Table A.11 South Asia country forecasts

Annual percent change (unless otherwise indicated)

					Estimate	Forecast	
	1991–2000[a]	2003	2004	2005	2006	2007	2008
Bangladesh							
GDP at market prices (2000 US$)[b]	4.5	5.3	6.3	6.2	6.7	6.2	6.5
Current account balance/GDP (%)	−0.4	0.3	−0.4	−0.9	0.9	0.4	−0.6
India							
GDP at market prices (2000 US$)[b]	5.4	8.6	8.5	8.5	8.7	7.7	7.2
Current account balance/GDP (%)	−1.2	1.1	−0.8	−1.3	−2.2	−2.5	−2.4
Nepal							
GDP at market prices (2000 US$)[b]	4.4	3.1	3.8	2.7	1.9	3.7	4.5
Current account balance/GDP (%)	−6.3	2.1	2.9	2.2	2.4	3.9	2.9
Pakistan							
GDP at market prices (2000 US$)[b]	3.4	5.0	6.4	7.8	6.6	7.0	6.5
Current account balance/GDP (%)	−3.7	4.3	−0.8	−3.1	−3.9	−4.4	−5.3
Sri Lanka							
GDP at market prices (2000 US$)[b]	4.7	6.0	5.4	6.0	7.0	6.5	6.0
Current account balance/GDP (%)	−4.6	−0.6	−3.2	−2.8	−4.9	−4.1	−3.5

Source: World Bank.

Note: Growth and current account figures presented here are World Bank projections and may differ from targets contained in other Bank documents. Afghanistan, Bhutan, and the Maldives are not forecast owing to data limitations.
a. Growth rates over intervals are compound averages; growth contributions, ratios, and the GDP deflator are averages.
b. GDP is measured in constant 2000 U.S. dollars.

2006) and hard currency reserves are relatively low (with import cover down to about 3.5 months in 2006 from over 9 months in 2003).

Higher-than-anticipated international oil prices due to a significant interruption of supply also are an important risk for the region. Higher prices would have a direct impact on inflation, the current account deficit, and the government balance because of increased government spending on fuel subsidies. At the same time, reduced exports due to slower global growth would weaken government revenues and export earnings, thereby exacerbating direct impacts on government and current account deficits. A simultaneous rise in both fiscal and current account imbalances could undermine the perceived creditworthiness of countries in the region, resulting in significantly higher interest rates that could undermine growth prospects.

Political tensions, both domestic and external, also pose risks. The simmering domestic conflict in Sri Lanka and the international tensions on Pakistan's borders generate instability and reduce confidence, acting as drags on growth, particularly of investment. An escalation of these situations—or the emergence of political conflict elsewhere in the region—could lead to a fall in output, with potentially serious consequences for the most vulnerable members of society. Externally, heightened tensions in the Middle East—the source of the majority of migrant remittances flowing to South Asia—could result in a sharp fall-off in transfer payments (in addition to the above-mentioned rise in oil prices).

Sub-Saharan Africa regional prospects

Recent developments

GDP in Sub-Saharan Africa is estimated to have increased an impressive 5.3 percent in 2006, down marginally from 5.5 percent in 2005 and marking the third year of more than 5 percent growth (table A.12). The deceleration in growth is mainly explained by a moderate slowdown in South Africa, the region's

Table A.12 Sub-Saharan Africa forecast summary

Annual percent change (unless otherwise indicated)

					Estimate	Forecast	
	1991–2000[a]	2003	2004	2005	2006	2007	2008
GDP at market prices (2000 US$)[b]	2.3	4.2	5.2	5.5	5.3	5.3	5.4
GDP per capita (units in US$)	0.0	1.9	3.0	3.2	3.3	3.3	3.5
PPP GDP[c]	3.2	3.8	5.4	5.7	5.6	5.7	5.7
Private consumption	1.9	0.6	5.6	5.8	5.3	4.5	4.6
Public consumption	2.9	7.2	5.7	5.7	5.0	5.9	5.9
Fixed investment	3.8	7.7	13.6	9.0	13.6	8.7	8.7
Exports, GNFS[d]	4.3	7.5	6.0	6.8	5.7	7.2	7.1
Imports, GNFS[d]	4.3	7.3	9.5	9.2	10.3	7.7	7.7
Net exports, contribution to growth	0.7	−1.7	−3.0	−3.9	−5.6	−5.9	−6.3
Current account balance/GDP (%)	−2.1	−1.0	−0.2	0.8	0.3	−0.2	−0.9
GDP deflator (median, LCU)	10.0	5.7	6.4	6.7	5.8	4.6	5.0
Fiscal balance/GDP (%)	−4.4	−2.6	−2.4	−1.3	−1.0	−1.2	−0.9
Memo items: GDP							
Sub-Saharan Africa, excluding South Africa	2.6	5.0	5.7	5.9	5.8	6.2	6.1
Oil exporters	2.4	6.7	6.6	7.0	6.9	7.5	7.2
CFA countries	2.5	3.5	5.0	4.3	4.1	3.6	4.4
Kenya	1.7	3.0	4.9	5.8	4.9	5.1	4.9
Nigeria	2.2	10.7	6.5	6.2	4.8	5.1	5.4
South Africa	1.9	3.0	4.5	4.9	4.6	3.9	4.3

Source: World Bank.

a. Growth rates over intervals are compound averages; growth contributions, ratios and the GDP deflator are averages.
b. GDP is measured in constant 2000 U.S. dollars.
c. GDP is measured at PPP exchange rates.
d. Exports and imports of goods and nonfactor services.

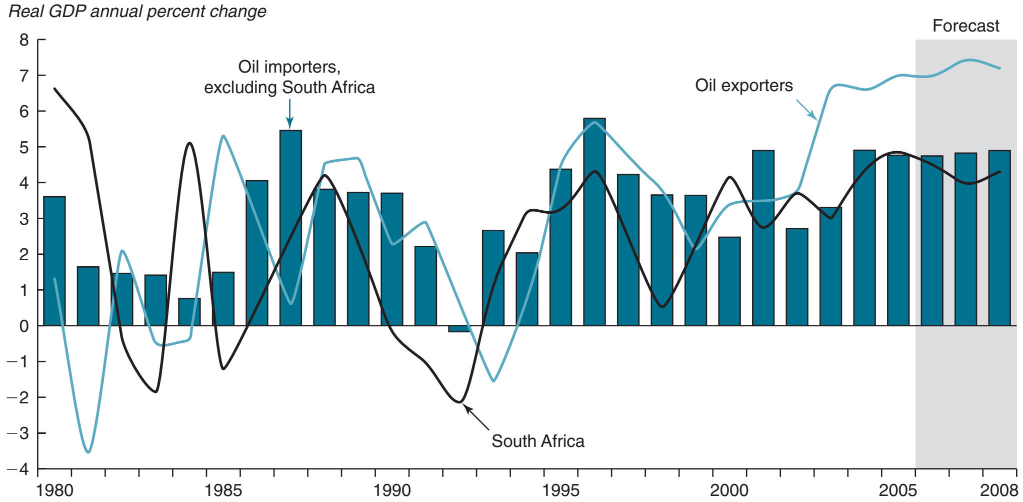
largest economy. Excluding South Africa, regional growth was steady at 5.8 percent, with oil exporters growing 6.9 percent and small oil importers 4.7 percent (figure A.12). Encouragingly, this strong growth has been broadly based, with a third of the countries experiencing growth in excess of 5 percent and only six countries experiencing declining per capita incomes (the Republic of Congo, Eritrea, Gabon, the Seychelles, Swaziland, and Zimbabwe).

Robust growth in the region reflects favorable international conditions and a substantially improved domestic policy environment that has improved countries' supply potential. Low world interest rates have contributed to strong global growth, which has been reflected in an acceleration in regional exports (notably to China), and higher prices for many of the region's commodities—most notably oil but also metals and minerals.

Export competition from China and India has been intense. Notwithstanding decisions by the United States and the European Union to reintroduce quotas on Chinese clothing and textile exports, the value of regional exports of these goods to the United States and the European Union declined by 17.3 percent and 16.9 percent, respectively, over 2005, and similar declines are expected this year. However, China also represents a rapidly growing destination for the region's exports and, of course, Chinese demand has played a key role in the rise of commodity prices.

At the same time, debt relief combined with lower interest rates and risk premia have reduced debt-servicing costs, increasing public funds available for productive investment. In addition, aid flows to poor African countries have been increasing. These factors have made investment projects more attractive, which is reflected in a 7.7 percentage point increase in average investment growth rates between the 1990s and the first half of this decade (3.1 percentage points for small oil importers).

Figure A.12 Regional growth remains stable



Source: World Bank.

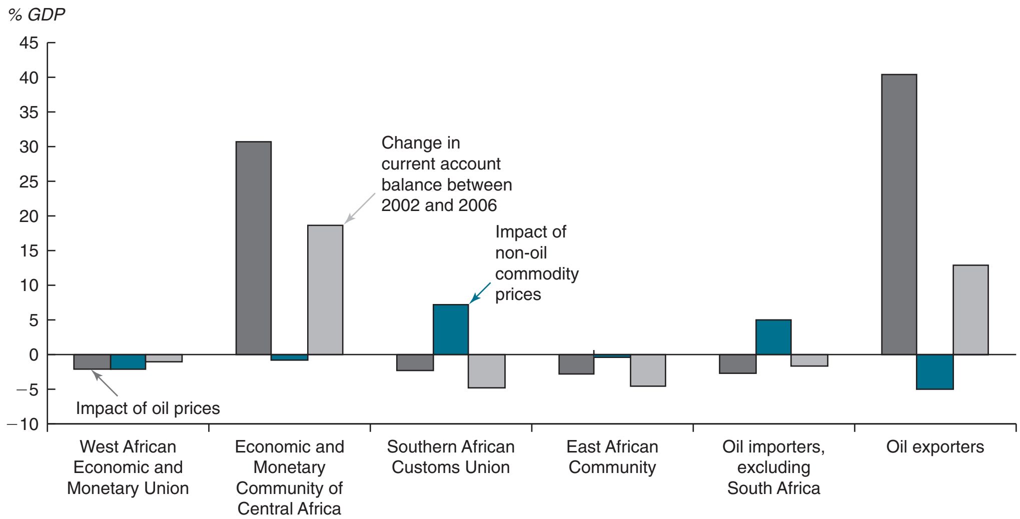
Growth among small oil importers was broadly stable at 4.7 percent in 2006. In West Africa, a recovery in agriculture, good performance in the industrial sector, and strong exports bolstered growth. For the aggregate, this was offset by weaker performance in East Africa, where drought-related crop failures and a decline in hydro-based electrical production took a toll on growth. Strong minerals and metals prices have fueled growth in a number of countries such as Guinea (aluminum, alumina), Namibia (diamonds), and Zambia (copper). The economies of the Seychelles and Zimbabwe continued to contract, while those of Eritrea, Lesotho, and Swaziland are estimated to have expanded by less than 2 percent.

The economies of oil exporters grew an estimated 6.9 percent in 2006, down marginally from 7 percent the year before. Output decelerated in Angola, Chad, the Republic of Congo, and Nigeria but accelerated in Cameroon and Sudan. Technical difficulties in Chad and civil strife in Nigeria disrupted oil production, which contributed to falls in oil output in both countries. In Angola output continued to rise but less rapidly than in past years because capacity constraints are beginning to be felt. The relative weakness in the oil sectors was largely offset by strong domestic demand, fueled by oil receipts, which caused the non-oil sectors in most oil-exporting countries in the region to expand rapidly. However, the impact on GDP was mitigated by an estimated 11 percent increase in import volumes.

The slowdown in South Africa, where GDP is expected to increase by 4.6 percent for the year as a whole, reflected weaker performance in the mining sector and poor crops. In contrast, the manufacturing sector and service sectors have experienced relatively strong growth. On the demand side, household expenditure has been exceptionally strong, benefiting from low nominal interest rates, rising real incomes, and wealth effects. Indeed, consumer confidence remains at historically high levels and consumer spending has shown little signs of easing even in the wake of the latest increase in interest rates.

Despite higher oil prices and robust domestic demand, inflation accelerated in only a handful of countries, owing to prudent monetary policies, low global inflation, improved crops, and falling food prices in most countries. In

Figure A.13 Oil and non-oil commodity price shock in Sub-Saharan Africa



Source: World Bank.

Eastern and Southern Africa there was a pickup in aggregate inflation, reflecting drought-induced food scarcity, although core inflation rates have been coming down.

In South Africa, excessive domestic demand in conjunction with higher oil prices and increased import costs following the rand's depreciation threaten to push inflation above 6 percent, the upper limit targeted by the central bank. Indeed, producer price inflation accelerated to 9.2 percent in August. While producer prices eased somewhat in September, indications are that consumer price index inflation will continue to accelerate. In oil-producing countries, currency appreciation has helped keep inflation in check, despite strong domestic demand, but difficulties in sterilizing oil revenues has kept inflation at relatively high levels.

Several years of strong growth and the rise of oil prices have increased the current account deficits of several oil-importing economies in the region to worrisome levels, although higher commodity prices and increased official and private transfers have helped contain the deterioration (figure A.13). In South Africa weak export growth and strong domestic demand provoked a sharp deterioration in the current account deficit, which jumped to 6.4 percent of GDP in the first quarter of 2006, the highest rate in 24 years. Following the depreciation of the rand in May–June, the deficit declined to 6.1 percent of GDP in the second quarter. Further improvements in the third and fourth quarters are expected, so that the deficit declines to 5.5 percent of GDP for the year as a whole. The current account deficit of small oil importers—excluding Mauritania, which started oil production in February 2006—deteriorated only marginally to an estimated 5.5 percent of GDP in 2006 from 5.1 percent of GDP the year before, thanks to marked improvements in the current account balances of Burkina Faso, Malawi, Mali, Sierra Leone, and Zambia.

Several countries in Sub-Saharan Africa have received additional debt relief from Paris Club creditors under the Multilateral Debt Relief Initiative (MDRI), which are expected to reduce their debt-servicing charges by substantial margins.

Medium-term outlook

Growth in Sub-Saharan Africa is projected to remain above 5 percent over the next two years, as small oil-importing economies continue to grow by about 4.8 percent and growth in oil exporters accelerates owing to increasing capacity in Angola and Equatorial Guinea, as well as a normalization of production levels in Nigeria.

Economic growth in the regional powerhouse, South Africa, is expected to decelerate to less than 4 percent next year, owing to weaker domestic demand following increases in interest rates, the depreciation of the rand, and higher inflation. While slower credit growth and reduced revenues from commodity exports due to price declines are expected to slow investment and consumer spending, a hard landing is not anticipated—in part because the depreciation of the rand should boost output in the export sector, notably in the mining and manufacturing sectors, and because government infrastructure spending will increase ahead of the 2010 Soccer World Cup.

Growth in small oil-importing countries is projected to pick up somewhat, coming in at 4.9 percent in 2008, although growth in Eritrea, Lesotho, the Seychelles, Swaziland, and Zimbabwe is projected to remain below 2 percent. This relative strength is predicated on improved rainfall in East and West Africa, which is expected to restore hydroelectrical production and improve agricultural output. Growth in these economies should also benefit from strengthening investment and government spending, as debt relief and increased aid flows free resources for infrastructure and social service projects. Over the medium term, improved road, electricity, and telecom infrastructure will help reduce the cost of doing business in many countries, benefiting other sectors of the economy. On the downside, lower international agricultural, metal, and mineral prices will negatively affect domestic incomes, and high fertilizer prices are expected to reduce crop yields and agricultural incomes. Weaker domestic demand expansion in South Africa will also represent a drag on growth for closely linked economies. While increased Chinese demand for cotton and declines in price subsidies in the European Union and the United States should benefit cotton producers in West Africa, further declines in market share are expected among textile exporters as producers lose share to low-cost producers such as China and India.

Economic activity is projected to accelerate further among oil-producing countries to above 7.5 percent in 2007, and to remain above 7 percent in 2008. New fields and more efficient extraction should boost oil production in Angola (up 20 percent) and Equatorial Guinea (up 8 percent), while production in Nigeria is expected to rebound following this year's disruptions. In the Republic of Congo, depletion of existing oil fields is projected to cause a sharp contraction in the oil sector, dragging growth down to 1 percent. Notwithstanding lower oil prices, revenues remain elevated and will continue to fund rapid domestic demand growth in excess of 7 percent.

Inflationary pressures are projected to subside in many oil-importing economies in the region, owing to lower international oil and non-oil commodity prices, improved food supply, and prudent monetary policies. In oil-producing countries currency appreciation will help tame inflationary pressures stemming from pent-up domestic demand, the imminent consequence of large increases in public spending, higher private consumption, and supply bottlenecks. In South Africa inflationary pressure is projected to inch upward in the first part of 2007, exceeding 6 percent, before easing in the second half, as weaker private consumption offsets inflationary pressures stemming from higher import costs, the consequence of a weaker rand, and higher construction costs as infrastructure investment picks up. Zimbabwe will remain the region's outlier, experiencing the highest inflation rate in the world.

Despite a projected decline in oil prices to $53 per barrel, strong growth and weaker non-oil commodity prices are expected to contribute to a further deterioration in the current account

Table A.13 Sub-Saharan Africa country forecasts

Annual percent change (unless otherwise indicated)

					Estimate	Forecast	
	1991–2000[a]	2003	2004	2005	2006	2007	2008
Angola							
GDP at market prices (2000 US$)[b]	0.9	3.4	11.1	18.7	16.9	22.3	15.7
Current account balance/GDP (%)	−6.0	−5.0	3.5	8.7	11.9	15.3	13.1
Benin							
GDP at market prices (2000 US$)[b]	4.3	3.9	3.1	3.5	4.3	4.2	4.1
Current account balance/GDP (%)	−6.8	−9.8	−7.9	−7.3	−7.4	−7.4	−7.4
Botswana							
GDP at market prices (2000 US$)[b]	4.4	6.7	4.9	4.0	5.2	4.3	4.1
Current account balance/GDP (%)	8.4	6.0	9.9	14.0	14.0	12.1	9.5
Burkina Faso							
GDP at market prices (2000 US$)[b]	3.2	8.0	4.6	7.1	6.5	4.9	5.2
Current account balance/GDP (%)	−5.6	−12.2	−13.2	−12.2	−6.9	−6.5	−5.0
Burundi							
GDP at market prices (2000 US$)[b]	−2.2	−1.2	4.8	0.9	5.3	5.7	5.4
Current account balance/GDP (%)	−3.4	−4.8	−8.1	−10.5	−15.6	−14.3	−13.7
Cameroon							
GDP at market prices (2000 US$)[b]	1.8	4.2	3.6	2.4	4.1	3.9	4.1
Current account balance/GDP (%)	−3.6	−6.3	−3.1	−2.0	0.5	0.2	0.2
Cape Verde							
GDP at market prices (2000 US$)[b]	5.6	5.0	4.4	5.9	5.8	5.9	5.6
Current account balance/GDP (%)	−8.3	−11.1	−14.6	−4.5	−9.0	−8.6	−8.2
Central African Republic							
GDP at market prices (2000 US$)[b]	1.7	−4.6	1.8	2.8	3.6	3.9	4.3
Current account balance/GDP (%)	−4.3	−2.2	−4.5	−2.8	−3.1	−2.9	−3.0
Chad							
GDP at market prices (2000 US$)[b]	1.2	14.3	33.2	8.4	3.9	2.8	2.7
Current account balance/GDP (%)	−5.5	−43.9	−3.8	4.1	8.7	7.0	4.8
Comoros							
GDP at market prices (2000 US$)[b]	1.8	2.1	−0.2	4.2	1.3	2.1	2.7
Current account balance/GDP (%)	−6.7	−4.1	−4.1	−4.6	−4.7	−4.2	−3.7
Congo, Rep. of							
GDP at market prices (2000 US$)[b]	1.3	0.8	3.6	7.7	6.8	1.1	6.5
Current account balance/GDP (%)	−16.5	14.1	20.7	19.6	25.5	25.4	25.6
Côte d'Ivoire							
GDP at market prices (2000 US$)[b]	2.3	−1.5	1.5	1.8	1.7	2.2	2.7
Current account balance/GDP (%)	−4.0	2.0	1.6	−0.1	1.7	2.5	2.3
Equatorial Guinea							
GDP at market prices (2000 US$)[b]	18.5	14.0	29.4	8.1	8.2	8.3	12.3
Current account balance/GDP (%)	−33.0	−147.6	−23.8	−13.4	−7.0	−8.4	−8.6
Eritrea							
GDP at market prices (2000 US$)[b]		3.0	2.8	4.5	1.7	1.9	2.4
Current account balance/GDP (%)		11.0	5.9	−0.6	−1.1	−1.7	−1.9
Ethiopia							
GDP at market prices (2000 US$)[b]	3.8	−3.9	12.3	8.7	5.8	5.6	5.5
Current account balance/GDP (%)	−0.9	−2.6	−4.4	−7.6	−7.7	−5.5	−4.9
Gabon							
GDP at market prices (2000 US$)[b]	1.8	2.2	1.4	2.9	2.7	1.9	2.7
Current account balance/GDP (%)	5.6	9.5	10.9	15.9	21.3	19.7	17.2
Gambia, The							
GDP at market prices (2000 US$)[b]	3.0	6.9	5.1	5.0	4.4	3.8	3.6
Current account balance/GDP (%)	4.5	−5.7	−11.8	−12.7	−9.1	−6.9	−5.9

(*continued*)

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Table A.13 (*continued*)

Annual percent change (unless otherwise indicated)

					Estimate	Forecast	
	1991–2000[a]	2003	2004	2005	2006	2007	2008
Ghana							
GDP at market prices (2000 US$)[b]	3.8	5.2	5.8	5.4	5.6	5.7	5.8
Current account balance/GDP (%)	−6.5	1.9	−2.7	−7.6	−7.6	−7.1	−6.9
Guinea							
GDP at market prices (2000 US$)[b]	3.8	1.2	2.6	3.1	4.1	4.7	3.9
Current account balance/GDP (%)	−5.7	−2.9	−5.2	−2.9	−4.0	−3.2	−3.1
Guinea-Bissau							
GDP at market prices (2000 US$)[b]	1.0	0.6	1.6	2.4	3.8	2.9	3.1
Current account balance/GDP (%)	−24.0	−10.9	3.1	−7.1	−5.2	−7.8	−7.0
Kenya							
GDP at market prices (2000 US$)[b]	1.7	3.0	4.9	5.8	4.9	5.1	4.9
Current account balance/GDP (%)	−1.6	0.4	−2.7	−2.2	−3.5	−5.5	−4.7
Lesotho							
GDP at market prices (2000 US$)[b]	3.0	3.3	2.7	1.3	1.7	1.8	2.1
Current account balance/GDP (%)	−13.3	−10.7	−2.3	13.4	16.3	17.9	19.6
Madagascar							
GDP at market prices (2000 US$)[b]	2.4	9.8	5.2	4.6	4.9	5.3	5.5
Current account balance/GDP (%)	−7.8	−8.0	−9.3	−11.2	−10.6	−9.6	−8.3
Malawi							
GDP at market prices (2000 US$)[b]	2.6	3.9	5.1	2.1	8.1	4.7	5.1
Current account balance/GDP (%)	−8.5	−7.9	−9.7	−8.1	−4.7	−6.3	−5.8
Mali							
GDP at market prices (2000 US$)[b]	3.9	7.6	2.3	6.8	5.7	5.0	4.8
Current account balance/GDP (%)	−5.7	−13.0	−6.1	−7.9	−6.6	−5.8	−5.4
Mauritania							
GDP at market prices (2000 US$)[b]	4.5	6.4	5.2	5.4	17.9	9.8	14.7
Current account balance/GDP (%)	−0.6	−9.4	−19.2	−40.0	4.7	−1.5	3.7
Mauritius							
GDP at market prices (2000 US$)[b]	4.6	4.4	4.7	2.5	3.8	2.9	2.7
Current account balance/GDP (%)	−1.6	1.7	−1.6	−3.9	−4.8	−6.2	−6.4
Mozambique							
GDP at market prices (2000 US$)[b]	5.1	7.8	7.5	6.6	6.9	6.5	6.7
Current account balance/GDP (%)	−17.2	−14.1	−8.6	−10.8	−12.3	−13.9	−13.7
Namibia							
GDP at market prices (2000 US$)[b]	3.4	3.5	6.0	3.3	3.5	3.9	4.1
Current account balance/GDP (%)	4.1	5.4	8.6	8.8	9.0	5.9	2.3
Niger							
GDP at market prices (2000 US$)[b]	1.5	3.8	−0.6	7.1	4.1	4.0	4.0
Current account balance/GDP (%)	−6.9	−12.2	−12.2	−10.8	−7.7	−7.4	−6.6
Nigeria							
GDP at market prices (2000 US$)[b]	2.2	10.7	6.5	6.2	4.8	5.1	5.4
Current account balance/GDP (%)	0.7	16.3	17.7	23.1	18.5	17.6	15.2
Rwanda							
GDP at market prices (2000 US$)[b]	0.4	0.9	4.0	6.5	5.1	6.1	5.7
Current account balance/GDP (%)	−3.5	−7.5	−2.7	−3.6	−9.3	−10.2	−9.7
Senegal							
GDP at market prices (2000 US$)[b]	3.0	6.5	5.6	5.5	3.8	5.1	5.2
Current account balance/GDP (%)	−6.0	−7.6	−7.1	−9.9	−9.9	−8.9	−8.0
Seychelles							
GDP at market prices (2000 US$)[b]	4.3	−6.3	−2.0	−2.3	−1.8	0.4	0.9
Current account balance/GDP (%)	−7.4	−2.3	−4.2	−13.1	−4.1	−3.9	−3.7

Table A.13 (*continued*)

Annual percent change (unless otherwise indicated)

					Estimate	Forecast	
	1991–2000[a]	2003	2004	2005	2006	2007	2008
Sierra Leone							
GDP at market prices (2000 US$)[b]	−5.6	9.3	7.4	7.2	6.9	6.1	6.2
Current account balance/GDP (%)	−9.0	−7.1	−4.3	−8.4	−6.9	−6.0	−5.6
South Africa							
GDP at market prices (2000 US$)[b]	1.9	3.0	4.5	4.9	4.6	3.9	4.3
Current account balance/GDP (%)	−0.2	−1.4	−3.5	−4.2	−5.9	−5.7	−5.3
Sudan							
GDP at market prices (2000 US$)[b]	4.9	6.0	5.2	7.9	11.8	10.1	9.2
Current account balance/GDP (%)	−6.8	−5.4	−3.4	−11.0	−5.1	−3.7	−3.5
Swaziland							
GDP at market prices (2000 US$)[b]	2.8	2.4	2.1	1.8	1.2	1.1	0.9
Current account balance/GDP (%)	−2.6	1.7	1.4	−1.9	−2.5	−3.1	−4.0
Tanzania							
GDP at market prices (2000 US$)[b]	2.7	5.7	6.7	6.9	5.5	7.1	6.8
Current account balance/GDP (%)	−12.5	−0.6	−3.0	−4.7	−7.3	−7.2	−7.6
Togo							
GDP at market prices (2000 US$)[b]	2.3	−1.3	4.6	1.5	2.8	2.7	3.1
Current account balance/GDP (%)	−8.5	−9.9	−7.6	−11.0	−9.0	−7.2	−7.0
Uganda							
GDP at market prices (2000 US$)[b]	6.2	6.5	5.5	6.3	5.1	5.7	5.8
Current account balance/GDP (%)	−7.0	−5.1	−1.7	−2.8	−6.5	−7.4	−7.0
Zambia							
GDP at market prices (2000 US$)[b]	0.7	5.1	5.4	4.8	5.1	4.9	4.6
Current account balance/GDP (%)	−10.5	−8.1	−10.3	−7.8	−6.1	−6.9	−7.3
Zimbabwe							
GDP at market prices (2000 US$)[b]	0.4	−10.4	−3.8	−6.5	−3.3	−2.9	−2.1
Current account balance/GDP (%)	−7.5	−6.1	−19.4	−20.6	−7.6	−8.7	−9.4

Source: World Bank.

Note: Growth and current account figures presented here are World Bank projections and may differ from targets contained in other Bank documents. The Democratic Republic of Congo, Liberia, Mayotte, São Tome and Principe, and Somalia are not forecast owing to data limitations.

a. Growth rates over intervals are compound averages; growth contributions, ratios, and the GDP deflator are averages.

b. GDP is measured in constant 2000 U.S. dollars.

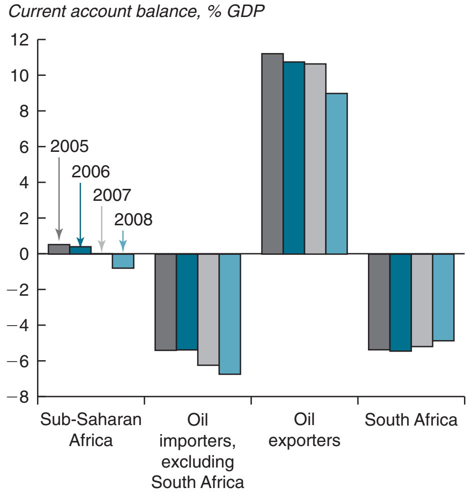
deficits of small oil-importing Sub-Saharan countries from 5.5 percent of GDP (excluding Mauritania) in 2006 to 6.9 percent of GDP in 2008. Surpluses in oil exporters are also projected to decline (from 10.7 to 8.9 percent of GDP) and as a result, the region as a whole is expected to move from a moderate surplus of 0.4 percent of GDP to a deficit of 0.8 percent of GDP (figure A.14).

Risks and policy challenges

Higher oil prices, lower non-oil commodity prices, and a disorderly adjustment in global imbalances all present significant external risks to this relatively benign scenario. A hard landing in the region's major export markets (the European Union and South Africa) would soften external demand and could result in a sharper-than-projected correction in commodity prices. This would exacerbate the projected deterioration in regional current account balances, likely requiring many small oil-importing countries to cut into imports and domestic demand because of limited access to financial markets.

A disorderly adjustment in global imbalances would have similar effects, but would also cause the euro to appreciate, which would

Figure A.14 Current account positions are deteriorating



Source: World Bank.

undermine the export competitiveness of countries with currencies pegged to the euro. In addition, the higher interest rates that would likely accompany a disorderly adjustment would reduce global liquidity and investment, exacerbating the impact on demand caused by reduced global imports.

Drought presents an important domestic risk to growth, threatening subsistence and export crops. Moreover, because the region has become more reliant on hydroelectrical power, secondary and tertiary sectors are also sensitive to sustained shortages in rainfall.

Finally, political turmoil could undermine growth outcomes in Chad, the Democratic Republic of Congo, Côte d'Ivoire, Eritrea, Lesotho, the Seychelles, Somalia, Swaziland, and Zimbabwe. Local unrest and uncertainty related to the election results in Nigeria could postpone the growth bounce-back in the region's second-largest economy as consumer and investor confidence wanes.

Notes

1. The Web site of the World Bank's East Asia and Pacific region (http://www.worldbank.org/eapupdate/) provides more detailed information on recent developments and prospects for individual countries in the region.

2. In addition to higher interest rates and raising reserve requirements, administrative measures included limits on real-estate investment; reinforcement of existing restrictions on investment projects, including a reevaluation of all large investment projects; and loosening of controls on capital outflows.

3. The earthquake in the Yogyakarta and Central Java regions yielded property and livelihood destruction equivalent to the toll from the December 2004 tsunami in Aceh. There was another smaller tsunami in West Java and a mud volcano in East Java, all adding to the toll of destroyed property and displaced people.

4. "Serbia and Montenegro" is used when separate data for the Republic of Serbia and the Republic of Montenegro are not available.

5. For the purposes of this report the Middle East and North Africa region is restricted to the following developing countries within the geographic region: Algeria, the Arab Republic of Egypt, Jordan, the Islamic Republic of Iran, Lebanon, Morocco, Oman, Syrian Arab Republic, Tunisia, and the Republic of Yemen. Data limitations prevent the inclusion of Djibouti, Iraq, Libya, and the West Bank/Gaza in the projections. Among high-income countries in the geographic region the following are included: Bahrain, Kuwait, and Saudi Arabia. Data problems preclude the inclusion of Qatar and the United Arab Emirates in the high-income aggregates.

The World Bank's *MENA: Economic Developments and Prospects—2006* offers a useful breakout of countries based on resource and labor endowments. It is available at http://www-wds.worldbank.org/mena.

6. Projects valued at $1 trillion were either planned or underway by Gulf Cooperation Council (GCC) concerns as of April 2006, up from $277 billion 18 months earlier (Institute for International Finance. September 2006. "Capital Flows to Emerging Market." 2006. "ISI Emerging Market News: Middle East and Africa."