Angola will speed up growth there to 9.7 percent in 2012, which will moderate to 6.8 percent in 2013.

Sub-Saharan Africa remains well insulated from the European crisis, except for South Africa, which may transmit negative shocks to the rest of the region. The risks of inflation and fiscal deficits remain; the outlook for these will largely depend on global food and commodity prices, respectively.

Assumptions and Risks

As indicated earlier, all projections in this chapter are based on the IMF's April 2012 *World Economic Outlook*. In making its projections, the IMF has made a number of technical assumptions that underpin its estimations. Key among these assumptions are that: 1) real effective exchange rates will remain constant at their average levels during February 13–March 12, 2012, except for the currencies participating in the European exchange rate mechanism II (ERM II), which are assumed to have remained constant in nominal terms relative to the euro; 2) established fiscal and monetary policies of national authorities will be maintained; and 3) the average price of oil per barrel will be US$114.71 in 2012 and US$110.00 in 2013 and will remain unchanged in real terms over the medium term. The Outlook also proposes a number of working hypotheses involving levels of various deposit rates in the world's financial markets. Interested readers should consult the Outlook for further details on these and other technical assumptions.

For the most part, the assumptions made by IMF modelers are based on officially announced budgets, adjusted for differences between the national authorities and the IMF regarding macroeconomic assumptions and projected fiscal outcomes, with medium-term projections incorporating policy measures that are judged likely to be implemented. Similarly, assumptions about monetary policy are based on the established policy framework in each country.

One of the key factors in the global economic situation is the price of oil. While the assumption is that oil prices will remain in the vicinity of $110 a barrel, the IMF has examined a scenario involving a potentially adverse shock that could disrupt the oil supply. Assuming that Iran's oil exports to the OECD countries halt suddenly and are not offset by the increased output elsewhere, the initial oil price increase could be between 20 and 30 percent, with further uncertainty about oil supply disruptions increasing the price still further—to an average of 50 percent over the projected value for the next two years. Such a development would slow down the recovery in private consumption and investment growth globally, with the exception of net oil exporters. Global output would contract by over 1 percent, and various spillovers, such as falling confidence in financial markets, could further worsen the damage.

The other key risk is that escalation of the eurozone crisis could potentially increase bank and sovereign stress, which in turn could affect other regions in proportion to their trading and financial involvement with Western Europe. The most affected areas would be the CIS and emerging Europe, with North America also exposed through financial links and Asia exposed through trading links. Other risks include deflationary pressures in parts of the eurozone, high budget deficits in the United States and Japan, and unwinding credit booms in some emerging market economies. Upside risks include better than expected recovery in the United