

2019

# World Economic Situation and Prospects



United Nations

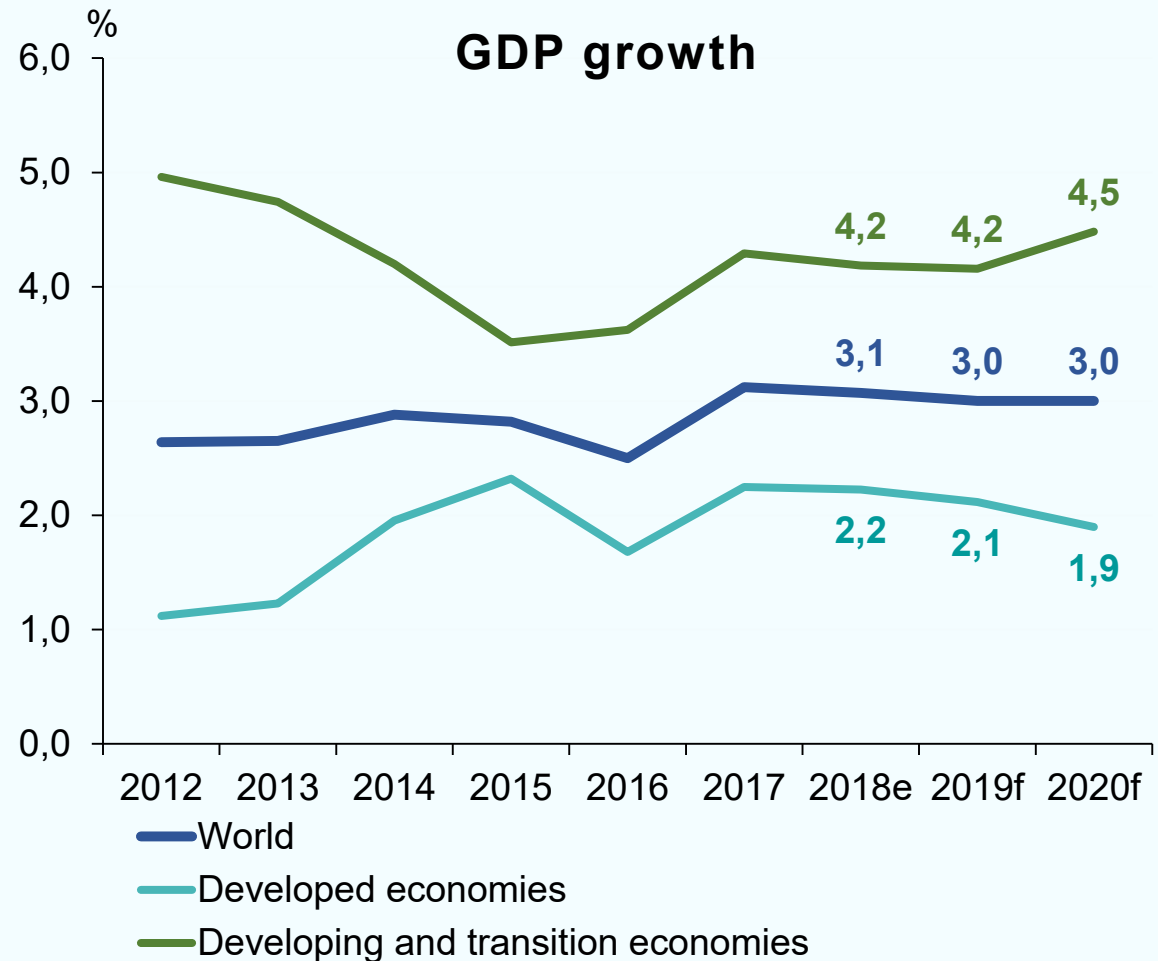
[www.bit.ly/wesreport](http://www.bit.ly/wesreport)

- **On the surface, global economic growth remains steady, masking underlying risks and imbalances**
- **Confluence of risks threaten short-term outlook: trade tensions, financial fragilities, climate risks**
- **Economic growth is uneven and is often failing to reach where it is most needed**
- **Underlying vulnerabilities endanger longer-term progress towards the implementation of the 2030 Agenda for sustainable development**



# On the surface growth appears steady...

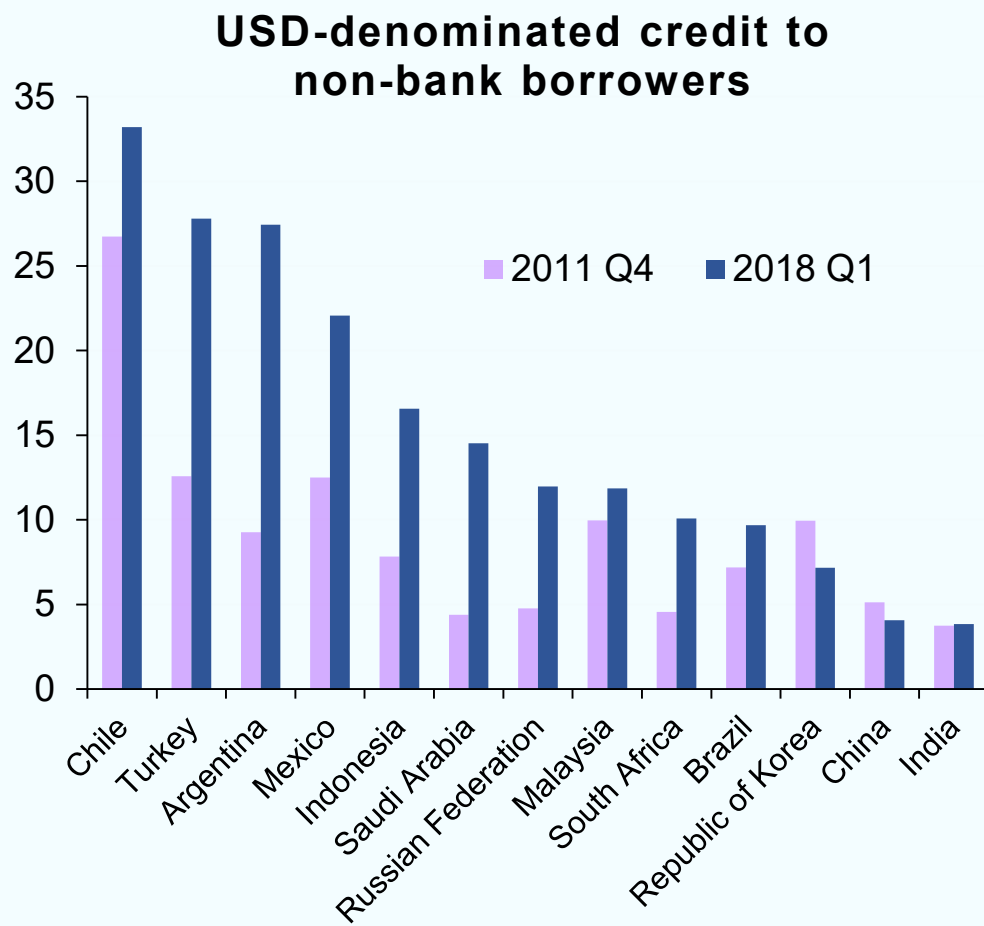
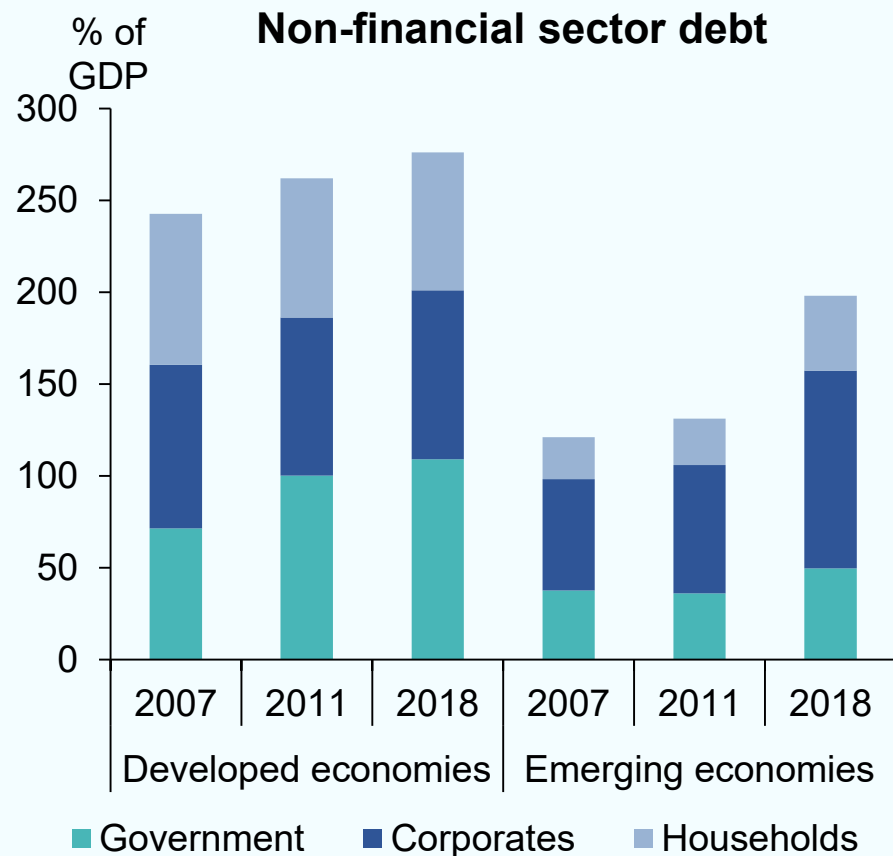
- **Acceleration in over 1/2 the world in 2017 and 2018**
- **Many developed countries close to potential**
- **East and South Asia remain relatively strong**
- **Commodity exporters recovering**



... but may have peaked



# High levels of global debt pose a threat to financial sustainability



...especially where FX debt is rising

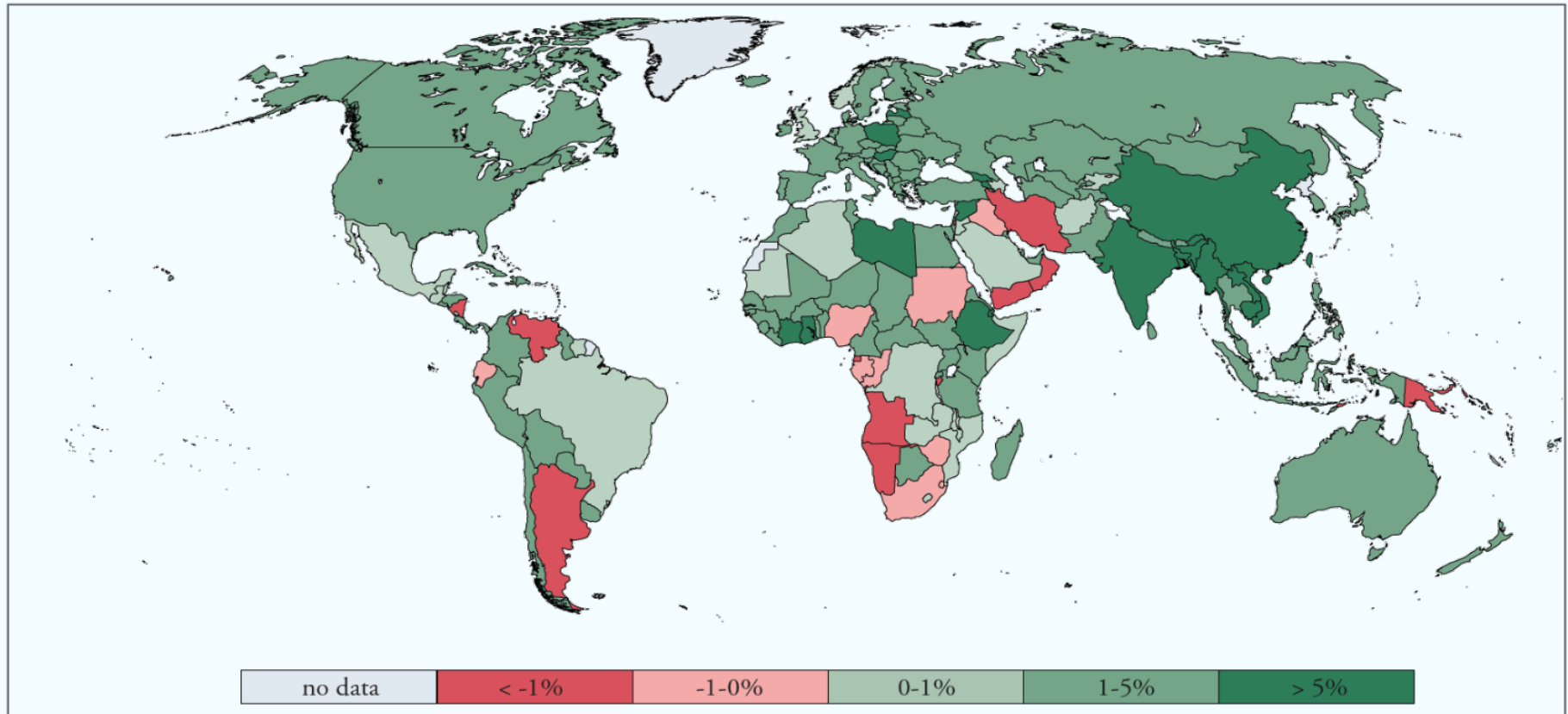
# Potential triggers of financial stress

- **Global trade tensions**
- **Monetary policy adjustment in developed economies**
- **Commodity price shocks**
- **Policy disruption in Europe associated with 'Brexit'**
- **Domestic political or economic disruptions**



# Economic growth is uneven...

## GDP per capita growth, 2018



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

...and often failing to reach where  
it is most needed



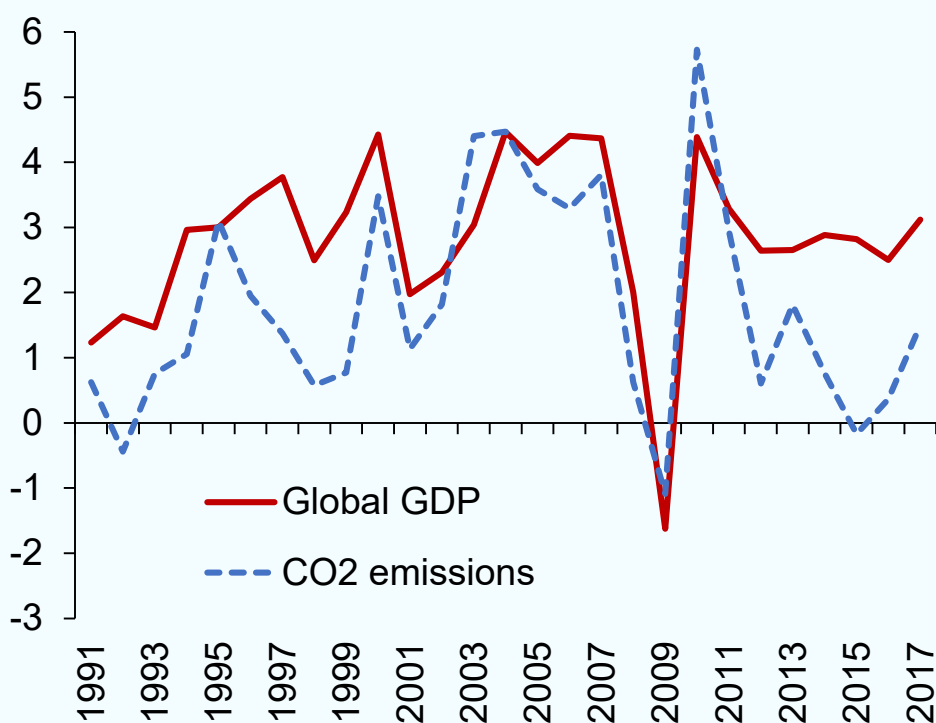
# Many countries continue to be left behind

- **In 2018, 47 developing and transition economies had less than 1% per capita growth**
- **Majority of these (38) have experienced below-average growth since 1980**
- **Most (41) highly dependent on commodities**
- **Several face long-standing armed conflict or civil unrest and political instability**

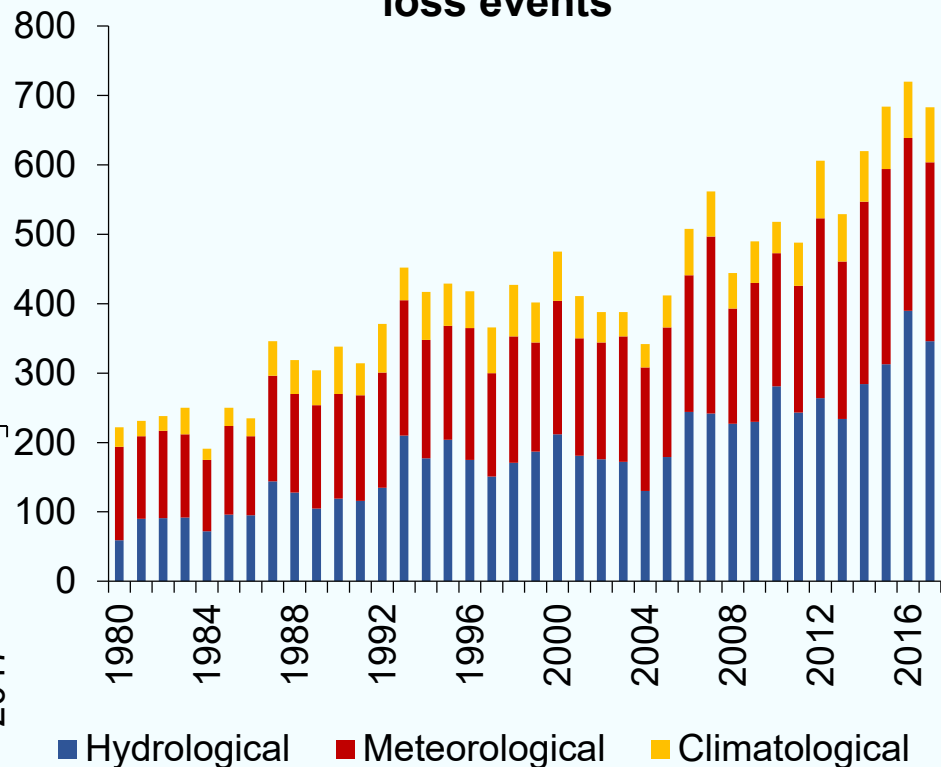


# Transition towards sustainable production and consumption...

### GDP and CO2 emissions growth



### Number of relevant weather-related loss events

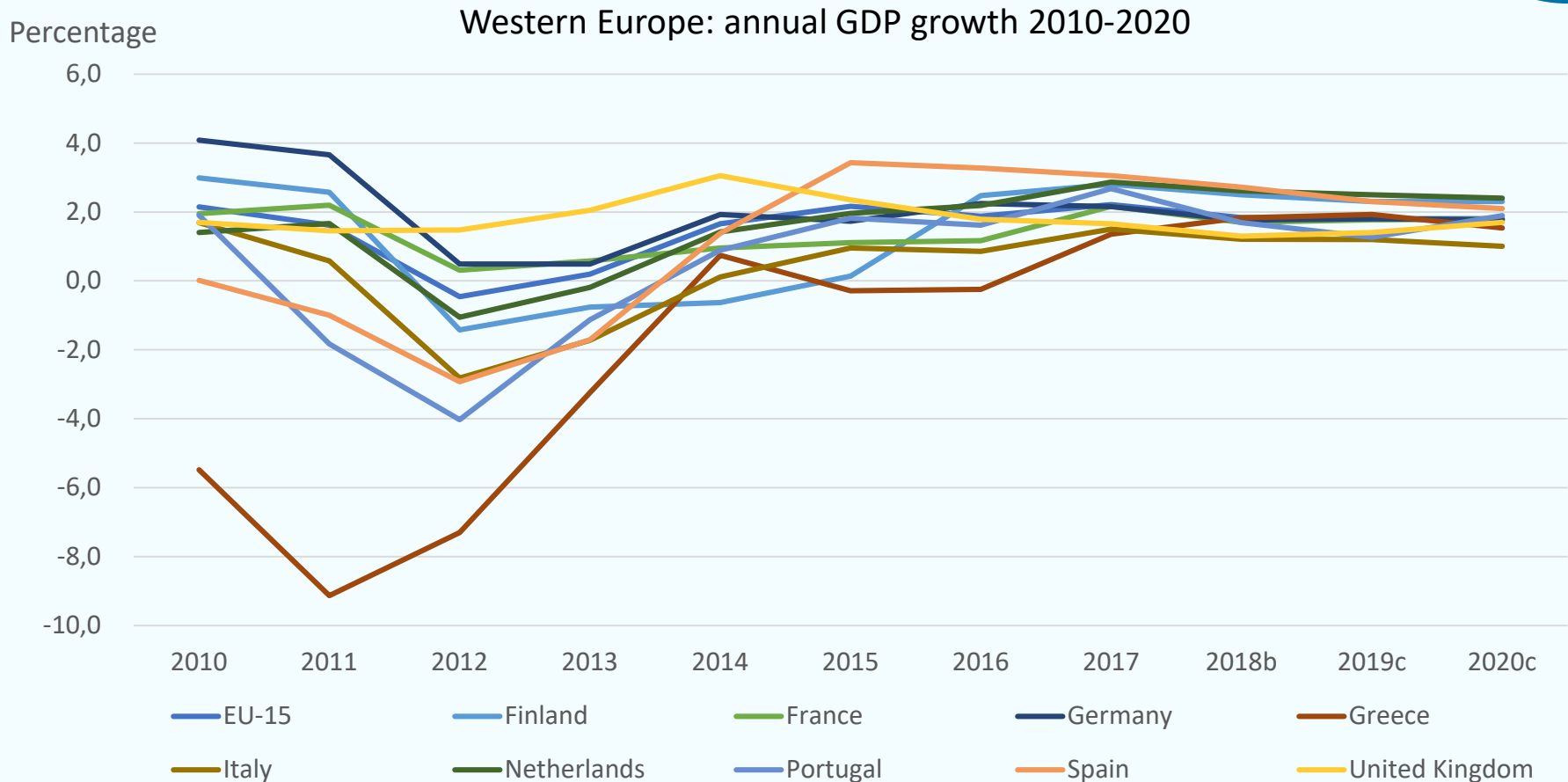




# Regional trends



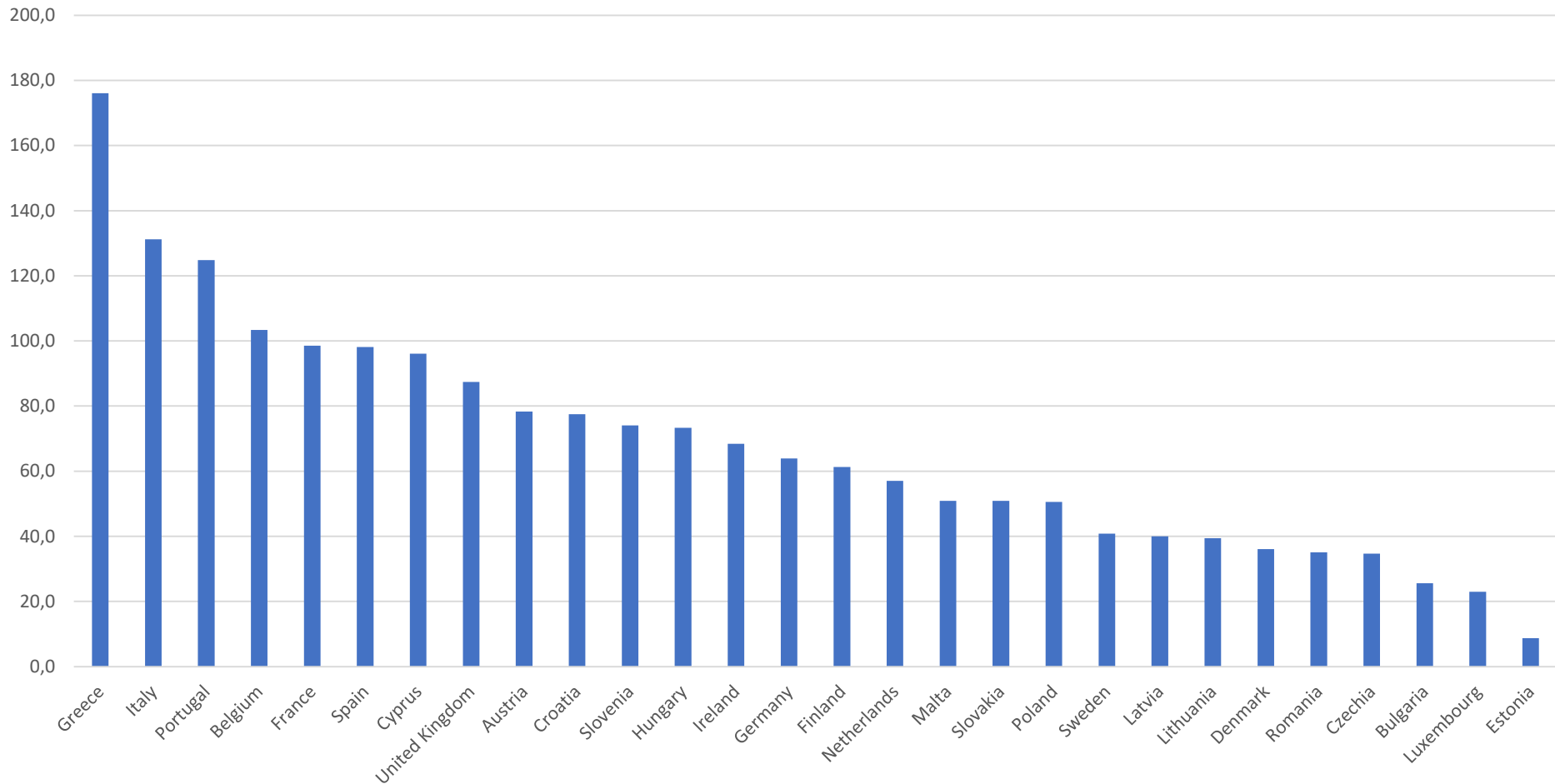
# Europe: GDP growth



Source: UN/DESA. Figures for 2018 are estimates; figures for 2019 and 2020 are projections.



# European Union: Public debt (Percentage of GDP)

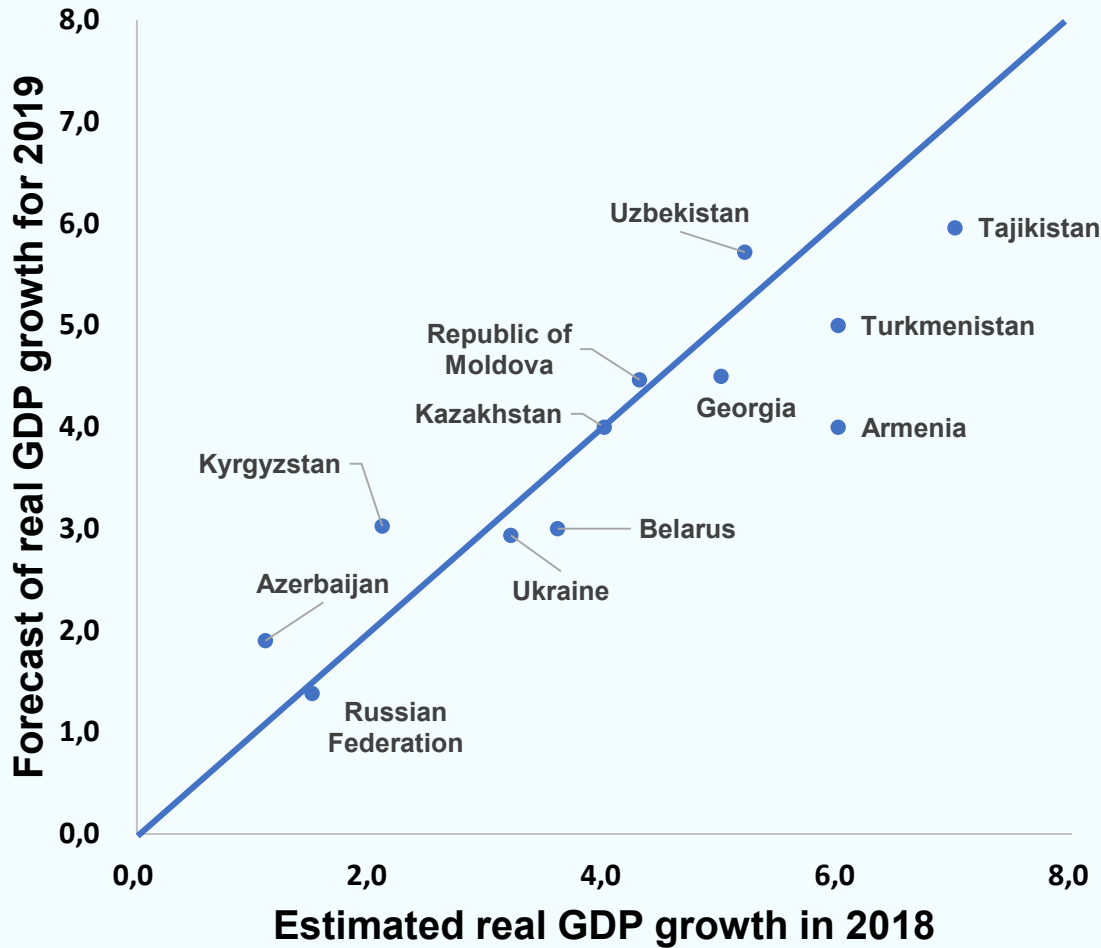


# Economic trends in the Commonwealth of Independent States were broadly positive in 2018

- Most CIS economies saw favourable economic outcomes in 2018, with accelerating growth and tapering inflation, as external conditions were generally supportive
- Commodity price increases (including not only oil but also other commodities such as aluminium or cotton) and remittances sustained growth
- The recovery in the Russian Federation has supported activity across the region via trade and remittance channels
- After two years of improvements, however, the dynamics in the terms of trade are likely to be less favourable in 2019
- The aggregate CIS growth is expected to decelerate modestly in the outlook, as the strong expansion recorded by some of the smaller economies in 2018 may not be sustainable, fiscal policies are growth-neutral at best and monetary tightening is on its way in several countries
- Aggregate GDP of the CIS and Georgia is expected to increase by 2.0 and 2.5 per cent in 2019 and 2020



# Some slowdown is possible in the CIS and Georgia in 2019



## Major risks and constraints:

- Downward pressure on commodity prices
- External debt repayment schedule (Belarus, Ukraine)
- Transit of Russian natural gas through Ukraine
- Depopulation trends in the European part of the CIS and emerging labour shortages (causing inflationary pressures through wage increases)
- Banking sector vulnerabilities



# The Russian economy is expected to remain on a low-growth trajectory (1.5 -2 per cent) in 2019-2020

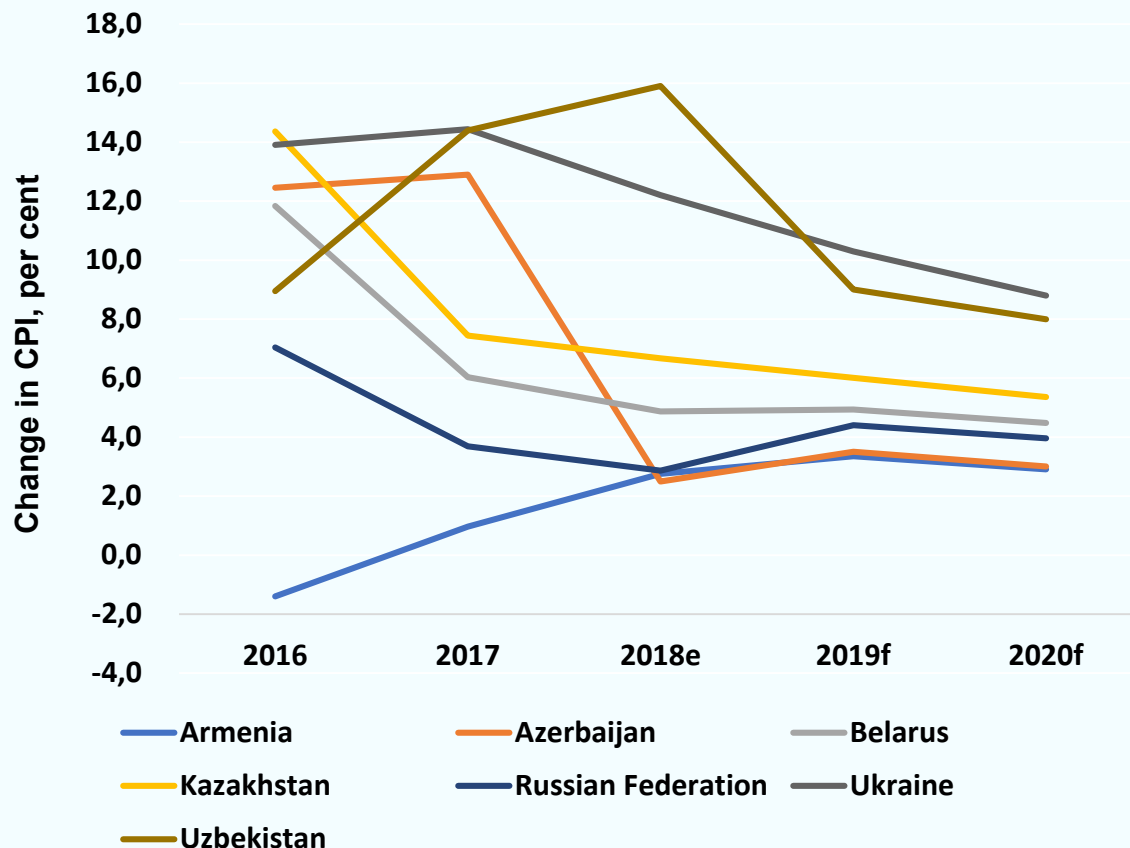
- **Constraints to growth: insufficient business lending, weak investment; banking sector vulnerabilities and moderately conservative fiscal policy**
- **Prioritizing the build-up of protective buffers**
- **Lifting the VAT rate in January 2019 may add to inflationary pressures in 2019, curb consumer spending, and prevent monetary relaxation**
- **International sanctions remain a source of uncertainty, deterring investment and raising financing costs**
- **Full implementation of the proposed sanctions may push the Russian economy into a protracted stagnation with negative regional spillovers, as the scope for import substitution is largely exhausted.**
- **On the positive side: large current account surplus, low public debt and has massive foreign-exchange reserves**
- **Social and economic development programmes for the period until 2024 should improve infrastructure and add to GDP growth, especially beyond 2019**



# Inflation in the first half of 2018 has been on a declining trend throughout CIS, however, in some countries price pressures are emerging

- Inflationary trends in the CIS diverged in 2018
- The initial shock of 2016 – 2017 caused by currency depreciations is over, inflation mostly under control
- Lifting VAT rate may add to inflation in the Russian Federation in 2019
- Stronger inflationary expectations building-up in some countries
- Monetary tightening in 2018 Kazakhstan, Russian Federation, Ukraine, Uzbekistan
- Interest rates too high; if inflation materializes, may erode private consumption holding back economic growth in 2019 - 2020

## Annual inflation in the CIS area



# South-Eastern Europe: positive economic trends set to continue

- **Accelerated economic growth in South-Eastern Europe in 2018**
  - Robust domestic demand (both consumption and investment)
  - Favourable external environment
- **Serbia (the largest economy) bounced back from the past slowdown, with a double-digit growth in investment**
- **Solid economic performance in Albania, growth in the former Yugoslav Republic of Macedonia picking up from nearly zero in 2017**
- **The region's aggregate GDP is expected to expand by 3.7 per cent in both 2019 and 2020**
- **Prospect of EU accession becoming more credible**





# Same challenges in SEE remain, despite the recent progress

- **The need for reindustrialization**
- **Low labour force participation rate, structural unemployment constraining longer-term capacity expansion**
- **Infrastructure development needs**
- **Dependence on foreign financing (Brexit may impact EU funding)**
- **Still challenging business environment**
- **High levels of outward migration and increasing dependency ratios**
- **A significant part of FDI stock in non-export sectors (financial services, telecommunications, real estate and retail trade)**
- **Investment financed by loans from China has driven up external debt in some countries`**



# Thank you!

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***More information:***

***<http://www.bit.ly/wespreport>***

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