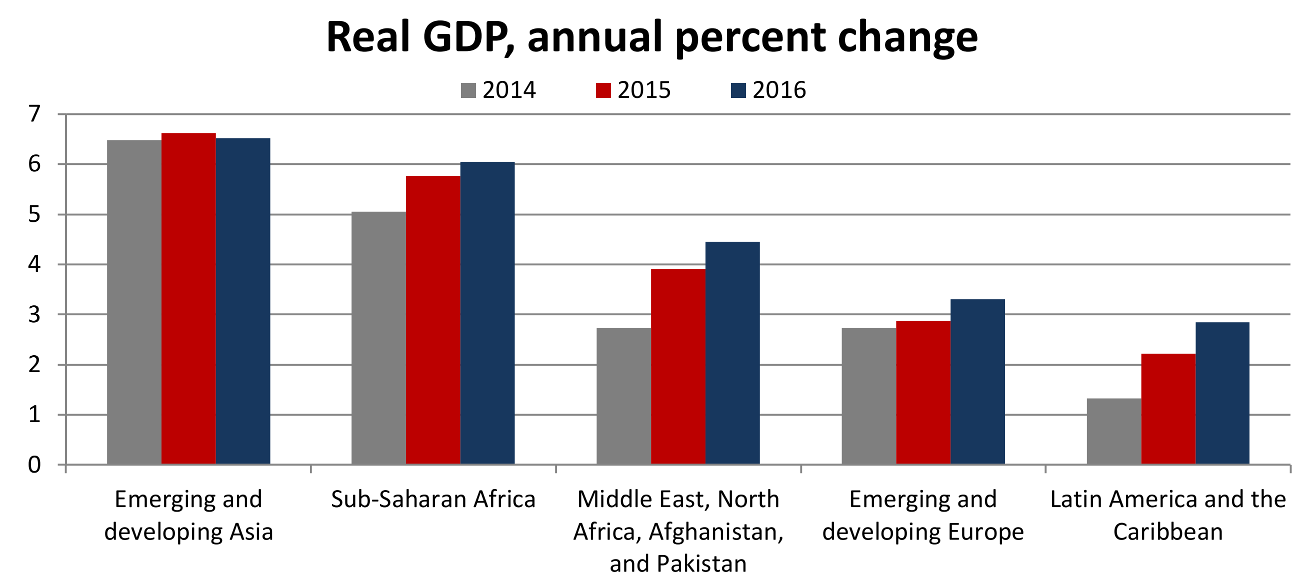
EADS Snapshot on

World Economic Outlook

No. 94 December 2014

In October 2014, the International Monetary Fund (IMF) published the new World Economic Outlook (WEO) report titled "Legacies, Clouds, Uncertainties." The report states that the world economy is in the middle of a balancing act between dealing with the remnants of the global financial crisis (from debt overhangs to high unemployment) and facing a cloudy future. According to the report, world growth (3.3 percent) is mediocre and slightly worse than the April 2014 forecast (3.7 percent), and the global growth projection was lowered to 3.8 percent for 2015. These downward changes in the economic growth are mainly caused by geopolitical tensions and a reversal of recent risk spread and volatility compression in financial markets.



Source: International Monetary Fund, World Economic Outlook Database, October 2014

The WEO forecasts a rebound in growth for both advanced economies and emerging markets for 2014 and 2015, but at a lower rate than expected in the April 2014 WEO projections. For emerging markets, the rebound reflects a variety of country-specific as well as global factors, including easy global financial conditions and the increase in external demand from advanced economies. These factors also are predicted to boost growth in low-income countries.

Trends in USAID-assisted countries:

The rest of this snapshot will center on the 68 economies that received at least $2 million in USAID assistance in fiscal year 2013 and are not considered high-income by the World Bank using 2013 GNI per capita.

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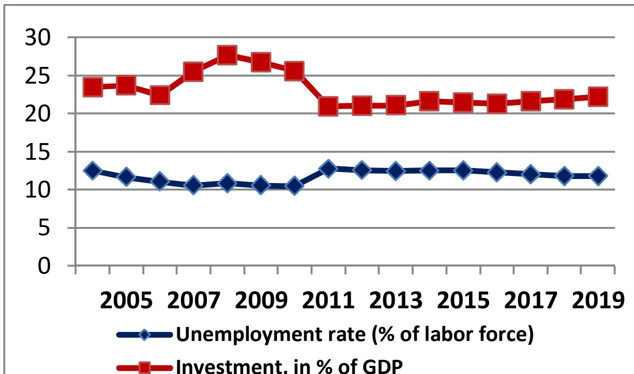
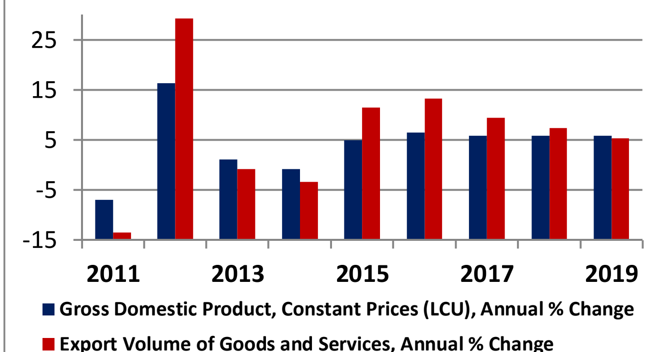
Middle East

The IMF report Middle East and Central Asia – Regional Economic Outlook states that the MENA region still faces sociopolitical and security tensions, high public debt, and deep-rooted structural impediments. These issues are keeping GDP growth and investment in the region at a low and steady level.

In order to increase economic potential in the longer term, the report emphasizes the region's long-term need to improve security and to undergo structural reform in education, the business environment, and the labor market. In the shorter term, greater exchange rate flexibility would improve competitiveness.



Source: International Monetary Fund, World Economic Outlook Database, October 2014



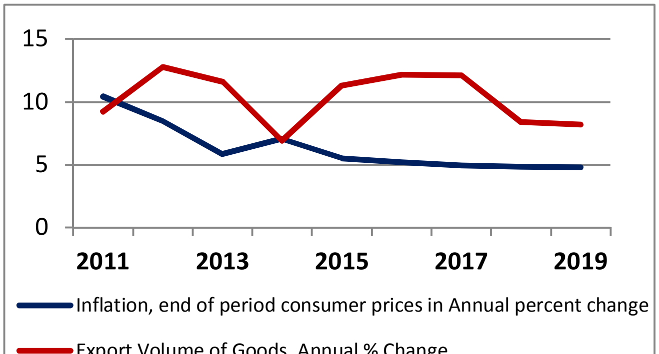
Source: International Monetary Fund, World Economic Outlook Database, October 2014

The unemployment rate is forecast to increase in Egypt to 14.4 percent by 2019 from 13.4 percent in 2014, however the WEO forecasts the unemployment rate to decrease in Jordan, Morocco, and Tunisia. Libya is the only MENA country in which investment as a percentage of GDP is forecast to decrease through 2019. Morocco has the highest investment as percentage of GDP at 34.2 percent in 2013.

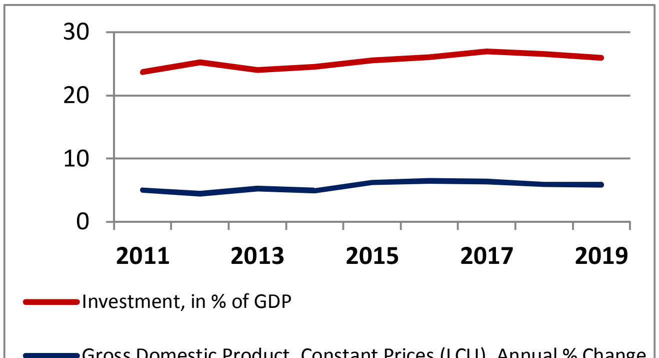
Sub-Saharan Africa

Based on Regional Economic Outlook report, Sub-Saharan Africa's GDP growth is expected to remain robust at about 6.2 percent in 2015, and 6.4 percent in 2016. Growth in SSA is mainly driven by infrastructure investment, buoyant services sectors, and strong agricultural production. Also, fiscal policy remains on an expansionary footing that reflects a time-bound increase to finance infrastructure and other development spending.

However, the report emphasizes on the negative economic effects of the Ebola outbreak in Western African nation. These effects include trade, tourism, and investment confidence. Guinea (18.9 percent) and Sierra Leone (15.8 percent) are forecast to score well below the SSA average (25.6 percent) in investment as a percentage of GDP. Both Liberia and Guinea are showing a decrease in the growth of exports of goods and services in 2014.



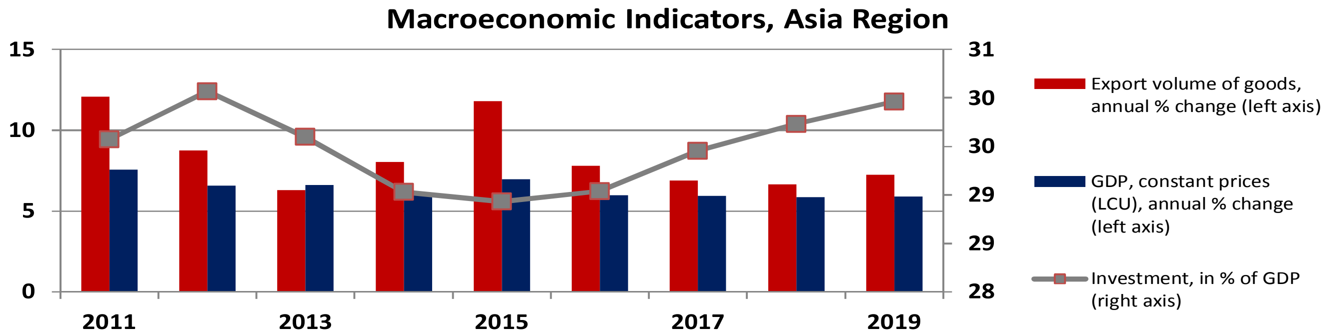
Source: International Monetary Fund, World Economic Outlook Database, October 2014



Source: International Monetary Fund, World Economic Outlook Database, October 2014

Asia

Economic growth is expected to stay around six percent between 2014 and 2019. Turkmenistan (10.1 percent), Mongolia (9.1 percent), and Burma (8.5 percent) are forecast to increase the most in the Asia region in 2014. Growth is expected to be lowest in Kyrgyzstan (4.1 percent), Marshall Islands (3.2 percent), and Thailand (1.0 percent). India's growth rate is expected to increase by 0.7 percentage point from 2014 to 2015, caused by stronger global growth, improving export competitiveness, and the implementation of recent investment projects. The ASEAN-5 economies are expected to grow, except for Thailand due to political tensions. Economic growth in the Philippines is expected to remain strong between 2014-2019, helped by promising external demand and accommodative policies and financial conditions.

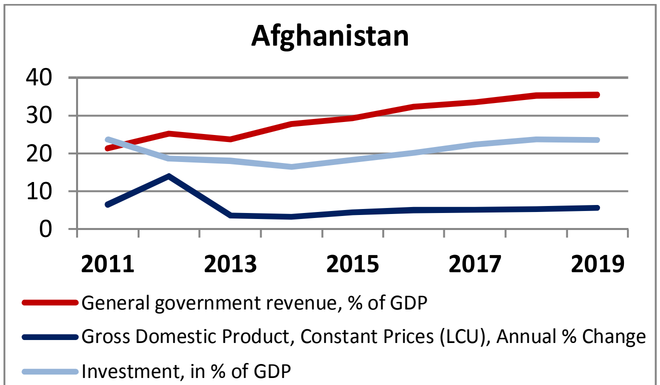


Source: International Monetary Fund, World Economic Outlook Database, October 2014

Afghanistan and Pakistan:

The withdrawal of international troops from Afghanistan might slow domestic demand and worsen security tensions there as well as in Pakistan. However, faster progress in reform implementation could boost domestic confidence and economic activity. Economic growth is projected to increase from 3.2 percent in 2014 to 4.5 percent in 2015, similarly Pakistan's growth is forecast to slightly increase from 4.1 to 4.3 percent.

According to the WEO report, both Pakistan's export volume of goods and its investment as percentage of GDP are projected to increase in 2015, mainly because of the initial electricity supply improvements which have helped manufactures respond to increased export demand. In Afghanistan, investment as percentage of GDP is expected to increase over the period 2014-2018. Moreover, general government revenue as a percentage of GDP is forecast to increase from 27.7 percent in 2014 to 29.3 percent in 2015 to 35.4 in 2019. According to the IMF Program Note on the Islamic Republic of Afghanistan, the government plans on increasing revenue with introducing value-added tax and preparing fiscal regime for the natural resource sector that shares revenue with the government while preserving investment incentives.



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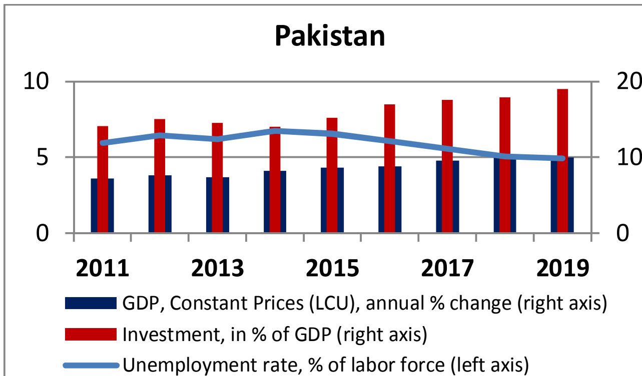
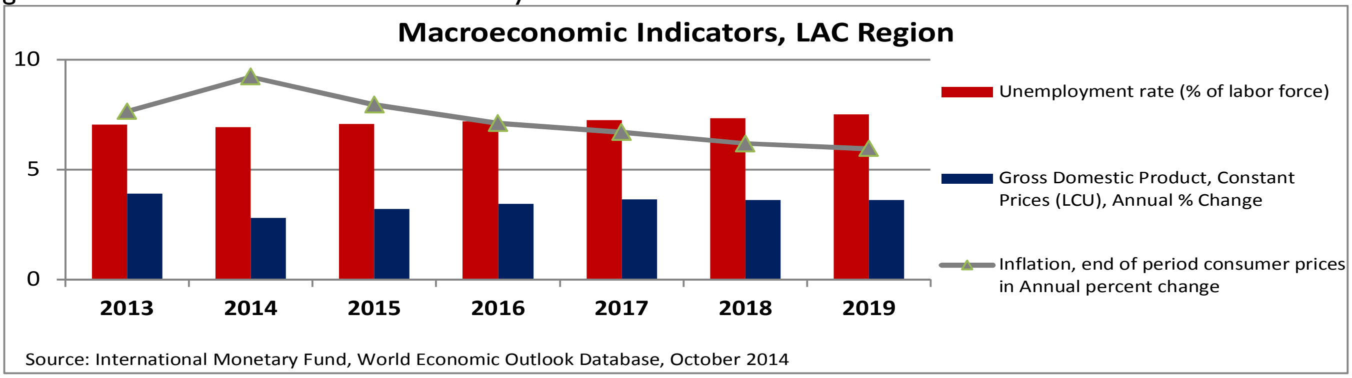


Source: International Monetary Fund, World Economic Outlook Database, October 2014

Latin America and the Caribbean

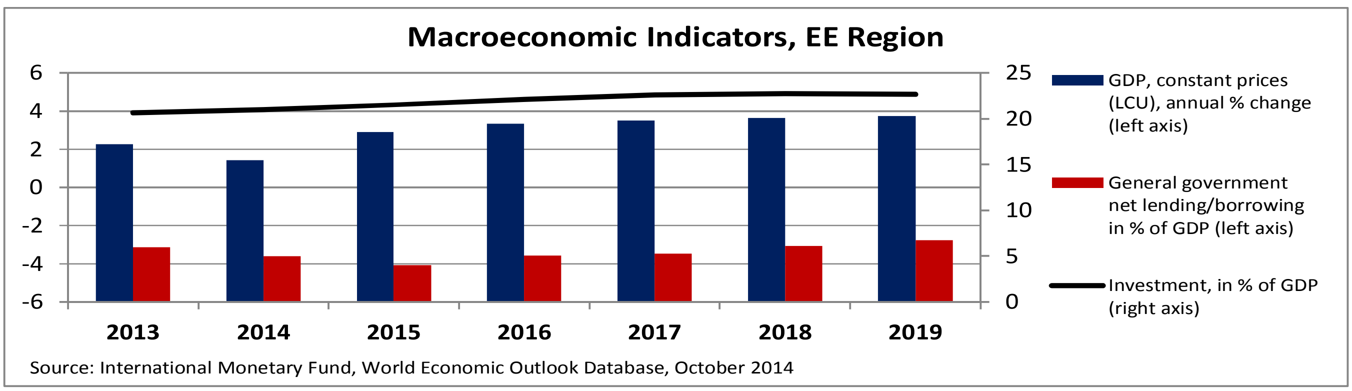
Economic growth is expected to remain low in the LAC region at 3.2 in 2015. The economic recovery in advanced economies should generate positive trade spillovers but it can be offset by lower commodity prices, tighter financial conditions, and supply bottlenecks in some countries. Caribbean countries are still battling high debt, weak competitiveness, and financial fragilities. However, economic activity is forecast to recover in some of the tourism-dependent economies. Mexico's GDP growth depends on the current economic reforms, especially in the energy and telecommunications sectors. Colombia and Peru are forecast to expand at rapid rates, while domestic supply constraints, continued weak private investment growth, and fragile private investment growth continue to hinder Brazil's economy.



Europe and Eurasia

Georgia (5 percent), Azerbaijan (4.5 percent), and Ireland (3.6 percent) are showing the highest forecast in GDP growth in the EE region in 2014. However, EE growth is expected to decrease to 1.4 percent in 2014, from 2.3 percent in 2013. According to the WEO report, downward trends in the economic forecast for EE are caused by fragilities in the euro area, some domestic policy tightening, rising financial market volatility, and increased geopolitical risks stemming from developments in Ukraine.

The WEO report emphasizes that EE is aiming at raising potential growth through policies that target high structural unemployment, large stock of non-performing loans, and weak tradable sectors. Moreover, IMF stresses that EE still needs policies to deal with elevated public debt and high headline fiscal deficits.



Additional Information
For questions or more information, please contact the author, Georges Fadel, at gefadel@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 https://eads.usaid.gov/esdb/.