


Global
Economic
Prospects

30th
anniversary
edition

Global Economic Prospects

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July 2021

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Equitable Growth, Finance & Institutions
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Global Economic Prospects – *June 2021*

- Global Outlook
- Regional Outlooks
- What is next? Global Growth Scenarios Beyond 2021
- High Trade Costs: Causes and Remedies
- Emerging Inflation Pressures: Cause for Concern?

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Four Questions

- 1 **What are near-term prospects for the global economy?** *Strongest global growth following a global recession in the past 80 years but EMDE per capita incomes lagging behind. Risks are tilted to the downside.*
- 2 **What are the implications of emerging inflation pressures?** *Inflation pickup may be temporary and not necessarily warrant monetary policy response in EMDEs but may complicate their policy choices.*
- 3 **What are the implications of high trade costs?** *Trade costs double the price of traded goods over domestic goods, but could be halved by lower shipping, logistics costs and streamlined border processes.*
- 4 **What are policy priorities?** *Control the pandemic; support the recovery while safeguarding price stability and fiscal sustainability; implement reforms to ensure green, resilient and inclusive recovery.*

³ * EMDEs = Emerging Market and Developing Economies



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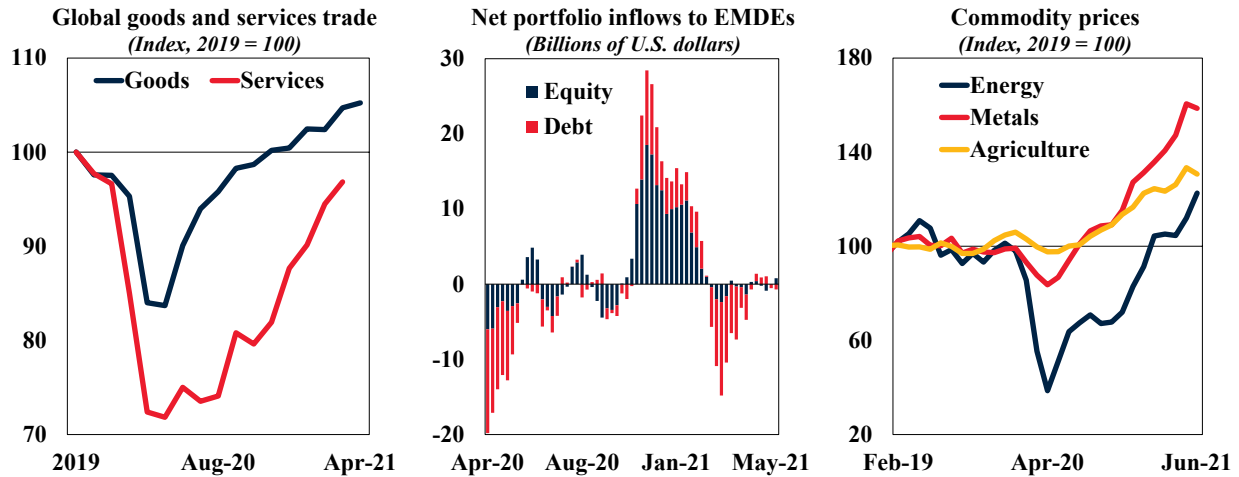
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Global Economic Environment

Still Benign for EMDEs



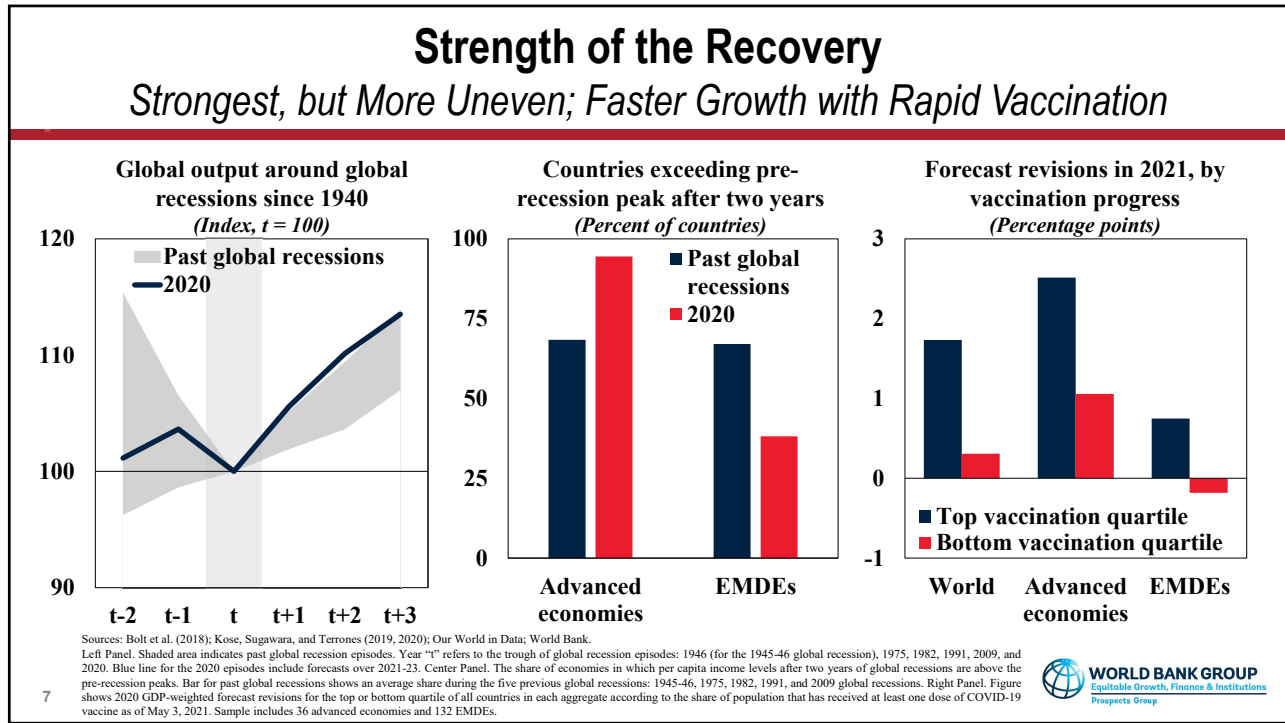
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Global Growth Forecasts

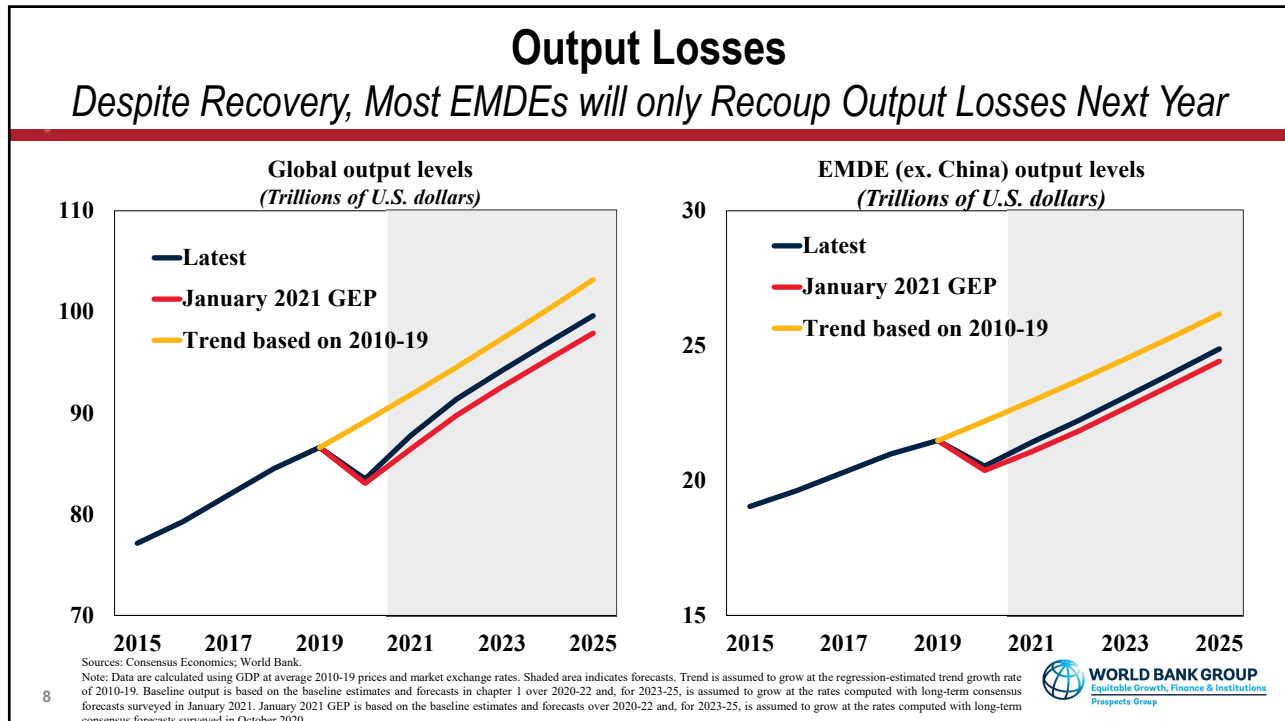
Stronger-Than-Expected Near-Term Recovery

	GDP growth (Percent)				Change from January 2021	
	2013-19	2020e	2021f	2022f	2021	2022
World	2.9	-3.5	5.6	4.3	1.5	0.5
Advanced economies	2.0	-4.7	5.4	4.0	2.1	0.5
EMDEs	4.5	-1.7	6.0	4.7	0.8	0.4
East Asia and Pacific	6.6	1.2	7.7	5.3	0.3	0.1
Europe and Central Asia	2.6	-2.1	3.9	3.9	0.6	0.1
Latin America and the Caribbean	1.3	-6.5	5.2	2.9	1.4	0.1
Middle East and North Africa	2.5	-3.9	2.4	3.5	0.3	0.3
South Asia	6.4	-5.4	6.8	6.8	3.6	3.0
Sub-Saharan Africa	3.1	-2.4	2.8	3.3	0.0	-0.2

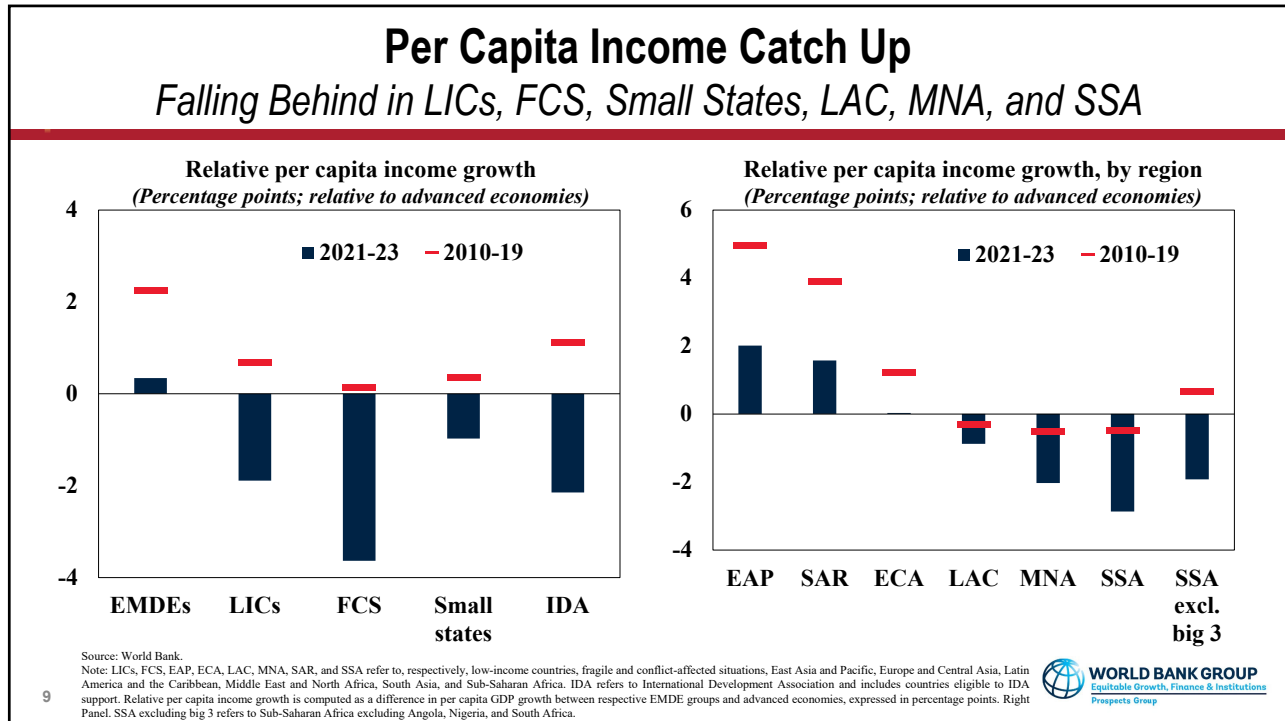
6 Source: World Bank.
Note: Headline aggregate growth rates are calculated using GDP weights at average 2010-19 prices and market exchange rates; e = estimate; f = forecast.



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Risks to Global Growth

Downside Risks Still Predominate

Downside Risks

- Continued COVID-19 flare-ups; additional vaccine rollout delays in EMDEs
- Financial market stress possibly because of reassessment of inflation or growth prospects or corporate defaults
- Food insecurity
- Geopolitical risks
- Climate-related risks

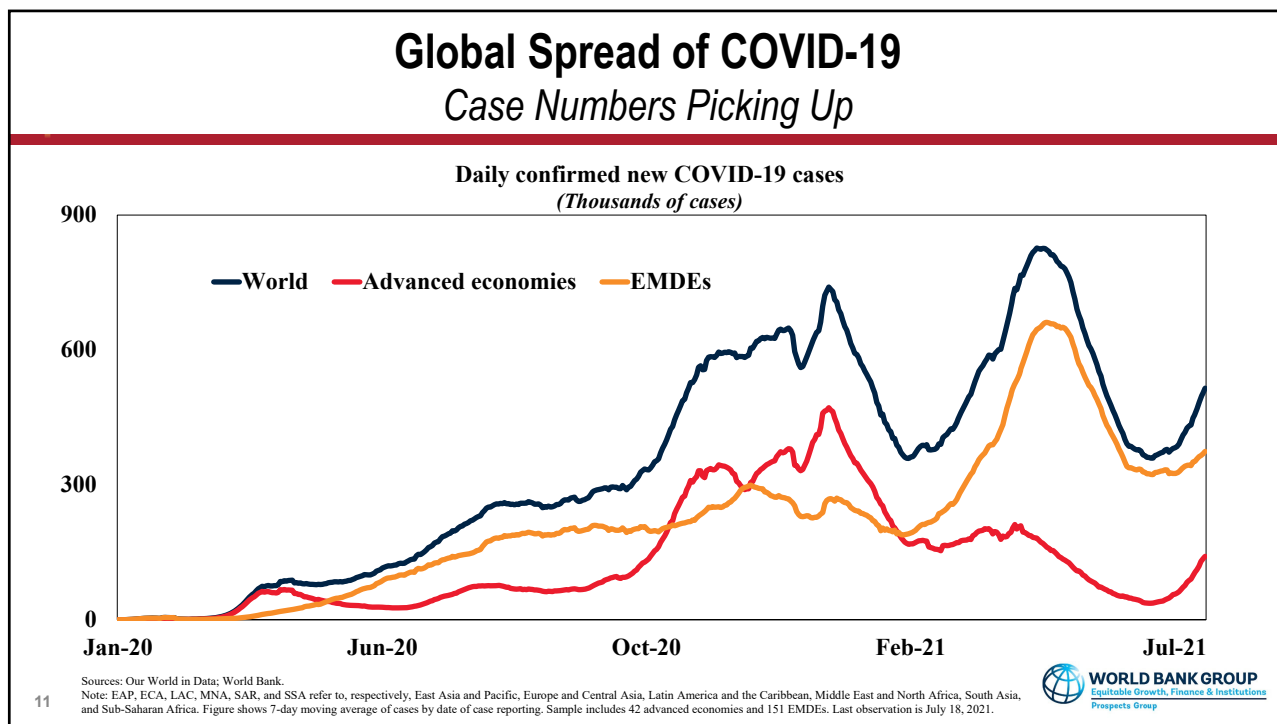
Upside Risks

- Faster end of the pandemic
- Spillovers from major economies catalyze synchronized global boom

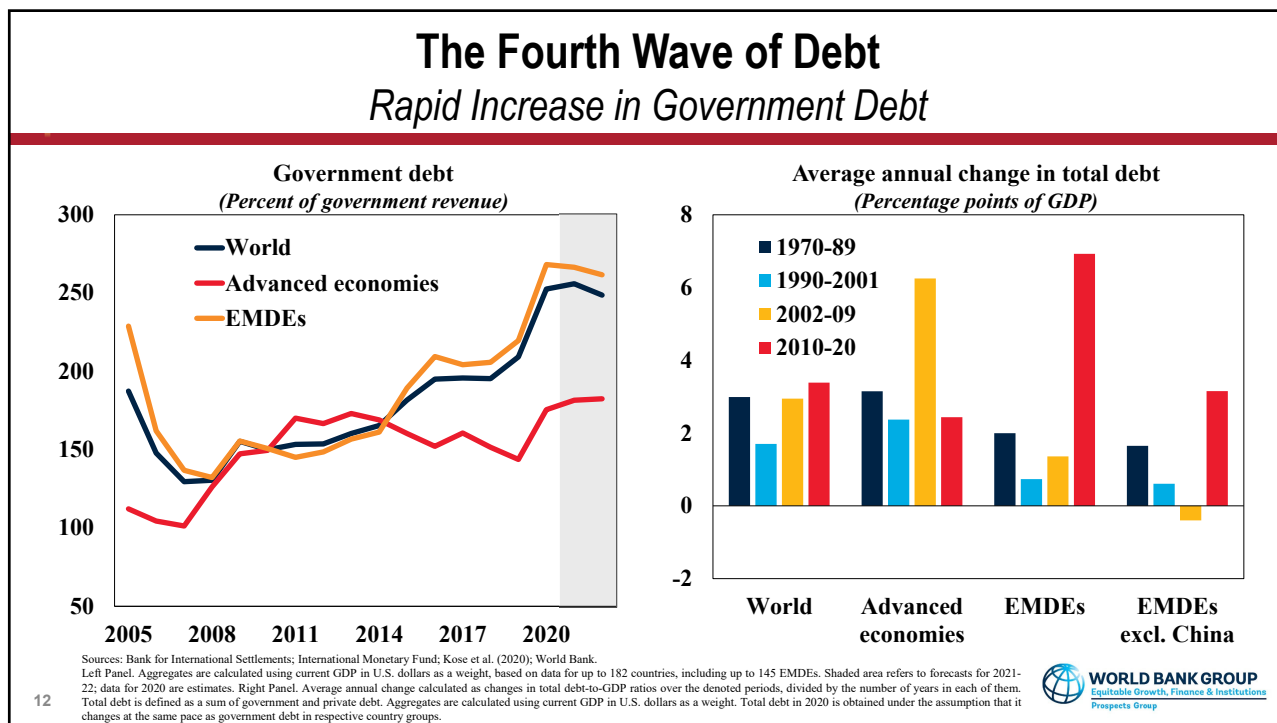
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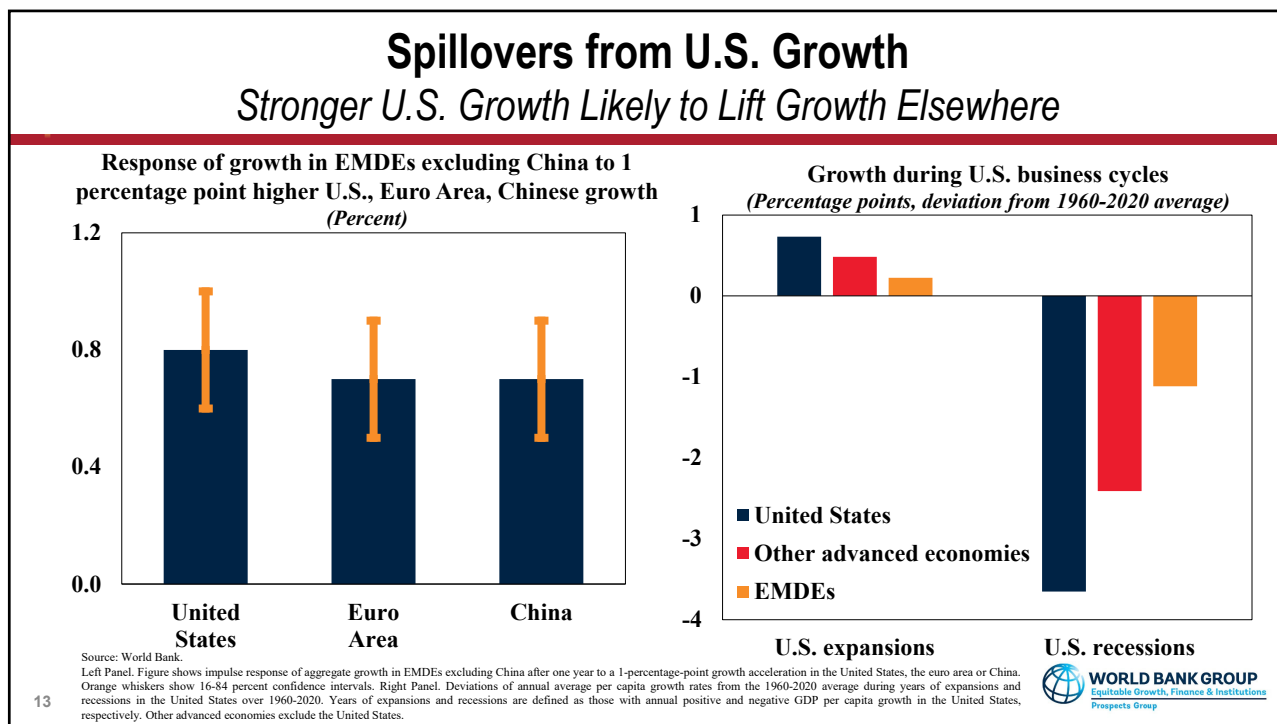
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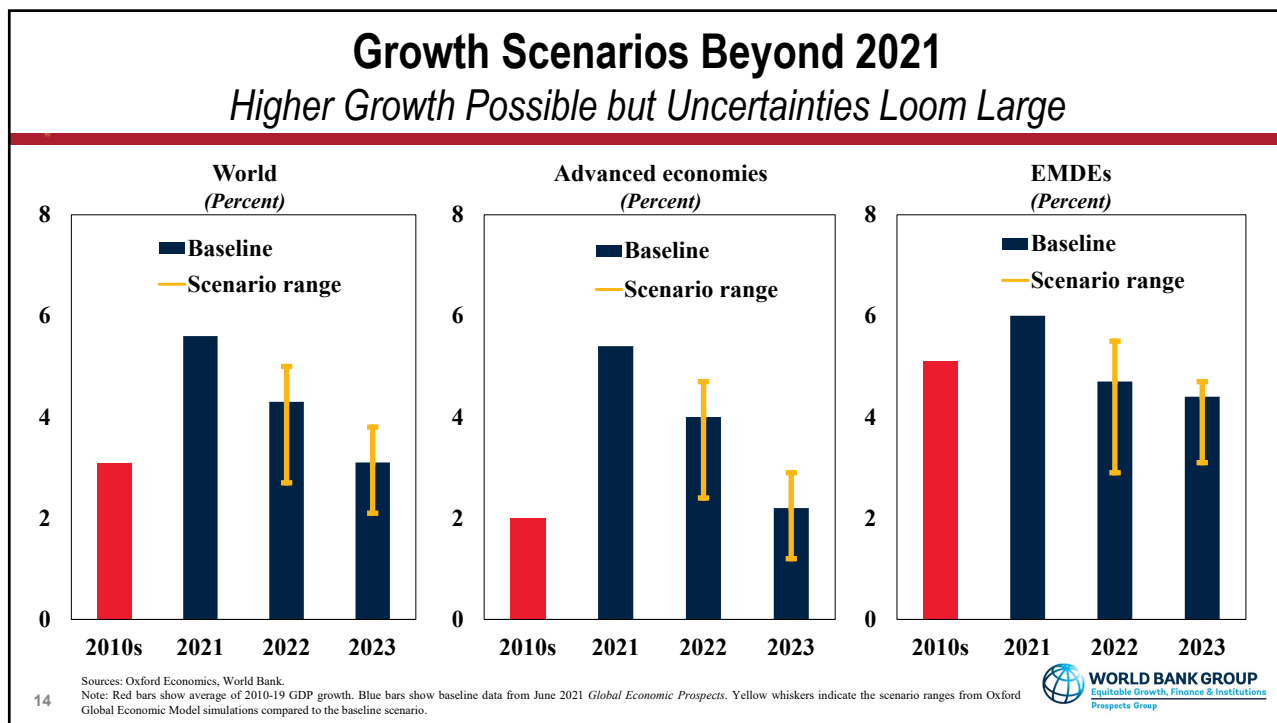
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Four Questions

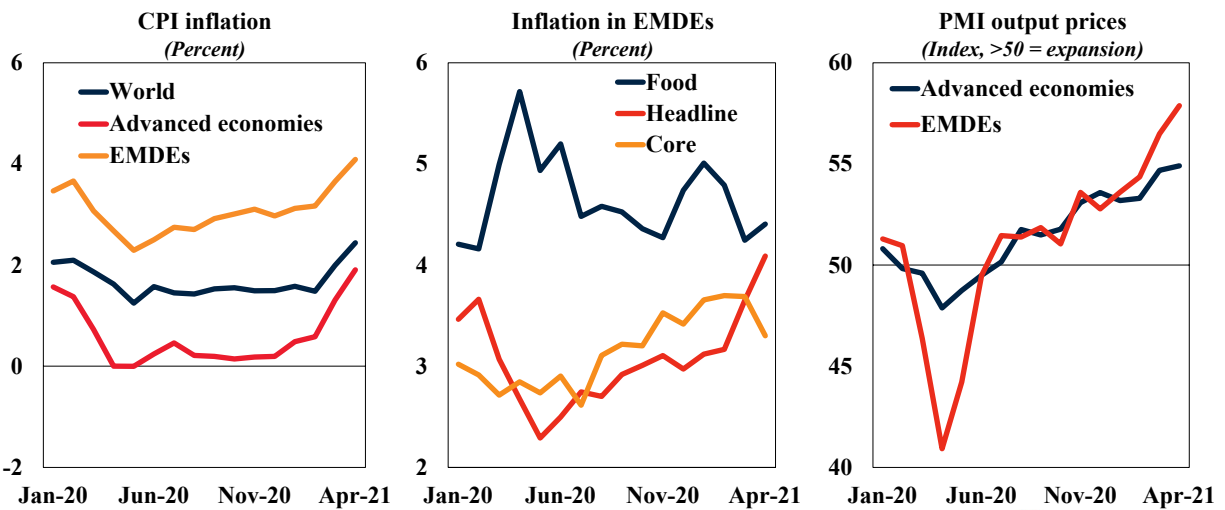
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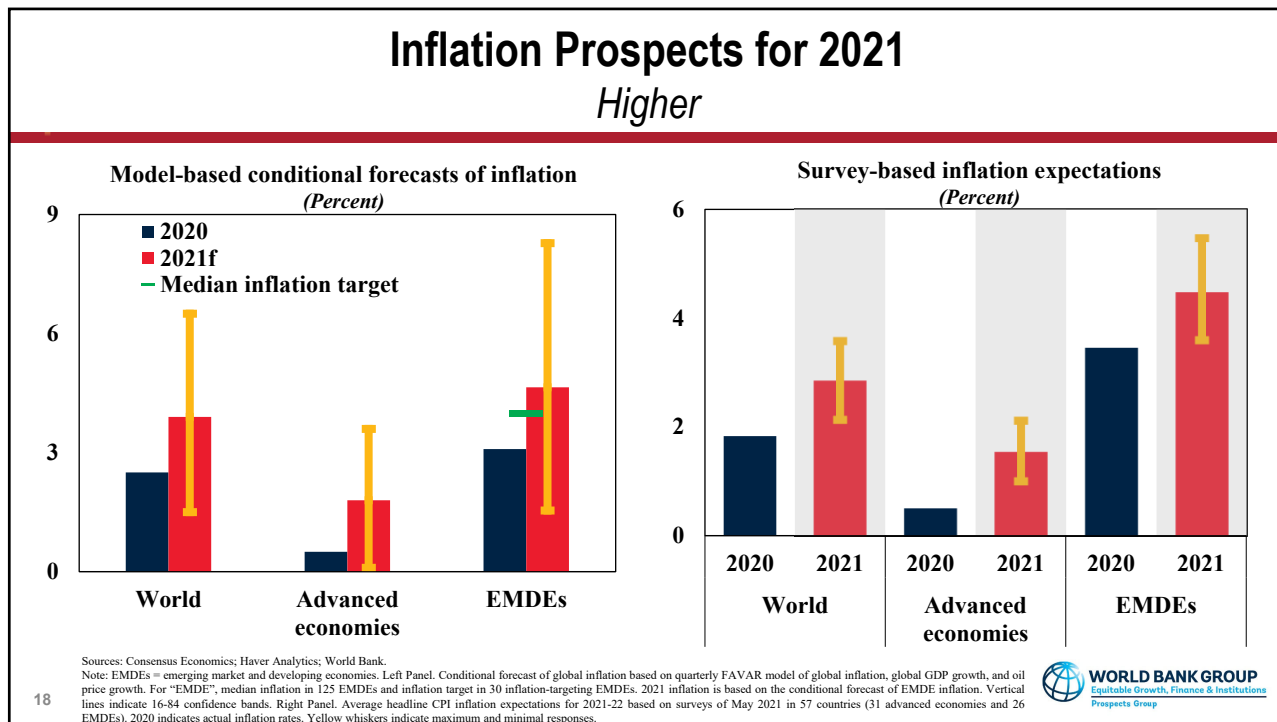
Emerging Inflation Pressures *Rapid Rebound in Inflation since June 2020*



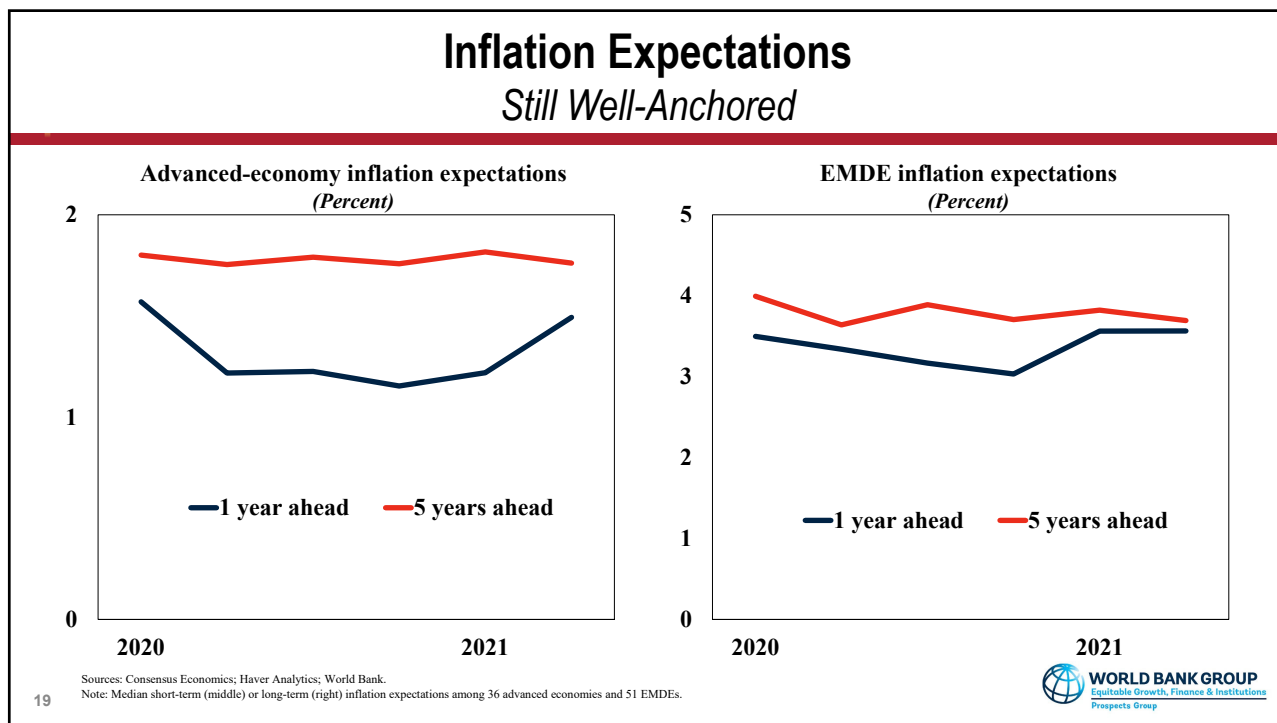
17 Sources: Haver Analytics; World Bank. Left Panel. CPI refers to consumer price index. Year-on-year group median inflation for 81 countries, of which 31 are advanced economies and 50 are EMDEs. Center Panel. Year-on-year consumer price median inflation for 50 EMDEs. Right Panel. Subcomponent of composite purchasing managers index (PMI) for output prices. An index above 50 indicates price increases.



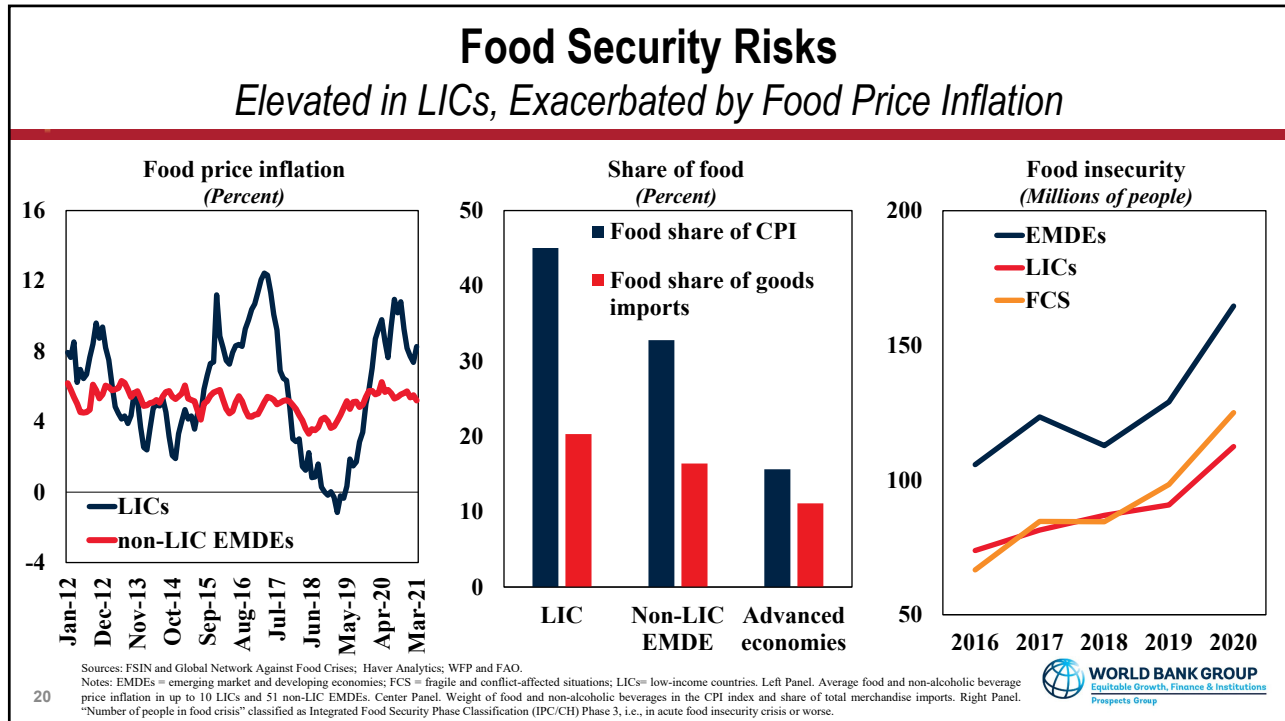
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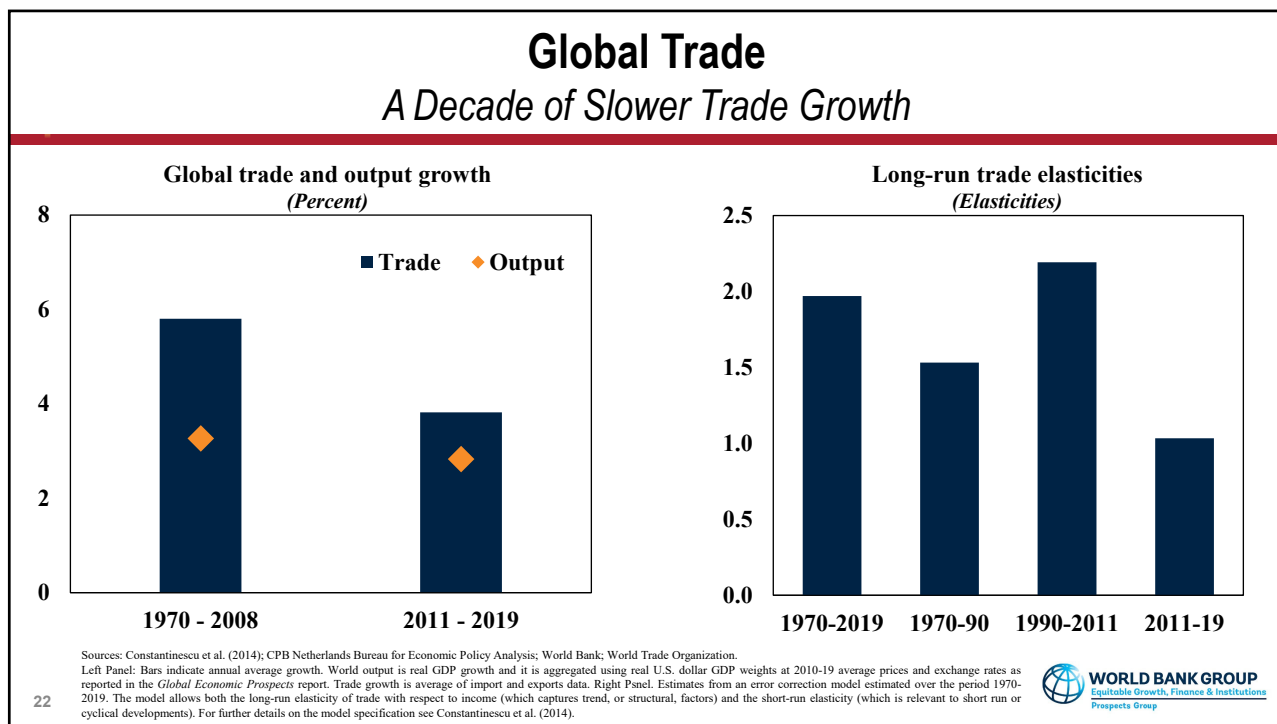
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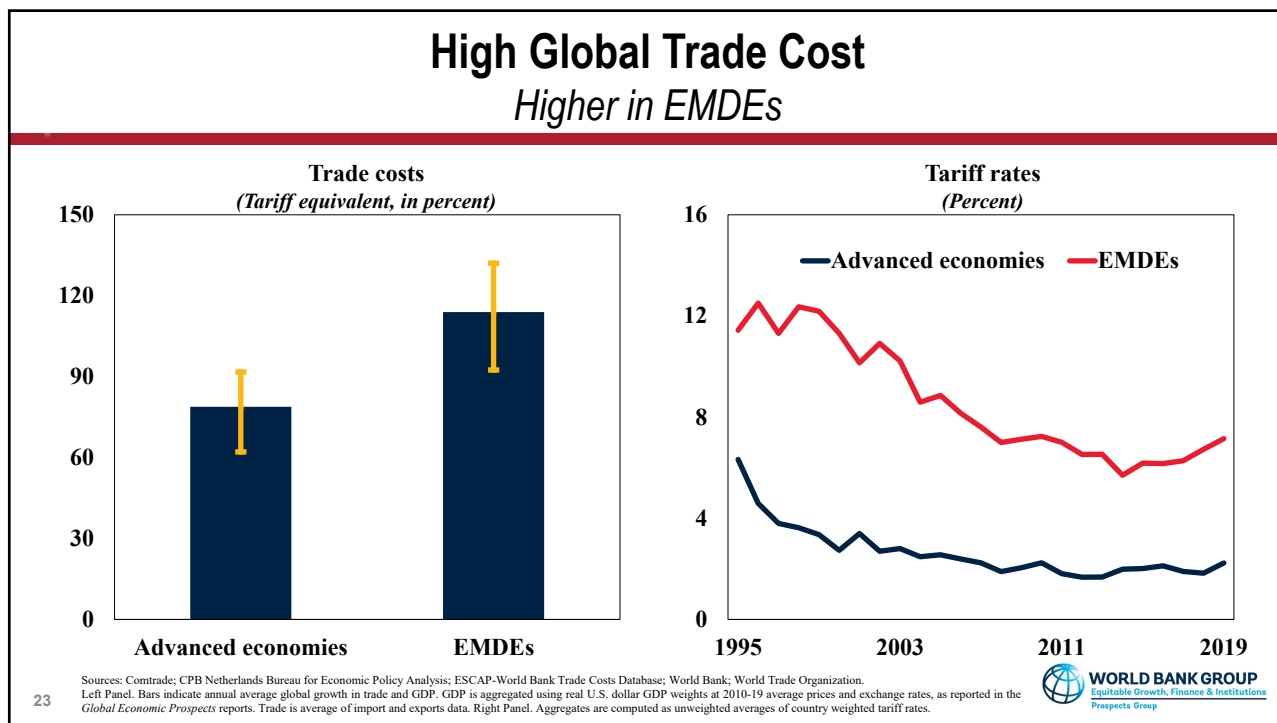
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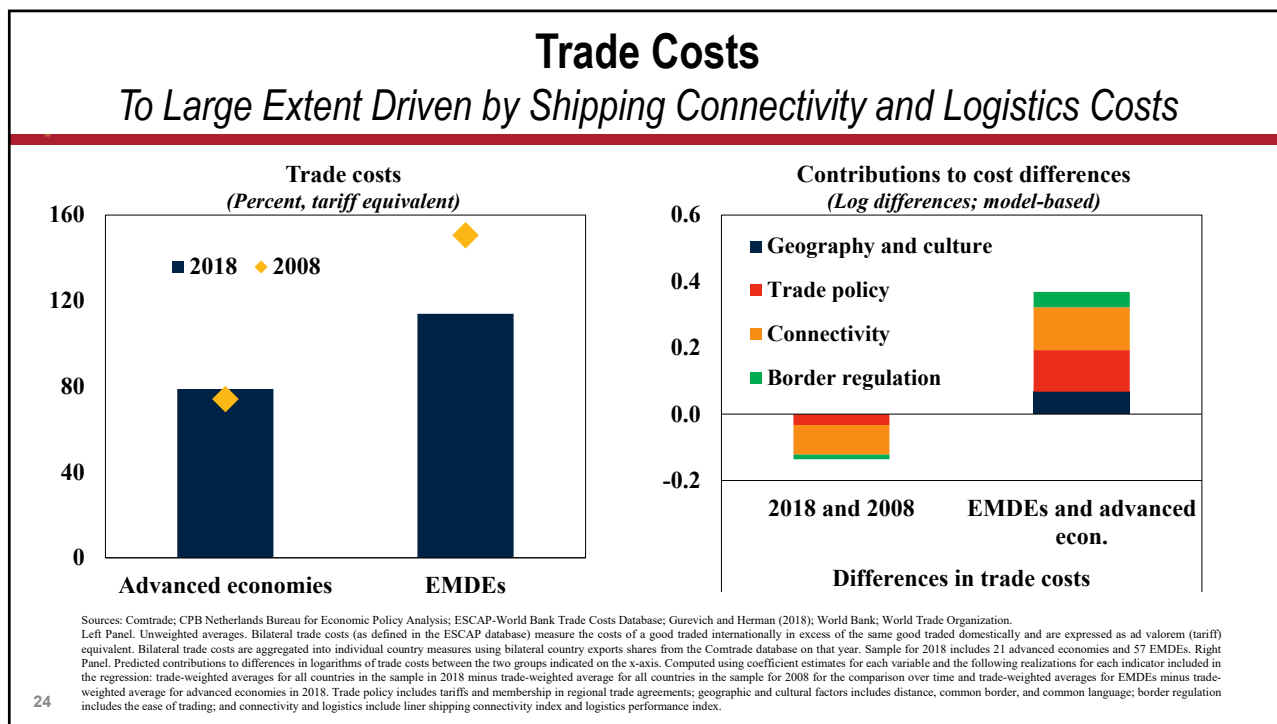
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Policy Challenges

End Pandemic; Support Recovery; Ensure Green, Resilient, Inclusive Development

End the pandemic

- Accelerate vaccine distribution and deployment

Macroeconomic policies to balance...

- Supporting the recovery
- Preserving price stability and fiscal sustainability

Reforms for green, resilient, and inclusive development

- Reduce trade costs
- Encourage worker reallocation
- Raise human capital
- Increase digital connectivity
- Address informality
- Spur green investment

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Measures to Lower Trade Costs

Better Shipping Connectivity and Logistics, Easier Border Processes

Trading across border (Distance to frontier)

Year	EMDEs	Advanced economies
2006	~50	~18
2018	~35	~10

Logistics performance (Score; higher, easier)

Year	EMDEs	Advanced economies
2007	~2.5	~3.8
2018	~2.6	~3.7

Shipping connectivity (Index; max in 2004 = 100)

Year	EMDEs	Advanced economies
2004	~10	~40
2019	~22	~55

Tariffs (Percent)

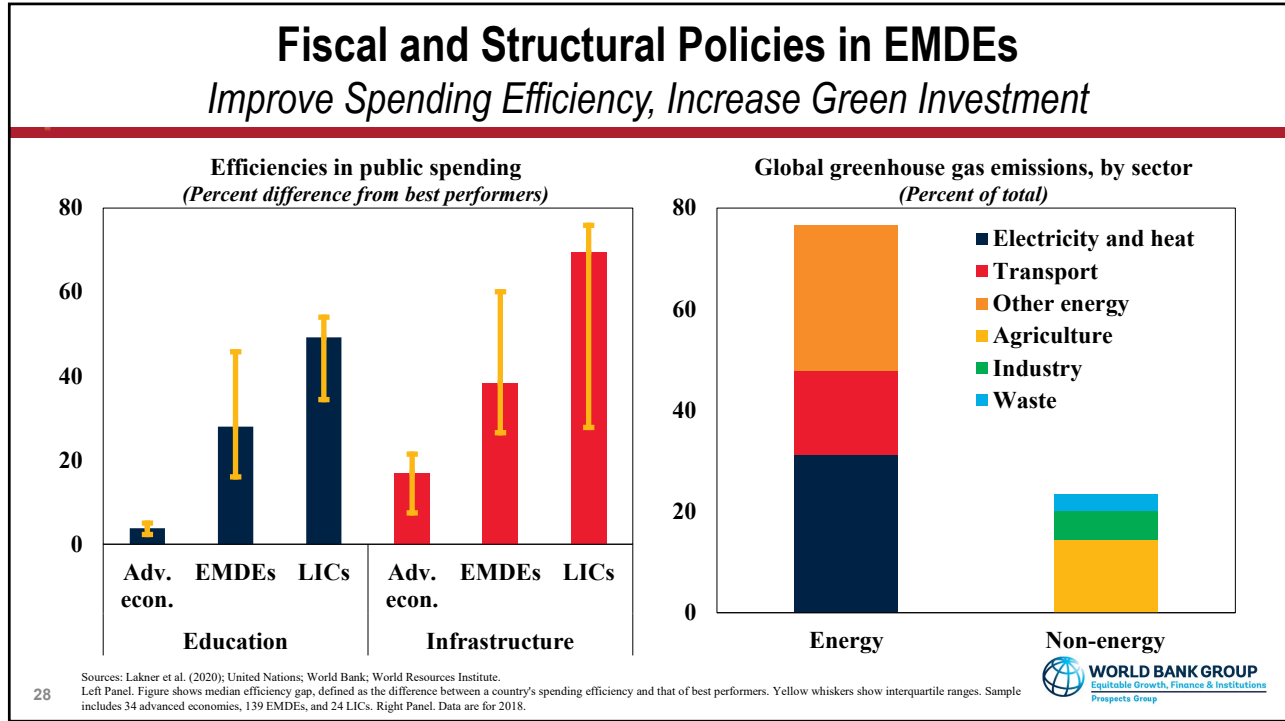
Economy Type	Manufacturing	Agriculture
Advanced economies	~2	~7
EMDEs	~6	~14

Source: World Bank.
 Left Panel. The distance to frontier score of doing Business index for "trading across borders" indicator, showing the smaller score means closer to the frontier. Sample includes 82 EMDEs and 16 advanced economies. Second from Left. The logistics performance index is a summary indicator of logistics sector performance, combining data on six core performance components into a single aggregate measure. Sample includes up to 36 advanced economies and 123 EMDEs. Second from Right. The liner shipping connectivity index is an average of five components and captures how well countries are connected to global shipping networks. Sample includes 30 advanced economies and 119 EMDEs. Right Panel. Regional aggregates are computed as unweighted averages of country weighted tariff rates.

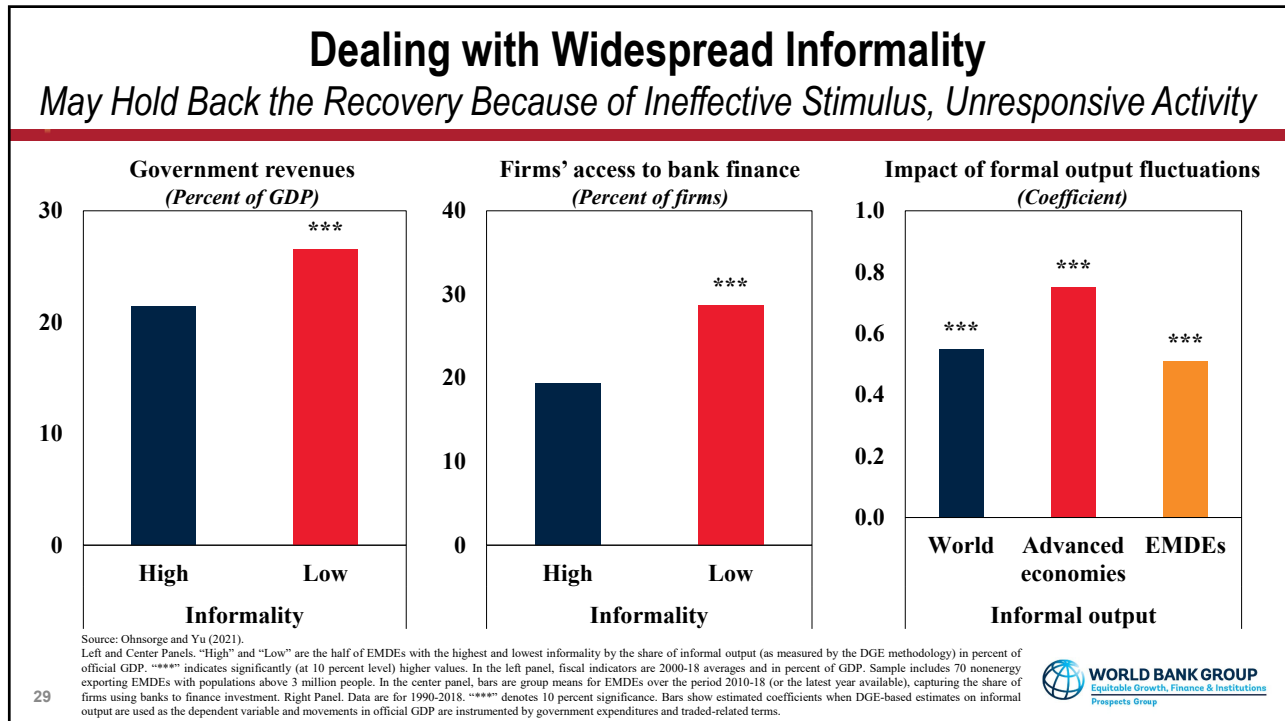
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Select Publications by Prospects Group

- [Global Economic Prospects](#) – **June 2021**
(January and June)
- [Commodity Markets Outlook](#) – **October 2021**
(April and October)
- [Global Monthly](#)
- [The Long Shadow of Informality](#) – **May 2021**
- [Global Productivity](#) – **July 2020**
- [Global Waves of Debt](#) – **December 2019**
- [Global Inflation](#) – **November 2018**

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Questions & Comments
Thank you!

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