

World Economic Situation and Prospects 2011

Press Release

Weak recovery in developed economies of Asia and the Pacific points to mixed outlook – UN report

Bangkok, 18 January 2011 – The developed economies of the Asia and Pacific region have seen a lukewarm recovery from the global economic crisis, according to a UN report, *World Economic Situation and Prospects 2011 (WESP)*. The third largest economy in the world, Japan, is expected to grow by a mere 1.1 per cent this year. In Australia, gross domestic product (GDP) is forecast to grow a little faster at 3.7 per cent in 2011, while in New Zealand it is expected to grow by 2.4 per cent in 2011.

Developed Asia and the Pacific: Rates of growth of real GDP, 2007-2012

Annual percentage change						
	2007	2008	2009	2010 ^a	2011 ^b	2012 ^b
Australia	4.8	2.2	1.2	3.3	3.7	3.0
Japan	2.4	-1.2	-5.2	2.7	1.1	1.4
New Zealand	3.1	-0.5	-0.4	2.7	2.4	3.0

Source: United Nations, *World Economic Situation and Prospects 2011*.

^a Partly estimated.

^b Forecasts, based in part on Project LINK.

The report issued today states that Japan's economy recovered strongly in early 2010 with GDP expanding by nearly 5 per cent in the first quarter. But the recovery has been faltering since. Output growth decelerated to less than 2 per cent in the following quarters. For the year as a whole, GDP is estimated to have grown by only 2.7 per cent, a sub-par rebound after the deep recession of 2009, when the economy contracted by 5 per cent. In the outlook, growth is projected to slow further to 1.1 per cent for 2011 and 1.4 per cent in 2012. Export growth has also weakened as a result of slowing world trade and appreciation of the yen.

After falling at an annualized rate of 50 per cent during the global downturn at the end of 2008 and early 2009, Japan's exports rebounded with the recovery of world trade and, especially, with stronger import demand in China in the first half of 2010. In the second half of 2010, export growth decelerated to below 20 per cent, and is expected to decelerate further to about 10 per cent in 2011.

The unemployment rate in Japan rose to an all-time high of 5.7 per cent in 2009 and did not come down by much during 2010, remaining above 5 per cent. The average pay of workers, which had declined since 2008, started to show some improvement in late 2010. Deflation persists in Japan, however, as has been the case for most of the last two decades, says *WESP*.

In September 2010, the yen reached a 15-year high vis-à-vis the dollar, leading the Bank of Japan to intervene in the foreign exchange market in order to stave off further appreciation. As with deflation, the real interest rates are still positive and nominal rates cannot be cut further, so the Bank of Japan has engaged in further quantitative easing.

In late 2010, the Government announced a new stimulus package of ¥915 billion in additional public spending. Expectations are that this will boost GDP by about 0.3 per cent, create 200,000 jobs and encourage consumer and business spending. Japan's budget deficit was over 6 per cent of GDP in 2010 and public debt increased to about 200 per cent of GDP.

Australia's resilience

Australia is the only developed economy in the region that avoided recession during 2008-2009, according to the UN report. Buttressed by stimulus measures, the growth of domestic demand has been exceptionally strong since late 2009, particularly boosting private investment in the booming mining sector. Growth has slowed somewhat since mid-2010, but the economy is still estimated to have grown by 3.3 per cent for the year as a whole. GDP is forecast to grow at 3.7 per cent in 2011, but slow to 3.0 per cent in 2012.

New Zealand emerges from a prolonged recession

WESP observes New Zealand has been recovering at a moderate pace from a prolonged recession. Growth in domestic demand is expected to be mild in the outlook. The damage from the earthquake in Canterbury in September 2010 is estimated to have slowed quarterly GDP by about 0.3 percentage points, but the post-quake reconstruction is expected to boost the economy. GDP is estimated to have increased by 2.7 per cent in 2010 and is forecast to grow by 2.4 per cent in 2011 and 3.0 per cent in 2012.

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<http://www.un.org/esa/policy/wess/wesp.html>

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