United Nations
Department of Economic and Social Affairs

Report on the Project LINK Meeting

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1. Introduction and opening of the meeting

The Fall 2014 Project LINK Meeting was held from October 22-24 2014 in New York, hosted by the United Nations and the University of Toronto. The agenda comprised the following main themes: the global and regional economic outlook; the outlook for commodity markets; global issues; and global modelling issues. This document summarizes the presentations and discussions. The LINK Global Economic Outlook prepared for this meeting by the Global Economic Monitoring Unit of DPAD-DESA, the LINK country reports prepared by country participants, and most of the documents presented at the meeting are available on the United Nations website (http://www.un.org/esa/policy/) and the Project LINK Research Centre website at the Institute for Policy Analysis at the University of Toronto (http://www.chass.utoronto.ca/link/).

Mr. Peter Pauly, University of Toronto, welcomed the participants, expressing his thanks to DESA and his colleagues at the University of Toronto for helping to arrange the meeting.

2. World economic outlook

Mr. Pingfan Hong, UN DESA, presented the prospects on the world economy for 2015 and 2016. According to Mr. Hong, the world economy is going to see a moderate but uneven recovery in the outlook period. After a mild 2.6 per cent growth in 2014, world GDP growth is expected to accelerate to 3.1 per cent and 3.4 per cent in 2015 and 2016, respectively. This represented a downward revision from the outlook formed a few months ago. To highlight the uneven characteristics of the coming recovery, he pointed out that while the developed economies would see higher growth, growth for developing economies may shift to lower gear. And among developed economies, the performance of the United States would be noticeably stronger than Japan and the Euro area.

Mr. Hong also pointed out that the labour market remained a weak point of this recovery. The unemployment rate remained at an elevated level for many countries and long-term unemployment and youth unemployment were persisting in many countries. Commodity prices have been on a downward trend and were expected to remain so for the outlook period. As a consequence of these elements, inflation will remain benign in most economies; only about 10 to 15 economies would observe significant inflation due to country-specified factors.

Regarding the international dimension, Mr. Hong predicted that world trade volume would also register only a marginal improvement in 2015 and 2016. In addition to the benign global macroeconomic situation, he considered the lack of improvement in the world trade system an important factor for this sluggish progress. While the external borrowing cost for developing economies has remained low recently, he foresaw the moderating of capital flows to developing economies. One important reason would be the normalization of the monetary policy in the United States.

Mr. Hong also discussed some uncertainties for the global economic outlook, including risks associated with the QE exit and normalization of interest rates by the Fed; the remaining fragility in the euro area; the vulnerability in emerging economies to both external shocks and domestic structural bottlenecks; any escalation in geopolitical tensions; the risks of a failure in containing Ebola; secular stagnation for developed economies; and lower growth in emerging economies as the new normal. Considering that many countries were facing policy challenges in terms of supporting robust growth, the normalization of monetary policy, supporting employment and promoting progress in the WTO Doha Round, he proposed to improve the policy coordination among countries in the fields of mitigating negative policy spillover effects, pushing forward financial regulatory reforms, international cooperation in tax matters, and the transition from MDGs to SDGs.

Mr. Juan Francisco Yepez Albornoz, IMF, presented the IMF's assessment of the global economic outlook and the major risks. He started his presentation by laying out the main themes of the analysis: First, there are still major legacies from the global financial crisis, especially high levels of public and/or private debt that affect the outlook. Second, new clouds have recently emerged. Low potential growth in some major economies is reflected in low demand today. And third, there are significant uncertainties to the global outlook, including geopolitical conflicts and potential financial market instability.

Mr. Yepez Albornoz then described various setbacks to global growth in the first half of 2014. A comparison of the IMF projections from April and October shows that growth has been well below expectations in many major economies, notably the United States, Japan, Latin America and the Caribbean, and Russia. Financial conditions in advanced economies have, however, eased since April 2014, with key interest rates trending down, equity prices moving up and government bond yields falling notably. At the same time, financial conditions in most emerging economies have also eased.

Mr. Yepez Albornoz then turned his attention to the weak and uneven pace of global recovery. He illustrated that investment growth was still soft in advanced and emerging economies. In the euro area, the legacy effects from the crisis are expected to continue to weigh on aggregate demand and activity. In emerging economies, the question is whether the growth slowdown has bottomed out. For low-income developing countries, the challenge is to maintain high growth above 6 per cent in the current global environment.

Mr. Yepez Albornoz then presented the factors that are expected to support a mild recovery in advanced and emerging economies during the forecast period. In advanced economies, monetary policy has remained very accommodative, financial conditions have become more supportive and only moderate fiscal consolidation is expected for 2014/15. Emerging and developing economies are likely to benefit from stronger external demand and still favourable financial conditions. In some countries, growth could also be supported by a gradual lifting of structural impediments. The IMF thus projects a continued recovery of global growth, although the pace is weak and uneven as demonstrated by individual forecasts for major economies.

Mr. Yepez Albornoz emphasized that the risks to the global outlook had increased, both in the short and medium term. Immediate risks include geopolitical issues, financial market uncertainties, a faster-than-expected increase in US interest rates and a renewed crisis in the euro area. Medium-term risk factors include stagnation or low potential growth in advanced economies, lower potential growth in emerging economies and a hard landing in China.

Mr. Yepez Albornoz then discussed topical issues that were analyzed in the IMF World Economic Outlook October 2014. New IMF research has provided evidence of a significant positive impact of public investment on economic growth. Research has also shown that global flow imbalances have narrowed considerably, but global stock imbalances continue to diverge. Mr. Yepez Albornoz also illustrated that external vulnerabilities had diminished for many countries since 2006.

Mr. Yepez Albornoz concluded his presentation by presenting policy recommendations for different groups of countries. He emphasized the need to conduct structural reforms to raise productivity growth and potential output and to make growth more sustainable. He also repeated the suggestion to strengthen public investment.

Discussion

In the question and answer session, Mr. Yepez Albornoz first referred to recent research that showed a negative impact of higher inequality on economic growth. He also emphasized that the legacies of the global financial crisis were still there and reiterated the IMF's call for additional public investment in several major economies. He noted that under the current conditions, investment in infrastructure, education and human capital may even result in a reduction of the public debt to GDP ratio. Concerning output gaps in emerging economies, such as China, he indicated that currently new frameworks were developed.

Mr. M. Marc Stocker, World Bank, presented an outlook which was still in the process of being worked out. He pointed out that while the official report will be released in January 2015, his presentation was based on the working assumptions formed in October. His general view on the global economic outlook was very similar to the one from UN/DESA. The global recovery would be weak and slow, the performance of high-income countries would be much diversified, and developing countries would transition to a new environment and face cyclical and structural challenges.

Mr. Stocker presented a world GDP growth profile which was almost the same as the one from UN/DESA. In 2014, world GDP would expand by 2.6 per cent and increase to 3.2 per cent on average for 2015 and 2016. He summarized the downside risks that included excessive risk taking in financial markets; continued low growth and inflation in the Euro area; rising geopolitical tensions/health concerns; a disorderly slowdown in China; and secular stagnations.

For the high-income countries, Mr. Stocker highlighted the diverging growth dynamics. Noticeably the recovery in the United States managed to cause improvement in the labour market. The sluggish recovery in the Euro area has kept unemployment rates at very high levels and prompted the dangerously low inflation situation. The prospect of diverging monetary policy paths between the Fed and ECB has driven the exchange rate for the US dollar to a very high level. He is also concerned regarding the possibility of over-heating in the equity markets in some high-income countries.

For developing countries, Mr. Stocker agreed that volatility has resurfaced. He also foresaw a slowdown of portfolio flows to developing countries, but also considered that global bond spreads and yields would remain low for most countries. He expected commodity prices to soften due to surplus in supply and slower growth in major developing economies. He pointed out that this slowdown was mainly due to a cyclical cooling-off, although structural factors are also at play in many cases.

Mr. Moazam Mahmood, ILO, provided an overview of the situation in labour markets. Although some improvement can be identified, the current macroeconomic situation presents serious risks for economic growth and labour markets. In particular, global imbalances have not been sufficiently addressed, while employment levels and wages remain low. In developed economies, besides the United States, job growth is relatively close to zero and the unemployment has not recovered as fast as GDP. There are a number of reasons for the continuing employment gap. Household spending remains lower due to deleveraging and weak wages. The private sector is not investing given the current economic uncertainty. Banks are reluctant to lend in view of non-performing assets and high public debt exerts pressure on interest rates. And governments are going through fiscal consolidation, limiting the ability to stimulate the economy.

As a result, the costs of macroeconomic adjustment, through austerity measures and efforts to increase competitiveness, have led to employment adjustments, although employment has not recovered from the impact of the crisis. The job gap corresponds to 29 million jobs, half of which is in developed economies. In addition to high unemployment rates in several countries, long-term unemployment has become a challenging issue.

In the euro are, given weak domestic demand, the main driver of growth is export competitiveness. Lack of exchange rate flexibility in the euro are, preventing external devaluation, has led to cuts in wage bills through wage and employment cuts. Austerity measures have induced public expenditure cuts, affecting the public sector wage bill.

Among policy options, unconventional monetary policies have been only recently adopted by the European Central Bank and the Bank of Japan. However, such policies had bad distributional effects, raising prices of financial assets, while lowering long-term interest rates for savers. In addition, these policies keep more problematic banks alive and have negative spillover effects on emerging economies. But higher interest rates would hurt economies even more, increasing bankruptcies. In light of this, even if they are needed, loose monetary policies may not be enough. As advocated by the IMF, public investment is crucial. However, finance ministers continue to focus on structural reforms. But structural reforms aimed at labour markets, typically by increasing competitiveness through lower wages, has negative effects on consumption and aggregate demand. In addition, ILO finds that wage cuts' impact on competitiveness is low. Instead, public investment is a free lunch at low interest rates.

Discussion

One intervention recalled that unemployment figures may be misleading because of the issue of discouraged workers and lower labour force participation. Mr. Moazam commented during the general discussion that the main issue remains the weak aggregate demand. Even if the external sector can become more competitive for some economies, internal demand will remain depressed, affecting labour markets. The solution would be less fiscal restrictions, instead of relying on the external sector. For instance, the German economy, which has had very competitive exports, is now facing economic challenges, as demand for their exports is declining, which will put pressure on labour markets.

Mr. David Turner, OECD, presented some OECD points of interest on the world economic outlook. Major issues currently include the increased volatility in financial markets, the fall in oil prices and changes in exchange rates. In the euro area, there has been some improvement regarding a banking union with a shared fiscal backstop, but political events remain a major risk. This comes in addition to the weak economic outlook, the high unemployment rate and the risk of deflation. In light of this, there is a need for more quantitative easing to keep inflation expectations anchored as well as a reconsideration of fiscal rules. In Japan, the growth performance appears as not too problematic, but more emphasis is needed on structural and fiscal policies. In the non-OECD economies, trend growth is slowing, there is much scope for structural reforms in the BRIICS countries and financial vulnerabilities have built up especially in China.

Mr. Gregory Daco, Oxford Economics, made a presentation on the outlook for the United States economy. One risk for the US economy is the appreciation of the dollar. A relatively modest appreciation will not destabilise the economy, with an appreciation by 3.5 per cent leading to a downward shift in growth in 2015 by 0.2 percentage point and in inflation by 0.1 percentage point. However, an appreciation by 10 per cent would have a more severe impact, reducing growth in 2015 by 0.6 percentage point and inflation by 0.3 percentage point. In addition, the Federal Reserve would likely postpone its tightening of monetary policy. A further risk lies in any external shock from the global economy, for example the euro area or China. The US economy would be affected through a multitude of channels, including trade, finance and confidence. Some of these negative effects would be offset by the low level of interest rates and the fall in oil prices.

Mr. Carl Weinberg, High Frequency Economics, presented on the issue of whether the situation in Japan and the Eurozone could be qualified as a depression, or as a series of depressions. He noted that in an IS-LM framework, in these economies it appears as though the LM curve is perpetually flat and the IS curve is drifting to the left, as we see interest rates and output remaining low. Previously we could explain some of these movements as part of the business cycle, but he hypothesized, what if these are not cyclical. He noted that there has been a divergence between industrial production in the US and the Eurozone and Japan, with the former rising since the crisis and the latter two stagnating since 2011. When China is added to these figures then it dwarfs all others with a rapid and continuous rise in industrial production. He pointed out as well that he believes there are divergent inflation scenarios for the regions as well and that Japan will return to deflation sometime in the middle of 2015. The reason for this is that Japan is in a Depression and while inflation has risen under Abenomics, this will only be temporary. Interest rates will also remain low in many developed countries, and not just as a result of central banks working to keep policy rates low. His position is that Japan is dealing with a structural break in the economy, rather than just a cyclical event and that the variations of the crisis and the earthquake and the tsunami are cycles around a more protracted downturn. He then spelled out the difference between recessions which operate around a cycle. There is some excess borrowing in the upswing, then as things decelerate spending comes down, firms and individuals focus on paying off debt and stop borrowing and firms run down inventories. A Depression on the other hand is a situation whereby there is some sort of structural break and the economy becomes incapable of growing or moving forward. The only way out of a depression is for the break to be repaired by policy. Mr. Weinberg pointed to the Great Depression in the US as an example with a 10-year break, characterized by three specific downturns. The last of these downturns was the deepest, caused, he said, by the Fed's policy of raising interest rates. The Fed thought that interest rates were too low to be able to head off inflation before it appeared, even though there wasn't really a credible threat of inflation at the time. There is modest overlap when looking at industrial production patterns from the US Great Depression versus the current slump in the Eurozone.

Mr. Weinberg then pointed to issues in the banking and financial system as the causes for the break during the Great Depression. The transmission mechanism of monetary policy into monetary conditions was broken during that period and the central bank had a limited ability to influence those conditions. He said that this is relevant for today in Europe as he thinks the banking system there is comparably broken and he noted that it has not been creating credit for some time. EU banks have been retracting credit for the last 6 years. Credit to the non-bank private sector has been contracting for 4 years now and is down by 12% since the depths of the crisis. Furthermore, faced with the decay of assets and new capital adequacy requirements, banks are unlikely to lend until capital is adequate. Given that, there is a need for accommodating increases of money and credit, but instead we are seeing a contraction in the EU. He speculated that the EU cannot grow without it. If our forecasts point to a pickup for the Eurozone then one will have to explain it in the absence of credit creation, which in the past has tracked GDP growth relatively closely. Mr. Weinberg stated that as in the US in the Great Depression the transmission channels in the Eurozone have broken down so that further monetary easing will not help even in the various clever forms that the ECB has tried. On top of that, the ECB's balance sheet has contracted from 3 trillion euros to 2 trillion euros since Mario Draghi said that he'd "do whatever it takes" to save the system. This shows that even while policy has been easy in theory, it has actually been tightening in practice. He stated that implicit interest rates are much higher than they appear and that this is putting pressure on SMEs in particular.

In the US, in the most recent crisis, the banks were resolved by bridge capital, whereby the Treasury bought shares in US banks and then imposed conditions on profit and capital distribution. He hypothesized that the European Stability Mechanism (ESM) might help fix the situation, but it was currently being held up by political issues in Germany and the Netherlands. There had been some help to Spanish banks, some of those that were previously in the most dire straits, but not nearly enough. He also expressed scepticism that banks that passed the upcoming ECB asset quality review would begin lending again. He said that there were three groups of banks in the EU, one group - the good banks - that had been lending steadily, a second group - the bad banks - that were still struggling to raise capital, and a third - those in the middle - that could be expected to just barely pass the asset quality review. The middle group would then have 60 days to fix their capital structure, but he pointed out that even if that occurs, they are still likely to be reluctant to lend. He believes that it is imperative to find a way to put a system in place that will allow banks to lend and that absent that, the banks will continue to retract credit and the economy will be unable to grow. He also stated that fiscal stimulus would be ineffective until the banking system was fixed.

With regards to Japan, Mr. Weinberg noted that the working age population has been continuously falling since the Nikkei crashed in the late 80s and that industrial production growth has failed to improve consistently over the same period. He noted that population growth was not likely to rise in the medium term, therefore the marginal product of each worker will continue to grow, but GDP will fall as the number of workers contracts. Under his simulations, he failed to find a combination of factors in Abenomics that would lead to a reduction in debt. In his calculations, the only ways to stabilize debt, even at 300 per cent of GDP, would require massive swings in public sector deficits to GDP or a drastic increase in sales taxes. The issue he raised was that as labour force falls, there are fewer working people to pay off the debt. He did point out that he thought that Abenomics had created a burst of demand, even above that expected by the potential growth rate. Monetarists would say that this should create inflation, but with an open economy – see, for example, Hume and the price-specie flow mechanism whereby one cannot create inflation in England by adding more gold – like Japan's this will not result in inflation. Rather the vent for excess demand will be foreign imports. He thinks this will be Japan's undoing because they'll soon have to borrow at world interest rates and the financial system will collapse. Already investment spending has collapsed and he doesn't expect it to come back up anytime soon.

Mr. Weinberg then moved to discuss China briefly, noting that it has been growing at just under 10 per cent on average for the past 33 years and that he thinks that this might be the potential growth rate. He pointed out that this has been accomplished by means of moving massive numbers of people from the farms to the cities – which he said has been shown to boost productivity by five times. They've been moving between 10 and 20 million people a year, and there are still 650 million people left on the farms. Referring to previous research by Kuznets he highlighted that the process of modernization occurs over decades and that this portends considerable further modernization. Examining Chinese data we see three upward cycles and three downward cycles and that they are currently in a downward cycle, but he thinks that the modernization process will continue. Using the US as an example he noted that in the century of modernization there were four bank failure periods and a civil war, but that modernization continued.

Discussion

Comment - while Spain has done relatively well at fixing the banking system and made some progress on the labour market there are still significant issues that are leading to widespread social unrest. Public investment may not be able to provide an important boost to growth as there is already significant public infrastructure that is going unused. The question is aside from resurrection of the banking system are there new production systems that one could put in place to revive growth in the EU?

Comment - a correction with regards to the operations of the banking system – banks are giving credit, but not to firms, rather they are lending to governments. According to the methodology for stress tests there are no risks for government bonds. So therefore banks borrow from the ECB and then buy government bonds.

Comment – a bit puzzled by the focus on industrial production, particularly when discussing these countries as it is a small share of GDP and increasingly so. With regards to Japan the question is, why do we look at GDP? The only reason we care is in relation to living standards, so therefore we look at GDP per capita. In this respect Japan is doing much better than the EU. With regards to the issue of fiscal policy there is some agreement there. Also Japan will be able to buy some time for adjustment based on internal borrowing. For the EU, the question is how to change public policy in order to fix the banks. There isn't currently a way to have a full banking union, so therefore the brunt of refinancing a bad bank will fall on the shoulders of the sovereigns, which just gets you back into the same situation you have currently. And with regards to China, one of the worrying things is the recent massive rise in credit compared to incomes – in the past we haven't seen anything like this that didn't lead to a crisis. If policy makers are propping up the economy to this degree, then there are bound to be bad investments and therefore you risk a crash.

Comment – related to Keynes' analogy of the magneto problem of the economy, the issue for the Eurozone overall is aggregate demand. It is correct that banks need to be recapitalized – this happened in the aftermath of the Asian crisis too – but the real point is that firms aren't investing because people aren't buying so therefore you need to boost income, or at least cut back on austerity.

Comment – with regards to China's modernization one issue is with the time horizon and with the comparative sample. The number of countries that have been able to modernize is relatively small. The idea that China's rural population will come down by another 25 per cent is not an issue, the issue is with the collateral damage, such as geopolitical issues, as this occurs. In the process of the US and the EU modernizing there were two world wars.

Comment – the ECB might need to take a more global view as the banking sector is not the only issue. Also want to remind you that four years ago we were in a sovereign debt crisis and the memory of that is relatively fresh. Therefore the ECB refers mostly to that when they are discussing doing "whatever it takes." The political dimension is incredibly important as well. Also the business cycle is different in different countries. In Germany a popular view is that any further efforts by the ECB will be tantamount to gambling. Therefore we have to take the context within which national institutions have to act and react into account. Also one has to look at the budgets recently submitted to the ECB – there is a tension between those countries that are respecting the Growth and Stability Pact and those who aren't. In addition, there have been some significant effects from structural reforms, but compared to the US and the UK, conditions are far from ideal.

Response by Mr. Weinberg –I very much respect what he ECB has done and Mr. Draghi has been clear that they're doing what they can within institutional constraints, but the community of economists are looking to central bankers as new gods to fix the economy. Structural reforms in governance, industrial, monetary, fiscal policy, etc. won't work in time and I don't think the ECB can fix the problem. With regards to the magneto issue – people don't have money to spend – firms are not taking risks, banks not lending, households not spending, all the various actors are hoarding cash and so therefore we have a 21st century liquidity problem. They're all scared so they're collectively all sitting on cash. The question is how does one break the liquidity trap? You'll also have to restore consumer confidence, and confidence in the business sector. To see one way that the banking sector fits into this you can look at consumer loans. For example, look at VW; they can't sell cars if customers can't get loans. On the question of why we look at industrial production data, it's because it's very clean. GDP is corrupted by trade flows. It also allows better long term comparisons. If you want to talk about industrial production in Japan – it's no higher now than in 1988. Per capita income will fall due to the debt burden. Demand will fall faster than supply as the population goes down. When this debt burden leads to a crisis it could be as bad (over a longer period of time) as the tsunami. On the issue of how will bank recapitalizations happen – if capital adequacy isn't restored then it won't recover. We may have to accept the possibility that there may not be a good outcome.

3. Global outlook for commodity markets

Mr. W. Meyers, University of Missouri, Columbia, presented an outlook for agricultural commodities. The speaker noted that the prices of agricultural commodities have experienced another run-up in 2010-2011 and have declined persistently afterwards. This pattern was observed for all agricultural commodities with the exception of meat, as high grain prices have led to a reduction in the size of livestock, which has declined to its minimum level in the US. Dairy prices have also remained relatively high for some period, but have recently collapsed. Currently, the prices for corn futures (for December 2014) are low, although the recent rains have pushed them somewhat up. The same pattern is observed in the behaviour of prices of soybeans futures, while the prices for cattle futures have significantly increased.

On the supply side, output of grains (such as coarse grains and wheat) per acre has noticeably increased in 2013-2014; in 2014-2015, however, the gains in output are expected to be marginal. Nevertheless, grain prices still remain above their historical averages. According to the speaker, no significant changes are forecast in the near term for the prices of most grains; the projections for the price of rise in Thailand and Vietnam assume some increases.

In the short term, policies in the US (such as the farm bill) and in the EU will have little impact on the markets. The conflict around Ukraine, while possibly leading to a reduction in agricultural output, is also not expected to affect the agricultural markets at a global scale. There is no progress observed in the Doha round of negotiation. Consequently, in the near term, the cost of energy and weather will be the main factors influencing agricultural prices.

Mr. Robert K. Kaufmann, Boston University, made a presentation on the oil price forecast. Comparing with last year's price forecast, the oil Brent price is now much lower, but the average price for the year should not be far from the expected $94.71 per barrel. In 2015, he believes that the Brent oil price will decline to $90.75 per barrel, which corresponds to the Saudi Arabia breakeven price. In his perspective the main reason for forecasting lower oil prices is the abundant supply, in particular from non-OPEC countries, including the US. Increases in natural gas production worldwide is another major factor contributing to lower oil prices. He also expected a slow growth in consumption demand, as a result of relatively moderate economic growth and increasing efficiency. He then made a comparison of different forecasts of oil prices for 2014 and 2015 by a number of institutions, revealing that many have higher forecast prices than Mr. Kaufman himself. Out of 12 institutions, Mr. Kaufman presented the lowest oil price forecast for 2015. In his perspective, the price for next year will mainly depend on how OPEC members will react: will they cut production to support prices or instead will they defend market shares? According to Mr. Kaufman, OPEC members would prefer to defend their market shares, knowing that many countries cannot produce oil if prices decline further.

<u>Discussion</u>

During the general discussion, a question was raised about the margin of manoeuvring that OPEC members have in the current context. Considering that there are now new big oil suppliers, including the US and Canada, can OPEC members continue to influence major oil market conditions and prices? Mr. Kaufman recalled that even if that is true, OPEC producers have much lower breakeven oil prices and can afford to let prices decline further, which is not the case for many other producers. Another question was raised about forecast discrepancies between institutions, as EIA and IEA have still 3 digit price forecast for next year, but also in the long run they expect oil prices to increase significantly.

Mr. Robert K. Kaufmann, Boston University, initiated a further presentation by showing the oil price fluctuations since the previous Link Meeting. The oil price followed both upward and downward trends, with an average of $98 dollars per barrel. However, oil prices decreased sharply since August 2014, even below $80 dollar per barrel. Then, Mr. Kaufmann highlighted that his oil price forecast, made in the Link Meeting last October 2013, was actually a relatively accurate estimation, particularly taking into consideration some forecasts from other institutions. The forecast for 2015 is about $90 dollar per barrel, which is the lowest in comparison to forecasts made by many other institutions in recent months. After an overall review of oil price forecasts, Mr. Kaufmann discussed what strategy the OPEC countries might implement in the near term, given the current circumstance in the global oil market. Basically, there are two options: defend oil prices or defend market share.

Mr. Kaufmann then explained the three main objectives of his empirical research: i) to quantify price differences among crude oils; ii) to estimate private costs of oil disruptions and iii) to examine the implications for policy to reduce oil imports in the US. The econometric approach is based in an error correction model, where the dependent variable is the oil price fluctuations. The empirical results show that there are different variables affecting oil price fluctuations, including some physical characteristics of crude oil, such as its sulfur content and density, distance between buyers and sellers and OPEC membership. In addition, there is a significant price penalty for unreliable suppliers. Finally, Mr. Kauffman discussed some policy recommendations. In particular, he mentioned that in the United States the price discounts increase the cost of policies promoting the reduction of imports from unreliable suppliers.

The session continued with some comments, questions and general discussion from the audience. Mr. Pauly commented on the relevance of oil supply and OPEC countries in the oil market. Mr. Nkurunziza pointed out the relevance of different strategies that some countries might implement to alter oil price trajectories. He also made a request to the organizers in order to include in future Link Meetings at least one session discussing mineral and metals prices. Other participants also commented on the price elasticity of oil demand in emerging economies, while others discussed the potential consequences that the recent reduction in oil price might have for green and renewable energies.

4. Regional outlook

Developed economies

United States of America

Mr. Hung-Yi Li, UN DESA, presented the economic outlook for the United States for 2015-16, based on the forecasts prepared by UN-DESA. He indicated that the prospects for the US economy were moderately favourable, with GDP growth projected to gradually strengthen over the next two years.

Mr. Li first reviewed the current conditions in the US economy. He noted that several high-frequency indicators, such as consumer sentiment and manufacturing and non-manufacturing indexes, had trended up in the course of 2014. The housing market has also seen a recovery despite a recent slowdown. After the recession, more people decided to rent rather than buy homes, which led to a pickup in multi-family home construction. Rising housing prices have been associated with rising real estate values, which has resulted in an improvement of household balance sheets.

Mr. Li then turned his attention to the labour market situation. He illustrated the notable increase in employment since 2010. Total employment recently passed its pre-crisis peak. However, despite this improvement, the employment-to-population ratio has remained low.

At 59 per cent, the ratio is about 4 percentage points lower than at the outset of the global financial crisis and still close to a three-decade low. Mr. Li then noted that nominal wage income had risen by 4.5 per cent in the first half of 2014, but that wage inflation had generally drifted down during the Great Recession and the subsequent recovery. The Beveridge curve shows that in the wake of the crisis there has been a low responsiveness of wages to employment. Quarterly figures for wage income versus the ratio of wage income to GDP show an inverse relationship, whereas they tended to move more in tandem prior to the crisis. Accordingly, the share of wage income in total income has remained low since 2010. Mr. Li pointed out that this had contributed to weak consumption growth, while also spurring the debate about income inequality. On the external side, Mr. Li noted that the real trade deficit had remained stable over the past four years. A lower petroleum deficit helped offset expanding deficits for other items. Overall the trade deficit is expected to continue to be a drag on growth.

Mr. Li then presented a summary of the UN-DESA outlook, starting with the underlying assumptions on monetary policy, fiscal policy, exchange rates and commodity prices. According to the baseline forecast, the US economy will grow by 2.8 per cent in 2015 and 3.4 per cent in 2016, up from 2.1 per cent in 2014, driven by strong fixed investment and robust consumption. The unemployment rate is projected to decline further, averaging 5.5 per cent in 2016. Consumer price inflation is expected to remain exceptionally low at less than 2 per cent.

Mr. Li concluded his presentation by highlighting the major risks for the US economy. These include a return of budget and debt ceiling issues, which could interact with a higher interest rate. While financial markets have so far been fairly stable, the question is whether this benign situation will continue.

Japan

Mr. Kanemi Ban, Kochi University of Technology, presented the outlook for Japan. The consumption tax rate – the VAT – increased from 5 to 8 per cent in April and is scheduled to increase from 8 to 10 per cent in October 2015. Currently the Government is questioning whether to go through with the next tax increase. Government debt is currently more than twice as large as GDP so there will be a need to raise taxes at some point to cover rising social welfare costs, particularly as the population ages. Private consumption jumped in advance of the tax increase, but fell afterwards and remains low – it is down by 1.9 per cent versus a 3 per cent increase in taxes. He noted that housing starts show a similar pattern with a significant increase leading up to the tax increase followed by a significant drop and then a more gradual decline. Pointing to overall GDP growth rates he showed that they reflected these dynamics with an uptick in the first quarter of 2014 followed by a significant fall in the second quarter.

Mr. Ban then described how the pace of the expansion of the monetary base has declined somewhat. Despite this increase, as the monetary base growth rate was 37 per cent year-on-year in September, the money stock only grew by 3 per cent. The stock of government bonds outstanding has continued to rise consistently, although a majority of these are held by Japanese citizens. Furthermore, the Bank of Japan is the largest holder of JGBs, with 18 per cent of the total. He noted that recently the yield on short term JGBs has been negative due to a shortage of these bonds for sale. He expects that the BoJ will continue with this program as per its target of reaching 2 per cent inflation. The Nikkei average was driven higher throughout 2013 as a result of the QQME program, but recently it had been a bit sluggish. Since early 2014, it has risen by around 15 per cent.

As a result of the QQME program, the Yen has depreciated, from around 90 yen to the dollar in early 2013 to a low of 110 to the dollar. Currently it is trading at around 106 to the dollar. He pointed out that even though the currency had depreciated, exports had not increased commensurately, and there had been some increase in imports. Mr. Ban stated that exports to East Asia and the US have been sluggish and that Japanese manufacturers had shifted production to factories in East Asia or the US. There had not been a significant shift of production back to Japan despite the depreciation. The trade deficit was up significantly to 2 per cent of GDP. Despite this, the current account balance has remained positive since February, with the exception of June, driven by a surplus on the income balance.

Domestic inflation has risen due to imported inflation as a result of the depreciation of the yen. He noted that after the April tax hike prices jumped, but by more than the 3 per cent tax increase. Mr. Ban speculated that this seems to point to a halt in deflation. Turning to the labour market, he stated that wages have risen, but when deflated by the CPI, real wage growth has been negative. As a result of this downward pressure on real wages, demand for labour has increased and the unemployment rate has declined, improving the overall appearance of the labour market.

With regards to industrial production, there was improvement throughout 2013, but there has been a significant decline in 2014. He pointed out that business sentiment had improved since the deprecation of the yen as income from abroad had been boosted, but that domestic non-manufacturing activity had not seen its sentiment improve by nearly as much. For the quarterly forecast, he projected that consumption was down by almost 11 per cent in the second quarter, as GDP fell by 7.1 per cent, but that consumption was expected to rebound slightly in the third quarter and GDP would move into positive territory. For the annual forecast he said that he expects GDP to grow by 0.9 per cent in 2014, with some recovery expected in 2015. The improvement next year is expected because of a decline in labour costs, which can be expected to stimulate the economy. Furthermore, the corporate tax rate is expected to be cut in either 2015 or 2016, which will lead to an expansion in investment. He noted that the speed of investment relative to other countries is still too low, but that overall, the speed of changes in the economy operated very slowly. He expects the growth rate in the medium term to remain close to 1 per cent and that positive growth can be expected over the longer term, despite the falling population.

Australia and New Zealand

Mr. Nick Marinopoulos, NIEIR, presented the economic outlook for Australia and New Zealand. He started by providing some information about Australia's position in the world economy. Among other things, he highlighted that the Australian economy was the world's twelfth largest economy in GDP terms. He then noted that the economy was projected to grow by 3.3 per cent in 2014, the strongest rate since 2007, up from 2.3 per cent in 2013. While growth has been relatively strong over the past decade, it will decelerate in the outlook period, with GDP forecast to expand by just above 2 per cent in 2015 and 2016. Australia's unemployment rate saw a steady decline over most of the decade since 2000, but has been rising since 2012 and is expected to reach 6.8 per cent in 2015, with only a small decline forecast for 2016.

Mr. Marinopoulos then provided a more detailed look at the forecasts for the Australian economy. Since 2000, the value of the Australian dollar has almost doubled relative to the US dollar. However, the Australian dollar is projected to depreciate gradually against the dollar during the outlook period owing to strength in the US and some weakness in Australia. In the medium run, the exchange rate is expected to settle at a rate above its historical average. Consumer price inflation is expected to slow from an estimated 2.7 per cent in 2014 to about 2 per cent in 2015 and 2016, although wage growth is expected to accelerate slightly. This is expected to provide a modest boost in consumption. Investment in very large mining resources projects will continue, but is expected to peak in 2015. A significant fall of 30 to 40 per cent is expected thereafter. This will likely lead to a reduction in total gross fixed capital formation, which will weigh on GDP growth. By contrast, growth in household and government consumption is expected to remain solid. The government has been running a deficit since the crisis, but is moving back towards a balance, but this may slow due to government deadlock. On the external side, the country had been running a persistent trade surplus for some time, with the exception of 2009. Recently, this has reversed and Mr. Marinopoulos said that they projected a move back into deficit over the forecast period. Australia's current account deficit is forecast to rise notably in 2015 and 2016, while the terms of trade are expected to decline slightly.

Mr. Marinopoulos also presented the major factors affecting the forecasts. Ten-year bond rates are expected to rise gradually in the outlook period, reaching 4.7 per cent in 2016. Growth in China and India is expected to slow, while average oil prices are projected to remain above 100 dollar per barrel, which he noted may be too high.

After summarizing the outlook for Australia, Mr. Marinopoulos briefly presented the forecasts for New Zealand. Economic growth appears to have peaked and is expected to slow down in the forecast period. The unemployment rate will further decline to about 5 per cent, before moving up slightly. He pointed out that the 10-year bond yields parallel those of Australia, but appear to be somewhat high relative to the state of the rest of the economy. The terms of trade also have increased significantly, although they appear to have peaked recently. Exports have been boosted considerably by the large market for milk products, particularly powdered milk.

Discussion

Q: It seems that the estimates for falling oil prices might be a bit too optimistic and given yesterday's presentations on the oil market, this could have some serious impacts.

A: Mr. Li – These assumptions are not my personal assumptions, rather we come to it as a team. These forecasts were done a few weeks ago, so the assumption was set out sometime in September, before the fall in oil prices happened. The issue is that you have to keep results and assumptions consistent so therefore we have to be wary about short term changes. But GEO is a preliminary exercise so we are likely to revise it, but it is difficult to forecast given market volatility. Also we do not have a particular model for oil, rather it is just based on assumptions.

A: Mr. Marinopoulos – We do not see that much impact from oil prices in our model, but the price might still be too high in our current forecasts.

Q: For the US, as real wages have decreased and the income distribution has become more concentrated, and considering that a significant portion of the US economy is consumption-based, how can you explain an economic rebound as disposable income is falling?

A: Mr. Li – With regards to the question about sources of income – wage income has 3 parts – how many people are working, per hour wages, and the number of hours worked. On the chart I only showed employment. Wage rates and hours worked are rising slightly so this will provide some boost. Other forms of income, investment, for example, are also improving. To get disposable income, we have to include all of these, but we still see some improvement overall.

Q: With regards to the elections next month in the US, given the effects of the Government shutdown last time and the chances for the Democrats to lose the Senate this time, we might see something similar this time around. It might be interesting to run a scenario to test what might happen if there was to be another showdown over the debt ceiling or something similar.

A: Mr. Li – I prefer not to put the possibility of a shutdown in the baseline forecast, but we do not need to work out a particular number to know that it would be very likely to have a negative impact.

Q: It seems that the forecast for Japan might be a bit optimistic. You have 3.2 per cent year-on-year for the third quarter of 2014, and the consensus is 3.7 per cent, but my recent forecasts point to only 2 per cent, based on trade data. The trade balance continued to worsen and the trade deficit is up since the previous quarter. The expectation is still for positive growth, but lower.

A: Mr Ban – I think that overall 0.5 to 1 per cent quarter-over-quarter is a reasonable forecast for the third quarter.

Q: Are there any indications that inflationary expectations in Japan are changing? If not then it is likely that they will go back to the way they were before.

A: Mr. Ban – We don’t have a measure for that, but I think that they will be positive, but less than 2 per cent. Inflation is mostly due to import prices rising as a result of the depreciation, but overall it seems to be a change in people’s minds.

A: Mr. Li – We actually have some data for that – inflation expectations rose after the start of the QQME program, and fell after the tax increase, but they still remain positive. It is more difficult to get a sense of what people think, but overall people appear to think that deflation is over. It is difficult to get a fully accurate picture of these numbers, because even when deflation was strongest, the surveys showed that around 10 per cent of people still thought that inflation was 5 per cent per year.

Q: Going back to a longer term outlook for Japan, there is disagreement about whether to label Japan as a medium term critical risk owing to high debt, population declines, etc.

A: Mr. Ban – The most important thing in that respect is total factor productivity (TFP). GDP growth sees a positive contribution from TFP, but negative from declining population. In the longer run, the increase in capital and the decrease in the labour force might almost balance out.

Q: There has been a debate about whether rising inequality has been a medium term growth concern in the US. Is this considered for forecasts or will it affect growth rates?

A: Mr. Li – We have not dealt with this issue much, but I have seen some studies that show that the marginal propensity to consume (MPC) is different across different income levels. If income growth comes at different levels of income you will see comparative effects on consumption. If you think that income distribution is not optimal, the key question is how you go about correcting it which can have more or less serious effects.

A: Mr. Marinopoulos – Australia is fairly egalitarian – we mostly see the impact on housing prices and locations of housing. Commuting times do have an impact given the prevalence of single-family homes. This changes job opportunities and locations of employment.

Euro area

Mr. Pavlos Karadeloglou, European Central Bank, presented the “Macroeconomic outlook for the euro area”. He pointed out that growth has been stagnating, held back by investment and consumption, although exports have been picking up. Capacity utilisation remains low, which is also negative for investment. In addition, there are major uncertainties, notably financial market uncertainty, although this has receded, and political and economic uncertainties, which have been increasing. Labour market conditions have seen some relative improvements, although major problems remain. Growth drivers have been monetary policy, neutral fiscal policy and exchange rate trends. Obstacles to stronger growth include the need for balance sheet repairs, political uncertainties and geopolitical tensions and a lack of reforms in some countries. Inflation remains below the policy target due to lower prices for energy, food, non-energy industrial goods and services. Regarding structural reforms, some progress has been made, but more is needed, also relative to other countries. In this context, the notion of competitiveness is defined in a broader sense than just wages and costs.

United Kingdom

Mr. Clive Altshuler, UN DESA, reported the outlook for the United Kingdom. According to him, United Kingdom economy has performed well recently with the strong outcome from private consumption and fixed investment. The output level has already surpassed the pre-crisis peak level by 2.7 per cent. However, he also noted some weakness in regards to productivity, wages and the low inflation rate. He foresaw a somewhat slower but still solid growth performance in 2015 and 2016. He also remarked that the new GDP statistics based on ESA2010 showed that the recession in 2008-2009 was shallower than according to old statistics. Mr. Altshuler reported that the unemployment rate in the United Kingdom has dropped by about 1 percentage point over the span of four quarters; meanwhile, the annual inflation rate also displays a similar pattern of decline. Compared with other European countries, confidence has been higher in the United Kingdom for all categories of measurements. On the policy front, he noticed that the fiscal deficit still remained significant even after the strong consolidation pursued by the Government. The Bank of England (BOE), the central bank, has run a more accommodative policy than the European Central Bank (ECB) in the sense that its assets have remained stable instead of falling as in the case of the ECB. For the outlook, Mr. Altshuler assumed that the BOE would start to raise rates in the later part of 2015. He also believed that growth in private consumption and investment could generate a 3.1 per cent GDP growth rate in 2014 with a softened 2.5 per cent performance in 2015-2016. Inflation would remain below 2 per cent from 2014 to 2016.

Developing economies

East and South Asia

Mr. Muhammad Hussein Malik, UN ESCAP, presented the economic performance and prospects for the countries of East Asia and South Asia. He started his presentation by providing the key messages and findings at the regional level. Average GDP growth in developing Asia (East Asia and South Asia) is forecast to rise moderately from 5.8 per cent in 2014 to 6 per cent in 2015. The recovery is, however, held back by several external factors, including slow growth in developed economies, uncertainty in global financial markets and trade-restrictive measures in some developed economies. Growth in major economies in developing Asia has also been impacted by significant domestic challenges, such as infrastructure shortages, inflationary pressures and budget deficits. Mr. Malik emphasized that the socio-economic challenges in the region were related to the lack of productive and decent jobs and rising inequality. Hence, productive government spending will be critical to support short-term growth, while also improving the long-term potential.

Mr. Malik then examined more closely the external factors that are hampering economic activity in developing Asia. He noted that relatively slow demand from the United States and the euro area negatively impacted developing Asia's exports, which have seen much weaker growth than before the global financial crisis. The adverse effect has been exacerbated by the adoption of trade-restrictive measures in developed economies, which are estimated to have reduced developing Asia's export opportunities by more than 250 billion dollars from 2009 to 2013. At the same time, the end of quantitative easing in the United States and the expansion of quantitative easing in Japan and the euro area have created macroeconomic instability for the region.

Mr. Malik then presented the growth and inflation forecasts for the two subregions and for individual economies. He pointed out that average growth in East Asia was projected to decelerate slightly in 2015, mainly due to a further slowdown in China. By contrast, growth in South Asia is expected to strengthen, thanks to a recovery of India's economy. In East Asia, average consumer price inflation is forecast to remain below 3 per cent. In South Asia, inflation is expected to further decline, but will still average about 9 per cent in 2015.

On the fiscal side, Mr. Malik noted that budget deficits continue to be high in South Asia, partly as a result of low tax-to-GDP ratios. Developing Asia's financial markets remain vulnerable to a normalisation of monetary policy in the United States as illustrated by the "taper tantrum" in mid-2013.

Mr. Malik then turned his attention to the main socio-economic challenges for developing Asia. He showed that average employment growth in the region had been relatively weak in recent years. Vulnerable employment and youth unemployment are still widespread. Moreover, the Gini coefficient has risen notably since the 1990s, indicating a trend of greater inequality.

He then outlined a set of policy options for Governments to support sustainable growth, including countercyclical macroeconomic policies, the removal of long-term structural impediments, as well as increased spending on social protection, infrastructure and environmental protection. In addition, investment in youth is critical. Increasing productive and decent employment will be key to reap the demographic dividend. Therefore, active labour market programs must be designed to effectively link education, training and skills development systems with the requirements of employers.

Mr. Malik concluded his presentation by showing some ESCAP cost estimates of a proposed policy package to promote inclusive and sustainable development. According to these estimates, the total costs of such programs in 10 selected countries in developing Asia would range from 5 to 8 per cent of GDP.

<u>Discussion</u>

A country representative from India provided additional information on India’s economic outlook. According to current estimates, growth is projected to accelerate from 4.7 per cent in the fiscal year 2013/14 to 5.9 per cent in 2014/15. The forecast has been slightly downgraded due to a weak monsoon and the slow global recovery. He pointed to some positive developments, including lower inflation, an improved business climate, steady reform progress and better governance.

A country representative from Hong Kong Special Administrative Region of China noted that the economy had decelerated in 2014. The most recent growth forecast of 2.5 per cent might have to be further cut due to the “Occupy Central Movement”, which has negatively impacted the retail industry, in particular the tourism sector.

A country representative from China presented more details on China’s economic prospects. The economy is projected to grow by 7.3 per cent in 2014 and 7.0 per cent in 2015. Medium-term growth should be in the range of 6.5 to 7 per cent. The gradual slowdown can be largely attributed to weaker growth in fixed asset investment. Household consumption and net exports are expected to increase at a stable pace. He also noted that employment growth had been faster than expected, thanks to a dynamic service sector. This could help dent income inequality, which has risen notably over the past decade. Another positive aspect for China’s economy was the ongoing structural reform program, which aims at making growth more balanced and sustainable. This also includes a gradual reduction of the government impact on the economy.

A country representative from Nepal emphasized the importance of political developments for the country’s economic performance. Agreements in the power sector have provided a boost for economic growth, which is estimated to accelerate to 5.5 per cent in 2014. A mild slowdown is expected for 2015, mainly owing to weaker agricultural output. In 2016, growth is forecast to pick up again to about 5.5 per cent. Important factors for Nepal are remittance flows and implementation of structural reforms.

Q: Does China need growth of at least 9 per cent for social stability?

A: Mr. Malik noted that employment growth was an important factor and that GDP growth above 7 per cent should not pose significant problems.

Latin America

Ms. Sandra Manuelito, UN ECLAC, initiated the presentation by discussing the external economic context for Latin America and the Caribbean. Several aspects were highlighted, including the relatively low import growth in developed countries, which is constraining economic activity in the region. In addition, commodity prices have experienced an overall downward trend in recent years, affecting mainly commodity exporters in South America. The recent reduction in oil price is also beginning to affect oil exporters, especially Venezuela, Colombia and Mexico. By contrast, migrant remittances from the United States to Mexico and Central American countries have increased significantly in the last year. Then, Ms. Manuelito examined the recent trends for the current account deficit in the region. Despite country-by-country variations, the ratio of the current account deficit to GDP for the whole region is expected to remain stable, at about 2.7 per cent of GDP. The region also maintains favourable access to external financial markets, with high levels of bond issuances.

Then, Ms. Manuelito highlighted the main features of the domestic economic conditions. For instance, private consumption has slowed down in the region, while investment continues to fall. Basically, government consumption and exports are sustaining economic growth, which is significantly lower in comparison to recent years. As a result of subdued economic growth, job creation is limited, further affecting private consumption. Overall, regional inflation shows differentiated trends among sub-regions. Mexico and Central American economies show relatively low and stable inflation, while South American economies have recently seen a significant increase in inflation rates. This trend has been driven mainly by Venezuela and Argentina. Overall, the regional GDP growth rate continued to decelerate in 2014. In fact, some large South American economies like Argentina, Venezuela and Brazil continue to face challenging economic conditions and domestic vulnerabilities.

Finally, Ms. Manuelito discussed the narrowing space for macroeconomic policies and the forecasts for 2015. Monetary policy faces the dilemma between supporting growth and deal with inflation, amid potential spillovers effects from the normalization of the monetary conditions in the United States. Also, fiscal policy has limited space for action and faces expenditure reassignment dilemmas. In particular, fiscal policy needs to support short-term aggregate demand, but at the same time maintain its long-term sustainability. Concerning the growth forecasts, Ms. Manuelito pointed out that the region should experience a recovery in 2015. On the external front, the continued recovery of the United States will benefit regional exports (Mexico and Central American), the tourism sector (Mexico and the Caribbean) and migrant remittances (Mexico and Central America). In addition, the continuing liquidity in global financial markets and the maintenance of relatively high international prices for commodities -albeit somewhat lower than in previous years- should promote economic activity. On the domestic front, investment demand is expected to recover, led by the implementation of large public investment projects announced by several countries for the coming years. Finally, domestic currency depreciations against the dollar may contribute to increased external competiveness of regional exports compared to other emerging countries. Among the main risks for the region, Ms. Manuelito mentioned that a larger-than-expected slowdown in China would be particularly damaging for South American commodity exporters. The session ended with the participation of several members of the Project Link, who discussed and highlighted different macroeconomic aspects of Latin American and Caribbean countries.

Africa

Mr. Adam Elhiraika, UN ECA, presented the outlook for Africa. He began by stating that Africa has seen a lot of development changes over the recent past, and he reiterated, as in past LINK meetings, that Africa is made up of 54 countries with a wide variety of conditions and circumstances. There have been some troubles and conflicts over the course of the past year, but the majority of the countries continue to be stable and have performed well economically. Despite this, growth varies considerably by country and by region. He also noted that the growth figures presented do not include Libya, which is a large economy, but has experienced significant growth swings in the past few years. As a whole, the economies of the continent are expected to grow by about 4 per cent in 2014, rising to between 4.5 and 5 per cent in 2015. An important issue is that growth factors have changed considerably – economic expansion is no longer just driven by commodity exports, but commodity production and exports do still contribute to around 25 per cent of growth. Growth will be increasingly driven by rising domestic demand, private consumption, investment and government expenditures as well as diversifying exports both within Africa, and to developing and developed countries.

Inflation is expected to remain subdued in the forecast period, declining by 0.4 percentage points to 7.2 per cent in 2015. Fiscal deficits are expected to remain relatively small owing to improved macroeconomic management, coming down from 0.37 per cent of GDP in 2014 to 0.35 per cent of GDP in 2015. Current account deficits will continue to be small, with oil exporting countries projected to continue posting surpluses and oil importers with continued deficits. Capital inflows and FDI will help support current accounts and private capital flows will build on past strength in 2015 based on an improved business climate in many countries and good profit prospects. The bulk of FDI still goes to the commodities sector, but this has been gradually decreasing. Remittances have recently surpassed ODA and new borrowings and are the second most important source of inflows. The slowdown in oil and commodity prices, slow recoveries in developed countries, tighter global monetary policies, the Ebola outbreak, weather-related shocks, and political instability will remain threats to medium-term growth prospects. However, overall growth prospects remain robust. Africa continues to do relatively well compared to other developing country regions, only surpassed by East and South Asia.

Domestic expenditure associated with increasing incomes and urbanization and a rising middle class are becoming bigger contributions to growth. For the continent as a whole, net exports continue to be a drag on growth. The quality of exports is one of the main factors that lead to this outcome, particularly as a substantial portion of exports is made up of primary commodities. He pointed out that if value addition increased and more manufactures were exported then net exports would contribute positively to growth. He also pointed out that manufactures make up a much larger share of exports in intra-African exports. Private consumption growth is expected to accelerate as consumer confidence rises and the middle class expands. Overall, government consumption will remain high as a result of increased spending on infrastructure, but will decrease in some countries in Central, Southern and West Africa owing to fiscal consolidation measures. Gross fixed capital formation will increase as a result of improvements in the business environment, particularly reductions in cost of doing business. Oil exporting countries will see a decreasing output growth, whereas oil importers and mineral rich countries will see slight improvements. From a regional perspective West Africa will grow the fastest in 2015, followed closely by East Africa. North Africa will continue its slow recovery with some improvements in growth in Egypt and Tunisia. He pointed out that Libya is seeing continued political turmoil, so it is difficult to predict what will happen next month let alone next year.

An important issue to note is that a number of countries have rebased their GDP figures recently, Ghana in 2010, and Nigeria, Kenya and Zambia this year, which has resulted in significant upward revisions – Nigeria up by 70 per cent, Ghana up by 60 per cent, Kenya up by 25 per cent and Zambia up by 24 per cent. While overall GDP numbers are up, this has not had an impact on growth rates. It has had significant impacts on the data on the structures of these economies and has been based on improvements in data collection with support from the World Bank. As a result, African countries will reflect a larger share of global GDP and this also implies that debt to GDP ratios will decrease. This will not imply a change in these countries' capacity to borrow though and it also will not change their debt to export ratios. In addition, Mr. Elhiraika noted that it would not imply an improvement in socioeconomic conditions.

Inflation across all regions is expected to fall owing to moderating commodity prices, tightening monetary policy, particularly in large countries such as South Africa, and fiscal consolidation in a number of other countries. Inflation will also be coming down when countries are grouped by country export structure. Fiscal deficits will improve in most regions, he said, with the exception of Central Africa. Current accounts will be in deficit for all export types, with the exception of oil exporters, but the surplus for oil exporters has been coming down. Capital inflows are rising, with FDI up to $90 million in 2015 and remittances expected to be $69 million in 2015.

There are a number of factors that are underpinning strong growth including improved governance and macroeconomic management; continued investment in infrastructure, human and physical capital deepening; improving productivity and structural transformation/change in some economies; rapid urbanisation and reduced fertility; a rising middle class and subsequently rising aggregate demand; diversified trade and investment partnerships and increased regional integration; rapid improvement in the information and communication technologies (ICTs); reduction in armed conflicts, and deepening regional integration. In addition there are some other important factors, some of which he noted were discussed in the most recent Economic Report for Africa, particularly structural transformation. Rising intra-African trade, particularly in manufacturing and industrial trade, of which 45 per cent is manufactured goods. There is also rising regional diversification in trade, which will be a key factor as well in medium and long-term growth. Furthermore a rising youthful labour force could help to contribute to further long run growth. He pointed out that productivity has been rising over the past 15 years, but that it is still the least productive region in the world.
A number of risk factors for the region remain including a potential further slowdown in oil and commodity prices, which would have mixed effects – beneficial for importers and detrimental for exporters. This could be exacerbated by further slowdowns in large Emerging Market economies. The effects of the Ebola outbreak are difficult to quantify, but they do not contribute that much to aggregate GDP – only about 1 per cent or about $6 billion, but they could be much more serious if they spread. If it spreads further, then it could affect the whole world, but the hope is that the world will step up efforts to fight EVD. There also still a number of conflicts underway, but overall there are fewer conflicts than in the past 10 years. Finally, rain fed agriculture remains a significant risk to many countries. He said that there were a number of steps that countries on the continent needed to take in order to maintain robust growth rates as well as avoiding some of the risks. Africa needs to maintain and continue to improve its business environment. In addition they will need to continue to

improve infrastructure as well as investing more in human capital. There will need to be innovative domestic resource mobilization to compensate for stagnating ODA. On top of this there will need to be increased efforts to combat illicit financial flows. When these flows are included Africa is a net lender to the rest of the world, and if they could be controlled at the same time that capital flight was reduced these countries could potentially cover their financing gaps. Furthermore Africa will need to accelerate regional integration and implementation of Continental Free Trade Area (CFTA), which is expected by 2017. He noted that one used to read that African countries shouldn't trade with each other because their economies were too similar, but now Uganda is the main trading partner of Kenya, Nigeria and Cote D'Ivoire are major trading partners to West Africa and South Africa is a major trading partner with Southern Africa.

<u>Discussion</u>

Comment – On South Africa: the prospects are similar to many other countries in that the forecast has been adjusted downwards. Over the forecast period there are hopes for a moderate recovery. There are issues on the external front that are factoring into growth through the current account – weak global demand and falling commodity prices. These have already factored into a sever collapse of the current account deficit from 4.5 per cent down to 6.2 per cent of GDP. There are also serious domestic issues such as the longest and most costly labour strikes in history which have amounted to a loss of 6 months of production. These strikes have been focused in the mining sector, but there have been significant spill-overs. It has also led to a reduction in investor confidence and consumption. Furthermore the credit rating has been downgrades. Household consumption has been weak, only growing by 1.5 per cent this year, partly as a result of slow growth in disposable incomes, which are only up by 1.3 per cent this year. This has been worsened by monetary tightening, with the repo rate up by 75 basis points, which was justified by perceptions of rising inflation risks. The central bank's outer inflation band is set at 6 per cent and currently inflation is running at 6.4 per cent, although many policy makers agree that this is probably temporary. It is likely due to weakness in the Rand driving up food and fuel prices, but which appears to have recently stabilized. Unemployment remains a serious issue, up to 25.5 per cent, but unofficial figures including discouraged workers put it at 42 per cent. Youth unemployment is between 52 and 60 per cent. These high and sticky levels of unemployment and inequality could lead to more social unrest. Recently the president signed an infrastructure development act, with 1.5 trillion rand to be invested in infrastructure. There are risks associated with this, not least of all issues with ineffective government spending and corruption. Unless those are dealt with, the plan will have a limited impact. Furthermore there is the issue of the high and unsustainable public sector wage bill, but there is a lack of political will to tackle this issue. The policy makers realized that there are problems and know what needs to be done, but implementation is weak. Policy coordination and political will is what is needed.
Comment – On Angola – after a relatively low growth rate during the crisis, the country has returned to high and solid growth. The country's inflation rate has decreased to the single digits, after a previous period of hyperinflation. The exchange rate is stable. Economic growth was 6.8 per cent last year, but this year growth has been reduced by falling oil prices. On a positive note, the agricultural sector has recovered strongly and its share of GDP is increasing, showing some necessary diversification of the economy which has been a main strategy of the government. The fiscal account moved into deficit this year, largely due to a number of development projects, but the government still holds considerable reserves. The central bank has also been taking a more active role in coordinating economic policy with government ministries. Many issues with corruption remain, but these efforts by the central

bank are boosting fiscal discipline. Public debt is not currently a significant issue and appears sustainable. The exchange rate appears to be improving relative to the oil price. The financial system also appears to be stable.

Comment – On Ghana: inflation has been accelerating recently and while it is currently at the same rate as last year, the trend has been moving up. It is now at 16 per cent versus single digits not long ago. Growth has not improved considerably despite recent oil discoveries and is only expected to be between 6 and 7 per cent, somewhat lower than previous predictions of 8 to 9 per cent. Recent IMF projections do seem a bit pessimistic though. Recently the exchange rate has depreciated considerably, partly owing to a large trade deficit, although it appears to have stabilized for now. Revenue targets have proven difficult to achieve. Tax rates are relatively high, but the base is not being widened. Fiscal deficits continue to be high, but are improving slightly. Even after the oil discovery the supply of electricity remains erratic. Issues with water instability are also affecting many companies. On the political front competition is good and democracy continues.

Q: On intra-African trade and regional integration, when one takes trade in services into account, which is frequently not well measured, then one would see that intra-African trade is growing faster such as in the banking and telecoms sectors. On another note, the growth differences between oil and non-oil exporting countries used to be much higher, but now East Africa is near the top, would you care to comment on that?

A: **-** Mr. Elhiraika: we still see that oil exporters are growing slightly faster than non-oil, but because oil exporters are spread between regions, it results in East Africa having the second fastest growth rate. The sources of growth are diversifying, but oil exporters are still large economies and still growing relatively strongly. On the issue of intra-African trade being stronger than is measured, in fact there are some estimates that put it much higher given porous borders and the prevalence of informal trade, which has been estimated at between 60 and 80 per cent of intra-African trade.

Western Asia

Mr. Yasu Yamamoto, UN ESCWA, presented the economic forecast for Western Asia, which is expected to improve in 2015 comparatively to 2014. Several factors are expected to play in favor of many Western Asian economies. In GCC countries, the rapid recovery of financial assets and real estate value will be positive for this group of countries and it will also have spillover effects on the Jordanian and Lebanese economies. The weakening of the Euro is also expected to affect positively the import's bill, especially for countries that have been investing in mega infrastructural projects. Nevertheless, current accounts are expected to deteriorate in the majority of the countries, given a reduction in oil exports, both in volume and value. Turkey is a major exception to this trend, as the depreciation of the national currency, coupled with limited expansionary policies, is expected to keep the trade balance in better shape, as well as the current account. Inflation and interest rates are expected to maintain the trend already observed in 2014, without major challenges on that front. Even though, the outlook remains positive for the region, there are many downside risks to take into account. The first being armed conflicts in the region, which have had impacts not only in countries directly affected by conflicts, but also neighboring countries. Several conflicts are yet far from being solved and they could escalate with serious repercussions on the economic situation. Weaker oil prices than already anticipated could affect oil exporting countries, even though that may be still register real economic growth. An eminent concern is related to the expected tapering of the quantitative easing in the US, which could dry up liquidity in several markets in the region.

Discussion

During the discussion, a country expert from Turkey confirmed the challenges faced by the country given the current situation: on the one hand, monetary policy has been contracting in order to prevent further currency depreciation, but on the other hand, GDP growth has slowed down as a result of subdued private investment and consumption. Next year, the economy is expected to improve, but economic expansion will be limited given these challenges.

Economies in transition

Mr. Jose Palacin, UN ECE, presented the outlook for the economies in transition. The speaker started from the overview of the region, noting that many countries may be called economies in transition and stressing the special role of the Russian Federation in the CIS and Serbia in South-Eastern Europe. An economic slowdown is observed in the CIS, as the largest economies underperform. South-Eastern Europe is also experiencing a slowdown, driven by country effects, and shocks derail the recovery. In the CIS, growth is divergent and domestic demand is mostly subdued, with external demand driving the economies. Investment in the CIS has declined in several countries in 2014, and in general, the CIS is a low-investment region. Consumption, on the other hand, fared better. South-Eastern Europe, meanwhile, is facing structural labour market problems.

Turning to the financial sector, the speaker noted that credit growth in the Russian Federation slowed down, and the banking systems in some CIS countries are fragile, with a high share of non-performing loans. In South-Eastern Europe, banking problems are also widespread. Inflation in the CIS accelerated in 2014, as exchange rates came under pressure. In the Russian Federation, food prices also drove inflation. In South-Eastern Europe, by contrast, inflation remained low. In response to higher inflation, monetary policy was tightened in the CIS, while fiscal performance was mixed. Fiscal space in the CIS varies across countries, depending on the public debt to GDP ratios. The counties of South-Eastern Europe are mostly fiscally vulnerable.

The speaker then described the situation with current account balances in the two regions. For some CIS countries, those balances improved in 2014, as imports contracted.
Energy importers in the CIS have large current account deficits and remittances from the Russian Federation are very important for them. Those remittances were sustained in the first half of 2014, but moderately declined.

In the outlook, a limited recovery is expected in the CIS in 2015, depending on the geopolitical situation, and downside risks dominate the region. Oil prices pose an additional risk factor. For South-Eastern Europe, the near-term prospects depend on the situation in Europe. A modest pick-up is expected in that region in 2015. However, high unemployment and the challenging business environment constrain domestic demand.

Discussion

A question was asked about the external debt of Belarus and Ukraine and to which extent it is a risk factor. The speaker answered that it depends on the willingness of the donors to contribute; in case of Ukraine, the attitude so far is ambiguous.

5. Global issues

Mr. David Turner, OECD, presented "The Effect of the Global Financial Crisis on the OECD Potential Output", based on research prepared in collaboration with Mr. Patrice Ollivaud. The main issue is to evaluate accurately the impact of the crisis on potential output for OECD countries. Depending on the methodology used, results will be different. For instance, when autoregressive panel models are used to explain GDP, the output gap can be as high as 15 per cent for 10 years, while a counterfactual analysis of the GDP per capita trend in comparison with the pre-crisis trend indicates an output gap of 10 per cent after 7 years. The analysis of potential output would, however, benefit from an analysis of its different components. Potential GDP per capital can be split into two main components: productivity trend and potential employment. The productivity trend can then be analyzed as a result of the total factor productivity (TFP) and the relation of capital per worker. The potential employment is the result of NAIRU, labor force participation and demographic changes. By decomposing and analyzing the different components, it is possible to evaluate with more accuracy the output gap. Mr. Turner showed then different country examples to illustrate his main points. In conclusion, it was possible to observe a common pattern for small European economies: those that were harder hit by the financial crisis have also registered a decline in capital per worker. In conclusion, it seems that countries that were more affected by the financial crisis had high inflation and large current account deficits. In addition, the economy as a whole presented high debt, but not specifically government debt, in fact the private sector and households' debt were significant in many cases. In some cases, a higher ratio of capital per worker did not help if the other components did not improve as well.

<u>Discussion</u>

One question related to the causes of potential output loss required additional information from Mr. Turner to understand the role of capital as the main explanatory factor. And the main conclusion in terms of policy advice would be to increase investment in capital and education. However, we are reproducing the same mistakes than in the 1930s, by not stimulating the economy with more investment. Another intervention, relating this issue to the problem of secular stagnation, emphasized the need for more investment in innovation, which is possible, but so far there isn't the political will, in particular to invest in alternative sources of energy.

Mr. P. Pauly, University of Toronto, made a presentation on "Global potential and insufficient demand: secular stagnation?" The speaker noted that the global economy is on a slow growth trajectory, with recovery proceeding asynchronously in different regions. Fragility in some regions, for example in the EU and in the BRICS countries, has led to a non-robust expansion of the global economy. The sluggishness in industrial countries is not being compensated by the emerging markets, which are also experiencing a slowdown. Because of the lack of endogenous cyclical correction and the lack of a policy consensus, the current situation has been labelled a "secular stagnation". The speaker then listed some specific features of the current situation, which include apparently slow long-term growth in

North America, accompanied with the structural labour market problems (caused by hysteresis), and the slowly proceeding private sector deleveraging and public sector fiscal consolidation. Europe is facing the risk of a recession, with misguided austerity measures and negative fiscal multipliers. The BRICS countries are on a slow growth path. Policy consensus is absent and fiscal austerity is a subject of a debate.

According to the speaker, a recovery from a financial depression is different from an upturn in a normal business cycle, as it is longer and bumpier. Households are deleveraging, while businesses are not willing to take risks. Financial sector needs to be recapitalised, while public sector is financially constrained. The medium-term growth prospects for the global economy raise concerns, as they are constrained by slow productivity growth, loss of output capacity, little impetus provided by international trade and other factors. There are problems both on the supply and on the demand side. There is a lack of innovation and TFP growth is stagnating in the OECD area since mid-1970-s. Infrastructure investment is hardly likely to provide a significant boost to economies, since it is not clear how fast infrastructure projects can be implemented and they are facing regulatory restrictions and fiscal constraints. It is also not obvious which of those projects will generate sustainable employment effects. The working age population is stagnating and there is a skill mismatch in the labour market. Most of the emerging markets, on the other hand, are facing structural challenges.

In the area of international finance, according to the speaker, the European banking system should be stabilised, an international prudential oversight should be developed, the leverage ratios should be reduced and shadow banking must be addressed. Currently trade is not as strong an engine of economic activity as in the past. The regional trade agreements are not efficient, because they require deeper integration levels; in any case, the impact of trade regimes and inequality on the potential growth needs to be researched further.

Concluding the presentation, the speaker noted that in order to avoid a "secular stagnation", a policy mix is needed. More specifically, productivity growth should be stimulated through investment in education and higher labour force participation. Interest rates should be maintained at low or negative levels. International policy coordination and prudential supervision should be improved. Private sector uncertainty must be reduced.

Discussion

A comment was made, that any crisis destroys capital, including human capital, and therefore investment is needed to address productivity, as productivity growth is a function of investment. The speaker agreed, noting that especially private investment is needed, as public investment opportunities are constrained. But more importantly, private investment in innovation areas is needed. How to accomplish that is a subject of the big debate. Some economists claim that there is no demand for such investment, while some claim that the current situation is simply not stable enough to invest. There are certain analogies between the 1930-s and the current situation, and apparently no lessons have been learned.

Another comment was made, that currently there is little unified political will for any action; however, moving towards green energy can be a stimulus. The speaker replied that as long as cheap oil is available, there is not enough incentive for green energy, which would be harder for politicians to justify.

Mr. D. Turner added at this point, that with regard to public investment projects, the problem is in the readiness of those projects, and there are different views on their impact on productivity.

6. Global modelling

Mr. Clark Abt, Brandeis University, made a presentation on "China's race against climate change". The speaker noted that spending on mitigating climate change does not require forfeiting growth. Costs of climate change mitigation are in fact roughly half the costs of unmitigated carbon energy and greenhouse gases, which by 2050 may lead to losses of 10 to 30 per cent of world output and to impoverishment. This assessment is based on the estimates made using integrated assessment models of climate change under unmitigated "business as usual" conditions and alternative mitigation scenarios provided by the economists from the US, China and the EU.

China is the world's greatest emitter of greenhouse gases, but the country is also the leading producer of clean renewable energy using hydroelectric, wind, solar, and other technologies. In the long-term, China will become the largest producer of those energies.

There are several assumptions on energy. Energy is a pervasive economic resource for industry and agriculture. By 2050, the total energy demand will quadruple, as the global population grows and per capita GDP increases. To meet such a demand, all energy sources will be needed; both those emitting greenhouse gases and non-emitting ones. There is no particular policy or technology that will be suitable for all countries. The choice depends on funding and market viability of the energy production. The idea of a universal carbon tax is suggested by many economists. Developing countries, however, do not want to pay such a tax aimed to reduce the competitiveness of a carbon-based energy. China, nevertheless, has growing technological, economic and also concerted political resources. China plans to implement "cap-and-trade" plus many more measures in its next four five-year plans. The biggest opportunity for decarbonisation lies in Chinese urbanisation.

Discussion

Q.: How to enforce decarbonisation of the energy supply?
A.: By public leaders understanding the goal and making the other sources of energy more competitive (by costs).

Mr. Eduardo Loría, National Autonomous University of Mexico, made a presentation on "Trade and World Economic Growth, 1970-2015". According to the presenter, there are two themes for this study. The first one was to review the long-term growth profiles for selected individual economies and groups of economy. The second one was to investigate the relationship between export growth and economic growth. For the first one, the presenter believed that currently all examined economic units are growing at a speed much slower than what they have experienced before. For the second theme, the presenter believed that export growth is not the fuel for economic growth.

For the first theme, the presenter used the HP Filter with the end-of-sample correction to expose the potential GDP level for the examined subjects, which included Germany, Latin America, Brazil, Chile, China, United States, Japan, Mexico, the Russian Federation, the

European Union, and the World. It turned out that for all subjects the growth rate for the potential GDP for the recent period has been noticeably lower than in earlier periods.

For the second theme, the presenter focused on the relationship between global trade growth and world GDP growth. After noticing that the growth trend for world trade has been always higher than the trend of world GDP growth, the presenter applied the Johansen Co-integrating Procedure with Unrestricted VECM for quantitative analysis. The result showed that a one percentage point increase in the growth of world trade came with an increase in the world GDP growth rate by 0.56 percentage point. The presenter also applied the Granger Causality Test to show that it was more likely for world GDP growth to cause world trade growth than the other way round.

Mr. Clive Altshuler and Mr. Hung-Yi Li, UN DESA, made a presentation on “Multi-country modeling at the UN”. The presenters provided the current status and future development direction for the World Economic Forecasting Model (WEFM), which has been under development by the Development Policy and Analysis Division of UN/DESA for many years. WEFM contains 31 large models (including three for developing countries) and 121 small models all linked together in a global linkage framework (152 total); it also includes a large set of macros for the operation of the whole system. WEFM has been used since 2010 and has been instrumental for the production of 10 global economic outlooks.

According to the presenters, the structure for the large model has not been modified since January 2012, while the structure for the small model has been improved over that period. The labour market data from the KLIM database of the International Labour Organization (ILO) have been utilized to build the labour supply and labour demand equation. Correspondingly, the aggregate supply equation was expanded to include the labour element. The estimation method for the small models was also altered to panel estimation; country models for a region are now estimated together under the panel framework. For the oil-producing countries, their models are estimated separately from other small models; all those countries are processed within a single panel.

For the linkage between country models, the international trade in goods and services is still the key channel. But some linkages through interest rates, exchange rates and commodity prices are also possible. Two new developments are introduced for the linkage. First, competitor prices are now determined endogenously. Second, all country models and linkage modules can be integrated into a large single model which consisted of more than 19,000 equations. The second development made it possible to simulate the world economy over the span of 15 years in less than ten seconds. The presenters also demonstrated this facility on the spot.

Mr. Jean Louis Brillet, INSEE, made a presentation on "The Trans Pacific agreement: a good thing for Viet Nam?”, which was based on a joint project the presenter collaborated on with the National Center for Socio-Economic Studies and Forecasting of Viet Nam, an agency in the Ministry of Planning and Investment, Viet Nam. According to the presenter, the purpose of this project was to provide the Government of Viet Nam with a model which can be used to forecast the growth of the Vietnamese economy, to understand the consequences of external events, and to assess the consequences of policy decisions. The model has the following products: agriculture, forestry and fishing, manufacturing (including energy), construction, market services, and financial services. Reasons for this kind of decomposition are structural differences and behaviour differences. The theoretical foundation for this model is similar to the accepted standard for economic models. In the short-run, it has a strong Keynesian flavour while in the long run, it is more neo-classical-oriented. The economic agents presented in the model included firms, households (also the producer for agricultural sector), financial firms, the Government, and the rest of world.

The presenter encountered many problems during the estimation stage. Those problems included limited availability of statistics data, significant fluctuations, changes in the structure of production and changes in behaviours when the economy was converging to a market economy. Due to the data limitation, for the estimation of each behaviour equation, five products were stacked together and used the seeming unrelated regression method. This model was also used for a simulation study on the possible impacts on the economy if Viet Nam joins the Trans-Pacific agreement. The conclusion was that GDP and local demand may increase, the government budget may decrease and the terms of trade may decrease, which improves the balance in current terms after some time.

Annex

United Nations
Department of Economic and Social Affairs
Project LINK

UN DESA Expert Group Meeting on the World Economy (LINK Project)

October 22-24, 2014
New York

PROGRAMME

(Version 15 October, 2014)

Wednesday, October 22, 2014

10:00 – 11:30	**Roosevelt Hotel, Vanderbilt Suite, 2nd Floor** **World Economic Outlook** Chair: *Peter Pauly* *Pingfan Hong, UN-DESA* *Juan Francisco Yepez Albornoz, IMF* *Marc Stocker, World Bank*
11:30–12:00	*Break*
12:00-13:00	General Discussion Lead Discussants: *Moazam Mahmood, International Labour Organization* *Dave Turner, OECD, Paris* *Gregory Daco, Oxford Economics*
13:00 – 14:30	*Lunch*
14:30 – 15:30	**World Economic Outlook (cont.)** Chair: *Peter Pauly* "Economic Depression vs. Multiple-Troughed Recessions: The Predicament of Euroland and Japan in the Early 21st Century" *Carl Weinberg, High Frequency Economics* General Discussion

15:30 – 16:00	*Break*
16:00 – 17:30	**World Economic Outlook (cont.) and Commodity Markets** Chair: Adolfo Castilla Agricultural Commodities *Willy Meyers, University of Missouri, Columbia (Mo.)* The World Oil Market *Robert Kaufmann, Boston University* "Price Differences Among Crude Oils: an Unreliable Supplier Discount" *Robert Kaufmann, Boston University* General Discussion

Thursday, October 23, 2014

9:30-11:00	**Regional Outlook: Developed Regions** Chair: Mette Rolland United States *Hung-yi Li, UN-DESA* Japan *Kanemi Ban, Kochi University of Technology, Japan* Australia and New Zealand *Nick Marinopoulos, NIEIR, Melbourne* Each lead presentation is followed by comments from *LINK country experts*
11:00–11:30	*Break*
11:30–13:00	**Regional Outlook (cont.): Developed Regions (cont.)** Chair: Alexander Welfe "Macro-Economic Outlook for the Euro Area" *Pavlos Karadeloglou, ECB , Frankfurt* United Kingdom *Clive Altshuler, UN-DESA* Each lead presentation is followed by comments from *LINK country experts*

13:00–14:30	*Lunch*
14:30–15:30	**Global Issues** Chair: *Charlotte du Toit* "The Effect of the Global Financial Crisis on the OECD Potential Output" *David Turner, OECD, Paris* "Global Potential and Insufficient Demand: Secular Stagnation?" *Peter Pauly, University of Toronto*
15:30–16:00	*Break*
16:00–17:30	**Regional Outlook (cont.): Developing and Economies in Transition** Chair: Mathias Kempf East Asia and South Asia *Muhammad Hussain Malik, UN-ESCAP* Latin America and the Caribbean *Sandra Manuelito, UN-ECLAC* Each lead presentation is followed by comments from *LINK country experts*

Friday, October 24, 2014

9:30-11:00	**Developing Regions and Economies in Transition** Chair: Eustaquio Reis Africa *Adam Elhiraika, UN-ECA* Economies in Transition *Jose Palacin, UN-ECE* Western Asia *Yasuhisa Yamamoto, ESCWA* Each lead presentation is followed by comments from *LINK country experts*
11:00-11:30	*Break*

11:30-13:00 **Global Modeling**
Chair: Ingo Pitterle

"China's Race Against Climate Change"
Clark Abt , Brandeis University

"World Economic Growth and Trade, 1970-2014"
Eduardo Loria, National Autonomous University, Mexico

"Multi-country Modeling at UN"
Clive Altshuler and Hung-Yi Li, UN-DESA

"Vietnam and the Trans-Pacific Agreement"
Jean-Louis Brillet, INSEE, Paris

Closing (13:00)

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