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World Economic Prospects

Risks and Development Challenges



Growth forecasts revised down

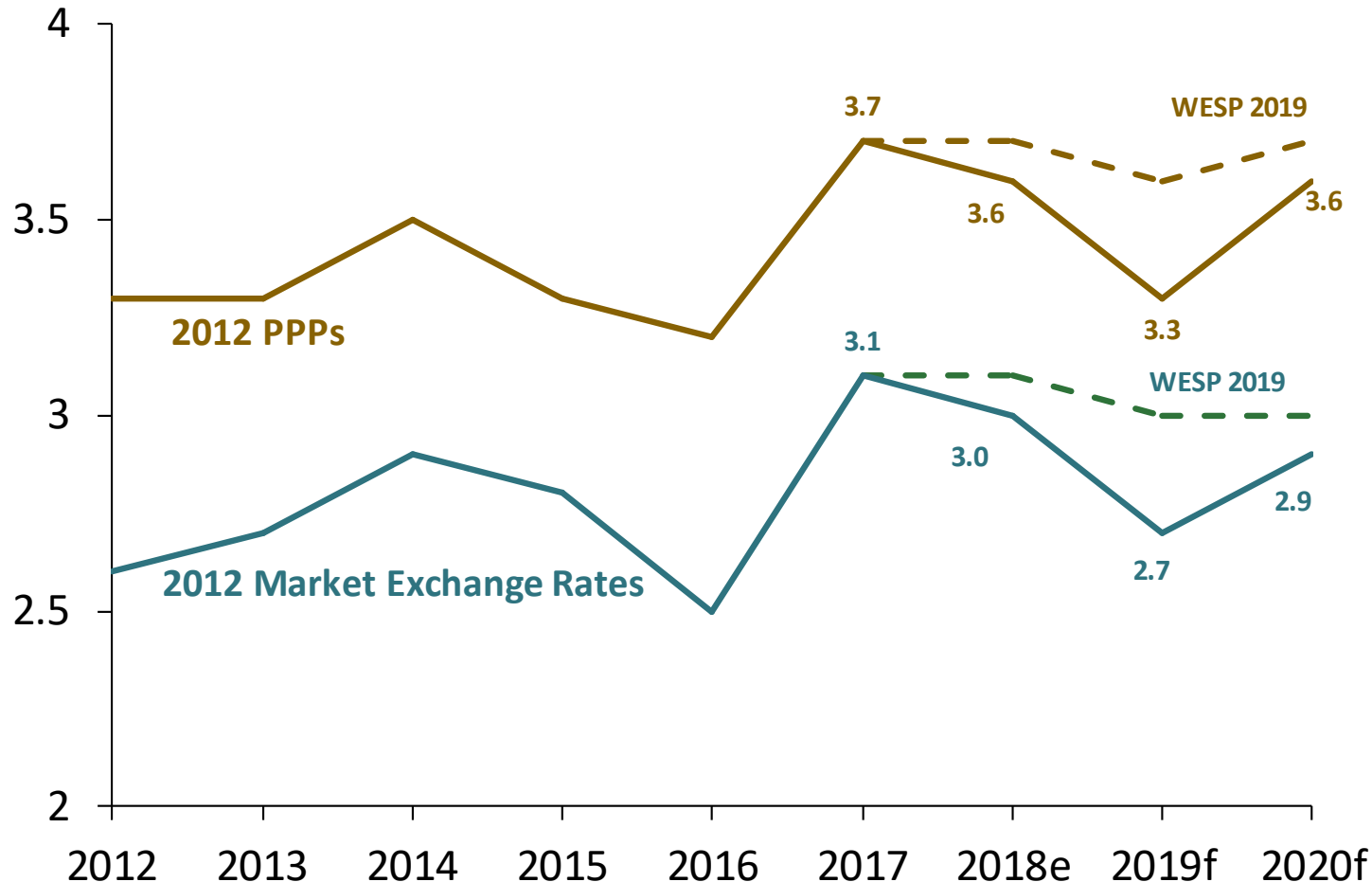


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WESP Mid-2019,
y-o-y, %

Growth of World Gross Product



- Global growth projected to slow from **3% in 2018** to **2.7% in 2019**.
- Trade tensions have further increased
- Country-specific factors in major developed and emerging economies
 - Cyclical movements
 - Policy uncertainty
 - Weather-related shocks

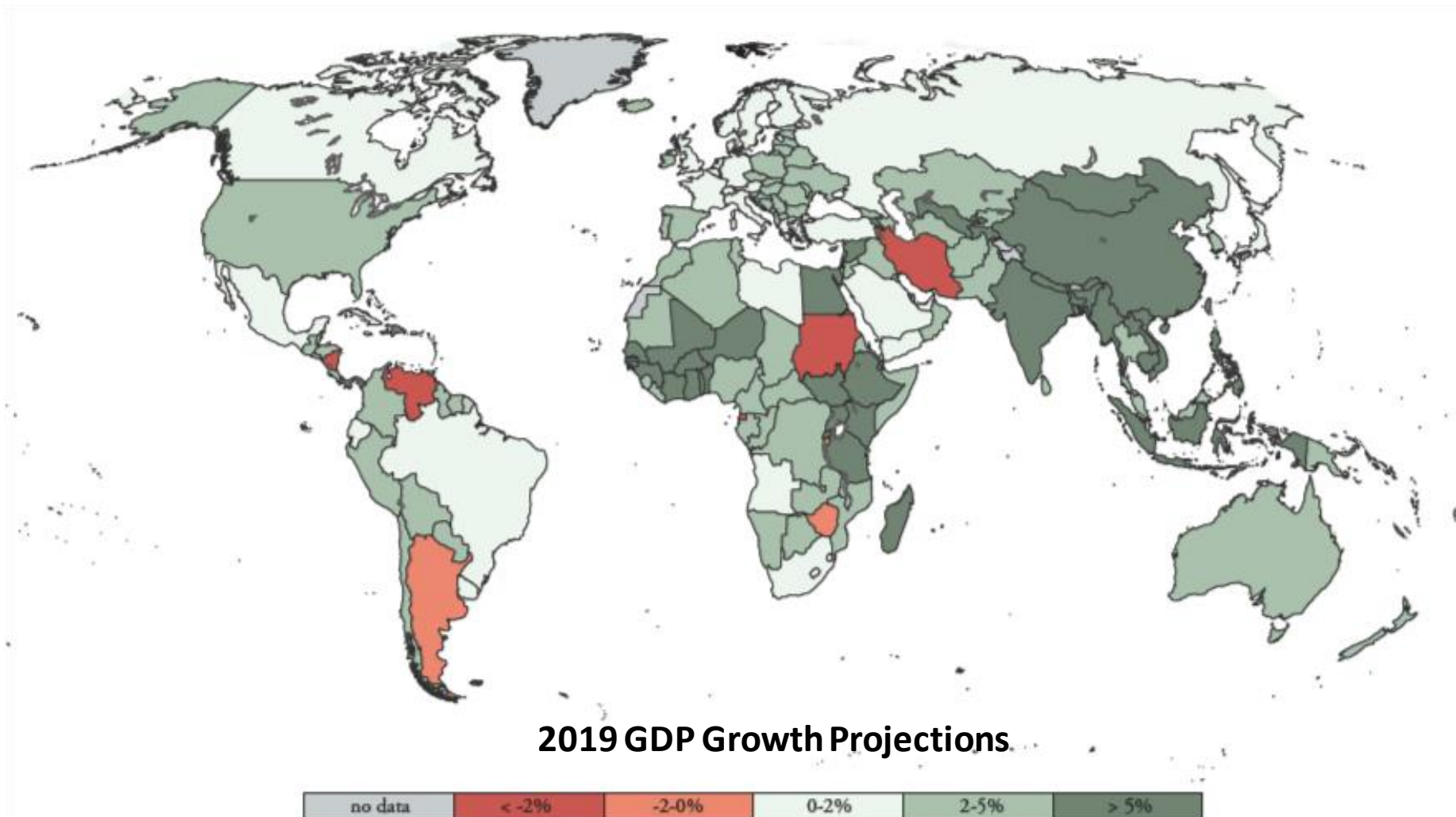


Global growth remains highly uneven



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Risks tilted to the downside

- Further escalation of trade tensions
- Deterioration in financial conditions
- Sharp downturn in major economies
- Accelerating effects of climate change
- Lack of policy space or capacity to respond

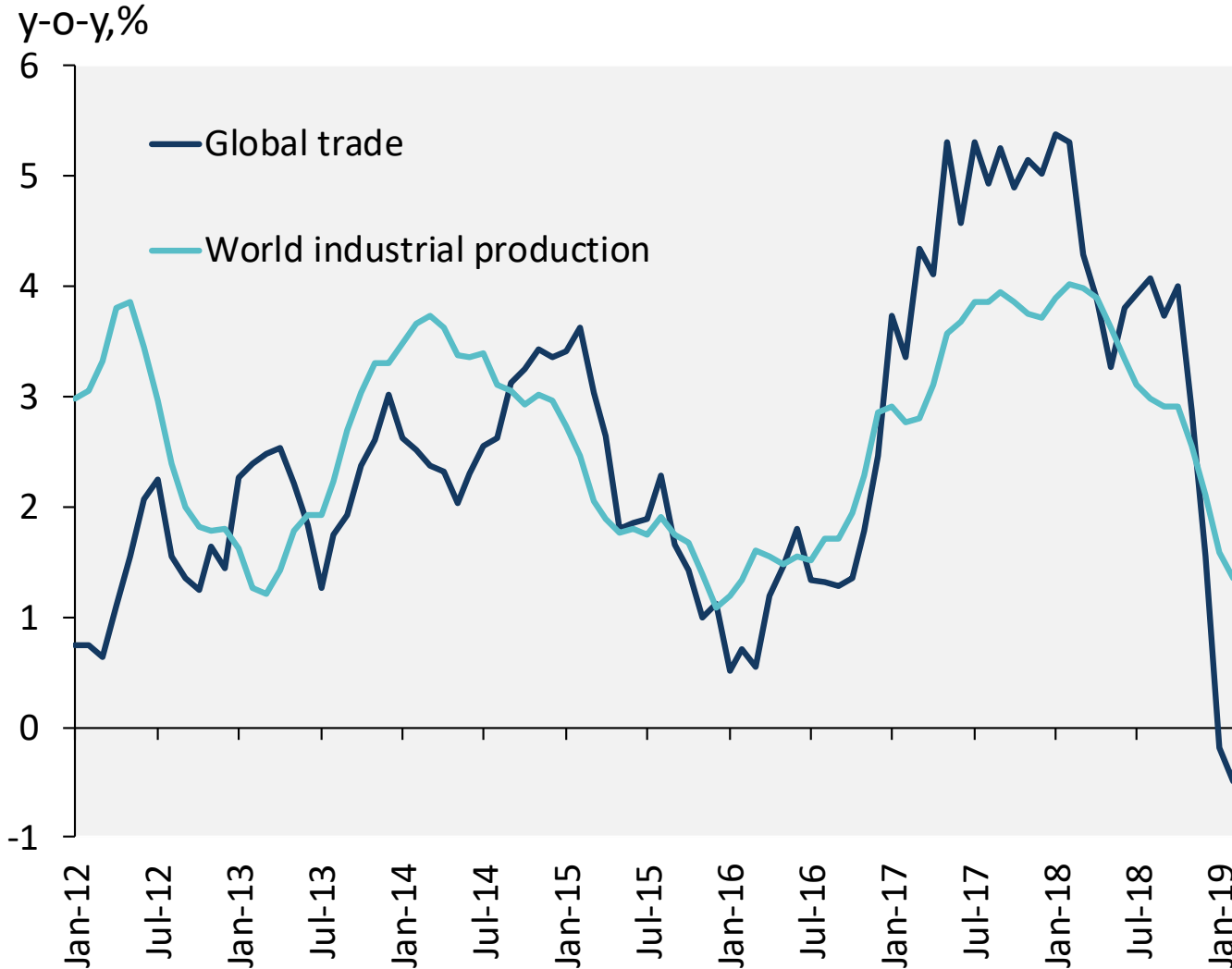
 Risk factors are strongly interrelated

Global trade and IP have slowed sharply



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- World trade growth projected to slow to 2.7% from 3.6% in 2018
- Bilateral US-China trade has dropped 15% y-o-y in Jan-April '19
- Investment in trade-oriented sectors is down
- Dampens medium-term prospects for productivity



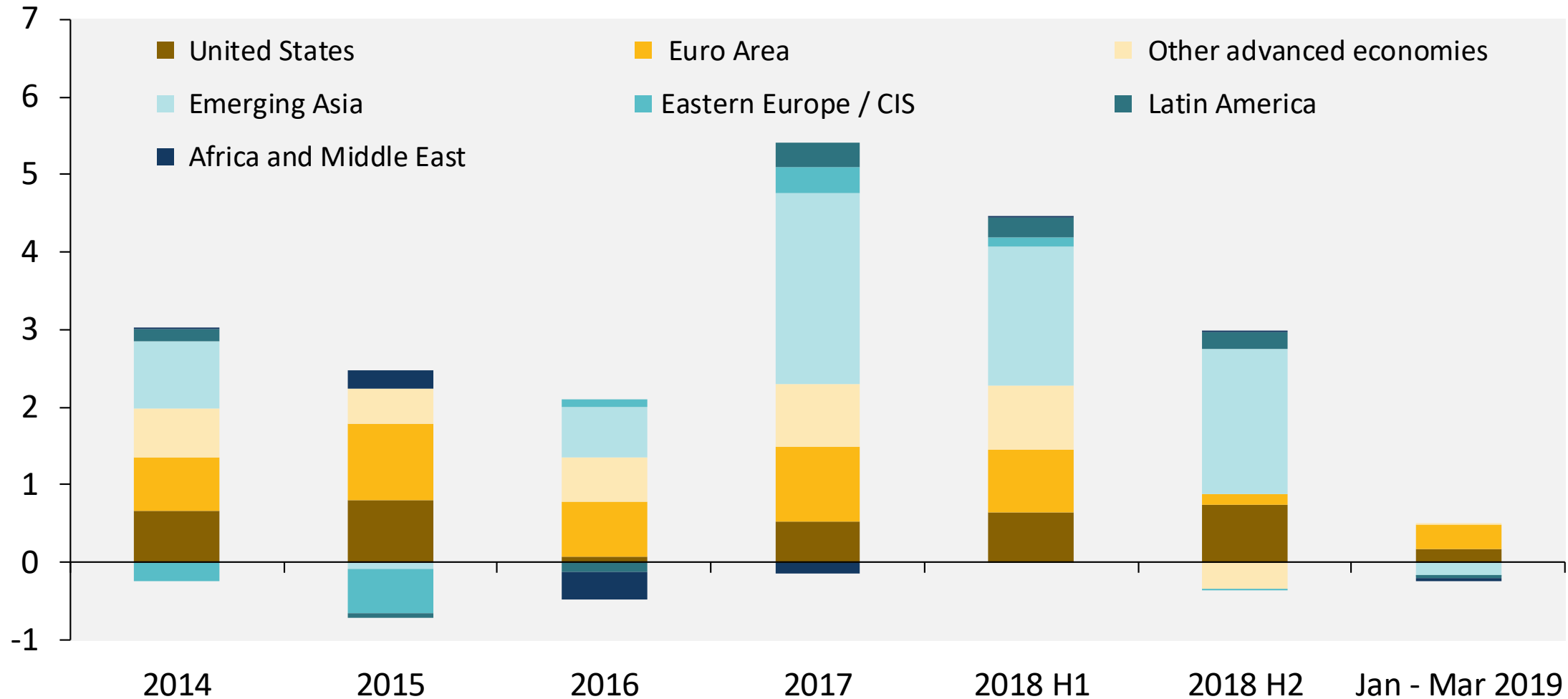
Import demand stagnated in Q1 2019



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Ppt. Contribution



Sharper slowdown in major economies would impact developing regions

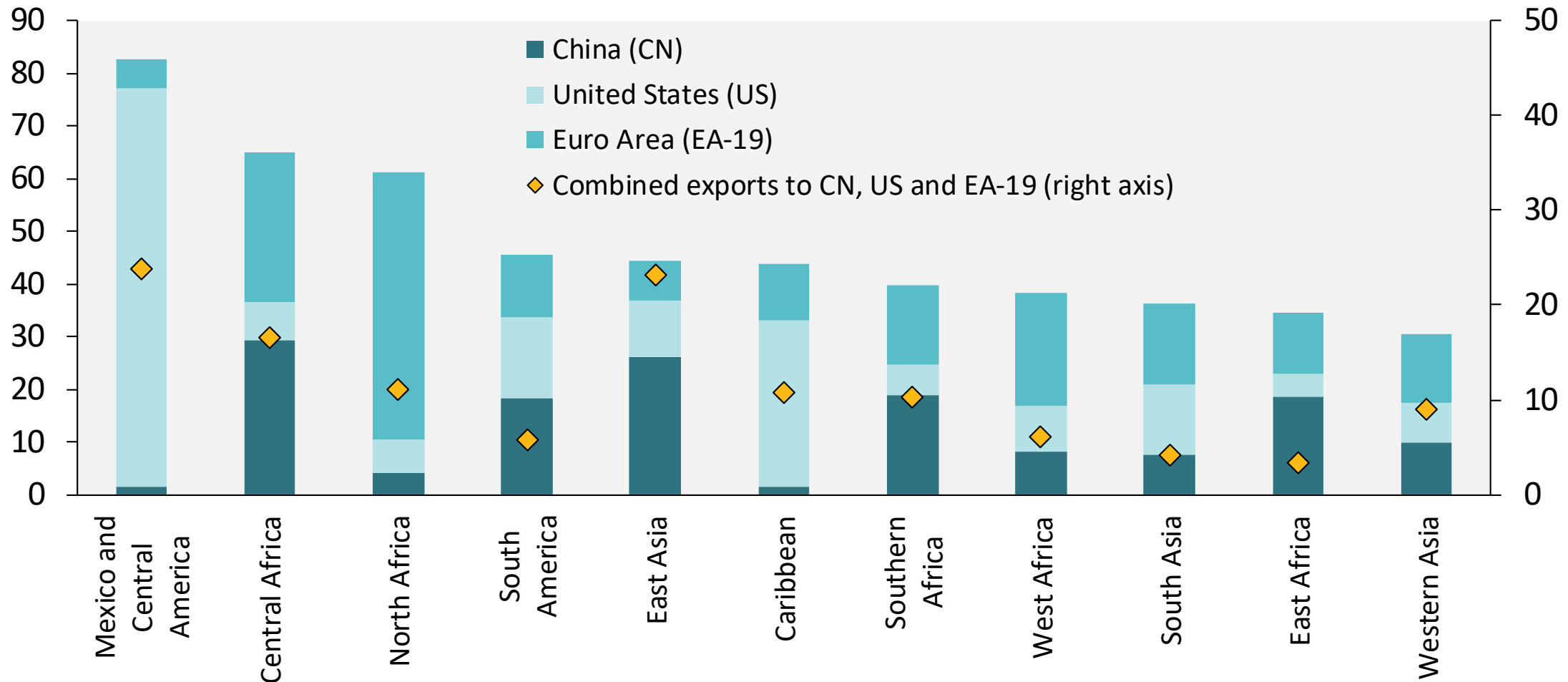


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Share of total exports, %

Share of total GDP, %



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Economic Analysis

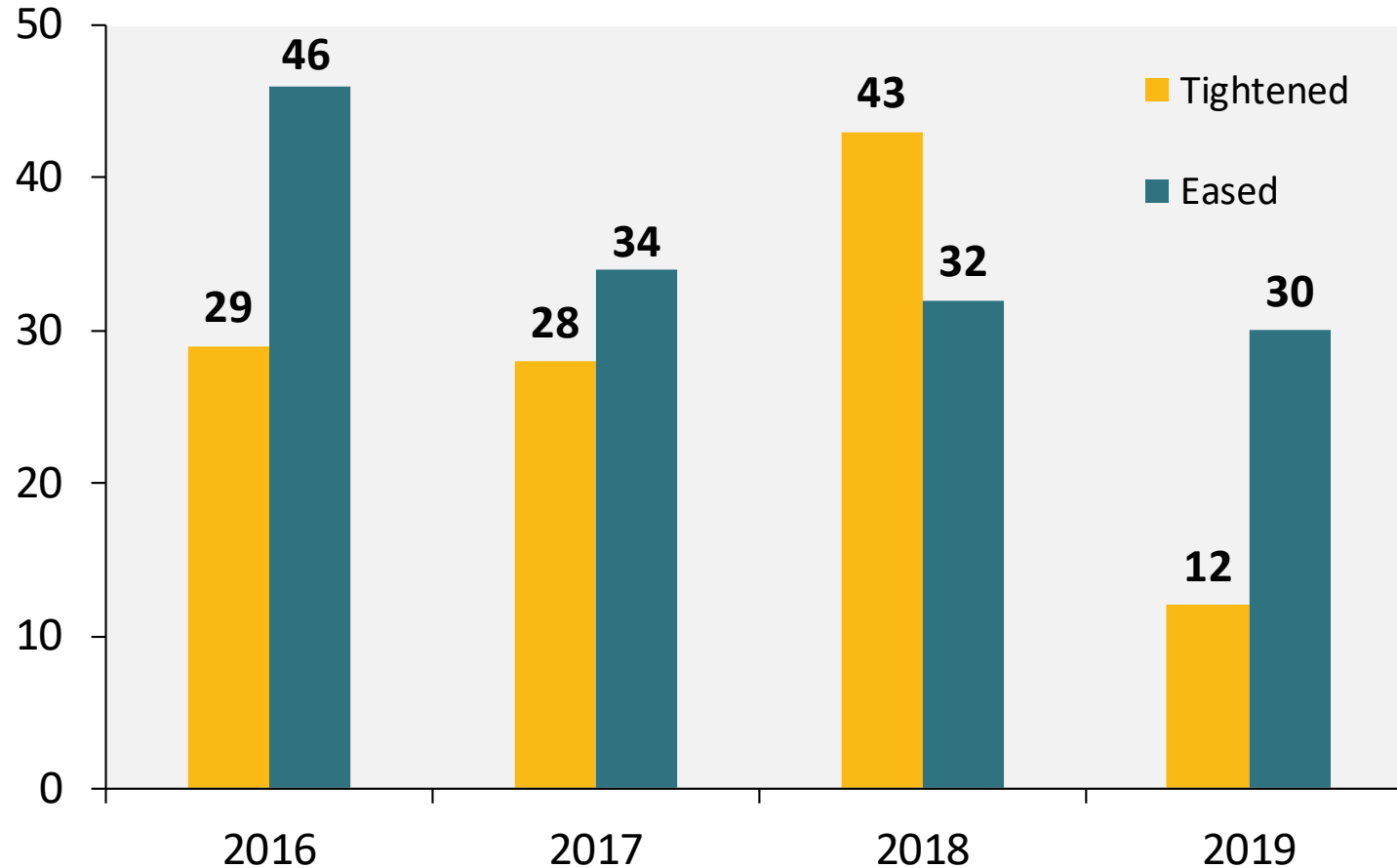
Central banks have been easing monetary policy



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Number of central banks

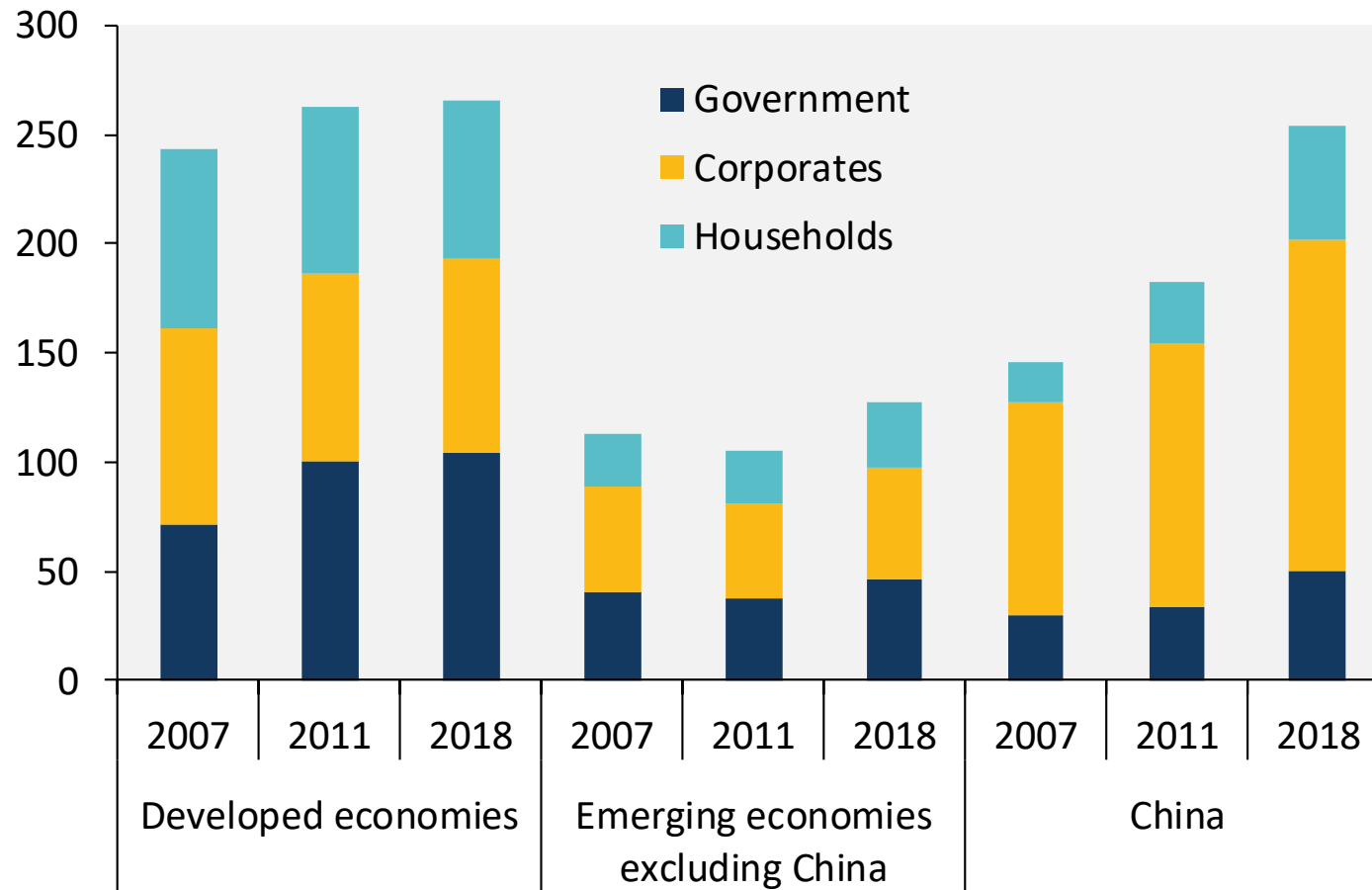


- Helped stabilize financial markets and short-term capital flows
- Impact on real sector activity uncertain
- May fuel further debt accumulation and raise medium-term financial stability risks



Historically high debt levels pose financial stability risks

% of GDP



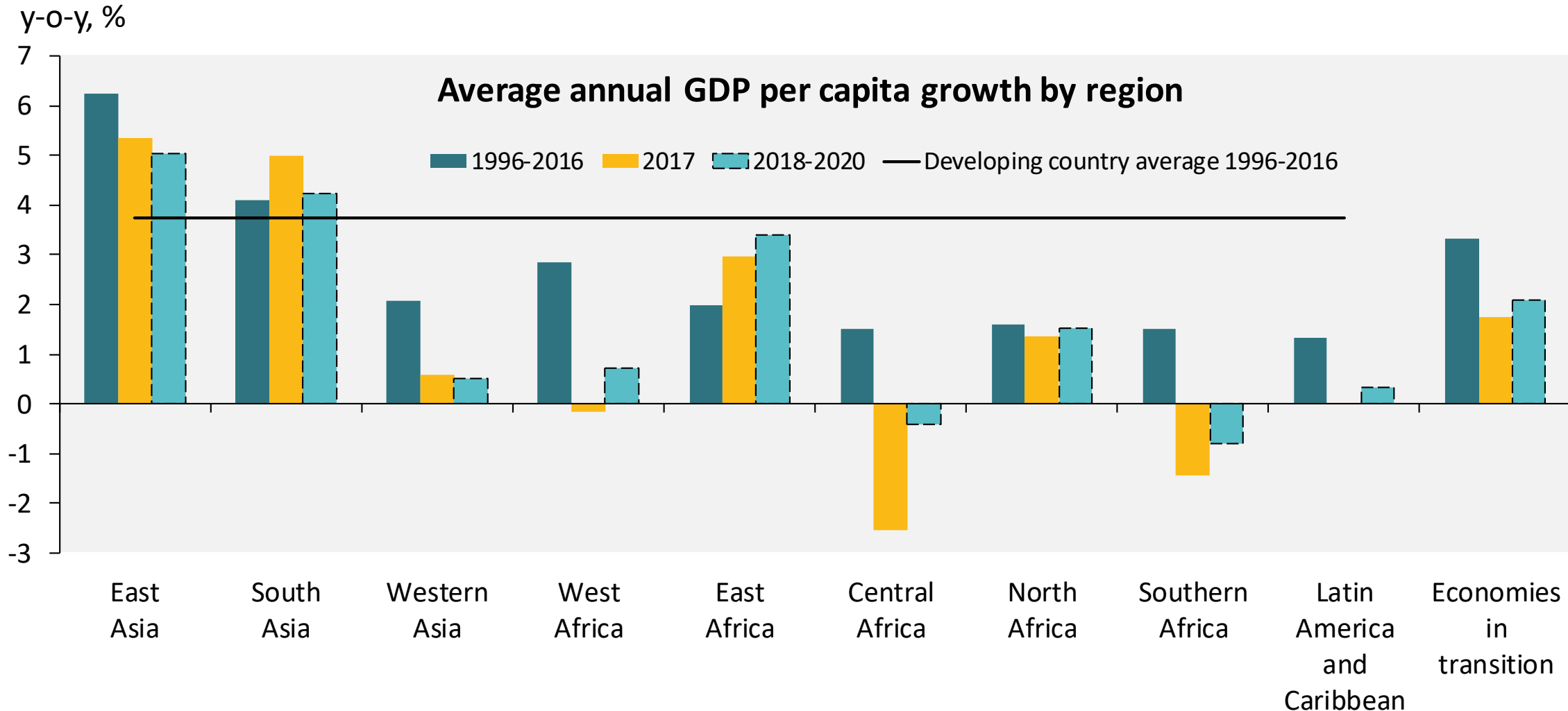
- Sources of vulnerability differ:
 - Euro area: sovereign debt, banking sector
 - US: higher-risk corporate sector
 - EMs: corporate, dollar-denominated debt
 - LICs: increasing debt distress
- Interest payments as burden
- Limits policy space, weighs on recovery

Weak economic performance exacerbates development challenges



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Economic Analysis

Number of poor has risen in parts of Africa and Latin America between 2014 and 2018

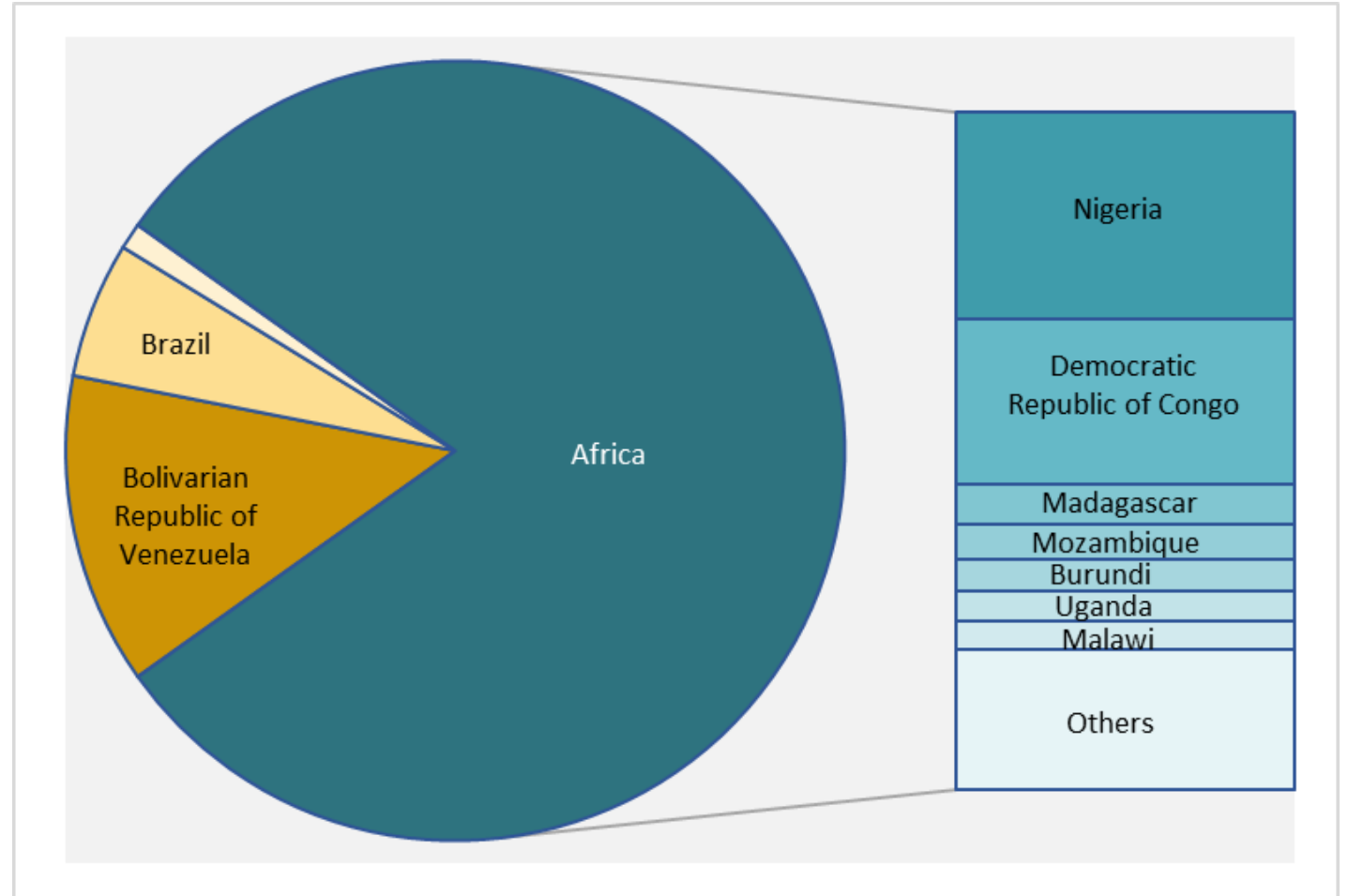


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Combination of factors:

- Commodity price shock
- Macroeconomic imbalances / crisis
- Governance issues and political crisis
- Armed conflict



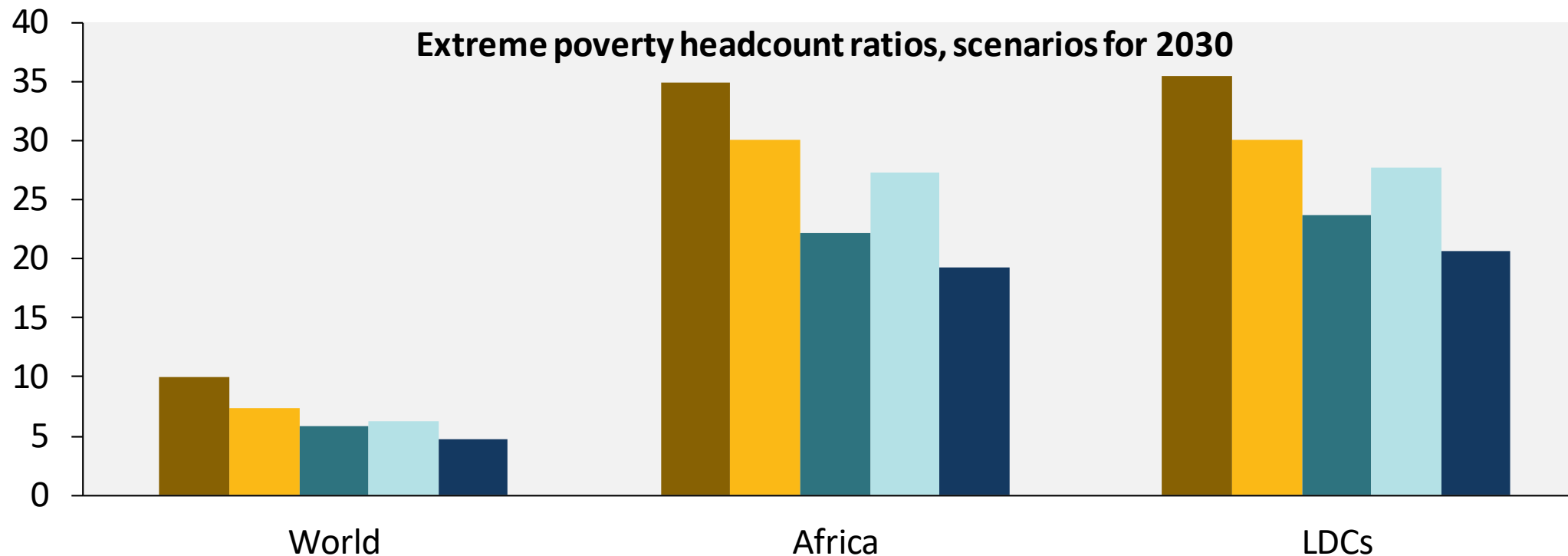
Many economies will find it highly challenging to eradicate poverty by 2030



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% of population



2015 Level

Scenario 1: Faster income growth

Scenario 3: Combined

Baseline scenario 2030

Scenario 2: Declining inequality

Policies to promote SDG progress



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- Addressing short-term macroeconomic vulnerabilities
 - Resolve trade tensions
 - Tackle financial vulnerabilities
 - Shift away from over-reliance on monetary policy
 - Improve fiscal management
- Boosting medium-term inclusive growth:
 - Improve natural resource management
 - Channel available finance into productive investment
 - resilient infrastructure; quality education; health



DESA

Economic Analysis



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**Thank you.
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