

Global Economic Prospects

Indermit Gill

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Based on work by World Bank Group economists

World economy is stabilizing

- Stabilizing, but to lower growth rates than before COVID
- Inflation rates are coming down, but will remain higher than before COVID
- Interest rates easing, but will remain higher than in in the 2010s

Global Growth

GDP growth rates

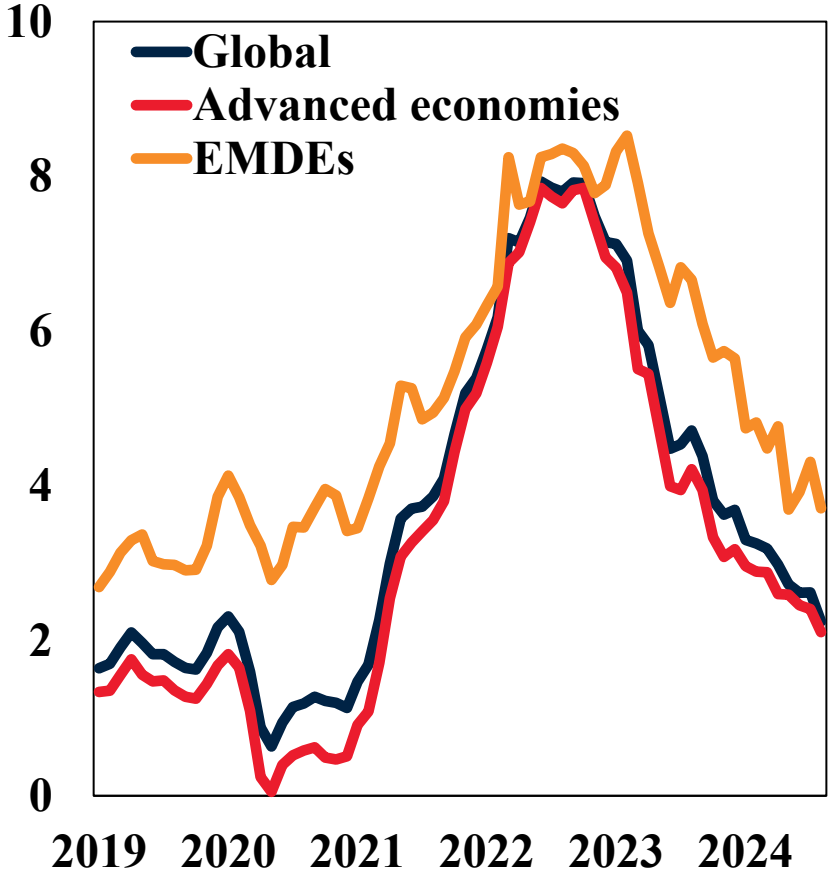
(Percent)

	2010-19	2023	2024e	2025f	<i>Change from June 2024</i>	
					2024	2025
World	3.1	2.6	2.6	2.7	0.0	0.0
Advanced economies	2.0	1.5	1.6	1.7	0.1	0.0
<i>Excluding the United States</i>	<i>1.8</i>	<i>0.9</i>	<i>0.9</i>	<i>1.6</i>	<i>0.0</i>	<i>-0.1</i>
EMDEs	5.1	4.2	4.0	4.0	0.0	0.0
<i>Excluding China</i>	<i>3.7</i>	<i>3.5</i>	<i>3.5</i>	<i>3.9</i>	<i>0.0</i>	<i>-0.1</i>
East Asia and Pacific	7.2	5.1	4.8	4.4	0.0	0.2
Europe and Central Asia	3.2	3.3	3.2	2.6	0.2	-0.3
Latin America and the Caribbean	2.2	2.2	2.0	2.5	0.2	-0.2
Middle East and North Africa	3.3	1.7	1.9	3.9	-0.9	-0.3
South Asia	6.7	6.6	6.4	6.3	0.2	0.1
Sub-Saharan Africa	3.6	2.8	3.3	4.1	-0.2	0.2
IDA	4.8	3.7	4.1	4.5	-0.2	0.0

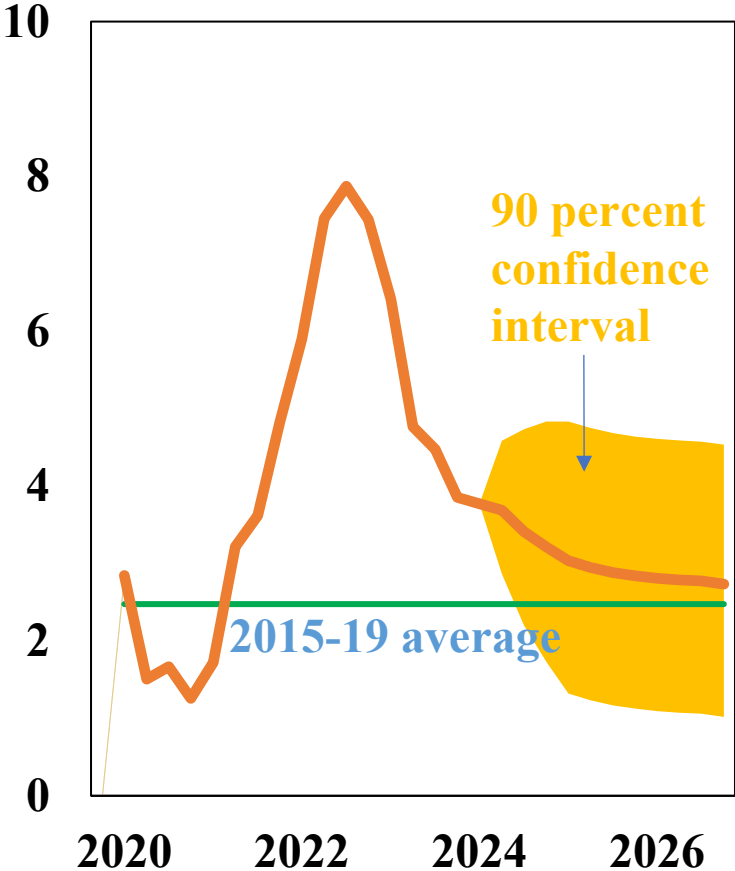
Source: World Bank. Note: Aggregate growth rates are calculated using GDP weights at average 2010-19 prices and market exchange rates; e and f refer to estimates and forecasts, respectively.

Global Inflation

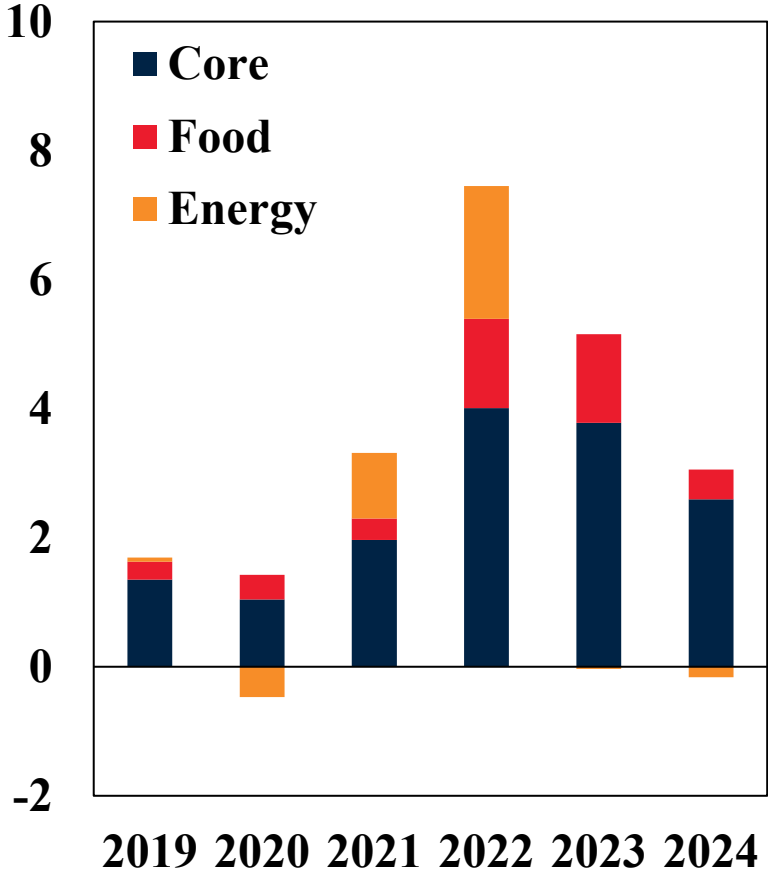
Headline CPI inflation
(Percent, year-on-year)



Global CPI inflation forecasts
(Percent)



Contributions to global inflation
(Percentage points)

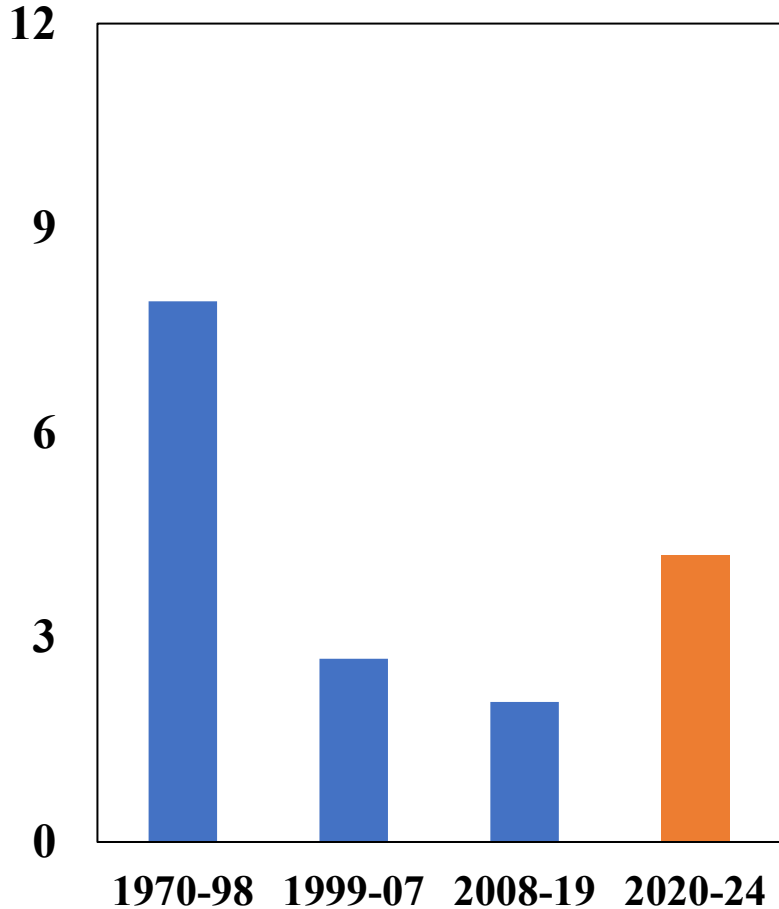


Sources: Consensus Economics; Haver Analytics; International Monetary Fund; OECD; Oxford Economics; World Bank. Left Panel. GDP-weighted year-on-year headline CPI inflation for up to 49 countries (29 advanced economies and 20 EMDEs ex. China and Türkiye). Last observation is August 2024. Center Panel. Model-based projections of year-on-year global CPI inflation using Oxford Economics' Global Economic Model as presented in the June 2024 edition of the *Global Economic Prospects* report. Uncertainty bands constructed from the distribution of forecast errors for total CPI from Consensus Economics for an unbalanced panel of 18 economies. Right Panel. GDP-weighted annual average headline CPI inflation, based on data for up to 42 (29 advanced economies and 13 EMDEs ex. China and Türkiye). Data for 2024 are average inflation between January and July or August

Interest Rates, Inflation, and Global Factors

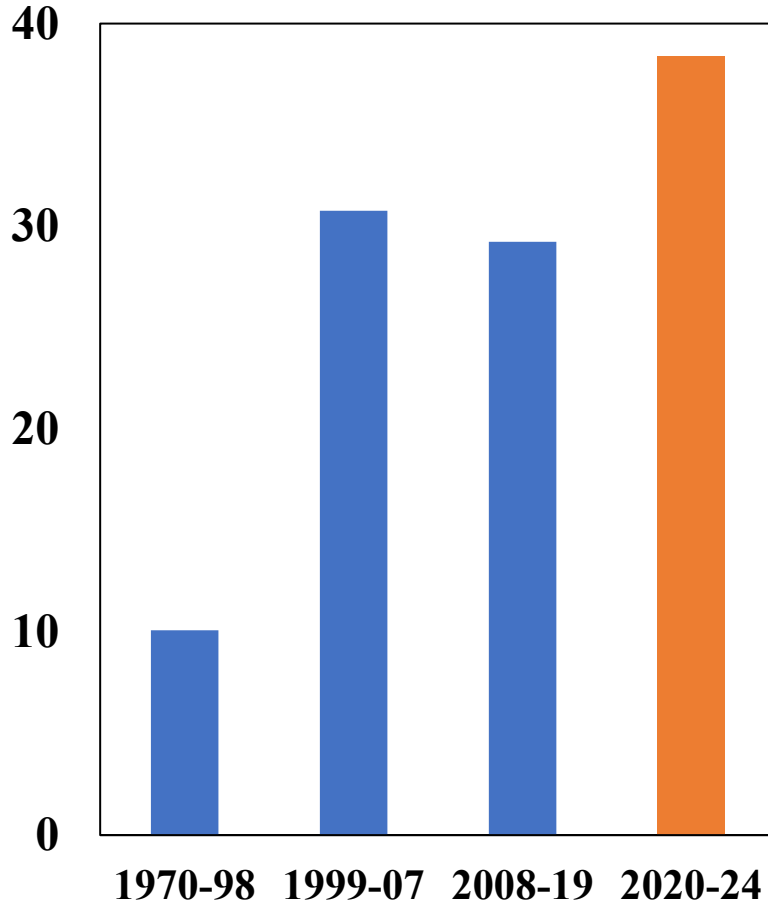
Increase in interest rates

(Percentage points, tightening phases)



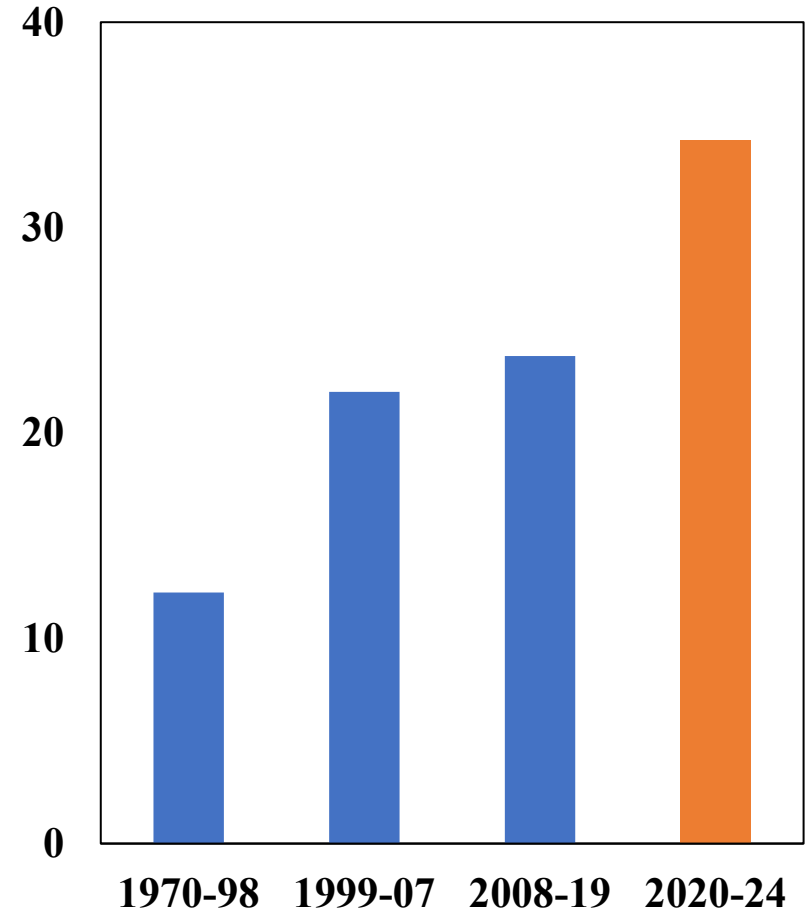
Share of interest rate variation

(Percent due to global factors)



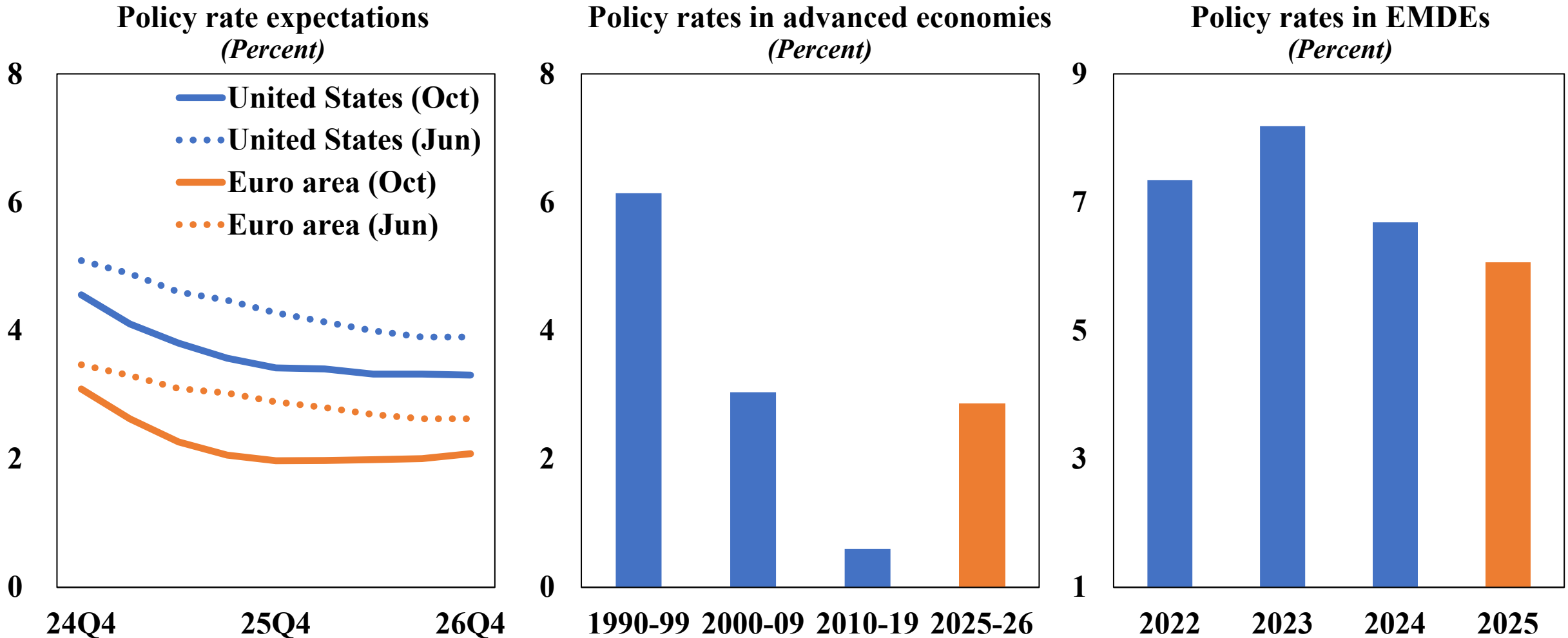
Share of inflation variation

(Percent due to global factors)



Source: Forbes, Ha, and Kose (2024). Left Panel. Means across all tightening phases within the given time period, with data ending on May 31, 2024. Total change in rates (in any direction) over the entire phase. Members of the euro area are included as individual countries through 1998, and then the euro area is included from 1999. Center Panel. Average variance contributions of the global policy rate factor to the variations in country-specific policy rates in eight advanced economies, based on data from January 1970 through March 2024. Right Panel. Average variance contribution of the global policy rate factor to the variations in country-specific inflation in eight advanced economies, based on data from January 1970 through March 2024.

Easing, but rates will likely remain higher than 2010s



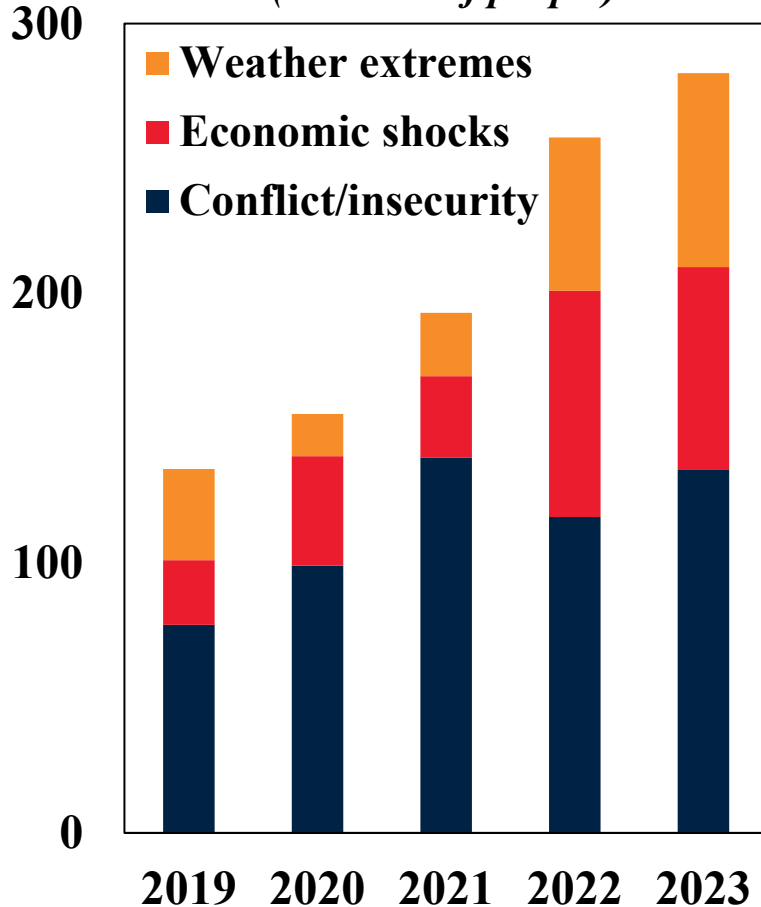
Sources: Bloomberg; Consensus Economics; Haver Analytics; World Bank.

Left Panel. Policy rate expectations derived from futures curves observed on June 1 and October 9, 2024. Center Panel. Average annual policy interest rates. Aggregates are calculated as GDP-weighted averages of the policy rates and policy rate expectations (for 2025-26) for the United States, the euro area, and the United Kingdom. Policy rate expectations are based on futures curves observed on September 27, 2024. Right Panel. Bars for 2022-23 represent median 3-month Treasury Bill yields. Bars for 2024 and 2025 represent median Consensus forecasts for 3-month-ahead and 1-year-ahead Treasury Bill yields (or policy rates). Sample includes 16 EMDEs based on August 2024 surveys.

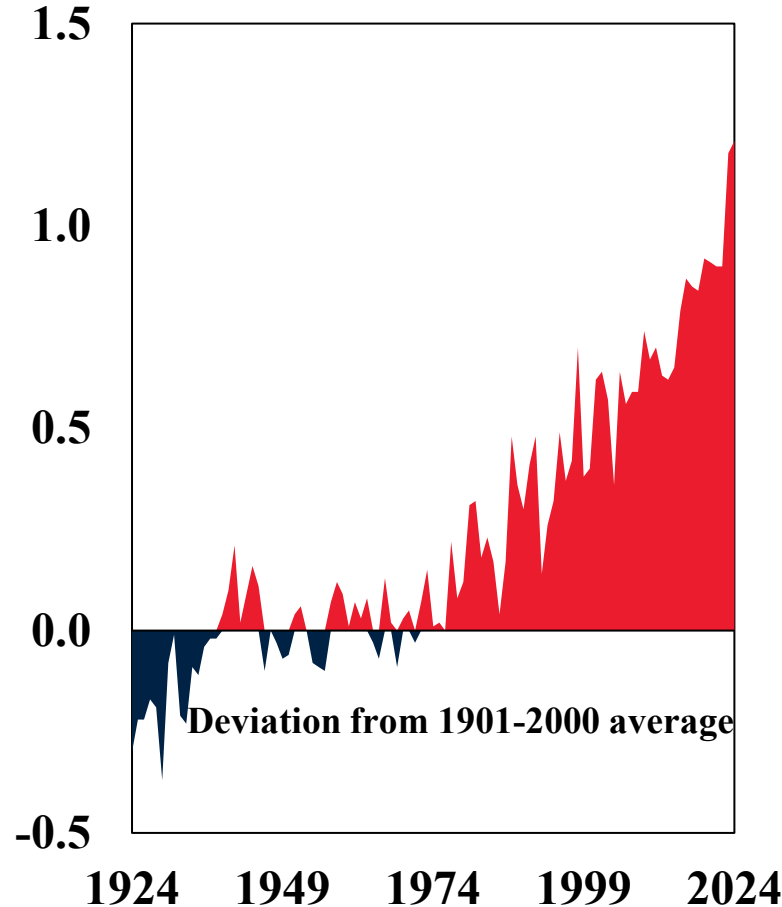


Global Challenges

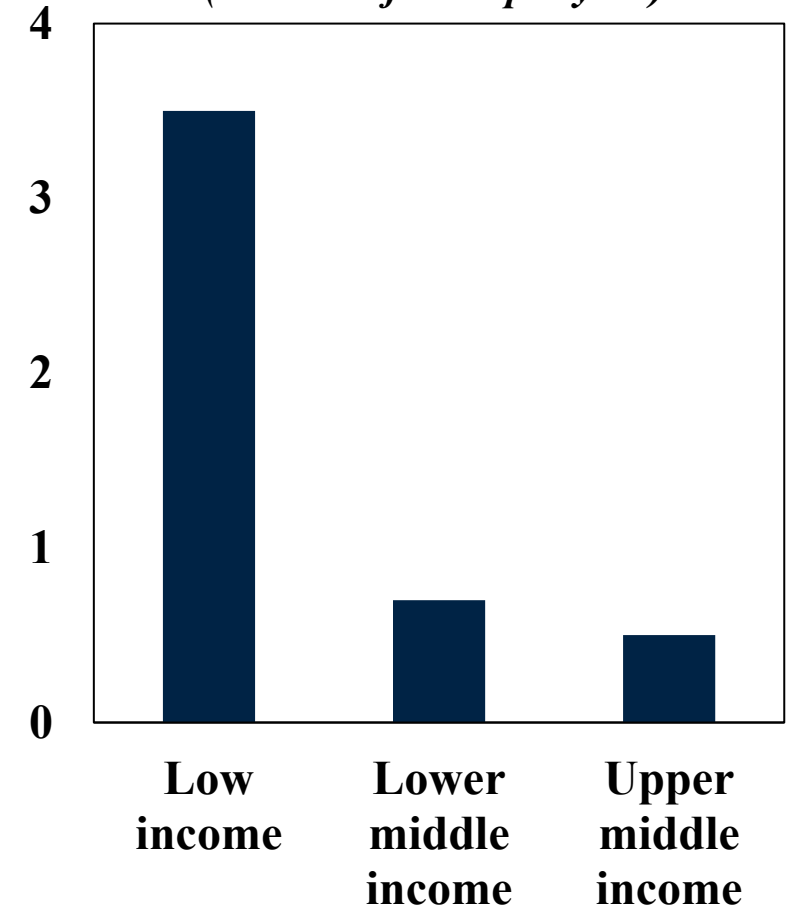
Food insecurity
(Millions of people)



July temperature anomaly
(Degrees Celsius, deviation from the 1901-2000)



Climate adaptation costs
(Percent of GDP per year)



Sources: Global Report on Food Crises 2024; National Oceanic Atmospheric Administration; OECD; United Nations Environment Programme; World Bank.
 Left Panel. Number of people with acute food insecurity. Center Panel. Difference between the average global land and ocean temperature for July and the long-term average temperature for July (1901-2000).
 Right Panel. Undiscounted annual costs of adaptation for the period up to 2030. Estimates are based on modeled estimates for coastal zones, river floods, infrastructure, agriculture, fisheries, aquaculture, and marine ecosystems, health, early warning and social protection, and terrestrial biodiversity and ecosystem services. Qualitative assessment for cooling demand and labor productivity, Business and industry, capacity-building, and socially contingent effects are also considered.

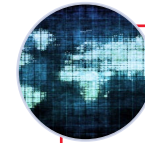
Risks to the Global Outlook



Geopolitical tensions and armed conflicts



Further trade fragmentation



Heightened policy uncertainty



Higher-for-longer interest rates



More frequent natural disasters



Weaker-than-expected long-term growth



Faster monetary easing with lower inflation

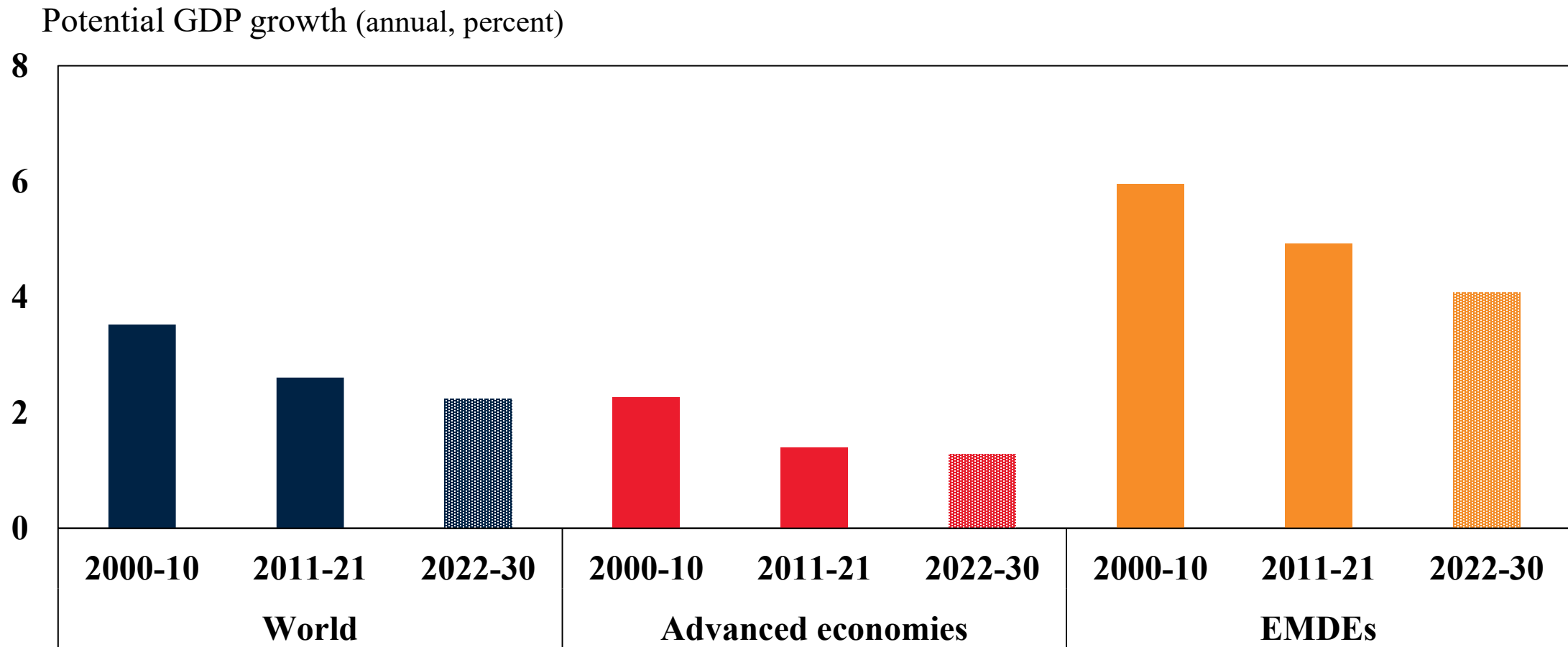


Higher-than-expected growth in China and the United States

Income growth is slowing

- **Low-income countries: “lost decade”**
 - High population growth
 - Slowing output growth
- **Emerging markets: “middle-income trap”**
 - Outside of Central Europe and East Asia, not much catch-up with US
 - Structural change has been slowing
- **Advanced economies: “secular stagnation”**
 - Demographic headwinds getting stronger, now in China too
 - Productivity growth has been low

Income growth is slowing

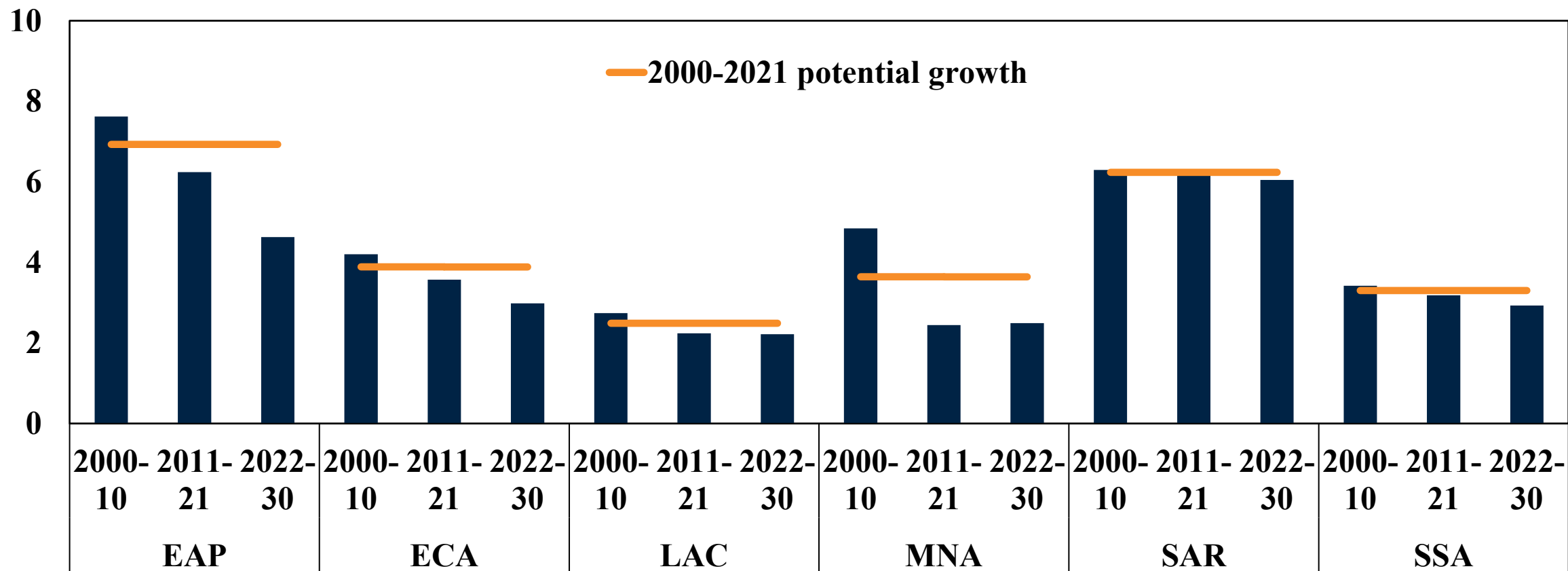


Source: Kose and Ohnsorge (2023).

Note: Period averages. Potential growth is measured by production function. Shaded bars indicate forecasts.

Weakening potential growth, across the developing world

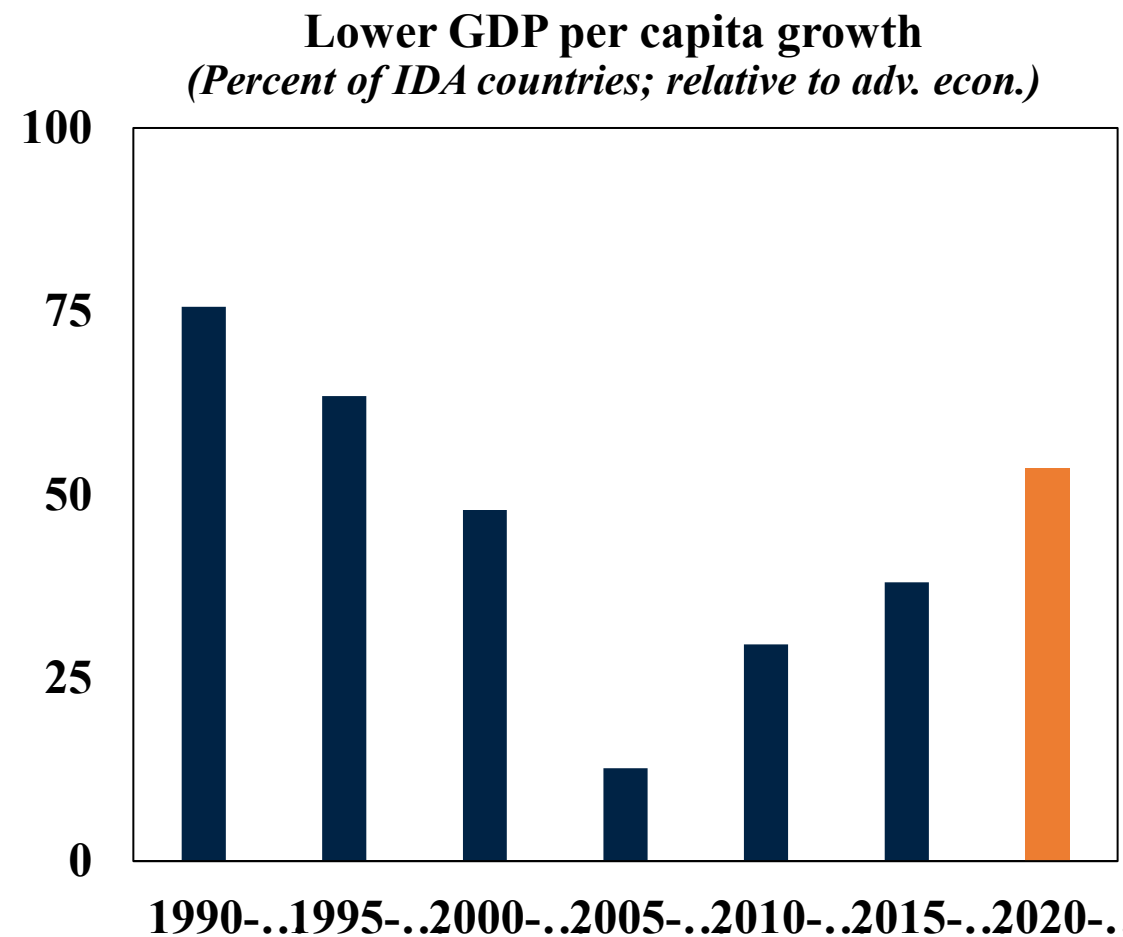
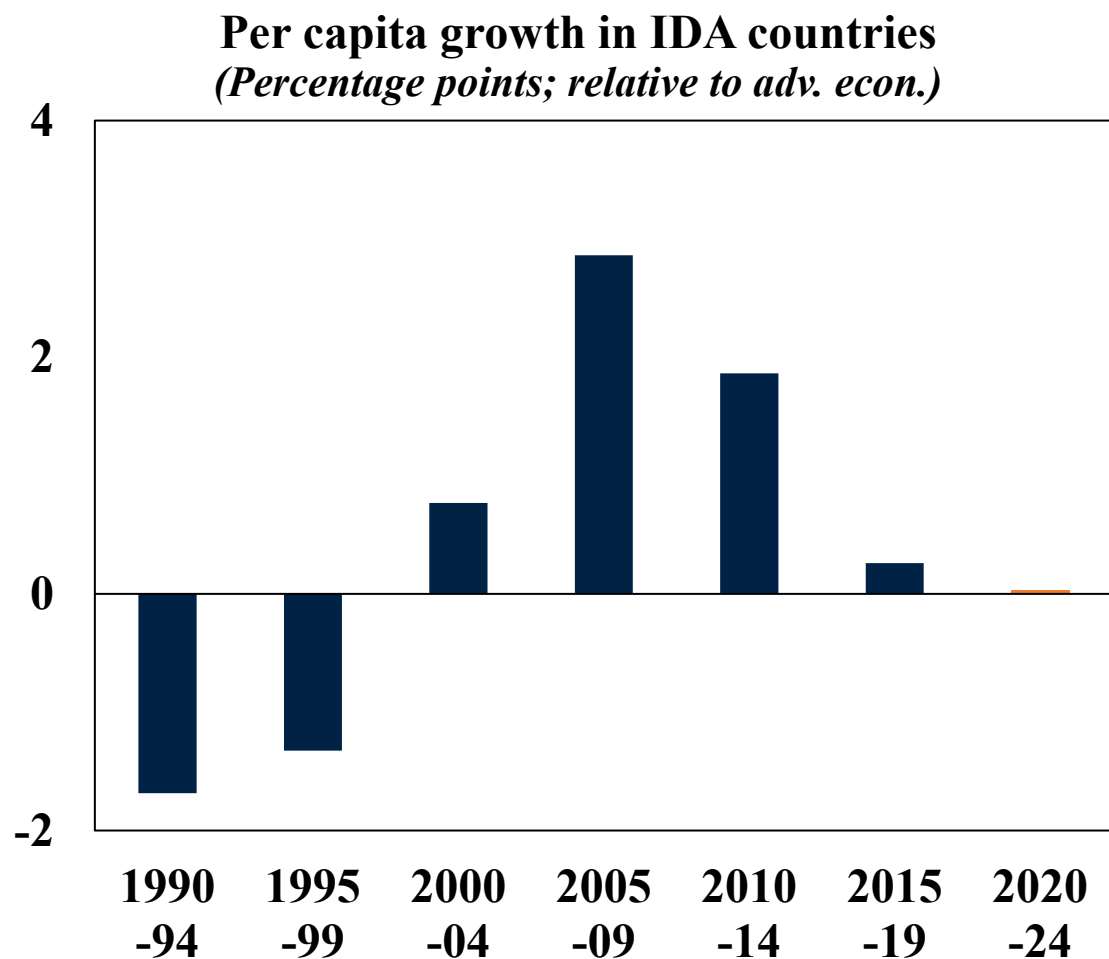
Potential growth in EMDE regions (Percent)



Source: World Bank.

Note: EAP, ECA, LAC, MNA, SAR, and SSA refer to, respectively, East Asia and Pacific, Europe and Central Asia, Latin America and the Caribbean, Middle East and North Africa, South Asia, and Sub-Saharan Africa. GDP-weighted arithmetic averages using potential growth estimate based on production function approach.

Stalling income growth in the 75 poorest countries



Sources: World Bank; World Population Prospects Database (UN).

Note: IDA = IDA-eligible countries. GDP aggregates are calculated using real U.S. dollar GDP weights at average 2010-19 prices and market exchange rates. Left Panel. Average annual change in GDP per capita growth in IDA countries relative to advanced economies over the non-overlapping 5-year periods. Right panel. Average share of IDA countries with GDP per capita growth lower than in advanced economies over the non-overlapping 5-year periods.



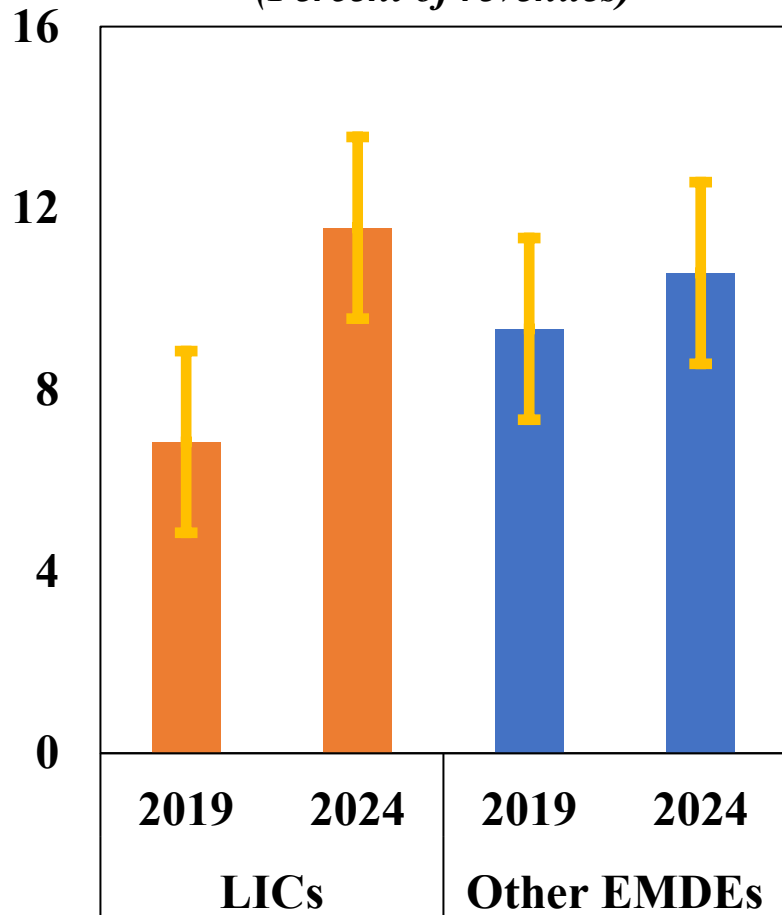
The fiscal plight of LICs

- Rising indebtedness relative to other EMDEs
- Greater fiscal vulnerabilities relative to other EMDEs

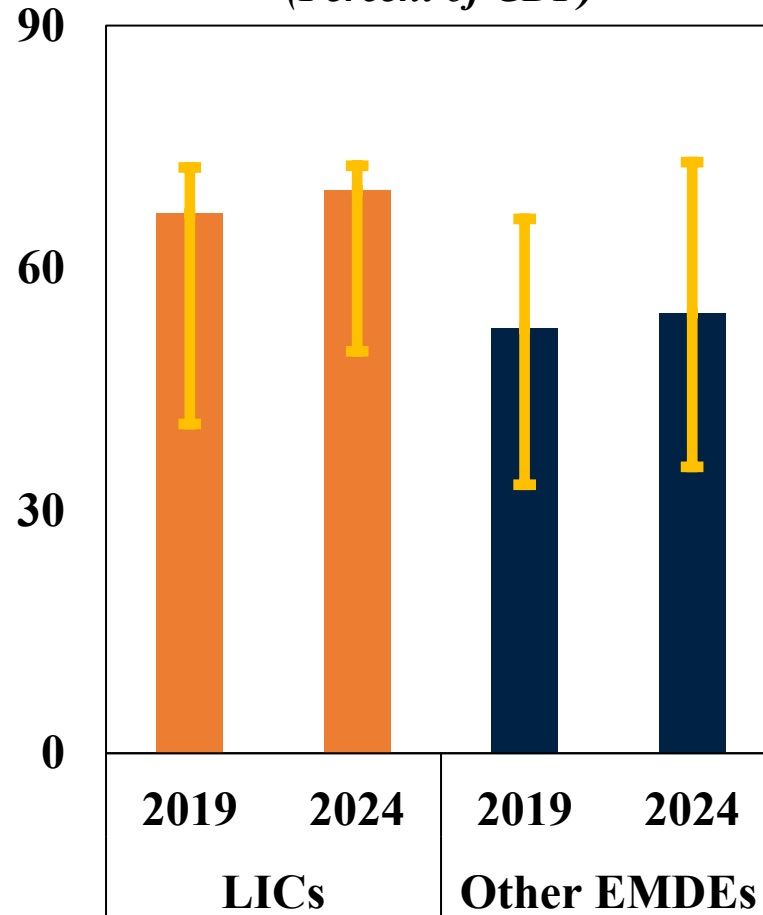
Interest Payments and Debt in Low-Income Countries

Higher Interest Payments and Government Debt; All LICs at Risk of Debt Distress

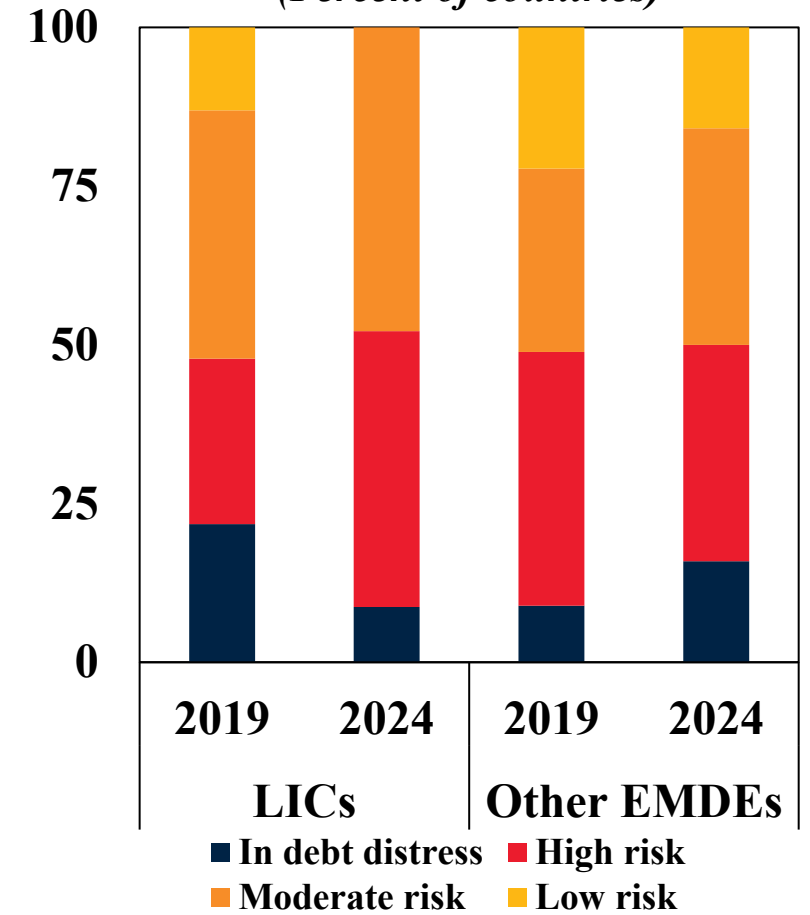
Net interest payments
(Percent of revenues)



Government debt
(Percent of GDP)



EMDEs in, or at risk of, debt distress
(Percent of countries)



Sources: International Monetary Fund; International Debt Statistics (database); World Bank.

Note: Other EMDEs = non-LIC emerging market and developing economies. Left Panel. Net interest payments are defined as the difference between the primary balance and the overall balance. Unweighted average. Whiskers show interquartile ranges. Center Panel. Bars show the unweighted averages. Whiskers show the interquartile ranges. Based on up to 23 LICs and 128 other EMDEs. Right Panel. Percent of EMDEs in, or at risk of, debt distress. Based on 70 EMDEs of which 24 are LICs.

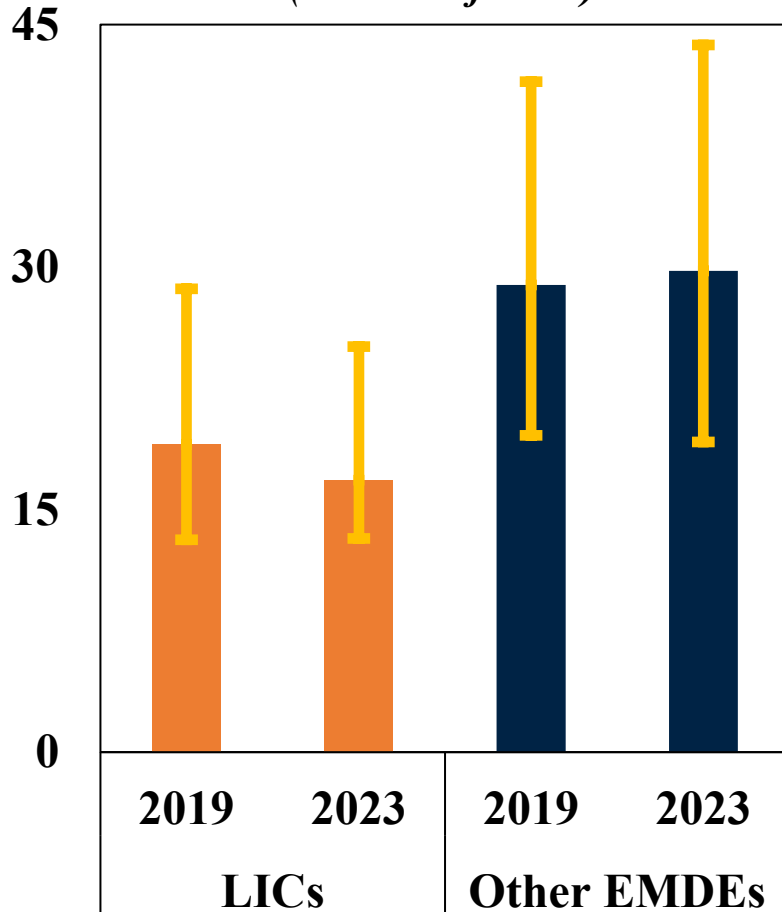


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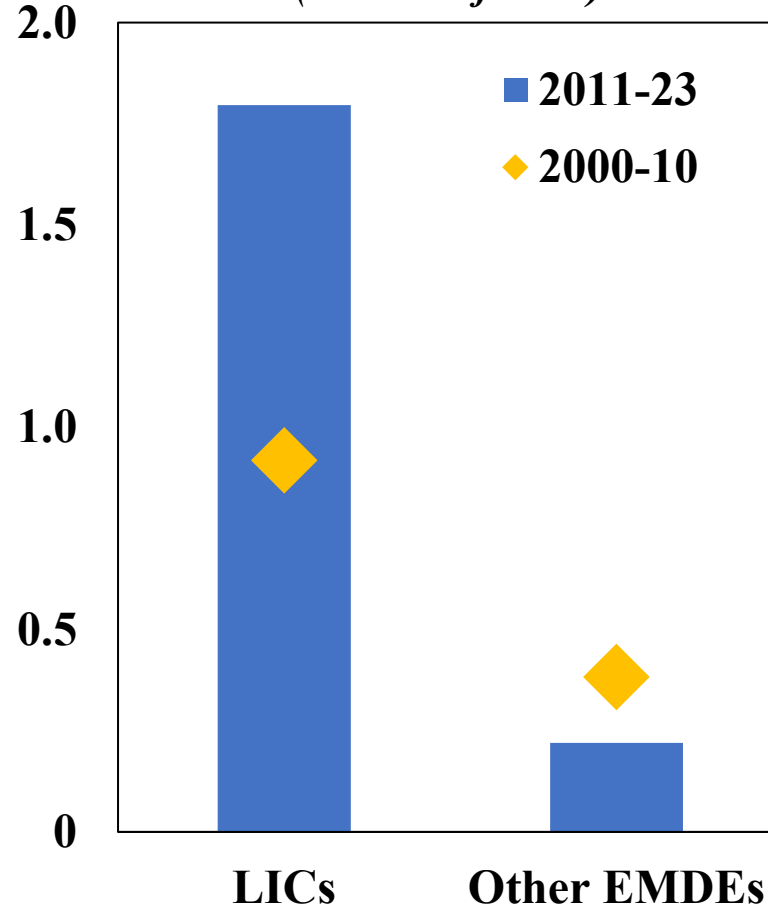
Fiscal Vulnerabilities in Low-Income Countries

Lower Revenue Mobilization; Higher Cost of Natural Disasters; Smaller Buffers

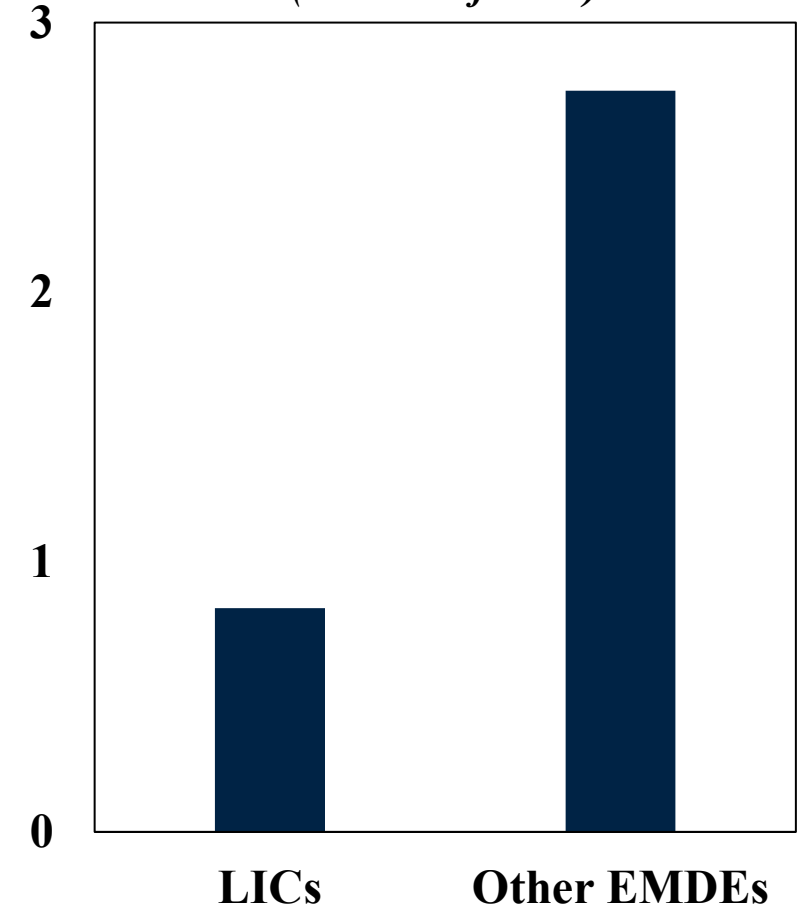
Government revenues
(Percent of GDP)



Cost of natural disasters
(Percent of GDP)



COVID-19 fiscal policy support
(Percent of GDP)



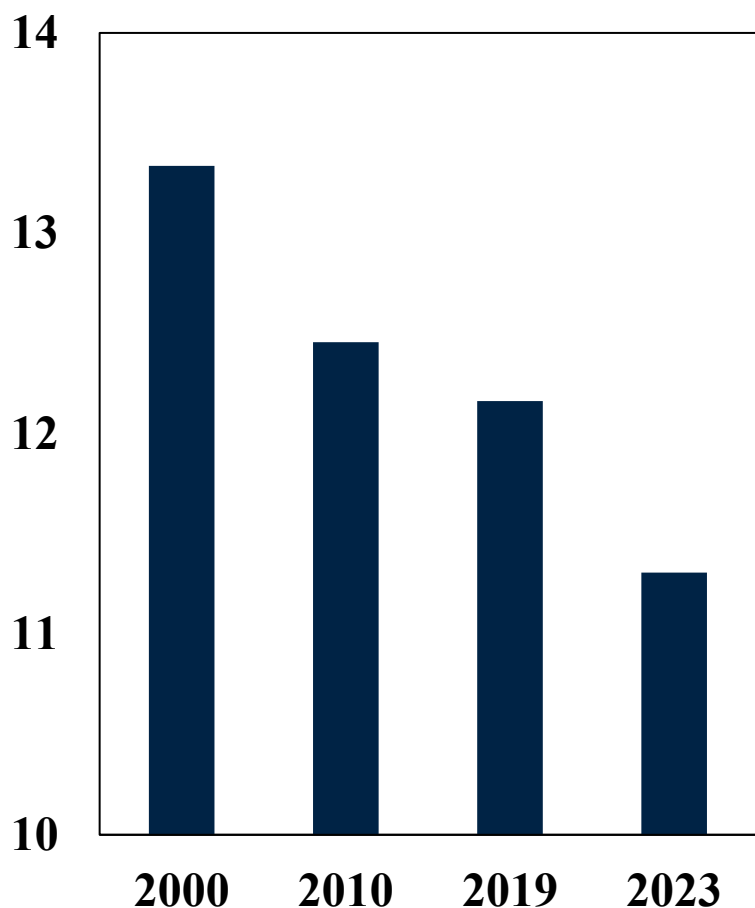
Sources: Dabla-Norris et al. (2011); International Monetary Fund; World Bank; World Economic Forum.

Note: Other EMDEs = non-LIC emerging market and developing economies. Left Panel. Bars show unweighted averages, with whiskers showing interquartile ranges. Center Panel. Bars and diamonds show the weighted average of economic damages from natural disasters as a percentage of GDP. Based on up to 17 LICs and 105 non-LIC EMDEs. Right Panel. Fiscal measures in response to the COVID-19 pandemic as of September 27, 2021. Based on 7 LICs and 69 non-LIC EMDEs.

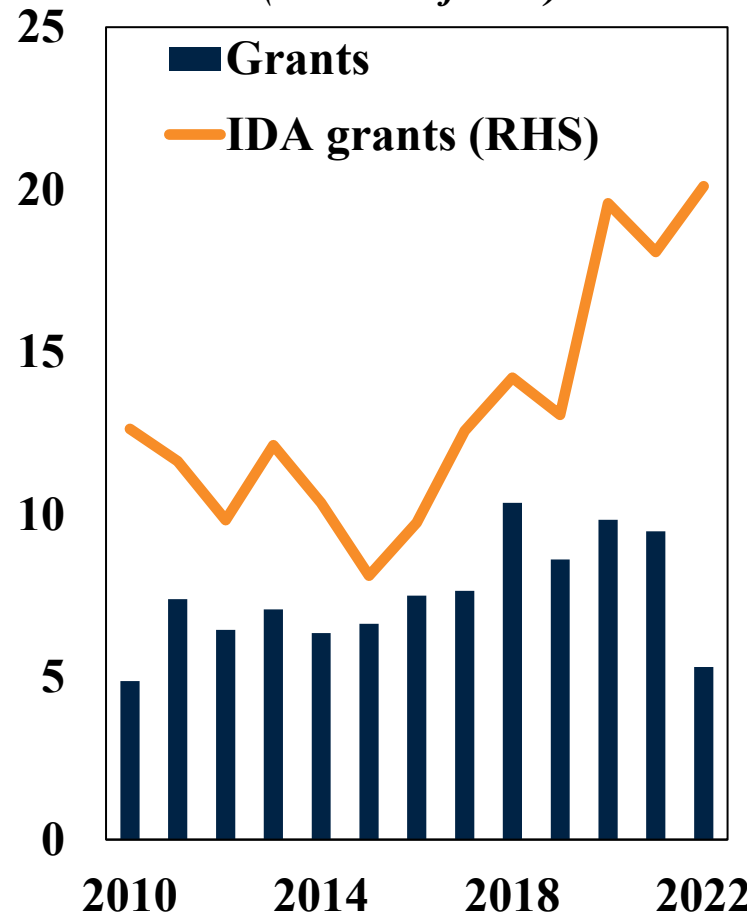
Challenges and Opportunities in Low-Income Countries

Widening Income Gap; Declining Grants Amid Increase by IDA; Larger Working Age Population

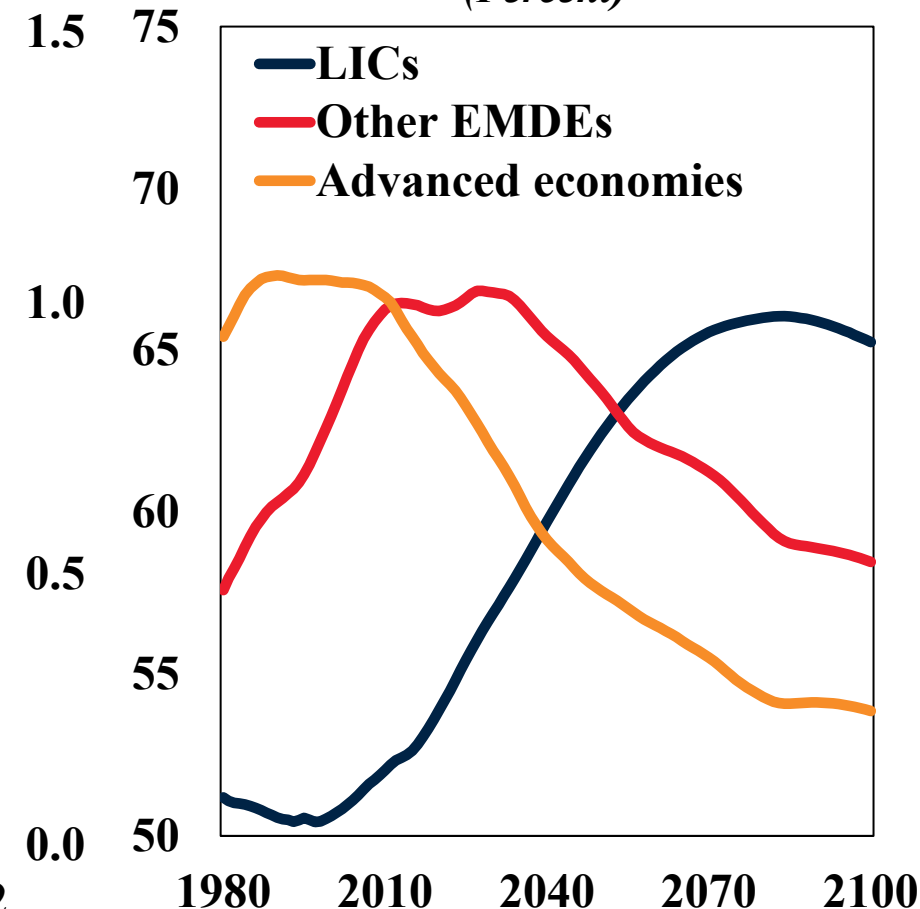
LICs per capita income
(Percent of income in other EMDEs)



Grants received by LICs
(Percent of GNI)



Working age population
(Percent)



Sources: International Debt Statistics (database); UN World Population Prospects (database); World Bank.

Note: IDA= International Development Association countries. Left Panel. Average real GDP per capita in LICs relative to real GDP per capita of other non-LIC EMDEs. Based on up to 24 LICs and 127 other EMDEs. Center Panel. Data are on a disbursement basis and cover flows from all bilateral and multilateral donors. IDA grants are net disbursements of grants from IDA. Right Panel. Population-weighted averages. Working-age population is defined as people aged 15-64. Based on 36 AEs, 25 LICs, and 117 other EMDEs.

Three World Bank reports on economic growth

