

## **UN report finds high trade tensions and policy uncertainty continue to damage prospects for economic growth**

### ***Weaker global growth creates further challenges for sustainable development***

**New York, 21 May** – The global economy is experiencing a broad-based growth slowdown amid unresolved trade tensions, high international policy uncertainty, and softening business confidence, according to the United Nations World Economic Situation and Prospects (WESP) mid-2019 report, released today in New York.

The forecast for weaker global growth casts a shadow over efforts to implement the 2030 Agenda for Sustainable Development, which has set universal goals for eliminating poverty, promoting prosperity and social well-being while protecting the environment. Weaker economic growth puts at risk essential investments in areas such as education, health, climate change adaptation and sustainable infrastructure.

According to the report, the growth outlook in all major developed economies and most developing regions has weakened due to a confluence of both domestic and external factors. Following an expansion of 3.0 per cent in 2018, world gross product growth is now projected to moderate to 2.7 per cent in 2019 and 2.9 per cent in 2020, reflecting a downward revision from the forecasts released in January.

The report identifies several downside risks that could trigger a sharper or more prolonged growth slowdown in the world economy, potentially inflicting significant damage on development progress. These risks include a further escalation in trade tensions, a sudden deterioration in financial conditions, and the accelerating effects of climate change.

“More comprehensive and well-targeted policy responses are needed to tackle the current growth slowdown,” says Elliot Harris, UN Chief Economist and Assistant Secretary-General for Economic Development. “It is increasingly clear that policies to promote sustainable development will need to look beyond GDP growth and identify new and more robust measures of economic performance that appropriately reflect the costs of inequality, insecurity and climate change.”

### **Persistently high trade tensions a threat to global growth**

Amid unresolved trade disputes and higher tariffs, the projected growth of world trade has been revised downwards to 2.7 per cent in 2019, slowing markedly from 3.4 per cent in 2018. The report warns that a spiral of additional tariffs and retaliations could have significant spillovers on the developing countries, particularly those with a high export exposure to the impacted economies. A more protracted period of weak international trade activity could also harm investment prospects and adversely affect productivity growth in the medium term.

### **The easing of monetary policy stances has raised medium-term financial stability risks**

In response to slowing growth and subdued inflation, major central banks have eased their monetary policy stances. These recent monetary policy shifts have helped to stabilize global financial markets and capital flows to emerging economies. However, the report cautions that the more protracted period of monetary accommodation could exacerbate financial imbalances, including further fuelling debt accumulation, raising medium-term risks to financial stability.

### **Weaker macroeconomic outlook has dampened prospects for poverty eradication**

Faced with deep-rooted structural weaknesses, several large developing countries are struggling to recover from recession or remain trapped on a low growth path. The report highlights that per capita income growth in several parts of Africa, Western Asia, and Latin America and the Caribbean is expected to remain very weak in the outlook period. This poses additional challenges for the Sustainable Development Goals, including the goal to universally eradicate poverty by 2030. The report further notes that while poverty remains predominantly rural, further progress on poverty reduction also hinges on the effective management of ongoing urbanization. This is particularly relevant for Africa and South Asia, the two regions with the highest number of people in poverty, which are expected to also experience the most rapid pace of urbanization in the next two decades.

### **Carbon pricing a key element in combating climate change**

The increase in frequency and intensity of natural disasters highlight the rising threats from climate change, particularly for the most vulnerable economies. The report calls for a stronger and more coordinated multilateral approach to global climate policy, which includes the use of carbon pricing mechanisms. A price on carbon compels economic decisionmakers to internalize some of the environmental costs of their consumption and production. The report documents an increasing use of internal CO<sub>2</sub> prices by the private sector. This not only results in higher energy efficiency and cost savings, but also leaves firms better prepared for expected policy changes.

~~~

*For more information, please visit: [bit.ly/wespmidyear](http://bit.ly/wespmidyear). Advance copies of the embargoed report and underlying data are available on request. Interviews and comments can be given in English, Spanish, Russian, German and Portuguese.*

*Media contact: Dan Shepard, UN Department of Global Communications, [shepard@un.org](mailto:shepard@un.org), +1 (212) 963-9495*