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IMF sees continued progress in developing countries

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Twice a year the IMF produces its comprehensive *World Economic Outlook* (WEO). Within the public debate, these IMF analyses tend to receive attention only insofar as they concern crises among industrialised nations. However, the current WEO report also contains important statements regarding developing countries.

Robust economies in developing countries

GDP growth in developing countries continues to be much stronger than in industrialised nations. As a result, developing countries are set to remain the engine of the global economy for 2013/14 (see chart). Although there are regional differences, it is still reasonable to refer to a general upturn in these countries. The impressive rate of growth recorded by *Developing Asia* (7–10 % p. a.) continues. At its centre is China, which may well grow by 8 % p. a. in 2013/14. The IMF rates this positively, describing it as a “healthy pace”. After Asia, sub-Saharan Africa deserves particular attention as the next best-performing region, with growth of 5 % p. a. Behind these, closely intermixed in many cases with the industrialised nations, are the countries of North Africa and the Middle East, Latin America, the CIS and Eastern Europe, which either have particular economic weaknesses or are affected by special factors such as the Arab Spring. But even in these regions, growth is consistently higher than in the industrialised countries.

Overall the IMF even sees grounds to warn developing countries of the risks of overheating. These countries ought now to replenish their fiscal buffers. Moreover, they are still asked to address fundamental structural problems (infrastructure deficits, subsidies etc.). This also applies to many of those emerging nations such as Brazil and India which have been highly praised but whose present development is disappointing.

The debt crisis in the Eurozone and fiscal problems in the USA and Japan continue to pose the most important risks to the world economy. These factors, together with the strongly expansionary monetary policies being pursued by industrialised nations, naturally affect developing countries as well.

Inflation, raw material prices, and international trade imbalances

In recent times, prices on the world market for foodstuffs and energy (oil) have stabilised or even fallen slightly. According to the IMF, little will change in this respect during 2013/14. Hence the IMF expects that developing countries will also see a slight fall in inflation, although the inflation level is admittedly still too high at approx. 6 %. Fortunately, global external imbalances have reduced since 2008, with China having made a substantial contribution here as well. But this is a complex global problem, and the issue is far from resolved.

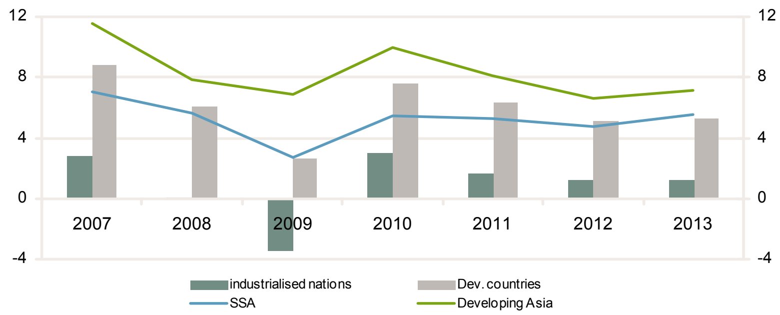
Particular praise from the IMF for *Low Income Countries* (LICs)

In its WEO report, the IMF devotes a specific chapter to LICs and confirms they have achieved a pleasing economic upturn over the last two decades. At the same time, this upturn – unlike on many occasions in previous years – has not been “built on sand”. In the past, countries had often manipulated exchange rates and used inflationary monetary policies and excessive budget deficits to create questionable and unsustainable stimuli. Instead of this, LICs are now reaping the rewards of the substantial progress they have made in the field of reform. But there is still a long way to go on the road to “good governance”.

Global balance continues to shift

Viewed over the long term, some impressive changes have taken place in the global economy. For example, since 1995 the share of global GDP produced by developing countries has increased from 18 to 38 %, and their share of worldwide exports has risen from 28 to 43 %. This can clearly be attributed to the large, dynamic emerging nations in particular, and to China most of all. Yet there is evidence of increasing global economic integration across the totality of developing countries. But at the same time their external vulnerability has increased. The IMF confirms this, but counters it with two positive aspects. First, trade with industrialised nations (and their slowing economies) is becoming less important for these countries, especially with the dynamic development of South-South trade. And secondly, regardless of their success in export markets, domestic demand predominates in developing countries. This also applies to emerging economies such as Brazil, India and China. ■

Chart: Real Growth (percentage)



Source: IMF: WEO, www-database

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