



THE WORLD ECONOMY AND DEVELOPMENT

Dr. Kemal Dervis
25th Nov. 2010 – PSE PARIS

“For the past hundred years the rate of growth of output in the developing world has depended on the rate of growth of output in the developed world. When the developed world grows fast, the developing world grows fast, when the developed slow down, the developing slow down. Is this linkage inevitable?”

Sir Arthur Lewis

“The Slowing Down of the Engine of Growth”

1979 Nobel Prize Lecture



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“Although the differences in income per capita among rich countries have declined in the post-World War II period, the disparity between rich and poor countries has widened. At the same time the number of middle income countries has dwindled. We now have two polarized economic clubs: one rich, the other poor.”

Elhanan Helpman

The Mystery of Economic Growth,
Harvard University Press 2004

*Based on data up to the early 1990s



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“This Report shows that the ‘rise of the rest’ is not a ‘threat to the west.’ Overall it is good news for the global economy.”

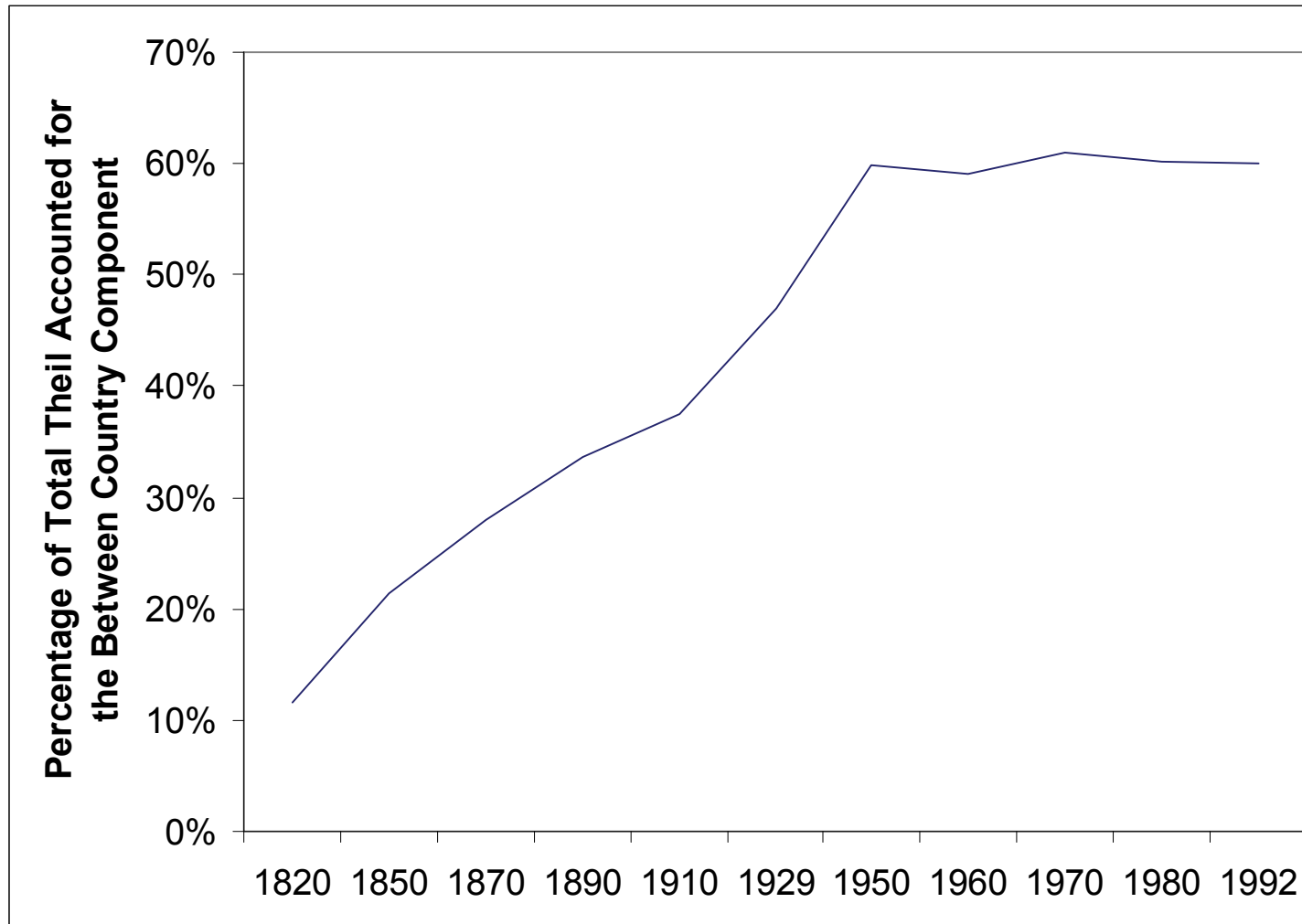
OECD, *Perspectives on Global Development, 2010*

Foreword by Angel Gurría



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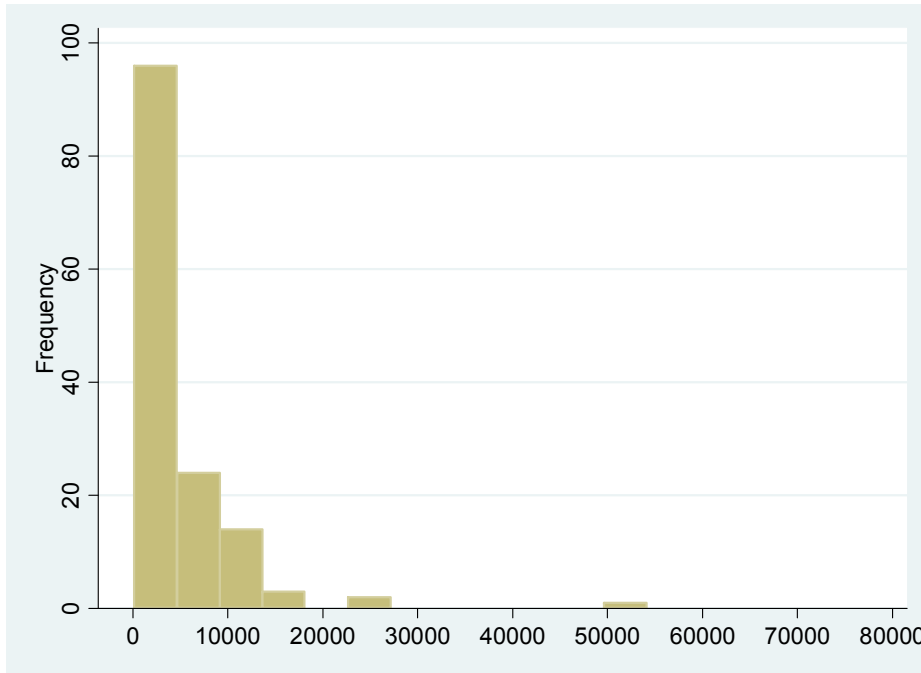
Decomposing Global Inequality: Between Countries Contribution to the Theil Index



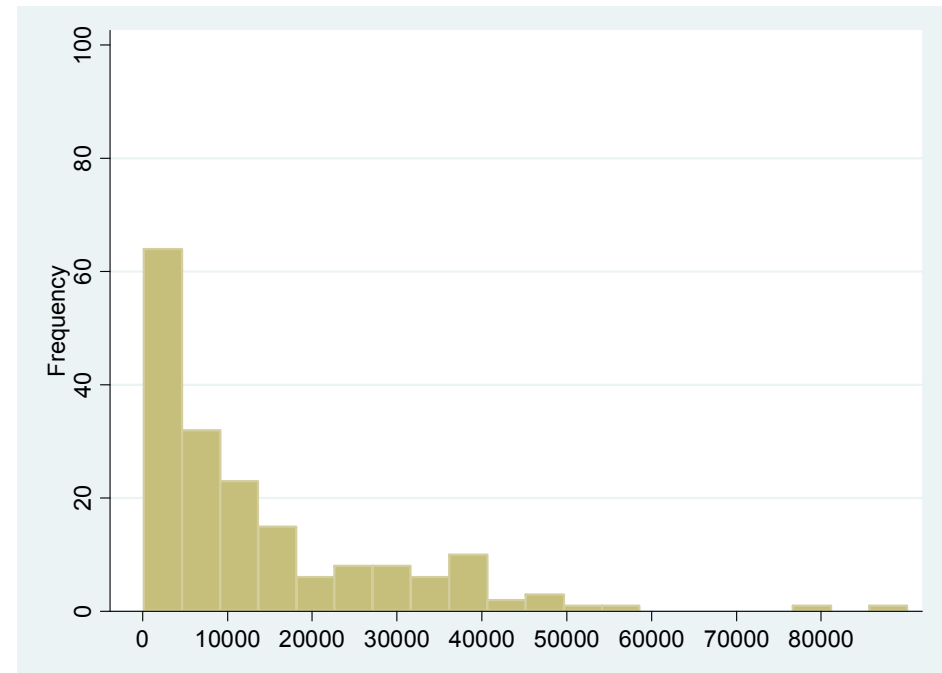
Source: Bourguignon and Morrisson (2002).

GDP Per Capita Distribution, PPP

1980



2010



Source: IMF World Economic Outlook, October 2010

“One of the striking characteristics of the financial crisis that originated in the United States is how quickly and how broadly it spread to the rest of the world. When the crisis intensified, first in the United States and then in Europe, in the fall of 2008, emerging market countries thought they might escape more or less unharmed. There was talk of decoupling. This was not to be.”

Olivier Blanchard and others

“The Initial Impact of the Crisis on Emerging Market Countries”

Brookings Papers on Economic Activity, Spring 2010

Brookings Institution Press

Projected Average Annual GDP Growth Rates 2010 - 2015

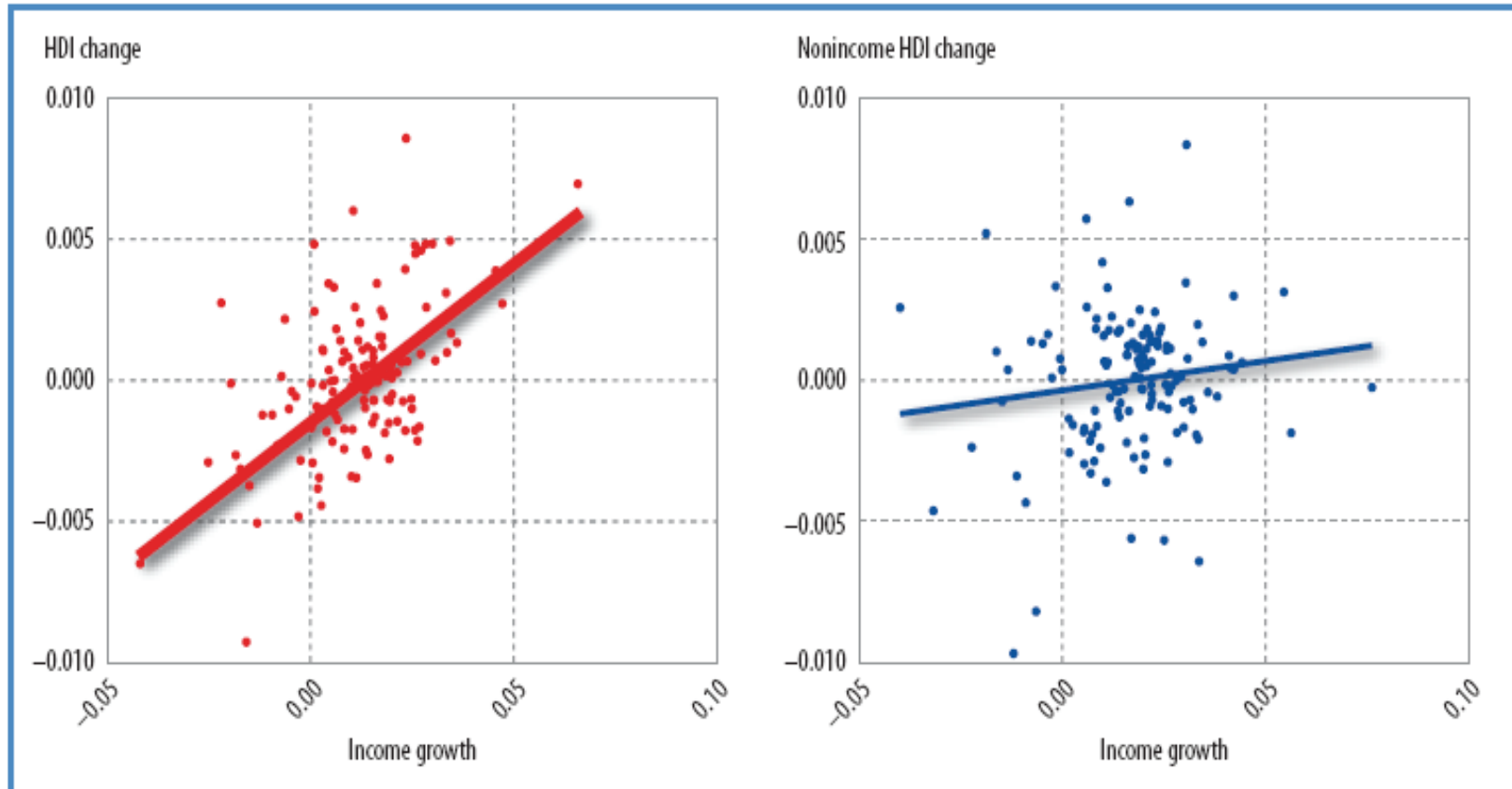
	GDP	GDP per capita
Advanced Countries	2.29	1.53
Emerging & Developing	6.31	5.37
Emerging Markets	6.31	5.40
Less Developed	6.19	4.14

Source: IMF World Economic Outlook, October 2010

Note: Country groups aggregated by assigning annual GDP shares at market prices as weights

Growth doesn't always come with human development – even over 40 years

Relationship between economic growth and the HDI and its nonincome components, 1970–2010



Source: From presentation: The Real Wealth of Nations: Pathways to Human Development, Human Development Report 2010, 20th Anniversary Edition, November 17, 2010, UNDP

A new lens on development success

Top movers in HDI, nonincome HDI and GDP, 1970 – 2010

	Improvements in		
	HDI	Nonincome HDI	Income
1	Oman	Oman	China
2	China	Nepal	Botswana
3	Nepal	Saudi Arabia	South Korea
4	Indonesia	Libya	Hong Kong, China
5	Saudi Arabia	Algeria	Malaysia
6	Lao PDR	Tunisia	Indonesia
7	Tunisia	Iran	Malta
8	South Korea	Ethiopia	Viet Nam
9	Algeria	South Korea	Mauritius
10	Morocco	Indonesia	India

Source: From presentation: The Real Wealth of Nations: Pathways to Human Development, Human Development Report 2010, 20th Anniversary Edition, November 17, 2010, UNDP

Advanced Countries and Emerging Markets Growth 1981 - 2015

		1981-1989	1990-1996	1997-1998	1999-2007	2008-2009	2010-2015
GDP	Advanced	3.2	2.2	3.0	2.5	-1.7	2.3
	Emerging Markets	4.1	4.9	3.8	5.8	3.7	6.3
GDP per capita	Advanced	2.3	1.5	3.1	2.3	-2.3	1.5
	Emerging Markets	1.7	3.2	2.5	4.6	2.6	5.4

Source: IMF World Economic Outlook, October 2010

Note: Country groups aggregated by assigning annual GDP shares at market prices as weights

Advanced Countries, Emerging Asia, and Other Emerging Markets Growth 1981 - 2015

		1981-1989	1990-1996	1997-1998	1999-2007	2008-2009	2010-2015
GDP	Advanced	3.2	2.2	3.0	2.5	-1.7	2.3
	Emerging Asia	7.8	8.1	4.5	7.6	6.5	8.3
	Other Emerging	2.0	2.6	3.2	4.4	1.4	4.5
GDP per capita	Advanced	2.3	1.5	3.1	2.3	-2.3	1.5
	Emerging Asia	5.8	6.6	3.3	6.7	5.7	7.5
	Other Emerging	-0.4	0.8	1.9	3.0	0.1	3.5

Source: IMF World Economic Outlook, October 2010

Note: Country groups aggregated by assigning annual GDP shares at market prices as weights

Savings Performance

	Savings to GDP 1999-2008 Annual Average
World	22.5
Advanced Countries	19.9
Japan	27.2
United States	14.9
Euro Area	21.5
Other Advanced	21.1
Emerging & Developing	29.2
Emerging Asia	37.4
China	44.8
India	29.4
GCC	36.1
Other Emerging & Developing	20.6

Source: ADB (2010) and ADB (2009); IMF International Finance Statistics, June 2010; IMF, *World Economic Outlook*, April 2010.

a. GCC (Gulf Cooperation Council) includes Bahrain; Kuwait; Oman; Qatar; Saudi Arabia; and UAE.

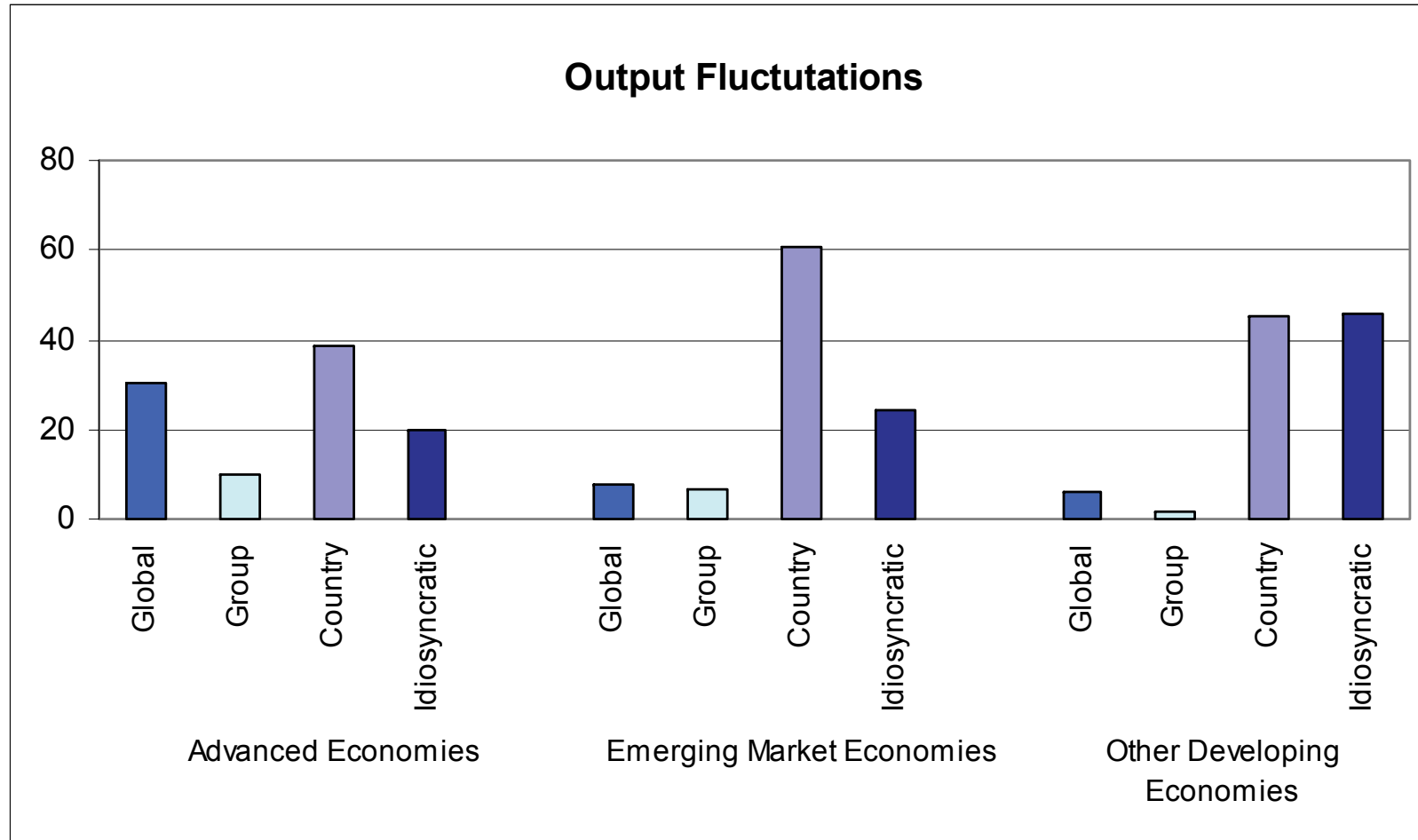
b. Newly industrialized Asian economies (Hong Kong, China; Korea; Singapore; Taipei, China) are classified under the EMDEV (emerging markets and developing economies) group.

Cross-Group GDP Growth Correlations, 1960-2008

	1960-1985	1986-2008
Advanced and Emerging Market economies	0.49	0.25
Advanced and Other Developing economies	0.32	0.12

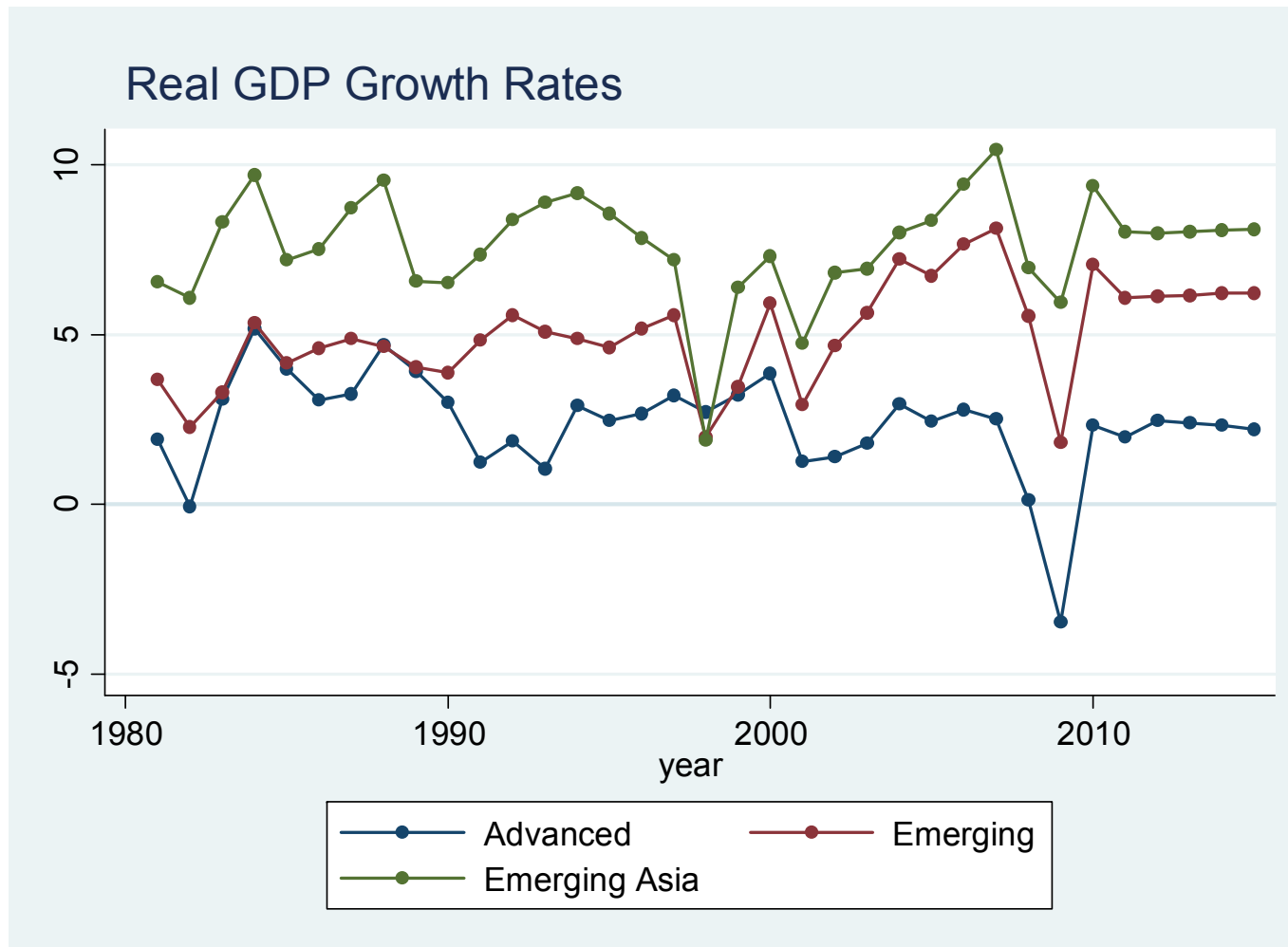
Source: Ayhan Kose and Eswar Prasad. 2010. *Emerging Markets: Resilience and Growth Amid Global Turmoil*. Brookings Institution Press.

Variance Decompositions 1960-2008



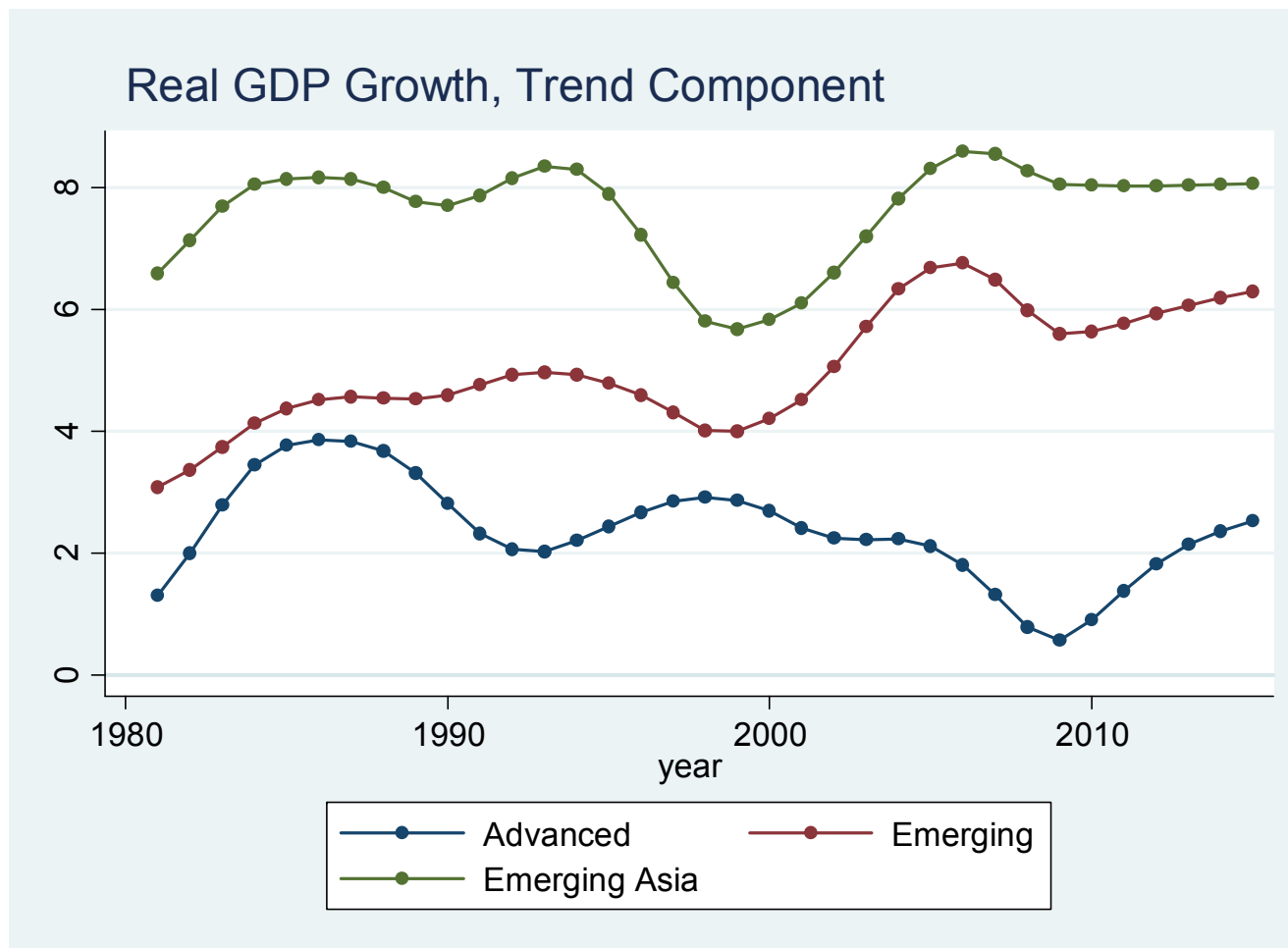
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Coupling or Decoupling?



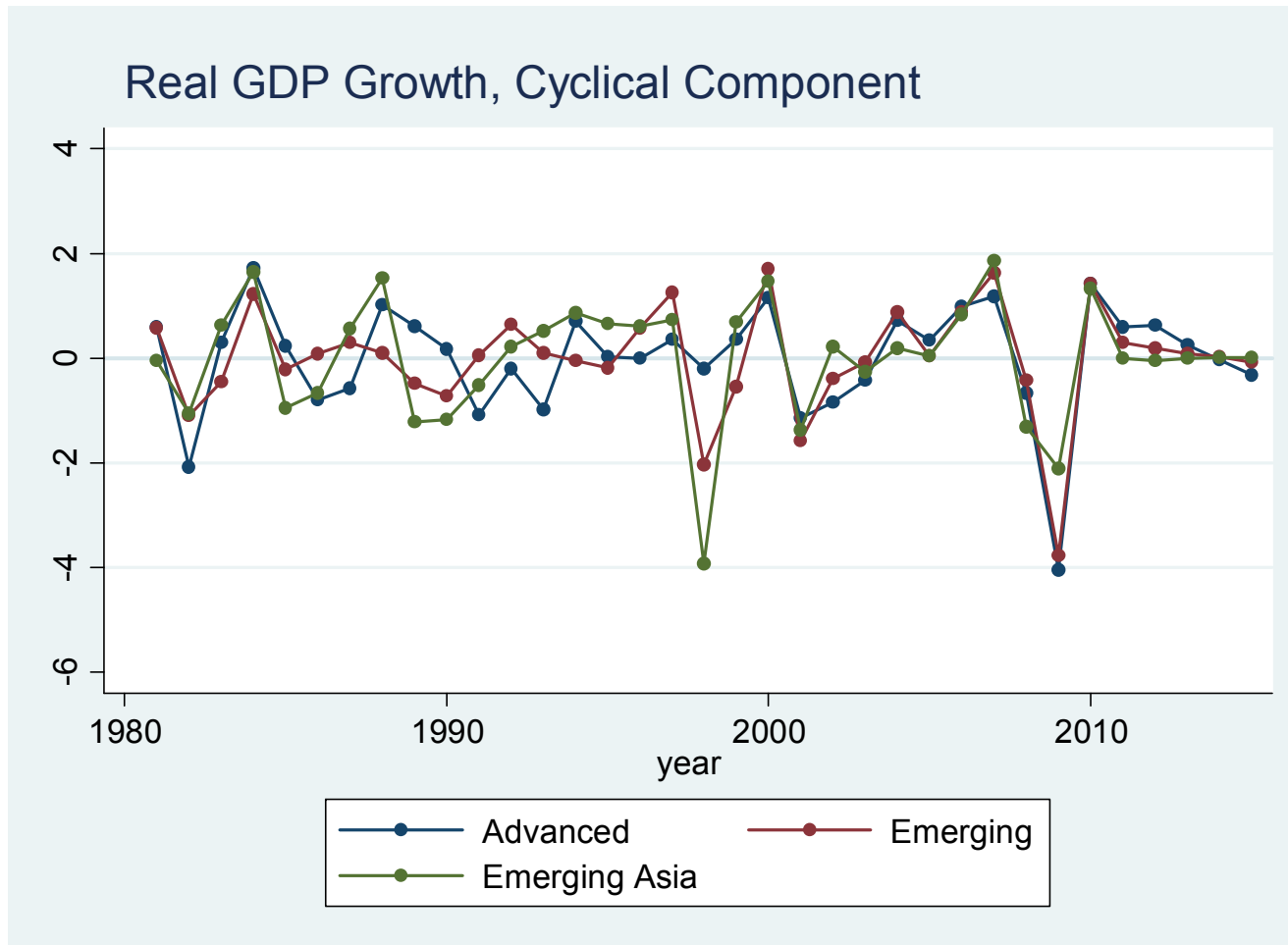
Source: IMF World Economic Outlook, October 2010

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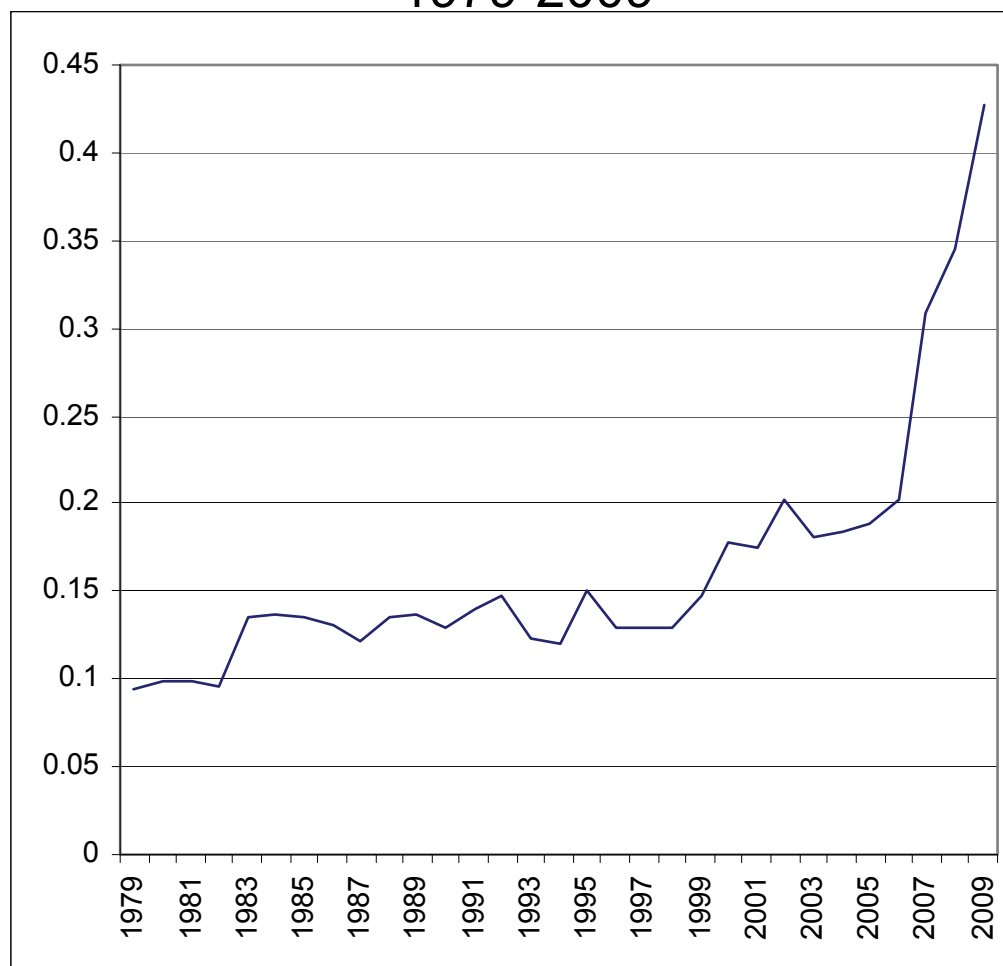
Source: IMF World Economic Outlook, October 2010

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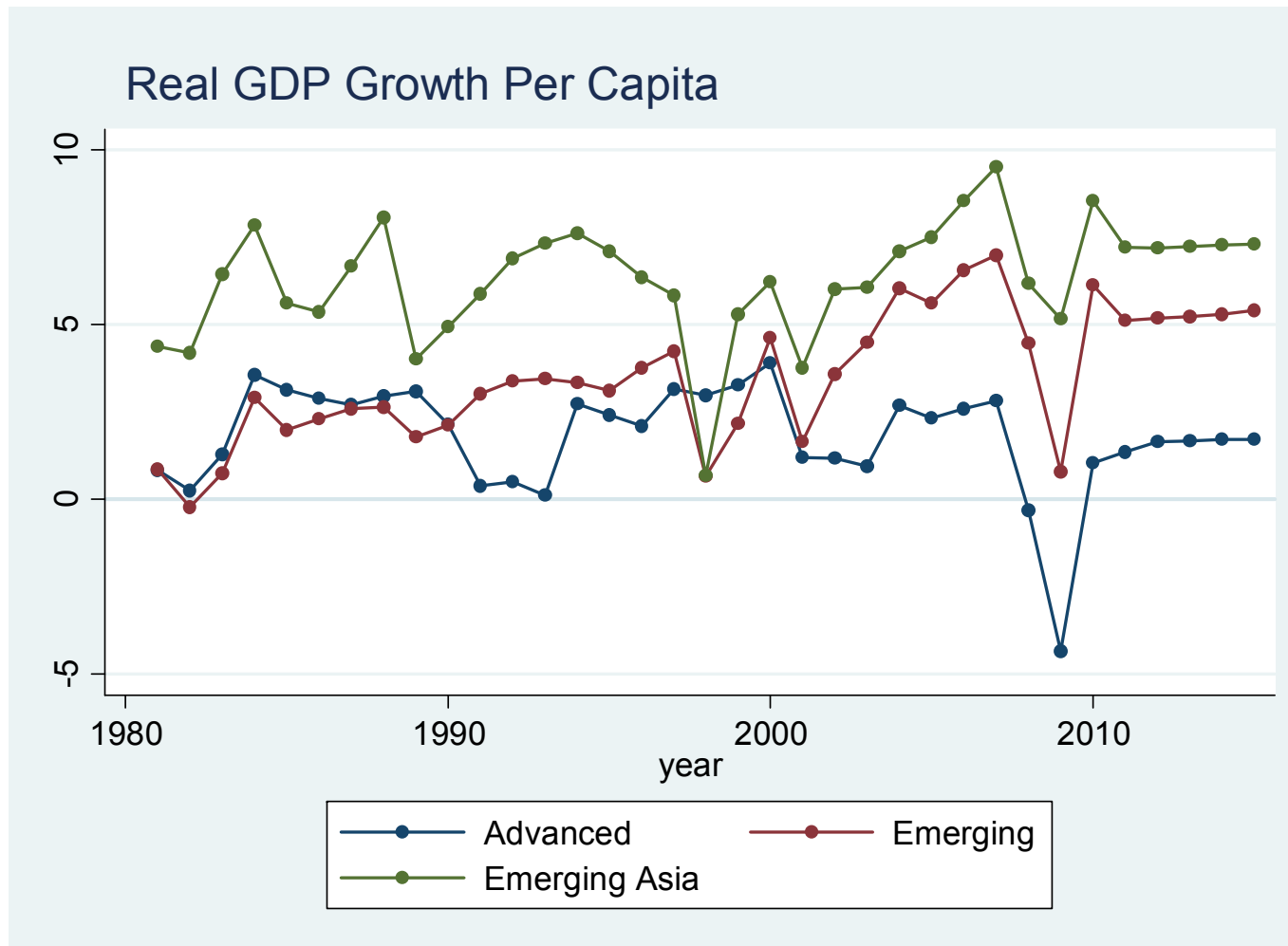
Source: IMF World Economic Outlook, October 2010

Correlation of Advanced and Emerging Economy Detrended Output 1979-2009



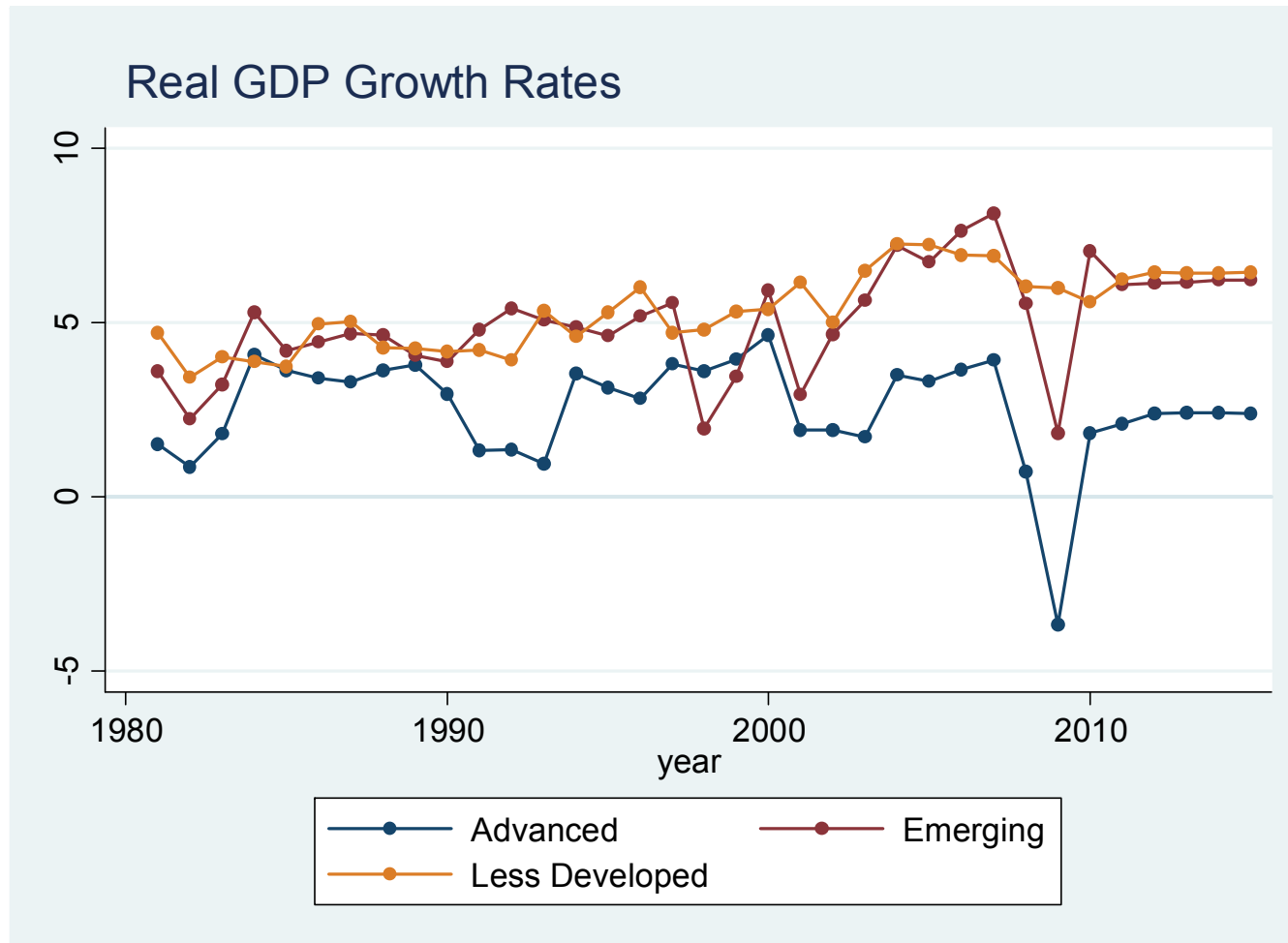
Source: IMF World Economic Outlook, October 2010; IMF Staff calculations
Note: Rolling correlations, 20-year window, window-end years on x-axis

Coupling or Decoupling?



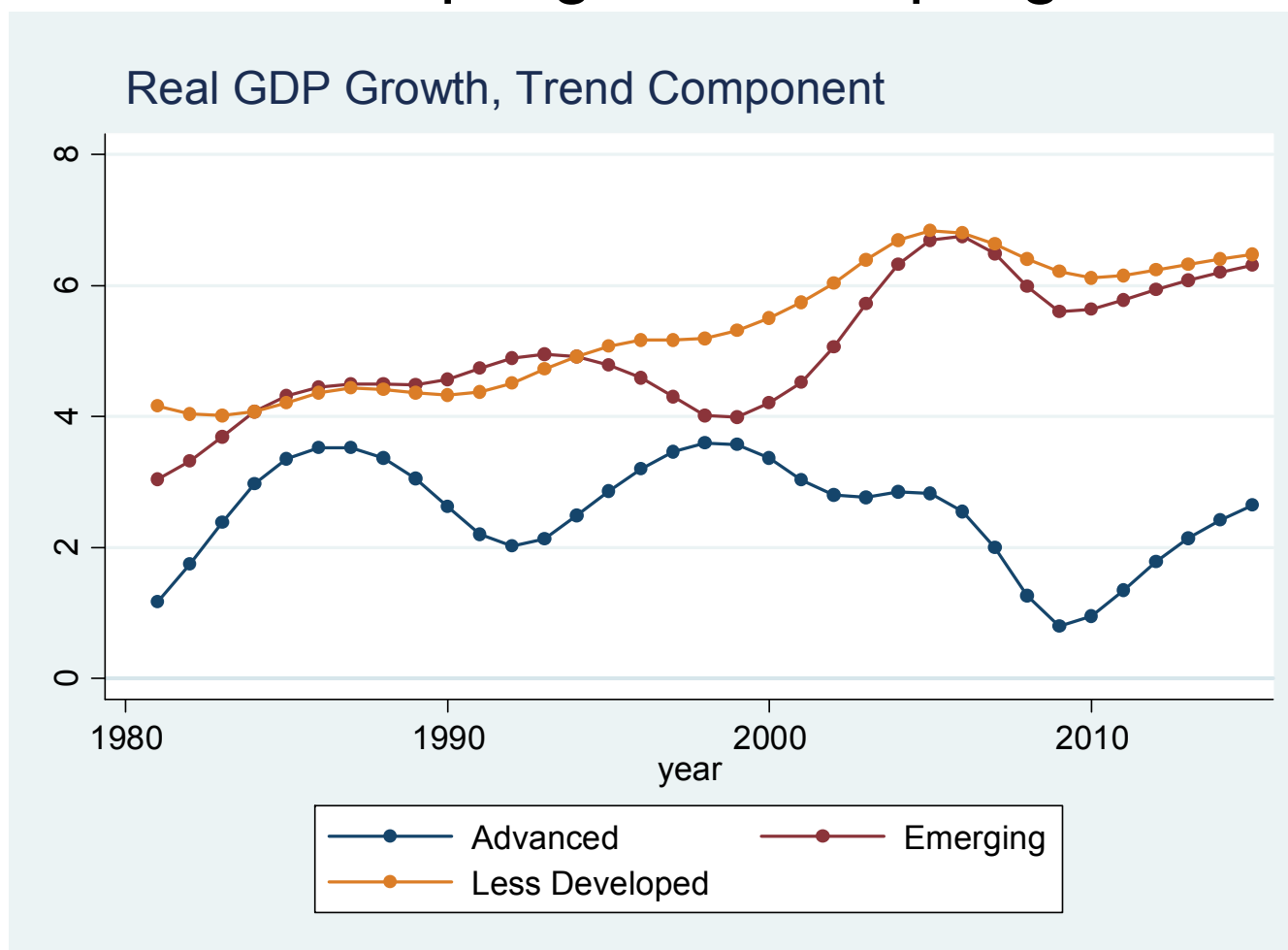
Source: IMF World Economic Outlook, October 2010

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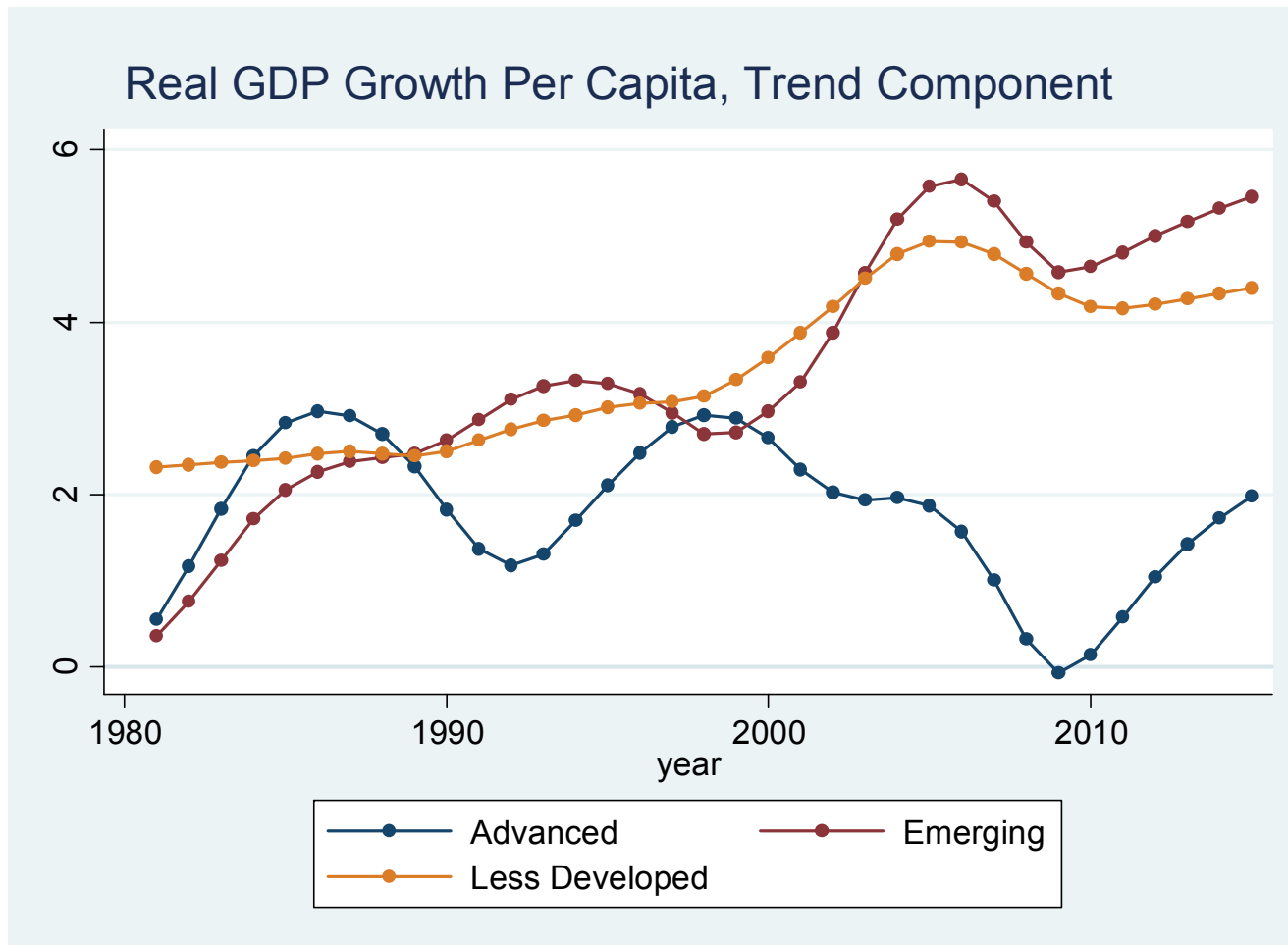
Source: IMF World Economic Outlook, October 2010

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