

## World Bank Global Economic Perspectives, June 2022

**Global economy to expand by 2.9 % in 2022.  
India to grow at a rate of 7.5 % in 2022 and 7.1 % in 2023.**

### **Projected Global economy Growth: (+) 2.9 % in 2022 and (+) 3 % in 2023**

- According to World Bank's Flagship report- '**Global Economic Perspectives 2022**' released on 10<sup>th</sup> June 2022 , the global economy is projected to expand by (+) 2.9 % in 2022 from 3 % in 2023 . This is majorly on account of spillovers from the Russian Federation's invasion of Ukraine that is set to hasten the deceleration of global economic activity. The war in Ukraine is leading to high commodity prices, adding to supply disruptions, increasing food insecurity and poverty, exacerbating inflation, contributing to tighter financial conditions, magnifying financial vulnerability, and heightening policy uncertainty.
- In 2023 the global economy is projected to grow modestly by 3 % as factors such as high commodity prices and continued monetary tightening are expected to persist with no rebound expected . Moreover, the outlook is subject to various downside risks, including intensifying geopolitical tensions, growing stagflationary headwinds, rising financial instability, continuing supply strains, and worsening food insecurity

### **Projected Growth in Advanced Economies is (+) 2.6 % and EMDEs (+) 3.4 % in 2022**

- **Advanced Economies** are projected to expand by (+) 2.6 % in 2022 which includes the USA (+ 2.5 %), Japan (+ 1.7 %), and Euro area (+2.5 %).
- The group of **emerging market and developing economies (EMDEs)** is projected to expand by +3.4 % in 2022.
- **India is expected to record a firm growth of 7.5 % in 2022 as against 8.7 % predicted in Global Economic Perspectives, January 2022.**

### **Projected Growth in Global Trade is (+) 4 % in 2022 and (+) 4.3 % in 2023**

- Global Trade growth is anticipated to slow to 4 % in 2022 due to the war in Ukraine that is expected to lead to a disruption in the global value chains, shift down of global activity toward the less trade- intensive services sector, and gradual movement of international mobility toward pre-pandemic levels. Global trade growth is expected to moderate to an average of 4.1 % in 2023-24 as global demand for tradable goods continues to decelerate. The other downward risks to the outlook includes prolonged closures of factories and key ports in China as a result of COVID-19 lockdowns. There will also be a increase in the delivery times that could lead to new trade disruptions and global supply shortages, which could in turn severely affect production and activity in other countries.

## Regional outlooks

- **Advanced economies** – Growth in advanced economies is projected to slow markedly in 2022, to 2.6 percent, as spillovers associated with the war weigh on near-term activity, especially in the euro area. Growth is then expected to continue to moderate, averaging 2.1 percent in 2023-24, as macroeconomic policy support is unwound further and pent-up demand is exhausted. A worsening war in Ukraine is the major risk clouding the outlook, as it could destabilize an already fraught geopolitical situation, trigger additional increases in energy and food prices, exacerbate inflationary pressures, further tighten financial conditions, and prolong policy uncertainty.
- **South Asia** - South Asia has endured significant adverse spillovers from the Russian Federation's invasion of Ukraine. Growth is expected to slow from 7.6 % in 2021 to 6.8 % in 2022—0.8 percentage points below previous projections. The external environment has worsened markedly, with soaring energy and agricultural prices, slowing global growth, and rising financing costs. Surging food costs in a region populated by more than one-third of the global poor and where one-fifth of calories come from wheat products pose significant challenges to poverty alleviation and food security. Downside risks to the outlook relate to adverse geopolitical developments, the possibility of even-higher inflation, tighter financing conditions, the re-emergence of stress in the financial sector, and the resurgence of the COVID-19 pandemic, all in an environment of high debt levels and worsening current account positions.
- **India** –The Indian economy is forecasted to grow by 7.5 % in fiscal year 2022/23, with headwinds from rising inflation, supply chain disruptions, and geopolitical tensions offsetting buoyancy in the recovery of services consumption from the pandemic. Growth will also be supported by fixed investment undertaken by the private sector and by the government, which has introduced incentives and reforms to improve the business climate. In India, the focus of government spending has shifted toward infrastructure investment, simplification of labor regulations, privatization of underperforming state-owned assets, and the integration and modernization of the logistics sector.
- **East Asia and Pacific region** – Growth in the East Asia and Pacific (EAP) region is projected to decelerate to 4.4 % in 2022 as slower growth in China more than offsets a rebound in the rest of the region. The region has so far been affected less than the rest of the world by the spillovers from the Russian Federation's invasion of Ukraine, in terms of both output and inflation; however, the war's effects on commodity prices and global demand are expected to dampen the recovery, especially in commodity-importing economies. Downside risks to the outlook include a lingering pandemic and resulting mobility restrictions, financial stress triggered by tightening global financial conditions, larger-than-expected spillovers from the war, and disruptions from natural disasters
- **Europe and Central Asia** – According to the World Bank, Russian Federation's invasion of Ukraine has triggered a humanitarian crisis in Ukraine, setting back economic growth in Europe and Central Asia (ECA) and beyond, and heightened global geopolitical instability. The invasion has devastated Ukraine's economy, while output in Russia has plummeted. Output in ECA is forecast to shrink by about 3 percent in 2022, as the invasion and its repercussions reverberate through commodity and financial markets, trade and migration links, and business and consumer confidence. The largest regional spillovers of the war in Ukraine are likely to be through higher commodity prices and weaker external demand from the euro area.

- **Latin America and Caribbean** –Growth in Latin America and the Caribbean (LAC) is forecast to slow sharply in 2022 and remain weak in the following two years. Elevated inflation, tighter financial conditions, and policy uncertainty are expected to take a toll domestically, while slowing growth in key export markets, U.S. monetary tightening, and global supply bottlenecks impart negative spillovers to the region. Risks to the baseline projections are tilted to the downside, and include further shocks to global growth, domestic stagflation, financial stress, and social unrest linked to sharply higher prices for food and energy.
- **Middle East and North Africa** – The real GDP in the Middle East and North Africa region is expected to expand by 5.3 % in 2022—0.9 percentage point above previous projections, in part reflecting higher oil prices. This would be the region’s fastest growth in a decade; however, this rebound is expected to be short-lived. The region faces a growing divide between oil exporters— which on net should benefit from elevated oil prices and high COVID-19 vaccination rates—and oil importers, which face higher food and energy prices, deteriorating external balances, and still limited vaccination rates. Risks to the outlook are predominantly to the downside, with drought conditions, policy uncertainty, new outbreaks of COVID-19, and geopolitical tensions threatening to raise prices further, erode real incomes, and aggravate social tensions.
- **Sub-Saharan African countries** - Growth in Sub-Saharan Africa (SSA) is projected to slow to 3.7 percent this year, reflecting forecast downgrades in over 60 percent of regional economies. Price pressures, partly induced by the Russian Federation’s invasion of Ukraine, are sharply reducing food affordability and real incomes across the region. However, the impact of the war will vary across countries, as elevated commodity prices will help soften the damaging effects of high inflation in some large commodity exporters. Among the risks to the forecast, prolonged disruptions to the food supply across the region could significantly increase poverty, hunger, and malnutrition, while persistent inflation could ignite stagflation risks and further limit policy space to support recoveries. An elevated cost of living could increase the risk of social unrest, especially in low-income countries.

#### **Other major observations of the report**

- External public debt in developing economies is at record levels today. As global financing conditions tighten and currencies depreciate, debt distress , previously confined to low-income economies , is spreading to middle-income countries.
- World Bank highlights five major areas of focus for policy makers namely
  - a) Limiting the harm to people affected by the war in Ukraine
  - b) counter the spike in oil and food prices
  - c) step up debt relief efforts
  - d) strengthen health preparedness and efforts to contain COVID-19 and
  - e) speed the transition to low-carbon energy source
- The removal of monetary accommodation in the United States and other advanced economies, along with the ensuing increase in global borrowing costs, represents another significant headwind for the developing world.
- The global economy is facing high inflation and slow growth at the same time. This situation of stagflation could persist for several years even if global recession is averted unless major supply increases are set in motion.

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

Particulars	2019	2020	2021e	2022 f	2023 f	2024f
World Output	2.6	-3.3	5.7	2.9	3	3
<b>Advanced Economies</b>	<b>1.7</b>	<b>-4.6</b>	<b>5.1</b>	<b>2.6</b>	<b>2.2</b>	<b>1.9</b>
USA	2.3	-3.4	5.7	2.5	2.4	2
Euro Area	1.6	-6.4	5.4	2.5	1.9	1.9
Japan	-0.2	-4.6	1.7	1.7	1.3	0.6
<b>Emergent Market and Developing Economies</b>	<b>3.8</b>	<b>-1.6</b>	<b>6.6</b>	<b>3.4</b>	<b>4.2</b>	<b>4.4</b>
<b>East Asia and Pacific</b>	<b>5.8</b>	<b>1.2</b>	<b>7.2</b>	<b>4.4</b>	<b>5.2</b>	<b>5.1</b>
China	6.0	2.2	8.1	4.3	5.2	5.1
Indonesia	5.0	-2.1	3.7	5.1	5.3	5.3
Thailand	2.2	-6.2	1.6	2.9	4.3	3.9
<b>Europe and Central Asia</b>	<b>2.7</b>	<b>-1.9</b>	<b>6.5</b>	<b>-2.9</b>	<b>1.5</b>	<b>3.3</b>
Russian federation	2.2	-2.7	4.7	-8.9	-2.0	2.2
Turkey	0.9	1.8	11.0	2.3	3.2	4.0
<b>Latin America and Caribbean</b>	<b>0.8</b>	<b>-6.4</b>	<b>6.7</b>	<b>2.5</b>	<b>1.9</b>	<b>2.4</b>
Brazil	1.2	-3.9	4.6	1.5	0.8	2.0
Mexico	-0.2	-8.2	4.8	1.7	1.9	2.0
<b>Middle East and North Africa</b>	<b>0.9</b>	<b>-3.7</b>	<b>3.4</b>	<b>5.3</b>	<b>3.6</b>	<b>3.2</b>
Saudi Arabia	0.3	-4.1	3.2	7.0	3.8	3.0
<b>South Asia</b>	<b>4.1</b>	<b>-4.5</b>	<b>7.6</b>	<b>6.8</b>	<b>5.8</b>	<b>6.5</b>
India *	3.7	-6.6	8.7	7.5	7.1	6.5
Bangladesh	7.9	3.4	6.9	6.4	6.7	6.9
<b>Sub-Saharan Africa</b>	<b>2.6</b>	<b>-2.0</b>	<b>4.2</b>	<b>3.7</b>	<b>3.8</b>	<b>4.0</b>
South Africa	0.1	-6.4	4.9	2.1	1.5	1.8
Nigeria	2.2	-1.8	3.6	3.4	3.2	3.2

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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