Overview of global outlook

- The world economy has strengthened
  - Fragilities related to the global financial crisis and other recent crises are subsiding
  - Investment conditions have improved
  - Steady global growth of 3 per cent per annum expected 2017-2019

- While the global economy continues to face risks, the majority of countries has seen an improvement in economic conditions, amid stable financial markets and improvements in some labour market indicators

- Opportunity and necessity to refocus policy towards longer-term issues, ie:
  - Low carbon economic growth
  - Reducing inequalities
  - Economic diversification
  - Eliminating other deep-rooted barriers that hinder development
The world economy has strengthened...

World economy to expand by 3% in 2017

- Highest rate of growth since 2011
- Roughly 2/3 of countries saw stronger growth in 2017 than 2016
- World trade rebounding – driven by demand from East Asia
- East and South Asia contribute nearly half of global growth
- Firmer growth in developed economies
- End of recessions in Argentina, Brazil, Nigeria, Russian Federation

Source: UN/DESA.
Investment conditions...

... have generally improved

• Low financial volatility
• Reduced banking sector fragilities
• Recovery in some commodity markets
• More solid global macroeconomic outlook
• Financing costs generally remain low, and spreads narrowed in many emerging markets
• Rise in capital flows and cross-border lending
• Stronger credit growth in both developed and developing economies

Investment contributed 60% of acceleration in world growth in 2017

Contributions to change in world gross product growth by component, 2017

-0.2
-0.1
0.0
0.1
0.2
0.3
0.4
0.5
0.6

Developed economies
Economies in transition
Developing economies

-0.2
-0.1
0.0
0.1
0.2
0.3
0.4
0.5
0.6

Private consumption
Net trade
Investment
Inventories/composition
Government consumption

Source: UN/DESA.
Stronger growth unevenly shared...

... negligible growth in per capita GDP expected in parts of Africa, Latin America and Western Asia

Average annual GDP per capita growth by region

Source: UN/DESA.
SDG targets at risk...

Few least developed countries expected to reach target of 7% growth by 2019

Under current projections, without a decline in inequality, ¼ of the population of Africa may remain in extreme poverty by 2030

Source: UN/DESA.

GDP growth in Least Developed Countries

Source: UN/DESA.

Share of population below $1.90/day poverty line in Africa

Source: World Bank Poverty and Equity Database and UN/DESA projections to 2030.
Stronger growth may raise emissions

Global CO₂ emissions increased in 2017...

- ...according to preliminary estimates
- Stronger efforts to delink economic growth and environmental degradation are needed
- Increasing frequency of weather-related shocks highlights the urgency
- Renewables account for more than ½ of newly installed power capacity, but only 11.3 per cent of global power generation
- Developed and developing countries alike must accelerate the transition to sustainable energy.

Global new investment in renewable energy (billions of US dollars)

Spending on renewable investment declined in 2016

Source: Frankfurt School-UNEP Centre/BNEF.
Risks and policy challenges

- Despite the improved outlook, the global economy continues to face risks:
  - Changes in trade policy or a rise in protectionism
  - A sudden deterioration in global financial conditions
  - Rising geopolitical tensions

- Many developing economies remain vulnerable to spikes in risk aversion, sudden capital withdrawal or an abrupt tightening of global liquidity conditions
  - Policy missteps as central banks in developed economies normalize monetary policy could act as a trigger

- Longer-term policy goals must come to the forefront:
  - Increasing economic diversification
  - Reducing inequality
  - Building financial architecture to support long-term investment needs
  - Tackling institutional deficiencies

THANK YOU
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