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Department of Economic and Social Affairs

World Economic Situation and Prospects 2024



World Economic Situation and Prospects

The *World Economic Situation and Prospects 2024* is a report produced by the United Nations Department of Economic and Social Affairs (UN DESA), in partnership with the United Nations Conference on Trade and Development (UNCTAD) and the five United Nations regional commissions: the Economic Commission for Africa (ECA), Economic Commission for Europe (UNECE), Economic Commission for Latin America and the Caribbean (ECLAC), Economic and Social Commission for Asia and the Pacific (ESCAP) and Economic and Social Commission for Western Asia (ESCWA). The United Nations Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States (UN-OHRLLS) and the United Nations World Tourism Organization (UNWTO) also contributed to the report.



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Foreword

The 2024 edition of the United Nations' *World Economic Situation and Prospects* report comes amid stark global economic inequalities and high geopolitical tensions.

While rich economies have largely bounced back from the COVID-19 pandemic, developing economies have lost ground. Many are drowning in debt, with more than a third at risk of crisis. Investment in climate action and sustainable development is falling woefully short. Hunger and poverty are on the rise. And growing divisions between countries and economies are preventing an effective response.

As this report makes clear, 2024 is projected to be another tough year. Sluggish global growth is projected to slow further. Investment will remain weak. The debt crisis will continue to spiral, as debt service obligations reach new heights. And devastating conflicts and escalating extreme weather are bringing uncertainty and risk to the global economy. The result: development delayed and denied.

2024 must be the year when we break out of this quagmire.

By unlocking big, bold investments we can drive sustainable development and climate action, and put the global economy on a stronger growth path for all.

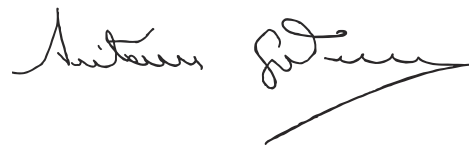
We must build on the progress made in the past year towards an SDG Stimulus of at least \$500 billion per year in affordable long-term financing for investments in sustainable development and climate action.

That includes increasing the capital base of Multilateral Development Banks and changing their business models to leverage far more private finance at reasonable cost to developing countries.

It is also time for an effective debt workout mechanism to free up fiscal space for investment in health, education, social protection, decent jobs, digital infrastructure and renewable energy.

The Summit of the Future in September 2024 will be a pivotal opportunity to advance reforms of today's outdated, dysfunctional and unjust international financial system, providing a stronger foundation for the global economy.

Inequality is tearing our world apart. In 2024, we must seize the opportunity to create a more inclusive, resilient global economy that works for everyone, everywhere.



António Guterres
United Nations
Secretary-General

Explanatory notes

Symbols used in the tables

- ... Three dots indicate that data are not available or are not separately reported.
- A dash indicates that the amount is nil or negligible.
- A hyphen indicates that the item is not applicable.
- A minus sign indicates deficit or decrease, except as indicated.
- .
- / A slash between years indicates a crop year or financial year, for example, 2023/24.
- Use of a hyphen between years, for example, 2023–2024, signifies the full period involved, including the beginning and end years.

References and terms

- Reference to “dollars” (\$) indicates United States dollars, unless otherwise stated.
- Reference to “billions” indicates one thousand million.
- Reference to “tons” indicates metric tons, unless otherwise stated.
- Annual rates of growth or change, unless otherwise stated, refer to annual compound rates.
- Details and percentages in tables do not necessarily add to totals, because of rounding.
- For country classifications, see the statistical annex.
- Data presented in this publication incorporate information available as at 1 December 2023.

Abbreviations

AfCFTA	African Continental Free Trade Area
AI	artificial intelligence
APP	asset purchase programme
ASEAN	Association of Southeast Asian Nations
BIS	Bank for International Settlements
BoE	Bank of England
bps	basis points
CGE	computable general equilibrium (model)
CIS	Commonwealth of Independent States
COP28	Twenty-eighth Conference of the Parties to the United Nations Framework Convention on Climate Change
DAC	Development Assistance Committee
EBRD	European Bank for Reconstruction and Development
ECA	Economic Commission for Africa
ECB	European Central Bank
ECLAC	Economic Commission for Latin America and the Caribbean
EMBI	Emerging Markets Bond Index
ESCAP	Economic and Social Commission for Asia and the Pacific
ESCWA	Economic and Social Commission for Western Asia
FAO	Food and Agriculture Organization of the United Nations
FDI	foreign direct investment
Fed	United States Federal Reserve
GCC	Cooperation Council for the Arab States of the Gulf
GDP	gross domestic product

GEPU	Global Economic Policy Uncertainty (Index)
GNI	gross national income
GWP	gross world product
G20	Group of Twenty
HIPC	Heavily Indebted Poor Countries (Initiative)
IDB	Inter-American Development Bank
IEA	International Energy Agency
IFC	International Finance Corporation
ILO	International Labour Organization
IMF	International Monetary Fund
IPCC	Intergovernmental Panel on Climate Change
IRENA	International Renewable Energy Agency
LDCs	least developed countries
LHS	left-hand scale
LLDCs	landlocked developing countries
MDB	multilateral development bank
MDRI	Multilateral Debt Relief Initiative
MVI	Multidimensional Vulnerability Index
NEET	not in employment, education or training
OCHA	United Nations Office for the Coordination of Humanitarian Affairs
ODA	official development assistance
OECD	Organisation for Economic Co-operation and Development
OPEC	Organization of Petroleum Exporting Countries
PMI	Purchasing Managers' Index
PPP	purchasing power parity
QE	quantitative easing
QT	quantitative tightening
R&D	research and development
RHS	right-hand scale
SDGs	Sustainable Development Goals
SDRs	special drawing rights
SIDS	small island developing States
UN DESA	United Nations Department of Economic and Social Affairs
UN-OHRLS	Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNECE	United Nations Economic Commission for Europe
UNEP	United Nations Environment Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNICEF	United Nations Children's Fund
UNWTO	United Nations World Tourism Organization
WEF	World Economic Forum
WEFM	World Economic Forecasting Model
WFP	World Food Programme
WTO	World Trade Organization

Acknowledgements

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SUSTAINABLE DEVELOPMENT GOALS



End poverty in all its forms everywhere



End hunger, achieve food security and improved nutrition and promote sustainable agriculture



Ensure healthy lives and promote well-being for all at all ages



Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all



Achieve gender equality and empower all women and girls



Ensure availability and sustainable management of water and sanitation for all



Ensure access to affordable, reliable, sustainable and modern energy for all



Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all



Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation



Reduce inequality within and among countries



Make cities and human settlements inclusive, safe, resilient and sustainable



Ensure sustainable consumption and production patterns



Take urgent action to combat climate change and its impacts



Conserve and sustainably use the oceans, seas and marine resources for sustainable development



Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss



Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels



Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development

Executive Summary

A fragile resilience masks underlying risks and vulnerabilities

The world economy proved more resilient than expected in 2023 amid significant monetary tightening and lingering policy uncertainties worldwide, even as multiple shocks arising from conflict and climate change wrought havoc on the lives and livelihoods of millions, further jeopardizing progress towards sustainable development. Several large developed economies showed remarkable resilience, with robust labour markets supporting consumer spending despite sharp monetary tightening. At the same time, inflation gradually declined in most regions on the back of lower energy and food prices, allowing central banks to slow or pause interest rate hikes.

This veneer of resilience, however, masks both short-term risks and structural vulnerabilities. Underlying price pressures are still elevated in many countries. A further escalation of conflicts in the Middle East poses the risk of disrupting energy markets and renewing inflationary pressures worldwide. As the global economy braces for the lagged effect of sharp interest rate increases, the major developed country central banks have signalled their intention to keep interest rates higher for longer. The prospects of a prolonged period of higher borrowing costs and tighter credit conditions present strong headwinds for a world economy that is saddled with high levels of debt but also in need of increased investment, not only to resuscitate growth but also to fight climate change and accelerate progress towards the Sustainable Development Goals (SDGs). Moreover, tight financial conditions, coupled with a growing

risk of geopolitical fragmentation, pose increasing risks to global trade and industrial production.

Against this backdrop of lingering risks and uncertainties, global GDP growth is projected to slow from an estimated 2.7 per cent in 2023 to 2.4 per cent in 2024. Growth is forecast to improve moderately to 2.7 per cent in 2025 but will remain below the pre-pandemic trend growth rate of 3.0 per cent. While the world economy avoided the worst-case scenario of a recession in 2023, a protracted period of low growth looms large. Growth prospects for many developing countries, especially vulnerable and low-income countries, have remained weak, making a full recovery of pandemic losses ever more elusive.

Further slowdown in the developed economies

The economy of the **United States of America** – the largest in the world – performed remarkably well during the past year, but growth is expected to decelerate from an estimated 2.5 per cent in 2023 to 1.4 per cent in 2024. Robust consumer spending on the back of strong household balance sheets and resilient labour and housing markets supported the better-than-expected performance in 2023. Despite aggressive monetary tightening by the Federal Reserve, the unemployment rate stood at only 3.7 per cent in the third quarter of 2023. Robust house prices boosted and sustained the net worth of homeowners, exerting a strong wealth effect and supporting high levels of household spending. This may change quickly, especially if housing and asset prices drop and effectively reduce household net worth. Amid falling household savings, high interest rates, and

a gradually softening labour market, consumer spending is expected to weaken in 2024 and investment is projected to remain sluggish. While the likelihood of a hard landing has declined considerably, the United States economy will face significant downside risks from deteriorating labour, housing and financial markets.

Europe faces a challenging economic outlook amid still elevated inflation and high interest rates. In the European Union, GDP is projected to expand by 1.2 per cent in 2024, up from 0.5 per cent in 2023. The mild recovery is expected to be driven by a pick-up in consumer spending as price pressures ease, real wages rise, and labour markets remain robust. The continued and lagged effects of tight financial conditions and the withdrawal of fiscal support measures will partly offset the positive effects of these key drivers of growth in 2024.

Growth in **Japan** is projected to slow from 1.7 per cent in 2023 to 1.2 per cent in 2024 despite accommodative monetary and fiscal policy stances. Rising inflation may signal an exit from the deflationary trend that persisted for more than two decades. Slowing growth in China and the United States – the country’s main trading partners – is expected to curb net exports in 2024.

In the **Commonwealth of Independent States (CIS)**, economic growth beat earlier projections, reflecting higher-than-expected growth in the Russian Federation, a moderate rebound in Ukraine after a deep contraction in 2022, and strong performance in the Caucasus and Central Asia. The aggregate GDP of the CIS and Georgia expanded by an estimated 3.3 per cent in 2023 and is projected to grow by 2.3 per cent in 2024. Higher inflation and the resumption of monetary policy tightening in the Russian Federation are expected to weigh negatively on the region’s growth in 2024.

Developing countries face divergent near-term growth prospects

In **China**, the economic recovery from COVID-19-related lockdowns has been more gradual than expected amid domestic and international

headwinds. The economy turned a corner during the second half of 2023, with the growth rate reaching 5.3 per cent for the year, an increase from 3.0 per cent in 2022. Reduced policy and mortgage rates and increased public sector investment financed with new bonds boosted growth. While consumption has been a major driver of growth, consumer confidence remained tepid in 2023. A combination of continued weakness in the property sector and faltering external demand – negatively affecting the growth of fixed investment, industrial production and exports – will nudge growth down moderately to 4.7 per cent in 2024.

Economic growth in **Africa** is projected to remain weak, increasing from an average of 3.3 per cent in 2023 to 3.5 per cent in 2024. The global economic slowdown, tighter monetary and fiscal conditions, and high debt sustainability risks will remain a drag on the region’s growth prospects. The unfolding climate crisis and extreme weather events will undermine agricultural output and tourism, while geopolitical instability will continue to adversely impact several subregions in Africa, especially the Sahel and North Africa.

The economies of **East Asia** are projected to experience a moderate slowdown, with growth declining from 4.9 per cent in 2023 to 4.6 per cent in 2024. In most economies, private consumption growth is expected to remain firm, supported by easing inflationary pressure and steady recovery in the labour market. While the recovery of services exports – particularly tourism – has been robust, a slowdown in global demand will likely depress merchandise exports, which have been the major driver of growth for many countries in the region.

Gross domestic product in **South Asia** grew by an estimated 5.3 per cent in 2023 and is projected to increase by 5.2 per cent in 2024, driven by a robust expansion in India, which remains the fastest-growing large economy in the world. Growth in India is projected to reach 6.2 per cent in 2024, slightly lower than the 6.3 per cent estimate for 2023, amid robust domestic demand and strong growth in the manufacturing and services sectors.

Growth in several economies in the region will face downward pressures from tighter financial and fiscal conditions, balance-of-payments challenges, and the return of the El Niño climate phenomenon.

In **Western Asia**, GDP is forecast to grow by 2.9 per cent in 2024, up from 1.7 per cent in 2023. High prices of essential food imports continue to create upward pressure on inflation, which is projected to decline only gradually in 2024. In Türkiye, the authorities aggressively tightened monetary policy to rein in inflation, which is expected to negatively impact growth in 2024.

The outlook for **Latin America and the Caribbean** remains challenging, with GDP growth expected to slow from 2.2 per cent in 2023 to 1.6 per cent in 2024. Growth performance exceeded expectations in 2023 amid resilient consumption and investment, robust capital inflows, and solid external demand. While inflation has been receding, it remains elevated, and structural and macroeconomic policy challenges persist. In 2024, tighter financial conditions will undermine domestic demand, and slower growth in China and the United States will constrain exports.

The **least developed countries (LDCs)** are projected to grow by 5.0 per cent in 2024, up from 4.4 per cent in 2023 but still well below the 7.0 per cent growth target set in the SDGs. Investment in LDCs will remain subdued. Volatile commodity prices – especially for metals, oil and cotton – continue to undermine growth prospects, with 38 of the 46 LDCs classified as commodity-dependent economies. External debt service is estimated to have increased from \$46 billion in 2021 to approximately \$60 billion in 2023 (about 4 per cent of GDP for the LDCs), further squeezing fiscal space and constraining the ability of Governments to stimulate recovery and growth.

Many **small island developing States (SIDS)** benefited from a strong rebound in tourism inflows in 2023, and the outlook for 2024 is largely positive. On average, SIDS are projected to grow by 3.1 per cent in 2024, up from 2.3 per cent in 2023. However, the economic prospects for SIDS remain vulnerable to the increasing impacts of climate change and to fluctuations in oil

prices, which directly affect both tourism flows and consumer prices. Economic growth in the **landlocked developing countries (LLDCs)** is projected to accelerate from 4.4 per cent in 2023 to 4.7 per cent in 2024. Several economies are benefiting from stronger investment, including foreign direct investment, especially in infrastructure.

Uneven labour market recovery

The global labour market has rebounded quickly since the pandemic, outpacing the recovery after the 2008 financial crisis. By 2023, unemployment rates in many economies had fallen below pre-pandemic levels, reaching near-historic lows in the United States and several European economies. This recovery was uneven, however, with the developing economies in particular experiencing divergent trends. Brazil, China and Türkiye saw declining unemployment rates, but many developing countries, especially in Western Asia and Africa, struggled with high unemployment. In most economies, wage growth failed to offset the impact of inflation and exacerbated the cost-of-living crisis. The labour market in the developing countries continued to face the persistent challenges of informal employment, gender disparities, and high youth unemployment. Labour market conditions in many developing countries will likely deteriorate in 2024 amid weaker prospects, with the lagged effect of monetary tightening taking a toll on employment.

Global inflation is ebbing, but food price inflation can exacerbate food insecurity and poverty

After surging for two years, global inflation eased in 2023 but remained above the 2010-2019 average. Global headline inflation fell from 8.1 per cent in 2022, the highest value in almost three decades,

to an estimated 5.7 per cent in 2023. A further decline to 3.9 per cent in 2024 is projected due to further moderation in international commodity prices and the weakening of demand amid monetary tightening. Developed economies have experienced a pronounced deceleration in inflation, though core inflation rates remain relatively high, influenced by rising service sector prices and tight labour markets. Inflation in most developing countries peaked in 2023 and is projected to moderate further in 2024.

Despite these promising developments, food prices showed signs of an uptick in the second half of 2023, particularly in Africa, South Asia and Western Asia, due to limited pass-through from international prices to local prices, weak local currencies, and climate-related shocks.

High food prices have been a significant driver of food insecurity in developing countries, disproportionately affecting the poorest households, which spend a larger share of their income on food. In 2023, an estimated 238 million people experienced acute food insecurity, an increase of 21.6 million people from the previous year. Women and children are particularly vulnerable. The inflationary trend in developing countries has also aggravated poverty, reversing some of the hard-won progress in poverty reduction. In low-income countries – particularly those in Africa and Western Asia – poverty rates remained well above pre-pandemic levels.

As headline inflation has started to subside, monetary policy stances across the world have begun to diverge. As many as 28 out of 130 central banks lowered policy interest rates during the first ten months of 2023. However, the global monetary policy stance remains largely restrictive. The Federal Reserve and the European Central Bank continued to raise interest rates in 2023, albeit at a slower pace, as core inflation remained above the target. Major developed country central banks are likely to keep the rates higher for longer, as rising nominal wage growth has signalled the risk of second-round effects, and escalating geopolitical tensions may create renewed inflationary pressure.

Quantitative tightening replaces quantitative easing

In addition to raising interest rates, the major developed country central banks (with the exception of the Bank of Japan) started reducing the assets on their balance sheets, a process known as quantitative tightening (QT), in 2022 and accelerated the pace in 2023 to reduce excess liquidity. From the global financial crisis in 2008 onward, quantitative easing (QE) – the purchase of financial assets by central banks – remained a key monetary policy tool for boosting investment and growth and ensuring financial stability. During the pandemic, monetary authorities reverted to QE to inject liquidity and stabilize financial markets. Many developing country central banks implemented QE for the first time during the pandemic. However, persistent inflationary pressures in the second half of 2021 required most developed country central banks to shrink their balance sheets with a view to reducing liquidity and taming inflationary pressures.

The implementation of QT has entailed significant challenges, including financial instability risks and fiscal concerns. The government bond market stress in the United Kingdom of Great Britain and Northern Ireland in September 2022 and the banking sector turmoil in the United States in March 2023 respectively forced the Bank of England and the Federal Reserve to rethink and recalibrate QT implementation strategies. Although QT has contributed to tighter financial conditions, the impact on long-term bond yields has been less pronounced given that QT is being implemented more gradually than QE, which has typically been rolled out relatively quickly to avert financial crises.

Higher borrowing costs will exacerbate debt sustainability risks for developing countries

Monetary tightening (including QT) by major developed country central banks will have significant spillover effects on developing

countries. Although international financial conditions remained moderately benign amid rising equity prices and low volatility, especially in the first half of 2023, many developing countries continue to face high borrowing costs, constrained access to international capital markets, and depreciating exchange rates. In the six months after the Federal Reserve stopped net asset purchases in March 2022, currencies of the emerging market economies collectively depreciated by about 9 per cent against the United States dollar.

Rising borrowing costs and currency depreciations have exacerbated debt sustainability risks in many developing countries. During the post-pandemic period, fiscal revenue has stagnated or even shrunk while the debt-servicing burden has continued to increase, especially in developing countries with higher levels of United-States-dollar- or euro-denominated debt, in the face of rising interest rates. This is particularly concerning at a time when developing economies need additional external financing to stimulate investment and growth, address climate-change-related risks, and accelerate progress towards the SDGs.

The LDCs have experienced a decline in official development assistance (ODA), further exacerbating the financing squeeze. ODA flows to Africa fell by more than 7 per cent in 2022 even though global ODA flows reached an all-time high. The financial support provided by developed countries for Ukraine largely accounted for the sharp increase in ODA in 2022. A further reduction in ODA flows to the LDCs will risk reversing some of the development gains made by these countries in recent decades.

Global investment trends will remain weak

Global investment growth is likely to remain subdued. Real gross fixed capital formation grew by an estimated 1.9 per cent in 2023, down from 3.3 per cent in 2022 and far below the average growth rate of 4.0 per cent during the period

2011-2019. Both developed and developing economies experienced a slowdown in investment growth even before the pandemic. Ultra-loose monetary policy adopted in the aftermath of the global financial crisis (and the excess liquidity generated by QE) was not associated with increasing investment. The current environment of rising borrowing costs and economic uncertainties will further weigh on investment growth. Residential investment weakened significantly in the developed economies, particularly in the United States. Among the developing regions, Africa, Western Asia, and Latin America and the Caribbean continue to struggle with high borrowing costs and other challenges that hinder investment growth. Investment prospects in China face headwinds from a struggling property sector, though government-led infrastructure investments are partially offsetting the shortfall in private investments. In contrast, India registered strong investment performance in 2023, driven by government infrastructure projects and multinational investments.

Global investment in the energy sector grew faster than total investment in 2023. Notably, investment in clean energy rose for the third consecutive year since the COVID-19 pandemic. These investments, however, have not increased fast enough for countries to meet the net-zero-emissions goal by 2050. A considerable investment gap in renewables persists, especially outside of the developed economies and China. At the same time, investment in fossil fuels has risen, surpassing pre-pandemic levels in 2022 and 2023.

International trade is losing steam as a driver of growth

In 2023, global trade growth weakened significantly to an estimated 0.6 per cent, a sharp decline from 5.7 per cent in 2022. It is expected to recover to 2.4 per cent in 2024, remaining below the pre-pandemic trend of 3.2 per cent. This slowdown is attributed to a slump in merchandise trade. By contrast, trade in services, particularly tourism and transport, continued to recover. A shift in

consumer spending from goods to services, monetary tightening, a strong United States dollar, and geopolitical tensions impeded global trade. Exports from developing economies suffered setbacks, with demand from developed countries weakening and financial conditions restricting trade financing. On a more positive note, international tourism showed signs of a robust recovery, particularly in East Asia and Western Asia, and is expected to reach pre-pandemic levels by 2024. There is an emerging trend of realignment in international trade relations, with countries seeking to secure supply chains closer to home or from more resilient sources.

Central banks must navigate a delicate balance between inflation, growth and financial stability

Central banks worldwide are expected to continue facing a delicate balancing act and difficult trade-offs in 2024 as they strive to manage inflation, revive growth, and ensure financial stability. Policy uncertainties – particularly those surrounding the direction and duration of the monetary tightening stance of the United States Federal Reserve and the European Central Bank – loom large for both the real economy and the financial markets. It is worth noting that the full impact of monetary tightening, including the ongoing QT undertaking, is yet to materialize because of large and variable lags in monetary transmission. Central banks in developing economies will face the additional challenges of growing balance-of-payments concerns and debt sustainability risks.

Developing country central banks will need to use a broad range of tools – including capital flow management, macroprudential policies, and exchange rate management – to minimize the adverse spillover effects of monetary tightening by developed economies. Precautionary and pre-emptive deployment of these policies could create a buffer and increase flexibility in monetary policy responses to prioritize growth and employment over financial stability. Developing countries need

to strengthen their technical and institutional capacities – focusing on priorities such as timely economic and financial data collection and strengthened supervisory capabilities – to prepare themselves for policy implementation. A range of early warning indicators and country risk models can help monetary authorities spot domestic and external risks and vulnerabilities. In addition, the implementation of fiscal policies, including the adoption of prudent fiscal measures and the establishment of sovereign stabilization funds, can act as a shield against external economic shocks.

While a growing number of central banks are expected to shift towards monetary easing to support aggregate demand in 2024, their policy choices will largely depend on the actions taken by the Federal Reserve and the European Central Bank. Central banks need to strengthen international monetary policy cooperation or coordination to minimize the spillover effects of the major developed country central banks, even when such cooperation may prove extremely difficult. There is the opportunity to improve communication and signalling between monetary authorities across the world, with developed country central banks adopting clear, transparent and robust communication strategies that reflect a cross-border view. Central banks also need to strengthen collaboration in monitoring and maintaining financial stability, including identifying and addressing financial risks stemming from climate change.

Fiscal space is shrinking amid higher interest rates and tighter liquidity

Countries implemented bold and timely fiscal policy measures in response to the pandemic crisis and to stimulate recovery. Governments around the world have also relied on fiscal policy to confront higher food prices and food insecurity risks resulting from the war in Ukraine. Sharp increases in interest rates since the first quarter of 2022 and tighter liquidity conditions have adversely affected fiscal balances,

renewing concerns about fiscal deficits and debt sustainability. Fiscal space remains very limited, especially in developing countries; for many of these countries the lack of fiscal space presents special risks, as it restricts their capacity to invest in sustainable development and respond to new shocks. In 2022, more than 50 developing economies spent more than 10 per cent of total government revenues on interest payments, and 25 countries spent more than 20 per cent. Market expectations that interest rates in major economies will remain higher for longer than previously anticipated have led to a further rise in sovereign bond yields, adding pressure on fiscal balances. In the medium term, subdued growth prospects, together with the need for increased investment in education, health and infrastructure, will put pressure on government budgets and exacerbate fiscal vulnerabilities.

In developing countries with less vulnerable fiscal positions, it will be crucial for Governments to avoid self-defeating fiscal consolidation. Many of these economies will need to bolster fiscal revenues to expand their fiscal space. In the short term, the increased use of digital technologies can help developing countries reduce tax avoidance and evasion. In the medium term, Governments will need to expand revenues through more progressive income, wealth and green taxes. Many economies also need to improve the efficiency of fiscal spending and the effectiveness of subsidies and better target social protection programmes.

Low-income countries, as well as middle-income countries with vulnerable fiscal situations, will need debt relief and restructuring measures to avoid devastating debt crises and protracted cycles of weak investment, slow growth, and high debt-servicing burdens.

Industrial policy is being deployed for sustainable development

Industrial policy, increasingly seen as crucial for fostering structural changes and supporting a green transition, is being revived and

transformed. This shift is aimed at fixing market failures and aligning innovation with broader development goals. Innovation policies are also changing, with more ambitious, systemic and strategic approaches being employed. Governments are deploying specific targets, incentive measures and conditionalities to promote socially and environmentally desirable technologies. Essentially, innovation policies are exhibiting greater directionality.

The COVID-19 pandemic and geopolitical tensions have underscored the importance of domestic resilience, leading countries and regions such as China, the United States and the European Union to invest heavily in the high-tech and green energy sectors. However, circumstances vary from one country to another. Developed economies and several large developing economies such as China are investing unprecedented amounts in research and development and in targeted sectors, while many developing economies, constrained by limited fiscal space and structural difficulties, continue to struggle to fund industrial and innovation policies. This growing technological divide could further hinder the ability of developing countries to strengthen their productive capacities and move closer to realizing the SDGs.

Strengthening multilateralism will accelerate SDG progress

At the midpoint of the implementation of the 2030 Agenda for Sustainable Development, the world remains vulnerable to disruptive shocks, including a rapidly unfolding climate crisis and escalating conflicts. The urgency and imperative of achieving sustainable development underscore that strong global cooperation is needed now more than ever. The United Nations remains at the forefront of efforts to reinvigorate effective multilateralism. The High-level Political Forum on Sustainable Development, convened under the auspices of the General Assembly in September 2023, adopted a political declaration to accelerate the implementation of the 2030 Agenda through

a set of actions that include advancing the SDG Stimulus launched by the United Nations Secretary-General; bridging science, technology and innovation divides; and enhancing the collective ambition for climate action. The Summit of the Future, to be held in September 2024, will offer a platform for various stakeholders to discuss necessary reforms with a view to formulating “multilateral solutions for a better tomorrow”.

In the context of the present report, some of the critical priorities for the international community – aimed at stimulating growth but also accelerating progress towards the SDGs – include reinvigorating the multilateral trading system; reforming development finance and the global financial architecture and addressing the debt sustainability challenges of low- and middle-income countries; and massively scaling up climate financing.

The protracted slowdown in global trade – which in part reflects increased scepticism about the benefits of globalization in some countries – points to the need for reform of the multilateral trading system. As internal governance issues remain unresolved and new external challenges emerge, the multilateral trading system under the auspices of the World Trade Organization (WTO) continues to face significant challenges. Maintaining a rules-based, inclusive and transparent trading system remains key to boosting global trade and supporting sustainable development, including the energy transition. Urgent reforms are needed to ensure that the WTO can resolve disagreements among member countries, accelerate progress on global trade agreements, and address new challenges, including the growing use of trade restrictions.

Addressing international financing and debt sustainability issues is key to achieving the SDGs, easing financial constraints, reducing debt distress, and increasing the volume of financing flows to developing economies. The SDG Stimulus initiative launched by the Secretary-General of the United Nations outlines urgently needed reforms in the international financial system and calls for an increase of at least \$500 billion per

year in SDG investments. At present, progress in financing sustainable development remains very slow and fragmented. With many developing countries in debt distress, urgent and more effective international cooperation is needed to restructure debt and address refinancing challenges. The Global Sovereign Debt Roundtable, established in February 2023, aims to facilitate collaboration between stakeholders and enable coordination, information-sharing and transparency. Efforts are under way to improve contractual clauses to prevent and more effectively resolve debt distress and crises. There is a need for more robust and effective multilateral initiatives that provide clarity regarding steps and timelines for processes, the provision of debt standstills during negotiations, and better ways to ensure adherence to the “comparability of treatment” principle among different creditors.

Scaling up climate finance is crucial to achieving SDG 13, which urges countries to combat climate change and its impacts. It is estimated that \$150 trillion in investment will be needed by 2050 for energy transition technologies and infrastructure, with \$5.3 trillion required annually to transform the global energy sector alone. However, climate finance remains far below the required level of green investment to limit the temperature rise to 1.5°C above pre-industrial levels, as set out in the Paris Agreement in 2015. The pledge by developed countries to provide \$100 billion in climate finance annually by 2020 was never fully met, with funding totalling only \$89.6 billion in 2021. The effective operationalization of the Loss and Damage Fund, formally adopted at the twenty-eighth Conference of the Parties to the United Nations Framework Convention on Climate Change (COP28), and the scaling up of financing commitments made in connection with this Fund will be critical for helping vulnerable countries cope with the impacts of climate disasters. Reducing fossil fuel subsidies, strengthening the role of multilateral development banks in climate finance, and promoting technology transfer are vital for strengthening climate action worldwide.

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Global Economic Outlook

Global economic environment and growth prospects

Resilience in growth masks underlying risks and vulnerabilities

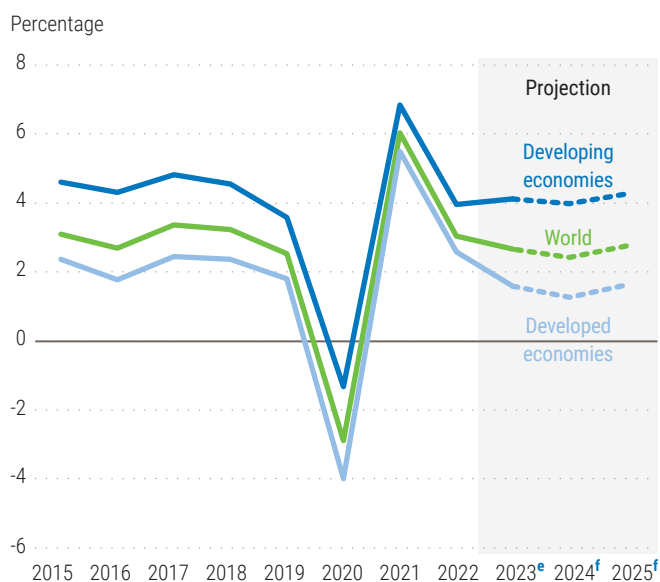
The world economy proved more resilient than expected in 2023 amid significant monetary tightening and lingering policy uncertainties worldwide, even as multiple shocks arising from conflict and climate change wrought havoc on the lives and livelihoods of millions, further jeopardizing progress towards sustainable development. Economic growth generally outperformed expectations, especially in several large developed and developing economies. However, this apparent resilience masks both short-term risks and structural vulnerabilities. Amid high levels of debt, rising borrowing costs, persistently low investment, weak global trade, and mounting geopolitical risks, the global economy is expected to grow at a subpar pace in 2024 and 2025. While a hard landing of the world economy seems increasingly unlikely, accelerating progress towards the Sustainable Development Goals (SDGs) during a protracted period of subdued growth will remain a daunting challenge.

Global growth is projected to slow from an estimated 2.7 per cent in 2023 to 2.4 per cent in 2024 (see figure I.1 and table I.1). Growth is forecast to improve moderately to 2.7 per cent in 2025 but will remain below the pre-pandemic trend growth rate of 3.0 per cent. The short-term growth

prospects for most developing countries have deteriorated. Forecasts indicate that many low-income and vulnerable countries are likely to see only modest growth in the coming years, making a full recovery of pandemic losses ever more elusive.

Several macroeconomic and geopolitical risks are shaping the growth outlook for 2024. First, while global inflation is projected to moderate further, energy and food prices could surge again due to escalating conflicts and the increasing likelihood of climate shocks. Inflation fell considerably in

Figure I.1
Growth of economic output



Source: UN DESA, based on estimates and forecasts produced with the World Economic Forecasting Model.
Note: e = estimates; f = forecasts.

Table I.1

Growth of world output and gross domestic product, 2022 to 2025

Annual percentage change	2022	2023 ^a	2024 ^b	2025 ^b	Change from <i>World Economic Situation and Prospects</i> as of mid-2023	
					2023	2024
World	3.0	2.7	2.4	2.7	0.4	-0.1
Developed economies	2.6	1.6	1.3	1.6	0.6	0.1
United States of America	1.9	2.5	1.4	1.7	1.4	0.4
Japan	0.9	1.7	1.2	1.1	0.5	0.2
European Union	3.4	0.5	1.2	1.6	-0.4	-0.3
Euro area	3.4	0.6	1.1	1.5	-0.3	-0.3
United Kingdom of Great Britain and Northern Ireland	4.3	0.5	0.4	1.0	0.6	-0.7
Other developed countries	3.1	1.4	1.4	1.9	0.1	0.0
Economies in transition	-1.7	3.3	2.3	2.4	2.7	0.1
South-Eastern Europe	3.2	2.2	2.9	3.1	0.2	-0.1
Commonwealth of Independent States and Georgia	-1.9	3.3	2.3	2.4	2.7	0.1
Russian Federation	-2.1	2.7	1.3	1.5	3.3	-0.1
Developing economies	3.9	4.1	4.0	4.2	0.0	-0.2
Africa ^c	3.5	3.3	3.5	4.2	-0.1	-0.1
North Africa ^c	2.9	3.4	3.2	4.2	-0.1	-0.3
East Africa	5.4	5.0	5.5	5.9	0.0	0.6
Central Africa	3.0	2.5	3.1	3.7	-1.0	-0.5
West Africa	3.9	3.6	3.8	4.1	-0.2	-0.1
Southern Africa	2.8	1.6	2.3	3.0	-0.3	0.0
East and South Asia ^d	3.7	5.0	4.7	4.7	0.3	0.1
East Asia	3.2	4.9	4.6	4.5	0.2	0.3
China	3.0	5.3	4.7	4.5	0.0	0.2
South Asia ^{d,e}	6.3	5.3	5.2	5.7	0.6	-0.6
India ^e	7.7	6.3	6.2	6.6	0.5	-0.5
Western Asia ^f	6.5	1.7	2.9	3.7	-1.4	-0.4
Latin America and the Caribbean	3.8	2.2	1.6	2.3	0.8	-0.8
South America	3.9	1.4	1.0	2.3	0.4	-1.2
Brazil	2.9	3.1	1.6	2.3	2.1	-0.5
Mexico and Central America	3.4	3.5	2.6	2.3	1.5	0.0
Caribbean ^g	4.7	3.3	2.4	2.7	0.2	-0.5
Least developed countries^h	3.4	4.4	5.0	5.5	0.0	-0.4
Small island developing States	4.5	2.3	3.1	3.2	-0.2	-0.6
Landlocked developing countries^d	4.1	4.4	4.7	4.8	0.3	0.5
<i>Memorandum items</i>						
World trade ⁱ	5.7	0.6	2.4	3.2	-1.7	-1.2
World output growth with purchasing power parity (PPP) weights ^j	3.3	3.0	2.9	3.2	0.3	-0.1

Source: UN DESA, based on estimates and forecasts produced with the World Economic Forecasting Model.

Notes: **a** estimate; **b** forecast; **c** excludes Libya for the whole period and Sudan for the period 2023-2025; **d** excludes Afghanistan for the period 2023-2025; **e** growth rates are on a calendar-year basis; **f** excludes the State of Palestine for the period 2023-2025; **g** excludes Guyana for the whole period as the rapid expansion of oil production distorts GDP growth; **h** excludes Afghanistan and Sudan for the period 2023-2025; **i** includes goods and services; **j** based on a 2015 benchmark. Estimates and forecasts are based on data and information available up to 1 December 2023.

almost all regions in 2023, mostly thanks to lower international energy and food prices. However, core inflation rates, excluding food and energy prices, have remained well above central bank targets in many developed and developing economies. With further easing of commodity prices and softening aggregate demand, global inflation is expected to continue trending downward in 2024. However, in almost a quarter of all developing countries – home to about 300 million people living in extreme poverty – annual inflation is forecast to exceed 10 per cent, further eroding the purchasing power of households and undermining poverty reduction efforts.¹

Next, although inflation slowed considerably in 2023, major central banks are signalling their intention to keep interest rates “higher for longer” as the demand-dampening effects of the fastest and most synchronized monetary tightening in decades are yet to materialize in many countries, including the United States of America. The prospects of a prolonged period of elevated

borrowing costs and tighter credit conditions present strong headwinds for a global economy that is saddled with debt while also in need of more investment to resuscitate growth, respond to climate change and accelerate progress towards the SDGs. Higher-for-longer interest rates will likely weigh on aggregate demand and push up default rates and may lead to a correction in asset prices, especially in the developed economies, further weakening growth momentum. Tight global financial conditions will also impede capital flows to the developing countries or trigger capital outflows, exacerbating balance-of-payments pressures and debt sustainability risks.

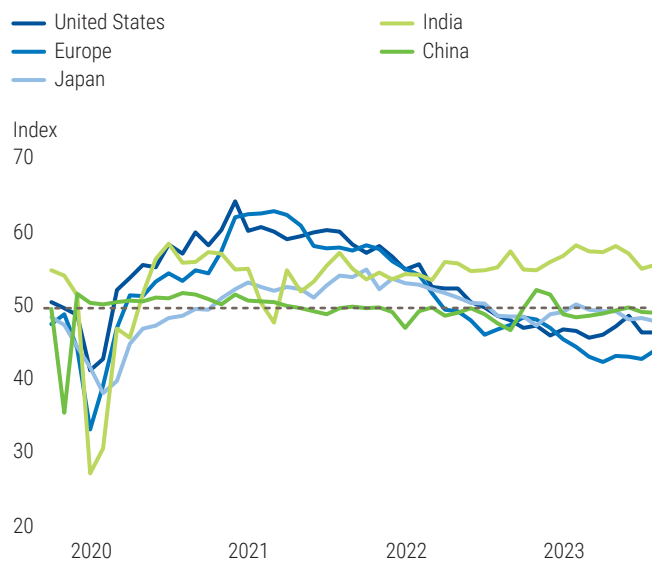
Finally, global merchandise trade and global industrial production remain exceptionally weak amid cyclical and structural headwinds (see figure I.2a). In the third quarter of 2023, the manufacturing Purchasing Managers’ Index – a leading indicator of economic activity – was in contraction territory in all of the world’s largest economies except India (see figure I.2b).

Figure I.2
Global high-frequency indicators

a) Global manufacturing Purchasing Managers’ Index, industrial production and merchandise trade



b) Manufacturing Purchasing Managers’ Index in selected economies



Source: UN DESA, based on data from J.P. Morgan, CPB Netherlands Bureau for Economic Policy Analysis, CEIC and Trading Economics.

Note: Panel a): LHS = left-hand scale; RHS = right-hand scale; YoY = year-over-year.

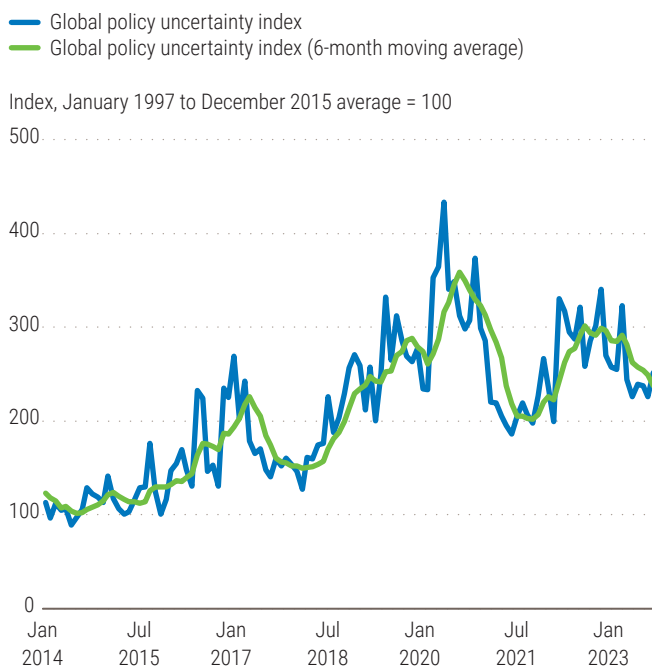
¹ This poverty estimate is based on World Bank (2023d) and national estimates.

This weakness is partly attributable to tighter financial conditions and a continued shift towards spending on services, but it also reflects heightened economic and trade policy uncertainties associated with geopolitical tensions and fragmentation (see figure I.3). Global trade and industrial production are projected to gradually improve in 2024 and 2025, benefiting manufacturing-export-oriented economies. The recovery will, however, be subdued by recent historical standards.

Growth is projected to moderate in 2024

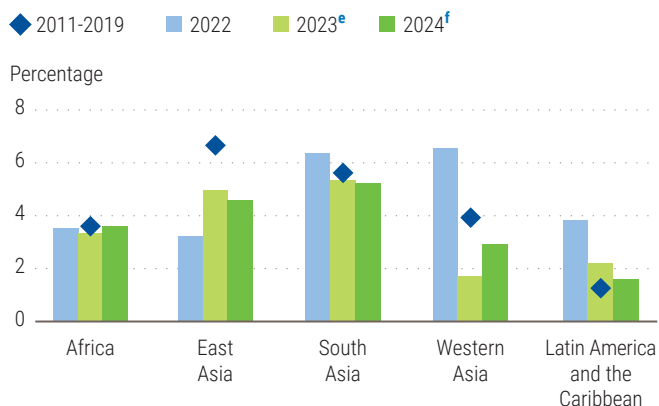
Global growth in 2023 was driven by better-than-expected performance in several countries. Significantly, a resilient United States economy defied the expectations of a slowdown. The recovery in China, while slightly weaker than expected, also provided support for global

Figure I.3
Global policy uncertainty index



Source: UN DESA, based on data from [Economic Policy Uncertainty](#).
Notes: Notes: PPP = purchasing power parity. The Global Economic Policy Uncertainty (GEPU) Index is a GDP-weighted average of national economic policy uncertainty (EPU) indices for 21 large developed, developing and transition countries. Each national EPU index reflects the relative frequency of own-country newspaper articles that contain a trio of terms pertaining to the economy (E), policy (P) and uncertainty (U).

Figure I.4
Gross domestic product growth, by developing region



Source: UN DESA, based on estimates and forecasts produced with the World Economic Forecasting Model.

Notes: e = estimates; f = forecasts. Regional group aggregates exclude Libya for the whole period and exclude Afghanistan, the State of Palestine and Sudan for the period 2023-2024.

growth. In both countries, economic growth is projected to moderate in 2024. The economy in Europe is forecast to experience a mild recovery after sluggish performance in 2023. Subdued growth in the world's largest economies, coupled with tight financial conditions, geopolitical tensions and narrowing fiscal space, weighs on the short-term growth prospects of many developing and transition economies. Average growth in developing countries is projected to moderate from 4.1 per cent in 2023 to 4.0 per cent in 2024, well below the 2011–2019 average of 4.9 per cent (see figure I.4).

The **United States** economy is projected to grow by 1.4 per cent in 2024, down from an estimated 2.5 per cent in 2023. Economic growth has been fuelled by robust consumer spending on the back of continuing strength in the labour market, a robust housing market, and buoyant household balance sheets. The unemployment rate stood at only 3.7 per cent and nominal wage growth averaged 5.4 per cent in the third quarter of 2023 (Federal Reserve Bank of Atlanta, 2023). Despite aggressive monetary tightening by the Federal Reserve, the House Price Index increased by about 11 per cent between the first quarter of 2022 and the second quarter of 2023, defying projections of a sharp decline (Federal Housing

Finance Agency, 2023). High house prices, along with the rising values of other assets, boosted the net worth of homeowners and had a strong wealth effect, supporting high levels of consumption expenditure (see chapter III). Strong government spending provided additional support to growth in 2023. Amid falling household savings, high interest rates, and a gradually softening labour market, consumer spending is expected to weaken in 2024, and investment is projected to remain sluggish. A hard landing appears increasingly unlikely, but the risk of recession remains. This is especially the case if inflation makes a comeback, requiring the further tightening of monetary policy, or if higher-for-longer interest rates expose financial weaknesses, for example, by increasing credit and default risks for borrowers and the duration risk for financial institutions, thus exacerbating financial stability risks.

In **China**, the recovery from COVID-19-related lockdowns has been more gradual than expected amid domestic and international headwinds. The economy turned a corner during the second half of 2023, with the growth rate reaching an estimated 5.3 per cent for the year, up from 3.0 per cent in 2022. A combination of property sector correction and faltering external demand – weighing on the growth of fixed asset investment, industrial production and exports – is projected to push growth down moderately to 4.7 per cent in 2024. While consumption has been a major driver of growth, consumer confidence remains tepid. The Government has implemented various policy measures, including reductions in policy rates and mortgage rates, and has increased public sector investments, financed with new bonds, to stimulate growth.

Europe faces a challenging economic outlook amid sticky and elevated inflation, high interest rates and geopolitical conflicts. In the European Union, gross domestic product (GDP) is projected to expand by 1.2 per cent in 2024, up from 0.5 per cent in 2023. The mild recovery is expected to be driven by a pick-up in consumer spending as price pressures ease, real wages rise, and labour markets remain robust. The continued impact

of tight financial conditions and the withdrawal of fiscal support measures will partly offset the effects of these key drivers of growth in Europe.

Growth in **Japan** is projected to slow from 1.7 per cent in 2023 to 1.2 per cent in 2024 despite accommodative monetary and fiscal policy stances. Rising inflation may signal an exit from the deflationary trend that persisted for more than two decades. Slowing growth in China and the United States, the country's main trading partners, is expected to weigh on exports in 2024.

In the **Commonwealth of Independent States (CIS) region**, economic growth in 2023 was stronger than anticipated, reflecting higher-than-expected growth in the Russian Federation, a moderate rebound in Ukraine after a deep contraction in 2022, and strong performance in the Caucasus and Central Asia. Aggregate GDP for the CIS and Georgia expanded by an estimated 3.3 per cent in 2023 and is projected to grow moderately by 2.3 per cent in 2024. Higher inflation and the resumption of monetary policy tightening in the Russian Federation are expected to weigh on the region's growth in 2024.

Economic growth in **Africa** is projected to remain modest, edging up from an estimated 3.3 per cent in 2023 to 3.5 per cent in 2024 as the region is buffeted by the global economic slowdown and tighter monetary and fiscal conditions. Debt sustainability risks will continue to undermine growth prospects. The impacts of the climate crisis are a growing challenge for key sectors such as agriculture and tourism. Geopolitical instability will continue to adversely impact several subregions in Africa, notably the Sahel and North Africa.

Growth in **East Asia** is projected to moderate from 4.9 per cent in 2023 to 4.6 per cent in 2024. In most countries, private consumption growth remained firm, supported by easing inflationary pressure and steady recovery in the labour market. While the recovery in services exports – particularly tourism – has been robust, a slowdown in global demand has held back merchandise exports, which constitute a major engine of growth for many economies.

In **South Asia**, GDP expanded by an estimated 5.3 per cent in 2023 and is projected to grow by 5.2 per cent in 2024, driven by a strong expansion in India, which remains the fastest-growing large economy. Growth in India is projected to reach 6.2 per cent in 2024, slightly lower than the 6.3 per cent estimated for 2023, supported by robust domestic demand and strong growth in the manufacturing and services sectors. Tight financial conditions and fiscal and external imbalances continue to cast a shadow over the outlook for several economies in South Asia. The return of the El Niño climate phenomenon poses a significant risk to the region's economic prospects.²

In **Western Asia**, GDP growth is forecast to increase from an estimated 1.7 per cent in 2023 to 2.9 per cent in 2024 amid the growth recovery in Saudi Arabia and the robust expansion of non-oil sectors. High prices of essential food imports continue to drive up inflation, which is projected to decline only gradually in 2024. In Türkiye, the authorities aggressively tightened monetary policy to rein in inflation, which is expected to dampen growth in 2024.

The outlook in **Latin America and the Caribbean** is challenging. Growth is slowing, inflation is receding but remains elevated, and structural and macroeconomic policy challenges persist. In 2023, growth was stronger than anticipated amid resilient consumption and investment, robust capital inflows, and solid external demand. Regional GDP expanded by 2.2 per cent, slightly above the 2010–2019 average of 1.7 per cent. In 2024, regional GDP growth is projected to slow to 1.6 per cent as tighter financial conditions impact domestic demand and slower growth in the United States and China constrains exports.

In the **least developed countries (LDCs)**, GDP is projected to grow by 5.0 per cent in 2024, up from an estimated 4.4 per cent in 2023 but still well below the 7.0 per cent growth target set in the SDGs. Investment in the LDCs remains subdued,

and volatile commodity prices – especially for metals, oil and cotton – continue to affect growth prospects, with 38 out of 46 economies being commodity dependent. External debt service is estimated to have increased from \$46 billion in 2021 to approximately \$60 billion in 2023 (about 4 per cent of combined GDP for the LDCs), further squeezing fiscal space.

Small island developing States (SIDS) benefited from a strong rebound in tourism inflows in 2023 and have a largely positive outlook for 2024. Average growth is projected to accelerate from 2.3 per cent in 2023 to 3.1 per cent in 2024. However, the economic prospects for SIDS remain vulnerable to the increasing impacts of climate change and to fluctuations in oil prices, which directly affect tourism flows and consumer prices. Economic growth in **landlocked developing countries (LLDCs)** is projected to accelerate from an estimated 4.4 per cent in 2023 to 4.7 per cent in 2024. Several economies are benefiting from stronger investment, including foreign direct investment (FDI), especially in the commodity and infrastructure sectors.

A protracted period of low growth is looming

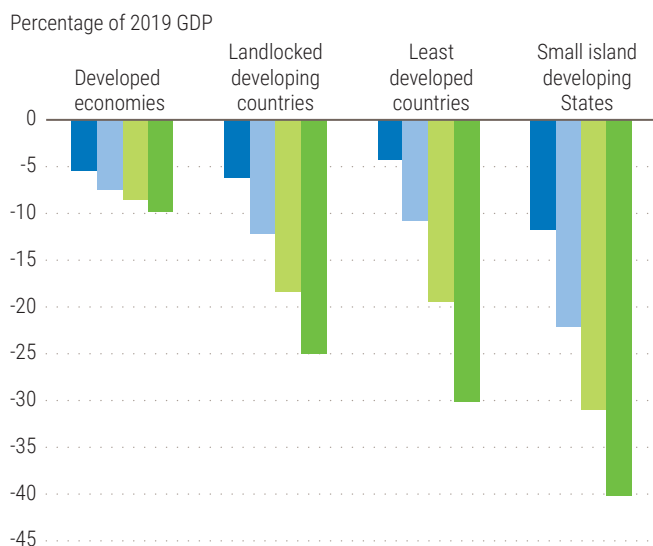
The world economy avoided the worst-case scenario of a recession in 2023, but significant risks and uncertainties persist. Given the subpar growth prospects, most developing countries will fail to recoup the output lost during the pandemic and the recent global and regional shocks. A comparison of the latest GDP estimates for the period 2020–2023 with the projections made in January 2020 for this period reveals significant and still widening output losses in most regions as well as large disparities between developed and developing countries (see figure I.5). In 2023, the cumulative output losses – calculated as the sum of the annual difference between pre-pandemic projections of GDP and actual GDP – amounted

² El Niño, a natural climate phenomenon marked by warmer-than-average sea surface temperatures in the Pacific Ocean near the equator, occurs on average every 2–7 years (NOAA, 2023). Its impact is most severe in the tropics, including countries in Africa, Latin America, East Asia and South Asia that depend on agriculture and fishing. By increasing the incidence of severe drought and flooding, El Niño causes significant economic losses and contributes to food insecurity and malnutrition (Hendrix, 2023).

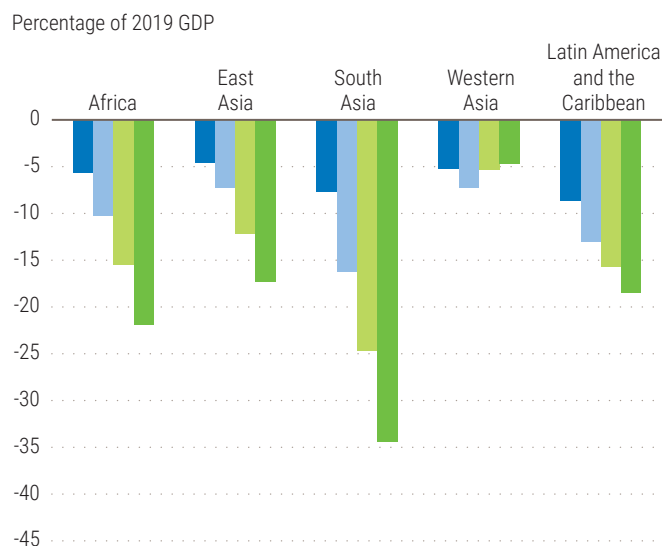
Figure I.5
Cumulative output losses relative to pre-pandemic projections

■ 2020 ■ 2021 ■ 2022 ■ 2023^e

a) Country groupings



b) Developing regions



Source: UN DESA, based on estimates produced with the World Economic Forecasting Model.

Notes: e = estimates. Cumulative output losses are calculated as the sum of the annual difference between the pre-pandemic GDP projections and the latest GDP estimates.

to about 40 per cent of the 2019 GDP in the SIDS and about 30 per cent in the LDCs. In comparison, the developed economies saw a cumulative loss of only about 10 per cent of the 2019 GDP. Among the developing regions, Africa and South Asia experienced the largest cumulative output losses in 2023 as conflicts, natural disasters, and economic crises impeded full recovery in many countries in these two regions.³

Inflation, food insecurity and poverty

Inflation declined in most countries but remains a key policy challenge

After surging for nearly two years, global inflation eased significantly in 2023 but remained above the 2010–2019 average and central bank targets. Global

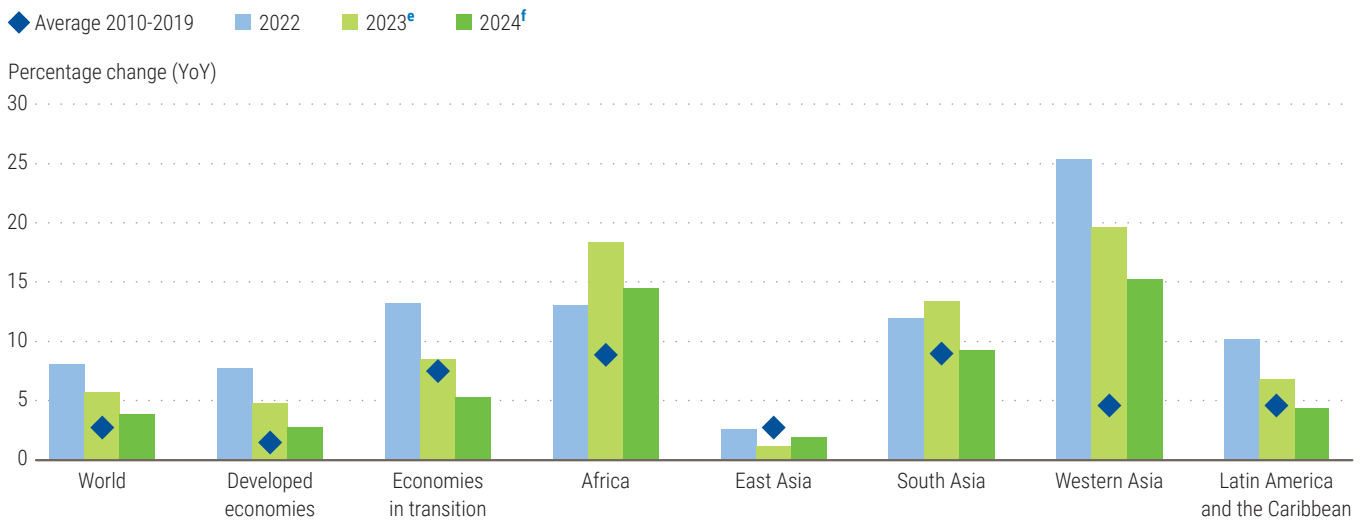
headline inflation fell from 8.1 per cent in 2022, the highest value in three decades, to 5.7 per cent in 2023. A further decline to 3.9 per cent in 2024 is projected as international commodity prices moderate and higher interest rates continue to weigh on global demand (see figure I.6). Although most commodity prices declined to pre-Ukraine-war levels in 2023, they remained considerably higher than before the pandemic. International food prices have been on a downward trend since mid-2022 and continued to decrease slightly during the first three quarters of 2023, while fuel prices fell below pre-Ukraine-war levels (see figure I.7). After considerable fluctuation in 2023, Brent oil prices hovered around \$80 per barrel in November as expectations of softening demand offset renewed concerns about the world oil supply amid OPEC+ production cuts and conflict in the Middle East.⁴

³ While economic growth in India rebounded in 2022 and 2023, the country suffered significant output losses in 2020 and 2021 in comparison with the pre-crisis trend, implying large base-level effects.

⁴ The OPEC+ coalition includes the Organization of Petroleum Exporting Countries and 10 of the world's major non-OPEC exporters, including the Russian Federation.

Figure I.6

Global and regional inflation



Source: UN DESA, based on estimates and forecasts produced with the World Economic Forecasting Model.

Notes: e = estimates; f = forecasts; YoY = year-over-year. Regional and country group averages are GDP-weighted. Argentina, Lebanon, Sudan and the Bolivarian Republic of Venezuela are excluded for the whole period; Afghanistan and the State of Palestine are excluded for the period 2023-2024.

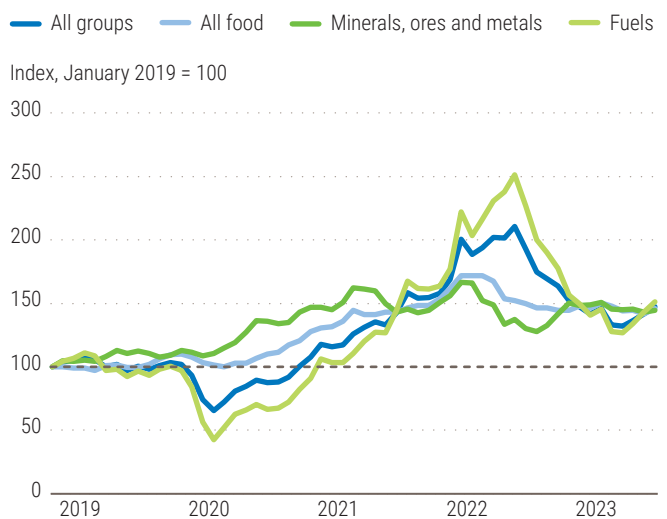
Despite the recent trends, considerable inflation risks persist, adding pressure on central banks to keep monetary policy tight. New supply shocks in global commodity markets – arising from the ongoing war in Ukraine or the conflict in the Middle East – could push up energy and grain prices, while additional export restrictions by major producers could limit supply in global markets. Since the onset of the war in Ukraine, export restrictions on food and fertilizers have increased.⁵ Moreover, climate-related shocks, including heatwaves, droughts and floods, threaten to impact crops, adding pressure on food prices.

In developed countries, average headline inflation decelerated from 7.8 per cent in 2022 to 4.8 per cent in 2023 and is projected to slow further, to 2.8 per cent, in 2024 (see figure I.6). In the United States, headline inflation is expected to moderate further after falling sharply in 2023 against the backdrop of the aggressive tightening cycle led by the Federal Reserve and the easing of supply bottlenecks. In the European Union, average inflation has decelerated rapidly since early 2023, mainly owing to lower energy and food prices,

while in the United Kingdom headline inflation has gradually eased since April 2023. Among the major developed economies, headline inflation in 2024 is projected to range from 2.5 per cent in the United

Figure I.7

UNCTAD commodity price indices



Source: UN DESA, based on data from UNCTAD.

Note: The original UNCTAD index uses 2015 as a base year.

⁵ As at 26 October 2023, 19 countries had implemented food export bans and 8 countries had implemented export-limiting measures (World Bank, 2023a).

States and 2.7 per cent in Japan to 3.1 per cent in the European Union and 3.6 per cent in the United Kingdom – all above the 2 per cent target of central banks. Core inflation has also declined but has proved stickier than expected (see figure I.8). This reflects persistently high shelter costs due to rising supply-demand imbalances in housing markets and higher transportation services costs due to the delayed pass-through of energy price shocks. Tighter labour markets and accelerating wage growth have also contributed to upward pressure on prices but have helped workers (particularly at the lower end of the income distribution) regain some of the real income lost in 2021 and 2022. A recent decomposition analysis shows that in the early phase of the pandemic, the rise in prices in the United States and the euro area was strongly associated with higher firm profits, but since 2022 higher labour costs explain a growing share of the price increases, particularly in the United States (IMF, 2023e).

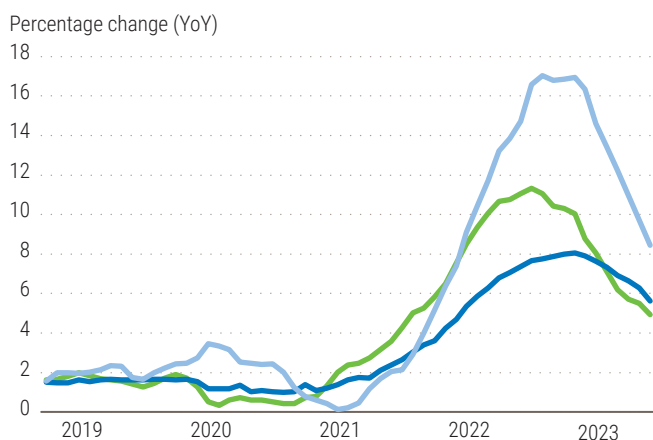
In developing countries, average headline inflation is projected to decline from an estimated 6.9 per cent in 2023 to 5.6 per cent in 2024. Inflation rates are expected to fall in Africa, Western Asia, and

Latin America and the Caribbean in 2024 but will remain well above the 2010–2019 average (see figure I.6). Between January 2021 and December 2023, consumer prices in developing economies are estimated to have increased by a cumulative 21.1 per cent, partly eroding the economic gains from the recovery after the COVID-19 crisis. Core inflation has been moderating since early 2023, particularly in a number of Latin American and East Asian economies, while food inflation remains elevated (see figure I.8). Many economies in Africa, South Asia and Western Asia will continue to experience elevated food price inflation due to limited pass-through from international to local prices, weak local currencies, and climate-related shocks. The return of El Niño could have significant impacts on climate patterns, increasing the likelihood of excessive or insufficient precipitation in many regions. Drought conditions, for example, would be most likely in Central America, South Asia, South-East Asia, Southern Africa and the Sahel, while storms and hurricanes could occur in the central Pacific and rains could affect the equatorial coast of South America (WFP, 2023). These conditions would likely impact agricultural output, especially the production of

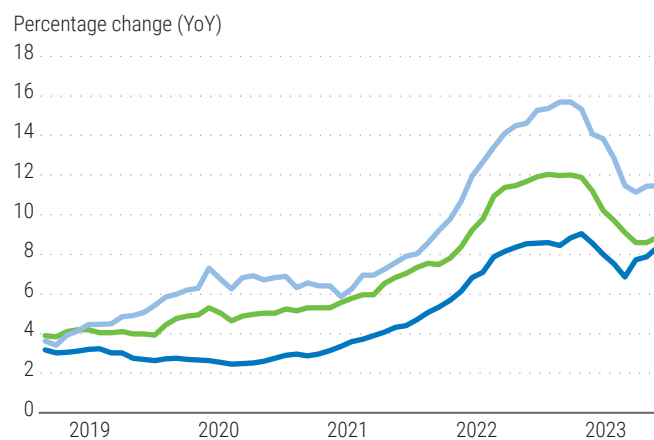
Figure I.8
Headline inflation and components

— Headline inflation — Core inflation — Food inflation

a) Developed economies



b) Developing economies



Source: UN DESA, based on data from CEIC and Ha, Kose and Ohnsorge (2021).

Notes: YoY = year-over-year. Country group data are an unweighted 10 per cent trimmed mean, excluding the 10 per cent largest and 10 per cent smallest values from the sample. Core inflation excludes food and energy.

major staple crops such as wheat, rice and maize, which could increase food prices and exacerbate food insecurity.

Higher food prices exacerbate food insecurity

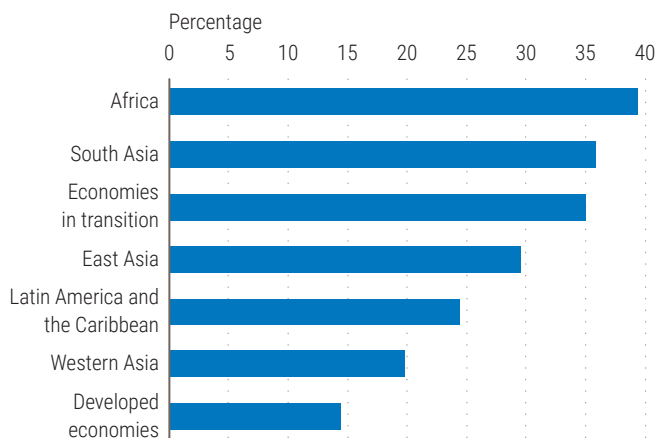
Higher food prices often exacerbate food insecurity for the poor, though the impact depends on local conditions and existing vulnerabilities. Countries that were already grappling with food crises before the pandemic and the war in Ukraine have been hit hardest by the high food prices of the past two years. Rising food expenses have driven up the cost of living for households, thereby reducing real incomes – especially in developing countries, where the share of total consumer expenditure allocated to food is higher than in developed economies (see figure I.9).

Within countries, the impact is greatest on the poorest households, which spend the largest share of their income on food. According to some estimates, 21.6 million more people faced high levels of acute food insecurity in 2023 than in 2022 – bringing the total to 238 million – because of higher food prices driven by economic shocks, conflicts, and extreme weather events (FSIN and Global Network Against Food Crises, 2023).

High food prices also have a disproportionate impact on women and children. A recent report shows that while the gender gap in food insecurity declined by 1.4 percentage points in 2022, 27.8 per cent of women and 25.4 per cent of men worldwide experienced moderate or severe food insecurity that year (Azcona and others, 2023). In the absence of significant progress, nearly one in four women and girls will be moderately or severely food insecure by 2030, leaving the world still far from eradicating hunger by the deadline for achieving the SDGs (FAO and others, 2023). Elevated food prices, coupled with conflicts and the climate crisis, continue to drive up food and nutrition insecurity among children. In 2023, an

Figure I.9

Food expenditure as a share of total consumer expenditure, 2022



Source: UN DESA, based on data from the Economic Research Service of the United States Department of Agriculture and Our World in Data.
Note: Alcoholic beverages and tobacco are not included.

estimated 27.2 million children under the age of 5 living in 21 countries experiencing food crises were affected by wasting (low weight for height), with considerable increases recorded in Kenya, Mauritania and Sudan (FSIN and Global Network Against Food Crises, 2023).

Elevated inflation hampers poverty reduction

Higher inflation has undermined progress in poverty reduction during the post-pandemic period. According to World Bank estimates, the combined effects of the pandemic, the war in Ukraine, and the global energy and food price shock pushed an additional 75 million to 95 million people into extreme poverty in 2022 relative to pre-pandemic baseline forecasts (Mahler and others, 2022).⁶ Globally, 691 million people were estimated to be living in extreme poverty in 2023 – only 13 million less than in 2022. While global poverty marginally declined in 2023, progress has been highly uneven. Average poverty rates in upper-middle-income, high-income and lower-middle-income countries moved closer

⁶ The number of people living in extreme poverty in 2020 exceeded pre-pandemic estimates by 88 million to 93 million. Even as the world economy recovered from the COVID-19 crisis in 2021 and 2022, poverty reduction was hampered by the succession of global shocks.

to pre-pandemic levels. By contrast, poverty rates were still well above pre-pandemic levels in low-income countries, particularly those in Africa and the Middle East (Yonzan, Mahler and Lakner, 2023). Without significantly faster economic growth and targeted measures for supporting livelihoods and enhancing social protection, poverty alleviation will remain elusive in many low-income countries.

Labour market trends and challenges

Developed country labour markets remained strong

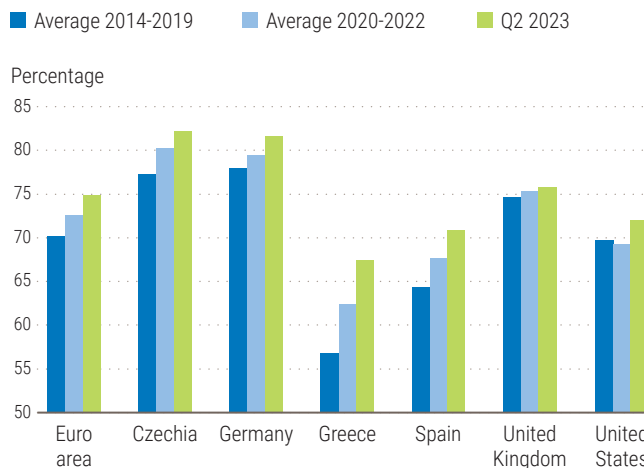
The rebound in the global labour market since the pandemic has been swifter than its recovery from the global financial crisis of 2008. In many countries, unemployment rates fell below pre-pandemic levels in 2023 (ILO, 2023). However, labour market recoveries diverged considerably between developed and developing countries, while lower real incomes remained a challenge worldwide as nominal wage growth often lagged behind inflation. In 2024, slowing economic growth is expected to weigh on employment prospects in many regions.

Labour market conditions in developed economies remained mostly robust in 2023, despite the monetary tightening implemented in response to elevated inflation. Low unemployment and high employment rates were accompanied by continuing, albeit moderating, labour shortages (see figure I.10). In most countries, inactivity rates in 2023 were below pre-pandemic levels. High levels of employment partly reflect improved working conditions as firms have responded to employee concerns to mitigate labour shortage challenges (OECD, 2023b).

In the United States, the unemployment rate averaged 3.7 per cent in the third quarter of 2023, remaining near a multi-decade low, while total employment surpassed its 2019 level. The labour force participation rate continued to increase as previously inactive workers returned owing to a number of factors, including rising wages

Figure I.10

Employment rates in selected European economies and the United States



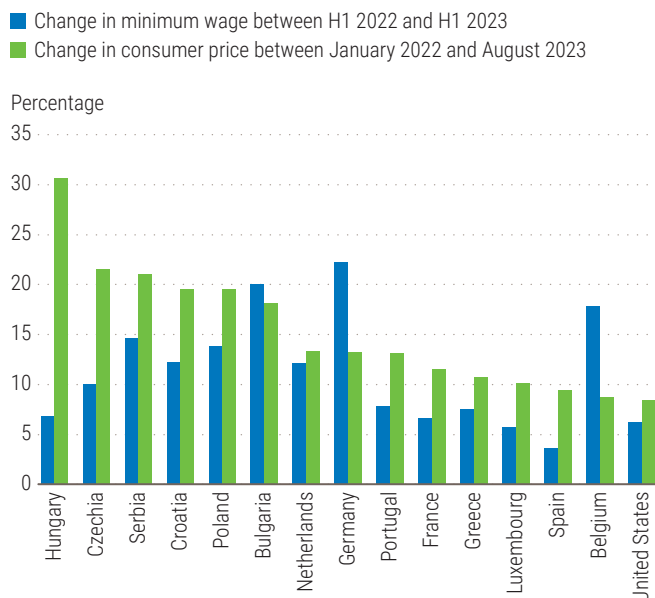
Source: UN DESA, based on data from the Federal Reserve Economic Data (FRED) database and Eurostat.

and the depletion of pandemic-era savings. Despite sluggish economic growth, labour markets in Europe remained strong, with high levels of employment and low unemployment. In October 2023, the average unemployment rate in the European Union stood at 6.0 per cent, down from 6.1 per cent a year earlier. Several European countries that had experienced high unemployment rates in the past decade, including Greece, Italy and Spain, continued to see improving labour markets.

Labour markets in developed economies are cooling, however, after three years of high labour turnover and structural mismatches between labour supply and labour demand. The rate of job turnover has persistently declined since the initial mass resignation during the pandemic. Vacancy rates are falling even as unemployment rates remain low or continue to drop. Although resignation rates are still high in sectors such as health care, hospitality and retail trade, labour shortages are mostly declining.

In many developed economies, labour shortages have driven up nominal wages, with higher nominal wage growth at the low end of the skills distribution. In the United States, labour market tightness during the post-pandemic period

Figure I.11
Change in minimum wage versus change in consumer price



Source: UN DESA, based on data from Eurostat.
Note: H1 = first half of the year.

improved the bargaining power of workers, especially in high-contact sectors, leading to rapid relative wage growth among low-wage earners (Autor, Dube and McGrew, 2023). Consequently,

the wage premium for college-educated workers declined, and wage inequality – which had been widening over the past four decades – narrowed considerably. In several countries, however, official minimum wage increases did not keep pace with rising consumer prices, leading to real income losses at the bottom of the distribution (see figure I.11). Labour market policies must continue to support real wage growth, especially among low-wage earners, including through additional minimum-wage increases and cost-of-living adjustments.

While labour markets in developed countries have so far remained resilient, a cyclical downturn linked to the lagged impact of monetary policy tightening poses risks for 2024. Tighter credit conditions will likely have an adverse effect on employment in many sectors. The construction sector, for example, which has thus far held up well, could see a sharp decline in growth and jobs if higher mortgage rates further depress housing demand and homebuilding. In the medium term, the widespread adoption of artificial intelligence and increased automation may have a negative impact on many routine service-sector jobs while boosting the productivity of high-skilled workers (see box I.1).

Box I.1

Will artificial intelligence further widen income inequalities?

The launch of ChatGPT in November 2022 marked the beginning of a new era for artificial intelligence (AI). Six months after its introduction, one third of the firms surveyed across the world were using generative AI^a regularly for at least one function, and about 40 per cent planned to expand their investment in AI (McKinsey & Company, 2023). With declining adoption costs, this signals an accelerated transition from early adopters to mass markets (OECD, 2023b). While AI – similar to past technological advancements such as the steam engine, electricity, and the Internet – will transform labour markets and boost productivity, its gains and losses will not be distributed evenly.

There is still considerable uncertainty surrounding the impact of AI, as it is still in its infancy. Productivity gains could provide a sustained boost to growth, especially in developed economies. However, recent research suggests that without adequate policy interventions, AI could worsen inequalities within and between countries by reducing demand for some low-skilled workers and adversely affecting already disadvantaged and vulnerable groups (including women) and lower-income countries dependent on low-skill-intensive economic activities (Lassébie and Quintini, 2022; Gmyrek, Berg and Bescond, 2023).

^a Generative AI refers to algorithms (such as ChatGPT) which create new content by learning from existing data.

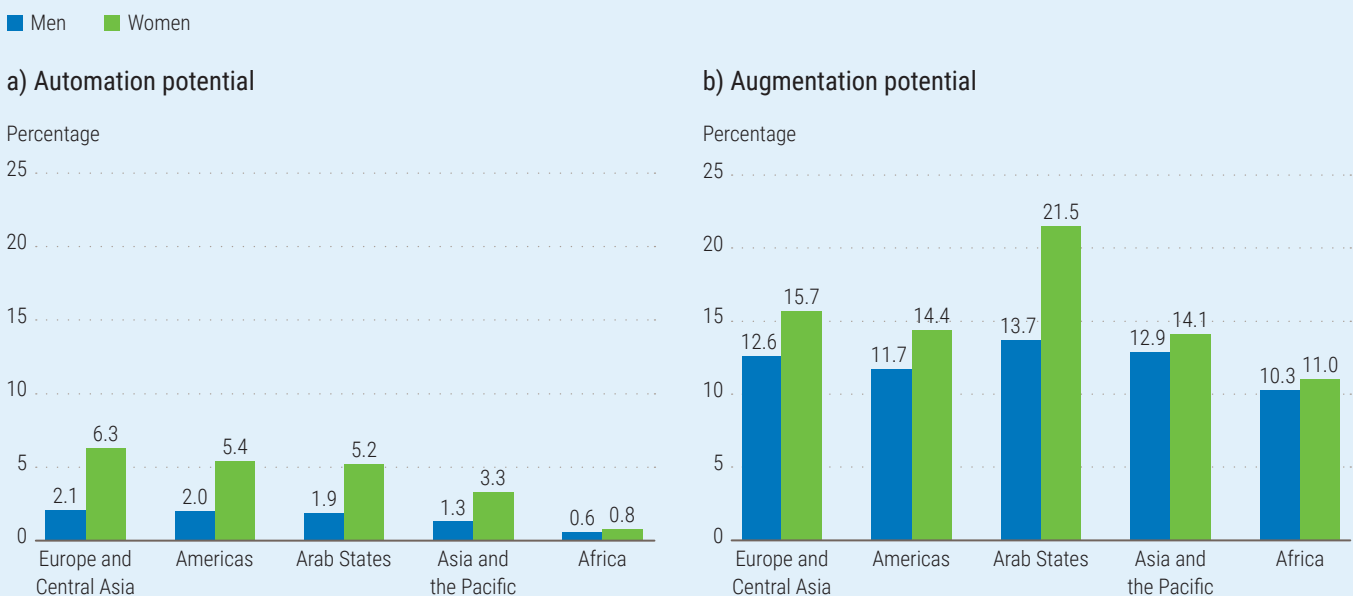
Augmentation versus displacement

Unlike previous technological advancements, generative AI can also automate some high-skilled tasks, raising considerable displacement concerns around “white collar” clerical, technical and service jobs. However, a recent study released by the Organisation for Economic Co-operation and Development (OECD) indicates that many high-skilled professions, including those in the legal, education and management fields, will remain shielded from AI-driven job displacement due to their reliance on “bottleneck skills” involving complex problem-solving, high-level management, and social interaction, which lowers automation risks (Lassébie and Quintini, 2022). Generative AI is more likely to complement and augment the work of high-skilled professions (Gmyrek, Berg and Bescond, 2023) and boost worker productivity and wages, especially for those with digital skills, reflecting an AI-driven increase in skill premiums (Georgieff and Hye, 2021; Fossen and Sogner, 2022). AI-augmented technologies will likely accelerate the substitution of some lower-skilled manual jobs, automating certain functions in the construction, production, and transportation sectors, for example (Lassébie and Quintini, 2022), portending greater displacement risks for middle-skilled and low-skilled

workers. AI will thus have asymmetric effects across the skill spectrum, augmenting productivity in relatively high-skilled jobs but automating and displacing lower-skilled workers – and in the process, increasing wage and income inequality in the labour market. Notably, over the medium to long term, AI – as with prior phases of automation – could lead to the creation of new tasks where labour has a comparative advantage, boosting labour share and labour demand through a “reinstatement effect” (Acemoglu and Restrepo, 2019).

AI could also disproportionately affect women, potentially widening gender employment and wage gaps, given that women are overrepresented in occupations with higher risks of automation (see figure I.1.1). In the United States, for example, 70 per cent of clerical work and administration is carried out by women (UNESCO, OECD and IDB, 2022). However, women are also more frequently employed in jobs requiring strong interpersonal skills, which are hard to replace with AI. This could limit the potential for job losses among women and expand opportunities in sectors such as the care economy. One area of concern is the persistent digital skills gap between women and men. Progress in AI will increase the demand for workers with digital and AI-specific skills. Given that women are significantly underrepresented in science,

Figure I.1.1
Jobs with automation and augmentation potential, by gender



Source: UN DESA, based on an ILO report by Gmyrek, Berg and Bescond (2023).

Notes: Regional groupings are not strictly comparable to those in the *World Economic Situation and Prospects 2024* but illustrate regional tendencies. The estimates by Gmyrek, Berg and Bescond (2023) consider augmentation and automation potential purely on the basis of occupational distributions within a region, disregarding other factors such as infrastructure constraints. They refer to the automation or augmentation potential within each gender’s employment.

technology, engineering and mathematics (STEM) fields and that only 22 per cent of AI professionals globally are female (WEF, 2022), rapid adoption of AI will clearly place women at a disadvantage. AI also has the potential to reinforce gender-based biases and discrimination in the job market because of the inherent biases in codes and algorithms that will drive AI-based employment processes.

Low-income developing countries will also encounter a combination of opportunities and risks from AI. Workers in developing countries tend to face lower risks of automation, but this also reflects the smaller number of AI-enabled jobs in these countries (see figure I.1.1). As a result, workers in developing countries are less likely than their developed country counterparts to benefit from an AI-led productivity boost. Infrastructure gaps – including access to digital education and broad-based Internet – will prevent developing countries from taking full advantage of the advances in AI, which will likely aggravate productivity gaps and income disparities between countries. AI will increasingly be able to automate tasks in, for example, business process outsourcing sectors such as call centres. This could adversely affect countries and employment tied to these services. While a sustained

boost in global growth and productivity is possible, this would likely be shared unequally across countries, leading to greater income divergence between them.

Enhancing international cooperation to address the inequality risks attached to AI

Data privacy and protection, the ethical use of algorithms, and national security concerns have dominated the global discourse on AI. There also needs to be stronger international attention given to how AI will reshape the labour market, exacerbate inequalities within and between countries, and impact the realization of Sustainable Development Goal 8 (to promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all) and Goal 10 (to reduce inequality within and among countries). With several multi-stakeholder platforms – including the United Nations High-Level Advisory Board on AI, the AI for Good Global Summit, and the AI Safety Summit in the United Kingdom – becoming cognizant of the potential role of AI in further entrenching economic inequalities, concrete proposals may be offered that explore ways to leverage AI towards narrowing such gaps rather than widening them.

Author: *Kris Gronewald*

Labour markets in developing countries exhibit mixed trends

The labour market situation in developing countries is mixed. Several large countries showed positive trends over the past year, with further improvements expected in 2024. In some regions, however, key employment indicators have yet to return to pre-pandemic levels. In parts of Western Asia and Africa, for example, unemployment rates still exceeded 2019 levels in mid-2023. Most developing countries also suffer from entrenched structural labour market weaknesses, including pervasive informal employment, large gender gaps, and high youth unemployment.

In many large developing and transition economies, unemployment rates declined in 2023. For example, the urban unemployment

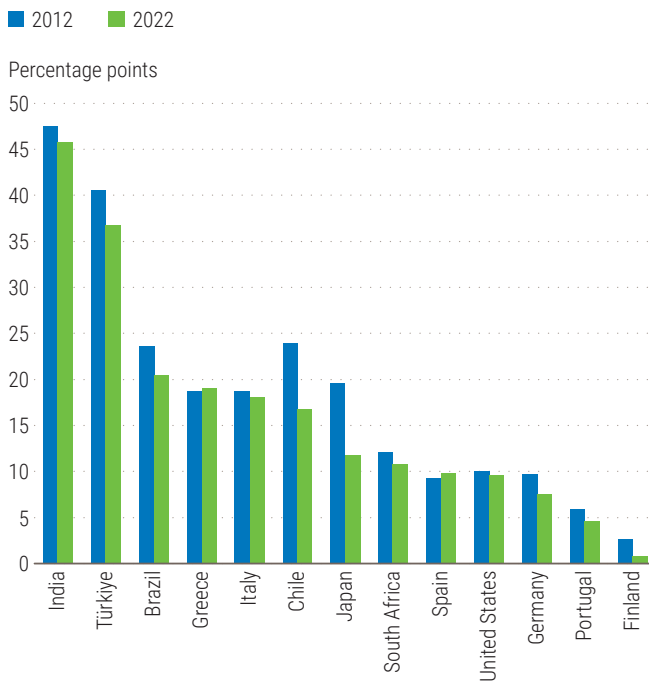
rate in China fell to a two-year low in 2023. The Government officially set an unemployment target of about 5.5 per cent, aiming to add around 12 million urban jobs in 2023. The unemployment rates in Brazil and Türkiye reached nine-year lows in the third quarter of 2023, standing at 7.7 and 9.2 per cent, respectively. In the Russian Federation, the unemployment rate hit a record low of 2.9 per cent in the second half of 2023 as military conscription and outward migration caused massive worker shortages.

Gender gaps and youth unemployment remain key policy challenges

Women were more vulnerable than men to labour market disruptions during the pandemic. The situation has improved during the recovery

Figure I.12

Differences between male and female employment rates in 2012 and 2022



Source: UN DESA, based on ILO and OECD data.

Note: Data for Brazil and India are from 2013 rather than 2012.

period in many developed and developing economies, but female unemployment rates and gender employment gaps often remain high (see figure I.12). The global jobs gap – a new indicator of labour market conditions developed by the ILO – stood at 12.3 per cent in 2022, averaging 14.5 per cent for women and 9.8 per cent for men, in part because of child-care responsibilities and social barriers to employment (Gomis and others, 2023).⁷ The global labour force participation rate for females aged 15 years and above declined from 48.1 per cent in 2013 to 47.2 per cent in 2023. Gender pay gaps not only persist but have actually widened over the past two decades for those engaged in certain occupations, including information and communications technology professionals and technicians and science and engineering professionals (El Achkar, 2023).

⁷ In determining the jobs gap, the requirements of active job search and immediate availability for work are removed from the definition of an unemployed person. This indicator better reflects barriers in accessing jobs, including informal work. For high-income and upper-middle-income countries as a group, the jobs gap rate was below 5 per cent in 2022, while the corresponding rate for low-income countries was 21.5 per cent.

High unemployment and low labour force participation among youth remain a major challenge in many developing countries. According to recent ILO estimates, over 23.5 per cent of young people aged 15–24 years were not in employment, education or training (NEET) in 2022 (Elder and O’Higgins, 2023). In South Africa, the youth unemployment rate exceeds 60 per cent. In many other African countries, the rate is lower only because about 20 per cent of youth are in the NEET category. Youth unemployment has declined in many East and South Asian countries in recent years but has increased in China since early 2021.

Prospects for global investment and trade

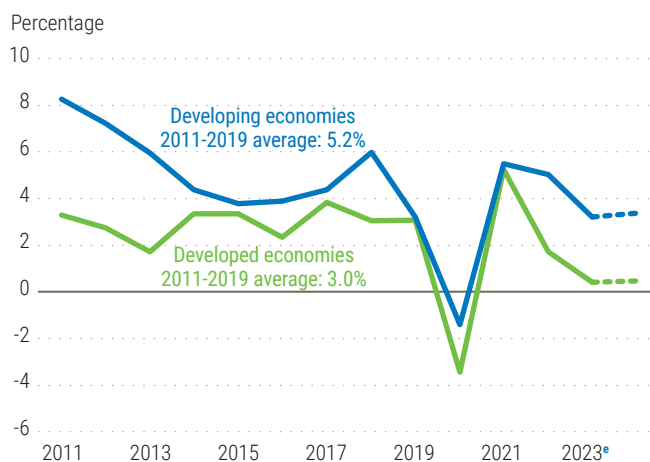
Global investment is likely to remain subdued

Investment is expected to remain subdued globally. Rising borrowing costs and heightened economic and geopolitical uncertainties will continue to have a negative impact on business and consumer confidence and prompt private firms to scale back their investment plans. At the same time, high debt burdens, rising interest expenses and dwindling fiscal space are constraining public investment. Global investment growth, measured as the annual growth in real gross fixed capital formation, is estimated to have slowed from 3.3 per cent in 2022 to only 1.9 per cent in 2023. While mild improvement is projected for 2024, global investment growth will remain significantly below its 2011–2019 trend growth rate of 4 per cent (see figure I.13a). The regional trends projected for the period 2023–2025 will likely exacerbate the divergence in per capita investment observed since 2015 (see figure I.13b).

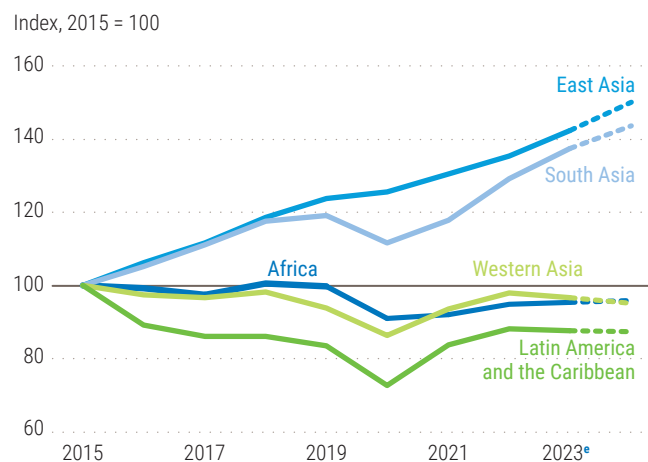
The slowdown in investment growth in 2023 mainly reflected weaknesses in developed economies. Residential investment fell significantly in most economies amid rising interest rates and

Figure I.13
Global investment trends

a) Annual investment growth, by country group



b) Annual investment per capita, by developing region



Source: UN DESA, based on estimates and forecasts produced with the World Economic Forecasting Model.

Notes: e = estimates. Numbers for 2024 are forecasts. Investment is measured as gross fixed capital formation. Panel b): Regional averages are population weighted.

construction costs. The United States saw a particularly severe decline, with residential fixed investment in the first three quarters of 2023 down 14 per cent in comparison with the same period in 2022. In contrast, investment in intellectual property remained steady (see figure I.14).

Investment has been more resilient in developing economies than in developed economies. Investment in South Asia, particularly in India, remained strong in 2023. India is benefiting from growing interest from multinationals, which see the country as a key alternative manufacturing base in the context of developed economies' supply chain diversification strategies (Jain, Pasricha and Patra, 2022). In 2022, FDI flows to India rose by 10 per cent, making it the third largest host country for announced greenfield projects (UNCTAD, 2023c). Another driver of fixed capital formation in the country is the increased government spending on roads, railways, and renewable energy projects, which can have a crowd-in effect on private sector investment.⁸ In East Asia, several countries have seen fixed investment weaken due to sluggish external

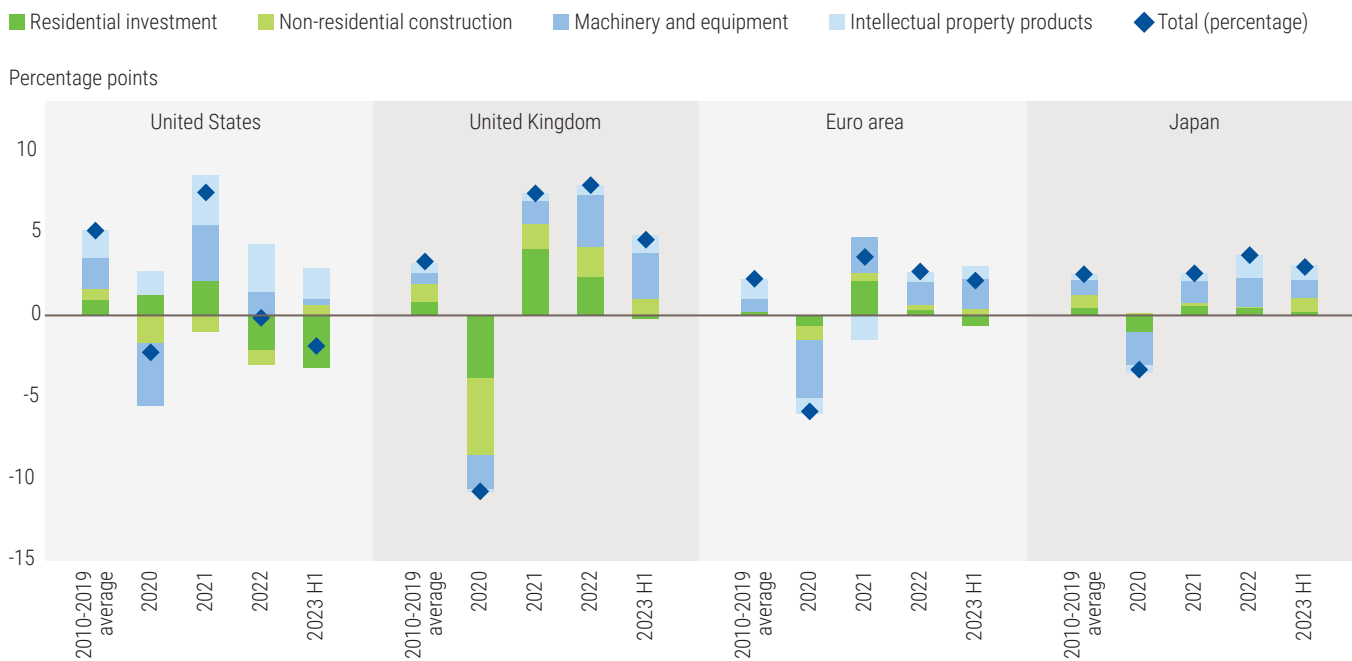
demand and a global semiconductor downturn. Investment prospects in China are currently clouded by a struggling property market, but government-led infrastructure projects are providing some support to the sector.

Low investment has been a long-standing challenge in Latin America and the Caribbean. Although investment in the region benefited from a surge in commodity prices in 2021, this trend quickly reversed in 2022 and 2023 due to higher borrowing costs, lower capital flows, restricted credit growth, and fiscal consolidation pressures. In Africa and Western Asia, investment growth is expected to remain subdued. Most countries in Africa are grappling with high borrowing costs, volatile commodity prices, and a long-term slowdown in trade. High levels of debt limit fiscal space, making it harder for Governments to borrow and invest. In Western Asia, investment growth slowed considerably in 2023 as cuts in oil production and tighter monetary policy limited new capital investment. Violence and armed conflicts in the region also undermine investment prospects.

⁸ From April to September 2023, government capital expenditure in India increased by 43.1 per cent year-over-year (Reserve Bank of India, 2023).

Figure I.14

Annual investment growth in selected developed economies, by asset type



Source: UN DESA, based on data from CEIC and Eurostat.

Notes: H1 = first half of the year. Figures are in constant prices. Data for the United Kingdom, euro area and Japan are total investment; data for the United States are private investment.

Massive gaps in renewable energy investment remain

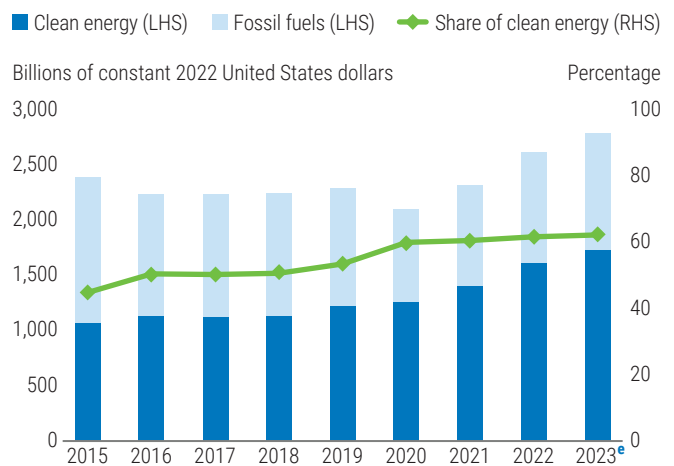
At the global level, total investment in the energy sector has grown faster than total gross fixed capital formation. In 2023, world energy investment is estimated to have increased by 7 per cent to a record level of \$2.8 trillion. Investment in clean energy rose for the third consecutive year since the COVID-19 pandemic, exceeding \$1.7 trillion in 2023 (see figure I.15). Investments in renewable power generation, grids and battery storage, and energy efficiency and other end-use account for most of the investments in clean energy sectors (see figure 1.16). Renewable power generation alone makes up 38 per cent of all clean energy.

The share of clean energy in total energy investment rose only marginally from 60 per cent in 2020 to 62 per cent in 2022 following a 15-percentage-point increase between 2015 and 2020. Even as clean energy has attracted more investment in recent years, so have fossil

fuels. Investment in fossil fuels surpassed pre-pandemic levels in 2022 and 2023. Global coal production saw a particularly strong increase since it is much less capital-intensive than oil and gas production (IEA, 2023).

Figure I.15

World total energy investment, by energy type

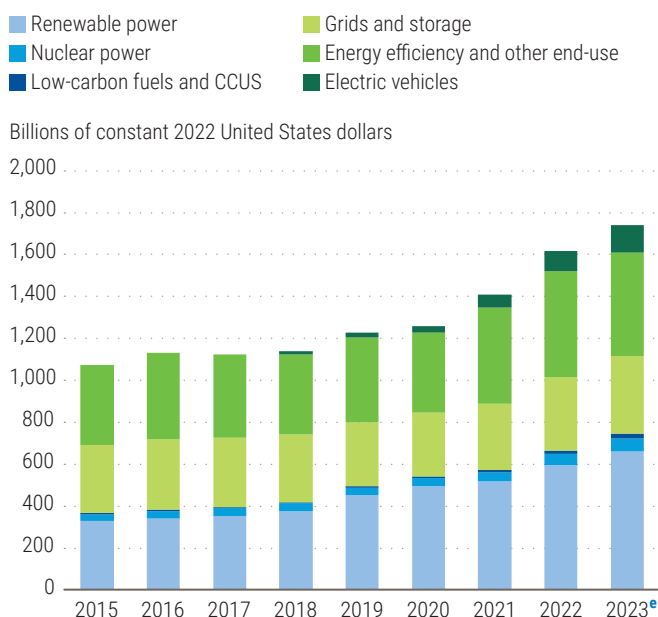


Source: UN DESA, based on IEA (2023).

Note: e = estimates; LHS = left-hand scale; RHS = right-hand scale.

Figure I.16

Global investment in clean energy



Source: UN DESA, based on IEA (2023).

Note: e = estimates; CCUS = carbon capture, utilization and storage.

Global investment in renewable power generation almost doubled from \$331 billion in 2015 to \$658 billion in 2023. However, developed countries and China accounted for 90 per cent of this increase. China alone was responsible for 41 per cent of global investment in renewable energy in 2023, while the rest of the developing countries accounted for only 16 per cent. Growth in clean and renewable energy investment has been supported by improved cost competitiveness at a time of high and volatile fossil fuel prices, enhanced policy support (particularly in developed economies), a strong alignment of climate and energy security goals (especially in energy-importing economies), and the transformation of industrial policies as countries seek to strengthen their foothold in the emerging clean energy economy (IEA, 2023).⁹ However, investment in clean and renewable energy has not increased fast enough for countries to meet the net-zero-emissions goal by 2050, and a massive investment gap in renewables persists

⁹ For a detailed analysis of recent trends in investment in the energy transition, see UN DESA (2023).

¹⁰ In 2022, the global weighted average levelized cost of electricity (LCOE) from solar photovoltaic was 29 per cent lower than the cheapest fossil-fuel-fired solution, and that from onshore wind was 52 per cent lower (IRENA, 2023).

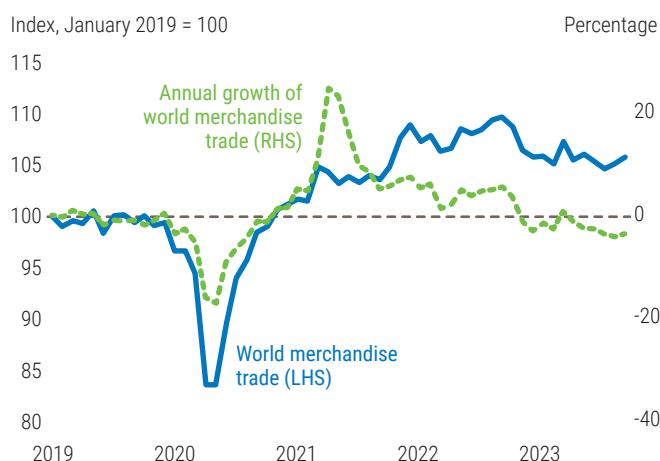
(UN DESA, 2023). At the same time, the costs of energy production from renewables such as solar and wind are, on average, significantly lower than those from fossil fuels and are continuing to fall – an indication that incentives for investment may be improving (IRENA, 2023).¹⁰

Global trade is facing multiple headwinds

Growth in global trade was very weak in 2023. International trade in goods and services is estimated to have increased by only 0.6 per cent, far below the 5.7 per cent growth rate achieved in 2022. While trade growth is projected to accelerate to 2.4 per cent in 2024, driven by a recovery in merchandise trade, it will likely remain below the average pre-pandemic rate of 3.1 per cent registered for the period 2015–2019. The overall weakness in global trade in 2023 is mainly due to the slump in merchandise trade. The growth of trade in goods is estimated to have remained in negative territory for most of the year (see figure I.17). By contrast, trade in services continued to recover from

Figure I.17

World merchandise trade in volume terms



Source: UN DESA, based on data from CPB Netherlands Bureau for Economic Policy Analysis.

Note: LHS = left-hand scale; RHS = right-hand scale.

the pandemic-induced downturn, with travel services driving the growth.¹¹

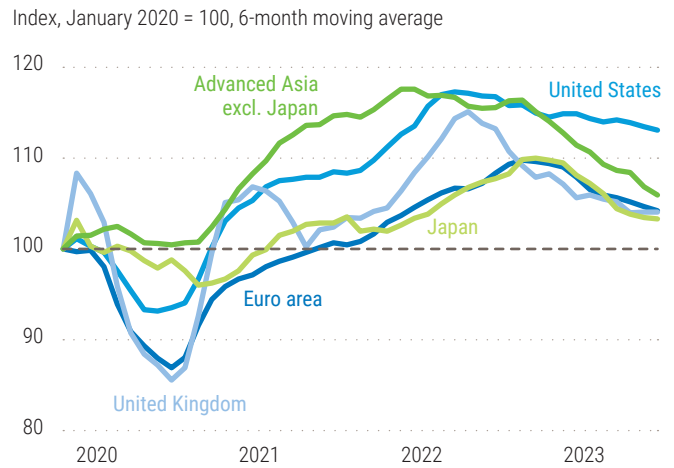
Amid the recovery from the pandemic and pent-up demand, consumer spending increasingly shifted from goods to services. Weakening global demand, tighter monetary conditions, the lagged effect of a stronger dollar (the predominant currency of trade invoicing), and a shift towards services exerted downward pressure on merchandise trade. Meanwhile, unresolved trade tensions, increasing trade-restrictive measures, and unexpected conflicts created additional uncertainties, weighing on trade activities around the globe.

Developing countries faced weaker demand from major developed economies (see figure I.18), while tighter global financial conditions constrained trade financing (Asian Development Bank, 2023). Weak import demand in China weighed on exports of its East Asian neighbours as well as commodity-exporting economies, including countries in Africa and Latin America. Exporters in East Asia were also affected by a downturn in the global electronics cycle.¹²

Global trade in services proved more resilient in 2023. International tourism and transport – two major components of services trade – continued to recover. There are indications that international tourism rebounded to around 90 per cent of pre-pandemic levels in 2023 (UNWTO, 2023). International tourist arrivals (overnight visitors) are estimated to have reached 1.3 billion, a third more than in 2022. Export revenues from tourism are estimated at \$1.6 trillion for 2023, an almost 95 per cent recovery compared to the \$1.7 trillion recorded in 2019. The revival of tourism is particularly important for SIDS, which depend heavily on revenues from the sector (see box I.2).

Strong pent-up demand and the continued lifting of travel restrictions drove the tourism recovery, particularly in Asia and the Pacific, where many destinations reopened to international travel in

Figure I.18
Merchandise imports in advanced economies, by volume



Source: Source: UN DESA, based on data from CPB Netherlands Bureau for Economic Policy Analysis.

Note: Regional groupings are not strictly comparable to those in the *World Economic Situation and Prospects 2024* but illustrate regional tendencies.

early 2023. The Middle East saw international tourist arrivals exceed pre-pandemic levels by 20 per cent during the period January–September 2023. International tourism is expected to fully recover to pre-pandemic levels in 2024 in terms of both arrivals and revenues.

The continued recovery of transport services is visible in a number of areas. International air traffic has almost returned to pre-pandemic levels, with passenger traffic rebounding to 95.7 per cent of the 2019 level. According to the International Air Transport Association, global revenue passenger kilometres increased 28.4 per cent year-over-year in August 2023 (IATA, 2023).

Slowing global demand, unresolved trade tensions between the largest trading partners, and geopolitical conflicts are affecting trade flows in the short term. The war in Ukraine and sanctions imposed on the Russian Federation have also shaped global trade patterns. Crude oil

11 In the second quarter of 2023, the value of world services exports increased by 7.4 per cent year-over-year, with travel exports rising by 36 per cent (UNCTAD, 2023a).

12 The global electronics cycle refers to cyclical fluctuations in the electronics industry, mostly driven by the semiconductor industry. Regions Asset Management (2019) provides a brief analysis of the factors causing the cyclicity. For a discussion of the current downturn, see Samp (2023).

Box I.2

Small island developing States are enjoying a strong recovery in international tourism^a

After declining dramatically during the COVID-19 pandemic, international tourism recovered faster in small island developing States (SIDS) than globally, contributing to a rebound in export revenues and overall economic output. SIDS comprise 39 States that share common characteristics such as limited resources, heavy reliance on international trade and (in many cases) tourism, fragile environments, and often remoteness. This makes them particularly vulnerable to external shocks, natural disasters and climate-change-related events.

Before the pandemic, tourism accounted for up to 35 per cent of exports in SIDS (when excluding Singapore, a major exporter of manufactures). The pandemic caused an estimated loss of \$90 billion in export revenues from tourism during the period 2020–2022, almost one and a half times the tourism revenues earned by these countries in 2019. This resulted in major job losses and a sharp decline in foreign exchange and tax revenues, especially among the most tourism-dependent SIDS. The crisis had the most serious impact on small and medium-sized enterprises and informal workers. The revenue losses curbed public spending capacity, threatened large numbers of livelihoods, and set back progress towards the Sustainable Development Goals.

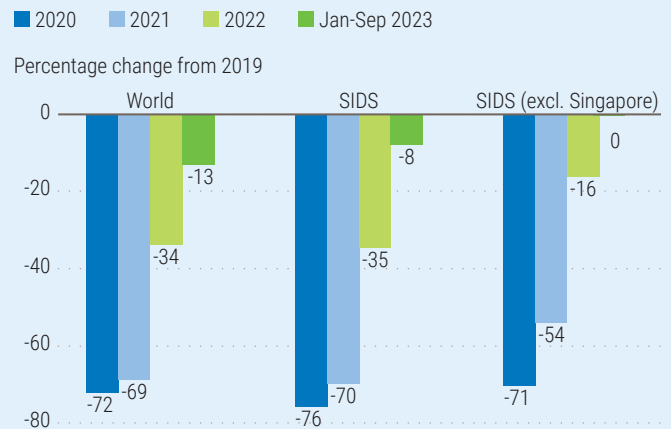
International tourist arrivals in SIDS could reach 93 per cent of pre-pandemic levels for 2023

After plunging by 76 per cent in 2020 and 70 per cent in 2021 (in comparison with 2019), international tourist arrivals in SIDS more than doubled in 2022 but remained 34 per cent below the 2019 value of 44 million. Between January and September 2023, around 30 million international tourists visited SIDS, representing a recovery of 92 per cent of pre-pandemic volume and exceeding the global recovery of 84 per cent in the same period (see figure I.2.1).

The level of recovery through September 2023 jumped to 100 per cent – excluding Singapore, a larger and more diversified economy that accounted for a third

Figure I.2.1

International tourist arrivals in small island developing States



Source: United Nations World Tourism Organization (UNWTO).

Notes: SIDS = small island developing States, defined according to the United Nations Office of the Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States. Data as at November 2023.

of SIDS arrivals before the pandemic and reopened later to international travel. The full year 2023 could see 41 million international tourist arrivals in SIDS – 93 per cent of the pre-pandemic level and above the expected global recovery of almost 90 per cent.

While the recovery was strong for SIDS as a group, the extent of the rebound varied across individual countries, with some having already exceeded pre-pandemic levels in 2023 and others still lagging behind. Some islands in Asia and the Pacific were slower to recover due to their dependence on outbound tourists from China or Japan. The Caribbean SIDS, however, experienced a relatively rapid recovery since they reopened earlier to international visitors and benefited from strong travel demand from the United States.

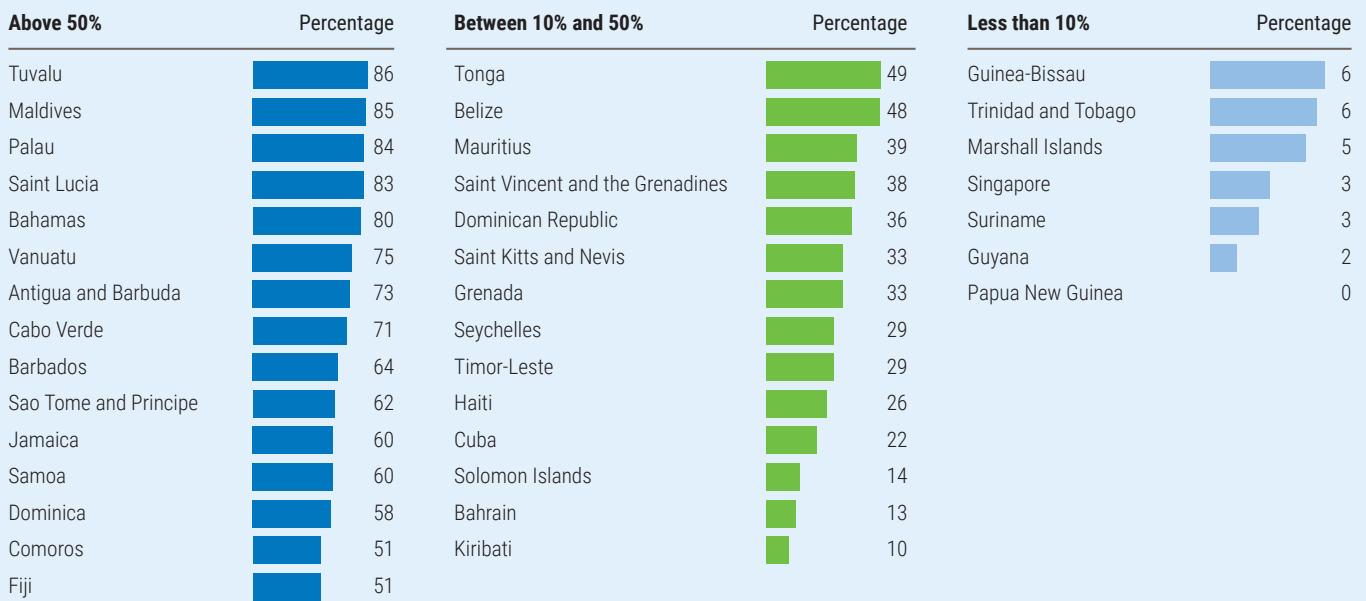
The sustained rebound in international tourism revenues supports export recovery

In 22 out of 39 SIDS, international tourism accounted for 30 per cent or more of total exports before the

^a The analysis is based on data from the Tourism Market Intelligence Database (UNWTO Market Intelligence and Competitiveness Department) and Tourism Statistics Database (UNWTO Statistics Department), drawn from official country sources.

Figure I.2.2

International tourism revenues as a percentage of total export revenues for SIDS, 2019



Sources: UNWTO and WTO.

Note: The Federated States of Micronesia, Nauru and Niue are not included due to data unavailability.

pandemic, with rates of at least 80 per cent for five SIDS (see figure I.2.2). The remainder were primarily exporters of commodities such as agricultural products or fuels, so tourism represented a lower share of exports. Overall, tourism accounted for 9 per cent of total exports in the SIDS.

Tourism export revenues in SIDS declined by 69 per cent in 2020 and 58 per cent in 2021 (relative to the 2019 average) before rebounding to 75 per cent of pre-pandemic levels in 2022. In line with the robust recovery of arrivals, export revenues from tourism in SIDS could amount to \$60 billion for 2023, about 95 per cent of the pre-pandemic total of \$63 billion, with some destinations having exceeded 2019 levels. In the first six to seven months of 2023, international tourism receipts (export revenues excluding passenger transport) surpassed pre-pandemic levels in Grenada (+37 per cent), Mauritius (+34 per cent), Saint Lucia (+23 per cent), Samoa (+7 per cent) and Cabo Verde (+6 per cent). Of the 20 SIDS reporting data for three or more months of 2023, 10 exceeded pre-pandemic receipts in the period assessed.

The rebound in international tourism has supported the recovery of exports and economic output, albeit to varying degrees depending on the level of reliance on tourism. In 15 SIDS (with available data) where tourism represents 30 per cent or more of total exports, export

recovery is clearly linked to the rebound in international tourism. In others, it is more the result of growth in merchandise exports.

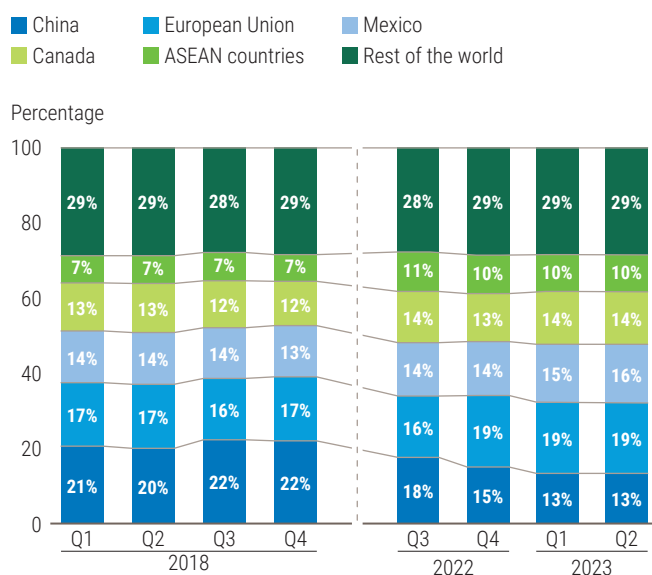
Positive prospects for 2024 amid important challenges

The tourism outlook for 2024 is generally positive, with arrivals and receipts in SIDS expected to reach or exceed pre-pandemic levels, though economic and geopolitical headwinds could delay full recovery. Elevated prices for services such as accommodation and passenger transport could affect tourism spending in 2024. The remoteness of many SIDS makes them especially dependent on air travel and therefore more vulnerable to high oil prices and transport costs.

The evolution of the situation in the Middle East could also affect travel to the region and have a negative impact on traveller confidence globally. Uncertainties surrounding the war in Ukraine and other mounting geopolitical tensions continue to pose additional downside risks. Finally, the vulnerability of SIDS to climate change and natural disasters creates important challenges for these destinations and their tourism sectors.

Author: United Nations World Tourism Organization

Figure I.19
Breakdown of United States imports, by origin



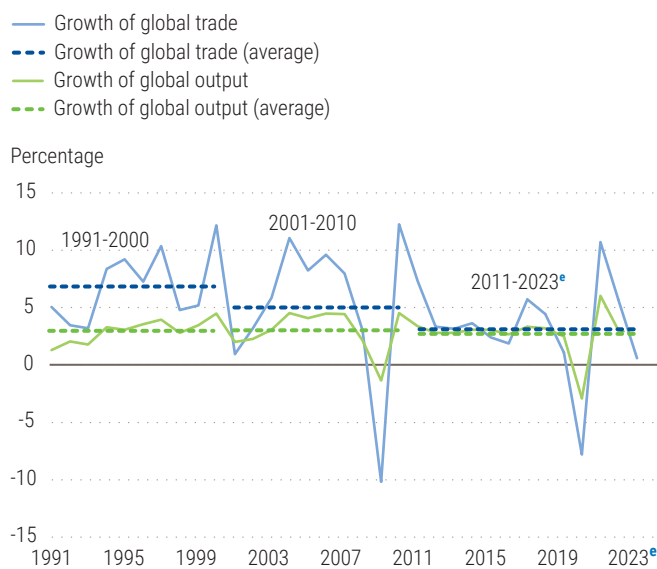
Source: UN DESA, based on data from the IMF Direction of Trade Statistics.
Notes: ASEAN = Association of Southeast Asian Nations. The data refer to the value of imported goods on a cost, insurance and freight (CIF) basis.

exports from the Russian Federation, for example, have shifted from the European Union to China and India, which together accounted for close to 75 per cent of the country's crude oil exports in the first quarter of 2023 (Hilgenstock, Pavytska and Ivanchuk, 2023).

In the longer run, national and economic security considerations as well as geostrategic rivalries are likely to reshape global supply and value chains. Among developed economies, some reshoring and friend-shoring of manufacturing and production facilities are starting to take place.¹³ A recent European Central Bank survey indicated that a growing number of large firms operating in the euro area intend to relocate operations within the European Union, citing nearshoring, friend-shoring and diversification as the rationale (Attinasi and others, 2023). However, moving production away from the most efficient producer would increase costs in the near term, and there is still a higher proportion of euro area companies expecting

¹³ Reshoring means moving production back to the country in which the good is consumed, whereas friend-shoring refers to the rerouting of supply chains to countries perceived as politically and economically safe (Ellerbeck, 2023).

Figure I.20
Growth of global trade and global output



Source: UN DESA, based on estimates produced with the World Economic Forecasting Model.
Note: e = estimates.

to move production out of rather than into the European Union. In the United States, imports from China have in recent years been partly replaced by imports from other trade partners, notably ASEAN member countries, the European Union, Mexico and Canada (see figure I.19).

Overall, international trade has lost some of its dynamism, especially since the global financial crisis of 2008. Not only has trade growth slowed considerably, but the gross income elasticity of global trade – the ratio of average trade growth to average GDP growth – has also declined. In the 1990s, global trade in goods and services grew at an average annual rate of 6.9 per cent – about 2.3 times as fast as the growth in global output. Since 2011, global trade has expanded by 3.2 per cent per year – only slightly faster than global output, which has grown at a rate of 2.7 per cent (see figure I.20) – a trend partly explained by the increasing share of non-tradable goods and services in total output. This trend is likely to persist in the coming years, with

trade growth projected to remain subdued and export-led growth strategies giving way to domestic-demand-driven growth strategies.

International finance and debt challenges

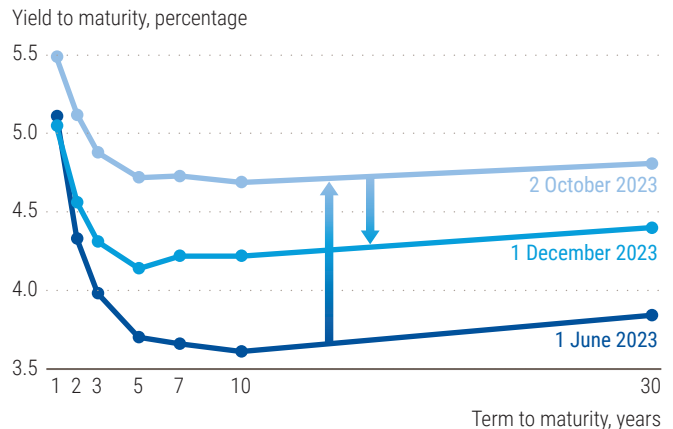
Large shortfalls remain in financing sustainable development

Despite significant monetary tightening during 2022 and 2023, international financial conditions remained moderately benign amid rising equity prices and low volatility (IMF, 2023b). At the same time, however, long-term borrowing costs continued to increase for most of the year – reaching the highest level in over a decade in the United States and Europe – amid higher central bank policy rates, quantitative tightening, and the large borrowing needs of Governments. In contrast, bond yields remained low in China, where the central bank further eased its monetary stance to support credit growth. The possibility of renewed inflationary pressures and further monetary tightening in the United States and Europe could trigger a sharp repricing of risks and sudden spikes in financial volatility.

Against the backdrop of declining inflation, the Federal Reserve slowed the pace of monetary tightening in 2023 while signalling that it would keep rates higher for longer. The 10-year Treasury yield rose from 3.6 per cent in early June 2023 to 4.9 per cent in early November, the highest level since the global financial crisis. Furthermore, the entire United States Treasury yield curve for different maturities moved up significantly (see figure I.21) as fear of a recession in 2023 dissipated but concerns about fiscal deficits increased. Amid continued disinflation, bond yields pulled back in late 2023, with 10-year Treasury bonds yielding 4.3 per cent in early December. The sovereign bond yields in the euro area also increased in 2023, reaching decade highs

Figure I.21

Nominal yields on United States Treasuries



Source: UN DESA, based on Federal Reserve Economic Data (FRED).
 Note: The yield curves are based on the interest rates paid on United States Treasuries for common maturities.

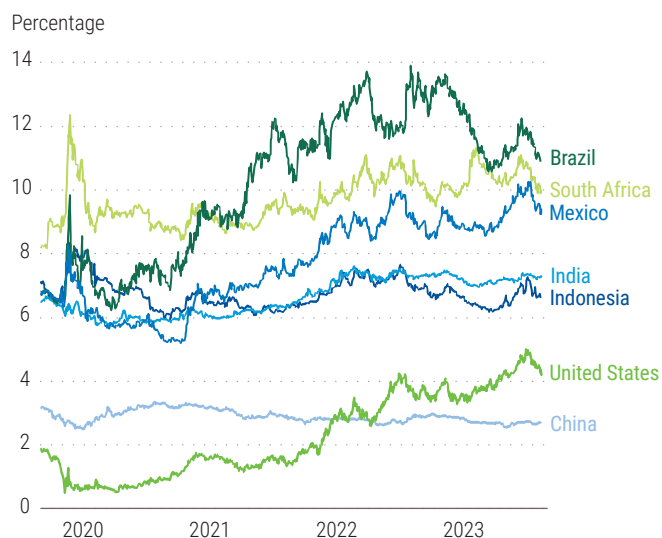
in France, Germany and Italy in October before starting to trend lower. The United States dollar appreciated vis-à-vis other major currencies in the third quarter of 2023 amid higher real yields and continued strength in the United States economy but lost ground towards the end of the year as expectations of an end to interest rate hikes by the Federal Reserve shaped market sentiment.

High levels of external debt and still-rising interest rates are constraining developing country access to financing in the international capital markets. Between July and November 2023, 10-year sovereign bond yields increased in countries such as Brazil, India, Indonesia and Mexico, resuming the upward trend observed in the first half of 2022 (see figure I.22). With risk premia for most investment-grade emerging market bonds remaining at average historical levels, these movements reflect the changing preference of investors for higher risk-adjusted returns.

In low-income countries, shrinking fiscal space and rising dollar shortages are being compounded by the decline in official development assistance (ODA) and FDI in recent years.¹⁴ Furthermore, the spreads between

¹⁴ The recent crises disproportionately affected FDI flows to LDCs. After peaking in 2015, FDI flows to LDCs amounted to about \$23 billion per year during the period 2016–2022, accounting for only 3 per cent of total FDI to developing countries. Total FDI flows to LDCs are estimated to have declined by about 16.5 per cent in 2022 relative to 2021 (UNCTAD, 2023b).

Figure I.22
Ten-year government bond yields in selected economies



Source: UN DESA, based on data from Trading Economics.

investment-grade and frontier-market sovereign bonds have remained wide amid repeated credit downgrades in the wake of the pandemic. As at June 2023, the share of developing economies with sovereign bond spreads above 1,000 basis points was 25 per cent, compared with only 7.0 per cent in 2021 (IMF, 2023f).¹⁵

A prolonged period of high interest rates in the developed economies, in particular the United States, could trigger a further reversal of capital flows from the developing countries (see chapter II), exacerbating their financing constraints.

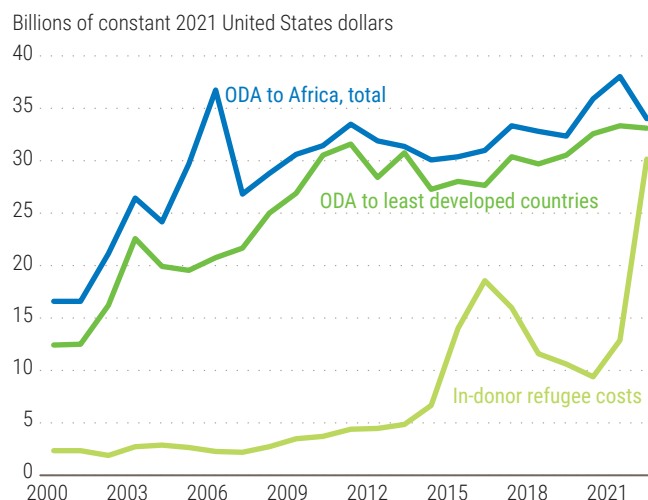
Official development assistance for the least developed countries is declining

In 2022, global ODA disbursements reached an all-time high of \$252 billion, \$206 billion of which came from Organisation for Economic Co-operation and Development (OECD)

Development Assistance Committee countries. ODA from these countries averaged 0.37 per cent of gross national income (GNI) – a higher share than at any time since the 1980s but still far below the 0.7 per cent commitment target formally adopted by the United Nations General Assembly in October 1970. While bilateral aid generally rose, much of the recent increase in ODA was in response to the war in Ukraine. Net ODA to Ukraine increased more than twelvefold in 2022. Spending on refugees in donor countries also rose sharply, increasing from \$12.8 billion in 2021 to \$30.1 billion in 2022 – close to total ODA flows to Africa, which fell by more than 7 per cent in 2022 (see figure I.23).

Official development assistance to the LDCs declined slightly in 2022, exacerbating the financing squeeze in many economies. Over the past decade, ODA flows to LDCs increased on average by a meagre 0.1 per cent per year, failing to make a dent in the growing financing gap. With the subdued global growth, elevated borrowing costs, and further geopolitical fragmentation, the developed countries must

Figure I.23
Disbursement of official development assistance and in-donor refugee costs



Source: UN DESA, based on data from OECD.Stat and OECD (2023a). Note: Data for 2022 are preliminary estimates.

¹⁵ Sovereign bond spreads are calculated as the difference between sovereign bond yields of a particular country and those of AAA-rated bonds with the same maturity.

ensure that increased spending on refugees and other assistance does not come at the expense of ODA to the LDCs. A further reduction in ODA to LDCs risks reversing some of the development gains made over the past several decades.

Debt burdens impede progress towards the Sustainable Development Goals

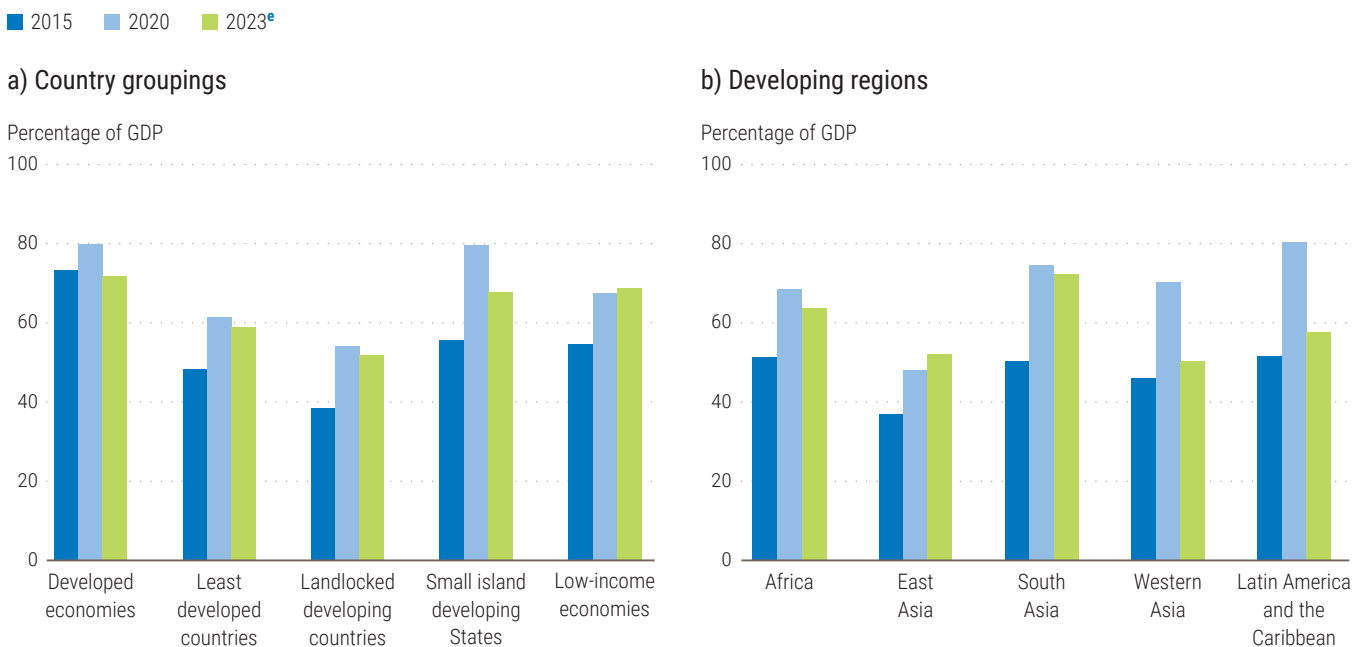
In 2023, global public debt as a percentage of GDP stood at 92.6 per cent, more than 8 percentage points above the pre-pandemic level but below the record level of 99.2 per cent recorded in 2020. The recent decline can be attributed to the rebound in economic activity and higher-than-expected inflation, which helped reduce the real value of debt. The drop in global debt was driven by developed economies and developing countries in Western Asia and Latin America and the Caribbean. By contrast, public debt levels of low-income countries reached record levels (see figure I.24).

Government debt as a percentage of GDP in the LDCs remains elevated, standing at close to 60 per cent for 2023. With the rebound in international tourism, SIDS have seen some reduction in the average debt-to-GDP ratio over the past few years, but the ratio has remained higher than in the pre-pandemic period. Many economies continue to face severe debt challenges, with the average debt-to-GDP ratio remaining 8.4 percentage points above the 2015–2019 pre-pandemic average (see box I.3).

The average debt-to-GDP ratio in the LLDCs decreased slightly between 2020 and 2023 but was still about 8.5 percentage points higher than before the pandemic. Most LLDCs depend heavily on primary commodities for exports, making them vulnerable to the negative impacts of sluggish global economic growth and trade.

High and growing debt-service burdens as a percentage of government revenues are further constraining fiscal space, exacerbating debt sustainability risks, and limiting the ability of many developing countries to finance SDG

Figure I.24
General government gross debt, by country grouping and developing region



Source: UN DESA, based on data from the IMF World Economic Outlook database, October 2023.

Notes: e = estimates. Gross government debt is calculated as the unweighted mean in the respective country group or region.

Box I.3

Debt challenges in small island developing States

The convergence of global crises and shocks has led to an alarming rise in unsustainable debt levels in small island developing States (SIDS). External debt in these countries surged to an average of 60 per cent of gross national income (GNI) in 2020–2021 – a concerning shift from the 2010–2019 range of 43 to 54 per cent (see figure I.3.1). The upsurge in foreign debt increases vulnerability and diminishes economic resilience; at present, more than 40 per cent of SIDS are hovering on the brink of debt distress. It also constrains fiscal space and limits the scope for countercyclical fiscal measures and industrial policies. In 2020, median debt service represented about 30 per cent of government revenues in SIDS, diverting public expenditure and foreign currency away from investment in the Sustainable Development Goals (United Nations, 2021).

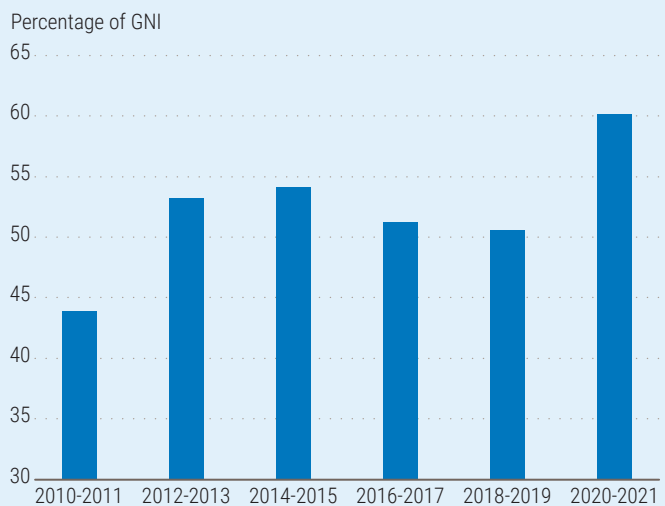
The compounding effects of climate change have escalated disaster intensity, impacting SIDS disproportionately and further deepening their fiscal challenges. For SIDS, individual disasters can inflict damage amounting to multiples of gross domestic product (GDP), and the increased vulnerability to extreme weather events raises their commercial financing costs (World Bank, 2023b). In several SIDS, the damage caused by disasters as a percentage of GDP increased by nearly 90 per cent between 2011 and 2022 (Bharadwaj and others, 2023). Since most SIDS are heavily dependent on food and energy imports, higher global commodity prices have further aggravated fiscal pressures. Food and fuel imports are equivalent to about one sixth of GDP in small States (many of which are SIDS), accounting for a substantially higher share than in other developing economies.

SIDS urgently require more concessional resources and grants, but the grant component of official development assistance (ODA) has declined considerably, falling from 87 per cent in 2015 to 71 per cent in 2021 (United Nations, 2022). SIDS now grapple with average debt to private creditors equivalent to 36 per cent of GDP, which further constrains their fiscal space as credit from private sources is typically more costly and harder to renegotiate or restructure, especially after

a major natural disaster. Notably, private external debt increased in the years of or after major disasters in many SIDS, including Guyana, the Dominican Republic and Fiji. This reflects the changing composition and complex challenges of managing external debt amid the growing reliance by SIDS on commercial debt to meet financing gaps.

Conventional income-based metrics do not fully capture the multifaceted structural vulnerabilities faced by SIDS. SIDS frequently lack access to adequate development resources, including concessional finance or mechanisms for effective debt relief, because the majority are middle-income countries. The new Multidimensional Vulnerability Index (MVI) offers a comprehensive approach to characterizing and measuring vulnerabilities (United Nations, 2023).^a The MVI indicates that, on average, SIDS, LDCs and LLDCs are the most vulnerable groups; 70 per cent of SIDS, 63 per cent of LDCs, and 50 per cent of LLDCs score above the median, emphasizing their structural vulnerability and lack of resilience across multiple

Figure I.3.1
External debt stock in small island developing States



Source: UN DESA, based on the World Bank World Development Indicators database.

Note: Seventeen SIDS are included in this analysis based on data availability.

^a The MVI was developed by the High-level Panel of Experts on a Multidimensional Vulnerability Index (MVI) for Small Island Developing States. The Panel is in the process of building consensus and broad support for the Index and recommends that the MVI framework be adopted by the General Assembly.

sustainable development dimensions. As MVI scores are not correlated with income, the Index can be a useful complement to country income measures such as GNI per capita to determine eligibility for concessional financing. These findings underline the importance of measuring vulnerability even for relatively high-income developing countries, as their development prospects may still be at risk.

The simmering debt distress in SIDS points to the need for immediate and targeted financial support to enhance resilience and promote sustainable development. Concerted efforts from major

investments and climate action. As at 31 August 2023, about half of the countries covered by the IMF/World Bank Debt Sustainability Framework for low-income countries were assessed as being at high risk of debt distress or in debt distress – an increase of about 70 per cent from the 2015 level. In total, 36 developing economies – home to about a quarter of the world’s population living in extreme poverty – are plagued by severe debt problems and high borrowing costs. Among these economies, 11 are LLDCs, with Lao People’s Democratic Republic, Malawi, Zambia and Zimbabwe classified as being in debt distress by the IMF and the World Bank.

As many developing countries face increasing debt sustainability risks, they will be forced to adopt fiscal consolidation measures and cut spending on social programmes, which will have the greatest impact on vulnerable population groups such as women and children. At the same time, cascading shocks and crises add to countries’ rising financing needs for the SDGs. In many developing countries, most notably SIDS, natural disasters associated with climate change deepen fiscal and debt challenges (see box I.3). Debt vulnerabilities are further aggravated by domestic factors, including limited progress in domestic revenue mobilization, inefficient and ineffective use of debt financing to enhance productive capacities, and inadequate sovereign debt management.

stakeholders are needed to provide the necessary debt relief and reshape development assistance trajectories for these vulnerable countries. Relevant actions should include the use of innovative financial instruments and enhanced debt relief mechanisms, including debt cancellation, suspension or rescheduling, along with other forms of assistance such as the Pan-SIDS debt sustainability support service.

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Macroeconomic policy challenges

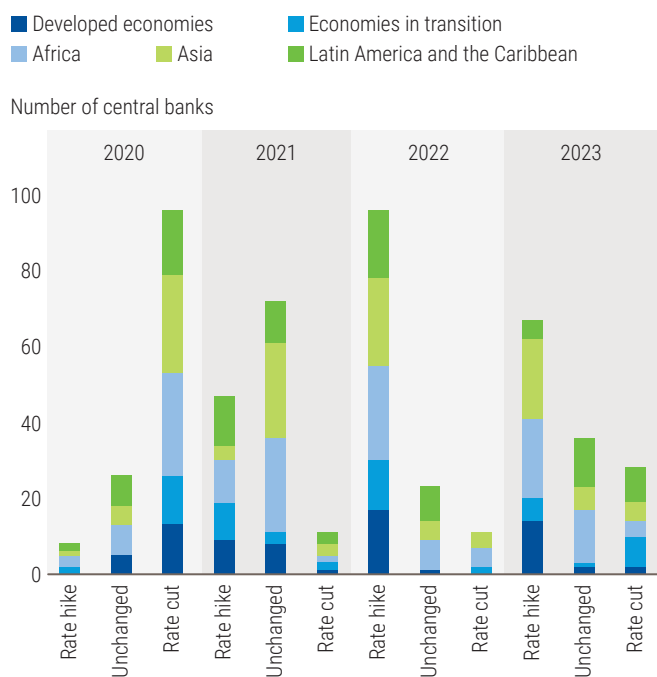
Monetary policy

Central banks must maintain a delicate balancing act in challenging times

Central banks worldwide will continue to face a delicate balancing act and difficult trade-offs in 2024 as they endeavour to manage the risks to inflation, growth and employment, and financial stability (see chapter II). Policy uncertainties – particularly those surrounding the monetary stance of the United States Federal Reserve and the European Central Bank – loom large for both the real economies and the financial markets. Central banks in developing economies will also be confronted with increasing balance-of-payments concerns and debt sustainability risks. While a growing number of central banks are expected to shift towards monetary easing to support aggregate demand, their policy choices will largely be conditioned by actions undertaken by the Federal Reserve and the European Central Bank.

Monetary policy trends have slowly begun to diverge after a rapid and synchronized tightening during 2022 and early 2023 (see figure I.25). Initially, only a limited number of central banks, including the People’s Bank of China and the Bank of Japan, defied the global tightening trend

Figure I.25
Trends in monetary policy stances



Source: UN DESA, based on data from Trading Economics.
Notes: The figure reflects coverage of 130 central banks based on available data. The information for 2023 includes data up to 31 October. Asia includes East Asia, South Asia and Western Asia.

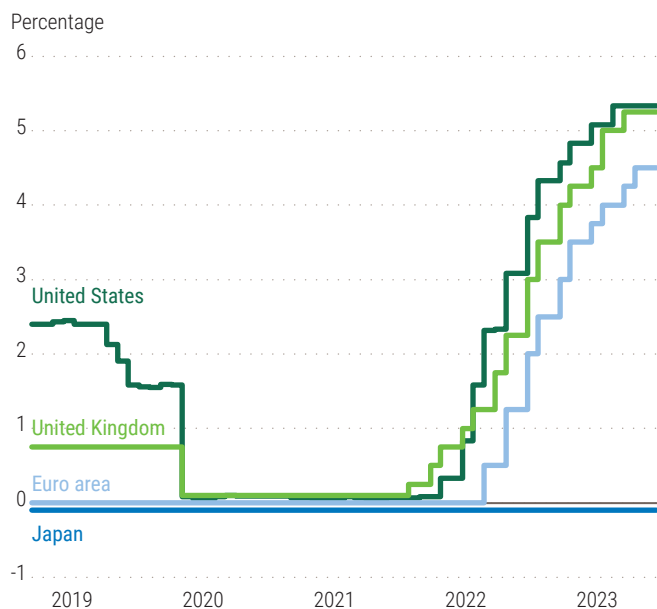
(see figure I.26). However, after inflation began to decline in the second half of 2022, more central banks started to ease monetary policy. The Bank of Brazil, for example, began to reduce interest rates in August 2023. By the end of October 2023, 28 out of 130 central banks worldwide had reduced policy rates.

Despite this growing divergence, monetary policy at the global level generally remained tight in 2023, primarily due to the tightening stance of the Federal Reserve and the European Central Bank. Although the main developed country central banks are likely at the peak of the tightening phase, it is unclear whether they will begin to cut interest rates in 2024. Monetary policy stances will remain largely restrictive worldwide pending interest rate cuts by the Federal Reserve and the European Central Bank.

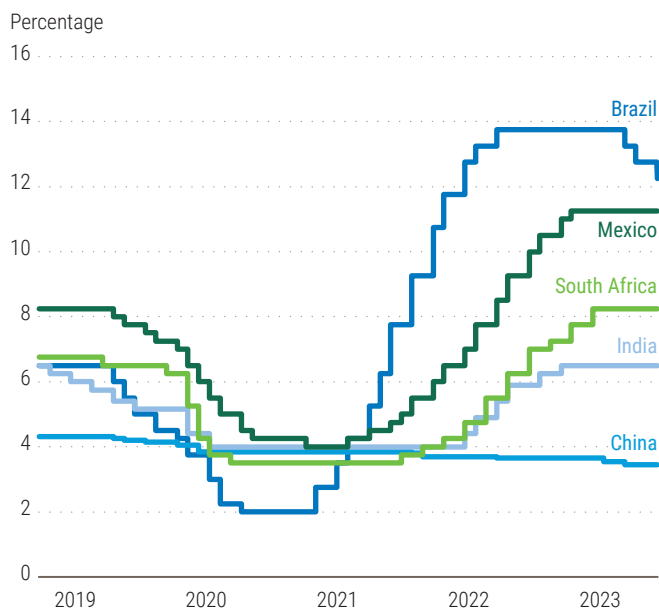
The Federal Reserve, the European Central Bank and other major developed country central banks will face difficult choices in revising their monetary policy stances. First and foremost, exceptionally resilient labour markets will make it hard for the central banks to cut rates. A year

Figure I.26
Central bank policy rates in selected large economies

a) Developed economies



b) Developing economies



Source: UN DESA, based on data from CEIC and Trading Economics.

and a half into the monetary tightening phase, unemployment rates in the United States and the European Union have remained near multi-decade lows. Rising nominal wage growth has signalled the risk of second-round effects and more lasting inflationary pressures, making the central banks reluctant to end the tightening cycle and turn towards monetary easing.

The slow pace of disinflation and concerns that inflation expectations may shift upward are posing additional challenges. Headline inflation rates fell rapidly in 2023 in developed economies, mainly due to declining energy costs. Core inflation rates, however, remained stubbornly higher than the central bank target rate of 2 per cent. Medium-term (three-year-ahead) inflation expectations, influenced by real economy and financial market prospects, edged up even as they largely remain well anchored.

The current round of monetary tightening by the Federal Reserve and European Central Bank involves quantitative tightening – the withdrawal of liquidity support – in addition to the policy rate hikes, which can trigger liquidity constraints and force investors to rebalance their portfolios (see chapter II). The increasing supply of government bonds in the market – as the Federal Reserve, the European Central Bank and the Bank of England reduce their balance sheets by not reinvesting maturing bonds or actively selling them – has made financial markets jittery. Concerns about an oversupply of government bonds and higher inflation expectations have driven up bond yields for both short and medium maturities, but not as much for long maturities. Higher bond yields and the consequent decline in bond prices have increased duration risks and adversely impacted the balance sheets of financial institutions. This impact was evident in the United Kingdom by September 2022 and in the United States by March 2023, compelling the central banks in these countries to pause quantitative tightening and inject liquidity to ease financial stress. This suggests the possibility of an earlier-than-expected end to monetary tightening or a relaxation of certain measures – including pausing quantitative tightening – should more financial

institutions come under stress. Given these policy challenges, it remains difficult to predict the trajectories of monetary policy in the United States and Europe and determine a turning point in the global monetary cycle. Until inflationary pressures abate further, financing conditions are projected to remain tight in all but a small number of countries, including China.

Fiscal policy

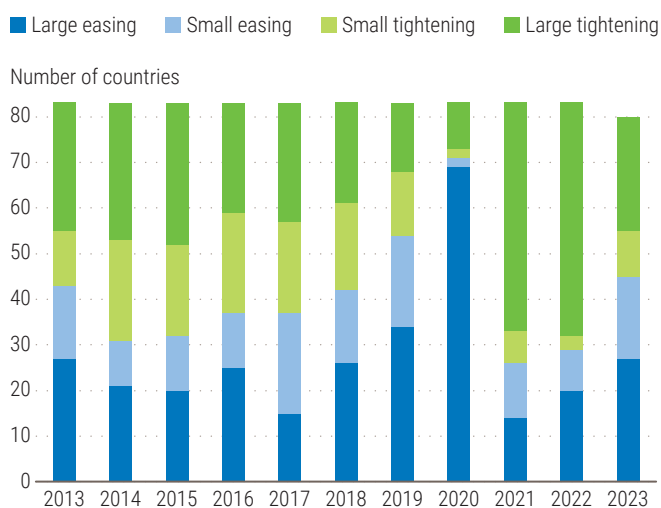
Fiscal space is shrinking amid higher interest rates and tighter liquidity

Countries implemented bold and timely fiscal policy measures to stimulate recovery from the pandemic crisis. Governments also relied on fiscal policy to cope with higher food prices and food insecurity risks resulting from the war in Ukraine.

The sharp increases in the interest rate since the first quarter of 2022 and the tighter liquidity conditions have impacted fiscal positions worldwide, renewing concerns about fiscal deficits and debt sustainability. Fiscal space remains very limited in most countries, restricting the capacity of Governments to respond to new shocks, particularly in developing countries. Market expectations that interest rates in major economies will remain higher for longer than previously anticipated have led to a rise in sovereign bond yields, adding pressure on fiscal balances. In the medium term, subdued growth prospects, together with the need for increased investment in education, health and infrastructure, will put pressure on government budgets and exacerbate fiscal vulnerabilities.

Notwithstanding already high fiscal deficits and debt sustainability concerns, a growing number of countries eased their fiscal policies in 2023 (see figure I.27), underscoring that fiscal policy will remain a key macroeconomic tool for boosting demand and stimulating growth in the near term. Against this backdrop, the pace of public debt reduction slowed in 2023 – after having picked up in 2021 and 2022 due to the recovery of growth and the withdrawal of stimulus measures. Fiscal deficits remained elevated in most economies. In

Figure I.27
Fiscal policy stances



Source: UN DESA, based on data from the IMF World Economic Outlook database, October 2023.

Notes: Small easing/tightening is defined as a change in the structural fiscal balance of less than 0.5 per cent of GDP; large easing/tightening is a change of more than 0.5 per cent of GDP. The sample covers 37 developed economies, 38 developing economies and 8 economies in transition. Data for 2023 are missing for the Dominican Republic, Lebanon and Ukraine.

the United States, for example, the fiscal deficit expanded from 3.7 per cent in 2022 to an estimated 8.2 per cent in 2023, driven by an increase in social spending and rising debt-servicing costs. In the near term, the fiscal deficit is projected to stay high due to large investments in infrastructure, innovation and the energy transition.

In China, the Government maintained a proactive fiscal policy stance in 2023 as recovery remained tenuous. Government-led infrastructure projects boosted investment, and tax cuts and direct funding supported harder-hit or strategically important sectors. While the burden of local government debt may impose constraints on public finances, special-purpose bond issuances could still provide an off-budget source for local government projects in the near term.

In the euro area, fiscal policy became tighter after Governments provided significant support to deal with the pandemic, energy, and cost-of-living crises. In 2023, fiscal expenditures

remained elevated amid the continued suspension of fiscal rules and rising debt-servicing costs. The implementation of fiscal consolidation plans will likely gain momentum in 2024 as Governments gradually withdraw energy and inflation support measures, leading to significant reductions in primary fiscal deficits.

In Japan, a supportive fiscal policy remains in place. In 2024, fiscal policy will prioritize the improvement of productive capacities, public sector wage increases, and measures to alleviate rising living costs.

Developed countries are facing major fiscal challenges beyond the short term. In the coming decade, fiscal spending in the United States is projected to increase faster than revenues, a trend driven by an ageing population and rising health-care and education costs. Interest payments are also projected to increase due to higher debt levels and interest rates. The United States Congressional Budget Office (CBO) projects that the fiscal deficit will be equivalent to 6.9 per cent of GDP in 2033.¹⁶ Given the conservative assumptions regarding interest rates and some spending items such as defence, the CBO estimates could be too optimistic (Peterson Institute for International Economics, 2023).

Public budgets in the European Union also face major challenges due to rising pressures from pension and health-care systems and expanding investment needs for the energy transition. Estimates show that the long-term increases in primary fiscal balances necessary to offset higher debt-servicing costs range between 0.5 and 1.5 per cent of GDP for most economies (Zettelmeyer and others, 2023). Reforming the Stability and Growth Pact will remain critical for anchoring fiscal policy in the euro area while also giving countries sufficient flexibility in reducing deficits and debt levels. The implementation of numerical benchmarks and automatic rules governing debt reduction remains a point of contention, however, reflecting the sharp differences in perspectives

¹⁶ In mid-2023, the rating agency Fitch downgraded the United States sovereign debt from AAA to AA+, citing the projected weakening of the fiscal situation in the coming years and the deterioration in standards of governance.

between member countries. It is critical for the economies in Europe to intensify efforts to increase tax revenues and balance rising expenditures. Domestic revenue mobilization can be enhanced by closing tax loopholes and introducing or raising wealth, carbon, and financial transaction taxes.

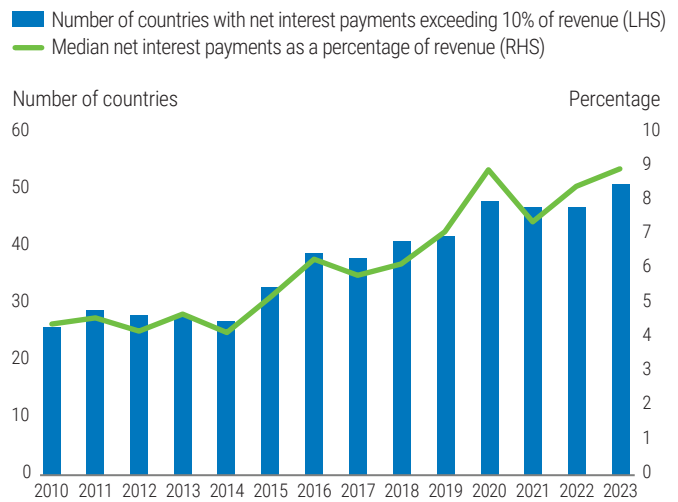
Fiscal positions are fragile in many developing economies

The fiscal positions of most developing economies are fragile. In many cases, higher debt levels and borrowing costs are accompanied by subdued growth prospects and subpar domestic resource mobilization. The ongoing rise in interest payments is increasingly diverting resources away from spending on health, education, social protection, and other areas of sustainable development (see figure I.28). In 2022, more than 50 developing economies spent over 10 per cent of total government revenues on interest payments, and 25 countries spent more than 20 per cent. In Latin America and the Caribbean, interest payments increased significantly, representing 25 per cent or more of fiscal revenues in Brazil, Colombia and Costa Rica. In 2021, interest payments were equivalent to about 63 per cent of spending on education and 185 per cent of public investment in the region (ECLAC, 2023). In addition, more frequent and extreme weather events will increasingly strike developing economies, exacerbating fiscal and debt risks in the coming years. Developing economies are finding it increasingly difficult to invest in climate and development goals while also meeting their debt servicing commitments. A growing number of these economies will face severe constraints in maintaining countercyclical fiscal policy stances, supporting public investment, and protecting the most vulnerable groups.

Fiscal policy challenges affect most developing countries but vary widely among different groups. In those with relatively less vulnerable fiscal frameworks, policymakers need to strike a balance, supporting growth and scaling up strategic public investments while also maintaining fiscal sustainability and rebuilding fiscal buffers. It will be crucial for Governments to

Figure I.28

Government interest expenditures in developing countries



Source: UN DESA, based on data from the IMF World Economic Outlook database, October 2023.
Notes: LHS = left-hand scale; RHS = right-hand scale. Net interest payments of the general Government equal the total amount of domestic and external interest expenses incurred from loans and other forms of borrowing minus any interest income received.

avoid self-defeating fiscal consolidations (United Nations, 2023d). Many developing economies will need to bolster fiscal revenues. In the short term, the increased use of digital technologies can help developing countries reduce tax avoidance and evasion (Yamen, Coskun and Mersni, 2022). In the medium term, Governments will need to expand revenues with more progressive income and wealth taxes. Many economies also need to improve the efficiency of fiscal spending by enhancing the effectiveness of subsidies and better targeting social protection programmes.

Countries with vulnerable fiscal frameworks – typically most low-income and some middle-income economies – require debt relief and restructuring measures to avoid devastating debt crises leading to long-lasting development distress and protracted cycles of weak investment, slow growth, and high debt-servicing burdens. Since 2015, public debt as a share of GDP in low-income countries has risen 14 percentage points to 69.1 per cent, a much sharper rise than the average 10.7-percentage-point increase for the rest of the developing countries. In contrast to the situation in developed economies and other developing

economies, public debt as a percentage of GDP in low-income countries was higher in 2023 than in 2020 owing to large primary deficits, higher interest payments, and slow recoveries from the pandemic crisis.

Many low-income developing countries are facing extreme fiscal pressures that are forcing them to reduce public investment in infrastructure and making it difficult for them to cover public sector salaries and other basic recurring expenditures in the health and education sectors. Tightening financial conditions and weakening fiscal positions are further compounded by the recent decline in ODA. Low-income countries, especially in Africa, are facing additional fiscal pressures and higher interest burdens from the increasing impacts of climate change.¹⁷

Industrial policy

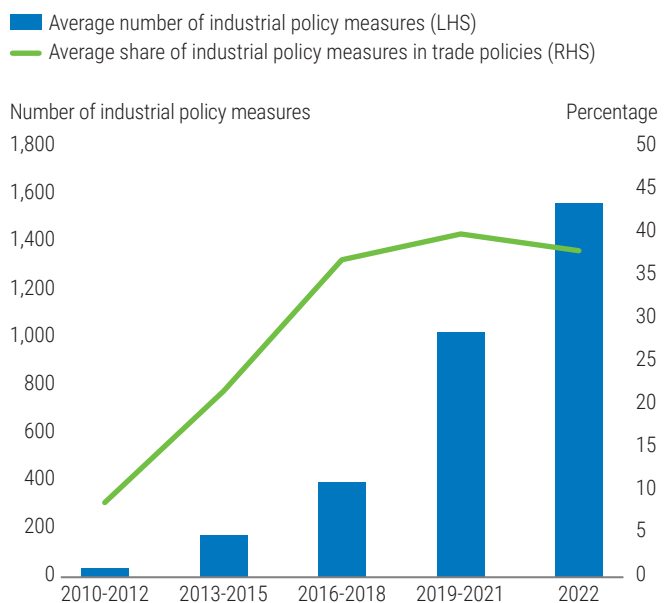
Industrial policy is driving innovation and structural transformation

With monetary and fiscal policies facing constraints, industrial policies are gaining greater relevance, becoming a centrepiece of many government policy agendas worldwide. Industrial policies are aimed at changing the structure or sectoral composition of the economy in line with strategic and medium-term objectives such as export diversification, technology upgrading and industrialization. Industrial policies support infant industries; science, technology and innovation; trade, FDI and intellectual property rights; and public procurement. They can also shape the allocation of financial resources. There is a growing recognition that industrial policies can help countries address the pervasiveness of market failures (including externalities, appropriability problems and information asymmetries) and better manage trade-offs between economic efficiency and equity objectives (Juhász, Lane and Rodrik, 2023). There is also an increasing awareness of the need to address challenges linked to the industrial policies themselves, including government failure,

cherry-picking and political capture. Against this backdrop, the debates on industrial policy have shifted from “why” to more of a focus on “what” and “how” (Chang, 2010), with the prevalence and scope of industrial policies expanding over the past decade or so (Vergara, 2023) (see figure I.29).

Since 2020, the multiple crises battering the world economy have revitalized interest in industrial policies. The COVID-19 pandemic and the war in Ukraine uncovered critical supply chain weaknesses and productive vulnerabilities, with domestic resilience and national security issues taking precedence over efficiency considerations. Mounting geopolitical rivalries are prompting the United States, China and the European Union to expand industrial and innovation policies to maintain or strengthen competitive advantages. Fostering productive capabilities and investment in research and development (R&D) – a crucial input for innovation – has become a policy

Figure I.29
Industrial policies at the global level



Source: UN DESA, based on Juhász, Lane and Rodrik (2023).
Notes: LHS = left-hand scale; RHS = right-hand scale. The data correspond to averages for each three-year period, except for 2022. The share of industrial policies corresponds to the number of industrial policies among all interventions in the Global Trade Alert.

¹⁷ According to Songwe and Adam (2023), many countries in Africa are already spending between 2 and 9 per cent of their fiscal budgets to respond to extreme weather events.

priority for these economies and others. In some cases, geopolitical concerns have also encouraged countries to increase R&D investment in defence and reducing technological interdependencies (OECD, 2023c). The rapidly rising impacts of the climate crisis, which disproportionately affect developing economies, also point to the need for stronger industrial policy support to accelerate the green energy transition.

In line with these policy objectives, Governments are increasingly promoting domestic R&D activities and subsidizing manufacturing in high-tech sectors while also supporting carbon-reducing innovations and public and private investments to advance the energy transition. Public budgets for R&D investments increased significantly between 2015 and 2022 in the developed economies (OECD, 2023c). Global R&D investments (public and private) reached a record high of \$2.5 trillion in 2022, mainly due to increases in economies that invest more intensively in R&D, including the United States, China, Japan, Germany and the Republic of Korea (R&D World, 2022). These five economies account for more than 70 per cent of global R&D investments.

Innovation policies are also shifting, reflecting a more ambitious, systemic and strategic approach. Many Governments are establishing more direct initiatives (for example, financing projects that the private sector is not willing to invest in or targeting specific sectors), setting clear priorities and in some cases committing significant resources. In addition, Governments are deploying specific targets, incentive measures and conditionalities to promote socially and environmentally desirable technologies (Mazzucato and Rodrik, 2023). Innovation policies are essentially gaining greater directionality, extending beyond the fixing-market-failures view and entailing more active participation by the State in creating and shaping products and markets.

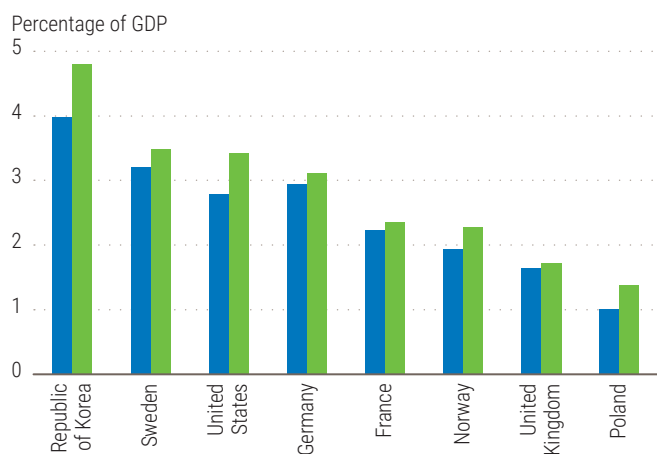
Research and development investments diverge strongly across countries

R&D investment remained highly resilient during the pandemic; this marked the first time a global recession did not lead to a reduction in such investment (OECD, 2023c). R&D investments were increasing in developed economies and China even before 2020 (see figure I.30a). Public budgets

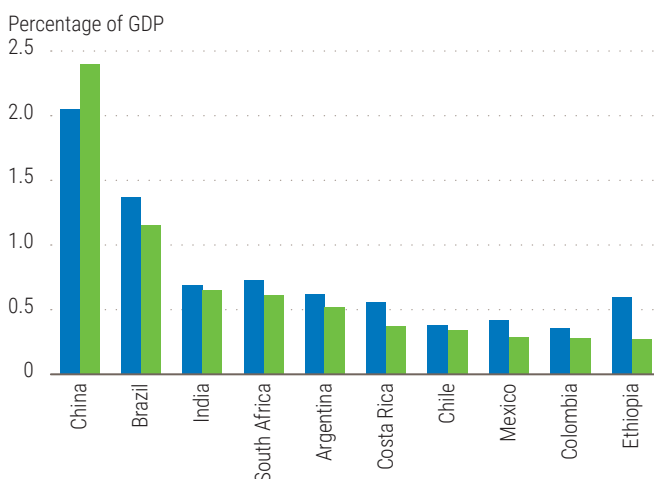
Figure I.30
Research and development investments

■ 2015 ■ 2020 or latest available

a) Developed economies



b) Developing economies



Source: UN DESA, based on data from UNESCO.

Note: Research and development (R&D) investments include creative and systematic work undertaken by firms, Governments, and higher education and non-profit institutions to increase the stock of knowledge and to devise new applications of available knowledge.

for R&D investments in OECD countries expanded by about 37 per cent between 2015 and 2020, with Germany, Japan and the Republic of Korea registering the greatest increase (OECD, 2023c). The developed economies and China are targeting their policies to support the development of green energy and other advanced technologies. These initiatives, which target specific sectors and have strong financial and political backing, focus on crowding in private investments, fostering R&D investment, and supporting domestic manufacturing capacities.

In the United States, enormous federal funding and investments have been committed to strengthening innovation, promoting domestic production and the green transition, and modernizing public infrastructure. These policy objectives are supported by recent legislation, including the Inflation Reduction Act (\$440 billion), the Creating Helpful Incentives to Produce Semiconductors (CHIPS) and Science Act (\$280 billion), and the Infrastructure Investment and Jobs Act (\$550 billion). The CHIPS and Science Act aims to promote investment in semiconductor R&D and production and will also support R&D investment and commercialization in the areas of artificial intelligence, quantum computing and robotics.¹⁸

China continues to prioritize innovation as a principal component of its development strategy, targeting specific industries. R&D investment as a percentage of GDP increased from 1.7 per cent in 2010 to 2.6 per cent in 2022. The 14th Five-Year Plan¹⁹ seeks to expand R&D further by increasing the availability and scope of different policy measures relating to artificial intelligence, quantum computing, and integrated circuits. The “Made in China 2025” initiative promotes domestic manufacturing in the aerospace, biotech, information technology and electric vehicle sectors.

The European Union is moving forward with “Horizon Europe”, a seven-year, €95 billion innovation initiative that focuses on five thematic mission areas and is aimed at supporting technological capabilities, R&D investment, and green and digital transitions. Australia, Finland, Germany, Japan, Sweden, and the United Kingdom have also recently expanded their policy support for innovation.

Industrial policy efforts in most developing economies are smaller in scale and scope, largely due to the limited fiscal space. Even before the pandemic crisis, industrial policies were generally less prevalent in developing economies (Juhász, Lane and Rodrik, 2023); it is primarily middle-income developing economies that utilize industrial policies. Innovation policies, in particular, are constrained in scope, remain subordinated to other policies and social priorities, and lack adequate financial resource and medium-term strategy support (Peres and Primi, 2019). Most developing countries are holding on to their static comparative advantages and are failing to build productive and technological capabilities and develop dynamic comparative advantages. Well-designed and well-funded industrial policies can be the bridge between static and dynamic comparative advantages.

In several Latin American and Caribbean economies, public budgets for science, technology and innovation are only slowly recovering from the substantial cuts triggered by the pandemic crisis.²⁰ In many commodity-exporting countries, innovation budgets have been declining since 2015. Against this backdrop, R&D investment as a percentage of GDP has fallen in many developing countries (see figure I.30b). Only a few East Asian economies have managed to implement strategic innovation policies, promoting export diversification and improving

18 Support totalling around \$220 billion for the semiconductor and clean technology industries was announced between the time the Inflation Reduction Act and the CHIPS and Science Act were signed into law and mid-2023 (Chu, Roeder and Irwin-Hunt, 2023).

19 Officially known as the 14th Five-Year Plan for Economic and Social Development and Long-Range Objectives through the Year 2035 of the People's Republic of China.

20 Science, technology and innovation policies are government initiatives designed to support basic research, technology development, and innovation commercialization and adoption.

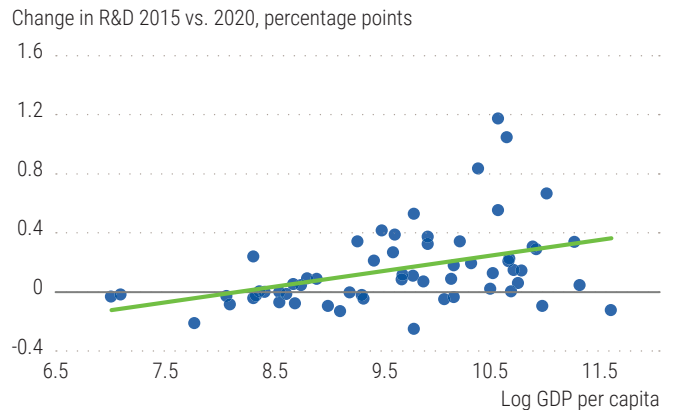
participation in global value chains.²¹ Data for the period 2015–2020 suggest that, in general, changes in R&D investment were positively correlated with GDP per capita (see figure I.31), with R&D investment increasing more in the developed economies than in the developing economies.

Most Governments in developing countries face enormous fiscal constraints in implementing innovation policies. The challenges are compounded by structural factors, including weak institutional capabilities and the lack of political commitment to support innovation. These countries typically have small scientific communities and comparatively few high-skilled workers, and innovation is concentrated in low-tech sectors. R&D investments are low, with limited private sector participation and little to no interaction with universities. Public or private enterprises that are involved in innovation tend to operate in isolation, rarely creating downstream or upstream linkages.

With the revitalization of industrial policy in developed economies and the constraints developing economies face in pursuing similar strategies, the technology divide between developed and developing countries is likely to widen. The subdued growth in international trade will effectively limit opportunities for developing countries to acquire knowledge associated with closer interaction with international markets, further exacerbating the divide (Vergara, 2017).

It will remain critical for developing countries to redouble their efforts to build institutional capacities and implement well-targeted industrial and innovation policies. Strengthening innovation systems and absorptive capacities will be crucial for generating new and sustainable sources of growth and employment, diversifying export structures, and accelerating the energy transition. This is particularly important because many developing economies have seen a decline in potential output growth in the past decade.

Figure I.31
Change in R&D investment as a percentage of GDP between 2015 and 2020 versus GDP per capita



Source: UN DESA, based on data from the World Economic Forecasting Model and UNESCO.

Notes: GDP per capita values are for 2020. Research and development investment includes private and public investments.

Ambitious, strategic, and well-coordinated industrial and innovation policies can reduce the technological divide and accelerate developing countries' progress towards the SDGs.

International cooperation

Stronger multilateralism can accelerate progress on the Sustainable Development Goals

At the midpoint of the implementation of the 2030 Agenda for Sustainable Development, the world remains vulnerable to disruptive shocks, including a rapidly unfolding climate crisis and escalating geopolitical conflicts. The urgency and imperative of achieving sustainable development underscore that stronger global cooperation is needed now more than ever. The United Nations remains at the forefront of efforts to strengthen multilateralism to support SDG progress. The High-level Political Forum on Sustainable Development, convened under the auspices of the United Nations General

²¹ Currently, Indonesia, Malaysia and Thailand are revamping their policy support towards innovation and R&D in specific sectors, including semiconductors and electronics.

Assembly in September 2023, adopted a political declaration to accelerate the implementation of the 2030 Agenda through a set of actions that include advancing the SDG Stimulus launched by the Secretary-General of the United Nations, bridging the science, technology and innovation divides, and enhancing ambition for climate action (United Nations, 2023b).²² The Summit of the Future, to be held in September 2024, will offer a platform for various stakeholders to discuss necessary reforms with a view to formulating “multilateral solutions for a better tomorrow”.

In the context of the macroeconomic challenges identified in this report, priority areas for international cooperation include strengthening the multilateral trading system, reforming development finance and the global financial architecture and addressing the debt sustainability challenges of low- and middle-income countries, and massively scaling up climate financing.

Reinvigorating the multilateral trading system

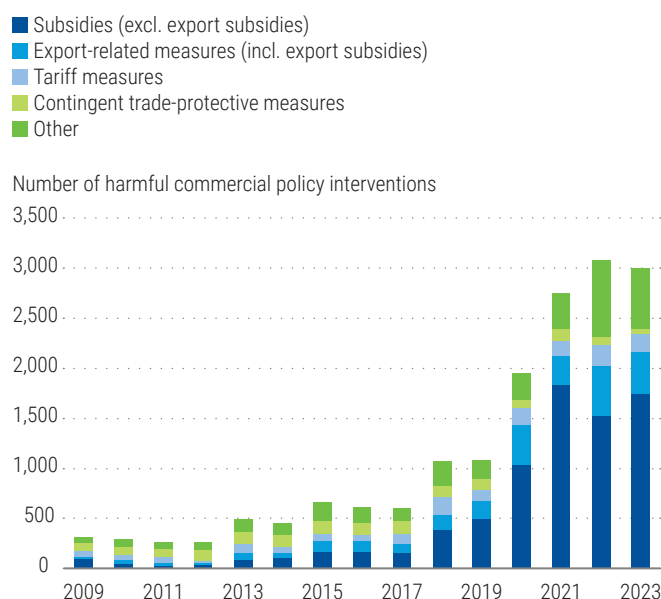
With the protracted global trade slowdown, increased scepticism about the benefits of globalization in some countries, and the urgency behind accelerating global climate action and narrowing the technological divide, reforming and strengthening the international trade system constitute a critical challenge. As internal governance issues remain unresolved and new external challenges emerge, the multilateral trading system under the auspices of the World Trade Organization (WTO) remains under significant strain.

One indicator of the need for change is the increase in the number of new trade barriers imposed worldwide. Trade barriers nearly tripled between 2019 and 2022 and remained

at a high level in 2023. Subsidies account for the bulk of new trade policy interventions (see figure I.32). While subsidies play a critical role in advancing innovation, driving industrial sector development, supporting infant industries, promoting economic diversification, and increasing efficiencies in the longer term through mechanisms such as learning by doing and economies of scale, they may also undermine the goal of maintaining a level playing field in global trade. Subsidy disputes and countervailing duty investigations constituted over 20 per cent of all disputes raised at the WTO during the period 1995–2022.²³

At present, the world’s largest economies are massively ramping up subsidies, especially to boost their technology and clean energy sectors. The spectre of subsidy wars is looming large (Van Heuvelen, 2023). At the same time, many

Figure I.32
New trade restrictions at the global level



Source: UN DESA, based on Global Trade Alert.
Notes: For each year, only the policy changes implemented and documented between 1 January and 1 December are displayed. This ensures comparability across years. For details, see [Global Trade Alert](#).

²² Section III of the political declaration outlines a broad range of actions necessary to reverse declines and accelerate progress to achieve the 2030 Agenda and implement the SDGs (see paras. 38(a) to 38(t)). The proposed actions include, inter alia, continued and multifaceted efforts to combat poverty, hunger, gender inequality, climate change and pollution, as well as efforts to strengthen education systems, health care, economic development, digitalization, and environmental sustainability – notably through key instruments such as multilateral cooperation, sustainable finance and effective taxation, science, technology and innovation, and data-driven policies.

²³ The WTO dispute settlement system is integrated in the sense that several agreements can be at issue in the same dispute.

developing countries are arguing for greater domestic policy space, calling for “trade rules to promote industrialization and to address emerging challenges, such as climate change, concentration of production and digital industrialization” (WTO, 2023a).

Progress around new global trade agreements takes time. A case in point is the Agreement on Fisheries Subsidies; adopted in June 2022, this is the first WTO agreement that puts an environmental objective at its core. The Agreement can only enter into force when at least two thirds of the 164 WTO members (109 countries) accept it; by early December 2023, only 52 members had done so.

The energy transition is posing another set of challenges to the international trade architecture. Reinsch and Benson (2022) emphasize that the unilateral application of subsidies by global players to address climate-related challenges can create significant risks for international trade and could make some green technologies more costly at a time when they are most needed. However, recent experience with renewables has highlighted the role of subsidies and market growth in driving down costs in the long run, thus making these technologies more accessible – provided lower costs result in lower prices for consumers (Kavlak, McNerney and Trancik, 2018). At the twenty-eighth meeting of the Conference of the Parties to the United Nations Framework Convention on Climate Change (COP28) in Dubai, the WTO launched the 10-point Trade Policy Tools for Climate Action, recommending measures such as curbing fossil fuel subsidies, lowering tariffs for renewable energy equipment, and coordinating climate-related taxation, including carbon pricing (WTO, 2023b).

Ahead of the thirteenth WTO Ministerial Conference in February 2024, WTO reform discussions continue. Reform of the dispute settlement mechanism – which deals with disputes between WTO members and has

been dysfunctional since 2019 – is among the top priorities. The G20 New Delhi Leaders’ Declaration affirms support for the reform process, recognizing the WTO as being at the core of “a rules-based, non-discriminatory, fair, open, inclusive, equitable, sustainable and transparent multilateral trading system” and supporting the restoration of the dispute settlement system by 2024 (Group of Twenty, 2023). While far-reaching reform of the international trade system can help accelerate progress on key SDGs, it will also be most effective if carried out while support for international trade and multilateralism is still widespread.

Addressing international financing and debt challenges

With the 2030 Agenda deadline fast approaching, strong resolve within the international community is required to boost development financing and accelerate progress towards the SDGs. The SDG Stimulus initiative launched by the Secretary-General of the United Nations in 2023 outlines urgently needed actions to address development financing access and cost concerns (United Nations, 2023c). The SDG Stimulus calls for scaling up affordable financing for development by at least \$500 billion per year and expanding contingency financing for countries in need. The call for increased financing has been echoed by the G20 Independent Expert Group, which estimates that \$3 trillion worth of additional investment is needed annually for the achievement of SDGs in developing countries, \$1 trillion of which should come from external financing (Center for Global Development, 2023).

In addition to these immediate financing measures, the Secretary-General of the United Nations has proposed longer-term structural reforms, outlined in the policy brief on reforms to the international financial architecture.²⁴ The policy brief identifies the following six priority areas for action: global economic governance; debt relief and the cost of sovereign borrowing;

²⁴ See [Our Common Agenda Policy Brief 6: reforms to the international financial architecture](#).

international public finance; the global financial safety net; policy and regulatory frameworks that address short-termism in capital markets, better link private sector profitability with sustainable development and the SDGs, and address financial integrity; and global tax architecture for equitable and inclusive sustainable development. These reforms are aimed at mobilizing stable and long-term financing on the scale needed to address the climate crisis and achieve the SDGs.

In the face of the present challenges, progress towards ensuring adequate financing for sustainable development remains very slow and fragmented. The lack of follow-through on commitments made in international forums has been an obstacle to meaningful progress. ODA disbursements are one area in which countries continue to lag behind. Preliminary data from the Development Assistance Committee indicate that in 2022, only five countries (Denmark, Germany, Luxembourg, Norway and Sweden) met or exceeded the United Nations target allocation of 0.7 per cent of GNI to development aid.

Multilateral development banks (MDBs) can play a catalytic role in augmenting the volume and flow of long-term concessionary financing for developing countries. In October 2023, the major MDBs committed to strengthening collaboration to help accelerate inclusive socioeconomic development, including through improved leveraging of private sector capital (EBRD, 2023). This commitment included capital adequacy framework measures that could potentially increase their collective lending capacity by around \$300 billion to \$400 billion over the next decade. However, in the absence of a significant scaling-up of resources, these reforms will not be sufficient to address the financing needs of developing countries. MDBs will require an annual increment of \$260 billion in lending to respond to the mounting development challenges (Center for Global Development, 2023).

Following calls for the reallocation of special drawing rights (SDRs), developed countries – which received approximately 58 per cent

of the 2021 SDR allocations – are pledging to channel their unused SDRs to countries in need. As at June 2023, 29 countries had pledged to voluntarily reallocate approximately \$103 billion worth of SDRs to countries in need, mainly through the IMF Poverty Reduction and Growth Trust and the Resilience and Sustainability Trust. The Secretary-General of the United Nations has also called for rechannelling an additional 100 billion unused SDRs through MDBs, allowing them to leverage additional private capital to provide affordable finance to developing countries (United Nations, 2023c). It is essential that Governments not only address access to financing but also ensure the proper utilization of available finance and the prioritization of SDG-aligned investments.

Along with increasing the flow of development finance, addressing the cost of debt finance for developing countries remains critical. As a response to dwindling development assistance and concessional financing, countries are taking on more non-concessional debt. Statistics for 2021 indicate that developing countries sourced approximately 62 per cent of their debt from private creditors, up from 47 per cent in 2010, and paid more than three times the average developed country interest rate (UN Global Crisis Response Group and others, 2023). If not urgently addressed, the exorbitant costs of borrowing for developing countries will further exacerbate debt sustainability challenges and impede progress towards the SDGs.

Sovereign debt has grown substantially over the past decade, with debt accumulation rising much faster in developing countries than in developed countries. Heightening debt vulnerabilities add urgency to improving debt crisis prevention and resolution mechanisms. Debt relief and restructuring measures and enhanced international liquidity are critical for securing or restoring the sustainability of public debt and creating fiscal policy space. While some progress has been made, much remains to be done both to create additional fiscal space for countries

suffering from high debt-service burdens and to make restructurings more effective and fairer for those facing default. To address the former, the international community should step up efforts to standardize debt for climate and SDG swaps that allow countries to redirect debt-service payments towards SDG investment. With regard to the latter, the increased complexity of the debt landscape and the resulting fragmentation in debt restructuring negotiations (especially the lack of coordination between public and private creditors) have constituted a major impediment to effective and fair debt resolution. Although institutional innovations such as the Common Framework have been created to address debt distress and crises, restructurings have remained slow and shallow. This underscores the need for stronger and more effective multilateral initiatives that can address restructuring issues within and outside the Common Framework – initiatives that can offer clarity regarding steps and timelines for debt restructuring processes, the provision of debt standstills during negotiations, and better ways to ensure adherence to the “comparability of treatment” principle among different creditors.

The Global Sovereign Debt Roundtable, established in February 2023, aims to bring together official creditors, borrowing countries, and representatives of the private sector to build a common understanding of the issues surrounding debt sustainability and debt restructuring – both within and outside the Common Framework – and to identify ways to address them. A progress report issued in October 2023 highlights the positive momentum achieved in resolving debt restructuring cases, with mention made of “somewhat shorter timelines and somewhat smoother processes” (IMF, 2023c). The report notes that priority areas for work going forward include domestic debt restructuring, including the treatment of State-owned enterprise debt; engagement with credit-rating agencies; and analysis of the drivers of debt accumulation and the prevention of debt

build-up. The report also notes requests from Roundtable participants for further discussion on debt transparency and on climate and debt vulnerabilities.

Other proposals are under discussion, including advancing legislation in key jurisdictions that govern most of the sovereign bond contracts and improving contractual clauses – such as State-contingent repayment clauses or collective action clauses – to prevent and more effectively resolve debt crises. In June 2023, the World Bank announced that it would start including in its lending to its most vulnerable clients debt pause clauses that suspend debt interest payments during times of crisis or disasters and that it intends to work with all stakeholders to expand coverage (World Bank, 2023e). In his policy brief on financial architecture reform, the Secretary-General of the United Nations proposes going further and calls for a debt workout mechanism and sovereign debt authority.

Scaling up climate finance

Climate finance is critical to the achievement of SDG 13, which urges countries to take action to combat climate change and its impacts (see box I.4). Mitigating the impacts of climate change is expected to require investment of \$150 trillion in energy transition technologies and infrastructure by 2050, which works out to a commitment of \$5.3 trillion per year to transform the global energy sector (IRENA and CPI, 2023). Many developing countries lack the resources, technology and capacity to reduce their emissions and adapt to the impacts of climate change. Without effective international development cooperation, developing countries (especially those that are poorest and most vulnerable) will not be able to protect themselves from the unfolding climate catastrophe.

Annual adaptation costs for developing countries alone are estimated to range from \$215 billion to \$387 billion per year during the present decade, with projections of a significant increase by 2050

Box I.4

The economic costs of climate change

The year 2023 saw a surge in extreme weather events and the hottest summer since global records were first kept in 1880 (NASA, 2023). Extreme heat, especially between June and September, contributed to the occurrence of devastating wildfires, floods and droughts, shattering lives and livelihoods around the world. While the link between greenhouse gas emissions, changes in climate variables such as temperature and precipitation, and the increased frequency of climate-related hazards is well-established (Thomas, Albert and Hepburn, 2014), estimates of the cost of climate change for the global economy vary widely.

Many of the growing number of studies that attempt to estimate the range of global economic losses due to climate change do not adequately capture tail risks, extreme weather events or non-linearities.^a At the micro level, evidence suggests that productive factors (such as labour supply), natural resources (such as crops) and labour productivity do not respond linearly to daily or hourly local temperatures. However, this non-linearity is often neglected at the macro level (Burke, Hsiang and Miguel, 2015). Models that account for these factors produce significantly larger estimates of economic losses than those that do not. Newell, Prest and Sexton (2021), for example, estimate predicted losses of about 10 per cent of global GDP by the year 2100 when considering events such as the collapse of the Greenland ice shelf. Accounting for non-linearities, Burke, Hsiang and Miguel (2015) estimate that average global incomes would be 23 per cent lower by 2100 in a scenario of no mitigation of global warming. The Intergovernmental Panel on Climate Change (IPCC, 2021) estimates that global GDP losses will range between 10 and 23 per cent by 2100 due to temperature impacts alone.

The challenges in estimating economic losses are largely related to three factors: difficulties in predicting the pace and intensity of climate change; limitations surrounding the use of GDP or other monetary-related measures to capture the totality of economic losses (Kenny, 2022); and difficulties in producing comprehensive estimates of the direct and indirect economic costs of climate change. Direct and short-term economic effects – such as damage

to crops, the destruction of productive capacities and infrastructure, and the loss of physical assets – can be observed and measured (OECD, 2012; IPCC, 2021). However, the longer-term and indirect impacts of processes such as desertification, mass migration, and the loss of vegetation, biodiversity and habitats on macroeconomic fundamentals and living standards also need to be considered – despite the complexity of transmission channels to appropriately estimate the cost of climate change.

Low-income countries, especially SIDS, are disproportionately affected not only by the increased intensity of natural disasters but also by the more subtle shifts associated with climate change. Burke, Hsiang and Miguel (2015) estimate that productivity peaks at an annual average temperature of 13°C and declines at an accelerating rate at higher temperatures. Low-income countries, which are often located in hotter climates, are thus particularly hard hit by global warming (IMF, 2017). Callahan and Mankin (2022) estimate that the losses in GDP per capita for regions in the bottom income decile are four times higher than the losses for regions in the top income decile. Apart from the direct effects of an increase in temperature, low-income countries face greater indirect risks linked to deteriorating financial conditions. Mitnik, Semmler and Haider (2019) maintain that large temporary shocks and capital losses associated with disaster events push up risk premia and borrowing costs, further constrain adaptation and mitigation capacity, and increase the risk of poverty traps. Within countries, the burden from climate-change-related disasters falls most heavily on vulnerable groups, including Indigenous Peoples who depend on the environment for subsistence, as well as women, children and older persons (IPCC, 2021). The United Nations Children's Fund (UNICEF, 2023) estimates that extreme weather events such as the Pakistan floods and the Horn of Africa drought in 2022 led to the displacement of 12 million children. IPCC (2021) estimates that the costs for regional adaptation for Africa alone could amount to \$50 billion yearly by 2050 in a 1.5°C scenario. Based on current trends, the world is on track for a temperature increase of 2.6°C or more above the pre-industrial level by 2100

^a See Stanton, Ackerman and Kartha (2009) and Newell, Prest and Sexton (2021) for reviews of major climate-change models and studies.

(McKay and others, 2022) – a path that risks triggering “tipping points”, with escalating damages and costs. For instance, projections indicate that at an increase of 2°C, between 800 million and 3 billion people would likely experience water scarcity – the greatest risk to achieving global sustainability goals (IPCC, 2021).

With climate impacts rapidly intensifying, scaling up funding and investment for both mitigation and

adaptation will remain critical. A shift from short-term to long-term planning, increased public and private financial flows, and enhanced access to multilateral funds are all pivotal elements. The path forward may not seem simple, but the message is that the sooner action is taken, the lower the costs to human well-being will be.

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(UNEP, 2023).²⁵ Songwe and others (2022) estimate that developing countries other than China will need to spend around \$1 trillion per year by 2025 (an average of 4.1 per cent of GDP, compared with 2.2 per cent of GDP in 2019) and around \$2.4 trillion per year by 2030 (6.5 per cent of GDP) to manage the climate crisis. The total amount covers action in four critical areas, including developing human capital, creating and maintaining sustainable infrastructure and accelerating the energy transition, facilitating adaptation and resilience building, and restoring natural capital through sustainable agriculture, food and land use practices, and biodiversity.

Climate finance has increased over the past decade. However, it remains far below the level of green investment required to limit the temperature rise to 1.5°C above pre-industrial levels, as set out in the Paris Agreement in 2015. The pledge made by developed countries in 2009 to provide \$100 billion in climate finance per year by 2020 to support developing countries – a pledge reiterated in 2015 and 2022 – was never fully met; climate finance mobilized by developed economies totalled only \$89.6 billion in 2021 (OECD, 2023). Mounting uncertainties and weak growth prospects have hindered the implementation of national and international pledges to support climate action. The unfulfilled commitments undermine trust in international

cooperation and endanger the future of climate action. At COP28 in December 2023, efforts were increased to ensure delivery of the \$100 billion annual funding commitment by developed countries to support developing countries.

A key initiative for international climate action is the Loss and Damage Fund, which was formally approved and operationalized at COP28. The Fund aims to help vulnerable countries cope with the impacts of climate disasters. Up to this point, there have been several funds involved in international climate finance for instances in which loss and damage occur, but they are not set up to manage and mobilize massive amounts of funding and channel resources where they are needed in a coherent and organized manner. The aim of this new Fund is to make more high-quality, accessible, fit-for-purpose financing available for vulnerable developing countries. Initial pledges to the Fund from developed countries and high-income developing countries amount to about \$700 million.

MDBs are critical actors in providing sufficient and predictable climate finance to developing countries. MDBs provided nearly \$100 billion for climate action in 2022, up from \$82 billion in 2021, with \$61 billion going to low- and middle-income countries (African Development Bank and others, 2023). With their expertise in development

²⁵ Adaptation finance needs vary from one country grouping to another. Average per capita annual adaptation finance needs are around \$22 billion (equivalent to 3.09 per cent of GDP) for low-income countries, \$51 billion (2.5 per cent of GDP) for lower-middle-income countries, and \$81 billion (1.43 per cent of GDP) for upper-middle-income countries. This indicates that, on average, rich countries have higher adaptation finance needs in absolute terms, but the adaptation finance needs in poor countries are much larger relative to their GDP. Adaptation finance needs in LDCs and SIDS are respectively estimated at 2.67 and 3.39 per cent of GDP (UNEP, 2023).

cooperation, MDBs have a comparative advantage, not just as financial intermediaries and conduits for concessional finance, but as catalysts for more private sector investment in climate action (United Nations, 2023c).

With rising debt ratios and the increasing cost of borrowing, debt-for-climate swaps and debt-for-nature swaps are useful tools for strengthening international cooperation for climate action.²⁶ Such swaps allow the redirection of debt-service payments towards green investment. These debt instruments present special opportunities for SIDS, which are the countries most severely affected by climate change. Seychelles successfully completed a debt-for-climate swap in 2017; aimed at marine conservation, the swap allowed \$21.6 million of the country's national debt to be written off. Debt-for-climate or debt-for-nature swaps were also concluded in Belize in November 2021, Barbados in September 2022, and Ecuador in May 2023. While such swaps present a useful option for developing countries that do not yet have unsustainable debt burdens but have limited fiscal space, significant implementation challenges remain (Chamon and others, 2022).²⁷

The current climate finance architecture is predominantly focused on mitigation, which is only one element of broader climate action. Support for adaptation efforts accounted for less than 10 per cent of all climate finance in 2020 (Naran and others, 2022). At COP28, new adaptation finance pledges were made with a view to doubling adaptation finance by 2025. Actual funding is estimated to have reached only \$21.3 billion in 2021, well short of the amount required to meet the increasing needs of many developing countries (UNEP, 2022).

There needs to be a stronger and broader international commitment to climate action and collaboration that goes beyond climate finance. The Climate Action Acceleration Agenda proposed by the Secretary-General of the United Nations urges developed countries to reach net-zero emissions as close as possible to 2040 and for emerging economies to achieve this goal as close as possible to 2050 (United Nations, 2023b). It also calls for immediate steps to be taken by OECD member countries to develop credible plans for phasing out coal use by 2030, with 2040 proposed as the deadline for the rest of the world. To achieve net-zero emissions it is critical to end fossil fuel subsidies, which are estimated to have reached \$7 trillion (or 7.1 per cent of global GDP) in 2022 (Black and others, 2023). Explicit subsidies (direct government expenditures that are linked to the consumption and production of fossil fuels with the aim of artificially lowering their prices) doubled between 2021 and 2022, totalling \$1.3 trillion. Consumer subsidies for natural gas accounted for almost half of all fossil fuel subsidies and were provided to protect consumers from the full impact of soaring natural gas prices. Dismantling the existing subsidies for fossil fuel sectors or repurposing them towards renewable energy sources is critical for strengthening climate action.

Non-financial cooperation will also be important for enhancing long-term resilience in the most climate-vulnerable countries. South-South and triangular cooperation, technical assistance, and technology transfer are critical for supporting the developing countries to ensure that climate adaptation can be mainstreamed in their development cooperation policies and practices (UN DESA, 2021).

²⁶ As noted by Jain, Palacios and Verhoeven (2023), there is a slight difference between debt-for-climate swaps and debt-for-nature swaps in that the former arrangement aids climate action while the latter protects nature. The terms are, however, often used interchangeably.

²⁷ The economic case for debt-for-climate swaps as a means of securing conditional debt relief is generally limited in scope. Chamon and others (2022) argue that debt-for-climate swaps will be economically desirable when climate adaptation is efficient and fiscal risks are high but debt is not unsustainable.

Global Monetary Tightening: Risks and Challenges

Introduction

The world economy has experienced rapid monetary tightening since mid-2022. A quick turnaround from the decade-long ultra-loose monetary policy in major developed countries became unavoidable due to persistent inflationary pressures during the second half of 2021. Those were driven initially by a stronger-than-expected recovery in demand in the aftermath of the pandemic-induced shock in the face of prolonged supply-side constraints, and later by heightened energy and food prices caused by the war in Ukraine. The initial surge in inflation was viewed as transitory; monetary authorities did not intervene until consumer price inflation reached about 8.5 per cent in the United States of America and nearly 9 per cent in the euro area.

The response was rapid and persistent. The United States Federal Reserve raised the federal funds rate 11 times between March 2022 and July 2023, from near zero to 5.25–5.50 per cent, to bring down inflation. The European Central Bank ended its eight-year-long negative deposit facility rate and increased it 10 times, from -0.5 per cent in July 2022 to 4 per cent in September 2023. The Federal Reserve, the European Central Bank and other developed country central banks also began to reduce money supply and liquidity and started quantitative tightening (QT) by reducing

the assets on their balance sheets, which had grown explosively during previous episodes of quantitative easing (QE).

While inflation appears to be gradually moderating across most of the world, the aggressive monetary tightening – comprising both interest rate hikes and QT – is creating significant policy challenges for both developed and developing economies. For developed countries, risks of overtightening and a recession in 2024 remain a possibility. This could complicate the policy choices for the monetary authorities. Even without recession, a majority of developed economies will likely face weaker growth prospects in 2024 with tighter monetary conditions constraining credit growth and investment. For the developing countries, a tighter global monetary environment over a protracted period would likely restrict fiscal and monetary policy space, exacerbate debt sustainability risks, and impede much-needed investment in climate action and the pursuit of the Sustainable Development Goals (SDGs).

The unwinding of QE programmes that injected trillions of dollars of liquidity from the 2008 global financial crisis (GFC) onward is proving particularly challenging, especially as financial markets also grew accustomed to near-zero policy rates for more than a decade. While some attempts were made to wind these down

prior to the pandemic, monetary authorities in developed countries doubled down on QE during the pandemic – buying stocks and bonds totalling about \$11 trillion – to stabilize asset prices and calm the financial markets. Although economic activities came nearly to a standstill during the early pandemic period, the market capitalization of firms worldwide rose by \$14 trillion between March 2020 and March 2021 (Bradley and Stumpner, 2021), marking the largest increase in financial asset prices in a single year in history. Market capitalization of the 25 largest firms in the world increased by \$5.8 trillion, while world output shrank by more than \$3 trillion in the same period. During the pandemic, QE did stabilize financial markets, but it also pumped up asset prices to record levels, making its unwinding ever more difficult in the post-pandemic period. Many developing country central banks also began to implement QE – albeit on a much smaller scale and with a more limited scope – during the pandemic.

The transition from QE to QT, in tandem with the unprecedented increases in short-term rates to tame inflation, is arguably weakening economic activity in developed economies. While these countries have largely evaded a recession in 2023, the risk of a prolonged slowdown still looms. The full impact of monetary tightening is yet to materialize, given the long and variable lag in monetary policy transmission to the real economy, which can range from 4 to 29 months (Dupor, 2023). Other policy actions, such as fiscal adjustments, debt management and foreign exchange interactions, can interact with monetary tightening to expedite or delay transmission to the real economy (Gruen, Romalis and Chandra, 1997).

The pivot to QT – especially during a period of already high policy interest rates – is also posing additional risks and challenges for developing countries, many of which are yet to fully recover from the pandemic. Tighter

global financial conditions are increasing borrowing costs, triggering capital outflows, depreciating exchange rates, reducing access to international capital markets, and exacerbating debt sustainability risks, even as economic slowdowns in export markets are already threatening economic growth. At the same time, past experiences indicate that unanticipated adverse impacts – due to stresses in financial systems, for example – can also be significant. These are particularly concerning at a time when developing economies need additional external financing to stimulate investment and growth, address climate risks and accelerate progress towards the SDGs. The lag effects of monetary tightening, however, present an opportunity for many developing countries to undertake pre-emptive measures – such as improving capital account management and strengthening macroprudential regulations – to minimize the adverse effects of monetary tightening.

Against this backdrop, the present chapter will provide a comprehensive review of QE programmes and their international spillover effects, analyse the challenges that the transition from QE to QT poses for both developed and developing countries, and explore policy options for developing countries to minimize the adverse spillover effects of the monetary tightening to accelerate full recovery from the pandemic crisis and boost long-term economic growth and sustainability.

The global financial crisis and quantitative easing

An unconventional response to the global financial crisis

Central banks have typically relied on conventional monetary policy tools – including a policy interest rate – to stimulate or dampen aggregate demand in the economy.¹ However,

¹ In addition to a policy interest rate, conventional monetary policy tools include reserve requirements, directed lending, and open market operations, among others.

changing the policy rate has little effect on real economic activities when an economy is confronted with a systemic financial crisis, market liquidity drying up, and default risks threatening significant portions of the economy, as witnessed during the GFC in 2008. Central banks also face a natural constraint – the so-called zero lower bound – in using policy rates to stimulate the economy. While a negative policy rate is possible and has been observed in practice, it is not usually desirable to a central bank, as negative interest rates can reduce the net interest margins of banks, encourage cash hoarding, impair credit channels, and discourage investment (Gelos, 2021).

When facing the zero lower bound, central banks can turn to alternative and unconventional tools² to provide liquidity, restore confidence and stimulate the economy. One such tool – known as QE – involves central banks buying assets from the financial sector, particularly asset-backed securities and government bonds, to inject liquidity into the banking system. In 2001 the Bank of Japan became the first central bank to implement QE when it purchased government bonds and other financial assets to inject liquidity after it had lowered its policy rate to zero in response to a prolonged period of economic stagnation and deflation (see box II.1).

In September 2008, the United States federal funds rate was already relatively low at 2 per cent, having been steadily reduced over the previous year to mitigate the effects of a collapsing real estate bubble. At this time, Lehman Brothers – one of the largest investment banks – failed to roll over its debt and collapsed. As a financial crisis became all but inevitable, the Federal Reserve slashed the policy rate to zero and rolled out quantitative easing to provide liquidity to the financial sector and restore the balance sheets of the too-big-to-fail banks. Many of these banks

held trillions of dollars of mortgage-backed securities (MBS) that lost value as the crisis unravelled. The write-off of these assets would have depleted their regulatory capital, wiped out liquidity, and triggered widespread panic and bank runs. The Federal Reserve recognized that lowering policy interest rates, though necessary, would not alone solve the balance sheet challenges faced by the banks that held these securities. With rising risk aversion, market liquidity froze, and there were no buyers for these securities that were rapidly losing value. The sharply falling MBS prices pushed up long-term interest rates. The Federal Reserve began buying these MBS – securities that no market participant wanted to buy and hold – to clean up the balance sheets of the banks and reduce long-term interest rates. As the financial contagion spread, other developed country central banks – notably the European Central Bank and the Bank of England – followed the lead of the Federal Reserve and moved forward with QE to support their financial sectors during the crisis.

Even after the GFC had subsided and the immediate objective of financial stabilization had been achieved, QE remained the dominant monetary policy tool for developed country central banks.³ The Federal Reserve expanded its QE programmes in 2010 and 2012 to support economic stabilization and recovery. The European Central Bank implemented QE to respond to the Greek sovereign debt crisis during the period 2010–2012 and continued to purchase a range of assets to support monetary policy objectives and to provide additional stimulus between 2014 and 2019. The Bank of England adopted QE as a response to market uncertainty following the vote by the United Kingdom of Great Britain and Northern Ireland to leave the European Union (United Kingdom, House of Lords, 2021). Between September 2008

² Conventional monetary policy relies on interest rates to affect economic activities and financial conditions. Among the most common unconventional policy tools used for this purpose are asset purchase programmes (more commonly known as QE), forward guidance, and targeted long-term refinancing operations.

³ During or after the GFC, most other developed country central banks, including the Reserve Bank of Australia, the Bank of Canada, and the Reserve Bank of New Zealand, adopted asset purchasing programmes similar to those of the United States Federal Reserve, the European Central Bank, the Bank of England and the Bank of Japan.

Box II.1

The birth of quantitative easing

In the 1980s and early 1990s, Japan experienced an equity market and property price boom – one that burst in the late 1990s and led to a financial crisis. In the aftermath of the crisis, Japan experienced a period of economic stagnation and deflation, which led the Bank of Japan to cut interest rates to zero in February 1999. In March 2001, the Bank announced its decision to purchase government and private sector securities, aiming to reduce deflationary pressures and increase liquidity in the financial market. The Bank launched further rounds of quantitative easing (QE), initially in response to economic weakness following the global financial crisis (GFC), and most recently to support the economy during the COVID-19 pandemic (Westelius, 2020).

The Bank of Japan expanded its balance sheet nearly sixfold between 2008 and 2021, compared with increases of around fourfold by the United States Federal Reserve and the European Central Bank. By the end of 2021, the total value of the assets held by the Bank of Japan was equivalent to over 130 per cent of the country's gross domestic product, while the corresponding proportions for the Federal Reserve, European Central Bank and Bank of England remained around 40–60 per cent. While the Bank of Japan – like its counterparts in the United States and Europe – purchased riskier private-label securities, it primarily acquired Japanese government bonds (JGBs). As at March 2023, nearly 80 per cent of the assets of the Bank of Japan were JGBs, in contrast with a sovereign bond share of 60 per cent for the Federal Reserve.

The purchase and holdings of JGBs affected the yields of government bonds.

Research on the Bank of Japan QE programme over the past two decades shows mixed results. While equity prices responded positively to QE (Barbon and Gianinazzi, 2019), the impact on bank credit was limited, as demand for bank loans remained weak after the GFC (Etsuro, 2020). The impact on the exchange rate seems to have been significant prior to the GFC, but it was muted later as other developed country central banks also implemented QE. Although QE had some positive effects on aggregate demand, it did not contribute to sustained long-term economic growth. Recurrent crises, including the GFC in 2008, the oil price decline in 2014, and the COVID-19 pandemic in 2020 and 2021, continued to undermine the impacts of QE and encouraged the Bank of Japan to continue its QE programme (Iwata and Takenaka, 2012; Westelius, 2020).

The Bank of Japan stands out as the only developed country central bank that has maintained a negative interest rate while declining to reduce its balance sheet. With inflation and core inflation in Japan having passed the target of 2 per cent since the second quarter of 2022, the Bank has initiated a thorough evaluation of its ultra-loose monetary policies (Zhu, 2023). It is still unclear whether this will lead to shifting gears from QE to QT or whether the Bank of Japan will remain an outlier among the developed country central banks.

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and December 2019, the combined balance sheet of the four major developed country central banks expanded from \$3.4 trillion to \$14 trillion (see figure II.1a).

The ultra-loose monetary policy – a combination of low interest rates and high liquidity – became the new normal in developed economies, making the unwinding of QE difficult. The central banks became not only the lender of last resort, but

also the main source of liquidity for the financial market. The Federal Reserve tried to exit QE in 2013 and wind down its balance sheet, but the financial market reacted negatively; the so-called taper tantrum compelled the Federal Reserve to continue with QE. However, having learned from this experience, the Federal Reserve did manage to initiate a gradual balance sheet reduction in 2017 and continue safely until September 2019, when market stresses developed as reserves

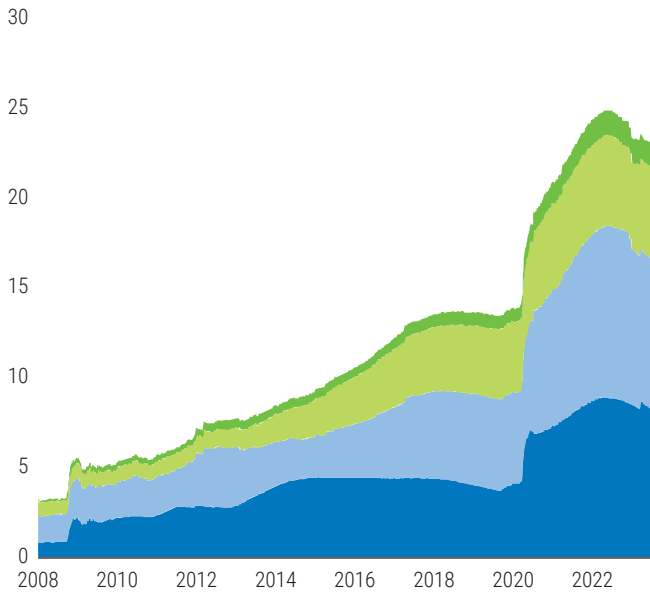
Figure II.1

Balance sheets of major developed country central banks

a) Total assets

■ United States Federal Reserve ■ European Central Bank
■ Bank of Japan ■ Bank of England

Trillions of United States dollars

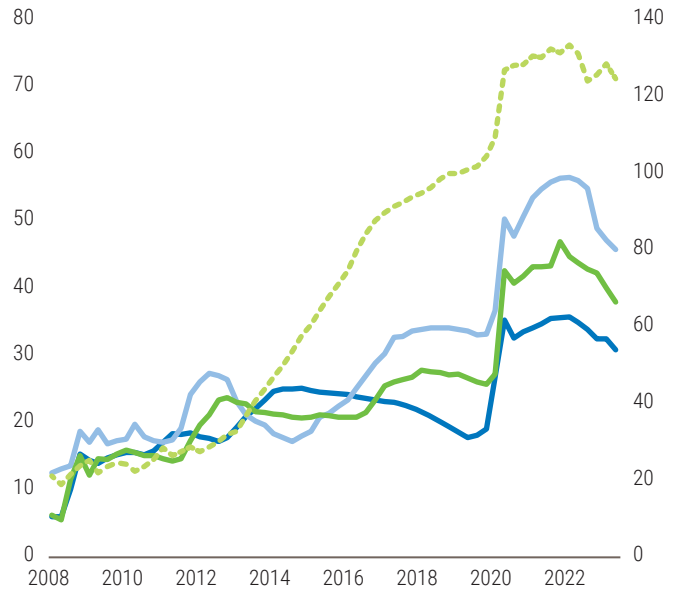


b) Total assets

— United States Federal Reserve (LHS) — European Central Bank (LHS)
— Bank of England (LHS) — Bank of Japan (RHS)

Percentage of GDP

Percentage of GDP



Source: UN DESA, based on data from the Federal Reserve, European Central Bank, Bank of England, Bank of Japan, CEIC and Trading Economics.
Notes: The most recent data observation was October 2023. Panel a): All assets were converted into United States dollars using the exchange rates on 31 August 2023. Panel b): LHS = left-hand scale; RHS = right-hand scale.

with commercial banks decreased unexpectedly below acceptable thresholds. During this period, the balance sheet of the Federal Reserve was reduced from \$4.46 trillion (or about 22 per cent of GDP) to \$3.86 trillion (or 18 per cent of GDP). The outbreak of the pandemic in March 2020 and the attendant economic shock decisively reversed the unwinding process. Between March 2020 and December 2021, the Federal Reserve, the European Central Bank and the Bank of England doubled or nearly doubled the assets on their balance sheets (see figure II.1), collectively representing about a quarter of world GDP.

The effects of quantitative easing on the economy

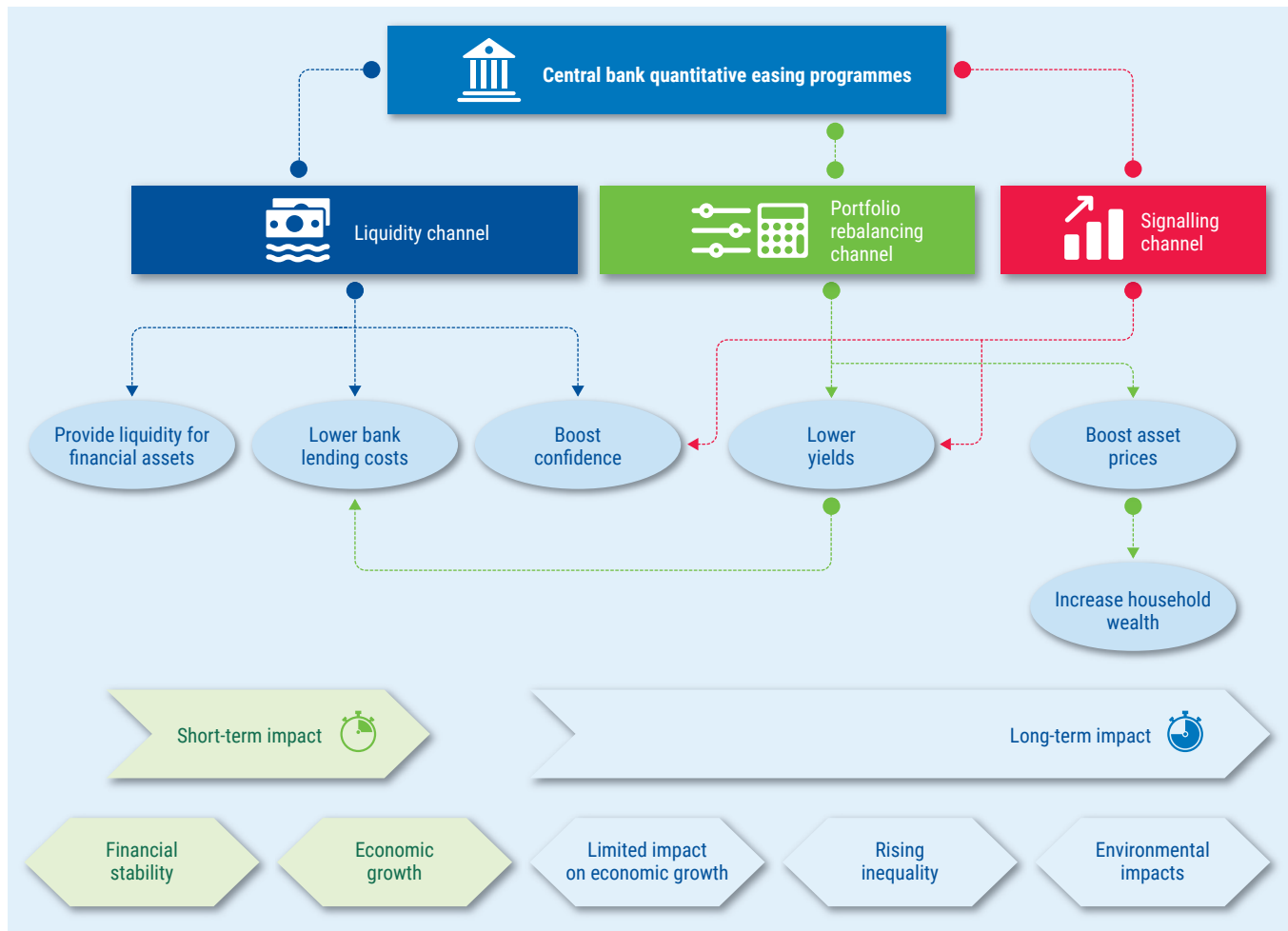
Developed country central banks implemented QE to pursue two major objectives – to restore

financial stability and to boost investment and economic growth by lowering long-term borrowing costs. QE interacted with the real economy through multiple channels. First, it increased money supply and liquidity with a view to easing financial market stress and preventing liquidity shortages, particularly during the immediate crisis phase. Second, by lowering long-term interest rates, QE changed the relative prices of financial assets and encouraged investors to rebalance their portfolios and hold long-term assets. Third, QE signalled the central banks' commitment to stabilizing financial markets and supporting the real economy (see figure II.2).

With the swapping of bank reserves for financial assets on bank balance sheets, QE injected liquidity, made it easier to meet regulatory capital requirements, and strengthened the ability of banks to resume lending activities. At the onset

Figure II.2

Transmission mechanisms for quantitative easing in developed economies



Source: UN DESA.

of the GFC, market participants quickly lost confidence in the value of the leveraged assets and, by extension, in the solvency of their trading counterparts. This situation quickly led to liquidity spirals, fire sales and negative feedback loops as money markets dried up and uncertainty rose. With QE, central banks stepped in as the market makers of last resort. This helped to stabilize asset prices, as QE provided liquidity backstops and reassured investors that they would be able to sell their assets even in a distressed financial market. Central banks decide which assets are eligible for purchase. For example, during the first QE programme, beginning in November 2008, the Federal Reserve initially acquired about \$1.25 trillion worth of

MBS, followed later by Treasuries (Kuttner, 2018) – affecting the prices of these assets directly, as well as setting incentives for private sector investors and portfolio managers more broadly.

QE also helped to reduce the cost of capital through the portfolio rebalancing channel. Central banks purchased government bonds and other securities from the private sector, pushing up their prices and reducing the default risk premium on risky assets. This also enabled commercial banks and investors to buy and hold other assets, including corporate bonds and equity. The increased demand pushed up the price of these assets and lowered yields. Because of portfolio rebalancing, yields fell not

only on long-term government bonds but also on other loans, including mortgages and business loans, reducing the cost of capital for both the public and private sectors. The rebalancing and consequent rebound in asset prices also had a wealth effect, which encouraged the holders of these assets to increase spending on goods and services. Furthermore, QE allowed the central banks to signal that they would keep the short-term policy rate at (or close to) the effective lower bound for an extended period. As expectations for future short-term interest rates shifted downwards, long-term interest rates also trended downward.

Quantitative easing prevented a financial catastrophe but also had longer-term consequences

QE has proved to be a very effective monetary tool in times of crisis. During both the GFC and the COVID-19 pandemic, swift and bold quantitative easing measures by developed country central banks prevented financial meltdowns and stabilized financial markets (United Nations, 2022a). Empirical evidence shows that, as expected, QE supported asset prices, lowered risk premia and reduced yields. In the United States, the asset purchase announcements by the Federal Reserve during the period 2008–2010 are estimated to have lowered 10-year Treasury yields by over 50 basis points (Gagnon and others, 2011).⁴ The MBS purchases, in particular, lowered mortgage rates by about 100–150 basis points during the same period (Hancock and Passmore, 2011). According to some estimates, the cumulative impact of QE in the United States lowered the yield on 10-year Treasuries by 110 basis points between 2008 and 2015 (Fischer, 2015) and also provided significant benefits with respect to the unemployment

rate and inflation⁵ relative to what would have happened in the absence of such policies.

The QE programmes of other major developed country central banks had similar impacts. The European Central Bank programme announcement reduced long-term yields by about 70 basis points (De Santis, 2020). Lower yields for government bonds also had considerable spillover effects on corporate bonds (Altavilla, Carboni and Motto, 2015). Arguably, QE served as an insurance against “tail events” and broadly reduced immediate financial risks (Brunnermeier and Sannikov, 2012; Roache and Rousset, 2013).

Little evidence that quantitative easing stimulated capital investment

While QE prevented a prolonged financial crisis and supported aggregate demand at crisis onset (Feldkircher, Huber and Pfarrhofer, 2021), its long-term impact on investment and growth is less clear. The continued use of QE in the decade following the GFC had a limited impact (if any) on additional investment. In the United States, for example, gross fixed capital formation in 2013 remained below 2006 levels in constant dollar terms despite three rounds of QE during the period 2009–2012. One major reason is that while the acquisition of assets by central banks increased deposits and money supply, it did not necessarily accelerate credit creation. Although the monetary base grew sharply, broad money grew at a much slower pace (see figure II.3), as commercial banks placed an increasing share of deposits as excess reserves on the balance sheets of the central banks. Total excess reserves held in the Federal Reserve increased from \$760 billion in December 2008 to \$3.2 trillion in 2020 (see figure II.4a). Before the GFC, excess reserves in the Federal Reserve were near zero. A similar trend is observed for the total excess reserves held in the European Central Bank (see figure II.4b).

4 Various researchers estimated that the impact of QE on 10-year Treasury yields during the period 2008–2010 in the United States was within a range of 20 to slightly above 100 basis points (Krishnamurthy and Vissing-Jorgensen, 2011; D’Amico and others, 2012; D’Amico and King, 2013).

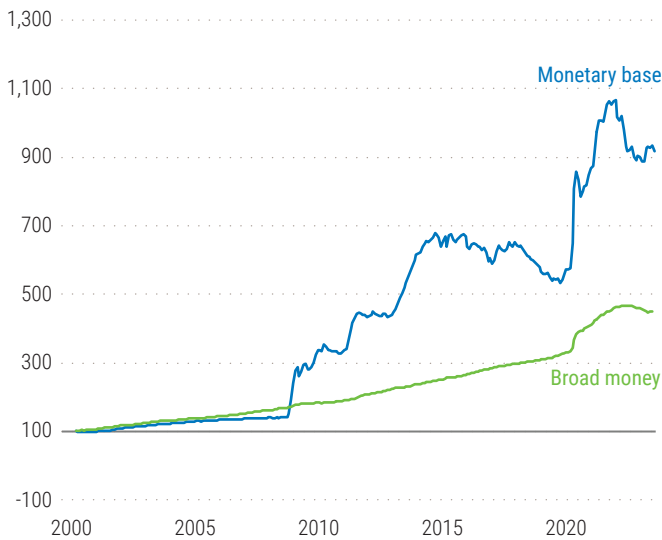
5 Engen, Laubach and Reifschneider (2015) estimated – based on QE and forward guidance during the period 2009–2013 in the United States – that unconventional monetary policies could have lowered unemployment by 1.25 percentage points and inflation by 0.5 percentage points at peak in comparison with a scenario without such policies.

Figure II.3

Monetary base and broad money in the United States and euro area

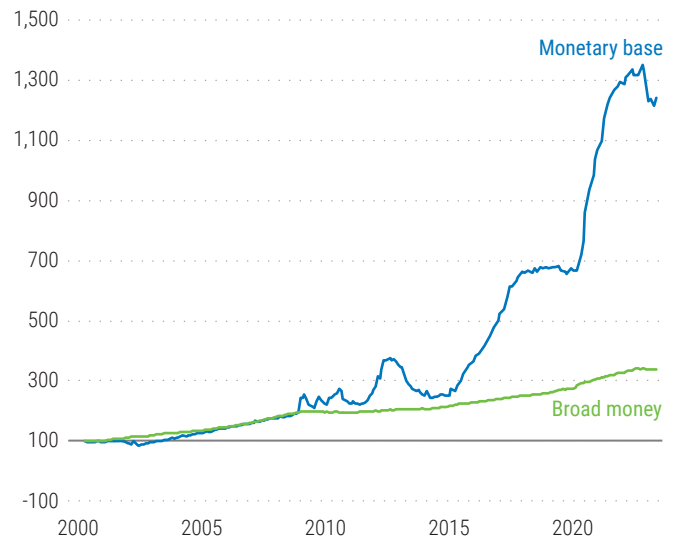
a) United States

Index, January 2000 = 100



b) Euro area

Index, January 2000 = 100



Source: UN DESA, based on data from the United States Federal Reserve and European Central Bank.

Note: Broad money is measured by M3 in this figure, which includes currency in circulation, overnight deposits, deposits with an agreed maturity of up to two years, deposits redeemable at notice of up to three months, repurchase agreements, money market fund shares or units, and debt securities up to two years.

Figure II.4

Excess reserves of depository institutions held in the United States Federal Reserve and European Central Bank

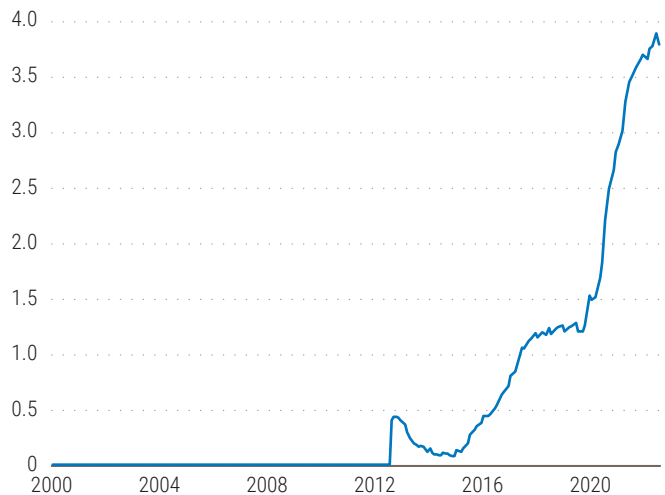
a) Federal Reserve

Trillions of United States dollars



b) European Central Bank

Trillions of euros



Source: UN DESA, based on data from the United States Federal Reserve and the European Central Bank Statistical Data Warehouse.

Notes: Panel a): The data series was discontinued in August 2020. Panel b): The indicator of “total excess reserves of credit institutions subject to minimum reserve requirements in the euro area” is used. The horizontal axis ends at July 2022, when the European Central Bank discontinued reinvesting maturing securities under the asset purchase programme portfolio.

The QE-induced excess liquidity did not increase credit growth, as most of the excess liquidity was turned into excess reserves. Many banks preferred to retain their resources in their reserve accounts at the central bank rather than lending them out with a low margin to fragile businesses during uncertain economic times (Sales, 2015). In the United States, the fact that the Federal Reserve pays interest on reserve balances further reduced the incentives of commercial banks to extend credit to the real economy.

The introduction of the Dodd-Frank Wall Street Reform and Consumer Protection Act in the United States and the accelerated implementation of the Basel III reforms after the GFC also constrained credit growth, as banks faced the challenges of meeting the new regulatory capital requirements (Sales, 2015). Additionally, while small firms continued to face liquidity and credit constraints, big firms often used bank credits to purchase their own shares rather than make new investments (United Nations, 2022a). This boosted their stock prices but not necessarily their investments. Against this backdrop,

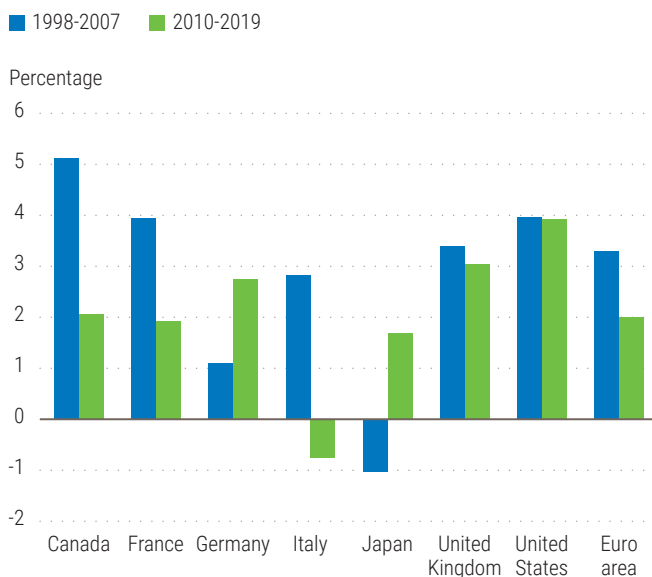
major developed economies experienced a slowdown in capital formation growth after the GFC (see figure II.5), as well as weakening or stagnating productivity growth (see figure II.6).

Quantitative easing increased financial risks

While QE largely eased financial stress during the crisis phase, its continued use for an extended period led to the build-up of new financial risks. The search for higher yields in a period of prolonged low interest rates may have steered investors towards unsafe and less liquid high-yield securities, leading to a deterioration in the quality of their asset portfolios and, where institutional players were involved, increased systemic risk (Rajan, 2005). With term premia being compressed, standard sources of bank profitability would have also come under pressure.

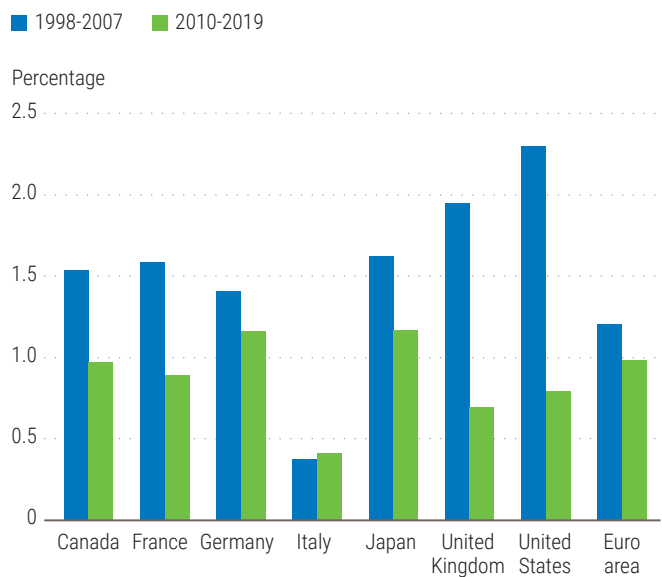
The QE-supported ultra-low interest rate environment was also associated with expanded borrowing by both the public and private sectors. Public debt in the developed economies rose sharply after the Federal Reserve began to

Figure II.5
Growth of fixed capital formation in selected developed economies and the euro area



Source: UN DESA.
Note: The figure shows average annual growth rates (using geometric average).

Figure II.6
Growth of labour productivity in selected developed economies and the euro area



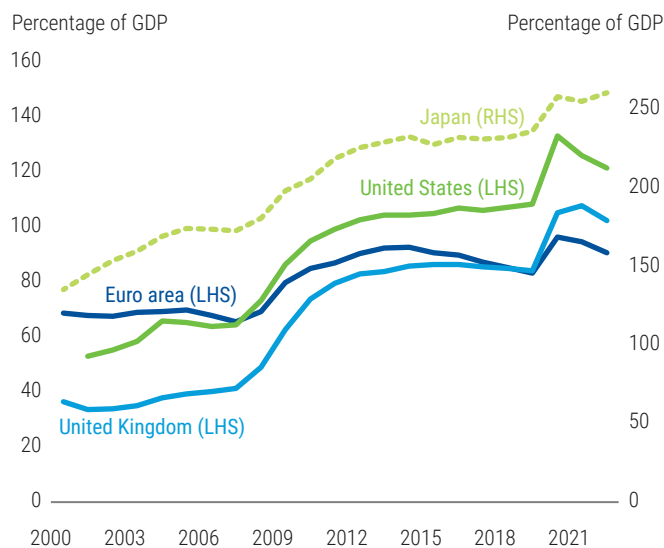
Source: UN DESA, based on OECD data.
Note: The figure shows average annual growth rates (using geometric average).

implement QE at the end of 2008 (see figure II.7). Public debt in the United States, for example, increased from 62.7 per cent of GDP in 2007 to 105.9 per cent in 2019 and rose further, to 126 per cent of GDP, in 2020. Private debt also increased in tandem. The ongoing monetary tightening and the unwinding of QE pose significant risks for the elevated levels of public and private debt, as rising interest rates and tighter liquidity conditions will inevitably increase debt-servicing costs and amplify financial distress and defaults. The net interest payment of the United States Government, for example, increased by 35 per cent between 2021 and 2022 against the backdrop of higher levels of public debt and rising interest rates (Peter G. Peterson Foundation, 2023). The average interest rate on public debt in the United States increased from 1.6 per cent in 2021 to 2.1 per cent in 2022 (Fiscal Data, 2023).

Quantitative easing contributed to higher inequality

The circumscribed use of QE (along with other policies) to immediately counter a system-wide crisis would have caused limited economic damage, particularly to the poor, arguably tamping down any increase in inequality. However, its continuance for a protracted period is believed to have contributed to rising income and wealth inequality in developed countries. As it is higher-income households that hold significant amounts of assets, the rise in asset prices following QE would have benefited them disproportionately. Higher asset prices led to higher realized capital gains for those who held those assets. In the United States, realized capital gains as a percentage of GDP increased from about 2–3 per cent during the GFC to 8.7 per cent in 2021 (Pearce and Singhal, 2023). Similarly, dividend income – mostly flowing to wealthier households – increased by more than 250 per cent between 2007 and 2022. Wealthy households also benefited from stock-based compensation and widespread share buy-backs (United Nations, 2022a). Although QE also benefited lower-income households, as they held more debt (including credit card debt, student

Figure II.7
General government gross debt in selected developed economies



Source: UN DESA, based on data from the IMF World Economic Outlook database, October 2023.

Note: LHS = left-hand scale; RHS = right-hand scale.

loans or mortgage obligations), their gains from reduced borrowing costs were likely significantly lower than the gains of rich households from the asset price increase. The 2023 Survey of Consumer Finances from the Federal Reserve confirms the widening gap between total assets and net worth for high- and low-income households since the GFC. Between 2007 and 2022, total assets of households falling in the top 10 per cent income bracket increased by over 54 per cent, while total assets held by the bottom 20 per cent declined by 14 per cent.

QE also likely benefited men more than women in the developed countries. On average, women have less income to save and less access to wealth-building employer benefits such as retirement plans, health insurance and stock options (Chang, 2010). Gender differences in expenditures, financial knowledge, investment risk tolerance, and inheritance also contribute to the gender wealth gap (Lee, 2022). As the wealth effects of QE are primarily transmitted via higher asset prices, gender disparities in income and wealth imply that QE was less beneficial for women than for men.

It is also likely that QE contributed to increased intergenerational inequality through this channel. Older persons (aged 60 and above) usually own more assets and thus receive more in capital gains and a higher return on investments. Younger workers (below age 40) tend to rely more on labour income, be more financially constrained, and have more debt, especially mortgage debt and student loans (McKay and Wolf, 2023). In the United States, the median net worth of families between the ages of 65 and 74 increased by just over \$100,000 between 2019 and 2022, whereas that of families under 35 years of age grew by around \$23,000 during this period (Aladangady and others, 2023).⁶ These figures suggest that QE was likely more beneficial for older people with more assets than for younger people with more debt. Moreover, to the extent that QE stabilized the economy and supported growth, it would also have helped secure pension funds and thereby prevented sharp declines in the well-being of older people. There are indications that QE disadvantaged those on the younger side of the age spectrum, passing the cost of the crisis to the younger generations (Sales, 2015).

Quantitative easing missed opportunities to channel financial resources towards climate action

Although there were calls for “green” QE – the purchase by monetary authorities of eco-friendly corporate bonds – central banks rarely considered climate change when purchasing assets in the 2010s. In fact, a few central banks purchased a disproportionate share of assets from carbon-intensive companies (Martinez-Diaz and Christianson, 2020; Matikainen, Campiglio and Zenghelis, 2017).⁷ During the pandemic, carbon-intensive sectors comprised a majority of the corporate bonds purchased and held by the European Central Bank and the Bank of England.⁸

Combating climate change and supporting environmental sustainability are not among the mandates or primary goals of central banks. However, there is an increasing acknowledgement that climate change should feature in the objectives of central banks given that climate risks can undermine financial stability (Dafermos, Nikolaidi and Galanis, 2018). Various research suggests that green QE could have positive impacts on reducing emissions, thus enhancing financial stability (see, for example, Ferrari and Nispi Landi, 2022; Abiry and others, 2022). A recent study analysing the new environmental criteria in the 2021 European Central Bank QE programme shows that green QE drives up green bond prices, leading to lower yields on green investments. The lower cost of green investments would motivate increased participation, discouraging investments in non-renewable energy and reducing carbon emissions. Green QE could simultaneously combat climate change while also facilitating economic growth (Aloui and others, 2023).

Large spillover effects of quantitative easing on developing economies

Transmission channels and impacts

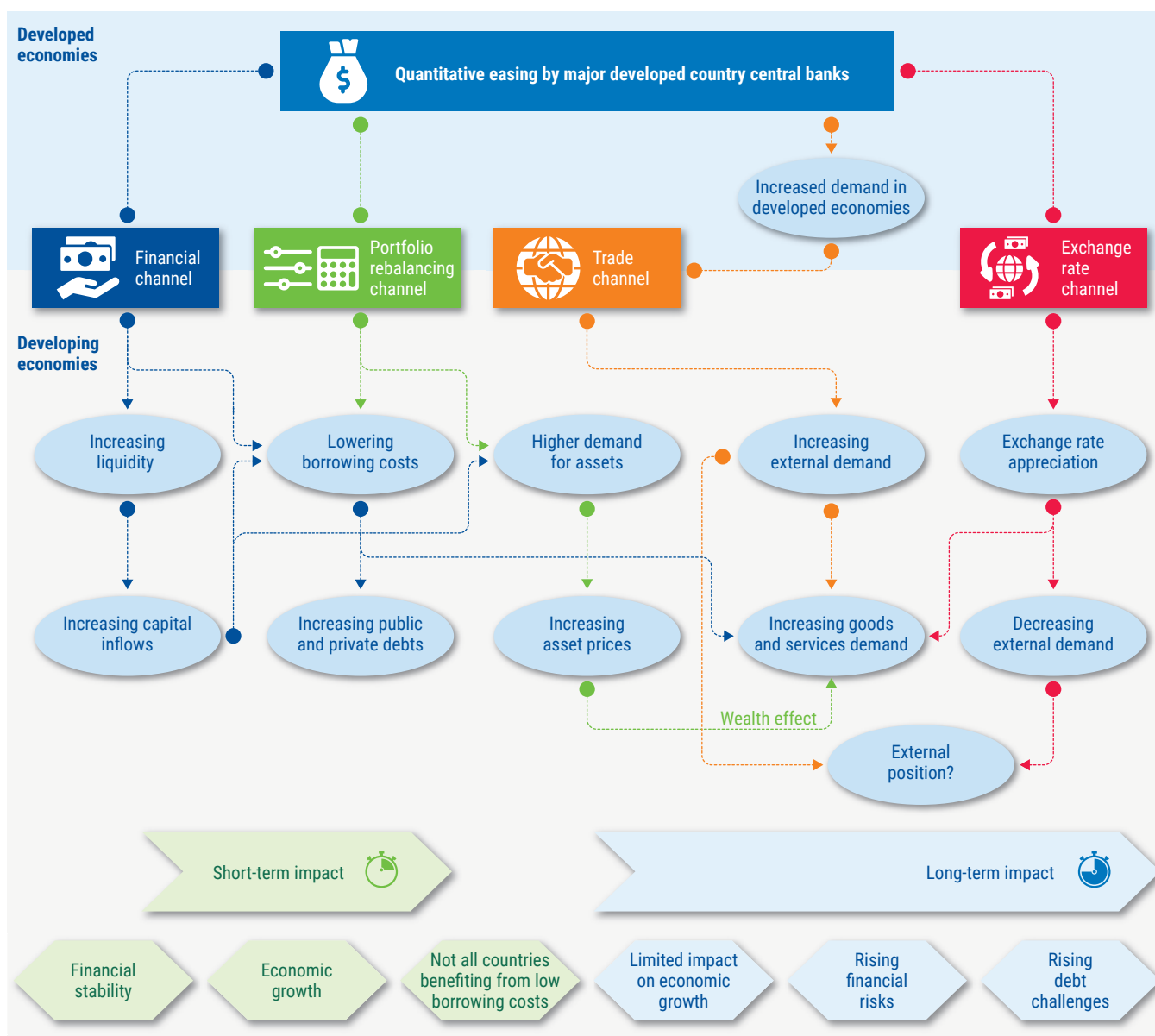
Ultra-loose monetary policies in developed countries affected developing countries through multiple channels (see figure II.8). The policy decisions of the Federal Reserve, in particular, had significant international spillover effects, given the dominant role of the United States dollar as the reserve currency in the global financial and trading systems. In a world of increasingly integrated financial markets, QE boosted global liquidity (financial channel) and reduced borrowing costs, tending to increase

⁶ In determining the median net worth of families, the age group is that into which the household reference person falls.

⁷ For instance, during the GFC, the Federal Reserve directed funds to giant automobile companies such as General Motors and Chrysler to cushion them from the effects of the economic meltdown. The environmental sustainability records of these companies can be called into question, but ultimately their strategic importance to the United States economy trumped any consequence their bailout might have had for the environment.

⁸ As at July 2020, carbon-intensive sectors comprised 62.7 per cent of the value of outstanding corporate bonds held by the European Central Bank (Dafermos and others, 2020a). Likewise, as at June 2020, 57 per cent of the value of all bonds in the Bank of England Corporate Bond Purchase Scheme was from carbon-intensive sectors (Dafermos and others, 2020b).

Figure II.8
Mechanisms of international spillovers of quantitative easing in developed economies



Source: UN DESA.

external debts for both public and private sectors in a majority of developing countries. Moreover, as QE reduced long-term bond yields in developed countries, investors looked for higher risk-adjusted returns and purchased assets in developing countries, which in turn lowered yields in developing countries and pushed up asset prices (portfolio rebalancing channel). It is also the case that QE affected the exchange rates in developing countries, especially those

with fully convertible currencies, often leading to exchange rate appreciation and reductions in export competitiveness (exchange rate channel).

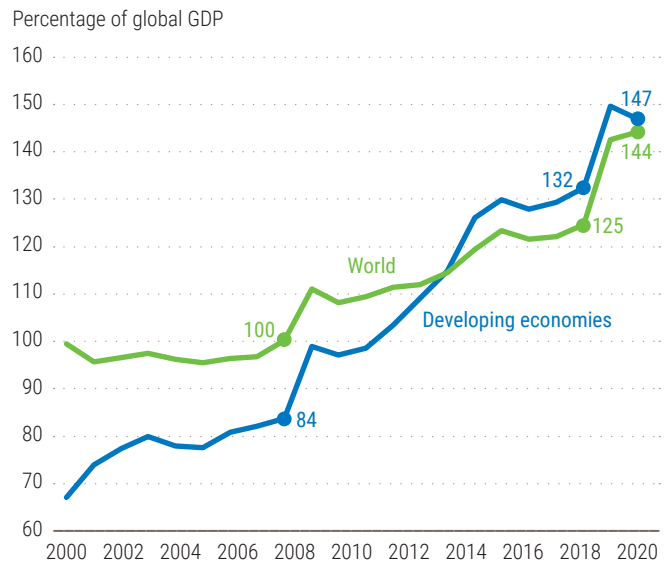
Quantitative easing increased capital inflows to developing countries

QE significantly increased global liquidity. Broad money in the world, which stayed at roughly 90–100 per cent of global GDP

during the 1990s and early 2000s, surged from 100 per cent in 2008 to 125 per cent in 2019 and rose by another 20 percentage points during the pandemic (see figure II.9). The increase was starker for the developing countries, as enhanced global liquidity encouraged large capital inflows. This likely benefited developing countries, especially if the crisis constrained their access to the international capital market. Monetary easing, including QE, supported capital flows to developing countries, improving financial conditions and bolstering their economies (Ali and Iness, 2020; Benigno, Converse and Fornaro, 2015; Aizenman, Jinjarak and Park, 2013). By easing global liquidity constraints, QE also likely lowered the sovereign spreads of many developing countries in the aftermath of the crises (see figure II.10).

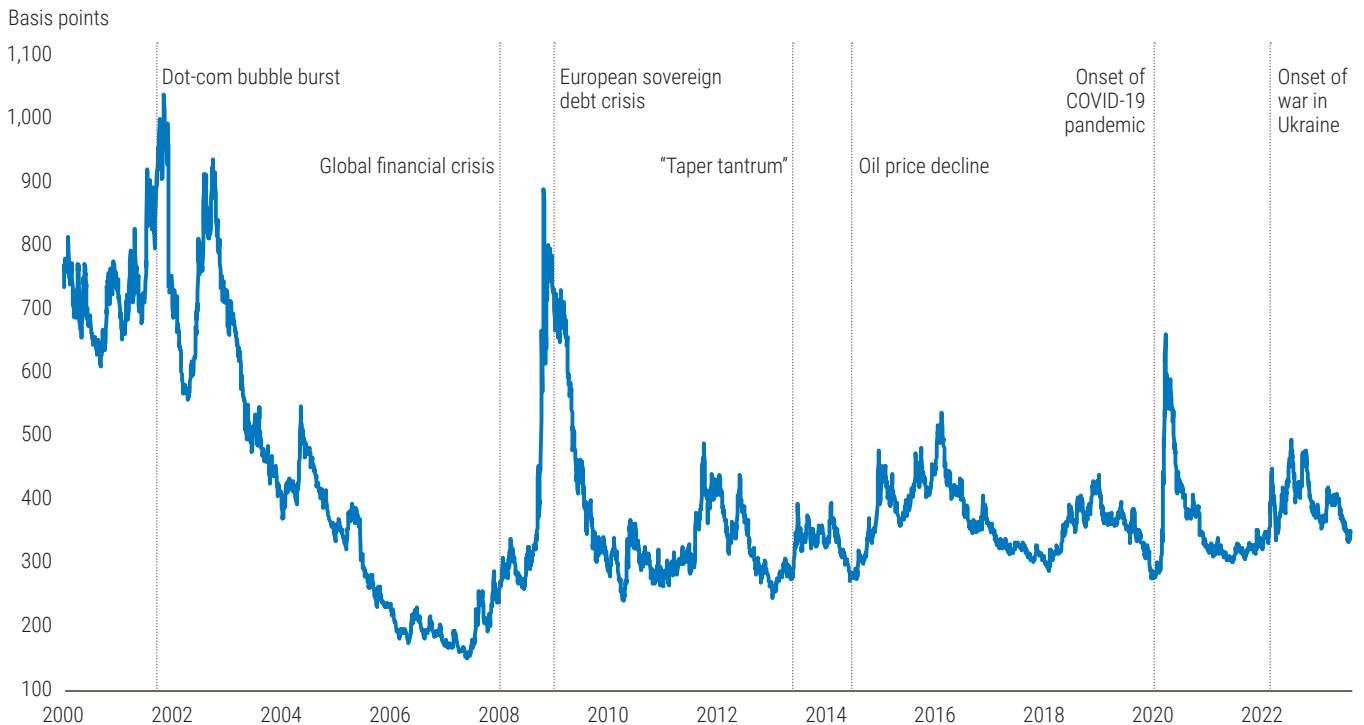
While bond yields fell in both developed and developing countries, yields in the latter

Figure II.9
Broad money

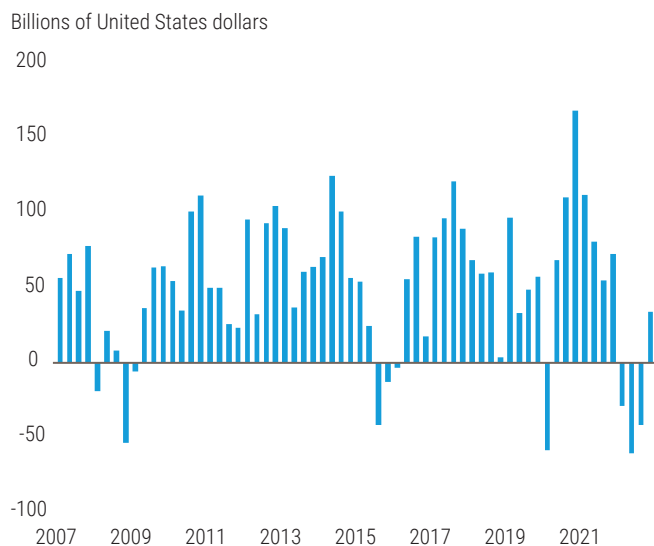


Source: UN DESA, based on World Bank Open Data.
Note: The numbers highlighted in the figure reflect information from the years 2008, 2019 and 2021.

Figure II.10
Crisis events and Emerging Markets Bond Index global sovereign spreads



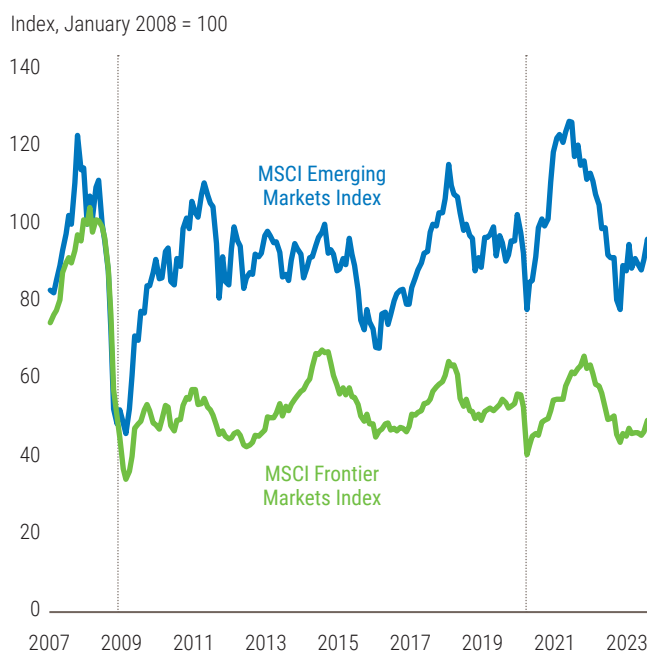
Source: UN DESA, based on data from Haver Analytics.
Notes: The Emerging Markets Bond Index (EMBI) is a weighted financial benchmark that measures the interest rates paid each day on a selected portfolio of government bonds from emerging economies. The sovereign spread reflects the difference between the rates of return on the government bonds of emerging economies and those offered on United States Treasury bills.

Figure II.11**Portfolio net inflows to developing countries, by quarter**

Source: UN DESA, based on data from IMF Balance of Payments and International Investment Position Statistics data sets.
Note: The figure covers 42 developing economies based on available data.

remained substantially higher. The search for higher yields encouraged higher capital flows to developing countries, particularly through portfolio investments (see figure II.11). Empirical research shows that increases in capital flows to developing country financial markets following the QE shock were substantial (Bhattarai, Chatterjee and Park, 2018).

On balance, while QE increased capital inflows and eased credit constraints in developing economies, continued and procyclical capital inflows in the ensuing years overheated many of these economies, boosted consumption, increased inflationary pressures, and led to exchange rate appreciation (see Kolasa and Wesołowski, 2018; African Development Bank Group, 2012). Moreover, large fluctuations in capital flows into developing countries exacerbated financial risks. A high degree of co-movement in capital flows⁹ contributed to a phenomenon sometimes called “risk-on” and

Figure II.12**Equity market indices of emerging and frontier market economies**

Source: UN DESA, based on data from MSCI Inc.
Notes: MSCI indices track the performance of global equity markets. The MSCI Emerging Markets Index captures large and mid-cap representation across 24 emerging market economies; the MSCI Frontier Markets Index captures 28 frontier market countries. The two vertical lines represent the start of the implementation of quantitative easing by the Federal Reserve during the global financial crisis in 2008 and the COVID-19 pandemic in 2020.

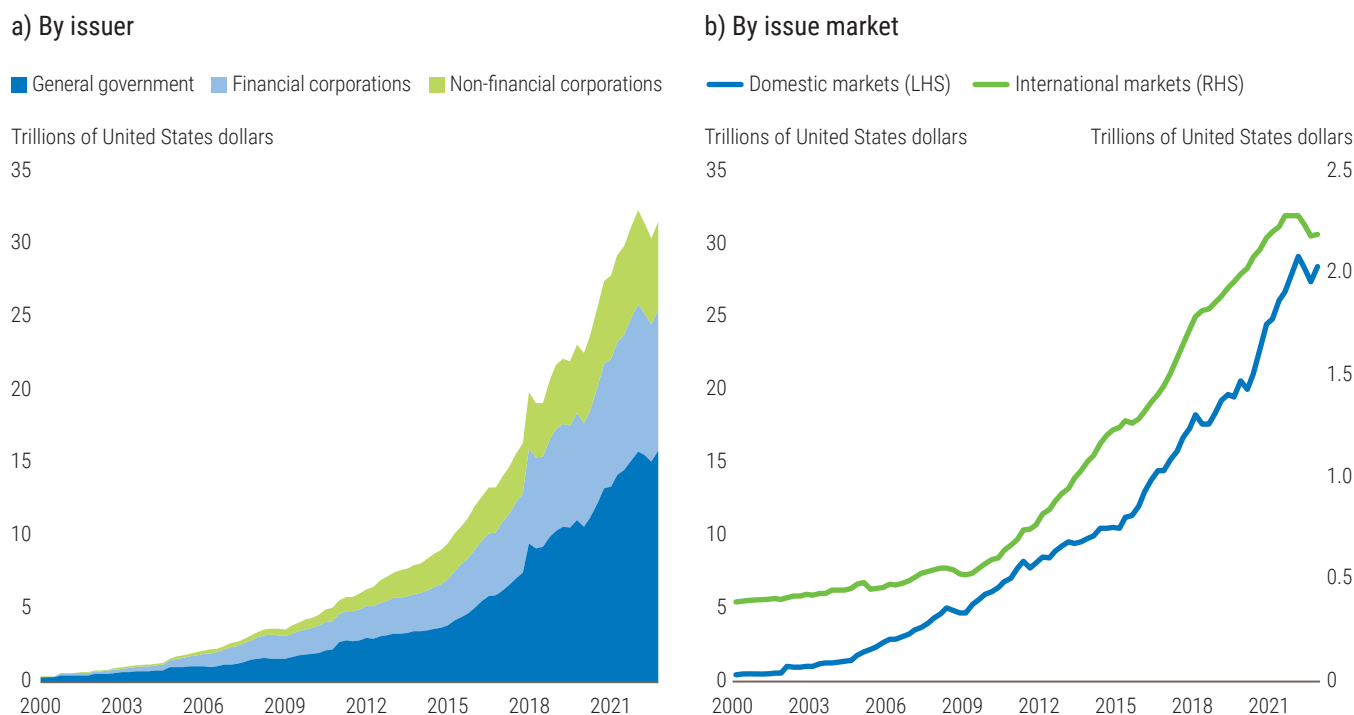
“risk-off” behaviour by market participants, triggering higher volatility, sudden shifts in asset values, and potentially significant financial disruptions (Bruno and Shin, 2015; Kalemli-Özcan, 2019).

Quantitative easing boosted asset prices

The effects of QE on asset prices were similar in developed and developing countries. For example, both groups experienced a boost in housing and stock prices (see Ahearne and others, 2005; Cho and Rhee, 2013; Bhattarai, Chatterjee and Park, 2018). Stock prices and market capitalization in developing countries rose sharply in response to major

⁹ Co-movement in capital flows refers to the tendency of different types of capital to move in the same direction or exhibit similar patterns of behaviour within financial markets or across countries. As credit flows obey global factors, developing countries could face excessive inflows in boom times and excessive retrenchment in bad times, as well as booms and busts in asset prices; see Rey (2013) and Miranda-Agrippino and Rey (2021).

Figure II.13
Outstanding debt securities in developing economies



Source: UN DESA, based on data from the Bank for International Settlements debt security statistics.
Notes: The figure covers 17 developing economies based on available data. Panel b): LHS = left-hand scale; RHS = right-hand scale.

QE episodes during the GFC and the pandemic (see figure II.12). The wealth effect of higher asset prices (Lee, 2020) encouraged higher levels of consumption in developing countries – disproportionately among the rich – and this increased demand was often met with higher levels of imports, worsening trade balances.

Quantitative easing encouraged excessive borrowing

In the aftermath of the global financial crisis, Governments and public- and private-sector entities in developing countries joined the bandwagon of borrowing from the international capital market, hoping to take advantage of the ultra-low interest rates. During the period 2010–2019, the total external debt stock of developing countries increased by \$3.8 trillion – growing at a rate much higher

than that reflected in the increase of \$628 billion between 1998 and 2007.¹⁰ The total debt of Governments, financial corporations and non-financial corporations increased from less than \$5 trillion before the financial crisis to more than \$23 trillion in 2019 (see figure II.13a). While most of the outstanding debts of developing countries were issued in their domestic markets, those issued in the international markets more than quadrupled in the decade after the GFC (see figure II.13b). The post-GFC period also marked the appearance of countries such as Ethiopia, Kenya, Mozambique, Rwanda, Senegal, and Zambia, among others, as first-time sovereign bond issuers in the international capital markets.

QE did not reduce the borrowing costs for all developing countries. Recurrent shocks impaired the ability of some to repay debt. Some countries

¹⁰ UN DESA, based on World Bank International Debt Statistics data. The calculation is based on data for 97 developing economies.

continued to pay high and rising risk premia during QE, in part due to limited and shrinking opportunities (relative to their needs) to borrow on concessional terms from multilateral development banks. For instance, in 2007, before QE, Ghana issued a sovereign bond that paid 8.5 per cent interest, while in 2015 it issued a bond in the international capital market that paid 10.75 per cent interest.¹¹ On average, the interest rate gap on debt from official creditors (bilateral or multilateral) and private creditors increased from 0.5–1.0 per cent in the early 2000s to over 5.0 per cent during the period 2011–2019 for the countries in sub-Saharan Africa (Kiel Institute, 2023), as many pivoted to borrowing in the international capital market. Consequently, for sub-Saharan Africa (excluding high-income countries), total debt-service payments on external debt increased from \$18.8 billion in 2007 to \$83.7 billion in 2021.

Fixed capital investment fell and productivity growth weakened during quantitative easing

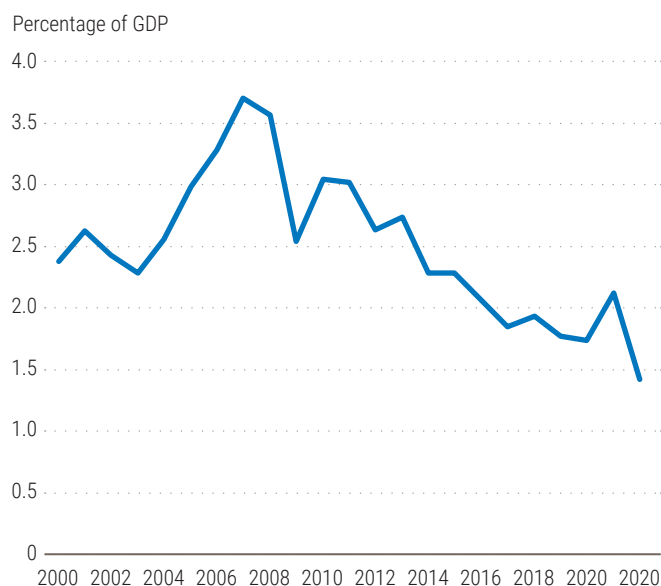
Excessive borrowing in developing countries did not lead to higher levels of investment. It supported domestic consumption in these countries, often leading to a higher volume of imports and worsening trade balances. Deteriorating trade balances would have led to the depreciation of exchange rates and would have boosted exports from developing countries. However, large QE-induced capital flows prevented such adjustments and kept the exchange rates overvalued, which also adversely affected their balance of payments (Kolasa and Wesołowski, 2018).

While domestic consumption remained strong in many developing countries, investment remained weak. The annual growth rate of gross capital formation fell from 16.7 per cent during the period 2000–2007 to 4.6 per cent during the period 2011–2019. Fixed investments declined in absolute terms in many developing countries.

In the least developed countries (LDCs), fixed capital formation increased from \$278 billion in 2002 to \$433 billion in 2007 in constant 2015 dollar terms. However, during the QE period, fixed capital formation fell steadily to \$249 billion by 2015 and then slowly increased to \$317 billion by 2019 – a figure 27 per cent lower than the pre-financial-crisis level in real terms. Net foreign direct investment (FDI) inflows to developing countries (low- and middle-income economies) also trended downward during the QE period, falling from an average of 3.7 per cent of GDP in 2007 to 1.8 per cent in 2019 (see figure II.14). Net FDI inflows continued to decline during the post-pandemic period, limiting productive investments in the developing countries.

Unsurprisingly, productivity growth – which is typically driven by productive investments – also dropped sharply in the developing countries during the QE period. Average annual

Figure II.14
Net inflows of foreign direct investment to developing economies



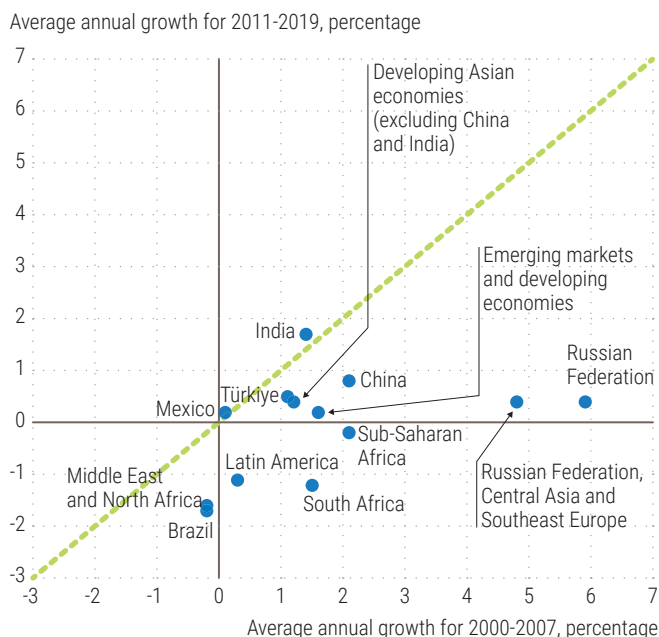
Source: UN DESA, based on World Bank Open Data.
Note: Low- and middle-income countries are used as a proxy for developing economies.

¹¹ The increase in borrowing cost reflected the weakening macroeconomic and financial environment in Ghana. In order to boost confidence among investors, the Government sought and secured a 40 per cent partial guarantee from the World Bank in 2015 for a \$1 billion Eurobond issuance series due in 2030.

labour productivity growth declined from 4.3 per cent during the period 2000–2007 to 3.8 per cent during the period 2011–2019. Total factor productivity (TFP) growth, a key measure of economic efficiency and productivity, fell from 1.6 per cent during the period 2000–2007 to 0.2 per cent during the period 2011–2019 in the developing economies. While many factors – including research and development expenditures, FDI, technology spillovers, institutional dynamics, and international trade – contribute to TFP growth, many of these factors are also influenced by the pace and depth of fixed capital formation, which did not accelerate during the post-GFC period. In sub-Saharan Africa, TFP growth declined by an even larger margin, falling from 2.1 per cent during the period 2000–2007 to -0.2 per cent during the period 2011–2019 (The Conference Board, 2023) (see figure II.15).

Capital investments in infrastructure, technology and human capital are the key drivers of productivity growth, including TFP growth. However, low domestic savings rates in the developing countries remain a binding constraint to boosting investments and productivity growth. Increased capital inflows can thus play a critical role in bridging the chronic investments/savings gaps in many developing countries. FDI, in particular, can stimulate growth if developing countries have sufficient absorptive capacity – deriving from quality institutions and a sound and predictable regulatory environment – to benefit from the technology transfer and productivity spillover effects (Li and Tanna, 2019).¹² However, QE is associated with higher portfolio investment inflows, which have no clear causal relationship with higher economic growth in developing countries (Aizenman, Jinjark and Park, 2013; Asamoah and Alagidede, 2020). Hence, it could not have been expected to boost FDI in developing countries.

Figure II.15
Total factor productivity growth in emerging markets and developing economies



Source: UN DESA, based on data from The Conference Board (2023).
Notes: The dashed line is at 45 degrees. Economies below the dashed line experienced a slowdown in total factor productivity growth. Country groupings differ from the *World Economic Situation and Prospects 2024* groupings.

Developing country central banks also turned to quantitative easing during the pandemic

In the wake of the COVID-19 pandemic, many developing country central banks followed the lead of their developed country counterparts and implemented asset purchase programmes – their own version of quantitative easing – for the first time. Over the course of 2020, 26 central banks¹³ – 10 in Africa, 8 in Asia, and 8 in Latin America and the Caribbean – announced or implemented asset purchases.

Unlike central banks in the developed countries, most developing country central banks still had

¹² Many studies find strong evidence that FDI can have a positive impact on growth, but this is largely dependent on the level of human capital, the quality of institutions, the degree of trade/financial openness, and other relevant factors in the host countries (see, for example, Borensztein, De Gregorio and Lee, 1998; Slesman, Baharumshah and Wohar, 2015; Cooray Dutta and Mallick, 2017).

¹³ UN DESA calculation, based on Fratto and others (2021).

room to cut interest rates when they began to implement asset purchase programmes. They did so to ease financial stresses and ensure financial stability rather than to reduce long-term interest rates or inject liquidity into the market. The measures were mainly introduced in response to market turmoil in the early stages of the pandemic – when panic among investors, rising risk premia and substantial capital outflows caused a sharp fall in bond prices and a significant increase in bond yields as well as currency depreciation (United Nations, 2022a).

The asset purchases of central banks in developing countries were much smaller in scale and shorter in duration than those in developed countries. This is largely because many developing country central banks already held a significant amount of public debt on their balance sheets. Between March 2020 and March 2021, the majority of the asset purchase programmes in developing countries ranged in size between 0.5 and 9 per cent of GDP, whereas the Federal Reserve and the Bank of England asset purchase programmes respectively represented about 16 and 17 per cent of GDP (see figure II.16) (Adrian and others, 2021). Several developing country central banks conducted one-off purchases at various times between March and May 2020. Central banks in Ghana, India, the Philippines, and a few other countries conducted asset purchases not only in the secondary market but also in the primary market (Adrian and others, 2021; Zoleta, 2023).

As asset purchase programmes managed to stabilize the financial markets during the pandemic, developing country central banks will likely implement asset purchase programmes to complement conventional monetary policy tools in future episodes of market turbulence (Zoleta, 2023). These central banks are now at the stage of moving to unwind their versions of QE and shrink their balance sheets. While most of them have not communicated their exit strategies, several have stopped asset purchases and are waiting for their assets to mature (Ferrero, 2023). They will need to carefully design and communicate their policies to avoid triggering financial market instability or pushing up government borrowing

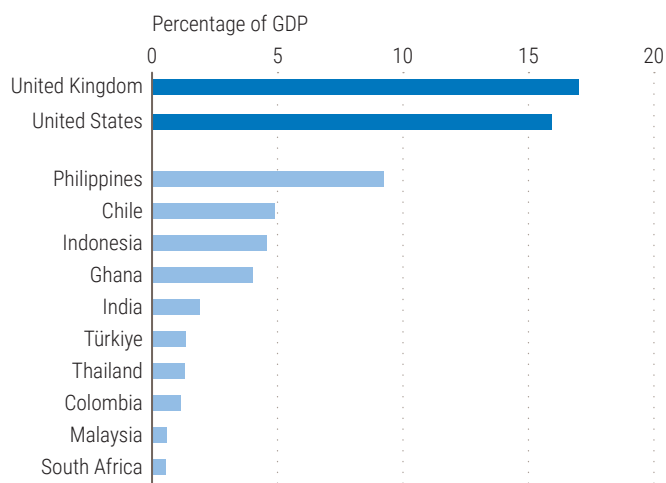
costs amid the current environment of rising interest rates and high public debt.

Quantitative easing benefited the wealthy in developing economies as well

The QE policies implemented by developed country central banks had adverse distributional impacts in developing countries, especially those with a higher degree of capital account liberalization. QE augmented global liquidity and supported aggregate demand in developing countries during the crises. It helped minimize the duration and severity of the economic shock during the emergency phase and likely prevented a sharp increase in unemployment and poverty during both the GFC and the pandemic. However, QE-induced capital inflows into developing countries also triggered asset price bubbles – similar to the experience of developed economies. Market capitalization of the listed companies in low- and middle-income developing countries increased from about 45 per cent of GDP in 2013 to over 78 per cent of GDP in 2020.

The sharp rise in asset prices increased returns on financial assets via higher dividend income

Figure II.16
Central bank asset purchases during March 2020 and March 2021



Source: UN DESA, based on Adrian and others (2021).

and higher capital gains. The income shares of the top 10 per cent increased in a number of large developing countries that received substantial capital inflows, including South Africa and India. While it is difficult to establish a direct causal relationship between QE and income and wealth inequality, the correlation between higher asset prices and higher income for the top income quintile or decile of the population is rather straightforward, as higher-income households typically own and hold those assets. At the same time, substantial inflows of capital also disproportionately raised entrepreneur income (Liu, Spiegel and Zhang, 2023) and altered the relative bargaining power for firms and workers, leading to a decline in the labour share of income (Eklou and Foster, 2023) and potentially exacerbating income inequality in developing countries.

From quantitative easing to quantitative tightening: challenges for developed economies

A difficult exit from quantitative easing

In theory, a central bank can exit from QE once the economy rebounds, interest rates rise away from the zero lower bound, and inflationary expectations are well anchored in line with price stability objectives. Model-based research on different exit strategy possibilities also suggests that by continuously holding long-term debt on their balance sheets, central banks can undermine the efficacy of a QE policy (Harrison, 2017). Undertaking QT also allows central banks to build back capacity to implement QE should it be required during a future crisis.

The process of a central bank unwinding QE is conceptually straightforward. Central banks implement QE by acquiring assets financed with bank reserves and expanding their balance sheets. Unwinding reverses this process; a central

bank shrinks its balance sheet by selling assets to the public. Central banks can pursue active QT by selling securities before their maturity dates, passive QT by letting assets run off the balance sheet upon their maturity and not reinvesting the proceeds, or any combination of the two (Sheard, 2014). The major central banks, starting with the Federal Reserve in October 2017, have followed different paths in implementing QT in their countries (see figure II.17).

In practice, implementing an effective QE exit strategy has been challenging for developed country central banks, partly because of the sheer volume of assets acquired during QE and partly because of an unwillingness to take risks in the uncharted territory of QT. A poorly designed transition from QE to QT could adversely impact financial stability, economic growth and even price stability, with the potential for broader spillovers across countries. Country- or region-specific factors – such as fragmentation in euro area bond markets or the composition of a central bank’s QE portfolio – could also pose specific challenges.

Sustained inflation since 2021 necessitated a reversal of accommodative monetary policy, but the timing and pace of QT remained hard to determine. With the large size of the QE programmes, selling assets too quickly and abruptly could threaten financial stability. However, delaying or slowing the process for too long would entrench the imbalances in financial markets, distort incentives and make the eventual exit even harder.

The new round of quantitative tightening amid high inflation

Learning from earlier attempts at quantitative tightening

The first attempt at implementing QT took place in 2013 as the Federal Reserve indicated that it would reduce its bond purchases. This triggered the taper tantrum, with sharp drops in equity and government bond prices. Within about a month, the Standard and Poor’s (S&P) 500 stock

Figure II.17

Timeline of policy rate hikes and quantitative tightening policies in the United States, the euro area and the United Kingdom

a) Policy rate hikes and quantitative tightening during the period 2015-2020

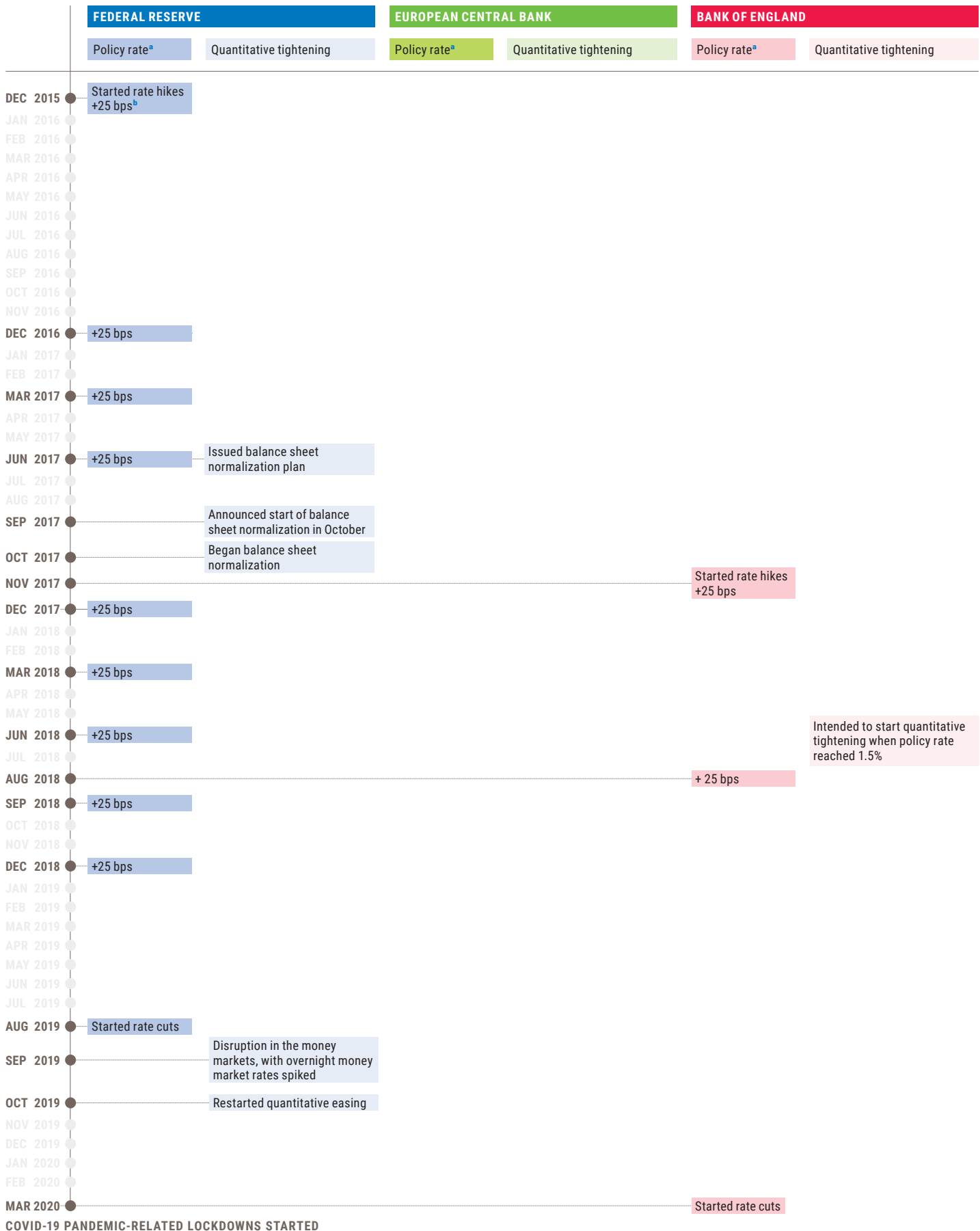


Figure II.17

Timeline of policy rate hikes and quantitative tightening policies in the United States, the euro area and the United Kingdom (continued)

b) Policy rate hikes and quantitative tightening since the COVID-19 pandemic



Source: UN DESA, based on information from the United States Federal Reserve, European Central Bank and Bank of England.

Notes

- a Policy rates refer to the Federal Reserve federal funds effective rate, the European Central Bank deposit facility rate, and the Bank of England official bank rate.
- b bps = basis points.
- c PEPP portfolio refers to the pandemic emergency purchase programme portfolio of the European Central Bank.
- d APP portfolio refers to the asset purchase programme portfolio of the European Central Bank.

price index dropped by over 5 per cent,¹⁴ while the yield on 10-year United States government bonds shot up by over 50 basis points.¹⁵ The impact was also quickly felt by developing countries, in particular those with larger external financing needs and macroeconomic imbalances, such as Brazil, India, Indonesia, Türkiye and South Africa. On average, the sovereign bond yields in these countries rose by 2.5 percentage points, equity markets fell by 13.8 per cent, exchange rates depreciated by 13.5 per cent, and reserves declined by 4.1 per cent between May and August 2013 (Mishra and others, 2014).

Learning from the taper tantrum, the Federal Reserve took a more measured approach in providing forward guidance on its subsequent QT in the fall of 2017. This took place nearly two years after its first post-GFC rate hike – one that had marked the beginning of the upward movement of its policy rate from the zero lower bound. When the rate reached 1–1.25 per cent in the second half of 2017, the Federal Reserve began to let its balance sheet “run off”. During the period 2017–2019, it implemented QT in a gradual and passive manner with a view to avoiding a repeat of the taper tantrum. It allowed up to \$50 billion worth of securities from its holdings to mature each month, including \$30 billion of government bonds and \$20 billion of MBS. The Federal Reserve ended the QT in September 2019 after its shrinking balance sheet triggered a crisis in overnight lending markets.

In mid-September 2019, overnight money market rates experienced a spike and increased volatility amid a large drop in reserves in the banking system in the United States. The timing coincided with firms making tax payments and dealers settling substantial amounts of Treasury issuances in the repurchase agreement (repo) market. Reserves in the banking system, which were already declining due to the balance sheet

normalization, plummeted by about \$120 billion over two business days. To stabilize money markets, the Federal Reserve restarted the purchase of Treasury securities and extended its overnight and term repo operations (Anbil, Anderson and Senyuz, 2020; Wang, 2022).

A new round of quantitative tightening amid high inflation

The Federal Reserve announced the new round of QT in January 2022 and increased policy rates in March to curb persistent inflation. When the Federal Reserve kicked off QT in 2017, its total balance sheet was around \$4.5 trillion. With the quick expansion during the pandemic, however, it had a balance sheet of over \$8.9 trillion when QT was initiated in 2022. This time around, the Federal Reserve announced its intention to cut about \$95 billion from its holdings every month, split between \$60 billion of Treasuries and \$35 billion of MBS – almost double the \$50 billion monthly maximum set for the period 2017–2019. If the Federal Reserve met this new monthly target, it could shrink the balance sheet by more than \$1.1 trillion within a year, surpassing the total reduction achieved for the entire 2017–2019 QT cycle. It has helped that the Federal Reserve portfolio of government bonds has been shorter in maturity in the present QT cycle than it was in the previous cycle,¹⁶ as the central bank made substantial purchases of Treasury bills to help restore market stability at the onset of the pandemic. This has also supported the prospect of an accelerated QT process, as Treasury bills typically mature in a year or less. On the ground, however, the implementation of QT has thus far been bumpy and slow.

The Bank of England and the European Central Bank began implementing QT for the first time in November 2022 and March 2023, respectively. In 2018, the Bank of England intended to start QT after its policy rate hit 1.5 per cent, but it did

¹⁴ Based on data from Haver Analytics.

¹⁵ Based on data from [investing.com](https://www.investing.com).

¹⁶ A back-of-the-envelope calculation based on data from the Federal Reserve suggests that the average maturity of the Federal Reserve holdings of domestic securities was about 7.6 years as at March 2022, compared with 8.0 years as at October 2017.

not reach this threshold until 2022. Both central banks waited to implement QT until their policy rates reached 3 per cent.

Asymmetries between quantitative easing and quantitative tightening

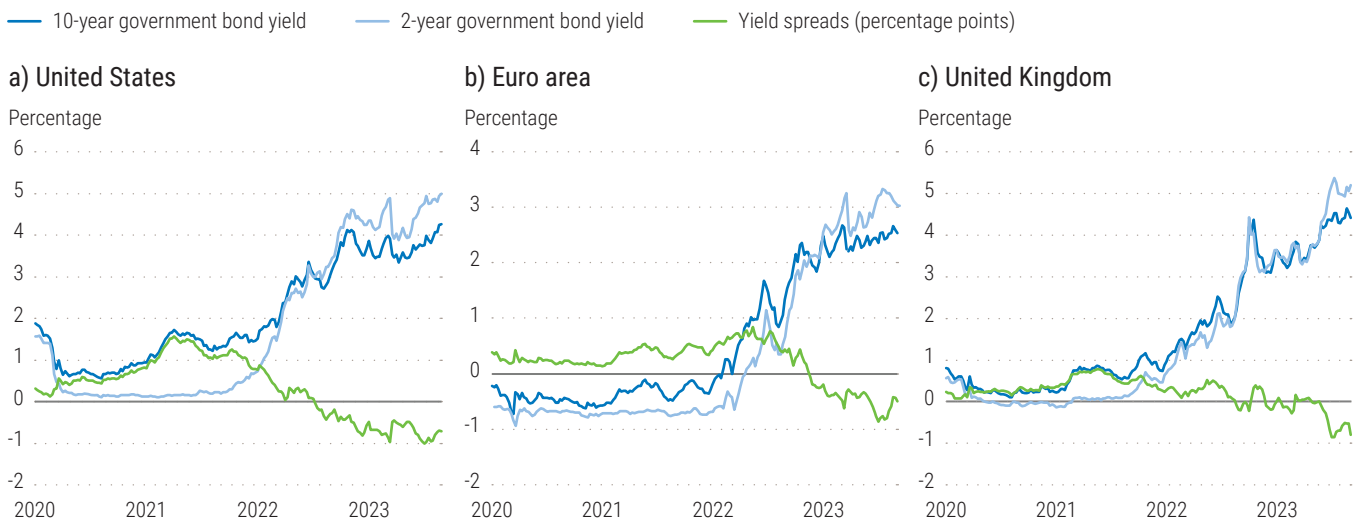
As QE injected liquidity into the economy and reduced the availability of government securities for private investors, it encouraged them to rebalance their portfolios towards riskier assets. As a consequence, the prices of those assets increased. One might expect QT to have the opposite effect – a reversal of QE. However, the limited experience of QT shows that the effects of monetary loosening and tightening are not necessarily symmetric. Research on the Federal Reserve balance sheet reduction during the period 2017–2019 suggests that QT indeed tightened financial conditions, but mainly through reduced liquidity, the effect of which was more pronounced in countries with high levels of debt, such as Italy (ECB, 2023).

The impact of QT on duration risks, term premia, and investor expectations regarding the future path of policy rates could all be rather complex. Research by the Federal Reserve on the 2017–2019 QT cycle indicates that, unlike QE, QT had no significant impact on cumulative increases in long-term yields on government bonds, MBS rates or Eurodollar futures rates (Smith and Valcarcel, 2022).¹⁷ For this round of QT, though it is still too early to assess the impact, existing data suggest a similar pattern: QT could have a more prominent effect on short-term interest rates but leave the long-term rate relatively unchanged. As figure II.18 shows, after QT was implemented in the United States, the euro area and the United Kingdom, yields of short-term government bonds increased more than those of long-term bonds, leading to an inverted yield curve.¹⁸

There are many possible reasons why the impact of QT on long-term yields is less pronounced than that of QE. First, the pace of QT is more gradual than the pace of QE (D’Amico and

Figure II.18

Government bond yields and yield spreads in the United States, the euro area and the United Kingdom



Source: UN DESA, based on data from Haver Analytics.

¹⁷ Smith and Valcarcel (2022) contend that while the announcement of QE events could lead to a cumulative 1.49 percentage point decrease in 10-year government bond yields, QT could only increase the yields by 0.28 percentage points – an effect that is not statistically significant. The impact on MBS yields and Eurodollar futures rates is similar.

¹⁸ Factors other than QT that have simultaneously driven short- and long-term yields include policy interest rate hikes, high inflation in the near term, and expectations surrounding future economic performance.

King, 2013). In the six months after the Federal Reserve and European Central Bank began implementing the current round of QT, their balance sheets shrank by \$330 billion and €744 billion, respectively. However, it took the Federal Reserve less than a month and the European Central Bank two months to increase their balance sheets by the same volume in the QE episode during the pandemic.

Second, QT appears to lack the signalling effect associated with QE. Smith and Valcarcel (2022) find a limited response of government bond yields to Federal Reserve announcements related to QT. This is likely because QT has not been entirely unexpected. When central banks introduced QE, they also signalled that asset purchases would unwind in the future (see, for example, Bernanke, 2008; C-SPAN, 2020; Bailey, 2020). Unlike QE, QT does not provide much information about the future path of short-term interest rates once the policy interest rate is no longer near zero (ECB, 2023). In general, QT is implemented in improved financial market conditions (D'Amico and King, 2013), while QE is undertaken when the financial market is in distress, as was the case during the GFC and the pandemic. Market participants have more room to manoeuvre and adjust to QT. At the same time, given the experience of the taper tantrum and the 2017–2019 QT cycle, the Federal Reserve has been more cautious about managing the adverse effects of a policy shift and provided adequate forward guidance to market participants.

Third, the composition of central bank balance sheets and the types of assets they are selling can affect yields of different maturity. As the Federal Reserve, for example, aimed to have its portfolio composed primarily of Treasury securities (Federal Reserve, 2022), the sell-off of MBS raised the yields of short-term Treasuries while keeping long-term Treasury yields relatively unchanged. Higher short-term inflation expectations, with the Federal Reserve gradually approaching its inflation target, has made it harder for QT to raise long-term rates.

Quantitative tightening in practice

The major developed country central banks, with the exception of the Bank of Japan, have started quantitative tightening. There are some commonalities in their QT approaches. All of these central banks signalled the start of QT and announced their QT plans months in advance. In their announcements, the central banks emphasized that QT would be predictable, gradual and orderly, and they would maintain discretion over adjusting their QT plans based on financial and economic conditions (IMF, 2023a).

As might be expected, there are also differences in the ways these central banks are implementing QT (see figure II.17). The Federal Reserve is still partially reinvesting maturing principals, whereas the European Central Bank ceased reinvesting under its asset purchase programme in July 2023. The Bank of England has chosen the active asset sales route. There are a few key policy objectives the central banks have considered, including those relating to the alignment of all policy instruments in the same direction, the degree of tightening desired, the desired size of the balance sheet, the pace required to regain margins of policy manoeuvre for later, and the need to reinforce the impact of policy rate hikes on the yield curve.

Central banks engaged in active sales of assets can perfectly control the pace of balance sheet reduction, with a stronger monetary tightening effect. However, active QT could entail more significant financial stability risks. For central banks fully engaged in passively unwinding purchased assets, financial risks could be lower than those associated with active QT, and the timing of redemptions would be well known by market participants. However, the pace of balance sheet reduction could be irregular, depending on the level of monthly redemptions. For central banks partially or fully reinvesting maturing assets, financial stability risks could be largely absent, but balance sheet normalization would be very slow and the monetary tightening effect could be much smaller than

that of the other two paths mentioned above (European Parliament, 2023).

The effects of financial and fiscal dominance on the pace and size of quantitative tightening

In the aftermath of the GFC, central banks were confronted with weak demand and the rising risk of financial instability. That is not the case for 2023 or 2024. Given the current high but moderating inflationary environment, central banks are facing a difficult balancing act between taming inflation, supporting growth, and ensuring financial stability. While maintaining price stability and supporting economic growth remain a priority for the central banks, financial dominance – when monetary policy is constrained due to concerns about financial stability (Brunnermeier, 2023) – will likely determine the pace and intensity of monetary tightening, including QT operations.

Financial instability risks have hindered QT implementation over the past two years. The collapse of the Silicon Valley Bank in the United States in March 2023, for instance, exposed significant duration risks in the financial sector. Rising short-term rates are reducing the price of long-term bonds held by banks and other investors. This is leading to balance sheet losses and triggering financial stress, especially when financial intermediaries are forced to sell their long-term bond holdings to minimize losses. The United Kingdom has also experienced financial distress to some degree. A sharp sell-off in the gilt¹⁹ market in September 2022 required the Bank of England to intervene repeatedly to restore market functioning and prevent pension funds from collapsing. Consequently, the Bank suspended its planned gilt sales and temporarily began buying long-term bonds.

Financial vulnerability can emerge from the household sector as well. If QT triggers abrupt asset price corrections, it could lead to household defaults and increase financial risks. Such a

scenario could be especially disquieting in conditions such as those in the United States, where, despite interest rate hikes, total household debt increased sharply in the latter part and aftermath of the pandemic, rising from \$16 trillion in the second quarter of 2022 to more than \$17 trillion during the same period in 2023. In the second quarter of 2023, credit card debt totalled \$1.03 trillion, surpassing \$1 trillion in nominal terms for the first time in history (Federal Reserve Bank of New York, 2023). At the same time, credit card delinquency rates have increased and have returned to pre-pandemic trends after a stretch of unusually low delinquency rates during the pandemic, when forbearance, policy boosts to income, and limited consumption opportunities meant borrowers were better positioned to repay their debts (Haughwout and others, 2023).

Fiscal concerns would also likely hinder the full implementation of QT in the United States. During the GFC and the COVID-19 pandemic, developed country central banks moved closer to advocating fiscal dominance, supporting rapid fiscal expansion and monetizing government debt. With elevated levels of public debt and rising debt-servicing costs, central banks could face political pressure to control yield curves on long-term government bonds and keep public financing costs under control (Brunnermeier, 2023).

Monetary policy facing limits

Another risk developed country central banks face in tightening their monetary policy stance relates to the effectiveness of the policy. In the United States, for example, the central bank raised policy rates from near zero to 5.5–5.75 per cent in a little over a year. While the increase in the policy rate managed to bring down inflation, it did not reduce personal consumption expenditure or increase household savings. The household savings rate actually fell with the rising interest rate. This suggests that the recent bout of high inflation in the developed

¹⁹ Gilts are government bonds in the United Kingdom, India and Commonwealth countries that are similar to United States Treasury securities.

countries was largely caused by supply-side factors, including supply chain disruptions during the pandemic and the war in Ukraine. Monetary policy tools – especially policy rate increases – may not constitute the most effective approach to addressing supply-side shocks that have divergent economic impacts within a relative short period of time due to lag effects (United Nations, 2023d).

Quantitative tightening poses significant challenges to developing economies

Rising financial risks and fiscal challenges for developing economies

Synchronized monetary tightening – including interest rate hikes and QT – in the major developed countries is expected to reduce global liquidity and increase global risk aversion, leading to capital outflows, currency depreciations, increased risk premia, widening sovereign spread, and heightened debt sustainability risks.

It is unlikely that QT will be the only factor at play here; it will certainly play a key role, however, along with other factors such as domestic and external imbalances and debt sustainability risks. The 2013 taper tantrum offers some valuable lessons, though economic conditions in developing countries today are very different from what they were a decade ago. On 22 May 2013, the initial hints of tapering by former Federal Reserve Chairman Ben Bernanke surprised market participants. The changes in policy expectations reduced their tolerance for risk and triggered a reassessment of the risk-adjusted returns from investments in developing countries. With the abrupt rise in global long-term interest rates, many developing countries experienced a sharp withdrawal of private

capital inflows, totalling about \$60 billion in the third quarter of 2013 (Kalemli-Özcan, 2021).

Recognizing the spillover effects of its decisions on developing countries in 2013 and the vulnerabilities created, the Federal Reserve published an Addendum to the Policy Normalization Principles and Plans setting out how QT would be implemented in 2017. While the Federal Reserve did not set a specific target for the size of the balance sheet, it said the “normal” level would reflect the banking system’s demand for reserve balances (Riley, 2022), and that this level would change over time and based on circumstances. With the relatively more transparent communication by the Federal Reserve and the fact that other major central banks were maintaining or expanding the size of their balance sheets, global financial conditions tightened only modestly in 2017 (Smith and Valcarcel, 2022), and global financial markets did not experience a repeat of the taper tantrum. For developing countries, the impact of the present round of QT will likely be more pronounced than that of the 2017–2019 QT episode – both because of the scale of the current tightening efforts and because this represents a joint undertaking by the major developed country central banks.

Monetary tightening significantly exacerbated global financial conditions in 2022 and 2023, increasing borrowing costs for developing countries. For instance, the yield of Brazil 10-year Treasury bonds increased from just below 11 per cent in January 2022 to 13.7 per cent in June 2022.²⁰ The yield of Kenya 10-year government bonds rose from 12.9 per cent in January 2022 to over 16 per cent in October 2023.²¹ Tightened financial conditions also widened credit spreads in many developing countries, particularly in Africa and Latin America (see figure II.19). In the six months after the Federal Reserve stopped QE in March 2022, emerging market currencies collectively depreciated by about 9 per cent against the United States dollar.²²

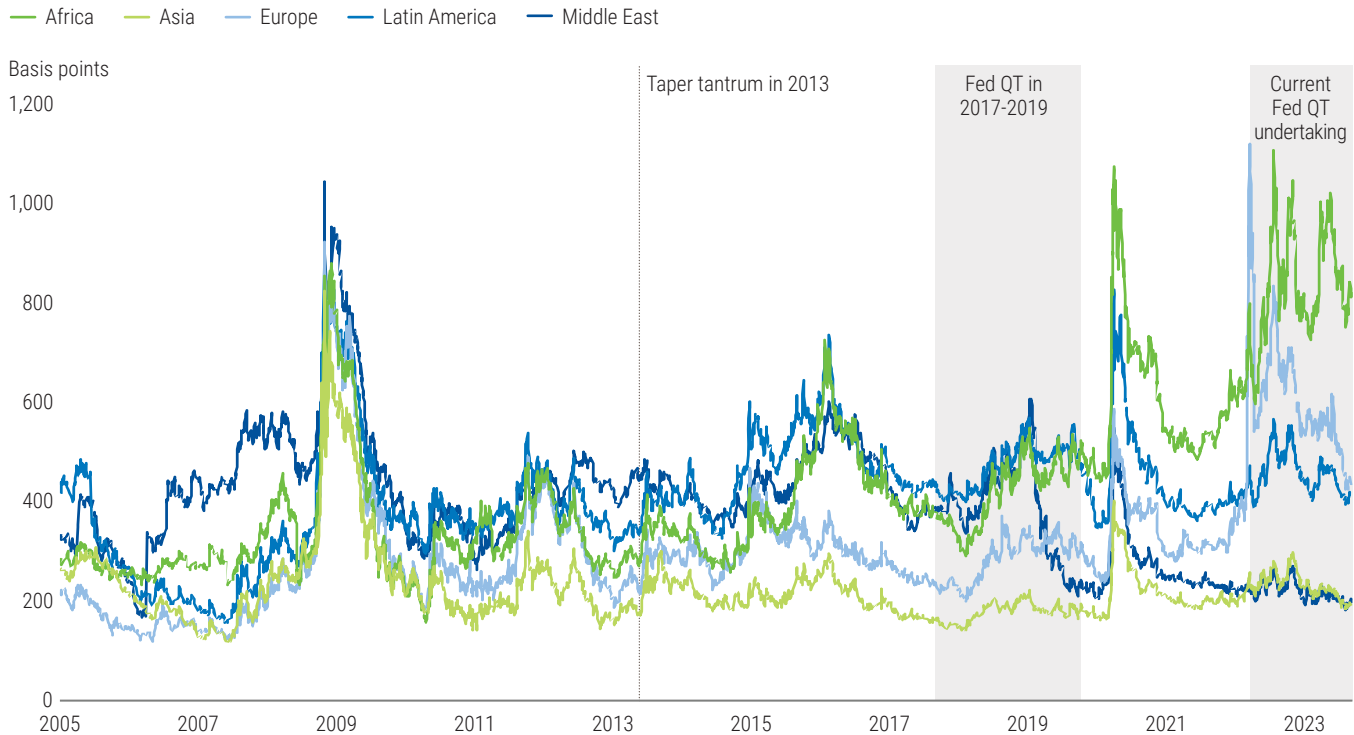
²⁰ Data from Haver Analytics.

²¹ Data from [investing.com](https://www.investing.com).

²² Data from the Federal Reserve Economic Data (FRED) database.

Figure II.19

Emerging Market Bond Index global sovereign spreads, by region



Source: UN DESA, based on data from Haver Analytics.

Notes: QT = quantitative tightening; Fed = United States Federal Reserve. Country groupings differ from the *World Economic Situation and Prospects 2024* groupings. The Emerging Markets Bond Index (EMBI) is a weighted financial benchmark that measures the interest rates paid each day on a selected portfolio of government bonds from emerging countries. The sovereign bond spreads reflect the difference between the return rates paid on emerging country government bonds and those offered on United States Treasury bills.

The currencies of a few developing countries – including Argentina, the Bolivarian Republic of Venezuela, Colombia, Egypt, Ghana, Lao People’s Democratic Republic, Malawi, Pakistan, South Africa and Türkiye – depreciated by over 20 per cent.

Rising interest rate spreads and currency depreciations have also exacerbated debt sustainability risks for many developing countries. Countries that have yet to fully recover from the pandemic crisis – including many LDCs – are particularly vulnerable to debt default risks. As figure II.20 shows, while fiscal revenue in developing countries stagnated or even shrank, their debt-servicing burden as a percentage of government revenue continued to rise during the post-pandemic period. Higher interest rates in developed countries will continue to increase the debt-servicing burden of developing countries,

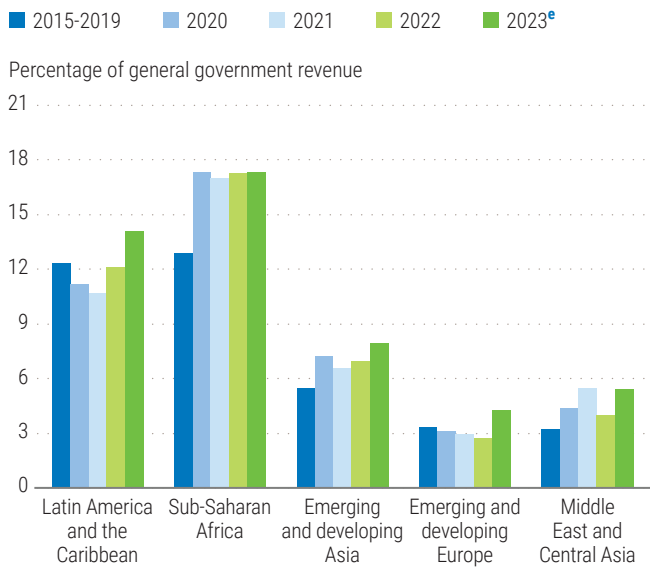
particularly those with high levels of dollar- or euro-dominated public debt (see figure II.21). The LDCs are especially vulnerable; as at August 2023, 36 of the 69 countries covered by the Debt Sustainability Framework for Low-Income Countries – including 23 LDCs – were in debt distress or at high risk of experiencing debt distress (IMF, 2023d).

Weakening export growth for developing economies

Monetary tightening is expected to have a contractionary impact on demand in both developed and developing economies through the liquidity channel. As interest rate hikes and QT are meant to withdraw excess liquidity from the market and trigger capital outflows from developing countries, they weaken

Figure II.20

Developing country public debt interest payments, by region



Source: UN DESA, based on data from the IMF World Economic Outlook database, October 2023.

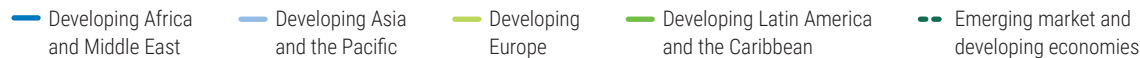
Notes: e = estimates. Country groupings differ from the *World Economic Situation and Prospects 2024* groupings. Interest payments are calculated by taking the difference of general government net lending or borrowing and primary balance.

economic activity by reducing credit growth. In a high-interest-rate environment, households, investors and financial institutions are forced to reduce borrowing and spending, leading to less consumption and investment. Many developing countries have already been experiencing slowdowns in consumption and investment growth over the course of 2022 and 2023.

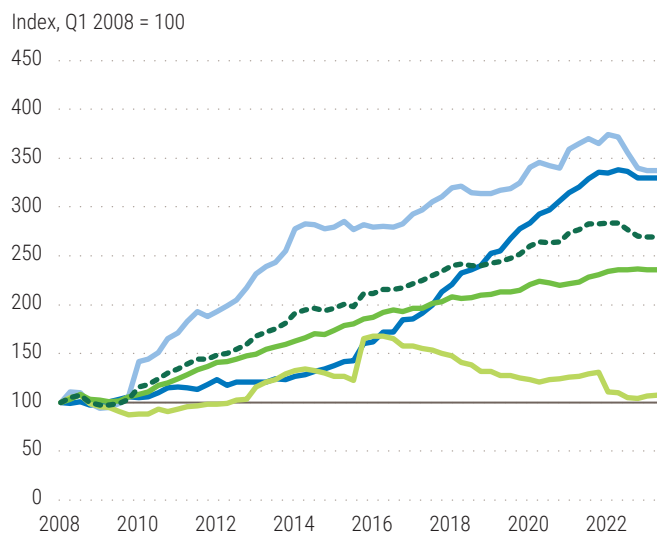
The decline in credit and investment due to interest rate hikes and QT will likely trigger sharp adjustments in asset prices in developing countries. Recent studies have shown that rising 10-year Treasury yields in the United States can lead to currency depreciation, rising credit spreads, rising local currency bond yields, and declining equity prices in developing countries (Hoek, Yoldas and Kamin, 2021). Changes in monetary policies after the COVID-19 pandemic could also further reduce net FDI inflows into developing economies (Karahan and Bayır, 2022), with higher relative rates of return on investments in the developed economies. Caldara, Ferrante and Queralto (2022) estimate

Figure II.21

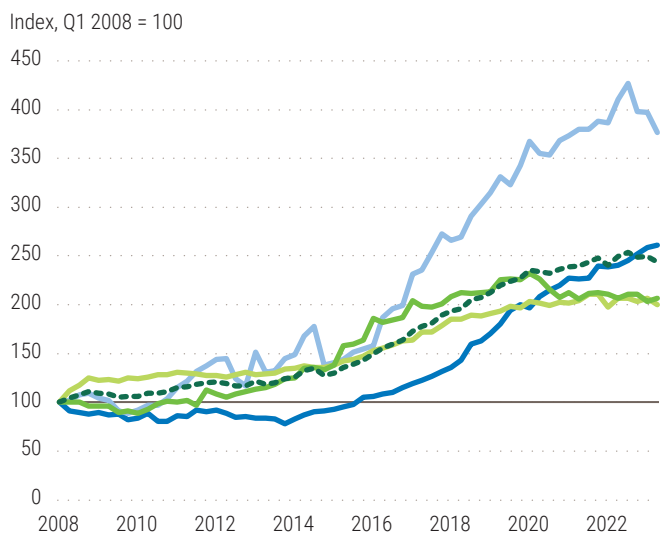
Total credit to non-bank borrowers in selected regions, by currency of denomination



a) United States dollar



b) Euro



Source: UN DESA, based on data from the Bank for International Settlements.

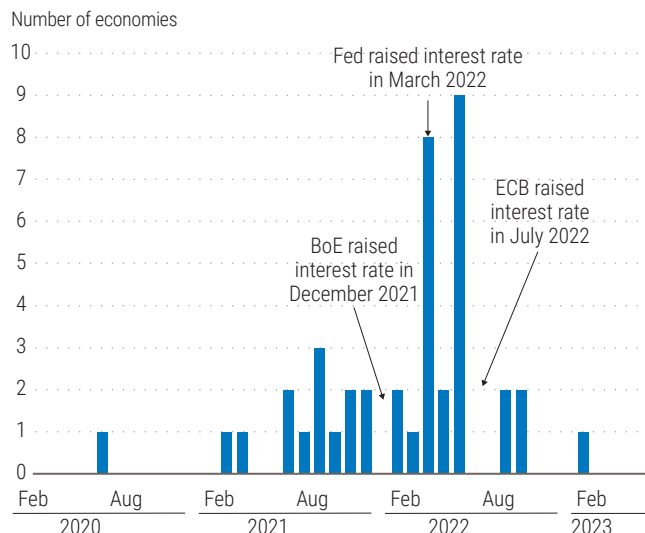
Note: Country groupings differ from the *World Economic Situation and Prospects 2024* groupings.

that a 100-basis-point rise in the United States federal funds rate – affecting exchange rates and financial and trade flows – could cause the rest-of-the-world GDP to fall by 0.15–0.3 per cent. It is likely that interest rate hikes and QT would also negatively affect external demand for exports from developing countries. As monetary tightening is expected to weaken demand in developed countries, it would likely lead to a reduction in imports from developing countries (Mendoza, Pastén and Saravia, 2018; Ca’ Zorzi and others, 2020; Degasperi, Hong and Ricco, 2021). However, if the currencies of developing countries depreciate against the United States dollar because of increasing capital outflow pressures, their exports could become cheaper and more competitive.²³ Thus, the net effects in developing countries will largely depend on the change in net exports relative to exchange rate movements in both developed and developing economies. Then again, empirical analysis exploring monetary contraction in the United States suggests that reduced aggregate demand in developed economies could play a more dominant role (Degasperi, Hong and Ricco, 2021) and adversely affect exports from the developing countries.

Squeezing the macroeconomic policy space of developing economies

Developing country central banks face the additional challenge of shrinking policy space for discretionary policy adjustments when their developed country counterparts implement rapid monetary tightening. Slowing economic activities, tightening global financial conditions, deteriorating external balances, falling international reserves, and the risk of sudden capital outflows often constrain the ability of central banks in developing economies to implement growth-enhancing or growth-stabilizing monetary policy.

Figure II.22
Initial policy rate hikes of developing economies during the COVID-19 pandemic



Source: UN DESA, based on CEIC data.

Notes: The figure covers 41 developing country central banks. During the time period highlighted, three developing country central banks did not raise policy rates. **BoE** = Bank of England; **ECB** = European Central Bank; **Fed** = United States Federal Reserve.

When developing country central banks design their monetary policy interventions, they frequently try to internalize the cross-border spillovers of monetary tightening in the developed countries. Quite often, they follow the lead of their developed country central bank counterparts and tighten their own monetary policy stances. A number of developing country central banks began raising interest rates ahead of the Federal Reserve or the European Central Bank (see figure II.22), initiating hikes that were more aggressive than those in the developed countries (United Nations, Economic and Social Council, 2023).

There is a negative multiplier effect on the global economy when a large number of central banks simultaneously engage in monetary tightening. Caldara, Ferrante and Queralto (2022) constructed a scenario in which the United States aggressively raises interest rates to offset

²³ It should also be noted that given the role of the United States dollar as a major invoicing currency, its appreciation may not mean that foreign goods will immediately become cheaper for consumers in developed countries, particularly the United States.

inflation driven by supply shocks and triggers aggressive monetary tightening by the rest of the world's central banks. While simultaneous tightening by the latter would reduce inflation pressures, the impact on their GDP could be as large as 4 per cent lower than the baseline where the rest of the central banks avoid significant monetary tightening.

Lower levels of economic activity across the developing countries can spill back to the developed countries, with non-trivial effects. Breitenlechner, Georgiadis and Schumann (2022) find that the spillbacks linked to interest rate hikes in the United States materialize through depressing foreign sales and the valuation of United States firms, which can lead to firms cutting back on investments and households reducing consumption because of negative wealth effects. Yang, Tang and Cheng (2023) show – based on analysis of QE episodes in the United States during the period 2009–2019 – that unconventional monetary policies have significant spillback effects on economic activity and inflation²⁴ through exchange rate, equity market price and cash flow channels. Simultaneous monetary tightening can lead to simultaneous slowdowns in developed and developing economies.

Developing country policy options for navigating challenging times

Domestic policy options

Developing countries are exposed to the risks and uncertainties of global monetary policy cycles. While they embraced capital account and financial market liberalization following the Washington Consensus, many did not put in place the regulatory frameworks and macro

and prudential measures necessary to protect their economies against volatile capital flows. As developed economies shift from QE to QT, the need for effective capital and financial account management is greater than ever for many developing countries. At the same time, it seems inevitable that hitherto “unconventional” monetary policy measures will become part of the standard toolkit of central banks, particularly in developed countries, making it all the more important for other countries to be able to respond as needed (Bernanke, 2020).

Most developing country central banks rely on conventional monetary policy tools, including policy interest rates and reserve requirements – not only to stimulate growth and employment and ensure price stability, but also to manage capital flows and exchange rate movements. These tools are not meant to manage volatile capital flows or ensure financial stability.

Developing country central banks often face constraints in adjusting their policy rates. When developed country central banks raise policy rates, developing country central banks can respond by increasing or decreasing their rates if their currencies are not pegged to the United States dollar. More often than not, however, they increase their policy rates to minimize fluctuations in capital flows and exchange rates.²⁵ Even when a developing country central bank chooses to lower its policy rate to stimulate economic activity, borrowers and investors may still face increasing borrowing costs because short-term market rates are often disconnected from the policy rate to reflect rising risk premia (Kalemli-Özcan, 2023), and also because of the weak transmission channel for its policy rate to influence the market rate.

Developing country central banks must adopt a range of policy measures – utilizing both conventional and unconventional monetary

²⁴ Yang, Tang and Cheng (2023) estimate that the maximum effects of the large-scale asset purchases by the Federal Reserve on domestic industrial production and the consumer price index are 0.595 and 0.722 per cent, respectively. In contrast, for a counterfactual in which spillovers to other countries are nil, the respective maximum effects are 0.334 and 0.413 per cent.

²⁵ This is a phenomenon known as “fear of floating”, whereby central banks with flexible exchange rate regimes are reluctant to let the exchange rate fluctuate.

policy tools – to insulate their economies against the ebbs and tides of capital flows, wild swings in exchange rates and other exogenous shocks as monetary conditions tighten in developed economies. A few developing countries have pursued some less conventional policy approaches to weather past economic and financial crises (see box II.2).

Exchange rate management

Developing countries have a strong incentive to maintain a stable exchange rate environment, as this is an important factor for supporting trade, attracting capital flows (particularly FDI), and promoting sustained economic growth. Developing countries can directly intervene in the foreign exchange market, manage capital flows and credit spillovers, reduce foreign exchange speculation and strengthen external competitiveness, among other actions (Fratzscher and others, 2019; Patel and Cavallino, 2019). During the pandemic, such interventions were among the means central banks used to address market dysfunction and moderate excessively strong capital flows in periods of volatility (BIS, 2022). However, many central banks are reluctant to sell foreign exchange reserves to stabilize the exchange rate, fearing the depletion of the foreign reserves they hold (Aizenman and Sun, 2012). Instead, they rely on raising policy rates to stem capital outflows, which can be counterproductive, especially when aggregate demand is weak. While such measures may prevent or discourage capital outflows, they typically reduce investment and growth and adversely affect the long-term potential growth of the economy.

While foreign exchange intervention can be effective in moving the real exchange rate in the desired direction, irrespective of the sale or purchase of foreign exchange (Daude, Levy Yeyati and Nagengast, 2014), the impacts on managing exchange rate levels and reducing exchange rate volatility vary across countries (Chamon and others, 2019). There are several preconditions for relevant policy

measures to be effective. First, there must be a clear understanding of the objectives of the intervention, underpinned by appropriate communication. Second, these measures must be consistent with other policies. The third requirement is solid execution, which necessitates a sound understanding of the market microstructure (BIS, 2022). For countries with higher levels of capital mobility, the combination of foreign exchange intervention and some capital controls can increase the effectiveness of the former (Adler and Tovar, 2014).

Foreign exchange intervention is no panacea, however. Its impact tends to be relatively short term. Tobal and Renato (2016) estimate, for example, that the effect of interventions on the exchange rate level will last about two months in Mexico and one month in Brazil. Echavarría, Melo and Villamizar (2014) find that the effects in Colombia are likely to last up to 25 days. If central banks wish to have a longer-term impact, they need to intervene repeatedly (Patel and Cavallino, 2019). However, repeated intervention could increase difficulties in balancing the orderly functioning of local foreign exchange markets and maintaining openness to foreign investors.

Capital flow management

Given the global financial cycles, shocks emanating from major developed countries (particularly the United States) can trigger large and volatile international capital flows and prevent the conduct of independent monetary policy for countries with open capital markets, even if they have flexible exchange rate arrangements (Rey, 2013). Capital flow management measures (CFMs) can limit capital flows and reduce systemic financial risks stemming from such flows. The use of CFMs is relatively sparse in developing countries. During the period 1996–2019, among 56 emerging market economies, about a third implemented CFMs to manage capital inflows, and a similar share used them to manage outflows (Das, Gopinath

Box II.2

Developing country central banks need a broad range of tools to manage the spillover effects of global monetary cycles

The unconventional monetary policy measures of developed country central banks have required the monetary authorities in developing countries to deploy various tools to manage volatile capital flows and stabilize exchange rates. The experiences of emerging economy central banks offer important lessons to other developing country monetary authorities facing similar challenges.

Capital flow and exchange rate management

The Central Bank of **Brazil** has been actively implementing capital flow management measures (CFMs) since the global financial crisis. In October 2008, Brazil reduced the tax on fixed-income investments to zero, which successfully slowed down capital outflows (Noy, Zheng and Jinjara, 2012). In order to limit the influx of foreign capital amid quantitative easing in the United States, Brazil reintroduced taxes on fixed-income and equity inflows. These policies effectively increased the value of domestic assets and insulated the financial market in Brazil from global fluctuations (Alfaro, Chari and Kanczuk, 2017). However, these measures entailed some costs as well. They constrained access to foreign finance and possibly contributed to low investment and growth performance during the QE period (Chamon and Garcia, 2014).

The Reserve Bank of **India** has been cautious about opening the country's financial markets and has been implementing appropriate risk management systems (Kohli and Belaisch, 2012). In India, CFM use has been based on the nature of the crises that have arisen. In 2013, India came under significant market pressure after the taper tantrum; capital outflows accelerated through the portfolio debt and equity channels and the rupee depreciated by 15 per cent within just three months (Loungani and Batini, 2020). The central bank adopted a series of policy measures – imposing limits on cross-border outflows for individuals, restricting outward foreign direct investment, and subsidizing foreign exchange swaps to attract inflows from non-resident Indians – to stabilize the exchange rate.

During the pandemic, in March 2020, portfolio inflows declined, with the reduction in net capital flows in that month alone comparable to the reduction that occurred over four months of the taper tantrum in 2013. However, instead of limiting capital outflows, the monetary authority focused on increasing capital, easing domestic financial conditions, and relaxing controls on foreign portfolio investment (Patnaik and Prasad, 2020).

The People's Bank of **China** – the country's central bank – has utilized a range of exchange rate management tools to ensure the stability of the renminbi, including direct intervention in the spot and forward markets as well as indirect measures such as changing the supply of offshore renminbi. In 2015 and 2016, when the renminbi faced pronounced depreciation pressures, for instance, the central bank actively intervened in the spot market, which led to a notable decline in the foreign exchange reserves – by \$0.35 trillion in 2015 and \$0.44 trillion in 2016 (Chen and Chow, 2019). In recent years, the monetary authority has reduced direct market interventions but has continued to use more indirect tools – adjusting the risk reserve requirement of foreign exchange forward positions or using the “countercyclical” adjustment factor – to manage market expectations about the currency.^a

Macroprudential policies

The Bank of **Korea** has used macroprudential policies to address financial risks in foreign exchange markets. With QE implemented in the United States and the European Union, capital inflows – particularly bank flows – resumed quickly after the global financial crisis. To limit exposure to liquidity risks and reduce currency and maturity mismatches linked to short-term foreign exchange borrowing, the monetary authority imposed leverage caps on foreign exchange derivatives positions, a stability levy on non-core foreign exchange liabilities of banks, and a tax on bond investment by foreigners. These measures contributed to extending the maturity structure of banks' foreign liabilities. Between 2010 and 2012,

^a In May 2017, the central bank of China introduced a countercyclical adjustment (CCA) factor into its formula for fixing the daily midpoint for the onshore renminbi-dollar exchange rate. The details of the CCA were not disclosed. It was abandoned in 2020 when the renminbi rose sharply and revived in 2022 amid the weakening of the renminbi (Reuters, 2022).

for instance, foreign bank branches reduced the share of short-term borrowings in total external borrowings from 93 to 58 per cent (Kim, 2013).

Compared with many of its developing country peers, **South Africa** stands out as less reliant on macroprudential measures. Most of the macroprudential tools adopted in the country reflect the introduction of Basel III measures, with a focus on the banking sector. While the banking sector has remained stable, the value of the rand – the currency of South Africa – fell from about 8 rands to the dollar

in April 2012 to 18.5 rands to the dollar in April 2020, marking not only a very large depreciation but also extreme volatility in the exchange rate. Absent any kind of CFM restrictions, net portfolio investments into South Africa fell from \$20.9 billion in 2017 to -\$27.8 billion in 2021.^b This underscores the need for both CFM and macroprudential measures to stabilize financial flows and prevent a sudden surge in outflows that can be devastating for investment and economic growth.

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^b Data source: IMF, Balance of Payments and International Investment Position statistics.

and Kalemli-Özcan, 2022). During the pandemic, a handful of developing countries deployed CFMs; China, India and Peru eased existing capital account limits on inflows, while Aruba, Argentina, Bahamas, Sri Lanka, Türkiye and Turkmenistan deployed CFMs to restrict capital outflows (Batini, 2020).

Multiple studies – including those carried out by Ostry and others (2012) and Davis and Presno (2017) – suggest that countercyclical CFMs can help stabilize domestic financial markets and preserve monetary policy autonomy in developing countries. Benigno and others (2016) suggest that if exchange rate policy is costly, capital controls can become part of the optimal policy mix, particularly in times of crisis.

With a strong argument and solid evidence favouring CFMs, the IMF has become more open to developing countries applying these tools (IMF, 2022). However, the IMF maintains that capital controls should be used only when a country faces a surge in inflows – and even then, only as a measure of last resort (Korinek, Loungani and Ostry, 2022). This is because the IMF believes that capital flows can bring significant benefits to developing countries, helping them smooth consumption, finance investment, pick up new technology and

management practices that often accompany FDI (IMF, 2018), and catch up with the developed world. This argument, however, does not sufficiently distinguish between different kinds of capital flows. While FDI can be largely beneficial for a developing economy, the same cannot be said of portfolio investments, which can be highly volatile and unpredictable. As mentioned earlier, capital flows to developing countries after the GFC were mostly through portfolio investment channels and not in the form of FDI – a move involving significant risks. CFMs should be part of the standard toolbox of developing countries – especially those in crisis or near-crisis situations – to allow them to manage the risks of disruptive capital flows amid global monetary tightening. It is important that the IMF – with the provision of guidance on capital account management and exchange rate stability – appropriately adjust its stance to encourage countries to use capital account management to deal with volatile capital flows.

Macprudential policies

Macprudential policy measures (MPMs) – including countercyclical capital buffers and dynamic provisioning – can be a critically important tool for developing country central

banks to ensure the stability of the financial system while preventing disruptions in credit. Similar to CFMs, MPMs can limit capital flows and reduce systemic financial risks stemming from such flows.²⁶ That said, in comparison with CFMs, the use of MPMs is relatively widespread, with more than 80 per cent of the central banks in 56 emerging economies having implemented domestically oriented prudential measures during the period 1996–2019 (Das, Gopinath and Kalemli-Özcan, 2022).

Central banks also deployed MPMs extensively during the pandemic. Regulations on liquidity and loan classification were adjusted to allow commercial banks to better support the real sector. China, Colombia and Türkiye, among others, loosened certain macroprudential restrictions on lending and borrowing to support households and firms hit hard by the COVID-19 crisis (Batini, 2020).

MPMs can complement and reinforce microprudential regulation and supervision as well as monetary and fiscal policy measures to minimize systemic risks. The interactions between policies are complex, however, and can give rise to both complementarities and tensions. For instance, low policy rates can trigger excessive credit growth and the build-up of asset bubbles, though low policy rates could be consistent with low inflation. While microprudential supervision should work hand in glove with MPMs, microprudential regulators may ask banks to build up buffers when MPMs support a relaxation of regulatory requirements to provide credit to the economy (IMF, 2013). Policymakers need to assess the effects of different policy interactions to ensure the appropriate policy mix.

Policymakers will also need to consider the potential international spillover effects of MPMs, including the imposition of positive and negative externalities on other countries, as well as unintended policy consequences

that can undermine the effectiveness of macroprudential action. The scope for harnessing positive externalities and minimizing negative externalities underscores the potential usefulness of cross-border coordination of macroprudential policies (IMF, FSB and BIS, 2016).

Fiscal policies

QE arguably blurred the distinction between monetary and fiscal policy interventions, at least in the developed economies. Fiscal policy – with QE monetizing public debt – managed to boost aggregate demand and accelerate recovery during both the GFC and the pandemic. Fiscal policy is an equally important tool in the developing countries, not only for boosting aggregate demand, but also for managing capital flows and attracting stable investments. By fine-tuning government spending and taxation, developing countries can influence their domestic interest rates. Such changes often precipitate sudden capital movements in developing countries, and a well-calibrated fiscal policy can act as a counterbalance, ensuring stability.

In most developing countries, macroeconomic policies – particularly fiscal policies – tend to be procyclical, reinforcing the business cycle and leading to scenarios in which countries borrow more during good times and repay during bad times, aligning with the capital flow cycle (Kaminsky, Reinhart and Végh, 2004). Appropriately designed fiscal policy measures such as the provision of tax breaks for long-term investments, in tandem with sound industrial policies (see chapter I), can blunt the procyclicality and attract FDI that remains largely impervious to business or capital flow cycles. Developing countries can also use fiscal policy as a shield against external economic shocks and create opportunities for larger countercyclical fiscal interventions.

²⁶ Macroprudential policy and capital flow management measures have different objectives but can potentially overlap. Some argue that macroprudential regulations could be more effective than capital controls in improving most measures of financial stability (Forbes, Fratzscher and Straub, 2015).

Fiscal buffers such as sovereign wealth funds or stabilization funds can enable developing countries to set aside surplus revenues during periods of economic prosperity and save them for rainy days. These surpluses can be used during economic downturns, especially those triggered by monetary policy shifts in major global economies.

Lastly, fiscal policies can directly affect exchange rates. By curbing fiscal deficits and adopting prudent fiscal measures, countries can alleviate undue pressures on their currencies. A stable currency not only instils confidence in foreign investors but also serves as a bulwark against volatile capital flows that can be triggered by monetary policy changes in larger economies (Jehan and Hamid, 2017). Through the judicious and strategic use of fiscal measures, developing countries can create an economic landscape that remains robust and resilient against unpredictable monetary policy decisions from developed countries.

Minimizing spillovers of developed country monetary tightening

In the current global monetary tightening environment, developing countries can consider a range of available policy options to minimize the impact of external shocks. Table II.1 summarizes the tools available to developing countries that can be tailored to fit their specific economic contexts.

Empirical estimates from previous crisis episodes show that monetary tightening in developed countries could have more adverse effects on countries with ex-ante vulnerabilities (Ostry, 2023; Mishra and others, 2014). Developing countries need to maintain strong economic fundamentals to minimize their vulnerability to external shocks. Strengthening economic fundamentals typically involves a broad range of reforms, including scaling up investments in human capital, upgrading the quality of institutions, improving financial institutions and markets, and addressing climate risks. Least developed and resource-rich

countries also need to diversify their economies to broaden their sources of revenue, create jobs, and enhance resilience.

Research shows that pre-emptive and precautionary deployment of these policies in developing countries could create buffers, insulating them from the adverse spillover effects of monetary policy shifts in the developed economies (Ostry and others, 2012). Developing countries need to strengthen their technical and institutional capacities through timely economic and financial data collection, improved economic conditions, and strengthened supervisory capacity to prepare themselves for policy adoption (Rubio and Unsal, 2017). When these policies are deployed pre-emptively, developing countries can prevent the build-up of excessive external debt and minimize the risks of sudden stops and financial crises (Basu and others, 2020). Empirical analysis shows that the pre-emptive use of foreign exchange interventions, CFMs and MPMs during the 2013 taper tantrum and COVID-19 pandemic reduced funding costs and exchange rate volatility in developing countries and ensured their continued access to international capital markets during troubled times (Das, Gopinath and Kalemli-Özcan, 2022). Pre-emptive measures can free the hands of monetary policy measures to prioritize growth and employment over financial stability.

Developing countries can also utilize a range of early warning indicators and country risk models to identify domestic and external risks and vulnerabilities. Such exercises may not successfully predict the timing of crises, but they can gauge the potential for upheavals so that countries can implement mitigation policies or put contingency plans in place in advance. Since the GFC in 2008, the IMF and the Financial Stability Board have been compiling a list of early warning indicators that covers potential risks stemming from the external sector, fiscal developments, the corporate sector, asset prices, and financial market risk appetite, as well as cross-border data to assess contagion

Table II.1

Selected policy options and conditions for their application

Policy category	Specific policy tool	When and how to apply
Capital flow management	Capital controls	Limit or restrict inflows/outflows based on the country's capital needs and vulnerabilities.
	Tax on short-term borrowing	Implement to prevent the build-up of excessive short-term debt and discourage speculative portfolio investment flows.
Macroprudential policies	Countercyclical capital buffer	Increase the buffer during good times to absorb losses during bad times. Adjust capital requirements based on the credit cycle.
	Loan-to-value ratios	Adjust based on housing market conditions and the size of the real estate bubble. Reduce during overheated markets.
	Debt-to-income ratios	Set limits to ensure borrowers do not take on excessive debt relative to their income. Adjust based on household debt levels.
	Sectoral risk weights	Increase risk weights for sectors seen as riskier or overheated, such as real estate.
	Foreign currency lending/borrowing restrictions	Use if there is a high level of dollar-denominated or other foreign-currency-denominated debt.
Exchange rate management	Managed float regime	Intervene in foreign exchange markets to smooth out excessive volatility, taking into account the size and direction of exchange rate movements and foreign exchange reserve adequacy.
	Currency peg or band	Stabilize the exchange rate by pegging to a major currency or keeping within a band. Choose based on trade partners and stability needs.
	Foreign exchange intervention	Buy/sell domestic currency to influence the exchange rate, taking into account the size and direction of exchange rate movements and foreign exchange reserve adequacy.
	Hedging instruments	Promote the use of currency swaps, forwards and insurance among firms with high foreign currency exposure.
Fiscal policies	Countercyclical fiscal policy	Increase spending or cut taxes during downturns. Reduce spending or raise taxes during booms.
	Sovereign wealth funds	Save windfall revenues (from natural resources, for example) and invest abroad to reduce domestic demand pressures.
	Public debt management	Shift the composition of debt (increasing reliance on longer maturities or domestic currency, for example) to reduce rollover and currency risks.

Source: UN DESA.

and global spillover. Countries can also develop various crisis-related models to quantify their overall vulnerability to crises (such as abrupt reversals of international capital flows or fiscal or financial crises), forecast the possible size of economic outcomes (such as GDP loss), and assess the duration of and probability of exit from a crisis (IMF, 2010).

International cooperation

The increasing frequency and intensity of global crises have prompted both developed and developing countries to undertake unprecedented monetary and fiscal measures at the national level. Measures undertaken during recent crises prevented catastrophic

outcomes but were accompanied by significant negative spillovers for the rest of the world – impacts that were particularly severe for many developing countries. As the chapter has shown, the international spillover effects of QE and QT implemented in the developed economies have been large and significant, affecting the external balances, capital flows, exchange rates, asset prices and output of developing countries (Ostry and Ghosh, 2016). These variables have directly and indirectly impacted the ability of developing countries to invest in the SDGs.

Pursuing stronger international monetary policy cooperation or coordination²⁷ seems a logical move to mitigate or minimize the spillover effects of the monetary policy of developed countries. In spite of the potential benefits, monetary policy cooperation remains scant, if it exists at all. Since the collapse of the Bretton Woods system half a century ago, major central banks rarely, if ever,²⁸ enter into (at least publicly) binding commitments to pursue formal cooperative policies (Clarida, 2021). Central banks continue to play their Nash equilibrium strategy – choosing a policy option that maximizes gains at the domestic level while taking as a given that other central banks will do much the same with respect to their own domestic contexts (Taylor, 2013; Ostry and Ghosh, 2016). This leads to the simultaneous overtightening or over-loosening of global monetary conditions and more pronounced monetary cycles.

There are a few reasons why international monetary policy cooperation is particularly difficult. First, the mandates of central banks are not necessarily the same. For instance, the Federal Reserve is mandated to pursue policies that achieve “maximum employment and price stability”. For the European Central Bank, the primary objective is to maintain price stability

in the eurozone. These varying mandates often require central banks to time and sequence their interventions differently and accept different policy trade-offs. Second, even if all central banks share a particular mandate (such as price stability), it is not possible for them to take into account the rest of the world’s prices, inflation expectations and natural interest rates in their decision-making models. This is because some of the relevant information is unavailable, unobservable or known with time lags, and central banks may not agree on each other’s economic situation or on the size or effects of the international spillovers of their policy choices. Third, negotiating a coordinated monetary response can take too long to be timely and can negatively affect the overall dynamic. Cooperating and internalizing cross-border demand spillovers could reduce the credibility of the anti-inflationary stance taken by monetary authorities. Each central bank would be tempted to free ride on the (costly) measures undertaken by the others (Corsetti and Trezzi, 2023). There are different economic models used by central banks showing that the gains from international monetary policy cooperation are rather modest relative to the status quo and not enough to offset the related cost (Ostry and Ghosh, 2016; Clarida, 2021). These model-based cost-benefit estimates tend to overlook or underestimate the negative spillover effects on the rest of the world economy. There is also a view that international cooperation on monetary policy measures will undermine the independence and credibility of individual central banks.

Notwithstanding these constraints, central banks could still coordinate to minimize the negative spillover effects on other economies – especially developing economies, which are often on the receiving end. For example, monetary authorities could set up a neutral third-party “assessor” to scrutinize country

²⁷ Monetary policy cooperation refers to a situation in which sovereign central banks incorporate spillovers from other central banks’ policies into their own mandates, whereas monetary policy coordination can also include the sharing of information and analysis among central banks.

²⁸ There have been rare occasions when central banks have coordinated monetary policy. In the mid-1980s, in the aftermath of the United States clampdown on inflation, the major developed countries agreed to act together to correct the over appreciation of the United States dollar (Corsetti and Trezzi, 2023). When adopting the euro, European country central banks had to make a binding commitment to cooperative monetary policy (Clarida, 2021).

assessments of inward and outward spillovers and assess alternative policy packages or trade-offs that would be acceptable to the central banks (Ostry and Ghosh, 2016). Existing international financial institutions or frameworks such as the IMF or Financial Stability Board could serve as an objective platform to facilitate such assessments of trade-offs and spillover effects. The assessor would not necessarily propose policy packages; it would assess policy spillovers, identify trade-offs, and present its assessments for scrutiny by all parties. Its role would be to bridge differences across the assessments and outlooks of central banks using a framework designed to be more objective than the frameworks used by individual central banks. Such a mechanism would also enable particular central banks or groups of central banks to consider and accept reasonable quid pro quos and increase the likelihood of coordinating policy measures.

In a world in which ex-ante international monetary policy cooperation entails huge practical difficulties, an initial step might be to improve communication and signalling between monetary authorities around the globe. To start with, developed country central banks could adopt clear, transparent and robust communication strategies to reflect a cross-border view. While they might not always disclose policy directions or details ex ante, there is scope to improve formal and informal communication with developing country central banks at international forums such as the bimonthly meetings of central bank governors held by the Bank for International Settlements (Mohan and Kapur, 2014). Developing country central banks also need to strengthen their communication strategies, particularly with their key trading and investment partner countries. As an example, in March 2023, the central bank governors of the Association of Southeast Asian Nations (ASEAN) countries decided to strengthen cooperation to respond to global crises, agreeing to focus on controlling inflation and core inflation (Sulaiman, 2023).

Central banks also need to collaborate to monitor and maintain financial stability. Serious efforts have been made to foster international cooperation in this direction, including the establishment of the Financial Stability Board in the aftermath of the GFC, the implementation of the Basel banking regulations and, more recently, the establishment of the Network for Greening the Financial System to monitor and mitigate climate-related financial risks.

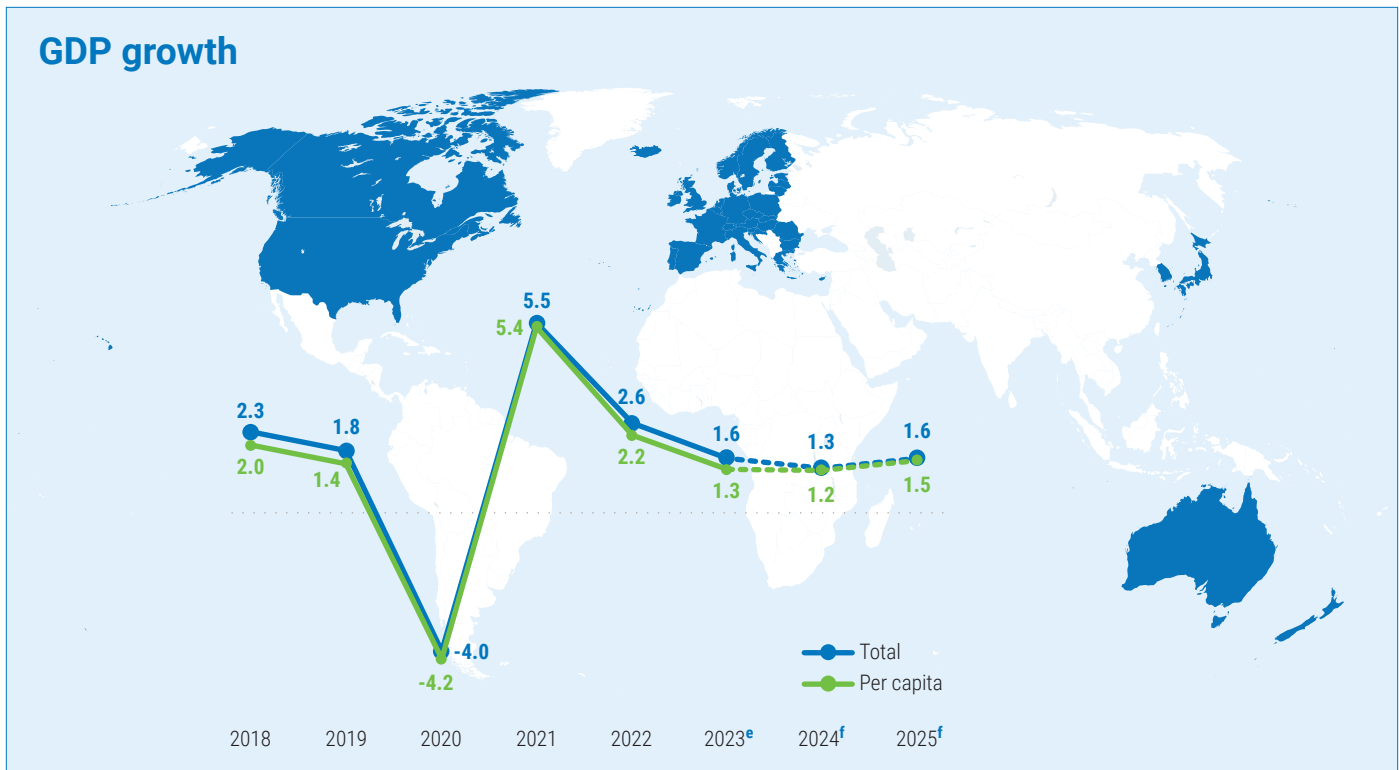
Developing countries will need to deploy all the tools at their disposal – including enhanced communication with other central banks – to weather the impacts of monetary tightening. Many developing countries are already facing a liquidity crunch, balance-of-payment challenges and significant debt distress, constraining their ability to invest in climate action and the SDGs. Stronger collective action is required by the international community (also see chapter I). For instance, a greater share of special drawing rights needs to be allocated to the most vulnerable countries. Developed country central banks, which have set up standing mutual swap facilities, can explore similar arrangements with other developing countries. Developing countries can also look into options for regional financial arrangements, such as the Chiang Mai Initiative in Asia. In 2021 the United Nations Economic Commission for Africa, in partnership with the African Export-Import Bank, established the Liquidity and Sustainability Fund to boost liquidity for African sovereign debt and leverage private sector participation in SDG-aligned investment opportunities on the continent.

Global monetary and financial conditions will likely remain constrained for years to come. The full impact of QT is yet to materialize because of the long lag in monetary transmission to the real economy within and across borders. This lag presents an opportunity for developing country central banks to strengthen their capacities for capital flow management, improve macroprudential and microprudential regulations, and enhance exchange rate and

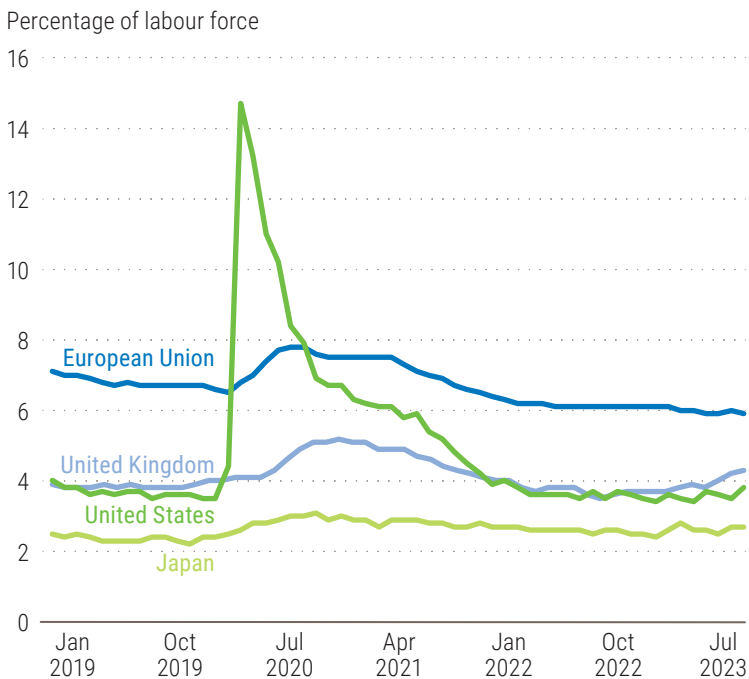
reserve management. There are a number of developing country central banks that have managed capital inflows well during QE. Other developing countries can learn from the experiences of these central banks and put appropriate safeguards in place to navigate the challenges posed by the current round of QT. While there is no silver bullet for addressing the current and upcoming monetary policy

challenges during this tightening cycle, there are sufficient tools in the toolboxes of developing country central banks to meet the triple objectives of stimulating growth and employment, ensuring price stability, and maintaining financial stability. They must use all available tools to reduce systemic risks and steer their economies towards a stable and sustainable growth path.

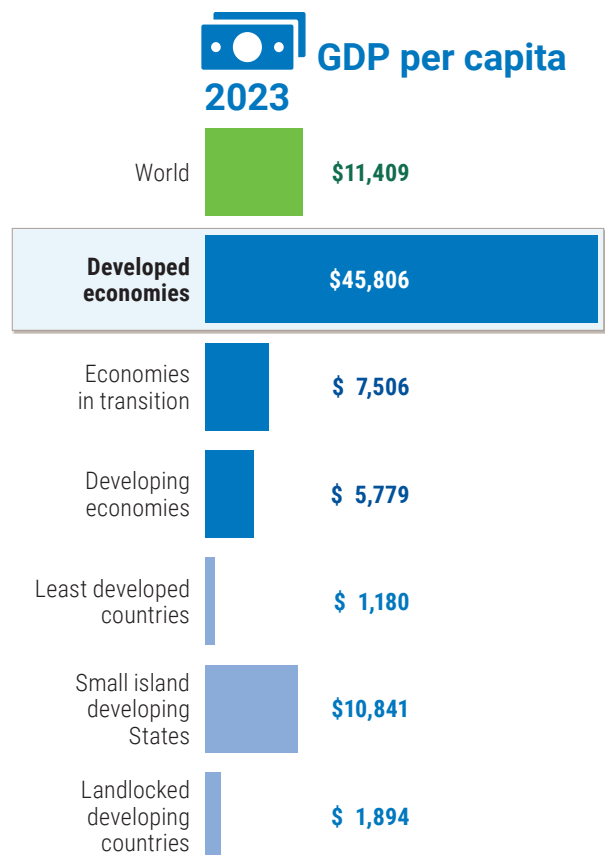
DEVELOPED ECONOMIES



Unemployment rates in selected developed economies



Source: UN DESA, based on data from OECD.



Notes: The boundaries and names shown and the designations used on this map do not imply official endorsement or acceptance by the United Nations. The map represents countries and/or territories or parts thereof for which data are available and/or analysed in the *World Economic Situation and Prospects 2024*. The shaded areas therefore do not necessarily overlap entirely with the delimitation of their frontiers or boundaries. Aggregate data for least developed countries exclude Afghanistan and Sudan, and those for landlocked developing countries exclude Afghanistan. e = 2023 estimates; f = 2024-2025 forecasts.

Regional Developments and Outlook

Developed economies

Northern America

United States of America

The economy of the United States of America outperformed expectations, with growth in gross domestic product (GDP) estimated at 2.5 per cent for 2023. The world's largest economy grew by an annualized rate of 4.9 per cent in the third quarter, defying expectations that the aggressive interest rate hikes by the Federal Reserve would lead to a sharp contraction. The growth rate is projected to moderate to 1.4 per cent in 2024.

The Federal Reserve raised its target policy rates 11 times between March 2022 and July 2023, and personal consumption expenditure (PCE) inflation – its key inflation indicator – fell from nearly 7.0 per cent to 3.3 per cent during the same period. Since July, PCE inflation has remained sticky at around 3.4 per cent, well above the 2 per cent inflation target. On a month-to-month basis, PCE inflation fell to 0.1 per cent in May before climbing to 0.2 per cent in June and July and 0.4 per cent in August and September. Core PCE inflation (the price index excluding food and energy), considered a more reliable indicator of underlying trends, remained at 3.7 per cent in September, underscoring that the task of taming inflation remained difficult for the Federal Reserve. PCE inflation for services stood at 4.8 per cent in the same month. While inflation expectations

appear to remain well anchored, they could still be entrenched well above the target inflation rate.

Notwithstanding the sticky inflation and the nearly 5.5-percentage-point increase in the policy rate in a little over a year, household spending remained unusually strong, boosting the aggregate GDP figure for 2023. Personal consumption expenditures, accounting for nearly 70 per cent of GDP, grew by an average annualized rate of 2.9 per cent during the first three quarters of the year, compared with an average increase of 1.2 per cent in 2022. Even more surprising is that higher interest rates did not uniformly depress investments. Private investment grew by 8.4 per cent in the third quarter after contracting by 9 per cent in the first quarter, leading to net positive growth for the year. Government spending registered robust growth, averaging 4.2 per cent during the first three quarters of 2023. Net exports totalled -\$1.1 trillion in the first quarter of 2022 but stood at -\$784 billion by the third quarter of 2023.

The unexpected resilience of the United States economy derives in part from strong labour market performance and steady household income. Thanks to a tight labour market – with unemployment remaining below 4 per cent – real average hourly wages increased 0.5 per cent between September 2022 and September 2023. There was, however, a 0.6 per cent decline in the number of hours worked per week on average. Even as United States households sustained high levels of spending, residential investments contracted

each quarter after the second quarter of 2021, declining by as much as 26.4 per cent in the third quarter of 2022 (see figure III.1). New housing starts fell from 1.7 million units in the first quarter of 2022 to 1.3 million units in the third quarter of 2023. Higher interest rates, leading to higher mortgage rates, clearly dampened home purchases, which in turn pushed up housing costs through several channels, including increased demand for rented accommodation. Given that housing accounts for nearly 40 per cent of the core PCE inflation index, higher interest rates are making it harder for the Federal Reserve to bring inflation down to its long-term target. The cost of housing is about 15 per cent higher now than it was in March 2020.

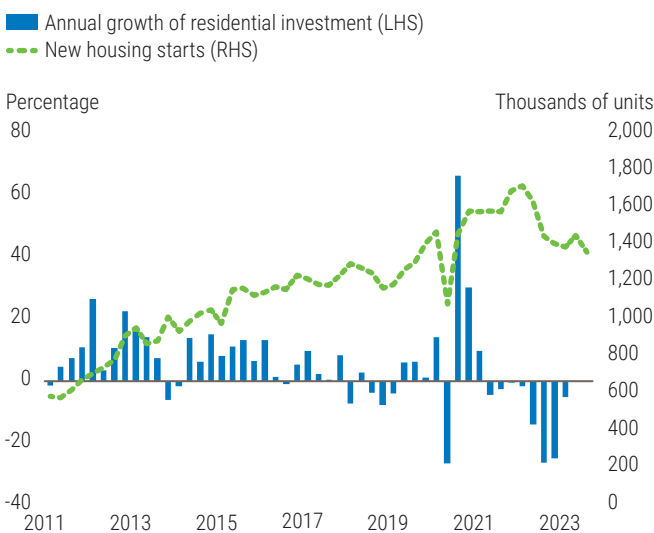
While higher interest rates dampened the demand for home purchases, the predominance of very-low-interest fixed-rate mortgages taken out prior to the pandemic meant that most households did not see their mortgage payments increase and, with the rise in average labour income, could continue to increase consumption.

The failure of new housing supply to keep pace with the growth in demand created an extremely

tight housing market, with prices surging during the pandemic and remaining very high. The House Price Index rose by nearly 50 per cent between the first quarter of 2020 and the second quarter of 2023. Sustained high housing prices translated into a nearly 40 per cent increase in net worth for United States households during this period (see figure III.2). Households in the United States now have nearly \$41 trillion more in net assets relative to net assets at the start of the pandemic, with strong household-level balance sheets tending to encourage further consumption expenditure. While the exact reasons for the better-than-expected performance of the United States economy at a time of rising interest rates are yet to be determined, it is likely that increasing labour incomes, the drawing down of the remnants of pandemic-era savings and three rounds of stimulus payments, fiscal expansion, and rising household net worth all contributed to boosting private consumption over the past year.

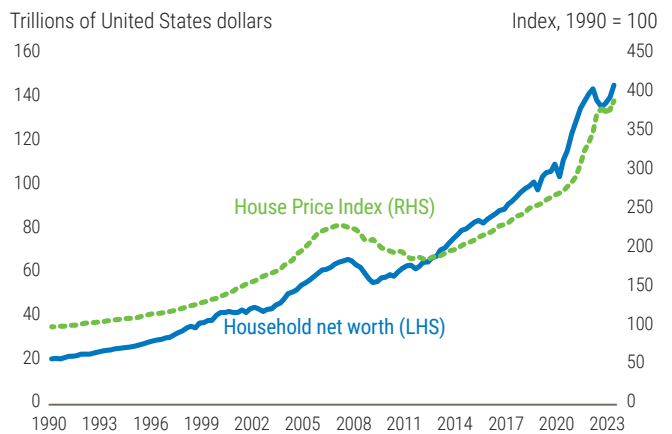
There are significant downside risks to the near-term outlook, especially if inflation remains resilient and the Federal Reserve continues to raise interest rates in 2024 to bring inflation down into the target range. The Federal Reserve, as per its forecast released in September 2023, expects PCE

Figure III.1
Residential investment growth and new housing starts, by quarter



Source: UN DESA, based on data from the Bureau of Economic Analysis (United States Department of Commerce) and the Federal Reserve.
Note: LHS = left-hand scale; RHS = right-hand scale.

Figure III.2
United States household net worth and House Price Index



Source: UN DESA, based on data from the Federal Reserve Board and the Federal Housing Finance Agency.
Notes: LHS = left-hand scale; RHS = right-hand scale. The House Price Index includes all transactions and is based on quarterly (not seasonally adjusted) sales prices and appraisal data.

inflation to trend downward to 2.5 per cent in 2024 and 2.2 per cent in 2025 before reaching the 2.0 per cent target in 2026. There is a clear indication from the Federal Reserve that the interest rate will remain “higher for longer”, with at least one of the Federal Reserve Governors favouring additional rate hikes in the coming months. Further increases in the interest rate are likely to lead to higher unemployment and a sharp decline in real wage growth, negatively affecting household finances and reducing consumption expenditures and GDP growth in 2024. Higher unemployment rates may also be linked to mortgage defaults and housing foreclosures, leading to a sharp correction in housing prices and a downward adjustment in household net worth. The negative wealth effect of declining net worth will further impede household consumption spending and may put the economy on a downward spiral. The Federal Reserve will need to strike a careful balance between working to meet the inflation target and maintaining credibility against the risk of a sharper-than-expected slowdown in the economy in 2024.

The fiscal policy in the United States remained largely accommodative in 2023, with deficits as a percentage of GDP increasing from 5.5 per cent in 2022 to 5.8 per cent in 2023. However, primary deficits (excluding interest expenses) remained at 3.3 per cent in both 2022 and 2023, underscoring the rising debt-servicing burden of the United States Government. Total government debt held by the public increased slightly, rising from 96.9 per cent of GDP in 2022 to 98.2 per cent in 2023, and is projected to reach 118.2 per cent of GDP in 2033. In June, the United States Congress passed the Fiscal Responsibility Act with a view to reducing public debt by about 4 per cent of GDP by 2033. While the fiscal stance remained supportive in 2023, concerns about political stalemates on budget matters and the threats of a government shutdown repeatedly jarred the financial market and increased the volatility of United States Treasury bonds during the second half of the year.

Canada

In Canada, economic growth is expected to decelerate to 0.6 per cent in 2024, down from

the 1.2 per cent growth rate estimated for 2023, before increasing to 1.6 per cent in 2025. The slowing economic growth mainly reflects weak residential investment and moderation in the pace of growth in consumer spending due to tighter financial conditions and a softening labour market. The unprecedented wildfire season in 2023 led to losses in agriculture, tourism, and mining and quarrying, as well as worsening air quality and significantly increasing carbon emissions. A preliminary study suggests that the wildfires may have cut GDP growth in the third quarter of 2023 by 0.3–0.6 percentage points (Stillo, 2023).

The Bank of Canada policy rate stood at a 22-year high in November 2023 after 10 rate hikes between March 2022 and July 2023. Such aggressive interest rate hikes have cooled the housing market and led to household deleveraging. Household debt decreased from a peak of 113 per cent of GDP in the fourth quarter of 2020 to 103 per cent in the second quarter of 2023. The full effects of this deleveraging are still unfolding. Despite monetary tightening, inflation rates have persistently exceeded the 2 per cent target set by the Bank of Canada. Rent inflation remained the key driver, remaining notably high at 7.3 per cent in September 2023, while the overall inflation rate was 3.8 per cent. Amid slowing growth, the labour market has started to soften. The unemployment rate rose to 5.7 per cent in October 2023, up from a multi-decade low of 4.9 per cent in July 2022. With the labour market losing momentum and income growth weakening, an increasing number of households may struggle to manage their debt, which in turn could reduce consumer spending. Export growth is projected to remain subdued in 2024 as weak external demand for non-commodity exports will offset a rise in crude oil exports.

European Union and other economies in Europe

Europe faces a challenging economic outlook amid high interest rates, still-elevated inflation, and escalating geopolitical tensions. Economic growth slowed sharply in 2023 as the region continued to suffer the effects of the energy crisis

and tighter monetary policy. While short-term growth prospects remain subdued, a mild recovery is projected during the forecast period. Consumer spending is expected to pick up gradually on the back of easing price pressures, real wage gains, and resilient labour markets. At the same time, export demand is forecast to recover slowly following weaker-than-expected performance in 2023. These growth impulses will be partly offset by the continued impact of tight financial conditions and the withdrawal of fiscal support measures.

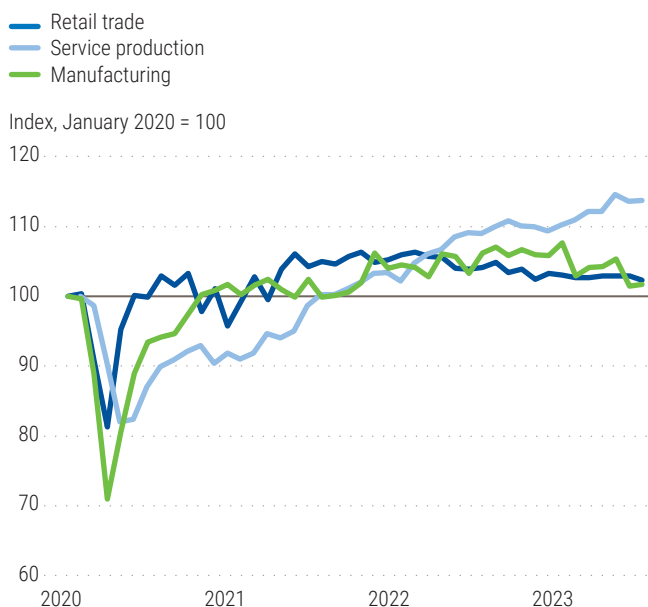
In the European Union, GDP is projected to expand by 1.2 per cent in 2024 and 1.6 per cent in 2025 following estimated growth of 0.5 per cent in 2023. In the United Kingdom of Great Britain and Northern Ireland, GDP growth is estimated at 0.5 per cent for 2023 and is projected to moderate to 0.4 per cent in 2024 before strengthening to 1.0 per cent in 2025. Rising geopolitical tensions pose significant downside risks to the region's economic outlook. A renewed sharp increase in energy and food prices would push inflation up

again, negatively affect household purchasing power and production costs for firms, and force central banks to maintain a tight monetary policy stance for longer than expected.

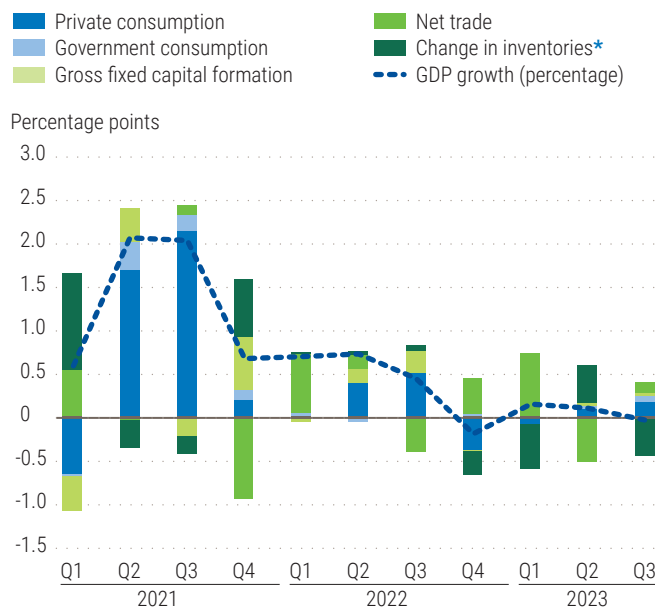
Short-term indicators point to weak growth prospects for the economy in Europe heading into 2024 as interest rate hikes feed through to the real economy. The provision of bank credit to the private sector slowed sharply in 2023 as banks tightened credit standards and loan demand from firms and households declined (ECB, 2023c). Consumer and business confidence remained in negative territory in the third quarter of 2023. Although supply bottlenecks have eased, the industrial sector in Europe is mired in a prolonged slump amid a shift in consumer spending towards services, the declining competitiveness of energy-intensive industries, shortages of skilled labour, and geopolitical uncertainties. The service sector, after a strong start in 2023, lost some momentum in the second half of the year despite ongoing recovery in tourism (see figure III.3a).

Figure III.3
Economic activity in the European Union

a) Short-term indicators



b) Demand-side contribution to GDP growth



Source: UN DESA, based on data from Eurostat.

Notes: Panel a): Retail trade refers to the sale of goods or services to consumers for personal or household use, excluding motor vehicles and motorcycles. Service production refers to the volume of services produced in the business economy, excluding services in trade and financial and insurance activities. Panel b): GDP = gross domestic product. *The contribution of change in inventories is derived as residual and includes acquisitions less disposals of valuables and the statistical discrepancy.

Most central banks in Europe have likely ended their rate hike cycles but are expected to maintain restrictive monetary policy until further easing of inflationary pressures is achieved. Tight financial conditions, coupled with weak business sentiment, will continue to weigh on investment in the coming quarters (see figure III.3b). However, export performance in Europe is expected to improve amid an upturn in global trade and gains in competitiveness resulting from the normalization of energy prices.

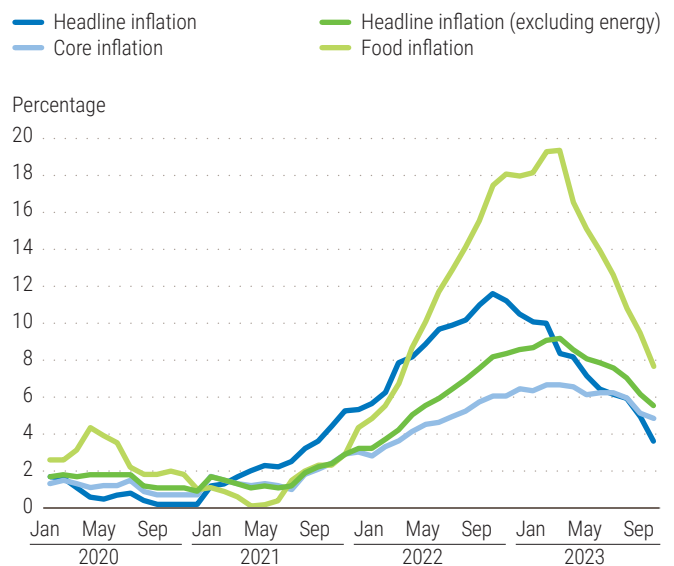
Economic prospects remain more favourable in the region's service-oriented economies, such as Greece, Portugal and Spain, than in countries with a larger manufacturing base, such as Austria, Finland and Germany. Among the region's large economies, Germany has been hit particularly hard by soaring energy prices, monetary tightening, and the weaker-than-expected rebound in demand from China. Deep-rooted structural challenges, including the lack of investment, labour shortages, and reliance on energy-intensive industries, are expected to constrain recovery during the forecast period. After contracting by an estimated 0.1 per cent in 2023, GDP in Germany is forecast to grow by 0.7 per cent in 2024. The economies of France, Italy and the United Kingdom proved more resilient than expected to deteriorating economic and financial conditions in 2023, but growth momentum still weakened. In all three countries, growth is projected to be below 1 per cent in 2024 as restrictive monetary and fiscal policies continue to weigh on domestic demand.

Inflation in Europe is expected to further moderate during the forecast period as the indirect effects of the energy price shock continue to fade, food prices ease, and tighter monetary policy dampens demand. Average annual consumer price inflation is forecast to decline from 5.9 per cent in 2023 to 3.1 per cent in 2024 in the European Union and from 7.4 per cent in 2023 to 3.6 per cent in 2024 in the United Kingdom. While headline inflation has fallen considerably over the past year, mainly due to favourable base effects from energy and food prices, core inflation – which excludes the volatile prices of energy and food – has remained stickier (see figure III.4).

Rising labour costs are expected to be a key driver of inflation in 2024 as nominal wage growth remains high amid a tight labour market and minimum wage increases (ECB, 2023b; OECD, 2023b). In the euro area, negotiated wages rose by 4.4 per cent in the first half of 2023, up from 2.9 per cent in 2022. In the United Kingdom, annual growth in employees' average total pay (including bonuses) stood at 8.0 per cent during the period July–September 2023. Energy inflation will temporarily rise again, mainly due to the unwinding of fiscal support measures such as caps on retail energy prices and reduced tax rates. Against this backdrop, year-on-year inflation is projected to ease only slowly, remaining above the 2 per cent target of central banks until 2025.

The inflation outlook remains subject to significant uncertainties. Further escalation of geopolitical conflicts and extreme weather events associated with the climate crisis could push energy and food prices up again and trigger inflation. Moreover, while inflation expectations appear to be well-anchored – three-year-ahead expectations in the euro area stood at 2.4 per cent in July 2023 – unexpectedly strong increases in wages

Figure III.4
Measures of inflation in the European Union



Source: UN DESA, based on data from Eurostat.
Notes: All measures of inflation are based on the Harmonised Index of Consumer Prices (HICP). The Eurostat measure of core inflation excludes energy, food, alcohol and tobacco prices.

or profit margins could drive inflation higher over the medium term (ECB, 2023a).

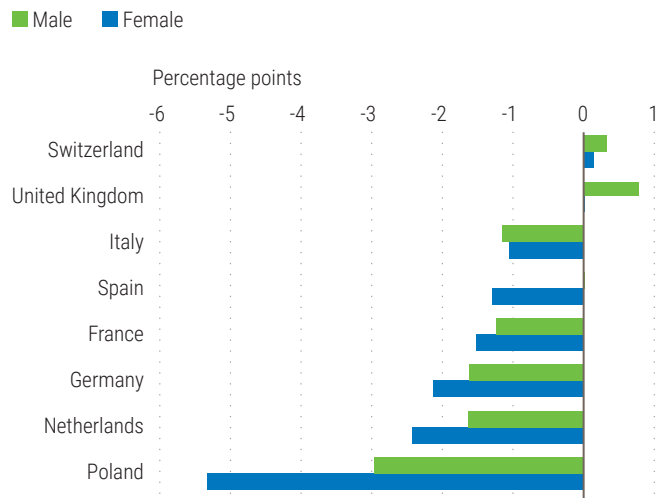
After proving remarkably resilient to higher interest rates and a deteriorating economic environment, labour markets in Europe are projected to soften in 2024. In most countries, signs of cooling have emerged in recent quarters. Employment growth has slowed, job vacancy rates have fallen, and firms' employment expectations have deteriorated. Nonetheless, labour markets are expected to remain tight by historical standards. As labour shortages persist in both high-skilled and low-skilled occupations in sectors such as information and communications technology, health care, construction, and hospitality, firms will remain reluctant to let workers go in the face of slowing demand (European Commission, 2023a). The average unemployment rate is forecast to edge up from 5.9 per cent in 2023 to 6.0 per cent in 2024 in the European Union and from 4.1 to 4.4 per cent in the United Kingdom. Amid falling inflation and robust nominal wage growth, real wages are projected to increase in 2024 and 2025, helping households recoup some of the purchasing power lost over the past two years.¹

In the aftermath of the COVID-19 crisis, labour force participation and employment levels have hit record highs in Europe. Economic inactivity rates have declined considerably as more people, especially women, have joined the labour force (see figure III.5). The gender gap in employment narrowed to 10.3 percentage points – down from 11.2 percentage points before the pandemic – as the expansion of flexible working arrangements and of measures to promote more equitable sharing of parental and care responsibilities boosted women's labour market participation (European Commission, 2023b).

The major central banks in Europe face a difficult balancing act as they near the end of the rate hike cycles. Underlying inflationary pressures are still elevated, with tight labour markets driving up nominal wage growth. At the same time, economic

Figure III.5

Changes in the economic inactivity rate in selected countries in Europe (Q4 2019 vs. Q2 2023)



Source: UN DESA, based on OECD data.

Notes: The change in the inactivity rate for males in Spain and for females in the United Kingdom is near zero. The inactivity rate is the proportion of people not working or looking for a job in the total population.

growth has lost momentum amid weakening domestic demand and heightened uncertainties. In addition, the speed and scope of the transmission of monetary policy to the real economy – already known to occur with a time lag – are now somewhat uncertain due to the unprecedented pace of the current tightening cycle and the ongoing effects of recent shocks (ECB, 2023e). Policymakers need to guard carefully against policy errors in either direction – not tightening too much and inflicting unnecessary economic pain but at the same time not tightening too little and thereby unanchoring inflation expectations, allowing higher inflation to become entrenched, and causing long-term economic damage.

Against this backdrop, the European Central Bank, the Bank of England and other central banks recently signalled that policy rates were close to their peak values (see figure III.6). However, the authorities also stressed the need to keep monetary policy in restrictive territory long enough to bring inflation down to the 2 per cent

¹ Between the first quarter of 2022 and the first quarter of 2023, real hourly wages fell by an estimated 15.6 per cent in Hungary, 7.3 per cent in Italy, 3.3 per cent in Germany and 1.8 per cent in France (OECD, 2023b).

target in the medium term.² Major central banks in Europe have stepped up the pace of quantitative tightening, with the Bank of England actively selling bonds and the European Central Bank no longer reinvesting the principal from maturing securities under its asset purchase programme.³ Given the risks associated with a premature easing, the central banks in Europe are expected to keep monetary policy tight during the early part of the forecast period.

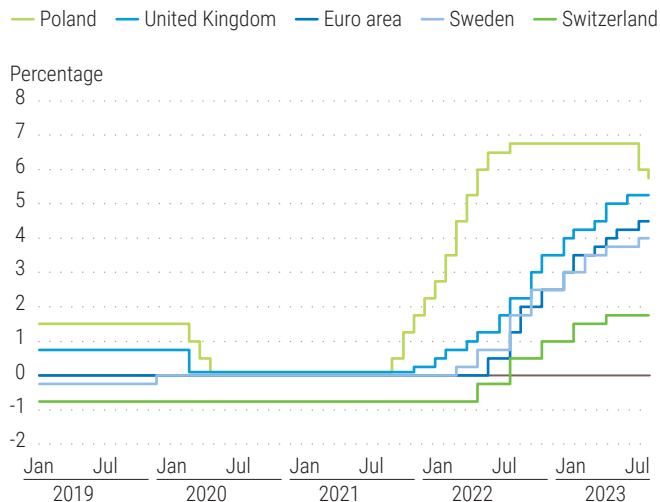
Europe is facing a challenging fiscal outlook amid weak growth prospects, rising government borrowing costs, and high public investment needs. The COVID-19 pandemic and the energy shock triggered by the war in Ukraine increased longer-term fiscal pressures and led to a further widening of differences in the fiscal space across European countries (Zettelmeyer and others, 2023).

In the euro area, the average fiscal deficit is projected to narrow from an estimated 3.2 per cent of GDP in 2023 to 2.8 per cent in 2024. Average general gross government debt is forecast to decline slightly, to 88.6 per cent of GDP, in 2024 – about 5 percentage points higher than before the pandemic (ECB, 2023b). In the United Kingdom, debt interest payments weigh heavily on the short-term fiscal outlook. While the fiscal deficit is projected to decline from an estimated 4.5 per cent of GDP in 2023 to 3.7 per cent in 2024, the government debt-to-GDP ratio is expected to increase further, to about 106 per cent of GDP, in 2024. These projections are subject to substantial downside risks as the planned fiscal tightening could further depress already sluggish growth, resulting in lower-than-expected government revenues.

In 2024, fiscal policy is expected to become more restrictive as Governments continue to scale back energy and inflation support measures and embark on gradual fiscal consolidation. In many countries, fiscal room to manoeuvre is constrained by higher

Figure III.6

Policy interest rates in selected economies in Europe



Source: UN DESA, based on data from Trading Economics.

interest bills, commitments to increase military spending, and escalating pension and health-care costs. The pace of fiscal adjustment and debt reduction is expected to vary considerably across countries. While Germany is mired in a prolonged economic slump and has a moderate debt-to-GDP ratio of 66 per cent, the Government plans to re-implement its debt brake rule in 2024, limiting the central Government's structural budget deficit to 0.35 per cent of GDP. The 2024 draft federal budget foresees a significant reduction in total expenditures, with spending cuts in most non-defence departments, including education, childcare and development assistance. By contrast, the budget plans in France and Italy assume a slow fiscal consolidation path.

Against the backdrop of diverging fiscal positions, the European Union has been working towards a reform of its fiscal framework, the Stability and Growth Pact, before the end of 2023. Member States reached consensus on abandoning the one-size-fits-all approach of the past and moving towards multi-annual country-tailored plans,

² Monetary policy is considered restrictive when policy rates are above the unobservable neutral rate. The European Central Bank recently estimated the rate in the euro area to be around 2 per cent (ECB, 2023d).
³ The European Central Bank plans to continue reinvesting the principal payments from maturing securities acquired under the pandemic emergency purchase programme (PEPP) until at least December 2024. Isabel Schnabel provides an overview of the rationale and market impact of quantitative tightening in the euro area (ECB, 2023).

but as at November 2023 disagreements on new rules and benchmarks were yet to be resolved. While countries with high debt burdens have been emphasizing the need for greater flexibility in reaching debt reductions, more austerity-minded countries are pushing for the inclusion of common numerical safeguards and benchmarks. In the absence of a new framework, the previous rules – which have been suspended since the pandemic – would likely be re-activated.⁴

Developed economies in Asia

The developed economies in Asia, including Australia, Japan, New Zealand and the Republic of Korea, are facing strong headwinds. External demand from major trading partners (including the United States and China) has weakened, while monetary tightening in Australia, New Zealand and the Republic of Korea has constrained domestic demand growth. Growing fiscal consolidation efforts following large fiscal expansions during the COVID-19 pandemic are further depressing domestic demand. While the Governments have implemented policy measures to help their citizens cope with the cost-of-living crisis over the past two years, the impact of these measures has been largely neutral or weak in terms of affecting economic expansion.

In Japan, real GDP growth is estimated at 1.7 per cent for 2023, up from 0.9 per cent in 2022, but is forecast to drop to 1.2 per cent in 2024. The lifting of COVID-19-related restrictions released pent-up demand, particularly for durable goods and services. Moderate but stable investment growth in information technology and its labour-saving applications continues. However, as the impact of pent-up demand diminishes and a weaker growth prospect for external demand looms, GDP growth is projected to decelerate in 2024.

In the Republic of Korea, real GDP growth is estimated to have decelerated from 2.6 per cent

in 2022 to 1.4 per cent in 2023, largely due to the slowdown in private consumption, but is expected to accelerate to 2.4 per cent in 2024. The slowdown in private consumption reflects a decline in real wages due to persistently high inflation. Despite monetary tightening measures and rising financing costs, private investments recovered modestly in 2023, contributing to higher growth expectations for 2024.

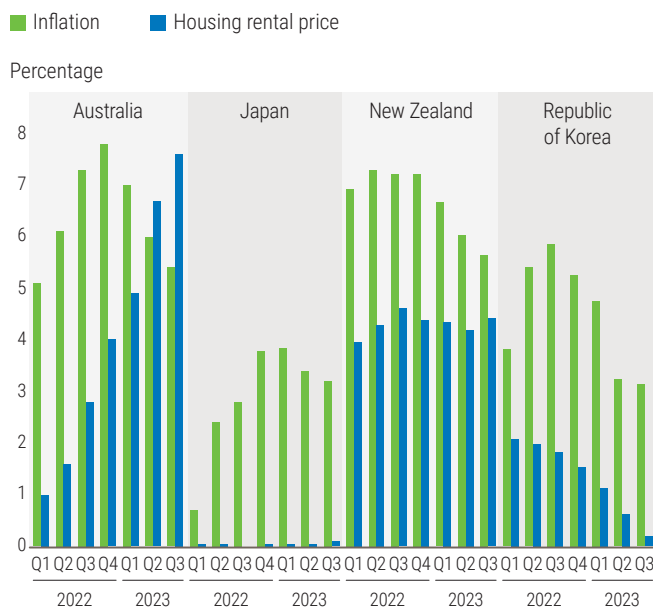
Real GDP growth in Australia is estimated to have slowed to 1.9 per cent in 2023, down from 3.7 per cent in 2022, and is forecast to decelerate further, to 1.5 per cent, in 2024. In New Zealand, real GDP growth is estimated at 1.0 per cent for 2023, down from 2.7 per cent in 2022, and is expected to edge up to 1.1 per cent in 2024. In both economies, external demand for key commodity exports is projected to weaken. Domestic demand growth in private consumption and investments also fell rapidly in 2023 and is forecast to remain weak throughout 2024 due to the persistently high inflation and tight monetary stance.

Average consumer price inflation is estimated at 5.5 per cent in Australia, 4.7 per cent in New Zealand, 3.3 per cent in Japan, and 3.8 per cent in the Republic of Korea for 2023, remaining well above the 2.0 per cent inflation targets of the central banks. In Australia and New Zealand, inflation is projected to remain relatively high in 2024 due to the acceleration in rental prices driven by housing supply shortages (see figure III.7); in Japan and the Republic of Korea, inflation in rental prices remains weak (below the average of all other items). In Japan, the drivers of inflation have shifted from food and energy prices to the core components of the consumption price index in 2023. In September 2023, while headline inflation stood at 3.0 per cent, the inflation rate excluding food and energy⁵ (the core-core inflation rate) was at 4.2 per cent, suggesting that Japan may finally be exiting the deflationary environment that persisted for more than two decades.

4 The Stability and Growth Pact comprises a complex set of guidelines that seek to ensure sound and sustainable public finances, centred around two reference values: a public deficit limit equal to 3 per cent of GDP and maximum public debt equal to 60 per cent of GDP. For an overview, see Angerer (2019).

5 In Japan, the term “core inflation” is used for the consumption price index (CPI) excluding fresh food. The CPI excluding fresh food and energy is termed “core-core inflation”, which is more comparable to the definition of core inflation in other countries.

Figure III.7
Inflation rate and housing rental price growth in the developed economies in Asia

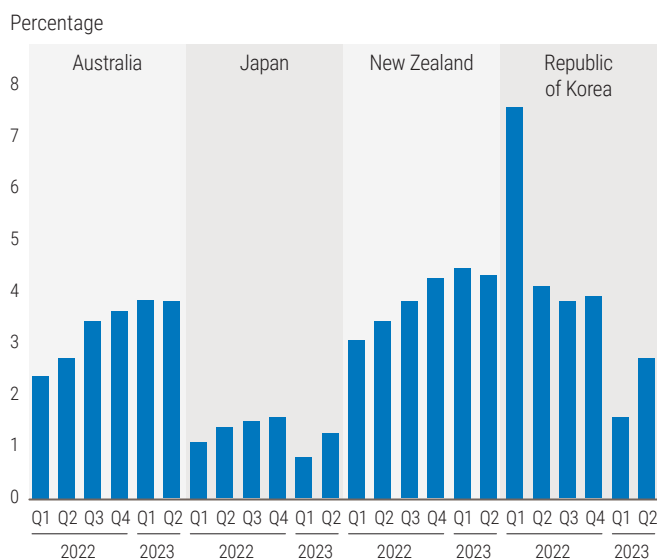


Sources: UN DESA, based on data from the Australian Bureau of Statistics, the Ministry of Internal Affairs and Communications in Japan, Statistics New Zealand, and the Bank of Korea.

Labour markets have been tight and are expected to remain so through 2024. In September 2023, the unemployment rate was 3.6 percent in Australia, 3.9 per cent in New Zealand, 2.6 per cent in Japan, and 2.6 per cent in the Republic of Korea. Tight labour market conditions led to rapid wage growth (see figure III.8), which continued even after the headline inflation rate peaked in 2022, particularly in Australia and New Zealand. While nominal wage growth has been driving current inflation, the consequent negative real wage growth has eroded household purchasing power.

Monetary policy stances in Australia, New Zealand and the Republic of Korea remained tight throughout 2023. The Reserve Bank of Australia, having paused policy rate adjustments in June 2023, raised its policy rate in early November after inflation bounced back to 5.6 per cent in September. The Reserve Bank of Australia and the Reserve Bank of New Zealand remain cautious against an early monetary easing in 2024. In contrast, the Bank of Korea appears ready to

Figure III.8
Nominal wage growth in the developed economies in Asia

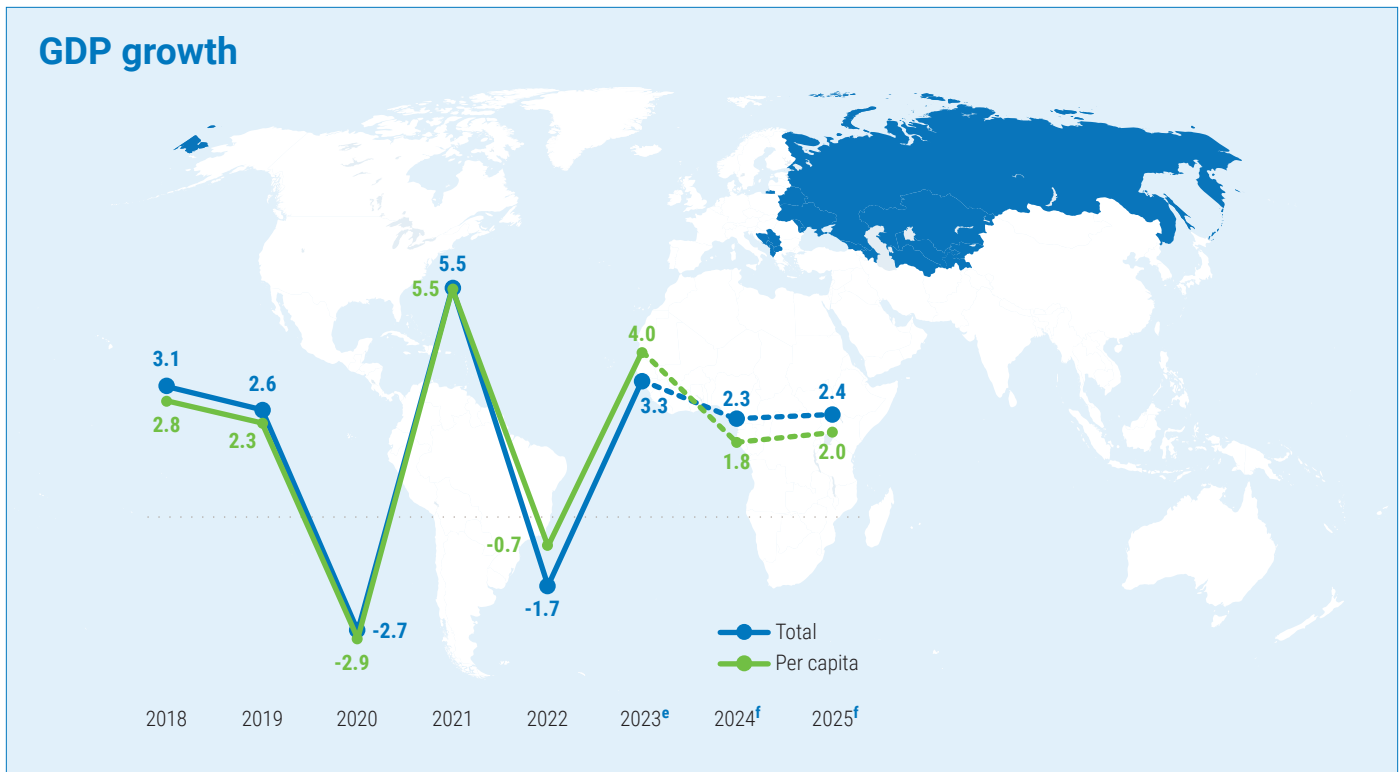


Sources: UN DESA, based on data from the Australian Bureau of Statistics, the Ministry of Health, Labour and Welfare in Japan, Statistics New Zealand, and the Ministry of Employment and Labor in the Republic of Korea.

begin monetary easing as inflationary pressures start to subside. The Bank of Japan has been reluctant to tighten its policy stance despite surging inflation, citing weak wage growth. The central bank is, however, signalling the end of existing unconventional monetary policy measures – quantitative and qualitative monetary easing with yield curve control – and moving towards the normalization of its monetary policy in the near future.

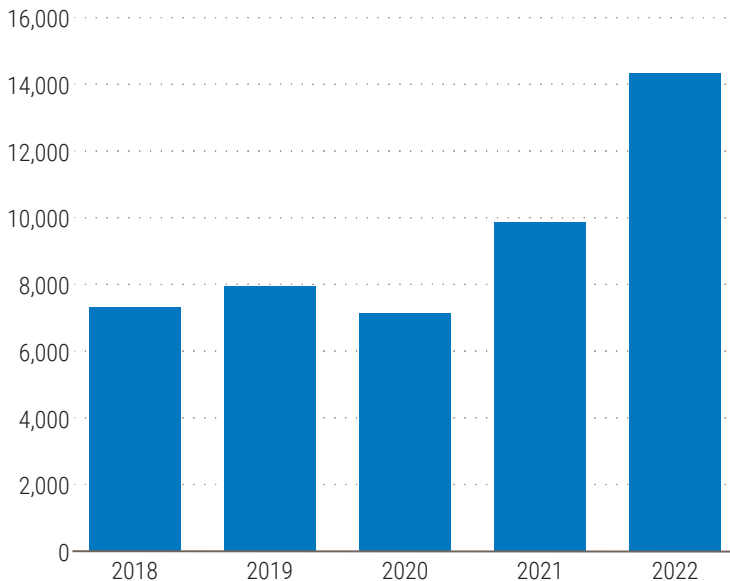
The major downside risks for the developed economies in Asia include diminishing external demand amid weaker-than-expected growth in China and the United States in 2024, a resurgence of inflationary pressures leading to further erosion of household purchasing power, and weaker investment growth due to tight monetary stances. Lingering geopolitical tensions and uncertainties at the global level – including the escalation of conflicts – could exacerbate the downside risks for the region’s outlook due to its high dependence on international trade.

ECONOMIES IN TRANSITION

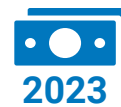


Exports to the Russian Federation from selected economies in transition

Millions of United States dollars

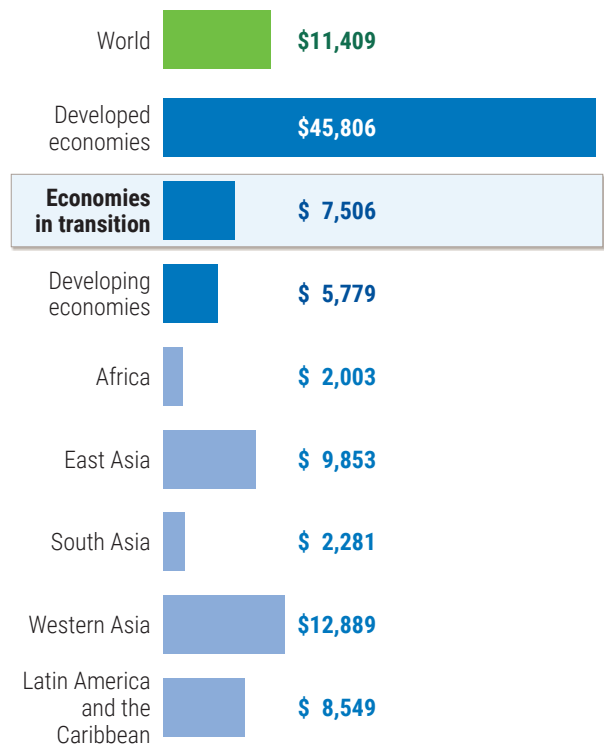


Source: UN DESA, based on data from CISSTAT and Trading Economics.
Note: The data include exports from Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan and Tajikistan.



GDP per capita

2023



Notes: The boundaries and names shown and the designations used on this map do not imply official endorsement or acceptance by the United Nations. The map represents countries and/or territories or parts thereof for which data are available and/or analysed in the *World Economic Situation and Prospects 2024*. The shaded areas therefore do not necessarily overlap entirely with the delimitation of their frontiers or boundaries. Aggregate data for Africa exclude Libya and Sudan, those for South Asia exclude Afghanistan, and those for Western Asia exclude the State of Palestine. e = 2023 estimates; f = 2024-2025 forecasts.

Economies in transition

Commonwealth of Independent States and Georgia

The ongoing war in Ukraine, raging for almost two years, continues to affect economic activities in the Commonwealth of Independent States (CIS) area. The region has adapted to the new context and the economic sanctions imposed against the Russian Federation, reorienting trade, financial and remittance flows. New value chains have emerged since 2022, especially within the Eurasian Economic Union.⁶ Better-than-anticipated economic performance in the Russian Federation in 2023 drove up the aggregate regional growth figure, given the country's large share in total regional output. The combined GDP of the CIS and Georgia expanded by an estimated 3.3 per cent in 2023 following a 1.9 per cent contraction in 2022 and is projected to grow by a more moderate 2.3 per cent in 2024. The anticipated slowdown in 2024 reflects the weakening of growth in the Russian Federation and dissipating effects of the relocation and reorientation of regional economic activities.

The economy of the Russian Federation grew by nearly 3.0 per cent in 2023 following a contraction by 2.1 per cent in 2022. Increasing import substitution and a growing share of public spending in GDP largely explain the rebound. Military spending – a significant component of public expenditure – skyrocketed in 2023, with sharp increases in the production of military hardware driving up industrial output. Agricultural output reached close to record levels. Rapid nominal wage growth against the background of a tight labour market, along with increased social transfers, boosted private consumption in the first half of 2023. The re-emergence of inflationary pressures, however, eroded real incomes later in the year. Many foreign companies – having

previously declared their intention to leave the Russian Federation – continued to operate at least partially, seeking to avoid the high exit costs imposed by the Government. Investment increased by around 6 per cent in 2023, in part thanks to the construction sector. Subsidized mortgage programmes helped expand the overall mortgage market portfolio by around 22 per cent during the period January–October.^{7,8}

The economy of the Russian Federation is, however, increasingly feeling the negative impact of sanctions and declining export revenues (see figure III.9a). While the country has largely managed to evade the \$60 per barrel oil price cap imposed by the Group of Seven countries (by utilizing a fleet of tankers not covered by traditional Western insurers),⁹ it has had to offer steep discounts on the sale of crude to major customers such as China and India.¹⁰

Natural gas output and exports have shrunk significantly because of the sharp reduction in pipeline deliveries to the European Union. Along with a partial recovery in imports, lower export revenues have led to a dramatic shrinkage of the previously record-high current account surplus (see figure III.9b). Moreover, significant difficulties and delays in transferring the dollar-denominated export revenues to the financial system in the Russian Federation contributed to the precipitous depreciation of the country's currency in the second half of 2023. Along with the sharply rising labour costs, weaker currency reignited inflationary pressures, causing a sharp reversal in the monetary stance to a tightening mode and a temporary re-imposition of capital controls for exporters¹¹ starting in October 2023.

Strong fiscal spending will continue to support the economy of the Russian Federation in the outlook period; budget expenditures are expected

6 Comprising Armenia, Belarus, Kazakhstan, Kyrgyzstan and the Russian Federation.

7 Over 50 per cent of mortgages in the Russian Federation are supported by the preferential programme.

8 See Bank of Russia (n.d.).

9 See, for example, O'Toole and others (2023) and Sheppard and others (2023).

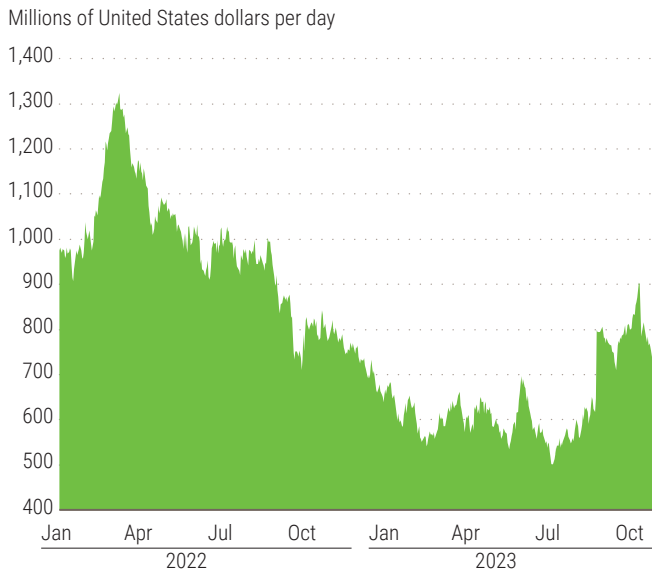
10 The European Union has maintained an embargo on Russian seaborne oil since December 2022.

11 In October 2023, the Government announced that 43 major exporters would be obliged to deposit at least 80 per cent of their foreign currency earnings with Russian Federation banks and afterwards sell at least 90 per cent of those proceeds on the domestic market. In addition, capital controls on Western companies exiting the Russian market have been tightened.

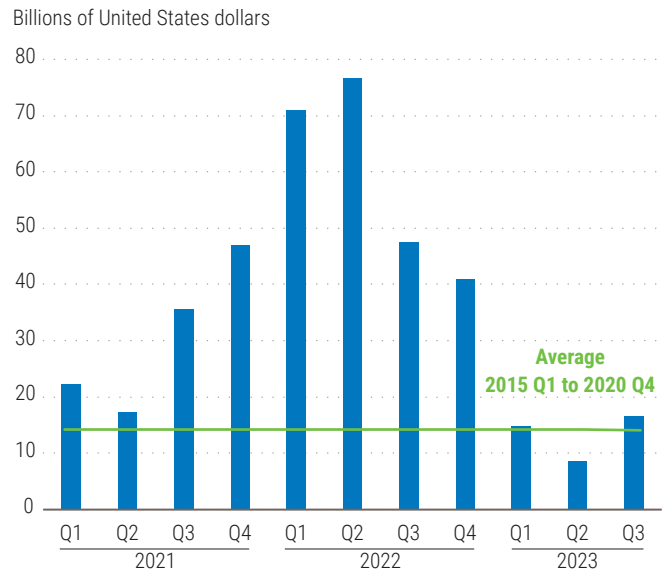
Figure III.9

Russian Federation: fossil fuel export revenues and current account balance

a) Fossil fuel export revenues



b) Current account balance



Sources: Panel a): UN DESA, based on data from the Centre for Research on Energy and Clean Air. Panel b): UN DESA, based on data from Trading Economics.

Note: Fossil fuels comprise coal, crude oil, liquefied natural gas, liquefied petroleum gas, oil products and pipeline natural gas.

to increase by over 25 per cent in 2024, with an emphasis on defence spending. Although public debt rose from around 16.4 per cent of GDP in 2021 to an estimated 21 per cent of GDP in 2023,¹² it remains relatively low and manageable. However, private consumption is expected to weaken; real incomes are stagnating, and consumer lending is set to decline due to higher interest rates as well as the sharp increase in credit rationing since late 2023.¹³ Economic growth is likely to increase by slightly more than 1 per cent in 2024 and remain on a similar trajectory in the near term. Continued sanctions on the transfer of advanced technology – leading to lower productivity, a shrinking labour force and worker shortages – will undermine growth prospects.

In Ukraine, the economy demonstrated a marginal recovery in 2023 from the earlier 29.1 per cent contraction, growing by an estimated 4.6 per cent and exhibiting some resilience to the effects of

the ongoing war, particularly with respect to electricity supply. Private consumption picked up, and capital expenditures for reconstruction increased. Agricultural output is lower than it was prior to the war, and the shipment of grain from Black Sea ports remains problematic following the withdrawal of the Russian Federation from the Black Sea Grain Initiative. The alternative export routes are fraught with logistical difficulties because of the damage done to Danube River ports. Temporary restrictions imposed by the European Union during the summer on grain imports from Ukraine into five of the region’s countries, followed by individual sets of restrictions imposed by Hungary, Poland and Slovakia, have also affected shipment by rail and road.

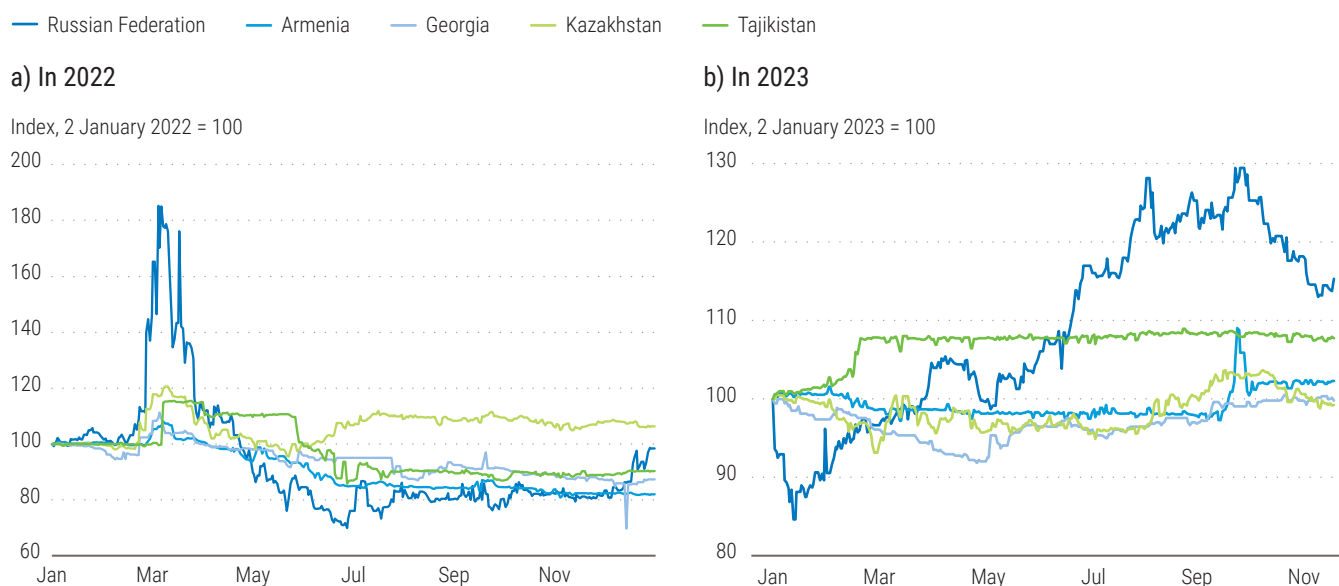
The relocation of residents and businesses from the Russian Federation continued to benefit many economies in the Caucasus and Central Asia region, boosting the financial sector in particular

12 See IMF World Economic Outlook database, October 2023 edition.

13 Banks had to comply with new regulations on lending to already indebted clients.

Figure III.10

Exchange rates of selected CIS economies against the United States dollar



Source: UN DESA, based on data from national central banks.

Note: An increase in the index means depreciation of currency against the United States dollar.

(see box III.1). Growing exports to the Russian Federation market, including re-exports, helped many of these economies, though the current momentum could prove to be short-lived. Tourism from the Russian Federation also provided a source of revenues, as the flow of traditional tourists to these countries increased. Remittances from the Russian Federation remained an important source of financing for many CIS countries, though the depreciated Russian rouble affected the purchasing power of the remittance flows to these economies.

Inflationary pressures in the CIS area mostly weakened in 2023. However, inflation rose again in the Russian Federation during the second half of the year amid a weakening currency and strong domestic demand. The lagged effect of currency depreciation and fiscal pressure in early 2024 will continue to add to inflation pressures. The Russian rouble depreciated not only against the hard currencies but also against the other currencies in the region, particularly those of Armenia and Georgia, where capital inflows boosted the exchange rates. Although most of the CIS

currencies moved in parallel in 2022, a significant decoupling was observed in 2023 (see figure III.10).

Most of the other economies in the region experienced a consistent decline in inflation, driven by moderating food and energy prices (albeit with significant differences), prompting a generally cautious reaction by monetary authorities. However, core inflation has remained stickier.

Labour market conditions remain favourable across the CIS. In the Russian Federation, the total employment figure exceeded pre-pandemic levels in 2023 amid a growing activity rate, while unemployment declined to a record low of 2.9 per cent in October and is unlikely to increase markedly in 2024. The negative impact of mobilization and the massive outward migration has led to a shortage of about 1.5 million workers. In Ukraine, the labour market improved somewhat, with increasing numbers of job offers leading to a decline in unemployment, which still remains elevated. Despite the return of some residents from abroad, the continuing war is weighing on the labour supply.

Box III.1

The impact of the war in Ukraine on banking systems in the Caucasus and Central Asia

The war in Ukraine is having a profound effect on the economies of the region through multiple channels. Trade, financial and migratory flows are being reshaped as a result of the impact of the sanctions on the Russian Federation and Belarus and the changing incentives and policies. Banks are responding to these evolving circumstances.

The war has not derailed the post-COVID recovery in many member countries of the Commonwealth of Independent States (CIS) but has been accompanied by strong economic growth that has supported bank performance. The flow of people and capital has had a positive impact on the banking sectors in Armenia, Georgia, Kazakhstan, Uzbekistan and, to a lesser extent, Azerbaijan. Overall, the period after the outbreak of the war has been characterized by declines in the share of non-performing loans in most of those countries (see figure III.1.1), which have experienced enhanced lending capacity and increased profitability.

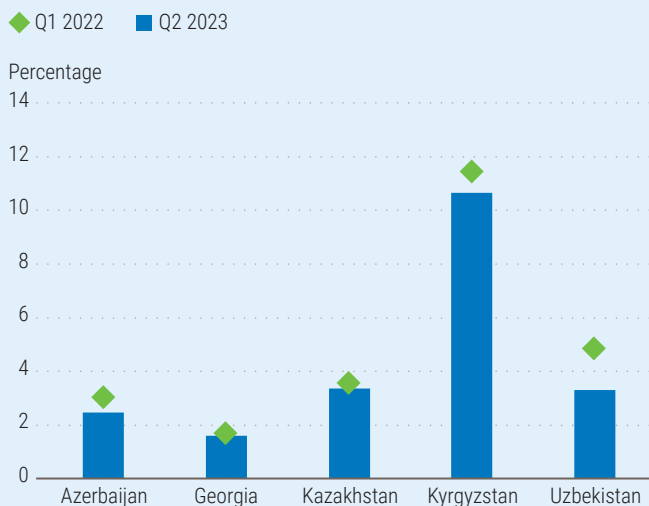
Many countries have experienced a sharp increase in non-resident deposits driven by large inflows coming from the Russian Federation, explained by the sharp increase in personal transfers from early 2022 onward that have included, along with remittances from citizens

working abroad, payments to residents of the Russian Federation who have relocated to other countries and accompanying capital movements. Banks in the CIS region have offered settlement alternatives to offset the disruption of financial transactions created by the sanctions.

This trend, illustrated in figure III.1.2, has been particularly marked in Armenia and Georgia, where personal remittances and inflows remained high throughout 2023. In Georgia, the share of non-resident deposits rose to 18.1 per cent in June 2023, up from 14.5 per cent in May 2022. In Armenia, the share peaked at 29.5 per cent in October 2022, up from 20.7 per cent in March 2022. In Uzbekistan, the increase of non-resident deposits is believed to have accounted for 17.5 per cent of the growth in overall deposits in 2022. Currency deposits by non-residents also soared in Kyrgyzstan, reaching more than four times the pre-war level in national currency terms by June 2023, though net remittance inflows declined in 2022 and remained subdued in 2023. In Kazakhstan, balance-of-payments figures show a sharp increase in currency and deposits as liabilities of deposit-taking corporations, with inflows that remained at unusually high levels in early 2023.

Figure III.1.1

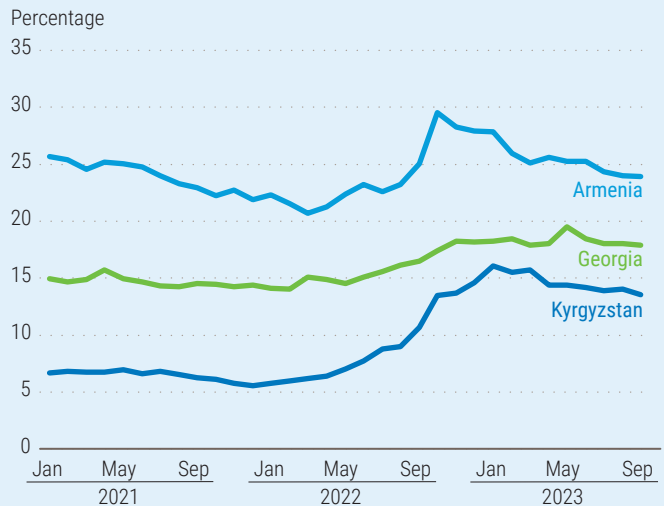
Non-performing loans as a share of gross loans in the CIS region



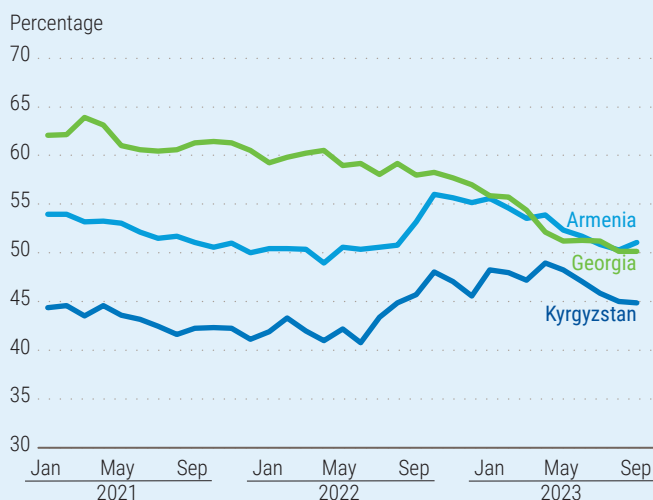
Source: UNECE, based on data from the IMF Financial Soundness Indicators database.

Figure III.1.2

Non-resident deposits as a share of total deposits in selected CIS countries



Source: UNECE, based on data from national central banks.

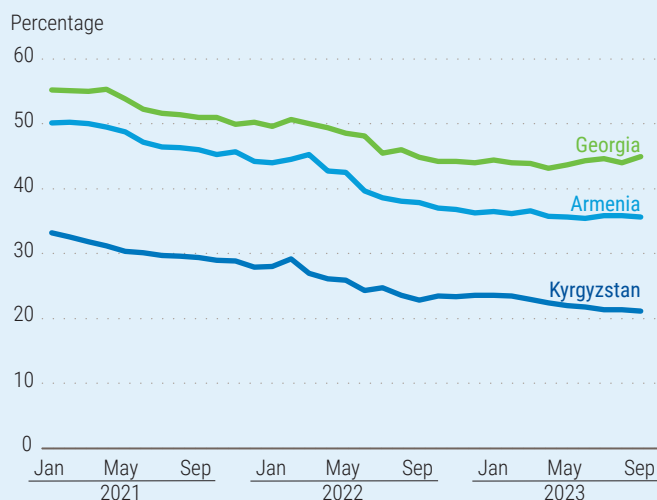
Figure III.1.3**Deposits in foreign currency as a percentage of total deposits in selected CIS countries**

Source: UNECE, based on data from national central banks.

Statistics on the claims and liabilities of banks reporting to the Bank for International Settlements (BIS) on a locational basis show that the start of the war was followed by a reduction in the exposure of these institutions to banks in the region. This drop varied across the region and was more than fully reversed later in Armenia and Georgia. At the same time, banks in these two countries, in addition to those in Kyrgyzstan and Tajikistan, in particular, sharply increased their claims vis-à-vis BIS-reporting banks.

High levels of dollarization are a structural feature of banking systems in the region. The increase in non-resident deposits, which are mainly denominated in foreign currency, have boosted deposit dollarization or, as in Georgia, have slowed down ongoing de-dollarization (see figure III.1.3). However, this has not been accompanied by the increased dollarization of lending (see figure III.1.4). In Armenia and Georgia, lending de-dollarization has been supported by the appreciation of the national currency, which has contributed to lower currency risks.

Deposit inflows from non-residents have boosted not only the funding base of the banks but also their profitability, a result of foreign currency conversion and the placement of funds abroad. Non-interest income has increased, reflecting currency conversion transactions and money transfer fees. In Kyrgyzstan, non-interest income as a share of gross bank income averaged 62 per cent over a one-year period (April 2022 to March 2023).

Figure III.1.4**Loans in foreign currency as a percentage of total loans in selected CIS countries**

Source: UNECE, based on data from national central banks.

The war has also had an indirect effect on banking sector concentration in the region. In Kazakhstan, the exit of subsidiaries of Russian Federation banks, which were affected by the sanctions, took place through market-based solutions that benefited from regulatory support. These banks accounted for around 14 per cent of total assets – the largest share in the region. Banking sector concentration, which was already high, increased as a result of these developments.

While the increase in non-resident deposits creates vulnerabilities, the potential for large-scale reversals is limited in the absence of clear alternatives for the placement of these funds, given the compliance requirements in other jurisdictions. However, as some deposits are linked to the relocation of Russian Federation citizens and others seeking to avoid the conflict, the reversal of these migratory flows or the exit to third countries would have a negative impact on deposits. With cautious management, including the placement of funds abroad, the risks appear contained. While further significant inflows are unlikely, given recent trends in remittances, the continuation of strong economic performance underpins the stability of banking sectors in the region, which is further supported by recent increases in banking sector profits. However, given existing sources of fragility, including currency volatility, careful monitoring will remain necessary.

Author: José Palacín, United Nations Economic Commission for Europe

Monetary policy in the Russian Federation was abruptly tightened in the third quarter of 2023 to contain rising inflationary pressures and strengthen the exchange rate. The central bank incrementally increased policy rates, and foreign currency purchases, mirroring the budget rule,¹⁴ were suspended until the end of the year. As inflationary expectations are becoming entrenched, any relaxation of monetary policy in 2024 is likely to be very gradual, especially if fiscal policy remains accommodative. In Ukraine, large official financing and an improving current account balance raised foreign exchange reserves, exerting appreciation pressures on the exchange rate. The National Bank of Ukraine reduced the policy rate, abandoned the peg to the dollar introduced at the start of the war, and began transitioning to a managed exchange rate flexibility regime. Among the region's other countries, Armenia, Belarus, Georgia, Kazakhstan, Moldova and (after a series of earlier rate increases) Azerbaijan moved to an easing cycle. The prospect of disinflation will likely encourage further interest rate cuts in 2024.

In Ukraine, the budget deficit will likely exceed 20 per cent of GDP; military spending has increased sharply since the beginning of the war, as have expenditures for reconstruction efforts, while tax revenue has collapsed. As the country has no access to international capital markets, external assistance and local bond sales provided the bulk of deficit financing in 2023. The ratio of public debt to GDP jumped from 49 per cent in 2021 to 78 per cent in 2022 and will continue to climb, as large general government deficits are expected to persist. The European Union is planning to allocate €50 billion in aid to Ukraine during the period 2024–2027, offering some predictability in future international funding. Ukraine has secured permission to defer foreign-debt payments on its external bonds until 2024; these deferrals are likely to be extended further.

Geopolitical risks continue to darken the economic outlook of the region. Many countries face the

challenge of deepening regional trade ties while complying with international sanctions imposed on the economy of the Russian Federation. Insufficient diversification and, in some cases, dependence on remittances remain persistent vulnerability factors.

South-Eastern Europe

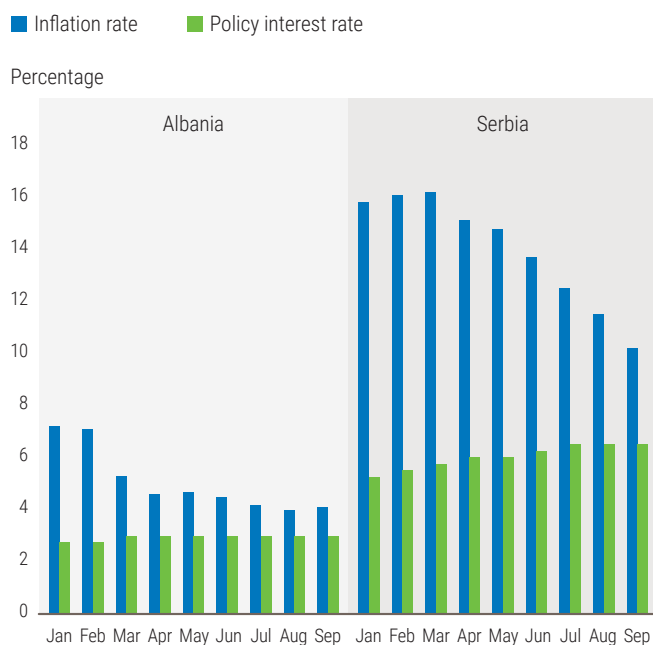
The economies of South-Eastern Europe experienced a significant slowdown in 2023 in line with the economic slowdown registered by their main trading and investment partner, the European Union – especially Germany. Manufacturing was the sector most affected in the region, while services remained comparatively resilient. Despite those external headwinds, remittances, foreign direct investment (FDI) inflows and, in the case of Albania and Montenegro, strong tourism flows supported domestic demand. Increases in public sector spending and in minimum wages partially offset the eroding effect of high inflation on incomes and consumption, and despite tighter financing conditions, infrastructure investment increased. The region's aggregate GDP grew by only 2.2 per cent in 2023 after a 3.2 per cent expansion in 2022. A modest acceleration to 2.9 per cent growth is expected in 2024.

Inflation is decelerating in the region against the backdrop of a stronger exchange rate in Albania, weak domestic demand in Bosnia and Herzegovina, and the reintroduction of some price caps in North Macedonia. However, inflation remains elevated, especially in Serbia, where the removal of previous price caps and energy price hikes boosted price pressures. Monetary tightening continued in the countries with flexible exchange rates in 2023 (see figure III.11), and a reduction in policy rates is unlikely until the second half of 2024.

Despite the economic slowdown, unemployment rates in the region are expected to decline, though

¹⁴ According to the budget rule, oil and gas export revenues below the threshold price go to the budget, and those above it go to the National Wealth Fund (NWF). The rule, based on a cut-off oil price of \$44.20 per barrel, was suspended after the outbreak of the war in Ukraine in 2022 but was restored in January 2023 with some modifications. In reality, the Ministry of Finance sold foreign currency from the NWF to compensate for the export revenue shortfall until August, when it switched to daily foreign currency purchases.

Figure III.11
Inflation and policy rates in Albania and Serbia
in 2023

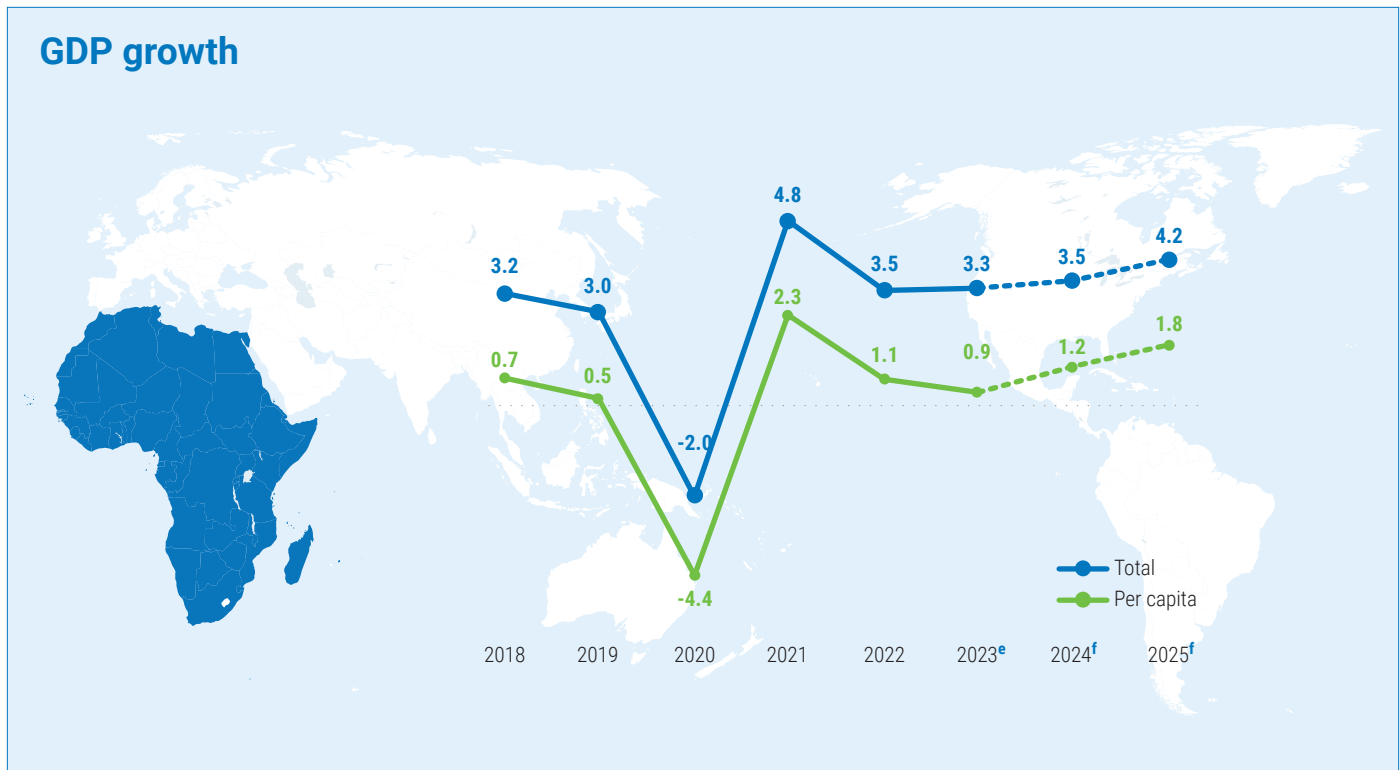


Source: UN DESA, based on data from national sources.

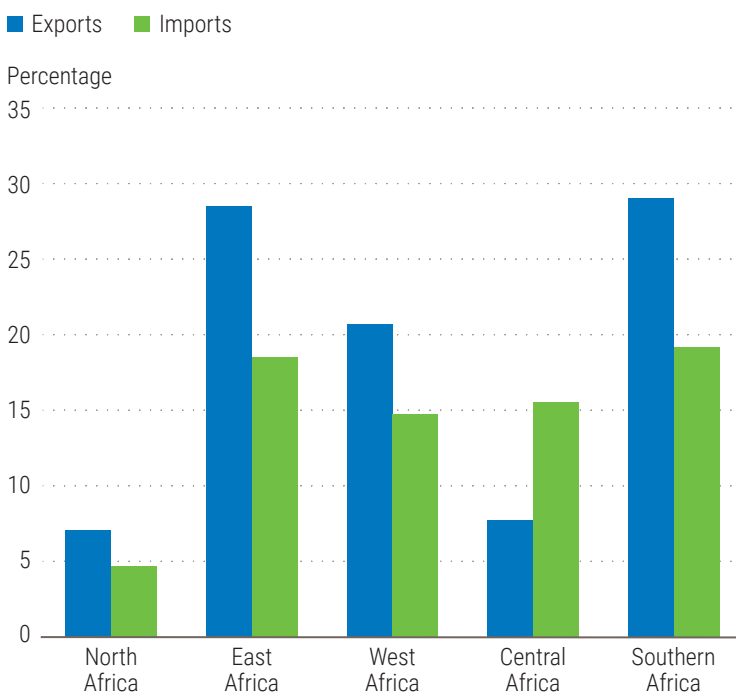
they will remain precariously high. The activity rate is low and in some cases is even falling. Amid persistent migratory outflows, such dynamics have led to skill shortages. These structural challenges in the labour markets continue to undermine the region's growth potential.

The expected acceleration of regional growth hinges on improved economic conditions in the European Union and further moderation of inflation. A higher interest rate environment poses particular challenges for the region, in particular for Albania and Montenegro, given their reliance on external financing. As the scope for future fiscal expansion remains constrained, structural reforms would be key to lifting growth over the medium term, building on the prospect of accession to the European Union. The European Union envisages a €6 billion growth plan for the region, aiming to double the economy of South-Eastern Europe over the next ten years – including by granting partial access to the European single market and deepening the regional market.

AFRICA



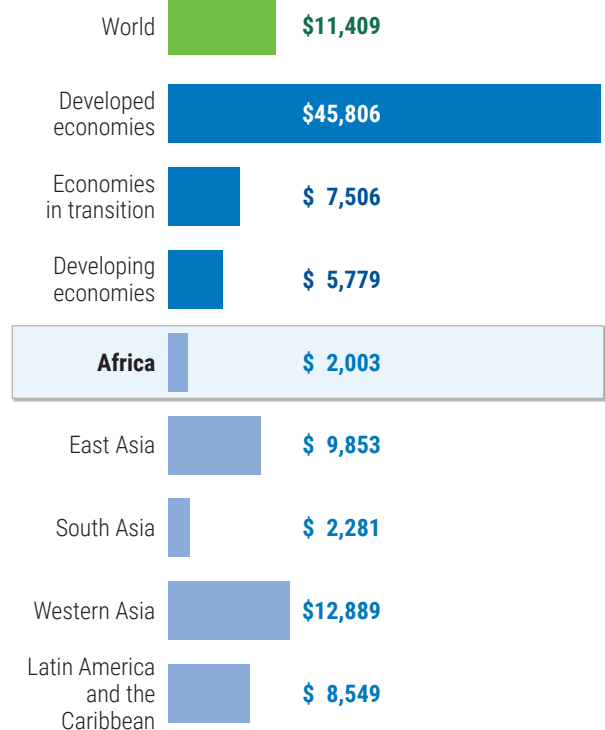
Share of intra-African merchandise trade in the first half of 2023



Source: UN DESA, based on data from the IMF Direction of Trade Statistics.



GDP per capita 2023



Notes: The boundaries and names shown and the designations used on this map do not imply official endorsement or acceptance by the United Nations. The map represents countries and/or territories or parts thereof for which data are available and/or analysed in the *World Economic Situation and Prospects 2024*. The shaded areas therefore do not necessarily overlap entirely with the delimitation of their frontiers or boundaries. Aggregate data for Africa exclude Libya for the whole period and Sudan for the period 2023-2025, those for South Asia exclude Afghanistan, and those for Western Asia exclude the State of Palestine. e = 2023 estimates; f = 2024-2025 forecasts.

Developing economies

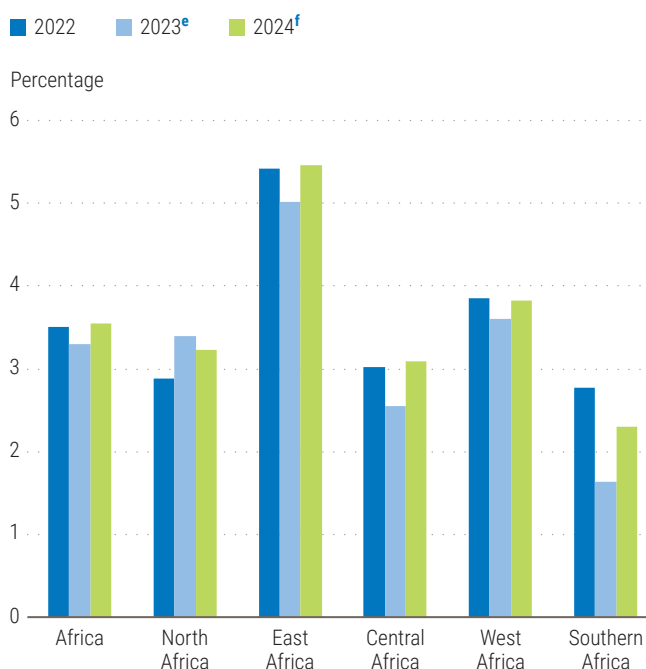
Africa

Economic growth in Africa is estimated to have decelerated from 3.5 per cent in 2022 to 3.3 per cent in 2023. Most countries in the region experienced a significant economic slowdown, including major economies such as Egypt, Nigeria, Kenya, Ghana and South Africa. These countries influence growth trends in their respective subregions – North, West, East and Southern Africa (see figure III.12). The positive economic impact of the resumption of international tourism after the COVID-19 pandemic, one of the drivers of higher growth in 2022, waned in 2023. Commodity-exporting economies could not sustain the recent boom as commodity prices (except for a few precious metals) generally stabilized after temporary spikes at the onset of the war in Ukraine. Moreover, external demand growth from China and the European Union economies, the major export destinations of the African countries, remain subdued.

Tight financing conditions in international capital markets – deriving from the monetary policy stances of the United States Federal Reserve and the European Central Bank – limit external financing and refinancing opportunities for African economies. Consequently, African currencies – with the exception of the institutionally pegged CFA Franc – faced depreciation pressures due to weak export earnings and limited external financing inflows. While these deteriorating external conditions limited the scope for economic expansion, factors such as armed conflicts, political instabilities, extreme climate events, and infrastructure bottlenecks also depressed domestic demand growth.

GDP growth in African economies is forecast to register moderate improvement in 2024, increasing to 3.5 per cent on average. External conditions are projected to remain unfavourable

Figure III.12
Economic growth in Africa, by subregion



Source: UN DESA, based on estimates and forecasts produced with the World Economic Forecasting Model.

Notes: e = estimates; f = forecasts. Africa and North Africa exclude data for Libya for the whole period and Sudan for 2023-2024.

for the African economies due to a weak global economic outlook and limited external financing opportunities. However, a recovery in domestic demand is projected for those countries that experienced economic shocks stemming from currency depreciations, electricity shortages or armed conflict.

Among the continent's major economies, Egypt is expected to see growth slow from 4.2 per cent in 2023 to 3.4 per cent in 2024¹⁵ due to severe balance-of-payments constraints, with a significant shortage of foreign exchange for imports constraining domestic demand growth. The economic outlook for South Africa is bleak at present due to the country's ongoing electricity crisis, exacerbated by underinvestment in renewable energy. The economy is estimated to have grown by only 0.5 per cent in 2023, and this lackluster growth is spilling over across the region.

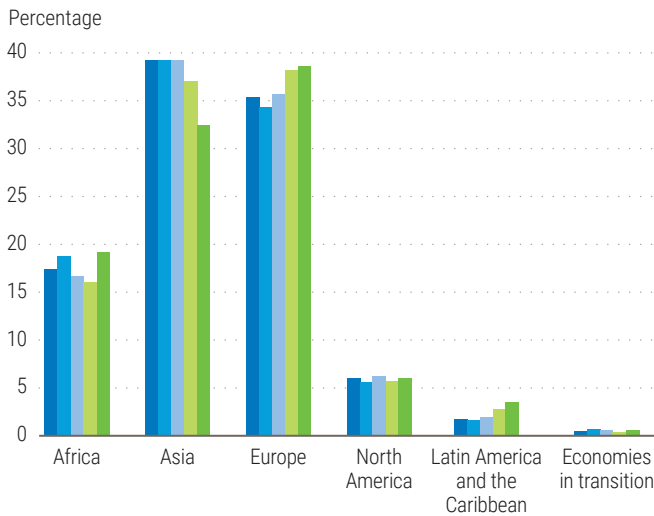
15 On a fiscal year basis.

Figure III.13

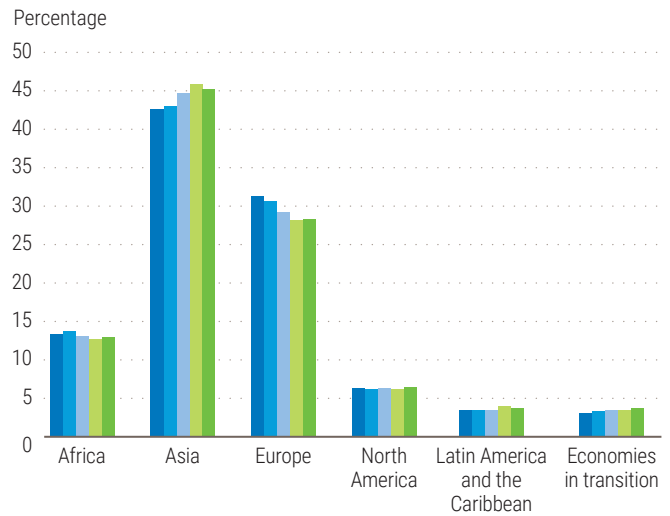
International trade in Africa, by partner region

■ 2019 ■ 2020 ■ 2021 ■ 2022 ■ 2023 H1

a) Export destination share



b) Import origin share



Source: UN DESA, based on data from the IMF Direction of Trade Statistics database.

Note: H1 = the first half of the year.

Policy reforms enacted by the Government of Nigeria in 2023, especially in the hydrocarbon sector, have contributed to a moderate improvement in the country’s growth prospects for 2024, with GDP growth forecast at 3.1 per cent. However, ballooning public debt, persistent inflation and a rising cost of living, together with a weak business environment, will pose a downward risk to growth prospects. Efforts to increase in-country oil refining capacity would likely reduce domestic fuel costs in 2024 and beyond.

International trade remained subdued across the globe in 2023, with Africa representing part of this trend. There was virtually no year-on-year growth in merchandise trade volume in Africa in 2023. Intra-African trade continues to account for less than 15 per cent of total trade on average; East and Southern Africa are notable exceptions, with Intra-African exports

corresponding to almost 30 per cent of these subregions’ overall exports (see the regional snapshot figure on page 104). Efforts to promote stronger intraregional trade in Africa, embedded most notably in the ongoing implementation of the African Continental Free Trade Area (AfCFTA), are yet to bear fruit. African exports have increasingly been directed to Europe, while Asia has been strengthening its lead as the key supplier of imports into Africa (see figures 13a and 13b). Policymakers and experts alike emphasize the potential of intraregional trade to strengthen value addition and the development of regional value chains across the African markets.

The effects of climate change continue to pose significant downward risks for the economy in Africa. Of the 68 climate vulnerable countries that make up the Vulnerable Twenty Group,¹⁶ 28 are African. The continent is unable to fully

¹⁶ The Vulnerable Twenty Group (2023) is a cooperation initiative comprising 68 countries that are systemically vulnerable to climate change. The group steers high-level policy dialogue and actions to tackle climate change.

develop its economic potential due to the rising frequency and worsening impacts of climate-related phenomena (Pearce and Andrijevic, 2022). Recent occurrences such as drought in the Horn of Africa,¹⁷ cyclones in Southern Africa,¹⁸ and increased flooding in parts of West and Central Africa¹⁹ have had devastating socioeconomic consequences. Although several countries have become increasingly active in investing in the green transition, climate finance flowing towards Africa falls far short of its needs; the estimated annual financing gap is about \$120 billion, and the continent receives only 2 per cent of global clean energy finance flows. In addition to long-standing structural challenges, the most vulnerable countries in Africa – particularly small island developing States, least developed countries and landlocked developing countries – face enormous financing gaps that must be addressed to enable them to adapt to changing climate patterns and the accompanying impacts to their socioeconomic and environmental structures.

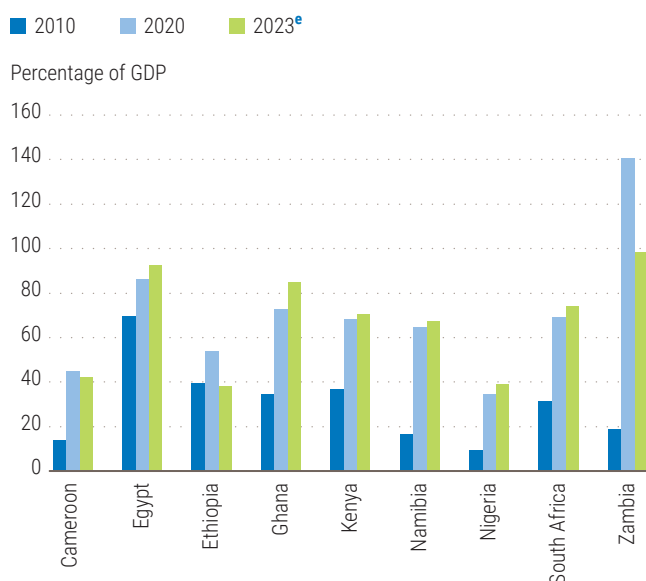
Action on the pronouncements at the Africa Climate Summit in September 2023, including the proposal for a global carbon tax regime and commitments to strengthen carbon credit markets, could increase financing for climate mitigation and adaptation on the continent. Effective operationalization of the Loss and Damage Fund, formally approved in November 2023 at COP28 in Dubai,²⁰ and the scaling up of financing commitments made towards the Fund will also support climate sustainability efforts in Africa.

African economies faced significant inflationary pressures in 2023, resulting in an inflation rate higher than the recent average. The exchange-rate pass-through from substantial currency depreciations raised the domestic prices of

imports and increased inflationary pressures. Moreover, high fuel prices resulted in higher transport costs, which were passed on to consumers in the form of higher local prices for essential items such as food. Food inflation remained elevated (above 30 per cent) for some of the larger economies, including Nigeria, Egypt and Ghana. The member countries of the Central Bank of West African States and the Bank of Central African States, however, managed to keep their inflation rates substantially lower than those of other African economies.

Central banks in Africa – other than those in Angola, Uganda and Zimbabwe – were in a monetary tightening phase in 2023. A tight monetary stance remained necessary to curb inflation pressures and stabilize exchange rates.

Figure III.14
General government gross debt in selected African economies



Source: UN DESA, based on data from the IMF World Economic Outlook database, October 2023.

Note: e = estimates.

17 The World Food Programme estimated that more than 23 million people in the Horn of Africa faced severe hunger in 2023 as a result of three years of drought, with approximately \$810 million needed to address the humanitarian situation and invest in long-term resilience (Abbonizio and Symington, 2023).
18 Cyclone Freddy induced economic losses of around \$655 million (Aon, 2023), with Malawi (registering growth of only 1.1 per cent in 2023) hit particularly hard.
19 According to the Office for the Coordination of Humanitarian Affairs, approximately 692,000 people were affected by flooding in parts of West and Central Africa, with 4,000 hectares of crops destroyed, further exacerbating the food insecurity and malnutrition situation (OCHA, 2023).
20 COP28 refers to the twenty-eighth Conference of the Parties to the United Nations Framework Convention on Climate Change, held in Dubai from 30 November to 12 December 2023.

While more African economies are expected to turn to monetary easing in 2024, the monetary stance will remain generally tight unless the United States Federal Reserve and the European Central Bank enter the easing phase.

Debt sustainability challenges continue to undermine growth prospects in Africa (see figure III.14). According to the latest estimates, 18 countries in Africa recorded a debt-to-GDP ratio of over 70 per cent in 2023, with many of them facing debt distress (IMF, 2023). Debt servicing as a proportion of GDP has increased rapidly; Zambia, Malawi, Kenya and Ghana spend over 20 per cent of their tax revenue on interest payments. Due to high and rising debt-servicing burdens, essential government spending on education and health care is taking a back seat in public expenditure allocation. Fiscal pressure will remain heightened in some larger economies, including Egypt, Kenya and South Africa, due to their high debt burden and the maturing of their Eurobonds in 2024. Debt restructuring negotiations are ongoing in Zambia, Ghana and Ethiopia.

Development financing access and costs remain a daunting challenge, with debt overhangs hindering most African countries from accessing capital at affordable rates from international markets. Borrowing costs for Governments in Africa remain elevated, largely due to low credit ratings. Estimates show that borrowing costs for the African countries are approximately four times higher than those for developed countries. In 2023, the three major international credit rating agencies downgraded some of the major economies in Africa, including Nigeria, Ghana, Egypt, Kenya and Morocco. The African Union is working on establishing an independent credit rating modality that will provide balanced and comprehensive risk evaluations for African countries with a view to lowering their borrowing costs in international financial markets.

Many African countries continued to experience deteriorating fiscal positions against the backdrop of high public debt and a low domestic revenue base in 2023. The volatility of commodity prices and susceptibility to external shocks also contributed to fiscal policy uncertainty in the region. In the wake of the fiscal stimulus and support measures implemented during the COVID-19 pandemic, many countries are adopting fiscal consolidation policies in an effort to reduce fiscal deficits while ensuring the continued functioning of the Government. Structural vulnerabilities such as weak taxation frameworks, narrow tax bases, and inadequate institutional capacity limit the effectiveness of fiscal policy reforms. Tax revenue currently accounts for approximately 16.6 per cent of GDP, which compares poorly with the corresponding shares for regions such as Asia and the Pacific (21 per cent) and Latin America and the Caribbean (22.9 per cent). In Ethiopia, the Central African Republic and Equatorial Guinea, tax revenue as a percentage of GDP stands at less than 10 per cent. Energy subsidy reforms in Nigeria, Angola and Gambia, as well as tax hikes in Kenya, Ghana and South Africa, aim to provide the Government with some relief from tight fiscal spaces.

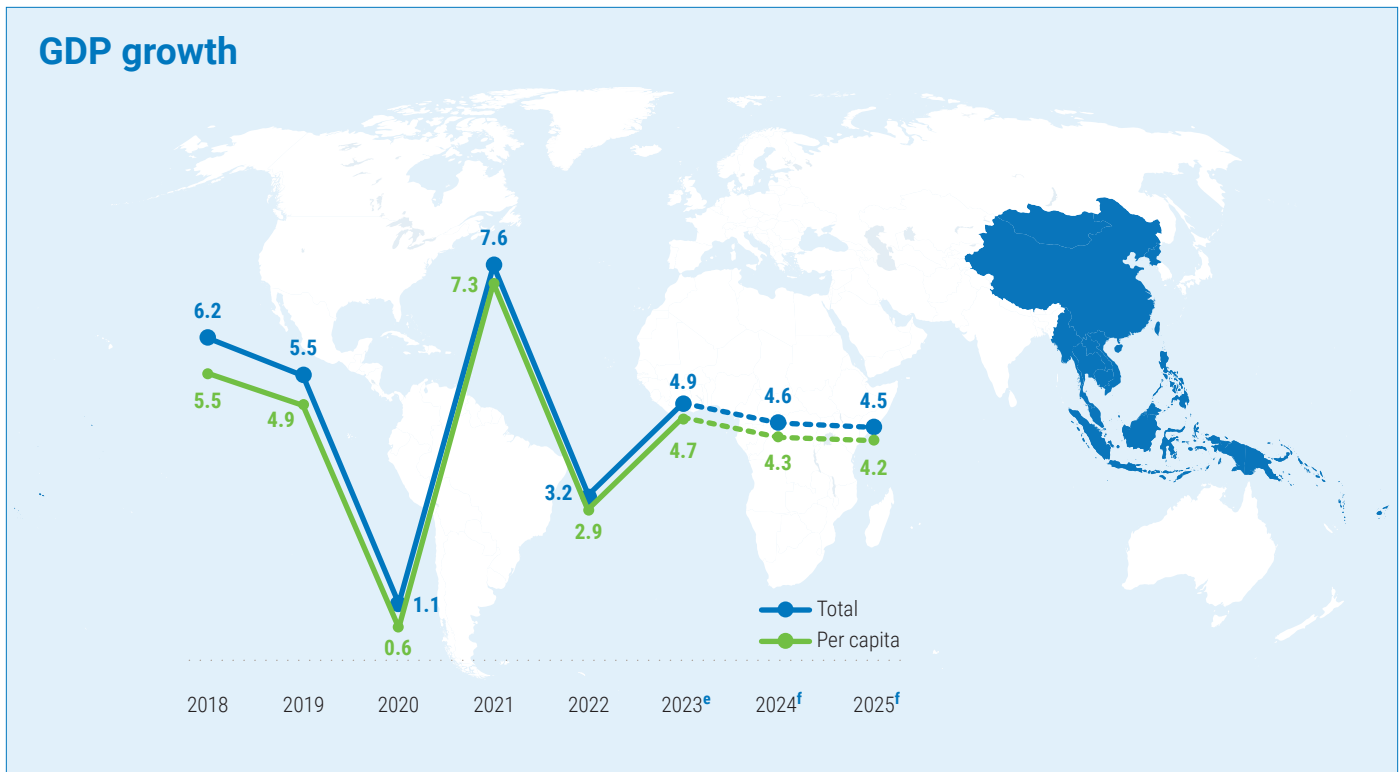
The economic outlook for Africa remains clouded by debt, lingering inflation, and climate risks, compounded by uncertainties on the political front. The continent also remains the most food insecure region in the world, with approximately 60 per cent of the population experiencing moderate or severe food insecurity against a global average of 29.6 per cent (FAO and others, 2023). Half of all the world's poor live in sub-Saharan Africa;²¹ job availability needs to keep up with population growth to prevent more people from slipping into poverty. Ongoing geopolitical tensions could also bear on the continent's growth projections. Several countries, notably those in the Sahel region, are

21 Based on 2019 data (the most recent data available for sub-Saharan Africa), 397 million of the 700 million people living below the international poverty line of \$2.15 per day are from sub-Saharan Africa, accounting for around 57 per cent of the global poor (World Bank, 2023f).

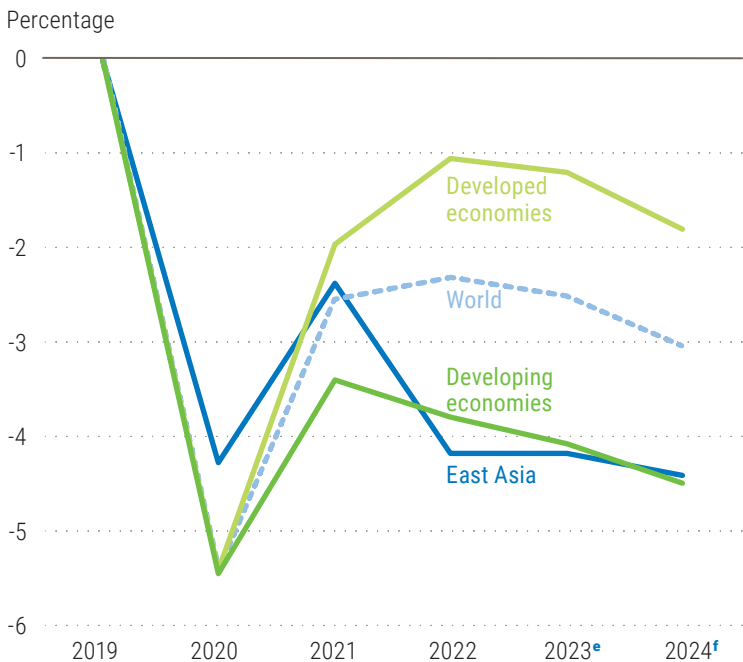
still experiencing bumpy political transitions due to forced government takeovers. Citizens in as many as 15 African countries are headed to the polls this year; notably, there are presidential

elections being held in Senegal, Ghana and South Africa, the outcomes of which could potentially have implications for the region's near-term growth and development prospects.

EAST ASIA



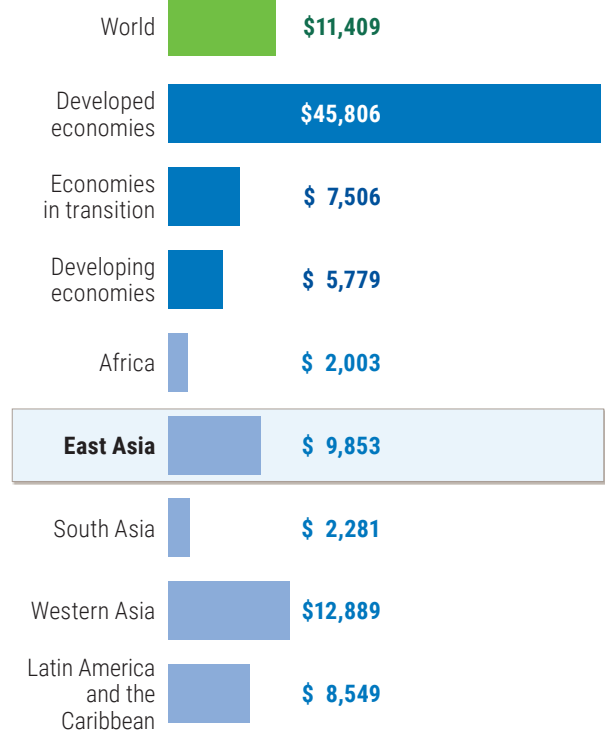
GDP loss compared with pre-pandemic trend



Source: UN DESA, based on estimates and forecasts produced with the World Economic Forecasting Model.



GDP per capita 2023



Notes: The boundaries and names shown and the designations used on this map do not imply official endorsement or acceptance by the United Nations. The map represents countries and/or territories or parts thereof for which data are available and/or analysed in the *World Economic Situation and Prospects 2024*. The shaded areas therefore do not necessarily overlap entirely with the delimitation of their frontiers or boundaries. Aggregate data for Africa exclude Libya and Sudan, those for South Asia exclude Afghanistan, and those for Western Asia exclude the State of Palestine. e = 2023 estimates; f = 2024-2025 forecasts.

East Asia

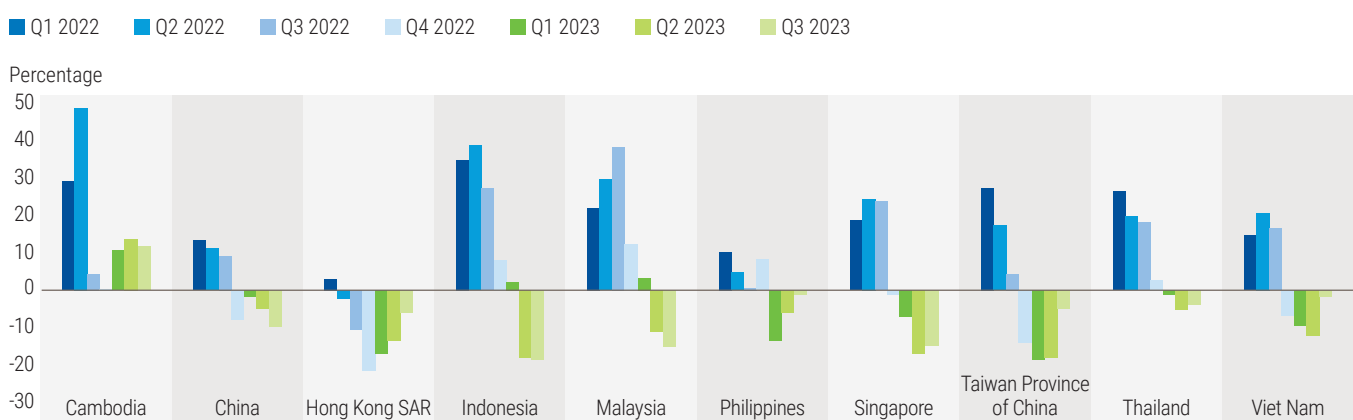
In comparison with other regions, East Asia experienced relatively strong growth in 2023. The region is estimated to have contributed over 40 per cent to world GDP growth in 2023. However, its economic momentum is slowing down. After rebounding to an estimated 4.9 per cent in 2023 from 3.2 per cent in 2022, the region's economic growth is projected to moderate to 4.6 per cent in 2024. Continued weakness in external demand, economic uncertainties in China, and tightened global financial conditions weigh on the region's growth in the short term, while slowing productivity growth, geopolitical risks, and climate change challenge economic prospects in the medium term.

Private consumption was a major driver of headline growth in many East Asian economies in 2023. A few economies still benefited from pent-up demand as they reopened later than others. Meanwhile, a steady recovery in the labour market buoyed private spending. Strengthened demand for services also sustained recovery in travel and tourism. However, softening external demand led to export growth in many East Asian economies falling into negative territory in the first three quarters of 2023, though the situation improved over the course of the year (see figure

III.15). Export declines were also associated with slowing manufacturing activities and related investments in the region.

China, the largest economy in the region, is estimated to have grown by 5.3 per cent in 2023, rebounding from 3.0 per cent growth in 2022. China registered stronger-than-expected growth in the first quarter of 2023, but high-frequency economic data suggest that the economic recovery lost some steam from the second quarter onward. The manufacturing Purchasing Managers' Index (PMI) – a leading indicator of economic activity – fell into contractionary territory in China starting in April.²² While consumption spending remained steady, industrial production saw some volatility as it faced downward pressure from a wobbly property sector and weakness in external demand. As many as 66 property development companies have defaulted since 2020, including five in the first half of 2023 (CREIS and 21st Century Business Herald, 2023). Property investment declined by 9.1 per cent in the first three quarters of 2023, following a 10 per cent drop in 2022. Sluggish external demand and the ongoing trade tensions with the United States clouded the country's export growth. In the first three quarters of 2023, net exports dragged down headline growth by 0.7 percentage points, reversing the 1 percentage point contribution from the year before.

Figure III.15
Annual growth of exports in East Asian economies, by quarter



Source: UN DESA, based on data from CEIC.

Note: SAR = Special Administrative Region.

²² Although the PMI in China bounced back to expansionary territory in September 2023, it returned to the contraction zone in October.

Economic growth in China is forecast to moderate to about 4.7 per cent in 2024 and 4.5 per cent in 2025. Continued property sector corrections, softer external demand, and geopolitical tensions will negatively impact investment and consumer sentiment. Nevertheless, policymakers stepped up stimulus efforts in the latter part of the third quarter in 2023. A low inflationary environment provided room for the monetary authority to cut the policy interest rate to boost domestic demand. The Government also sought to stabilize the property sector through measures such as loan extensions to property developers and reduced down payment requirements and mortgage rates for home buyers and owners. In October, China unveiled a plan to issue additional central Government bonds totalling 1 trillion renminbi (approximately \$136 billion) to fund infrastructure projects, raising the 2023 budget deficit target to 3.8 per cent of GDP from the original 3.0 per cent.

Economic performance in other East Asian economies exhibited varying trends in 2023. Growth in many of the countries specializing in the production of merchandise and electronic products – including Malaysia, the Philippines, Singapore, Taiwan Province of China, and Viet Nam – took a hit due to falling external orders, while private consumption remained resilient. Reduced exports from China and the weakening of the country's property sector adversely affected economies supplying materials and intermediate inputs for final production and raw construction materials. Lower oil prices in the first half of 2023 weighed on activities in fuel-exporting countries, including Indonesia and Timor-Leste, but increasing oil prices in the second half of the year could provide some relief. High vulnerability to disasters and climate-related events continued to have a serious adverse impact on growth in Pacific small island developing States. Although there have been some signs of economic recovery, political uncertainty and domestic conflict continue to undermine sustainable growth in Myanmar. In contrast, the reopening of many economies in the region and the return of

international arrivals benefited tourism-dependent economies such as Cambodia, Fiji and Thailand.

Headline inflation in East Asia trended down from 2.6 per cent in 2022 to 1.2 per cent in 2023 and is expected to rise moderately to 1.9 per cent in 2024. In China, the overall inflation picture remained soft, reflecting the gradual pace of recovery. Across the rest of the region, easing inflationary pressure was broad-based thanks to falling commodity prices and monetary tightening measures (see figure III.16). Various developments may affect inflation trends. The increase in oil prices since the second half of 2023 could slow the process of price normalization. Prices of rice have been rising since late in the third quarter of 2023 due to unfavourable weather and export restrictions, which has affected major importers such as Indonesia and Malaysia. The return of El Niño – a climate pattern driven by the unusual warming of surface waters in the central and eastern tropical Pacific Ocean and typically associated with droughts and water shortages – could disturb commodity prices, particularly for agricultural goods, and thus induce food insecurity risks in the region.

Labour markets in East Asia have continued to improve. Statistics published by the International Labour Organization indicate that the employment-to-population ratio had returned nearly to pre-pandemic levels by 2022 (ILO, 2022), with the upward trend continuing into 2023. The unemployment rate in most economies came down to pre-pandemic levels in September 2023, though youth unemployment remained high. That said, a full recovery from the impact of COVID-19 remains elusive, particularly with the waning growth outlook for 2024. The working-hour losses in the region relative to the fourth quarter of 2019 were equivalent to 9.6 million full-time jobs in 2023 and are projected to correspond to 8.7 million full-time-equivalent jobs in 2024.²³

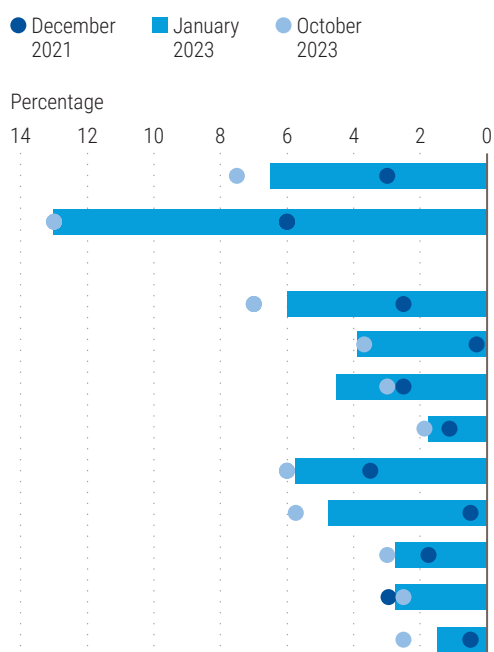
With easing inflationary pressures, central banks in East Asia have room to lower policy rates to support growth. After raising policy rates in 2022, many central banks slowed the pace of monetary

23 UN DESA estimates, based on data from ILOSTAT (accessed on 27 October 2023).

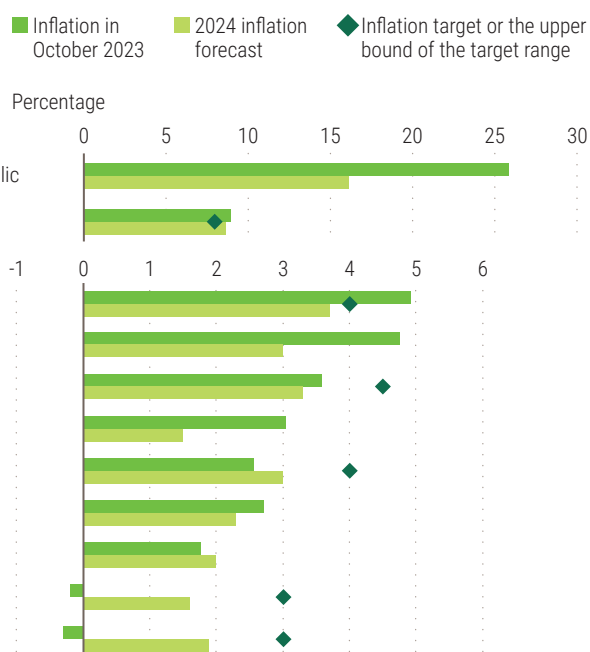
Figure III.16

Inflation, inflation target and policy rates in selected East Asian economies

Policy rates



Inflation and inflation targets



Source: UN DESA, based on data from CEIC.

Note: Inflation targets or the upper bound of the target range are added if relevant information is available.

tightening in 2023. The central bank of Viet Nam started to cut rates (see figure III.16). However, monetary authorities will likely remain cautious about changing their monetary policy stances, as the path of inflation remains uncertain due to risks of food and fuel price increases.

Despite the slowing pace of monetary tightening in the region, East Asian countries face tighter financial conditions due to policy rate hikes in the United States and the euro area. In a few economies, policy rates and government bond yields have been lower than those in the United States, which was rare before the pandemic (see figures III.17a and b). This could trigger capital outflows as investors seek higher returns and could also lead to local currency depreciation. As figure III.17c shows, while FDI inflows to the region remained largely steady, the outflow of portfolio capital increased. Most currencies continued to depreciate against the

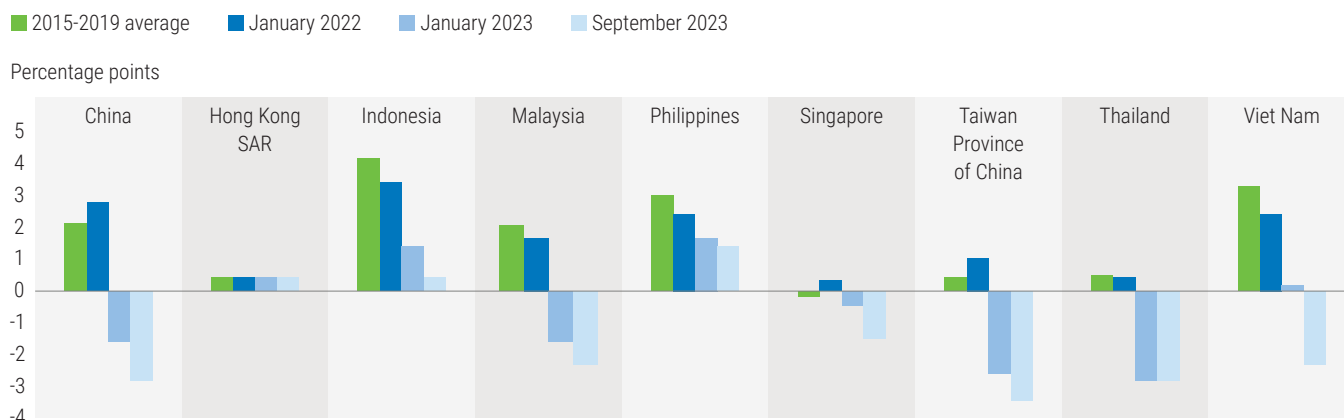
United States dollar in the first three quarters of 2023, but at a slower pace than in 2022. Managing depreciation pressure is proving a challenge for some economies in the region, requiring them to use foreign exchange reserves along with interest rate policy to stabilize exchange rates.

Fiscal deficits in the region remain sizeable. The median general government deficit as a share of GDP is estimated at 4.5 per cent for 2023, lower than the peak of 5.8 per cent in 2021 but still higher than the 2019 share of 1.5 per cent.²⁴ Meanwhile, debt-servicing costs in a few countries have increased due to higher debt levels and borrowing costs, further squeezing the fiscal space to invest in long-term productivity capacity and sustainability. Countries with limited fiscal space are required to implement revenue-enhancing reforms, including expanding the tax base and improving tax compliance. On the expenditure side, countries need to reorient spending towards

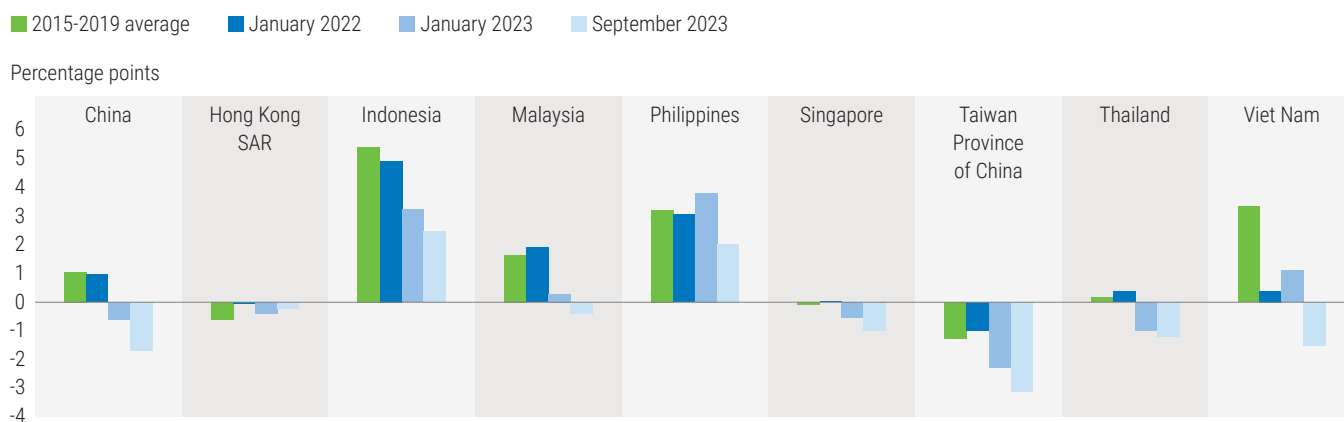
24 UN DESA calculation based on the IMF World Economic Outlook database, October 2023.

Figure III.17
Financial conditions in East Asia

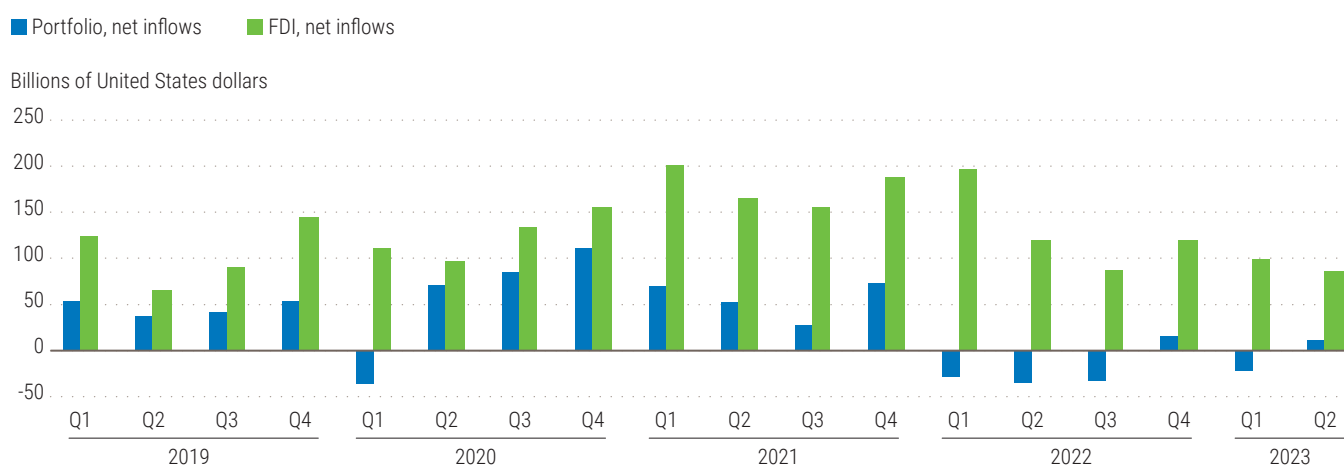
a) Policy rate differences between East Asia and the United States



b) Government 10-year bond yield differences between East Asia and the United States



c) Capital flows to East Asia

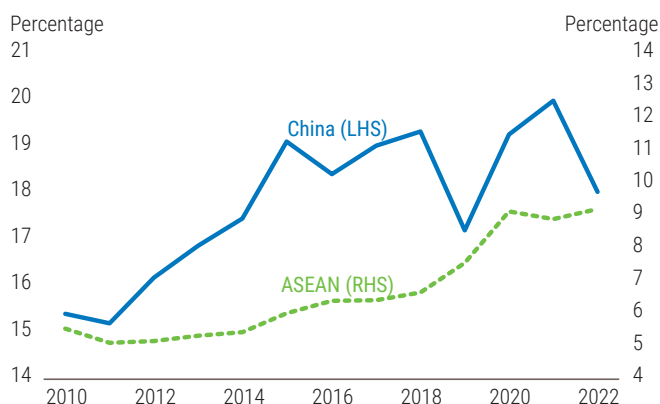


Source: UN DESA, based on data from CEIC, the IMF Balance of Payments database and investing.com.

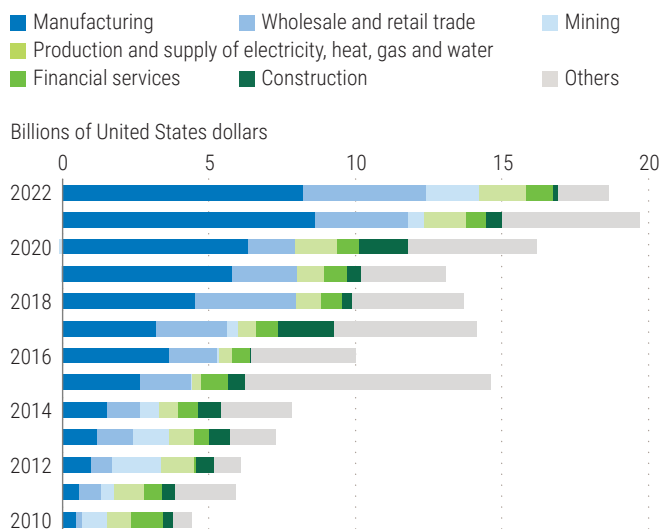
Figure III.18

Trade dynamics in East Asia

a) China and ASEAN shares of exports to the United States



b) Outward direct investment by China in ASEAN economies, by sector



Source: UN DESA, based on data from UNCTADstat and the Ministry of Commerce in China.

Notes: ASEAN = Association of Southeast Asian Nations. Panel a): LHS = left-hand axis; RHS = right-hand axis.

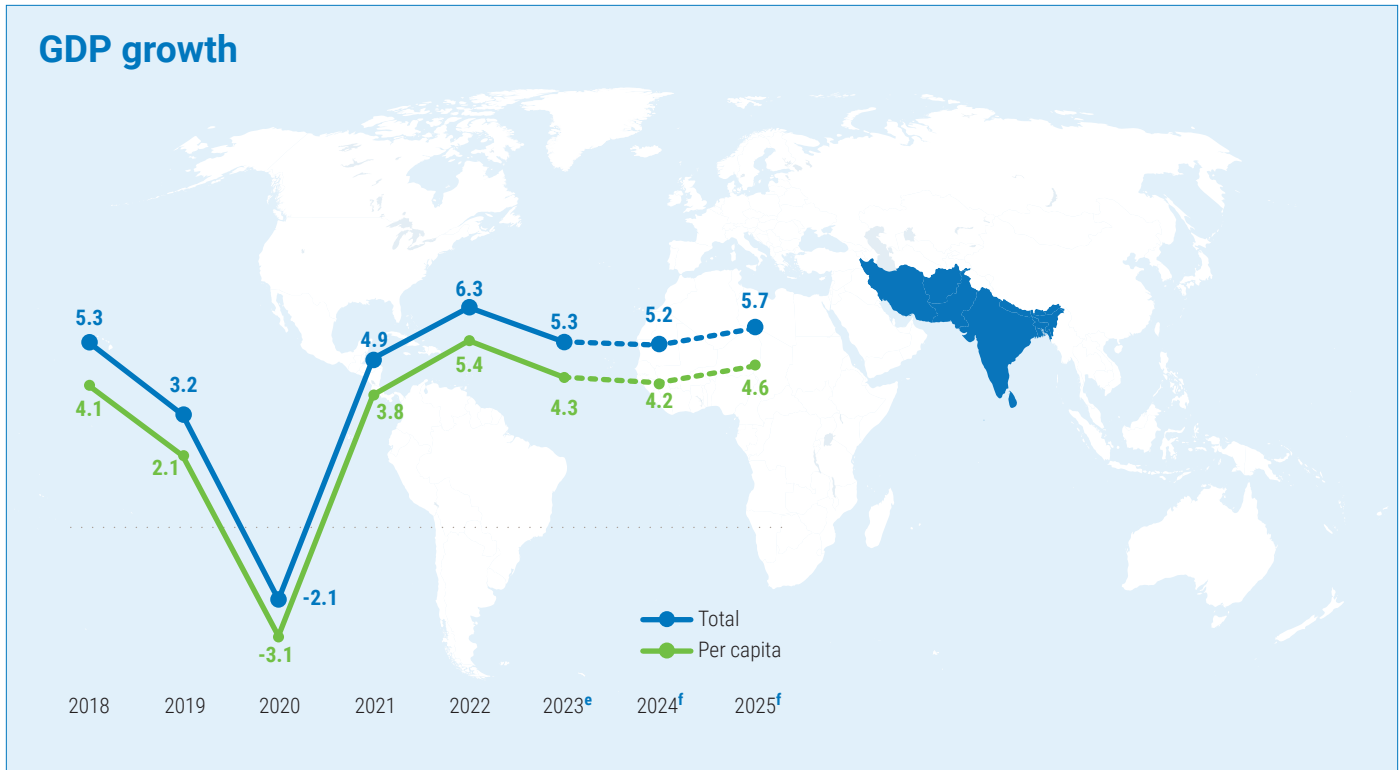
protecting vulnerable groups and increasing physical and human capital for long-term sustainability, focusing on priorities such as enhancing economic infrastructure, deepening digitalization, strengthening social protection systems, and increasing access to quality education. Redistributive policies should also be adopted to reduce the risk of increased inequality.

Going forward, the risks to the outlook remain largely tilted to the downside. In the near term,

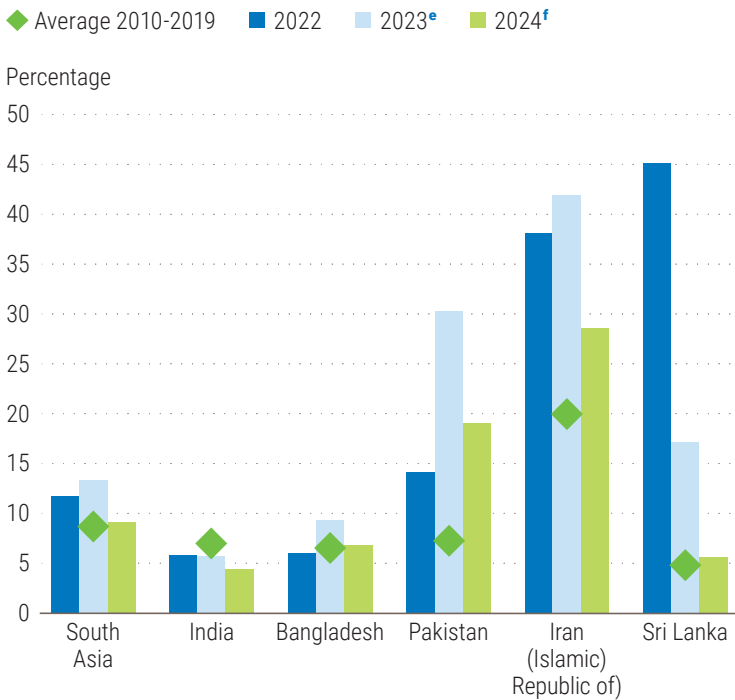
a deeper property sector correction in China could slow the country's growth more broadly, weighing on investment and household spending, with spillovers on trading partners. Moreover, if global inflationary pressures prove to be persistent, major developed country central banks could keep interest rates higher for longer or tighten monetary policy further, leading to tighter global financial conditions and consequently increasing risk premia, borrowing costs and capital outflows in the region.

In the medium term, slowing productivity growth will act as a drag on the region's potential growth. According to the ILO, annual growth in labour productivity (output per worker) slowed from 2.6 per cent in 2021 to 1.8 per cent in 2022 in the Asia-Pacific region, compared with average growth of 4 per cent during the period 2015–2019. Some of the decline is likely related to the recent crises, though there were deeper structural factors (such as demographic changes) evident even prior to the pandemic. The ongoing trade tensions between China and the United States and geopolitical fragmentation will increase trade-related restrictive measures and undermine the region's growth prospects, though major developed countries' reshoring or near-shoring policies and trade diversions may benefit some countries in the region (see chapter 1). As figure III.18a shows, the share of Chinese merchandise exports in all exports to the United States took a hit after the United States started imposing tariffs and quotas on imports from China in 2018, whereas the share of exports from Association of Southeast Asian Nations (ASEAN) members to the United States picked up despite the pandemic. This may also reflect the rerouting of some Chinese goods through third countries; outward investment by China in manufacturing and wholesale and retail trade with ASEAN countries has grown quickly in recent years amid rising labour costs in China (see figure III.18b). In addition, as climate-change-induced extreme weather events occur in Asia with greater frequency and intensity, the region will see increasing economic damage, with the most vulnerable countries and populations being disproportionately affected.

SOUTH ASIA



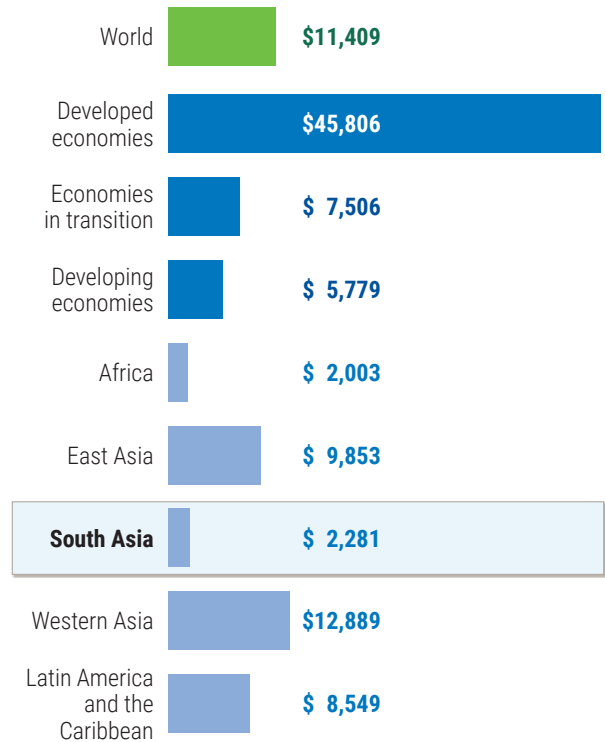
Inflation rates across South Asia



Source: UN DESA, based on estimates and forecasts produced with the World Economic Forecasting Model.



GDP per capita



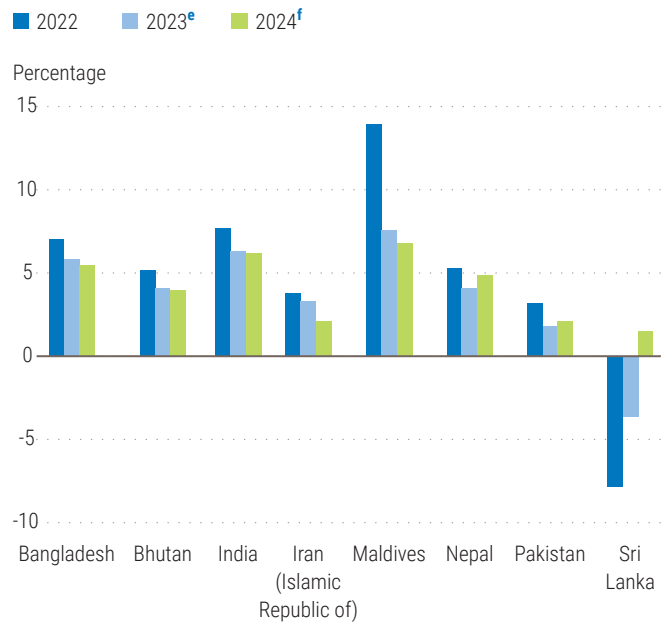
Notes: The boundaries and names shown and the designations used on this map do not imply official endorsement or acceptance by the United Nations. The map represents countries and/or territories or parts thereof for which data are available and/or analysed in the *World Economic Situation and Prospects 2024*. The shaded areas therefore do not necessarily overlap entirely with the delimitation of their frontiers or boundaries. Aggregate data for Africa exclude Libya and Sudan; those for South Asia exclude Afghanistan for the period 2023-2025, and those for Western Asia exclude the State of Palestine.
^e = 2023 estimates; ^f = 2024-2025 forecasts.

South Asia

Growth in South Asia is projected to remain robust at 5.2 per cent in 2024, slightly lower than the 5.3 per cent growth estimated for 2023.²⁵ However, the effects of higher interest rates will continue to weigh on investment, and weaker global demand will lead to slower export growth. Economic growth in India is projected to remain strong at 6.2 per cent in 2024, following an estimated expansion of 6.3 per cent in 2023, mainly supported by resilient private consumption and strong public investment. While manufacturing and services sectors will continue to support the economy, erratic rainfall patterns will likely dampen agricultural output. Growth projections for the rest of South Asia are mixed (see figure III.19). In Bangladesh, real GDP growth is expected to slow in 2024, whereas economic growth in Nepal is projected to improve. The outlook is still fragile for other countries in the region. In Sri Lanka and Pakistan,²⁶ modest economic growth is expected, with GDP projected to expand by 1.5 per cent in the former and 2.0 per cent in the latter in 2024.

Tight financial conditions and fiscal and external imbalances will continue to weigh on growth in South Asia in the near term. In addition, geopolitical tensions – including the ongoing war in Ukraine and the conflict in Western Asia – will expose net-oil-importing countries in the region, including India, to the risk of sudden oil price spikes. As the region is highly vulnerable to extreme weather conditions, the return of the El Niño climate phenomenon will also pose a significant risk to the economic outlook. Warmer-than-average temperatures will likely boost power demand and may also place a strain on local hydropower resources amid lower levels of precipitation, which could lead to power rationing constraining industrial activity, as has already been experienced by some South Asian countries in recent years.

Figure III.19
Economic growth in selected South Asian economies



Source: UN DESA, based on estimates and forecasts produced with the World Economic Forecasting Model.

Note: e = estimates; f = forecasts.

Climate-change-related events continued to have an adverse impact on the region in 2023. Droughts intensified considerably during July and August, affecting most of India, Nepal and Bangladesh, while Pakistan recorded above-average rainfall. In India, August was one of driest months in four decades, impacting the production of key staple crops in the most affected areas. El Niño is expected to affect precipitation patterns in many Asian countries, causing extreme droughts or floods and consequently impacting agricultural output (WFP, 2023). These shocks are expected to be disproportionately severe in countries where agriculture accounts for the largest share of GDP. Damage to key agricultural crops will most likely lead to further increases in food prices, intensifying food insecurity pressures across the region, particularly in those countries already facing high levels of food

²⁵ The economic growth estimate and forecast for South Asia excludes Afghanistan.

²⁶ Economic growth for Pakistan is on a fiscal year basis.

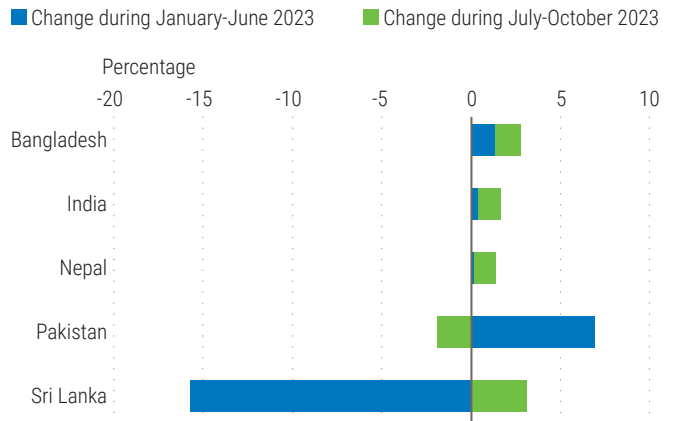
insecurity,²⁷ and undermining progress on the Sustainable Development Goals (SDGs).

Headline inflation accelerated in many countries during 2023, remaining above pre-pandemic levels. Food inflation in the region remains particularly elevated, mainly owing to still-high global food prices, local supply disruptions, depreciation pressures, and the impact of climate-related events on key crops. Regional headline inflation is projected to ease to 9.2 per cent in 2024 from an estimated 13.4 per cent in 2023 as domestic demand softens, international commodity prices stabilize, and local currency depreciations ease. Consumer price inflation in India is expected to decelerate from 5.7 per cent in 2023 to 4.5 per cent in 2024, staying within the 2 to 6 per cent medium-term inflation target range set by the Central Bank. The risk of a surge in inflation in the coming months cannot be ruled out, however, as potential increases in commodity prices and the adverse impact of climate events on food prices could disrupt the pace of disinflation.

Most countries in South Asia experienced currency depreciation pressures during the second half of 2023 (see figure III.20). Between July and October, the United States dollar climbed by around 6.5 per cent against a basket of global currencies, reaching its highest level in 11 months, mainly supported by the strong performance of the United States economy and high interest rates. Thus, between July and October, the Sri Lanka rupee depreciated by 3.2 per cent against the United States dollar, while the Indian rupee depreciated by 1.2 per cent.

After raising policy rates during 2022, most central banks in South Asia paused monetary tightening or started lowering their key policy rates in 2023, with a few exceptions. The Central Bank of Sri Lanka initiated a loosening cycle in mid-2023, as year-on-year inflation decelerated rapidly, plummeting from 51.7 per cent in January to 1.5 per cent in October. However,

Figure III.20
Exchange rate movements of selected South Asian currencies against the United States dollar



Source: UN DESA, based on data from Trading Economics.
Note: Positive values denote depreciations of national currencies against the United States dollar.

the Reserve Bank of India held its policy rate at 6.5 per cent from February 2023 onward as inflation pressures continued over the second half of 2023. The State Bank of Pakistan has kept its policy rate unchanged at a record high of 22 per cent since June 2023.²⁸ The Bangladesh Bank raised the policy interest rate by 75 basis points to 7.25 per cent in October, reflecting a continuation of the monetary policy tightening cycle that began in mid-2022.

The labour market situation in the region remained fragile in 2023 despite improvements in some countries. In India, labour market indicators improved over the year, with labour force participation increasing in August to its highest rate since the onset of the pandemic (Reserve Bank of India, 2023). The unemployment rate averaged 7.1 per cent in September, the lowest value in a year, with unemployment in rural areas falling despite weaker monsoon rains. Youth unemployment rates declined significantly during the first quarter of 2023 to the lowest value since the pandemic (World Bank, 2023c). In several other

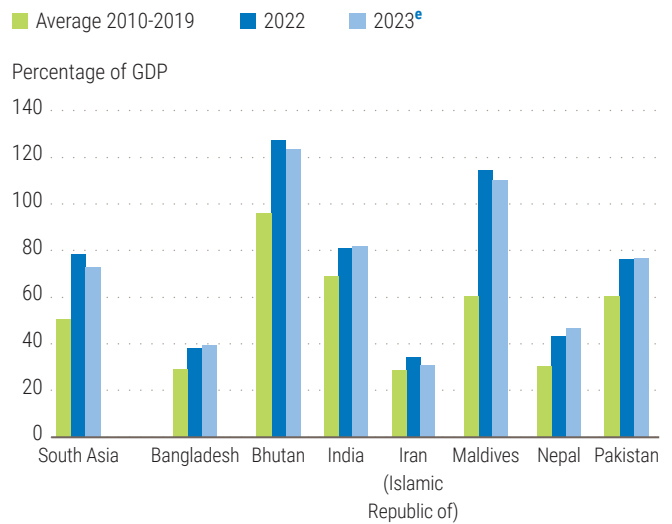
²⁷ In 2023, the number of people facing acute food insecurity increased in Bangladesh and Pakistan and decreased in Sri Lanka. Afghanistan continued to be the country most affected by the food crisis in the region, with around 46 per cent of the population facing acute levels of food insecurity.
²⁸ The policy rate was raised by 1,400 basis points between September 2021 and June 2023.

countries in the region, however, unemployment remained entrenched or even increased.

Fiscal and external vulnerabilities persist across the region. Public debt stood at high levels in 2023, with debt sustainability remaining a concern in several countries (see figure III.21). According to the IMF, four South Asian countries are experiencing high levels of sovereign debt distress. Tighter global financial conditions, coupled with existing high levels of sovereign debt and unsustainable debt-servicing burdens, prompted several South Asian countries to seek multilateral financial support over the past year. After defaulting on its sovereign debt in April 2022, Sri Lanka secured approval from the IMF in March 2023 for a 48-month Extended Fund Facility arrangement totalling \$3 billion. In October 2023, the country reached a staff-level agreement on the first review of the arrangement for the release of about \$330 million. Despite considerable improvements, including rapid disinflation and ongoing reforms, Sri Lanka continues to face challenges amid slowing foreign exchange reserve accumulation and protracted debt restructuring negotiations.

In June 2023, Pakistan entered into a Stand-by Arrangement with the IMF worth \$3 billion. The IMF programme is expected to help stabilize the economy, increase the country's foreign exchange

Figure III.21
General government gross debt in South Asia

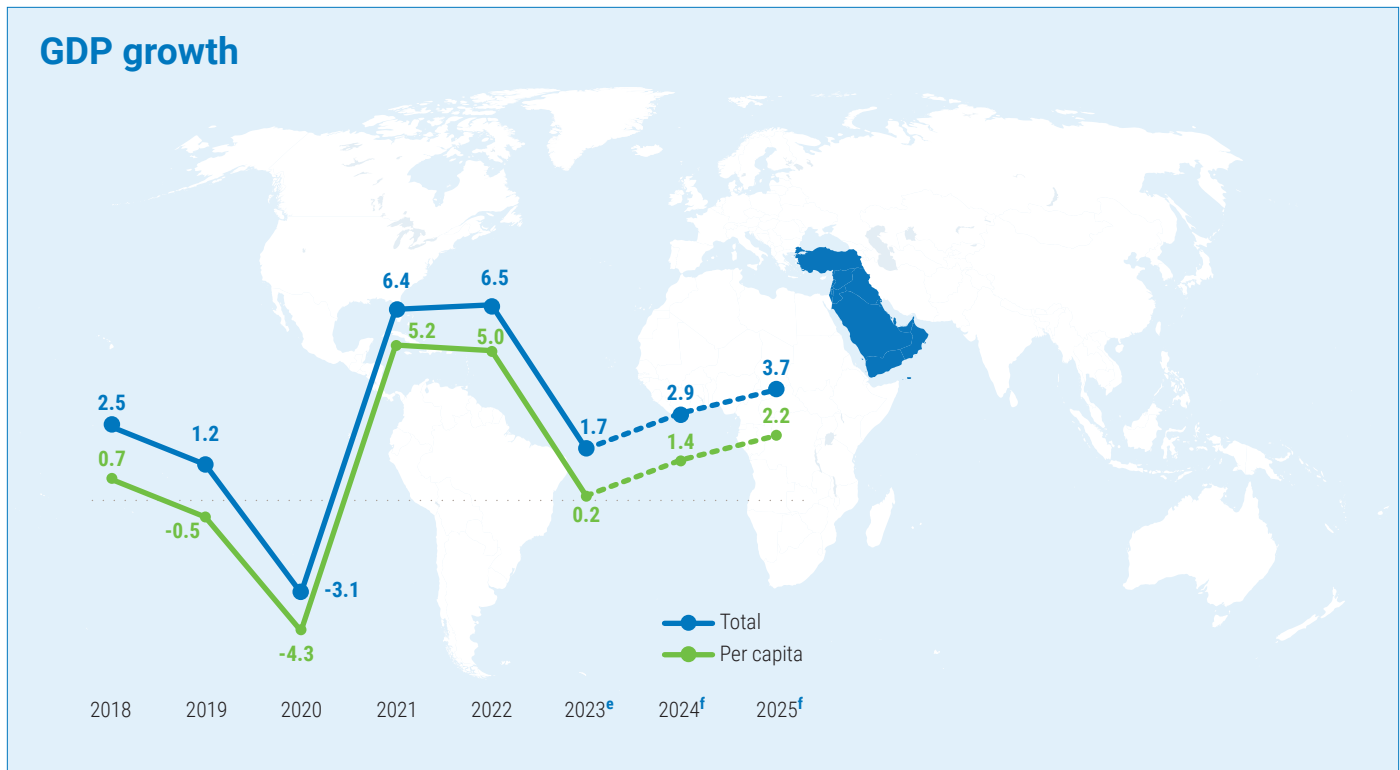


Source: UN DESA, based on data from the IMF World Economic Outlook database, October 2023.

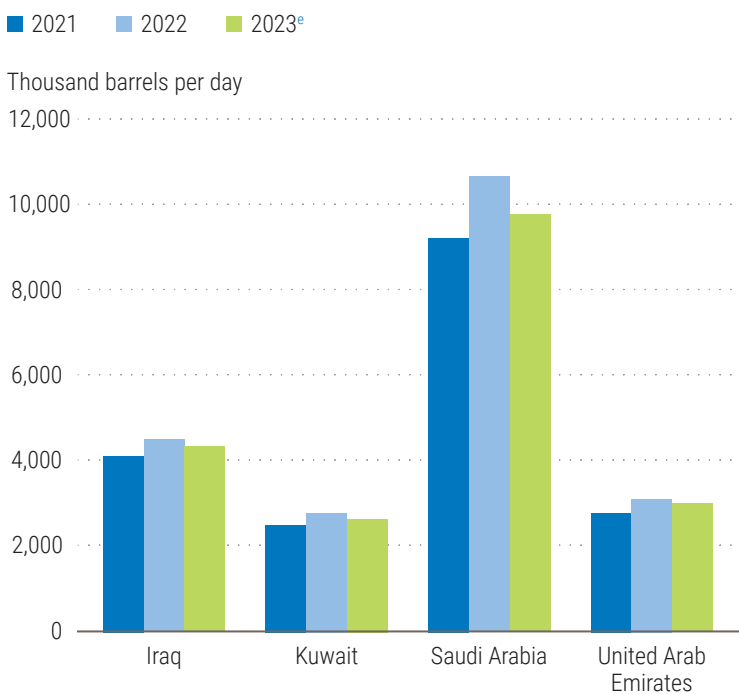
Note: e = estimates.

reserves, and facilitate fiscal adjustment while also protecting crucial social spending. In the near term, Governments in the region will likely continue to pursue fiscal consolidation to improve debt sustainability. Achieving this goal will be challenging, however, and will hinge on boosting revenue mobilization, enhancing spending efficiency, and continuing to make progress on structural reforms.

WESTERN ASIA



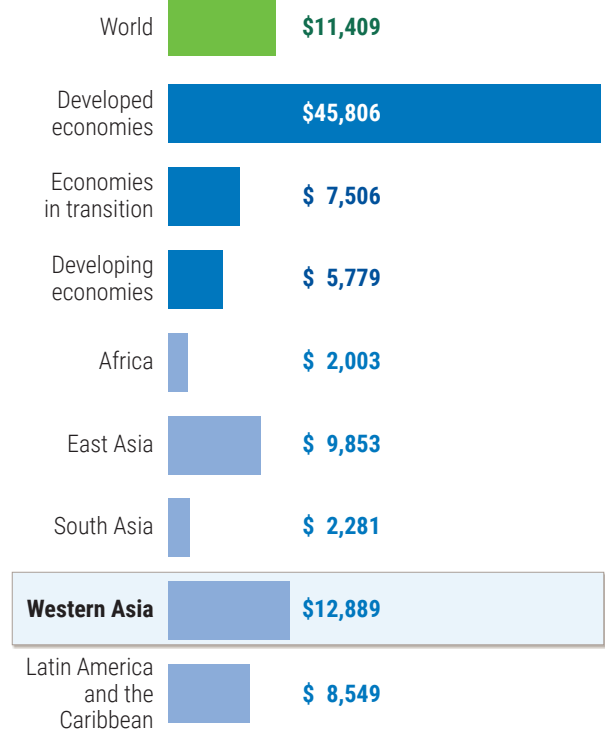
Crude oil production of major oil producers in Western Asia



Source: UN DESA, based on data from OPEC Monthly Market Report.



GDP per capita 2023



Notes: The boundaries and names shown and the designations used on this map do not imply official endorsement or acceptance by the United Nations. The map represents countries and/or territories or parts thereof for which data are available and/or analysed in the *World Economic Situation and Prospects 2024*. The shaded areas therefore do not necessarily overlap entirely with the delimitation of their frontiers or boundaries. Aggregate data for Africa exclude Libya and Sudan, those for South Asia exclude Afghanistan, and those for Western Asia exclude the State of Palestine for the period 2023-2025. e = 2023 estimates; f = 2024-2025 forecasts.

Western Asia

Economic activity in Western Asia deteriorated in 2023. Political instability and escalating conflicts overshadow growth prospects in the region. GDP growth is estimated at 1.7 per cent for 2023, down from 6.5 per cent the previous year, but GDP is expected to increase by 2.9 per cent in 2024 and 3.7 per cent in 2025.²⁹

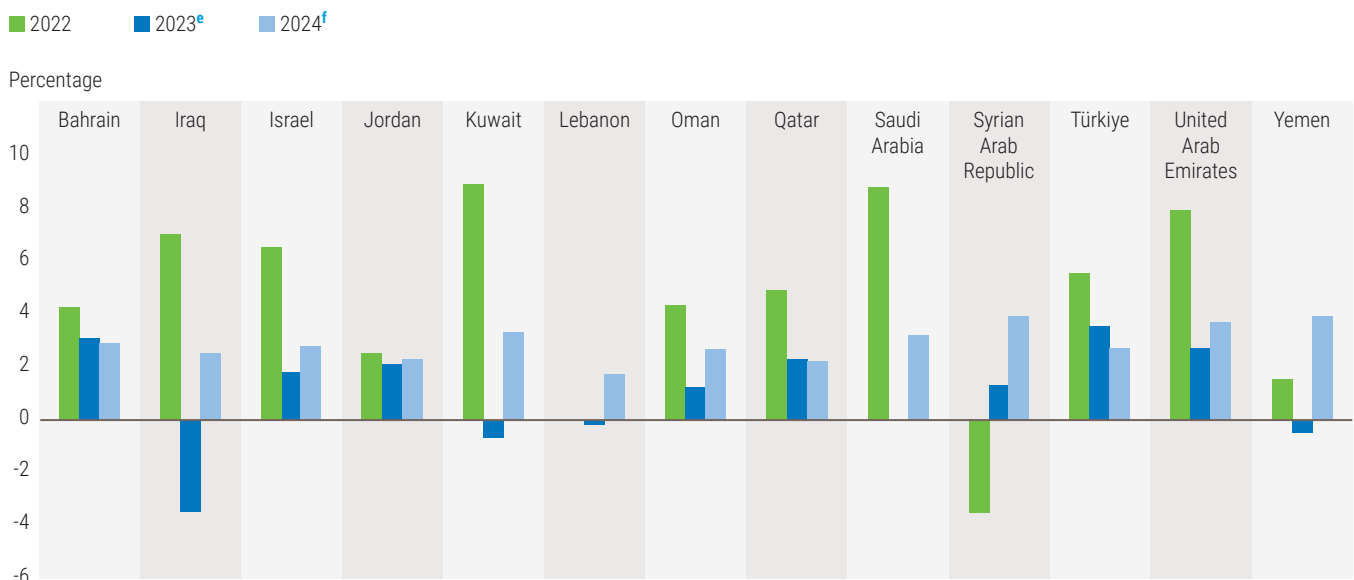
Major oil producers in the region experienced a sharp slowdown in growth (see figure III.22), reflecting the voluntary cuts in oil production announced in April and June by OPEC+ countries³⁰ to support and stabilize oil prices. Despite production cuts, average oil prices in 2023 remained below the levels of 2022. The Brent crude oil spot price peaked at around \$97 per barrel in September but fell back to around \$80 per barrel by the end of November 2023 and continued to trend downward for the rest of the year, driving down oil revenues (see figure III.23).

Saudi Arabia announced additional cuts during 2023, leading to further contraction in its oil sector. As a result of lower oil production levels amid subdued prices, economic growth in Saudi Arabia is expected to be flat for 2023, contracting from a record high 8.7 per cent growth in 2022. Average growth in the Cooperation Council for the Arab States of the Gulf (GCC) economies – Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates – is expected to slow down in 2024 due to less favourable oil market prospects.

Reduced oil production contributed to an overall slowdown in economic growth in the GCC member States, masking the resilient growth of non-hydrocarbon sectors. In Saudi Arabia, the share of the oil sector in GDP has gradually been reduced over the past two decades, declining from 55 per cent in 2000 to 38 per cent in 2023. Nonetheless, the substantial decline in crude oil production caused an estimated 8.3 per cent contraction in the oil sector, offsetting the 6.1 per cent growth in the non-oil sector in 2023. Consequently, the country's GDP growth

Figure III.22

Economic growth in Western Asia



Source: UN DESA, based on estimates and forecasts produced with the World Economic Forecasting Model.

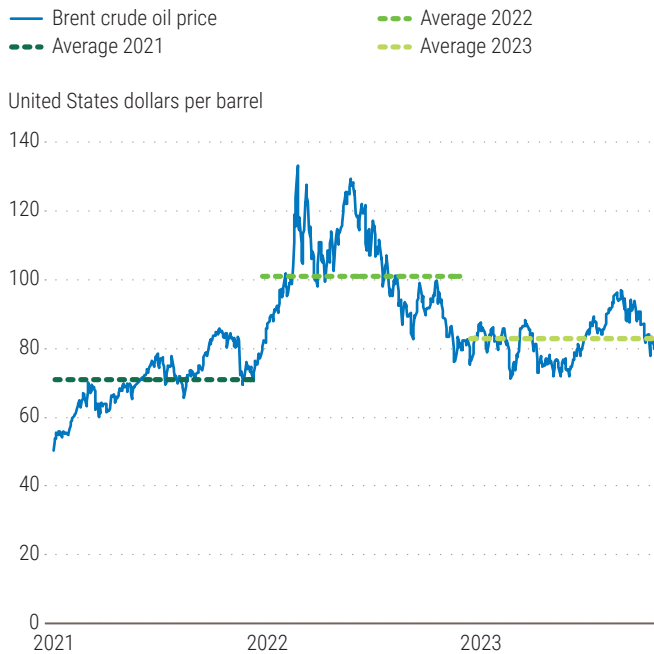
Note: e = estimates; f = forecasts.

29 Regional GDP growth averages do not include estimates and forecasts for the State of Palestine for the period 2023–2025.

30 The OPEC+ coalition includes the Organization of Petroleum Exporting Countries and 10 of the world's major non-OPEC exporters, including the Russian Federation.

Figure III.23

Oil spot prices, with averages for 2021-2023



Source: UN DESA, based on data from the United States Energy Information Administration.

Note: The average for 2023 includes data up to the end of November.

rate is estimated to have remained at zero for the year. A positive trend in the GCC countries has been the strong growth of non-oil-related activities in the tourism, hospitality, transport and communications sectors. These countries are also benefiting from the sustained recovery of the real estate sector from the slump since 2015. Numerous infrastructure projects will contribute significantly to the robust growth of the non-oil sector.

Saudi Arabia can look forward to increased investment through the Public Investment Fund (PIF), growth in private consumption, significant expansion in the entertainment sector, and a boost in tourism as the country resumes religious tourism and continues to promote internal tourism.³¹ In the United Arab Emirates, the tourism and services sectors continued to play an important role in economic growth in 2023, along with increased domestic consumption.

³¹ International arrivals are estimated at 28 million for 2023.

Economic growth in non-oil-producing countries is projected to moderate. In Lebanon, GDP is estimated to have shrunk slightly (by around 0.2 per cent) in 2023 despite the strong revival of tourism and the inflow of remittances, which supported domestic consumption. The country continues to suffer from a lack of basic services, the deterioration of infrastructure, the prevalence of multiple exchange rates, and institutional weaknesses. In Jordan, growth will be driven by continued recovery in the tourism sector and increased revenues from phosphate production.

The ongoing conflict between Israel and Hamas has had a significant impact on the State of Palestine (see box III.2). Even prior to this conflict, the economy of the State of Palestine, especially that of the Gaza Strip, was experiencing a steady slowdown; GDP for Gaza at 2015 prices fell to \$2,723 million in 2022 from a peak of \$3,320 million in 2013. GDP in Gaza contracted over the first and second quarters of 2023 as well, with growth in the second quarter of 2023 registered at -6.4 per cent relative to the same period in 2022. The conflict has further exacerbated the situation, with the catastrophic humanitarian crisis in the fourth quarter of 2023 significantly disrupting daily economic activities. Concurrently, there have been adverse effects on the economy of the West Bank, particularly in the services sector (tourism) but also in other areas of domestic and international commerce. The loss of human lives, the sharp decline in economic activities, and the destruction of productive capacities impose not only immediate losses, but also lingering long-term damage to potential output, socioeconomic development, and SDG progress in the State of Palestine.

Economic growth in Türkiye is estimated to have slowed from 5.5 per cent in 2022 to 3.5 per cent in 2023 and is expected to decline further, to 2.7 per cent in 2024. Early in 2023, the country was struck by a series of earthquakes that resulted in widespread damage and tens of thousands of fatalities. Early assessments estimated direct damages at \$34 billion (World Bank, 2023) and

Box III.2

Conflict in Gaza: expected socioeconomic impacts on the State of Palestine

The conflict in Gaza and Israel erupted in October 2023 and has taken a heavy toll, resulting in a large number of human lives lost in Israel and the State of Palestine in a short space of time (United Nations, 2023a). As of this writing, a humanitarian pause had just ended, and the humanitarian situation in Gaza worsened. At the end of November 2023, an estimated 1.5 million of the 2.2 million residents of Gaza were identified as having been displaced; approximately 830,000 of them were women and girls (UN Women, Palestine Country Office, 2023). Hunger was widespread, with nearly the entire population needing food assistance. With hospitals lacking basic supplies, staff and fuel, the medical system broke down. More than 300,000 students were impacted by the closure of all schools run by the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA, 2023).

By 22 November 2023, at least 60 per cent of the housing stock in Gaza had reportedly been destroyed or damaged; in numerical terms, 233,000 units had been damaged and 45,000 units had been destroyed (OCHA, 2023a). In addition to the considerable damage to utilities-related

infrastructure (water, sewage and electricity), educational facilities and agricultural infrastructure have also suffered significant destruction. The conflict has thus far resulted in approximately 390,000 job losses across Gaza and the West Bank (ILO, 2023b). Such losses have long-term implications for socioeconomic development in Gaza.

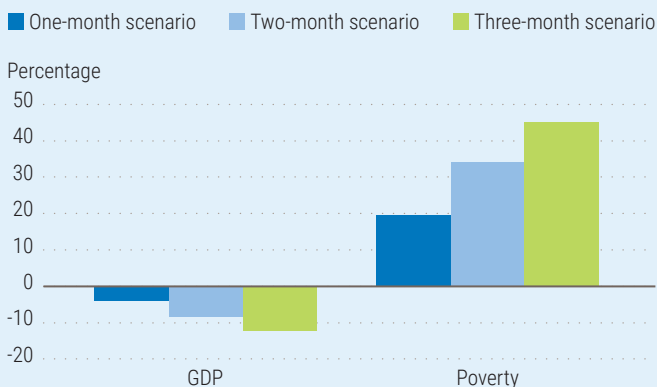
Because of the extensive damage caused by the conflict, a prolonged period of recovery will be required for Gaza, undermining its development prospects for years. Projections based on ESCWA computable general equilibrium (CGE) model simulations for the State of Palestine (ESCWA and UNDP, 2023) suggest that the current situation could lead to a potential 20–45 per cent increase in poverty rates depending on the duration of the conflict (see figure III.2.1), exacerbating food insecurity and malnutrition risks. Nearly the entire population of Gaza (96 per cent of all residents) could become classified as multidimensionally poor according to the national multidimensional poverty index, with a significant (11–16 year) setback in overall human development owing to reduced educational attainment, diminished life expectancy, lower per capita income, and undernourishment.

According to the ESCWA model estimates, GDP is projected to drop by 4–12 per cent in 2023 and by 4–9 per cent in 2024 relative to pre-conflict forecasts because of a significant decline in trade and investment and increases in production costs, including transportation. Consequently, the negative impact on potential output and productivity will likely be long-lasting. The fiscal position is also projected to deteriorate given the additional uncertainty surrounding the disbursement of tax revenues collected by Israel on behalf of the Palestinian Authority (representing around 64 per cent of total revenues in 2022). Given the current fiscal scenario, the State of Palestine will be unable to support a rapid recovery path via fiscal measures. The present conflict, even in the most optimistic scenario, will likely have an impact on human capabilities in the Gaza Strip for years to come. Aid from the international community will remain critical for supporting recovery and preventing the further collapse of potential output and productivity.

Author: *United Nations, Economic and Social Commission for Western Asia, with additional input from UN DESA and other sources*

Figure III.2.1

Impact of one-month, two-month and three-month war scenarios on GDP and poverty in the State of Palestine

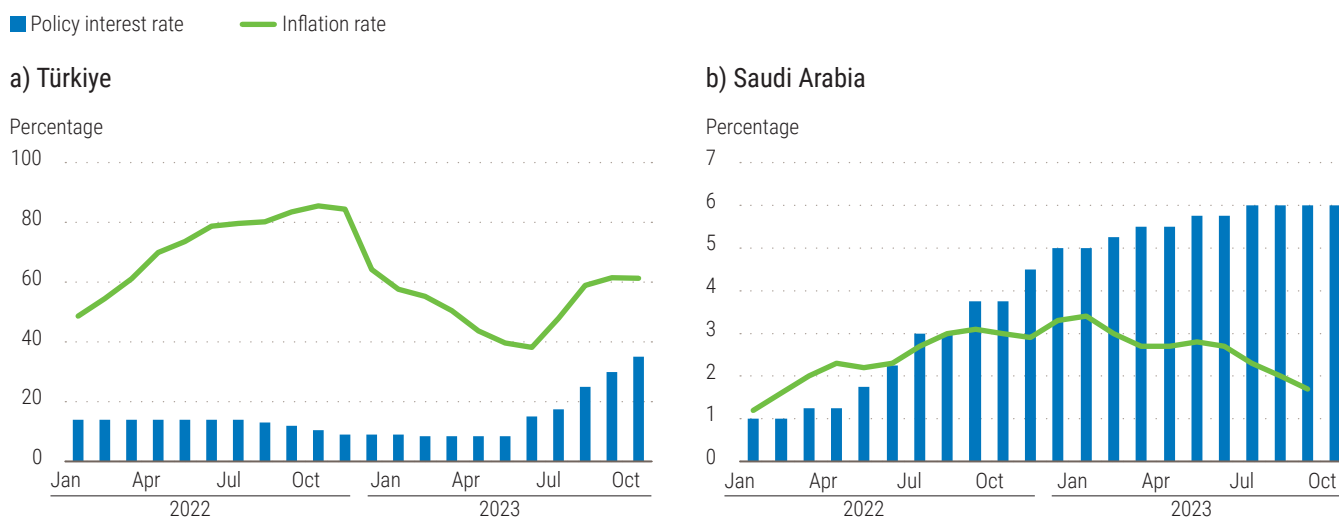


Source: ESCWA CGE modelling. Estimates are based on ESCWA CGE model simulations and calculations from United Nations Development Programme (UNDP) economists.

Notes: The model assumes that total factor productivity dropped to zero in Gaza and to 50 per cent of the monthly average in the West Bank, and that all financial flows into the State of Palestine stopped during the assumed duration of the war. It is assumed that the destruction of capital stock in the State of Palestine will range from 4 to 7 per cent under the three scenarios – 4 per cent for the one-month scenario, 6 per cent for the two-month scenario, and 7 per cent for the three-month scenario. Estimates are subject to change once more data become available.

Figure III.24

Inflation rate and policy interest rate movement in Türkiye and Saudi Arabia, 2022-2023



Source: UN DESA, based on data from the Saudi Central Bank, the Central Bank of the Republic of Türkiye, the Saudi General Authority for Statistics, and the Turkish Statistical Institute.

broad economic costs at \$84 billion (TÜRKONFED, 2023), translating into a GDP loss of around 1 per cent for the year. However, the impacts were subsequently determined to be largely localized to the region affected. In terms of GDP, the reconstruction spending in the earthquake-stricken regions partially offset the disruption in economic activity. Additionally, stronger-than-expected domestic demand and fiscal stimulus in the first half of the year drove economic growth higher than the estimates released earlier in the year.

Years of unconventional monetary policy and low interest rates largely failed to boost productivity and economic growth in Türkiye, resulting in a weak domestic currency. The value of the Turkish lira relative to the United States dollar plunged from 3.76 to 28.59 Turkish lira between January 2018 and November 2023, triggering soaring inflation that reached 72 per cent in 2022. Inflation is estimated to have remained elevated at 55 per cent in 2023. It is expected to ease in 2024 but will remain in the double digits until 2025. In order to curb inflation, the Central Bank

increased the policy rate five times, from 8.5 to 35 per cent, between June and October 2023 (see figure III.24a).³²

The economy of Israel is believed to have experienced a significant slowdown between 2022 and 2023, with real GDP growth estimated to have declined from 6.5 to 1.8 per cent amid falling private consumption and expectations surrounding the mobilization of part of the labour force for military reserve duty. The slowdown has made the management of public finances more challenging. As at October 2023, interest rates remained unchanged, signalling that with the ongoing conflict it is likely that the Government will avoid tightening, at least in the near term.

Consumer price inflation in the region is estimated to have averaged around 19.6 per cent in 2023, down from 25.3 per cent in 2022.³³ The halting of the Black Sea Grain Initiative by the Russian Federation on 17 July 2023 and the significant negative impact of this move on prices of essential food items, alongside depreciating exchange rates in a number of countries, largely explain

³² The Central Bank raised interest rates further, to 40 per cent, on 23 November 2023.

³³ Regional consumer price inflation averages exclude Lebanon for the whole period and the State of Palestine in the period 2023–2025.

the high inflation in Western Asia. Inflation is expected to decrease to 15.2 per cent in 2024 and to 8.4 per cent in 2025. Because of fuel subsidies, the GCC economies and Iraq are projected to be able to keep inflation rates at around 3.0 per cent or lower. The inflation rate in Saudi Arabia declined sufficiently during 2023, but the Saudi Central Bank maintained a tight monetary stance in order to maintain the currency peg with the United States dollar (see figure III.24b).

Meanwhile, a number of countries in the region are facing challenging political and economic circumstances – including socioeconomic crises, the depreciation of local currencies, and tight financial conditions – that are affecting inflation rates. Inflation in Lebanon reached 230.4 per cent in 2023 and is projected to drop to 78.0 per cent in 2024 and 30.7 per cent in 2025 amid sharp exchange rate depreciation. In the Syrian Arab Republic, the progressive devaluation of the domestic currency (from 3,015 to 8,542 Syrian pounds) relative to the United States dollar in 2023 will add to inflationary pressures; nevertheless, inflation in the country is expected to decline from an estimated 38 per cent in 2023 to 22 per cent in 2024.

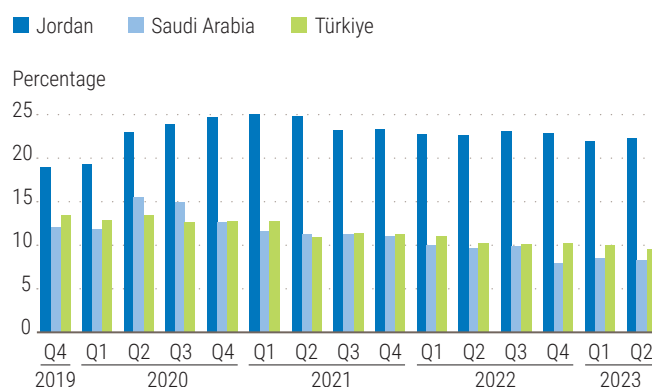
The fiscal position in the region remains very challenging. While energy-producing countries benefited from the higher energy prices in 2022, the situation changed in 2023 as global energy prices declined and oil production was curtailed. The fiscal deficit is expected to average 4.1 per cent of GDP during the period 2023–2025. The drop in oil production in 2023 and the elevated inflation rates will limit the fiscal space of countries and widen fiscal deficits. Furthermore, several countries have either expanded their subsidy coverage or have adopted other targeted measures to mitigate the impact of elevated inflation rates on vulnerable households. These measures will exert further pressures on budgets and will also widen the fiscal deficit.

The decline in global oil prices, coupled with the generous subsidies and national support programmes, are expected to negatively affect revenues in the GCC countries and contribute to a fiscal deficit of around 2.0 per cent of GDP

during the period 2023–2025. Benefiting from the increased production of gas to meet growing demand, Qatar will widen its fiscal surplus. The United Arab Emirates will maintain a fiscal surplus during the outlook period, benefiting from increased revenues as a result of the promulgation of a corporate tax law in December 2022. In Saudi Arabia, the expansionary policy, increased public investments, outlays linked to the Citizen Account Program (which helps protect Saudi Arabian households from price fluctuations), and tax exemptions given to foreign companies relocating to Saudi Arabia are expected to increase expenses and decrease revenues, widening the fiscal deficit.

In 2023, the unemployment rate fell below the pre-pandemic level in both Saudi Arabia and Türkiye (see figure III.25). The unemployment rate among Saudi Arabian nationals stood at a historic low of 8.3 per cent in the second quarter of 2023. The improvement in the employment situation was driven by a decline in the female unemployment rate from 31.4 per cent in the second quarter of 2020 to 15.7 per cent in the second quarter of 2023. Other countries in the region present a mixed picture. The unemployment rate in Jordan, for example, remained above the pre-crisis level, presenting a key policy challenge for the Government.

Figure III.25
Unemployment in selected economies in Western Asia

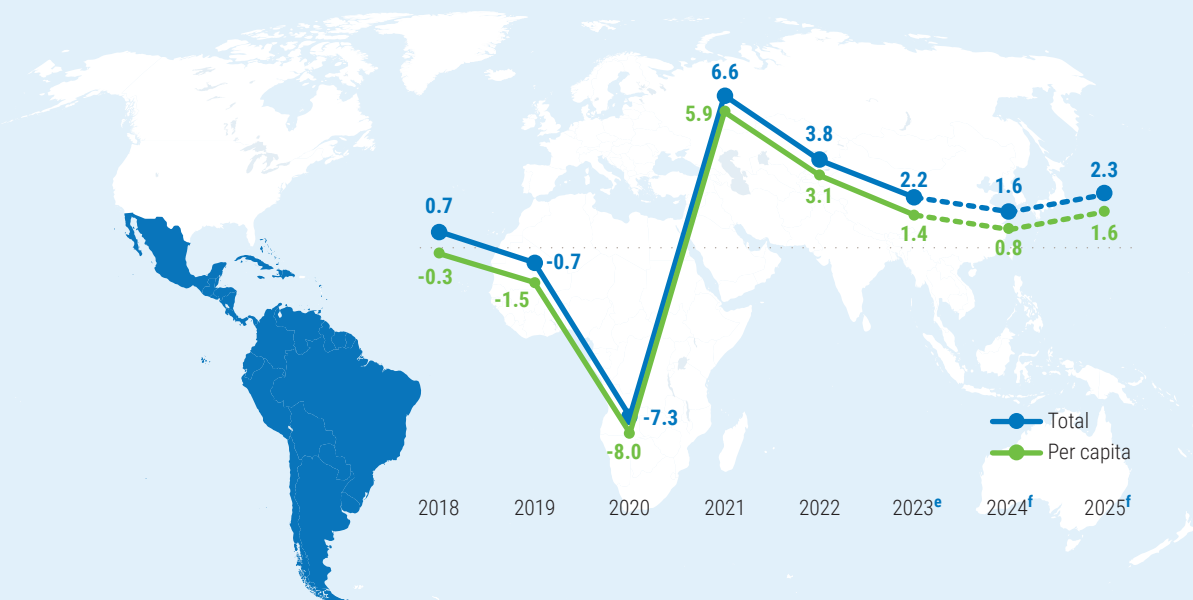


Source: UN DESA, based on data from the Department of Statistics in Jordan, the General Authority for Statistics in Saudi Arabia, and the Turkish Statistical Institute.

Note: The unemployment rate for Saudi Arabia is for Saudi Arabian nationals only.

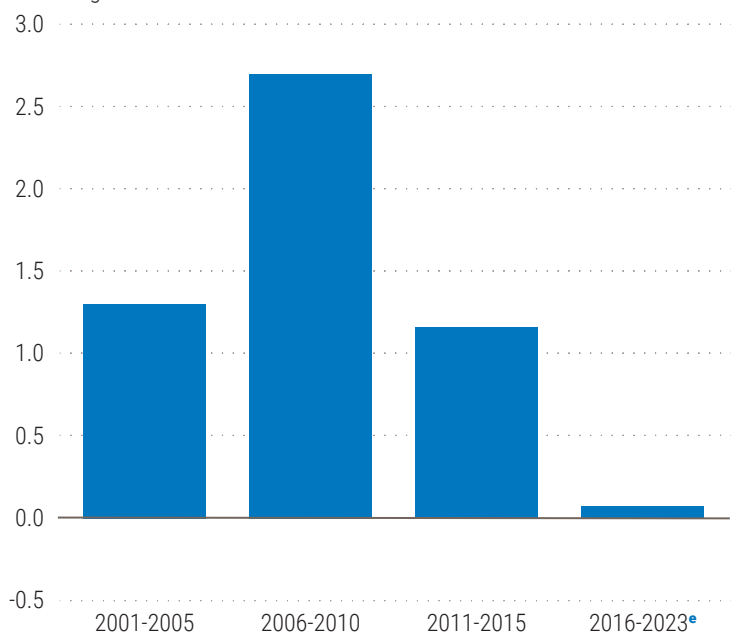
LATIN AMERICA AND THE CARIBBEAN

GDP growth



GDP per capita growth

Percentage



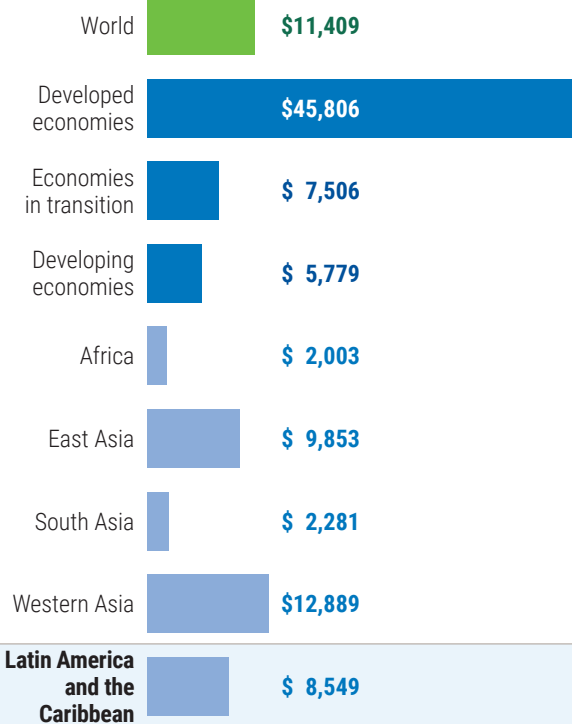
Source: UN DESA, based on estimates and forecasts produced with the World Economic Forecasting Model.

Note: 2016-2023 excludes the data in 2020 and 2021.



GDP per capita

2023



Notes: The boundaries and names shown and the designations used on this map do not imply official endorsement or acceptance by the United Nations. The map represents countries and/or territories or parts thereof for which data are available and/or analysed in the *World Economic Situation and Prospects 2024*. The shaded areas therefore do not necessarily overlap entirely with the delimitation of their frontiers or boundaries. Aggregate data for Africa exclude Libya and Sudan, those for South Asia exclude Afghanistan, and those for Western Asia exclude the State of Palestine. e = 2023 estimates; f = 2024-2025 forecasts.

Latin America and the Caribbean

The economic outlook in Latin America and the Caribbean is deteriorating. Growth is slowing down, inflation is receding but remains elevated in several economies, macroeconomic policy space is limited, and increased investment is needed to tackle social challenges and climate change. In 2023, economic activity was stronger than previously anticipated amid resilient consumption and investment demand, robust capital flows, and moderately robust external demand. Regional GDP expanded by 2.2 per cent, slightly above the average of 1.9 per cent between 2010 and 2019. In 2024, however, regional GDP growth is projected to decelerate, as tight monetary conditions will negatively impact aggregate demand, slower external demand will limit export growth, and structural domestic vulnerabilities, including political uncertainties, will weigh negatively on investment. Regional GDP is projected to expand by 1.6 per cent in 2024, with significant downside risks. Hence, the region is on track to resume the low-growth trajectory observed before the pandemic crisis.

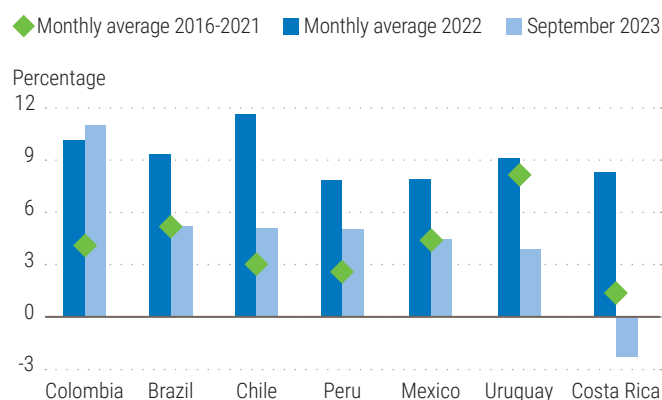
The downside risks come from both external and domestic factors. On the external front, underwhelming economic expansion in the United States and China could impact exports, remittances and capital inflows. Renewed volatility in global financial markets due to unanticipated decisions from the United States Federal Reserve or an escalation of geopolitical conflicts could impact capital inflows further and reduce monetary and fiscal policy space. On the domestic front, climate-related shocks and the El Niño phenomenon could disrupt economic activity, push up food prices, and trigger renewed inflationary pressures. An excessively prolonged tight monetary stance could aggravate the slowdown in a few economies in the region.

GDP growth in Brazil was a robust 3.1 per cent in 2023 but is projected to slow significantly to 1.6 per cent in 2024 due to the time-lagged impacts of higher interest rates on consumption and investment as well as slower external demand. However, the new fiscal framework and

renewed emphasis on public-private investment might help support growth in the coming years. The outlook in Mexico remains stable, but growth is projected to slow down in 2024 due to the deceleration of growth in the United States and more subdued aggregate demand, particularly investment, following robust expansion in 2023. GDP is projected to increase by 2.3 per cent in 2024 following an expansion of 3.5 per cent in 2023. Meanwhile, the economy of Argentina remains in crisis amid elevated inflation and other macroeconomic imbalances. GDP is estimated to have contracted by 2.5 per cent in 2023 due to a significant decline in consumption and a collapse in investment. The recession is projected to continue in 2024. However, there are some bright spots across the region. For example, GDP growth is projected to remain moderately robust (above 4.0 per cent) in Panama, Paraguay, the Dominican Republic and Guyana in 2024.

Due to early and aggressive interest rate hikes by central banks, lower food and energy prices, and the withdrawal of pandemic-era stimulus measures, inflation began to decline across the region in July 2022 (see figure III.26). In Brazil, annual inflation fell from 12.0 per cent in April 2022 to 3.1 per cent in June 2023 before rising to 5.2 per cent in September 2023. In Mexico, annual inflation fell from 8.4 per cent in October 2022 to 4.5 per cent in September 2023. Between January

Figure III.26
Inflation in selected economies in Latin America and the Caribbean



Source: UN DESA, based on data from Trading Economics.

and September 2023, annual inflation declined by 5.0 percentage points or more in Chile, Costa Rica and Guatemala. A few economies, however, continued to experience elevated and chronic inflation amid macroeconomic imbalances and the devaluation of domestic currencies. In Argentina, annual inflation reached a record high of 138 per cent in September 2023, while in the Bolivarian Republic of Venezuela it surpassed 400 per cent in April 2023. In Haiti, Cuba and Suriname, annual inflation is forecast to remain above 10 per cent in 2024. In terms of the broader outlook, inflation is projected to continue declining in most economies in 2024. Annual inflation for the region is expected to decline from an estimated 6.8 per cent in 2023 to close to 4.3 per cent in 2024, falling below the average inflation rate of 4.6 per cent observed between 2015 and 2020.³⁴

Most central banks across the region maintained a restrictive monetary policy stance in 2023. However, as inflationary pressures receded and aggregate demand slowed, several central banks began to cut interest rates. The central bank of Costa Rica started to reduce interest rates as early as March 2023. The central bank of Chile followed, cutting interest rates in July, September and October by a cumulative 225 percentage points, bringing interest rates down to 9.0 per cent. The central banks of Brazil, Paraguay, the Dominican Republic and Uruguay began their easing cycle by mid-2023. As the easing cycle gains momentum in the region in the coming months, interest-rate differentials with the United States will likely narrow, which could reduce capital inflows and increase depreciation pressures in some economies. If the Federal Reserve increases interest rates more than currently expected or if El Niño triggers renewed inflationary pressures, a few central banks may soften or even pause their projected interest rate cuts in 2024.

Labour markets were moderately resilient in Latin America and the Caribbean in 2023. In Brazil, the unemployment rate fell below

8 per cent in August 2023 – its lowest level since 2015. In Mexico, unemployment hovered around 3.0 per cent, and real wages increased significantly amid a substantial increase in minimum wages. During the second half of 2023, however, the dynamism in the labour markets gradually began to falter amid deteriorating economic activity in some economies. In addition, average real wages declined as inflation remained elevated in several countries, including Argentina and Peru. On average, real wages are estimated to have fallen by 0.4 per cent in 2023 following a decline of 0.7 per cent in 2022. The labour market situation is particularly challenging in Belize, Panama and Chile. In Chile, the unemployment rate increased from 7.9 per cent in December 2022 to 9.0 per cent in September 2023, with a large job deficit (relative to pre-pandemic trends) impacting low-skilled and young workers in particular.

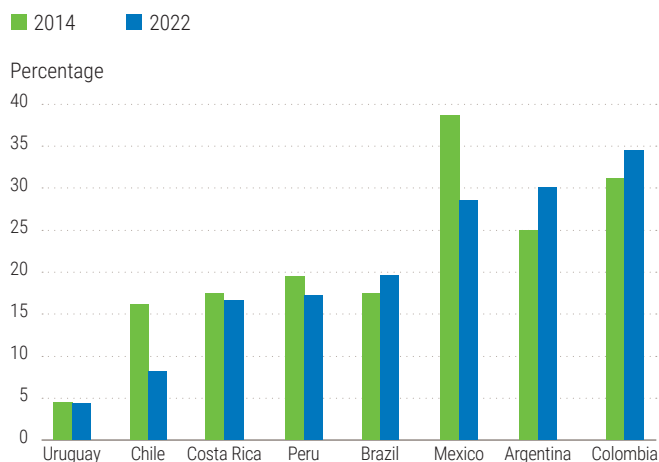
Amid subdued growth prospects, high borrowing costs, and the slowdown in the United States and China, the labour market outlook will remain challenging. Employment growth will decelerate further, and unemployment rates are likely to increase in some economies. Gender gaps are projected to remain wide across the region. In 2023, the gender gaps in labour force participation and unemployment respectively averaged 22.2 and 2.0 percentage points (ECLAC, 2023a), similar to the levels observed before the pandemic.

Poverty will remain elevated in the near term, hovering close to pre-pandemic levels. The regional poverty rate for 2023 is estimated at 29.1 per cent – slightly lower than the respective rates of 31.6 and 30.2 per cent registered in 2010 and 2019 (ECLAC, 2023b). In some countries, however, including Argentina, Brazil and Colombia, poverty has increased in recent years (see figure III.27). Without substantial growth acceleration, the region will not experience a significant reduction in poverty in the coming years.

Amid elevated public debt and rising debt-servicing costs, fiscal policy space remains

³⁴ Inflation numbers at the regional level exclude Argentina and the Bolivarian Republic of Venezuela.

Figure III.27
Poverty rates in selected countries in Latin America and the Caribbean



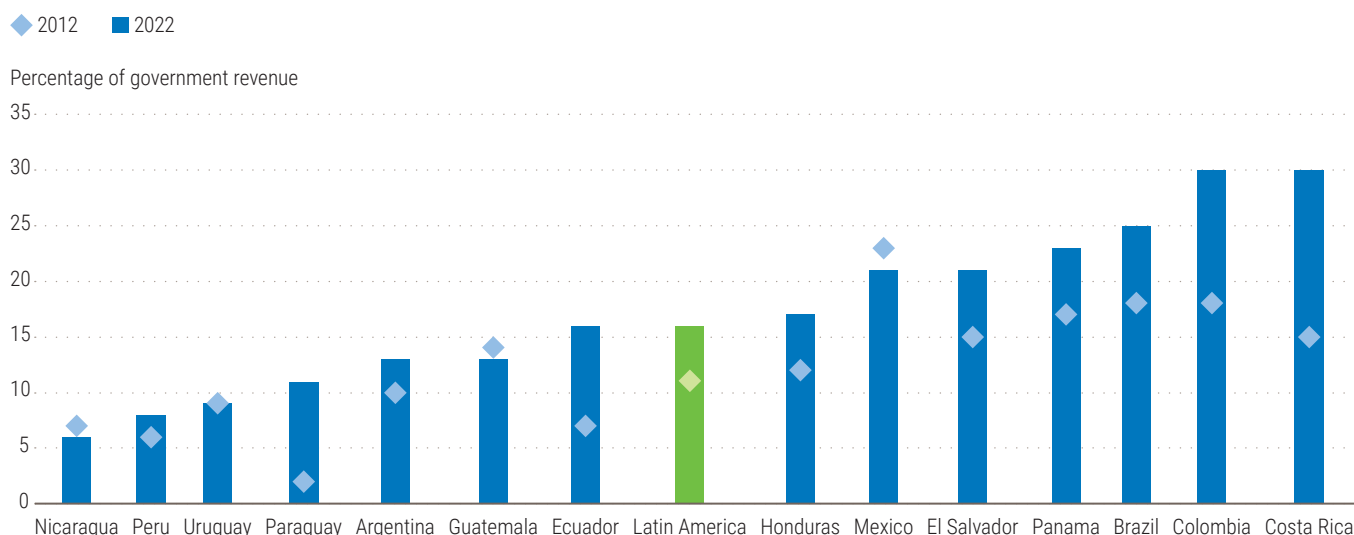
Source: UN DESA, based on data from ECLAC (2023b).

limited. After reaching a peak of 56.3 per cent of GDP in 2020, public debt in Latin America fell to an estimated 49.5 per cent in 2023. In the Caribbean countries, public debt is higher, averaging 77.9 per cent of GDP for 2023, down from a peak of 87.6 per cent in 2020. Liquidity positions have also deteriorated in recent years, with interest payments increasing substantially

due to higher levels of debt and rising interest rates. On average, interest payments as a share of revenue increased from 11 per cent in 2012 to 16 per cent in 2023 (ECLAC, 2023a). In Brazil, Colombia, Costa Rica, Mexico and Panama, interest payments represent more than 20 per cent of fiscal revenues (see figure III.28). Due to tighter monetary conditions, sovereign bond yields have also increased (see figure III.29), while interest rates for new issuances rose from an average of 3.6 per cent in 2021 to 4.9 per cent in 2022 and to 6.3 per cent in the first half of 2023 (ECLAC, 2023a). Under prevailing conditions, Governments in the region are facing major constraints to financing the enormous investment needed to achieve progress towards the SDGs.

The fiscal deficit expanded from 2.3 per cent of GDP in 2022 to an estimated 3.0 per cent in 2023 due to lower fiscal revenues. The slowdown and lower international commodity prices contributed to the lower fiscal revenues in most countries. In the Caribbean, however, the fiscal deficit is estimated to have narrowed from 2.4 to 2.1 per cent of GDP amid a decline in fiscal expenditures (ECLAC, 2023a). In the short term, economies need to stick to implementing a

Figure III.28
Interest payments on public debt in selected countries in Latin America and the Caribbean



Source: UN DESA, based on data from ECLAC (2023a).

Note: In the case of Argentina, Mexico and Peru, the figures correspond to the national public administration, the federal public sector and the general government, respectively.

Box III.3

Unparalleled and continued investment is needed to offset climate-change-related economic losses in Latin America and the Caribbean^a

Latin American and Caribbean countries are highly vulnerable and increasingly exposed to the effects of climate change

Most of the region's countries are located in geographical areas that are particularly exposed to adverse weather events, and with each passing decade the frequency of such events is increasing (see figure III.3.1).

The intensification of negative climate shocks will cause severe long-term macroeconomic damage in Latin America and the Caribbean

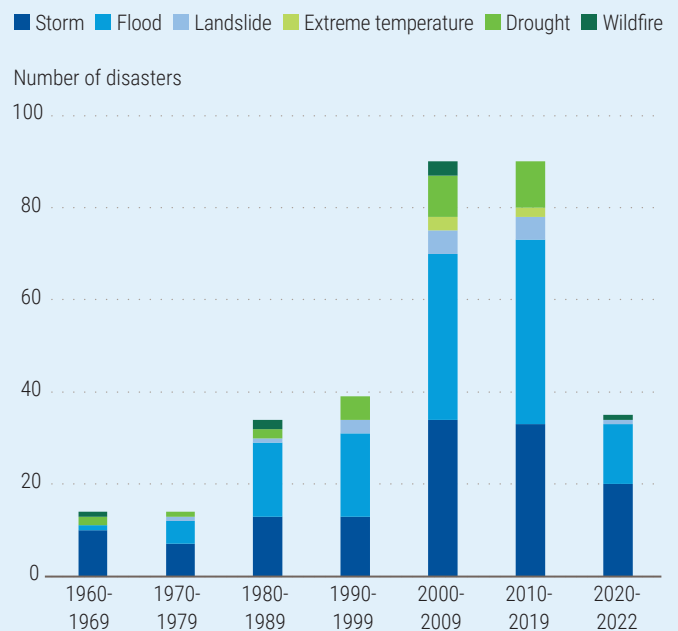
Climate change represents a permanent shock to the production structure in the impacted countries of Latin America and the Caribbean, causing significant dislocations in key economic sectors. In some cases, rising temperatures and changes in hydrometeorological conditions – including the higher incidence of droughts and heatwaves and greater variability in precipitation levels and patterns – adversely affect determinants of economic growth, reducing labour productivity, disrupting agricultural and mining production, and contributing to a rapid depreciation of the capital stock.

In other countries, especially those in the Caribbean and Central America, the increasing frequency and severity of extreme climatic events such as hurricanes and floods cause widespread capital stock losses and affect key economic activities such as agriculture and tourism.^b

The economic damage caused by climate change is already substantial and will become even more pronounced if negative climate shocks escalate further. Taking a sample of six structurally vulnerable countries from the region, ECLAC (2023a) estimated that as a result of the intensification of climate shocks, GDP levels could be 9 to 12 per cent lower by 2050 relative to a counterfactual trend growth scenario (see figure III.3.2).^c

Figure III.3.1

Six countries in Central America and the Caribbean: meteorological, hydrological and climatological disasters, by decade



Source: ECLAC (2023a), based on data from the Centre for Research on the Epidemiology of Disasters (CRED), EM-DAT International Disaster Database.

Note: The countries included are Barbados, Dominican Republic, El Salvador, Guatemala, Honduras and Saint Lucia.

Offsetting the economic losses caused by climate change will require an unprecedented and sustained investment push

ECLAC estimates suggest that for the six countries considered, returning to the level of GDP presumed by the trend growth scenario from the intensification of climate shocks scenario might be possible, but it would require additional investment equivalent to an average of 5.3–10.9 per cent of GDP per year. Maintaining such a large investment push would be unprecedented in a region where overall investments are exceptionally low in comparison with other developing regions and with developed economies.

^a Based on ECLAC (2023a), chapters 2 and 3.

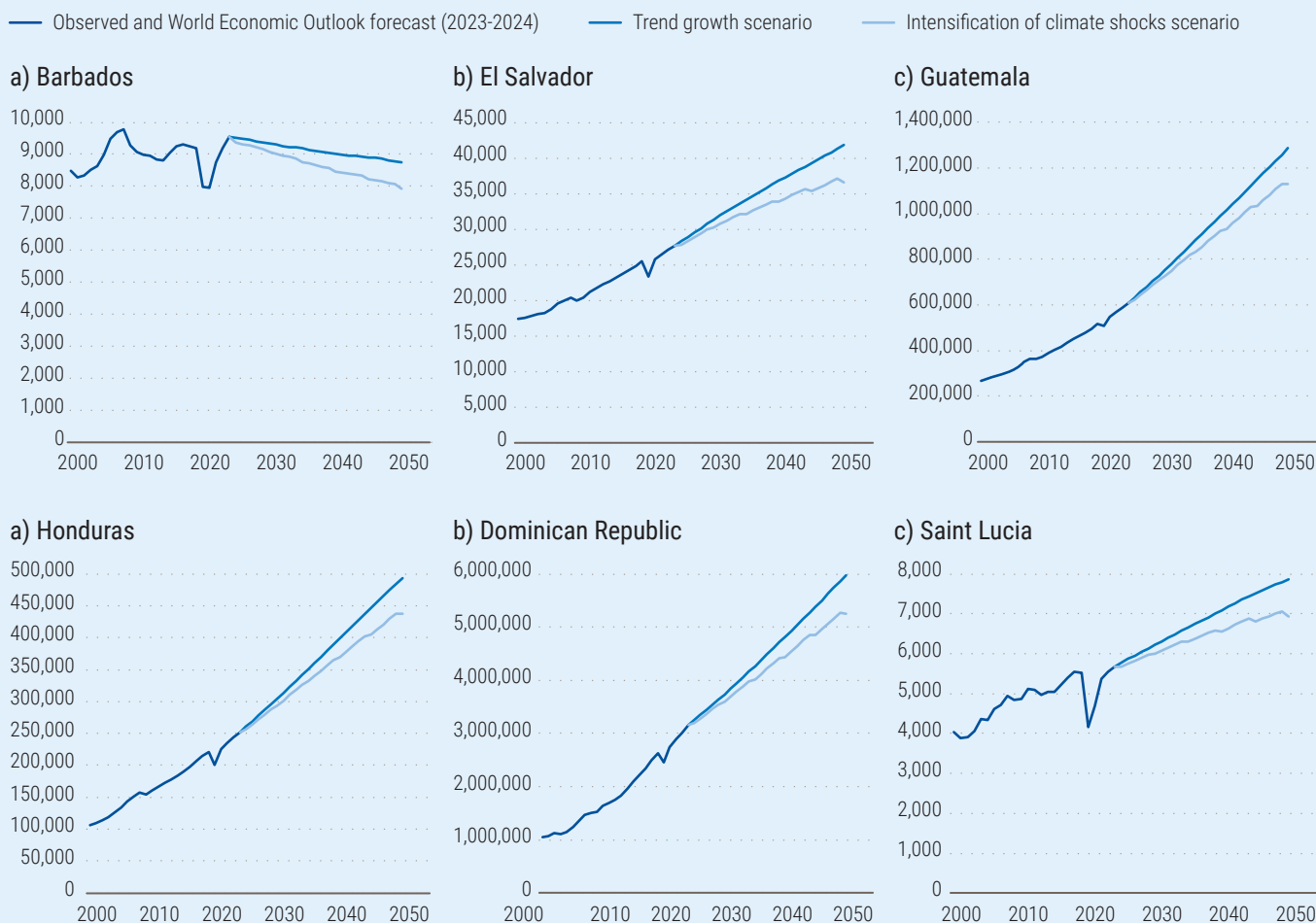
^b In 2004, damages from Hurricane Ivan in Grenada amounted to 200 per cent the country's GDP, and in 2017, damages and losses caused by Hurricane Maria on the island of Dominica totalled more than 220 per cent of the country's GDP; see Davies and others (2019) and Dominica (2017).

^c These six countries include Barbados, the Dominican Republic, El Salvador, Guatemala, Honduras and Saint Lucia. The study looked at the following natural disasters: wildfire, drought, extreme temperature, landslide, flood and storm.

Figure III.3.2

Impact of intensification of climate shocks on six structurally vulnerable countries in Latin America and the Caribbean

Millions of national currency units at constant prices



Source: ECLAC (2023a).

Notes: The trend growth scenario assumes that current economic and climate change conditions will continue. The intensification of climate shocks scenario assumes that a series of progressively larger natural disasters will cause declines in capital stock, labour productivity and agricultural output. (See the table source for more details.)

The feasibility of an ambitious climate change investment agenda is based on the extensive mobilization of both public and private resources

Securing the necessary resources to combat climate change in the region will require a multidimensional approach that aligns fiscal policy with climate change objectives and also creates the conditions necessary to unlock private capital and crowd-in investment. First, domestic resource mobilization efforts should seek to bolster tax revenues and create the conditions for deepening domestic financial markets, incentivizing financial flows for climate projects. Second, a mix of fiscal and financial policies will be necessary to effectively mobilize private investment.

Third, efforts at the national level must be accompanied by greater international involvement and cooperation, with measures taken to increase the ability of multilateral lenders and climate funds to provide the finance and commitment to expand official development assistance and to facilitate climate change adaptation and mitigation in the middle-income countries. Lastly, given the limitations on fiscal space created by high public debt, it will be critical to institutionalize climate debt relief mechanisms to bolster investments aimed at mitigating the risks of climate change.

Author: Economic Development Division, United Nations Economic Commission for Latin America and the Caribbean

Figure III.29

Yields of 10-year government bonds in selected countries in Latin America and the Caribbean



Source: UN DESA, based on data from Trading Economics.

countercyclical fiscal policy and maintaining support for vulnerable groups, together with ensuring the credibility of fiscal frameworks in the medium term. In Brazil, the new fiscal framework is expected to help secure debt sustainability while at the same time providing the investment and spending flexibility needed to tackle social and climate-change-related issues. In the medium term, the countries of the region will need to redouble their efforts towards reducing tax evasion and avoidance and increasing the progressivity of their tax systems in order to generate sufficient public resources to meet their financing needs.

Beyond the short term, Latin America and the Caribbean is at a development crossroads. Most economies are on a low-growth trajectory, with low levels of investment and productivity and deep-rooted structural challenges, including

elevated inequality, poverty and informality and weak social protection. Between the periods 2010–2015 and 2015–2019, potential output growth declined by more than 1.0 percentage point on average in Argentina, Brazil, Chile, Colombia, Ecuador, Nicaragua, Panama, Peru and the Bolivarian Republic of Venezuela.³⁵ At the same time, many countries in the region – in particular the Caribbean economies – are highly vulnerable to the existential threat posed by the impacts of climate change, which can reduce potential output growth further. Against this backdrop, the region faces the crucial challenge of implementing countercyclical macroeconomic and active industrial policies able to boost growth and investment, expand social welfare, and create resilience to climate change while also maintaining macroeconomic stability and social cohesion.

Going forward, the green transition offers new opportunities for many economies to implement industrial policies aimed at increasing investment, strengthening innovation and technological capabilities, and boosting growth. The region is abundant in critical inputs for the green transition, including lithium, copper and other raw materials. Some countries are taking incipient steps towards pursuing economically and environmentally sustainable growth. Chile is moving towards implementing a national strategy to develop its green hydrogen industry, which could entail the development of productive capacities and new value chains. Brazil recently launched an ambitious green transition initiative that includes enormous investments from public and private partnerships, carbon trading schemes, and public funds for infrastructure adaptation projects and research and development investments. It is crucial that these new initiatives and others across the region are well designed, adequately funded, and underpinned by a strong political commitment.

35 Data calculation using the IMF World Economic Outlook database, October 2023.

Statistical Annex

Country classifications

Data sources, country classifications and aggregation methodology

The statistical annex contains a set of data used in the *World Economic Situation and Prospects 2024* to delineate trends in various dimensions of the world economy.

Data sources

The annex was prepared by the Economic Analysis and Policy Division (EAPD) of the Department of Economic and Social Affairs of the United Nations Secretariat (UN DESA). It is based on information obtained from the Statistics Division and the Population Division of UN DESA, as well as from the five United Nations regional commissions, the United Nations Conference on Trade and Development (UNCTAD), the International Monetary Fund (IMF), the World Bank, the Organisation for Economic Co-operation and Development (OECD), Eurostat, and national sources. Estimates for 2023 and forecasts for 2024 and 2025 were produced by EAPD in consultation with the regional commissions and UNCTAD, partly guided by the EAPD World Economic Forecasting Model (WEFM) (see Altshuler and others, 2016). Longer-term projections are based on a technical model-based extension of the

WEFM. Data presented in the *World Economic Situation and Prospects 2024* may differ from those published by other organizations for several reasons, including differences in timing, sample composition and aggregation method. Historical data may differ from those in previous editions of the present publication because of updating and changes in the availability of data for individual countries.

Country classifications

For analytical purposes, the *World Economic Situation and Prospects 2024* classifies all countries of the world into three broad categories: developed economies, economies in transition and developing economies.¹ The composition of these analytical groupings, specified in tables A, B and C, is intended to reflect basic economic country conditions. The groupings are not strictly aligned with the regional classifications (M49 standard) published by the Statistics Division of UN DESA.² Table A.4 reports estimates for regional gross domestic product (GDP) growth according to the M49 definitions for comparison. Several countries (in particular the economies in transition) have characteristics that could place them in more than one category; however, for purposes of analysis, the groupings have been made mutually exclusive. Subgroups within each broad category are defined based on geographical location or ad hoc criteria; an example of the latter is the “major developed

¹ These analytical groupings are not strictly aligned with the geographic groupings designated by the Statistics Division of UN DESA.

² Detailed information on the M49 standard can be found on the [Statistics Division website](#).

economies” subgroup, which is based on the membership of the Group of Seven.

In parts of the analysis, a distinction is made between fuel exporters and fuel importers. An economy is classified as a fuel exporter if the share of fuel exports in its total merchandise exports is greater than 20 per cent and the level of fuel exports is at least 20 per cent higher than that of the country’s fuel imports (see table D). Fuels include coal, oil and natural gas.

For other parts of the analysis, countries have been grouped according to their level of development as measured by per capita gross national income (GNI) and are classified as high-income, upper-middle-income, lower-middle-income or low-income countries (see table E). To maintain compatibility with similar classifications used elsewhere, the threshold levels of GNI per capita are those established by the World Bank. Countries with a GNI per capita of \$1,135 or less are classified as low-income countries, those with between \$1,136 and \$4,465 as lower-middle-income countries, those with between \$4,466 and \$13,845 as upper-middle-income countries, and those with per capita GNI exceeding \$13,845 as high-income countries. GNI per capita in dollar terms is estimated using the World Bank Atlas method,³ and the classification in table E is based on data for 2022.

The list of least developed countries (LDCs) is determined by the United Nations Economic and Social Council – and ultimately by the General Assembly – based on recommendations made by the Committee for Development Policy. The basic criterion for inclusion is that certain thresholds are met with regard to per capita GNI, a human assets index, and an economic and environmental vulnerability index (United Nations, 2021a). As at November 2023 there were 46 LDCs (see table F).

At the 1992 United Nations Conference on Environment and Development,⁴ small island

developing States were recognized as a distinct group of developing countries facing specific social, economic and environmental vulnerabilities. This group comprises 37 States and 20 Associate Members of United Nations regional commissions (see table G).

There are 32 landlocked developing countries, among which are some of the poorest countries in the world, including 17 LDCs (see table H).

Reference is made in the *World Economic Situation and Prospects 2024* to a designated group of heavily indebted poor countries (HIPCs) that the World Bank and IMF consider part of their debt-relief initiative (the enhanced HIPC Initiative) (IMF, 2023). As at January 2023, there were 39 economies that were qualified, eligible or potentially eligible for and might wish to receive HIPC Initiative assistance (see table I).

Aggregation methodology

Aggregate data are either sums or weighted averages of individual country data. Unless otherwise indicated, multi-year averages of growth rates are expressed as compound annual percentage rates of change. The convention followed is to omit the base year in a multi-year growth rate. For example, the 10-year average growth rate for the decade of the 2000s would be identified as the average annual growth rate for the period 2001–2010.

The *World Economic Situation and Prospects 2024* utilizes market exchange rate conversions of national data to aggregate the output of individual countries into regional and global totals. The growth of output in each group of countries is calculated from the sum of the GDP of individual countries measured at 2015 prices and exchange rates. This method supplies a reasonable set of aggregate growth rates for a period of about 15 years, centred on 2015.

³ See <http://data.worldbank.org/about/country-classifications>.

⁴ The [United Nations Conference on Environment and Development](#), also known as the Earth Summit, was held in Rio de Janeiro from 3 to 14 June 1992.

The exchange-rate-based aggregation method differs from the method used by the IMF in its estimates of global and regional economic growth, which is based on purchasing power parity (PPP) weights. The latter approach accounts for differences in the cost of living and purchasing power across countries. Over the past three decades, the growth of gross world product (GWP) based on the exchange-rate-based approach has

generally been below that based on PPP weights. The reason is that developing countries, in the aggregate, have seen significantly higher economic growth than the rest of the world since the 1990s, and the share of developing countries in GWP is larger when PPP measurements are used than when market exchange rates are used. Table I.1 in chapter I reports world output growth based on PPP weights as a comparator.

Table A

Developed economies

Northern America	Europe		Major developed economies (G7)	
Canada United States	European Union		Canada France Germany Italy Japan United Kingdom United States	
Developed Asia and the Pacific		Other Europe		
Australia Japan New Zealand Republic of Korea	Austria ^a Belgium ^a Bulgaria Croatia ^a Cyprus ^a Czechia Denmark Estonia ^a Finland ^a France ^a Germany ^a Greece ^a Hungary Ireland ^a	Italy ^a Latvia ^a Lithuania ^a Luxembourg ^a Malta ^a Netherlands ^a Poland Portugal ^a Romania Slovakia ^a Slovenia ^a Spain ^a Sweden		Iceland Norway Switzerland United Kingdom ^b

a Member of the euro area.

b The United Kingdom withdrew from the European Union on 31 January 2020 and is therefore excluded from all European Union aggregations.

Table B

Economies in transition

South-Eastern Europe	Commonwealth of Independent States and Georgia ^a		
Albania Bosnia and Herzegovina Montenegro North Macedonia Serbia	Armenia Azerbaijan Belarus Georgia ^a	Kazakhstan Kyrgyzstan Republic of Moldova Russian Federation	Tajikistan Turkmenistan Ukraine ^b Uzbekistan

a Georgia officially left the Commonwealth of Independent States on 18 August 2009. However, its performance is discussed in the context of this group of countries for reasons of geographic proximity and similarities in economic structure.

b The Government of Ukraine has advised the United Nations that it is not in a position to provide statistical data concerning the Autonomous Republic of Crimea and the city of Sevastopol.

Table C

Developing economies by region^a

Africa		Asia		Latin America and the Caribbean
East Africa	North Africa	East Asia ^b	South Asia	Caribbean
Burundi Comoros Democratic Republic of the Congo Djibouti Eritrea Ethiopia Kenya Madagascar Rwanda Somalia South Sudan Uganda United Republic of Tanzania	Algeria Egypt Libya Mauritania Morocco Sudan Tunisia	Brunei Darussalam Cambodia China Democratic People's Republic of Korea Fiji Hong Kong SAR ^c Indonesia Kiribati Lao People's Democratic Republic Malaysia Mongolia Myanmar Papua New Guinea Philippines Samoa Singapore Solomon Islands Taiwan Province of China Thailand Timor-Leste Vanuatu Viet Nam	Afghanistan Bangladesh Bhutan India Iran (Islamic Republic of) Maldives Nepal Pakistan Sri Lanka	Bahamas Barbados Belize Guyana Jamaica Suriname Trinidad and Tobago
	Central Africa			Mexico and Central America
	Cameroon Central African Republic Chad Congo Equatorial Guinea Gabon Sao Tome and Principe		Western Asia	Costa Rica Cuba Dominican Republic El Salvador Guatemala Haiti Honduras Mexico Nicaragua Panama
West Africa	Southern Africa		Bahrain Iraq Israel Jordan Kuwait Lebanon Oman Qatar Saudi Arabia State of Palestine Syrian Arab Republic Türkiye United Arab Emirates Yemen	South America
Benin Burkina Faso Cabo Verde Côte d'Ivoire Gambia Ghana Guinea Guinea-Bissau Liberia Mali Niger Nigeria Senegal Sierra Leone Togo	Angola Botswana Eswatini Lesotho Malawi Mauritius Mozambique Namibia South Africa Zambia Zimbabwe			Argentina Bolivia (Plurinational State of) Brazil Chile Colombia Ecuador Paraguay Peru Uruguay Venezuela (Bolivarian Republic of)

^a Economies systematically monitored for the *World Economic Situation and Prospects* report. These analytical groupings differ from the geographical aggregations defined according to M49.

^b Throughout the report, the term "East Asia" is used in reference to this set of developing countries and excludes Japan and Republic of Korea.

^c Special Administrative Region of China.

Table D

Fuel-exporting countries

Developed countries	Developing countries			
Australia Canada Norway	Latin America and the Caribbean	Africa	East Asia	Western Asia
Economies in transition	Bolivia (Plurinational State of)	Algeria	Brunei Darussalam	Bahrain
	Colombia	Angola	Indonesia	Iraq
	Ecuador	Cameroon	Mongolia	Kuwait
	Guyana	Chad	Papua New Guinea	Oman
	Trinidad and Tobago	Congo	Timor-Leste	Qatar
	Venezuela (Bolivarian Republic of)	Equatorial Guinea	South Asia	Saudi Arabia
		Gabon	Iran (Islamic Republic of)	United Arab Emirates
Azerbaijan		Ghana		
Kazakhstan		Libya		
Russian Federation		Mozambique		
Turkmenistan		Nigeria		
		South Sudan		

Source: UN DESA, based on data from UNCTAD.

Table E

Economies by per capita GNI (as at 1 July 2023)^a

High-income		Upper-middle-income		Lower-middle-income		Low-income
Australia	Malta	Albania	Mauritius	Algeria	Lebanon	Afghanistan
Austria	Netherlands	Argentina	Mexico	Angola	Lesotho	Burkina Faso
Bahamas	New Zealand	Armenia	Montenegro	Bangladesh	Mauritania	Burundi
Bahrain	Norway	Azerbaijan	Namibia	Benin	Mongolia	Central African Republic
Barbados	Oman	Belarus	North Macedonia	Bhutan	Morocco	Chad
Belgium	Panama	Belize	Paraguay	Bolivia (Plurinational State of)	Myanmar	Democratic People's Republic of Korea
Brunei Darussalam	Poland	Bosnia and Herzegovina	Peru	Cabo Verde	Nepal	Democratic Republic of the Congo
Canada	Portugal	Botswana	Republic of Moldova	Cambodia	Nicaragua	Eritrea
Chile	Qatar	Brazil	Russian Federation	Cameroon	Nigeria	Ethiopia
Croatia	Republic of Korea	Bulgaria	Serbia	Comoros	Pakistan	Gambia
Cyprus	Romania	China	South Africa	Congo	Papua New Guinea	Guinea-Bissau
Czechia	Saudi Arabia	Colombia	State of Palestine ^b	Côte d'Ivoire	Philippines	Liberia
Denmark	Singapore	Costa Rica	Suriname	Djibouti	Samoa	Madagascar
Estonia	Slovakia	Cuba	Thailand	Egypt	Sao Tome and Principe	Malawi
Finland	Slovenia	Dominican Republic	Türkiye	Eswatini	Senegal	Mali
France	Spain	Ecuador	Turkmenistan	Ghana	Solomon Islands	Mozambique
Germany	Sweden	El Salvador ^b		Guinea ^b	Sri Lanka	Niger
Greece	Switzerland	Equatorial Guinea		Haiti	Tajikistan	Rwanda
Guyana ^b	Taiwan Province of China	Fiji		Honduras	Timor-Leste	Sierra Leone
Hong Kong SAR ^d	Trinidad and Tobago	Gabon		India	Tunisia	Somalia
Hungary	United Arab Emirates	Georgia		Iran (Islamic Republic of)	Ukraine	South Sudan
Iceland	United Kingdom	Guatemala		Jordan ^c	United Republic of Tanzania	Sudan
Ireland	United States	Indonesia ^b		Kenya	Uzbekistan	Syrian Arab Republic
Israel	Uruguay	Iraq		Kiribati	Vanuatu	Togo
Italy		Jamaica		Kyrgyzstan	Viet Nam	Uganda
Japan		Kazakhstan		Lao People's Democratic Republic	Zambia ^b	Yemen
Kuwait		Libya			Zimbabwe	
Latvia		Malaysia				
Lithuania		Maldives				
Luxembourg						

Source: World Bank, country classification by income.

Note: The Bolivarian Republic of Venezuela was temporarily unclassified in July 2021 pending release of revised national accounts statistics.

^a Economies systematically monitored for the *World Economic Situation and Prospects* report, based on World Bank country classification by income.^b Indicates the country has been shifted upward by one category from the previous year's classification.^c Indicates the country has been shifted downward by one category from the previous year's classification.^d Special Administrative Region of China.

Table F

Least developed countries (as at November 2023)

Africa		East Asia	South Asia	Western Asia	Latin America and the Caribbean
Angola	Madagascar	Cambodia	Afghanistan	Yemen	Haiti
Benin	Malawi	Kiribati	Bangladesh		
Burkina Faso	Mali	Lao People's Democratic Republic	Bhutan		
Burundi	Mauritania	Myanmar	Nepal		
Central African Republic	Mozambique	Solomon Islands			
Chad	Niger	Timor Leste			
Comoros	Rwanda	Tuvalu ^a			
Democratic Republic of the Congo	Sao Tome and Principe				
Djibouti	Senegal				
Eritrea	Sierra Leone				
Ethiopia	Somalia				
Gambia	South Sudan				
Guinea	Sudan				
Guinea-Bissau	Togo				
Lesotho	Uganda				
Liberia	United Republic of Tanzania				
	Zambia				

Source: UN DESA.

a Economies not systematically monitored for the *World Economic Situation and Prospects* report.

Table G

Small island developing States

United Nations members		Non-United Nations members/Associate members of the Regional Commissions ^a
Antigua and Barbuda ^a	Mauritius	American Samoa
Bahamas	Nauru ^a	Anguilla
Barbados	Palau ^a	Aruba
Belize	Papua New Guinea	Bermuda
Cabo Verde	Saint Kitts and Nevis ^a	British Virgin Islands
Comoros	Saint Lucia ^a	Cayman Islands
Cuba	Saint Vincent and the Grenadines ^a	Commonwealth of Northern Marianas
Dominica ^a	Samoa	Cook Islands
Dominican Republic	Sao Tome and Principe	Curaçao
Federated States of Micronesia ^a	Seychelles ^a	French Polynesia
Fiji	Singapore	Guadeloupe
Grenada ^a	Solomon Islands	Guam
Guinea-Bissau	Suriname	Martinique
Guyana	Timor-Leste	Montserrat
Haiti	Tonga ^a	New Caledonia
Jamaica	Trinidad and Tobago	Niue
Kiribati	Tuvalu ^a	Puerto Rico
Maldives	Vanuatu	Sint Maarten
Marshall Islands ^a		Turks and Caicos Islands
		U.S. Virgin Islands

Source: UN DESA.

a Economies not systematically monitored for the *World Economic Situation and Prospects* report.

Table H

Landlocked developing countries

Landlocked developing countries		
Afghanistan	Ethiopia	Paraguay
Armenia	Kazakhstan	Republic of Moldova
Azerbaijan	Kyrgyzstan	Rwanda
Bhutan	Lao People's Democratic Republic	South Sudan
Bolivia (Plurinational State of)	Lesotho	Tajikistan
Botswana	Malawi	Turkmenistan
Burkina Faso	Mali	Uganda
Burundi	Mongolia	Uzbekistan
Central African Republic	Nepal	Zambia
Chad	Niger	Zimbabwe
Eswatini	North Macedonia	

Source: [UN-OHRLLS](#).

Table I

Heavily indebted poor countries (as at January 2023)

Post-completion-point HIPCs ^a		Between-decision-and-completion-point HIPCs ^b	Pre-decision-point HIPCs ^c
Afghanistan	Haiti	Somalia	Eritrea
Benin	Honduras	Sudan	
Bolivia (Plurinational State of)	Liberia		
Burkina Faso	Madagascar		
Burundi	Malawi		
Cameroon	Mali		
Central African Republic	Mauritania		
Chad	Mozambique		
Comoros	Nicaragua		
Congo	Niger		
Côte d'Ivoire	Rwanda		
Democratic Republic of the Congo	Sao Tome and Principe		
Ethiopia	Senegal		
Gambia	Sierra Leone		
Ghana	Togo		
Guinea	Uganda		
Guinea-Bissau	United Republic of Tanzania		
Guyana	Zambia		

Source: World Bank and IMF.

Note: HIPC = heavily indebted poor country.

a Countries that have qualified for irrevocable debt relief under the HIPC Initiative and have been provided with the debt relief.

b Countries that have met the conditions for debt relief under the HIPC Initiative but have not received the full debt relief amount.

c Countries that are potentially eligible and may wish to avail themselves of the HIPC Initiative or the Multilateral Debt Relief Initiative (MDRI).

Table J

International Organization for Standardization of country codes

ISO Code	Country	ISO Code	Country	ISO Code	Country	ISO Code	Country
AFG	Afghanistan	DZA	Algeria	LBN	Lebanon	ROU	Romania
AGO	Angola	ECU	Ecuador	LBR	Liberia	RUS	Russian Federation
AIA	Anguilla	EGY	Egypt	LBY	Libya	RWA	Rwanda
ALB	Albania	ERI	Eritrea	LCA	Saint Lucia	SAU	Saudi Arabia
AND	Andorra	ESP	Spain	LIE	Liechtenstein	SDN	Sudan
ARE	United Arab Emirates	EST	Estonia	LKA	Sri Lanka	SEN	Senegal
ARG	Argentina	ETH	Ethiopia	LSO	Lesotho	SGP	Singapore
ARM	Armenia	FIN	Finland	LTU	Lithuania	SLB	Solomon Islands
ATG	Antigua and Barbuda	FJI	Fiji	LUX	Luxembourg	SLE	Sierra Leone
AUS	Australia	FRA	France	LVA	Latvia	SLV	El Salvador
AUT	Austria	FSM	Micronesia (Federated States of)	MAR	Morocco	SMR	San Marino
AZE	Azerbaijan	GAB	Gabon	MCO	Monaco	SOM	Somalia
BDI	Burundi	GBR	United Kingdom of Great Britain and Northern Ireland	MDA	Republic of Moldova	SRB	Serbia
BEL	Belgium	GEO	Georgia	MDG	Madagascar	SSD	South Sudan
BEN	Benin	GHA	Ghana	MDV	Maldives	STP	Sao Tome and Principe
BFA	Burkina Faso	GIN	Guinea	MEX	Mexico	SUR	Suriname
BGD	Bangladesh	GMB	Gambia	MHL	Marshall Islands	SVK	Slovakia
BGR	Bulgaria	GNB	Guinea-Bissau	MKD	North Macedonia	SVN	Slovenia
BHR	Bahrain	GNQ	Equatorial Guinea	MLI	Mali	SWE	Sweden
BHS	Bahamas	GRC	Greece	MLT	Malta	SWZ	Eswatini
BIH	Bosnia and Herzegovina	GRD	Grenada	MMR	Myanmar	SYC	Seychelles
BLR	Belarus	GTM	Guatemala	MNE	Montenegro	SYR	Syrian Arab Republic
BLZ	Belize	GUY	Guyana	MNG	Mongolia	TCD	Chad
BOL	Bolivia (Plurinational State of)	HND	Honduras	MOZ	Mozambique	TGO	Togo
BRA	Brazil	HRV	Croatia	MRT	Mauritania	THA	Thailand
BRB	Barbados	HUN	Hungary	MSR	Montserrat	TJK	Tajikistan
BRN	Brunei Darussalam	IDN	Indonesia	MUS	Mauritius	TKM	Turkmenistan
BTN	Bhutan	IND	India	MWI	Malawi	TLS	Timor-Leste
BWA	Botswana	IRL	Ireland	MYS	Malaysia	TON	Tonga
CAF	Central African Republic	IRN	Iran (Islamic Republic of)	NAM	Namibia	TTO	Trinidad and Tobago
CAN	Canada	IRQ	Iraq	NER	Niger	TUN	Tunisia
CHE	Switzerland	ISL	Iceland	NGA	Nigeria	TUR	Türkiye
CHL	Chile	ISR	Israel	NIC	Nicaragua	TUV	Tuvalu
CHN	China	ITA	Italy	NLD	Netherlands	TZA	United Republic of Tanzania
CIV	Côte d'Ivoire	JAM	Jamaica	NOR	Norway	UGA	Uganda
CMR	Cameroon	JOR	Jordan	NPL	Nepal	UKR	Ukraine
COD	Democratic Republic of the Congo	JPN	Japan	NRU	Nauru	URY	Uruguay
COG	Congo	KAZ	Kazakhstan	NZL	New Zealand	USA	United States of America
COL	Colombia	KEN	Kenya	OMN	Oman	UZB	Uzbekistan
COM	Comoros	KGZ	Kyrgyzstan	PAK	Pakistan	VCT	Saint Vincent and the Grenadines
CPV	Cabo Verde	KHM	Cambodia	PAN	Panama	VEN	Venezuela (Bolivarian Republic of)
CRI	Costa Rica	KIR	Kiribati	PER	Peru	VNM	Viet Nam
CUB	Cuba	KNA	Saint Kitts and Nevis	PHL	Philippines	VUT	Vanuatu
CYP	Cyprus	KOR	Republic of Korea	PLW	Palau	WSM	Samoa
CZE	Czechia	KWT	Kuwait	PNG	Papua New Guinea	YEM	Yemen
DEU	Germany	LAO	Lao People's Democratic Republic	POL	Poland	ZAF	South Africa
DJI	Djibouti			PRK	Democratic People's Republic of Korea	ZMB	Zambia
DMA	Dominica			PRT	Portugal	ZWE	Zimbabwe
DNK	Denmark			PRY	Paraguay		
DOM	Dominican Republic			PSE	State of Palestine		
				QAT	Qatar		

Annex Tables

Table A.1

Developed economies: growth of real GDP

Annual percentage change

	2001-2015 ^a	2016	2017	2018	2019	2020	2021	2022	2023 ^b	2024 ^c	2025 ^c
Developed economies	1.6	1.8	2.4	2.3	1.8	-4.0	5.5	2.6	1.6	1.3	1.6
United States	1.9	1.7	2.2	2.9	2.3	-2.2	5.8	1.9	2.5	1.4	1.7
Canada	2.0	1.0	3.0	2.8	1.9	-5.1	5.0	3.4	1.2	0.6	1.6
Japan	0.7	0.8	1.7	0.6	-0.4	-4.2	2.2	0.9	1.7	1.2	1.1
Republic of Korea	4.1	3.0	3.2	2.9	2.2	-0.7	4.3	2.6	1.4	2.4	2.2
Australia	3.0	2.7	2.4	2.8	1.9	-1.8	5.2	3.7	1.9	1.5	2.3
New Zealand	2.8	3.9	3.5	3.5	3.1	-1.5	6.0	2.7	1.0	1.1	2.2
European Union	1.2	2.0	2.8	2.1	1.8	-5.6	5.6	3.4	0.5	1.2	1.6
Austria	1.4	2.0	2.3	2.4	1.5	-6.5	4.6	4.8	-0.5	0.8	1.4
Belgium	1.6	1.3	1.6	1.8	2.3	-5.4	6.1	3.1	1.1	1.0	1.4
Bulgaria	3.5	3.0	2.8	2.7	4.0	-4.0	7.6	3.4	1.9	2.6	3.0
Croatia	1.7	3.6	3.4	2.8	3.4	-8.5	13.1	6.2	2.5	2.7	2.6
Cyprus	1.7	6.6	5.7	5.6	5.5	-4.4	6.6	5.6	2.4	2.5	2.8
Czechia	2.7	2.5	5.2	3.2	3.0	-5.5	3.6	2.4	-0.5	2.1	2.5
Denmark	0.9	3.2	2.8	2.0	1.5	-2.4	6.8	2.7	1.5	1.3	1.4
Estonia	3.4	3.2	5.8	3.8	4.0	-1.0	7.2	-0.5	-2.5	2.5	2.6
Finland	1.2	2.8	3.2	1.1	1.2	-2.4	3.0	1.6	-0.1	0.4	1.2
France	1.2	1.1	2.3	1.9	1.8	-7.5	6.4	2.5	0.9	0.9	1.3
Germany	1.1	2.2	2.7	1.0	1.1	-3.7	2.6	1.8	-0.1	0.7	1.3
Greece	-0.2	-0.5	1.1	1.7	1.9	-9.0	8.4	5.9	2.5	2.4	2.9
Hungary	2.1	2.2	4.3	5.4	4.9	-4.5	7.2	4.6	-0.8	2.7	3.0
Ireland	4.1	2.0	9.0	8.5	5.4	6.2	13.6	9.4	-1.8	2.6	3.0
Italy	0.0	1.3	1.7	0.9	0.5	-9.0	7.0	3.7	0.7	0.8	1.0
Latvia	3.7	2.4	3.3	4.0	2.6	-2.2	4.1	2.8	-0.2	2.5	2.9
Lithuania	4.2	2.5	4.3	4.0	4.6	0.0	6.0	1.9	-0.5	2.0	2.7
Luxembourg	2.7	5.0	1.3	1.2	2.3	-0.8	5.1	1.4	-0.9	1.4	1.8
Malta	3.4	3.4	10.9	6.2	7.0	-8.6	11.8	6.9	4.0	3.6	3.9
Netherlands	1.2	2.2	2.9	2.4	2.0	-3.9	6.2	4.3	0.2	0.9	1.4
Poland	3.6	3.0	5.1	5.9	4.4	-2.0	6.9	5.3	0.2	2.4	3.0
Portugal	0.2	2.0	3.5	2.8	2.7	-8.3	5.5	6.7	2.3	1.5	2.0

Table A.1

Developed economies: growth of real GDP (continued)

Annual percentage change

	2001-2015 ^a	2016	2017	2018	2019	2020	2021	2022	2023 ^b	2024 ^c	2025 ^c
Romania	3.7	2.9	8.2	6.0	3.8	-3.7	5.9	4.7	1.8	3.6	4.0
Slovakia	4.2	1.9	2.9	4.0	2.5	-3.3	4.9	1.7	1.3	2.3	2.4
Slovenia	1.9	3.2	4.8	4.5	3.5	-4.3	8.2	2.5	1.4	2.5	2.5
Spain	1.4	3.0	3.0	2.3	2.0	-11.2	6.4	5.8	2.4	1.8	2.1
Sweden	2.2	2.1	2.6	2.0	2.0	-2.2	6.1	2.8	-0.4	0.5	1.3
Other Europe	1.7	2.1	2.3	1.8	1.5	-8.1	7.6	3.9	0.7	0.6	1.1
Iceland	2.6	6.3	4.2	4.9	1.8	-7.2	4.3	7.2	3.6	2.5	2.6
Norway	1.6	1.2	2.5	0.8	1.1	-1.3	3.9	3.3	1.4	1.1	1.2
Switzerland	1.9	2.1	1.4	2.9	1.1	-2.1	5.4	2.6	0.9	1.1	1.6
United Kingdom ^d	1.6	2.2	2.4	1.7	1.6	-10.4	8.7	4.3	0.5	0.4	1.0
Memorandum items:											
Northern America	1.9	1.6	2.3	2.9	2.3	-2.4	5.7	2.0	2.4	1.3	1.7
Developed Asia and the Pacific	1.7	1.6	2.2	1.5	0.6	-3.0	3.3	1.8	1.7	1.5	1.6
Europe	1.4	2.0	2.7	2.0	1.7	-6.2	6.1	3.5	0.6	1.0	1.5
Major developed economies	1.5	1.6	2.2	2.2	1.6	-4.1	5.4	2.2	1.8	1.1	1.5
Euro area	1.1	1.9	2.6	1.8	1.6	-6.1	5.5	3.4	0.6	1.0	1.5

Source: UN DESA, based on data from the United Nations Statistics Division, individual national sources and UN DESA forecasts.

Notes: GDP = gross domestic product. Regional aggregates calculated at 2015 prices and exchange rates.

a Average percentage change.

b Partly estimated.

c Baseline scenario forecasts, based on the UN DESA World Economic Forecasting Model.

d The United Kingdom withdrew from the European Union on 31 January 2020 and is therefore excluded from all European Union aggregations.

Table A.2

Economies in transition: growth of real GDP

Annual percentage change

	2001-2015 ^a	2016	2017	2018	2019	2020	2021	2022	2023 ^b	2024 ^c	2025 ^c
Economies in transition	4.3	0.7	2.6	3.1	2.6	-2.7	5.5	-1.7	3.3	2.3	2.4
South-Eastern Europe	3.3	3.2	2.6	4.1	3.6	-2.9	7.4	3.2	2.2	2.9	3.1
Albania	4.3	3.3	3.8	4.0	2.1	-3.5	8.5	4.8	3.6	3.8	3.0
Bosnia and Herzegovina	2.9	3.2	3.2	3.8	2.9	-3.0	7.4	3.9	1.5	1.9	2.7
Montenegro	2.8	3.0	4.7	5.1	4.1	-15.3	13.0	6.1	4.8	3.0	2.9
North Macedonia	2.8	2.8	1.1	2.9	3.9	-4.7	3.9	2.1	1.9	2.9	3.0
Serbia	3.4	3.3	2.1	4.5	4.3	-0.9	7.5	2.3	2.0	3.2	3.5
Commonwealth of Independent States and Georgia^d	4.3	0.5	2.6	3.1	2.5	-2.7	5.4	-1.9	3.3	2.3	2.4
Commonwealth of Independent States and Georgia - net fuel exporters	4.3	0.2	2.4	2.9	2.2	-2.9	5.4	-1.1	3.0	1.9	2.0
Azerbaijan	10.6	-3.1	0.1	1.5	2.5	-4.2	5.6	4.6	0.7	2.6	2.8
Kazakhstan	7.2	1.1	6.8	4.1	4.5	-2.5	4.1	3.2	5.0	4.8	4.0
Russian Federation	3.8	0.2	1.8	2.8	2.0	-3.0	5.6	-2.1	2.7	1.3	1.5
Turkmenistan	7.2	-1.0	4.7	0.9	-3.4	-3.0	4.6	6.2	6.2	5.9	6.0
Commonwealth of Independent States and Georgia - net fuel importers^d	4.5	2.7	3.6	4.3	4.1	-1.6	5.5	-6.3	5.1	4.4	4.7
Armenia	6.9	0.2	7.5	5.2	7.6	-7.2	5.7	12.6	7.8	5.2	4.8
Belarus	5.3	-2.5	2.5	3.2	1.4	-0.7	2.3	-4.7	3.8	1.7	2.5
Georgia ^d	5.8	2.9	4.8	4.8	5.0	-6.8	10.4	10.4	6.7	4.6	4.9
Kyrgyzstan	4.4	4.3	4.7	3.8	4.6	-8.4	6.2	7.0	4.3	4.8	4.9
Republic of Moldova	4.7	4.4	4.7	4.3	3.7	-7.4	13.9	-5.0	-1.2	3.4	4.3
Tajikistan	7.4	6.9	7.1	7.6	7.4	4.4	9.2	8.0	7.8	5.6	5.1
Ukraine ^e	1.8	2.4	2.4	3.5	3.2	-3.8	3.4	-29.1	4.6	3.5	4.7
Uzbekistan	7.5	5.9	4.4	5.4	5.7	1.9	7.4	5.7	5.7	6.0	5.5

Source: UN DESA, based on data from the United Nations Statistics Division, individual national sources and UN DESA forecasts.

Notes: GDP = gross domestic product. Regional aggregates calculated at 2015 prices and exchange rates.

a Average percentage change.

b Partly estimated.

c Baseline scenario forecasts, based in part on the UN DESA World Economic Forecasting Model.

d Georgia officially left the Commonwealth of Independent States on 18 August 2009. However, its performance is discussed in the context of this group of countries for reasons of geographic proximity and similarities in economic structure.

e The Government of Ukraine has advised the United Nations that it is not in a position to provide statistical data concerning the Autonomous Republic of Crimea and the city of Sevastopol.

Table A.3

Developing economies: growth of real GDP

Annual percentage change

	2001-2015 ^a	2016	2017	2018	2019	2020	2021	2022	2023 ^b	2024 ^c	2025 ^c
Developing countries^d	5.9	4.3	4.8	4.5	3.5	-1.3	6.8	3.9	4.1	4.0	4.2
Africa	4.9	1.6	3.5	3.4	2.7	-2.6	5.2	3.1	2.8	3.5	4.1
North Africa	3.9	2.8	5.6	4.1	2.5	-3.8	6.5	1.6	1.8	3.1	4.1
Algeria	3.7	3.2	1.3	1.2	1.0	-5.1	3.4	3.2	3.1	2.7	2.5
Egypt ^e	4.2	4.3	4.2	5.3	5.6	3.6	3.3	6.6	4.2	3.4	3.9
Libya	-0.6	-1.5	32.5	7.9	-11.2	-29.5	28.3	-18.6	10.6	7.6	6.1
Mauritania	4.0	1.3	6.3	4.8	5.3	-0.9	2.4	7.1	4.2	6.7	4.7
Morocco	5.6	0.5	5.1	3.1	2.9	-7.2	8.0	1.3	2.6	2.9	3.0
Sudan ^e	5.6	3.6	4.7	2.8	1.3	-3.6	-1.9	-2.5	-7.0	-10.5	-1.1
Tunisia	3.3	1.1	2.2	2.6	1.5	-8.6	4.3	2.5	1.5	1.8	2.1
East Africa	6.1	4.6	5.4	6.2	6.3	1.9	5.9	5.4	5.0	5.5	5.9
Burundi	3.3	3.2	3.8	5.3	4.5	0.3	3.1	2.1	4.1	4.9	4.6
Comoros	2.5	3.3	3.8	3.6	1.8	-0.2	2.1	2.1	2.2	3.6	3.8
Democratic Republic of the Congo	5.7	0.4	3.7	4.8	4.5	1.7	6.2	8.9	6.8	6.4	7.7
Djibouti	7.8	7.1	5.5	4.8	5.5	1.2	4.8	3.2	4.3	5.0	5.5
Eritrea	1.0	7.4	-10.0	13.0	3.8	-4.1	2.2	3.7	2.9	2.8	3.9
Ethiopia	9.3	8.6	8.2	7.6	7.2	5.9	5.1	5.3	5.5	5.9	6.1
Kenya	4.7	4.2	3.8	5.6	5.1	-0.3	7.5	5.0	4.2	4.2	4.5
Madagascar	2.6	4.0	3.9	3.2	4.4	-7.1	5.7	3.6	3.8	4.2	4.5
Rwanda	7.9	6.0	4.0	8.6	9.5	-3.4	10.9	8.2	6.3	7.0	7.5
Somalia	5.7	4.7	2.2	3.7	2.7	-0.3	2.9	2.4	2.5	3.3	3.5
South Sudan	3.1	-6.6	-3.5	3.8	11.4	-3.4	5.3	-0.2	0.6	2.5	5.1
Uganda	7.4	0.2	6.8	5.6	7.7	-1.2	5.6	5.7	4.9	6.1	7.0
United Republic of Tanzania	6.6	6.9	6.8	7.0	7.0	4.8	4.9	4.7	5.0	5.9	6.1
Central Africa	4.9	-1.1	-0.1	0.8	2.1	-1.7	1.6	3.0	2.5	3.1	3.7
Cameroon	4.3	4.5	3.5	4.0	3.5	0.5	3.6	3.6	4.2	4.2	5.0
Central African Republic	-1.0	4.8	4.5	3.8	3.0	1.0	1.0	0.4	2.2	3.0	4.6
Chad	10.5	-2.6	-1.9	2.4	3.5	-2.4	-1.2	2.5	3.1	3.9	4.8
Congo	3.1	-10.8	-4.4	-4.8	1.0	-6.2	1.5	2.4	3.3	4.0	4.3
Equatorial Guinea	9.9	-8.8	-5.7	-6.2	-6.0	-4.9	-1.6	3.0	-4.9	-2.8	-2.6
Gabon	2.5	2.1	0.5	0.8	3.9	-1.8	1.5	2.8	2.1	2.3	2.5
Sao Tome and Principe	4.8	5.2	4.1	4.4	2.0	2.6	1.8	1.5	1.8	2.8	4.2
West Africa	6.5	0.3	2.6	3.2	3.3	-0.8	4.3	3.9	3.6	3.8	4.1
Benin	4.1	3.3	5.7	6.7	6.9	3.8	7.2	6.3	5.9	5.5	5.4
Burkina Faso	5.8	6.0	6.2	6.6	5.7	1.9	6.9	1.5	4.2	3.6	3.9

Table A.3

Developing economies: growth of real GDP (continued)

Annual percentage change

	2001-2015 ^a	2016	2017	2018	2019	2020	2021	2022	2023 ^b	2024 ^c	2025 ^c
Cabo Verde	4.0	4.7	4.6	3.7	6.9	-20.8	5.6	17.1	4.2	4.8	5.9
Côte d'Ivoire	5.1	7.2	7.4	6.9	6.2	2.0	7.8	6.7	6.2	6.4	7.9
Gambia	2.5	1.9	4.8	7.2	6.2	0.6	4.3	5.2	4.2	5.2	4.7
Ghana	6.2	3.4	8.1	6.2	6.5	0.5	5.1	3.1	3.1	3.8	4.0
Guinea	3.5	10.8	10.3	6.4	5.6	4.9	3.8	4.7	5.0	5.2	9.3
Guinea-Bissau	2.7	6.3	5.9	3.8	4.5	1.5	6.4	3.5	4.1	4.7	4.8
Liberia	5.6	-0.5	2.5	1.2	-2.3	-2.9	5.0	4.8	4.4	4.6	6.5
Mali	8.7	5.8	5.3	4.7	4.7	-1.2	3.0	3.7	3.3	3.4	4.2
Niger	5.2	5.7	5.0	7.2	5.9	3.6	1.4	11.6	3.7	4.2	7.6
Nigeria	7.0	-1.6	0.8	1.9	2.2	-1.8	3.6	3.3	3.0	3.1	3.1
Senegal	3.6	6.4	7.4	6.2	4.6	1.3	6.5	4.0	6.8	9.2	8.1
Sierra Leone	7.3	6.3	3.8	3.5	5.3	-2.0	4.1	3.5	3.9	4.2	4.2
Togo	5.8	5.7	4.0	4.8	4.9	1.8	5.3	5.8	5.0	4.8	4.1
Southern Africa	4.1	0.5	1.3	1.2	0.1	-5.9	4.2	2.8	1.6	2.3	3.0
Angola	7.4	-2.6	-0.1	-2.0	-0.7	-5.5	1.2	3.0	3.5	3.6	4.2
Botswana	3.0	7.2	4.1	4.2	3.0	-8.7	11.4	6.3	3.5	3.8	5.5
Eswatini	3.3	1.1	2.0	2.4	2.6	-1.9	7.9	0.4	2.9	3.0	4.3
Lesotho	3.9	3.6	-3.1	-1.5	-0.8	-5.6	1.6	0.6	1.1	1.6	2.4
Malawi	4.6	2.5	4.0	4.4	5.6	0.9	2.8	0.9	1.1	2.0	3.2
Mauritius	4.0	3.9	3.9	4.0	2.8	-14.6	3.6	8.9	4.2	4.1	7.4
Mozambique	7.7	3.8	3.7	3.4	2.3	-1.2	2.3	4.2	4.2	5.2	6.8
Namibia	4.8	0.0	-1.0	1.1	-0.9	-7.9	3.5	4.5	3.2	2.6	4.7
South Africa	3.0	0.7	1.2	1.6	0.3	-6.0	4.7	1.9	0.5	1.4	1.7
Zambia	6.7	3.8	3.5	4.0	1.4	-2.8	4.6	4.7	3.7	4.0	5.2
Zimbabwe	4.5	0.8	5.2	3.9	-6.3	-7.8	8.5	6.5	2.4	3.2	5.3
Africa - net fuel exporters	5.5	-0.6	2.7	1.9	1.1	-4.2	4.3	2.0	3.4	3.4	3.5
Africa - net fuel importers	4.5	3.1	4.1	4.3	3.7	-1.6	5.7	3.7	2.4	3.5	4.5
East and South Asia^f	7.7	6.4	6.4	6.0	5.1	0.5	7.1	3.7	5.0	4.7	4.7
East Asia	8.2	6.2	6.4	6.2	5.5	1.1	7.6	3.2	4.9	4.6	4.5
Brunei Darussalam	0.9	-2.5	1.3	0.1	3.9	1.1	-1.6	-1.6	0.7	2.5	2.0
Cambodia	7.7	7.0	7.0	7.5	7.1	-3.1	3.0	5.3	5.5	6.0	6.2
China	9.7	6.8	6.9	6.7	6.0	2.2	8.4	3.0	5.3	4.7	4.5
Democratic People's Republic of Korea	1.0	3.9	-3.5	-4.1	0.4	-4.5	-0.1	-1.4	2.2	1.9	1.8
Fiji	2.3	2.5	5.4	3.5	-0.6	-17.0	-5.1	20.0	7.3	5.0	4.7
Hong Kong SAR ^g	3.7	2.2	3.8	2.8	-1.7	-6.5	6.4	-3.5	3.6	3.0	3.2

Table A.3

Developing economies: growth of real GDP (*continued*)

Annual percentage change

	2001-2015 ^a	2016	2017	2018	2019	2020	2021	2022	2023 ^b	2024 ^c	2025 ^c
Indonesia	5.3	5.0	5.1	5.2	5.0	-2.1	3.7	5.3	5.1	5.0	5.2
Kiribati	1.4	-0.5	-0.2	5.3	-2.1	-1.4	7.9	1.2	2.4	2.6	2.5
Lao People's Democratic Republic	7.4	7.0	6.9	6.2	5.5	3.3	3.5	4.4	3.7	4.0	4.1
Malaysia	4.8	4.4	5.8	4.8	4.4	-5.5	3.3	8.7	4.2	4.5	4.6
Mongolia	7.6	1.5	5.6	7.7	5.6	-4.6	1.4	5.0	5.9	5.5	6.0
Myanmar ^e	10.2	5.8	6.4	6.8	3.2	-5.9	-17.9	2.0	2.6	2.6	2.8
Papua New Guinea	4.4	5.5	3.5	-0.3	4.5	-3.2	0.1	4.6	3.4	3.7	4.1
Philippines	5.2	7.1	6.9	6.3	6.1	-9.5	5.7	7.6	5.4	5.8	6.0
Samoa	2.8	4.5	-0.5	2.9	2.8	-10.1	-2.3	0.0	6.4	3.8	3.9
Singapore	5.4	3.6	4.5	3.6	1.3	-3.9	8.9	3.6	0.9	2.1	2.6
Solomon Islands	4.2	5.6	3.1	2.7	1.7	-3.4	-0.6	-4.1	2.8	2.6	3.2
Taiwan Province of China	3.8	2.2	3.3	2.8	3.1	3.4	6.5	2.4	0.9	2.5	3.0
Thailand	4.0	3.4	4.2	4.2	2.1	-6.1	1.5	2.6	2.7	3.4	3.8
Timor-Leste	4.4	3.4	-3.1	-0.7	23.5	31.9	5.3	-20.5	-15.2	-8.3	3.1
Vanuatu	2.7	3.5	4.4	2.9	3.2	-5.0	0.6	1.8	1.6	3.3	3.5
Viet Nam	6.5	6.7	6.9	7.5	7.4	2.9	2.6	8.0	4.7	6.0	6.5
South Asia^f	5.9	7.5	6.4	5.3	3.2	-2.1	4.9	6.3	5.3	5.2	5.7
Afghanistan ^{e,f}	8.7	1.5	2.6	1.2	3.9	-2.4	-20.7	-10.4	..	..	..
Bangladesh ^e	7.1	9.1	6.6	7.3	7.9	3.4	6.9	7.1	6.0	5.6	5.8
Bhutan	7.6	10.2	6.6	3.5	5.8	-10.2	4.4	5.2	4.1	4.0	4.0
India ^e	6.7	8.3	6.8	6.5	3.7	-6.6	9.1	7.2	6.4	6.3	6.6
Iran (Islamic Republic of) ^e	3.5	8.8	2.8	-2.3	-3.1	3.3	4.7	3.7	3.0	2.4	2.7
Maldives	5.1	6.3	7.2	8.1	7.1	-33.5	41.7	13.9	7.6	6.8	7.1
Nepal ^e	5.0	0.4	9.0	7.6	6.7	-2.4	4.8	5.6	1.9	4.5	5.0
Pakistan ^e	4.6	6.6	4.4	6.2	2.5	-1.3	6.5	4.7	1.7	2.0	2.4
Sri Lanka	5.5	4.5	3.6	3.3	2.3	-3.6	3.7	-7.8	-3.6	1.5	3.1
East and South Asia - net fuel exporters	4.7	5.4	4.7	3.1	2.6	-0.9	3.8	4.7	4.5	4.1	4.4
East and South Asia - net fuel importers^f	8.0	6.5	6.6	6.3	5.3	0.6	7.4	3.6	5.0	4.7	4.7
Western Asia^h	4.4	3.7	2.3	2.5	1.2	-3.1	6.4	6.5	1.7	2.9	3.7
Western Asia - net fuel exporters	4.5	4.0	-0.9	2.0	1.1	-5.5	3.1	7.6	0.5	3.1	4.0
Bahrain	4.8	3.6	4.3	2.1	2.1	-4.6	2.7	4.2	3.1	2.9	3.9
Iraq	3.9	13.8	-1.8	2.6	6.5	-12.8	2.8	7.0	-3.5	2.5	3.5
Kuwait	4.3	2.9	-4.7	2.4	-0.6	-8.9	1.3	8.9	-0.7	3.3	3.9

Table A.3

Developing economies: growth of real GDP (continued)

Annual percentage change

	2001-2015 ^a	2016	2017	2018	2019	2020	2021	2022	2023 ^b	2024 ^c	2025 ^c
Oman	3.7	5.0	0.3	1.3	-1.1	-3.4	3.1	4.3	1.2	2.7	4.8
Qatar	10.8	3.1	-1.5	1.2	0.7	-3.6	1.5	4.9	2.3	2.2	3.1
Saudi Arabia	4.1	1.7	-0.7	2.5	0.3	-4.1	3.2	8.7	0.0	3.2	3.9
United Arab Emirates	4.4	5.6	0.7	1.3	1.1	-5.0	4.4	7.9	2.7	3.7	4.8
Yemen	-1.7	-15.0	-10.6	-0.8	1.4	1.2	-1.0	1.5	-0.5	3.9	4.0
Western Asia - net fuel importers^h	4.5	3.4	6.2	3.0	1.3	-0.2	10.0	5.4	3.0	2.7	3.3
Israel	3.4	4.5	4.4	4.0	3.8	-1.5	9.3	6.5	1.8	2.8	3.8
Jordan	5.1	2.0	2.5	1.9	1.8	-1.6	2.2	2.5	2.1	2.3	2.9
Lebanon	4.5	1.6	0.9	-1.9	-6.9	-25.9	-7.0	0.0	-0.2	1.7	3.8
State of Palestine ^h	4.6	8.9	1.4	1.2	1.4	-11.3	7.1	3.8	..	..	..
Syrian Arab Republic	-1.5	-5.6	-0.7	1.5	3.7	-10.5	-2.9	-3.5	1.3	3.9	8.8
Türkiye	5.0	3.3	7.5	3.0	0.8	1.9	11.4	5.5	3.5	2.7	3.1
Latin America and the Caribbean	2.9	-1.3	1.0	0.7	-0.7	-7.3	6.6	3.8	2.2	1.6	2.3
South America	3.1	-3.0	0.3	-0.2	-1.2	-7.0	7.0	3.9	1.4	1.0	2.3
Argentina	2.8	-2.1	2.8	-2.6	-2.0	-9.9	10.4	5.0	-2.5	-3.3	1.8
Bolivia (Plurinational State of)	4.4	4.3	4.2	4.2	2.2	-8.7	6.1	3.5	1.7	2.1	2.5
Brazil	2.8	-3.3	1.3	1.8	1.2	-3.9	4.6	2.9	3.1	1.6	2.3
Chile	4.1	1.7	1.2	3.7	0.8	-6.0	11.7	2.4	-0.2	2.2	2.1
Colombia	4.3	2.1	1.4	2.6	3.2	-7.0	10.7	7.5	0.9	1.7	2.8
Ecuador	4.2	-1.2	2.4	1.3	0.0	-7.8	4.2	2.9	2.0	2.4	2.2
Paraguay	4.9	4.3	4.8	3.2	-0.4	-0.8	5.0	0.1	4.5	4.0	3.5
Peru	5.3	4.0	2.5	4.0	2.2	-11.0	13.3	2.7	0.7	2.3	2.5
Uruguay	3.6	3.1	1.6	0.5	0.4	-6.1	4.4	4.9	1.0	2.8	3.0
Venezuela (Bolivarian Republic of)	2.1	-17.0	-15.7	-19.6	-35.0	-32.0	0.5	12.0	2.0	2.7	2.8
Mexico and Central America	2.5	2.9	2.5	2.5	0.5	-8.0	5.7	3.4	3.5	2.6	2.3
Costa Rica	4.2	4.2	4.2	2.6	2.4	-4.1	7.6	4.3	4.8	3.7	3.3
Cuba	4.4	0.5	1.8	2.2	-0.2	-10.9	1.3	2.0	1.8	2.2	1.9
Dominican Republic	4.9	6.7	4.7	7.0	5.1	-6.7	12.3	4.9	3.3	4.2	4.0
El Salvador	1.9	2.5	2.3	2.4	2.4	-8.2	10.3	2.6	2.1	1.8	2.0
Guatemala	3.5	2.7	3.1	3.4	4.0	-1.8	8.0	4.1	3.4	3.1	3.5
Haiti ^e	2.2	2.3	2.5	1.7	-1.7	-3.3	-1.8	-2.2	-1.5	-0.4	0.6
Honduras	3.9	3.9	4.8	3.8	2.7	-9.0	12.5	4.0	3.4	3.3	3.4
Mexico	2.0	2.6	2.1	2.2	-0.2	-8.0	4.7	3.0	3.5	2.3	1.9

Table A.3

Developing economies: growth of real GDP (continued)

Annual percentage change

	2001-2015 ^a	2016	2017	2018	2019	2020	2021	2022	2023 ^b	2024 ^c	2025 ^c
Nicaragua	3.8	4.6	4.6	-3.4	-3.8	-1.8	10.3	4.0	3.0	2.8	2.3
Panama	6.5	5.0	5.6	3.7	3.0	-17.9	15.3	9.5	6.1	4.2	4.4
Caribbean	2.5	-2.4	-0.7	1.1	1.2	-8.6	5.1	11.2	8.6	7.5	5.2
Bahamas	0.7	-0.9	3.0	1.8	1.9	-23.8	13.7	8.2	4.4	2.5	3.0
Barbados	0.4	2.5	0.5	-1.0	-0.1	-13.3	-0.2	9.6	4.9	3.3	3.6
Belize	3.2	0.1	-1.7	1.1	4.5	-13.4	15.2	12.1	4.8	3.6	3.4
Guyana	6.2	3.8	3.7	4.4	5.4	43.5	18.5	54.2	32.5	25.3	12.2
Jamaica	0.6	1.4	1.0	1.9	0.9	-10.0	4.6	3.8	2.4	2.1	2.4
Suriname	4.2	-4.9	1.6	4.9	1.2	-16.0	-2.7	2.1	1.9	2.9	2.4
Trinidad and Tobago	4.5	-6.8	-4.7	-0.9	0.1	-7.7	-1.0	2.4	3.1	2.2	2.6
Latin America and the Caribbean - net fuel exporters	3.2	-7.0	-5.3	-5.4	-8.8	-12.2	7.2	7.7	2.0	2.7	3.0
Latin America and the Caribbean - net fuel importers	2.8	-0.3	2.0	1.6	0.5	-6.7	6.5	3.3	2.2	1.4	2.2
Memorandum items:											
Least developed countries ^{f,i}	6.3	4.0	4.7	5.1	4.6	1.8	3.0	3.4	4.4	5.0	5.5
Small island developing States	4.6	2.9	3.5	3.4	1.8	-6.1	7.3	4.5	2.3	3.1	3.2
Landlocked developing countries ^f	6.7	2.8	5.1	4.5	4.0	-1.3	4.8	4.1	4.4	4.7	4.8
Africa (excluding Libya) ⁱ	5.1	1.7	3.0	3.2	3.0	-2.0	4.8	3.5	3.3	3.5	4.2
North Africa (excluding Libya) ⁱ	4.4	3.0	3.9	3.8	3.6	-2.0	5.4	2.9	3.4	3.2	4.2
East Asia (excluding China)	4.8	4.2	4.8	4.5	3.7	-2.9	4.4	3.9	3.4	4.1	4.4
South Asia (excluding India) ^f	4.9	6.2	5.0	2.9	0.8	2.3	4.7	3.6	3.2	3.1	3.6
Western Asia (excluding Israel and Türkiye) ^h	4.4	3.8	-0.7	1.9	1.0	-6.1	2.8	7.2	0.6	3.1	4.1
Arab States ⁱ	4.2	3.5	1.3	2.6	1.5	-5.3	4.1	5.2	1.0	3.1	4.0
Caribbean (excluding Guyana)	2.3	-2.9	-1.0	0.8	0.9	-12.7	3.4	4.7	3.3	2.4	2.7

Source: UN DESA, based on data from the United Nations Statistics Division, individual national sources and UN DESA forecasts.

Notes: GDP = gross domestic product. Regional aggregates calculated at 2015 prices and exchange rates.

a Average percentage change.

b Partly estimated.

c Baseline scenario forecasts, based in part on the UN DESA World Economic Forecasting Model.

d Covering countries that account for 98 per cent of the population of all developing countries.

e Fiscal year basis.

f Afghanistan is excluded from individual and regional group estimates and forecasts for the period 2023-2025.

g Special Administrative Region of China.

h The State of Palestine is excluded from individual and regional group estimates and forecasts for the period 2023-2025.

i Regional aggregates exclude Sudan for the period 2023-2025.

j Currently includes data for Algeria, Bahrain, Comoros, Djibouti, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Mauritania, Morocco, Oman, Qatar, Saudi Arabia, Somalia, Sudan, Syrian Arab Republic, Tunisia, United Arab Emirates, and Yemen.

Table A.4

Growth of world output and gross domestic product by SDG regions

Annual percentage change

	2021	2022	2023 ^a	2024 ^b	2025 ^b
World	6.0	3.0	2.7	2.4	2.7
Africa	5.2	3.1	2.8	3.5	4.1
North Africa	6.6	1.6	1.8	3.0	4.1
East Africa	5.6	5.1	4.6	5.1	5.7
Middle Africa	2.3	4.2	3.8	4.0	4.8
Southern Africa	5.0	2.1	0.8	1.6	2.0
West Africa	4.3	3.9	3.6	3.9	4.1
Americas	5.9	2.4	2.4	1.4	1.8
Northern America	5.7	2.0	2.4	1.3	1.7
Latin America and the Caribbean	6.6	3.8	2.2	1.6	2.3
Caribbean	5.5	3.5	2.6	2.9	2.9
Central America	5.7	3.4	3.6	2.5	2.2
South America	7.0	4.0	1.5	1.1	2.4
Asia	6.2	3.6	4.1	4.0	4.1
Central Asia	5.3	4.4	5.4	5.3	4.7
East Asia	6.8	2.5	4.3	3.8	3.7
South Asia	4.9	6.3	5.3	5.2	5.7
South-East Asia	3.8	5.1	3.9	4.5	4.8
Western Asia	6.4	6.5	1.7	2.9	3.7
Europe	6.0	2.9	0.7	1.1	1.5
Eastern Europe	5.7	-0.2	1.7	2.0	2.3
Northern Europe	7.9	4.2	0.3	0.8	1.3
Southern Europe	6.9	4.7	1.5	1.4	1.7
Western Europe	4.6	2.5	0.4	0.8	1.4
Oceania	5.2	3.6	1.8	1.5	2.3

Source: UN DESA, based on data from the United Nations Statistics Division and UN DESA forecasts.

Notes: SDG = Sustainable Development Goals. Regional aggregates in this table follow geographic regions defined under the Standard Country or Area Codes for Statistical Use (known as M49) and are not strictly comparable to those in the *World Economic Situation and Prospects (WESP)* report. Full details on the M49 standard can be found on the [United Nations Statistics Division](https://www.un.org/development/desa/standard/country-codes/) website. Calculated at 2015 prices and exchange rates. Figures are based on the countries actively monitored for the WESP.

a Partly estimated.

b Baseline scenario forecasts, based in part on the UN DESA World Economic Forecasting Model.

Table A.5

Developed economies: consumer price inflationAnnual percentage change^a

	2015	2016	2017	2018	2019	2020	2021	2022	2023 ^b	2024 ^c	2025 ^c
Developed economies	-0.1	0.5	1.6	1.9	1.3	0.6	3.5	7.8	4.8	2.8	2.2
United States	-0.8	0.6	1.8	2.2	1.4	0.8	5.3	8.7	4.1	2.5	2.2
Canada	1.1	1.4	1.6	2.3	1.9	0.7	3.4	6.8	3.9	2.4	2.0
Japan	0.8	-0.1	0.5	1.0	0.5	0.0	-0.2	2.5	3.3	2.7	1.8
Republic of Korea	0.7	1.0	1.9	1.5	0.4	0.5	2.5	5.1	3.8	2.2	2.0
Australia	1.5	1.3	1.9	1.9	1.6	1.8	2.9	6.6	5.5	3.3	3.0
New Zealand	0.3	0.6	1.9	1.6	1.6	1.7	3.9	7.2	4.7	3.4	2.6
European Union	0.2	0.2	1.5	1.8	1.4	0.5	2.7	8.8	5.9	3.1	2.3
Austria	0.8	1.0	2.2	2.1	1.5	1.4	2.8	8.6	7.6	3.4	2.4
Belgium	0.6	1.8	2.2	2.3	1.2	0.4	3.2	10.3	2.7	2.9	2.2
Bulgaria	-1.1	-1.3	1.2	2.6	2.4	1.2	2.9	13.0	8.4	3.0	2.8
Croatia	-0.3	-0.6	1.3	1.5	0.8	0.0	2.7	10.7	7.3	3.6	2.9
Cyprus	-1.5	-1.2	0.7	0.8	0.5	-1.1	2.3	8.1	4.0	2.6	2.4
Czechia	0.2	0.7	2.4	1.9	2.6	3.3	3.3	14.8	10.2	3.0	2.5
Denmark	0.2	0.0	1.1	0.7	0.7	0.4	1.9	8.5	3.8	2.8	2.3
Estonia	0.1	0.8	3.7	3.4	2.3	-0.6	4.5	19.4	10.4	4.0	3.1
Finland	-0.2	0.4	0.8	1.2	1.1	0.4	2.1	7.2	4.6	2.5	1.8
France	0.1	0.3	1.2	2.1	1.3	0.5	2.1	5.9	5.7	2.9	2.2
Germany	0.7	0.4	1.7	1.9	1.4	0.3	3.2	8.7	6.1	2.8	2.2
Greece	-1.1	0.0	1.1	0.8	0.5	-1.3	0.6	9.3	4.3	3.0	2.3
Hungary	0.1	0.4	2.4	2.9	3.4	3.4	5.2	15.3	17.3	5.2	4.0
Ireland	0.0	-0.2	0.3	0.7	0.9	-0.5	2.4	8.1	5.3	2.8	2.1
Italy	0.1	-0.1	1.4	1.2	0.7	-0.2	1.9	8.8	6.2	2.8	2.1
Latvia	0.2	0.1	2.9	2.6	2.7	0.1	3.2	17.2	8.9	3.0	2.5
Lithuania	-0.7	0.7	3.7	2.5	2.2	1.1	4.6	18.9	9.0	3.2	2.4
Luxembourg	0.1	0.0	2.1	2.0	1.7	0.0	3.5	8.2	3.2	2.7	2.1
Malta	1.2	0.9	1.3	1.7	1.5	0.8	0.7	6.1	5.7	3.1	2.4
Netherlands	0.2	0.1	1.3	1.6	2.7	1.1	2.8	11.6	4.2	3.4	2.3
Poland	-0.7	-0.2	1.6	1.2	2.1	3.6	5.2	13.2	11.0	4.5	3.8
Portugal	0.5	0.6	1.6	1.2	0.3	-0.1	0.9	8.1	5.5	2.9	2.3
Romania	-0.4	-1.1	1.1	4.1	3.9	2.3	4.1	12.0	10.1	4.9	3.5
Slovakia	-0.3	-0.5	1.4	2.5	2.8	2.0	2.8	12.1	10.8	4.5	3.5
Slovenia	-0.8	-0.1	1.6	1.9	1.7	-0.3	2.1	9.3	6.9	3.8	3.2

Table A.5

Developed economies: consumer price inflation (*continued*)Annual percentage change^a

	2015	2016	2017	2018	2019	2020	2021	2022	2023 ^b	2024 ^c	2025 ^c
Spain	-0.6	-0.3	2.0	1.7	0.8	-0.3	3.0	8.3	3.5	3.6	2.4
Sweden	0.7	1.1	1.9	2.0	1.7	0.7	2.7	8.1	6.2	3.5	2.4
Other European countries	0.1	0.8	2.2	2.2	1.6	0.6	2.4	7.7	6.3	3.2	2.3
Iceland	0.3	0.8	-1.6	0.7	2.0	1.2	3.7	5.7	8.4	4.7	3.1
Norway	2.0	3.9	1.8	3.0	2.3	1.2	3.9	6.2	5.7	3.0	2.3
Switzerland	-0.8	-0.5	0.6	0.9	0.4	-0.8	0.5	2.7	2.1	1.8	1.4
United Kingdom ^d	0.0	0.7	2.7	2.4	1.8	0.9	2.6	9.1	7.4	3.6	2.5
Memorandum items:											
Northern America	-0.6	0.6	1.7	2.2	1.4	0.8	5.2	8.5	4.1	2.5	2.2
Developed Asia and the Pacific	0.9	0.4	1.1	1.3	0.7	0.5	1.0	3.8	3.8	2.7	2.1
Europe	0.2	0.4	1.7	1.9	1.4	0.5	2.6	8.5	6.0	3.1	2.3
Major developed economies	-0.2	0.5	1.6	2.0	1.3	0.6	3.7	7.7	4.7	2.7	2.1
Euro area	0.2	0.3	1.5	1.7	1.3	0.3	2.6	8.4	5.5	3.0	2.2

Source: UN DESA, based on OECD Main Economic Indicators, Eurostat, individual national sources and UN DESA forecasts.

a Data for country groups are weighted averages, where weights for each year are based on 2015 GDP in United States dollars.

b Partly estimated.

c Baseline scenario forecasts, based on the UN DESA World Economic Forecasting Model.

d The United Kingdom withdrew from the European Union on 31 January 2020 and is therefore excluded from all European Union aggregations.

Table A.6

Economies in transition: consumer price inflationAnnual percentage change^a

	2015	2016	2017	2018	2019	2020	2021	2022	2023 ^b	2024 ^c	2025 ^c
Economies in transition	14.5	7.9	5.3	4.3	5.0	4.1	7.3	13.2	8.5	5.3	4.2
South-Eastern Europe	0.7	0.3	2.4	1.9	1.3	0.8	3.1	11.1	9.0	3.8	2.9
Albania	1.9	1.3	3.2	1.7	1.7	2.2	2.3	6.6	4.9	3.5	2.7
Bosnia and Herzegovina	-1.0	-1.6	0.8	1.4	0.6	-1.1	2.0	10.7	6.1	3.2	2.9
Montenegro	1.5	-0.1	2.8	2.6	0.5	-0.5	2.5	11.9	8.0	3.8	2.4
North Macedonia	0.1	0.2	2.1	2.3	0.7	1.2	3.4	14.0	9.0	3.6	2.2
Serbia	1.5	1.3	3.4	2.0	1.9	1.7	4.1	11.7	12.1	4.3	3.2
Commonwealth of Independent States and Georgia^d	15.2	8.2	5.4	4.5	5.1	4.2	7.5	13.3	8.4	5.4	4.3
Commonwealth of Independent States and Georgia - net fuel exporters	14.0	8.0	4.5	3.4	4.5	3.8	7.1	13.7	8.2	5.3	4.3
Azerbaijan	4.0	12.4	12.9	2.3	2.6	2.8	6.7	6.8	9.5	5.9	3.9
Kazakhstan	6.7	14.5	7.4	6.0	5.2	6.8	8.0	15.0	14.0	8.0	5.8
Russian Federation	15.5	7.0	3.7	2.9	4.5	3.4	6.7	13.7	7.3	4.8	4.0
Turkmenistan	7.4	3.6	8.0	13.3	5.1	6.1	19.5	15.9	10.3	8.0	6.9
Commonwealth of Independent States and Georgia - net fuel importers^d	22.1	9.8	10.9	10.3	8.8	6.8	9.7	11.4	9.6	5.9	4.5
Armenia	3.7	-1.4	1.0	2.5	1.4	1.2	7.2	8.6	2.1	2.6	2.5
Belarus	13.5	11.8	6.0	4.9	5.6	5.5	9.5	15.2	5.0	4.1	3.9
Georgia ^d	4.0	2.1	6.0	2.6	4.9	5.2	9.6	12.0	2.4	2.5	2.5
Kyrgyzstan	6.5	0.4	3.2	1.5	1.1	6.3	11.9	13.9	10.6	7.5	5.8
Republic of Moldova	9.7	6.4	6.6	3.0	4.8	3.8	5.1	28.7	15.3	4.9	4.0
Tajikistan	5.7	6.0	7.3	3.8	7.8	8.6	9.0	6.6	3.9	3.9	3.8
Ukraine ^e	48.7	13.9	14.4	11.0	7.9	2.7	9.4	20.1	14.0	6.4	4.4
Uzbekistan	8.8	8.1	13.9	17.5	14.5	12.9	10.8	11.3	10.1	7.6	5.5

Source: UN DESA, based on data from the United Nations Statistics Division, individual national sources and UN DESA forecasts.

Note: Regional aggregates calculated at 2015 prices and exchange rates.

a Average percentage change.

b Partly estimated.

c Baseline scenario forecasts, based in part on the UN DESA World Economic Forecasting Model.

d Georgia officially left the Commonwealth of Independent States on 18 August 2009. However, its performance is discussed in the context of this group of countries for reasons of geographic proximity and similarities in economic structure.

e The Government of Ukraine has advised the United Nations that it is not in a position to provide statistical data concerning the Autonomous Republic of Crimea and the city of Sevastopol.

Table A.7

Developing economies: consumer price inflationAnnual percentage change^a

	2015	2016	2017	2018	2019	2020	2021	2022	2023 ^b	2024 ^c	2025 ^c
Developing countries^d	3.5	4.0	3.7	4.0	4.6	4.6	4.7	8.2	6.9	5.6	4.4
Africa^e	6.9	11.4	13.8	9.2	9.2	12.2	10.1	13.1	18.3	14.5	10.6
North Africa^e	7.2	10.3	17.5	9.5	5.2	3.5	4.9	10.7	20.2	13.1	10.5
Algeria	4.8	6.4	5.6	4.3	2.0	2.4	7.2	9.3	9.5	6.4	5.7
Egypt	10.4	13.8	29.5	14.4	9.4	5.1	5.2	13.9	34.2	21.8	17.0
Libya	10.0	25.9	25.8	13.6	-2.1	1.5	2.9	4.5	2.5	3.0	3.2
Mauritania	0.5	1.5	2.3	3.1	2.3	2.4	3.6	9.6	5.1	4.2	3.9
Morocco	1.6	1.6	0.8	1.8	0.3	0.7	1.4	6.6	6.3	3.1	2.8
Sudan	16.9	17.8	32.4	63.3	51.0	163.3	359.1	164.3	230.0	122.3	82.9
Tunisia	4.4	3.6	5.3	7.3	6.7	5.6	5.7	8.3	9.4	8.9	7.3
East Africa	7.1	12.8	16.3	11.2	8.7	9.7	10.4	9.6	13.5	10.5	8.5
Burundi	5.5	5.6	16.1	-2.8	-0.7	7.3	8.4	12.2	15.1	17.6	18.4
Comoros	0.9	0.8	0.1	1.7	3.7	0.8	0.0	0.7	10.6	3.0	1.4
Democratic Republic of the Congo	0.7	2.9	35.7	29.3	4.7	11.4	9.0	7.4	16.8	10.7	7.1
Djibouti	-0.8	2.7	0.6	0.1	3.3	1.8	1.2	5.8	3.1	2.1	2.0
Eritrea	28.5	-5.6	-13.3	-14.4	1.3	5.6	6.6	4.2	6.1	5.0	4.5
Ethiopia	9.6	6.6	10.7	13.8	15.8	20.4	26.8	22.5	29.7	22.3	16.8
Kenya	6.6	6.3	8.0	4.7	5.1	5.4	6.1	6.1	7.3	6.4	5.9
Madagascar	7.4	6.0	8.6	8.6	5.6	4.2	5.8	9.4	10.0	8.4	7.5
Rwanda	2.5	7.2	8.3	-0.3	3.3	9.9	-0.4	2.9	14.7	7.2	5.4
Somalia	0.9	0.0	4.0	4.3	4.7	4.3	4.6	3.9	1.6	1.0	2.2
South Sudan	52.8	351.0	240.0	93.3	88.2	32.7	10.5	20.3	21.7	18.6	16.7
Uganda	5.4	5.4	5.6	2.6	2.4	2.7	2.2	3.0	3.4	4.8	5.2
United Republic of Tanzania	5.6	5.2	5.3	3.5	3.5	3.3	3.7	2.5	4.5	4.0	3.5
Central Africa	2.4	1.3	0.7	2.3	1.5	2.8	1.3	3.1	3.6	2.4	1.9
Cameroon	2.7	0.9	0.6	1.1	2.5	2.4	2.3	3.2	2.5	2.0	1.6
Central African Republic	1.4	4.9	4.2	1.6	2.7	1.7	4.3	6.4	6.6	2.8	2.0
Chad	4.4	-0.8	-1.5	4.3	-1.0	4.5	-0.8	1.2	5.8	2.1	1.3
Congo	3.2	3.2	0.5	1.2	0.4	1.4	2.0	4.8	3.6	3.1	2.9
Equatorial Guinea	1.7	1.4	0.7	1.4	1.2	4.8	-0.1	2.2	2.4	1.8	1.7
Gabon	-0.3	2.1	2.7	4.7	2.5	1.4	1.1	3.9	4.0	2.9	2.5
Sao Tome and Principe	5.2	5.4	5.7	7.9	7.7	9.8	8.1	6.9	20.8	11.9	5.2
West Africa	8.2	13.0	13.4	9.9	9.0	11.1	14.0	15.0	21.5	19.2	10.6
Benin	0.2	-0.8	1.8	0.6	-0.7	3.0	1.7	1.4	1.4	1.1	0.5

Table A.7

Developing economies: consumer price inflation (*continued*)Annual percentage change^a

	2015	2016	2017	2018	2019	2020	2021	2022	2023 ^b	2024 ^c	2025 ^c
Burkina Faso	0.7	0.4	1.5	2.0	-3.2	1.9	3.7	14.1	3.4	2.4	1.6
Cabo Verde	0.1	-1.4	0.8	1.3	1.1	0.6	1.9	7.9	4.7	2.8	1.9
Côte d'Ivoire	1.3	0.7	0.7	0.4	-1.1	2.4	4.1	5.2	4.5	3.3	2.4
Gambia	6.8	7.2	8.0	6.5	7.1	5.9	7.4	11.5	15.2	11.3	5.6
Ghana	17.1	17.5	12.4	7.8	7.1	9.9	10.0	54.2	38.1	25.0	15.7
Guinea	11.8	8.2	8.9	9.8	9.5	10.6	12.6	8.6	7.8	9.0	10.7
Guinea-Bissau	1.5	1.5	1.7	0.4	0.2	1.1	3.3	7.5	9.6	7.4	6.6
Liberia	7.7	8.8	12.4	23.6	27.0	17.0	7.8	7.6	9.6	8.4	7.5
Mali	1.5	-1.8	1.8	2.2	-1.7	0.4	3.9	9.7	4.1	0.4	2.1
Niger	-0.6	1.7	2.8	3.0	-2.5	2.9	3.8	4.2	1.6	0.9	2.2
Nigeria	9.0	15.7	16.5	12.1	11.4	13.2	17.0	13.0	24.0	22.5	11.9
Senegal	0.1	0.8	1.3	0.5	1.8	2.5	2.2	9.7	8.2	5.4	3.6
Sierra Leone	6.7	10.9	18.2	16.0	14.8	13.4	11.9	26.9	38.7	42.7	43.2
Togo	2.6	1.3	-1.0	0.9	0.7	1.7	4.5	7.6	8.2	4.5	3.6
Southern Africa	5.5	11.9	10.4	7.9	15.7	27.0	13.0	17.1	16.8	14.6	13.1
Angola	9.4	30.7	29.8	19.6	17.1	22.3	25.8	21.7	25.6	26.7	26.0
Botswana	3.1	2.8	3.3	3.2	2.8	1.9	7.2	12.5	8.8	6.3	4.9
Eswatini	5.0	7.8	6.2	4.8	2.6	3.9	3.7	4.8	5.5	6.6	7.7
Lesotho	3.2	6.6	4.4	4.8	5.2	5.0	5.8	8.3	7.4	7.2	7.4
Malawi	21.9	21.7	11.5	12.4	9.4	8.6	9.3	22.0	27.7	22.8	11.0
Mauritius	1.3	1.0	3.7	3.2	0.4	2.6	4.0	10.8	10.8	11.2	11.8
Mozambique	3.6	17.4	15.1	3.9	2.8	3.5	5.7	9.3	7.5	7.5	7.6
Namibia	3.4	6.7	6.1	4.3	3.7	2.2	3.6	6.1	6.6	7.1	7.7
South Africa	4.5	6.6	5.2	4.5	4.1	3.2	4.6	7.0	7.5	7.5	7.8
Zambia	10.1	17.9	6.6	7.5	9.2	15.7	22.0	11.1	12.1	12.5	13.3
Zimbabwe	-2.4	-1.5	0.9	10.6	255.3	557.2	98.5	193.4	154.0	86.0	45.0
Africa - net fuel exporters	8.4	17.4	16.5	11.0	9.1	10.8	13.7	14.2	19.3	17.4	11.4
Africa - net fuel importers^e	7.2	10.3	17.5	9.5	5.2	3.5	4.9	10.7	20.2	13.1	10.5
East and South Asia^f	2.5	2.6	2.1	2.9	4.3	3.4	2.9	4.3	3.4	3.2	3.1
East Asia	1.6	2.0	1.8	2.1	2.7	2.1	1.2	2.6	1.2	1.9	2.1
Brunei Darussalam	-0.5	-0.3	-1.3	1.0	-0.4	1.9	1.7	3.7	1.0	1.4	1.0
Cambodia	1.2	3.0	2.9	2.5	1.9	2.9	2.9	5.3	2.3	3.0	3.0
China	1.4	2.0	1.6	2.1	2.9	2.5	0.9	2.0	0.4	1.6	2.0
Democratic People's Republic of Korea	3.1	-0.6	7.2	2.3	-4.6	1.1	5.7	4.9	6.4	7.0	6.8

Table A.7

Developing economies: consumer price inflation (continued)Annual percentage change^a

	2015	2016	2017	2018	2019	2020	2021	2022	2023 ^b	2024 ^c	2025 ^c
Fiji	1.4	3.9	3.3	4.1	1.8	-2.6	0.2	2.8	2.7	3.1	2.8
Hong Kong SAR ^a	3.0	2.4	1.5	2.4	2.9	0.3	1.6	1.9	2.2	2.3	2.5
Indonesia	6.4	3.5	3.8	3.2	2.8	1.0	1.6	4.2	3.7	3.0	2.9
Kiribati	0.6	1.9	0.4	0.6	-1.8	2.6	2.1	4.4	4.6	4.2	3.2
Lao People's Democratic Republic	1.3	1.6	0.8	2.0	3.3	5.1	3.8	23.0	31.3	16.2	5.3
Malaysia	2.1	2.1	3.9	0.9	0.7	-1.1	2.5	3.4	2.6	2.0	2.0
Mongolia	5.7	0.7	4.3	6.8	7.3	3.8	7.4	15.2	10.3	8.6	6.0
Myanmar	9.5	6.9	4.6	5.9	8.6	5.7	3.6	18.2	14.0	8.2	7.8
Papua New Guinea	6.0	6.7	5.4	4.4	3.9	4.9	4.5	5.4	5.3	4.8	4.4
Philippines	0.7	1.3	2.9	5.3	2.4	2.4	3.9	5.8	6.0	3.7	3.5
Samoa	0.7	1.3	1.7	4.2	1.0	-1.6	3.1	4.3	11.7	5.2	4.5
Singapore	-0.5	-0.5	0.6	0.4	0.6	-0.2	2.3	6.1	5.0	3.0	2.5
Solomon Islands	-0.6	0.5	0.5	3.5	1.6	3.0	-0.1	5.5	4.4	3.6	3.1
Taiwan Province of China	-0.3	1.4	0.6	1.4	0.6	-0.2	2.0	3.0	2.4	1.5	1.7
Thailand	-0.9	0.2	0.7	1.1	0.7	-0.8	1.2	6.1	1.6	1.9	2.0
Timor-Leste	0.6	-1.5	0.5	2.3	1.0	0.5	3.8	7.0	6.0	2.6	2.1
Vanuatu	2.5	0.8	3.1	2.3	2.8	5.3	2.3	7.0	8.8	5.3	3.5
Viet Nam	0.6	2.7	3.5	3.5	2.8	3.2	1.8	3.2	3.3	3.3	2.7
South Asia^f	6.4	5.2	3.8	6.6	11.8	9.2	10.5	12.0	13.4	9.2	7.5
Afghanistan ^f	-0.7	4.4	5.0	0.6	2.3	5.6	5.1	13.7	..	..	..
Bangladesh	6.2	5.5	5.7	5.5	5.6	5.7	5.5	6.1	9.6	6.8	5.5
Bhutan	4.5	3.2	5.0	2.7	2.7	5.6	7.3	5.7	4.4	4.3	3.8
India	5.9	4.9	2.5	4.9	7.7	5.6	4.9	5.9	5.7	4.5	4.0
Iran (Islamic Republic of)	12.5	7.2	8.0	18.0	39.9	30.6	43.4	38.2	42.1	28.6	25.1
Maldives	1.0	0.5	2.8	-0.1	0.2	-1.4	0.5	3.2	3.4	3.2	3.0
Nepal	7.9	8.8	3.6	4.1	5.6	5.1	4.1	6.6	7.2	6.1	4.4
Pakistan	2.5	3.8	4.1	5.1	10.6	9.7	9.5	14.2	30.3	19.1	10.4
Sri Lanka	3.8	4.0	7.7	2.1	3.5	6.2	7.0	45.2	17.3	5.7	5.5
East and South Asia - net fuel exporters	8.2	4.7	5.1	7.9	14.5	10.4	14.8	15.0	15.9	11.2	9.9
East and South Asia - net fuel importers^f	2.0	2.4	1.9	2.5	3.5	2.8	1.9	3.4	2.3	2.5	2.6
Western Asia^h	3.8	3.8	4.2	6.6	4.3	5.2	8.5	25.3	19.6	15.2	8.4
Net fuel exporters	2.3	2.2	0.9	2.4	-1.0	1.2	2.9	4.1	3.1	2.6	2.3

Table A.7

Developing economies: consumer price inflation (continued)Annual percentage change^a

	2015	2016	2017	2018	2019	2020	2021	2022	2023 ^b	2024 ^c	2025 ^c
Bahrain	1.8	2.8	1.4	2.1	1.0	-2.3	-0.6	3.6	0.8	1.2	1.3
Iraq	1.4	0.6	0.2	0.4	-0.2	0.6	6.0	5.0	5.0	3.8	2.3
Kuwait	3.3	3.2	2.2	0.5	1.1	2.1	3.4	4.0	3.3	2.7	2.5
Oman	0.1	1.1	1.6	0.9	0.1	-0.9	1.5	2.9	2.0	2.4	3.4
Qatar	0.9	2.7	0.6	0.1	-0.9	-2.5	2.3	5.0	2.7	2.3	2.0
Saudi Arabia	1.2	2.1	-0.8	2.5	-2.1	3.4	3.1	2.5	2.5	2.2	1.9
United Arab Emirates	4.1	1.6	2.0	3.1	-1.9	-2.1	-0.1	4.8	3.2	2.7	2.6
Yemen	22.0	21.3	30.4	33.6	15.7	21.7	31.5	29.5	15.1	7.9	4.4
Net fuel importers^h	5.9	5.7	8.6	11.9	11.2	10.3	15.7	52.9	41.2	31.7	16.5
Israel	-0.6	-0.6	0.3	0.8	0.8	-0.6	1.5	4.4	5.4	4.3	3.2
Jordan	-1.1	-0.6	3.6	4.5	0.7	0.3	1.3	4.2	3.5	4.1	4.4
Lebanon	-3.7	-0.8	4.3	6.1	3.0	84.9	154.8	171.2	230.4	78.1	30.7
State of Palestine ⁱ	1.4	-0.2	0.2	-0.2	1.6	-0.7	1.2	3.7	..	..	..
Syrian Arab Republic	37.7	31.8	37.4	10.9	17.4	116.2	96.3	62.2	37.7	22.2	12.8
Türkiye	7.7	7.7	11.1	16.3	15.2	12.3	19.6	72.3	55.2	42.6	21.7
Latin America and the Caribbean^{j,k}	5.7	5.7	4.0	3.7	3.6	5.2	7.0	10.2	6.8	4.3	3.5
South America^{j,k}	7.5	7.5	3.3	3.3	3.7	5.9	7.1	9.2	5.8	4.2	3.4
Argentina	21.5	40.5	25.7	34.2	37.5	24.8	48.5	72.4	150.2	139.4	44.9
Bolivia (Plurinational State of)	4.1	3.6	2.8	2.3	0.6	-0.9	0.7	1.7	3.0	5.0	4.5
Brazil	9.0	8.7	3.4	3.7	4.1	6.9	8.3	9.3	4.9	4.2	3.5
Chile	4.3	3.8	2.2	2.4	2.5	8.4	8.3	11.6	7.3	3.3	2.9
Colombia	5.0	7.5	4.3	3.2	3.8	1.1	3.5	10.2	11.5	4.9	3.8
Ecuador	4.0	1.7	0.4	-0.2	0.1	0.4	0.1	3.5	2.0	2.3	1.9
Paraguay	3.1	4.1	3.6	4.0	3.6	2.9	4.8	9.8	5.1	4.0	2.8
Peru	3.6	3.6	2.8	1.3	1.8	3.1	4.0	7.9	6.3	4.0	2.8
Uruguay	8.7	9.6	6.2	7.6	8.0	10.7	8.0	9.1	5.0	5.5	6.8
Venezuela (Bolivarian Republic of)	121.7	254.9	438.1	65,374.0	19,906.0	2,355.1	1,588.5	186.7	350.0	115.0	85.0
Mexico and Central America	2.6	2.5	5.1	4.4	3.5	4.0	6.9	11.8	8.5	4.7	3.6
Costa Rica	0.9	0.0	1.6	2.2	2.3	0.7	1.7	8.3	0.6	2.0	3.5
Cuba	4.9	-0.5	-1.1	1.9	1.7	13.8	31.4	76.1	58.5	16.0	9.5
Dominican Republic	0.8	1.6	3.3	3.6	2.7	5.1	8.2	8.7	4.8	4.7	4.1
El Salvador	-0.7	0.6	1.0	1.1	1.6	1.4	3.5	7.2	4.5	3.0	1.9
Guatemala	2.4	4.4	4.4	3.8	4.4	3.6	4.3	6.9	5.6	4.4	3.8

Table A.7

Developing economies: consumer price inflation (continued)Annual percentage change^a

	2015	2016	2017	2018	2019	2020	2021	2022	2023 ^b	2024 ^c	2025 ^c
Haiti	9.0	13.8	14.7	14.0	18.3	22.9	15.9	34.0	34.7	12.5	10.0
Honduras	3.2	2.7	3.9	4.3	4.0	4.7	4.5	9.1	6.8	4.5	3.7
Mexico	2.8	2.8	6.0	4.9	3.6	3.4	5.7	7.9	5.5	4.0	3.1
Nicaragua	3.9	3.4	4.0	4.8	4.8	4.9	5.0	10.5	8.9	4.8	4.7
Panama	0.1	0.7	0.9	0.8	0.5	-1.1	1.6	2.9	1.9	2.2	2.4
Caribbean	3.2	5.7	4.0	2.4	2.8	5.9	7.3	10.4	8.1	4.4	3.9
Bahamas	1.9	-0.3	1.5	2.3	2.0	0.0	3.5	5.6	3.7	2.3	3.5
Barbados	-1.1	1.1	4.7	3.7	4.3	2.4	3.1	9.0	6.4	5.5	3.7
Belize	-0.7	0.7	1.1	0.3	0.8	0.1	3.3	6.3	4.0	2.6	3.5
Guyana	-1.0	0.8	1.9	1.2	2.4	1.0	4.0	5.8	3.6	5.1	4.5
Jamaica	3.7	2.3	4.4	3.7	2.9	2.9	5.9	10.3	5.8	5.2	5.4
Suriname	6.9	53.0	21.5	6.9	14.6	66.8	59.1	52.6	47.7	12.4	8.5
Trinidad and Tobago	4.6	3.1	1.9	1.0	0.9	0.3	1.5	5.8	5.1	3.2	2.4
Latin America and the Caribbean - net fuel exporters^k	4.6	5.7	3.2	2.3	2.6	0.7	2.4	7.8	8.4	4.3	3.4
Latin America and the Caribbean - net fuel importers^j	5.8	5.7	4.0	3.8	3.7	5.7	7.6	10.4	6.6	4.4	3.5
Memorandum items:											
Least developed countries ^{e,f}	7.0	11.7	12.4	9.7	8.1	9.7	10.5	12.0	13.9	10.9	9.3
Small island developing States	1.4	1.1	1.7	1.8	1.8	4.0	8.2	17.8	14.0	5.7	4.3
Landlocked developing countries ^f	6.2	10.7	9.1	7.8	13.1	21.6	11.7	17.1	15.9	10.5	7.4
East Asia (excluding China)	2.2	2.0	2.3	2.4	1.8	0.6	2.1	4.6	3.7	2.8	2.6
South Asia (excluding India) ^f	7.4	5.6	6.3	9.8	20.0	16.4	21.3	23.7	28.5	18.6	14.5
Western Asia (excluding Israel, Lebanon and Türkiye) ⁱ	2.6	2.5	1.4	2.6	-0.8	2.5	4.0	4.8	3.6	2.9	2.4
Arab States ^l	4.2	5.1	7.0	6.5	2.6	9.5	18.4	14.7	19.8	11.0	7.8

Source: UN DESA, based on data from the United Nations Statistics Division, individual national sources and UN DESA forecasts.

a Data for country groups are weighted averages, where weights for each year are based on 2015 GDP in United States dollars.

b Partly estimated.

c Baseline scenario forecasts, based in part on the UN DESA World Economic Forecasting Model.

d Regional aggregates exclude Argentina, Lebanon, Sudan and the Bolivarian Republic of Venezuela for the whole period, and Afghanistan and the State of Palestine for the period 2023-2025.

e Regional aggregates exclude Sudan.

f Afghanistan is excluded from individual and regional group estimates and forecasts for the period 2023-2025.

g Special Administrative Region of China.

h Regional aggregates exclude Lebanon for the whole period and the State of Palestine for the period 2023-2025.

i The State of Palestine is excluded from individual and regional group estimates and forecasts for the period 2023-2025.

j Regional aggregates exclude Argentina.

k Regional aggregates exclude the Bolivarian Republic of Venezuela.

l Includes data for Algeria, Bahrain, Comoros, Djibouti, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Mauritania, Morocco, Oman, Qatar, Saudi Arabia, Somalia, Sudan, Syrian Arab Republic, Tunisia, United Arab Emirates, and Yemen.

Table A.8

Selected economies: real effective exchange rates, broad measurement^{a,b}

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023 ^c
Developed economies										
Australia	90.3	81.3	82.1	84.6	81.4	77.5	76.9	81.9	82.6	81.8
Austria	103.2	101.1	102.6	103.4	104.4	103.6	105.3	105.4	103.8	106.9
Belgium	101.3	97.6	100.1	101.4	103.1	101.6	102.5	103.1	103.0	103.1
Bulgaria	99.7	96.9	96.8	96.6	100.2	100.0	102.5	103.9	105.5	111.3
Canada	90.7	82.0	80.5	81.8	81.3	80.7	79.9	83.7	81.8	78.7
Croatia	100.4	98.7	99.7	99.7	101.3	100.0	98.5	99.7	99.7	101.4
Czechia	92.3	91.4	93.8	96.8	100.9	101.1	101.3	105.3	114.8	124.6
Denmark	101.6	97.4	98.4	98.4	99.5	97.7	98.9	97.8	96.6	98.8
Finland	104.9	102.0	103.2	102.2	104.3	102.9	104.5	103.2	99.9	104.1
France	101.3	96.4	97.6	97.7	99.4	98.0	99.1	98.5	93.8	96.4
Germany	102.7	98.4	99.9	100.5	102.4	100.9	101.9	102.5	100.4	103.8
Greece	98.1	92.1	93.1	92.6	90.6	88.3	87.8	86.2	84.0	85.1
Hungary	95.1	92.6	93.2	94.4	93.7	92.7	88.7	89.1	85.1	95.5
Ireland	100.7	93.0	94.3	94.5	95.5	92.9	93.1	92.8	89.1	91.8
Italy	101.9	97.1	98.1	98.2	98.9	96.7	97.2	97.1	95.0	98.2
Japan	75.5	70.3	79.1	75.0	74.7	76.6	77.2	70.7	60.3	56.9
Korea, Republic of	109.0	108.1	106.8	109.5	110.8	105.2	102.9	103.1	96.2	97.1
Netherlands	102.9	98.5	99.6	99.6	100.8	100.7	102.8	102.9	103.7	105.4
New Zealand	108.5	99.2	100.0	100.9	94.9	93.5	92.4	98.3	95.8	94.7
Norway	92.7	85.0	86.2	86.8	87.5	85.6	79.7	84.7	82.6	76.0
Poland	101.1	98.4	94.9	96.8	97.4	96.3	96.8	96.4	96.1	105.8
Portugal	99.3	96.9	98.4	97.5	96.2	95.2	96.8	94.9	91.8	93.7
Romania	105.1	102.6	101.4	99.1	101.1	100.7	101.3	101.4	102.9	107.8
Slovakia	101.9	99.8	100.0	99.1	100.4	101.0	103.5	103.1	104.0	108.6
Spain	101.1	95.9	96.4	97.1	96.3	94.8	95.5	96.2	94.2	93.8
Sweden	96.4	91.2	91.8	90.8	86.4	83.3	85.4	88.0	82.2	78.1
Switzerland	99.4	105.1	103.1	100.8	97.8	98.6	102.2	99.6	98.8	101.7
United Kingdom	105.7	110.6	98.7	93.7	95.2	94.8	94.9	98.6	97.5	101.5
United States	101.5	111.3	114.1	111.5	106.2	109.7	111.4	110.0	120.4	120.2
Economies in transition										
Azerbaijan	103.5	95.6	70.2	71.0	72.6	75.5	77.8	79.0	83.4	87.8
Belarus	119.6	110.1	101.4	98.9	97.0	99.3	92.8	92.4	93.5	94.5
Kazakhstan	93.3	93.2	71.0	76.8	75.9	72.5	71.8	71.2	73.6	84.6
Russian Federation	90.0	74.4	74.4	86.2	78.8	81.0	74.6	73.8	91.2	73.1
Ukraine ^d	73.9	69.9	70.2	73.6	78.0	89.4	88.2	90.2	80.0	77.2
Developing economies										
Algeria	99.9	95.4	94.6	95.5	92.1	94.0	90.4	86.0	90.3	98.9

Table A.8

Selected economies: real effective exchange rates, broad measurement^{a,b} (continued)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023 ^c
Argentina	74.5	87.7	76.0	79.2	52.7	43.4	38.6	37.3	43.9	66.3
Bangladesh	118.9	135.7	143.3	144.0	141.6	149.3	155.3	154.0	149.0	126.0
Brazil	92.6	75.7	79.1	85.3	67.7	67.6	55.5	51.2	56.0	55.2
Chile	89.8	87.3	88.3	90.9	88.8	84.6	82.2	86.5	82.5	88.2
China	106.6	114.4	108.9	105.2	104.8	103.6	105.8	109.1	106.3	98.3
Colombia	91.6	74.3	70.9	71.8	57.9	55.4	50.6	44.1	39.9	39.4
Dominican Republic	95.0	96.9	96.2	92.0	80.6	80.7	76.7	73.6	77.8	75.3
Egypt	101.2	112.2	98.7	69.6	78.4	92.3	101.6	103.3	95.3	75.6
Ethiopia	99.9	108.5	110.1	107.2	109.1	121.4	113.7	112.0	118.0	125.0
Guatemala	106.7	115.1	122.1	128.2	121.2	123.7	127.9	123.8	125.1	121.3
Hong Kong SAR ^e	105.0	112.2	117.4	117.3	115.4	119.9	119.3	113.8	117.4	120.6
India	101.5	107.9	108.7	111.6	106.1	111.3	110.2	110.0	109.0	108.0
Indonesia	89.2	89.9	94.2	95.5	89.9	93.5	91.0	90.0	91.9	92.0
Iran (Islamic Republic of)	72.7	76.6	78.1	77.2	72.5	100.0	131.0	182.0	251.0	297.0
Israel	107.8	106.6	108.7	113.3	111.8	114.3	116.8	120.1	120.2	111.5
Kuwait	102.1	105.0	108.3	108.2	106.2	107.0	106.2	105.4	109.0	109.4
Malaysia	98.6	89.8	86.6	85.1	88.9	87.4	84.6	83.9	82.5	80.2
Mexico	104.8	93.3	81.1	82.6	80.7	83.4	76.9	80.6	82.6	94.0
Morocco	102.2	101.9	104.1	102.9	103.3	103.9	105.3	107.1	103.1	105.1
Nigeria	114.0	110.6	98.2	91.7	99.7	111.7	107.6	104.0	111.0	93.0
Pakistan	103.9	109.7	113.1	114.5	101.1	91.6	91.9	96.0	88.0	72.0
Peru	96.9	95.4	94.1	96.7	91.6	93.4	92.6	80.4	86.1	89.2
Philippines	100.9	105.1	101.9	97.0	94.9	99.1	104.9	105.1	102.8	105.4
Qatar	106.4	115.8	118.6	116.7	113.5	113.5	108.9	106.4	114.7	116.3
Saudi Arabia	104.5	112.4	114.9	111.5	111.4	109.8	111.9	110.1	114.4	114.0
Singapore	101.3	99.0	98.1	96.6	95.7	95.6	93.4	93.8	99.1	105.2
South Africa	83.9	81.3	76.7	85.8	87.0	81.3	69.4	74.2	69.5	62.5
Sri Lanka	105.8	110.7	107.9	107.4	99.1	92.9	93.8	90.0	61.0	63.0
Taiwan Province of China	98.7	99.1	99.1	104.4	103.7	101.9	105.5	108.4	106.4	103.0
Thailand	100.0	100.0	97.0	99.9	103.4	108.9	106.0	100.7	99.5	101.2
Türkiye	94.6	92.4	91.2	80.9	68.6	67.5	60.0	53.3	48.5	50.1
United Arab Emirates	103.8	113.5	115.4	115.2	117.2	113.2	107.2	101.2	105.9	105.6
Uruguay	103.5	104.7	103.9	106.9	88.3	87.0	85.6	76.4	80.8	79.6
Viet Nam	107.5	112.0	114.6	113.8	113.2	115.3	117.4	114.0	119.2	119.5

Source: UN DESA, Bank for International Settlements, and IMF International Financial Statistics.

a 2012 = 100.

b CPI-based indices. The real effective exchange rate gauges the effect on international price competitiveness of currency changes and inflation differentials. A rise in the index implies a fall in competitiveness and vice versa.

c Average for the first ten months.

d The Government of Ukraine has advised the United Nations that it is not in a position to provide statistical data concerning the Autonomous Republic of Crimea and the city of Sevastopol.

e Special Administrative Region of China.

Table A.9

Free market commodity price indices

Index, 2015 = 100

	Non-fuel commodities					All groups	All groups excluding fuels	Fuels
	Food	Tropical beverages	Vegetable oilseeds and oils	Agricultural raw materials	Minerals and metals			
2014	118	111	123	115	121	157	119	180
2015	100	100	100	100	100	100	100	100
2016	104	97	107	100	105	91	104	83
2017	103	94	106	105	116	106	110	104
2018	96	86	100	103	118	123	109	133
2019	98	81	93	99	125	114	112	116
2020	102	85	106	97	145	96	124	79
2021	121	109	157	110	175	149	153	146
2022	130	134	181	108	169	208	155	240
2020								
I	103	87	99	97	129	101	116	91
II	99	83	92	91	134	82	116	61
III	100	86	104	95	155	98	130	78
IV	104	85	127	104	160	105	137	85
2021								
I	113	91	149	110	170	127	147	115
II	122	99	164	110	184	140	158	128
III	124	114	157	109	176	154	154	153
IV	124	134	160	112	168	174	152	188
2022								
I	130	141	190	115	184	197	165	216
II	137	138	205	115	181	218	167	250
III	125	137	170	105	156	226	145	275
IV	125	120	161	98	156	189	143	218
2023								
I	127	123	156	101	174	165	153	172
II	134	126	145	101	171	153	152	154
III	130	119	147	101	168	159	150	165

Source: UN DESA, based on data from UNCTAD, *Monthly Commodity Price Bulletin*.

Table A.10

World oil supply and demand

	2015	2016	2017	2018	2019	2020	2021	2022	2023 ^a
World oil supply^{b,c} (millions of barrels per day)	94.3	94.7	95.5	98.2	97.6	95.0	91.9	96.8	97.4
Developed economies	21.4	21.0	22.0	24.7	26.5	26.0	26.3	27.6	28.5
Economies in transition	14.1	14.3	14.4	14.7	15.0	13.5	13.9	13.8	13.8
Developing economies	56.6	57.1	56.8	56.5	53.8	53.1	49.4	53.2	52.7
OPEC	39.1	39.6	39.5	39.5	37.2	33.0	30.9	34.2	33.3
Non-OPEC	17.6	17.5	17.2	16.9	16.5	20.1	18.5	19.0	19.4
Processing gains ^d	2.2	2.3	2.3	2.3	2.4	2.4	2.3	2.3	2.4
Global biofuels ^e	2.3	2.4	2.4	2.6	2.8	2.8	2.8	2.9	3.1
World total demand^f	95.0	96.1	97.9	99.2	100.5	92.1	97.7	99.7	102.3
Oil prices (United States dollars per barrel)									
OPEC basket ^g	49.5	40.8	52.4	69.8	64.0	41.5	69.9	100.1	83.1
Brent oil	52.3	43.7	54.2	71.2	64.3	41.7	70.9	100.9	82.4

Source: UN DESA, based on data from International Energy Agency, U.S. Energy Information Administration and OPEC.

Note: OPEC = Organization of Petroleum Exporting Countries.

a Partly estimated.

b Including global biofuels, crude oil, condensates, natural gas liquids (NGLs), oil from non-conventional sources and other sources of supply.

c Totals may not add up because of rounding.

d Net volumetric gains and losses in the refining process and marine transportation losses.

e Global biofuels comprise all world biofuel production including fuel ethanol from Brazil and the United States.

f Measured as deliveries from refineries and primary stocks. Comprises inland deliveries, international marine bunkers, refinery fuel, crude for direct burning, oil from non-conventional sources and other sources of supply. Includes biofuels.

g As of January 2022, the basket price includes Iraqi Basrah Medium instead of Basrah Light.

Table A.11

World trade:^a changes in the volume of exports and imports, by major country group

Annual percentage change

	2015	2016	2017	2018	2019	2020	2021	2022	2023 ^b	2024 ^c	2025 ^c
Volume of exports											
World	2.9	2.2	5.6	4.2	1.2	-7.5	11.0	5.3	0.6	2.3	3.0
Developed economies	4.4	2.8	5.0	3.5	2.1	-9.2	9.3	6.6	0.7	1.6	2.1
Northern America	0.8	0.6	3.8	3.0	0.9	-12.3	5.4	6.2	2.9	1.6	2.3
Europe	6.1	3.6	5.4	3.6	3.0	-8.5	10.5	7.3	-0.6	1.3	1.9
Developed Asia and the Pacific	2.6	2.7	4.7	3.6	0.1	-7.7	9.2	4.0	4.4	3.0	2.7
Economies in transition	1.5	2.7	5.2	5.1	1.8	-6.6	5.9	-7.9	1.5	3.4	4.3
South-Eastern Europe	7.9	10.5	9.3	7.7	5.4	-13.5	24.5	14.8	2.5	2.9	2.9
Commonwealth of Independent States and Georgia ^d	1.3	2.4	5.0	5.0	1.7	-6.3	5.1	-9.1	1.4	3.5	4.4
Developing economies	0.9	1.4	6.7	5.2	-0.3	-5.2	13.9	4.4	0.3	3.1	4.2
Africa	-2.5	0.1	14.2	4.6	-0.4	-17.7	7.3	11.2	2.2	3.4	4.2
East Asia	1.0	1.0	7.9	4.7	0.0	-1.1	16.1	0.5	-0.8	3.0	4.3
South Asia ^e	-1.5	5.1	5.2	7.4	-2.2	-8.2	15.3	15.4	2.9	3.7	4.6
Western Asia ^f	0.5	1.5	2.0	8.3	-0.5	-11.4	11.5	11.8	3.2	3.4	5.0
Latin America and the Caribbean	3.9	1.8	3.5	3.8	0.1	-8.8	8.1	7.2	0.1	2.6	2.4
Volume of imports											
World	1.9	1.6	5.8	4.7	1.0	-8.0	10.4	6.1	0.6	2.6	3.3
Developed economies	5.5	3.1	5.0	3.9	2.8	-8.5	9.9	8.3	-0.3	1.6	2.2
Northern America	4.4	1.2	4.5	4.1	1.0	-9.1	13.5	8.4	-1.2	0.8	1.5
Europe	7.0	4.5	4.9	3.9	4.3	-8.5	8.9	8.5	-1.0	1.3	2.1
Developed Asia and the Pacific	1.3	1.3	6.0	3.5	-0.3	-7.0	7.4	7.0	4.5	4.4	3.6
Economies in transition	-16.9	-0.4	12.2	5.0	5.0	-11.1	12.2	-6.1	6.2	4.3	4.6
South-Eastern Europe	3.2	8.2	8.8	7.8	6.7	-10.1	18.8	15.1	3.8	3.7	4.3
Commonwealth of Independent States and Georgia ^d	-18.1	-1.0	12.5	4.7	4.9	-11.2	11.6	-8.0	6.5	4.3	4.7
Developing economies	-1.6	-0.6	6.7	5.8	-2.0	-7.1	11.0	3.7	1.7	4.2	5.0
Africa	-3.4	-1.2	7.9	5.9	1.6	-14.2	5.9	5.2	3.3	2.7	2.1
East Asia	1.0	3.1	7.7	6.9	-2.8	-3.8	11.1	-1.6	-0.6	4.6	5.6
South Asia ^e	-4.2	2.4	12.9	6.5	-1.7	-9.4	10.0	13.9	7.6	4.8	5.4
Western Asia ^f	-1.7	-2.7	4.4	2.9	0.4	-7.9	8.6	15.4	5.6	5.0	5.5
Latin America and the Caribbean	-6.7	-11.2	1.3	3.8	-3.1	-13.0	16.7	6.8	1.9	1.9	3.4

Source: UN DESA, based on the UN DESA World Economic Forecasting Model.

a Includes goods and services.

b Partly estimated.

c Baseline scenario forecasts, based in part on the UN DESA World Economic Forecasting Model.

d Georgia officially left the Commonwealth of Independent States on 18 August 2009. However, its performance is discussed in the context of this group of countries for reasons of geographic proximity and similarities in economic structure.

e Regional aggregates exclude Afghanistan for the period 2023-2025.

f Regional aggregates exclude the State of Palestine for the period 2023-2025.

Table A.12

Balance of payments on current accounts, by country or country group, summary table

Billions of United States dollars

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023 ^a
Developed economies	60.9	97.5	197.3	279.9	189.8	189.4	-77.6	138.0	-567.7	-270.2
Japan	36.8	136.4	197.8	203.5	177.8	176.3	147.9	197.3	90.0	131.8
Republic of Korea	83.0	105.1	97.9	75.2	77.5	59.7	75.9	85.2	29.8	37.1
United States	-370.1	-408.5	-396.2	-361.0	-439.8	-446.0	-619.7	-846.4	-925.6	-728.8
European Union	561.4	529.5	538.7	546.4	572.5	515.2	412.7	718.9	417.9	475.9
Other Europe ^b	-47.4	-51.3	-77.6	-33.3	-35.9	-35.3	-79.3	82.6	84.4	43.1
Economies in transition	50.6	46.0	-5.0	13.9	105.7	43.6	22.4	110.9	258.3	65.1
South-Eastern Europe	-6.0	-3.8	-3.9	-5.0	-5.0	-6.4	-5.8	-5.7	-8.9	-8.7
Commonwealth of Independent States ^c	58.4	51.5	0.8	20.2	111.9	51.0	30.2	118.5	268.0	75.0
Developing economies	346.3	145.8	155.1	213.2	77.4	170.9	402.2	607.8	681.9	407.5
Net fuel exporters	187.3	-165.0	-122.1	2.2	108.4	22.1	-89.2	152.9	399.7	191.2
Net fuel importers	159.0	310.9	277.3	211.0	-30.9	148.8	491.4	455.0	282.3	216.3
Africa	-92.5	-144.2	-113.6	-83.4	-76.3	-94.7	-86.4	-52.1	-57.1	-76.1
Net fuel exporters	-25.7	-72.9	-42.9	-19.1	-10.5	-30.5	-44.2	-7.7	18.3	-0.1
Net fuel importers	-66.8	-71.3	-70.7	-64.3	-65.8	-64.3	-42.1	-44.4	-75.4	-75.9
East and South Asia	434.7	543.0	460.0	408.2	173.3	274.9	554.1	588.0	552.5	431.2
Net fuel exporters	-19.8	-10.8	-10.8	-9.2	-26.2	-26.5	-0.2	8.9	25.6	3.6
Net fuel importers	454.5	553.8	470.8	417.4	199.5	301.4	554.3	579.1	526.8	427.6
Western Asia	202.3	-71.2	-82.3	-13.0	125.8	102.6	-51.5	174.0	327.5	163.6
Net fuel exporters	243.9	-44.4	-50.5	32.7	153.3	93.2	-34.3	165.5	362.8	192.3
Net fuel importers	-41.6	-26.8	-31.9	-45.7	-27.6	9.4	-17.2	8.5	-35.2	-28.7
Latin America and the Caribbean	-198.2	-181.8	-108.9	-98.6	-145.3	-111.9	-14.1	-102.0	-141.0	-111.3
Net fuel exporters	-11.1	-37.0	-18.0	-2.1	-8.2	-14.2	-10.5	-13.7	-7.0	-4.6
Net fuel importers	-187.1	-144.8	-90.9	-96.5	-137.0	-97.7	-3.6	-88.2	-134.0	-106.7
World residual^d	457.8	289.3	347.4	507.0	373.0	403.9	347.0	856.7	372.5	202.4

Source: UN DESA, based on data from the International Monetary Fund, World Economic Outlook database, October 2023.

Note: North Africa includes South Sudan, Western Asia excludes the State of Palestine, and East Asia and South Asia exclude the Democratic People's Republic of Korea.

a Partially estimated.

b Other Europe consists of Iceland, Norway, Switzerland and the United Kingdom (see table A in the country classifications section of the present publication).

c Georgia officially left the Commonwealth of Independent States on 18 August 2009. However, its performance is discussed in the context of this group of countries for reasons of geographic proximity and similarities in economic structure.

d Statistical discrepancy.

Table A.13

Net ODA disbursements from major sources, by type

Donor group or country	Growth rate of ODA (2021 prices and exchange rates)					ODA as a percentage of GNI	Total ODA (millions of United States dollars)	Percentage distribution of ODA by type, 2022			
	2001-2011	2011-2019	2020	2021	2022			2022	2022	Bilateral	Multilateral
						Total	Total (United Nations & other)			United Nations	Other
Total DAC countries	4.8	1.7	7.8	6.9	15.4	0.37	206,058	74.6	25.4	5.2	20.1
Total EU	4.1	2.0	13.0	3.0	20.2	0.58	93,143	65.6	34.4	6.7	27.7
Austria	3.0	0.3	3.2	6.7	32.6	0.39	1,836	58.2	41.8	2.5	39.3
Belgium	5.8	-3.1	4.2	4.4	7.0	0.46	2,691	52.2	47.8	5.5	42.3
Denmark	-0.8	-0.4	-0.6	3.2	1.6	0.70	2,850	73.4	26.6	8.0	18.5
Finland	7.1	-1.5	7.6	10.1	14.4	0.57	1,615	63.1	36.9	9.2	27.7
France ^a	5.2	0.2	27.7	-0.7	14.0	0.61	17,353	61.4	38.6	5.4	33.2
Germany	4.6	7.3	17.3	3.5	15.7	0.84	35,302	72.6	27.4	8.0	19.4
Greece	-0.5	-1.3	-12.3	-1.2	10.2	0.17	360	27.7	72.3	2.9	69.4
Ireland	7.4	0.6	0.2	12.2	125.1	0.64	2,452	76.1	23.9	4.8	19.2
Italy	4.5	4.9	-1.1	36.7	13.3	0.32	6,520	49.4	50.6	3.1	47.4
Luxembourg	4.0	1.6	-10.0	8.3	4.3	1.00	530	70.4	29.6	11.7	17.9
Netherlands	0.7	-1.5	-2.3	-7.1	30.2	0.67	6,450	66.4	33.6	8.1	25.5
Portugal	2.7	-5.1	6.1	1.0	0.7	0.19	422	26.6	73.4	3.3	70.1
Spain	5.1	-7.1	-1.9	15.5	29.3	0.28	3,978	48.4	51.6	3.6	48.1
Sweden	5.6	2.9	16.4	-15.5	2.0	0.89	5,458	63.9	36.1	14.5	21.6
Australia	5.7	-1.7	-0.6	7.4	-13.1	0.19	3,040	84.4	15.6	5.4	10.2
Canada	4.4	-0.2	7.8	11.1	42.3	0.44	9,286	76.7	23.3	3.1	20.2
Japan	-3.3	2.9	13.1	19.7	27.3	0.37	16,723	84.4	15.6	3.0	12.5
New Zealand	4.4	4.6	-5.2	15.4	-17.2	0.23	538	81.7	18.3	9.0	9.3
Norway	3.9	2.0	8.3	-13.1	2.4	0.86	5,161	79.8	20.2	8.6	11.6
Switzerland	4.6	3.1	14.5	1.3	16.1	0.56	4,476	81.9	18.1	6.1	12.0
United Kingdom	7.6	4.9	-6.5	-21.5	2.8	0.51	15,716	74.1	25.9	4.0	21.9
United States	8.6	-0.5	5.9	28.5	8.2	0.22	55,000	84.9	15.1	3.7	11.5

Source: UN DESA, based on the OECD/DAC online database (accessed on 1 December 2023).

Note: ODA = official development assistance; DAC = OECD Development Assistance Committee; OECD = Organisation for Economic Co-operation and Development; EU = European Union.

a Excluding flows from France to the overseas departments, namely Guadeloupe, French Guiana, Martinique and Réunion.

Table A.14

Total net ODA flows from OECD Development Assistance Committee countries, by type

Billions of United States dollars

	Net disbursements at current prices and exchange rates									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022 ^b
Official development assistance	134.9	137.6	131.6	145.0	147.2	150.1	146.5	162.6	184.9	206.1
Bilateral official development assistance	93.5	94.8	94.2	103.1	105.6	105.2	103.5	114.8	129.3	153.8
<i>in the form of:</i>										
Technical cooperation	16.9	17.3	14.9	15.7	16.5	15.8	16.9	17.1	18.8	..
Humanitarian aid	10.7	13.1	13.4	14.4	16.1	16.0	16.6	17.2	21.9	..
Debt forgiveness	6.1	1.4	0.3	2.1	0.4	0.3	0.1	0.8	0.7	..
Bilateral loans	1.4	5.3	6.0	5.8	6.6	6.3	6.2	14.3	13.3	..
Contributions to multilateral institutions^a	41.4	42.8	37.4	41.9	41.6	44.9	43.0	47.8	55.5	52.3
<i>of which are:</i>										
UN agencies	6.9	6.8	6.1	5.9	6.2	6.6	7.6	8.0	8.4	10.8
EU institutions	12.9	13.4	11.9	13.8	14.0	15.3	15.5	16.4	17.5	17.7
World Bank	9.4	9.8	7.1	8.8	8.2	11.4	9.3	8.6	8.6	8.5
Regional development banks	3.9	4.0	3.2	4.6	4.2	4.2	3.9	3.0	3.8	3.4
Others	7.2	7.5	6.7	7.8	8.1	6.3	5.8	11.0	16.4	..

Source: UN DESA, based on the [OECD/DAC online database](#) (accessed on 1 December 2023).

Note: ODA = official development assistance; OECD = Organisation for Economic Co-operation and Development; UN = United Nations; EU = European Union.

a Grants and capital subscriptions. Does not include concessional lending to multilateral agencies.

b Not all data for 2022 are available (as at 1 December 2023).

Table A.15

Commitments and net flows of financial resources, selected multilateral institutions

Billions of United States dollars

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Resource commitments^a	130.8	185.0	119.9	245.4	256.7	224.8	225.0	247.1	291.9	493.9
Financial institutions, excluding International Monetary Fund (IMF)	98.8	99.2	99.9	106.9	108.0	114.6	129.3	143.7	152.3	322.4
Regional development banks ^b	45.8	41.1	46.9	49.8	54.0	56.0	59.8	56.5	59.3	221.8
World Bank Group ^c	53.0	58.1	53.0	57.0	54.0	58.6	69.5	87.2	93.0	100.5
International Bank for Reconstruction and Development (IBRD)	15.2	18.6	23.5	29.7	22.6	23.0	28.0	30.5	33.1	38.6
International Development Association (IDA)	16.3	22.2	19.0	16.2	19.5	24.0	30.4	36.0	37.7	34.2
International Financial Corporation (IFC) ^d	11.0	10.0	10.5	11.1	11.9	11.6	11.1	20.7	22.2	27.7
International Fund for Agricultural Development (IFAD)	0.8	0.7	1.3	0.8	1.3	1.3	1.7	0.8	1.0	0.9
International Monetary Fund (IMF)	19.6	72.7	6.2	123.9	132.9	89.9	75.6	73.5	65.1	95.6
United Nations operational agencies ^e	12.4	13.1	13.7	14.7	15.8	20.4	20.1	29.8	74.5	75.9
Net flows	8.8	-5.1	17.7	32.2	36.3	82.6	62.8	84.4	62.5	64.0
Financial institutions, excluding IMF	22.2	25.0	35.5	33.8	36.6	46.8	49.4	61.1	58.1	59.0
Regional development banks ^b	5.7	11.2	15.4	14.2	13.1	14.2	15.2	24.0	15.2	17.9
World Bank Group ^c	16.5	13.8	20.1	19.6	23.6	32.7	34.2	37.1	42.9	41.1
International Bank for Reconstruction and Development (IBRD)	7.8	6.4	9.0	10.0	13.2	17.4	17.4	16.9	18.2	25.8
International Development Association (IDA)	7.0	7.4	9.9	8.8	8.8	14.7	15.3	19.6	23.3	14.3
International Financial Corporation (IFC)	1.6	0.1	1.3	0.8	1.6	0.6	1.6	0.6	1.4	1.0
International Fund for Agricultural Development (IFAD)	0.2	0.2	0.2	0.2	0.3	0.3	0.3	0.2	0.3	0.3
International Monetary Fund (IMF)	-13.4	-30.1	-17.9	-1.5	-0.4	35.8	13.4	23.3	4.3	5.0

Source: UN DESA, based on annual reports of the relevant multilateral institutions, various issues.

a Loans, grants, technical assistance and equity participation, as appropriate; all data are on a calendar-year basis.

b African Development Bank (AfDB), Asian Development Bank (ADB), Caribbean Development Bank (CDB), European Bank for Reconstruction and Development (EBRD), Inter-American Development Bank (IDB) and the International Fund for Agricultural Development (IFAD).

c Data are for fiscal year.

d Effective 2012, data do not include short-term finance.

e United Nations Development Program (UNDP), United Nations Population Fund (UNFPA), United Nations Children's Fund (UNICEF), and the World Food Programme (WFP).

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