Main messages

1. Renewed global economic slowdown
   - Much of Europe mired in recession - trapped in vicious circle of debt, low growth and high unemployment
   - Considerable slowdown worldwide (incl. emerging economies)
   - Jobs crisis continues

2. High risk of downward spiral into new global recession
   - Escalation of euro area crisis
   - Fiscal cliff in the United States
   - Hard landing in China & other emerging economies

3. Breaking out of the vicious cycle
   - Shift away from self-defeating fiscal austerity
   - Redesign fiscal policies to support job creation & green growth
   - Coordinate monetary policy & accelerate financial sector reforms
   - Enhance development financing
Slowdown in baseline with significant downside risks, but hopes for benign rebalancing with coordinated policies
A synchronized global slowdown…
Feeble policy efforts to break out of Vicious Cycle

- Fed quantitative easing
- Fiscal austerity & sovereign debt risk
- Low-growth trap
- Continued EU austerity
- ECB outright monetary transactions
- Deleveraging by firms & households
- Debt dynamics
- Financial sector fragility
The jobs crisis continues: no employment recovery before 2017 at going trends
Developed country weaknesses are spilling over

Global trade growth has slowed markedly

More capital flow volatility for developing countries
Impact of downside risks on world economy will be substantial
How to get the world economy back on track?

• Present policy stances insufficient and source of uncertainty

**Fundamental policy shift is required:**

• Coordination of fiscal policy ➔ new growth impulses
• Redesign fiscal and structural policies ➔ job creation & green growth
• Monetary policy coordination ➔ less capital volatility
• Accelerate financial regulatory reform ➔ reduce financial fragility
• Ensure adequate development finance ➔ benign rebalancing and achieving MDGs
Coordinated strategy for growth and jobs can lift all boats

Employment in Europe and US will recover by 2014 and 33 million more jobs per year in developing countries.