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Future Trends Series - GR:REEN Project

Title of the report

World Economic Situation and Prospects 2013

Area

Economy

Reporter

United Nations Secretariat

Type of the Reporter

International Organisation

Periodically updated?

Yes

First issued year

2000

Latest update

2013

Official website

<http://www.un.org/en/development/desa/policy/wesp/index.shtml>

Language available

English

Short summary

In this report, the United Nations Secretariat's Department of Economic and Social Affairs has developed a number of predictions for the global economic outlook during the period of 2013-2014. In the report, several key economic variables are marked for analysis, including labour markets; trade expectations; commodity prices; global inflation; capital flows and exchange rates.

From this perspective, the impact of each variable is assessed in relation to a specific regional space, creating three classifications: developed economies, economies in transition and developing economies.

Next, the report presents three uncertainties, or potential risks, which would negatively affect their predictions for the global economy: continued problems in the euro area, the US falling off a fiscal cliff and a further slowdown in some large developing economies.

In the final section, fiscal, monetary, and international policy challenges are assessed, and suggestions are presented.

Global Macroeconomic Trends:

- After a marked downturn over the past two years, global economic activity is expected to slowly gain momentum in the second half of 2013 and 2014 on the back of accommodative monetary policies in developed and developing economies.
- Growth of world gross product (WGP) is projected at 2.3 per cent in 2013, before gradually strengthening to 3.1 per cent in 2014.

Labour Markets:

- Among developed countries, unemployment is most severe in parts of the euro area, which will continue to see sharp contractions of economic activity amid stringent fiscal austerity programs. Unemployment in the euro area reached a new all-time high of 12.1 per cent in March 2013, and is forecast to average 12.8 per cent in 2014.
- In developing regions and emerging economies, particularly in South America and East Asia, the employment outlook will remain robust in the face of the recent economic slowdown.

Trade Expectations:

- After slowing in 2012, growth in international trade is projected to pick up moderately in 2013 and 2014, in line with the expected mild recovery in global aggregate demand.
- In 2013, growth in global trade volume is projected to recover slightly to 3.5 per cent, before strengthening to 5 per cent in 2014. This forecast reflects expectations of a moderate pick up in import demand in developed economies and most developing regions, in particular East Asia and Latin America and the Caribbean.

Commodity Prices:

- In 2013, the aggregate commodity price index is expected to decline marginally owing to feeble global demand. A further decline by 3.3 per cent is forecast for 2014 as supply for metals and oil is likely to expand notably and the dollar is expected to strengthen against other major currencies.

Global Inflation:

- Global inflation is projected to moderate further to 2.6 per cent in 2013, down from 2.9 per cent in 2012.
- In 2014, global inflationary pressures are expected to remain mild even as economic activity, particularly in developed countries, strengthens. Most developing regions are likely to see a moderate decline in inflation as international commodity prices ease.

Capital Flows:

- The upward trend of private capital flows to emerging economies is likely to continue as significant growth and interest rate differentials will persist in the near term.
- In contrast, net Official Development Assistance (ODA) may continue to decline, due to lower contributions from European countries which are facing severe fiscal constraints themselves.

Exchange Rates:

- Due to the prospect that capital flows to emerging economies are expected to increase in the quarters ahead, upward pressures on national currencies are likely to persist, especially in countries where economic prospects become more favorable.

Suggestions

- The main priority for policy makers worldwide should be to support a robust and balanced global recovery, with a focus on promoting job creation.
- International policy coordination needs to be enhanced to mitigate negative policy spillovers, curb protectionism, promote cooperation in reforming the international financial system, and ensure sufficient resource flows to developing economies, and in particular the least developed countries.

Methodology

Research from primary sources and modelling

Reference to other trends reports? If yes, which reports?

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