e global economy remains trapped in a prolonged period of sned ponomy r-14 oc8.9(o49(l).3(d p)l.1(18-5(f2a)0.h

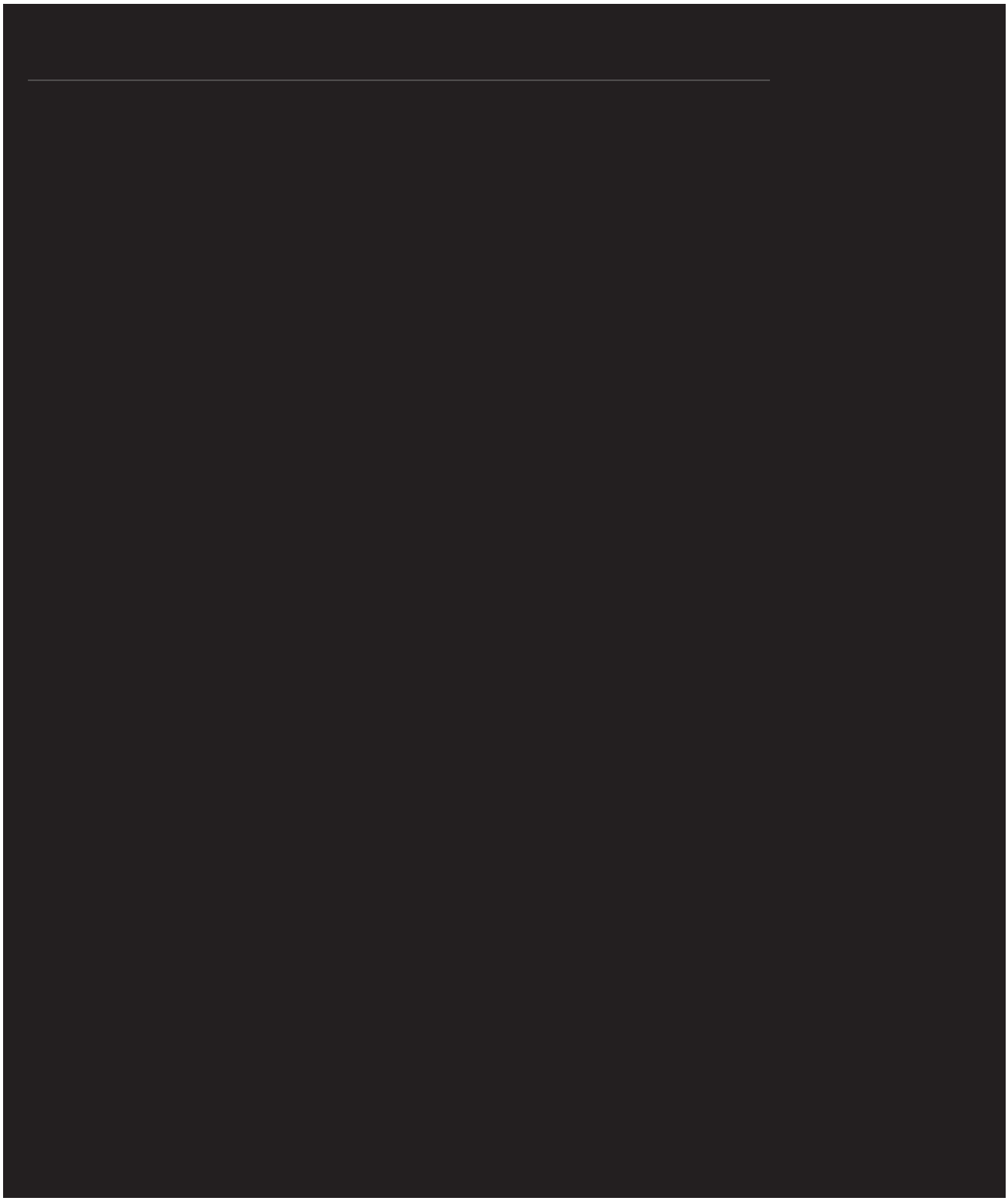
served in the decade prior to the nancial crisis (gure I.1). In 2016, growth in both WGP and world trade dropped to their slowest pace since the Great Recession of 2009. WGP is estimated to have expanded by just 2.2 per cent, re ecting a downward revision of 0.7 per centage points relative to forecasts a year ago (table I.1). e weaker-than-expected growth performances in Japan, the United States of America and in several countries in Africa, the Commonwealth of Independent States (CIS) and Latin America and the Caribbean have contributed to this downward revision relative to forecasts presented in the World Economic Situation and Prospects (WESP) 2016 (United Nations, 2016a).

e prolonged sluggishness in the global economy has been characterized by a wide spread slowdown of productivity growth in many parts of the world, weak investment, low wage growth, low in ation and rising debt levels. Low commodity prices have exacerbated these trends in many commodity-exporting countries since mid-2014, while con ict and geopolitical tensions continue to weigh on economic prospects in several regions.

While some of the exceptional factors that restrained global growth in 2016 — such

the United Nations in 2015. If downside risks to the outlook were to materialize, this could push global growth rates down even further, with additional setbacks towards achieving the SDGs, particularly the goal have su ered heavy economic losses.

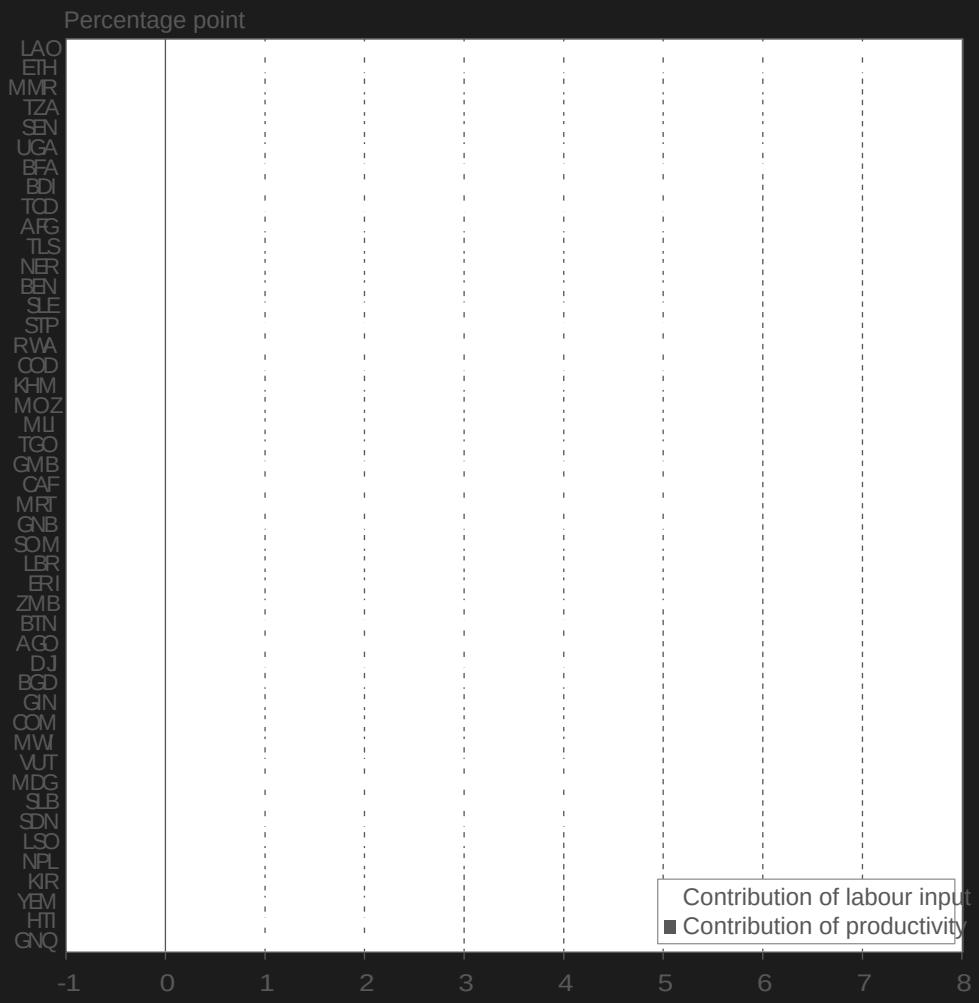
continue to weigh on the economy. Meanwhile, growth in the least developed countries (LDCs) is expected to rise modestly from an estimated 4.5 per cent in 2016 to 5.2 per cent and 5.5 per cent in 2017 and 2018, respectively (box I.1).



(Box I.1 (continued)

baseline projections. While this exceeds the average rate of investment growth of 8.9 per cent recorded between 2010 and 2015, it is in line with the investment rate recorded during the period of rapid growth of 2000-2005, when GDP growth in the LDCs as a whole averaged 6.8 per cent per annum. However, the external environment is expected to be much less supportive to growth in the LDCs than it was in 2000-2005, when export growth for the group averaged 6.5 per cent per annum.

Figure I.1.1
Decomposition of average annual GDP growth projections, 2035



Source: UN/DESA forecasts.
Note: See table I in the Statistical Annex for definitions of country codes.

Figure I.1.2 illustrates the expected rate of convergence in GDP per capita between the LDCs and the developed economies under two different scenarios. The baseline scenario represents prospects according to the current forecast, which sees GDP growth in the LDCs averaging 5.2 per cent per annum to 2030. At this rate of growth, GDP per capita can only be expected to converge very modestly towards average levels in the developed economies, rising from just 2 per cent of the developed economy average in 2015 to just under 2.5 per cent in 2030.

If, on the other hand, the shortfalls in productivity growth could be overcome through an accelera tion in investment, there would be a more rapid pace of convergence. This would allow GDP per capita in the LDC to rise from 2 per cent of the developed country average in 2015 to 3 per cent by 2030.

(continued)

e economies in transition su ered a sharp collapse in domestic demand in the CIS region in 2016, while net trade mae msiti,veon 18.17()-15.5(r)-8.2(a)7.5(ob9.9(lu10.69t)-16.5(i)7.5(o)12.9(n st5(o)

ties have the potential to undermine any projected recovery in business investment, impede international trade growth and prolong the self-propagating cycle of weak global growth.

In ation prospects

In 2016, average global in ation edged up slightly to an estimated rate of 2.4 per cent from 2.1 per cent in 2015, which was the lowest level registered since the global nancial crisis.

low levels of job security and volatile income – accounts for 46 per cent of employed people worldwide, and is especially high in South Asia and many parts of Africa.

Nominal wage increases in most developed economies have slowed since the nancial crisis. e incidence is widespread, including in countries where the unemployment rate is low. Despite low headline in ation, real wages have been stagnant or declining in many countries, and have for the most part lagged behind productivity growth. is is illustrated in gure I.6, where two-thirds of the developed countries in the sample have seen smaller gains in real wages than in productivity since the nancial crisis. is is a re ection of the qua0.6(v)3EMCi23(n o)10.j.5(r)3.(n)-(u)-15.5(a)->BDC BT 510.1((a)-26.2(n i)-11.615.1()6.4(e b

Figures I.7 and I.8 parse average GDP growth in the largest economies by contribu tions from labour input and from labour productivity, which is further broken down into contributions from the capital intensity of production (capital deepening) and total factor productivity (TFP).

Figure I.7
Decomposition of average annual GDP growth in major developed economies

SourceUN/DESA derived from OECDStat, Annual macro-economic database of the European Commission's Directorate General for Economic and Financial A airs and United Nations Statistics Division National Accounts Main Aggregates Database.

Figure I.8
Decomposition of average annual GDP growth in major developing economies and economies in transition

SourceUN/DESA derived from Penn World Tables 9.0 retrieved and United Nations Statistics Division National Accounts Main Aggregates Database.

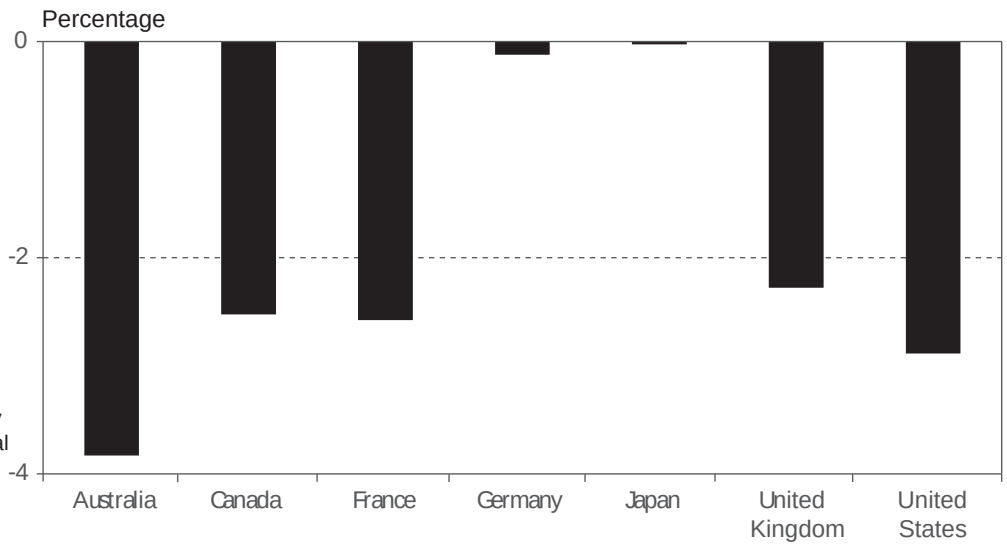
In the large developing and transition countries, the falling contribution of produc tivity to GDP growth is primarily attributable to a decline in TFP growth, whereas the slowdown in labour productivity growth in the major developed economies has been also driven by the very low rate of capital deepening. Germany, Japan and the United States have, in fact, undergone a period of ‘capital shallowing’ since 2011, as the volume of pro ductive capital stock per hour of labour input has actually declined. is is indicative of the collapse in invest1.1(e9.4(, (c)-1 31.5(no)12.(t)5(o)-4.8(c-20.9(a))10.4(u)3(c)-14.1(t)-16.5(i

renewable energy, and are likely to prove temporary, rather than signal signi cant structural progress towards a less fossil fuel-intensive economy.

In the United States, in particular, an expansion of investment in fossil fuel indus tries would be expected in 2017, should the new Administration lift certain environmental restrictions on production in the shale, oil, natural gas and clean coal sectors, risking set backs to environmental targets in the SDGs and the Paris Agreement on climate change.

Investment in manufacturing sectors in Japan and the United States has been dis couraged by the strength of their currencies, which is suppressing exports and the earnings of companies opas

Figure I.10
Average annual change in general government investment (constant prices), 2011–2015



Source: OECD Quarterly National Accounts, National statistics o ces.

Investment growth has also slowed notably in many developing countries and economies in transition

In major developing countries and economies in transition, investment growth has also slowed notably in recent years (gure I.11). As in developed economies, a sharp decline in investment in the commodity sector has weighed on investment growth, particularly in Brazil, the Russian Federation and South Africa. In the Russian Federation, the decline also re ects the impact of international sanctions on access to capital and business sentiment. In the case of China, weaker investment growth re ects large overcapacity in a number of industrial sectors, including iron and steel, cement and even the solar energy sector, as well as sluggish market demand and higher corporate nancing costs.

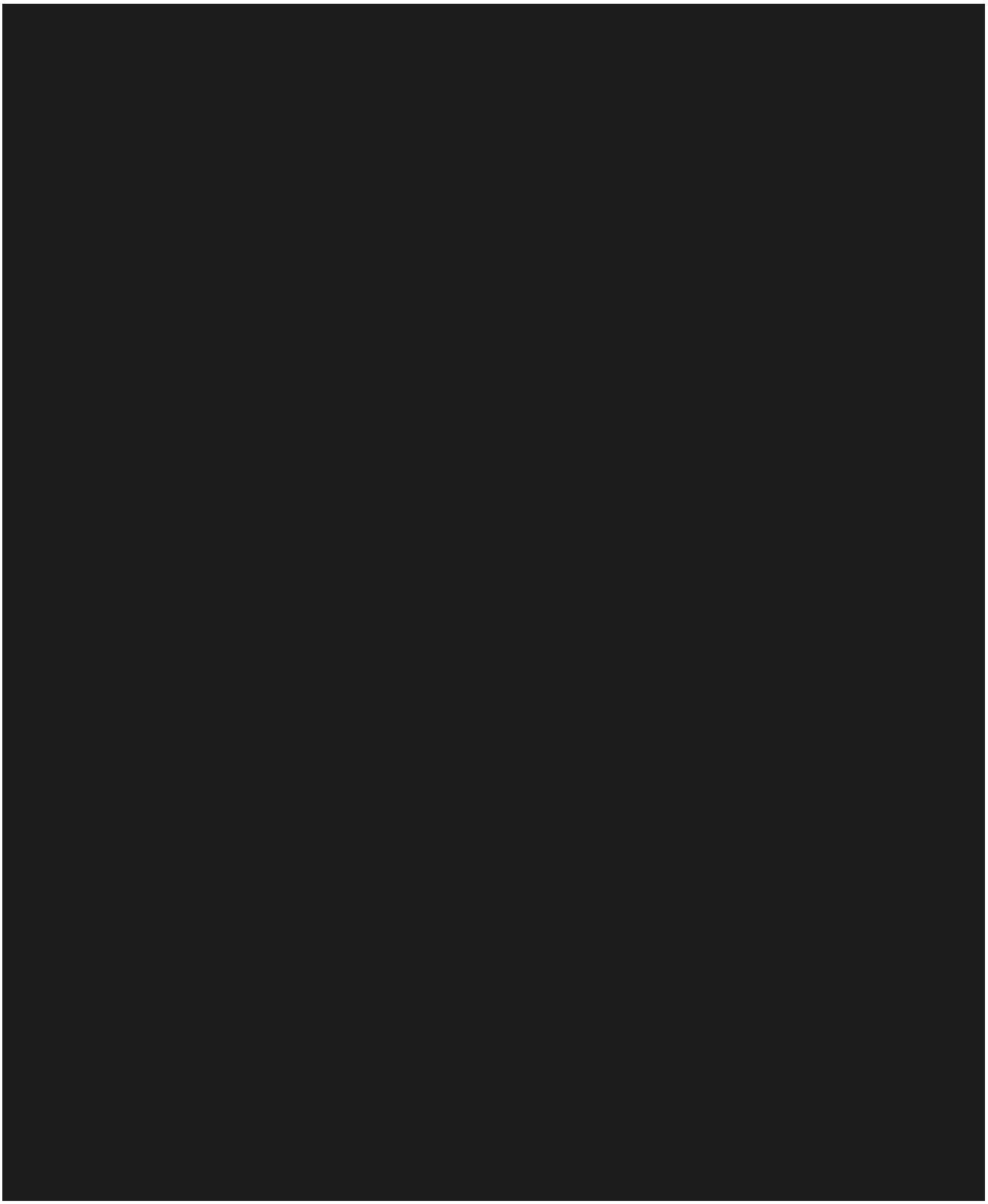
Policy shifts and elevated nancial market volatility, including large exchange rate depreciations, have led to greater investor uncertainty in several countries. For example in Nigeria, the currency peg removal in June 2016 resulted in a sharp depreciation of the naira of more than 40 per cent, with a consequent impact on investment. In some other parts of Africa, however, investment remains more robust, re ecting major infrastructure projects and structural policies to improve the domestic business climate.

Government investment in infrastructure has o set weaker private sector investment in several countries in Africa and East and South Asia

Slower investment growth in major developing economies has been largely driven by the private sector. In line with their greater scope to exploit scal space, East Asian and South Asian economies have generally seen stronger growth in public investment, especially in infrastructure. State-owned enterprises have expanded infrastructure investment in Chi na, while in India public investment has also been critical to avoid a further deterioration in investment growth. Growth in some of the smaller economies in South-Eastern Europe and Central America has also been supported by large public sector investments in infrastruc ture. However, public investment has fallen considerably in many of the commodity-reliant economies, including Brazil and the Russian Federation, as well as several other economies in the CIS, South America and Western Asia.

High corporate debt burdens may increase risks of debt distress in some developing countries

e slowdown in private sector investment growth in many developing economies raises some concerns, as it suggests that the signi cant increases in corporate debt burdens, particularly in East Asia, have failed to deliver a comparable increase in productive capital stock. Going forward, these high debt burdens may begin to restrain access to nance or



favoured the rapid expansion of global trade in the 1990s and 2000s have started to wane.

Amid a slower-than-expected pace of interest rate rises in the United States and a further expansion of unconventional monetary policy measures in other developed economies, international financial markets were relatively stable for the most part in 2016, after a tumultuous January of selling-off in equity markets. Private non-resident capital inflows to emerging markets have seen some recovery, after experiencing outflows of portfolio debt and banking flows in 2015 and early 2016 (Institute of International Finance, 2016). The re

ter of 2016. e total face value of negative-yielding corporate and sovereign debt stood at $11.6 trillion as of 30 September.[5] is is slightly below the peak of $11.9 trillion at the end of June and represents about 25 per cent of the total value. Japan and Western Europe each account for about 50 per cent of the bonds o ering negative yields, of which roughly 85 per cent are sovereign bonds.

Looking ahead, signi cant fragilities in the international nancial system pose major risks to developed and developing economies. e main underlying factor is the widening divergence between buoyant — and complacent — nancial markets and persistently weak global economic growth resulting from the over-reliance on monetary policy to stimulate economic activity.

Years of expansionary monetary policy coupled with the lack of support on the scal

Remittances are resource transfers between residents and non-residents, generally in the form of wages transferred from migrant workers to their families. In several countries they comprise a signi cant share of disposable household income. Amid subdued global economic growth, remittance ows to developing countries in dollar terms virtually stagnated in 2015. O cially recorded remittances to developing countries amounted to $431.6 billion in 2015, an increase of only 0.4 per cent from 2014 — the lowest rate of increase since the global nancial crisis.[1] Preliminary data for 2016 underscore large di erences not only across major geographic regions, but also within regions.

e appreciation of the dollar and the low oil price constrained the growth in the dollar value of remittances in 2015, and continued to weigh on remittance ows in the rst half of 2016. e CIS countries that receive most of their remittance in ows from the Russian Federation have su ered particularly steep contractions, re ecting the sharp decline in the rouble's value, amid the challenging labour market conditions and economic outlook in the Russian Federation. e contraction in domestic currency terms was much more moderate, as the CIS currencies also weakened versus the dollar, but still weighed on households' purchasing power and private consumption of extra-regional goods and services.

Out ows from the Cooperation Council for the Arab States of the Gulf (GCC) have also slowed, negatively impacting Egypt in North Africa and South Asian economies, notably Bangladesh, India and Nepal. In certain cases, the ow of remittances in the "reverse direction" increased in 2016, for example, from Asian to Gulf countries or from the Caucasus to the Russian Federation, as families in home countries tried to provide some support to the migrant workers facing temporary di culties.

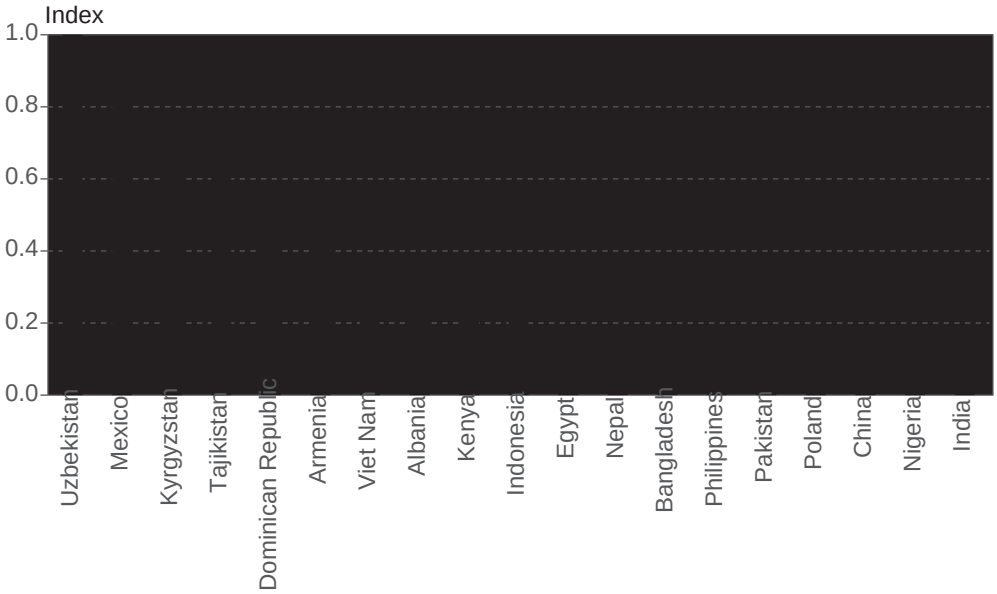
Remittance-receiving economies with a strong exposure to the United States and euro area countries have generally performed well, thanks to positive labour market trends. Remittance ows to Mexico, for example, increased by over 8 per cent year-on-year in the rst half of 2016 in US dollar terms, and by even more in terms of domestic currency. At $13.2 billon, remittance in ows far exceeded oil export revenues. e outlook for remittance ows from the United States is highly uncertain, depending on whether any of the proposed changes to immigration policies and taxation are introduced by the new Administration of the United States.

e post-2014 experience in CIS economies, including Kyrgyzstan, Tajikistan and Uzbekistan, illustrates the risks for countries whose in ows come almost exclusively from one country. Among the major remittance-receiving developing countries, the degree of source country concentration varies signi cantly (gure I.17). Countries with a higher concentration of remittance sources tend to have more volatile remittance in ows.

e weakening of the British pound in the wake of Brexit will have a considerably negative impact on countries for which the United Kingdom provides a large share of total remittance in ows. Figure I.18 depicts the 10 countries with the largest share of in ows from the UK in total in ows, which includes four African countries.

e Addis Ababa Action Agenda (AAAA) includes a commitment to reduce, by 2030, the average transaction costs of migrant remittances to less than 3 percent, recognizing the important role that remittances can play in reducing poverty. While remittance costs have continued to decline, they remain higher in sub-Saharan Africa, where remittance transac

Figure I.17
Degree of concentration of remittance sources for selected countries, 2015



SourceUN/DESA derived from World Bank Bilateral Remittances Matrix 2015.

Note:A higher index refers to more concentrated remittance sources. The remittance concentration index is measured as the sum of squared shares of each source (remittance-sending country) in the total in ow of remittances into the recipient country.

Figure I.18
Share of remittances from the United Kingdom in total remittance in ows, 2015

SourceWorld Bank Bilateral Remittances Matrix 2015.

Note:Ten top countries depending on remittances from the United Kingdom.

tion costs averaged 9.5 per cent in the fourth quarter of 2015, with costs in some corridors between South Africa and nearby countries as high as 18–20 per cent.

Better access to nancial services, and more e ective use of formal providers, can facilitate speedier and safer remittance ows, and lower the high remittance transaction costs in underserved areas, as called for in the AAAA.

Global imbalances

Global current account imbalances have narrowed, but may still pose a risk to global nancial stability

While the dispersion of global current-account de cits and surpluses has narrowed somewhat from the peaks leading up to the global nancial crisis, a signi cant degree of im

balance still persists, posing a potential risk to global financial stability. The United States current-account deficit narrowed from 1.6 per cent of WGP in 2006 to 0.5 per cent in 2013, combined with a decline in China's current-account surplus from 0.5 per cent of WGP to 0.2 per cent over the same period.

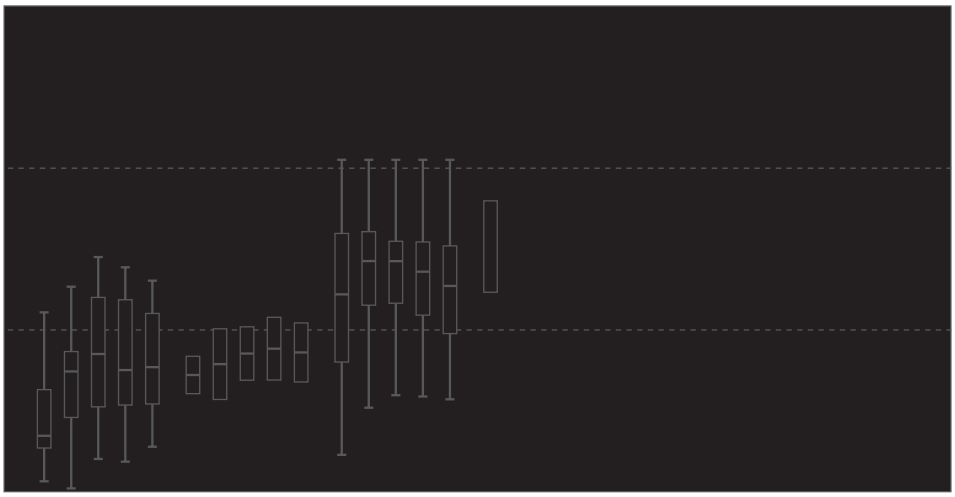
However, the United States current account deficit has been widening since 2014, and is expected to widen further in 2017-2018 (figure I.19). The current account surplus in East Asia, after widening slightly in 2014 and 2015, has narrowed again, and a return to the level of global imbalances in 2006 is unlikely.

The United States dollar has appreciated by more than 15 per cent since mid-2014 (figure I.20). The strong dollar has restrained exports of the United States, and has been an important factor underpinning the recent widening of the current account deficit of the United States. As interest rates in the United States are expected to rise relative to other major developed economies in 2017-2018, some upward pressure on the dollar is expected to continue, further unwinding some of the improvement in the current account deficit of the United States since 2006.

The drop in oil prices in 2015 helped contain greater imbalances, as the majority of fuel exporters have historically run persistent current-account surpluses. However, many commodity exporters are now running large external deficits due to the steep loss of export revenue. The partial recovery in oil and other commodity prices in 2017-2018 will ease some of these pressures. Nonetheless, if global imbalances were to begin to deteriorate, this could pose an additional risk to the already modest global economic recovery.

unchanged. The results paint a worrying picture. Without reducing income inequality, current growth projections would leave 6.5 per cent of the global population trapped in extreme poverty by 2030. While the poverty rate in East Asia can be expected to fall to very

Figure I.22
Evolution of income distribution, by region, 1980–2014



Source: UN/DESA, based on data from the Global Consumption and Income Project.
Note: The box plots used here are standard box plots. The ends of the whiskers indicate the highest (lowest) observations within 1.5 interquartile range of the third (first) quartile.

and low-skilled workers — a result of expanding basic education — and significant changes in labour and social policies, including an increase in public transfers.[11]

Hoy and Sumner (2016) argue that there are sufficient public resources at the national level — at least in upper middle income countries — to end three-quarters of extreme global poverty even in the absence of acceleration in economic growth. While Ravallion (2009) concluded that the marginal tax rates needed to fund the fight against poverty in the mid-2000s were prohibitively high, updated estimates by Hoy and Sumner (2016) suggest that this may no longer be the case. According to the study, many national Governments in developing countries have the financial capacities to support those in extreme poverty through well-targeted cash transfers, funded either via new taxation on those not facing poverty or through the reallocation of public spending away from fossil-fuel subsidies or military spending. The scope for poverty reduction via tax funded public transfers remains — for the most part — restricted to upper middle income countries[12] and will do little to redress the persistently high rates of poverty in the LDCs. However, the removal of fossil fuel subsidies — which often disproportionately benefit rich and middle-class households — could provide national resources to reduce extreme poverty levels in several of the LDCs as well.

Reallocation of public spending can strengthen support for poverty reduction in many developing countries

Without accelerated GDP growth and progress towards improving income inequality, eradicating the high levels of extreme poverty in the least developed countries by 2030 will remain a formidable challenge. While policies aimed at reducing inequality must

Eradicating extreme poverty will require commitments to share prosperity both within and across national borders

11 For more detailed discussions, please refer to López-Calva and Lustig (2010).

12 It is estimated that a marginal tax rate of less than 10 per cent would be sufficient to support the tax-funded public transfers in upper middle income countries.

play a crucial role, mobilizing resources to support investment and productivity growth, as well as a commitment to share prosperity both within and across national borders, are also essential to achieving the SDG targets.

Energy and environment

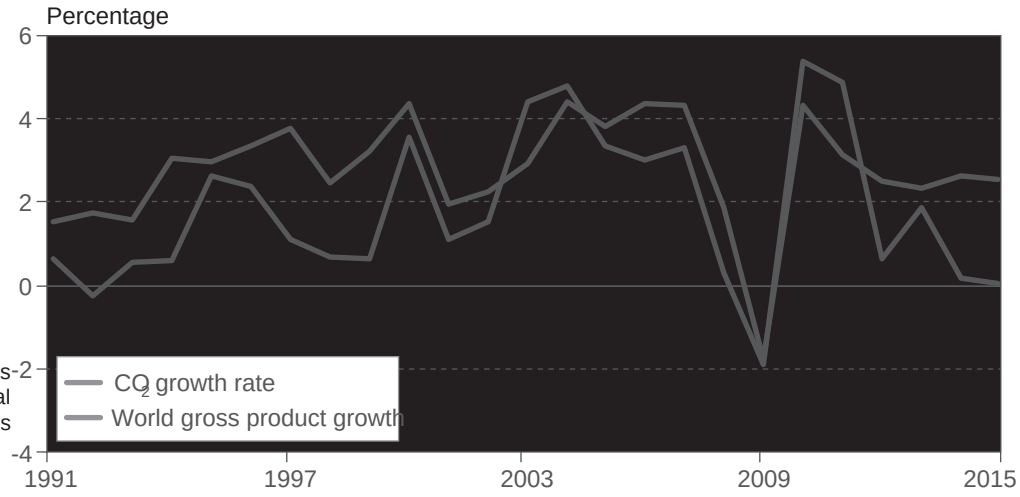
The level of global carbon emissions stalled for two consecutive years

At approximately 32 gigatons, global energy-related carbon emissions stalled for two consecutive years during 2014-2015 despite positive economic growth (figure I.23). It strengthens the case that the world is starting to see a divergence between emissions growth and economic growth — an observation that was made in WESP 2016.

This is due to a combination of factors, including the declining energy intensity of economic activities, rising share of renewables in the overall energy structure, and slower economic growth in major emitters.

The elasticity between economic and emissions growth appears to have declined in the last decade, at least for low and medium-income countries. Based on panel regression analysis of 35 economies — accounting for over 80 per cent of world's carbon emissions in 2015[13] — the marginal effect[14] of a one percentage point change in GDP growth on carbon emissions growth in the low and medium-income countries is converging toward that in high-income countries, which has seen some stabilization since the mid-1990s (figure I.24).

Figure I.23
World gross product growth and carbon emissions growth, 1991-2015



Source: International Energy Agency and United Nations Statistics Division National Accounts Main Aggregates Database.

13 The 35 countries examined are: Algeria, Argentina, Australia, Austria, Bangladesh, Brazil, Chile, China, Colombia, Ecuador, Egypt, Finland, France, Germany, India, Indonesia, Iran, Japan, Republic of Korea, Malaysia, Mexico, the Netherlands, New Zealand, Norway, Pakistan, the Philippines, Russian Federation, Saudi Arabia, Singapore, South Africa, Sweden, Thailand, Turkey, United States, and Venezuela (Bolivarian Republic of).

14 The marginal effects are estimated using a moving-window panel regression from 1980 to 2015, with 10-year windows. The model regresses carbon emissions growth on real GDP growth, GDP per capita, interaction between real GDP growth and GDP per capita, renewable energy's share in primary energy consumption, industry value-added's share in GDP, population growth, and share of urban population in total population. It also controls for year effects and country-specific fixed effects, and allows for correlation of observations within the same country.

e continued rise in renewable energy investment has signi cantly contributed to the decline in the elasticity between economic growth and emissions growth. Global renewable energy investment (excluding large hydro-electric projects) hit a new record in 2015, totaling $285.9 billion (gure I.25). Notably, developing countries have — for the

e world is still some distance from achieving a sustained decoupling between economic growth and carbon emissions growth and ensuring sustainable consumption and production patterns (SDG 12). While China's carbon emissions have stabilized in the past two years, other developing countries are still seeing them rise. e improvements witnessed in recent years could easily reverse if there is a lack of concerted e ort from the public and private sectors to improve energy e ciency and promote renewable energy. ere must be international cooperation on clean technology transfer and climate nance. Countries will have to continue to pursue nationally-appropriate low-carbon development paths that are sustainable on economic, social and environmental fronts.

Major uncertainties and risks in the global economy

Uncertainties about major changes in the international policy environment

ere is considerable uncertainty related to the evolution of international policy. For example, the new Administration in the United States has discussed far-reaching changes to the

e decision by the United Kingdom to leave the EU also raises questions regarding international policy, which can be broadly grouped into three di erent levels: uncertainties about the future trade, nancial and migration arrangements between the United Kingdom and the EU and between the United Kingdom and other countries; the likelihood that similar actions will be taken by other EU members; and the extent to which this signals a change in the trend of global economic integration at large (box I.3).

Brexit raises a number of uncertainties in Europe

From a global perspective, the shifting direction of policy in the United States and the United Kingdom partly re ects increasing discontent with the imbalanced distribution of the burdens and gains that deepening global economic integration has brought in the past few decades. For example, more open international trade has indeed generated substantial economic gains for many countries through improved e ciency in allocating resources

as an upside risk to the regional prospects. However, as much of the upward pressure on commodity prices has been related to supply pressures, for example due to the impact of El Niño on agriculture, and the suspension of production in certain metal industries, the rise in commodity prices may have a greater impact on in ation than on aggregate demand.

Policy challenges

Reorienting towards a more e ective policy mix

e macroeconomic policy stances discussed in the Appendix to this chapter are mostly based on the policy announcements made by the authorities of individual countries. ese policy stances are, however, not necessarily the optimal options for these economies, nor for the global economy as whole. ey may not be su cient to extricate the world economy from the protracted quagmire of subdued growth, stagnated trade ows, feeble investment, agging productivity, rising inequality and ballooned debt levels in the aftermath of the global crisis.

Policy measures must target a wide range of objectives to meet

In order to restore the global economy to a healthy growth trajectory over the medium-term, as well as tackle poverty, inequality and climate change, policy measures need to target a wide range of objectives, including, for example, improving education; investing in worker training; promoting investment, including in inclusive and resilient infrastructure, social protection and green technology; and progressive reform of the regu latory environment.

Currently, many economies depend excessively on monetary policy alone to support their objectives. Although it played an important role in the aftermath of the global crisis and remains an important policy tool, a much broader approach is needed, incorporating a more e ective use of scal policy (box I.4), as well as moving beyond policies of demand management to include structural reforms. As revealed at the Hangzhou G20 Summit, there is a consensus on the need for a more balanced policy mix in the global economy.

A much broader policy toolkit is demanded, adapted as appropriate to country cir cumstances. For example, structural reforms to the business environment can increase transparency in administrative processes and support e ective protection of property rights. A broader use of income policy may be introduced to tackle inequalities and sustain demand, as well as active labour market policies to support vulnerable or marginalized sectors of the labour market. Micro- and macro-prudential policies can be employed to contain nancial risks while supporting inclusive access to nance, especially for small- and medium-sized rms, while nancial regulation and incentives along the investment chain should encourage long-term and sustainable investment, including in green technology and environmental protection. Finally, industrial policies can remedy market failures and science and technology polices may be introduced to increase investments in R&D and foster innovation.

Weak growth, rising in ationary pressures and low commodity prices have com plicated the conduct of policy in many commodity-exporting developing economies and economies in transition, notably in Africa, the CIS and Latin America and the Caribbean. Several countries have introduced pro-cyclical interest rate rises to stem capital out ows, mitigate currency depreciation, and contain rising in ation, at the expense of higher bor rowing costs that weigh on domestic activity.

Low global commodity prices have also intensi ed scal pressures in commodity-dependent economies. As a result, cutbacks or delays occurred in much needed investment

Box 1.4

Measuring fiscal space

While the term "fiscal space" is widely used by government officials and economists alike, there is no clear consensus on its definition and measurement. The most widely-used definition provided by Heller (2005) describes fiscal space as the "availability of budgetary room that allows a government to provide resources for a desired purpose without any prejudice to the sustainability of a government's financial

in infrastructure, social protection and social services, energy and transport. is has in turn constrained productivity growth and undermined social and environmental progress.

In order to achieve the SDGs, policy makers will need to step up e orts. Garnering the resources required to nance investment levels needed to put the LDCs on a more rapid growth path remains a key challenge. Tackling the high levels of poverty requires acce lerating medium-term growth and implementing redistributive policies to address multi-

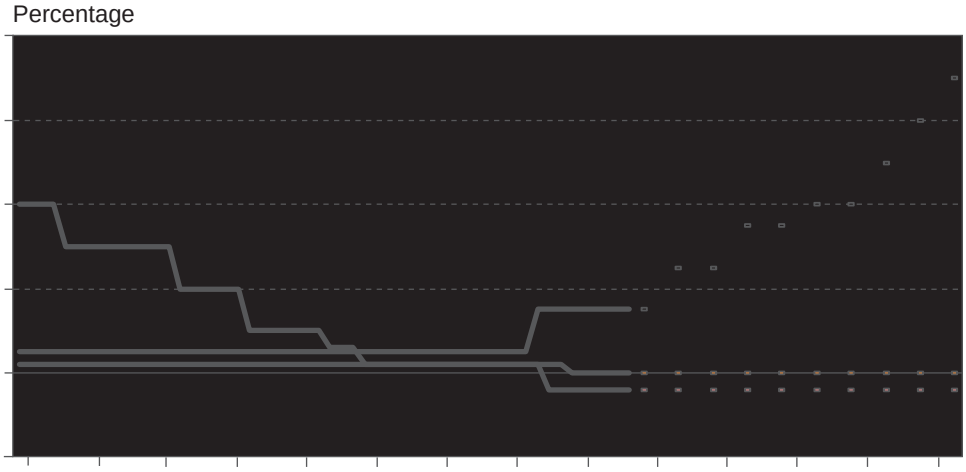
Increased investment in sustainable and resilient infrastructure is a prerequisite for achiev

is appendix summarizes the key assumptions underlying the baseline forecast, includ monetary and scal policies for major economies, exchange rates for major currencies and the international prices of oil. Key assumptions include:

- e United States Federal Reserve Board (Fed) will raise its policy rate by 50 basis points and 75 basis points in 2017 and 2018, respectively.
- e price of Brent crude oil is projected to average $52 per barrel in 2017 and $61 per barrel in 2018.
- Most major currencies are expected to depreciate against the US dollar in 2017-2018.

Monetary policy

Monetary policy in major developed economies is expected to remain broadly accommo dative in 2017-2018, despite further divergence in interest rates among these economies (gure I.A.1).



United States. The Fed is expected to have raised its key policy rate by 25 basis points by the end of 2016. The target for the federal funds rate will then increase gradually, by 50 basis points and 75 basis points in 2017 and 2018, respectively. The Fed is expected to maintain its policy of "reinvesting principal payments from its holdings of agency debt and agency mortgage-backed securities in agency mortgage-backed securities and of rolling over maturing Treasury securities at auction" until the end of 2018 (figure I.A.2).

Japan. The Bank of Japan (BoJ) is expected to continue applying a negative interest rate on the Policy-Rate Balances in current accounts held by financial institutions at the BoJ and maintain the set of unconventional monetary policy measures announced in September 2016 until at least the end of 2018. These measures include two components: (1) a "quantitative and qualitative monetary easing with yield curve control" framework to anchor 10-year Japanese Government Bond yields at around 0 per cent; and (2) an explicit commitment to increase the monetary base until inflation overshoots the 2 per cent target.

Euro area. The European Central Bank (ECB) will continue to maintain an extremely accommodative monetary policy stance that comprises three elements: policy interest rates at or below zero; quantitative easing (QE) in the form of monthly asset purchases; and targeted longer-term refinancing operations (TLTROs) intended to move banks to lend more money.

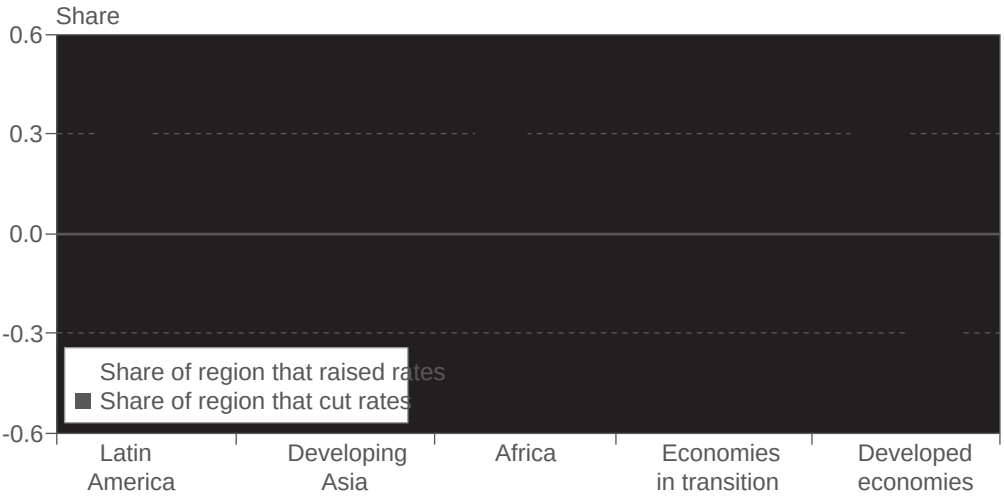
Figure I.A.2
Total assets of major central banks, December 2006–December 2018

Source: National central banks and UN/DESA forecast assumptions.

United Kingdom. The Bank of England (BoE) reacted to the decision of the United Kingdom to leave the EU by cutting its policy interest rates by 25 basis points to 0.25 per cent and by increasing the volume of its QE measures. In the outlook, monetary policy in BoE is expected to be responsive to uncertainties and risks arising from new institutional arrangements in the process of exiting the EU.

Monetary policy stances vary signi cantly among developing countries and economies in transition. Figure I.A.3 illustrates the share of each major global region that has increased and reduced interest rates since the Federal Reserve's rst interest rate rise in December 2015.

Figure I.A.3
Global divergence in policy rates since December 2015



Source: UN/DESA.

ere has been a clear tendency towards tightening in Africa and Latin America and the Caribbean, despite deteriorating economic prospects in these regions. In many cases (Angola, Azerbaijan, Egypt, Mexico, Mozambique, Namibia, Nigeria, South Africa and Sri Lanka), recent interest-rate increases followed sharp exchange-rate depreciations, and the rates of return for international investors have declined despite higher domestic interest rates. is leaves countries exposed to capital withdrawal, as investors seek higher rates of return elsewhere.

CIS: Most central banks in the CIS reduced interest rates during 2016 in view of slowing in ation; however, in the largest economies of the region, monetary easing will remain cautious.

East Asia: Policy rates across major economies in developing East Asia are approaching or have reached historic low levels. With few exceptions, there remains some — albeit limited — room for further rate cuts given the overall low in ationary environment. However, central banks will remain sensitive to the potential impact on capital out ows, private sector leverage and bank pro t margins. e People's Bank of China (PBoC) is expected to make at most two 50 basis-point reserve requirement ratio cuts in 2017 and continue to pursue a prudent monetary stance. Credit growth will continue to outpace GDP growth in 2016-2018, but at a rate lower than in 2015.

South Asia: Monetary policy in South Asia continues to be moderately accommodative, on the back of subdued in ationary pressures and remaining output gaps in some economies. e accommodative stance is expected to continue in the forecast period, with further easing in some countries.

CIS