Global Context
COVID-19 Outbreaks, Disruptive Supply Bottlenecks, Higher Inflation

Global new COVID-19 cases and positive testing rate in 2021
(Percent) (Per 100,000 people)

Impact of supply bottlenecks on global trade and industrial production
(Index, 100 = December 2019)

Consensus median inflation forecasts
(Percent)

Sources: Consensus Economics; Haver Analytics; Our World in Data, World Bank.
Left Panel. Global median COVID-19 positive rate and global new daily cases per 100,000 people. Positive rate is the smoothed daily share of tests returning a positive result. Global new daily cases series is 14-day moving average. Last observation is January 23, 2022. Center Panel. IP = Industrial production. The effect of supply bottlenecks is derived from OLS regressions. Dotted lines show counterfactual scenarios produced by assuming that the PMI supply delivery times indicator (a proxy for supply bottlenecks) in the January 2020-August 2021 period remains at the average 2019 level. Estimations are performed over the period 2000-19. Right Panel. Consensus forecast for median headline CPI inflation for 2021-22 based on December 2021 and May 2021 survey of 32 advanced economies and 50 EMDEs.
Global Growth Forecasts

Slowing Growth

<table>
<thead>
<tr>
<th>GDP growth (Percent)</th>
<th>Change from June 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013-19</td>
</tr>
<tr>
<td>World</td>
<td>2.9</td>
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<tr>
<td>Advanced economies</td>
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</tr>
<tr>
<td>EMDEs</td>
<td>4.5</td>
</tr>
<tr>
<td>East Asia and Pacific</td>
<td>6.6</td>
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<tr>
<td>Europe and Central Asia</td>
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<tr>
<td>Latin America and the Caribbean</td>
<td>1.3</td>
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<tr>
<td>Middle East and North Africa</td>
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<td>South Asia</td>
<td>6.5</td>
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<tr>
<td>Sub-Saharan Africa</td>
<td>3.1</td>
</tr>
</tbody>
</table>

Note: Headline aggregate growth rates are calculated using GDP weights at average 2010-19 prices and market exchange rates; e = estimate; f = forecast.
Uneven Global Recovery

Lasting Scarring Partly due to Weak Output and Investment Recovery

Deviation of output with pre-pandemic trends by 2023

(Percent)

Deviation of investment from pre-pandemic trends

(Percent)


Note: Figures show the gaps (Left Panel) or percent deviation (Right Panel) between the latest projections and forecasts released in the January 2020 edition of the Global Economic Prospects report. For 2023, the January 2020 baseline is extended using projected growth for 2022. Left Panel. FCS and LICs refer to fragile and conflict-affected situations and low-income countries, respectively. The small states sample includes 32 EMDEs. Right Panel. Shaded area indicates forecasts.
Between-Country Income Inequality

Renewed Increase in 2020 Global Recession

Relative per capita income growth
(% point change; relative to advanced economies)

Change in between-country income inequality
(annualized point change)

Note: Based on World Bank’s World Development Indicators and growth projections. Left panel: EMDEs = emerging market and developing economies; LICs = low-income countries. Relative per capita income growth is computed as a difference in per capita GDP growth between respective EMDE groups and advanced economies, expressed in percentage points. Right panel: The figure shows annualized change in the inequality indices between the two years indicated. Theil generalized entropy GE(1) index and Gini index are computed using per capita GDP, PPP (constant 2017 international dollars). The Gini index is on 0-100 scale.
Risks
Multiple, Tilted to Downside

- COVID-19: new outbreaks
- Inflationary pressures
- Supply bottlenecks
- Climate-related disasters
- Financial stress
- Weaker long-term growth
Inflation and Financial Risks

Rising Inflation; Tightening Financial Conditions; Deleveraging in China

**Inflation surprises**

*Index, >0 = upside data surprise*

- World
- EMDEs
- United States

**Financing conditions, 2021**

*Index, January 1 = 100*

- Advanced economies
- EMDEs

**Property sector in China**

- Liabilities of firms
- Gross value added (RHS)

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Sources: Bloomberg; Citigroup; Haver Analytics; Rogoff and Yang (2021); Wind Information, Co.; World Bank.

Left Panel. Data are from Citigroup Economic Surprise Index. The Citi inflation surprise indexes measure price surprises relative to market expectations. A positive index reading means inflation has been higher than expected and a negative reading means inflation has been lower than expected. Last observation is December 2021. Center Panel. Financial condition indices (FCI) are Goldman Sachs FCI constructed as a weighted average of short-term interest rates, long-term interest rates, the trade-weighted exchange rates, an index of credit spreads, and the ratio of equity prices to the 10-year average of earnings per share. Sample includes 10 advanced economies (including euro area) and 12 EMDEs (excluding China). Aggregates are calculated are calculated using 2021 GDP weights at average 2010-19 prices and market exchange rates. Last observation is January 24, 2022. Right Panel. Left bar shows liabilities of listed property companies as share of GDP. Right bar shows gross value added based on 2020 input-output tables. Gross value added of construction and equipment investment are estimates.
Policy Priorities

Measures to Ensure Green, Resilient, and Inclusive Growth

Control the Pandemic

• Global coordination to ensure equitable access to vaccines and reduce the threat of new variants
• Accelerate vaccine rollout in EMDEs, especially LICs

Ensure Macroeconomic Stability

• Confront inflation to ensure price and financial stability; strengthen macroprudential policies
• Bolster domestic revenue mobilization to rebuild fiscal buffers and address debt sustainability concerns
• Strengthen fiscal, monetary, and macroprudential frameworks to manage business and commodity cycles
• Support vulnerable groups and strengthen policy interventions to avoid increases in within-country inequality

Enhance Crisis Preparedness and Growth Prospects

• Strengthen public institutions and health and education systems to bolster physical and human capital
• Foster firm competition and improve digital infrastructure
• Strengthen equality of opportunity by broadening access to health care, education, technology, infrastructure
• Reduce reliance on commodity sectors for fiscal and export revenues

Confront Climate Change and Inequality

• Expand financing to scale up climate change adaptation and facilitate decarbonization
• Enhance social safety nets, income redistribution, and access to education and health
Monetary and Fiscal Policies in EMDEs
Policy Tightening Underway

Policy rates in EMDEs
(Percent)

Fiscal stance in EMDEs
(Percentage points of potential GDP)

Sources: Bank for International Settlements, International Monetary Fund, World Bank. Note: EMDEs = emerging market and developing economies. Shaded area indicates forecasts. Left Panel. Sample includes 22 EMDEs. Nominal policy rates using real GDP as weights (2021 GDP weights are used in January 2022). Last observation is January 2022. Right Panel. Figure shows the GDP-weighted cumulative change since 2019 in the cyclically-adjusted primary balance (CAPB), based on data from IMF (2021b). Fiscal impulse is the negative change in the CAPB from the previous year. Sample is limited to 50 EMDEs because of data availability.
Policy Implications: Inequality

Between-Country Inequality, Within-Country Inequality, and Global Cooperation

Left Panel. Figure shows the percent of population that received at least one dose of a COVID-19 vaccine, as of January 31 and June 30 2021, and January 25, 2022. Right Panel: The learning-poverty rate is the proportion of 10-year-olds unable to read a short, age-appropriate text, as described in Azevedo et al. (2021). Blue bars show the pre-COVID estimations for latest available data and red horizontal line denotes the expected average for EMDEs after the impact of COVID-19 on learning poverty due to education disruptions. Orange whiskers show the minimum-maximum ranges for each country group.

Sources: Azevedo et al. (2021); Sustainable Development Goals; Our World in Data; World Bank.