



WESP Update per Mid-2012

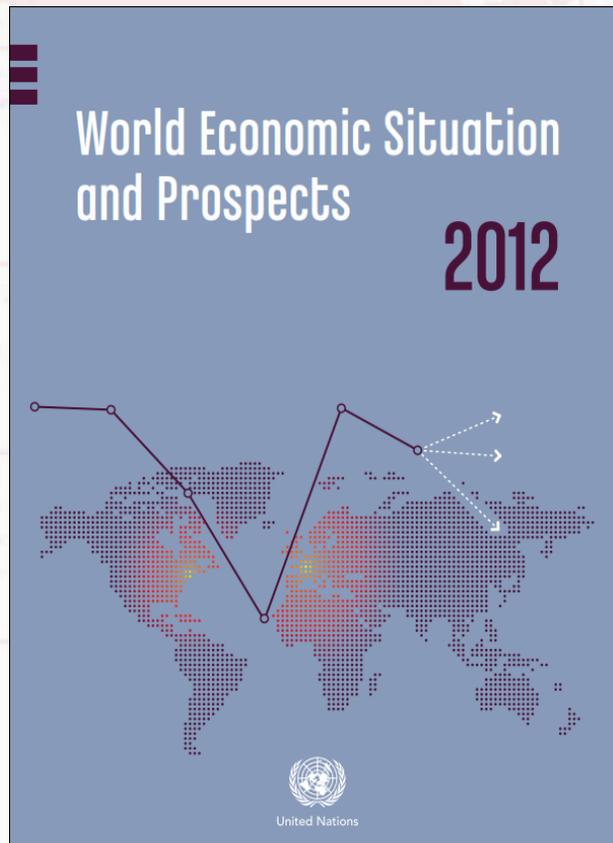
Darkening skies over the world economy

New York, 7 June 2012

Jomo K.S. & Rob Vos

United Nations

www.un.org/esa/policy



Main messages



1. Global economic slowdown

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

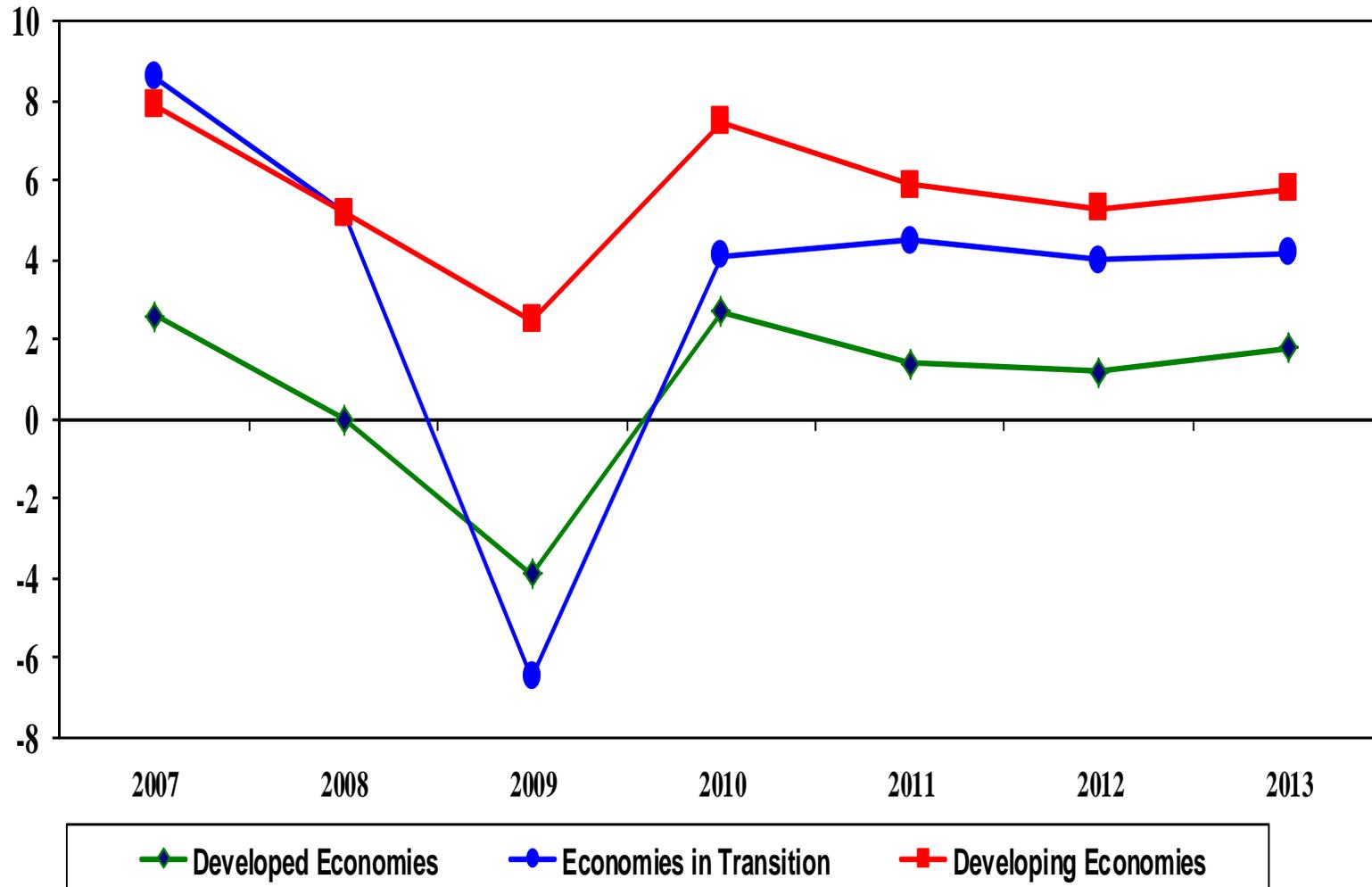
2. High risk of dangerous downward spiral

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

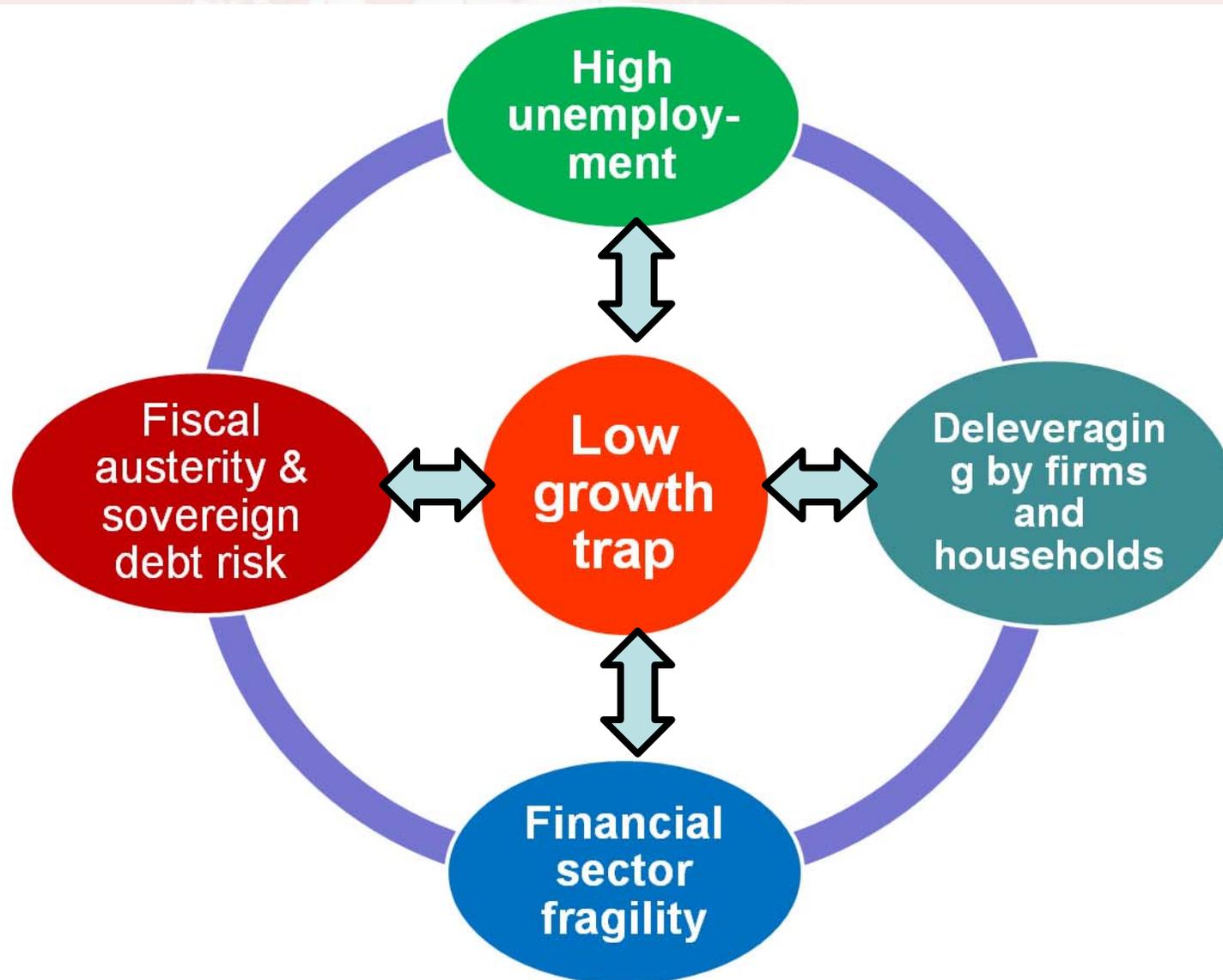
3. Breaking out of the vicious cycle

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

A synchronized global slowdown



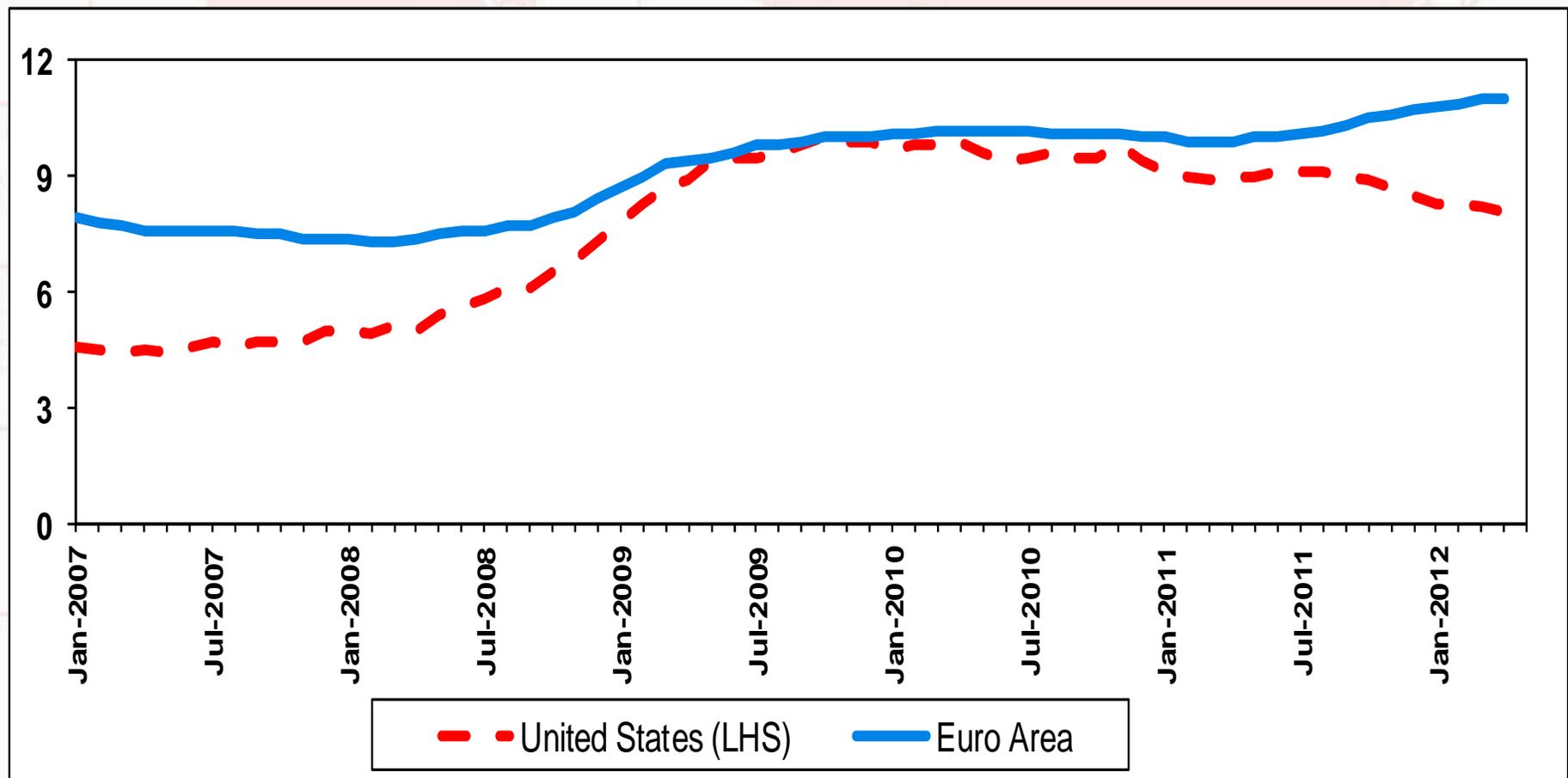
Developed economy vicious cycle





The jobs crisis continues – unemployment rising in euro area

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

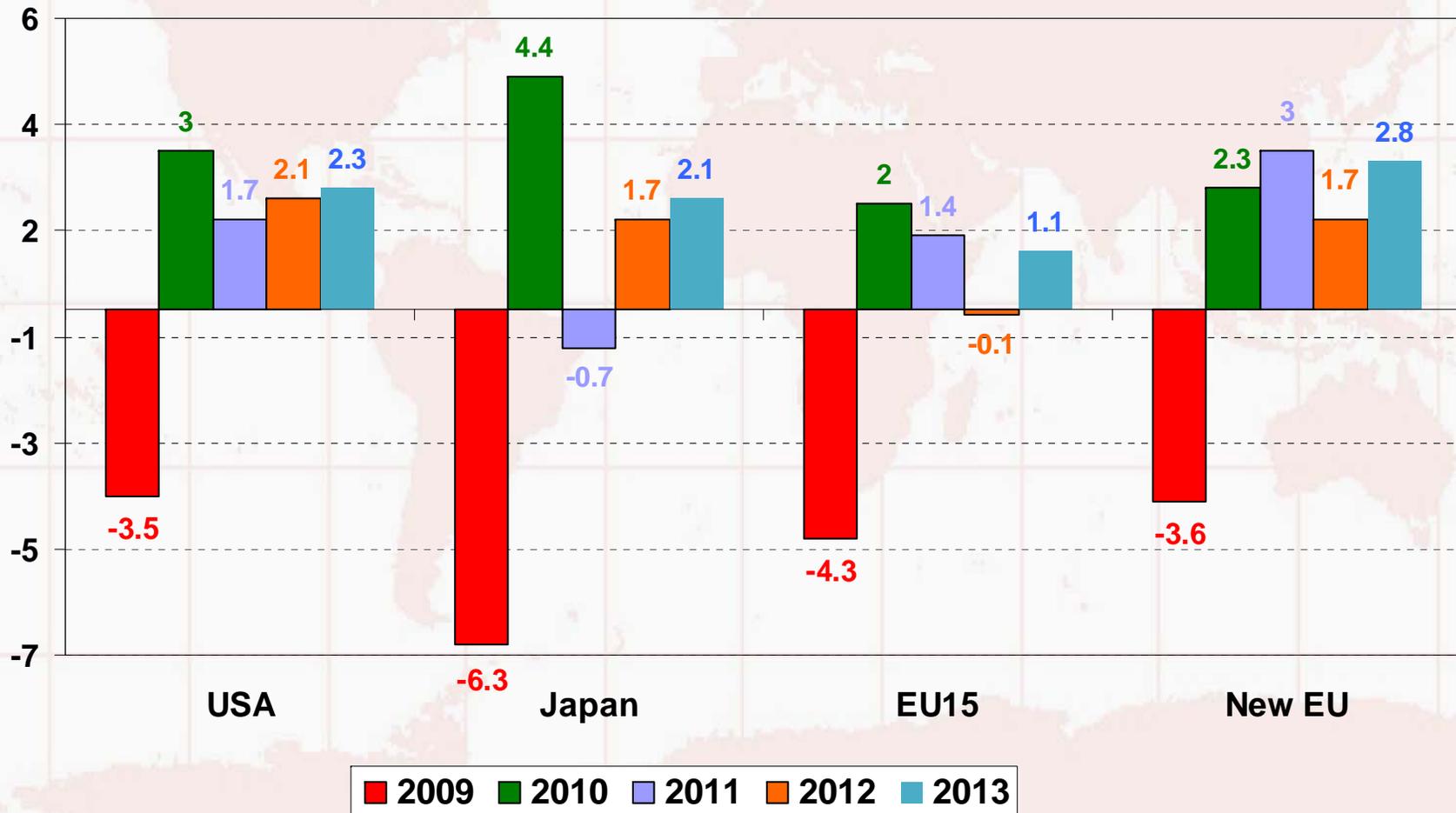


Weakness in developed countries is spilling over to developing countries

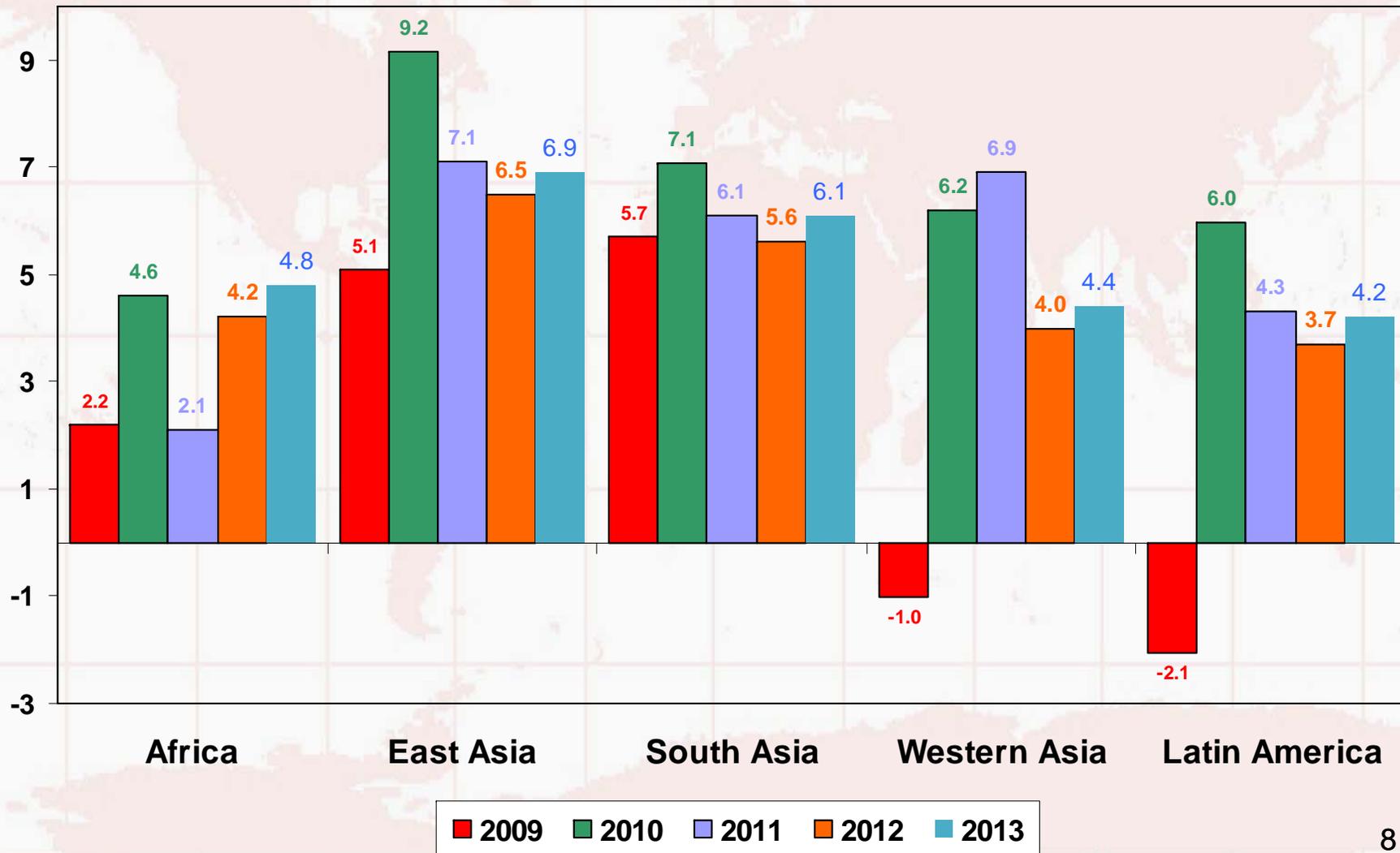


- **Weakening trade growth**
 - Global slowdown also starting to affect South-South trade
- **Ongoing exchange rate and capital flow volatility**
 - Deleveraging (especially by European banks) and flight to safety
 - Capital outflows from emerging countries
 - Depreciation pressure on some emerging country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

Sluggish growth in developed economies, recession looms for Europe



Growth in most developing regions slowing



How to avert a new global recession?



Need to address all four major weaknesses simultaneously

Requires fundamental policy shift:

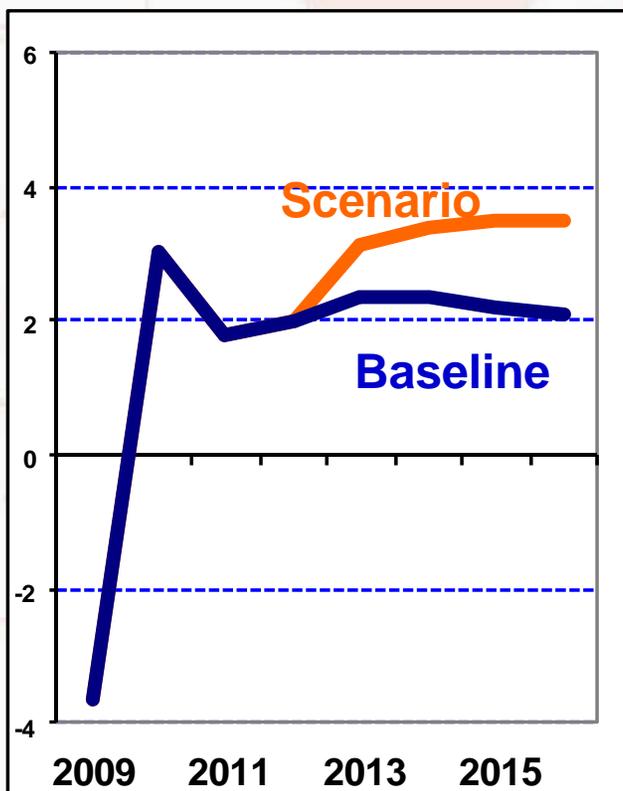
- **Coordinate fiscal policies to provide new short-term stimulus, focus on fiscal sustainability for medium term**
- **Redesign fiscal policy and align with structural policies for job creation and green growth**
- **Coordinate monetary policy to stem currency and capital volatility and accelerate financial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

Dealing with the growth and jobs crisis through sustainable global rebalancing

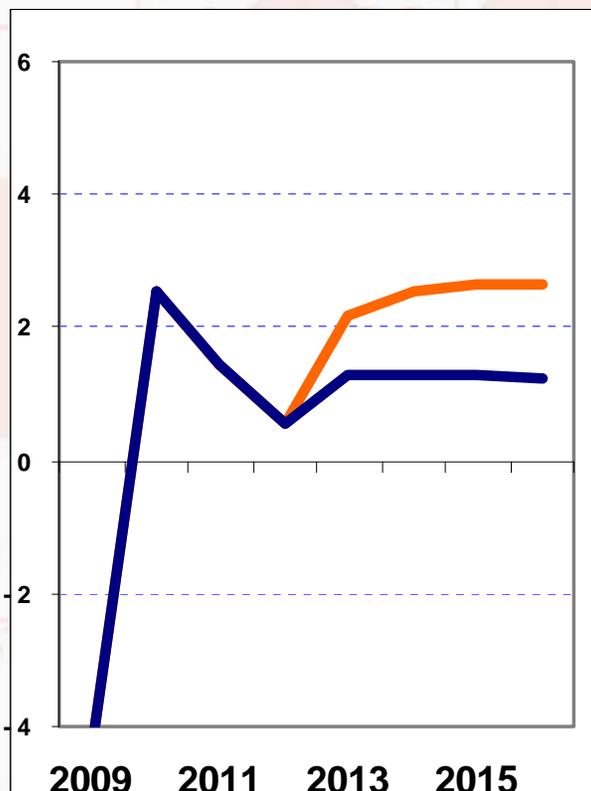


GDP growth (in per cent)

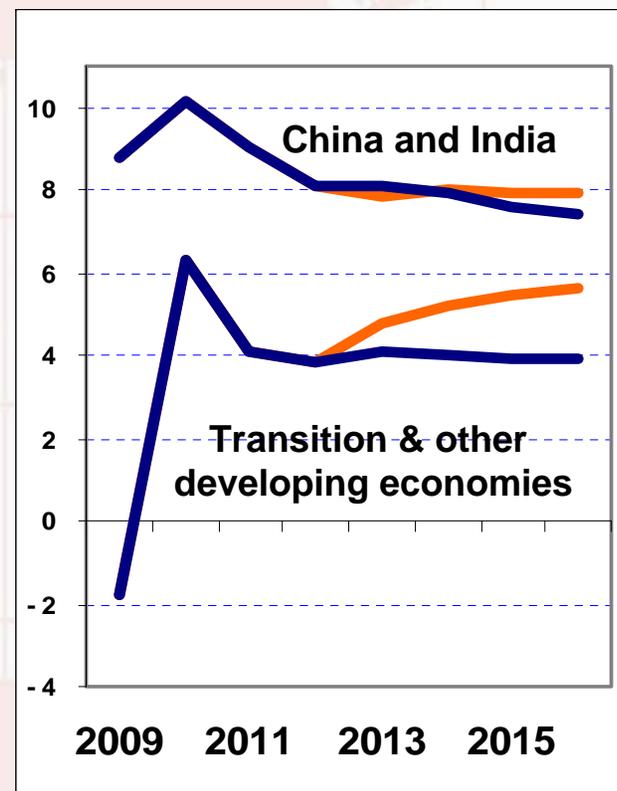
United States



Europe, Japan & other developed economies



Transition & developing economies

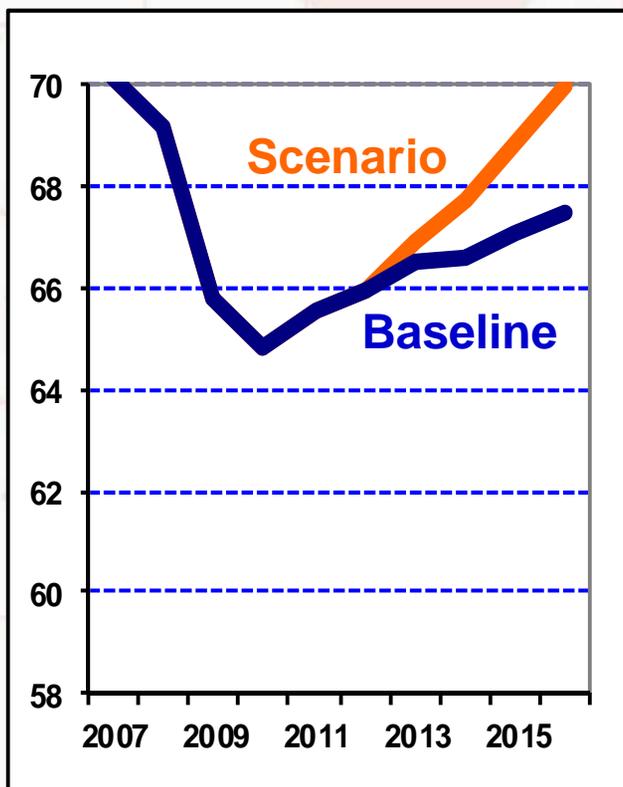


Dealing with the growth and jobs crisis through sustainable global rebalancing

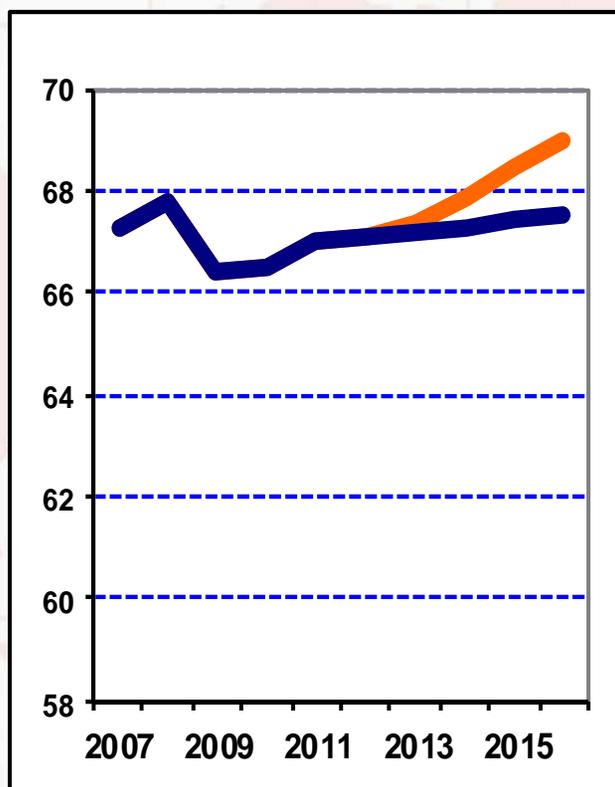


Employment ratios (per cent of working age population)

United States



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Transition & developing economies

