Global Economy Outlook

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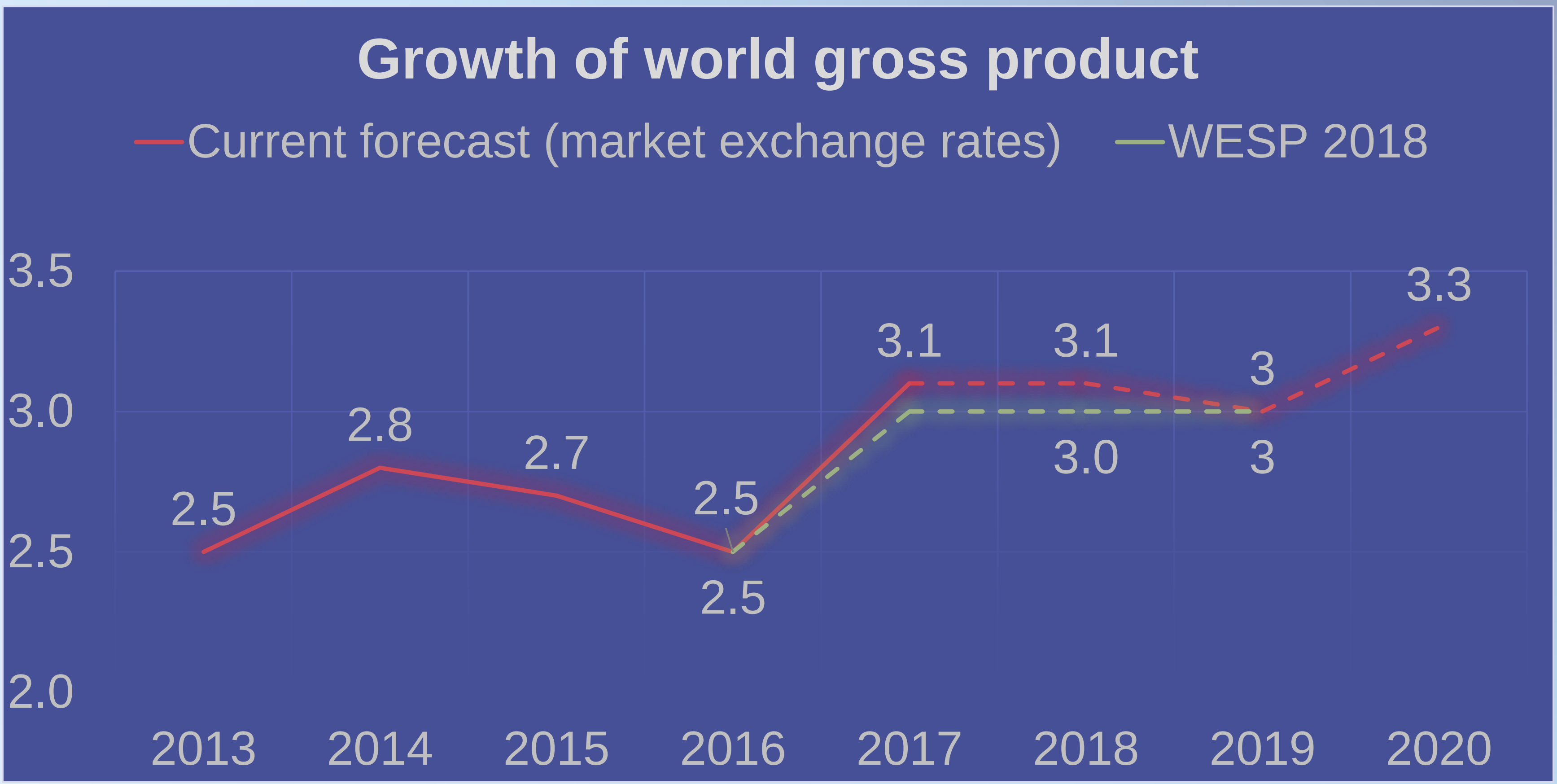
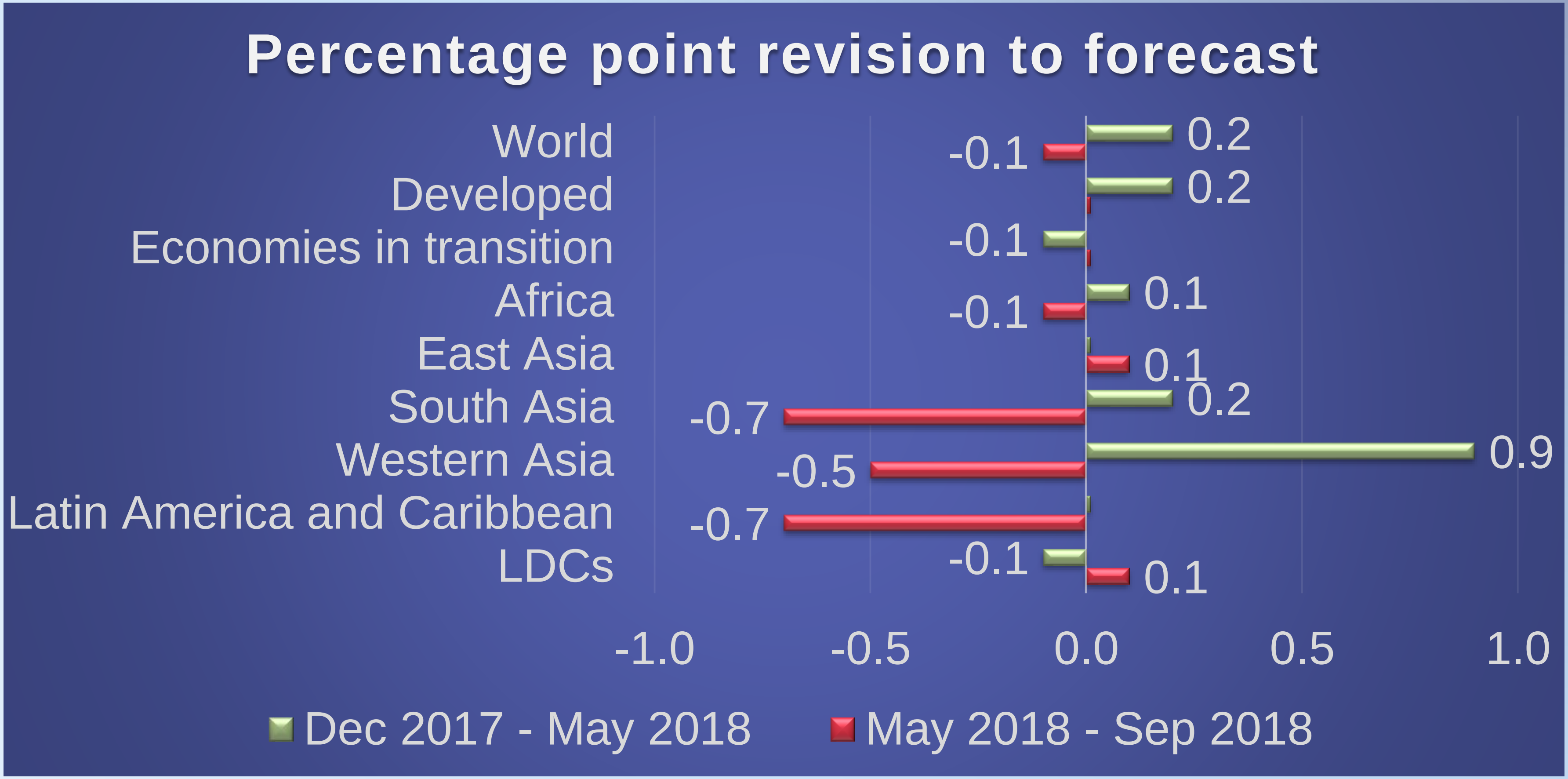
Overview of global outlook

- Short-term prospects remain steady, but risks continue to build
- Upward revision to forecasts for half the world's economies, but some regions continue to lag behind
- World trade growth moderating and global financial conditions tightening

Short-term economic prospects remain steady



Prospects improved over the year, but some recent deterioration



Some forecasts downgraded…

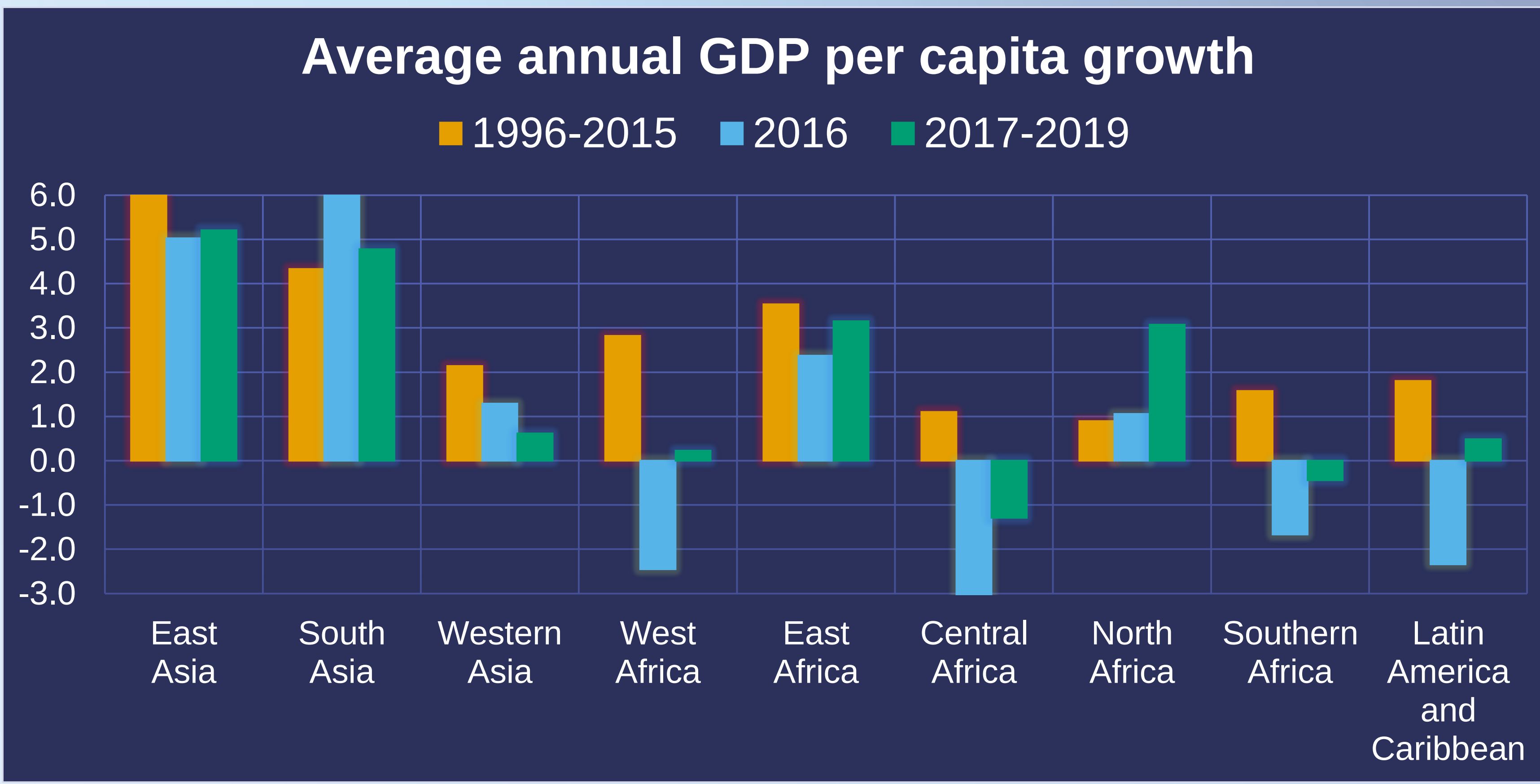
- **Economies in transition – reflecting rising geopolitical tensions with Russian Federation**
- **South Asia – deteriorating outlook for Iran, due to domestic weaknesses and re-imposition of sanctions by US**
- **Latin America and Caribbean – renewed weakness in Argentina and Brazil**

Source: UN/DESA.

Global growth is steady…

- **At least 3% per annum - fastest since 2011**
- **Growth rates in many developed economies above long-run potential:**
  - **Rising wages, low unemployment**
  - **Stronger investment**
  - **Short-term impact of US fiscal stimulus**
- **Commodity exporters: higher energy and metals prices, but legacy of debt and macro imbalances**

… but some regions are lagging behind



Source: UN/DESA.

Why do many countries continue to be left behind?

- In 2018, 48 developing and transition economies to see less than 1% per capita growth – 1.1 bn people, 15% of population
  - Of which 20 in Africa, rest mostly in Western Asia and Latin America and Caribbean
- Majority of these (38) have experience below-average growth since 1980
- Most (41) highly dependent on commodities
- Several face long-standing armed conflict or civil unrest and political instability

Scenarios for poverty reduction, 2030

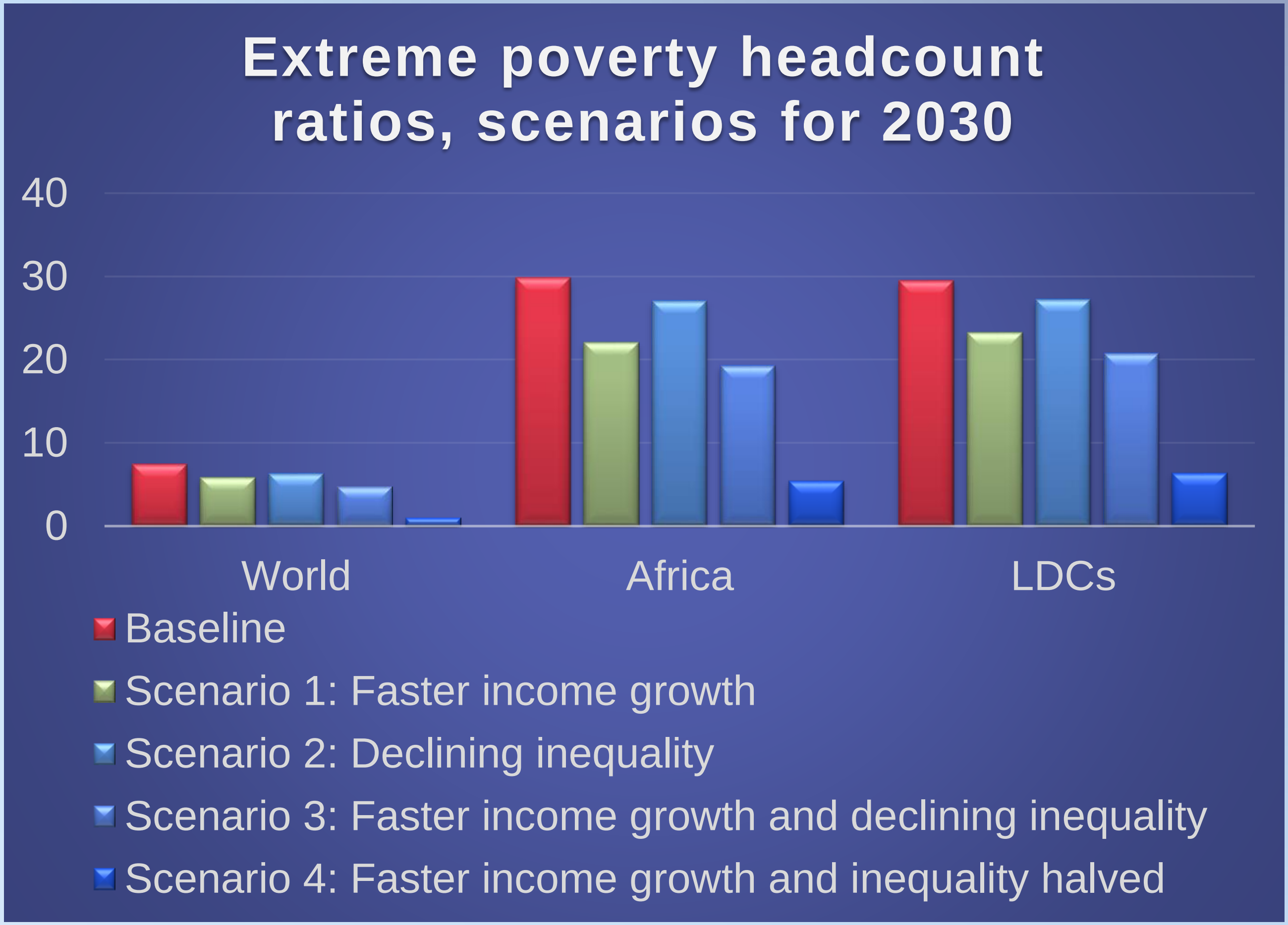
Baseline: Constant inequality

Scenario 1: Consumption per capita growth at least 4% pa

Scenario 2: Reduce inequality 0.5% pa

Scenario 3: Combine 1 and 2

Scenario 4: Combine 1 and reduce inequality by 50% by 2030



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Source: UN/DESA

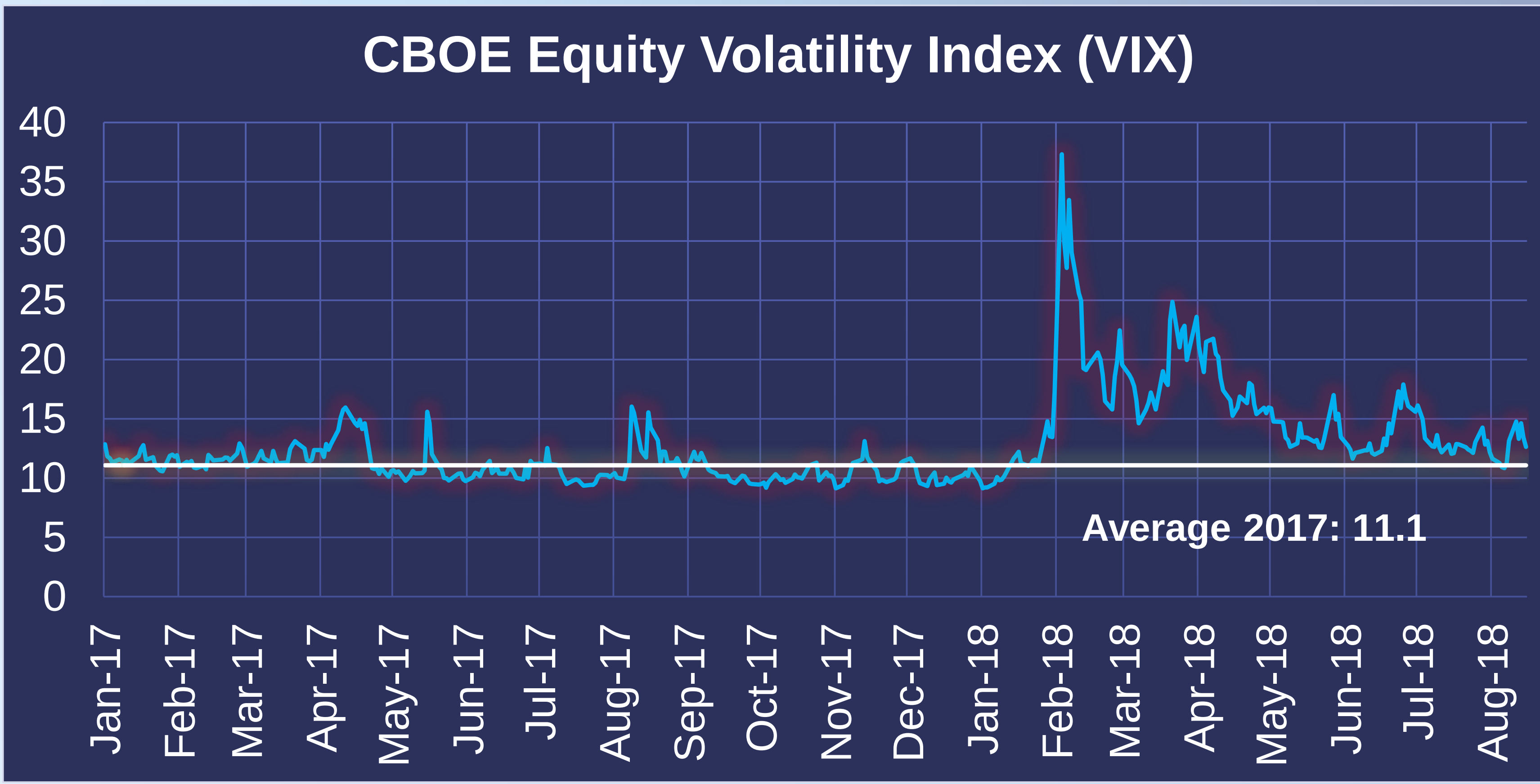
Source: World Bank Poverty and Equity Database and UN/DESA projections to 2030.

Global economic risks continue to build

- **Trade tensions continue to intensify between major economies**
- **Build-up of financial vulnerabilities expose many countries to increased financial volatility or sudden capital withdrawal**
- **Undercurrent of geopolitical tension**

Source: UN/DESA.

Building risks associated with rise in volatility and sudden spikes



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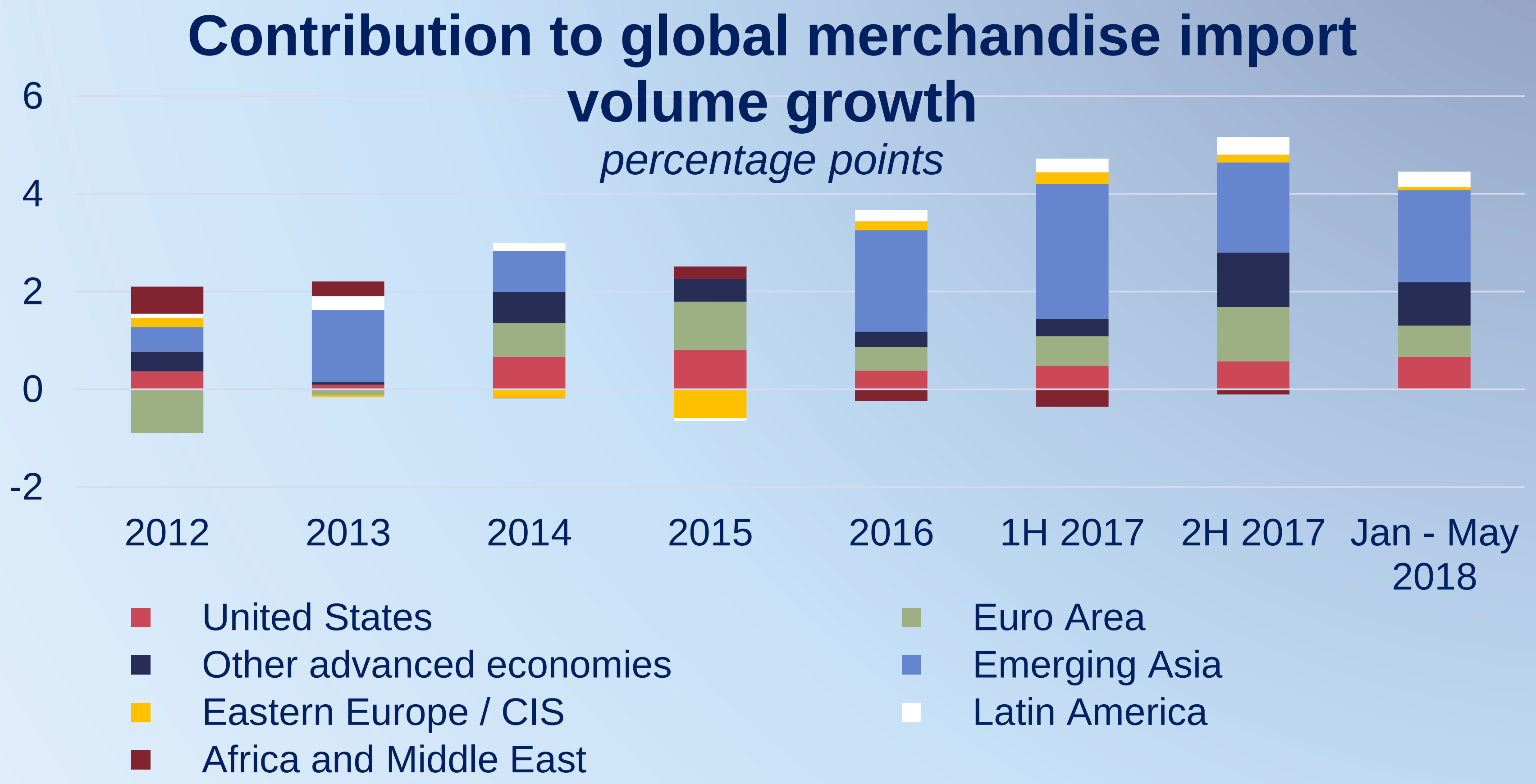
Source: UN/DESA.

Rising trade tensions

- **Prolonged renegotiation of NAFTA and other trade relationships**
- **Increasing disputes raised at WTO**

  Australia, Canada, China, European Union, India, Japan, Mexico, Morocco, Norway, Pakistan, Rep. Korea, Russian Federation, Switzerland, Turkey, Tunisia, Ukraine, United Arab Emirates, United States, Viet Nam
- **Tariffs imposed by US attributed to security concerns (steel, aluminium) safeguard measures (washing machines, solar panel cells) IP concerns (China)**
- **Retaliations and further measures put forward**

While tariffs have yet to materially impact trade flows, world trade growth moderating…



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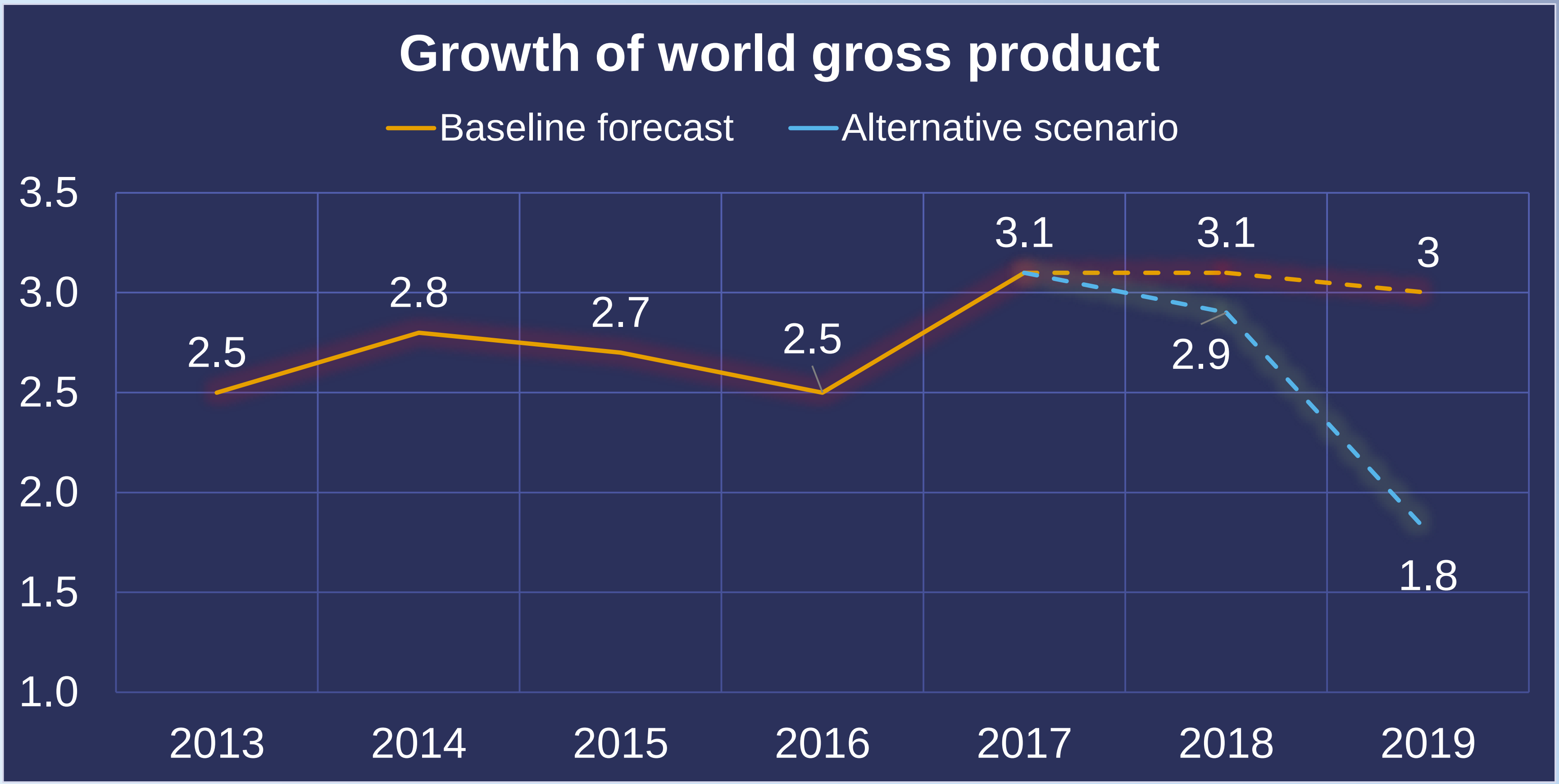
…amid risks of a more widespread slowdown

Extended escalation of trade tensions could slow global growth sharply



Source: UN/DESA.

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Potential triggers of financial shocks

- Trade tensions
- Monetary policy adjustment in developed economies
- Commodity price shocks
- Policy disruption in Europe associated 'Brexit'
- Domestic political or economic disruptions
- Spillovers and contagion…

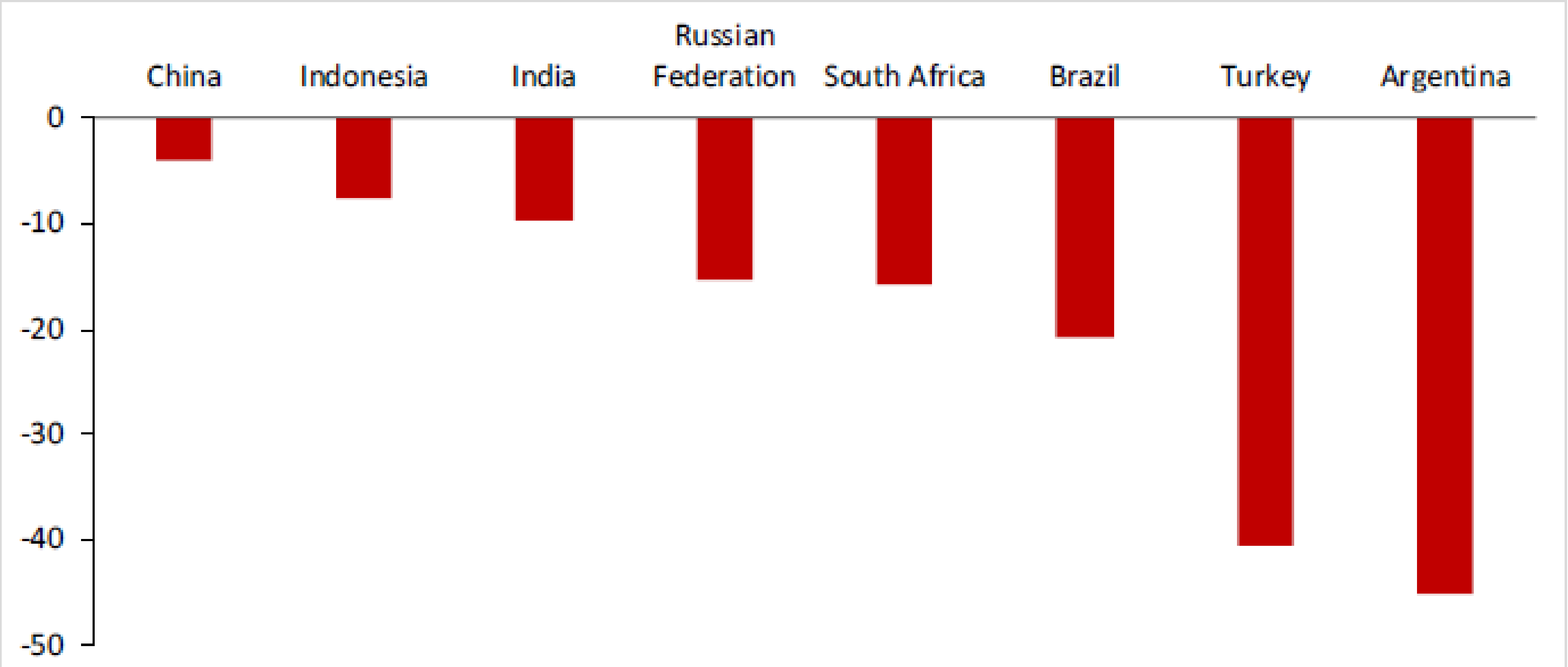
Developing countries exposed to associated risks

- **Higher borrowing costs; Currency depreciation; Capital withdrawal; Equity market losses; Rising debt servicing costs – especially where $ debt is high**
- **Difficulty rolling over debt (government and private); Slowdown in investment; Higher inflation; Fiscal adjustment**

High debt, macro imbalances, fragile growth, political uncertainty…

Figure 1.6 Year-to-date change selected currencies against the US dollar

Percentage



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…increase exposure to volatility

THANK YOU!