The world economy is slowing down further, with strong downside risks.
Growth in developed economies remains very sluggish.
Developing economies keep growing, but at lower rates

Africa
Latin America and the Caribbean
East Asia
South Asia
South-East Asia
West Asia

2007 2008 2009 2010 2011 2012 (forecast)
World merchandise trade is decelerating

WORLD TRADE BY VOLUME, JANUARY 2000–JUNE 2012
(Index numbers, 2000 = 100)
Commodity prices have recovered amidst high volatility


(Price indices, 2000 = 100)
The greater role of developing countries in the world economy

REGIONAL CONTRIBUTIONS TO WORLD GDP GROWTH, 1970–2012
(Per cent)
Public debt-to-GDP ratio, 1980-2011
Policies followed by most developed countries do not favour strong and balanced growth

1. There is a need for a right diagnosis on the causes of the crisis and the barriers to overcome it (fiscal problems vs. financial and demand problems).

2. All macroeconomic effects of fiscal and incomes policies must be considered (impacts on fiscal balance, confidence and competitiveness).

3. There is policy space for supportive policies, in particular in countries with external surpluses.

4. Structural reforms are not substitute for counter-cyclical macroeconomic policies.
Real GDP growth and contributions of net exports and domestic demand, 2006-2012
Structural reforms should target the causes of the crisis

- De-regulation of the financial system and its de-linking from the real economy
- Income inequality, leading to wrong incentives, stalling demand and overindebtedness
Income concentration at the top of income distribution in developed economies

SHARE OF INCOME OF THE TOP 1 PER CENT IN TOTAL INCOME, 1915–2010

(Per cent)
Income inequality has increased significantly in most regions since the 1980s.

- Developed economies
- Transition economies
- Latin America and the Caribbean
- Asia

Gini coefficient for gross income
Gini coefficient for net income
Reducing income inequality as an answer to the crisis

- Progressive income redistribution would help restore demand and growth in developed economies

- Supportive polices in surplus developed countries are essential to avoid pro-cyclical and self-defeating adjustments in deficit countries

- Reducing income inequality would develop domestic markets in developing countries and regions, strengthening inclusive growth