

**Table 1. Overview of the World Economic Outlook Projections***(Annual percent change unless otherwise noted)*

	1995	1996	Current Projections		Differences from May1997 Projections	
			1997	1998	1997	1998
<b>World output</b>	<b>3.7</b>	<b>4.1</b>	<b>4.2</b>	<b>4.3</b>	<b>-0.1</b>	<b>-0.2</b>
Advanced economies	2.5	2.7	3.0	2.9	0.1	—
Major industrial countries	2.0	2.4	2.8	2.5	0.2	-0.1
United States	2.0	2.8	3.7	2.6	0.7	0.4
Japan	1.4	3.5	1.1	2.1	-1.1	-0.9
Germany	1.9	1.4	2.3	2.8	—	-0.2
France	2.1	1.5	2.2	2.8	-0.2	-0.2
Italy	2.9	0.7	1.2	2.1	0.2	-0.3
United Kingdom	2.7	2.3	3.3	2.6	—	-0.2
Canada	2.3	1.5	3.7	3.5	0.3	0.1
Other advanced economies	4.2	3.7	3.9	4.2	0.1	0.1
<i>Memorandum</i>						
Industrial countries	2.1	2.4	2.8	2.6	0.2	—
European Union	2.5	1.7	2.5	2.8	0.1	-0.1
Newly industrialized Asian economies	7.4	6.4	5.9	6.0	0.2	-0.1
Developing countries	6.0	6.5	6.2	6.2	-0.4	-0.3
Africa	2.8	5.2	3.7	5.0	-0.9	0.2
Asia	8.9	8.2	7.6	7.4	-0.6	-0.3
Middle East and Europe	3.5	4.8	4.6	4.2	0.7	0.3
Western Hemisphere	1.3	3.4	4.1	4.4	-0.3	-0.7
Countries in transition	-0.8	0.1	1.8	4.1	-1.2	-0.6
Central and eastern Europe	1.6	1.5	2.1	3.6	-0.9	-1.1
Excluding Belarus and Ukraine	5.0	3.3	2.8	3.9	-0.6	-0.8
Russia, Transcaucasus, and central Asia	-3.9	-1.9	1.5	4.9	-1.5	—
<b>World trade volume (goods and services)</b>	<b>9.5</b>	<b>6.3</b>	<b>7.7</b>	<b>6.8</b>	<b>0.4</b>	<b>—</b>
Imports						
Advanced economies	8.9	6.1	7.1	6.4	1.2	0.3
Developing countries	11.4	8.7	8.4	7.8	-2.4	-0.7
Countries in transition	17.0	6.7	9.5	8.5	-0.3	1.7
Exports						
Advanced economies	8.8	5.5	8.2	6.6	1.3	-0.1
Developing countries	10.5	8.6	7.5	7.0	-3.5	-0.9
Countries in transition	14.9	4.3	5.3	7.1	-1.6	0.1
<b>Commodity prices</b>						
Oil <sup>1</sup>						
(In SDRs)	1.9	24.3	0.3	-0.8	-1.1	5.5
(In U.S. dollars)	8.0	18.9	-5.1	-1.8	-1.5	4.9
Nonfuel <sup>2</sup>						
(In SDRs)	2.1	3.1	2.8	-1.6	-2.4	-1.6
(In U.S. dollars)	8.2	-1.3	-2.7	-2.5	-2.7	-2.2
<b>Consumer prices</b>						
Advanced economies	2.5	2.4	2.2	2.3	-0.3	-0.2
Developing countries	22.7	13.2	10.0	8.9	0.3	0.4
Countries in transition	119.2	40.4	32.3	14.1	1.6	2.6
<b>Six-month LIBOR (in percent)<sup>3</sup></b>						
On U.S. dollar deposits	6.1	5.6	5.9	6.3	-0.1	0.2
On Japanese yen deposits	1.3	0.7	0.7	1.1	-0.3	-1.6
On deutsche mark deposits	4.6	3.3	3.3	4.0	—	0.2

Note: Real effective exchange rates are assumed to remain constant at the levels prevailing during July 18–August 14, 1997, except for the bilateral rates among ERM currencies, which are assumed to remain constant in nominal terms.

<sup>1</sup>Simple average of spot prices of U.K. Brent, Dubai, and West Texas Intermediate crude oil. The average price of oil in U.S. dollars a barrel was \$20.42 in 1996; the assumed price is \$19.39 in 1997 and \$19.03 in 1998.

<sup>2</sup>Average, based on world commodity export weights.

<sup>3</sup>London interbank offered rate.

**Table 2. Advanced Economies: Real GDP, Consumer Prices, and Unemployment Rates***(Annual percent change and percent of labor force)*

	Real GDP				Consumer Prices				Unemployment Rates			
	1995	1996	1997	1998	1995	1996	1997	1998	1995	1996	1997	1998
<b>Advanced economies</b>	<b>2.5</b>	<b>2.7</b>	<b>3.0</b>	<b>2.9</b>	<b>2.5</b>	<b>2.4</b>	<b>2.2</b>	<b>2.3</b>	<b>7.3</b>	<b>7.3</b>	<b>7.1</b>	<b>6.9</b>
Major industrial countries	2.0	2.4	2.8	2.5	2.3	2.2	2.1	2.1	6.9	6.9	6.7	6.7
United States	2.0	2.8	3.7	2.6	2.8	2.9	2.4	2.8	5.6	5.4	5.1	5.3
Japan	1.4	3.5	1.1	2.1	-0.1	0.1	1.6	0.7	3.1	3.3	3.4	3.2
Germany	1.9	1.4	2.3	2.8	1.8	1.5	1.9	2.3	9.4	10.3	11.3	11.2
France	2.1	1.5	2.2	2.8	1.8	2.0	1.1	1.3	11.6	12.4	12.6	12.3
Italy	2.9	0.7	1.2	2.1	5.2	3.9	1.8	2.1	12.0	12.1	12.2	11.9
United Kingdom <sup>1</sup>	2.7	2.3	3.3	2.6	2.8	2.9	2.6	2.7	8.2	7.5	5.8	5.0
Canada	2.3	1.5	3.7	3.5	2.2	1.7	1.5	1.6	9.5	9.7	9.2	8.7
Other advanced economies	4.2	3.7	3.9	4.2	3.7	3.3	2.7	2.8	8.6	8.5	8.2	7.8
Spain	2.8	2.2	3.1	3.4	4.7	3.5	2.0	2.2	22.9	22.2	20.8	19.9
Netherlands	2.1	2.8	3.3	3.7	2.0	2.1	2.3	2.3	8.3	7.6	6.8	5.9
Belgium	2.1	1.5	2.2	2.6	1.5	2.1	1.6	1.9	12.9	12.6	12.8	12.6
Sweden	3.6	1.1	2.1	3.0	2.8	0.8	1.0	2.0	7.7	8.0	8.5	7.7
Austria	1.8	1.0	1.7	2.7	2.2	1.9	1.5	1.6	6.6	7.0	7.1	6.9
Denmark	2.6	2.7	3.0	2.7	2.0	2.2	2.5	2.6	10.1	8.7	7.8	7.7
Finland	5.1	3.3	4.7	3.5	1.0	0.6	1.3	2.3	17.2	16.3	14.8	13.9
Greece	2.0	2.6	3.5	3.5	8.9	8.2	5.7	4.7	10.0	10.0	9.6	9.2
Portugal	2.3	3.3	3.3	3.5	4.1	3.1	2.2	2.3	7.2	7.3	6.8	6.6
Ireland	10.4	7.7	7.3	5.8	2.5	1.6	1.7	2.1	12.2	11.2	10.3	10.3
Luxembourg	3.5	3.7	3.7	3.5	1.9	1.8	2.0	2.0	3.0	3.3	3.5	3.6
Switzerland	0.1	-0.7	0.7	2.0	1.8	0.8	0.7	1.0	4.2	4.7	5.5	5.5
Norway	3.6	5.3	3.8	3.2	2.5	1.3	2.5	2.5	4.9	4.8	4.0	3.8
Israel	7.1	4.4	3.1	4.2	10.0	11.3	8.1	7.0	7.0	6.7	7.3	7.0
Iceland	1.2	5.7	4.0	4.0	1.7	2.3	2.5	3.5	5.0	4.4	3.6	3.1
Korea	8.9	7.1	6.0	6.0	4.5	4.9	4.2	3.7	2.0	2.0	2.5	2.2
Australia <sup>2</sup>	3.2	3.9	3.2	4.0	2.7	2.7	1.7	2.1	8.5	8.6	8.6	8.3
Taiwan Province of China	6.0	5.7	6.2	6.4	3.7	3.1	2.8	3.4	1.7	2.5	2.5	2.4
Hong Kong, China	4.5	4.9	5.3	5.0	8.7	6.0	7.1	6.5	3.2	2.8	2.6	2.5
Singapore	8.8	7.0	6.0	5.5	1.7	1.4	2.2	2.0	2.7	3.0	3.0	3.0
New Zealand <sup>2</sup>	3.5	2.7	1.2	3.9	2.4	2.3	1.4	1.3	6.3	6.1	6.8	6.5
<i>Memorandum</i>												
European Union	2.5	1.7	2.5	2.8	2.9	2.5	1.9	2.2	11.2	11.4	11.1	10.7

<sup>1</sup>Consumer prices are based on the retail price index excluding mortgage interest.<sup>2</sup>Consumer prices excluding interest rate components; for Australia also excluding other volatile items.

**Table 3. Major Industrial Countries: General Government Fiscal Balances and Debt<sup>1</sup>***(In percent of GDP)*

	1980–90	1991	1992	1993	1994	1995	1996	1997	1998	2000	2002
<b>Major industrial countries</b>											
Actual balance	-2.9	-2.7	-3.8	-4.3	-3.5	-3.4	-2.9	-1.6	-1.3	-0.8	-0.5
Output gap	-0.2	0.6	-0.3	-1.8	-1.3	-1.6	-1.4	-0.9	-0.6	-0.2	—
Structural balance	-2.8	-3.1	-3.5	-3.3	-2.7	-2.6	-2.1	-0.9	-0.8	-0.6	-0.5
<b>United States</b>											
Actual balance	-2.6	-3.3	-4.4	-3.6	-2.3	-1.9	-1.1	-0.3	-0.3	—	0.6
Output gap	-0.8	-0.9	-0.6	-0.6	0.4	-0.1	0.2	1.4	1.5	0.8	—
Structural balance	-2.3	-3.0	-4.1	-3.3	-2.3	-1.9	-1.1	-0.8	-0.8	-0.3	0.6
Net debt	35.4	46.7	50.0	52.0	52.7	53.7	53.7	51.7	50.1	46.7	42.7
Gross debt	49.4	62.1	64.6	66.4	65.7	65.9	66.0	64.4	62.4	58.3	53.2
<b>Japan</b>											
Actual balance	-1.1	2.9	1.5	-1.6	-2.3	-3.7	-4.4	-2.7	-2.3	-1.9	-2.6
Output gap	0.3	3.9	1.3	-1.4	-3.3	-4.2	-3.1	-4.3	-4.4	-2.0	-0.1
Structural balance	-1.2	1.5	1.0	-1.1	-1.1	-2.0	-3.2	-1.0	-0.5	-1.1	-2.6
Net debt	20.9	4.8	4.2	5.2	8.0	11.8	15.9	18.2	20.2	22.8	26.1
Gross debt	66.5	66.7	70.0	75.1	82.4	90.1	95.6	100.4	104.6	109.3	114.7
<i>Memorandum</i>											
Actual balance excluding social security	-4.0	-0.8	-2.0	-4.8	-5.1	-6.5	-7.2	-5.3	-4.8	-4.8	-5.2
Structural balance excluding social security	-4.1	-2.0	-2.4	-4.3	-4.0	-5.1	-6.1	-3.9	-3.3	-4.2	-5.2
<b>Germany<sup>2</sup></b>											
Actual balance	-2.1	-3.3	-2.8	-3.5	-2.4	-3.5	-3.6	-3.1	-2.9	-2.1	-1.5
Output gap	-1.3	3.4	2.0	-2.0	-2.0	-2.4	-3.2	-3.1	-2.6	-1.0	-0.1
Structural balance	-1.5	-5.4	-4.0	-2.5	-1.3	-2.2	-1.7	-1.2	-1.2	-1.4	-1.4
Net debt	21.0	21.4	27.7	35.4	40.7	49.1	51.9	53.4	53.9	54.3	53.7
Gross debt	40.1	41.1	44.1	48.2	50.4	58.1	60.7	62.2	62.7	63.1	62.5
<b>France</b>											
Actual balance	-2.0	-2.0	-3.8	-5.6	-5.6	-5.0	-4.1	-3.2	-3.2	-2.6	-1.7
Output gap	0.6	0.6	-0.5	-3.8	-3.0	-2.7	-3.3	-3.2	-2.6	-1.4	—
Structural balance	-2.3	-2.4	-3.4	-3.1	-3.5	-3.1	-1.8	-0.9	-1.3	-1.6	-1.7
Net debt <sup>3</sup>	22.0	27.1	30.2	34.4	40.2	43.6	46.3	48.6	50.1	51.1	50.2
Gross debt	29.4	35.3	39.2	45.2	48.1	52.2	55.4	57.7	59.2	60.2	59.3
<b>Italy</b>											
Actual balance	-10.9	-10.1	-9.6	-10.0	-9.6	-7.0	-6.7	-3.2	-3.0	-2.1	-1.4
Output gap	2.6	1.9	—	-3.1	-2.7	-1.7	-2.7	-3.3	-3.1	-1.4	—
Structural balance	-12.0	-11.0	-9.6	-8.5	-8.2	-6.1	-5.4	-1.7	-1.6	-1.5	-1.4
Net debt	73.4	96.1	103.0	112.8	118.3	117.8	117.2	116.3	114.8	108.8	102.1
Gross debt	79.0	101.5	108.7	119.1	124.9	124.4	123.8	122.9	121.2	114.9	107.9
<b>United Kingdom</b>											
Actual balance	-2.0	-2.6	-6.3	-7.9	-6.9	-5.6	-4.7	-2.0	-0.6	0.4	0.7
Output gap	-0.6	-2.3	-4.5	-4.7	-2.7	-1.8	-1.0	-0.5	—	—	—
Structural balance	-1.3	-2.7	-3.9	-4.4	-4.1	-4.0	-3.8	-1.5	-0.4	0.4	0.7
Net debt	44.0	27.7	29.0	33.8	39.4	42.3	45.7	47.9	44.3	40.2	35.2
Gross debt	51.5	34.9	36.1	42.5	48.4	50.5	53.8	54.5	52.4	48.2	43.1
<b>Canada</b>											
Actual balance	-4.5	-6.6	-7.4	-7.3	-5.3	-4.1	-1.8	0.2	0.8	1.4	2.1
Output gap	0.1	-2.6	-3.7	-4.0	-2.6	-2.6	-3.3	-2.1	-1.1	—	—
Structural balance	-4.4	-4.9	-4.8	-4.6	-3.6	-2.7	—	1.3	1.4	1.5	2.1
Net debt	30.1	49.7	56.9	61.9	64.7	67.5	69.0	66.5	62.5	53.8	45.2
Gross debt	60.2	79.4	86.9	92.5	94.8	98.4	100.4	97.0	91.4	80.1	69.5

Note: The budget projections are generally based on information available through August 1997. The specific assumptions for each country are set out in Box 1.

<sup>1</sup>The output gap is actual less potential output, as a percent of potential output. Structural balances are expressed as a percent of potential output. The structural budget balance is the budgetary position that would be observed if the level of actual output coincided with potential output. Changes in the structural budget balance consequently include effects of temporary fiscal measures, the impact of fluctuations in interest rates and debt-service costs, and other noncyclical fluctuations in the budget balance. The computations of structural budget balances are based on IMF staff estimates of potential GDP and revenue and expenditure elasticities (see the October 1993 *World Economic Outlook*, Annex I). Net debt is defined as gross debt less financial assets, which include assets held by the social security insurance system. Estimates of the output gap and of the structural budget balance are subject to significant margins of uncertainty.

<sup>2</sup>Data before 1990 refer to west Germany. For net debt, the first column refers to 1986–90. Beginning in 1995, the debt and debt-service obligations of the Treuhandanstalt (and of various other agencies) were taken over by the general government. This debt is equivalent to 8 percent of GDP and the associated debt service to ½ of 1 percent of GDP.

<sup>3</sup>Figure for 1980–90 is average of 1983–90.

**Table 4. Selected Developing Countries: Real GDP and Consumer Prices***(Annual percent change)*

	Real GDP			Consumer Prices		
	1995	1996	1997	1995	1996	1997
<b>Developing countries</b>	<b>6.0</b>	<b>6.5</b>	<b>6.2</b>	<b>22.7</b>	<b>13.2</b>	<b>10.0</b>
<b>Median</b>	<b>4.1</b>	<b>4.3</b>	<b>4.5</b>	<b>10.0</b>	<b>7.0</b>	<b>5.1</b>
<b>Africa</b>	<b>2.8</b>	<b>5.2</b>	<b>3.7</b>	<b>33.1</b>	<b>25.0</b>	<b>14.8</b>
Algeria	3.9	4.0	4.5	21.9	15.1	7.0
Cameroon	3.3	5.0	5.1	30.9	6.4	4.2
Côte d'Ivoire	7.1	6.8	6.1	14.2	2.8	2.9
Ghana	4.5	5.2	3.7	59.5	46.6	27.3
Kenya	4.4	4.2	3.5	1.7	9.0	11.5
Morocco	-7.6	11.8	-1.1	6.1	3.0	3.6
Nigeria	2.3	2.4	3.6	70.0	29.3	18.0
South Africa	3.4	3.1	2.2	8.6	7.4	10.2
Sudan	4.5	4.3	5.0	85.0	94.0	103.0
Tanzania	3.8	4.5	4.7	34.0	25.7	15.0
Tunisia	2.4	6.9	5.1	6.2	3.7	3.9
Uganda	9.8	7.0	7.0	7.4	6.3	5.0
SAF/ESAF countries <sup>1</sup>	4.8	6.1	4.9	22.0	15.5	8.2
CFA countries	4.6	5.2	5.3	16.1	5.2	3.9
<b>Asia</b>	<b>8.9</b>	<b>8.2</b>	<b>7.6</b>	<b>11.9</b>	<b>6.6</b>	<b>5.8</b>
Bangladesh	5.2	5.6	5.5	6.3	3.9	4.9
China	10.5	9.7	9.5	14.8	6.1	4.5
India	7.4	6.9	6.6	10.2	7.3	7.1
Indonesia	8.2	7.8	7.0	9.4	6.6	7.3
Malaysia	9.5	8.2	7.5	3.4	3.5	3.9
Pakistan	5.1	5.1	3.1	12.4	10.4	11.2
Philippines	4.8	5.5	5.3	8.1	8.4	6.5
Thailand	8.7	6.4	2.5	5.8	5.9	7.0
Vietnam	9.5	9.5	9.5	12.8	6.0	7.0
<b>Middle East and Europe</b>	<b>3.5</b>	<b>4.8</b>	<b>4.6</b>	<b>35.9</b>	<b>24.8</b>	<b>22.1</b>
Egypt	3.2	4.3	5.0	9.4	7.2	6.2
Iran, Islamic Republic of	2.8	5.1	5.2	49.4	23.2	16.2
Jordan	6.9	5.2	6.5	2.4	6.5	4.0
Kuwait	1.6	1.6	1.2	2.7	1.8	1.2
Saudi Arabia	0.5	2.4	1.8	5.0	1.0	0.7
Turkey	7.5	7.1	5.4	93.6	82.3	78.6
<b>Western Hemisphere</b>	<b>1.3</b>	<b>3.4</b>	<b>4.1</b>	<b>41.7</b>	<b>20.5</b>	<b>13.5</b>
Argentina	-4.6	4.4	7.5	3.4	0.2	1.0
Brazil <sup>2</sup>	4.2	2.9	3.5	...	11.1	7.8
Chile	8.5	7.2	5.5	8.2	7.4	6.0
Colombia	5.4	2.1	2.0	20.9	20.8	18.8
Dominican Republic	4.8	7.3	8.0	9.2	3.8	10.0
Ecuador	2.3	2.0	2.8	22.9	24.3	26.8
Guatemala	4.9	3.1	4.0	8.4	10.6	9.5
Mexico	-6.1	5.1	4.5	35.0	34.4	20.4
Peru	7.0	2.8	5.0	11.1	11.5	9.4
Uruguay	-1.9	5.0	4.0	42.2	28.3	19.6
Venezuela	3.4	-1.6	3.7	59.9	99.9	47.3

<sup>1</sup>African countries that had arrangements, as of the end of 1996, under the IMF's Structural Adjustment Facility (SAF) or Enhanced Structural Adjustment Facility (ESAF).

<sup>2</sup>"Consumer prices" are based on a price index of domestic demand, which is a weighted average of the consumer price index, the wholesale price index, and a price index for construction activity. The average year-on-year increase in 1995 in this price index was 59.6 percent, which largely was the result of carryover effects from the high inflation rate prevailing prior to the introduction of the real on July 1, 1994. Consequently, the inflation rate from December 1994 to December 1995, which was 14.8 percent, better reflects the underlying rate during 1995. The December 1995 to December 1996 inflation rate was 9.3 percent; on the same basis, the inflation rate is projected to be 6.6 in 1997.

**Table 5. Countries in Transition: Real GDP and Consumer Prices***(Annual percent change)*

	Real GDP			Consumer Prices		
	1995	1996	1997	1995	1996	1997
<b>Countries in transition</b>	<b>-0.8</b>	<b>0.1</b>	<b>1.8</b>	<b>119</b>	<b>40</b>	<b>32</b>
<b>Median</b>	<b>2.3</b>	<b>2.7</b>	<b>3.5</b>	<b>46</b>	<b>24</b>	<b>15</b>
Central and eastern Europe	1.6	1.5	2.1	70	32	41
Excluding Belarus and Ukraine	5.0	3.3	2.8	25	24	43
Albania	8.9	8.2	-10.0	8	13	52
Belarus	-10.4	2.6	5.0	709	53	76
Bulgaria	2.1	-10.9	-7.4	62	123	1,059
Croatia	2.4	4.7	5.5	2	3	4
Czech Republic	4.8	4.1	2.0	9	9	9
Estonia	4.3	4.0	5.0	29	23	12
Hungary	1.5	1.0	3.0	28	24	18
Latvia	0.4	2.8	4.0	25	19	10
Lithuania	3.1	3.6	4.5	39	25	10
Macedonia, former Yugoslav Rep. of	-1.4	1.1	5.0	16	-1	2
Moldova	-3.4	-8.0	1.4	30	24	11
Poland	6.5	5.5	5.5	28	20	15
Romania	7.1	4.1	-1.5	32	39	109
Slovak Republic	6.8	6.9	4.5	10	6	6
Slovenia	4.1	3.1	4.0	13	10	9
Ukraine	-12.0	-10.0	-3.0	376	80	17
Russia	-4.0	-2.8	1.5	190	48	16
Transcaucasus and central Asia	-3.7	1.6	1.3	260	70	43
Armenia	6.9	5.8	5.8	177	19	8
Azerbaijan	-11.0	1.3	5.7	412	20	7
Georgia	2.4	10.5	10.0	163	40	12
Kazakhstan	-8.9	1.1	1.5	176	39	20
Kyrgyz Republic	5.4	5.6	6.9	53	30	27
Mongolia	6.3	2.6	3.0	57	49	51
Tajikistan	-12.5	-7.0	-5.3	610	443	32
Turkmenistan	-8.2	-3.0	-18.5	1,005	992	96
Uzbekistan	-0.9	1.6	2.2	305	54	70

**Table 6. Selected Economies: Current Account Positions***(In percent of GDP)*

	1994	1995	1996	1997	1998
<b>Advanced economies<sup>1</sup></b>					
United States	-1.9	-1.8	-1.9	-2.2	-2.4
Japan	2.8	2.2	1.4	2.3	2.2
Germany	-1.0	-1.0	-0.6	-0.5	—
France	0.5	1.1	1.3	1.9	2.2
Italy	1.4	2.5	3.4	3.2	3.4
United Kingdom	-0.2	-0.5	-0.1	-0.3	-1.0
Canada	-2.7	-1.0	0.5	-1.1	-0.8
Australia	-5.0	-5.3	-3.7	-3.5	-4.0
Austria	-0.9	-2.0	-1.8	-1.6	-1.4
Finland	1.3	4.2	3.3	3.5	3.6
Greece	-1.0	-2.7	-3.5	-4.2	-5.0
Hong Kong, China	1.6	-3.2	-0.7	-1.0	0.1
Ireland	2.7	2.8	2.0	2.1	1.3
Israel	-3.1	-4.5	-5.1	-3.6	-3.0
Korea	-1.2	-2.0	-4.9	-3.5	-2.5
New Zealand	-2.5	-3.7	-4.1	-5.2	-5.6
Norway	2.4	3.4	7.1	8.1	9.0
Singapore	17.0	16.9	15.0	15.0	14.8
Spain	-1.4	0.2	0.3	0.9	0.5
Sweden	0.4	2.1	2.4	3.7	4.4
Switzerland	6.9	6.9	7.0	7.1	7.1
Taiwan Province of China	2.6	1.9	3.8	3.4	3.0
<i>Memorandum</i>					
European Union	0.3	0.6	1.0	1.1	1.2
<b>Developing countries</b>					
Algeria	-5.4	-5.3	2.7	0.3	0.2
Argentina	-3.7	-1.5	-1.9	-3.2	-2.9
Brazil	-0.3	-2.5	-3.2	-4.5	-5.0
Cameroon	-4.2	-0.4	-2.4	1.3	-2.3
Chile	-1.2	0.2	-4.1	-3.4	-4.1
China	1.4	0.2	0.5	0.3	—
Côte d'Ivoire	-1.0	-5.0	-4.7	-5.1	-4.1
Egypt	0.4	2.3	-0.3	0.8	-0.4
India	-1.0	-1.5	-1.3	-1.6	-1.9
Indonesia	-1.7	-3.4	-3.5	-3.5	-3.2
Malaysia	-6.3	-8.5	-5.2	-5.8	-4.4
Mexico	-7.0	-0.6	-0.6	-1.5	-2.2
Nigeria	-2.6	-0.9	2.3	0.5	0.3
Pakistan	-3.6	-4.0	-6.8	-6.7	-5.3
Philippines	-4.6	-4.4	-4.3	-4.3	-3.6
Saudi Arabia	-8.7	-5.5	-0.2	-1.5	-3.7
South Africa	-0.3	-2.1	-1.6	-1.1	-1.2
Thailand	-5.6	-8.0	-7.9	-5.0	-3.0
Turkey	2.0	-1.4	-0.8	-1.3	-0.8
Uganda	-2.5	-2.0	-1.1	-1.2	-0.8
<b>Countries in transition</b>					
Czech Republic	-1.9	-2.7	-8.1	-7.2	-6.9
Hungary	-9.5	-5.6	-3.8	-3.9	-4.5
Poland <sup>2</sup>	2.3	3.3	-1.0	-4.9	-5.5
Russia	3.7	1.1	0.5	0.5	-0.8

<sup>1</sup>For European Union (EU) countries, transfers from the EU budget that finance capital outlays are considered to be capital transfers in accordance with standard national accounts and balance of payments methodologies; such transfers are not included in the current account of the balance of payments.

<sup>2</sup>Based on data for the current balance, including a surplus on unrecorded trade transactions, as estimated by IMF staff.

**Table 7. Capital Flows to Developing Countries, Countries in Transition, and Newly Industrialized Economies<sup>1</sup>***(In billions of U.S. dollars)*

	1983–88 <sup>2</sup>	1989–95 <sup>2</sup>	1991	1992	1993	1994	1995	1996
<b>Total</b>								
Net private capital flows <sup>3</sup>	11.7	116.8	135.2	123.6	160.0	148.1	188.7	249.0
Net direct investment	11.9	47.2	32.3	37.4	55.5	78.1	92.9	117.1
Net portfolio investment	4.2	51.4	39.6	57.8	106.5	98.0	30.7	57.8
Other net investments	...	...	...	...	...	...	...	...
Net official flows	27.9	21.5	20.8	13.7	21.2	8.4	41.5	-18.4
Change in reserves <sup>4</sup>	-8.6	-65.6	-63.3	-67.1	-73.2	-67.0	-111.3	-103.9
<b>Developing countries</b>								
Net private capital flows <sup>3</sup>	15.8	103.3	131.3	118.7	140.9	117.4	147.3	207.4
Net direct investment	10.3	42.5	26.9	33.8	48.8	72.1	78.2	100.8
Net portfolio investment	3.5	43.6	36.1	51.6	88.9	84.1	15.6	43.2
Other net investments	2.1	17.2	68.3	33.3	3.2	-38.8	53.5	63.3
Net official flows	27.3	21.2	18.9	14.0	20.1	19.7	33.7	-8.6
Change in reserves <sup>4</sup>	10.1	-41.8	-46.8	-45.1	-39.1	-37.9	-62.3	-93.7
<b>Africa</b>								
Net private capital flows <sup>3</sup>	3.9	4.2	4.0	0.2	2.3	9.6	10.6	10.7
Net direct investment	1.1	2.2	2.3	2.0	1.7	3.8	2.8	5.0
Net portfolio investment	-0.9	-0.2	-1.6	-0.7	0.8	0.4	1.9	0.6
Other net investments	3.7	2.2	3.3	-1.0	-0.2	5.4	5.9	5.1
Net official flows	5.0	6.8	5.3	8.2	5.9	7.5	6.2	3.2
Change in reserves <sup>4</sup>	0.3	-1.9	-3.0	1.9	-0.7	-5.2	-1.4	-5.9
<b>Asia</b>								
Net private capital flows <sup>3</sup>	11.9	43.4	32.3	20.9	53.2	62.3	88.8	98.4
Net direct investment	3.6	25.1	12.1	17.6	34.1	43.6	49.5	58.2
Net portfolio investment	1.2	4.9	0.5	1.0	11.7	10.0	9.3	8.0
Other net investments	7.1	13.4	19.6	2.3	7.4	8.7	29.9	32.2
Net official flows	7.6	8.4	10.5	10.7	10.0	6.0	5.9	7.8
Change in reserves <sup>4</sup>	-2.2	-23.0	-26.7	-15.1	-25.3	-41.5	-28.4	-48.1
<b>Middle East and Europe</b>								
Net private capital flows <sup>3</sup>	2.1	22.4	70.1	42.8	22.6	-1.0	12.1	18.5
Net direct investment	1.0	1.5	1.6	1.3	1.8	1.8	1.4	1.2
Net portfolio investment	4.2	13.4	22.4	21.0	15.3	12.5	11.6	6.8
Other net investments	-3.1	7.5	46.1	20.5	5.4	-15.3	-0.9	10.5
Net official flows	4.9	0.7	-0.3	-3.3	4.3	10.5	-1.6	-6.9
Change in reserves <sup>4</sup>	11.6	-4.5	-1.1	-10.8	6.7	-1.9	-9.0	-17.5
<b>Western Hemisphere</b>								
Net private capital flows <sup>3</sup>	-2.0	33.3	25.0	54.8	62.9	46.4	35.8	79.7
Net direct investment	4.7	13.7	10.9	12.9	11.2	23.0	24.4	36.5
Net portfolio investment	-1.1	25.5	14.7	30.4	61.1	61.1	-7.2	27.8
Other net investments	-5.7	-5.9	-0.6	11.5	-9.4	-37.6	18.6	15.5
Net official flows	9.7	5.3	3.3	-1.6	-0.1	-4.3	23.2	-12.6
Change in reserves <sup>4</sup>	0.4	-12.5	-16.1	-21.1	-19.7	10.7	-23.6	-22.2
<b>Countries in transition</b>								
Net private capital flows <sup>3</sup>	-4.5	11.0	-1.4	7.4	10.8	17.0	28.7	26.1
Net direct investment	-0.2	4.5	2.4	4.2	6.0	5.4	13.0	12.4
Net portfolio investment	—	1.5	0.8	-0.8	3.6	2.9	3.7	2.1
Other net investments	...	...	...	...	...	...	...	...
Net official flows	1.5	1.1	1.7	-0.1	3.0	-11.0	8.5	-9.1
Change in reserves <sup>4</sup>	-3.4	-8.6	0.4	-6.0	-12.7	-8.0	-34.5	2.9
<b>Newly industrialized economies<sup>5</sup></b>								
Net private capital flows <sup>3</sup>	0.4	2.5	5.3	-2.5	8.3	13.6	12.6	15.5
Net direct investment	1.9	0.3	3.0	-0.6	0.8	0.6	1.7	3.9
Net portfolio investment	0.7	6.4	2.8	7.1	14.0	11.0	11.3	12.5
Other net investments	-2.2	-4.2	-0.5	-9.0	-6.5	2.1	-0.4	-1.0
Net official flows	-0.8	-0.8	0.2	-0.3	-1.9	-0.3	-0.7	-0.6
Change in reserves <sup>4</sup>	-15.2	-15.2	-16.8	-16.0	-21.4	-21.1	-14.5	-13.2

<sup>1</sup>Net capital flows comprise net direct investment, net portfolio investment, and other long- and short-term net investment flows, including official and private borrowing.

<sup>2</sup>Annual averages.

<sup>3</sup>Because of data limitations other net investment may include some official flows.

<sup>4</sup>A minus sign indicates an increase.

<sup>5</sup>Hong Kong, China; Israel; Korea; Singapore; and Taiwan Province of China.

**Table 8. Major Industrial Countries: Questions About Inflationary Pressures<sup>1</sup>**

	Canada	France	Germany	Italy	Japan	United Kingdom	United States
1. Is inflation outside a range the country's authorities consider to be consistent with price stability?	No	No	No	No	No	No	No
2. Does the IMF forecast that inflation will pick up in 1998?	No	Only slightly	Only slightly	Only slightly	No	Only slightly (excluding mortgage interest)	Only slightly
3. Do private forecasters expect inflation to pick up in 1998? <sup>2</sup>	Only slightly	Only slightly	Only slightly	Only slightly	No	Only slightly (excluding mortgage interest)	Only slightly
4. Is there concern about money growth?	No	No	No	No	No	Yes	No
5. Has the output gap been closing?	Yes	No	No	No	Yes, but remains relatively large	Yes	Yes
6. Is excess capacity being taken up too quickly?	No	No	No	No	No	Perhaps	Little, if any, remaining slack
7. Are labor market conditions tight?	No	No	No	No	No	Increasingly	Yes
8. Do yield curves or changes in market interest rates suggest a rise in inflation expectations?	No	No	No	No	No	No	No
9. Is exchange rate weakness stimulating inflation?	No	Only slightly	Moderately	No	No	No	No
10. Do external accounts show signs of overheating?	No	No	No	No	No	No	No
11. Have equity prices risen rapidly?	Yes	Yes	Yes	Yes	No	Yes	Yes
12. Have real estate prices recently been rising rapidly?	No	No	No	No	No	Yes	No

<sup>1</sup>This table is intended to provide a broad cross-country survey of inflationary pressures and reflects IMF staff judgments. For individual countries, various indicators will differ in the extent to which they contribute to the inflationary process.

<sup>2</sup>*Consensus Forecasts*, August 11, 1997 (London: Consensus Economics, Inc., 1997).



**Table 9. Selected Latin American Countries: Macroeconomic Indicators of Cyclical Change<sup>1</sup>***(Annual average, in percent of GDP unless otherwise noted)*

	1983 Slowdown	1984–85 Recovery	1990 Slowdown	1991–92 Recovery	1995 Slowdown	1996–97 <sup>2</sup> Recovery
Growth <sup>3</sup>	-3.7	4.8	0.5	2.6	0.4	3.9
Contributions to growth						
Foreign balance	3.8	0.9	-1.1	-0.8	-0.6	-1.3
Domestic demand	-7.4	3.8	1.6	3.4	0.9	5.1
Public consumption	-0.1	0.4	0.9	-0.4	1.0	0.2
Private consumption	-2.1	2.3	1.0	2.4	1.2	2.9
Gross investment	-4.6	0.8	-0.5	0.7	-0.4	1.8
Government consumption	9.8	9.4	12.7	12.0	13.7	13.5
Private consumption	67.0	66.7	65.1	68.1	66.6	66.7
Private investment	13.9	14.2	17.2	16.3	16.6	17.0
Net private capital flows	-1.7	-0.4	1.4	3.3	1.7	4.7
Current account balance	-1.4	-0.2	-1.0	-1.6	-2.3	-3.1
Central government fiscal balance	-4.0	-3.2	-0.1	-0.1	-1.6	-1.7
Private saving	15.9	15.7	14.7	13.6	16.0	15.6
Total saving	19.0	20.0	20.0	18.0	17.6	17.6
Consumer prices (median) <sup>3</sup>	111.1	136.8	2,314.7	99.4	20.9	10.5
Real effective exchange rate <sup>3</sup>	-14.9	2.1	16.6	-0.3	-6.8	5.9
External debt	50.9	48.8	35.8	35.5	38.2	34.9

<sup>1</sup>Comprises Argentina, Brazil, Colombia, Mexico, and Peru.<sup>2</sup>IMF staff estimates for 1997.<sup>3</sup>Annual percent change in real GDP.

**Table 10. Sub-Saharan Africa: Recent Economic Developments and Their Distribution***(Annual percent change unless noted otherwise)*

	1990	1991	1992	1993	1994	1995	1996	1997
Average growth in real GDP	2.1	1.5	0.7	1.9	2.6	3.8	4.5	4.1
Number of countries with								
Negative growth	18	15	17	15	10	9	4	1
Positive growth	29	32	30	32	37	38	43	46
Less than 3 percent	8	14	13	12	11	9	9	11
Greater than 3 percent	21	18	17	20	26	29	34	35
Average change in terms of trade	2.4	-1.7	-2.5	-0.3	2.1	-1.8	-1.2	-1.3
Number of countries with								
Terms of trade deterioration	28	28	29	24	22	23	34	29
Terms of trade improvements	19	19	18	23	25	24	13	18
Average net private capital inflows (in percent of GDP)	-1.3	1.8	0.2	0.6	2.2	2.5	2.0	1.1
Number of countries with								
Negative net private capital inflows	22	12	18	18	12	20	11	18
Positive net private capital inflows	25	35	29	29	35	27	36	29
Average rate of inflation	16.8	27.6	37.7	37.6	46.4	41.1	31.8	18.7
Number of countries with								
Less than 10 percent	23	23	22	27	12	17	28	33
Greater than 10 percent	24	24	25	20	35	30	19	14

**Table 11. European Union: Convergence Indicators for 1996, 1997, and 1998***(In percent)*

	Consumer Price Inflation			General Government Balance/GDP				Gross Government Debt/GDP <sup>2</sup>			Long-Term Interest Rates <sup>3</sup>
	1996	1997	1998	1996	1997	1997 <sup>1</sup>	1998	1996	1997	1998	August 1997
Germany	1.5	1.9	2.3	-3.6	-3.1	-3.0	-2.9	60.7	62.2	62.7	5.7
France	2.0	1.1	1.3	-4.1	-3.2	-3.0	-3.2	55.4	57.7	59.2	5.6
Italy	3.9	1.8	2.1	-6.7	-3.2	-3.0	-3.0	123.8	122.9	121.2	6.6
United Kingdom <sup>4</sup>	2.9	2.6	2.7	-4.7	-2.0	...	-0.6	53.8	54.5	52.4	7.1
Spain	3.5	2.0	2.2	-4.4	-3.0	-3.0	-2.6	69.8	69.0	68.2	6.2
Netherlands	2.1	2.3	2.3	-2.3	-2.1	...	-1.8	78.0	73.6	71.2	5.5
Belgium	2.1	1.6	1.9	-3.2	-2.8	-2.9	-2.6	127.4	125.1	122.8	5.7
Sweden	0.8	1.0	2.0	-2.5	-2.1	-2.1	—	77.7	77.1	73.9	6.5
Austria	1.9	1.5	1.6	-3.9	-2.5	-3.0	-2.5	70.0	68.0	67.6	5.7
Denmark	2.2	2.5	2.6	-1.4	0.5	0.7	0.5	69.9	66.4	63.2	6.2
Finland	0.6	1.3	2.3	-3.1	-1.9	-1.4	-0.4	58.8	59.4	57.9	5.8
Greece <sup>5</sup>	8.2	5.7	4.7	-7.4	-4.7	-4.2	-4.1	111.8	108.0	104.2	9.6
Portugal	3.1	2.2	2.3	-4.0	-2.9	-2.9	-2.9	66.0	62.9	61.7	6.3
Ireland	1.6	1.7	2.1	-0.9	-0.8	-1.5	-0.8	72.8	67.5	65.0	6.3
Luxembourg	1.8	2.0	2.0	-0.1	-0.1	...	-0.1	5.9	5.7	5.5	6.0
All EU <sup>6</sup>	2.5	1.9	2.2	-4.3	-2.8	...	-2.3	73.9	74.0	73.2	6.2
<b>Reference value<sup>7</sup></b>	<b>2.5</b>	<b>2.6</b>	<b>3.1</b>	<b>-3.0</b>	<b>-3.0</b>	<b>...</b>	<b>-3.0</b>	<b>60.0</b>	<b>60.0</b>	<b>60.0</b>	<b>8.0</b>

Sources: National sources; and IMF staff projections.

Note: The table shows IMF staff estimates of the convergence criteria mentioned in the Maastricht Treaty, except for the exchange rate. The data and projections shown for consumer price inflation are based on national statistics rather than on the harmonized consumer price indices being constructed by Eurostat that will be used in applying the Maastricht criteria. The three relevant convergence criteria are (1) consumer price inflation must not exceed that of the three best performing countries by more than 1½ percentage points; (2) interest rates on long-term government securities must not be more than 2 points higher than those in the same three member states; and (3) the financial position must be sustainable. In particular, the general government deficit should be at or below the reference value of 3 percent of GDP. If not, it should have declined substantially and continuously and reached a level close to the reference value, or the excess over the reference value should be temporary and exceptional. The gross debt of general government should be at or below 60 percent of GDP or, if not, the debt ratio should be sufficiently diminishing and approaching the 60 percent value at a satisfactory pace. The exchange rate criterion is that the currency must have been held without severe tensions within the normal fluctuation margins of the ERM for at least two years, in particular without a devaluation at the initiative of the member state in question.

<sup>1</sup>Official targets or intentions. The IMF staff's fiscal projections shown in the preceding column are in some cases based on different growth, inflation, or interest rate assumptions from those used by national authorities and do not take into account further consolidation measures that are planned by EU governments in accordance with their convergence programs but which have not yet been announced. See Box 1 for the IMF staff's fiscal assumptions.

<sup>2</sup>Debt data refer to end of year. They relate to general government but may not be consistent with the definition agreed at Maastricht. For the United Kingdom, general government consolidated debt evaluated at the end of March.

<sup>3</sup>Ten-year government bond yield or nearest maturity.

<sup>4</sup>Retail price index excluding mortgage interest.

<sup>5</sup>Long-term interest rate is 12-month treasury bill rate.

<sup>6</sup>Average weighted by GDP shares, based on the purchasing-power-parity (PPP) valuation of country GDPs for consumer price index, general government balances, and debt.

<sup>7</sup>The treaty is not specific as to what methodology should be used to calculate reference values for inflation and the interest rate beyond noting that they should be based on the three lowest inflation countries or a subset of them. For illustrative purposes, a simple average for the three countries is used in calculating the reference values. The reference value for long-term interest rates in August 1997 is based on yields in the three countries with the lowest projected inflation rates for 1997 as a whole.

## Table 12. United States, Japan, and the European Union: Relative Economic Size and Relative Use of Currencies

(In percent)

	United States	Japan	EU15
Relative economic size			
Shares of world GDP, 1996	20.7	8.0	20.4
Shares of world exports (ex-intra-EU), 1996	15.2	6.1	14.7
Relative use of currencies <sup>1</sup>			
World trade, 1992	48.0	5.0	31.0
World debt securities, September 1996	37.2	17.0	34.5
Developing country debt, end-1996	50.2	18.1	15.8
Global foreign exchange reserves, end-1995	56.4	7.1	25.8
Foreign exchange transactions, April 1995 <sup>2</sup>	41.5	12.0	35.0

<sup>1</sup>Shares denominated in currency (or currencies) of country (or EU).

<sup>2</sup>Shares adjusted for double-counting that arises from the fact that each transaction involves two currencies.

**Table 13. Implications of EMU for Europe and the Rest of the World—Simulation Results***(Deviations from baseline, in percent, except when indicated otherwise)<sup>1</sup>*

	2000	2001	2002	2003	2010
<b>Scenario 1: EMU with Additional Fiscal Consolidation and Labor Market Reforms</b>					
<b>EMU members<sup>2</sup></b>					
Real GDP	0.2	0.9	1.0	1.1	2.9
GDP deflator	-0.3	-0.7	-1.1	-1.4	-1.9
Long-term real interest rate	0.1	-0.1	-0.3	-0.4	—
Unemployment rate	-0.2	-0.4	-0.6	-0.8	-2.0
General government balance (in percent of GDP)	0.4	0.9	1.5	2.1	0.8
Net revenue	—	—	0.1	0.2	-1.1
Expenditure	-0.4	-0.9	-1.4	-1.9	-1.9
General government debt (in percent of GDP)	-0.4	-1.4	-2.7	-4.5	-12.6
Trade balance (in billions of U.S. dollars)	-3.5	13.8	22.8	31.6	27.9
<b>Non-European G-7<sup>3</sup></b>					
Real GDP	-0.1	—	—	0.1	0.1
Trade balance (in billions of U.S. dollars)	-0.6	-16.6	-25.5	-31.5	-31.9
<b>Other industrial countries<sup>4</sup></b>					
Real GDP	-0.1	0.1	0.1	—	0.2
Trade balance (in billions of U.S. dollars)	-1.0	-1.9	-2.6	-3.5	-1.7
<b>Developing countries<sup>5</sup></b>					
Real GDP	—	0.1	0.2	0.2	0.3
Trade balance (in billions of U.S. dollars)	5.1	4.7	5.3	3.4	5.7
<b>Scenario 2: EMU with Neither Additional Fiscal Consolidation Nor Labor Market Reforms</b>					
<b>EMU members<sup>2</sup></b>					
Real GDP	0.1	-0.3	-0.6	-0.9	-2.5
GDP deflator	0.1	0.3	0.6	0.9	2.3
Long-term real interest rate	0.2	0.3	0.4	0.5	0.5
Unemployment rate	0.2	0.4	0.7	0.9	2.0
General government balance (in percent of GDP)	-0.2	-0.5	-0.7	-0.9	-1.3
Net revenue	—	-0.1	-0.2	-0.3	-0.7
Expenditure	0.2	0.4	0.5	0.6	0.6
General government debt (in percent of GDP)	0.1	0.7	1.4	2.3	9.8
Trade balance (in billions of U.S. dollars)	-1.7	22.1	31.7	38.8	67.3
<b>Non-European G-7<sup>3</sup></b>					
Real GDP	-0.1	—	—	0.1	0.1
Trade balance (in billions of U.S. dollars)	-2.6	-22.6	-29.5	-33.7	-57.5
<b>Other industrial countries<sup>4</sup></b>					
Real GDP	—	-0.1	—	—	0.1
Trade balance (in billions of U.S. dollars)	-0.8	-2.4	-3.1	-3.6	-6.1
<b>Developing countries<sup>5</sup></b>					
Real GDP	—	—	—	-0.1	-0.2
Trade balance (in billions of U.S. dollars)	5.1	2.9	0.9	-1.5	-3.7

<sup>1</sup>Baseline is based on current World Economic Outlook database, with shocks starting in 2000. Adherence to the Stability and Growth Pact is assumed in both scenarios.

<sup>2</sup>It is assumed that all current EU member countries participate in EMU from the start.

<sup>3</sup>The United States, Canada, and Japan.

<sup>4</sup>Australia, New Zealand, Norway, and Switzerland.

<sup>5</sup>Rest of the world excluding transition economies.

**Table 14. Developing Countries: Officially Reported Exchange Rate Arrangements<sup>1</sup>**

*(In percent of total)*

	1976	1981	1986	1991	1996
Pegged	86	75	67	57	45
U.S. dollar	42	32	25	19	15
French franc	13	12	11	11	11
Other	7	4	4	3	4
SDR	12	13	8	5	2
Composite	12	14	18	20	14
Limited flexibility	3	10	5	4	3
Single	3	10	5	4	3
Cooperative	—	—	—	—	—
More flexible	11	15	28	39	52
Set to indicators	6	3	4	4	2
Managed floating	4	9	13	16	21
Independently floating	1	4	11	19	29
<b>Number of countries</b>	<b>100</b>	<b>113</b>	<b>119</b>	<b>123</b>	<b>123</b>

<sup>1</sup>Based on end-of-year classification.

**Table 15. Geographical Distribution of Officially Reported Exchange Rate Arrangements**

*(Number of countries)*

	Africa	Asia	Middle East and Europe	Western Hemisphere	Total
1976					
Pegged	39	15	13	19	86
To a basket of currencies	12	7	5	—	24
Limited flexibility	—	1	2	—	3
More flexible	1	1	2	7	11
Independently floating	—	—	1	—	1
Total	40	17	17	26	100
1986					
Pegged	34	14	11	21	80
To a basket of currencies	15	9	6	2	32
Limited flexibility	—	2	4	—	6
More flexible	13	7	2	11	33
Independently floating	8	1	1	3	13
Total	47	23	17	32	119
1996					
Pegged	25	11	8	11	55
To a basket of currencies	5	9	5	—	19
Limited flexibility	—	—	4	—	4
More flexible	25	13	5	21	64
Independently floating	20	5	2	9	36
Total	50	24	17	32	123

**Table 16. Implicit Weights of U.S. Dollar and Japanese Yen in Nominal Values of Selected Asian Currencies**

Currency	Estimate A <sup>1</sup>		Estimate B <sup>2</sup>	
	U.S. Dollar	Japanese Yen	U.S. Dollar	Japanese Yen
Korean won	0.96	-0.01	0.84	0.17
Singapore dollar	0.75	0.13	0.75	0.18
Malaysian ringgit	0.78	0.07	0.87	0.16
Indonesian rupiah	0.95	0.16	0.97	0.01
Philippine peso	1.07	-0.01	1.07	0.03
Thai baht	0.91	0.05	0.86	0.09

Source: Shinji Takagi, "The Yen and Its East Asian Neighbors, 1980-95; Cooperation or Competition?" NBER Working Paper No. 5720 (Cambridge, Massachusetts: National Bureau of Economic Research, August 1996).

<sup>1</sup>Estimate A from Jeffrey A. Frankel and Shang-Jin Wei, "Yen Bloc or Dollar Bloc?: Exchange Rate Policies of the East Asian Economies," in *Macroeconomic Linkage: Savings, Exchange Rates, and Capital Flows*, ed. by Takatoshi Ito and Anne Krueger (Chicago: University of Chicago Press, 1994).

<sup>2</sup>Estimate B from C.H. Kwan, *Enken no Keizaigaku* (The Economics of the Yen Bloc), in Japanese (Tokyo: Nihon Keizai Shiubunsha, 1995).



**Table 17. Considerations in the Choice of Exchange Rate Regime**

Characteristics of Economy	Implication for the Desired Degree of Exchange Rate Flexibility
Size of economy	The larger the economy, the stronger is the case for a flexible rate.
Openness	The more open the economy, the less attractive is a flexible exchange rate.
Diversified production/export structure	The more diversified the economy, the more feasible is a flexible exchange rate.
Geographic concentration of trade	The larger the proportion of an economy's trade with one large country, the greater is the incentive to peg to the currency of that country.
Divergence of domestic inflation from world inflation	The more divergent a country's inflation rate from that of its main trading partners, the greater is the need for frequent exchange rate adjustments. (But for a country with extremely high inflation, a fixed exchange rate may provide greater policy discipline and credibility to a stabilization program.)
Degree of economic/financial development	The greater the degree of economic and financial development, the more feasible is a flexible exchange rate regime.
Labor mobility	The greater the degree of labor mobility, when wages and prices are downwardly sticky, the less difficult (and costly) is the adjustment to external shocks with a fixed exchange rate.
Capital mobility	The higher the degree of capital mobility, the more difficult it is to sustain a pegged-but-adjustable exchange rate regime.
Foreign nominal shocks	The more prevalent are foreign nominal shocks, the more desirable is a flexible exchange rate.
Domestic nominal shocks	The more prevalent are domestic nominal shocks, the more attractive is a fixed exchange rate.
Real shocks	The greater an economy's susceptibility to real shocks, whether foreign or domestic, the more advantageous is a flexible exchange rate.
Credibility of policymakers	The lower the anti-inflation credibility of policymakers, the greater is the attractiveness of a fixed exchange rate as a nominal anchor.

**Table 18. Exchange Rate Regime and Main Source of Export Earnings***(Number of countries)*

	1976	1981	1986	1991	1996
Pegged to a					
single currency	62	54	48	40	36
Fuel	9	7	5	6	6
Manufactures	3	1	—	—	—
Primary products	23	19	16	13	10
Services <sup>1</sup>	16	20	21	16	15
Diversified source	11	7	6	5	5
Pegged to a basket					
of currencies	24	31	32	30	19
Fuel	3	3	5	4	2
Manufactures	2	2	2	2	1
Primary products	9	14	13	10	4
Services <sup>1</sup>	4	6	8	8	9
Diversified source	6	6	4	5	3
Limited flexibility	3	11	6	5	4
Fuel	2	4	4	4	4
Manufactures	—	—	—	—	—
Primary products	—	3	—	—	—
Services <sup>1</sup>	—	1	1	1	—
Diversified source	1	3	1	—	—
Managed float	4	10	15	20	26
Fuel	1	1	—	—	3
Manufactures	—	2	3	3	4
Primary products	—	1	1	7	6
Services <sup>1</sup>	—	1	2	2	4
Diversified source	3	5	9	8	9
Independently floating	1	4	13	23	36
Fuel	—	—	1	2	1
Manufactures	—	—	—	1	1
Primary products	—	—	5	6	18
Services <sup>1</sup>	1	1	3	8	8
Diversified source	—	3	4	6	8
<b>Total countries</b>	<b>100</b>	<b>113</b>	<b>119</b>	<b>123</b>	<b>123</b>

<sup>1</sup>Services, factor income, and private transfers.

**Table 19. Currency Crashes by Exchange Rate Regime<sup>1</sup>**

	1975–81	1982–89	1990–96
Pegged to a single currency	11	18	9
Pegged to a basket of currencies	2	12	11
Limited flexibility	2	2	—
Managed float	7	14	12
Independently floating	1	3	13
<b>Total</b>	<b>23</b>	<b>49</b>	<b>45</b>

<sup>1</sup>A currency crash is defined as a 25 percent or more depreciation in a year with at least a 10 percent increase in the rate of depreciation over the previous year. The exchange regime identified with a country is the arrangement followed the year prior to the crash. The 14 countries constituting the CFA franc zone are treated as one observation. The CFA franc currency “crashed,” in the sense described, in 1981 and 1994. In 1981 it was the result of a change in the French franc–U.S. dollar exchange rate while in 1994 the parity with the French franc was devalued.

**Table 20. Countries in Transition: Exchange Rate Regime and Monetary Policy Instruments, August 1997**

Exchange Rate Regime	Focus of Exchange Rate Policy	Monetary Framework	Monetary Policy Instruments
<b>Currency board</b>			
Bosnia and Herzegovina	Deutsche mark	Currency board	Reserve and liquidity requirements
Bulgaria	Deutsche mark	Currency board	Reserve requirements
Estonia	Deutsche mark	Currency board	Certificates of deposit (CDs)
Lithuania	Dollar	Currency board	Uniform reserve requirement
<b>Targeted exchange rate</b>			
Croatia	De facto target band vis-à-vis deutsche mark	Exchange rate target	Central bank bill auctions
Hungary	Crawling band vis-à-vis dollar—deutsche mark basket, $\pm 2.25\%$	Exchange rate target	Repurchase, open market operations
Latvia	Peg to SDR	Exchange rate target	Exchange rate window
Macedonia, former Yugoslav Rep. of	De facto peg to deutsche mark	Exchange rate target	Reserve requirements, credit ceilings, central bank deposit auctions
Poland	Crawling band vis-à-vis currency basket, $\pm 7\%$	Exchange rate target, monitoring of credit expansion and money growth	Repurchase, open market operations, reserve requirements
Russia	Crawling band vis-à-vis dollar, $\pm 5\%$	Exchange rate target	Credit and deposit auctions, primary and secondary treasury bill markets
Slovak Republic	Target band vis-à-vis dollar—deutsche mark basket, $\pm 7\%$	Exchange rate target	Repurchase operations, reserve requirements, suasion
Ukraine	Target band of 1.7 to 1.9 hryvnia vis-à-vis the dollar	Exchange rate target	Credit auctions, repurchase operations, foreign exchange sales
<b>Managed floating rate</b>			
Belarus	Ad hoc pegs to various currencies	Monitoring inflation and exchange rates	Credit auctions, treasury bill market
Czech Republic	Ad hoc intervention to limit fluctuations against the deutsche mark	Money growth target	Open market operations, reserve requirements
Georgia	Broad stability vis-à-vis dollar	Monitoring of credit growth	Credit to government, credit auctions, foreign exchange sales
Kyrgyz Republic	Ad hoc peg to the dollar	Monitoring of money growth	Treasury bill auctions, foreign exchange auctions
Slovenia	Ad hoc intervention	Reserve money target	Repurchase operations, window financing, central bank bills, foreign exchange operations
Turkmenistan	Multiple rates	Liquidity targets	Credit auctions
Uzbekistan	Multiple rates	Monitoring of money growth	Credit and CD auctions
<b>Floating rate</b>			
Albania	...	Money growth target	Reserve and liquidity requirements, treasury bill auctions
Armenia	...	Money growth target	Credit and deposit auctions, repos and reverse repos
Azerbaijan	...	Money growth target	Credit auctions, directed credits, foreign exchange sales
Kazakhstan	...	Reserve money target	Open market operations, foreign exchange sales
Moldova	...	Reserve money target	Credit auctions, small treasury operations
Mongolia	...	Real interest rate target	Credit auctions
Romania	...	Money growth target	Credit auctions
Tajikistan	...	Bank credit ceilings	No market-based instruments

**Table 21. Countries in Transition: Annual Growth Rates of Broad Money and of Domestic Credit**  
(In percent)

	1991	1992	1993	1994	1995	1996
<b>Growth rate of broad money<sup>1</sup></b>						
Albania	...	...	...	...	51.8	43.8
Armenia	...	74.9	2,302.7	684.2	68.7	35.1
Azerbaijan	...	266.0	821.4	1,114.1	24.0	18.9
Belarus	...	508.2	928.3	1,936.7	167.0	52.4
Bulgaria	...	50.4	53.5	77.9	39.6	124.3
Croatia	...	...	...	74.9	39.3	49.1
Czech Republic	...	...	...	19.9	19.8	9.2
Estonia	...	68.0	57.8	29.6	31.3	36.8
Georgia	...	428.0	4,319.0	2,229.5	146.5	41.9
Hungary	29.4	27.3	16.8	13.0	18.5	20.9
Kazakhstan	...	497.0	843.6	615.3	71.3	13.8
Kyrgyz Republic	...	428.4	179.7	119.2	75.8	23.2
Latvia	...	...	84.2	49.1	-24.0	19.9
Lithuania	...	...	99.0	64.8	29.8	-1.8
Macedonia, former Yugoslav Rep. of	...	...	560.8	31.9	0.3	0.5
Moldova	...	366.0	311.3	115.6	65.2	15.3
Mongolia	...	61.0	192.1	81.0	30.5	33.0
Poland	37.0	57.4	35.9	38.3	34.7	29.3
Romania	101.2	79.6	141.0	138.1	71.6	66.0
Russia	...	779.9	317.6	200.7	102.8	33.6
Slovak Republic	...	...	...	17.4	18.4	16.2
Slovenia	...	123.6	62.0	43.9	29.3	21.3
Tajikistan	...	513.8	1,587.4	156.3	616.4	142.6
Turkmenistan	...	1,110.0	792.6	1,156.7	375.2	225.5
Ukraine	...	858.9	1,778.1	573.0	117.4	35.1
Uzbekistan	...	...	784.7	680.4	158.1	100.1
<b>Growth rate of domestic credit<sup>2</sup></b>						
Albania	...	...	...	...	-9.6	47.9
Armenia	...	266.0	733.5	1,549.1	68.3	30.1
Azerbaijan	...	1,011.4	455.4	841.0	110.9	16.7
Belarus	...	...	578.3	2,143.0	164.4	59.1
Bulgaria	...	52.5	61.3	47.3	16.0	217.5
Croatia	...	...	...	8.6	12.5	1.0
Czech Republic	...	...	...	16.8	13.2	10.6
Estonia	...	22.1	71.6	39.8	63.1	98.2
Georgia	...	509.6	1,927.2	3,208.3	84.7	59.5
Hungary	8.0	10.3	16.8	15.2	-0.8	27.6
Kazakhstan	...	1,500.4	547.7	755.5	-22.5	-12.4
Kyrgyz Republic	...	760.1	595.2	36.9	58.9	18.3
Latvia	...	...	145.8	68.3	-26.0	-3.4
Lithuania	...	...	...	...	26.1	2.8
Macedonia, former Yugoslav Rep. of	...	...	...	67.5	-22.3	3.9
Moldova	...	570.1	333.8	116.5	55.9	18.5
Mongolia	...	60.2	51.9	79.0	-26.1	89.7
Poland	158.7	55.6	44.2	30.1	20.1	29.7
Romania	101.1	39.0	122.6	115.8	85.4	84.7
Russia	...	747.7	501.6	297.6	77.3	44.1
Slovak Republic	...	...	...	18.5	21.2	15.7
Slovenia	...	80.0	108.0	21.9	37.2	11.2
Tajikistan	...	1,241.4	1,068.0	125.1	484.8	208.5
Turkmenistan	...	782.7	1,812.7	1,066.5	385.9	1,541.8
Ukraine	...	1,566.7	1,133.2	583.2	166.0	38.0
Uzbekistan	...	1.4	854.4	239.0	58.2	252.8

<sup>1</sup>Broad money (currency outside banks, demand deposits, and time and savings deposits) including foreign currency deposits.

<sup>2</sup>Domestic credit comprises banking sector claims on the domestic public and private nonbank sectors.

**Table 22. Countries in Transition:  
Real Interest Rates<sup>1</sup>**

*(In percent a month)*

	1992	1993	1994	1995	1996
Albania	-4.3	1.1	1.61	1.61	0.5
Armenia	...	-8.2	14.4	19.9	5.4
Azerbaijan	...	-12.2	-6.8	9.4	2.9
Belarus	...	-13.8	-4.6	4.1	1.5
Bulgaria	-0.6	-0.2	-0.7	1.8	-0.9
Croatia	...	...	0.7	0.4	0.4
Czech Republic	...	-0.5	-0.1	0.1	0.2
Estonia	...	-1.8	-1.9	-1.4	-0.4
Georgia <sup>2</sup>	...	...	...	...	2.7
Hungary	0.1	0.2	0.4	0.3	0.7
Kazakhstan	...	...	3.6	2.5	1.1
Kyrgyz Republic	...	...	...	2.7	1.6
Latvia	...	2.9	0.3	0.4	0.3
Lithuania	...	1.4	2.8	-0.2	0.9
Macedonia, former Yugoslav Rep. of	...	...	5.5	1.0	0.9
Moldova	...	...	...	1.1	0.7
Mongolia	...	...	...	10.2	5.8
Poland	-0.1	-0.2	0.2	0.7	0.5
Romania	...	...	1.6	1.5	-0.5
Russia	...	-5.0	5.4	8.0	6.8
Slovak Republic	...	-0.8	0.1	0.3	0.1
Slovenia	...	...	-0.1	0.3	0.1
Tajikistan	...	...	...	-2.8	16.2
Turkmenistan	...	...	...	-10.5	-1.4
Ukraine	...	-13.2	8.8	1.8	2.3
Uzbekistan	...	-10.7	-5.7	13.4	5.0

<sup>1</sup>Computed as the 12-month average of  $[(1 + r)/(1 + \pi) - 1] \times 100$  where  $r$  is the central bank interest rate on a monthly basis ( $\div 100$ ) and  $\pi$  is the percent change of the consumer price index in the same month from the preceding month. This is approximately equal to the difference between the interest rate and the inflation rate, for small  $r$  and  $\pi$ .

<sup>2</sup>Based on the interbank credit auction rate.

**Table 23. Countries in Transition: Income Velocity of Broad Money<sup>1</sup>**

	1991	1992	1993	1994	1995	1996
Albania	1.4	1.8	2.5	2.7	2.1	2.1
Armenia	...	2.9	3.7	10.4	15.5	14.3
Azerbaijan	...	4.5	3.6	5.7	9.1	10.8
Belarus	...	5.1	5.5	6.2	8.5	7.7
Bulgaria	...	1.4	1.3	1.2	1.5	2.4
Croatia	...	2.9	3.9	4.5	3.9	2.8
Czech Republic	...	...	1.4	1.3	1.3	1.3
Estonia	...	4.0	4.7	4.3	4.5	4.0
Georgia	...	2.7	15.5	32.8	39.2	26.0
Hungary	2.1	1.9	2.0	2.2	2.4	2.3
Kazakhstan	...	4.9	4.6	7.9	11.3	11.8
Kyrgyz Republic	...	5.7	9.5	10.1	7.2	7.3
Latvia	...	5.6	4.0	3.5	3.8	4.9
Lithuania	...	4.8	6.4	6.1	6.1	7.6
Macedonia, former Yugoslav Rep. of <sup>2</sup>	4.1	5.6	5.3	7.9	7.9	7.2
Moldova	...	4.4	10.2	9.6	7.8	6.5
Mongolia	1.8	2.9	3.9	3.7	4.2	5.2
Poland	3.1	2.8	2.8	2.7	2.8	2.7
Romania	2.1	3.3	4.5	4.7	4.0	5.1
Russia	...	3.6	5.6	7.4	11.2	10.5
Slovak Republic	...	...	1.5	1.5	1.5	1.4
Slovenia	2.9	3.8	3.3	3.0	2.8	2.6
Tajikistan	...	3.5	2.4	2.2	10.3	15.6
Turkmenistan	...	5.6	6.0	11.5	14.6	15.7
Ukraine	...	4.1	6.3	6.7	9.4	10.6
Uzbekistan	...	...	3.7	5.8	5.7	5.1
<i>Memorandum</i>						
Germany	1.8	1.8	1.7	1.6	1.7	1.6
Japan	0.9	0.9	0.9	0.9	0.9	0.9
United States	1.5	1.6	1.7	1.7	1.8	1.7

<sup>1</sup>Velocity is the ratio of annual nominal GDP to the average of end-of-quarter broad money stocks, including foreign currency deposits.

<sup>2</sup>Computed on the basis of nongovernment broad money.

**Table 24. Countries in Transition:  
Money Multipliers<sup>1</sup>**

	1991	1992	1993	1994	1995	1996
Armenia	...	1.8	1.9	1.6	1.4	1.4
Azerbaijan	...	3.1	2.0	3.2	1.4	1.4
Belarus	...	...	...	3.8	2.6	2.3
Bulgaria	3.4	3.3	4.2	4.8	4.5	5.3
Croatia	...	...	4.5	3.7	3.6	4.2
Czech Republic	...	...	4.2	3.8	2.6	3.1
Estonia	3.2	2.1	1.6	1.9	2.0	2.3
Georgia	...	...	...	1.9	1.2	1.2
Hungary	1.5	1.7	1.7	1.7	1.6	1.7
Kazakhstan	5.9	3.4	2.1	2.1	1.8	1.7
Kyrgyz Republic	...	...	1.3	1.4	1.3	1.3
Latvia	...	...	2.1	2.6	2.0	1.9
Lithuania	...	...	...	2.4	2.3	2.2
Macedonia, former Yugoslav Rep. of <sup>2</sup>	...	2.1	4.0	3.2	3.6	3.2
Moldova	2.4	1.7	1.4	1.4	1.6	1.7
Mongolia	5.0	3.1	3.4	3.0	3.0	3.0
Poland	2.6	3.0	3.5	3.9	3.7	3.9
Romania	2.6	3.1	3.5	3.3	3.9	3.9
Russia	...	...	2.7	2.8	2.6	2.3
Slovak Republic	...	...	6.4	6.1	4.6	4.9
Slovenia	7.5	7.2	8.4	7.7	8.0	8.4
Tajikistan	...	...	...	...	1.1	1.4
Turkmenistan	...	...	1.7	1.6	1.6	1.1
Ukraine	...	1.4	1.6	2.1	1.9	1.9
Uzbekistan	...	...	...	1.8	1.4	1.5

<sup>1</sup>Ratio of broad money, including foreign currency deposits, to reserve money.

<sup>2</sup>Computed on the basis of nongovernment broad money.



**Table 25. Russia and the Other Countries of the Former Soviet Union: Rankings of Progress with Establishment of Market-Based Monetary Operations and Government Securities Markets<sup>1</sup>**

	I Limited Progress	II Moderate Progress	III Substantial Progress
<b>Central bank facilities</b>			
Standing (Lombard, refinance, overdraft) and discretionary (open market operations, credit and deposit auctions)	Belarus Georgia Tajikistan Turkmenistan Uzbekistan	Armenia Azerbaijan Moldova Ukraine	Kazakhstan Kyrgyz Republic Russia
<b>Operating framework</b>			
Use of short-term liquidity forecasting and availability of a domestic debt forecasting program such as treasury bill auction calendar	Georgia Tajikistan Turkmenistan Uzbekistan	Armenia Azerbaijan Kazakhstan Moldova Ukraine	Belarus Kyrgyz Republic Russia
<b>Market development</b>			
Interbank money market and secondary market for government securities	Armenia Azerbaijan Georgia Moldova Tajikistan Turkmenistan Uzbekistan	Belarus Kyrgyz Republic Ukraine	Kazakhstan Russia
<b>Overall ranking</b>			
	Georgia Tajikistan Turkmenistan Uzbekistan	Armenia Azerbaijan Belarus Moldova Ukraine	Kazakhstan Kyrgyz Republic Russia

Source: “Status of Market-Based Central Banking Reforms in the Baltics, Russia, and the Other Countries of the Former Soviet Union” (IMF, forthcoming). The rankings refer to an IMF staff assessment of the progress made by each country in the relevant area over the period from the beginning of 1992 until mid-1997. Because of the diversity of country conditions and the complexity and complementarity of reforms, these rankings, while a convenient reference, can provide only an approximate indication of progress made.

<sup>1</sup>Within each ranking, countries are listed alphabetically.

**Table 26. Selected Countries in Transition:  
Interest Rate Spreads<sup>1</sup>**

*(In percent)*

	1991	1992	1993	1994	1995	1996
Armenia	...	...	...	...	182.3	58.8
Belarus	...	...	...	58.9	74.2	28.5
Bulgaria	9.9	11.7	16.9	21.4	23.0	48.8
Croatia	...	...	...	16.4	14.7	16.9
Czech Republic	...	...	7.1	6.0	5.8	5.7
Estonia	...	...	20.7	14.3	9.6	6.2
Georgia	...	...	...	...	...	45.2
Hungary	4.7	8.6	9.8	7.1	6.5	5.2
Latvia	...	...	38.0	28.2	23.0	14.3
Lithuania	...	...	43.2	34.9	18.2	15.9
Moldova	...	...	...	...	...	19.0
Mongolia	...	...	174.8	132.5	54.8	55.5
Poland	...	...	...	...	6.7	6.1
Romania	102.2	15.0	78.0	21.0	22.0	25.0
Russia	...	...	...	...	73.4	54.4
Slovak Republic	...	...	6.4	5.2	6.6	7.0
Slovenia	...	52.3	17.0	11.5	9.5	8.7
Ukraine	...	...	24.2	41.7	60.6	46.3

<sup>1</sup>Defined as the difference between the domestic currency short-term bank lending and deposit rates at the end of the year.

**Table 27. Countries in Transition: Changes in Consumer Prices, December 1995–December 1996***(In percent)*

	Total	Food	Nonfuel Goods	Services
Armenia	5.6	1.7	5.7	21.3
Azerbaijan	6.8	0.2	9.8	104.3
Belarus	39.1	43.6	30.2	29.7
Bulgaria	311.1	303.7	329.1	306.7
Croatia	3.4	5.6	1.0	8.7
Czech Republic	8.7	7.9	7.5	11.3
Estonia	14.9	13.1	13.0	16.8
Hungary	20.0	17.7	20.9	22.3
Latvia	13.2	7.7	17.4	18.6
Lithuania	13.1	13.6	10.9	16.1
Kazakhstan	28.6	16.4	7.4	139.3
Kyrgyz Republic	35.0	39.1	20.0	46.6
Moldova	15.1	11.7	14.6	29.8
Mongolia	58.8	52.1	52.0	81.8
Poland	18.5	19.0	17.6	19.5
Romania	56.8	55.2	60.3	53.6
Russia	21.8	17.7	17.8	48.4
Slovak Republic	5.5	3.4	6.6	5.1
Slovenia	8.8	12.9	7.0	12.9
Tajikistan	40.6	34.9	41.2	80.0
Ukraine	39.7	17.4	18.8	112.7
Uzbekistan	64.4	63.2	55.5	71.1

Source: United Nations Economic Commission for Europe; and IMF staff.

**Table 28. Countries in Transition:  
Dollarization Ratios<sup>1</sup>**

	1991	1992	1993	1994	1995	1996
Albania	1.3	23.6	20.2	18.8	18.7	21.0
Armenia	0.2	19.2	44.7	41.7	20.4	21.0
Azerbaijan	...	0.1	14.8	58.9	26.3	22.1
Belarus	0.5	4.8	37.7	56.5	30.7	24.2
Bulgaria	33.4	23.4	20.3	32.6	27.2	50.5
Croatia	36.0	35.2	45.8	48.4	57.4	59.6
Czech Republic	7.9	9.3	8.1	7.2	6.4	7.6
Estonia	56.3	22.9	4.6	11.1	10.9	10.8
Georgia	...	2.2	42.9	51.1	12.7	14.9
Hungary	16.5	14.3	18.7	20.4	26.6	24.2
Kazakstan	...	2.5	14.7	16.9	21.4	16.5
Kyrgyz Republic	...	5.8	10.3	6.4	7.8	8.3
Lithuania	...	46.6	25.7	27.0	25.8	25.5
Latvia	...	35.1	26.2	27.6	29.5	30.7
Macedonia, former Yugoslav Rep. of	...	...	32.4	18.5	18.1	16.3
Moldova	...	2.1	15.2	10.3	11.0	9.9
Mongolia	5.9	5.9	29.3	17.1	18.3	19.1
Poland	24.7	24.8	28.8	28.6	20.4	17.3
Romania	3.9	17.9	29.0	22.1	22.6	23.4
Russia	16.8	42.7	27.0	27.9	19.0	19.0
Slovakia	3.1	6.3	11.5	13.0	11.1	10.0
Slovenia	48.4	44.4	45.5	38.0	39.3	38.5
Tajikistan	...	...	1.8	1.9	33.7	14.9
Turkmenistan	...	12.4	4.6	17.6	5.0	52.1
Ukraine	...	8.6	19.4	32.0	22.8	18.3
Uzbekistan	...	22.7	5.1	22.5	15.5	15.1

<sup>1</sup>The dollarization ratio is the ratio of foreign exchange deposits to broad money, including foreign currency deposits.

## Table 29. Selected Countries in Transition: Net Capital Inflows<sup>1</sup>

(In percent of GDP)

	1992	1993	1994	1995	1996
Bulgaria	-5.7	-2.5	1.1	3.9	-8.9
Croatia	...	1.1	2.2	9.9	8.8
Czech Republic	-1.3	6.8	6.1	17.8	6.6
Estonia	5.0	13.4	7.6	7.1	13.3
Hungary	1.2	15.7	8.2	17.3	0.5
Kazakhstan	...	...	...	3.8	4.0
Latvia	5.6	8.6	7.5	1.7	8.0
Lithuania	4.8	7.5	3.6	4.7	3.3
Poland	-1.7	-0.9	-0.6	4.1	2.3
Romania	...	5.8	4.3	3.7	4.3
Russia <sup>2</sup>	...	...	-5.9	0.2	-2.6
Slovak Republic	-5.0	2.0	7.4	6.7	7.4
Slovenia	-2.4	-0.7	0.7	1.5	3.0
Ukraine	...	...	0.4	-10.8	5.3

<sup>1</sup>Net capital inflows are defined as the balance on financial account in the balance of payments, excluding changes in international reserves, plus net errors and omissions.

<sup>2</sup>On a cash basis, excluding the impact of debt rescheduling.

**Table 30. China: Alternative Estimates of the Sources of Economic Growth**

	Hu and Khan (1996)		World Bank (1997)
	1953–78	1979–94	1978–95
	<i>(In percent a year)</i>		
<b>Growth rates</b>			
Output	5.8	9.3	9.4
Physical capital input	6.2	7.7	8.8
Labor input	2.5	2.7	2.4
Human capital input	...	...	2.7
Residual	1.1	3.9	4.3
	<i>(In percent)<sup>1</sup></i>		
<b>Proportions of output growth accounted for by</b>			
Physical capital input	65.2	45.6	37.0
Labor input	16.8	12.8	7.5
Human capital input	...	...	8.6
Residual	18.0	41.6	46.0

Sources: Zuliu Hu and Mohsin S. Khan, “Why Is China Growing So Fast?” *Staff Papers*, IMF, Vol. 44 (March 1997), pp. 103–31; World Bank, *China 2020: Challenges in the 21st Century* (Washington, 1997).

<sup>1</sup>Numbers may not add to 100 because of rounding.

## Table 31. China: Sources of Growth During the Reform Period

*(In percent a year)*

	1979–84	1985–89	1990–94
<b>Growth of</b>			
Output	8.0	8.8	11.5
Physical capital input	7.1	8.6	7.5
Labor input	3.0	2.8	2.1
Residual	2.5	2.7	5.8

Source: Zuli Hu and Mohsin S. Khan, “Why Is China Growing So Fast?” *Staff Papers*, IMF, Vol. 44 (March 1997), pp. 103–31.

**Table 32. Simulation Results for Euro-Area Demand Shock***(Deviations from respective baselines; in percent, unless otherwise noted)<sup>1</sup>*

	2000	2001	2002	2003	2010
<b>Scenario 1a: EMU with Additional Fiscal Consolidation and Labor Market Reforms</b>					
<b>EMU members</b>					
Real GDP	-0.8	-2.1	-1.3	-0.6	-0.2
GDP deflator	-0.6	-1.5	-2.2	-2.4	-0.6
Long-term real interest rate	-0.9	-1.3	-1.5	-1.3	-0.1
Unemployment rate	0.2	0.5	0.5	0.3	0.1
General government balance (in percent of GDP)	-0.5	-1.0	-0.4	0.2	0.1
Net revenue	-0.4	-0.9	-0.3	0.3	0.1
Expenditure	0.1	0.1	0.1	0.1	—
General government debt (in percent of GDP)	1.3	3.6	3.8	3.1	-0.4
Trade balance (in billions of U.S. dollars)	11.6	48.9	47.8	41.5	1.0
<b>Non-European G-7<sup>2</sup></b>					
Real GDP	-0.1	-0.2	—	0.2	0.1
Trade balance (in billions of U.S. dollars)	-9.5	-36.9	-34.9	-29.4	-1.7
<b>Other industrial countries<sup>3</sup></b>					
Real GDP	-0.3	-0.6	-0.3	0.1	0.2
Trade balance (in billions of U.S. dollars)	-3.9	-9.1	-9.3	-7.9	-1.4
<b>Developing countries<sup>4</sup></b>					
Real GDP	-0.1	-0.3	-0.1	0.1	—
Trade balance (in billions of U.S. dollars)	1.8	-2.9	-3.6	-4.2	2.1
<b>Scenario 2a: EMU with Neither Additional Fiscal Consolidation Nor Labor Market Reforms</b>					
<b>EMU members</b>					
Real GDP	-1.3	-2.9	-1.4	-0.5	-0.6
GDP deflator	-0.5	-1.3	-2.0	-2.4	-0.3
Long-term real interest rate	-0.9	-1.3	-1.5	-1.4	—
Unemployment rate	0.3	0.8	0.6	0.3	0.2
General government balance (in percent of GDP)	-0.3	-0.7	-0.3	0.3	-0.2
Net revenue	-0.6	-1.3	-0.2	0.4	-0.5
Expenditure	-0.3	-0.6	0.1	0.1	-0.4
General government debt (in percent of GDP)	1.4	3.6	3.3	2.5	-1.1
Trade balance (in billions of U.S. dollars)	17.6	58.2	41.9	33.9	-0.2
<b>Non-European G-7<sup>2</sup></b>					
Real GDP	-0.2	-0.3	0.1	0.2	0.2
Trade balance (in billions of U.S. dollars)	-13.6	-42.6	-30.1	-24.3	—
<b>Other industrial countries<sup>3</sup></b>					
Real GDP	-0.4	-0.7	-0.2	0.2	0.2
Trade balance (in billions of U.S. dollars)	-4.5	-10.5	-8.9	-7.1	-1.0
<b>Developing countries<sup>4</sup></b>					
Real GDP	-0.2	-0.4	—	0.2	—
Trade balance (in billions of U.S. dollars)	0.5	-5.1	-2.9	-2.5	1.2

<sup>1</sup>The baselines in Scenarios 1a and 2a refer to panels 1 and 2 in Table 13 in Chapter III. It is assumed that all current EU member countries participate in EMU from the start and that all participants adhere to the Stability and Growth Pact.

<sup>2</sup>Canada, Japan, and the United States.

<sup>3</sup>Australia, New Zealand, Norway, and Switzerland.

<sup>4</sup>Rest of the world excluding transition economies.



**Table 33. Simulation Results for Asymmetric Demand Shock in the Euro Area***(Deviations from respective baselines; in percent, unless otherwise noted)<sup>1</sup>*

	2000	2001	2002	2003	2010
<b>Scenario 1b: EMU with Additional Fiscal Consolidation and Labor Market Reforms</b>					
<b>EMU members: Group 1<sup>2</sup></b>					
Real GDP	—	—	0.2	0.3	0.1
GDP deflator	0.1	0.2	0.3	0.5	-0.5
Long-term real interest rate	-0.5	-0.6	-0.5	-0.3	-0.1
Unemployment rate	—	—	—	-0.1	—
General government balance (in percent of GDP)	—	—	0.2	0.3	-0.1
Net revenue	—	-0.1	0.2	0.3	-0.1
Expenditure	—	—	—	—	—
General government debt (in percent of GDP)	-0.1	-0.1	-0.5	-1.0	-0.7
Trade balance (in billions of U.S. dollars)	-14.7	-26.7	-20.4	-13.6	-4.7
<b>EMU members: Group 2<sup>3</sup></b>					
Real GDP	-0.8	-1.9	-1.7	-1.3	-0.1
GDP deflator	-0.6	-1.4	-2.2	-2.6	-0.1
Long-term real interest rate	-0.2	-0.5	-0.8	-0.8	—
Unemployment rate	0.2	0.4	0.4	0.3	—
General government balance (in percent of GDP)	-0.4	-0.9	-0.6	-0.3	0.1
Net revenue	-0.4	-0.8	-0.5	-0.2	0.1
Expenditure	—	0.1	0.1	0.1	—
General government debt (in percent of GDP)	1.5	3.8	4.7	4.8	0.5
Trade balance (in billions of U.S. dollars)	19.5	47.2	39.4	29.0	4.4
<b>Non-European G-7<sup>4</sup></b>					
Real GDP	-0.1	-0.1	—	0.1	—
Trade balance (in billions of U.S. dollars)	-4.0	-16.1	-14.4	-11.3	-0.3
<b>Other industrial countries<sup>5</sup></b>					
Real GDP	-0.1	-0.2	-0.1	0.1	0.1
Trade balance (in billions of U.S. dollars)	-1.5	-3.5	-3.7	-3.0	-0.4
<b>Developing countries<sup>6</sup></b>					
Real GDP	—	—	—	—	—
Trade balance (in billions of U.S. dollars)	0.7	-0.9	-0.9	-1.1	1.0

*(Continued on next page)*

**Table 33 (concluded)**

	2000	2001	2002	2003	2010
<b>Scenario 2b: EMU with Neither Additional Fiscal Consolidation Nor Labor Market Reforms</b>					
<b>EMU members: Group 1<sup>2</sup></b>					
Real GDP	-0.2	-0.4	0.6	0.6	0.1
GDP deflator	—	0.1	0.1	0.3	-0.7
Long-term real interest rate	-0.6	-0.6	-0.5	-0.2	—
Unemployment rate	—	0.1	-0.1	-0.2	0.1
General government balance (in percent of GDP)	-0.1	-0.1	0.4	0.5	-0.3
Net revenue	-0.1	-0.1	0.4	0.5	-0.3
Expenditure	—	—	—	—	—
General government debt (in percent of GDP)	0.2	0.4	-0.6	-1.2	—
Trade balance (in billions of U.S. dollars)	-21.4	-39.1	-8.8	-0.2	-2.5
<b>EMU members: Group 2<sup>3</sup></b>					
Real GDP	-1.5	-3.4	-1.5	-0.7	-0.3
GDP deflator	-0.5	-1.3	-2.0	-2.4	0.6
Long-term real interest rate	-0.2	-0.5	-0.7	-0.8	0.1
Unemployment rate	0.3	0.8	0.6	0.3	—
General government balance (in percent of GDP)	—	—	-0.3	0.1	0.1
Net revenue	-0.7	-1.5	-0.3	0.2	-0.3
Expenditure	-0.7	-1.5	—	0.1	-0.4
General government debt (in percent of GDP)	1.5	3.5	2.8	2.2	-1.6
Trade balance (in billions of U.S. dollars)	31.7	67.9	16.0	2.3	-3.2
<b>Non-European G-7<sup>4</sup></b>					
Real GDP	-0.1	-0.2	0.1	0.1	—
Trade balance (in billions of U.S. dollars)	-7.7	-21.0	-5.7	-2.1	3.4
<b>Other industrial countries<sup>5</sup></b>					
Real GDP	-0.3	-0.5	—	0.2	0.1
Trade balance (in billions of U.S. dollars)	29.6	63.1	13.6	1.0	-2.6
<b>Developing countries<sup>6</sup></b>					
Real GDP	—	—	—	—	—
Trade balance (in billions of U.S. dollars)	-0.5	-3.0	0.9	1.3	1.7

<sup>1</sup>The baselines in Scenarios 1b and 2b refer to panels 1 and 2 in Table 13 in Chapter III. It is assumed that all current EU member countries participate in EMU from the start and that all participants adhere to the Stability and Growth Pact.

<sup>2</sup>Austria, Belgium, Denmark, Finland, Germany, Greece, Ireland, Luxembourg, the Netherlands, Sweden, and the United Kingdom.

<sup>3</sup>France, Italy, Portugal, and Spain.

<sup>4</sup>Canada, Japan, and the United States.

<sup>5</sup>Australia, New Zealand, Norway, and Switzerland.

<sup>6</sup>Rest of the world excluding transition economies.