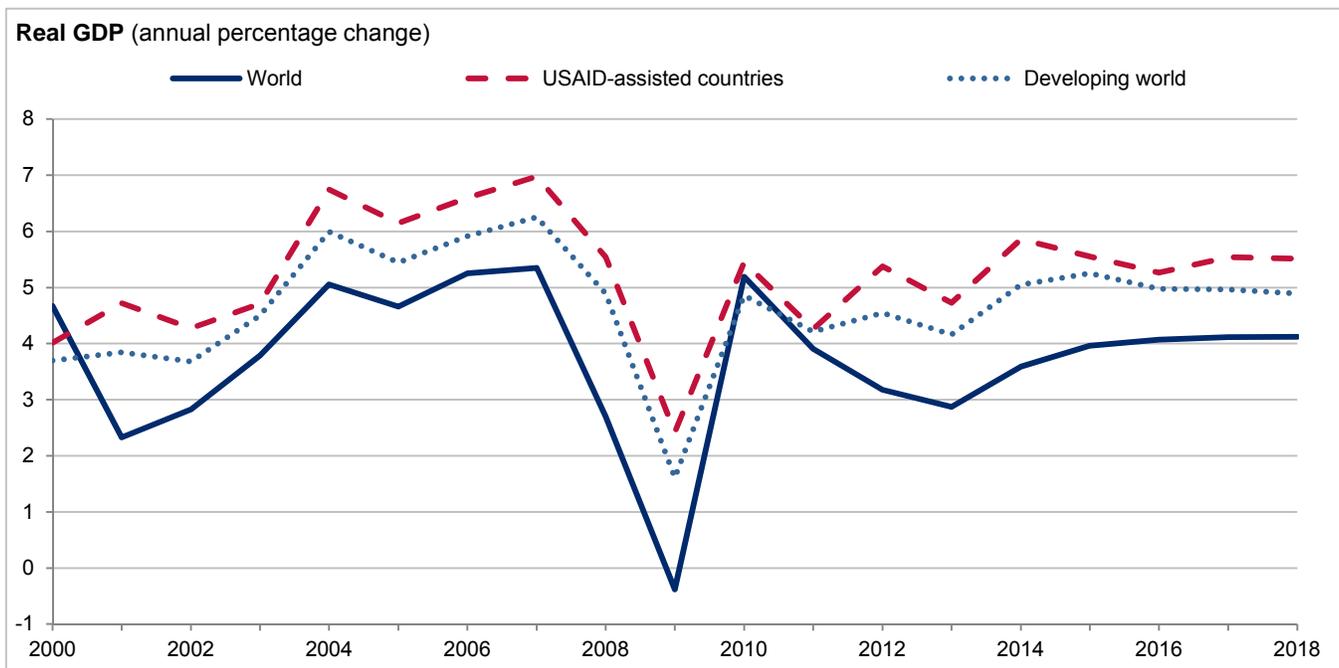
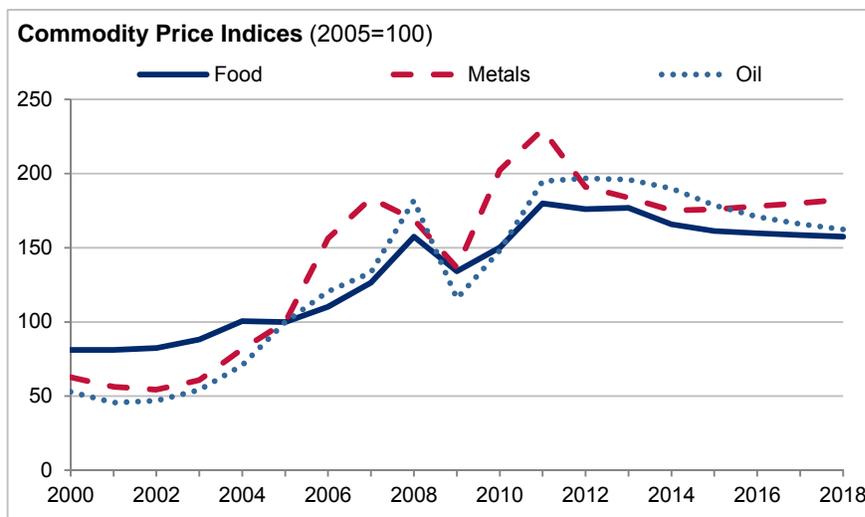


In October, the International Monetary Fund (IMF) published the World Economic Outlook (WEO), their second full publication of 2013. This snapshot highlights the important changes to the global and regional economic projections from those published in the April's WEO report. Most notably, the IMF has revised downward nearly all economic growth rates. The global economy is now expected to grow 2.9 percent in 2013, down from the initial projection of 3.3 percent in April. Hobbled by the still struggling major economies of Spain and Italy, the euro zone is expected to contract by 0.4 percent in 2013, a further 0.1 point decrease from April. The United States is expected to only grow 1.6 percent in 2013, down from the April projection of 1.9 percent, and its economy is projected to increase to 2.6 percent in 2014, down from 3.0 percent. This sluggish growth rate still outpaces the average growth of advanced economies which is predicted to expand by 1.2 percent this year. Of course, these projections assume that the United States government will avoid further discretionary spending crises and continue to fulfill all of its debt obligations.

While the developing economies still generate the majority of global growth, their growth rate projections took bigger hits than advanced economies. The average growth rate projection for emerging and developing economies in 2013 fell from 5.3 percent to 4.5 percent. Furthermore, their growth rate is expected to increase to 5.1 percent in 2014, down from the 5.7 percent projected in April. The major developing economies of Brazil, Russia, India, and China contributed to much of this downward revision. All four economies had major downward revisions to their projected 2013 growth rates.



After experiencing dramatic increases, commodity prices are expected to stabilize in the coming years. Food, metal, and oil prices indices are all expected to be lower in 2014 than their 2012 levels. The upshot of this slower growth and the decreasing commodity prices is that inflationary pressures are low. Inflation in advanced economies is currently running below target at 1.5 percent, while the average inflation for emerging and developing economies is expected to stay between 5.0 and 6.0 percent through 2014.



Trends in USAID-assisted Countries

The remainder of this snapshot will focus on low and middle income countries that received at least \$2 million in USAID assistance in fiscal year 2011, hereto referred to as USAID-assisted countries. The average growth rate of USAID-assisted countries in 2013 is expected to be 4.7 percent, slightly above the average for developing and emerging countries, but substantially down from the 5.7 percent growth rate predicted in April. The 2014 average growth rate is estimated to rise to 5.9 percent, only a 0.1 point decrease from the April projection.

The table presents the USAID-assisted countries projected to have the strongest and weakest economic expansion between 2013 and 2018. The projected high growth in Libya is a result of the expected economic recovery after the recent political turmoil. The economic growth of Turkmenistan, South Sudan, and East Timor can be attributed to revenue from oil and natural gas extraction. The economy of Sierra Leone is also expected to benefit from investment in natural resource extraction projects. Additionally, while current economic growth in Guinea is moderate, the IMF projects that future investment in natural resource extraction will cause economic growth to jump in coming years.¹

Weak growth in the south-eastern European countries of Albania and Montenegro is due to a combination of recent severe weather and continued weak demand from Western European markets. Ukraine, which is projected to grow at an anemic 0.4 percent this year, has also been hurt by an uncertain political situation and tight monetary policies put in place to control large deficits. Jamaica's economy is struggling due to unmanageably high public debt and weak U.S demand. Weak U.S demand combined with violence and insecurity issues contributed to El Salvador's low growth rate projections.

GDP Growth for USAID-assisted Countries, 2013–2018

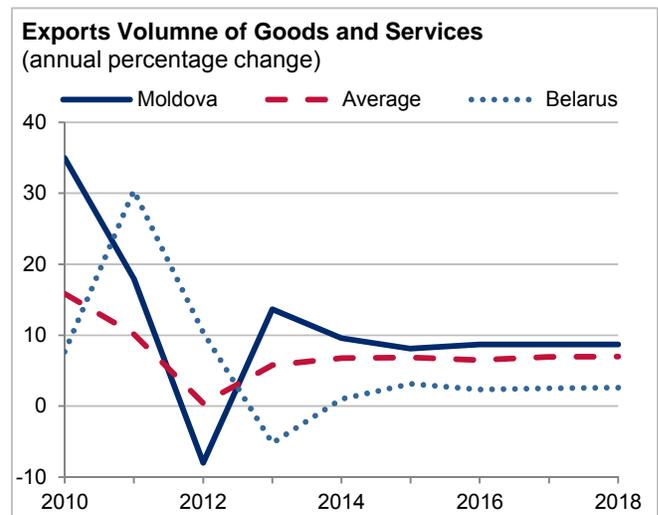
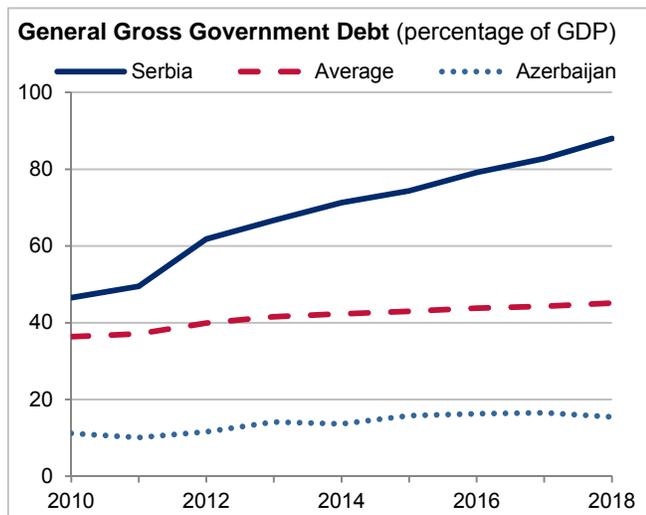
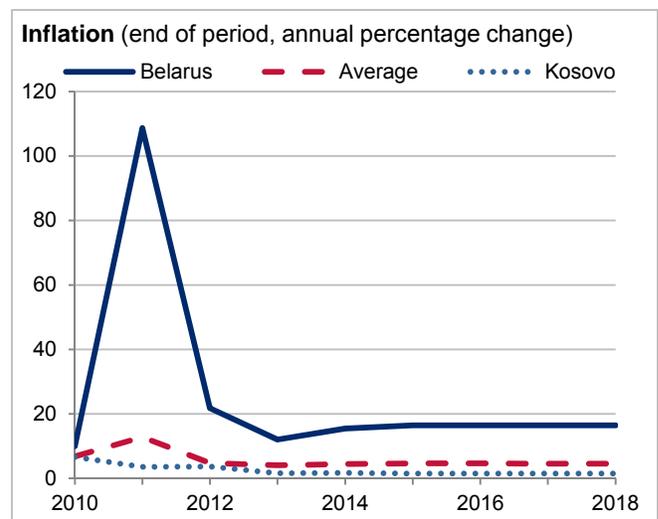
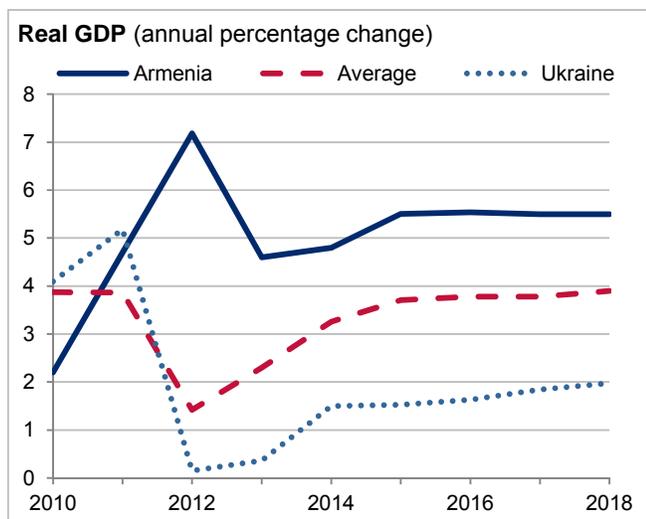
Country	Percentage change, 2013–2018	Average percentage change 2013–2018
Fastest Growing Economies		
South Sudan	92.4	16.4
Libya	78.7	9.6
Guinea	67.4	9.7
Turkmenistan	53.2	9.5
Sierra Leone	52.9	9.7
Slowest Growing Economies		
Montenegro	12.8	2.3
Albania	12.7	2.3
Jamaica	10.5	1.8
El Salvador	9.4	1.8
Ukraine	8.8	1.5

Regional Economic Development and Forecast

This section examines the current economic situations of USAID-assisted countries by five world regions: Europe and Eurasia, Asia, the Middle East and North Africa, Latin America and the Caribbean, and sub-Saharan Africa. The graphs displayed below illustrate the projected best and worst performers and the regional average across the 2013–2018 time period.

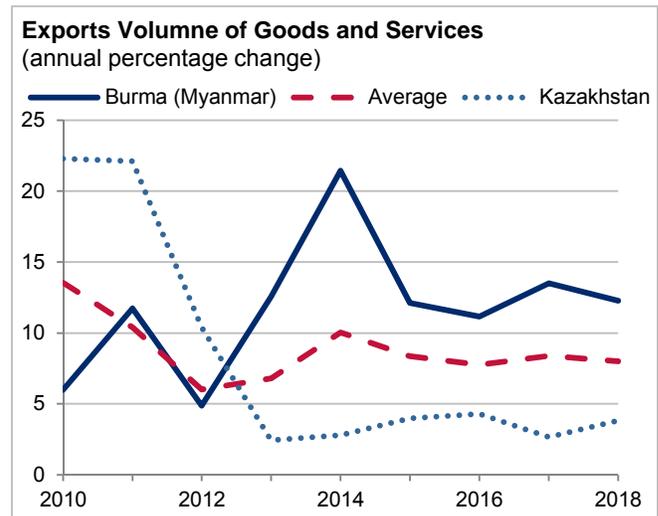
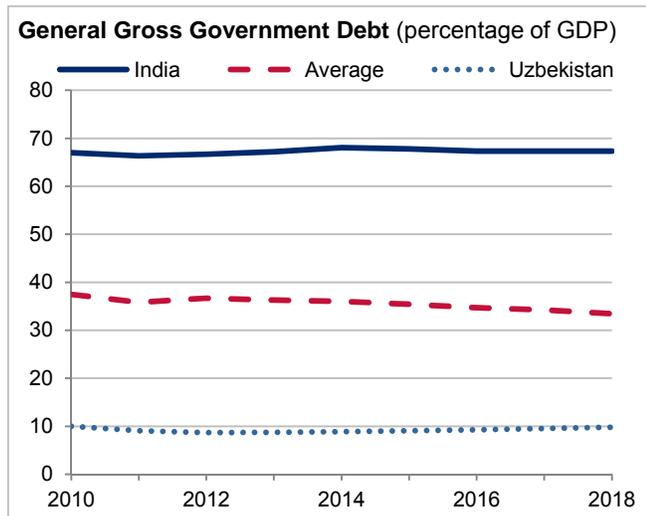
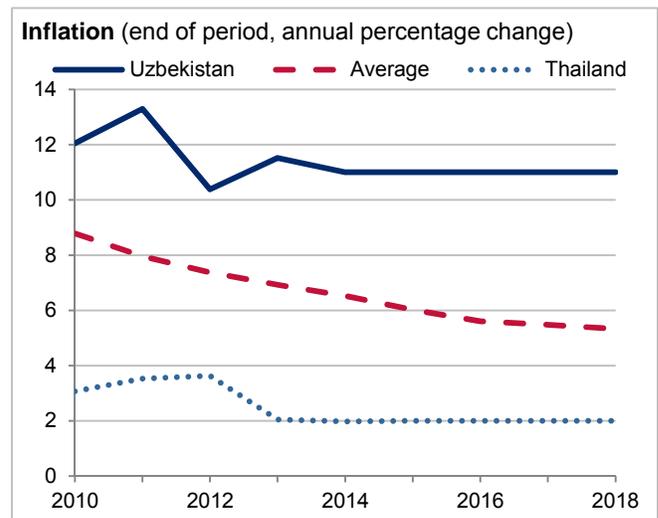
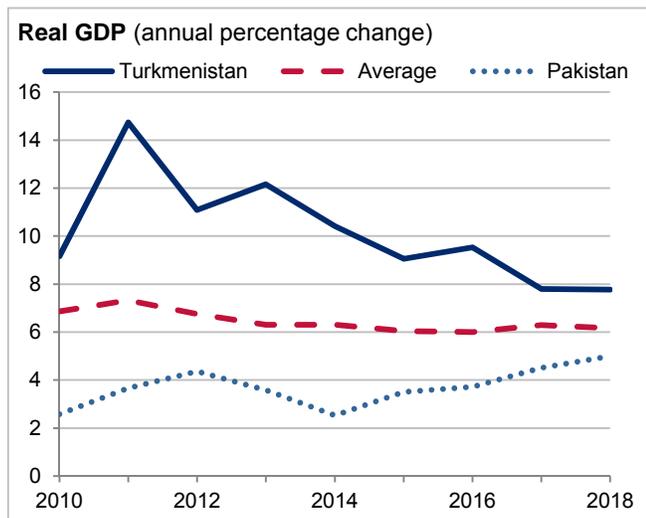
Europe and Eurasia

The dominant economy of the region, Russia, is expected to grow at 1.5 percent in 2013, almost 2 percentage points lower than previously expected in April. The Caucasus republics are expected to have relatively robust growth due to an expansion of their commodity exports and large flows of remittances. The summer drought and a harsh winter in 2012, along with weak demand in Western Europe caused many in eastern European economies to contract in that year. While the region has started to recover, with all USAID-assisted countries expected to expand in 2013, growth is still subdued. Moldova is the only Eastern European country expected to grow over 3 percent in 2013. Moldova is also projected to experience growth in exports partly due to continuing cooperation agreements with the EU.² Inflation continues to trouble Belarus and is projected to remain over 10 percent for the near future.



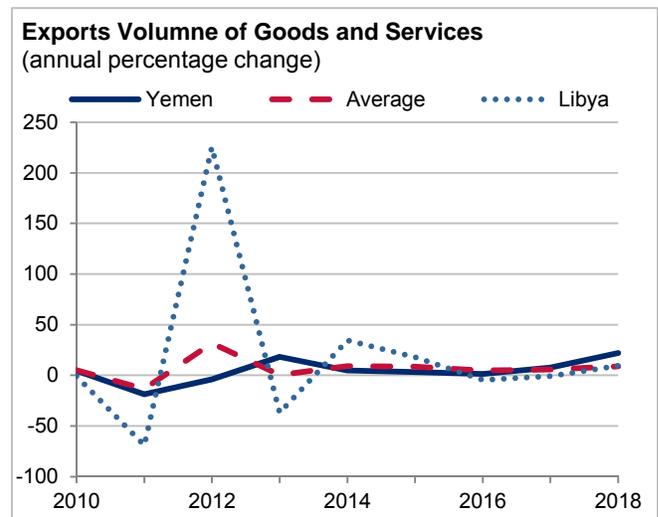
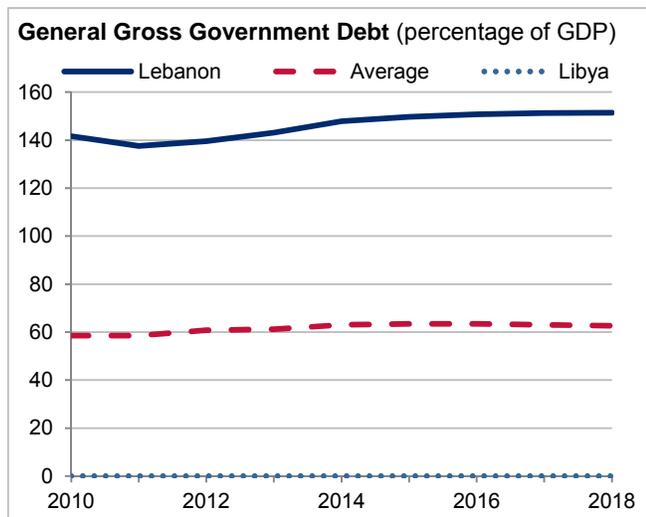
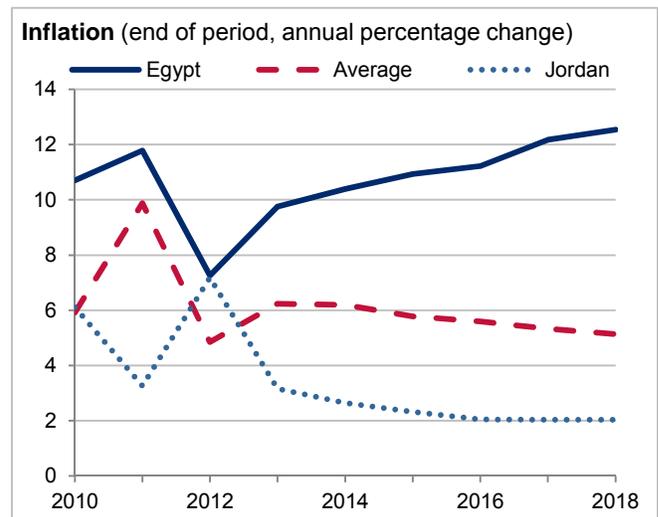
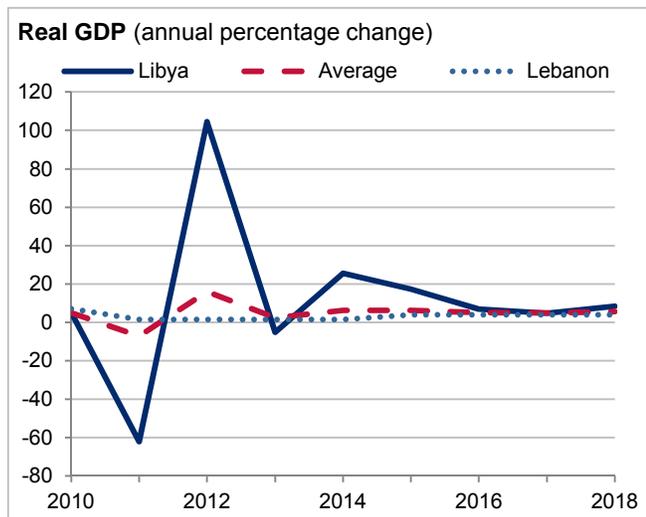
Asia

China’s economic growth, while still strong, was downgraded to a projected rate of 7.6 percent in 2013. This relatively moderate growth rate is expected to continue as the Chinese government attempts to reign in economic growth to a more manageable level. India’s 2013 expected growth rate took a big hit, falling from 5.7 percent to 3.8 percent because of supply side issues and disappointing growth in the manufacturing and service sectors. Inflation in the region is largely controlled, with an average regional rate of 6.9 percent. An outlier is Uzbekistan where high food prices, wage increases and currency depreciation has led to a 2013 inflation rate of 11.5 percent. Myanmar is expected to increase exports as it integrates into the global economy, signified by its recent entry into a preferential trade scheme with the European Union.³



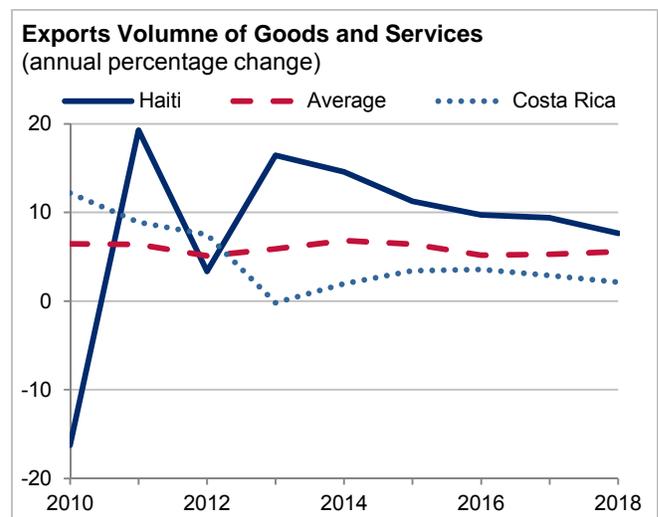
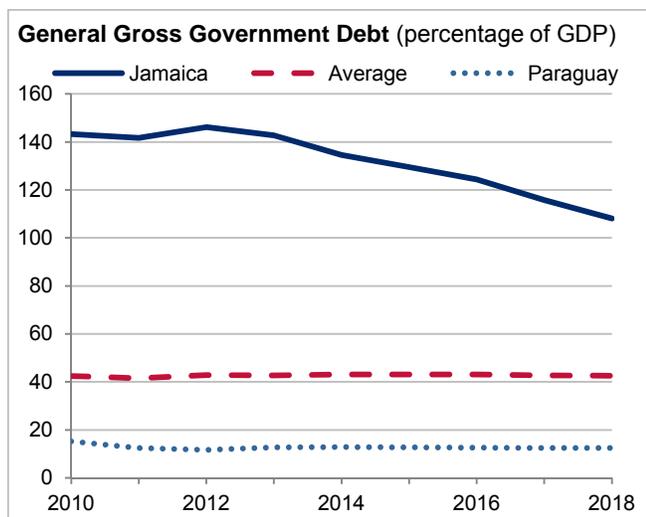
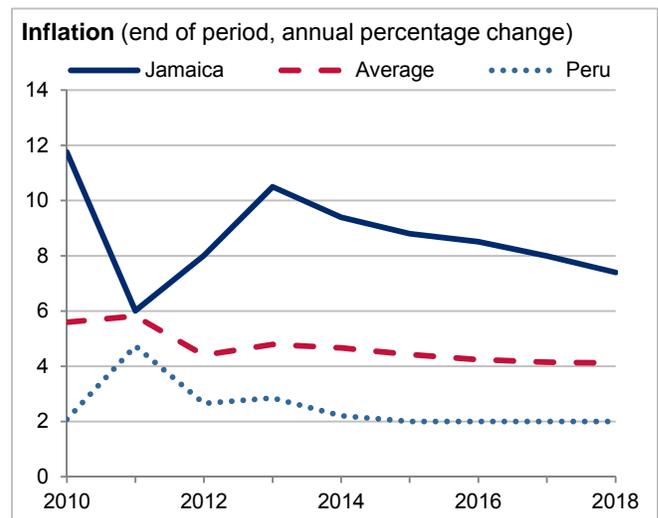
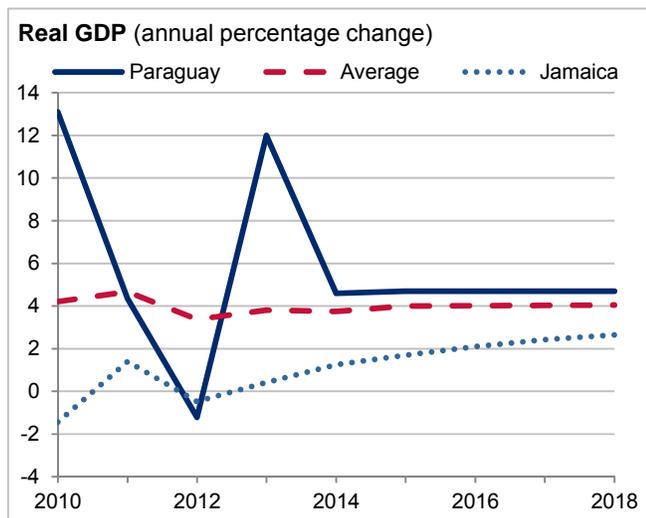
Middle East and North Africa

This region’s 2013 growth projection was revised by almost 4 percentage points downward to 2.4 percent because of continued weak global petroleum demand and regional instability. Libya’s growth rate was revised drastically from over 20.0 percent to -5.1 percent. Its economic turnaround is now projected to occur in 2014. The estimated growth rate in that year increased 15 percentage points to 25.5 percent. The turmoil in Syria has hit Lebanon especially hard, decreasing economic growth in 2013 to a lethargic 1.5 percent and limiting the fiscal policies of the government. Public debt within the region is relatively low, however large capital reserves are needed for many countries in the region to mitigate the adverse effects of the eventual loss of oil revenue. Inflation is low across the region, mainly due to the alleviation of supply bottlenecks, keeping food and commodity prices low. An exception to this trend is Egypt, which is experiencing close to double digit inflation in 2013 due to high food and transportation costs caused by supply shortages.⁴



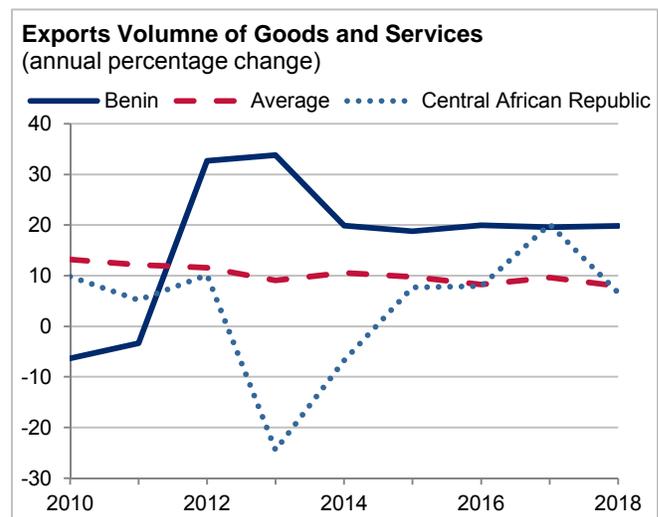
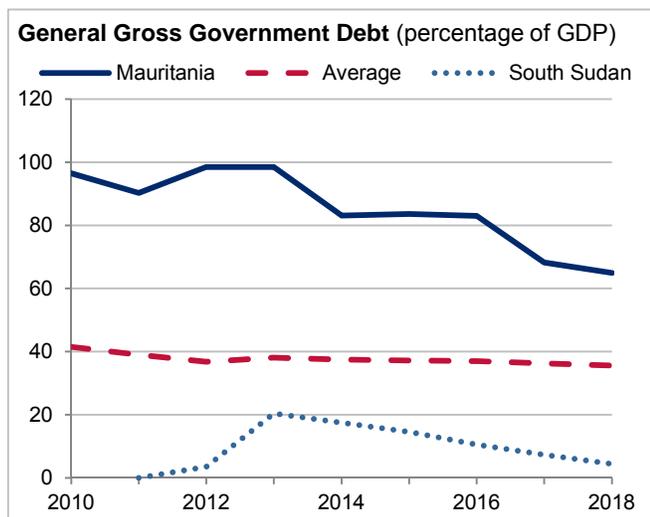
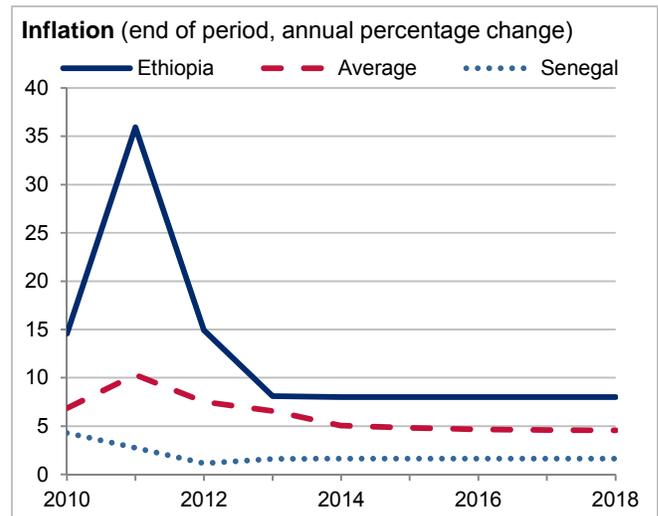
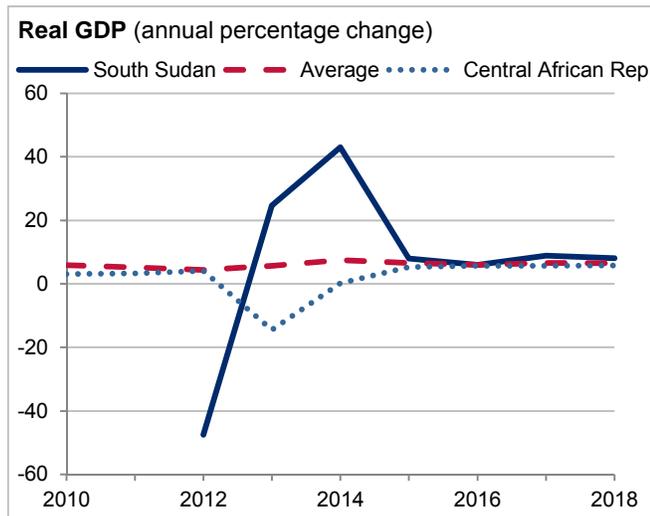
Latin America and the Caribbean

Growth in this region is expected to moderate to 3.8 percent from a projection of 4.3 percent in April. The economy of Mexico took a particularly surprising downturn. Because of diminished government spending, a less active construction sector, and weak U.S. demand, the Mexican economy is only expected to grow 1.2 percent in 2013, down from a 3.4 percent projection in April. While all the major South American economies are expected to expand, Paraguay leads the region with a projected growth rate of 12 percent due to an exceptionally strong agricultural sector.⁵ Caribbean economies, exemplified by Jamaica, are hampered by weak tourism sector demand, large public debts and weak competitiveness. While the entire region is hurt by weak external demand, Central American economies that are closely linked to the United States are especially hurt. After experiencing sustained growth in exports for the past three years, Costa Rican exports are expected to decrease slightly this year and growth rates are not expected to return to previous years' high levels for the foreseeable future.



Sub-Saharan Africa

Sub-Saharan Africa’s growth rate has been drawn back 1 percentage point from April’s projection, but the region is still expected to grow at a healthy 5.8 percent. Furthermore, April’s projection of 7.5 percent for 2014 has remained unchanged for the current projection. Many of Africa’s fastest growing economies, such as Sierra Leone, Mauritania, and South Sudan are fueled by investments in natural resource extraction. Economic growth in the Central African Republic continues to be hurt by high inflation, low export growth and a breakdown of government control within the country.⁶ Much of southern Africa is experiencing high inflation. Malawi has the highest inflation rate in the region, expected to reach 12.8 percent in 2013. Yet, high inflation is not seen as a long term issue in the region as a whole. It is projected to fall to a regional average of 4.5 percent in the coming years.



Endnotes

1. <http://www.mining.com/china-gearing-up-for-earlier-simandou-start-up-66783/>.
2. <http://www.mintpressnews.com/eu-extends-hand-ukraine-moldova/170550/>.
3. <http://www.thailand-business-news.com/myanmar/46933-exports-set-soar-europe-opens-doors.html>.
4. <http://english.ahram.org.eg/NewsContent/3/12/83694/Business/Economy/Egypt-annual-urban-inflation-passes-pct-in-Septem.aspx>.
5. <http://en.mercopress.com/2013/09/30/paraguayan-economy-boosted-by-agriculture-expanding-at-an-annual-13.3>.
6. <http://gulfnnews.com/news/world/other-world/region-urges-central-africa-peacekeepers-to-step-up-1.1245895>.

Additional Information

For questions or more information, please contact the author, Darren Enterline, at denterline@usaid.gov.

World Economic Outlook Data: To access the entire WEO dataset or other IMF publications, please visit the Economic and Social Database (ESDB) at <http://esdb.eads.usaidallnet.gov/>.