

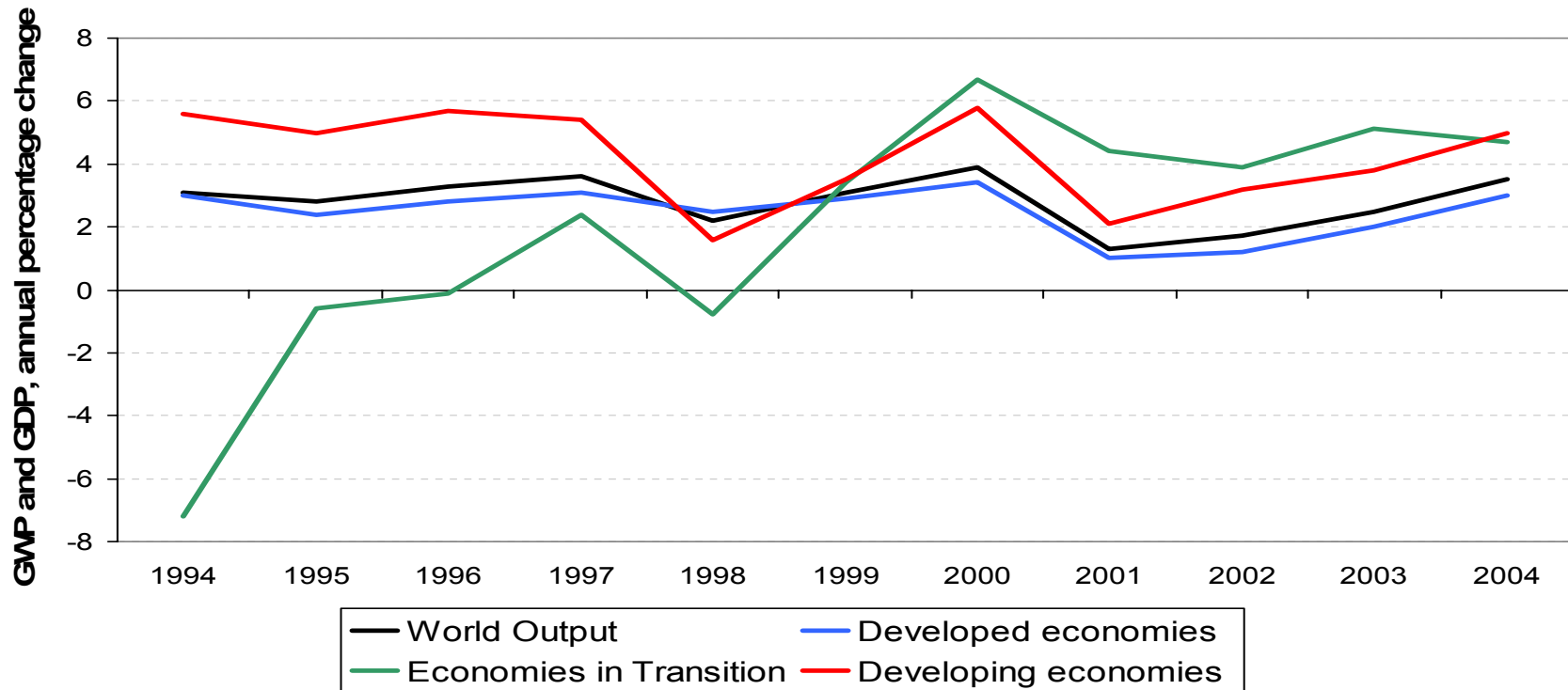
World Economic Situation and Prospects 2004

Presentation by
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Under-Secretary General for
Economic and Social Affairs

New York, 14 January 2004

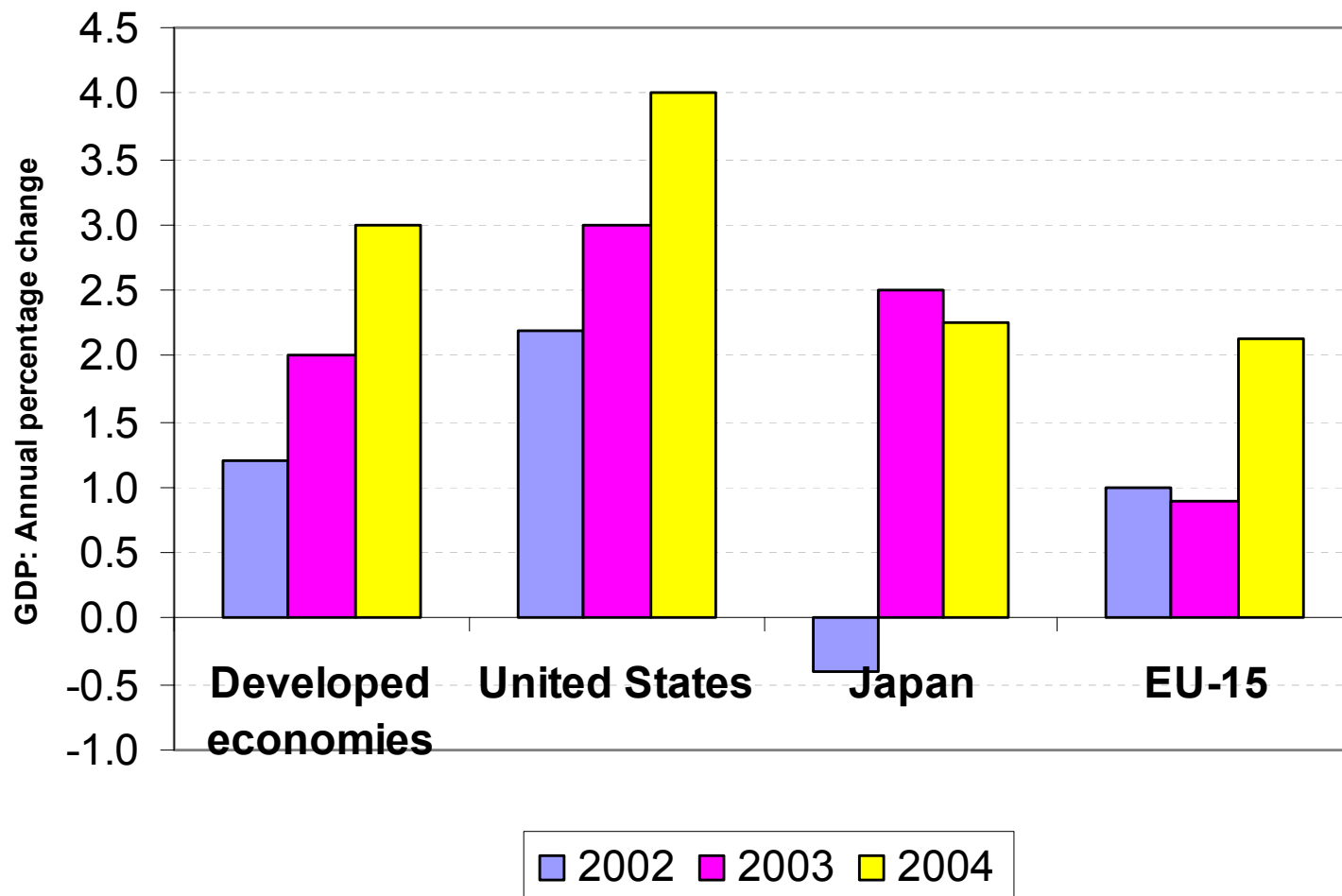


World economic growth gained momentum in 2003 Recovery expected to strengthen in 2004



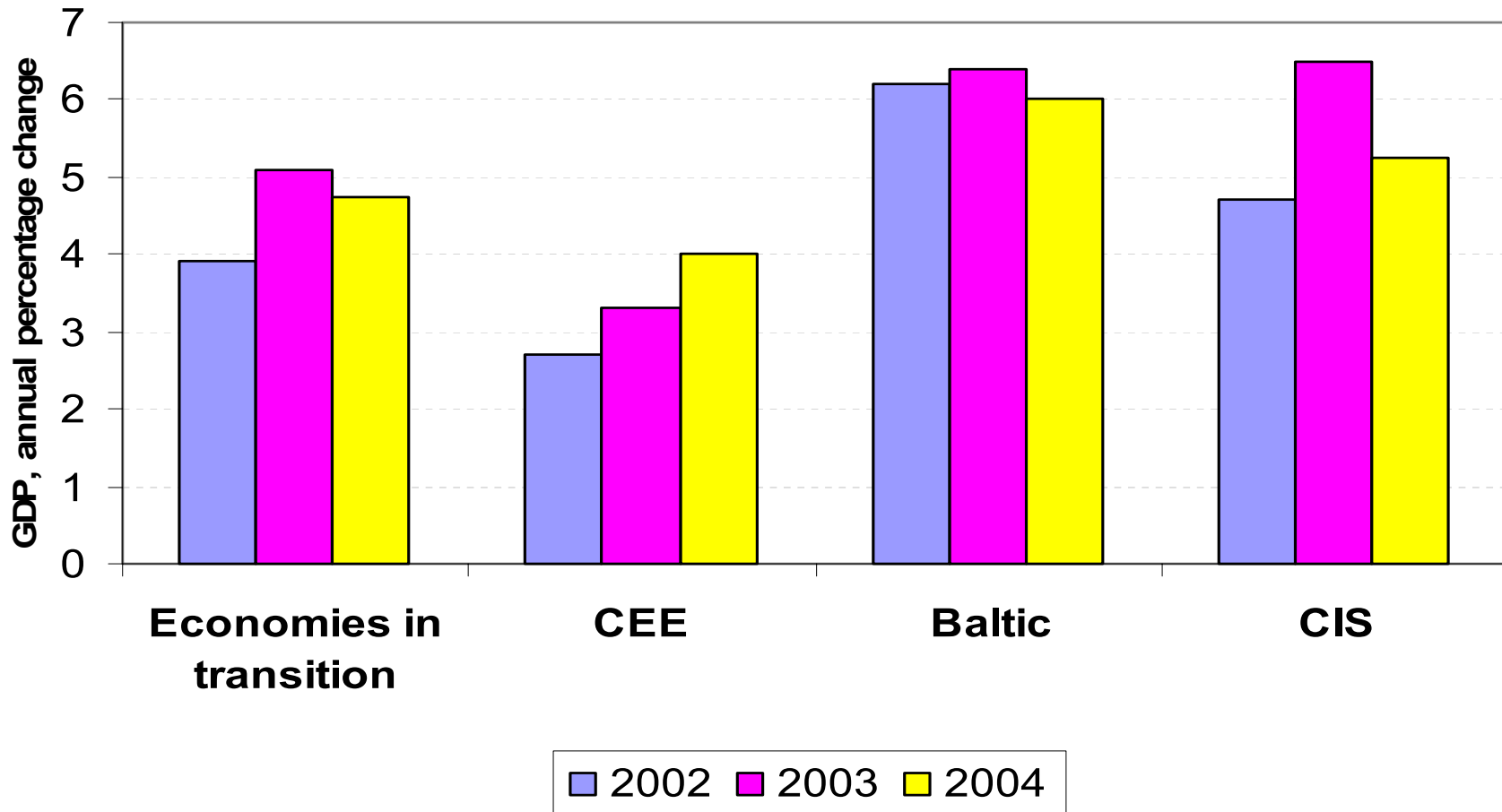


- **The United States continues to lead the upturn**
- **Economic growth strengthened in Japan: a turning point?**
- **Western Europe shows signs of recovery but outlook remains fragile**





Growth in transition economies will moderate but remain robust in 2004

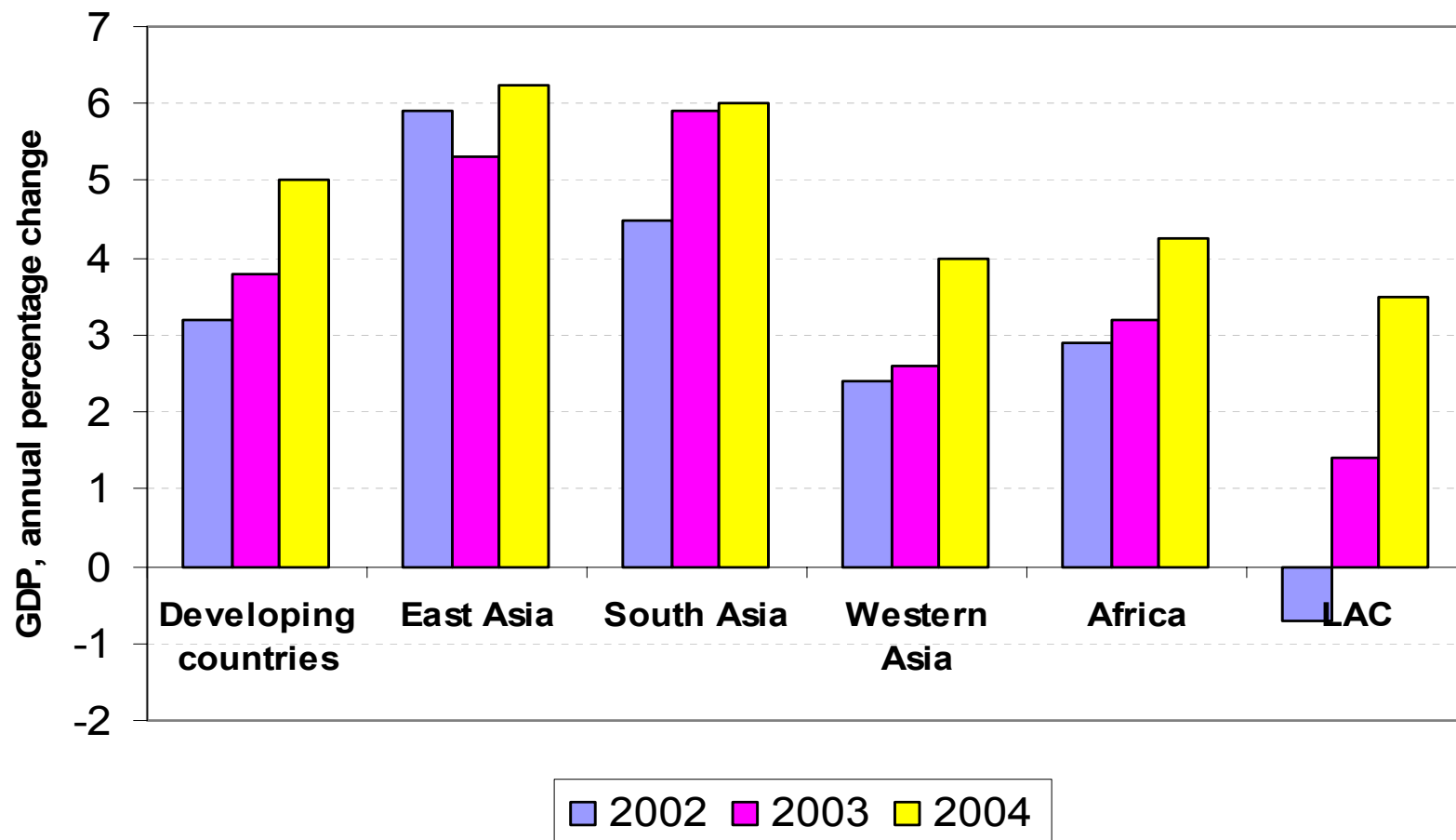




- A slowdown in domestic consumption and lower oil prices will lead to slower growth in the CIS region
- Central and eastern Europe will benefit from the upturn in EU and stronger capital inflows
- Domestic demand supported growth in Baltic countries. EU accession will provide additional stimulus in 2004



Growth was constrained in developing countries but will accelerate with the strengthening of the global economy

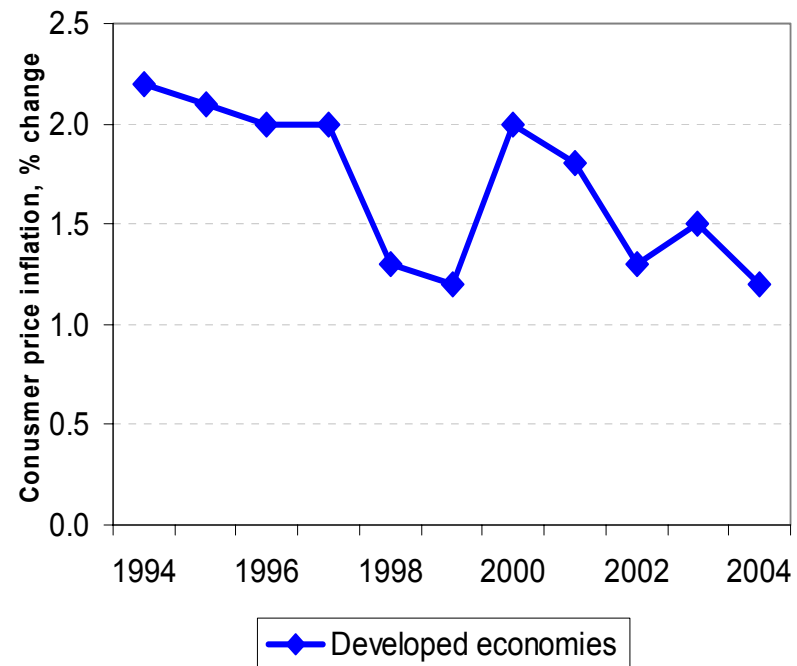
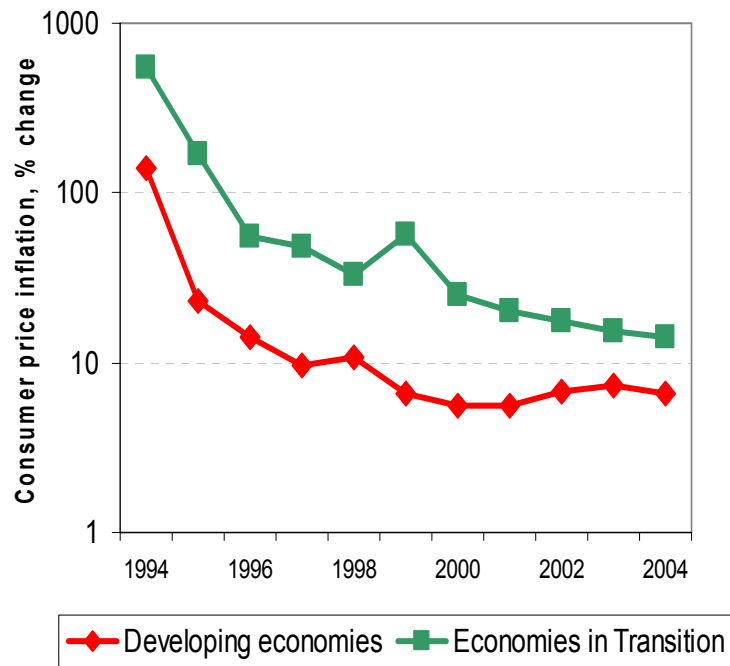




- **In Africa, sound macro policies and increased agricultural output will support faster growth in 2004. But not enough to meet poverty goals**
- **East Asia bounced from SARS shock. Increased importance of China as engine of growth for the region**
- **Favourable weather boosted growth in South Asia. Large fiscal deficits remain a source of concern**
- **Western Asia's economic prospects dependent on positive developments in Iraq. Lower oil prices will affect growth in oil exporters.**
- **LAC growth largely reflected Argentina's recovery in 2003. Improved external and domestic policy environment will support faster growth in 2004.**

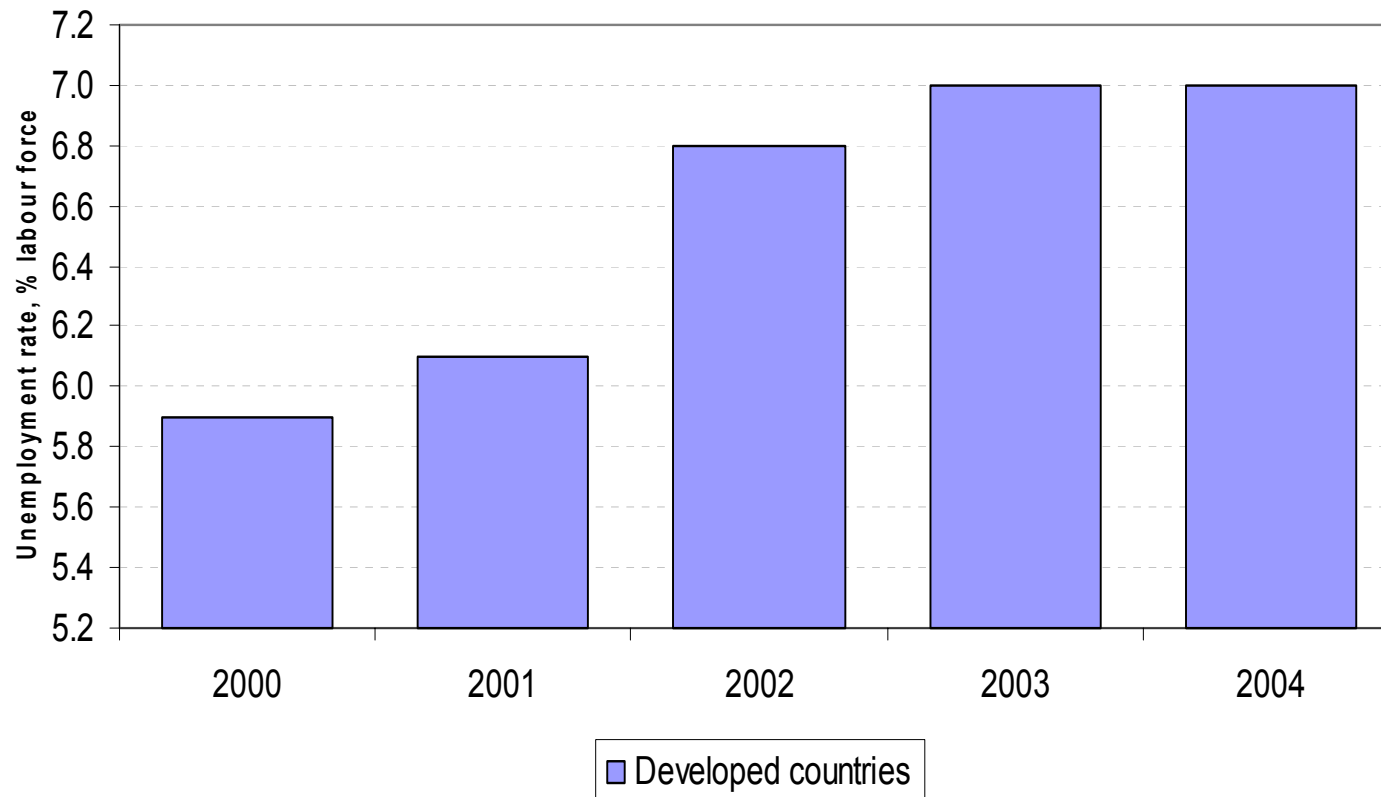


Inflation remains benign...





...but unemployment has increased.
Improvement will lag the recovery in output



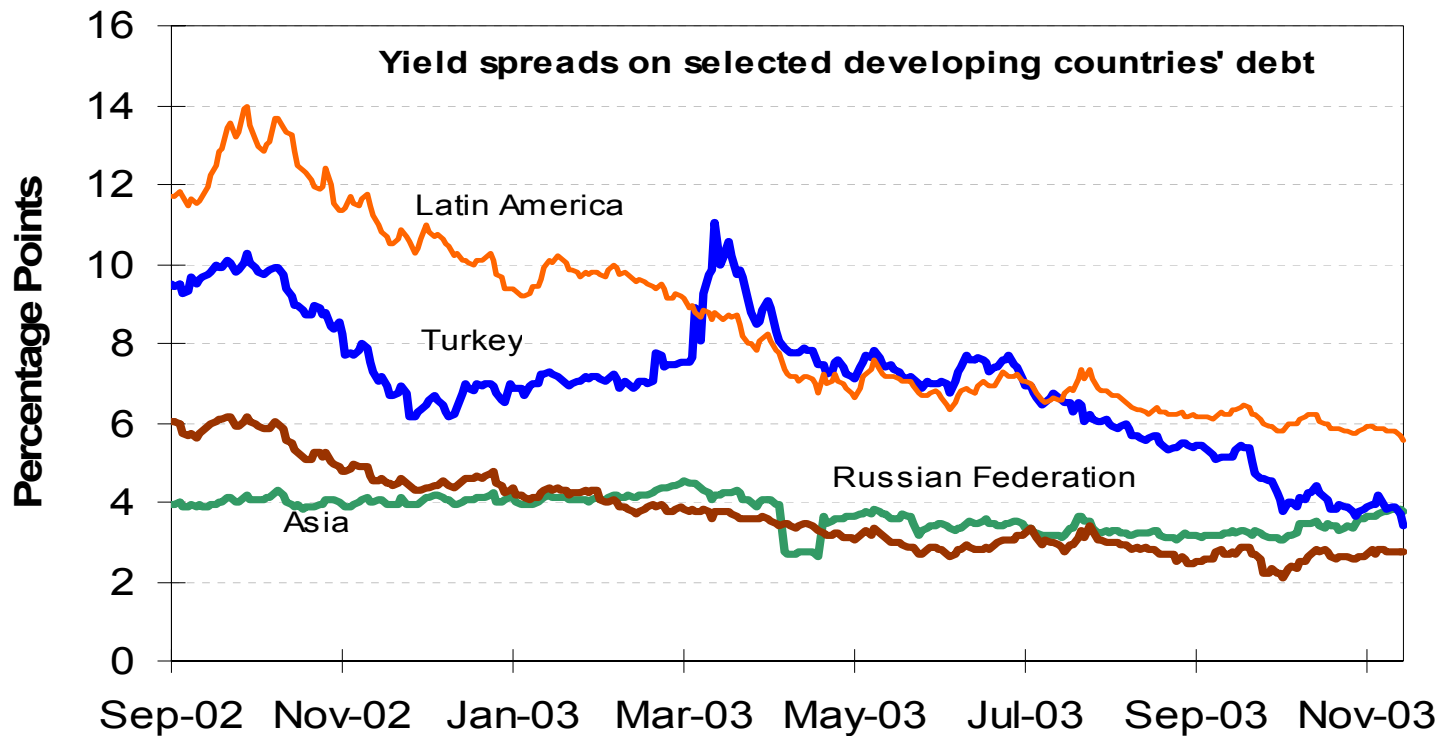


The international environment

Noticeable improvements during the year

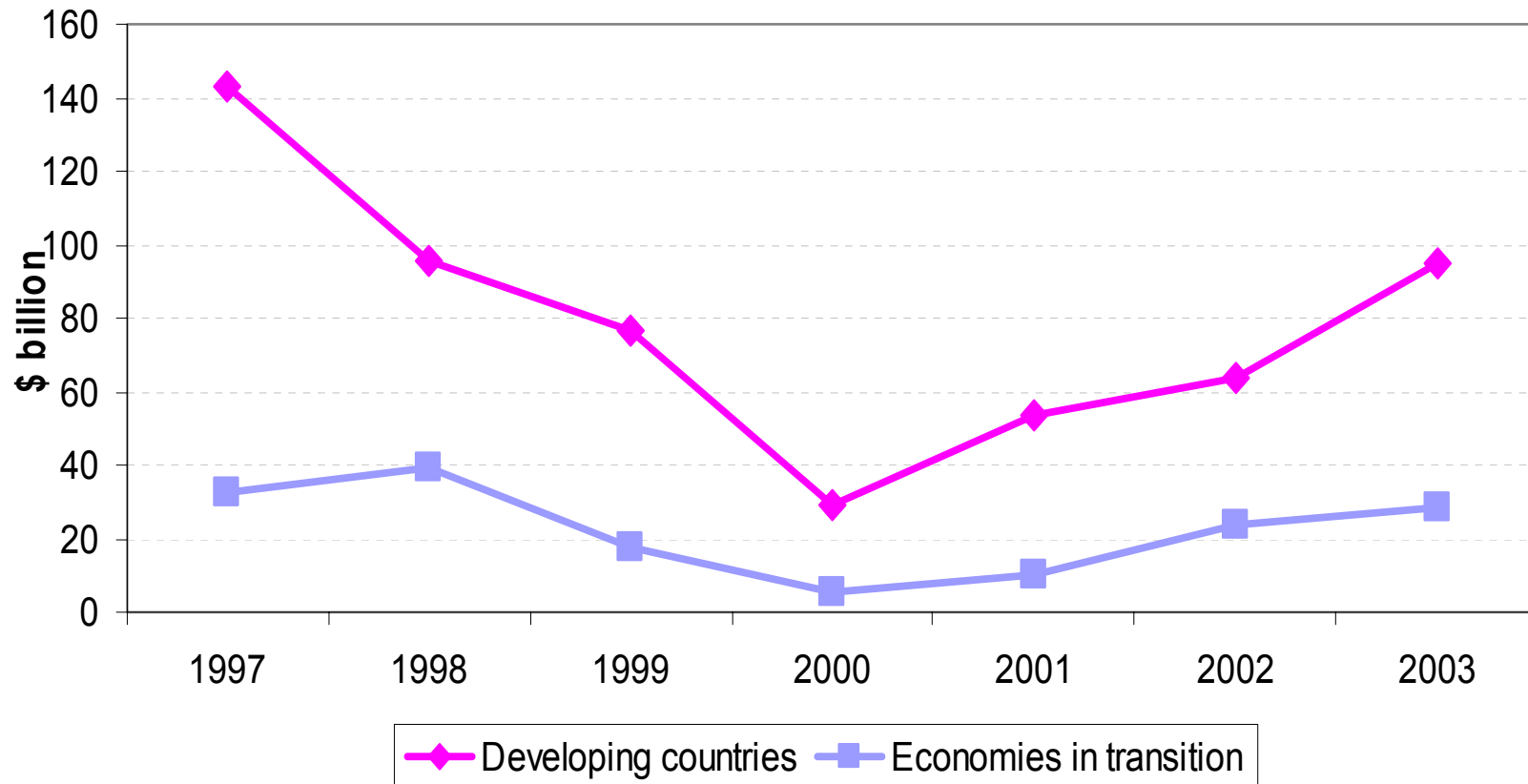


Foreign investors' appetite for risk increased: spreads declined...



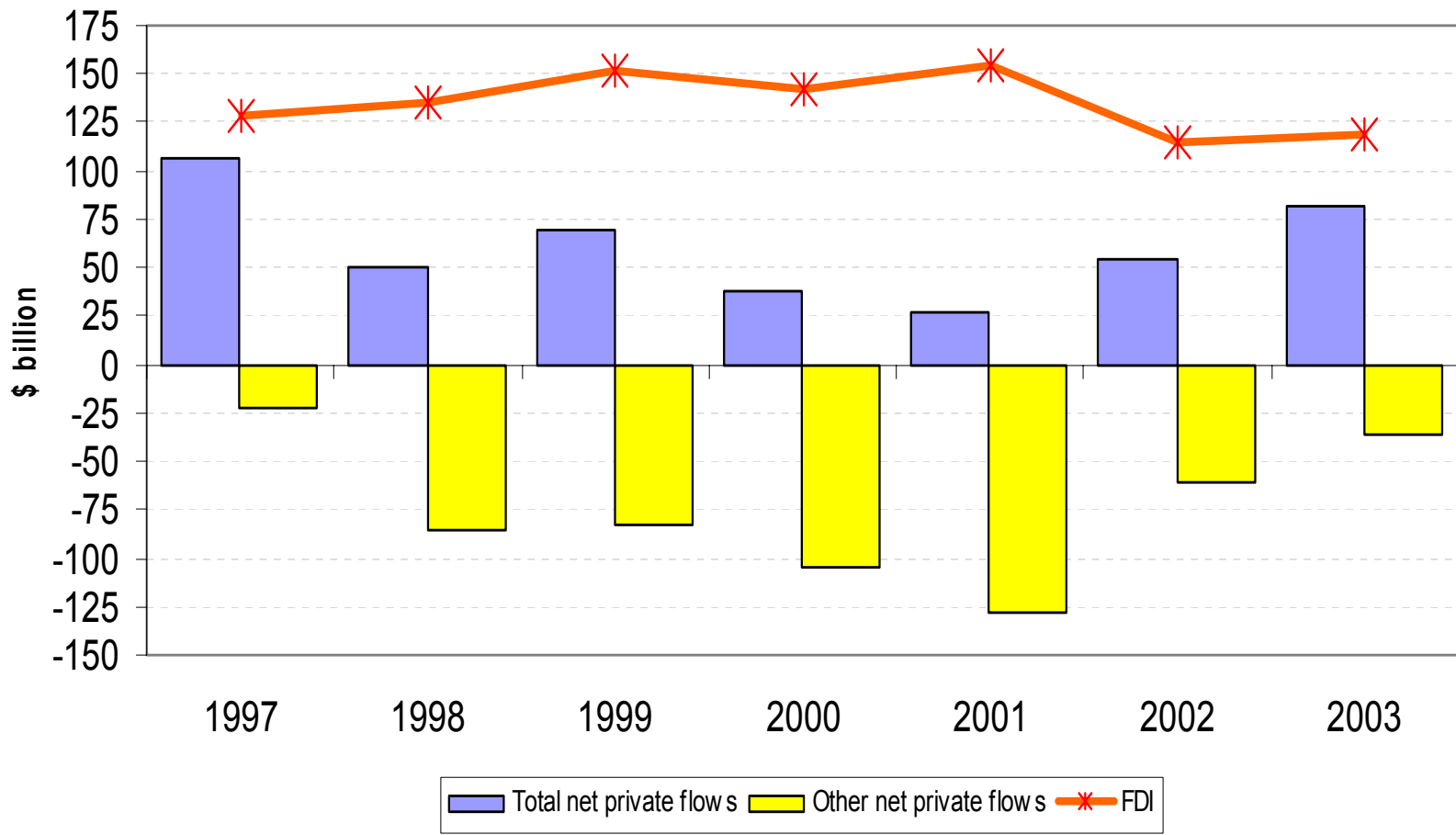


... and, net flows to developing countries and economies in transition recovered slightly



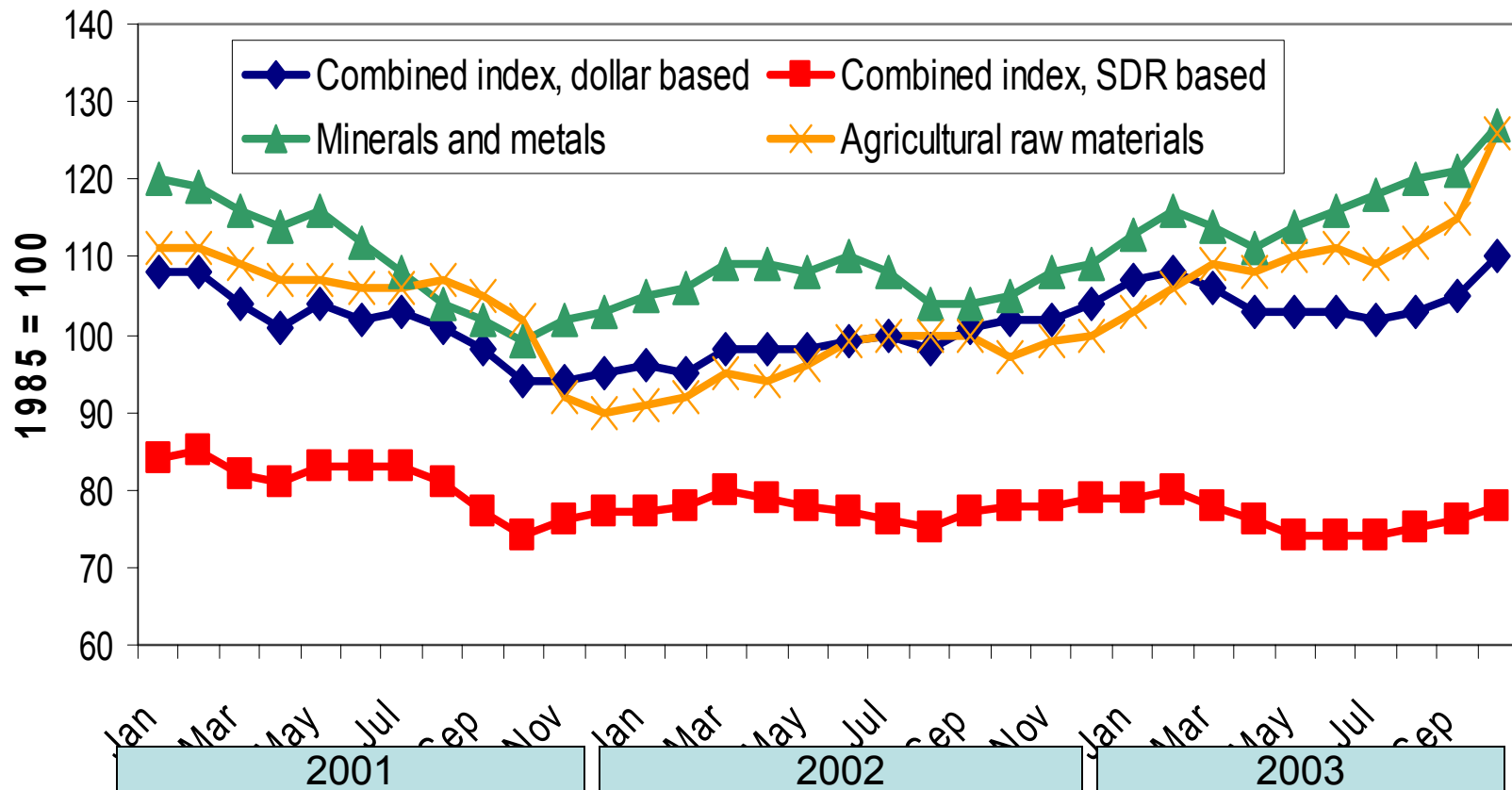


Increased net private capital flows to developing countries reflect FDI. Other flows have not recovered yet.



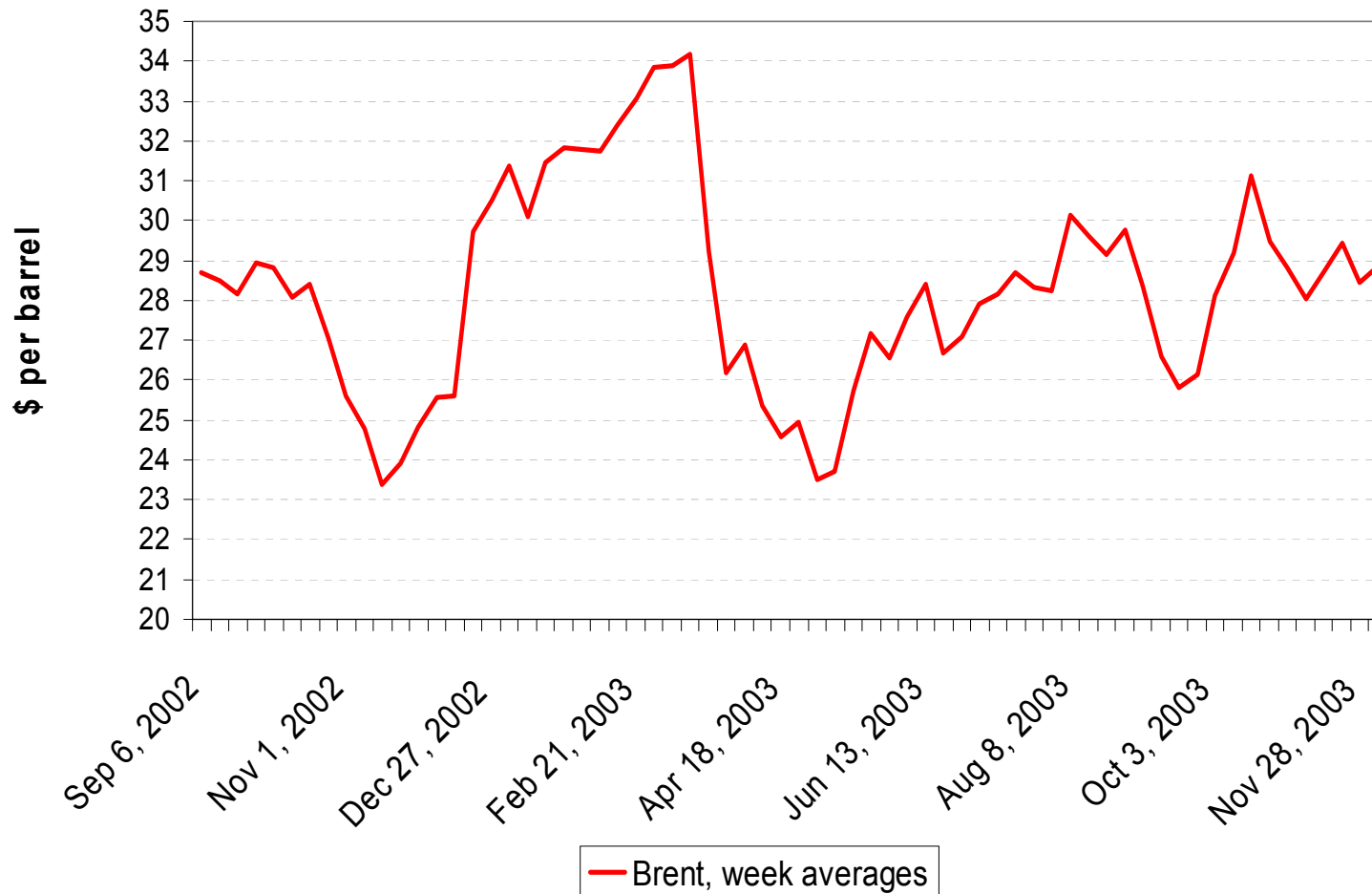


Commodity prices improved, but higher prices also reflect ongoing exchange rate realignment



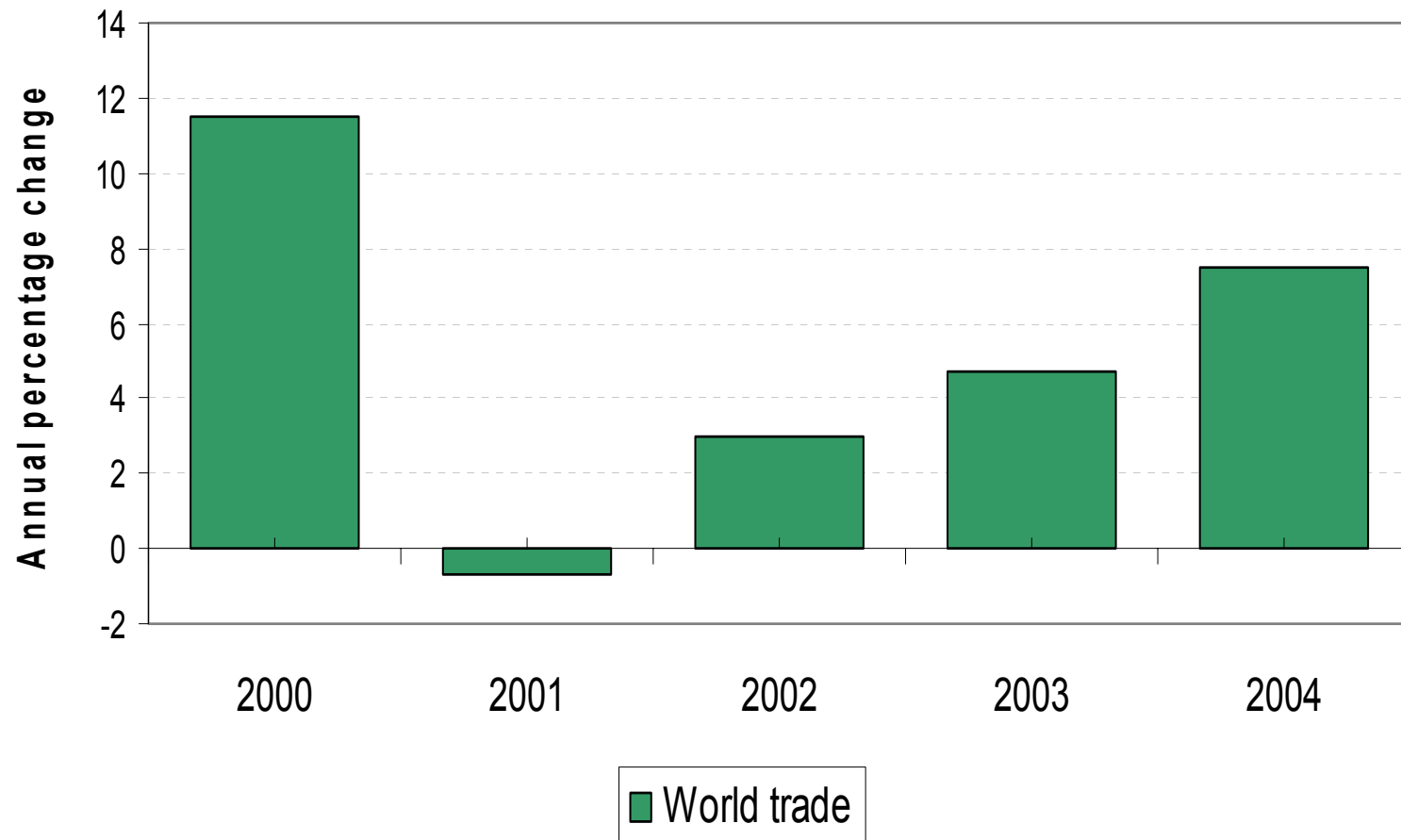


Oil prices were high and volatile but expected to moderate



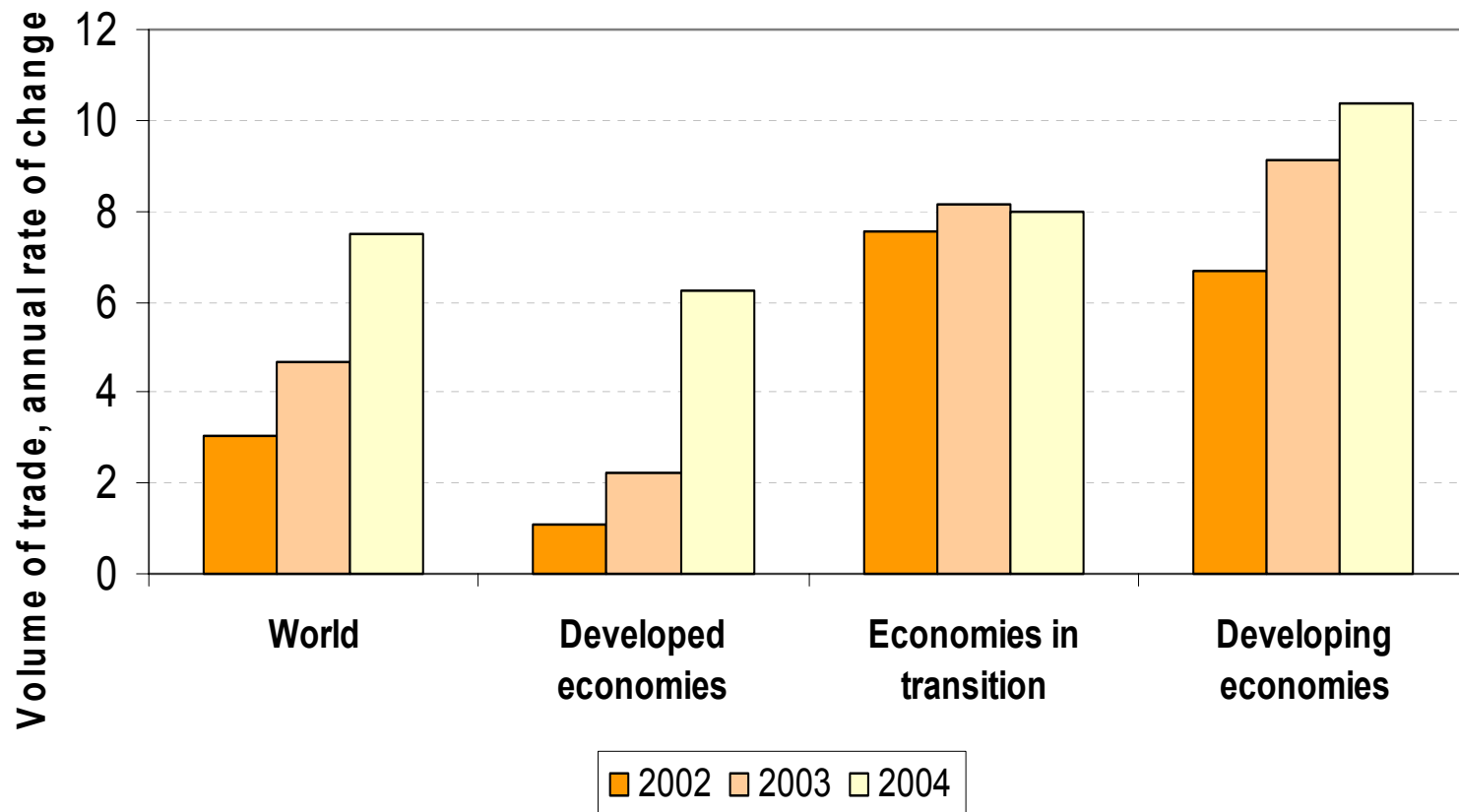


World trade continues to strengthen...



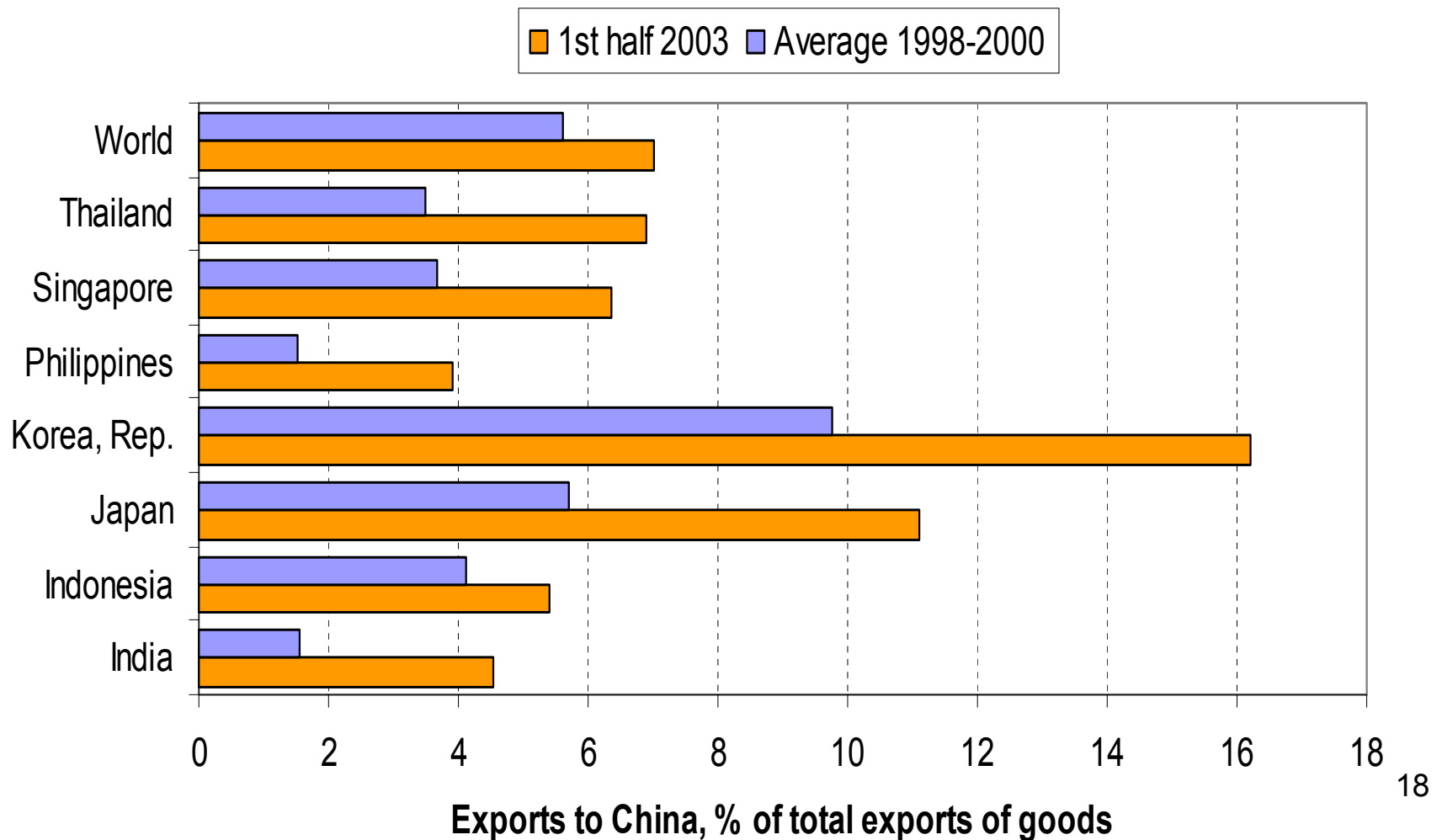


...albeit unevenly





China has become a major world trading power, supporting regional and global growth

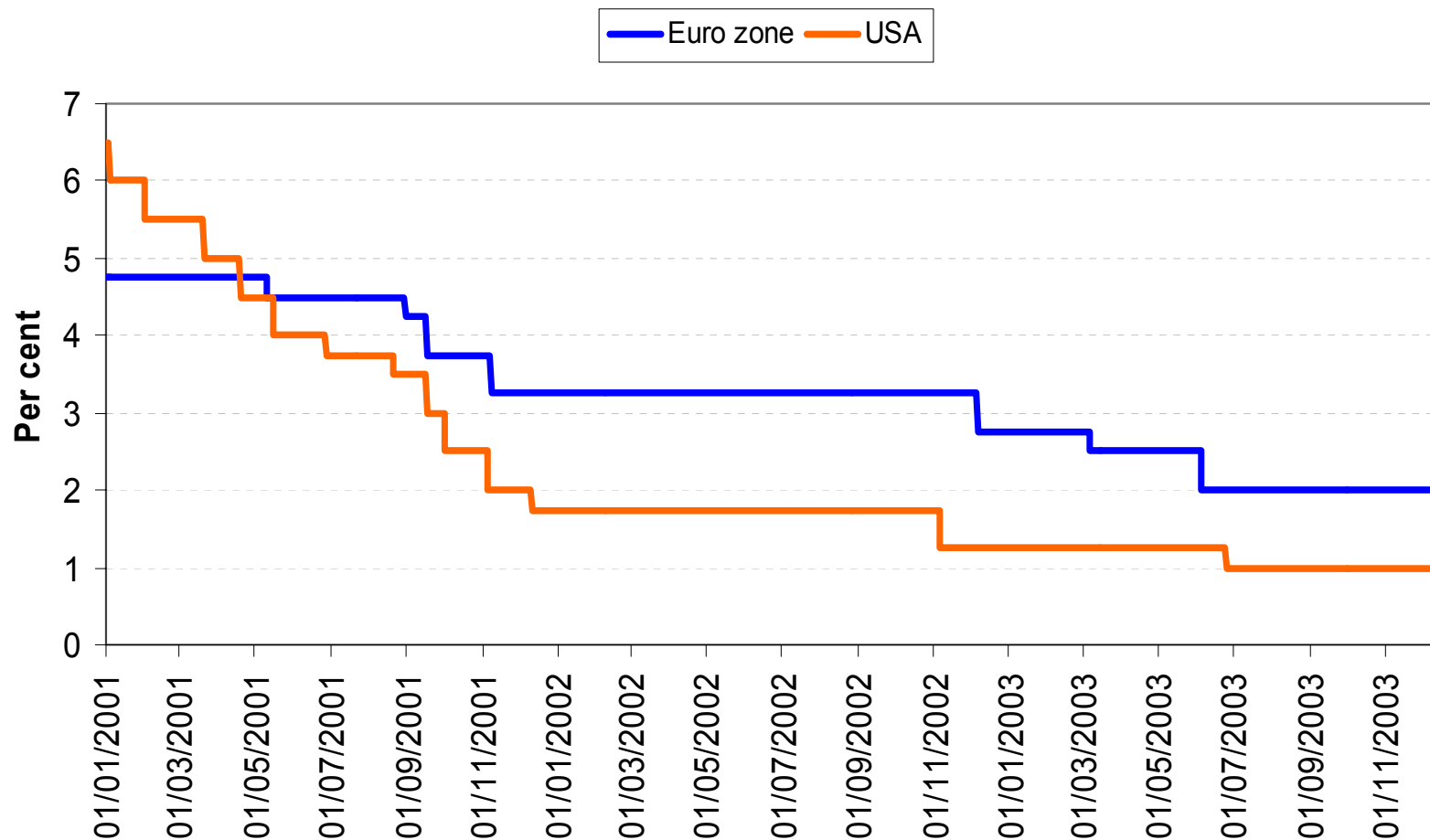




Policy challenges

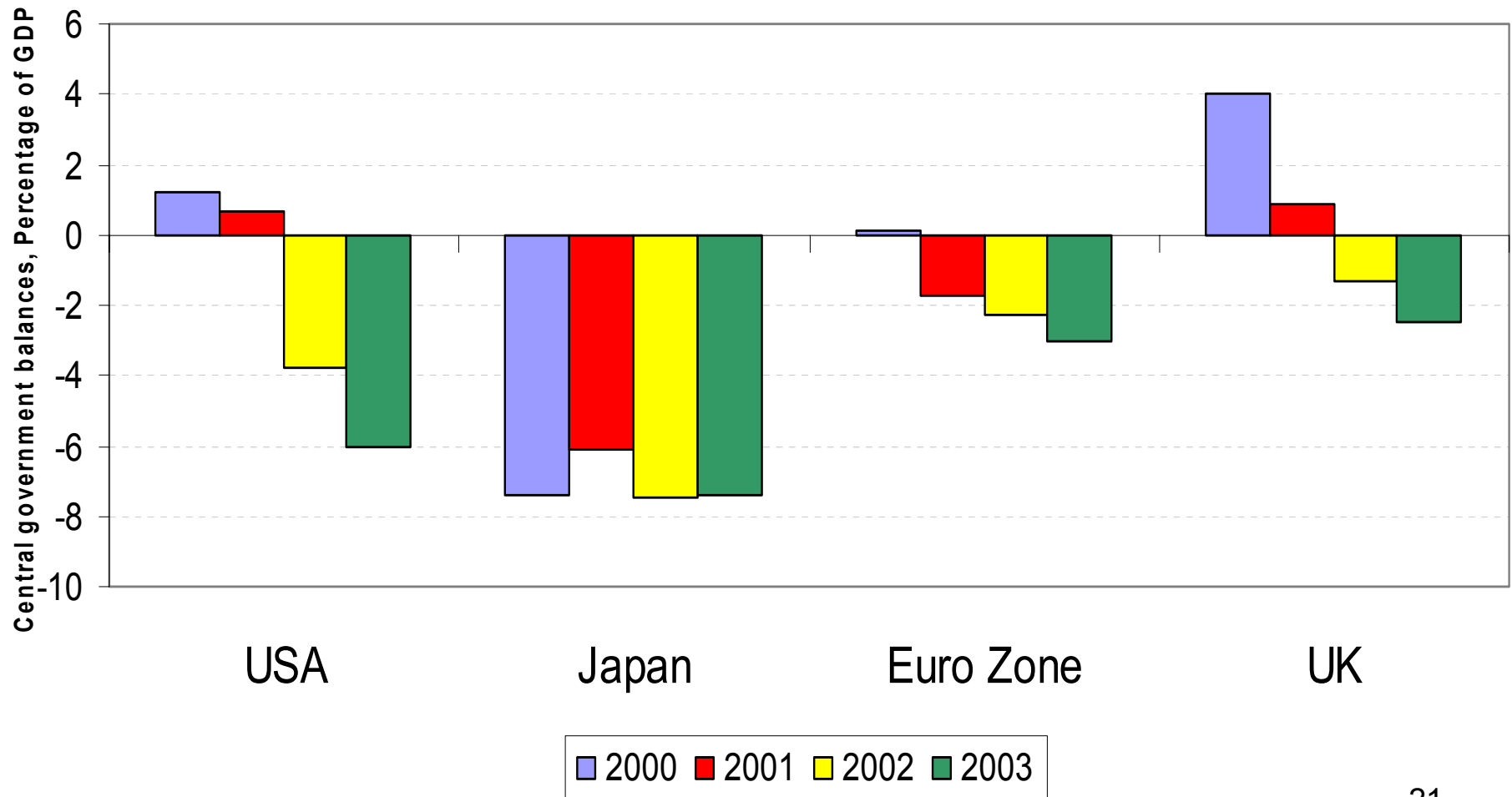


The strengthen of the current recovery is still heavily dependent on policy stimuli. Interest rates are at historically low levels.



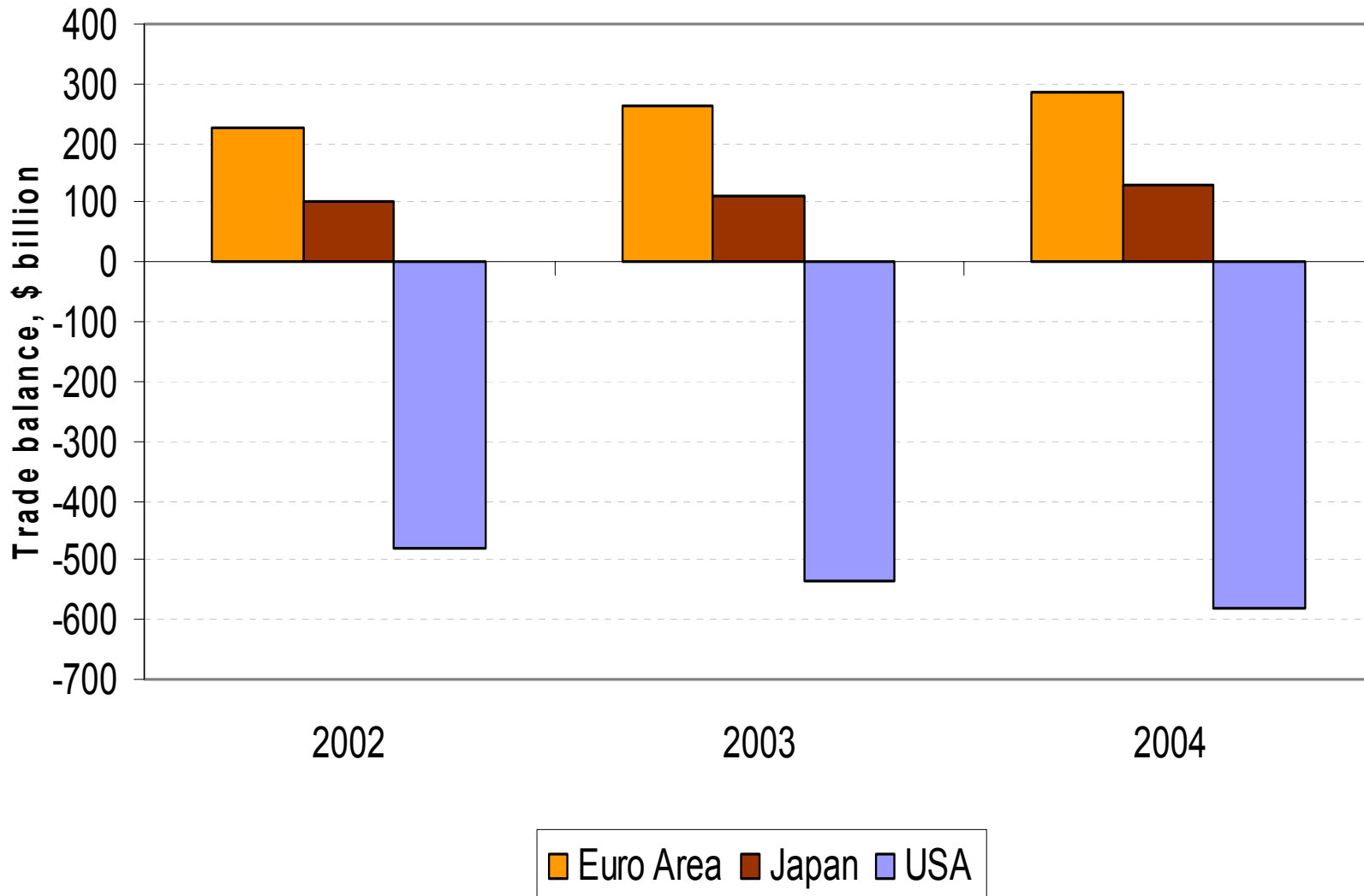


Fiscal policies have been expansionary



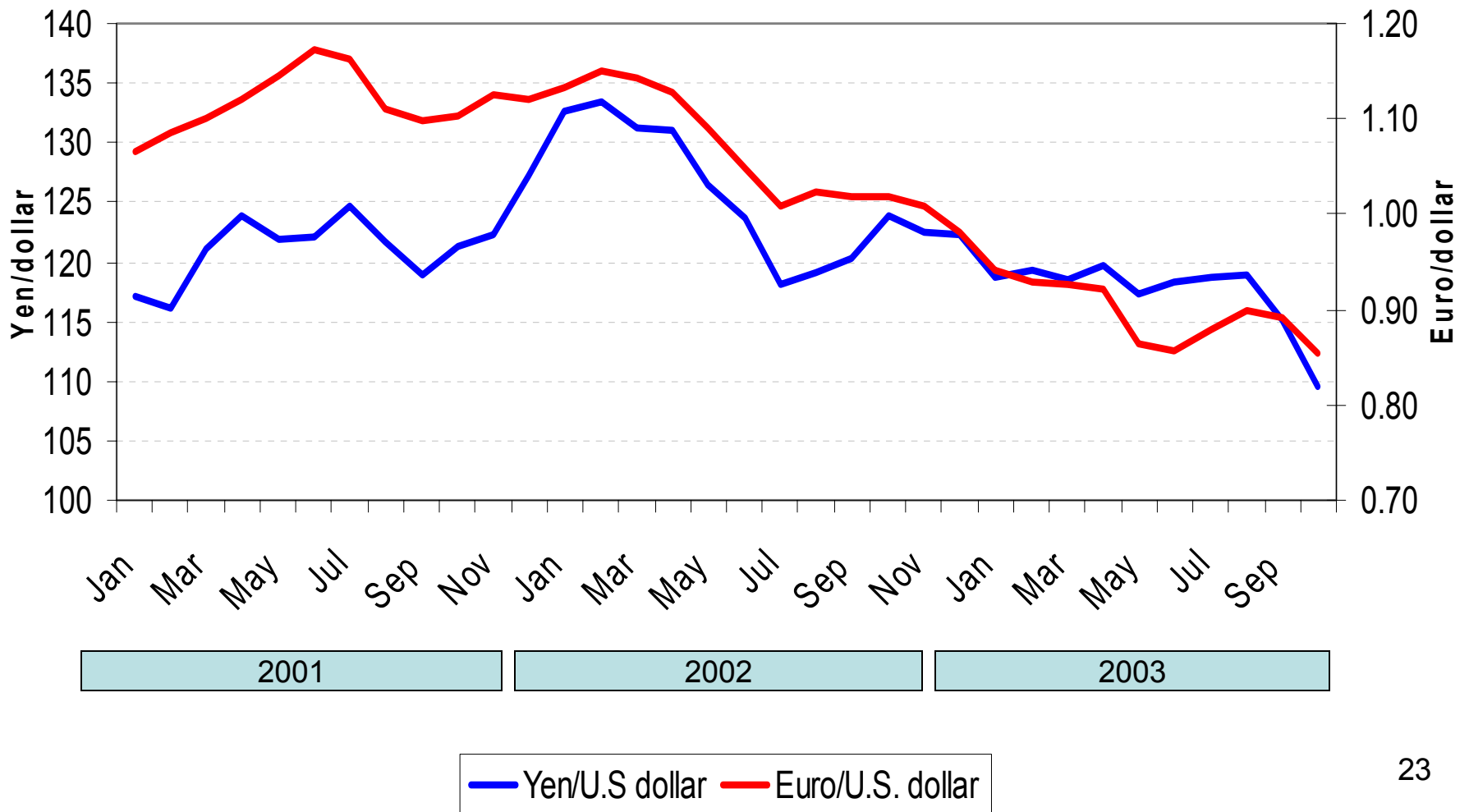


Global imbalances are expected to widen





Orderly correction required. Exchange rate realignment not an effective or efficient means of removing imbalances





Priorities for Trade Negotiations

- Doha Work Programme needs to be quickly brought back on track after setback at Cancun
- Focus should be promotion of development
- Meanwhile, continuous proliferation of regional and bilateral FTAs
 - These are second-best solutions
 - Multilateral approach preferable, especially for developing countries



For additional information

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<http://www.un.org/esa/policy>