

# Economic Update Emerging Markets

## 4 December 2012

### Emerging Markets – Fragile recovery in 2013

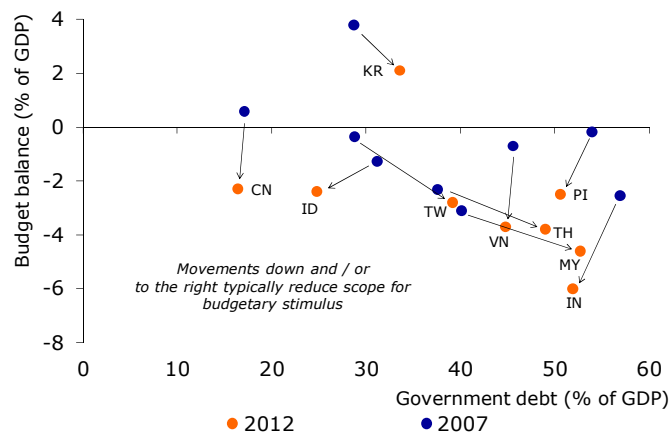
#### Real GDP growth

	'11	'12	'13
World	3.6	3.3	3.6
US	1.8	2.2	2.1
Euro area	1.4	-0.4	0.2
CEE	5.3	2.0	2.6
CIS	4.9	4.0	4.1
Developing Asia	7.8	6.7	7.2
China	9.2	7.8	8.2
Latin America	4.5	3.2	3.9
MENA	3.3	5.3	3.6
SSA	5.1	5.0	5.7

Source: IMF WEO

The ongoing eurozone debt crisis is felt far past the borders of the countries concerned. While Emerging Europe is most affected, other emerging markets are not decoupled either. As a result, economic growth has slowed over 2012 in most countries. For next year, the outlook is more positive, but there is by no means a strong recovery. With the exception of Sub-Saharan Africa, in 2012 and 2013 growth rates in the emerging world will remain below the 2010-2011 levels. Moreover, with the fiscal debt ceiling in the US and many eurozone issues unresolved, downside risks to the growth forecast are very much present. For more information see [Global Outlook 2013](#) and regional outlook 2013.

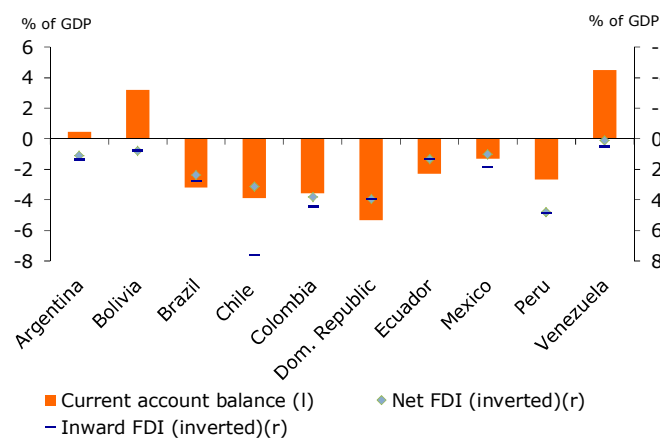
### Emerging Asia – Chinese green shoots



Source: EIU

Economic growth in Emerging Asia slowed over 2012, largely due to weaker export demand. Next year, despite continued lackluster demand for Asian export products, overall economic growth is expected to pick up slightly. **China** saw some green shoots over the past few months, as the limited stimulus measures that have been taken are starting to work through to the real economy. India, on the other hand, continues to struggle. Overall, the IMF expects economic growth for the region to increase from 6.7% in 2012 to 7.2% in 2013. But, the downside risks to growth are very present. Luckily, if necessary, fiscal and monetary stimuli are still an option in most countries.

### Latin America – Solidly financed and growing



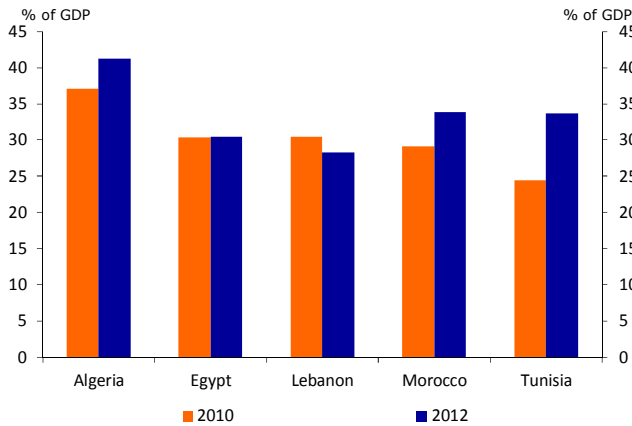
Source: EIU. Data: 2013

Latin America is expected to perform well in 2013. In Brazil, economic growth will likely strengthen on the back of various stimulus measures and investments ahead of the 2014 Soccer World Cup. Meanwhile, Mexico will benefit from solid domestic demand at home and a gradual US recovery, but the US fiscal cliff poses some downside risks. While rising economic growth in Asia augurs well for South American commodity exporters, tourist-dependent Caribbean countries continue to struggle. Even though the region continues to depend on external financing, its moderate current account deficits are generally financed by foreign direct investment inflows.

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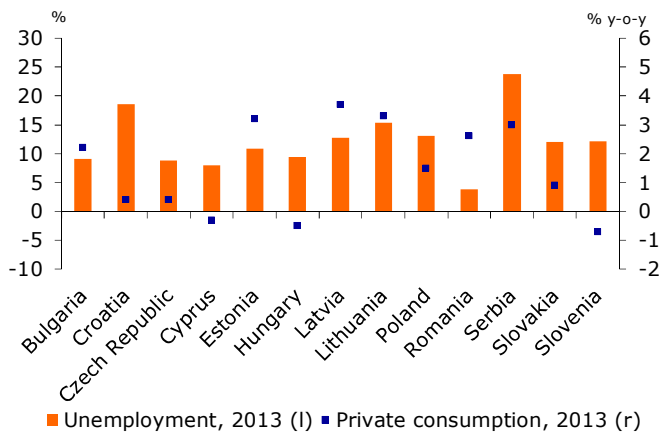
## MENA & Africa – Light and shadow



Government spending to GDP. Source: EIU

Two years after the start of the Arab Spring, the Middle East and North Africa (MENA) economic outlook remains cloudy. Particularly non-oil exporting countries struggle with rising social spending, as tourist arrivals and foreign direct investment remain depressed amid lingering political instability. Oil-exporting economies, on the other hand, should benefit from relatively stable oil prices next year. The outlook for most of Sub-Saharan Africa (SSA) remains quite favorable. Various countries benefit from relative political stability, stable domestic demand and solid exports. Barring a major fall in commodity prices, we expect 3.6% and 5.7% growth in MENA and SSA, respectively.

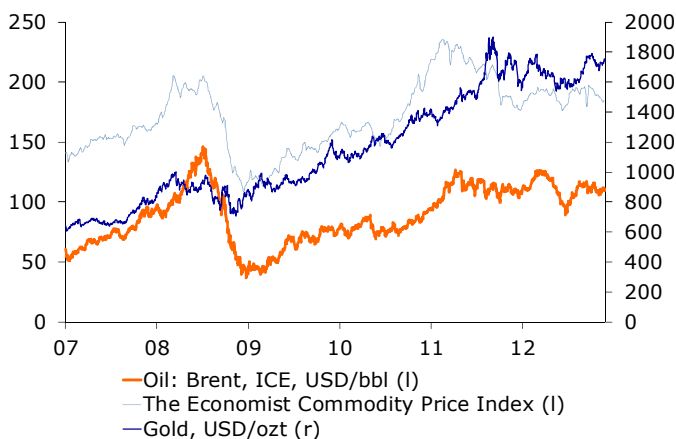
## Emerging Europe – Less gloomy



Source: EIU

For 2013, we expect Emerging Europe to come out of recession, although growth will be slow. The main drivers of GDP growth include slightly improving private consumption and (slow) export growth. Elevated unemployment and further fiscal consolidation, on the other hand, will depress growth. The worst performers will be countries with the highest levels of public debt such as Slovenia and Croatia. Despite the expected recovery, the downside risks remain substantial, as an escalation of the eurozone problems would have major repercussions for Emerging Europe. Most countries are ill-prepared to face such shocks.

## CIS – Commodity dependence continues



Source: Reuters EcoWin

Economic growth for Russia and the CIS region will not significantly change in 2013 compared to 2012. We expect slightly higher growth for Russia, Azerbaijan and Ukraine and slightly lower growth in Uzbekistan and Kazakhstan. An upside risk to this forecast is swift implementation of the economic reform plans meant to develop the domestic economies, but these are unlikely to materialize quickly. These countries depend highly on commodity exports. The largest export markets are the US, China and larger eurozone countries, which all face difficult economic situations. A large downside risk to our growth forecast is lower external demand from these markets and lower global commodity prices.