

## **Background Note on the World Economy**

### **World Economic Situation and Prospects**

Global economic growth has been relatively slow over the past two years. Many countries suffer from high unemployment, particularly among the youth and women. But recently, there have been signs of improvement. According to the UN latest projection, the prospects for the world economy in 2014/15 look more favourable. Stronger economic growth should help bring more people back to work in all parts of the world. The high rates of unemployment and underemployment will however, remain a major concern worldwide.

Among major developed economies, the euro area has come out of recession, growth in the United States has strengthened and the stimulus policies in Japan have worked better than anticipated.

Many emerging economies have managed to backstop the slowdown they experienced over the past two years. The economic prospects for Africa, East Asia and Western Asia are relatively robust. For Latin America and the Caribbean and South Asia, a significant improvement is expected over the coming two years. Nevertheless, in many developing countries, growth will remain below potential. This will hamper faster progress towards the Millennium Development Goals.

### **Downside Risks for the world economy**

Despite the recent progress, there are still considerable downside risks for global growth in 2014/15. The most important risk factor is the upcoming exit from the unconventional monetary policies in developed economies. If not carefully managed, this could lead to renewed financial instability. It could also have a severe negative impact on developing countries.

Some other risks have diminished, but not entirely disappeared. This includes the fragility in the euro area and vulnerability in some emerging economies. In addition, there are considerable geopolitical

risks, especially in the Middle East, that could threaten a sustained global recovery.

### **Key Development Issues:**

From the UN perspective, there are three major challenges in the area of development:

(1) We need to strengthen the recovery of the world economy in the aftermath of the global financial crisis, particularly the recovery of jobs. More balanced, sustainable and equitable growth is needed. This requires globally concerted and coordinated policy actions. From the perspective of developing countries / the Group of 77, efforts need to be enhanced to mitigate the negative spillover effects of policies in developed economies and reduce the risk of renewed global financial turbulences. An important factor in achieving more robust growth in developing countries is further strengthening South-South trade, investment and technical cooperation.

(2) We need to accelerate progress towards the Millennium Development Goals before the target date of 2015. It is vital that developed economies deliver on their Official Development Assistance (ODA) commitments, especially to the least developed countries.

(3) We need to advance the UN development agenda beyond 2015, namely, establish a post-2015 universal development agenda, which helps eradicate poverty, tackle climate change and other challenges, and place the world on a sustainable development trajectory.