

HIGHLIGHTS from Chapter 1: THE GLOBAL OUTLOOK

Key Points

- *The global economy is set to expand by 5.6 percent in 2021—its strongest post-recession pace in 80 years—in part underpinned by steady but highly unequal vaccine access.*
- *The global recovery is uneven. Growth is concentrated in a few major economies, with most emerging market and developing economies (EMDEs) lagging behind.*
- *While about 90 percent of advanced economies are expected to regain their pre-pandemic per capita income levels by 2022, only about one-third of EMDEs are projected to do the same. As a result, per capita income catch-up with advanced economies is expected to slow or even reverse in many poorer countries.*
- *The global outlook remains subject to significant downside risks, which include the possibility of additional COVID-19 waves and financial stress amid high EMDE debt levels.*
- *The legacies of the pandemic exacerbate the challenges facing policy makers as they balance the need to support the recovery while safeguarding price stability and fiscal sustainability. A comprehensive set of policies will be required to address the long-term scars brought about by the pandemic and steer the recovery onto a green, resilient, and inclusive development path.*

Global activity: Strong but uneven global recovery. The global economy is set to expand by 5.6 percent in 2021—its strongest post-recession pace in 80 years (figure A). The recovery is highly uneven, however, and largely reflects sharp rebounds in some major economies while many EMDEs are lagging behind (figure B). The recovery is expected to continue into 2022, with global growth moderating to 4.3 percent. Still, by 2022, global GDP is forecast to remain nearly 2 percent below pre-pandemic projections.

EMDE growth: Losing ground. Aggregate EMDE growth is forecast to reach 6 percent in 2021. The rebound reflects robust pickups in a few large economies, particularly China. In many other EMDEs, activity is being dampened by a partial withdrawal macroeconomic support and a slow pace of vaccination (figure C). Compared to recoveries from previous global recessions, the current cycle is notably uneven, with per capita GDP in many EMDEs projected to remain below pre-pandemic peaks for an extended period (figure D). While about 90 percent of advanced economies are forecast to regain their pre-pandemic per capita income levels by 2022, only about one-third of EMDEs are expected to do the same. As a result, per capita income catch-up with advanced economies is projected to slow or even reverse in many EMDEs, particularly fragile low-income countries (figure E). By the end of this year, about 100 million people are expected to have fallen back into extreme poverty.

Risks to the outlook: Tilted to the downside. The global outlook is clouded by uncertainty and subject to various risks. Severe COVID-19 outbreaks are still possible, especially in light of the emergence of new variants that are more virulent, deadly, and resistant to vaccines. Elevated debt levels make the financial system vulnerable to a sudden increase in interest rates, which could stem from a rise in risk aversion, inflation, or expectations of faster monetary tightening. A spike in



bankruptcies could damage the banking system, restrict the flow of credit, and trigger credit crunches. Persistent inequalities in growth could exacerbate social unrest.

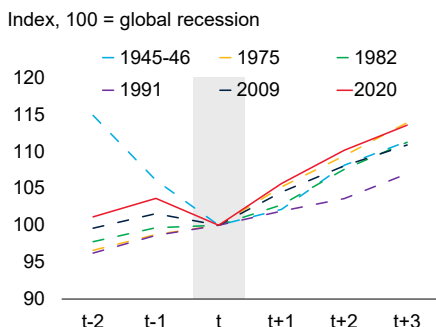
Macroeconomic policy response: A difficult balancing act. The legacies of the pandemic exacerbate the challenges facing policy makers as they balance the need to support the recovery while safeguarding price stability and fiscal sustainability. Continued support from monetary and fiscal policy is needed to nurture the recovery in the short term. As the pandemic abates, a gradual normalization of macroeconomic policy will be required. In EMDEs, such policies include efforts to improve spending efficiency and to better target social protection measures, which can be complemented with policies that bolster domestic revenue mobilization. International debt relief and financing support have been critical in providing fiscal space for many countries facing liquidity or solvency issues, but measures to strengthen the effectiveness of debt restructuring and increase private sector participation are likely to be needed.

Structural policy priorities: Steering the global economy toward a green, resilient and inclusive growth. Controlling the pandemic at the global level will require more equitable vaccine distribution, especially for low-income countries. Global initiatives, including COVAX, can redistribute excess vaccine doses and ensure more equitable access. As the recovery becomes more entrenched, policy makers have an opportunity to bolster a green, resilient, and inclusive recovery. To this end, authorities can prioritize policies that facilitate the transition of labor across sectors while protecting vulnerable groups, deepen human capital, expand access to digital connectivity, and reduce trade costs. There is also tremendous scope to improve environmental performance through green investments in EMDEs, including the increased use of renewable energy sources to lower greenhouse gas emissions (figure F).

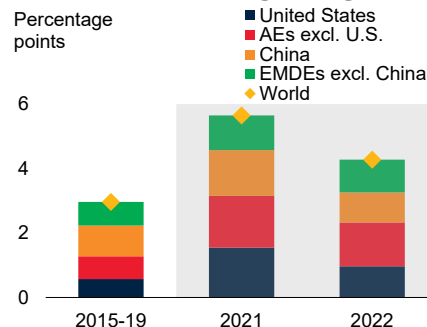
Figure: Global growth prospects and policy challenges

Global growth in 2021 is expected to reach its strongest post-recession pace in 80 years. This recovery mainly reflects rebounds in some major economies. In many emerging market and developing economies (EMDEs), however, limited vaccination has contributed to downward revisions to growth. Per capita income in most EMDEs is projected to remain below pre-pandemic peaks for an extended period, and progress at catch-up with advanced economies is expected to slow or even reverse in many poorer countries. Investments in environmental sustainability can promote a green, resilient, and inclusive recovery.

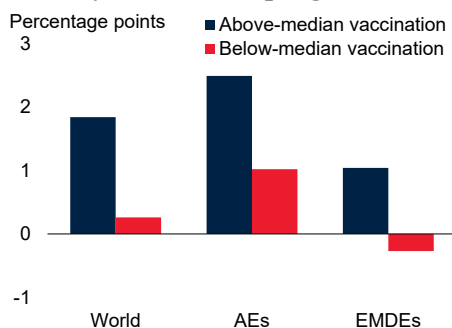
A. Global recoveries after recessions



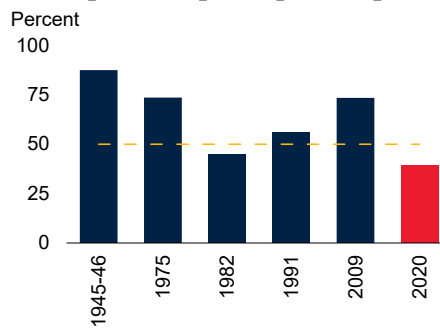
B. Contributions to global growth



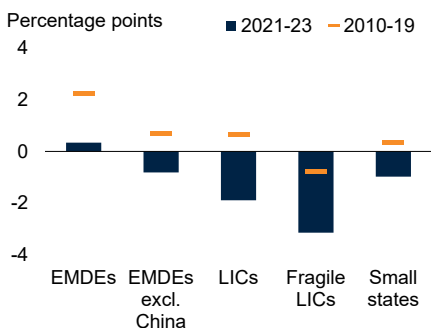
C. Forecast revisions to global growth in 2021, by vaccination progress



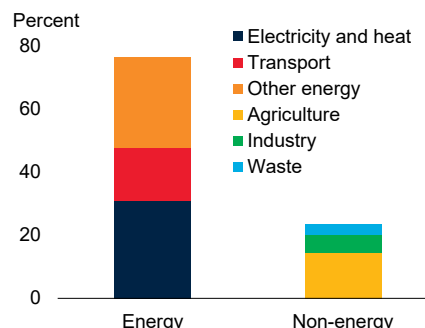
D. Share of EMDEs exceeding pre-global-recession peaks in per capita output after 2 years



E. Per capita income growth relative to advanced economies



F. Global greenhouse gas emissions



Sources: Bolt et al. (2018); Kose, Sugawara, and Terrones (2020); Our World in Data (database); World Bank; World Resources Institute. Note: AEs = advanced economies; EMDEs = emerging market and developing economies.

A. Lines show global recessions, with “t” as their final year. Data for 2021-23 used in the “2020” episode are forecasts.

B. Contributions to global growth forecast for 2021 and 2022 compared to average of 2015-2019 period. Shaded area indicates forecasts.

C. Figure shows 2019 GDP-weighted forecast revisions for above and below the median of all countries in each aggregate according to the share of population that has received at least one dose of COVID-19 vaccine as of June 1, 2021. Sample includes 36 AEs and 132 EMDEs.

D. Data for 2021-22 used in the “2020” episode are baseline forecasts.

E. Relative per capita income growth is computed as a difference in per capita GDP growth between respective EMDE groups and advanced economies. For more information on “Small states,” see: <https://www.worldbank.org/en/country/smallstates/overview>.

F. Data are for 2018.

Global Economic Prospects

TABLE 1.1 Real GDP¹

(Percent change from previous year)

	2018	2019	2020e	2021f	2022f	2023f	Percentage point differences from January 2021 projections	
							2021f	2022f
World	3.2	2.5	-3.5	5.6	4.3	3.1	1.5	0.5
Advanced economies	2.3	1.6	-4.7	5.4	4.0	2.2	2.1	0.5
United States	3.0	2.2	-3.5	6.8	4.2	2.3	3.3	0.9
Euro area	1.9	1.3	-6.6	4.2	4.4	2.4	0.6	0.4
Japan	0.6	0.0	-4.7	2.9	2.6	1.0	0.4	0.3
Emerging market and developing economies	4.6	3.8	-1.7	6.0	4.7	4.4	0.8	0.4
East Asia and Pacific	6.5	5.8	1.2	7.7	5.3	5.2	0.3	0.1
China	6.8	6.0	2.3	8.5	5.4	5.3	0.6	0.2
Indonesia	5.2	5.0	-2.1	4.4	5.0	5.1	0.0	0.2
Thailand	4.2	2.3	-6.1	2.2	5.1	4.3	-1.8	0.4
Europe and Central Asia	3.5	2.7	-2.1	3.9	3.9	3.5	0.6	0.1
Russian Federation	2.8	2.0	-3.0	3.2	3.2	2.3	0.6	0.2
Turkey	3.0	0.9	1.8	5.0	4.5	4.5	0.5	-0.5
Poland	5.4	4.7	-2.7	3.8	4.5	3.9	0.3	0.2
Latin America and the Caribbean	1.8	0.9	-6.5	5.2	2.9	2.5	1.4	0.1
Brazil	1.8	1.4	-4.1	4.5	2.5	2.3	1.5	0.0
Mexico	2.2	-0.2	-8.3	5.0	3.0	2.0	1.3	0.4
Argentina	-2.6	-2.1	-9.9	6.4	1.7	1.9	1.5	-0.2
Middle East and North Africa	0.6	0.6	-3.9	2.4	3.5	3.2	0.3	0.3
Saudi Arabia	2.4	0.3	-4.1	2.4	3.3	3.2	0.4	1.1
Iran, Islamic Rep. ³	-6.0	-6.8	1.7	2.1	2.2	2.3	0.6	0.5
Egypt, Arab Rep. ²	5.3	5.6	3.6	2.3	4.5	5.5	-0.4	-1.3
South Asia	6.4	4.4	-5.4	6.8	6.8	5.2	3.6	3.0
India ³	6.5	4.0	-7.3	8.3	7.5	6.5	2.9	2.3
Pakistan ²	5.5	2.1	-0.5	1.3	2.0	3.4	0.8	0.0
Bangladesh ²	7.9	8.2	2.4	3.6	5.1	6.2	2.0	1.7
Sub-Saharan Africa	2.7	2.5	-2.4	2.8	3.3	3.8	0.0	-0.2
Nigeria	1.9	2.2	-1.8	1.8	2.1	2.4	0.7	0.3
South Africa	0.8	0.2	-7.0	3.5	2.1	1.5	0.2	0.4
Angola	-2.0	-0.6	-5.2	0.5	3.3	3.5	-0.4	-0.2
Memorandum items:								
Real GDP¹								
High-income countries	2.3	1.6	-4.7	5.3	4.0	2.2	2.1	0.5
Developing countries	4.7	3.9	-1.4	6.3	4.8	4.5	0.8	0.4
EMDEs excluding China	3.2	2.4	-4.3	4.4	4.2	3.7	1.0	0.6
Commodity-exporting EMDEs	2.0	1.8	-4.0	3.6	3.3	3.1	0.6	0.0
Commodity-importing EMDEs	6.0	4.9	-0.6	7.3	5.4	5.0	1.0	0.6
Commodity-importing EMDEs excluding China	4.9	3.2	-4.7	5.4	5.3	4.5	1.6	1.2
Low-income countries	4.7	4.3	0.7	2.9	4.7	5.6	-0.5	-0.7
BRICS	5.8	4.9	-0.3	7.5	5.2	4.7	1.1	0.6
World (PPP weights) ⁴	3.6	2.8	-3.2	5.7	4.5	3.5	1.4	0.6
World trade volume⁵	4.2	1.2	-8.3	8.3	6.3	4.4	3.3	1.2
Commodity prices⁶								
Oil price	29.4	-10.2	-32.8	50.3	0.0	0.9	42.2	-13.6
Non-energy commodity price index	1.7	-4.2	3.0	22.5	-2.5	-2.7	20.1	-3.8

Source: World Bank.

1. Headline aggregate growth rates are calculated using GDP weights at average 2010-19 prices and market exchange rates. The aggregate growth rates may differ from the previously published numbers that were calculated using GDP weights at average 2010 prices and market exchange rates.

2. GDP growth rates are on a fiscal year basis. Aggregates that include these countries are calculated using data compiled on a calendar year basis. Pakistan's growth rates are based on GDP at factor cost. The column labeled 2019 refers to FY2018/19.

3. GDP growth rates are on a fiscal year basis. Aggregates that include these countries are calculated using data compiled on a calendar year basis. The column labeled 2018 refers to FY2018/19.

4. World growth rates are calculated using average 2010-19 purchasing power parity (PPP) weights, which attribute a greater share of global GDP to emerging market and developing economies (EMDEs) than market exchange rates.

5. World trade volume of goods and nonfactor services.

6. Oil price is the simple average of Brent, Dubai, and West Texas Intermediate prices. The non-energy index is the weighted average of 39 commodity prices (7 metals, 5 fertilizers, 27 agricultural commodities). For additional details, please see <https://www.worldbank.org/commodities>.

Note: e = estimate; f = forecast. World Bank forecasts are frequently updated based on new information. Consequently, projections presented here may differ from those contained in other World Bank documents, even if basic assessments of countries' prospects do not differ at any given date. Country classifications and lists of EMDEs are presented in table 1.2. BRICS include: Brazil, the Russian Federation, India, China, and South Africa. Due to lack of reliable data of adequate quality, the World Bank is currently not publishing economic output, income, or growth data for Turkmenistan and República Bolivariana de Venezuela. Turkmenistan and República Bolivariana de Venezuela are excluded from cross-country macroeconomic aggregates.