

Executive Summary

In 2010, global economic activity continued to recover from the severe recession recorded in the wake of the global financial crisis. The economic upturn was sustained by monetary and fiscal policy stimulus measures. A prolonged inventory cycle supported the global economic recovery, as firms rebuilt their stocks in response to a more favourable global economic outlook. In addition, further normalization of global financing conditions and improvements in consumer and business confidence aided the recovery. Employment conditions gradually improved over the course of the year, following widespread job losses throughout the preceding two years. The overall improvement in the economic situation and the rebound in activity was accompanied by a strong recovery in world trade, particularly in the first half of the year.

In the second half of the year, the global recovery lost some momentum in the light of waning support from the global inventory cycle along with the retrenchment of fiscal stimuli. Several countries also announced consolidation measures to address their precarious fiscal situations. As a result, global trade dynamics also slowed in the second half of 2010, with trade expanding at a slower pace than in the first six months.

However, the pace of the recovery was rather unbalanced across regions. In advanced economies, the pickup remained fairly modest. At the same time, the emerging economies experienced continued buoyant economic growth, particularly in Asia

and South America, to lead the global recovery. This has accelerated the longer-term structural realignment in global economic activity in favour of Asia, notably toward the emerging economies of China and India.

For the year as a whole, world real GDP grew by 5.0 percent in 2010, up from a 0.5-percent contraction in 2009. The advanced economies posted economic growth of 3.0 percent in 2010, after having registered a decline of 3.4 percent the previous year. In contrast, the expansion was more robust in the developing economies, as growth accelerated to 7.3 percent last year, following a 2.7-percent increase in 2009.

Within the developed economies, the advanced economies of Asia fared the best as the Newly Industrialized Economies of Asia advanced by 8.4 percent, while Japan posted the fastest growth among the major advanced economies at 3.9 percent. The United States posted its strongest growth since 2005, up 2.9 percent in 2010 following a 2.6-percent decline in 2009. At the same time, the recovery across most advanced European nations was more subdued, with euro zone growth registered at 1.8 percent after a 4.1-percent decline in 2009. In the United Kingdom, growth in 2010 was even weaker, at 1.3 percent following a 4.9-percent contraction the previous year. However, Germany posted a stronger increase of 3.5 percent last year.

Growth in emerging Asia outpaced all other regions in 2010, led by China and India at 10.3 percent and 10.4 percent, respectively. The next fastest-growing region