

## Global economic growth continues to cool in '06

### The international environment deals developing countries a strong hand—but there are some jokers in the deck

(UNITED NATIONS, NEW YORK, 24 January) The UN projects that the world economy will grow by slightly more than 3 per cent this year, following a similar pace in 2005 and moderating from the historically high growth rate of 4 per cent in 2004, according to the annual economic report and forecast released today.

The slowdown largely reflects a maturing of the recent global economic recovery, reports the UN's *World Economic Situation and Prospects 2006*. Natural disasters and terrorist incidents since the closing days of 2004, although fairly well absorbed, have nevertheless also taken a toll.

Down the road, the possibilities of new oil price surges, an outbreak of avian influenza into a human pandemic, or a crash in house prices in key economies pose a threat to a smooth winding down of economic growth. But the greatest danger, according to *WESP 06*, may lie in the systemic weakness entailed in huge and still-growing global finance imbalances (*see accompanying press release*).

In the meantime, however, slower growth in the United States, stagnation in Europe and a modest return to expansion in Japan contrast with only a slight fall-off in strong economic performance by the developing countries. Benefiting from a favourable international environment of low interest rates, low inflation and strong commodity demand, the developing world is projected by the UN to grow by slightly more than 5.5 per cent this year, following estimated 5.7 per cent growth in 2005 and 6.6 per cent in 2004 (*figure I.1*).

“Growing at 6.6 per cent, the [50] least developed countries (LDCs) are faring even better, reaching the fastest average growth they have had for decades,” says *WESP 2006*.

#### Strong growth spread evenly among developing regions

While China and India continue to experience high economic growth, *WESP 2006* notes, economic expansion has been unusually high by historical standards among all developing regions.

High growth has been driven by the rise in world commodity prices, pushed up especially by the appetite of high-growth economies, such as China and India, for raw materials. Although some developing countries and LDCs have been hurt by the high cost of oil and food imports, others that are net exporters of oil and other primary commodities benefited.

Table I.1. **Growth of world output, 1996-2006**

Annual percentage change				
	2003	2004	2005 <sup>a</sup>	2006 <sup>b</sup>
<b>World output<sup>c</sup></b>	2.6	4.0	3.2	3.3
<i>of which:</i>				
Developed economies	1.9	3.2	2.4	2.5
Economies in transition	7.1	7.7	6.0	5.9
Developing economies	4.9	6.6	5.7	5.6
<i>of which:</i>				
Least developed countries	6.5	6.7	6.8	6.6
<b>Memorandum items:</b>				
World trade	6.4	11.0	7.1	7.2
World output growth with PPP-based weights	4.5	4.7	4.7	4.4

**Source:** Department of Economic and Social Affairs of the United Nations Secretariat (UN/DESA).

**a** Partly estimated.

**b** Forecasts, based in part on Project LINK, an international collaborative research group for econometric modelling, coordinated jointly by the Development Policy and Analysis Division of the United Nations Secretariat and the University of Toronto.

**c** Calculated as a weighted average of individual country growth rates of gross domestic product (GDP), where weights are based on GDP in 2000 prices and exchange rates.

In addition to higher prices for raw materials, many of the developing countries, including LDCs, are seeing an economic return on improved political stability and sound macroeconomic policies, the UN says. Growth in the poorest countries may obtain added impetus when rich countries deliver on their pledges to increase development assistance and debt relief.

Stagnation of business investment in the major economies is among the factors leading to liquid global financial markets and low interest rates. The emerging market economies have benefited from such favourable external financing conditions—although additional resource flows are heavily concentrated among a small number of middle-income nations. Foreign direct investment to developing countries has also rebounded, largely going into the buoyant oil and mining sector.

World trade, in the meantime, continues to grow at double the expansion of output. The UN report considers the latest agreements made in the World Trade Organization's Hong Kong Conference as constituting modest progress, while major challenges remain in completing the Doha Round. It emphasizes the importance of building supply-side capacity in the LDCs, and helping them to cope with the adjustment costs of trade liberalization.

### The other side of the coin

The flip side of strong returns on commodities is a general lack of progress in industrial development in the LDCs and in Africa. In addition, *WESP 06* reports that manufactured exports from many of these countries were diminished by loss of trade preferences associated with the expiry in 2005 of the Agreement on Clothing and Textiles. Thousands of jobs were lost in African textile industries. Some poor countries, like Sri Lanka and Bangladesh, by contrast weathered the storm quite well and managed to keep up textile exports.

But commodity dependence for the poor countries remains a seminal problem, especially as agricultural production is hostage to weather conditions, recently exhibiting considerable volatility, and commodity prices are not likely to rise constantly.

“In general,” the UN says, “prices of commodities seem to have reached a plateau, and the outlook for many non-oil commodities is for a decline in prices.”

Neither has growth produced a general increase in employment, *WESP 2006* reports. The capital intensive nature of the commodity-producing sector, especially in the developing world, and technology-driven productivity increases especially in the developed world, mean that an increase in output often fails to translate into an increase in jobs.

“Employment creation is falling short of the increment in labour supply in the majority of countries,” the UN says. “Consequently, in a large number of countries unemployment rates are still notably higher than the levels prior to the global downturn of 2000-2001.”

A sudden shock to the global economy from any of the potential threats mentioned above, moreover, will be felt most of all in the developing countries. If, for example, shock brings a runaway depreciation of the US dollar along with an abrupt adjustment in the external imbalances in major economies, many large developing economies would be severely affected (*see accompanying release*).

In this respect, the good news that roughly half of the developing economies, the sub-Saharan countries and least developed countries are experiencing what *WESP 2006* characterizes as “strong” economic growth (better than 3 per cent of per capita GDP), is matched by the bad news that half are not growing robustly, even in an uncommonly favourable international environment.

Continued increases in development assistance and debt relief therefore remain in order in 2006, a year of follow-up on implementation of Millennium Development Goals and a UN General Assembly review of the situation of the least developed countries.

*For interviews or to obtain more information, contact the Development Section of the UN Department of Public Information through Tim Wall, 1-212-963-5851, or Newton Kanhema, 1-212-963-5602.*

*World Economic Situation and Prospects is produced at the beginning of each year by the UN Department of Economic and Social Affairs (UN DESA), the United Nations Conference for Trade and Development (UNCTAD) and the five United Nations regional commissions (Economic Commission for Africa (ECA), Economic Commission for Europe (ECE), Economic Commission for Latin America and the Caribbean (ECLAC), Economic and Social Commission for Asia and the Pacific (ESCAP), and Economic and Social Commission for Western Asia (ESCWA)).*

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## Synchronized effort required to safely unwind global finance imbalances

UN sees fortifying of anaemic investment rates in Europe, Japan and much of emerging Asia as a key step

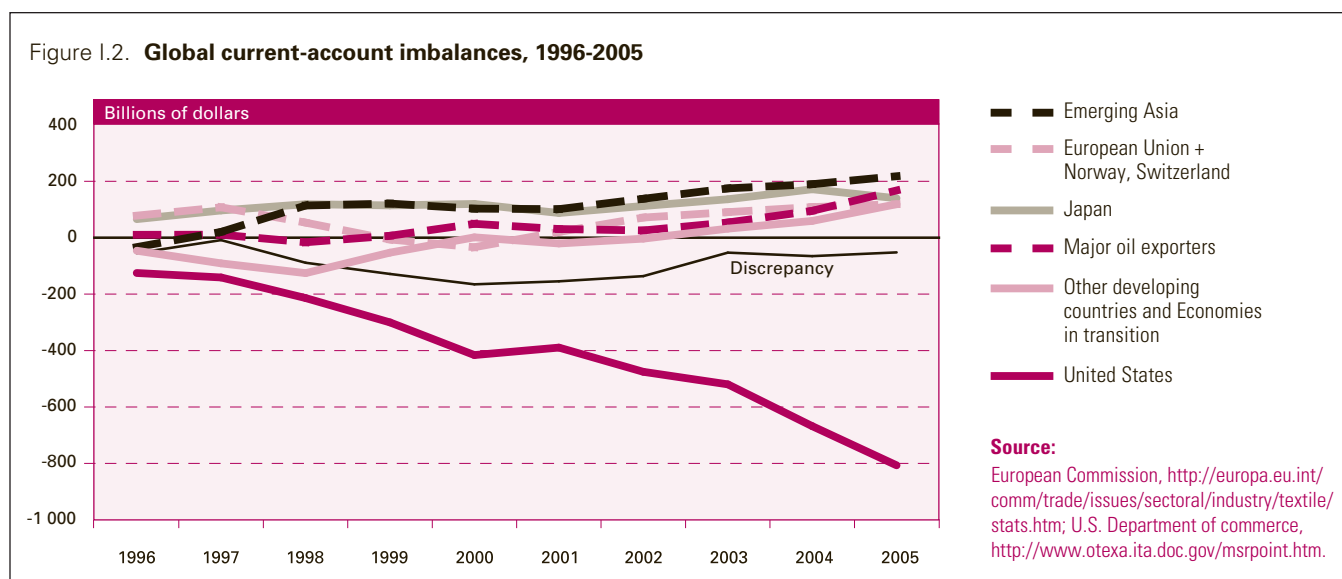
(UNITED NATIONS, NEW YORK, 24 January) Pressures building due to the ballooning deficit in the current account deficit in the United States and surpluses in others cannot be addressed simply through independent policy actions by single nations, according to the new UN economic report on 2006. Neither are currency exchange rate adjustments likely to be a corrective, say UN economists and attempts to administer them might prove dangerous,

Rather, mutually calibrated policies could gradually stabilize a situation that currently constitutes a bi-polar economic disorder. Imbalances widened considerably in 2005, as the US deficit descended to \$800 billion, while Japan, emerging Asia and major oil-exporting countries amassed savings surpluses totalling \$100–\$200 billion each (*figure I.2*).

The extent of the imbalances can also be judged by the foreign asset positions of the major economies. Net foreign liabilities of the US have grown to over \$3 trillion—equalling about one quarter of the US gross domestic product (GDP)—with positions held primarily by Japan, oil exporters, China and European countries such as Switzerland and Norway.

Unfortunately, current national policy stances “are not well focused on redressing global imbalances,” says the UN’s *World Economic Situation and Prospects 2006*, issued today. Fiscal policy in the United States is becoming slightly more expansionary, while Europe is closer to neutral and Japan continues fiscal consolidation. This arrangement will provide continued incentive for higher financial flows from Europe and Japan to the US, and a consequent deepening of imbalances.

An effective approach would entail measures to encourage savings in the deficit countries, and investment in the surplus countries, according to *WESP 2006*.



The current trend of higher US interest rates will not be sufficient to stimulate domestic savings, the UN notes. Longer term incentives to private savings and a significant reduction of the fiscal deficit are also required to smooth imbalances over time. Conversely, lower interest rates in Europe would provide much-needed economic stimulus in the region and to the world economy, according to the UN. In other surplus countries, more can be done to encourage investment, including by channeling excess savings to developing countries now falling short of finance for economic and social infrastructure.

The UN suggests that the International Monetary Fund—which was created to protect global financial stability and has offered a prescription similar to the UN's for addressing the current situation—should play a pivotal role in coordinating policy measures and provide a better and broader platform than the summits of the G-8 countries.

### **Investment anaemia sapping prospects for balance and growth**

An alternative viewpoint to the balanced approach suggested by the UN comes from those who see major adjustments to US macroeconomic policies as the primary focal point.

Contrarily, others, including the incoming US Federal Reserve chairman Ben Bernanke, contend that global imbalances reflect a global “savings glut”, which eases the financing of the US fiscal and deficits. Global adjustment, in this view, should start with letting the exchange rates of emerging market economies appreciate and taking other measures which would turn them again into net borrowers.

The UN, however, finds that savings rates for the world as a whole to be a historically low level. The increases in the savings in Europe, Japan and developing have been primarily due to slowness in deploying these savings as productive investment, according to *WESP 2006*. Even in dynamic emerging market economies investment growth has been slow, except for China.

“Thus, instead of defining the current, global macroeconomic condition by a ‘glut’ in savings, it seems more appropriate to speak of a global investment ‘anaemia,’” the report says.

### **Developing countries holding the bag on dollar depreciation**

Depreciation of the dollar, if continued, could help to slow down widening global imbalances, “but given the size and nature of the deficit, a very large devaluation would be needed”, the UN says. “This in turn is undesirable, as orderly adjustment of the global imbalances should avoid a free fall of the dollar”

The recent rebound of the dollar *vis-à-vis* the euro and the yen provides a certain amount of protection to the European and Japanese economies in the event of a deep fall in the dollar. But currencies in many developing countries have been appreciating steadily against the dollar, thus shifting the potential burden of adjusting global imbalances from Europe and Japan to developing nations.

Many developing countries have been amassing large reserves of dollars as a means of protection against runs on their currencies. This in turn has strengthened their exchange rates, and threatens export competitiveness. The accumulation of reserves, moreover, represents a transfer of resources to the countries issuing the reserve currencies (mainly the United States) by an amount equivalent to the difference between the interest rate they pay on their external borrowing and the lower return they receive on their holdings of foreign reserve assets.

The domestic policy challenge for these countries is to find an adequate balance between keeping exchange rates competitive, and the cost of holding large foreign-exchange reserves. Disorderly adjustment of the world economy would heighten the challenge, as sudden and large dollar depreciation would turn these reserves into a severe drag on their economies.

“The benefits of accumulating ever greater amounts of foreign reserves to reduce the pressure for exchange rate appreciation may outweigh its costs,” according to *WESP 2006*.

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## Africa: the recovery is on, for now

(UNITED NATIONS, JOHANNESBURG, 25 January) “Steady growth in the latter half of the 1990s and the relatively high rates of growth recorded over the last five years confirm the continued recovery of African economies,” says the UN’s latest annual world economic report, projecting growth of 5.4 per cent in Africa in 2006.

Five per-cent growth in 2004 and 2005 (*see Table A.3*) was underpinned by a strong performance of the agricultural sector and a general increase in commodity prices, according to the UN’s *World Economic Situation and Prospects 2006*, launched regionally today.

The last two years also saw continued progress in macroeconomic and structural reforms, including unification of foreign exchange markets and better public expenditure and financial management. Parliamentary and presidential elections in Burundi and Liberia in 2005, a peace agreement in Sudan and the sign-up by 23 countries for the African Peer Review Mechanism (to monitor integrity and transparency in government) underscore recent political gains on the continent, and augur well for stability and improved economic performance in 2006.

A return to stability in many countries in Sub-Saharan Africa and strong outlook for commodities are encouraging a positive trend in foreign direct investment. FDI in the continent swelled from \$18 billion in both 2003 and 2004, to an estimated \$30 billion last year. Also brightening prospects are increases in official development assistance, and a reduction in the stock of debt, says *WESP 2006*.

Table A.3. **Developing economies: rates of growth of real GDP, 1996-2006**

Annual percentage change <sup>a</sup> 1996-2004											
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005 <sup>b</sup>	2006 <sup>c</sup>
Developing countries <sup>d</sup>	5.9	5.4	1.9	3.6	5.6	2.4	3.6	4.9	6.6	5.7	5.6
<i>of which:</i>											
Africa	5.3	3.4	3.0	3.1	3.4	3.5	3.5	4.4	5.1	5.1	5.5
North Africa	5.7	3.3	3.9	3.9	3.4	3.4	3.2	4.6	4.8	5.1	5.7
Sub-Saharan Africa (excluding Nigeria and South Africa)	5.9	4.6	4.1	3.2	2.8	4.1	3.9	3.2	5.6	5.3	5.3
Net fuel exporters	4.6	4.0	3.0	3.4	4.1	3.0	3.9	5.4	5.4	5.8	5.8
Net fuel importers	5.9	3.0	3.0	2.8	2.8	3.9	3.2	3.4	4.8	4.5	5.2

**Source:** UN/DESA.

**a** Calculated as a weighted average of individual country growth rates of gross domestic product (GDP), where weights are based on GDP in 2000 prices and exchange rates.

**b** Partly estimated.

**c** Forecast, based in part on Project LINK.

**d** Covering countries that account for 98 per cent of the population of all developing countries.

## **Oil exports bolster many economies, but manufacturing little improved**

Aided by windfall oil earnings, gross domestic product (GDP) expanded robustly in all North African countries except Morocco in 2005.

Oil earnings also helped Sub-Saharan exporters such as Angola and Chad to achieve double digit GDP growth rates, and even in conflict-wracked Sudan the economy managed to grow by 7 per cent. In Mauritania, new oil fields are expected to come on stream in 2006.

Zimbabwe, Cote d'Ivoire and the Seychelles (where tourism suffered a downturn) were the only countries in the region in which GDP is estimated by *WESP 2006* to have contracted in 2005.

Nigeria experienced slowing growth in 2005, but increased oil and gas revenues enabled a current account surplus, and are being used to upgrade infrastructure and aid economic diversification. South African GDP grew by 5 per cent last year, driven by domestic demand as well as export opportunities.

A major challenge across the region remains the still-lacklustre status of the manufacturing sector. The sector absorbed additional losses last year with the end of the Agreement on Textiles and Clothing and increased competition from Asian textile mills. From January to September 2005, for instance, the value of Sub-Saharan textile and apparel exports to the United States dropped by 11 per cent.

The losses exacerbated already very high unemployment in the region, while growth of capital intensive commodity sectors did little to create new jobs.

In all, several major threats to African recovery remain, including the possibility of a worsening AIDS epidemic or an avian influenza pandemic, or new civil conflicts. Moreover, commodity prospects for the year ahead are mixed. The boom in raw materials is already showing signs of weakening for some commodities. Furthermore, if oil prices remain high or surge still further, the cumulative inflationary impact will be felt more severely by net oil-importing countries in 2006.

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## East Asian economic growth to consolidate in 2006, as China moves to bolster its service sector

(UNITED NATIONS, BANGKOK, 26 January) Economies in the world's fastest growing region are likely to converge in terms of expansion rates in 2006, roughly matching last year's overall 6.7 per cent increase in gross domestic product, according to the UN's new economic report and forecast, released regionally today.

Measures in China to cool off investment in steel and cement industries, consumer electronics and real estate are likely to bring growth down from more than 9 per cent in 2005 to plus-8 per cent this year, the UN projects. Imports of raw materials and manufactured components for domestic consumption will slow as part of this drive, according to the UN's *World Economic Situation and Prospects 2006*. But imports of service will rise, as China encourages growth of its still-weak service sector. This project includes strengthening of banking and finance, especially through disinvestment of public enterprises.

While a cooling off of growth in China will be transmitted to Hong Kong SAR, other East Asian economies are likely to pick up the pace. These include the Republic of Korea, based on domestic consumption and proximity to Japan's recovering economy; and Malaysia, Singapore and Taiwan Province of China, benefiting from an expected upturn in the global electronics cycle.

### External imbalances accompanied by investment shortfalls

The generation of savings and large current account surpluses that are the result of the region's traditional export prowess is matched by serious under-investment, outside of China, according to *WESP 2006*. But "several governments in the region are reluctant to stimulate domestic investment, because it was precisely excessive investment, particularly in real estate, that triggered the financial crisis in the previous decade," UN economists say. A transition to higher investment, if it occurs, is therefore likely to come about slowly.

In the meantime, current account surpluses in net oil-importing countries are beginning to be drained by high oil prices. These same prices are renewing inflationary pressures, with attempts in 2004-5 to counteract rises by subsidizing local consumption abandoned as too costly. The inflationary impact is somewhat muted, however, by appreciation of local currencies against the dollar (in which oil prices are quoted).

Continued oil price increases constitute one of the obvious threats to projected strong growth for the region this year and next, *WESP 2006* says. So are the soaring house prices in countries such as Malaysia and Thailand, where a real estate bubble was an important component of the 1997 crisis.

Massive accumulation of foreign-exchange reserves in countries such as China, the Republic of Korea and Taiwan Province of China provides a strong buffer against external shocks, but also poses a risk: a rapid depreciation of the US dollar (*see accompanying release on finance imbalances*) would drastically deplete the value of these holdings.

Finally, says *WESP 2006*, concerted efforts are required to contain the outbreak of avian influenza, currently taking a toll on poultry and on Southeast Asian and the Chinese economies, and to prepare for the possibility of a mutation that might lead to a pandemic among people.

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## Strong South Asian growth set to moderate only slightly this year, as policies remain expansionary

(UNITED NATIONS, BANGKOK, 26 January) Although saddled by the need to import high-priced oil, booming South Asia is expected to achieve growth of nearly six and a half per cent this year, outpacing even the oil-exporting region of neighbouring West Asia, the United Nations reports in its annual economic forecast, released regionally today.

Strong South Asian growth nevertheless follows the global curve of cooling economies, as region attained a high point of 7.4 per cent growth in 2003, 6.7 per cent in 2004 and 6.5 per cent last year, according to the UN's *World Economic and Social Situation and Prospects 2006*.

The region's strong dynamic is in part due to its increasing external exposure, with major textile exporters such as India, Pakistan and Bangladesh, and growing capital inflows (partly responsible for India's 17.6 per cent stock market growth in 2005). But domestic development is advancing as well.

"There has been a renewed focus in national budgets on development of infrastructure and the provision of health and education services in order to accelerate growth, resulting in expansionary fiscal policies in many parts of the [South Asian] region," says *WESP 2006*.

India's strong performance in 2005 was anchored by a manufacturing sector boom driven by domestic consumer demand and new infrastructure, UN economists say. The \$40-billion, five-year "Building India" programme initiated in 2005 should extend the boom, while India's renowned IT industries continue to boost the service sector.

The impact of the October 2005 earthquake in South Asia was felt largely in Pakistan, resulting in massive and tragic human losses and devastation of homes and infrastructure. Economic output is likely to decrease by less than half a percentage point, however, since the affected areas contained no major industries and did not make a major contribution to national farming or tourist sectors, the UN reports. Over the medium term, reconstruction activities and investment may even offset the negative impact on gross domestic product, although an adverse impact on the national fiscal situation is expected in the near term.

The expiry in 2005 of the Agreement on Clothing and Textiles proved a setback to many non-Chinese textile exporters. But poor South Asian countries, like Sri Lanka and Bangladesh, were able to weather the storm quite well, and maintained high volumes of textile exports.

The UN warns, however, of high unemployment in the area—a problem shared to an extent in virtually all of the developing and the developed world—as job creation lags behind both output growth and the addition of young adults into the work force.

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## Domestic demand in West Asia starting to catch up with growth of oil exports

(UNITED NATIONS, BEIRUT, 25 January) The countries of the western region of Asia are sharing strong growth entering 2006, with booming oil exports spilling benefits into the economies of regional countries that are oil importers, and policy makers seeking to bolster productive investment and domestic demand, according to the United Nations.

The region is set to grow by five per cent overall this year, according to the UN's *World Economic Situation and Prospects 2006*, issued regionally today. The 2006 pace would represent a slight moderation of regional growth rates of 6.8 per cent in 2004 and 5.3 per cent last year.

With international oil prices about 42 per cent higher than in 2004 on average, West Asia's combined nominal oil export revenues are estimated to be at \$300 billion in 2005, and should garner a similar return this year.

But the benefit is not limited to countries rich in oil. Several of the oil-importing countries in the region have benefited from spillover effects via trade, tourism and financial flows from oil-exporting neighbours, and experienced growth nearly as strong. They should follow that path into 2006, the UN report says.

### Recycling oil windfalls productively

In contrast with relatively spendthrift practices in the 1970s and 1980s, the Gulf countries are saving a full 70 per cent of additional oil revenues. The saved funds are going into regional and international capital markets or being used to pay off debt, notably in Saudi Arabia, *WESP 2006* reports. Additionally, "there is evidence that saved funds are being invested in a more diversified range of assets by comparison to the previous oil shocks, including private and treasury bonds, portfolio equities and private equity."

Even if oil prices moderate, the UN notes, "lagged expenditures of accumulated fiscal surpluses are expected to provide considerable economic momentum in these countries in 2006 and beyond." A sudden collapse, however, would prove more dangerous.

Non-oil exporting Turkey nevertheless resumed strong growth in 2004-5, and is expected to maintain five per cent growth in 2006, with demand firing on all cylinders—private and public consumption and investment, and exports. (The recent outbreak of avian influenza in that country, of course, could jeopardize this growth profile.) Israel is also expected to maintain its economic momentum of the last two years.

But conditions are significantly different, the UN warns, in West Asian economies afflicted by severe political conflict or insecurity—including Iraq and the Occupied Palestinian Territories.

Furthermore, a problem shared by virtually all countries in the region—and in one way or another much of the developing and the developed world—is high unemployment, as job creation lags behind both output growth and the addition of young adults into the work force.

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## Latin America: export-driven growth pushes finances into positive territory

(UNITED NATIONS, MEXICO CITY, 25 January) Two thousand six is forecast by the United Nations to be the third consecutive year of Latin American and Caribbean economic growth, driven by a resurgent export sector.

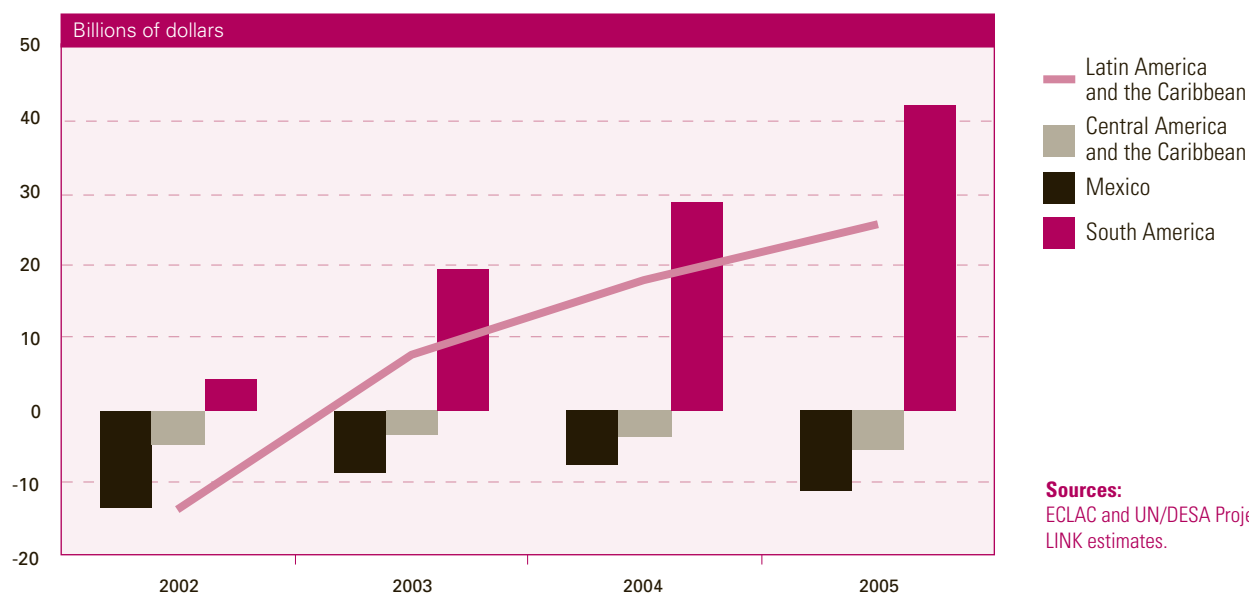
Booming Asian demand for primary commodities and high oil prices have been major factors, but “more countries are diversifying into industrial manufactures and non-traditional products, beyond the customary raw materials,” says the UN’s *World Economic Situation and Prospects 2006*, launched regionally today.

Forecast growth of 4 per cent in the region in 2006 is expected to replicate 2005’s pace, following 6 per cent growth in 2004. Per capita income is therefore expected to increase by 10 per cent for the three-year period, an improvement unprecedented in the recent past.

Buoyant trade has brought the regional current account balance from negative territory to an overall positive of more than US\$20 billion in 2005, with modest Mexican and Central American deficits offset by a large South American surplus (*figure IV.8*).

Most countries, moreover, are prudently taking advantage of the favourable economic environment to fortify fiscal balances. The average primary fiscal surplus (before interest payments) of the region continued to increase, not only as a result of high revenues but also of controlled expenditures, and Argentina, Chile and Mexico’s primary surpluses reached record levels in

Figure IV.8.: Latin America and the Caribbean: current-account balance, 2002-2005



2005. At the same time, Argentina and Brazil announced their intention to pay off their entire debt with the International Monetary Fund, and Argentina effectively did so earlier this month.

### **South America outpaces regional neighbours to the north**

Higher energy prices have benefited net fuel exporters such as Bolivia, Colombia and Venezuela and, to a lesser extent, Ecuador and Mexico. Chile and Peru reaped gains from record levels of prices for metals and minerals. On the other hand, higher fuel costs worsened the terms of trade of Central America and the Caribbean. The negative impact in these countries is somewhat attenuated, however, by Venezuela's provision of oil at preferential terms.

Domestic demand, formerly a weak point, improved across the region, although at a slower rate than output growth. Another long-term regional sore point, investment, was also up, increasing from 18.6 per cent of GDP in 2005 to 19.6 in 2006 – but still below historic levels. Hampered by high interest rates, Brazil was excepted from both these trends.

The perennial problem of low employment was also mollified to a certain extent. The open unemployment rate fell by a percentage point in 2004-5 to 9.3 per cent, the first single-digit rate since 1997.

But the continued success of Latin economies would be jeopardized by a setback to the international environment. A disorderly adjustment of global imbalances (*see accompanying release*) could cut demand precipitously, while also raising international interest rates and reviving the spectre of Latin American financial indebtedness.

Domestically, appreciation of currency exchange rates in several countries is already underway. If not carefully handled by policy makers, appreciation could hard-earned positive external balance, leading once again to dependence on external finance.

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