THE WORLD BANK
Development Economics | Prospects Group

# Global Monthly

June 2024

## Overview

- According to the June 2024 *Global Economic Prospects* report, the global economy is stabilizing, following several years of overlapping negative shocks and despite flaring geopolitical tensions and high interest rates.
- Expectations of U.S. interest rates have moved higher amid persistent inflationary pressures, while some other advanced economies are in the early stages of monetary easing.
- Global trade growth is expected to pick up over the forecast horizon but remain well below the average rates observed in the two decades preceding the pandemic.

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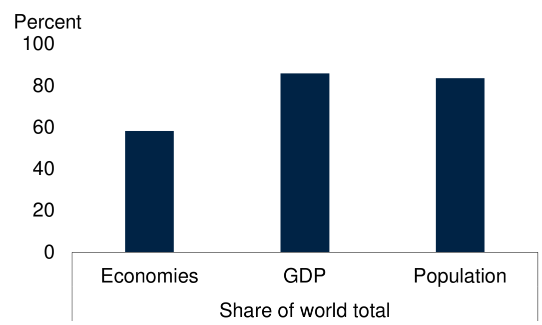
## Chart of the Month

- The pace of economic growth over 2024-25 is on track to underperform its 2010s average in nearly 60 percent of economies, representing more than 80 percent of global output and population.
- Since January, growth prospects have been downgraded for more than 75 percent of low-income countries and about two-thirds of countries facing fragile and conflict-affected situations.

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




*Sources*: UN World Population Prospects; World Bank.
*Note*: "Economies" refers to the share of countries, "GDP" refers to the share of world GDP, and "Population" is the share of the world population.

## Special Focus: Key Policy Challenges

- Global policy efforts are needed to support the green and digital transitions, safeguard international trade, and bolster food and energy security.
- Still-elevated inflation risks underscore the need for monetary policy makers to maintain focus on price stability.
- EMDEs need to rebuild fiscal buffers, including by strengthening revenue mobilization to tackle development challenges and contain rising debt-service costs.
- Reforms are needed to lift the efficiency of public investment, boost human capital, and strengthen resilience and inclusion.

The *Global Monthly* is a publication of the Prospects Group. This edition was prepared by Peter Selcuk, Garima Vasishtha, and Collette Wheeler under the supervision of Carlos Arteta. This *Global Monthly* reflects data available up to June 21st, 2024. For more information, visit: www.worldbank.org/prospects. Back issues of this report are available since 2008.

## Monthly Highlights

**Global activity: stabilizing.** According to the June 2024 *Global Economic Prospects* report, global growth is projected to hold steady at 2.6 percent in 2024 despite flaring geopolitical tensions and high interest rates. Advanced economies are projected to grow at the same pace as in 2023, while EMDE growth is forecast to edge down, owing mainly to idiosyncratic factors in some large economies, including in China, where domestic demand is expected to remain subdued (figure 1.A). In 2025-26, global growth is projected to inch up to 2.7 percent alongside modest expansions in trade and investment. Broad but cautious monetary policy easing is also anticipated to support activity. Still, the global outlook remains lackluster, with growth over 2024-26 envisaged to be about 0.4 percentage point below the 2010-19 average.

**Global inflation: slowing disinflation.** The pace of disinflation has slowed, with continued price pressures in early 2024 leading to an upward revision to the projection for near-term global inflation (figure 1.B). Headline inflation remains above target in most advanced economies and in about one-fourth of inflation-targeting EMDEs, with median global inflation at 3.2 percent (y/y) in April compared to 6.7 percent a year ago. Global inflation (on a GDP-weighted basis) is anticipated to decline to 3.5 percent in 2024, before easing to 2.8 percent by 2026, broadly consistent with average country inflation targets. Disinflation in goods prices appears to have bottomed out in advanced economies, but growth of service prices remains elevated in both advanced economies and EMDEs.

**Global trade: recovering but weak.** In 2023, growth in global trade in goods and services was nearly flat. The volume of goods trade contracted by 1.9 percent amid a sharp slowdown in global industrial production, while services trade expanded by 9 percent. Trade growth is expected to pick up to 2.5 percent in 2024 and then to 3.4 percent in 2025-26—a significant improvement over 2023 but still well below the average growth rates observed in the two decades preceding the pandemic (figure 1.C). The forecast entails a pickup in goods trade as inventory restocking resumes in advanced economies and as goods demand from China steadies, with services trade growth stabilizing near its pre-pandemic pace.

**Commodity markets: tight supply.** Commodity prices have generally risen since late last year against a backdrop of tight supply conditions and signs of firmer industrial activity. Nonetheless, aggregate commodity prices are expected to recede

**FIGURE 1.A Contributions to global growth**

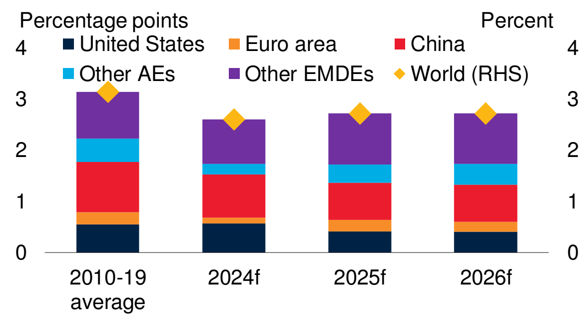



**FIGURE 1.B Global consumer price inflation**

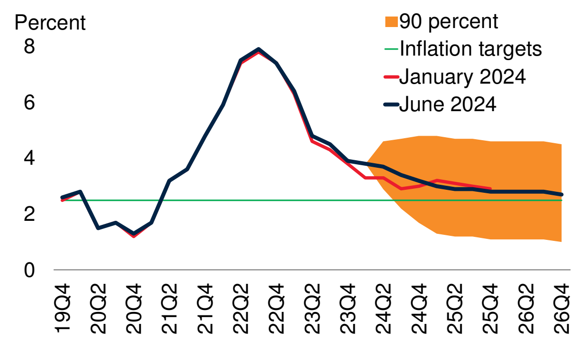
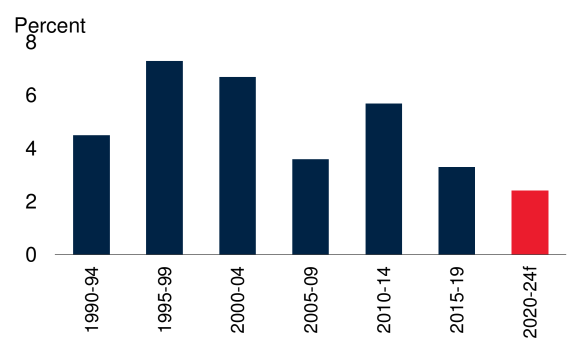



**FIGURE 1.C Trade growth since 1990s**




*Sources*: Consensus Economics; Oxford Economics; World Bank.

*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. Model-based GDP-weighted projections of consumer price inflation using Oxford Economics' Global Economic Model. Sample includes 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.

C. Panel shows five-year averages of growth in global trade in goods and services. Trade in goods and services is measured as the average of export and import volumes.

slightly over 2024-25—mainly reflecting improving supply conditions—while remaining above pre-pandemic levels (figure 2.A). In 2024Q2, supply concerns drove copper and aluminum prices up, while geopolitical concerns pushed oil prices higher early in the quarter, although they subsequently retreated. The average price of Brent oil is forecast to be slightly higher this year than last, before receding a touch in 2025 amid the partial unwinding of OPEC+ supply cuts. Meanwhile, on average, industrial metals prices are expected to remain broadly stable as weaker commodity demand for real estate in China is offset by firming global industrial demand.

**Global financial conditions: solid risk appetite.** Since early 2024, market expectations of U.S. interest rates have been revised higher amid persistent inflationary pressures and robust economic activity (figure 2.B). Nonetheless, global financial conditions have eased this year, reflecting solid risk appetite and diminished likelihood of a sharp slowdown in global growth and despite recent market reactions to election outcomes in some regions. While major advanced-economy central banks are expected to gradually lower policy rates this year, real interest rates are set to remain restrictive. Most advanced-economy central banks—including the European Central Bank, which commenced easing in June—continue to emphasize that the pace of rate cuts will be cautious, given persistent inflationary pressures. On net, EMDE financial conditions have improved since last year, reflecting expectations of easing advanced-economy monetary conditions, improving global investor sentiment, and ongoing policy rate cuts in many large EMDEs. Among EMDEs with weak credit ratings, sovereign spreads remain elevated despite a substantial decline this year (figure 2.C).

**United States: unexpected resilience.** In the United States, growth is forecast to average 2.5 percent in 2024, 0.9 percentage point stronger than previously expected, as incoming data, particularly for consumption, surprised to the upside in early 2024. Over 2025-26, growth is projected to moderate to a below-trend rate of 1.8 percent, with the cumulative effects of past monetary tightening and elevated real borrowing rates restraining residential investment and household spending on durable goods. In tandem, broader consumer spending is expected to be tempered by slowing wealth gains and moderating household income growth as pandemic-related savings diminish and labor market tightness recedes (figure 3.A). Rising labor supply is expected to contribute to labor market rebalancing. Fiscal policy is not expected to be a significant driver of growth over the next few years.

**FIGURE 2.A Commodity price projections**

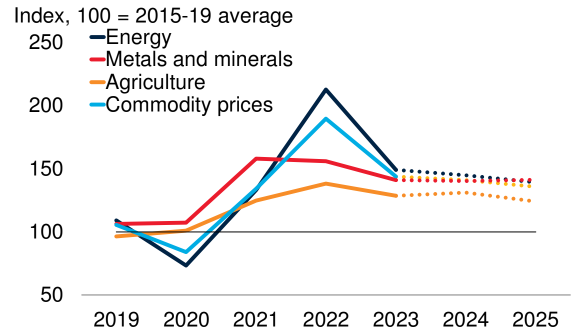



**FIGURE 2.B Market expectations of U.S. policy rates**

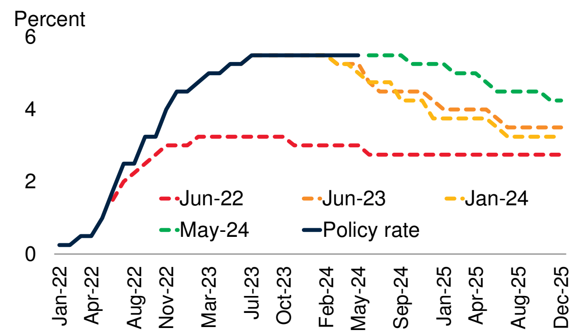
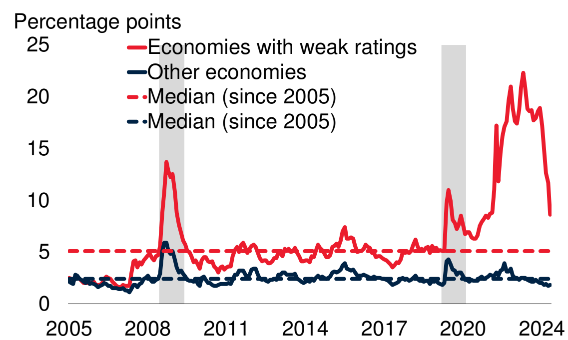



**FIGURE 2.C EMDE sovereign spreads by credit rating**




*Sources*: Bloomberg; Haver Analytics; Moody's Analytics; World Bank.
*Note*: EMDEs = emerging market and developing economies.
A. Commodity prices line refers to the World Bank commodity price index, excluding precious metals. Dashed lines indicate forecasts.
B. Solid blue line represents the upper bound of the target range for the U.S. federal funds rate. Dotted lines represent vintages of market-based expectations for the upper bound of the policy rate range.
C. Median spreads for up to 22 weakly rated EMDEs and up to 49 other EMDEs. Weak ratings are defined as Caa+/CCC+ and below for long-term foreign currency debt. Shaded areas represent September 2008–August 2009 and January–December 2020.

**Other advanced economies: nascent recovery.** Euro area growth appears to have bottomed out, with services activity in early 2024 suggesting a tentative recovery. Growth is forecast to edge up to 0.7 percent in 2024, and then pick up to about 1.4 percent over 2025-26. In the near term, real incomes are anticipated to gradually recover and support consumption. Investment and export growth are set to remain subdued this year, before gathering pace in 2025-26. In Japan, growth is expected to step up to 0.7 percent in 2024, and then rise to about 1 percent over 2025-26. Tepid consumption and weak exports should temper growth in 2024 before domestic demand improves in 2025-26.

**China: softer activity.** Growth in China edged up in early 2024, lifted by strong net exports which offset softening domestic demand, including from an ongoing decline in real estate investment (figure 3.B). With activity anticipated to soften in the second half of this year, growth is projected to slow to 4.8 percent in 2024, and decelerate further to about 4 percent in 2025-26. To bolster demand, additional spending has been announced, including for infrastructure, and measures to buttress the property sector have been deployed. Over 2025-26, moderating consumption growth, slowing productivity and investment growth, and mounting public and private debt are expected to weigh on activity.

**Other EMDEs: firming growth.** Activity in EMDEs excluding China stabilized in early 2024, with consumer confidence, headline manufacturing and services sector PMIs, and trade growth showing signs of a rebound. Excluding China, EMDE growth is set to inch up to a still-subdued pace of 3.5 percent this year, before firming to 3.9 percent in 2025-26. While domestic demand growth in the majority of EMDEs is expected to accelerate, slowing domestic demand growth in several large EMDEs will dampen this recovery (figure 3.C). Declining inflation and monetary policy easing are nonetheless anticipated to support confidence, consumption, and investment. Trade growth should also pick up but is forecast to remain below pre-pandemic averages. In contrast, OPEC+ production cuts will dampen growth in some energy exporters. Despite the anticipated firming of EMDE growth over the forecast horizon, prospects have deteriorated since January in many of the most vulnerable economies—forecasts have been downgraded for more than 75 percent of low-income countries and about two-thirds of countries facing fragile and conflict-affected situations.

**FIGURE 3.A U.S. nonfarm payrolls and job openings**

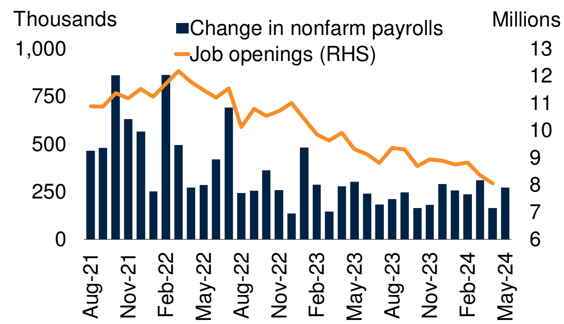



**FIGURE 3.B Fixed-asset investment growth in China**

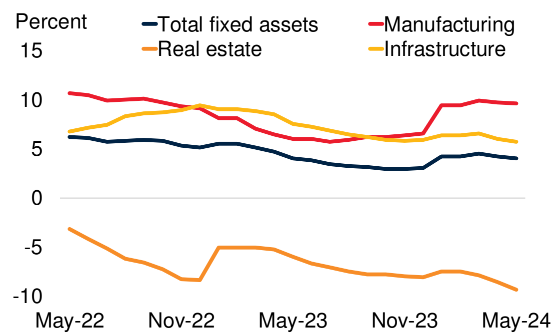
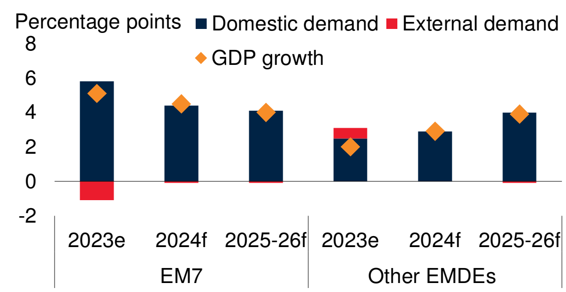



**FIGURE 3.C Domestic and external demand, by EMDE country group**




*Sources*: Federal Reserve Bank of St. Louis; Haver Analytics; National Bureau of Statistics of China; World Bank.

*Note*: e = estimate; f = forecast; EMDEs = emerging market and developing economies; EM7 = Brazil, China, India, Indonesia, Mexico, the Russian Federation, and Türkiye.

A. Panel shows the level of total nonfarm job openings in millions, and the change in nonfarm payrolls in thousands. Last observation is May 2024 for unemployment and April 2024 for job openings.

B. Year-on-year growth of year-to-date total fixed assets, manufacturing, real estate, and infrastructure investment. Last observation is May 2024.

C. GDP aggregates calculated using real U.S. dollar GDP weights at average 2010-19 prices and market exchange rates. Projected contribution to growth of domestic demand and net exports, and GDP growth for EM7 and "Other EMDEs" (EMDEs excluding the EM7). The discrepancy between GDP and sum of domestic demand and external demand (net exports) is explained by inventories and statistical residuals.

## Special Focus: Key Policy Challenges

This special focus summarizes key policy challenges, drawing on the insights in the latest *Global Economic Prospects*.

**Key policy challenges: persistent and substantial.** The tepid growth outlook underscores the importance of forceful policy responses to address persistent and substantial challenges. Enhanced international cooperation is needed to safeguard trade and tackle the threat of climate change. Global cooperation is also essential to navigate the digital transition and leverage the benefits of new technologies such as artificial intelligence. Coordinated improvements in debt relief will be necessary to free up resources for growth-enhancing investments 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, especially as the impacts of climate-change-related extreme weather events become increasingly evident in reduced crop yields and disruptions to food supply chains (figure 4.A).

**EMDE monetary and financial policy priorities: calibrating monetary policy along the "last mile" of the disinflation process.** Enduring inflation risks underscore the need for monetary policy makers to maintain a steadfast focus on price stability. While the pace of disinflation has slowed relative to 2023, inflation has continued to decelerate among EMDEs this year (figure 4.B). However, wage growth and service sector inflation are elevated in some countries, and core inflation has remained persistently high. If inflation were to surprise to the upside, it would be critical for EMDE central banks to signal their readiness to pause or reduce the pace of monetary easing, and even increase policy rates. This, together with continued emphasis on clear central bank communications, should help keep inflation expectations anchored and inflation trending toward targets. Credible monetary policy frameworks and commitment to price stability can also reduce the risk of destabilizing capital outflows. The latter could be triggered if interest rate differentials relative to advanced economies narrow further, resulting in currency depreciations and financial market volatility, and potentially endangering progress on disinflation.

**EMDE fiscal policy priorities: rebuilding fiscal space amid growing debt-service costs.** Rebuilding EMDE fiscal buffers will be important to contain rising debt-service burdens and regain market confidence, helping to reduce funding costs. EMDEs will need to mobilize resources to tackle development challenges while maintaining fiscal sustainability, including

**FIGURE 4.A Food insecurity in EMDEs**

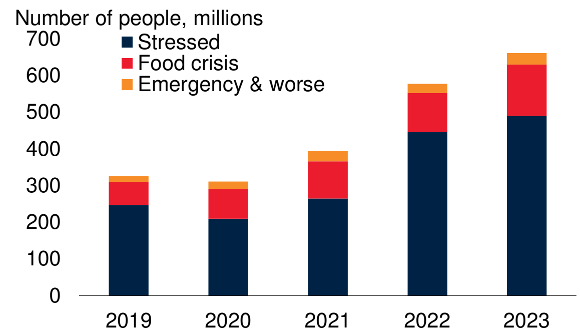



**FIGURE 4.B Share of EMDEs with above-target inflation**

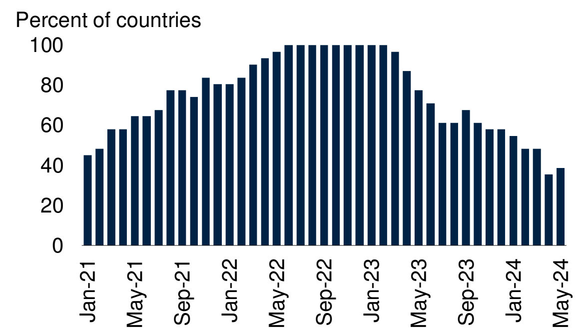
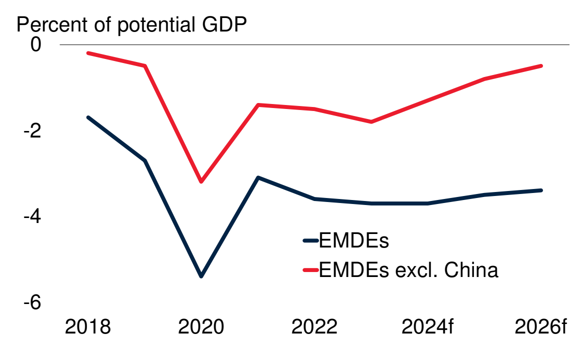



**FIGURE 4.C Cyclically-adjusted primary balances in EMDEs**




*Sources*: GRFC (database); Haver Analytics; IMF-WEO (database); World Bank.
*Note*: f = forecast; EMDEs = emerging markets and developing economies.
A. Panel shows the number of people suffering food insecurity in phases 2 to 5, according to the acute food insecurity reference table from GRFC report. Sample includes data for up to 135 EMDEs.
B. Panel shows the share of EMDEs with inflation above target. Sample includes 31 EMDEs up to April 2024, and 30 for May 2024. Last observation is May 2024.
C. Aggregates are computed as weighted averages using potential GDP as weights. Sample includes 46 EMDEs. Data for 2023 are estimates, while data for 2024-26 are forecasts.

through strengthening public investment management, phasing out pandemic-era tax cuts, and improving tax administration and enforcement. Widening the tax base by eliminating costly tax exemptions and deductions, as well as by simplifying tax codes, can also improve domestic revenue mobilization. With fiscal policy in EMDEs anticipated to modestly tighten over 2024-26, it is critical that spending is directed toward the highest priorities, including growth-enhancing investment and targeted support to the poor and the vulnerable, and that spending efficiency improves (figure 4.C). Small states face unique challenges stemming from exposure to large external shocks, including those related to climate change. 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 5.A).

**Structural policy priorities: boosting public investment and long-term growth.** Comprehensive reforms are needed to boost investment and achieve sustained growth and development, including reversing the lingering scarring effects of the pandemic. To this end, reforms at the national level are essential to enhance public investment efficiency, boost human capital, and strengthen resilience and inclusion. To accelerate public investment in EMDEs, it is critical to expand fiscal buffers, including via enhanced support from the global community. Importantly, mobilizing public resources could help facilitate private investment. Estimates show that an increase in public investment equivalent to one percent of GDP leads to a 2.2 percent increase in private investment over four years (figure 5.B). 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. Finally, measures such as targeted instruction, upskilling, and reskilling are needed to support the recovery in learning, boost human capital, and reverse the effects of the considerable disruption to schooling and learning during the pandemic (figure 5.C).

**FIGURE 5.A** **Risk of debt distress in EMDEs**

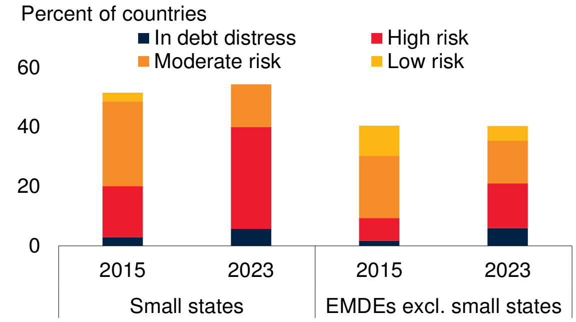



**FIGURE 5.B** **Impact of higher public investment on private investment**

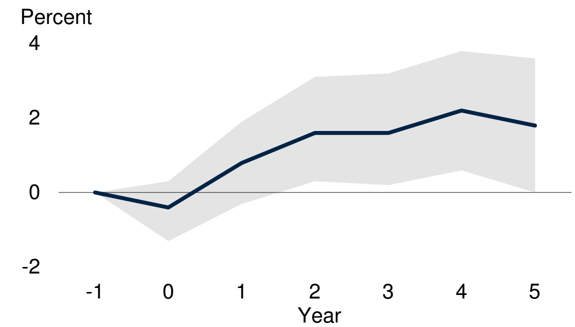
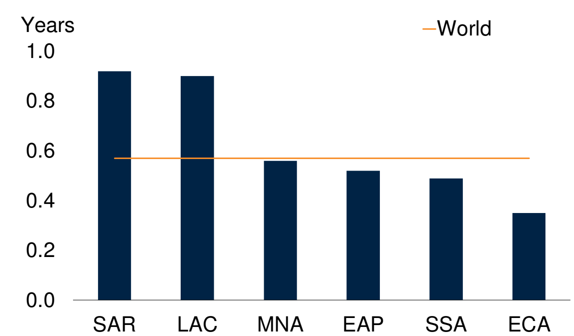



**FIGURE 5.C** **Learning losses**




*Sources*: Schady et al. (2023); World Bank; World Bank-IMF Debt Sustainability Framework.

*Note*: EAP = East Asia and Pacific; ECA = Europe and Central Asia; EMDEs = emerging market and developing economies; LAC = Latin America and the Caribbean; MNA = Middle East and North Africa; SAR = South Asia; SSA = Sub-Saharan Africa.

A. 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.

B. Response of real private investment (cumulative change in year t relative to year t-1, in percent) to a public investment shock equivalent to 1 percent of GDP; t = 0 is the year of the shock. Shaded areas denote 90-percent confidence bands, based on standard errors clustered at the country level. Sample includes 129 EMDEs.

C. Panel shows the average learning-adjusted years of schooling (LAYS) lost by World Bank region, weighted by population. Regional averages exclude high -income countries. For each country, lost LAYS are calculated for each level of schooling and then averaged across levels, weighted by the duration of each level, as shown in Schady et al. (2023). Horizontal line shows the global average.

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## Recent Prospects Group Publications

[Global Economic Prospects—June 2024]
[Commodity Markets Outlook—April 2024]
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[What Explains Global Inflation]
[Energy Price Shocks and Current Account Balances]
[Forecasting Industrial Commodity Prices]

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[Trade Effects of Industrial Policies: Are Preferencial Agreements a Shield?]
[Virtual Windows Through Glass Walls? Digitalization for Low-Mobility Female Entrepreneurs]
[The World Bank's New Inequality Indicator: The Number of Countries with High Inequality]
[Distributional Crowding Out Effects of Public Debt on Private Investment in Developing Economies]

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[The Path to 5G in the Developing World: Planning Ahead for a Smooth Transition]
[East Asia and the Pacific Economic Update, April 2024: Firm Foundations of Growth]
[Europe and Central Asia Economic Update, April 2024: Unleashing the Power of the Private Sector]
[Latin America and the Caribbean, April 2024: Competition: The Missing Ingredient for Growth?]
[South Asia Development Update April 2024: Jobs for Resilience]

## TABLE: Major Data Releases

(Percent change, y/y)

| Recent releases: May 26, 2024 - June 25, 2024 | | | | | |
|---|---|---|---|---|---|
| Country | Date | Indicator | Period | Actual | Previous |
| India | 5/31/24 | GDP | Q1 | 7.8% | 8.6% |
| Indonesia | 6/3/24 | CPI | MAY | 2.8% | 3.0% |
| Korea, Rep. | 6/3/24 | CPI | MAY | 2.7% | 2.9% |
| Türkiye | 6/3/24 | CPI | MAY | 75.4% | 69.8% |
| Brazil | 6/4/24 | GDP | Q1 | 2.5% | 2.1% |
| South Africa | 6/4/24 | GDP | Q1 | 0.5% | 1.4% |
| Saudi Arabia | 6/6/24 | GDP | Q1 | -1.7% | -4.3% |
| Mexico | 6/7/24 | CPI | MAY | 4.7% | 4.7% |
| Brazil | 6/11/24 | CPI | MAY | 3.9% | 3.7% |
| China | 6/11/24 | CPI | MAY | 0.3% | 0.2% |
| India | 6/12/24 | IP | APR | 5.0% | 5.4% |
| India | 6/12/24 | CPI | MAY | 4.7% | 4.8% |
| United States | 6/12/24 | CPI | MAY | 3.3% | 3.4% |
| Argentina | 6/13/24 | CPI | MAY | 276.4% | 289.4% |
| France | 6/14/24 | CPI | MAY | 2.3% | 2.2% |
| Russian Federation | 6/14/24 | GDP | Q1 | 5.4% | 4.9% |
| China | 6/16/24 | IP | MAY | 5.6% | 6.7% |
| Euro area | 6/18/24 | CPI | MAY | 2.6% | 2.4% |
| United Kingdom | 6/19/24 | CPI | MAY | 2.8% | 3.1% |
| Japan | 6/20/24 | CPI | MAY | 2.9% | 2.5% |
| Argentina | 6/24/24 | GDP | Q1 | -5.1% | -1.2% |

(Percent change y/y)

| Upcoming releases: June 26, 2024 - July 31, 2024 | | | | |
|---|---|---|---|---|
| Country | Date | Indicator | Period | Previous |
| Korea, Rep. | 7/1/24 | CPI | JUN | 2.7% |
| Brazil | 7/3/24 | IP | MAY | 8.4% |
| Türkiye | 7/3/24 | CPI | JUN | 75.4% |
| Argentina | 7/4/24 | IP | MAY | -16.6% |
| Thailand | 7/4/24 | CPI | JUN | 1.5% |
| France | 7/5/24 | IP | MAY | 0.9% |
| Germany | 7/5/24 | IP | MAY | -3.9% |
| Spain | 7/5/24 | IP | MAY | 0.8% |
| China | 7/9/24 | CPI | JUN | 0.3% |
| Mexico | 7/9/24 | CPI | JUN | 4.7% |
| Brazil | 7/10/24 | CPI | JUN | 3.9% |
| Italy | 7/10/24 | IP | MAY | -2.8% |
| United Kingdom | 7/11/24 | IP | MAY | -0.4% |
| United States | 7/11/24 | CPI | JUN | 3.3% |
| India | 7/12/24 | CPI | JUN | 4.7% |
| India | 7/12/24 | IP | MAY | 5.0% |
| Mexico | 7/12/24 | IP | MAY | 5.1% |
| China | 7/14/24 | GDP | Q2 | 5.3% |
| Euro area | 7/15/24 | IP | MAY | -2.9% |
| Saudi Arabia | 7/16/24 | CPI | JUN | 1.6% |
| Australia | 7/30/24 | CPI | Q2 | 3.6% |