

# World Economic Situation and Prospects 2007

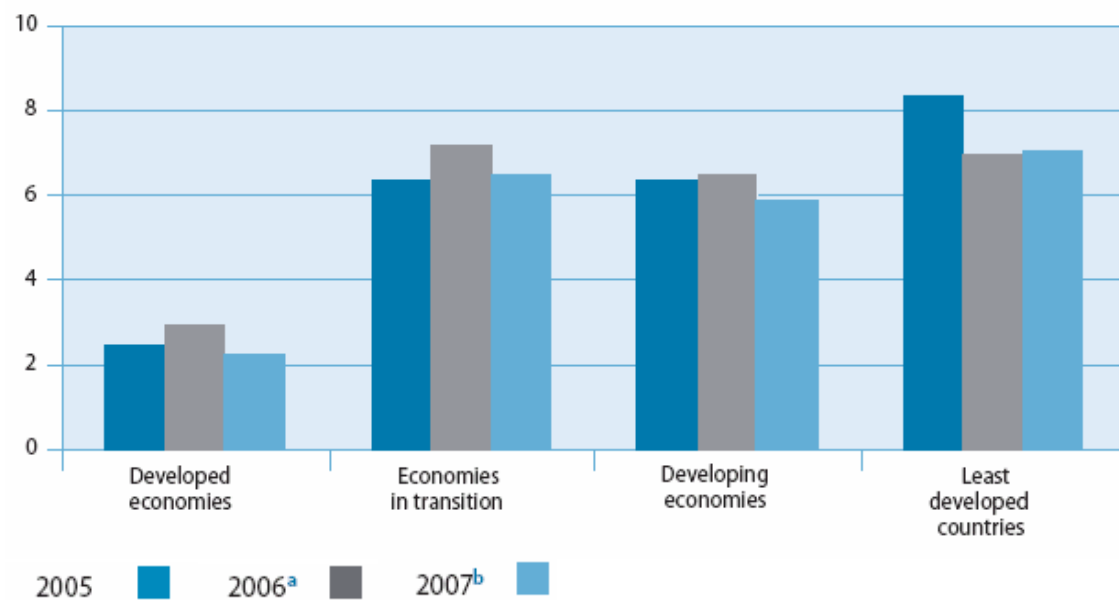
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World Economic Situation and Prospects (WESP) is a joint product of the Department of Economic and Social Affairs, the United Nations Conference on Trade and Development and the five United Nations regional commissions. It provides an overview of recent global economic performance and short-term prospects for the world economy and of some key global economic policy and development issues. One of its purposes is to serve as a point of reference for discussions on economic, social and related issues taking place in various United Nations entities during the year.

## Information about LDCs, LLDCs and SIDS in WESP 2007

- The performance of the least developed countries also remains remarkably strong, averaging nearly 7 per cent in 2006. Growth in the poorest countries is expected to remain equally strong in 2007.<sup>1</sup>
- Oil-exporting developing countries have obviously gained from the higher oil prices. At the same time, however, a significant number of lower-income and net oil-importing countries have been more vulnerable to the oil price increases. Out of some 75 low-income and lower-middle-income net oil importers, 35 belong to the group of LDCs, and 12 are small island developing States. These countries are in general more dependent on oil as the primary source of energy. The weight of net oil imports in these countries varies, but in some cases it has reached over 40 per cent of total imports.<sup>2</sup>
- China provides zero tariff treatment to selected products from all the 39 least developed countries (LDCs) with which it has diplomatic relations, and has made a commitment to increase aid to the HIPC and LDCs and to write off or forgive in other ways, within the next two years, all the overdue parts recorded by the end of 2004, of the interest-free and low-interest governmental loans owed by the HIPC countries with which it has relations.<sup>3</sup>

## Growth in developing countries and economies in transition stronger than in developed countries (*annual percentage change*)



<sup>1</sup> WESP2007, pg. III

<sup>2</sup> WESP2007, pg. 18

<sup>3</sup> WESP2007, pg. 69

### Box I.3

#### Prospects for the least developed countries

Economic performance in the least developed countries (LDCs) has been robust during 2006, recording GDP growth of about 6.9 per cent. While strong, growth has slowed compared to the exceptional performance in 2005 when the economies of the LDCs expanded at a rate of 8.3 per cent. The lower average growth is mainly due to a marked slowdown in a number of countries that did very well in 2005, such as Chad, Equatorial Guinea and Myanmar. The United Nations forecast for GDP growth in the LDCs is 7.1 per cent for 2007.

The good performance for the group as a whole masks important differences among individual countries. Oil-exporting LDCs such as Angola, Sudan and Mauritania sustained high growth rates, mostly in the double digits, underpinned by a further strengthening of oil-export earnings and increases in public spending. The economies of the Democratic Republic of Congo, Liberia and Sierra Leone also showed strength as a result of higher metal prices and post-conflict reconstruction activities. Continued political and economic reforms have contributed significantly to sustain growth above 5 per cent in countries such as Cape Verde, Madagascar, Mozambique, Senegal and Zambia. Similarly, Nepal's growth is expected to rebound considerably in the coming years owing to the improved political situation.

However, because of their narrow production and resource bases, the majority of LDCs remain vulnerable to weather shocks and are highly dependent on developments in commodity markets. Many LDCs benefited from increased agricultural output, but some, including Eritrea, Lesotho, Malawi and, to a lesser extent, the United Republic of Tanzania, suffered from drought and food shortages affecting the poor in particular and giving rise to inflationary pressures. Successes achieved in preceding years in diversifying economic activity away from the traditional agriculture sector and towards textiles and clothing in particular have been partially reversed by increased international competition following the termination of the Agreement on Textiles and Clothing and the related elimination of preferential export quotas. Production, exports and employment in textile industries declined sharply in Lesotho and Malawi in 2005. Despite some newly adopted agreements to restrain other competing countries from exporting textiles to the United States, growth has recovered only slowly in these countries in 2006. Bangladesh is one of the few LDCs that withstood the shock relatively well and managed to increase exports of ready-made garments and cotton textiles.

Higher oil prices, the weakening of some non-oil commodities prices, limited access to external financing and other adverse factors have undermined economic growth in the Central African Republic, the Comoros, Eritrea, Guinea, Guinea-Bissau and Togo, while delays in post-conflict reconstruction constrained economic activity in Haiti. Increased tensions on the Chad-Sudan border are partly responsible for the rapid deceleration of growth in Chad in 2006.

Fiscal and monetary policies will continue to be generally cautious in many LDCs, reflecting the commitments of these countries to comply with macroeconomic targets and benchmarks established by international financial institutions as the underlying conditions for external financial assistance. Some of the LDCs that recorded lower export receipts and increasing import costs will have to rely on additional external financing to avoid major recession. Providing additional official development assistance and debt relief to the LDCs has been at the heart of many multilateral and bilateral initiatives. These commitments, if fully implemented, should help to support the domestic actions of LDCs aimed at reaching the Millennium Development Goals.

Table I.1  
Growth of world output, 2001-2007 (annual percentage change)

	2001	2002	2003	2004	2005	2006 <sup>a</sup>	2007 <sup>b</sup>
World output <sup>c</sup>	1.6	1.9	2.7	4.0	3.5	3.8	3.2
<i>of which:</i>							
Developed economies	1.2	1.2	1.9	3.0	2.5	2.9	2.2
Economies in transition	5.7	5.0	7.0	7.6	6.4	7.2	6.5
Developing economies	2.7	3.9	5.2	6.9	6.4	6.5	5.9
<i>of which:</i>							
Least developed countries	6.6	6.4	6.5	7.9	8.3	6.9	7.1
<i>Memorandum items:</i>							
World trade	-0.8	4.1	5.3	10.2	7.3	10.1	7.7
World output growth with PPP-based weights	2.6	3.0	4.0	5.2	4.8	5.1	4.5

Source: Department of Economic and Social Affairs of the United Nations Secretariat (UN/DESA).

a Partly estimated.

b Forecasts, based in part on Project LINK, an international collaborative research group for econometric modelling, coordinated jointly by the Economic Monitoring and Assessment Unit of the United Nations Secretariat and the University of Toronto.

c Calculated as a weighted average of individual country growth rates of gross domestic product (GDP), where weights are based on GDP in 2000 prices and exchange rates.

Table III.1  
Net financial transfers to developing countries and economies in transition, 1995-2006  
(billions of dollars)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006 <sup>a</sup>
Developing economies	46.2	24.4	-0.6	-33.8	-115.9	-178.2	-151.9	-202.7	-295.6	-346.8	-525	-657.7
Africa	5.9	-5.5	-4.7	15.6	4.2	-27.7	-16.8	-6.7	-21	-35	-63.4	-95.3
Sub-Saharan (excluding Nigeria and South Africa)	7.5	5.4	7.6	12.1	8.9	2.8	7	5.3	6.8	4.5	0.6	-10.1
East and South Asia	21.8	18.8	-31.9	-128.4	-137.6	-119.1	-115.6	-146	-170.7	-162.1	-230.5	-244.7
Western Asia	20.1	10.6	12.6	34.8	7.7	-29.7	-23.8	-18.4	-43.3	-69.8	-125.9	-194.7
Latin America	-1.7	0.6	23.4	44.3	9.8	-1.6	4.3	-31.6	-60.6	-80	-105.2	-123.1
Economies in transition	-2.7	-6.3	2.8	3.6	-23.7	-49.4	-29.1	-26.1	-33.7	-54.6	-86.8	-125.1
<i>Memorandum item:</i>												
Heavily indebted poor countries (HIPC)	6.7	7	7.4	8.5	9.7	7.8	8.2	10.3	9.6	10.2	11.5	9.8
Least developed countries	11.8	10.4	9.3	12.5	10.8	5.7	8.8	7.1	8.5	5.4	2.6	-4.3

Sources: UN/DESA, based on IMF, World Economic Outlook database, September 2006, and IMF, Balance of Payments Statistics.

Note: The developing countries' category does not include economies in transition; hence, data in this table may differ from those reported for country groupings reported in the IMF sources.

a Estimates.



Table A.3  
 Developing economies: rates of growth of real GDP, 1997-2007 (annual percentage change<sup>a</sup>)

	1997-2005	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006 <sup>b</sup>	2007 <sup>c</sup>
Developing countries <sup>d</sup>	4.6	5.4	2.1	3.5	5.7	2.7	3.9	5.2	6.9	6.4	6.5	5.9
Africa	3.8	3.2	3.4	2.8	3.2	3.7	3.4	4.7	4.8	5.4	5.6	5.6
North Africa	4.0	2.7	4.5	3.5	2.8	3.5	3.2	5.4	5.0	5.0	6.1	5.5
Sub-Saharan Africa (excluding Nigeria & South Africa)	4.2	4.5	4.3	2.6	2.4	4.9	4.0	3.3	5.7	5.9	5.9	6.6
Net fuel exporters	4.1	3.5	3.8	2.9	3.3	3.0	3.4	6.1	4.9	6.4	6.1	6.4
Net fuel importers	3.6	2.9	3.0	2.7	3.0	4.3	3.4	3.5	4.7	4.6	5.2	4.8
East and South Asia	5.9	5.9	1.2	6.3	7.1	4.5	6.5	6.9	7.8	7.5	7.4	6.9
East Asia	6.1	6.6	0.2	6.7	7.8	4.5	6.9	6.8	8.0	7.5	7.6	7.0
South Asia	5.5	4.0	4.3	5.1	4.9	4.2	5.4	7.1	7.1	7.3	6.7	6.5
Net fuel exporters	5.0	3.2	3.0	3.0	5.3	4.2	6.7	7.2	5.7	6.6	5.6	4.9
Net fuel importers	6.0	6.2	1.0	6.7	7.3	4.5	6.5	6.8	8.0	7.5	7.6	7.1
Western Asia	3.8	4.6	4.3	-0.7	5.9	-0.3	3.0	4.6	6.6	6.2	5.7	4.9
Net fuel exporters	4.0	3.6	5.1	0.2	4.9	2.6	2.1	5.1	6.2	6.1	6.2	5.0
Net fuel importers	3.5	5.9	3.3	-1.7	7.2	-4.1	4.2	4.1	7.2	6.2	5.1	4.7
Latin America and the Caribbean	2.7	5.5	2.5	0.5	4.0	0.2	-0.8	2.0	5.9	4.5	5.0	4.2
South America	2.2	5.0	1.3	-1.4	2.8	0.2	-1.9	2.1	7.0	5.1	5.3	4.7
Mexico and Central America	3.5	6.6	5.0	3.9	6.2	0.0	1.0	1.6	4.2	3.1	4.3	3.2
Caribbean	4.0	4.0	3.1	5.8	5.6	2.3	2.9	2.9	3.4	6.5	6.8	4.9
Net fuel exporters	2.8	6.8	3.7	-0.1	3.9	-0.7	-3.0	2.5	6.8	5.4	5.8	4.3
Net fuel importers	2.6	3.9	1.0	1.2	4.0	1.4	1.9	1.4	4.9	3.5	4.1	4.0
<i>Memorandum items:</i>												
Least developed countries	6.4	5.4	4.9	5.6	5.8	6.6	6.4	6.5	7.9	8.3	6.9	7.1
East Asia (excluding China)	4.0	4.9	-4.6	6.1	7.4	1.7	5.2	4.2	6.2	5.1	5.3	5.1
South Asia (excluding India)	4.8	3.0	3.1	3.4	5.0	3.6	6.0	6.8	5.8	6.5	5.7	5.1
Western Asia (excluding Israel and Turkey)	3.9	3.7	5.0	0.4	4.7	2.7	2.2	5.0	6.1	5.8	5.8	4.9
Landlocked developing economies	4.7	3.5	3.2	3.3	3.7	5.7	4.5	4.6	6.7	7.1	7.7	7.6
Small Island developing economies	4.4	5.7	1.2	6.3	7.6	0.2	3.4	3.0	6.0	6.1	6.5	5.1
<i>Major developing economies</i>												
Argentina	1.9	8.1	3.9	-3.4	-0.8	-4.4	-10.9	8.7	9.0	9.2	8.0	6.1
Brazil	2.2	3.3	0.1	0.8	4.4	1.3	1.9	0.6	4.9	2.3	3.3	3.5
Chile	3.9	6.6	3.2	-0.8	4.5	3.4	2.2	3.9	6.2	6.3	4.7	5.5
China	9.0	9.3	7.8	7.6	8.4	8.3	9.1	10.0	10.1	10.2	10.2	8.9
Colombia	2.2	3.4	0.6	-4.2	2.9	1.5	1.9	4.1	4.9	5.2	5.5	5.0
Egypt	4.2	4.0	6.1	5.4	3.5	3.2	3.1	3.2	4.2	5.0	5.0	5.0
Hong Kong SAR <sup>e</sup>	3.8	5.1	-5.5	4.0	10.0	0.6	1.8	3.1	8.6	7.3	6.2	6.2
India	6.2	5.2	5.6	6.9	4.7	4.9	4.7	7.4	8.5	8.0	7.7	7.9
Indonesia	2.2	4.7	-13.1	0.8	4.9	3.8	4.4	4.7	5.1	5.6	5.3	6.0

Table A.6  
**Developing economies: consumer price inflation, 1997-2007** (average percentage change<sup>a</sup>)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006 <sup>b</sup>	2007 <sup>c</sup>
<b>Developing countries by region</b>	10.3	10.3	6.9	5.9	5.8	6.4	6.4	5.3	5.0	5.1	5.1
<b>Africa</b>	9.4	6.3	7.1	9.9	9.3	5.8	5.8	6.3	5.3	6.1	5.3
North Africa	4.2	3.9	2.5	2.0	2.5	2.4	3.3	6.9	3.1	5.3	4.4
Sub-Saharan Africa (excluding Nigeria and South Africa)	19.2	8.4	17.3	27.8	20.4	5.4	7.0	5.7	7.7	7.0	5.1
Net fuel exporters	5.7	5.5	3.2	3.3	6.5	4.7	5.9	10.3	5.7	6.6	6.3
Net fuel Importers	12.3	7.0	10.1	14.9	11.5	6.8	5.9	3.5	5.1	5.7	4.6
<b>East and South Asia</b>	5.6	8.2	3.3	2.6	3.2	3.1	3.7	4.6	4.2	4.6	4.5
East Asia	3.7	6.2	1.1	1.0	2.2	1.5	2.1	3.4	2.9	2.9	3.0
South Asia	11.0	14.0	10.2	7.7	6.4	7.8	8.4	8.2	8.1	9.4	8.9
Net fuel exporters	16.0	16.7	18.5	12.9	10.2	13.2	15.2	14.0	12.8	14.5	14.5
Net fuel Importers	4.4	7.3	1.7	1.5	2.5	2.0	2.4	3.6	3.3	3.5	3.4
<b>Western Asia</b>	27.7	26.3	19.9	16.1	16.8	14.9	8.3	4.3	4.8	5.1	6.9
Net fuel exporters	0.8	-0.2	-1.2	-1.2	0.3	0.5	0.7	1.9	2.6	2.7	2.6
Net fuel Importers	54.6	52.8	40.9	33.4	33.3	29.3	15.8	6.6	7.0	7.4	11.2
<b>Latin America and the Caribbean</b>	13.6	10.0	9.2	7.7	5.9	10.2	11.1	6.8	6.6	5.7	5.8
South America	10.7	7.6	6.1	7.0	5.6	12.9	14.1	7.0	7.7	6.6	6.6
Mexico and Central America	19.4	15.0	15.4	9.2	6.4	5.1	4.6	4.9	4.5	3.8	4.3
Caribbean	8.6	5.8	5.7	7.2	7.9	5.5	18.9	29.1	7.9	8.8	7.7
Net fuel exporters	24.5	19.3	17.4	12.0	8.0	7.8	8.7	7.2	5.8	5.0	5.8
Net fuel Importers	5.8	3.5	3.3	4.7	4.4	11.9	12.8	6.5	7.1	6.2	5.9
<i>Memorandum items:</i>											
Least developed countries	21.3	18.8	19.1	22.0	19.9	16.2	13.8	7.1	8.8	11.0	13.3
East Asia (excluding China)	4.4	11.5	2.9	1.4	3.3	3.2	2.8	3.0	3.8	4.2	3.7
South Asia (excluding India)	14.9	14.8	15.6	11.3	9.2	11.3	12.9	12.7	12.0	13.3	12.8
Western Asia (excluding Israel and Turkey)	0.9	0.0	-0.9	-1.0	0.6	0.8	1.0	2.2	2.9	3.1	2.9
<b>Major developing economies</b>											
Argentina	0.5	0.9	-1.2	-0.9	-1.1	25.9	13.4	4.4	9.6	11.0	10.6
Brazil	6.9	3.2	4.9	7.1	6.8	8.5	14.7	6.6	6.8	4.3	4.0
Chile	6.1	5.1	3.3	3.8	3.6	2.5	2.8	1.1	3.1	3.7	3.4
China	2.8	-0.8	-1.4	0.4	0.7	-0.8	1.2	3.9	1.8	1.3	2.0
Colombia	18.5	18.7	10.9	9.2	8.0	6.3	7.1	5.9	5.0	4.5	4.0
Egypt	4.6	3.9	3.1	2.7	2.3	2.7	4.5	11.3	4.9	7.3	5.8
Hong Kong SAR <sup>d</sup>	5.8	2.8	-3.9	-3.7	-1.7	-3.2	-2.1	-0.1	1.2	1.5	1.7
India	7.2	13.2	4.7	4.0	3.7	4.3	3.9	3.7	4.2	5.6	4.9
Indonesia	6.2	58.4	20.5	3.7	11.5	11.9	6.8	6.1	10.5	13.3	7.0
Iran, Islamic Republic of	17.3	17.9	20.1	14.4	11.3	14.3	16.5	14.8	13.4	15.3	15.4
Israel	9.0	5.4	5.2	1.1	1.1	5.6	0.7	-0.4	1.3	2.7	2.5
Korea, Republic of	4.4	7.5	0.8	2.3	4.1	2.8	3.5	3.6	2.7	2.5	2.8