BOX 1.1 Global recovery: Surprisingly strong, disappointingly uneven

The post-pandemic rebound marks the strongest recovery from a global recession in more than six decades. Five years after the pandemic's onset, global GDP per capita in 2025 was roughly 10 percent higher than in 2019—an increase exceeding that of previous global recoveries. Yet this strength masks a sharp divergence. Advanced economies have recovered robustly, with nearly 90 percent now above pre-pandemic per capita income levels. In contrast, more than one-quarter of emerging market and developing economies (EMDEs)—particularly low-income countries and those affected by fragility and conflict—still have per capita incomes below pre-pandemic levels. Differences in the scale and duration of policy responses have partly contributed to this divergence. Weak growth in many EMDEs has intensified an already-formidable jobs challenge posed by the rapid expansion of young populations. Amid a more difficult external environment, EMDEs need to accelerate reforms, rebuild policy space, and foster stronger job creation.

Two global recessions occurred in the first quarter of the twenty-first century. The 2020 recession, induced by the COVID-19 pandemic, was the deepest of the post-World War II period, with global per capita GDP contracting by nearly 4 percent (refer to figure B1.1.1.A). It was also the most synchronized recession of recent decades, with close to 90 percent of economies experiencing declines in GDP per capita (refer to figure B1.1.1.B). The 2009 recession, triggered by the global financial crisis (GFC), also involved a sharp contraction—of nearly 3 percent in global per capita GDP—but the proportion of countries where per capita GDP fell was much smaller, at 60 percent.

This box examines three questions: (i) How does the post-pandemic recovery differ from the post-GFC recovery? (ii) How have the recoveries of advanced economies and EMDEs differed? and (iii) How have policy responses differed across the two episodes?

Methodology

With a global recession defined as a decline in global real GDP per capita on annual data, there have been five global recessions since 1960: in 1975, 1982, 1991, 2009, and 2020. For the purposes of this box, a post-recession recovery period is defined as the first five years following the trough of each recession (2010–14 for the 2009 episode; 2021–25 for the 2020 episode).[a] The analysis uses annual data for 1960–2025 for 38 advanced economies and 146 EMDEs.

Post-pandemic recovery: Surprisingly strong and resilient

The 2009 and 2020 global recessions had different origins. The 2020 episode was associated with public health shutdowns and policy responses that drove simultaneous demand and supply contractions. The 2009 recession, by contrast, reflected years of financial sector excesses and rising private debt that eroded confidence and created severe balance sheet strains (Guénette, Kose, and Sugawara 2022; World Bank 2020).

The recoveries following these episodes were shaped by these differing origins but also influenced by a wide range of developments, including post-recession shocks and policy responses. The recovery from the 2020 recession unfolded amidst a series of interlinked shocks: severe supply chain disruptions in 2021, a sharp surge in energy prices after Russia's invasion of Ukraine in early 2022, and the historic inflation spike of 2021–23, which prompted one of the most synchronized global monetary tightening phases in decades (World Bank 2024a). The recovery was further threatened by elevated geopolitical tensions—including the conflict in the Middle East—alongside escalating trade restrictions and associated policy uncertainty (World Bank 2022, 2025a).

The post-2009 environment was characterized by adverse developments of a different kind: the lingering effects of the financial crisis, including private sector debt overhangs, renewed banking sector stress, and the euro-area sovereign debt crisis in 2011–12. Commodity prices—first metals and agricultural goods, then oil—fell sharply from their 2011 peaks as a result of slowing demand growth and ample supplies (World Bank 2015).

Despite multiple shocks, the post-pandemic recovery has been the strongest after any global recession since 1960, substantially exceeding the post-2009 recovery (refer to figure B1.1.1.C). Five years into the recovery, global GDP per capita exceeds its 2019 level by 10 percent, a pace stronger than in previous post-

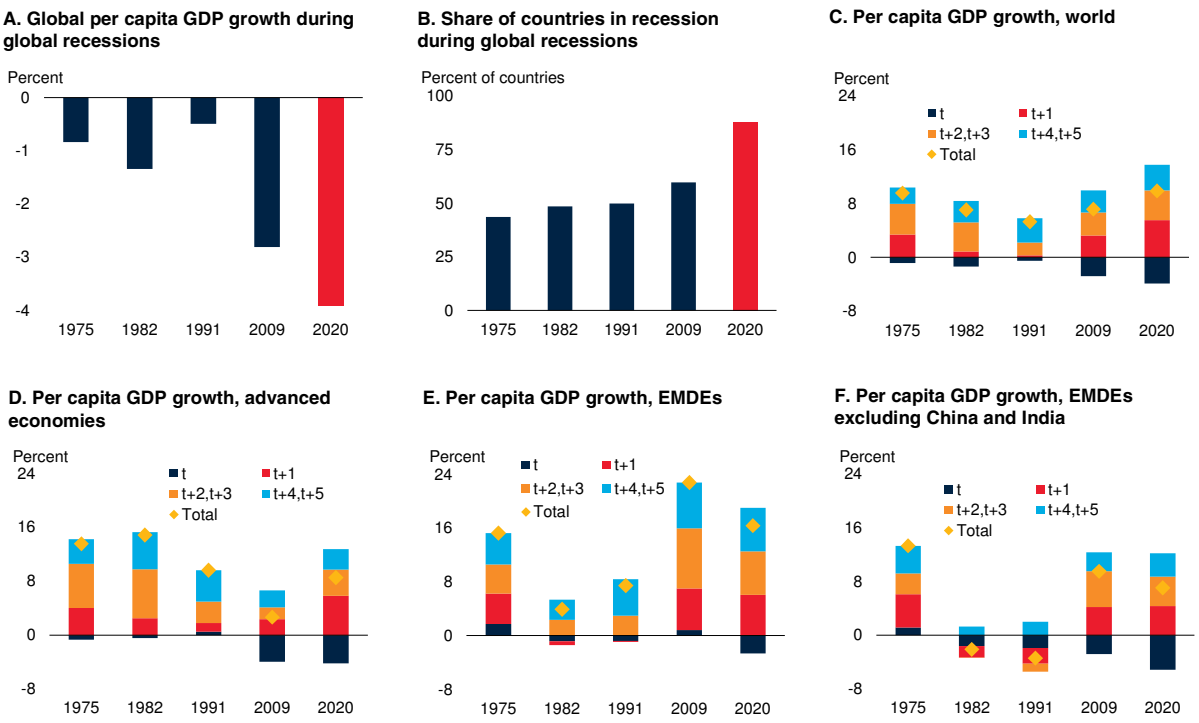
Note: This box was prepared by M. Ayhan Kose, Jiwon Lee, and Naotaka Sugawara.

a. Kose, Sugawara, and Terrones (2020) provide a detailed analysis of global recessions and recoveries.

BOX 1.1 Global recovery: Surprisingly strong, disappointingly uneven (*continued*)

FIGURE B1.1.1 Growth during global recessions and recoveries

The 2020 global recession was the deepest and most synchronized of the five global recessions since 1960. Despite subsequent adverse shocks, the global recovery since 2020 has been the strongest, with its strength driven largely by the robust rebound in advanced economies. EMDEs have experienced a weaker pickup in GDP per capita since 2020 than after the 2009 global recession.



Source: World Bank.
Note: EMDEs = emerging market and developing economies.
A. Global per capita GDP growth in the years of global recessions since 1960.
B. Panel shows the proportion of countries in recession, defined as an annual contraction in per capita GDP.
C.-F. Year *t* refers to the year of global recessions, as denoted on the horizontal axis. Panels show changes in real per capita GDP from a year earlier during global recessions and the subsequent cumulative recoveries. Diamonds for "Total" present cumulative changes in real per capita GDP up to five years after the respective global recessions, including the years of the global recessions.

recession episodes. The first year of the rebound delivered the largest annual increase in global per capita GDP across the five episodes examined here.[b] Overall, the post-pandemic recovery has demonstrated exceptional resilience in an extremely challenging global environment.

Disappointingly uneven between advanced economies and EMDEs

The strength of the global recovery since 2020 masks a striking divergence between advanced economies and EMDEs (refer to figures B1.1.1.D and B1.1.1.E). In advanced economies, per capita GDP increased by about 13 percent over 2021–25, compared with an increase of less than 7 percent over 2010–14. In contrast, in EMDEs, the cumulative growth of per capita GDP over 2021–25 was 3 percentage points smaller than over 2010–14, when EMDEs registered

b. This finding is consistent with earlier results, which suggest that deeper recessions tend to be followed by stronger recoveries in the first year (Claessens, Kose, and Terrones 2012; Wynne and Balke 1992; Zarnowitz 1992).

BOX 1.1 Global recovery: Surprisingly strong, disappointingly uneven (*continued*)

their strongest post-recession expansion since the 1960s. Accounting for the deep 2020 contraction, cumulative per capita income growth in these economies remains more than 6 percentage points below that following the 2009 recession. In EMDEs excluding China and India, gains in per capita GDP in both the post-pandemic recovery and the post-GFC recovery have been relatively modest (refer to figure B1.1.1.F).

In terms of performance relative to the pre-recession GDP trend, a similar divergence emerges. Although the global economy as a whole fared much better following the pandemic than after the GFC, this aggregate outcome masks sharply different experiences across country groups. Five years into the post-pandemic recovery, global per capita GDP was about 1 percent below its pre-pandemic trend in 2025—nearly one-sixth of the shortfall observed five years after the GFC (refer to figure B1.1.2.A). This improvement was driven almost entirely by advanced economies, where per capita GDP had mostly returned to trend. In contrast, per capita GDP in EMDEs remained about 4 percent below trend, underscoring the persistence of weaker post-pandemic recoveries. By comparison, during the post-GFC recovery, per capita GDP in advanced economies remained well below trend five years after the recession.

Relative to pre-recession levels, per capita GDP remained lower in roughly one-quarter of all economies five years into the post-pandemic recovery, a share similar to that observed five years after the 2009 recession (refer to figure B1.1.2.B). Beneath this similarity, however, there again lies a divergence between advanced economies and EMDEs. While in 2025, per capita GDP in nearly 90 percent of advanced economies exceeded its 2019 level, it remained below 2019 levels in more than one-quarter of EMDEs. This is also a larger share than after the GFC, when only one in six EMDEs had lower per capita GDP in 2014 than in 2008.

These sustained declines in per capita GDP are heavily concentrated among the poorest EMDEs (Chrimes et al. 2024; World Bank 2025a, 2025b). In about 30 percent of countries eligible for support from the International Development Association (IDA), over 40 percent of low-income countries (LICs), and nearly 60 percent of economies in fragile and conflict-affected situations (FCS), per capita GDP is estimated to have been lower in 2025 than in 2019. These shares are substantially higher than in the post-GFC recovery: per capita GDP in 2014 was lower than in 2008 in about 17 percent of IDA-eligible countries and about 25 percent of LICs and FCS countries.

Using GDP per capita as a proxy for income, weak per capita GDP growth in these economies points to a reversal of income convergence with advanced economies since the eve of the pandemic. Thus, since 2019, these vulnerable developing economies—and even all EMDEs excluding China and India—have become relatively poorer compared with advanced economies (refer to figure B1.1.2.C). The per capita income differential between LICs and advanced economies has widened by 10 percent in 2025, relative to the gap in 2019. In FCS, the widening of the per capita income gap has been larger, by almost 15 percent in 2025, compared with the pre-pandemic level. This contrasts sharply with the experience following the 2009 episode. Compared with the level in 2008, the per capita income gap with advanced economies narrowed by about 3 percent, 7 percent, and 18 percent in LICs, FCS, and IDA-eligible countries, respectively, five years after the 2009 recession.

Similar patterns also emerge across EMDE regions. All regions saw slower income convergence with advanced economies during the post-pandemic recovery than after the GFC. Sub-Saharan Africa, the Middle East, North Africa, Afghanistan and Pakistan, and Latin America and the Caribbean have fallen further behind as they have become relatively poorer compared with advanced economies (refer to figure B1.1.2.D).

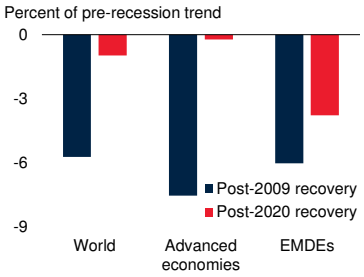
The weak post-pandemic recovery has significant implications for both poverty reduction and job creation, particularly in the most vulnerable EMDEs. While poverty rates declined during the post-GFC recovery, they increased during the post-pandemic recovery in the most vulnerable EMDEs (refer to figure B1.1.2.E). Over the next decade, hundreds of millions of young people are expected to enter labor markets in developing economies. Yet as generating growth has become more difficult in the post-pandemic period, the jobs challenge—creating sufficient employment opportunities for this rapidly expanding cohort—has grown even more daunting, especially in the most

BOX 1.1 Global recovery: Surprisingly strong, disappointingly uneven (*continued*)

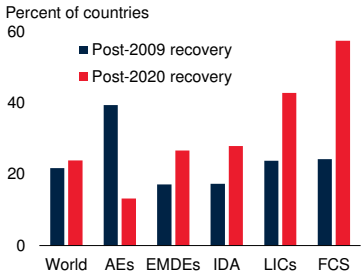
FIGURE B1.1.2 Divergence of recoveries, poverty, and jobs

The strength of the post-2020 recovery has differed sharply across country groups. In advanced economies, per capita GDP has returned to its pre-recession trend, while in EMDEs it remains below trend. By 2025, per capita GDP in nearly 90 percent of advanced economies had surpassed its 2019 level; in contrast, it remained lower in more than one-quarter of EMDEs. Outcomes are even weaker among the poorest EMDEs, including IDA-eligible countries, LICs, and FCS. Persistently weak growth in these economies since 2019 has stalled income convergence with advanced economies. Poverty rates have risen during the post-pandemic recovery in the most vulnerable EMDEs, which also face a more acute jobs challenge as young people account for a much larger share of the population than in other EMDEs.

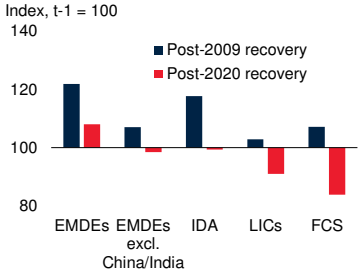
A. Per capita GDP relative to trend five years after global recessions



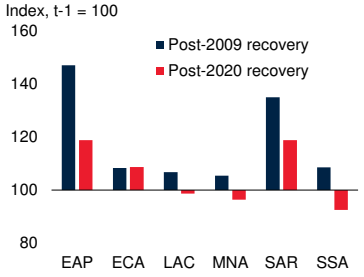
B. Countries with lower per capita GDP five years after global recessions



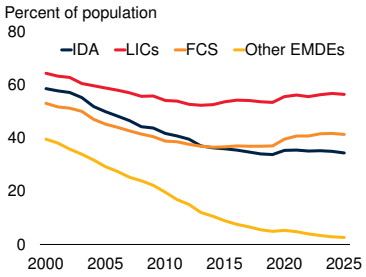
C. Per capita GDP in EMDEs, relative to advanced economies, five years after global recessions, by country group



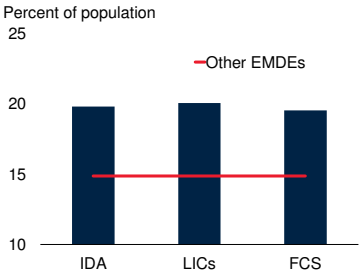
D. Per capita GDP in EMDEs, relative to advanced economies, five years after global recessions, by region



E. Poverty rate in EMDEs



F. Youth population in EMDEs, 2020–25



Sources: UN World Population Prospects (database); World Bank.

Note: AEs = advanced economies; EAP = East Asia and Pacific; ECA = Europe and Central Asia; EMDEs = emerging market and developing economies; FCS = fragile and conflict-affected situations; IDA = countries eligible for support from the International Development Association; LAC = Latin America and the Caribbean; LICs = low-income countries; MNA = Middle East, North Africa, Afghanistan and Pakistan; SAR = South Asia; SSA = Sub-Saharan Africa.

A. Each bar shows the percent difference in per capita GDP from the trend level five years after the global recession. For the post-2009 recovery, it refers to 2014; for the post-2020 recovery, it is for 2025. The trend level is computed by assuming to grow at the regression-estimated trend growth rate over the 10 years prior to the global recession, that is, 1999–2008 for the post-2009 recovery and 2010–19 for the post-2020 recovery.

B. Each bar represents the share of economies whose per capita GDP remains below its pre-recession level five years after the recession. For the post-2009 recovery, the comparison is between 2008 and 2014; for the post-2020 recovery, it is between 2019 and 2025.

C.D. Each bar shows per capita GDP five years after the global recession—denoted as year *t*—relative to the level in advanced economies, which is presented as an index with the relative share one year prior to the respective global recessions equal to 100.

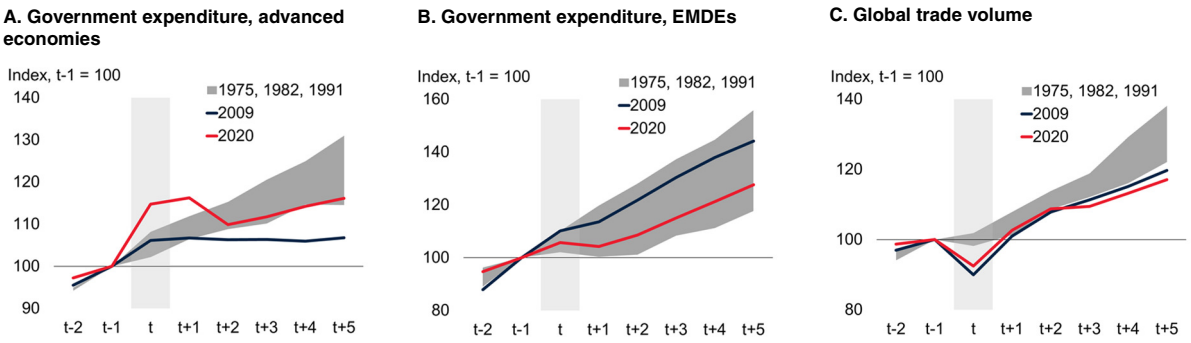
E. Poverty rate is defined as the share of the population living on less than $3 per day in 2021 purchasing power parity. Aggregates are computed as weighted averages using the total population as weights. Data for 2025 are the estimates. Other EMDEs refer to EMDEs excluding IDA-eligible countries, LICs, and FCS.

F. Each bar shows the share of the youth population, defined as those aged 15–24, averaged over 2020–25, based on the 2024 Revision of World Population Prospects. Aggregates are computed as weighted averages using the total population as weights. Other EMDEs refer to EMDEs excluding IDA-eligible countries, LICs, and FCS.

BOX 1.1 Global recovery: Surprisingly strong, disappointingly uneven (*continued*)

FIGURE B1.1.3 Fiscal policies and trade

Divergent fiscal policy responses after the 2009 and 2020 recessions have contributed to the differing recovery paths. The post-pandemic external environment has further constrained EMDEs, with subdued global trade growth.



Sources: Kose et al. (2022); World Bank.
Note: EMDEs = emerging market and developing economies.
A.-C. Year *t* denotes a global recession year (shaded in light gray). The darker shaded area indicates the range of the three global recessions—in 1975, 1982, and 1991—for which data are available. In panels A and B, government expenditure is adjusted by the GDP deflator and expressed as an index number equal to 100 one year prior to year *t* (that is, *t*-1 = 100). In panel C, trade is likewise expressed as an index based on the average of exports and imports of goods and services.

vulnerable EMDEs. The share of the youth population (ages 15–24) is considerably higher in IDA-eligible countries, LICs, and FCS than in other EMDEs (refer to figure B1.1.2.F). Moreover, in IDA-eligible countries, the number of young people not in employment, education, or training is estimated to have risen by nearly 15 percent between 2016 and 2025. The increase was even larger in LICs and FCS, at almost 20 percent over the same period.

Policy responses: A role reversal

Policy responses across the two recoveries differed sharply (refer to figures B1.1.3.A and B1.1.3.B). Following 2009, advanced economies rapidly scaled back fiscal support while leaning heavily on extended monetary accommodation. By contrast, many EMDEs, following sustained reforms and the accumulation of policy buffers in the pre-GFC years, were able, for the first time, to implement countercyclical policies to support demand and activity (Koh and Yu 2020).

In the post-pandemic recovery, this pattern reversed. Advanced economies deployed far larger—and longer sustained—fiscal expansions while, beginning in late 2021, monetary policies were tightened rapidly in response to surging inflation. EMDEs entered the pandemic with much larger fiscal deficits and public debt burdens than before the GFC, leaving them with limited fiscal space; the support they provided in 2020 further increased debt levels (Mawejje 2025; World Bank 2021). On the eve of the pandemic, at end-2019, government debt in EMDEs averaged about 54 percent of GDP. However, five years after the global recession, it exceeded 70 percent of GDP. During the post-GFC recovery, in contrast, the increase in the government debt-to-GDP ratio was only 6.2 percentage points over 2008–14. Some EMDEs tightened monetary policy earlier than advanced economies to contain inflationary pressures. These differing policy mixes and constraints partly explain the divergence between the recovery paths of advanced economies and EMDEs.

External environment: More challenging

The external environment during the post-pandemic recovery has been considerably more difficult than during the post-GFC recovery. Global trade growth has been weaker than in any post-global recession recovery since 1960, reflecting post-pandemic supply chain disruptions, rising geopolitical fragmentation, and a surge in trade restrictions that has driven policy uncertainty to unprecedented levels (refer to figure B1.1.3.C; World Bank 2025a).

BOX 1.1 Global recovery: Surprisingly strong, disappointingly uneven (*continued*)

A difficult task ahead

Three major messages emerge from this comparison of the post-pandemic global recovery with the post-GFC recovery. First, the post-pandemic global recovery has been the strongest since 1960, despite a series of contemporaneous overlapping adverse shocks. Second, the recovery has been highly uneven, with advanced economies pulling ahead while many vulnerable EMDEs—especially IDA-eligible countries, LICs, and FCS—have fallen further behind, accompanied by higher poverty rates. These economies also face an acute jobs challenge, as young people account for a much larger share of the population than in other EMDEs. Third, starkly different policy responses across the two episodes, related partly to the more limited fiscal space in EMDEs, help explain these divergent outcomes.

Burdened by higher debt, weaker growth prospects, a larger jobs challenge, and a more difficult external environment, many EMDEs now face a demanding set of tasks (World Bank 2025a). A key lesson from their successful response to the 2009 global recession stands out: robust policy responses and relatively strong growth performance were made possible by earlier advances in structural reforms, the strengthening of macroeconomic policy frameworks, and the rebuilding of policy buffers. Reestablishing these foundations will be essential for EMDEs to promote growth, create jobs, and deliver broad-based gains in living standards.

economies. This lack of investment is closely associated with lackluster productivity growth, given that investment embodies technological upgrades and can catalyze the infusion of new approaches to production. To this end, EMDEs will need to strengthen macroeconomic stability, improve the investment climate, and promote cross-border trade and finance flows. Policies that lift investment growth could help support stronger employment growth (refer to figure 1.2.F). In frontier markets, a diverse group of economies with some financial market access, the full benefits of financial integration have proven elusive amid relatively limited financial development, macroeconomic buffers, and institutional depth. These limitations can also exacerbate the impact of adverse global market shocks.

Global context

The global economy has shown greater-than-expected resilience to major shifts in the trading system, heightened policy uncertainty, and geopolitical tensions. In part, this reflects short-term support for activity last year that stemmed from the stockpiling of traded goods, as well as easier financial conditions amid expectations of further monetary easing. Nonetheless, global growth faces ongoing headwinds as earlier front-loading of trade unwinds and tariff costs are increasingly passed on to consumers, weighing on major economies and demand for traded goods. Softer activity in major economies is also set to reduce global demand for energy and industrial commodities. With moderating energy prices, global headline inflation is expected to ease further toward central bank targets, though with wide differences across countries.

Global trade

After a 90-day pause, the U.S. administration reinstated broad reciprocal tariff increases in August 2025 and introduced additional country- and sector-specific tariffs, exempting countries with finalized trade agreements. As a result, the average effective U.S. tariff rate rose to about 17 percent by late 2025—the highest level since the 1930s and near the rate assumed in June, but well below the mid-April peak of about 28 percent (refer to figure 1.3.A). Since then, trade policy uncertainty has subsided somewhat from historical highs as the conclusion of new bilateral trade agreements has helped clarify future tariff trajectories.

Anticipation of rising U.S. tariffs, driven by earlier policy announcements, led to a sizable front-loading of imports ahead of tariff increases,