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Updated view of the economic situation: the World Bank Report "Global Economic Prospects", January 2013

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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.

Developing and emerging countries

The pleasing developments in the Euro area since 2012 have also improved the situation on the international capital markets. The developing and emerging countries benefit from this as well. Recently they have again recorded increasing inflows of capital, the *Emerging Market Bond Spreads* declined and share prices are again increasing. The real economies of developing and emerging countries also showed positive trends, but the impacts here are still moderate. The growth of 5.1 % achieved in 2012 is the weakest in the last ten years (apart from the global crisis year 2009). In the period 2013–2015 the local economic dynamics are likely to gradually pick up steam again as a result of the economic recovery of the industrialised countries and the easing of both the international capital markets and their own monetary policies which supports growth. According to estimates by the World Bank, the developing and emerging countries will attain a rate of growth in 2013 to 2015 that corresponds to their potential growth. It advises these countries to continue on their course of economic policy reform, which benefited them significantly in the 1990s and 2000s. Structural reforms / governance, investments in human capital and the replenishing of a fiscal buffer that was depleted after the global financial crisis in 2008 to 2009 are the top priorities in order to raise productivity and for making provisions for new external shocks.

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. ■

Real GDP growth (in percent) a)

	2012	2013	2014	2015
World	2.3	2.4	3.1	3.3
Industrialised countries	1.3	1.3	2.0	2.3
Developing and emerging countries	5.1	5.5	5.7	5.8

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