



Global Economic Prospects

June 2023

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Global Economic Prospects – *June 2023*

- Global Outlook (**Chapter 1**)
- Regional Outlooks (**Chapter 2**)
- Financial Spillovers of Rising U.S. Interest Rates (**Chapter 3**)
- Fiscal Policy Challenges in Low-Income Countries (**Chapter 4**)

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Three Questions

1 **What are near-term prospects for the global economy?** *A sharp global slowdown underway. The outlook clouded by multiple downside risks, in particular an intensification of financial stress.*

2 **What are the main fiscal policy challenges in LICs?** *Rising debt, interest payments, and fiscal deficits amid persistent revenue weakness and growing spending pressures. Limited fiscal space for stimulus or investments for development and climate objectives.*

3 **What are the policy priorities?** *Implement global and national policies to, in the short run, ensure financial and macroeconomic stability and, in the long run, boost potential growth, address climate change, and ensure a sustainable development path.*

* EMDEs = Emerging Market and Developing Economies

* LICs = Low-Income Countries



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Global Growth Forecasts

Sharp Downturn Continues in 2023

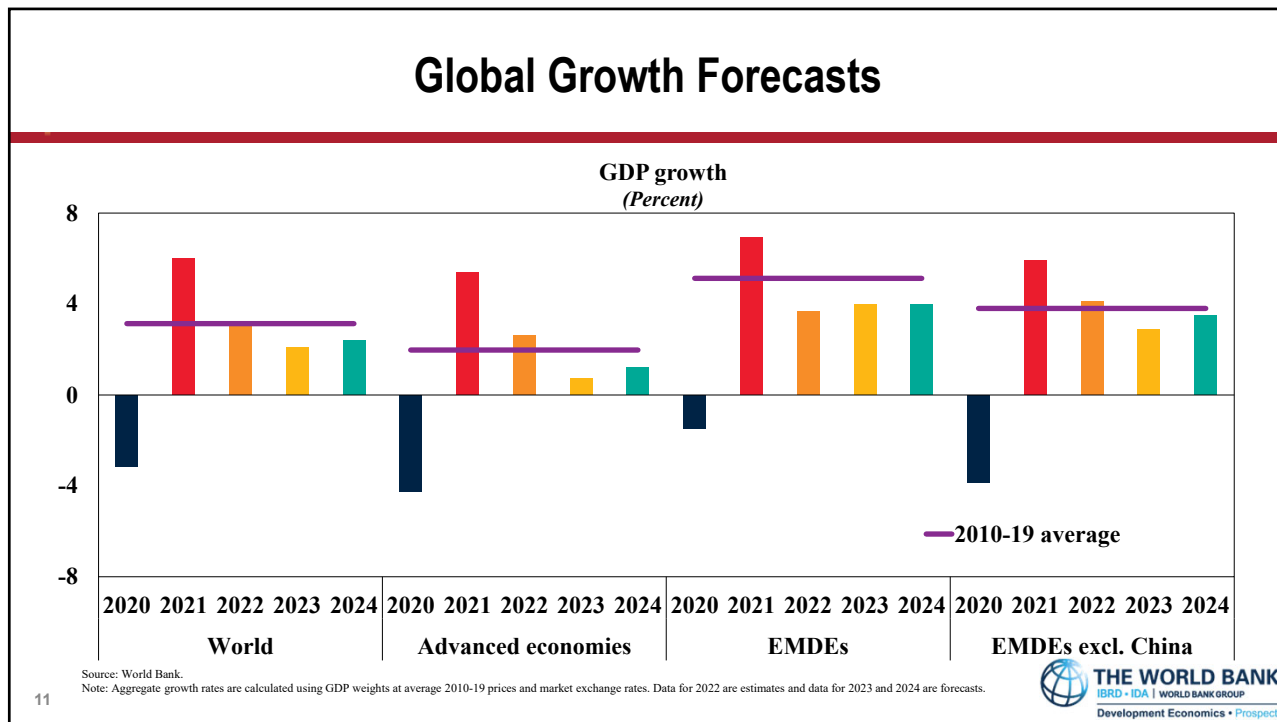
	GDP growth (Percent)						Change from January 2023	
	2010-19	2020	2021	2022e	2023f	2024f	2023	2024
	World	3.1	-3.1	6.0	3.1	2.1	2.4	0.4
Advanced economies	2.0	-4.3	5.4	2.6	0.7	1.2	0.2	-0.4
EMDEs	5.1	-1.5	6.9	3.7	4.0	3.9	0.6	-0.2
<i>Excluding China</i>	3.8	-3.9	5.9	4.1	2.9	3.4	0.2	-0.2
East Asia and Pacific	7.2	1.2	7.5	3.5	5.5	4.6	1.2	-0.3
Europe and Central Asia	3.2	-1.7	7.1	1.2	1.4	2.7	1.3	-0.1
Latin America and the Caribbean	2.3	-6.2	6.9	3.7	1.5	2.0	0.2	-0.4
Middle East and North Africa	3.4	-4.0	3.7	5.7	2.2	3.3	-1.3	0.6
South Asia	6.7	-4.1	8.3	6.0	5.9	5.1	0.4	-0.7
Sub-Saharan Africa	3.7	-2.0	4.4	3.7	3.2	3.9	-0.4	0.0

Source: World Bank.

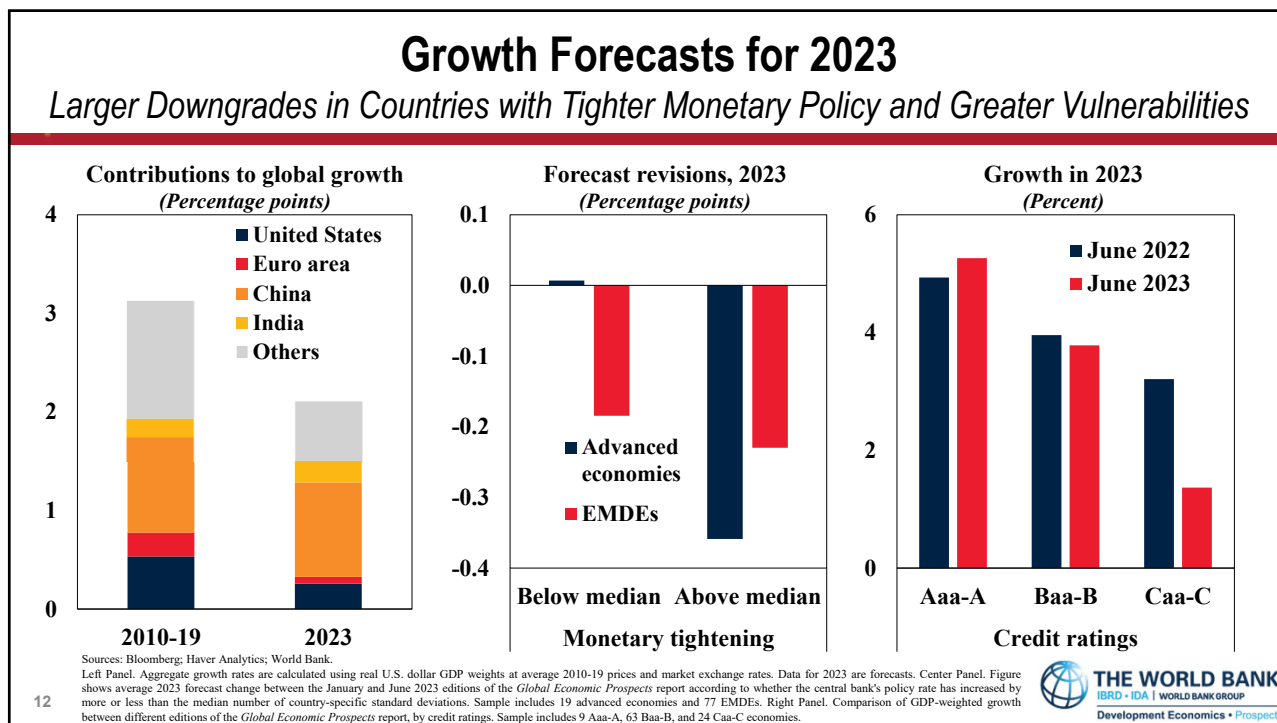
Note: Aggregate growth rates are calculated using GDP weights at average 2010-19 prices and market exchange rates; e and f refer to estimates and forecasts, respectively.



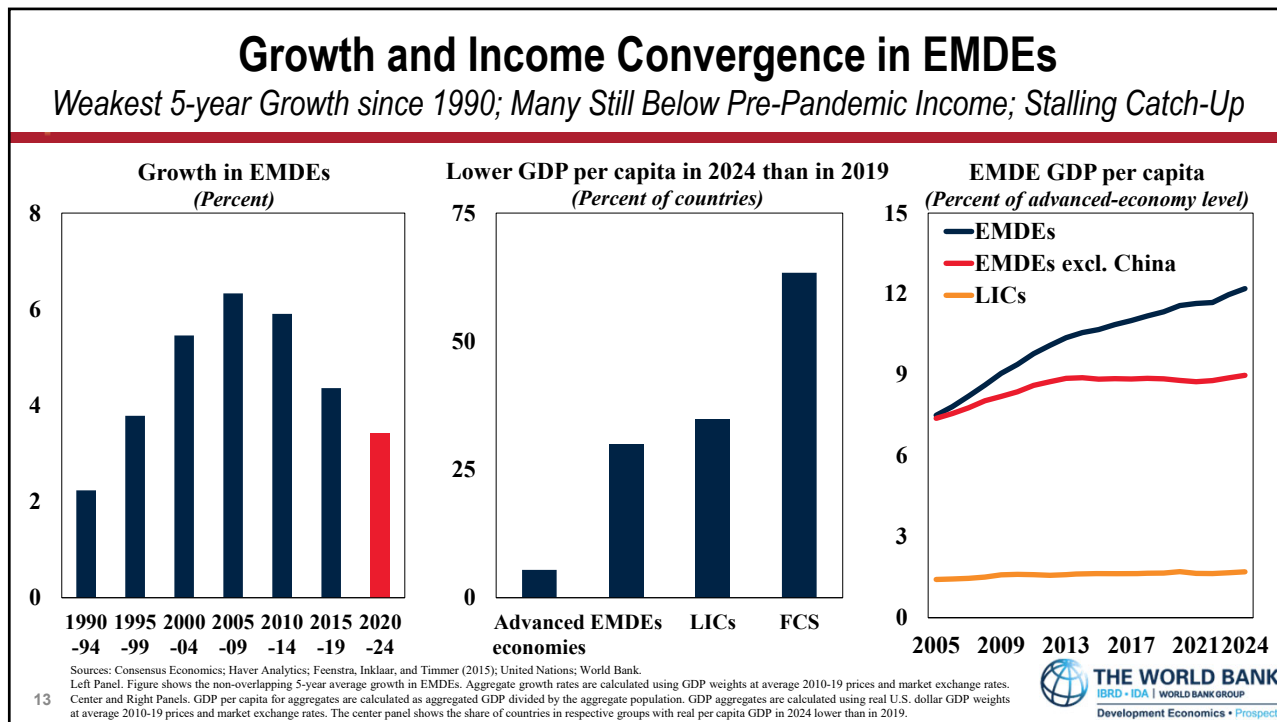
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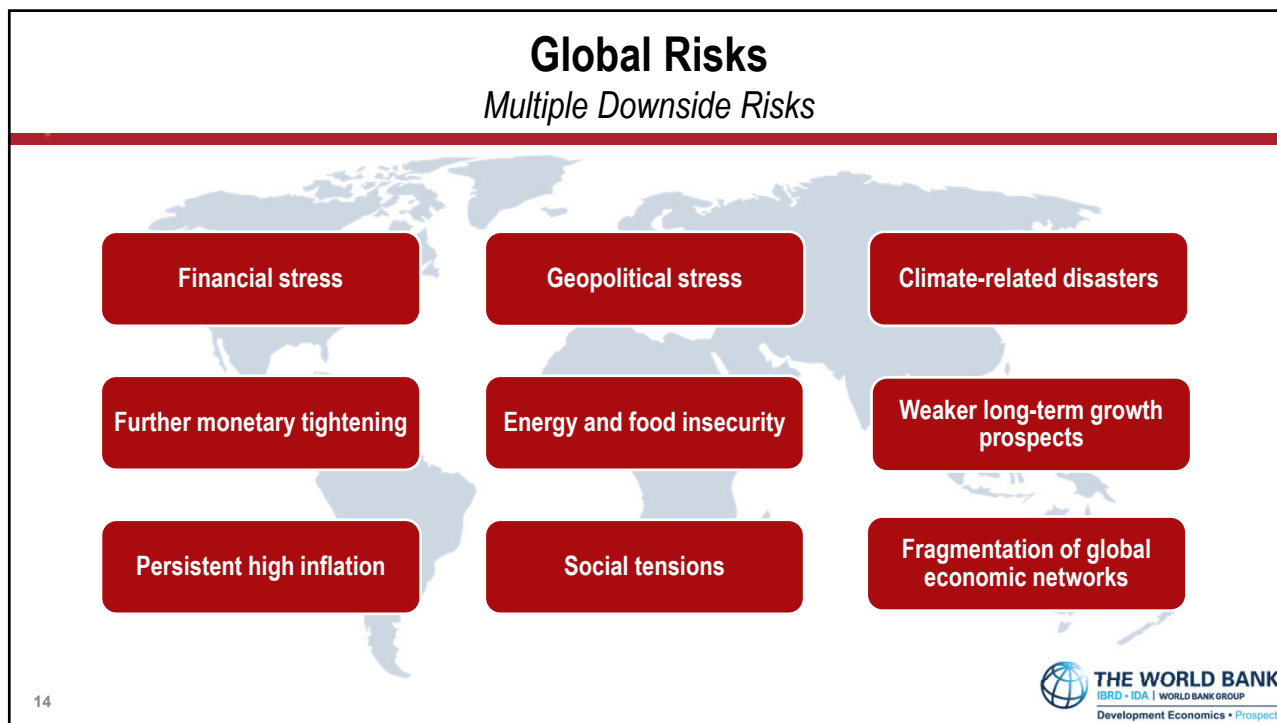
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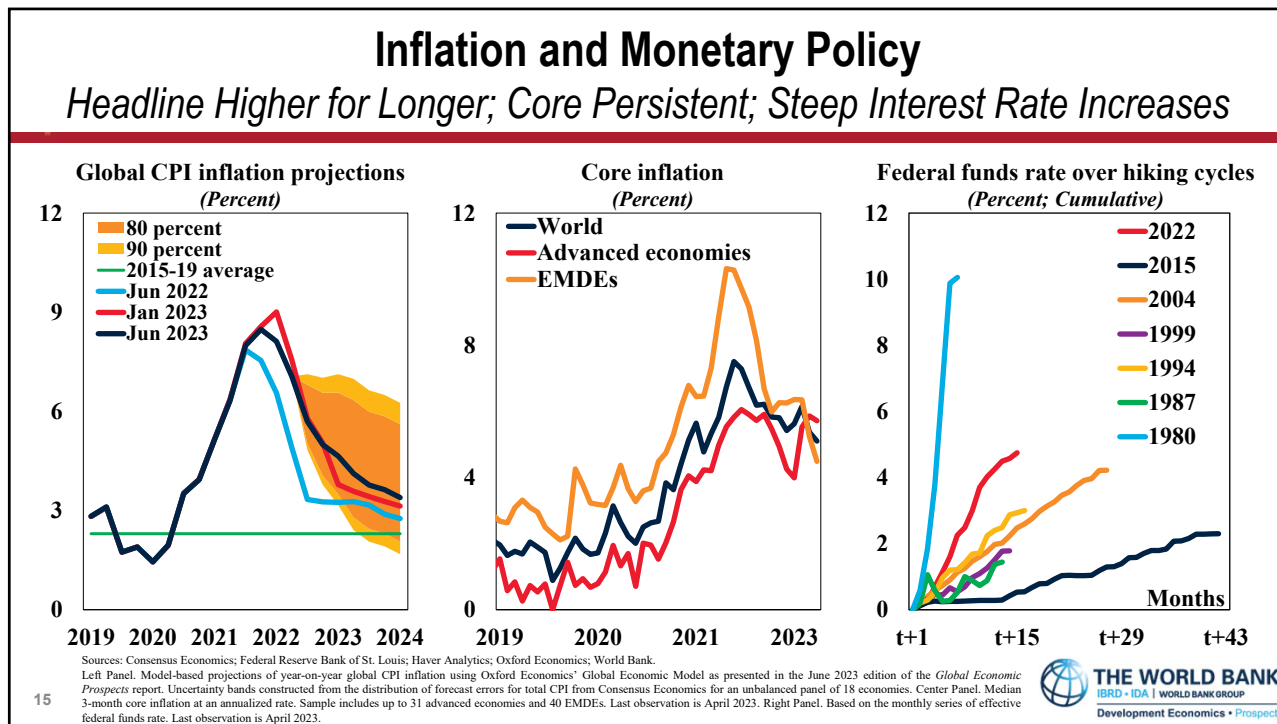
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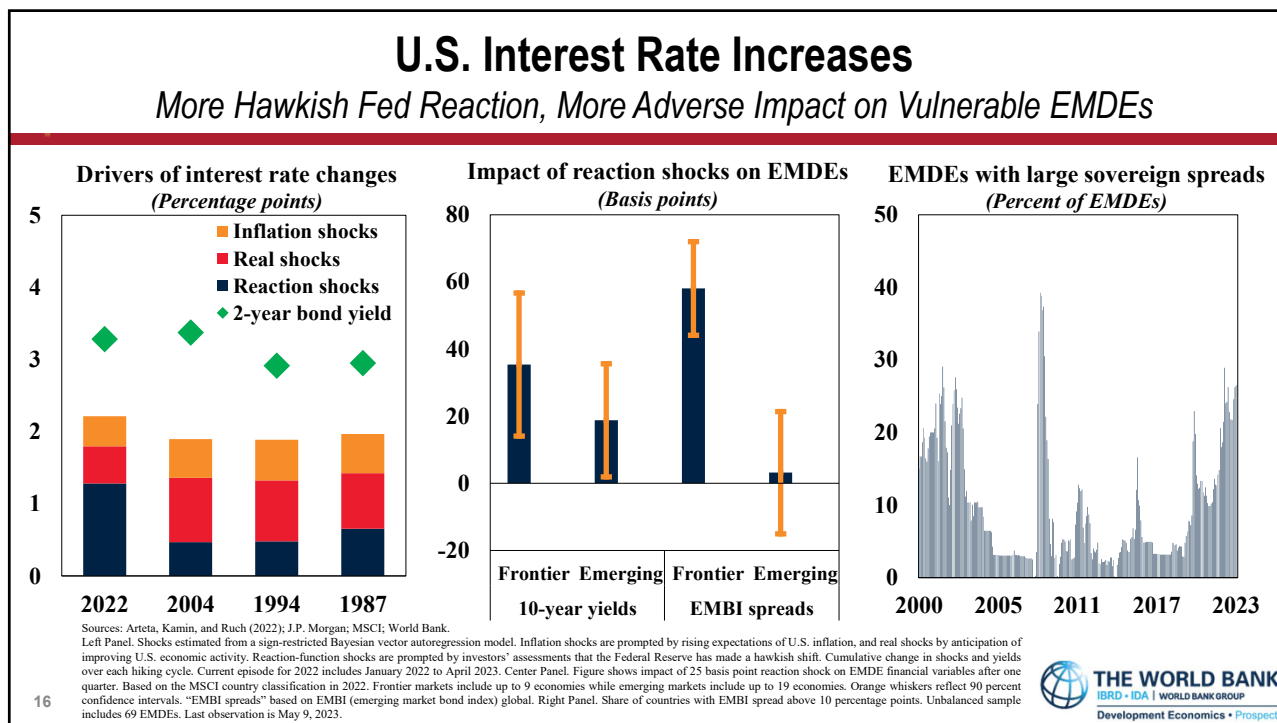
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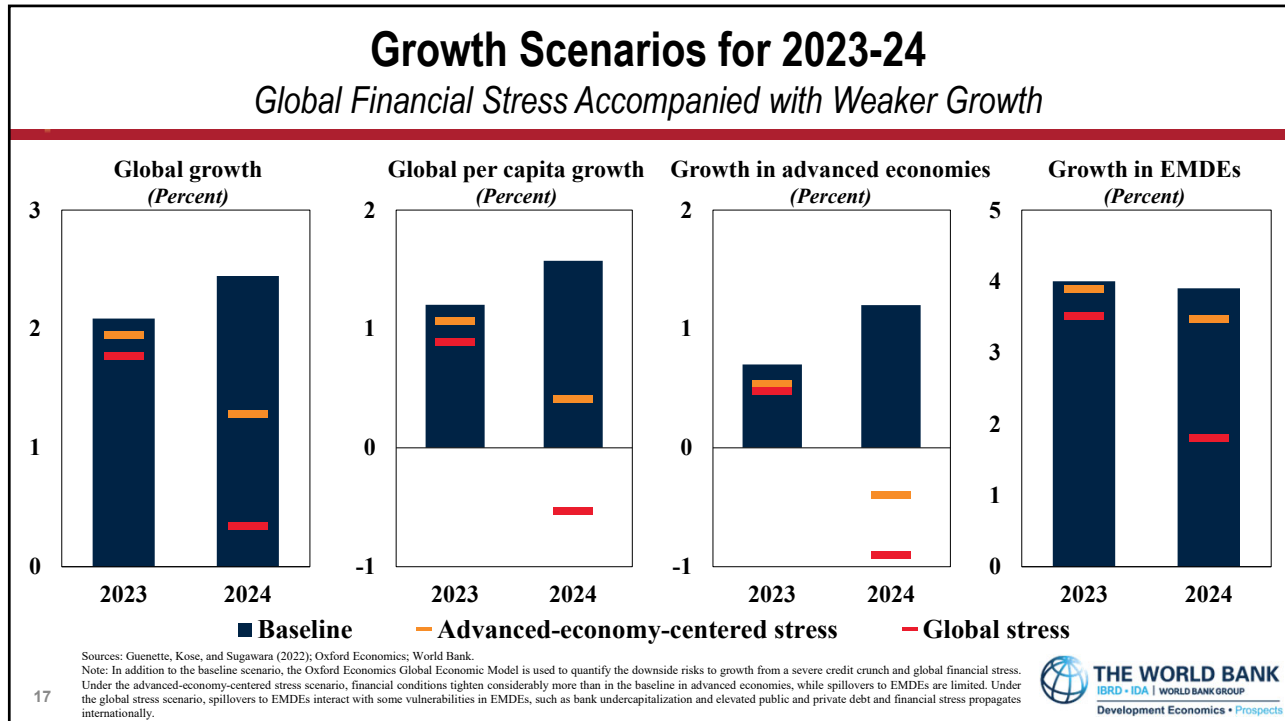
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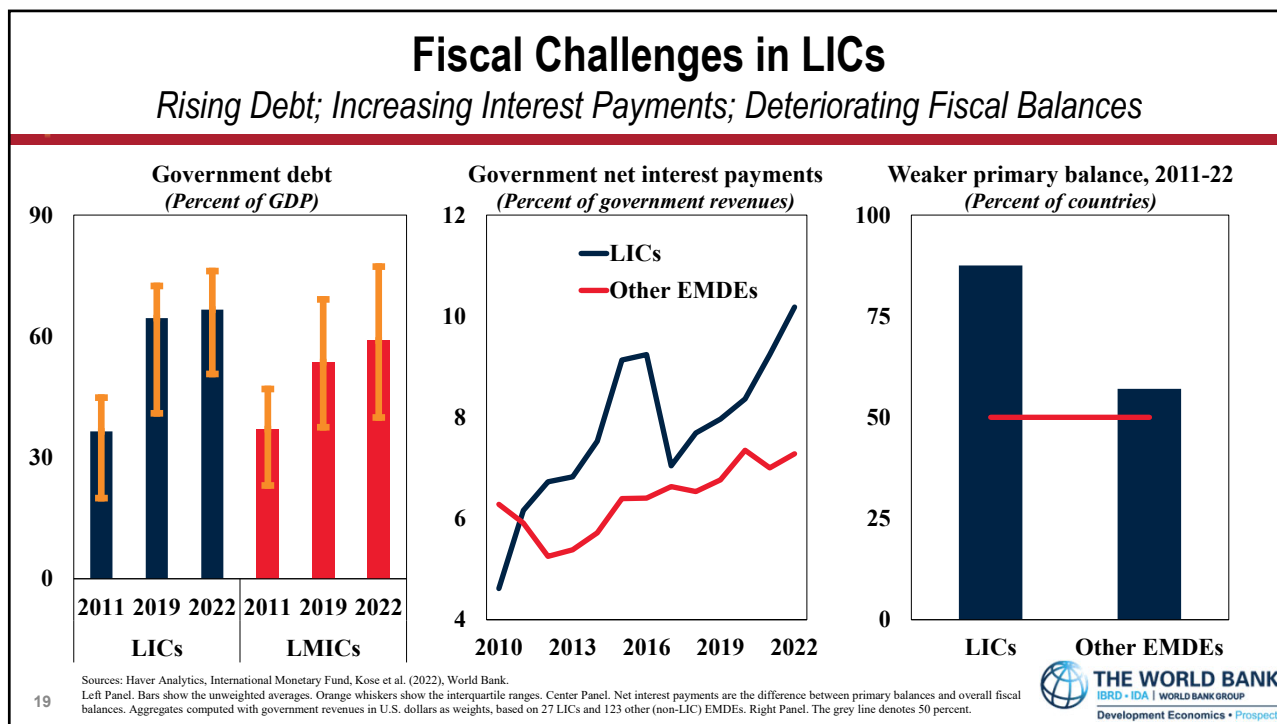
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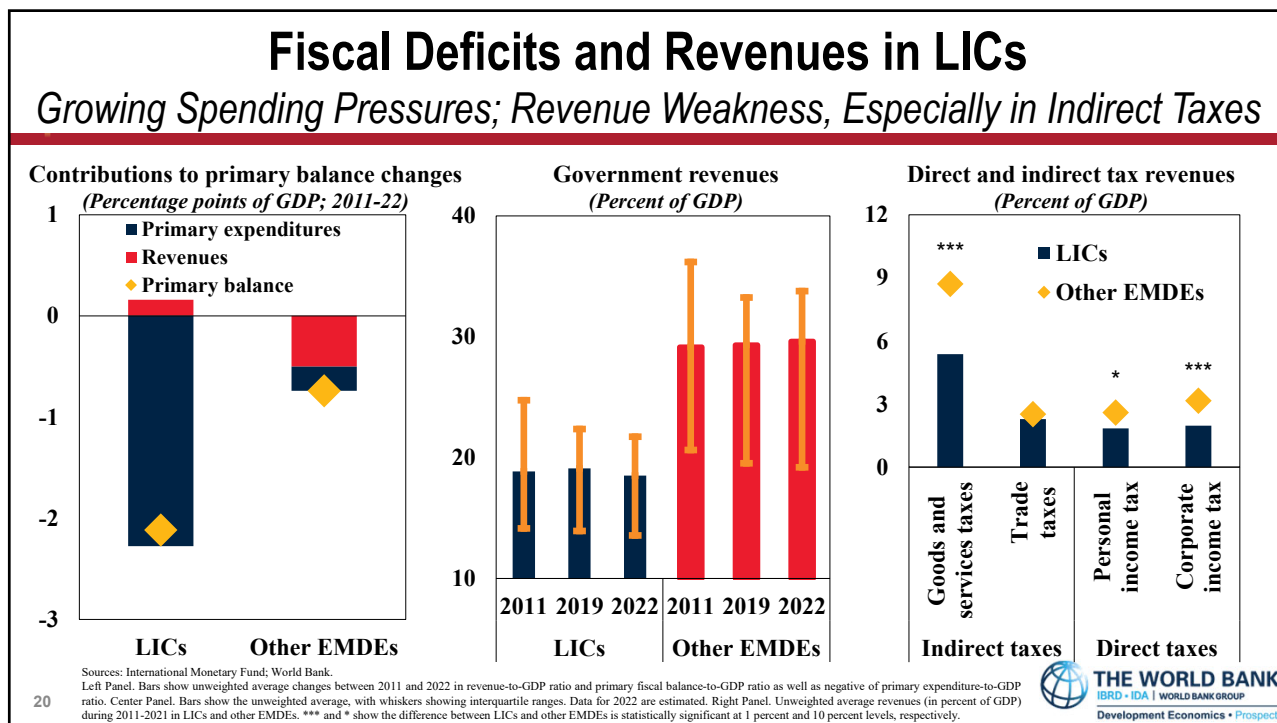
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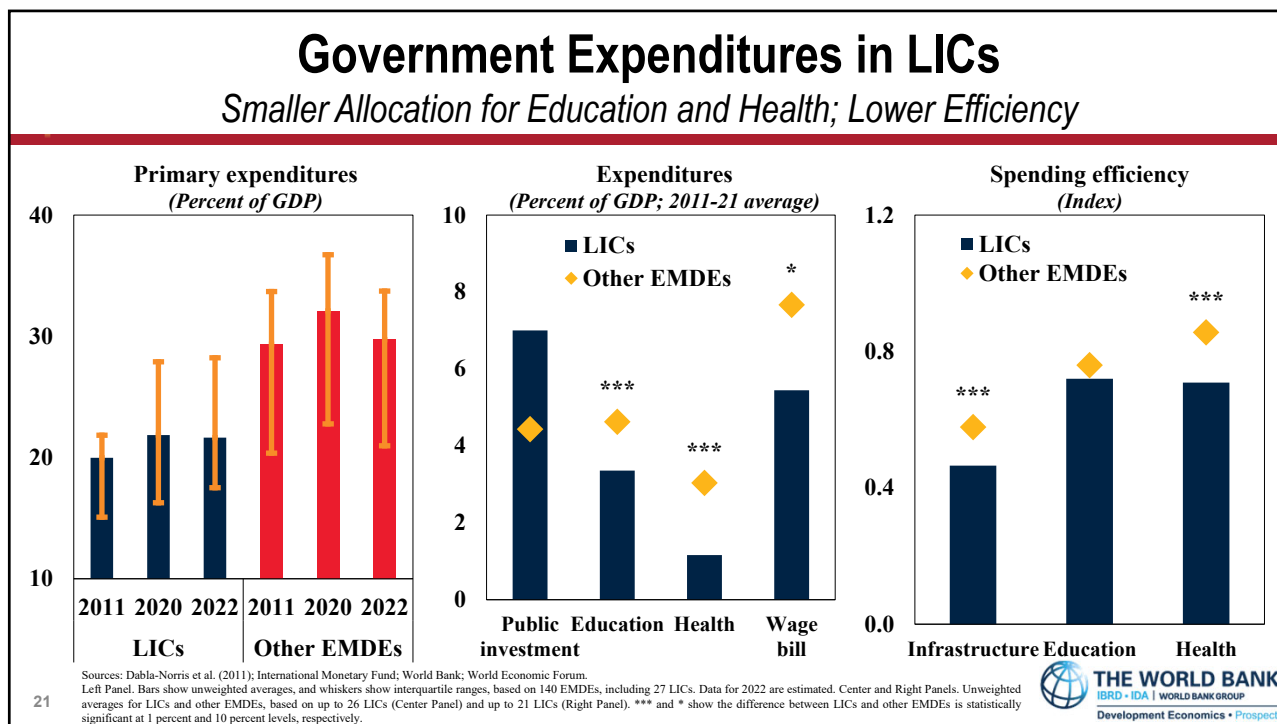
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3 **What are the policy priorities?** *Implement global and national policies to, in the short run, ensure financial and macroeconomic stability and, in the long-run, boost potential growth, address climate change, and ensure a sustainable development path.*

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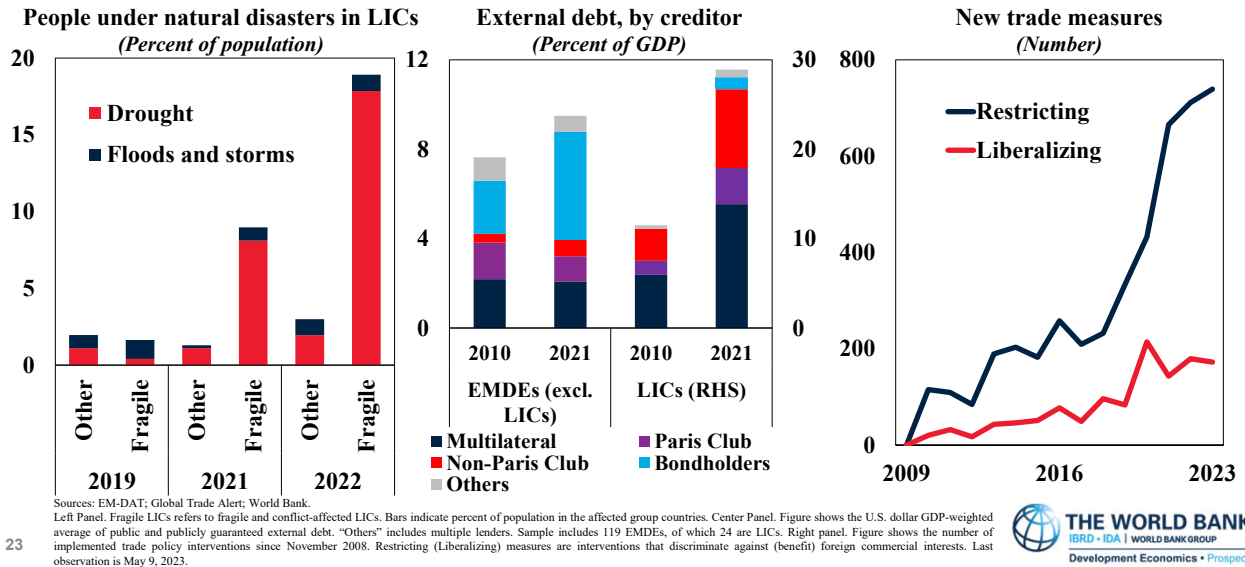
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Global Challenges

Larger Impact of Climate Change; More Fragmented Creditor Space; More Barriers to Trade



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Policy Priorities - 1

Implement Policies at Global and National Levels

Global challenges

- Mitigate downside risks by implementing transparent, consistent, and credible policies
- Address debt distress in EMDEs, especially in LICs, and improve debt transparency
- Bolster international cooperation to reduce food insecurity, tackle climate change, and accelerate the energy transition
- Strengthen rules-based international order to guard against fragmentation of trade, investment, and financial networks

Monetary and financial policy challenges

- Ensure inflation expectations well anchored
- Communicate policy actions clearly, leverage credible frameworks, and safeguard central bank independence
- Strengthen macroprudential policy to reduce vulnerability to capital outflows, credit risk, and currency pressures

Fiscal policy challenges

- Curtail inefficient spending, such as expensive and regressive subsidies
- Enhance efficiency of critical spending while providing targeted support to vulnerable groups
- Improve revenue collection by broadening tax base and improving tax administration
- Strengthen debt management practices

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Policy Priorities - 2

Implement Policies to Boost Growth and Resilience

Boosting long-term growth

- Foster trade, including through digitalization and reduced trade costs
- Invest in information and communication technology infrastructure
- Promote services as an engine of growth
- Strengthen management capabilities, worker skills, and education systems

Boosting investment

- Strengthen investment to meet development and climate goals
- Improve public spending efficiency, reallocate spending toward priority investments
- Foster private investment by improving governance, streamlining regulatory environment, and upgrading digitization

Strengthening resilience and inclusion

- Establish adequate and well-targeted social protection systems to support vulnerable groups during major shocks
- Reduce food insecurity by avoiding market distortions, investing in agricultural R&D, and diversifying food sources
- Increase female labor force participation and financial inclusion

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Questions & Comments Thanks!

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