



Policy Options given Recovery Patterns, Growth and Employment Potential for the Global Economy



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Part I: Global recovery patterns so far and the broader policy options



- The broad policy options are:
 - (a) Fiscal consolidation to bring down bond yields which are the costs of borrowing
 - (b) Maintaining the recovery, especially for jobs, through stimulus, and not jeopardising it as the private sector waits to kick in
 - © Rebalancing aint happening: wages and capital controls
 - (d) Austerity is not working
 - Swift
 - Conrad
 - Asymmetries of risk : depositors vs bondholders
 - Glass Stegall Act and Volcker rule
 - ILO
- These policy options have to be informed by the recovery pattern so far, and the growth and employment potential



Indicators



- 5 indicators of recovery and growth and employment potential
(given data commonality and periodicity issues)
1. Relationship between GDP growth and employment and unemployment
 2. Transmission of crisis & recovery, through exports, consumption and investment
 3. Role and impact of the stimulus so far
 4. Projected potential for future growth of GDP and employment
 5. Public & private balances permitting policy choice of consolidation versus stimulus



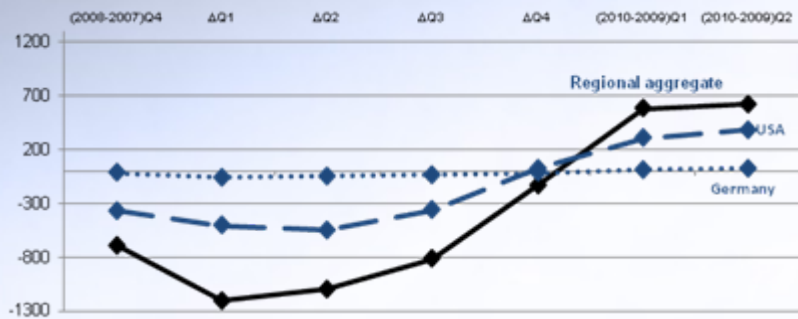
1. Relationship between GDP growth and Employment and Unemployment

Absolute change in quarterly GDP and total employment levels, compared to a year earlier (Q4 2008 to Q2 2010)

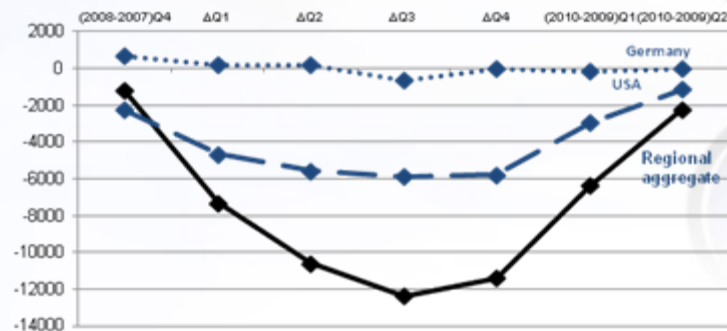


Developed Economies & European Union

Absolute change in GDP, constant prices (constant 2005Q1 US\$, billions)

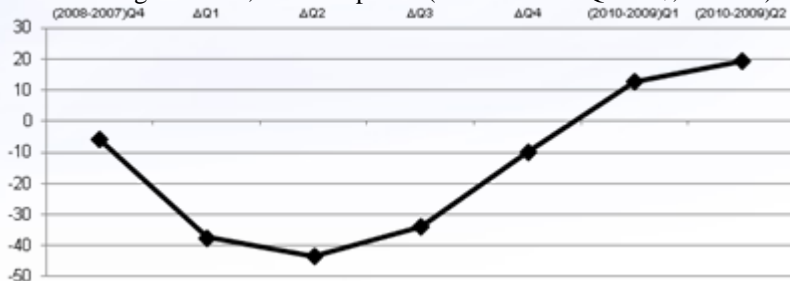


Absolute change in total employment (000's)

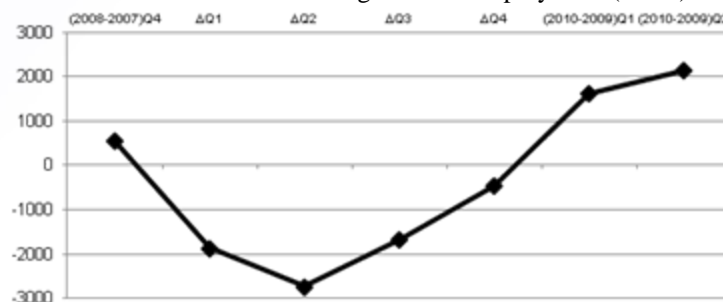


Croatia, Republic of Moldova, Russian Federation and Turkey

Absolute change in GDP, constant prices (constant 2005Q1 US\$, billions)

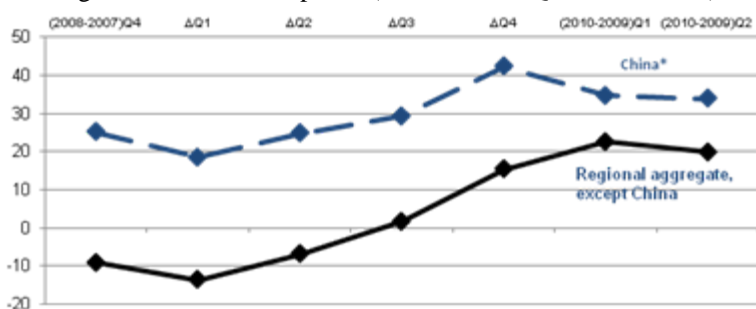


Absolute change in total employment (000's)

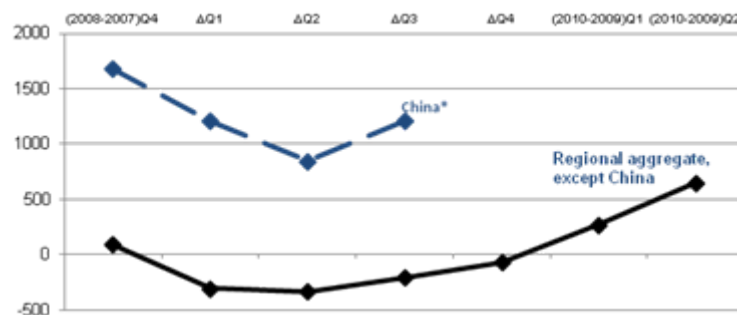


China, Hong Kong - China, Republic of Korea and Taiwan – China

Absolute change in GDP, constant prices (constant 2005Q1 US\$, billions)



Absolute change in total employment (000's)



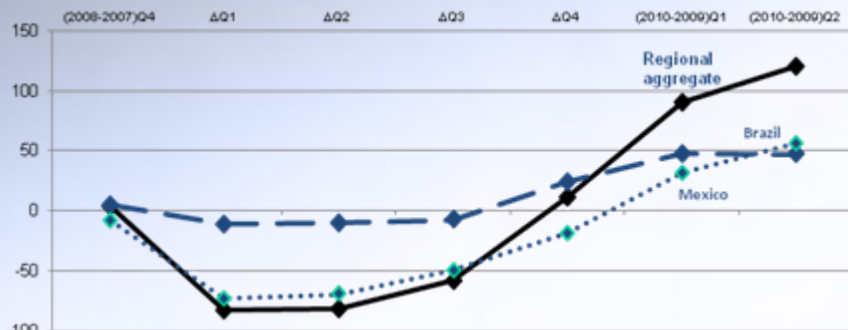
1. Relationship between GDP growth and Employment and Unemployment

Absolute change in quarterly GDP and total employment levels (cont.)

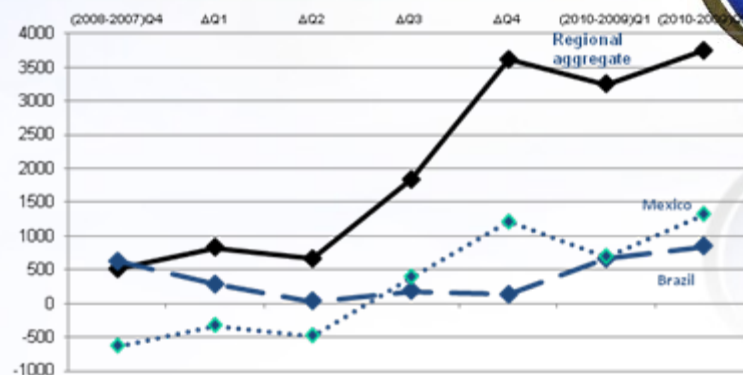


Latin America

Absolute change in GDP, constant prices (constant 2005Q1 US\$, billions)

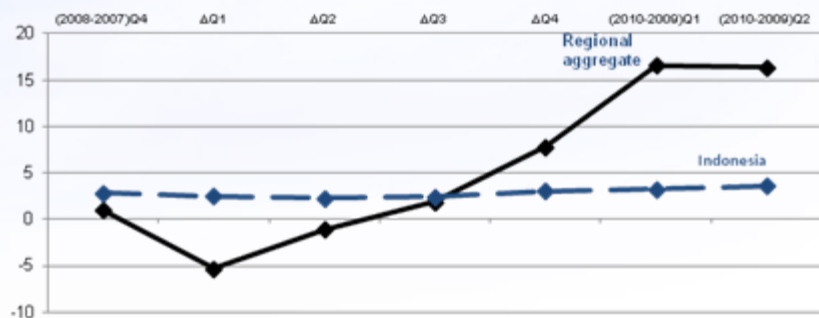


Absolute change in total employment (000's)

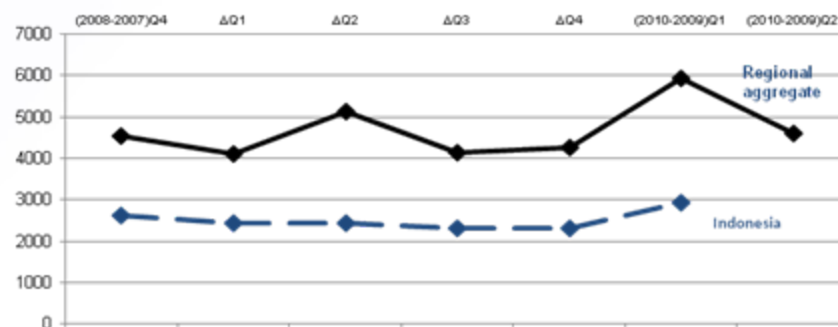


Southeast Asia

Absolute change in GDP, constant prices (constant 2005Q1 US\$, billions)

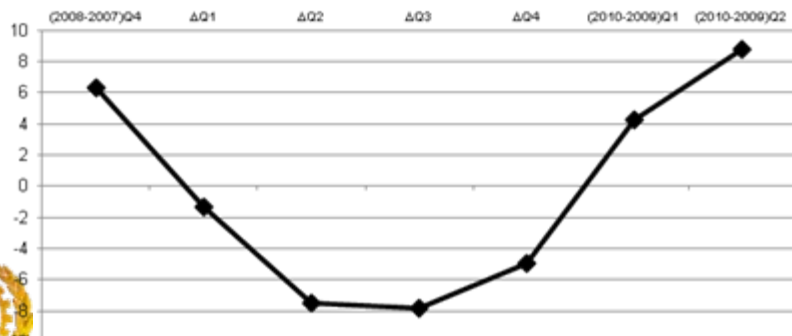


Absolute change in total employment (000's)

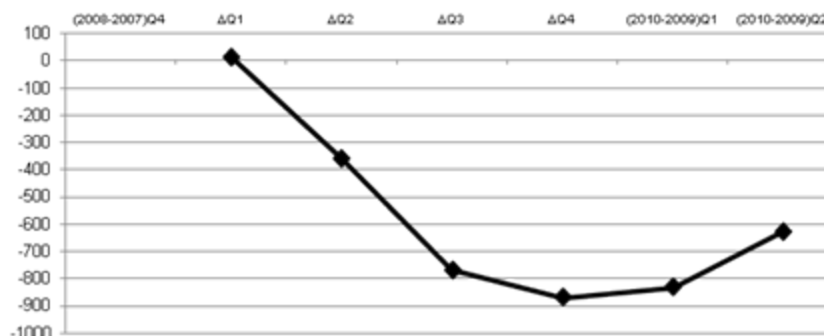


South Africa

Absolute change in GDP, constant prices (constant 2005Q1 US\$, billions)



Absolute change in total employment (000's)



Sources: International Monetary Fund World Economic Outlook October 2010; ILO Estimates, Eurostat and National Statistical Offices.



Impact : Country classification with respect to the percentage point change in total unemployment rate and GDP growth rate, for the crisis impact period (Q308-Q309)



		Total unemployment rate (per cent)		
Variation (in percentage points) 2008Q3 to 2009Q3		< 2	2 and 5	> 5
GDP growth rate (per cent), quarterly percent change from one year earlier	> -2	Australia, Republic of Korea, Luxembourg, Singapore, Taiwan - China		
	-2 and -5	Belgium, Colombia, France, Germany, Hong Kong - China, Indonesia, Israel, Italy, Japan, Malta, Norway, Philippines, Poland, Switzerland	Canada, Denmark, Greece, Portugal, Turkey, United States	
	< -5	Argentina, Austria, Brazil, Bulgaria, Croatia, Cyprus, Netherlands, Peru, Russian Federation, South Africa, Thailand, Venezuela	Chile, Czech Republic, Finland, Hungary, Iceland, Mexico, Republic of Moldova, Slovakia, Slovenia, Sweden, United Kingdom	Estonia, Ireland, Latvia, Lithuania

Recovery: Country classification with respect to the percentage point change in unemployment rate and GDP growth rate, for the crisis impact period, latest quarter available and 2009Q3

		Total unemployment rate (per cent)		
Variation (in percentage points) latest quarter available and 2009Q3*		> -2**	-2 and -5	< -5
GDP growth rate (per cent), quarterly percent change from one year earlier	< 2	Greece, Iceland		
	2 and 5	Australia, Belgium, Croatia, Colombia, Cyprus, France, Indonesia, Israel, Republic of Korea, Luxembourg, Malta, New Zealand, Norway, Poland, Portugal, Spain, Switzerland, Venezuela		
	> 5	Argentina, Austria, Brazil, Bulgaria, Canada, Chile, Czech Republic, Denmark, Estonia, Italy, Finland, Germany, Hong Kong-China, Hungary, Ireland, Japan, Republic of Moldova, Latvia, Lithuania, Malaysia, Mexico, Netherlands, Peru, Philippines, Russian Federation, Singapore, Slovakia, Slovenia, South Africa, Sweden, Switzerland, Taiwan-China, Thailand, Turkey, United Kingdom, United States		



2. Transmission of crisis & recovery: Exports , consumption & investment

Country classification with respect to the percentage point change in Consumption and Exports, for the crisis impact period (Q208 -Q209)



	Variation (in percentage points) Q208 to Q209	Household Consumption		
		<2	2 to 5	>5
Exports	>-2	Argentina, Colombia, Iceland, Ireland, New Zealand, Poland	Brazil, United Kingdom	Armenia
	-2 to -5	Australia, Estonia, France, Greece, Republic of Korea, Latvia, United States	Turkey	Mexico, Russian Federation
	<-5	Belgium, Bulgaria, Croatia, Czech Republic, Denmark, Hong Kong, Hungary, India, Indonesia, Israel, Italy, Netherlands, Philippines, Portugal, South Africa, Switzerland, Thailand	Austria, Canada, Chile, Egypt, Finland, Germany, Japan, Lithuania, Luxembourg, Sweden, Peru	Malaysia, Norway
Export fall				
Consumption cushion				

Recovery: Country classification with respect to the percentage point change in Consumption and Exports, for the latest quarter to quarter period available (Q209 to Q210, or Q109o Q110 where not available)

	Variation (in percentage points) Q208 to Q209	Household consumption		
		<0	0 to 2	>2
Exports	<0	Argentina, Brazil, Chile, Colombia, Turkey	India	Egypt, Norway
	0 to 2	Finland, New Zealand, Peru, South Africa, United Kingdom, United States	Greece, Indonesia	
	>2	Armenia, Australia, Austria, Hong Kong, Croatia, Denmark, Estonia, Germany, Hungary, Ireland, Japan, Korea, Lithuania, Luxembourg, Malaysia, Mexico, Netherlands, Russia, Sweden, Switzerland	Belgium, Czech Republic, France, Iceland, Italy, Latvia, Philippines, Poland, Portugal, Thailand	
Export led recovery				
Consumption led recovery				

Average growth rate of Gross Fixed Capital Formation, by region and selected countries, for impact and recovery period



	Impact	Recovery
Averages of regions and selected countries	Q2_09-Q2_08	Latest quarter* (YoY)
Developed Countries and EU†	-15.7	2.9
CSEE and CIS*	-0.2	36.2
Latin America**	-5.8	-3.3
Hong Kong and Republic of Korea	2.4	25.0
India	1.3	18.8
South East Asia and the Pacific***	11.1	9.0
Egypt	5.9	-29.1
South Africa	9.3	1.2

Source: International Monetary Fund; International Financial statistics (IFS).



ILO's estimates of stimulus impact

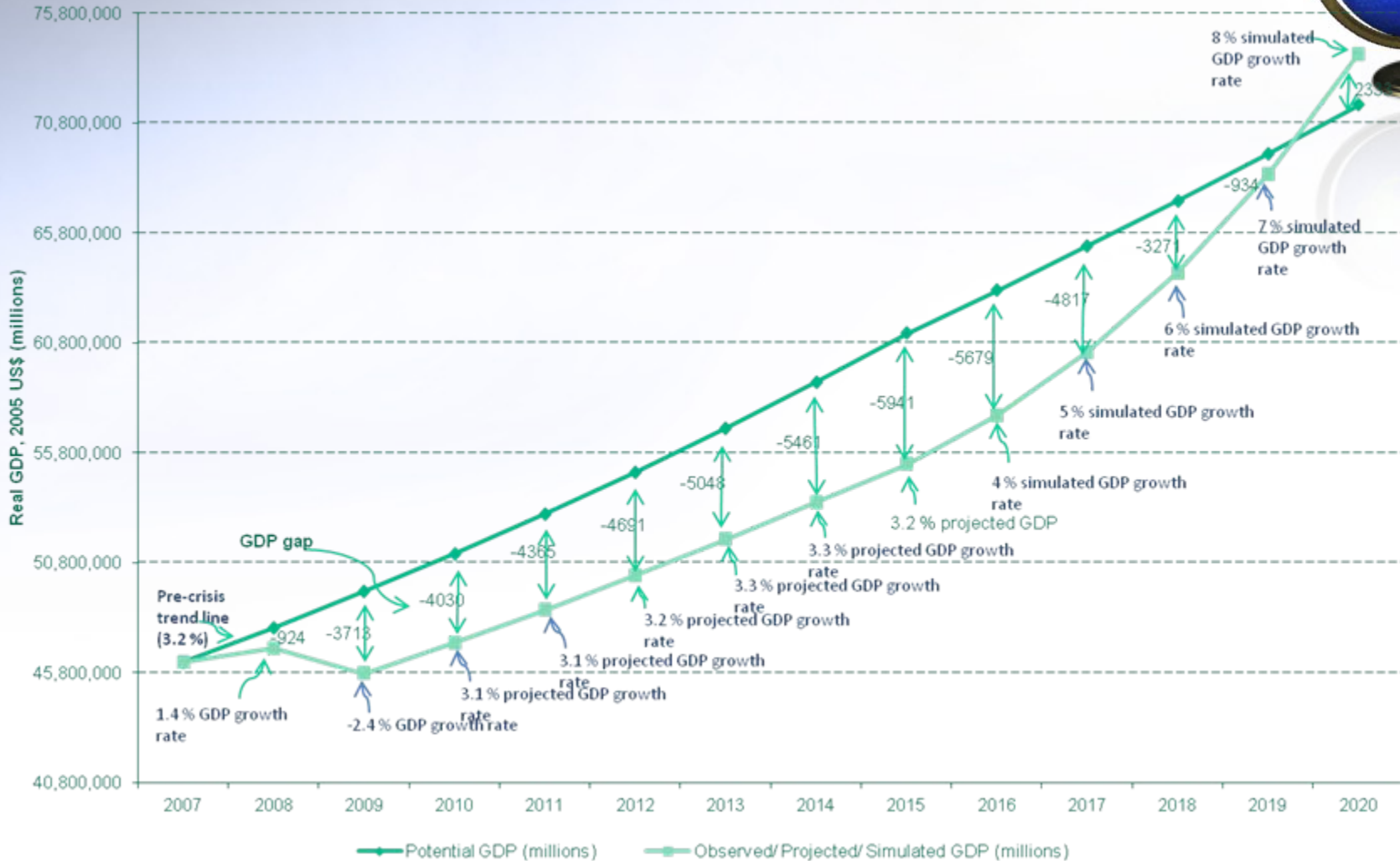


- Estimates of impact of fiscal stimulus and automatic stabilisers
- G20 countries: 20 million jobs created or saved over 2009-10
- 16 major stimulus non G20 countries: 5 million jobs created or saved



4. Projected potential for future growth of GDP and Employment

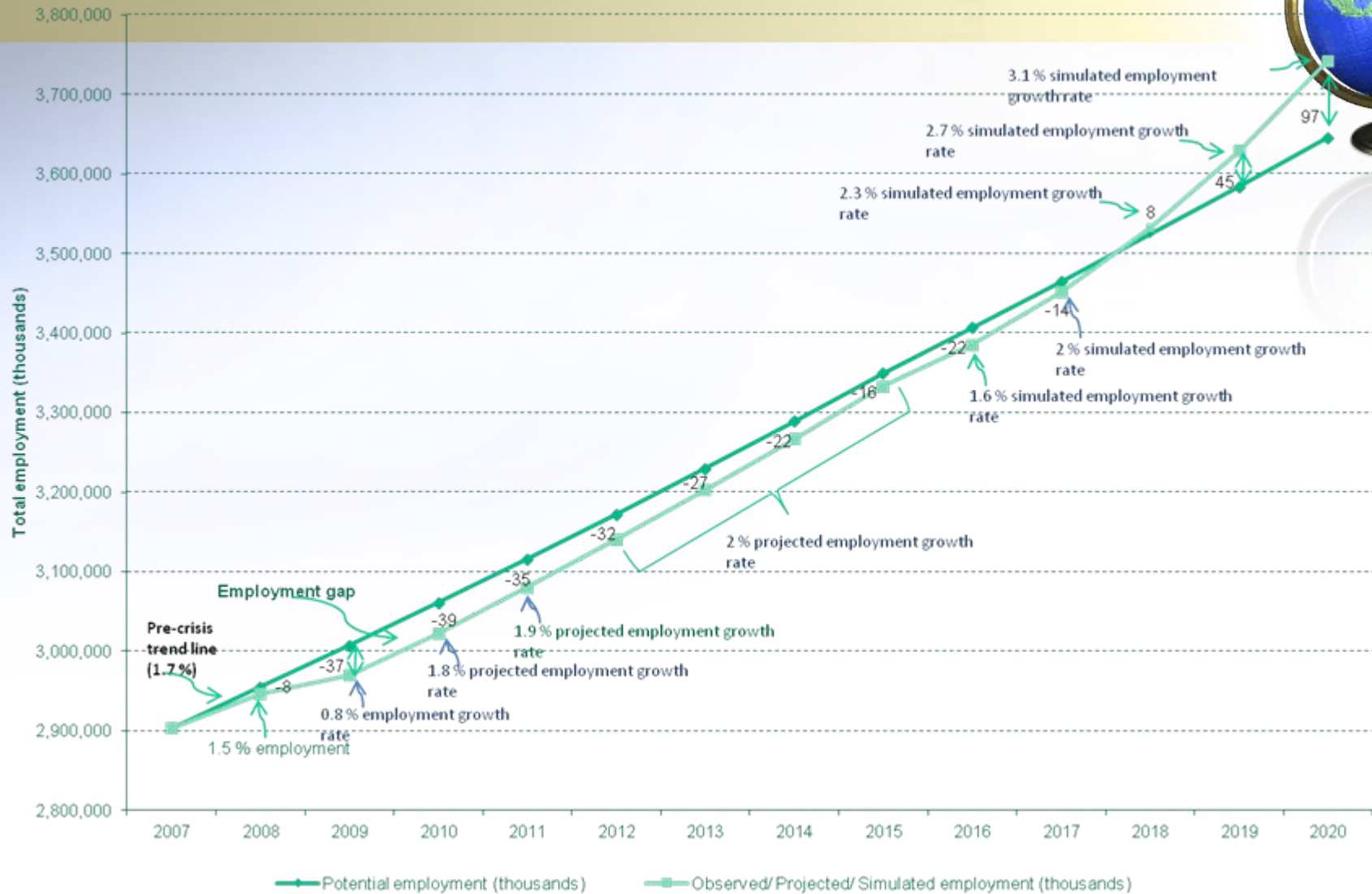
Global real GDP based on 164 countries, 2005 US\$ (millions)



Source: ILO estimates and IMF World Economic Outlook April 2010.



Global employment based on 164 countries (thousands)



Source: ILO estimates and IMF World Economic Outlook April 2010.



The space for stimulus versus consolidation

Variations in budget balance, private net savings and the current account balance between 2007 and 2004 (in pps)

Region	Budget Balance	Private net savings	Current account balance
<i>Central & South Eastern Europe (non-EU) & CIS</i>	2.32	-5.19	-2.87
<i>Developed Economies & European Union</i>	2.25	-2.55	-0.31
<i>East Asia</i>	2.03	2.36	4.39
<i>Latin America & the Caribbean</i>	0.34	-1.02	-0.69
<i>Middle East</i>	-0.28	6.17	5.89
<i>North Africa</i>	1.40	1.74	3.13
<i>South East Asia & the Pacific</i>	0.68	1.77	2.45
<i>South Asia</i>	0.79	-2.02	-1.23
<i>Sub Saharan Africa</i>	2.81	-3.81	-1.00

Variations in budget balance, private net savings and the current account balance between 2010 and 2007 (in pps)

Region	Budget balance	Private net savings	Current account balance
<i>Central & South Eastern Europe (non-EU) & CIS</i>	-6.85	7.95	1.11
<i>Developed Economies & European Union</i>	-6.64	7.14	0.5
<i>East Asia</i>	-3.68	-0.7	-4.38
<i>Latin America & the Caribbean</i>	-1.55	-0.08	-1.63
<i>Middle East</i>	-3.78	-7.54	-11.32
<i>North Africa</i>	-7.08	-3.1	-10.19
<i>South East Asia & the Pacific</i>	-2.25	-0.38	-2.63
<i>South Asia</i>	-2.57	2.25	-0.31
<i>Sub Saharan Africa</i>	-6.5	5.53	-0.97
<i>World*</i>	-5.51	5.32	-0.19

Budget balance, the private net savings and the current account balance in 2009 (% of GDP)

Region	Budget balance	Private net savings	Current account balance
<i>Central & South Eastern Europe (non-EU) & CIS</i>	-5.90	7.70	1.90
<i>Developed Economies & European Union</i>	-8.00	6.40	-0.60
<i>East Asia</i>	-1.90	8.20	6.30
<i>Latin America & the Caribbean</i>	-3.10	2.80	-0.30
<i>Middle East</i>	-2.04	5.25	3.22
<i>North Africa</i>	-7.20	5.30	-1.90
<i>South East Asia & the Pacific</i>	-3.48	9.51	6.02
<i>South Asia</i>	-6.46	4.08	-2.38
<i>Sub Saharan Africa</i>	-5.25	5.06	-0.20
<i>World*</i>	-6.64	6.96	0.33

