

## **Background Note**

### **Secretary-General, Davos**

#### **The outlook for the global economy in 2015**

Let me draw some highlights from the latest UN publication of the *World Economic Situation and Prospects 2015*. The global economy managed to expand at a moderate pace of 2.6 % in 2014, slightly better than 2013. The world economic prospects are expected to improve marginally in 2015, with a projected growth of 3.1%. However, the world economy is facing a number of uncertainties and risks.

Seven years after the global financial crisis, many economies in the world are still saddled with unfinished post-crisis adjustments. For example, the unemployment rates remain high in a number of economies, particularly the long-term unemployment and the youth unemployment. Fragilities remain in the financial system and the regulatory reforms are proceeding very slowly.

The global economy is also hampered by some new challenges, such as the heightened geopolitical conflicts in many parts of the world.

The most recent plunge in oil prices presents mixed blessing for the world economy. The lower oil prices can provide a boost to the economic growth for many oil-importing countries, but a number of oil-exporting countries are under tremendous pressure, particularly those countries whose government budget depends highly on oil revenues and whose foreign exchange reserves are limited.

In the outlook, among developed countries, the US continues to lead the recovery, but fragility persists in the euro area, and weakness remains in Japan.

Among developing countries and economies in transition, economic performance has become more divergent. A sharp deceleration occurred in a number of large emerging economies in 2014, particularly in Latin America and the Commonwealth of Independent States (CIS). The growth prospects for both Latin America and the CIS continue to be weak.

By contrast, economic growth in developing Asia will continue to be robust.

Africa's growth momentum is set to continue, driven by consumption and investment, as consumer confidence increases, middle class expands, and business environment improves. However, some economies in Africa continue to face risks of political instability, terrorism and weather-related shocks.

In general, a more moderate growth may have become the new normal for many emerging economies and developing countries, compared with their strong performance prior to the global financial crisis.

World trade has been growing at a sluggish pace for the past few years. A pickup is expected for the next two years, but the trade dynamism witnessed in the 1990s and early 2000s is not expected to return soon.

International capital flows will continue to be volatile. The US dollar has appreciated significantly recently and may remain strong for a while. Global imbalances have narrowed in general, but a few emerging economies are facing large external deficits.

On the policy front, many economies, particularly developed economies, depend excessively on monetary policy only, but monetary policy alone cannot support a balanced and robust growth. Different types of macroeconomic policies should be better coordinated, focusing more on growth and jobs.

More concerted efforts are needed to expedite the WTO Doha Round so as to give a boost to international trade.

International policy coordination is needed to mitigate international spill-overs when major developed countries change their policies.

International policy cooperation needs to be enhanced in many areas, such as tax cooperation, international financial reforms, climate change, and ODA to the least developed countries.