
Author: Dr Martin Raschen, phone + 49 (0) 69 7431-2434, research@KfW.de

In the latest issue of its standard report the World Bank draws a conservatively positive picture of global economic development for the next three years. It corrects downwards the growth expectations for 2012 and for 2013 that it had made in its last report from June 2012. However, beyond this correction the World Bank maintains its forecast of the development trend: the global economy in 2012 has weakened compared to the previous year, but is likely to pick up steam again from 2013 to 2015. Nevertheless the World Bank sees no reason for over optimism.

Industrialised countries / Euro area
Since summer 2012, the World Bank sees positive trends particularly in the Euro area. The reforms introduced in the euro peripheral countries and EMU regulatory framework combined with the ECB measures have significantly improved the prospects for overcoming the crisis in the euro area. Nevertheless, the World Bank forecasts a recession for the Euro area in 2013 (-0.1 % after -0.4 % 2012). The World Bank expects the economies in the USA (+1.9 %) and Japan (+0.8 %) to remain weak, so that industrialised countries on average are likely to steadily grow by 1.3 %. According to the World Bank, in 2014 and 2015 the rate of growth in industrialised countries will increase somewhat at 2.0 and 2.3 % respectively; the GDP of the Euro area will increase again. The report does not have a specific analysis of Germany.

Real GDP growth (in percent) a)

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>World</td>
<td>2.3</td>
<td>2.4</td>
<td>3.1</td>
<td>3.3</td>
</tr>
<tr>
<td>Industrialised countries</td>
<td>1.3</td>
<td>1.3</td>
<td>2.0</td>
<td>2.3</td>
</tr>
<tr>
<td>Developing and emerging countries</td>
<td>5.1</td>
<td>5.5</td>
<td>5.7</td>
<td>5.8</td>
</tr>
</tbody>
</table>

a) Note: these figures of the World Bank are not comparable with the values in IMF reports due to different methodologies.

Risks to the world economy
- The reform path started in the Euro area must be continued on all levels. Otherwise this could lead to a global economic downturn which would hit developing and emerging countries hard.
- The USA must develop a credible strategy for fiscal consolidation and for handling the debt ceiling.
- China must gradually reorient its growth towards domestic demand and consumption and away from export and investment.
- Risk factors include a disruption of global oil supplies and a new price explosion for food.

Both of the first two points named above entail real opportunities ("upside risks"). Thus, according to the World Bank the character of global economic risks have changed in recent times: the risks are now more evenly distributed across countries and regions, their potential to do damage has declined and the probability of "upside risks" has increased.