



### Overview

- According to the June 2021 [Global Economic Prospects](#) report, the global economy is experiencing a strong but highly uneven recovery.
- Growth is concentrated in a few major economies, with most emerging market and developing economies (EMDEs) lagging behind.
- Controlling the pandemic at the global level—a precondition to achieve durable growth—will require more equitable vaccine distribution.

### Chart of the Month

- After falling between January and May 2020, global inflation has risen by 1.2 percentage points, to 2.4 percent (y/y) in April 2021.
- The increase in global inflation is being accompanied by a significant strengthening of global demand.
- In some countries, supply disruptions, such as market and trade restrictions or curfews, appear to have affected domestic food supply chains, increasing wholesale and retail markups and contributing to rising food price inflation.

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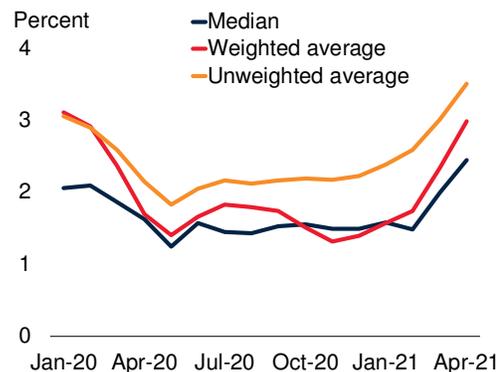
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#### Global inflation, by measure



Source: Haver Analytics; World Bank.

Note: Year-on-year inflation for 81 countries, of which 31 are AEs and 50 are EMDEs. Weighted average uses 2020 real GDP weights (at 2010 prices and exchange rates).

### Special Focus: Global Growth Scenarios

- Global growth is set to reach 5.6 percent in 2021, its strongest post-recession pace in 80 years. However, there is considerable uncertainty regarding the durability of the expansion beyond this year.
- In a Faltering Recovery scenario, recurring local COVID-19 outbreaks, mounting inflation pressures and a sharp tightening of global financial conditions could derail the global recovery.
- Alternatively, vaccine-driven pandemic containment, reopening, and rapid reforms could catalyze a strong private-sector led recovery in global output, resulting in a Sustained Expansion scenario.



## Monthly Highlights

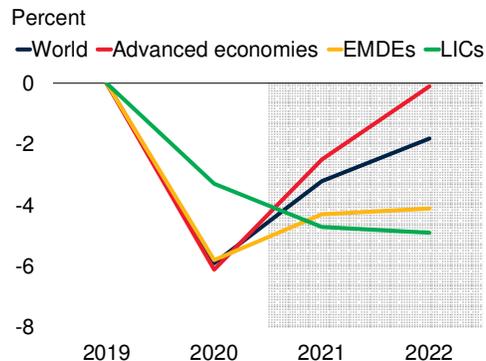
**Global growth: strong but uneven recovery.** The global economy is set to expand 5.6 percent in 2021—its strongest post-recession pace in 80 years. Although global economic activity has gained significant momentum, it remains well below pre-pandemic projections. Furthermore, this recovery is uneven and largely reflects sharp rebounds in some major economies—most notably the United States, owing to substantial fiscal support—amid highly unequal vaccine access at the global level. In many emerging market and developing economies (EMDEs), elevated COVID-19 caseloads, obstacles to vaccination, and a partial withdrawal of macroeconomic support are offsetting some of the benefits of strengthening external demand and elevated commodity prices. By 2022, global output is expected to remain about 2 percent below pre-pandemic projections (figure 1.A).

**Pandemic developments: uneven vaccine rollouts.** The pandemic continues to exact a heavy toll, particularly across EMDEs. Since COVID-19 started to spread, it has infected at least 175 million people and caused nearly 4 million deaths. Hundreds of thousands of new cases are being reported every day. Vaccination campaigns are gathering pace in many countries, with more than a fifth of the global population having received at least one vaccine dose. Nevertheless, this average conceals enormous regional and income disparities—especially the paltry rate of vaccination in the poorest countries. Countries that have administered vaccines to a greater share of their population are seeing a far slower accumulation of caseloads than the sizable share of EMDEs that have so far administered shots to only a small proportion (figure 1.B).

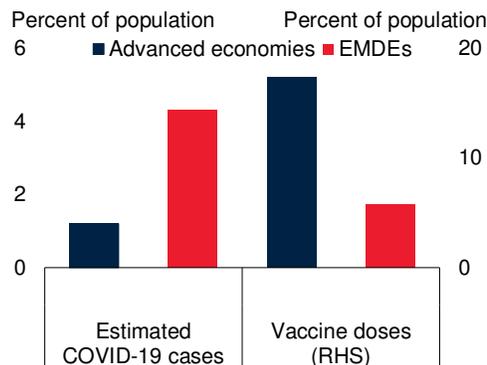
**Global trade: uptick in services.** Global trade has continued to rebound; however, the strength of global trade growth is set to be dampened by shifting activity from manufacturing to the low-trade-intensity domestic services sector. Manufacturing trade is currently being constrained by supply bottlenecks and strains in global value chains. High-frequency data point to a pickup in some components of services trade, such as telecommunications and financial services (figure 1.C). Tourism remains depressed, however, even in countries that have not experienced major outbreaks. In all, global trade is forecast to grow 8.3 percent this year and 6.3 percent in 2022, reflecting firming global output and investment, but also the diminishing trade intensity of the global recovery.

**Global financing conditions: modest tightening.** Financial conditions have tightened as the global recovery has gathered

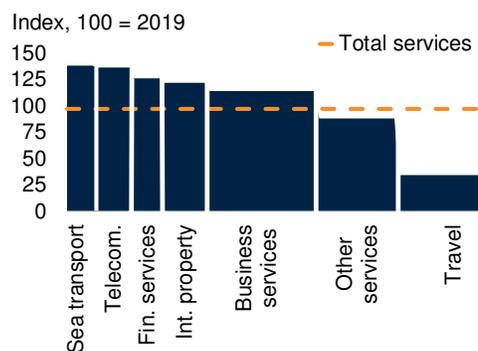
**FIGURE 1.A Deviation of output from pre-pandemic projections**



**FIGURE 1.B Distribution of COVID-19 cases and vaccine doses from mid-April to mid-May**



**FIGURE 1.C State of the recovery in global services trade, by component share of total**



Sources: Our World in Data (database); World Bank; World Trade Organization. Note: AEs = advanced economies; EMDEs = emerging market and developing economies; LICs = low-income countries. Aggregates calculated using real U.S. dollar GDP weights at average 2010-19 prices and market exchange rates.

A. Figure shows percent deviation between the levels of June 2021 and January 2020 baseline World Bank projections. Shaded area indicates forecasts.

B. Figure shows the one-month accumulation of COVID-19 cases in 36 AEs and 120 EMDEs over April 17-May 17, 2021, as estimated by the Institute for Health Metrics and Evaluation (IHME), and vaccinations as a share of the population.

C. Trade is the average of import and export volumes. Sample includes 12 AEs and 12 EMDEs in March 2021. Bar height shows latest data relative to corresponding month of 2019, width shows pre-pandemic share of component in total services trade. Telecom. = Telecommunications, computer, and information services; Int. property = charges for the use of intellectual property. Dashed orange line indicates the level of total services trade compared to the 2019 average.

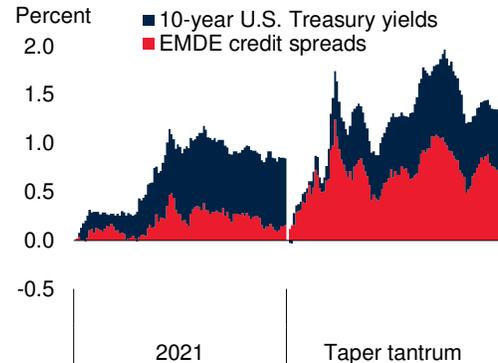


pace, but remain generally supportive. Global borrowing costs have increased as expectations of stronger future growth and higher inflation have pushed up long-term yields on government bonds. These developments have been substantially less disruptive than the 2013 taper tantrum (figure 2.A). Global corporate borrowing costs have also risen, but spreads have been stable and stock market valuations in most regions are still close to multiyear highs. Business bankruptcies, which had been limited considering the depth of the global recession, have picked up in some industries and countries but remain below pre-pandemic levels amid easy access to credit and the extension of some COVID-19 relief measures. Portfolio flows to EMDEs have lost momentum and currency depreciation has contributed to above-target inflation and tighter monetary policy in some EMDEs.

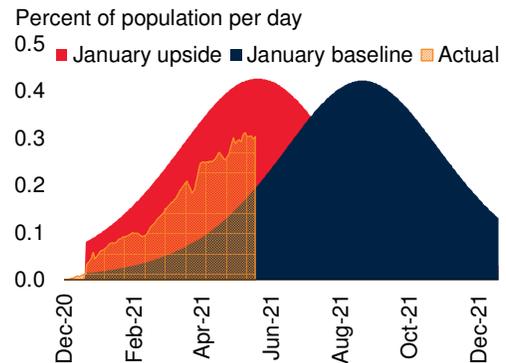
**Commodity markets: sustained increase.** Commodity prices have seen a sharp rise in 2021, with many now well above their pre-pandemic levels. Oil prices have rallied markedly, averaging \$60/bbl in 2021 so far. Prices are projected to strengthen further—averaging \$62/bbl in 2021 and 2022—as global oil demand continues to firm. Base metal prices have increased sharply this year, supported by continued strong demand from China as well as recovery in the rest of the world. Metals prices overall are now expected to be 36 percent higher in 2021 on average relative to last year, before falling back in 2022 as some supply constraints ease. Agricultural prices have also seen a substantial rise, particularly those of food commodities. Prices are expected to rise by 16 percent in 2021 before plateauing in 2022.

**Advanced economies: strong rebound.** Activity among advanced economies has been propelled so far this year by a solid recovery in the United States, partly due to the effects of large fiscal support. Vaccination campaigns are generally proceeding at a faster pace than envisioned in the January baseline forecast, albeit at varying degrees across countries (figure 2.B). Still, most advanced economies have maintained some pandemic control measures to dampen COVID-19 caseloads and guard against possible resurgences. Growth in advanced economies is forecast to reach 5.4 percent in 2021—2.1 percentage points higher than envisioned in January, powered by stronger-than-expected momentum leading into 2021, faster vaccination in several countries, additional U.S. fiscal support, and the release of sizable pent-up demand (figure 2.C). U.S. growth is expected to reach 6.8 percent this year—its fastest pace since 1984—outperforming that of other major advanced economies due to its more rapid vaccine rollout and larger fiscal support. After this year’s rebound, growth is expected to moderate but remain robust in 2022 as the removal of pandemic control measures continues.

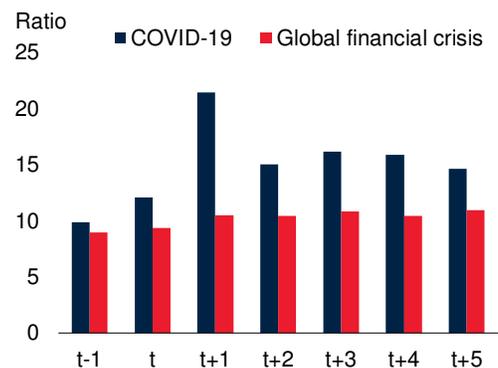
**FIGURE 2.A Response of EMDE credit spreads to rising U.S. yields**



**FIGURE 2.B Effective daily vaccination rate in major advanced economies**



**FIGURE 2.C Household savings rate in advanced economies**



Sources: Bloomberg; Guénette and Yamazaki (2021); Haver Analytics; IMF, Our World in Data (database); Oxford Economics; World Bank.

Note: EMDEs = emerging markets and developing economies.

A. Cumulative change after January 1, 2021 for 2021 and May 22, 2013 for taper tantrum. EMDE credit spreads refer to JP Morgan Emerging Markets Bond Index (EMBI) spread. Last observation is May 25, 2021.

B. Figure shows seven-day moving average of effective daily COVID-19 vaccinations administered per hundred people across the Group of Seven (G7) countries. As in Guénette and Yamazaki (2021), effective vaccinations are computed by multiplying the total number of vaccinations by 0.5 to account for multi-dose vaccines and by 0.85 to account for imperfect vaccine effectiveness. Last observation is May 31, 2021.

C. Figure shows quarterly ratio of personal savings over personal disposable income. “t-1” refers to 2019Q4 for COVID-19, and 2008Q2 for Global financial crisis. Sample includes 27 advanced economies.

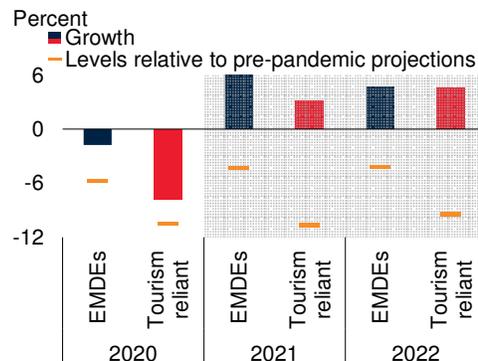


**EMDEs: pandemic weighing on recovery.** The recovery in many EMDEs is being constrained by a severe resurgence of new COVID-19 cases and lagging vaccination. The pandemic continues to have a particularly dampening effect on tourism-reliant economies and is further exacerbating domestic challenges in low-income countries (figure 3.A). Aggregate EMDE growth is forecast to reach 6 percent in 2021, supported by improving external demand and elevated commodity prices. China's growth is forecast to rebound to 8.5 percent this year, reflecting the release of pent-up demand. Excluding China, the recovery in EMDEs is projected to be more modest, at 4.4 percent in 2021, with about 40 percent of countries facing downward revisions to growth this year, reflecting continued disruptions from the pandemic and the partial removal of monetary and, especially, fiscal support.

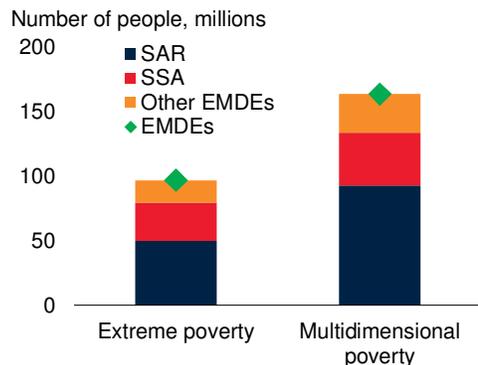
**Poverty and per capita incomes: prolonged adverse effects.** Despite the projected recovery for EMDEs, the pandemic has had a devastating effect on per capita income growth, poverty, and inequality, which will linger for a protracted period. By the end of this year, it is expected that about 100 million people across EMDEs will have fallen back into extreme poverty (figure 3.B). In all, the pace of recovery in two-thirds of EMDEs will be insufficient to recoup the per capita income losses caused by the pandemic by 2022, and poverty rates are expected to rise further. In LICs, this compounds the challenges faced by the 112 million people who are already facing food insecurity and the 223 million who are exposed to significant flood risk.

**Risks: tilted to the downside.** The global outlook is clouded by uncertainty and subject to various risks. The continued spread of COVID-19 shows that repeated outbreaks are still possible, especially in light of the emergence of new variants that are more virulent, deadly, and resistant to vaccines. Governments and corporations amassed considerable debt as they weathered last year's global recession, making them vulnerable to a sudden increase in interest rates stemming from a rise in risk aversion, inflation, or expectations of faster monetary tightening (figure 3.C). A spike in bankruptcies could damage the banking system, restrict the flow of credit, and trigger credit crunches. On the upside however, more rapid vaccine production—along with more equitable distribution—could lead to faster-than-expected control of the pandemic. Moreover, the current upturn in growth, currently concentrated in some major economies, could lead to sizable spillovers and trigger a broader and stronger global economic recovery.

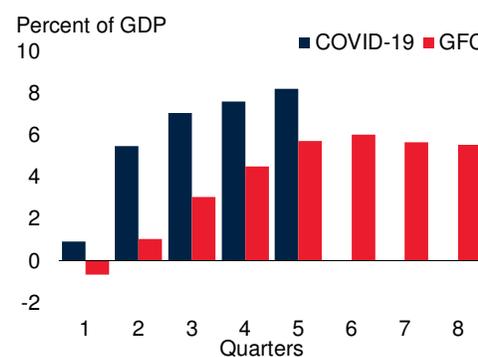
**FIGURE 3.A EMDE growth forecasts and gaps with pre-pandemic projections**



**FIGURE 3.B Increase in poverty headcounts due to the pandemic by end-2021**



**FIGURE 3.C Cumulative change in government debt in EMDEs**



Sources: Institute of International Finance; Mahler et al. (2021); World Bank.  
 Note: EMDEs = emerging market and developing economies; Other EMDEs = EMDEs that are not low-income countries; SAR = South Asia; SSA = Sub-Saharan Africa; GFC = global financial crisis.  
 A. GDP levels are relative to World Bank January 2020 forecasts. Sample includes 144 EMDEs, of which 37 are tourism reliant (defined as having average 2015-19 inbound tourism expenditures as a share of GDP above the fourth quartile).  
 B. Figure shows the estimated number of people pushed into poverty as a result of the pandemic. This is calculated by comparing poverty using pre- and post-pandemic growth forecasts. Extreme poverty reflects the international poverty line of \$1.90/day. Multidimensional poverty also includes deprivations in health, education, and living standards. Percent increase in multidimensional poverty as a result of the pandemic is estimated to be the same as for extreme poverty.  
 C. Figures show the cumulative change in debt since the start of the episode, which is 2008Q3 for GFC and 2020Q1 for COVID-19. Sample includes 25 EMDEs, excluding China.



## Special Focus: What Is Next? Growth Scenarios Beyond 2021

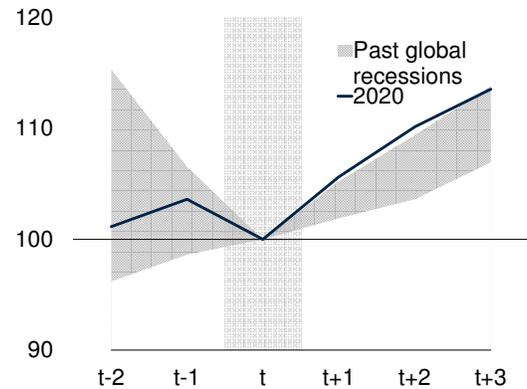
Global economic activity is accelerating as the world emerges from the deepest global recession since World War II. Barring a protracted global resurgence of COVID-19, the baseline outlook described in chapter 1 and box 1.1 of the June 2021 edition of the *Global Economic Prospects* report envisages the strongest global recovery from any of the five global recession in the past 80 years (figure 4.A). However, there is substantial uncertainty around the baseline growth trajectory. The durability of growth depends on whether this year’s rebound catalyzes a durable recovery in private sector activity and potential output growth. In a “Faltering Recovery” scenario, the global recovery may prove short-lived, while in a “Sustained Expansion” scenario the recovery remains robust through 2023. The scenarios are modelled using the Oxford Economics Global Economy Model.

In the baseline scenario, global output is set to bounce back strongly, expanding 5.6 percent this year—the fastest post-recession pace in 80 years—following a 3.5 percent contraction in 2020. Advanced economies are expected to grow 5.4 percent in 2021. Growth in EMDEs is also projected to strengthen, reaching 6 percent in 2021 on the back of improving external demand and elevated commodity prices. The surge in growth envisaged for 2021 reflects, to varying degrees, the combination of ongoing macroeconomic policy support and the release of pent-up demand associated with the easing of the pandemic. Beyond 2021, the baseline forecast anticipates a moderation of the global recovery with a continued divergence between advanced economies and EMDEs.

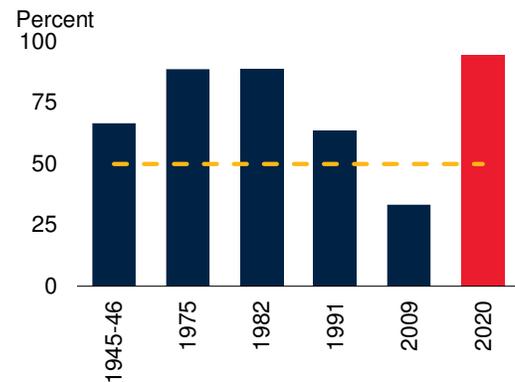
Nevertheless, this global recovery is expected to be markedly less broad-based than previous ones. Only half of all countries are expected to have regained their pre-pandemic per capita income levels in 2022, two years after the global recession. In contrast, by 2011, after the 2009 global recession induced by the global financial crisis, two thirds of countries had regained the pre-recession per capital output levels two years later, a similar share of countries as after the average global recession in the 20th century. The weakness of the recovery is concentrated in EMDEs: Over 90 percent of advanced economies are expected to regain their pre-pandemic per capita income levels in 2022, while only about one third of EMDEs are expected to do so over that time (figures 4.B and 4.C).

The global recovery could falter once policy support is withdrawn and pent-up demand is exhausted, similar to the experience following the global recession of 2009. A lingering

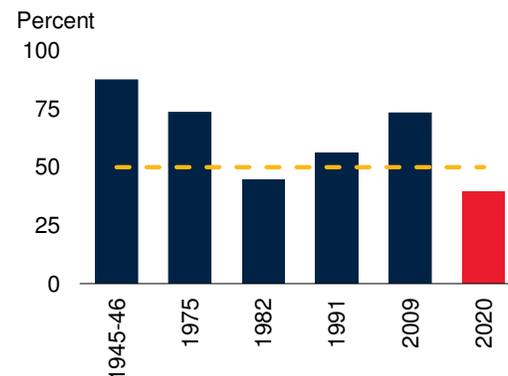
**FIGURE 4.A Global output recoveries over history**



**FIGURE 4.B Share of advanced economies exceeding pre-recession per capita peaks after 2 years**



**FIGURE 4.C Share of EMDEs exceeding pre-recession per capita peaks after 2 years**



Source: Bolt et al. (2018); Haver Analytics; Kose, Sugawara, and Terrones (2020); Oxford Economics; UN Population Projections; World Bank.  
4.A.-C. Lines show global recession episodes. Data for 2021-23 used in the “2020” episode are forecasts.  
4.A. Shaded area indicates past global recession episodes. Year “t” refers to the trough of global recession episodes: 1946 (for the 1945-46 global recession), 1975, 1982, 1991, 2009, and 2020.  
4.B.-C. Dashed yellow line is 50 percent.

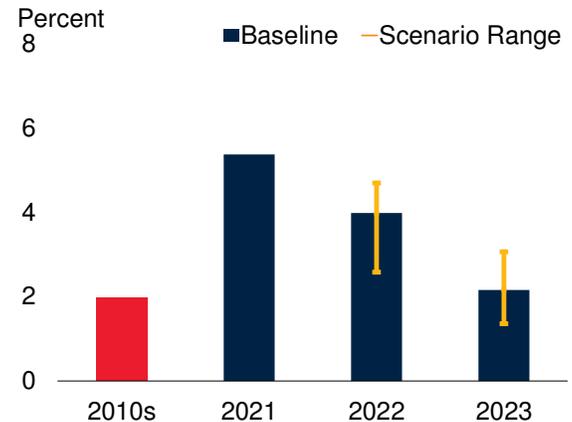


pandemic, with new variants causing recurring local resurgences of infections, would leave households and businesses wary of future prospects. At the same time, a rapid demand-driven increase in growth in the United States absent large supply-side improvement would generate sustained inflation pressures and potentially cause a de-anchoring of inflation expectations, requiring a sudden tightening of monetary policy. The likely sharp repricing of risk that would result, exacerbating already heightened macroeconomic vulnerabilities, would weigh heavily on global activity. Growth in advanced economies would slow sharply from 5.4 percent in 2021 to 2.6 percent in 2022 and 1.4 percent in 2023 (figure 5.A). EMDEs would experience renewed downturns, with growth falling sharply from 6 percent to 2.9 percent in 2022, well below the 5.1 percent average of the previous decade (figure 5.B). In sum, this scenario would mean that global growth would slow sharply, by nearly 3 percentage points from 5.6 percent in 2021 to 2.7 percent in 2022, and further to 2.1 percent in 2023 (figure 5.C). These growth rates would make the rebound from the COVID-19 pandemic similar to the anemic recovery that followed the global financial crisis.

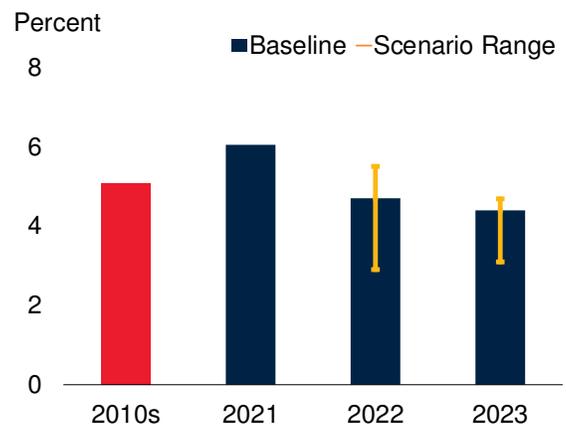
**Alternatively, the global recovery could prove more robust and broad-based than expected.** For instance, the policy-supported surge in global growth in 2021, coupled with faster and more equitable global vaccination, could catalyze a self-sustaining period of rapid growth in which the private sector becomes a powerful engine of growth starting in 2022. Growth in advanced economies would remain near 5 percent in 2022 before slowing to a still strong 3.1 percent in 2023. The investment- and productivity-driven growth in advanced economy growth would have greater spillovers to EMDEs, boosting export demand while ensuring that global financial conditions remain benign. As a result, EMDEs would experience a robust expansion, with growth averaging over 5 percent in 2022 and 2023—0.6 percentage point higher on average than in the baseline scenario. Overall, global growth would be notably stronger, averaging 4.4 percent over 2022-23 compared to 3.7 percent in the baseline scenario.

**EMDE policy makers need to take advantage of benign global economic conditions.** For instance, they can contribute to the realization of a Sustained Expansion scenario by decisively implementing growth-enhancing reforms. As highlighted by the Faltering Recovery scenario, however, the favorable external environment may not last, and many EMDEs are vulnerable to a sudden shift in external conditions. This underscores the need to implement reforms that increase the resilience of financial systems and improve fiscal sustainability.

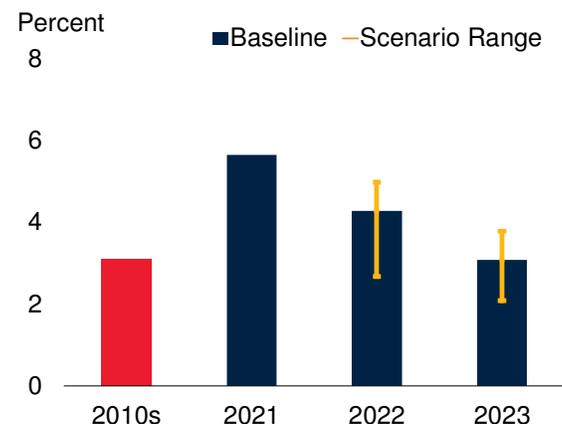
**FIGURE 5.A Advanced-economy GDP growth**



**FIGURE 5.B EMDE GDP growth**



**FIGURE 5.C World GDP Growth**



Source: Bolt et al. (2018); Haver Analytics; Kose, Sugawara, and Terrones (2020); Oxford Economics; UN Population Projections; World Bank. 5.A.-C. Red bars show average of 2010-2019 GDP growth. Blue bars show baseline data from Global Economic Prospects June 2021 database. Yellow whiskers indicate the scenario ranges from Oxford Global Economic Model simulations compared to the baseline scenario.



## Recent Prospects Group Publications

- [Global Economic Prospects - June 2021](#)
- [The Long Shadow of Informality: Challenges and Policies](#)
- [Commodity Markets Outlook - April 2021](#)
- [Global Economic Prospects - January 2021](#)
- [Global Productivity: Trends, Drivers, and Policies](#)
- [Commodity Markets Outlook - October 2020: Persistence of commodity shocks](#)
- [Global Waves of Debt: Causes and Consequences](#)

## Recent World Bank Working Papers

- [Productivity and Firm Exit during the COVID-19 Crisis](#)
- [Death and Destitution](#)
- [Using Registry Data to Assess Gender-Differentiated Land and Credit Market Effects of Urban Land Policy Reform](#)
- [Digital Payments and Business Resilience : Evidence in the Time of COVID-19](#)
- [Diamonds in the Rough? : Repurposing Multi-Topic Surveys to Estimate Individual-Level Consumption Poverty](#)
- [Trade Impacts of Intellectual-Property-Related PTAs : Evidence from Using the World Bank Deep Trade Agreements Database](#)

## Recent World Bank Reports

- [World Development Report 2021: Data for Better Lives](#)
- [Supporting Transition in Coal Regions: A Compendium of the World Bank's Experience and Guidance for Preparing and Managing Future Transitions](#)
- [Climate Change Budget Tagging: A Review of International Experience](#)
- [Supply Chain Finance by Development Banks and Public Entities](#)

## TABLE: Major Data Releases

(Percent change, y/y)

Recent releases: May 22, 2021 - June 21, 2021					
Country	Date	Indicator	Period	Actual	Previous
Nigeria	05/23/21	GDP	Q1	0.4%	0.0%
Germany	05/25/21	GDP	Q1	-3.1%	-3.3%
Mexico	05/26/21	GDP	Q1	-3.6%	-4.5%
France	05/28/21	GDP	Q1	1.2%	-4.6%
India	05/31/21	GDP	Q1	1.6%	0.5%
Poland	05/31/21	GDP	Q1	-1.3%	-2.7%
Turkey	05/31/21	GDP	Q1	7.0%	5.9%
Australia	06/01/21	GDP	Q1	1.1%	-1.0%
Brazil	06/01/21	GDP	Q1	1.0%	-1.1%
Canada	06/01/21	GDP	Q1	0.3%	-3.1%
Italy	06/01/21	GDP	Q1	-0.8%	-6.5%
Indonesia	06/02/21	CPI	MAY	1.7%	1.4%
Japan	06/07/21	GDP	Q1	-1.5%	-1.0%
Euro area	06/08/21	GDP	Q1	-1.3%	-4.7%
South Africa	06/08/21	GDP	Q1	-3.2%	-4.2%
South Korea	06/08/21	GDP	Q1	1.9%	-1.1%
United States	06/10/21	CPI	MAY	4.9%	4.2%
Saudi Arabia	06/14/21	GDP	Q1	-3.0%	-3.9%
Russian Federation	06/15/21	GDP	Q1	-0.7%	-1.8%
Argentina	06/16/21	CPI	MAY	48.8%	46.3%
China	06/16/21	IP	MAY	8.8%	9.8%

(Percent change y/y)

Upcoming releases: June 22, 2021 - July 21, 2021					
Country	Date	Indicator	Period	Previous	
South Africa	06/23/21	CPI	MAY	4.5%	
Netherlands	06/24/21	GDP	Q1	-3.0%	
Spain	06/24/21	GDP	Q1	-8.9%	
United States	06/24/21	GDP	Q1	-2.4%	
Germany	06/29/21	CPI	JUN	2.4%	
South Korea	06/29/21	IP	MAY	12.4%	
United Kingdom	06/30/21	GDP	Q1	-7.3%	
South Korea	07/01/21	CPI	JUN	2.6%	
Germany	07/07/21	IP	MAY	26.6%	
Mexico	07/08/21	CPI	JUN	5.9%	
United Kingdom	07/09/21	IP	MAY	27.5%	
France	07/13/21	CPI	JUN	1.4%	
Euro area	07/14/21	IP	MAY	38.9%	
Japan	07/14/21	IP	MAY	14.6%	
United Kingdom	07/14/21	CPI	JUN	2.1%	
China	07/15/21	IP	JUN	8.8%	
China	07/15/21	GDP	Q2	18.3%	
Poland	07/15/21	CPI	JUN	4.8%	
United States	07/15/21	IP	JUN	16.3%	
Euro area	07/16/21	CPI	JUN	2.0%	
Japan	07/19/21	CPI	JUN	-0.1%	