



# WESP Update per Mid-2012

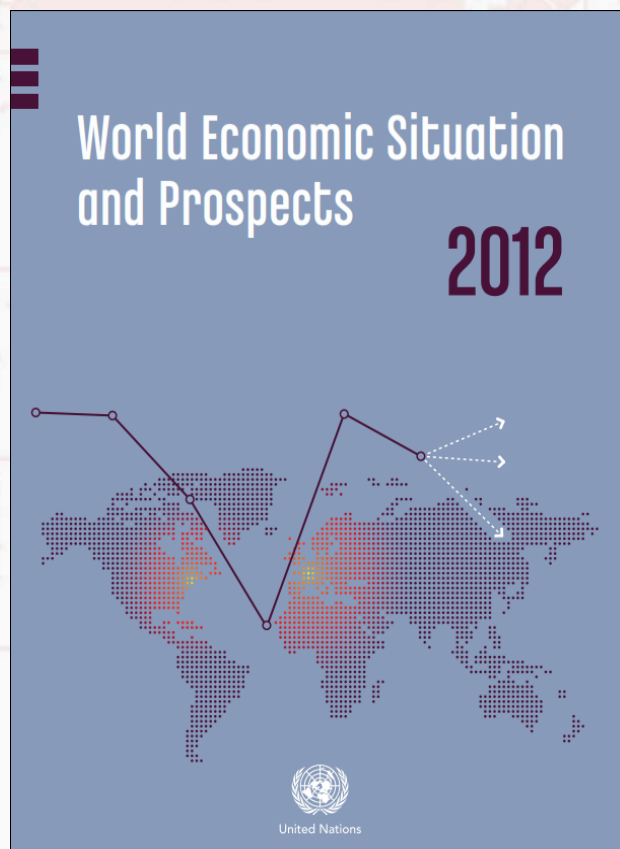
## Darkening skies over the world economy

New York, 7 June 2012

**Jomo K.S. & Rob Vos**

United Nations

[www.un.org/esa/policy](http://www.un.org/esa/policy)



# Main messages



## 1. Global economic slowdown

- Much of Europe has entered recession
- Considerable slowdown worldwide
- Jobs crisis continues

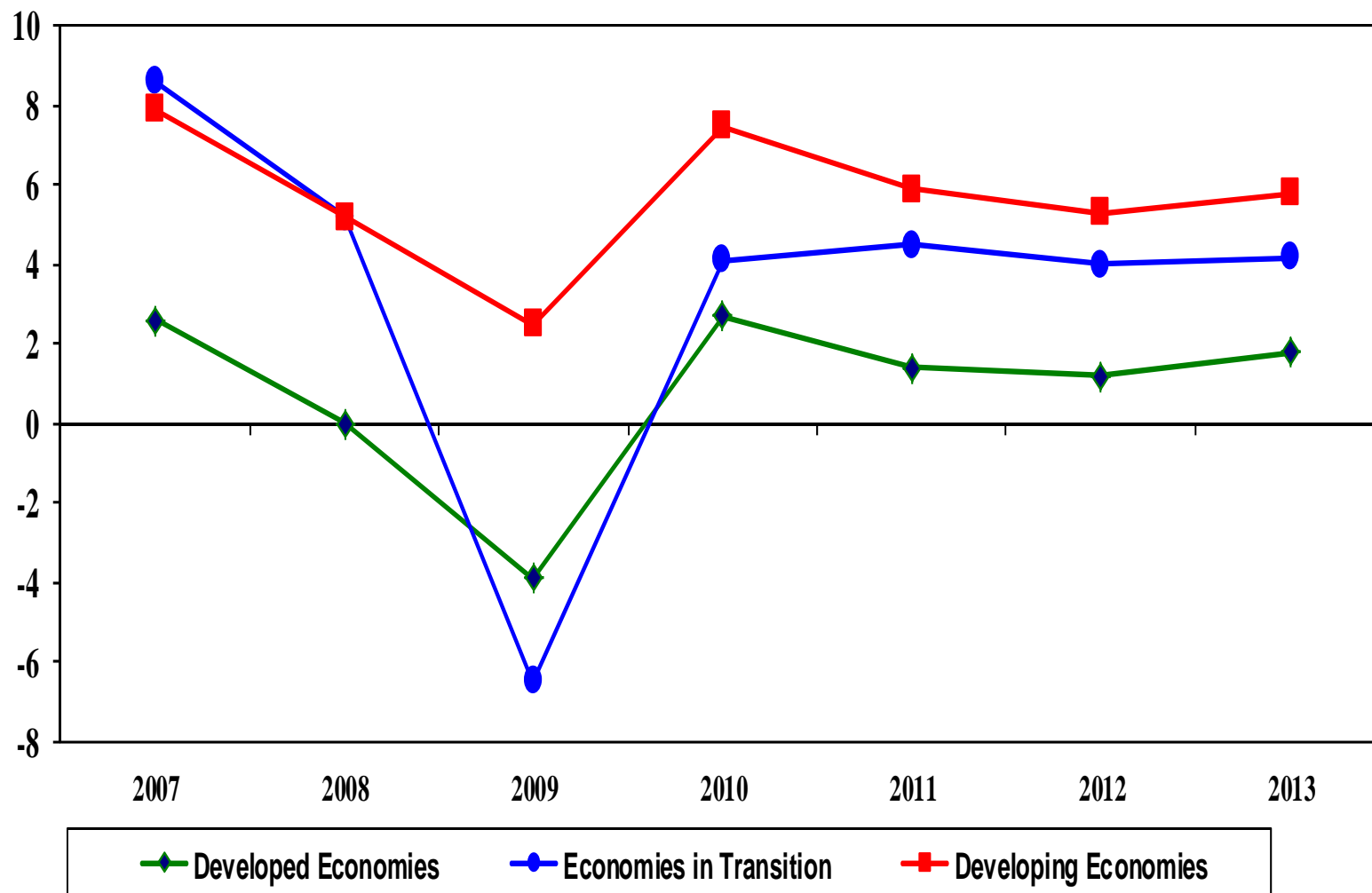
## 2. High risk of dangerous downward spiral

- Escalation of euro area crisis poses global threat
- Risk of sharp rise in global energy prices and heightened commodity price and capital flow volatility

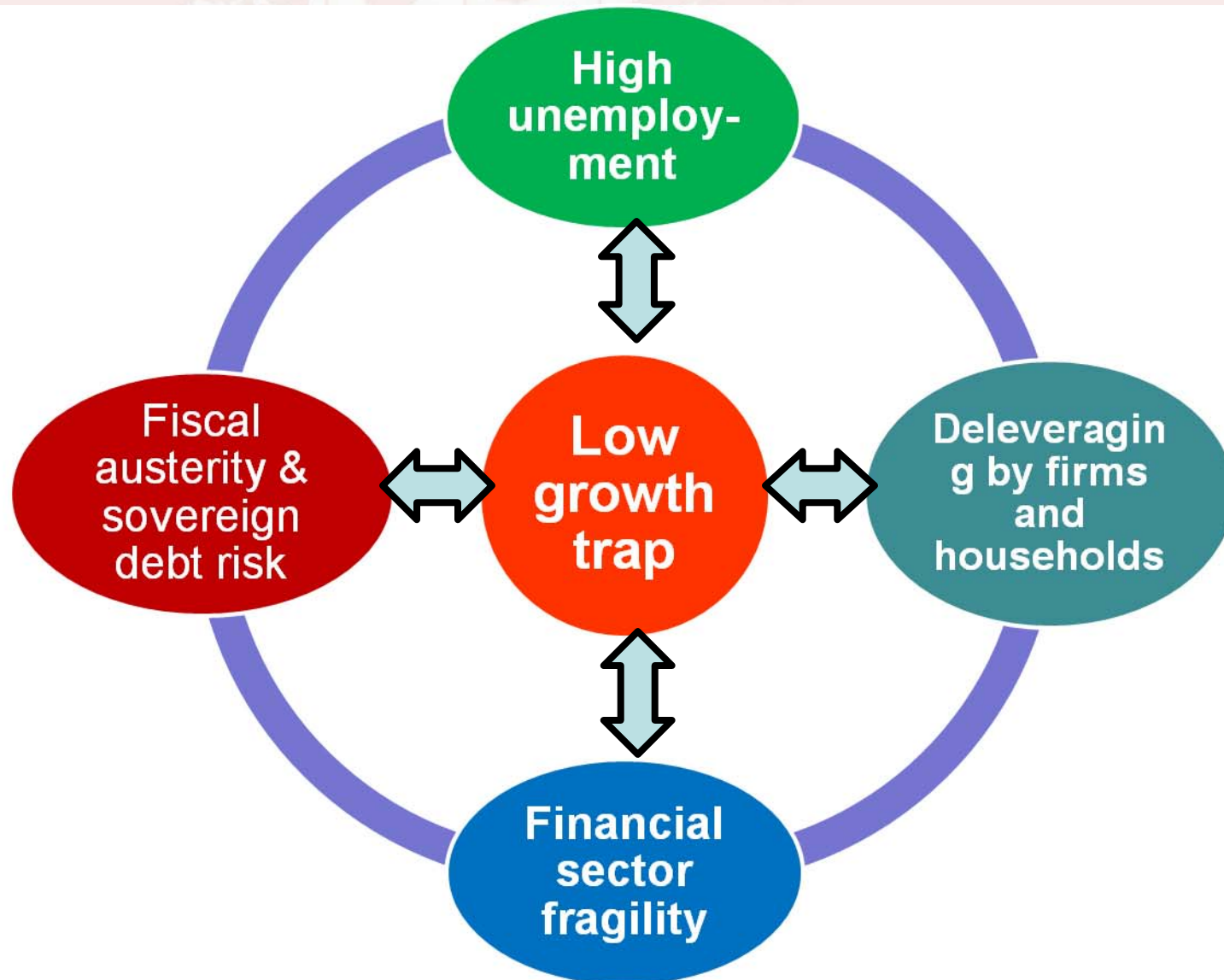
## 3. Breaking out of the vicious cycle

- Coordinated efforts needed to shift away from self-defeating fiscal austerity and towards renewed stimulus
- Redesign fiscal policies to more directly support job creation and green growth
- Coordinate monetary policy and accelerate financial sector reforms
- Enhance development financing

# A synchronized global slowdown



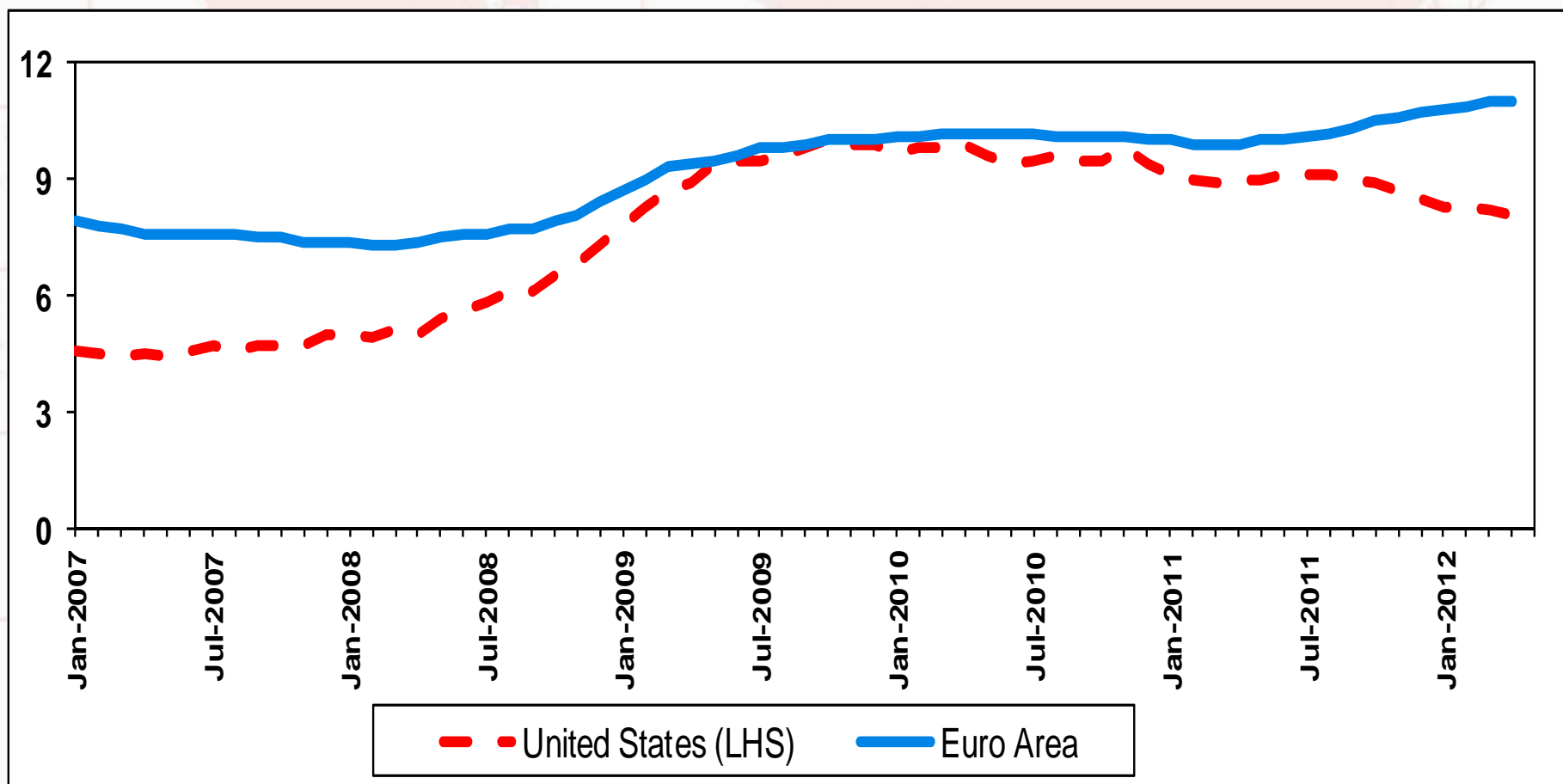
# Developed economy vicious cycle



# The jobs crisis continues – unemployment rising in euro area



Unemployment rates in developed regions  
(percentage of labour force, seasonally adjusted)



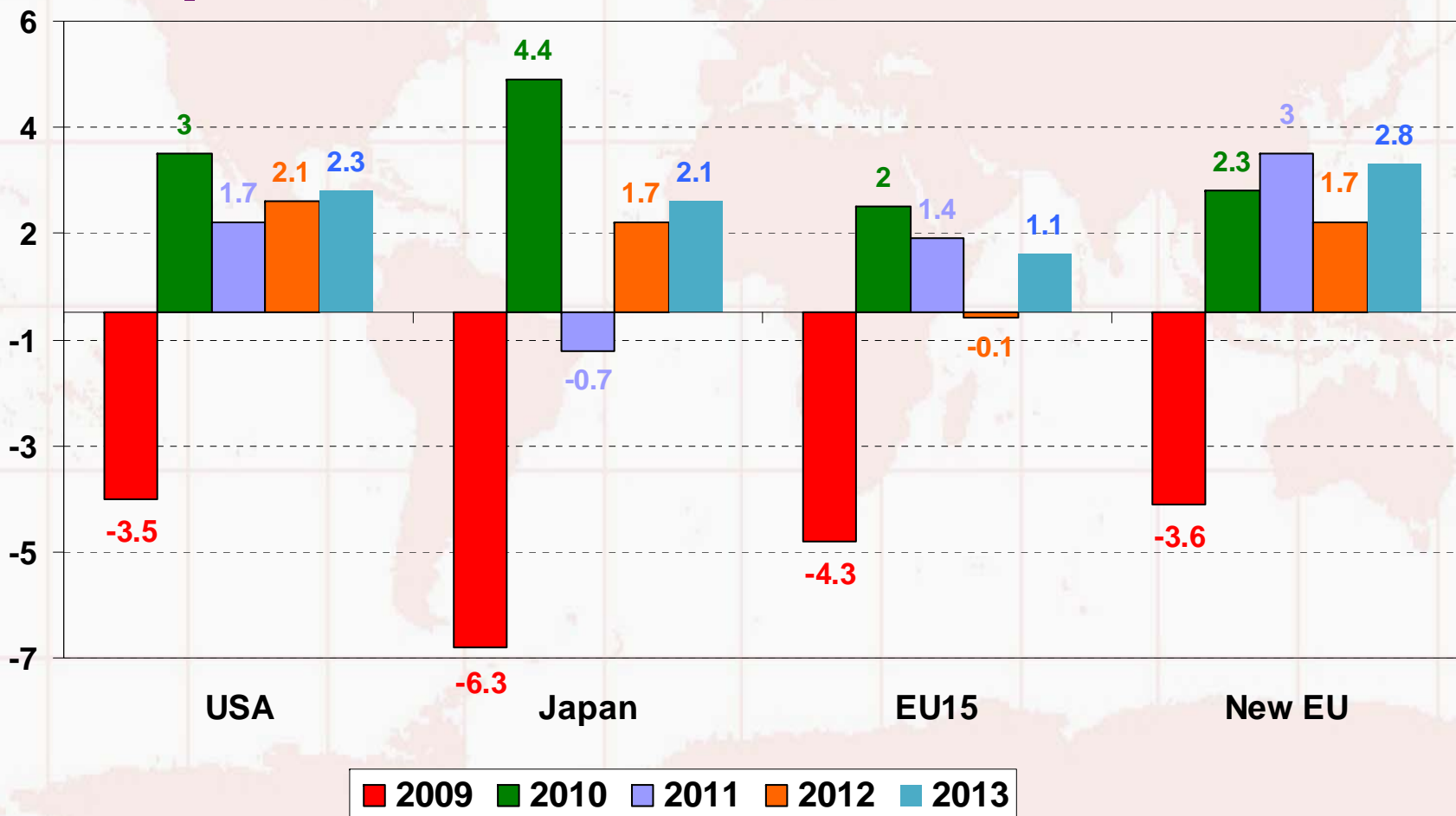


# Weakness in developed countries is spilling over to developing countries

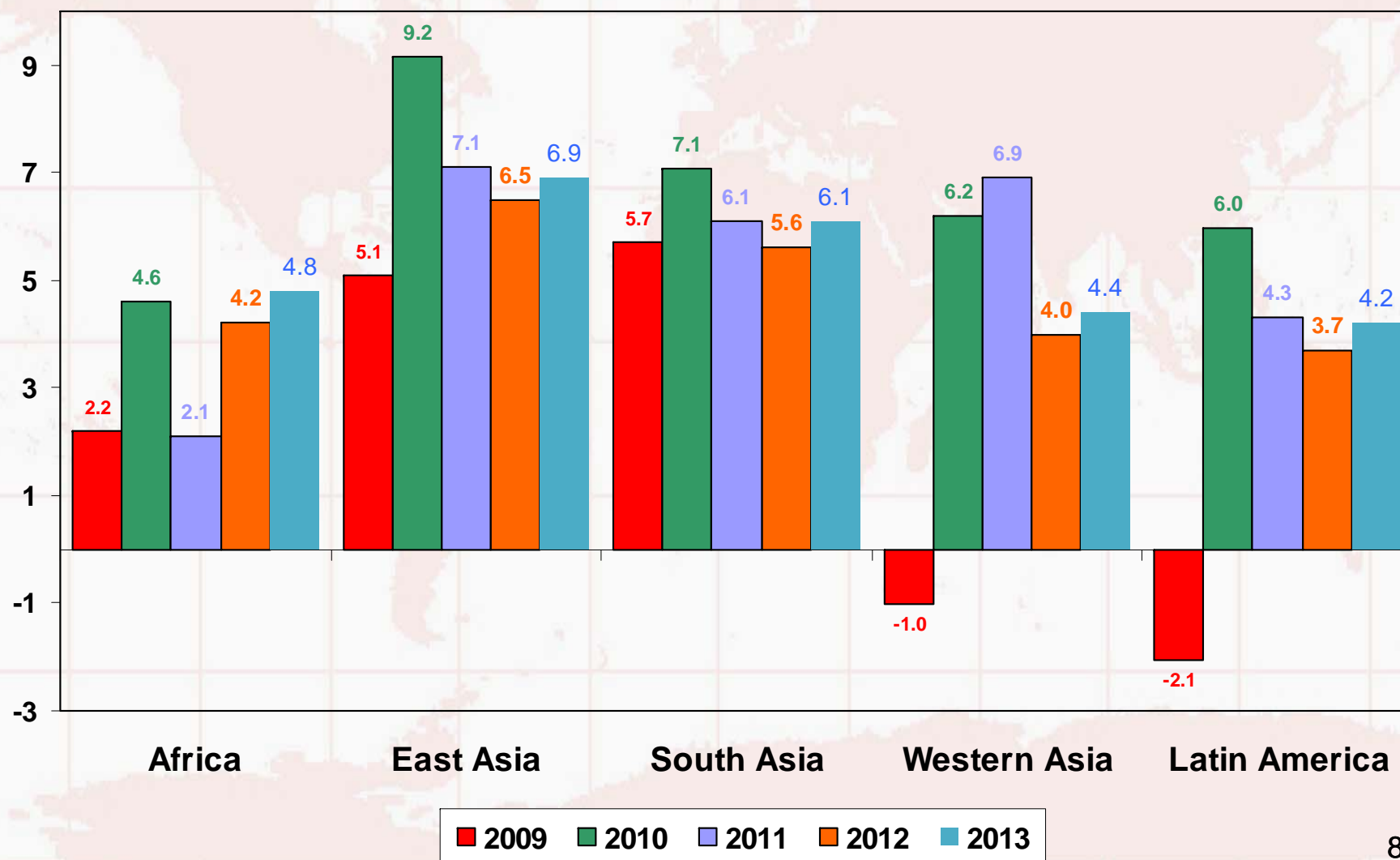


- **Weakening trade growth**
  - Global slowdown also starting to affect South-South trade
- **Ongoing exchange rate and capital flow volatility**
  - Deleveraging (especially by European banks) and flight to safety
  - Capital outflows from emerging countries
  - Depreciation pressure on some emerging country currencies
- **Continued commodity price volatility**
  - Large oil price swings over the first half of the year
  - Downward pressure on industrial metal prices

# Sluggish growth in developed economies, recession looms for Europe



# Growth in most developing regions slowing





# How to avert a new global recession?



**Need to address all four major weaknesses simultaneously**

**Requires fundamental policy shift:**

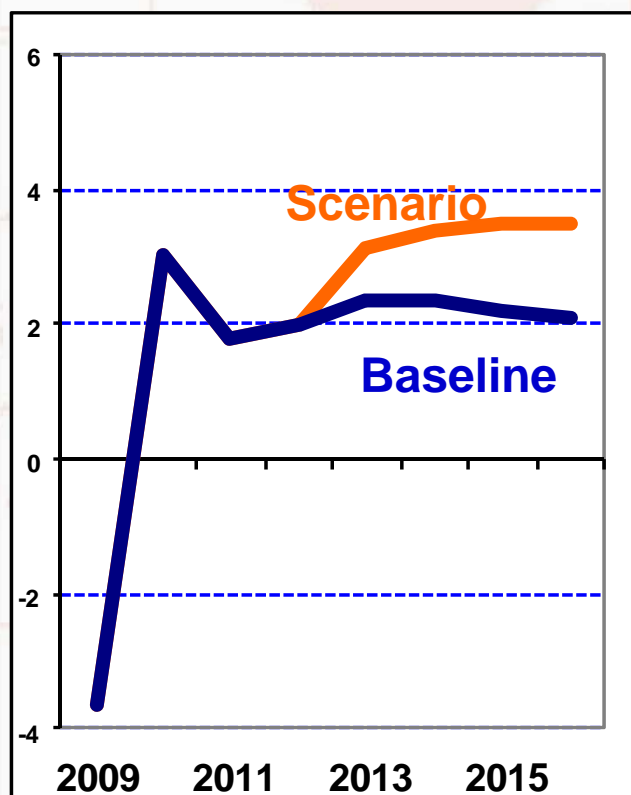
- **Coordinate fiscal policies to provide new short-term stimulus, focus on fiscal sustainability for medium term**
- **Redesign fiscal policy and align with structural policies for job creation and green growth**
- **Coordinate monetary policy to stem currency and capital volatility and accelerate financial regulatory reform to address financial fragility**
- **Ensure adequate development finance**

# Dealing with the growth and jobs crisis through sustainable global rebalancing

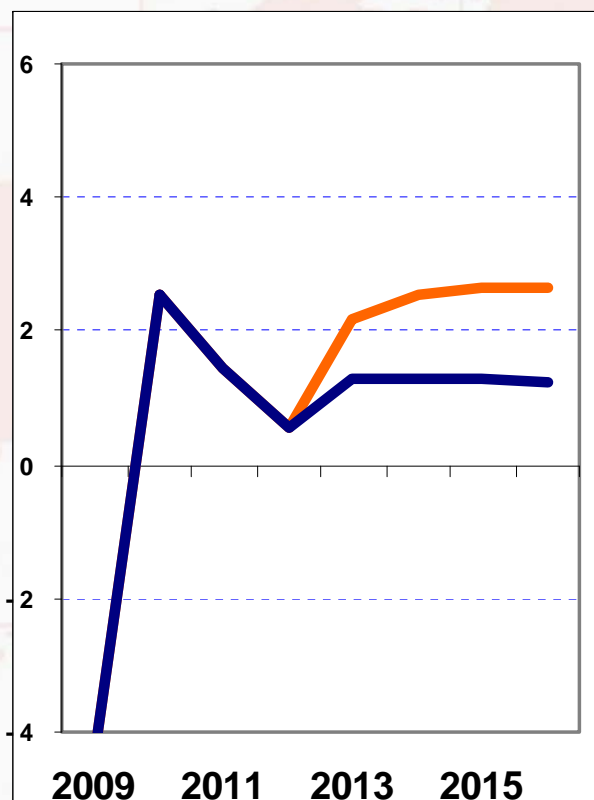


*GDP growth (in per cent)*

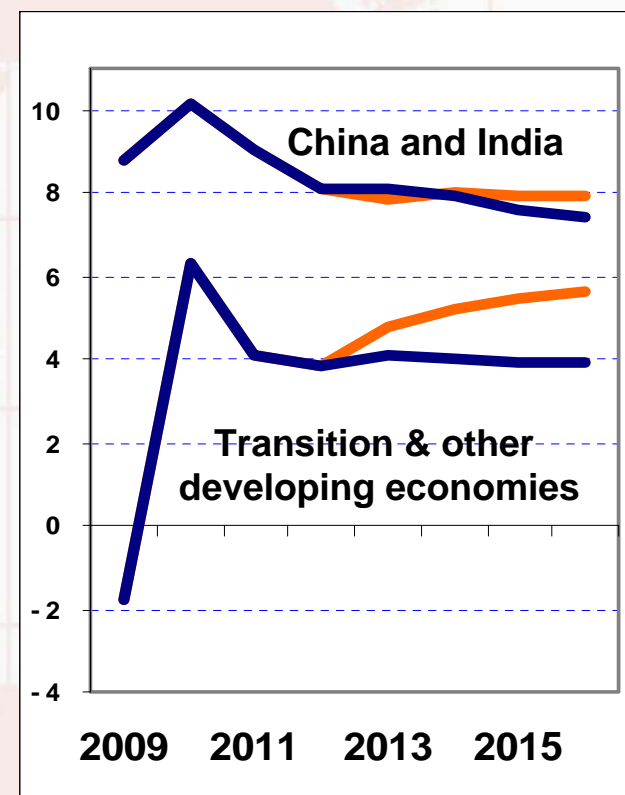
**United States**



**Europe, Japan & other developed economies**



**Transition & developing economies**

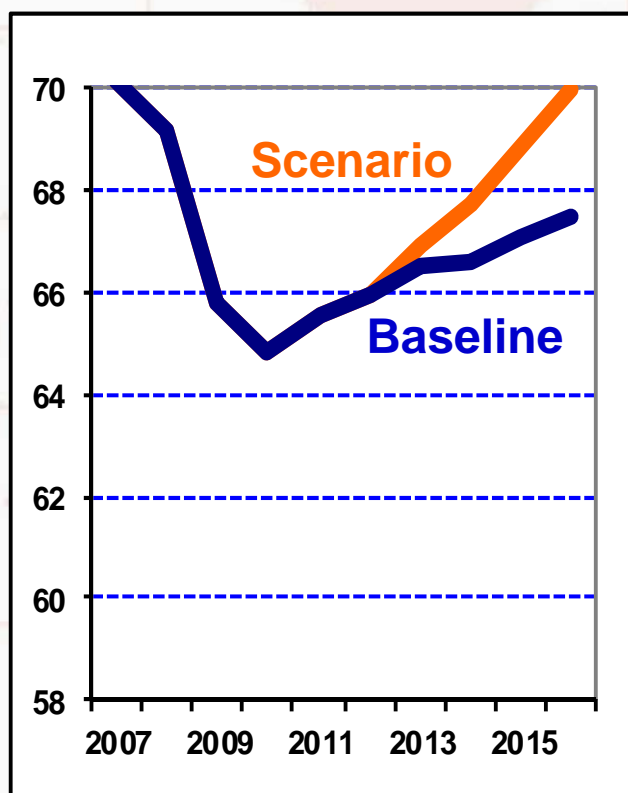




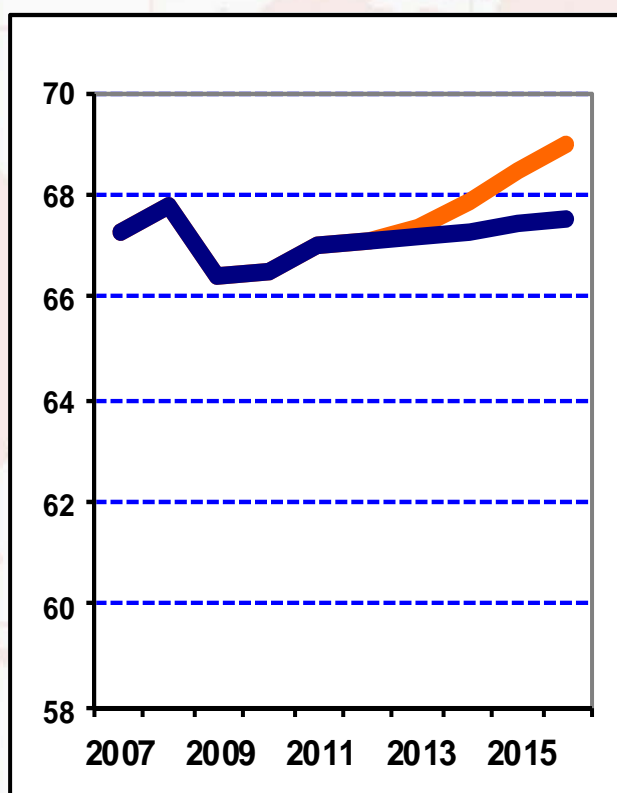
# Dealing with the growth and jobs crisis through sustainable global rebalancing

*Employment ratios (per cent of working age population)*

**United States**



**Europe, Japan & other developed economies**



**Transition & developing economies**

