

THE CRISIS AND ITS CONSEQUENCES

4. The world is in a global financial, economic and social crisis spreading and evolving at high speed. The channels of transmission are very rapid and multiple; from bank credit, finance and capital flows to a fall in demand affecting output, exports and prices, onto exchange rates, current account and fiscal positions. It is impacting upon the real economy and quickly becoming a global jobs crisis. All countries are affected by a severe global downturn characterized as the worst in over 60 years.

5. Most developed countries have entered into recession and a significant slowdown is underway in emerging economies and developing countries. The economic prospects for this year are the worst in modern economic history, pointing to stagnation or even recession in the world economy in 2009. World trade and foreign direct investment, among the most powerful engines of economic growth and development, are expected to contract.

6. The crisis affects people first and foremost through employment and work, incomes and earnings, prices; soon through services. If action is not taken urgently, it can be devastating for the most vulnerable and voiceless. The achievement of the MDGs is at risk. Poverty and hunger are increasing and major reversals in hard won gains will likely be seen. Employment has declined sharply in many countries and is likely to decline further throughout 2009. The purchasing power and quality of life are being eroded for the majority. Children, women, the working poor and people already at a disadvantage will be hit first. Migrants and refugees will be under pressure for further displacement. Social frustration, tensions and instability are on the increase.

7. As developed countries turn to addressing their own national issues arising from the crisis, protectionism and inward-looking attitudes may prevail and the availability of resources for development may be further curtailed. Moreover, with higher levels of unemployment in developed countries, the flow of remittances from migrant workers to their countries of origin is likely to decline, affecting millions of households directly.