



## Weekly Global Economic Brief

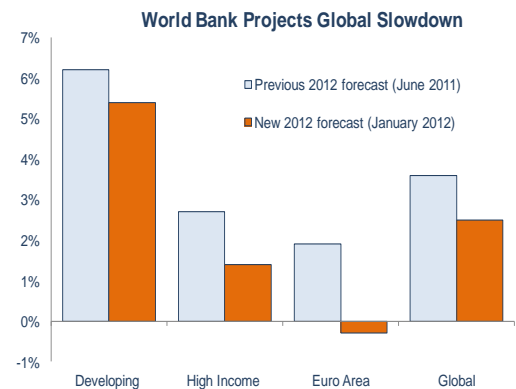
Number 119

For more information, see [www.worldbank.org/gem](http://www.worldbank.org/gem)

19 January 2012

Global GDP is projected to slow down significantly in 2012 and 2013, according to the latest World Bank bi-annual Global Economic Prospects report. Though the slowdown in high-income economies will be sharper, developing countries will also be affected. Downside risks related to the loss of markets confidence in the ability of one or more high-income countries to repay their debt remains a serious concern. Since August credit default swap rates in both high-income and developing countries have increased significantly. Sub-Saharan Africa was one of the fastest growing developing regions in 2011, but remains vulnerable to outturns in the global economy.

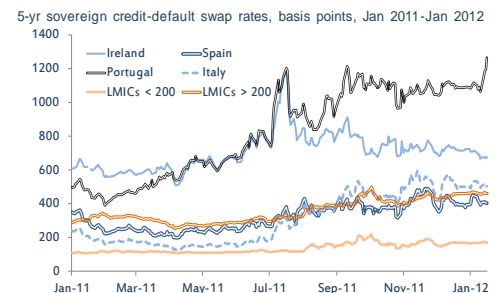
**Global GDP growth forecast is significantly downgraded in latest World Bank Global Economic Prospects report.** The global economy is now expected to expand 2.5 and 3.1 percent in 2012 and 2013 versus the 3.6 percent projected in June for both years. High-income country growth is now expected to come in at 1.4 percent in 2012 and 2 percent in 2013, versus forecasts in June of 2.7 and 2.6 percent for 2012 and 2013 respectively. Growth in developing countries has been revised down to 5.4 and 6.0 percent versus 6.2 and 6.3 percent in June. While developing countries are in much better shape than high-income countries, they remain vulnerable to significant downside risks. If global conditions were to deteriorate sharply, then low- and middle-income countries, would also likely be affected. Indeed, in contrast to 2008/09, they have much less fiscal space available to respond to a new crisis.



Source: World Bank, Global Economic Prospects 2012

**Developing country Credit Default Swaps (CDS) rates move higher since August.** The resurgence of market concerns about fiscal sustainability in Europe and the exposure of banks to stressed sovereign European debt pushed CDS rates of most countries (including developing countries) upwards beginning in August 2011. By early January 2012, emerging-market bond spreads had widened by an average of 117 bps from their end-of-July levels, and developing-country stock markets had lost 8.5 percent of their value. Since October, however, the median CDS rates of developing countries with relatively good credit histories have declined to 162 points and developing country sovereign yields have eased from 672 to 616 basis points. Further, notwithstanding the recent downgrades to the credit rating of nine Eurozone countries, CDS rates in developing countries have held steady.

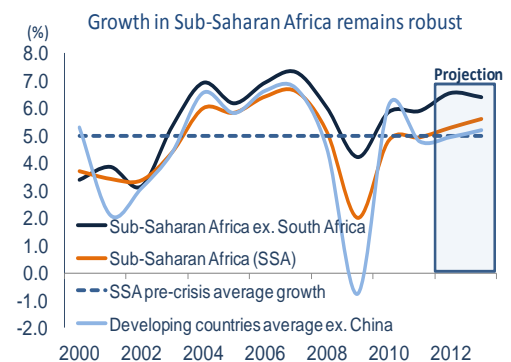
### Limited market relief for high-spread European and high-spread developing countries



Source: World Bank, Global Economic Prospects 2012

### Growth in Sub-Saharan Africa remained robust, inching up from 4.8% in 2010 to 4.9% in 2011, remaining just shy of its pre-crisis average of 5%.

Excluding South Africa, which accounts for over a third of the regions GDP, growth in the rest of Sub Saharan Africa was even stronger at 5.9% in 2011, making it one of the fastest growing developing regions. Higher investment flows, rising consumer spending, the coming on stream of new mineral exports in a number of countries, and the rebound to growth in Cote d'Ivoire, should support Sub-Saharan Africa's growth acceleration to 5.3% in 2012 and 5.6% in 2013. Nonetheless, risks to growth prospects remain weighted on the downside as heightened uncertainty from the Eurozone debt crisis could shave growth in Sub-Saharan Africa by up to 1.7 percentage points in 2012, as merchandise exports, tourism receipts, commodity prices, foreign direct investment, and remittances - important growth drivers - remain susceptible to the turn of events in the Eurozone.



Source: World Bank, Global Economic Prospects 2012

## Economic Developments

indicators expressed as %ch y/y, except Industrial Production quarterly figures are %ch q/q, annualized

19-Jan-12

	2008	2009	2010	2011				2011				
				Q4	Q1	Q2	Q3	Jul	Aug	Sep	Oct	Nov
<b>Industrial Production, S.A.</b>												
World	0.5	-8.5	9.1	8.1	7.9	-1.6	2.9	3.5	5.2	4.0	3.4	2.9
High Income Countries	-1.9	-12.9	8.2	5.5	5.4	-3.3	2.4	1.5	3.9	1.9	2.2	1.2
Developing Countries	6.0	0.8	10.9	12.8	12.5	1.3	4.0	7.2	7.6	7.8	5.6	5.7
East Asia and Pacific	10.7	8.4	14.5	16.0	18.7	5.9	9.3	12.4	12.1	12.5	10.5	9.1
East Asia x. China	2.3	-4.2	9.1	11.4	3.3	-4.4	4.5	2.3	3.6	4.8	-5.8	-12.1
Europe and Central Asia	0.1	-10.1	9.5	16.9	7.9	-2.8	0.8	4.9	5.4	6.0	4.0	4.6
Latin America and Caribbean	1.0	-7.0	6.5	5.0	9.2	-2.1	-1.6	2.2	3.4	2.0	1.4	0.7
Middle East and N. Africa	3.1	-3.5	1.7	6.9	-17.6	-11.7	-10.8	-10.3	-10.1	-5.8	-	-
South Asia	6.8	-0.2	9.8	14.7	11.7	-5.2	-4.6	4.1	4.8	2.4	-4.4	6.6
Sub-Saharan Africa	1.0	-6.7	5.6	-2.6	7.1	-3.4	4.8	-3.4	2.8	5.0	-	-
<b>Inflation, S.A.<sup>1</sup></b>												
High Income Countries	3.4	0.2	1.6	1.7	2.2	2.8	3.0	3.0	3.0	3.1	2.9	2.8
Developing Countries	8.7	4.5	6.0	6.6	6.9	7.4	7.7	7.8	7.7	7.7	7.4	6.8
East Asia and Pacific	6.3	-0.2	3.5	4.7	5.2	5.8	6.2	6.4	6.2	6.1	5.5	4.3
Europe and Central Asia	12.5	8.9	7.1	7.6	7.2	8.3	8.0	8.4	8.1	7.6	8.1	8.6
Latin America and Caribbean	8.1	6.7	7.2	7.6	7.8	7.6	8.2	8.1	8.2	8.3	8.1	7.9
Middle East and N. Africa	16.4	8.9	7.2	8.5	11.6	12.3	-	-	-	-	-	-
South Asia	10.0	10.5	11.7	9.8	9.5	9.5	9.5	9.0	9.6	9.9	9.8	9.2
Sub-Saharan Africa	12.6	8.7	7.2	7.0	7.9	8.9	9.1	8.9	9.2	9.7	-	-

<sup>1</sup> Inflation is calculated as the GDP-weighted average for all groups.

## Trade and Finance

indicators expressed as %ch y/y, except International Reserves are %ch p/p and trade quarterly figures are %ch q/q, annualized

	2008	2009	2010	2011				2011				
				Q4	Q1	Q2	Q3	Jul	Aug	Sep	Oct	Nov
<b>Exports, Nominal, US\$, S.A.</b>												
World	15.2	-22.9	22.4	42.7	41.9	10.9	-3.7	21.2	25.6	17.1	10.3	-
High Income Countries	12.7	-23.0	18.9	37.9	41.5	9.2	-3.2	18.7	24.8	16.0	7.4	-
Developing Countries	21.1	-22.6	30.0	52.4	42.4	14.3	-4.3	26.2	27.1	19.2	16.4	11.6
East Asia and Pacific	16.8	-16.4	31.0	39.0	30.5	21.0	-0.2	22.8	24.3	18.0	14.0	10.8
Europe and Central Asia	30.8	-32.6	26.9	77.1	69.6	19.9	-16.6	31.8	37.1	26.4	25.0	23.4
Latin America and Caribbean	11.7	-20.3	28.5	44.6	36.6	16.1	-0.1	24.4	27.2	17.7	19.5	15.2
Middle East and N. Africa	34.0	-33.9	28.6	56.9	39.1	-26.3	-5.5	13.7	11.7	7.9	-	-
South Asia	24.9	-11.5	30.8	135.2	64.7	25.3	-1.4	73.9	45.2	28.5	8.9	2.5
Sub-Saharan Africa	28.6	-30.9	35.5	59.1	81.4	10.8	-14.5	26.2	33.8	25.8	-	-
<b>Imports, Nominal, US\$, S.A.</b>												
World	15.7	-23.4	21.6	37.4	48.6	10.2	-7.9	19.4	24.1	16.4	13.2	-
High Income Countries	12.2	-24.6	18.1	30.7	44.7	13.1	-10.3	17.6	21.8	13.7	9.4	-
Developing Countries	25.3	-20.5	29.8	52.8	57.0	4.5	-2.8	23.3	29.2	22.3	21.7	18.0
East Asia and Pacific	21.3	-15.4	37.2	74.0	57.2	20.0	21.0	22.2	30.2	24.5	26.0	18.6
Europe and Central Asia	26.5	-33.7	26.0	62.0	72.7	13.9	-16.4	30.3	29.0	24.1	18.2	13.8
Latin America and Caribbean	22.2	-24.7	29.1	24.9	44.6	26.2	-5.7	19.5	24.9	18.8	17.8	16.0
Middle East and N. Africa	39.1	-8.5	13.3	36.7	31.4	2.2	-6.8	9.2	19.1	15.0	-	-
South Asia	38.8	-17.4	29.1	26.1	88.2	38.1	-3.8	35.1	43.2	22.5	22.5	25.5
Sub-Saharan Africa	26.0	-18.3	14.2	36.7	41.5	33.2	-4.4	26.3	28.2	21.5	-	-
<b>International Reserves, US\$</b>												
High Income Countries	5.8	15.8	10.8	0.4	3.9	2.9	3.8	0.8	3.8	-0.8	-0.3	2.0
Developing Countries	12.4	14.8	14.6	4.7	6.0	4.7	-0.4	1.5	0.7	-2.5	-	-
East Asia and Pacific	23.5	22.6	19.3	7.5	7.0	5.5	-0.1	1.5	0.6	-2.2	-	-
Europe and Central Asia	-8.9	2.3	7.5	-2.1	5.9	4.0	-3.7	0.7	0.4	-4.6	-	-
Latin America and Caribbean	11.3	10.3	15.7	4.3	6.1	5.0	3.3	2.4	1.7	-0.9	-0.6	0.1
Middle East and N. Africa	22.6	5.1	5.9	1.9	-	-	-	-	-	-	-	-
South Asia	-9.0	10.9	5.4	1.5	2.7	3.1	-2.0	1.0	0.1	-3.1	-0.5	-1.4
Sub-Saharan Africa	8.0	1.8	0.4	-0.1	5.6	-	-	-	-	-	-	-

## Financial Markets

19-Jan-12

	2009	2010	2011	2011				2011				MRV <sup>1</sup>	Chg since Sep-12 '08 <sup>3</sup>
				Q1	Q2	Q3	Q4	Sep	Oct	Nov	Dec		
<b>Interest rates and LIBOR (%)</b>													
U.S. Fed Funds Effective	0.16	0.18	0.10	0.16	0.19	0.19	0.19	0.08	0.07	0.08	0.07	0.09	-2.01
ECB repo	0.70	0.48	0.82	0.78	1.14	0.93	0.41	0.63	0.63	0.39	0.21	0.13	-4.24
US\$ LIBOR 3-months	0.69	0.34	0.34	0.31	0.26	0.30	0.48	0.35	0.41	0.48	0.56	0.56	-2.26
EURIBOR 3-months	1.23	0.81	1.39	1.09	1.41	1.56	1.50	1.54	1.58	1.48	1.43	1.20	-3.75
US 10-yr Treasury yield	3.24	3.20	2.77	3.45	3.19	2.41	2.03	1.96	2.13	2.00	1.97	1.85	-1.88
German Bund, 10 yr	3.24	2.76	2.63	3.17	3.12	2.27	1.97	1.84	2.04	1.93	1.95	1.74	-2.44
<b>Spreads (basis points)</b>													
US Corporate (High Yield Bonds)	1011	538	544	427	436	610	703	700	740	685	683	613	-120
JP Morgan Emerging Markets	472	301	341	289	305	355	417	408	423	413	415	439	82
Asia	374	206	218	181	196	227	269	273	277	264	267	283	-13
Europe	449	247	301	230	239	321	413	382	404	406	429	458	145
Latin America & Caribbean	510	360	404	352	379	418	467	470	483	464	453	479	91
Middle East	574	342	366	309	331	393	430	429	425	428	436	457	-42
Africa	431	274	364	362	304	363	426	404	415	424	424	463	129
<b>Stock Indices (end of period)<sup>2</sup></b>													
Global (MSCI)	299	331	300	344	342	281	300	281	310	300	300	311	-2.8
High-Income (\$ Index)	1168	1280	1183	1335	1331	1104	1183	1104	1217	1185	1183	1222	-4.8
United States (S&P-500)	1115	1258	1258	1326	1321	1131	1258	1131	1253	1247	1258	1308	4.5
Euro Area (S&P-350\$)	1358	1353	1171	1436	1451	1120	1171	1120	1248	1189	1171	1197	-18.6
Japan (Nikkei-225)	10546	10229	8455	9755	9816	8700	8455	8700	8988	8435	8455	8551	-30.0
Developing Markets (MSCI)	783	912	725	925	905	698	725	698	787	735	725	774	11.2
Asia	778	906	732	917	909	711	732	711	795	728	732	776	22.2
Europe & C. Asia	616	635	449	702	708	472	449	472	527	483	449	464	-38.2
Latin America & Caribbean	4117	4614	3602	4632	4464	3342	3602	3342	3912	3670	3602	3968	12.2
Africa	815	1049	849	1008	983	808	849	808	874	868	849	884	15.2
<b>Exchange Rates (LCU / USD)</b>													
<b>High Income</b>													
Euro Area	0.72	0.76	0.72	0.73	0.69	0.71	0.74	0.73	0.73	0.74	0.76	0.78	10.6
Japan	93.53	87.80	79.77	82.31	81.67	77.75	77.33	76.76	76.71	77.50	77.78	76.71	-28.6
<b>Developing</b>													
Brazil	2.00	1.76	1.67	1.67	1.59	1.64	1.80	1.75	1.77	1.79	1.84	1.77	-0.7
China	6.83	6.77	6.47	6.58	6.50	6.42	6.36	6.39	6.37	6.36	6.35	6.31	-7.8
Egypt	5.55	5.64	5.94	5.87	5.95	5.96	5.99	5.96	5.97	5.98	6.02	6.04	11.1
India	48.42	45.73	46.67	45.28	44.72	45.81	50.87	47.66	49.28	50.77	52.55	50.38	10.2
Russia	31.76	30.38	29.41	29.27	27.99	29.16	31.21	30.74	31.24	30.85	31.55	31.52	23.2
South Africa	8.43	7.32	7.26	7.00	6.79	7.14	8.10	7.56	7.96	8.15	8.19	8.02	-0.6
Memo: USA nominal effective rate	86.30	83.47	78.33	79.55	77.47	77.01	79.28	78.05	78.51	79.18	80.14	80.14	-6.7

<sup>1</sup> MRV = Most Recent Value.

<sup>2</sup> MSCI Indices for Asia, Africa, and Europe and C. Asia, for 2008 are calculated from February-December, due to data availability.

<sup>3</sup> Change expressed in levels for interest rates and spreads; percent change for stock market and exchange rates.

## Commodity Prices

	2009	2010	2011	2011				2011				MRV	Chg since Sep-12 '08 <sup>3</sup>
				Q1	Q2	Q3	Q4	Sep	Oct	Nov	Dec		
Oil price, \$/b, nominal <sup>1</sup>	62	79	104	100	110	103	103	102	100	106	104	107	9.6
Non - Oil Index <sup>2</sup>	151	196	243	259	250	241	222	236	217	241	208	214	7.7
Food Index <sup>2</sup>	175	199	261	264	259	256	263	255	241	312	237	234	10.4
Metals and Minerals Index <sup>2</sup>	127	189	216	234	227	220	183	208	186	182	181	196	5.8
Baltic Dry Index <sup>3</sup>	2598	2755	1546	1364	1373	1533	1916	1840	2072	1835	1839	926	-80.7

<sup>1</sup> Simple average of Brent, Dubai and WTI.

<sup>2</sup> Base Date = Jan 1, 2005

<sup>3</sup> Base Date = May 1, 1985