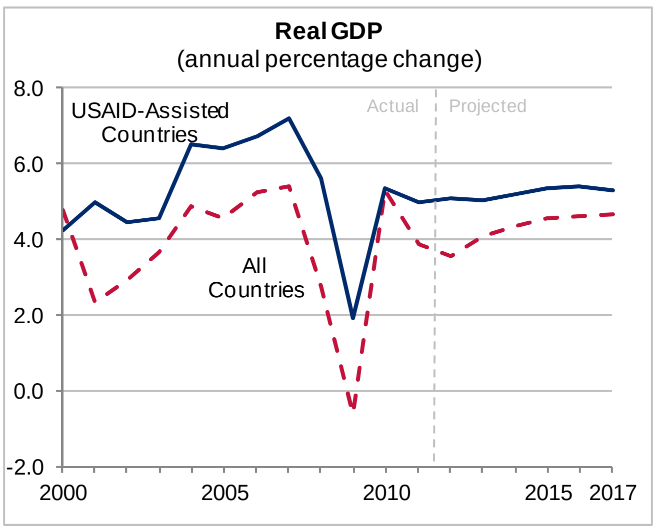
EADS Snapshot on

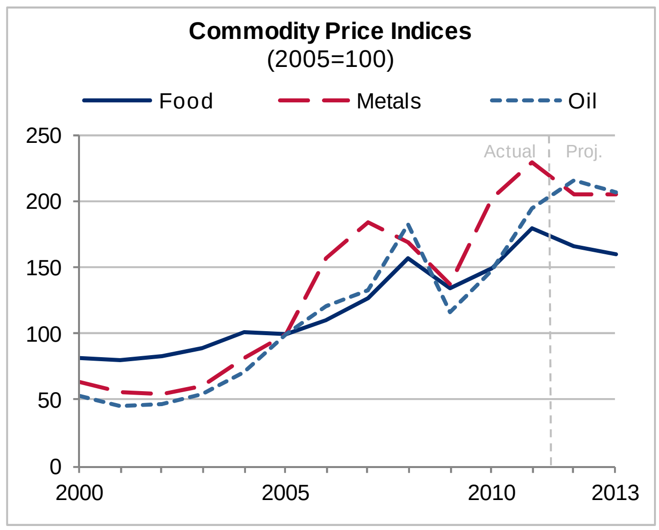
World Economic Outlook

No. 48 May 2012

This snapshot highlights global and regional trends in economic growth based on the April 2012 *World Economic Outlook* report from the IMF. The IMF reports that the global recovery is precarious and depends largely on how the economic crises in the euro area are resolved. The IMF predicts global growth to drop to 3.5 percent in 2012, which is a slight upward revision from their previous reporting. Growth in developing and emerging economies is expected to be stronger, roughly 5.75 percent in 2012, but will depend on how closely linked these economies are to the euro area. A history of policy improvements, and for many economies weak linkages to Europe, will continue to benefit emerging and developing economies. However, concerns over the sustainability of growth, particularly growth linked to credit access and commodity prices, will remain in the developing world.

Countries receiving at least $2 million in USAID assistance for fiscal year 2010 are expected to outperform the predicted world growth rate, with average growth forecast at 5.1 percent for 2012. Countries receiving USAID assistance are expected to grow faster than the global average, but not as fast as the average for all developing economies due to a number of sources of risk. The risks to USAID assisted countries remain continued access to credit and unsustainable commodity price growth. The increase in global food prices has been a concern in the developing world, but oil and metal prices are expected to increase at a faster rate. The IMF also notes that the recent trends in metal and oil prices are unlikely to continue indefinitely. To maintain positive growth, the IMF recommends that developing countries practice a difficult balance between limiting risks from advanced economies, particularly the euro area, and implementing policies to forestall risk from capital flows, fluctuating commodity prices and increased inflation.





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Trends in USAID-Assisted Countries

Analysis in this snapshot focuses on the countries that received at least $2 million in USAID assistance in fiscal year 2010. USAID assisted countries have been growing at a rate higher than the global average, however, that growth is not evenly shared. Several countries are expected to see impressive double digit growth over the next five years, while others are expected to contract or see minimal growth. Countries with the top ten expected growth rate averages come from every USAID region, with over half from Sub-Saharan Africa. Countries in the bottom ten represent every region except Asia and over half are from Eastern Europe.

The country expected to do the best from 2011 to 2015 is Sierra Leone, which is predicted to increase its economy by over 60 percent. Mongolia and Iraq represent the next largest GDP increases, each expected to grow more than 50 percent over five years. While these countries are predicted 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 2011–2015 are still mostly expected to see GDP increases. The only country in this analysis expected to contract is Sudan. 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.

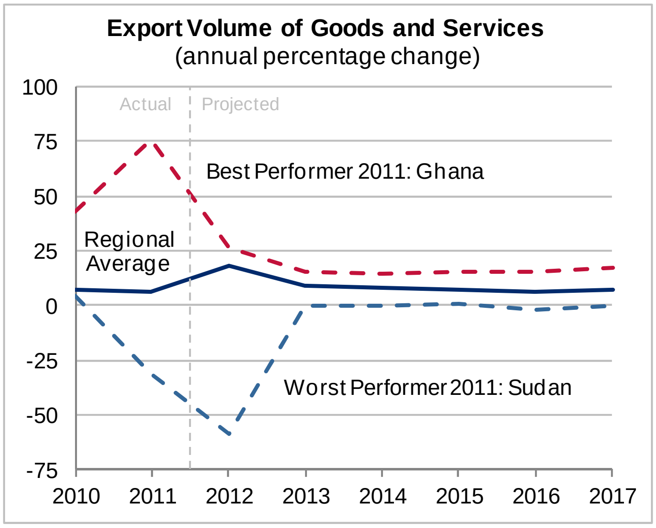
Real GDP Growth for USAID Assisted Countries, 2011–2015

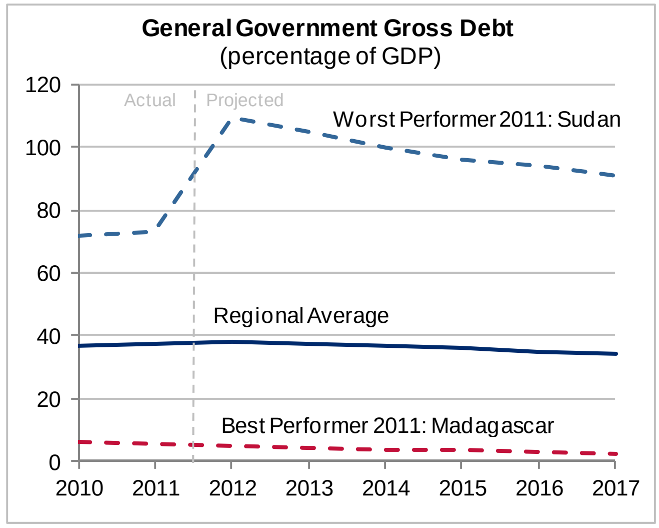
Country	Percentage Change, 2011–2015	Annual Percentage Change
Fastest Growing Countries		
Sierra Leone	61.5	12.7
Mongolia	53.8	11.4
Iraq	52.0	11.0
Timor-Leste	46.4	10.0
Niger	39.3	8.6
Slowest Growing Countries		
Bosnia and Herzegovina	7.1	1.7
Montenegro	6.0	1.5
Jamaica	4.6	1.1
Cyprus	3.9	1.0
Sudan	-6.9	-1.8

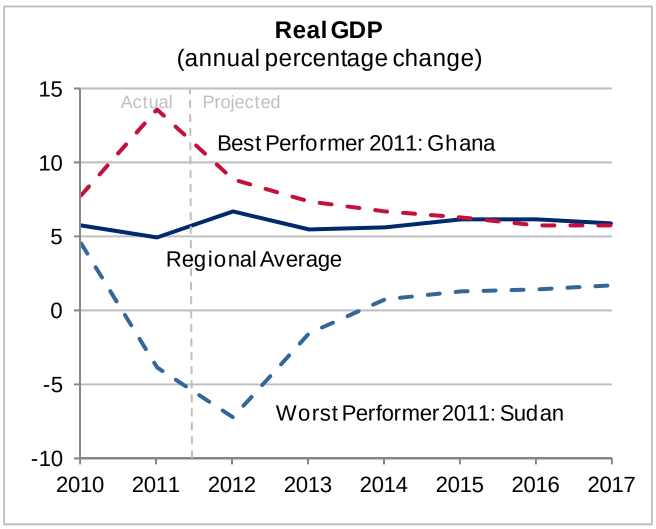
Sub-Saharan Africa

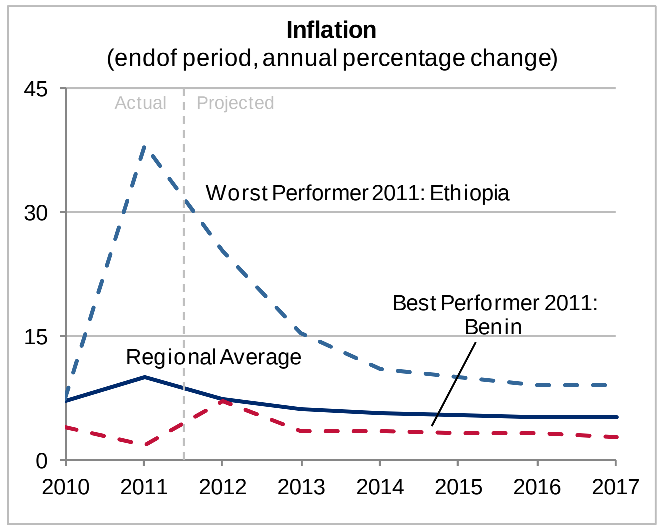
Sub-Saharan Africa continues to produce strong growth, even in turbulent times. Part of the reason for this growth is the region's relative isolation from the negative effects of continued uncertainty in the euro zone. Except for South Africa, most countries in the region have limited exposure to European banks and credit. Due to increased export diversification, trade links to Europe are also becoming less important. High commodity prices in metals and other extractive resources are also currently aiding regional growth. Inflation remains a concern for the region, especially for those reliant on commodity exports.

Sub-Saharan African USAID assisted countries are expected to grow 6.6 percent in 2012 and continue growing at more than 5.0 percent through 2017. Exports of goods and services in the region are expected to increase over 18.0 percent in 2012, due in part to the opening of new oil fields in Ghana, the top performing country for export change in 2011. Government debt is also expected to peak in the region at 37.8 percent in 2012 and decline to 34.0 percent by 2017. Sub-Saharan Africa is expected to have the highest inflation of the USAID regions, at 7.4 percent in 2012, but inflation is down from its 2011 high.





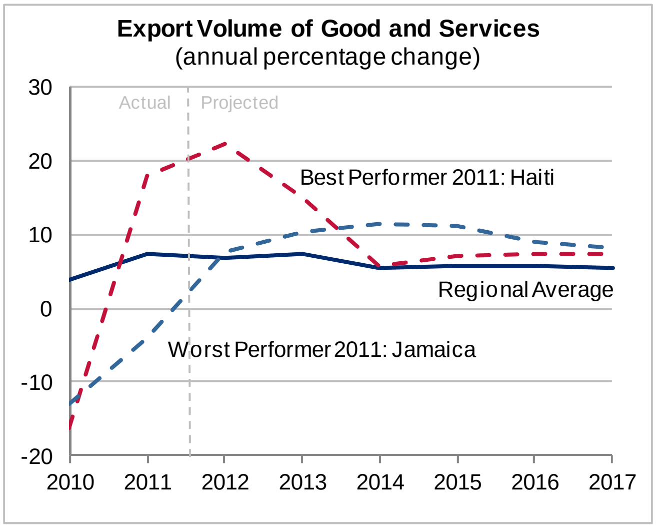


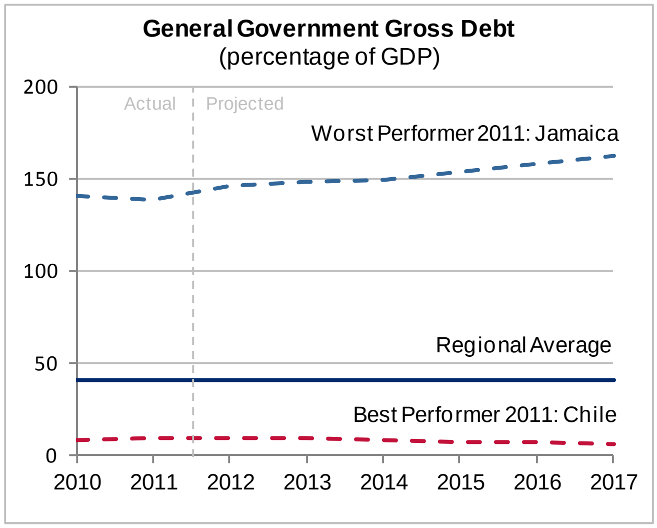


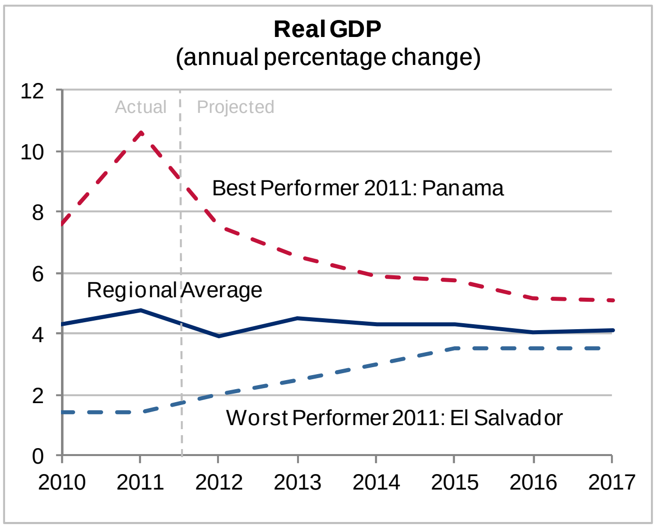
Latin America and the Caribbean

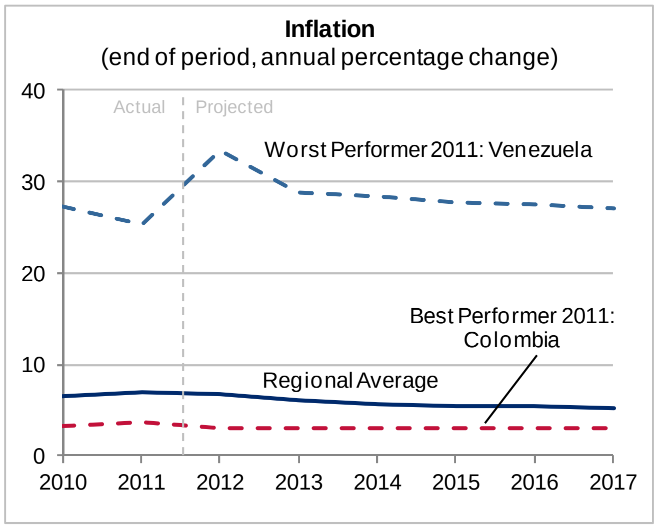
The Latin America and the Caribbean region grew strongly in 2011 and that trend is expected to continue. However, due to credit and capital links to Europe, the region is vulnerable to the potential fallouts of continued economic uncertainty in the euro zone. Commodity prices, both for oils and metals, have helped growth in the region and limited its exposure to the global slowdown, but this growth also comes with possibility of increased inflation and insecurity in capital markets. These financial links pose the greatest risk to the region due to the large presence of European banks.

USAID assisted countries in the region are expected to grow 3.9 percent in 2012, down almost a percent from 2011. However, the region is expected to grow more than 4.0 percent annually through 2017. Export growth in the region is not expected to be as strong as in Africa or Asia, but is predicted to increase 6.8 percent in 2012. Haiti led the region in export growth in 2011 and is anticipated to do so again in 2012 with a more than 22.0 percent increase in its export volume of goods and services. Government debt in the region is expected to be largely stable at around 41.0 percent through 2017. Inflation in the region varies greatly; on average it is predicted to be 6.7 percent in 2012 and then taper off to around 5.0 percent through 2017. However, countries such as Haiti, Venezuela, and Nicaragua are expected to see higher inflation rates.







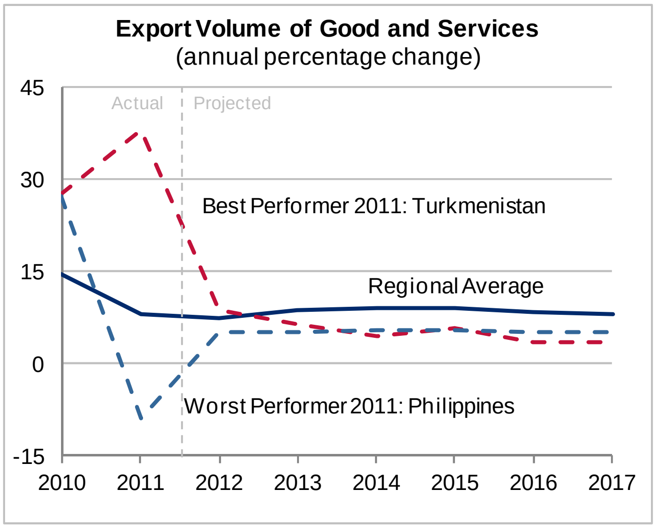


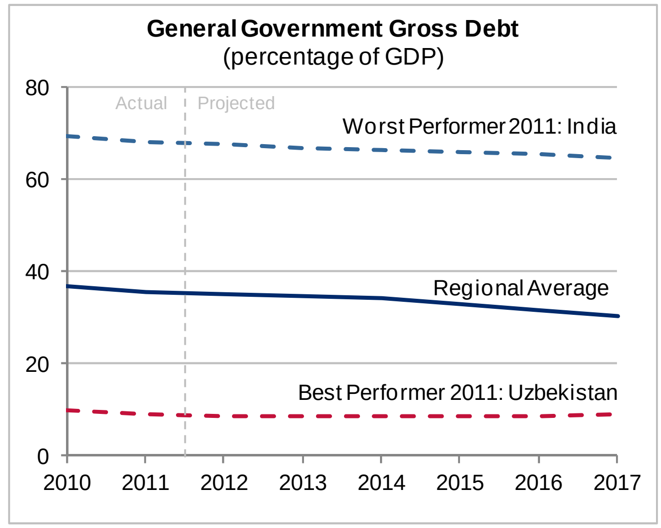
Asia

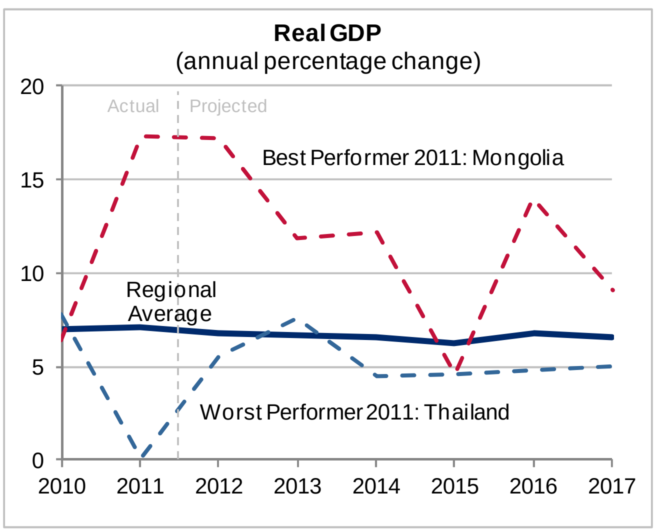
Asia is beginning to slow in its growth expectations, due partly to decreases in external demand and growing concerns in Europe. Those countries with stronger links to European banks were more likely to see slower growth. However, countries like China have increasing domestic demand opportunities and Asian banks have the capacity to provide capital if European banks are forced to restrict lending. Due to a cool down in growth, the risk of inflation in the region is diminishing, but risks from oil price spikes remain. Increased domestic demand is needed to further stabilize growth.

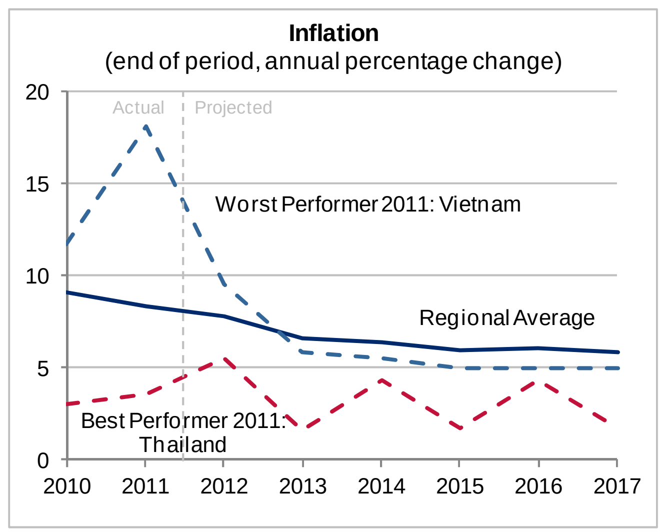
Countries receiving USAID assistance in Asia are expected to grow 6.7 percent in 2012, down slightly from 2011, and continue to grow around 6.5 percent through 2017. Mongolia and Timor-Leste are predicted to see the highest growth, with both seeing multiple years of double-digit GDP increases. Export volume is forecast to increase 7.3 percent in 2012, slightly down from the previous year, and is expected to grow by at least

8.0 percent each year to 2017. Government debt is expected to decline slightly over the next five years, going from 35.3 percent in 2012 to 30.4 percent in 2017. However, India and Pakistan are both expected to have debt amounts well above the regional average. Inflation is projected to decrease through 2017, with the regional average going from 7.8 percent in 2012 to 5.9 percent in 2017.





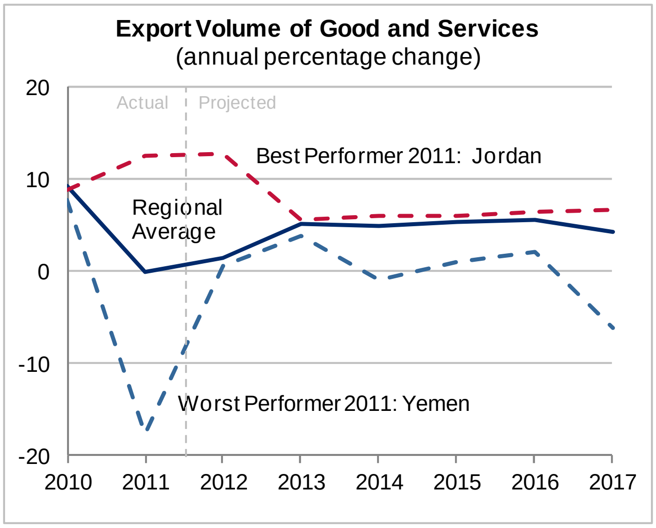


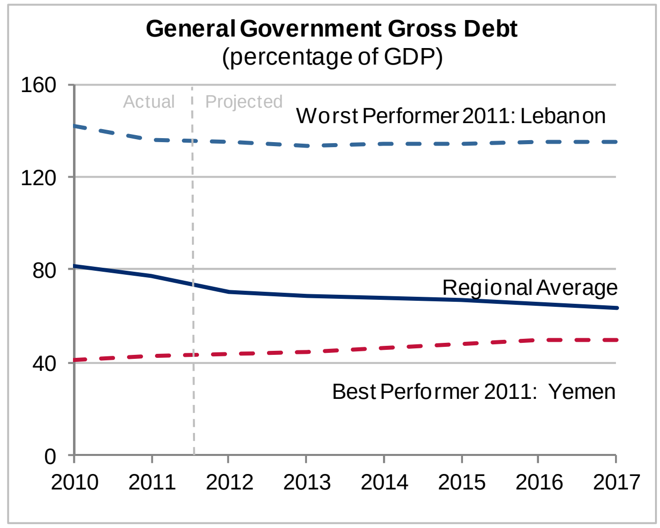


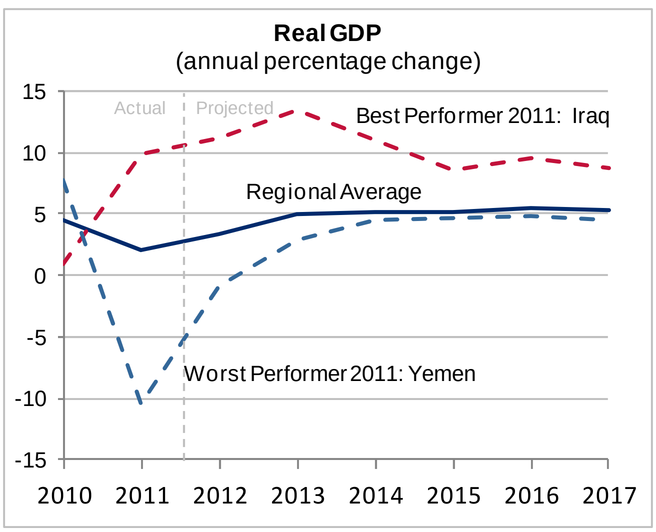
Middle East and North Africa

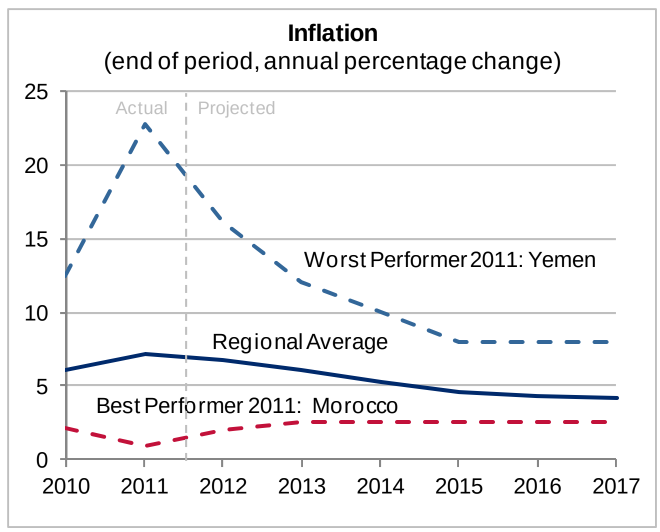
The Middle East and North Africa region has been plagued by risk in recent years, from volatile oil prices to social unrest to strong linkages with European economies. The prospects for growth in the region are riddled with uncertainty due to the region's reliance on high oil prices and strong trade and capital links to Europe. A severe, or even moderate, recession in Europe could have significant negative effects on growth. The effect of social unrest in the region has shown itself in weakened capital and remittance flows, which have further checked growth.

Countries in the region are expected to grow 3.4 percent in 2012; however, the IMF predicts that growth will improve to at or above 5.0 percent through 2017. The region is also predicted to have the smallest growth in export volume in 2012 at 1.5 percent, with exports increasing at least 4.0 percent each of the following five years. Government debt is forecast to remain high in the region, 70.2 percent in 2012, and will only taper to 63.7 percent by 2017. Inflation is on par with the better performing regions, expected to be 6.8 percent in 2012 and declining to 4.2 percent by 2017.







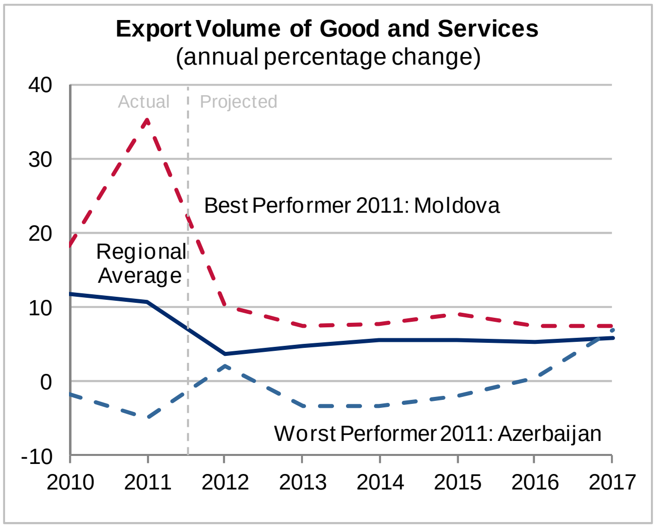


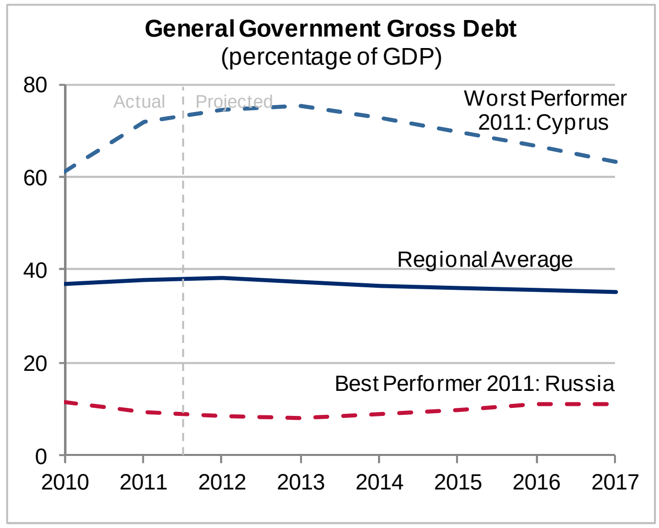
Eastern Europe

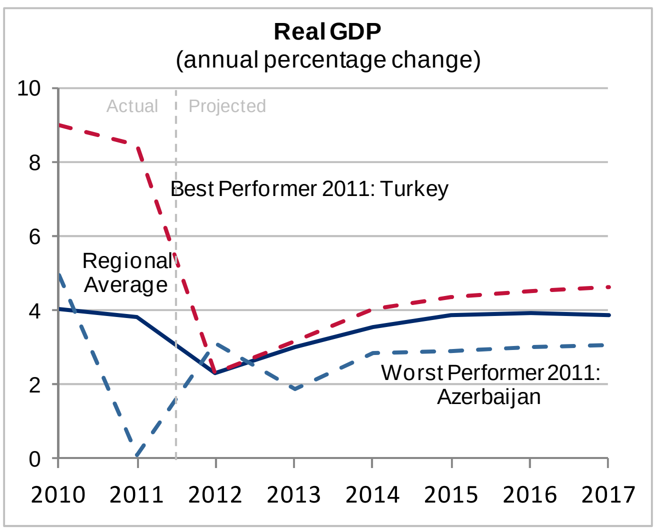
The growth prospects for Eastern Europe are uncertain. Developments in the euro zone will have significant impacts on the developing and emerging economies in the region. Regional trade and credit markets are strongly integrated and are persistent sources of risk until stability returns to the region. Strong agricultural output in countries like Ukraine and Belarus and strong domestic demand in countries throughout the region are positive signs coming out of the region. However, spillover risks from advanced European economies will continue to cloud expectations for the coming year.

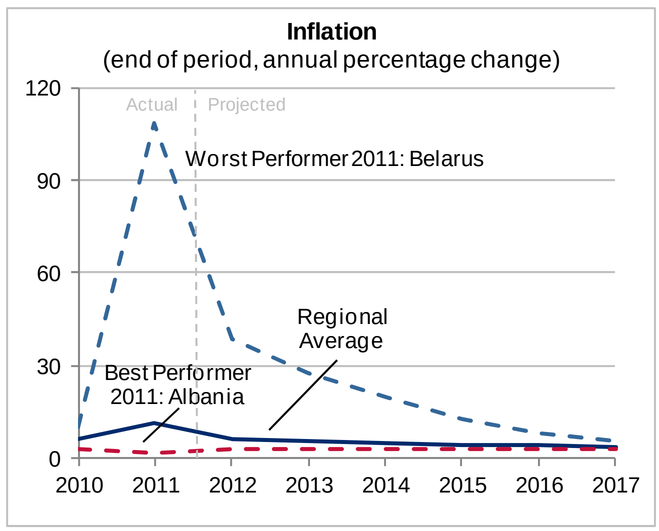
Regional average growth is expected to decline slightly to 2.3 percent in 2012, the slowest growth of any region. The only country forecast to contract in 2012 is Cyprus, but many countries are expected to experience 0–

1 percent growth. Export volume is predicted to increase by only 3.6 percent in 2012, down significantly from the previous year. General government debt is expected to remain relatively low, 38.2 percent in 2012, and decline slightly through 2017. Inflation is expected to be down by almost half from 2011 at approximately 6.5 percent in 2012. Belarus's currency crisis is expected to yield 38 percent inflation in 2012, down from over 108 percent in 2011, and is expected to be below 10 percent by 2017.









Additional Information

For questions or more information, please contact the author, Matt Gyory, at mgyory@devtechsys.com.

To access the complete dataset from the WEO report, please 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.