



Overview

- The global recovery gained momentum and broadened across sectors in April and May.
- Although vaccination has proceeded rapidly in advanced economies, it continues to lag across emerging market and development economies (EMDEs), some of which have seen a surge in COVID-19 cases.
- Global financing conditions have remained favorable as major central banks maintained their commitment to accommodative monetary policy.

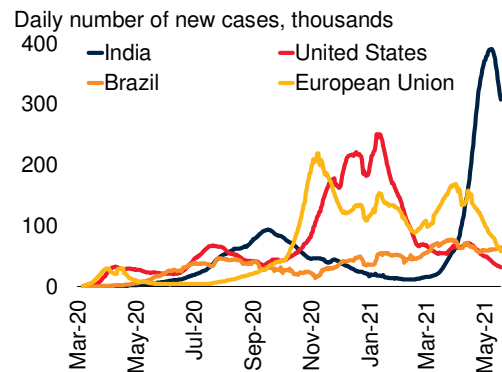
Chart of the Month

- In May, India experienced nearly as many COVID-19 cases as the rest of the world combined.
- The outbreak in India is far larger than previous major waves in any country, with more than 14 million new confirmed cases since the beginning of March, and the true number of cases estimated to be far higher.
- The crisis has taken a severe human toll, put India’s health system under strain, caused regional authorities to implement lockdown measures, and led to a sharp weakening of activity in the second quarter.

Table of Contents

Monthly Highlights.....2
Special Focus.....6
Recent Prospects Group Publications8
Recent World Bank Working Papers.....8
Recent World Bank Reports8
Table A: Major Data Releases8

Weekly new infections of COVID-19



Source: Our World in Data (database); World Bank.
 Note: 7 day moving average. Last observation is May 18, 2021.

Special Focus: Lagging Behind—Informality and Development

- EMDEs with pervasive informality face a wide range of development challenges, including lower per capita incomes, greater poverty, less financial development, and weaker output, investment, and productivity.
- Pervasive informality is also associated with significantly lower government revenues and expenditures, less effective policy institutions, and weaker governance.
- Effective policy actions to address informality need to be broad-based, and include measures to enhance human capital, lift productivity, streamline regulations, strengthen governance, and improve the provision of public services and social safety nets.

The Global Monthly is a publication of the Prospects Group. This edition was prepared by Patrick Kirby and Lucia Quaglietti under the supervision of Carlos Arteta, based on contributions from Hrisyana Doytchinova, Justin Damien Guenette, Osamu Inami, Sergiy Kasyanenko, Peter Nagle, Cedric Okou, Franz Ruch, Shijie Shi, Kaltrina Temaj, Ekaterine Vashakmadze, Dana Vorisek, Collette Wheeler, and Shu Yu. This Global Monthly reflects data available up to May 17. For more information, visit: www.worldbank.org/prospects. Back issues of this report [are available since 2008](#).



Monthly Highlights

Global growth: stronger despite outbreaks. The global recovery is gaining pace. The global composite output PMI index rose from 54.8 to 56.3 in April, reaching an 11-year high. The latest PMIs point to a broadening of the global recovery across sectors, with both the services and manufacturing index above 55 for the first time since 2010 and the services index rising above manufacturing for the first time after eight months of severe contraction. Strong manufacturing demand, coupled with supply disruptions, has pushed up global input prices. Higher costs are being passed on to customers, as the global PMI for output prices hit a 12-year high in April. Vaccination progress remains highly uneven. Advanced economies have administered more than 50 doses per hundred people, which compares with only 15 in EMDEs. In May, COVID-19 cases declined in advanced economies, but surged in several EMDEs, particularly in the South Asia region (SAR) and in East Asia and the Pacific (EAP). In general, countries where vaccine rollouts have been faster have seen larger upticks in economic activity and consumer confidence in 2021 (figure 1.A).

Global trade: firming momentum despite supply disruptions. Global goods trade reached pre-pandemic levels in November and has continued to grow strongly, expanding by a further 2.6 percent between November and February. On a regional level, goods trade growth has been strong in advanced economies and EAP. In contrast, trade remains below pre-pandemic levels in Latin America, Africa, and the Middle East (figure 1.B). Survey data point to a further strengthening of global trade in the second quarter, with the manufacturing PMI new export orders rising to a 10-year high of 54.7 in April. Supply chains have been strained as the PMI delivery times index reached a 23-year high and container shipping prices rose to a new record high in April. Tight inventories and long delivery times have held up production in several industries; auto production, for example, fell by 1.3 million units in 2021Q1.

Global financing conditions: still easy amid continued asset purchases. Market-based inflation expectations in the United States continued to climb in May, while market volatility picked up slightly and equity valuations retreated somewhat from historically high levels. (figure 1.C). The Federal Reserve and the European Central Bank reaffirmed their commitment to continue asset purchases, indicating that they will tolerate a transitory increase in inflation above target. Overall, global financing conditions remained accommodative in April, with spreads on high-yield and investment grade corporate bonds hitting record

FIGURE 1.A Vaccination rates, PMIs and consumer confidence

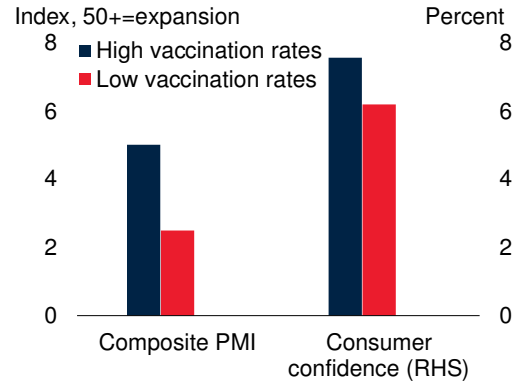


FIGURE 1.B Goods trade by region

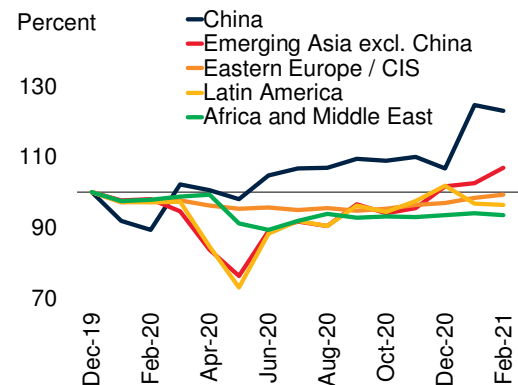
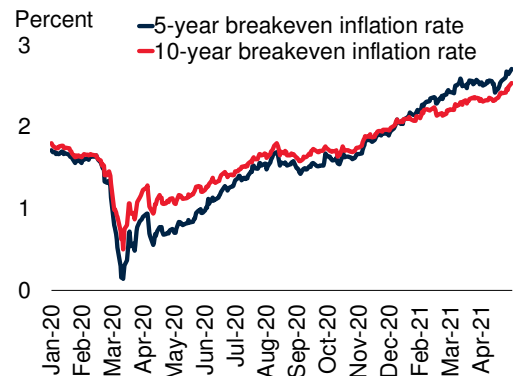


FIGURE 1.C Market-based U.S. inflation expectations



Sources: Haver Analytics; CPB Netherlands Bureau for Economic Policy Analysis; World Bank.

A. Difference between December 2020 and April 2021 levels of Composite PMI and consumer confidence. "High" and "Low" vaccination rates refer to countries where vaccination rates are above/below the world average. PMI sample includes 33 countries and consumer confidence sample includes 29 countries.

B. Average of import and export volumes for 43 emerging markets and developing economies (EMDEs).

C. The 5/10-year breakeven inflation rate is a market-based measure of expected inflation derived from 5/10-year Treasury yields and 5/10-year Inflation-Indexed Treasury bonds. The latest value implies what market participants expect inflation to be in the next 5/10 years, on average. Last observation is May 10, 2021.



low levels and most sovereign borrowing costs holding steady (figure 2.A).

EMDE financing conditions: stabilizing capital flows. Portfolio flows to EMDEs stabilized in April after nine consecutive weeks of outflows, aided by a weaker U.S. dollar, less volatile EMDE currencies, and a general uptick in risk sentiment (figure 2.B). The trade-weighted U.S. dollar index weakened by about 2.7 percent since its year high in late March. EMDE corporate and sovereign bond issuance also remained strong, especially for investment-grade borrowing. Total EMDE international bond issuance stood at almost USD 210 billion in the first four months of this year—up by 5 percent from the same period last year. EMDE credit spreads approached post-pandemic lows in May. Most EMDE currencies remained stable or strengthened slightly in April against the U.S. dollar. The Brazilian real, for example, has strengthened by almost 7 percent relative to the U.S. dollar since end-March reflecting increased capital inflows and an interest rate hike by the central bank.

Commodity markets: rising across the board. Brent crude oil prices rose slightly to around \$68/bbl in mid-May, from an average of \$65/bbl in April. While the latest wave of COVID-19 outbreaks is expected to temporarily lower oil demand, the International Energy Agency anticipates that demand will fully recover by the end of 2021. On the supply side, OPEC and its partners began to increase production in May, as previously announced. Robust demand pushed up all metals prices by an average of nearly 5 percent in April, with further increases in May. Copper and iron ore prices reached all time-highs, with copper demand being boosted by optimism about its potential role in a transition toward low-carbon energy sources (figure 2.C). Meanwhile, weather-related disruptions and COVID-19 restrictions have led to a decline in production of iron ore in Australia and copper in Chile. Agricultural prices rose by about 2 percent in April and jumped sharply in May. Corn and soybean prices both rose by about 17 percent in mid-May compared to their April average, partly due to a significant increase in China’s imports of soybeans and corn for use as animal feed.

United States: continued strong growth. Growth accelerated from 4.3 percent (q/q saar) in 2020Q4 to 6.4 percent in 2021Q1. The pickup was driven by two fiscal relief packages passed in December and March, combined with the benefits of rapid vaccine rollout and the gradual relaxation of mobility restrictions. Much of the strength reflected a jump in private consumption from 2.3 percent (q/q saar) to 10.7 percent, underpinned by 61.3 percent (q/q saar) surge in real disposable

FIGURE 2.A Cumulative change in 10-year government bond yields

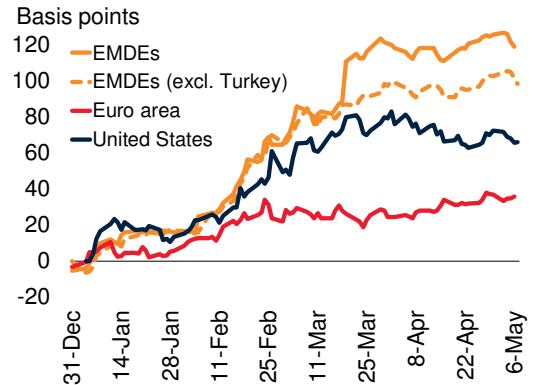


FIGURE 2.B EMDE net portfolio flows

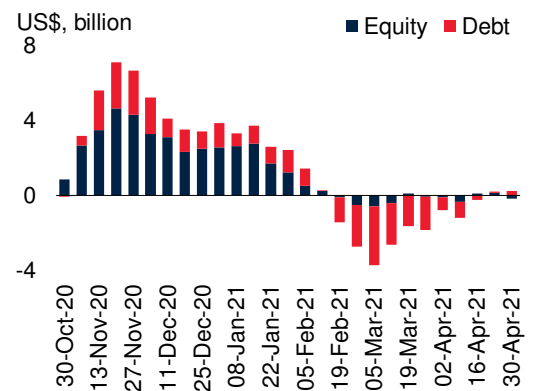
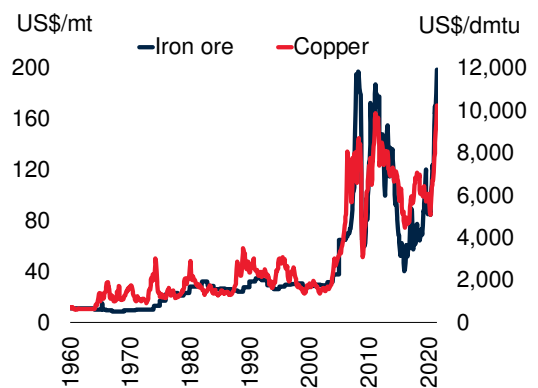


FIGURE 2.C Metal prices



Sources: Bloomberg; The Federal Reserve; Haver Analytics Institute for International Finance; JP Morgan; World Bank.
EMDEs = emerging markets and developing economies.

A. EMDEs refers to the average cumulative change in 10-year on government bonds yields across 19 EMDEs. Last observation is May 7, 2021.

B. Four-week averages; based on data on equity inflows for 12 EMDEs, excluding China, and debt inflows for 9 EMDEs. Last observation is May 7, 2021.

C. Monthly averages.



personal income (figure 3.A). Capital and housing investment were also strong, expanding by 9.9 percent and 10.8 percent, respectively. Activity remains strong in the second quarter, with some signs of moderation. The ISM manufacturing and services indexes edged down from historical highs in April, registering 60.7 and 62.7, respectively. Retail sales held onto the strong gains of March but payroll employment increased by a disappointing 266,000 new jobs in April, while inflation surprised to the upside, rising to 4.2 percent (y/y).

Euro area: recovering from recession. Growth in the euro area declined by 2.5 percent (q/q saar) in 2021Q1, marking a second straight quarter of contraction following a 2.7 percent fall in the previous quarter. Persistent COVID-19-related lockdowns have been weighing heavily on contact-intensive activities across the region, with activity below pre-pandemic levels in all major economies (figure 3.B). Activity appears to be picking up in the second quarter, however, underpinned by declining COVID-19 cases and accelerating vaccination. Retail sales surged 2.7 percent (m/m) in March, exceeding market expectations of a 1.5 percent rise. The services PMI rose to 50.5 in April, its first time in expansionary territory in eight months. The euro area economic confidence index also rose to 110.3 in April from 100.9, higher than its pre-pandemic level, with a notable improvement of the services sub-index which jumped from -9.6 to 2.1.

Japan: delayed recovery. After a robust 11.6 percent (q/q saar) expansion in 2020Q4, GDP in Japan contracted by 5.1 percent in 2021Q1. Private consumption was particularly weak, as a rising number of COVID-19 cases required the reimposition of targeted but stringent restrictions (figure 3.C). Incoming data indicate that consumption has started to rebound in the second quarter, as the services PMI rose from 48.3 to 49.5 in April. The manufacturing sector is also likely to have strengthened in April, supported by strong global demand, according to the official 4.6 percent (m/m) nowcast for industrial production.

China: still robust but signs of moderation. Industrial production and retail sales both decelerated in April, to 0.5 percent and 0.3 percent (m/m), respectively, pointing to a slowdown in economic activity in the second quarter. Credit growth slowed to 11.7 percent (y/y) in April, reflecting gradual policy normalization implemented by the authorities since the start of the year. Export growth also decelerated but remained strong at 32.4 percent (y/y). Annual consumer price inflation reached 0.9 percent, while producer price inflation hit a multi-year high of 6.8 percent (figure 4.A). According to the latest census, China's population increased by 5.4 percent over the 10 years to 2020—the slowest pace since the 1950s—to 1.41.

FIGURE 3.A Components of U.S. GDP relative to pre-pandemic levels

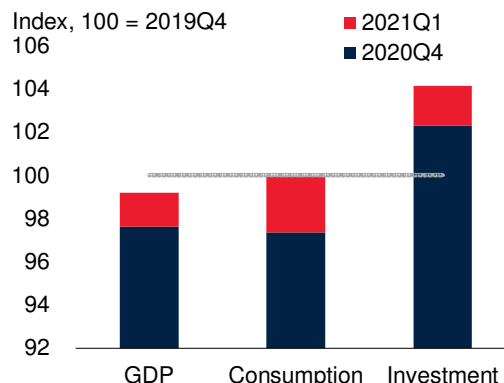


FIGURE 3.B Euro area country GDP relative to pre-pandemic levels

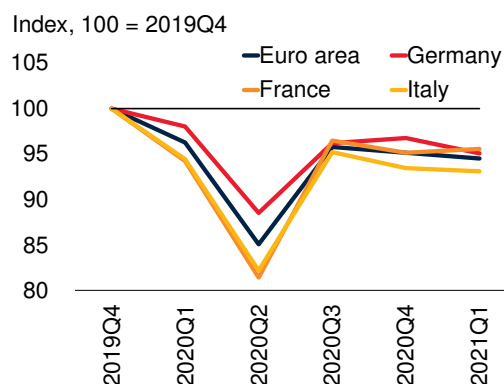
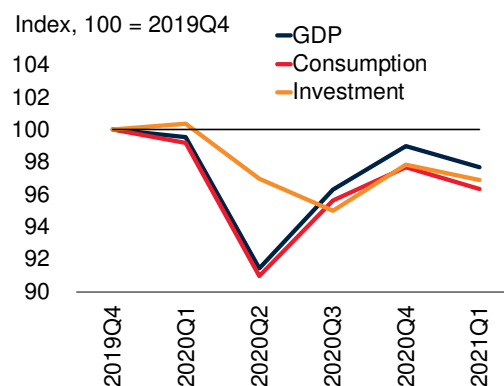


FIGURE 3.C Components of Japanese GDP relative to pre-pandemic levels



Sources: Haver Analytics; World Bank.
A. Bars show level of GDP relative to 2019Q4 at indicated periods. Last observation is 2021Q1.
B. Last observation is 2021Q1.
C. Last observation is 2021Q1.



Commodity-exporting EMDEs: mixed developments. The pace of the recovery was mixed but generally subdued across commodity exporters in April, according to incoming PMIs (figure 4.B). High-frequency indicators continued to improve in *South Africa, Nigeria and Saudi Arabia*. Prospects have also brightened in the Russian Federation, where 2021Q1 GDP beat market expectations—declining only 1 percent (y/y)—while both the manufacturing and services PMIs expanded in April, supported by a rise in sentiment. In contrast, incoming indicators have been softer in countries where COVID-19 cases have increased rapidly. In *Brazil*, retail sales and industrial production contracted by 0.6 and 2.4 percent respectively, while monthly economic activity shrank by 1.6 percent. Meanwhile, inflation pressures have continued to build in several economies, including *Russia and Brazil*, amid rising global prices, pushing central banks in both countries to adopt a more hawkish stance. Policy rates increased by 0.5 and 0.75 percentage points in the two countries, respectively.

Commodity-importing EMDEs: Surging COVID-19 cases. Several commodity importers—most notably, *India*—have seen a steep increase in COVID-19 caseloads. Mobility indicators have deteriorated as lockdowns were implemented or extended in *India, Turkey, Malaysia, Thailand and the Philippines*. However, the decline in mobility has generally been smaller than during earlier waves, despite a significantly larger rise in cases (figure 4.C). In India, high frequency data point to a contraction of economic activity in 2021Q2. COVID-19 resurgences also dampened the recoveries in *Malaysia, Thailand, and the Philippines*, with 2021Q1 output contracting by 0.5, 2.6 and 4.2 percent, respectively (y/y). A renewed wave of COVID-19 is also weighing on activity in *Turkey*, where the manufacturing PMI slipped to 50.4 in April—its lowest level since May 2020 and in *Egypt*, where the total economy PMI slowed to 47.7, its lowest reading since June 2020. In contrast, data have been more positive in *Mexico*, where industrial production expanded by 0.7 percent (m/m) in March and the services PMI remained solidly above the 50 threshold in April.

FIGURE 4.A Inflation in China

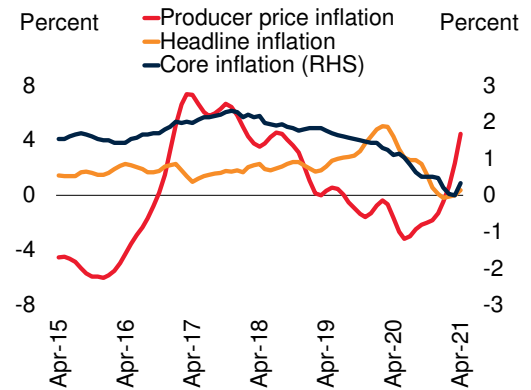


FIGURE 4.B PMI Index in EMDE commodity exporters

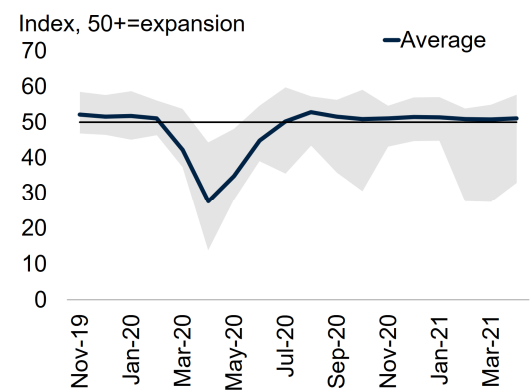
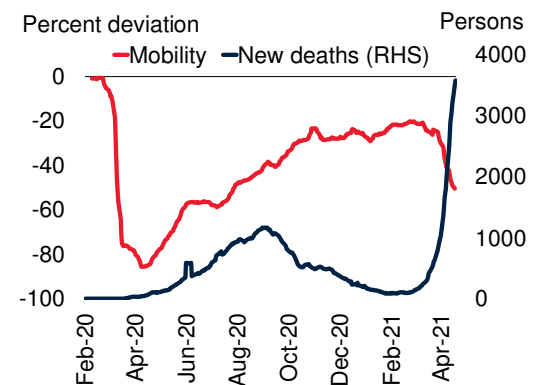


FIGURE 4.C Mobility and COVID-10 deaths in India



Sources: Google Mobility; Haver Analytics; John Hopkins University; World Bank.
 A. Three month moving average of year-on-year change. Core inflation is defined as CPI excluding food and energy (SA, 2020 = 100). PPI includes all Industry Products (SA, 2020 = 100).
 B. Line is weighted average of 16 EMDEs. Grey area represents range of min and max values in sample. Last observation is April 2021.
 C. Index of retail foot traffic based on mobile phone location data. In percent deviation from baseline which is the median of identical days of the week during the period between January 3 and February 6, 2020. Last observation is May 3, 2021.



Special Focus: Lagging Behind—Informality and Development

The COVID-19 pandemic has hit the informal sector particularly hard. Informal firms account for almost three quarters of firms in the services sector, and with low incomes and little savings to fall back on, informal workers have been struggling to comply with lockdowns. A large informal sector is associated with more limited access to public health and sanitation facilities, which is making it harder to contain the spread of the pandemic. In addition, informal workers are largely excluded from formal social safety nets. The recently published study “[The Long Shadow of Informality](#)” reviews the linkages between informality and development and concludes that emerging market and development economies (EMDEs) with above median informality face a wider range of development challenges than other EMDEs.

Informality is associated with a host of development challenges. In EMDEs, the informal sector accounts for about one third of GDP and for more than 70 percent of employment, of which self-employment is more than half. EMDEs with more pervasive informality tend to be less developed; rely more on labor-intensive activities; and have a higher proportion of unskilled and poorly paid workers. Life expectancy, maternal mortality, and other human-development indicators lag behind in EMDEs with more pervasive informality. Access to essential public services, such as electricity provision, is also more limited.

EMDEs with widespread informality are making less progress toward development goals. About one-quarter (26 percent) of the population of EMDEs with above-median informality lived in extreme poverty, much more than the 7 percent of the population in EMDEs with below-median informality (figure 5.A). In countries with greater informality, income inequality was higher, in part reflecting the wage gap between formal and informal workers and less progressive tax policies (figure 5.B). In 2020, EMDEs with above-median informality ranked significantly below EMDEs with below-median informality in overall achievement of Sustainable Development Goals (figure 5.C).

A large informal sector weakens policy effectiveness. Informality is associated with less effective public institutions, more burdensome tax and regulatory regimes, and weaker governance. Government revenues in EMDEs with above-median informality are 5-12 percentage points of GDP below those with below-median informality (figure 6.A). Limited fiscal resources constrain governments’ ability to cover their citizens’ through social protection programs, provide broad access to public sector services, smooth business cycles, and close the productivity gap

FIGURE 5.A Extreme poverty headcount

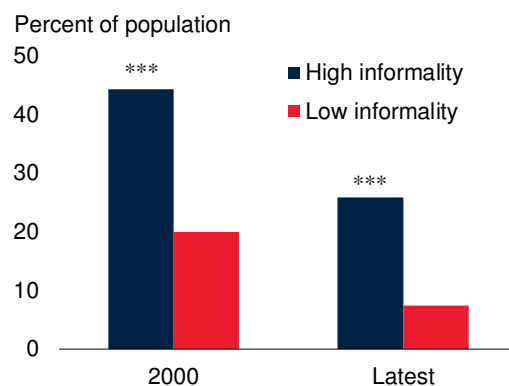


FIGURE 5.B Wage premium for formal over informal employment

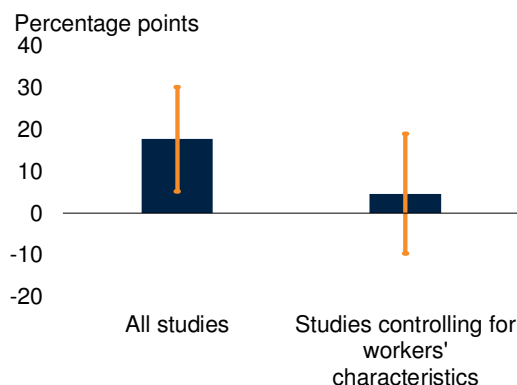
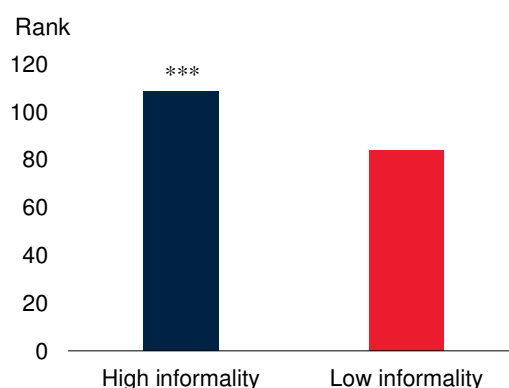


FIGURE 5.C SDG Global Index Rank



Sources: Sachs et al. (2020); World Bank.
Note: SDG = Sustainable Development Goals. “High informality” (“Low informality”) are EMDEs with above-median (below-median) dynamic general equilibrium model-based informal output measure over the period 1990-2018 (unless otherwise specified). *** indicates that group differences are significant at the 10 percent level. A. “Latest” refers to data from latest year available (2018 or earlier). Poverty headcount ratio is the percent of the population living on less than \$1.90 a day at 2011 international prices. B. The wage premium (shown in bars) is obtained from 18 empirical studies on the wage gap between formal and informal workers. The whiskers show the 90 percent confidence intervals. C. Simple averages for 2020 for 132 EMDEs. A higher SDG global index rank indicates greater achievement of SDGs.



between the formal and informal sectors. In turn, limited access to public services further discourages firms and workers from engaging with the government, resulting in more participation in the informal sector.

Greater informality is associated with weaker human development outcomes. People living in EMDEs with more widespread informality suffer from a greater prevalence of hunger, poorer health and education, greater gender inequality, and lower human capital. In EMDE with above-median informality, people average less than 7 years in schooling, compared with 8-9 years in EMDEs with below-median informality. EMDEs with more widespread informality also face greater gender inequality. For example, the average years of schooling received by women in EMDEs with above-median informality are 20 percent less than the average years received by men. This is in stark contrast to EMDEs with below-median informality, where the gender gap in schooling is close to zero, on average.

More widespread informality is associated with poorer access to, and lower overall quality of, infrastructure (figure 6.B). Widespread informality tends to limit government revenue and hence public expenditure on infrastructure; at the same time, poor access to infrastructure can discourage firms or workers from joining the formal sector and engaging with the government. Lack of energy and communications infrastructure limits access to more and better job opportunities and slows productivity gains from digital technologies. Poor transportation networks restrict factor mobility and market access, thus slowing productivity growth. Weak within-city transportation networks prevent workers from accessing formal employment opportunities.

Economic development, human capital, and governance are particularly robust correlates of informality (figure 6.C). In particular, informal output as a share of official GDP is significantly lower, by around 1-2 percentage points of GDP, if the EMDE has one-standard deviation better governance, greater economic development, or larger human capital. In addition, tax burdens, measured as the share of government consumption or tax revenue in GDP, are significantly lower when the share of informal output is higher.

Reflecting a wide range of reasons for informality, policy measures to address informality need to be broad-based and tailored to country circumstances. They include measures to enhance human capital and lift productivity, streamline regulations, and improve governance and the provision of public services and social safety nets.

FIGURE 6.A Difference in government revenues and expenditures

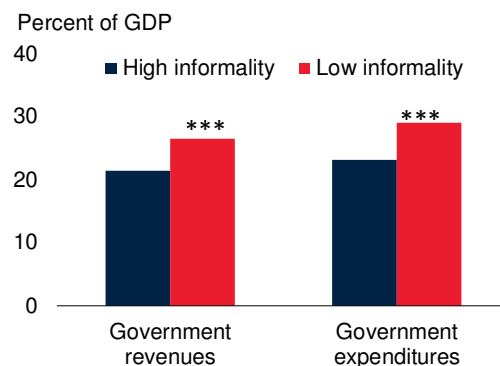


FIGURE 6.B Quality of infrastructure

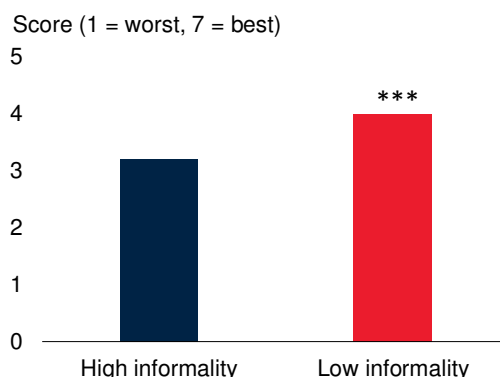
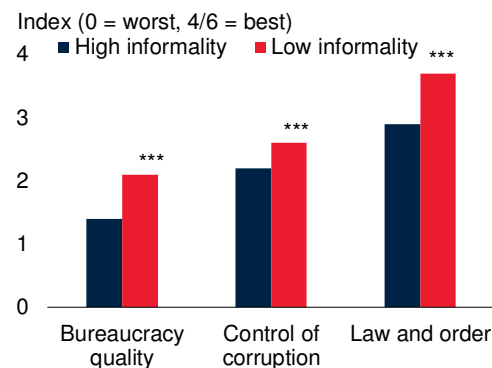


FIGURE 6.C Governance and informality: ICRG indicators



Sources: Sachs et al.(2018); International Country Risk Guide (ICRG); World Bank.

Note: "High informality" ("Low informality") are emerging market and developing economies (EMDEs) with above-median (below-median) dynamic general equilibrium (DGE) model-based estimates on informal output over the period 1990-2018. *** indicates that group differences are significant at the 10 percent level.

A. Bars show averages for 2000-18 for EMDEs with populations above 3.5 million.

B. Simple averages for 2020 (or latest available). Based on up to 153 EMDEs.

C. The bars show the unweighted group averages.



Recent Prospects Group Publications

[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](#)

[A Decade since the Global Recession: Lessons and Challenges for Emerging and Developing Economies](#)

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[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: April 19, 2021 - May 18, 2021					
Country	Date	Indicator	Period	Actual	Previous
Canada	4/21/21	CPI	MAR	2.1%	1.1%
China	4/21/21	GDP	Q1	18.3%	6.5%
South Korea	4/26/21	GDP	Q1	1.8%	-1.2%
Australia	4/27/21	CPI	Q1	1.0%	0.9%
United States	4/29/21	GDP	Q1	0.4%	-2.4%
France	4/30/21	GDP	Q1	1.5%	-4.8%
Germany	4/30/21	GDP	Q1	-3.0%	-3.3%
Italy	4/30/21	GDP	Q1	-1.4%	-6.6%
Mexico	4/30/21	GDP	Q1	-3.8%	-4.3%
Indonesia	5/5/21	GDP	Q1	-0.7%	-2.2%
Saudi Arabia	5/10/21	GDP	Q1	-3.3%	-3.9%
Brazil	5/11/21	CPI	APR	6.8%	6.1%
Turkey	5/11/21	IP	MAR	19.9%	5.8%
India	5/12/21	IP	MAR	22.4%	-3.4%
United Kingdom	5/12/21	GDP	Q1	-6.1%	-7.3%
Argentina	5/13/21	CPI	APR	46.3%	42.6%
Thailand	5/16/21	GDP	Q1	-2.6%	-4.2%
Japan	5/17/21	GDP	Q1	-1.8%	-1.0%
Nigeria	5/17/21	CPI	APR	18.1%	18.2%
Russian Federation	5/17/21	GDP	Q1	-1.0%	-1.8%
Euro area	5/18/21	GDP	Q1	-1.8%	-4.9%

(Percent change y/y)

Upcoming releases: May 19, 2021 - June 18, 2021				
Country	Date	Indicator	Period	Previous
Mexico	5/26/21	GDP	Q1	-4.3%
Japan	5/30/21	IP	APR	1.5%
South Korea	5/30/21	IP	APR	4.7%
India	5/31/21	GDP	Q1	0.4%
Australia	6/1/21	GDP	Q1	-1.1%
South Korea	6/1/21	CPI	MAY	2.3%
Japan	6/7/21	GDP	Q2	-1.8%
South Africa	6/8/21	GDP	Q1	-4.1%
South Korea	6/8/21	GDP	Q1	-1.2%
Italy	6/10/21	IP	APR	37.4%
Netherlands	6/10/21	CPI	MAY	1.9%
United States	6/10/21	CPI	MAY	4.2%
India	6/11/21	IP	APR	22.4%
Mexico	6/11/21	IP	APR	1.7%
Spain	6/11/21	CPI	APR	2.2%
United Kingdom	6/11/21	IP	APR	3.6%
Euro area	6/14/21	IP	APR	10.7%
France	6/15/21	CPI	MAY	1.2%
New Zealand	6/15/21	GDP	Q1	1.2%
Poland	6/15/21	CPI	MAY	4.2%
United States	6/15/21	IP	MAY	16.5%