



UNDER EMBARGO UNTIL 16 MAY 2024, 12:30 pm EDT

WORLD ECONOMIC SITUATION AND PROSPECTS 2024

MID-YEAR UPDATE

KEY MESSAGES

GLOBAL OVERVIEW

- **The global economic outlook has improved since the previous forecast released in January 2024.** The world economy is now forecast to grow by 2.7 per cent in 2024 (an increase of 0.3 per centage points from the forecast in January) and 2.8 per cent in 2025 (an increase of 0.1 per centage points).
- However, the outlook is only cautiously optimistic as **higher-for-longer interest rates, debt sustainability risks and continuing geopolitical tensions** will continue to challenge stable and sustained economic growth. Ever-worsening climate shocks continue to pose additional challenges to the global economic outlook, threatening decades of development gains, especially for the least developed countries and the small island developing States.
- Growth in the **least developed countries (LDCs)** is forecast to improve from 4.2 per cent in 2023 to 4.8 per cent in 2024. Debt sustainability remains precarious in many LDCs, with 5 countries in debt distress and another 15 at a high risk of debt distress. The **landlocked developing countries (LLDCs)** are expected to grow by 4.7 per cent in 2024, largely unchanged from 2023.
- The economic outlook for the **small island developing States (SIDS)** is set to improve, with GDP growth projected to increase from 2.4 per cent in 2023 to 3.3 per cent in 2024, primarily driven by a sustained rebound in tourism. The outlook is subject to elevated downside risks, including more frequent extreme weather events.

INFLATION AND LABOUR MARKETS

- **Inflation has declined in most countries since their peaks in 2023**, mainly due to declining international energy and food prices, and weakening second-round effects on a range of business costs. Concerns remain that geopolitical tensions and disruptions in trade routes could increase inflationary pressures.



UNDER EMBARGO UNTIL 16 MAY 2024, 12:30 pm EDT

- **During the first four months of 2024, labour markets in most of Europe, Japan and North America remained tight**, with unemployment rates reaching record lows and some sectors experiencing continuing labour shortages.
- **High levels of informality, gender disparities and high youth unemployment continue to remain widespread in many developing countries.** Amid subdued economic activity, employment growth prospects are expected to remain weak in the near term.

INTERNATIONAL TRADE AND INVESTMENT

- **Global trade is expected to recover in 2024.** The destocking of the inventory that piled up amid supply-chain disruptions in 2021–22 contributed to boosting trade growth during the first quarter of 2024. However, persistent geopolitical tensions in the Middle East and disruptions in the Red Sea, and escalating cost of freight may undermine full recovery of global trade.
- **Global investment has been on a downward trajectory since 2021, and is projected to remain weak**, reflecting the sharp decline in investment growth in the developing economies. High real interest rates, tight fiscal space, and geopolitical risks undermined investment growth.

FISCAL AND MONETARY POLICY

- In the aftermath of the COVID-19 pandemic and the global energy and food crisis, **high public debt, rising interest costs and subdued economic growth continue to constrain fiscal space, especially in developing countries.** Most governments are expected to tighten fiscal policy in 2024–25, aiming to improve debt sustainability and rebuild fiscal buffers.
- **The majority of central banks in the world maintained their policy rates unchanged in early 2024**, closely watching the policy decisions of the United States Federal Reserve and the European Central Bank. Despite expectations that both central banks will pivot to interest rate cuts in the second half of the year, the timing and magnitude of monetary easing remain uncertain as inflation remains above the 2 per cent target in the United States and the Euro area.

HARNESSING THE POTENTIAL OF CRITICAL MINERALS FOR SUSTAINABLE DEVELOPMENT

- **Critical minerals are indispensable for the energy transition, and their surging demand offers significant opportunities for many resource-rich developing economies.** These countries can attract foreign and domestic investment, stimulate job creation, increase



UNDER EMBARGO UNTIL 16 MAY 2024, 12:30 pm EDT

government revenues, and promote innovation, export, and economic growth with effective industrial and innovation policies to develop their critical minerals sector.

- **While mineral resources can boost economic growth, create jobs, and eradicate poverty, such outcomes cannot be taken for granted.** Previous experience of mineral-sector driven growth has often been associated with major social and community disruptions and environmental consequences. Effective management of mineral resources – through strengthening governance, institutional capabilities, human capacities and strategic planning – is essential to realise positive outcomes for the SDGs and avoid the negative ones.
- **International cooperation is also essential for delivering on the potential of critical mineral resources.** Global guidelines for extractive industries such as those on transparency, environmental sustainability, social responsibility, and stakeholder engagement, can serve as a starting point for establishing norms. Furthermore, international cooperation would need to facilitate financing and technology transfers to developing countries and also combat illicit financial flows and improve market access.

REGIONAL PROSPECTS

- The economy of **the United States of America** has remained remarkably upbeat despite sustained high interest rates, defying expectations of an imminent slowdown. The latest forecast points to a 2.3 per cent growth in 2024.
- In **Europe**, economic activity is projected to gradually pick up amid falling inflation, robust wage growth and monetary easing. But geopolitical tensions, weak economic sentiment and withdrawal of fiscal support pose headwinds to the recovery. The growth forecast for the European Union is revised down slightly to 1.0 per cent in 2024.
- **China's** growth is projected to moderate to 4.8 per cent in 2024, from 5.2 per cent in 2023. Weakness in the property sector remains as a major downside risk. On the other hand, accommodative monetary and proactive fiscal policies are expected to support economic output in the near term. In the longer term, enhanced policy support is expected to boost manufacturing investments, particularly in new and emerging sectors.
- The GDP growth projection for **Japan** for 2024 remains unchanged from the forecast in January at 1.2 per cent, down from 1.9 per cent in 2023. The Bank of Japan ended its negative interest rate regime in March, signalling the economy's exit from a deflationary state.



UNDER EMBARGO UNTIL 16 MAY 2024, 12:30 pm EDT

- The protracted war in Ukraine continues to affect the economic situation in **the Commonwealth of Independent States and Georgia**. Following growth of 4.0 per cent in 2023, the region's GDP is projected to expand by 3.3 per cent in 2024, a moderate upward revision from the forecast in January. Growth forecast for **the Russian Federation** has been revised upward to 2.7 per cent in 2024 due to the strong first quarter activity and anticipated positive fiscal spending effects.
- After expanding by 3.2 per cent in 2023, **Africa's** GDP is projected to grow by 3.3 per cent in 2024, marking a downward revision of 0.2 per centage points from the forecasts in January. In general, domestic demand growth in Africa remains constrained due to tight monetary and fiscal stances amid growing balance of payment pressures.
- **East Asian** economies are forecast to grow by 4.6 per cent in 2024, unchanged from the forecasts in January, compared with 4.8 per cent in 2023. Robust domestic demand, improvements in merchandise exports and continued recovery in tourism underpin the solid performance. However, several downside risks exist, including higher-for-longer policy interest rates in major developed economies.
- **South Asia's** economic outlook is expected to remain strong, supported by a robust performance of India's economy – expected to grow at 6.9 per cent in 2024 and 6.6 per cent in 2025 – and a slight recovery in Pakistan and Sri Lanka. Regional GDP is projected to grow by 5.8 per cent in 2024, with an upward revision of 0.6 per centage points since January, remaining below the 6.2 per cent from 2023.
- **Western Asia** faces a challenging short-term economic outlook amid extended oil production cuts, escalating geopolitical tensions, and trade disruptions in the Red Sea. Notwithstanding these factors, average GDP growth is projected to recover from an estimated 2.0 per cent in 2023 to 2.7 per cent in 2024.
- Economic growth in **Latin America and the Caribbean** is expected to slow from 2.1 per cent in 2023 to 1.7 per cent in 2024. Regional growth remains lacklustre amid still tight monetary conditions, subdued external demand, and structural vulnerabilities. Inflation has been declining in most countries due to lower food and energy prices.