Global growth is expected to slow to 2.4 percent in 2024—the third consecutive year of deceleration—reflecting the lagged and ongoing effects of tight monetary policies to rein in decades-high inflation, restrictive credit conditions, and anemic global trade and investment. Near-term prospects are diverging, with subdued growth in major economies alongside improving conditions in emerging market and developing economies (EMDEs) with solid fundamentals. Meanwhile, the outlook for EMDEs with pronounced vulnerabilities remains precarious amid elevated debt and financing costs. Downside risks to the outlook predominate. The recent conflict in the Middle East, coming on top of the Russian Federation’s invasion of Ukraine, has heightened geopolitical risks. Conflict escalation could lead to surging energy prices, with broader implications for global activity and inflation. Other risks include financial stress related to elevated real interest rates, persistent inflation, weaker-than-expected growth in China, further trade fragmentation, and climate change-related disasters. Against this backdrop, policy makers face enormous challenges and difficult trade-offs. International cooperation needs to be strengthened to provide debt relief, especially for the poorest countries; tackle climate change and foster the energy transition; facilitate trade flows; and alleviate food insecurity. EMDE central banks need to ensure that inflation expectations remain well anchored and that financial systems are resilient. Elevated public debt and borrowing costs limit fiscal space and pose significant challenges to EMDEs—particularly those with weak credit ratings—seeking to improve fiscal sustainability while meeting investment needs. Commodity exporters face the additional challenge of coping with commodity price fluctuations, underscoring the need for strong policy frameworks. To boost longer-term growth, structural reforms are needed to accelerate investment, improve productivity growth, and close gender gaps in labor markets.

Summary

Global economic activity continues to soften, amid the effects of tight monetary policies, restrictive financial conditions, and weak global trade growth. After a sharp slowdown in 2022 and another decline last year, global output growth is set to edge down in 2024, marking the third consecutive year of deceleration. The recent conflict in the Middle East has heightened geopolitical risks and raised uncertainty in commodity markets, with potential adverse implications for global growth. This comes while the world economy is continuing to cope with the lingering effects of the overlapping shocks of the past four years—the COVID-19 pandemic, the Russian Federation’s invasion of Ukraine, and the rise in inflation and subsequent sharp tightening of global monetary conditions.

Near-term prospects are diverging (figure 1.1.A). Growth in advanced economies as a whole and in China is projected to slow in 2024 to well below its 2010-19 average pace. Meanwhile, aggregate growth is set to improve in EMDEs with strong credit ratings, remaining close to pre-pandemic average rates. Although overall growth is also expected to firm somewhat from its 2023 low in EMDEs with weak credit ratings, the outlook for many such countries remains precarious, given elevated debt and financing costs, and idiosyncratic headwinds such as conflict.

Global headline and core inflation have continued to decline from 2022 peaks. Nonetheless, inflation remains above target in most advanced economies and about half of inflation-targeting EMDEs. Global inflation is projected to remain above its 2015-19 average beyond 2024 (figure 1.1.B). Monetary tightening in advanced economies is concluding, but real policy interest rates are expected to remain elevated for some time, as inflation returns to target only gradually. This will keep the stance of advanced-economy monetary policies restrictive in the near-term, following the largest and fastest increase in U.S. real policy rates since the early 1980s (figure 1.1.C).

Long-term yields on advanced-economy government bonds were volatile in 2023, reflecting shifting expectations about the path of future interest rates and sizable movements in term premia. Although yields have retreated from their late-October peaks, they still imply increased fiscal vulnerabilities, given that median global
### TABLE 1.1 Real GDP

(Percent change from previous year unless indicated otherwise)

<table>
<thead>
<tr>
<th></th>
<th>2021</th>
<th>2022</th>
<th>2023e</th>
<th>2024f</th>
<th>2025f</th>
<th>Percentage point differences from June 2023 projections</th>
</tr>
</thead>
<tbody>
<tr>
<td>World</td>
<td>6.2</td>
<td>3.0</td>
<td>2.6</td>
<td>2.4</td>
<td>2.7</td>
<td>0.5</td>
</tr>
<tr>
<td>Advanced economies</td>
<td>5.5</td>
<td>2.5</td>
<td>1.5</td>
<td>1.2</td>
<td>1.6</td>
<td>0.8</td>
</tr>
<tr>
<td>United States</td>
<td>5.8</td>
<td>1.9</td>
<td>2.5</td>
<td>1.6</td>
<td>1.7</td>
<td>1.4</td>
</tr>
<tr>
<td>Euro area</td>
<td>5.9</td>
<td>3.4</td>
<td>0.4</td>
<td>0.7</td>
<td>1.6</td>
<td>0.0</td>
</tr>
<tr>
<td>Japan</td>
<td>2.6</td>
<td>1.0</td>
<td>1.8</td>
<td>0.9</td>
<td>0.8</td>
<td>1.0</td>
</tr>
<tr>
<td>Emerging market and developing economies</td>
<td>7.0</td>
<td>3.7</td>
<td>4.0</td>
<td>3.9</td>
<td>4.0</td>
<td>0.0</td>
</tr>
<tr>
<td>East Asia and Pacific</td>
<td>7.5</td>
<td>3.4</td>
<td>5.1</td>
<td>4.5</td>
<td>4.4</td>
<td>-0.4</td>
</tr>
<tr>
<td>China</td>
<td>8.4</td>
<td>3.0</td>
<td>5.2</td>
<td>4.5</td>
<td>4.3</td>
<td>-0.4</td>
</tr>
<tr>
<td>Indonesia</td>
<td>3.7</td>
<td>5.3</td>
<td>5.0</td>
<td>4.9</td>
<td>4.9</td>
<td>0.1</td>
</tr>
<tr>
<td>Thailand</td>
<td>1.5</td>
<td>2.6</td>
<td>2.5</td>
<td>3.2</td>
<td>3.1</td>
<td>-1.4</td>
</tr>
<tr>
<td>Europe and Central Asia</td>
<td>7.1</td>
<td>1.2</td>
<td>2.7</td>
<td>2.4</td>
<td>2.7</td>
<td>1.3</td>
</tr>
<tr>
<td>Russian Federation</td>
<td>5.6</td>
<td>-2.1</td>
<td>2.6</td>
<td>1.3</td>
<td>0.9</td>
<td>2.8</td>
</tr>
<tr>
<td>Türkiye</td>
<td>11.4</td>
<td>5.5</td>
<td>4.2</td>
<td>3.1</td>
<td>3.9</td>
<td>1.0</td>
</tr>
<tr>
<td>Poland</td>
<td>6.9</td>
<td>5.1</td>
<td>0.5</td>
<td>2.6</td>
<td>3.4</td>
<td>-0.2</td>
</tr>
<tr>
<td>Latin America and the Caribbean</td>
<td>7.2</td>
<td>3.9</td>
<td>2.2</td>
<td>2.3</td>
<td>2.5</td>
<td>0.7</td>
</tr>
<tr>
<td>Brazil</td>
<td>5.0</td>
<td>2.9</td>
<td>3.1</td>
<td>1.5</td>
<td>2.2</td>
<td>1.9</td>
</tr>
<tr>
<td>Mexico</td>
<td>5.8</td>
<td>3.9</td>
<td>3.6</td>
<td>2.6</td>
<td>2.1</td>
<td>1.1</td>
</tr>
<tr>
<td>Argentina</td>
<td>10.7</td>
<td>5.0</td>
<td>-2.5</td>
<td>2.7</td>
<td>3.2</td>
<td>-0.5</td>
</tr>
<tr>
<td>Middle East and North Africa</td>
<td>3.8</td>
<td>5.8</td>
<td>1.9</td>
<td>3.5</td>
<td>3.5</td>
<td>-0.3</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>3.9</td>
<td>8.7</td>
<td>-0.5</td>
<td>4.1</td>
<td>4.2</td>
<td>-2.7</td>
</tr>
<tr>
<td>Iran, Islamic Rep.</td>
<td>4.7</td>
<td>3.8</td>
<td>4.2</td>
<td>3.7</td>
<td>3.2</td>
<td>2.0</td>
</tr>
<tr>
<td>Egypt, Arab Rep.</td>
<td>3.3</td>
<td>6.6</td>
<td>3.8</td>
<td>3.5</td>
<td>3.9</td>
<td>-0.2</td>
</tr>
<tr>
<td>South Asia</td>
<td>8.3</td>
<td>5.9</td>
<td>5.7</td>
<td>5.6</td>
<td>5.9</td>
<td>-0.2</td>
</tr>
<tr>
<td>India</td>
<td>9.1</td>
<td>7.2</td>
<td>6.3</td>
<td>6.4</td>
<td>6.5</td>
<td>0.0</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>6.9</td>
<td>7.1</td>
<td>6.0</td>
<td>5.6</td>
<td>5.8</td>
<td>0.8</td>
</tr>
<tr>
<td>Pakistan</td>
<td>5.8</td>
<td>6.2</td>
<td>-0.2</td>
<td>1.7</td>
<td>2.4</td>
<td>-0.6</td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>4.4</td>
<td>3.7</td>
<td>2.9</td>
<td>3.8</td>
<td>4.1</td>
<td>-0.3</td>
</tr>
<tr>
<td>Nigeria</td>
<td>3.6</td>
<td>3.3</td>
<td>2.9</td>
<td>3.3</td>
<td>3.7</td>
<td>0.1</td>
</tr>
<tr>
<td>South Africa</td>
<td>4.7</td>
<td>1.9</td>
<td>0.7</td>
<td>1.3</td>
<td>1.5</td>
<td>0.4</td>
</tr>
<tr>
<td>Angola</td>
<td>1.2</td>
<td>3.0</td>
<td>0.5</td>
<td>2.8</td>
<td>3.1</td>
<td>-2.1</td>
</tr>
</tbody>
</table>

**Memorandum items:**

**Real GDP:**

<table>
<thead>
<tr>
<th></th>
<th>2021</th>
<th>2022</th>
<th>2023e</th>
<th>2024f</th>
<th>2025f</th>
<th>Percentage point differences from June 2023 projections</th>
</tr>
</thead>
<tbody>
<tr>
<td>High-income countries</td>
<td>5.5</td>
<td>2.8</td>
<td>1.5</td>
<td>1.3</td>
<td>1.8</td>
<td>0.7</td>
</tr>
<tr>
<td>Middle-income countries</td>
<td>7.2</td>
<td>3.4</td>
<td>4.3</td>
<td>4.0</td>
<td>4.0</td>
<td>0.1</td>
</tr>
<tr>
<td>Low-income countries</td>
<td>4.2</td>
<td>4.8</td>
<td>3.5</td>
<td>5.5</td>
<td>5.6</td>
<td>-1.7</td>
</tr>
<tr>
<td>EMDEs excluding China</td>
<td>6.0</td>
<td>4.2</td>
<td>3.2</td>
<td>3.5</td>
<td>3.8</td>
<td>0.3</td>
</tr>
<tr>
<td>Commodity-exporting EMDEs</td>
<td>5.2</td>
<td>3.2</td>
<td>2.5</td>
<td>2.9</td>
<td>3.1</td>
<td>0.6</td>
</tr>
<tr>
<td>Commodity-importing EMDEs</td>
<td>7.9</td>
<td>3.9</td>
<td>4.8</td>
<td>4.4</td>
<td>4.4</td>
<td>-0.2</td>
</tr>
<tr>
<td>Commodity-importing EMDEs excluding China</td>
<td>7.2</td>
<td>5.3</td>
<td>4.2</td>
<td>4.2</td>
<td>4.5</td>
<td>0.0</td>
</tr>
<tr>
<td>EM7</td>
<td>7.8</td>
<td>3.3</td>
<td>4.9</td>
<td>4.1</td>
<td>4.1</td>
<td>0.2</td>
</tr>
<tr>
<td>World (PPP weights)</td>
<td>6.4</td>
<td>3.3</td>
<td>3.0</td>
<td>2.9</td>
<td>3.1</td>
<td>0.3</td>
</tr>
<tr>
<td>World trade volume</td>
<td>11.1</td>
<td>5.6</td>
<td>0.2</td>
<td>2.3</td>
<td>3.1</td>
<td>-1.5</td>
</tr>
</tbody>
</table>

**Commodity prices:**

<table>
<thead>
<tr>
<th></th>
<th>2021</th>
<th>2022</th>
<th>2023e</th>
<th>2024f</th>
<th>2025f</th>
<th>Percentage point differences from June 2023 projections</th>
</tr>
</thead>
<tbody>
<tr>
<td>WBG commodity price index</td>
<td>100.9</td>
<td>142.5</td>
<td>108.4</td>
<td>104.9</td>
<td>102.2</td>
<td>-1.0</td>
</tr>
<tr>
<td>Energy index</td>
<td>95.4</td>
<td>152.6</td>
<td>107.5</td>
<td>103.4</td>
<td>100.0</td>
<td>-1.4</td>
</tr>
<tr>
<td>Oil (US$ per barrel)</td>
<td>70.4</td>
<td>99.8</td>
<td>83.1</td>
<td>81.0</td>
<td>78.0</td>
<td>3.1</td>
</tr>
<tr>
<td>Non-energy index</td>
<td>112.1</td>
<td>122.1</td>
<td>110.2</td>
<td>107.7</td>
<td>106.6</td>
<td>-0.2</td>
</tr>
</tbody>
</table>


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 FY2022/23. 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.
government debt has risen by 20 percentage points of GDP since 2007, when U.S. yields were last at their current levels. The drag on growth from monetary tightening is expected to peak in 2024 in most major economies, assuming an orderly evolution of broader financial conditions. Thus far, headwinds to growth from elevated interest rates have been offset, to some degree, by households and firms spending out of savings buffers, resilient risk appetite, and extended maturities on stocks of low-cost debt, as well as by expansionary fiscal policy in some cases, most notably the United States.

Global trade growth in 2023 was the slowest outside global recessions in the past 50 years, with goods trade contracting amid anemic global industrial production. Services trade has continued to recover from the effects of the pandemic, but at a slower pace than previously expected. Global trade growth is projected to pick up to 2.3 percent in 2024, partly reflecting a recovery of demand for goods and, more broadly, in advanced-economy trade (figure 1.1.D).

The recent conflict in the Middle East has so far had only a muted impact on commodity prices. In 2023 as a whole, most commodity prices weakened to varying degrees; however, they remain above pre-pandemic levels. Despite recent volatility triggered mainly by the conflict, and assuming hostilities do not escalate, average oil prices in 2024 are projected to edge down as global growth weakens and oil production increases. Metal prices are set to decline again as the slower growth in China further weighs on metal demand. Food prices are expected to soften further this year amid ample supplies for major crops but remain elevated.

Against this backdrop, global growth is estimated to have weakened last year to 2.6 percent (table 1.1). Although this is 0.5 percentage point higher than last June’s forecast, it is mainly due to better-than-expected growth in the United States. Global growth is forecast to slow again, to 2.4 percent in 2024. This deceleration reflects softening labor markets, reduced savings buffers, waning pent-up demand for services, the lagged effects of monetary tightening, and fiscal consolidation.

FIGURE 1.1 Global economic prospects

Growth rates in advanced economies as a whole and in China are projected to slow in 2024 to well below their 2010-19 average paces. Although growth is forecast to firm slightly in many EMDEs, it will remain below pre-pandemic average rates in countries with weak credit ratings. Global inflation is projected to continue receding only gradually, as demand softens. Advanced-economy monetary policies are expected to remain tight—including in the United States, following the largest and fastest increase in real policy rates since the early 1980s. Global trade, virtually stagnant in 2023, is set to resume slow growth in 2024. In all, 2020-24 marks the weakest start to a decade for global growth since the 1990s. Rising interest rates have driven borrowing costs well above nominal growth rates in many EMDEs, particularly those with weaker creditworthiness, squeezing fiscal space.
Over 2020-24, the forecast entails the weakest start to a decade for global growth since the 1990s—another period characterized by geopolitical strains and a global recession (Kose, Sugawara, and Terrones 2020). Global growth is projected to pick up to 2.7 percent in 2025, as inflation continues to slow, interest rates decline, and trade growth firms.

Advanced-economy growth is set to bottom out at 1.2 percent in 2024 as growth in the United States slows, while euro area growth, which was feeble last year, picks up slightly as lower inflation boosts real wages. In 2025, growth in advanced economies is forecast to pick up to 1.6 percent as the euro area continues to recover and U.S. growth edges up toward its long-term trend rate amid declining inflation and more supportive monetary policy.

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 downturn in the property sector weigh on demand and 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, as inflation continues to recede. Nonetheless, elevated borrowing costs will continue to squeeze fiscal space in EMDEs: U.S. dollar-denominated bond yields are well above the growth rates of nominal GDP in many countries, especially those with weaker creditworthiness (figure 1.1.F). Although growth in low-income countries (LICs) is forecast to firm, this will follow a feeble recovery from 2020, with violence and political instability in some countries curtailing activity last year.

In all, the EMDE recovery from the 2020 pandemic recession remains modest. This reflects the negative effects of headwinds such as tight global financial conditions, a weak recovery in global trade, sharp domestic monetary tightening to tame inflation, the marked slowdown in China, and increased conflict. It also reflects the longer-term downturn in EMDE potential growth, including in China, due to decelerating investment and productivity growth, slowing labor force growth amid population aging, and the diminishing growth benefits of improvements in education and health (Kose and Ohnsorge 2023).

Aggregate EMDE output is projected to continue following a lower path than was expected before the pandemic. As such, 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 1.2.A). Many vulnerable EMDEs are falling further behind—this year, per capita income is forecast to be below its 2019 level in over one third of LICs and more than half of countries marred by fragility and conflict (figure 1.2.B).

Risks to the outlook remain tilted to the downside, although they have become somewhat more balanced since June, following continued declines in inflation and the stabilization of advanced-economy banking systems after stresses early last year. The recent conflict in the Middle East, coming on top of Russia’s invasion of Ukraine, has sharply heightened geopolitical risks (figure 1.2.C). Intensification of these conflicts, or increasing geopolitical tensions elsewhere, could have adverse global repercussions through commodity and financial markets, trade, and confidence. Recent attacks on commercial vessels transiting the Red Sea have already started to disrupt key shipping routes, eroding slack in supply networks and increasing the likelihood of inflationary bottlenecks. In a setting of escalating conflicts, energy supplies could also be substantially disrupted, leading to a spike in energy prices. This would have significant spillovers to other commodity prices and heighten geopolitical and economic uncertainty, which in turn could dampen investment and lead to a further weakening of growth.

Moreover, a range of possible developments—including unexpectedly stubborn inflation in advanced economies requiring higher interest rates than assumed, or rising term premia in bond yields—could precipitate a souring of risk appetite in global financial markets and a sharp tightening of financial conditions, with adverse effects on
EMDEs. Weaker-than-projected growth in China could cause a sharper deceleration in global economic activity than expected. The slowdown in global potential growth could be exacerbated by further increases in trade restrictions and escalating fragmentation of trade and investment networks. Furthermore, the adverse effects of climate change could worsen beyond current expectations, with changing weather patterns contributing to more frequent and severe natural disasters, as well as worsening the incidence of extreme poverty (figure 1.2.D).

On the upside, resilient economic activity and declining inflation in the United States could be sustained, even in the face of substantial headwinds, if aided by further labor supply improvements. There is therefore a possibility that U.S. growth continues to be stronger than projected as price pressures recede and monetary policy is eased, which would bolster global activity.

If any of the aforementioned downside risks were to materialize, they could lead to weaker growth than projected in the baseline. Alternative downside scenarios—including higher oil prices due to an escalation of geopolitical tensions, financial stress in EMDEs that leads to surging sovereign spreads, and weaker growth in China resulting in adverse global spillovers via commodity and other channels—show that in each case global growth in 2024 would be reduced by 0.2 percentage point below the baseline (figure 1.2.E). In contrast, an upside scenario with higher-than-expected U.S. growth due to continuing strong supply conditions could boost global growth by 0.2 percentage point this year.

The weak global growth outlook and the various downside risks highlight the challenges facing policy makers around the world. At the global level, coordinated improvements in debt relief, especially for the poorest countries, will be necessary to free up resources for growth-enhancing investments in human and physical capital. Otherwise, mounting debt-service costs and slow progress in debt restructuring could exacerbate the difficulties facing many EMDEs. Already, about half of LICs and many middle-
enhanced international cooperation is also required to tackle the existential threat of climate change, including by accelerating the clean energy transition, helping countries improve energy security and affordability, and incentivizing the investments needed to pursue a path toward resilient, low-carbon growth. In addition, the global community needs to guard against the fragmentation of trade and investment networks, including by prioritizing a rules-based international trading system and expanding trade agreements. Furthermore, global cooperation is critical to address the pressing issues of mounting food insecurity and conflict.

Policy makers at the national level also face formidable challenges, which will require careful calibration of competing priorities. With inflation projected to continue moderating, policy interest rates are set to ease across many EMDEs over 2024 and 2025. However, monetary policy easing in EMDEs could be constrained by narrowing interest rate differentials relative to advanced economies, which could heighten the risk of capital outflows and currency depreciations. Renewed surges in advanced economy yields—driven, for instance, by upside inflation surprises or rising term premia—could also trigger disruptions in EMDE financial markets. Careful attention to risks is therefore required to ensure that monetary policy supports sustainable growth while helping to durably bring down inflation, and to maintain financial stability, particularly in EMDEs with large fiscal and current account deficits.

Fiscal policy space in EMDEs remains narrow amid weak revenues and rising debt-servicing costs. The crises of recent years—particularly the pandemic and the steep rise in living costs resulting partly from the invasion of Ukraine—have seen governments running up public debt and reprioritizing spending away from investment toward shorter-term support for households and firms. Elevated debt, combined with tight financial conditions and tepid growth, is putting further pressure on longer-term fiscal sustainability, while increasing vulnerability to external financial shocks. For EMDEs with weak credit ratings, these pressures have already crystallized such that international capital markets have effectively been closed to them for two years (figure 1.2.F). In the face of exigent borrowing costs, governments in EMDEs, including LICs, need to scale up revenue mobilization and spending efficiency and bolster debt management. Measures to strengthen government institutions more broadly can support these efforts.

Commodity-exporting EMDEs face particular fiscal challenges from fluctuations in commodity prices (chapter 4). A sustainable, well designed, stability-oriented fiscal framework, combined with strong institutions, can help governments build buffers during commodity price booms that can be drawn upon during subsequent slumps.

Reversing the ongoing weakening of potential growth and its underlying drivers, including investment and productivity growth, will require decisive structural reforms, including measures to promote trade and financial liberalization, develop human capital and infrastructure, close gender gaps, increase labor force participation, and promote innovation. Such reforms—together with policies that ensure macroeconomic stability, including the adoption of inflation targeting where not already credibly in place—can form comprehensive packages of beneficial policies. Implementing these policy packages, with judicious sequencing, can help to spark sustained investment accelerations, which have a strong track record of delivering transformative growth (chapter 3). The presence of well-functioning institutions also raises the chances of igniting an investment acceleration and securing improved long-term growth performance.

Global context

The global context remains challenging. Global trade growth has been exceptionally weak as a result of subdued global demand, the continued post-pandemic rotation of consumption from goods toward services, and more restrictive trade policies. Notwithstanding recent volatility, prices of most commodities have fallen back from their 2022 peaks but remain above pre-pandemic levels. This moderation has contributed to a decline in
global headline inflation. Core inflation, however, has been more persistent, especially in some advanced economies where labor markets remain tight. This suggests that policy interest rates in advanced economies will decline only gradually, contributing to higher longer-term market rates than those that prevailed before the pandemic. EMDE financial conditions remain restrictive, with less creditworthy sovereigns facing greater financial strains, as reflected in sharp currency depreciations and capital outflows.

Global trade

Global trade in goods and services was virtually flat in 2023, growing by an estimated 0.2 percent—the slowest expansion outside global recessions in the past 50 years. Goods trade contracted last year, reflecting declines in key advanced economies and deceleration in EMDEs, and mirroring the sharp slowdown in the growth of global industrial production. This marked the first sustained contraction in goods trade outside a global recession in the past 20 years (figure 1.3.A). Reflecting stagnant goods trade and fading pandemic-era disruptions, global supply chain pressures have returned to pre-pandemic averages after receding to record lows in mid-2023. Services trade slowed in the second half of 2023, following an initial rebound from the pandemic (figure 1.3.B).

After lagging the pace of global growth in 2023, global trade is projected to pick up to 2.3 percent in 2024, mirroring projected growth in global output (figure 1.3.C). This reflects a partial normalization of trade patterns following exceptional weakness last year (WTO 2023). Goods trade is envisaged to start expanding again, while the contribution of services to total trade growth is expected to decrease, aligning more closely with the trade composition patterns observed before the pandemic. However, in the near term, the responsiveness of global trade to global output is expected to remain lower than before the pandemic, reflecting subdued investment growth. This is because investment tends to be more trade-intensive than other types of expenditures. Global tourist arrivals are expected to return to pre-pandemic levels in 2024, although the recovery is set to lag in some countries where reopening was delayed.

The global trade growth forecast for 2024 has been revised down by 0.5 percentage point since June, reflecting weaker-than-expected growth in China and in global investment. As a result, the recovery of trade now projected for 2021-24 is the weakest following a global recession in the past half century (figure 1.3.D).

Geopolitical uncertainty, especially in light of ongoing armed conflicts, and the possibility of a
FIGURE 1.4 Commodity markets

Despite the recent conflict in the Middle East, most commodity prices declined in 2023 due to moderating demand, but they remain above pre-pandemic levels. Currently, OPEC+ spare capacity stands at just over 5 mb/d. However, oil prices were highly volatile in the second half of 2023 amid OPEC+ production cuts and the Middle East conflict. Historical precedent suggests that an escalation of the conflict could pose a major upside risk to oil prices. Metal prices fell in 2023, owing to sluggish demand from major economies, notably China. Food commodity prices moderated as well, reflecting improved supplies for major crops. Consumer food price inflation has eased but remains elevated.

A. Commodity prices

B. OPEC+ spare capacity

C. Conflict-driven oil supply disruptions

D. Metals demand growth

E. Change in grains supply

F. Food price inflation

The average prices of most commodities, in U.S. dollar terms, fell in 2023 amid moderating demand (figure 1.4.A). However, they remain more than 40 percent above pre-pandemic levels. Crude oil prices were volatile last year, including in the wake of the conflict in the Middle East; they averaged $83/bbl, down from $100/bbl in 2022. Production cuts by OPEC+, which were deepened and extended in November 2023, have mostly been offset by robust output elsewhere, including in the Islamic Republic of Iran and the United States. Currently, OPEC+ spare capacity stands at just over 5 mb/d (figure 1.4.B). Oil prices are expected to edge down to $81/bbl in 2024 as global activity slows and China’s economy continues to decelerate. An escalation of the conflict in the Middle East is a major upside risk to oil prices. Indeed, since the 1970s, a series of significant geopolitical events, often marked by military conflict, have exerted a pronounced impact on oil supplies (figure 1.4.C). Further extensions of production cuts by OPEC+ (to beyond an expected phase-out of cuts in the first quarter of 2024) and stronger-than-expected demand could also result in higher prices.

Natural gas and coal prices declined considerably in 2023 as countries in Europe reduced energy demand and maintained gas inventories above 90 percent of their storage capacity. Natural gas prices are expected to fall further in 2024 and 2025 as production increases, and as liquefied natural gas exports rise. Key upside risks to gas prices include...
supply disruptions from the Middle East linked to the conflict and a colder-than-usual winter in Europe.

Metal prices fell by 10 percent in 2023 on account of sluggish demand from major economies—notably China, which accounts for 60 percent of global metal consumption, in the midst of protracted weakness in the country’s property sector (figure 1.4.D). Metal prices are expected to fall further in 2024, before picking up in 2025 as China’s property sector stabilizes and demand for metals used in the green transition (such as copper and nickel) increases. A greater-than-expected downturn in China’s real estate sector is a key downside risk to prices.

Food prices—the biggest component of the agriculture price index—fell by 9 percent in 2023, reflecting ample supplies of major crops, particularly grains (figure 1.4.E). Rice was the exception—its price rose 27 percent in the year amid restrictions on exports of non-basmati rice from India, the world’s top rice exporter. Food prices are expected to decline nearly 1 percent in 2024 and 4 percent in 2025. Key upside risks to food prices include increases in energy costs, adverse weather events (possibly as a result of an intensification of the ongoing El Niño), further trade restrictions, and geopolitical uncertainty in the Black Sea region. Longer-term risks include the effects of climate change and the expansion of biofuel mandates.

Food insecurity remains a key challenge amid high, albeit declining, consumer food price inflation (figure 1.4.F). The number of people who are severely food insecure globally is estimated to have risen from 624 million in 2017 to 900 million in 2022 (FAO et al. 2023). The recent surge in rice prices is likely to exacerbate food insecurity as rice is a staple food for over half the world’s population, providing more than 20 percent of the calories consumed worldwide.

Global inflation

Global headline consumer price inflation declined substantially in 2023 but remains above target in most inflation-targeting advanced economies and about half of inflation-targeting EMDEs. In major advanced economies, a notable fall in goods inflation was offset by persistent services inflation. Global headline inflation is projected to moderate further over 2024-25, with core inflation slowing and commodity prices declining, but to remain above its pre-pandemic average beyond 2024. Survey-based inflation expectations are consistent with continued gradual disinflation in 2024-25.

**FIGURE 1.5 Global inflation**

Global headline consumer price inflation declined substantially in 2023 but remains above target in most inflation-targeting advanced economies and about half of inflation-targeting EMDEs. In major advanced economies, a notable fall in goods inflation was offset by persistent services inflation. Global headline inflation is projected to moderate further over 2024-25, with core inflation slowing and commodity prices declining, but to remain above its pre-pandemic average beyond 2024. Survey-based inflation expectations are consistent with continued gradual disinflation in 2024-25.
Global financial developments

Advanced-economy monetary policies are expected to remain tight—including in the United States, following the largest and fastest increase in real policy rates since the early 1980s. In October, advanced-economy government bond yields reached their highest levels since the late 2000s, though they have since pulled back. Private sector debt-service ratios remain manageable but have been trending up, particularly in China. Central banks in a growing number of EMDEs have started to cut rates ahead of advanced economies. Financial strains are evident in the one fourth of EMDEs with weak credit ratings: they stopped issuing international bonds two years ago and many have experienced sharp currency depreciation.

The decline in core inflation has proceeded under markedly different growth conditions across countries. In the United States, disinflation has occurred alongside resilient activity and low unemployment, thanks partly to increasing labor supply, improving supply chains, and falling oil prices. The decline in the euro area inflation was accompanied by weak growth, reflecting the negative supply shocks from earlier sharp energy price increases. In most EMDEs, headline and core inflation receded last year as growth weakened. Nevertheless, in countries facing financial stress, inflation remained very high, in association with currency depreciations.

In 2024-25, global inflation is expected to decline further, underpinned by the projected weakness in global demand growth and slightly lower commodity prices. Subdued demand reflects the effects of tight monetary and credit conditions and softening labor markets. Thus, global headline inflation, on a year-on-year basis, is forecast to recede to 3.7 percent in 2024 and 3.4 percent in 2025—still above the pre-pandemic (2015-19) average but closer to central bank inflation targets (figure 1.5.E). Surveys of inflation expectations similarly suggest a steady decline in inflation, but to levels in 2024 that are still higher than pre-pandemic averages (figure 1.5.F). In particular, Consensus forecasts indicate lower inflation this year than last in 85 percent of EMDEs.

Global financial developments

Monetary tightening in advanced economies is concluding, with subsequent easing of policy recovering of global supply chains, exerted significant downward pressure on goods inflation. Nonetheless, inflation remains above targets in most advanced economies and in about half of inflation-targeting EMDEs (figure 1.5.B). In the major advanced economies, the rotation of demand from goods to services continued. Declining goods inflation amid easing import prices was partly offset, however, by persistent services inflation tied to tight domestic labor markets (figure 1.5.C). As a result, core inflation, which surged less than headline inflation in 2021-22, has also declined less since its 2022 peak (figure 1.5.D).

Sources: BIS (database); Bloomberg; Dealogic; Federal Reserve Bank of St. Louis; Haver Analytics; Laeven and Valencia (2020); Moody’s Analytics; World Bank.

Note: AEs = advanced economies; EMDEs = emerging market and developing economies.

A. “Magnitude” is the trough-to-peak change and “speed” is the average change per quarter during periods of rising real rates. Real rate is the U.S. policy rate minus one-year-ahead expected inflation from consumer surveys, adjusted for persistent errors.

B. GDP-weighted average of 10-year government bond yields for the euro area, the United Kingdom, and the United States. Euro area is the 10-year German yield. Last observation is December 18, 2023.

C. Private sector debt-service ratios (z-scores) are defined as the ratio of interest payments plus amortization to income. Lines for “other advanced economies” and “other EMDEs” are GDP-weighted average z-scores of private sector debt-service ratios for the respective country groups.

D. Tightening/loosening is the percentage of central banks raising policy interest rates minus the percentage lowering policy rates in the last three months. Sample includes 17 AEs and 58 EMDEs.

E. Panel shows rolling 12-month totals for bond issuance by EMDE governments, categorized by Moody’s long-term foreign currency sovereign credit ratings. Last observation is November 2023.

F. Panel shows the change in the U.S. dollar value of EMDE currencies. Crisis threshold represents a depreciation of 30 percent within one year, the main currency crisis criterion in Laeven and Valencia (2020). Weak credit ratings refer to Moody’s sovereign foreign currency ratings of Caa and below.

Last observation is December 14, 2023.
interest rates likely to proceed at a measured pace. This, alongside softening inflation, could keep real policy rates elevated for an extended period, following the largest and fastest increase in real U.S. policy rates since the early 1980s (figure 1.6.A). In the United States, tight monetary policy reflects better-than-expected growth outturns. In the euro area, persistent core inflation has played a larger role. Reflecting both the outlook for policy rates and volatile term premia, government bond yields in advanced economies in October reached their highest levels since the late 2000s. Although yields have pulled back since then, they remain at levels that will put upward pressure on the cost of capital for governments and firms as debts are rolled over (figure 1.6.B).

High financing costs have been reflected in credit market developments. Advanced-economy banks have been reporting restrictive lending standards, and bank credit growth has slowed sharply. In addition, corporate bankruptcies and credit card delinquencies have picked up. Although private sector debt-service ratios remain generally manageable, reflecting the stock of debt issued at low fixed rates, they have been trending up, most notably in China (figure 1.6.C). Risk appetite in advanced-economy financial markets has nonetheless been resilient, which has somewhat mitigated the tightening effect of higher interest rates on broad financial conditions. Indeed, equity volatility was subdued in the second half of 2023, while corporate credit spreads were generally below 2000-19 median levels.

Across EMDEs, a rising number of central banks have started cutting policy rates, with further reductions expected in the coming months, especially in Europe and Latin America (figure 1.6.D). Most EMDEs have so far exhibited few signs of financial stress, despite higher interest rates. This is likely due to a mix of factors, including better-than-expected growth, limited current account vulnerabilities, and declining inflation following proactive monetary tightening, all of which have helped contain currency depreciation. Unlike other large EMDEs, China has undergone a period of notable financial strain. Subdued growth prospects and upheaval in the property sector have contributed to debt defaults by property developers, net sales of debt and equity securities by foreign investors, and a decline in the exchange value of the renminbi.

Economies with weak credit ratings—roughly one in four EMDEs—continue to face prohibitively high financing costs. Lacking access to market-based financing, these countries ceased international bond issuance two years ago (figure 1.6.E). In addition, and in contrast to other EMDEs, their currencies depreciated substantially last year—some by as much as 30 percent, a threshold often associated with currency crises (figure 1.6.F).

Major economies: Recent developments and outlook

Advanced economies

Aggregate growth in advanced economies was resilient for most of last year, slowing less than previously expected. However, this largely reflected developments in the United States, where consumer spending, in particular, remained robust and fiscal policy was expansionary. Growth in advanced economies is forecast to slow in 2024—for the third year in a row—to 1.2 percent, as domestic demand decelerates (table 1.1). Private consumption growth is set to soften as the boost from one-off factors, such as the stock of excess savings accumulated during the pandemic, gradually fades. Investment growth should also remain subdued as sustained high real interest rates and restrictive credit conditions dampen business investment. Most of the projected slowdown in advanced-economy growth in 2024 is due to a deceleration in the United States; it is only partly offset by an expected pickup in euro area growth as the lingering effects of earlier price shocks dissipate.

In the United States, growth was resilient last year, picking up to an estimated 2.5 percent, despite rising borrowing rates and tightening credit conditions. Consumer spending remained solid, supported by accumulated savings, tight labor markets, and a boost to disposable incomes from one-off tax adjustments (figure 1.7.A). Activity was also supported by an expansionary impulse from fiscal policy. Growth appears to have softened in the fourth quarter, with weakness
set to intensify as the lagged and ongoing effects of tight monetary policy increasingly weigh on household spending, and as temporary factors supporting consumption dissipate. With the household saving rate having fallen far below the pre-pandemic average last year, excess savings accumulated during the pandemic have likely been substantially drawn down (Barbiero and Patki 2023). In addition, the real value of these savings and the growth in real household net worth have been eroded by sharp runups in consumer prices and interest rates.

Tightness in the U.S. labor market has been gradually easing. Job openings have declined, employment growth has steadily slowed, and wage growth has subsided, despite the unemployment rate remaining near historic lows (figure 1.7.B). Some key drivers of widespread labor shortages, including pent-up demand for labor-intensive services, have been fading. At the same time, labor supply has been rising, with increased prime-age labor force participation partly offsetting the impact of early retirements during the pandemic (Montes, Smith, and Dajon 2022).

In 2024, U.S. growth is expected to slow to 1.6 percent, with high interest rates restraining activity. Fiscal policy is expected to turn more restrictive, even as elevated interest rates and weakening growth weigh on the federal budget balance (Swagel 2023). A further weakening in consumption growth is projected, amid diminished savings, still-elevated borrowing rates, and easing labor market tightness. Business fixed investment is also set to decelerate further as firms remain cautious, given economic and political uncertainties, and increasingly refinance corporate debt at higher interest rates. Growth is expected to edge up to 1.7 percent in 2025, closer to its trend rate, as the impact of easing monetary policy feeds through the economy.

In the euro area, growth slowed sharply in 2023, to an estimated 0.4 percent, as high energy prices—largely related to Russia’s invasion of Ukraine—weighed on household spending and firms’ activity, particularly in manufacturing. Estimated growth in 2023 is in line with last June’s projections, with unexpected resilience in the first half of the year offset by weaker-than-expected activity in the second half. The downturn in late 2023 reflected broadening weakness in the economy, which extended to the services sector. This was partially attributed to the ongoing decline in exports amid deteriorating export price competitiveness and tepid external demand.

Growth in 2024 is forecast to firm to a still-anemic 0.7 percent. Easing price pressures should boost real wages and lift disposable incomes, but the lagged effects of past monetary tightening are expected to keep a lid on domestic demand, especially business investment, partly by reducing credit growth (figure 1.7.C). The forecast for

FIGURE 1.7 Major economies: Recent developments and outlook

Consumer spending in the United States was resilient in 2023, reflecting tight labor markets and accumulated household savings. Although U.S. employment growth has slowed gradually, unemployment remains low. Monetary tightening has weighed on credit growth in the United States and the euro area. Economic activity in China was generally weak in 2023, as real estate investment contracted and the growth of infrastructure investment was slower than its pre-pandemic average.

A. Annual growth of real consumer spending

B. Labor market indicators in the United States

C. Credit growth

D. China: Fixed investment growth

Sources: BIS (database); Bureau of Economic Analysis; Bureau of Labor Statistics; European Commission; Federal Reserve Bank of St. Louis; Haver Analytics; World Bank.

Note: YTD = year to date.
A. Bars represent year-on-year growth of quarterly real private consumption expenditure. Last observation is 2023Q3.
B. Last observation is November 2023.
C. Panel shows total lending to the private non-financial sector. Last observation is 2023Q2.
D. Blue bars denote the simple average of 2015-19 year-on-year growth of nominal fixed asset investment subcomponents from January to November. Red bars denote year-on-year growth of nominal fixed asset investment subcomponents from January 2023 to November 2023.
growth in 2024 has been downgraded since June by 0.6 percentage point, largely owing to weaker-than-expected momentum at the start of the year and more adverse credit supply conditions than previously assumed.

Growth is projected to pick up to 1.6 percent in 2025, supported by a recovery in investment growth, especially as the European Union’s NextGenerationEU (NGEU) funds lift public investment and help offset modest consolidation of national fiscal balances. Increased absorption of NGEU funds is predicated on reform milestones being met under Recovery and Resilience plans (European Commission 2023). NGEU-related investments and reforms are expected to accelerate the green and digital transitions and address long-standing structural issues, thereby supporting long-term growth (World Bank 2022a).

In Japan, growth bounced back to an estimated 1.8 percent in 2023, driven by post-pandemic pent-up demand and a rebound in auto exports and inbound tourism. Despite above-target inflation for over a year, the Bank of Japan continued to maintain accommodative monetary policy, but it gradually relaxed its policy of yield-curve control and allowed longer-term rates to rise. In the forecast horizon, weak growth in major trading partners will weigh on exports, offsetting the support to domestic demand from an expected rebound in real wages amid tight labor markets and slowing inflation. On balance, as the post-pandemic rebound tapers off, growth is forecast to slow to 0.9 percent in 2024 and 0.8 percent in 2025, close to its trend rate.

China

Growth in China picked up to an estimated 5.2 percent in 2023, 0.4 percentage point below the June forecast. The boost to consumption early in the year from the lifting of pandemic-related restrictions turned out to be unexpectedly short-lived. The downturn in the property sector intensified as property prices and sales fell, and as developers experienced renewed financial pressures. Real estate investment contracted, while the growth of infrastructure investment was slower than pre-pandemic average rates, resulting in lackluster overall fixed investment growth (figure 1.7.D). Private consumption firmed somewhat toward the end of the year, but consumer confidence remained weak, while feeble external demand weighed on exports. The authorities implemented several stimulus measures, including lowering interest rates and deposit requirements for property purchases, while government debt issuance was expanded to support spending.

In 2024, growth is forecast to slow to 4.5 percent—the slowest expansion in over three decades outside the pandemic-affected years of 2020 and 2022, and marginally lower than envisaged in June. Subdued sentiment is expected to weigh on consumption, while persistent strains in the property sector will hold back investment. Soft construction starts in late 2023 signal further weakness in property activity as developers grapple with stressed balance sheets and lackluster demand. While central government support should help boost infrastructure spending, local governments have limited fiscal space for policy maneuvering. Trade growth is also set to remain weak in 2024, with subdued global demand weighing on exports and slower domestic demand growth holding back imports, including of metals.

Growth is expected to edge down further in 2025, to 4.3 percent, amid the continuing slowdown of potential growth. Mounting debt constraining investment, demographic headwinds, and narrowing opportunities for productivity catch-up are all expected to drag on potential growth.

Emerging market and developing economies

Growth in EMDEs is projected to remain steady at about 3.9 percent a year in the forecast horizon, but with underlying variation across regions (box 1.1). Decelerating activity in China is expected to be offset by firming aggregate growth elsewhere, with improving domestic demand in many countries and a pickup in international trade. Overall, however, the recovery by EMDEs from the pandemic-induced recession of 2020 is expected to remain lackluster, with EMDE growth notably slower than in the recovery from the 2008-09 global financial crisis. Growth is projected to remain weak in EMDEs with low
**BOX 1.1 Regional perspectives: Outlook and risks**

Although some improvements in growth are expected in most emerging market and developing economy (EMDE) regions, the overall outlook remains subdued. Growth this year is projected to soften in East Asia and Pacific—mainly on account of slower growth in China—Europe and Central Asia, and South Asia. Only a slight improvement in growth, from a weak base in 2023, is expected for Latin America and the Caribbean. More marked pickups in growth are projected for the Middle East and North Africa, supported by increased oil production, and Sub-Saharan Africa, reflecting recovery from recent weakness. In 2025, growth is projected to strengthen in most regions as the global recovery firms. Risks to the outlook remain tilted to the downside. An escalation of the conflict in the Middle East could disrupt global oil supplies and cause a surge in prices for energy and food, pushing up inflation in all regions. Other downside risks include further geopolitical and trade tensions, the possibilities of weaker growth in China and weaker external demand, tighter-than-expected financial conditions, and climate-change-related natural disasters.

**Introduction**

Growth prospects for EMDE regions vary in the face of an array of global and domestic currents. Although some improvements in growth are expected in most regions, the overall outlook remains subdued. Projected growth is insufficient to reverse output losses inflicted by the overlapping shocks of the past four years, and implies dim prospects for poverty reduction and catching up to advanced-economy per capita income levels.

A modest improvement in global trade this year is expected to lend some support to activity in EMDE regions, yet overall growth is projected to remain feeble, partly reflecting the slowdown in China. While headline inflation is generally anticipated to continue moderating across regions, it remains elevated in some, limiting the scope for monetary policy easing. Moreover, global financial conditions are envisaged to remain tight, amid elevated real interest rates in the major advanced economies. While risks have become more balanced since June, they remain tilted to the downside. In particular, an escalation of the conflict in the Middle East could disrupt global energy markets, with adverse knock-on effects for some commodity prices, inflation, and food insecurity, and ultimately growth.

In this context, this box considers two questions:

- What are the cross-regional differences in the outlook for growth?
- What are the key risks to the outlook for EMDE regions?

**Outlook**

The overall outlook for EMDE regions remains subdued. Assuming the conflict in the Middle East does not escalate, growth in 2024 is projected to decline in East Asia and Pacific (EAP), Europe and Central Asia (ECA), and South Asia (SAR) and somewhat strengthen to varying degrees in other EMDE regions (figure B1.1.1.A). In EAP, the expected slowing mainly reflects declining growth in China in the face of persistent property sector weakness and structural headwinds. In Latin America and the Caribbean (LAC), growth is projected to edge up only slightly, while growth is expected to pick up more markedly from below-trend growth in 2023 in the Middle East and North Africa (MNA)—supported by recoveries in oil-exporting economies—and Sub-Saharan Africa (SSA). In 2025, growth is projected to strengthen in most regions coinciding with an expected step-up in global growth. SAR is projected to remain the fastest-growing EMDE region over the forecast horizon, led by strong growth in India underpinned by resilient domestic demand.

Despite some strengthening, growth in 2024-25 is anticipated to be slower than in the decade preceding the pandemic in some EMDE regions. Projected growth will also be insufficient to reverse the output losses inflicted by the overlapping negative shocks of the pandemic, the Russian Federation’s invasion of Ukraine, the sharp tightening of monetary policy, and the conflict in the Middle East, with output set to remain below pre-pandemic trends in 2025 in all regions (figure B1.1.1.B). Particularly in EAP, but also ECA and LAC, output losses relative to pre-pandemic projections are expected to increase in the forecast period. This reflects various headwinds that have weakened growth prospects, including China’s slowdown, the impact of Russia’s invasion of Ukraine,
and—particularly in the case of LAC—early and substantial monetary policy tightening in response to rising inflation.

The pace of catch-up to advanced-economy GDP per capita levels is also expected to be slower than in the decade before the pandemic in all EMDE regions except LAC and MNA, where only modest catch-up is expected after a decade of falling behind (figure B1.1.1.C). Worse still, GDP per capita in SSA, which is projected to have the slowest growth among all regions, is set to increasingly lag advanced-economy levels. This decline is occurring in the context of weak institutional quality and flare-ups of conflict and violence, further underscoring the development challenges facing the poorest areas of the world.

After a marked slowdown in global trade last year, an expected modest pickup in 2024 should support output growth in most regions. Many export-oriented economies, including in ECA and LAC, stand to benefit, but in EAP slower growth in China will weigh on regional trade. Tailwinds from the recovery in global tourism are envisaged to fade through 2024, but to a lesser extent in EAP owing to China’s delayed reopening and ongoing recovery in outbound tourism. To varying degrees, over 2024 and 2025 investment is also anticipated to pick up in most regions, supported by lower inflation and easing monetary policy. In energy exporters, particularly in MNA, growth will be supported by elevated energy prices and a ramp-up in oil production. However, continued weakness in metal prices—in part reflecting weaker growth in China, which accounts for most of the global metals demand—is expected to soften growth in metal-exporting countries, especially in LAC and SSA (Baffes and Nagle 2022).

Following a significant decline through 2023, headline consumer price inflation is projected to continue easing across EMDE regions in 2024. However, in ECA, MNA, SAR, and SSA, headline inflation is yet to return to central bank targets in many economies. Moreover, with most commodity prices projected to remain above pre-pandemic levels, households and businesses—particularly in commodity importers—continue to
endure elevated prices. Local food supply shocks—partly due to El Niño conditions—are also contributing to expected persistently high food prices and worsening food insecurity. These challenges are most acute where the food share of household spending is greatest and food supply has been impacted by repeated shocks from conflict and adverse weather, notably in MNA and SSA. The initial rise in oil prices following the conflict in the Middle East—and the risks associated with an escalation, discussed below—also underscores the significant uncertainty facing commodity markets.

In tandem with easing inflationary pressures, the tightening of monetary policy appears to have generally ended across EMDE regions. In some cases, policy interest rates have recently been reduced, most notably...
in regions where underlying inflationary pressures appear most benign and where central banks began tightening the earliest in response to commodity price shocks through 2022 and 2023. This is particularly evident in LAC and some economies in ECA. While interest rates are expected to decrease further in all EMDE regions this year, the extent of easing may be limited in many instances, partly reflecting continued tight monetary policy in major advanced economies. Given lags in monetary policy transmission, headwinds from the substantial tightening in all EMDE regions through 2022 and much of 2023 will endure in the near term before fading through 2024-25. Moreover, the slowest growth is projected in EMDEs with weaker sovereign credit ratings that have experienced the strongest drags on activity from tight global financial conditions, including in MNA, SAR, and SSA. Fiscal policy is anticipated to exert a broadly neutral influence on activity in the forecast period, though in some regions, including ECA, SAR, and SSA, consolidation is expected to gather momentum, exerting a drag on activity.

Risks

Risks to the baseline growth projections for EMDE regions remain tilted to the downside, with risks from heightened geopolitical tensions—especially those related to the recent conflict in the Middle East—being particularly salient. As underscored by historical precedent, an escalation in the Middle East conflict could disrupt global energy supplies and cause energy prices to spike (chapter 1; World Bank 2023a). All regions are exposed to the risk of higher energy prices but particularly EAP and SAR, both net petroleum importers (figure B1.1.2.A). By increasing production costs, higher energy prices resulting from the conflict would have adverse knock-on effects for prices of other commodities, including metals and food, pushing up inflation and worsening food security. Higher inflation could force central banks to pause planned easing or even to tighten further, weighing on growth. Moreover, MNA, and other regions directly affected by conflict, including ECA, are exposed to the risk of further losses of human life and destruction of capital, including infrastructure. This could offset any benefit to energy-exporting regions from higher oil prices and significantly weaken productive capacity (Dieppe, Kilic Celik, and Okou 2020).

Heightened geopolitical tensions and trade fragmentation could spur uncertainty and scuttle the projected recoveries in trade and investment growth. In the face of increased trade policy restrictions, firms in EMDEs are contending with mounting trade frictions and higher costs. The near-shoring and friend-shoring of activities in some advanced economies, including in response to domestic content requirements, has strained global supply chains and shifted the global trade and investment landscape (Alfaro and Chor 2023). Regions most reliant on global value chains, especially those with a significant manufacturing sector reliant on intermediate goods trade, including EAP and ECA, are most at risk (figure B1.1.2.B).

All EMDE regions face the risk of weaker-than-expected external demand, including from a sharper slowdown in China. Given China’s growing share of global output and trade, it has become a key export market for all EMDE regions, particularly for EAP excluding China and SSA (figure B1.1.2.C). Export-oriented EMDEs with strong direct links to China, notably in EAP, are particularly vulnerable. Exporters of commodities that depend on Chinese demand, notably metals, including those in LAC and SSA, are also vulnerable to the risks associated with a sharper slowdown in China.

Recent bouts of financial stress across EMDEs have generally been confined to a small number of countries with relatively weak credit ratings in MNA, SAR, and SSA. However, there continue to be notable risks of even tighter financial conditions—including associated with currency depreciations—confronting all regions. Overall indebtedness has risen in all regions over the past decade, particularly in EAP and LAC, with mounting public and private debt (figure B1.1.2.D). This magnifies exposure to the risk of higher interest rates than currently anticipated. Moreover, with fiscal deficits estimated to have widened in many EMDEs in 2023—to levels above pre-pandemic averages in most EMDE regions—there is renewed upward pressure on public debt (figure B1.1.2.E).

Climate-change-related extreme weather events, which have become more frequent in all EMDE regions in recent decades, pose a downside risk to growth and poverty alleviation (figure B1.1.2.F; Jafino et al 2020). An elevated risk of El Niño conditions continuing into
Growth in oil exporters slowed to just 2.1 percent in 2023, amid OPEC+ production cuts. Growth in metals exporters—a group particularly exposed to the slowdown in China—was only 0.7 percent. In all, growth in commodity exporters is estimated to have weakened by about 0.7 percentage point, to 2.5 percent, in 2023.

Commodity importers, excluding China, grew at a more robust pace of 4.2 percent in 2023. This was largely due to continued resilience in India, which is benefiting from increasing public investment and solid services sector growth (World Bank 2023b). Excluding India and China, output in these economies expanded by 3.1 percent. In some commodity importers, severe food and energy price shocks have eroded real wage growth since end-2021, dampening consumption growth.

Growth in LICs in 2023 was particularly disappointing, slowing to 3.5 percent—1.7 percentage points below the June forecast (figure 1.8.D). This downgrade is largely attributed to the economic consequences of renewed civil conflict in Sudan and the coup in Niger. More broadly, the ongoing conflict in the Sahel region has continued to weigh on growth.

**EMDE outlook**

Growth in EMDEs is expected to average 3.9 percent per year in 2024-25, broadly in line with...
estimates of EMDEs’ potential growth in the 2020s. Excluding China, EMDE growth is projected to firm from 3.2 percent last year to 3.5 percent in 2024 and 3.8 percent in 2025 (table 1.1). This pickup reflects steady improvements in projected trade growth and expectations for solid domestic demand growth in several large economies, as inflation continues to recede and interest rates decline. The firming outlook for external demand represents a partial normalization of the relationship between global GDP and EMDE goods exports, following an unusually services-intensive expansion last year. Growth is forecast to increase in two-thirds of EMDEs this year.

Despite these improvements, the recovery from the global recession of 2020 over the forecast horizon will remain modest. Overall EMDE growth is projected to be weaker than in the 2010s, partly as a result of the slowing of China’s potential growth (figure 1.9.A). Excluding China, EMDE output is set to continue following a lower path than before 2020 (figure 1.9.B). This projected recovery is also substantially weaker than that following the global financial crisis, reflecting the effects of Russia’s invasion of Ukraine and the rise in interest rates, as well as longer-term scarring from the pandemic and declining growth in working-age populations (figure 1.9.C).

In commodity exporters, growth is expected to strengthen to 2.9 percent in 2024 and to edge up further to 3.1 percent in 2025 (figure 1.9.D). Much of this projected improvement is due to stronger activity in energy exporters, where energy production is expected to rebound somewhat following large cuts in 2023. Although the forecast assumes modest energy price declines this year and next, projected prices should be sufficient to support investment and fiscal revenues in these economies, which should boost broader economic confidence and non-energy-sector activity.

Growth in metal exporters is forecast to recover somewhat, averaging 2.6 percent over 2024-25, even though growth in both years has been downgraded from June. The slowdown in China’s real estate sector, and the structural overcapacity that it reflects, is likely to have enduring dampening effects on metals demand. The associated weakness in the export growth and terms of trade of metal exporters is also expected to constraining domestic demand growth, especially in the sizable number of metal exporters (many in Sub-Saharan Africa) facing prohibitive international borrowing costs.

In agricultural exporters, growth is projected to remain stable at 2.6 percent in 2024, before rising to 3.2 percent in 2025. The moderate acceleration next year partly reflects agricultural prices that are high enough to encourage expanded produc-
Growth in EMDEs in 2024-25 is projected at about 3.9 percent per year, close to its estimated potential rate for the 2020s and well below the average growth rate of the 2010s. EMDE output is set to continue on a lower path than expected before the pandemic, even excluding China’s slowdown. As such, the recovery from the 2020 recession will remain modest, and weaker than that following the global financial crisis. Growth is envisaged to firm in commodity exporters, while edging down in commodity importers. Fiscal policy is expected to dampen growth somewhat in 2024-25. Growth is forecast to be slowest among EMDEs with weak credit ratings.

With inflation projected to continue retreating, and policy rates already declining in many EMDEs, monetary policies are expected to be more supportive of EMDE growth in 2024-25 than 2023. Lower domestic interest rates and improving real incomes should start to support consumption and business investment in 2024. A broader easing in global financing conditions is expected to take hold in 2025, as advanced-economy policy rates are further reduced. This, in turn, should translate into a more benign external environment for many EMDEs, as dollar-denominated borrowing costs moderate and firming growth in the United States and euro area supports trade.

Fiscal policies in EMDEs are positioned to dampen growth somewhat this year and next, as governments gradually consolidate budgets following the pandemic-era debt buildup, partly in response to pressures from rising interest rates and debt-service costs (figure 1.9.E). Consolidation is expected to be accomplished mainly through reductions in primary expenditures.

The impact of tight global financial conditions on activity has been most acute in the roughly one-fourth of EMDEs with weak credit ratings (Caa-C). Several have experienced debt or currency crises, necessitating current account adjustments.
through sharp currency depreciations and import compression. The acute phase of these crises appears to be passing in some countries, helped by the introduction of policy programs supported by multilateral organizations. Overall, growth in EMDEs with weak credit ratings is projected to stabilize somewhat over the next two years, albeit at low rates (figure 1.9.F). Even so, output is set to remain well below pre-crisis paths. In many cases, growth is likely to be too weak to durably resolve the challenge of unsustainable fiscal positions or to repair the deterioration in living standards in recent years.

**LICs outlook**

Growth in LICs is projected to pick up from an estimated 3.5 percent rate in 2023 to 5.5 percent this year and 5.6 percent in 2025—about 0.5 percentage point below last June’s forecasts in both years (box 1.2). Growth is expected to be relatively strong among some of the largest LICs, including Ethiopia and Uganda, but weaker in fragile LICs. The projected recovery in 2024 is underpinned by a pickup in LIC metal exporters and the stabilization of some economies marred by conflict last year. In particular, Sudan’s outlook has improved notably, with household and business spending expected to continue recovering from the sharp conflict-related contraction in 2023.

Many LICs will continue to face daunting challenges, with projected growth insufficient to allow significant progress in reducing poverty. The resources available to LIC governments to support their populations continue to be squeezed by rising debt-service costs. In addition, slow progress in debt restructuring aggravates the situation for many highly indebted LICs, with access to new external financing remaining highly constrained. A surge in political instability poses additional challenges, including to food security, particularly in the Sahel region.

**Per capita income growth**

EMDE GDP per capita is projected to grow by 2.9 percent in 2024 and 3 percent in 2025, well below its 2010-19 average annual rate of 3.7 percent. Given subdued projected per capita growth in advanced economies, averaging 1.2 percent a year in 2024-25, the outlook is for per capita income catch-up by EMDEs at a pace broadly similar to the 2010s. However, excluding China, EMDE per capita growth is forecast to be significantly lower, at 2.2 percent this year and 2.5 percent next year.

Although the projected pace of catch-up is an improvement compared to recent years, it will follow an extended period during which per capita incomes in many EMDEs made little progress toward those in advanced economies. Indeed, excluding China and India, EMDEs in aggregate are projected to make no relative gains on advanced economies between 2019 and 2025 (figure 1.10.A). Some of the most vulnerable EMDEs are falling further behind, with per capita income forecast to remain below its 2019 level this year in over a third of LICs and more than half of economies facing fragile and conflict-affected situations (FCS; figure 1.10.B).

High prices for essential goods remain a major challenge to living standards and, particularly in LICs and FCS economies, to human capital development. Moderate declines in commodity prices since their 2022 peaks have not been fully reflected in consumer prices for food and fuel, and wage rises have generally failed to compensate for earlier runups in these costs (figures 1.10.C and 1.10.D). Thus, although inflation has started to moderate, real incomes remain under pressure. Moreover, the large shocks of the past few years, including the pandemic and the invasion of Ukraine, have tended to hit low-income households disproportionately and exacerbate poverty. This reflects such factors as the unequal labor market impacts of the pandemic and low-income households’ high share of spending on food (Adarov et al. 2022; Hoogeveen and Lopez-Acevedo 2021).

**Global outlook and risks**

**Summary of global outlook**

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 (table 1.1; figure 1.11.A). Relative to
**BOX 1.2 Recent developments and outlook for low-income countries**

After slowing to an estimated 3.5 percent in 2023, economic growth in low-income countries (LICs) is projected to recover to about 5.5 percent in both 2024 and 2025—a downward revision from previous projections mainly driven by a deterioration in the outlook for metal-exporting LICs. Additionally, the growth in income per capita in 2024-25 is projected to be lower, at half the rate of gross domestic product (GDP) growth. The number of people struggling with extreme poverty and food insecurity in these countries remains high. Recent flare-ups of political instability and violent conflict have also amplified the challenges faced by some LICs. In many cases, inflation remains elevated, public debt burdens have risen, and activity has been disrupted by extreme weather events. Against this backdrop, risks to the outlook remain tilted to the downside, including those from intensifying insecurity and violent conflict, weaker global growth, higher-than-projected inflation, increased debt distress, and more frequent or intense extreme weather events. An escalation of the conflict in the Middle East could lead to an increase in food price inflation and food insecurity in LICs, especially those highly dependent on food and energy imports.

**Introduction**

Although growth in LICs is expected to improve in 2024 from a weak performance in 2023, the number of people struggling with extreme poverty and food insecurity in these countries will remain high. Sluggish growth last year mainly reflected increased political instability and violent conflict in some fragile LICs, especially Sudan, and weaker outturns in some metal-exporting LICs facing lower global metal prices. Peacebuilding in Ethiopia is gradually yielding dividends, and growth prospects for Niger, South Sudan, and Sudan are improving somewhat.

Nonetheless, many LICs continue to struggle with persistent vulnerabilities and fragility, as the lingering effects of elevated inflation, despite recent declines, still weigh on food affordability for vulnerable populations. Many LICs also continue to face difficult policy tradeoffs. Not only has policy space to support the poor been depleted in many of these countries, but high financing needs endanger debt sustainability. Elevated levels of violence and extreme weather events have continued to displace people, disrupt food supplies, and exacerbate poverty.

Multiple downside risks cloud LICs prospects, including a further rise in local or global political instability and violent conflict—especially the conflict in the Middle East, which could exacerbate food insecurity in LICs. Also, the risk of a sharper-than-expected global economic slowdown, especially one emanating from China, or more adverse weather events, could weigh on economic activity. Furthermore, more persistent global inflation could lead to additional monetary tightening, in turn adding pressure on highly indebted countries.

Against this backdrop, this box addresses the following questions.

- What have been the main recent economic developments in LICs?
- What is the baseline outlook for LICs?
- What are the risks to the outlook?

**Recent developments**

Growth in LICs slowed from 4.8 percent in 2022 to an estimated 3.5 percent in 2023. The decline was pronounced in Niger, primarily because of the July coup and the subsequent international sanctions. Sudan also faced significant deterioration, with a resumption of conflict damaging the country’s industrial base. In about half of the LICs, estimates for growth for 2023 have been downgraded compared with June projections. Pervasive violence and political instability exacerbated the challenging economic and humanitarian situations in many LICs last year—especially in the Sahel region—including Burkina Faso, Mali, Niger, Somalia, South Sudan, and Sudan (figure B.1.2.1.A). While peacebuilding efforts remained fragile in Ethiopia and the Democratic Republic of Congo, growth in these countries, though slowing in 2023, remained above the LIC average.

Output in agricultural commodity exporters grew by 2.9 percent in 2023—below their long-term average but still markedly faster than in their metal-exporting counterparts, where output expanded only marginally as a result of lower global metal prices as well as violent conflict in some of these countries. In Ethiopia, the
largest agricultural exporter in Sub-Saharan Africa, poultry and fruit production registered sharp increases. In Uganda, increased agricultural production also boosted overall growth. In the Democratic Republic of Congo, the world’s largest cobalt producer and a major copper exporter, lower global metal prices and slower growth in domestic metal production contributed to a moderation in activity. Growth in Mozambique picked up as production of liquefied natural gas, coal, and aluminum increased.

While annual consumer price inflation in the median LIC declined in 2023, the progress in achieving disinflation was uneven, with inflation continuing to rise in some countries and remaining in double digits in Ethiopia, The Gambia, Rwanda, and Sierra Leone (figure B.1.2.1.B). In many cases, food price inflation was persistently high (Burundi, Malawi, Sierra Leone, Sudan). High food and energy prices pushed the number of people in LICs facing food security stress or worse circumstances above 400 million in 2022, with some further increase in 2023 (figure B.1.2.1.C). In both the Democratic Republic of Congo and Sudan, more than 20 million people faced high acute food insecurity in August 2023 (FSIN and GNAFC 2023). In some countries, weakening currencies exacerbated inflationary problems (Burundi, Ethiopia, Sudan).

Outlook

Growth in LICs is projected to increase to 5.5 percent this year and 5.6 percent in 2025, up from 3.5 percent in 2023 (figure B.1.2.2.A). The forecasts assume that the conflict in the Middle East does not escalate, that security challenges in a number of LICs improve, that no debt crises emerge, and that inflation pressures continue to decline.

Despite the expected pickup in aggregate LICs growth in 2024, the forecast has been downgraded by 0.5 percentage point, driven by deterioration in the outlook for metal-exporting LICs. Moreover, projections for growth in 2024 in nearly half of the LICs—fragile and non-fragile alike—have been revised down. Reflecting weaker commodity prices, 2024 growth forecasts have been downgraded for two-thirds of metal-exporting LICs, with downward revisions for the Central African Republic, Democratic Republic of Congo, Mozambique, and Sudan being among the largest.

Growth in fragile LICs is forecast to increase from 3 percent in 2023 to 5.4 percent in 2024 and 5.5 percent in 2025. Growth projections for Sudan have been revised down, as violent conflict has damaged the country’s industrial base and education and health

**BOX 1.2 Recent developments and outlook for low-income countries (continued)**

**FIGURE B1.2.1 LICs: Recent developments**

Challenges in LICs include a large number of violent events, uneven progress with disinflation, and a high level of food insecurity. Violence increased sharply in the Sahel region of northern Africa in 2023, with a number of coups. Progress with disinflation has been uneven, with inflation rising in some countries. Food insecurity leapt in 2022 and remained high in 2023.

A. Violent events

B. Consumer price inflation

C. Food insecurity

Sources: ACLED (database); FSIN and GNAFC (2023); Haver Analytics; International Monetary Fund; World Bank.

Note: LICs = low-income countries.
A. Three-months moving average; violent events include battles, explosions, violence against civilians, and riots. Last observation is November 2023.
B. Median consumer price inflation, year-on-year. Sample of nine LICs. Shaded area shows the 25 to 75 percentile range of inflation rates among the countries. Last observation is October 2023.
C. Number of people facing food security stress, food security crisis, or emergency and worse. Sample of 24 LICs.
facilities, while remaining unchanged for Burkina Faso and South Sudan. Much of the projected strengthening of growth among fragile LICs is accounted for by the two largest economies—Ethiopia and the Democratic Republic of Congo—will remain subdued. As a result, per capita income in this group, on average, is expected to remain markedly below pre-pandemic levels in 2025. Moreover, the share of LICs in debt distress or at high risk thereof has increased significantly.

Per capita income growth in LICs is expected to accelerate from an anemic 0.7 percent in 2023 to 2.7 percent in 2024 and 2.8 percent in 2025. However, in fragile LICs, excluding Ethiopia and the Democratic Republic of Congo—the two most populous LICs—per capita income growth will lag significantly behind the LICs’ average. As a result, the average per capita income in this subgroup is expected to remain markedly below pre-pandemic levels through 2025 (figure B1.2.2.B).

Progress in poverty reduction in many LICs is expected to remain slow, with populations still struggling to cope with high costs of living. After current account deficits widened in 2022, primarily driven by surging import bills caused by higher commodity prices, these deficits did not narrow much in 2023 and are not expected to shrink significantly in the forecast horizon. Although government spending, which increased in 2022 to mitigate the cost-of-living increases, came down in 2023, fiscal deficits are expected to remain elevated over the forecast horizon. Debt-service costs and levels of public debt remain high for many LICs, increasing the likelihood of government defaults in the absence of agreements on debt relief (figure B1.2.2.C).
Risks

Risks to the baseline forecast remain tilted to the downside, particularly for countries grappling with fragility, and those susceptible to conflicts and adverse weather events. An escalation of the conflict in the Middle East could exacerbate food insecurity across LICs as many of them are highly dependent on food and energy imports. A conflict-induced sustained oil price spike would not only raise food prices by increasing production and transportation costs but could also disrupt supply chains, potentially necessitating stronger efforts by the international community to bolster food supplies to LICs with high rates of malnutrition (World Bank 2023a).

Slower-than-expected growth in China could result in lower commodity prices, negatively impacting metal exporters in particular. If inflation retreats more slowly than currently anticipated, central banks might have to maintain elevated interest rates for longer, heightening the risk of debt crises in some LICs. Gross financing

### BOX 1.2 Recent developments and outlook for low-income countries (continued)

#### TABLE B1.2.1 Low-income country forecasts

(Real GDP growth at market prices in percent, unless indicated otherwise)

<table>
<thead>
<tr>
<th>Low-Income Country, GDP</th>
<th>2021</th>
<th>2022</th>
<th>2023e</th>
<th>2024f</th>
<th>2025f</th>
<th>Percentage point differences from June 2023 projections</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Low-Income Country, GDP</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Afghanistan</td>
<td>1.3</td>
<td>2.0</td>
<td>0.7</td>
<td>2.7</td>
<td>2.8</td>
<td>-1.6  -0.4 -0.4</td>
</tr>
<tr>
<td>Burkina Faso</td>
<td>6.9</td>
<td>1.5</td>
<td>4.3</td>
<td>4.8</td>
<td>5.1</td>
<td>0.0   0.0  0.0</td>
</tr>
<tr>
<td>Burundi</td>
<td>3.1</td>
<td>1.8</td>
<td>2.9</td>
<td>4.2</td>
<td>4.5</td>
<td>-0.1  0.2  0.3</td>
</tr>
<tr>
<td>Central African Republic</td>
<td>1.0</td>
<td>0.5</td>
<td>1.3</td>
<td>1.6</td>
<td>3.1</td>
<td>-1.7  -2.2 -0.7</td>
</tr>
<tr>
<td>Chad</td>
<td>-1.2</td>
<td>2.2</td>
<td>3.0</td>
<td>2.8</td>
<td>2.7</td>
<td>-0.2  -0.6 -0.4</td>
</tr>
<tr>
<td>Congo, Dem. Rep.</td>
<td>6.2</td>
<td>8.9</td>
<td>6.8</td>
<td>6.5</td>
<td>6.2</td>
<td>-0.9  -1.1 -1.3</td>
</tr>
<tr>
<td>Eritrea</td>
<td>2.9</td>
<td>2.5</td>
<td>2.6</td>
<td>3.2</td>
<td>3.3</td>
<td>-0.1  0.3  0.5</td>
</tr>
<tr>
<td>Ethiopia</td>
<td>6.3</td>
<td>6.4</td>
<td>5.8</td>
<td>6.4</td>
<td>7.0</td>
<td>-0.2  -0.2  0.0</td>
</tr>
<tr>
<td>Gambia, The</td>
<td>4.3</td>
<td>4.3</td>
<td>4.8</td>
<td>5.3</td>
<td>5.5</td>
<td>-0.2  -0.2 -0.3</td>
</tr>
<tr>
<td>Guinea-Bissau</td>
<td>6.4</td>
<td>3.5</td>
<td>2.8</td>
<td>5.6</td>
<td>4.5</td>
<td>-1.7  1.1  0.0</td>
</tr>
<tr>
<td>Liberia</td>
<td>5.0</td>
<td>4.8</td>
<td>4.5</td>
<td>5.4</td>
<td>6.2</td>
<td>0.2   -0.1  0.6</td>
</tr>
<tr>
<td>Madagascar</td>
<td>5.7</td>
<td>3.8</td>
<td>4.0</td>
<td>4.8</td>
<td>4.7</td>
<td>-0.2  0.0  -0.4</td>
</tr>
<tr>
<td>Malawi</td>
<td>2.8</td>
<td>0.9</td>
<td>1.6</td>
<td>2.8</td>
<td>3.3</td>
<td>0.2   0.4  0.3</td>
</tr>
<tr>
<td>Mali</td>
<td>3.1</td>
<td>3.7</td>
<td>4.0</td>
<td>4.0</td>
<td>5.0</td>
<td>0.0   0.0  0.0</td>
</tr>
<tr>
<td>Mozambique</td>
<td>2.3</td>
<td>4.2</td>
<td>6.0</td>
<td>5.0</td>
<td>5.0</td>
<td>1.0   -3.3 -0.3</td>
</tr>
<tr>
<td>Niger</td>
<td>1.4</td>
<td>11.5</td>
<td>2.3</td>
<td>12.8</td>
<td>7.4</td>
<td>-4.6  0.3 -1.7</td>
</tr>
<tr>
<td>Rwanda</td>
<td>10.9</td>
<td>8.2</td>
<td>6.9</td>
<td>7.5</td>
<td>7.8</td>
<td>0.7   0.0  0.3</td>
</tr>
<tr>
<td>Sierra Leone</td>
<td>4.1</td>
<td>3.5</td>
<td>3.1</td>
<td>3.7</td>
<td>4.3</td>
<td>-0.3  0.0  -0.1</td>
</tr>
<tr>
<td>South Sudan</td>
<td>-5.1</td>
<td>-2.3</td>
<td>-0.4</td>
<td>2.3</td>
<td>2.4</td>
<td>0.0   0.0  0.0</td>
</tr>
<tr>
<td>Sudan</td>
<td>-1.9</td>
<td>-1.0</td>
<td>-12.0</td>
<td>-0.6</td>
<td>0.2</td>
<td>-12.4 -2.1 -1.8</td>
</tr>
<tr>
<td>Syrian Arab Republic</td>
<td>1.3</td>
<td>-3.5</td>
<td>-5.5</td>
<td>..</td>
<td>..</td>
<td>0.0   ..   ..</td>
</tr>
<tr>
<td>Togo</td>
<td>6.0</td>
<td>5.8</td>
<td>5.2</td>
<td>5.2</td>
<td>5.8</td>
<td>0.3   -0.1  0.3</td>
</tr>
<tr>
<td>Uganda</td>
<td>3.4</td>
<td>4.7</td>
<td>5.3</td>
<td>6.0</td>
<td>6.6</td>
<td>-0.4  -0.2 -0.1</td>
</tr>
<tr>
<td>Yemen, Rep.</td>
<td>-1.0</td>
<td>1.5</td>
<td>-0.5</td>
<td>2.0</td>
<td>..</td>
<td>0.0   0.0   ..</td>
</tr>
</tbody>
</table>


Notes:
a. The Democratic People’s Republic of Korea and Somalia are not forecast on account of data limitations.
b. Aggregate growth rates are calculated using GDP weights at average 2010–19 prices and market exchange rates.
c. Forecasts for Afghanistan (beyond 2021), the Syrian Arab Republic (beyond 2023), and the Republic of Yemen (beyond 2024) are excluded because of a high degree of uncertainty.
d. GDP growth rates are on a fiscal year basis. For example, the column for 2022 refers to FY2021/22.
last June’s projections, the forecast for 2023 has been revised up by 0.5 percentage point, mainly reflecting the strength of the U.S. economy, whereas that for 2024 is unchanged, with a sizable upgrade to U.S. growth accompanied by a downward revision to euro area activity. Growth is forecast to pick up slightly to 2.7 percent in 2025, owing mainly to firming advanced-economy activity, as inflation continues to soften and interest rates decline. EMDE growth is projected to be virtually unchanged, at about 3.9 percent a year through 2024-25, with growth in China set to slow while that in other EMDEs picks up. EMDE growth is expected to be supported by a modest firming of export and investment growth (figure 1.11.B). However, it is still expected to be weaker than its average pace over the past two decades, though broadly in line with estimated potential growth.

While the moderation in commodity prices in 2023 contributed to a decline in global headline inflation, services inflation has proved more persistent, especially in advanced economies, reflecting still-tight labor markets. As such, the easing of advanced-economy policy interest rates will likely proceed at a measured pace, implying a continued period of elevated real interest rates. This will be particularly challenging for vulnerable EMDEs with lower sovereign creditworthiness. For most such countries, dollar-denominated bond yields have moved well above nominal GDP growth (in U.S. dollars), squeezing fiscal space (figure 1.11.C).

Notwithstanding the projected firming of global growth, the outlook remains subdued by historical standards: the forecast for global growth over 2024-25, about 2.5 percent a year on average, is 0.6 percentage point below the 2010-19 average rate. This partly reflects the lingering effects of recent shocks, including the pandemic, the invasion of Ukraine, the sharp increase in inflation, and the associated tightening of global financial conditions. Another contributing factor is the weakening of trade growth, partly attributed to more inward-looking policies. However, the subdued expected pace of global growth also reflects a longer-term downtrend in potential growth. The structural slowdown in EMDEs, and especially in China, is due to several forces: labor force growth has slowed because of demographic shifts; productivity growth has weakened as growth dividends from improvements in health
and education have diminished, and as some EMDEs have moved closer to productivity frontiers; and the pace of capital accumulation has declined, in part as a result of debt overhangs (figure 1.11.D).

Risks to the outlook

Risks to the global growth outlook have become somewhat more balanced since last June, as banking system stress in advanced economies has receded and inflation has declined. Nevertheless, risks remain tilted to the downside. The possibility of an intensification of the conflict in the Middle East represents a major downside risk. This, or rising geopolitical tensions elsewhere, could have adverse impacts through commodity markets, trade and financial linkages, uncertainty, and confidence. Weak growth, elevated debt, and still-high interest rates heighten the risk of financial stress, especially in the more vulnerable EMDEs. Higher or more persistent inflation may require a longer-than-assumed period of tight monetary policy. Subdued recent activity in China raises the possibility of slower-than-expected growth, which would have adverse global spillovers. Trade fragmentation and climate-related disasters could also result in weaker growth in the near and longer terms. On the upside, recent surprisingly strong economic activity in the United States, along with declining inflation, points to the possibility that growth may be stronger than projected, perhaps as a result of improved supply conditions.

Conflict and geopolitical risks

Geopolitical risks have increased sharply in the wake of the recent conflict in the Middle East, which comes on top of Russia’s invasion of Ukraine (figure 1.12.A). Any escalation of these conflicts could have significant consequences in commodity markets and for economic activity.

While the effects of the conflict in the Middle East on commodity prices have so far been muted, historical precedents suggest that an escalation could lead to significant oil supply disruptions and large spikes in commodity prices, especially if major oil producers became embroiled (figure 1.12.B). At the global level, soaring energy prices could push up inflation, reduce business and consumer confidence, and lead to a tightening of financial conditions, dampening investment and overall activity. Indeed, oil price fluctuations have been the predominant driver of global inflation volatility over the last 50 years, especially during the past two decades (Ha et al. 2023).

Heightened uncertainty about the geopolitical environment and conflict outcomes could compound these effects (Caldara et al. 2023). Geopolitical events can prompt a flight to safety in international capital markets, resulting in

FIGURE 1.10 Per capita income growth

EMDEs are set to make limited progress catching up to advanced-economy levels of per capita income: excluding China and India, no relative gains are projected between 2019 and 2025. Many vulnerable EMDEs are falling further behind—per capita income is forecast to remain below its 2019 level this year in one-third of LICs and half of economies facing fragile and conflict-affected situations. High food and fuel prices continue to weigh on real incomes in many EMDEs.

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

B. Share of EMDEs with lower GDP per capita in 2024 than in 2019

C. Consumer price inflation, fuel component

D. Consumer price inflation, food component

Sources: Haver Analytics; Oxford Economics; UN World Population Prospects; World Bank.
Note: e = estimate; f = forecast; CPI = consumer price index; EMDEs = emerging market and developing economies; FCS = fragile and conflict-affected situations; LICs = low-income countries. GDP per capita aggregates are calculated as aggregated GDP divided by the aggregate population. GDP per capita aggregates are calculated using real U.S. dollar GDP weights at average 2010-19 prices and market exchange rates.
A. Panel shows percentage point differences compared with the percent change in GDP per capita in advanced economies.
B. Panel shows percentage changes in the fuel component of the CPI (as presented in the Oxford Economics Model) in the periods shown. Sample includes 35 advanced economies and 30 EMDEs. Orange whiskers show 25th and 75th percentiles.
C. Panel shows percentage changes over 2019Q4-23Q2 and 2023Q2-23Q3 in the food component of CPI for up to 25 advanced economies and 94 EMDEs. Orange whiskers show 25th and 75th percentiles.
FIGURE 1.11 Global outlook

Global growth is projected to edge down in 2024, declining for the third consecutive year, before picking up in 2025. Modest recoveries in exports and investment are expected to support EMDE growth in the next two years. Rising interest rates have driven borrowing costs above growth rates in many EMDEs, particularly those with weaker creditworthiness, which has squeezed fiscal space. Subdued EMDE growth partly reflects the downturn in the drivers of EMDE potential growth.

A. Contributions to global growth

B. Contributions to EMDE growth

C. EMDE bond yields minus nominal growth rates

D. Contributions to EMDE potential growth

Sources: Federal Reserve Bank of St. Louis; J.P. Morgan; Kose and Ohnsorge (2023); Moody's Analytics; World Bank.

Note: e = estimate; f = forecast; AEs = advanced economies; EMBI = Emerging Market Bond Index; EMDEs = emerging market and developing economies. Aggregates are calculated using real U.S. dollar GDP weights at average 2010-19 prices and market exchange rates. TFP = total factor productivity.

A sharper-than-expected slowdown in China would adversely affect global trade as well as commodity and financial markets. The property sector could fail to stabilize if persistent uncertainty holds back prospective buyers, or if mounting financial stress among developers constrain the financing of new projects or force a halt to existing ones. Persistent uncertainty and weak sentiment could hold back household spending and private investment. Against the backdrop of high and rising public and private debt, a sharp slowdown could weaken credit quality and become self-reinforcing, with financial stress exacerbating the challenge of servicing existing debts, generating negative feedback loops to activity.

The international spillovers of a sharp slowdown in China could be severe. China’s importance as an export destination has continued to grow in recent decades, especially for EMDEs (figure 1.12.C). At the same time, China has become a much more important source of demand for commodities, notably energy and metals (figure 1.12.D). More recently, the country has emerged as a major consumer of commodities central to the green energy transition (Baffes and Nagle 2022).
The direct spillovers would be most acute for countries deeply engaged in trade with China—particularly those enmeshed in global value chains with China, including many export-oriented economies in the East Asia and Pacific region. In addition, exporters of commodities in Latin America, notably iron ore and copper, would face particularly adverse effects. Weaker activity in China would also weigh on global energy demand and prices, adversely impacting energy exporters.

A slowdown in China could also adversely affect global financial conditions. Although direct linkages between China’s economy and global financial markets are limited, the macroeconomic effects of China’s credit cycles can drive shifts in investor sentiment. Thus, if the downturn in the real estate sector were to intensify, the resulting increase in non-performing loans could cause domestic lenders to retrench in order to preserve capital and liquidity. The knock-on effects on demand in China and their repercussions could lead market participants to revise global growth expectations down, causing sentiment to weaken and risk aversion to rise, thereby resulting in a tightening of global financial conditions (Ahmed et al. 2019). China’s position as a large bilateral creditor to many EMDEs poses a further possible channel for adverse spillovers. Pressure on the balance sheets of domestic lenders could lessen their readiness to extend credit overseas. This, in turn, could exacerbate the already-strained financial positions of some low- and lower-middle-income countries.

**Financial stress**

Interest rates in advanced economies have risen markedly over the past couple of years, as central banks have acted to rein in inflation. There have also been occasional surges in long-term bond yields, which have been associated with episodes of financial stress, including instability in U.K. gilt markets in 2022 and the failures of several U.S. banks early last year. These bouts of financial instability were stemmed by timely and extensive policy responses. There remains a risk, however, that renewed increases in market interest rates, or an extended period of elevated real policy rates, could expose latent financial and economic vulnerabilities, precipitating a souring of risk appetite and a sharp tightening of global financial conditions.

There could be several triggers for such an outcome. Monetary easing in advanced economies could be postponed if progress returning inflation to targets were to slow or if labor markets tightened unexpectedly. Alternatively, a negative supply shock, such as a sizable increase in oil prices related to geopolitical developments, could see inflation resurge. Following a lengthy spell of above-target inflation, central banks might judge that surging non-core prices could raise inflation expectations, necessitating tighter monetary

---

**FIGURE 1.12 Risks to the outlook**

The ongoing conflict in the Middle East has increased geopolitical risks. Past conflicts in the region have seen oil prices increase considerably. An escalation of the conflict could result in substantial disruptions to global oil supply, which could significantly raise global inflation and dampen activity. Weaker growth in China could have adverse implications for its trading partners, especially commodity exporters.

---

**A. Geopolitical risk index and conflicts**

Index, 100 = 1985-2019

- 9/11 attack
- Libyan civil war
- U.S. air strike on Baghdad
- Latest conflict in the Middle East

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Index</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

**B. Oil price changes during conflict-related disruptions in the Middle East**

Percent change

<table>
<thead>
<tr>
<th>Event</th>
<th>Percent change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Middle East</td>
<td>20</td>
</tr>
<tr>
<td>Libyan civil war</td>
<td>10</td>
</tr>
<tr>
<td>U.S. air strike on Baghdad</td>
<td>5</td>
</tr>
<tr>
<td>Latest conflict in the Middle East</td>
<td>2</td>
</tr>
</tbody>
</table>

**C. Share of goods exports to China**

Percent of goods exports to China

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Advanced economies</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>EMDEs</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
</tbody>
</table>

**D. China’s share of global commodities consumption**

Percent of world total

<table>
<thead>
<tr>
<th>Commodity</th>
<th>2000</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Natural gas</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Coal</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Metals</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

**Sources**

Bloomberg; Caldara and Iacoviello (2022); Energy Institute; UN Comtrade (database); World Bank (2023a); World Bank; World Bureau of Metal Statistics.

**Note**

EMDEs = emerging market and developing economies.
In circumstances like these, heightened uncertainty over the path of policy rates, abetted by expansive government borrowing or quantitative tightening, could prompt sharp increases in term premia, driving bond yields higher (Cohen, Hördahl, and Xia 2018). Estimates of U.S. term premia in 2023 exhibited substantial volatility, which could continue into 2024. Sudden moves in yields could be amplified by the unwinding of the leveraged positions of non-bank financial institutions, including those intended to profit from arbitrage strategies in government bond markets (Avalos and Sushko 2023).

Such developments could drive borrowing rates higher, choke off credit growth, and prompt sharp falls in asset prices. For financial institutions, a sudden and pronounced steepening of the yield curve, driven by a rise in the term premium on long-dated securities, could lead to capital impairment and further exacerbate the credit crunch—a potential outcome made more likely by the lenient regulatory treatment of sovereign risk (BIS 2018). For businesses in interest-sensitive sectors, including commercial real estate, rolling over loans could become challenging. Over time, a rising proportion of households could struggle to service loans, including adjustable-rate mortgages, eroding the quality of bank assets.

EMDEs would be heavily exposed to spillovers from tighter financial conditions caused by higher U.S. interest rates or surging risk aversion. The U.S. dollar would strengthen against EMDE currencies, driving up the cost of servicing dollar-denominated debt and likely exerting a near-term drag on EMDE activity, as well as raising inflation (Boz et al. 2020; Greenwood et al. 2020). EMDEs with twin fiscal and current account deficits would be at particular risk of rapid capital outflows, which tend to accompany sudden increases in U.S. term premia (figure 1.13.A). Inflationary pressures associated with weakening currencies could lead EMDE central banks to delay monetary easing, dampening growth further. The number of EMDEs experiencing debt distress could also increase, raising the probability of a new wave of costly sovereign debt defaults. These dynamics could be exacerbated by negative feedback loops generated by the large exposures of many EMDE banking sectors to local government debt (Feyen and Zuccardi 2019).

Trade fragmentation

Increasing trade restrictions, which have become more common in recent years, present another risk of damage to both near- and long-term global growth prospects. Trade restrictions tend to
reduce economic efficiency and often fail to meet their primary objectives because of avoidance efforts. The result may be just a shift in the pattern of interdependence among countries, with increasing indirect linkages through supply chains (Alfaro and Chor 2023; Freund et al. 2023). For instance, following the increases in tariffs imposed by the United States on imports from China in 2018 and 2020, countries that expanded their market shares in the United States also strengthened their trade ties with China. Such tariff increases may therefore not have achieved their primary objective of reducing U.S. economic dependence on China, but they are likely to have led to higher prices of imported goods for U.S. consumers by increasing the length and complexity of supply chains. Other efforts at friend-shoring, near-shoring, or on-shoring, motivated by geopolitical tensions, could have similar results.

Survey data, as well as recent foreign direct investment (FDI) announcements, suggest that firms in some advanced economies have been reassessing global value chain exposures and diverting investment to domestic or regional supply chains to reduce vulnerabilities to geopolitical risks and trade policy shocks (figure 1.13.B; Alicke et al. 2022). However, well-functioning and diversified global value chains are a source of resilience more than vulnerability, and their unraveling could lead to significant welfare losses (Bonadio et al. 2021; di Giovanni and Levchenko 2009; Javorcik et al. 2022).

Global trade growth could also be dampened by other policies, including increases in subsidies for domestic industries in large economies. Over the longer term, the greater fragmentation of investment and trade networks could weaken potential growth by limiting cross-border technological diffusion, reducing efficiency, and raising prices (Branstetter, Glennon, and Jensen 2018; Buera and Oberfield 2020; Góes and Bekkers 2022).

**More frequent natural disasters with worsening impacts**

The possibility of increasingly frequent and severe natural disasters resulting from climate change poses a global threat, with the potential to generate significant losses in lives, livelihoods, and output (Casey, Fried, and Goode 2023). Natural disasters, including those linked to climate change, impacted 130 million people and caused more than 40,000 deaths annually, on average, over the past three decades (Song, Hochman, and Timilsina 2023). Climate change-related disasters have caused severe damage to private and public infrastructure, disrupted output, and reduced productivity (Dieppe, Kilic Celik, and Okou 2020; Hallegatte, Jooste, and McIsaac 2022).

The adverse effects of climate change and natural disasters on growth could be amplified by limited fiscal capacity to respond to them, or through their impact on public sector balance sheets (Milivojevic 2023). Natural disasters could also pose risks to the stability of banking sectors by compromising loan collateral and triggering increases in non-performing loans (Nie, Regelink, and Wang 2023). At the same time, the financial sector faces balance sheet risks from the green transition, such as from stranded assets in high-carbon sectors.

Climate change-related natural disasters will likely affect different countries to different extents, depending on their geography and their economic structures. Relative to advanced economies, EMDEs have less capacity to respond to these disasters, while intensive urbanization in some EMDEs may increase vulnerability to such hazards as floods (Rentschler et al. 2022). Moreover, the impacts of natural disasters are likely to be uneven across populations and to increase poverty (Hallegatte and Rozenberg 2017; Jafino et al. 2020).

Climate change and the associated increase in natural disasters can exacerbate poverty through several channels. For example, changing environmental conditions that worsen the spread of disease may result in deteriorating health outcomes for low-income households, including increased prevalence of child stunting (figure 1.13.C). Adverse effects on agricultural yields could also raise food prices, which is especially problematic for poorer households that spend a large share of their income on food. In some countries, poor and vulnerable populations live in informal settlements or may lack access to
adequate housing, leaving them more vulnerable to the impacts of extreme weather events, other natural disasters, and associated diseases (Dodman, Archer, and Satterthwaite 2019). Climate change-related and other natural disasters could also disproportionately affect agricultural workers in many EMDEs and increase food insecurity in regions with large numbers of subsistence farmers who lack the resources to maintain consumption in the face of crop failures (Khanal et al. 2021).

**Upside risk: Stronger growth in the United States**

Growth in the United States proved more resilient than expected in 2023, with unemployment remaining low, despite the sharpest monetary policy tightening in decades. At the same time, inflation continued to retreat from mid-2022 peaks, partly on account of waning energy and food prices, as well as some moderation in core inflation. These developments—resilient growth, low unemployment, and easing inflation—rarely coincide and represent a break from the generally negative historical relationship between labor market slack and inflation (Hazell et al. 2022). The disinflation is likely attributable to a combination of positive supply developments, including a rebuilding of global supply chains and a gradual post-pandemic recovery in labor supply, and anchored inflation expectations. In addition, a post-pandemic shift of demand, from goods back to services, is likely to have contributed to disinflation in goods prices, with services inflation slower to react.

Looking ahead, further positive developments on the supply side, including continuing increases in labor force participation and efficiency gains in global supply chains, could lift productivity growth (Fernald and Li 2023). This could lead to higher U.S. output growth than projected in the baseline, combined with continued disinflation. The reduction in labor supply caused by the early retirement of older workers during the pandemic has been almost fully offset by increased participation by the prime working-age population (figure 1.13.D). A continuation of this trend would help further boost labor supply and employment; it could be prompted by abundant job opportunities, a continued recovery in immigration, past wage increases, or depleted savings.

In these conditions, continued employment gains would help support household incomes, while the increased supply of labor, along with productivity gains, would help contain increases in firms’ labor costs. Relative to the baseline projection, such a supply gain would allow declining core inflation to be coupled with solid economic growth in the United States, while facilitating the maintenance of healthy household balance sheets. This would generate positive trade spillovers across EMDEs. The impact on global financial conditions would likely also be positive, as prospects for improved growth, lower inflation, and faster easing of U.S. monetary policy would buoy investor risk appetite.

**Growth outcomes under alternative scenarios**

If any of the risks discussed above were to materialize, it could likely lead to different growth outcomes from baseline projections. Using a global macroeconomic model, the growth implications of three downside risk scenarios are examined—an increase in oil prices due to a rise in geopolitical tensions, financial stress in EMDEs driven by a reassessment of risk in the context of elevated debt and high borrowing costs, and weaker growth in China because of an intensification of strains in the real estate sector. In addition, one upside scenario is considered, centered on a continuation of robust growth in the United States driven by rising labor supply.

**Higher oil prices.** In the baseline forecast, oil prices are assumed to decline gradually in 2024 and 2025. An alternative scenario envisages oil prices...
prices surging 30 percent above the baseline in the first quarter of 2024 (and 20 percent on average in 2024), driven by disruptions in crude oil supply arising from an escalation of conflict in the Middle East or elsewhere. The initial 30 percent increase is calibrated to mimic price changes seen during similar past episodes (World Bank 2023a). After the first quarter of 2024, oil prices are assumed to gradually return to the baseline. As a result of the jump in oil prices, global consumer price inflation increases by 0.8 percentage point relative to the baseline in 2024, before easing in 2025. Rising gasoline prices reduce real household incomes, while higher input costs drive businesses to curtail investment. As a result, global growth in 2024 is 0.2 percentage point below the baseline. A partial recovery from the oil shock takes hold in 2025, with growth 0.1 percentage point above the baseline (figure 1.14.A).

**Financial stress in EMDEs.** In 2023, financial markets remained generally sanguine about debt-related risks in most EMDEs, despite broadly elevated debt levels and rising advanced-economy bond yields. However, investor risk perceptions, and thus their risk appetite, could deteriorate suddenly, as a result of a wide range of factors. These include the continued buildup of EMDE debt in the context of high global real interest rates, or a surge in term premia on bonds, driven by large fiscal funding requirements in some advanced economies. Such a decline in risk appetite could become self-reinforcing, as currency depreciations and capital outflows put pressure on EMDE balance sheets.

In an EMDE financial stress scenario, spreads on sovereign and corporate debt in EMDEs are assumed to increase by 100-150 basis points in the first quarter of 2024 relative to baseline assumptions, with more vulnerable EMDEs experiencing larger increases. This shock dissipates over the forecast horizon, with spreads gradually returning to baseline levels. As a result, growth in EMDEs in 2024 is 0.6 percentage point below the baseline, as consumers and businesses reduce spending, and global growth is 0.2 percentage point below the baseline (figure 1.14.B). Advanced economies are initially not significantly affected by the decline in EMDE activity because of the offsetting positive impact of lower commodity prices on domestic demand, but this mitigating factor fades in 2025. Inflation in EMDEs is little changed, with the disinflationary effect of weaker domestic demand offset by the inflationary impact of depreciating currencies. In advanced economies, inflation is reduced significantly in 2024, compared with the baseline, partly on account of weaker commodity prices and appreciating currencies.

**Weaker growth in China.** In the baseline forecast, output in China is projected to grow by 4.5 percent in 2024 and 4.3 percent in 2025.
However, these projections are subject to various downside risks. An alternative scenario envisages China’s real estate sector slowing more sharply than expected, with a corresponding decrease in household spending relative to the baseline. The more pronounced slow-down could be driven by tighter credit conditions and weaker confidence. As a result, growth in China is reduced by 1 percentage point in 2024, before recovering in 2025. Other EMDEs are affected by weaker demand from China, particularly for commodities, as well as by increased financial volatility. Thus, aggregate EMDE growth in 2024 is reduced by 0.5 percentage point below the baseline, and global growth by 0.2 percentage point below the baseline, before a rebound in 2025, reflecting the recovery in China (figure 1.14.C).

**Stronger growth in the United States.** The baseline projects that growth in the United States moderates in 2024, partly because some of the supply factors supporting robust growth last year are expected to diminish. Given the possibility of a sustained increase in labor force participation and resilient labor productivity, an alternative scenario is constructed in which the labor force participation rate continues to increase by 0.1 percentage point per quarter—the average pace seen between the fourth quarter of 2020 and the third quarter of 2023—to above pre-pandemic levels. The additional job seekers are absorbed into the labor market with little change in the unemployment rate relative to the baseline. The strong employment growth supports household incomes and spending, raising U.S. growth by 0.5 percentage point in 2024, and 0.7 percentage point in 2025, relative to the baseline. Stronger U.S. activity generates positive spillovers, boosting growth in EMDEs by 0.2 percentage point in 2024. The increase in growth in EMDEs in 2025 is smaller, as monetary policy is adjusted in response to higher demand and inflation.

In all, global growth is 0.2 percentage point higher in 2024 and 0.3 percentage point higher in 2025 than in the baseline (figure 1.14.D). Global inflation is 0.4 percentage point higher in 2024 compared with the baseline, as a result of higher commodity prices and increased activity, before it retreats toward baseline projections in 2025. U.S. inflation rises by approximately 0.5 percentage point in 2024 above the baseline, before declining in line with lower commodity prices. The Federal Reserve’s response to higher inflation is muted given that core prices remain broadly unaffected. Although this leads to no additional increases in U.S. policy rates, the easing path over 2024 is more gradual than in the baseline.

**Policy challenges**

Policy makers around the world are facing enormous challenges, many of which pose exacting trade-offs. Global policy efforts are needed to address debt challenges and climate change, and to support populations affected by food insecurity. Boosting international trade is also a key priority given increasing signs of fragmentation and the use of restrictive measures. EMDE policy makers need to strike a difficult balance between ensuring fiscal sustainability and providing targeted support to vulnerable households, while addressing wide investment gaps. This challenge has become harder given weakened fiscal capacity amid higher public debt, increasing debt-servicing costs, and foregone revenues from the persistence of pandemic-related tax cuts. Tight monetary policy or rising bond yields in advanced economies may force EMDEs to delay monetary easing in order to prevent capital outflows and currency pressures. To meet development goals and bolster long-term growth prospects, policy actions to strengthen investment growth are needed.

**Key global challenges**

**Elevated debt.** High debt, weak growth, and elevated interest rates pose considerable challenges for many EMDEs, especially the poorest countries, given the resulting increase in debt-servicing burdens (figure 1.15.A). Currently, 13 LICs and 23 middle-income countries have fallen into, or are at high risk of, debt distress. Several countries have entered debt restructuring in the past year, but progress toward adequate resolution has been slow in many cases. The international community needs to pre-emptively address developing risks to avoid the economic costs of debt crises. Crucially, the debt restructuring and relief process, particularly the G20 Common
Framework, needs to be adapted to the changing sovereign debt landscape characterized by more diverse creditors and more complex debt instruments. Greater concessional lending—enabled in part by easier access—and more grants are also needed.

**Climate change.** Bolstering global efforts to address climate change is another critical development challenge. Progress by countries that pledged to cut their greenhouse gas emissions under the 2015 Paris Agreement has fallen short, with vast gaps remaining between the actions needed and those that have been planned and executed (United Nations 2023). Decarbonizing the global economy will require sizable investments and finance—climate finance must increase at least five-fold annually over 2023-50 to contain climate change and avoid its worse effects—at a time when investment growth is set to remain weak (figure 1.15.B; chapter 3; Buchner et al. 2023; World Bank 2022c). Globally, fossil fuel subsidies were 40 percent higher than global investment in climate finance between 2011 and 2020 (Naran et al. 2022). Cutting fossil fuel subsidies can free up significant resources and alleviate the trade-off between financing climate change goals and investing in other longer-term development needs. Moreover, repurposing fossil fuel subsidies toward incentivizing greener production could potentially reduce emissions and pollution while enhancing productivity (Damania et al. 2023).

Upper-middle-income and high-income countries account for nearly three-fourths of greenhouse gas emissions per capita (figure 1.15.C). At the same time, the adverse effects of climate change and natural disasters are disproportionately impacting the poorest, with 40 percent of people affected by disasters living in LICs (Neunuebel 2023). The most vulnerable economies, including LICs and small island developing states, are particularly exposed to droughts, floods, heat waves, rising sea levels, and storms, and often lack the resources to confront these challenges, especially given other pressing development needs (Jafino et al. 2020; Kenworthy, Kirby, and Vorisek 2023). Financing from higher-income economies and the mobilization of private capital will accordingly be needed.

Decarbonization will require well-targeted regulations that can encourage steps to boost energy efficiency and advance greener technologies (OECD 2023a). As the energy transition will entail substantial redeployments of workers and reallocations of capital from emission-intensive to greener activities, structural reforms and fiscal measures will be needed to reduce labor market...
frictions and ameliorate uneven distributional impacts across sectors and populations. Sectors such as the mining of fossil fuels and fossil-fuel-intensive industries will face the highest costs of the energy transition, and workers in these sectors lacking the skills needed in greener activities will be at the greatest risk of job losses (OECD 2023a). Cushioning vulnerable groups could increase public support for climate change-mitigation policies (Dechezleprêtre et al. 2022). Introducing carbon pricing instruments and reducing fuel subsidies could not only help to reduce the carbon intensity of growth but also provide governments with room for transfer payments to vulnerable households (World Bank 2023d).

**Trade fragmentation.** Boosting international trade is another key priority, especially in light of its anemic growth last year and subdued near-term outlook amid the increasing use of restrictions and other signs of fragmentation. Disruptions to global value chains, whether from geopolitical conflict or trade policy restrictions, can lead to significant welfare losses and diversification of trade partners and inputs, and attract capital and FDI flows. Such measures include streamlining border procedures with the help of digital technologies and easing other constraints on trade flows, such as uncompetitive logistics sectors. Countries can also invest in modernizing trade information systems, strengthening contract enforcement and addressing market distortions, facilitating trade finance, and promoting competitiveness.

**Food insecurity.** Food price inflation remains elevated, worsening food insecurity and increasing the number of people affected by hunger in many EMDEs, including in FCS economies (figure 1.15.D). Between 691 million and 783 million people are estimated to have gone hungry globally in 2022—122 million more than in 2019—effectively erasing progress made since 2015 (FAO 2023b). The global community can help address food insecurity by avoiding imposing export restrictions, offering technical assistance to strengthen agricultural food systems, and through targeted social protection and cash transfers to poor and vulnerable households. Governments can also shift their focus from costly agricultural
subsidiestoward measures that sustainably support agricultural producers, such as additional investments in research and development to boost agricultural productivity (World Bank et al. 2023).

**Challenges in emerging market and developing economies**

**EMDE monetary and financial policy challenges**

Global monetary policy tightening is nearing an end, with inflation continuing to decline and the share of EMDEs with above-target inflation falling sharply in recent months (figure 1.16.A). A number of EMDE central banks—some of which were the first, globally, to raise rates in 2021—have already cut policy rates and more are expected to do so in the coming months. In contrast, policy rates are likely to decline more slowly in advanced economies, potentially leading to narrowing differentials between interest rates in advanced economies and EMDEs. In real terms, the policy rate in the United States is already close to parity with the average rate in EMDEs excluding China (on a GDP-weighted basis; figure 1.16.B).

A further shift in real interest rate differentials in favor of advanced economies could increase the risk of EMDE capital outflows, currency depreciations, and resulting surges in inflation (figure 1.16.C). Moreover, a renewed rise in U.S. yields could induce conditions similar to the 2013 “taper tantrum,” spurring sudden increases in risk premia and rapid portfolio outflows from EMDEs (Arteta et al. 2015; Sahay et al. 2014). Indeed, there was a marked deterioration in EMDE portfolio flows in September-October last year, when U.S. term premia and longer-term yields increased sharply.

EMDE policy makers can mitigate such risks by indicating their readiness to tighten monetary policy again in response to signs of upward pressure on inflation, including from currency depreciation. This could help keep inflation expectations anchored (figure 1.16.D). More broadly, transparent communication by EMDE monetary authorities, combined with clear and decisive commitment to price stability, can buttress the credibility of their monetary frameworks, thereby lessening long-term inflation pressures (Ha, Kose, and Ohnsorge 2019). In addition, EMDEs can act to conserve or replenish foreign currency reserves, including by demonstrating commitment to policies that boost investor confidence and attract foreign capital.

Heightened volatility in global financial markets could increase liquidity and solvency risks in EMDE financial sectors. In banking sectors, currency and maturity mismatches between assets and liabilities need to be monitored, with prompt action taken to manage emerging issues. The concentration of held-to-maturity securities on the balance sheets of some EMDE banks merits scrutiny, given that carrying values are not marked to market. Highly leveraged non-bank corporations in EMDEs are also vulnerable to rising interest rates (Koh and Yu 2020). Timely and transparent reporting of nonperforming loans is therefore crucial for effective monitoring of banking sector health. Over the medium term, frameworks to address potential banking sector stress in EMDEs could be improved. For example, liquidity requirements could be refined to better address foreign currency liquidity and to ensure assets deemed liquid are of sufficiently high quality (IMF 2023a).

**EMDE fiscal policy challenges**

Fiscal space in EMDEs remains limited, with median government debt worth 53 percent of GDP in 2023 and debt-to-GDP ratios above pre-pandemic decade averages in more than two-thirds of EMDEs (figure 1.17.A). High debt levels undermine fiscal sustainability, thereby eroding investor sentiment and increasing financing costs. They therefore reduce the effectiveness, as well as the feasibility, of fiscal stimulus measures (figure 1.17.B). The number of EMDEs in sovereign debt distress has risen to its highest level since 2000 (Ohnsorge and Pallan 2023). Past debt defaults suggest that more than one-third of these countries failed to durably reduce their debt or borrowing costs after a default. With global real interest rates expected to remain high, EMDE governments need to prioritize policies that boost growth and safeguard fiscal sustainability.
The combination of weak growth, high government debt, and elevated interest rates has contributed to a sharp increase in net interest payments as a share of government revenues in EMDEs. Moreover, the persistence of pandemic-related measures, such as tax cuts, has reduced revenues, compounding the challenges of revenue mobilization for many EMDEs, including LICs (figure 1.17.C). Such measures risk becoming permanent, absent a return to fiscal rules and sunset clauses. Weakened revenue collection also limits the potential redistributive power of taxation and the financing available for social protection systems, thus hindering poverty reduction (Lopez-Acevedo et al. 2023). The erosion of revenue capacity is a particular concern in LICs, where about 10 percent of revenue is spent on servicing external debt and governments are already severely constrained in meeting key development goals (Chuku et al. 2023).

Policy makers face a difficult trade-off between ensuring fiscal sustainability and providing targeted support to vulnerable households. Improving the efficiency of spending can help balance these competing priorities. In most EMDEs, the efficiency of spending on infrastructure, health, and education is lower than in advanced economies. Among EMDE commodity exporters, fiscal policy tends to be more procyclical and volatile than that in non-commodity exporters, amplifying the impact of commodity price cycles on the business cycle.

FIGURE 1.17 EMDE fiscal policy challenges

Government debt remains elevated amid tepid revenue collection in many EMDEs. High public debt and spending inefficiencies are dampening the effectiveness of fiscal policy in boosting demand and activity. The persistence of pandemic-related measures, such as tax cuts, has reduced revenues for many EMDEs, including LICs. In most EMDEs, the efficiency of spending on infrastructure, health, and education is lower than in advanced economies. Among EMDE commodity exporters, fiscal policy tends to be more procyclical and volatile than that in non-commodity exporters, amplifying the impact of commodity price cycles on the business cycle.

A. Government debt

B. Fiscal policy after two years

C. Tax revenues, 2021

D. Public spending efficiency score

E. Fiscal policy procyclicality

F. Fiscal policy volatility

Sources: Arroyo Marioli, Fatas, and Vasishtha (2023); Arroyo Marioli and Vegh (2023); Herrera et al. (forthcoming); Huidrom et al. (2019); Kose et al. (2021; 2022); Moody’s Analytics; UNU-WIDER (database); WEO (database); World Bank.

Note: a = estimate; f = forecast; AEs = advanced economies; EMDEs = emerging market and developing economies; LICs = low-income countries.

A. Bars show the median value of gross government debt as percent of GDP for 141 EMDEs.

B. Bars show the median conditional fiscal multipliers for different levels of government debt after two years. Fiscal multipliers are defined as cumulative change in output relative to cumulative change in government consumption in response to a 1-unit government consumption shock. They are based on estimates from the interacted panel vector autoregression model, where model coefficients are obtained from regressing four dependent variables—real primary expenditure growth, real government consumption growth, real revenue growth, and change in primary balances (as percent of GDP)—on real GDP growth. Annual data for 148 EMDEs over 1990-2021.

Over the longer term, the trade-off between promoting fiscal sustainability and meeting...
development needs can be mitigated by market-oriented reforms that both support growth and strengthen fiscal positions by lifting revenues, attracting foreign capital, and lowering borrowing costs. Such reforms can include reductions in barriers to firm entry and trade, measures to bolster financial supervision, and regulatory frameworks that promote competition and contain monopoly power (Aligishiev et al. 2023).

Fiscal space will also be needed to ease the trade-off between responding to climate change challenges and financing other development needs. EMDEs can balance these priorities both by raising revenues through carbon pricing instruments, which have been implemented or scheduled in 14 EMDEs, and by reducing fossil fuel subsidies, which cost 5.6 percent of GDP in EMDEs excluding China in 2022 (Carbon Pricing Dashboard; IEA database). Countries can reprioritize spending on fuel subsidies toward measures that help accelerate the green transition, including by boosting public investment and research and development on low-carbon electricity generation, transport, and technologies.

Commodity-exporting EMDEs face unique fiscal challenges, stemming both from the need to cope with large fluctuations in commodity prices and from the effects of the projected slowdown in China’s demand for commodities, notably metals. Declines in commodity prices can trigger procyclical cuts in public expenditures due to reduced revenues, while rising commodity prices can lead to procyclical increases in public spending. As a result, fiscal policy in commodity exporters tends to be more procyclical than in non-commodity exporters, often amplifying the impact of commodity price cycles on economic growth and hence the business cycle (chapter 4; figure 1.17.E). Associated with this issue, fiscal policy tends to be generally more volatile in commodity exporters, adding to the volatility of their economies and thus damaging longer-term growth (figure 1.17.F).

Sustainable, well designed, strong, and stability-oriented fiscal frameworks, such as fiscal rules and sovereign wealth funds, along with strong institutions, can help countries build buffers during commodity price booms to prepare for subsequent slumps. In addition, medium-term expenditure frameworks are vital for strengthening fiscal space, reducing fiscal policy volatility, and supporting countercyclical fiscal policy.

**EMDE structural policy challenges**

EMDEs face the difficult challenge of boosting investment to close significant development gaps in an environment of weak growth prospects and limited fiscal resources. Decarbonization alone will require a significant scaling up of investment, combined with structural reforms to promote the green transition. Shoring up food security is also critical, especially given growing trade restrictions. In some countries, closing gender gaps in labor markets could help offset demographic headwinds and bolster longer-term growth prospects.

**Accelerating investment**

Continuing a decade of weakness prior to the pandemic, the growth of fixed investment in EMDEs in 2023-24 is expected to average 4.1 percent per year, just over half the average pace over 2000-19. The broad-based investment slowdown has exacerbated large unmet investment needs in many EMDEs (Rozenberg and Fay 2019; World Bank 2022c). Substantial public investment is needed for countries to adapt to, and help contain, climate change; accelerate the digital transition; improve social outcomes; and support long-term growth. At the same time, tight financial conditions, heightened uncertainty, and, in some cases, limited access to international capital markets, continue to weigh on public and business investment, curbing capital deepening and job creation. Given constrained fiscal space for additional public investment and the challenging macroeconomic environment for private investment, there is a clear need for policies that encourage a sustained acceleration of investment in EMDEs (chapter 3).

Investment acceleration episodes have been associated with higher growth, boosted not only by rapid capital accumulation but also by increased growth of employment and productivity, the latter being supported by sectoral shifts of resources facilitated by greater investment (figure
FIGURE 1.18 EMDE structural policy challenges

Investment growth acceleration episodes have been associated with higher output growth. The likelihood of an investment acceleration episode occurring is positively related to institutional quality. Food security has worsened in EMDEs, particularly in low-income countries, partly reflecting policies that restrict food exports. The gender gap in labor force participation between EMDEs and advanced economies has widened since the pandemic, underscoring the need for labor and education policy reforms in many EMDEs.

A. Output per capita annual growth before and during investment accelerations

B. Probability of onset of an investment acceleration, by institutional quality

C. Policies to liberalize or restrict food exports

D. Difference in the ratio of female to male labor force participation rate in advanced economies versus EMDEs

Sources: Feenstra, Inklaar, and Timmer (2015); GTA (database); PRS Group (database); WDI (database); World Bank

Note: EMDEs = emerging market and developing economies.

A. Bars show median per capita growth of output in the six years before and during an acceleration. Markers indicate non-acceleration-year medians. See annex 3.1 for the definition and identification of investment accelerations.

B. Bars show the predicted probability of an investment acceleration at different levels of the lagged Institutional Quality Index. Whiskers refer to the 90 percent confidence interval. The percentile thresholds of the index are 3, 4, and 5; see column (6) of table A3.2.1. Institutional quality is measured by ICRG’s Law and Order index. Sample includes 95 economies.

C. Panel shows net number of policy changes, that is, “liberalizing” changes minus “restrictive” changes. Export policies are those concerning export taxes, export bans, export licensing requirements, export quotas, and export-related non-tariff measures. Data include changes relating to 33 three-digit central product classification codes pertaining to edible agricultural commodities and food items.

D. Panel shows the difference in the average ratio of female to male labor force participation rate between advanced economies and EMDEs. Unbalanced sample includes up to 36 advanced economies and 142 EMDEs.

1.18.A). These episodes have also been frequently accompanied by a range of other economic improvements, such as strengthened fiscal positions, enhanced credit growth, increased trade openness, and greater progress with poverty reduction.

Country case studies of investment accelerations suggest that a wide-ranging package of policies that both ensures macroeconomic stability and promotes private-sector development (for instance, Malaysia in the mid-2000s and India since the 1990s) is more likely to trigger investment accelerations. Empirical cross-country evidence also suggests that improvements in economic policy—such as the strengthening of fiscal positions, the adoption of inflation targeting, and reforms to promote trade and financial integration—have been important drivers of investment growth accelerations, particularly when combined with well-functioning institutions (figure 1.18.B).

Confronting food insecurity

Food security has deteriorated in recent years, with about 30 percent of the global population facing moderate or severe food insecurity in 2022, up from 25 percent in 2019. Factors contributing to this rise in food insecurity include geopolitical conflict, more adverse weather patterns intensified by climate change, and proliferating food-related trade restrictions (figure 1.18.C). Russia’s invasion of Ukraine and the reduction of Ukrainian export capacity, including through the destruction of agricultural land and facilities and the partial blockage of the country’s exports, has curtailed an important source of grain supply (Mottaleb, Kruseman, and Snapp 2022). An escalation of the conflict in the Middle East, and the associated disruptions in energy supply and ensuing surge in energy prices, could also substantially exacerbate food insecurity by raising food production costs (World Bank 2023a).

Measures to increase agricultural yields and improve food supply chains in EMDEs could bolster economic resilience while adding to global food supplies. Such policies can include investments in infrastructure to better transport perishables and withstand extreme weather; improvements in market competitiveness, including by reducing barriers to entry; and reforms to formalize and secure land rights, which can incentivize efficient land use and improve access to finance (FAO et al. 2023; Laborde, Lakatos, and Martin 2019; van Berkum 2021). Countries can also improve food security by boosting the technical knowledge of, and advisory services to, those employed in the agriculture sector, including to better monitor weather and
flood risks; by enhancing financial support to farmers to cover imports of inputs for planting season; and by encouraging investment in climate-smart technology for agricultural production (Gautam et al. 2022). Repurposing support for fertilizer use could not only free up resources to address food security issues but also support greener production, given that fertilizer is a contributor to nitrogen pollution (Chatterjee et al. 2022; Damania et al. 2023; Ding et al. 2021).

Closing gender gaps in the labor market

Improving gender parity in labor markets remains a major challenge, particularly across EMDEs. Barriers to female labor force participation include mismatches in skills; lack of access to child or elderly care; discrimination in hiring and retention; and restrictive policies, laws, and social norms. Globally, average female labor force participation in 2011-22 was 50 percent, compared with 70 percent for men, and the gender participation gap in EMDEs was slightly wider, at 23 percentage points.

The pandemic has resulted in persistent adverse effects in the labor market, particularly for women and vulnerable groups such as the young, low-wage workers, and workers with fewer years of education—a common outcome following large external shocks (Lopez-Acevedo and Robertson 2023). As a result, there has been a widening of gender gaps in labor force participation, and to a greater extent in EMDEs than in advanced economies (figure 1.18.D; WEF 2023). In many EMDEs, women also continue to face higher unemployment rates, lower wages, and more limited access to managerial positions (ILO 2023). While female employment in EMDEs has recovered since the pandemic recession of 2020, it remains lower compared with men, and four-fifths of the jobs created for women in 2022 were in the informal economy compared with two-thirds for men (ILO 2023). Since informal sector jobs tend to be lower paid and less secure, and to provide fewer opportunities for advancement, policies are needed to strengthen inclusion in formal employment (OECD 2023b).

Gender parity in the labor market is particularly lacking in the Middle East and North Africa and South Asia, where female labor force participation is about one-half the EMDE average. If measures were taken in these two regions to gradually raise female participation to the EMDE average by the end of this decade, potential growth in the period could be boosted by about 1.2 percentage points per year (Kose and Ohnsorge 2023). These gains could be amplified by the provision of more and higher-quality education for women. In other regions, particularly East Asia and Pacific and Europe and Central Asia, increasing female labor participation could partly offset the slowing of labor force growth owing to population aging. Female labor force participation can be encouraged by social protection measures that provide adequate social safety nets, access to education, and support for childcare and job re-entry programs. Such policies can be supplemented by investments in safe transport; measures to broaden access to finance, inputs, and markets; information campaigns to address restrictive social norms; and legislative and regulatory changes (Bussolo et al. 2022; World Bank 2022d).
### TABLE 1.2 Emerging market and developing economies

<table>
<thead>
<tr>
<th>Commodity exporters</th>
<th>Commodity importers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Algeria*</td>
<td>Kyrgyz Republic</td>
</tr>
<tr>
<td>Angola*</td>
<td>Lao PDR</td>
</tr>
<tr>
<td>Argentina</td>
<td>Liberia</td>
</tr>
<tr>
<td>Armenia</td>
<td>Libya*</td>
</tr>
<tr>
<td>Azerbaijan*</td>
<td>Madagascar</td>
</tr>
<tr>
<td>Bahrain*</td>
<td>Malawi</td>
</tr>
<tr>
<td>Belize</td>
<td>Mali</td>
</tr>
<tr>
<td>Benin</td>
<td>Mauritania</td>
</tr>
<tr>
<td>Bhutan*</td>
<td>Mongolia</td>
</tr>
<tr>
<td>Bolivia*</td>
<td>Mozambique</td>
</tr>
<tr>
<td>Botswana</td>
<td>Myanmar*</td>
</tr>
<tr>
<td>Brazil</td>
<td>Namibia</td>
</tr>
<tr>
<td>Burkina Faso</td>
<td>Nicaragua</td>
</tr>
<tr>
<td>Burundi</td>
<td>Niger</td>
</tr>
<tr>
<td>Cabo Verde</td>
<td>Nigeria*</td>
</tr>
<tr>
<td>Cameroon*</td>
<td>Oman*</td>
</tr>
<tr>
<td>Central African Republic</td>
<td>Papua New Guinea</td>
</tr>
<tr>
<td>Chad*</td>
<td>Paraguay</td>
</tr>
<tr>
<td>Chile</td>
<td>Peru</td>
</tr>
<tr>
<td>Colombia*</td>
<td>Qatar*</td>
</tr>
<tr>
<td>Comoros</td>
<td>Russian Federation*</td>
</tr>
<tr>
<td>Congo, Dem. Rep.</td>
<td>Rwanda</td>
</tr>
<tr>
<td>Congo, Rep.*</td>
<td>São Tomé and Príncipe</td>
</tr>
<tr>
<td>Costa Rica</td>
<td>Saudi Arabia*</td>
</tr>
<tr>
<td>Côte d’Ivoire</td>
<td>Senegal</td>
</tr>
<tr>
<td>Ecuador*</td>
<td>Seychelles</td>
</tr>
<tr>
<td>Equatorial Guinea*</td>
<td>Sierra Leone</td>
</tr>
<tr>
<td>Eritrea</td>
<td>Solomon Islands</td>
</tr>
<tr>
<td>Ethiopia</td>
<td>South Africa</td>
</tr>
<tr>
<td>Fiji</td>
<td>South Sudan*</td>
</tr>
<tr>
<td>Gabon*</td>
<td>Sudan</td>
</tr>
<tr>
<td>Gambia, The</td>
<td>Suriname</td>
</tr>
<tr>
<td>Ghana*</td>
<td>Tajikistan</td>
</tr>
<tr>
<td>Guatemala</td>
<td>Tanzania</td>
</tr>
<tr>
<td>Guinea</td>
<td>Timor-Leste*</td>
</tr>
<tr>
<td>Guinea-Bissau</td>
<td>Togo</td>
</tr>
<tr>
<td>Guyana*</td>
<td>Uganda</td>
</tr>
<tr>
<td>Honduras</td>
<td>Ukraine</td>
</tr>
<tr>
<td>Indonesia*</td>
<td>United Arab Emirates*</td>
</tr>
<tr>
<td>Iran, Islamic Rep.*</td>
<td>Uruguay</td>
</tr>
<tr>
<td>Iraq*</td>
<td>Uzbekistan</td>
</tr>
<tr>
<td>Kazakhstan*</td>
<td>West Bank and Gaza</td>
</tr>
<tr>
<td>Kenya</td>
<td>Yemen, Rep.*</td>
</tr>
<tr>
<td>Kosovo</td>
<td>Zambia</td>
</tr>
<tr>
<td>Kuwait*</td>
<td>Zimbabwe</td>
</tr>
</tbody>
</table>

1. Emergent market and developing economies (EMDEs) include all those that are not classified as advanced economies and for which a forecast is published for this report. Dependent territories are excluded. Advanced economies include Australia; Austria; Belgium; Canada; Cyprus; Czechia; Denmark; Estonia; Finland; France; Germany; Greece; Hong Kong SAR, China; Iceland; Ireland; Israel; Italy; Japan; the Republic of Korea; Latvia; Lithuania; Luxembourg; Malta; the Netherlands; New Zealand; Norway; Portugal; Singapore; the Slovak Republic; Slovenia; Spain; Sweden; Switzerland; the United Kingdom; and the United States. Since Croatia became a member of the euro area on January 1, 2023, it has been removed from the list of EMDEs, and related growth aggregates, to avoid double counting.

2. An economy is defined as commodity exporter when, on average in 2017-19, either (1) total commodities exports accounted for 30 percent or more of total exports or (2) exports of any single commodity accounted for 20 percent or more of total exports. Economies for which these thresholds were met as a result of re-exports were excluded. When data were not available, judgment was used. This taxonomy results in the classification of some well-diversified economies as importers, even if they are exporters of certain commodities (for example, Mexico).

3. Commodity importers are EMDEs not classified as commodity exporters.
References


FAO (Food and Agriculture Organization). 2023b. “122 Million More People Pushed into Hunger Since 2019 Due to Multiple Crises, Reveals UN Report.” Food and Agriculture Organization, Rome.


World Bank, FAO (Food and Agriculture Organization), IMF (International Monetary Fund), WFP (World Food Programme), and WTO (World Trade Organization). 2023. “Global Food and Nutrition Security Crisis.” Statement, Washington, DC.

