



Governing Body

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GB.310/WP/SDG/2/3

Working Party on the Social Dimension of Globalization

WP/SDG

FOR INFORMATION

SECOND ITEM ON THE AGENDA

Recovering from global crisis

Information note on the outlook for the world economy

Overview

Issues covered

Summary of recent forecasts for the world economy.

Policy implications

None.

Legal implications

None.

Financial implications

None.

Action required

None, submitted for information.

References to other Governing Body documents and ILO instruments

None.

Economic growth and employment

1. The global recovery was markedly uneven across regions in 2010 and growth disparities are expected to persist in 2011, with overall growth rates moderating from their 2010 rebound peaks. In the current “two-speed recovery”,¹ most emerging and developing economies have vigorously recovered their pre-crisis output levels, while growth in developed economies has remained subdued.
2. World unemployment for 2010 remains essentially unchanged from 2009, at 205 million.² High unemployment is most persistent in developed economies; at the current rate of job creation it may require at least five years to reach pre-crisis levels of global employment.³ Youth unemployment is double the rate of adults in most countries and four times the adult rate in the Middle East and North Africa. Employment to working-age population ratios remain below 2008 averages in a number of countries,⁴ suggesting that many working women and men have left the workforce at least temporarily. Employment indicators are improving in many emerging and developing countries for which information is available, including Brazil and Turkey. Nevertheless, the challenge facing most emerging and developing countries is to generate enough decent work opportunities to keep pace with their growing workforces.
3. Emerging and developing economies are expected to maintain a high rate of growth of 6.5 per cent in 2011, down from 7.1 per cent in 2010, with China and India growing between 10 and 8 per cent annually. Growth in the Middle East and North Africa as well as in sub-Saharan economies is forecast to accelerate, supported by buoyant commodity prices. GDP growth is expected to improve moderately in the United Kingdom and United States but to weaken in the Eurozone and Japan. Overall, recovery in the advanced economies will slacken in pace (see table 1).⁵ The United States is experiencing “the weakest recovery pace in history”.⁶
4. Fiscal stimulus policies have been almost universally withdrawn, while the inventory cycle is no longer contributing to GDP growth.⁷ In some European countries debt sustainability concerns have driven a fiscal policy shift from stimulus to contraction. In spite of the low policy rates and fiscal consolidation commitments, business expectations and private sector confidence remain low in developed economies and investment is not improving sufficiently to lead recovery. The real estate market remains weak and credit expansion low. Consumption recovery has partly contributed to output rebound in the United States, while net exports have not significantly improved and are expected to deteriorate in 2011.

¹ IMF: *World Economic Outlook Update* (Washington, DC, Jan. 2011), preamble.

² ILO: *Global Employment Trends: The challenge of a jobs recovery* (Geneva, 2011), Executive summary.

³ UN: *World Economic Situation and Prospects* (New York, 2011), p. v.

⁴ For example, Australia, Canada, France, Italy, Japan, Republic of Korea, Mexico, Russian Federation, South Africa, Spain, United Kingdom, United States.

⁵ IMF, op. cit.

⁶ UN, op. cit., p. iii.

⁷ IMF, op. cit., and OECD: *Economic Outlook*, No. 88 (Nov. 2010).

Table 1. IMF World Economic Outlook projections
(percentage change)

	2009	2010	Projections	
			2011	2012
World output	-0.6	5.0	4.4	4.5
Advanced economies	-3.4	3.0	2.5	2.5
Emerging and developing economies	2.6	7.1	6.5	6.5
Selected countries/regions				
United States	-2.6	2.8	3.0	2.7
Euro area	-4.1	1.8	1.5	1.7
United Kingdom	-4.9	1.7	2.0	2.3
Japan	-6.3	4.3	1.6	1.8
China	9.2	10.3	9.6	9.5
India	5.7	9.7	8.4	8.0
Brazil	-0.6	7.5	4.5	4.1
Mexico	-6.1	5.2	4.2	4.8
Central and Eastern Europe	-3.6	4.2	3.6	4.0
Middle East and North Africa	1.8	3.9	4.6	4.7
Sub-Saharan Africa	2.8	5.0	5.5	5.8
World trade volume (goods and services)	-10.7	12.0	7.1	6.8

Source: IMF: *World Economic Outlook Update* (Jan. 2011), table 1.

Financial and price stability, and downside risks

5. The post-crisis global growth and financial pattern appears to share many pre-crisis features of imbalance and volatility. These unresolved issues may represent obstacles to the goal of a sustained, even and job-rich growth. Capital inflows into emerging economies increased over 2010, triggering a new wave of reserve accumulation. Energy and food price rises are accelerating. These trends are expected to persist in 2011, though not leading to pre-crisis peaks.
6. According to the International Monetary Fund (IMF),⁸ some emerging economies are facing risks of overheating and may be willing to raise interest rates and allow their currency to appreciate to control price pressures. Other analyses highlight how “economic recovery remains below potential”⁹ in Latin America, the Commonwealth of Independent States and Africa as well as in many of the least developed countries.

⁸ IMF, op. cit.

⁹ UN, op. cit., p. v.

Structural changes in global patterns of income and demand

7. Although GDP growth in developing countries and economies in transition is expected to moderate during the 2011 and 2012, these will “continue to drive the global recovery”.¹⁰ These differences in growth performance over recent decades, and particularly during the crisis, are shifting global income and demand patterns. In 2010 China became the second largest economy, following the United States and preceding Japan, and other fast-growing developing economies have made significant progress in reducing their income per capita gap with developed economies. Growing South–South trade is a reflection of this two-speed pattern of growth. The enhanced commodity and energy needs of fast-growing developing economies have been a source of the structural shift in commodity and oil prices.
8. Prior to the crisis, developing and emerging economies relied on demand for their exports from developed countries to lead growth. With recovery weak in these markets, a more internally generated demand will be needed to maintain development progress. This implies a greater emphasis on household consumption, which in turn will require steady improvements in employment incomes and social protection. For developed countries, the risk of stubbornly high unemployment choking off recovery for a prolonged period is disturbing. Furthermore, progress on the repair and reform of the finance sector is slow, leaving a large overhang of bad debts in several countries which is inhibiting credit flows, especially to smaller enterprises. Growth, especially in employment and household incomes, would ease fiscal strains and the rate of non-performing loans of the finance sector, as well as stimulating private investment. Rebalancing growth in employment and household incomes in both emerging and developed countries could thus make an important contribution to securing a more even and durable global recovery.

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Submitted for information

¹⁰ *ibid.*, p. iv.