



Global economy to rise by 2.4 per cent in 2010, but recovery still 'fragile' – UN



Rob Vos

2 December 2009 – The United Nations predicted today that the world economy would bounce back next year with a global growth rate of 2.4 percent, but warned of a risk of a double-dip recession if the wrong policies are implemented.

"We're not out of the woods yet," said Rob Vos, Director of Development Policy and Analysis from the Department of Economic and Social Affairs (**DESA**), ahead of the launch next month of the "World Economic Situation and Prospects 2010" (WESP).

The UN report credited massive policy stimuli injected worldwide since late 2008 for the expected rebound. It recommended that the stimuli continue at least until there are clearer signs of a more robust recovery of employment growth and private sector demand.

"This is an important turnaround after the free-fall in world trade, industrial production, asset prices, and global credit availability which threatened to push the global economy into the abyss of a new Great Depression in early 2009," the UN report said.

It noted that while an increasing number of countries showed positive growth since the second quarter of 2009 and the recovery momentum continued to build in the third quarter, "because of the steep downturn in the beginning of the year, world gross product is estimated to fall by 2.2 per cent for the year [2009]."

The report warned that "the recovery is uneven and conditions for sustained growth remain fragile." It noted that firms have mainly begun to restock inventories, rather than respond to stronger consumer or investor demand.

The report also cautioned against potential risks from a widening United States deficit and mounting external debt which could cause a "hard landing of the US dollar and cause a new wave of financial instability."

"We're not so much concerned if the dollar weakens further," Mr. Vos told reporters at UN Headquarters in New York. "What we're concerned with is the volatility. That's bound to upset markets and will make markets more reluctant to supply credit."

According to the report, economic growth next year will be strongest in developing countries, particularly in China and India, which are expected to grow at 8.8 and 6.5 per cent respectively.

This growth should not be interpreted as progress in poverty reduction, however.

While fewer developing countries in 2010 are expected to suffer declining per capita incomes, fewer countries will also achieve the threshold economic growth rate of 3 per cent or more, the minimum needed to ensure substantial poverty reduction.

The report will be released in entirety on 15 January 2010. WESP is an annual publication produced by DESA, the UN Conference on Trade and Development (**UNCTAD**), and the five UN regional commissions.

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