



FOR INFORMATION

FIRST ITEM ON THE AGENDA

**Shaping a fair globalization:
Perspectives and prospects
for the Decent Work Agenda****Addendum****Economic forecasts for 2008–09**

1. The 6 November forecasts of the International Monetary Fund (IMF) are set out below in summary form alongside measures of the share of different regions and countries in world output and population. The IMF points out that they represent a central projection within a wide span of possible outcomes. Risks of a further weakening in economic performance are high.

Table 1. World Economic Outlook: Overview of IMF projections,
November 2008 (% GDP growth)

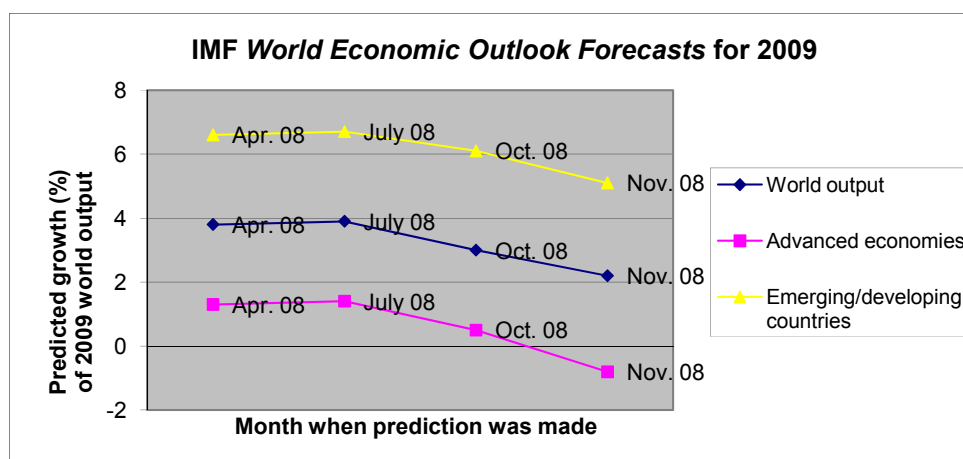
	2006	2007	Projections		Share world output 2007 (%)	Share world population 2007 (%)
			2008	2009		
World output (real GDP)	5.1	5.0	3.7	2.2		
Advanced countries	3.0	2.6	1.4	-0.3	56.3	15.2
United States	2.8	2.0	1.4	-0.7	21.3	4.7
EU	3.3	3.1	1.5	-0.2	22.7	7.2
Japan	2.4	2.1	0.5	-0.2	6.6	2.0
Emerging/developing countries	7.9	8.0	6.6	5.1	43.7	84.8
Africa	6.1	6.3	5.2	4.7	3.1	12.7
Developing Asia	9.9	10.0	8.3	7.1	20.0	52.9
China	11.6	11.9	9.7	8.5	10.8	20.4
India	9.8	9.3	7.8	6.3	4.6	18.0
ASEAN-5	5.7	6.3	5.4	4.2	3.5	6.1
Latin America/Caribbean	5.5	5.6	4.5	2.5	8.3	8.5
Middle East	5.7	5.9	6.1	5.3	3.8	3.7
Russian Federation	7.4	8.1	6.8	3.5	3.2	2.2

Sources: IMF *World Economic Outlook*, Oct. 2008, IMF World Economic Outlook database, Apr. 2008, World Bank Development Indicators 2008.

2. Over the course of the last 15 months, the IMF's projections of world output have tracked growing awareness of the impact of the financial crisis on the real economy and its spread worldwide. Just before the onset of the subprime crisis in late July 2007 the IMF issued forecasts for the world economic outlook in 2008. Its *World Economic Outlook Update* began: "The strong global expansion is continuing, and projections for global growth in both 2007 and 2008 have been revised up to 5.2 per cent from 4.9 per cent at the time of the April 2007 *World Economic Outlook*". However the Fund did warn that "Risks to this favourable outlook remain modestly tilted to the downside". October 2007, January 2008 and April 2008 forecasts projected a slowing of growth.
3. In July 2008 the Fund began to revise its forecasts upwards anticipating the passing of the worst of the financial crisis. It was producing mildly optimistic forecasts for its Autumn 2009 *Outlook*, but these were rapidly redone after the September crash in financial markets. The following table reproduces IMF forecasts during this period, initially for 2008 and then for both 2008 and 2009. (The chart below illustrates the 2009 forecasts.)

Table 2. Revisions to IMF *World Economic Outlook* Forecasts for 2008–09 world output

	July 07	Oct. 07	Jan. 08	Apr. 08		July 08	Oct. 08	Nov. 08			
	2008	2008	2008	2008	2009	2008	2009	2008	2009	2008	2009
World output	5.2	4.8	4.1	3.7	3.8	4.1	3.9	3.9	3.0	3.7	2.2
Advanced economies	2.8	2.2	1.8	1.3	1.3	1.7	1.4	1.5	0.5	-0.1	-0.8
Emerging/developing economies	7.6	7.4	6.9	6.7	6.6	6.9	6.7	6.9	6.1	6.6	5.1



4. The November IMF forecasts for 2009, set out in table 1, project the first period of economic decline for the advanced economies group as a whole since 1945. A standard assumption in the forecasts is "unchanged policies". Policies are however shifting towards both fiscal and monetary policy stimulus in many countries which may yield a better outcome than the projections suggest. However, these stimulus measures are pushing against powerful deflationary forces emanating mainly from the credit squeeze but increasingly from real declines in consumption, output, investment and employment. As yet leading indicators of economic activity in the largest economies are showing no sign of a bottoming out of the slowdown but rather a worsening of the outlook.

5. Some financial indicators have shown an easing of stress but heavy write-downs of asset values continue and non-financial businesses, even those with so-called “blue chip” status, are facing difficulty in maintaining normal credit lines. The Fund warns that “Financial conditions continue to present serious downside risks. The forceful policy responses in many countries have contained the risks of a systemic financial meltdown. Nonetheless, there are many reasons to remain concerned about the potential impact on activity of the financial crisis ... In the current setting, upside risks [to the forecast] are limited”.
6. Another feature of the exceptional volatility of the last 18 months is the surge and then fall of commodity prices. The average price of oil in US dollars a barrel was \$71.13 in 2007; peaked at just under \$150 in May 2008 and is now forecast by the IMF to average \$68 in 2009. Together with a similarly pronounced spike in many food commodities, this contributed to an increase in inflation in developing countries from 5.4 per cent in 2006 to a forecast 9.2 per cent in 2008 and a falling away to 7.1 per cent in 2009. The equivalent figures for industrial countries are 2.4 per cent, 3.6 per cent and 1.4 per cent.
7. World trade volumes increased by 9.4 per cent in 2006 but have since fallen steadily to an IMF forecast of 2.1 per cent for 2009. The World Bank is forecasting a decline in world trade in 2009.
8. Forecasts from other sources confirm the economic trends identified by the IMF. Recent World Bank and UN forecasts using different modelling techniques suggest a slightly more negative outlook. The OECD on 13 November projected a decline of -0.3 per cent for its 30 member States in 2009. It expects a sharp contraction in the last quarter of 2008 and the beginnings of recovery in the second half of 2009. European Commission forecasts at the beginning of November were consistent with this trend. National data from major countries also point to a sharp slowdown since the September Wall Street crisis with worrying reports of continued and spreading financial stress despite the huge injections of public money into the financial system via equity purchases and cheap loans.
9. The employment implications of the recession are extremely disturbing. The latest more pessimistic IMF forecasts serve to make the ILO’s estimates of a rise in global unemployment of 15–20 million between 2007 and 2009 increasingly likely. Within this total, a rise in youth unemployment is particularly worrying. First-time jobseekers are facing a very bleak entry into the labour market in nearly all countries.
10. US unemployment over the 12 months to October has increased by 2.8 million, and the unemployment rate has risen by 1.7 percentage points. The US also issues estimates of labour underutilization defined as total unemployed, plus all marginally attached workers, plus total employed part time for economic reasons, as a per cent of the civilian labour force plus all marginally attached workers. This has risen in the year to October 2008 by nearly 4 million to 11.8 million.
11. OECD total unemployment is forecast to rise to 7.2 per cent in 2010 from 5.9 per cent in 2008. This would push the total back towards the 37 million of 2004.
12. The World Bank estimates that a 1 per cent decline in developing country growth results in an additional 20 million people falling into poverty. The Bank has said that high food and fuel prices have already increased the numbers in extreme poverty by 100 million.

Geneva, 14 November 2008.

Submitted for information.