



INTERNATIONAL JOBS REPORT **IJR**

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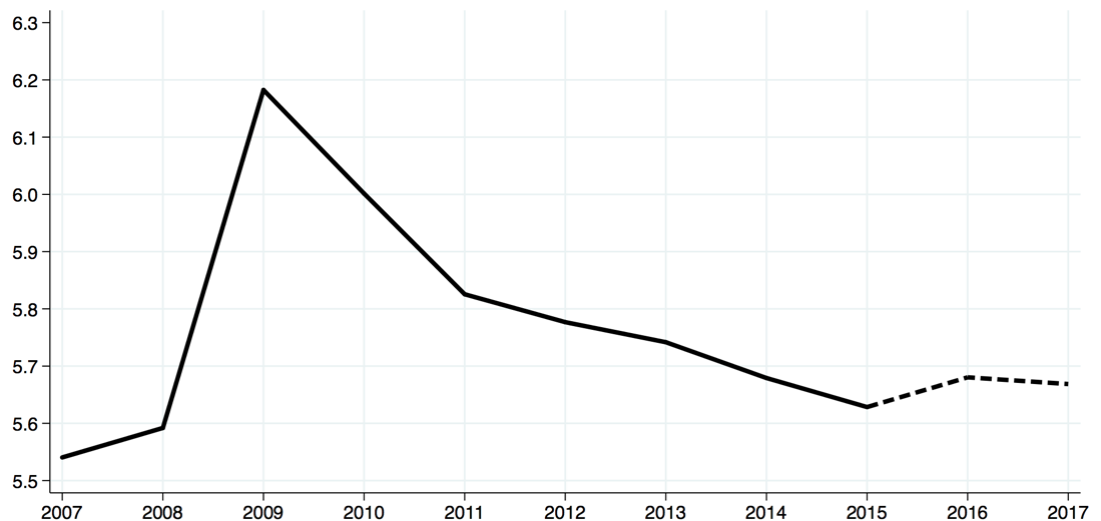
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Summary

The global unemployment rate inched up to 5.7 percent this year after several years of decline. This reflects sharp increases in unemployment in the Latin America and Caribbean region and among fuel-exporting countries. Hence, while the total number of people unemployed around the globe will remain somewhat stable at about 175 million, several million people will be added to the ranks of the unemployed in these two groups of countries. Unemployment rates are expected to decline in most advanced economies, but remain well above historical averages in a few countries such as Greece, Cyprus, Portugal and Spain.

The global unemployment rate is expected to be 5.7 percent this year and stay roughly constant at that level next year (Figure 1). In absolute numbers, this means that about 175 million people are unemployed at the moment. Our estimate of the global unemployment rate is based on data for 116 countries, of which 37 countries are classified as ‘advanced’ (i.e. high-income) countries and 79 as ‘emerging market and developing economies’.

Figure 1. Global Unemployment Rate (%)

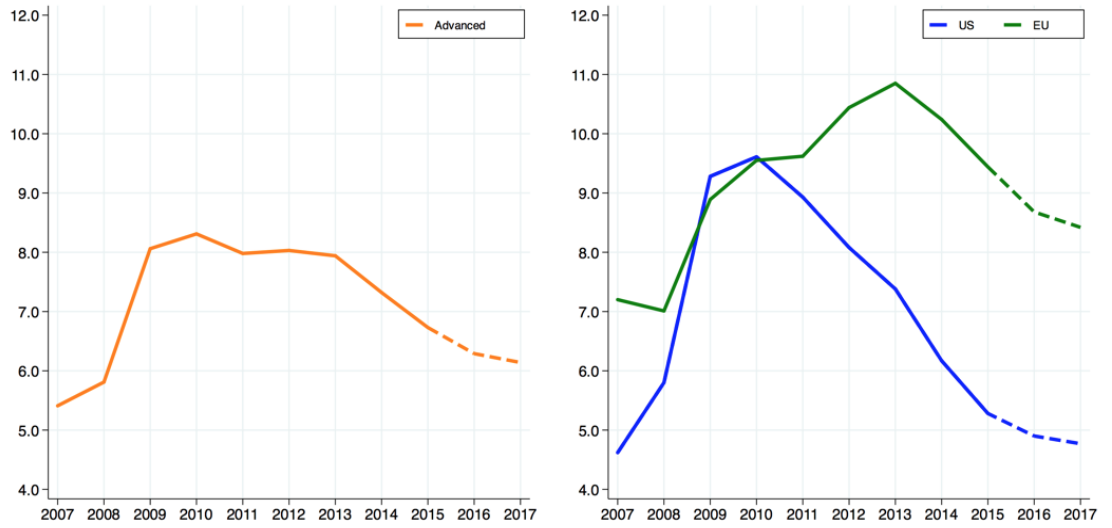


Sources: International Monetary Fund; International Labor Organization; national governments.

The unemployment rate in the advanced economies is expected to decrease to 8.4 percent next year (Figure 2, left panel), reflecting steady declines in both the United States and European Union (EU) countries (Figure 2, right panel). The U.S. level of unemployment, however, is expected to be much lower than that in the EU: 4.8 percent in the former compared to 8.4 percent in the latter. This means that about 7.7 million people will be unemployed in the US, and 21 million people will be unemployed in the EU.



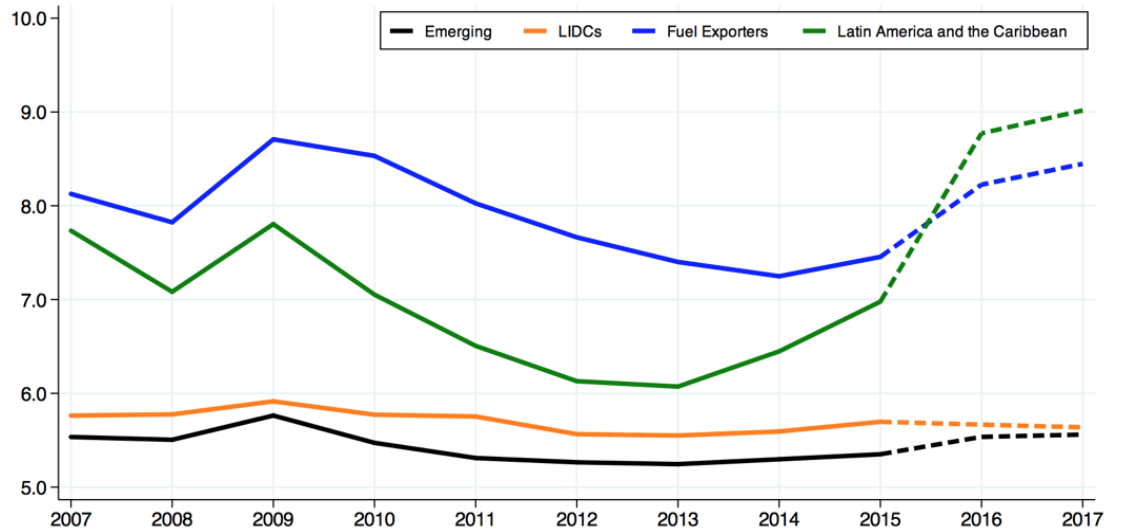
Figure 2. Unemployment Rate (%): Advanced, US, and EU



Sources: International Monetary Fund; International Labor Organization; national governments.

Out of the 79 emerging market and developing economies, 19 are categorized as low-income developing countries (LIDCs). We refer the remaining 60 as emerging economies. As shown in figure 3, on average, the unemployment rate in emerging economies and LIDCs is expected to be quite stable.

Figure 3. Unemployment Rate (%): Emerging, LIDCs, Fuel Exporters, and Latin America and the Caribbean



Sources: International Monetary Fund; International Labor Organization; national governments.

However, there are two groups of countries for which the unemployment rate is expected to increase sharply, fuel-exporting countries and countries in the Latin America and Caribbean region. For fuel exporters, the unemployment rate is expected to shoot up to 8 ½ percent next year. This is a percentage point above the level in 2015 and implies that an additional 4 million

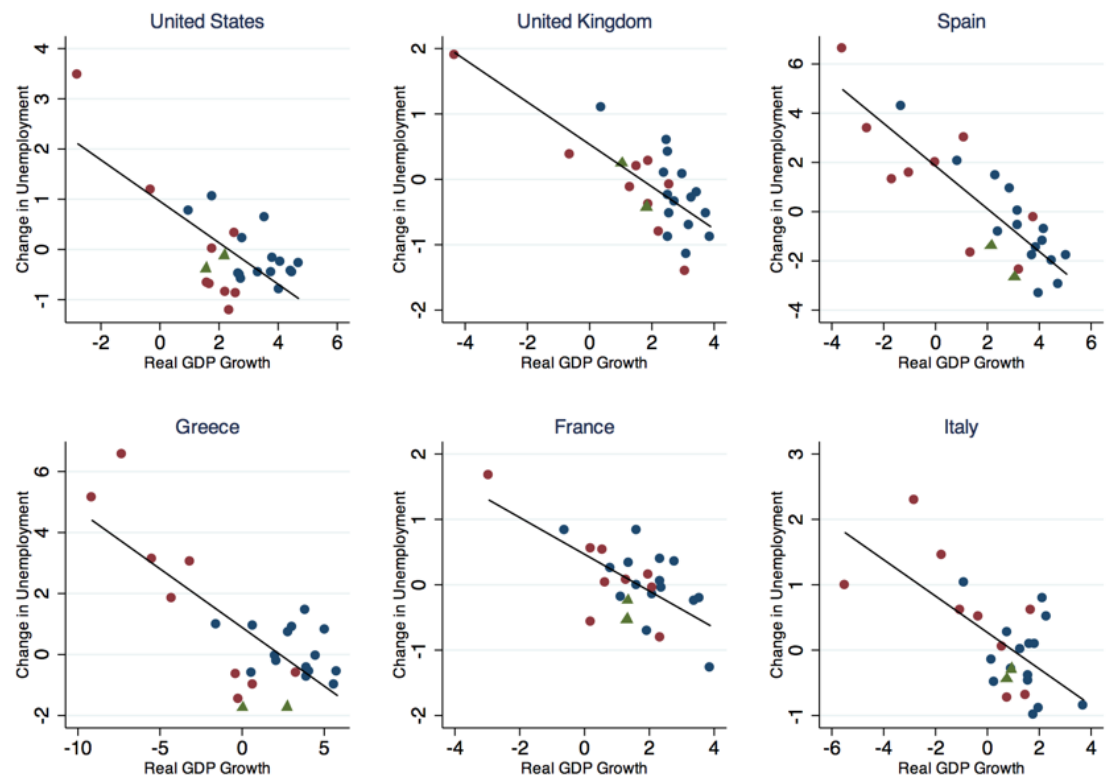


more people will join the ranks of the unemployed. For the Latin America and the Caribbean region, the unemployment rate is forecast to reach 9 percent in 2017, which is 2 percentage points above the 2015 level and will add nearly 6 million people to the ranks of the unemployed.

To summarize in broad terms, unemployment rates are expected to decline in advanced economies but expected to go up in many emerging economies and LIDCs. The reason for this is not a surprise: these unemployment developments largely reflect what is happening to economic conditions, as measured by real GDP growth.

Figure 4 displays the short-run relationship between unemployment and real GDP growth in selected advanced economies: United States, United Kingdom, Spain, Greece, France, and Italy. The variables on the vertical and horizontal axes are the change in unemployment rates and the growth rate in real GDP, respectively. There is a clear negative relationship: higher GDP growth translates into a decline in the unemployment rate. As shown in figure 5, a similar relationship—though not as strong—holds in selected emerging economies and LIDCs: Brazil, Venezuela, Argentina, Russia, Egypt and South Africa.

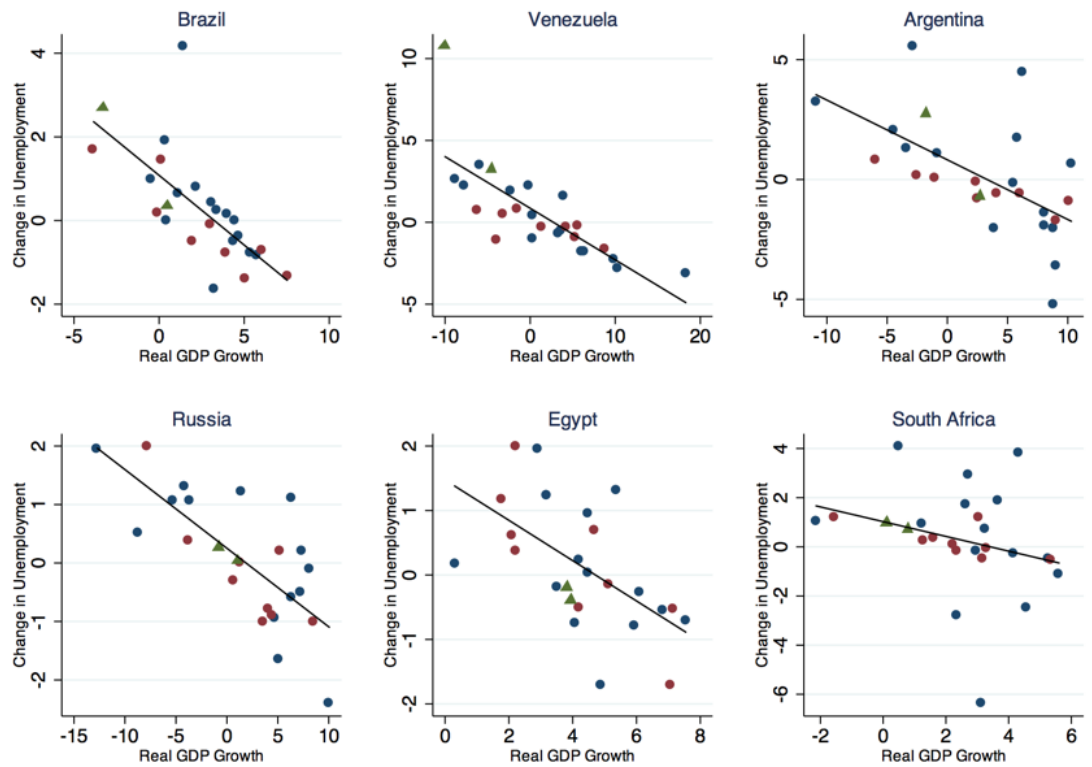
Figure 4. Link between Jobs and Growth: Advanced Economies



Sources: Ball, Furceri, Leigh and Loungani (2016)



Figure 5. Link between Jobs and Growth: Emerging Economies and LIDCs



Sources: Ball, Furceri, Leigh and Loungani (2016); An, Ghazi and Gonzalez-Prieto (2016)

Figure 6a displays the scatter plot of unemployment rate in 2016 (vertical axis) against that in 2007 (horizontal axis). In most countries, unemployment rate in 2016 was close to its pre-crisis value (2007).

Figure 6a. Unemployment Rate: 2016 vs. 2007

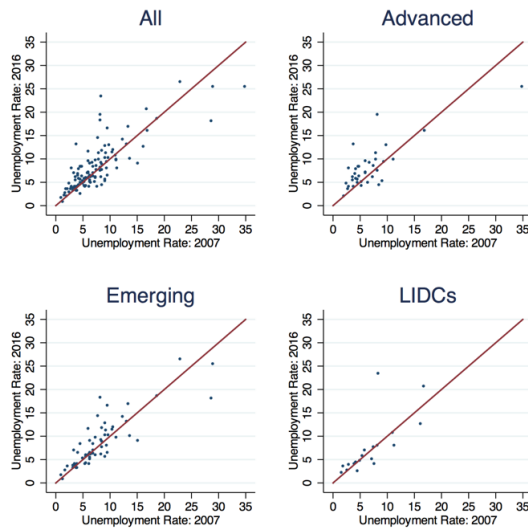


Figure 6b. Unemployment Rate: 2016 vs. 1991-2007

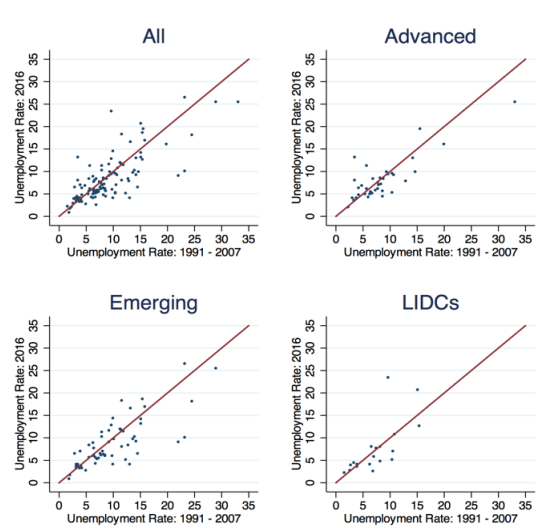




Figure 6b shows the scatter plot of unemployment rate in 2016 (vertical axis) and the average value of the unemployment rate between 1991 and 2007 (horizontal axis). In most countries, the unemployment rate in 2016 is also close to its historical average.

Figure 7a. Increase in Unemployment Rate between 2007 and 2015

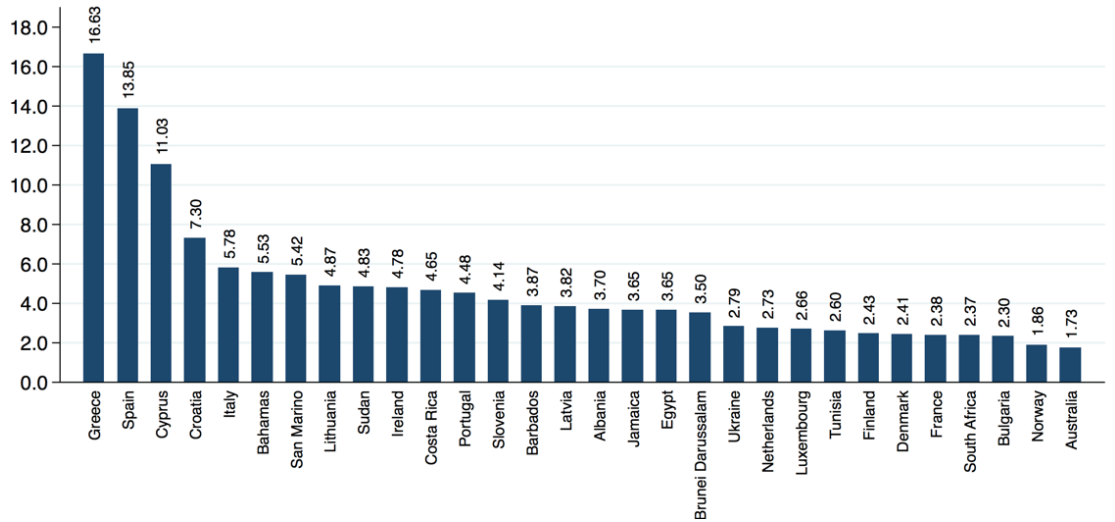
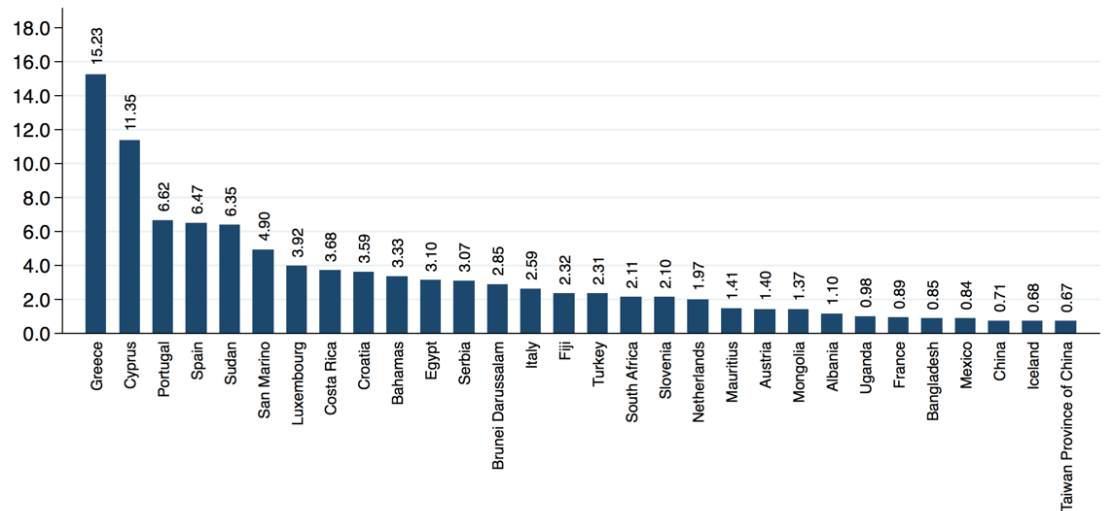


Figure 7a and 7b displays the increases in unemployment rate between 2015 and 2007, as well as the 1991-2007 average, respectively. There are still a few countries, Greece, Spain, Cyprus, for example, where unemployment rates remain much higher than pre-crisis and historical average.

Figure 7b. Increase in Unemployment Rate between 1991-2007 average and 2015



This report was drafted by Prakash Loungani (OCP Policy Center Senior Fellow) under the guidance of Karim El Aynaoui and with the assistance of colleagues at OCP Policy Center.