

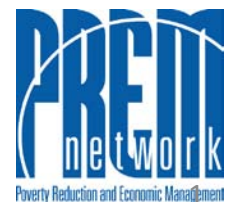
THE DAY AFTER TOMORROW

A Handbook on the Future of Economic Policy in the Developing World

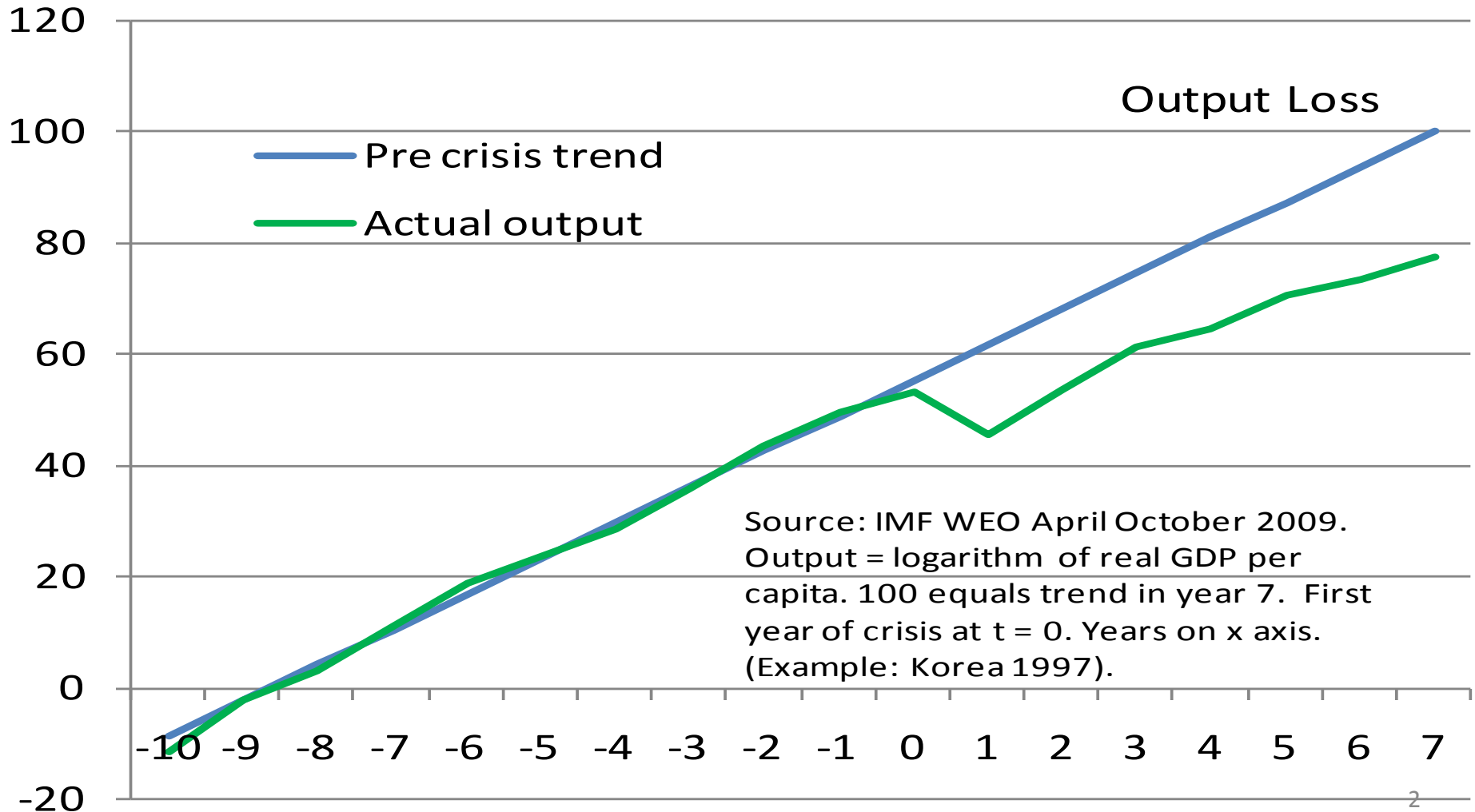
Edited by Otaviano Canuto and Marcelo Giugale

September, 2010

The World Bank, Washington, D.C.

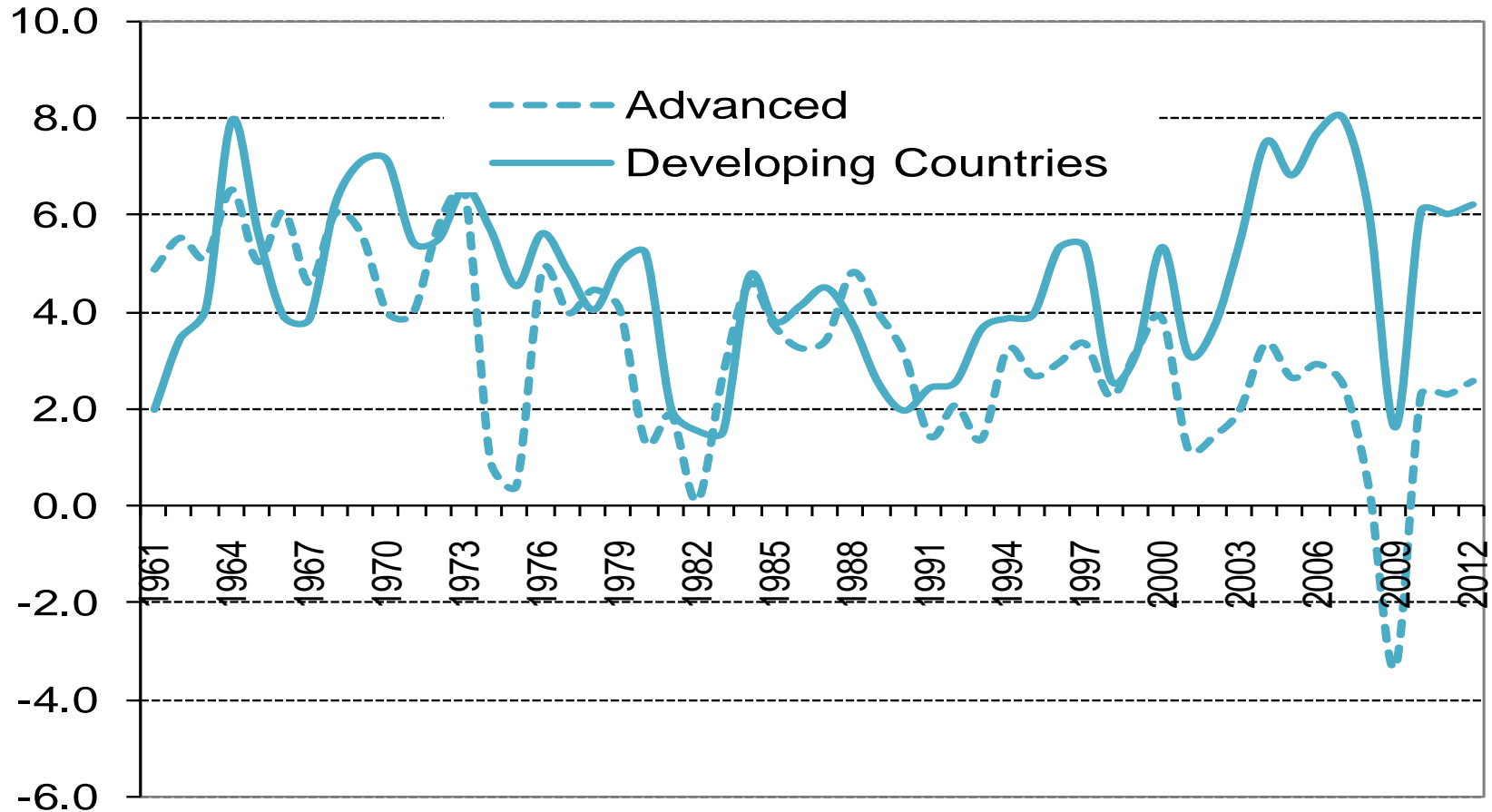


Legacy of the crisis on growth trends of advanced economies



Cyclical Coupling and Trend Decoupling

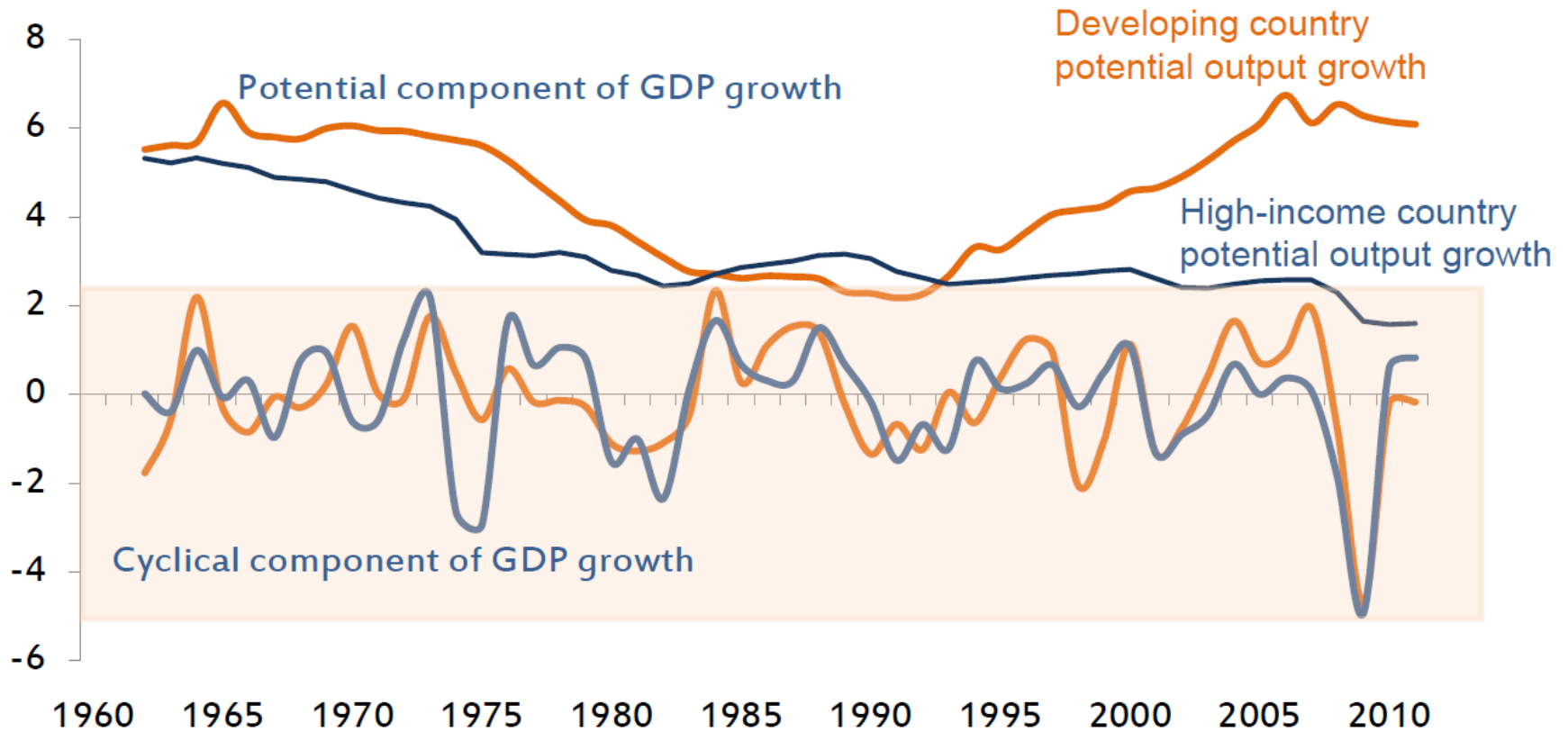
World Output Growth 1961 - 2012 (% Change)



Source: World Bank WDI and DEC Interim Forecasts April 2010.

Developing countries have been resilient in part because trend output remains de-coupled

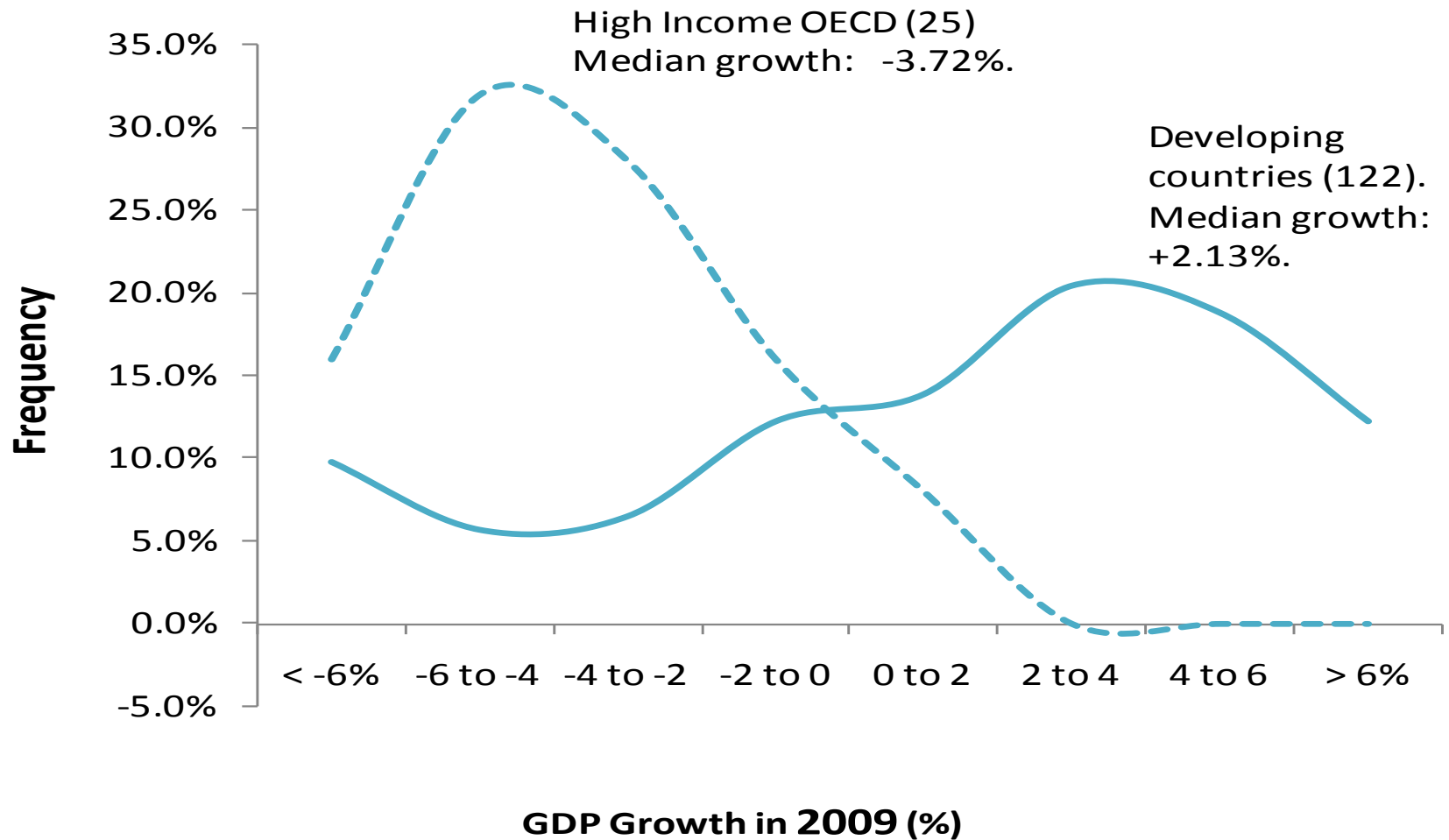
Potential and cyclical GDP growth, percent change



Source: World Bank, DEC Prospects Group.

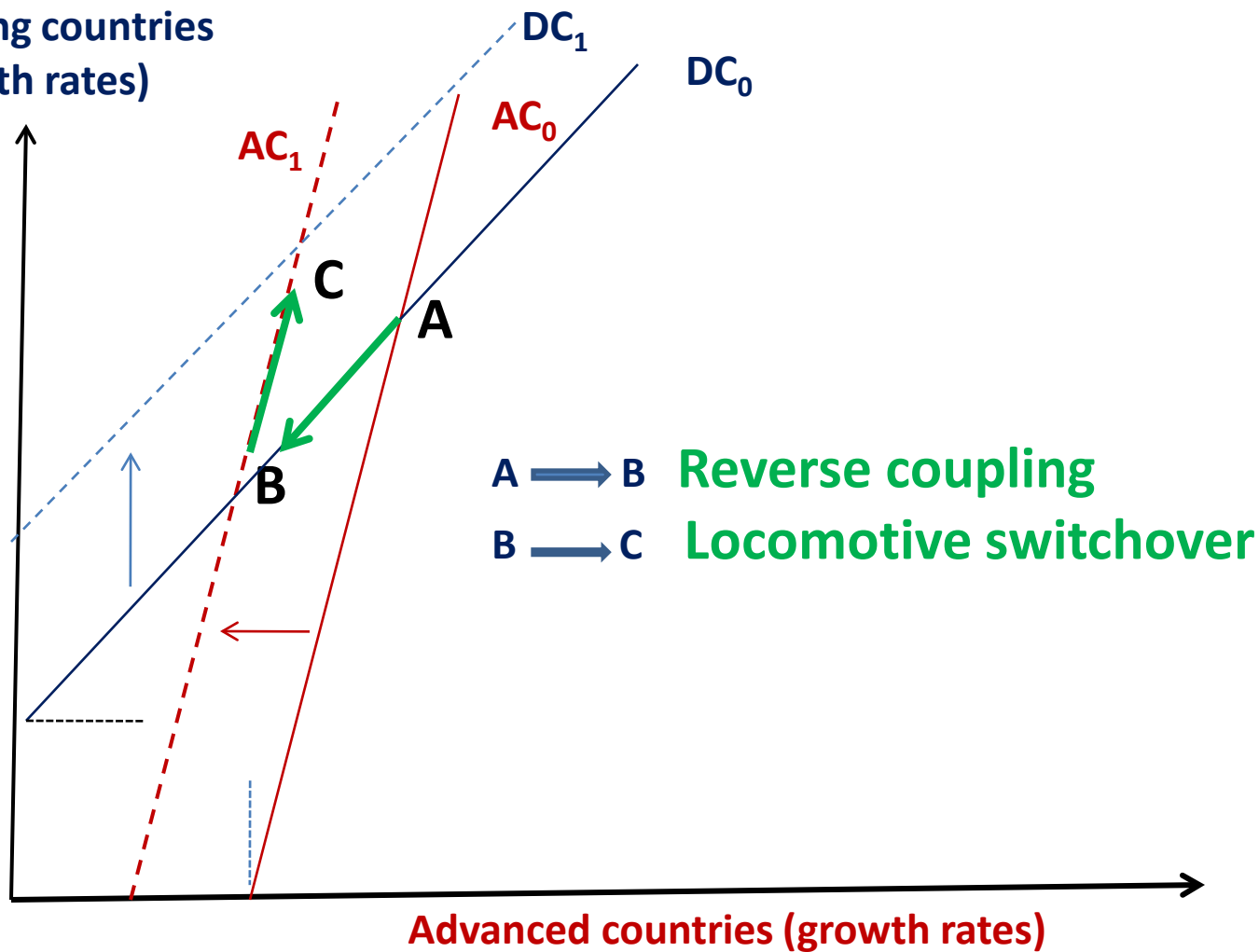
Beyond China and India...

Frequency Distribution of GDP Growth in 2009 - Developed and Developing



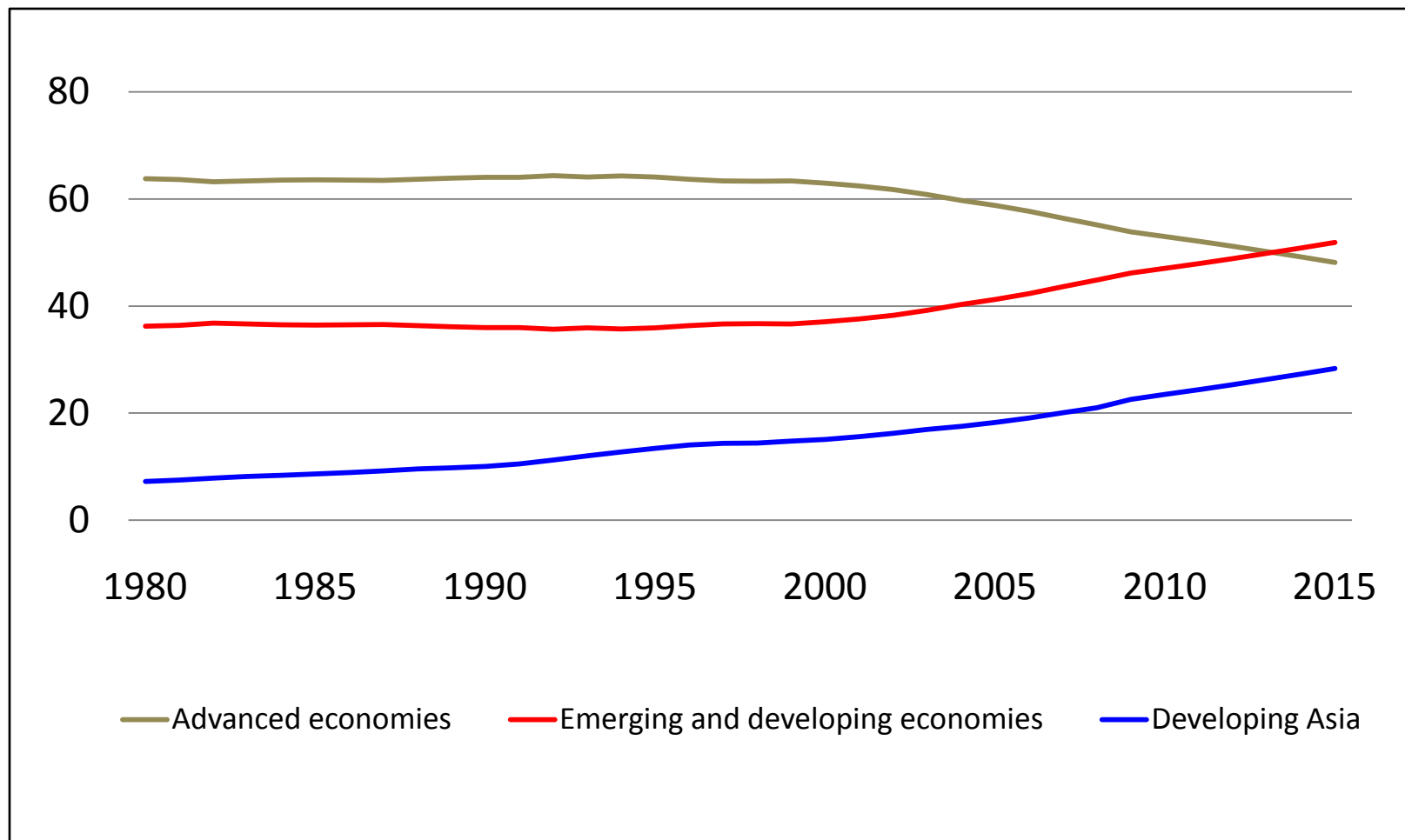
Growth interdependence

Developing countries
(growth rates)



Toward a locomotive switchover?

Share of global GDP - PPP (%)



Scope for autonomous growth *versus* gravity forces toward a low-growth path

- I. (Overall) low degree of leverage [public and private balance sheets in good shape]**
- II. Technological convergence gap**
- III. Trade, structural change and global rebalancing of demand and supply**
- IV. Social trickle-down of growth**
- V. Natural resources as a blessing or a curse**

- ✓ **Yes**, there is scope for a ***switchover*** where developing countries as a whole take on a greater role as global locomotives.
- ✓ There is some **homework** to do in terms of domestic policies and reforms fundamental to accomplish that mission.
- ✓ The **book** => the successful **recent policy record** gives ground to a reasoned optimism.