



Weekly Global Economic Brief

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The latest *Global Economic Prospects* report, released January 12, projects that global real GDP growth (in 2005 U.S. dollar terms) will moderate to 3.3% in 2011, after a strong 3.9% rebound in 2010 that was led by 7% gains in developing countries. High-income economies registered better-than expected growth of 2.8%. Looking ahead, developing countries are projected to continue outpacing high income countries through 2012. A recovery in foreign capital inflows supported the rebound in developing countries, but flows were highly concentrated among a small subset of larger middle-income countries with deep financial markets. And left unchecked, excessive flows can lead to destabilizing asset bubbles and abrupt currency valuation swings that can do lasting damage to economies. Annual double-digit price increases for food price inflation is pressuring low-income households. And if global food prices continue to increase, a repeat of the conditions of the 2008 “food crisis” cannot be ruled out. <http://www.worldbank.org/globaloutlook>

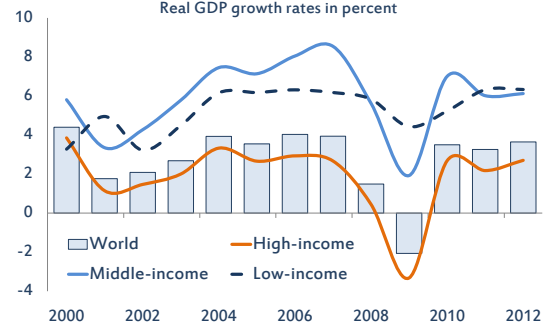
In most developing countries, GDP has regained levels that would have prevailed had there been no boom-bust cycle, and strong growth is projected through 2012. The robust recovery in developing countries in 2010 was remarkable in that it mainly reflects an expansion of domestic demand, which has accounted for a full 45% of global growth in the year. Further, developing countries are increasingly an important source of stability, with many of the risks to global growth centered in high-income countries and reflecting as yet unresolved imbalances generated by the boom. In contrast, the recovery in several economies in emerging Europe and Central Asia and in some high-income countries is less well-established and output remains below pre-crisis levels. High household debt and unemployment, and weak housing and banking sectors are likely to mute recoveries—with continuing tensions tied to debt-sustainability issues in Europe.

Very low policy-induced interest rates in high-income countries combined with better growth prospects in developing countries prompted a recovery in capital inflows. Net international equity and bond flows rose by 42% and 30%, respectively in 2010, with nine middle-income countries receiving the bulk of the flows. Short-term debt, equities and bonds, particularly corporate bonds, posted the strongest gains. Foreign direct investment to developing countries rose a more modest 15% in 2010, reaching \$410bn after falling 40% in 2009. Low-income countries experienced modest declines in capital flows in 2009 and modest increases in 2010, partly reflecting their reliance on relatively stable FDI. However, many low-income countries did benefit from stronger remittance inflows, a recovery in tourism and higher commodity prices. South-South flows are increasingly important for low income countries.

If international commodity prices continue to rise, affordability issues and poverty impacts could intensify. Although real food prices in most developing countries have not increased as much as those measured in U.S. dollars, they have risen sharply in some poor countries. Notably, there are some similarities with the food-price spike of 2008, which also coincided with strong developing country growth, high oil prices, and high liquidity. However, compared with the 2008 grain price shock, current global commodity market conditions are not as severe. Grain production and stocks are much larger now than seasons prior to the 2007-08 price spike and oil market supply-demand conditions are not as tight.

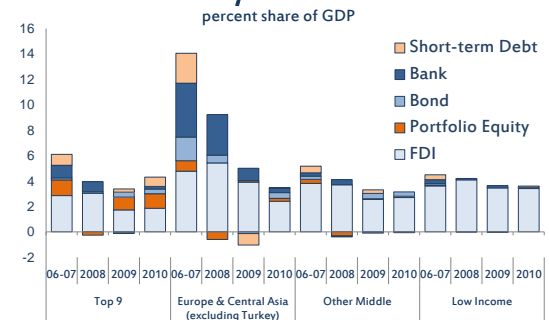
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Annual growth projected to slow somewhat in 2011



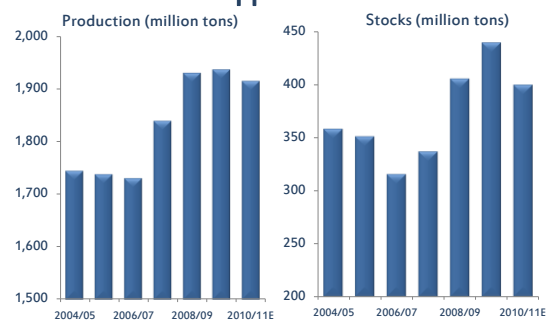
Source: World Bank, DEC Prospects Group, *Global Economic Prospects*

Decline and recovery in net capital flows was very concentrated



Source: World Bank, DEC Prospects Group, *Global Economic Prospects*

Global grain markets tightened in 2010/11, but are well-supplied versus 2007/08



Sources: USDA (January 12, 2011 update) World Bank DEC Prospects

Economic Developments

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

13-Jan-11

	2007	2008	2009	2009 Q4	2010 Q1	Q2	Q3	2010				
								Jul	Aug	Sep	Oct	Nov
Industrial Production, S.A.												
World	4.8	0.5	-8.0	12.1	11.2	9.1	0.2	8.0	9.3	6.8	6.2	7.2
High Income Countries	2.8	-1.8	-12.3	10.5	9.9	10.6	-0.9	7.2	9.2	5.9	5.0	6.4
Developing Countries	9.6	5.8	1.3	15.2	13.6	6.3	2.3	9.5	9.6	8.6	8.6	8.9
East Asia and Pacific	15.1	10.7	8.4	18.3	18.6	7.5	6.1	12.5	12.8	12.1	12.1	12.2
East Asia x. China	4.2	2.3	-4.2	18.9	11.9	3.7	-7.1	7.7	6.7	4.8	5.4	5.2
Europe and Central Asia	6.8	0.1	-10.1	15.9	7.8	8.3	-2.4	6.2	8.2	7.3	7.2	7.6
Latin America and Caribbean	3.9	1.0	-6.9	11.4	6.5	6.3	-0.9	4.8	7.1	5.3	2.3	5.5
Middle East and N. Africa	1.7	3.1	-3.0	3.6	6.2	-0.3	-6.8	0.5	0.1	1.1	-	-
South Asia	9.4	4.5	5.4	12.1	13.1	2.8	3.8	13.5	6.2	4.0	9.6	2.6
Sub-Saharan Africa	5.3	1.0	-6.7	16.0	13.5	2.1	-8.3	8.7	5.4	2.2	-	-
Inflation, S.A.¹												
High Income Countries	2.4	4.3	1.2	0.9	1.6	2.1	1.9	1.9	1.9	1.9	2.3	1.9
Developing Countries	6.2	10.3	4.0	2.9	4.6	4.6	3.9	4.2	3.8	3.7	4.4	-
East Asia and Pacific	5.6	9.5	1.5	1.7	4.4	4.3	3.2	3.4	3.3	3.3	-	-
Europe and Central Asia	8.4	10.2	3.1	3.0	4.5	4.4	7.5	6.0	7.6	7.8	7.9	7.5
Latin America and Caribbean	6.5	8.8	3.3	2.3	4.0	4.3	4.3	4.1	4.4	4.4	4.9	5.6
Middle East and N. Africa	3.7	9.9	3.4	2.7	4.5	4.9	3.7	4.0	3.5	4.0	4.0	-
South Asia	7.6	10.9	10.8	10.0	11.7	10.1	9.9	10.1	10.1	8.8	9.8	8.2
Sub-Saharan Africa	6.9	10.5	7.3	4.1	3.9	4.3	3.1	3.4	3.0	3.0	3.2	-

¹ Inflation is calculated as medians 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

	2007	2008	2009	2009 Q4	2010 Q1	Q2	Q3	2010				
								Jul	Aug	Sep	Oct	Nov
Exports, Nominal, US\$, S.A.												
World	15.2	15.1	-22.8	49.4	25.2	1.9	0.7	16.9	21.6	14.8	14.5	18.2
High Income Countries	13.6	12.6	-22.9	41.2	19.4	-2.1	4.4	13.2	19.1	11.7	12.8	-
Developing Countries	19.2	21.1	-22.5	68.9	38.1	10.6	-6.6	25.1	27.0	21.8	17.8	26.4
East Asia and Pacific	22.0	16.8	-16.4	69.8	38.6	23.6	-2.7	33.3	31.7	24.4	20.5	32.4
Europe and Central Asia	20.6	30.9	-32.7	79.0	38.4	-8.2	-23.9	15.2	14.4	14.6	12.6	12.7
Latin America and Caribbean	13.2	11.9	-20.4	63.5	36.6	18.2	2.4	24.3	34.0	26.6	21.0	29.3
Middle East and N. Africa	15.2	34.5	-32.9	58.6	52.0	-29.0	-12.6	13.0	9.3	9.7	-	-
South Asia	18.3	24.9	-12.3	42.6	30.8	10.5	-7.4	12.1	19.9	20.6	20.4	25.0
Sub-Saharan Africa	20.1	28.2	-31.0	94.9	32.4	-0.2	-10.8	15.8	32.7	21.6	-	-
Imports, Nominal, US\$, S.A.												
World	15.1	15.7	-23.4	47.2	27.8	3.7	0.0	17.4	23.6	13.9	14.7	-
High Income Countries	13.0	12.1	-24.6	39.9	22.3	1.9	1.3	14.8	20.6	10.8	12.2	-
Developing Countries	21.5	25.7	-20.5	65.7	40.8	7.8	-2.8	23.6	30.6	21.3	20.8	29.0
East Asia and Pacific	18.7	21.4	-15.5	75.7	56.7	2.0	-7.9	25.2	33.7	22.0	24.3	36.2
Europe and Central Asia	30.2	27.0	-33.5	60.1	19.8	21.3	7.3	24.4	30.2	22.7	23.5	24.8
Latin America and Caribbean	19.2	22.2	-24.8	45.1	50.8	32.5	0.9	27.5	39.7	25.7	26.9	32.9
Middle East and N. Africa	22.8	46.5	-8.0	43.0	0.6	-6.2	-0.9	8.5	7.7	6.4	-	-
South Asia	21.3	38.8	-18.3	119.0	46.7	-6.5	-6.5	32.1	30.5	25.8	7.7	12.3
Sub-Saharan Africa	21.5	24.9	-18.2	40.0	7.0	-6.4	8.5	6.5	15.0	11.6	-	-
International Reserves, US\$												
High Income Countries	13.1	5.8	15.8	2.5	1.7	2.6	5.7	2.5	-0.1	3.3	0.9	-1.2
Developing Countries	41.9	12.8	15.0	4.1	1.1	0.6	7.7	3.2	0.4	3.9	3.3	-0.4
East Asia and Pacific	41.5	23.5	22.7	5.2	2.0	0.6	8.2	3.3	0.5	4.2	4.4	0.3
Europe and Central Asia	46.6	-8.8	2.4	3.8	0.9	0.4	7.9	4.0	0.1	3.7	1.0	-3.2
Latin America and Caribbean	44.5	11.3	10.5	5.9	0.4	2.8	7.7	2.4	1.1	4.0	2.3	0.2
Middle East and N. Africa	29.9	22.7	5.6	0.6	-1.4	-0.1	5.3	2.1	0.4	2.7	2.1	-
South Asia	53.2	-9.0	11.0	-1.5	-1.1	-0.9	6.1	3.3	-0.6	3.3	1.7	-2.1
Sub-Saharan Africa	27.4	8.0	2.1	0.0	-0.4	-	-	-	-	-	-	-

Financial Markets

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	2007	2008	2009	2010				2010				MRV ¹	Chg since Sep-12 '08 ³
				Q1	Q2	Q3	Q4	Sep	Oct	Nov	Dec		
Interest rates and LIBOR (%)													
U.S. Fed Funds Effective	5.02	1.93	0.16	0.13	0.19	0.19	0.19	0.19	0.19	0.19	0.18	0.16	-1.94
ECB repo	3.98	3.78	0.70	0.36	0.37	0.50	0.69	0.49	0.73	0.73	0.62	0.60	-3.77
US\$ LIBOR 3-months	5.30	2.91	0.69	0.26	0.43	0.39	0.29	0.29	0.29	0.29	0.30	0.30	-2.52
EURIBOR 3-months	4.28	4.63	1.23	0.66	0.69	0.87	1.02	0.88	1.00	1.04	1.02	1.00	-3.96
US 10-yr Treasury yield	4.63	3.65	3.24	3.71	3.47	2.77	2.85	2.64	2.51	2.74	3.29	3.36	-0.37
German Bund, 10 yr	4.22	3.99	3.24	3.20	2.80	2.44	2.60	2.32	2.37	2.54	2.90	3.02	-1.15
Spreads (basis points)													
US Corporate (High Yield Bonds)	304	915	1011	522	531	577	522	564	554	532	481	464	-269
JP Morgan Emerging Markets	197	406	472	299	307	315	285	309	288	283	283	278	-79
Asia	161	355	374	231	221	200	172	185	183	169	165	172	-124
Europe	158	370	449	235	255	268	232	261	235	233	229	230	-84
Latin America & Caribbean	208	426	510	354	365	374	347	372	346	346	350	337	-51
Middle East	476	585	574	318	333	380	339	376	372	339	305	279	-220
Africa	288	452	431	224	256	324	294	314	293	283	307	340	6
Stock Indices²													
Global (MSCI)	393	327	250	297	292	289	319	298	314	319	325	335	4.8
High-Income (\$ Index)	1571	1297	987	1161	1138	1121	1235	1154	1214	1232	1261	1298	1.2
United States (S&P-500)	1476	1221	947	1121	1134	1095	1204	1121	1172	1199	1242	1286	2.7
Euro Area (S&P-350\$)	1909	1544	1119	1296	1198	1222	1348	1268	1354	1347	1342	1370	-6.9
Japan (Nikkei-225)	16983	12156	9336	10502	10385	9364	9834	9369	9461	9783	10257	10590	-13.3
Developing Markets (MSCI)	...	743	743	768	765	786	883	818	875	884	890	921	32.2
Asia	...	688	688	758	762	785	881	815	871	884	887	916	44.3
Europe & C. Asia	...	766	766	619	577	570	635	592	647	638	621	640	-14.7
Latin America & Caribbean	3670	3771	3040	3993	3910	4040	4498	4205	4500	4506	4489	4660	31.8
Middle East and N. Africa	693	733	439	492	502	474	474	498	507	-27.3
Africa	...	772	772	807	824	850	976	890	953	970	1003	1023	33.2
Exchange Rates (LCU / USD)													
High Income													
Euro Area	0.73	0.68	0.72	0.72	0.79	0.77	0.74	0.76	0.72	0.73	0.76	0.77	8.5
Japan	117.74	103.37	93.53	90.73	92.13	85.84	82.51	84.40	81.83	82.40	83.31	83.00	-22.8
Developing													
Brazil	1.95	1.83	2.00	1.80	1.79	1.75	1.70	1.72	1.68	1.71	1.69	1.67	-6.2
China	7.61	6.95	6.83	6.83	6.82	6.77	6.66	6.74	6.67	6.65	6.65	6.60	-3.5
Egypt	5.64	5.44	5.55	5.47	5.61	5.70	5.76	5.70	5.73	5.76	5.80	5.80	6.6
India	41.35	43.52	48.42	45.94	45.66	46.48	44.85	46.01	44.42	45.00	45.13	45.14	-1.3
Russia	25.57	24.88	31.76	29.87	30.33	30.60	30.71	30.79	30.31	31.02	30.80	30.19	18.0
South Africa	7.05	8.26	8.43	7.51	7.55	7.32	6.90	7.12	6.91	6.98	6.82	6.83	-15.3
Memo: USA nominal effective rate	89.39	84.39	86.30	83.38	86.26	83.68	80.56	82.69	79.80	80.42	81.46	81.46	-5.2

¹ MRV = Most Recent Value.

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

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

Commodity Prices

	2007	2008	2009	2010				2010				MRV	Chg since Sep-12 '08 ³
				Q1	Q2	Q3	Q4	Sep	Oct	Nov	Dec		
Oil price, \$/b, nominal ¹	71	97	62	77	78	76	85	76	82	84	90	94	-3.5
Non - Oil Index ²	165	197	153	180	176	187	222	198	212	221	234	242	21.4
Food Index ²	155	218	175	186	175	196	239	211	228	238	253	260	22.7
Metals and Minerals Index ²	184	184	133	171	168	170	194	179	191	191	201	209	12.6
Baltic Dry Index ³	7072	6348	2598	3015	3318	2358	2330	2719	2693	2321	1975	1453	-69.7

¹ Simple average of Brent, Dubai and WTI.

² Base Date = Jan 1, 2005

³ Base Date = May 1, 1985