

Contents

Executive Summary.....	iii
Contents.....	xvii
Explanatory Notes	xxi
I Global outlook.....	1
Macroeconomic prospects for the world economy	1
Growth prospects.....	2
Outlook for employment, inflation and global poverty	8
International economic conditions for developing countries and the economies in transition	11
International finance.....	12
International trade.....	15
Policy responses.....	16
Financial sector rescue measures.....	17
Monetary policy	18
Fiscal policy.....	19
Have the policies worked?	22
Uncertainties and risks	23
Risk of an early retreat from stimulus measures	24
Risks of widening global imbalances and dollar decline	26
Policy challenges.....	30
Sustainable global rebalancing.....	30
Strengthening policy coordination	33
Reforming the global reserve system	34
Appendix.....	37
II International trade.....	47
Merchandise trade in times of crisis.....	47
Regional trends	51
Trade in services.....	53
Trends in primary commodity prices	57
Non-oil primary commodities.....	57
The oil market	62
Evolution of the terms of trade for developing countries.....	65
Trade policy developments.....	66
The Doha Round.....	66
Low-intensity protectionism in response to the crisis	69
Headroom for tariff protection in developing countries.....	70
III Financial flows to developing countries.....	73
Net resource transfers from poor to rich countries	73
Private capital flows	76
Private capital flows to developing countries.....	76

Trends in foreign direct investment	80
International financial cooperation	82
Official development assistance	82
Innovative sources of development financing	86
Debt relief	89
Reconstructing the global financial system	91
International cooperation on financial regulation	92
Multilateral surveillance and policy coordination	95
IMF lending and resources	97
IMF support to developing countries	99
The global reserve system	100
Global governance and the Bretton Woods institutions	103
IV Regional developments and outlook	105
Developed market economies	105
North America: growth resumes in the United States but downside risks are high	106
Developed Asia and the Pacific: high dependency on a global recovery	109
Western Europe: emerging from recession, but the recovery will lack vigour	111
The new European Union member States: the crisis is over but the upturn is lagging	115
Economies in transition	117
South-eastern Europe: recession on the back of the slowdown in Western Europe	118
The Commonwealth of Independent States: a severe economic slump	119
Developing economies	124
Africa: signs of recovery, but concerns remain	125
East Asia: leading the global recovery	128
South Asia: resilience to the global crisis	132
Western Asia: improving global conditions will underpin a return to positive growth	134
Latin America and the Caribbean: policy stimulus and rebounding commodity prices improve the outlook for 2010	138

Statistical annex

Annex tables	143
--------------------	-----

Boxes

I. 1	Main assumptions for the baseline forecast	3
I. 2	Prospects for the least developed countries	7
IV. 1	Public finances in resource-dependent economies during the crisis: the case of the Commonwealth of Independent States	122
IV. 2	Progress in monetary and financial cooperation in Asia and the Pacific	131
IV. 3	The early impact of the financial crisis on expatriate workers in the Gulf Cooperation Council countries	135
IV. 4	Challenges for exchange-rate management in the English-speaking Caribbean countries and Suriname	140

Figures

I. 1	World economic growth, 2004–2010	5
I. 2	Bank lending to the private sector in emerging markets, December 2007–June 2009.....	13
I. 3	Daily yield spreads on emerging market bonds, January 2005–October 2009	13
I. 4	Index of world trade volume and industrial production, January 2007–August 2009	15
I. 5	Gross domestic product growth under the Global Policy Model scenario simulations, 2005–2015	25
I. 6	Current-account balances, 2004–2010.....	27
I. 7	Net international investment position of the United States, 1976–2009.....	28
I. 8	Exchange-rate indices for the United States, January 2002–October 2009.....	29
II. 1a	Growth of world income and of imports, 2001–2010	48
II. 1b	Growth of gross domestic product and import volume: developed economies, 2001–2010.....	48
II. 1c	Growth of gross domestic product and of import volume: economies in transition and developing economies (excluding East Asia), 2001–2010.....	48
II. 1d	Growth of gross domestic product and import volume: East Asian developing economies, 2001–2010	48
II. 1e	Growth of gross domestic product of developed economies and of exports per region, 2001–2010	48
II. 2	Service export performance, first quarter 2008–second quarter 2009.....	54
II. 3	Trend in the non-oil primary commodity price index, all groups, January 2004–June 2009	57
II. 4	Price indices for selected metals, United States dollars, January 2004–August 2009	59
II. 5	Price indices of agricultural commodities, United States dollars, January 2004–August 2009	60
II. 6	Nominal and real Brent crude oil prices, January 2000–April 2009	64
II. 7	Net barter terms of trade, selected countries, 2000–2009	67
III. 1	Total ODA flows from DAC countries by component, 2000–2008.....	83
III. 2	Net ODA of DAC members, 1990–2008, and DAC secretariat simulations to 2009 and 2010	84
III. 3	Debt-service payments as a proportion of export revenues, 1990–2007	90
IV. 1	Unemployment in the developed regions, 2006–2010	105
IV. 2	General government financial deficit, 2005–2010	106
IV. 3	Net worth of assets of United States households and non-profit organizations, fourth quarter of 2003–second quarter of 2009.....	107
IV. 4	Japan's export volume and industrial production, January 2005–September 2009.....	110
IV. 5	Unemployment in selected Western European economies, January 2008–September 2009	113
IV. 6	External indebtedness of the banking sector, December 2009, and economic performance of selected new EU member States, 2009	116
IV. 7	Declines in imports and exports (freight on board) in selected countries of the Commonwealth of Independent States, January–September 2009 relative to January–September 2008	120
IV. 8	Growth of per capita GDP in Africa, by income group, 2006–2010.....	125
IV. 9	Real effective exchange rates in selected East Asian countries, 2005–2009	130
IV.10	Revenue, expenditure and primary balances of central Governments in Latin America and the Caribbean, 1990–2009.....	140

Tables

I. 1	Growth of world output, 2004–2010	4
I. 2	Frequency of high and low growth of per capita output, 2007–2010	6
I. 3	Estimated impact of the crisis on extreme poverty, 2009	11
I. 4	Fiscal stimulus to address the global financial and economic crisis	20
II. 1	Trade shocks and changes in trade balances per country/region	50
II. 2	Exports of services: share in total trade in goods and services, 2003-2008	55
II. 3	Top 25 exporters of services among developing countries, 1990, 2000, 2007 and 2008	56
III. 1	Net transfer of financial resources to developing economies and economies in transition, 1997-2009	73
III. 2	Net financial flows to developing countries and economies in transition, 1996-2010	74
III. 3	Credit default swap spreads and annual probabilities of default in selected emerging market countries	78
III. 4	Inflows of foreign direct investment and cross-border mergers and acquisitions, by region and major economy, 2008-2009	81

Explanatory Notes

The following symbols have been used in the tables throughout the report:

- .. **Two dots** indicate that data are not available or are not separately reported.
- **A dash** indicates that the amount is nil or negligible.
- **A hyphen (-)** indicates that the item is not applicable.
- **A minus sign (-)** indicates deficit or decrease, except as indicated.
- . **A full stop (.)** is used to indicate decimals.
- / **A slash (/)** between years indicates a crop year or financial year, for example, 2008/09.
- **Use of a hyphen (-)** between years, for example, 2008-2009, signifies the full period involved, including the beginning and end years.

Reference to “dollars” (\$) indicates United States dollars, unless otherwise stated.

Reference to “billions” indicates one thousand million.

Reference to “tons” indicates metric tons, unless otherwise stated.

Annual rates of growth or change, unless otherwise stated, refer to annual compound rates.

Details and percentages in tables do not necessarily add to totals, because of rounding.

Project LINK is an international collaborative research group for econometric modelling, coordinated jointly by the Development Policy and Analysis Division of the United Nations Secretariat and the University of Toronto.

The following abbreviations have been used:

ASEAN	Association of Southeast Asian Nations	IMF	International Monetary Fund
bps	basis points	IMFC	International Monetary and Financial Committee (of the IMF)
BoE	Bank of England	IT	information technology
BoJ	Bank of Japan	LDCs	least developed countries
CDS	credit default swaps	LIBOR	London Interbank Offered Rate
CIS	Commonwealth of Independent States	M&As	mergers and acquisitions
CPI	consumer price index	mbd	Millions of barrels per day
DAC	Development Assistance Committee (of the Organization for Economic Cooperation and Development)	MDGs	Millennium Development Goals
DSF	Debt Sustainability Framework for Low-Income Countries	MDRI	Multilateral Debt Relief Initiative
ECA	United Nations Economic Commission for Africa	MFN	most-favoured-nation status
ECB	European Central Bank	MICs	middle-income countries
ECE	United Nations Economic Commission for Europe	NAB	New Arrangements to Borrow
ECF	Extended Credit Facility	NAMA	non-agricultural market access
ECLAC	Economic Commission for Latin America and the Caribbean	NIEs	newly industrialized economies
EMBI	Emerging Markets Bond Index	NGOs	non-governmental organizations
ESCAP	Economic and Social Commission for Asia and the Pacific	NPV	net present value
ESCWA	Economic and Social Commission for Western Asia	ODA	official development assistance
ESF	Exogenous Shocks Facility	OECD	Organization for Economic Cooperation and Development
EU	European Union	OPEC	Organization of the Petroleum Exporting Countries
FAO	Food and Agriculture Organization of the United Nations	pb	per barrel
FCL	Flexible Credit Line	PPIP	Public-Private Investment Program (United States Treasury)
FDI	foreign direct investment	PPP	purchasing power parity
Fed	United States Federal Reserve	PRGF	Poverty Reduction and Growth Facility
FSAP	Financial Sector Assessment Program (of the International Monetary Fund)	PRGT	Poverty Reduction and Growth Trust (fund)
FSB	Financial Stability Board	SDR	Special Drawing Rights
FSF	Financial Stability Forum	SDT	special and differential treatment
GCC	Gulf Cooperation Council	SGP	Stability and Growth Pact
GDP	gross domestic product	SSM	special safeguard mechanism
GFF	Global Forecasting Framework (of the United Nations)	SWFs	sovereign wealth funds
GHG	greenhouse gas	TARP	Troubled Asset Relief Program
GNI	gross national income	TEU	twenty-foot equivalent unit
GPM	Global Policy Model (of the United Nations)	TNCs	transnational corporations
HAPA	High-Access Precautionary Arrangement	UNCTAD	United Nations Conference on Trade and Development
HIPCs	Heavily indebted poor countries	UNDCF	United Nations Development Cooperation Forum
IBRD	International Bank for Reconstruction and Development	UN/DESA	Department of Economic and Social Affairs of the United Nations Secretariat
IFF	international financial facility	UNFCCC	United Nations Framework Convention on Climate Change
IIF	Institute of International Finance	UNWTO	World Tourism Organization
ILO	International Labour Organization	WGP	world gross product
		WHO	World Health Organization
		WTO	World Trade Organization

The designations employed and the presentation of the material in this publication do not imply the expression of any opinion whatsoever on the part of the United Nations Secretariat concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries.

The term “country” as used in the text of this report also refers, as appropriate, to territories or areas. Not all countries are listed owing to lack of comprehensive data.

Data presented in this publication incorporate information available as of 30 November 2009.

For analytical purposes, the following country groupings and subgroupings have been used:^a

Developed economies (developed market economies):

Australia, Canada, European Union, Iceland, Japan, New Zealand, Norway, Switzerland, United States of America.

European Union (EU):

Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, United Kingdom of Great Britain and Northern Ireland.

EU-15:

Austria, Belgium, Denmark, Finland, France, Greece, Germany, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden, United Kingdom of Great Britain and Northern Ireland.

New EU member States:

Bulgaria, Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia, Slovenia.

Economies in transition:

South-eastern Europe:

Albania, Bosnia and Herzegovina, Croatia, Montenegro, Serbia, the former Yugoslav Republic of Macedonia.

Commonwealth of Independent States:

Armenia, Azerbaijan, Belarus, Georgia,^b Kazakhstan, Kyrgyzstan, Republic of Moldova, Russian Federation, Tajikistan, Turkmenistan, Ukraine, Uzbekistan.

Net fuel exporters:

Azerbaijan, Kazakhstan, Russian Federation, Turkmenistan, Uzbekistan.

Net fuel importers:

All other CIS countries.

Developing economies:

Africa, Asia and the Pacific (excluding Australia, Japan, New Zealand and the member States of CIS in Asia), Latin America and the Caribbean.

Subgroupings of Africa:

North Africa:

Algeria, Egypt, Libyan Arab Jamahiriya, Morocco, Tunisia.

Sub-Saharan Africa, excluding Nigeria and South Africa (commonly contracted to “sub-Saharan Africa”):

All other African countries except Nigeria and South Africa.

Southern Africa:

Angola, Botswana, Lesotho, Malawi, Mauritius, Mozambique, Namibia, South Africa, Swaziland, Zambia, Zimbabwe.

East Africa:

Burundi, Comoros, Democratic Republic of the Congo, Djibouti, Eritrea, Ethiopia, Kenya, Madagascar, Rwanda, Seychelles, Somalia, Sudan, Uganda, United Republic of Tanzania.

West Africa:

Burkina Faso, Benin, Cape Verde, Côte d’Ivoire, Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Mauritania, Niger, Nigeria, Senegal, Sierra Leone, Togo.

Central Africa:

Cameroon, Chad, Congo, Gabon, Equatorial Guinea, Central African Republic, Sao Tome and Principe.

Subgroupings of Asia and the Pacific:

Western Asia:

Bahrain, Iraq, Israel, Jordan, Kuwait, Lebanon, Occupied Palestinian Territory, Oman, Qatar, Saudi Arabia, Syrian Arab Republic, Turkey, United Arab Emirates, Yemen.

East and South Asia:

All other developing economies in Asia and the Pacific (including China, unless stated otherwise). This group is further subdivided into:

South Asia:

Bangladesh, Bhutan, India, Iran (Islamic Republic of), Maldives, Nepal, Pakistan, Sri Lanka.

East Asia:

All other developing economies in Asia and the Pacific.

Subgroupings of Latin America and the Caribbean:

South America:

Argentina, Bolivia (Plurinational State of), Brazil, Chile, Colombia, Ecuador, Paraguay, Peru, Uruguay, Venezuela (Bolivarian Republic of).

Mexico and Central America:

Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Panama, Mexico.

Caribbean:

Barbados, Cuba, Dominican Republic, Guyana, Haiti, Jamaica, Trinidad and Tobago.

^a For definitions of country groupings and methodology, see *World Economic and Social Survey 2004* (United Nations publication, Sales No. E.04.II.C.1, annex, introductory text).

^b 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.

For particular analyses, developing countries have been subdivided into the following groups:

Fuel-exporting countries:

Algeria, Bahrain, Bolivia (Plurinational State of), Brunei Darussalam, Cameroon, Colombia, Congo, Ecuador, Egypt, Gabon, Iran (Islamic Republic of), Iraq, Kuwait, Libyan Arab Jamahiriya, Mexico, Nigeria, Oman, Qatar, Saudi Arabia, Syrian Arab Republic, Trinidad and Tobago, United Arab Emirates, Venezuela (Bolivarian Republic of), Viet Nam.

Fuel-importing countries:

All other developing countries.

Least developed countries:

Afghanistan, Angola, Bangladesh, Benin, Bhutan, Burkina Faso, Burundi, Cambodia, Central African Republic, Chad, Comoros, Democratic Republic of the Congo, Djibouti, Equatorial Guinea, Eritrea, Ethiopia, Gambia, Guinea, Guinea-Bissau, Haiti, Kiribati, Lao People's Democratic Republic, Lesotho, Liberia, Madagascar, Malawi, Maldives, Mali, Mauritania, Mozambique, Myanmar, Nepal, Niger, Rwanda, Samoa, Sao Tome and Principe, Senegal, Sierra Leone, Solomon Islands, Somalia, Sudan, Timor-Leste, Togo, Tuvalu, Uganda, United Republic of Tanzania, Vanuatu, Yemen, Zambia.

Landlocked developing countries:

Afghanistan, Armenia, Azerbaijan, Bhutan, Bolivia (Plurinational State of), Botswana, Burkina Faso, Burundi, Central African Republic, Chad, Ethiopia, Kazakhstan, Kyrgyzstan, Lao's People's Democratic Republic, Lesotho, Malawi, Mali, Republic of Moldova, Mongolia, Nepal, Niger, Paraguay, Rwanda, Swaziland, Tajikistan, the former Yugoslav Republic of Macedonia, Turkmenistan, Uganda, Uzbekistan, Zambia, Zimbabwe.

Small island developing States:

American Samoa, Anguilla, Antigua and Barbuda, Aruba, Bahamas, Barbados, Belize, British Virgin Islands, Cape Verde, Commonwealth of Northern Marianas, Comoros, Cook Islands, Cuba, Dominica, Dominican Republic, Fiji, French Polynesia, Grenada, Guam, Guinea-Bissau, Guyana, Haiti, Jamaica, Kiribati, Maldives, Marshall Islands, Mauritius, Micronesia (Federated States of), Montserrat, Nauru, Netherlands Antilles, New Caledonia, Niue, Palau, Papua New Guinea, Puerto Rico, Samoa, Sao Tome and Principe, Seychelles, Singapore, Solomon Islands, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Suriname, Timor-Leste, Tonga, Trinidad and Tobago, Tuvalu, U.S. Virgin Islands, Vanuatu.

Heavily indebted poor countries (countries that have reached their Completion Points or Decision Points):

Afghanistan, Benin, Bolivia, Burkina Faso, Burundi, Cameroon, Central African Republic, Chad, Congo, Côte d'Ivoire, Democratic Republic of the Congo, Ethiopia, Gambia, Ghana, Guinea, Guinea-Bissau, Guyana, Haiti, Honduras, Liberia, Madagascar, Malawi, Mali, Mauritania, Mozambique, Nicaragua, Niger, Rwanda, Sao Tome and Principe, Senegal, Sierra Leone, Togo, Uganda, United Republic of Tanzania, Zambia.

The designation of country groups in the text and the tables is intended solely for statistical or analytical convenience and does not necessarily express a judgement about the stage reached by a particular country or area in the development process.