HIGHLIGHTS from Chapter 1:
THE GLOBAL OUTLOOK

Key Points

- *Global growth is projected to hold steady at 2.6 percent this year, despite flaring geopolitical tensions and high interest rates, before edging up to 2.7 percent in 2025-26 alongside modest expansions of trade and investment.*
- *Despite improvements in near-term growth prospects, the outlook is subdued. In 2024-25, growth is set to underperform its 2010s average in nearly 60 percent of economies, representing more than 80 percent of global output and population.*
- *Global inflation is projected to moderate at a slower clip than previously assumed, averaging 3.5 percent this year. Reflecting continued inflationary pressures, central banks are likely to remain cautious in easing policy.*
- *The shocks of recent years have impeded per capita income catch-up, with almost half of EMDEs losing ground relative to advanced economies over 2020-24. Amid elevated levels of conflict, prospects remain especially lackluster in many vulnerable economies.*
- *Risks have become somewhat more balanced, but downside risks still predominate, including geopolitical tensions, trade fragmentation, higher-for-longer interest rates amid persistent inflation, and climate-change-related natural disasters.*
- *Global policy efforts are needed to safeguard trade, support green and digital transitions, deliver debt relief, and improve food security.*
- *High debt and elevated debt-servicing costs will require EMDE policy makers to balance sizable investment needs with fiscal sustainability.*
- *To meet development goals, policies are needed to raise productivity growth, improve public investment efficiency, build human capital, and close labor market gender gaps.*

Global activity: stabilizing growth. Following several years of overlapping negative shocks, the global economy is stabilizing. Global growth this year is envisaged to remain at 2.6 percent—a slightly faster pace than previously expected, due mainly to the continued solid expansion of the U.S. economy. Growth is projected to edge up to an average of 2.7 percent in 2025-26, as trade growth strengthens and broad but measured monetary policy easing supports activity. Nevertheless, the global outlook remains subdued relative to historical standards: both advanced economies and EMDEs are set to grow at a slower pace than in the decade preceding the pandemic (figure A). Moreover, growth in 2024-25 is set to underperform its average pace in the 2010s in nearly 60 percent of economies, representing more than 80 percent of global output and population. (figure B). Global inflation is projected to moderate to 3.5 percent in 2024 and 2.9 percent in 2025, but the anticipated pace of decline is slower than expected in January (figure C).

EMDE outlook: subdued prospects. EMDE growth is forecast to moderate to 4 percent in 2024 and hover around that pace over 2025-26. Growth in China is expected to slow this year and ease further in 2025-26, with cyclical headwinds weighing on growth in the near term along with a continuing structural slowdown. Excluding China, EMDE growth is projected to edge up to 3.5 percent this year and then firm to an average of 3.9 percent in 2025-26, as inflation recedes, financial conditions ease, and external demand picks up. Nevertheless, the multiple shocks of recent years have impeded per capita income catch-up, with almost half of EMDEs losing ground relative to advanced economies over 2020-24 (figure D). Significant challenges persist in vulnerable economies—including in low-income countries (LICs) and those facing elevated levels of conflict and violence—where growth prospects have deteriorated markedly.

Risks to the outlook: tilted to the downside. Although risks have become somewhat more balanced, they remain tilted to the downside. Escalating geopolitical tensions could disrupt trade and commodity markets, hurting economic activity. Heightened trade policy uncertainty and proliferating trade restrictions could weigh on trade prospects. Advanced-economy interest rates are expected to remain well above 2000-19 average levels and could turn out even higher if inflationary pressures persist, substantially slowing global growth (figure E). Other risks include weaker-than-expected growth in China and severe climate-change-related natural disasters. On the upside, global disinflation could proceed at a faster pace than currently envisioned, aided by stronger productivity growth. Additionally, U.S. growth could be higher than expected on account of continued strong labor supply dynamics.

Global policy challenges: safeguard trade, support green and digital transitions, deliver debt relief, and improve food security. Enhanced international cooperation is needed to safeguard trade and tackle the threat of climate change. Global cooperation is also essential to leverage the benefits of new technologies such as artificial intelligence (AI), including by tapping AI solutions to address global challenges. Coordinated improvements in debt relief will be necessary to free up resources for growth-enhancing investments, particularly in some of the most vulnerable EMDEs, given elevated financing needs. Urgent action is needed to tackle the root causes of food insecurity and protect vulnerable households.

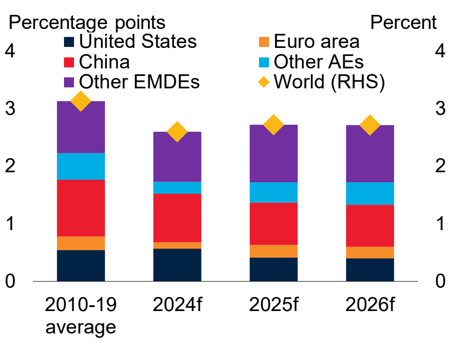
Near-term domestic policy challenges: calibrating monetary policy and rebuilding fiscal space. Still-elevated inflation risks underscore the need for monetary policy makers to maintain steadfast focus on price stability. If inflation were to surprise to the upside, it would be critical for central banks to signal their readiness to pause or reduce the pace of monetary easing. Rebuilding fiscal buffers will be important in containing debt-service burdens and regaining market confidence, helping to reduce funding costs. EMDEs will need to mobilize resources to tackle development challenges without damaging the sustainability of their fiscal positions, including through strengthening public investment management. Small states face unique fiscal challenges stemming from their exposure to large external shocks: more than one-third of small states are at high risk of debt distress or already in it, roughly twice the share in other EMDEs (figure F).

Structural policy priorities: boosting public investment and long-term growth. To meet development goals and bolster long-term growth prospects, reforms at the national level are needed to enhance the efficiency of public investment, boost human capital, and strengthen resilience and inclusion. To accelerate public investment in EMDEs, it is critical to expand fiscal buffers, including through reforms aimed at increasing domestic revenue mobilization and via enhanced support from the global community. Mobilizing public resources can, in turn, help facilitate private investment. Bolstering food security is vital, particularly in light of increased hunger, proliferating trade restrictions, and the risks arising from conflict. Widening gender gaps in the labor market and elevated youth unemployment rates in EMDEs highlight the need for labor market reforms and targeted social protection measures that bolster labor force participation.

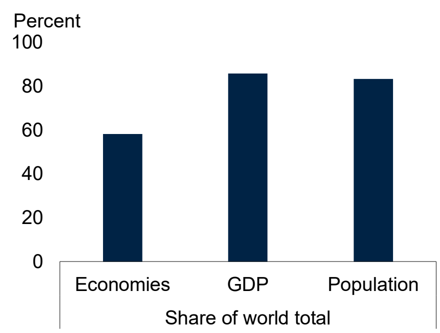
Figure: Global growth prospects and policy challenges

The global economy is stabilizing but the outlook remains subdued—both advanced economies and EMDEs are projected to grow at a slower pace over 2024-26 than their 2010-19 averages. Moreover, growth in 2024-25 is set to underperform its average pace in the 2010s in nearly 60 percent of economies, representing more than 80 percent of global output and population. Recent upward pressures on global core inflation are anticipated to gradually ease, such that headline inflation converges to levels broadly consistent with central bank targets by 2026. The multiple shocks of recent years have impeded per capita income catch-up, with almost half of EMDEs losing ground relative to advanced economies over 2020-24. Advanced-economy interest rates are expected to remain well above 2000-19 average levels and could turn out higher still if inflationary pressures persist. Fiscal challenges are particularly acute in small states, where fiscal deficits are generally larger, and the risks of debt distress are greater than in other EMDEs.

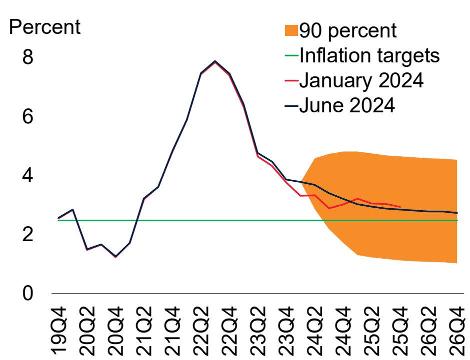
A. Contributions to global growth



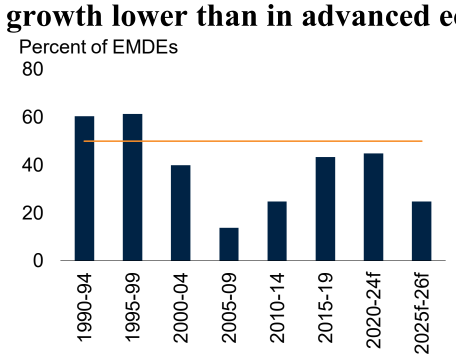
B. Lower average GDP growth in 2024-25 compared to 2010-19



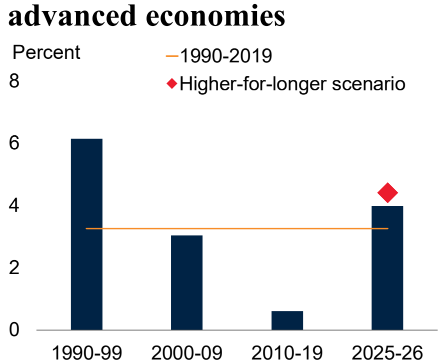
C. Global consumer price inflation



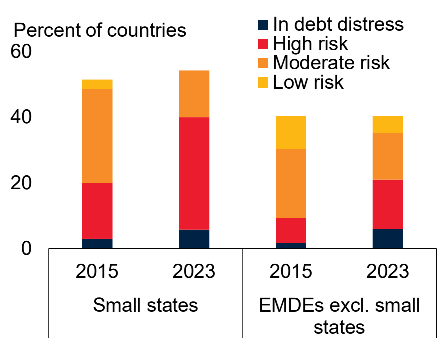
D. Share of EMDEs with GDP per capita growth lower than in advanced economies



E. Monetary policy interest rates in advanced economies



F. Risk of debt distress in EMDEs



Sources: Bloomberg; Federal Reserve Bank of St. Louis; Oxford Economics; UN World Population Prospects; World Bank; World Bank-IMF Debt Sustainability Framework.

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

A. GDP aggregates are calculated using real U.S. dollar GDP weights at average 2010-19 prices and market exchange rates.

B. "Economies" refers to the share of countries, "GDP" refers to the share of world GDP, and "population" is the share of the world population.

C. Model-based GDP-weighted projections of consumer price inflation using Oxford Economics' Global Economic Model. Sample include 65 economies, including 31 EMDEs, and excludes Argentina and República Bolivariana de Venezuela. Confidence bands are derived from Consensus Economics forecast errors using the pre-pandemic sample. Horizontal line shows the average of most recent country-specific inflation targets, where available, or the 2015-19 average.

D. Horizontal line indicates the 50 percent threshold.

E. Average annual policy rates. Aggregates are calculated as GDP-weighted averages of the policy rates and policy rate expectations for the United States, the euro area, and the United Kingdom. Policy rate expectations are based on futures curves observed on May 31, 2024.

F. Share of small states and other EMDEs in overall debt distress or at risk of debt distress, based on the joint World Bank-IMF Debt Sustainability Framework for Low Income Countries (LIC-DSF) as of March 30, 2024.

Global Economic Prospects

TABLE 1.1 Real GDP[1]

(Percent change from previous year unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f	Percentage point differences from January 2024 projections: 2024f	2025f
World	**6.3**	**3.0**	**2.6**	**2.6**	**2.7**	**2.7**	**0.2**	**0.0**
Advanced economies	**5.5**	**2.6**	**1.5**	**1.5**	**1.7**	**1.8**	**0.3**	**0.1**
United States	5.8	1.9	2.5	2.5	1.8	1.8	0.9	0.1
Euro area	5.9	3.4	0.5	0.7	1.4	1.3	0.0	-0.2
Japan	2.6	1.0	1.9	0.7	1.0	0.9	-0.2	0.2
Emerging market and developing economies	**7.3**	**3.7**	**4.2**	**4.0**	**4.0**	**3.9**	**0.1**	**0.0**
East Asia and Pacific	7.6	3.4	5.1	4.8	4.2	4.1	0.3	-0.2
China	8.4	3.0	5.2	4.8	4.1	4.0	0.3	-0.2
Indonesia	3.7	5.3	5.0	5.0	5.1	5.1	0.1	0.2
Thailand	1.6	2.5	1.9	2.4	2.8	2.9	-0.8	-0.3
Europe and Central Asia	7.2	1.6	3.2	3.0	2.9	2.8	0.6	0.2
Russian Federation	5.9	-1.2	3.6	2.9	1.4	1.1	1.6	0.5
Türkiye	11.4	5.5	4.5	3.0	3.6	4.3	-0.1	-0.3
Poland	6.9	5.6	0.2	3.0	3.4	3.2	0.4	0.0
Latin America and the Caribbean	7.2	3.9	2.2	1.8	2.7	2.6	-0.5	0.2
Brazil	4.8	3.0	2.9	2.0	2.2	2.0	0.5	0.0
Mexico	6.0	3.7	3.2	2.3	2.1	2.0	-0.3	0.0
Argentina	10.7	5.0	-1.6	-3.5	5.0	4.5	-6.2	1.8
Middle East and North Africa	6.2	5.9	1.5	2.8	4.2	3.6	-0.7	0.7
Saudi Arabia	4.3	8.7	-0.9	2.5	5.9	3.2	-1.6	1.7
Iran, Islamic Rep.[2]	4.7	3.8	5.0	3.2	2.7	2.4	-0.5	-0.5
Egypt, Arab Rep. [2]	3.3	6.6	3.8	2.8	4.2	4.6	-0.7	0.3
South Asia	8.6	5.8	6.6	6.2	6.2	6.2	0.6	0.3
India [2]	9.7	7.0	8.2	6.6	6.7	6.8	0.2	0.2
Pakistan [2]	6.9	7.1	5.8	5.6	5.7	5.9	0.0	-0.1
Bangladesh [2]	5.8	6.2	-0.2	1.8	2.3	2.7	0.1	-0.1
Sub-Saharan Africa	4.4	3.8	3.0	3.5	3.9	4.0	-0.3	-0.2
Nigeria	3.6	3.3	2.9	3.3	3.5	3.7	0.0	-0.2
South Africa	4.7	1.9	0.6	1.2	1.3	1.5	-0.1	-0.2
Angola	1.2	3.0	0.9	2.9	2.6	2.4	0.1	-0.5
Memorandum items:								
Real GDP[1]								
High-income countries	5.5	2.8	1.5	1.6	1.9	1.9	0.3	0.1
Middle-income countries	7.5	3.5	4.5	4.1	4.0	4.0	0.1	0.0
Low-income countries	4.1	5.0	3.8	5.0	5.3	5.5	-0.5	-0.3
EMDEs excluding China	6.5	4.3	3.4	3.5	4.0	3.9	0.0	0.2
Commodity-exporting EMDEs	5.8	3.4	2.6	2.8	3.4	3.2	-0.1	0.3
Commodity-importing EMDEs	8.0	3.9	4.9	4.7	4.3	4.3	0.3	-0.1
Commodity-importing EMDEs excluding China	7.3	5.3	4.5	4.4	4.6	4.7	0.2	0.1
EM7	7.8	3.3	5.1	4.5	4.0	4.0	0.4	-0.1
World (PPP weights) [3]	6.6	3.3	3.1	3.1	3.2	3.2	0.2	0.1
World trade volume[4]	**11.2**	**5.6**	**0.1**	**2.5**	**3.4**	**3.4**	**0.2**	**0.3**
							Level differences from January 2024 projections	
Commodity prices [5]								
WBG commodity price index	100.9	142.5	108.0	106.0	102.1	101.5	1.1	-0.1
Energy index	95.4	152.6	106.9	104.0	100.0	99.0	0.6	0.0
Oil (US$ per barrel)	70.4	99.8	82.6	84.0	79.0	78.1	3.0	1.0
Non-energy index	112.1	122.1	110.2	110.1	106.4	106.6	2.4	-0.2

Source: World Bank.

Note: e = estimate(actual data for commodity prices); f = forecast. EM7 = Brazil, China, India, Indonesia, Mexico, the Russian Federation, and Türkiye. WBG = World Bank Group. World Bank forecasts are frequently updated based on new information. Consequently, projections presented here may differ from those contained in other World Bank documents, even if basic assessments of countries' prospects do not differ at any given date. For the definition of EMDEs, developing countries, commodity exporters, and commodity importers, please refer to table 1.2. The World Bank is currently not publishing economic output, income, or growth data for Turkmenistan and República Bolivariana de Venezuela owing to lack of reliable data of adequate quality. Turkmenistan and República Bolivariana de Venezuela are excluded from cross-country macroeconomic aggregates.

1. Headline aggregate growth rates are calculated using GDP weights at average 2010-19 prices and market exchange rates.
2. GDP growth rates are on a fiscal year (FY) basis. Aggregates that include these countries are calculated using data compiled on a calendar year basis. For India and the Islamic Republic of Iran, the column for 2022 refers to FY2022/23. For Bangladesh, the Arab Republic of Egypt, and Pakistan, the column for 2022 refers to FY2021/22. Pakistan's growth rates are based on GDP at factor cost.
3. World growth rates are calculated using average 2010-19 purchasing power parity (PPP) weights, which attribute a greater share of global GDP to emerging market and developing economies (EMDEs) than market exchange rates.
4. World trade volume of goods and nonfactor services.
5. Indexes are expressed in nominal U.S. dollars (2010 = 100). Oil refers to the Brent crude oil benchmark. For weights and composition of indexes, see https://worldbank.org/commodities.