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Assignee In Container 'S-0045-0001-008 (Souleymane Soukouna)' since 04/12/2006 at

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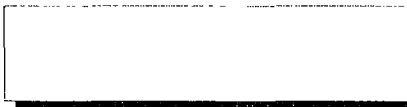
Container S-0045-0001: DESA - general

Notes

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Note for the Secretary-General

Subject: World Economic Situation and Prospects, 2003

DESA and UNCTAD released an update on the world economic situation on 9 January, 2003.

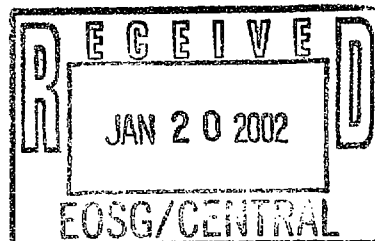
- **The world economy is very slowly recovering from its largest setback in a decade**, with growth only expected to pick up in the second half of 2003. World output grew by only 1.7 % in 2002 and is forecast to rise to 2 ¾ % in 2003 (see Table). Growth in all regions of the world has been slower than earlier anticipated. **Output per capita declined** for the second consecutive year for the world as a whole. Only about 15 countries succeeded in increasing GDP per capita by more than 3 per cent in 2001 and 2002 (but the two most-populous countries, China and India, were among them). This is a **setback for reaching the MDGs**.
- The world economy in 2002 was characterized by several common features shared by a majority of countries to varying degrees: sluggish growth of output, benign inflation (and deflation in some cases), stagnant employment, low interest rates, worsening fiscal balances, low and uneven growth in international trade, reduced international capital flows, lower prices for many non-fuel commodities, and depreciated equity prices.
- **The recovery is held hostage by a number of risks and uncertainties, including the possibility of military action in Iraq**, which has already affected the world economy negatively through higher oil prices, rising uncertainties and lower consumer and business confidence. Actual military action would be a further brake on global economic growth, in particular on development in Western Asia.
- Although the recovery of the world economy is largely dependent on the recovery of the US, as US has been the dominant engine in recent years, China is increasingly becoming an engine for the East Asian region and affecting commodity prices.
- **Developing countries are particularly hit by the sluggish recovery in the developed countries, slow growth in world trade, low commodity prices and a decline in capital inflows**. 2002 was the sixth consecutive year that developing countries made a net outward transfer of financial resources. FDI to developing countries has declined to a third of the peak level in 2000, with the exception of China, which replaced the US in 2002 as the largest recipient of FDI in the world. **Latin America fared worst in 2002**, with a decline in GDP.
- The economies in transition weathered the slowdown in the world economy relatively well, with domestic demand offsetting weak external factors.

Table Growth of output and trade (annual percentage change)

	2001	2002	2003
World output	1.1	1.7	2 ¾
<i>Of which:</i>			
Developed economies	0.7	1.3	2 ¼
Economies in transition	4.4	3.5	4
Developing economies	2.0	2.9	4 ¼
<i>of which:</i>			
Africa	3.3	2.9	4
Latin America	0.3	-0.7	2 ¼
Western Asia	-1.4	1.3	3
Eastern and Southern Asia	3.7	5.2	5 ½
World trade	-0.8	1.9	6 ¼

cc: The Deputy Secretary-General

[drafted by Henk-Jan Brinkman]



Yohannes Mengesha
4 January 2003

23-00467
16 Jan