



***Comments on World  
Bank Global Economic  
Prospects (June 2022  
Report)***

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# Three challenges highlighted in GEP report

## 1. Stagflation

- Global supply chain disruptions and commodity price developments
- Amplified economic and financial uncertainty

## 2. External public debt

- Mostly to private creditors and at variable interest rates
- Financial stability risks

## 3. Monetary policy tightening in the US

- Spillovers from advanced to emerging economies
- Volatility in financial markets and commodity prices

# GEP policy agenda

1. Global policy co-ordination to address the humanitarian crisis
  - Avoiding fragmentation and polarization
2. Policies to counter soaring food and energy commodity prices
  - Initiatives to boost supply
3. Concerted efforts to mobilize external resources and accelerate debt relief efforts
  - Further efforts on implementing the G20's Common Framework for debt restructuring for low-income countries under stress
4. Strengthening health preparedness and efforts to contain COVID-19
  - Vaccination coverage, notably in low-income countries
5. Greater impetus on the transition to low-carbon energy
  - Aggravated by higher commodity prices

# Five main comments

## 1. Global policy coordination

- Distinguish between short and longer-term challenges:
  - Short term: energy and food security concerns; fiscal policy challenges; global interest rate developments; negative externalities of sanctions on Russia
  - Longer-term: accelerating energy transition and the decarbonization of the world economy; tackling inequalities

## 2. Global inflation and inflation expectations

- Cross-country and regional differences in second round effects and related monetary policy challenges
- Transitory versus permanent effects
- Supply-side shocks, spillovers to the real economy, and monetary policy
- Co-ordination of monetary and fiscal policy

## 3. Foreign currency denominated EME external debt

- Policy options in the face of a sharp US dollar appreciation
- Capabilities on hedging foreign currency exposures in EMEs?

# Five main comments (contd.)

## 4. Are there plausible lessons from the stagflation period of the 1970s?

- Monetary policy environment structurally different: central bank credibility and anchoring of inflation expectations

## 5. Policies on energy transition

- Measures to leveraging private investment in renewable energy

