# Global Economic Prospects

## HIGHLIGHTS from Chapter 1:
## THE GLOBAL OUTLOOK

**Key Points**

- *Global growth is expected to slow to 2.4 percent in 2024—the third consecutive year of deceleration—reflecting tight monetary policies, restrictive credit conditions, and anemic global trade and investment.*
- *Global growth in 2020-24 is set to mark the weakest start to a decade in 30 years.*
- *Global headline and core inflation have continued to decline due to moderating energy and food price inflation, slowing demand, and the healing of global supply chains.*
- *Real policy rates are expected to remain elevated for an extended period in a context of softening inflation and a measured easing of nominal policy rates. This follows the largest and fastest increase in real U.S. policy rates since the early 1980s.*
- *Risks to the outlook remain tilted to the downside. The ongoing conflict in the Middle East has heightened geopolitical risks and increased the odds of commodity or other supply disruptions. Other downside risks include a sharp tightening of EMDE financial conditions, further weakness in China, and climate-related natural disasters.*
- *Global cooperation is critical to address the pressing issues of high debt, climate change, trade fragmentation and mounting food insecurity and conflict.*
- *Spending efficiency in EMDEs with limited fiscal space can be improved by strengthening institutions and governance, bolstering fiscal and public financial management, and improving the effectiveness of fiscal rules and expenditure reviews.*
- *Policy action is also needed to encourage a sustained acceleration of private investment in EMDEs, given constrained fiscal space for public investment and the challenging macroeconomic environment.*

**Global activity: continued slowdown.** Global growth is projected to edge down from an estimated 2.6 percent in 2023 to 2.4 percent in 2024, marking the third consecutive year of deceleration (figure A). This slowdown reflects softening labor markets, reduced savings buffers, waning pent-up demand for services, elevated real interest rates, and fiscal consolidation. In all, the global recovery from the 2020 pandemic recession remains subdued, with 2020-24 expected to mark the weakest start to a decade for global growth since the early 1990s (figure B). Growth is forecast to pick up slightly to 2.7 percent in 2025, as inflation continues to soften, and monetary policies become more supportive. Global headline and core inflation rates have continued to decline from 2022 peaks, due to moderating energy and food price inflation, slowing demand, and the recovery of global supply chains.

**EMDE outlook: recovery remains modest.** Growth in EMDEs is forecast to average 3.9 percent a year over 2024-25. China's growth is expected to slow notably this year, as tepid consumer sentiment and a continued property sector downturn weigh on activity. Excluding China, EMDE growth is set to firm from 3.2 percent in 2023 to 3.5 percent this year and 3.8 percent in 2025. This pickup reflects a rebound in trade and improving domestic demand in several large economies. However, in many EMDEs with weak credit ratings, growth is projected to remain subdued by historical standards. Progress closing the gap in per capita income with advanced economies will remain limited, with EMDEs excluding China and India making no relative gains between 2019 and 2025 (figure C). Some of the most vulnerable EMDEs are falling further behind—per capita income is forecast to remain below its 2019 level this year in over one third of LICs and more than half of economies facing fragile and conflict-affected situations.

**Risks to the outlook: geopolitical stress and other risks.** Risks are tilted to the downside. The intensification of the conflict in the Middle East represents a major downside risk (figure D). This, or rising geopolitical tensions elsewhere, could have adverse impacts through commodity markets, trade and financial linkages, uncertainty, and confidence. Weak growth, large debt burdens, and elevated real interest rates heighten the risk of financial stress. Subdued recent activity raises the possibility of slower-than-expected growth in China, with adverse global spillovers. On the upside, recent robust economic activity in the United States, along with declining inflation, signals that growth could be stronger than projected, perhaps as a result of improved supply conditions.

**Global policy challenges: tackling elevated debt, climate change, trade fragmentation, and food insecurity.** Coordinated improvements in debt relief, especially for the poorest countries, are needed to free up resources for growth-enhancing investments. Already, about half of LICs and many middle-income countries are either in, or at high risk of, debt distress. Enhanced international cooperation is also required to tackle climate change, which threatens to worsen extreme poverty (figure E). This can be achieved by accelerating the clean energy transition, helping countries improve energy security and affordability, and incentivizing the investments needed to pursue resilient, low-carbon growth. In addition, the global community needs to guard against the fragmentation of trade and investment networks. Finally, global cooperation is critical to address the pressing issues of mounting food insecurity and conflict.

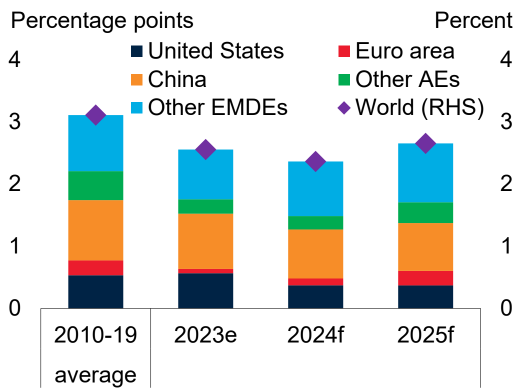
**Near-term domestic policy challenges: calibrating monetary policy and addressing fiscal space.** With inflation projected to continue moderating, policy interest rates are set to ease across many EMDEs over 2024-25. However, EMDE monetary policy easing could be constrained by the potential effects on capital flows and currencies of narrowing real interest rate differentials relative to advanced economies. Careful attention to risks is required to ensure that monetary policy supports sustainable growth while helping to durably bring down inflation, and to maintain financial stability. Moreover, elevated debt and tepid growth are putting pressure on longer-term fiscal sustainability. For EMDEs with weak credit ratings, these pressures have crystallized such that international bond markets have effectively been closed to them for two years. In the face of high borrowing costs, governments in many EMDEs, including LICs, need to scale up revenue mobilization and spending efficiency, and bolster debt management. Commodity-exporting EMDEs face particular fiscal challenges from fluctuations in commodity prices.

**Structural policy priorities: boosting potential growth**. Reversing the ongoing weakening of potential growth will require decisive structural reforms, including measures to promote trade and financial liberalization, accelerate investment growth, develop human capital, close gender gaps, increase labor force participation, and promote innovation (figure F). Such reforms—along with those that improve macroeconomic stability—can form comprehensive packages of complementary policies. Implementing these packages can help to spark sustained investment accelerations, which have a strong track record of delivering transformative growth. Well-functioning institutions also raise the chance of igniting an investment acceleration and delivering improved long-term growth.

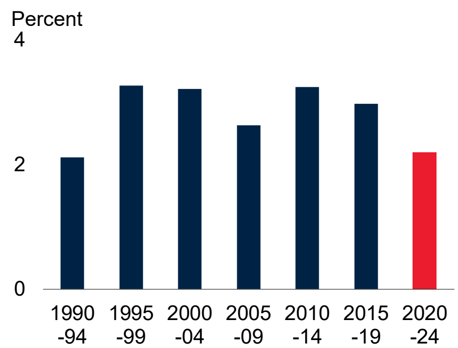
**Figure: Global growth prospects and policy challenges**

*Global growth is projected to edge down in 2024, declining for the third consecutive year. For global growth, 2020-24 is expected to mark the weakest start to a decade in 30 years. Excluding China and India, EMDEs as a whole are set to make limited progress catching up to advanced-economy levels of per capita income. The recent conflict in the Middle East has heightened geopolitical tensions and poses significant downside risks. Global cooperation is needed to tackle climate change, which threatens to worsen extreme poverty. Decarbonizing the global economy will require sizable investments; however, investment growth is currently expected to remain weak, which highlights the need for policy action to bolster it.*

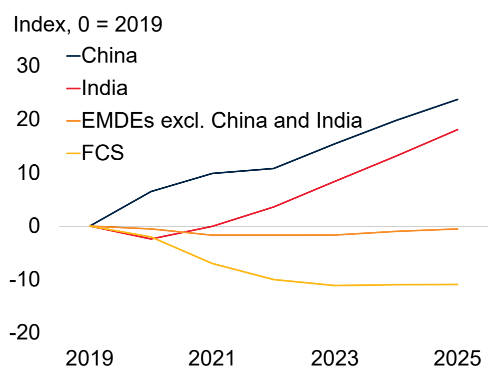
**A. Contributions to global growth**



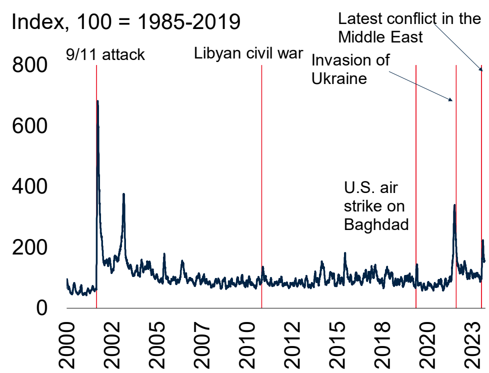

**B. Global growth, five-year period averages**



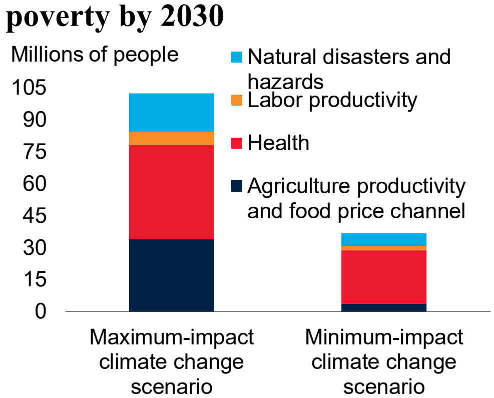

**C. Change in per capita income relative to advanced economies since 2019**



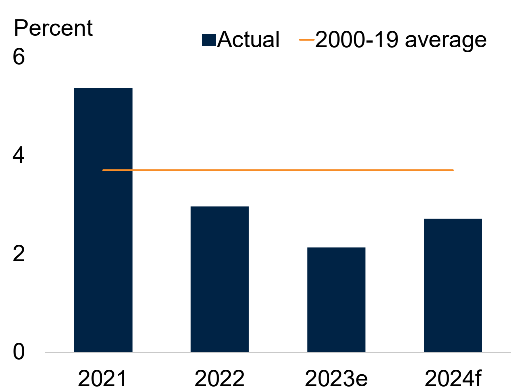

**D. Geopolitical risk index and conflicts**




**E. Impact of climate change on extreme poverty by 2030**




**F. Global investment growth**




Sources: Caldara and Iacoviello (2022); Jafino et al. (2020); UN World Population Prospects; World Bank.

Note: e = estimate; f = forecast; AEs = advanced economies; EMBI = Emerging Market Bond Index; EMDEs = emerging market and developing economies; FCS = fragile and conflict-affected situations. Aggregates are calculated using real U.S. dollar GDP weights at average 2010-19 prices and market exchange rates. GDP per capita aggregates are calculated as aggregated GDP divided by the aggregate population.

C. Panel shows percentage point differences compared with the percent change in GDP per capita in advanced economies.

D. Geopolitical risk index reflects automated text-search of electronic articles from 10 newspapers, related to adverse geopolitical events. Last observation is December 11, 2023.

E. Number of additional people in extreme poverty in 2030 due to climate change from Jafino et al. (2020). Baseline scenarios do not account for climate change but factor in long-term structural changes. Climate change is introduced to these scenarios, with the minimum and maximum impacts representing the uncertainty surrounding physical impacts and local adaptation policies.

F. Investment refers to gross fixed capital formation. The global aggregate is calculated using investment weights at average 2010-19 prices and market exchange rates.

**TABLE 1.1 Real GDP**[1]

*(Percent change from previous year unless indicated)*

| | 2021 | 2022 | 2023e | 2024f | 2025f | Percentage point differences from June 2023 projections: 2023e | 2024f | 2025f |
|---|---|---|---|---|---|---|---|---|
| **World** | **6.2** | **3.0** | **2.6** | **2.4** | **2.7** | **0.5** | **0.0** | **-0.3** |
| **Advanced economies** | **5.5** | **2.5** | **1.5** | **1.2** | **1.6** | **0.8** | **0.0** | **-0.6** |
| United States | 5.8 | 1.9 | 2.5 | 1.6 | 1.7 | 1.4 | 0.8 | -0.6 |
| Euro area | 5.9 | 3.4 | 0.4 | 0.7 | 1.6 | 0.0 | -0.6 | -0.7 |
| Japan | 2.6 | 1.0 | 1.8 | 0.9 | 0.8 | 1.0 | 0.2 | 0.2 |
| **Emerging market and developing economies** | **7.0** | **3.7** | **4.0** | **3.9** | **4.0** | **0.0** | **0.0** | **0.0** |
| East Asia and Pacific | 7.5 | 3.4 | 5.1 | 4.5 | 4.4 | -0.4 | -0.1 | -0.1 |
| China | 8.4 | 3.0 | 5.2 | 4.5 | 4.3 | -0.4 | -0.1 | -0.1 |
| Indonesia | 3.7 | 5.3 | 5.0 | 4.9 | 4.9 | 0.1 | 0.0 | -0.1 |
| Thailand | 1.5 | 2.6 | 2.5 | 3.2 | 3.1 | -1.4 | -0.4 | -0.3 |
| Europe and Central Asia | 7.1 | 1.2 | 2.7 | 2.4 | 2.7 | 1.3 | -0.3 | 0.0 |
| Russian Federation | 5.6 | -2.1 | 2.6 | 1.3 | 0.9 | 2.8 | 0.1 | 0.1 |
| Türkiye | 11.4 | 5.5 | 4.2 | 3.1 | 3.9 | 1.0 | -1.2 | -0.2 |
| Poland | 6.9 | 5.1 | 0.5 | 2.6 | 3.4 | -0.2 | 0.0 | 0.2 |
| Latin America and the Caribbean | 7.2 | 3.9 | 2.2 | 2.3 | 2.5 | 0.7 | 0.3 | -0.1 |
| Brazil | 5.0 | 2.9 | 3.1 | 1.5 | 2.2 | 1.9 | 0.1 | -0.2 |
| Mexico | 5.8 | 3.9 | 3.6 | 2.6 | 2.1 | 1.1 | 0.7 | 0.1 |
| Argentina | 10.7 | 5.0 | -2.5 | 2.7 | 3.2 | -0.5 | 0.4 | 1.2 |
| Middle East and North Africa | 3.8 | 5.8 | 1.9 | 3.5 | 3.5 | -0.3 | 0.2 | 0.5 |
| Saudi Arabia | 3.9 | 8.7 | -0.5 | 4.1 | 4.2 | -2.7 | 0.8 | 1.7 |
| Iran, Islamic Rep. [2] | 4.7 | 3.8 | 4.2 | 3.7 | 3.2 | 2.0 | 1.7 | 1.3 |
| Egypt, Arab Rep. [2] | 3.3 | 6.6 | 3.8 | 3.5 | 3.9 | -0.2 | -0.5 | -0.8 |
| South Asia | 8.3 | 5.9 | 5.7 | 5.6 | 5.9 | -0.2 | 0.5 | -0.5 |
| India [2] | 9.1 | 7.2 | 6.3 | 6.4 | 6.5 | 0.0 | 0.0 | 0.0 |
| Bangladesh [2] | 6.9 | 7.1 | 6.0 | 5.6 | 5.8 | 0.8 | -0.6 | -0.6 |
| Pakistan [2] | 5.8 | 6.2 | -0.2 | 1.7 | 2.4 | -0.6 | -0.3 | -0.6 |
| Sub-Saharan Africa | 4.4 | 3.7 | 2.9 | 3.8 | 4.1 | -0.3 | -0.1 | 0.1 |
| Nigeria | 3.6 | 3.3 | 2.9 | 3.3 | 3.7 | 0.1 | 0.3 | 0.6 |
| South Africa | 4.7 | 1.9 | 0.7 | 1.3 | 1.5 | 0.4 | -0.2 | -0.1 |
| Angola | 1.2 | 3.0 | 0.5 | 2.8 | 3.1 | -2.1 | -0.5 | 0.0 |
| ***Memorandum items:*** | | | | | | | | |
| **Real GDP**[1] | | | | | | | | |
| High-income countries | 5.5 | 2.8 | 1.5 | 1.3 | 1.8 | 0.7 | 0.0 | -0.5 |
| Middle-income countries | 7.2 | 3.4 | 4.3 | 4.0 | 4.0 | 0.1 | 0.0 | -0.1 |
| Low-income countries | 4.2 | 4.8 | 3.5 | 5.5 | 5.6 | -1.7 | -0.5 | -0.4 |
| EMDEs excluding China | 6.0 | 4.2 | 3.2 | 3.5 | 3.8 | 0.3 | 0.1 | 0.0 |
| Commodity-exporting EMDEs | 5.2 | 3.2 | 2.5 | 2.9 | 3.1 | 0.6 | 0.1 | 0.2 |
| Commodity-importing EMDEs | 7.9 | 3.9 | 4.8 | 4.4 | 4.4 | -0.2 | 0.0 | -0.1 |
| Commodity-importing EMDEs excluding China | 7.2 | 5.3 | 4.2 | 4.2 | 4.5 | 0.0 | 0.0 | -0.3 |
| EM7 | 7.8 | 3.3 | 4.9 | 4.1 | 4.1 | 0.2 | 0.0 | -0.1 |
| World (PPP weights) [3] | 6.4 | 3.3 | 3.0 | 2.9 | 3.1 | 0.3 | 0.0 | -0.3 |
| **World trade volume** [4] | **11.1** | **5.6** | **0.2** | **2.3** | **3.1** | **-1.5** | **-0.5** | **0.1** |
| | | | | | | Level differences from June 2023 projections | | |
| **Commodity prices** [5] | | | | | | | | |
| WBG commodity price index | 100.9 | 142.5 | 108.4 | 104.9 | 102.2 | -1.0 | -3.7 | -7.6 |
| Energy index | 95.4 | 152.6 | 107.5 | 103.4 | 100.0 | -1.4 | -5.7 | -11.0 |
| Oil (US$ per barrel) | 70.4 | 99.8 | 83.1 | 81.0 | 78.0 | 3.1 | -1.0 | -6.4 |
| Non-energy index | 112.1 | 122.1 | 110.2 | 107.7 | 106.6 | -0.2 | 0.2 | -0.9 |

*Source:* World Bank.

*Note:* e = estimate; f = forecast. EM7 = Brazil, China, India, Indonesia, Mexico, the Russian Federation, and Türkiye. WBG = World Bank Group. 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. For the definition of EMDEs, developing countries, commodity exporters, and commodity importers, please refer to table 1.2. The World Bank is currently not publishing economic output, income, or growth data for Turkmenistan and República Bolivariana de Venezuela owing to lack of reliable data of adequate quality. Turkmenistan and República Bolivariana de Venezuela are excluded from cross-country macroeconomic aggregates.

1. Headline aggregate growth rates are calculated using GDP weights at average 2010-19 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. For India and the Islamic Republic of Iran, the column for 2022 refers to FY2022/23. For Bangladesh, the Arab Republic of Egypt, and Pakistan, the column for 2022 refers to FY2021/22. Pakistan's growth rates are based on GDP at factor cost.
3. 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.
4. World trade volume of goods and nonfactor services.
5. Indexes are expressed in nominal U.S. dollars (2010 = 100). Oil refers to the Brent crude oil benchmark. The "Level differences from June 2023 projections" (last three columns) are based on an updated non-energy index, which differs slightly from what was reported in the June 2023 edition. For weights and composition of indexes, see https://worldbank.org/commodities.