Appendix 1

Regional Economic Prospects

Sub-Saharan Africa

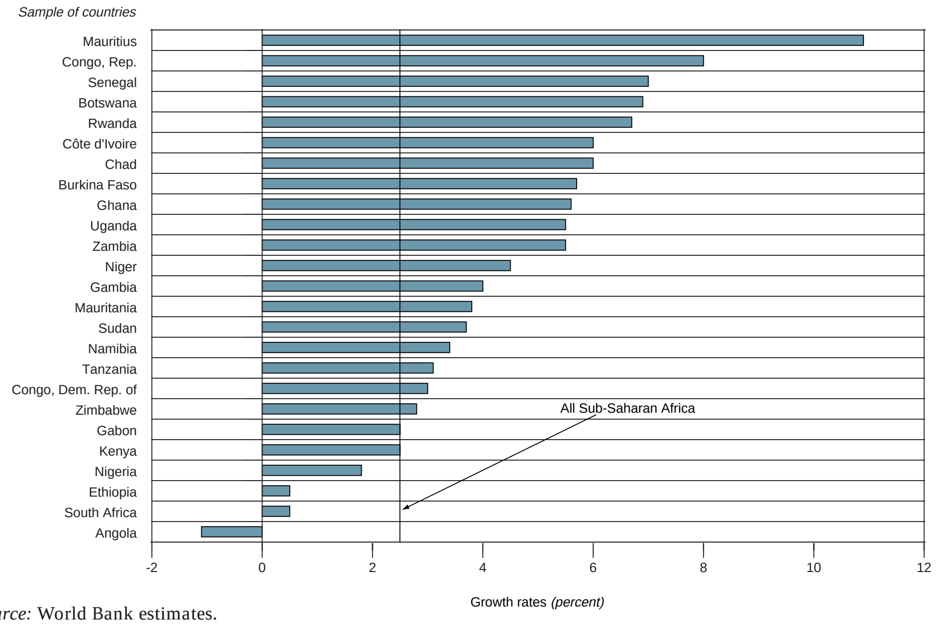
Following more than a decade of near-continuous decline, per capita income in Africa began to grow again in 1993, rising 1.2 percent a year from 1994 to 1997.[1] Private investment went from 12.7 percent of GDP to 13.6 percent, fiscal deficits (including grants) shrank from 4.3 percent of GDP to 2.9 percent, and inflation dropped, from 12.3 percent to 8.5 percent. Domestic factors accounted for much of the region's improved performance, from a lower incidence of civil strife, to greater macroeconomic stability, and modest progress in liberalizing markets and privatizing state enterprises. Countries that did better on these fundamentals reaped the benefits of improved economic efficiency, and grew at 5.5 percent on average in 1995–97, while countries that were directly affected by conflict performed poorly.[2]

Favorable external conditions also contributed, most notably the rapid growth in world trade, surging private capital flows, and a mini-boom in commodity prices (in 1994–95). These are encouraging signs after a decade of pessimism about the region's prospects. But most countries remain at substantial risk from external and internal shocks. The East Asian crisis is expected to buffet Africa through all three of the main transmission channels—private capital flows, terms of trade, and export market growth. How countries are affected and how hard they are hit will depend on the resilience of the economic structure and the soundness of initial conditions.

Growth has already begun to slow in Sub-Saharan Africa, from 4.2 percent in 1996 to 3.5 percent in 1997. Growth is expected to fall again in 1998 to 2.1–2.4 percent before rebounding to 3.5 percent in 1999–2000 under the relatively favorable baseline scenario assumptions (figure A1-1 and table A1-1).[3] The recent faltering reflects a diverse set of factors with the effects of the crisis in East Asia dominating. Among domestic factors, the most notable are the political transition in Nigeria, the effects of El Niño in eastern Africa, and the resur-

Growth slows in 1998…

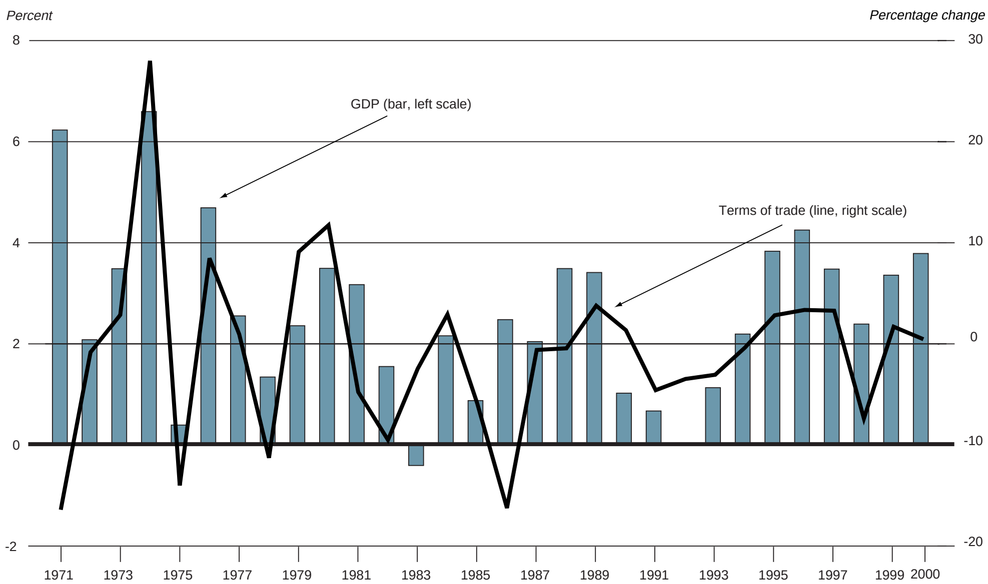
Figure A1-1a Sub-Saharan Africa: GDP growth, 1998



Source: World Bank estimates.

…but prospects improve toward 2000

Figure A1-1b Sub-Saharan Africa: GDP and terms of trade, 1971–2000



Source: World Bank data and projections.

Table A1-1 Sub-Saharan Africa forecast summary
(percent per year)

				Baseline forecast			
Growth rates/ratios	1988–97	1996	1997	1998	1999	2000	1998-2007
Real GDP growth	2.3	4.2	3.5	2.4	3.2	3.8	3.8
Consumption per capita	-0.4	0.8	0.8	-0.3	0.7	1.2	0.8
GDP per capita	-0.4	1.4	0.5	-0.5	0.4	1.0	1.0
Population 16–65 years	3.1	3.1	3.2	3.2	3.2	3.1	3.1
Median inflation[a]	10.2	7.1	6.6	7.5	7.7	7.6	8.0
Gross domestic investment/GDP	16.0	16.6	16.2	16.2	16.3	16.4	17.0
Budget balance/GDP	-6.0	-4.4	-3.8	-3.6	-3.6	-3.7	-3.7
Export volume[b]	4.8	10.1	8.1	4.0	4.7	4.8	5.2
Current account/GDP	-1.4	0.0	1.9	-0.3	0.0	0.2	0.3
Debt to export ratio[c]	345.0	300.0	290.0	300.0	295.0	290.0	275.0
Memorandum item							
GDP of major oil exporters[d]	3.9	4.0	4.4	1.2	2.6	3.0	3.4
GDP of region excluding South Africa and oil exporters	2.4	4.8	4.3	3.8	4.2	4.8	4.5

a. GDP deflator.
b. Goods and nonfactor services.
c. Ratio of long-term debt outstanding and disbursed to exports of goods and nonfactor services plus net worker remittances.
d. Nigeria, Gabon, and Angola.
Source: World Bank baseline forecast, November 1998.

gence of conflict in the Republic of Congo and in a number of other countries. Sub-par growth in Nigeria and South Africa—the region's economic giants—had a decisive influence on the recent slowdown.

Recent region-wide slackening in growth is thus a setback, but prospects are not as bleak as the broad regional averages might suggest. The CFA countries, for example, have maintained close to 5 percent annual growth, and this pace should continue to be driven by their improved policies and strong ties to a resurgent Europe. Several other countries also stand to gain from reductions of their debt burdens (HIPC initiative) tied to improving policy performance, and others are also making progress.

The effects of the East Asian crisis will be felt most directly by the region's largest oil exporters, Nigeria, Angola, and Gabon, which will see their terms of trade deteriorate by an average of 23 percent in 1998, implying a decline in income equivalent to almost 8 percent of GDP. These countries are also likely to experience the largest deceleration in export volumes, reflecting the sharp slowing in world demand for oil in the wake of the Asian recession. Foreign direct investment in Africa, which has grown substantially since 1990 (from near zero to near $4 billion in 1997), is directed mainly to the minerals and metals sector and is likely to decline in response to falling commodity prices and the shrinking profitability of firms in industrial countries as the world economy slows. The oil exporting countries will also face a large decline in fiscal receipts (amounting to several percentage points of GDP) resulting from lower oil-related revenues. Growth in these oil exporting countries is expected to slow from over 4 percent in 1997 to near 1 percent in 1998 and then to accelerate with a modest oil price recovery in 1999 to 2.6 percent.

South Africa, representing some 40 percent of the region's GDP, is the continent's most diversified exporter, with manufactures making up over one-third of exports, of which about 20 percent are destined for Asia. It is also the only country in the region whose financial markets are well integrated with international capital markets. Over the past 18 months or so, South Africa has experienced a sharp deterioration in its external environment, mainly through reduced capital inflow, increased capital flight, and rapid deceleration of exports. The terms of trade also deteriorated in both 1997 and 1998, reflecting the decline in gold prices. South Africa's economy is likely to slow from 1.7 percent growth in 1997 to under one percent in 1998 and then recover to 2 percent in 1999.

Africa's nonoil exporters, excluding South Africa, are a highly diverse group. They are less dependent on international private capital inflows and, for the most part, more dependent on exports of agricultural commodities, including cocoa, coffee (primarily robusta, in West Africa), cotton, and groundnuts. Cocoa and robusta coffee prices have held up relatively well in world markets, but cotton and groundnut prices have fallen sharply. Growth prospects in these countries, with few exceptions, will depend more on internal developments than on the external effects resulting from the Asian crisis. As a group, these economies should see aid flows continue at close to current levels in the near term, and a smaller overall deterioration in their terms of trade since falling import prices of oil and manufactures should largely offset price declines in their agricultural exports—although the latter hurts agricultural producer incomes more widely. The African nonoil exporters are also expected to experience only modest deceleration in export volumes. Aggregate growth for the group of nonoil exporters (excluding South Africa) is expected to remain near 4 percent over 1998 and 1999, in line with their growth performance over the past two years.

Some specialized exporters such as Zambia (copper), Mali (cotton, livestock, and gold), Zimbabwe (tobacco and gold), Malawi (tobacco), and Ethiopia (arabica coffee), will be hurt more by deteriorating terms of trade. In addition to the demand factors associated with the Asian crisis, supply factors also hurt African growth in 1998. Heavy rains reduced the output of coffee, tea, and cotton in east and central Africa. Uganda, Africa's largest coffee producer, is expected to export just 3.8 million bags in 1998, down from 4.5 million bags last year.

Other countries in this group, including several in West Africa, will suffer smaller terms of trade deterioration in the short term, reflecting the protection afforded them by institutional arrangements. The CFA countries have maintained the near 5 percent growth achieved since the devaluation of the CFA franc improved their competitiveness in 1994. At 4.8 percent forecast for 1998, their growth performance is expected to be similar to that in 1997, and better than that of a comparable group of non-CFA countries (4.2 percent).

Despite the challenges of adjusting to a less favorable external environment over the next two years or so, the longer term outlook for Africa offers the promise of significant improvement. Population growth is expected to remain high, but people should see their incomes rise by a modest 1 percent a year, thanks to annual growth rates near 4 percent for 1998–2007, a doubling of the 2 percent average in the past 10 years (1988–97). Underlying this projection are a moderately favorable external environment over the medium term and better policies at home leading to greater macroeconomic stability and lower budget deficits and inflation. The regions' current account deficit is expected to narrow (with improved export performance). The implementation of debt reduction initiatives and higher growth rates are expected to lead to reduced debt service burdens over the next ten years. Most of the output gains will come from greater efficiency in resource use, since only a small increase in investment as a share of GDP is projected, leaving Africa with the lowest investment share in GDP among developing regions. Long-term growth rates are a full percentage higher for the nonoil producers (excluding South Africa) than for the oil producers, a reflection of the pessimistic outlook for oil prices and for the policy responses of producer countries to these projections.

There are significant downside risks, however. The risks from the low-case scenario would be particularly harsh for the oil producers (no oil price recovery in 1999), and South Africa (the most vulnerable to financial contagion and a sharper downturn in world trade volumes). Another source of risks, with potentially catastrophic long-term implications is the proliferation of conflicts that could delay indefinitely the crucially important recovery in private investment in large parts of the continent.

South Asia

To reduce poverty and raise standards of living faster, the economies of South Asia—and their 1.2 billion people—need to accelerate growth rates to 7 percent and keep them there. Growth picked up significantly between 1992–96 following trade and investment liberalization and significant depreciation of real exchange rates, especially in India. Favorable global economic conditions helped out, giving exports and FDI inflows a boost. But new challenges are clouding the region's prospects, from the effects of economic sanctions to wavering attention to reform and worrisome dangers that the trade fallout of the East Asian crisis will impact South Asia.

Though still relatively insulated by the structure of their economies from the immediate fallout from the global financial crisis, South Asian economies are slowing perceptibly—growth went from about 7 percent in 1996 to 5 percent in 1997. The global economic slowdown will exert some drag on regional growth as a slackening in export markets pulls growth down to 4.6 percent in 1998 and holds it below 5 percent in 1999. Policy drift and weak industrial performance have slowed India's economy. Following the imposition of U.S. and G-8 sanctions (expected to reach $1.5 billion, or 2.5 percent of GDP) Pakistan's foreign reserves dipped to just 2–3 weeks of import coverage in the summer of 1998, leaving it much more fragile financially. Depressed export markets in East Asia and Japan are a blow since these markets had come to account for a significant share (and growth) of South Asia's exports. Competition from East Asia in other markets will slow the growth of exports, especially from India and Pakistan, while a slowdown in FDI from East Asia will hurt Bangladesh and Sri Lanka in particular. There are a few positive forces as well however. The steep drops in oil prices are a boon to the region's oil importers; the resulting improved terms of trade have improved purchasing power by about 1 percent of regional GDP.

While the effects of the East Asian crisis have been felt through trade and FDI links, the financial effects have been muted, largely because of the structure of these economies. First, their vulnerabilities to external shocks—represented by current account deficits—have been limited (except in Pakistan). Second, banks have not been permitted to fuel large domestic credit booms. Third, the modest rather than complete relaxation of capital controls has meant little external exposures for banks (with Indian banks having little short-term foreign debt). Finally, offshore forward markets for currencies remain thin and hard to use for speculative purposes. Some currencies, (including the Indian rupee) fell about 7.5 percent in the first quarter of 1998–99, but that reflected mainly concerns related to sanctions which cut foreign aid from the United States and Japan.

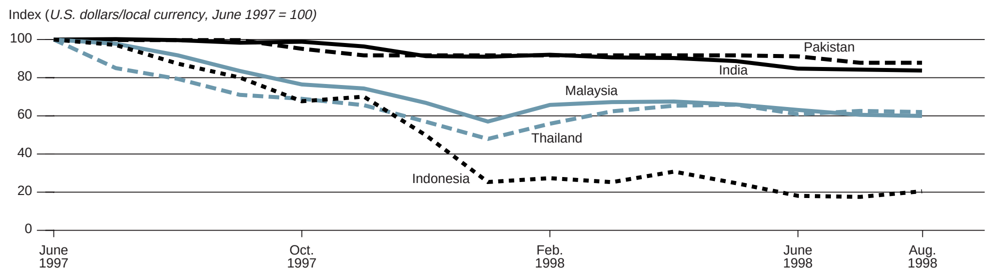
The Indian economy nevertheless slowed to 5 percent in fiscal 1997–98, following three years of rapid advances averaging 7.5 percent. While a decline in agricultural output was a contributing factor, nonagricultural GDP growth had begun to slow in 1996–97. Indeed, industrial output had fallen from 12.5 percent in 1995–96 to 6.4 percent in 1996–97 and then declined further to 5.7 percent in 1997–98. Contributing to the slowdown was the persistence of large public sector deficits (crowding out private investment), a decline in export growth since 1995–96, and cutbacks in investment because of uncertainty about reforms. The public sector deficit fell slightly to 9.1 percent of GDP in 1997–98 thanks to a cut in subsidies on petroleum products that brought domestic oil prices closer to world prices. But the 1998–99 budget contains no concrete proposals for substantial further reductions, and proposes to increase revenues through higher excise collections and import tariffs—potentially a step in the wrong direction. If growth targets of over 6 percent do not materialize, the total public sector deficit could well persist at more than 9 percent of GDP, representing one of the biggest challenges for the Indian economy. Domestic financial weaknesses remain a concern and will need to be addressed if the financial system is to be a source of strength rather than a drag on longer-term growth—as evidenced most recently by a run on deposits with the state-owned investment corporation, Unit Trust of India. Domestic stock markets, already depressed, slumped further in response.

India's export performance shows large recent declines in nominal dollar value, though it has been more stable in volume terms. After three years of high (19 percent between 1993 and 1996) growth, the growth in the nominal value of export slowed dramatically to 4.6 percent in 1996–97 and 2.7 percent in 1997–98 (but volume growth dropped by much less, from 9 percent in 1996 to about 6 percent in 1998). Import value growth also fell, yielding a modest increase in the current account deficit to 1.6 percent of GDP (the real volume of imports fell reflecting the slowdown in domestic growth). While the 16 percent decline in the rupee against the dollar over the past year will offset some of the loss of export competitiveness to ASEAN countries, competitiveness conditions for Indian and other South Asian export growth to EU and North American markets will remain difficult for some time (figure A1-2 shows widening gaps in nominal exchange rate depreciation; the gap is generally smaller for real exchange rate movements and recent strengthening of exchange rates in East Asia will help ease the relative competitiveness difficulties for South Asia).

The outlook for Pakistan is more worrisome. Output growth slowed to 4.6 percent in 1995–96 and then to 3.1 percent in 1996–97 after implementation of adjustment programs weakened. Recent data show output rising by 5.4 percent in 1997–98, but against the background of recent developments, consensus projections for 1998–99 suggest a drop to 3.0 percent. The deficit on current account worsened significantly to 6.8 percent of GDP in 1995–96 and 6.4 percent in 1996–97. Preliminary figures suggest some improvement in 1997–98 because of compressed import growth and higher worker remittances. The government has been forced to implement austerity measures, including sharp spending cuts and a 25 percent increase in gasoline prices. The convertibility of onshore foreign exchange accounts (with deposits of about $11 billion, of which over a third has since been withdrawn into rupees) has been frozen, and wide-ranging capital controls have been introduced. Imposed to stem capital flight and preserve scarce foreign reserves in the immediate term, these measures will discourage worker remittances and inhibit domestic and foreign investment, with potentially harmful effects on longer-term growth. Assuming that Pakistan gets back on track with an easing of sanctions and improved policies, the outlook should improve in the medium term, but very large risks remain. Recent difficul-

Currencies fell against the dollar—but less than in ASEAN competitors

Figure A1-2 India, Pakistan, and selected ASEAN countries: exchange rate developments, June 1997–August 1998



Source: International Monetary Fund.

ties with private power projects may mean, for example, that private foreign investment is unlikely to revive quickly even with the easing of sanctions.

Bangladesh's medium-term prospects are better. Although the worst floods in recent history are expected to cut growth sharply in 1998, the effect is temporary. Growth had picked up to 5.5 percent over the past couple of years, and export growth was strong at more than 15 percent in 1997–98. FDI soared from a meager $30 million in 1993 to an average of $320 million in 1994–97. Massive gas reserves have been discovered, and foreign investor interest has surged, but a weakening of FDI inflows and export markets is likely after the East Asian crisis. Bangladesh needs to address structural problems: the savings rate, while improving, remains low; the export base needs to become more diversified; and greater progress is needed in privatizing loss-making state enterprises. Elsewhere in the region, Sri Lanka's recent economic performance has also improved (5 percent growth), but Nepal's case is more difficult, with growth slipping to less than 3 percent in 1998.

Table A1-2 presents the consolidated regional forecast. Compared to the immediate past decade, when the momentum of reforms was stronger, growth is expected to moderate over the next decade to about 5.4 percent a year. This would mark a small downward revision of 0.5 percentage points from last year's growth forecast. Achievement of this growth would still permit significant improvement in per capita incomes (although not as rapidly as had been occurring in the mid-1990s). The main sources of growth are expected to be rising investment rates and relatively rapid export growth (in part reflecting prospective gains from MFA abolition, which would especially benefit South Asia). Budget deficits are also expected to narrow and the current account deficits would remain small, with net capital inflows to the region moderated in the aftermath of the East Asian crisis. Inflation and external debt sustainability would improve. These relatively

Table A1-2 South Asia forecast summary
(percent per year)

				Baseline forecast			
Growth rates/ratios	1988–97	1996	1997	1998	1999	2000	1998-2007
Real GDP growth	5.8	6.9	5.0	4.6	4.9	5.6	5.4
Consumption per capita	2.8	4.8	2.9	2.2	2.5	3.3	2.9
GDP per capita	3.7	5.0	3.1	2.7	3.1	3.8	3.6
Population 16–65 years	2.4	2.3	2.4	2.3	2.3	2.3	2.4
Median inflation[a]	9.6	7.0	8.2	7.6	7.1	6.9	6.8
Gross domestic investment/GDP	23.2	25.8	25.5	25.9	26.3	26.6	27.3
Budget balance/GDP	-6.9	-5.4	-4.5	-4.3	-4.3	-4.1	-3.7
Export volume[b]	10.6	6.6	8.9	5.6	7.3	8.9	9.9
Current account/GDP	-2.1	-2.1	-1.2	-0.6	-0.7	-1.0	-0.4
Debt to export ratio[c]	240.0	185.0	180.0	177.0	170.0	160.0	150.0

a. GDP deflator.
b. Goods and nonfactor services.
c. Ratio of long-term debt outstanding and disbursed to exports of goods and nonfactor services plus net worker remittances.
Source: World Bank baseline forecast, November 1998.

favorable prospects would however require substantial success in policy reforms. Reducing public deficits (thereby allowing private investment to rise and economy-wide efficiency to rise) will require broadening of the tax base (which still relies too heavily on trade and indirect taxes) and reducing subsidies to loss-making state enterprises. Moreover—and mindful of lessons of the East Asian crisis—reinvigorated liberalization of trade and investment (while managing capital accounts cautiously in step with improvements in institutional capabilities and financial regulation) would be essential to improve efficiency and to achieve forecast success in exporting. The risks to this outlook are, however, significant, originating mainly from domestic sources—from an inability to regain the momentum of required policy reforms. In addition, worsening of external trade and investment conditions are an immediate risk.

Europe and Central Asia

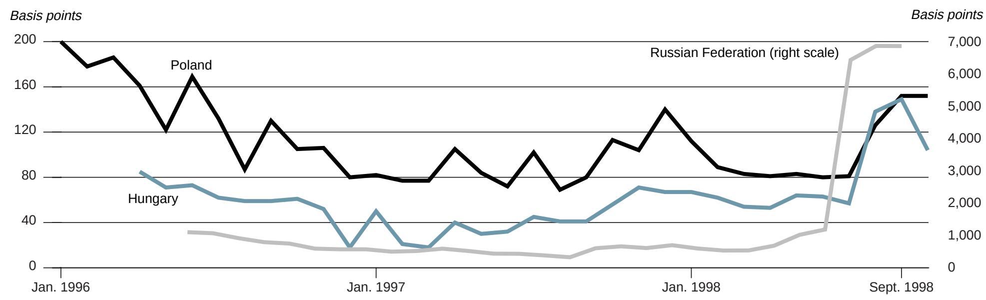
Regional growth averaged 2.6 percent in 1997—and the first advance (1.7 percent) for the transition group in Europe and Central Asia since the move to market began. Central and Eastern Europe benefited from improving conditions in Europe and strong growth in investment flows. The Russian Federation and the Ukraine seemed to be getting their macroeconomic house in order and looked on the road to recovery and growth in output. But the East Asian crisis—and its ripple effects—has played some part in altering that optimistic picture, especially for Russia and other countries of the Commonwealth of Independent States (CIS). This has created a sharp contrast in the region, since performance and prospects for the other Central and Eastern European countries look more favorable.

The crisis in Russia—and the potential for spillover effects within the region—dominates near-term concerns (figure A1-3a). Still, output is expected to rise in 21 of 25 countries during 1998, with Russia, Ukraine, and Romania, as well as the Czech Republic, being the critical exceptions (figure A1-3b).[4] The widening recovery in Western Europe, particularly in Germany, has allowed several Central European and Baltic countries to keep exports booming at double-digit rates during 1998. These countries also enjoyed substantial gains in terms of trade as oil and raw material prices fell, in part because of falling demand in Asia. Performance suffered the largest setbacks in Russia and Ukraine. This poses a threat to the smaller CIS states, including the Transcaucasus countries and the Kyrgyz Republic, whose stabilization programs and other reforms were beginning to yield improvements in growth. Many have also seen their terms of trade deteriorate.

Acute fiscal and financial difficulties in Russia, aggravated by declining international oil prices, prompted strong but ultimately unsuccessful measures to defend the ruble. A large international support program in July 1998 failed as well, a victim of the non-supportive political and economic environment into which it was channeled. In August, the authorities opted for a devaluation of the ruble, a restructuring of domestic public debt, and a 90-day moratorium on repayments of certain foreign liabilities. Although the fundamental causes

Secondary market spreads rise…

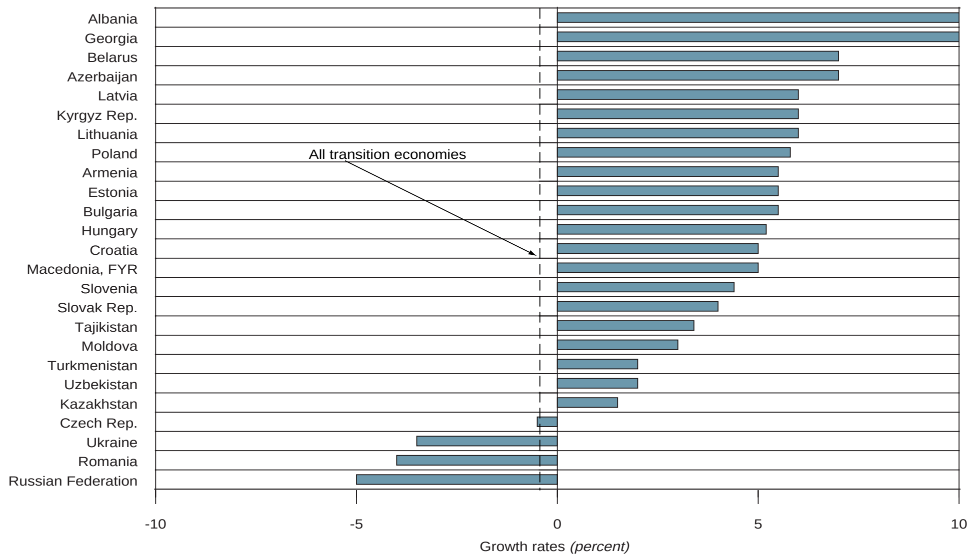
Figure A1-3a Secondary market spreads on benchmark sovereign bonds of selected Central and Eastern European countries



Source: Bloomberg.

…but positive growth is expected in nearly all transition economies

Figure A1-3b Transition economies: GDP growth, 1998



Source: World Bank estimates.

of Russia's fiscal imbalance are domestic, the loss of confidence in international capital markets following the East Asian crisis also played a major role.

The main indirect spillover of the Russian crisis has been a rise in spreads on lending (figure A1-3) and the risk of a reversal of capital flows. However, in Central and Eastern Europe policy responses to avoid capital outflows and currency declines have been prudent, in part reflecting lessons from earlier crises experienced by most countries in the region. Poland and the Baltic countries have taken measures to curb too-rapid credit growth and to ensure adequate commercial bank provisioning. Several countries have raised interest rates sharply when their currencies have come under pressure and some have widened bands of variation for crawling-peg regimes to deter speculative inflows of capital. These measures may slow economic activity in the short run, but they likely helped to avoid more harmful consequences for a number of countries.

Equity markets in Central Europe and Russia fared well for a time as private capital withdrawn from East Asia sought alternative markets. Poland attracted a record $6.6 billion in FDI flows during 1997, while Hungary issued a large Eurobond at favorable spreads after Moody upgraded its sovereign debt ratings in May 1998. Since then, however, Russia's equity and treasury-bill markets have collapsed, credit ratings have been downgraded, and Eurobond spreads rocketed (figure A1-3). Russia's difficulties imply large direct effects for other CIS countries with substantial trade links with Russia, and for countries that had benefited from informal cross-border trade in consumer goods (especially Poland and Turkey).

Developments in international commodity markets had highly differentiated effects across the region. The 30 percent decline in oil prices and similar drops in metals and agricultural-resource prices pressured Russia's current account into deficit, (and 25 percent of government revenues are tied to oil and gas sales). Resource-dependent Azerbaijan, Kazakhstan, and Uzbekistan are being hurt as well. Terms of trade for the CIS countries are down an estimated 13.5 percent in 1998 (1.5 percent of GDP). Central European countries and Turkey in contrast saw a 6 percent gain in terms of trade (2 percent of GDP).

These sharply divergent conditions among the main groups of countries are reflected in the long-term growth forecasts for the region (table A1-3). For middle-income Western Europe, growth is likely to slow sharply from about 7 percent to below 5 percent, as Turkey faces much more severe difficulties in external financing. For the second group of countries in Central and Eastern Europe, expectations for longer-term growth of 4.7 percent remain largely unchanged from the projections in *Global Economic Prospects 1997*.

For the five countries on the short-list for EU accession (the Czech Republic, Estonia, Hungary, Poland, and Slovenia), policy will increasingly be driven by the need to harmonize economic and financial standards and institutions with those of the EU. Negotiations are expected to continue for some time, as many difficult issues—agriculture important among them—will need to be addressed for integration to proceed smoothly. Anticipation of accession may provide an incentive for additional large inflows of direct investment to the applicant countries, supporting rapid investment and export-led growth. Strengthening financial sectors and reducing inflation to European norms will prove a significant challenge for policymakers. Nevertheless, assuming a consolidation of EU recovery, improving domestic policies, and diminishing adverse effects of the Russian crisis, output growth of 4–5 percent is likely for the group, with continued strong advances

Table A1-3 Europe and Central Asia forecast summary
(percent per year)

Growth rates/ratios	1988–97	1996	1997	Baseline forecast 1998	1999	2000	1998-2007
Real GDP growth	-2.7	0.0	2.6	0.5	0.1	3.4	3.9
Consumption per capita	-1.1	1.9	3.0	1.0	-0.4	2.7	3.1
GDP per capita	-3.2	0.0	2.5	0.0	-0.4	2.9	3.4
Population 16–65 years	0.6	0.1	0.3	0.6	0.6	0.7	0.8
Median inflation[a]	36.0	32.7	50.0	43.8	14.0	13.0	16.3
Gross domestic investment/GDP	32.1	27.8	27.5	27.0	27.4	27.9	28.6
Budget balance/GDP	-7.5	-6.7	-5.5	-5.0	-4.5	-4.0	-3.8
Export volume[b]	-0.4	6.6	7.9	3.8	5.5	5.6	5.7
Current account/GDP	1.3	0.5	1.0	0.4	0.7	0.7	0.8
Debt to export ratio[c]	135.0	110.0	105.0	110.0	105.0	107.0	115.0
Memorandum item							
GDP of mid-income Western Europe	4.1	6.7	7.1	4.8	3.6	5.1	5.5
GDP of Central and Eastern Europe	-0.9	3.3	2.3	4.0	4.0	4.5	4.7
GDP of former Soviet Union	-5.3	-4.3	1.3	-3.7	-4.3	1.7	2.6

a. GDP deflator.
b. Goods and nonfactor services.
c. Ratio of long-term debt outstanding and disbursed to exports of goods and nonfactor services plus net worker remittances.
Source: World Bank baseline forecast, November 1998.

in Poland, improved performance in Hungary, and gradual acceleration in the Czech Republic.

Elsewhere in the second group of Central European reformers, Bulgaria and Romania have made progress in their stabilization programs, and signs of recovery are apparent. In Bulgaria, the currency board and closure of several weak banks appear to have stabilized the banking system. In the Slovak Republic, rising inflation and fiscal deficits have resulted in a downgrading of credit ratings. Even as monetary policy remains tight and the exchange rate firm in the Baltic states, growth has been strong, driven by a booming services sector; but despite efforts to cool economic activity, current account deficits remain at around 10 percent of GDP. Continued FDI financing and a pick-up in exports will be required to make these imbalances more manageable. The near-term outlook for these countries, and for Croatia and the former Yugoslav Republic of Macedonia, will thus reflect a mix of export strength with European recovery and policy impacts on domestic demand—rising in countries emerging successfully from adjustment programs (Bulgaria, Romania) and moderating in others.

The outlook for the third group of countries, Russia and the other CIS countries, is now murkier. Clouded by financial crisis and a new government of uncertain policy intentions, hopes for a near-term broadening of recovery in Russia have evaporated. Private forecasts see a decline of 4–6 percent in 1998, followed by similar contractions in 1999. Getting on a path of robust longer-run growth will require fundamental institutional reforms, together with economic stabilization and tax and investment reforms that replenish public resources while supporting the private sector. Recent events have underscored the institutional fragility of a number of CIS states. With growth in Russia (and Ukraine) falling or severely constrained, and Central Asia hurt by developments in commodity markets, 10-year growth projections for the region as a whole have been lowered to 2.6 percent, a major 2.4 percentage point revision from *Global Economic Prospects 1997*.

Latin America and the Caribbean

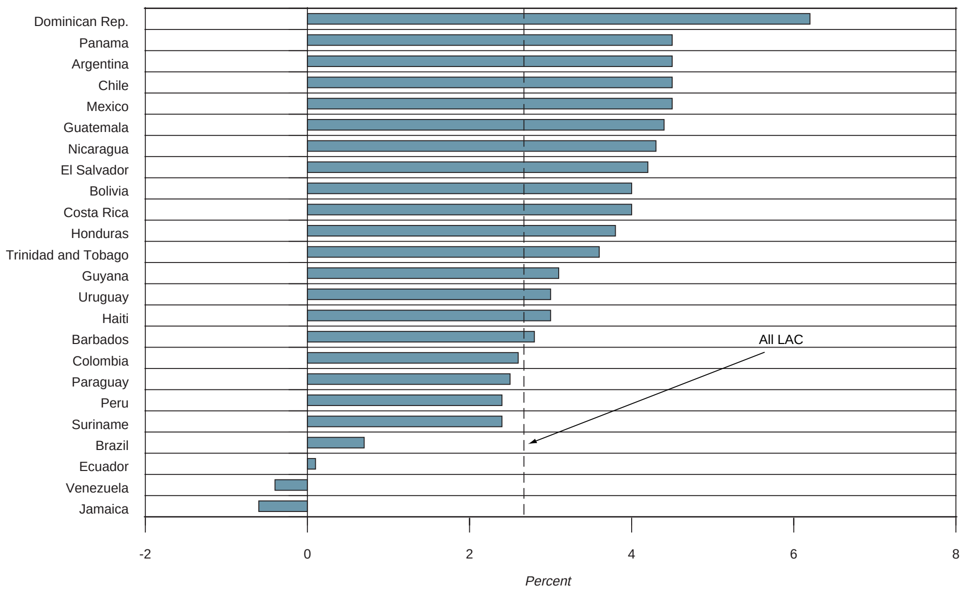
Latin America and the Caribbean grew strongly in 1997 and the first half of 1998, propelled by a surge in exports and investment made stronger by recent policy reforms (and the successful response to the Mexican peso crisis of 1994). The region continued to attract large flows of private capital which supported robust growth. The East Asian crisis had little immediate effect on the region (for a detailed discussion see Perry and Lederman 1998). But in November of last year, Brazil was forced to announce severe austerity measures which induced a sharp slowdown in growth. And with the spread of the crisis to Russia in August 1998, investors began pulling their money out of all emerging markets, with especially severe consequences in Latin America. In other developments, some countries in the region such as Peru, Ecuador, and El Salvador were also affected adversely by El Niño earlier in the year, lowering their growth and exports; the more recent Hurricane Mitch in November 1998 has also had devastating effects in some Central American countries (especially Honduras and Nicaragua), destroying a significant part of productive capacity in agriculture and infrastructure.

The region's 5 percent advance in 1997 is expected to slide to 2.5 percent in 1998 and further to 0.6 percent in 1999, before eventually recovering to an expected longer-term growth rate of about 4 percent. The sharp slowdown reflects primarily a severe deterioration in the world economic environment that will hurt Latin America through all three channels—drastic cutbacks in international capital flows and rising costs of external financing (following the flight to safety in world markets), large price declines for both oil and nonoil commodities (which still account for much of the region's export earnings), and a sharp slowdown in world trade growth (following the collapse of Asian demand). But the effects of the global crisis are expected to be less severe than in Asia, in large part because of the generally improved policy environment and earlier experience with such crises. No country in the region has suffered a currency free-fall. Almost a third of countries are expected to grow 4 percent or faster during 1998, with only a handful growing less than 2 percent (figure A1-4a), and, under the base-case assumptions, the slowdown in 1999 would not be protracted.

Some countries were more resilient than others during this shock. Countries that were on the upswing of their business cycles as a result of past policy improvements—Argentina, Chile, Mexico, and Peru growing by 7 to 8 percent in 1997 (figure A1-4b)—were better able to adjust. Some of these countries had already experienced several crises—most recently the Mexican peso crisis of 1994–95—and management teams were prepared to address shifts in investor sentiment. Brazil, although it was somewhat behind in the regional growth and policy improvement cycle, was still able respond effectively in November 1997

One-third of countries to grow 4 percent or more in 1998

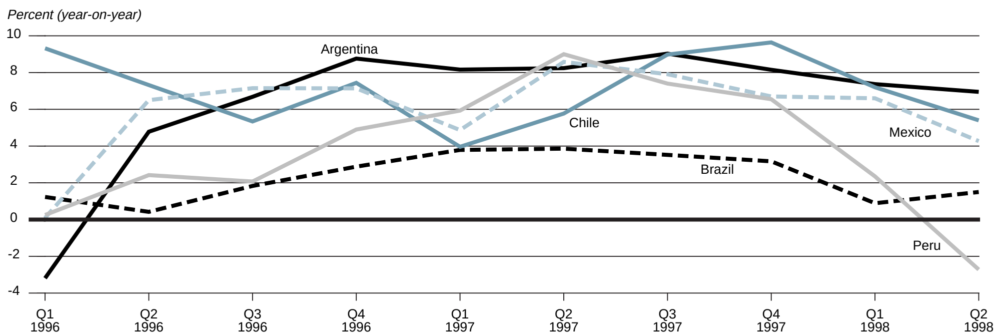
Figure A1-4a Latin America and the Caribbean: GDP growth, 1998



Source: Bloomberg.

Some countries were on an upswing when the crisis hit

Figure A1-4b GDP growth for selected Latin American countries



Source: World Bank estimates.

by tightening monetary policies, and again in late 1998, when amid renewed turbulence in global capital markets after the Russian crisis concerns surfaced about its fiscal and current account deficits. Many countries in the region had already encountered difficulties with their banking systems and had made real progress in addressing problems. Though the reform agenda remains incomplete (for example, in Mexico), financial sectors are generally less exposed to external shocks than in Asia;

bank intermediation is less than 40 percent of GDP compared with more than 100 percent in many East Asian countries. Working against these positive factors in the region, however, were widening current account deficits, large budget deficits in some countries (such as in Brazil), growing reliance on external financing, and a bunching of elections throughout the region.

As growth of domestic economies accelerated in 1997 and early 1998, trade and current account balances worsened across the region, especially in the larger countries (figure A1-5). Terms of trade deteriorated for commodity exporting countries, especially as prices of key commodity exports (oil, coffee, copper, and wheat) fell. The region as a whole suffered a terms of trade decline of about 0.6 percent of GDP (with Bolivia, Colombia, Ecuador, Peru, Trinidad and Tobago, and Venezuela experiencing much larger declines). Regional export volume growth slowed from 11 percent in 1997 to near 6 percent in 1998 on weaker world import demand (as in Chile and Peru, for example) and greater competition from Asian exporters (as in Brazil and Mexico, for example), as well as the effects of adverse weather from El Niño in some countries. Low commodity prices are also affecting adversely prospects in the Caribbean.

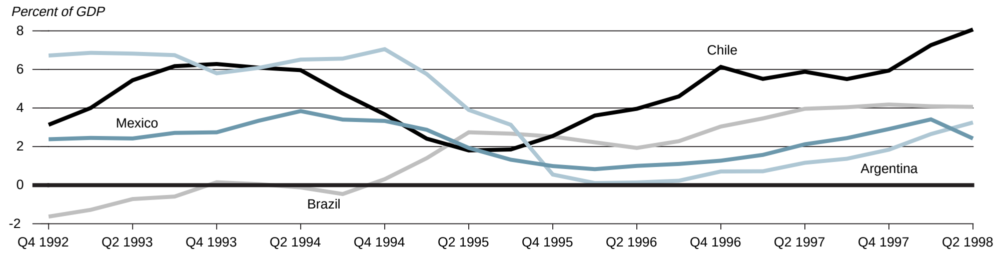
Many countries reacted to widening deficits by attempting to tighten fiscal and monetary policies, and some through a widening of their currency bands, but deficits still grew because of the depth of the slowdown in Asian growth and the resulting weakness in commodity prices. Many also were facing elections in 1998, which delayed adjustment measures. Elections were held in Ecuador (June), Colombia (July), Brazil (October), and are expected shortly in Venezuela (December).

Countries in the region remain vulnerable to shifts in international investor sentiment, particularly in the wake of developments in Russia. Little improvement in domestic private savings rates over earlier periods means that countries continue to rely heavily on external private capital flows. Risks have increased as widening current account deficits create larger external financing needs, which have become more costly and difficult to obtain. Average spreads on Latin American bonds rose about 150 basis points between mid-1997 and mid-1998, and by August secondary market spreads on benchmark international bonds of Latin American countries had increased sharply, especially for Brazil (figure A1-5b). Several countries encountered severe pressure on their currencies. Colombia had to devalue by 9 percent, Ecuador by 10 percent, the Mexican peso lost 12 percent of its value, and Brazil used up $25 billion in reserves to shore up the real.

Reliance on foreign savings means that growth and current account deficits are closely correlated (figure A1-6). With an inevitable forced reduction in current account deficits because of reduced private capital flows, the region's GDP growth will slow sharply in 1999. Brazil is still at an early stage in its structural adjustment, and the correction of its twin deficits to improve investor confidence will mean a period of even slower growth. Argentina is sensitive to a recession in Brazil and has to complete reforms to make its labor market more flexible—a key element in improving economy-wide efficiency. Other countries in the region

Current account balances worsened in 1997 and 1998…

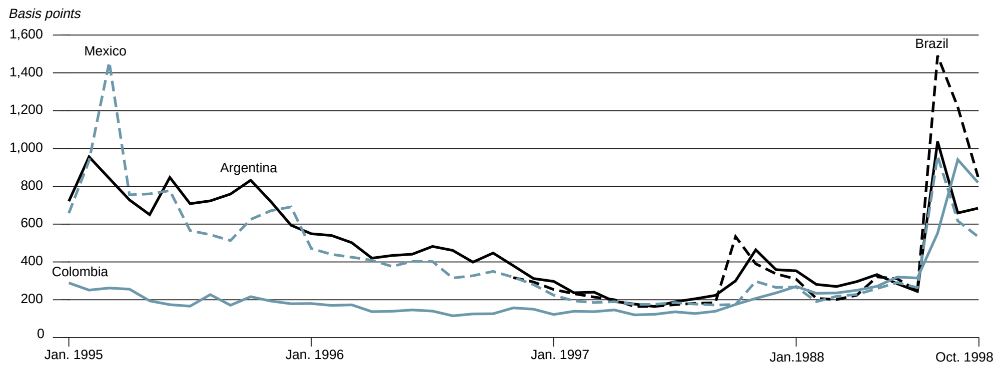
Figure A1-5a Current account deficits in Latin America and the Caribbean



Source: Bloomberg.

…and secondary market spreads rose sharply in mid-1998

Figure A1-5b Secondary market spreads on sovereign bonds of major Latin American countries



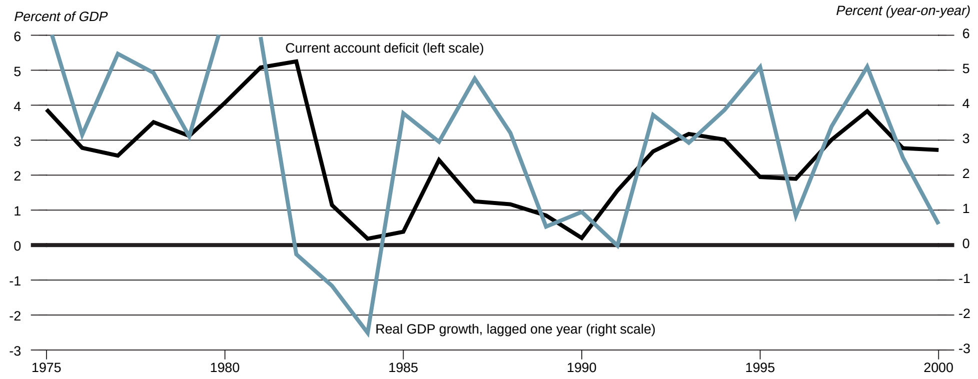
Source: Bloomberg.

will also experience slower growth with the expected downturn in the global economy and reduced capital flows. There also remains some risk that if the region faces an extended shutdown of private financing (requiring the current account deficit to swing to zero instead of to lower, but still significant, net flows under the baseline), regional growth might slip to -2 percent in 1999. Announced increases in official support (and contingency credit lines) are likely to avert such a scenario, however.

Prospects are still good for stronger regional growth in the longer term given the strength of recent reforms (see Easterly, Loayza, and Montiel 1997)—reaching about 4.5 percent a year toward the end of the projection period—for a number of reasons. First, total factor productivity growth turned positive in the 1990s after declining during the 1970s and 1980s.[5] Privatization in the telecommunications and transport sectors in the early 1990s contributed to this trend. Privatization of Brazil's telecom-

Growth and current account deficits

Figure A1-6 Current account deficit and real GDP, Latin America and the Caribbean



Source: Bloomberg.

munications giant Telebras is likely to raise total factor productivity growth in the next few years, as similar efforts did in Argentina and Chile earlier. Second, labor productivity has been growing in the 1990s, after contributing negatively to GDP growth in the 1980s.[6] Labor market reforms have been slow in Latin America, due in part to political sensitivities, but they are progressing. Third, FDI is now producing capacity expansion, not just a transfer of asset ownership as in the early 1990s. According to the United Nations Economic Commission for Latin America and the Caribbean, FDI inflows reached an estimated $50 billion in 1997 and could easily rise once the current downturn in markets eases. FDI has also been shifting away from traditional mining and energy sectors and toward services and manufacturing (especially automobile production in Argentina, Brazil, and Mexico). Finally, and most importantly, domestic savings rates need to rise, reducing the region's reliance on external financing for growth. As pension reform takes hold in more countries over the next five years there is an expectation that savings may rise, although the evidence for this is mixed (Samwick 1998).

These factors are reflected in the prospects presented in table A1-4. GDP growth is forecast to recover to an average of 3.7 percent for the ten-year projection period, with modestly rising investment rates, but lower budget deficits, lower inflation, and a current account deficit that is contained to about 2.5 percent of GDP, implying significantly improved resource use, macroeconomic stability, and higher domestic savings. Nonetheless, Latin America faces a difficult transition. Many countries remain highly indebted or heavily dependent on commodity exports and are therefore vulnerable to interest rate and terms of trade shocks. Access to international capital markets has tightened in the current environment, raising the possibility of a sharper required reduction in external

Table A1-4 Latin America and the Caribbean forecast summary
(percent per year)

				Baseline forecast			
Growth rates/ratios	1988–97	1996	1997	1998	1999	2000	1998-2007
Real GDP growth	2.6	3.4	5.1	2.5	0.6	3.3	3.7
Consumption per capita	1.3	1.7	3.8	1.1	-1.9	1.1	1.8
GDP per capita	0.8	1.7	3.5	1.0	-0.9	1.8	2.2
Population 16–65 years	2.4	2.3	2.2	2.1	2.1	2.1	2.1
Median inflation[a]	18.8	11.4	9.0	9.8	9.8	9.2	8.3
Gross domestic investment/GDP	21.1	21.8	23.0	23.4	23.1	23.5	24.2
Budget balance/GDP	-3.0	-1.9	-2.3	-2.0	-1.5	-1.0	-1.5
Export volume[b]	8.7	10.3	9.4	6.3	6.1	6.3	6.4
Current account/GDP	-2.0	-1.9	-3.1	-3.8	-2.8	-2.7	-2.6
Debt to export ratio[c]	200.0	163.0	164.0	180.0	178.0	175.0	160.0

a. GDP deflator.
b. Goods and nonfactor services.
c. Ratio of long-term debt outstanding and disbursed to exports of goods and nonfactor services plus net worker remittances.
Source: World Bank baseline forecast, November 1998.

deficits over the next few years. Elections in a number of large countries in the next two years may increase investor nervousness about a slippage on fiscal policy at a time when these economies must still rely heavily on private capital flows to refinance existing debt—although actions on the fiscal front have been strongest in Argentina and Mexico, two countries facing elections. On balance, the growth potential of many countries in the region has improved with better public and private management, suggesting a growth potential in per capita incomes averaging 2.2 percent a year over the next 10 years (a full percentage point higher than in the past 10 years), although risks to this outlook remain large, especially in the near term.

Middle East and North Africa

Signs of a more favorable outlook for the region began to emerge last year. Reforms were gaining momentum in some large economies in the region, (notably in the Arab Republic of Egypt, the largest country by population), while reviving growth in the EU (an important trade partner), was contributing to faster growth along with progress on structural reforms in trade, investment, and other areas. But the East Asian crisis has clouded prospects in the region, especially for some countries, with effects coming through all three channels: a decline in terms of trade (especially severe for oil producers), slowing export growth, and reduced capital flows.

The region's oil exporters are experiencing the largest terms of trade shocks related to the Asian crisis. Economic growth in the region will consequently slow to about 2 percent in 1998 (from 3.1 percent in 1997) and recover only modestly in 1999. The shift from growth to contraction in the region's important oil exporters will, however, be offset by output recovery in North Africa (following a drought in 1997) and stronger growth (3.8 percent in 1998, up from 3.5 percent in 1997) in other countries with diversified exports and trade ties to Europe. But, even for the diversified exporters, there is a risk that export prices and market shares may weaken as they face increasingly intense competition from East Asia, especially in textiles, clothing, and related goods. Prospects for recovery in the region, particularly in the Gulf and the Mashreq, remain contingent on a pick-up in global demand for fuel and stabilization of oil prices—with OPEC producers expected to restrain output (a move that will slow their GDP growth).

The key development for the region's sparsely populated oil producers—mainly Bahrain, Oman, and Saudi Arabia—is the enormous 27 percent deterioration in their terms of trade, equivalent to some 8.5 percent of GDP. The energy price decline, in large part (but not wholly) traceable to the effects of the East Asian crisis, is expected to cut developing Gulf Cooperation Council (GCC) countries' export receipts by more than $15 billion and lead to cuts in government and other spending. GDP is expected to contract by about 2.5 percent in 1998. These economies, which have some capacity to finance current account deficits from reserves, may also be able to borrow abroad.

The high-population oil producers face a similar environment, but their more diversified economies give them greater resilience. The 24 percent deterioration in their terms of trade in 1998, equivalent to about 5 percent of GDP, is large enough to slow growth in Algeria and the Islamic Republic of Iran but not so large as to cause output to contract. Unlike the low-population oil exporters, these countries may be forced to cut imports or use reserves since their capacity to finance a current account deficit with new debt is limited. The Islamic Republic of Iran will likely use its international reserves to remain current on its debt service.

Economic performance among the reforming and relatively diversified economies in the region (Egypt, Jordan, Lebanon, Morocco, the Syrian Arab Republic, and Tunisia,) is likely to hold up fairly well in 1998, with growth of 3.5 to 4 percent. The aggregate current account deficit will widen moderately. A small deterioration in terms of trade (0.5 to 1.5 percent), equivalent to less than 0.5 percent of GDP, should be offset by a 3 to 3.5 percent increase in export volume (mainly to Europe) and a drop in food imports as drought conditions ease in the Maghreb. But the effect of lower oil prices will be spread through the region because of smaller remittances from expatriate workers, less generous transfers in some cases, and reduced intraregional trade.

The main financial impact of the Asian crisis on the region will be reduced access to portfolio capital. Before the crisis in 1997, Egypt, Lebanon, and Morocco collectively tapped international capital markets for nearly $1.5 billion in long-term financing. This represented an 80 percent increase over 1996 and a 130 percent increase over 1995. This financing dried up once the East Asian crisis emerged in 1998. Foreign interest in equity markets also diminished, resulting in a drop in IFC equity indexes for Egypt, Jordan, Morocco, and Tunisia.

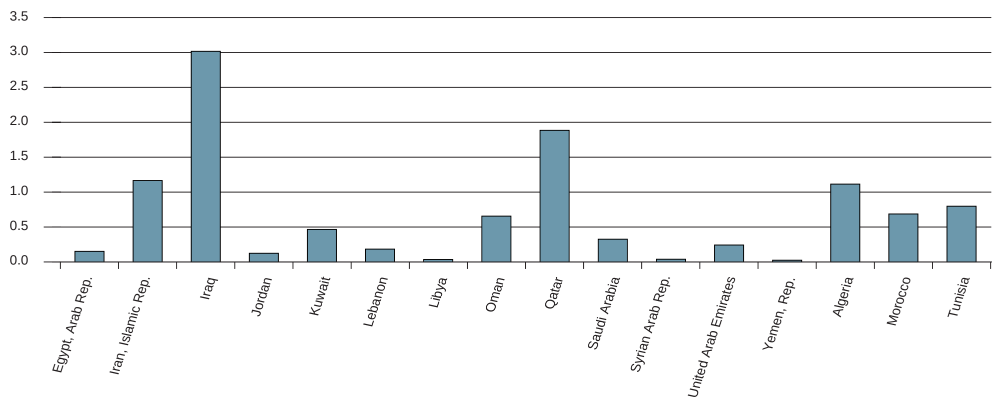
A smaller but more widespread impact is being transmitted through financial markets. Not all banks in the region are protected by a cushion of substantial net foreign assets, but few have large net foreign liabilities (figure A1-7). Macroeconomic risks do not point in the direction of banking crises. Unlike the East Asian economies, economies in the Middle East and North Africa exhibit neither excessive domestic credit growth nor rising inflation. And, with the possible exception of Lebanon, there is little evidence of a speculative real estate boom. Furthermore, thanks in part to fiscal consolidation and adjustment efforts, budget and balance of payments deficits are, on the whole, manageable.

Problems are particularly unlikely in the Gulf countries because most banks in this region are large, well-capitalized, and still profitable. While ultimately the fate of the Gulf banks depends on the oil market, they were in good shape at the end of 1997. The Bank for International Settlements (BIS) reported that the net foreign assets of Gulf banks grew during 1995–97, buoyed by firmer oil prices. At the end of that period, every Gulf country except Qatar, which is financing a major gas development project, had positive net assets with the OECD. With oil prices in decline, however, net assets can be expected to fall. Elsewhere in the region, banks show greater vulnerability because of low transparency, inadequate capitalization, and dominance by state-held banks.

Once the effects of the Asian crisis have dissipated, growth in the Middle East and North Africa region is expected to recover (table A1-5). Average growth for the coming decade should approach 3.4 percent a year, a significant improvement over the 2.6 percent growth for 1988–97. The improvement is expected to be especially significant for the diversified exporting economies of Egypt, Jordan, Lebanon, Morocco, Syria, and Tunisia, whose growth could recover to about 4.4 percent a year for the next 10 years, reaching nearly 5 percent toward the middle of the forecast period. If this growth

Low foreign liabilities of the banking system

Figure A1-7 Middle East and North Africa: ratio of foreign liabilities to foreign assets by country with BIS reporting banks, year-end 1997



Source: World Bank.

Table A1-5 Middle East and North Africa forecast summary
(percent per year)

				Baseline forecast			
Growth rates/ratios	1988–97	1996	1997	1998	1999	2000	1998–2007
Real GDP growth	2.6	5.3	3.1	2.0	2.8	3.1	3.4
Consumption per capita	-0.5	3.0	0.1	-0.8	0.0	0.3	0.6
GDP per capita	-0.1	2.9	0.6	-0.5	0.3	0.6	0.9
Population 16–65 years	3.1	2.9	3.0	3.0	3.0	2.9	2.8
Median inflation[a]	8.2	8.1	4.5	4.1	6.0	6.3	6.0
Gross domestic investment/GDP	22.6	23.3	23.9	24.0	24.3	24.7	25.4
Budget balance/GDP	-4.7	-0.2	-1.7	-1.4	-1.5	-1.4	-3.0
Export volume[b]	5.5	3.6	5.1	-2.1	3.2	4.8	3.8
Current account/GDP	-2.5	2.5	1.8	-4.0	-2.0	0.0	0.0
Debt to export ratio[c]	210.0	177.0	174.0	170.0	175.0	170.0	160.0
Memorandum item							
GDP of oil dominant economies	3.2	4.6	2.7	0.5	2.0	2.5	2.7
GDP of diversified exporters	4.1	6.5	3.5	3.9	4.0	4.2	4.4

a. GDP deflator.
b. Goods and nonfactor services.
c. Ratio of long-term debt outstanding and disbursed to exports of goods and nonfactor services plus net worker remittances.
Source: World Bank baseline forecast, November 1998.

is achieved, per capita incomes (and employment growth) would improve substantially. These prospects are, however, contingent on further fiscal reforms, a shift toward private sector growth, rising domestic savings, and expanding nonoil exports. For the oil exporters, however, absent significant reforms, growth may be significantly below the previous 10-year average (with rising budget deficits) and per capita incomes may stagnate or fall.

For the diversified group of exporting countries, realization of the better growth prospects will depend on successful consolidation of domestic and international economic policy reforms (such as privatization). Problems of low labor productivity and high unemployment will have to be dealt with. Solutions will require decisions on a smaller role for the state and a larger one for the private sector in development, including heavy pruning of overgrown public sectors and excessive government spending. Countries in the region spend 9.8 percent of GDP on public wages, nearly twice as much as the average (5 percent) in the OECD countries, Asia, and Latin America (World Bank 1997a). It is difficult to imagine dynamic growth in the region without solid progress in the Middle East peace process and without an end to the daily occurrence of civil strife in the Arab world.

Also important for the diversified exporters is how well they manage globalization in light of the East Asian experience. The most important step is to implement reforms so that domestic producers can compete successfully in the EU under the Euro-Mediterranean Initiative.[7] For Maghreb countries, it is a matter of preparing for implementation of an agreement already in place. For Mashreq countries, it is a matter of completing negotiations, implementing agreements, and restructuring economies to adapt to competition. Intensified competition from the Central and Eastern European applicants to the EU and from the now more price competitive East Asian exporters makes this task even more challenging. Countries like Morocco and Tunisia need to find new export markets as well, especially since EU growth prospects, while on the upswing, are still modest (2–3 percent) and attention has shifted to the Central European applicants to the EU and away from the Maghreb (to some degree).

Notes

1. This appendix covers the prospects for all developing regions other than East Asia. East Asia's prospects are discussed in detail in the main text of Chapter 1, and generally, in the main report.

2. This section draws heavily from Gelb 1998.

3. The region's overall growth forecast for 1998 might be somewhat lower (2.1 percent in 1998), based on recent data revisions and consistency checks.

4. Latest data suggest the possibility of growth slipping to a small negative level (–0.5 percent growth) in the Czech Republic in 1998, instead of the small positive level reported here.

5. Growth in total factor productivity for a sample of 19 Latin American countries was estimated to be 0.4 a year in 1991–95, up from –0.7 and –2.4 in the 1970s and 1980s (Lora and Barrera 1997).

6. Labor productivity growth has improved (1.1 in 1991–95 compared with –1.3 in the 1980s), but there is still need for greater labor market flexibility, notably in Argentina (Lora and Barrera 1997).

7. Euro-Mediterranean bilateral association agreements were signed by Tunisia in 1995, and thereafter by Morocco, Jordan, and the Palestinian Authority. Such agreements are currently being negotiated with Algeria, Egypt, and Syria. Partnership is a precursor to entry into the proposed Euro-Med free-trade area by 2010, but also covers more diverse issues such as human rights, social, cultural, and environmental issues.

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Appendix 2

Global Economic Indicators

Table A2-1 Growth of real GDP, 1966–2007

(current 1997 dollars and 1987 prices and exchange rates—average annual percentage growth)

	1997 GDP (*US$ billions*)	1966–73	1974–90	1991–97	1997	1998 estimate	1998–2007 forecast
World	29,100	5.1	2.8	2.3	3.2	1.8	2.9
High-income economies	22,670	4.9	2.7	2.1	2.8	1.7	2.4
Industrial	21,480	4.8	2.6	2.0	2.7	1.9	2.3
G-7	18,465	4.8	2.7	1.9	2.6	1.7	2.2
United States	7,745	3.0	2.5	2.9	3.8	3.3	…
Japan	4,200	9.7	3.9	1.3	0.9	-2.5	…
G-4 Europe	5,900	4.4	2.3	1.5	2.2	2.4	2.5
Germany [a]	2,100	4.6	2.1	1.5	2.0	2.8	…
Other industrial	3,015	5.0	2.3	2.0	3.0	3.1	2.9
Other high-income	1,190	9.1	6.5	6.4	5.3	-1.8	4.0
Asian NIEs	1,000	10.2	8.3	6.8	6.0	-2.2	4.2
Low- and middle-income economies	6,430	6.4	3.2	3.2	4.8	2.0	4.5
Excluding Eastern Europe and former Soviet Union	5,150	6.3	3.3	5.4	5.3	2.5	4.7
Asia	2,105	5.5	6.3	8.5	6.4	2.4	5.7
East Asia and Pacific	1,610	7.6	7.3	9.9	7.1	1.3	5.8
China	925	9.0	9.0	11.8	9.1	7.2	…
Indonesia	215	6.9	6.6	7.3	4.6	-15.3	…
South Asia	495	3.6	5.0	6.2	5.0	4.6	5.4
India	380	3.7	4.9	6.6	5.0	4.7	…
Latin America and the Caribbean	2,020	6.6	2.5	3.3	5.1	2.5	3.7
Brazil	820	10.4	3.4	3.4	3.0	0.7	…
Mexico	400	6.8	3.2	1.9	7.0	4.5	…
Argentina	325	4.7	0.4	3.7	8.4	4.5	…
Europe and Central Asia	1,475	6.1	3.1	-4.4	2.6	0.5	3.9
Russian Federation [b]	450	6.6	3.6	-7.1	0.9	-5.0	…
Turkey	190	4.9	4.1	4.3	7.1	4.8	…
Poland	135	7.5	0.0	5.1	6.9	5.7	…
Middle East and North Africa	500	8.7	1.1	2.9	3.1	2.0	3.4
Saudi Arabia	130	13.3	0.6	0.8	3.0	-2.5	…
Iran, Islamic Rep.	100	10.1	-0.4	3.6	3.8	1.8	…
Egypt, Arab Rep.	75	4.0	7.0	4.2	5.4	3.7	…
Sub-Saharan Africa	330	4.7	2.1	2.4	3.5	2.4	3.8
South Africa	130	4.8	2.0	2.0	1.7	0.5	…
Nigeria	50	8.6	0.9	2.7	3.9	1.8	…

Note: Growth rates over intervals are computed using least squares method.
a. Data prior to 1991 covers the Federal Republic of Germany.
b. Data prior to 1992 covers former Soviet Union.
Source: World Bank data and staff estimates.

Figure A2-1 Real GDP growth, 1988–2007

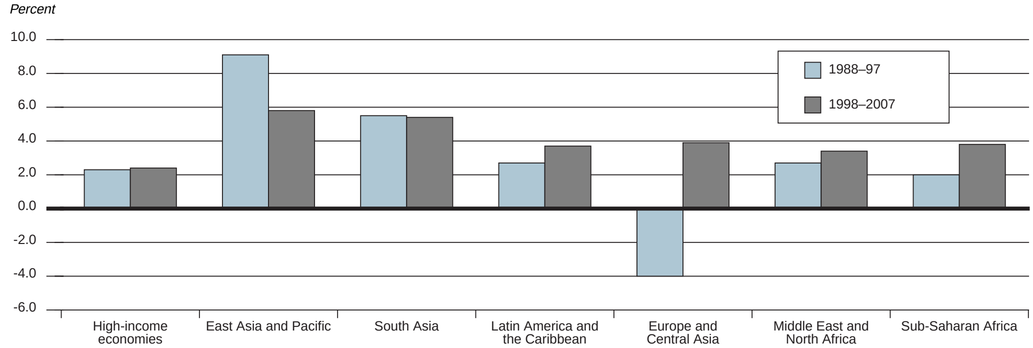


Table A2-2 Growth of real per capita GDP, 1966–2007

(current 1997 dollars and 1987 prices and exchange rates—average annual percentage growth)

	1997 GDP per capita *(US$)*	1966–73	1974–90	1991–97	1997	1998 estimate	1998–2007 forecast
World	5,175	2.9	1.1	0.8	1.8	0.3	1.5
High-income economies	24,710	3.8	2.0	1.4	2.2	1.1	2.0
Industrial	25,895	3.9	2.0	1.3	2.2	1.4	1.9
G-7	27,200	3.8	2.1	1.3	2.1	1.1	1.8
United States	28,950	1.9	1.5	1.9	2.9	2.2	…
Japan	33,325	8.4	3.2	1.0	0.6	-2.8	…
G-4 Europe	22,960	3.8	2.1	1.2	2.0	2.3	2.4
Germany[a]	25,590	4.0	2.1	1.1	1.8	2.5	…
Other industrial	19,970	4.1	1.7	1.5	2.6	2.7	2.6
Other high-income	13,500	6.6	4.7	5.1	3.9	-2.8	3.2
Asian NIEs	12,960	7.9	6.7	5.6	4.9	-3.0	3.5
Low- and middle-income economies	1,370	3.9	1.2	1.6	3.2	0.4	3.0
Excluding Eastern Europe and former Soviet Union	1,200	3.6	1.2	3.6	3.5	0.7	3.0
Asia	730	2.9	4.3	6.9	4.9	1.0	4.3
East Asia and Pacific	990	4.8	5.6	8.5	5.9	0.2	4.8
China	750	6.2	7.5	10.6	8.1	6.2	…
Indonesia	1,075	4.4	4.5	5.6	3.2	-16.4	…
South Asia	395	1.2	2.6	4.3	3.1	2.7	3.6
India	395	1.4	2.6	4.8	3.2	3.0	…
Latin America and the Caribbean	4,230	3.9	0.3	1.5	3.5	1.0	2.2
Brazil	5,020	7.7	1.2	2.0	1.7	-0.6	…
Mexico	4,185	3.4	0.8	0.1	5.1	2.7	…
Argentina	9,050	3.1	-1.1	2.4	7.4	3.6	…
Europe and Central Asia	3,190	5.0	2.1	-4.7	2.5	0.0	3.4
Russian Federation[b]	3,060	5.6	2.7	-7.0	1.2	-4.7	…
Turkey	2,965	2.3	1.8	2.4	5.4	3.2	…
Poland	3,510	6.8	-0.8	4.9	6.8	5.4	…
Middle East and North Africa	1,865	5.8	-2.0	0.6	0.6	-0.5	0.9
Saudi Arabia	6,585	8.8	-4.6	-2.7	-0.4	-5.7	…
Iran, Islamic Rep.	1,660	7.0	-3.7	1.9	0.9	-1.0	…
Egypt, Arab Rep.	1,250	1.9	4.3	2.2	3.6	2.0	…
Sub-Saharan Africa	560	2.0	-0.9	-0.2	0.5	-0.5	1.0
South Africa	3,370	2.6	-0.4	0.3	-0.1	-1.6	…
Nigeria	440	5.7	-2.1	-0.3	1.0	-1.0	…

Note: Growth rates over intervals are computed using least squares method.
a. Data prior to 1991 covers the Federal Republic of Germany.
b. Data prior to 1992 covers former Soviet Union.
Source: World Bank data and staff estimates.

Figure A2-2 Real per capita GDP growth, 1988–2007

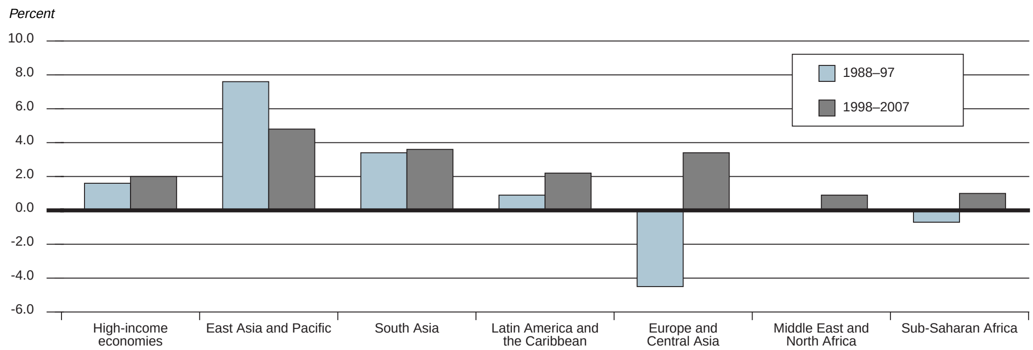


Table A2-3 Inflation: GDP deflators, 1966–2007

(percentage change)[a]

	1966–73	1974–90	1991–97	1997	1998 estimate	1998–2007 forecast
World	5.4	7.8	4.4	2.8	2.9	3.2
High-income economies	5.6	7.1	2.6	1.6	1.6	2.1
Industrial	5.5	6.8	2.5	1.6	1.5	2.0
G-7	5.3	6.5	2.4	1.5	1.3	1.8
United States	4.8	6.3	2.5	2.0	1.6	…
Japan	5.8	3.6	0.6	1.1	0.5	…
G-4 Europe	5.4	8.3	3.4	1.3	1.6	1.8
Germany[b]	4.9	3.5	3.4	0.1	1.1	…
Other industrial	6.4	8.5	3.0	2.0	2.5	2.8
Other high-income	8.7	17.2	5.5	3.4	3.9	4.6
Asian NIEs	9.4	9.7	4.7	3.0	3.5	4.5
Low- and middle-income economies	4.5	10.7	11.7	7.6	7.9	7.4
Excluding Eastern Europe and former Soviet Union	4.5	10.9	11.0	7.0	7.8	7.0
Asia	5.6	8.4	7.8	6.0	7.6	5.7
East Asia and Pacific	5.4	7.4	6.3	4.9	6.7	4.0
China	-1.7	3.8	11.2	2.3	1.7	…
Indonesia	65.6	13.3	8.6	12.2	21.1	…
South Asia	5.8	8.5	9.5	9.2	7.6	6.8
India	6.2	8.1	8.5	7.3	6.8	…
Latin America and the Caribbean	5.1	18.0	15.5	9.0	9.8	8.3
Brazil	22.8	145.0	475.0	7.3	6.0	…
Mexico	5.9	48.0	19.5	15.8	16.2	…
Argentina	24.0	203.0	12.7	1.2	2.0	…
Europe and Central Asia	2.4	5.1	44.6	50.0	43.8	16.3
Russian Federation[c]	0.9	1.3	340.0	15.4	20.0	…
Turkey	10.8	44.5	79.3	81.3	71.6	…
Poland	2.0	31.2	30.0	14.3	15.2	…
Middle East and North Africa	4.2	9.6	6.6	4.5	4.1	6.1
Saudi Arabia	10.5	4.0	0.9	-0.6	1.5	…
Iran, Islamic Rep.	5.6	17.0	32.2	35.5	26.0	…
Egypt, Arab Rep.	2.4	12.4	10.6	6.3	7.1	…
Sub-Saharan Africa	4.1	10.1	10.9	6.6	7.4	8.0
South Africa	6.2	14.5	10.1	7.8	8.0	…
Nigeria	10.7	14.5	35.0	9.0	10.0	…

Note: Deflators are in local currency units. Growth rates over intervals are computed using least squares method.
a. High-income group inflation rates are GDP-weighted averages of local currency inflation; low- and middle-income group rates are medians; world is GDP-weighted average of the two groups.
b. Data prior to 1991 covers the Federal Republic of Germany.
c. Data prior to 1992 covers former Soviet Union.
Source: World Bank data and staff estimates.

Figure A2-3 GDP inflation, 1988–2007

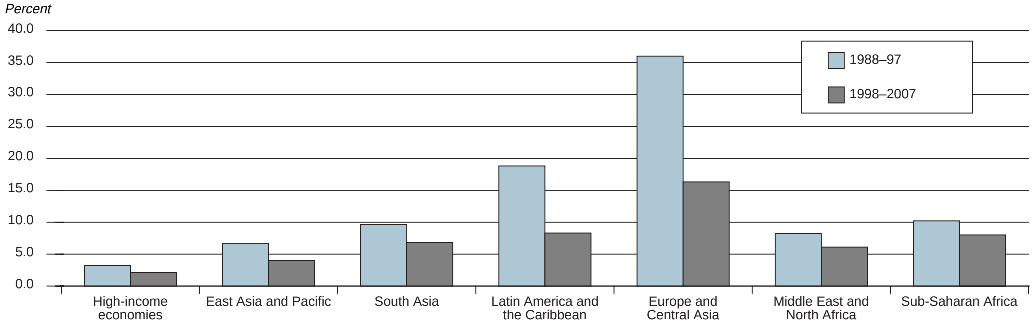


Table A2-4 Current account balances, 1970–2007
(percentage of GDP)

	1997 current account *(US$ billions)*	1970–80	1981–90	1991–97	1997	1998 estimate	1998–2007 forecast
World	50.5	-0.1	-0.4	-0.1	0.2	0.0	0.0
High-income economies	87.7	-0.1	-0.3	0.1	0.4	0.2	-0.2
Industrial	64.2	-0.1	-0.5	0.1	0.3	-0.1	-0.3
G-7	-3.2	0.1	-0.5	-0.1	0.0	-0.4	-0.6
United States	-155.0	0.1	-2.1	-1.5	-2.1	-2.8	…
Japan	94.4	0.7	2.4	2.4	2.3	2.9	…
G-4 Europe	78.5	0.2	0.4	-0.1	1.3	0.9	0.7
Germany[a]	-2.8	0.5	2.6	-0.8	-0.1	0.2	…
Other industrial	67.4	-0.9	-0.9	0.9	2.2	2.0	1.2
Other high-income	23.5	3.5	6.8	1.3	2.0	6.2	3.1
Asian NIEs	19.3	-2.6	4.0	1.8	1.9	8.1	3.6
Low- and middle-income economies	-37.2	0.1	-1.0	-1.3	-0.6	-0.7	0.2
Excluding Eastern Europe and former Soviet Union	-46.2	-0.5	-2.3	-1.9	-1.0	-0.9	0.1
Asia	-3.8	-0.9	-1.8	-1.4	-0.2	2.5	1.9
East Asia and Pacific	2.2	-1.0	-1.6	-1.3	0.1	3.5	2.6
China	19.2	-0.4	0.1	1.0	2.1	2.6	…
Indonesia	-9.7	-1.4	-3.1	-2.9	-4.5	-2.7	…
South Asia	-6.0	-0.5	-2.2	-1.8	-1.2	-0.6	-0.4
India	-3.0	0.3	-1.8	-1.2	-0.8	-0.7	…
Latin America and the Caribbean	-60.0	-2.8	-1.8	-2.5	-3.1	-3.8	-2.5
Brazil	-33.5	-4.1	-1.6	-1.3	-4.3	-3.8	…
Mexico	-7.4	-3.5	-0.8	-3.9	-1.9	-3.0	…
Argentina	-10.0	-0.4	-2.2	-2.1	-3.1	-3.7	…
Europe and Central Asia	12.0	0.5	2.4	1.0	1.0	0.4	0.9
Russian Federation[b]	9.5	2.0	3.9	2.7	1.0	-0.6	…
Turkey	3.0	-2.0	-1.3	-0.4	1.6	1.5	…
Poland	-5.0	-0.9	-1.4	-2.6	-4.1	-1.1	…
Middle East and North Africa	9.0	6.6	-3.6	-2.3	1.8	-4.0	0.0
Saudi Arabia	-0.5	19.8	-7.2	-9.3	-0.4	-12.3	…
Iran, Islamic Rep.	7.0	2.4	-0.5	0.9	7.0	1.0	…
Egypt, Arab Rep.	-2.5	-4.9	-3.9	2.8	-3.4	-4.9	…
Sub-Saharan Africa	5.6	-2.0	-2.8	-1.4	1.9	-0.3	0.3
South Africa	-1.0	-1.7	0.6	0.1	-0.7	-1.0	…
Nigeria	3.4	0.8	-0.7	1.3	10.6	-1.2	…

Note: Current account after official transfers. Shares over intervals are period averages.
a. Data prior to 1991 covers the Federal Republic of Germany.
b. Data prior to 1992 covers former Soviet Union.
Source: World Bank data and staff estimates.

Figure A2-4 Ratio of current account balance to GDP, 1988–2007

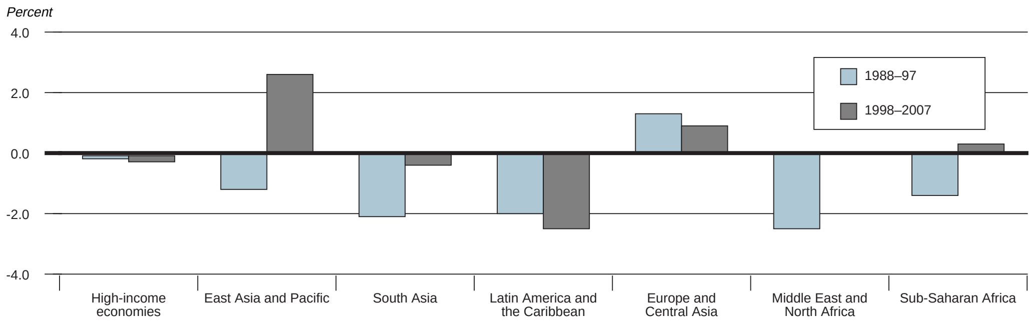


Table A2-5 Exports of goods, 1996

(percent)

	Merchandise exports *(US$ millions)*	Average annual growth 1987–96	Effective market growth 1987–96[a]
World	5,296,662	6.3	6.3
All developing economies	1,123,729	7.1	6.6
Asia	418,651	14.0	8.5
East Asia and Pacific	368,299	14.6	8.9
China	151,197	12.8	9.6
Fiji	745	10.2	7.2
Indonesia	49,814	14.5	8.5
Malaysia	78,327	17.0	9.5
Myanmar	732	13.8	12.4
Papua New Guinea	2,514	8.4	7.6
Philippines	20,417	11.4	7.4
Thailand	55,721	16.3	7.6
Vietnam	7,337	...	...
South Asia	50,352	10.3	6.6
Bangladesh	3,297	12.6	6.1
India	33,054	12.3	6.6
Nepal	385	10.3	5.3
Pakistan	9,321	2.2	7.2
Sri Lanka	4,095	11.5	6.0
Latin America and the Caribbean	211,987	6.2	6.7
Argentina	23,811	6.8	8.0
Bolivia	1,137	9.2	10.0
Brazil	47,747	4.6	7.2
Chile	15,405	8.7	7.7
Colombia	10,578	13.3	6.0
Costa Rica	3,014	11.5	5.6
Dominican Republic	817	-7.3	5.4
Ecuador	4,900	6.8	6.5
El Salvador	1,024	10.1	6.2
Guatemala	2,031	5.1	6.3
Jamaica	1,379	4.7	5.0
Mexico	59,084	9.0	6.0
Panama	700	10.0	6.5
Paraguay	1,044	10.1	9.0
Peru	5,897	8.7	6.9
Trinidad and Tobago	2,500	2.8	5.1
Uruguay	2,397	1.8	8.5
Venezuela	23,060	5.2	6.2
Europe and Central Asia	260,704	1.3	4.1
Armenia	290	...	...
Azerbaijan	631	...	...
Belarus	5,652	...	...
Bulgaria	4,890	-17.6	1.3
Czech Republic	21,906	...	2.6
Estonia	2,079	...	...
Georgia	372	...	...
Greece	9,480	6.7	5.2
Hungary	12,686	0.0	3.3
Europe and Central Asia (continued)			
Kazakhstan	6,300	...	4.7
Kyrgyz Republic	531	...	...
Latvia	1,424	...	...
Lithuania	3,335	...	...
Moldova	805	...	...
Poland	24,440	6.2	3.6
Romania	8,085	-8.2	3.4
Russian Federation	89,110	...	4.7
Slovak Republic	8,829	...	2.6
Slovenia	8,312	...	4.6
Tajikistan	770	...	...
TFYR Macedonia	1,147	...	4.6
Turkmenistan	1,628	...	...
Turkey	23,224	6.0	5.4
Ukraine	14,441	...	4.7
Uzbekistan	3,781	...	...
Middle East and North Africa	146,055	2.0	7.0
Algeria	12,620	0.5	5.8
Bahrain	4,700	5.2	8.6
Egypt, Arab Rep.	3,535	-1.2	5.2
Iran, Islamic Rep.	22,391	2.7	7.4
Iraq	1,482	-33.4	5.8
Jordan	1,817	4.0	4.6
Morocco	6,881	2.4	6.0
Oman	7,339	10.1	10.0
Saudi Arabia	60,730	5.5	7.7
Syrian Arab Rep.	4,000	9.9	4.3
Tunisia	5,517	8.3	4.8
Yemen, Rep.	2,260	9.7	12.1
Sub-Saharan Africa	86,332	2.4	5.8
Angola	5,087	5.2	5.2
Botswana	3,231	-1.8	4.8
Côte d'Ivoire	4,371	1.4	5.5
Cameroon	1,769	3.8	5.5
Ethiopia	417	-7.5	4.9
Gabon	2,900	6.8	6.0
Ghana	1,571	8.4	5.3
Kenya	2,067	7.6	4.1
Madagascar	299	-3.7	6.5
Nigeria	18,613	4.0	6.2
Senegal	986	-1.2	5.6
South Africa	29,330	1.2	5.7
Sudan	620	-2.1	8.4
Zambia	1,041	1.5	8.3
Zimbabwe	2,500	3.9	6.8
High-income economies	4,172,933	6.1	6.5
Industrial	3,538,687	5.4	6.4
G-7	2,563,018	4.9	6.6
Canada	201,633	6.5	5.8
France	288,468	4.2	5.6
Germany	524,198	4.0	5.4

Table A2-5 Exports of goods, 1996 (continued)

(percent)

	Merchandise exports *(US$ millions)*	Average annual growth 1987–96	Effective market growth 1987–96[a]		Merchandise exports *(US$ millions)*	Average annual growth 1987–96	Effective market growth 1987–96[a]
Italy	252,000	5.9	5.7	Other industrial (continued)			
Japan	410,900	2.3	8.0	Sweden	84,854	6.9	5.5
United Kingdom	260,746	4.2	6.2	Switzerland	76,196	6.5	6.4
United States	625,073	7.3	7.9				
Other industrial	975,669	6.8	5.8	Other high-income	634,246	10.0	8.1
Australia	60,479	7.2	8.5	Brunei	2,329	2.7	...
Austria	57,818	7.6	5.1	Hong Kong, China	180,750	13.5	7.8
Belgium[b]	170,297	5.1	5.5	Israel	20,610	7.8	6.4
Denmark	50,108	5.4	5.6	Korea, Rep.	129,715	7.8	7.6
Finland	38,435	6.8	5.2	Kuwait	14,858	11.5	7.8
Iceland	1,898	0.2	5.2	Qatar	4,377	2.5	7.6
Ireland	48,282	11.2	5.5	Singapore	125,014	15.0	9.2
Netherlands	197,417	6.2	5.4	Taiwan, China	115,726	6.1	8.2
New Zealand	14,422	5.3	7.6	United Arab Emirates	33,220	5.4	8.8
Norway	49,645	6.1	5.5				
Portugal	23,824	6.3	5.8				
Spain	101,994	10.5	5.7				

Note: Merchandise exports are f.o.b. in current U.S. dollars. Growth rates are for export volumes. Growth rates over intervals are computed using least squares method.
... implies data is not available.
a. Effective market growth is a weighted average of import volume growth in the country's export markets.
b. Includes Luxembourg.
Source: See Technical Notes.

Figure A2-5a Merchandise exports as share of GDP, 1996

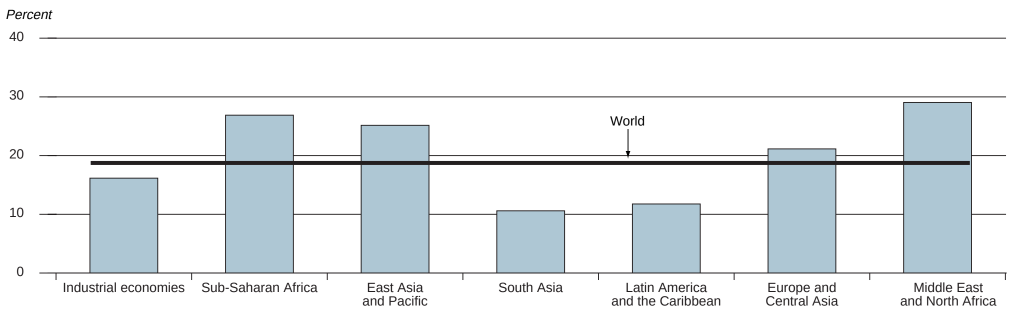


Figure A2-5b Average annual growth rate of export volumes, 1987–96

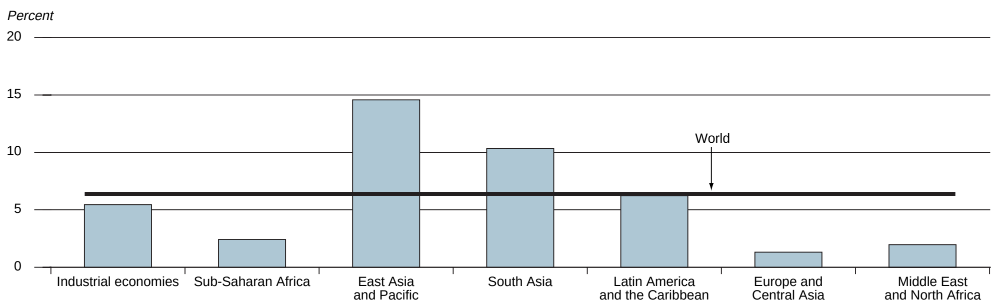


Table A2-6 Imports of goods, 1996

(percent)

	Merchandise imports *(US$ millions)*	Annual average growth 1987–96	Merchandise imports/GDP
World	5,391,486	6.1	18.7
All developing economies	1,212,241	8.6	20.9
Asia	454,839	12.8	23.5
East Asia and Pacific	391,232	14.4	26.7
China	138,944	11.0	16.8
Fiji	980	6.4	47.3
Indonesia	47,929	13.2	21.1
Malaysia	78,418	19.2	79.0
Myanmar	1,358	21.5	13.6
Papua New Guinea	1,741	1.3	33.7
Philippines	34,122	15.7	40.7
Thailand	73,332	17.4	40.4
Vietnam	10,481	..	44.9
South Asia	63,607	6.7	13.4
Bangladesh	6,616	8.7	20.8
India	37,375	5.6	10.4
Nepal	1,442	7.8	32.4
Pakistan	12,131	7.4	18.7
Sri Lanka	5,416	10.3	38.9
Latin America and the Caribbean	236,495	10.3	13.1
Argentina	23,762	21.5	8.1
Bolivia	1,635	8.8	21.7
Brazil	56,947	12.9	7.6
Chile	17,828	10.7	24.0
Colombia	13,684	8.8	16.1
Costa Rica	3,479	8.9	38.6
Dominican Republic	3,686	5.2	28.0
Ecuador	3,935	6.9	20.7
El Salvador	2,671	10.0	25.6
Guatemala	3,146	12.0	20.1
Jamaica	2,927	6.6	72.3
Mexico	61,160	13.6	18.3
Panama	2,780	12.8	33.7
Paraguay	3,204	22.6	33.1
Peru	9,473	9.3	15.5
Trinidad and Tobago	2,144	1.9	39.2
Uruguay	3,323	11.9	18.3
Venezuela	9,880	1.1	14.7
Europe and Central Asia	320,466	6.8	26.0
Armenia	856	..	53.8
Azerbaijan	961	..	26.3
Belarus	6,939	..	33.9
Bulgaria	4,700	-17.7	47.8
Czech Republic	29,102	..	53.0
Estonia	3,231	..	73.9
Georgia	686	..	15.9
Greece	27,392	9.1	22.3
Hungary	15,896	3.0	35.4
Europe and Central Asia (continued)			
Kazakhstan	6,600	..	31.4
Kyrgyz Republic	894	..	48.9
Latvia	2,311	..	45.0
Lithuania	4,468	..	57.4
Moldova	1,079	..	46.8
Poland	37,137	14.1	27.6
Romania	11,435	0.2	34.6
Russian Federation	62,278	..	14.5
Slovak Republic	11,445	..	60.4
Slovenia	9,423	..	50.0
Tajikistan	808	..	40.6
TFYR Macedonia	1,464	..	69.1
Turkmenistan	1,173	..	26.7
Turkey	43,627	9.2	24.0
Ukraine	18,639	..	41.8
Uzbekistan	4,712	..	19.8
Middle East and North Africa	122,842	2.8	24.4
Algeria	8,840	-0.4	19.3
Bahrain	4,273	1.2	73.6
Egypt, Arab Rep.	13,019	4.0	19.2
Iran, Islamic Rep.	16,274	3.2	15.5
Iraq	1,793	-27.3	..
Jordan	4,428	2.4	60.3
Morocco	9,704	10.5	26.4
Oman	4,578	8.8	37.8
Saudi Arabia	27,765	1.0	20.3
Syrian Arab Rep.	5,380	13.2	31.4
Tunisia	7,745	7.3	39.7
Yemen, Rep.	2,290	1.7	44.9
Sub-Saharan Africa	77,599	3.7	24.2
Angola	2,240	9.6	29.4
Botswana	1,735	3.0	35.1
Côte d'Ivoire	2,980	-1.2	27.9
Cameroon	1,227	-5.7	13.5
Ethiopia	1,000	-1.9	16.6
Gabon	950	1.9	16.8
Ghana	2,297	9.4	36.2
Kenya	2,912	-1.0	31.5
Madagascar	507	3.0	12.7
Nigeria	7,996	7.2	17.2
Senegal	1,268	-0.9	26.4
South Africa	30,126	4.7	23.9
Sudan	1,340	-0.1	16.4
Zambia	1,413	4.7	41.7
Zimbabwe	2,215	2.8	25.7
High-income economies	4,179,245	5.6	18.1
Industrial	3,510,801	4.8	16.0
G-7	2,576,902	4.8	13.7
Canada	175,158	5.0	30.2
France	277,673	3.4	18.0
Germany	458,783	5.3	19.5

Table A2-6 Exports of goods, 1996 (continued)
(percent)

	Merchandise imports (*US$ millions*)	Annual average growth 1987–96	Merchandise imports/GDP
Italy	208,114	2.7	17.2
Japan	349,152	6.7	7.6
United Kingdom	285,997	2.8	25.0
United States	822,025	5.6	11.2
Other industrial	933,899	4.8	29.8
Australia	65,427	5.7	16.7
Austria	67,331	5.4	29.8
Belgium[a]	161,303	3.5	57.2
Denmark	44,493	4.2	25.5
Finland	29,264	1.1	23.6
Iceland	2,032	-2.3	27.9
Ireland	35,871	7.6	51.5
Netherlands	180,639	5.4	46.0
New Zealand	14,725	6.4	22.6
Norway	35,615	3.1	22.6
Portugal	34,104	6.6	32.8
Spain	121,782	8.2	20.9
Other industrial (continued)			
Sweden	66,851	5.6	26.7
Switzerland	74,462	-0.6	25.4
Other high-income	668,444	11.5	56.9
Brunei	2,000	10.9	40.1
Hong Kong, China	198,550	13.1	128.8
Israel	31,620	8.1	34.4
Korea, Rep.	150,339	12.3	31.0
Kuwait	8,374	-0.3	26.9
Qatar	3,805	10.5	50.0
Singapore	131,388	12.5	141.7
Taiwan, China	101,287	10.1	37.2
United Arab Emirates	23,520	12.7	52.1

Note: Merchandise imports are c.i.f. in current U.S. dollars. Growth rates are for import volumes. Growth rates over intervals are computed using least squares method.
.. implies data is not available.
a. Includes Luxembourg.
Source: See Technical Notes.

Figure A2-6a Merchandise imports as share of GDP, 1996

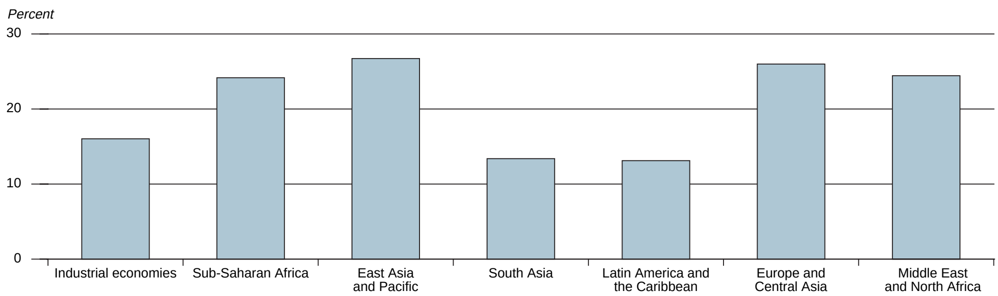


Figure A2-6b Average annual growth rate of import volumes, 1987–96

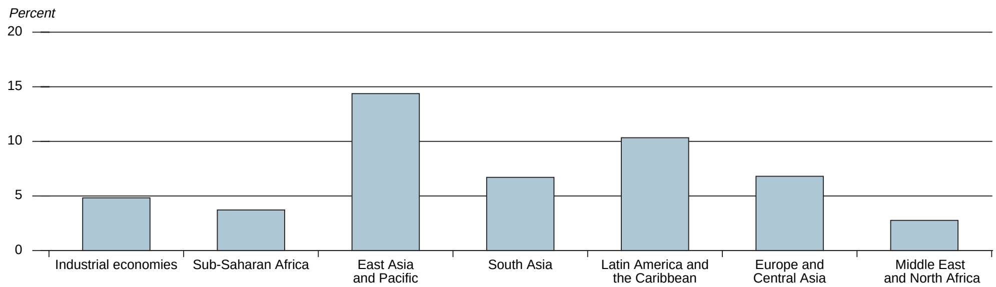


Table A2-7 Direction of merchandise trade, 1996[a]

(percentage of world trade)

	High-income importers							Low- and middle-income importers							
Source of exports	United States	EU-15	Japan	Other industrial	All industrial	Other high-income	All high-income	Sub-Saharan Africa	East Asia and Pacific	South Asia	Europe and Central Asia	Middle East and North Africa	Latin America and the Caribbean	All low- and middle-income	World
High-income economies	10.8	30.7	4.0	6.4	51.9	8.0	59.9	1.0	6.8	0.8	3.9	1.7	4.0	18.2	78.1
Industrial	8.5	29.2	2.7	6.0	46.3	6.1	52.4	0.9	3.7	0.6	3.6	1.6	3.6	13.9	66.3
United States	…	2.5	1.3	3.0	6.8	1.7	8.5	0.1	0.8	0.1	0.2	0.3	2.1	3.6	12.0
EU-15	2.8	23.5	0.9	2.3	29.4	1.8	31.3	0.6	1.1	0.3	3.2	1.1	1.0	7.3	38.6
Japan	2.2	1.2	…	0.3	3.7	2.0	5.8	0.1	1.5	0.1	0.1	0.1	0.3	2.2	8.0
Other industrial	3.5	2.1	0.5	0.3	6.4	0.5	6.9	0.0	0.4	0.1	0.1	0.1	0.1	0.9	7.8
Other high-income[b]	2.3	1.6	1.3	0.4	5.5	1.9	7.5	0.1	3.1	0.2	0.3	0.2	0.3	4.3	11.8
Low- and middle-income economies	4.5	5.5	2.2	0.7	12.9	2.7	15.7	0.4	1.5	0.4	2.2	0.6	1.2	6.2	21.9
Sub-Saharan Africa	0.3	0.6	0.1	0.0	1.0	0.1	1.1	0.2	0.1	0.0	0.0	0.0	0.0	0.4	1.4
East Asia and Pacific	1.3	1.1	1.4	0.3	4.1	1.7	5.8	0.1	0.8	0.1	0.1	0.1	0.1	1.4	8.1
South Asia	0.2	0.3	0.1	0.0	0.6	0.1	0.7	0.0	0.1	0.0	0.0	0.0	0.0	0.2	1.0
Europe and Central Asia	0.2	2.0	0.1	0.1	2.5	0.1	2.6	0.0	0.2	0.1	1.9	0.2	0.1	2.3	4.9
Middle East and North Africa	0.2	0.9	0.3	0.1	1.5	0.5	2.0	0.1	0.2	0.1	0.1	0.2	0.0	0.7	2.7
Latin America and the Caribbean	2.2	0.7	0.2	0.2	3.3	0.1	3.4	0.0	0.1	0.0	0.1	0.1	0.9	1.3	4.7
World	15.3	36.3	6.1	7.1	64.8	10.7	75.5	1.4	8.3	1.2	6.1	2.3	5.1	24.5	100.0

0.0 implies less than 0.1 percentage point of world exports.
a. Expressed as a share (percent) of total world exports. World exports in 1996 amounted to some $5,300 billion.
b. "Other high-income" includes the Asian newly industrialized economies, several oil exporters of the Gulf region, and Israel.
Source: IMF *Direction of Trade Statistics.*

Table A2-8 Growth of current dollar merchandise trade in nominal dollars, 1987–96

(average annual percentage growth)

	High-income importers							Low- and middle-income importers							
Source of exports	United States	EU-15	Japan	Other industrial	All industrial	Other high-income	All high-income	Sub-Saharan Africa	East Asia and Pacific	South Asia	Europe and Central Asia	Middle East and North Africa	Latin America and the Caribbean	All low- and middle-income	World
High-income economies	6.8	8.6	11.0	8.1	8.3	14.8	8.9	5.3	18.4	7.6	12.4	3.6	12.1	11.9	9.6
Industrial	6.4	8.4	10.4	8.0	8.0	13.9	8.6	4.8	15.1	5.9	12.0	3.5	11.7	10.3	8.9
United States	…	8.6	9.6	10.9	9.8	14.8	10.6	8.0	16.4	6.8	10.8	5.4	13.4	12.4	11.1
EU-15	6.1	8.5	13.8	6.0	8.2	15.0	8.5	4.6	15.1	7.1	13.5	3.7	11.4	10.0	8.7
Japan	3.3	6.4	…	1.4	4.0	12.4	6.2	3.7	14.9	1.4	-1.9	-0.9	7.1	9.2	6.9
Other industrial	9.2	7.9	7.7	11.5	8.7	14.1	9.0	2.8	13.8	6.8	4.0	3.6	5.6	7.6	8.9
Other high-income	8.6	13.8	12.4	9.2	10.7	18.4	12.2	10.2	24.4	12.9	20.4	4.7	19.3	20.1	14.5
Low- and middle-income economies	14.1	9.4	11.6	13.0	11.4	17.0	12.2	12.6	17.2	12.5	7.0	3.6	14.0	10.0	11.5
Sub-Saharan Africa	9.3	5.5	6.5	3.3	6.4	17.3	7.1	13.6	12.4	18.5	2.2	10.7	11.4	11.9	8.1
East Asia and Pacific	19.4	16.8	14.5	18.2	16.8	17.7	17.0	15.3	20.4	14.9	6.6	6.9	21.8	15.7	16.8
South Asia	14.0	15.4	8.9	12.0	13.7	18.0	14.5	17.1	21.9	14.4	-0.7	6.5	23.0	9.8	13.1
Europe and Central Asia	13.5	10.7	6.5	12.3	10.8	23.5	11.2	2.6	8.9	7.1	8.3	-0.5	9.4	7.4	9.2
Middle East and North Africa	7.3	5.4	8.3	11.1	6.5	13.0	7.6	13.8	21.1	12.1	-6.3	4.0	0.4	6.5	7.3
Latin America and the Caribbean	13.4	6.4	7.6	12.8	11.1	18.5	11.3	9.6	13.6	10.1	5.5	6.3	15.3	13.2	11.8
World	8.4	8.7	11.2	8.5	8.8	15.3	9.5	7.0	18.2	8.9	10.1	3.6	12.5	11.4	10.0

Note: Growth rates are compound averages.
Source: IMF *Direction of Trade Statistics.*

Table A2-9 Structure of long-term public and publicly guaranteed (PPG) debt, 1996

(percentage of long-term PPG debt)

		Nonconcessional	
	Concessional	Variable	Fixed
All developing economies	30.6	32.9	36.5
Asia	45.2	22.9	31.8
East Asia and Pacific	36.9	25.5	37.6
China	18.2	28.8	53.0
Indonesia	43.5	31.9	24.6
Malaysia	16.2	23.5	60.3
Myanmar	90.2	0.0	9.8
Papua New Guinea	52.4	22.4	25.2
Philippines	33.6	31.5	34.9
Thailand	41.5	18.4	40.1
Vietnam	90.5	0.0	4.6
South Asia	62.4	17.9	19.7
Bangladesh	97.9	0.3	1.9
India	53.4	20.8	25.8
Nepal	98.1	0.0	1.9
Pakistan	66.7	21.0	12.2
Sri Lanka	92.0	2.5	5.5
Latin America and the Caribbean	14.1	43.1	42.8
Argentina	4.0	36.1	59.9
Bolivia	67.1	9.2	23.7
Brazil	2.0	58.6	39.4
Chile	6.9	67.9	25.2
Colombia	6.4	43.0	50.6
Costa Rica	28.5	24.4	47.0
Dominican Republic	45.8	26.9	27.3
Ecuador	15.1	49.5	35.4
El Salvador	51.0	21.6	27.4
Guatemala	46.7	20.0	33.3
Jamaica	41.3	25.6	33.0
Mexico	1.5	44.8	53.7
Panama	8.1	74.8	17.2
Paraguay	59.5	10.2	30.3
Peru	27.5	36.8	35.6
Trinidad and Tobago	1.1	51.1	47.8
Uruguay	5.2	50.3	44.5
Venezuela	0.4	57.1	42.5
Europe and Central Asia	18.7	42.8	38.6
Armenia	46.5	52.6	1.0
Azerbaijan	26.3	73.7	0.0
Europe and Central Asia (continued)			
Belarus	12.9	68.9	18.2
Bulgaria	4.7	77.1	18.2
Czech Republic	0.6	26.0	73.3
Estonia	14.6	49.1	36.4
Georgia	37.3	17.3	45.4
Hungary	2.2	23.5	74.3
Kazakhstan	6.6	65.2	28.2
Kyrgyz Republic	57.2	40.6	2.1
Latvia	21.4	57.8	20.8
Lithuania	13.3	44.6	42.1
Moldova	28.0	66.5	5.6
Poland	25.8	59.8	14.4
Romania	7.1	30.1	62.8
Russian Federation	27.1	43.8	29.1
Slovak Republic	3.2	19.0	77.8
Slovenia	3.7	67.0	29.2
Tajikistan	83.5	14.7	1.8
Turkmenistan	6.3	50.4	43.2
Turkey	13.6	22.8	63.6
Ukraine	3.4	77.2	19.5
Uzbekistan	30.9	41.2	27.9
Middle East and North Africa	37.3	35.7	27.0
Algeria	10.6	51.9	37.6
Egypt, Arab Rep.	82.4	4.0	13.6
Jordan	50.6	23.3	26.1
Morocco	24.3	39.7	36.0
Oman	22.7	49.9	27.4
Syrian Arab Rep.	90.3	0.0	9.7
Tunisia	34.2	26.4	39.3
Yemen, Rep.	62.6	1.4	35.9
Sub-Saharan Africa	49.1	13.0	37.9
Angola	22.9	7.7	69.4
Botswana	52.8	13.6	33.6
Côte d'Ivoire	42.3	41.6	16.1
Cameroon	51.7	11.8	36.5
Ethiopia	91.7	0.3	8.0
Gabon	21.2	13.9	64.8
Ghana	81.8	0.8	17.4
Kenya	67.8	6.1	26.1
Madagascar	57.7	8.3	34.0
Nigeria	5.3	19.3	75.3
Senegal	77.2	7.2	15.7
Sudan	50.0	14.9	35.1
Zambia	72.7	6.0	21.3
Zimbabwe	43.2	15.8	41.0

Source: World Bank data.

Figure A2-9a Structure of long-term PPG debt, by group, 1996

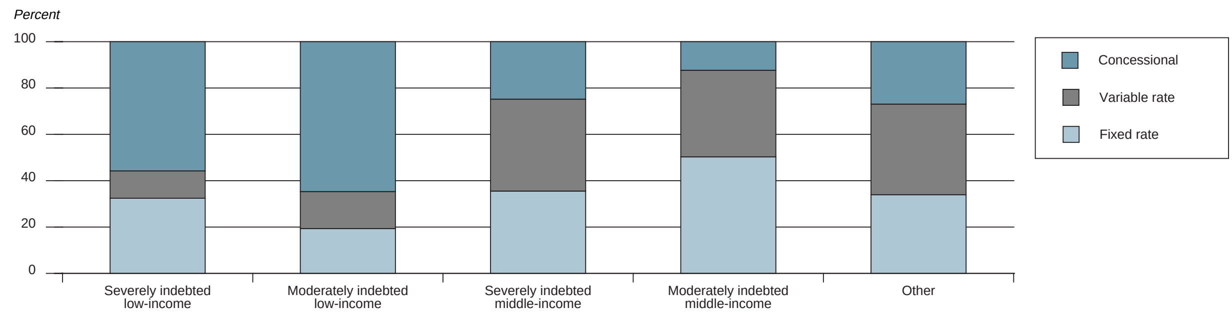


Figure A2-9b Structure of long-term PPG debt, by region, 1996

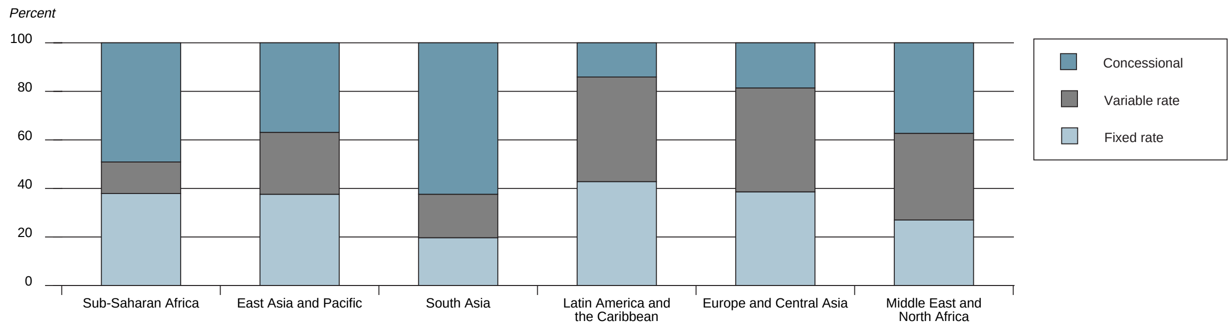


Figure A2-9c Top ten ratios of nonconcessional debt to GDP, 1996

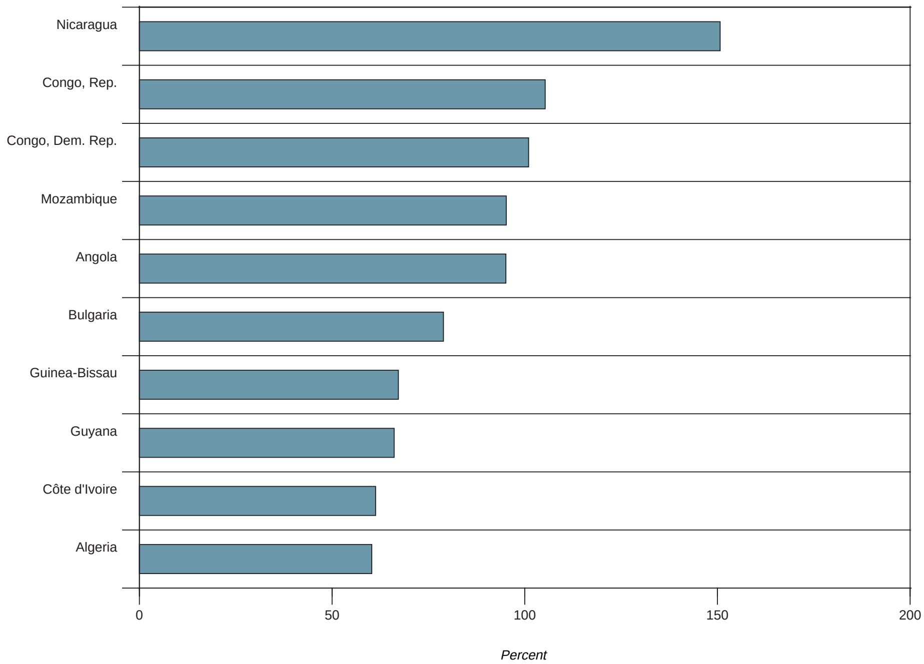


Table A2-10 Long-term net resource flows to developing economies, 1996

(US$ millions)

			Private				Official		
	Total	Percentage of GDP	Total	Net debt flows	FDI	Portfolio	Total	Official development assistance	Other
All developing economies	281,603	4.69	246,945	82,155	118,960	45,830	34,658	40,115	-5,457
Asia	120,866	6.23	110,015	28,308	62,120	19,587	10,851	9,515	1,336
East Asia and Pacific	107,442	7.34	101,272	28.202	58,681	14,389	6,170	5,665	505
China	54,707	6.63	50,100	6,454	40,180	3,466	4,607	2,038	2,569
Indonesia	17,418	7.66	18,030	6,972	7,960	3,099	-613	883	-1,496
Malaysia	11,325	11.41	12,096	3,243	4,500	4,353	-770	-741	-29
Myanmar	236	2.36	129	19	100	10	107	108	-1
Papua New Guinea	621	12.02	414	2	225	187	207	256	-49
Philippines	4,537	5.41	4,600	1,859	1,408	1,333	-64	285	-349
Thailand	14,247	7.85	13,517	9,630	2,336	1,551	730	865	-135
Vietnam	2,586	11.08	2,061	171	1,500	390	525	556	-31
South Asia	13,424	2.83	8,743	106	3,439	5,198	4,681	3,850	831
Bangladesh	1,516	4.76	92	47	15	30	1,424	1,436	-13
India	6,842	1.90	6,404	-581	2,587	4,398	438	125	313
Nepal	306	6.86	10	-10	19	0	296	296	0
Pakistan	3,286	5.07	1,935	545	690	700	1,350	809	542
Sri Lanka	575	4.13	124	-66	120	70	452	457	-5
Latin America and the Caribbean	90,261	5.01	95,570	43,662	38,015	13,893	-5,309	3,952	-9,261
Argentina	14,555	4.94	14,417	9,268	4,285	864	138	-44	182
Bolivia	1,161	15.42	571	44	527	0	590	615	-24
Brazil	27,950	3.73	28,384	14,514	9,889	3,981	-434	-220	-214
Chile	6,211	8.36	6,803	2,608	4,091	103	-592	50	-642
Colombia	7,708	9.05	7,739	4,127	3,322	290	-31	79	-110
Costa Rica	312	3.47	387	-24	410	1	-75	-30	-45
Dominican Republic	401	3.05	366	-28	394	0	35	42	-7
Ecuador	969	5.09	816	368	447	1	153	166	-13
El Salvador	422	4.05	48	23	25	0	374	173	201
Guatemala	173	1.10	5	-72	77	0	168	117	51
Jamaica	107	2.65	191	16	175	0	-84	49	-133
Mexico	15,884	4.74	23,647	12,107	7,619	3,922	-7,763	-8	-7,755
Panama	169	2.05	300	57	238	5	-132	15	-147
Paraguay	274	2.83	202	-18	220	0	72	48	23
Peru	6,070	9.96	5,854	-467	3,581	2,740	217	466	-249
Trinidad and Tobago	324	5.93	343	23	320	0	-19	3	-22
Uruguay	558	3.07	499	325	169	5	58	9	50
Venezuela	4,067	6.04	4,244	670	1,833	1,740	-177	24	-201
Europe and Central Asia	45,873	3.72	35,005	11,359	14,941	8,705	10,868	6,901	3,967
Armenia	185	11.65	18	0	18	0	168	158	10
Azerbaijan	698	19.11	601	0	601	0	97	89	8
Belarus	79	0.38	7	-11	18	0	71	48	23
Bulgaria	367	3.73	300	-314	115	500	67	82	-15
Czech Republic	4,963	9.04	4,894	3,295	1,435	164	69	93	-24
Estonia	279	6.37	191	36	150	5	88	39	49
Georgia	221	5.14	40	0	40	0	181	180	1
Hungary	1,021	2.28	1,618	-1,369	1,982	1,004	-597	184	-781
Kazakhstan	990	4.71	615	305	310	0	376	85	291
Kyrgyz Republic	225	12.32	46	0	46	0	179	178	1
Latvia	412	8.03	331	3	328	0	81	49	32
Lithuania	638	8.20	469	296	152	21	168	52	116
Moldova	184	7.99	115	74	41	0	70	23	47
Poland	6,246	4.64	5,333	113	4,498	722	913	812	101
Romania	3,143	9.50	1,814	1,540	263	11	1,329	174	1,155
Russian Federation	11,108	2.59	7,454	-33	2,479	5,008	3,654	459	3,195
Slovak Republic	1,403	7.40	1,265	984	281	0	138	104	34
Slovenia	1,189	6.30	1,219	673	186	360	-30	3	-33

Table A2-10 Long-term net resource flows to developing economies, 1996 (continued)

(US$ millions)

			Private				Official		
	Total	Percentage of GDP	Total	Net debt flows	FDI	Portfolio	Total	Official development assistance	Other
Europe and Central Asia (continued)									
Tajikistan	121	6.05	16	0	16	0	105	98	6
Turkmenistan	279	6.35	355	247	108	0	-75	2	-78
Turkey	5,069	2.79	5,635	4,114	722	799	-566	-115	-451
Ukraine	885	1.99	395	45	350	0	490	412	78
Uzbekistan	700	2.94	431	376	55	0	269	103	166
Middle East and North Africa	7,403	1.47	1,980	-266	614	1,632	5,423	5,399	24
Algeria	822	1.80	-72	-81	4	5	895	353	541
Egypt, Arab Rep.	2,642	3.90	1,434	-435	636	1,233	1,207	1,403	-196
Iran, Islamic Rep.	-764	-0.73	-352	-362	10	0	-413	140	-552
Jordan	501	6.82	-119	-159	16	25	620	489	131
Morocco	571	1.55	388	-145	311	222	183	468	-285
Oman	149	1.23	69	-24	67	25	81	69	12
Syrian Arab Rep.	222	2.12	77	-12	89	0	145	164	-19
Tunisia	941	4.82	697	377	320	0	244	113	131
Yemen, Rep.	322	6.31	100	0	100	0	222	204	18
Sub-Saharan Africa	17,200	5.36	4,375	-908	3,271	2,012	12,825	14,351	-1,526
Angola	1,105	14.51	754	454	300	0	352	380	-28
Botswana	60	1.21	66	-9	75	0	-7	29	-35
Côte d'Ivoire	614	5.73	160	109	21	30	454	814	-360
Cameroon	194	2.13	-28	-63	35	0	222	381	-159
Ethiopia	426	7.09	-205	-210	5	0	631	609	22
Gabon	-28	-0.49	-114	-49	-65	0	87	96	-9
Ghana	967	15.24	477	232	120	124	490	516	-26
Kenya	199	2.15	-104	-160	13	43	303	424	-121
Madagascar	337	8.42	5	-5	10	0	331	307	25
Nigeria	310	0.67	706	-690	1,391	5	-396	117	-513
Senegal	446	9.27	34	-11	45	0	411	448	-37
Sudan	169	2.07	0	0	0	0	169	154	15
Zambia	355	10.49	33	-25	58	0	322	444	-122
Zimbabwe	309	3.58	42	-38	63	17	267	208	59

Source: World Bank data.

Figure A2-10a Distribution of long-term net resource flows, 1996

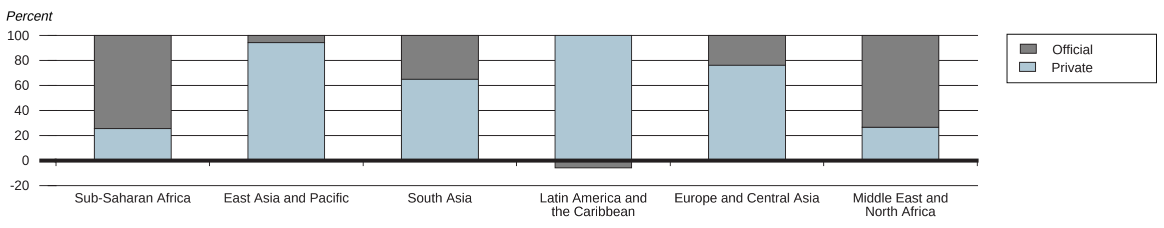


Figure A2-10b Change in share of private long-term flows, 1990–96

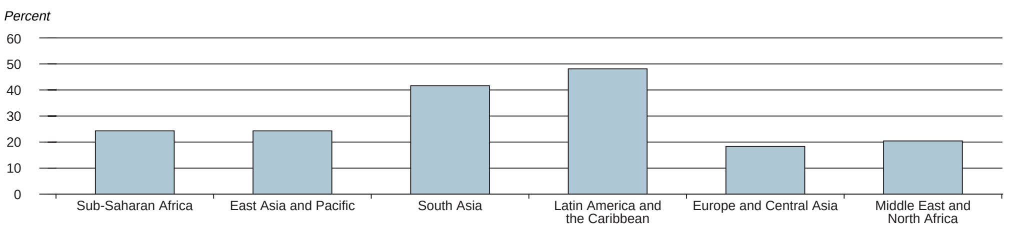


Table A2-11 Manufactures unit value, LIBOR, and commodity prices, selected years, 1965–98

		1965	1970	1975	1976	1977	1978	1979	1980	1981	1982	1983
G-5 unit value index of manufactures[a]		21.6	25.1	45.2	45.8	50.4	57.9	65.6	72.0	72.3	71.2	69.5
LIBOR[b]		5.0	8.9	7.7	6.1	6.4	9.2	12.2	14.0	16.7	13.6	9.9
Commodity price indexes, current dollar terms (1990=100)	*Weights (percent)*											
Petroleum		6	5	46	51	55	57	135	161	155	143	130
Nonfuel commodities		40	44	75	87	109	101	116	125	108	95	103
Agriculture	69.1	42	45	80	98	127	116	130	138	118	103	112
Food	29.4	42	46	100	86	90	99	113	137	123	96	104
Beverages	16.9	47	57	82	156	268	199	208	182	146	148	156
Raw materials	22.8	37	36	54	71	71	76	93	104	90	80	88
Metals and minerals	28.1	37	41	53	61	66	68	85	95	83	75	82
Fertilizers	2.7	39	30	158	76	75	73	100	129	122	105	98
Commodity prices, current dollars	*Units*											
Agriculture												
Cocoa	cents/kg	37	67	125	204	379	340	329	260	208	174	212
Coffee	cents/kg	100	115	144	315	517	359	382	347	287	309	291
Tea[c]	cents/kg	107	90	120	128	214	160	167	180	161	164	216
Sugar	cents/kg	5	8	45	26	18	17	21	63	37	19	19
Banana	$/mt	159	165	247	257	275	287	326	379	401	374	429
Beef	cents/kg	88	130	133	158	151	214	288	276	247	239	244
Wheat	$/mt	59	55	149	133	103	128	160	173	175	160	157
Rice	$/mt	119	126	341	235	252	346	313	411	459	272	257
Maize	$/mt	55	58	120	112	95	101	116	125	131	109	136
Coconut oil	$/mt	348	397	394	418	578	683	985	674	570	464	730
Palm oil	$/mt	273	260	434	407	530	600	654	584	571	445	501
Soybean oil	$/mt	270	286	563	438	580	607	662	598	507	447	527
Soybeans	$/mt	117	117	220	231	280	268	298	296	288	245	282
Cotton	cents/kg	63	63	116	169	155	157	169	205	185	160	185
Rubber	cents/kg	50	41	56	77	81	99	126	142	112	86	106
Other												
Logs	$/cm	35	43	68	92	93	97	170	196	155	146	138
Sawnwood	$/cm	157	175	223	264	265	272	366	396	349	339	328
Urea	$/mt	..	48	198	112	127	145	173	222	216	159	135
Metals and minerals												
Copper	$/mt	1,290	1,413	1,237	1,401	1,310	1,367	1,985	2,182	1,742	1,480	1,592
Aluminum	$/mt	474	556	797	896	1,050	1,088	1,230	1,456	1,263	992	1,439
Nickel	$/mt	1,735	2,846	4,570	4,974	5,203	4,610	5,986	6,519	5,953	4,838	4,673
Gold	$/toz	35	36	161	125	148	193	307	608	460	376	423
Phosphate rock	$/mt	13	11	67	36	31	29	33	47	50	42	37
Steel products index	1990=100	25	31	52	54	53	68	76	79	82	71	67
Energy												
Crude petroleum	$/bbl	1.4	1.2	10.4	11.6	12.6	12.9	31.0	36.9	35.5	32.7	29.7
Coal	$/mt	..	..	..	..	33.4	39.6	35.4	43.1	56.5	52.2	44.5

a. Unit value index in U.S. dollar terms (1990=100) of manufactures exported from the G-5 countries (France, Germany, Japan, United Kingdom, and

Figure A2-11a Price indexes relative to manufactures unit value index, 1985–97

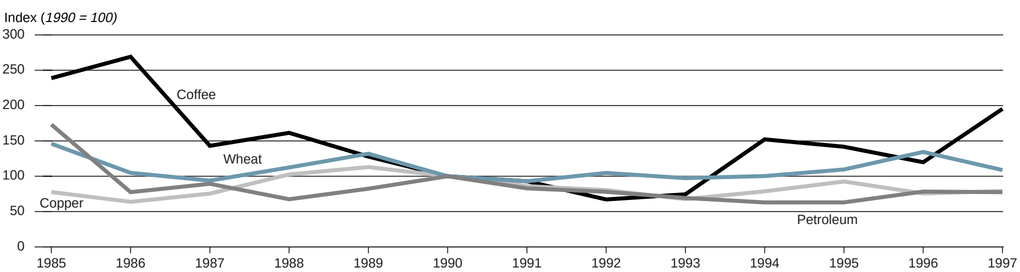
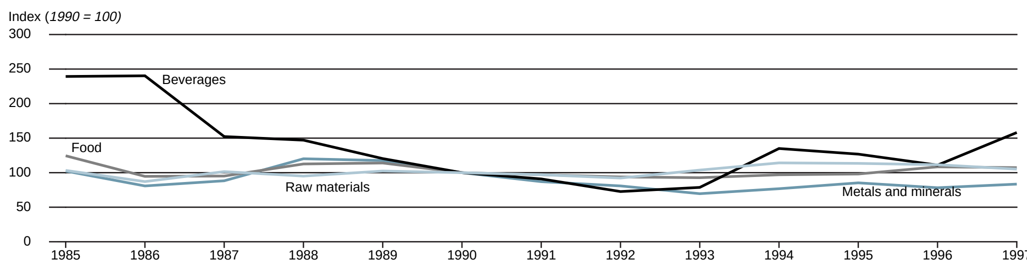


Table A2-11 Manufactures unit value, LIBOR, and commodity prices, selected years, 1965–98 (continued)

1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	Sept. 1998
68.1	68.6	80.9	88.8	95.3	94.7	100.0	102.2	106.6	106.3	110.2	119.2	114.0	108.2	..
11.3	8.6	6.8	7.3	8.1	9.3	8.4	6.1	3.9	3.4	5.1	6.1	5.6	5.9	5.4
125	119	63	79	64	78	100	85	83	74	69	75	89	84	60
104	91	92	93	111	107	100	95	92	91	112	122	115	118	95
117	100	103	99	110	106	100	98	94	99	123	131	125	129	102
106	85	77	84	107	108	100	99	100	99	107	117	124	116	100
176	164	194	135	140	114	100	93	77	84	149	151	126	171	125
87	71	70	90	91	97	100	99	98	110	126	135	127	114	87
74	70	65	78	114	111	100	89	86	74	85	102	89	90	75
98	89	89	94	109	106	100	102	96	84	93	104	120	120	124
240	225	207	199	158	124	127	120	110	112	140	143	146	162	169
319	323	429	251	303	239	197	187	141	156	331	333	269	417	247
292	181	173	167	163	187	205	172	170	168	158	153	169	210	189
11	9	13	15	22	28	28	20	20	22	27	29	26	25	16
370	380	382	393	478	547	541	560	473	443	439	445	470	503	419
227	215	209	239	252	257	256	266	245	262	233	191	179	186	165
152	136	115	113	145	169	136	129	151	140	150	177	208	159	108
232	197	186	215	277	299	271	293	268	235	268	321	338	303	321
136	112	88	76	107	112	109	107	104	102	108	123	166	117	86
1,155	590	297	442	565	517	337	433	578	450	608	670	752	657	652
729	501	257	343	437	350	290	339	394	378	528	628	531	546	714
724	572	342	334	463	432	447	454	429	480	616	625	552	565	615
282	224	208	216	304	275	247	240	236	255	252	259	305	295	216
179	132	106	165	140	167	182	168	128	128	176	213	177	175	146
96	76	81	98	118	97	86	83	86	83	113	158	139	102	68
157	122	139	202	201	191	177	191	210	390	308	256	252	238	150
352	307	329	401	402	485	533	553	607	758	821	740	741	664	504
171	136	107	117	155	132	157	172	140	107	148	212	205	146	119
1,377	1,417	1,374	1,783	2,602	2,848	2,662	2,339	2,281	1,913	2,307	2,936	2,295	2,277	1,648
1,251	1,041	1,150	1,565	2,551	1,951	1,639	1,302	1,254	1,139	1,477	1,806	1,506	1,599	1,342
4,752	4,899	3,881	4,872	13,778	13,308	8,864	8,156	7,001	5,293	6,340	8,228	7,501	6,927	4,102
360	318	368	446	437	381	383	362	344	360	384	384	388	331	289
38	34	34	31	36	41	41	43	42	33	33	35	39	41	43
70	61	62	72	94	106	100	99	88	91	93	107	96	89	72
28.6	27.2	14.4	18.2	14.7	17.8	22.9	19.4	19.0	16.8	15.9	17.2	20.4	19.2	13.8
48.6	46.6	43.9	36.2	37.1	40.5	41.7	41.5	40.6	38.0	36.5	39.2	37.2	36.4	33.5

United States) weighted by the country's exports to developing countries. b. London interbank offer rate on six-month U.S. dollar deposits. c. Tea prices are average for auctions at Calcutta, Colombo, London, and Nairobi/Mombasa.

Figure A2-11b Price indexes relative to manufactures unit value index, 1985–97



Technical Notes

The principal sources for the data in this appendix are the World Bank's central databases.

Regional aggregates are based on the classification of economies by income group and region, following the Bank's standard definitions (see country classification tables that follow). Debt and finance data refer to the 138 countries that report to the Bank's Debtor Reporting System (see the World Bank's *Global Development Finance 1998*). Small economies have generally been omitted from the tables but are included in the regional totals.

Current price data are reported in U.S. dollars.

Notes on tables

Tables A2-1 through A2-4. Projections are consistent with those highlighted in Chapter 1 and Appendix 1.

Tables A2-5 and A2-6. Merchandise exports and imports exclude trade in services. Imports are reported on a c.i.f. basis. Growth rates are based on constant price data, which are derived from current values deflated by relevant price indexes. Effective market growth is the export-weighted import growth rate of the country's trading partners. The UNCTAD trade database is the principal source for data through 1995; in some cases these data have been supplemented by IMF and UN Comtrade databases or by World Bank staff estimates. Trade figures for countries of the former Soviet Union now reflect the total of non-CIS and intra-CIS exports and imports.

Tables A2-7 and A2-8. Growth rates are compound averages and are computed for current dollar measures of trade.

Table A2-9. Long-term debt covers public and publicly guaranteed external debt but excludes IMF credits. Concessional debt is debt with an original grant element of 25 percent or more. Nonconcessional variable interest rate debt includes all public and publicly guaranteed long-term debt with an original grant element of less than 25 percent whose terms depend on movements of a key market rate. This item conveys information about the borrower's exposure to changes in international interest rates. For complete definitions, see *Global Development Finance 1998*.

Table A2-10. Long-term net resource flows are the sum of net resource flows on long-term debt (excluding IMF) plus non-debt-creating flows. Foreign direct investment refers to the net inflows of investment from abroad. Portfolio equity flows are the sum of country funds, depository receipts, and direct purchases of shares by foreign investors. For complete definitions, see *Global Development Finance 1998*.

Table A2-11. Commodity price data are collected by the Development Prospects Group of the World Bank. World Bank commodity price series for wheat, rice, rubber, sawnwood, and crude petroleum were revised in April 1995. As a result, commodity price indexes are not strictly comparable to editions of *Global Economic Prospects* published before 1995.

Classification of Economies

Table 1 Classification of economies by income and region, 1998

		Sub-Saharan Africa		Asia		Europe and Central Asia		Middle East and North Africa		Americas
Income group	Subgroup	East and Southern Africa	West Africa	East Asia and Pacific	South Asia	Eastern Europe and Central Asia	Rest of Europe	Middle East	North Africa	
Low income		Angola Burundi Comoros Congo, Dem. Rep.[a] Eritrea Ethiopia Kenya Lesotho Madagascar Malawi Mozambique Rwanda Somalia Sudan Tanzania Uganda Zambia Zimbabwe	Benin Burkina Faso Cameroon Central African Republic Chad Congo, Rep. Côte d'Ivoire Gambia, The Ghana Guinea Guinea-Bissau Liberia Mali Mauritania Niger Nigeria São Tomé and Principe Senegal Sierra Leone Togo	Cambodia Lao PDR Mongolia Myanmar Vietnam	Afghanistan Bangladesh Bhutan India Nepal Pakistan	Albania Armenia Azerbaijan Bosnia and Herzegovina Kyrgyz Republic Moldova Tajikistan Turkmenistan		Yemen, Rep.		Haiti Honduras Nicaragua
Middle income	*Lower*	Djibouti Namibia Swaziland	Cape Verde Equatorial Guinea	China Fiji Indonesia Kiribati Korea, Dem. Rep. Marshall Islands Micronesia, Fed. Sts. Papua New Guinea Philippines Samoa Solomon Islands Thailand Tonga Vanuatu	Maldives Sri Lanka	Belarus Bulgaria Georgia Kazakhstan Latvia Lithuania Macedonia, FYR[b] Romania Russian Federation Ukraine Uzbekistan Yugoslavia, Fed. Rep.[c]		Iran, Islamic Rep. Iraq Jordan Syrian Arab Republic West Bank and Gaza	Algeria Egypt, Arab Rep. Morocco Tunisia	Belize Bolivia Colombia Costa Rica Cuba Dominica Dominican Republic Ecuador El Salvador Grenada Guatemala Guyana Jamaica Panama Paraguay Peru St. Vincent and the Grenadines Suriname
	Upper	Botswana Mauritius Mayotte Seychelles South Africa	Gabon	American Samoa Malaysia Palau		Croatia Czech Republic Estonia Hungary Poland Slovak Republic	Isle of Man Turkey	Bahrain Lebanon Oman Saudi Arabia	Libya Malta	Antigua and Barbuda Argentina Barbados Brazil Chile Guadeloupe Mexico Puerto Rico St. Kitts and Nevis St. Lucia Trinidad and Tobago Uruguay Venezuela
Subtotal:	157	26	23	22	8	26	2	10	6	34

Table 1 Classification of economies by income and region, 1998 (continued)

		Sub-Saharan Africa		Asia		Europe and Central Asia		Middle East and North Africa		Americas
Income group	Subgroup	East and Southern Africa	West Africa	East Asia and Pacific	South Asia	Eastern Europe and Central Asia	Rest of Europe	Middle East	North Africa	
High income	*OECD economies*			Australia Japan Korea, Rep. New Zealand			Austria Belgium Denmark Finland France Germany Greece Iceland Ireland Italy Luxembourg Netherlands Norway Portugal Spain Sweden Switzerland United Kingdom			Trinidad and Tobago Canada United States
	Non-OECD economies	Reunion		Brunei French Polynesia Guam Hong Kong, China[d] Macao New Caledonia Northern Mariana Islands Singapore OAE[e]		Slovenia	Andorra Channel Islands Cyprus Faeroe Islands Greenland Liechtenstein Monaco	Israel Kuwait Qatar United Arab Emirates		Aruba Bahamas, The Bermuda Cayman Islands French Guiana Martinique Netherlands Antilles Virgin Islands (U.S.)
Total:	211	27	23	35	8	27	27	14	6	44

a. Formerly Zaire.
b. Former Yugoslav Republic of Macedonia.
c. Federal Republic of Yugoslavia (Serbia/Montenegro).
d. On 1 July 1997 China resumed sovereignty over Hong Kong.
e. Other Asian economies(Taiwan, China).
Source: World Bank data.

Definitions of groups

For operational and analytical purposes, the World Bank's main criterion for classifying economies is gross national product (GNP) per capita. Every economy is classified as low income, middle income (subdivided into lower middle and upper middle), or high income. Other analytical groups, based on geographic regions and levels of external debt, are also used.

Low-income and middle-income economies are sometimes referred to as developing economies. The use of the term is convenient; it is not intended to imply that all economies in the group are experiencing similar development or that other economies have reached a preferred or final stage of development. Classification by income does not necessarily reflect development status.

These tables classify all World Bank member countries, and all other economies with populations of more than 30,000.

Income group: Economies are divided according to 1997 GNP per capita, calculated using the World Bank Atlas method. The groups are: low income, $785 or less; lower middle income, $786–$3,125; upper middle income, $3,126–$9,655; and high income, $9,656 or more.

Table 2 Classification of economies by income and indebtedness, 1998

Income group	Subgroup	Severely indebted	Moderately indebted	Less indebted	Not classified by indebtedness
Low income		Afghanistan Angola Bosnia and Herzegovina Burkina Faso Burundi Cameroon Central African Republic Congo, Dem. Rep.[a] Congo, Rep. Côte d'Ivoire Ethiopia Ghana Guinea Guinea-Bissau Haiti Honduras Liberia Madagascar Malawi Mali Mauritania Mozambique Myanmar Nicaragua Niger Nigeria Rwanda São Tomé and Principe Sierra Leone Somalia Sudan Tanzania Uganda Vietnam Yemen, Rep. Zambia	Bangladesh Benin Cambodia Chad Comoros Gambia, The India Kenya Lao PDR Pakistan Senegal Togo	Albania Armenia Azerbaijan Bhutan Eritrea Kyrgyz Republic Lesotho Moldova Mongolia Nepal Tajikistan Turkmenistan Zimbabwe	
Middle income	*Lower*	Algeria Bolivia Bulgaria Cuba Ecuador Equatorial Guinea Guyana Indonesia Iraq Jamaica Jordan Peru Syrian Arab Republic	Colombia Georgia Macedonia, FYR[b] Morocco Panama Philippines St. Vincent and the Grenadines Thailand Tunisia	Belarus Belize Cape Verde China Costa Rica Djibouti Dominica Dominican Republic Egypt, Arab Rep. El Salvador Fiji Grenada Guatemala Iran, Islamic Rep. Kazakhstan Kiribati Korea, Dem. Rep. Latvia Lithuania Maldives Namibia Papua New Guinea Paraguay Romania Russian Federation Samoa Solomon Islands Sri Lanka Suriname Swaziland Tonga Ukraine Uzbekistan Vanuatu Yugoslavia, Fed. Rep.[c]	Marshall Islands Micronesia, Fed. Sts. West Bank and Gaza
	Upper	Argentina Brazil Gabon	Chile Hungary Malaysia Mexico Turkey Uruguay Venezuela	Antigua and Barbuda Bahrain Barbados Botswana Croatia Czech Republic Estonia Lebanon Libya Malta Slovak Republic South Africa St. Kitts and Nevis St. Lucia Trinidad and Tobago	American Samoa Guadeloupe Isle of Man Mayotte Palau Puerto Rico

Table 2 Classification of economies by income and indebtedness, 1998

Income group	Subgroup	Severely indebted	Moderately indebted	Less indebted	Not classified by indebtedness	
				Mauritius Oman Poland Saudi Arabia Seychelles		
High income	*OECD economies*				Australia Austria Belgium Canada Denmark Finland France Germany Greece Iceland Ireland Italy Japan	Korea, Rep. Luxembourg Netherlands New Zealand Norway Portugal Spain Sweden Switzerland United Kingdom United States
	Non-OECD economies				Andorra Aruba Bahamas, The Bermuda Brunei Cayman Islands Channel Islands Cyprus Faeroe Islands French Guiana French Polynesia Guam Greenland Hong Kong, China[d] Israel Kuwait Liechtenstein	Macao Martinique Monaco Netherlands Antilles New Caledonia Northern Mariana Islands Qatar Reunion Singapore Slovenia United Arab Emirates Virgin Islands (U.S.) OAE[e]
Total:	211	52	29	67	63	

a. Formerly Zaire.
b. Former Yugoslav Republic of Macedonia.
c. Federal Republic of Yugoslavia (Serbia/Montenegro).
d. On 1 July 1997 China resumed sovereignty over Hong Kong.
e. Other Asian economies (Taiwan, China).
Source: World Bank data.

Definitions of groups

These tables classify all world Bank member economies, plus all other economies with populations of more than 30,000.

Income group: Economies are divided according to 1997 GNP per capita, calculated using the *World Bank Atlas* method. The groups are: low income, $785 or less; lower middle income, $786–$3,125; upper middle income, $3,126–$9,655; and high income, $9,656 or more.

Indebtedness: Standard World Bank definitions of severe and moderate indebtedness are used to classify economies in this table. *Severely indebted* means either: present value of debt service to GNP exceeds 80 percent or present value of debt service to exports exceeds 220 percent. *Moderately indebted* means either of the two key ratios exceeds 60 percent of, but does not reach, the critical levels. For economies that do not report detailed debt statistics to the World Bank Debtor Reporting System (DRS), present-value calculation is not possible. Instead, the following methodology is used to classify the non-DRS economies. *Severely indebted* means three of four key ratios (averaged over 1994–96) are above critical levels: debt to GNP (50 percent); debt to exports (275 percent); debt service to exports (30 percent); and interest to exports (20 percent). *Moderately indebted* means three of the four key ratios exceed 60 percent of, but do not reach, the critical levels. All other classified low- and middle-income economies are listed as *less indebted*.