

## Stagnant GDP Growth Rates Accompanied Continued Sluggish Employment Growth in Developing Countries

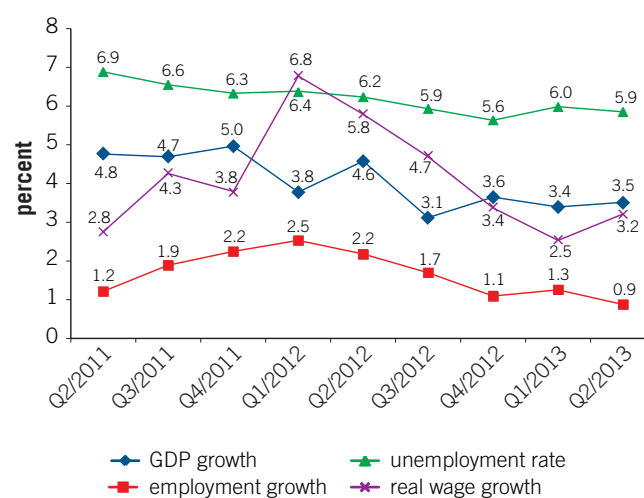
Employment outcomes continued to show almost no improvement in most developing countries over the second quarter of 2013 as gross domestic product (GDP) growth rates stagnated. Employment growth took a modest hit, dropping to 0.9 percent, while the unemployment rate barely moved. Real wage growth was the only outcome showing improvement, but the 3.2 percent growth rate found in the second quarter of 2013 was practically half of the rate for 2012 (figure 1). In this same period, decreases in employment growth were more pronounced in East Asia and Latin America, where employment growth was halved. Real wage growth also dropped by half in these regions, while in East Europe and Central Asia, real wage growth stumbled to 2.9 percent. Overall, the slowdown in economic growth and in employment that started in the second half of 2012 continued unabated through the second quarter of 2013, driven by weak GDP growth and uncertainties regarding the pace of recovery in the developed world.

Comparing the second quarter of 2012 with the second quarter of 2013, East Asia as a region sustained relatively high GDP growth, but this was driven mostly by China and the Philippines, each with growth rates surpassing 7.5 percent. In contrast, both Thailand and Indonesia saw declines in GDP growth (from 4.4 to 2.9 percent and from 6.3 to 5.8 percent, respectively), leaving the region overall with a GDP growth rate of around 6 percent. This was not the case with employment growth or with unemployment. While unemployment barely budged, employment growth plummeted from an average of 4 percent in the second quarter of 2012 to 1.7 percent in the second quarter of 2013. China's high employment growth in 2012 (10.3 percent) was almost halved in the second quarter of 2013 (5.8 percent), for example, despite more or less steady growth in GDP. Although employment stagnated or declined, real wages appear to have grown in most East Asian countries. Real wages in the Philippines rose from 1 percent in the second quarter of 2012 to 3.6 percent in the second quarter of 2013, for example.

Indonesia was the exception: after a period of high real wage growth between 2011 and 2012, wages adjusted downward from 17.1 percent in the second quarter of 2012 to -1.4 in the second quarter of 2013.

Europe and Central Asia present a mixed picture with respect to GDP growth. While around half of the countries—Kazakhstan, Lithuania, Moldova, and Turkey—showed increases in GDP growth, growth in the other half weakened, with Armenia, Belarus, and Ukraine actually contracting. The employment growth rate remained low throughout the region at 1 percent. Turkey registered the highest employment growth rate in the region with 3.5 percent, whereas the growth rate improved the

**Figure 1. Median GDP Growth and Labor Market Indicators in Selected Developing Countries**



Source: Author's calculation using CEIC, IMF and National Statistical Offices data.  
 Note: Values represent the median value of growth rates estimated for 20 countries: Armenia, Belarus, Brazil, Chile, China, Colombia, Ecuador, Kazakhstan, Kyrgyzstan, Lithuania, Mexico, Peru, Philippines, Romania, the Russian Federation, South Africa, Thailand, Turkey, Ukraine, and the Bolivarian Republic of Venezuela.

**Table 1. Labor Market Indicators for Selected Developing Countries**

Region	Countries	GDP growth		Employment growth		Unemployment rate		Real wage growth	
		Q2/2012	Q2/2013	Q2/2012	Q2/2013	Q2/2012	Q2/2013	Q2/2012	Q2/2013
EAP	China	7.6	7.5	10.3	5.8	4.1	4.1	8.1	8.5
EAP	Indonesia	6.3	5.8	1.2	0.5	6.2	6.1	17.1	-1.4
EAP	Philippines	6.3	7.6	2.8	-0.1	6.9	7.5	1.0	3.6
EAP	Thailand	4.4	2.9	1.6	0.7	0.9	0.7	2.8	4.5
ECA	Armenia	7.2	-3.1	-3.2	1.1	17.4	16.2	28.0	-0.7
ECA	Azerbaijan	0.0	na	1.1	2.1	5.3	5.1	7.5	4.2
ECA	Belarus	2.7	-0.5	-2.0	-0.8	0.7	0.5	15.5	19.2
ECA	Kazakhstan	5.2	5.8	3.9	0.8	5.3	5.2	12.4	0.1
ECA	Kyrgyzstan	5.7	5.7	2.1	0.8	2.6	2.4	21.2	-2.7
ECA	Lithuania	1.8	3.8	0.7	0.1	13.3	11.7	1.1	2.6
ECA	Moldova	1.8	6.3	-3.0	1.5	4.5	4.7	4.2	0.4
ECA	Romania	2.0	1.4	3.4	2.0	4.6	4.8	2.6	1.0
ECA	Russian Federation	4.3	1.2	1.7	-0.7	5.3	5.4	10.4	6.3
ECA	Tajikistan	16.8	5.5	na	na	2.6	2.5	4.4	2.9
ECA	Turkey	2.8	4.5	3.0	3.5	8.4	9.0	3.0	-1.3
ECA	Ukraine	3.0	-1.3	0.8	0.7	7.1	6.9	5.6	2.6
LAC	Brazil	0.6	3.3	2.1	0.5	5.9	5.9	3.2	3.6
LAC	Chile	4.6	3.9	1.7	2.2	6.6	6.1	3.0	4.6
LAC	Colombia	4.9	3.9	5.3	0.9	10.0	9.2	0.2	3.4
LAC	Ecuador	5.6	3.8	5.2	1.0	5.2	4.9	5.2	5.8
LAC	Mexico	4.5	0.5	4.4	0.5	4.9	4.9	1.1	-0.2
LAC	Peru	6.4	5.9	2.0	2.5	6.6	5.8	4.6	2.6
LAC	Venezuela, R.B.	5.6	2.6	2.3	2.4	8.0	7.5	5.6	-8.9
SSA	South Africa	2.9	2.3	2.5	2.0	24.9	25.6	6.0	1.2
EAP	Regional average	6.2	6.0	4.0	1.7	4.5	4.6	7.3	3.8
ECA	Regional average	4.4	2.7	0.8	1.0	6.4	6.2	9.7	2.9
LAC	Regional average	4.6	3.4	3.3	1.4	6.7	6.3	3.3	1.6

Sources: Real GDP growth—main source data: CEIC using countries' national statistical offices and central bank data, and the International Monetary Fund (IMF) for Moldova. Peru's estimations use demand-based GDP. Employment growth—main source: CEIC using IMF data; for China, Colombia, Indonesia, Lithuania, Mexico, Moldova and Tajikistan, data come from national statistical office. Unemployment rate growth—main source: CEIC using IMF data; for Armenia, Colombia, Indonesia, Kazakhstan, Kyrgyzstan, Moldova, Romania and Tajikistan, data come from national statistical office. Real wage growth—main source: CEIC using countries' national statistical offices, central bank, and IMF data. Data for Colombia and Indonesia reflect wages for the manufacturing sector only. Peru's data refer to metropolitan Lima only. Philippines data refer to the real minimum wage and refer to all nonagricultural sectors. South Africa real wage growth estimated using February, May, August, and November data. Growth estimated from three-month average real wages except for China, Indonesia, Kyrgyzstan, Lithuania, Russia, South Africa, Turkey, and the Bolivarian Republic of Venezuela.

most in Armenia and Moldova. The Russian Federation experienced negative employment growth (from 1.7 percent in the second quarter of 2012 to -0.7 percent in the second quarter of 2013). Compared to the second quarter of 2012, the unemployment rate improved slightly for the Europe and Central Asia region over the same period in 2013. Overall, real wage growth showed significant declines, dropping from 9.7 percent in the second quarter of 2012 to less than a third of that rate (2.9 percent) in the second quarter of 2013. Armenia, Kazakhstan, and Kyrgyzstan show particularly steep declines in wage growth, while Belarus' and Lithuania's real wage growth improved.

In the Latin America and Caribbean region, GDP growth declined in all countries except Brazil, leading the regional average

to drop from 4.6 to 3.4 percent. Mexico was hit strongest: GDP growth dropped from 4.5 percent in the second quarter of 2012 to 0.5 percent in the second quarter of 2013. The region's employment growth rate also fell substantially, from 3.3 to 1.4 percent. The extent of this decline is largely driven by drops in employment growth in Colombia and Ecuador. The regional unemployment rate decreased marginally from 6.7 percent in the second quarter of 2012 to 6.3 percent in the second quarter of 2013. Real wage growth accelerated in many countries in the region, except for the Bolivarian Republic of Venezuela, Mexico, and Peru. The average value, however, declined from 3.3 percent in the second quarter of 2012 to 1.6 percent in the second quarter of 2013, reflecting the drop registered by the Bolivarian Re-

public of Venezuela, where real wages contracted in the second quarter of 2013.

The South African economy showed signs of further deterioration. GDP growth decreased from 2.9 in the second quarter of 2012 to 2.3 percent in the second quarter of 2013. Dur-

ing this period employment growth also fell from 2.5 to 2 percent, and the unemployment rate grew from 24.9 to 25.6 percent. The largest decrease in employment-related outcomes was registered by the real wage growth, which plummeted from 6 to 1.2 percent.

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