

Global Economic Prospects

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WORLD BANK GROUP

Equitable Growth, Finance & Institutions

Prospects Group

Three Questions

1 What are global growth prospects?

2 What are the implications of these prospects for global inequality?

3 What are the policy priorities for EMDEs?

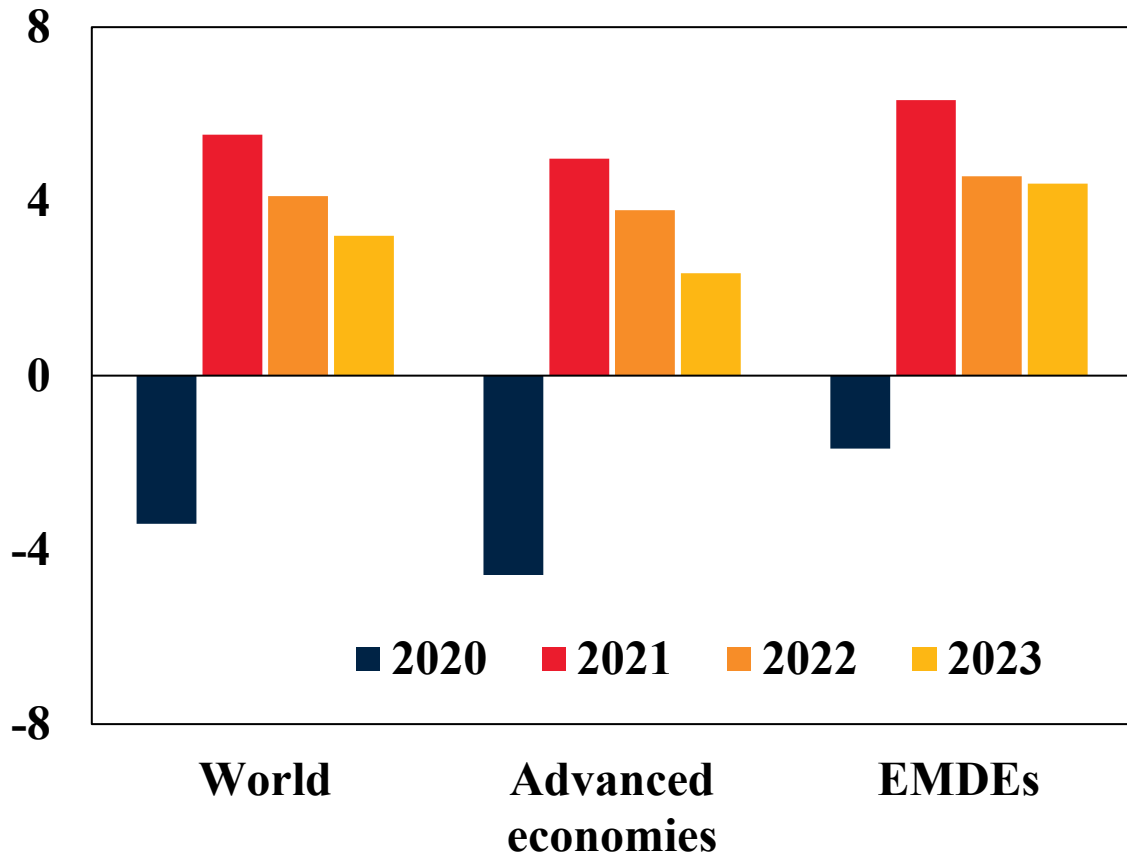
Three Questions

- 1 **What are global growth prospects?** *A pronounced global slowdown is underway before the recovery is complete in EMDEs, with downside risks.*

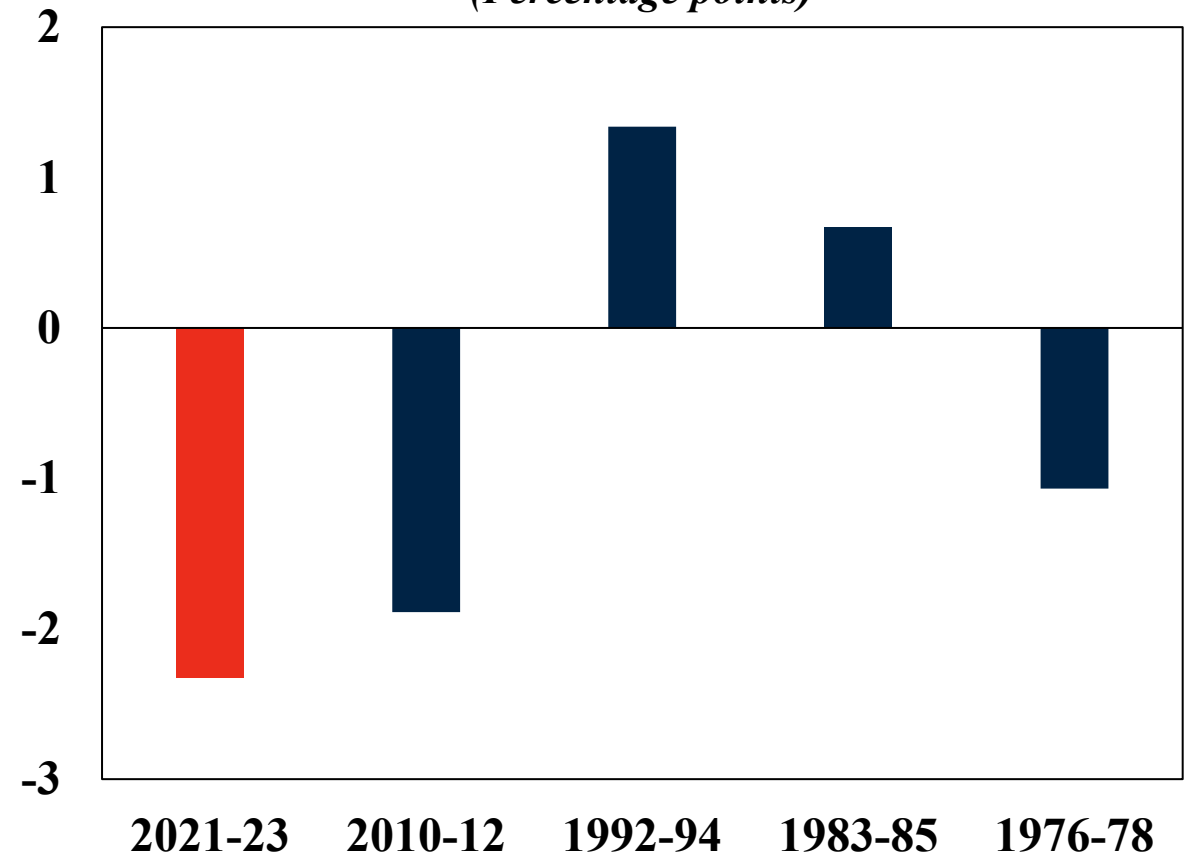
Short-term Growth Prospects

Broad-Based and Exceptionally Steep Slowdown in 2022-23

GDP growth
(Percent)



Two-year-slowdowns in global growth after rebounds from global recessions
(Percentage points)

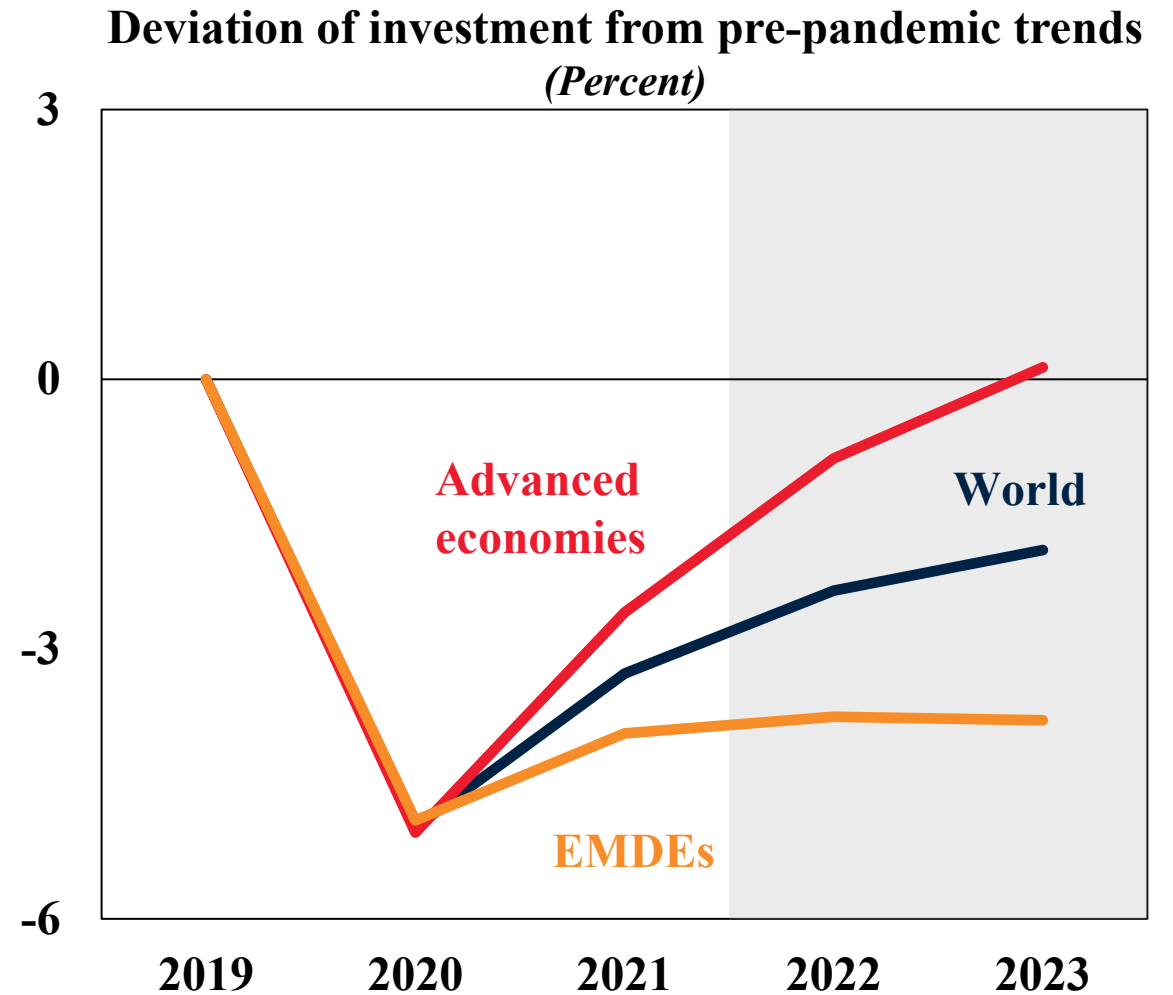
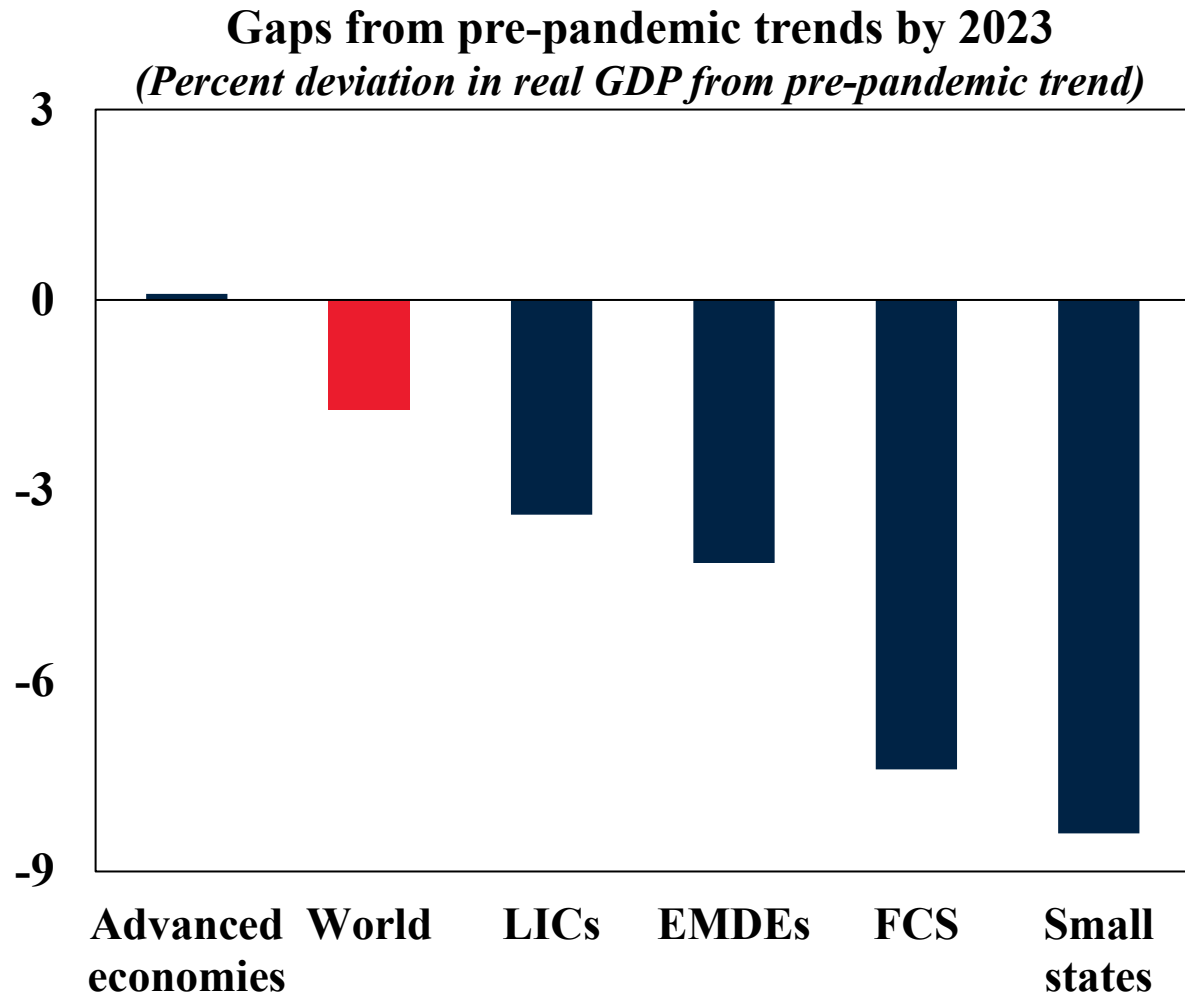


Source: World Bank.

Note: Aggregate growth rates are calculated using GDP weights at average 2010-19 prices and market exchange rates. Data for 2021 are estimates and data for 2022 and 2023 are forecasts. Left Panel. Purple horizontal lines refer to potential growth estimates based on a production function approach as described in Kilic Celik, Kose and Ohnsorge (2020).

Uneven Global Recovery

Lasting Scarring Partly due to Weak Output and Investment Recovery

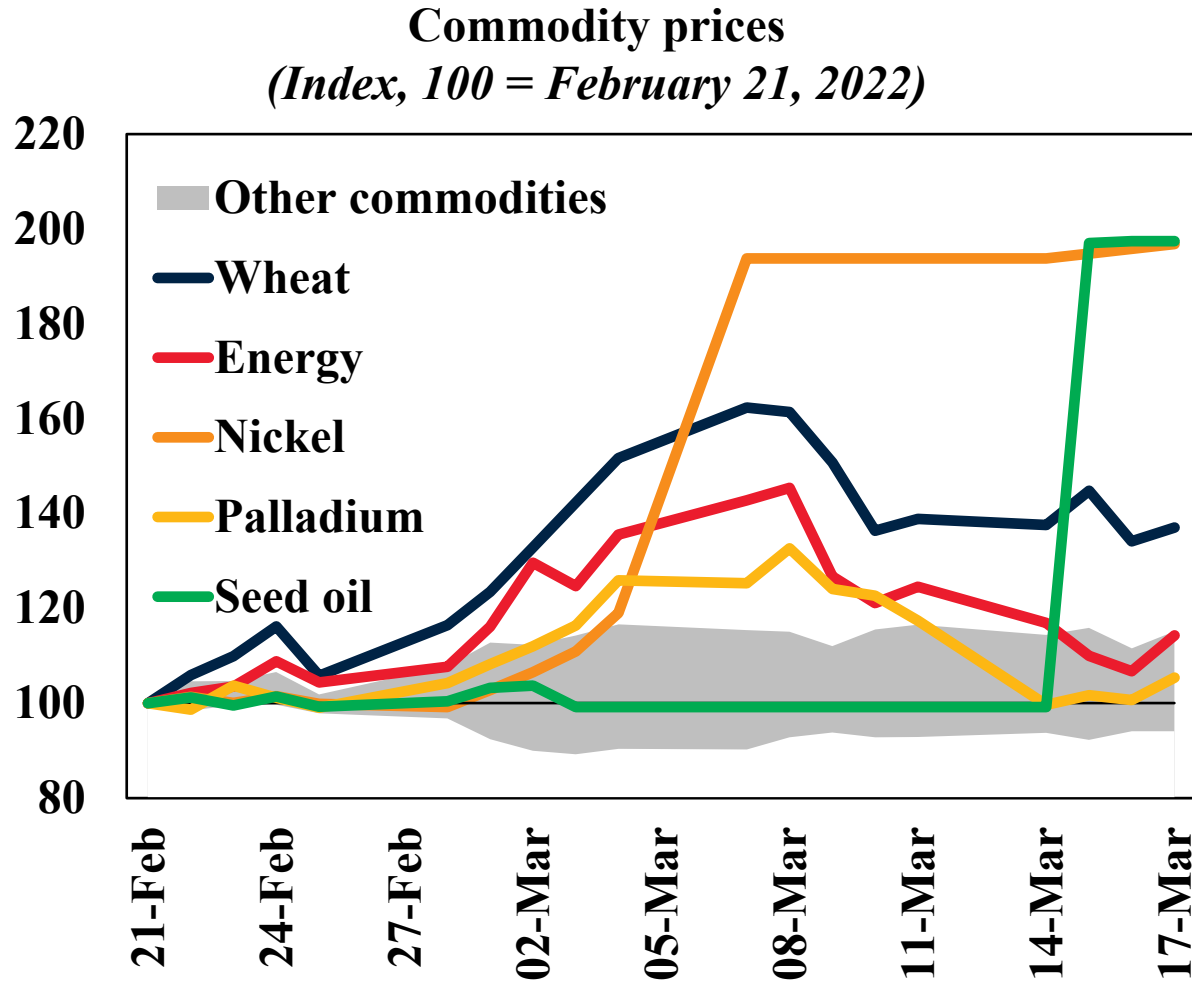


Source: World Bank.

Note: Figures show the gaps (Left Panel) or percent deviation (Right Panel) between the latest projections and forecasts released in the January 2020 edition of the Global Economic Prospects report. For 2023, the January 2020 baseline is extended using projected growth for 2022. Left Panel. FCS and LICs refer to fragile and conflict-affected situations and low-income countries, respectively. The small states sample includes 32 EMDEs. Right Panel. Shaded area indicates forecasts.

Russia's and Ukraine's Role in Global Commodity Markets

Sizable for Energy, Wheat, Nickel

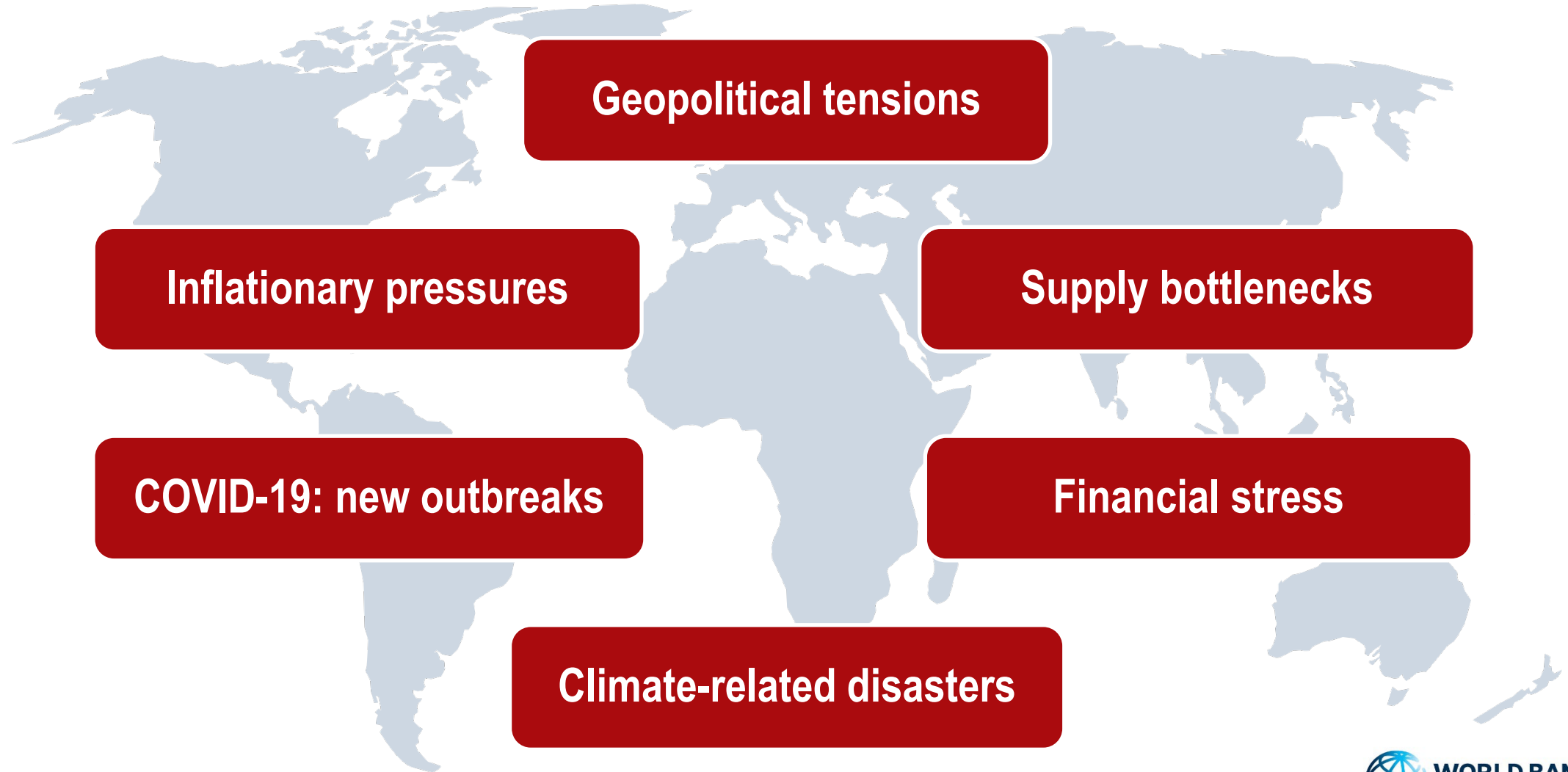


Sources: Bloomberg; Haver Analytics; World Bank.

Left Panel: Index 100 is February 21, 2022. Last observation is March 17, 2022. Missing data is assumed to be the same as the last preceding date with data. Right Panel: Data for 2020. Export shares for energy commodities are in volume terms, and for non-energy commodities are in value terms.

Risks Confronting EMDEs

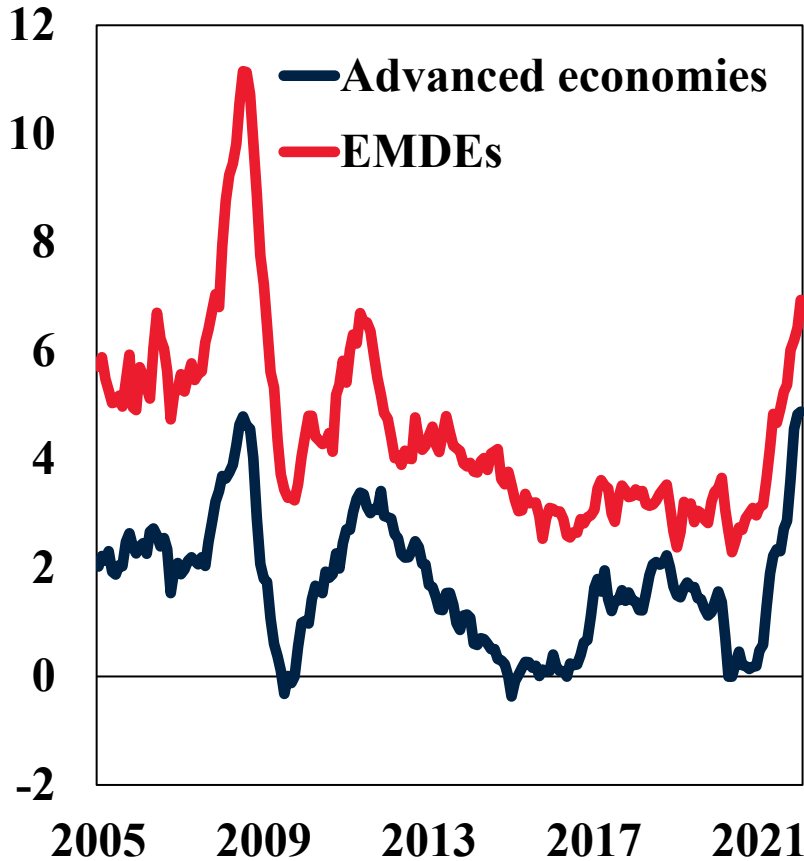
Multiple, Mutually Reinforcing



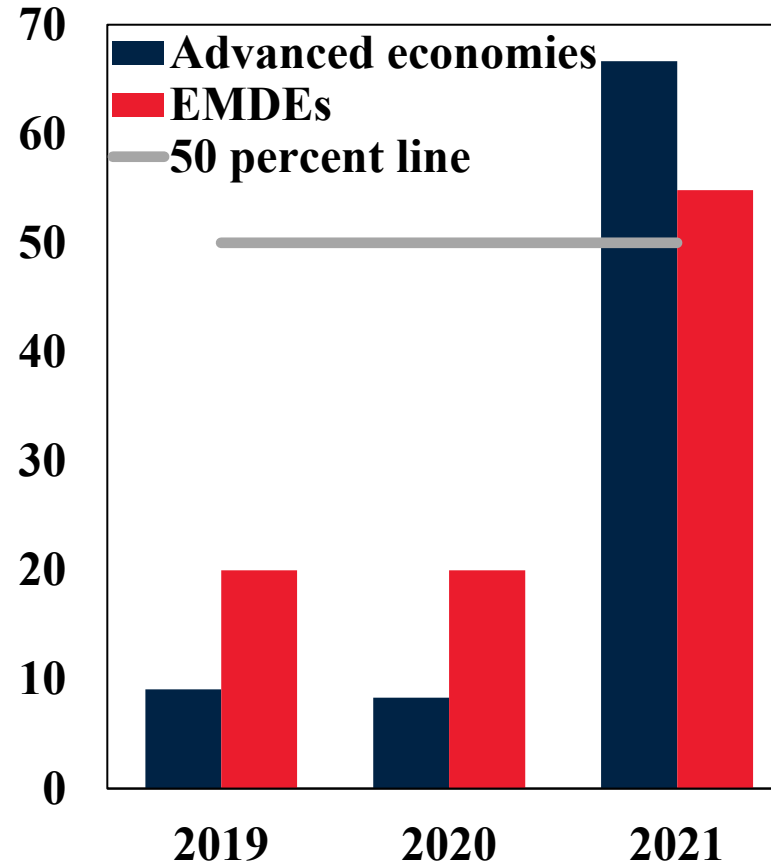
Inflation

Sharp Increase in Inflation; Above Target in Most EMDEs

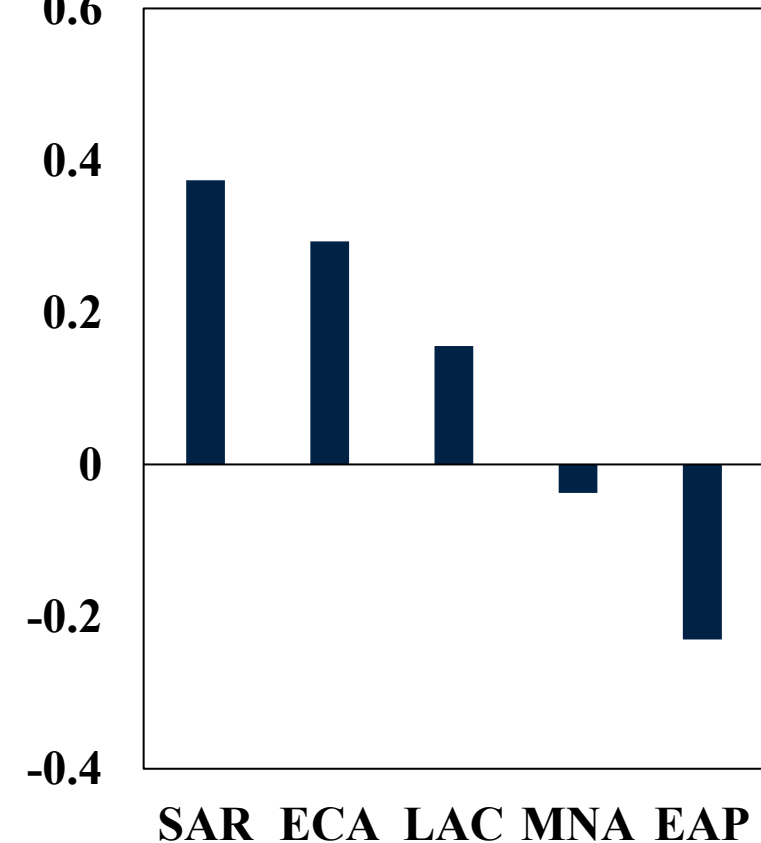
CPI inflation
(Percent)



Countries with inflation above target
(Percent)



Change in long-term inflation expectations since January 2020
(Percentage point)



Sources: Consensus Economics, Haver Analytics, World Bank.

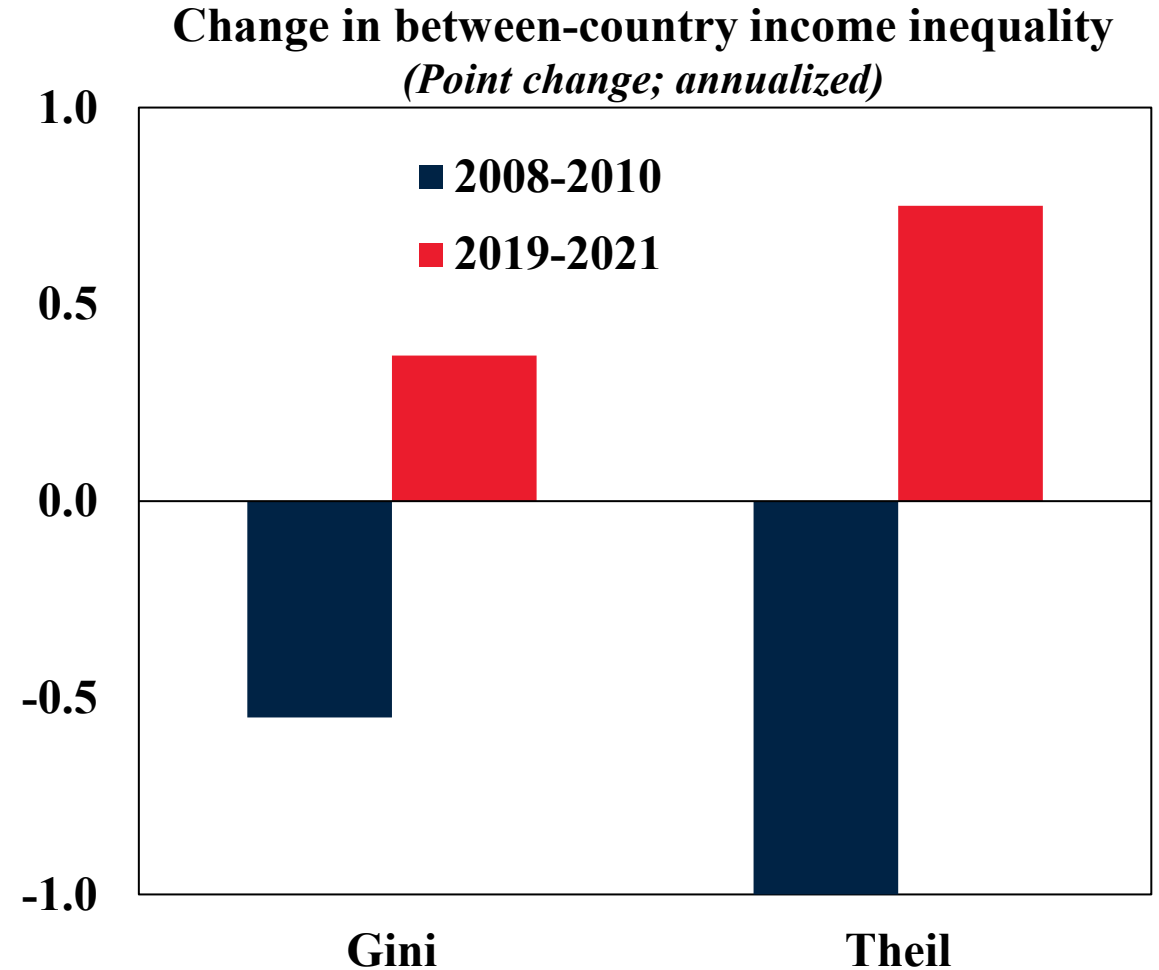
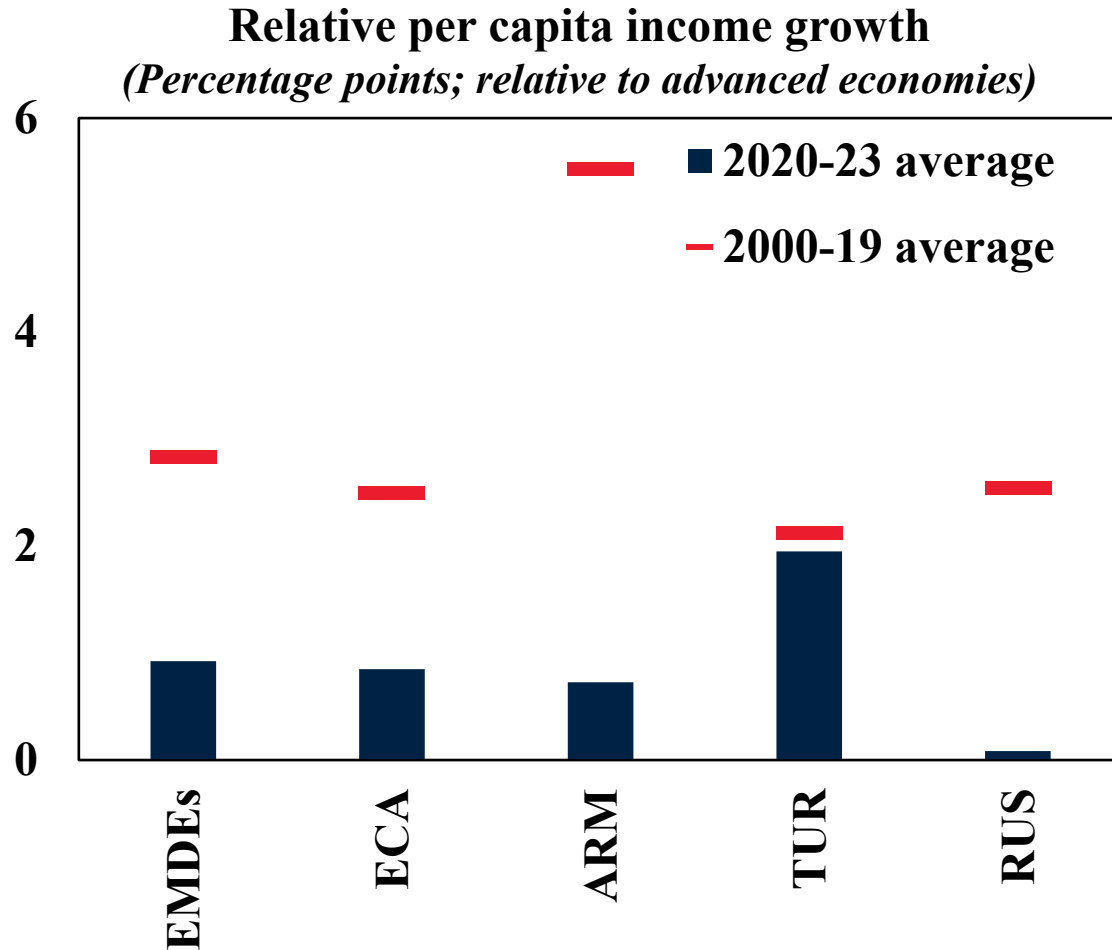
Left Panel. CPI refers to consumer price index. Year-on-year group median inflation for 81 countries, of which 31 are advanced economies, 50 are EMDEs and 15 are ECA countries. Center Panel. Share of inflation-targeting countries that experienced inflation above the target range for each year. Right panel. Bars show changes in the inflation expectations since the beginning of the COVID-19 pandemic, by five EMDE regions. EAP = East Asia and Pacific, ECA = Europe and Central Asia, LAC = Latin America and the Caribbean, MNA = Middle East and North Africa, SAR = South Asia.

Three Questions

2 What are the implications of these prospects for global inequality? *Between-country inequality has risen considerably, within-country inequality somewhat.*

Between-Country Income Inequality

Renewed Increase in 2020 Global Recession



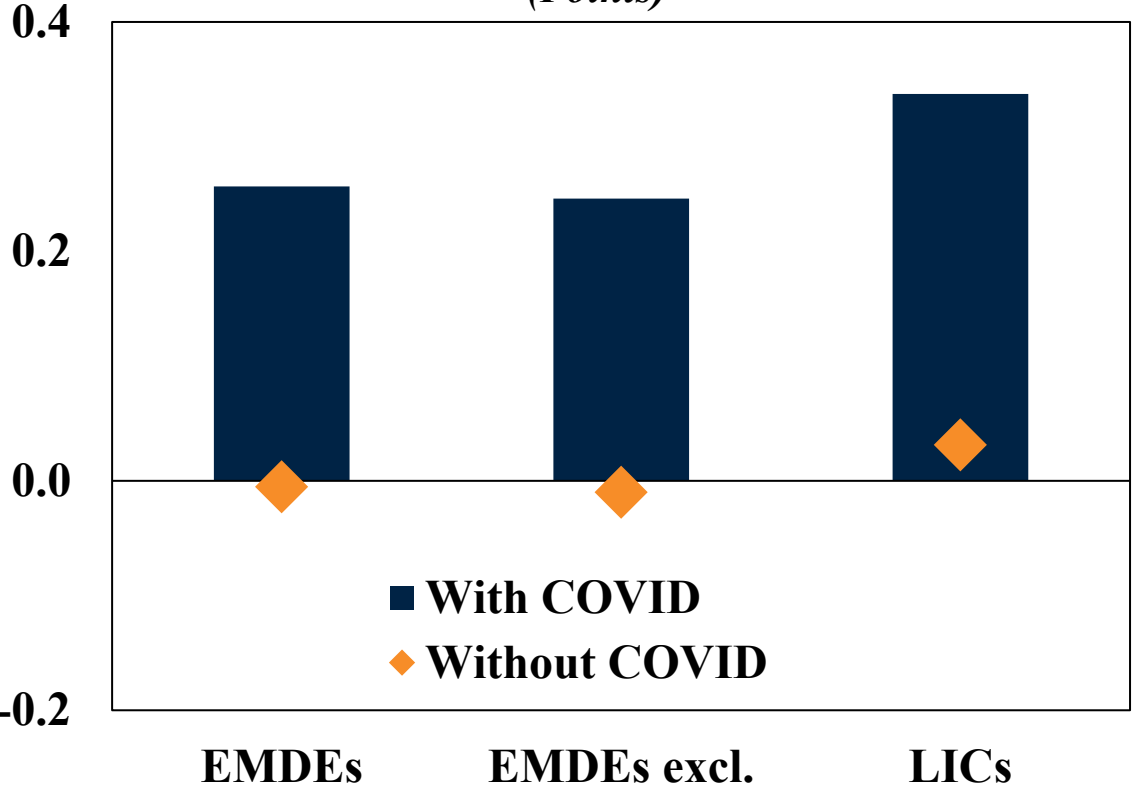
Source: World Bank.

Note: Based on World Bank's World Development Indicators and growth projections. Left Panel: EMDEs = emerging market and developing economies; LICs = low-income countries. Relative per capita income growth is computed as a difference in per capita GDP growth between respective EMDE groups and advanced economies, expressed in percentage points. Right Panel: The figure shows annualized change in the inequality indices between the two years indicated. Theil generalized entropy GE(1) index and Gini index are computed using GDP per capita, PPP (constant 2017 international dollars). The Gini index is on 0-100 scale.

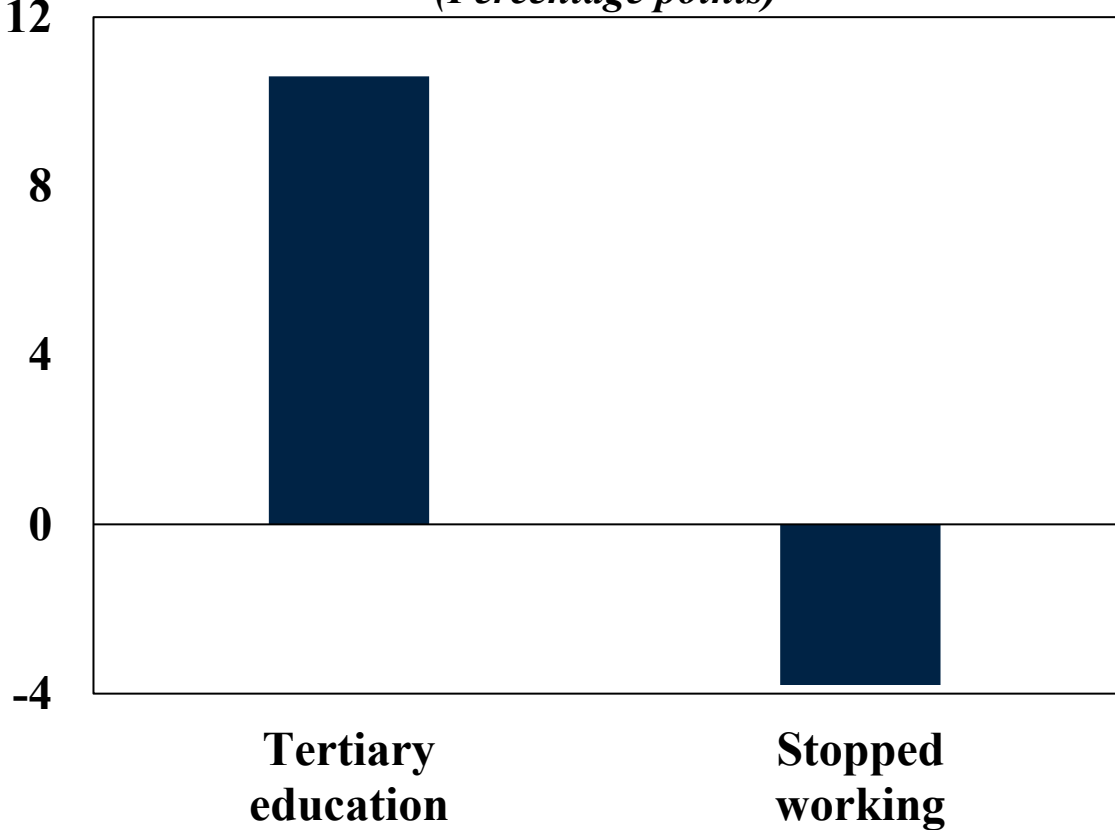
Within-Country Income and Learning Inequality in EMDEs

Increase in Income Inequality; Unequal Learning Losses

Change in Gini index, 2020
(Points)



Contribution to probability of continued learning among children during school closures
(Percentage points)



Source: Narayan et al. (forthcoming); World Bank. **LICs**
 Note: EMDEs = emerging market and developing economies; LICs = low-income countries. Left Panel: The simulations show the estimated changes in household income distribution from 2019 to 2020 against a counterfactual 2020 income distribution that assumes the last pre-pandemic sectoral output growth forecast for 2020. The exercise is conducted for 34 EMDEs, of which 10 are LICs. The simulations are based on country-specific sectoral growth projections and harmonized high-frequency phone surveys data as of July 2021. Right Panel: Based on the logit regression of the incidence of households reporting continued learning among children on several covariates reflecting household characteristics with country fixed effects. The sample is limited to households with children going to school before the pandemic. "Stopped working" refers to the adult survey respondent.

Three Questions

3 **What are the policy priorities for EMDEs?** *Room for macroeconomic policies is limited. Structural policies are needed for green, resilient, and inclusive growth.*

Policy Priorities

Measures to Ensure Green, Resilient, and Inclusive Growth

Control the Pandemic

- Global coordination to ensure equitable access to vaccines and reduce the threat of new variants
- Accelerate vaccine rollout in EMDEs, especially LICs

Ensure Macroeconomic Stability

- Confront inflation to ensure price and financial stability; strengthen macroprudential policies
- Bolster domestic revenue mobilization to rebuild fiscal buffers and address debt sustainability concerns
- Strengthen fiscal, monetary, and macroprudential frameworks to manage business and commodity cycles
- Support vulnerable groups and strengthen policy interventions to avoid increases in within-country inequality

Enhance Crisis Preparedness and Growth Prospects

- Strengthen public institutions and health and education systems to bolster physical and human capital
- Foster firm competition and improve digital infrastructure
- Strengthen equality of opportunity by broadening access to health care, education, technology, infrastructure
- Reduce reliance on commodity sectors for fiscal and export revenues

Confront Climate Change and Inequality

- Expand financing to scale up climate change adaptation and facilitate decarbonization
- Enhance social safety nets, income redistribution, and access to education and health

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Select Publications by Prospects Group

- *Global Economic Prospects* – *June 2022*
(January and June)
- *Commodity Markets Outlook* – *April 2022*
(April and October)
- *Global Monthly*

- *One-Stop Source: Global Database of Inflation* – *July 2021*
- *Inflation During the Pandemic “What Happened? What is Next?”* – *July 2021*

- *The Aftermath of Debt Surges* – *September 2021*
- *A Mountain of Debt: Navigating the Legacy of the Pandemic* – *October 2021*
- *What Has Been the Impact of COVID-19 on Debt? Turning a Wave Into A Tsunami*– *December 2021*

Questions & Comments

Thanks!

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