



**World Economic Situation and Prospects 2008**

United Nations, New York

6 February 2008

**United Nations**

Department of Economic and Social Affairs

Development Policy and Analysis Division

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# **WORLD ECONOMIC SITUATION AND PROSPECTS 2008**

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Director

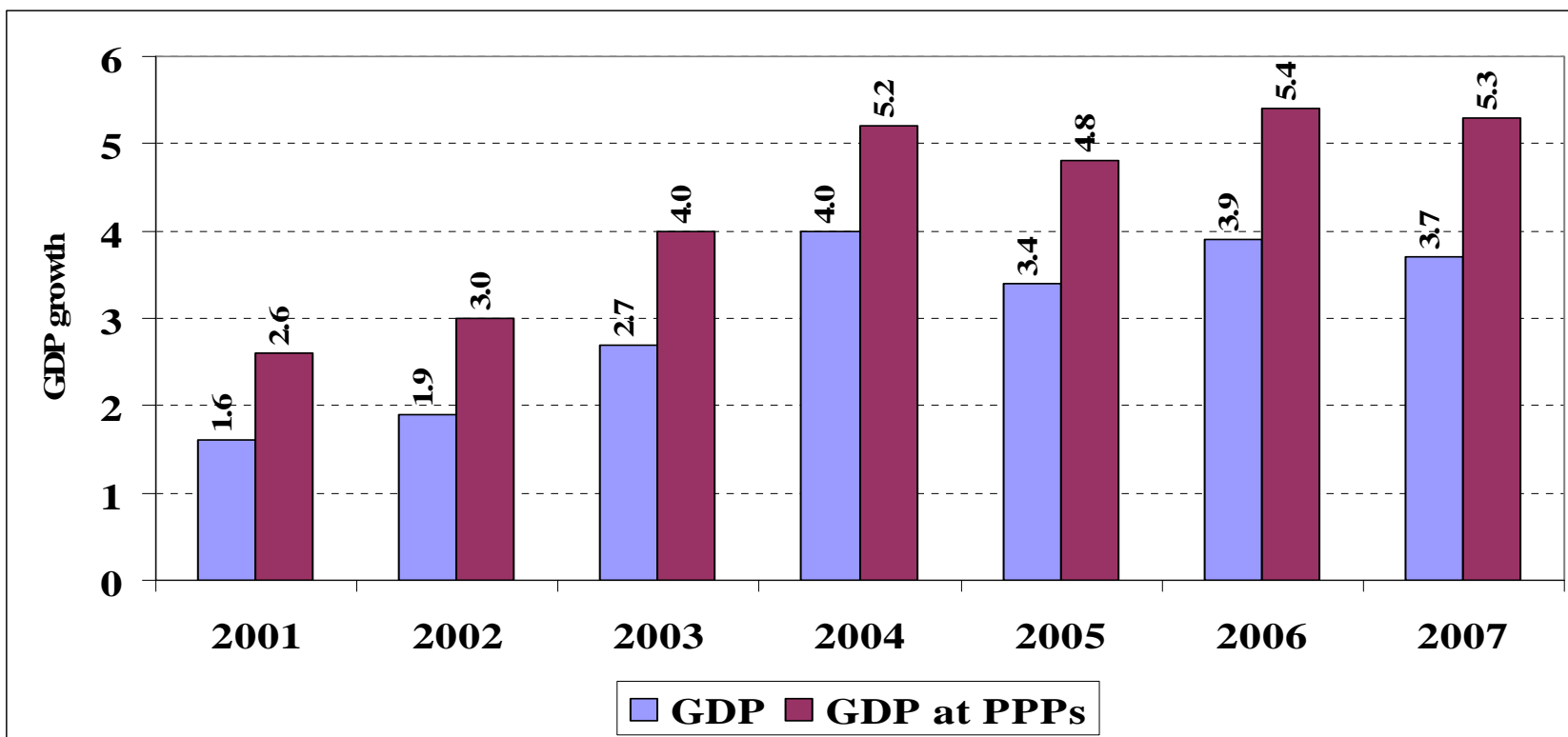
Development Policy and Analysis Division, DESA

ECOSOC

New York, 6 February 2008



# Can the robust growth of the world economy be sustained?





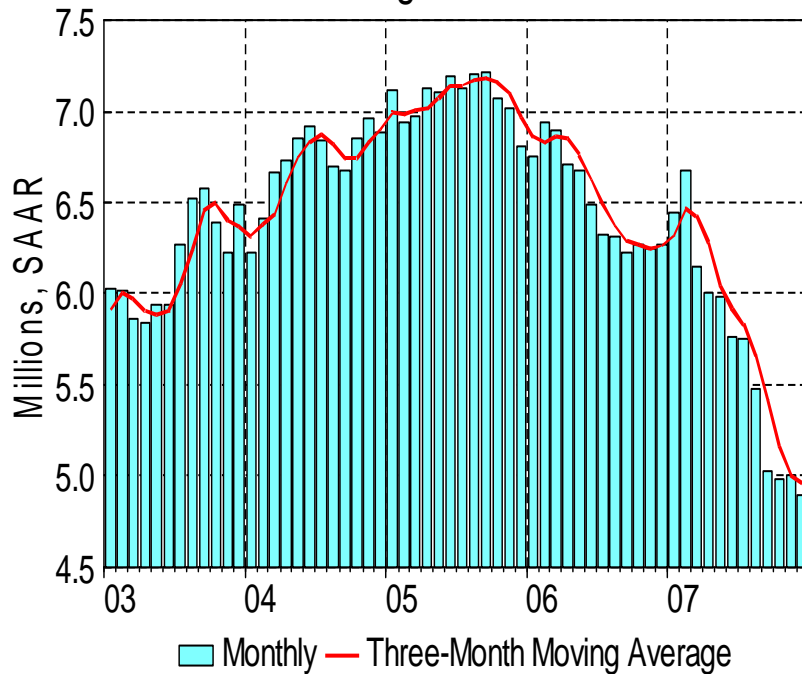
# WESP 2008 - KEY MESSAGES

- We have seen robust and broad-based world economic growth, including strong developing country growth.
- But possible major slowdown in 2008:
  - End of US housing bubble and continued financial turmoil
  - Risk of hard landing of the US dollar
  - High oil price has re-emerged as a threat to global growth
- Developing countries, especially poorest and primary exporters could be hit hard
- UN system, including IMF, should take lead in forging concerted policy action

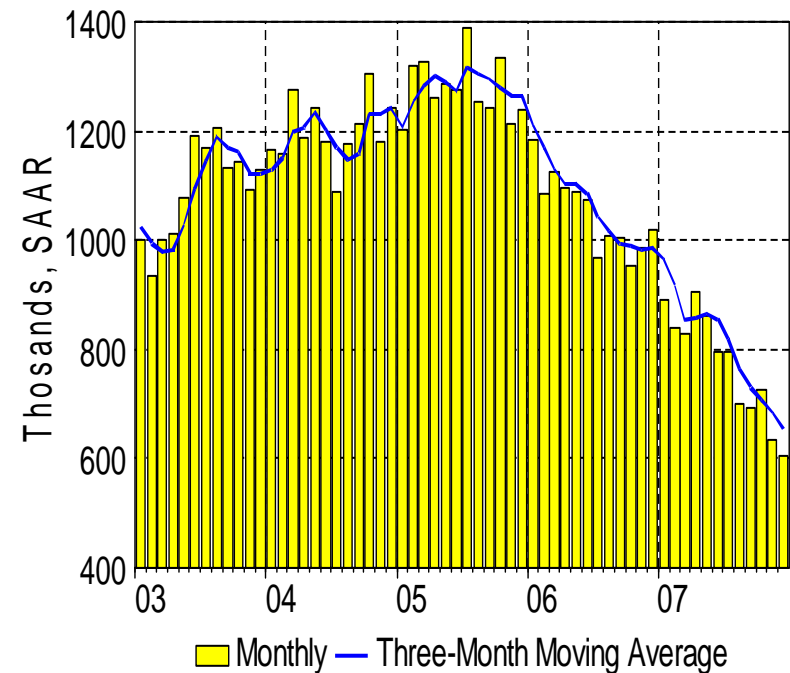


# THE US HOUSING MARKET CRISIS: Falling home sales

Existing Home Sales

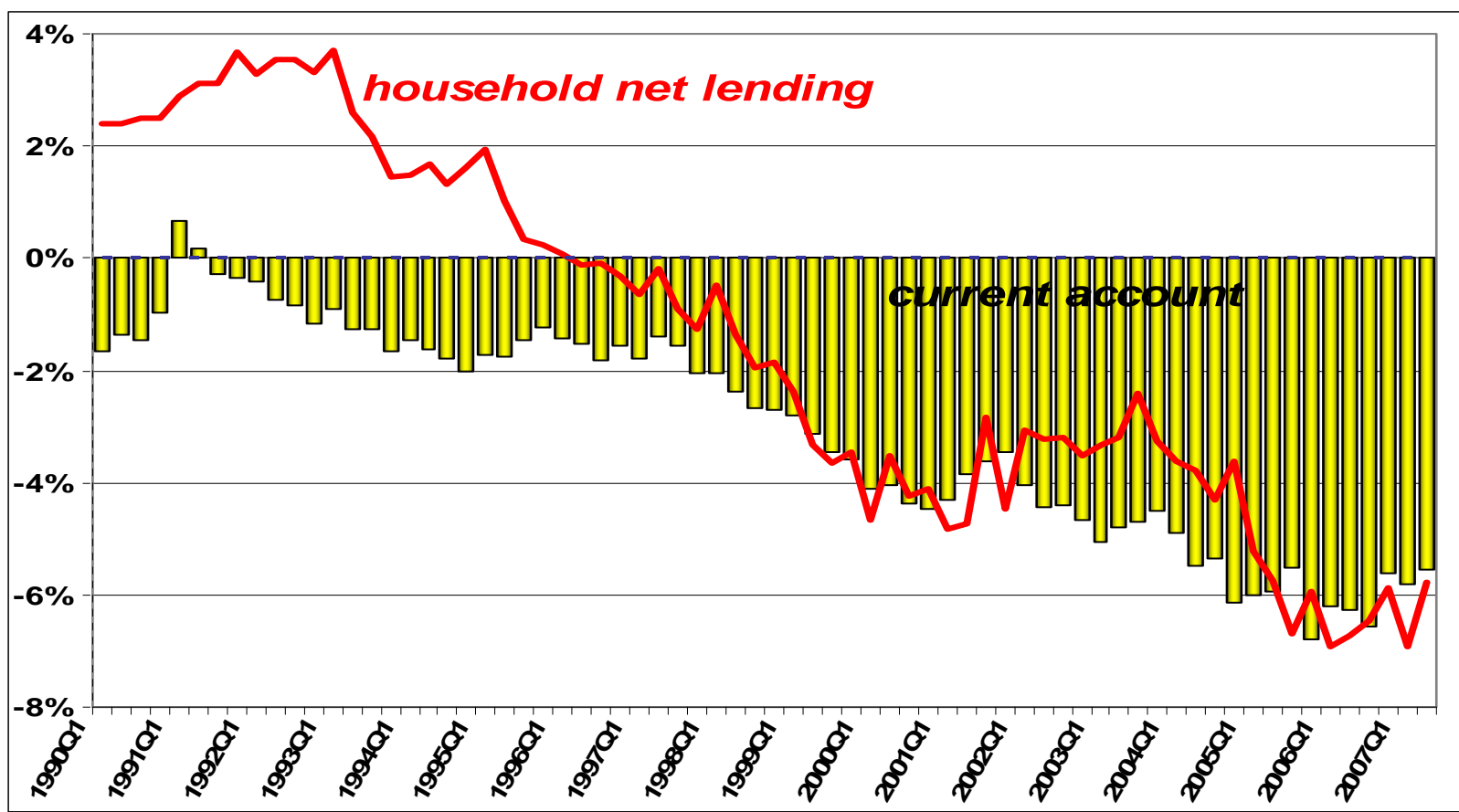


New Home Sales



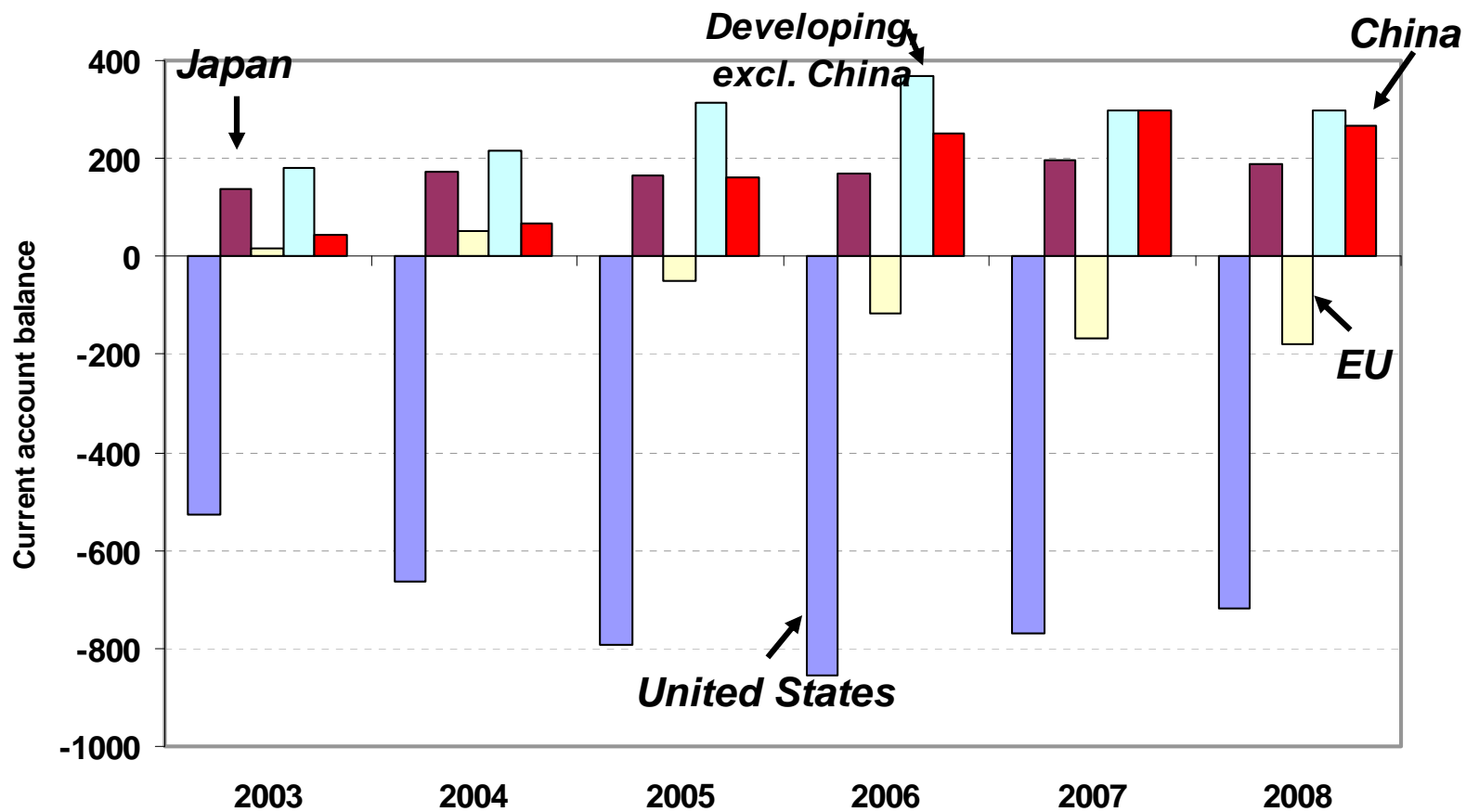


# US EXTERNAL AND DOMESTIC DEFICITS CLOSE TO TURNING POINT?



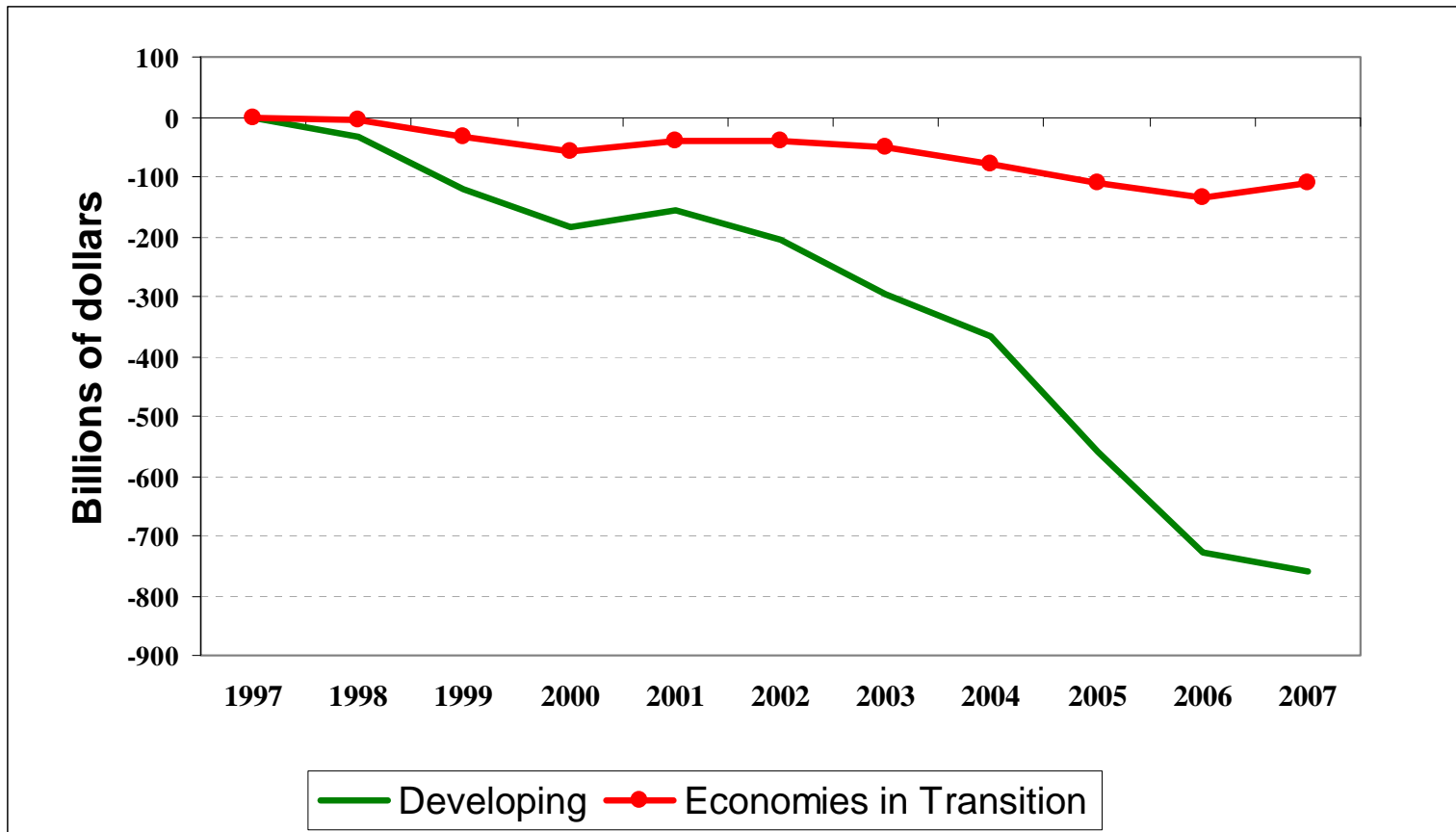


# GLOBAL IMBALANCES PERSIST



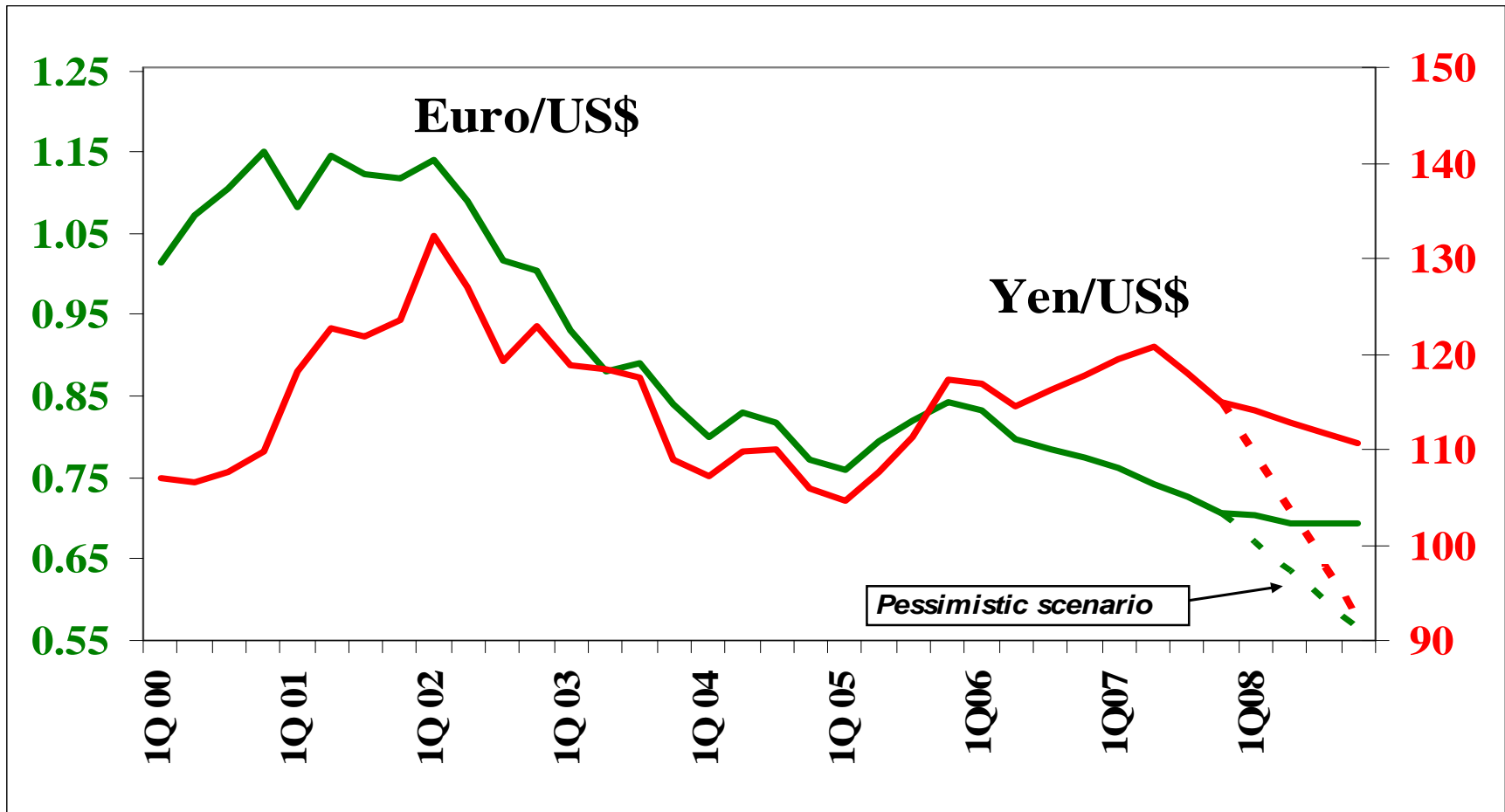


# NET FINANCIAL RESOURCES CONTINUE TO FLOW FROM DEVELOPING TO DEVELOPED COUNTRIES





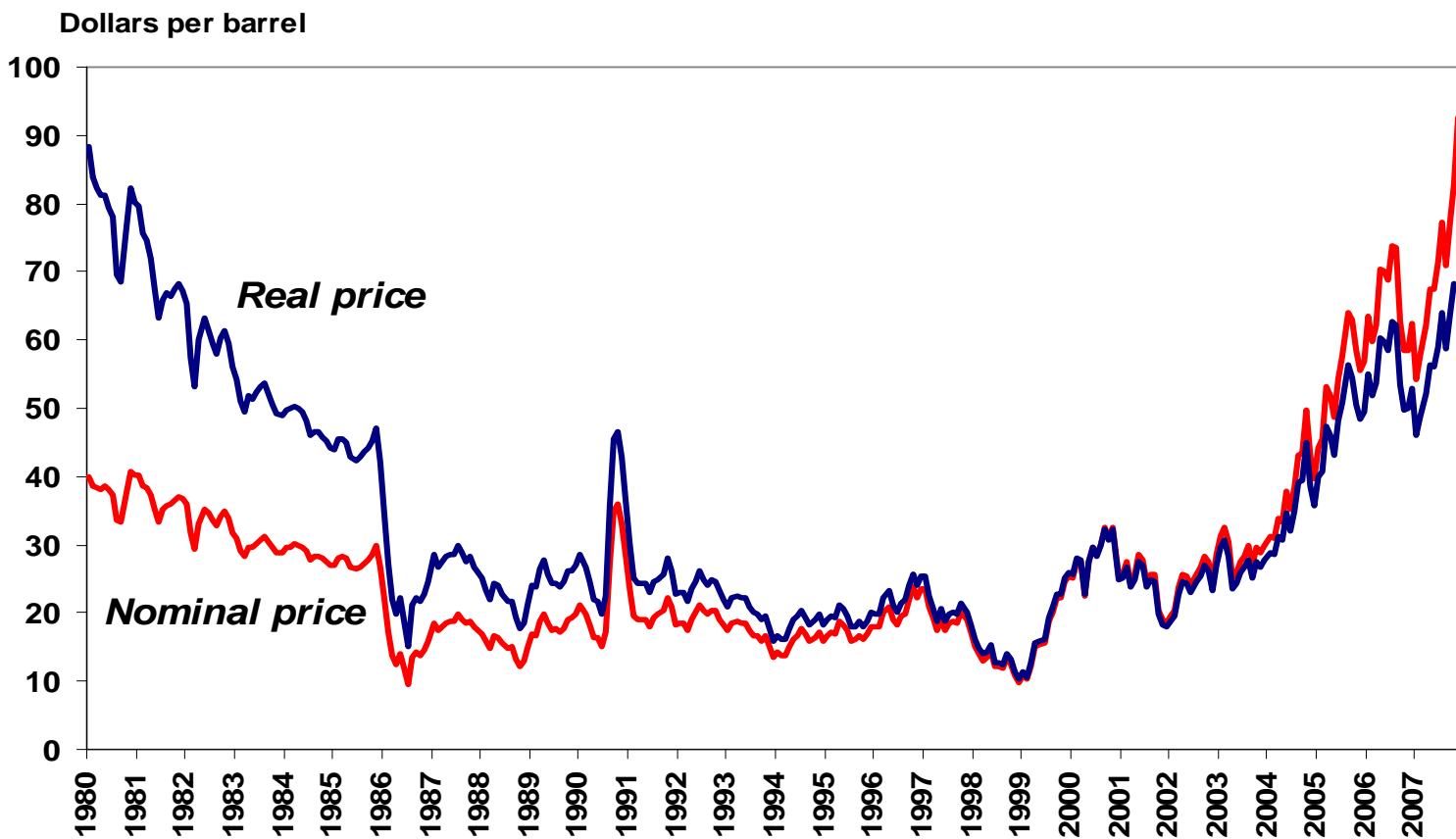
# A HARD LANDING OF THE DOLLAR?





# OIL AT \$100 A BARREL: A THREAT?

Nominal and real Brent crude oil price

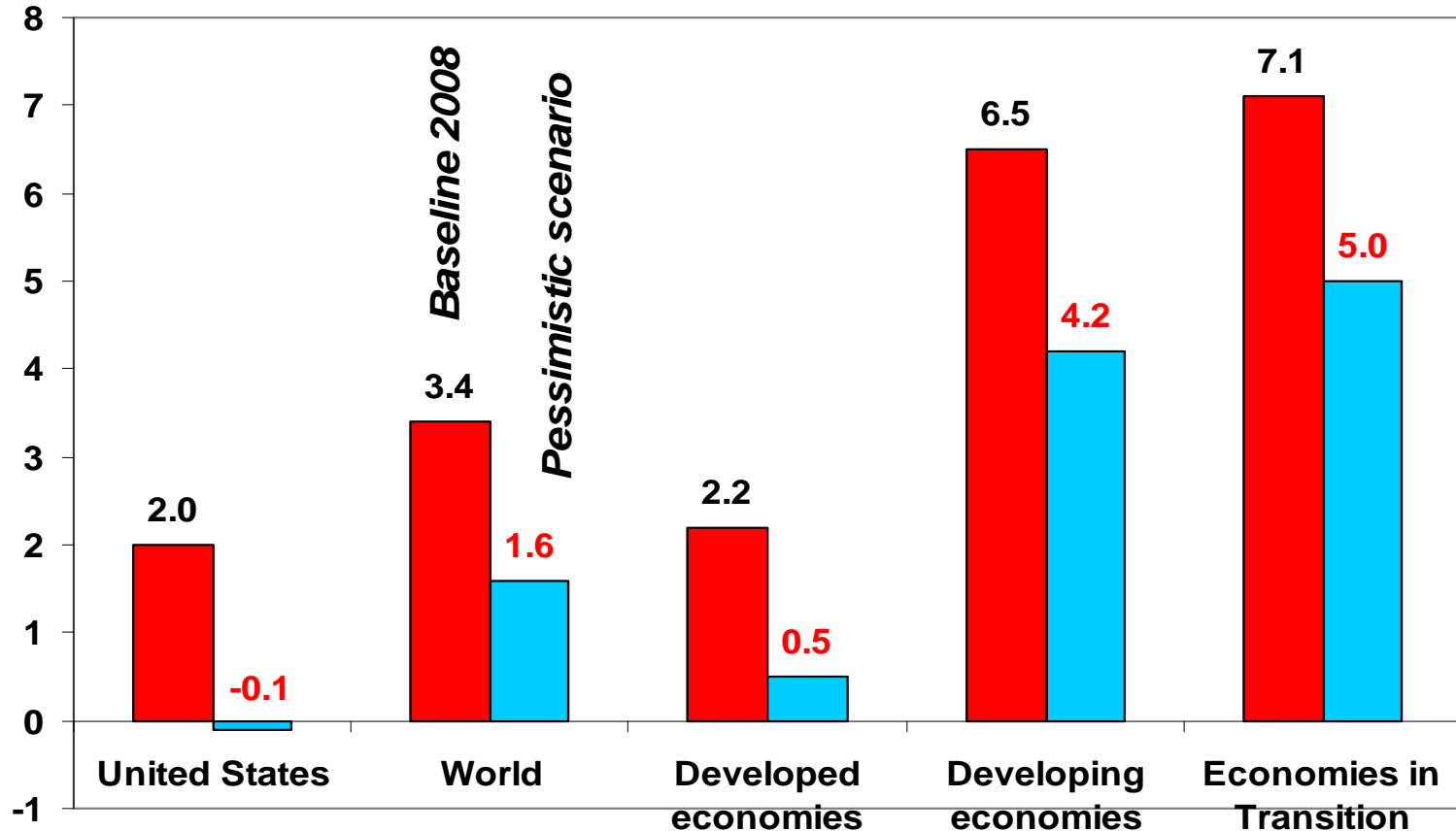


Source: UN/DESA based on IMF International Financial Statistics CD-ROM November 2007.

Note: United States consumer price inflation was used as the deflator for the nominal price of Brent

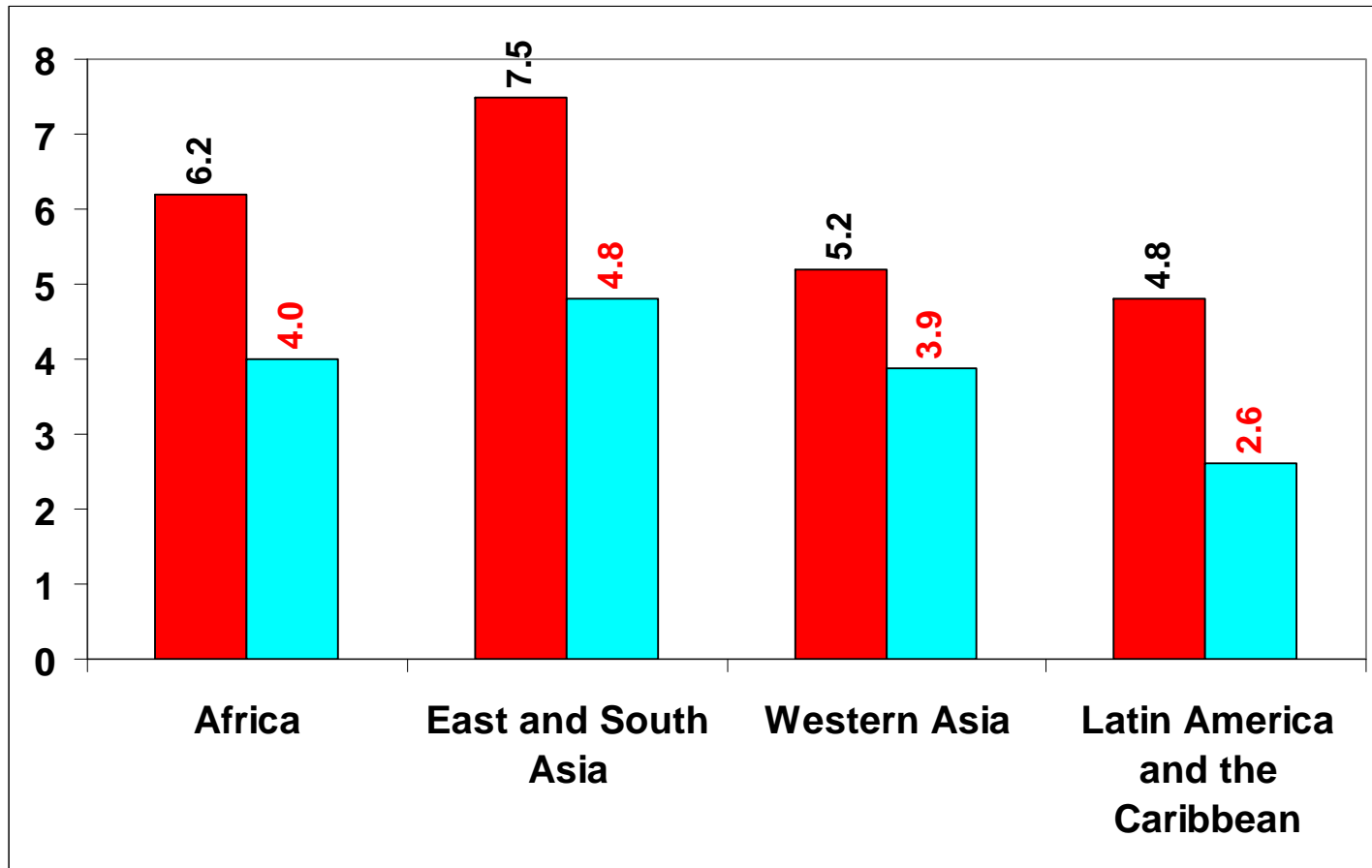


# Deeper housing market crisis and hard landing of dollar could bring the world economy down (forecasts for 2008)



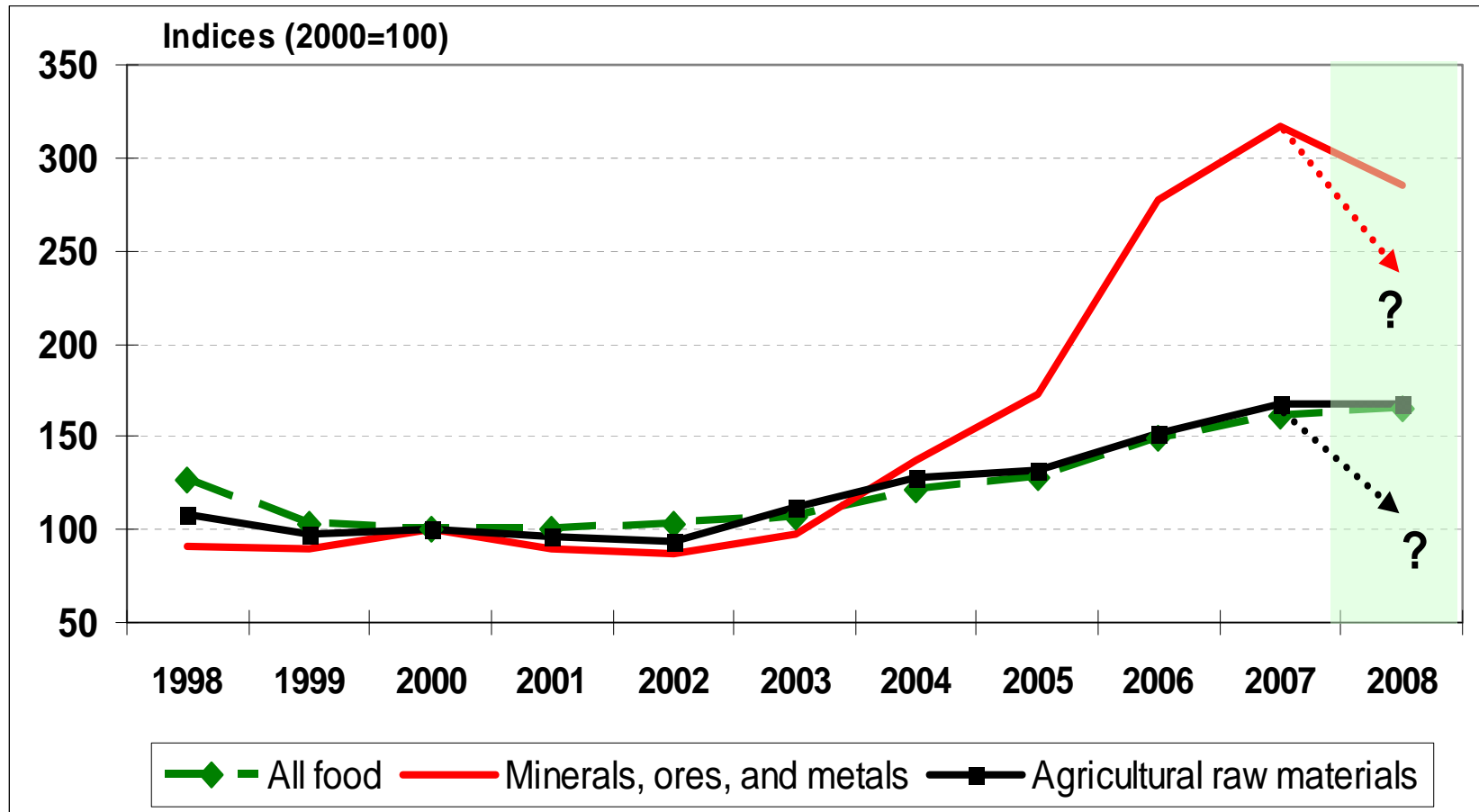


# DEVELOPING COUNTRY GROWTH WILL BE AFFECTED



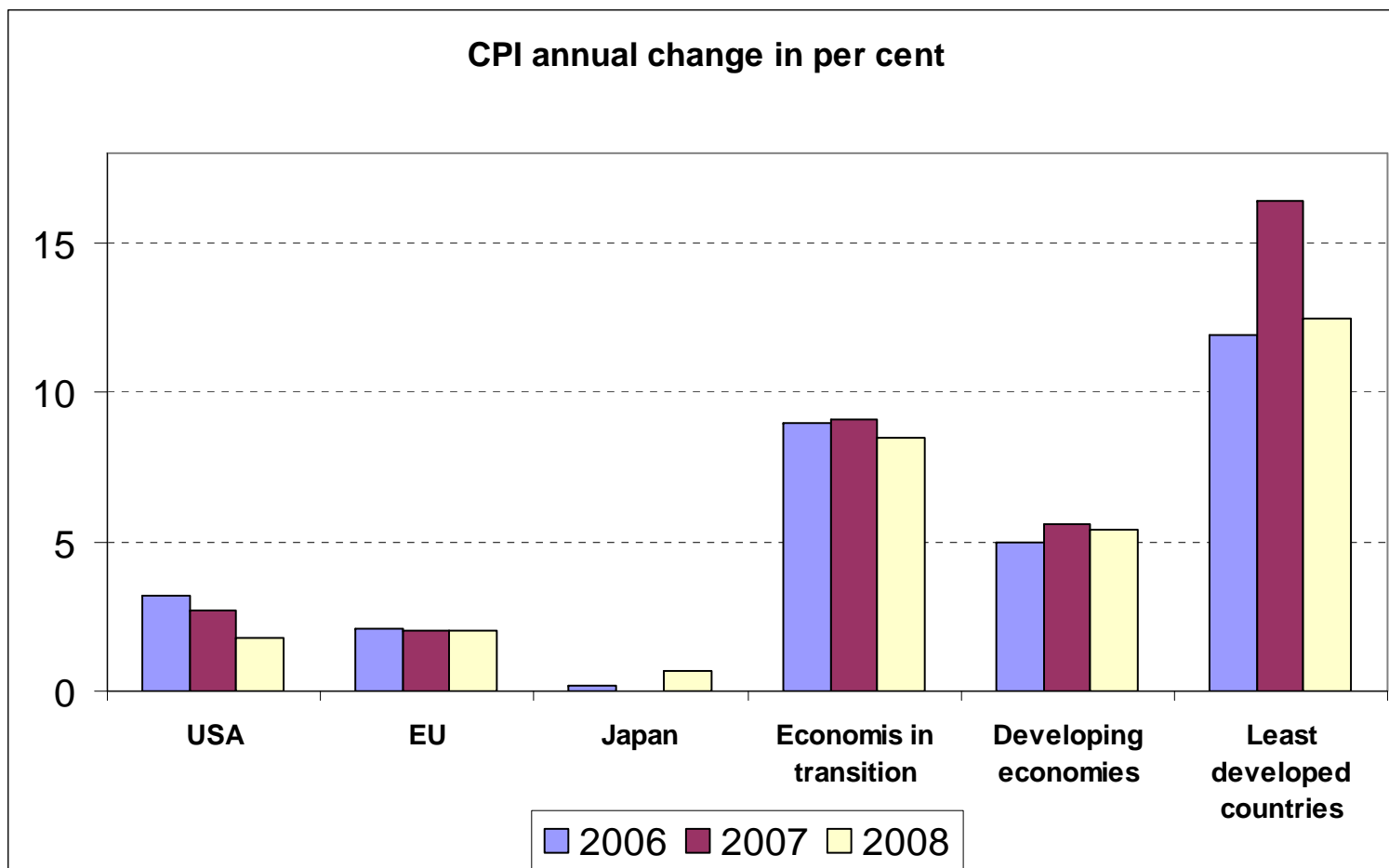


# NON-OIL COMMODITY PRICES MAY HAVE PEAKED





# WORLDWIDE INFLATION REMAINS LOW, SUGGESTING SPACE FOR MORE STIMULUS





## Policy challenges

- ❖ Multilateral policy coordination with broad participation is needed
- ❖ Concerted action to avoid a hard landing of the dollar
- ❖ Measures to improve the regulation of the financial system

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