Table of contents

Acknowledgements .................................................... iii
Explanatory notes ...................................................... iv
Executive summary ..................................................... v

Chapter I
Global economic outlook ............................................. 1
Prospects for the world economy in 2014-2015 ....................... 1
  Global growth continues to face headwinds ......................... 1
  Inflation outlook remains benign .................................... 8
  High unemployment remains a key challenge ....................... 8
Trends in international finance and trade ............................ 10
  Capital inflows to emerging economies declining .................... 10
  Currencies of developing countries under depreciation pressures .. 12
  Prices of primary commodities on a moderate downtrend .......... 14
  International trade flows remain sluggish ......................... 15
  Global imbalances narrowing to a benign level ................... 16
Uncertainties and risks .................................................. 17
  Uncertainties and risks associated with QE ......................... 18
  Vulnerability of emerging economies to external shocks .......... 21
  Remaining risks in the euro area .................................... 25
  Uncertainties and risks from lingering budget issues in the United States .......................................................... 26
Policy challenges .......................................................... 27
  Fiscal policy ........................................................... 27
  Monetary policy ....................................................... 28
  Policy challenges in managing the risks associated with the unwinding of QE ......................................................... 29
  International policy coordination ....................................... 30

Chapter II
International trade ...................................................... 33
Commodity markets ..................................................... 41
  Food and agricultural commodities .................................... 41
  Minerals, ores and metals .............................................. 43
  Oil prices ............................................................... 44
Terms of trade and trade shocks ......................................... 47
Trade in services .......................................................... 50
Trade policy developments .............................................. 55
  The multilateral trading system: the Bali “mini” Package and variable geometry of trade agreements .......................................................... 56
Regional trade agreements: major initiatives, uncertain outcomes and implications ........................................ 57
Unilateral trade liberalization: a mixed picture ........................................ 62
Conclusions and ways forward ........................................................................ 63

Chapter III
International finance for development .......................................................... 65
Global imbalances and international reserves accumulation ....................... 66
Trends in international private capital flows ............................................... 68
  Trends in cross-border capital flows .......................................................... 70
  Management of volatile capital flows and other policy measures ............... 76
Strengthening international financial regulation .......................................... 79
  Reforms to the banking system .................................................................. 79
  Progress in implementing reforms of the banking system ......................... 80
  Implications of new regulations for financing sustainable development ....... 82
  Progress in regulating shadow banking .................................................... 84
  Derivatives .................................................................................................. 85
  Regulating the credit rating agency industry ................................................ 86
  Financial inclusion ...................................................................................... 87
International development cooperation and official flows ......................... 88
  Official development assistance ................................................................. 88
  South-South and regional cooperation ....................................................... 89
  Innovative sources of international finance for development ................... 90
  Illicit capital flows and international tax cooperation ................................. 92
Additional measures to enhance international financial stability ................. 93
  Global liquidity mechanisms and a financial safety net ............................. 93
  Increased multilateral surveillance ............................................................. 94
  Sovereign debt distress ............................................................................ 94

Chapter IV
Regional developments and outlook ........................................................... 99
Developed market economies ........................................................................ 99
  North America ........................................................................................... 99
    The United States: improved growth prospects, but downside risks remain ... 99
    Canada: in tandem with the United States ............................................... 101
  Developed Asia and the Pacific .................................................................. 102
    Japan: out of deflation, but high public debt remains ............................... 102
    Australia and New Zealand: solid growth driven by exports and investment . 104
  Europe ........................................................................................................ 104
    Western Europe: recession ends, but growth remains weak .................... 104
    The new EU members: tentative green shoots of recovery ..................... 108
Economies in transition ................................................................................ 111
  South-Eastern Europe: moderate growth, but high unemployment and possible financial vulnerabilities .............................................................. 113
  The Commonwealth of Independent States: slowdown follows tepid recovery ... 115
## Executive Summary

### Developing economies

- Africa: strengthening overall growth with diverse performance across subregions .................................................. 118
- East Asia: growth projected to pick up slightly ........................................... 124
- South Asia: lack-lustre growth in 2013, but gradual recovery projected ........ 128
- Western Asia: solid growth overall despite the fallout from military conflicts ... 132
- Latin America and the Caribbean: growth to accelerate in 2014-2015 .......... 134

### Boxes

1. Major assumptions for the baseline forecast ................................................................. 3
2. Prospects for the least developed countries .............................................................. 5
3. Spillover effects of unconventional monetary policies in major developed countries .......................................................................................... 19
4. Growth slowdown in the BRICS .............................................................................. 21
5. Maritime trade: the role of the global liner shipping network ................................... 36
6. The impact of China’s structural changes on its major trading partners .............. 39
7. The strategic importance of rare earth metals ......................................................... 45
8. Effects of increased oil production in the United States of America on exporters of similar grade ................................................................. 46
9. International tourism .................................................................................................. 54
10. Global value chains: policy implications for developing countries .................... 60
11. Innovative sources of financing: the case of forests ............................................... 90
12. Sub-Saharan African sovereign bonds: an alternative source of development finance or a looming debt crisis? ................................................................. 96

### Figures

2. Growth of per capita GDP by level of development, 2000-2015 .......................... 5
3. Unemployment rates in selected countries, January 2007-September 2013 ....... 9
5. Dollar exchange rates among major currencies, January 2007 to 14 November 2013 ................................................................. 13
6. Dollar exchange rates of selected emerging economies, January 2007 to 14 November 2013 ................................................................. 14
7. Price indices of commodities, 2000-2015 .............................................................. 15
8. Index of world merchandise trade, January 2006-August 2013 .......................... 16
10. Current-account imbalances for selected countries ............................................ 23
I.11. External debt for selected countries ........................................... 24
I.12. Foreign reserves for selected countries ....................................... 25
I.3.1. Monetary policies for selected countries .................................... 19
I.3.2. Assets held in major central banks ........................................... 19
I.4.1. Growth decomposition for the BRICS, 1996-2012 ........................ 22
II.1. World trade growth, 2002-2015 .................................................. 34
II.2. North-South distributions of world trade, 1995-2012 .................... 34
II.3. Import trends of developed and developing countries, 2000-2015 .... 35
II.4. Import volume growth across groups of countries, 2011-2013 ......... 35
II.5. Import volume growth across regions, 2001-2013 ....................... 39
II.6. Price indices of non-oil commodities, all food and minerals, ores and metals, January 2009-September 2013 ................................. 41
II.7. Price indices of selected food and agricultural commodity groups, January 2009-September 2013 ............................................. 42
II.8. Price indices of selected minerals, ores and metals, January 2009-September 2013 ..................................................... 43
II.9. Brent spot price in relation to significant geopolitical and economic events, January-November 2013 ........................................... 44
II.10. Trade shocks of major country groups and major regions ............ 47
II.12. Merchandise trade balances, 2013 and 2015 .............................. 49
II.13. Merchandise trade balance deficits as a percentage of GDP for selected LDCs ................................................................. 49
II.14. Growth of services exports by development status ....................... 50
II.15. Share of services in trade, employment, GDP and FDI in 2011 ....... 51
II.16. Share in world services trade by development status, 2000 and 2008-2012 ................................................................. 51
II.17. Trade balances by development status ....................................... 53
II.18. Developing country exports of services by category, 2008-2012 .... 53
II.1.1. Position of countries in the global liner shipping network ......... 36
II.1.2. Trends in container ship fleet deployment, mid-2004–mid-2013 .... 37
II.2.1. The composition of China’s merchandise imports, selected product categories, 2000-2012 .................................................. 40
II.4.1. United States imports of Algerian crude oil and petroleum products, January 2010-August 2013 ............................................... 46
II.5.1. International tourist arrivals and receipts, 2000-2012 .................. 54
III.1. Foreign-exchange reserves, 1992-2013 ........................................ 67
III.2. Net transfer of resources to developing economies and economies in transition, 2001-2013 ...................................................... 69
III.3. Growth rate and amount of FDI inflows to groups of economies, first half of 2012 to first half of 2013 .......................................... 71
III.4. Shares of long-term financing for developing regions, first quarter 2006-second quarter 2013 ..................................................... 75
III.5. Minimum, maximum and average risk-weights for corporate lending by region ................................................................. 82
III.1.1. Forestry sector ODA, 2000-2011 ............................................. 91
IV.1. Daily yields of United States Treasury Bonds, 3 January 2006-8 November 2013 ................................................................. 100
IV.2. Japan: Quarterly current-account balance and major components ................................................................. 103
IV.3. Inflation in the euro area: January 2012-October 2013 .................................................................................. 107
IV.5. Current-account balances of the energy-exporting CIS countries ................................................................. 117
IV.6. Africa: GDP growth performance by trade structures .................................................................................. 119
IV.7. Contributions to growth by demand component in selected East Asian countries, 2013 ................................................................. 125
IV.8. Daily exchange rates in selected South Asian countries, 3 January 2012-1 November 2013 ................................................................. 131
IV.9. Western Asia: GDP growth by subregion .................................................................................. 133
IV.10. Daily real effective exchange rate of selected Latin American currencies, 1 June 2012-1 November 2013 ................................................................. 136
IV.2.1. African exports by commodity, 2009-2011 .................................................................................. 121
IV.4.1. Latin America and the Caribbean: overall budget balance, 2007-2013 ................................................................. 137

Tables
II.1. Top 10 services exporters in 2012: developing countries and economies in transition ................................................................. 52
II.2. Top 10 services importers in 2012: developing countries and economies in transition ................................................................................. 52
III.1. Net financial flows to developing countries and economies in transition, 2000-2014 ................................................................................. 73
III.2. Summary of Basel corporate risk weights for banks using the standardized approach in the European Union ................................................................................. 83
IV.1.1. Capital flows to new EU member States and economies in transition, 2005-2012 ................................................................................. 113
IV.2.1. Share of mining sector in GDP for selected African countries, 2011 ................................................................................. 121

Statistical annex
Country classification
Data sources, country classifications and aggregation methodology ................................................................................. 143

Tables
A. Developed economies ................................................................................. 145
B. Economies in transition ................................................................................. 145
C. Developing economies by region ................................................................................. 146
D. Fuel-exporting countries ................................................................................. 147
E. Economies by per capita GNI in 2012 ................................................................................. 148
F. Least developed countries ................................................................................. 149
G. Heavily indebted poor countries ................................................................................. 149
H. Small island developing States ................................................................................. 150
I. Landlocked developing countries ................................................................................. 150