LINK Global Economic Outlook
2015-2016

Project LINK Meeting
22-24 October 2014
New York

Pingfan Hong
UN DESA DPAD
Outline

1. Global macroeconomic trends
2. Uncertainties and risks
3. Policy issues
Global growth in moderate and uneven pace
Developed economies: further recovering
Developing countries:
shifting to low gear
Economies in transition: suffering from geopolitical tensions
Unemployment remaining elevated in some countries
Inflation remains benign in most parts of the world
Trade flows growing in sluggish pace, far below trends
Commodity prices trending downward

Commodity price index (2000=100)

- Food (All)
- Agricultural raw materials
- Minerals, ores and metals
- Oil (Brent)
Net private capital inflows to EM moderating

Source: IIF
External financing costs for EM remain low

Yield spreads on developing economies bonds (%) Jan 2007- Oct 2014

- Africa
- Asia
- Europe
- Latin America
Global imbalances narrowing
Uncertainties and risks

- Risks associated with the QE exit and normalization of interest rates by the Fed;
- Remaining fragility in euro area;
- Vulnerability in emerging economies to both external shocks and domestic structural bottlenecks;
- Escalation in geopolitical tensions;
- Risks of a failure in containing Ebola;
- Secular stagnation for developed economies;
- Lower growth in emerging economies as the new normal;
Low growth as the new normal?
Secular stagnation in the US (1)
Secular stagnation in the US (2)

Average 3.11%  Average 3.08%
Secular stagnation in the US (3)

Source: Robert Gordon
China’s new economic normal

- **New growth normal:**
  GDP growth at 7-7.5%, instead of 10%
- **New structural normal:**
  More consumption, less from investment and export
  More services, less manufacture
- **New macroeconomic policy normal:**
  More supply-side measures, less demand-side expansionary stimulus
- **Uncertainties and risks:**
  Financial instability, housing bubble, rapid growth deceleration
Policy issues (1)

- Macroeconomic stance in the outlook
  
  Developed economies:
  
  Lesser fiscal consolidation
  
  Monetary policy accommodative
  
  Developing countries:
  
  Both fiscal and monetary stances varying according to country-specific circumstances
Policy issues (2)

• Policy challenges:
  Supporting robust growth
  Normalization of monetary policy;
  Supporting employment;
  Promoting progress in the WTO Doha Round;

• International policy coordination:
  Mitigating negative policy spillover;
  Pushing forward financial regulatory reforms;
  International cooperation in tax matters;
  Transition from MDGs to SDGs.
Thank you