



World Economic Outlook

May 1999

The Outlook seems to be stabilizing

Revisions to World Growth Projections

(Percent change in world real GDP)

*World Economic
Outlook Issued*

1997

1998

1999

2000

October 1997

4.2

4.3

4.4

4.6

December 1997

4.1

3.5

4.1

4.4

May 1998

4.1

3.1

3.7

3.8

October 1998

4.1

2.0

2.5

3.7

December 1998

4.2

2.2

2.2

3.5

May 1999

4.2

2.5

2.3

3.4

Overview of the World Economic Outlook Projections

(Annual percent change unless otherwise noted)

	1997	1998	Current Projections		Differences from December 1998 Projections	
			1999	2000	1998	1999
World Output	4.2	2.5	2.3	3.4	0.1	--
Advanced economies	3.2	2.2	2.0	2.3	0.1	0.4
Major industrial countries	3.0	2.2	1.9	2.0	0.1	0.4
United States	3.9	3.9	3.3	2.2	0.3	1.5
Japan	1.4	-2.8	-1.4	0.3	--	-0.9
Germany	2.2	2.8	1.5	2.8	0.1	-0.5
France	2.3	3.1	2.2	2.9	0.1	-0.4
Italy	1.5	1.4	1.5	2.4	0.1	-0.4
United Kingdom	3.5	2.1	0.7	2.1	-0.5	-0.2
Canada	3.8	3.0	2.6	2.5	0.2	0.4
Other advanced economies	4.2	2.1	2.5	3.4	0.3	0.3
Memorandum:						
Industrial countries	3.0	2.5	2.0	2.2	0.2	0.3
Euro area	2.5	2.9	2.0	2.9	--	-0.4
Newly industrialized Asian economies	6.0	-1.5	2.1	4.5	1.1	1.6
Developing countries	5.7	3.3	3.1	4.9	0.2	-0.6
Africa	3.1	3.4	3.2	5.1	-0.2	-0.6
Asia	6.6	3.8	4.7	5.7	0.7	0.1
China	8.8	7.8	6.6	7.0	0.6	--
India	5.5	5.6	5.2	5.1	0.9	0.4
ASEAN-4 ¹	3.8	-9.4	-1.1	3.0	0.8	0.1
Middle East and Europe	4.4	2.9	2.0	3.3	-0.5	-0.9
Western Hemisphere	5.2	2.3	-0.5	3.5	-0.3	-2.1
Brazil	3.2	0.2	-3.8	3.7	-0.3	-2.8
Countries in transition	2.2	-0.2	-0.9	2.5	0.1	0.1
Central and eastern Europe	3.1	2.4	2.0	3.7	-0.3	-0.4
Excluding Belarus and Ukraine	3.5	2.6	3.0	4.6	-0.5	-0.4
Russia	0.8	-4.8	-7.0	--	0.9	1.3
Transcaucasus and central Asia	2.4	2.0	1.8	3.1	--	-1.1
World trade volume (goods and services)	9.9	3.3	3.8	5.8	--	-0.6
Imports						
Advanced economies	9.1	4.7	5.0	5.7	0.1	0.3
Developing countries	11.2	-0.7	2.6	6.8	-0.1	-3.0
Countries in transition	9.3	1.2	-0.2	6.2	--	-2.5
Exports						
Advanced economies	10.3	3.2	2.8	5.6	-0.1	-1.0
Developing countries	11.4	2.2	4.6	5.5	-0.6	-0.9
Countries in transition	6.2	4.1	6.4	6.6	0.4	1.1
Commodity prices						
Oil ²						
in SDRs	-0.2	-31.2	-9.2	13.4	-1.4	-14.1
in U.S. dollars	-5.4	-32.1	-8.3	13.4	-1.6	-16.7
Nonfuel ³						
in SDRs	2.0	-13.5	-4.9	1.9	1.2	-1.1
in U.S. dollars	-3.3	-14.8	-4.0	1.8	0.8	-3.4
Consumer prices						
Advanced economies	2.1	1.6	1.4	1.7	--	-0.2
Developing countries	9.4	10.4	8.8	7.5	-0.6	-0.2
Countries in transition	28.2	20.8	40.9	12.4	-0.4	11.5
Six-month LIBOR (in percent)⁴						
On U.S. dollar deposits	5.9	5.6	5.2	5.2	0.1	0.1
On Japanese yen deposits	0.7	0.7	0.2	0.3	--	-0.3
On Euro deposits	3.5	3.7	3.0	3.1	--	-0.3

Note: Real effective exchange rates are assumed to remain constant at the levels prevailing during February 16-March 15, 1999.

¹ Indonesia, Malaysia, the Philippines, and Thailand.

² Simple average of spot prices of U.K. Brent, Dubai, and West Texas Intermediate crude oil. The average price of oil in U.S. dollars a barrel was \$13.07 in 1998; the assumed price is \$12.00 in 1999 and \$13.60 in 2000.

³ Average, based on world commodity export weights.

⁴ London interbank offered rate.

Selected Developing Countries: Real GDP and Consumer Prices

(Annual percent change)

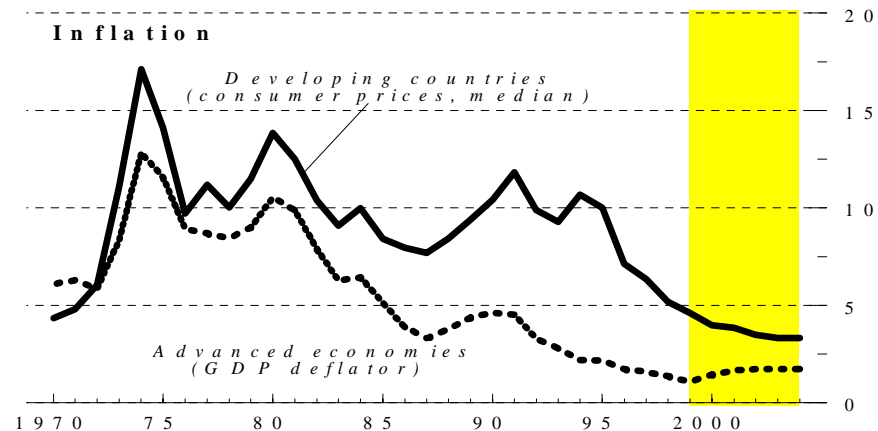
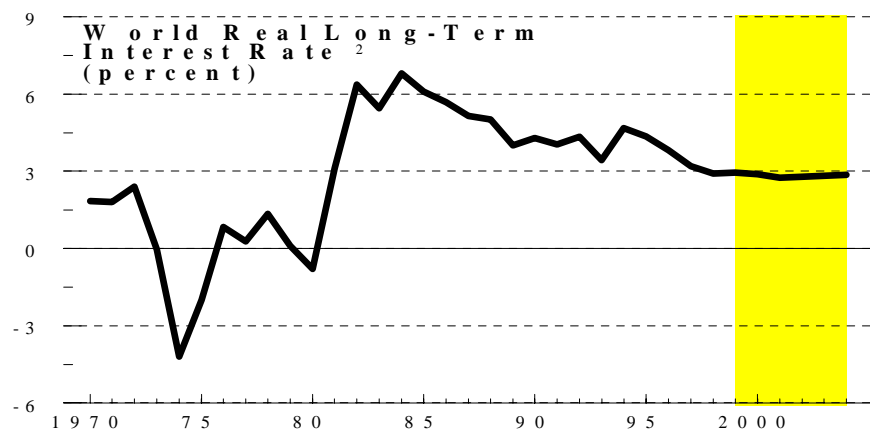
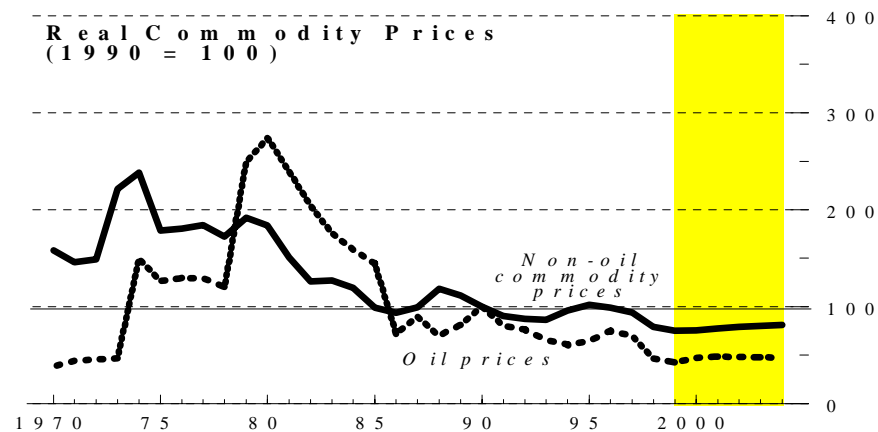
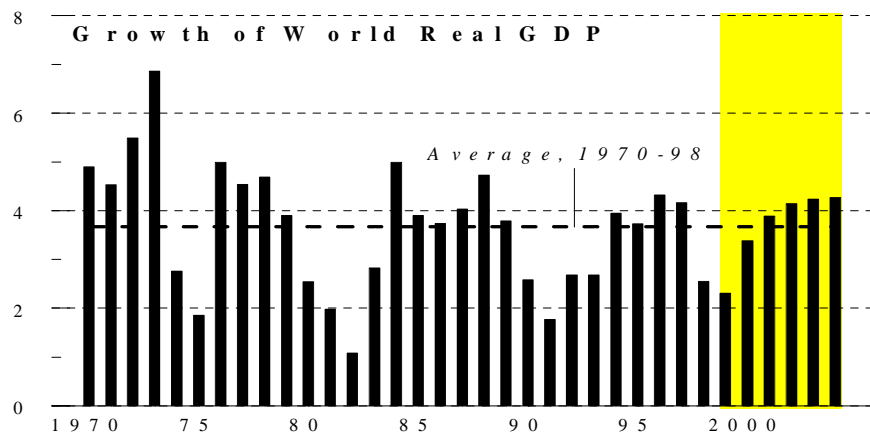
	R e a l G D P				C o n s u m e r P r i c e s			
	1997	1998	1999	2000	1997	1998	1999	2000
D e v e l o p i n g c o u n t r i e s	5.7	3.3	3.1	4.9	9.4	10.4	8.8	7.5
M e d i a n	4.0	3.8	3.9	4.6	6.3	5.2	4.6	4.0
A f r i c a	3.1	3.4	3.2	5.1	11.1	8.6	8.6	6.6
Algeria	1.1	3.4	3.3	4.3	6.8	6.2	7.0	7.0
Cameroon	5.1	5.0	4.7	5.3	5.2	2.8	2.0	2.0
Cote d'Ivoire	6.0	5.7	6.0	5.8	5.6	4.5	2.5	2.5
Ghana	4.2	4.5	5.5	6.0	28.8	17.7	7.1	6.5
Kenya	2.1	1.5	3.5	6.0	11.2	6.6	6.0	5.0
Morocco	-2.0	6.3	3.8	4.0	1.0	2.7	2.5	2.5
Nigeria	3.9	2.3	-1.5	5.5	8.5	10.2	13.4	8.0
South Africa	1.7	0.1	0.6	3.2	8.6	7.0	6.8	6.0
Sudan	6.6	5.2	5.5	5.2	46.7	17.0	16.9	9.0
Tanzania	3.5	3.3	5.2	5.9	16.1	12.6	7.8	5.1
Tunisia	5.4	5.1	5.5	6.5	3.7	3.6	3.6	3.5
Uganda	5.2	5.5	7.0	7.0	7.8	5.8	5.0	5.0
S A F / E S A F c o u n t r i e s ¹	4.5	4.0	5.5	6.1	8.7	7.6	5.2	4.1
C F A c o u n t r i e s	5.2	5.6	5.3	5.5	4.4	3.4	2.4	2.3
A s i a	6.6	3.8	4.7	5.7	4.8	8.0	4.7	4.5
Bangladesh	5.7	4.2	3.4	3.9	4.8	7.9	8.1	7.2
China	8.8	7.8	6.6	7.0	2.8	-0.8	0.5	2.0
India	5.5	5.6	5.2	5.1	7.2	13.0	7.5	7.9
Indonesia	4.6	-13.7	-4.0	2.5	6.6	60.7	28.2	10.0
Malaysia	7.7	-6.8	0.9	2.0	2.7	5.3	3.6	5.0
Pakistan	-0.4	5.4	3.0	3.0	12.5	7.8	7.0	8.0
Philippines	5.2	-0.5	2.0	3.0	6.0	9.7	8.5	6.0
Thailand	-0.4	-8.0	1.0	3.0	5.6	8.1	2.5	4.0
Vietnam	8.8	3.5	3.5	4.5	3.2	7.7	8.0	6.0
M i d d l e E a s t a n d E u r o p e	4.4	2.9	2.0	3.3	23.1	23.8	19.7	19.4
Egypt	5.0	5.3	4.9	5.5	6.2	3.8	4.0	4.0
Iran, Islamic Republic of	3.0	1.7	--	2.0	17.3	22.0	15.0	10.0
Jordan	2.2	0.5	2.0	3.0	3.0	5.0	3.5	3.0
Kuwait	2.5	2.2	-1.9	0.7	0.7	0.5	0.9	1.7
Saudi Arabia	1.9	1.2	-0.7	1.2	-0.4	-0.2	2.0	1.0
Turkey	7.6	2.8	2.0	3.6	85.7	84.6	67.5	73.6
W e s t e r n H e m i s p h e r e	5.2	2.3	-0.5	3.5	13.9	10.5	14.6	9.9
Argentina	8.6	4.2	-1.5	3.0	0.8	0.9	0.6	0.9
Brazil	3.2	0.2	-3.8	3.7	7.9	3.5
Chile	7.1	3.3	2.0	4.6	6.1	5.1	4.5	4.2
Colombia	3.1	0.2	--	3.0	18.5	18.7	13.0	12.7
Dominican Republic	8.1	7.0	7.3	6.4	8.3	4.8	6.5	3.1
Ecuador	3.5	0.2	-5.0	1.5	30.6	36.1	73.8	60.5
Guatemala	4.1	4.9	3.9	5.0	9.2	7.5	6.5	5.0
Mexico	7.0	4.9	2.0	3.0	20.6	16.7	16.7	11.2
Peru	7.2	1.5	4.5	6.5	8.5	7.3	4.7	4.5
Uruguay	5.1	4.5	-1.0	3.1	19.8	10.8	7.0	4.0
Venezuela	5.9	-0.4	-3.6	1.8	50.0	35.8	26.1	21.8

¹ African countries that had arrangements, as of the end of 1998, under the IMF's Structural Adjustment Facility (SAF) or Enhanced Structural Adjustment Facility (ESAF).

Global indicators¹

(Annual percent change unless otherwise noted)

The crises in emerging market economies since mid-1997 have led to the fourth global economic slowdown in a quarter century.



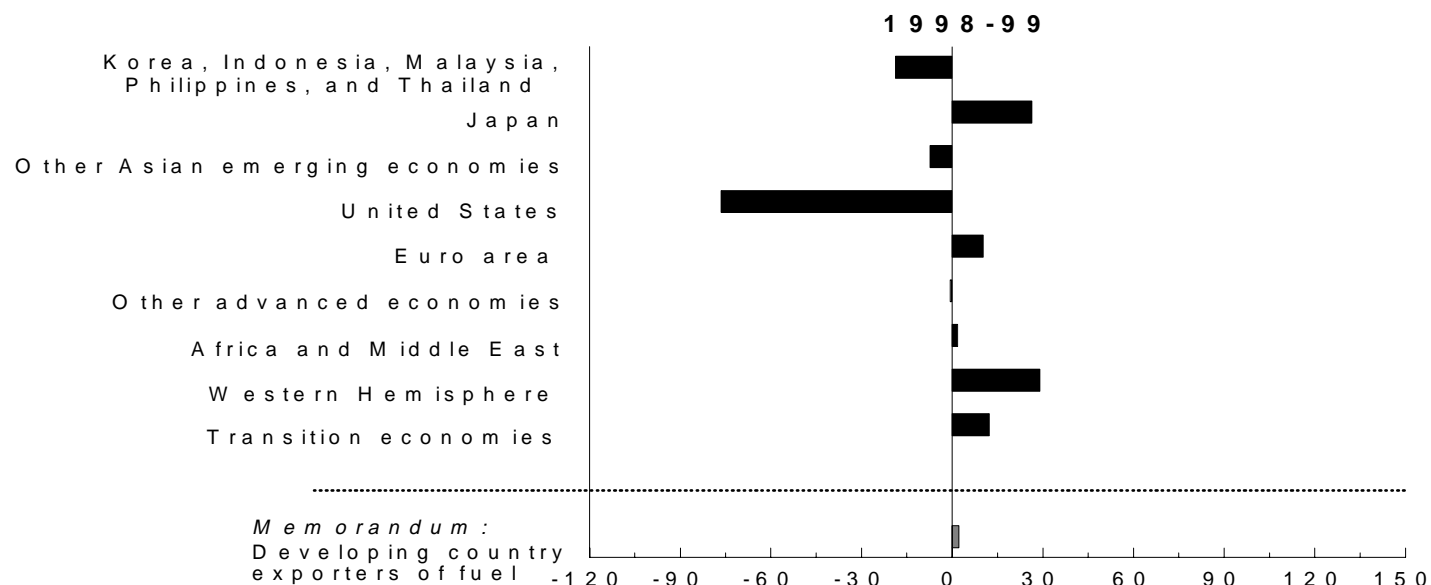
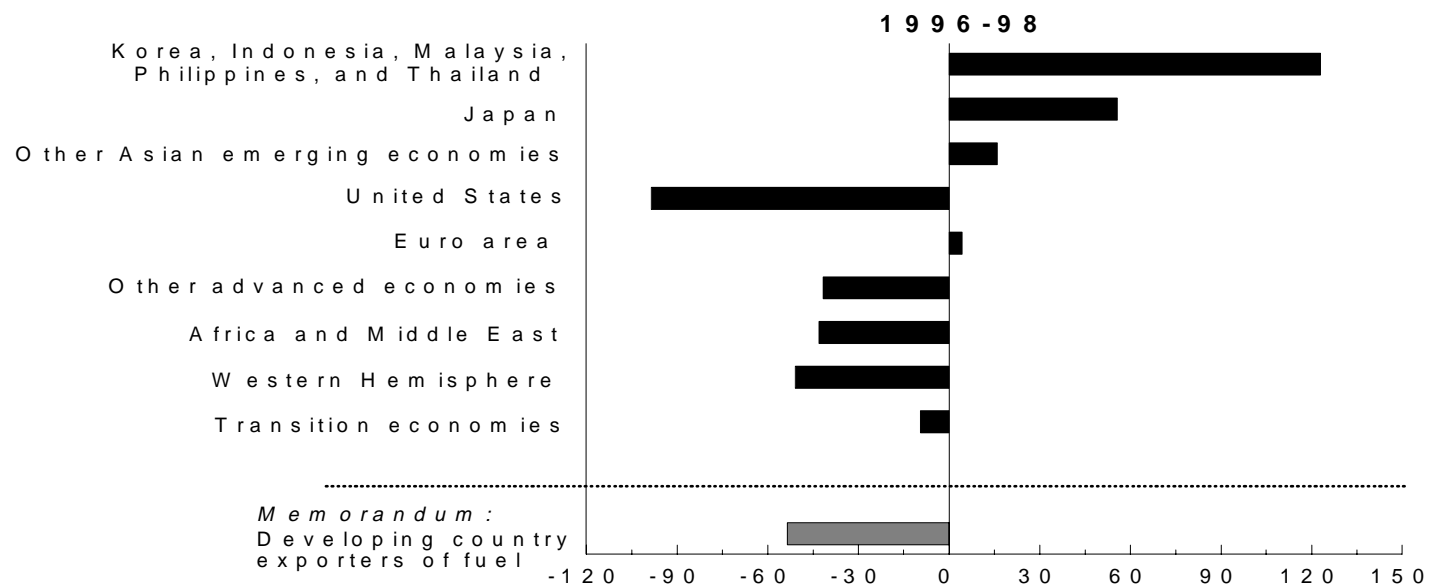
¹ Shaded areas indicate IMF staff projections. Aggregates are computed on the basis of purchasing-power-parity weights unless otherwise indicated.

² GDP-weighted average of ten-year (or nearest maturity) government bond yields less inflation rates for the United States, Japan, Germany, France, Italy, the United Kingdom, and Canada. Excluding Italy prior to 1972.

Changes in Current Account Balances

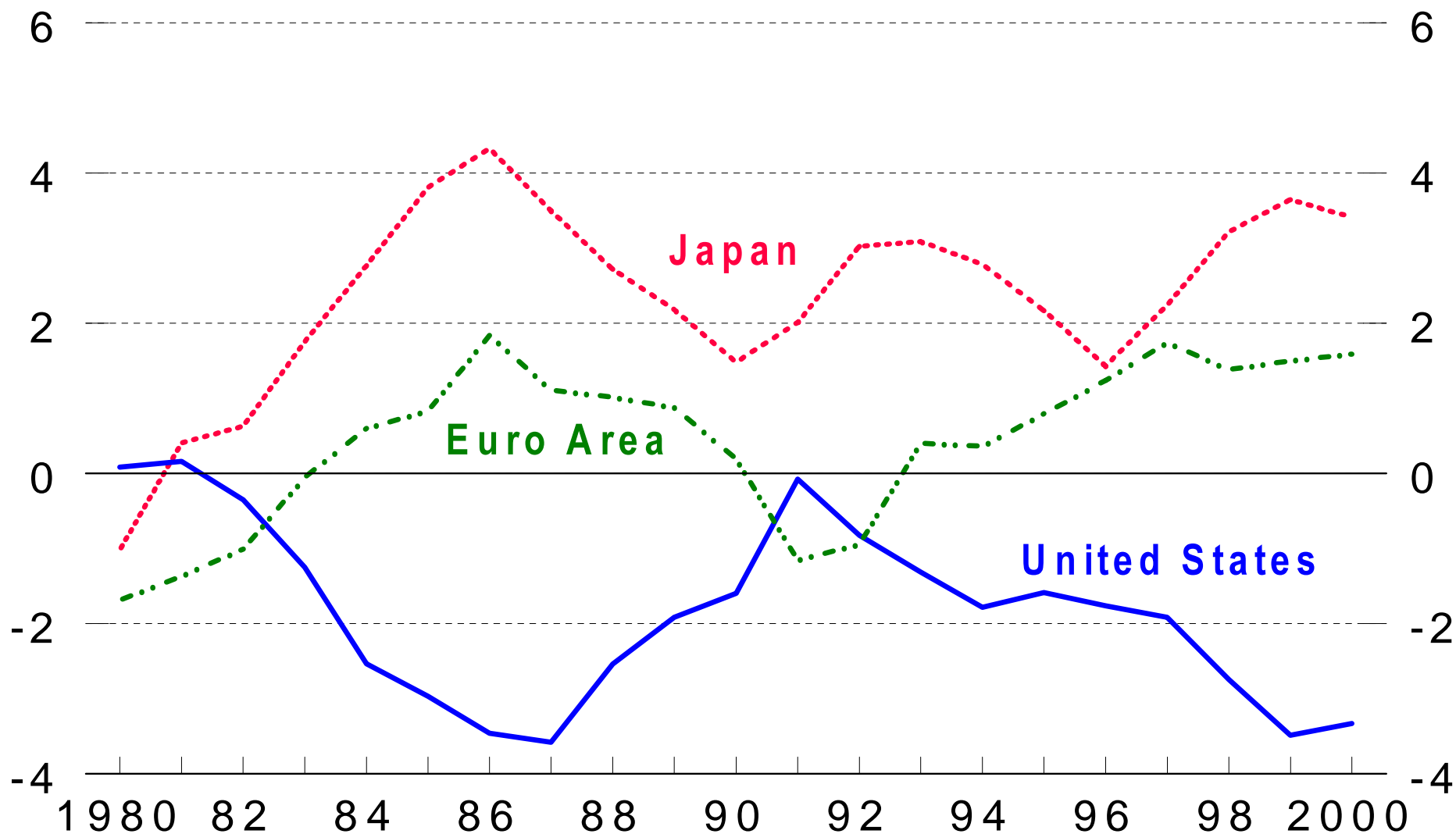
(Billions of U.S. dollars)

The east Asian crisis and declines in commodity prices led to substantial shifts in trade balances in 1996-98. The crisis in Brazil will contribute to adjustments in 1999.

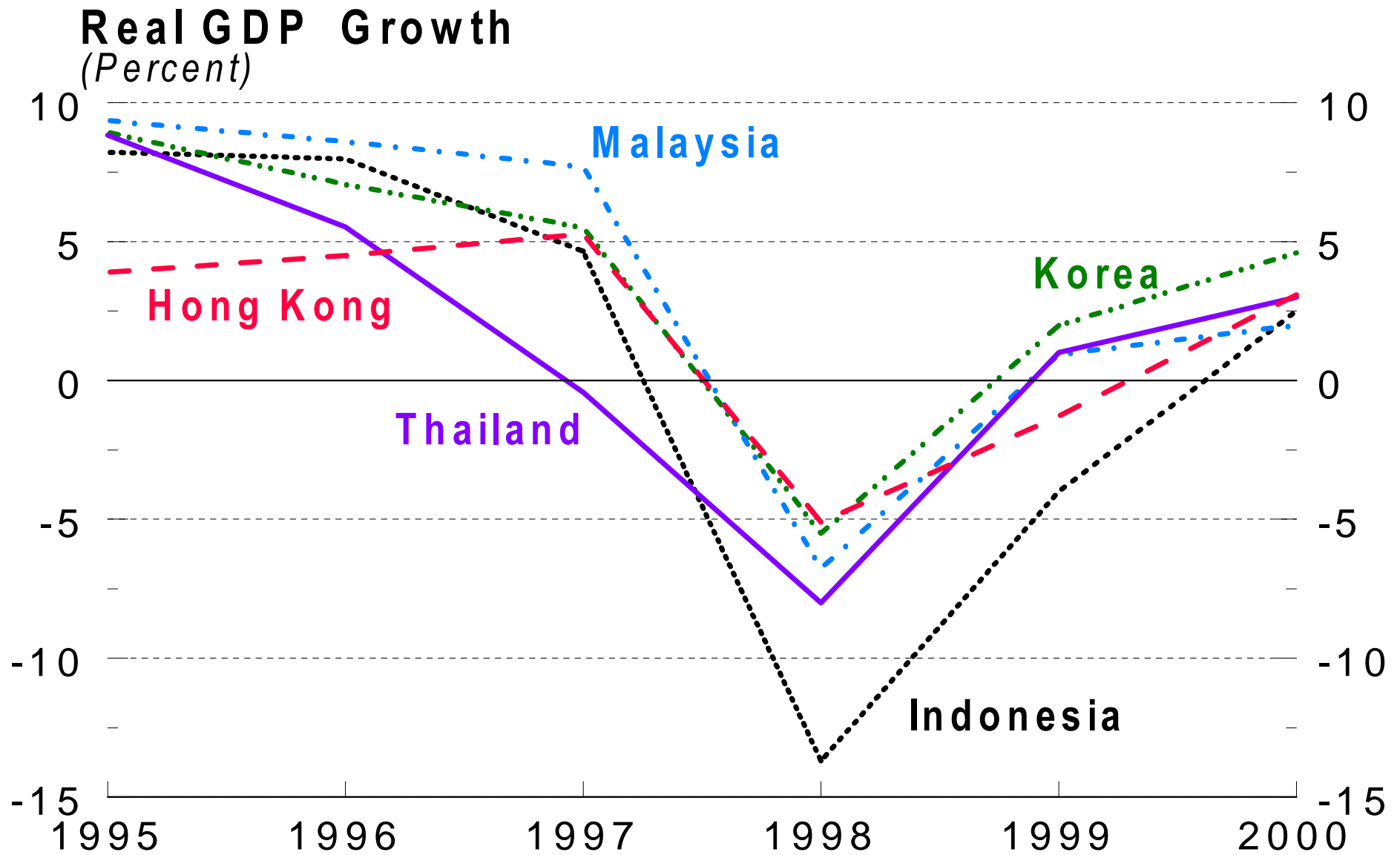


The U.S. current account deficit has widened

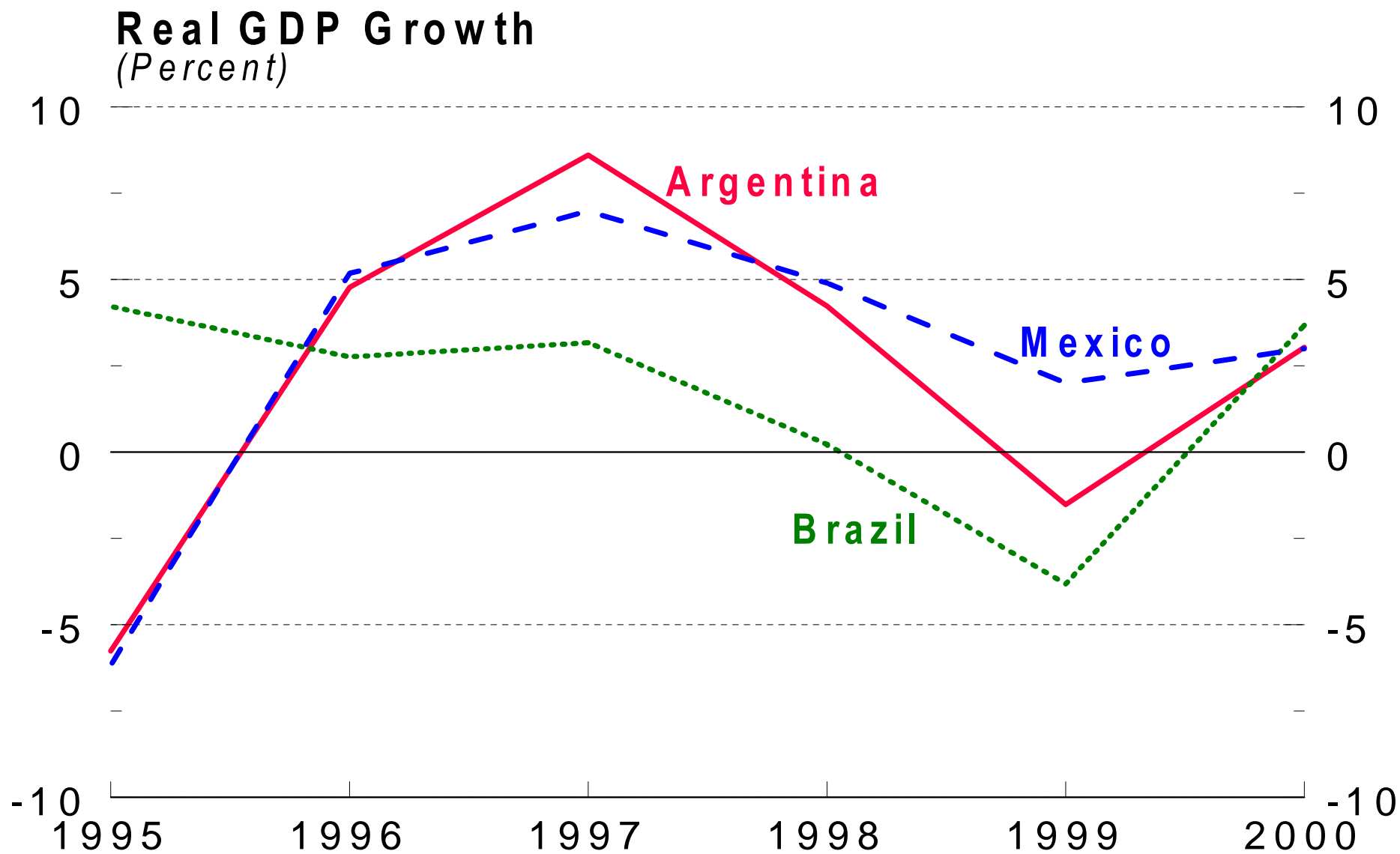
(Percent of GDP)



V-shaped recovery profiles in Asian - 5

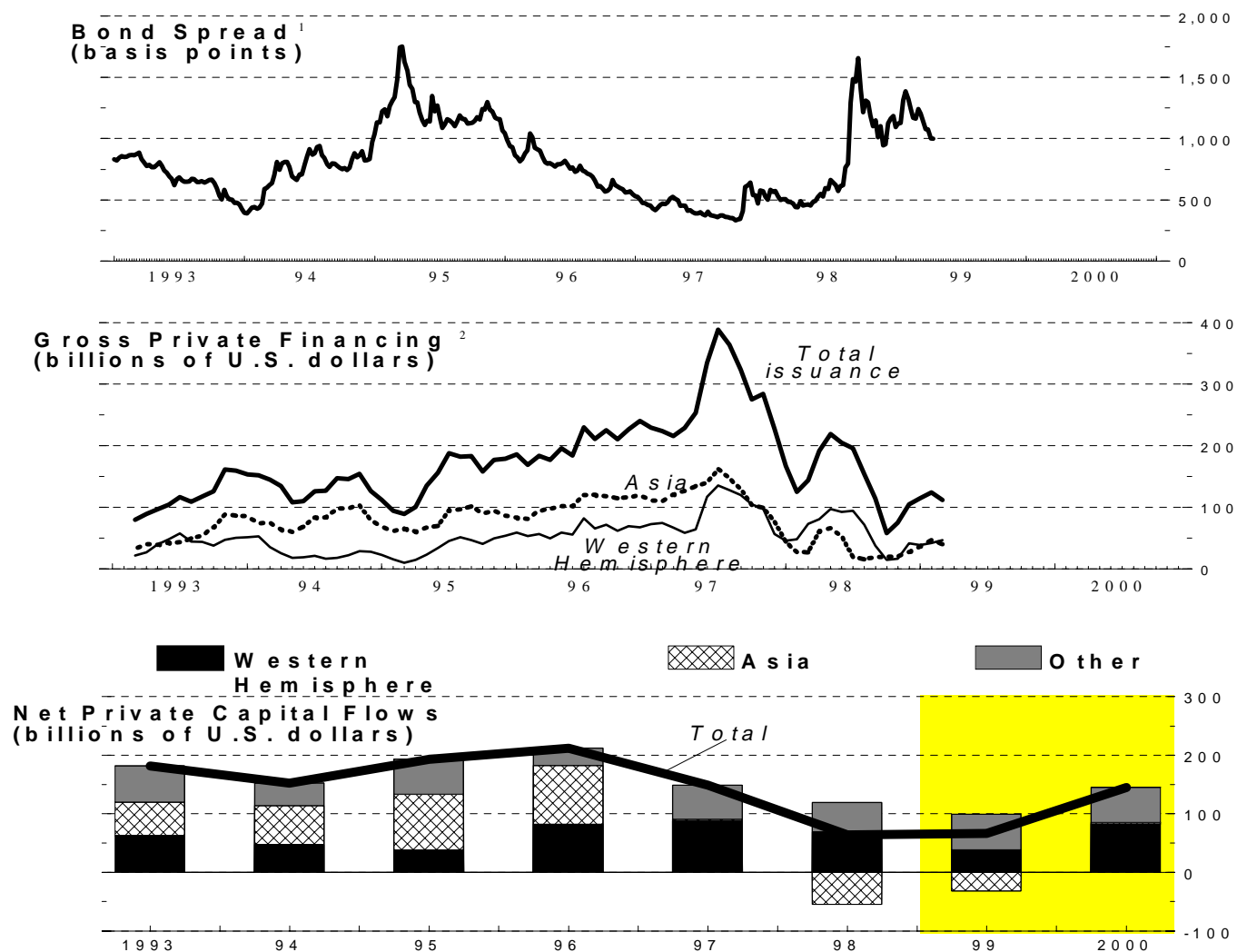


With recovery in 2000 in Brazil and Argentina



Financing Conditions for Emerging Markets

Bond yield spreads for emerging market economies have declined somewhat from their recent peaks. Gross capital flows have remained below 1996-97 levels. Net flows are projected to recover partially in 1999-2000.

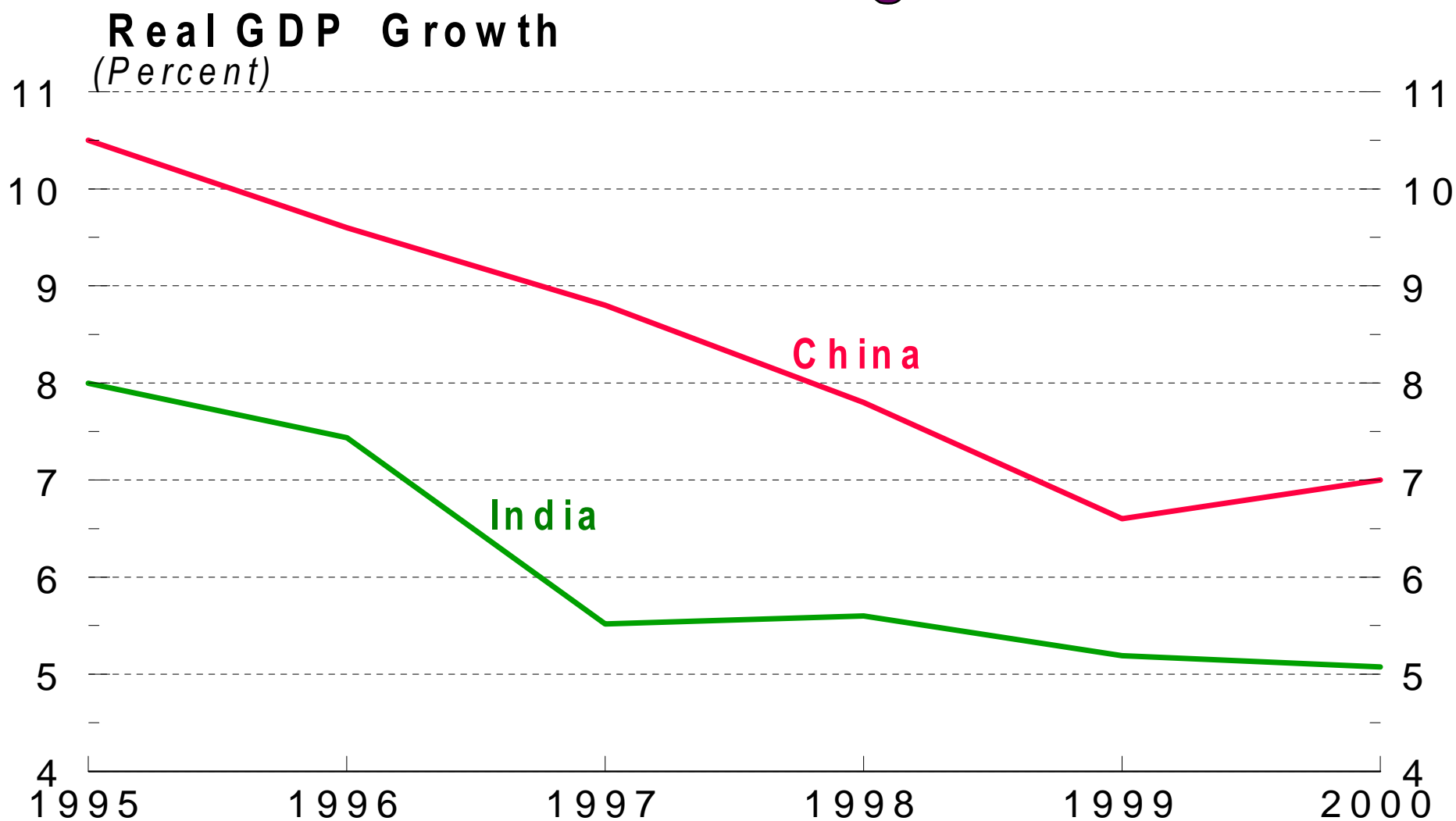


Sources: Bloomberg Financial Markets, LP; and IMF staff calculations. Shaded area indicates IMF staff projections.

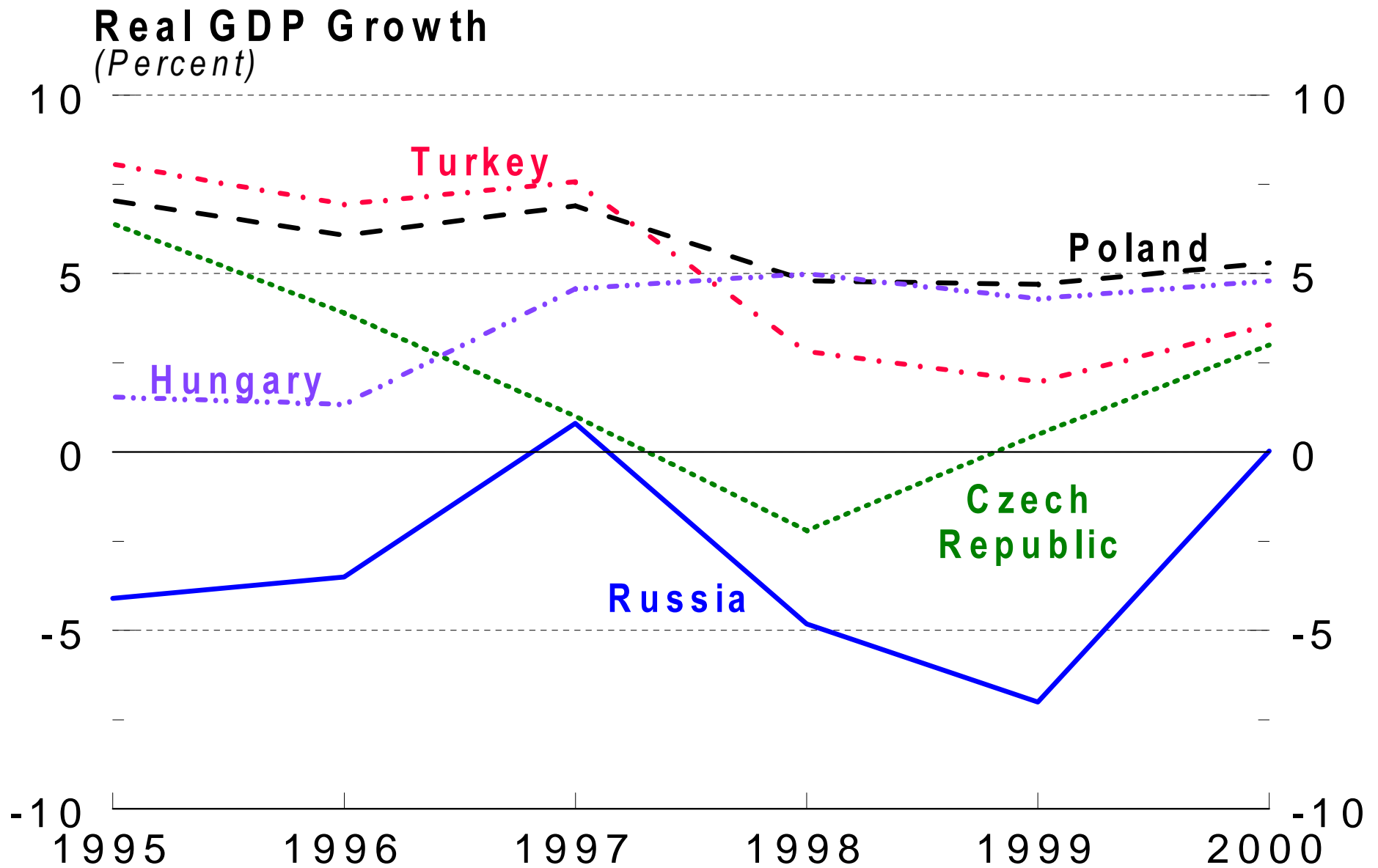
¹ J.P. Morgan's Emerging Market Bond Index (EMBI) spread relative to the theoretical U.S. zero-coupon yield curve, and secondary market yield spreads on U.S. dollar-denominated Eurobonds.

² Excludes interbank flows. Three-month moving averages; annualized.

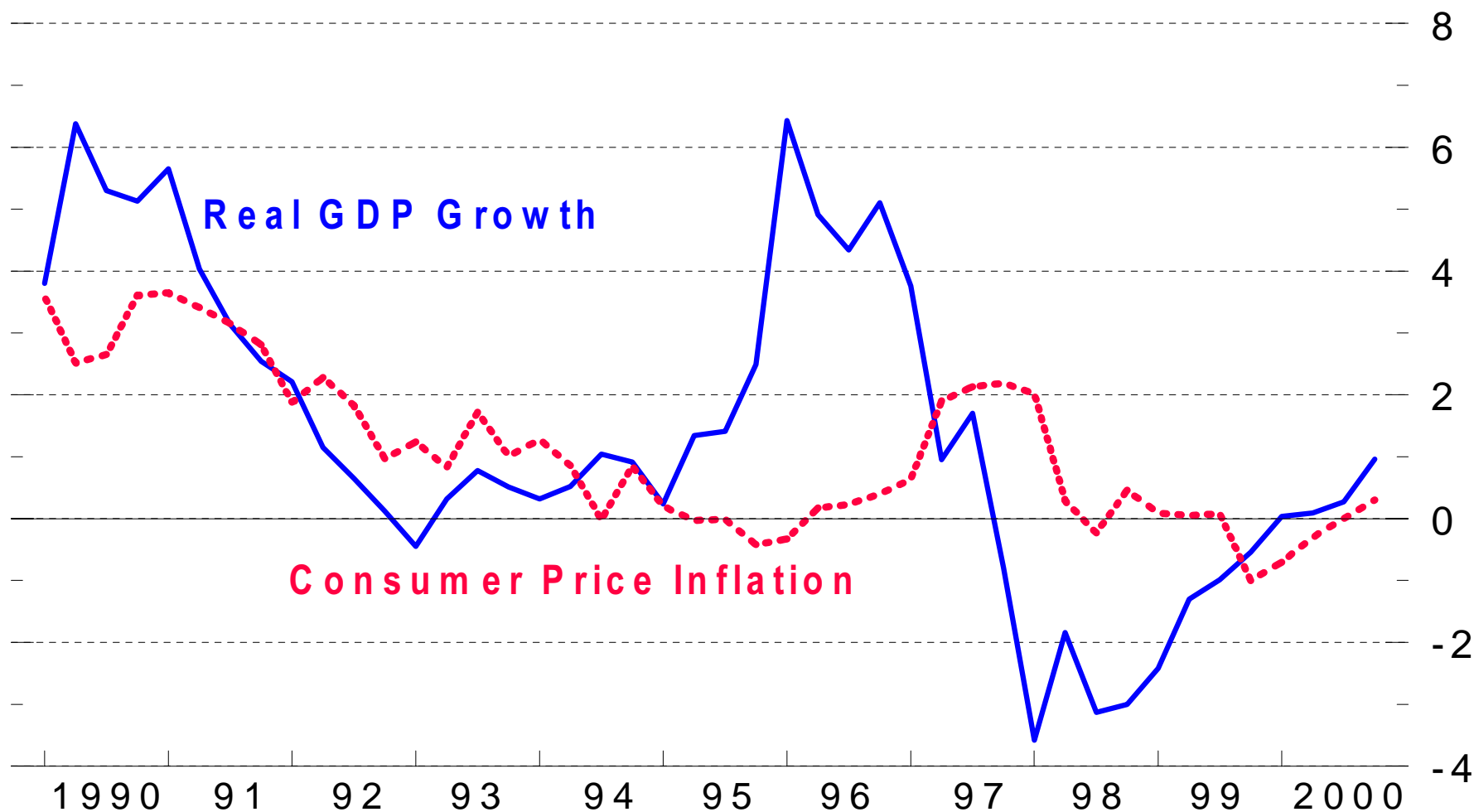
While China and India will see some further moderation in growth



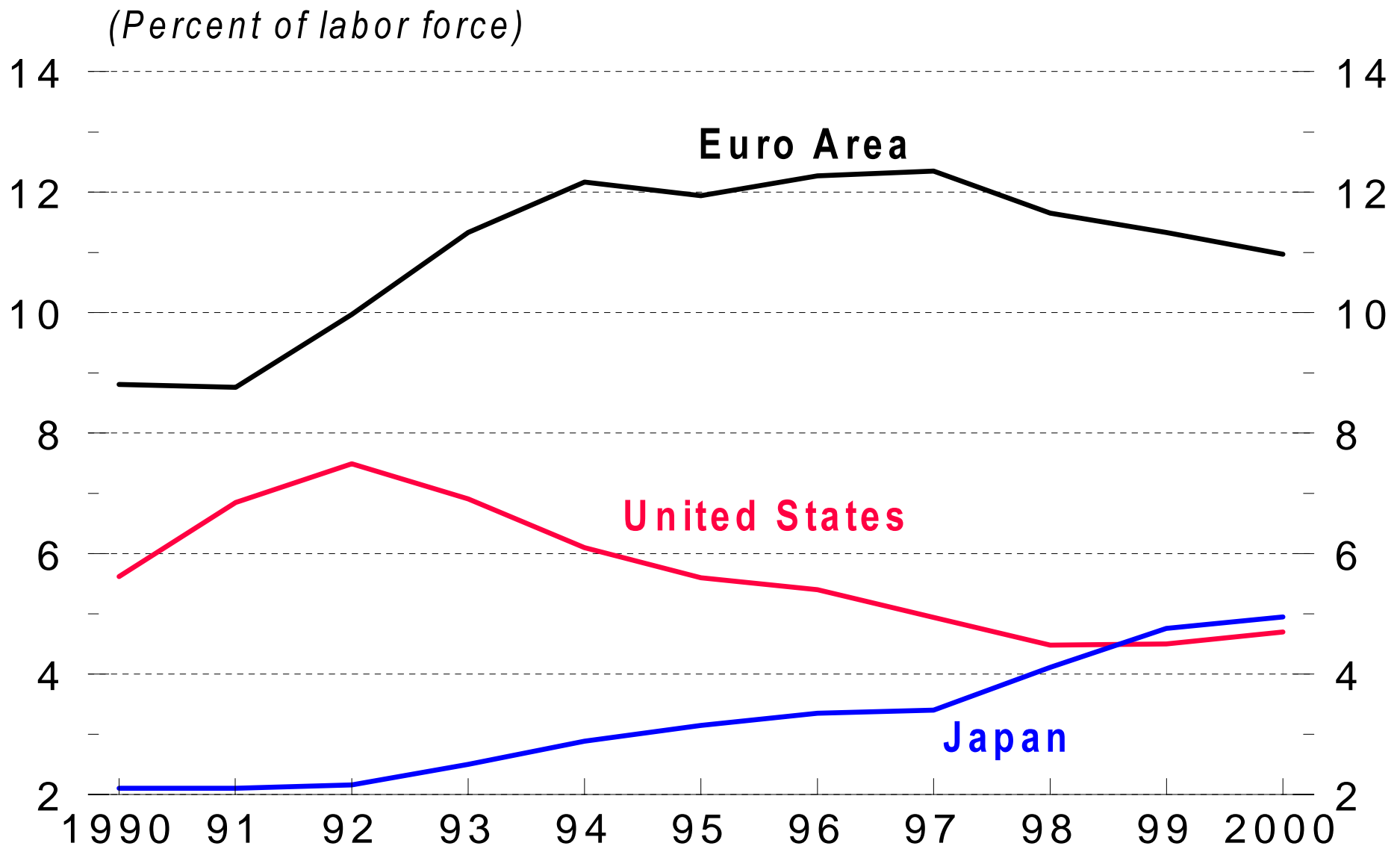
Whither Russia?



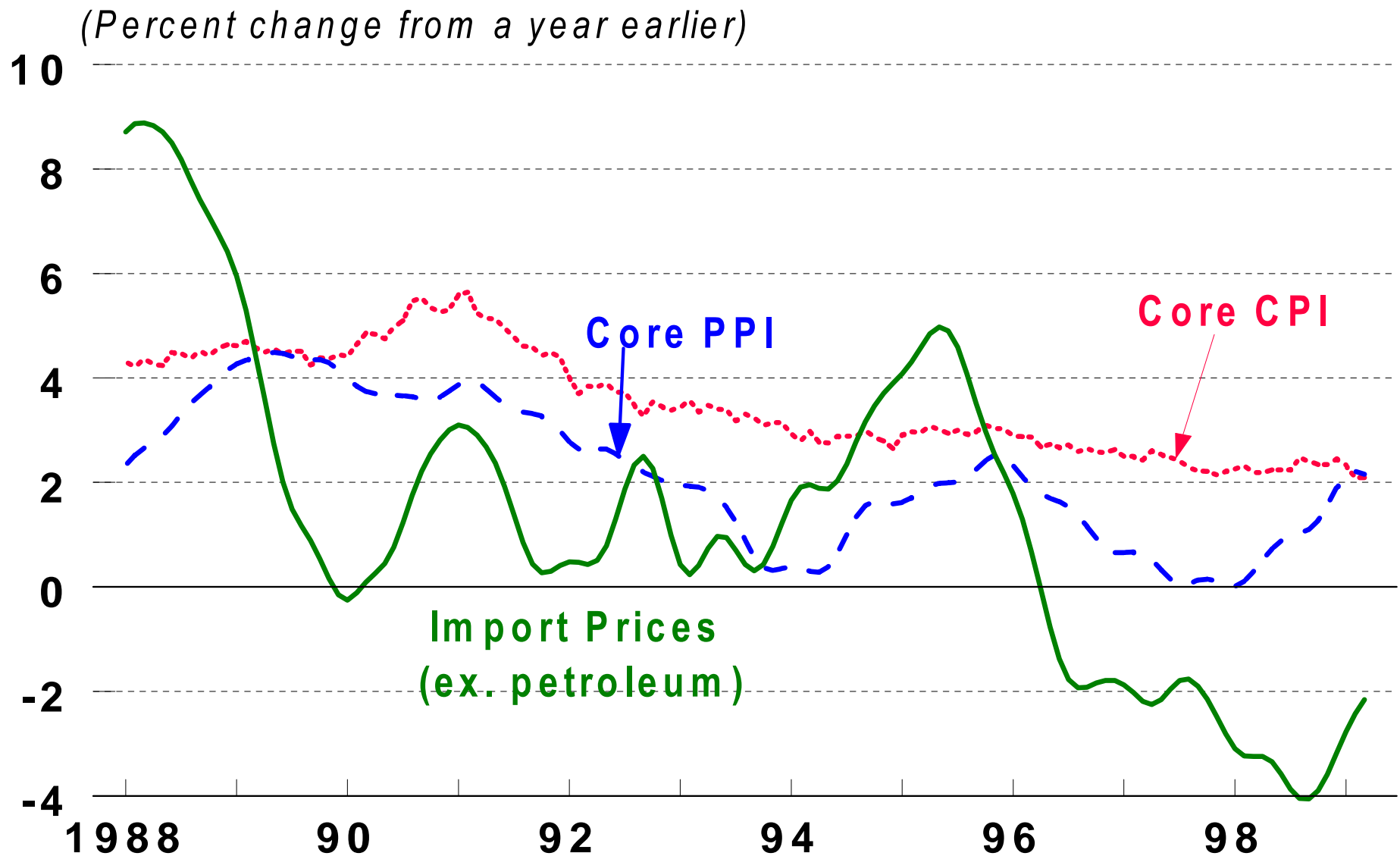
Bottoming out of Japan's recession but only modest recovery



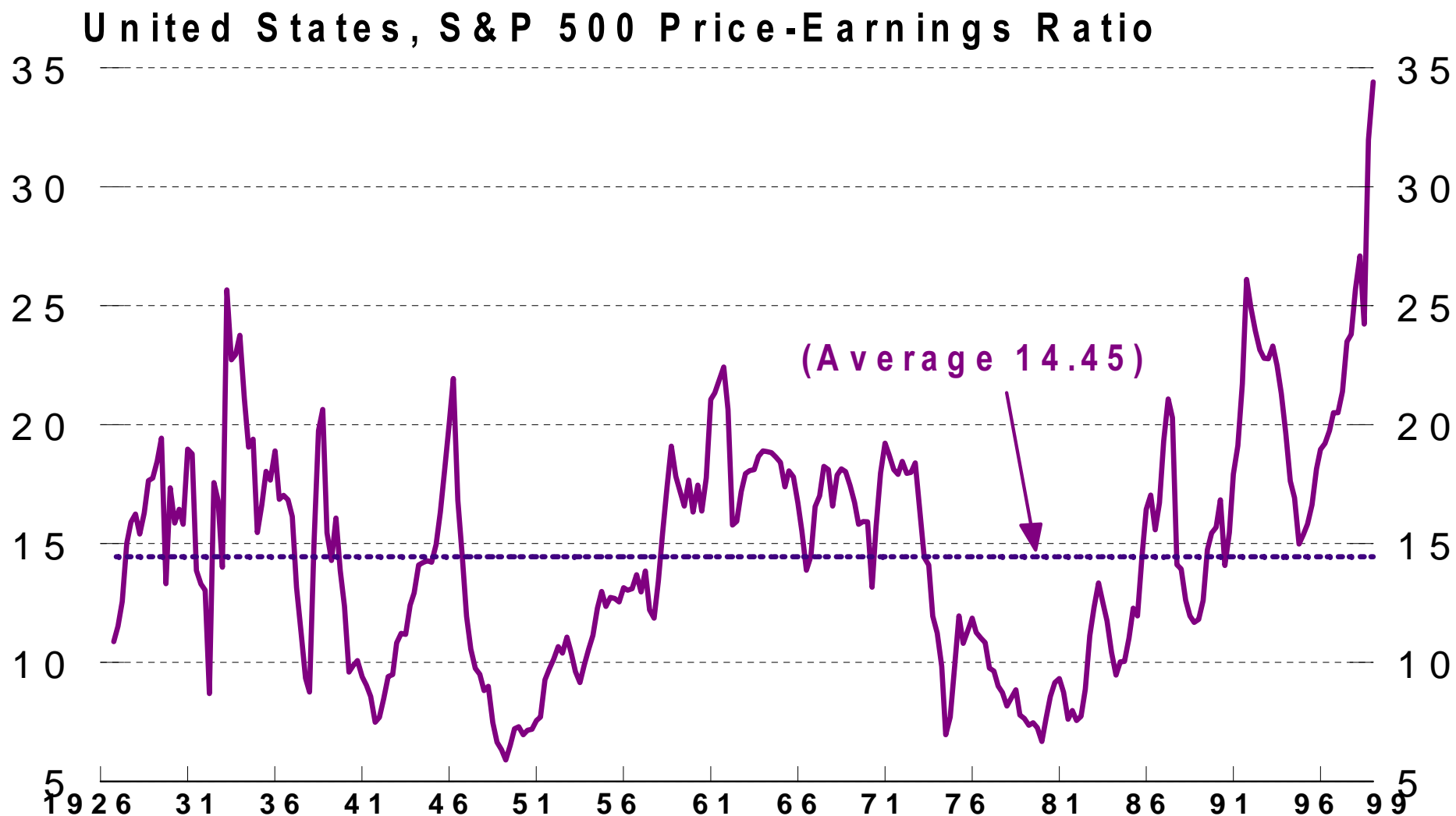
But Euro Area unemployment will remain very high



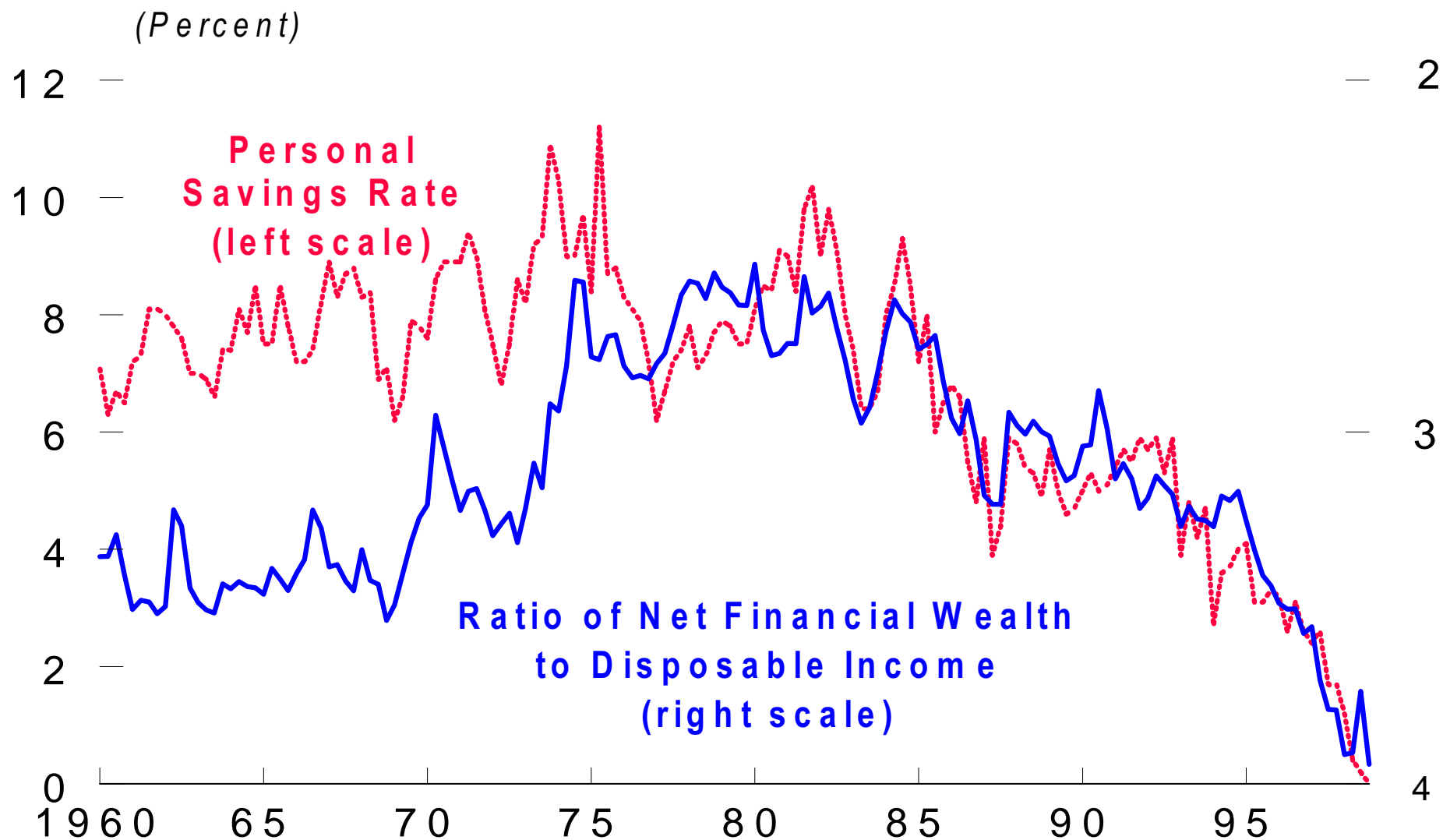
... and U.S. inflation has remained very subdued



But strains have been building in the U.S. economy. Stock prices are in uncharted territory



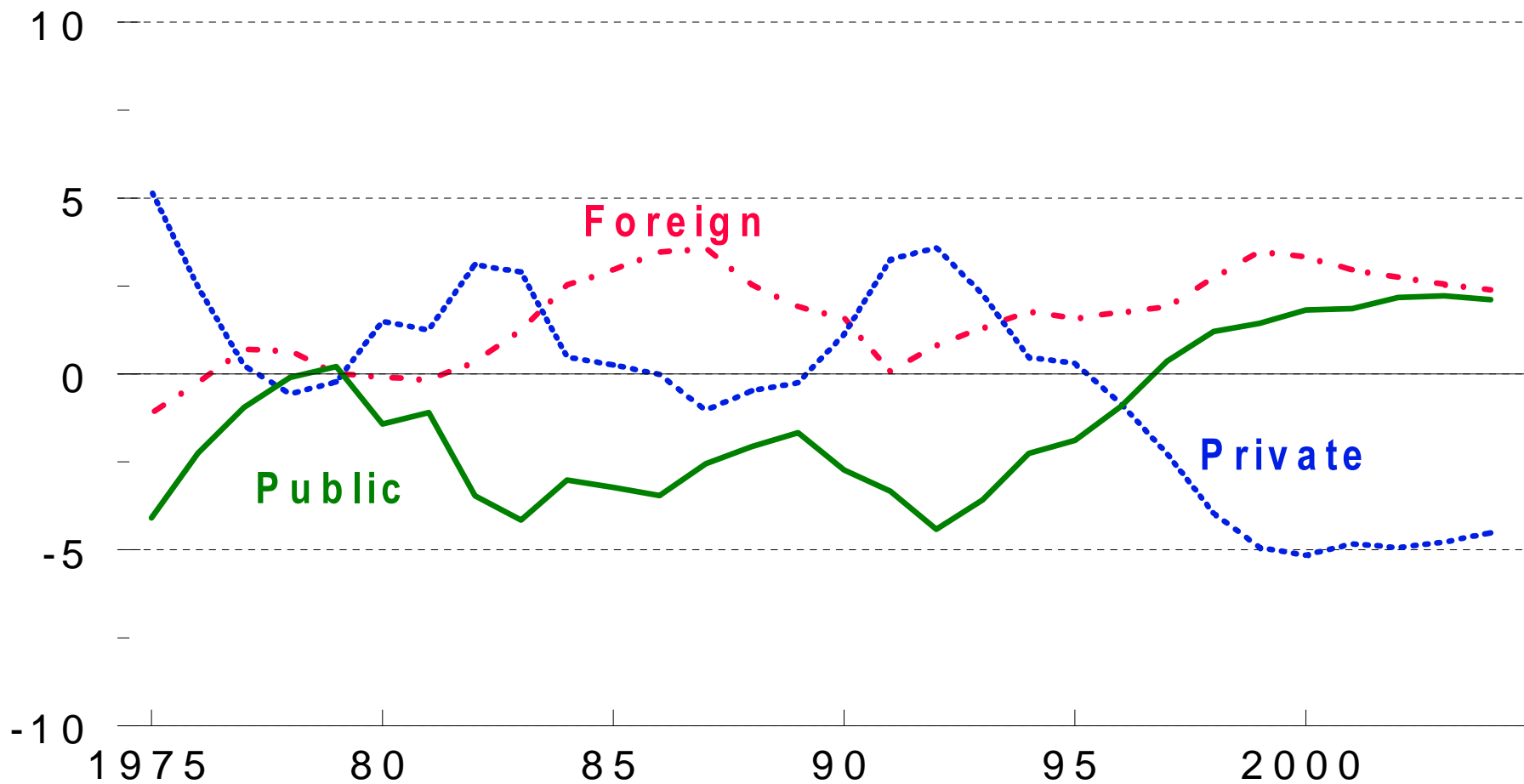
Stock market wealth gains have contributed to lower household saving rate sharply ...



Is the U.S. different?

United States

Net Saving - Investment
(Percent of GDP)



Other countries have been in similar situations in the past, including:

United Kingdom

