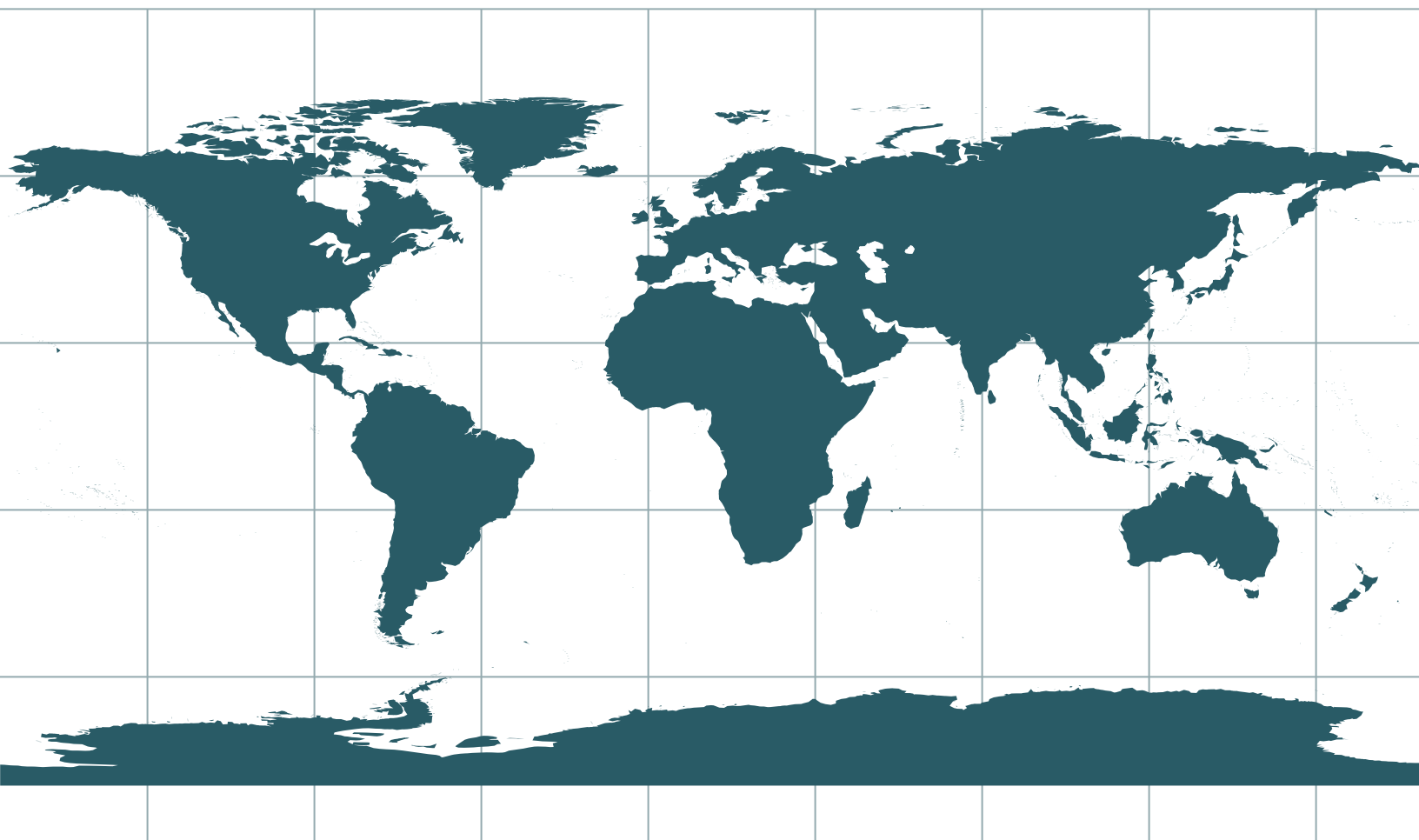


World Economic Situation and Prospects 2016



United Nations
New York, 2016

Table of contents

Acknowledgements	iii
Explanatory notes	iv
Executive summary	v
Chapter I	
Global economic outlook	1
Prospects for the world economy in 2016–2017	1
Global growth stumbles	1
Inflation remains benign	5
Unemployment challenges persist	6
Headwinds impede global growth	8
Persistent macroeconomic uncertainties and volatility	9
Uncertainty shocks persist	9
Low commodity prices and declining trade flows	14
Commodity prices have registered sharp declines	14
Rising volatility in exchange rates and capital flows	16
Large swings in exchange rates	16
Capital inflows to emerging economies decline sharply	18
Stagnant investment and diminishing productivity growth	19
Diminishing productivity growth	19
Continued disconnect between finance and real sector activities	23
Economic growth, poverty and carbon emissions	24
Growth and poverty reduction	26
Growth and environmental sustainability	28
Policy stances, challenges and the way forward	31
Monetary policy	31
Fiscal policy	33
Vulnerabilities in developing economies increase	36
Geopolitical risks cloud regional economic prospects	37
Policy challenges are expected to intensify	38
Sustainable development will require more sustained policy coordination	40
Appendix	43
Baseline forecast assumptions	43
Monetary policy	43
Fiscal policy	44
Exchange rates among major currencies	45
Oil price	46
Forecast sensitivities to key assumptions	46

	<i>Page</i>
Chapter II	
International trade	49
Trade flows	49
Regional trends	54
Decomposition analysis	55
Trade in services	56
Primary commodity markets	60
Food and agricultural commodities	62
Minerals, ores and metals	64
Oil market prices	65
Trade policy developments	67
Multilateral trade negotiations	67
Regional trade agreements	73
Future direction	76
Appendix	79
Measuring the commodity terms-of-trade effect of the commodity price drop	79
Chapter III	
International finance for sustainable development	81
Trends in net resource transfers	82
Highly volatile private capital flows	83
Capital flows and long-term economic growth	86
Pitfalls of short-term capital flows	90
Remittance flows: rising, but different	91
Global imbalances and international reserves accumulation	93
International financial stability and growth	95
The financial sector: stability, financial depth, and access	95
Debt and debt sustainability	98
International cooperation and public resources for sustainable development	103
International tax cooperation and illicit capital flows	103
International public finance	108
Multilateral, regional and national development banks	110
Global architecture	113
Chapter IV	
Regional developments and outlook	117
Developed economies	117
North America	117
Developed Asia and the Pacific	119
Europe	121
Economies in transition	125
South-Eastern Europe: growth recovers, but fragilities persist	125
The Commonwealth of Independent States: economic downturn and uncertain prospects	126

	<i>Page</i>
Developing economies	130
Africa: domestic demand drives accelerating growth	131
East Asia: despite a weaker-than-expected performance, the region drives global growth.	135
South Asia: growth expected to strengthen, driven by private consumption and investment	139
Western Asia: along with military conflicts, low oil prices weigh on regional GDP growth	144
Latin America and the Caribbean: on a “two-track” growth path	148
 Boxes	
I.1 Prospects for the least developed countries	3
II.1 The current commodity price slump, terms-of-trade effects and government finances in commodity-dependent developing countries.	52
II.2 Trends in international tourism	58
II.3 Agriculture negotiations, food security and sustainable development	69
II.4 Sanitary and phytosanitary measures and trade distortions.	75
III.1 The Addis Ababa Action Agenda	82
III.2 The “financial account”, the “capital account” and twin surpluses	87
III.3 Development finance in a changing climate	99
III.4 Data and the Addis Ababa Action Agenda	114
IV.1 A preliminary assessment of the macroeconomic impact of the influx of refugees and migrants in Germany	123
IV.2 Financial dollarization in the Commonwealth of Independent States.	128
IV.3 Africa’s resource exports and product imports: the untapped potential of value-added production	134
IV.4 The potential impact of monetary policy normalization in the United States on Asia and the Pacific	140
IV.5 The impact of the current oil-price shock on public finances for oil- exporting countries in Western Asia.	145
IV.6 Commodity price volatility and its impacts on Latin American and Caribbean economies	151
 Figures	
I.1 Growth of world gross product and gross domestic product by country grouping, 2007–2017	1
I.1.1 Commodity exports as a share of GDP and share of the top commodity group in total commodity exports for the LDCs, 2014.	4
I.2 Contribution to global growth, 2007–2017	5
I.3 Global consumer price inflation, 2006–2017	6
I.4 Global employment gap, 1999–2019.	7
I.5 Total unemployment by regions, 2007–2019	7

	<i>Page</i>
I.6 Excess reserves of financial institutions held with the United States Federal Reserve.	11
I.7 Volatility and growth in developed economies, 2010 Q1–2015 Q2.	13
I.8 Volatility and growth in developing economies and economies in transition, 2010 Q1–2015 Q2.	13
I.9 Regional contributions to world import growth	15
I.10 Price indices of selected groups of commodities, August 2013–September 2015	15
I.11 Exchange rates of selected emerging-market currencies vis-à-vis the United States dollar, 1 September 2014–23 November 2015	16
I.12 Real effective exchange-rate volatility, January 1996–September 2015	17
I.13a Developed countries' fixed investment growth: before and after the crisis .	20
I.13b Selected other countries' fixed investment growth: before and after the crisis	20
I.14a Growth accounting at the global level, 2009–2014 and 2002–2007	22
I.14b Growth accounting for developed economies, 2009–2014 and 2002–2007	22
I.15 The stock of financial assets, 2002–2013	24
I.16 Financial sector deleveraging, 2008 Q2–2008 Q4	25
I.17 Financial sector deleveraging of securities and net contraction in GDP growth, 2008 Q2–2008 Q4	25
I.18 Relationship between poverty headcount ratio and income growth	27
I.19 Emission levels and renewable energy investments	30
I.20 Ten-year government bond yields in selected developed economies, October 2005–October 2015	31
I.21 Central bank policy rates in the BRICS, October 2011–October 2015. . . .	32
I.22 Net external asset positions as a percentage of world gross product, 2003–2017	34
I.23 Euro area current-account balance (CAB).	35
I.24 Share of exports to China	36
I.A.1 Key policy rates.	44
I.A.2 Total assets of major central banks, December 2006–December 2017	44
I.A.3 Data and assumptions on major currency exchange rates	45
I.A.4 Impact of a 1 percentage point rise in United States interest rates.	46
I.A.5 Impact of a 1 per cent of GDP increase in United States government spending	46
I.A.6 Impact of a 5 per cent depreciation of the euro/\$ rate.	47
I.A.7 Impact of a 10 per cent rise in the oil price	47
II.1 Growth of world trade and world gross product, 2007–2017.	49
II.2 Regional contribution to global import growth, 2011–2017	50
II.3 China's imports of selected commodities, 2014 Q1–2015 Q3	51
II.1.1 Commodity export and import price decline, April 2011–August 2015 . .	53

	<i>Page</i>
II.4 World trade prices, 2006 Q1–2015 Q2	56
II.5 Manufactured goods export price and dollar exchange rate, 2006 Q1–2015 Q1	56
II.6 Regional shares of exports to developing and developed countries, 1995–2014	57
II.7 Services exports by level of development and region, 2008–2014	57
II.2.1 Countries with largest surplus on the travel balance, 2014	59
II.8 Developing economies' share in world services exports by sector, 2005 and 2014	60
II.9 UNCTAD non-oil commodity price index, January 2009–September 2015	61
II.10 Average monthly price change for selected commodities, January 2015–September 2015	61
II.11 Price indices of selected food and agricultural commodity groups, January 2009–September 2015	63
II.12 Price indices of selected minerals, ores and metals, January 2009–September 2015	64
II.13 Monthly Brent crude oil price average, January 1984–September 2015 . . .	66
II.3.1 Food dependency index by region and development level, 2014	70
II.4.1 Exports and export loss to the European Union	76
II.A.1 Commodity export and import price decline, scaled by GDP share of commodity export and import, April 2011–August 2015	80
III.1 Net transfer of resources to developing economies and economies in transition, 2003–2015	83
III.2 Net financial flows to developing countries and economies in transition, 2005–2015	85
III.3 Year-end foreign-exchange reserves, including gold, in BRICS countries . .	86
III.2.1 Average current-account balance and capital flows, large developing countries, 2000–2014	87
III.2.2 Current-account balance and capital flows, selected countries	88
III.4 Average annual growth rates of GDP per capita and average current-account balance, 1970–2007	88
III.5 Portfolio flows by non-residents, selected countries, 2013 Q1–2015 Q2 . . .	89
III.6 Total migrant stocks and global remittance inflows, 1990–2014	91
III.7 Selected countries' remittance inflows, 2014	92
III.8 Current-account balances and remittance inflows in selected countries, 2014	93
III.9 Foreign-exchange reserves as a percentage of world gross product, 1980–2014	94
III.10 Global project finance by funding institution, January 2012–January 2013	96
III.11 Financial depth vs. financial access by small firms, most recent year	97

III.12	Global stock of debt outstanding	98
III.13	Global debt securities market, 2001–2014	100
III.14	Emerging-market corporate debt, 2003–2014.	101
III.15	External debt of developing countries, 2000–2014	102
III.16	Illustrative timeline for exchange of country-by-country reports	105
III.17	ODA with domestic revenue mobilization (DRM) as the core aim, 2006–2013	108
III.18	Annual disbursements of selected regional and national development banks, 2000–2014	111
III.19	Multilateral development bank financing, 2000–2014	112
IV.1	United States unemployment rate and wage inflation, January 1990–October 2015	119
IV.2	Key monthly indicators for Japan, January 2010–September 2015	120
IV.3	Share of exports to the Russian Federation in total exports of goods and services, 2012.	122
IV.2.1	Foreign-currency deposits and total deposits in the CIS, as of end-2014. . .	128
IV.2.2	Remittances and foreign-currency deposits in the CIS, as of end-2014. . . .	129
IV.2.3	Shares of foreign-currency deposits and loans in the CIS, 2015	130
IV.4	Africa: average budget balance as a share of GDP by subregion, 2012–2016	132
IV.5	Africa's exports to China, 2000–2014.	133
IV.6	East Asia: contributions of expenditure components to real GDP growth, January 2014–June 2015.	136
IV.7	East Asia: selected vulnerability indicators	138
IV.8	South Asia: annual GDP growth and consumer price inflation rates, 2010–2017	143
IV.9	GDP growth by economy groups in Western Asia, 2014–2017.	144
IV.5.1	Western Asia: budget balance for selected oil-exporting countries, 2012–2016	145
IV.5.2	Top 10 countries in the world with the highest fossil-fuel subsidy per capita, 2013	146
IV.10	Latin America and the Caribbean: GDP growth rates, 2010–2016.	149
IV.6.1	Average quarterly growth of commodity indices, selected periods between 2000 Q1 and 2015 Q3	152
IV.6.2	Share of statistically significant correlations between commodity indices and equity indices (returns and volatilities), 1991–2000, 2001–2007 and 2010–2015.	152
IV.6.3	Latin America (seven countries): average annual rate of investment growth in real terms, 1991–2014	153

Tables

I.1	Growth of world output, 2013–2017.	2
I.2	Key macroeconomic volatilities before and after the crisis.	10
I.3	Growth of labour productivity, before and after the crisis.	21
I.4	Global debt securities outstanding	23

III.1	Net financial flows to developing countries and economies in transition, 2006–2015	84
IV.1.1	Estimated macroeconomic impact of the influx of refugees and migrants in Germany	124

Statistical annex

Country classifications

Data sources, country classifications and aggregation methodology	157
---	-----

Tables

A.	Developed economies	159
B.	Economies in transition	160
C.	Developing economies by region	160
D.	Fuel-exporting countries	161
E.	Economies by per capita GNI in 2014	162
F.	Least developed countries (as of November 2015)	163
G.	Heavily indebted poor countries (as of September 2015)	163
H.	Small island developing States	164
I.	Landlocked developing countries	164
J.	International Organization for Standardization Country Codes	165

Annex tables

A.1	Developed economies: rates of growth of real GDP, 2007–2017	169
A.2	Economies in transition: rates of growth of real GDP, 2007–2017	170
A.3	Developing economies: rates of growth of real GDP, 2007–2017	171
A.4	Developed economies: consumer price inflation, 2007–2017	173
A.5	Economies in transition: consumer price inflation, 2007–2017	174
A.6	Developing economies: consumer price inflation, 2007–2017	175
A.7	Developed economies: unemployment rates, 2007–2017	177
A.8	Economies in transition and developing economies: unemployment rates, 2006–2015	178
A.9	Major developed economies: quarterly indicators of growth, unemployment and inflation, 2013–2015	180
A.10	Selected economies in transition: quarterly indicators of growth and inflation, 2013–2015	181
A.11	Major developing economies: quarterly indicators of growth, unemployment and inflation, 2013–2015	182
A.12	Major developed economies: financial indicators, 2006–2015	184
A.13	Selected economies: real effective exchange rates, broad measurement, 2006–2015	185
A.14	Indices of prices of primary commodities, 2006–2015	187
A.15	World oil supply and demand, 2007–2016	188
A.16	World trade: changes in value and volume of exports and imports, by major country group, 2007–2017	189

A.17	Balance of payments on current accounts, by country or country group, summary table, 2006–2014	191
A.18	Balance of payments on current accounts, by country or country group, 2006–2014	192
A.19	Net ODA from major sources, by type, 1993–2014	195
A.20	Total net ODA flows from OECD Development Assistance Committee countries, by type, 2005–2014	196
A.21	Commitments and net flows of financial resources, by selected multilateral institutions, 2005–2014	197
	Bibliography	199