

Growth in global economy exceeds expectations, but increased risks could threaten economic outlook, UN report says

Global growth expected to exceed 3% for 2018 and 2019

New York, 17 May – Growth in the world economy is surpassing expectations and global GDP is now expected to expand by more than three per cent this year and in 2019, reflecting strong growth in developed countries and broadly favourable investment conditions, a new UN report finds.

But rising trade tensions, heightened uncertainty over monetary policy, increasing debt levels and greater geopolitical tensions can potentially thwart progress, according to the United Nations World Economic Situation and Prospects (WESP) as of mid-2018, launched today in New York.

According to the report, world economic growth is now forecast to reach 3.2 per cent both in 2018 and 2019, an upward revision by 0.2 and 0.1 percentage point, respectively. This revised outlook reflects further improvement in the growth forecast for developed economies due to accelerating wage growth, broadly favourable investment conditions, and the short-term impact of a fiscal stimulus package in the United States. World trade growth has also accelerated, reflecting a widespread increase in global demand. Many commodity-exporting countries will also benefit from the higher level of energy and metal prices. While the modest rise in global commodity prices will exert some upward pressure on inflation in many countries, the report notes that inflationary pressures remain contained across most developed and developing regions.

Speaking at the launch, UN Assistant Secretary-General for Economic Development and Chief Economist Elliott Harris said the upward revision in the global economic forecast reflected in the report is positive news for the prospects of making tangible progress towards achieving the Sustainable Development Goals, but cautioned that “there is a strong need not to become complacent in response to upward trending headline figures.”

“The report underscores that the risks have increased as well and highlights the need to urgently address a number of policy challenges, including threats to the multilateral trading system, high inequality and the renewed rise in carbon emissions,” he added.

GDP growth forecasts in 2018 have been upwardly revised in nearly 40 per cent of countries since the previous forecast presented in the World Economic Situation and Prospects Report 2018 was released last December. However, some countries and regions are still not sharing in the global cyclical upturn, in many cases due to structural impediments to development. Output per capita is expected to decline in Central and in Southern Africa this year and forecasts have been revised marginally downward for 2018 for the economies in transition—reflecting rising geopolitical tensions—and for the least developed countries (LDCs), where weaker growth prospects are largely driven by a deteriorating situation in Yemen.

As reflected in the WESP 2018 report, the pickup in economic growth offers policymakers greater scope to address some of the deep-rooted barriers that hamper more rapid progress towards the SDGs. This includes

measures and specific policies that can accelerate the process of economic diversification, tackle high and/or rising levels of inequality, support investment in basic infrastructure, and strengthen institutions and governance to build a more transparent and dynamic business environment. Action in these areas could also help build resilience against future economic shocks.

The multilateral trading system

The report warns that a shift away from unambiguous support for the multilateral trading system, marked by further trade barriers and retaliatory measures threatens the strength and sustainability of global growth, with potentially large repercussions, especially for developing economies.

Addressing high inequality

The report also found that income inequality remains very high in numerous countries, but there is evidence of noticeable improvements in some developing countries over the last decade. These gains reflect temporary cyclical factors, but also illustrate some structural changes. Latin America and the Caribbean region, for example, has made significant progress in reducing inequality in the past 15-20 years, driven by specific policy measures related to minimum wages, education and government transfer payments.

Decoupling economic growth and CO₂ emissions

Accelerated economic growth propelled by fossil fuels, the report found, also bears an environmental cost. Global energy-related carbon dioxide (CO₂) emissions increased by 1.4 per cent in 2017 due to a number of factors including faster global economic growth, the relatively low cost of fossil fuels and weaker energy efficiency measures. Reforming fossil fuel subsidies and taxation could speed the pace towards an environmentally sustainable growth that can meet the objectives of the Paris Agreement on climate change.

About the report: The *World Economic Situation and Prospects as of mid-2018* updates the *World Economic Situation and Prospects 2018* (United Nations publication, Sales No. E.18.II.C.2), released in December 2017.

For more information, please visit: <https://www.un.org/development/desa/dpad/wesp-report>

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