Overall World Economic Prospects

Summary: Across the globe, many countries are beginning to recover from the recession. Nonetheless, unemployment remains problematic in most places, and bad weather in a couple of countries has caused rising agricultural prices. Meanwhile oil production remains a critical economic issue for many countries.

News and Outlook for the Global Economy

The Copenhagen climate accord has failed to set targets for climate reduction, Bloomberg reports, causing the prices of European Union carbon certificates to decline further. Prices of such certificates have reached their lowest level since March due to doubts about future regulation and to decreased demand for such certificates during the recession. Nonetheless, the United States intends to cut emissions to 83-86% of what they were in 2005 by 2020, while the European Union is maintaining its existing plans to cut emissions to 80% of what they were in 1990. Meanwhile, Reuters reports that China, India, Brazil, and South Africa formed an effective bloc in preventing the Copenhagen agreement from being legally binding, and predicts that they will be a force to be reckoned with in future climate discussions.

Oil futures fell by 1% on Monday, the Wall Street Journal reports. The Journal attributes the change to a rising dollar, which made oil more expensive to holders of other currencies, and to decreased geopolitical tensions. The price had risen after Iranian troops seized an Iraqi oil well in a disputed border region, but those troops have since left. Cold weather (including the recent east coast snowstorm) had aided the increase by stimulating demand for oil. Early in 2010 oil and other commodity prices tended to rise, worsening the global outlook.

The International Monetary Fund (IMF) projects that while global economic recovery has begun, it is likely to be quite gradual. IMF Chief Economist Oliver Blanchard has said that he expects GDP growth to generally remain positive, but cautioned that much of it depends on private investment and consumption strengthening as public stimulus plans are rolled back. The IMF predicts that the advanced economies will recover slowly, while the first improvements among developing countries will be seen primarily in Asia, although Africa and the Middle East are also likely to grow due to rising commodity prices.

Meanwhile, the OECD also projects that the economies of the more economically advanced countries will recover slowly, with unemployment remaining high for some time (not falling until early 2010 in the United States, and as late as 2011 in the Euro Area). The OECD blames the slow rate of recovery on the poor financial situation of households and businesses, which are likely to spend much of their incomes getting out of debt. It sees the slow rate of recovery causing inflation to remain low.
Regional News and Outlooks

The Developed World

The United Nations reports that the economic situation in the more developed countries is experiencing a turnaround after a free fall in trade, industrial production, employment, asset prices and credit availability. But consumer and investor demand remains subdued, and it forecasts that growth in many countries will remain weak in 2010 and, without strong efforts at international economic cooperation, in 2011.

In the view of the UN, the economic rebound now being experienced is due to three factors: Concerted policy actions taken by major countries which effectively arrested the decline in confidence worldwide; A change in the global inventory cycle, where production is now beginning to rebuild inventories; and a pattern of international adjustment among major exporting countries supportive of recovery.

Featured Economy: The United States

Sales levels in the United States housing market have rebounded, Business Week reports, reaching their highest level since 2007. Prices continue to decline, however, with the median housing price falling by 4.3% in November.

BBC News reports that the United States economy is now believed to have grown by 2.2% in the fourth quarter (July-September). This is lower than the previous estimate of 2.8% and far below the initial estimate of 3.5%. For 2010, the United Nations expects the U.S. economy to expand by about 2 per cent during the year.

Meanwhile, the World Bank reports that the rainy autumn in the United States, coupled with late spring plantings and a late harvest, has driven up global agricultural prices, which rose by 3.2% in October (including a 12% increase in the price of corn). Bad weather in the United States has also increased the price of cotton by 4%.

Featured Economy: The European Union

The BBC reports that the number of unemployment claims in the United Kingdom fell by 6,300 in November, and now stands at 99.6% of its previous level, the first decline since 2008. However, the number of long-term unemployment claimants (those who have been collecting jobseekers’ allowances for over 12 months) has doubled since last year, with jobless levels this quarter reaching the highest they’ve been since 1997.

The World Bank reports that the Euro Area is now out of the recession. French and German GDP increased in both the second and third quarters of 2009, with overall Euro Area GDP shrinking slightly in the second quarter but recovering in the third quarter. Manufacturing for the Euro Area has also picked up, with third-quarter French and German manufacturing increasing by 2.9% and 15%, respectively. Eurozone growth, however, is forecasted by the UN to be only about ½ per cent in 2010.
**Eastern Europe**

Although the [Russian government has declared the recession to be over](https://www.wallstreetjournal.com), The Wall Street Journal reports that Russian Finance Minister Alexei Kudrin has stated that [Russian unemployment will rise](https://www.iet.org/) in coming months. A new study by the Institute for the Economy in Transition also projects rising unemployment, with December projected to have the most monthly job losses this decade. Russia’s GDP grew slightly over the third and fourth quarters, while unemployment has risen to 8.1%, and the UN expects only about 1 ½ per cent growth in 2010.

**East Asia**

The World Bank reports that Japan has recovered well, thanks to booming exports. [Japanese exports](https://www.worldbank.org/) have increased by 5% a month since the start of the second quarter, pulling up manufacturing by 3% a month over the same period. Recently, however, Japanese export numbers have plateaued out, which may be a bad sign for East Asian trade. Growth is forecast at only 1 per cent for 2010.

The Wall Street Journal reports that Taiwan’s exports have also skyrocketed, experiencing their highest yearly growth rates since the 1980s, mostly due electronics exports.

**Featured Economy: China**

[Business Week](https://www.businessweek.com/) reports that China has indicated an interest in purchasing Canadian dollars rather than American dollars as a reserve currency in light of the American dollar’s decline. Russia has also expressed an interest in Canadian dollars.

**Southeast Asia & Polynesia**

[AFP](https://www.ap.org/) reports that Singapore and the European Union (EU) are considering a free trade agreement, after attempts to make a free trade agreement between the EU and the Association of Southeast Asian Nations (ASEAN) were put on hold. The EU is Singapore’s largest trade partner, having accounted for 12% of its total trade this year.

**South Asia**

[Bloomberg](https://www.bloomberg.com/) reports that India’s central bank will probably raise interest rates in January, but is not immediately concerned with the country’s rising food prices. The food inflation rate in India was 4.78% in November, bringing food prices to their highest level since 1998, but the central bank argues that the rising prices are caused by poor harvests due to an unusually dry monsoon season, and thus cannot be remedied by monetary policy.

[Reuter’s](https://www.reuters.com/) reports that after reviewing Pakistan’s economic situation, the International Monetary Fund (IMF) has approved a payment of $1.2 billion, bringing Pakistan’s IMF debts to $6.5 billion. Pakistan’s aid package allows it to collect up to $11.3 billion in IMF aid.
Central Asia
Turkmenistan has seen overtures from Russia to settle their gas dispute, the Financial Times reports, with Russia contracting to buy up to 30 billion cubic meters of gas a year and build a new pipeline from western Turkmenistan to Russia. Turkmenistan has been trying to escape from the Russian monopsony on Central Asian gas, with plans to build pipelines to China, Iran, and the European Union (which is already a major purchaser of the gas Russia buys from Central Asia).

Middle East
The Organization of Petroleum Exporting Countries (OPEC) has agreed to hold oil production steady, the Associated Press reports. Rising oil prices, coupled with the recession, have led many OPEC nations to violate their cartel agreements in order to raise additional funds. OPEC members keep oil prices high by agreeing to restrict output, but compliance with these quotas is now believed to be as low as 60%.

Reuters reports that Iraq has signed a deal with a Chinese oil company for its Halfaya oil field. French and Malaysian companies also have stakes in the field. Meanwhile, Business Week reports that Iraq has made an agreement with Japanese and Malaysian companies regarding a southern oil field.

Africa
Reuters also reports that Egypt is considering making a long-term wheat import agreement with Russia, one of its main suppliers of wheat. The world’s largest wheat importer, Egypt has recently passed regulations that make it harder to obtain wheat from France, a nation which has supplied about a third of the country’s wheat imports over the past several months.

The Guardian reports that Nigeria’s oil exports have been rising and are expected to peak in January, before dropping slightly in February due to the fact that February has 3 fewer days to work. The rise is attributed to reduced attacks by militants on production facilities.

Zambia is privatizing 75% of its state-run telecommunications company, Bloomberg reports. Thus far, bids have been received from Angolan, Indian, and Libyan companies.

Latin America & the Caribbean
Mexico plans to increase bond sales by 500 million pesos in the first quarter, Bloomberg reports. Bloomberg further reports that Mexican unemployment fell by 0.24% in November, to a level of 5.7%.

The Wall Street Journal reports that Brazil’s government experienced a $6.2 billion surplus in November, making November the second month in a row that the government has operated on a surplus. However, this year’s surpluses have been only a quarter of what they were last year.

For the region, the pace of growth in 2010 is expected to pick up, with output expanding 3 ½ per cent.