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The latest issue of the OCED's twice-yearly Economic Outlook once again portrays a moderate recovery scenario, with a downward revision of the growth forecasts for this year and 2014, to 2.7 percent and 3.6 percent respectively. Due to demographic trends and structural impediments that are exposed with the fiscal consolidation efforts, growth in the emerging market economies (EMEs) is decelerating. The weaker prospects for growth in the EMEs create a high risk of global spillovers that may slow the growth most notably in Europe and Japan. In order to minimize the risk of negative shocks, the EMEs are advised to accelerate the pace of reforms to address vulnerabilities.

In the euro area, the rate of recovery is diverse; unemployment remains high especially among the youth; and inflationary pressures are subdued. Major risks include weak bank balance sheets; fragile public finances; deflationary risks; and political uncertainty. Nonetheless, economic activity is expected to recover in 2014 and 2015 following the improvement in confidence, the ease in fiscal consolidation, and the decline in market fragmentation. Governments of the euro area are recommended to continue fiscal consolidation to reduce the high debt levels; allow the automatic stabilizers to fully operate; restructure banks where needed; and make progress on the banking union.

In the Russian Federation, growth is projected to strengthen gradually thanks to higher infrastructure spending, investments in the mining sector, and more exports to the recovering euro area. Disinflation is likely to continue for a while, and consumption growth will be maintained because of low unemployment and resulting real wage growth. The prominent areas that require action are tightening of fiscal policy, prioritization, efficiency of public spending, and improvements in the business climate. In order to reduce the heavy dependence on oil and gas revenues, removing entry barriers; improving skill matches on the labour market; and enhancing innovation support are essential measures.

In Turkey, high levels of private consumption and infrastructure investments strengthened growth in the first half of the year, yet the international capital market turbulence pushed interest rates upward and exchange rate downward in the second half. Nevertheless, export growth is expected to increase and growth is projected to reach 4 percent in 2014 and 2015. The highlighted policy recommendations include increasing the transparency of general government fiscal accounts; maintaining the quality of banking supervision; and cooling-off measures for addressing the widening external deficit.