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LINK Global Economic Outlook

2017-2018

Update as of mid-2017

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Acknowledgements

This report presents the short-term prospects for the global economy in 2017-2018, including major risks and policy challenges.

The report draws on the analysis of staff in the Global Economic Monitoring Unit (GEMU) of the Development Policy and Analysis Division (DPAD), United Nations Department of Economic and Social Affairs (DESA), and on inputs from the experts of Project LINK. The regional outlooks include inputs provided by the UN Regional Commissions (ESCAP, ESCWA, ECA, ECE and ECLAC).

The current report is based on the World Economic Situation and Prospects Update as of mid-2017 produced by the GEMU, including contributions from Helena Afonso, Grigor Agabekian, Dawn Holland, Matthias Kempf, Poh Lynn Ng, Ingo Pitterle, Michal Podolski, Sebastian Vergara and Yasuhisa Yamamoto. Andrea Grozdanic and Leah Kennedy provided statistical and editorial assistance. Pingfan Hong and Diana Alarcon provided general guidance.

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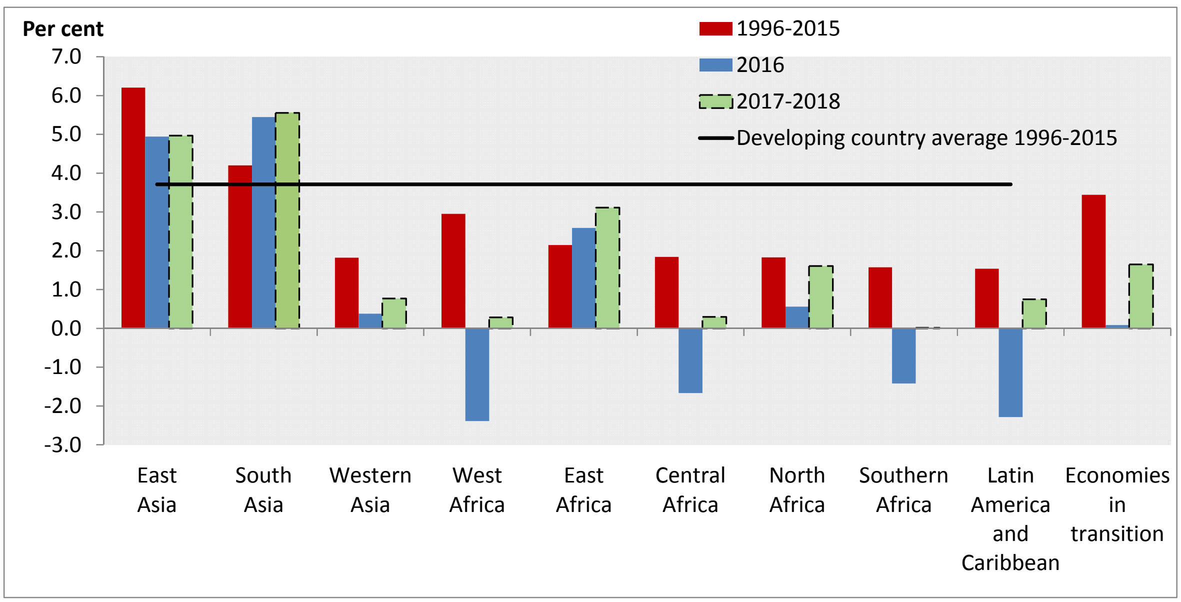
Section 1: State of the world economy

Global economic prospects

A modest strengthening of global economic activity became evident towards the end of 2016 and continued in early 2017, in line with the forecasts reported in the *World Economic Situation and Prospects (WESP) 2017*. World industrial production has seen an uptick in growth since November 2016, and forward-looking indicators point to further acceleration in the coming months. In tandem with the revival of production, global trade is recovering, reflecting a broad-based improvement in export performance across regions, driven primarily by rising import demand from East Asia. Confidence and economic sentiment indicators have also generally strengthened, especially in developed economies. World gross product is expected to expand by 2.7 per cent in 2017 and 2.9 per cent in 2018 (table 1), unchanged from *WESP 2017* forecasts released in January. While this marks a notable acceleration compared to growth of 2.3 per cent in 2016, it is not sufficient to signal the balanced and sustained revival of global demand that is needed to make rapid progress towards achieving the Sustainable Development Goals (SDGs). GDP per capita declined in four major developing regions last year, with negligible per capita growth anticipated in Central, Southern and West Africa in 2017-2018 (figure I).

Figure I. Average annual GDP per capita growth in developing and transition economies



Sources: United Nations Statistics Division, National Accounts Main Aggregates Database; United Nations Population Division, World Population Prospects; and UN/DESA forecasts.

Underpinning the global economic recovery is firmer growth in many developed economies, including upward revisions to prospects for the United States and Japan. Economies in transition are also generally on a stronger footing, reflecting the slight rise in the oil price and some adjustment in the production structures of energy exporters. East and South Asia remain the world's most dynamic regions, benefiting from robust domestic demand and supportive macroeconomic policies. However, the outlook for some developing regions has deteriorated since January. The recoveries in Brazil and the Russian Federation are still incipient, growth remains largely subdued in Mexico, Saudi Arabia and South Africa, and economic activity is decelerating in Turkey. Prospects for Africa have been confronted by compounding headwinds, with the mild recovery of many global commodity prices more than offset by domestic and regional pressures, largely driven by conflict and the impact of weather-related shocks. Famine was declared in South Sudan in February 2017, and several other countries are also at high risk, as the world faces one of the most acute humanitarian crises in many decades.

A return to strong and balanced global growth may remain elusive for several more years without a revival of investment and productivity. Business investment in the United States and Japan showed some recovery towards the end of 2016. Nonetheless, a prolonged episode of weak investment growth has taken a toll on global productive capacity, and high levels of economic and policy uncertainty continue to weigh on investment decisions in many countries. Despite a recent pick-up, private investment growth in China continues to be restrained by excess capacity in several heavy industries and higher financing costs. Meanwhile, the lower level of commodity prices since mid-2014 has weighed on new investment in many countries, including Brazil, Chile, the Russian Federation and South Africa. In Nigeria, policy shifts leading to heightened financial market volatility have weighed on investor sentiment. Given the close linkages between demand, investment, trade and productivity, the extended episode of weak global investment may perpetuate the lacklustre economic performance, without concerted policy efforts to fill infrastructure gaps and speed the diffusion of innovation within and across countries.

Table 1. Growth of world output, 2015–2018

	Annual percentage change				**Change from WESP 2017 forecast**	
	2015	2016[a]	2017[b]	2018[b]	2017	2018
World	2.6	2.3	2.7	2.9	0.0	0.0
Developed economies	2.2	1.6	1.8	1.8	0.1	0.0
United States of America	2.6	1.6	2.1	2.1	0.2	0.1
Japan	1.2	1.0	1.1	0.9	0.2	0.0
European Union	2.2	1.9	1.7	1.7	-0.1	-0.1
EU-15	2.1	1.8	1.6	1.6	0.0	-0.1
EU-13	3.7	2.9	3.4	3.3	0.2	0.0
Euro area	2.0	1.7	1.6	1.7	-0.1	0.0
Other developed countries	1.5	1.8	2.1	2.1	0.1	-0.1
Economies in transition	-2.3	0.4	1.8	2.0	0.4	0.0
South-Eastern Europe	2.0	2.7	3.1	3.2	0.0	-0.1

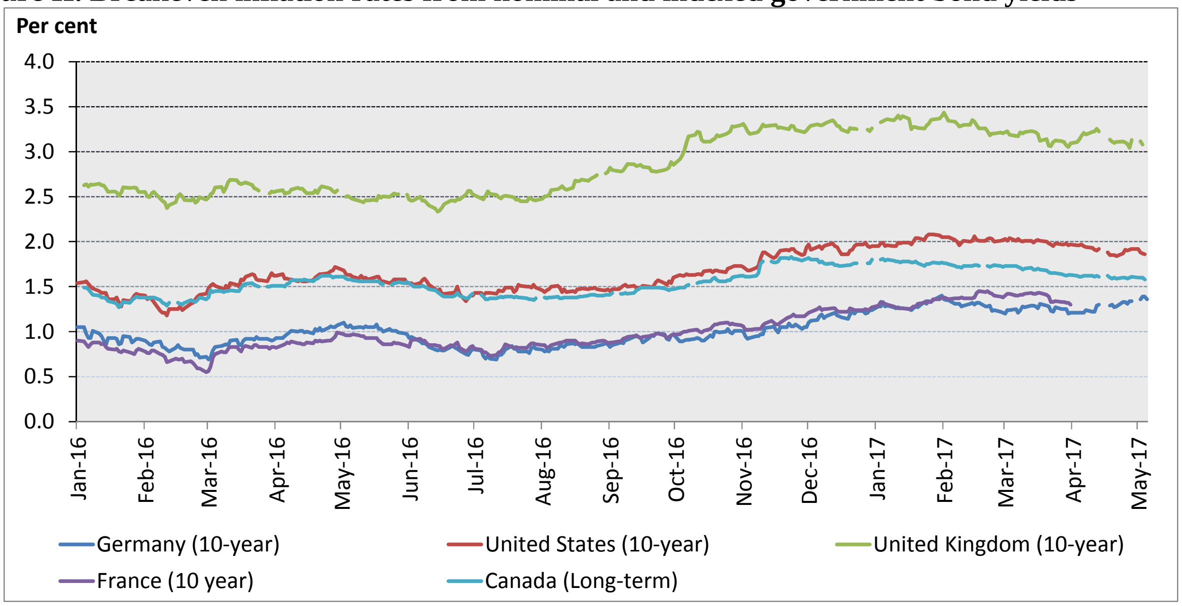
Commonwealth of Independent States and Georgia	-2.5	0.3	1.8	1.9	0.4	-0.1
Russian Federation	-3.0	-0.2	1.5	1.5	0.5	0.0
Developing economies	3.8	3.6	4.2	4.8	-0.2	0.1
Africa	3.0	1.4	2.7	3.6	-0.5	-0.2
North Africa	3.0	2.6	3.3	3.6	-0.2	0.0
East Africa	6.7	5.4	5.6	6.3	-0.4	0.0
Central Africa	1.5	1.0	2.5	3.4	-0.9	-0.8
West Africa	3.1	0.2	2.1	3.5	-1.0	-0.6
Southern Africa	1.9	0.0	1.5	2.6	-0.3	0.0
East and South Asia	5.8	5.9	5.8	5.9	-0.1	0.0
East Asia	5.7	5.6	5.6	5.6	0.0	0.0
China	6.9	6.7	6.5	6.5	0.0	0.0
South Asia	6.2	6.8	6.7	7.1	-0.2	0.2
India [c]	7.6	7.0	7.3	7.9	-0.4	0.3
Western Asia	2.8	2.4	2.1	2.9	-0.4	-0.1
Latin America and the Caribbean	-0.6	-1.3	1.1	2.5	-0.2	0.4
South America	-1.9	-2.6	0.6	2.6	-0.3	0.6
Brazil	-3.8	-3.6	0.1	2.6	-0.5	1.0
Mexico and Central America	2.9	2.5	2.3	2.2	0.0	0.0
Caribbean	4.0	1.6	2.5	2.8	-0.2	0.0
Least developed countries	3.5	3.6	4.4	5.3	-0.8	-0.2
***Memorandum items*:**						
World trade [d]	2.8	1.9	2.8	3.2	0.1	-0.1
World output growth with PPP-based weights	3.2	3.0	3.4	3.7	-0.1	0.0

Source: UN/DESA.
[a]Partly estimated; [b]Forecast, based in part on Project LINK; [c]Fiscal year basis; [d]Includes goods and services

The Federal Open Market Committee of the United States Federal Reserve (Fed) raised the target range for the federal funds rate by 25 basis points in March, following a rise of the same magnitude in December 2016. With two further interest rate increases expected by the end of 2017, this marks the onset of a faster pace of interest rate hikes in the United States. This will lead to a widening divergence in global interest rates, with the European Central Bank (ECB) and the Bank of Japan committed to maintaining ultra-low and negative interest rate policies for an extended period, and moves to lower interest rates in many commodity exporting countries as inflationary pressures ease.

Inflation dynamics in developed economies reached a turning point towards the end of last year, leading the President of the ECB to state in March 2017 that “the risks of deflation [in Europe] have largely disappeared”, as the ECB slowed the pace of asset purchases. In Japan, inflation has edged above zero, while in the United States and the United Kingdom of Great Britain and Northern Ireland headline inflation now exceeds 2 per cent. The upward trend in inflation rates has been largely driven by the rise in energy prices relative to the lows reached in early 2016. While this impact is likely to prove transitory, longer-term inflation expectations, as measured by the difference between nominal and inflation-indexed government bond yields, have risen by 0.3-0.4 percentage points since September 2016 in many developed economies (figure II), suggesting that higher levels of inflation may prove more persistent.

Figure II. Breakeven inflation rates from nominal and indexed government bond yields



Source: UN/DESA, based on data from Agence France Trésor, Bank of Canada, Bank of England, Bundesbank, German Ministry of Finance and the United States Federal Reserve.

In many of the large emerging[1] markets, by contrast, price pressures have eased in recent months. Inflation has subsided to one of its lowest levels in over 25 years in the Russian Federation, and is also low or subsiding in Latin America and in most countries of East and South Asia. Several commodity exporters in South America, parts of Africa and the Commonwealth of Independent States cut interest rates in the early months of 2017, diverging from the interest rate path set by the United States. Food price inflation, on the other hand, stands at double-digit levels in 26 countries, of which 18 are in Africa, complicating the conduct of monetary policy. This has been driven largely by agricultural shortages caused by severe drought and other shocks related to El Niño, compounded by conflicts.

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[1] The term 'emerging economies' throughout this report is not a formal definition, but refers to mainly middle-income developing and transition countries that are well integrated into the global financial system.

Fiscal policy is set to become more expansionary—or less restrictive—in many parts of the world. Significant tax cuts and an infrastructure investment programme are under discussion in the United States. Japan has introduced a fiscal stimulus package amounting to 28.1 trillion yen—the third-largest ever implemented. Canada has also introduced an expansionary policy. The stimulus measures in developed economies are largely geared towards infrastructure investment, after several years of steep cuts in government investment spending. Fiscal positions are also generally expansive in East Asia, including China. The rebound in commodity prices will also ease fiscal pressures in many commodity-exporting countries, reducing short-term pressure to cut spending, although the longer-term need to diversify government revenue sources remains.

The rebound in confidence and economic sentiment indicators observed over the last several months in developed economies suggests that the perceptions of risks faced by households and firms have diminished. Nonetheless, news-based measures of uncertainty, such as the Global Economic Policy Uncertainty index,[2] remain highly elevated, and the risks highlighted in *WESP 2017* related to changes in the international policy environment continue to obscure the outlook.

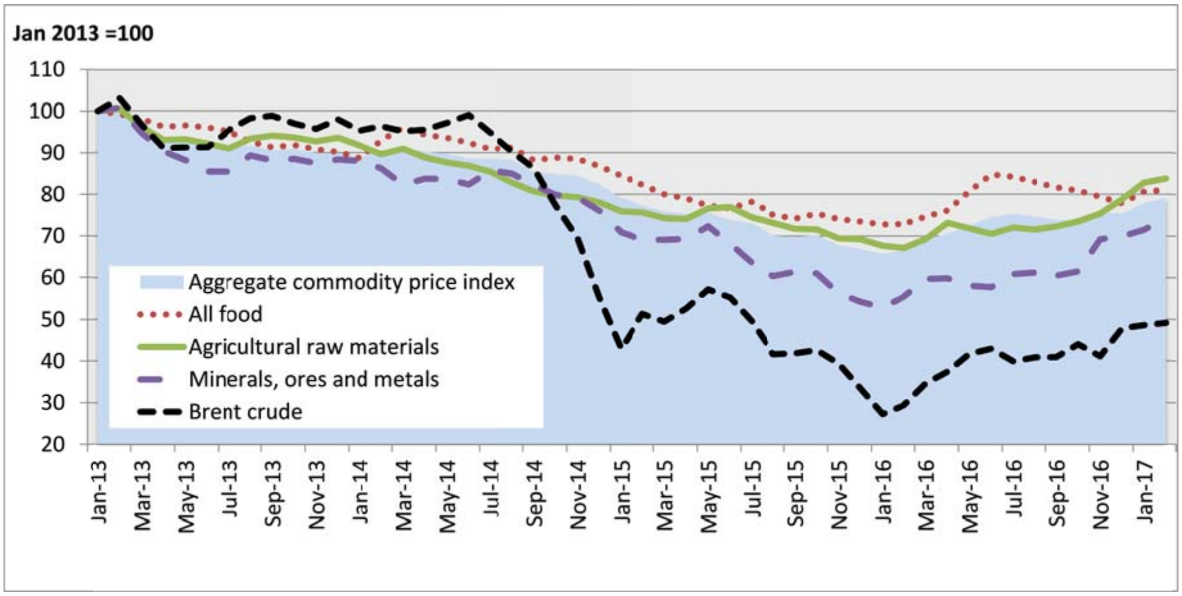
The Government of the United States has introduced a wide range of measures since taking office in January. However, many policy proposals with the potential for large global economic spillovers—such as the renegotiation of trade deals and the introduction of a major fiscal stimulus—have yet to gain clarity. Similarly, while the timeframe for the United Kingdom's withdrawal from the European Union (EU) has been set, progress towards establishing a new framework for their economic relationship post- "Brexit" has yet to begin in earnest. There remains a significant risk that the expectations underpinning buoyant global economic sentiment may be disappointed, leading to a sharp reversal of confidence. Rising security concerns or the exposure of financial vulnerabilities in large emerging economies also have the potential to derail the modest recovery.

Trade flows and commodity prices

Many commodity-exporting countries experienced an improvement in terms of trade over the course of 2016, as commodity prices recovered from the lows reached in early 2016. Oil prices edged up further following agreements by the Russian Federation and the Organization of the Petroleum Exporting Countries (OPEC) to cut crude oil production in 2017. Nevertheless given the high uncertainty in the global environment, oil spot prices will remain volatile, driven by rapid shifts in investor sentiments.

[2] See http://www.policyuncertainty.com/index.html.

Figure III. Price indices of selected groups of commodities

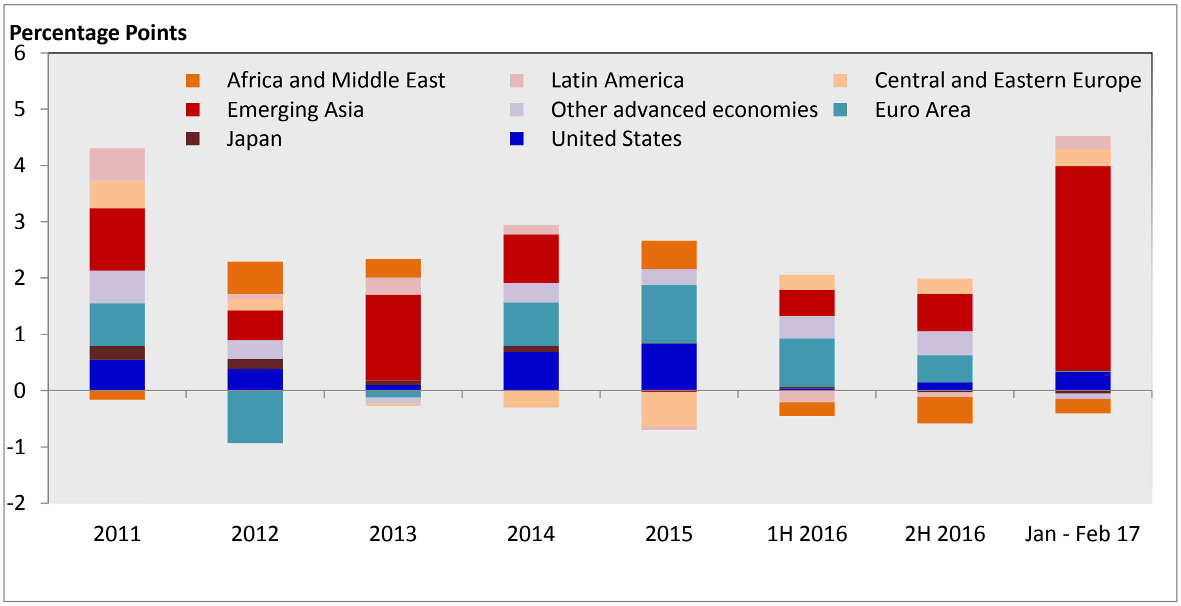


Source: UNCTADstat.

Prices of many base metals, such as copper, zinc and nickel have increased since November 2016, amid expectations of increased infrastructure spending in the United States and stronger-than-expected economic activity in China. The rise in metals prices is also partly attributable to production suspensions in key mining areas, such as nickel mines in the Philippines, copper mines in Chile and Indonesia, and zinc mines in Australia, so that the higher prices do not necessarily indicate higher revenues for all producing countries.

Since the final quarter of 2016, indicators such as export orders, international air freight volumes and global shipping costs have pointed to a modest recovery in global trade. Export volumes have picked up across both developed and developing regions, largely driven by stronger demand from Emerging Asia (figure IV). However, longer-term trends related to changes in supply chains and slower progress in trade liberalization will restrain a rapid acceleration in world trade. Persistently high uncertainty may also weigh on trade activity, especially if recent trends towards a more restrictive global trade policy environment intensify. The volume of global trade in goods and services is forecast to increase by 2.8 per cent in 2017, following growth of 1.9 per cent in 2016.

Figure IV. Contribution to global import volume growth by region



Source: CPB Netherlands Bureau for Economic Policy Analysis.

Capital inflows and exchange rates

Capital flows to developing countries rebounded in early 2017, defying concerns over Fed interest rate hikes and the potential for significant shifts in international policy. Several large emerging economies, especially in Asia and Latin America, recorded strong increases in bond and equity inflows. In conjunction, most emerging market currencies strengthened against the dollar, recovering the losses incurred immediately after the United States elections.

The observed rebound in capital flows reflects increased optimism over growth prospects in some regions and rising risk appetite among investors amid persistently low yields in developed markets. Investors also appear less concerned about proposals for protectionist policies in the United States, despite potential costs that emerging market exporters may face.

Yet, the recent positive trends have taken place in the context of an overall weakness of capital flows to developing countries, which remain well below the levels seen in 2010-2014. Total net financial flows to developing economies were negative for the third consecutive year in 2016, partly due to rapidly increasing outflows by resident investors in China. Consequently, policymakers in China announced temporary measures to mitigate the pace of capital outflows.

Total foreign direct investment (FDI) flows to developing economies fell by an estimated 20 per cent in 2016, as low commodity prices deterred investment in commodity-related sectors, compounding political uncertainty and rising security concerns in several economies. FDI flows to Africa, developing Asia and Latin America also continue to be heavily concentrated in a few large emerging economies. An increase in the value of announced greenfield projects, coupled with more supportive macroeconomic fundamentals, point towards a modest recovery in FDI flows to developing countries in 2017.

Despite the recent improvements, cross-border capital flows are susceptible to a deterioration in investor sentiment. Shifts in the international policy environment, rising concerns over financial vulnerabilities in China, political instability or reform setbacks in large emerging economies as well as escalating geopolitical tensions could lead to heightened investor risk aversion, triggering a new wave of capital reversals.

Significant uncertainties also loom over international currency markets. In the first weeks following the elections in the United States, the dollar reached its highest level since 2002, pushed up by the prospects of fiscal loosening in the country and a further divergence in monetary policies between the Fed and other major central banks. Subsequently, the dollar lost most of its post-election gains as investors became more cautious about the prospects for fiscal stimulus in the United States and somewhat more optimistic about the outlook in other major economies. Against the backdrop of a more benign financial environment, many developing economies and economies in transition have seen external and inflationary pressures moderate over the past six months, creating room for easier monetary policy.

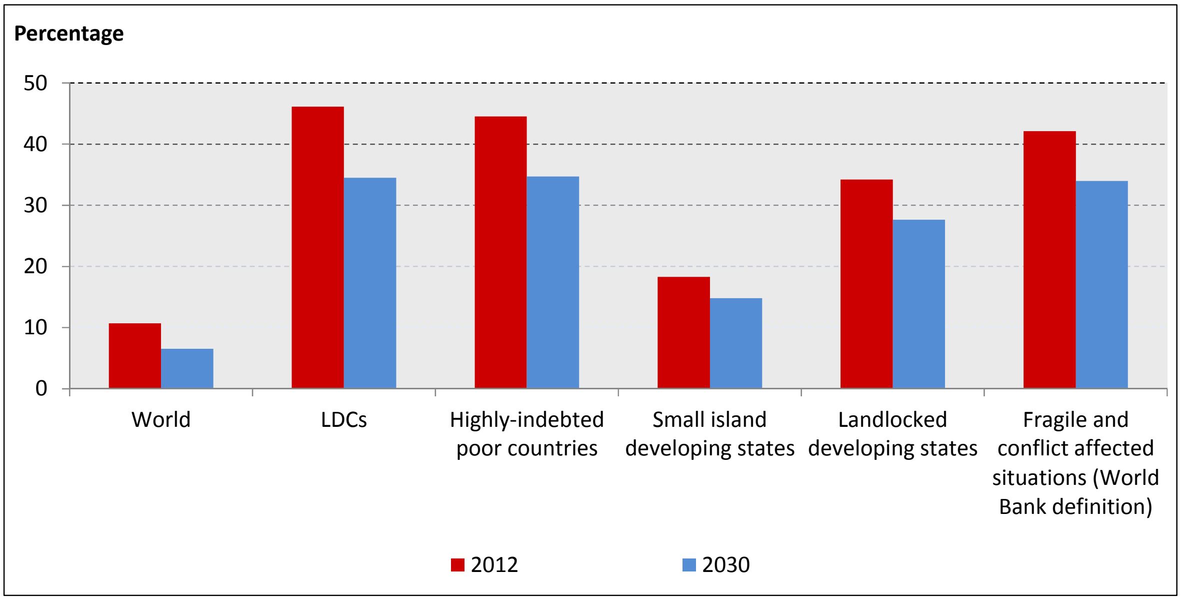
Going forward, the continued widening of interest rate differentials will likely support the dollar against other developed and emerging currencies. While a strong dollar benefits exporters in many non-dollar-based economies, further appreciation poses a risk for countries that struggle with high dollar-denominated debt.

Poverty and inequality

While prospects for GDP growth at the global level remain unchanged from *WESP 2017*, the outlook for several of the least developed countries (LDCs) and countries where poverty levels remain high have deteriorated, raising concerns about both the short-term and longer-term prospects for addressing poverty and inequality. Of immediate concern, tens of millions face famine or severe food insecurity in parts of Kenya, northeast Nigeria, Somalia, South Sudan and Yemen, where widespread displacement and food supply blockages due to conflict are compounded by droughts that have destroyed crops and livestock. Other short-term concerns include the rise in food price inflation in many countries, which is likely to disproportionately impact the poorest households, deepening inequalities within and between countries.

In the longer-term, tackling poverty requires both an acceleration in GDP growth and progress towards reducing income inequality. Figure V illustrates projections for poverty reduction by 2030, based on an extension of the baseline forecasts under the assumption that within-country income distributions remain unchanged. The results paint a worrying picture. Without reducing income inequality, current growth projections would leave nearly 35 per cent of the population in LDCs in extreme poverty by 2030.

Figure V. Extreme poverty headcount ratios in 2012 and projections for 2030, holding inequality constant



Source: UN/DESA. See *World Economic Situation and Prospects 2017* (United Nations publication, Sales No. E.17.II.C.2).

Policymakers will need to make additional efforts, both to foster an environment that will accelerate medium-term growth prospects and to tackle poverty through policies that address inequalities in income and opportunity. The World Bank report[3] highlights selected policies that have been largely successful at reducing income inequality. These include short-term policies to smooth consumption among the most deprived, and longer-term policies that address inequalities in opportunity, such as investment in early childhood development, access to healthcare and education, and investment in rural roads and electrification.

Energy and environment

Global energy-related carbon emissions have stalled for three consecutive years in the context of expanding world output and low oil prices, marking a tentative step towards the delinking of emissions growth and global economic growth. Key factors behind this development include growing renewable power generation, improvements in energy efficiency, transition from coal to natural gas and decelerated economic growth in some major carbon emitters.

However, the improvements witnessed in recent years could easily reverse without concerted effort from the public and private sectors to improve energy efficiency and promote renewable energy. A return to stronger GDP growth may also result in higher levels of emissions, while low oil prices have the potential to derail efforts towards low-carbon

[3] World Bank, *Poverty and Shared Prosperity 2016: Taking on Inequality* (Washington, D. C., 2016).

transport, by deterring investment in technologies that compete with oil-based transportation, such as bio-fuels and electric vehicles, and reducing incentives to transition towards more fuel-efficient vehicles.

The reluctance of G20 Finance Ministers and Central Bank Governors and G7 Energy Ministers to reaffirm the call for timely implementation of the Paris Agreement raises concerns about global commitments going forward, as does withdrawal of the United States from the Agreement.

Section 2. Economic outlook by regions

Developed economies

United States

Economic activity in the United States accelerated in the second half of 2016, reflecting a strong rise in spending on consumer durables and residential investment, coupled with a turn in the inventory cycle as firms restocked depleted inventories. For 2016 as a whole, GDP expanded by 1.6 per cent. Despite a disappointing start to 2017, with GDP growth of just 1.2 per cent on an annualizd basis in the first quarter, the underlying pace of economic growth in the United States remains steady, and on track to record growth of 2.1 per cent in 2017 and 2018. While household spending on durable goods has been volatile in recent quarters, residential investment remains strong, and non-residential investment has also seen some revival. Investment in mining exploration, shafts and wells expanded by more than 50 per cent in the first quarter of 2017, which may in part reflect an easing of environmental regulation. Economic activity in 2017 and 2018 is also expected to gain some support from additional government spending, largely in the areas of defense, which will be partly offset by cuts in spending on education, healthcare, environmental protection and development aid.

The Federal Reserve has accelerated the pace of interest rate rises in the United States, largely on the basis of positive developments in the labour market. The headline unemployment rate dropped to 4.3 per cent in May 2017, the lowest level in more than 15 years. The headline figure, however, masks several deeper labour market issues facing the United States, where the labour force participation rate has declined from an average of 66 per cent prior to the financial crisis, to just below 63 per cent.

The labour market recovery owes much to the dynamism of multinational enterprises (MNEs) operating in the United States. More than 25 per cent of private sector employment is attributed to MNEs, which have acted as the driving force behind the labour market recovery since the global financial crisis, accounting for more than half of net private sector employment gains from 2009-2014.

The United States Government has initiated a sweeping review of existing trade deals, including withdrawl from the Trans-Pacific Partnership (TPP), and renegotiation of the North

American Free Trade Agreement (NAFTA), which has governed trade relations among Canada, Mexico and the United States since 1994. NAFTA established a free-trade zone in North America, and also gradually removed barriers to cross-border investment and to the movement of goods and services between the three countries. This opened the door to a rapid expansion of intricate cross-border production chains. The production networks of some enterprises are set up so that intermediate goods cross borders multiple times before the final goods are produced. Some of the policy proposals that have been put forward by the United States, such as steep import tariffs on goods produced by affiliates operating in Mexico, which could severely disrupt the production networks that have evolved over the last two decades.

Canada

In Canada, uncertainty regarding United States trade policy has delayed a recovery in investment. Investment this year will also be held back by completion of the Hebron oil field platform, which has supported construction activity in the region for the last decade. Expansionary fiscal policy, on the other hand, will support economic activity in Canada, allowing GDP growth to accelerate to 2.2 per cent in 2017 and 2.3 per cent in 2018.

Canada recorded a strong rise in government investment in the second half of 2016, supported by the fiscal expansion programme focused on investment in basic infrastructure that was announced in March 2016. Net trade also made a significant contribution to GDP growth in Canada, of 0.7 percentage points. This was supported by competitiveness gains from the significant depreciation of the Canadian dollar since 2014.

Canada continues to make important strides in its climate policy, demonstrating concerted efforts to meet its obligation under the Paris Agreement of cutting emissions by 30 per cent from 2005 levels by 2030. In September 2016, the Government announced a $120 billion infrastructure investment plan that explicitly highlights support for infrastructure projects that reduce greenhouse gas emissions. In November 2016, the Government committed to phasing out coal generated electricity by 2030, and in December 2016, Canada’s prime minister and 11 of Canada’s 13 provincial and territorial leaders announced that they had agreed on a national climate framework, which includes introducing a carbon tax or cap-and-trade scheme by 2018. Provincial governments will have full control over how the revenues raised by the scheme are used, which may include, for example, rebates to offset the impact of the tax on lower- and middle-income households or other disadvantaged sectors.

Japan

The macroeconomic policy stance in Japan remains highly accommodative, underpinning the forecast for GDP growth of 1.1 per cent in 2017. A significant rise in government investment is anticipated, as part of a 3 trillion yen (0.5 per cent of GDP) infrastructure investment programme. Private sector non-residential investment also showed signs of revival at the end of 2016 and may gain some near-term support in relation to the 2020 Olympic Games. With the population aged 15-64 declining at an average annual rate of 1 per cent, economic growth exceeds the expansion of capacity, and the output gap is positive. Nonetheless, inflation is unlikely to reach the central bank target of 2 per cent this year or next. Nationwide consumer price inflation averaged -0.1 per cent in 2016, but rose to 0.3 per cent in early 2017, reflecting higher energy prices, depreciation of the yen and a tight labour market, with the unemployment rate hovering just below 3 per cent.

The longer-term prospects for Japan remain constrained by the large overhang of government debt, an ageing population, a slowdown in productivity growth and entrenched deflationary expectations. The Budget for the fiscal year 2017 includes a number of measures that may encourage a rise in the share of women participating in the workforce. Female labour force participation, at roughly 50 per cent of the female population aged 15 and older, remains significantly lower than male participation, which stands at 70 per cent. A higher rate of labour force participation would raise productive capacity in Japan, and ease some of the fiscal pressures of the ageing population. More than 27 per cent of Japan's population is aged over 65, compared to just 17 per cent in 2000.

Australia and New Zealand

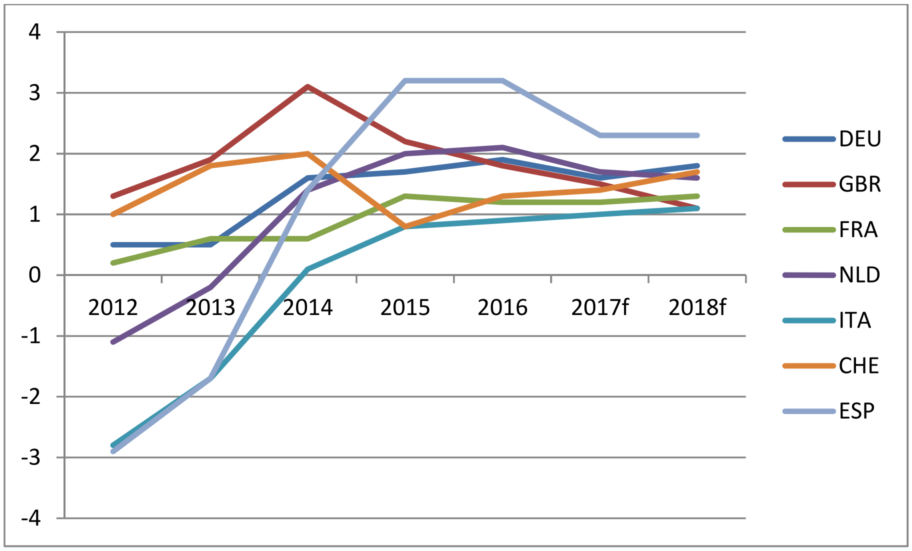
Australia will benefit from monetary and fiscal stimulus measures in 2017, targeting small- and medium-sized enterprises, in particular, in an effort to revive private business investment, which contracted by 9.8 per cent in 2016 – the fourth consecutive year of contraction. Australian exports, on the other hand, remained remarkably strong last year, expanding by 7.6 per cent, despite the sharp global slowdown in trade. Export growth is expected to maintain a moderate, albeit decelerated, pace, supporting GDP growth of 2.5 per cent in 2017 and 2.0 per cent in 2018. While expansionary fiscal measures have allowed the stock of government debt to increase by close to 15 per cent of GDP over the last five years, debt levels remain modest in relation to most other developed economies, at roughly 40 per cent of GDP.

New Zealand also has relatively low levels of government debt, and is exploiting the relative buoyancy of the economy to consolidate public finances further. The Government aims to reduce net government debt below 20 per cent of GDP by 2020/21. After expanding by 4 per cent in 2016, GDP is expected to grow at a steady 2.6 per cent this year and 2.5 per cent in 2018.

Europe

Growth in the European Union will remain robust at 1.7 per cent this year and next, in line with the previous forecast (figure VI). Private consumption has become a major driver behind this solid performance, reflecting improved labour market conditions, with a decline in the unemployment rate to 8.0 per cent in early 2017 and a solid pace in job creation. However, this aggregate number encompasses a wide range of national trends. Unemployment remains challengingly high in countries such as Greece and Spain, while labour markets in the Czech Republic, Germany and some other countries exhibit signs of full employment and even labour shortages in certain areas.

Figure VI: Real GDP growth in selected European economies (per cent)



Source: United Nations Statistics Division, National Accounts Main Aggregates Database; UN/DESA forecasts

On the business side, investment will also underpin solid growth, based on strong corporate profits and low interest rates. Nevertheless, the pace of investment will remain slower compared to previous periods in view of heightened political and policy uncertainty. Continued robust intra-EU demand will be a major component of growth especially in the more export-dependent economies and sectors, such as machinery and automobiles. However, the heightened level of political and policy uncertainty, related to a number of national parliamentary elections, and the lack of clarity regarding the future framework for trade of the EU with both the United Kingdom and, to some extent, also the United States, exposes Europe to a number of channels for possible negative growth shocks.

Economies in transition

Commonwealth of Independent States and Georgia

Most of the CIS energy-exporters have adjusted to a various degree to the low oil price environment; their near-term outlook has moderately improved in line with the recovery in oil prices. In the Russian Federation the contraction in GDP at 0.2 per cent in 2016 was also milder than anticipated (but this is explained in part by change in the methodology used by the statistical office). Domestic demand has strengthened, but is likely to remain a drag on growth - consumption gains are limited, fiscal spending is declining in real terms, and despite the expected mild rebound of investment after several consecutive years of contraction, capital expenditure is still lagging because of uncertainties, continuing economic sanctions, and the weak banking sector. Several sectors of the economy, such as agriculture and food production, chemical industry, metals, wood processing and others, gained from the import substitution effect caused by the weaker currency, restrictions on food imports introduced since 2014, and breaking-up of the economic ties with Ukraine. The Russian economy is expected to expand by around 1.5 per cent in 2017, in spite of the slow start - in the first quarter GDP grew by just 0.5 per cent year on year. Azerbaijan's economy contracted in the first five months of 2017 (joining oil production cuts initiated by the OPEC was one of the factors behind the GDP decline) and is likely to shrink on an annual basis. Kazakhstan, by contrast, is projected to reach positive, albeit low, growth rate in 2017 thanks to the continuing implementation of a fiscal stimulus package and reaching the full capacity output at the large Kashagan oilfield. To escape the low-growth trajectory, CIS energy-exporters need to pursue alternative development models independent of energy revenues.

Among the energy-importers, the economy of Ukraine has shown tentative recovery in 2016, supported by an ample harvest and surge in construction; however, the rebound in internal instability in early 2017, damaging the key energy and steel sectors, may derail the upturn, and the first quarter growth was modest. The share of agricultural output in GDP for Ukraine has noticeably increased, reflecting deindustrialization and structural changes in the economy. In Belarus, weak domestic demand remains a dampener on the recovery. Despite reaching an agreement with the Russian Federation on the terms of oil and gas imports, which are crucial to the economy, the growth rate is not expected to exceed 1 per cent in 2017.

Among the smaller economies of the region, in Armenia performance deteriorated in 2016 due to the contraction in the construction and agriculture sectors; however, in early 2017 robust activity was recorded in industry, trade and services; the economy may expand at around 4 per cent in 2017; stronger remittance inflows should facilitate the upturn. Stronger expansion is possible in the countries of Central Asia, supported by the observed rebound in remittances to Kyrgyzstan and Tajikistan in late 2016 and early 2017, which will contribute to private consumption and the housing sector, and by furthering links with China within the framework of the "One Belt – One Road" initiative, which should support infrastructure upgrade and produce positive spillover effects.

Inflation in the CIS, with certain exceptions, continues to trend down backed by exchange rate appreciations and the base year effect. However, those trends remain diverse – while Armenia recorded a deflation in the first quarter of 2017, explained in part by lower natural gas prices, Azerbaijan and Ukraine recorded double digit inflation. In the Russian Federation, inflation in early 2017 has slowed to a near-record low for 25 years; the target of the central bank - 4 per cent inflation by the end of 2017 - is within reach. Among the disinflationary factors were the weak domestic demand, abundant agricultural output, high lending rates, and speculative capital attracted to Russian bonds and stocks by high nominal interest rate and recovering currency, which has led to an appreciation of the rouble. The new temporary budget rule of the finance ministry - to purchase foreign exchange to replenish the Reserve Fund when oil price exceeds $40 per barrel - should contain the upward pressure on the currency. Several countries continued monetary loosening in 2017, among them Belarus, Kazakhstan, the Russian Federation and Ukraine. The lending rates across the CIS nevertheless remain high and the availability of credit is constrained.

The aggregate GDP of the CIS and Georgia, after growing by only 0.3 per cent in 2016, is expected to expand by 1.8 per cent in 2017 and 1.9 per cent in 2018. The region is facing significant risks, including banking sector fragilities exacerbated by depreciations, schedule of external debt repayments, and possible intensification of the ongoing geopolitical tensions.

South-Eastern Europe

In South-Eastern Europe, aggregate GDP growth is expected to accelerate from 2.7 per cent in 2016 to 3.1 per cent in 2017 and 3.2 per cent in 2018. The region has received large FDI inflows in recent years and this is starting to be reflected in outcomes of investment returns. Stronger activity in the EU, including the recovery in Greece, favorably impacts those countries.

There are nevertheless variations in the economic performance. For the biggest economy in this region, Serbia, the macroeconomic outlook has improved and investment is growing at strong rates. The first quarter GDP growth was dragged down by the harsh winter and snowfalls, disrupting agriculture, construction and logistics; nevertheless, the economy may expand by around 3 per cent in 2017. Albania in 2016 has become the region's growth champion, with GDP expanding by 3.6 per cent thanks to the robust export performance in late 2016 and investment associated with the construction of the Trans-Adriatic oil pipeline; growth may even accelerate in 2017 supported by infrastructure investment and rising remittances from Greece. Some acceleration in economic activity may be expected also in Montenegro. In the former Yugoslav Republic of Macedonia, domestic political uncertainties are somewhat acting as a drag on investment and economic expansion.

Inflation in South-Eastern Europe is picking-up (some countries saw deflation in 2016), in line with the higher energy prices, but should stay in the low single digits for the forecast period.

Developing countries

East Asia

Following a slight growth moderation in 2016, East Asia is projected to expand at a steady pace of 5.6 per cent in both 2017 and 2018. Growth in the region will continue to be driven by robust domestic demand, in particular private consumption and public investment. The region will also benefit from a recovery in exports, amid a gradual improvement in global demand. Despite supportive financial conditions in the region, however, private investment is likely to remain relatively subdued in the near-term, as persistently high uncertainty continues to weigh on investor sentiments.

Growth in China is projected to moderate from 6.7 per cent in 2016 to 6.5 per cent in 2017 and 2018, as the economy gradually transitions from investment to consumption-led growth. The stronger-than-expected growth in China in 2016 and in the first quarter of 2017 was in part due to policy stimulus measures, amid strong infrastructure spending and rapid credit growth. While ongoing structural reform measures will continue to dampen investment in sectors with excess capacity, domestic demand will remain supported by accommodative fiscal measures. Nevertheless, increasing financial sector vulnerabilities, such as elevated corporate debt and property prices, are posing a growing policy challenge.

For most other economies in the region, the growth momentum is projected to improve in 2017. In the first quarter of 2017, GDP growth exceeded expectations in Hong Kong Special Administrative Region of China, Malaysia, the Republic of Korea, Taiwan Province of China and Thailand. Growth was buoyed by an improvement in domestic demand, in particular consumer spending, as well as a rebound in exports, which included stronger shipments of electronics. Looking ahead, private consumption will likely remain the key driver of growth for the region, amid a continued rise in income and modest inflationary pressures. Growth in Indonesia and Malaysia will be further lifted by higher commodity prices, while economic activity in the Philippines and Thailand will benefit from large public infrastructure spending.

Downside risks to the region's growth outlook have increased. The shifting policy direction in the United States and in parts of Europe reflects the risk of a significantly more restrictive global trade environment. This could adversely affect East Asia's overall growth prospects, given the region's high trade openness and deep integration in global and regional value chains. In addition, a sharper-than-expected growth slowdown in China will have large spillovers to the region through trade, financial and investment channels. For several economies in the region, high private sector debt continues to pose a risk to financial stability and growth.

In this highly challenging environment, policymakers in China, Hong Kong, Singapore, Taiwan Province of China and Thailand have announced a range of fiscal and pro-growth measures to support domestic activity. These measures include accelerating infrastructure investment, improving access to finance for small and medium enterprises, and enhancing corporate tax incentives. Similarly, for the rest of the region, fiscal policy is also likely to play a key role in boosting domestic demand and supporting the region's development priorities.

South Asia

The economic outlook for South Asia continues to be largely positive, amid vigorous private consumption, domestic reforms and supportive macroeconomic policies. Regional GDP is projected to expand by 6.7 and 7.1 per cent in 2017 and 2018, following an estimated expansion of 6.8 per cent in 2016. Despite temporary disruptions from the demonetization policy, economic conditions in India remain robust, underpinned by sound fiscal and monetary policies and the implementation of key domestic reforms. Yet, stressed balance sheets in the banking and corporate sectors will likely prevent a strong investment rebound in the near term. GDP growth in India is projected to reach 7.3 and 7.9 per cent in 2017 and 2018, respectively, after posting a 7.0 per cent in 2016. Growth in the Islamic Republic of Iran is strengthening due to increasing oil production and exports and rising private investment. GDP growth is projected to climb to 5.1 and 4.8 per cent in 2017 and 2018, respectively. Meanwhile, economic growth in Nepal and Maldives is expected to gain momentum, while Bangladesh, Bhutan and Pakistan are projected to maintain a moderately robust growth path.

Regional inflation reached a multi-decade low last year and is projected to remain generally stable, providing space for accommodative monetary policy in several economies, including India, Bangladesh, and Pakistan. However, this might start to reverse gradually in the near term if the monetary tightening in the United States is faster-than-expected, potentially leading to renewed turbulences in financial markets and higher borrowing costs. Sri Lanka, however, is an exception, as inflationary pressures coupled with stubbornly high credit expansion have resulted in a tighter monetary stance.

In most economies, fiscal policy has remained moderately tight but with some degree of flexibility to boost public infrastructure. As a result, most countries have maintained or reduced fiscal deficits recently. A key challenge is to improve fiscal revenues and the capacity to implement counter-cyclical policies, which requires a broadening of the tax base across the region. Given the large infrastructure gaps, public investments should crowd-in private investments in areas such as energy, transport and water/sanitation. In some countries, this will require tackling problematic balance sheets in the corporate and banking sectors and a relatively high level of non-performing bank loans. In addition, the region should continue the implementation of structural reforms in order to lift potential growth and promote productivity growth, for example through promoting further integration into global value chains, renewed efforts towards investments in human capital and greater labour force participation by female. Domestic reform setbacks, heightened political instability and a sudden tightening of global financing conditions, however, pose downside risks. In addition, a surge in inflation can rapidly force a tighter monetary stance, dampening private consumption in some economies, as currently observed in Sri Lanka. The favourable regional outlook will be conducive for further improvements in the labour market and gains in poverty reduction.

Western Asia

Western Asia is forecast to see aggregate growth of 2.1 per cent in 2017 and 2.9 per cent in 2018. For 2017, this constitutes a significant downward revision from 2.5 per cent in WESP 2017, mainly due to weaker prospects in Turkey. Balance-of-payments pressures, after a substantial depreciation of the Turkish lira, are constraining domestic demand.

In view of the rising oil prices, cautious optimism emerged among the member states of the Gulf Cooperation Council (GCC), namely Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates. This cautious optimism is masked under the weak GDP forecast for 2017 that reflects to a larger extent the projected decline in crude oil production under the

OPEC-led agreement. Nevertheless, the broad money stock growth has been recovering in those countries after a significant plunge last year, indicating a moderate domestic demand expansion, amid stable financing costs. Fiscal consolidation efforts continue among GCC countries, including subsidy reforms, the privatization of state enterprises, and the planned introduction of the GCC unified value-added tax in 2018.

For Jordan and Lebanon, the outlook remains subdued due to weak prospects for domestic demand. Both countries experienced rising inflation as the terms-of-trade advantage of weak commodity prices dissipated. Israel will continue to see robust growth, driven by a stable domestic demand expansion, with low inflation despite a tightening labour market. Humanitarian crises in Iraq, Syria and Yemen continue. While several signs of economic stabilization have started to emerge in Iraq, in Yemen an estimated 65 percent of the population has been classified as food-insecure.

Meanwhile, unemployment rates are climbing in Western Asia, except for Israel where the unemployment rate remains at a historically low level. The Turkish unemployment rate reached 13 per cent in January 2017, the highest since February 2010. The unemployment rate among the Saudi nationals, excluding foreign labour, stood at 12.3 per cent in the fourth quarter of 2016, the highest since the first half of 2012. The unemployment rate of Jordan rose to 18.2 per cent in the first quarter of 2017, the highest since 1994.

Africa

Growth in Africa remains subdued due to more severe headwinds than previously expected. Modest growth rates of 2.7 per cent and 3.6 per cent are expected in 2017 and 2018, respectively, down from forecasts of 3.2 per cent and 3.8 per cent in January.

Forecasts for 2017 were lowered across the continent, with two leading African economies, Nigeria and South Africa, falling into recession in the beginning of 2017. Already negative prospects could deteriorate further due to tighter external financing conditions, currency depreciation and political instability. In East Africa, growth will be driven by investment supported by government incentives, while current weather patterns will act as a significant drag on growth. Despite remaining the fastest growing African region, the situation of the poorest remains critical. In North Africa, the downward revision is primarily driven by rapid inflation in Egypt. Stronger growth is anticipated in 2018, as the stabilizing security situation and stronger demand from Europe should prompt a recovery in tourism and trade. The prospects for Central Africa remain subdued as a result of low oil revenues and political stability risks. Similarly, pressures on the oil sector and foreign exchange constraints keep growth prospects down in Nigeria and, consequently, West Africa.

Despite tight monetary stances, inflation will remain elevated due to gradually rising commodity prices, lagged effects of currency depreciations, and dry weather in East Africa. While relatively stable international commodity prices keep export revenue from crops stagnant, high food inflation remains prevalent in African countries. This asymmetry is particularly worrying as it has a severe impact on the real income of the rural population.

Moreover, seventeen African countries are struggling to come to terms with the impact of two consecutive years of drought. Compounding this difficulty, most are also battling a fall armyworm infestation, in West, South and East Africa. Although the spread of the fall armyworm has been contained, its future impact is yet unknown. Fiscal deficits remain stable but high, as a result of increases in infrastructure and social spending. While fiscal consolidation is ongoing, several African countries tapped international capital markets for debt financing in the first half of 2017, including Egypt, Nigeria and South Africa.

The outlook is subject to a number of risks. A more pronounced slowdown in China would negatively impact many economies that receive rising levels of FDI and investment finance from China. A sharper rise in global yields and a stronger US dollar would deteriorate external financing conditions, slightly offset by increased remittances. Security issues and political instability also pose critical threats. More than 20 million people face starvation and famine in northeast Nigeria, Somalia and South Sudan due to drought and protracted conflicts. Finally, should weather-related shocks continue, severe economic and social consequences are expected.

Latin America and the Caribbean

Following two years of negative GDP growth, Latin America and the Caribbean will see a modest economic recovery in 2017 and 2018. The region's GDP contracted by 1.3 per cent in 2016 amid deeper-than-expected recessions in Argentina, Brazil and the Bolivarian Republic of Venezuela. With Argentina and Brazil projected to recover gradually, regional growth is forecast at 1.1 per cent in 2017 and 2.5 per cent in 2018. The region continues to face significant uncertainties and downside risks, for example associated with macroeconomic policy measures in the United States and domestic reform agendas.

South America is expected to see a broad-based, but slow recovery in growth in the forecast period. Average growth in the sub-region is projected at 0.6 per cent in 2017 and 2.6 per cent in 2018, following a decline of 2.6 per cent in 2016. Lower inflation, easier monetary conditions and, in some cases, improved macroeconomic fundamentals will support private consumption and investment. Across the sub-region, inflation has declined more rapidly than expected in recent quarters and currencies have remained firm, giving central banks room to reduce interest rates. Brazil's central bank has frontloaded the monetary easing, lowering its main policy rate from 14.25 per cent to 10.25 per cent over the past six months. The central banks of Chile, Colombia and Peru have also recently reduced their benchmark interest rates in a bid to boost economic growth. The sub-region's commodity-dependent economies will likely benefit from a pick-up in demand in developed economies and slightly higher commodity prices. A more vigorous recovery will be hampered by several factors, including elevated unemployment, continuing needs for fiscal consolidation, and structural obstacles, such as low productivity growth and lack of economic diversification.

The outlook for Mexico and Central America has remained largely unchanged since the beginning of the year. Average growth in the sub-region is projected at 2.3 per cent in 2017 and 2.2 per cent in 2018, slightly lower than the 2.5 per cent recorded in 2016. In Mexico, private consumption and investment have so far shown resilience to tighter monetary policy and to uncertainty over US trade and migration policies. Annual GDP growth in Mexico is projected to hover around 2 per cent in 2017 and 2018, but downside risks remain. Costa Rica, Nicaragua and Panama will remain the fastest-growing economies in the sub-region, benefiting from strong private consumption and robust public investment, particularly in infrastructure.

Amid challenging external conditions, economic growth in the Caribbean slowed considerably in 2016. In contrast to South America, the sub-region averted, however, an outright contraction of output. GDP is estimated to have grown by 1.6 per cent in 2016, down from 4 per cent in 2015. Average growth in the sub-region is projected to strengthen to 2.5 per cent in 2017 and 2.8 per cent in 2018. These aggregate figures mask stark differences in economic performance across individual countries. On one side of the spectrum is the Dominican Republic, which has been the fastest-growing economy in Latin America and the Caribbean in each of the past three years thanks to buoyant investment (especially in infrastructure), a rebound in mining activity as well as robust growth in tourism and remittance inflows. While growth is projected to slow notably in the coming two years, the country will continue to outperform the rest of the sub-region. On the opposite side of the spectrum are Trinidad and Tobago and Cuba, which experienced recessions in 2016 and are expected to see only weak recoveries. In both countries, the collapse in the prices of main commodities - coupled with structural constraints and institutional weaknesses - has resulted in significant macroeconomic imbalances.

Least developed countries

Economic prospects in many of the LDCs have deteriorated since January 2017. GDP for this group as a whole is expected to rise by just 4.4 per cent in 2017 and 5.3 per cent in 2018, well below the Sustainable Development Goal (SDG) target of “at least 7 per cent GDP growth”. The rise in consumption per capita is expected to average just 1.7 per cent between 2016 and 2018, well below the pre-crisis average in the vast majority of countries. The economic slowdown, compounding widespread institutional deficiencies, poses a risk to critical efforts to support healthcare, education, social protection and adapting to climate change, and points to slower progress towards improving living standards and tackling widespread poverty.

Section 3. Major uncertainties and risks to the global economy

The risks to the baseline forecasts discussed in Section I are tilted to the downside. Persistently high policy uncertainty is likely to prevent a strong rebound in private investment globally. Amid widening interest rate differentials in developed countries, financial markets remain vulnerable to bouts of heightened risk aversion, triggered by sudden policy shifts, unexpected economic data, as well as an escalation in geopolitical tensions. In the developed economies, while business sentiments have risen and stock markets have been buoyant, it remains to be seen whether these financial trends will translate into stronger real economic activity, in particular a sustained revival of private investment.

Changes in the international policy environment

As highlighted in the *WESP 2017*, the shifting international policy landscape has generated large and widespread global uncertainty in the areas of trade, immigration and environment. Rising discontent with the uneven burdens and gains of globalization has in part fuelled more protectionist and inward-looking views in some developed economies. This is also increasingly undermining multilateral engagements and international cooperation and coordination in several domains. The rapid evolution in the international policy environment has the potential to considerably impact the growth trajectory of the global economy, while affecting progress on the various social and environmental aspects of the SDGs.

The decision by the United Kingdom to leave the EU is one source of policy uncertainty. In March 2017, the United Kingdom triggered Article 50 of the Lisbon Treaty, formally starting the process of leaving the EU. Exiting from the EU requires a comprehensive reconstitution of a host of relationships, including trade, financial and migration arrangements between the United Kingdom and the EU as well as between the United Kingdom and other partners whose relationship with the United Kingdom is currently covered by EU treaties. Against this backdrop, the United Kingdom faces the prospect of higher trade barriers in its future trade with the EU, for example in terms of technical and administrative regulations. There is also considerable uncertainty over whether the United Kingdom's redefined trade and investment policies may limit market access for developing countries. This may have negative implications on the growth and development prospects of countries with high dependence on exports to the United Kingdom.

A resurgence of trade protectionism constitutes a key downside risk to the global outlook. In March, the statement by the G20 Finance Ministers did not reaffirm a commitment to "resist all forms of protectionism" for the first time in 10 years. Meanwhile, the latest World Trade Organization (WTO) *Trade Monitoring Report* noted that the overall stock of trade-restrictive measures continued to trend upwards in 2016, owing to a slow rollback of existing measures and a relatively rapid introduction of new restrictive measures, mainly non-tariff barriers. The shifting policy landscape in the United States and in parts of Europe also points to a rise of unilateral protectionist tendencies in some developed countries. An increasingly restrictive global trade policy environment will slow progress towards the SDGs, given the close linkages between trade, productivity and income growth.[4] Reducing restrictions to trade in

[4] World Bank. 2017. *Making trade an engine of growth for all: the case for trade and for policies to facilitate adjustment.* Washington, D.C.Available from http://documents.worldbank.org/curated/en/318651491579082111/Making-trade-an-engine-of-growth-for-all-the-case-for-trade-and-for-policies-to-facilitate-adjustment

services would also contribute towards raising export capacity, increasing productivity and encouraging structural transformation consistent with development objectives.

The United States has announced a sweeping review of its existing trade relationships. The new Administration withdrew the United States from the Trans-Pacific Partnership, has also announced its intention to renegotiate other major trade agreements, and put forward proposals to impose *ad hoc* import tariffs on goods from certain locations, which could trigger legal action before the WTO and spur retaliatory effects. This would be particularly detrimental for the trade outlook of countries where the United States is a major export destination, including Canada, China and Mexico. Furthermore, there will also be considerable spillover effects to countries where global and regional value chains are prevalent, such as the developing Asia economies.

The policy agenda in the United States also encompasses some upside potential, which may have positive global spillovers. A more expansionary fiscal policy with an emphasis on infrastructure, and tax reform measures including lower corporate taxes, could raise private investment and output, at least in the short-term. Nevertheless, these initiatives are still in early stages and there are widespread uncertainties regarding their timing and nature, particularly with respect to fiscal sustainability considerations. The current Administration has also announced plans to ease financial regulations, particularly the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. However, while there is scope for simplification and efficiency gains in this area, major policy shifts towards deregulating the financial sector entail non-trivial, medium-term financial risks for the global economy. Also, some of these policies might strengthen the value of the dollar further, which, coupled with rising interest rates, can deepen the vulnerabilities of emerging economies, as discussed in the next section.

Monetary tightening in the United States and vulnerabilities in emerging economies

Following almost a decade of extremely loose monetary policy, the Fed is embarking on an accelerated pace of interest rate rises. As interest rates normalize, the Fed will look to begin unwinding the post-crisis quantitative easing that more than quadrupled the size of its balance sheet between 2008 and 2014. In the outlook period, this major policy shift may pose significant challenges to the global economy and financial markets. The timing of interest rate hikes is uncertain, with the potential for stronger growth and higher inflationary pressures to lead to a faster-than-expected pace. Coordinating the normalization of policy rates with the normalization of the Fed balance sheet poses a number of challenges, with significant potential for maturity or liquidity mismatches to disrupt financial markets. Meanwhile, many emerging economies remain highly vulnerable to external and domestic shocks, amid relatively low commodity prices, structural weaknesses and political uncertainty.

Against this backdrop, the ongoing monetary tightening in the United States encompasses significant financial and economic risks for the emerging economies. A faster-than-expected rise in interest rates, especially if accompanied by a spike in risk aversion, could generate significant global financial volatility. Amid tighter global financial conditions, a sudden surge in capital outflows from the emerging economies would adversely impact equity prices and currencies, while significantly raising external borrowing costs and reducing monetary policy space. Recent evidence suggests that macroeconomic fundamentals in emerging economies tend to provide little insulation to sudden changes in financing conditions, and that real economy effects from "sudden stops" episodes have not declined in recent years.[5] The emerging economies with high borrowing needs, large dollar-denominated debt and fragile macroeconomic conditions will be the most susceptible to large and potentially destabilizing capital outflows.

The corporate sectors in emerging economies are especially vulnerable to sudden changes in financial conditions. Corporate debt in emerging economies has risen by more than four times in the last decade,[6] particularly in Brazil, China, the Russian Federation and Turkey, and the debt service-to-income ratio of the private non-financial sector has also visibly increased.[7] Corporate borrowing in global dollar bond markets has expanded rapidly, fuelled by a remarkably long period of low long-term interest rates and offshore borrowing by large emerging market firms through their subsidiaries abroad. Corporate debt in foreign currency has increased not only in the tradable sector, but also in non-tradable sectors, such as construction and real estate, where currency mismatch problems pose more of a risk.[8] The "financialization" of the corporate sector in emerging economies in order to exploit carry trade opportunities is another source of fragility. A significant part of the emerging markets' corporate debt was neither channelled to productive investments nor to high-productivity sectors, highlighting resource misallocation that casts a shadow over debt sustainability. Likewise, in China a large portion of credit has been channelled to less-efficient state-owned enterprises and local governments. As a result, the corporate sector in the emerging economies has become more vulnerable to interest rates shocks, which could be amplified by a decline in commodity prices, a further strengthening of the dollar or moves to sideline or dismantle multilateral agreements.

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[5] Eichengreen, Barry and Poonam Gupta (2016). "Managing Sudden Stops", Policy Research Working Paper 7639, World Bank, April 2016.

[6] International Monetary Fund (2015). *Vulnerabilities, Legacies, and Policy Challenges*, Global Financial Stability Report, October.

[7] United Nations Conference on Trade and Development (UNCTAD) (2016). Trade and Development Report, *Sales No.* E.16.II.D.5.

[8] Chui, Michael, Emese Kuruc and Philip Turner (2016). "A new dimension to currency mismatches in the emerging markets: nonfinancial companies", BIS Working Papers No 550, March.

There are, however, several factors that may assist emerging economies to navigate tighter global financial conditions. In response to lower commodity prices and capital flows, several emerging economies have already experienced large macroeconomic adjustments in recent years. Current accounts deficits have narrowed visibly in India, Brazil and South Africa, and some countries have undergone significant corporate deleveraging, particularly the Russian Federation. In economies where real interest rates remain high, such as China, the authorities have some monetary policy space available to support growth. Greater exchange rate flexibility, improved net international investment positions and, in many cases, enhanced policy frameworks in comparison to previous decades, have facilitated this adjustment. From a medium-term perspective, growth prospects in many emerging economies remain largely favourable. Finally, emerging economies are also more prepared than decades ago to utilize a wider policy toolkit to manage external shocks, including through the use of monetary, fiscal, exchange rate and macro-prudential policies.

Section 4. Policy Challenges

Waning global commitments to international policy coordination, rising corporate sector vulnerabilities and ambitious medium-term targets for economic, social and environmental development in the 2030 Agenda for Sustainable Development pose significant global policy challenges.

In the aftermath of the global financial crisis, an excessive emphasis was put on monetary policy alone to manage the deficiencies in aggregate demand. While this played an important role in economic stabilization, a consensus has emerged over the last several years that a more balanced policy mix is needed to achieve a higher medium and long-term sustainable growth rate, to address poverty and inequality and to fight the damaging consequences of climate change. This policy toolkit may encompass a more effective use of fiscal policy, but also requires a move beyond policies of demand management to tackle structural issues. For example, reforms to the business environment may streamline administrative procedures and protect property rights; active industrial policies may be used to remedy market failures and encourage innovation and absorption of new technologies; income policies could address poverty and widen access to social protection; investing in education, health, infrastructure and green technology would encourage progress towards social and environmental goals, while supporting economic growth; and regulatory reform could be designed to minimize financial risks, while ensuring funding for small and medium-sized businesses.

In light of the rising corporate sector vulnerabilities in many emerging economies, it is also important to closely monitor the expansion of credit. In cases where rising levels of debt are not matched by a commensurate increase in productive investment or where currency mismatches are pervasive, targeted prudential measures are needed. Where macroeconomic fundamentals have strengthened, policy measures should refocus from short-term stimulus to tackling longer-term potential. Many developing countries need much higher investment rates, as well as higher labour force participation rates, especially where the participation of women in the workforce remains low, to move to a higher growth trajectory.

Global commitments to international policy coordination appear to be waning. In the face of pressing global challenges, it is crucial that the international community reaffirms these commitments, to tackle key areas of global importance, including aligning the multilateral trading system with the 2030 Agenda for Sustainable Development, expanding international public finance and official development assistance (ODA), supporting climate finance and clean technology transfer, and coordinating policy to address the challenges posed by large movements of refugees and migrants.

International trade, supported by a universal, rules-based, open, non-discriminatory and equitable multilateral trading system, has been a key factor driving economic growth in both developed and developing economies. While more open trade has in some cases been associated with job losses and declining wages for certain categories of workers, aligning the multilateral trading system with the 2030 Agenda for Sustainable Development has the potential to speed the rate of technological diffusion between countries and improve the efficiency of resource allocation, supporting jobs on both sides of the trading relationship. The replacement of multilateral rules with a network of bilateral agreements would negatively impact development prospects in many developing economies. A renewed commitment to multilateralism in international trade during the upcoming G20 summit in Hamburg in July 2017 and at the WTO Eleventh Ministerial Conference in Buenos Aires in December 2017 would offer clear signals.

International development aid has declined as a share of GDP since the global financial crisis, and ODA continues to fall well short of the commitment, reaffirmed by developed countries in the 2030 Agenda, to provide aid equivalent to 0.7 per cent of gross national income. The level of net ODA flows to LDCs in US dollar terms has declined by more than 10 per cent since 2011, which is of particular concern in light of the slowdown in growth prospects for several countries and the urgent investment needs to achieve the SDGs. International cooperation to ensure that aid budgets are not only maintained but increased is essential, as well as ensuring that aid is directed towards countries with the greatest needs, rather than used as a political tool to target countries based on their strategic importance.

Renewed international cooperation is also needed in the area of managing the flow of refugees and displaced persons, which poses a significant challenge for many countries. The inflow of migrants and refugees place enormous pressure on institutional capacities in destination and transit countries, often affecting their own social and economic cohesion and development. To address these challenges, Member States are aiming to achieve both a global compact on refugees and a global compact for safe, orderly and regular migration in 2018, to be elaborated through a process of intergovernmental negotiations. This will require an intense cooperation among countries, and active involvement of the United Nations development system and international financial institutions, to achieve tangible results in addressing the gaps in available funding, technical cooperation, data collection and information exchange, provision of emergency relief assistance, and other key areas.

Appendix A. Statistics tables

Table A.1
Developed economies: rates of growth of real GDP, 2015-2018

Annual percentage change				
	2015	*2016*[b]	*2017*[c]	*2018*[c]
Developed economies	**2.2**	**1.6**	**1.8**	**1.8**
United States	2.6	1.6	2.1	2.1
Canada	0.9	1.4	2.2	2.3
Japan	1.2	1.0	1.1	0.9
Australia	2.4	2.4	2.5	2.0
New Zealand	3.1	4.0	2.6	2.5
European Union	**2.2**	**1.9**	**1.7**	**1.7**
EU-15	2.1	1.8	1.6	1.6
Austria	1.0	1.5	1.7	1.5
Belgium	1.5	1.2	1.5	1.5
Denmark	1.6	1.1	1.9	1.9
Finland	0.3	1.6	1.2	1.3
France	1.3	1.2	1.2	1.3
Germany	1.7	1.9	1.6	1.8
Greece	-0.2	0.0	1.7	2.0
Ireland	26.3	3.9	3.1	2.9
Italy	0.8	0.9	1.0	1.1
Luxembourg	3.5	2.6	3.0	2.8
Netherlands	2.0	2.1	1.7	1.6
Portugal	1.6	1.4	1.4	1.3
Spain	3.2	3.2	2.3	2.3
Sweden	4.1	3.3	2.5	2.4
United Kingdom	2.2	1.8	1.5	1.1
EU-13	3.7	2.9	3.4	3.3
Bulgaria	3.6	3.4	3.0	2.9
Croatia	1.7	3.0	2.9	2.7
Cyprus	1.7	2.8	1.7	1.8
Czech Republic	4.5	2.4	2.7	2.7
Estonia	1.4	1.6	3.5	3.5
Hungary	3.1	2.0	3.5	3.0
Latvia	2.7	2.0	3.4	3.0
Lithuania	1.8	2.3	3.5	3.5
Malta	7.5	5.1	2.8	2.8
Poland	3.9	2.8	3.4	3.5
Romania	4.0	4.8	4.5	4.5
Slovakia	3.8	3.3	3.4	3.5
Slovenia	2.3	2.5	2.5	2.5
Other Europe	**1.2**	**1.3**	**1.5**	**1.8**
Iceland	4.1	7.2	2.9	2.7

Norway	1.6	1.0	1.6	1.9
Switzerland	0.8	1.3	1.4	1.7
Memorandum items:				
North America	2.4	1.6	2.1	2.1
Developed Asia and Pacific	1.5	1.3	1.4	1.1
Europe	2.2	1.8	1.7	1.7
Major developed economies	1.9	1.5	1.7	1.7
Euro area	2.0	1.7	1.6	1.7

Sources: UN/DESA, based on data of the United Nations Statistics Division and individual national sources.

Note: Regional aggregates calculated at 2010 prices and exchange rates.

a Average percentage change.

b Partly estimated.

c Baseline scenario forecasts, based in part on Project LINK and UN/DESA World Economic Forecasting Model.

Table A.2

Economies in transition: rates of growth of real GDP, 2015-2018

Annual percentage change				
	2015	*2016*[b]	*2017*[c]	*2018*[c]
Economies in transition	**-2.3**	**0.4**	**1.8**	**2.0**
South-Eastern Europe	2.0	2.7	3.1	3.2
Albania	2.6	3.5	3.5	3.5
Bosnia and Herzegovina	3.1	2.1	3.0	3.0
Montenegro	4.5	2.4	3.2	3.4
Serbia	0.7	2.8	3.0	3.2
The former Yugoslav Republic of Macedonia	3.8	2.4	3.0	3.5
Commonwealth of Independent States and Georgia[d]	-2.5	0.3	1.8	1.9
Net fuel exporters	-2.1	0.2	1.8	1.9
Azerbaijan	0.7	-3.8	-0.8	1.5
Kazakhstan	1.2	1.0	2.9	2.7
Russian Federation	-3.0	-0.2	1.5	1.5
Turkmenistan	6.5	6.2	4.8	4.8
Uzbekistan	6.8	7.8	5.6	6.4
Net fuel importers	-6.0	1.1	1.8	2.7
Armenia	3.0	0.6	3.9	4.0
Belarus	-3.9	-2.6	0.5	1.5
Georgia[d]	2.9	2.7	4.3	4.5
Kyrgyzstan	3.5	3.8	4.5	4.5
Republic of Moldova	-0.7	4.1	3.5	4.0
Tajikistan	4.2	6.9	5.1	4.8
Ukraine[e]	-9.9	2.1	1.5	2.5

Sources: UN/DESA, based on data of the United Nations Statistics Division and individual national sources.

Note: Regional aggregates calculated at 2010 prices and exchange rates.

a Average percentage change.

b Partly estimated.

c Baseline scenario forecasts, based in part on Project LINK and the UN/DESA World Economic Forecasting Model.

d Georgia officially left the Commonwealth of Independent States on 18 August 2009. However, its performance is discussed in the context of this group of countries for reasons of geographic proximity and similarities in economic structure.

e Starting in 2010, data for the Ukraine excludes the temporarily occupied territory of the Autonomous Republic of Crimea and Sevastopol.

Table A.3
Developing economies: rates of growth of real GDP, 2015-2018

Annual percentage change				
	2015	*2016*[b]	*2017*[c]	*2018*[c]
Developing countries [d]	3.8	3.6	4.2	4.8
Africa	3.0	1.4	2.7	3.6
North Africa	3.0	2.6	3.3	3.6
Algeria	3.8	3.5	2.8	2.8
Egypt[e]	3.5	3.2	3.1	3.9
Libya	-10.2	-5.2	3.9	3.8
Mauritania	0.9	1.5	3.8	5.9
Morocco	4.4	1.1	3.9	4.0
Sudan[e]	3.3	4.0	4.3	4.1
Tunisia	1.1	1.0	3.1	3.3
East Africa	6.7	5.4	5.6	6.3
Burundi	-4.1	-0.5	3.0	5.0
Comoros	1.0	2.2	3.0	3.4
Democratic Republic of the Congo	6.9	2.4	2.8	5.2
Djibouti	6.5	6.7	6.8	6.8
Eritrea	4.8	3.7	3.2	3.4
Ethiopia	9.6	8.0	7.1	7.4
Kenya	5.6	5.8	5.4	6.0
Madagascar	3.0	4.1	4.3	4.4
Rwanda	6.9	5.9	6.1	6.9
Somalia	2.7	2.6	2.8	3.2
Uganda	5.5	2.6	5.4	5.8
United Republic of Tanzania	7.0	6.6	6.5	6.9
Central Africa	1.5	1.0	2.5	3.4
Cameroon	5.8	5.3	5.0	5.2
Central African Republic	4.8	5.1	5.0	5.1
Chad	3.1	-3.0	0.6	4.2
Congo	1.2	2.0	3.9	3.5
Equatorial Guinea	-8.9	-7.3	-4.9	-3.0

Gabon	3.9	3.2	4.2	4.4
Sao Tome and Principe	4.0	4.6	5.0	5.5
West Africa	3.1	0.2	2.1	3.5
Benin	2.5	4.2	6.0	6.2
Burkina Faso	4.1	5.2	5.7	6.1
Cabo Verde	1.5	3.0	3.5	3.8
Côte D'Ivoire	9.5	8.1	7.9	7.7
Gambia (Islamic Republic of the)	4.7	2.1	3.4	4.0
Ghana	3.9	3.5	6.8	7.5
Guinea	0.1	4.9	4.5	4.6
Guinea Bissau	5.8	4.7	5.0	5.1
Liberia	0.3	2.4	4.0	5.0
Mali	6.0	5.3	5.2	5.0
Niger	3.5	4.5	4.7	4.9
Nigeria	2.7	-1.6	0.5	2.3
Senegal	6.5	6.5	6.3	6.6
Sierra Leone	-20.3	4.7	5.1	4.8
Togo	5.5	5.3	4.9	5.1
Southern Africa	1.9	0.0	1.5	2.6
Angola	3.0	-3.7	0.6	3.0
Botswana	2.0	4.3	4.4	4.2
Lesotho	2.8	2.2	2.9	4.1
Malawi	3.0	2.9	3.5	4.5
Mauritius	3.5	3.6	3.5	3.8
Mozambique	6.6	3.3	4.1	6.2
Namibia	5.3	0.0	3.9	5.1
South Africa	1.3	0.3	1.1	1.9
Swaziland	1.9	-0.6	1.6	2.2
Zambia	2.9	3.0	3.8	4.6
Zimbabwe	1.1	0.5	2.1	3.6
Africa - net fuel exporters	2.9	0.7	2.0	3.1
Africa - net fuel importers	3.2	2.3	3.4	4.0
East and South Asia	5.8	5.9	5.8	5.9
East Asia	5.7	5.6	5.6	5.6
Brunei Darussalam	-0.4	-2.5	1.7	2.0
Cambodia	7.0	7.0	7.0	7.1
China	6.9	6.7	6.5	6.5
Fiji	3.6	1.9	3.9	3.4
Hong Kong SAR[f]	2.4	2.0	2.4	2.4
Indonesia	4.9	5.0	5.2	5.3
Kiribati	3.7	1.9	1.5	2.0
Lao People's Democratic Republic	7.6	7.0	7.2	7.3
Malaysia	5.0	4.2	4.5	4.7
Mongolia	2.3	1.1	2.6	4.0
Myanmar[e]	7.3	6.6	7.3	7.4

Papua New Guinea	6.6	2.5	3.0	3.2
Philippines	5.9	6.8	6.7	6.8
Republic of Korea	2.8	2.8	2.5	2.7
Samoa	2.8	5.0	2.0	2.0
Singapore	1.9	2.0	2.4	2.5
Solomon Islands	3.3	2.8	2.9	3.0
Taiwan Province of China	0.7	1.5	2.0	2.4
Thailand	2.9	3.2	3.5	3.2
Timor-Leste	4.3	4.6	5.1	5.6
Vanuatu	-1.0	4.0	3.6	3.9
Viet Nam	6.7	6.2	6.4	6.5
South Asia	6.2	6.8	6.7	7.1
Afghanistan[e]	-2.4	2.0	3.0	3.4
Bangladesh[e]	6.6	7.1	6.7	6.4
Bhutan	5.2	6.5	6.7	6.6
India[e]	7.6	7.0	7.3	7.9
Iran (Islamic Republic of)[e]	0.4	4.7	5.1	4.8
Maldives	2.8	3.8	4.3	4.5
Nepal[e]	2.7	0.6	5.3	4.9
Pakistan[e]	5.5	5.7	5.2	5.2
Sri Lanka	4.8	4.9	5.0	5.2
East and South Asia - net fuel exporters	3.9	4.9	5.3	5.3
East and South Asia - net fuel importers	6.0	6.0	5.9	6.0
Western Asia	2.8	2.4	2.1	2.9
Western Asia - net fuel exporters	2.5	2.1	2.0	2.6
Bahrain	2.9	3.0	1.8	1.9
Iraq	-2.4	1.9	3.8	4.0
Kuwait	1.8	2.4	2.5	2.4
Oman	5.7	1.8	2.3	3.1
Qatar	3.6	2.7	3.0	3.6
Saudi Arabia	4.1	1.7	1.4	1.9
United Arab Emirates	3.8	3.0	2.1	3.0
Yemen	-34.6	-11.1	-7.5	-5.0
Western Asia -net fuel importers	3.3	2.9	2.2	3.2
Israel	2.5	4.0	3.1	3.2
Jordan	2.4	2.0	2.7	2.9
Lebanon	1.5	1.1	2.0	2.7
Syrian Arab Republic	-8.0	-5.8	-3.9	-2.8
Turkey	4.0	2.9	2.0	3.4
Latin America and the Caribbean	-0.6	-1.3	1.1	2.5
South America	-1.9	-2.6	0.6	2.6
Argentina	2.6	-2.3	2.2	2.8
Bolivia (Plurinational State of)	4.8	4.3	4.0	3.8
Brazil	-3.8	-3.6	0.1	2.6
Chile	2.1	1.6	1.5	2.4

Colombia	3.1	2.4	2.6	3.0
Ecuador	0.3	-1.5	0.6	1.0
Paraguay	3.0	4.1	3.9	3.6
Peru	3.4	3.9	3.4	3.6
Suriname	-2.7	-7.2	-0.9	1.6
Uruguay	1.0	1.5	1.8	2.2
Venezuela (Bolivarian Republic of)	-6.2	-9.5	-3.7	1.4
Mexico and Central America	2.9	2.5	2.3	2.2
Belize	1.0	-1.2	2.0	2.2
Costa Rica	4.7	4.1	4.1	4.0
El Salvador	2.5	2.4	2.3	2.3
Guatemala	4.1	3.1	3.6	3.5
Honduras	3.6	3.6	3.8	3.7
Mexico	2.6	2.3	2.0	1.9
Nicaragua[e]	4.9	4.7	4.5	4.3
Panama	5.8	4.9	5.2	5.0
Caribbean	4.0	1.6	2.5	2.8
Bahamas	-1.7	0.5	0.9	1.1
Barbados	0.9	1.6	1.9	2.0
Cuba	4.4	-0.9	1.0	1.8
Dominican Republic	7.0	6.6	5.1	4.4
Guyana	3.1	3.6	3.9	4.3
Haiti[e]	1.2	1.6	2.1	2.4
Jamaica	0.9	1.5	1.8	2.1
Trinidad and Tobago	0.2	-4.5	0.5	1.4
Latin America and the Caribbean - net fuel exporters	-1.6	-3.4	-0.2	2.1
Latin America and the Caribbean - net fuel importers	-0.4	-0.9	1.3	2.5
Memorandum items:				
Least developed countries	3.5	3.6	4.4	5.3
Africa (excluding Libya)	3.2	1.5	2.6	3.6
North Africa (excluding Libya)	3.6	2.7	3.1	3.5
East Asia (excluding China)	3.5	3.6	3.7	3.9
South Asia (excluding India)	3.5	5.2	5.3	5.3
Western Asia (excluding Israel and Turkey)	2.3	1.9	2.0	2.5
Arab States[g]	2.5	2.1	2.3	2.8
Landlocked developing economies	3.3	2.9	3.8	4.2
Small island developing economies	2.9	1.9	2.5	2.7

Sources: UN/DESA, based on data of the United Nations Statistics Division and individual national sources.
Note: Regional aggregates calculated at 2010 prices and exchange rates.

a Average percentage change.

b Partly estimated.

c Baseline scenario forecasts, based in part on Project LINK and the UN/DESA World Economic Forecasting Model.
d Covering countries that account for 98 per cent of the population of all developing countries.

e Fiscal year basis

f Special Administrative Region of China.

g Currently includes data for Algeria, Bahrain, Comoros, Djibouti, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Mauritania, Morocco, Oman, Qatar, Saudi Arabia, Somalia, Sudan, Syrian Arab Republic, Tunisia, United Arab Emirates, and Yemen.

Table A.4
Developed economies: consumer price inflation, 2015-2018

Annual percentage change[a]	*2015*	*2016*[b]	*2017*[c]	*2018*[c]
Developed economies	**0.2**	**0.7**	**1.8**	**2.0**
United States	0.1	1.2	2.3	2.5
Canada	1.1	1.4	2.2	2.1
Japan	0.8	-0.1	0.6	1.4
Australia	1.5	1.3	2.3	3.0
New Zealand	0.3	0.6	1.8	2.0
European Union	**0.0**	**0.3**	**1.7**	**1.7**
EU-15	0.1	0.3	1.6	1.7
Austria	0.9	0.9	2.0	1.8
Belgium	0.6	1.8	1.8	2.2
Denmark	0.2	0.0	1.2	2.0
Finland	-0.2	0.4	1.1	1.9
France	0.1	0.3	1.1	1.5
Germany	0.1	0.4	1.8	1.7
Greece	-1.1	0.0	0.5	1.4
Ireland	0.0	-0.2	1.2	1.8
Italy	0.1	-0.1	1.3	0.9
Luxembourg	0.1	0.0	0.8	1.8
Netherlands	0.2	0.1	1.2	1.5
Portugal	0.5	0.6	1.3	1.9
Spain	-0.6	-0.3	1.8	1.6
Sweden	0.7	1.1	1.8	2.0
United Kingdom	0.0	0.7	2.6	2.5
EU-13	-0.4	-0.2	2.1	2.2
Bulgaria	-0.1	-0.8	2.0	2.1
Croatia	-0.5	-1.1	1.3	2.3
Cyprus	-2.1	-1.4	0.7	1.6
Czech Republic	0.2	0.7	2.5	2.1
Estonia	0.1	0.8	2.7	2.8
Hungary	0.1	0.4	2.8	2.7
Latvia	0.2	0.1	2.5	2.3
Lithuania	-0.9	0.9	2.5	2.4
Malta	1.1	0.6	2.5	2.9
Poland	-0.7	-0.2	2.1	2.3
Romania	-0.6	-1.5	1.5	2.2
Slovakia	-0.3	-0.5	1.5	1.6

Slovenia	-0.8	-0.2	1.5	2.1
Other Europe	**0.4**	**1.3**	**1.2**	**1.4**
Iceland	0.3	0.8	2.5	3.2
Norway	2.0	3.9	2.0	2.1
Switzerland	-0.8	-0.5	0.5	0.8
Memorandum items:				
North America	-0.5	0.7	2.3	2.5
Asia and Oceania	0.9	0.1	1.0	1.7
Europe	0.0	0.4	1.6	1.7
Major developed economies	-0.1	0.4	1.8	2.0
Euro area	0.0	0.2	1.5	1.5

Sources: UN/DESA, based on OECD *Main Economic Indicators*; Eurostat; and individual national sources.
a Data for country groups are weighted averages, where weights for each year are based on 2010 GDP in United States dollars.
b Partly estimated.
c Baseline scenario forecasts, based in part on Project LINK and the UN/DESA World Economic Forecasting Model.

Table A.5
Economies in transition: consumer price inflation, 2015-2018

Annual percentage change[a]	*2015*	*2016*[b]	*2017*[c]	*2018*[c]
Economies in transition	**15.8**	**8.0**	**5.5**	**4.8**
South-Eastern Europe	0.8	0.5	2.1	2.5
Albania	1.9	1.3	2.1	2.7
Bosnia and Herzegovina	-0.9	-0.9	1.2	1.5
Montenegro	1.2	-0.3	1.9	2.0
Serbia	1.4	1.1	2.7	3.0
The former Yugoslav Republic of Macedonia	-0.3	-0.2	1.2	1.8
Commonwealth of Independent States and Georgia[d]	16.4	8.3	5.7	4.9
Net fuel exporters	14.2	7.9	5.0	4.5
Azerbaijan	4.2	12.5	11.8	5.9
Kazakhstan	6.6	14.8	6.8	6.1
Russian Federation	15.5	7.1	4.5	4.2
Turkmenistan	-1.0	6.7	5.6	5.4
Uzbekistan	13.7	9.1	9.0	9.0
Net fuel importers	33.4	11.6	10.5	7.9
Armenia	3.7	-1.3	1.5	2.8
Belarus	13.5	11.8	9.2	9.0
Georgia[d]	4.0	2.1	4.6	4.1
Kyrgyzstan	6.5	0.4	3.9	4.1
Republic of Moldova	9.7	7.7	6.9	5.8
Tajikistan	5.7	6.0	6.0	5.4
Ukraine[e]	48.7	13.9	12.6	8.5

Source: UN/DESA, based on data of the Economic Commission for Europe.

a Data for country groups are weighted averages, where weights for each year are based on 2010 GDP in United States dollars.
b Partly estimated.
c Baseline scenario forecasts, based in part on Project LINK and the UN/DESA World Economic Forecasting Model.
d Georgia officially left the Commonwealth of Independent States on 18 August 2009. However, its performance is discussed in the context of this
group of countries for reasons of geographic proximity and similarities in economic structure.
e Starting in 2010, data for the Ukraine excludes the temporarily occupied territory of the Autonomous Republic of Crimea and Sevastopol.

Table A.6
Developing economies: consumer price inflation, 2015-2018

Annual percentage change[a]	*2015*	*2016*[b]	*2017*[c]	*2018*[c]
Developing countries by region[d]	4.4	5.4	5	4.8
Africa	6.9	12.2	14.9	13.1
North Africa	7.7	14.8	21.6	18.3
Algeria	4.4	5.8	4.4	3.8
Egypt	10.4	13.8	21.7	12.2
Libya	9.8	55.6	84.9	95.9
Mauritania	0.5	0.4	2.3	4.3
Morocco	1.6	1.6	2.4	2.8
Sudan	16.9	17.6	26.8	10
Tunisia	4.9	3.7	3.7	3.6
East Africa	5.8	5.9	6.4	5.9
Burundi	5.6	5.5	4.2	3.8
Comoros	-8.1	2	2.2	3
Democratic Republic of the Congo	1	4.9	5	4.2
Djibouti	2.2	3.1	3.5	4
Eritrea	1	11.5	7.5	5.9
Ethiopia	10.1	7.3	8.1	8.2
Kenya	6.6	6.3	7.1	6
Madagascar	7.4	6.8	7	6.5
Rwanda	2.5	5.7	7	5.1
Somalia	-2.9	2	2.2	0.8
Uganda	5.2	5.1	5.8	5.6
United Republic of Tanzania	5.6	5.2	5.3	5.4
Central Africa	3.5	2.1	2.5	2.9
Cameroon	2.7	2.3	2.3	2.3
Central African Republic	37.1	24	16.5	11.1
Chad	3.7	-3	-0.7	1.6
Congo	4.5	3.5	4.1	3.9
Equatorial Guinea	1.7	1.2	1.6	2.6
Gabon	0.6	1.8	2.5	2.8
Sao Tome and Principe	5.2	5.4	4.5	3.9
West Africa	8.3	13.2	15.5	15.4

Benin	0.3	-0.9	3.3	3.5
Burkina Faso	1	0.8	1.6	2.2
Cabo Verde	0.1	-1.7	0.5	1.6
Côte D’Ivoire	1.2	0.7	3.2	4
Gambia (Islamic Republic of the)	6.8	5	4.6	4.1
Ghana	17.1	17.5	12.5	10.2
Guinea	8.2	8.1	8.8	7.6
Guinea Bissau	1.4	1.7	2.5	3.1
Liberia	7.8	6.4	6.2	5.3
Mali	1.4	-1.4	1.3	2.7
Niger	1	0.7	1.8	2
Nigeria	9	15.7	18.7	18.7
Senegal	0.1	0.8	1.8	2.7
Sierra Leone	8	9.7	9.2	8.6
Togo	1.8	0.9	2.3	2.2
Southern Africa	5.6	11.6	10.5	8.3
Angola	10.3	34.7	30.9	21.8
Botswana	3.1	3.8	4.1	3.9
Lesotho	3.2	6.6	6.4	6.2
Malawi	21.9	23.7	16.2	11.9
Mauritius	1.3	1	2.4	3.2
Mozambique	3.6	19.9	22	12
Namibia	3.4	7.1	6.8	5.6
South Africa	4.6	6.6	6.2	5.7
Swaziland	5	7.8	6.7	5.9
Zambia	10.1	20.5	14.4	9.6
Zimbabwe	-2.4	-1.6	1	1.5
Africa net fuel exporters	8.5	17.1	22	19.3
Africa net fuel importers	4.9	6.3	6	5.4
East and South Asia	2.6	2.8	3	3.4
East Asia	1.6	2.1	2.3	2.7
Brunei Darussalam	-0.4	-0.7	0.7	0.8
Cambodia	1.2	3	3	3.2
China	1.4	2.3	2.1	2.7
Fiji	1.4	3.9	4.4	3.1
Hong Kong SAR[e]	3	2.4	2.8	2.8
Indonesia	6.4	3.6	4.3	4.4
Kiribati	0.9	1.3	1.7	2
Lao People's Democratic Republic	1.3	1.5	2	2.7
Malaysia	2.1	2.1	2.4	2.4
Mongolia	5.8	0.6	4.4	5
Myanmar	10.8	9.3	8.4	7.5
Papua New Guinea	6	6.7	7.5	7.3
Philippines	1.4	1.8	3.2	3
Republic of Korea	0.7	1	1.8	1.9

Samoa	0.7	1.3	1.6	2.2
Singapore	-0.5	-0.5	1.3	2.3
Solomon Islands	-0.6	2.3	3.4	4.1
Taiwan Province of China	-0.7	0.8	1.3	1.6
Thailand	-0.9	0.2	1.7	2
Timor-Leste	0.6	-1.2	1.9	3.3
Vanuatu	2.5	2.2	2.9	3.2
Viet Nam	0.9	2.7	4.1	4.5
South Asia	6.9	5.5	6.2	6
Afghanistan	-1.5	2.2	5.4	5.9
Bangladesh	6.2	5.5	5.9	5.8
Bhutan	4.5	3.3	4.8	5.1
India	5.9	4.9	5.2	5.1
Iran (Islamic Republic of)	13.7	8.6	10.4	9.8
Maldives	1	0.5	2.7	4.3
Nepal	7.9	9.7	7.5	7.2
Pakistan	2.5	3.8	5.1	5.3
Sri Lanka	0.9	3.7	4.9	5.2
East and South Asia net fuel exporters	8.3	5.1	6.3	6.2
East and South Asia net fuel importers	2	2.5	2.6	3
Western Asia	5.1	5.4	4.6	4.6
Western Asia net fuel exporters	3.4	3.6	2.8	3.5
Bahrain	1.8	2.8	2.1	2.5
Iraq	1.4	2.8	2	3
Kuwait	3.3	3.2	3.4	3.8
Oman	0.1	1.1	3	2.9
Qatar	1.9	2.9	2.4	2.6
Saudi Arabia	2.2	3.6	2	3.6
United Arab Emirates	4.1	1.8	2.5	2.5
Yemen	39.4	35	22.5	18
Western Asia net fuel importers	7	7.5	6.7	5.9
Israel	-0.6	-0.5	1.1	2.3
Jordan	-0.9	-0.8	4.1	2.6
Lebanon	-3.7	-0.8	3.2	2.2
Syrian Arab Republic	38.2	46.1	21.3	13.9
Turkey	7.7	7.7	7.5	6.7
Latin America and the Caribbean[d]	7.7	9.3	6.1	5.1
South America[d]	9.8	11.9	6.6	5.6
Argentina	23.4	40.5	24	15
Bolivia (Plurinational State of)	4.1	3.6	4.2	4.4
Brazil	9.1	8.7	4.3	4.6
Chile	4.3	3.8	2.5	2.8
Colombia	5	7.5	4.5	3.6
Ecuador	4	1.7	1.4	1.8
Paraguay	3.1	4.1	3.4	3.9

Peru	3.6	3.6	2.8	2.4
Suriname	6.9	55.5	35.2	22.1
Uruguay	8.7	9.6	7.3	7
Venezuela (Bolivarian Republic of)	109.7	400	450	350
Mexico and Central America	2.5	2.7	4.8	3.7
Belize	-0.9	0.4	1.2	1.8
Costa Rica	0.8	0	2.2	3.4
El Salvador	-1.3	0.6	0.9	1.6
Guatemala	2.4	4.4	4.2	4
Honduras	3.2	2.7	3.9	4.2
Mexico	2.7	2.8	5.1	3.8
Nicaragua	4	3.5	4.5	4.7
Panama	0.1	0.7	1.9	2.3
Caribbean	3.2	3.3	4	4
Bahamas	1.9	-0.3	1.1	1.4
Barbados	-1.1	-0.7	1.2	1.5
Cuba	4.6	4.5	4.2	4
Dominican Republic	0.8	1.6	3.7	4
Guyana	-1	0.8	2	2.3
Haiti	9	13.8	12	9.1
Jamaica	3.7	2.3	3.6	4
Trinidad and Tobago	4.7	3.1	3.5	3.9
Latin America and the Caribbean net fuel exporters	4.7	6.1	3.9	3.4
Latin America and the Caribbean net fuel importers	8	9.6	6.2	5.2
Memorandum items:				
Least developed countries	8.8	12.2	11.9	8.8
East Asia (excluding China)	1.9	1.7	2.5	2.7
South Asia (excluding India)	8.8	6.6	8	7.8
Western Asia (excluding Israel and Turkey)	4.6	5.2	3.7	3.9
Arab States[f]	5.6	8.3	9.4	8.5
Landlocked developing economies	5.9	9	6.8	5.9
Small island developing economies	1.3	1.8	2.9	3.3

Source: UN/DESA

a Data for country groups are weighted averages, where weights are based on GDP in 2010 prices and exchange rates.
b Partly estimated.

c Baseline scenario forecasts, based in part on Project LINK and the UN/DESA World Economic Forecasting Model.
d Regional aggregates exclude Venezuela (Bolivarian Republic of), due to the potential distortionary impacts of very high inflation in a single country
e Special Administrative Region of China.

f Currently includes data for Algeria, Bahrain, Comoros, Djibouti, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Mauritania, Morocco, Oman, Qatar, Saudi Arabia, Somalia, Sudan, Syrian Arab Republic, Tunisia, United Arab Emirates and Yemen.

Table A.7

World trade:[a] Changes in value and volume of exports and imports by major country group, 2015-2018

Annual percentage change[a]	*2015*	*2016[b]*	*2017[c]*	*2018[c]*
Dollar value of exports				
World	***-11.1***	***0.0***	***4.0***	***4.6***
Developed economies	**-9.7**	**0.2**	**1.8**	**3.2**
North America	-6.4	-1.7	3.5	3.7
Europe	-10.6	0.5	1.4	3.2
Developed Asia and Pacific	-11.9	3.4	0.5	1.7
Economies in transition	**-28.2**	**-1.8**	**14.1**	**5.6**
South-Eastern Europe	-10.7	8.5	3.3	6.0
Commonwealth of Independent States and Georgia	-28.9	-2.3	14.8	5.6
Developing economies	**-11.3**	**-0.2**	**6.3**	**6.4**
Latin American and the Caribbean	-12.8	3.2	11.7	16.5
Africa	-25.1	-3.0	9.8	6.1
East Asia	-6.6	-0.3	3.4	4.1
Asia	-8.1	4.6	10.3	7.0
Western Asia	-23.4	-4.1	11.2	6.7
Dollar value of imports				
World	***-9.7***	***-0.8***	***4.2***	***4.8***
Developed economies	**-10.4**	**-1.0**	**4.1**	**4.5**
North America	-4.5	-2.1	2.8	4.0
Europe	-11.9	0.1	4.5	4.7
Developed Asia and Pacific	-17.1	-4.4	5.2	4.7
Economies in transition	**-27.5**	**-2.4**	**2.3**	**4.8**
South-Eastern Europe	-14.2	4.7	5.0	6.2
Commonwealth of Independent States and Georgia	-28.5	-3.0	2.0	4.7
Developing economies	**-7.4**	**-0.4**	**4.4**	**5.2**
Latin American and the Caribbean	2.6	-12.6	-1.7	1.2
Africa	-15.0	-0.1	3.9	6.0
East Asia	-10.0	3.1	4.9	5.5
South Asia	-3.0	3.8	5.4	6.8
Western Asia	-5.6	-2.4	8.7	6.0
Volume of exports				
World	***3.2***	***2.0***	***2.8***	***3.2***
Developed economies	**4.7**	**2.4**	**2.9**	**3.2**
North America	0.8	0.5	2.3	2.9
Europe	6.2	2.9	3.1	3.2
Developed Asia and Pacific	3.8	2.8	3.0	3.6
Economies in transition	**1.6**	**1.5**	**2.0**	**1.9**
South-Eastern Europe	7.3	9.2	4.2	4.5
Commonwealth of Independent States and Georgia	1.3	1.1	1.9	1.8
Developing economies	**1.3**	**1.6**	**2.6**	**3.3**

Latin American and the Caribbean	4.7	1.1	1.7	2.5
Africa	1.9	1.5	2.8	3.4
East Asia	0.7	1.8	2.7	3.3
South Asia	5.2	1.5	2.9	3.5
Western Asia	-1.8	1.2	2.9	3.7
Volume of imports				
World	***2.3***	***1.7***	***2.9***	***3.3***
Developed economies	**4.9**	**2.3**	**2.9**	**3.1**
North America	3.8	0.8	2.3	2.8
Europe	6.1	3.5	3.2	3.2
Developed Asia and Pacific	0.6	-1.0	2.4	2.5
Economies in transition	**-17.1**	**-2.5**	**3.2**	**3.9**
South-Eastern Europe	5.2	6.3	4.7	5.2
Commonwealth of Independent States and Georgia	-18.8	-3.3	3.0	3.8
Developing economies	**0.4**	**1.1**	**2.8**	**3.6**
Latin American and the Caribbean	-1.5	-3.2	0.6	1.7
Africa	-0.6	0.5	3.1	4.5
East Asia	1.3	2.2	3.4	3.9
South Asia	1.4	1.0	2.6	3.6
Western Asia	-1.2	1.2	2.0	3.4

Source: UN/DESA

a Includes goods and non-factor services.

b Partly estimated.

c Baseline forecast, based in part on Project LINK.