



Weekly Global Economic Brief

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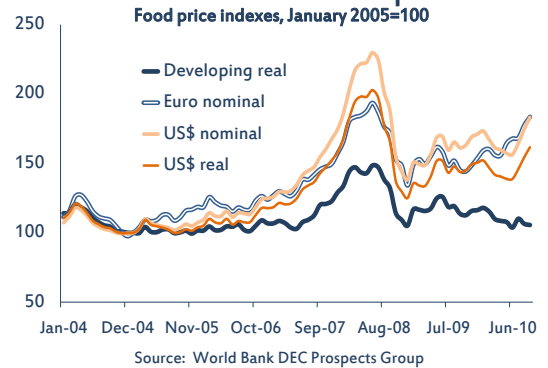
Measured in real local-currency terms, prices of internationally traded commodities (including food) have been much more stable than prices measured in nominal US-dollar terms, both because of dollar volatility and inflation. Domestic prices, which are the most relevant for the poor, depend mainly on domestic rather than international factors and have been very variable. Renewed debt-sustainability concerns in high-income Europe led to weakened capital flows to developing countries in the past month. Markets appear to have stabilized this week after details on how future bailouts will be handled were made public and the ECB announced that it will continue purchasing bonds and supporting bank liquidity. European and U.S. job losses are very concentrated sectorally. Increasingly, policies to facilitate the reallocation of resources away from structurally uncompetitive sectors may be more effective than demand stimulus in reducing joblessness.

Real local-currency prices of internationally-traded commodities have been more stable than nominal US-dollar prices, partly because of dollar depreciation and accumulated inflation. For example, although the dollar price of internationally traded foods rose 17.2% between June 2010 and September 2010, the euro price rose only 9.4%. And, although dollar food prices are now 83% higher than in 2005, they are only 62% higher in real dollar-terms. Because of dollar depreciation and high inflation in developing countries, the real local currency price of internationally-traded food commodities in developing countries rose even less. Domestic food is mainly comprised of locally produced foods and their prices mainly depend on local crop conditions, subsidies, taxes and transport costs rather than international prices. Thus, even as world grain-prices jumped in mid-2010, in many poor African countries local food prices fell on improved crop conditions.

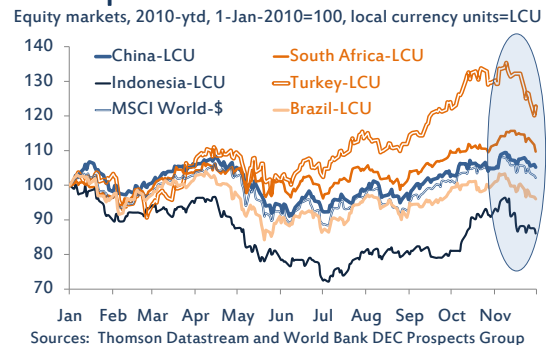
Renewed debt-sustainability concerns in high-income Europe have weakened capital flows to developing countries in the past month. Events leading to and following the bailout of Ireland by the IMF and the EU caused CDS spreads in several high-income European countries to rise once again. They now match or surpass their May 2010 levels. Partly reflecting the uncertainty generated by this situation, international capital flows to developing countries slowed in November, as they did in May. In November, equities in developing countries lost between 1.2% and 8.9% of their value, and bond issuance fell to \$15bn from an average of \$20bn between July and October 2010. This has helped ease the upward pressure on currencies that has been evident in many developing countries.

Job losses in Europe and the United States have been concentrated sectorally, constraining economic recovery. For example, between August 2008 and September 2010 U.S. employment in construction and manufacturing fell 23% and 14%, respectively (together accounting for 46% of total U.S. job losses), much more than the 3% decline in the rest of the economy. Among high-income European countries, job losses range between 7% and 40% in construction and between 5% and 19% in manufacturing—accounting for more than all of the net job losses in the EU in 2009. A similar pattern is evident in developing Europe and Central Asia. In Russia, nearly 30% of the jobs lost in 2009 were in manufacturing and construction. In these circumstances, structural policies that facilitate labor-market adjustment and new job-creation are likely to be more effective than demand stimulus in combating unemployment.

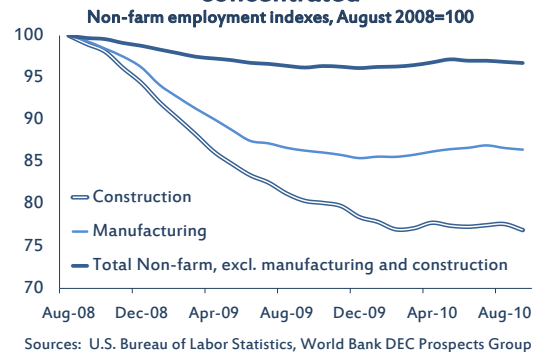
In real local currency-terms, food prices remain well-below 2008 peaks



EU sovereign-debt problems lead to retreat, after capital inflows had lofted local bourses



Rise in U.S. unemployment is sectorally concentrated



Economic Developments

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

01-Dec-10

	2007	2008	2009	2009 Q4	2010 Q1	Q2	Q3	2010 Jun	Jul	Aug	Sep	Oct
Industrial Production, S.A.												
World	4.8	0.6	-8.0	11.7	11.2	9.0	0.5	10.1	8.0	9.3	6.8	-
High Income Countries	2.8	-1.7	-12.3	9.8	9.8	10.6	-0.8	9.9	7.1	9.1	5.6	-
Developing Countries	9.5	5.9	1.4	15.4	13.7	6.1	2.6	10.5	9.6	9.6	8.8	-
East Asia and Pacific	15.1	10.7	8.4	18.1	18.9	7.6	5.9	13.0	12.6	12.8	12.0	11.7
East Asia x. China	4.2	2.3	-4.2	18.9	12.2	3.6	-7.7	9.4	7.7	6.6	4.6	-
Europe and Central Asia	6.8	0.1	-10.0	17.4	7.2	8.5	-1.2	9.1	6.2	8.2	8.9	5.3
Latin America and Caribbean	3.9	1.0	-6.9	11.2	6.6	6.3	-0.8	8.2	4.9	7.1	5.3	-
Middle East and N. Africa	1.7	3.1	-3.1	4.5	5.4	0.1	-	3.9	1.1	0.6	-	-
South Asia	9.1	6.4	6.3	14.2	14.0	-1.0	5.3	7.0	13.9	6.0	4.1	-
Sub-Saharan Africa	5.3	1.0	-6.7	16.8	13.3	2.2	-	10.5	8.7	5.4	-	-
Inflation, S.A.¹												
High Income Countries	2.4	4.3	1.2	0.9	1.6	2.1	1.9	1.8	1.8	1.8	1.9	1.9
Developing Countries	6.2	10.3	4.0	2.9	4.6	4.6	-	4.3	4.2	3.8	3.7	-
East Asia and Pacific	5.6	9.5	1.5	1.7	4.4	4.3	-	3.9	3.5	3.3	3.3	-
Europe and Central Asia	8.4	10.2	3.1	3.0	4.5	4.3	7.5	3.7	6.0	7.6	7.8	5.7
Latin America and Caribbean	6.5	8.8	3.3	2.4	4.0	4.3	4.3	4.2	4.1	4.4	4.2	5.2
Middle East and N. Africa	3.7	9.9	3.4	2.7	4.5	4.8	-	5.0	4.0	3.2	4.1	-
South Asia	7.6	10.9	10.8	10.0	11.7	10.1	9.9	9.6	10.1	10.1	10.1	9.8
Sub-Saharan Africa	6.9	10.5	7.3	4.1	3.9	4.3	-	4.3	3.3	3.0	3.1	-

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 Jun	Jul	Aug	Sep	Oct
Exports, Nominal, US\$, S.A.												
World	15.2	15.1	-22.8	52.6	23.9	1.4	-0.8	22.4	16.9	21.5	14.1	-
High Income Countries	13.6	12.6	-22.9	44.6	17.9	-2.6	2.9	18.0	13.2	19.0	11.0	-
Developing Countries	19.2	21.1	-22.6	71.3	37.4	10.3	-8.3	32.2	25.3	26.6	20.9	16.7
East Asia and Pacific	22.0	16.8	-16.4	75.7	35.8	23.1	-3.7	40.6	33.5	31.8	24.2	18.5
Europe and Central Asia	20.7	30.9	-32.7	81.7	36.6	-7.0	-24.0	25.6	15.2	15.2	14.9	12.7
Latin America and Caribbean	13.2	11.9	-20.3	68.7	32.9	19.8	0.9	23.2	24.3	34.0	26.8	19.4
Middle East and N. Africa	14.9	34.6	-33.1	59.6	54.6	-31.9	-	19.4	12.8	-	-	-
South Asia	18.4	24.8	-13.7	22.6	58.1	8.4	-9.9	26.3	12.1	19.6	20.3	32.9
Sub-Saharan Africa	20.0	27.9	-30.9	87.2	32.9	-1.4	-	29.1	17.5	-	-	-
Imports, Nominal, US\$, S.A.												
World	15.2	15.7	-23.5	50.1	26.4	3.7	-1.6	22.1	17.3	23.6	13.3	-
High Income Countries	13.0	12.1	-24.6	43.2	20.5	1.8	-0.5	19.8	14.8	20.6	10.0	-
Developing Countries	21.5	25.6	-20.6	67.3	40.6	8.1	-3.9	27.5	23.4	30.8	21.1	21.1
East Asia and Pacific	18.7	21.3	-15.4	83.0	52.6	2.7	-9.6	34.3	25.3	33.8	22.1	21.5
Europe and Central Asia	30.2	27.0	-33.5	64.8	18.3	21.1	6.9	24.3	24.1	30.4	23.7	-
Latin America and Caribbean	19.2	22.2	-24.7	47.4	48.2	32.5	1.4	31.8	27.6	40.2	25.6	27.8
Middle East and N. Africa	22.9	44.9	-8.2	41.6	2.4	-6.1	-	6.6	7.9	-	-	-
South Asia	21.4	38.7	-19.7	89.8	75.7	-7.0	-10.1	21.2	32.0	30.4	25.4	23.9
Sub-Saharan Africa	21.7	24.7	-18.2	37.2	5.0	-5.8	-	13.0	5.9	-	-	-
International Reserves, US\$												
High Income Countries	13.1	5.8	15.8	2.5	1.7	2.7	6.0	0.1	2.4	-0.1	3.6	-
Developing Countries	41.9	12.8	15.1	4.2	1.1	0.5	7.8	0.7	3.3	0.4	4.0	-
East Asia and Pacific	41.5	23.5	22.6	5.2	2.0	0.6	8.2	0.7	3.3	0.5	4.2	-
Europe and Central Asia	46.6	-8.8	2.4	3.8	0.9	0.4	7.9	0.2	4.0	0.1	3.7	1.1
Latin America and Caribbean	44.5	11.3	10.5	5.9	0.4	2.8	7.7	1.5	2.4	1.1	4.0	-
Middle East and N. Africa	29.9	22.7	6.9	1.9	-1.3	-1.2	-	0.0	-	-	-	-
South Asia	53.2	-9.0	11.0	-1.5	-1.1	-0.9	6.0	1.0	3.3	-0.6	3.3	1.5
Sub-Saharan Africa	27.4	8.0	1.8	0.0	-0.3	-	-	-	-	-	-	-

Financial Markets

2-Dec-10

	2007	2008	2009	2010			2010				MRV ¹	Chg since Sep-12 '08 ³
			Q4	Q1	Q2	Q3	Aug	Sep	Oct	Nov		
Interest rates and LIBOR (%)												
U.S. Fed Funds Effective	5.02	1.93	0.12	0.13	0.19	0.19	0.19	0.19	0.19	0.19	0.20	-1.90
ECB repo	3.98	3.78	0.43	0.36	0.37	0.50	0.50	0.49	0.73	0.73	0.69	-3.68
US\$ LIBOR 3-months	5.30	2.91	0.27	0.26	0.43	0.39	0.36	0.29	0.29	0.29	0.30	-2.52
EURIBOR 3-months	4.28	4.63	0.72	0.66	0.69	0.87	0.90	0.88	1.00	1.04	1.03	-3.93
US 10-yr Treasury yield	4.63	3.65	3.45	3.71	3.47	2.77	2.68	2.64	2.51	2.74	2.97	-0.76
German Bund, 10 yr	4.22	3.99	3.22	3.20	2.80	2.44	2.36	2.32	2.37	2.54	2.72	-1.46
Spreads (basis points)												
US Corporate (High Yield Bonds)	304	915	618	522	531	577	581	564	554	532	538	-195
JP Morgan Emerging Markets	197	406	318	299	307	315	304	309	288	283	300	-57
Asia	161	355	244	231	221	200	189	185	183	169	174	-122
Europe	158	370	269	235	255	268	259	261	235	233	254	-59
Latin America & Caribbean	208	426	364	354	365	374	362	372	346	346	368	-20
Middle East	476	585	399	318	333	380	383	376	372	339	337	-162
Africa	288	452	253	224	256	324	316	314	293	283	290	-45
Stock Indices²												
Global (MSCI)	393	327	294	297	292	289	287	298	314	319	314	-1.7
High-Income (\$ Index)	1571	1297	1150	1161	1138	1121	1114	1154	1214	1232	1217	-5.2
United States (S&P-500)	1476	1221	1089	1121	1134	1095	1087	1121	1172	1199	1206	-3.6
Euro Area (S&P-350\$)	1909	1544	1344	1296	1198	1222	1218	1268	1354	1347	1287	-12.5
Japan (Nikkei-225)	16983	12156	9967	10502	10385	9364	9268	9369	9461	9783	10169	-16.8
Developing Markets (MSCI)	...	743	760	768	765	786	784	818	875	884	869	24.8
Asia	...	688	750	758	762	785	781	815	871	884	868	36.7
Europe & C. Asia	...	766	621	619	577	570	572	592	647	638	596	-20.6
Latin America & Caribbean	3670	3771	4002	3993	3910	4040	4031	4205	4500	4506	4460	26.1
Middle East and N. Africa	693	733	491	492	502	474	479	498	507	-27.3
Africa	...	772	787	807	824	850	845	890	953	970	942	22.7
Exchange Rates (LCU / USD)												
High Income												
Euro Area	0.73	0.68	0.68	0.72	0.79	0.77	0.78	0.76	0.72	0.73	0.77	8.5
Japan	117.74	103.37	89.62	90.73	92.13	85.84	85.44	84.40	81.83	82.40	84.14	-21.7
Developing												
Brazil	1.95	1.83	1.74	1.80	1.79	1.75	1.76	1.72	1.68	1.71	1.71	-4.3
China	7.61	6.95	6.83	6.83	6.82	6.77	6.79	6.74	6.67	6.65	6.66	-2.7
Egypt	5.64	5.44	5.47	5.47	5.61	5.70	5.69	5.70	5.73	5.76	5.79	6.4
India	41.35	43.52	46.64	45.94	45.66	46.48	46.60	46.01	44.42	45.00	45.38	-0.8
Russia	25.57	24.88	29.48	29.87	30.33	30.60	30.39	30.79	30.31	31.02	31.47	23.0
South Africa	7.05	8.26	7.49	7.51	7.55	7.32	7.30	7.12	6.91	6.98	7.05	-12.6
Memo: USA nominal effective rate	89.39	84.39	81.31	83.38	86.26	83.68	83.61	82.69	79.80	80.42	80.42	-6.4

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
			Q4	Q1	Q2	Q3	Aug	Sep	Oct	Nov		
Oil price, \$/b, nominal ¹	71	97	75	77	78	76	76	76	82	84	86	-11.9
Non - Oil Index ²	165	197	172	180	176	187	187	198	212	221	222	11.4
Food Index ²	155	218	182	186	175	196	195	211	227	238	240	13.4
Metals and Minerals Index ²	184	184	160	171	168	170	172	179	191	191	193	3.8
Baltic Dry Index ³	7072	6348	3378	3015	3318	2358	2445	2719	2693	2321	2096	-56.3

¹ Simple average of Brent, Dubai and WTI.

² Base Date = Jan 1, 2005

³ Base Date = May 1, 1985