



Macroeconomic Outlook Perspectives

Angolan Bank Survey

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Key Message

The weak global recovery is continuing, but has softened and is weighed down by large uncertainties and elevated risks



Overview

Recent developments: Recovery has weakened. Activity in Europe has declined and is disappointing in the US.

Main factors: The recovery is held down by fiscal consolidation and weak financial systems. And emerging market (China and Brazil) have reigned in expansive policies. But monetary policy is supportive.

Uncertainties: Large policy uncertainty relating to the Euro crisis and the US fiscal cliff and reflected in forecast variances.

Outlook: Growth outlook for the near and medium term has been reduced and only a modest acceleration is expected in 2013.



Regional

Europe: Euro crisis heightened in summer. Policy response is positive: Spain bank program, banking union, ECB monetary stimulus, and ESM. But more coordination needed.

United States: Economy sluggish with positive signals. Feds renew stimulus. But US needs to avoid the fiscal cliff in 2013 which would reduce growth by 4 percent.

Emerging markets: Growth reduced by deliberate policy tightening to avoid over-heating and by negative spillovers. Renewed stimulus expected (China and Brazil).



Prices

Commodities: Commodity prices driven by demand (China). They surged until early 2012, but have since weakened and expected to soften further.

Oil: Oil prices also softened in 2012 and expected to soften through the medium term. IMF basket: 2011- \$104; 2012-\$106; 2013-\$105; and 2017-\$88.

Food: Prices moderated since 2011 surge, but affected by 2012 supply shock. But the shock is uneven across cereals (rice not affected) and not aggravated by trade restrictions.

Inflation: Consumer price inflation expected to moderate globally because of weaker growth and commodity prices.



Emerging/Developing Economy Resilience

Resilience: Emerging and developing economies have shown resilience over past decade and during the crisis. But it is uncertain whether this can continue.

Stronger policies: Resilience is partly due to fewer shocks and China growth. But mainly because of better policies: better institutional capacity, improved policy frameworks, and bigger policy space needed to respond to shocks.

Need to rebuild buffers: Policy space has been eroded and countries need to rebuild policy buffers. Less space available to respond if global growth weakens.



Angola

Stability restored: Angola affected by crisis because of reliance on oil and because it lacked adequate buffers. Stability now largely restored.

Growth challenge: Objective to strengthen diversified growth and reduce poverty. Need to save oil resources and invest for the future in capital infrastructure. But oil prices are weakening. Therefore need to rely more on domestic resources by raising non-oil tax collections and restraining current spending, while protecting priority social spending

Strengthening resilience: Key challenge to maintain stability by: stronger institutional capacity to formulate and implement policies; better policy framework, including medium-term framework for sustainable policies; and adequate policy buffers to respond to shocks.

Reducing volatility: Need to maintain stability by delinking non-oil sector from oil sector and international oil prices by smoothing and protecting the budget and imports through a liquid stabilization fund.

Strengthen buffers: Buffers probably need to be strengthened.

Table 1.1. Overview of the World Economic Outlook Projections*(Percent change unless noted otherwise)*

	Year over Year						Q4 over Q4		
	2010	2011	Projections		Difference from July 2012 WEO Update		Estimates	Projections	
			2012	2013	2012	2013	2011	2012	2013
World Output¹	5.1	3.8	3.3	3.6	-0.2	-0.3	3.2	3.0	4.0
Advanced Economies	3.0	1.6	1.3	1.5	-0.1	-0.3	1.3	1.1	2.1
United States	2.4	1.8	2.2	2.1	0.1	-0.1	2.0	1.7	2.5
Euro Area	2.0	1.4	-0.4	0.2	-0.1	-0.5	0.7	-0.5	0.8
Germany	4.0	3.1	0.9	0.9	0.0	-0.5	1.9	0.9	1.4
France	1.7	1.7	0.1	0.4	-0.2	-0.5	1.2	0.0	0.8
Italy	1.8	0.4	-2.3	-0.7	-0.4	-0.4	-0.5	-2.3	0.0
Spain	-0.3	0.4	-1.5	-1.3	-0.1	-0.7	0.0	-2.3	0.2
Japan	4.5	-0.8	2.2	1.2	-0.2	-0.3	-0.6	1.6	2.1
United Kingdom	1.8	0.8	-0.4	1.1	-0.6	-0.3	0.6	0.0	1.2
Canada	3.2	2.4	1.9	2.0	-0.2	-0.2	2.2	1.7	2.2
Other Advanced Economies ²	5.9	3.2	2.1	3.0	-0.4	-0.4	2.4	2.3	3.6
Newly Industrialized Asian Economies	8.5	4.0	2.1	3.6	-0.6	-0.6	3.0	3.2	3.5
Emerging Market and Developing Economies³	7.4	6.2	5.3	5.6	-0.3	-0.2	5.7	5.5	6.2
Central and Eastern Europe	4.6	5.3	2.0	2.6	0.1	-0.2	3.6	1.9	3.3
Commonwealth of Independent States	4.8	4.9	4.0	4.1	-0.1	0.0	4.3	2.9	4.8
Russia	4.3	4.3	3.7	3.8	-0.3	-0.1	4.6	2.5	4.8
Excluding Russia	6.0	6.2	4.7	4.8	0.2	0.2	...	...	...
Developing Asia	9.5	7.8	6.7	7.2	-0.4	-0.3	6.9	7.2	7.4
China	10.4	9.2	7.8	8.2	-0.2	-0.2	8.9	7.9	8.1
India	10.1	6.8	4.9	6.0	-1.3	-0.6	5.0	5.5	5.9
ASEAN-5 ⁴	7.0	4.5	5.4	5.8	0.0	-0.3	2.8	7.2	6.6
Latin America and the Caribbean	6.2	4.5	3.2	3.9	-0.2	-0.3	3.7	3.0	4.6
Brazil	7.5	2.7	1.5	4.0	-1.0	-0.7	1.4	2.9	3.8
Mexico	5.6	3.9	3.8	3.5	-0.1	-0.2	3.9	3.2	4.1
Middle East and North Africa	5.0	3.3	5.3	3.6	-0.2	0.0	...	...	...
Sub-Saharan Africa ⁵	5.3	5.1	5.0	5.7	-0.1	0.0	...	...	...
South Africa	2.9	3.1	2.6	3.0	0.0	-0.3	2.6	2.7	3.3
<i>Memorandum</i>									
European Union	2.1	1.6	-0.2	0.5	-0.2	-0.5	0.8	-0.2	1.2
World Growth Based on Market Exchange Rates	4.1	2.8	2.6	2.9	-0.1	-0.3	2.3	2.2	3.3
World Trade Volume (goods and services)	12.6	5.8	3.2	4.5	-0.6	-0.7	...	...	...
Imports									
Advanced Economies	11.4	4.4	1.7	3.3	-0.2	-0.9	...	...	...
Emerging Market and Developing Economies	14.9	8.8	7.0	6.6	-0.8	-0.4	...	...	...
Exports									
Advanced Economies	12.0	5.3	2.2	3.6	-0.1	-0.7	...	...	...
Emerging Market and Developing Economies	13.7	6.5	4.0	5.7	-1.7	-0.5	...	...	...
Commodity Prices (U.S. dollars)									
Oil ⁶	27.9	31.6	2.1	-1.0	4.2	6.5	20.8	3.7	-3.3
Nonfuel (average based on world commodity export weights)	26.3	17.8	-9.5	-2.9	2.6	1.4	-6.4	1.9	-5.4
Consumer Prices									
Advanced Economies	1.5	2.7	1.9	1.6	-0.1	0.0	2.8	1.7	1.7
Emerging Market and Developing Economies ³	6.1	7.2	6.1	5.8	-0.2	0.2	6.5	5.6	5.3
London Interbank Offered Rate (percent)⁷									
On U.S. Dollar Deposits	0.5	0.5	0.7	0.6	-0.1	-0.2	...	...	...
On Euro Deposits	0.8	1.4	0.6	0.2	-0.1	-0.3	...	...	...
On Japanese Yen Deposits	0.4	0.3	0.4	0.3	0.0	-0.1	...	...	...

Note: Real effective exchange rates are assumed to remain constant at the levels prevailing during July 30–August 27, 2012. When economies are not listed alphabetically, they are ordered on the basis of economic size. The aggregated quarterly data are seasonally adjusted.

¹The quarterly estimates and projections account for 90 percent of the world purchasing-power-parity weights.

²Excludes the G7 economies (Canada, France, Germany, Italy, Japan, United Kingdom, United States) and euro area countries.

³The quarterly estimates and projections account for approximately 80 percent of the emerging market and developing economies.

⁴Indonesia, Malaysia, Philippines, Thailand, and Vietnam.

⁵The current WEO projections include South Sudan. However, for sub-Saharan Africa, the forecast comparison with the July 2012 *WEO Update* does not include South Sudan because South Sudan was not included in the July projections. The World and Emerging Market and Developing Economies aggregates also are not directly comparable with the July 2012 *WEO Update* for the same reason, but South Sudan's weight in these aggregates is very small.

⁶Simple average of prices of U.K. Brent, Dubai, and West Texas Intermediate crude oil. The average price of oil in U.S. dollars a barrel was \$104.01 in 2011; the assumed price based on futures markets is \$106.18 in 2012 and \$105.10 in 2013.

⁷Six-month rate for the United States and Japan. Three-month rate for the euro area.

Table A16. Summary of World Medium-Term Baseline Scenario

	Averages		2010	2011	Projections			
	1994–2001	2002–09			2012	2013	Averages	2014–17
	<i>Annual Percent Change</i>							
World Real GDP	3.5	3.6	5.1	3.8	3.3	3.6	4.0	4.4
Advanced Economies	3.1	1.5	3.0	1.6	1.3	1.5	1.9	2.5
Emerging Market and Developing Economies	4.2	6.4	7.4	6.2	5.3	5.6	6.1	6.1
<i>Memorandum</i>								
Potential Output								
Major Advanced Economies	2.5	1.9	1.0	1.2	1.3	1.4	1.3	1.7
World Trade, Volume ¹	7.4	4.5	12.6	5.8	3.2	4.5	6.5	6.1
Imports								
Advanced Economies	7.8	2.9	11.4	4.4	1.7	3.3	5.1	5.1
Emerging Market and Developing Economies	6.9	8.8	14.9	8.8	7.0	6.6	9.3	7.8
Exports								
Advanced Economies	7.0	3.4	12.0	5.3	2.2	3.6	5.7	5.2
Emerging Market and Developing Economies	8.3	7.2	13.7	6.5	4.0	5.7	7.4	7.5
Terms of Trade								
Advanced Economies	0.0	0.0	-0.9	-1.6	-0.8	0.1	-0.8	-0.1
Emerging Market and Developing Economies	0.7	1.7	2.3	3.5	0.5	-0.4	1.4	-0.6
World Prices in U.S. Dollars								
Manufactures	-0.8	2.7	2.7	6.5	-0.5	-0.3	2.1	0.3
Oil	4.7	12.4	27.9	31.6	2.1	-1.0	14.2	-4.1
Nonfuel Primary Commodities	-1.4	6.7	26.3	17.8	-9.5	-2.9	6.9	-2.5
Consumer Prices								
Advanced Economies	2.1	2.0	1.5	2.7	1.9	1.6	1.9	1.9
Emerging Market and Developing Economies	23.3	6.5	6.1	7.2	6.1	5.8	6.3	4.9
Interest Rates								
Real Six-Month LIBOR ²	3.7	0.5	-0.8	-1.6	-1.0	-0.8	-1.1	0.4
World Real Long-Term Interest Rate ³	3.5	1.9	1.6	0.3	0.3	1.0	0.8	2.1
	<i>Percent of GDP</i>							
Balances on Current Account								
Advanced Economies	-0.2	-0.8	0.0	-0.2	-0.4	-0.3	-0.2	-0.3
Emerging Market and Developing Economies	-0.6	2.9	1.5	1.9	1.3	1.1	1.5	0.7
Total External Debt								
Emerging Market and Developing Economies	37.0	30.2	25.4	24.0	24.4	24.1	24.5	23.1
Debt Service								
Emerging Market and Developing Economies	8.8	9.9	8.0	8.1	8.3	8.6	8.3	8.5

¹ Data refer to trade in goods and services.² London interbank offered rate on U.S. dollar deposits minus percent change in U.S. GDP deflator.³ GDP-weighted average of 10-year (or nearest maturity) government bond rates for Canada, France, Germany, Italy, Japan, United Kingdom, and United States.