Economic Performance and Prospects: Review and Analysis of the New IMF Growth Estimates and Projections

Michael Crosswell, May 30th, 2012

Introduction: The International Monetary Fund recently issued new estimates of economic growth -- including projections to 2017 for developing countries – as part of the semi-annual World Economic Outlook exercise. The general message is that *growth performance has been remarkably good, and so are prospects for the foreseeable future*.

The estimates provided by the IMF are for growth in gross domestic product (GDP), i.e. income generated in domestic production (and therefore not including net remittances or factor income from abroad). I converted this to growth in per capita income using population figures from World Development Indicators, including projections to 2020. (For the remainder of the discussion, "growth" refers to average annual growth in real per capita GDP.) To highlight trends, I focus on average annual growth for four intervals: 1990-96; 1996-06; 2000-10; and 2010-17. The results are arrayed in a set of regional tables beginning on the following page. Within regions countries are arrayed by 2010 per capita income (gross national income, which DOES include net remittances, transfers, and factor payments from abroad) measured in conventional (Atlas) terms. Figures for per capita income in "purchasing power parity" terms are also presented. These provide a more accurate picture of real income.

I also present a number of *summary indicators* for each region, including the average (simple, not weighted) growth rate for each interval. I count the number of countries with average growth rates at or above 2%, the benchmark for "meaningful" growth in USAID's 2008 Economic Growth Strategy and in Steve Radelet's recent book on improved growth performance in Sub-Saharan Africa. Finally, I calculate the (2010) population of those countries at or above the growth benchmark, in absolute terms and as a share of the regional population, to roughly indicate how many people within a region were in a position to benefit from growth at the national level.

For those who manage to get through all the tedious data, the final portion of this column briefly examines some of the policy issues and implications flowing from these data.

Regional Trends: For **Sub-Saharan Africa** the picture is largely one of dramatic improvements since the dismal growth performance of the early 1990's, when growth on average was negative (-0.6%) and when only 7 out of 40 countries managed to achieve growth at 2% or better. (Encouragingly, five have maintained such growth – *Mozambique, Uganda, Burkina*

Faso, Lesotho, and *Cape Verde*.) From 1996 on the summary indicators improve on all counts, with significant increases in the average growth rate; in the number of countries at or above the 2% benchmark; and in the number of people living in such countries. For 2000-10, three-quarters of Africa's population lived in countries with significant economic growth. That share is anticipated to rise significantly in the present decade. *If the projections hold*, 13 African countries will have sustained satisfactory growth for 20 years beginning in 1996, and another five for seventeen years beginning in 2000.

Country	Population 2010	Per Capita Income 2010	PPP Per Capita Income	Growth 1990-96	Growth 1996-06	Growth 2000-10	Growth 2010-17
Burundi	8.4	170	400	-4.8	0.3	0.9	3.4
Congo, DRC	66.0	180	320	-9.6	-1.9	2.0	3.9
Liberia	4.0	200	340	n/a	n/a	-2.8	4.1
Malawi	14.9	330	860	2.4	-0.2	1.7	1.0
Eritrea	5.3	340	540	10.5	-2.6	-2.7	0.3
Sierra Leone	5.9	340	830	-8.3	1.5	5.8	7.0
Niger	15.5	370	720	-3.4	0.9	1.7	3.3
Ethiopia	83.0	390	1040	-0.3	2.6	5.8	4.2
Guinea	10.0	400	1020	-1.2	1.7	0.7	7.4
Madagascar	20.7	430	960	-2.9	0.2	-0.4	1.3
Mozambique	23.4	440	930	2.1	5.7	5.3	5.1
Gambia, The	1.7	450	1300	0.1	1.0	1.0	2.6
Zimbabwe	12.6	460	n/a	0.4	-4.6	-5.2	3.2
Central African Rep.	4.4	470	790	-3.5	-0.2	-0.7	2.9
Uganda	33.4	500	1250	3.2	3.4	4.0	3.0
Rwanda	10.6	520	1150	-1.7	3.4	4.9	4.2
Tanzania	44.8	540	1440	-0.9	3.1	4.1	3.6
Burkina Faso	16.5	550	1250	2.2	3.0	2.7	3.3
Guinea-Bissau	1.5	590	1180	1.3	-2.0	0.3	2.6
Mali	15.4	600	1030	1.2	1.8	2.5	2.1
Chad	11.2	620	1220	-0.3	4.8	5.3	0.4
Benin	8.9	780	1590	0.8	1.3	0.8	1.6
Kenya	40.5	810	1640	-1.3	0.5	1.5	3.2
Mauritania	3.5	1000	2410	0.9	0.9	1.2	3.1
Zambia	12.9	1070	1380	-4.0	1.2	3.1	4.4
Senegal	12.4	1080	1910	-0.8	1.7	1.3	1.9
Lesotho	2.2	1090	1970	2.3	2.0	2.7	3.3
Côte d'Ivoire	19.7	1160	1810	1.1	-1.2	-0.7	2.8
Cameroon	19.6	1200	2270	-3.4	1.7	1.0	2.4
Nigeria	158.4	1230	2240	-1.2	4.6	6.2	4.1
Ghana	24.4	1250	1620	1.5	2.6	3.3	5.4
Sudan	43.6	1270	2030	1.2	4.5	3.9	-3.4
Djibouti	0.9	*1280*	*2480*	-5.2	-0.3	1.8	3.3
Congo, Rep	4.0	2240	3190	-1.6	0.8	2.0	2.2
Swaziland	1.2	2930	5600	0.9	2.1	1.9	-1.6
Cape Verde	0.5	3270	3710	2.9	5.4	4.7	3.7

Angola	19.1	3960	5460	-2.9	4.9	7.8	3.7
Namibia	2.3	4510	6420	0.7	2.5	2.7	2.5
South Africa	50.0	6090	10360	-0.7	1.6	2.2	3.0
Botswana	2.0	6740	13700	0.8	5.0	2.7	3.3
Total/Average	835	1296	2317	-0.6	1.6	2.2	2.9
gpci > or = 2% (out of 40 countries)				7	16	21	32
# of people (2010)				96	477	629	717
share of 2010 population				12%	57%	75%	86%

In **Asia** economic performance has been more consistently and outstandingly positive, except for the Asian Financial Crisis of the late 1990's, the effects of which are evident for *Indonesia* and *Thailand* in particular. Since then, growth has been very strong through most of Asia, and is expected to remain so – with the striking exception of *Pakistan* where policy performance and political stability have both deteriorated. With over 2 billion people living in these Asian countries, such growth has major positive implications for reductions in global poverty.

Country	Population 2010	Per Capita Income 2010	PPP Per Capita Income	Growth 1990-96	Growth 1996-06	Growth 2000-10	Growth 2010-17
Afghanistan	34.4	410	1060	n/a	n/a	5.9	3.4
Nepal	30.0	490	1210	2.6	1.6	1.8	2.2
Bangladesh	148.7	700	1810	2.3	3.8	4.4	5.4
Cambodia	14.1	750	2080	3.2	7.1	6.6	5.7
Laos	6.2	1040	2440	3.7	4.3	5.5	6.1
Pakistan	173.6	1050	2790	2.5	2.3	2.9	1.6
Vietnam	86.9	1160	3070	6.5	5.7	6.0	5.7
India	1170.9	1270	3400	3.4	4.7	5.9	6.2
Papua N G	6.9	1300	2420	5.5	-1.5	1.5	5.9
Philippines	93.3	2060	3980	0.4	1.9	2.8	3.0
Timor-Leste	1.1	2220	3600	n/a	2.8	4.5	7.1
Sri Lanka	20.9	2240	5010	4.1	3.9	4.0	6.2
Indonesia	239.9	2500	4200	5.8	1.1	4.0	5.8
Thailand	69.1	4150	8190	7.1	1.5	3.4	4.1
Total/Average	2096	1524	3233	3.9	3.0	4.2	4.9
gpci > or = 2% (out of 14 countries)				11	8	12	13
# of people (2010)				1967	1622	2059	1922
share of 2010 population				94%	77%	98%	92%

Growth performance in **Latin America and the Caribbean** has been relatively modest and uneven, both across countries and within countries over time. Only five countries (*Peru, Dominican Republic, Costa Rica, Panama,* and *Chile*) out of 22 show consistently strong growth since 1996, the lowest percentage of any region. For the region as a whole, growth declined

significantly from 1990-96 to 1996-06, and has since improved. Where the share of the regional population living in countries with satisfactory growth is concerned, much depends on growth performance in *Mexico* and *Brazil*, where growth rates have fluctuated. The outlook for 2010-17 is very positive and shows a sharp improvement, with satisfactory or better growth in all but four countries, none large.

Country	Population 2010	Per Capita Income 2010	PPP Per Capita Income	Growth 1990-96	Growth 1996-06	Growth 2000-10	Growth 2010-17
Haiti	10.0	*660*	*1180*	-2.8	-0.9	-1.4	4.8
Nicaragua	5.8	1110	2790	0.4	2.3	1.6	2.7
Bolivia	9.9	1810	4640	1.8	1.2	2.0	3.4
Honduras	7.6	1870	3770	0.9	2.0	2.0	1.8
Paraguay	6.5	2720	5080	0.8	-0.5	2.1	2.5
Guatemala	14.4	2740	4650	1.3	1.1	0.8	0.9
Guyana	0.8	2870	3450	7.2	1.1	2.1	4.3
El Salvador	6.2	3380	6550	4.0	2.4	1.5	2.2
Belize	0.3	3810	6200	2.4	2.9	0.6	0.6
Ecuador	14.5	3850	7880	1.2	1.7	2.7	3.0
Peru	29.1	4700	8930	3.0	2.4	4.4	4.9
Jamaica	2.7	4800	7310	0.8	0.4	0.2	0.9
Dominican Rep	9.9	5030	9030	3.6	3.9	3.8	3.6
Colombia	46.3	5510	9060	2.2	1.0	2.5	3.5
Costa Rica	4.7	6810	11270	2.2	3.1	2.5	3.0
Panama	3.5	6970	12770	3.7	3.1	4.5	5.2
Argentina	40.4	8620	15570	4.5	1.5	3.4	4.1
Mexico	113.4	8930	14400	0.5	2.0	0.3	2.5
Brazil	194.9	9390	11000	1.2	1.2	2.5	3.0
Chile	17.1	10120	14640	6.6	2.9	3.0	3.9
Uruguay	3.4	10230	13620	3.5	0.8	2.9	3.9
Venezuela	28.8	11590	12150	0.6	0.8	1.4	2.0
Total/Average	570	5342	8452	2.3	1.7	2.1	3.0
gpci > or = 2% (out of 22 countries)				11	10	14	18
# of people (2010)				162	198	389	545
share of 2010 population				28%	35%	68%	96%

At the regional level overall growth performance in **North Africa and the Middle East** has been good but not great, with persistent weakness only in *Yemen* and to a lesser degree *Cyprus*. Since 1996 growth has been strong in *Egypt, Tunisia, Morocco*, and *Turkey*, and is expected to remain so. However, the outlook for *Yemen* is negative, and growth in *Jordan* is projected to slow sharply. The share of the regional population living in countries with satisfactory growth rose to about three-quarters for 1996-06, held steady for 2000-10, and is projected to rise to

90% for 2010-17. With recovery, 2010-17 growth in *Iraq* is projected to be rapid. (The preceding growth figure for *Iraq*, in italics, is for 2005-10. Prior data are not available.)

Country	Population 2010	Per Capita Income 2010	PPP Per Capita Income	Growth 1990-96	Growth 1996-06	Growth 2000-10	Growth 2010-17
Yemen	24.1	1170	2500	1.2	1.4	1.1	-1.7
Iraq	32.0	2340	3370	n/a	n/a	*1.3*	7.2
Egypt	81.1	2420	6060	1.4	3.1	3.0	2.7
Morocco	32.0	2850	4600	1.1	2.8	3.9	3.9
Tunisia	10.5	4160	9060	2.5	3.7	3.5	3.1
Jordan	6.0	4340	5800	0.2	2.8	3.9	1.5
Algeria	35.5	4390	8100	-1.3	2.3	2.2	2.2
Lebanon	4.2	8880	14090	7.5	1.2	3.9	2.8
Turkey	72.8	9890	15530	2.1	2.8	2.5	3.4
Israel	7.6	27180	27660	2.8	1.4	1.1	2.1
Cyprus	1.1	29430	30890	2.3	1.8	1.2	0.4
Total/Average	307	8823	11605	2.0	2.3	2.5	2.5
gpci > or = 2% (out of 11 countries)				5	6	7	8
# of people (2010)				96	238	242	276
share of 2010 population				31%	78%	79%	90%

For **Europe and Eurasia**, the trends across intervals are dramatic: sharp declines in the early 1990's associated with the early years of transition from communism, followed by a dramatic rebound for 1996-06 and continued strong growth for 2000-10. It is perhaps noteworthy that for 2000-08 – prior to the international downturn -- growth performance was actually superior to 1996-06 for most E&E countries. This suggests that rapid growth in E&E was not simply reflecting a rebound effect (which should peter out over time), but rather the ongoing stimulus of greater openness and closer ties to Western Europe. The outlook for 2010-17 is for slower but still impressive growth in most countries, surely reflecting economic trends in Western Europe. For twenty-two out of thirty countries, average annual growth is expected to remain above 3%. (See table, next page)

Country	Population 2010	Per Capita Income 2010	PPP Per Capita Income	Growth 1990-96	Growth 1996-06	Growth 2000-10	Growth 2010-17
Tajikistan	6.9	800	2140	-14.0	6.1	6.8	4.7
Kyrgyz Rep	5.4	830	2070	-9.2	3.0	2.9	4.1
Uzbekistan	28.2	1280	3110	-3.7	3.8	5.5	5.3
Moldova	3.6	1810	3360	-10.7	3.5	5.4	5.8
Mongolia	2.8	1870	3670	-3.0	4.1	5.1	10.6
Georgia	4.5	2690	4990	n/a	7.0	6.2	6.5
Ukraine	45.9	3000	6620	-14.7	5.8	5.3	4.3
Armenia	3.1	3200	5660	2.6	9.8	8.0	3.9
Kosovo	1.8	3290	n/a	n/a	n/a	5.2	3.7
Turkmenistan	5.0	3790	7490	-12.6	10.6	12.0	6.3
Albania	3.2	3960	8520	0.1	5.2	5.0	1.7
Macedonia	2.1	4570	11070	-2.9	2.3	2.2	3.4
Bosnia	3.8	4770	8910	n/a	4.0	3.5	2.6
Azerbaijan	9.0	5330	9270	-15.0	11.5	12.9	1.3
Serbia	7.3	5630	11090	n/a	3.3	4.0	3.1
Belarus	9.5	5950	13590	-7.1	8.1	8.0	4.8
Bulgaria	7.5	6280	13440	-6.8	4.8	4.9	3.4
Montenegro	0.6	6740	12770	n/a	n/a	3.6	1.7
Kazakhstan	16.3	7580	10770	-6.8	7.6	7.3	5.3
Romania	21.4	7850	14290	-0.7	3.1	4.6	3.5
Russia	141.8	9900	19240	-7.3	5.4	5.1	4.1
Lithuania	3.3	11510	17840	n/a	7.0	5.0	4.2
Latvia	2.2	11640	16320	-0.8	8.2	4.2	3.9
Poland	38.2	12440	19160	2.6	4.4	4.0	3.6
Hungary	10.0	12860	19550	-1.7	4.2	2.2	1.9
Croatia	4.4	13890	18680	3.4	4.2	2.7	1.5
Estonia	1.3	14460	19810	n/a	8.2	4.0	4.2
Slovak Rep	5.4	16840	22980	n/a	4.3	4.7	3.2
Czech Rep	10.5	17890	22910	n/a	3.2	3.1	2.3
Slovenia	2.1	23900	26530	4.0	4.1	2.4	1.0
Total/Average	407	7552	12271	-5.0	5.6	5.2	3.9
gpci > or = 2% (out of 30 countries)				4	28	30	24
# of people (2010)				48	405	407	378
share of 2010 population				12%	99%	100%	93%

Policy and Strategy Issues and Implications

As this is running long, I will close with a few brief comments on some of issues and implications that flow from this, with plans to elaborate in future columns.

Has aid failed? Many have argued that developing countries have failed to make economic progress, ergo aid has failed. These arguments were prevalent in the late 1990's, and were used as recently as 2006 by OMB and others to justify the 2006 aid reform. It is clear that a large and increasing number of developing countries are making credible progress where economic growth is concerned, and have been since 1996. This does not prove that aid has been effective. But, it refutes the premise for a common critique of foreign aid.

The Bottom Billion – is shrinking fast. Paul Collier pointed out that of the five billion or so people living in the developing world, most lived in countries that were clearly making progress. However, about 1 billion lived in relatively poor countries – roughly forty -- that appeared to be stuck. All this was from the perspective of 1980-2000. However, more recently the number of low-income countries that appear to be stuck has fallen sharply – now it's more like the bottom 500 million or 300 million, depending on whether Pakistan is consider "stuck" or not.

Poverty Traps and the MDGs – Around 2000, some were arguing that many poor countries were mired in poverty traps, and that they would not escape unless and until poverty was sharply reduced – by foreign aid directed at poor people and the MDGs. This was in lieu of aid directed at growth and governance, and transformation of poor countries. The growth data since 1995 make it hard to argue that poor countries are typically stuck in poverty traps. Some are more likely stuck in "governance traps."

Agriculture as the Prime Mover of Growth – Advocates of investing in food production have argued that this will spur an agricultural transformation that is a requisite for launching growth in poor countries. However, many poor African countries apparently launched sustained (knock on wood), poverty-reducing growth during a period (1996-08) when agriculture was ostensibly neglected by the donor community. This is **not** to say that the agricultural sector does not matter for economic growth and poverty reduction. But, growth performance and prospects in Africa suggest a need for revisiting the traditional story about the unique primary role of agriculture in launching development progress. Various analyses suggest that progress in terms of policies and institutions supportive of markets has played the more critical role in spurring growth in poor countries in Africa and elsewhere.[1]

The Environment – While rapid growth in India and China is often (and correctly) cited as an important source of pressure on commodity prices and natural resources, the collective impact of slower but significant growth in a large number of other countries – some quite populous – is a major additional factor.

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[1] See "Development, Poverty and Food Security", March 2009 and references cited therein, available at http://inside.usaid.gov/PPL/offices/p/upload/PBPFoodSecurityIssues.pdf