

Weekly Global Economic Brief

Number 34

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21 January 2010

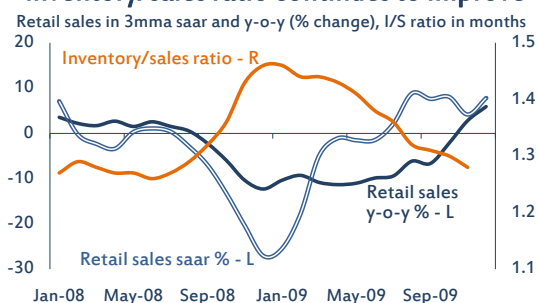
U.S. inventories posted a second consecutive monthly increase in November, after having contracted for over a year, indicating that the inventory adjustment is largely over. While the shift to stock-building is expected to contribute positively to GDP growth in Q4-2009, a sustainable recovery in GDP will require a prolonged period of growth in sales. The recent fall-off in domestic credit growth across most G-20 economies suggests that banks are consolidating their balance sheets, given loan losses. An extended period of loan losses would likely lead to a contraction in credit and undermine growth prospects. Rising high-income country external debt is expected to raise their borrowing costs and benchmark rates for developing countries in the coming years.

The U.S. inventory-to-sales ratio returns to a healthier level. Total business inventories rose 0.4% in November 2009, posting a second monthly increase following 14 consecutive months of decline. With sales growing more rapidly than stocks, the number of months of sales required to clear stocks (or I/S ratio) continued to shrink and reached 1.28 in November. This is in line with pre-crisis ratios and well-below the recent peak of 1.46 in December 2008. The shift to stock-building is expected to contribute positively to GDP growth in Q4-2009. But, a sustainable expansion in GDP will require an extended period of growth in sales. Notably, momentum growth in retail sales remained positive for a sixth consecutive month in December (q/q, saar).

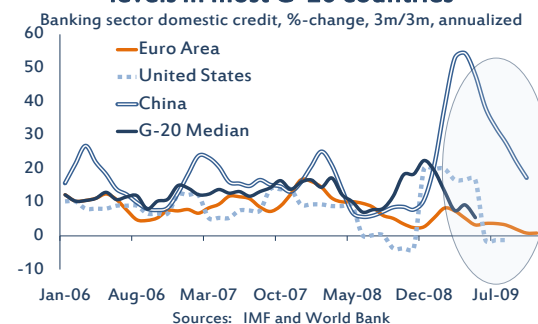
Domestic credit growth slowed in recent months. Momentum growth of banking sector credit (3m/3m, annualized) has decelerated in many G-20 economies, after having generally peaked in early-2009. This suggests that banks are focusing on rebuilding their balance sheets, which have been weakened by loan losses. Total credit growth has been hobbled in a number of mature economies by the sharp pull-back by 'shadow' banks—non-bank institutions, e.g., investment banks and hedge funds, that were at the epicenter of the crisis. Greater-than-expected realized credit losses could result in further deterioration in the health of the financial sector and lead to a credit contraction, which could undermine growth prospects.

External debt positions rise across many economies, led by high-income countries. As of Q2-2009, total external debt has jumped by a minimum 7.5 percentage-points as a share of GDP among the G-7 countries since Q1-2007. Rising government debt has been a key driver, as budget deficits have deteriorated sharply. Governments in Greece, Ireland and Portugal, among other high-income countries, have come under significant pressure due to their large financing needs. High-income country government debt is expected to continue to rise in the coming years, which is likely to raise their borrowing costs along with benchmark rates for developing countries. However, the relative riskiness of developing country debt (and risk premiums) may decline, as developing public debt is not expected to rise as much as in high income countries.

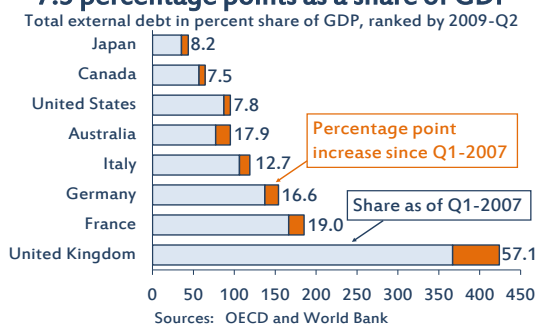
U.S. retail sales growth remains positive; inventory/sales ratio continues to improve



Credit growth is moderating from elevated levels in most G-20 countries



External debt rises across the G-7 by at least 7.5 percentage points as a share of GDP



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Economic Developments

indicators expressed as %ch y/y, except Industrial Production quarterly figures are %ch q/q, annualized

21-Jan-10

	2006	2007	2008	2008 Q4	2009 Q1	Q2	Q3	2009 Jul	Aug	Sep	Oct	Nov
Industrial Production, S.A.												
World	4.8	4.7	0.6	-20.4	-22.1	6.0	12.9	-8.9	-7.3	-5.2	-3.7	0.4
High Income Countries	3.2	2.6	-1.8	-23.3	-31.2	1.2	12.7	-13.9	-12.1	-9.7	-8.6	-4.4
Developing Countries	8.8	9.8	5.9	-14.2	-1.6	15.3	13.4	1.2	2.5	3.8	6.1	-
East Asia and Pacific	12.9	15.2	11.0	-9.1	11.2	26.5	14.0	8.4	9.7	11.6	14.1	-
East Asia x. China	1.2	4.3	3.3	-17.9	-6.6	13.3	5.6	-3.3	-3.3	0.4	2.9	4.2
Europe and Central Asia	7.8	7.2	1.2	-29.0	-16.2	4.8	14.4	-9.0	-8.2	-7.0	-3.2	3.1
Middle East and N. Africa	-0.6	-0.4	1.6	-2.4	-6.8	6.2	4.5	-0.2	0.3	0.6	1.2	-
Latin America and Caribbean	4.6	4.4	0.7	-20.2	-16.1	1.9	10.3	-7.9	-6.7	-5.9	-4.1	1.0
South Asia	10.6	9.1	4.1	-3.7	1.9	15.5	20.8	6.4	9.7	8.5	10.2	11.8
Sub-Saharan Africa	4.1	6.3	3.6	-13.0	-16.5	-4.7	11.7	-7.3	-6.6	-4.8	-4.2	-
Inflation, S.A.¹												
High Income Countries	2.5	2.4	4.3	3.6	1.9	0.7	0.2	0.0	0.2	0.2	0.2	1.0
Developing Countries	6.2	6.1	10.4	10.5	7.8	4.8	2.5	3.0	2.3	2.0	2.4	-
East Asia and Pacific	6.2	5.5	9.5	9.7	4.4	1.4	0.3	1.3	0.0	0.2	-0.3	1.4
Europe and Central Asia	6.6	8.4	10.7	9.4	8.4	4.2	2.9	3.0	2.7	2.8	3.2	2.8
Middle East and N. Africa	6.2	3.9	14.9	13.8	4.5	3.3	4.2	3.7	4.0	4.8	5.0	-
Latin America and Caribbean	4.3	6.4	8.8	8.6	6.2	4.0	1.9	2.7	1.9	2.7	2.8	3.1
South Asia	7.5	7.6	10.9	14.2	9.6	8.9	9.7	11.2	7.6	7.4	8.8	10.6

¹ Inflation is calculated as medians for all groups.

Trade and Finance

indicators expressed as %ch y/y, except International Reserves %ch p/p and trade quarterly figures are %ch q/q, annualized

	2006	2007	2008	2008 Q4	2009 Q1	Q2	Q3	Jul	Aug	Sep	Oct	Nov
Exports, Nominal, US\$, S.A.												
World	15.9	15.3	14.9	-55.9	-51.5	7.7	36.8	-29.8	-26.3	-18.6	-11.8	-10.5
High Income Countries	13.3	13.6	12.4	-55.8	-49.8	7.0	38.6	-29.2	-25.6	-17.5	-11.2	-16.9
Developing Countries	23.0	19.7	20.8	-56.2	-54.9	9.3	32.9	-31.3	-27.9	-20.9	-13.2	3.2
East Asia and Pacific	23.4	22.0	16.7	-41.1	-49.1	2.9	28.3	-24.1	-22.4	-15.3	-9.9	1.8
Europe and Central Asia	23.0	22.0	29.3	-70.0	-61.4	9.9	51.9	-38.6	-34.3	-27.9	-14.3	4.6
Middle East and N. Africa	31.4	16.2	37.1	-71.1	-74.4	15.3	-	-46.9	-41.0	-32.8	-	-
Latin America and Caribbean	19.7	13.2	11.8	-55.1	-46.6	16.0	7.5	-30.9	-26.5	-20.4	-13.6	5.1
South Asia	19.1	18.4	24.2	-59.0	-46.8	14.3	58.1	-28.4	-19.5	-13.4	-6.6	13.6
Sub-Saharan Africa	24.2	20.1	27.9	-69.3	-70.0	32.5	-	-36.9	-36.0	-26.9	-	-
Imports, Nominal, US\$, S.A.												
World	15.1	16.6	16.2	-57.4	-51.7	2.2	40.6	-32.1	-26.9	-19.1	-12.2	-10.3
High Income Countries	13.7	14.7	12.8	-59.1	-48.9	-3.7	42.3	-33.6	-27.1	-18.9	-10.9	-17.0
Developing Countries	19.4	21.9	25.3	-53.3	-57.7	17.4	36.9	-28.5	-26.5	-19.5	-15.1	4.8
East Asia and Pacific	16.9	18.8	21.1	-52.5	-55.4	63.1	44.2	-20.0	-19.6	-7.9	-7.1	19.0
Europe and Central Asia	25.6	30.3	26.3	-63.6	-64.7	-7.5	40.8	-41.7	-36.7	-29.3	-21.9	-
Middle East and N. Africa	9.7	23.0	44.7	-33.7	-40.7	14.0	-	-15.5	-15.2	-17.4	-	-
Latin America and Caribbean	19.6	19.0	22.1	-44.6	-58.0	-15.1	24.0	-31.8	-30.7	-26.5	-26.3	-7.6
South Asia	20.5	21.4	38.3	-61.7	-67.3	13.6	56.0	-35.1	-31.2	-27.5	-15.1	-2.1
Sub-Saharan Africa	23.1	21.7	23.8	-45.2	-46.7	-7.3	-	-25.0	-23.3	-	-	-
International Reserves, US\$												
High Income Countries	8.5	10.6	1.2	1.8	-1.2	6.7	11.5	1.4	7.1	2.6	1.6	2.1
Developing Countries	33.0	42.0	12.6	-4.5	-2.7	6.4	7.1	1.6	2.8	2.4	2.3	-
East Asia and Pacific	29.1	41.5	23.5	1.2	0.5	8.3	7.2	1.8	2.2	2.9	2.4	-
Europe and Central Asia	50.9	45.7	-8.5	-19.2	-9.5	6.7	4.8	0.3	3.0	1.4	4.1	2.2
Middle East and N. Africa	37.1	31.7	23.9	0.6	-3.4	1.9	-	1.9	2.1	1.8	0.8	-
Latin America and Caribbean	21.6	44.6	11.3	-3.9	-6.0	1.9	9.0	2.0	4.6	2.1	2.2	1.9
South Asia	28.1	53.2	-9.0	-10.0	-2.2	6.6	8.1	2.6	4.0	1.3	1.1	-1.1
Sub-Saharan Africa	40.1	27.3	8.0	-7.0	-8.7	0.1	10.6	0.6	5.9	4.0	0.4	-

Financial Markets

	2007	2008	2009				2009			MRV ¹	Chg since Sep-12 '08 ³
			Q1	Q2	Q3	Q4	Oct	Nov	Dec		
Interest rates and LIBOR (%)											
U.S. Fed Funds Effective	5.02	1.93	0.19	0.18	0.15	0.12	0.12	0.12	0.12	0.13	-1.97
ECB repo	3.98	3.78	1.12	0.79	0.44	0.43	0.44	0.45	0.41	0.36	-4.02
US\$ LIBOR 3-months	5.30	2.91	1.24	0.85	0.41	0.27	0.28	0.27	0.25	0.25	-2.57
EURIBOR 3-months	4.28	4.63	2.02	1.31	0.87	0.72	0.74	0.72	0.71	0.67	-4.28
US 10-yr Treasury yield	4.63	3.65	2.71	3.30	3.50	3.45	3.36	3.39	3.59	3.70	-0.03
German Bund, 10 yr	4.22	3.99	3.10	3.35	3.31	3.22	3.23	3.24	3.18	3.23	-0.94
Spreads (basis points)											
US Corporate (High Yield Bonds)	304	915	1516	1107	803	618	640	628	587	506	-227
JP Morgan Emerging Markets	197	406	683	503	384	318	321	325	309	303	-54
Asia	161	355	558	396	299	244	244	257	231	238	-58
Europe	158	370	692	467	369	269	278	275	253	232	-81
Latin America & Caribbean	208	426	712	548	416	364	364	368	361	360	-29
Middle East	476	585	808	618	470	399	416	404	376	307	-191
Africa	288	452	673	489	307	253	248	273	239	227	-108
Stock Indices²											
Global (MSCI)	393	327	204	234	268	294	291	294	298	303	-5.2
High-Income (\$ Index)	1571	1297	820	924	1054	1150	1137	1149	1163	1184	-7.7
United States (S&P-500)	1476	1221	810	892	996	1089	1068	1089	1111	1138	-9.1
Euro Area (S&P-350\$)	1909	1544	899	1025	1208	1344	1334	1353	1346	1339	-9.0
Japan (Nikkei-225)	16983	12156	7961	9275	10140	9967	10064	9642	10195	10738	-12.1
Developing Markets (MSCI)	...	743	431	566	670	760	752	759	769	789	13.3
Asia	...	688	430	571	678	750	742	749	761	786	23.9
Europe & C. Asia	...	766	341	424	538	621	614	630	619	648	-13.8
Latin America & Caribbean	3670	3771	2103	2760	3296	4002	3897	4015	4093	4050	14.6
Middle East and N. Africa	693	733	358	433	473	491	515	488	471	484	-30.5
Africa	...	772	496	621	728	787	791	778	793	803	4.6
Exchange Rates (LCU / USD)											
High Income Countries											
Euro	0.73	0.68	0.77	0.73	0.70	0.68	0.67	0.67	0.69	0.71	0.4
Japan	117.74	103.37	93.52	97.40	93.57	89.62	90.23	88.94	89.70	90.90	-15.4
Brazil	1.95	1.83	2.32	2.08	1.87	1.74	1.74	1.73	1.75	1.79	0.3
Russia	25.57	24.88	34.09	32.18	31.31	29.48	29.43	28.95	30.06	29.75	16.3
India	41.35	43.52	49.83	48.83	48.40	46.64	46.74	46.58	46.61	45.94	0.5
China	7.61	6.95	6.84	6.83	6.83	6.83	6.83	6.83	6.83	6.83	-0.3
Egypt	5.64	5.44	5.58	5.62	5.54	5.47	5.47	5.46	5.49	5.44	0.0
South Africa	7.05	8.26	9.95	8.47	7.81	7.49	7.48	7.51	7.48	7.56	-6.2
Memo: USA nominal effective rate	89.39	84.39	91.12	88.61	84.17	81.30	81.39	80.79	81.73	81.73	-4.9

¹ MRV = Most Recent Value.

² MSCI Indices for Asia, Africa, and Europe and C. Asia, for 2008 are calculated from February-December, due to data availability.

³ Change expressed in levels for interest rates and spreads; percent change for stock market and exchange rates.

Commodity Prices

	2007	2008	2009				2009			MRV	Chg since Sep-12 '08 ³
			Q1	Q2	Q3	Q4	Oct	Nov	Dec		
Oil price, \$/b, nominal ¹	71	97	44	59	68	75	74	77	75	76	-22.1
Non - Oil Index ²	164	196	137	154	163	176	170	175	183	187	-5.4
Food Index ²	155	218	162	182	175	182	177	181	189	190	-10.4
Metals and Minerals Index ²	182	183	114	133	156	170	164	170	177	183	0.1
Baltic Dry Index ³	7072	6348	1557	2661	2795	3378	2746	3941	3449	3158	-34.2

¹ Simple average of Brent, Dubai and WTI.

² Base Date = Jan 1, 2005

³ Base Date = May 1, 1985