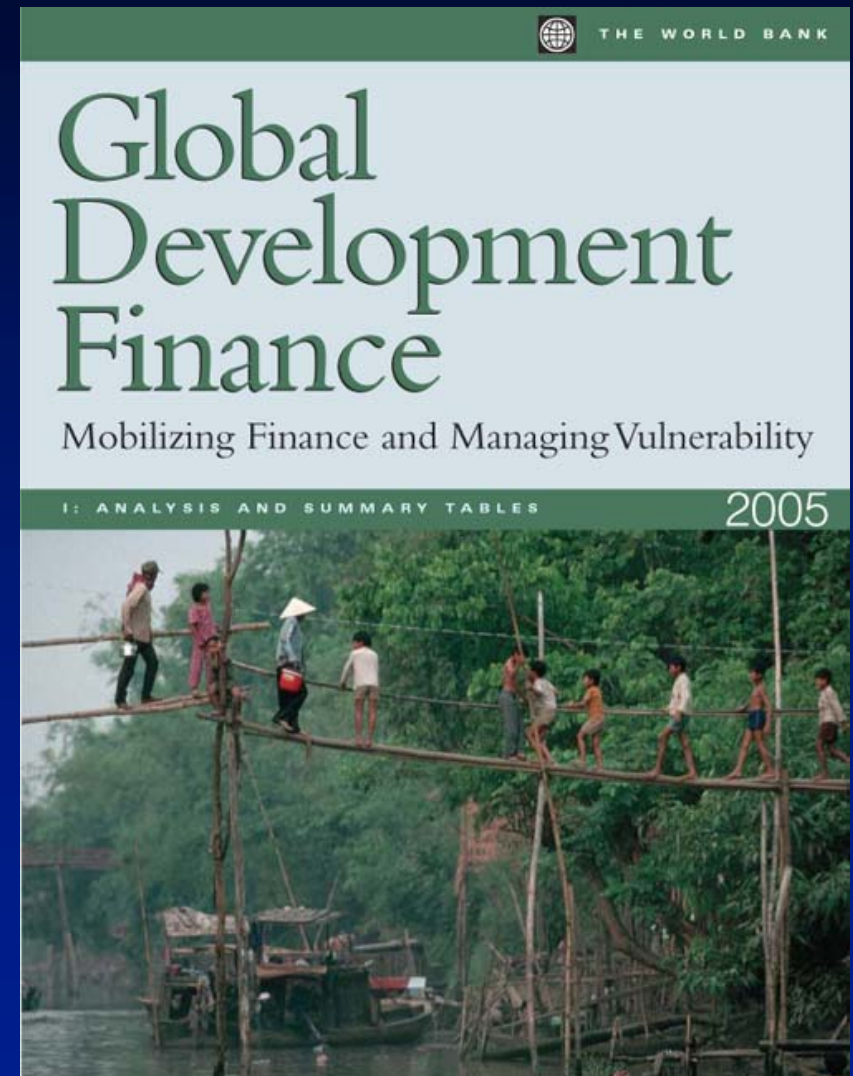


Global Development Finance 2005

Mobilizing Finance and
Managing Vulnerability

LINK Mexico City
May 16, 2005



DEVELOPMENT PROJECTS

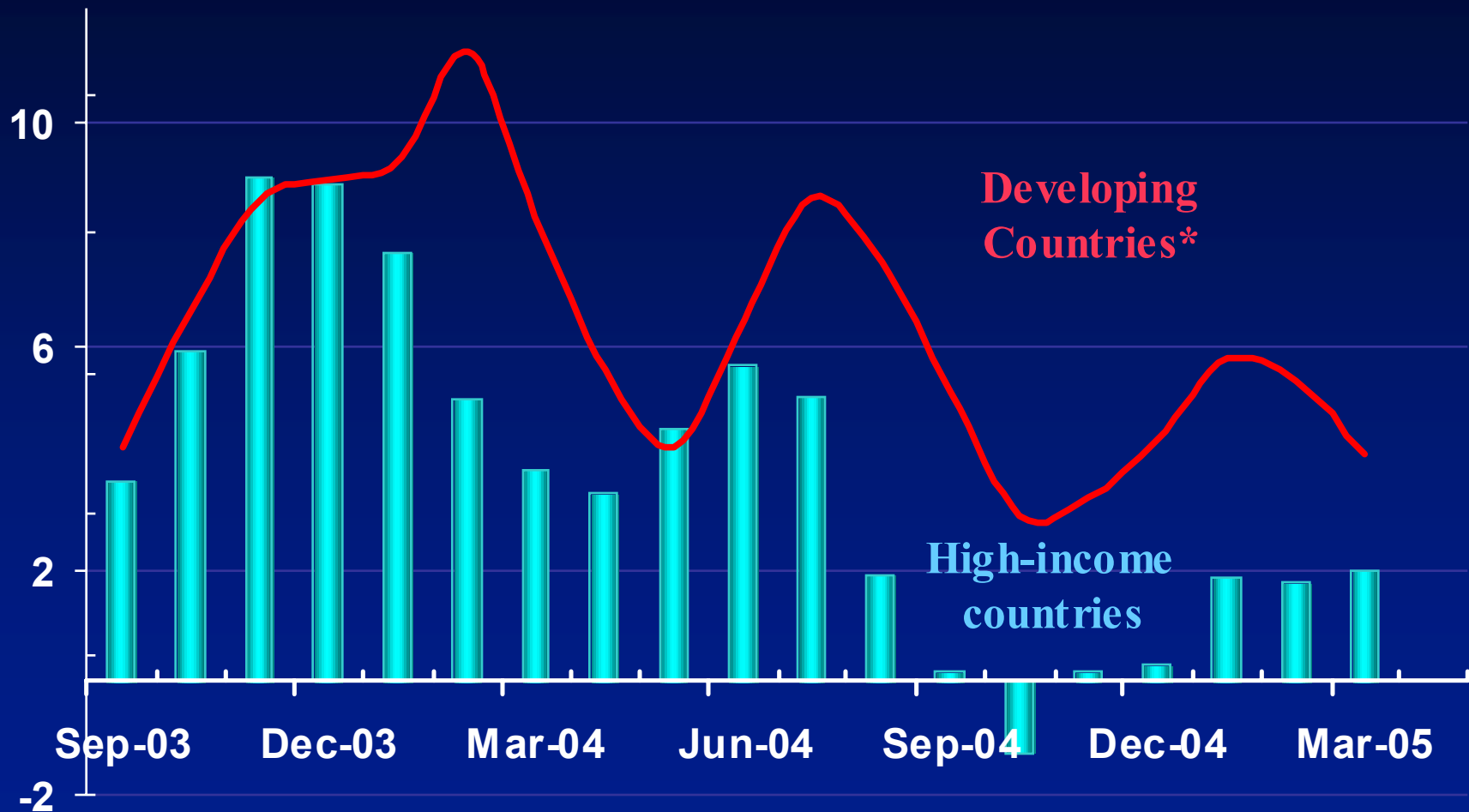
Outlook for developing countries

- Growth among developing countries is slowing to a more sustainable but still robust pace.
- Global imbalances remain a serious source of risk. Sudden jumps in interest rates would slow growth and could jeopardize developing country finances.



Current context: economic activity is slowing

Percent change in industrial production, 3 month moving average, annual rate



* Data exclude China

Source: World Bank



DEVELOPMENT PROJECTS

Current context: Movement in bond market

10-year U.S. treasury yield, percent



Source: World Bank



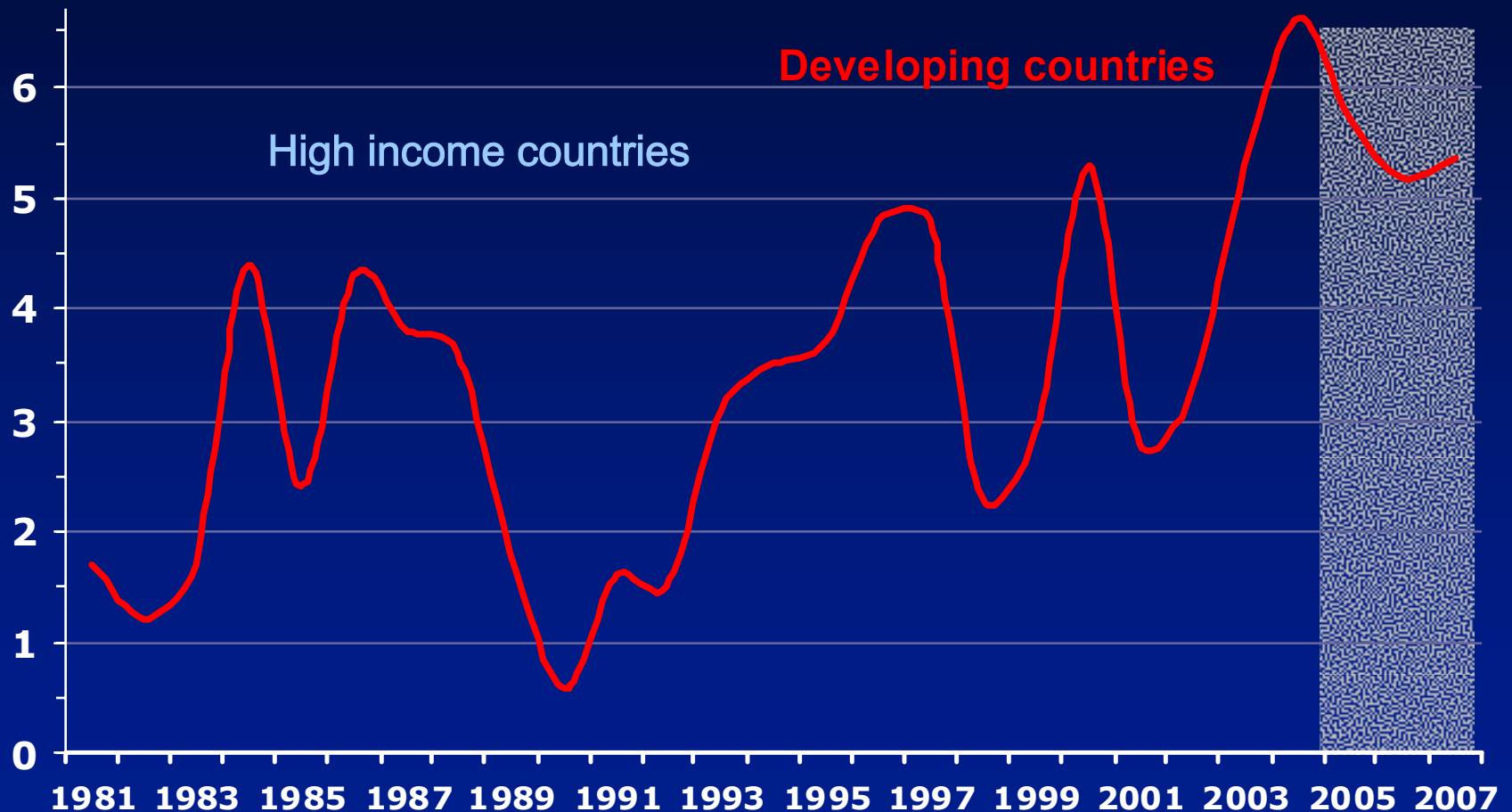
DEVELOPMENT PROJECTS

The forecast:

A return to more sustainable growth

GDP percent change, annual rates

Forecast



Source: World Bank



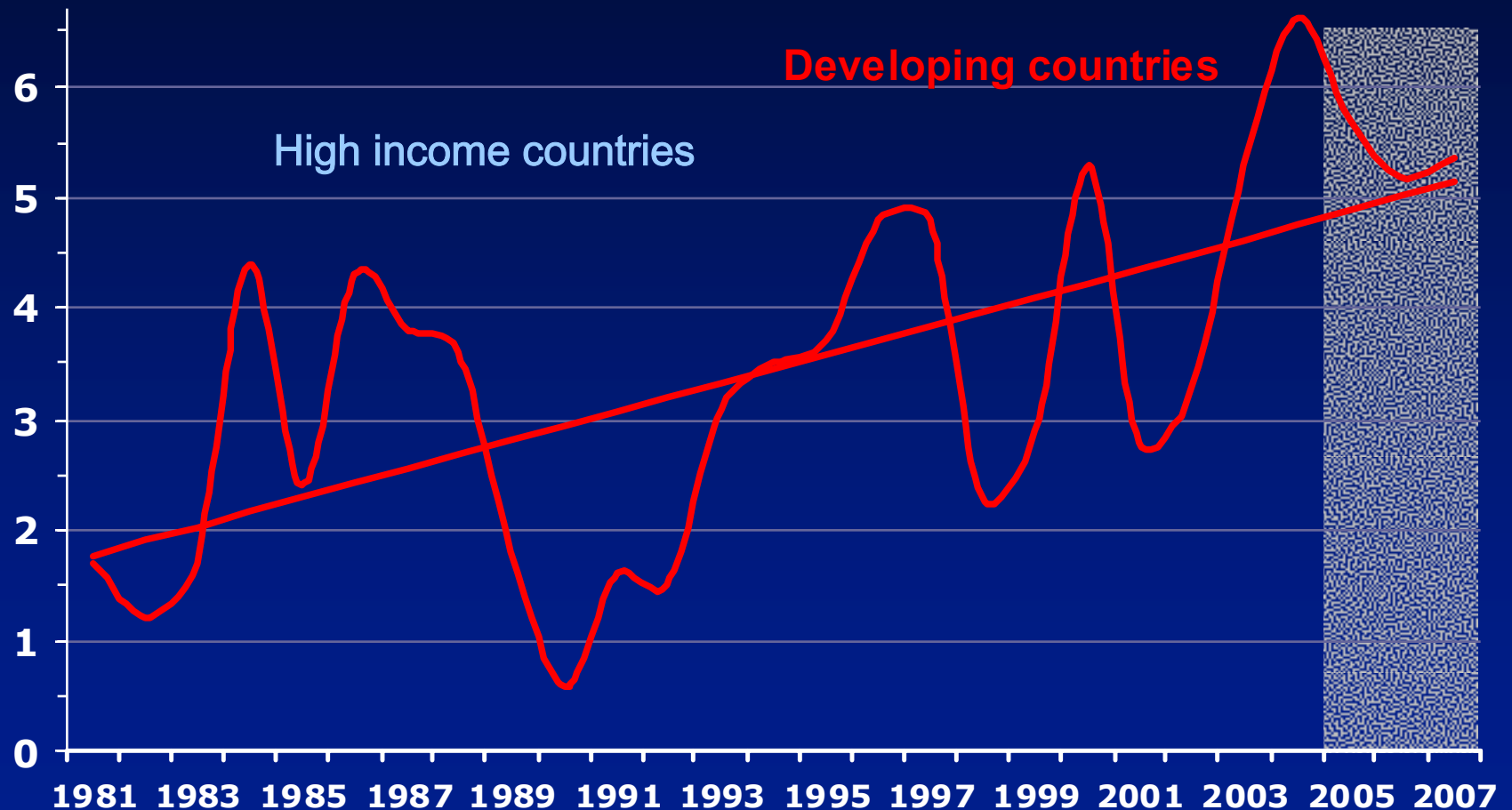
DEVELOPMENT PROJECTS

The forecast:

A return to more sustainable growth

Percent growth, annual rates

Forecast



Source: World Bank



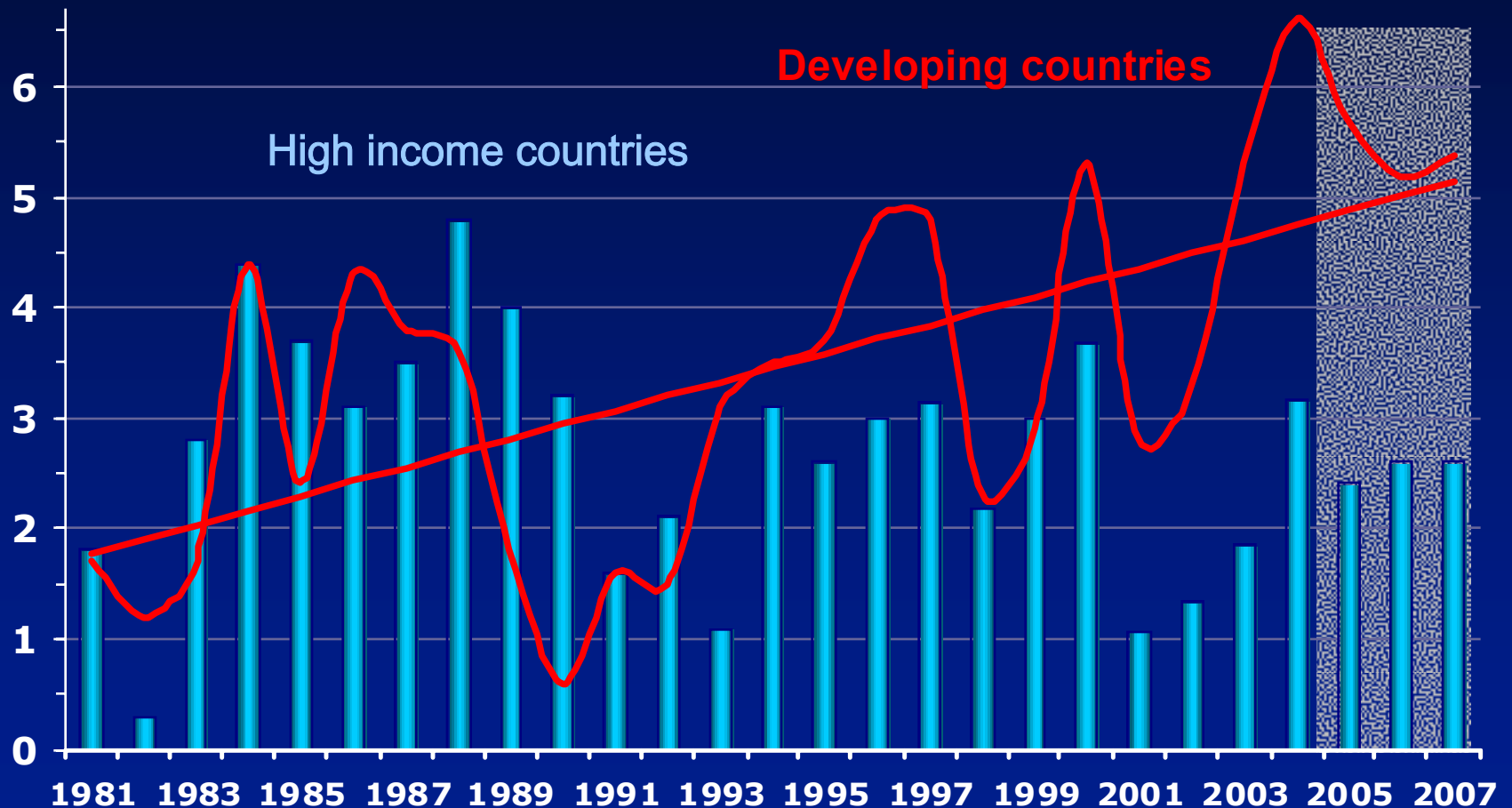
DEVELOPMENT PROJECTS

The forecast:

A return to more sustainable growth

Percent growth, annual rates

Forecast



Source: World Bank

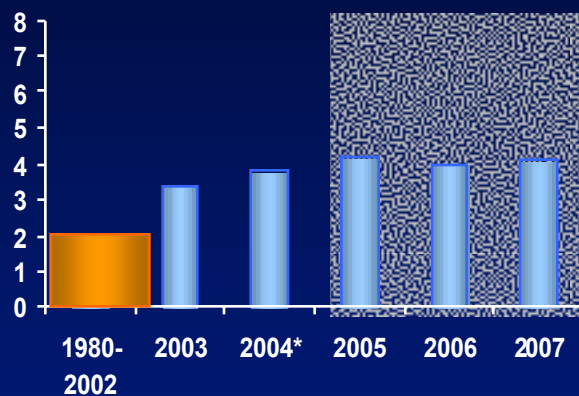


DEVELOPMENT PROJECTS

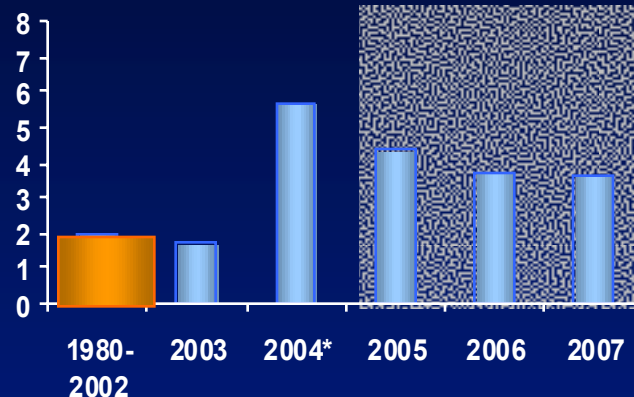
Almost all regions grow faster than in the past

GDP, per cent change from previous year

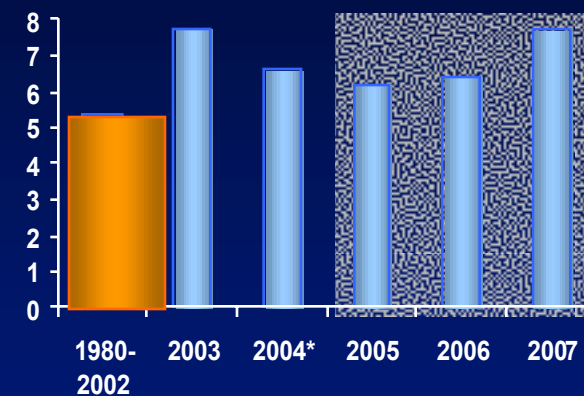
Sub-saharan Africa



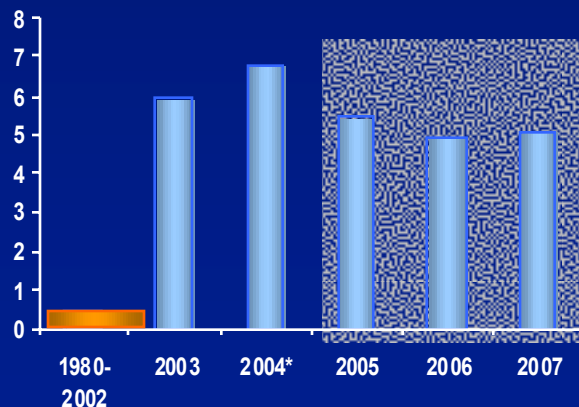
Latin-America Caribbean



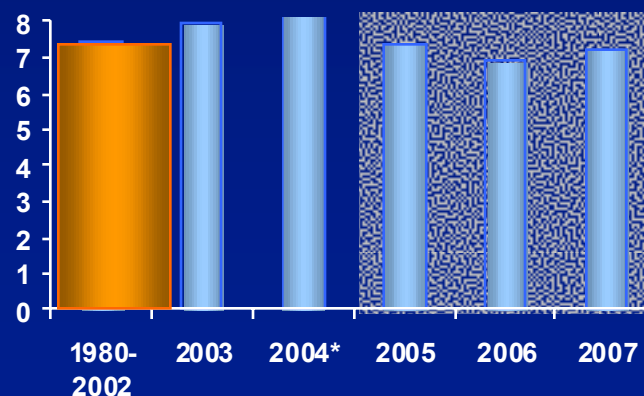
South Asia



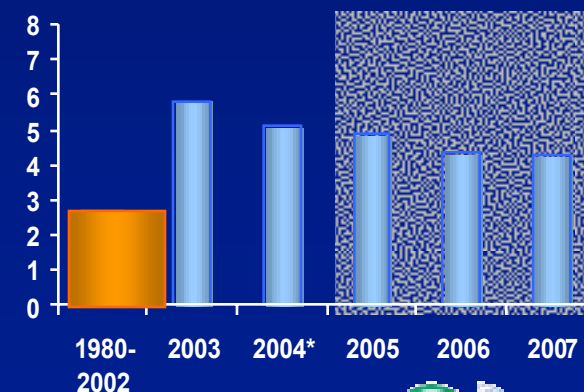
Europe & Central Asia



East-Asia Pacific



Mid-East North Africa



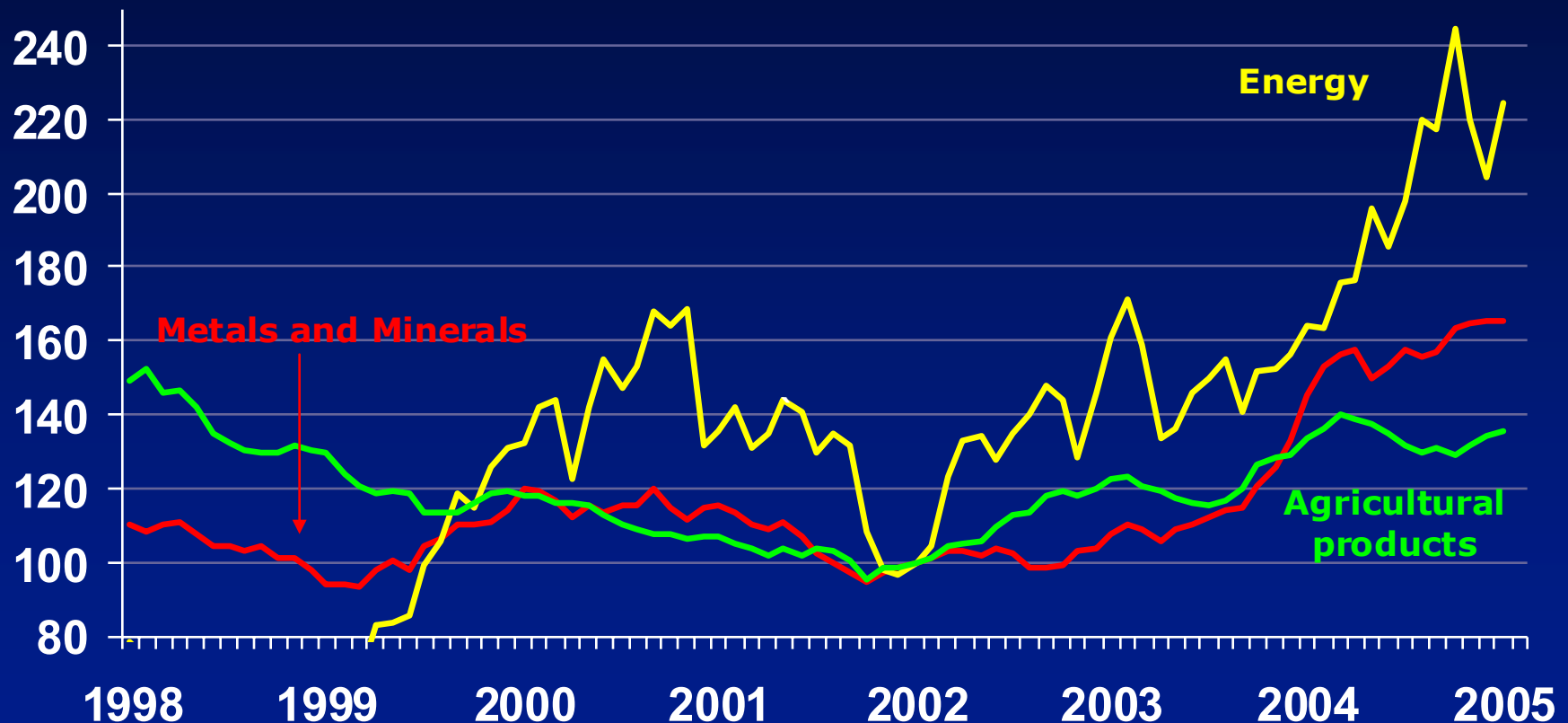
* estimate
Source: World Bank



DEVELOPMENT PROJECTS

Emerging tensions in commodity markets

Index, January 2002=100



Source: World Bank



DEVELOPMENT PROJECTS

Signs of accelerating inflation

Consumer inflation, percent change, y-o-y



Source: World Bank

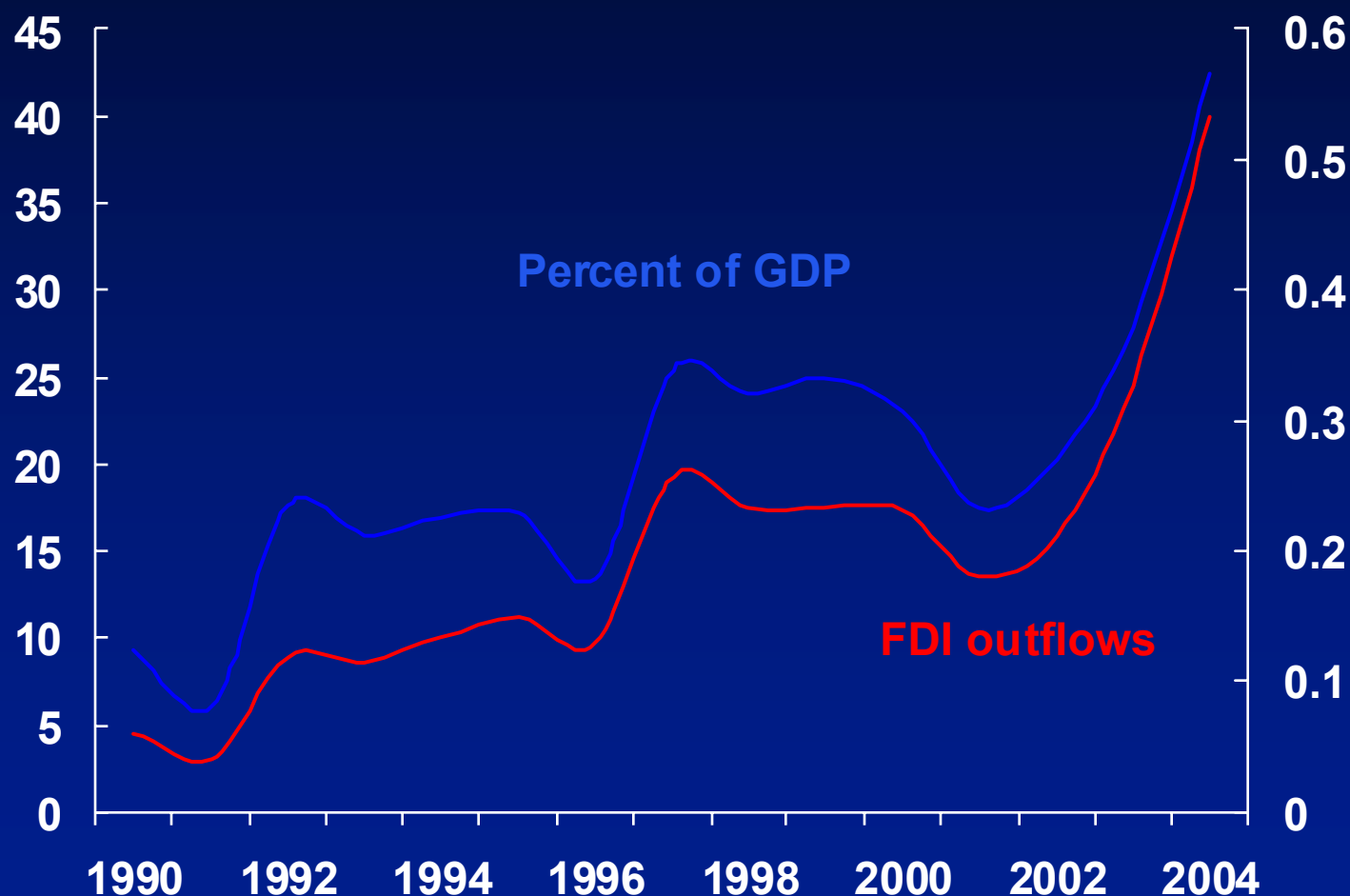


DEVELOPMENT PROJECTS

Reported FDI outflows from developing countries highlight growing integration

\$ billion

percentage



DEVELOPMENT PROGRAMS

Global Imbalances are placing pressure on the dollar

Current account balances, \$millions, estimates for 2004



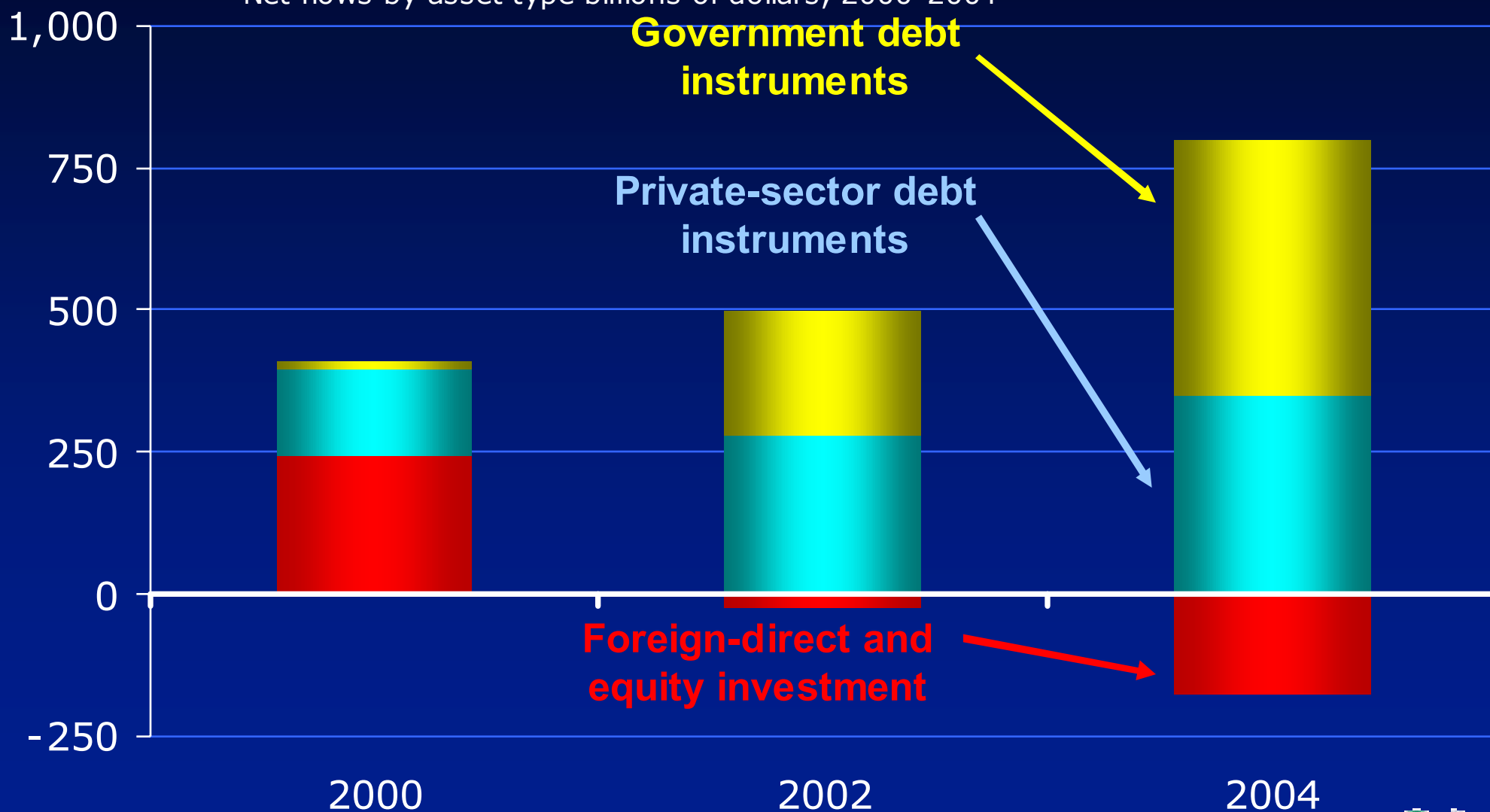
Source: World Bank



DEVELOPMENT PROJECTS

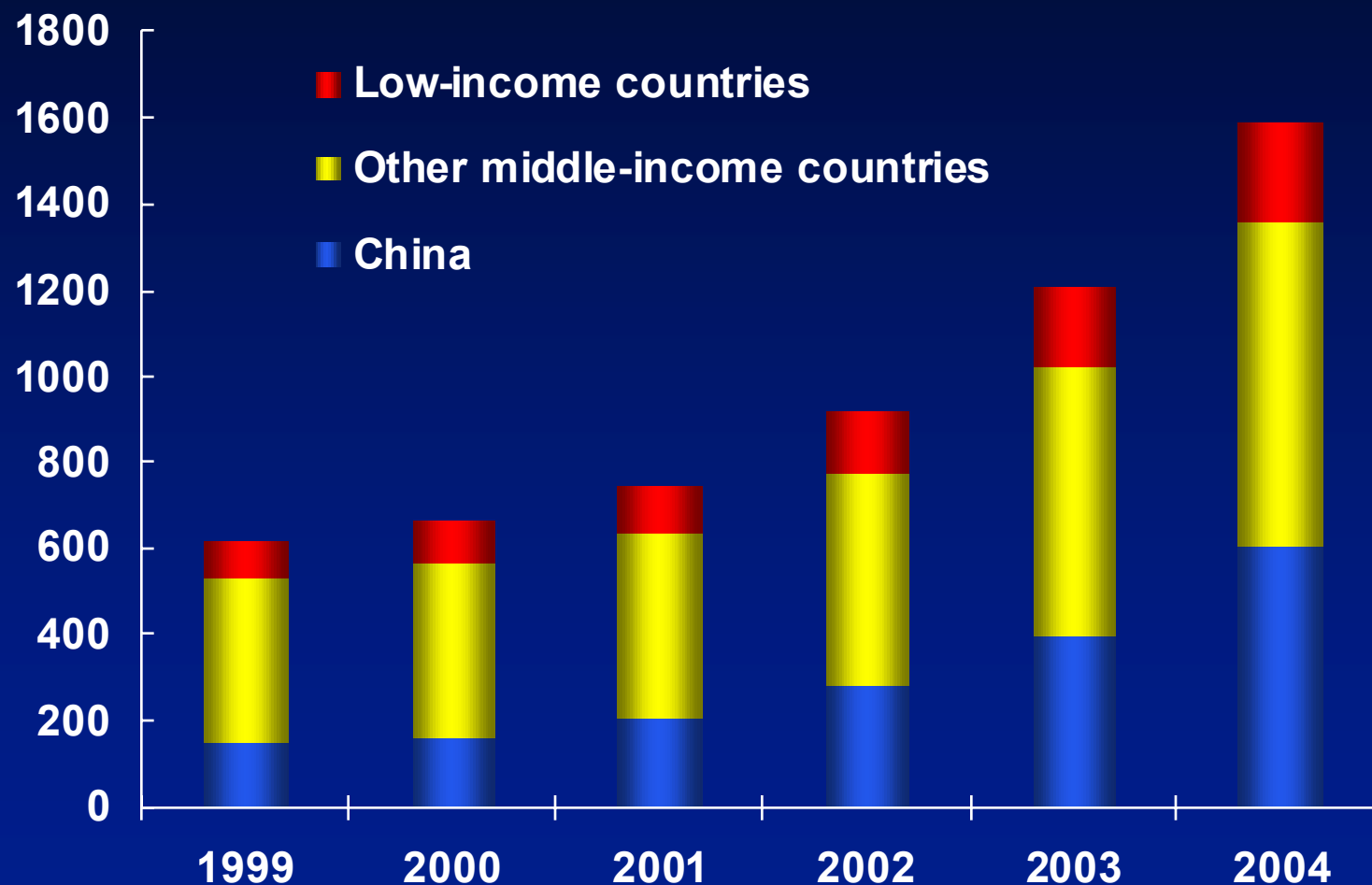
Shift to public-sector financing of U.S. current account

Net flows by asset type billions of dollars, 2000-2004

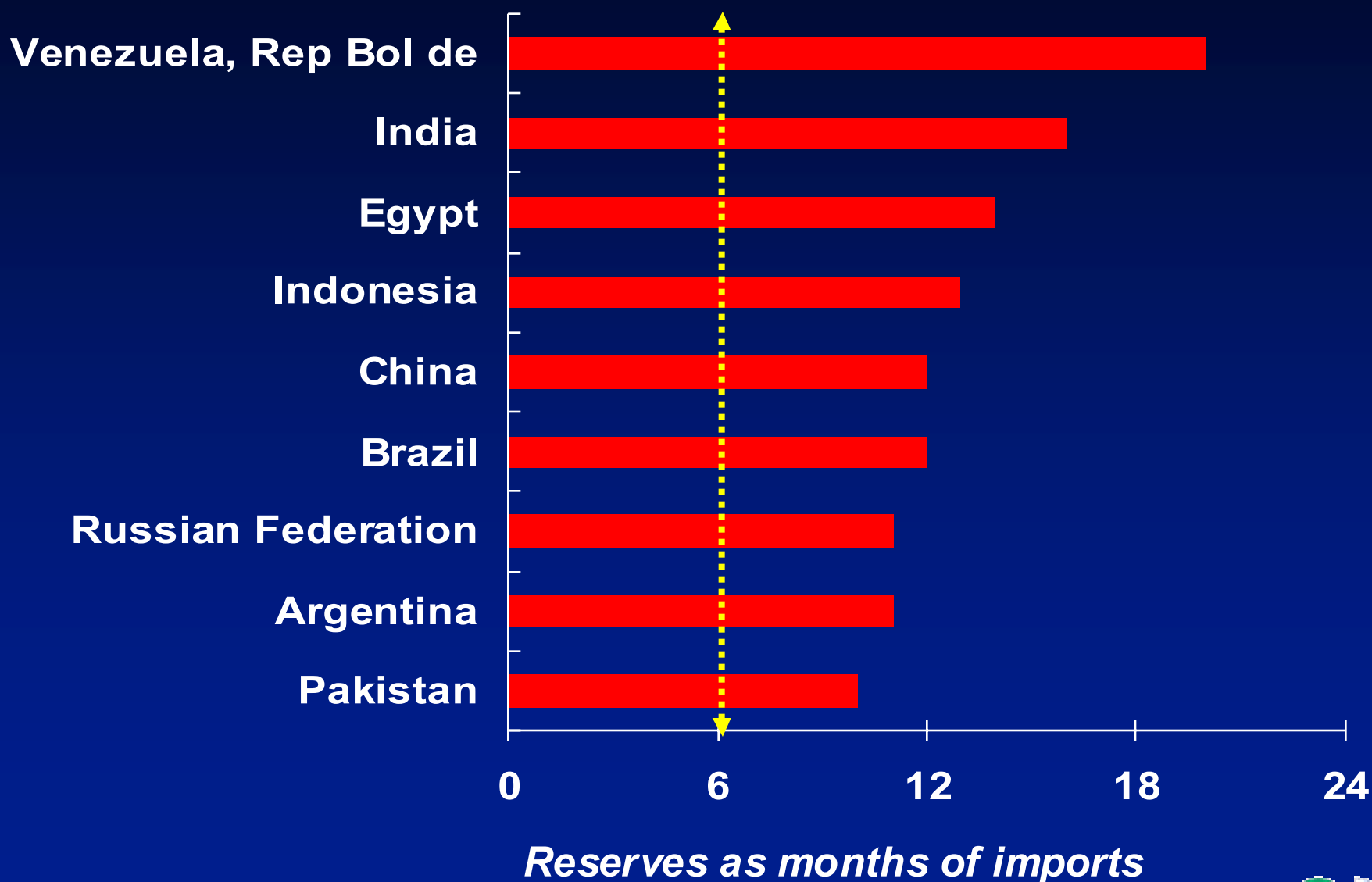


...Leading to record levels of reserves in developing countries

\$ billion

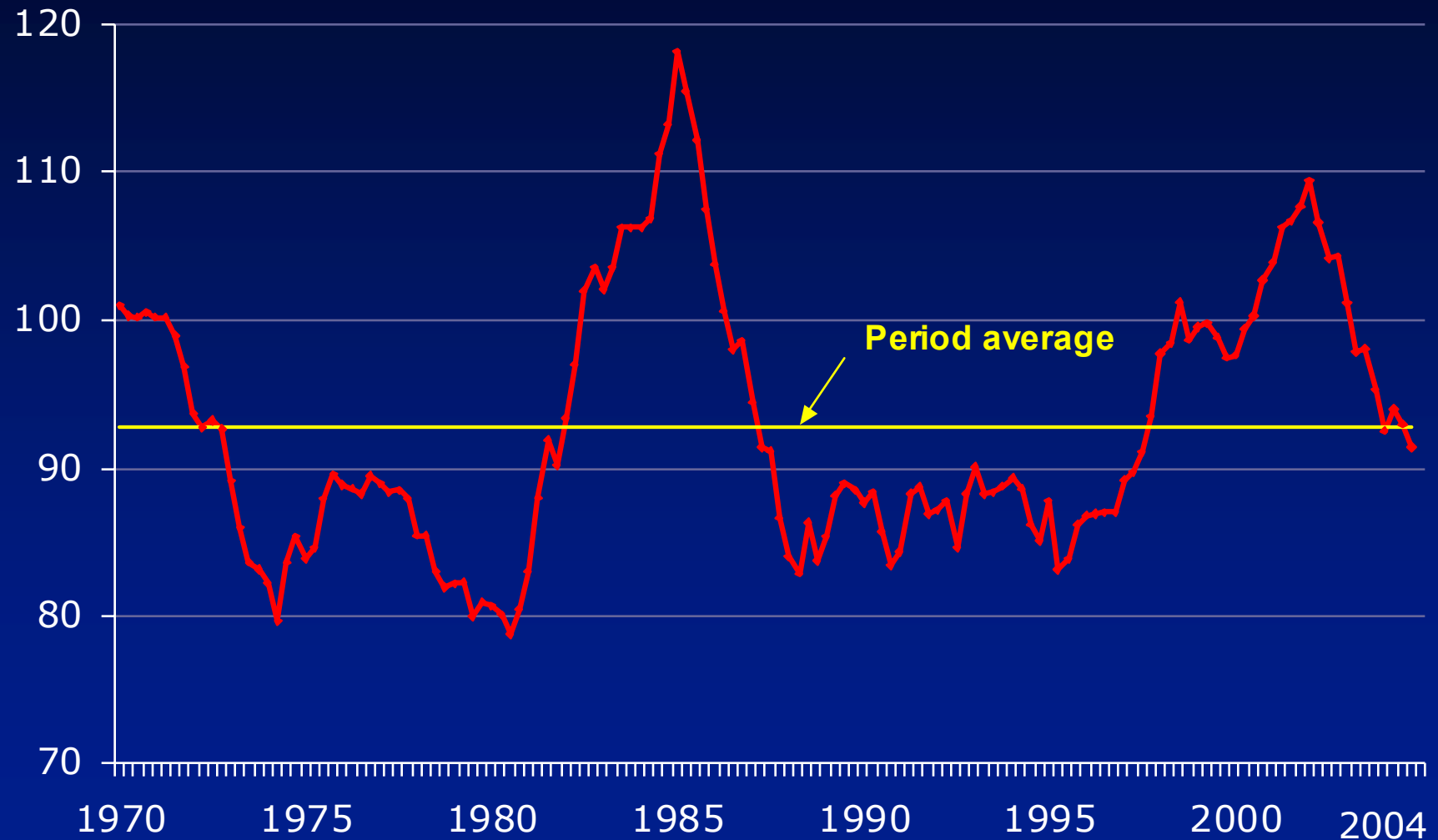


...While reserves in some countries exceed standard levels



A modest depreciation so far

Real effective exchange rate, 1970 - 2004



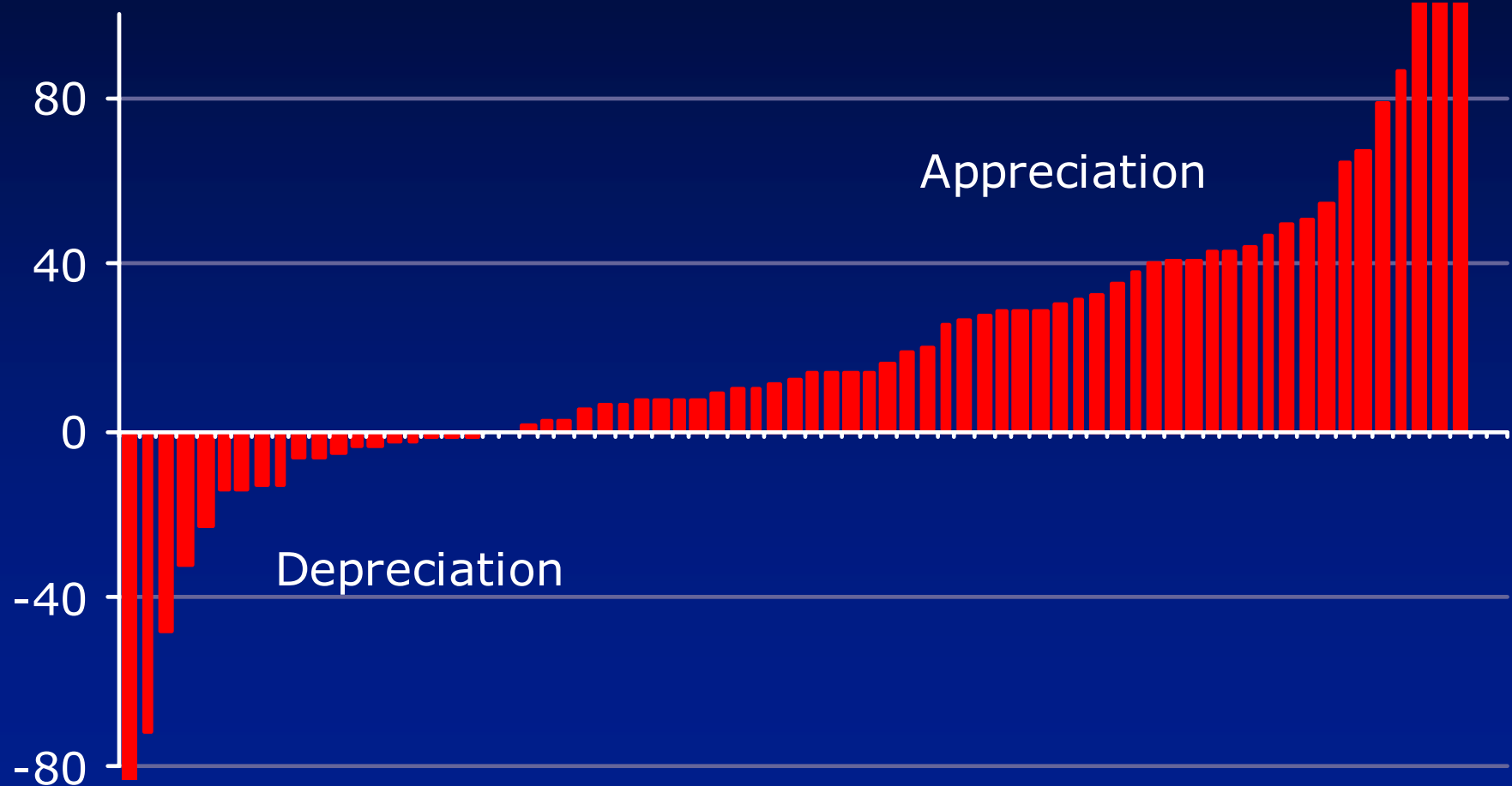
Source: World Bank



DEVELOPMENT PROJECTS

Many countries have appreciated
against the dollar...

**Percent change, real exchange rate,
Jan. 2002- Jan. 2005**



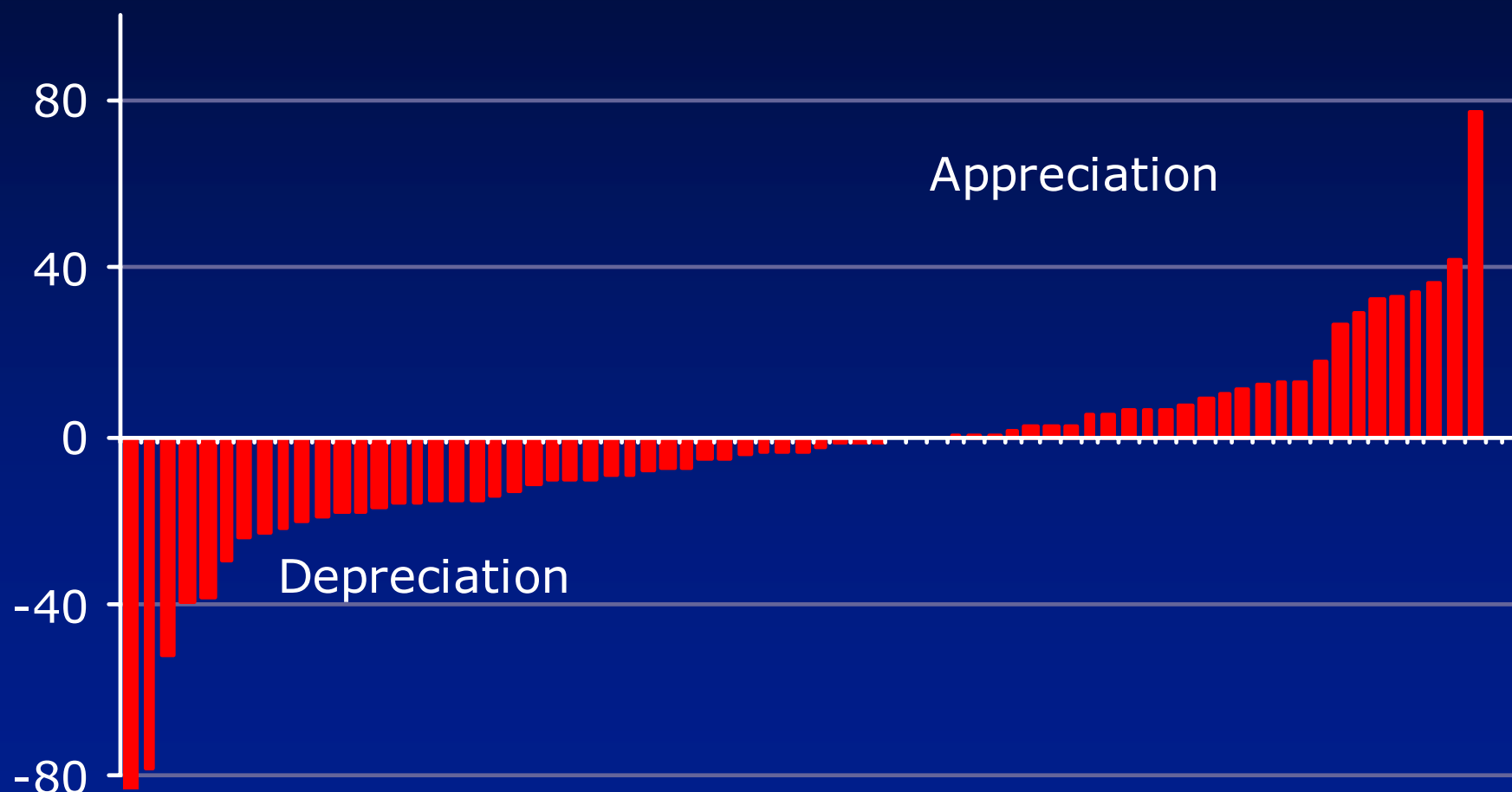
Source: World Bank



DEVELOPMENT PROJECTS

Despite \$ appreciation, on the whole developing economies have not lost competitiveness

**Percent change, real effective exchange rate,
Jan. 2002- Jan. 2005**



Source: World Bank



DEVELOPMENT PROJECTS

Domestic demand

$$Y = p_d \tilde{y} = p_d$$

$$d = \alpha \left(\frac{Y}{p} \right) \left(\frac{p}{p_d} \right)^\varepsilon$$

$$m = (1 - \alpha) \left(\frac{Y}{p} \right) \left(\frac{p}{p_m} \right)^\varepsilon$$

$$p = \left[\alpha p_d^{1-\varepsilon} + (1 - \alpha) p_m^{1-\varepsilon} \right]^{1/(1-\varepsilon)}$$



Trade balance and Marshall -Lerner

$$x = (1 - \alpha) \left(\frac{p_m}{p_d} \right)^\eta$$

$$TB = p_d x - p_m m$$

$$\frac{\partial TB}{\partial p_m} = (1 - \alpha)(\eta + \varepsilon - 1)$$



But.....

$$d + x = 1$$

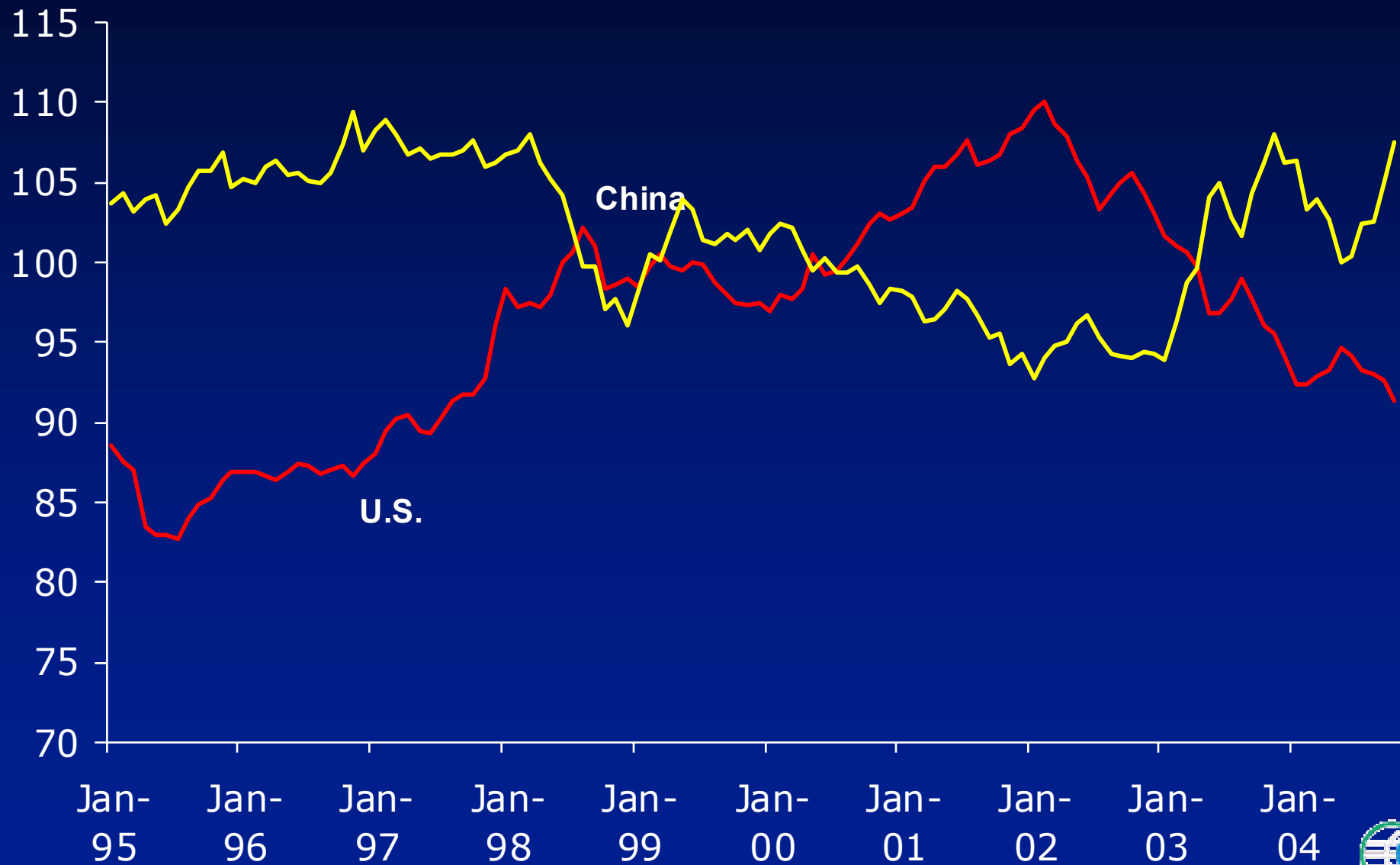


$$p_d = p_m$$



Inflation is causing China to appreciate

Real effective exchange rate, 1980 - 2004



Keynesian analysis

$$y = d + x$$

$$d = \alpha (d + x) p^{\varepsilon - 1}$$

$$m = (1 - \alpha) \left(\frac{d + x}{p} \right) \left(\frac{p}{p_m} \right)^{\varepsilon}$$



Beggar-thy-neighbor policies

$$y = \left[\alpha + (1 - \alpha) p_m^{1-\varepsilon} \right] p_m^{\eta + \varepsilon - 1}$$

$$\frac{dy}{dp_m} = \eta + \alpha \varepsilon - \alpha$$

$$\frac{d(y/p)}{dp_m} = \eta + \alpha \varepsilon - 1$$

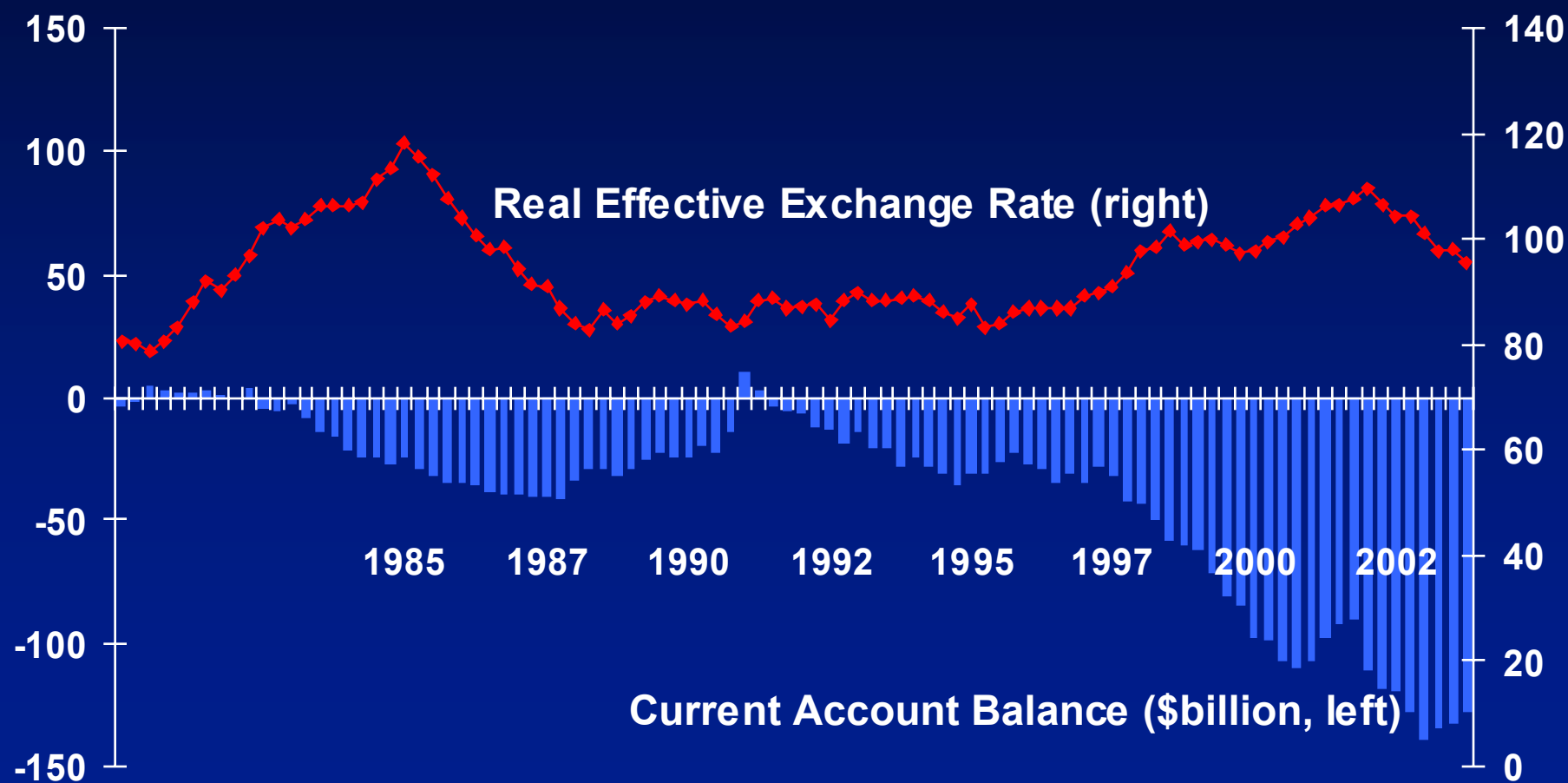


What happens with the trade balance?

$$TB = p_d x - p_m m = 0$$



A depreciation will not due the trick



Three observations

Structural reforms and improved macro policies have put many developing countries on an accelerating trend, changing their role in the global economy

Existing global current account imbalances are unlikely to resolve themselves unless high-income countries adjust policies.

The dollar is only to limited extent part of the solution and might become part of the problem



Perspectivas Mundiales

Perspectivas Económicas Mundiales 2005

Inicio

Panorama general

Cuadro de pronósticos

Crecimiento mundial

Mercados de productos básicos

Comercio mundial

Finanzas internacionales

Riesgos

Perspectivas regionales

Pronósticos

World

Pronósticos para los productos básicos

Current Dollars

Herramientas analíticas

Datos básicos

Panorama general

Crecimiento mundial

Tras un año sin precedentes para el crecimiento en el 2004, la actividad económica mundial debería moderarse en el período 2005-2006.

Mercados de productos básicos

El aumento de los precios de los productos básicos ha producido una subida de los ingresos en algunos países de ingreso bajo, pero los ha reducido en la mayoría restante.

Comercio mundial

Se prevé que continuará el alto nivel de intercambio comercial, pero el crecimiento más lento hará que los aumentos del volumen de las exportaciones e importaciones sean más moderados en el período 2005-2006.

Finanzas internacionales

Aunque la posición externa de los países en desarrollo se ha consolidado, el crecimiento más lento y los precios elevados de los productos básicos podrían poner en peligro a los países más vulnerables.

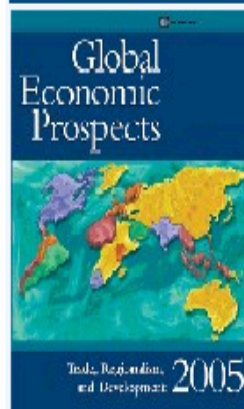
Riesgos

El crecimiento sería menos firme si el déficit fiscal y en cuenta corriente de Estados Unidos provoca un aumento en las tasas de interés a largo plazo, o si los precios del petróleo no se moderan de acuerdo con lo previsto o, por último, si el ritmo de crecimiento en China disminuye con demasiada rapidez.

Reseñas de datos

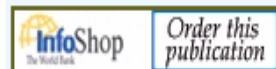
- **Breves informes sobre los mercados de productos básicos** - evolución y perspectivas del mercado de productos básicos: estadísticas, precios y pronósticos

Perspectivas Económicas Mundiales, 2005



Comercio, Regionalismo, y Desarrollo

Si lo desea puede [pedir](#) el informe o investigar las posibilidades de [descarga](#).



Previsión resumida, 2004-2006

Variación porcentual anual, a menos que se indique otra cosa

	2004e	2005f	2006f
PIB real	4.0	3.2	3.2
PIB real per cápita	2.9	2.1	2.1
Exportaciones de bienes y servicios	10.3	8.2	7.7
Importaciones de bienes y servicios	10.2	8.6	7.8
Saldo de cuenta corriente (% del PIB)	-0.3	-0.6	-0.6
Déficit público (% del PIB)	-3.5	-3.2	-3.0

Notas: e = estimación; p = previsión PIB en dólares de 1995 constantes; tipos de cambio del mercado y precios de 1995.

► [Cuadro completo de pronósticos](#)

Herramientas analíticas

- [Crecimiento de convergencia](#)
- [El comercio en la región de Asia oriental y el Pacífico](#)
- [Impacto del aumento de los precios de los productos básicos](#)

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DEVELOPMENT PROSPECTS