

World Bank Global Economic Perspectives, January 2022

**Global economy to expand by 4.1 % in 2022.
India to grow at a rate of 8.7 % in 2022 and 6.8 % in
2023.**

Projected Global economy Growth: (+) 4.1 % in 2022 and (+) 3.2 % in 2023

- According to World Bank's Flagship report- '**Global Economic Perspectives 2021**' released on 12th January 2022 , the global economy is projected to expand by (+) 4.1 % in 2022 from 5.5 % in 2021 reflecting continued COVID-19 flare-ups, diminished fiscal support, and lingering supply bottlenecks
- In 2023 the global economy is projected to grow modestly by 3.2 as pent up demand wanes and supportive macroeconomic policies continue to unwind % **(Table)**.

Projected Growth in Advanced Economies is (+) 3.8 % and EMDEs (+) 4.6 % in 2022

- **Advanced Economies** are projected to expand by (+) 3.8 % in 2022 which includes the USA (+ 3.7 %), Japan (+ 2.9 %), and Euro area (+4.2 %).
- The group of **emerging market and developing economies (EMDEs)** is projected to expand by +4.6 % in 2022.
- *India is expected to record a firm growth of 8.7 % in 2022 as against 7.5 % predicted in Global Economic Perspectives, June 2021.*

Projected Growth in Global Trade is (+) 5.8 % in 2022 and (+) 4.7 % in 2023.

- Global trade is projected to grow by an average of 5.8 % in 2022 and 4.7 % in 2023 . Services trade is like to remain subdued with restrictions on International travel but may gradually recover on account of improvements in international mobility as vaccination proceeds . The risks to the global trade outlook in near term includes worsening supply bottlenecks due to Omicron - driven pandemic surge and in the longer term rising protectionism .

Regional outlooks

- **Advanced economies** –The growth in advanced economies is forecasted to decelerate from 5 % in 2021 to 3.8 % in 2022 with the unwinding of pent -up demand partly cushions withdrawal of fiscal policy support . Despite the slowdown, the projected pace of expansion will be sufficient to return aggregate advanced-economy output to its pre-pandemic trend in 2023 and thus complete its cyclical recovery. A solid rebound is projected for investment, based on sustained aggregate demand and broadly favourable financing conditions.
- **South Asia** – The growth in South Asia is projected to expand by 7.6 percent in 2022, accelerating from 7.0 percent the previous year, as COVID-19 vaccination progresses, and contact-intensive sectors recover. Despite two years of robust growth, the projected rate of per capita income catch-up with advanced economies for 2021-23 has slowed and is only about half the rate of catch-up achieved in the decade prior to the pandemic. A resurgence of the pandemic, especially with the emergence of Omicron along with inflationary pressures requiring more monetary policy tightening than is assumed in the baseline, and a sudden tightening of financing conditions exacerbated by the re-emergence of stress in the financial sector.
- **India** – According to the World Bank , Indian economy is expected to expand by 8.3 % in fiscal year 2021/22 unchanged from last June’s forecast as recovery is yet to become broad based . The economy may benefit from resumption of contact intensive services and ongoing but narrowing monetary and fiscal policy support . In FY2022/23 and FY2023/24 growth has been upgraded, to 8.7 and 6.8 percent respectively, reflecting an improving investment outlook with private investment, particularly manufacturing, benefiting from the Production-Linked Incentive (PLI) Scheme, and increase in infrastructure investment. The growth outlook is also supported by ongoing structural reforms, a better than-expected financial sector recovery, and measures to resolve financial sector challenges despite ongoing risks.
- **East Asia and Pacific region** – The region is projected to contract to 5.1 % in 2022 from 7.1 % in 2021 fuelled by downward growth projections of China amid tighter regulations and diminished support from exports .However , region is expected to accelerate to 5 % in 2022 on account of release of pent up demand and accelerated covid -19 vaccinations . The projected recovery in tourism dependent economies will not be sufficient to return output to its 2019 levels during forecast period . The downside risks to the outlook include recurrent mobility restrictions in the context of pandemic resurgence and incomplete vaccinations, heightened financial stress, and disruptions from natural disasters.
- **Europe and Central Asia** –Growth in Europe and Central Asia is estimated to grow by 3 % in 2022 as domestic demand stabilizes , and 2.9 % in 2023 with waning of external demand and softening of commodity prices . The weaker growth outlook is on account of recurrent COVID-19 flareups, a faster-than-expected withdrawal of macroeconomic policy support, and sharp increases in policy uncertainty and geopolitical tensions. Key risks to the regional outlook include a further resurgence of the pandemic, financial stress, less supportive external conditions than expected, and an additional rise in policy uncertainty or escalation in geopolitical tensions.

- **Latin America and Caribbean** –The world Bank states that the regional growth is projected to contract to 2.6 % in 2022 and 2.7 % in 2023, reflecting sluggish labour market improvement, tighter macroeconomic policy, softer external demand, and a fading boost from last year’s rise in commodity prices . The downside risks to the forecast include renewed surges in COVID-19 cases; financial stress; disruptions related to natural disasters, including weather events linked to climate change; and, in the longer term, failure to implement productivity-enhancing and other needed reforms.
- **Middle East and North Africa** – The growth in the Middle East and North Africa is forecasted to expand to 4.4 % from 3.1 % in 2021 on account of tapering oil production cuts and increase in vaccinations . Growth prospects are uneven across the region . Renewed COVID-19 outbreaks, social unrest, high debt in some economies, delays in structural reforms and governance setbacks could further subdue growth in the region .
- **Sub-Saharan African countries** - Sub-Saharan Africa (SSA) region is estimated to expand to 3.7 % in 2022 from 3.6 % in 2021 majorly due to renewed emergence of covid-19 infections and low vaccination rates in the region . The fading tailwinds from commodity prices, the unwinding of policy support, and a shift to austerity in some countries to tackle rising debt levels could slow growth.

Other major observations of the report

- The global economy is set to decelerate amid COVID-19 flare-ups, diminished policy support, and lingering supply bottlenecks.
- The growth in emerging and developing economies will remain substantially below the pre-pandemic trends
- The world bank has pointed certain risks to the global outlook include simultaneous Omicron-driven economic disruptions, further supply bottlenecks, a de-anchoring of inflation expectations, financial stress, record level debt levels , climate-related disasters, and a weakening of long-term growth drivers.
- The output and investment in advanced economies are projected to return to pre-pandemic trends next year while growth in emerging market and developing economies (EMDEs)—particularly in small states and fragile and conflict-afflicted countries will remain markedly below, owing to lower vaccination rates, tighter fiscal and monetary policies, and more persistent scarring from the pandemic.
- Strengthened global cooperation to foster rapid and equitable vaccine distribution, proactive measures to enhance debt sustainability in the poorest countries, emphasis on growth-enhancing policy interventions to promote green, resilient, and inclusive development and focussing on reforms that broaden economic activity to decouple from global commodity markets are some of the ways to overcome the upcoming challenges to the growth outlook .

Table
Overview of the Global Economic Perspectives Projections
(Real GDP % change from previous year)**

Particulars	2019	2020	2021e	2022 f	2023 f
World Output	2.6	-3.4	5.5	4.1	3.2
Advanced Economies	1.7	-4.6	5	3.8	2.3
USA	2.3	-3.4	5.6	3.7	2.6
Euro Area	1.6	-6.4	5.2	4.2	2.1
Japan	-0.2	-4.5	1.7	2.9	1.2
Emergent Market and Developing Economies	3.8	-1.7	6.3	4.6	4.4
East Asia and Pacific	5.8	1.2	7.1	5.1	5.2
China	6	2.2	8	5.1	5.3
Indonesia	5	-2.1	3.7	5.2	5.1
Thailand	2.3	-6.1	1	3.9	4.3
Europe and Central Asia	2.7	-2	5.8	3	2.9
Russian federation	2	-3	4.3	2.4	1.8
Turkey	0.9	1.8	9.5	2	3
Latin America and Caribbean	0.8	-6.4	6.7	2.6	2.7
Brazil	1.2	-3.9	4.9	1.4	2.7
Mexico	-0.2	-8.2	5.7	3	2.2
Middle East and North Africa	0.9	-4	3.1	4.4	3.4
Saudi Arabia	0.3	-4.1	2.4	4.9	2.3
South Asia	4.4	-5.2	7	7.6	6
India *	4	-7.3	8.3	8.7	6.8
Bangladesh	8.2	3.5	5	6.4	6.9
Sub-Saharan Africa	2.5	-2.2	3.5	3.6	3.8
South Africa	0.1	-6.4	4.6	2.1	1.5
Nigeria	2.2	-1.8	2.4	2.5	2.8

Source: World Bank, *For India, data and forecasts are presented on a fiscal year basis, and GDP from 2011 onward is based on GDP at market prices with the fiscal year 2011/12 as a base year ** Headline aggregate growth rates are calculated using GDP weights at average 2010-19 prices and market exchange rates. The aggregate growth rates may differ from the previously published numbers that were calculated using GDP weights at average 2010 prices and market exchange rates. Data for Afghanistan and Lebanon are excluded.
f = forecast e = Estimated

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