Unedited draft

**United Nations**

**Department of Economic and Social Affairs**

# LINK Global Economic Outlook

**June 2015**

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**Acknowledgements**

This report presents the short-term prospects for the global economy in 2015-2016, including major risks and policy challenges. The report draws on inputs from the experts of Project LINK, as well as analysis of staff in the Global Economic Monitoring Unit (GEMU) of the Development Policy and Analysis Division (DPAD), United Nations Department of Economic and Social Affairs (UN-DESA). Under the general direction of Pingfan Hong, the current report was coordinated by Ingo Pitterle, with contributions from Grigor Agabekian, Hoi Wai Cheng, Dawn Holland, Hung-Yi Li, Matthias Kempf, Hamid Rashid, Sebastian Vergara, Sergio Vieira and John Winkel. Cordelia Gow and Ann D'Lima provided statistical and editorial assistance. The views expressed herein do not necessarily represent those of the United Nations or its Member States.

## Overview

The world economy continues to grow at a modest pace. Growth of world gross product is projected at 2.8 per cent in 2015 – a moderate downward revision from the forecasts presented in January. In 2016, global growth is projected to strengthen to 3.1 per cent. The growth divergence among the various world regions is widening in 2015, driven by differing impacts from the decline in the prices of oil and other commodities, as well as country-specific factors. The short-term growth prospects of heavily commodity-dependent countries have worsened considerably. By contrast, commodity-importers are benefiting from lower prices in the form of reduced inflationary, fiscal and balance-of-payment pressures. While the recovery in developed economies is improving, many countries still face considerable headwinds from the legacies of the global financial crisis. The subdued performance of the world economy in recent years has raised concerns of a "new normal" of lower growth. The broad-based post-crisis weakness in investment not only holds back current growth, but also reduces potential growth in the future.

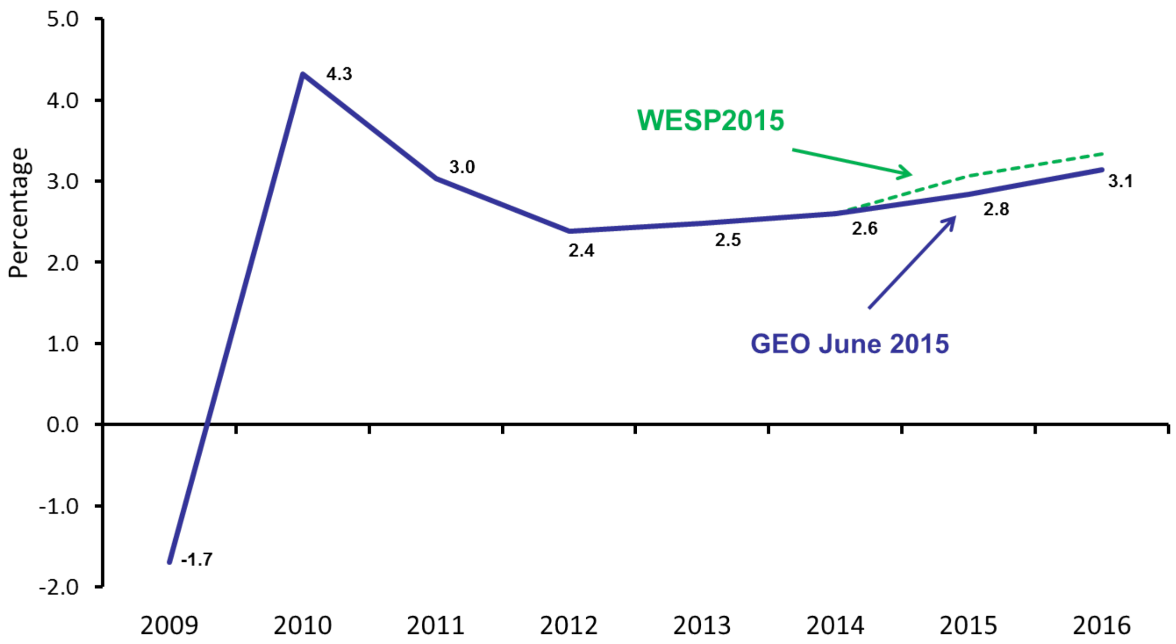
The major downside risks to the baseline outlook are related to the impact of the upcoming monetary policy normalization in the United States, ongoing uncertainties in the eurozone, potential spillovers from geopolitical conflicts, and persistent vulnerabilities in emerging economies. To mitigate these risks and ensure a return to strong, sustainable and balanced growth, a broad set of policy measures at the domestic, regional and global level is needed. This report identifies a number of key challenges in the areas of monetary, fiscal, labour market and trade policies, underlining the need for strengthened international policy coordination. Such coordination becomes ever more critical as the Member States of the United Nations are expected to adopt a new financing framework for sustainable development and an ambitious post-2015 sustainable development agenda.

## I. Global macroeconomic trends

Global growth prospects

The world economy continues to grow at a modest pace. Growth of world gross product is projected to accelerate slightly from 2.6 per cent in 2014 to 2.8 per cent in 2015 - a downward revision by 0.3 percentage points from the forecast made in January 2015. In 2016, global growth is forecast to improve to 3.1 per cent (Figure 1). There are still considerable downside risks to the baseline forecast, related to the upcoming move towards monetary policy normalization in the United States, ongoing uncertainties in the eurozone, potential spillovers from geopolitical conflicts and persistent vulnerabilities in emerging economies. The overall subdued performance of the world economy since the global financial crisis has raised concerns of a "new normal" of lower growth, especially in view of a broad-based weakness in investment.

**Figure 1: Growth of world gross product, 2009-2016**




Source: UN/DESA

The downward revision in global growth for 2015 reflects mainly a deteriorating outlook in the economies in transition and several large developing countries, especially in South America. Gross domestic product (GDP) in the economies in transition is projected to contract by 1.9 per cent this year, while average growth in developing countries is expected to remain at 4.4 per cent, about 3 percentage points below the pre-crisis pace. The growth divergence between the various regions is widening in 2015. This can be partly attributed to the differing impacts from the recent drop in the prices of oil and other commodities. For heavily commodity-dependent economies, the short-term growth prospects have worsened considerably. In some cases, this has been amplified by large capital outflows and by persistent domestic weaknesses, including macroeconomic imbalances, social and political unrest, and governance issues. On the other hand, large commodity-importers have benefited from lower prices in the form of reduced inflationary, fiscal and balance-of-payment pressures, improving the short-term growth outlook for many of these countries. As some of the current headwinds start to recede, growth in developing countries and economies in transition is projected to gain some strength in 2016.

The prospects for developed economies in 2015 have been slightly upgraded from earlier forecasts, with average growth projected to accelerate from 1.6 per cent in 2014 to 2 per cent in 2015. Almost all major developed economies are expected to see the growth momentum picking up. The upward revision reflects a moderately improved outlook for the eurozone owing to a number of factors, including lower energy prices and significant currency depreciation on the back of the European Central Bank’s (ECB’s) new large-scale asset-buying program. Despite expectations of a more robust recovery, developed economies continue to face considerable headwinds from the legacies of the global financial crisis, including subdued employment levels, elevated private and public sector debt, and financial sector fragilities.

**Table 1**

| Growth of world output, 2013 – 2016, annual percentage change | | | | | Change from January 2015 forecast | |
|---|---|---|---|---|---|---|
| | 2013 | 2014 [a] | 2015 [b] | 2016 [b] | 2015 | 2016 |
| **World** | 2.5 | 2.6 | 2.8 | 3.1 | -0.3 | -0.2 |
| **Developed economies** | 1.2 | 1.6 | 2.0 | 2.2 | -0.1 | -0.1 |
| United States of America | 2.2 | 2.4 | 2.6 | 2.7 | -0.2 | -0.4 |
| Japan | 1.6 | 0.0 | 1.0 | 1.1 | -0.2 | 0.0 |
| European Union | 0.0 | 1.3 | 1.9 | 2.1 | 0.2 | 0.1 |
| EU15 | -0.1 | 1.2 | 1.8 | 2.0 | 0.3 | 0.1 |
| New EU Members | 1.3 | 2.7 | 2.8 | 3.2 | -0.1 | -0.1 |
| Eurozone | -0.5 | 0.9 | 1.6 | 1.9 | 0.3 | 0.2 |
| Other European | 1.4 | 2.1 | 0.5 | 1.3 | -1.7 | -1.0 |
| **Economies in transition** | 2.0 | 0.7 | -1.9 | 1.0 | -3.0 | -1.1 |
| South-Eastern Europe | 2.4 | 0.1 | 1.4 | 2.5 | -1.3 | -0.5 |
| Commonwealth of Independent States and Georgia | 2.0 | 0.7 | -2.1 | 0.9 | -3.2 | -1.2 |
| Russian Federation | 1.3 | 0.4 | -3.0 | 0.1 | -3.2 | -1.1 |
| **Developing economies** | 4.7 | 4.4 | 4.4 | 4.8 | -0.4 | -0.3 |
| Africa | 3.3 | 3.3 | 4.0 | 4.8 | -0.6 | -0.1 |
| North Africa | 1.0 | 1.0 | 2.8 | 4.0 | -1.1 | -0.3 |
| East Africa | 6.5 | 6.4 | 6.6 | 6.6 | -0.2 | 0.0 |
| Central Africa | 2.0 | 4.1 | 3.4 | 4.3 | -1.3 | -0.7 |
| West Africa | 5.6 | 5.8 | 5.8 | 6.2 | -0.4 | 0.1 |
| Southern Africa | 3.2 | 2.5 | 2.9 | 3.7 | -0.7 | -0.4 |
| East and South Asia | 6.1 | 6.2 | 6.2 | 6.1 | 0.2 | 0.1 |
| East Asia | 6.4 | 6.1 | 6.0 | 6.0 | -0.1 | 0.0 |
| China | 7.7 | 7.4 | 6.9 | 6.8 | -0.1 | 0.0 |
| South Asia | 4.9 | 6.3 | 6.6 | 6.9 | 1.2 | 1.2 |
| India [c] | 6.4 | 7.2 | 7.6 | 7.7 | 1.7 | 1.4 |
| Western Asia | 3.1 | 3.0 | 3.0 | 3.6 | -0.7 | -0.7 |
| Latin America and the Caribbean | 2.7 | 1.0 | 0.5 | 1.7 | -1.9 | -1.4 |
| South America | 2.9 | 0.6 | -0.4 | 1.1 | -2.3 | -1.7 |
| Brazil | 2.5 | 0.1 | -1.1 | 0.5 | -2.6 | -1.9 |
| Mexico and Central America | 1.8 | 2.3 | 3.0 | 3.2 | -0.5 | -0.6 |
| Caribbean | 3.0 | 1.8 | 3.1 | 3.7 | -0.7 | -0.1 |
| Least developed countries | 5.3 | 5.2 | 4.8 | 5.7 | -0.9 | -0.2 |
| ***Memorandum items*:** | | | | | | |
| World trade [d] | 3.1 | 3.2 | 3.8 | 4.9 | -0.7 | 0.0 |
| World output growth with PPP-based weights | 3.1 | 3.2 | 3.3 | 3.7 | -0.2 | -0.1 |

Source: UN/DESA

**a** Partly estimated; **b** Forecast, based in part on Project LINK; **c** Based on newly released data; **d** Includes goods and services

## Employment

The latest available data confirm a modest labour market recovery in 2014, driven by improvements in developed economies, which is expected to continue in 2015. Globally, employment is estimated to have grown by 1.4 per cent in 2014, a similar expansion to that in 2013. While this is a modest improvement compared to average growth between 2007 and 2012, it remains persistently below the pre-crisis pace, when employment growth averaged 1.7 per cent annually. Against the backdrop of modest GDP growth, the pace of employment creation remains too weak to recover the jobs lost during the crisis and to absorb new market entrants. Unemployment is thus expected to remain elevated in many developed countries, while part-time jobs and lower labour force participation will remain major challenges. In the eurozone, average unemployment is projected to decline only slowly from 11.6 per cent in 2014 to 11.1 per cent in 2015 and 10.5 per cent in 2016. In the United States, the recent positive trend is expected to continue, with unemployment forecast to average 5.1 per cent in 2016, down from 5.5 per cent in March 2015. At the same time, labour market conditions in many developing countries and economies in transition have deteriorated. With GDP growth slowing, employment growth is coming down, while gender gaps are widening. Unemployment rates are estimated to have increased in most developing regions, with the exception of South Asia. During the forecast period, this adverse trend is expected to persist, given that growth will likely remain subdued in many countries.

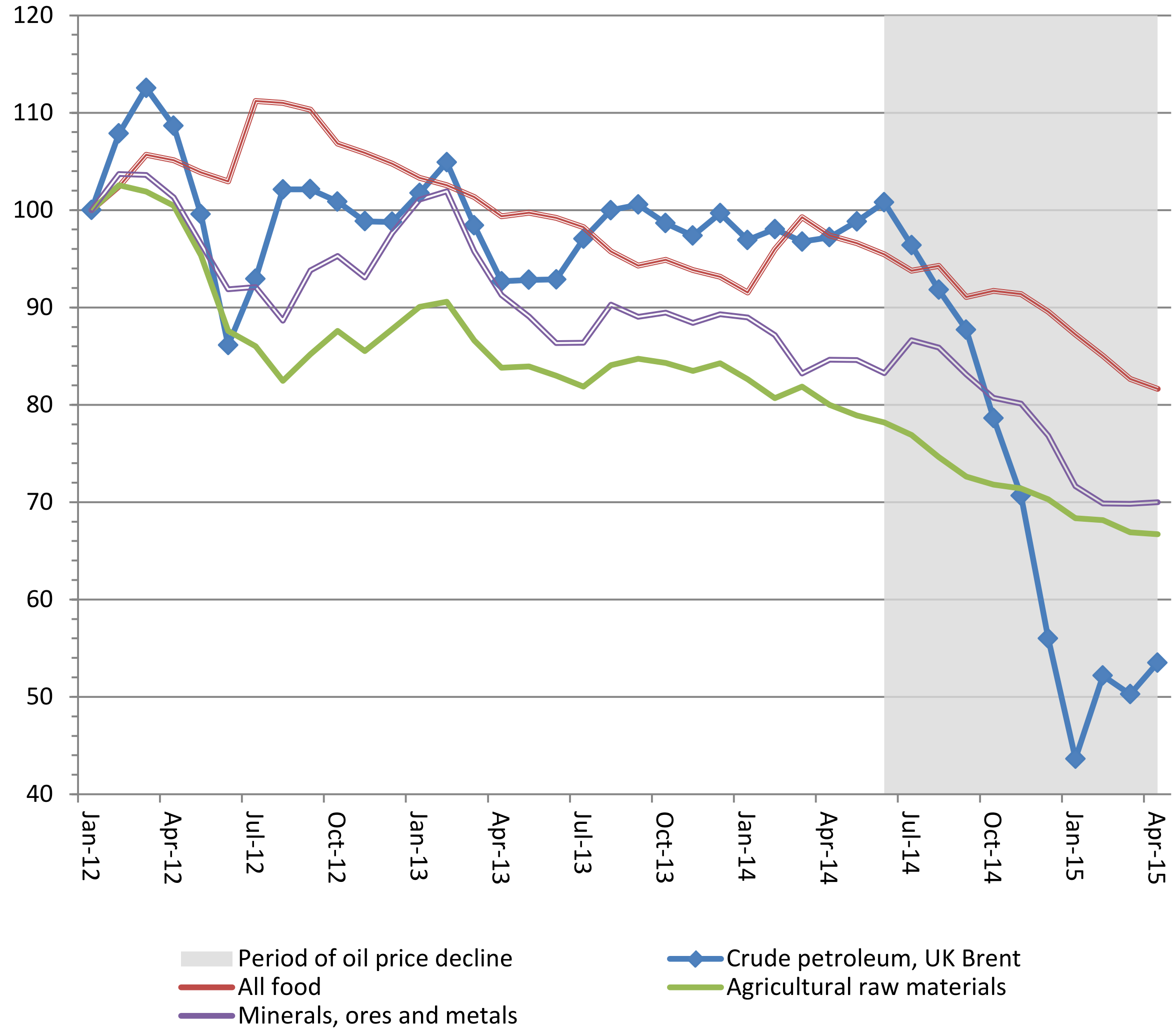
## Inflation

Average global inflation continues to decline amid persistent negative output gaps and the drop in oil and food prices. In 2015, global consumer price inflation is expected to average 2.4 per cent, the lowest level since 2009. With oil prices expected to recover slowly and global activity projected to pick up, average inflation is forecast to accelerate to 3 per cent in 2016. This aggregate picture encompasses a wide range of diverse dynamics. In developed countries, inflation rates - and inflation expectations - have drifted downwards noticeably despite unprecedented expansionary monetary policies in many countries. Deflation risks remain in place, particularly in the eurozone and Japan. In developing countries, lower oil prices have generally reduced inflationary and balance-of-payment pressures, giving central banks more room to tackle slowing growth. The overall impact on inflation differs widely across countries, depending on exchange rate trends, the importance of oil in consumer baskets, monetary policy stances and the extent of fuel subsidies. For instance, exchange rate depreciations have fuelled inflation in the Russian Federation and Ukraine, while keeping inflation elevated in Brazil and Chile. Inflation is expected to remain very high in several developing countries and economies in transition, including Belarus, Ukraine and the Bolivarian Republic of Venezuela owing to a variety of factors, such as market distortions, supply shortages, currency depreciations and inflation inertia.

### Commodity prices

Global commodity prices continued to decline in early 2015 (Figure 2), owing to several factors, including sustained oversupply, relatively weak global demand, and a strengthening dollar. The Brent oil price fell by more than 50 per cent between June 2014 and January 2015, dropping to a 5-year low of $45 per barrel (pb). Since then, the price has recovered somewhat, fluctuating between $50 and $60 pb. Volatility will likely remain high during 2015, even as the oil market remains oversupplied. The demand-supply gap is expected to narrow considerably in 2016, easing the downward pressure on oil prices. The price is projected to average $55 pb in 2015 and $70 pb in 2016. Upside risks to this outlook include OPEC production cuts or conflict escalation in oil exporting countries. Downside risks are related to continued strong growth of North America's shale oil output and a lift of the export ban against the Islamic Republic of Iran. Among non-oil commodities, the group of minerals, ores and metals experienced the sharpest price fall between October 2014 and April 2015, declining on average by 14 per cent. Low oil prices amplified the downward trend of non-oil commodity prices, particularly in the case of food and metals. This partly reflects the fact that energy costs make up a significant portion of production and transportation costs of food and metal. In the forecast period, the downward pressures on non-oil commodity prices will likely persist, although less strongly than in 2014.

**Figure 2: Price indices of selected groups of commodities, January 2012 - April 2015 (Index: January 2012=100)**

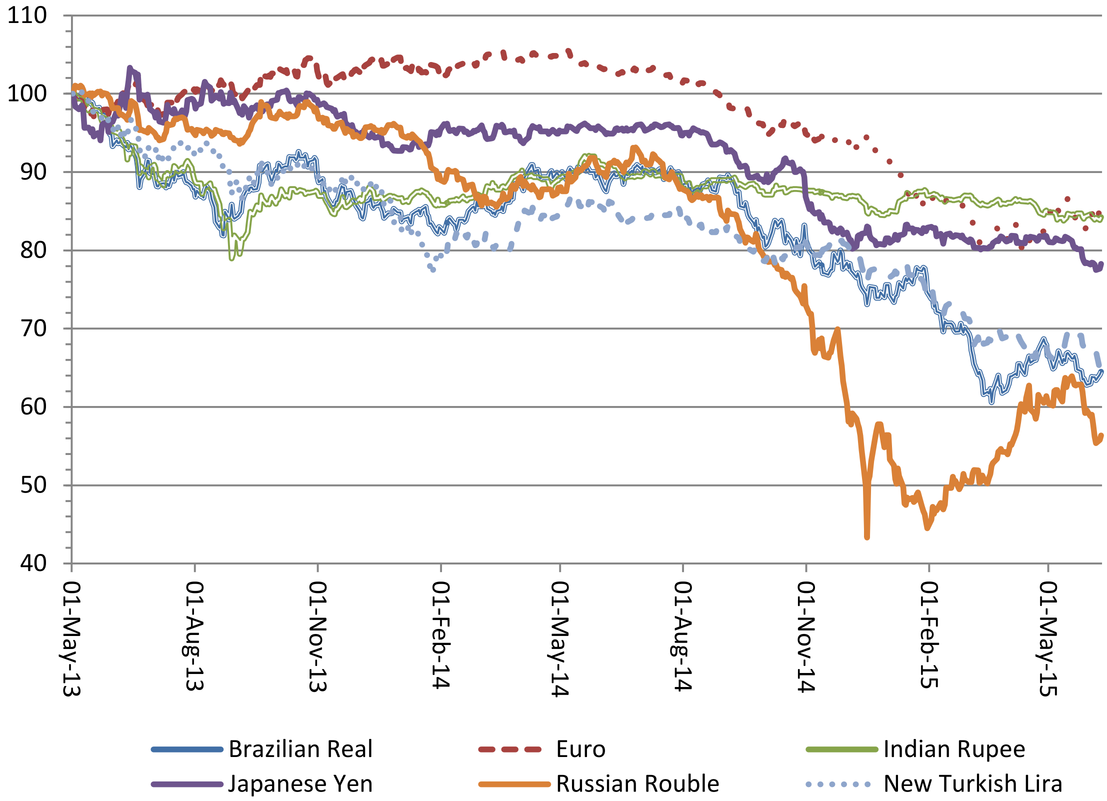



Source: UN/DESA, based on data from UNCTADStat

Exchange rates

The major trend on global foreign exchange markets is the ongoing strength of the dollar. During the first quarter of 2015, the dollar continued to appreciate, reaching multi-year highs against many currencies (Figure 3). The broad-based dollar strength has been driven by the relatively positive outlook for the US economy and expectations of a widening monetary policy divergence between the United States Federal Reserve (Fed) and other central banks. While the Fed is expected to start raising interest rates in the second half of 2015, most other central banks still move in the opposite direction. The ECB's large-scale bond buying programme that was launched in early 2015 sent the euro sharply lower. Several large developing countries, most notably Brazil and Turkey, continued to experience strong downward pressure on their currencies as concerns over weak macroeconomic fundamentals, financial vulnerabilities and political woes led to capital outflows. In the forecast period, the dollar is expected to stay strong against most currencies as the growth and monetary policy divergences remain in place. Given uncertainties over the eurozone outlook, the effects of a rise in US interest rates and the weakness in some emerging economies, foreign exchange volatility will likely remain elevated.

**Figure 3: Exchange rates of selected currencies against the US dollar, 1 May 2013 – 9 June 2015 (Index: 1 May 2013=100)**




Source: UN/DESA, based on data from J.P. Morgan Markets
Note: A rising index indicates an appreciation of the currency against the US dollar.

## International trade flows

Global trade is expected to improve moderately, growing somewhat faster than the rate of global output and expanding by 3.8 per cent in 2015 and 4.9 per cent in 2016. Trade growth in early 2015 has been relatively sluggish, but similar patterns have been observed in recent years with trade rebounding over the rest of the year. Substantial changes in exchange rates are expected to result in some shifts in directions of trade. The broad-based appreciation of the dollar has so far had only a limited impact on the United States' trade balance, but this is likely to change over the forecast period as trade patterns adjust to shifts in relative prices. Recent exchange rate changes are expected to result in some pick-up for eurozone exports and weak import demand in South America. East Asian exports are projected to remain relatively strong. While prospects for global trade are improving, several factors will continue to limit the possibilities for trade to return to higher growth patterns. These include lingering subdued global demand; limited prospects for large increases in trade growth as a result of trade agreements; and perhaps more limited scope for further integration of developing countries into the global trading system. Global services trade will continue to expand at a more rapid rate than merchandise trade, although growth in international tourism is expected to slow slightly in 2015 after expanding by 4.4 per cent in 2014.

## International capital flows

Recent trends on global financial markets continue to be driven by highly accommodative monetary policies in a low-inflation or deflationary environment in developed economies. As a result, sovereign and corporate bond yields have plummeted to record lows, while stock markets have reached new highs. Cross-border bank lending has also started to recover, but is still below the levels observed before the financial crisis. Capital flows to developing economies and economies in transition have retreated, with persistent volatility. Given a subdued growth outlook for many of these economies and an upcoming move towards US monetary policy normalization, this downward trend is expected to continue in 2015. Significant declines in equity and debt inflows have been recorded in the Russian Federation and Ukraine - mainly owing to geopolitical tensions and worsening economic conditions -, but also in other emerging economies, such as Brazil, Mexico and Turkey. Capital outflows from China have also increased - a trend that could strengthen in the medium run as the country moves to a slower growth path. During the forecast period, the interaction between global monetary conditions and the ongoing fragilities in emerging economies could lead to further capital flow reversals amid rapidly changing investor sentiment. Large commodity-exporting countries with open capital markets appear to be particularly vulnerable. While solid macroeconomic fundamentals should promote medium-term resilience, they might provide little insulation against short-term fluctuations if liquidity dries up and financing costs rise sharply.

Global imbalances

Current account imbalances in major economies narrowed slightly in 2014, continuing the trend of the past few years. The decline in the prices of oil and other commodities has contributed to this process, leading to lower deficits in several large commodity-importers and smaller surpluses or even deficits in major commodity-exporters, notably Saudi Arabia and other Gulf Cooperation Council (GCC) countries. The strengthening of the dollar since mid-2014 could, however, presage some widening of global imbalances in the outlook period, albeit not to the levels seen in 2006-08. The United States remains by far the world's largest deficit country. In 2014, its current account deficit reached $410 billion, accounting for 2.4 per cent of GDP, the same ratio as in 2013. Among the major surplus countries, China's current account surplus remained steady at about 2 per cent of GDP in 2014, while Germany's surplus continued to rise, equalling 7.4 per cent of GDP. This helped push the eurozone's combined surplus to a new record – a trend that could be reinforced by the recent weakening of the euro. The large and growing surpluses of some euro member countries partly reflect sluggish investment and reluctance to open up service sectors.

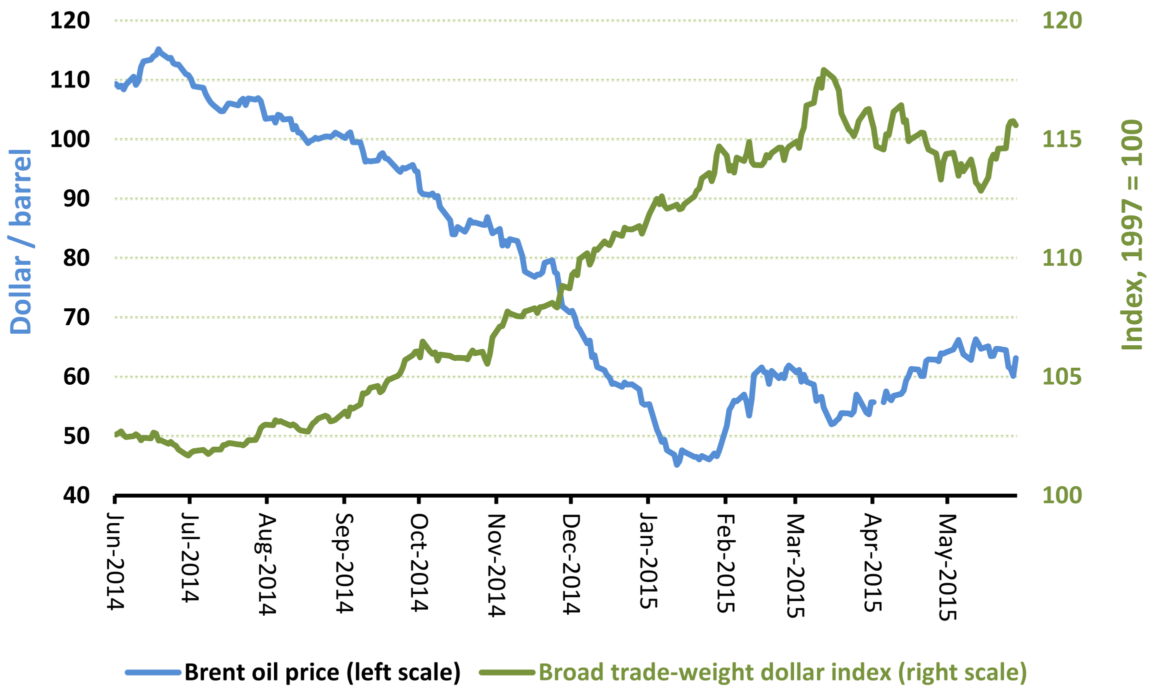
## II. Regional prospects

### 1. Developed economies

*United States*

In the United States, the economic expansion has generally remained on track and the short-term outlook is relatively favourable. Following strong expansions in the second and third quarter of 2014, growth has, however, slowed noticeably. The weak performance in early 2015 could be attributed to significantly lower investment in the energy sector, disturbances to international cargo shipping and bad weather. However, growth is expected to pick up over the next few quarters and average 2.6 per cent in 2015, before accelerating slightly to 2.7 per cent in 2016. Although the benefit of low oil prices has not (yet) been fully reflected in stronger household consumption, continuous improvement in the labour market will support consumption and GDP growth. The improvement in the labour market is also expected to support solid growth in residential investment. General business fixed investment will expand notably although investment in the oil production sector will decline due to the lower oil price. On the other hand, in addition to subdued demand from trade partners, export growth may also be dampened by the significant appreciation of the US dollar since mid-2014 (Figure 4). Federal government expenditure is not expected to increase over the outlook period.

**Figure 4: Daily Brent crude oil price and US dollar index, June 2014 - May 2015**




Source: UN/DESA, based on data from the United States Federal Reserve Bank.

The labour market in the United States has remained on the recovery track since mid-2010. Although the speed of increase in total non-farm payroll employment slowed down in March 2015, the number of additional jobs has been around or above 200,000 per month since mid-2013. The declining trend in the labour participation ratio seems to have stabilized: in the 12-month period up to March 2015, the ratio has fluctuated within the narrow range of 62.7 to 62.9 per cent. Correspondingly, the unemployment rate has declined to 5.4 per cent in April 2015, the lowest level since June 2008. However, the improvements in the employment situation have only been associated with a slight increase in the wage rate; in 2014, real average hourly earnings rose by only 0.7 per cent from the previous year. In the outlook period, the employment situation will likely continue to improve and the labour participation ratio will not decline further; the annual average unemployment rate is projected to fall to 5.3 per cent in 2015 and 5.1 per cent in 2016, down from an average level of 6.2 per cent in 2014. Increases in wage rates are expected to accelerate.

Given the subdued pressure from wage rates, inflation has remained tame since the onset of recovery. The average annual headline inflation rate has been close to or below 2 per cent since 2012. In the course of 2014, with the sharp decline of crude oil and other commodity prices, the year-over-year inflation rate fell gradually, and in early 2015 the rate became negative. Meanwhile, the core inflation rate has remained within the range of 1.6 to 2.0 per cent since 2013. Assuming that oil prices slowly recover during the forecast period, the inflation rate is projected to gradually increase again. For 2015 and 2016, the average headline inflation rate is forecast at 0.2 and 2.1 per cent, respectively.

The US Federal Reserve (Fed) implemented unconventional monetary policy measures, i.e. quantitative easing, in November 2008 and periodically purchased large amounts of securities from the market. By doing so, the yields for those securities have been pushed down significantly and this effect has also spread to other financial products such as mortgages. In October 2014, the Fed decided to terminate the active purchasing. However, it also decided to maintain its holdings of longer-term securities by "reinvesting principal payments from its holdings of agency debt and agency mortgage-backed securities in agency mortgage-backed securities" and also by "rolling over maturing Treasury securities at auction".

According to the communications from the Fed, the normalization of its conventional monetary policy tool is also on the agenda. The Fed will start to increase the target for the federal fund rate from the current range of 0 - 25 basis points according to the targets of maximum employment and 2 per cent inflation. There is high uncertainty regarding the actual timing of the Fed's first rate hike and the speed of normalization. It is assumed here that the Fed will start to raise the federal fund rate in late 2015, with gradual hikes thereafter.

There is also significant uncertainty in the domain of fiscal policy in the United States. First, regarding the debt ceiling, the Temporary Debt Limit Extension Act, which was introduced in February 2014 to temporarily suspend the debt ceiling, expired in 15 March 2015. The Federal Government needs to subject the outstanding amount of debt to the sanctioned limit again. It is estimated that, by taking "extraordinary measures", the limit will not become binding for several months after that date. It is assumed that an agreement will eventually be reached and disruptions to the Federal Government's operations can be avoided.

Another element of uncertainty is related to the federal government budget, which needs to be adopted before October 2015, the beginning of the next fiscal year. In addition, the authorization for the Highway Trust Fund and the Export-Import Bank need to be agreed upon in May and June 2015, respectively. Given the current political landscape, it is expected that a solution will eventually be reached, although following a cumbersome process. However, outlays from the Federal Government are predicted to increase only nominally and may diminish slightly in real terms. The federal government deficit is expected to decline from 3.3 per cent of GDP in 2014 to about 2.7 per cent in 2016. On the other hand, the state and local governments will likely increase their expenditures in the wake of the improved economic situation.

Starting from mid-2014, the US dollar appreciated vis-à-vis a wide range of currencies of developed economies, developing countries and economies in transition. On a broad trade-weighted base, the dollar appreciated by 13.6 per cent between June 2014 and March 2015. This trend has been driven by the relatively positive outlook for the US economy and expectations of a widening monetary policy divergence between the Fed and other central banks.

The combination of increased domestic crude oil production and lower international oil prices helped to reduce the import bill for petroleum and petroleum products by more than 36 billion dollars in 2014. Import prices for other types of products also declined due to the appreciation of the US dollar. These effects have been carried over into 2015, leading to an even more pronounced import price decline than in 2014.

For the outlook period, there are two major risks for the US economy. The first one is about the actual path of monetary policy normalization. An abrupt and disorderly portfolio reallocation among investors may trigger severe disturbances to both financial and real sectors. The second risk is related to public finances. In case the political procedures to reach an agreement on the budget and debt ceilings run into a deadlock, the resulting disturbances to the operation of the Federal Government will have a significant negative impact on the economy.

*Japan*

The Japanese economy fell into technical recession in 2014 due to the increase in the consumption tax rate from 5 per cent to 8 per cent in April. During the first quarter of 2014, households brought ahead their purchase of durable goods to avoid paying higher tax. Total private consumption increased at an annualized rate of 9 per cent and pushed up GDP growth rate to 5.1 per cent. After the tax hike, private consumption fell by more than 18 per cent and caused GDP to contract more than 6 per cent in the second quarter. After a further contraction in the third quarter, a tepid recovery started in the fourth quarter, helping to bring the full-year GDP in 2014 back to the level of 2013. Japan's GDP is projected to grow by 1.0 per cent in 2015 and 1.1 per cent in 2016.

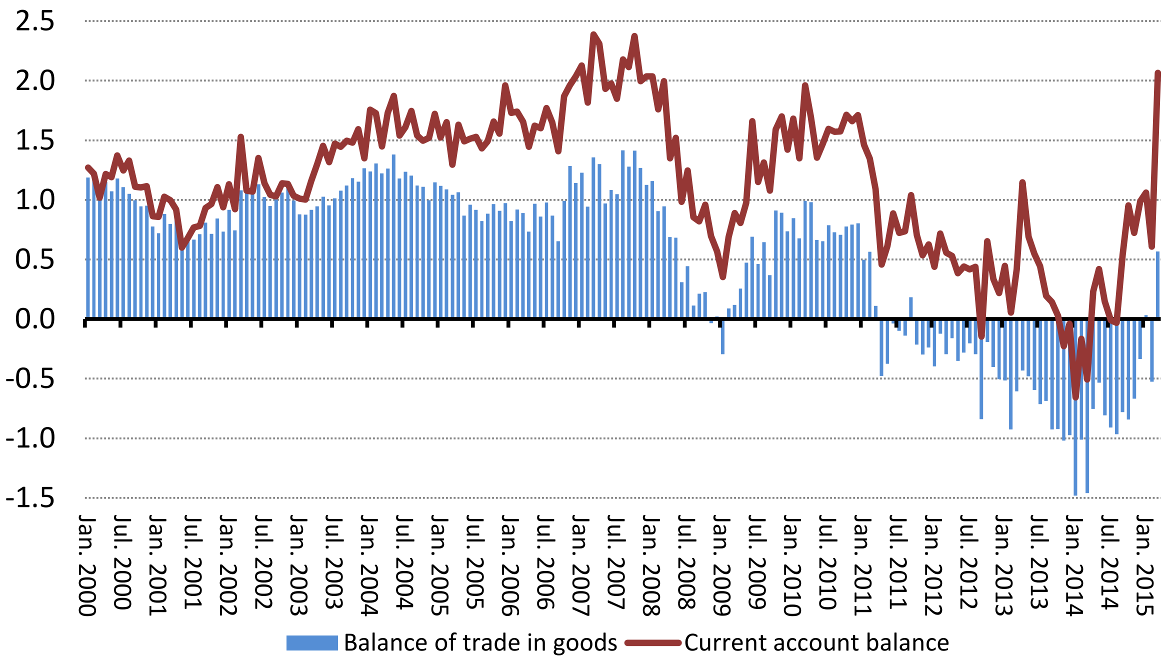
After the April 2014 tax hike, the year-over-year headline inflation immediately jumped to more than 3 per cent. However, this rate started to decline gradually in the subsequent quarters; in March 2015, the inflation rate stood at 2.3 per cent. Part of this decline was due to the lower international oil price. After the base effect vanishes in May 2015, the headline inflation rate is expected to fall to a level noticeably lower than the target of 2 per cent set by the Bank of Japan (BoJ).

In October 2014, the Japanese Government decided to postpone the date for a second consumption tax rate hike to 10 per cent from October 2015 to April 2017. However, with nominal wage growth expected to be below the increase in the overall price level, private consumption is projected to further weaken slightly in 2015 before resuming growth in 2016. The frontloading of consumption before the 2017 tax hike will support private consumption growth in 2016, too. A similar profile also prevails for private fixed capital formation. After a decline in 2014, private investment will only expand marginally in 2015 before resuming more substantial growth in 2016.

Japan's labour market has continued to improve since early 2013. In the first quarter of 2015, the employment level was about 0.6 per cent higher than a year ago. The post-Great Recession decline in the labour participation ratio seems to have stabilized since early 2014. In fact, the female participation ratio has been increasing since late 2013. Job opening statistics in early 2015 indicated that employment still had room to grow. The unemployment rate is expected to remain at 3.5 per cent in 2015, the same level as in 2014. However, the recent improvement in the labour market has not led to a corresponding increase in the wage rate, despite the Government's efforts to persuade the business sector of such moves. This issue is especially relevant given the reduction in households' purchasing power due to the higher consumption tax.

Long after the significant depreciation of the Japanese yen started in 2012, export volumes began to increase in late 2014. Import volumes increased rapidly in late 2013 and the first quarter of 2014, ahead of the consumption tax rate hike, before slowing down over the second half of 2014. As a result, the balance of trade in merchandise goods has recorded a record-breaking deficit during the first half of 2014 (Figure 5). The trade deficit has since then gradually fallen and in the first quarter of 2015 a very small surplus was reported. The lower international oil price has contributed significantly to this improvement. The net export volume in goods and services will continue to expand and provide some support to GDP growth in both 2015 and 2016. In view of the investment income generated through Japan's large foreign financial assets, the current account balance is also predicted to remain positive in the outlook period. However, the current account surplus, relative to GDP, will be significantly lower than before the Great Recession; in 2015 this ratio is expected to be only 0.5 per cent.

**Figure 5: Monthly current account balance for Japan, January 2000 - March 2015 (Billion yen, seasonally adjusted)**




Source: UN/DESA, based on data from the Bank of Japan.

After implementing its Quantitative and Qualitative Easing (QQE) program in April 2013, the BoJ decided in April 2014 to increase the scale of its asset purchasing programme from 60~70 trillion to 80 trillion yen per year, further strengthening its efforts to bring the inflation rate up to the target of 2 per cent. In April 2015, the BoJ decided to postpone the targeting date from “in and around the 2015 fiscal year” to the first half of the 2016 fiscal year (i.e. from April to September 2016). The BoJ is not expected to further increase the scale of its QQE programme. With respect to conventional monetary policy, the BoJ is projected to keep its policy rate within the current range of 0 to 10 basis points until the end of the outlook period.

While the increase in the consumption tax rate has triggered a technical recession, it nevertheless had a strong positive impact on the fiscal balance of the Japanese Government. In the budget for the fiscal year that started in April 2015, tax revenues are estimated to be about 9 per cent higher than in the previous fiscal year. Although the budget foresees a mild increase in central government outlays, the fiscal gap is estimated to be lower than in the previous years. In the outlook period, government consumption is predicted to increase at the same pace as GDP.

*Western Europe*

The fragile economic recovery in Europe is gradually becoming more broadly-based, supported by low oil prices, currency depreciation, expansive monetary stimulus programmes, declining consumer prices and some easing of the pressure for fiscal consolidation. While the EU-15 expanded by just 1.2 per cent last year, growth strengthened in the second half of 2014, and is expected to continue to improve this year. GDP is expected to grow by 1.8 per cent in 2015 and 2.0 per cent in 2016.

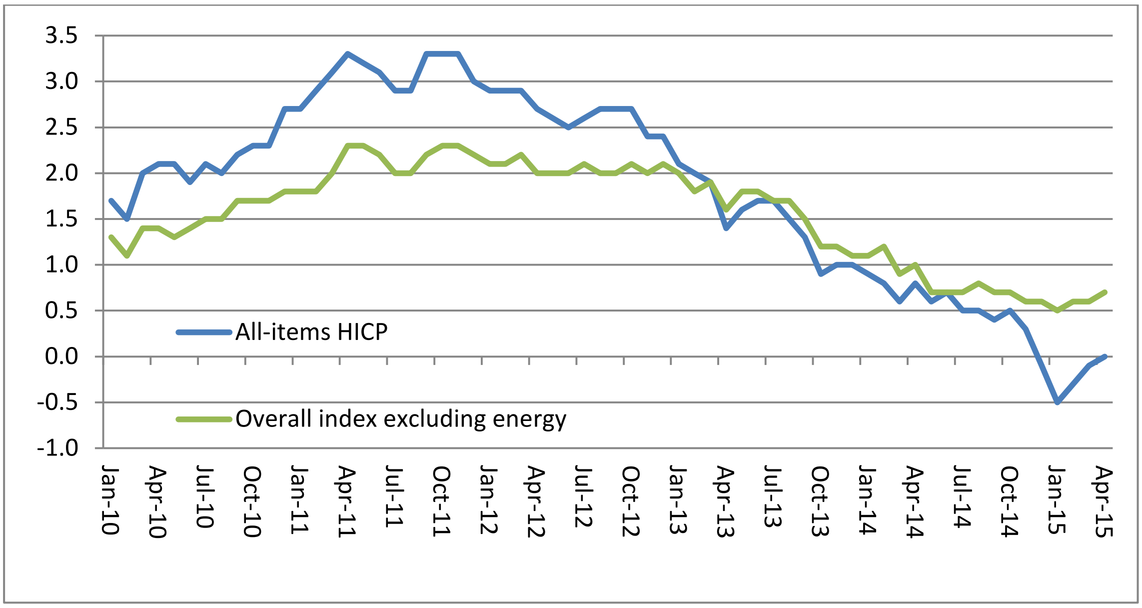
While the UK and Germany have been at the forefront of the recovery, we have also seen a notable rebound in Spain, the Netherlands and Denmark. Ireland topped the growth table in 2014 with an expansion of 4.8 per cent. Austria, Finland, France and Italy have been slow to revive, partly reflecting the overhang of bank fragility in the aftermath of the financial crisis. However, some positive signs of growth have emerged from these economies in the first half of 2015. Heightened uncertainty in Greece regarding the future direction of economic policy pushed the economy back into recession in early 2015. Outside the EU, Norway and Switzerland have both seen a sharp slowdown in activity. In Switzerland, the decision in January 2015 to abandon the minimum boundary vis-à-vis the euro has allowed a 15 per cent appreciation of the Swiss Franc against its biggest trading currency, and net trade is expected to restrain growth this year. In Norway the slowdown reflects the low oil price, which has hit export revenues and stalled investment in the oil sector.

While GDP growth has started to recover, the prolonged period of below-trend growth since 2008 leaves a legacy of elevated unemployment in Europe. The unemployment rate in the EU stood at 9.8 per cent in March 2015, compared to an average of 7.2 per cent in 2007. The aggregate figures mask stark differences across countries, with about ¼ of the labour force out of work in Spain and Greece, respectively, compared to less than 5 per cent in Germany, a post-reunification low. Headline unemployment figures under-represent the non-employed share of the population wanting to work, and those wanting to work more hours than they currently do. Over 20 per cent of part-time workers in 2014 were ‘under-employed’, in that they would have preferred to work longer hours or full-time. On top of this, official labour force figures omit nearly 5 per cent of individuals who want to work but are not registered labour force participants, due to factors such as discouragement or lack of benefit entitlements. Underemployment of part-time workers is particularly high in Spain, while in

Italy the official labour force figures underreport the number of individuals who want to work by 13.6 per cent.

Despite relative modest employment growth, an unexpectedly sharp drop in consumer prices has given a boost to real incomes, and consumer spending will continue to sustain growth this year. The EU recorded year-on-year deflation for 4 consecutive months starting in December 2014, with 23 of 28 Member States reporting a year-on-year drop in the price level during at least one month (Figure 6). While this is largely attributable to the steep drop in the oil price, core inflation excluding energy has also drifted down to 0.6 per cent in the eurozone, raising concerns that deflation may become entrenched in expectations. In Germany, the eurozone's largest economy, wage growth is expected to pick up this year, given both the low rate of unemployment and the introduction of a minimum wage at the start of the year. Higher wage settlements have already been agreed across a broad range of industries for forthcoming wage rounds in 2015 and 2016. While this may prevent inflation expectations from deteriorating further, we forecast inflation of 0 per cent in the eurozone this year and 1.1 per cent in 2016, well below the European Central Bank's (ECB's) inflation target.

**Figure 6: Inflation in the EU-28 (annual rate of change)**




Source: UN/DESA, based on data from Eurostat

In response to deflation risks, the ECB announced a significant loosening of the monetary stance in January 2015, which aims to restore the ECB balance sheet to 2012 levels by September 2016. Under the Expanded Asset Purchase Programme, launched on March 9, the combined purchases of public and private sector securities are due to amount to 60 billion euro per month. While it is far too early to assess the efficacy of the programme in terms of the ECB's price stability mandate, financial markets have so far reacted as expected: the euro has depreciated, equity prices have risen, and yields on government bonds have fallen to historic lows, and even negative values. The latest Bank Lending Survey by the ECB suggests that there has also been some pass-through to credit conditions and an increase in lending, especially to enterprises. All of these factors should support economic recovery in the eurozone this year.

As in the eurozone, the monetary stance in Sweden and Norway has also eased significantly in recent months. Norges Bank cut interest rates in December 2014 to 1.25 per cent, to counteract the anticipated negative consequences of the sharp drop in the oil price as well as concerns over the potential impact of an appreciation of the krone against the euro. A further rate cut is likely in the coming months, despite an inflation rate of 1.7 per cent in Norway, well above that in the rest of the EU. The Swedish Riksbank has cut interest rates twice since the start of the year, with the repo rate now set at -0.25 per cent, has expanded its purchases of government bonds and has intimated that additional easing measures are likely if inflation does not rise from the current level of 0.2 per cent. In Switzerland, the decision to abandon the minimum boundary vis-à-vis the euro acted as an implicit tightening of monetary conditions in January, which were only partially offset by cutting interest rates to -0.75 per cent. The Bank of England has kept monetary policy unchanged, but has indicated some preparedness to begin the process of monetary policy normalization when conditions are right. Any shift in the stance is unlikely to come before early 2016, and in any case not before interest rates begin to rise in the US.

As the monetary stance in Europe has eased relative to that in the US, European currencies have generally weakened, which will support external competitiveness and net trade this year. Ireland and Greece should benefit more than most from the weak euro, as their biggest trading partners (the US and the UK) lie outside the eurozone. However, it is not clear that the gain in external competitiveness will be sufficient to restore growth to the beleaguered economy of Greece.

The euro began depreciating in June 2014, following the introduction of a negative interest rate target by the ECB. Additional ECB easing measures, combined with the conclusion of QE by the Federal Reserve and a move towards interest rate rises in the US, have continued to put downward pressure on the euro. The euro depreciated by 10 per cent against the US$ in the second half of 2014, and by a further 10 per cent in the first four months of 2015. The Swedish krone and Norwegian krone have both depreciated by an even greater amount, while sterling has appreciated slightly against other European currencies, with a cumulative decline of about 10 per cent against the US$. Given monetary policy intentions and the outlook for growth, the euro is expected to depreciate slightly against the US$ by the end of the year. Within Europe, the Swedish krone and Norwegian krone should depreciate further against the euro, while sterling is expected to gain in strength.

The aggregate government deficit of the European Union fell below 3 per cent of GDP last year for the first time since 2008, having reached 7 per cent of GDP at the height of the financial crisis. This sharp correction in the deficit, during a period of recession and below trend growth in much of Europe, reflects stringent austerity programmes introduced across the EU, especially in those eurozone countries requiring financial assistance when the crisis over European sovereign debt erupted in 2010. Despite steep improvements in fiscal balances, government debt levels in the EU have continued to rise, reaching 86.8 per cent of GDP in 2014, and fiscal consolidation remains ongoing, due to commitments under the Stability and Growth Pact and Fiscal Compact. Excessive Deficit Procedures are ongoing in 11 EU member states: Croatia, Malta, Cyprus, Portugal, Slovenia, Poland, France, Ireland, Greece, Spain, UK. However, the pressure to consolidate in most countries has eased significantly, with deadlines to correct the deficit extended to 2016 for Croatia, Cyprus, Greece and Spain, and 2017 for France. Meanwhile, strong growth in Ireland has boosted tax revenues, and the Government is expecting to meet its budget targets for 2015 with some room to spare. In the 2016 budget, they are considering reversing some of the austerity measures that were imposed to comply with bail-out conditions. This is one of the first signs of a change in fiscal policy stance in the EU.

The Greek Master Financial Assistance Facility Agreement (MFFA), which originally expired on 31 December 2014, was extended to 30 June 2015, to allow the new Greek Government and the Eurogroup of Finance Ministers to agree a follow-up arrangement for financial assistance to Greece. Tense negotiations over the conditions attached to further lending remain ongoing, and Greek government bond yields have surged to levels last seen in early 2013, as it is unclear whether the Government will be able to meet debt obligations over the next few months if a timely agreement is not reached. One area of contention remains the targeted size of the Greek primary surplus for 2015. Under previous agreements, the

Government should target a primary surplus of 4.5 per cent of GDP. However, with more than ¼ of the workforce out of work and a 25 per cent drop in production since 2007, the stringent tightening measures required to achieve this target would take a heavy toll. A more moderate primary surplus target of 2-2½ per cent of GDP for 2015 is more likely. There are signs that capital outflows from Greece have increased in response to the policy uncertainty, and there is a risk that capital controls, along the lines of those imposed in Cyprus in 2013, may be needed to maintain stability in the banking system.

Thus far, we have seen few signs of contagion from financial market stress in Greece to other European markets, in stark contrast to the situation in 2010-2012. Since the onset of the eurozone sovereign debt crisis, we have seen a significant reduction in external exposure to Greek assets, and measures have been put in place to prevent a vicious cycle from developing between government debt and bank balance sheets. By June 2014, Ireland, Spain and Portugal had all successfully exited their financial assistance programmes, and as the pace of fiscal consolidation eases, growth is returning to these economies. Nonetheless, there remains a risk that financial stress in Greece could spread to other economies and derail the fragile economic recovery in Europe. These risks will persist until the uncertainty surrounding Greece's continued access to finance is resolved, ensuring the future solvency of the Greek Government. Other key risks include a disruption of trade and energy supplies if geopolitical tensions between the Ukraine and the Russian Federation were to escalate.

*The New EU Member States*

Most of the new EU member States registered moderate, but stable growth in 2014 thanks to reviving domestic demand, gradually improving external conditions, and less fiscal drag. This trend should continue in 2015, supported (through strong production and trade linkages) by the pick-up in the leading EU-15 economies, accommodative monetary policies and low energy costs. The recent quantitative easing by the ECB should facilitate restoration of cross-border capital flows into the region; the impact of bank deleveraging on growth should taper. All countries in the group are expected to register positive GDP growth in 2015; however, in Croatia a stagnation of the economy is possible. Aggregate GDP growth in the new EU member States, which reached 2.7 per cent in 2014, is projected to accelerate further to 2.8 per cent in 2015 and 3.2 per cent in 2016.

In 2014, the region's economic recovery became more broad-based, although the performance of export-oriented industries still remains important for those countries. In Central Europe, the automotive sector provided a strong impulse to the economies (in real terms, automotive output in Hungary expanded by 20 per cent). Growing real wages, bolstered by low or negative inflation, along with increasing employment supported the recovery in private consumption. In some countries, however, households' foreign exchange denominated debt remains a problem, further aggravated by the recent appreciation of the Swiss franc. Importantly, investment was robust, supported by the improved utilization of EU funds and fiscal spending; in Hungary investment expanded by 14 per cent last year. This pattern is expected to continue in the near-term; in the first quarter of 2015, industrial growth continued, forward-looking indicators were favourable and business and consumer confidence remained strong. Although the Russian food import ban has affected some of the new EU countries (especially Poland and the Baltic States) by curbing their exports, its macroeconomic impact has remained limited.

Lower energy and food prices - part of the food supply was redirected to domestic markets following the Russian restriction on food imports - drove annual inflation[1] in several new EU members (Bulgaria, Hungary, Slovakia) into negative territory and in the rest of the region to near-zero figures in 2014. Positive, but very low inflation is expected in 2015 despite stronger domestic demand and a weaker euro. Given that in the first quarter of 2015 deflation persisted in a number of countries, average annual inflation may even turn negative in some cases. Lower energy costs could lead to utility price cuts for households (already enacted in Slovakia), further curbing inflationary pressures. The recent episode of deflation, observed in late 2014 and early 2015, has not yet had a significant negative impact on the economies of the region, thanks to growing real incomes and gradual completion of household deleveraging, and because it has not been caused by demand side factors. However, persistent deflation could eventually undermine business profitability and private investment projects may be out on hold.

Labour markets in the new EU members improved in 2014 as employment increased. This was supported by the ongoing economic recovery but also by public work programs and tighter conditions for social benefits. However, the improvement remains uneven. In early

[1] EU harmonized measure of inflation.

2015, the positive trend continued, in particular in the Czech Republic, where the unemployment rate declined significantly, dropping below 7 per cent, and in Poland, where the unemployment rate fell by about 2 percentage points from a year ago. The outlook for the rest of the year is favourable, as this trend is likely to continue. The situation remains more precarious in Croatia, which has the highest unemployment in the region; a decline in the unemployment rate to 18.3 per cent in the first quarter of 2015 was a positive development.

Monetary conditions in the new EU members remain extremely accommodative; Estonia, Latvia, Lithuania[2], Slovakia and Slovenia are members of the eurozone. In the countries with flexible currencies, policy interest rates are at record lows following a series of rate cuts that started in 2013. In the first half of 2015 policy rates were further reduced in Hungary, Poland and Romania against the backdrop of deflation or near-zero inflation (and also capital inflows triggered by the ECB's launch of large-scale asset purchases). The Czech National Bank is committed to continue its foreign exchange interventions (if necessary) until the second half of 2016 in a bid to support export competitiveness by maintaining the current exchange rate versus the euro. In Hungary, the so-called "Funding for Growth" scheme has been extended until the end of 2015, a ceiling has been introduced on interest rates for loans extended to households and the banks were obliged to provide refunds to the borrowers in foreign currencies and to convert virtually all outstanding foreign currency loans into domestic currency loans. Despite the accommodative monetary conditions and the gradual recovery in credit demand, credit rationing by banks remains a serious constraint for domestic credit expansion.

On the fiscal policy side, the EU's Stability and Growth Pact remains an anchor for the Governments of the new EU members. Most of them have rebuilt their public finances and comply with the provision of the Pact stipulating a budget deficit of less than 3 per cent of GDP (with the exception of Croatia, Poland and Slovenia, which are subject to the excessive deficit procedure of the EU); pro-growth spending was included in the 2014 budgets. Since mid-2014, deflation in some countries undermined public revenues and in some cases spending was tightened. In 2015, lower energy prices will favourably impact current accounts in the region and provide the countries with more fiscal space. Public debt in the new EU members is generally well below the EU average (except in Hungary where gross public debt

[2] Lithuania joined the euro area in January 2015.

stands at around 77 per cent of GDP, and Slovenia, where public debt jumped to 70 per cent of GDP in 2013 after recapitalisation of the banking sector and exceeded 80 per cent in 2014). Extremely low domestic interest rates provide a favourable environment for accessing finance, pushing down long-term government bond yields. In Poland, the partial takeover of pension fund assets in 2014 and the cancellation of public debt to that fund have created more room for fiscal spending.

Many of the new EU members registered trade surpluses in 2014 and in early 2015; accordingly their current accounts are either close to balance or in surplus, despite the deficit on investment income in several countries. The highest current account deficit among the new EU members in 2014 was registered in Latvia, at 3.1 per cent of GDP. Stronger labour markets and growing incomes should boost imports in 2015, but this is expected to be offset by the lower energy prices. In the medium term, current account balances should not pose macroeconomic risks for the countries.

The region is exposed to several risks, among them a reversal of the recovery in the leading EU-15 economies. The prospective monetary policy normalization by the Federal Reserve may lead to an increase in local currency costs of dollar-denominated debt for some countries, in particular Poland. Geopolitical risks are also present; should the political conflict between the Russian Federation and Ukraine intensify, the new EU members may experience problems with energy supply. In the longer term, to close the income gap with the EU-15, stronger productivity growth is needed.

### ***Economies in transition***

#### *Commonwealth of Independent States (CIS) and Georgia*

The growth prospects for the CIS region for 2015-2016 have been downgraded against the backdrop of lower oil prices, the military conflict in the East of Ukraine and economic sanctions introduced against the Russian Federation, as well as the negative impact of monetary and fiscal policies. The aggregate GDP of the CIS and Georgia is expected to shrink by 2.1 per cent in 2015, on the basis of economic contractions in the Russian

Federation and Ukraine and weakening growth in virtually all other countries in the region. In 2016, the region is expected to return to modest growth of 0.9 per cent.

The economy of the Russian Federation has been severely hit by the fall in oil prices in the second half of 2014. In addition, economic sanctions, introduced by most of the OECD countries, have restricted the access of several large corporations and banks to the European and US financial markets. The direct impact of those sanctions on the economy has been relatively limited; however, they contributed to increased capital outflows in 2014, estimated at around $150 billion, a precipitous fall of the currency in late 2014 and early 2015, and a weakening in business confidence. The Russian economy is expected to shrink by around 3 per cent in 2015, primarily because of a double-digit contraction in investment in the face of the weak business sentiment and the high cost of capital. Private consumption, eroded by high inflation and weak lending conditions, is also expected to fall, and fiscal tightening will have an additional negative impact on the economy. Although the Russian currency has recovered remarkably in March and April 2015, the exchange rate is still weak and is undermining capital ratios in the banking sector, which requires state support. In the first quarter of 2015, the Russian GDP declined by 2 per cent year on year, with industrial output also contracting. Although some sectors, such as food processing, benefited from import substitution effects, many others significantly deteriorated, including the car industry, where production fell by around 25 per cent and foreign investors scaled down their presence.

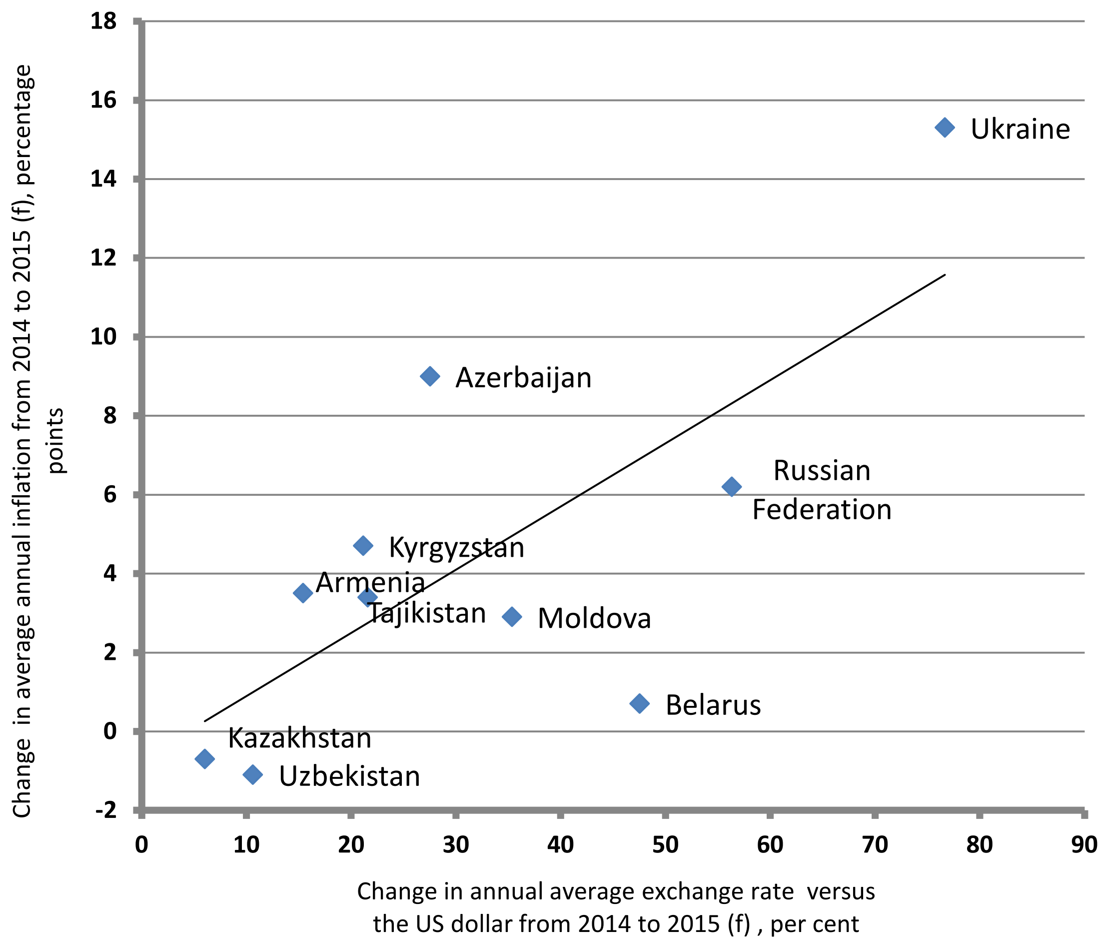
In Ukraine, the economy has been severely damaged by the military conflict in the industrial part of the country. The country's GDP declined by around 7 per cent in 2014 and is expected to contract further by around 6 per cent in 2015. The economic fallout from the conflict is aggravated by fiscal tightening and a plunge in private consumption. In the first quarter of 2015, industrial output shrunk by 21.4 per cent year on year. The country is facing a serious risk of a balance of payments crisis and heavily depends on external financial assistance, in particular from the IMF (the Fund has already delivered the first tranche of its $17 billion stand-by loan), which is contingent on the restructuring of foreign debt. Depressed prices for steel and wheat, the key export commodities, curb export prospects in the near-term.

The weakness in the Russian and Ukrainian markets and lower revenues from selling refined oil products to the EU will constrain growth in Belarus; GDP in the first quarter contracted by 2 per cent year on year, along with industrial output. The decline was widespread across sectors. Lower oil and gas revenues will lead to a moderation of growth in energy-exporting countries, such as Azerbaijan and Kazakhstan. In the first quarter of 2015, however, growth in Azerbaijan accelerated year on year thanks to the non-oil sector; if the momentum is maintained, the country's outlook may be upgraded. In Kazakhstan, further delays of commercial output from the Kashagan oil field and the slowdown in China will act as an additional restraint on growth in 2015-2017.

For the lower-income energy-importing economies of the CIS, such as Armenia, Kyrgyzstan, Moldova and Tajikistan, the partial loss of the Russian market and the declining value of remittances (for example, in Armenia, the dollar value of remittances in February 2015 was 50 per cent lower than a year ago) offset the benefits of lower fuel costs. At the same time, less opportunities for labor migration increased tensions in the domestic labor markets. Low growth is expected in those countries in 2015. Turkmenistan and Uzbekistan, however, are expected to defy the common trend of slowing growth and are forecast to grow at a strong pace, supported by public investment.

Most of the CIS currencies were either devalued or depreciated considerably in 2014-2015. Weaker currencies, in turn, spurred inflation in late 2014, in some cases to double-digit figures (Figure 7). Inflation in the Russian Federation, driven by the depreciation of the currency and the restrictions on food imports, accelerated from 6.1 per cent (year on year) in January 2014 to 16.9 per cent in March 2015. However, monthly inflation slowed in the first quarter of 2015 and may have peaked; average annual inflation is expected to reach 12 per cent. In Ukraine, inflation was driven by the sharp currency depreciation and supply disruptions, averaging 12.1 per cent in 2014; year-on-year inflation accelerated to 45.8 per cent in March 2015. The increase in the natural gas tariffs to households, enacted in April, will further add to inflationary pressures in 2015. Inflation was also high in Belarus in 2014, averaging more than 18 per cent, and is expected to stay high in 2015.

**Figure 7: The impact of currency depreciation on inflation in selected CIS economies**




Source: National sources and Project LINK

Slowing (and in some cases negative) growth in the CIS had an adverse impact on the labour markets. After reaching a historical low of 5.4 per cent in early 2014, the unemployment rate in the Russian Federation increased to 5.8 per cent by April 2015. The policy of reducing wages, rather than shedding labour, in the public sector and state-owned enterprises has mitigated the overall worsening of the labour market situation. More limited opportunities for labor migration to the Russian Federation caused by the weaker economy and especially by the downturn in the construction sector, led to increased tensions in the labor markets of smaller CIS economies, such as Kyrgyzstan, Tajikistan and Uzbekistan.

Monetary policies were tightened in most of the CIS countries in the second half of 2014 and in the first quarter of 2015 to counter currency depreciations. In the Russian Federation, the

Central Bank increased the key policy interest rate by 650 basis points to 17 per cent in December 2014 to protect the currency; although the rate was eventually cut to 12.5 per cent, it remains very high, especially with inflation starting to subside. Since capital outflows slowed in the first quarter of 2015 and the external debt repayment schedule is lighter, further cuts are possible. The National Bank of Ukraine has increased its policy rate several times since devaluating the currency in February 2014; in March 2015, the rate was hiked to 30 per cent. Policy rates were also increased in Armenia and Belarus. In February, the Central Bank of Azerbaijan devalued the currency; to ease the pressure on the banking sector, minimum reserve requirements were reduced in March. Tajikistan introduced currency controls in March, limiting access to foreign exchange by households and businesses.

The precipitous fall in oil prices in the second half of 2014 has led to revisions of budgets in the region's energy-exporting countries. Because of lower export revenues and a weaker domestic tax base, fiscal deficits in those economies are expected to widen in 2015, despite the fact that weaker currencies will facilitate meeting fiscal targets. To compensate for the revenue shortfall, CIS energy-exporters are planning to spend from their sovereign reserve funds. In the Russian Federation, the official anti-crisis plan envisages providing support to the banking sector, pension system, agriculture and small businesses. In Kazakhstan, the initially planned budget spending was cut by 10 per cent; the current expenditure plan includes spending from the country's sovereign wealth fund, in accordance with the stimulus package adopted in 2014. In 2015-2017, $3 billion from the fund will be spent annually on infrastructure development, support to the banking sector and financing of small and medium-sized enterprises; this will be accompanied by measures to improve the business environment. Among the energy-importers, fiscal policy has been sharply tightened in Ukraine in compliance with the conditions attached to the IMF's stand-by loan; public sector wages and pensions are cut and utility tariffs for households are increased. The depreciation in Ukraine sharply increased the value of the public debt, to around 70 per cent of GDP, which calls for fiscal prudence. Fiscal spending has also been tightened in other energy-importing countries.

The current accounts of the CIS economies have been affected by several factors. First, lower oil prices curbed export revenues of the energy exporters, while easing the import bills of energy-importers. Second, currency devaluations and weakening private demand have led to sharp declines in import volumes (except in cases when imports from the Russian Federation became cheaper). Third, remittance flows to smaller CIS economies were noticeably weaker in the first quarter of 2015. In the Russian Federation, imports are expected to shrink by around 30 per cent in 2015; however, lower oil revenues will prevent the current account surplus (at around 3 per cent of GDP) from widening further. In Kazakhstan, the surplus achieved in 2014 is very likely to turn into a deficit in 2015 despite the plunge in imports. In Ukraine, the current account deficit should modestly shrink as the contraction in exports - due to supply disruptions and weaker export prices – is more than offset by the drop in imports.

The establishment in January 2015 of the Eurasian Economic Union of Armenia, Belarus, Kazakhstan, and the Russian Federation – with Kyrgyzstan being on track to join - on the basis of the former Customs Union requires further economic harmonization among member countries. The Union should bolster intra-regional economic ties in the forecast period, although many aspects of the integration still have to be agreed upon.

The CIS region is facing a number of risks and uncertainties in the near term; the major ones are related to the outlook for oil and other commodity prices. In addition, the political conflict between the Russian Federation and Ukraine, if not resolved, may lead to negative spillovers for the entire region.

*South-Eastern Europe*

The South-Eastern Europe region, which experienced a multi-year period of low or negative growth, saw divergent economic performances in 2014. The Serbian economy, hit by the devastating floods in May and curbed by fiscal retrenchment, contracted by 1.8 per cent, while economy of the former Yugoslav Republic of Macedonia expanded by 3.8 per cent on the back of strong public investment and increased food exports to the Russian Federation. In 2015, the region should benefit from the pick-up in the EU and also see a moderate strengthening in FDI flows. The aggregate GDP of South-Eastern Europe, which grew by only 0.1 per cent in 2014, is expected to increase by 1.4 per cent and 2.5 per cent in 2015 and 2016 respectively. Much stronger growth rates are, however, required to address the region's structural needs, such as rebuilding its industrial base, reducing the excessively high unemployment levels and increasing the low labour force participation rates, which themselves are factors that impede economic growth.

In the outlook for 2015-2016, the region's exports should perform well even as domestic demand is expected to become the main growth engine. Fiscal austerity in Serbia, linked to the terms of the IMF's three-year stand-by loan that has been approved in February, will nevertheless act as a drag on the economy in the near-term. In the first quarter of 2015, Serbia's GDP declined by 1.9 per cent year on year. A major construction project in the capital city should start in the second quarter and provide a boost to the economy and create positive spillover effects; still, annual GDP growth is likely to be near zero. By contrast, in the former Yugoslav Republic of Macedonia growth is projected to accelerate to around 4 per cent despite sharp cuts in public capital expenditure, as investment should continue to expand robustly. In Albania, growth picked up modestly in late 2014, despite the country's exposure to the Italian economy. Bosnia and Herzegovina was also affected by severe floods in 2014, and the economy nearly stagnated. The decision of the EU to activate the Stabilization and Association Agreement concluded with the country in 2008 will support exports and unlock more external assistance. The economy of Montenegro, where tourism industry plays a significant role, was impacted by the downturn in the Russian Federation. On average, those three economies (Albania, Bosnia and Herzegovina, and Montenegro) should grow at around 2 per cent in 2015.

Very low inflation, negative in some countries, was observed in 2014 in South-eastern Europe. The low-inflation trend should continue in 2015 against the background of lower fuel and food prices.

The labour market situation remains one of the weakest spots in the overall macroeconomic picture of the region. In Serbia, total employment decreased by 0.8 per cent in 2014 and the unemployment rate stood at around 18 per cent in the last quarter. In the former Yugoslav Republic of Macedonia, positive trends continued over the course of 2014, however the unemployment rate is still very high, at over 27 per cent. A similar rate of unemployment is also registered in Bosnia and Herzegovina.

Fiscal policies in the region mostly focus on reducing the budget deficits. In Serbia, subsidies to state-owned enterprises will be cut, as well as employment in the public sector. In parallel, the Government will conduct privatisations, which will also negatively affect labour markets.

In Albania, the Government aims at gradually reducing its budget deficit (estimated at over 6 per cent of GDP in 2014) in order not to stifle the modest upturn.

Monetary policies in South-Eastern Europe are constrained by exchange rate regimes in Bosnia and Herzegovina and the former Yugoslav Republic of Macedonia and by euroization in Montenegro. In the countries with flexible currencies, the Serbian National Bank repeatedly cut its policy rate over the course of 2014 and 2015 in response to record-low inflation. In Albania, the key policy rate was brought down to a record low level in late 2014.

Several structural factors curb the region's growth prospects; distance from the key European industrial centres is one of them, along with insufficient regional integration, underdeveloped financial markets and certain shortcomings in the business environment. Major risks for the region are associated with the possible reversal of the recovery in the EU as well as excessive reliance on external financing. In addition, some countries in South-eastern Europe have strong links with the Greek economy and are exposed to the Greek banking sector.

## 3. Developing economies

### *Africa*[3]

Falling commodity prices and declining exchange rates are painting a mixed picture for Africa, with strong divergence between oil-exporting and oil-importing economies. Average growth is expected to reach 4.0 per cent in 2015 and 4.8 per cent in 2016, which is significantly lower than the previous forecast.

Central Africa and North Africa have seen the biggest downward revisions for 2015, largely owing to falling oil prices and security issues. A large part of the downward revisions for North Africa and for Africa as a whole is due to Libya, which remains trapped in a civil war. In North Africa, the growth patterns have been mixed, with downward revisions for Algeria and Tunisia somewhat offset by an upward revision for Egypt. Growth remains robust in East Africa owing to continued investment (particularly in infrastructure), rising domestic

[3] This analysis was prepared by UN-ECA and UN-DESA.

consumption and growth in services. Revisions for East Africa have been relatively minor, with the exception of Eritrea, where data issues make projections more difficult. South Africa's growth continues to be lacklustre, hampered in part by energy infrastructure constraints. Southern Africa as a whole has seen a noticeable revision for 2015, with growth revised down by 0.7 percentage points from the earlier forecast, to only 2.9 per cent for 2015. The revision in Southern Africa was relatively broadly based, with notable downward revisions in Angola and Zambia, by 2.4 and 1.0 per cent in 2015 respectively. West Africa has seen some significant downward revisions at the country level, particularly in the countries that were hard hit by the Ebola virus. Some other countries, such as Burkina Faso, Gabon and Ghana have also seen their growth rates revised down. Overall, however, the relatively small size of the economies of these countries has limited the magnitude of the regional revisions.

Falling global food and oil prices, and increasingly prudent macroeconomic policies in many African countries will continue to dampen inflationary pressures in some regions. Oil importing countries will be the major beneficiaries of falling oil prices, especially where the cost of fuel is a key driver of both producer and consumer inflation. In oil exporting economies, weaker currencies (partly due to lower oil prices) remain a risk for inflation, given the close link between inflation and exchange rates. A number of countries are holding elections in 2015, including: Burundi, Comoros, Cote D'Ivoire, Ethiopia, Ghana, Guinea, Nigeria, Sudan, Tanzania and Togo. Fiscal expansion in the lead up to these elections may be a concern for the medium-term inflation outlook. However, the continent's overall inflation rate is expected to continue decelerating in 2015 and 2016.

In Central Africa, most countries are members of the CFA franc zone where they pursue a common monetary policy and currencies are pegged to the euro. As such, inflation in these countries, i.e. Cameroon, Congo, Chad, Equatorial Guinea, and Gabon is expected to be stable over the medium-term. In East Africa, the medium-term inflation outlook is expected to remain relatively subdued due to low oil prices, better harvests and low energy prices. In North Africa, inflation rates are expected to decline in 2015 as local food availability improves on the back of better harvests although currency depreciation in the major oil exporting countries as well as growing domestic demand may offset some of this decline. Inflation rates are expected to fall in Egypt and Sudan over the forecast period due to a decline in food and oil prices.

Many oil exporting countries have experienced a depreciation of their national currencies mainly owing to the decline in oil prices. This applies, for example, to Nigeria, where continuing low oil prices and election-related uncertainty generate additional uncertainties regarding the value of the Naira. The Ghanaian Cedi has also remained under pressure in the first quarter of 2015 owing to low oil prices remain low, large fiscal and current account deficits and the decline in investor confidence.

Although the depreciation of the rand is expected to ease in South Africa - Southern Africa's largest economy – the exchange rate stood at about R11.20 per US$1 in this first quarter, compared to R10.85 to US$1 in 2014. This is mainly the result of a stronger US dollar, lower mineral prices, and the country's relatively high trade deficit. Furthermore, power shortages and trade union strikes will also continue to weigh on the currency and the country's economy. The strong dollar has led to depreciation pressures in a number of other countries, such as Uganda and countries in the CFA that have their exchange rates tied to the euro.

Overall, monetary policy is expected to remain relatively neutral as countries attempt to navigate between exchange rate and inflationary pressures. There are efforts to maintain strong growth, pointing to lower interest rates, versus the desire to attract capital inflows, which would require higher interest rates. As a result, most central banks are expected to maintain rates relatively close to current levels. Potential exceptions are oil exporting countries that may find the need to lower rates in order to offset some downward pressures from low oil prices, and other larger economies, such as South Africa that are facing lower growth trajectories.

Although fiscal balances in African economies are expected to have slightly improved in early 2015, mainly driven by oil importing and mineral-rich countries, they will still remain in deficit, due to the ongoing increase in investment in infrastructure and social projects (e.g. roads, housing, water and energy infrastructure).

The recent sharp decline in the oil price will continue to weigh on fiscal balances in oil-exporting countries. Indeed, many oil exporters have recently used the oil windfall to finance public sector salary increases, welfare outlays and massive long-term investment in infrastructure, leading to a further deterioration of the fiscal position. The value of hydrocarbon exports, which generate more than 60 per cent of government revenue in Algeria, Angola, The Congo, Equatorial Guinea, Gabon and Nigeria, has remained low in the first quarter of 2015 as oil prices continued to be relatively low despite some mild upturn.

Some countries, such as Algeria, are continuing to invest in social spending despite lower oil prices, in order to deal with issues of unrest related to unemployment and lack of opportunity. Tunisia has also recently agreed to an increase in public sector salaries. These expenditures will have some impact on fiscal deficits, although this will be mitigated to some degree by spending out of reserves, which for Algeria is considerable.

Expenditures are set to increase in a number of countries holding elections, both for election-related spending and as a result of general spending increases enacted by the parties in power in the run up to the elections. This may boost growth in some of these countries, but will also increase deficits and potentially lead to higher inflation.

The fiscal deficit is expected to narrow in the first quarter of 2015, both in oil importing and mineral-rich countries, due to reduced costs for petrol and fuel subsidies amid the sharp decline in oil prices. In South Africa, the Government will continue to manage the public finances in a relatively prudent manner even the recent GDP rebasing has lifted the size of nominal GDP by around 45 per cent, resulting in a relative reduction of the debt burden. The budget deficit is estimated to narrow to approximately 3.5 per cent of GDP in the first quarter.

The combination of weakening domestic currencies, particularly relative to developed economy currencies, may put a damper on sales of Eurobonds over the forecast period. Over the past few years there has been a significant increase in sales of dollar-denominated bonds to take advantage of increased global liquidity, the search for yield amongst developed-country investors and an overall environment of low global interest rates. This has allowed a number of countries, including Kenya, Rwanda and Zambia, to conduct considerably larger bond issuances at much lower rates than for their domestic bonds. This has raised fiscal deficits in the short run, but has potentially reduced interest payments in the long-term. The problem is that the Governments are now exposed to potential changes in exchange rates, as the bonds and payments are denominated in dollars, meaning depreciations will raise debt-service costs. As many of the factors that prompted these sales are diminishing, fewer sales are expected over the medium term.

Current account balances in Africa will benefit from increasing net exports due to some improvements in developed countries. This applies especially to those African economies that have significant trade and remittance linkages with Europe. Overall, current account balances will remain negative partly as a result of imported services (such as foreign transport operators to ship exports and imports) and structural deficits in income accounts mainly owing to external debt-service payments.

Although oil exporters will continue to have current account surpluses, these are set to narrow in 2015, on the back of lower oil prices. The magnitude of this downward trend will depend on the degree of dependence or reliance on hydrocarbons' exports, especially in countries such as Angola, Algeria, The Congo, Equatorial Guinea, Gabon, Nigeria and Libya. However, oil-importing and mineral-rich countries are expected to see improving current account positions in the first quarter as a result of the recovery in the eurozone, the continuing economic strength in Asia and declining oil prices.

Mixed effects are expected in countries with rising exposure to developing country trading partners. As some large developing countries, such as China, face moderation in their GDP growth rates, export figures are expected to decline for some countries. This may be partially offset by shifts in production from China, where costs are rising, to Africa, favouring its exports and foreign direct investment.

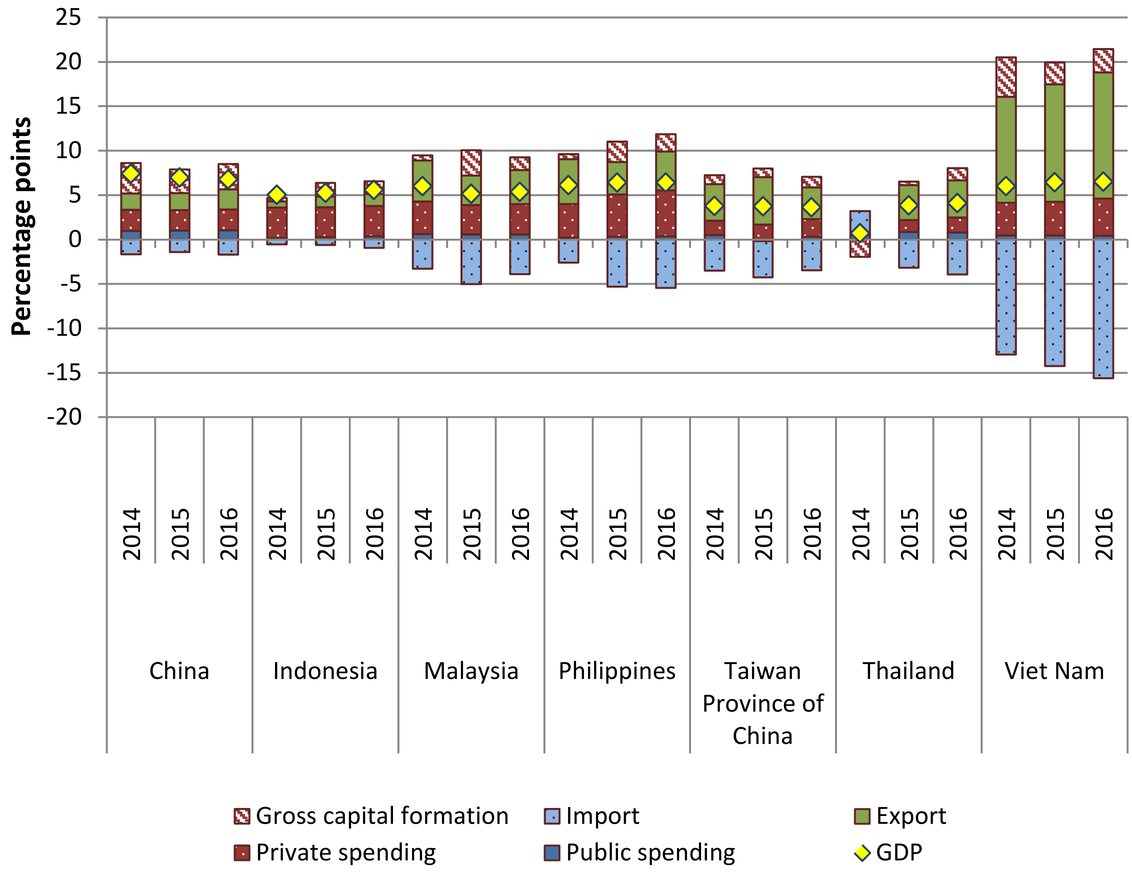
Labour market conditions remain a serious issue across the continent with considerable portions of the population in many countries being unemployed or operating in the informal sector. In general, agriculture tends to continue to be a major source of employment in a majority of countries, especially the least developed countries. There have been some noticeable shifts towards increases in services employment in a number of countries, particularly as populations move into urban areas, but most jobs are relatively low skill and low value added. In addition, youth unemployment remains a serious problem in many areas and has resulted in considerable social pressure, especially in countries with higher levels of education where the labour market has not been able to absorb graduates. Unemployment remains elevated in South Africa at more than 25 per cent, with even higher youth unemployment. This has recently led to tensions, particularly between local workers and migrant labourers. In North Africa, there has been gradual improvement in some of the Arab Spring countries, such as Egypt and Tunisia.

Falling or persistently low oil prices remain a major downside risk for oil-exporting countries. Other commodity prices have also declined since the second half of 2014, hence negatively affecting Africa's exports. New infections from the Ebola virus have significantly decreased over the last few months and this is expected to have a positive impact on growth especially in West African countries, but any resurgence of the disease there, or elsewhere, could have serious impacts. Political instability and terrorism will remain challenges for growth and economic development, and thus more efforts are needed to address issues of peace and security especially in East, North and West Africa. Any exacerbation of weakness in the eurozone and China could affect African economies through a possible reduction in exports, tourism, remittance and capital inflows. Furthermore, as always, the agriculture sector is subject to weather-related shocks that can have substantial impacts on growth, inflation and food security.

*East Asia*

East Asia will remain a key driver of global growth during the forecast period. Economic activity in the region is forecast to grow by 6.0 per cent in both 2015 and 2016, about the same pace as in 2014 and virtually unchanged from the previous forecast. With the exception of China and Malaysia, growth in most monitored East Asian economies is expected to accelerate in 2015, compared to 2014. The projected recovery of exports and fixed investment will drive the growth acceleration in the region, with private consumption and government spending expected to continue growing at a steady pace for many economies (Figure 8). The region as a whole contributed 39.2 per cent to global growth in 2014 and this figure is forecast to be 36.6 per cent in 2015 and 33.7 per cent in 2016. This downward trajectory could be mainly explained by the gradual slowdown of the Chinese economy.

**Figure 8: Contributions of expenditure components to real GDP growth in selected East Asian economies, 2014-2016**




Source: National statistical authorities and UN/DESA
Note: Data for 2014 are either actual or partially estimated. Data for 2015-2016 are forecast. Gross capital formation refers to outlays on additions to the fixed assets of the economy plus net changes in the level of inventories. Differences between GDP growth and the sum of components are due to statistical discrepancies.

China's gradual transition to a "new normal" of slower growth is principally a result of the Government's effort to reorient the country's economic model toward one with stronger emphasis on quality of growth and its long-term sustainability. China is projected to grow by 6.9 per cent in 2015 — in line with the government target — and 6.8 per cent in 2016. Weaker-than-expected data on key domestic economic indicators, such as industrial production, retail sales, and imports, in early 2015 indicate slowing growth momentum in China, which will likely prompt further accommodative fiscal and monetary policy measures. The sluggish real estate market is a major drag on economic growth, as the property sector saw 2 per cent growth in the first quarter of 2015 – the slowest growth among all sectors. The Republic of Korea (ROK) and Indonesia – the two biggest economies in developing East Asia after China – are projected to grow by 3.6 per cent and 5.2 per cent, respectively in 2015. Growth in the ROK will be mainly driven by improved exports and fixed investment, whereas the Indonesian economy will continue to grow on the back of solid private consumption, which is expected to contribute over 60 per cent of the growth during the forecast period.

Within South-East Asian countries, the recent trend of divergent economic performances is projected to reverse during the forecast period. Thailand's economy is set to experience some turnaround in 2015. Improved political stability is expected to boost tourism, household consumption and government spending, which will drive the economy. The Malaysian economy – one of the region's best performers in 2014 – is expected to slow down during the forecast period, as a result of worsening terms-of-trade and tighter credit conditions. Papua New Guinea's economy will witness the strongest growth improvement within the region in 2015, as it is projected to grow by around 14 per cent. The main driver of growth will be the one-off boost from the first full-year of production at the country's key liquefied natural gas project.

The region's labor markets will remain robust; the unweighted average unemployment rate across all monitored economies is estimated to be around 3.6 per cent in 2014. The total unemployment rate is projected to maintain the same level during the forecast period. The unemployment rate among youth (aged 15-24) will remain elevated, averaging (unweighted) over 10 per cent across the economies. Along with high youth unemployment, the high level of informal sector employment will continue to pose challenges for many economies. The expected establishment of the ASEAN Economic Community by the end of 2015, which seeks to transform the ASEAN region into a single market and production base, could have a significant impact on labor market dynamics, with uneven implications for labor demand in different sectors.

In line with the overall global trend, inflation in East Asia will remain subdued in 2015, due to the slump in oil and other commodities prices, and the relative strength of the regional currencies. Average consumer price inflation in 2015 has been revised downward from 2.7 per cent to 1.7 per cent, but is expected to accelerate to 2.4 per cent in 2016. Consumer price inflation in China averaged 1.2 per cent in the first quarter of 2015, which is well below the government target of 3 per cent and the 2014 annual average of 2 per cent. By March 2015, producer prices in China had declined for 37 consecutive months. Singapore, Taiwan Province of China, and Thailand fell into deflationary territory, witnessing falling consumer prices – on a year-over-year basis – throughout the first quarter of 2015. Moreover, within the same time period, only Indonesia saw its average monthly consumer price inflation higher than the 2014 average. It is supported by the robust domestic demand and the recent depreciation of Rupiah, both against the US dollar and in trade-weighted terms.

Against the backdrop of low inflation, central banks in China, Indonesia, ROK, and Thailand cut their policy rates in the first 4 months of 2015. In March, the People's Bank of China (PBoC) cut its benchmark one-year lending rate by 25 basis points to 5.35 per cent. The PBoC cited upward influence of tepid inflation on real interest rates as a reason behind its decision. The PBoC also cut the required reserve ratio (RRR) by 50 basis points in February. This was followed by another 100 basis points cut in mid-April. Banks that geared toward serving micro and small enterprises and the agricultural sector were granted additional cuts in both rounds of RRR cut. Bank Indonesia (BI) cut its benchmark policy rate by 25 basis points to 7.5 per cent in mid-February – the first cut since 2012 as inflation is expected to slow down in 2015. BI considers the rate cut as consistent with its efforts in reducing the current account deficit to a more sustainable level. Bank of Korea and Bank of Thailand also cut their policy rates. The base rate in ROK was cut by 25 basis points to 1.75 per cent in mid-March. As a result, the ROK's base rate is now at a record-low level. The one-day repurchase rate in Thailand was cut twice during the first 4 months of 2015 and now stands at 1.5 per cent. While low inflation creates room for further accommodative monetary policy in the region, concerns over debt levels, asset bubbles, and capital outflows limit the willingness of authorities to do so.

In 2014, credit growth slowed down for some of the larger economies in the region, including China, Indonesia and Thailand. In China, "Total Social Financing" – the country's broadest measure of credit – increased by less than in 2013. Credit creation however started to pick up toward the end of 2014, driven by bank loans, as the Government sought to ease liquidity conditions. Nevertheless, rapid expansion of credit is unlikely during the forecast period, as the PBoC aims to maintain a prudent monetary policy. Shadow banking credits continue to contract as a result of the Government's efforts to tighten regulations on non-bank products. In Indonesia, while banks are overall well capitalized, they face funding pressures as deposit growth moderated in 2014. Smaller banks are exposed to more elevated liquidity risks given their dependence on short-term deposits, as opposed to long-term current and savings account deposits that are concentrated at the larger banks. In Thailand, bank credit creation moderated in 2014, but household debt remains high as it exceeds 80 per cent of GDP. Within the region, the ROK and Malaysia are two other economies with similar high levels of household debt. Further accumulation of such debt could weigh on household spending.

While the fiscal situation of some economies is still worse than before the global financial crisis, fiscal buffers have been gradually reestablished in many others. Notable exceptions are China and Indonesia, which have seen their fiscal deficits widen in the past two years. The Chinese Government's planned budget deficit for 2015 is 2.7 per cent, taking into account the payment into the budget stabilization fund and the repayment of principal on local government debt. It is up from the actual figure of 2.1 per cent in 2014, and is around the same level as in 2009 – the first year that the country's 2-year, 4 trillion RMB stimulus programme went into effect. The official fiscal policy stance is expected to remain mildly expansionary, with the rise in the planned budget deficit being partly offset by tighter local government financing.  Indonesia's deficit increase in recent years is a result of weak revenue growth and the rising expenditure on fuel subsidies. In light of the new Government's decision to cut fuel subsidies and improve tax collection, it is expected that the fiscal position will improve during the forecast period. The additional financial resources will in turn be redirected to infrastructure and welfare spending. Overall, government spending growth is projected to accelerate in many of the region's economies, which will help to spur investment growth during the forecast period.

The region's export growth is projected to pick up in the forecast period, as stronger demand in developed economies offsets the impact of China's slowing growth. For many economies in the region, export growth will outpace import growth in 2015, resulting in an improvement of current account balances as a share of GDP. However, data from the first quarter of 2015 indicates weaker-than-expected export in the region, which can be principally attributed to weak demand from China and lower global commodity prices. Relative strong currencies in trade-weighted terms have also likely dampened exports for some economies in the first quarter. Among the economies that produce monthly export data, only China, Hong Kong Special Administrative Region of China, and Viet Nam experienced year-on-year growth of merchandise exports over the first two months of 2015. Policies to support near-term growth announced by the Chinese Government shortly after the release of weak first quarter data are expected to gain momentum and provide a boost to economic growth in the rest of 2015. China's imports should sequentially pick up. Together with the expected recovery of global commodity prices, this should lend support to export growth in the region during the forecast period.

Given the robust fundamentals of the region's economies, UNCTAD estimates show that FDI inflows into East Asia grew by 16 per cent in 2014, reaching $254 billion. At $128 billion, FDI inflows into China alone accounted for over half of the amount. Compared with 2013, inflows into China rose by around 3 per cent, making it the largest FDI recipient in the world in 2014. This is mainly driven by increased FDI in the service sector, whereas FDI in the manufacturing sector fell. FDI flows into Hong Kong Special Administrative Region of China and Singapore – two of the region's international business hubs – rose by 46 per cent and 27 per cent, respectively. Looking into the forecast period, the gradual normalization of the US monetary policy will lead to considerable portfolio adjustment, with future capital inflows expected to moderate. For some economies, the rising public and private debt burdens could compound the reduction or even lead to a reversal of capital flows.

While the US dollar (USD) has performed strongly against a range of currencies across the world since the third quarter of 2014, East Asian currencies have shown resilience. During the first four months of 2015, several currencies in the region – including the Hong Kong dollar, the Philippine peso, the Korean won, the Taiwanese dollar, and the Thai baht – actually gained ground. On the other hand, by the end of April, currencies that depreciated most significantly against the US dollar in 2015 were the Indonesian rupiah (4.1 per cent) and the Malaysian ringgit (1.8 per cent). The renminbi (RMB) maintained a relatively stable exchange rate with the US dollar throughout the first four months of 2015. The resilient performance of the region's currencies against the USD also implies that many of them have effectively appreciated in trade-weighted terms. The real effective exchange rates of almost all major currencies in the region appreciated between July 2014 and March 2015, led by the 14.7 per cent appreciation of the renminbi. The exceptions are the Malaysian ringgit and the Singaporean dollar (together with the 1:1 linked Brunei dollar), which depreciated by 5.7 per cent and 1.1 per cent respectively. This overall appreciation of the region's currencies in trade-weighted terms accentuates the trend observed since the global financial crisis and could weigh on export growth.

There are a number of key risks to the region's growth forecast. Even though unlikely, a stronger-than-expected slowdown of the Chinese economy, which is a top 3 export destination for most of the economies in the region, would affect the overall regional GDP growth. The pace of the transition into the new stage of lower growth will critically depend on the effectiveness of the ongoing structural reform, which seeks to boost domestic consumption, address financial sector risks, and sustain productivity growth, among others. Slower-than-projected economic growth in Japan – another major export destination for the region's economies – also poses a risk to the growth forecast. Other key risks include the uncertainty surrounding the normalization of the policy interest rate in the US and possible sustained strength of the USD. These could lead to heightened financial volatility, rising borrowing costs, and reduction of capital inflows. These possible developments would pose a considerable challenge to economies with high-level of debt burden, accumulated rapidly after the global financial crisis, but in particular for those that incurred substantial USD-denominated debt, notably Indonesia and Malaysia.

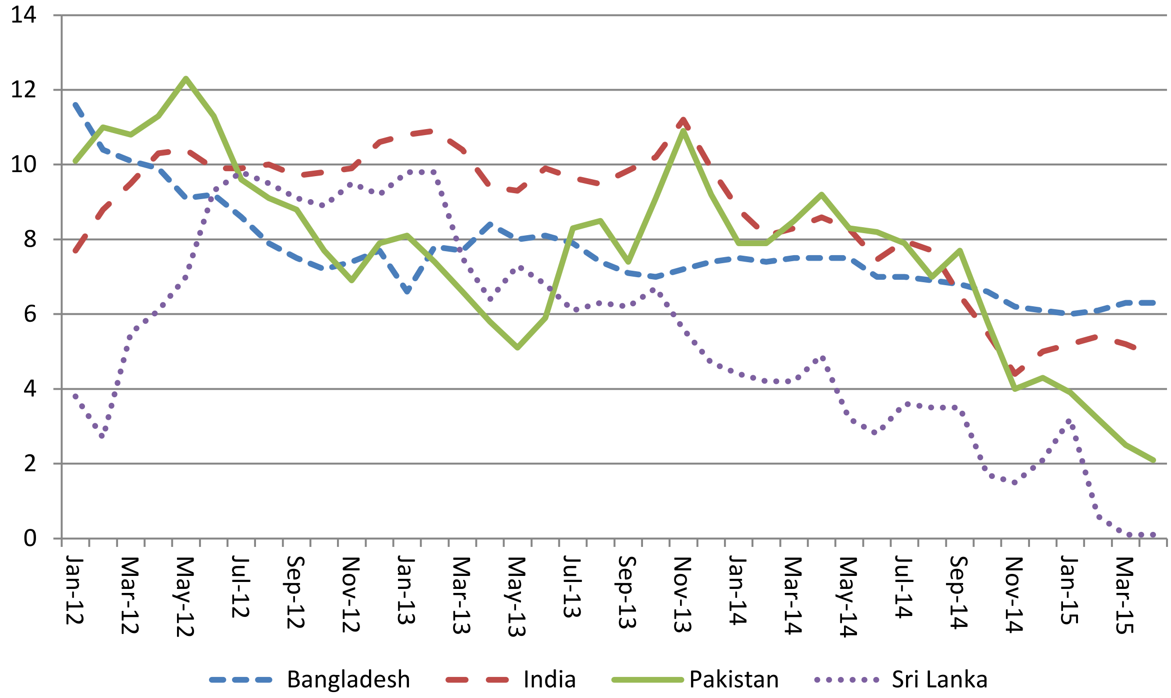
*South Asia*

South Asia's economic outlook is largely favourable. Most economies in the region are expected to see a strengthening of growth in 2015/16 on the back of stronger domestic consumption and investment and a pick-up in exports. The region's gross domestic product is projected to grow by 6.6 per cent in 2015 and 6.9 per cent in 2016, up from an estimated 6.3 per cent in 2014. This represents a significant upward revision from earlier forecasts, reflecting both improved growth prospects and officially revised GDP data for India. In most economies, the expansion is expected to be driven by buoyant household consumption and a gradual recovery in investment. Private sector demand will be underpinned by more favourable macroeconomic conditions, including considerably lower inflation and smaller fiscal deficits, as well as more accommodative monetary policies. Following the oil price drop and the persistent decline in food prices, average consumer price inflation in the region is projected to fall to its lowest level in almost a decade. In response to reduced inflationary pressures and enhanced macroeconomic stability, the central banks in India, Pakistan and Sri Lanka reduced their policy rates in early 2015. Despite the improved outlook, South Asia's economies face, to varying degrees, long-standing structural challenges including energy shortages, infrastructure deficits and political and social unrest.

The upward revision in regional growth partly reflects a higher growth trajectory in India, where recent changes in methodology and data sources have resulted in considerably higher official GDP figures for the past two years. India is now projected to grow by 7.6 per cent in 2015 and 7.7 per cent in 2016, making it the fastest-growing large economy in the world. Growth is expected to be broad-based, with government consumption, household consumption and fixed capital formation forecast to strengthen. Amid more stable macroeconomic conditions, the growth prospects have also moderately improved for the Islamic Republic of Iran and Pakistan – two economies that have seen weak growth in recent years. In both countries, however, significant uncertainties and downside risks remain. The main question for the Islamic Republic of Iran is whether a comprehensive nuclear deal can be reached that would lead to the gradual lifting of the international sanctions. The economic outlook for Bangladesh and Sri Lanka remains largely favourable. In both countries, growth will continue to be driven by buoyant household consumption, supported by lower energy prices and strong remittance inflows. Following the devastating earthquake in April, Nepal's growth forecast has been lowered for 2015, but reconstruction activities are expected to push up growth in 2016.

The upward trend in GDP growth in parts of South Asia has been accompanied by faster employment growth, particularly in India. A recent survey indicates significant employment gains in India's industrial sector in the second half of 2014 driven by strong performances in the textile and information technology sectors. In Sri Lanka, official unemployment has remained low, averaging 4.3 per cent in 2014, as the economy continued to expand at a robust pace. Unemployment has, however, remained elevated in the Islamic Republic of Iran, standing at 10.5 per cent in the fourth quarter of 2014, slightly higher than a year ago. While the Iranian economy has emerged from recession amid more stable macroeconomic conditions, the feeble recovery fails to generate a sufficient number of jobs to bring down unemployment. The problem of finding a full-time job is particularly severe for young people, with average youth unemployment estimated at 25.7 per cent. The Islamic Republic of Iran, like other countries in the region, faces a large gender gap in employment. The unemployment rate among Iranian women stood at 20.8 per cent in the fourth quarter of 2014, about 2.5 times higher than the rate for men. Even as economic growth in South Asia will likely strengthen in the forecast period, significant labour market pressures will remain given the large number of new entrants in each year.

**Figure 9: Consumer price inflation in selected South Asian economies, January 2012 - April 2015 (monthly year-on-year percentage change)**




Source: UN/DESA, based on national data

Amid the slump in global energy prices and lower food prices, inflation across South Asia has continued to trend downward. Consumer price inflation in the region is projected to average 7.1 per cent in 2015, down from 8.3 per cent in 2014. This is the lowest level of inflation in almost a decade and well below the 15.1 per cent recorded in 2013. The reduction in inflationary pressures can in part be attributed to the drop in international oil prices, but also reflects domestic factors such as robust harvests, easing of supply-side bottlenecks, decelerations in rural wage growth, stable national currencies and sound monetary policies. The relative importance of these factors varies from country to country – as does the extent of the decline in inflation. In India, Pakistan and Sri Lanka, inflation rates have fallen significantly and upward price pressures are expected to remain limited in the short run (Figure 9). Bangladesh and Nepal, by contrast, have experienced more moderate disinflation, partly as a result of persistent supply-side constraints and energy subsidy policies. Following the devastating earthquake in April, inflation in Nepal is expected to accelerate as commodity supply has been disrupted, while massive aid inflows push up demand. In the Islamic Republic of Iran, CPI inflation has slowed from about 40 per cent in 2013 to 16 per cent in early 2015 amid more prudent monetary and fiscal policies and an interim agreement on the nuclear program. However, further disinflation will be limited as the Government continues to raise the price of basic utilities, such as water and energy. In the second half of 2015 and into 2016, inflation is expected to pick up again in most of the region's economies as energy prices recover and demand pressures increase. Annual CPI inflation is projected to average 7.5 per cent in 2016. There are significant risks of a more pronounced acceleration in inflation, including weak monsoon rains and a stronger-than-expected rebound in international oil prices.

Against the backdrop of lower oil and food prices, reduced inflationary pressures and stable currencies, several of the region's central banks have loosened monetary policy. By lowering their respective policy rates, the monetary authorities in India, Pakistan and Sri Lanka hope to support credit growth and boost economic activity. The Reserve Bank of India (RBI) cut its key lending rate (the repurchase rate) by 50 basis points in the first quarter of 2015 to 7.5 per cent. Despite the upward revision in GDP growth and a broadly improved outlook, India's monetary authorities still noted low capacity utilization and continuing weaknesses in parts of the economy. The RBI and India's Finance Ministry also reached an agreement on overhauling the monetary policy framework. This includes the adoption of an official inflation target of 4 per cent from fiscal year 2016/17 on, with a band of 2 percentage points on both sides. The State Bank of Pakistan reduced its main policy by a total of 200 basis points between November 2014 and March 2015, bringing the rate to 8 per cent, amid more stable macroeconomic conditions. The Central Bank of Sri Lanka lowered its benchmark interest rates by 50 basis points in April, after consumer price inflation averaged only 1.3 per cent in the first quarter of 2015. These policy rate cuts have, however, not been passed on in full to borrowers as commercial banks remain reluctant to lower lending rates. Monetary policy in Bangladesh continues to be fairly accommodative, with the central bank targeting money supply growth of 16.5 per cent in the current fiscal year. In the remainder of the year, additional monetary easing is expected in parts of South Asia (e.g. in India) provided that inflation rates remain subdued and inflation expectations well anchored. Given the region's history with high and volatile inflation, the monetary authorities will, however, remain vigilant about emerging price pressures as domestic and international conditions change.

Fiscal authorities across South Asia continue to face the challenge of striking a balance between support for economic growth and consolidation of public finances. In most cases, fiscal pressures have somewhat eased over the past year as economic activity picked up and oil prices plunged, helping to reduce the large energy-subsidy bills. Several countries, for example India and Pakistan, have recorded significantly higher tax and non-tax revenues, including proceeds from privatization and sales of telecommunication licences. As a share of GDP, the budget deficit narrowed to 4.1 per cent in India in the fiscal year 2014/15 (from 4.5 per cent in 2013/14) and to 5.6 per cent in Sri Lanka in 2014 (from 5.9 per cent in 2013). In Pakistan, the Government is expected to make further progress in fiscal consolidation, although it will likely miss the deficit target of 4.9 per cent of GDP for the current fiscal year (which ends in June 2015) by a small margin. In Bangladesh, the deficit is projected to remain basically unchanged, at 4.4 per cent of GDP in the current fiscal year. In all of these countries, fiscal deficits are forecast to further decline gradually in the next few years as robust growth and gradually improving tax collection support revenues, while Governments continue to rationalize subsidies. The pace of consolidation will, however, be moderate since strong pressures to increase expenditures persist, for example to expand power, water and transport infrastructure and to raise public wages and welfare spending.  In Sri Lanka, for example, the interim budget for 2015 includes large salary hikes for civil servants, higher state pensions and lower levies on food items. These additional expenditures are expected to be paid for by higher taxes and levies on wealthier households and cash-rich firms. Fiscal balances in the Islamic Republic of Iran will remain under pressure from international sanctions and the slide in the oil price. The Government has responded by unveiling a combination of spending cuts and tax rises for the coming years, but the country's fiscal path will to a large extent on whether a comprehensive nuclear deal can be reached or not.

Most South Asian economies have seen an improvement in current account balances over the past year amid lower energy-import bills, strong remittance inflows and robust growth in service exports, including tourism inflows. Merchandise exports have been relatively weak, especially in India and Pakistan. This weakness reflects subdued demand in some main destination markets and falling prices of global commodities, but also industry-specific factors. In India, exports of refined petroleum products, which account for almost 20 per cent of total exports, have decreased sharply. In Pakistan, energy shortages have negatively affected textile exports, while jewellery exports plunged and chemical and pharmaceutical exports weakened. Bangladesh and Sri Lanka have recorded a somewhat better performance, with real exports growing at a moderate pace in the past year. During the forecast period, most countries are expected to see a moderate pickup in export growth as demand in some major trading partners, such as the European Union, improves. The recovery will, however, be limited by several factors, including real effective exchange rate appreciation over the past year, power shortages and infrastructure constraints. On the import side, the region's economies have benefited from the drop in the price of oil and other commodities. In nominal terms, total imports have declined in India and Pakistan in 2014, while increasing at a modest rate in Bangladesh and Sri Lanka. With oil prices expected to slowly recover and domestic demand likely to strengthen, import growth is projected to accelerate in the coming years.

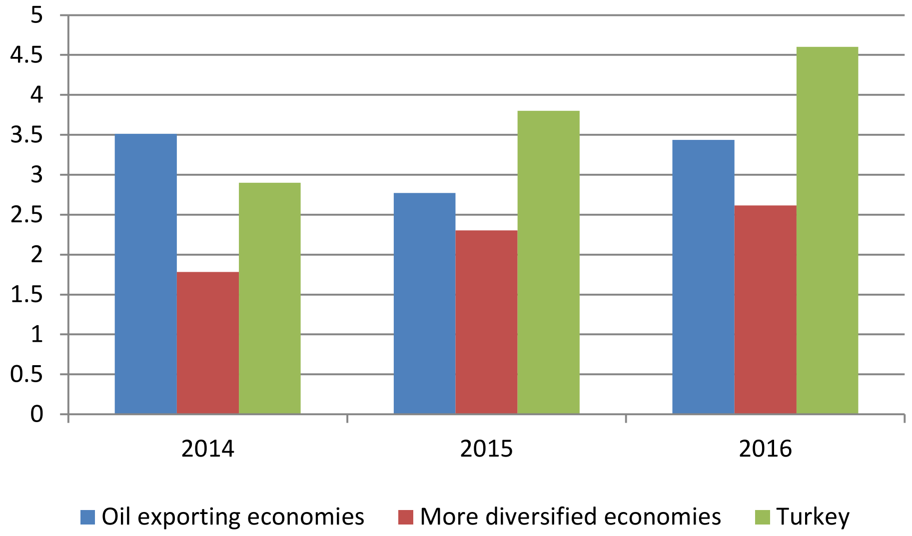
While the economic prospects for South Asia have improved over the past year, there are still considerable downside risks for the region. These risks include uncertainties at the international level, poor weather conditions and country-specific factors, such as failure to reach a comprehensive deal on Iran's nuclear programme.

*Western Asia*

In Western Asia, lower oil prices and internal conflicts weigh heavily on some oil exporting economies, while more diversified economies are expected to perform better than anticipated. The region as a whole is expected to register 3.0 per cent GDP growth in 2015, the same pace as in 2014. In 2016, GDP growth is expected to reach 3.6 per cent, helped by a partial recovery of oil prices and better external demand.

The member countries of the Gulf Cooperation Council (GCC), namely Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates, experienced slower growth in 2014 due to declining oil revenues (Figure 10). This trend is expected to continue in 2015, leading to a modest economic expansion in GCC countries. Economic growth will be supported by large fiscal stimulus programmes, targeting mainly infrastructure projects. In 2016, GDP growth is forecast to recover gradually, in line with higher oil prices and stronger international oil demand. Conversely, the more diversified economies are expected to perform better in 2015, benefiting at the same time from more competitive exchange rates, lower oil prices, and increased monetary policy space to stimulate domestic demand. This combination of factors will support GDP growth and help reduce current account deficits in 2015, including in Turkey, the biggest economy in the region.

**Figure 10: GDP growth in different groups of economies in Western Asia, 2014 - 2016 (Percentage)**




Source: UN/DESA

The more diversified economies in the region are experiencing a number of positive factors, which led to an upward revision of the GDP forecasts. GDP growth in Turkey is now expected to reach 3.8 per cent in 2015 and 4.6 per cent in 2016. In 2014, the economic slowdown was mainly due to a deceleration of private consumption and investment, but as the central bank enjoys more monetary space to stimulate domestic demand, the economy is expected to pick up faster than expected. In addition, the recent depreciation of the lira should help the export sector. Similarly, other more diversified economies are benefiting from the collapse in oil prices and the sharp falls in other commodity prices. As a result, economic prospects for Israel, Jordan, and Lebanon have also improved, leading to an upward revision of their GDP growth forecasts for 2015 and to a lesser extent for 2016.

The growth forecasts for oil exporting economies have been revised down, mainly due to a stronger-than-expected decline in oil prices. Saudi Arabia, the biggest economy in the GCC group, is now expected to expand by 2.4 per cent in 2015 and 3.0 per cent in 2016. Many of the oil exporting economies in the region will be able to minimize the negative impact of the subdued oil sector by increasing fiscal spending thanks to sizeable financial reserves. The main question for this group of countries remains how they are preparing for medium-term fiscal consolidation, in case oil prices remain low for an extended period of time.

The intensifying armed violence in the region, including the recent conflict in Yemen, is weighing heavily on economic activity.  Besides the heavy humanitarian toll, the conflicts caused substantial losses of capital stock, hampered private investment activities and depressed the growth prospects of Iraq, the Syrian Arab Republic and Yemen. In addition, the continuing influx of Syrian refugees is still overburdening the economic infrastructures of Jordan, Lebanon and Turkey. Data is limited for countries facing current conflicts and it is difficult to assess with confidence the economic situations in Iraq, the Syrian Arab Republic, and Yemen. Nevertheless, in Iraq, the economic growth rate is expected to reach 3.2 per cent in 2015, which is still relatively weak considering the country's economic potential. Despite stable crude oil exports, the collapse of non-oil-sector activities due to the expanding conflict areas in the country significantly worsened the economic situation and the standard of living. In the Syrian Arab Republic, GDP has been contracting for the past three years, by about 3 per cent in 2011, 30 per cent in 2012 and 38 in 2013. As a result, the GDP level of the Syrian Arab Republic at the end of 2013 was about 41 per cent of the level in 2010. At this stage, it is difficult to assess the economic forecast for the next few years, but the economy will continue to be hampered severely by the ongoing military conflict. In Yemen, the turmoil escalated, complicating the economic prospects for the country and increasing risks for the oil market. Given Yemen's strategic location for oil transportation through the Bab al-Mandab strait, the conflict presents wider risks for the oil market as well. Those risks are exacerbated by the fact that the Yemeni conflict could develop into a broader regional conflict.

The stable domestic demand expansion in GCC countries in recent years contributed to the increase in labour demand in those countries. In spite of labour nationalization measures taken by some GCC countries, demand for additional labour in the private sector, both in skilled and unskilled categories, resulted in a growing number of immigrants. Against a backdrop of meagre job growth in 2014, unemployment figures will remain high for nationals (i.e., the rates excluding foreign workers), particularly for youth. Moreover, the intensifying armed conflicts in Iraq, Palestine, the Syrian Arab Republic and Yemen forced workers either to be unemployed or economically inactive. The present trend is expected to continue during the forecast period due to moderate GDP growth. In Turkey, the unemployment rate remains relatively high and is expected to reach double digit levels in 2015, before starting to improve gradually towards the end of the year.

Reflecting the drop in international commodity prices, inflation is expected to continue its downward trend, with the exception of countries experiencing conflicts. In the Syrian Arab Republic, during the overall conflict period, the consumer price index increased by around 179 per cent. In addition, in 2014, the country was under severe foreign-exchange constraints and experienced a number of significant devaluations of its national currency, aggravating the situation. In Yemen, inflation will increase from already double digit rates, due to shortages of food and energy. In conflict areas in Iraq, there also appears to be a shortage of essential goods that has led to rising prices, although official figures in this respect are still limited.

As inflation pressures remain subdued, monetary policies are expected to be accommodative in the more diversified economies and also in GCC countries. However, monetary policies in the region will most likely be revised in line with the anticipated interest rate hike in the United States in 2015, especially in countries whose national currency is pegged to the dollar. In Turkey, the central bank started to lower interest rates during the first quarter of 2015, which is expected to stimulate domestic demand. The main challenge in this regard is the increasing private sector debt. In GCC countries, a growth-supporting monetary policy regime with historically low policy interest rates are expected to remain in place at least until the end of the third quarter of 2015, mirroring the monetary policy stance of the United States. In Israel, monetary policy will remain loose during the forecast period, given the anticipated low inflation and modest economic growth as well as the central bank's desire to sustain the recent weakening of the national currency. In Jordan, the recovery in foreign reserves allowed the central bank to maintain its expansionary policy stance by cutting its policy rate twice in the first half of 2014. The Lebanese central bank continued to utilize subsidized loan packages in order to stimulate domestic demand. The central banks in Iraq, the Syrian Arab Republic and Yemen placed their policy priority on economic stabilization, aiming at a smooth facilitation of foreign-exchange supplies.

In GCC countries, fiscal deficits are expected to widen during the forecast period, which will be easily financed by abundant reserves' stocks. The growth in public expenditure in real terms has supported the domestic demand expansion in GCC countries in previous years and will continue to do so, despite the downward trend in oil prices. Fiscal policy will, however, be less expansionary in several countries, including Saudi Arabia, and smaller economies that were facing fiscal deficits in 2014, such as Bahrain and Oman. Turkey is expected to keep its policy stance relatively tight during the forecast period in order to keep public debt under control and to reduce the large current account deficit. However, given relatively weak domestic demand, the Government might opt for a more expansive fiscal policy in 2015-16. A tighter fiscal policy environment remained in Jordan, Lebanon and Yemen, where rising government debts levels and increasing interest rate payments had started to put pressure on fiscal balances. The resulting high current expenditure level forced those countries to rely more on foreign aid to carry out public investment. Fiscal consolidation, including subsidy reforms, remained a major item on the policy agenda in Jordan and Yemen, but the increasingly sensitive political situations have made any reform attempt difficult.

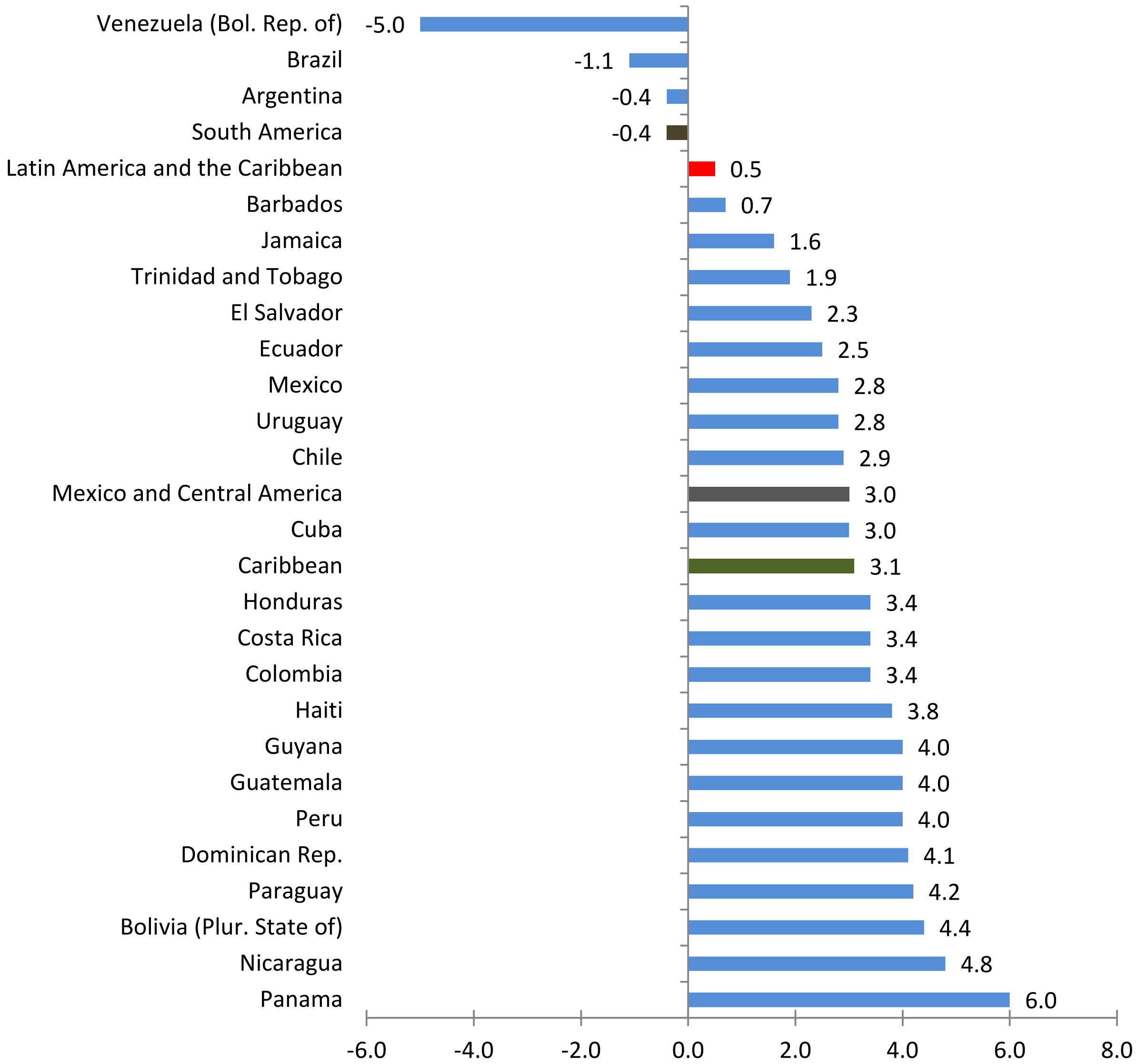
The current account deficit of Turkey is expected to narrow in 2015, but financing the deficit may become more challenging than in previous years. The trade balance has improved, as exports increased, and consequently the current account deficit is expected to narrow to 5 per cent of GDP. Despite declining oil export revenues, several GCC economies are expected to continue to register current account surpluses in 2015 (although smaller surpluses than in previous years). In Saudi Arabia, however, a small current account deficit cannot be ruled out. Many of the more diversified economies are forecast to see an improvement of their current accounts, mainly helped by lower oil prices.

There are considerable downside risks to this forecast. Geopolitical conflicts, in particular the recent conflict in Yemen, could easily escalate, hampering domestic economic activities and regional trade. If oil prices remain at the current relatively low level longer than expected, oil exporting economies will face limited fiscal room, aggravating GDP growth prospects for 2016. Weaker capital inflows and further currency depreciations are another source of risk, particularly for Turkey.

*Latin America and the Caribbean*

The economic situation in Latin America and the Caribbean has deteriorated noticeably in recent years, amidst more challenging external conditions, including falling commodity prices and growing domestic fragilities. The region is expected to grow by only 0.5 per cent in 2015, before expanding by 1.7 per cent in 2016, although with large discrepancies across subregions and countries (Figure 11). Economic growth in Mexico and Central America is projected to strengthen moderately from 2.3 per cent in 2014 to 3.0 per cent in 2015 on the back of a gradual recovery of investment and external demand, supported by the pick-up in economic activity in the United States. In the Caribbean, growth is expected to accelerate slightly to 3.1 per cent in 2015, up from 1.8 per cent in 2014, as private consumption remains robust and conditions in the tourism sector improve. By contrast, in South America economic growth slowed down considerably and a contraction of 0.4 per cent is projected for 2015, with an enduring decline in investment and private consumption.

**Figure 11: GDP growth forecast for 2015 in Latin America and the Caribbean (Percentage)**




Source: UN/DESA

Among the largest economies, GDP growth in Mexico is expected to accelerate from 2.1 per cent in 2014 to 2.8 per cent in 2015, benefiting from a more proactive fiscal stance, increased dynamism of the manufacturing sector, and the gradual implementation of structural reforms. In South America, the Brazilian economy is expected to contract by 1.1 per cent in 2015, due to an enduring decline in investment, significant supply bottlenecks, and a continuing lack of business and consumer confidence. The Bolivarian Republic of Venezuela faces a very difficult economic situation: the country is mired in a recession, with high inflation, an increasing public deficit, and product shortages. In 2015, the Venezuelan economy is expected to contract by around 5.0 per cent. The Argentinean economy is also projected to contract, by 0.4 per cent in 2015, as private consumption and investment demand decline moderately.

In Chile, economic growth is expected to pick up to 2.9 per cent in 2015, after a meagre performance of 1.8 per cent in 2014, on the back of fiscal and monetary policy stimulus. A number of other economies are expected to grow more robustly - above 4.0 per cent - including Panama, Guatemala and Nicaragua in Central America; Peru, Bolivia and Paraguay in South America, and the Dominican Republic in the Caribbean.

Given the economic slowdown, regional unemployment is expected to increase, but it will remain relatively low compared to historical rates. The projected rise in unemployment, mainly explained by trends in large South American economies, represents a shift from recent years, characterized by a consistent downward trend of unemployment rates. In fact, the regional unemployment rate reached a record low in 2014, at about 6.0 per cent. The participation rate is expected to continue falling in the near term, tempering to some extent the effect of lower labour demand on unemployment. Employment creation remained weak in countries such as Brazil, Argentina and Chile, in early 2015.

Lower commodity prices, particularly oil prices, are having widespread effects across the region. In Mexico, the fiscal balance is under significant pressure, as one third of public revenues depend on the oil sector. In Bolivia and Colombia, foreign-exchange earnings have declined, leading to pressures on domestic currencies and fiscal balances. In Argentina and Brazil, lower commodity prices will have a minimal effect on the balance of payments and fiscal balances, but they will derail investments in the oil sector, particularly if oil prices remain relatively low. Conversely, lower oil prices in Chile are moderately supporting the recovery, after a noticeable slowdown in 2014, as its economy is heavily dependent on oil imports.

The inflation outlook is fairly positive across the region, with a few exceptions. Inflation rates in Mexico, Central America and the Caribbean are expected to remain relatively low and stable in 2015 - below 3.5 per cent - and even decline in countries such as Guatemala, Costa Rica and Trinidad and Tobago. By contrast, average inflation in South America is projected to increase to 16.7 per cent in 2015, from 13.9 per cent in 2014. This upward trend is explained by the situation in the Bolivarian Republic of Venezuela, where inflation is expected to rise to about 80 per cent in 2015. In Argentina, inflation remains a serious concern and it is estimated to remain above 20 per cent in 2015. In early 2015, inflation pressures in Brazil persisted, fuelled by the large depreciation of the domestic currency. However, inflation pressures should recede somewhat in the second half of the year, amid the monetary tightening cycle, subdued private consumption and declining food prices. In Chile, consumer price inflation has remained noticeably above the central bank target, but is projected to retreat in the near term.

Monetary policy has remained accommodative in the region, supporting aggregate demand while establishing a medium-term approach on inflation targets. For instance, some economies with inflation-targeting regimes have cut interest rates recently, including Peru, Mexico, Chile and Costa Rica. The exception is Brazil, where the tightening cycle has continued in spite of the economic slowdown, in order to contain lingering inflation pressures and the significant depreciation of the domestic currency. In addition, in most economies that use monetary aggregates, the monetary base has remained expansionary. At the same time, several economies have attempted to mitigate the impact of global financial volatility on domestic markets by using international reserves and by introducing changes on macro-prudential policies. For example, Costa Rica, Jamaica, Peru and the Dominican Republic have actively intervened in foreign-exchange markets, in order to avoid further depreciations of their domestic currencies.

The fiscal deficit to GDP ratio has slightly deteriorated across the region, increasing from 2.4 per cent in 2013 to 2.7 per cent in 2014, due to higher expenditures and lower revenues. The reduction in non- tax revenues is more pronounced in oil exporters such as Mexico, Colombia and Venezuela, but mineral and metals exporters, such as Chile and Peru, have also been affected. By contrast, the fiscal situation has notably improved in the Caribbean. In particular, Jamaica has greatly reduced its public debt, amid a significant fiscal consolidation process. Despite the recent rise of public deficits in the region, public debt has not increased, as financing conditions continue to be favourable in most economies, improving the cost and the maturity profile of the public debt. Hence, there seems to be fiscal space in some economies to strengthen public investment, for instance in infrastructure, with positive effects of crowding-in private investment and on productivity.

Since the end of 2014, domestic currencies have depreciated sharply against the US dollar across the region, amid expectations over the normalization of the monetary policy in the United States, the plunge in oil prices and the enduring economic difficulties in some countries. For instance, the depreciation has been noticeable in Brazil, Colombia, Chile, Mexico and Peru. These recent exchange rate fluctuations have become an important factor for regional economies in adjusting to the new global economic conditions. This trend, together with the projected pick-up in economic activity in developed countries, is expected to boost exports and to improve external accounts, counterbalancing to some extent the negative effects of lower commodity prices over the terms of trade. The export performance is expected to improve especially in Mexico and Central American countries, which benefit from the fairly robust recovery in the United States. In South America, exports are expected to increase only mildly, as economic growth in China moderates and conditions in Europe remain uncertain. Similarly, the manufacturing sector in Mexico and Central America is expected to gain some momentum in 2015, whereas in South American economies it is likely to remain subdued. Structural constraints, such as infrastructure bottlenecks, remain a key issue, limiting medium-term competitiveness of the manufacturing sector across the region.

There are several risks that could further affect the regional economic outlook. First, an increase of interest rates in the United States remains a cause of concern, especially for economies that are highly vulnerable to changing monetary conditions. This could lead to an additional decline in capital inflows. A pronounced reversal of portfolio flows would affect exchange rates, equity prices and external financing conditions, with additional consequences on economic growth. Also, larger depreciations of domestic currencies might affect the solvency of dollar-denominated debt in the corporate sector, potentially leading to a spread of financial turbulences. Given that corporate revenues are mostly denominated in domestic currencies and that firms with dollar revenues are mostly in mining and oil sectors –where prices have decreased significantly – servicing the dollar-denominated debt might become difficult.

Second, a larger-than-expected growth decline in China could more seriously affect South-American commodity exporters, not only due to weaker external demand and investment prospects, but also because of weaker fiscal positions in some economies. Third, some South American economies are experiencing governance difficulties, institutional weaknesses and reform implementation problems, which might have additional impacts on investment. From a more structural point of view, the major shifts in global economic conditions, as well as domestic fragilities, have raised serious concerns over the medium-term prospects for the region. Given a series of structural issues and the lack of economic diversification, medium-term growth in the region is expected to be noticeably lower than in the previous decade, especially if current trends in commodity prices continue. Hence, additional reform efforts are needed, in particular proactive policies to boost productivity growth.

## III. Global risks and uncertainties

The economic prospects for the world economy as outlined above entail significant uncertainties and risks. The individual risks are interconnected and could be mutually reinforcing, potentially leading to a much weaker expansion of the global economy than projected in the baseline.

### Monetary policy normalization in the United States

The Fed is expected to start normalising policy interest rates, which have been kept near zero for the past seven years as a drastic measure to fight the financial crisis and the sluggishness of the recovery. Significant risks are associated with the uncertainties over the actual path of the normalization and how financial markets and the real economy respond to the increases in interest rates.

First, the upcoming rise in interest rates will increase financial costs for businesses and households. The higher financial costs could stifle growth in the United States, particularly if interest rates moved up faster than anticipated. Secondly, emerging economies have increasingly issued dollar denominated debt in the past few years and could face higher financial costs and risks of currency mismatch when the Fed increases interest rates. Thirdly, in response to higher interest rates in the United States, the repricing and reallocation of financial assets across financial markets worldwide could happen abruptly, rather than smoothly. Fourthly, capital flows to and out of emerging markets could become more volatile, leading to heightened volatility in exchange rates and asset prices. A final risk is that a higher US interest rates lead to higher rates in many other countries since interest rates in the United States are frequently used as a benchmark for other countries.

**Eurozone crisis**

The crisis in Greece continues to cast a shadow over an otherwise improving outlook in much of Europe. There remains a risk that an escalation of tensions between the Greek Government and Troika lenders could derail the fragile European recovery, with potentially global repercussions. While the risks of contagion to markets outside of Greece have subsided substantially compared to 2010-12, uncertainty surrounding Greece's continued access to finance, and the future solvency of the Greek Government remain unresolved.

Government finances in Greece will likely come under severe stress in the coming months, as negotiations continue between the Greek Government and the euro group of Finance Ministers over the conditions attached to additional financial assistance from the Troika lenders. Until new disbursements of financial assistance are agreed, the Government has few financing options and limited possibilities to roll-over maturing debt, forcing it to rely more heavily on the uncertain and volatile timing of tax receipts in order to remain solvent. Until the solvency issues are resolved, there will remain a possibility that a lack of access to finance could compel a withdrawal from the monetary union. The economic implications of such an unprecedented event are highly uncertain, but there is a risk that this could lead to heightened volatility of the euro and European financial markets, which could spill over to markets outside of Europe.

**Geopolitical issues**

Geopolitical tensions and conflicts constitute a significant downside risk to the economic outlook. In several countries such as Ukraine, the Syrian Arab Republic, Iraq and Yemen, military conflicts have taken a heavy human toll and led to widespread destruction. While the negative economic impact has so far been limited to the subregional level, the risks lie in possible spillover effects of any regional conflict to the global level. Potential transmission channels include trade, commodity prices and financial asset prices.

One possible catalyst in this regard could be developments in the oil market. Despite an oversupplied oil market, geopolitical conflicts especially in Africa and Western Asia remain sources of risks for the global oil market. In Libya and Yemen, for instance, where military conflicts have escalated recently, oil production and exports could be easily disrupted, sending prices higher. In the case of Yemen, however, the main source of risk is the possible closure of the route through the Bab el-Mandeb Straits, used by tankers to transport crude oil out of the Gulf region, which would slow oil deliveries.

Oil prices could also rebound if the Yemeni conflict widens into a broader regional conflict, as several countries are currently participating in military actions. The situation in Ukraine remains a further risk to the economic outlook. While negotiations have produced some agreement on a ceasefire and a stabilisation of the situation, the implementation of a lasting solution remains uncertain. Any renewed escalation could further crimp regional economic prospects and might also lead to negative spillover effects, in particular for Western Europe, not least through the energy sector and a fall in business confidence.

**Vulnerabilities in emerging economies**

Since mid-2011, emerging economies have experienced a significant and broad-based slowdown, reflecting a combination of cyclical and structural factors. Infrastructure deficits, lack of reform implementation, strong reliance on commodity exports and political woes have held back growth, while also magnifying the vulnerability to adverse external shocks. The degree of vulnerability varies considerably between countries. While a widespread emerging market crisis, similar to those experienced in the 1990s, seems unlikely, several countries could face painful adjustment processes over the coming years and experience longer-than-expected periods of slow growth.

At present, the most vulnerable emerging economies are those that are exposed to geopolitical risks or political instability or that are heavily dependent on international commodity exports. If the prices of oil and other commodities remain depressed over the longer term, commodity-dependent emerging economies - particularly in Africa, South America, Western Asia and the Economies in Transition - could face increasing pressures on budgets and external balances.

The strong appreciation of the dollar has raised concerns over the rapid build-up of dollar-denominated debt in several economies. Unlike in previous episodes, the bulk of this debt has been issued by private companies. With the dollar appreciating, the debt service obligations in local currency terms have risen notably. This has created challenges for companies, whose revenues are in local currency, increasing the risk of defaults and bankruptcies. These risks are amplified by the upcoming monetary policy normalization in the United States, which could lead to further dollar appreciation, a significant reduction in capital flows to emerging economies and an increase in debt servicing costs. Countries with persistently large current account deficits and substantial external financing needs could be particularly vulnerable to financial turmoil.

## IV. Policy challenges

### Monetary policy

Growing divergences in the monetary policy stances of the US and much of the rest of the world present considerable macroeconomic policy challenges. This divergence reflects uneven growth rates and has already resulted in global adjustments in portfolio and asset prices and increased volatility in financial markets. The sharp decline in oil prices during the past six months has exerted downward pressure on inflation and may facilitate postponement of interest rate hikes in many oil-importing economies, although it poses considerable difficulties for oil-exporting countries.

The key policy challenge before the Fed remains ensuring and consolidating the labour market improvement, while managing market expectation for an increase in the policy rate in the near term. The pace and sequence of increases in the policy rate will remain critical for maintaining macroeconomic stability and strengthening employment outcomes and growth. The Fed also faces the task of maintaining accommodative financial conditions to support growth and employment, while preventing an unwarranted build-up in asset prices. Risk of stagnation – amid prolonged low inflation, sluggish growth, protracted weak aggregate demand and slow-paced structural reforms – continues to warrant pro-active monetary policy stances in some developed economies, particularly in the eurozone and Japan. The ECB continues to face the challenge of countering and reversing the deflationary pressures, improving conditions in the financial market and easing access to credit for firms, especially small and medium sized enterprises, and households. The Bank of Japan's Quantitative and Qualitative Easing program faces the challenges of stimulating consumption and achieving the target of 2 per cent inflation while offsetting the impact of the rise in sales taxes last year.

The main monetary policy challenge for many developing economies is to find a balance between pressures to ease policy in the face of slowing growth, and pressures to stem the exchange rate decline and maintain capital inflows given the dollar strength and upcoming Fed normalization. Monetary policy stances in major emerging and developing economies are expected to remain largely accommodative amid low inflation expectations and risks of economic slowdown. However, as US interest rates begin to rise, some countries are vulnerable to a sudden-stop and reversal of capital flows. Many emerging and developing market exchange rates have depreciated significantly, leading to a build-up of inflationary pressures in some countries. As a result, central banks may come under pressure to raise interest rates in tandem with the US, leaving limited room for a more accommodative policy stance to counterbalance weak growth.

**Fiscal policy**

Thanks to the historically low interest rate environment, most developed economies do not face significant fiscal risks in the near-term. However, while immediate fiscal risks are subdued, public debt levels in many developed economies still remain elevated, averaging 100 per cent of GDP in 2014. Accordingly, reforms of the structure of public expenditure, including the entitlements programs, are kept on the agenda. Nonetheless, the focus of fiscal policy is slowly shifting from stabilisation of public finances to addressing labour market problems and bolstering potential output. As a consequence, most developed economies should face less fiscal drag in 2015-16 than in the past few years. Fiscal policy remains however still fairly restrictive in parts of the eurozone, weighing on demand and adding to deflationary pressures. Persistent deflation threatens to adversely impact fiscal balances and exacerbate public debt levels.

In developing countries and economies in transition, budget deficits and public debt levels are generally lower than in developed economies. The sharp drop in oil prices has allowed fiscal authorities to cut fuel subsidies in several countries, which has had a positive impact on budget balances in oil-importing economies. For oil-exporters, however, lower oil prices pose significant challenges. Their fiscal balances will deteriorate in 2015-16. In some countries, lower revenues will, in the short run, be offset by spending from sovereign wealth funds or other domestic sources rather than borrowing. However, persistently low oil prices would eventually compel Governments to enact public expenditure reforms. The vulnerability of heavily commodity-dependent countries once again highlights the need for targeted fiscal spending to support economic diversification.

The upcoming rise in US interest rates may lead to higher costs of debt refinancing against the background of changing investor sentiment or further currency depreciations, especially affecting countries with large short-term external debt. This may pose a fiscal challenge for some developing economies, particularly if growth prospects have been downgraded. Nevertheless, countries that have favourable terms of access to financial markets should use the current low interest rate environment for long-term borrowing to invest in infrastructure and human capital.

**Labour market policy**

Despite recent positive signs in several economies, employment growth remains slow and unemployment rates are still high in developed economies as a whole. A significant part of this situation reflects weak aggregate demand, as growth remains well below potential in many economies. Thus, macroeconomic policies to stimulate aggregate demand, such as targeted infrastructure investments, should be a priority to reduce cyclical unemployment and improve medium-term growth prospects. This would also have positive effects on reducing long-term unemployment and on avoiding additional structural unemployment, which remain important features of current labour market conditions. These policies need, however, to be complemented by active labour market policies, such as job search assistance and training programmes, which would increase labour force participation and reduce risks of aggravating structural unemployment. At the same time, structural labour market reforms should be contemplated, in order to boost formal employment more permanently, including for young people.

Weak wage growth is currently a major labour market challenge. In developed economies, wage growth declined rapidly during the crisis and has not recovered since then, contributing to a widening gap between growth in real wages and labour productivity, and to feeble aggregate demand. In order to improve workers' prospects and stimulate aggregate demand, several countries have introduced changes to wage policies. In Germany, a minimum wage law took effect in January 2015, which is expected to raise incomes at the bottom of the pay ladder. In the US, several States have recently lifted minimum wages in an attempt to improve the living standards of low income workers, but also to increase labour force participation and stimulate private consumption. In developing economies, particularly in Latin America, raising minimum wages has been a useful tool to boost demand during the global financial crisis. Setting an adequate level for the minimum wage is however the main challenge, in order to ensure its effectiveness in stimulating demand, while avoiding adverse employment effects.

Youth unemployment is another major concern across regions. The global youth unemployment rate is estimated at 13 per cent, practically three times higher than the overall rate, as young people were disproportionately affected by the financial crisis. Unemployment early in life can lead to discouragement and alienation, preventing human capital formation, especially when the absence from labour markets is prolonged. Hence, special attention has to be given to youth unemployment, by improving skills mismatches and the transition from education to labour markets, as well as by raising education levels and reducing school dropouts.

**Trade policy**

Trade agreements remain an important policy challenge in many regions as various issues surrounding the negotiations continue to be politically charged and have raised publicly debated concerns. As tariff rates have come down considerably for a large majority of countries, these agreements and negotiations increasingly centre on non-tariff measures such as domestic subsidies and intellectual property rules. Some progress has been made in the negotiations for the Bali Package of the WTO's Doha round. The members adopted decisions on public stockholding for food security purposes and the Trade Facilitation Agreement

(TFA) in November 2014. Countries are now in the process of accepting the TFA provisions at the national level, which they hope to conclude before the next WTO Ministerial Conference in Nairobi in December 2015. Two-thirds of the members will need to ratify the TFA for it to come into force.

At the same time, difficulties in concluding even a reduced-form multilateral agreement have driven countries to pursue bilateral and regional trade agreements (RTAs). Negotiations over large scale RTAs such as the Trans-Pacific Partnership (TPP) and the Transatlantic Trade and Investment Pact (TTIP) continue. Progress has been made, but questions remain surrounding the prospects of trade promotion authority (TPA) in the United States, an important step to more rapid approval of the deals. There are still political concerns about some provisions of the agreements, such as the investor-state dispute settlement (ISDS) provisions that opponents argue will interfere with national policy setting. Furthermore, there are widespread fears that regulatory harmonization could result in lower environmental, health and product regulation standards. Other large-scale agreements, which cover significant portions of world trade, are in the process of being negotiated or finalized. These include: the Regional Comprehensive Economic Partnership (RCEP), covering the majority of trade in Asia and Oceania; Economic Partnership Agreements (EPAs) between the EU and the five regions of Africa; and the China-Japan-Korea FTA, among others. There are risks for overlap between the many agreements, pointing to further need for countries to participate in WTO processes in order to harmonize the multilateral, regional and bilateral trading frameworks.

**International policy coordination**

At the finance minister’s meeting on the side of the IMF-World Bank Spring conferences in April 2015, the G-20 reaffirmed its commitment to strengthen international policy coordination to manage the spillover effects of domestic policies against the backdrop of diverging monetary policy stances and rising financial market volatility. With a view to completing the financial reform agenda, countries agreed to finalize the proposed common international standard on total-loss-absorbing-capacity for global systemically important banks (G-SIBs) by November this year, taking fully into account the impact on banks in emerging markets. They further agreed to finalize the methodology for identifying systemically important financial institutions outside the banking and insurance sectors by the end of 2015. The G-20 also agreed to implement the updated shadow banking roadmap to further improve the oversight and regulation of shadow banking and strengthen cross-border cooperation for enhanced regulation of over-the-counter derivatives markets.

In conjunction with the G-20 commitment to push forward the financial reform agenda, the Financial Stability Board (FSB) recently adopted a work plan to assess financial stability risks associated with market liquidity in fixed income markets and asset management, identify longer-term structural financial stability issues in these activities and recommend appropriate policy measures in its next meeting in September 2015. The FSB also decided on a work plan to promote clearing through central counterparties to enhance resilience of financial systems and facilitate recovery and resolution of defaults.

Outstanding reforms of the IMF's quota and governance system remain a stumbling block in international policy coordination. The IMF has set June 2015 as the new deadline for completing the quota reforms, which were agreed during the 14th General Review of Quotas in 2010. The deadline for the 15th general review of quotas has been pushed to December 2015. Pending implementation of the reforms, the G-20 has urged the IMF to propose options for meaningful interim steps towards the full implementation of the 2010 reforms.

International policy coordination in the areas of monetary policy and financial regulation will become ever more critical as the Member States of the United Nations will adopt a new financing framework for sustainable development in July and an ambitious post-2015 sustainable development agenda in September. Realization of the post-2015 development agenda will require strengthened international cooperation to build resilience against economic shocks and contagion and ensure adequacy and predictability of long-term development finance.

# LINK Global Economic Outlook
# June 2015

## Statistical Annex Tables

**Table A.1**
**World and regions: rates of growth of real GDP, 2009 -2016**
**(Annual percentage change [a])**

| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 [b] | 2015 [c] | 2016 [c] |
|---|---|---|---|---|---|---|---|---|
| **World** | -1.7 | 4.3 | 3.0 | 2.4 | 2.5 | 2.6 | 2.8 | 3.1 |
| **Developed economies** | -3.7 | 2.6 | 1.5 | 1.1 | 1.2 | 1.6 | 2.0 | 2.2 |
| North America | -2.8 | 2.6 | 1.7 | 2.3 | 2.2 | 2.4 | 2.5 | 2.7 |
| Asia and Oceania | -4.2 | 4.2 | 0.1 | 2.1 | 1.7 | 0.6 | 1.4 | 1.5 |
| Western Europe | -4.3 | 2.1 | 1.7 | -0.4 | 0.1 | 1.3 | 1.8 | 2.1 |
| European Union | -4.4 | 2.1 | 1.7 | -0.5 | 0.0 | 1.3 | 1.9 | 2.1 |
| EU15 | -4.5 | 2.1 | 1.6 | -0.6 | -0.1 | 1.2 | 1.8 | 2.0 |
| New EU members | -3.7 | 2.0 | 3.1 | 0.6 | 1.3 | 2.7 | 2.8 | 3.2 |
| Euro area | -4.5 | 2.0 | 1.6 | -0.8 | -0.5 | 0.9 | 1.6 | 1.9 |
| Other European countries | -2.0 | 1.9 | 1.5 | 1.8 | 1.4 | 2.1 | 0.5 | 1.3 |
| **Economies in transition** | -6.5 | 4.8 | 4.5 | 3.3 | 2.0 | 0.7 | -1.9 | 1.0 |
| South-Eastern Europe | -2.0 | 1.5 | 1.7 | -0.7 | 2.4 | 0.1 | 1.4 | 2.5 |
| Commonwealth of Independent States and Georgia | -6.7 | 4.9 | 4.7 | 3.5 | 2.0 | 0.7 | -2.1 | 0.9 |
| **Developing economies** | 3.1 | 7.6 | 5.9 | 4.6 | 4.7 | 4.4 | 4.4 | 4.8 |
| Africa | 3.1 | 5.1 | 0.9 | 5.3 | 3.3 | 3.3 | 4.0 | 4.8 |
| North Africa | 3.4 | 4.2 | -5.9 | 7.3 | 1.0 | 1.0 | 2.8 | 4.0 |
| East Africa | 4.5 | 7.6 | 6.3 | 6.0 | 6.5 | 6.4 | 6.6 | 6.6 |
| Central Africa | 3.0 | 5.5 | 3.2 | 5.2 | 2.0 | 4.1 | 3.4 | 4.3 |
| West Africa | 6.1 | 7.2 | 4.9 | 5.0 | 5.6 | 5.8 | 5.8 | 6.2 |
| Southern Africa | 0.1 | 3.7 | 3.8 | 3.3 | 3.2 | 2.5 | 2.9 | 3.7 |
| East and South Asia | 5.9 | 9.1 | 7.2 | 5.8 | 6.1 | 6.2 | 6.2 | 6.1 |
| East Asia | 5.8 | 9.4 | 7.4 | 6.3 | 6.4 | 6.1 | 6.0 | 6.0 |
| South Asia | 6.1 | 8.3 | 6.3 | 3.6 | 4.9 | 6.3 | 6.6 | 6.9 |
| Western Asia | -0.2 | 6.2 | 6.5 | 2.4 | 3.1 | 3.0 | 3.0 | 3.6 |
| Latin America and the Caribbean | -1.3 | 5.9 | 4.3 | 2.7 | 2.7 | 1.0 | 0.5 | 1.7 |
| South America | -0.4 | 6.3 | 4.4 | 2.3 | 2.9 | 0.6 | -0.4 | 1.1 |
| Mexico and Central America | -4.2 | 5.1 | 4.1 | 4.2 | 1.8 | 2.3 | 3.0 | 3.2 |
| Caribbean | 1.1 | 2.7 | 2.8 | 2.8 | 3.0 | 1.8 | 3.1 | 3.7 |
| Least Developed Country | 5.2 | 6.0 | 3.5 | 4.9 | 5.3 | 5.2 | 4.8 | 5.7 |
| *Memorandum items:* | -3.8 | 2.9 | 1.5 | 1.4 | 1.4 | 1.6 | 2.0 | 2.1 |
| Major developed economies (G7) | -3.5 | 2.9 | 1.7 | 1.3 | 1.3 | 1.7 | 2.1 | 2.3 |
| OECD | 0.9 | 7.7 | 4.4 | 4.1 | 4.0 | 3.9 | 4.3 | 4.4 |
| East Asia excluding China | 3.6 | 4.9 | 4.1 | 0.4 | 1.4 | 4.2 | 4.3 | 4.9 |
| South Asia excluding India | 1.7 | 4.9 | 5.8 | 2.4 | 2.5 | 3.1 | 2.5 | 3.1 |
| Western Asia excluding Israel and Turkey | 1.1 | 5.5 | 6.2 | 4.2 | 3.5 | 3.2 | 4.0 | 4.6 |

Source: UN/DESA

[a] Calculated as a weighted average of individual country growth rates of gross domestic product (GDP), where weights are based on GDP in 2010 prices and exchange rates.

[b] Actual or the most recent estimate.

[c] Forecasts, based in part on Project LINK.

**Table A.2**
**Rates of growth of real GDP, 2009-2016**
**(Annual percentage change)**

| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 [a] | 2015 [b] | 2016 [b] |
|---|---|---|---|---|---|---|---|---|
| **Developed Economies** | | | | | | | | |
| **North America** | | | | | | | | |
| **Canada** | -2.7 | 3.4 | 3.0 | 1.9 | 2.0 | 2.5 | 2.1 | 2.6 |
| **United States** | -2.8 | 2.5 | 1.6 | 2.3 | 2.2 | 2.4 | 2.6 | 2.7 |
| **Asia and Oceania** | | | | | | | | |
| **Australia** | 1.6 | 2.3 | 2.6 | 3.7 | 2.0 | 2.7 | 2.8 | 3.2 |
| **Japan** | -5.5 | 4.7 | -0.5 | 1.8 | 1.6 | 0.0 | 1.0 | 1.1 |
| **New Zealand** | 0.5 | 2.0 | 1.4 | 2.9 | 2.5 | 3.1 | 2.9 | 2.7 |
| **European Union** | | | | | | | | |
| **EU-15** | | | | | | | | |
| **Austria** | -3.8 | 1.9 | 3.1 | 0.9 | 0.2 | 0.3 | 0.8 | 1.6 |
| **Belgium** | -2.6 | 2.5 | 1.6 | 0.1 | 0.3 | 1.0 | 1.2 | 1.5 |
| **Denmark** | -5.1 | 1.6 | 1.2 | -0.7 | -0.5 | 1.0 | 1.8 | 2.3 |
| **Finland** | -8.3 | 3.0 | 2.6 | -1.4 | -1.3 | -0.1 | 0.5 | 1.6 |
| **France** | -2.9 | 2.0 | 2.1 | 0.3 | 0.3 | 0.4 | 1.0 | 1.6 |
| **Germany** | -5.6 | 4.1 | 3.6 | 0.4 | 0.1 | 1.6 | 2.1 | 1.9 |
| **Greece** | -4.4 | -5.4 | -8.9 | -6.6 | -3.9 | 0.8 | 1.5 | 3.5 |
| **Ireland** | -6.4 | -0.3 | 2.8 | -0.3 | 0.2 | 4.8 | 4.4 | 3.7 |
| **Italy** | -5.5 | 1.7 | 0.6 | -2.8 | -1.7 | -0.4 | 0.7 | 1.4 |
| **Luxembourg** | -5.3 | 5.1 | 2.6 | -0.2 | 2.0 | 2.8 | 2.6 | 2.9 |
| **Netherlands** | -3.3 | 1.1 | 1.7 | -1.6 | -0.7 | 0.8 | 1.7 | 1.8 |
| **Portugal** | -3.0 | 1.9 | -1.8 | -3.3 | -1.4 | 0.9 | 1.5 | 1.6 |
| **Spain** | -3.6 | 0.0 | -0.6 | -2.1 | -1.2 | 1.4 | 2.5 | 2.7 |
| **Sweden** | -5.2 | 6.0 | 2.7 | -0.3 | 1.3 | 2.1 | 3.1 | 3.3 |
| **United Kingdom** | -4.3 | 1.9 | 1.6 | 0.7 | 1.7 | 2.6 | 2.9 | 2.3 |
| **New EU Member** | | | | | | | | |
| **Bulgaria** | -5.0 | 0.7 | 2.0 | 0.5 | 1.1 | 1.5 | 1.5 | 2.1 |
| **Croatia** | -7.4 | -1.7 | -0.3 | -2.2 | -0.9 | -0.4 | 0.2 | 2.1 |
| **Cyprus** | -1.9 | 1.3 | 0.4 | -2.4 | -5.4 | -2.3 | 0.4 | 1.6 |
| **Czech Republic** | -4.8 | 2.3 | 2.0 | -0.8 | -0.7 | 2.0 | 2.7 | 3.0 |
| **Estonia** | -14.7 | 2.5 | 8.3 | 4.6 | 1.6 | 2.1 | 2.5 | 2.5 |
| **Hungary** | -6.6 | 0.8 | 1.8 | -1.5 | 1.5 | 3.6 | 2.7 | 3.0 |
| **Latvia** | -17.7 | -1.3 | 5.3 | 5.2 | 4.1 | 2.6 | 2.5 | 3.0 |
| **Lithuania** | -14.8 | 1.6 | 6.1 | 3.8 | 3.3 | 2.9 | 3.0 | 3.0 |
| **Malta** | -2.8 | 4.1 | 1.6 | 0.6 | 2.4 | 3.3 | 2.9 | 2.5 |
| **Poland** | 2.6 | 3.7 | 4.8 | 1.8 | 1.7 | 3.3 | 3.5 | 3.8 |
| **Romania** | -6.6 | -1.1 | 2.3 | 0.6 | 3.5 | 2.9 | 3.0 | 3.5 |
| **Slovak Republic** | -5.3 | 4.8 | 2.7 | 1.6 | 1.4 | 2.4 | 2.7 | 2.7 |
| **Slovenia** | -7.8 | 1.2 | 0.6 | -2.6 | -1.0 | 2.6 | 1.9 | 2.3 |
| **Other European** | | | | | | | | |
| **Iceland** | -5.1 | -2.9 | 2.1 | 1.1 | 3.5 | 2.0 | 2.8 | 2.9 |
| **Norway** | -1.6 | 0.6 | 1.0 | 2.7 | 0.7 | 2.2 | 0.9 | 1.7 |
| **Switzerland** | -2.1 | 3.0 | 1.8 | 1.1 | 1.9 | 2.0 | 0.2 | 1.0 |
| **Economies in transition** | | | | | | | | |
| **South-Eastern Europe** | | | | | | | | |
| **Albania** | 3.4 | 3.7 | 2.5 | 1.6 | 1.3 | 1.9 | 2.5 | 3.5 |
| **Bosnia and Herzegovina** | -2.7 | 0.8 | 1.0 | -1.2 | 2.5 | 0.9 | 1.9 | 2.3 |
| **Montenegro** | -5.7 | 2.5 | 3.2 | -2.5 | 3.5 | 1.5 | 1.9 | 2.5 |
| **Serbia** | -3.1 | 0.6 | 1.4 | -1.0 | 2.6 | -1.8 | 0.2 | 1.9 |
| **The former Yugoslav Republic of Macedonia** | -0.4 | 3.4 | 2.3 | -0.5 | 2.7 | 3.8 | 4.0 | 3.6 |
| **Commonwealth of Independent States** | | | | | | | | |
| **Armenia** | -14.2 | 2.2 | 4.7 | 7.2 | 3.5 | 3.0 | 1.5 | 2.5 |
| **Azerbaijan** | 9.4 | 4.6 | -1.6 | 2.1 | 6.0 | 2.8 | 2.6 | 2.5 |
| **Belarus** | 0.2 | 7.7 | 5.5 | 1.7 | 0.9 | 1.6 | 0.5 | 2.5 |
| **Kazakhstan** | 1.2 | 7.3 | 7.5 | 5.0 | 6.0 | 4.0 | 1.5 | 2.3 |
| **Kyrgyzstan** | 2.9 | -0.5 | 6.0 | -0.1 | 10.5 | 3.6 | 3.0 | 4.0 |
| **Republic of Moldova** | -6.0 | 7.1 | 6.8 | -0.7 | 8.9 | 4.6 | 1.5 | 2.5 |
| **Russian Federation** | -7.8 | 4.5 | 4.3 | 3.4 | 1.3 | 0.4 | -3.0 | 0.1 |
| **Tajikistan** | 4.0 | 6.5 | 2.4 | 7.5 | 7.4 | 6.7 | 3.5 | 4.5 |
| **Turkmenistan** | 6.1 | 9.2 | 14.1 | 11.1 | 10.2 | 10.2 | 10.0 | 9.5 |
| **Ukraine** | -14.8 | 4.2 | 5.2 | 0.3 | 0.0 | -6.6 | -6.4 | 1.5 |
| **Uzbekistan** | 8.1 | 8.5 | 8.3 | 8.2 | 7.0 | 8.1 | 6.9 | 7.0 |
| **Georgia** | -3.8 | 6.3 | 7.2 | 6.2 | 3.2 | 4.8 | 1.5 | 2.7 |

**Table A.2**
**Rates of growth of real GDP, 2009-2016 (*continued*)**
**(Annual percentage change)**

| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 [a] | 2015 [b] | 2016 [b] |
|---|---|---|---|---|---|---|---|---|
| **Developing Economies** | | | | | | | | |
| **Africa** | | | | | | | | |
| **Algeria** | 1.6 | 3.6 | 2.8 | 3.3 | 2.8 | 3.3 | 2.8 | 3.5 |
| **Angola** | 2.4 | 3.4 | 3.9 | 5.2 | 5.1 | 4.0 | 3.2 | 4.8 |
| **Benin** | 2.7 | 2.6 | 3.3 | 5.4 | 5.6 | 5.1 | 4.9 | 4.8 |
| **Botswana** | -7.8 | 8.6 | 6.1 | 3.7 | 6.5 | 4.3 | 4.7 | 4.9 |
| **Burkina Faso** | 3.0 | 8.4 | 6.6 | 8.0 | 6.7 | 5.2 | 4.5 | 5.9 |
| **Burundi** | 28.9 | 15.7 | 4.2 | 4.2 | 4.6 | 4.7 | 4.6 | 4.9 |
| **Cameroon** | 1.9 | 3.3 | 4.1 | 4.6 | 5.6 | 5.1 | 4.5 | 5.0 |
| **Cabo Verde** | -1.3 | 1.5 | 4.0 | 1.2 | 0.5 | 1.3 | 2.1 | 2.6 |
| **Central African Republic** | 1.9 | 3.6 | 2.0 | 2.9 | -36.0 | -0.5 | 3.6 | 3.1 |
| **Chad** | 4.1 | 13.2 | 0.6 | 9.1 | 3.4 | 8.2 | 4.6 | 5.8 |
| **Comoros** | 1.1 | 2.0 | 2.6 | 3.0 | 3.6 | 3.6 | 3.7 | 3.6 |
| **Congo** | 7.5 | 8.7 | 3.4 | 3.8 | 3.3 | 4.8 | 6.9 | 7.0 |
| **Côte d'Ivoire** | 3.8 | 2.4 | -4.7 | 9.8 | 9.0 | 7.9 | 6.3 | 6.5 |
| **Democratic Republic of the Congo** | 2.9 | 7.1 | 6.9 | 7.1 | 8.5 | 8.8 | 8.4 | 8.2 |
| **Djibouti** | 5.5 | 4.5 | 4.5 | 4.8 | 5.0 | 5.5 | 5.6 | 6.1 |
| **Egypt** | 4.7 | 5.1 | 1.8 | 2.2 | 2.1 | 2.2 | 3.9 | 4.2 |
| **Equatorial Guinea** | 4.1 | 1.3 | -0.6 | 5.3 | -4.8 | -2.3 | -2.4 | -1.5 |
| **Eritrea** | 3.9 | 2.2 | 8.7 | 7.0 | 1.3 | 3.2 | 3.5 | 4.0 |
| **Ethiopia** | 8.8 | 12.5 | 11.1 | 8.7 | 10.4 | 7.9 | 7.4 | 7.0 |
| **Gabon** | -0.8 | 6.8 | 7.1 | 5.3 | 5.6 | 5.0 | 2.1 | 4.0 |
| **Gambia** | 6.5 | 6.5 | -4.3 | 6.1 | 5.6 | 4.1 | 5.4 | 5.2 |
| **Ghana** | 4.7 | 7.3 | 15.0 | 8.8 | 7.1 | 4.2 | 4.0 | 4.8 |
| **Guinea** | -0.1 | 1.9 | 3.9 | 3.9 | 2.5 | 0.4 | -1.2 | 4.6 |
| **Guinea-Bissau** | 3.4 | 4.4 | 5.3 | -1.5 | 0.3 | 2.2 | 3.0 | 3.4 |
| **Kenya** | 2.7 | 5.8 | 4.5 | 4.6 | 4.7 | 5.2 | 5.8 | 6.0 |
| **Lesotho** | 3.4 | 7.1 | 2.8 | 6.5 | 5.8 | 4.5 | 5.2 | 4.7 |
| **Liberia** | 12.3 | 10.8 | 5.8 | 8.2 | 8.1 | -0.5 | 1.3 | 4.1 |
| **Libya** | -0.7 | 4.3 | -61.3 | 104.5 | -16.2 | -18.0 | -8.0 | 4.4 |
| **Madagascar** | -4.0 | 0.4 | 1.3 | 2.7 | 2.0 | 3.2 | 4.4 | 4.5 |
| **Malawi** | 8.3 | 6.9 | 2.9 | 1.9 | 5.4 | 5.3 | 3.6 | 5.0 |
| **Mali** | 4.5 | 5.8 | 2.7 | 0.0 | 1.7 | 5.5 | 5.6 | 5.5 |
| **Mauritania** | 1.6 | 3.5 | 4.4 | 6.0 | 6.7 | 5.9 | 5.6 | 6.1 |
| **Mauritius** | 3.1 | 4.1 | 3.9 | 3.3 | 3.3 | 3.4 | 3.6 | 3.5 |
| **Morocco** | 4.8 | 3.6 | 5.0 | 2.7 | 4.4 | 2.5 | 4.3 | 4.5 |
| **Mozambique** | 6.5 | 7.1 | 7.4 | 7.1 | 7.4 | 7.5 | 7.3 | 7.4 |
| **Namibia** | -1.5 | 6.6 | 6.0 | 6.7 | 4.4 | 5.3 | 4.4 | 5.1 |
| **Niger** | -0.7 | 8.4 | 2.3 | 11.1 | 4.1 | 5.6 | 5.5 | 5.6 |
| **Nigeria** | 6.9 | 7.8 | 4.9 | 4.3 | 5.4 | 6.0 | 6.2 | 6.5 |
| **Rwanda** | 4.8 | 6.3 | 6.8 | 8.8 | 4.7 | 7.0 | 6.8 | 6.9 |
| **Sao Tome and Principe** | 3.9 | 4.6 | 4.5 | 4.0 | 4.3 | 4.1 | 4.0 | 4.2 |
| **Senegal** | 2.4 | 4.2 | 1.7 | 3.4 | 2.4 | 4.4 | 4.5 | 4.4 |
| **Sierra Leone** | 3.2 | 5.3 | 6.0 | 15.2 | 20.1 | 4.2 | -2.5 | 3.7 |
| **South Africa** | -1.5 | 3.0 | 3.2 | 2.2 | 2.2 | 1.5 | 2.3 | 3.1 |
| **Togo** | 3.4 | 4.0 | 4.9 | 5.8 | 5.1 | 5.4 | 5.8 | 5.5 |
| **Tunisia** | 3.1 | 3.0 | -1.9 | 3.9 | 2.3 | 2.3 | 2.9 | 3.7 |
| **Uganda** | 5.2 | 9.7 | 4.4 | 3.3 | 4.5 | 4.4 | 5.8 | 6.3 |
| **United Republic of Tanzania** | 6.0 | 7.0 | 6.4 | 6.9 | 7.0 | 7.1 | 7.2 | 6.9 |
| **Zambia** | 6.4 | 7.6 | 6.8 | 7.3 | 6.5 | 6.5 | 5.5 | 6.3 |
| **Zimbabwe** | 55.5 | 11.4 | 11.9 | 10.6 | 4.5 | 3.0 | 3.1 | 3.0 |

**Table A.2**
**Rates of growth of real GDP, 2009-2016 (*continued*)**
**(Annual percentage change)**

| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 [a] | 2015 [b] | 2016 [b] |
|---|---|---|---|---|---|---|---|---|
| **East and South Asia** | | | | | | | | |
| **Bangladesh** | 5.9 | 6.3 | 6.5 | 6.3 | 6.1 | 6.2 | 6.2 | 6.3 |
| **Brunei Darussalam** | -1.8 | 2.6 | 3.4 | 0.9 | -1.8 | -2.3 | 0.1 | 1.5 |
| **China** | 9.2 | 10.4 | 9.3 | 7.7 | 7.7 | 7.4 | 6.9 | 6.8 |
| **Hong Kong, Special Administrative Region of China** | -2.5 | 6.8 | 4.8 | 1.5 | 2.9 | 2.3 | 2.7 | 2.5 |
| **India** | 7.4 | 10.1 | 7.3 | 5.1 | 6.4 | 7.2 | 7.6 | 7.7 |
| **Indonesia** | 4.6 | 6.2 | 6.5 | 6.3 | 5.8 | 5.0 | 5.2 | 5.6 |
| **Iran, Islamic Republic of** | 3.5 | 5.4 | 3.2 | -4.6 | -3.0 | 2.7 | 2.8 | 3.9 |
| **Korea, Republic of** | 0.7 | 6.5 | 3.7 | 2.3 | 3.0 | 3.3 | 3.6 | 3.7 |
| **Malaysia** | -1.5 | 7.4 | 5.1 | 5.6 | 4.7 | 6.0 | 5.1 | 5.3 |
| **Myanmar** | 10.5 | 10.2 | 5.4 | 7.6 | 7.5 | 7.5 | 7.8 | 7.5 |
| **Nepal** | 4.6 | 4.3 | 3.9 | 4.4 | 4.6 | 5.3 | -0.2 | 6.9 |
| **Pakistan** | 2.2 | 2.2 | 3.4 | 5.1 | 4.9 | 4.5 | 5.2 | 4.7 |
| **Papua New Guinea** | 6.1 | 7.6 | 11.3 | 7.7 | 5.1 | 8.1 | 14.2 | 5.5 |
| **Philippines** | 1.1 | 7.6 | 3.6 | 6.8 | 7.2 | 6.1 | 6.4 | 6.4 |
| **Singapore** | -0.6 | 15.1 | 6.0 | 3.4 | 4.4 | 2.9 | 3.2 | 3.5 |
| **Sri Lanka** | 3.5 | 8.0 | 8.2 | 6.4 | 7.2 | 7.4 | 6.8 | 7.2 |
| **Taiwan, Province of China** | -1.6 | 10.6 | 3.8 | 2.1 | 2.2 | 3.7 | 3.7 | 3.6 |
| **Thailand** | -0.9 | 7.4 | 0.6 | 7.1 | 2.9 | 0.7 | 3.8 | 4.1 |
| **Vietnam** | 5.3 | 6.8 | 6.2 | 5.2 | 5.4 | 6.0 | 6.4 | 6.5 |
| **Western Asia** | | | | | | | | |
| **Bahrain** | 2.5 | 4.3 | 2.1 | 3.6 | 5.3 | 4.3 | 2.0 | 2.6 |
| **Iraq** | 5.8 | 5.5 | 10.2 | 10.3 | 4.2 | 0.0 | 3.2 | 5.0 |
| **Israel** | 1.2 | 5.7 | 4.6 | 3.4 | 3.3 | 2.8 | 3.5 | 3.9 |
| **Jordan** | 5.5 | 2.3 | 2.6 | 2.7 | 2.8 | 3.2 | 4.2 | 4.8 |
| **Kuwait** | -7.1 | -6.0 | 9.6 | 6.6 | 1.5 | 2.3 | 2.0 | 2.2 |
| **Lebanon** | 10.1 | 8.0 | 0.9 | 2.8 | 3.0 | 2.0 | 3.0 | 3.5 |
| **Oman** | 6.1 | 4.8 | 0.9 | 5.8 | 4.8 | 3.4 | 2.0 | 2.3 |
| **Qatar** | 12.0 | 16.7 | 13.0 | 6.1 | 6.5 | 6.0 | 4.8 | 5.2 |
| **Saudi Arabia** | 1.8 | 7.4 | 8.6 | 5.8 | 4.0 | 3.6 | 2.4 | 3.0 |
| **Turkey** | -4.8 | 9.2 | 8.8 | 2.1 | 4.1 | 2.9 | 3.8 | 4.6 |
| **United Arab Emirates** | -5.2 | 1.6 | 4.9 | 4.7 | 5.2 | 4.6 | 3.2 | 3.4 |
| **Yemen** | 4.1 | 5.7 | -12.8 | 2.0 | 4.8 | 2.0 | -2.0 | 3.0 |
| **Latin America and the Caribbean** | | | | | | | | |
| **Argentina** | 0.1 | 9.1 | 8.6 | 0.9 | 2.9 | 0.5 | -0.4 | 1.9 |
| **Barbados** | -4.1 | 0.3 | 0.8 | 0.0 | -0.3 | 0.0 | 0.7 | 1.5 |
| **Bolivia, Plurinational State of** | 3.4 | 4.1 | 5.2 | 5.2 | 6.8 | 5.5 | 4.4 | 4.4 |
| **Brazil** | -0.3 | 7.5 | 2.7 | 1.0 | 2.5 | 0.1 | -1.1 | 0.5 |
| **Chile** | -1.0 | 5.8 | 5.8 | 5.4 | 4.1 | 1.8 | 2.9 | 3.8 |
| **Colombia** | 1.7 | 4.0 | 6.6 | 4.0 | 4.3 | 5.2 | 3.4 | 3.7 |
| **Costa Rica** | -1.0 | 5.0 | 4.5 | 5.1 | 3.5 | 3.5 | 3.4 | 4.2 |
| **Cuba** | 1.4 | 2.4 | 2.8 | 3.0 | 2.7 | 1.1 | 3.0 | 3.5 |
| **Dominican Republic** | 3.5 | 7.8 | 4.5 | 3.9 | 4.1 | 3.3 | 4.1 | 4.8 |
| **Ecuador** | 0.6 | 3.5 | 7.9 | 5.2 | 4.6 | 3.8 | 2.5 | 3.1 |
| **El Salvador** | -3.1 | 1.4 | 2.2 | 1.9 | 1.7 | 2.1 | 2.3 | 2.4 |
| **Guatemala** | 0.5 | 2.9 | 4.2 | 3.0 | 3.7 | 4.0 | 4.0 | 3.5 |
| **Guyana** | 3.3 | 4.4 | 5.4 | 4.8 | 5.3 | 4.2 | 4.0 | 3.9 |
| **Haiti** | 3.1 | -5.5 | 5.5 | 2.9 | 4.3 | 3.5 | 3.8 | 4.4 |
| **Honduras** | -2.4 | 3.7 | 3.8 | 3.9 | 2.6 | 3.0 | 3.4 | 3.3 |
| **Jamaica** | -4.4 | -1.5 | 1.7 | -0.6 | 0.6 | 0.5 | 1.6 | 2.3 |
| **Mexico** | -4.7 | 5.2 | 3.9 | 4.0 | 1.4 | 2.1 | 2.8 | 3.1 |
| **Nicaragua** | -2.8 | 3.3 | 5.7 | 5.0 | 4.6 | 4.4 | 4.8 | 4.8 |
| **Panama** | 3.9 | 7.5 | 10.9 | 10.8 | 8.4 | 6.5 | 6.0 | 5.8 |
| **Paraguay** | -4.0 | 13.1 | 4.3 | -1.2 | 13.0 | 4.8 | 4.2 | 4.3 |
| **Peru** | 1.0 | 8.5 | 6.5 | 5.9 | 5.6 | 2.5 | 4.0 | 4.5 |
| **Trinidad and Tobago** | -0.9 | -2.5 | -1.6 | 1.5 | 2.8 | 0.5 | 1.9 | 1.9 |
| **Uruguay** | 2.4 | 8.4 | 7.3 | 3.7 | 4.4 | 3.3 | 2.8 | 3.2 |
| **Venezuela, Bolivarian Republic of** | -3.2 | -1.5 | 4.2 | 5.6 | 1.3 | -2.9 | -5.0 | -3.2 |

**Source: UN/DESA**

**a Actual or most recent estimate.**
**b Forecasts, based in part on Project LINK.**

**Table A.3**
**World and regions: consumer price inflation, 2009-2016**
**(Annual percentage change [a])**

| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 [b] | 2015 [c] | 2016 [c] |
|---|---|---|---|---|---|---|---|---|
| **World** | 1.8 | 3.0 | 4.1 | 3.3 | 3.2 | 3.1 | 2.4 | 3.0 |
| **Developed economies** | 0.1 | 1.5 | 2.6 | 1.9 | 1.3 | 1.4 | 0.1 | 1.5 |
| North America | -0.2 | 1.6 | 3.2 | 2.0 | 1.4 | 1.7 | -0.2 | 2.1 |
| Asia and Oceania | -0.7 | 0.0 | 0.5 | 0.3 | 0.8 | 2.7 | 0.7 | 1.0 |
| Western Europe | 0.8 | 1.9 | 2.8 | 2.4 | 1.5 | 0.6 | 0.1 | 1.2 |
| European Union | 0.8 | 1.9 | 3.0 | 2.6 | 1.5 | 0.6 | 0.1 | 1.3 |
| EU15 | 0.6 | 1.9 | 2.9 | 2.5 | 1.5 | 0.6 | 0.1 | 1.2 |
| New EU members | 3.1 | 2.7 | 3.8 | 3.7 | 1.5 | 0.2 | 0.3 | 1.6 |
| Euro area | 0.3 | 1.6 | 2.7 | 2.5 | 1.4 | 0.4 | 0.0 | 1.1 |
| Other European countries | 0.7 | 1.4 | 0.6 | -0.2 | 0.9 | 0.8 | 0.5 | 1.2 |
| **Economies in transition** | 10.9 | 7.0 | 9.6 | 6.2 | 6.4 | 7.8 | 13.6 | 6.6 |
| South-Eastern Europe | 4.3 | 4.1 | 7.2 | 4.9 | 4.4 | 1.0 | 1.2 | 2.3 |
| Commonwealth of Independent States and Georgia | 11.1 | 7.1 | 9.7 | 6.2 | 6.5 | 8.1 | 14.1 | 6.7 |
| **Developing economies [d]** | 4.1 | 5.6 | 6.6 | 5.8 | 6.6 | 5.9 | 5.9 | 5.4 |
| Africa [d] | 8.3 | 7.6 | 8.7 | 9.1 | 7.2 | 7.2 | 7.0 | 6.5 |
| North Africa | 7.0 | 6.8 | 8.4 | 9.4 | 8.3 | 8.8 | 7.7 | 6.8 |
| East Africa | 9.4 | 6.0 | 17.3 | 13.3 | 6.0 | 5.4 | 5.2 | 5.6 |
| Central Africa | 4.4 | 2.8 | 2.3 | 5.0 | 3.0 | 4.0 | 2.7 | 3.2 |
| West Africa | 10.4 | 11.6 | 9.7 | 10.6 | 7.7 | 7.6 | 8.9 | 8.1 |
| Southern Africa [d] | 8.4 | 6.1 | 6.6 | 6.7 | 6.4 | 5.7 | 5.4 | 5.4 |
| East and South Asia | 2.5 | 5.0 | 6.3 | 4.6 | 5.3 | 3.5 | 2.8 | 3.4 |
| East Asia | 0.3 | 3.3 | 5.1 | 2.7 | 2.8 | 2.3 | 1.7 | 2.4 |
| South Asia | 11.1 | 11.5 | 11.1 | 12.2 | 15.1 | 8.3 | 7.1 | 7.5 |
| Western Asia | 3.5 | 4.9 | 5.0 | 7.8 | 9.5 | 5.7 | 4.6 | 4.5 |
| Latin America and the Caribbean | 6.5 | 6.7 | 7.3 | 6.5 | 8.2 | 11.3 | 13.3 | 10.0 |
| South America | 6.9 | 7.5 | 8.5 | 7.2 | 9.6 | 13.9 | 16.7 | 12.1 |
| Mexico and Central America | 5.1 | 4.1 | 3.7 | 4.1 | 3.9 | 3.9 | 3.4 | 3.9 |
| Caribbean | 3.8 | 7.9 | 7.6 | 5.5 | 5.4 | 4.7 | 2.5 | 4.0 |
| Least developed country | 7.7 | 8.9 | 12.1 | 11.7 | 9.9 | 9.4 | 7.7 | 6.9 |
| *Memorandum items:* | | | | | | | | |
| Major developed economies (G7) | -0.1 | 1.3 | 2.5 | 1.8 | 1.3 | 1.6 | 0.0 | 1.6 |
| OECD | 0.4 | 1.7 | 2.7 | 2.1 | 1.5 | 1.6 | 0.3 | 1.7 |
| East Asia excluding China | 2.1 | 3.3 | 4.5 | 3.0 | 2.9 | 2.8 | 2.3 | 2.8 |
| South Asia excluding India | 11.6 | 10.5 | 15.8 | 18.1 | 23.9 | 12.4 | 10.1 | 9.9 |
| Western Asia excluding Israel and Turkey | 2.4 | 3.5 | 4.5 | 8.1 | 11.5 | 5.0 | 4.1 | 4.2 |

Source: UN/DESA

[a] Calculated as a weighted average of individual country growth rates of consumer price index (CPI), where weights are based on GDP in 2010, in the United States dollar.

[b] Actual or the most recent estimate.

[c] Forecasts, based in part on Project LINK.

[d] Excluding Zimbabwe.

**Table A.4**
**Consumer price inflation, 2009-2016**
**(Annual percentage change)**

| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014[a] | 2015[b] | 2016[b] |
|---|---|---|---|---|---|---|---|---|
| **Developed Economies** | | | | | | | | |
| **North America** | | | | | | | | |
| **Canada** | 0.3 | 1.8 | 2.9 | 1.5 | 0.9 | 1.9 | 0.9 | 1.9 |
| **United States** | -0.3 | 1.6 | 3.2 | 2.0 | 1.4 | 1.7 | 0.2 | 2.1 |
| **Asia and Oceania** | | | | | | | | |
| **Australia** | 1.8 | 2.9 | 3.3 | 1.8 | 2.5 | 2.5 | 2.0 | 2.7 |
| **Japan** | -1.3 | -0.7 | -0.3 | 0.0 | 0.4 | 2.7 | 0.4 | 0.6 |
| **New Zealand** | 2.1 | 2.3 | 4.0 | 1.1 | 1.1 | 1.2 | 1.0 | 2.0 |
| **European Union** | | | | | | | | |
| **EU-15** | | | | | | | | |
| **Austria** | 0.4 | 1.7 | 3.5 | 2.6 | 2.1 | 1.5 | 1.1 | 1.8 |
| **Belgium** | 0.0 | 2.3 | 3.4 | 2.6 | 1.2 | 0.5 | 0.2 | 1.2 |
| **Denmark** | 1.1 | 2.2 | 2.7 | 2.4 | 0.5 | 0.3 | 0.7 | 1.7 |
| **Finland** | 1.6 | 1.7 | 3.3 | 3.2 | 2.2 | 1.2 | 0.3 | 1.0 |
| **France** | 0.1 | 1.7 | 2.3 | 2.2 | 1.0 | 0.6 | 0.0 | 1.2 |
| **Germany** | 0.2 | 1.2 | 2.5 | 2.1 | 1.6 | 0.8 | 0.3 | 1.3 |
| **Greece** | 1.3 | 4.7 | 3.1 | 1.0 | -0.9 | -1.4 | -1.5 | -0.2 |
| **Ireland** | -1.7 | -1.6 | 1.2 | 1.9 | 0.5 | 0.3 | 0.1 | 1.0 |
| **Italy** | 0.8 | 1.6 | 2.9 | 3.3 | 1.3 | 0.2 | -0.2 | 1.2 |
| **Luxembourg** | 0.4 | 2.3 | 3.4 | 2.7 | 1.7 | 0.9 | 0.5 | 1.4 |
| **Netherlands** | 1.0 | 0.9 | 2.5 | 2.8 | 2.6 | 0.3 | -0.1 | 0.9 |
| **Portugal** | -0.9 | 1.4 | 3.6 | 2.8 | 0.4 | -0.2 | 0.3 | 1.0 |
| **Spain** | -0.2 | 2.0 | 3.1 | 2.4 | 1.5 | -0.2 | -0.5 | 0.6 |
| **Sweden** | 1.9 | 1.9 | 1.4 | 0.9 | 0.4 | 0.2 | 0.4 | 1.5 |
| **United Kingdom** | 2.2 | 3.3 | 4.5 | 2.8 | 2.6 | 1.5 | 0.5 | 1.7 |
| **New EU members** | | | | | | | | |
| **Bulgaria** | 2.8 | 2.5 | 4.2 | 2.9 | 0.9 | -1.5 | 0.2 | 2.0 |
| **Croatia** | 2.4 | 1.0 | 2.3 | 3.4 | 2.3 | -0.2 | -0.4 | 1.3 |
| **Cyprus** | 0.4 | 2.5 | 3.3 | 2.4 | -0.4 | -0.3 | 0.7 | 1.5 |
| **Czech Republic** | 0.6 | 1.2 | 2.1 | 3.5 | 1.4 | 0.4 | 0.2 | 1.0 |
| **Estonia** | 0.2 | 2.7 | 5.1 | 4.2 | 3.3 | -0.1 | 1.2 | 2.0 |
| **Hungary** | 4.0 | 4.7 | 3.9 | 5.7 | 1.7 | 0.0 | 0.0 | 1.5 |
| **Latvia** | 3.5 | -1.1 | 4.4 | 2.3 | -0.1 | 0.5 | 0.5 | 1.5 |
| **Lithuania** | 4.4 | 1.3 | 4.1 | 3.1 | 1.1 | 0.0 | 0.0 | 1.5 |
| **Malta** | 2.1 | 1.4 | 2.8 | 2.4 | 1.4 | 0.8 | 0.8 | 1.7 |
| **Poland** | 4.0 | 2.7 | 3.9 | 3.7 | 0.8 | 0.1 | 0.0 | 1.5 |
| **Romania** | 5.6 | 6.1 | 5.8 | 3.4 | 3.9 | 1.2 | 1.1 | 2.5 |
| **Slovak Republic** | 0.9 | 0.7 | 4.1 | 3.7 | 1.5 | -0.1 | 0.5 | 1.5 |
| **Slovenia** | 0.9 | 2.1 | 2.1 | 2.8 | 1.9 | 0.4 | 1.5 | 1.5 |
| **Other Europe** | | | | | | | | |
| **Iceland** | 12.0 | 5.4 | 4.0 | 5.2 | 3.9 | 2.1 | 0.8 | 2.6 |
| **Norway** | 2.3 | 2.3 | 1.3 | 0.4 | 2.0 | 1.9 | 2.3 | 2.0 |
| **Switzerland** | -0.7 | 0.6 | 0.1 | -0.7 | 0.1 | 0.0 | -0.8 | 0.5 |
| **Economies in transition** | | | | | | | | |
| **South-eastern Europe** | | | | | | | | |
| **Albania** | 2.3 | 3.6 | 3.4 | 2.1 | 1.9 | 1.6 | 1.0 | 2.5 |
| **Bosnia and Herzegovina** | -0.4 | 2.2 | 3.7 | 2.1 | -0.2 | -0.9 | 0.2 | 1.0 |
| **Montenegro** | 3.4 | 0.7 | 3.2 | 3.6 | 2.1 | -0.5 | 1.5 | 2.0 |
| **Serbia** | 8.2 | 6.1 | 11.2 | 7.3 | 7.7 | 2.1 | 1.9 | 3.0 |
| **The former Yugoslav Republic of Macedonia** | -0.7 | 1.5 | 3.9 | 3.3 | 2.7 | 0.0 | 0.5 | 2.0 |
| **Commonwealth of Independent States** | | | | | | | | |
| **Armenia** | 3.4 | 8.2 | 7.7 | 2.6 | 5.7 | 3.0 | 6.5 | 4.5 |
| **Azerbaijan** | 1.4 | 5.6 | 7.8 | 1.0 | 2.4 | 1.5 | 10.5 | 4.5 |
| **Belarus** | 12.9 | 7.7 | 53.4 | 59.1 | 18.3 | 18.3 | 18.0 | 15.0 |
| **Kazakhstan** | 7.3 | 7.1 | 8.3 | 5.1 | 5.8 | 6.6 | 5.8 | 5.5 |
| **Kyrgyzstan** | 6.9 | 8.0 | 16.4 | 2.7 | 6.6 | 6.8 | 11.5 | 6.5 |
| **Republic of Moldova** | -0.1 | 7.4 | 7.6 | 4.6 | 4.6 | 5.1 | 8.0 | 6.0 |
| **Russian Federation** | 11.7 | 6.9 | 8.4 | 5.0 | 6.8 | 7.8 | 14.0 | 6.5 |
| **Tajikistan** | 6.4 | 6.4 | 12.4 | 5.8 | 5.0 | 6.1 | 9.5 | 6.5 |
| **Turkmenistan** | -2.7 | 4.4 | 5.3 | 5.3 | 8.0 | 8.0 | 12.0 | 8.3 |
| **Ukraine** | 15.8 | 9.4 | 7.9 | 0.6 | -0.3 | 12.0 | 27.3 | 8.0 |
| **Uzbekistan** | 14.1 | 9.4 | 12.8 | 12.1 | 12.0 | 11.0 | 9.9 | 8.0 |
| **Georgia** | 1.7 | 7.1 | 8.5 | -0.9 | -0.5 | 3.1 | 4.8 | 3.0 |

**Table A.4**
**Consumer price inflation, 2009-2016 (continued)**
**(Annual percentage change)**

| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014[a] | 2015[b] | 2016 [b] |
|---|---|---|---|---|---|---|---|---|
| **Developing economies** | | | | | | | | |
| **Africa** | | | | | | | | |
| **Algeria** | 5.7 | 3.9 | 4.5 | 8.9 | 3.3 | 3.3 | 2.9 | 4.2 |
| **Angola** | 13.7 | 14.5 | 13.5 | 10.3 | 8.8 | 7.5 | 7.7 | 7.3 |
| **Benin** | 2.2 | 2.3 | 2.7 | 6.8 | 1.0 | -1.0 | 0.6 | 1.1 |
| **Botswana** | 8.0 | 6.9 | 8.5 | 7.5 | 4.1 | 3.8 | 3.2 | 4.5 |
| **Burkina Faso** | 2.6 | -0.8 | 2.8 | 3.8 | 0.5 | -0.1 | -0.2 | 1.7 |
| **Burundi** | 11.0 | 6.4 | 9.7 | 18.0 | 8.1 | 4.3 | 5.3 | 7.0 |
| **Cameroon** | 3.0 | 1.3 | 2.9 | 2.9 | 1.9 | 3.7 | 1.5 | 2.9 |
| **Cabo Verde** | 1.0 | 2.1 | 4.5 | 2.5 | 1.5 | -0.3 | 1.1 | 2.3 |
| **Central African Republic** | 3.5 | 1.5 | 1.3 | 5.8 | 1.5 | 10.0 | 6.2 | 4.8 |
| **Chad** | 10.0 | -2.1 | -3.7 | 14.0 | 0.1 | 3.5 | 2.6 | 2.9 |
| **Comoros** | 4.8 | 3.9 | 2.2 | 5.9 | 2.1 | 1.6 | 1.5 | 2.5 |
| **Congo** | 5.3 | 5.0 | 1.3 | 3.9 | 6.0 | 1.1 | 1.9 | 2.0 |
| **Côte d'Ivoire** | 1.0 | 1.7 | 4.9 | 1.3 | 2.6 | 1.1 | 2.2 | 2.5 |
| **Democratic Republic of the Congo** | 2.8 | 7.1 | 15.3 | 9.7 | 1.6 | 1.4 | 2.1 | 3.0 |
| **Djibouti** | 1.7 | 4.0 | 5.1 | 3.7 | 2.4 | 3.0 | 2.7 | 3.5 |
| **Egypt** | 11.8 | 11.3 | 10.1 | 7.1 | 9.5 | 10.1 | 10.6 | 9.6 |
| **Equatorial Guinea** | 4.7 | 7.8 | 6.9 | 6.1 | 6.4 | 6.1 | 4.9 | 5.2 |
| **Eritrea** | 33.0 | 17.0 | 15.7 | 12.3 | 12.6 | 11.7 | 10.6 | 12.2 |
| **Ethiopia** | 8.5 | 8.1 | 33.2 | 22.8 | 8.1 | 7.5 | 7.8 | 7.8 |
| **Gabon** | 1.9 | 1.5 | 1.3 | 2.7 | 0.5 | 4.5 | 2.6 | 2.7 |
| **Gambia** | 4.6 | 5.0 | 4.8 | 4.3 | 5.7 | 6.1 | 5.3 | 5.4 |
| **Ghana** | 19.3 | 10.7 | 8.7 | 9.2 | 11.6 | 17.0 | 13.1 | 12.5 |
| **Guinea** | 4.7 | 15.5 | 21.4 | 15.2 | 11.9 | 9.7 | 9.0 | 9.8 |
| **Guinea-Bissau** | -1.7 | 2.5 | 5.0 | 2.1 | 0.7 | -1.1 | 1.2 | 1.9 |
| **Kenya** | 9.2 | 4.0 | 14.0 | 9.4 | 5.7 | 6.9 | 5.8 | 5.3 |
| **Lesotho** | 7.4 | 3.6 | 5.0 | 6.1 | 4.9 | 5.5 | 5.2 | 5.0 |
| **Liberia** | 7.4 | 3.6 | 2.5 | 18.2 | 7.6 | 9.0 | 7.9 | 7.5 |
| **Libya** | 2.5 | 2.8 | 15.5 | 6.1 | 2.6 | 4.2 | 6.7 | 5.7 |
| **Madagascar** | 9.0 | 9.2 | 9.5 | 6.4 | 5.8 | 6.6 | 5.5 | 5.2 |
| **Malawi** | 8.4 | 7.4 | 7.6 | 21.3 | 27.3 | 18.0 | 12.3 | 10.2 |
| **Mali** | 2.5 | 1.1 | 2.9 | 5.4 | -0.6 | 1.0 | 1.5 | 2.0 |
| **Mauritania** | 2.2 | 6.3 | 5.6 | 4.9 | 4.1 | 3.9 | 4.3 | 4.4 |
| **Mauritius** | 2.5 | 2.9 | 6.5 | 3.9 | 3.5 | 0.4 | 3.1 | 3.3 |
| **Morocco** | 1.0 | 1.0 | 0.9 | 1.3 | 1.9 | 0.4 | 1.5 | 2.0 |
| **Mozambique** | 3.3 | 12.7 | 10.4 | 2.7 | 4.3 | 1.1 | 4.6 | 4.4 |
| **Namibia** | 9.5 | 4.9 | 5.0 | 6.7 | 5.6 | 4.7 | 4.3 | 4.3 |
| **Niger** | 0.6 | 0.8 | 2.9 | 0.5 | 2.3 | -0.5 | 0.7 | 1.2 |
| **Nigeria** | 11.5 | 13.7 | 10.8 | 12.2 | 8.5 | 8.2 | 10.0 | 8.9 |
| **Rwanda** | 6.4 | 2.3 | 5.7 | 6.3 | 8.0 | 1.8 | 2.1 | 2.8 |
| **Sao Tome and Principe** | 17.0 | 13.3 | 12.0 | 8.0 | 8.7 | 7.0 | 6.2 | 6.4 |
| **Senegal** | -1.1 | 1.3 | 3.4 | 1.4 | 0.7 | 1.0 | 1.2 | 1.6 |
| **Sierra Leone** | 9.3 | 16.6 | 16.2 | 12.9 | 10.3 | 7.9 | 8.2 | 7.8 |
| **Somalia** | 25.0 | 2.1 | 2.2 | 2.0 | -5.0 | -3.0 | -1.0 | 1.0 |
| **South Africa** | 7.3 | 4.1 | 5.0 | 5.8 | 5.8 | 5.3 | 4.9 | 5.0 |
| **Togo** | 3.3 | 1.8 | 3.6 | 2.6 | 1.8 | 0.2 | 0.8 | 1.9 |
| **Tunisia** | 3.5 | 4.4 | 3.6 | 5.5 | 6.1 | 5.4 | 4.7 | 4.4 |
| **Uganda** | 13.0 | 4.0 | 18.7 | 14.0 | 5.5 | 4.3 | 5.1 | 6.2 |
| **United Republic of Tanzania** | 12.1 | 6.2 | 12.7 | 16.0 | 7.9 | 6.1 | 5.3 | 5.8 |
| **Zambia** | 13.4 | 8.5 | 6.4 | 6.6 | 7.0 | 7.8 | 7.2 | 7.0 |
| **Zimbabwe** | | 3.7 | 5.4 | 8.2 | 8.6 | 0.8 | 1.7 | 4.1 |

**Table A.4**

**Consumer price inflation, 2009-2016 (continued)**
**(Annual percentage change)**

| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014[a] | 2015[b] | 2016 [b] |
|---|---|---|---|---|---|---|---|---|
| **East and South Asia** | | | | | | | | |
| **Bangladesh** | 5.4 | 8.1 | 10.7 | 6.2 | 7.5 | 7.0 | 6.1 | 6.3 |
| **Brunei Darussalam** | 1.0 | 0.4 | 2.0 | 0.5 | 0.4 | -0.2 | -0.1 | 0.4 |
| **China** | -0.7 | 3.3 | 5.5 | 2.6 | 2.7 | 2.0 | 1.4 | 2.2 |
| **Hong Kong, Special Administrative Region** | 0.6 | 2.3 | 5.3 | 4.1 | 4.4 | 4.4 | 3.5 | 3.4 |
| **India** | 10.9 | 12.0 | 8.9 | 9.3 | 10.9 | 6.3 | 5.6 | 6.3 |
| **Indonesia** | 4.4 | 5.2 | 5.4 | 4.3 | 6.4 | 6.4 | 5.4 | 4.2 |
| **Iran, Islamic Republic of** | 13.5 | 10.1 | 20.6 | 27.4 | 39.3 | 17.9 | 15.5 | 13.8 |
| **Korea, Republic of** | 2.8 | 2.9 | 4.0 | 2.2 | 1.3 | 1.3 | 1.3 | 2.1 |
| **Malaysia** | 0.6 | 1.7 | 3.2 | 1.7 | 2.1 | 3.1 | 3.2 | 3.0 |
| **Myanmar** | 1.5 | 7.7 | 5.0 | 1.5 | 5.5 | 5.5 | 6.3 | 6.0 |
| **Nepal** | 11.1 | 9.3 | 9.3 | 9.5 | 9.0 | 8.4 | 6.9 | 7.2 |
| **Pakistan** | 13.6 | 13.9 | 11.9 | 9.7 | 7.7 | 7.2 | 3.6 | 5.7 |
| **Papua New Guinea** | 6.9 | 6.0 | 4.4 | 4.5 | 5.0 | 6.1 | 5.9 | 5.5 |
| **Philippines** | 4.2 | 3.8 | 4.6 | 3.2 | 3.0 | 4.1 | 3.0 | 3.5 |
| **Singapore** | 0.6 | 2.8 | 5.3 | 4.5 | 2.4 | 1.0 | 0.3 | 1.5 |
| **Sri Lanka** | 3.5 | 6.2 | 6.7 | 7.5 | 6.9 | 3.3 | 2.6 | 4.4 |
| **Taiwan, Province of China** | -1.0 | 1.1 | 1.1 | 1.1 | 0.6 | 0.3 | 0.3 | 1.3 |
| **Thailand** | -0.8 | 3.3 | 3.8 | 3.0 | 2.2 | 1.9 | 0.5 | 3.0 |
| **Viet Nam** | 7.1 | 8.9 | 18.7 | 9.1 | 6.6 | 4.1 | 3.0 | 4.3 |
| **Western Asia** | | | | | | | | |
| **Bahrain** | 2.8 | 2.0 | -0.4 | 2.8 | 3.2 | 2.7 | 2.0 | 2.5 |
| **Israel** | 3.3 | 2.7 | 3.5 | 1.7 | 1.6 | 0.5 | 0.0 | 2.1 |
| **Jordan** | -0.7 | 5.0 | 4.4 | 4.8 | 5.5 | 3.0 | 1.1 | 3.0 |
| **Kuwait** | 4.6 | 4.5 | 4.9 | 3.2 | 2.7 | 2.6 | 2.6 | 2.2 |
| **Oman** | 3.9 | 3.2 | 4.1 | 2.9 | 1.2 | 1.5 | 2.0 | 3.0 |
| **Qatar** | -4.9 | -2.4 | 1.9 | 1.9 | 3.1 | 3.0 | 3.2 | 4.0 |
| **Saudi Arabia** | 5.0 | 5.4 | 5.8 | 2.9 | 3.5 | 2.8 | 2.7 | 3.5 |
| **Turkey** | 6.3 | 8.6 | 6.5 | 8.9 | 7.5 | 8.9 | 7.2 | 5.8 |
| **Yemen** | 5.4 | 11.2 | 19.5 | 9.9 | 11.0 | 8.0 | 10.0 | 8.9 |
| **Latin America and the Caribbean** | | | | | | | | |
| **Argentina** | 6.2 | 10.5 | 9.8 | 10.0 | 10.9 | 25.0 | 29.0 | 15.3 |
| **Barbados** | 3.6 | 5.8 | 9.4 | 4.5 | 1.8 | 2.1 | 2.4 | 2.8 |
| **Bolivia, Plurinational State of** | 3.3 | 2.5 | 9.8 | 4.6 | 5.7 | 5.8 | 5.6 | 5.4 |
| **Brazil** | 4.8 | 5.0 | 6.6 | 5.4 | 6.2 | 6.3 | 7.6 | 5.8 |
| **Chile** | 0.4 | 1.4 | 3.3 | 3.0 | 1.9 | 4.4 | 3.5 | 3.3 |
| **Colombia** | 4.2 | 2.3 | 3.4 | 3.2 | 2.0 | 2.9 | 4.2 | 3.2 |
| **Costa Rica** | 7.8 | 5.7 | 4.9 | 4.5 | 5.2 | 4.5 | 3.4 | 4.8 |
| **Dominican Republic** | 1.4 | 6.3 | 8.5 | 3.7 | 4.8 | 3.0 | 0.5 | 2.8 |
| **Ecuador** | 5.2 | 3.6 | 4.5 | 5.1 | 2.7 | 3.6 | 3.9 | 4.6 |
| **El Salvador** | 1.1 | 0.9 | 5.1 | 1.7 | 0.8 | 1.1 | 0.9 | 1.9 |
| **Guatemala** | 1.9 | 3.9 | 6.2 | 3.8 | 4.3 | 3.4 | 2.7 | 4.0 |
| **Guyana** | 2.9 | 2.1 | 5.0 | 2.4 | 1.9 | 2.5 | 2.4 | 2.9 |
| **Haiti** | 0.0 | 5.7 | 8.4 | 6.3 | 5.9 | 4.3 | 4.6 | 5.5 |
| **Honduras** | 5.5 | 4.7 | 6.8 | 5.2 | 6.1 | 4.7 | 5.5 | 5.3 |
| **Jamaica** | 9.6 | 12.6 | 7.5 | 6.9 | 8.4 | 8.3 | 4.9 | 6.4 |
| **Mexico** | 5.3 | 4.2 | 3.4 | 4.1 | 3.8 | 4.0 | 3.5 | 3.9 |
| **Nicaragua** | 3.7 | 5.5 | 8.1 | 7.2 | 7.1 | 6.0 | 5.0 | 6.7 |
| **Panama** | 2.4 | 3.5 | 5.9 | 5.7 | 4.0 | 2.6 | 1.2 | 3.8 |
| **Paraguay** | 2.6 | 4.7 | 8.3 | 3.7 | 2.7 | 5.0 | 3.4 | 4.7 |
| **Peru** | 2.9 | 1.5 | 3.4 | 3.7 | 2.8 | 3.2 | 2.7 | 3.0 |
| **Trinidad and Tobago** | 7.0 | 10.5 | 5.1 | 9.3 | 5.7 | 7.5 | 5.4 | 5.4 |
| **Uruguay** | 7.1 | 6.7 | 8.1 | 8.1 | 8.6 | 8.9 | 7.4 | 7.0 |
| **Venezuela, Bolivarian Republic of** | 27.1 | 28.2 | 26.1 | 21.1 | 40.6 | 62.2 | 78.0 | 59.8 |

**Source: UN/DESA**

**a Actual or most recent estimate.**
**b Forecasts, based in part on Project LINK.**

**Table A.5**
**World trade: growth in trade value of goods and non-factor services, by major country group, 2009-2016**
**(Annual percentage change)**

| Region | Flow | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 [a] | 2015 [b] | 2016 [b] |
|---|---|---|---|---|---|---|---|---|---|
| **World** | Exports | -19.6 | 19.6 | 18.1 | 1.1 | 2.6 | 1.1 | -4.6 | 5.8 |
| | Imports | -20.0 | 19.1 | 18.4 | 1.1 | 2.5 | 1.2 | -4.1 | 6.9 |
| **Developed economies** | Exports | -19.6 | 14.0 | 15.5 | -1.6 | 3.2 | 2.3 | -5.2 | 5.6 |
| | Imports | -22.0 | 14.5 | 16.3 | -1.9 | 1.5 | 2.0 | -6.8 | 6.0 |
| **North America** | Exports | -16.7 | 17.4 | 14.3 | 3.6 | 2.5 | 3.0 | -3.1 | 7.6 |
| | Imports | -22.0 | 19.7 | 13.6 | 2.9 | 0.2 | 3.0 | -5.3 | 6.3 |
| **Asia and Oceania** | Exports | -23.3 | 30.9 | 11.6 | -2.5 | -6.6 | 0.9 | -7.6 | 3.9 |
| | Imports | -24.8 | 24.1 | 23.1 | 5.5 | -5.4 | 0.9 | -7.6 | 2.2 |
| **Europe** | Exports | -20.0 | 10.6 | 16.6 | -3.2 | 5.0 | 2.2 | -5.6 | 5.1 |
| | Imports | -21.7 | 11.1 | 16.4 | -5.2 | 3.4 | 1.8 | -7.2 | 6.5 |
| **European Union** | Exports | -20.2 | 10.1 | 16.1 | -3.3 | 4.9 | 3.2 | -6.2 | 5.3 |
| | Imports | -22.3 | 10.8 | 15.8 | -5.2 | 3.0 | 2.5 | -7.6 | 6.6 |
| **EU-15** | Exports | -20.1 | 9.6 | 15.7 | -3.4 | 4.6 | 2.9 | -6.0 | 5.1 |
| | Imports | -21.6 | 10.4 | 15.4 | -5.3 | 2.9 | 2.2 | -7.6 | 6.5 |
| **New EU Members** | Exports | -21.0 | 14.3 | 19.7 | -2.8 | 7.1 | 4.9 | -7.9 | 6.6 |
| | Imports | -27.4 | 14.0 | 18.8 | -4.7 | 4.0 | 4.8 | -7.8 | 7.1 |
| **Other Europe** | Exports | -17.5 | 17.8 | 21.9 | -1.5 | 6.7 | -7.7 | 1.7 | 3.3 |
| | Imports | -11.2 | 14.9 | 24.7 | -4.1 | 8.1 | -8.0 | -2.2 | 4.7 |
| **Euro area** | Exports | -20.0 | 9.2 | 15.9 | -3.5 | 5.1 | 3.0 | -8.4 | 4.7 |
| | Imports | -21.5 | 10.1 | 16.0 | -6.3 | 3.2 | 2.0 | -9.0 | 6.2 |
| **Economies in transition** | Exports | -32.4 | 28.0 | 30.9 | 3.1 | -0.5 | -10.0 | -27.9 | 8.2 |
| | Imports | -30.2 | 22.4 | 28.3 | 7.8 | 3.4 | -10.0 | -23.0 | 3.4 |
| **South-eastern Europe** | Exports | -18.7 | 13.7 | 21.6 | -6.6 | 16.2 | 5.0 | -8.6 | 6.9 |
| | Imports | -27.0 | 2.3 | 19.9 | -6.7 | 5.2 | 4.5 | -8.6 | 7.6 |
| **Commonwealth of Independent States** | Exports | -32.9 | 28.6 | 31.2 | 3.5 | -1.1 | -10.6 | -28.8 | 8.3 |
| | Imports | -30.5 | 24.3 | 28.9 | 8.9 | 3.3 | -10.9 | -24.1 | 3.0 |
| **Developing countries** | Exports | -18.2 | 27.5 | 20.6 | 4.5 | 2.2 | 0.6 | -1.9 | 5.9 |
| | Imports | -15.2 | 26.8 | 20.9 | 4.9 | 3.8 | 1.1 | 1.1 | 8.2 |
| **Africa** | Exports | -27.4 | 27.6 | 16.2 | 7.3 | -8.8 | 0.0 | -12.6 | 0.6 |
| | Imports | -9.8 | 11.7 | 15.3 | 4.4 | 2.7 | 1.6 | -0.8 | 7.8 |
| **North Africa** | Exports | -30.7 | 16.8 | -6.4 | 16.1 | -8.3 | -5.6 | -16.6 | -3.3 |
| | Imports | -8.0 | 5.3 | 0.8 | 17.8 | -3.2 | -0.7 | -2.8 | 5.9 |
| **East Africa** | Exports | -16.2 | 31.0 | 18.4 | 5.7 | 6.3 | 11.4 | 8.8 | 11.0 |
| | Imports | -9.3 | 18.0 | 16.4 | 11.1 | 5.1 | 3.8 | 5.9 | 9.8 |
| **Central Africa** | Exports | -31.3 | 26.2 | 25.3 | -0.9 | -2.0 | 2.9 | -29.3 | -4.9 |
| | Imports | -5.6 | 7.3 | 15.7 | 1.3 | 9.6 | 1.6 | -9.4 | 2.8 |
| **West Africa** | Exports | -26.9 | 50.3 | 36.8 | 9.4 | -23.6 | 5.2 | -26.2 | -2.2 |
| | Imports | -3.6 | 21.3 | 29.6 | -16.0 | 10.9 | 3.1 | -6.1 | 6.4 |
| **Southern Africa** | Exports | -24.0 | 27.5 | 25.5 | 0.1 | -1.5 | -0.9 | -1.3 | 3.2 |
| | Imports | -15.9 | 12.9 | 23.3 | 3.3 | 3.1 | 2.4 | 3.2 | 10.2 |
| **East and South Asia** | Exports | -14.2 | 28.2 | 19.0 | 4.0 | 4.4 | 1.7 | 2.3 | 8.3 |
| | Imports | -14.2 | 31.3 | 22.1 | 4.7 | 3.3 | 1.5 | 2.1 | 8.4 |
| **East Asia** | Exports | -15.1 | 28.4 | 18.3 | 4.6 | 4.0 | 1.9 | 2.3 | 8.1 |
| | Imports | -15.8 | 32.8 | 21.7 | 4.8 | 3.6 | 1.9 | 1.9 | 8.0 |
| **South Asia** | Exports | -6.1 | 25.9 | 24.8 | -0.8 | 7.4 | 0.3 | 3.0 | 9.9 |
| | Imports | -2.7 | 22.6 | 24.7 | 4.4 | 1.0 | -0.8 | 3.0 | 11.5 |
| **Western Asia** | Exports | -26.1 | 21.0 | 33.1 | 8.1 | 0.6 | 4.2 | -9.1 | -2.7 |
| | Imports | -17.4 | 15.2 | 20.1 | 5.4 | 5.9 | 7.3 | 7.6 | 10.9 |
| **Latin America and the Caribbean** | Exports | -20.5 | 31.0 | 17.9 | 1.4 | 0.0 | -8.8 | -9.0 | 5.0 |
| | Imports | -20.2 | 28.4 | 19.7 | 5.6 | 4.7 | -6.7 | -8.6 | 3.9 |
| **South America** | Exports | -21.5 | 35.7 | 17.9 | -0.7 | -2.2 | -17.8 | -17.7 | 2.2 |
| | Imports | -18.6 | 31.6 | 20.9 | 6.5 | 6.8 | -15.2 | -13.6 | 0.1 |
| **Mexico and Central America** | Exports | -18.4 | 25.6 | 17.6 | 5.9 | 2.8 | 4.5 | 0.4 | 7.7 |
| | Imports | -22.0 | 25.5 | 18.2 | 5.0 | 1.9 | 6.5 | -3.2 | 8.1 |
| **Caribbean** | Exports | -24.8 | 9.6 | 20.0 | -6.0 | 8.4 | -3.1 | 6.0 | 7.3 |
| | Imports | -22.3 | 12.8 | 17.9 | -2.8 | -0.4 | -0.3 | 4.5 | 7.5 |
| ***Least developed countries*** | Exports | -21.7 | 25.3 | 27.5 | 5.3 | 4.9 | 7.8 | -5.1 | 5.4 |
| | Imports | -4.1 | 10.1 | 21.6 | 7.2 | 9.3 | 6.8 | 4.2 | 10.7 |

**Source: UN/DESA**

**a Actual or the most recent estimate.**
**b Forecast, based in part on Project LINK.**

**Table A.6**
**World trade: growth in trade volume of goods and non-factor services, by major country group, 2009-2016**
**(annual percentage change)**

| Region | Flow | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 [a] | 2015 [b] | 2016 [b] |
|---|---|---|---|---|---|---|---|---|---|
| **World** | Exports | -9.8 | 11.9 | 6.5 | 3.0 | 3.2 | 3.3 | 3.8 | 4.7 |
| | Imports | -11.0 | 13.0 | 7.0 | 2.8 | 3.0 | 3.0 | 3.7 | 5.0 |
| **Developed economies** | Exports | -11.9 | 11.3 | 5.7 | 2.3 | 2.7 | 3.6 | 3.6 | 4.4 |
| | Imports | -12.2 | 10.7 | 5.0 | 1.0 | 1.8 | 3.6 | 4.0 | 4.9 |
| **North America** | Exports | -9.7 | 10.8 | 6.4 | 3.1 | 2.8 | 3.6 | 2.1 | 4.2 |
| | Imports | -13.5 | 12.9 | 5.5 | 2.6 | 1.2 | 3.6 | 4.1 | 6.0 |
| **Asia and Oceania** | Exports | -17.8 | 18.6 | -0.2 | 1.4 | 2.6 | 7.6 | 2.8 | 3.4 |
| | Imports | -14.1 | 12.0 | 7.1 | 5.4 | 2.0 | 5.1 | 1.1 | 2.1 |
| **Europe** | Exports | -11.6 | 10.3 | 6.4 | 2.1 | 2.7 | 2.9 | 4.3 | 4.7 |
| | Imports | -11.4 | 9.6 | 4.5 | -0.4 | 2.0 | 3.3 | 4.5 | 4.8 |
| **European Union** | Exports | -11.9 | 10.5 | 6.7 | 2.2 | 2.1 | 3.6 | 4.6 | 4.8 |
| | Imports | -11.7 | 9.7 | 4.3 | -0.4 | 1.4 | 4.1 | 4.6 | 5.0 |
| **EU-15** | Exports | -12.1 | 10.1 | 6.3 | 2.0 | 1.8 | 3.3 | 4.4 | 4.8 |
| | Imports | -11.1 | 9.4 | 3.9 | -0.5 | 1.2 | 3.7 | 4.5 | 4.9 |
| **New EU Members** | Exports | -10.5 | 13.4 | 9.2 | 3.4 | 4.7 | 6.0 | 5.3 | 4.9 |
| | Imports | -16.4 | 12.1 | 7.3 | 0.6 | 2.4 | 7.0 | 5.5 | 5.3 |
| **Other Europe** | Exports | -7.9 | 8.6 | 3.1 | 1.0 | 9.7 | -4.6 | 1.4 | 2.2 |
| | Imports | -5.9 | 8.1 | 7.7 | -1.1 | 10.8 | -6.3 | 2.3 | 2.9 |
| **Euro area** | Exports | -12.7 | 11.0 | 6.6 | 2.5 | 2.0 | 3.7 | 4.3 | 4.7 |
| | Imports | -11.5 | 9.8 | 4.3 | -1.0 | 1.2 | 3.8 | 4.2 | 4.7 |
| **Economies in transition** | Exports | -6.8 | 6.9 | 3.0 | 1.0 | 2.1 | -0.2 | 0.7 | 1.5 |
| | Imports | -26.6 | 16.9 | 16.5 | 8.1 | 2.1 | -5.1 | -11.2 | 2.2 |
| **South-eastern Europe** | Exports | -6.7 | 15.7 | 7.6 | 0.2 | 12.9 | 5.2 | 5.5 | 5.6 |
| | Imports | -16.1 | 3.5 | 6.1 | 0.8 | 4.3 | 5.5 | 5.2 | 6.2 |
| **Commonwealth of Independent States** | Exports | -6.8 | 6.6 | 2.8 | 1.1 | 1.7 | -0.5 | 0.5 | 1.3 |
| | Imports | -27.4 | 18.1 | 17.3 | 8.6 | 2.0 | -5.8 | -12.4 | 1.9 |
| **Developing countries** | Exports | -7.1 | 13.4 | 8.0 | 4.1 | 4.0 | 3.3 | 4.4 | 5.3 |
| | Imports | -7.3 | 16.4 | 9.3 | 5.1 | 4.9 | 2.9 | 4.4 | 5.3 |
| **Africa** | Exports | -14.6 | 10.5 | 1.4 | 3.7 | -6.1 | 0.8 | 1.6 | 2.9 |
| | Imports | -5.8 | 7.6 | 1.9 | 7.1 | 3.9 | 2.2 | 3.1 | 4.5 |
| **North Africa** | Exports | -9.2 | 3.4 | -15.6 | 10.9 | -4.1 | -2.4 | 0.7 | 1.2 |
| | Imports | -5.6 | 3.4 | -7.9 | 15.9 | -0.5 | -0.5 | 2.9 | 3.9 |
| **East Africa** | Exports | -12.4 | 9.3 | 14.7 | 0.6 | 11.6 | 6.2 | 5.7 | 5.8 |
| | Imports | 4.4 | 19.4 | 13.5 | 7.1 | 5.8 | 6.8 | 7.6 | 6.6 |
| **Central Africa** | Exports | -3.8 | 2.5 | -0.9 | -3.9 | -1.7 | -0.2 | -4.7 | 2.5 |
| | Imports | 1.1 | 7.6 | 4.4 | 13.0 | 6.1 | 2.2 | -2.5 | 2.7 |
| **West Africa** | Exports | -20.8 | 38.8 | 21.8 | 0.1 | -28.1 | 1.3 | 0.7 | 2.9 |
| | Imports | 5.3 | 11.3 | 3.7 | -7.5 | 9.6 | 2.0 | 0.1 | 4.0 |
| **Southern Africa** | Exports | -19.3 | 5.8 | 4.9 | 2.3 | 4.8 | 2.5 | 3.0 | 3.7 |
| | Imports | -14.8 | 7.2 | 8.3 | 6.2 | 4.8 | 3.6 | 4.2 | 4.9 |
| **East and South Asia** | Exports | -5.6 | 16.5 | 8.3 | 3.7 | 6.2 | 3.9 | 5.1 | 5.8 |
| | Imports | -4.7 | 18.0 | 9.3 | 4.6 | 5.4 | 2.6 | 4.4 | 5.2 |
| **East Asia** | Exports | -6.4 | 17.1 | 7.7 | 3.7 | 6.3 | 4.2 | 5.1 | 5.6 |
| | Imports | -5.7 | 19.3 | 8.4 | 4.4 | 6.5 | 3.7 | 4.4 | 5.2 |
| **South Asia** | Exports | 0.8 | 12.3 | 13.1 | 3.4 | 6.1 | 1.6 | 5.6 | 7.4 |
| | Imports | 1.6 | 10.1 | 14.9 | 5.6 | -1.5 | -4.4 | 4.1 | 5.1 |
| **Western Asia** | Exports | -6.0 | 5.9 | 11.9 | 8.3 | 1.7 | 3.1 | 3.0 | 5.3 |
| | Imports | -12.1 | 9.0 | 12.0 | 7.6 | 6.3 | 5.0 | 6.6 | 7.4 |
| **Latin America and the Caribbean** | Exports | -9.3 | 8.5 | 6.7 | 2.5 | 1.0 | 2.0 | 3.4 | 3.9 |
| | Imports | -14.8 | 21.2 | 11.6 | 4.4 | 2.4 | 2.8 | 3.3 | 4.4 |
| **South America** | Exports | -8.4 | 4.1 | 5.7 | 0.8 | 0.5 | 0.1 | 2.9 | 3.3 |
| | Imports | -12.7 | 24.2 | 13.4 | 4.6 | 3.3 | 1.0 | 1.9 | 3.7 |
| **Mexico and Central America** | Exports | -10.7 | 18.0 | 8.8 | 6.1 | 1.3 | 5.0 | 4.1 | 4.7 |
| | Imports | -17.3 | 19.2 | 9.5 | 4.9 | 1.2 | 6.0 | 5.3 | 5.3 |
| **Caribbean** | Exports | -12.7 | 0.3 | 2.1 | -6.9 | 8.5 | 1.4 | 4.4 | 4.6 |
| | Imports | -17.3 | 0.8 | 6.4 | -3.7 | 0.6 | -0.8 | 5.1 | 5.2 |
| ***Least developed countries*** | Exports | -15.9 | 5.7 | 5.7 | 2.7 | 5.3 | 4.2 | 3.4 | 5.9 |
| | Imports | -4.4 | 12.2 | 7.1 | 6.4 | 5.7 | 5.3 | 5.5 | 6.4 |

**Source: UN/DESA**

**a Actual or the most recent estimate.**
**b Forecast, based in part on Project LINK.**