

Global Economic Prospects

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WORLD BANK GROUP

Equitable Growth, Finance & Institutions

Prospects Group

Four Questions

- 1 What are global growth prospects?
- 2 What are the implications of the pandemic for global inequality?
- 3 What have been the causes and consequences of commodity price cycles?
- 4 What are the policy priorities for EMDEs?

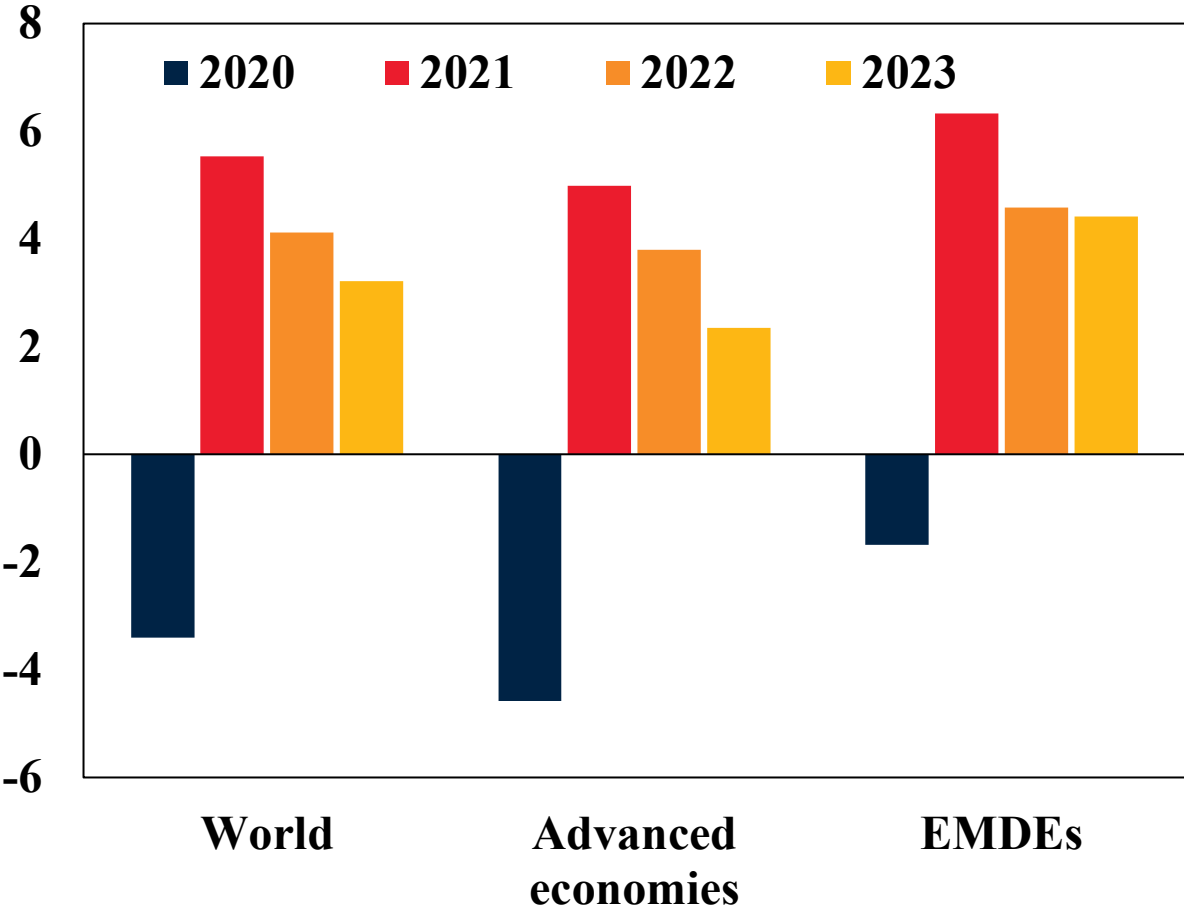
Four Questions

1 What are global growth prospects?

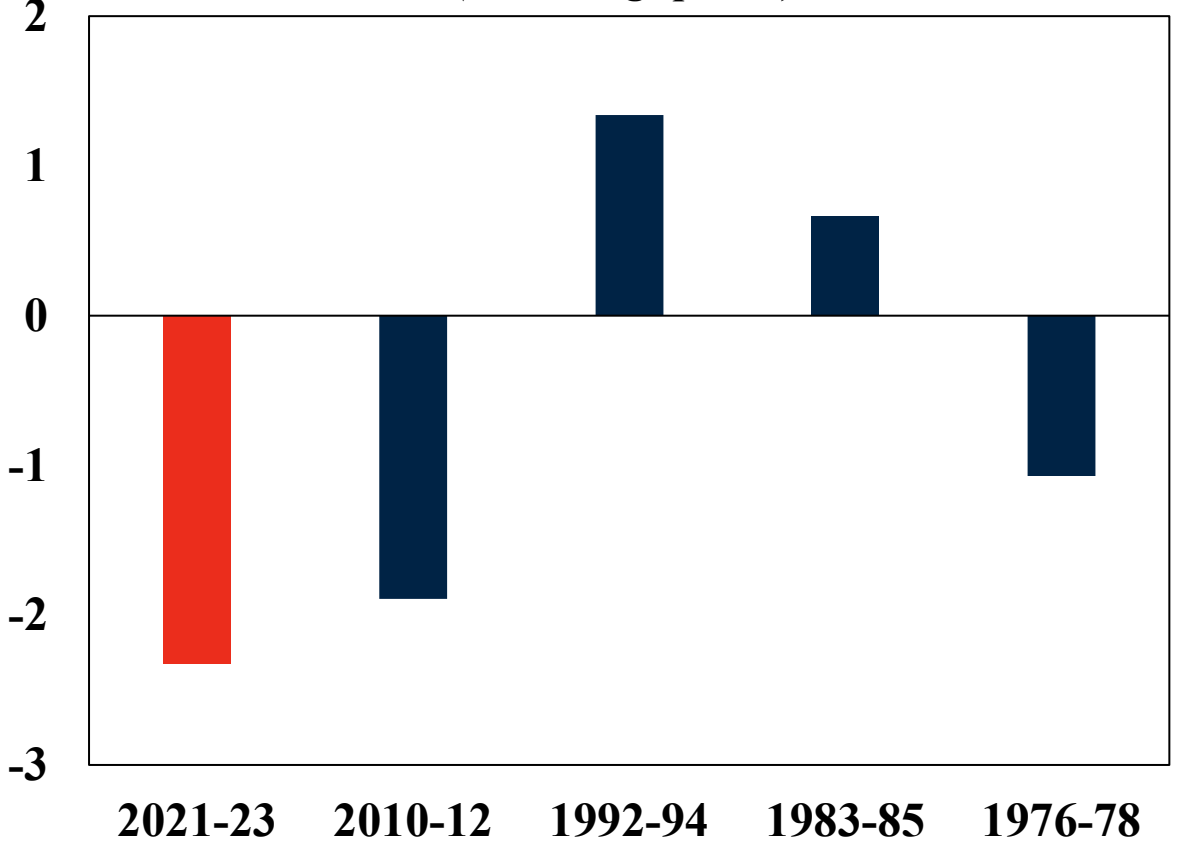
Global Growth Slowdown in 2022-23

Broad-Based and Exceptionally Steep

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.

Global Growth Forecasts

Slowing Growth

GDP growth (Percent)

						<i>Change from June 2021</i>	
	2013-19	2020	2021e	2022f	2023f	2022	2023
World	2.9	-3.4	5.5	4.1	3.2	-0.2	0.1
Advanced economies	2.0	-4.6	5.0	3.8	2.3	-0.2	0.1
EMDEs	4.5	-1.7	6.3	4.6	4.4	-0.1	0.0
East Asia and Pacific	6.6	1.2	7.1	5.1	5.2	-0.2	0.0
Europe and Central Asia	2.6	-2.0	5.8	3.0	2.9	-0.9	-0.6
Latin America and the Caribbean	1.3	-6.4	6.7	2.6	2.7	-0.3	0.2
Middle East and North Africa	2.6	-4.0	3.1	4.4	3.4	0.8	0.1
South Asia	6.5	-5.2	7.0	7.6	6.0	0.8	0.8
Sub-Saharan Africa	3.1	-2.2	3.5	3.6	3.8	0.3	0.0

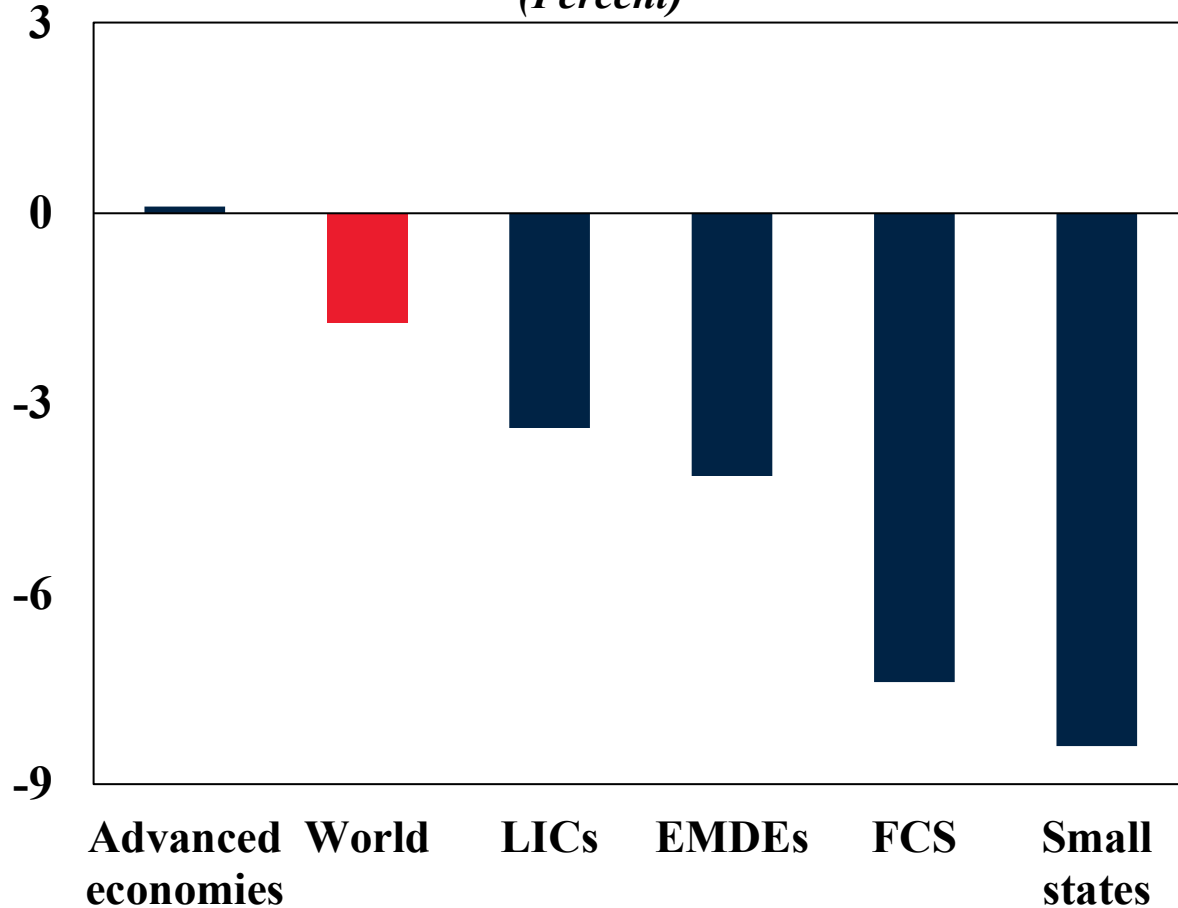
Source: World Bank.

Note: Headline aggregate growth rates are calculated using GDP weights at average 2010-19 prices and market exchange rates; e = estimate; f = forecast.

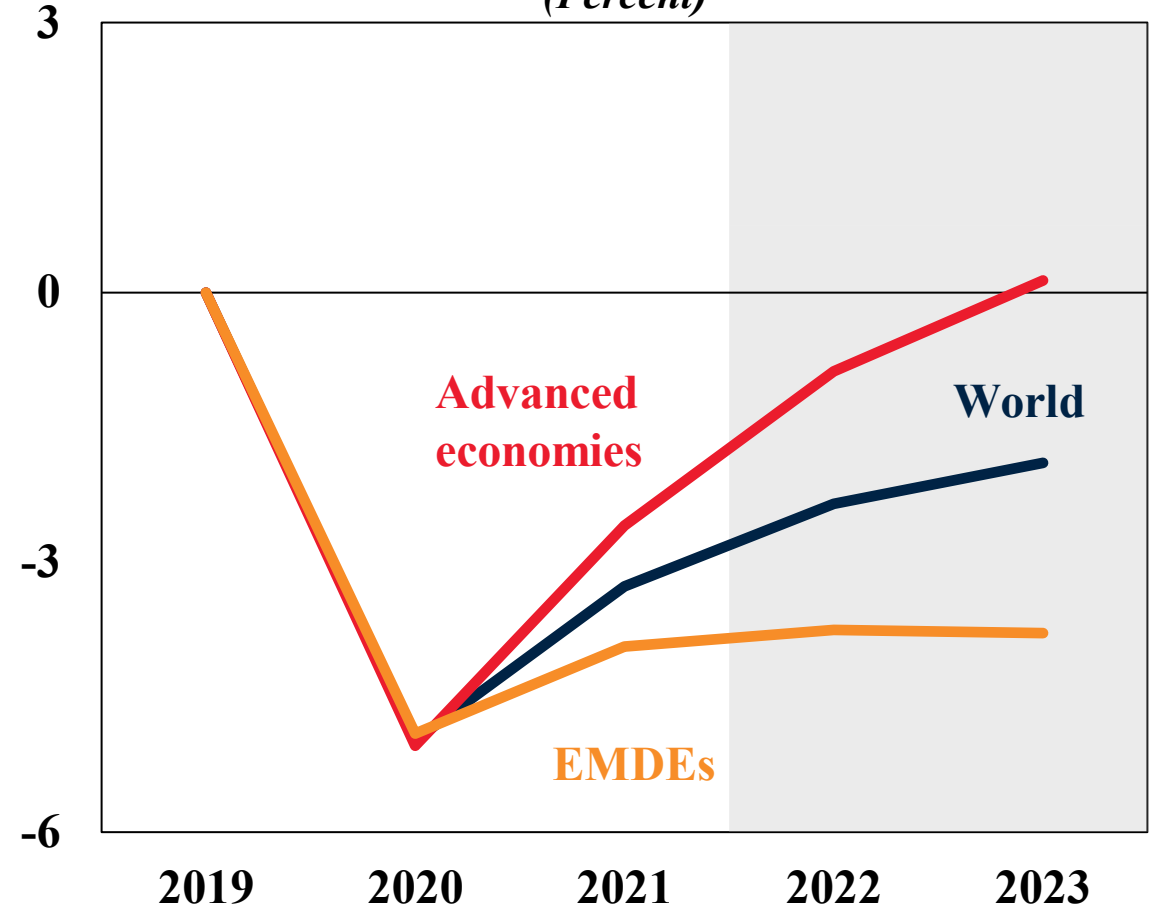
Uneven Global Recovery

Lasting Scarring Partly due to Weak Output and Investment Recovery

Deviation of output with pre-pandemic trends by 2023
(Percent)



Deviation of investment from pre-pandemic trends
(Percent)



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.

Risks

Multiple, Tilted to Downside

A light blue world map is centered in the background. Six dark red rounded rectangular callout boxes are overlaid on the map, each containing a risk factor in white text. The callouts are: 'COVID-19: new outbreaks' (top center), 'Inflationary pressures' (left side), 'Supply bottlenecks' (right side), 'Climate-related disasters' (bottom left), 'Financial stress' (bottom right), and 'Weaker long-term growth' (bottom center).

COVID-19: new outbreaks

Inflationary pressures

Supply bottlenecks

Climate-related disasters

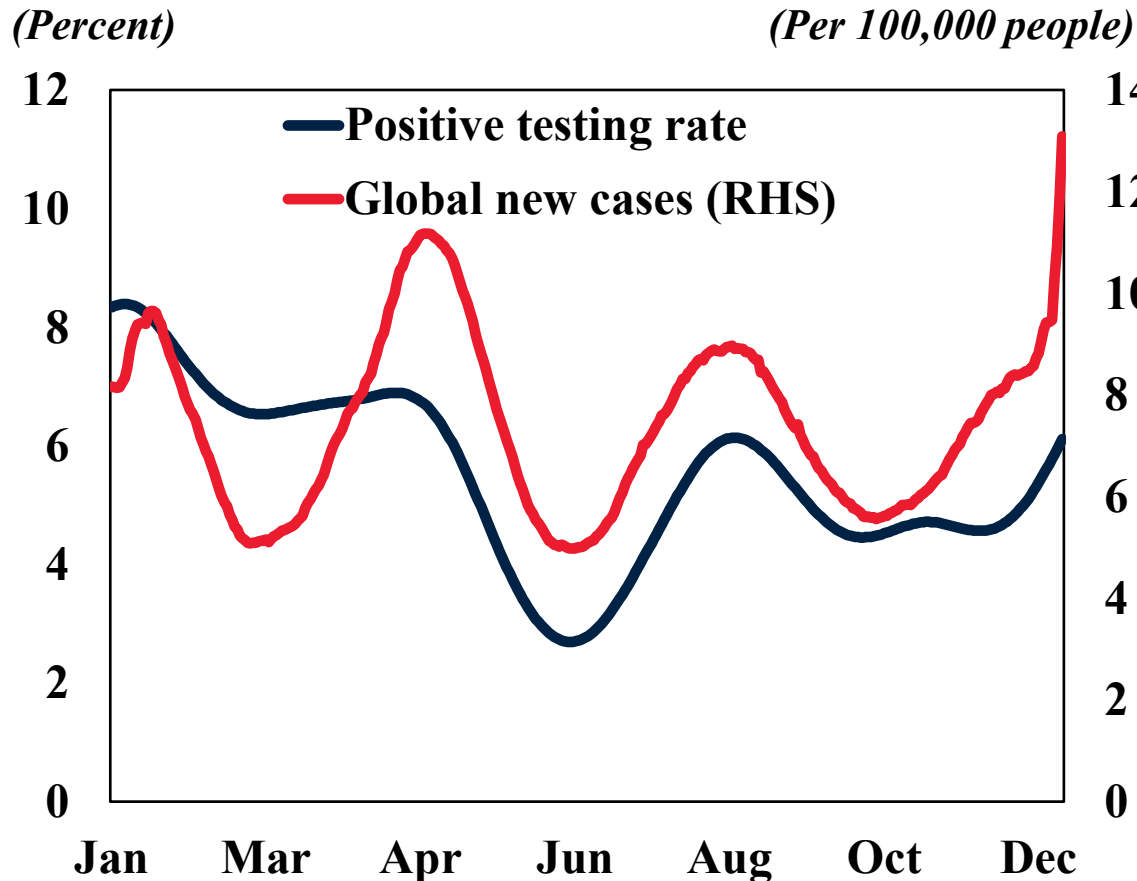
Financial stress

Weaker long-term growth

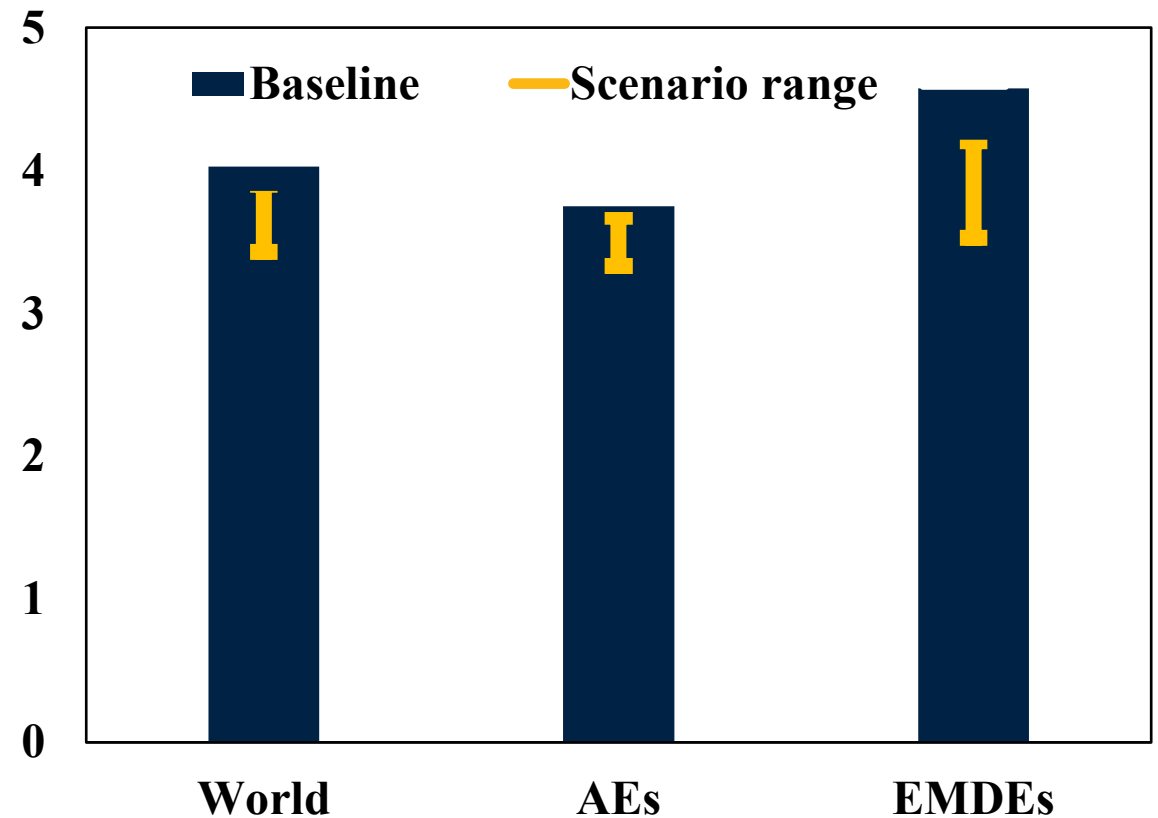
COVID-19 Outbreaks

Recurring Outbreaks, Additional downside risk due to Omicron

Global new COVID-19 cases and positive testing rate in 2021



Possible Omicron-driven growth outcomes for 2022



Sources: Our World in Data, World Bank. Note: AEs = advanced economies; EMDEs = emerging market and developing economies.

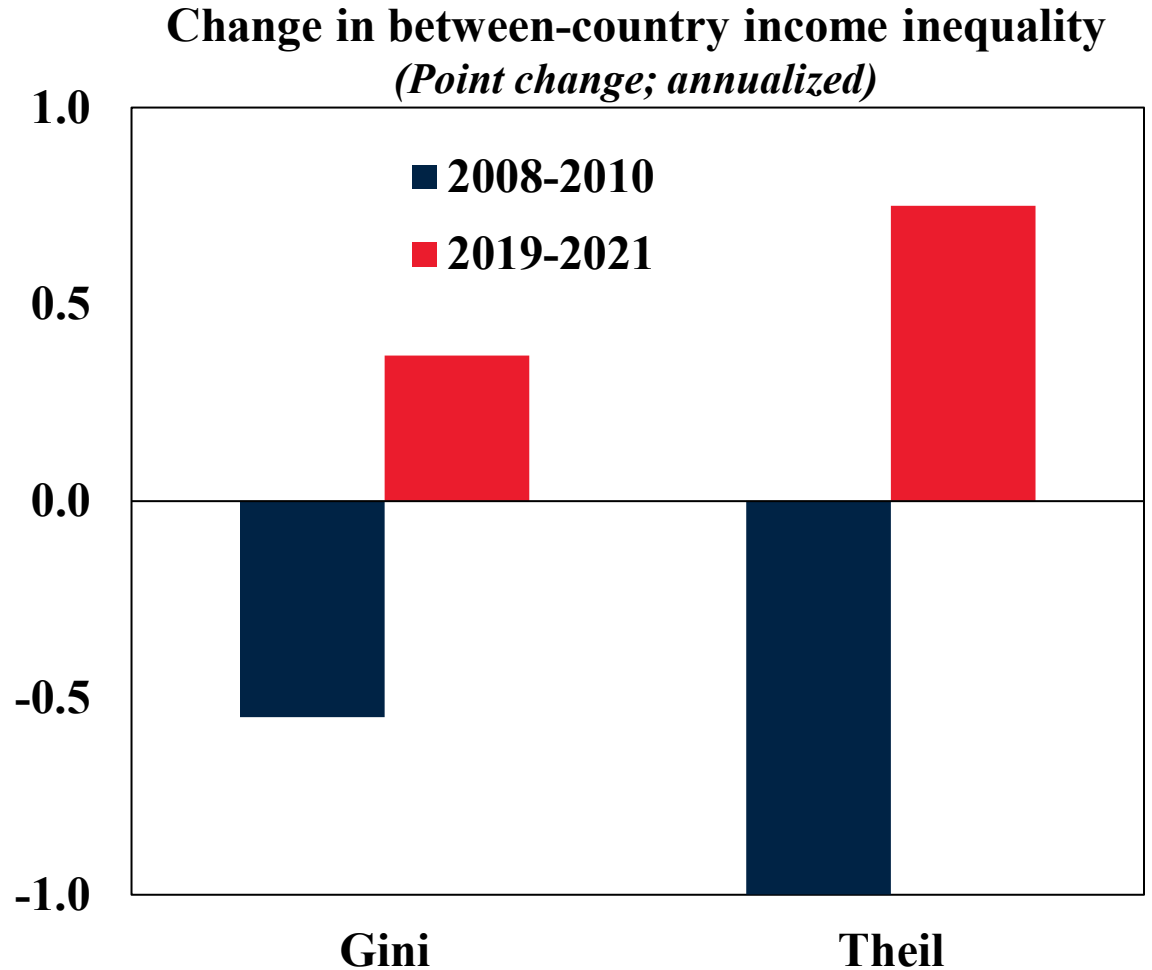
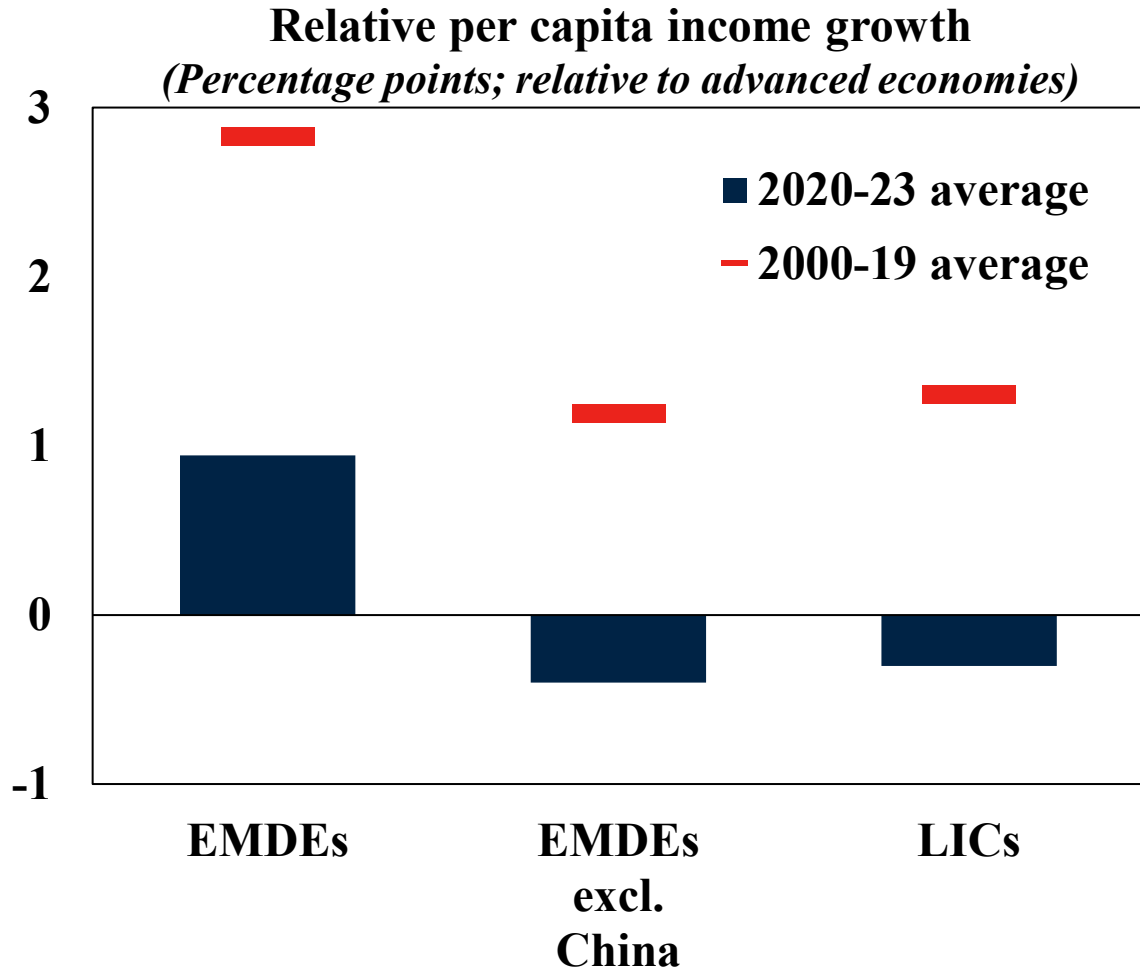
Left Panel. Global median COVID-19 positive rate and global new daily cases per 100,000 people. Positive rate is the smoothed daily share of tests returning a positive result. Global new daily cases series is 14-day moving average. Last observation is December 30, 2021. Right Panel. Yellow lines denote the range of the downside scenario.

Four Questions

2 What are the implications of the pandemic for global inequality?

Between-Country Income Inequality

Renewed Increase in 2020 Global Recession

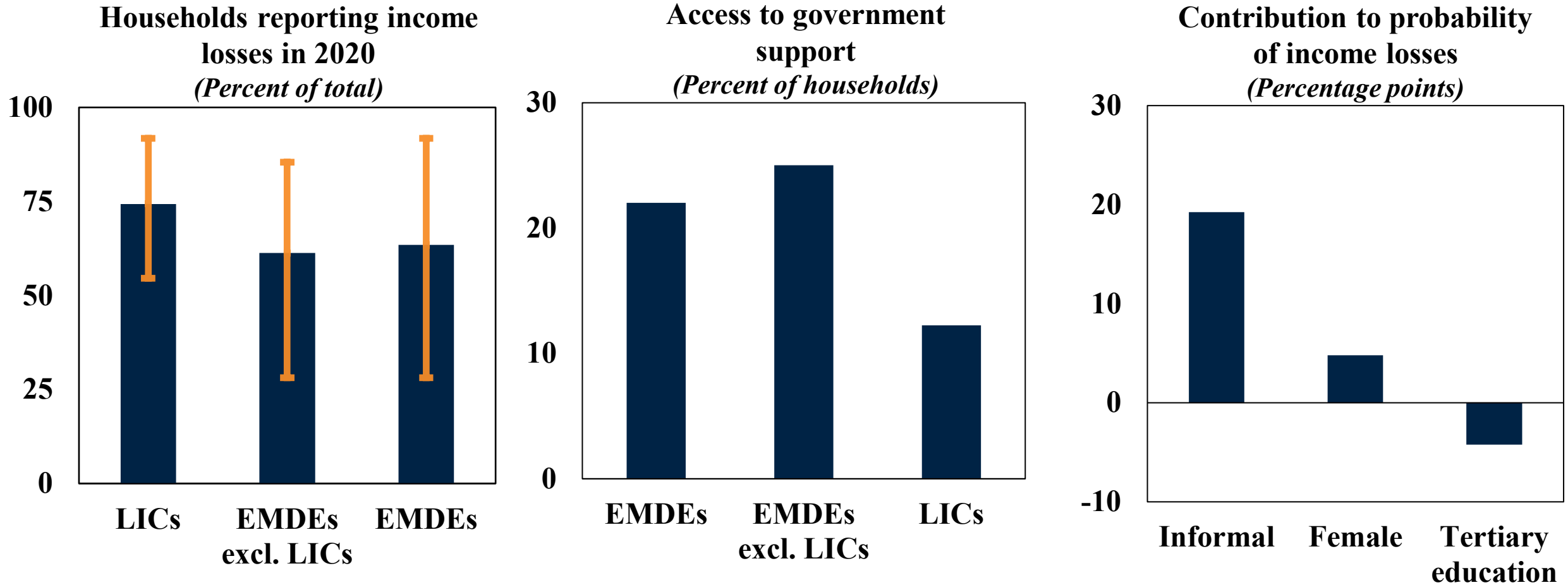


Source: World Bank.

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.

Distributional Impacts in EMDEs

Larger Income Losses in Vulnerable Households, Limited Access to Support



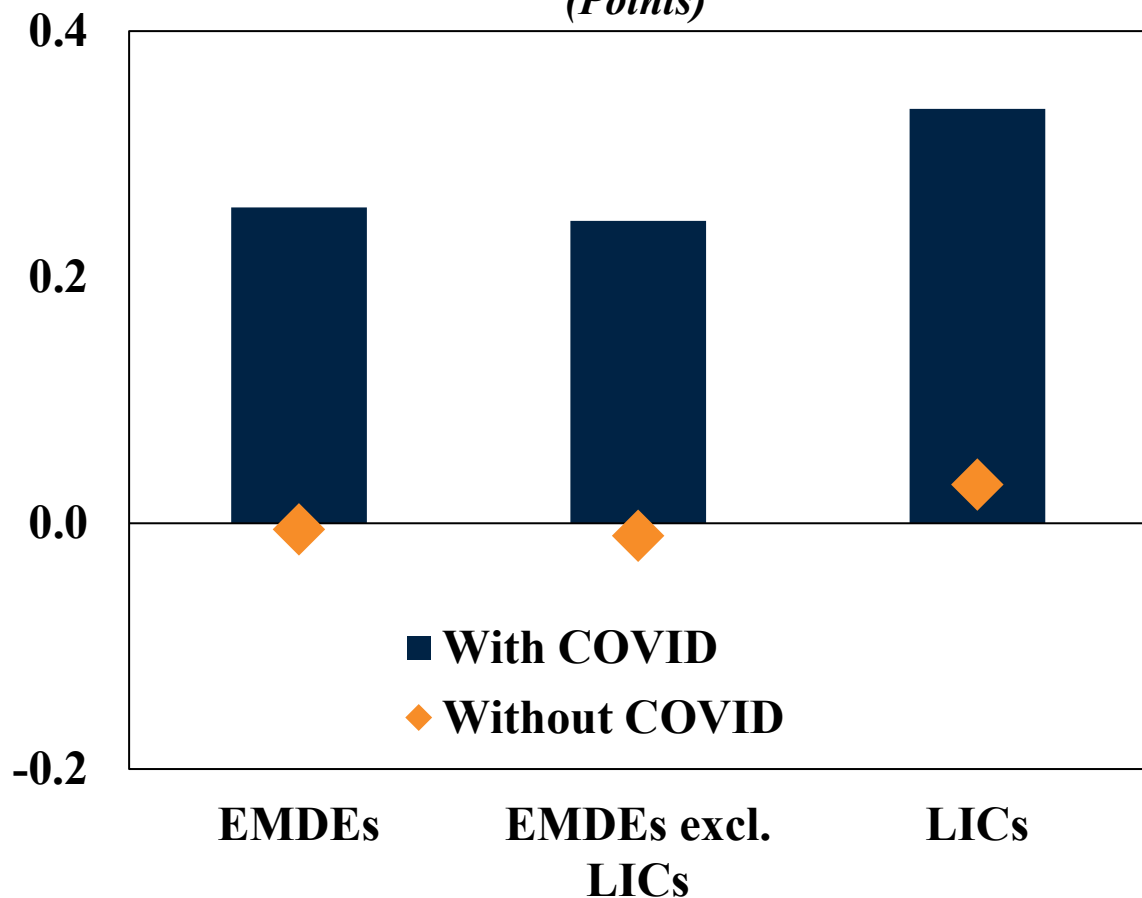
Source: Narayan et al. (forthcoming); World Bank.

Note: EMDEs = emerging market and developing economies; LICs = low-income countries. Left Panel: Simple averages. Sample of 6 LICs and 37 EMDEs. Orange whiskers indicate the maximum and the minimum values. Center Panel: Simple averages. Sample includes 51 EMDEs, of which 12 are low-income countries. The chart shows the share of households that reported receiving or expecting to receive government support, based on wave 1 of harmonized high-frequency phone surveys conducted in 2020. Right Panel: The chart shows the estimates based on a logit regression of the incidence of households reporting income losses on variables measuring household characteristics and country dummy variables. Each bar shows the contribution to the conditional probability of losing income in 2020. Agriculture is the baseline sector; wage-employed, male workers, and workers without secondary and tertiary education are the baseline demographic categories in the regression.

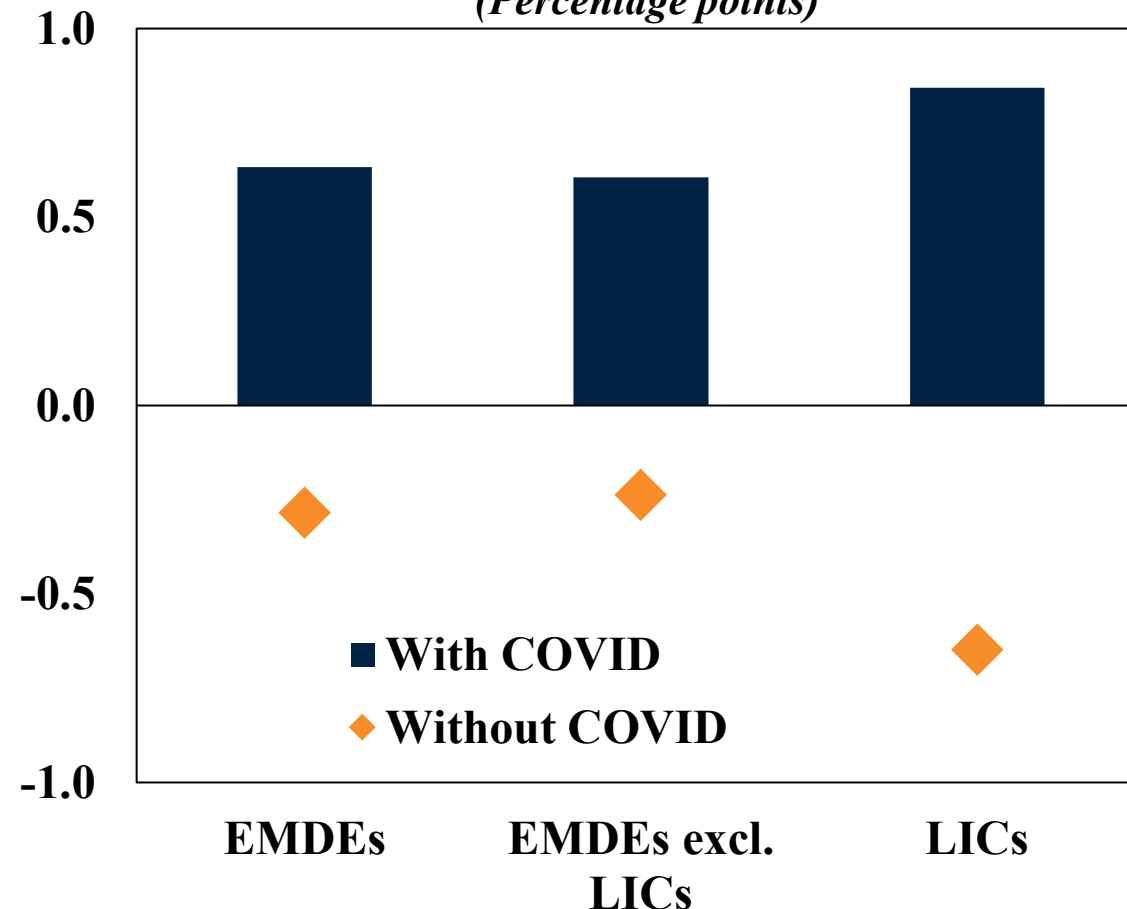
Within-Country Income Inequality in EMDEs

Increase in Poverty and Inequality

Change in Gini index, 2020
(Points)



Change in extreme poverty, 2020
(Percentage points)

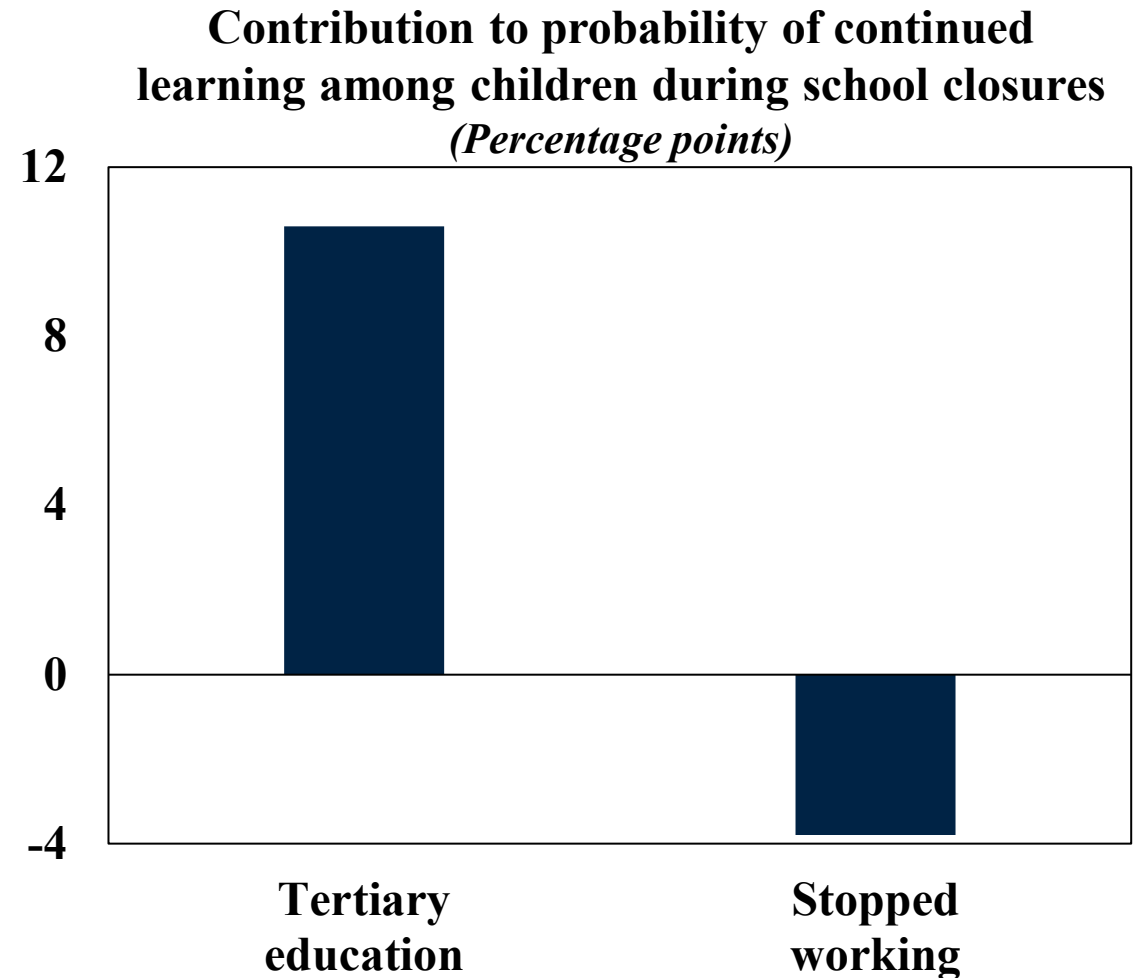
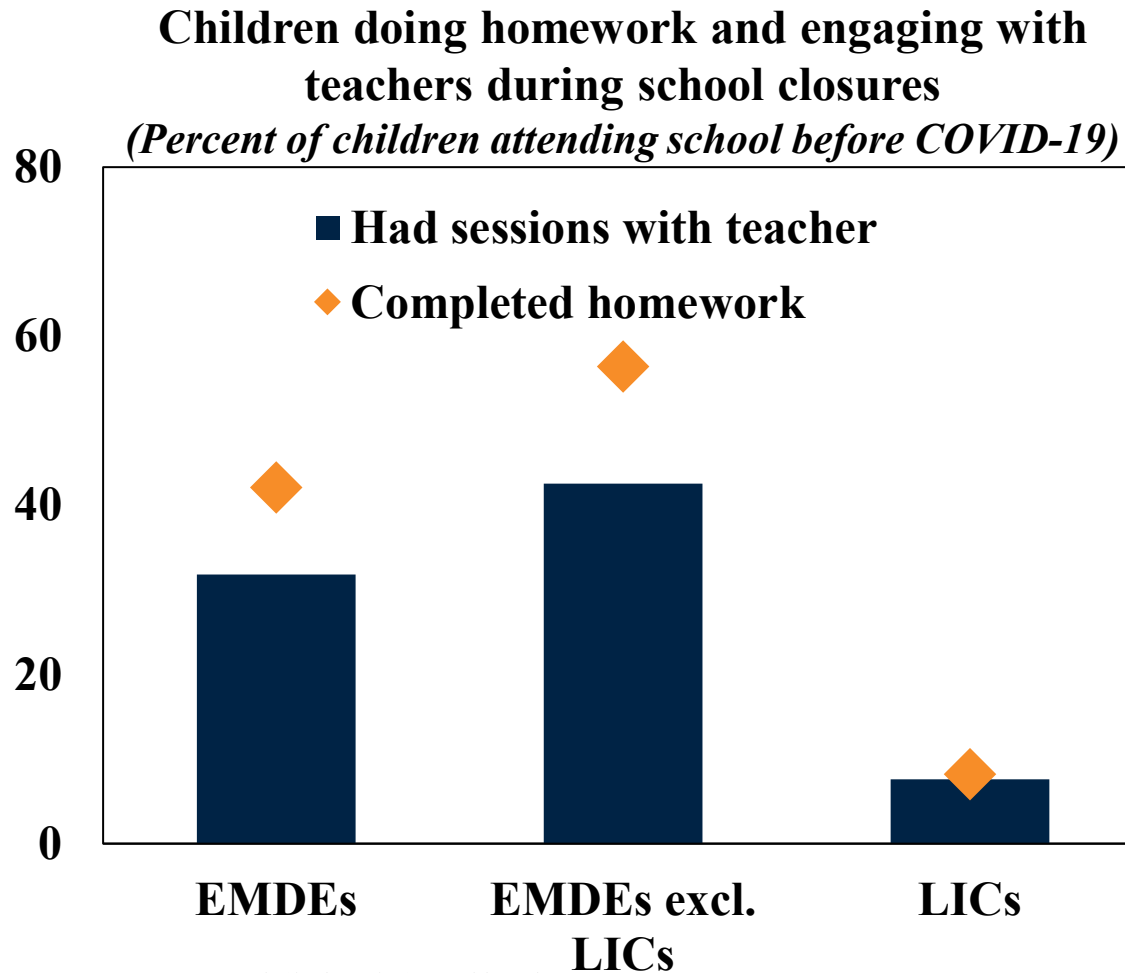


Source: Narayan et al. (forthcoming); World Bank.

Note: EMDEs = emerging market and developing economies; LICs = low-income countries. 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.

Within-Country Income Inequality in EMDEs

Possibility of Lasting Inequality Through Educational Impacts



Source: Narayan et al. (forthcoming); World Bank.

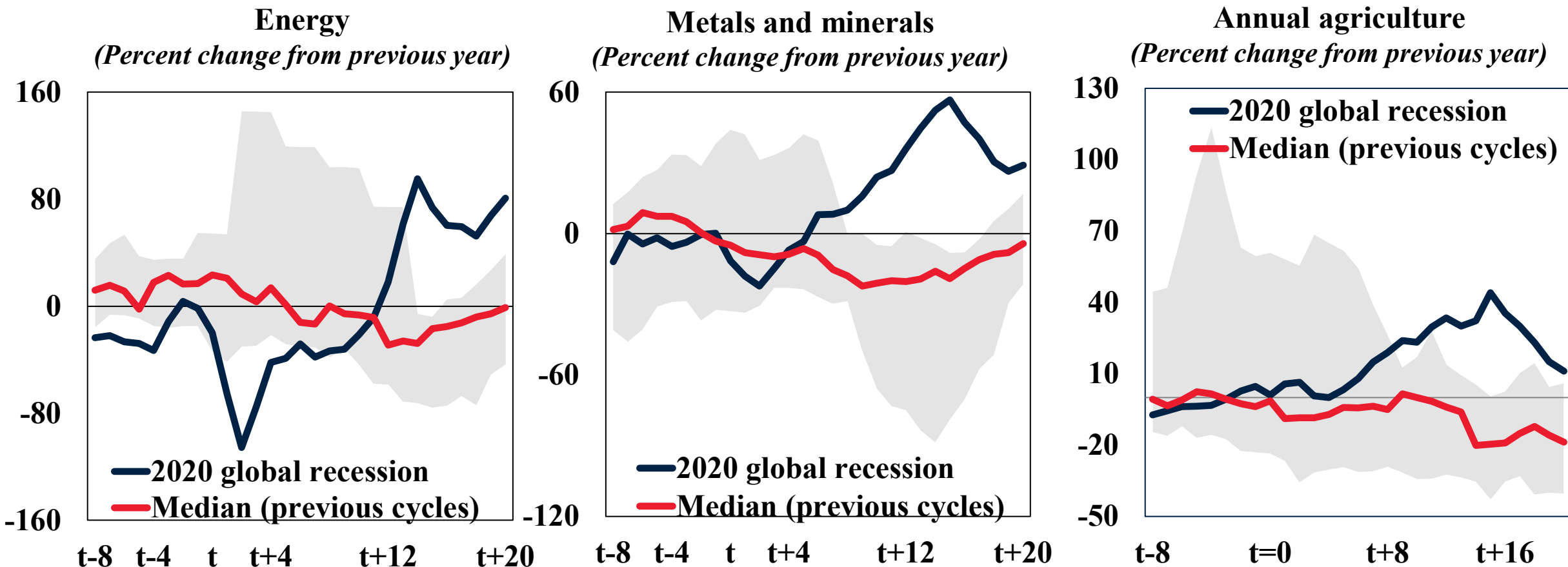
Left Panel: EMDEs = emerging market and developing economies; LICs = low-income countries. Simple averages. Responses to survey questions about children that attended sessions with teachers or completed homework during school closures (percent of households with school age children who attended school before the pandemic). Sample consists of 39 EMDEs, including 12 LICs for “had sessions with teacher” and 37 EMDEs, including 11 LICs for “completed homework”. 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.

Four Questions

3 What have been the causes and consequences of commodity price cycles?

Commodity Prices around Global Recessions

Unusually Sharp Price Rebound from 2020 Global Recession



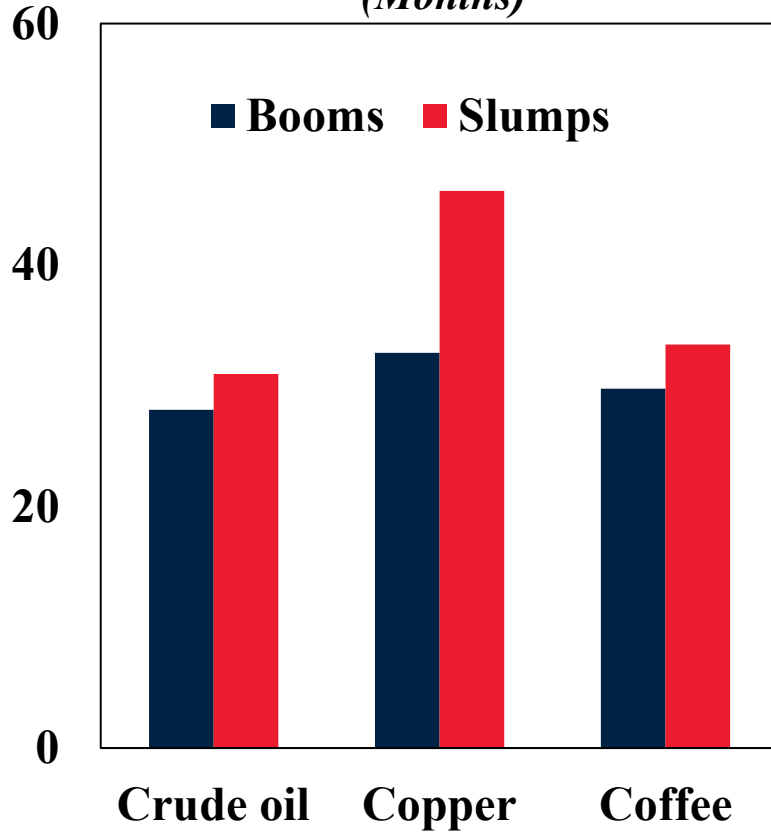
Source: World Bank.

Note: The horizontal axis represents the time period in months, where t=0 denotes the peak of global industrial production before global recessions and downturns since 1970. The vertical axis measures the percent change in the commodity price series from a year earlier. The blue line shows the trajectory of the current commodity cycle around the COVID-19 recession, while the red line is the median of previous cycles around a global recession or downturn (as in Kose, Sugawara, and Terrones 2020). Gray shaded areas represent the range of observed values in previous cycles. Data from January 1970 to October 2021.

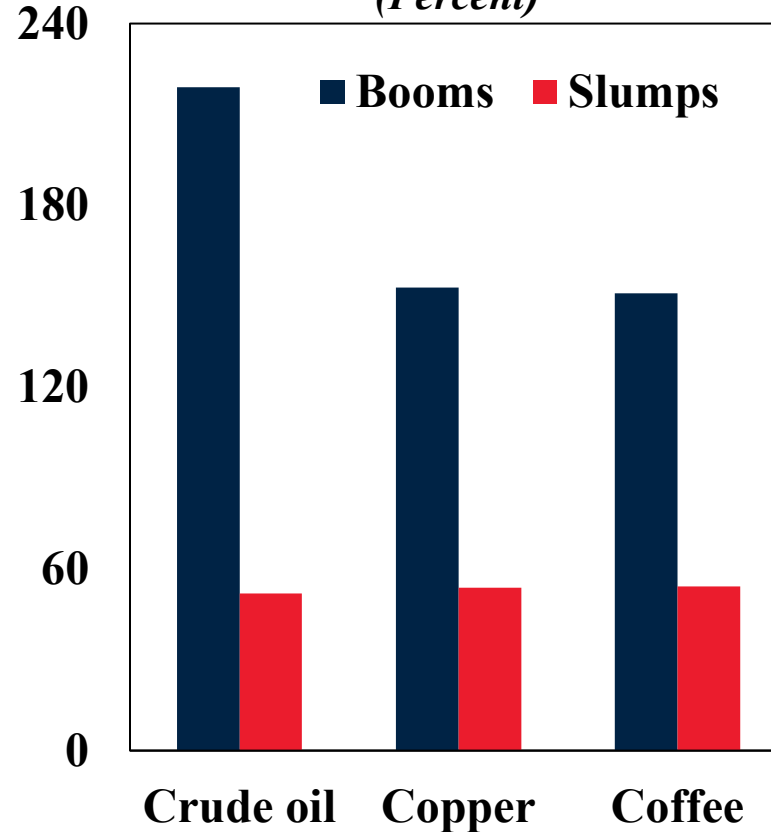
Commodity Price Cycles

Larger Booms than Slumps, Synchronized with Global Industrial Production

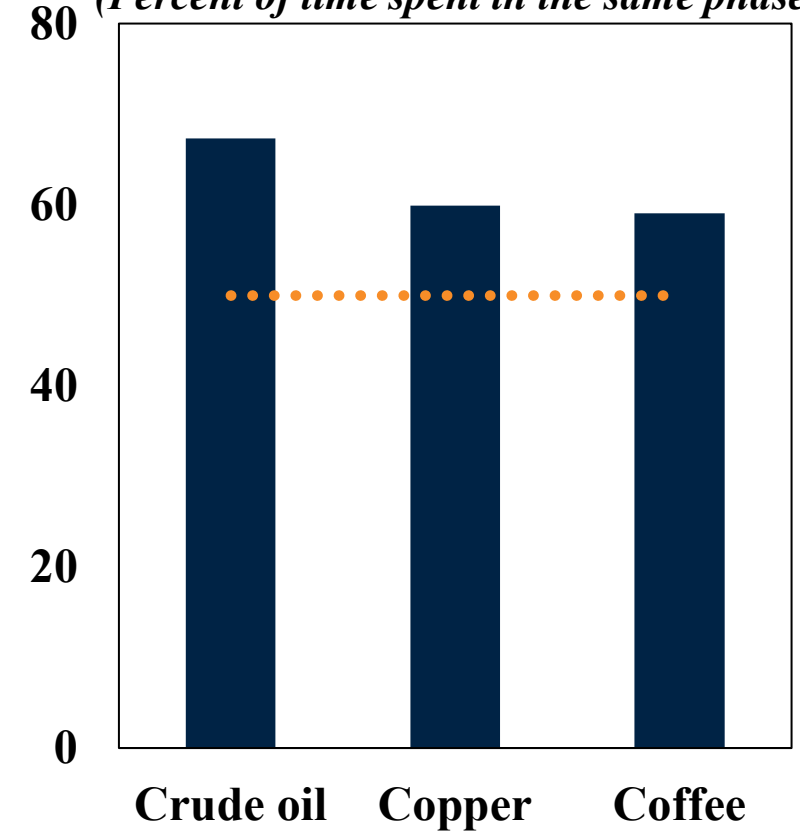
Duration of commodity cycles
(Months)



Amplitude of commodity cycles
(Percent)



Synchronization with industrial prod.
(Percent of time spent in the same phase)

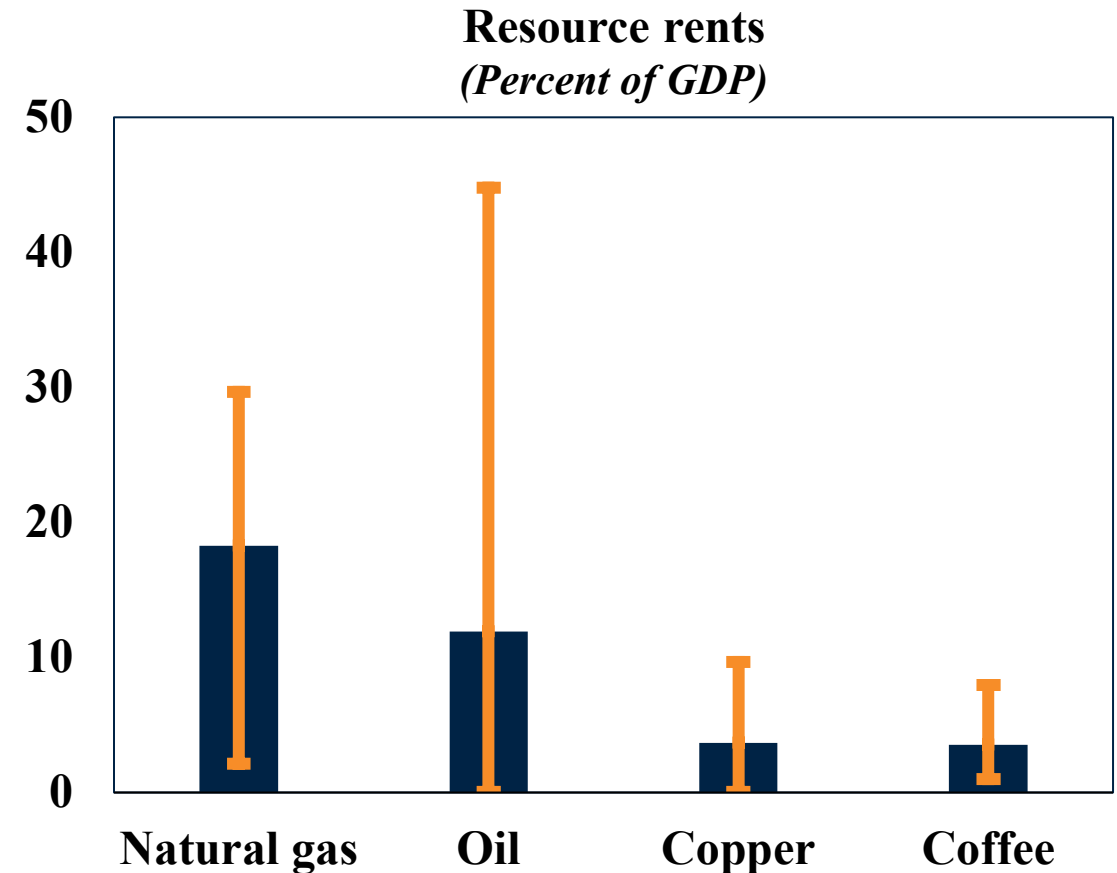
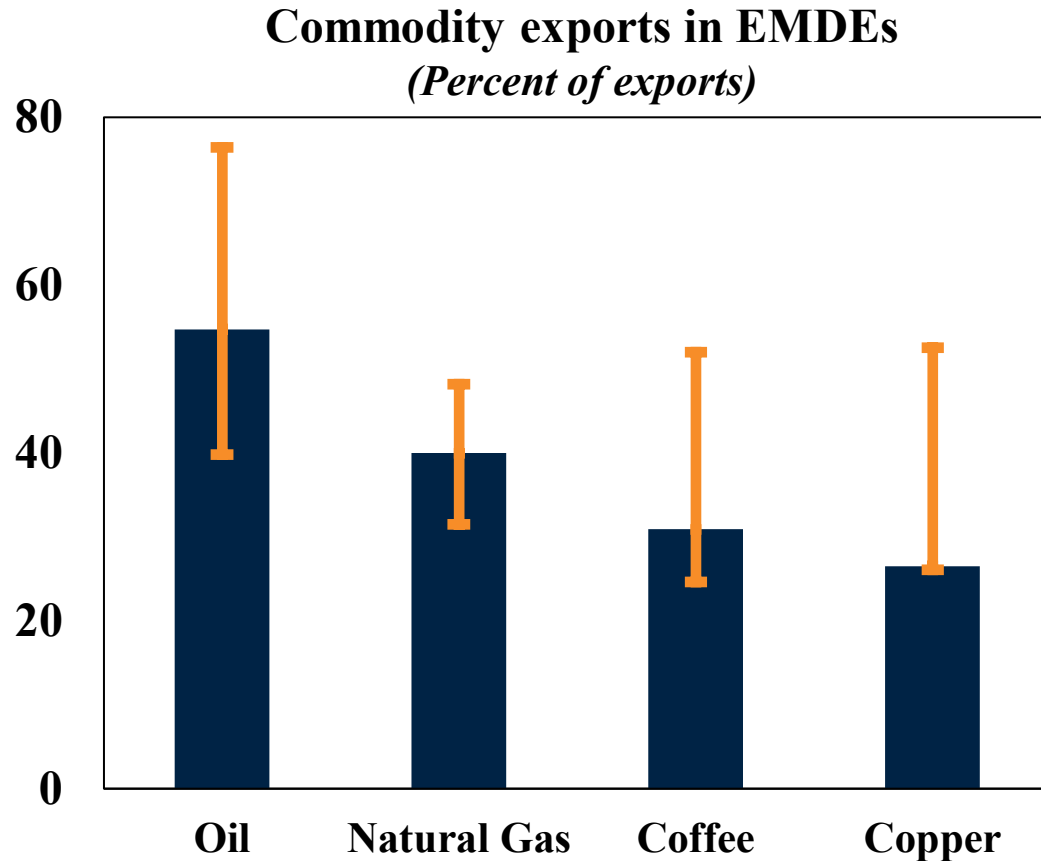


Source: World Bank.

Note: Data from January 1970 to October 2021. Left and Center Panels: Duration measures the average length (in months) of a phase (booms or slumps). Right Panel: Synchronization is measured by the concordance statistic which is defined as the proportion of time that two price series are in the same phase. It is equal to one if both series are in the same phase at any time. See Annex 2 for details. Dashed orange line indicates 50 percent.

Commodity Reliance of EMDEs

Particularly Pronounced in Energy Exporters

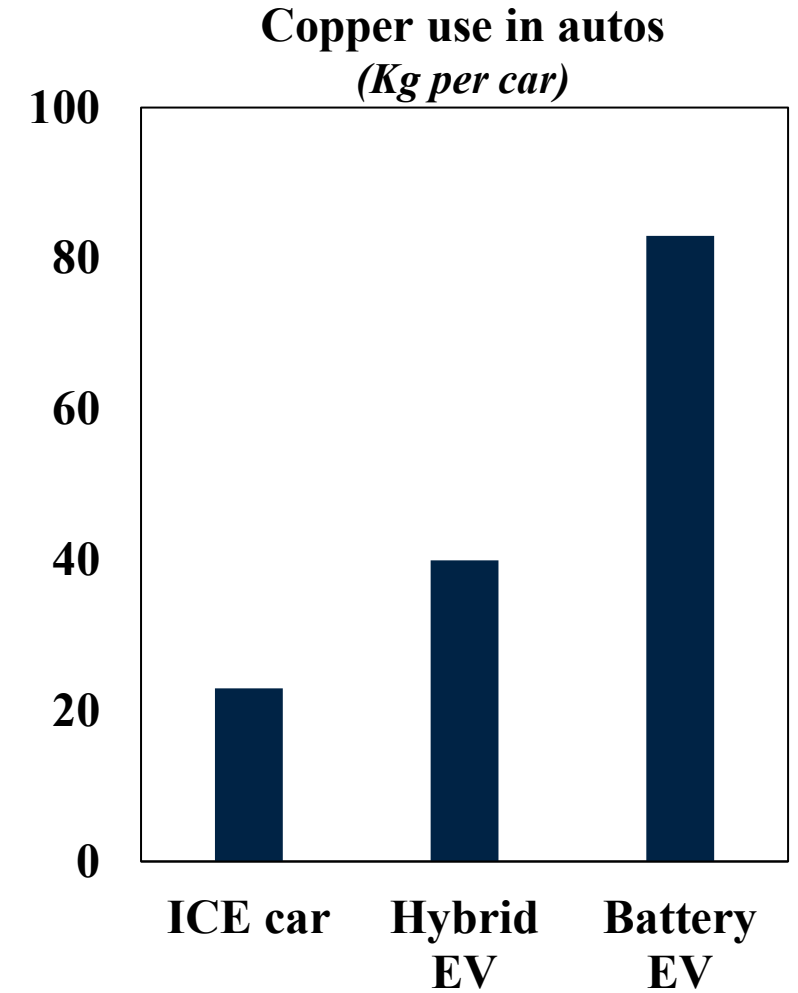
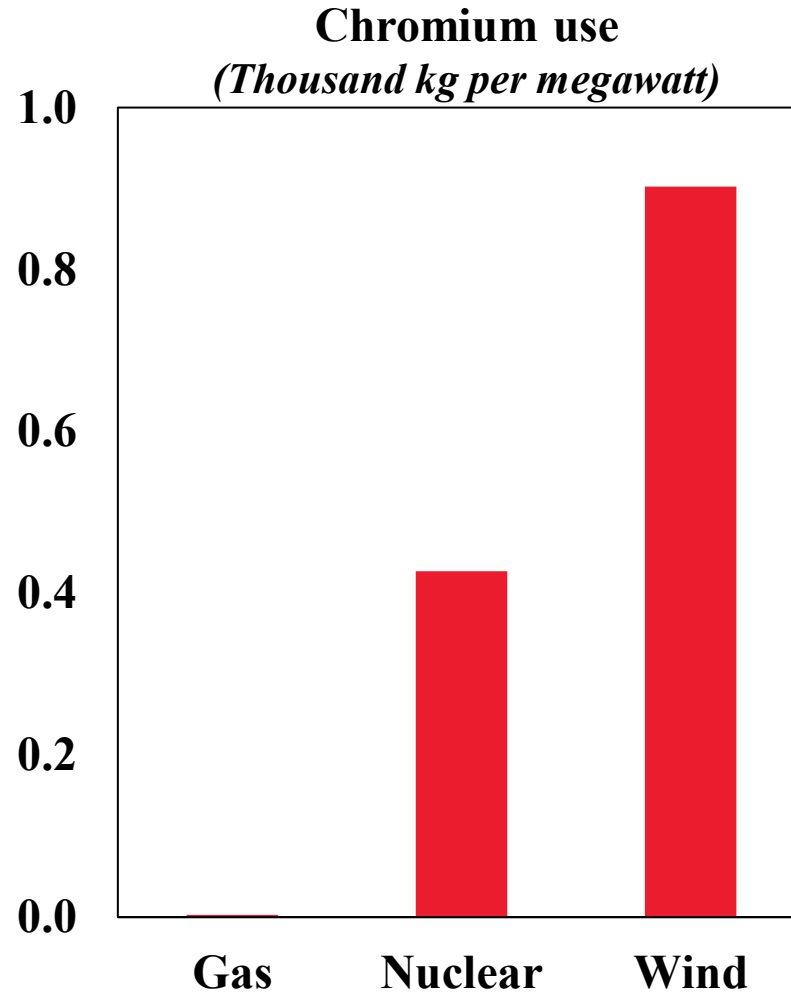
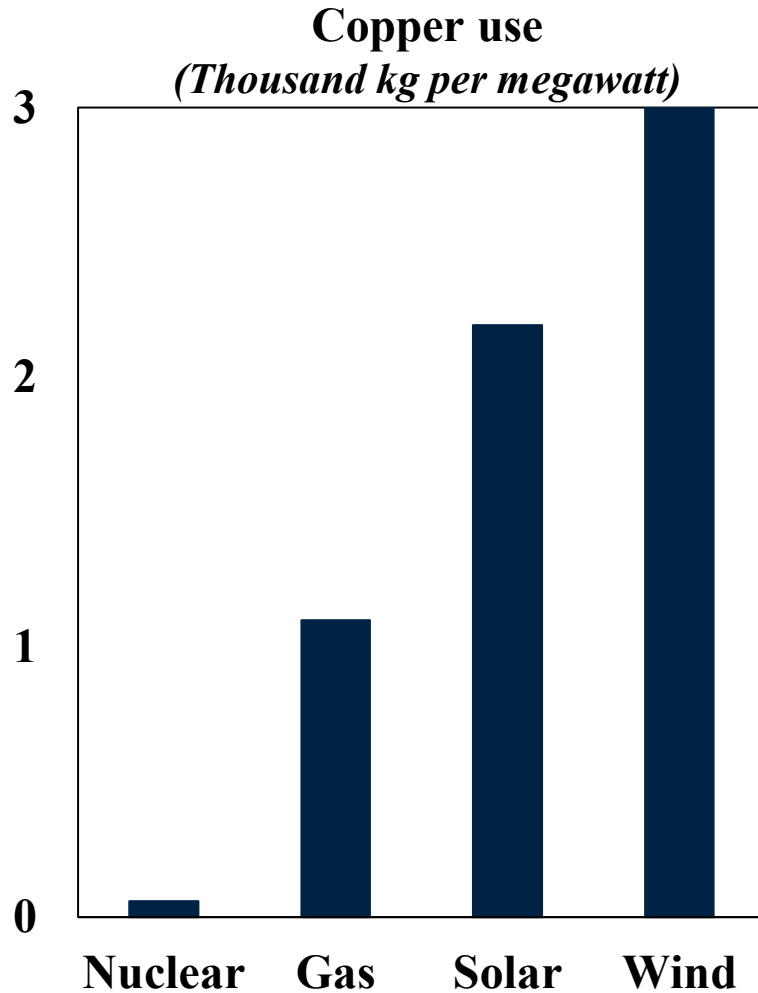


Source: International Monetary Fund, UN Comtrade, UNU-Wider, WITS database, World Bank.

Left Panel: Figure shows the median share of exports accounted for by oil, natural gas, copper, and coffee for EMDE exporters of that commodity. Oil includes 20 EMDEs, copper 6, natural gas 5, and coffee 4. Blue bars show medians and orange whiskers show interquartile ranges. Right Panel: Unweighted average of resource rents as percent of GDP for EMDE commodity exporters of natural gas (13 countries), oil (44 countries), copper (14 countries), and coffee (13 countries). Total natural resource rents of exporters of each commodity included in the figure are the sum of oil rents, natural gas rents, coal rents (hard and soft), mineral rents, and forest rents. Countries relying on the export of multiple commodities are included in the averages for each commodity. As an example, a country identified as a natural gas exporter may be deriving resource rents from exports of both natural gas and oil; its share of resource rents is included in the averages for both oil and natural gas since the breakdown of resource rents by individual commodity is not available.

Implications of Energy Transition for Metals Demand

Low-Carbon Technology More Metal Intensive Than Traditional Energy



Sources: Copper Alliance; World Bank: The Growing Role of Minerals and Metals for a Low Carbon Future (2017).

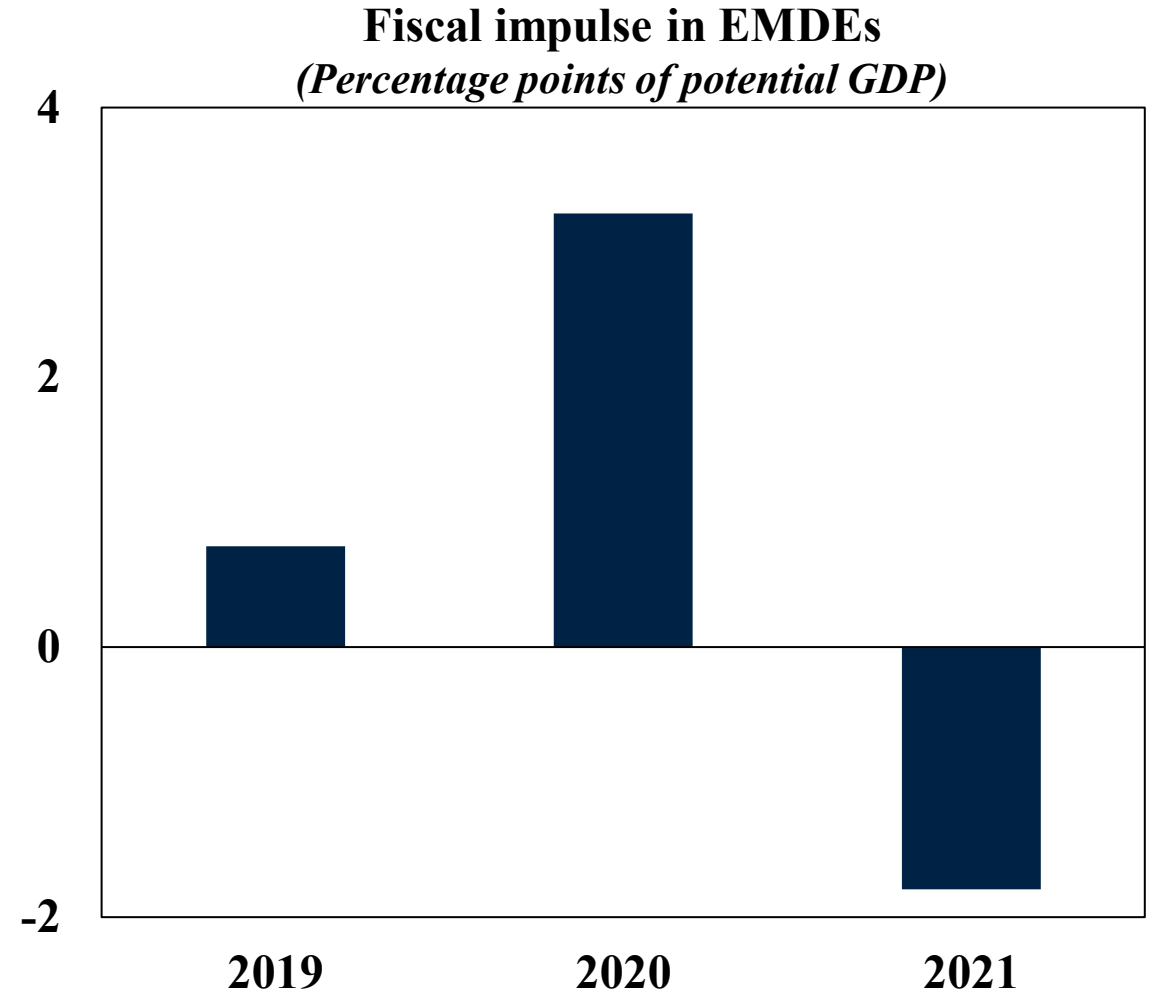
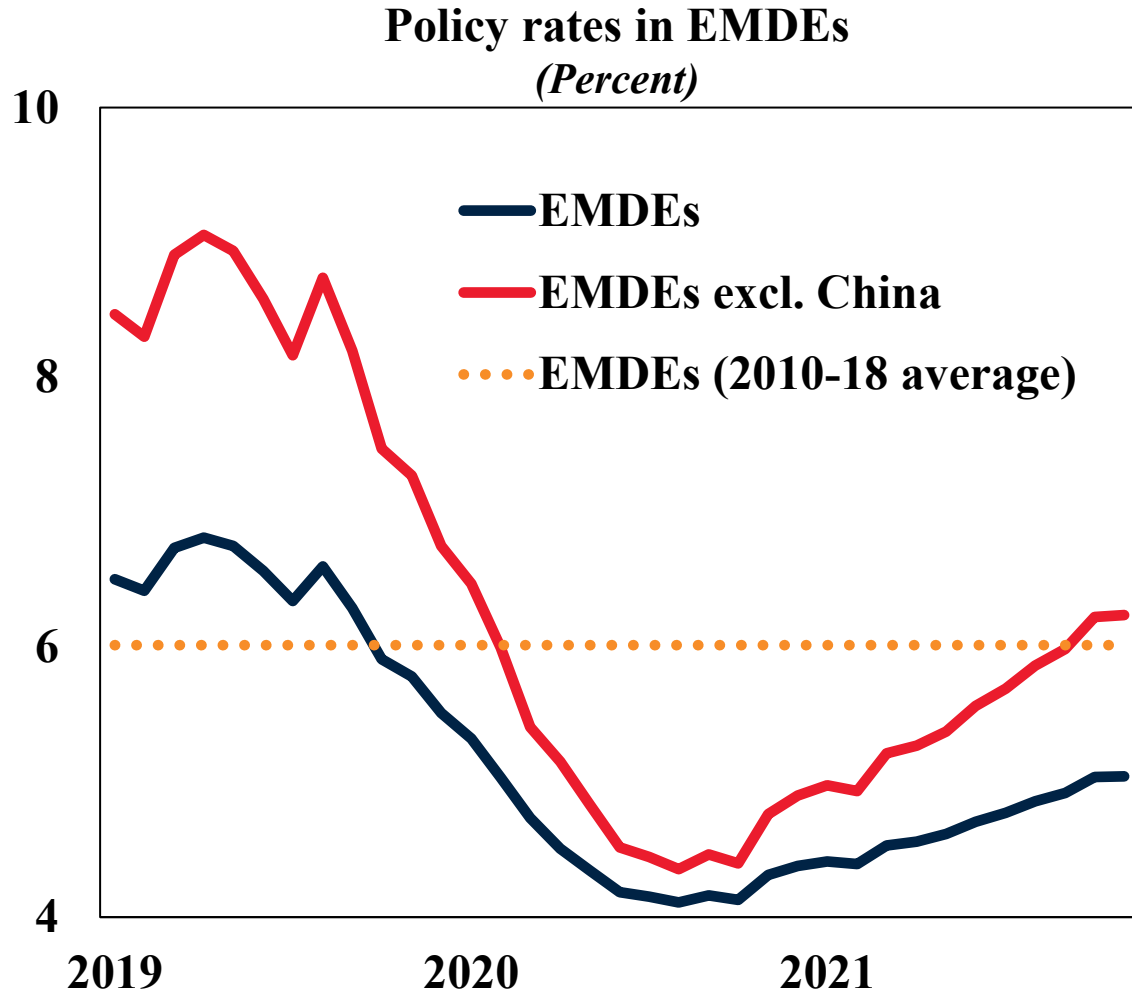
Left and Center Panels. Charts show the amount of copper and chromium required to generate one megawatt of electricity via different generation methods. Wind turbines require 3 times as much copper as a gas-powered turbine. Right Panel. Chart shows the amount of copper used in different types of vehicles. ICE stands for internal combustion engine. EV stands for electric vehicle.

Four Questions

4 What are the policy priorities for EMDEs?

Monetary and Fiscal Policies in EMDEs

Policy Tightening Underway

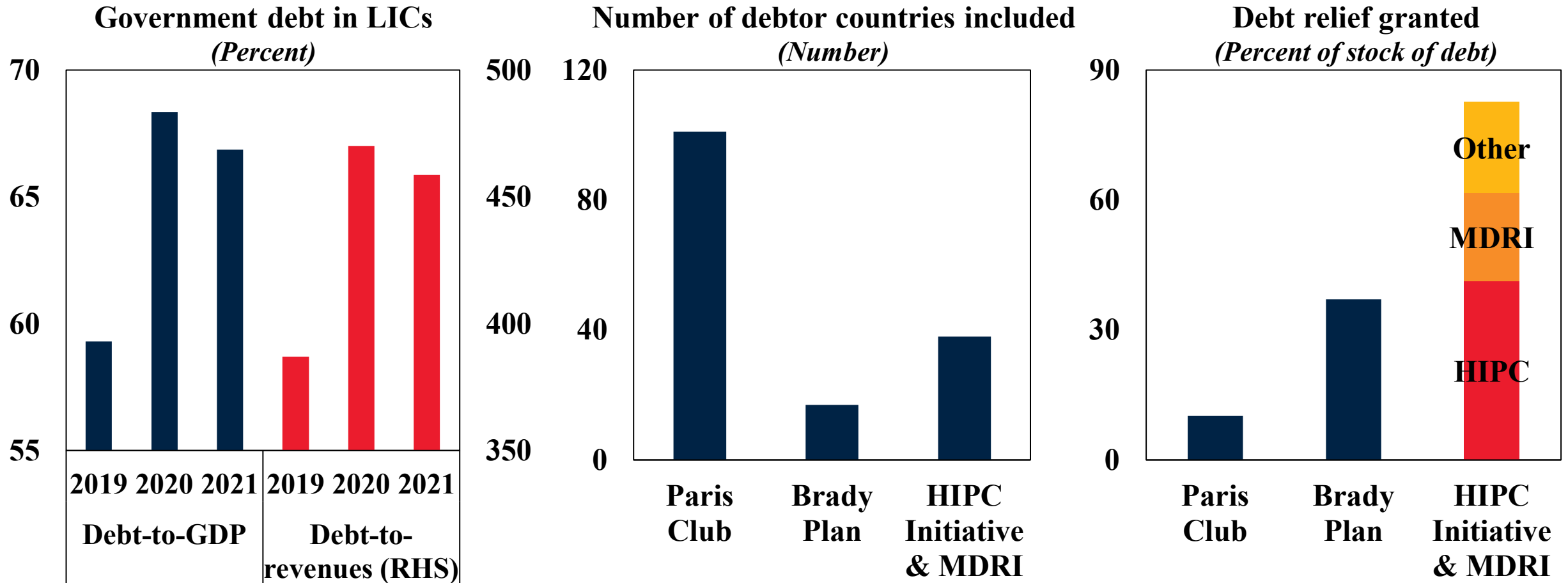


Sources: Bank for International Settlements, International Monetary Fund, World Bank.

Left Panel. Sample includes 22 EMDEs. Nominal policy rates using real GDP as weights. Last observation is November 2021. Right Panel. Fiscal impulse is the (GDP weighted) negative change in the cyclically-adjusted primary balance from the previous year. Sample includes 30 EMDEs.

Lessons from Past Debt Restructurings

Elevated Debt in LICs; Past Restructurings Offered Substantial Debt Relief



Sources: Arslanalp and Henry (2005); Cheng, Diaz-Cassou, and Erce (2019); Gamara, Pollock, and Braga (2009); International Monetary Fund; Kose et al. (2021); World Bank.

Left Panel. Aggregates computed with current U.S. dollar GDP and current U.S. dollar government revenues as weight. Sample includes 24 low-income countries (LICs). Center and Right Panels. HIPC and MDRI refer to Heavily Indebted Poor Countries and Multilateral Debt Relief Initiative, respectively. Right Panel. Stock of debt refers to stock of eligible debt treated by the Paris Club or eligible for restructuring under the Brady Plan, and total stock of debt for the HIPC countries which received HIPC/MDRI debt relief. Paris Club includes 188 restructuring episodes and excludes debt restructuring under the "Classic" terms which did not offer debt relief, and the HIPC episodes taken from Cheng, Diaz-Cassou, and Erce (2019). Brady Plan includes 16 Brady Plan deals, taken from Arslanalp and Henry (2005). For HIPC/MDRI debt relief is split into debt relief under the HIPC Initiative (which includes debt relief provided by the Paris Club), MDRI (provided by the multilateral institutions) and "Other" which refers to traditional debt relief outside of HIPC/MDRI.

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

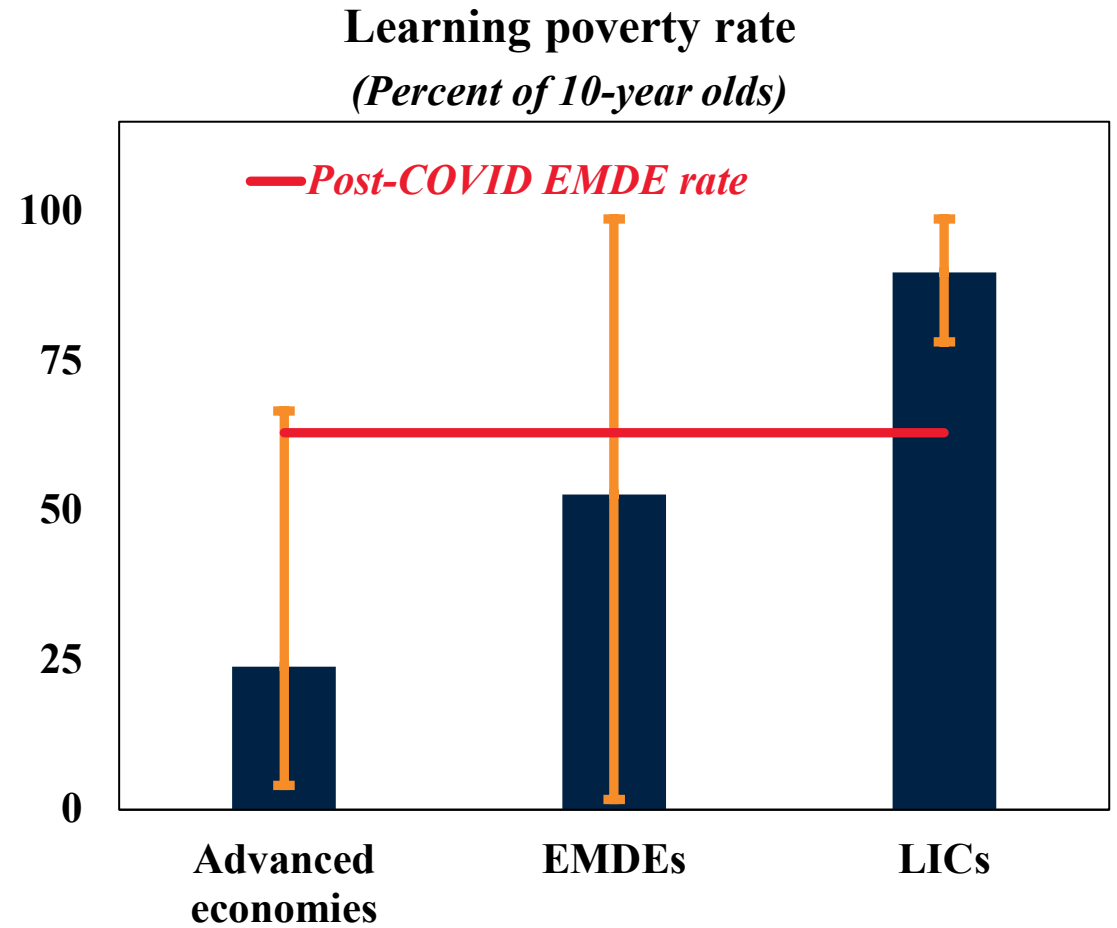
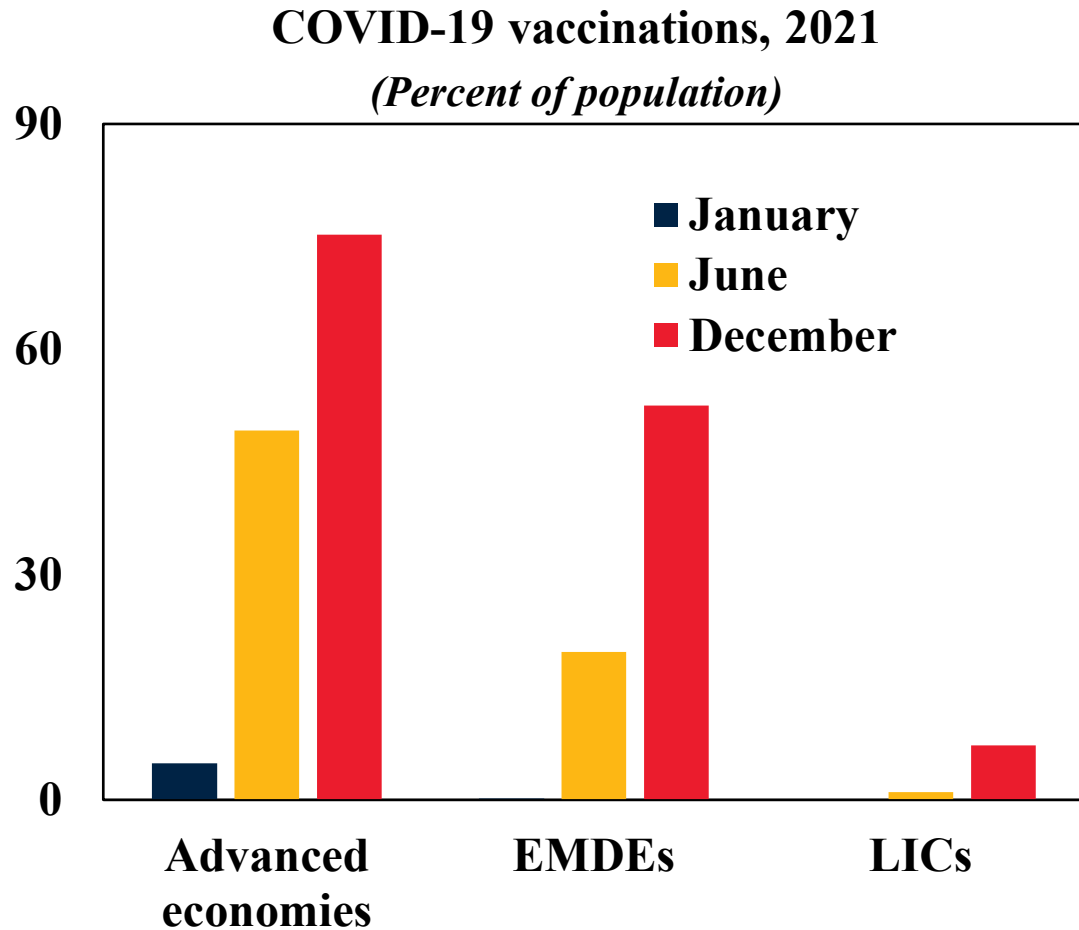
- Strengthen public institutions and health and education systems to bolster physical and human capital
- Foster firm competition and improve digital infrastructure
- Strengthen equality of opportunity by broadening access to health care, education, technology, infrastructure
- Reduce reliance on commodity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

Policy Implications: Inequality

Between-Country Inequality, Within-Country Inequality, and Global Cooperation



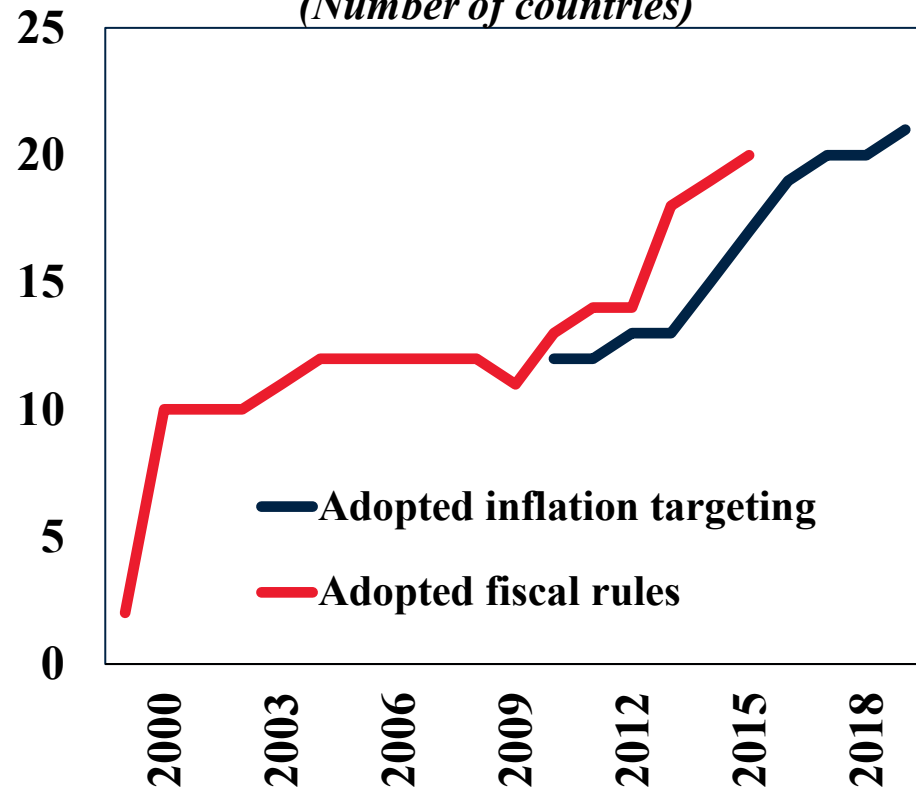
Sources: Azevedo et al. (2021); Sustainable Development Goals; Our World in Data; World Bank.

Left Panel. Figure shows the percent of population that received at least one dose of a COVID-19 vaccine, as of January 31, June 30, and December 9, 2021. Right Panel: The learning-poverty rate is the proportion of 10-year-olds unable to read a short, age-appropriate text, as described in Azevedo et al. (2021). Blue bars show the pre-COVID estimations for latest available data and red horizontal line denotes the expected average for EMDEs after the impact of COVID-19 on learning poverty due to education disruptions. Orange whiskers show the minimum-maximum ranges for each country group.

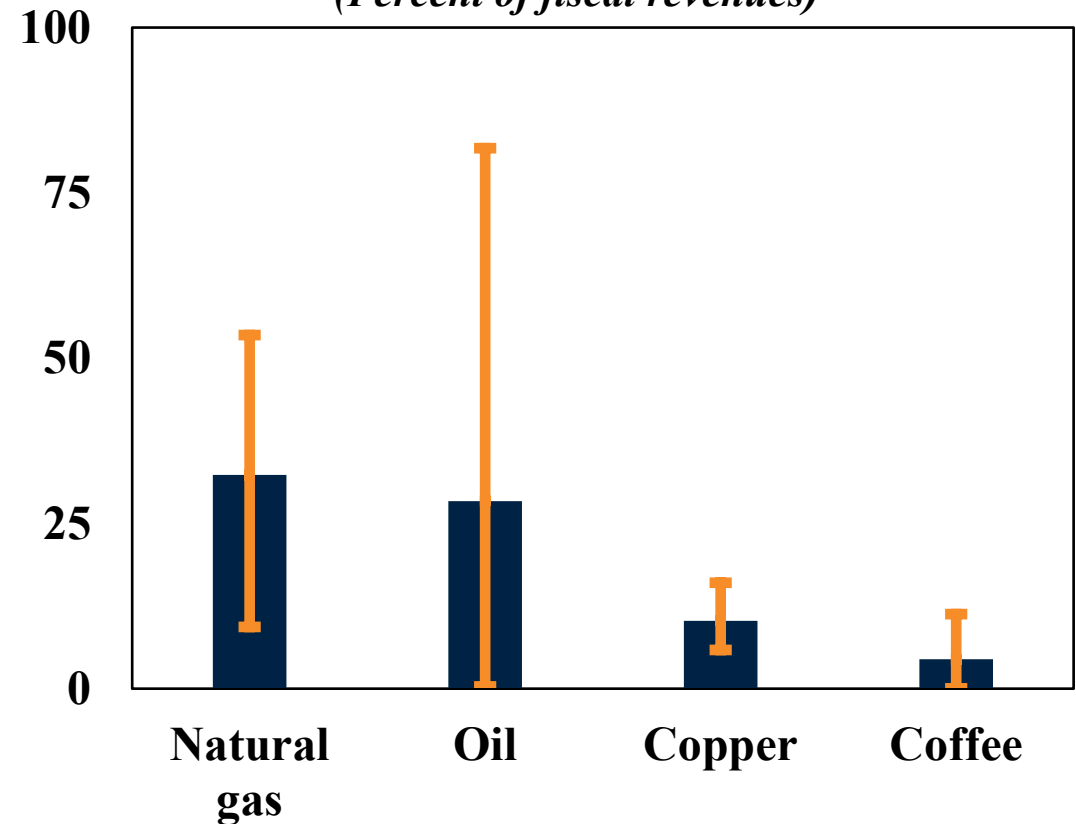
Policy Implications: Commodity Price Cycles

Manage Impact, Reduce Exposure

Commodity-exporting EMDEs with fiscal rules or inflation targeting
(Number of countries)



Resource revenues
(Percent of fiscal revenues)



Sources: Cerutti, Claessens, and Laeven (2017); Dincer, Eichengreen, and Geraats (2019); Ha, Kose, and Ohnsorge (2019); International Monetary Fund; World Bank.

Note: EMDEs = emerging market and developing economies. Left panel: An economy is considered to be implementing a fiscal rule if it has one or more fiscal rules on expenditure, revenue, budget balance, or debt. Inflation targeting as classified in the International Monetary Fund's Annual Report of Exchange Arrangements and Exchange Restrictions. Index of central bank transparency is the sum of the scores for answers to the following questions (min = 0, max = 15) as specified in Dincer, Eichengreen, and Geraats (2019). Right Panel. Unweighted average of resource revenues as a share of fiscal revenues for EMDE commodity exporters of natural gas (5 countries), oil (25 countries), copper (4 countries) and coffee (5 countries). Countries relying on the export of multiple commodities are included in the averages for each commodity. Orange whiskers indicate minimum and maximum range.

Four Questions & Answers

- 1 What are global growth prospects?** *A pronounced global slowdown is underway before the recovery is complete in EMDEs. There are multiple downside risks.*
- 2 What are the implications of the pandemic for global inequality?** *The pandemic has raised between-country inequality considerably, within-country inequality somewhat.*
- 3 What have been the causes and consequences of commodity price cycles?** *The recent commodity market gyrations have been unusually pronounced and may recur.*
- 4 What are the policy priorities for EMDEs?** *Room for macroeconomic policies is limited. Structural policies are needed for green, resilient, and inclusive growth.*

Select Publications by Prospects Group

- *Global Economic Prospects* – *January 2022*
(January and June)
- *Commodity Markets Outlook* – *October 2021*
(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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