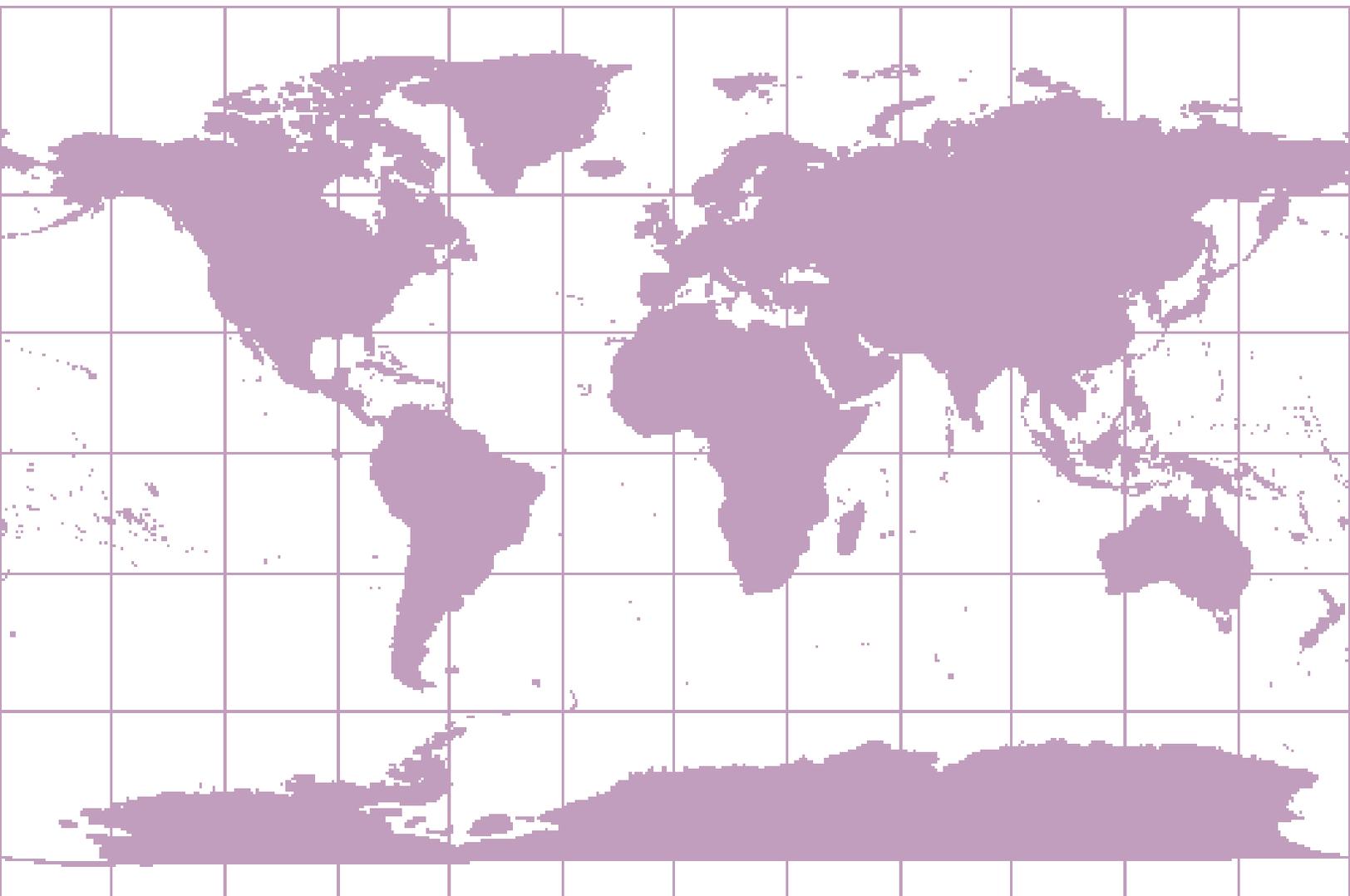


World Economic Situation and Prospects 2012

Update as of mid-2012



United Nations
New York, 2012

World Economic Situation and Prospects 2012

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Summary

Despite scattered signs of improvement, the world economic situation and prospects continue to be challenging. After a marked slowdown in 2011, global economic growth will likely remain tepid in 2012, with most regions expanding at a pace below potential. In the face of subdued growth, the jobs crisis continues, with global unemployment still above its pre-crisis level and unemployment in the euro area rising rapidly. The risks to the global outlook are tilted to the downside. The euro area debt crisis remains the biggest threat to the world economy. An escalation of the crisis would likely be associated with severe turmoil on financial markets and a sharp rise in global risk aversion, leading to a contraction of economic activity in developed countries, which would spill over to developing countries and economies in transition. A further sharp rise in global energy prices may also stifle global growth. National and international concerted policies should be enacted on multiple fronts in order to break out of the vicious cycle of deleveraging, rising unemployment, fiscal austerity and financial sector fragility in developed economies. Breaking this cycle requires policy shifts away from fiscal austerity and towards more counter-cyclical fiscal stances oriented to job creation and green growth. These policies need to be better coordinated across the major economies and concerted with continued expansionary monetary policies in developed countries, and accompanied by accelerated financial sector reforms and enhanced development assistance for low-income countries.

* The present document updates *World Economic Situation and Prospects 2012* (United Nations publication, Sales No. E.12.II.C.2), released in January 2012.

<http://www.un.org/esa/policy/wess/wesp.html>

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Global macroeconomic trends

Global growth projected to slow, major risks looming

Despite some scattered signs of improvement in recent months, the world economic situation and prospects continue to be challenging. After a marked slowdown in the course of 2011, global economic growth will likely remain tepid in 2012, with most regions expanding at a pace below potential. In the baseline outlook, world gross product (WGP) is projected to grow by 2.5 per cent in 2012 and 3.1 per cent in 2013, following growth of 2.7 per cent in 2011; this constitutes a slight downward revision from the forecasts presented in the *World Economic Situation and Prospects (WESP) 2012* in January (see table 1). Downside risks for further weakening of global economic conditions remain unabatedly high.

Most developed economies are still struggling to overcome the economic woes originating from the financial crisis. Four major weaknesses continue to feed into each other and conspire against any robust economic recovery: First, continued deleveraging by banks, firms and households is holding back normal credit flows and consumer and investment demand. Second, unemployment remains high, a condition that is both cause and effect of the lack of economic recovery. Third, fiscal austerity responses to deal with rising public debts are further deterring economic growth, which in turn is making a return to debt sustainability all the more difficult. And fourth, bank exposure to sovereign debts and the weak economy are perpetuating financial sector fragility, which in turn is spurring continued deleveraging.

Developed countries, especially in Europe, continue to struggle to break through this vicious circle. Even if further deepening and spreading of the euro area's debt crisis can be avoided, as assumed in the baseline scenario, economic activity in the European Union is projected to stagnate in 2012. The outlook is not as sombre for the United States and Japan, although in both countries output growth continues to be constrained by ongoing deleveraging and policy uncertainties.

As a result, world trade growth will slow further to 4.1 per cent in 2012, down from 13.1 per cent in 2010 and 6.6 per cent in 2011. Faced with weakening external demand and increased global uncertainties, developing countries and economies in transition are projected to see notable output growth moderation to, respectively, 5.3 per cent and 4.0 per cent in 2012. Economic growth in these economies is forecast to pick up slightly thereafter, assuming global demand recovers in 2013 and downside risks do not materialize.

The jobs crisis continues

Recovery of global employment remains the most pressing challenge. Despite moderate improvements in some countries once positive economic growth resumed by 2010, the marked slowdown of global growth in the course of 2011 has posed new hurdles for employment creation. Employment-to-population ratios remain below their 2007 levels in all major economies, except Brazil, China, and Germany. By the end of 2011, an estimated 48 million additional jobs were required for employment ratios to return to pre-crisis levels. In almost all developed countries, employment was lower at the end of 2011 than in 2007 and the jobs deficit among these countries tops 12 million. In many

Table 1
Growth of world output, 2006 – 2013, annual percentage change

	2006-2009 ^a	2010	2011 ^b	2012 ^c	2013 ^c	Change from January 2012 forecast	
						2012	2013
World	1.8	4.1	2.7	2.5	3.1	-0.1	-0.1
Developed economies	0.3	2.7	1.4	1.2	1.8	-0.1	0.0
United States of America	0.2	3.0	1.7	2.1	2.3	0.6	0.3
Japan	-0.7	4.4	-0.7	1.7	2.1	-0.3	0.1
European Union	0.6	2.0	1.6	0.0	1.2	-0.7	-0.4
EU15	0.4	2.0	1.4	-0.1	1.1	-0.7	-0.5
New EU Members	3.1	2.3	3.0	1.7	2.8	-1.0	-0.2
Euro area	0.5	1.9	1.5	-0.3	0.9	-0.7	-0.3
Other European	1.4	1.7	1.8	1.1	1.3	0.0	-0.3
Other developed countries	1.5	2.8	2.3	2.3	2.6	0.2	0.2
Economies in transition	3.7	4.1	4.5	4.0	4.2	0.1	0.1
South-Eastern Europe	2.8	0.5	1.0	0.6	1.8	-1.7	-1.4
Commonwealth of Independent States and Georgia	3.8	4.5	4.8	4.3	4.4	0.3	0.2
Russian Federation	3.3	4.0	4.3	4.4	4.4	0.5	0.4
Developing economies	5.8	7.5	5.9	5.3	5.8	-0.2	-0.1
Africa	4.7	4.6	2.1	4.2	4.8	-0.8	-0.3
North Africa	4.5	4.0	-2.3	4.4	4.4	-0.3	-1.1
Sub-Saharan Africa	4.8	4.9	4.2	4.1	5.0	-1.1	0.0
Nigeria	4.3	7.8	7.3	6.3	6.8	-0.5	-0.2
South Africa	3.2	2.9	3.1	2.8	3.5	-0.9	0.0
Others	6.2	5.4	3.8	4.2	5.4	-1.6	0.0
East and South Asia	7.6	8.8	6.9	6.3	6.8	-0.5	-0.1
East Asia	7.7	9.2	7.1	6.5	6.9	-0.3	0.0
China	11.4	10.4	9.2	8.3	8.5	-0.4	0.0
South Asia	7.2	7.1	6.1	5.6	6.1	-1.1	-0.8
India	8.4	8.9	7.1	6.7	7.2	-1.0	-0.7
Western Asia	3.5	6.2	6.9	4.0	4.4	0.2	0.1
Latin America and the Caribbean	3.2	6.0	4.3	3.7	4.2	0.4	0.0
South America	4.2	6.4	4.5	3.8	4.4	0.3	-0.1
Brazil	3.6	7.5	2.7	3.3	4.5	0.6	0.7
Mexico and Central America	1.1	5.6	4.1	3.4	3.9	0.8	0.3
Mexico	0.8	5.8	4.0	3.4	3.9	0.9	0.3
Caribbean	5.2	3.4	2.5	3.3	4.0	-0.2	-0.2
Least developed countries	7.4	5.8	4.0	4.1	5.7	-1.9	0.0
<i>Memorandum items:</i>							
World trade ^d	2.2	13.1	6.6	4.1	5.5	-0.3	-0.2
World output growth with PPP-based weights	3.0	5.0	3.7	3.4	4.0	-0.2	-0.1

Source: UN/DESA.

^a Average percentage change.

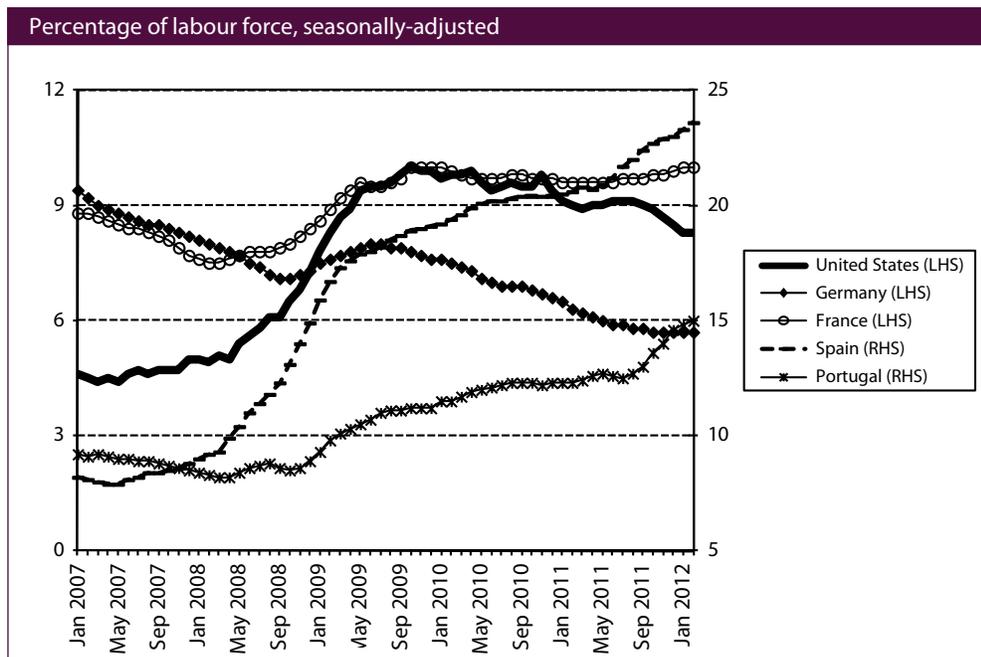
^b Partly estimated.

^c Forecast, based in part on Project LINK.

^d Includes goods and services.

countries, this is also reflected in high and still rising unemployment rates (figure 1). In the United States, despite recent improvements, the unemployment rate remains high at over 8 per cent, well above pre-crisis levels. Almost all European countries faced greater unemployment rates at the end of 2011 than in 2007, except Austria and Germany. The unemployment rate in the euro area as a whole increased to a historic high of 10.9 per cent in March 2012, up by one percentage point from a year ago. It reached alarming heights in the debt-ridden euro area countries: in Spain it jumped to 24.1 per cent in March 2012 (up from an average rate of 8.6 per cent in 2007), in Greece to 21.7 per cent (up from 8 per cent), in Portugal to 13.5 per cent (up from 8.5 per cent), and in Ireland to 14.5 per cent (up from 5 per cent). Furthermore, long-term unemployment continues to increase in many developed countries, reaching 40 per cent of the unemployed in about half of these countries. Most notably, the share of long-term unemployed rose significantly in the United States, the United Kingdom, and debt-distressed countries of the euro area.¹ Youth unemployment also increased markedly; most staggeringly in Spain, where more than half of young adults looking for a job cannot find one.

Figure 1
Unemployment rates in selected developed countries: January 2007 - February 2012



Source: UN/DESA, based on OECD Main Economic indicators.

By contrast, in developing countries, employment rebounded, on average, more strongly than elsewhere. However, with growth in major developing economies slowing, the prospects for sustained improvements are uncertain. At the end of 2011, many countries in South Asia (including large countries like India), Western Asia (particularly those affected by political instability), Africa (including South Africa) and Latin America (including Mexico and Venezuela), faced large job deficits compared to 2007. In both East Asia and Latin America, employment creation decelerated, with unemployment increasing

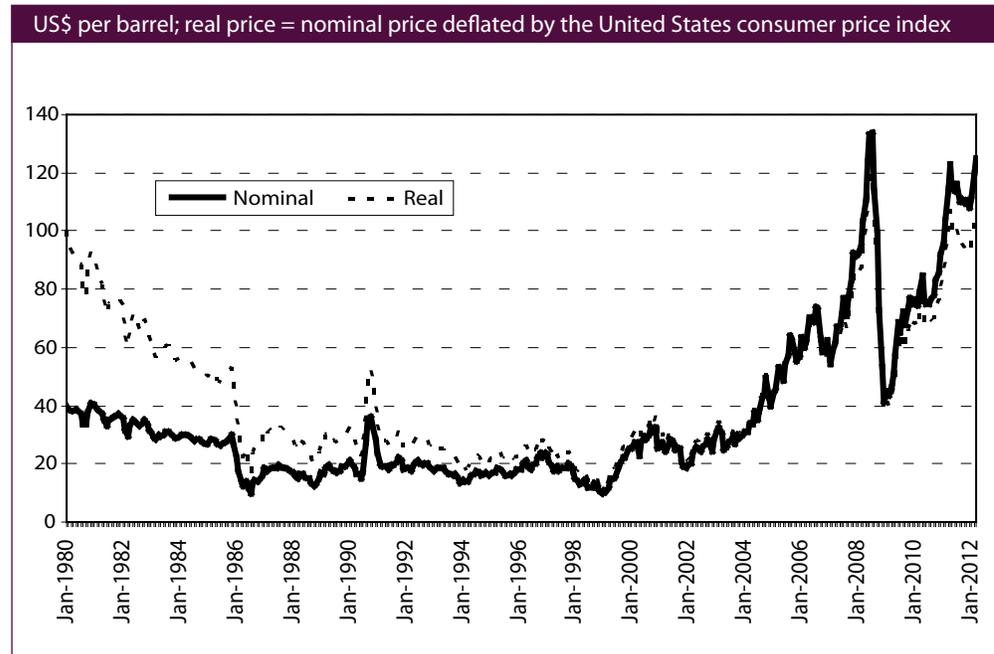
¹ See International Labour Organization, *World of Work Report 2012*, pp. 2-4.

in Brazil during the first quarter of 2012, although the rate of unemployment is still lower from where it was a year ago. Continued high rates of underemployment, vulnerable employment, low wages, and absence of social safety nets prevail in most countries, though involuntary part-time underemployment in Latin America and East Asia seems to have reduced marginally.

Non-oil commodity prices projected to recede, but oil prices remain high

World market prices of primary commodities declined markedly in the second half of 2011, but were on the rise again in early 2012, especially oil prices. After rising by 40 per cent to reach an all-time high average yearly price of \$111 per barrel (p/b) in 2011, the Brent crude oil price increased further, oscillating around \$120 p/b in April 2012 (figure 2). The surge was triggered by bans imposed by the EU and the United States on oil imports from the Syrian Arab Republic and the Islamic Republic of Iran,² as well as by speculation about escalating geopolitical tensions in the region. In the baseline outlook, assuming no escalation of such factors, the price of Brent crude is forecast to average \$110 p/b in 2012 and \$100 p/b in 2013. Metals prices are expected to fall moderately in 2012 as industrial output slows in China and the euro area faces recession. Food prices have come down from the highs of 2011, but remain elevated. Further easing is expected in the second half of 2012 and 2013.

Figure 2
Brent oil price: January 1980–March 2012



Source: UN/DESA, based on IMF International Financial Statistics.

² See European Union Council Decisions 2011/522/CFSP of 2 September 2011 and 2012/35/CFSP of 23 January 2012 for the EU bans of Syrian and Iranian oil imports and Executive Orders 13582 of 18 August 2011, and 12959 of 6 May 1995 for those imposed by the United States.

These trends are expected to contribute to a further moderation of inflation worldwide. Volatility in commodity prices will remain a concern for net commodity exporters and importers alike. Geo-political factors may push oil prices to even higher levels, posing an added downside risk to the world economic outlook (see below).

International capital flows: the calm before the storm?

After much turmoil during 2011, global capital markets regained some stability in early 2012 as concerns over an escalation of the euro area crisis and the possibility of a hard landing of the Chinese economy eased (at least for now), and growth prospects in the United States seemed to have improved. During the first quarter of 2012, most emerging economies have seen less volatility in private capital inflows, more moderated swings in exchange rates and modest stock market gains. For 2012 as a whole, total net private capital inflows to emerging countries are projected to be positive, though somewhat below 2011 levels.

Present conditions contrast sharply with those of the second half of 2011, when contagion from the turbulence in the euro area caused a sudden drop in capital flows to emerging and other developing economies. In an effort to strengthen their balance sheets, banks, especially in Europe, reduced their exposure to these markets. As a result, borrowing costs increased, asset prices fell, and currencies depreciated in many emerging and other developing economies.

Yet, the current calm may be deceptive and new turmoil may surface easily. Capital inflows to these economies are likely to stay volatile, complicating macroeconomic policymaking. Push and pull factors will underlie the continued volatility. On the one hand, the significant differences in economic growth and interest rates between emerging and developed economies will push more capital towards emerging economies. On the other hand, the continued deleveraging by European banks carries the risk of disorderly balance sheet adjustments, which could trigger massive withdrawals of capital from emerging economies.

Governments of emerging and other developing economies markets thus will need to further strengthen regulatory measures and buffers to shield themselves against continued capital flow volatility. Strong reserve positions and capital account regulatory measures helped countries to come relatively unscathed out of the financial turmoil of the second half of 2011: banks survived the storm, while the sharp reversal in capital inflows did not seem to have affected economic activity too much.

Volatility in currency markets has eased for now

Volatility in international currency markets also eased in early 2012, following large fluctuations in exchange rates during 2011. During the first quarter of 2012, most major currencies have traded in fairly narrow ranges, with the euro-dollar exchange rate hovering around 1.32. Shifting risk perceptions, depending on trends in fiscal balances and output growth, are expected to cause fluctuations in the value of the euro vis-à-vis the dollar in the near term. The Japanese yen, which reached historical highs against all major currencies in 2011, depreciated significantly in early 2012 after the Bank of Japan set an inflation target of 1 per cent and expanded its asset buying program. Meanwhile, the gradual appreciation of the renminbi against the dollar has—at least—temporarily come to a standstill, with

the exchange rate remaining close to 6.30 CNY/US\$ since January 2012. The Brazilian real weakened markedly against major currencies in recent months after the Government implemented measures to prevent further appreciation.

Regional outlook

Developed economies

The economy of the *United States* started 2012 on a positive note. Job creation exceeded expectations, stock market indices registered solid gains, credit conditions eased notably, while also consumer confidence and spending increased markedly. Economic activity is expected to grow by 2.1 per cent in 2012 and 2.3 per cent in 2013, a slight upgrade from the previous forecast and above the 1.7 per cent recorded in 2011. However, the economy is not out of the woods yet. Despite falling labour participation, the unemployment rate remains much higher than it was before the crisis and, in April, job creation slowed again to below the level needed to absorb the natural increase of the labour force. The number of workers without a job for more than six months continues to increase. Weak employment conditions, along with the continued weak housing market and risk of foreclosures, are holding back consumer spending. With the phasing out of fiscal stimulus measures injected during the crisis, government spending has declined, dragging output growth. The upcoming presidential election creates uncertainties over the fiscal policy outlook, clouding overall economic prospects.

In *Japan*, the economy is expected to recover moderately in the outlook period. Gross domestic product (GDP) contracted by 0.7 per cent in 2011. Economic activity is projected to grow by 1.7 per cent in 2012 and 2.1 per cent in 2013. The recovery from the earthquake and tsunami that hit the country in March 2011 was hampered by supply chain disruptions in the fourth quarter caused by the flooding in Thailand, a major supplier of manufactured inputs. Quarter-over-quarter GDP growth stagnated in the last quarter of 2011, a major reversal after the 7.6 per cent annualized growth rate posted in the third quarter. In 2012, private consumption growth is expected to remain moderate owing to sluggish growth in wage income. Reconstruction works are expected to spur investment growth. This impulse is being partly offset, however, by cuts in other government expenditures and a tax increase. The measures are to address concerns over the large budget deficit and Japan's outsized public debt. As in 2011, falling net exports will drag GDP growth. In particular, fuel imports will increase further because of the need to substitute energy with the phasing-out of nuclear power generation.

The recovery in *Western Europe* came to a halt in the fourth quarter of 2011 with GDP declining sharply in most countries. In 2012, GDP is expected to contract by 0.3 per cent, after growing by 1.5 per cent in 2011. Only a modest rebound of 0.9 per cent is expected for 2013. This deterioration stems mostly from the impact of the euro area debt crisis, coupled with a slowing of international demand, and high energy prices. The debt crisis has resulted in increasingly stringent fiscal austerity programmes in those countries facing acute financing difficulties, has weakened the banking system in the region and raised uncertainty to such an extent that confidence is falling. In early 2012, several massive ECB policy actions, an agreement by EU heads of state on a new fiscal architecture, and a successful write-down of Greek debt led to some calming of financial markets. Nevertheless, the outlook is sombre and growth projections have been revised downwards

from that in WESP 2012. With ongoing deleveraging, a weak and vulnerable banking system, slowing external demand, high unemployment, fiscal tightening, and high oil prices, prospects for growth are bleak. The aggregate picture masks important differences across the region. Germany's economy, for example, is expected to grow by 1.0 per cent in 2012, while the crisis-struck economies of Greece, Italy, Portugal and Spain will remain mired in recession. The poor growth performance has led to a significant increase in unemployment, as indicated. For the euro area, average unemployment is expected to increase from 10.2 per cent in 2011 to 11.1 per cent in 2012 and stay high at 11.0 per cent in 2013. Again, significant regional differences are apparent: with unemployment high and increasing in the crisis-struck countries, but more stable (and even declining in some) and significantly lower in other countries.

The recovery in the economies of the *new EU member States in Central and Eastern Europe* is expected to slow noticeably in 2012, affected by weakness in their major export markets and by contractionary effects of fiscal austerity policies. GDP growth is expected to slow, on average, from 3 per cent in 2011 to just 1.7 per cent in 2012, before strengthening to 2.8 per cent in 2013. Some countries, such as Hungary, may slip back into recession. Poland's economy is less export-dependent and, as a result, may escape a sharp slowdown. Domestic demand will not support growth in 2012 owing to fiscal tightening, weak labour markets, private sector indebtedness and stagnating credit flows. Consumer confidence remains fragile as fiscal austerity measures encompass wage and employment reductions in the public sector. The slowing growth will delay the recovery in employment. Inflation in the new EU member States should subside in 2012, as pressures from world oil and food prices and VAT increases are expected to fade. Possessing weak fiscal buffers, the new EU members remain vulnerable to the risk of massive deleveraging by parent banks of the EU-15 should the euro area crisis worsen.

Economies in transition

After growing at a robust pace in 2011, the economies of the *Commonwealth of Independent States* (CIS) are expected to see a mild slowdown in the outlook period. Output is projected to expand by 4.3 per cent on average in 2012, compared with 4.8 per cent in 2011. For major energy-exporters in the region, such as the Russian Federation and Kazakhstan, growth in 2011 was predominantly driven by higher commodity prices, especially oil and natural gas. Most other CIS economies, including those in Central Asia, also benefited from higher commodity prices and growth was further spurred by increased public infrastructure spending and worker remittances. Strong agricultural output also contributed to growth throughout the CIS. In the outlook for 2012, the economy of the Russian Federation is forecast to expand by about 4 per cent, contingent on oil prices staying at present high levels. However, during 2011, the economy experienced near record level capital outflows, triggered by uncertainty and negative sentiments among investors. The flight of capital continued in early 2012, tempering growth prospects. In most other CIS economies, growth is expected to moderate in line with lower commodity prices and tighter fiscal policies. Inflation in the CIS countries is set to moderate in 2012, after accelerating in 2011 on the back of higher food and fuel prices, rising wages, and, in some cases, massive foreign exchange inflows. The slowdown in inflation will be beneficial for private consumption. In response to lower inflation, several central banks in the CIS cut policy rates in early 2012.

The economies of *South-Eastern Europe* are expected to stagnate in 2012, with Croatia likely to fall back into recession. Economic activity in South-Eastern Europe is

expected to expand by a mere 0.6 per cent in 2012. Growth is forecast to accelerate to 1.8 per cent in 2013 as domestic demand, especially private investment, strengthens. The region recovered somewhat in 2011 from the consequences of the global financial crisis, owing to a recovery in demand for commodities (metals in particular), a successful tourism season and a modest recovery in worker remittances. Growth of manufacturing output and construction activity weakened, however, in late 2011 and early 2012 owing to weaker external demand and a harsh winter. In 2012, against the backdrop of the sluggish EU economy, export growth will likely remain slow, especially given the region's strong trade ties with Greece and Italy. In addition, weak employment conditions, lower public sector wages, fiscal tightening, sluggish credit growth and private sector indebtedness continue to restrain domestic consumption and investment. The planned boost to public investments in infrastructure and energy, financed through EU support and other international resources is to provide some counterweight. In 2012, inflation in most of the region is forecast to be in the low single-digits. The region remains dependent on external finance, and the large presence of Greek banks in parts of the region entails the risk of capital outflows. An abrupt decline in remittances, triggered by a deeper crisis in the EU, would stifle private consumption.

Developing economies

Economic growth in *Africa* will remain solid in the outlook period, but slightly below the level forecast in the WESP 2012. The region is expected to see its GDP grow by 4.2 per cent in 2012 and 4.8 per cent in 2013, a downward revision by 0.8 and 0.3 percentage points, respectively, from the previous forecast. Lingering global economic uncertainty stemming from the slowdown in Europe and some large developing countries will weigh on exports and lead to more cautious investment, especially in the infrastructure and resource sectors. In addition, political instability and uncertainty drag economic growth in countries like Libya and Egypt. The service sector remains strong in many economies, including Nigeria and Ghana, where the telecommunications and construction sectors are expected to continue to show robust growth. Domestic consumption demand has strengthened in many countries in the region as well. In Kenya, for example, retail trade has expanded by almost 50 per cent over the past 6 years and this trend is likely to continue. Public and private investment in the natural resource and infrastructure sectors will continue to grow at a solid pace in several countries. However, infrastructural deficits, especially in terms of energy generation and refining capacity, continue to impede acceleration of growth and development in most countries in the region. Meanwhile, added production capacity, as in Sierra Leone, and still elevated commodity prices are expected to underpin a continued solid performance in the resource sectors across the region. Important downside risks are associated with stronger-than-expected commodity price weakening, that would result from a more pessimistic scenario playing out for the developed economies. While inflation rates are forecast to moderate, they remain high in much of sub-Saharan Africa. They are still well into the double-digits in a number of countries, for example, Ethiopia, Nigeria, Tanzania, and Uganda; this is curbing purchasing power and, hence, consumption spending. Next to commodity price fluctuations, the prospect of renewed droughts poses a major risk to the outlook and could spark the re-emergence of severe food shortages.

Weak demand in developed countries and a slowing Chinese economy are likely to weigh on economic growth in *East Asia* in the outlook period. After decelerating from 9.2 per cent in 2010 to 7.1 per cent in 2011, average regional growth is expected to

slow further to 6.5 per cent in 2012. In 2013, the pace of growth is projected to pick up slightly as global demand recovers, with regional GDP forecast to expand by 6.9 per cent. The growth slowdown in East Asia reflects weaker import demand in developed countries, increased global uncertainty and the lagged effects of credit tightening in parts of the region, most importantly in China. While the risk of a hard landing of China's economy in the outlook period is low, growth is forecast to slow from 9.2 per cent in 2011 to 8.3 per cent in 2012. Across the region, weaker growth of exports and investment is expected to be partly offset by strong household and government consumption as fiscal policy becomes slightly more expansionary. Household consumption will be supported by persistently low real interest rates and rising real wages. The region's labour markets are expected to remain fairly robust despite slower employment growth, particularly in the manufacturing sector. A significant decline in consumer price inflation will also contribute positively to real wage growth in 2012. The slowdown in inflation stems primarily from an easing of food and commodity prices, which can be attributed to improved supply conditions in the region and a weakening of the global economic environment. While several central banks, including the People's Bank of China, loosened monetary conditions in response to lower inflationary pressures and slower domestic growth, no significant changes to the current policy stance are expected in the remainder of 2012.

Economic growth in *South Asia* is projected to moderate to 5.6 per cent in 2012, down from 6.1 per cent in 2011 and well below the 7.1 per cent pace recorded in 2010. In 2013, regional GDP growth is expected to accelerate again to 6.1 per cent. The recent deceleration mainly reflects significantly lower growth in India, where domestic demand, in particular private investment, has weakened on the back of aggressive monetary tightening and a policy standstill. India's economy is forecast to expand by 6.7 per cent in 2012, after growing by 7.1 per cent in 2011. Most South Asian countries will continue to face major headwinds to economic growth in the near term. On the domestic front, consumption and investment activity are negatively impacted by elevated inflation, relatively restrictive macroeconomic policies and country-specific factors such as security concerns and political uncertainties. At the same time, external conditions have become more challenging. Sluggish economic activity in developed economies, combined with weaker growth in East Asia, will lead to a slowdown in export growth. In addition, high oil prices put a strain on fiscal and external balances, while also preventing a more rapid decline in consumer price inflation across the region. As in previous years, the region will be characterized by stark differences in economic performance, with GDP growth in 2012 projected to range from 0.3 per cent in the Islamic Republic of Iran to 6.9 per cent in Sri Lanka. As a consequence, labour market trends will continue to diverge. In Sri Lanka, the unemployment rate remains close to all-time lows. In the Islamic Republic of Iran and Pakistan, in contrast, unemployment and underemployment are increasing as GDP growth is well below the pace required to absorb the rapidly rising labour force.

Western Asia's growth momentum decelerated in the second half of 2011 and in early 2012 owing to weakening external demand and a moderation of public spending growth following the exceptional measures taken in the wake of the Arab spring. As a result, average regional growth is expected to decline from 6.9 per cent in 2011 to 4.0 per cent in 2012 before picking up to 4.4 per cent in 2013. The persistence of high oil prices, however, reinforces the dual track growth outlook for oil-exporting and oil-importing countries. Oil-exporting countries strongly benefitted from rising oil prices. Exceptionally high export and government revenues allowed oil-exporting countries to increase public spending and boost private consumption as a substitute for domestic political reform.

Oil-importing countries, however, are facing higher import bills in addition to slowing exports; these factors have started to weigh on domestic demand. Consequently, the recent slowdown in Israel and Turkey may extend into the second half of 2012 if economic activity fails to pick up in their main export markets. Furthermore, continued violent clashes have affected economic activity in the Syrian Arab Republic with spillover effects to neighbouring countries. In response to political unrest unfolding in 2011, Arab policymakers have made unprecedented use of fiscal policy to increase public sector employment and wages as well as access to low-cost housing. While helping restore stability and boost growth in several, but not all, of the Arab countries in the short run, the fact that citizens are considering these measures as entitlements, could entail a more permanent rise in public expenditures. This may push up fiscal deficits more structurally. Fuel-exporting countries, for that reason, would require oil prices to stay at least in the range of \$70 to \$100 per barrel in order for them to balance their government budgets. Thus far, however, the measures have not led to an increase in inflationary pressures, which, in fact, dampened throughout in the region, except in Turkey.

Economic growth in *Latin America and the Caribbean* is expected to slow from 4.3 per cent in 2011 to 3.7 per cent in 2012, before accelerating again to 4.2 per cent in 2013. In many countries, the phasing out of fiscal and monetary stimulus measures have curbed domestic demand growth. Exports from Mexico and the Caribbean expanded faster than expected as economic activity in the United States strengthened towards the end of 2011. Yet, overall economic growth in Mexico is expected to slow to 3.4 per cent in 2012. After lagging behind the rest of the region in terms of output recovery, the Caribbean economies are projected to see a mild acceleration of GDP growth to 3.3 per cent in 2012 and 4.0 per cent in 2013, up from 2.5 per cent in 2011. Somewhat stronger growth in the United States is expected to strengthen demand in the tourism industry and other exports, as well as remittances. Scope for additional support through fiscal policy is limited given already high levels of public indebtedness. Economic growth in Brazil is expected to recover gradually in 2012 and 2013 as private investment is supported by monetary loosening and government spending increases. A fall in industrial production and upward pressure on the real has prompted the Government to strengthen capital account regulation and to introduce additional fiscal incentives to spur industrial activity. A sharp economic slowdown is expected in Argentina in 2012, following a period of fast growth. Domestic demand as well as agricultural production growth is expected to weaken. An escalation of the euro area crisis presents a major risk for Latin America and the Caribbean; especially as it would likely lead to a renewed global slowdown, with weakening demand in China and the United States, Latin America's main export destinations.

The *least developed countries* (LDCs) are forecast to grow by an average of 4.1 per cent in 2012, almost 2 percentage points lower than projected in WESP 2012. This significant downward revision is largely the result of much weaker than expected growth performances in Sudan and Yemen as both countries are mired in conflict. Excluding these countries, economic growth in LDCs is forecast at 6.5 per cent in 2012. In commodity-exporting LDCs, such as Angola, solid commodity prices, combined with expanding production capacities, will underpin strong growth. However, this also highlights the continued vulnerability of these economies to volatility in commodity markets. Consequently, a major downside risk lies in a pronounced drop in commodity prices, for example owing to a more severe slowdown in global growth. Given the major role of the agricultural sector in many LDCs, another downside risk stems from the possibility of renewed droughts, especially in the Horn of Africa and the Sahel region.

Risks and uncertainties

Given the fragility of the global economy, the baseline outlook for 2012 and 2013 is subject to a high degree of uncertainty. Risks are tilted to the downside and include an escalation of the euro area debt crisis and a further rise in global energy prices because of increased geopolitical tensions.

Escalation of the euro area crisis is the biggest threat to global growth

At the current juncture, the euro area crisis remains the biggest threat to global growth in the outlook period. An escalation of the crisis would likely be associated with severe turmoil in financial markets and a sharp rise in global risk aversion, leading to a contraction of economic activity in developed countries at large, which would spill over to developing countries and economies in transition.

Although some progress was made in early 2012 in easing financial market tensions, euro area policymakers have so far not addressed the fundamental and closely intertwined issues at the core of the crisis. They continue to face major challenges related to the fragility of financial institutions and the high level of sovereign debt. Tackling these challenges is complicated by structural imbalances within the euro area and the lack of growth impulses. Average unemployment in the region is at its highest level since the common currency was introduced; and many economies face anaemic growth or recessions as firms and households are in a process of deleveraging, while governments pursue contractionary fiscal policies.

While asset price volatility and inter-bank borrowing costs eased somewhat in early 2012, mostly owing to the ECB's Long-Term Refinancing Operations (LTRO), Europe's financial sector remains very fragile. The cleansing of bank balance sheets of poor-performing assets has been complicated by the slow growth of European economies and increased exposure to sovereign debt risk. Conversely, stagnating and declining growth in many European economies is further eroding the quality of bank assets, as is the continued sovereign debt distress in the euro area. As a result, many European banks plan to shed more assets in the years ahead, in order to raise capital buffers and reduce their exposure to funding markets. Current estimates of the value of assets likely to be sold off over the next two years total about \$2 trillion. Financial deleveraging is necessary to strengthen the long-run financial position of banks, but, in the short run, it will lead to tighter credit supplies, further weakening the real economy. In fact, bank credit supply has continued to decline in some European economies even after the LTRO. Despite the recent efforts by the ECB, bank funding markets are far from normal yet: Bank credit risk remains at a high level and investors' confidence in banks is weak as reflected in the low prices of banking shares. Together with persistent high unemployment, the still ongoing deleveraging by households and fiscal austerity measures by Governments is keeping the risk of Europe entering into a downward, deflationary spiral dangerously high.

Fiscal austerity has already pushed many countries in Europe further into recession and has become self-defeating as far as fiscal consolidation is concerned. This particularly holds for the debt-ridden euro area economies, including Greece and Portugal, which have already received EU-IMF bailout packages, and Italy and Spain, which saw the costs of public financing soar in 2011. Other euro area countries have also fallen back

into recession, following fiscal retrenchment over the past two years. Low growth and high unemployment are at the heart of the region's problems. Given that the euro area economies are mostly trading with each other, weak demand in one country also creates significant negative spillover effects.

At present, the biggest danger for the euro area is posed by the situation in Italy and Spain as the size of their debts would likely challenge the region's rescue funds. The main fear is that Spain will slide into a downward spiral of austerity and recession, which will drive up its borrowing costs, lead to increased market turmoil and eventually require a bailout—with insufficient funds available for Italy. Such a scenario would likely involve renewed speculation about a break-up of the euro area, further unsettling financial markets and triggering a sharp downturn in global economic activity.

High oil prices pose significant downside risks for the world economy

The persistence of high oil prices is benefitting oil-exporting countries at the expense of economic activity in oil-importing countries. Oil prices above \$100 per barrel could become a drag on global demand, but this would be all the more severe if the price shock emanates from a disruption in supply caused, for instance, by geo-political factors. The ban on Iranian oil imports imposed by the EU and the United States has already put upward pressure on oil prices. The impact on oil prices may be offset if other producers increase their supply. Spare capacity of Saudi Arabia, for instance, is estimated at 2.8 million barrels per day (mbd), more than enough to compensate for a complete halt in Iran's supply, as its net oil exports amount to 1.4 mbd. Blockage of the Strait of Hormuz, which could be part of enhanced geo-political tensions, however, would prevent around 10 mbd from reaching international markets, exceeding by far available spare capacity in and outside of the Gulf region.

The IMF estimates that, if not offset by supply increases from other producers, a halt to Iranian oil exports would lead to an initial world price increase of 20 to 30 per cent.³ Further uncertainties about supply disruptions could lead to more substantial price rises affecting global demand. Under present, relatively weak, global economic conditions, an oil price rise of 50 per cent sustained over the coming two years could lower WGP growth by 0.5 to 1 percentage point.⁴ The impact could be stronger if it induced other commodity prices to rise as well and if increased uncertainty triggered financial market turmoil, effects not considered in the given estimate of the impact.

Oil-importing countries with high fossil fuel-based energy intensity would be hit hard. The \$32 increase in the average oil price during 2011 implied a net transfer of \$450 billion from oil-importing to oil-exporting countries. Developing countries lacking strategic reserves or fiscal buffers to compensate domestic producers and consumers, in particular, have seen strong increases in inflation rates because of rising energy prices. Their growth prospects would suffer from further price increases. While sustained high oil prices will likely induce substitution away from fossil fuel consumption and, over time, enhance energy efficiency, which would be a welcome step towards

³ IMF, *World Economic Outlook April 2012: Growth Resuming, Dangers Remain*, p. 15.

⁴ Estimates based on the UN's World Economic Forecasting Model. Consumption and investment demand would fall in oil-importing countries, offset only in part by increased import demand from oil-exporters.

green growth, there are more benign ways to achieve such effects. In this regard, signs that the risk of escalation of geo-political tensions in the region has subsided is good news for the world economy.

Policy recommendations

Given the subdued outlook of the world economy, with significant risks of a severe slow-down, global policymakers face enormous challenges in many areas. Bold measures have been taken in efforts to shore up the banking system through massive liquidity injections and new capital requirements. In Europe, further deepening of the sovereign debt crisis was contained through a bailout for Greece, a new fiscal pact, ECB purchases of sovereign debt, and the establishment of a financial safety net. Yet, none of this has been enough for a lasting solution to regain financial stability, economic recovery and an end to the jobs crisis. Clearly, the efforts at regaining debt sustainability through fiscal austerity are backfiring. In a context of large output gaps, high unemployment, investment uncertainty and financial fragility, the retreat from fiscal stimulus measures has taken away the last straw of aggregate demand impulses and is holding back economic growth and keeping unemployment rates high, thereby undermining fiscal consolidation. Policymakers in developed countries are now putting hopes on structural reforms to lay the foundations for more robust growth in the medium run. However, the low-growth trap developed countries are currently in, complicates efforts at structural reform and is limiting growth prospects of developing countries through reduced export opportunities and increased commodity and capital flow volatility.

More concerted and more coherent efforts on several fronts of national and international policy making will be needed to break out of the vicious cycle of continued deleveraging, rising unemployment, fiscal austerity and financial sector fragility. Reiterating the policy recommendations made in the WESP 2012, this will require more forceful, but in a number of respects also different approaches on at least four fronts.

Reorienting and coordinating fiscal policies

On the fiscal front, the current policies in developed economies, especially in Europe, are heading into the wrong direction, driving the economies further into crisis and increasing the risk of a renewed global downturn. The severe fiscal austerity programs implemented in many European countries, combined with mildly contractionary policies in others such as Germany and France, carry the risk of creating a vicious downward spiral, with enormous economic and social costs. Under current conditions, characterized by weak private sector activity and poor investor and consumer confidence, simultaneous fiscal retrenchment across Europe has become self-defeating as massive public expenditure cuts will further push up unemployment, with negative effects on growth and fiscal revenues. Such policies may also hamper long-term growth prospects, for example, if lower spending on education undermines the quality of human capital. It is therefore essential to change course in fiscal policy and shift the focus from short-term consolidation to robust economic growth with medium- to long-run fiscal sustainability.

Premature fiscal austerity should thus be avoided and, while necessary, fiscal consolidation should focus on medium-term, rather than short-term adjustment. Instead, and against the political tide, Governments of economies with low financing

costs in capital markets should allow automatic stabilizers to operate and sustain or enhance deficit-financed fiscal stimulus in the short run.

But since fiscal space is clearly severely limited in some economies, international policy coordination will be critical. In Europe, instead of the present asymmetric adjustment through recessionary deflation—where most of the pain is concentrated on the countries in debt distress—it would entail a more symmetrical and sequenced approach with countries with greater fiscal space pushing for euro area-wide reflation. This would also support the recovery in debt-distressed countries and ease some of their fiscal pains, and create more benign conditions in all economies for structural reforms and medium-term fiscal consolidation plans to be phased in subsequently. The United States would equally need to consider such a sequenced approach. The first priority should be to boost demand in order to reduce unemployment, especially through public investment and more direct job creation. This would help households delever and boost consumption demand through income growth. Infrastructure investment and other structural measures would underpin strengthened export competitiveness over the medium run, giving time for China and other Asian economies to rebalance towards greater reliance on domestic demand growth and smaller trade surpluses.

Meanwhile, the short-term policy concern for many developing countries will be to prevent rising and volatile food and commodity prices and exchange-rate instability from undermining growth and leading their economies into another boom-bust cycle. These countries would need to ensure that macroeconomic policies are part of a transparent counter-cyclical framework that would include the use of fiscal stabilization funds combined with strengthened macroprudential financial and capital-account regulation to mitigate the impact of volatile commodity prices and capital inflows.

Aligning macroeconomic and structural policies for job growth and sustainable development

The second and related challenge will be to redesign fiscal policy—and economic policies more broadly—in order to strengthen the impact on employment and aid in its transition from purely a demand stimulus to one that promotes structural change for more sustainable economic growth. Several developing countries, such as Argentina, China and the Republic of Korea, have successfully taken steps in this direction, including through, infrastructure investment and energy-saving incentives. The optimal mix of supporting demand directly through taxes or income subsidies or indirectly through strengthening supply-side conditions, including by investing in infrastructure and new technologies, may vary across countries, but in most contexts, direct government spending tends to generate stronger employment effects.

Addressing financial market instability

The third challenge is to find not only greater synergy between monetary and fiscal stimulus, but also to better coordinate monetary policy action and regulatory reforms of the financial sector. Continuation of expansionary monetary policies among developed countries will be needed, but negative spillover effects need to be contained. The Federal Reserve Bank of the United States, the European Central Bank and the Bank of Japan have kept policy rates at their effective lower bounds and have increasingly relied on unconventional

monetary measures, most notably quantitative easing programs. The resulting increase in money supply has made financial markets more liquid, but generated major spillover effects to developing countries which have seen highly volatile capital inflows, exchange rates and asset prices over the past two years. This has often constrained domestic policy space and adversely affected real activity. Going forward, the existing tensions are likely to prevail: given the need to stimulate credit flow and promote economic activity, monetary policy in developed economies will continue to be expansionary, with the possibility of further large-scale liquidity operations. This could trigger renewed massive capital flows to developing countries, particularly those in East Asia and Latin America. Against this background, Governments and central banks in developing countries should further strengthen their macro-prudential policy toolkit, as mentioned already.

More accelerated regulatory reform of the financial sector will be essential in order to break out of the vicious circle of the low growth trap of developed countries and contain capital flow volatility for developing countries. Lack of financial regulation and oversight was a major factor behind the global financial crisis in 2008-09. Since then, regulatory reform has been placed on national (in particular in the United States and the European Union) and international policy agendas, most notably the G20, the Financial Stability Board and the Basel Committee on Banking Supervision. While progress has been made in identifying and studying priority areas of regulatory reform and in offering policy recommendations, implementation is lagging behind. Moreover, insufficient coordination between national bodies appears to result in a regulatory patchwork, with major inconsistencies between jurisdictions. Global financial stability is unlikely to be achieved in the absence of a comprehensive, binding and internationally coordinated framework. Common international standards and principles, implemented consistently in every jurisdiction, are needed to limit regulatory arbitrage, which includes shifting high-risk activities from more to less strictly regulated environments, and to allow for adequate oversight. Among the priority areas identified by the G20 countries, some progress has been achieved in making the traditional banking sector more resilient, with most banks meeting the new minimum Basel III requirements of 4.5 per cent for common Tier 1 capital, although conditions in the European banking sector remain fragile. The issue of systemically important “too-big-to-fail” institutions has not been sufficiently addressed and moral hazard may even have increased in the wake of bailouts and industry takeovers. Finally, despite its instrumental role in the run-up to the financial crisis, the shadow banking sector remains largely unregulated. Given the continued fragility of financial systems worldwide and the enormous risks associated with it, there is urgent need for faster progress in financial regulatory reform at the international level.

Ensuring adequate development finance

The fourth challenge is to ensure that sufficient resources are made available to developing countries, especially those possessing limited fiscal space and facing large development needs. These resources will be needed to accelerate progress towards the achievement of the Millennium Development Goals (MDGs) and for investments in sustainable and resilient growth, especially for the LDCs. Fiscal austerity among donor countries has also affected aid budgets, as visible in the decline in real terms of the official development assistance flows in 2011. Apart from delivering on existing aid commitments, donor countries should consider mechanisms to delink aid flows from their business cycles so as to prevent delivery shortfalls in times of crisis, when the need for development aid is at its most urgent. One

way to do so would be through internationally concerted taxes (such as airline levies, currency transaction taxes or carbon taxes) allocated for development and global public goods, as proposed in the recent World Economic and Social Survey.⁵

Dealing with the jobs crisis through benign global rebalancing

A jobs and growth-oriented agenda as outlined above is compatible with medium-term reduction of public debt ratios and benign global rebalancing, as shown in an update of the coordinated policy scenario with the United Nations Global Policy Model presented in the WESP 2012⁶ (see the annex for a detailed description of this policy scenario). With continued existing policies, but assuming no major deepening of the euro crisis, growth of WGP would average, at best, 2.9 per cent per year on average, far from sufficient to deal with the jobs crisis or bring down public debt ratios. The alternative scenario, based on the agenda outlined above, includes a shift in fiscal policies away from austerity and towards more job creation through, inter alia, more spending on infrastructure, energy efficiency and social programmes and tax and subsidy measures to stimulate private investment projects in these areas, continued expansionary monetary policies aligned with stronger capital account regulation stemming capital flow volatility and enhanced development assistance to the poorest nations. The GPM simulations show that under such a policy scenario, WGP would grow at an average rate of 4.0 per cent between 2013 and 2016, public debt-to-GDP ratios would stabilize and start falling from 2016 at the latest, and the jobs deficit would be closed by 2016 (see figure 3).

⁵ See United Nations, *World Economic and Social Survey 2012: In Search of New Development Finance* (Sales No. E.12.II.C.1).

⁶ See United Nations, *World Economic Situation and Prospects 2012* (Sales No. E.12.II.C.2), pp. 33-36. Also available from <http://www.un.org/en/development/desa/policy/wesp/index.shtml>.

Figure 3: Internationally coordinated strategy for growth and employment

Figure 3A
Employment ratios of selected countries or country groups (per cent of working age population)

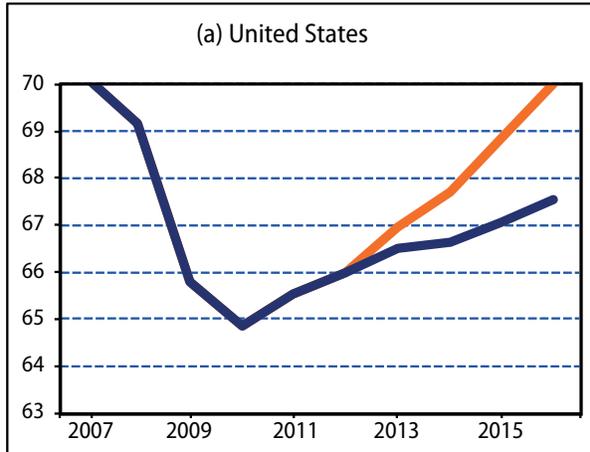
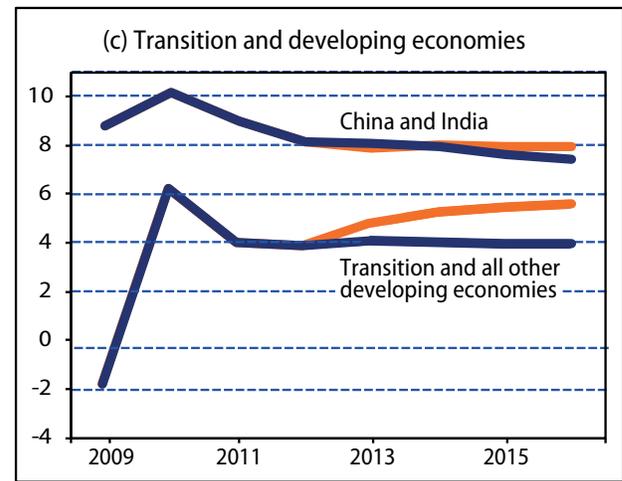
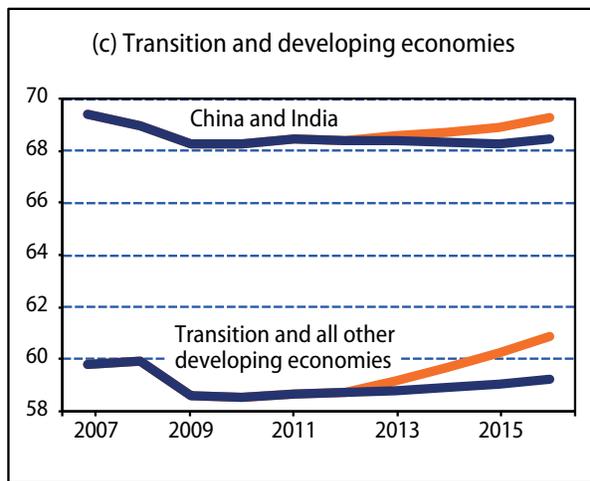
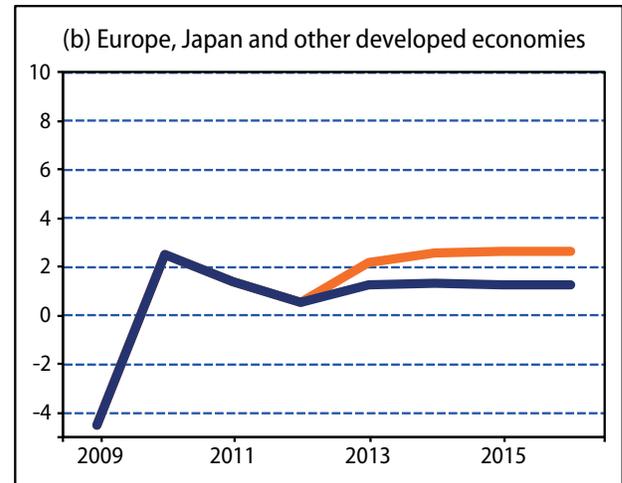
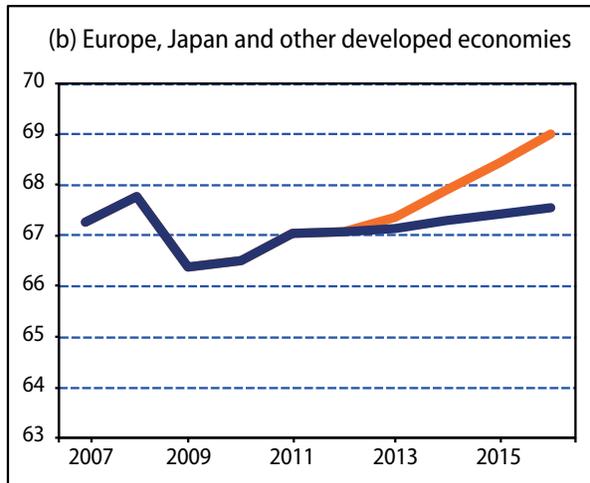
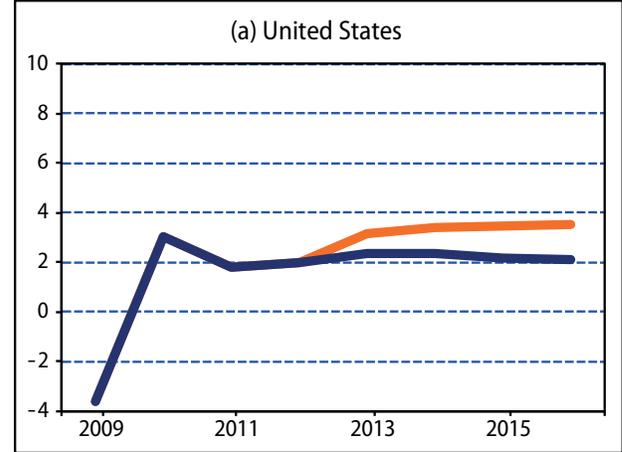


Figure 3B
Growth rates of selected countries or country groups (per cent)



Source: UN/DESA Global Policy Model (<http://www.un.org/esa/policy/publications/ungpm.html>)

Annex

Annex I: An internationally coordinated strategy for growth and jobs

The policy recommendations proposed in the final section of the report can be shown to add to a coherent strategy for balanced global growth and employment creation. The various components of the proposed strategy have been translated into corresponding changes in relevant policy variables contained in the United Nations Global Policy Model (GPM). As governments have continued to impose premature austerity measures and growth and job creation remain anaemic in many of the developed economies, the policy scenario constitutes both an alternative short-term response to overcome the jobs crisis and a benign medium-term strategy for growth, fiscal sustainability and global rebalancing. The key differences with the baseline policy stances are:

- Policies, especially in developed economies, shift away from premature fiscal austerity and towards a more countercyclical stance to support aggregate demand in the short run.
- In all countries, Governments enhance public spending on social and physical infrastructure and public investment as well as fiscal incentives for private investors promoting “green” growth (including through greater energy efficiency and clean energy generation). Green growth investments are generally perceived to have greater job creation effects than existing “brown” technologies and this is also assumed to be the case in the GPM.
- Industrial policy incentives implemented by developing countries and greater market access granted by developed countries to their exports are assumed to support economic diversification and reduce dependence on commodity exports.
- The policy scenario further assumes that these national policies are part of an internationally concerted strategy. Policy coordination would ensure that there is sufficient aggregate fiscal stimulus in the short run, while differentiating stimulus across countries in accordance with available fiscal space. Furthermore, it is assumed that policy coordination will lead to adequate financial safety nets, debt-work out mechanisms, and monetary policy coordination that will prevent the strategy from being disrupted by the present risks of excessive exchange rate and capital flow volatility or contagious sovereign debt crises. The main outcomes of such a scenario can be summarized as follows:

Growth and job creation

Figure 3 in the main body of the text and the first two sections of table A.1 show that in all countries and country groupings output and employment growth would be well above the projected baseline outcomes. By 2016, about 65 million additional jobs would be created compared with the baseline (see bottom section of table A.1) and employment ratios would improve across the board (see figure 3 in the main body of the text). This is more than enough to make up for the jobs deficit of 48 million that existed at the end of 2011. The emphasis of fiscal stimulus on infrastructure spending and green investment creates stronger multiplier effects than existing spending patterns. As a result, GDP

growth accelerates, yielding greater public revenue, such that the stimulus does not visibly drive up fiscal deficits (see section 3 of table A.1).

Fiscal sustainability and private sector financial stability

As argued in previous years' World Economic Situation and Prospects, large global imbalances were symptoms of the problems leading to the global economic and financial crisis of 2008-2009. These imbalances have narrowed in the aftermath of the crisis, in part because households, private businesses and financial institutions tried to clean their balance sheets and lower indebtedness, leading to higher private savings rates (see section 6 in table A.1). This process is still ongoing and is holding back the recovery. The growth and jobs strategy would lead to an easing of the deleveraging process and a reduction of the private sector savings surpluses, especially in developed economies.

As already indicated, despite the added fiscal stimulus, the policy scenario would not lead to increased fiscal deficits or larger public debts. In fact, as can be seen from the trends in sections 5 and 8 of table A.1, the strategy will enable fiscal consolidation, as both fiscal deficits and public debt levels fall as proportions of GDP over the medium run.

Benign global rebalancing

External balances also remain in check as a result of the indicated fiscal and private sector adjustment in the scenario (see section 7 of table A.1). In other words, the scenario suggests that a benign global rebalancing is feasible. In addition, the policies and investments inducing greener growth and greater economic diversification in developing countries would also have a stabilizing effect on international commodity prices.

Table A.1
Employment Growth Scenario: main outcomes by groups of countries

	2011	2012	2013	2014	2015	2016
1: GDP growth (per cent)						
United States	1.8	2.0	3.1	3.4	3.5	3.5
Europe	1.7	0.0	2.1	2.6	2.7	2.7
Japan and other developed countries	0.8	1.8	2.4	2.5	2.5	2.4
China and India	9.0	8.1	7.9	8.0	8.0	8.0
CIS and Western Asia (major oil exporters)	4.4	4.5	5.6	5.7	5.8	5.9
Other developing countries	3.9	3.6	4.5	5.0	5.3	5.5
2: Employment created above the baseline (millions)						
United States	0.0	0.0	1.0	2.4	4.1	5.8
Europe	0.0	0.0	1.1	2.6	4.4	6.2
Japan and other developed countries	0.0	0.0	0.1	0.3	0.5	0.7
China and India	0.0	0.0	3.4	7.0	11.0	15.2
CIS and Western Asia (major oil exporters)	0.0	0.0	0.6	1.4	2.3	3.3
Other developing countries	0.0	0.0	7.4	15.6	24.4	33.7
3: Growth of government spending (const. prices)						
United States	1.2	1.3	0.4	1.0	1.4	1.4
Europe	1.4	2.7	1.0	1.6	1.7	1.6
Japan and other developed countries	1.8	1.6	0.7	1.0	1.1	1.1
China and India	8.7	9.6	9.7	8.6	8.5	8.6
CIS and Western Asia (major oil exporters)	2.2	3.3	1.8	4.5	5.3	5.8
Other developing countries	3.9	5.8	4.2	5.4	5.9	6.1
4: Growth of private investment (const. prices)						
United States	6.4	6.0	4.5	6.5	7.2	7.4
Europe	3.6	0.3	5.1	6.2	6.6	6.4
Japan and other developed countries	4.3	2.7	3.6	5.3	5.7	5.6
China and India	9.4	8.9	6.8	6.0	5.8	5.7
CIS and Western Asia (major oil exporters)	8.8	7.3	9.5	10.2	10.0	9.9
Other developing countries	8.1	5.9	4.3	5.9	7.1	7.7
5: Net government financial surplus (per cent of GDP)						
United States	-11.0	-10.1	-9.1	-8.2	-7.4	-6.7
Europe	-6.0	-6.8	-6.5	-5.9	-5.4	-4.8
Japan and other developed countries	-8.2	-7.5	-6.6	-5.8	-5.0	-4.3
China and India	-3.2	-3.0	-3.4	-3.4	-3.4	-3.3
CIS and Western Asia (major oil exporters)	-0.5	0.9	1.6	1.9	2.1	2.4
Other developing countries	-2.2	-2.4	-2.4	-2.5	-2.4	-2.3
6: Net private sector financial surplus (per cent of GDP)						
United States	8.0	7.1	6.1	5.2	4.3	3.5
Europe	5.9	7.2	6.6	5.8	5.0	4.3
Japan and other developed countries	8.1	7.2	6.3	5.4	4.5	3.6
China and India	5.3	5.6	6.3	6.7	6.8	6.8
CIS and Western Asia (major oil exporters)	6.7	3.7	2.2	1.0	0.5	0.3
Other developing countries	1.9	1.7	2.1	2.5	2.7	2.7

(cont'd)

Table A.1 (cont'd)

	2011	2012	2013	2014	2015	2016
7: Current account deficit (per cent of GDP)						
United States	-2.9	-3.0	-3.0	-3.0	-3.1	-3.2
Europe	0.0	0.4	0.1	-0.1	-0.4	-0.5
Japan and other developed countries	0.0	-0.3	-0.3	-0.4	-0.5	-0.7
China and India	2.1	2.6	2.9	3.2	3.4	3.5
CIS and Western Asia (major oil exporters)	6.2	4.6	3.8	2.8	2.7	2.8
Other developing countries	-0.4	-0.7	-0.3	0.0	0.3	0.4
8: Government debt (per cent of GDP)						
United States	76	77	76	74	72	70
Europe	72	74	75	74	74	73
Japan and other developed countries	137	135	134	132	130	128
China and India	23	21	20	20	19	19
CIS and Western Asia (major oil exporters)	36	38	38	37	36	35
Other developing countries	34	35	35	35	35	35
9: Memo						
Growth of world gross product at market rate (per cent)	2.8	2.4	3.6	4.0	4.1	4.2
Growth of world gross product at ppp rate (per cent)	3.7	3.4	4.4	4.7	4.9	5.0
Global creation of employment above baseline (mn)	0.0	0.0	13.5	29.3	46.6	64.9
Employment deficit compared with employment rate 2007 (mn)	48.0	45.5	28.5	9.8	-12.1	-39.9
Growth of exports of goods and services (per cent)	10.9	5.4	5.7	4.9	5.3	5.0
Real world price of energy (index)	1.6	1.6	1.6	1.5	1.6	1.6
Real world price of food & primary commodities (index)	1.2	1.2	1.2	1.2	1.2	1.3
Real world price of manufactures (index)	1.0	1.0	1.0	1.0	1.0	1.0

For further information,
see <http://www.un.org/esa/policy/wess/wesp.html>
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