

**2010 High-level Segment
GLOB**

The recovery of economic activity at the global level is weaker and slower than observed after previous recessions of recent date. Economic recovery is also uneven across countries. In most developed countries, private sector activity is not yet on a solid footing. Facing elevated unemployment rates, soaring public debt, and limited credit flows, growth prospects for most developed economies remain lacklustre, unable to provide sufficient impetus to the global economy. While developing Asia, particularly China and India, is leading the way among developing countries, the recovery is much more subdued in many economies in Africa and Latin America. Although most economies in transition are seeing a visible rebound from the deep downturn in 2009, the recovery is fragile being heavily dependent on conditions in world commodity markets and access to external borrowing.

Many developing countries are still suffering from the fallout of the global financial crisis. Though only 10 developing countries are expected to register another year of decline of per capita income during 2010, the impact on labour markets and social conditions is still being felt more broadly. The reduction in employment and income opportunities has led to a considerable slowdown in progress towards poverty reduction and the fight against hunger. By the end of 2010, the crisis will have left an estimated 64 million more persons in extreme poverty relative to the pre-crisis trend. The steep rise in food prices during 2007-2008 is estimated to have increased the number of malnourished people by 63 million, while the global economic crisis may have led to another 41 million undernourished than would have been the case without the crisis.

The number of unemployed worldwide rose by more than 34 million people in 2009 as the estimated global rate of unemployment increased from 5.7 per cent at the end of 2007 to 6.6 per cent by the end of 2009. In many developing countries, informal sectors absorbed the impact on unemployment. As jobs in the informal sector tend to be more precarious and receiving low pay, the number of working poor is estimated to have increased by 215 million. At the present rate of recovery, it is expected to take at least 4 to 5 years to bring unemployment rates down to pre-crisis levels in most developed countries. In many developing economies informal sectors may continue to expand as firms postpone hiring.

The risk of a protracted period of mediocre growth for the world economy remains high in the aftermath of the global financial crisis. This poses several policy challenges.

Policy challenges

First, dealing with the jobs crisis is of immediate urgency as persistent high unemployment and underemployment rates are slowing the global recovery itself as well as progress towards poverty reduction in developing countries. Much of the demand recovery still rests on government support. In most countries, these support measures will need to be maintained during 2010 and perhaps i

ingredient in redressing the trend towards widening fiscal deficits by stemming the drop in tax revenue and reduce the need for social protection spending. Exit strategies from the extraordinary stimulus measures thus will need to be closely coordinated with labour

framework has laid the first step towards a more balanced global growth, more specific and concrete policies need to follow. This is particularly important in the medium term, in which policy makers need to coordinate an 'exit strategy' and phase out stimulus measures once unemployment rates have decreased significantly, whilst simultaneously retaining a countercyclical policy framework. In the longer term, countries should ultimately coordinate the

Growth of world output, 2004 – 2011, Annual