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Global growth prospects

Global economic growth has accelerated from 2016 when the world economy registered its slowest growth since the global financial crisis. According to preliminary estimates of the United Nations Department of Economic and Social Affairs (UNDESA) global economic growth in 2017 is likely to turn out stronger than expected one year ago (reaching 2.9 per cent based on market exchange rates), which will mark the first time since 2010 that the world economy will exceed rather than disappoint expectations.

Many developed economies and economies in transition are expected to register stronger growth compared to last year. Growth in developing economies is also expected to accelerate to 4.3 per cent in 2017, and 4.6 per cent in 2018. World gross product is forecast to expand again by 2.9 per cent in 2018, helped by a moderate recovery in trade and investment.

Overall stronger economic activity has, however, not been shared evenly across countries and regions, nor has it been shared evenly within countries. While East and South Asia remain the world's most dynamic regions, the outlook for some developing regions has deteriorated since the beginning of this year. Unemployment levels in developing countries as a whole are also expected to increase in 2017.

In particular economic prospects for Africa remain subdued due to more severe headwinds than expected. The situation has been particularly challenging for commodity-exporting countries, and in many cases exacerbated by conflict or political uncertainty and instability. Many African countries have also faced double-digit food price inflation due to weather-related shocks and agricultural shortages. Modest growth rates of 3.1 per cent and 3.5 per cent are expected in 2017 and 2018, respectively.

In many developing regions, growth is expected to remain below the levels needed for rapid progress towards achieving the Sustainable Development Goals (SDGs). Economic prospects in many of the least developed countries (LDCs) have deteriorated, with aggregate GDP growth for this group expected to be well below the SDG target of "at least 7 per cent GDP growth".

Downside risks and uncertainties

While confidence and economic sentiment indicators have rebounded over the last several months, especially in developed economies, this has not yet translated into significant gains in the real economy. In addition, global policy uncertainty remains elevated, in particular in areas such as world trade, migration, development aid, and climate action. This could continue to delay the revival of the much needed global investment and productivity to restore strong and balanced global growth. Moreover, the longer-term potential of the global economy continues to bear a scar from the extended period of weak investment and low productivity growth.

The reaction of global financial markets to the withdrawal of monetary stimulus in some developed economies may pose significant challenges to the global economy. Developing countries remain vulnerable to potential bouts of heightened risk aversion, capital outflow and financial sector volatility. In particular those countries with high borrowing needs, large dollar-denominated debt and fragile macroeconomic conditions are susceptible to sudden changes in financial conditions and destabilizing capital outflows. Corporate sectors in emerging economies are especially vulnerable as corporate debt in these economies has more than quadrupled in the last decade.

International finance and trade

Total net financial flows to developing economies were negative for the third consecutive year in 2016, and are projected to remain negative in 2017. Nonetheless, while some countries continue to experience outflows, several large emerging economies, especially in Asia and Latin America, recorded strong increases in bond and equity inflows. This has facilitated some recovery of investment, and is supporting the overall revival in global growth.

As the financing framework for the 2030 Agenda - the Addis Ababa Action Agenda - highlights, it is important that financial incentives become better aligned with long-term sustainable development objectives, including through continued refining of regulations and regulatory frameworks at all levels. It is critical to ensure financial system safety and soundness as well as availability of credit especially for long-term investments for sustainable development.

After slowing sharply last year, world trade growth rebounded in the first half of 2017. The volume of global trade in goods and services is forecast to increase by 3.7 per cent in 2017, and 3.5 per cent in 2018. The stronger-than-expected growth in many economies, a general improvement in business confidence, and the recovery in commodity prices has contributed to this momentum. Although the recovery in commodity prices improved terms of trade of many commodity-exporters, commodity prices remain significantly below the pre-2014 levels.

Longer-term trends related to changes in supply chains and slower progress in trade liberalization are expected to somewhat restrain a rapid acceleration in world trade. Persistently high global policy uncertainty may also weigh on trade activity, especially if recent trends towards a more restrictive global trade policy environment continue. It is critical for governments to work together to ensure that the benefits of international trade are shared more widely and equitably across and within countries.

Key policy challenges for the global economy

A major short-term policy challenge is to stimulate global economic growth and address the above-mentioned downside risks to the world economy. Whereas monetary policy played an important role in economic stabilization after the global financial crisis, a more balanced policy mix that includes a more effective use of fiscal policy and structural policies is needed to spur growth, address poverty, inequality and climate change.

In addition to addressing short-term policy challenges, it is critical for countries to focus on promoting long-term inclusive growth and sustainable development.

We remain concerned that the current growth trajectory may leave a significant share of the population in LDCs in extreme poverty by 2030. In the current global economic environment, more efforts are needed to foster conditions that will accelerate medium-term growth and tackle poverty through policies aimed at providing basic infrastructure and services, and at addressing inequalities in income and opportunity. Key target areas in many countries include improving access to healthcare and education, and expanding investment in infrastructure, especially in rural areas. Such policies have the potential to simultaneously accelerate progress towards many of the SDGs, address inequalities, and raise the longer-term productive capacity of the global economy.

In order to move to a higher growth trajectory, many developing countries need higher investment rates as well as higher labour force participation rates, in particular where the participation of women in the labour force remains low. It is also critical to facilitate the creation, adoption and diffusion of new technologies, while addressing potential associated negative impacts, especially on labour markets and income distribution.

Financing for Sustainable Development

To meet the SDGs by 2030, it is absolutely indispensable to get the financing right. Despite the ample availability of global savings and a rise in savings-GDP ratio across a swathe of countries, public finances, official development assistance and private sector finance are not sufficient or adequately aligned to secure the necessary investments and interventions to achieve the SDGs.

Public finance is essential to financing the many public goods the provision of which is at the heart of sustainable development. To increase domestic resource mobilization, national tax systems need to be strengthened, and international tax cooperation improved to limit tax avoidance and illicit financial flows that drain developing countries from vital resources. Under the Platform for Collaboration on Tax, the United Nations and the IMF, along with the World Bank and the OECD, have intensified their cooperation on tax matters and capacity-building support to developing countries.

In many developing countries, even with enhanced efforts, domestic resources must be complemented by international public finance. Official Development Assistance (ODA) therefore continues to play a critical role, especially in those countries that have the least capacity to raise domestic resources as well as those most vulnerable to shocks, including natural hazards and conflicts.

For example, recent climate-induced events, such as the Hurricane Irma and Hurricane Maria, are demonstrating how disasters and their growing intensity and frequency due to climate change can set back development progress. They have left catastrophic damage across the Caribbean, in particular on some of its most vulnerable populations. In addition to their pre-existing unique challenges (such as smallness and narrow economies) and vulnerability to climate change, many small island developing states (SIDS) – including those in the Caribbean - face high debt burdens. Concessional development assistance will remain critical to enable these countries to build back better and to invest in essential infrastructure to prevent future disasters.

Overall, today's global financial system is not channeling savings towards investments to support long-term sustainable development objectives. Governments have a key role to play to better align private sector incentives with sustainable development objectives through strengthened policies and sound institutional, legal and regulatory frameworks.

There is also a pressing need to reorient financial regulation and policy-making towards broader aims such as access to long-term finance. The United Nations aims to step up its work with all partners, including central banks and financial regulatory bodies, to ensure that the repercussions of economic and financial policies on the broader sustainable development agenda are fully considered.

Collaboration between the International Monetary Fund and the United Nations

We need to reform the world economic architecture to make sure it is fit for purpose and able to bring us closer to help countries achieve the 2030 Agenda. Multilateralism is more important than ever, and global institutions need to adapt to the realities and needs of today. Overall, the entire international system must work better together to support countries to advance their development aspirations. This includes further strengthening the partnership between the IMF, the UN and other international organisations.

The good news is that over the past years, the collaboration between the UN and the International Monetary Fund has been growing. This includes in particular the Financing for Development (FfD) process, to which the IMF is a key contributor.

The third ECOSOC Forum on Financing for Development follow-up (FfD Forum) will be held just after the next meeting of the IMFC, from 22 to 26 April 2018 at the United Nations Headquarters in New York. The ministerial segment of the FfD Forum will include the Special high-level meeting of the Economic and Social Council with the Bretton Woods institutions, the WTO and UNCTAD. This is an important opportunity to promote greater cooperation, coherence and consistency in the international system, as well as to engage with the business sector and civil society.

The UN Secretariat is also working closely with the IMF, along with the World Bank, UNDP, UNCTAD, the WTO and 50 UN and other agencies on the 2018 report of the Inter-Agency Task Force on Financing for Development (IATF). The Report provides an important guide on corrective actions that need to be taken to keep the world on track to reach the SDGs. The United Nations appreciates the continuing collaboration with the IMF and other IATF members in this important work.

Looking ahead, the UN looks forward to strengthening its collaboration with the IMF even further, in particular when it comes to helping countries mobilize finance for the achievement of the SDGs.