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World Economic Situation and Prospects

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The *World Economic Situation and Prospects 2023* 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: Economic Commission for Africa (UNECA), Economic Commission for Europe (UNECE), Economic Commission for Latin America and the Caribbean (UNECLAC), Economic and Social Commission for Asia and the Pacific (UNESCAP) and Economic and Social Commission for Western Asia (UNESCWA). The United Nations World Tourism Organization (UNWTO) also contributed to the report.

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Foreword

This 2023 edition of the United Nations flagship report, *World Economic Situation and Prospects*, comes at a pivotal moment for the global economy. The growth of the world's population to 8 billion people is a testament to improved nutrition, public health and sanitation. But as our human family grows larger, it is more unequal and divided than ever.

Billions of people are struggling; hundreds of millions face hunger and even famine. People in the richest countries can expect to live up to 30 years longer than those in the poorest. Countries in the Global South are drowning in debt, with poverty and hunger increasing as they face the growing impacts of the climate crisis – a case study in inequality.

Vast swathes of the world have no chance of investing in a sustainable recovery from the pandemic, a transition to renewable energy, or education and training so their people can benefit from the digital revolution.

Against this backdrop, *World Economic Situation and Prospects* presents a grim economic outlook for the near-term.

A broad-based and severe slowdown of the global economy looms large amid high inflation, aggressive monetary tightening, and heightened uncertainties. Many economies are at risk of falling into recession, having barely recovered from the shock of the pandemic.

The fiscal space of developing countries is under siege from exchange rate depreciation, high borrowing costs and rising debt distress. Tightening global monetary conditions will make it even more difficult to finance investments in the 2030 Agenda and the Sustainable Development Goals.

While taming inflation remains a key near-term objective, policymakers must also consider trade-offs with slower growth, employment losses and international spillovers. This is not the time for short-term thinking or knee-jerk fiscal austerity that exacerbates inequality, increases suffering and could put the SDGs farther out of reach.

Instead, the report argues that our unprecedented times demand unprecedented action.

This action includes a transformative SDG stimulus package, generated through the collective and concerted efforts of all stakeholders. Government spending, especially focused public investments, would help to reinvigorate growth and support an inclusive and sustainable recovery. This report shows that such spending can boost investment in physical and social infrastructure, ease supply-side constraints and create jobs, reducing inflationary pressures.

During these challenging times, Governments around the world must also strengthen fiscal support to protect vulnerable groups, increasing investment in health and education to build human capital and social cohesion for the future.

Most importantly, Governments must step up the fight against climate change, accelerating the transition to clean energy and building resilience against future crisis. Without this transformation, the climate emergency could overwhelm all efforts to achieve the SDGs.

This report shows that bold, targeted and timely fiscal measures, coupled with strong international support and debt restructuring, can help turn around the world economy and accelerate progress towards sustainable development. It is an important contribution as we continue to work closely with Member States to build a more resilient, inclusive, and sustainable world economy for the benefit of all.

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 full stop is used to indicate decimals.
/	A slash between years indicates a crop year or financial year, for example, 2022/23.
–	Use of a hyphen between years, for example, 2022–2023, 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 statistical annex.

Data presented in this publication incorporate information available as of 15 December 2022.

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.

Abbreviations

Btu	British thermal units
CIS	Commonwealth of Independent States
COP27	Twenty-seventh Conference of the Parties to the United Nations Framework Convention on Climate Change
ECA	United Nations Economic Commission for Africa
ECE	United Nations Economic Commission for Europe
ECLAC	United Nations Economic Commission for Latin America and the Caribbean
ESCAP	United Nations Economic and Social Commission for Asia and the Pacific
ESCWA	United Nations Economic and Social Commission for Western Asia
EU	European Union
G7	Group of Seven
G20	Group of Twenty
GCC	Gulf Cooperation Council
GDP	gross domestic product
ILO	International Labour Organization
IMF	International Monetary Fund
NAIRU	Non-accelerating inflation rate of unemployment
ODA	Official development assistance
OECD	Organisation for Economic Co-operation and Development
OPEC Plus	Organization of the Petroleum Exporting Countries Plus
PPP	purchasing power parity
SDGs	Sustainable Development Goals
SDRs	Special drawing rights
TRIPS	Trade-related aspects of intellectual property rights
UNCTAD	United Nations Conference on Trade and Development
UN DESA	United Nations Department of Economic and Social Affairs
UNWTO	United Nations World Tourism Organization
WHO	World Health Organization

Acknowledgements

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The report was edited by Gretchen Luchsinger.

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

Multiple shocks to the world economy

A series of severe and mutually reinforcing shocks struck the world economy in 2022 as it approached the midpoint for achieving the 2030 Sustainable Development Goals (SDGs). With the impacts of the COVID-19 pandemic still reverberating worldwide, the war in Ukraine ignited a new crisis, disrupting food and energy markets, and worsening food insecurity and malnutrition in many developing countries. High inflation unleashed an erosion of real incomes and a global cost-of-living crisis that has pushed millions into poverty and economic hardship. At the same time, the climate crisis continued to impose a heavy toll, with heat waves, wildfires, floods and hurricanes inflicting massive economic damages and generating humanitarian crises in many countries.

All these shocks will weigh heavily on the world economy in 2023. Persistently high inflation, which averaged about 9 per cent in 2022, has prompted aggressive monetary tightening in many developed and developing countries. Rapid interest rate hikes, particularly by the Federal Reserve in the United States of America, have had global spillover effects, triggering capital outflows and currency depreciations in developing countries, increasing balance of payment pressures and exacerbating debt sustainability risks. Financing conditions have tightened sharply amid high levels of private and public debt, pushing up debt-servicing costs, constraining fiscal space and increasing sovereign credit risks. Rising interest rates and diminishing purchasing power have weakened consumer confidence and investor sentiment, further clouding near-term growth prospects for the world economy. Global trade has softened due to tapering demand for consumer goods, the protracted war in Ukraine and continued supply chain challenges.

Against this backdrop, world output growth is projected to decelerate from an estimated 3 per cent in 2022 to only 1.9 per cent in 2023, marking one of the lowest growth rates in recent decades. Global growth is forecast to moderately pick up to 2.7 per cent in 2024, if, as expected, some macroeconomic headwinds begin to subside next year. Inflationary pressures are projected to gradually abate amid weakening aggregate demand in the global economy. This should allow the Federal Reserve and other major central banks to slow the pace of monetary tightening and, eventually, shift to a more accommodative monetary policy stance. The near-term economic outlook remains highly uncertain, however, as myriad economic, financial, geopolitical and environmental risks persist.

A sharp downturn in most developed economies

The current global economic slowdown cuts across both developed and developing countries, with many facing risks of recession in 2023.

Growth momentum has weakened in the United States, the European Union and other developed economies, adversely affecting the rest of the world economy. In the United States, gross domestic product (GDP) is projected to expand by only 0.4 per cent in 2023 after estimated growth of 1.8 per cent in 2022. Consumers are expected to cut back spending given higher interest rates, lower real incomes and significant declines in household net worth. Rising mortgage rates and soaring building costs will likely continue to weigh on the housing market, with residential fixed investment projected to decline further.

The short-term economic outlook for Europe has deteriorated sharply as the war in Ukraine continues. Many European countries are projected to experience a mild recession, with elevated energy costs, high inflation and tighter financial conditions depressing household consumption and investment. The European Union is forecast to grow by 0.2 per cent in 2023, down from an estimated 3.3 per cent in 2022, when further easing of COVID-19 restrictions and release of pent-up demand boosted economic activities. As the European Union continues its efforts to reduce dependence on fossil fuels from the Russian Federation, the region remains vulnerable to disruptions in the energy supply, including gas shortages. The prospects for the economy of the United Kingdom are particularly bleak given the sharp decline in household spending, fiscal pressures and supply-side challenges partly resulting from Brexit. A recession began in the United Kingdom in the second half of 2022; GDP is projected to contract by 0.8 per cent in 2023.

Despite growing at a moderate pace, Japan's economy is expected to be among the better-performing developed economies in 2023. Unlike in other developed economies, monetary and fiscal policy remain accommodative. Prolonged chip shortages, rising import costs (driven by a weakening Japanese yen) and slowing external demand are, however, weighing on industrial output. GDP is forecast to increase by 1.5 per cent in 2023, slightly lower than the estimated growth of 1.6 per cent in 2022.

The war in Ukraine heavily impacts near-term economic prospects for the Commonwealth of Independent States and Georgia. The contraction of the economy of the Russian Federation and the significant loss of output in Ukraine are having spillover effects on the rest of the region. Nonetheless, the Russian economy shrank less than initially expected in 2022, with GDP declining by only about 3.5 per cent due to a massive current account surplus, the continued stability of the banking sector and the reversal of initially sharp monetary tightening. Several of the region's economies have benefited from the relocation of businesses and residents as well as capital inflows, experiencing faster-than-expected growth in 2022. Improved terms of trade supported growth in the region's energy exporters. Overall, aggregate GDP of the Commonwealth of Independent States and Georgia (excluding Ukraine, for which this report is not presenting a forecast due to the uncertainties involved) is expected to contract by 1 per cent in 2023, following an estimated decline of 1.6 per cent in 2022.

A worsening outlook in most developing regions

Growth in China is projected to moderately improve in 2023 after weaker-than-expected performance in 2022. Amid recurring COVID-19-related lockdowns and prolonged stress in the real estate market, the economy expanded by only 3 per cent in 2022. With the Government abandoning its zero-COVID-19 policy in late 2022 and easing monetary and fiscal policies, economic growth is forecast to accelerate to 4.8 per cent in 2023. But the reopening of the economy is expected to be bumpy. Growth will likely remain well below the pre-pandemic rate of 6 to 6.5 per cent.

Economic recovery in East Asia remains fragile, although average growth is stronger than in other regions. In 2023, GDP growth in East Asia is forecast to reach 4.4 per cent, compared to 3.2 per cent in 2022, mainly reflecting the modest recovery of growth in China. Yet many economies in the region (other than China) are

losing steam amid fading pent-up demand, rising living costs and weakening export demand from the United States and Europe. This coincides with a tightening of global financial conditions, and countries adopting contractionary monetary and fiscal policies to curb inflationary pressures. Although the expected recovery of China's economy will support growth across the region, any surge in COVID-19 infections may temporarily create slowdowns.

In South Asia, the economic outlook has significantly deteriorated due to high food and energy prices, monetary tightening and fiscal vulnerabilities. Average GDP growth is projected to moderate from 5.6 per cent in 2022 to 4.8 per cent in 2023. Growth in India is expected to remain strong at 5.8 per cent, albeit slightly lower than the estimated 6.4 per cent in 2022, as higher interest rates and a global slowdown weigh on investment and exports. The prospects are more challenging for other economies in the region. Bangladesh, Pakistan and Sri Lanka sought financial assistance from the International Monetary Fund (IMF) in 2022.

In Western Asia, oil-producing countries have emerged from the economic slump, benefitting from high prices and rising oil output as well as the recovery of the tourism sector. Recovery in non-oil-producing countries, by contrast, has remained weak given tightening access to international finance and severe fiscal constraints. Average growth is projected to slow from an estimated 6.4 per cent in 2022 to 3.5 per cent in 2023, given worsening external conditions.

In Africa, economic growth is projected to remain subdued with a volatile and uncertain global environment compounding domestic challenges. The region has been hit by multiple shocks, including weaker demand from key trading partners (especially China and Europe), a sharp increase in energy and food prices, rapidly rising borrowing costs and adverse weather events. As debt-servicing burdens mount, a growing number of governments are seeking bilateral and multilateral support. Economic growth is projected to slow from an estimated 4.1 per cent in 2022 to 3.8 per cent in 2023.

The outlook in Latin America and the Caribbean remains challenging given unfavourable external conditions, limited macroeconomic policy space and stubbornly high inflation. Regional growth is projected to slow to only 1.4 per cent in 2023, following an estimated expansion of 3.8 per cent in 2022. Labour market prospects are challenging. Reductions in poverty across the region are unlikely in the near term. The region's largest economies – Argentina, Brazil and Mexico – are expected to grow at very low rates due to tightening financial conditions, weakening exports and domestic vulnerabilities.

The least developed countries, many of which are highly vulnerable to external shocks, will confront significant challenges in 2023. Growth is projected at 4.4 per cent in 2023, about the same rate as last year and significantly below the 7 per cent growth target set in SDG 8. In many of these countries, the risk of a lost decade is rising on the back of limited productive capacity, insufficient fiscal space, large macroeconomic imbalances and intensifying debt vulnerabilities. For the small island developing States, the short-term outlook remains bleak. Tourist arrivals have not fully recovered, and many of these countries are disproportionately affected by growing climate risks and natural disasters.

Central banks are vigorously fighting inflation

After a long period of price stability, high inflation has returned in many countries, disproportionately affecting low-income households. Pandemic-induced inflationary pressures, with demand recovering quickly and supply lagging amid continued disruptions in supply chains, have been persistent. Soaring food and energy prices and renewed supply shocks caused by the war in Ukraine have driven a surge in inflation and pushed up short- and medium-term inflation expectations. Average global inflation in 2022 reached the highest level in two decades. Upward price

pressures will likely ease due to aggressive monetary tightening and slowing demand, but global inflation is still projected to remain elevated in 2023.

In 2022, central banks worldwide raised interest rates in quick succession to bring inflation under control and anchor inflation expectations. This shift towards tighter monetary policy was exceptionally broad-based. Over 85 per cent of monetary authorities worldwide hiked rates in the past year. The Federal Reserve led global monetary tightening, lifting its key policy rate six times from 0 to 0.25 per cent in March to 4.25 to 4.5 per cent in December 2022. This was the largest cumulative rate increase in any given year since 1980. As inflation is likely to have peaked in late 2022, central banks, especially in the developed countries, are expected to slow the pace of interest rate hikes in 2023, particularly if inflation approaches respective national target rates.

Mounting debt and balance of payment vulnerabilities

Sharp and rapid interest rate increases, elevated geopolitical tensions and a weakening global economic outlook have triggered a "flight to safety" in many countries, marked by a reversal of non-resident portfolio flows and the depreciation of domestic currencies against the dollar. Weaker domestic currencies pushed up import bills and further amplified inflationary pressures in many developing countries. Tighter financial conditions in international capital markets raised financing costs and rollover risks, adversely affecting investment and growth prospects.

Rapidly tightening global financial conditions have exacerbated balance of payment and debt vulnerabilities in many developing countries. Several commodity-importing countries have seen a significant increase in gross external financing needs in recent years. Amid rising sovereign borrowing costs, servicing external debt has become more expensive, absorbing a growing share of fiscal revenues. Higher debt-servicing burdens are constraining much needed expenditures to support economic recovery, protect the most vulnerable population groups during the cost-of-living crisis and finance sustainable development.

In Africa, debt servicing on public and publicly guaranteed external debt averaged 10 per cent of government revenues in 2021, up from 3 per cent in 2011. Moreover, tightening financial conditions make it more difficult for many developing countries to roll over and restructure their existing debt, raising the risks of debt defaults. A growing number of developing countries, including several with large numbers of people living in poverty, find themselves in precarious debt situations.

Another blow to the Sustainable Development Goals

Jobs continued to recover from the pandemic in 2022 but with significant differences across countries. In many developed economies, labour markets became exceptionally tight as evidenced by record-low unemployment and record-high employment and job vacancy rates. Sectors such as construction, information and communication, and food and accommodation continued to suffer from severe labour shortages. Most developing countries, however, have seen a slower job recovery with considerable employment slack. The average unemployment rate in developing countries in 2022 was still notably higher than before the pandemic. Disproportionate losses in women's employment in 2020 have not been fully reversed; recent improvements mainly stem from a recovery in informal jobs. With a deteriorating global outlook, employment prospects for 2023 and 2024 have weakened in a vast majority of countries.

Slower growth, elevated inflation and mounting debt vulnerabilities threaten to further set back hard-won SDG achievements, deepening the already negative effects of the COVID-19 pandemic. A prolonged period of economic weakness and slow income growth would

undermine poverty eradication efforts by constraining national capacities to invest in health, education, physical and digital infrastructure, and energy transition.

The global food and energy crisis unleashed by the war in Ukraine is hitting many developing countries hard. In addition, severe droughts and floods have damaged crops, especially in parts of Africa and South Asia, pushing millions into poverty. Amid soaring food and fertilizer prices and supply disruptions, the number of people facing severe food insecurity more than doubled between 2019 and 2022.

Some relief has come from the Black Sea Grain Initiative brokered by the United Nations and Türkiye. It has ensured the resumption of food exports from Ukraine to the rest of the world, with more than 15 million metric tons of grain and other foods transported between August and mid-December 2022. In addition, through a memorandum of understanding signed in July 2022, the Russian Federation and the Secretariat of the United Nations agreed to facilitate the unimpeded access to global markets for food and fertilizers, including materials required for producing fertilizers, originating from the Russian Federation. Nevertheless, uncertainty over the duration and intensity of the conflict, along with potential export restrictions in food-exporting countries, mean that food supply challenges will likely persist in 2023.

New challenges for macroeconomic policymaking

Policymakers face difficult trade-offs in steering their economies through current crises and supporting an inclusive and sustainable recovery. Macroeconomic policies need to be carefully calibrated to strike a balance between stimulating output and taming inflation, with effective coordination between monetary and fiscal policies to minimize chances of a prolonged and severe economic downturn. The risks of policy mistakes are significant, especially since macroeconomic policy responses have limited capacity to address non-economic shocks. Policy missteps could aggravate economic downturns and inflict further socioeconomic harm, especially on vulnerable groups.

The risk of overtightening monetary policy

Monetary policy faces major challenges and trade-offs. Many developed country central banks, including the Federal Reserve and the European Central Bank, were initially reluctant to raise policy rates, perceiving rising inflation as transitory. As it became clear that inflationary pressures were more persistent and risked de-anchoring inflation expectations, the banks embarked on an aggressive monetary tightening path, raising rates at a very fast clip in 2022. Central banks now find themselves at a critical juncture as economic prospects have weakened while inflation is not yet fully under control and fiscal challenges remain. Rapid and synchronized monetary tightening by the world's major central banks has pulled too much liquidity out of markets too quickly, generating significant negative spillover effects on the global economy and weakening the economic prospects of vulnerable countries.

Overtightening of monetary policy would drive the world economy into an unnecessarily harsh slowdown, an outcome that could be avoided if rate increases by individual central banks accurately consider the reciprocal impacts of similar rate hikes by others. This will require more effective coordination among the major central banks, supported by clear policy messages to manage and moderate inflationary expectations.

Revisiting inflation targets

Given the policy challenges of maintaining price stability while supporting growth, central banks need a maximum degree of policy flexibility to anchor longer-term inflation expectations. The current inflation crisis, once abated, presents an opportunity to revisit their

monetary frameworks and reconsider overly rigid inflation targets. Various options exist that may enable central banks to exercise greater policy flexibility while ensuring the continued credibility of monetary policy. Raising inflation targets in developed countries from 2 per cent to 3 or 4 per cent may provide more room to stimulate employment and growth in difficult times. Other options are to move to a target range, for example, between 2 and 3.5 per cent, or to target the price level rather than the annual inflation rate.

While reforming existing frameworks could yield considerable benefits, central banks will also need to pursue a deliberate and comprehensive process to avoid losses in credibility and the de-anchoring of inflation expectations. A reappraisal and recalibration of monetary policy tools based on experiences accumulated since the global financial crisis may help better support price stability and policy credibility while promoting full employment and economic growth.

The imperative of avoiding fiscal austerity

Persistent fiscal deficits and elevated public debt levels have prompted calls for rapid fiscal consolidation even as recovery from the COVID-19 recession remains incomplete and fragile. But this is not the time for socially painful and potentially self-defeating fiscal austerity. On the one hand, fiscal retrenchment tends to be associated with painful cuts to social spending that disproportionately hurt the most vulnerable groups, including women and children. Public budget cuts often reduce or eliminate programmes and social services that benefit women more than men, resulting in income losses for women, restricting their access to health care and education, and increasing unpaid work and time poverty. Such impacts further exacerbate the already dire situation of those who have yet to regain employment and livelihoods due to a weaker-than-expected economic recovery. At the same time, an excessively early or larger-than-needed shift to austerity would also stifle growth, delay recovery from current crises and undermine much needed financing for achieving sustainable development and fighting climate change.

Amid an increasingly challenging macroeconomic and financial environment, many developing countries are at risk of entering a vicious cycle of weak investment, slow growth and rising debt-servicing burdens. Any rapid fiscal consolidation, through significant expenditure cuts or tax hikes, would likely push economies into recession or lead to protracted slow growth. This will worsen rather than improve debt sustainability in developing countries.

Fiscal expenditures, when properly directed, are particularly effective in supporting growth and development in times of economic slack due to the large multiplier effects of public spending. In most developing countries, actual output is still below potential output, implying persistent economic slack. In such a situation, public investment does not crowd out private investment but can instead be a powerful tool to generate jobs and reinvigorate growth. Public investment not only boosts short-term aggregate demand but also stimulates capital formation, expanding productive capacities and lifting potential growth. Especially at a moment of many uncertainties, strategic public investment signals policy commitment and will likely crowd in private investment, which will remain critical for mitigating the scarring effects of the pandemic. By expanding productive capacities, public investment can also lessen supply-side constraints and reduce inflationary pressures in the medium term. As fiscal space is constrained in most countries, public expenditures need to be well managed, targeted and efficient.

Current challenges demand a transformative SDG stimulus package as recently proposed by the United Nations Secretary-General. This would help offset deteriorating financing conditions and allow developing countries to scale up investment in sustainable development. The package addresses both urgent short-term needs and requirements for

long-term sustainable development finance. It calls for a massive increase in such finance, including for humanitarian support and climate actions, through concessional and non-concessional funding.

Fiscal policy for stimulating growth and SDG progress

Developing countries do have some options to protect and expand existing fiscal policy space and maximize the positive impacts of public spending on growth and sustainable development. Governments will need to reallocate and reprioritize public expenditures to support vulnerable groups through direct policy interventions. This will require strengthening social protection systems and ensuring continued support through targeted and temporary subsidies, cash transfers and discounts on utility bills, which can be complemented with reductions in consumption taxes or custom duties.

Governments may target, support and crowd in private investment in critical sectors, including in education, health, digital infrastructure, new technologies, and climate change mitigation and adaptation. Strategic public investment in these sectors can offer large social returns, accelerate productivity growth, and strengthen resilience to economic, social and environmental shocks.

In addition, governments will need to redouble their efforts to expand the revenue base and thus improve tax collection and strengthen fiscal sustainability. In the short term, the use of digitalization and new technologies, for example, can reduce tax avoidance and evasion and improve tax revenues. In the medium term, governments will need to implement tax reforms and expand tax bases with progressive income and wealth taxes.

Stronger international cooperation is imperative

The pandemic, the global food and energy crises, climate risks and the looming debt crisis in many developing countries are testing the limits of existing multilateral frameworks. International cooperation has never been more important than now to face multiple global crises and bring the world back on track to achieve the SDGs.

Since the start of the pandemic, the international community has offered financial support with a sharp increase in the provision of IMF emergency lending to developing countries, most recently, for example, through a new food shock window. In August 2021, a $650 billion IMF special drawing rights (SDRs) allocation – the largest in history – was approved to provide liquidity to the global financial system. Only a small fraction – $21 billion – was allocated to low-income countries, however. Some countries have reallocated a share of their SDRs to Africa, led by China, which has pledged $10 billion of its $40 billion allocation to the continent. While the SDRs remain an important source of liquidity support for countries facing balance-of-payment challenges, the interest rate on them rose sharply in 2022. The international community will need to cap interest and charge rates to ensure that the poorest and most vulnerable countries can access the facility to meet near-term financing needs.

Stronger support from the international community is also needed to resolve debt distress, where exogenous shocks constrain countries' abilities to meet their debt obligations. The Group of 20 Common Framework for Debt Treatments remains the main international debt relief mechanism available to the least developed countries and other low-income countries facing debt distress. The framework has, however, fallen short of expectations. Only three countries have requested debt relief; none has concluded a restructuring since the framework came into effect over a year and a half ago. There is broad consensus that the framework is not working, especially in providing pragmatic, swift, comprehensive and forward-looking solutions for all countries facing debt distress. Such solutions must include a standstill in debt-servicing payments, engagement of official creditors with the debtor and with private creditors, and a clearly

defined restructuring process. Beyond these immediate measures, an international statutory mechanism for sovereign debt restructuring needs to be established. There is also scope to improve lending contracts, for example, through State-contingent debt instruments or enhanced collective action clauses.

The world is at a critical juncture as it approaches the midpoint of the SDGs. A number of entities have estimated the financing requirements for developing countries to reach the goals and address the climate crisis. Most predictions fall in a range amounting to several trillion dollars per year. Given already limited fiscal space in developing countries and growing needs for stimulating recovery and protecting the most vulnerable, these countries face significant challenges in making such investments. At the same time, favourable climate and SDG outcomes, initially realized through action in specific countries, can have significant positive spillover effects across the world. More robust international cooperation in mobilizing the resources needed to secure such outcomes is in the interest of all countries, developed and developing.

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CHAPTER I

Global economic outlook

Global growth prospects

A deteriorating global outlook

The world economy faced a series of severe and mutually reinforcing shocks in 2022 as it approached the midpoint of the 2030 deadline for achieving the Sustainable Development Goals (SDGs). While the COVID-19 pandemic receded in many regions, the war in Ukraine unleashed a new crisis, disrupting food and energy markets, and escalating food insecurity and malnutrition in many developing countries. Surging inflation across the world reduced real income, triggering a global cost-of-living crisis, particularly for the most vulnerable groups. At the same time, the climate crisis continued to impose a heavy toll, with heat waves, wildfires, floods and hurricanes inflicting massive economic damages and generating humanitarian crises in many countries.

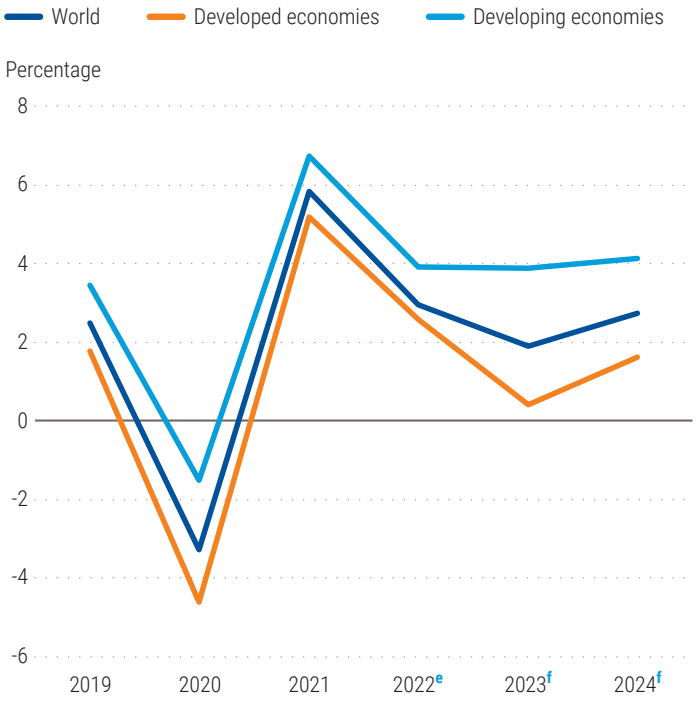
These shocks and the monetary policy responses to inflation have put the world economy on a slippery slope. High inflation has prompted aggressive monetary tightening in many developed and developing countries. Rapid interest rate hikes by major developed country central banks have triggered capital outflows and currency depreciations in developing countries, increasing balance-of-payment pressures. Financing conditions have tightened sharply amid high levels of debt and rising debt servicing costs, increasing fiscal consolidation pressure and sovereign default risks. Rising interest rates and diminishing purchasing power have eroded consumer confidence and investor sentiment, further weakening the near-term growth prospects of the world economy.

Against this backdrop, global economic growth is projected to slow to only 1.9 per cent in 2023, sharply lower than the 3 per cent in 2022 (table I.1). Global growth is forecast to moderately pick up to 2.7 per cent in 2024. The slowdown is broad-based, unfolding across developed and developing countries (figure I.1). While the lifting of COVID-19-related restrictions in most countries in 2022 supported domestic demand recovery, rising inflation weakened household and business spending. Trade growth slowed sharply amid continued supply chain weakness, tapering demand for consumer goods and a protracted war in Ukraine.

The economic outlook for 2023 and 2024 remains notably uncertain. It is highly susceptible to the pace and sequence of further monetary tightening, the course and consequences of the war in Ukraine and other geopolitical tensions, and the possibility of further supply chain disruptions. The global manufacturing Purchasing Managers' Index, a leading indicator of economic activities, declined steadily in 2022, remaining in contraction territory from September to November (figure I.2). Slow global growth in 2023 would mean that output losses

Figure I.1

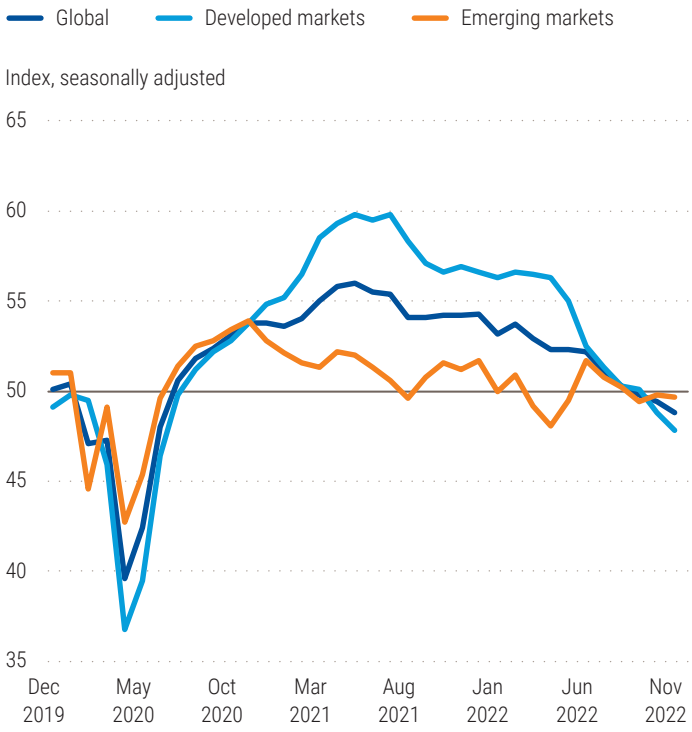
Growth of economic output in the world, developed and developing countries



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

Figure I.2

Manufacturing Purchasing Managers' Index



Source: CEIC data.
Note: For the manufacturing Purchasing Managers' Index , a value below 50 signals a contraction of activities compared to the previous month.

compared with the pre-COVID-19 growth trajectory will further increase, especially in developing countries (see chapter II).

Economic growth facing strong headwinds

Amid high inflation and tighter monetary policy, the United States of America and the European Union (EU) face sharp growth slowdowns in 2023. In China, growth is projected to pick up in 2023 due to the easing of COVID-19-related restrictions but will likely remain below the pre-crisis trend. After expanding by 5.7 per cent in 2021, growth of gross domestic product (GDP) in the United States fell to 1.8 per cent in 2022 and is forecast at only 0.4 per cent in 2023. Consumer spending, which accounts for about 70 per cent of economic activity, is expected to soften considerably, despite a still buoyant labour market that made a full recovery, in numerical terms, from the 22 million jobs lost at the outset of the pandemic.

With a still tight labour market in the United States, average hourly earnings in the private sector rose by 4.7 per cent year-on-year in October 2022.[1] But with inflation averaging about 7.7 per cent during the same period,[2] households saw their purchasing power erode and are projected to cut spending. Meanwhile, a strong dollar will hurt exports and exacerbate the trade deficit of the United States, negatively impacting GDP growth. The housing market has taken a hit due to higher mortgage rates and soaring building costs, with residential fixed investment and home sales declining. The house price index has trended downward since June 2022. The net

1 US Bureau of Labor Statistics, Economic News Releases.
2 Ibid.

Table I.1

Growth of world output and gross domestic product, 2021 to 2024

					Change from *World Economic Situation and Prospects* as of mid-2022	
Annual percentage change	**2021**	**2022[a]**	**2023[b]**	**2024[b]**	**2022**	**2023**
World	**5.8**	**3.0**	**1.9**	**2.7**	**-0.1**	**-1.2**
Developed economies	**5.2**	**2.6**	**0.4**	**1.6**	**-0.2**	**-1.7**
United States of America	5.7	1.8	0.4	1.7	-0.8	-1.4
Japan	1.7	1.6	1.5	1.3	-1.1	-0.7
European Union	5.3	3.3	0.2	1.6	0.6	-2.2
Euro area	5.3	3.2	0.1	1.6	0.5	-2.2
United Kingdom of Great Britain and Northern Ireland	7.4	4.3	-0.8	1.0	1.1	-1.8
Other developed countries	4.6	3.4	1.2	1.8	-0.2	-1.4
Economies in transition[c]	**4.9**	**-3.0**	**-0.8**	**2.3**	**5.2**	**..**
South-Eastern Europe	7.4	2.8	2.3	2.8	-0.4	-1.2
Commonwealth of Independent States and Georgia[c]	4.8	-3.3	-1.0	2.3	5.5	..
Russian Federation	4.7	-3.5	-2.9	1.5	7.1	-2.9
Developing economies	**6.7**	**3.9**	**3.9**	**4.1**	**-0.2**	**-0.6**
Africa[d]	4.1	4.1	3.8	3.8	0.4	0.0
North Africa[d]	3.7	5.1	4.1	3.7	1.2	0.3
East Africa	5.5	5.1	5.1	4.9	0.3	-0.6
Central Africa	1.4	3.4	3.4	3.4	0.1	0.1
West Africa	4.2	3.6	3.8	4.0	-0.4	-0.2
Southern Africa	4.1	2.5	2.3	2.7	0.1	-0.2
East and South Asia	7.1	3.6	4.4	4.6	-0.9	-0.6
East Asia	7.0	3.2	4.4	4.3	-1.2	-0.6
China	8.1	3.0	4.8	4.5	-1.5	-0.4
South Asia[e]	7.2	5.6	4.8	5.9	0.1	-0.6
India[e]	8.9	6.4	5.8	6.7	0.0	-0.2
Western Asia	6.2	6.4	3.5	3.4	1.9	-0.1
Latin America and the Caribbean	6.6	3.8	1.4	2.5	1.7	-1.4
South America	7.0	3.9	1.1	2.5	2.1	-1.6
Brazil	4.6	2.9	0.9	2.0	2.4	-1.3
Mexico and Central America	5.8	3.3	1.6	2.5	1.1	-1.6
Caribbean	6.4	10.7	7.9	5.8	-0.5	4.0
Least developed countries	**2.4**	**4.3**	**4.4**	**5.4**	**0.0**	**-0.9**
Memorandum items						
World trade[f]	10.5	6.0	-0.4	2.5	1.9	-5.2
World output growth with PPP weights[g]	5.9	3.2	2.3	3.2	0.1	-1.2

Source: UN DESA, based on estimates and forecasts produced with the World Economic Forecasting Model.
Notes: (a) estimated, (b) forecast, (c) excludes Ukraine in 2023 and 2024 forecasts, (d) excludes Libya, (e) growth rates are on a calendar year basis (for fiscal year growth figures, please refer to the statistical annex), (f) includes goods and services and (g) based on a 2015 benchmark.

worth of households in the United States fell from $142 trillion in the first quarter of 2022 to $135 trillion in the third quarter.[3] Diminished household net worth and the wealth effect are likely to lead to a further reduction in household spending in 2023.

The economic outlook for Europe is grim due to the fallout from the war in Ukraine. Many European countries are projected to experience a mild recession during the winter of 2022 to 2023, as high inflation reduces household purchasing power and increases production costs for firms, interest rate hikes tighten financial conditions, and sizeable fiscal deficits and elevated debt levels constrain governments' ability to provide further fiscal support to the economy. Growth in the GDP of the European Union is forecast at only 0.2 per cent in 2023, after a surprisingly strong expansion of 3.3 per cent in 2022, when further relaxation of COVID-19 restrictions and the release of pent-up demand boosted household spending. Despite massive policy efforts, the region is still vulnerable to disruptions in energy supplies and gas shortages. The economy of the United Kingdom is estimated to have entered recession in the second half of 2022, with GDP projected to contract by 0.8 per cent in 2023. Lower real incomes, rising interest rates and elevated uncertainty are depressing aggregate demand in the economy. In addition, external demand is expected to weaken amid slowing growth in the European Union and the United States. Fiscal austerity measures, including cuts to public services, will likely deepen or prolong the downturn.

In contrast, growth in China is expected to moderately improve in 2023. The Chinese economy is estimated to have grown by 3 per cent in 2022, marking a significant downward revision from earlier projections, due to recurring COVID-19-related lockdowns in different cities and prolonged stress in the real estate market. With the Government abandoning its zero-COVID-19 policy in late 2022, and easing monetary and fiscal policies, the economy is projected to expand by 4.8 per cent in 2023. Bucking the trend in the developed economies, the Chinese monetary authorities cut the key lending rate in August and have since kept the rate[4] unchanged at 3.65 per cent to ease credit constraints in the economy. Growth is still significantly lower than the pre-pandemic rate of 6 to 6.5 per cent, however. Moreover, the reopening from zero COVID-19 is expected to be bumpy. Increases in COVID-19 cases could continue to disrupt business activities and lower consumer sentiment.

Growth prospects in many transition and developing economies have deteriorated due to protracted geopolitical tensions, high inflation, waning monetary and fiscal support, rising borrowing costs and projected slowdowns in major trading partners. The contraction of the economy of the Russian Federation and Ukraine's significant loss of output are expected to affect the rest of the Commonwealth of Independent States (CIS).

In Africa, slowing demand from China and the European Union, its main trading partners, and waning monetary and fiscal support are weighing on near-term growth prospects. Amid elevated levels of debt and rising borrowing costs, several governments are seeking bilateral and multilateral support to finance public investment. A few African countries are still coping with substantial public health concerns such as the Ebola virus and low shares of people fully vaccinated against COVID-19.

East and South Asian countries face headwinds similar to those in other regions. Moderate improvement in growth in 2023 mainly reflects the recovery of China's economy. Weaker external demand will adversely affect manufacturing activities and investment in export-dependent economies, such as Malaysia and Viet Nam. Economic growth in India is projected to moderate in 2023, with higher interest rates weighing on investment

3 Based on the Board of Governors of the Federal Reserve System, Households; Net Worth, Level, retrieved from FRED, the Federal Reserve Bank of St. Louis. Available at https://fred.stlouisfed.org/series/BOGZ1FL192090005Q.

4 China's policy rate refers to the one-year loan prime rate.

and slower global growth weakening exports. While economic growth prospects in oil-producing countries in Western Asia have slightly improved through high energy prices, a less favourable external environment and rising fiscal constraints will negatively impact growth in the region's non-oil producing economies in 2023.

The outlook in Latin America and the Caribbean remains challenging amid unfavourable external conditions, limited macroeconomic policy space, and elevated and persistent inflation. Growth in Brazil is projected to slow sharply given monetary tightening, fiscal consolidation pressures and slower export growth. In Mexico, GDP growth will remain anaemic considering the slowdown in the United States, tightening monetary policy and supply chain disruptions hampering industrial activity.

The least developed countries, many of which are highly vulnerable to external shocks, will face continuing challenges in 2023. As most of these countries are food and oil importers, disruptions in global food supplies and rising prices are intensifying food insecurity and adding to balance-of-payment pressures. Growth is estimated at 4.3 per cent in 2022 and projected at 4.4 per cent in 2023, significantly below the 7 per cent target set in SDG 8, on decent work and economic growth. Limited productive capacity, insufficient fiscal space, large macroeconomic imbalances and rising debt vulnerabilities propel rising risks of a lost decade for many least developed countries. For the small island developing States, the short-term outlook also remains bleak, as tourist arrivals have not fully recovered from the pandemic, and many of these countries are disproportionately affected by growing climate risks and natural disasters. The landlocked developing countries, which have transport costs that are 50 per cent higher than other countries in normal times (UNECE, 2019), confront additional logistical challenges as steeper energy prices exacerbate intrinsically greater transport costs and connectivity gaps (UNCTAD, 2022a).

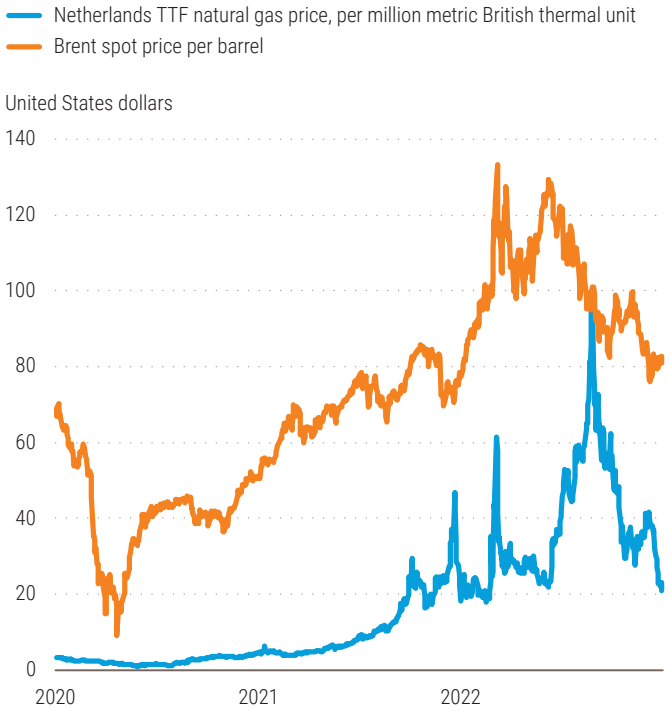
Energy and food crises are hitting many developing countries hard

The war in Ukraine has had significant negative spillover effects globally. Regional security concerns, shipment restrictions through the Black Sea ports and economic sanctions against the Russian Federation have adversely affected energy and food supplies. Since the Russian Federation is one of the leading energy exporters, and both the Russian Federation and Ukraine are major suppliers of grains and fertilizers,[5] the war accelerated the upward trend in oil and natural gas prices along with food prices, among other commodities, particularly during the first half of 2022.

In the second half of the year, energy and food prices receded amid a deteriorating global outlook for economic growth. In particular, Brent crude oil prices increased from about $78 per barrel at

Figure I.3

Brent oil price and European natural gas price



Source: Energy Information Administration (Brent) and Trading Economics (natural gas).
Note: TTF indicates title transfer facility.

5 Sanctions also impacted exports of potash from Belarus, the third largest producer of potash after Canada and the Russian Federation.

the beginning of 2022 to a peak of $130 per barrel in June, before declining to around $85 per barrel in late November. In Europe, natural gas prices surged from about $5 per million British thermal units (Btu) before the pandemic to $99 per million Btu on 26 August 2022, before dropping to $35 per million Btu in November (figure I.3). The food commodity price index of the United Nations Conference on Trade and Development (UNCTAD) rose steeply during March and May 2022. Despite some easing afterwards, food prices have remained close to the record highs experienced during the 2008–2011 global food crisis (figure I.4). Currency depreciations against the dollar in many developing countries have further contributed to higher food and energy prices in domestic currencies.

Although grain shipments through Black Sea ports have generally resumed through the Black Sea Grain Initiative brokered by the United Nations and Türkiye,[6] food supply challenges persist as the duration and intensity of the conflict between the Russian Federation and Ukraine remain highly uncertain. Furthermore, food export restrictions implemented in a few developing countries have contributed to further diminishing supplies and increasing the cost of food imports. As of June 2022, export restrictions had pushed prices of wheat, rice and soybean oil up by 9 per cent or more (Espita, Rocha and Ruta, 2022). While a few countries ended food export restrictions as of October, about 7 per cent of traded calories remained restricted due to a ban, licensing or tax (IFPRI, 2022).[7] Other pressures come from higher fertilizer and energy prices, which will likely reduce fertilizer imports and crop yields in many developing countries. More frequent and catastrophic climate disasters could also diminish agricultural output in the near term.

Higher food and fertilizer prices and food supply disruptions present food security concerns in many developing countries but particularly those that are net food importers. Food insecurity has worsened in Ethiopia, Nigeria and South Sudan, for example. According to the World Food Programme (WFP, 2022), the number of people, particularly women, facing severe food insecurity soared from 135 million in 53 countries before the pandemic to 345 million in 82 countries in 2022.

Figure I.4

UNCTAD food commodity price index

Source: UNCTADstat.

Surging inflation is unleashing a cost-of-living crisis

After a long period of price stability, inflation has returned in many countries (figure I.5). Pandemic-induced inflationary pressures have proven persistent, with demand recovering quickly and supply lagging amid significant disruptions in supply chains. Soaring food and energy prices and renewed supply shocks, caused by the war in Ukraine, have not only fuelled a surge in inflation but also pushed up short- and medium-term inflation expectations.[8] In 2022, global inflation reached an estimated 9 per cent, the highest level in the past two decades. Upward price pressures will likely ease due to aggressive monetary

6 In connection with the Black Sea Grain Initiative, the United Nations Secretariat signed a Memorandum of Understanding with the Russian Federation to ensure that grain and fertilizers from the Russian Federation and Ukraine reach global markets. As of 17 November 2022, the Black Sea Grain Initiative had enabled the movement of over 11.18 million metric tons of grain and other foodstuffs (United Nations, 2022a).

7 The share of traded calories restricted due to a ban or licensing fell from 16.6 per cent in April 2022 to 6.8 per cent in July, then edged up to 7.2 per cent in September and 7 per cent in October. As of 3 October 2022, about 7 per cent of traded calories are restricted due to a ban, licensing or tax (IFPRI, 2022).

8 In the euro area, inflation expectations have been revised up for 2023 and 2024. Longer-term inflation expectations, referring to 2027, have risen from 1.6 per cent in 2021 to currently 2.2 per cent. See the ECB Survey of Professional Forecasters, Fourth Quarter 2022. Available at www.ecb.europa.eu/stats/ecb_surveys/survey_of_professional_forecasters/html/ecb.spf2022q4~eb4b9aa2c2.en.html#toc3.

tightening, but global inflation is projected to remain elevated at 6.5 per cent in 2023.

In developed countries, nominal wages have risen amid tight labour markets, contributing to headline inflation and sparking concerns about "wage-price" spirals. In the United States, inflation is projected to moderate from an estimated 8.1 per cent in 2022 to 4.8 per cent in 2023. In the European Union, consumer prices rose by an estimated 8.6 per cent in 2022 and are forecast to grow by 6.6 per cent in 2023.

In developing countries, external factors, including greater import bills due to rising commodity prices and currency depreciations against the dollar, have added extra inflationary pressures. Argentina, the Bolivarian Republic of Venezuela, Lebanon, Sri Lanka, Sudan, Türkiye and Zimbabwe saw particularly high inflation as rates soared around the world (figure I.5).

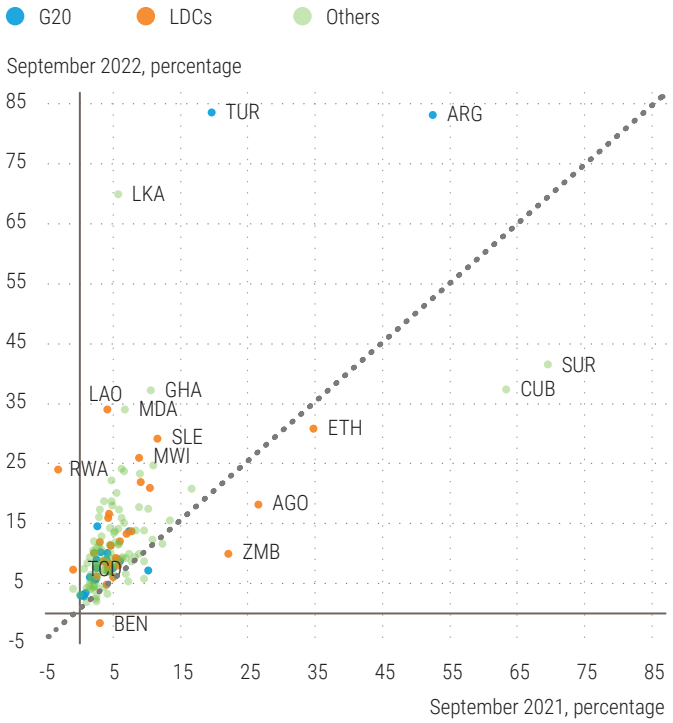
Supply-side challenges spur high inflation

The pandemic prompted many countries, especially China and other Asian export-oriented economies, to introduce measures restricting mobility. This disrupted global supply chains in manufacturing. With the expectation of slowing global demand, businesses quickly laid off workers and scaled back production at the outset of the crisis. Unprecedented fiscal packages, however, ignited a strong and swift recovery of consumer demand in the developed economies. As pandemic-related restrictions persisted in 2021, households reduced spending on contact-intensive services such as restaurant meals and recreational activities and increased spending on goods, particularly durables. The supply of these goods, often involving complex supply chains, failed to keep pace with surging demand. At the same time, shipping bottlenecks increased transportation costs, intensifying price pressures.

Firms struggled to return to pre-COVID-19 levels of staffing and operation in developed economies. Many laid-off workers chose to delay their return to the workforce or leave the labour

Figure I.5

Consumer price inflation, September 2021 and September 2022



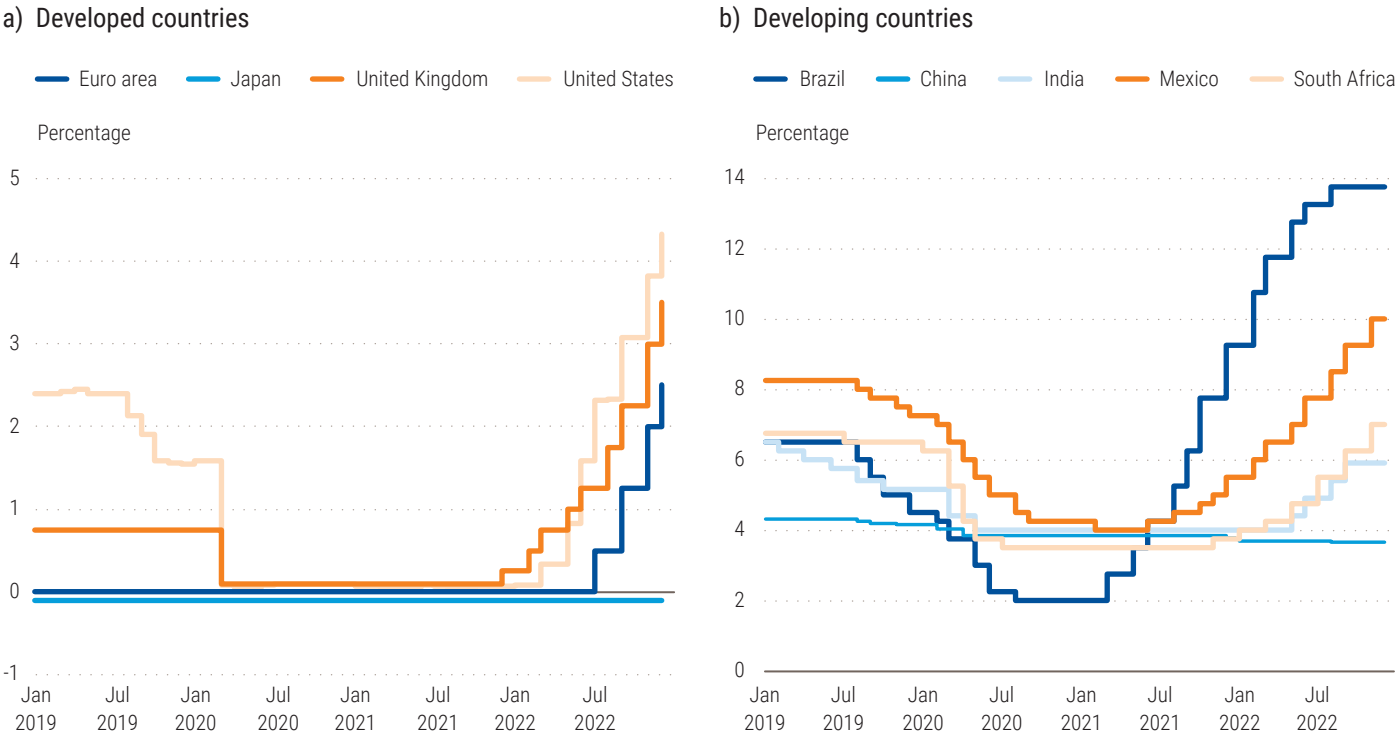
Source: UN DESA, based on data from Trading Economics.
Note: Consumer price inflation refers to year-on-year growth of consumer price index. The figure does not include the Bolivarian Republic of Venezuela (157 per cent), Lebanon (160 per cent), Sudan (107 per cent), or Zimbabwe (280 per cent), where the numbers in parentheses are inflation rates in September 2022. LDCs = least developed countries.

market altogether. This resulted in acute labour shortages, especially in the United States, adding to inflationary pressures. Then came the war in Ukraine, which further disrupted global supply chains and pushed up energy prices. Oil prices were already on an upward trend before the war as declining demand during the pandemic led the Organization of Petroleum Exporting Countries Plus (OPEC Plus) to agree to cut output in 2020.

Price pressures broadened throughout 2022. Yet in most countries, especially in the developing world, nominal wages have not kept pace. This has diminished household purchasing power and triggered a cost-of-living crisis for many. Rapidly rising costs are taking a heavy toll on low-income households struggling to afford necessities such as rent, gasoline and food. The impact is higher in the least developed countries, where large shares of people already live in extreme poverty.

Figure I.6

Central bank policy rates in selected large economies



Source: CEIC data.

Central banks are expected to slow the pace of monetary tightening

Since late 2021, many central banks have been raising interest rates in quick succession to bring inflation under control and anchor inflation expectations. This shift towards tighter monetary policy is exceptionally broad-based; over 85 per cent of central banks worldwide increased interest rates in 2022.[9] The main exceptions to this trend are the People's Bank of China and the Bank of Japan (figure I.6).

Central banks in many developed countries seek a "soft landing" for their economies, expecting to tame inflation without causing a recession. The Federal Reserve in the United States has taken an aggressive stance, raising its key policy rate six times from 0 to 0.25 per cent in March 2022 to 4.25 to 4.50 per cent in December. This marks the Federal Reserve's highest rate increase in any given year since 1980. It has also accelerated its balance sheet reduction since September 2022.[10] The European Central Bank increased its key interest rates by a cumulative 250 basis points between July and December 2022 while also discontinuing its net asset purchases. As inflation likely peaked in late 2022, central banks in the developed countries are expected to slow the pace of interest rate hikes in 2023.

Higher interest rates in developed countries, coupled with a strong dollar, have further increased pressure on central banks in developing countries to tighten monetary policy. In many cases, most notably in Latin America, central banks had already started raising interest rates in 2021, taking an increasingly aggressive tightening stance in 2022. In comparison, many Asian central banks started later and accelerated

9 According to CEIC data (accessed on 4 December 2022), among the 105 central banks with available data, 92 increased policy rates in 2022.

10 The Federal Reserve is reducing its balance sheet by no longer reinvesting up to $60 billion in maturing Treasury securities and up to $35 billion in maturing mortgage-based securities per month.

their interest rate hikes during the second half of 2022. If supply-side constraints, including challenges in the labour market, are largely responsible for current inflationary pressures, however, aggressive monetary tightening may have limited success in curbing inflation. Central banks around the world are therefore facing difficult trade-offs between lowering inflation and sacrificing growth, with lower growth delaying recovery and raising unemployment.

Rising debt vulnerabilities in developing countries

The current global environment, with slowing economic growth, rapidly tightening global financial conditions and a strong dollar, threatens to exacerbate fiscal and debt vulnerabilities in developing countries. Sovereign borrowing costs escalated across developing countries in 2022. As a result, servicing external debt is becoming increasingly expensive, taking up a larger share of fiscal revenues and limiting much needed expenditures to support recovery and finance sustainable development. Moreover, tightening financial and capital market conditions make it more difficult for many developing countries to roll over and restructure existing debt, pushing up risks of debt defaults.

A growing number of developing countries find themselves in precarious debt situations. According to estimates by the International Monetary Fund (IMF), nearly 60 per cent of countries that are eligible for the Group of Twenty (G20) Debt Service Suspension Initiative were in debt distress or at high risk of debt distress in 2022, doubling from 27 per cent in 2015 (Chabert, Cerisola and Hakura, 2022). Lebanon, Sri Lanka, Suriname and Zambia are already in default, after the COVID-19 crisis exacerbated long-standing debt problems. On 19 December 2022, Ghana announced it would suspend its payments on all external debt, with an outstanding amount of $28.4 billion (Akorlie and Inveen, 2022). This includes $13.1 billion the country owes to private creditors (see more discussion in chapter II).

The effect of the pandemic lingers

With increasing vaccination and immunity to COVID-19 in 2022, more countries eased mobility restrictions. The World Health Organization (WHO) estimates that at least 90 per cent of people globally now have some level of immunity due to prior infection or vaccination. Gaps in surveillance, testing, sequencing and vaccination, however, could continue to create conditions for a new variant to emerge, resulting in spiking mortality rates (WHO, 2022a). Vaccine inequality among countries – and among people within countries – remains a major concern. As figure I.7 shows, the number of fully vaccinated people in economies in transition and Africa lagged compared with other regions.

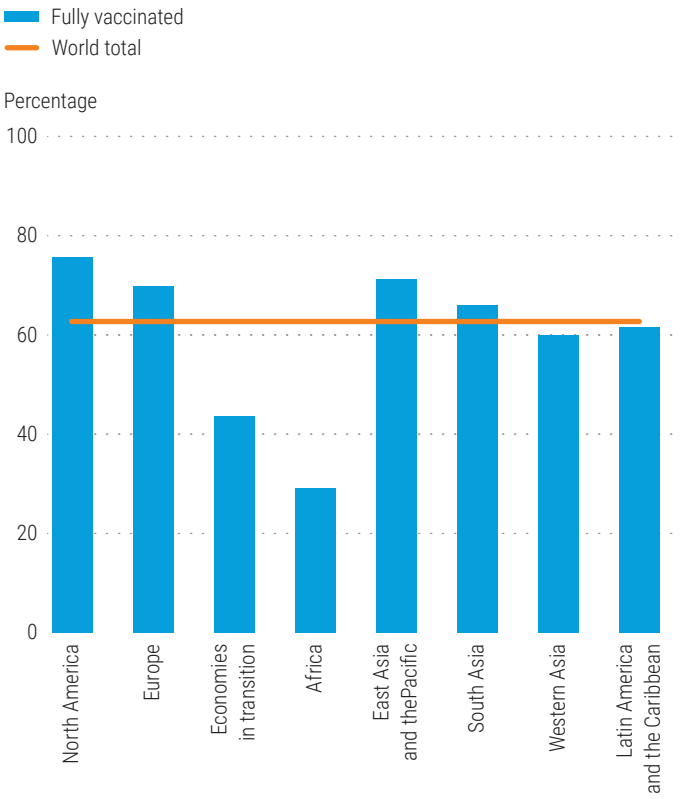
The COVID-19 Stringency Index[11] declined sharply in 2022 (figure I.8) yet the pandemic continues to weigh on the global economy. Some effects could last over the longer term. For instance, businesses in contact-intensive sectors in the developed countries may find it persistently difficult to recruit and retain workers as worker preferences have shifted to remote and less contact-intensive work. People still suffering from COVID-19-related symptoms face constraints on a full return to the workforce. Unpredictable staff absenteeism due to sickness or the need to take care of sick family members can affect business activities, including delaying manufacturing. New mobility restrictions in some locations may disrupt domestic logistics and supply chains, with a high likelihood of spillover effects on regional or global supply networks that are already under pressure.

While COVID-19 is still a threat, other health crises may be in the making. For instance, in July 2022, the WHO declared the escalating global monkeypox outbreak a public health emergency of international concern (WHO, 2022b). Uganda

11 The COVID-19 Stringency Index is a composite measure based on nine response indicators, including school closures, workplace closures and travel bans, rescaled to a value from 0 to 100 (100 = strictest). It is part of the Oxford Coronavirus Government Response Tracker, created and maintained by Hale and others (2021).

Figure I.7

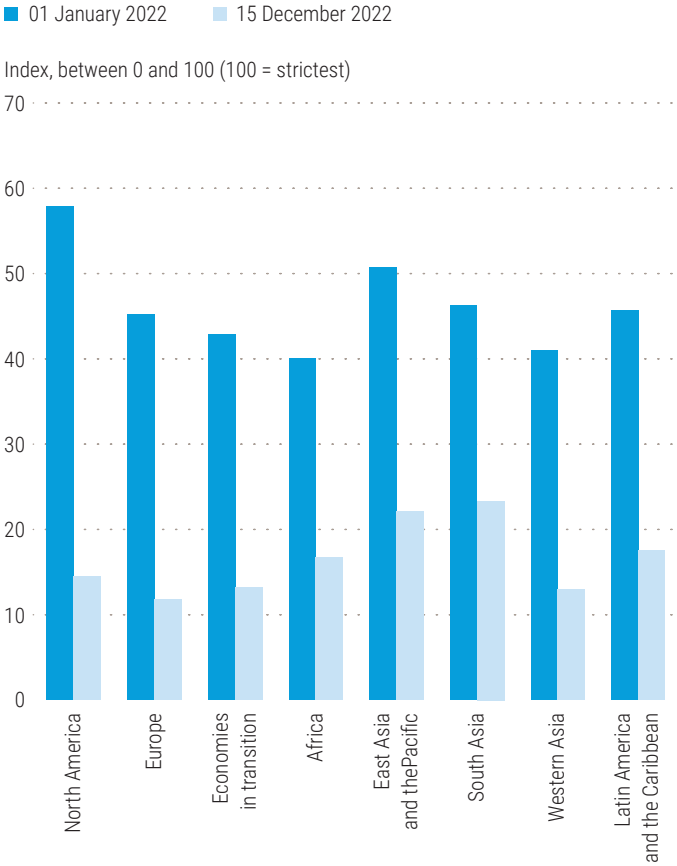
Number of people per 100 who are fully vaccinated against COVID-19, regional average, December 2022



Source: UN DESA, based on data from Our World in Data.
Note: The regional groupings correspond to the *World Economic Situation and Prospects 2023*.

Figure I.8

COVID-19 Stringency Index, regional average



Source: UN DESA, based on data from Our World in Data.
Note: The regional groupings correspond to the *World Economic Situation and Prospects 2023*.

imposed lockdown measures in three regions from October to December to cope with an Ebola outbreak (WHO, 2022c). Since October 2022, concerns over respiratory syncytial virus have risen, with some 20 countries and areas experiencing intensified case activity (WHO, 2022d). Although the prospects of a new pandemic and worldwide lockdowns are low, new global health crises could deepen human capital scarring, weighing on productivity growth and global economic prospects.

Climate actions face setbacks

The world has plunged into a climate emergency. The past seven years were the warmest on record (WMO, 2022). Climate-change-related risks and extreme weather events such as droughts, floods and storms have become more frequent and intense, imposing rising socioeconomic costs. According to the International Disaster Database,[12] climate and weather disasters in the last decade (2012 to 2021) were over four times more frequent than 50 years ago. Over 150 million people per year in the last decade were severely affected (killed, injured, disabled or losing homes). Annual average economic damage topped $175 billion. By comparison, from 1970 to 1979, about 55.6 million people per year were affected and the annual average economic loss was estimated at around $27 billion. Floods in Pakistan in 2022 damaged nearly all the country's

12 See EM-DAT. Available at www.emdat.be (accessed on 29 December 2022).

crops along with thousands of livestock and stocks of wheat and fertilizer. Droughts reduced crop production in parts of Southern, Eastern and Northern Africa and cut yields of major crops in Argentina and Brazil.

Carbon dioxide emissions rebounded in 2021, exceeding 2019 levels after a temporary reduction globally due to mobility restrictions during the pandemic (UNEP, 2022). In 2022, global carbon emissions continued to rise but at a slower pace. Carbon dioxide emissions from fossil fuel combustion grew just under 1 per cent in the year, based on the latest estimates, compared to over 5 per cent in 2021 (IEA, 2022a). High natural gas prices amid the global energy crisis increased the use of coal for power generation,[13] especially in Europe. But a strong expansion of renewable energy and electric vehicles and a reduction in carbon intensity partly offset such adverse effects (IEA, 2022a). Additional impetus towards adopting renewables was evident with the uptick in clean energy investment, which in 2022 exceeded an estimated $1.4 trillion, accounting for nearly three quarters of the growth in overall energy investment[14] (IEA, 2022c).

The push for renewables should not mask insufficient global action to tackle the climate emergency, however. Policies that are currently in place without additional measures will likely result in global warming of about 2.8ºC, relative to pre-industrial levels, by the turn of the next century. The world remains far off track in efforts to limit global warming to well below 2ºC, and preferably to 1.5ºC, as agreed in the Paris Agreement on climate change. Implementation of various unconditional and conditional nationally determined contributions[15] could keep warming to 2.6ºC and 2.4ºC, respectively, although this is still insufficient to avoid catastrophic impacts (UNEP, 2022).

Employment, poverty and inequality

Tight labour markets in developed economies

Labour market recovery from the pandemic-related crisis that began in 2021 continued in 2022, albeit at a somewhat slower pace. Most countries, with the notable exception of China, removed COVID-19-related restrictions (China ended its zero-COVID-19 policy in early December). In most countries of the Organisation for Economic Co-operation and Development (OECD), employment returned to pre-pandemic levels. Many developing countries also made notable progress in job recovery in 2022.

Total working hours globally are still below pre-pandemic levels, however. The war in Ukraine, through dampening global growth prospects and introducing production chain disruptions, has created additional challenges for employment recovery, especially in developing countries. According to the International Labour Organization (ILO, 2022a), in the third quarter of 2022, total hours worked were still around 1.5 per cent below the level at the end of 2019, with developing countries accounting for most gaps. Most employment deficits were confined to low- and medium-skill occupations.

In most developed economies, labour markets tightened in 2022, with significant declines in inactivity rate and unemployment often hitting record lows. Despite the decline in inactivity, vacancy rates, especially in the services sector, remained very high. Among other factors, this phenomenon possibly reflects a shift in workers' preferences (box I.1), especially in economies that did not implement active labour retention policies.

13 According to the International Energy Agency (IEA, 2022b), global coal use increased by 1.2 per cent and surpassed 8 billion tonnes in a single year for the first time in 2022.

14 Despite being an important step in the right direction, the growth of investment in clean energy is still short of what is required to reach international climate goals (IEA, 2022c).

15 Conditional nationally determined contributions mean that countries will meet goals contingent on a range of possible conditions, such as the ability of national legislatures to enact the necessary laws, ambitious action from other countries, realization of financial and technical support, or other factors. Unconditional nationally determined contributions imply that countries will implement their goals without any conditions, based on their own resources and capacities.

Box I.1

Changing worker preferences and policy challenges

The pandemic in 2020 jolted labour markets in both the European Union and the United States. These two large economies, however, experienced markedly different job losses and unemployment rates, explained by starkly different policy choices. In the United States, job losses peaked at 22 million, with the unemployment rate reaching 14.7 per cent.[a] In contrast, job losses touched 6 million in the European Union, with the unemployment rate reaching a high of 7.8 per cent.[b] In Europe, governments implemented job retention measures such as short-time work programmes that prevented a sharp rise in unemployment. More importantly, wage subsidy schemes maintained relationships between employees and firms and provided job security to millions of workers (Shin, 2021).

The United States, on the other hand, relied on unemployment insurance and cash transfer schemes to protect household income but not jobs during the pandemic. Absent job protection programmes, employers responded to pandemic shocks by laying off workers, causing a sharp rise in unemployment. By mid-2020, about 12 per cent of the working-age population collected unemployment benefits, up from 1.2 per cent in January 2020 (figure I.1.1). In Europe, only about 4.8 per cent of working-age people received unemployment benefits in mid-2020, representing only about a 0.7 per cent increase between January and June 2020.

In the United States, the policy of protecting household income but not jobs likely contributed to the post-pandemic disruptions in its labour market. While unemployment has fallen to 3.7 per cent, it masks significant challenges confronting both employers and employees. The job market remains persistently tight. Vacancies have been on the rise, and labour force participation persists below pre-pandemic levels.[c] Employers' abilities to hire workers and fill vacancies have declined sharply. In Europe, labour force participation has not only recovered but improved since the pandemic.[d] There is little evidence that employers in Europe are finding it difficult to fill vacancies.

Protecting income during an economic crisis, while necessary, may not be sufficient to signal job security and reassure workers amid rising job risks. Workers in the United States understood that income support through unemployment insurance and direct cash transfers would be temporary. Laid-off workers also realized, during acute uncertainties, that they needed to find a job as soon as the pandemic ended. The switch-and-search cost of obtaining new employment weighed heavily, as workers took into account future job risks from another pandemic or economic crisis. Unsurprisingly, sectors that were less amenable to telework and more contact intensive accounted for most job losses (Famiglietti, Leibovici and Santacreu, 2020; Tüzemen and Tran, 2020). Individuals have subsequently chosen to move away from riskier and less flexible sectors, where the numbers of people quitting their jobs as well as labour shortages have risen more significantly.

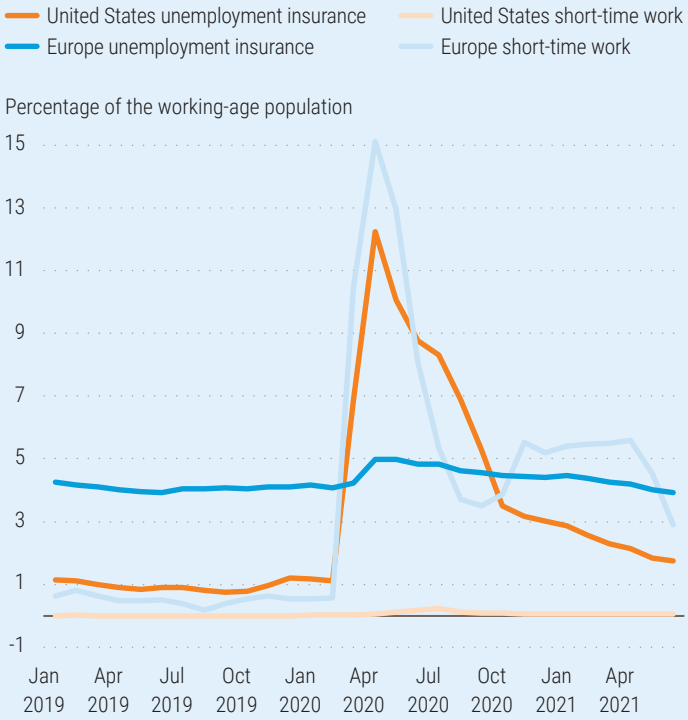
The large shock to job security has resulted in a discernible shift in job preferences in the United States. According to a recent survey, 48 per cent of interviewed workers are rethinking the type of job they want post-pandemic (Prudential, 2021). A preference for more flexible and remote work is driving this shift. The same survey found that 26 per cent of respondents wanted to switch jobs primarily to work remotely. The share of people quitting jobs in sectors less conducive to telework has reached more than double the share in sectors that readily allow telework (figure I.1.2). Shortages have resulted in contact-intensive sectors where remote work is not feasible. Vacancies have increased at a higher rate in sectors with less telework.

Policymakers in the United States and other developed economies would need to look beyond

a United States Bureau of Labor Statistics.
b Based on Eurostat data. The Euro area job loss peak was 5.2 million and the unemployment rate peak was 8.6 per cent.
c According to the United States Bureau of Labor Statistics up to October 2022.
d Based on ILOStat for the Eurozone-19.

Figure I.1.1

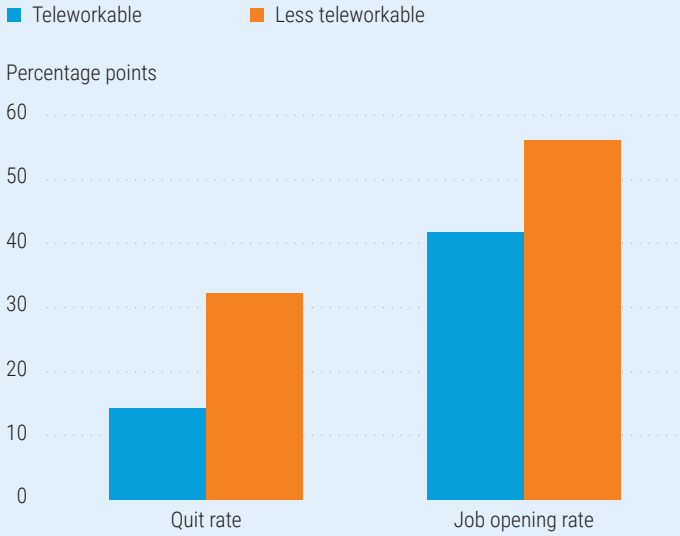
Labour market policies, unemployment insurance and short-time work take-up



Source: UN DESA, based on Giupponi, Landias and Lapeyre (2022), using OECD data. The United Kingdom is included in the Europe data series.
Note: The Europe data series involves the three largest economies (France, Germany and Italy), weighted by the working-age population.

Figure I.1.2

Voluntary resignations and job openings in sectors with and without telework, percentage change between 2015-2019 average and 2021-2022 average



Source: UN DESA, based on United States Bureau of Labor Statistics.
Note: Sectors are classified based on the definition of contact-intensive jobs in Kaplan, Moll and Violante (2020) and the definition of teleworkable jobs in Dingel and Neiman (2020). Teleworkable sectors include: information, finance and insurance, and professional and business services. Less-teleworkable sectors comprise retail trade, transportation, warehousing and utilities, health care and social assistance, accommodation and food services.

unemployment rates – or even labour force participation rates – to pursue the twin objectives of full employment and price stability. The standard Phillips curve trade-offs between inflation and unemployment may not hold when unemployment rates also reflect underlying changes in workers' preferences. Monetary policy frameworks may need to consider the lower non-accelerating inflation rate of unemployment (NAIRU) to set optimal policy interest rates, while also factoring in vacancy rates and shifting worker preferences.

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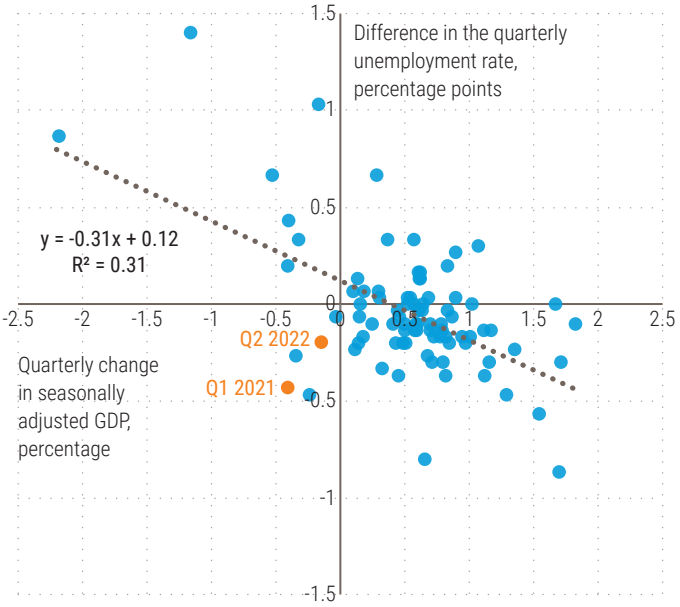
In the United States, the unemployment rate declined rapidly in the first half of 2022, at a speed faster than predicted by the stylized relationship between the level of economic activity and unemployment (known as Okun's law) (figure I.9). The rate fell to a record low 3.5 per cent in September. The economy continued to generate jobs despite stubborn inflation (although the inflation reflected stronger domestic demand in part explained by labour market recovery, it introduced a degree of business uncertainty) and tighter credit conditions, with the number of vacancies exceeding the number of unemployed persons by a ratio of almost 2 to 1 (figure I.10). The labour force participation rate, however, still remains well below its pre-pandemic level, with millions of workers reluctant to rejoin

Figure I.9

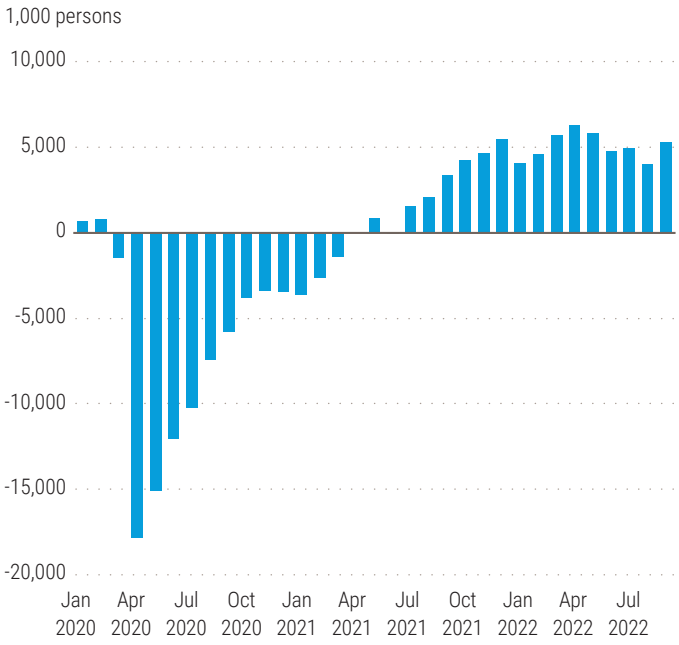
Association between unemployment and economic activity in the United States



Source: UN DESA, based on FRED database, data for the period from the first quarter of 2000 to the third quarter of 2022.

Figure I.10

Difference between job openings and the unemployment level in the United States



Source: UN DESA, based of United States Bureau of Labor Statistics.

the workforce. A moderate increase in the unemployment rate is likely in 2023 in line with aggressive monetary tightening to weaken domestic demand.

In Europe, the unemployment rate has fallen to record lows in some countries, including in Czechia (2.3 per cent), Germany (3 per cent) and Poland (3 per cent). Many European economies are struggling with worker shortages, as shown by the Beveridge curve for the European Union, which describes an inverse relationship between the unemployment rate and vacancies that businesses attempt to fill (figure I.11). The further the Beveridge curve is from the origin, the less efficient the labour market is in matching worker supply and demand. The shortage of workers since 2021 was especially prevalent in low-pay sectors. As the spillover effects of the war in Ukraine may lead to a recession in some EU countries in the first half of 2023, European labour market conditions will likely worsen amid reduced economic activities.

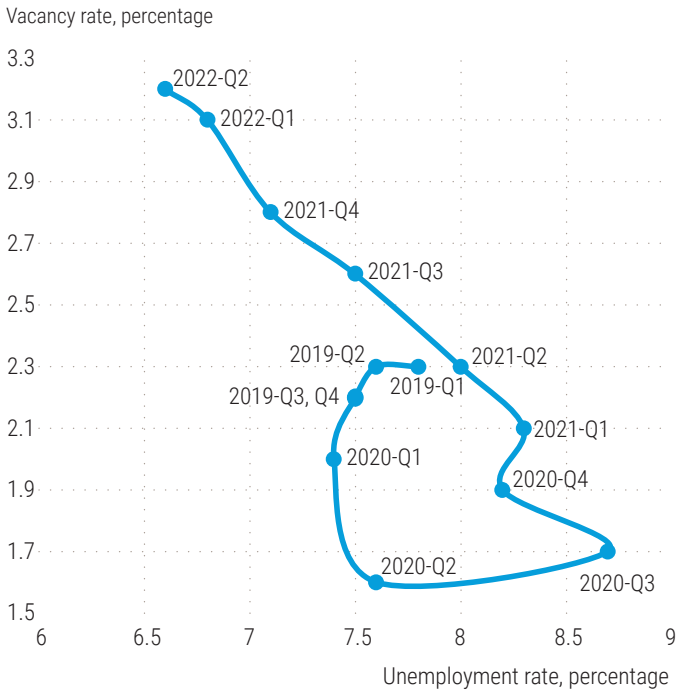
In developing economies, job market recovery from the pandemic presents a mixed picture. In South Africa, the unemployment rate remains among the highest globally despite some decline in late 2022. Youth unemployment exceeds 60 per cent. Some improvements were observed in Asia in the second half of 2022, as lockdowns in China were partially relaxed and eventually lifted.

Among the large economies, the unemployment rate dropped to a four-year low of 6.4 per cent in India, as the economy added jobs both in urban and rural areas in 2022. In Brazil the unemployment rate decreased to a multi-year low of 8.7 per cent in the third quarter. The number of workers without a formal contract contributed to that decline. It reached a record high of 13.2 million, underscoring long-term structural problems in the Brazilian labour market.

In the Commonwealth of Independent States, the unemployment rate in the Russian Federation declined to a record low in 2022, but actual working hours have shrunk due to the downscaling of industrial output. Ukraine saw a

Figure I.11

Beveridge curve for the euro area



Source: UN DESA, based on Eurostat.

huge loss of employment in 2022 caused by the war and the displacement of the population; the unemployment rate skyrocketed to over 30 per cent. The conflict has also triggered an intra-CIS reallocation of businesses and labour, which contributed to job creation in host countries but led to some job losses in countries of origin (see chapter III).

Tight labour markets across developed economies, the United States in particular, and in some developing economies in Asia are raising concerns about a wage-price spiral. Apart from adding to already high inflation, this may eventually become a major trigger of inflation and entrench high inflation expectations (Domash and Summers, 2002; IMF, 2022a). Such concerns may be premature, however, as a protracted wage-price spiral requires other preconditions, including rapid nominal wage growth, a de-anchoring of inflation expectations, low credibility and a passive response from monetary authorities, and possible fiscal slack (Boissay and others, 2022).

Currently, most of those conditions are not in place, with the exception of increasing nominal wages, which are nevertheless growing below the inflation rate in most OECD countries. Although wage growth has accelerated most notably in the United States, the bargaining power of workers remains weak, diminishing prospects to effectively bargain for higher wages.

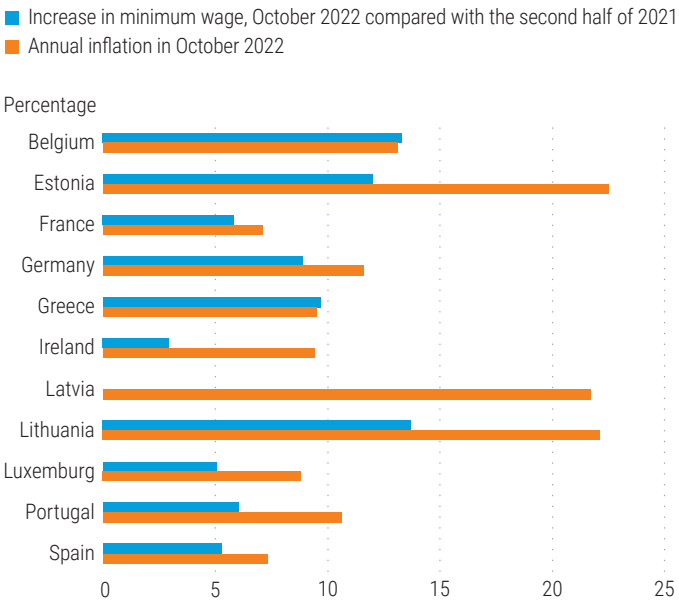
In many other developed economies, the share of workers covered by automatic wage indexation is lower than during past episodes of high inflation. Overall, employers both in the United States and also in many European countries will continue to control market power, further preventing the prospect of a wage-price spiral. Although the risks of a protracted spiral cannot be discounted, the recently observed acceleration in nominal wages is likely to stabilize at a lower level within several quarters (Alvarez and others, 2022).

High inflation is disproportionately impacting lower-income households. A number of countries, including Germany, Greece and Spain, have been implementing exceptional increases in minimum wages to mitigate those effects (figure I.12). While in principle it is possible that higher minimum wages limit employment opportunities in low-skill occupations and create disincentives to acquire more advanced professional skills (Neumark and Wascher, 2010), recent research finds that the empirical evidence is less conclusive. In monopsonic labour markets,[16] minimum wages can curb the negative effects of monopsony and concentration, with higher minimum wages even increasing employment (OECD, 2022). Higher minimum wages do not necessarily add to inflationary pressures as the impact of the increase on average wages is believed to be only marginal (while there is a positive impact on lower-wage segments of the labour market, there is little to no impact in higher-paid occupations) (Belman and Wolfson, 2014). Moreover, in most developed economies,

16 Monopsony arises where firms have the power to set wages unilaterally, leading to inefficiently low employment and wages, below the levels that would prevail in a competitive market.

Figure I.12

Changes in minimum wages and inflation rates in Europe



Source: UN DESA, based on Eurostat.

increases in minimum wages have not kept pace with accelerating inflation, with the exception of Germany, which is implementing a 22 per cent minimum wage increase in 2022. In the United States, only 6 states increased minimum wages in 2022; 21 plan to do so in 2023.

The world is off track to eliminate extreme poverty

The world is not on track to eliminate extreme poverty by 2030. Rising food and energy prices, surging inflationary pressure, and more frequent and severe climate shocks are eroding real incomes, exacerbating a reversal in poverty reduction that was evident as early as 2019 and worsened in the pandemic. The World Bank estimates that combined crises pushed an additional 75 million to 95 million people into extreme poverty in 2022,[17] compared to pre-pandemic projections. If food prices continue to climb, the impact could be even more severe. Every additional 1 per cent rise in food prices could propel nearly 10 million additional people into extreme poverty (Mahler and others, 2022). Research by the United Nations Development Programme (UNDP, 2022) suggests a similar scale of impact, with soaring food and energy prices adding 71 million people to the ranks of the poor. Lower-income countries such as those in sub-Saharan Africa are the worst affected, given that food and energy account for a larger share of household expenditures. Children are particularly vulnerable, as childhood nutritional deficits can have life-long impacts. Further, poorer households can have larger numbers of children.

Subdued global economic growth is slowing income growth. Growth in GDP per capita is estimated to have declined to 2.1 per cent in 2022, from 4.9 per cent in 2021, and is predicted to fall further to 1.0 per cent in 2023. GDP per capita growth in developing countries in 2022 and 2023 is estimated to be below the average growth before the pandemic. In economies in transition, it is expected to be muted by the impact of the war (figure I.13). Still weak employment recovery, especially in low-income and lower-middle-income countries, constrains income growth.

If the current trend continues, and GDP per capita growth in developing countries remains well below pre-pandemic rates, 574 million people, nearly 7 per cent of the world's population, will still be living on less than $2.15 a day in 2030 (World Bank, 2022a).

The recent crises have also exacerbated income inequalities. Globally, the average income for the bottom 40 per cent was $2,935 in 2021, a slight decline from $2,951 in 2019. The average income for the top 10 per cent income group increased from $124,668 in 2019 to $126,153 in 2021,[18] signalling widening income inequality (figure I.14).

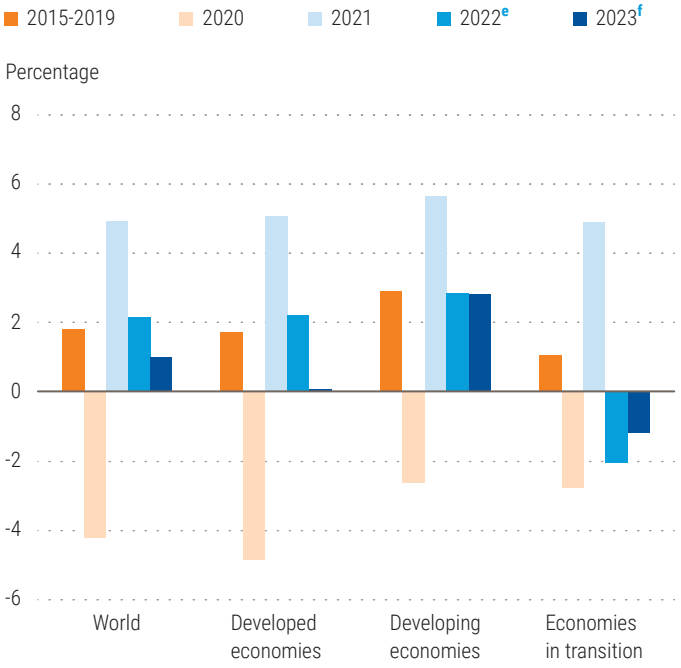
Many countries are experiencing greater income inequality, with the Gini coefficient rising since the outbreak of the pandemic. The

17 Extreme poverty here refers to those living on less than $1.90 (in 2011 prices) per day. In September 2022, the World Bank updated the cut-off to $2.15 per person per day, based on 2017 PPP.

18 See the World Inequality Database.

Figure I.13

Growth of GDP per capita



Source: UN DESA, based on estimates and forecasts produced with the World Economic Forecasting Model.
Note: e = estimates, f = forecasts. Economies in transition exclude Ukraine for 2023 forecasts.

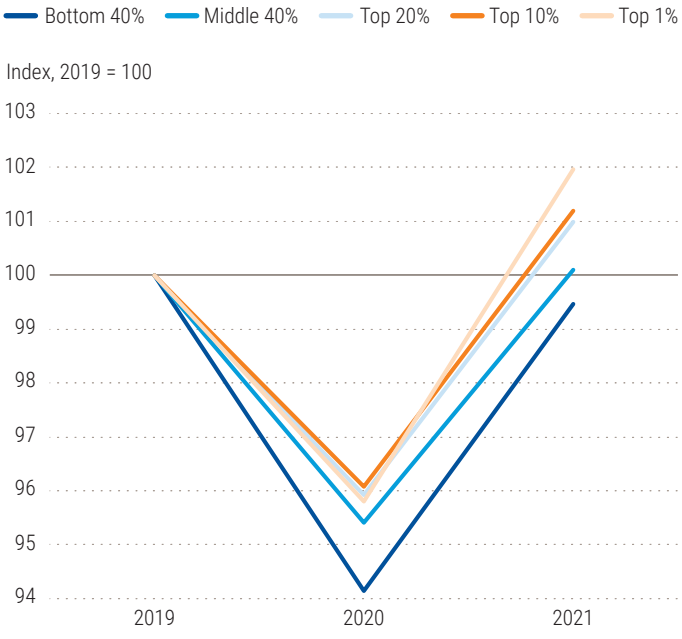
unequal impacts of crises reflect labour market weaknesses, as employment is the main source of income for most households, especially the poorest. Vulnerable groups are often employed informally or temporarily. They were affected severely when mobility restrictions were stringent. It was also more difficult for poorer workers to regain employment after the relaxing of COVID-19-related restrictions. Employment declines were consistently larger among youth, women and low-skilled workers in developing countries (World Bank, 2022a).

Income inequality among countries has also increased since the pandemic. The World Bank (ibid.) suggests that differences in the impact of the pandemic on average incomes across countries play a bigger role in driving global inequality than increasing inequality within countries.[19] The fiscal policies enacted in response to the pandemic largely explain widening inequality across countries. According to the IMF (2021b), advanced economies spent an average additional 11.7 per cent of GDP in response to the pandemic as of September 2021, compared to 5.7 per cent for emerging market economies and 3.2 per cent for low-income countries. As many developing countries face tighter constraints on public spending to stimulate recovery and long-term sustainability, their growth may remain subdued compared to a quicker recovery in the developed countries.

Persistent fiscal challenges in developing countries could further exacerbate income disparities between developed and developing countries. Crises may not necessarily lead to rising poverty and inequalities, however, if governments in developing countries can provide necessary fiscal support to poor households. For instance, given current fiscal challenges, developing countries would need

Figure I.14

Average incomes of different income groups in the world



Source: UN DESA, based on the World Inequality Database.

19 This is because negative shocks to income in countries with large populations and incomes well above or well below the global median are more likely to exert a disproportionate influence on changes in global inequality (World Bank, 2022a).

to reorient spending to provide targeted support to protect poor and vulnerable groups. Countries should also avoid hurting the poor when mobilizing government revenues and other financial resources to boost long-term development.[20] This process needs to be backed by more robust global efforts to reduce liquidity risks and improve access to low-cost financing and grants for developing countries (see more discussion in chapter II).

International trade, and commodity and financial markets

Global trade facing significant challenges

International trade flows are projected to further weaken in 2023. The baseline scenario projects that the volume of global trade in goods and services[21] will nearly stagnate in 2023, contracting slightly by 0.4 per cent, down from 6 per cent in 2022, and compared to the average growth rate of 4.5 per cent between 2000 and 2021. The already weak trade outlook is subject to a high degree of uncertainty, including the pace and depth of monetary tightening in the major economies and the duration and intensity of the war in Ukraine. If new, highly transmissible and vaccine-evading variants of COVID-19 result in new temporary closures of factories and key ports, delivery times would lengthen again, causing global supply shortages and affecting manufacturing production and trade activities. Unresolved trade tensions between China and the United States continue to threaten the global trading system through market fragmentation.

International merchandise trade grew at a slower pace in 2022 compared to 2021 (figure I.15a). Despite unexpected shocks, this growth moderation was partially anticipated, due to waning base effects and the shift in demand from more durable goods during the pandemic to the consumption of services as economies began to emerge from lockdowns.

Trade patterns varied across regions and countries in 2022. The war in Ukraine severely hit world trade in goods, as many global industries rely on supplies of key commodities produced in the Russian Federation and Ukraine, such as energy, food and fertilizers, even though these two countries' account for less than 3 per cent of global trade.[22] The adverse impact was particularly evident in Eastern Europe and the Commonwealth of Independent States. In contrast, the consequent energy crunch drove higher fuel exports from Africa and the Middle East, where exports in volume terms recovered to the pre-pandemic level in mid-2022. Although China's exports exhibited a quick rebound after major lockdowns linked to the Omicron variant of COVID-19 were lifted in May, the recurrent imposition of restrictions disrupted manufacturing and exports. The slowdown in China in 2022 also cut back its imports, affecting commodity exporters in Africa and Latin America (figure I.15b).

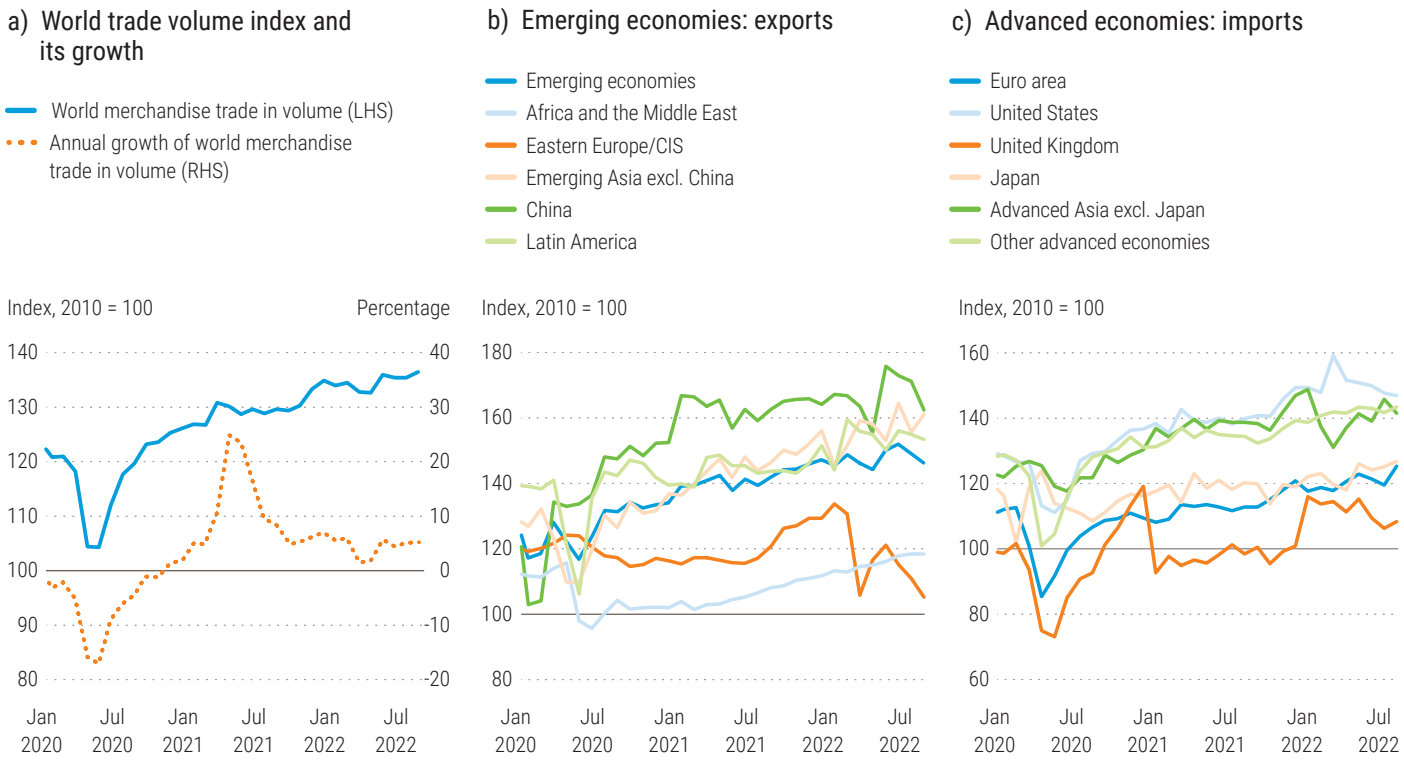
Pent-up demand in developed countries and parts of the developing world, such as developing Asia (excluding China) and Latin America, largely boosted merchandise imports in early 2022. Policy measures to curb surging inflation, however, started to hit consumer spending and fixed investment in both developed and developing countries during the second half of 2022. In particular, goods imports in the United Kingdom and United States began to trend downward, starting in the second quarter of the year (figure I.15c).

World services trade has regained its pre-pandemic level. In the second quarter of 2022, services trade grew by 17 per cent over the same quarter in 2021 and totalled about $1.7 trillion.[23] Among different services, the growth of international tourism has been particularly strong due to improved economic conditions, the

20 For instance, when phasing out energy subsidies, countries could provide targeted subsidies for the poor.
21 The growth of world trade in goods and services is a simple average of export and import growth in volume terms.
22 As of 2019, based on data from the World Bank's World Integrated Trade Solution platform.
23 UNCTADstat (accessed on 1 November 2022).

Figure I.15

World merchandise trade, by volume, January 2020 to September 2022



Source: UN DESA, based on data from the CPB Netherlands Bureau for Economic Policy Analysis.
Note: Regional groupings are not strictly comparable to those in the *World Economic Situation and Prospects 2023* but illustrate regional tendencies. LHS = left-hand scale, RHS = right-hand scale.

release of pent-up demand and gradual removal of pandemic-related restrictions (see box I.2).

Transport services exports exhibited a strong upward trend, with a 34 per cent year-on-year rise in the second quarter of 2022, reflecting the recovery of a few types of international transport and rising unit costs (UNCTAD, 2022b; IATA, 2022b). In particular, air passenger transport services increased notably in the first eight months of 2022. By August, global air passenger traffic[24] was just 26 per cent below 2019 levels (IATA, 2022b). Marine transport services recovered to pre-pandemic levels by September 2022[25] yet air cargo services have contracted since late 2021 (IATA, 2022c).

World trade growth is projected to soften, with risks to the outlook remaining largely on the downside. As fiscal and monetary policy stances tighten, global demand for goods and services is expected to weaken. The manufacturing Purchasing Manager's Index slipped to the contraction zone in both developed and developing countries in October and November 2022, amid declines in export orders and rising inventories.[26] Although China's growth pick-up in 2023 could provide some positive news for trade activities, high uncertainties remain around how the reopening will shape the country's domestic demand and economic activities.

Prolonged supply chain disruptions could continue to hinder trade performance. Global

24 Air passenger traffic is measured by revenue passenger-kilometres, an airline industry metric reflecting the number of kilometres travelled by paying passengers.
25 UN Comtrade Database (accessed on 3 November 2022).
26 Based on CEIC data (accessed on 9 December 2022).

Box I.2

The strong recovery of international tourism in 2022

After an unprecedented plunge in international travel in 2020 and 2021 due to the COVID-19 pandemic, international tourism experienced a major rebound in 2022, particularly during the summer in the Northern Hemisphere.

Provisional estimates based on United Nations World Tourism Organization (UNWTO) scenarios indicate that 2022 could close with roughly 950 million international tourist arrivals (overnight visitors), more than double the number recorded in 2021 or 65 per cent of pre-pandemic levels. Export revenues from tourism could reach $1.2 trillion to $1.3 trillion in 2022, a 60 to 70 per cent increase over 2021, but 20 to 30 per cent below the $1.8 trillion recorded in 2019 (figure I.2.1).

The recovery reflects strong pent-up demand combined with a widespread lifting of travel restrictions in all world regions, except for some countries in Asia and the Pacific where non-essential travel is still limited. Over 100 countries around the world had lifted all COVID-19-related travel restrictions by November 2022 (UNWTO, 2022a).[a]

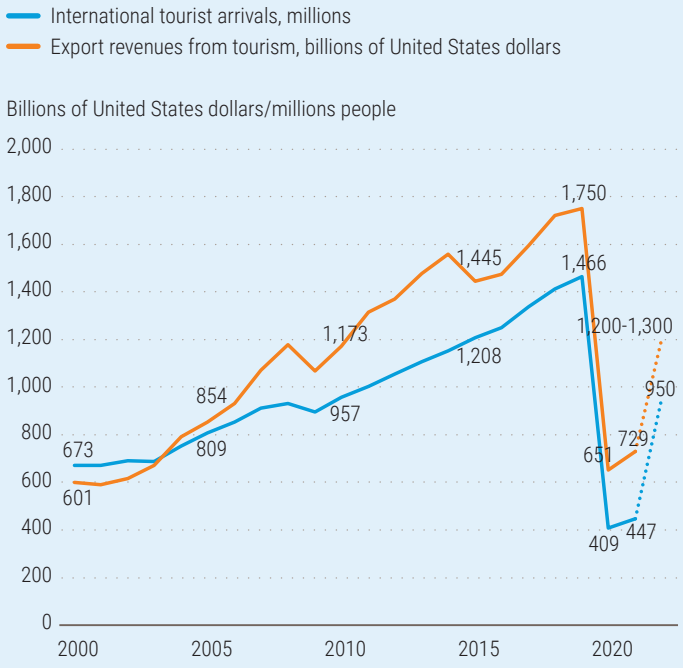
ARRIVALS UP 133 PER CENT FROM JANUARY TO SEPTEMBER 2022

International tourist arrivals more than doubled (up 133 per cent) from January to September 2022 compared to the same period in 2021. An estimated 700 million tourists travelled internationally during those nine months, with arrivals reaching 63 per cent of the numbers recorded in 2019.[b]

This comes after an approximately 70 per cent decline in arrivals in both 2020 and 2021. International arrivals dropped from 1.5 billion in 2019 to 0.4 billion in both 2020 and 2021. Export revenues from tourism fell from $1.8 trillion to $650 billion and $730 billion in those years, respectively. Tourism direct GDP, which accounted for $3.5 trillion in 2019, decreased to $1.7 trillion in 2020 and $2.2 trillion in 2021, according to preliminary estimates.

Figure I.2.1

International tourist arrivals and export revenues from tourism, 2000 to 2022



Source: UNWTO.
Note: Data for 2022 are preliminary estimates, based on the data available as of November 2022.

Europe and the Middle East saw the fastest recovery from January to September 2022, with international arrivals climbing to 81 per cent and 76 per cent of 2019 levels, respectively. In the Americas, arrivals reached 66 per cent of pre-pandemic levels; in Africa, 63 per cent; and in Asia, only 17 per cent due to the prolonged shutdown of many international borders. Data for Asia and the Pacific improved in the second half of 2022 after major destinations started to reopen or ease restrictions in August.

Some destinations around the world have seen arrivals exceed pre-pandemic levels in the first seven to nine months of 2022, including Albania (up 18 per cent), Andorra and Puerto Rico (both up 14 per cent), the Dominican Republic (up 7 per cent), Ethiopia and Honduras (both up 15 per cent) and St. Maarten (up 16 per cent), among others.

The recovery is also clear from data related to spending on outbound tourism, with values from January to September 2022 coming

a For the latest information on travel restrictions, see the UNWTO/IATA Destination Tracker. Available at www.unwto.org/tourism-data/unwto-iata-destination-tracker-easy-travel.
b Find more information at the UNWTO Tourism Dashboard. Available at www.unwto.org/tourism-data/unwto-tourism-dashboard.

close to pre-pandemic levels in major source markets such as Belgium (down 9 per cent over 2019), France (down 8 per cent) and Germany (down 12 per cent). International tourism expenditure fell 19 per cent in Italy and 21 per cent in the United States compared to the same months of 2019.

The latest survey among UNWTO's Panel of Tourism Experts shows a downgrade in confidence levels from September to December 2022, reflecting more cautious optimism after a strong period from May to August. The challenging economic environment, including persistently high inflation and a spike in energy prices, aggravated by the Russian Federation offensive in Ukraine, could slow the pace of recovery.

The rebound is expected to continue in 2023, although at a slower rate depending on the extent and duration of the economic crisis and mounting geopolitical tensions. The Americas and Europe could see arrivals reach pre-pandemic levels in the second half of the year, while Asian destinations will gradually rebound as restrictions are lifted.

Only 27 per cent of UNWTO Panel Experts foresee international arrivals reaching 2019 levels in 2023, according to the survey at the end of 2022, compared to 48 per cent in a survey the previous May. About 40 per cent now expect a return to pre-pandemic levels in 2024 and 21 per cent in 2025 or later.

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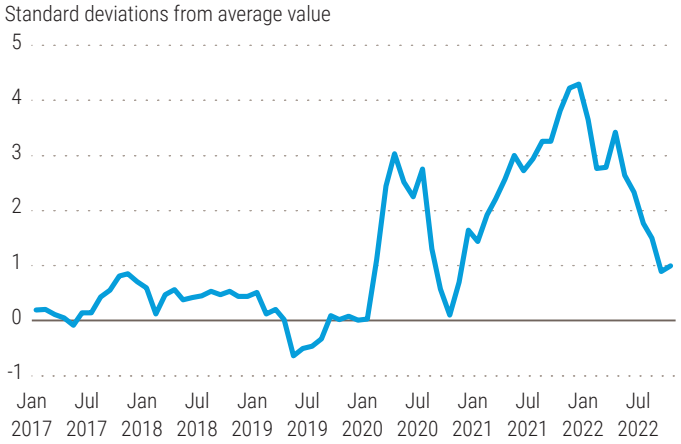
supply chains were already under pressure due to trade tensions before the pandemic. The pandemic-induced lockdowns and the war in Ukraine have led to severe physical and logistical dislocations and worsened pre-existing bottlenecks. While pressures on global supply chains have largely eased since April 2022, due to reduced backlogs and declining delivery times, pressures remain above the pre-pandemic level, suggesting that supply chains have not yet fully recovered (figure I.16). In particular, near-term easing of microchip supply shortages should not mask the high likelihood of persistent supply chain constraints in the long term, potentially disrupting the production of related manufacturing goods such as automobiles and consumer electronics (see box I.3).

Furthermore, elevated transport costs due to fuel price volatility and supply chain disruptions could boost merchandise prices and constrain demand. Global shipping rates have dropped significantly since late 2021, reflecting decreasing goods demand; however, they remain at much higher levels than before the pandemic.[27] Possible further escalations in global energy prices caused by the protracted war in Ukraine may prevent shipping costs from returning to pre-crisis levels.

Figure I.16

Global Supply Chain Pressure Index, January 2017 to November 2022



Source: Federal Reserve Bank of New York.

27 The Global Container Freight Index dropped from above 10,000 in September 2021 to under 4,000 in October 2022. The index was below 2,000 before the pandemic, however. Based on CEIC data (accessed on 4 November 2022).

Box I.3

Microchip supply shortages ease in the short term but long-term pressures persist

Microchip supply shortages have prevailed over the past few years. During the pandemic, demand for electronic goods surged with increases in telework and home schooling, but the supply of microchips lagged amid worldwide shutdowns of factories and staff shortages. More recently, the war in Ukraine has threatened the supply of a few raw materials for microchip manufacturing, such as neon.[a] As microchips are widely used in manufactured goods,[b] disruptions to the supply chain and microchip shortages have delayed the production of cars, home appliances and consumer electronics, among other goods.

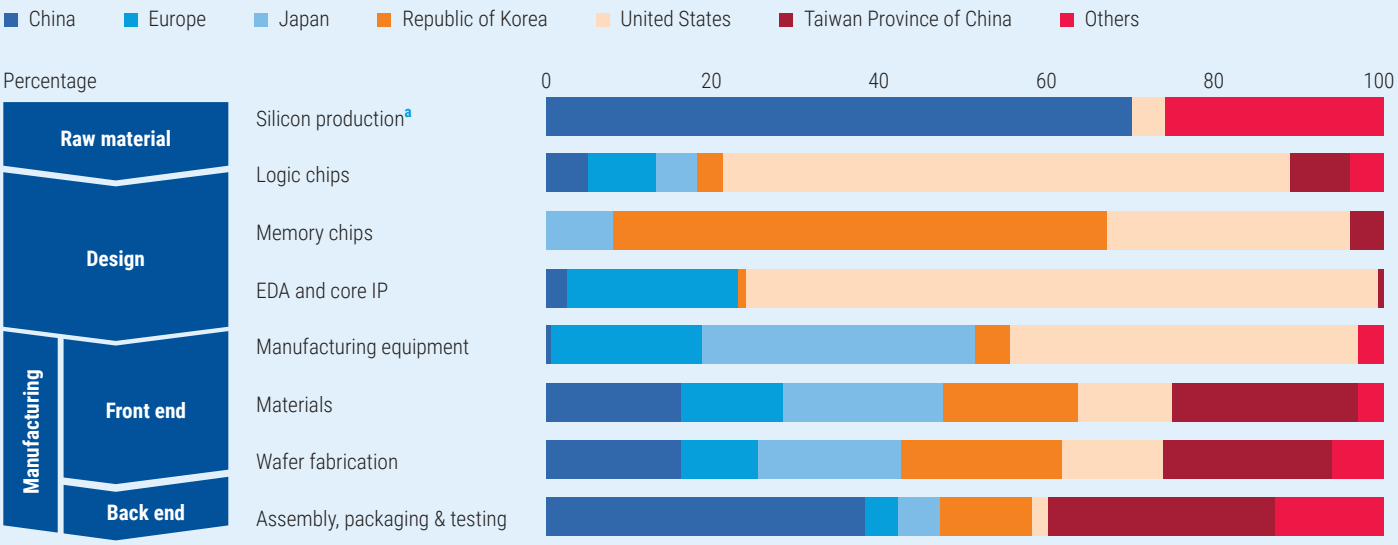
Overall microchip shortages have gradually eased since the second half of 2022, although they remain above the pre-pandemic level (S&P Global, 2022). The recent easing mainly reflects a decline in demand, as central bank interest rate hikes to curb inflation have lowered consumer purchasing power. In the near term, demand is expected to drop further.

While short-term microchip supply shortages could be relieved to some extent, long-term challenges remain. On the one hand, demand for microchips is expected to grow given the continuing digital transformation of every aspect of life. Microchips will be increasingly used in a multitude of applications, including the Cloud, servers, the Internet of things, 5G, automotive and artificial intelligence. Demand for artificial intelligence chips is forecast to double from 2020 to 2025.[c]

On the other hand, structural weaknesses hamper the microchip supply chain. As figure I.3.1 shows, the supply chain is extremely interconnected across the world with a high geographical concentration.[d]

Figure I.3.1

Share of value addition across the microchip supply chain, by country or country group, 2019



Source: UN DESA, based on BCG and SIA (2021) and Statista.
Note: a = "silicon production" refers to the share of silicon production worldwide in 2021. "Logic chips" that process information to complete a task, such as computer central processing units; "memory chips" that store information; "EDA" or electronic design automation software tools; and "IP" for intellectual property.

a Ukraine produces about 70 to 80 per cent of the global supply of neon, which is used in the lithography process of microchip manufacturing (Clark and Jones, 2022).
b Leibovici and Dunn (2021) estimate that about 25 per cent of 226 manufacturing industries use semiconductors as a direct input; these industries represent 39 per cent of all manufacturing output.
c Based on data from Statista. Available at www.statista.com/statistics/1100690/ai-semiconductor-market-size-worldwide/ (accessed on 31 October 2022).
d In particular, the United States enjoys a clear advantage in intellectual property and chip design; the European Union and Japan play major roles in providing equipment and materials for manufacturing; Taiwan Province of China accounts for a lion's share of chip manufacturing; the Republic of Korea has advantages in memory chip design, manufacturing, assembly and testing; and China is a major exporter of silicon metal (the raw material to produce chips) and one of the major manufacturers of mature microchips.

This means acute events, such as COVID-19 lockdowns and extreme weather in a few places, could easily disrupt entire supply chains. Moreover, the microchip supply chain has become vulnerable to geopolitical fragmentation and tensions across countries.

To counter these vulnerabilities and enhance resilience, countries plan increased investments to diversify and re-shore the microchip supply chain. For instance, the United States introduced the CHIPS and Science Act 2022, which will direct $280 billion over the next 10 years into microchip research and development, manufacturing and human resources, as well as into tax credit incentives for firms (United States, White House, 2022). The European Commission proposed the European Chips Act in February 2022, aiming to mobilize €43 billion in public and private investment to double the semiconductor market share in the European Union from 10 to 20 per cent by 2030 (European Parliament, 2022). Countries in Asia, such as China, Japan and the Republic of Korea, have also adopted national strategies and increased fiscal spending to improve national capacity across the microchip supply chain.

Even with newly announced investments, however, global microchip supply shortages may not be entirely eliminated in the long term. Research by Rapp and Möbert (2022) suggests that global supply may not keep up with the growth in demand. By 2030, the microchip supply shortage is predicted to rise above $200 billion in market value. Supply is catching up slowly as microchip production approaches its technological frontier. Substantial investment in new production facilities and equipment will be needed to increase productivity. Moreover, breakthroughs in microchip innovation will require highly skilled talent, yet a recent survey shows that about 80 per cent of semiconductor companies face shortages of candidates in technological roles (BCG and SIA, 2021).

To conclude, microchip shortages in recent years have encouraged countries to shift supply chains and enhance resilience. Newly announced investments may only partially reduce supply shortages in the long term, however, as demand will grow at a faster pace. Persistent supply shortages require sustained high-level investment in research and development and capital expenditure. As developed countries re-shore or near-shore microchip supply chains, developing countries need to strengthen strategic planning to identify their niches, upgrade or build needed infrastructure, and provide transparent incentives for firms, all while evaluating the risks and costs involved.

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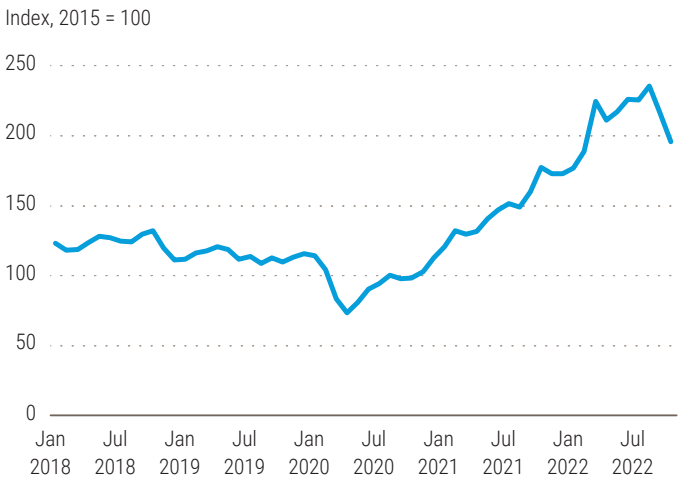
Amid the gloomy trade outlook, the conclusion of the Twelfth Ministerial Conference of the World Trade Organization provides some positive elements. It reaffirms countries' commitment to strengthening a rules-based, non-discriminatory, open, fair, inclusive, equitable and transparent multilateral trading system. The conference agreed to implement a package of emergency responses addressing food insecurity, the COVID-19 pandemic and trade-related aspects of intellectual property rights (TRIPS) (WTO, 2022). Many details, however, including TRIPS legislation that could help developing countries combat the pandemic, remain pending. It also remains to be seen how conference outcomes might boost international trade in the near future (UNCTAD, 2022c).

Volatile commodity markets

Commodity prices surged during the first half of 2022, mainly driven by supply-side constraints and the spillover effects of the war in Ukraine. The all-commodity index increased by 27.7 per cent during the first six months of 2022 (figure I.17), supported by higher fuel prices as well as rising prices of grains and

Figure I.17

UNCTAD commodity price index, all groups



Source: UNCTAD.

oilseeds, given that the Russian Federation and Ukraine are key exporters of these goods. In the second half of 2022, however, most commodity prices receded amid concerns about a global recession, tighter monetary conditions and a surging dollar. Food commodity prices followed a downward trend during the second half of the year, after rising since 2020 and peaking at record highs in early 2022.[28] Between June and October, the all-food price index[29] fell 12.7 per cent on the back of a deteriorating global outlook, high global interest rates and the resumption of grain exports and other food commodities from Ukrainian ports under the Black Sea Grain Initiative (figure I.18). Prices in domestic currency remained high, however, due to currency depreciations against the dollar in many countries, exacerbating food and energy insecurity, particularly in developing countries.[30] Continuing geopolitical tensions, lower crop production owing to unfavourable weather conditions, limitations to fertilizer access, renewed fears of food shortages and new export restrictions[31] present significant risks to the outlook.

Lower demand from China has pushed down the minerals and non-precious metals price index since May 2022, particularly in terms of copper and aluminum prices. Prices of precious metals dropped significantly during the second and third quarter of 2022, reflecting the impact of higher interest rates and the surging dollar.

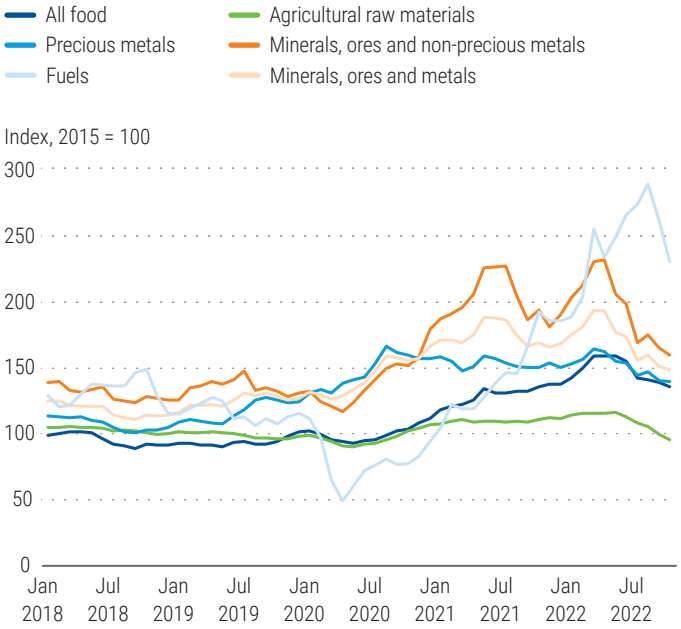
The fuel price index rose by 53.4 per cent during the first eight months of the year, mainly due to surging natural gas prices. Disruptions in the gas supply from the Russian Federation to Europe and rising uncertainty were key factors behind this significant increase. Even though natural gas prices eased markedly during the last quarter of 2022, continued supply disruptions and the need to fill storage facilities ahead of the 2023–2024 winter may push prices up again.

Oil prices also receded from record highs during the second half of 2022, reflecting a deteriorating global economic outlook. Between July and December, the West Texas Intermediate spot price of crude oil dropped around 26 per cent and Brent crude oil prices fell about 25 per cent. Although renewed concerns around global supplies added volatility to the oil market and drove up prices in October,[32] prices continued to trend downward in the last quarter of 2022. The world oil supply is expected to decrease as OPEC Plus production cuts and the EU ban on Russian crude come into effect (IEA, 2022d). But global demand for oil will likely remain weak because of a sharp slowdown of growth, especially in Europe. Overall, oil prices are expected to trend downward in 2023 amid multiple risks to the outlook.

28 In March 2022, the all-food price index reached 159.3 points, its highest level since January 1995.
29 Includes food commodities, tropical beverages, and vegetable oilseeds and oils.
30 According to the World Bank, in 2021, rising food commodity prices were a major factor in pushing nearly 30 million additional people in low-income countries towards food insecurity.
31 According to the Food and Agriculture Organization, as of 21 October 2022, 20 countries had implemented 25 food export bans. Eight had implemented 12 export-limiting measures.
32 OPEC Plus announced a cut in production quotas of 2 million barrels per day starting in November 2022.

Figure I.18

UNCTAD commodity price subindices



Source: UNCTAD.

International financial flows: A flight to safety

Global financial conditions tightened significantly in 2022 as interest rate hikes worldwide, elevated geopolitical tensions and a weakening global economic outlook triggered a "flight to safety" in international capital markets. Amid heightened investor risk aversion and market volatility, developing countries experienced increased financial market pressures, which intensified in the second half of the year. This was reflected in a depreciation in domestic currencies against the dollar and a reversal of non-resident portfolio flows, albeit with large differences across regions.

With sharp monetary tightening in the United States, the dollar experienced a broad-based strengthening against developed and developing country currencies. Notably, the nominal broad dollar index appreciated to its highest level on record in September. As of mid-December, the index is still over 6 per cent higher than at the end of 2021 (figure I.19).

Developing economies experienced highly volatile portfolio capital flows in 2022. Between March and July 2022, the 25 emerging economies tracked by the Institute of International Finance cumulatively experienced portfolio outflows for five consecutive months. While these economies saw a rebound of $37.4 billion in portfolio inflows in November, the outlook remains highly susceptible to sudden shifts in sentiment (figure I.20). Trends were mixed across regions and countries. China experienced large debt and equity outflows during the year, given concerns over COVID-19 restrictions and slowing economic activity. While several economies in Latin America and Western Asia benefited from high global commodity prices, domestic political and policy uncertainty exacerbated capital outflows in a few cases.

A further rise in risk aversion and a sharper tightening of global interest rates could trigger disorderly financial market corrections, amplifying financing risks and increasing borrowing costs for many developing countries. Countries with structural vulnerabilities, such as elevated debt levels and weak external sector positions, could experience larger capital outflows with destabilizing effects on financial stability and growth. A further appreciation of the dollar would also increase the cost of

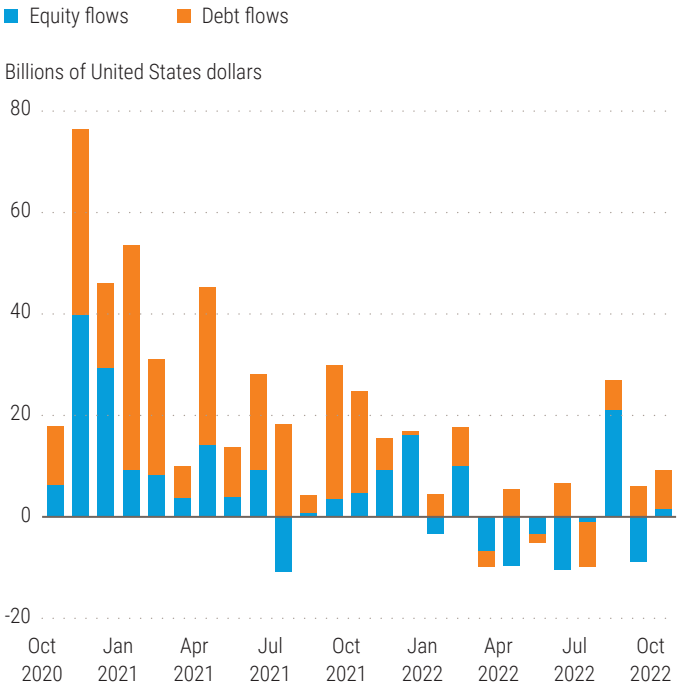
Figure I.19

Nominal broad dollar index

Source: FRED database.

Figure I.20

Portfolio flows to emerging market economies



Source: UN DESA, based on Institute of International Finance.

servicing foreign currency debt, compounding debt sustainability challenges (see chapter II).

As global financial conditions continue to tighten, fiscal space has narrowed further for a majority of developing countries, particularly those with already weak fundamentals or in vulnerable situations. For developing countries, borrowing costs have risen sharply; many have been effectively shut out of international capital markets. The IMF has highlighted that local currency bond markets of emerging economies have seen large net non-resident portfolio outflows with yields surging to the highest level in a decade, reflecting weak investor sentiment around the outlook for these sovereign bonds (IMF, 2022a). From January to November 2022, 20 emerging economies (excluding China) collectively experienced outflows of $27 billion from local currency non-resident government debt, in contrast to the $25.6 billion in inflows received in the previous year (IMF, 2022b).

Yields on foreign currency-denominated sovereign bonds of developing countries have also increased significantly, with almost 40 per cent having yields above 10 per cent (IMF, 2022c). In tandem, debt default risks have increased. As of 30 November 2022, more than half of least developed and other low-income countries were already at high risk of, or in, debt distress (IMF, 2022d). Weak external demand will likely reduce exports from many developing countries and exacerbate balance-of-payment pressures. Imports remaining high and international reserves falling quickly will impede their abilities to import essential items such as food, energy and pharmaceuticals.

New challenges for macroeconomic policies

Monetary policies face difficult trade-offs

An extraordinary sequence of shocks has challenged policymakers in calibrating macroeconomic policies in a timely, appropriate and sufficient manner. To start, extraordinary monetary and fiscal easing was introduced to cope with the unprecedented economic damages wrought by the pandemic. Next, while many countries were still struggling with economic recovery, the war in Ukraine hit, exacerbating inflationary pressures. Surging inflation prompted central banks to change policy direction to aggressively hike policy interest rates. Spillovers from interest rate increases in the major economies have imposed further constraints on many developing countries. At the same time, many governments are withdrawing fiscal support due to shrinking fiscal space and risks of debt distress. Policymakers are now at a difficult point where economic prospects have softened yet inflation is not fully under control and fiscal challenges remain.

Current policy dilemmas illustrate the challenges and limitations faced by macroeconomic policy responses in a context of recurrent crises. Monetary policy, in particular, may be inherently limited in addressing non-economic shocks that have divergent economic impacts within a relatively short period of time, due to the lag in

its impacts on the real economy. Research on the United Kingdom suggests that monetary policy's effect on inflation peaks after two to three years (Cloyne and Hürtgen, 2014). Changing policy directions too quickly and too abruptly could send wrong signals to markets and impair policy credibility.

Moreover, shocks in the past few years may have highlighted structural features of the world economy that blunt the impact of monetary measures, undermining the effectiveness of further monetary tightening. As discussed above, despite improvements in 2022, supply chain pressures remained higher than before the pandemic. If the damage or constraints to the supply side are persistent and significant, a notable slowdown in aggregate demand brought on by further monetary tightening may have limited impact on lowering prices (Schnabel, 2022). While having a limited impact on inflation, such a slowdown could be accompanied by higher levels of unemployment and income inequality (Stiglitz and Regmi, 2022).

Risks of overtightening on the rise

The risk of making costly policy mistakes has been increasing. While central banks in major developed countries are likely to slow the pace of future interest rate hikes, the pace of quantitative tightening, a monetary policy tool to reduce liquidity and shrink central bank balance sheets, has continued or even accelerated. For instance, in September 2022, the Federal Reserve raised the monthly caps on maturing Treasury securities and mortgage-backed securities from $30 billion to $60 billion and from $17.5 billion to $35 billion, respectively. This has lowered the Federal Reserve's total assets from a peak of $8.97 trillion in April 2022 to $8.58 trillion in early December.[33] The European Central Bank is expected to announce its plan to unwind bond purchases, after discontinuing its net asset purchases in July. There is growing anxiety that central banks in developed countries are sucking too much liquidity out of financial markets too quickly.

While it is still too early to determine whether central banks in developed countries, in particular in the United States and European countries, have overtightened monetary policy, this risk should not be ignored. The "taper tantrum" in 2013 remains fresh in memory, where the Federal Reserve's announcement that it would taper bond purchases immediately led to sharp increases in government bond yields. Treasury bond sell-offs spilled into corporate bond markets and disrupted equity markets. The abrupt tightening of financial conditions created major negative spillovers for many developing countries, including in terms of capital outflows, currency depreciations and declines in asset prices. In fact, market participants have expressed concerns about the longer-term implications of the Federal Reserve's stance. An inverted yield curve, where shorter-term government bonds have higher yields than long-term ones, typically signals a recession but also, in the current context, declining inflation. As of the end of November 2022, the short-term (1-year) government bond yield in the United States stood at 4.74 per cent, whereas the long-term (10-year) bond yield was 3.89 per cent.[34]

Although the economy of the United States accounts for just about a quarter of global GDP and has around half that share in world trade, the dollar is the predominant international currency. Around 85 per cent of all foreign exchange transactions take place against the dollar, and it accounts for over 60 per cent of official foreign exchange reserves. About half of all cross-border loans and international debt securities are dollar denominated; the dollar holds a similar share of international trade invoicing (BIS, 2020). The dollar's global dominance results in an exceptional degree of simultaneous cross-border spillovers across the world if the dollar appreciates, as happens

33 Data from the Board of Governors of the Federal Reserve System. Available at www.federalreserve.gov/monetarypolicy/bst_recenttrends.htm (accessed on 13 December 2022).
34 Based on CEIC data (accessed on 13 December 2022).

when the Federal Reserve raises interest rates. Obstfeld and Zhou (2022) report that from 2001 to 2021, dollar appreciation negatively correlated with output growth in both emerging and developing economies (a correlation coefficient of -0.59) and advanced economies (a correlation coefficient of -0.36).

While the spillover effects of interest rate increases by the Federal Reserve are relatively well documented, uncoordinated monetary policy tightening across countries in response to a global shock is an additional risk. Although interest rate rises could effectively slow price increases and anchor inflation expectations in each individual country, they could collectively go too far and drive the world economy into an unnecessarily harsh contraction – an outcome that could be avoided if rate increases by individual countries accurately account for the reciprocal impacts of such moves by others. Developing countries will be particularly vulnerable not only to a global economic recession but also to heightened financial instabilities. As discussed above, over the past two years, interest rate hikes and global liquidity tightening have exacerbated fiscal and debt vulnerabilities in developing countries and triggered volatile portfolio capital flows. A deeper-than-expected global slowdown, particularly in the developed world, could have even more significant negative spillovers to developing countries, leaving much longer-term and greater scarring effects on their economic recovery.

One way to avoid such a downside scenario is joint action by major central banks coupled with clear public communication to moderate inflationary expectations globally. Central banks effectively coordinated policies during the 2008 global financial crisis. A similar approach is needed at the current inflationary conjuncture (Obstfeld, 2022). Moreover, developing countries need to mitigate financial vulnerability based on their specific circumstances. For those with deep foreign exchange markets and low external debt, a flexible exchange rate regime and policy rate could help cushion the impacts. For those without such conditions, central banks may conduct foreign exchange interventions and use macroprudential and capital flow management tools to stabilize their currencies and capital flows.

Revisiting inflation targets

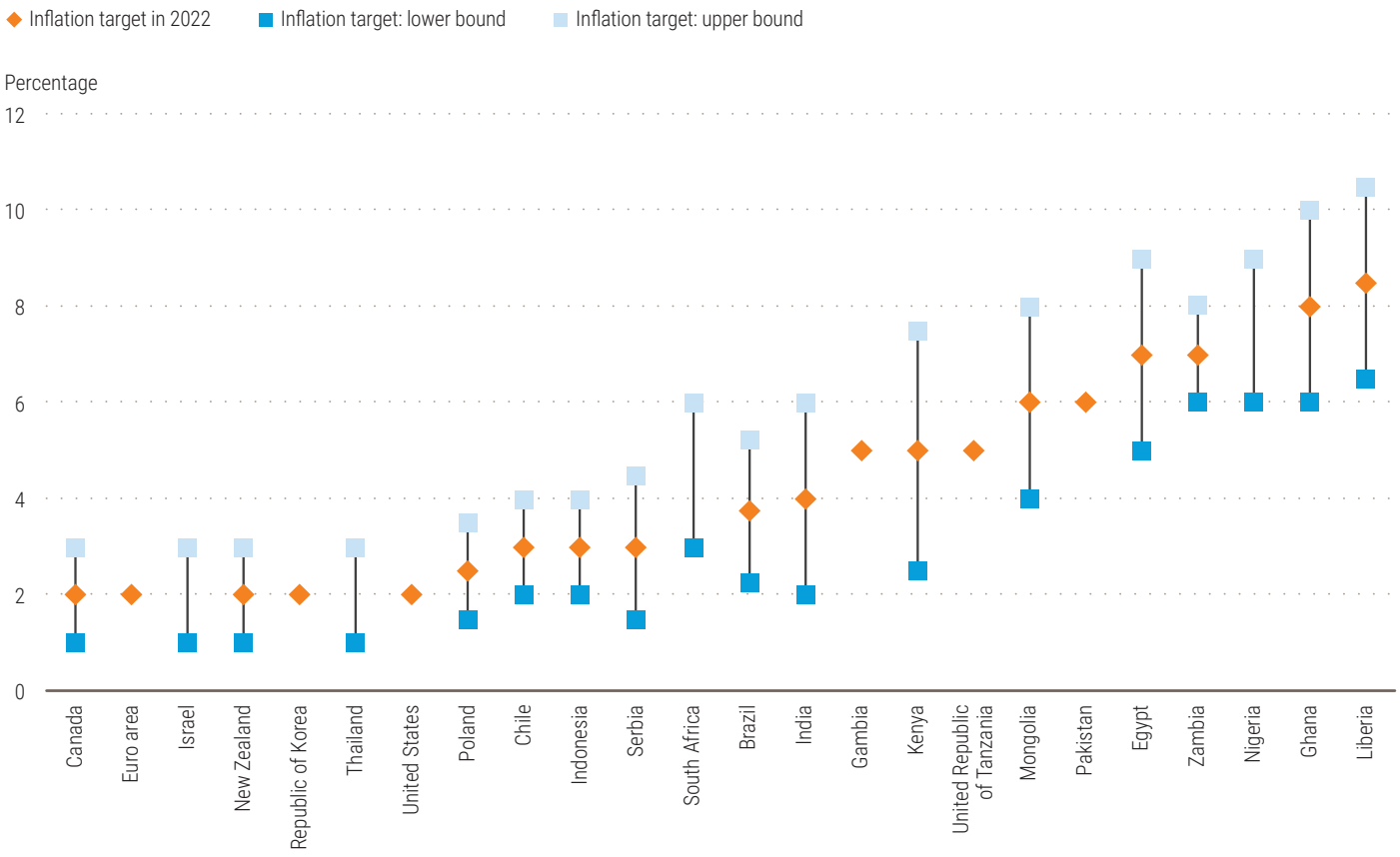
Since the mid-1980s, following the curbing of a prolonged period of high inflation in the United States and many other developed economies, central banks in these countries started to narrow their objective to maintaining price stability. Authorities determined that achieving price stability would be the major contribution of monetary policy to economic stability and growth.

This was accompanied by a shift in the theoretical and empirical understanding of the determinants of inflation itself, in particular, how expectations about future inflation fuelled anticipatory behaviour by firms, workers and consumers, leading to such expectations becoming self-fulfilling. Hence, a sudden period of high inflation could become self-sustaining if it led to higher price (and wage) setting in anticipation of higher costs and pre-emptive purchases by consumers seeking to stay ahead of high prices in the future.

Central banks could counter such inflationary spirals by credibly and publicly committing to maintaining inflation at a pre-determined target level, which would then function as an anchor for the price level. Therefore, the inflation target would shape public expectations of what actual inflation would be. Through behaving consistently with such an expectation, people would help to bring it about – provided that central banks were perceived as being in a position to set interest rates to achieve target levels. For inflation targeting to be effective, one precondition is that the central bank can conduct monetary policy independently of the political executive. Being unable to keep inflation at the target level runs the risk of expectations becoming "de-anchored", with the potential for rendering the entire mechanism ineffective and incurring the risk of runaway

Figure I.21

Inflation targets of selected central banks



Source: UN DESA, based on Central Bank News.

inflation, which would require a sustained economic contraction to bring it under control.

The Reserve Bank of New Zealand was the first to adopt an explicit inflation target in 1990. The Bank of England followed suit in 1992. Over the last 30 years, an increasing number of central banks have adopted inflation targeting as the nominal anchor. By 2022, 74 countries, including 44 developing countries, had adopted explicit inflation targets for their economies. A significant number followed monetary policy regimes classified as "exchange rate targeting", "monetary targeting" and "other".

A majority of inflation-targeting central banks have set their targets between 2 and 4 per cent (figure I.21), with some notable exceptions, such as Ghana, which has an inflation target of 8.5 per cent or Serbia with an inflation target of 6 per cent. The range of values indicates that countries choose targets based on individual circumstances. One survey indicated that apart from inflation itself, countries considered inflation volatility, GDP growth and external inflation in setting the target (Matějů and Horváth, 2011).

Both the Federal Reserve and the European Central Bank pursue a 2 per cent inflation target. The Federal Reserve argues that with a target of 2 per cent, households and businesses can reasonably expect inflation to remain low and stable and thus are able to make sound decisions regarding saving, borrowing and investing, which contributes to a well-functioning economy. In contrast, rising and volatile inflation reduces the public's ability to make accurate economic and financial choices. From another perspective, a lower inflation rate could push an

economy towards deflation, a phenomenon that can have a far worse impact on the economy. Having at least some inflation makes it less likely that the economy will experience harmful deflation if economic conditions weaken (Federal Reserve, 2022).

The 2 per cent inflation target has near iconic status, being associated with the steady growth and low inflation in developed countries during the "great moderation" period that ended with the financial crisis of 2007. Yet observers such as Blanchard, Dell'Ariccia and Mauro (2010) have noted that no sound economic research shows 2 per cent to be the economically optimal inflation rate nor that the costs of 3 per cent or 4 per cent inflation are significantly greater than the costs of 2 per cent inflation.

The primary rationale for raising the inflation target is that setting it at a low value limits the scope for monetary policy to stimulate employment and growth in difficult times. Monetary policy is incapable of stimulating the economy once interest rates reach the zero lower bound as they cannot be lowered further. Krugman (2014) and others have argued that the zero lower bound of the policy rate is a more difficult constraint than the wage rigidity that is assumed in standard models. Indeed, nominal wages fall only in exceptional circumstances. But when the inflation target is too low, it can limit the scope of downward adjustment in real wages before a central bank reaches the zero lower bound for its policy rate. Rogoff (2016) proposes an "escape clause" from rigid inflation targets so that central banks can lower policy rates to fight an economic emergency without hitting the zero lower bound.

Rises in inflation, however, can be expected to be accompanied by greater unemployment, through the Phillips curve. Any rise in inflation has to take such a trade-off into account. The IMF (2013) shows that the Phillips curve is considerably flatter today than in the past, and the inflation consequences of changes in economic slack are therefore much smaller. Inflation expectations are also much better anchored now. There is empirical evidence that the slope of the Phillips curve has not only decreased but that the relationship may have become statistically insignificant (Blanchard, Cerutti and Summers, 2015). Blanchard (2016) finds that given expected inflation, an increase in the unemployment rate was associated with a decrease in inflation of 0.7 per cent in the mid-1970s, while the effect in 2016 is closer to 0.2 per cent. Hence, it is likely that a limited increase in an inflation rate would be associated with a smaller increase in unemployment now than in the past. At the same time, the rate of unemployment consistent with stable inflation (the so-called NAIRU or non-accelerating inflation rate of unemployment) itself has evolved. Weiner (1993) and Tootell (1994) have found evidence that the NAIRU has changed over the post-war period. While there is consensus that it fell during the 1980s and 1990s, this consensus took some time to develop. Historically, unemployment values ranging from less than 4 per cent to up to 9 per cent have been consistent with changes in inflation of less than one-half percentage point in the following year. Thus, a range of unemployment levels would appear to be consistent with stable inflation.

Presently, proposals for a higher inflation target are in the range of 3 to 4 per cent (Gagnon and Collins, 2019). More flexible arrangements have also been proposed. Former President of the Federal Reserve Bank of Boston Rosengren (2018) suggested that the Federal Reserve should set a medium-term goal within an inflation range between 1.5 and 3 per cent and revisit it annually to account for changing economic circumstances, calling this "an inflation range with an adjustable inflation target". His approach would give the Federal Reserve more flexibility. Bernanke (2017), among others, has advocated a variant of price-level targeting instead of raising inflation targets permanently. Bloesch (2022) has proposed a range of 2 to 3.5 per cent inflation, arguing that this would generate, on average, higher employment, and that international evidence indicates that ranges with upper bounds of 3 to 4 per cent lead to generally stable inflation outcomes.

Given the global dominance of the dollar, a higher inflation target could restrain interest rate hikes and therefore negative spillovers for the rest of the world. Simulation exercises carried out at the Federal Reserve show that in an open economy model that incorporates a dominant role for the dollar, a 100-basis-point increase in the Federal funds rate lowers foreign output by 0.3 per cent (Caldara, Ferrante and Queralto, 2022). Any moderation in the policy rate increases in the United States could therefore deliver commensurate benefits to the rest of the world, particularly developing countries.

Moving to a higher inflation target, however, carries the risk of undermining the credibility of central banks, which is of paramount importance in maintaining the effectiveness of inflation targeting. Should inflationary expectations become more prone to de-anchoring, the threat of runaway inflation would increase. Since a rise in the inflation target would trim the public debt and provide a one-time benefit to the government, it could be challenging to convince bond holders to hold public debt without providing an additional risk premium, thus introducing an element of long-term uncertainty. A deliberate and well-thought-out process would be needed to make any revisions in the inflation target while minimizing the risk of adverse outcomes.

The need for effective coordination between monetary and fiscal policies

Monetary and fiscal policies in most countries have moved in the same direction in the past three years. To mitigate the economic impact of the pandemic, most countries lowered policy rates and increased public spending. More recently, countries have shifted to a contractionary monetary and fiscal policy stance to lower inflation and address rising debt distress. As the pandemic lingers and the war in Ukraine continues, however, countries, particularly the developing ones, still need continued support to cushion the impact of the crises as well as continued public investment for sustainable development. This requires more effective coordination between monetary and fiscal policies, without compromising central bank operational independence and credibility.

Monetary and fiscal policies could and should be complementary. As discussed above, energy and food price inflation and a broad cost-of-living crisis have disproportionately affected vulnerable groups of people. Policy tightening has weakened the global economic outlook and will slow income growth, which will affect the poor the most. Fiscal policy can play a major role in protecting the most vulnerable, including through targeted cash transfers, food and energy subsidies, child credits and unemployment insurance. With effective targeting, such programmes are not expected to stimulate aggregate demand or be inflationary. As discussed in chapter II, monetary tightening is contributing to higher borrowing costs, increasing rollover costs and debt-servicing costs, and prompting governments to cut much needed fiscal spending to stimulate recovery. Monetary policy decisions will need to pay far greater attention to how higher policy rates impact output losses. There can be significant trade-offs between inflation and output – often far greater than the trade-offs between inflation and unemployment. Such considerations must be taken into account when central banks set their policy rates.

Better international partnerships for responding to ongoing shocks

The pandemic, the global food and energy crisis, the worsening climate catastrophe and the looming debt crisis in many developing countries are testing the limits of existing multilateral frameworks. Many countries have responded to new challenges and threats by adopting more inward-looking policies, ignoring the spillover effects on the rest of the world. Such reactions are short-sighted. Only through globally coordinated and concerted policies and efforts can the world solve many current crises, ensure faster progress towards the SDGs and clear bottlenecks to effective resilience in the face of future shocks.

High and persistent inflation globally suggests scope for further collaboration among central banks, especially those of the larger economies, as was done during the 2008 financial crisis. Coordination, based on considering the international spillovers of monetary policy, is critical to avoid overtightening.

With more developing countries falling into debt distress, in many cases due to exogenous shocks, cooperative global action is also needed to ward off potential crisis situations in individual countries and the threat of contagion. Sovereign borrowers, bilateral official creditors, international financial institutions and other stakeholders need to come together to discuss debt service suspension, debt moratoriums and concessional finance. The shortcomings and obstacles of existing mechanisms, in particular, the G20 Common Framework for Debt Treatments, also require multilateral solutions (see chapter II).

As the COVID-19 pandemic lingers and the potential for new variants remains, it is critical to ensure equitable access to vaccination, tests and treatments. At the international level, continued global efforts are needed with a focus on lower-income countries. As of June 2022, only 37 per cent of health-care workers in low-income countries had received a complete dose of primary vaccination. Vaccine delivery remains a challenge, notwithstanding the launch of the COVID-19 Vaccine Delivery Partnership by the WHO, United Nations Children's Fund and Gavi, the Vaccine Alliance, with other international partners. Despite incremental success, low- and lower-middle-income countries continue struggling to increase vaccination rates (WHO, 2022e).

Many countries respond to sudden global turmoil, such as the food price shocks in 2008, the COVID-19 pandemic and the war in Ukraine, through export restrictions aimed at safeguarding domestic supplies (Laborde and Mamun, 2022). While these measures tend to wind down over time, their immediate impact is to raise prices and limit supplies, disproportionately harming poorer countries and people. Countries will need to unwind remaining restrictive trade measures, particularly related to food, fertilizers and COVID-19 vaccines. Food export restrictions implemented by a few countries have reduced food supplies and increased international food prices. Exports of some vaccination-related products remain restricted, although most have been rolled back (WHO, 2022e). Countries will need to follow their commitments at the World Trade Organization and engage in reforms aimed towards a universal, rules-based, open, non-discriminatory and equitable multilateral trading system. International collaboration is also needed to assure supplies to those most in need.

High energy prices and energy security concerns unleashed by the war in Ukraine have triggered contradictions in climate action. One the one hand, enforcement of stricter emission standards and other environmental regulations has fallen on the priority list for many major economies (UNCTAD, 2022c). Global coal use reached a record high of 8 billion tonnes in 2022 as countries scrambled to meet energy needs (IEA, 2022b).

On the other hand, global renewable power capacity is set to grow by almost a third more from 2022 to 2027 than was expected even last year. It is on track to overtake coal as the largest source of global electricity by 2025 (IEA, 2022e). Most developing countries will continue to depend on coal and other fossil fuels, however, indicating the need for international cooperation to urgently accelerate the energy transition in these countries to meet the aspirations of both the 2030 Agenda for Sustainable Development and the Paris Agreement. Despite a difficult geopolitical backdrop, the twenty-seventh Conference of the Parties (COP27) to the United Nations Framework Convention on Climate Change in 2022 offered a signal of international cooperation by concluding an agreement on creating a loss and damage fund for vulnerable countries hit hard by climate disasters.

CHAPTER II

Fiscal policy in times of crisis: The imperative of avoiding austerity

Economic crisis and output gaps

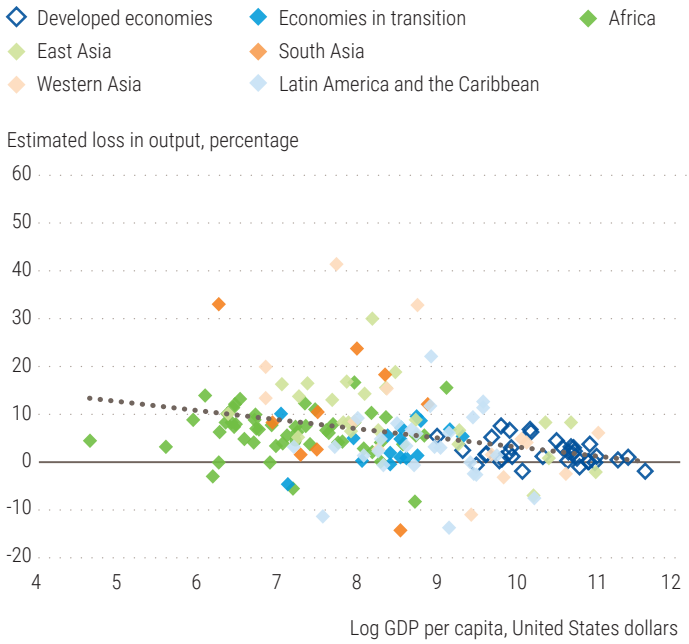
After a strong but uneven rebound from the COVID-19 crisis in 2021, global growth prospects have sharply deteriorated over the past year. The war in Ukraine, soaring food and energy prices, high and unexpectedly persistent inflation, tightening global financial conditions and lingering COVID-19 risks, particularly in China, have prompted sharp downward revisions in growth forecasts. As noted in Chapter 1, world gross product is estimated to have increased by only 3 per cent in 2022, far below the 4 per cent projected a year ago (United Nations, 2022b).[1] Global growth forecasts for 2023 have been cut almost in half, from 3.5 to 1.9 per cent. With multiple headwinds buffeting the world economy, a full, inclusive and robust turnaround remains elusive in the near term.

High and raging inflation worldwide presents significant policy challenges, with options to fight inflation posing difficult trade-offs. Around the world, central banks are racing to raise policy rates and bring inflation down, even if this means accepting, in the short term, higher unemployment and economic contractions, and possibly a global recession. While inflation is typically a monetary phenomenon, the current episode in developed economies has largely stemmed from surging demand against a backdrop of supply-side constraints. Monetary policy responses such as raising interest rates can weaken aggregate demand and reduce inflationary pressures in an overheating economy running at full capacity. But they can do little to ease supply-side constraints. In fact, monetary tightening in response to supply-side driven inflation can make inflationary pressures temporarily worse if higher interest rates deter investments necessary for easing supply-side bottlenecks. At the same time, aggressive monetary tightening signals the determination to "do what it takes". This can anchor inflation expectations and minimize risks of unleashing the so-called "wage-price" spiral leading to long periods of high inflation with considerable damaging effects to economies and people.

1 The 2022 forecasts of the *World Economic Situation and Prospects* were already less optimistic than those of other entities. The IMF, for example, in October 2021 projected global growth of 4.7 per cent in 2022.

Figure II.1

Output losses in 2022 relative to pre-pandemic projections



Source: UN DESA, based on estimates produced with the World Economic Forecasting Model.
Note: Output losses are calculated as the difference between GDP projections for 2022 in the WESP 2020 and WESP 2023. The logarithm of GDP per capita values are for 2020.

In developing countries, inflationary pressures have worsened as sharp increases in policy rates in the United States have strengthened the dollar. A stronger dollar has pushed up the prices of imported goods, including energy and food products, prompting central banks in developing countries to raise interest rates. High inflation requires governments to increase spending to support vulnerable populations even as the stronger dollar intensifies external debt-servicing burdens, weighing on fiscal balances.

Output losses from the pandemic

Output losses from the pandemic can be estimated as the difference between the latest GDP estimates for 2020 to 2022 and those forecast in January 2020, immediately before the COVID-19 outbreak.[2] While developing countries experienced smaller output losses than the developed economies in 2020, the trend reversed in 2021 and 2022.[3] In 2022, the average GDP in developing countries was 3.8 per cent lower than the level projected prior to the pandemic, compared to only 2 per cent lower in developed economies. Larger fiscal support measures and higher vaccination rates help explain the smaller output losses in developed economies (Pitterle and Niermann, 2021; Filippini and Levy Yayati, 2022). Developed economies' total fiscal support in 2020 and 2021 amounted to a staggering $12,200 per capita, compared to $410 in developing countries and a mere $20 in the least developed countries.

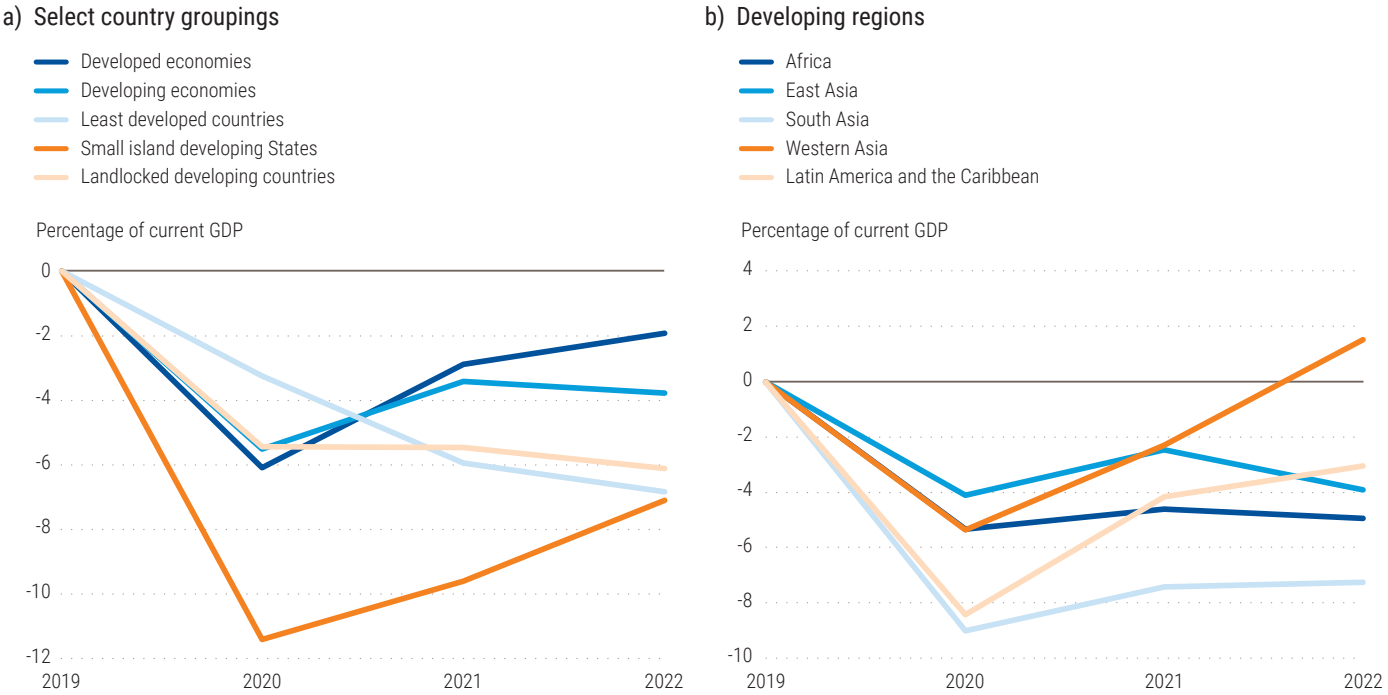
Overall, output losses in 2022 negatively correlate with GDP per capita levels (figure II.1). Lower-income countries have, on average, experienced larger losses than higher-income countries, reflecting structural economic and financial asymmetries. As a result, the pandemic globally has been associated with increased income inequality among countries, an outcome also highlighted by the World Bank (2022b).

Output losses have been particularly large in the small island developing States where continued weakness in international tourism has hampered recovery (UNWTO, 2022b) (figure II.2a). The least developed and landlocked developing countries also experienced large output losses in 2021 and 2022, reflecting both slow pandemic recoveries and additional country-specific shocks, such as in Afghanistan, Myanmar and Sudan. Regionally, South Asia lost the most ground because of prolonged COVID-19 lockdowns and severe macroeconomic challenges triggered by the crisis. By contrast, average output in Western Asia in 2022 exceeded levels projected before the pandemic due to high prices and strong demand for oil and gas in 2021 and 2022 (figure II.2b).

2 While the difference in growth performance can be primarily attributed to the COVID-19 crisis, other factors such as natural disasters and political instability have also played roles.
3 Regional and country group averages are unweighted sample means.

Figure II.2

Output losses relative to pre-pandemic projections



Source: UN DESA, based on estimates produced with the World Economic Forecasting Model.
Note: Output losses are calculated as the difference between the GDP projections for 2020 to 2022 in the WESP 2020 and WESP 2023.

Large output gaps

Weak economic recoveries in many developing countries have generated significant output losses compared to pre-crisis forecasts. Many countries also continue to display large output gaps, which represent the difference between an economy's actual and potential output.[4] A positive gap indicates an "overheating" economy while a negative gap implies spare capacity.

In a sample of 46 developing countries with robust and comprehensive data, the average output gap in 2022 was an estimated −1.2 per cent of potential GDP, about the same size as in 2009 during the global financial crisis (figure II.3a).[5] More than three quarters of developing countries recorded a negative output gap in 2022. The average gap in the 11 African countries covered in the sample was −2.1 per cent of potential GDP (figure II.3b). Negative output gaps were even larger in the few least developed countries (−3.9 per cent) and small island developing States (−2.3 per cent) with available data. Large and persistent spare capacities in most developing countries starkly contrast with the situation in the developed economies, where output gaps narrowed sharply in 2021 before turning mostly positive in 2022.

Weak employment recovery

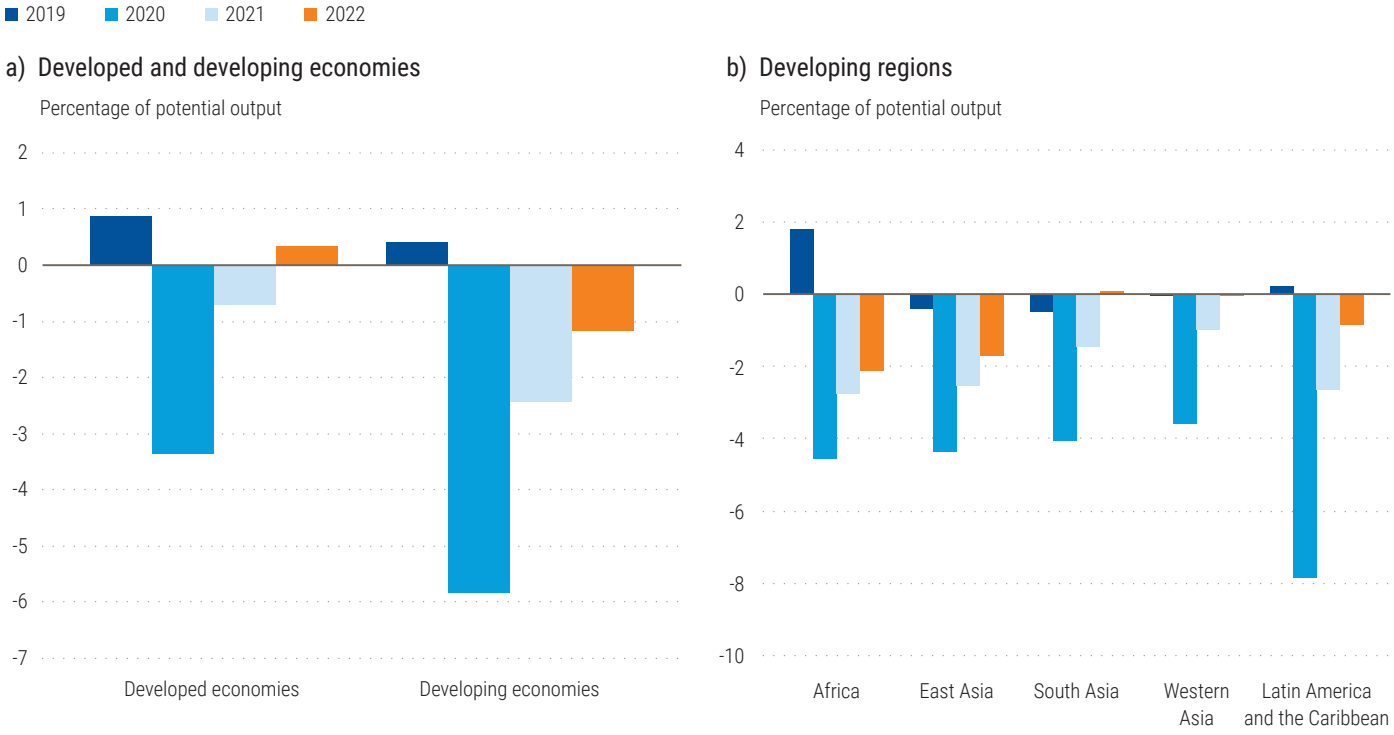
The COVID-19 pandemic not only strongly affected output trajectories but also labour market performances. While labour markets in developed economies became increasingly tight in 2022 due to a relatively rapid economic

4 Since potential output is not directly observable, output gaps are difficult to measure. For a recent assessment, see Barkema, Gudmundsson and Mrkaic (2020). The IMF estimates output gaps for about 100 economies. Coverage of the least developed countries, landlocked developing countries and small island developing States is, however, very limited.

5 Many developing countries, including Brazil, Chile and South Africa, experienced only moderate contractions during the global financial crisis, followed by quick recoveries amid significant fiscal support.

Figure II.3

Average output gaps



Source: UN DESA, based on data from the IMF World Economic Outlook database, October 2022.
Note: The sample includes 36 developed and 46 developing economies (20 in Latin America and the Caribbean, 11 in Africa, 8 in East Asia, 4 in Western Asia, and 3 in South Asia). Regional averages are unweighted.

recovery, most developing countries still face considerable employment slack. The average unemployment rate in developing countries was estimated at 6.5 per cent in 2022, compared to 5.9 per cent in 2019. In Latin America and the Caribbean, employment has recovered more slowly than output, with 10 out of 14 countries registering a lower employment rate in the first quarter of 2022 than in the first quarter of 2019 (ILO, 2022b). In Africa and Western Asia, total hours worked are still 2 per cent lower than pre-crisis levels, despite an upward trend in 2022 (ILO, 2022a). Unemployment rates in Angola, Nigeria and South Africa, for example, remain well above pre-pandemic levels. This contrasts with developed economies, which have seen hours worked nearly return to the previous level.

The nature of employment has also changed, with more people moving to the informal sector. In several Group of Twenty (G20) countries, the share of informal employment exceeds the pre-pandemic level (Andaloussi and others, 2022). Disproportionate losses in women's employment in 2020 have not been fully reversed; improvements are mainly due to recovery in informal jobs. The gap in hours worked by women and men aged 15 to 64 years remains high, with women currently working 14.5 fewer paid hours per week than men or, equivalently, 57.5 paid hours for every 100 worked by men (ILO, 2022c).

Higher risks to food security

Food prices have increased by nearly 50 per cent since 2019. Supply-side disruptions in both food and energy markets worsened after war broke out in Ukraine in February 2022. More than 90 per cent of all developing countries have experienced food price inflation surpassing 5 per cent, with many experiencing double-digit

price hikes. By mid-2022, food price inflation had reached 332 per cent year-on-year in Lebanon, 95 per cent in Turkey, 91 per cent in Sri Lanka, 66 per cent in Argentina and 38 per cent in Ethiopia (World Bank, 2022c).

Higher food and energy prices are pushing the cost of living to unsustainable levels for millions of low-income households worldwide. The number of people who are acutely food insecure or at high risk of food insecurity increased sharply from 135 million in 2019 to 345 million in 2022 (United Nations, 2022c).

Health and education needs

Expenditures on education and health determine human well-being and human capital formation. Public investment cuts in these areas would exacerbate already alarming trends, likely weighing on total capital accumulation and potential output growth. Education suffered a huge blow during the pandemic. Extended school closures in 2020 and 2021 caused unprecedented disruptions, amplifying the pre-existing global learning crisis and worsening educational inequalities (UNICEF, 2021). Full and partial school closures in South Asia and Latin America and the Caribbean were more than twice as long as those in developed economies (Bryant and others, 2022). The lack of Internet access in rural areas and among low-income families meant digital and online learning programmes never reached at least 463 million children, especially in Africa and South Asia (UNICEF, 2021). Recent studies document significant and broad-based learning losses in math and reading in developing countries, with younger students and girls being disproportionally affected.[6]

During the pandemic, the poorest developing countries were forced to slash education spending in national budgets. In low- and lower-middle income countries, the share of education in government expenditures declined in 2020, recovered slightly in 2021 but fell again in 2022, remaining below 2019 levels (UNESCO and World Bank, 2022). This contrasts with the situation in developed economies, where education as a share of the total government budget in 2022 exceeded the 2019 level. Governments in developing countries will need to increase spending on education to make up for the losses and minimize the long-term educational impact of the pandemic.

The COVID-19 crisis caused severe disruptions to health services, illustrating the dramatic consequences of underinvesting in health systems, particularly the health workforce. In many developing countries, health system resources were reallocated to the pandemic response, resulting in cuts to other services, including for the prevention and treatment of infectious diseases such as malaria, cholera, HIV/AIDS and tuberculosis.[7] Many countries, especially in Africa, Western Asia and South Asia, felt the strains of pre-existing shortages of health workers (Boniol and others, 2022). Africa, for example, had only 2.92 medical doctors per 10,000 people in 2020 compared to 36.61 in Europe (WHO, 2022g). According to the latest projections up to 2030, health worker shortages will remain high in low-income countries and the small island developing States.

Investment in SDG progress

In the five years before the pandemic, about half of countries in Latin America and the Caribbean and one third in Africa experienced a drop in public investment in real terms. This coincided with sluggish growth in private investment, especially in commodity-exporting economies, in line with recent evidence that public investment crowds in,

6 In South Africa, for example, primary school students suffered learning losses in reading of between 57 and 81 per cent of a year of learning, after missing close to 60 per cent of contact teaching days in 2020 (Ardington, Willis and Kotze, 2021). Similarly, primary school children in Ethiopia lost 60 to 70 per cent of a year of learning in math (Kim and others, 2021).

7 After declining for many years, the total number of malaria cases and malaria case incidence increased in 2020 amid disruptions to health services during the pandemic (WHO, 2021). With a shortage of vaccines, a record number of cholera outbreaks occurred, including in Africa, Western Asia, South Asia and the Caribbean (WHO, 2022f).

rather than crowds out, private investment in developing countries (Furceri and Li, 2017). In many cases, a prolonged period of benign domestic and external financing conditions fuelled consumption rather than investment (United Nations, 2020).[8] In per capita terms, total gross fixed capital formation stagnated in Africa and declined by almost 20 per cent in Latin America and the Caribbean between 2010 and 2021 (figure II.4).

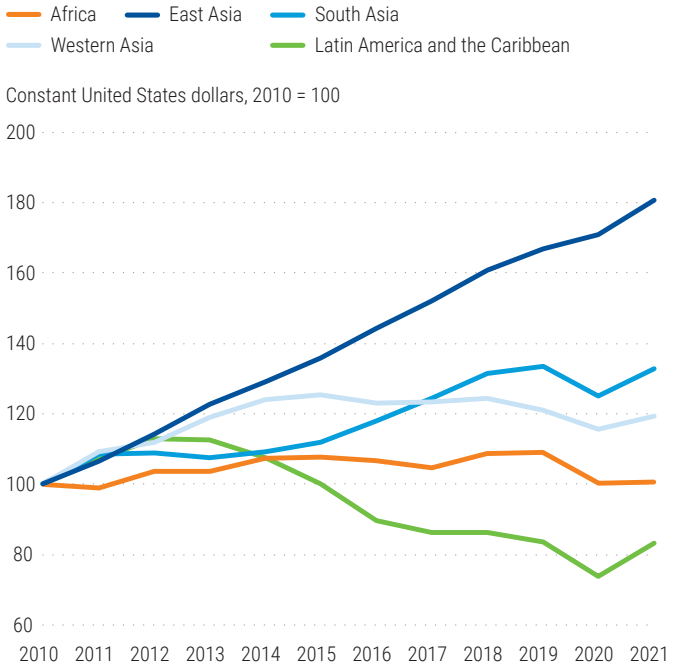
An inclusive and sustainable recovery from the crisis will require governments in developing countries to safeguard and increase spending on education and health care. Benedek and others (2021), for example, estimate that Cambodia, Nigeria, Pakistan and Rwanda will need to boost public and private spending on health and education by between 4.2 and 10.2 per cent of GDP every year to achieve the SDGs. This is in addition to annual increases in infrastructure spending of between 2.5 and 15.4 per cent of GDP.

Following a sharp decline in SDG-related investment during the pandemic, especially in developing countries, the investment needed to achieve the global goals has soared to about $4 trillion per year, approximately 4 per cent of world gross product (UNCTAD, 2022d). This estimate is up substantially from the 2014 estimate of an additional $2.5 trillion per year in SDG investment on basic infrastructure, food security, health and education, and climate change (UNCTAD, 2014). Further, to limit climate change to 1.5 degrees Celsius, the International Renewable Energy Agency projects a need for $5.7 trillion of global energy sector investments every year until 2030, equivalent to about 6 per cent of current world gross product. This is significantly higher than the actual investment level of about $1 trillion in 2021 (IRENA, 2022).

Bhattarcharya and others (2022) show that aggregate investment and development spending on health, education, sustainable infrastructure, agriculture, food and land use practices, and biodiversity would need to increase from 11.3 per cent of GDP in 2019 to 15.1 per cent in 2025 and 18.2 per cent in 2030 to reach the relevant SDGs. This amounts to additional spending of $1.3 trillion by 2025 and $3.5 trillion by 2030.[9]

While most new and additional investments are expected to come from the private sector, public funding would need to increase significantly from its current level to stimulate and crowd in private investment in the SDGs. Fiscal adjustments and expenditure cuts to fight inflation and improve debt sustainability could severely undermine the ability of developing countries to achieve the SDGs by 2030.

Figure II.4
Gross fixed capital formation per capita in developing regions



Source: UN DESA, based on estimates produced with the World Economic Forecasting Model.
Note: Regional averages are population weighted.

8 Multiple factors associated with persistent weakness in investment include terms-of-trade shocks and slowing foreign direct investment inflows in the case of commodity importers, and enhanced political risks and uncertainties (Kose and others, 2017a).
9 The lower estimates of Bhattarcharya and others (2022) are due to a smaller country sample and a more conservative modelling approach.

Shrinking fiscal space

The COVID-19 economic shock has left lasting scars on government finances, increasing fiscal and debt vulnerabilities, especially in poor and structurally weak developing economies, like many least developed countries (see box II.1). Amid slowing global growth, high inflation, sharp monetary tightening, rising government borrowing costs and falling exchange rates, fiscal space has been shrinking in most developing countries. Fiscal space is defined as the room that a government has to adopt discretionary spending and revenue policies without endangering market access and the sustainability of public finances (Ferrer and Kireyev, 2022; IMF, 2018). Fiscal space is thus closely associated with debt sustainability, which is typically determined by the primary fiscal balance, the difference between the nominal interest rate on debt and the nominal GDP growth rate, and the stock-flow adjustment in the valuation of sovereign debt and assets affected by exchange rate movements.

In many cases, monetary tightening and a deteriorating economic outlook are amplifying pressures on governments to pursue fiscal

Box II.1

Graduating least developed countries face stiff fiscal challenges

Seven nations – Angola, Bangladesh, Bhutan, Lao People's Democratic Republic, Nepal, São Tomé and Principe and Solomon Islands[a] – are in the process of graduating from the group of least developed countries. For many, this reflects decades of development progress, driven primarily by sound domestic policies and favourable international support measures. Up to nine additional least developed countries may seek graduation during the next triennial review of their status in 2024, provided they manage to sustain positive development trajectories.

As least developed countries, these economies are particularly vulnerable to external shocks such as climate change, the COVID-19 pandemic, the war in Ukraine and slowing global growth. Generally, limited fiscal space, underdeveloped social protection systems and an absence of automatic stabilizers pose significant risks to their economic growth, stability and resilience.

Substantial heterogeneity in fiscal conditions exists among the graduating countries. While fiscal deficits in Bhutan, Solomon Islands and, to a lesser extent, Lao People's Democratic Republic have widened since the pandemic, fiscal balances in Bangladesh and Nepal have remained roughly unchanged. On the other hand, Angola and São Tomé and Principe have moved from pre-pandemic deficits to fiscal surpluses, potentially contributing to improved debt sustainability and reduced debt distress. The ratio of gross government debt to GDP has differed widely among these countries, ranging from less than 14 per cent in Solomon Islands to more than 113 per cent in Angola in 2019.

While fiscal challenges are similar across all least developed countries, the graduating countries face additional challenges. As development cooperation is largely independent of the least developed country status, graduation generally does not adversely affect bilateral and multilateral financial flows,

a See UN DESA for information on graduation and the category of the least developed countries in general. Available at https://bit.ly/CDP-LDCs (accessed on 12 December 2022).

although graduating countries may lose access to some dedicated funds and face occasionally stiffer funding terms and conditions in the near term. Trade-related support measures, however, particularly duty-free and quota-free market access, often end following a transition period after graduation. While some graduating countries manage to maintain preferential treatment in some markets through alternative trading arrangements, many require significant productivity-enhancing investments to maintain competitiveness and diversify their economies.

Given enormous development needs, fiscal policy should continue to play a proactive role in graduating countries. External and balance of payment pressures, however, can drastically limit fiscal space. Rising global interest rates are increasing the rollover risks of their external debt maturing during the next two years. Currency depreciations pose an additional concern. On a year-on-year basis, exchange rate depreciation ranged between 11 per cent in Nepal and 67 per cent in Lao People's Democratic Republic in October 2022, while it remained stable for Solomon Islands. Angola, on the other hand, saw a currency appreciation of 20 per cent due to higher oil prices and macroeconomic reforms. The current depreciations not only increase the burden of servicing debt denominated in foreign currencies but also exacerbate challenges caused by higher international prices for food, fuel and fertilizer. This may shrink international reserves and limit imports of investment goods for boosting productivity and transforming economies. Moreover, higher prices in domestic markets require higher social expenditures – more fiscal outlays – to ease burdens on the poor. Increased social expenditures and financial support for the most vulnerable typically mean fewer financial resources for public investments.

Clearly, many least developed countries, including the ones graduating, will need additional fiscal space to manage shocks, steer recovery and invest in the SDGs. While inflation can potentially increase fiscal space, this effect is largely absent in the least developed countries. Their generally low tax revenues limit the extent to which inflation can contribute towards a nominal increase. Furthermore, as inflation is mostly imported, it translates into only small increases in nominal GDP and, thus, only small reductions in debt-to-GDP ratios. Low ratios of fiscal revenue to GDP, particularly in non-island graduating least developed countries, range from below 9 per cent in Bangladesh to slightly above 26 per cent in Bhutan. This suggests opportunities for increasing fiscal revenues through tax reform and rate increases, although it usually takes years to implement meaningful tax reforms and increase the tax base of a country. On the expenditure side, there is scope to reprioritize expenditures based on how much they loosen short-term constraints and support long-term sustainable development.

These domestic efforts to create additional fiscal space often require graduating countries to make substantial investments in institutional reforms. Given the intrinsic difficulty in creating fiscal space through domestic reform during an economic downturn, improved access to external financing must play a major role in expanding fiscal space now. The recent increase in resources from the IMF and multilateral and regional development banks is very welcome, although rapid disbursement of funds will remain critical. More bilateral support, whether through direct budget support, concessional loans, debt restructuring or debt suspensions, will be essential in many cases.

While the discrepancy between fiscal needs and resources in graduating countries is often immense, some factors place graduating countries in a better position than other least developed countries. Their development progress typically reflects improved macroeconomic management, underpinning greater institutional capacity to react to external shocks. Graduation may also improve access to external private finance, especially foreign direct investment, as the graduation usually signals development progress. The limited number of past graduations, however, makes it difficult to ascertain whether and when graduation improves access to international finance, particularly in times of rising interest rates.

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Figure II.5

Fiscal balances

Source: UN DESA, based on data from the IMF World Economic Outlook database, October 2022.
Note: Regional and country group figures are unweighted averages across countries. Median values show similar trends.

consolidation, even as the recovery from the pandemic remains incomplete and SDG-related investment needs are large.

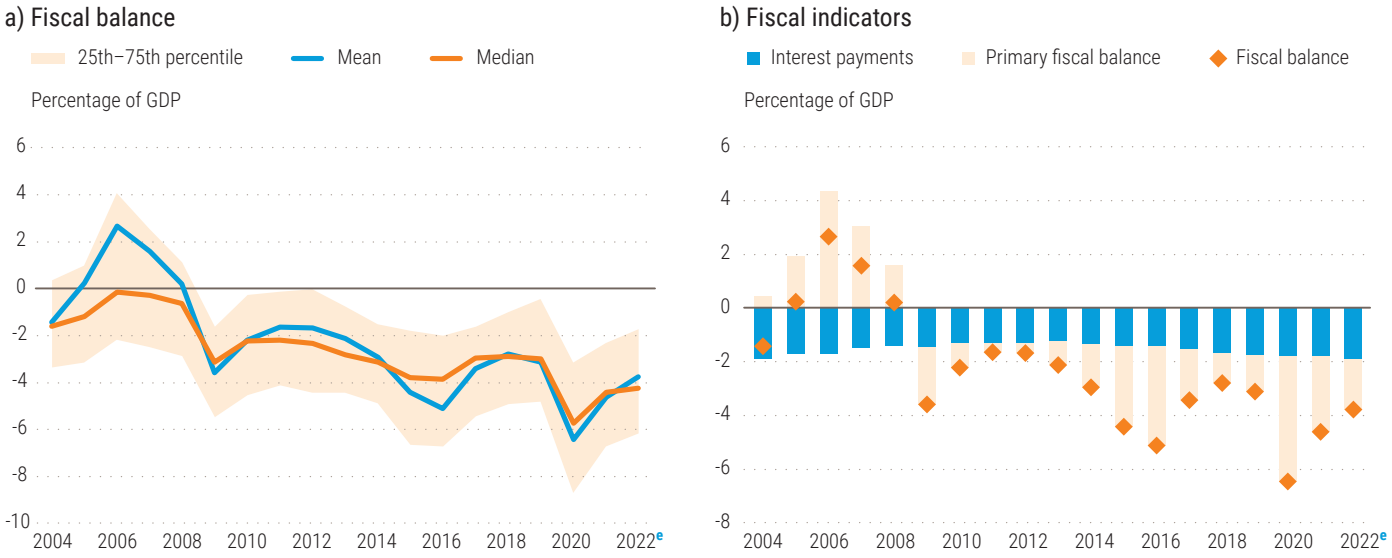
Fiscal deficits as a percentage of GDP narrowed in the past two years in developed and some developing economies due to an initially strong economic rebound and the gradual unwinding of COVID-19-related support measures (figure II.5). About two thirds of countries saw improvements in their primary and overall fiscal balances in 2021 and 2022. Amid high oil and gas prices, fiscal positions strengthened significantly in energy-exporting countries, with Western Asia recording a fiscal surplus in 2022. On the other hand, rising import bills, deteriorating external balances and higher debt-servicing costs on dollar-denominated debt amid significant currency depreciations are worsening fiscal balances in many other developing countries. As most of the least developed countries are net importers of fossil fuels and food, the current crisis negatively affects their fiscal balances. Most small island developing States face significant pressures due to very high food and fuel import dependency and a slow post-COVID-19 recovery in international tourism.

Deteriorating fiscal balances

Since the mid-2000s, fiscal balances in developing countries have steadily deteriorated as governments confronted a series of economic shocks, including the global financial crisis in 2008 and 2009, the commodity price downturn from 2014 to 2016 and the COVID-19 crisis in 2020 (figure II.6a). The average primary balance, defined as the overall balance net of interest payments, has remained negative in every year since 2009 (figure II.6b). At the same time, government interest payments (including to both domestic and foreign creditors) increased steadily, reaching about 2 per cent of GDP and 10 per cent of total government revenues in 2022. In about a dozen countries, including

Figure II.6

Fiscal balances of developing countries



Source: UN DESA, based on data from the IMF World Economic Outlook database, October 2022.
Note: e = estimates.The fiscal balance is defined as general government net lending or borrowing. It can be decomposed into the primary balance and interest payments. Figure II.6b shows the mean values of the indicators; 2022 values are estimated.

several large economies – notably, Brazil, India, Nigeria and Pakistan – estimates suggest that governments spent more than 20 per cent of revenues on interest payments in 2022.

High inflation

Average inflation in developing countries doubled from 5.4 per cent in 2019 to 10.8 per cent in 2022. Higher prices can widen fiscal deficits as the cost to provide public goods and services rises but government revenues decline. When countries experience high inflation, fiscal outlays will increase, as public expenditures on social protection, transfer payments and subsidies such as for fuel, food and fertilizers will escalate. At the same time, high inflation can prompt a decline in the volume of tax collection and a deterioration of real tax proceeds, known as the "Tanzi effect". This occurs due to the time lag between when a tax is charged and when the tax is actually paid (Tanzi, 1977). As households and businesses may switch economic activities and reduce investment to avoid paying higher nominal taxes, taxes on income, profits and capital gains may shrink.

Empirical evidence, however, suggests that the relationship between fiscal deficits and inflation is at best tenuous. In the current environment of relatively high inflation and low growth, no correlation is observed between projected fiscal deficits and projected inflation in 2022 for 126 countries (figure II.7). This is consistent with several empirical studies finding weak or no correlation between fiscal deficits and inflation, such as Dornbusch and others (1990).[10]

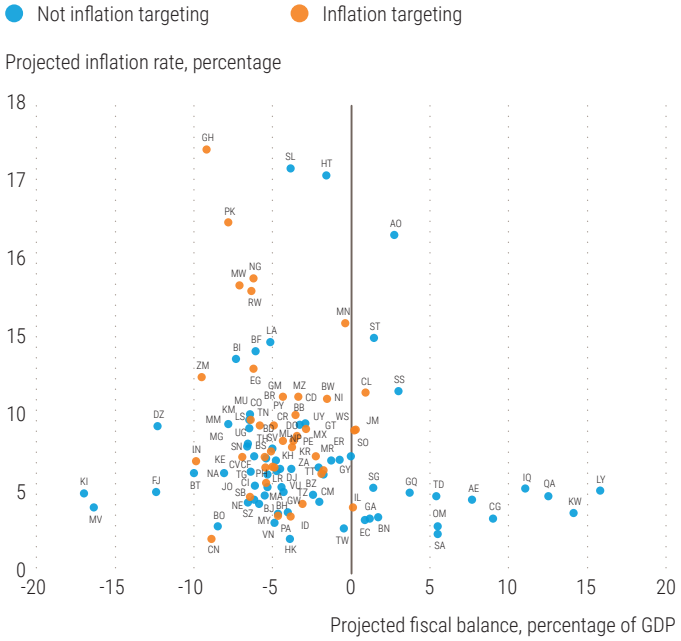
Rapid monetary tightening

In 2022, the Federal Reserve of the United States and other developed country central banks engaged in the most aggressive monetary tightening in decades. Declaring a drive to bring down persistently high inflation, the Federal Reserve raised the federal funds rate from a target range of 0 to 0.25 per cent at the

10 Dornbusch and others (1990), for example, find that fiscal deficits tend to accommodate rather than drive inflation.

Figure II.7

Projected fiscal balance and inflation in 2022



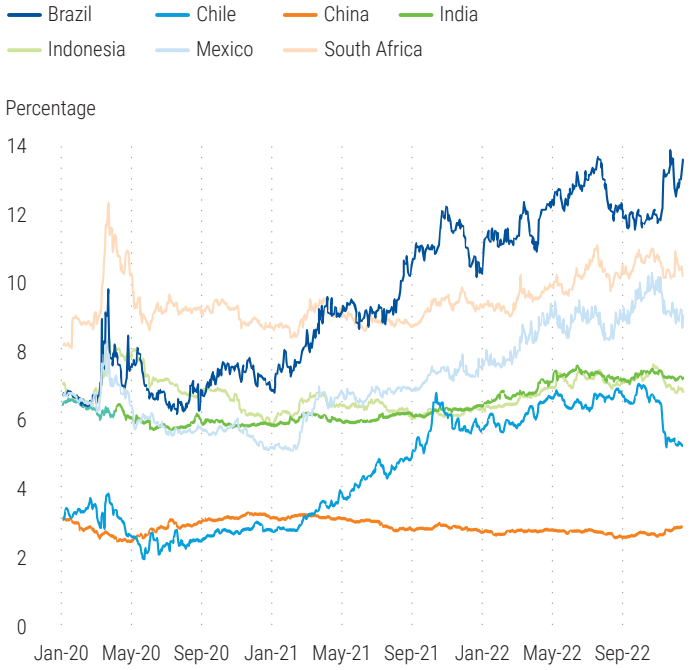
Source: UN DESA, based on the IMF World Economic Outlook database, October 2022 and on estimates produced with the World Economic Forecasting Model.
Note: Labels represent ISO-alpha 2 country codes which can be found at https://unstats.un.org/unsd/methodology/m49/overview.

beginning of 2022 to 4.25 to 4.50 per cent by December. Rapidly rising policy rates have triggered significant capital outflows from developing countries. Between March 2022, when the Federal Reserve began its rate hike cycle, and September 2022, portfolio capital flows to emerging market economies were negative in six out of seven months (IIF, 2022a). Confronting large capital outflows, strong depreciation pressures and elevated inflation, central banks in developing countries followed the rate hikes in the United States. In a sample of 45 developing countries across all regions, 41 central banks raised their policy rates between March and October 2022. Aggressive monetary tightening in the United States and consequent capital outflows and depreciation pressures have pushed up government bond yields, especially in many Latin American countries, heightening domestic borrowing costs (figure II.8). In an environment of large output gaps and weak aggregate demand, a sharp tightening of monetary policy stances will likely further weaken growth prospects in many developing countries.

Higher interest rates are leading to higher debt-servicing costs for developing countries. Simple stylized calculations for a few selected developing countries illustrate the magnitude of the effect. A 300-basis point increase in the effective interest rate paid on public debt would push interest expenditure up to as much as 9 per cent of total government expenditures.[11] In India, the additional interest payments would amount to 8.7 per cent of total government expenditures, 1 percentage point higher than the share of education in the total budget in 2020. In Brazil, Indonesia and South Africa, the increase in interest payments would represent about 6 to 7 per cent of total expenditures.

Figure II.8

Ten-year government bond yields in selected developing countries



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

11 The calculations consider debt levels at the beginning of 2022 for Brazil, Chile, India, Indonesia, Mexico and South Africa, isolating the effect of an interest rate increase from changes in other variables.

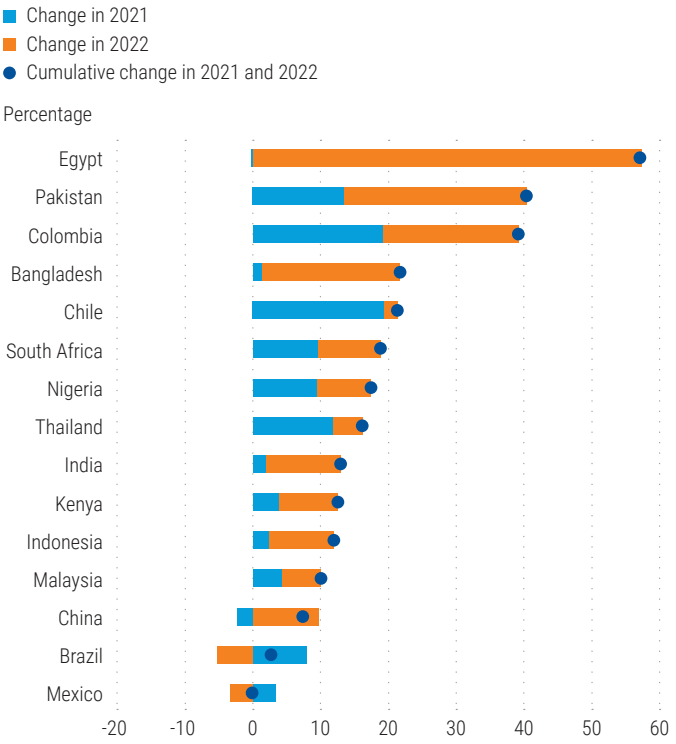
Weaker exchange rates

The Federal Reserve's rapid rate hikes have propelled a surge in the value of the dollar, which has reached its highest level since the early 2000s. Currencies in most developing countries have depreciated significantly against the dollar over the past two years, although a few have bucked this trend (figure II.9). Depreciations have been broad-based across regions, affecting economies that are commodity-dependent (Chile, Colombia) and non-commodity dependent (Egypt, Pakistan, Thailand). This has raised the prices of imported goods, fuelling inflationary pressure.

The strong dollar and rising global benchmark interest rates are increasing the cost of servicing dollar-denominated debt, exacerbating the long-term trend of rising external debt servicing and reducing room for governments to increase or even maintain fiscal expenditures.[12] In countries where domestic currencies have depreciated significantly, the servicing costs of dollar-denominated debt have climbed sharply. To illustrate the size of the effect, we estimated the additional burden resulting from the depreciation for a few selected developing countries.[13] In Ghana, for instance, the cedi depreciated by 116 per cent against the dollar between January and October 2022. As a result, Ghana's dollar-denominated external debt-servicing burden would, ceteris paribus, increase from an estimated 11.1 billion to 24.1 billion cedi. The increase would represent about 9.1 per cent of total government expenditures in 2022 (figure II.10), nearly equal to the share of Ghana's health expenditures in 2019. In countries where the depreciation of domestic currencies has been more moderate, such as Egypt (48 per cent) and Pakistan (25 per cent), increased debt-servicing costs would represent 3.3 per cent and 2.8 per cent of total government expenditures, respectively.

Figure II.9

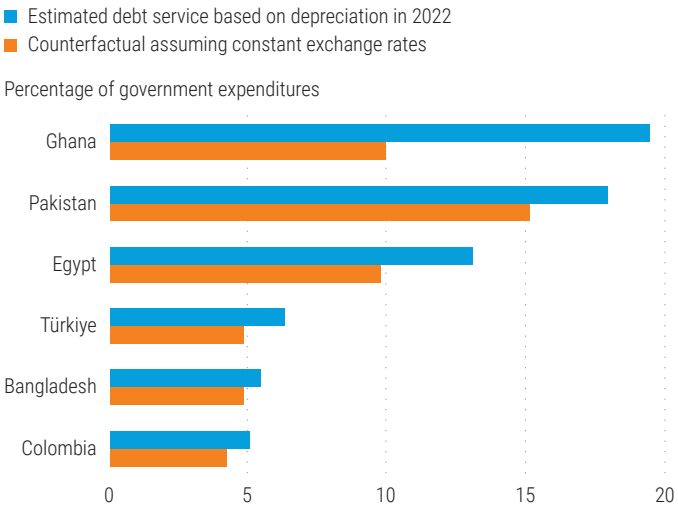
Exchange rates vis-à-vis the dollar



Source: UN DESA, based on data from CEIC (accessed on 15 December 2022).
Note: Positive values denote depreciations of national currencies vis-à-vis the dollar.

Figure II.10

Estimated increase in external debt servicing due to depreciation

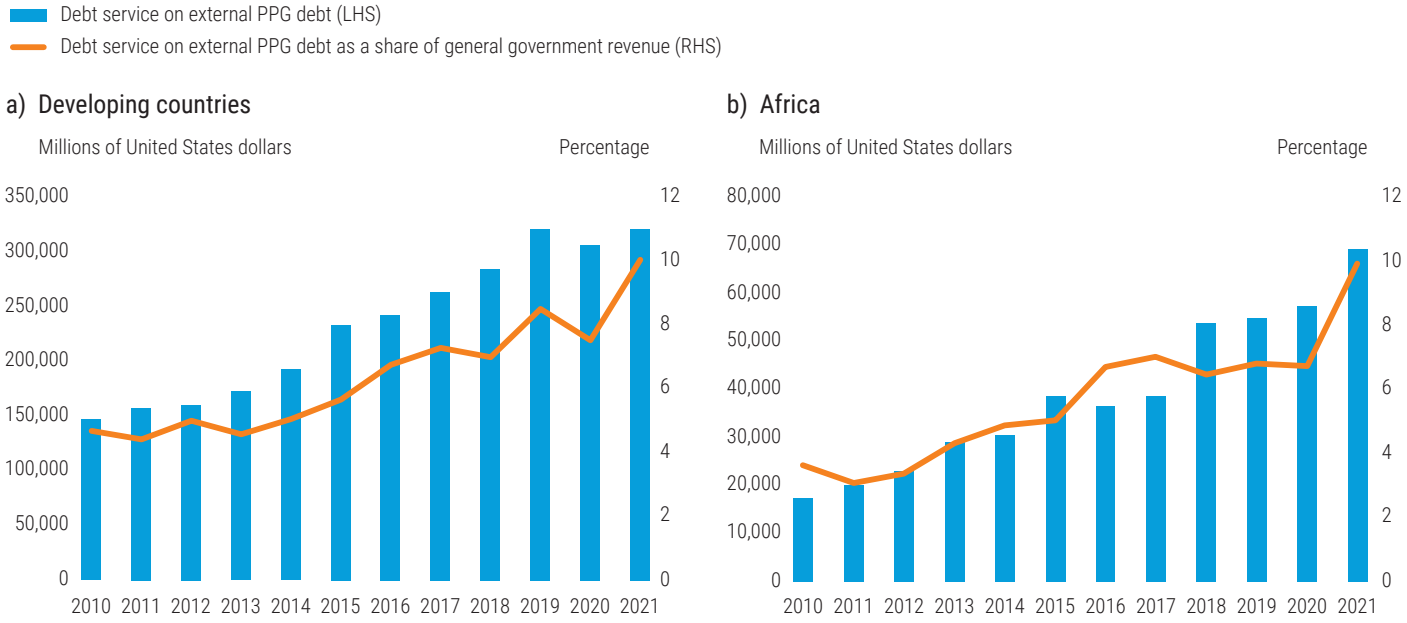


Source: UN DESA, based on data from the IMF World Economic Outlook database, October 2022.

12 While developing country governments collect tax and non-tax revenues in local currency, they service most external debts in dollars.
13 Specifically, we calculate the potential increase in the dollar-denominated external debt-servicing burden caused by the depreciation of the national currency against the dollar between January and October 2022.

Figure II.11

Trends in debt servicing in developing countries



Source: UN DESA, based on data from the IMF World Economic Outlook database, October 2022, and the World Bank World Development Indicators database.
Note: PPG = public and publicly guaranteed debt; RHS = right-hand scale; LHS = left-hand scale. The figure shows the total dollar value of debt service and the median ratio of debt service to general government revenue.

A rising debt-servicing burden

Global public debt averaged about 91 per cent of GDP in 2022, down from 98.6 per cent in 2020. Despite this reduction, many developing countries are particularly vulnerable to debt-related risks because economic growth and fiscal revenue have not returned to pre-pandemic levels while debt-servicing costs increased in tandem with escalating domestic and international interest rates.

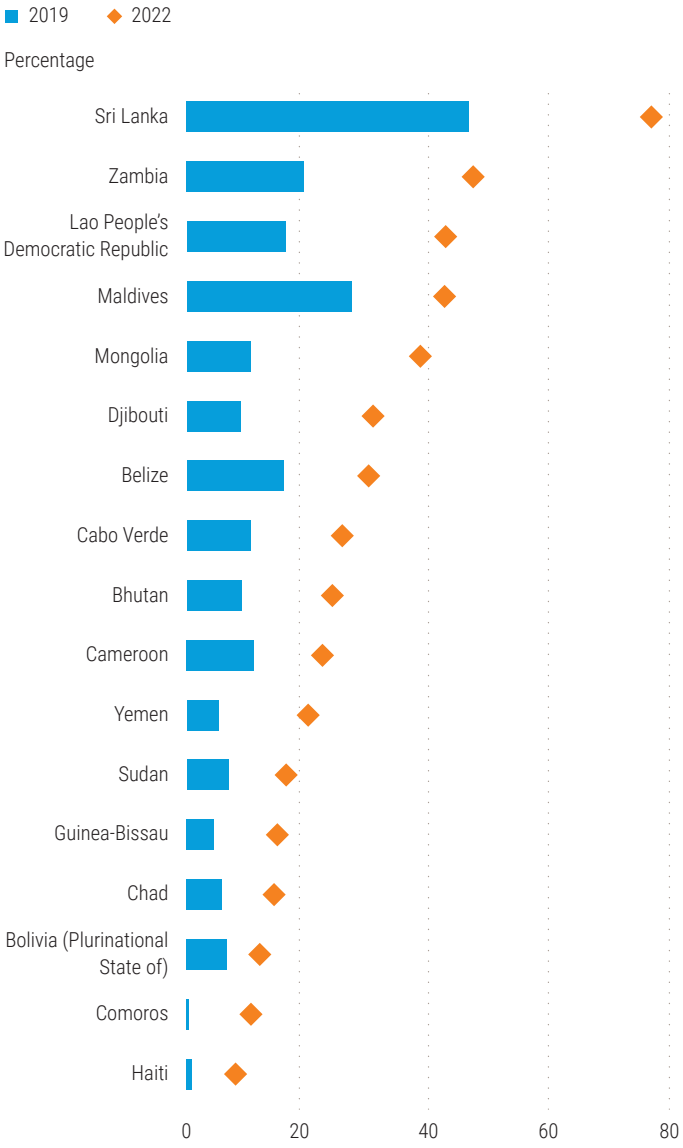
Developing countries' public debt grew significantly in the decade before the pandemic. Since 2010, the average debt-to-GDP ratio has risen by about 20 percentage points in East Asia and Latin America and the Caribbean, almost 30 percentage points in Africa and more than 40 percentage points in South Asia. In over 30 developing countries, government debt exceeded 80 per cent of GDP in 2022. Compared to the debt-to-GDP ratio, the ratio between debt and average tax revenue is a better gauge of a government's ability to service its debt (Kose and others, 2017b).[14] This ratio surged in about 90 per cent of developing countries from 2010 to 2021. In the past decade, the share of external debt-servicing payments in government budgets steadily increased. This trend has been pronounced in Africa, where debt servicing on public and publicly guaranteed external debt as a percentage of revenues rose from 3.1 per cent in 2011 to 10 per cent in 2021 (figure II.11). This substantial growth in debt, together with the climbing share of external debt, made countries more vulnerable to interest rates increases and the appreciation of the dollar.

In several countries, debt-servicing burdens have ballooned since 2019 (figure II.12). In 2022, debt servicing accounted for more than 25 per cent of government revenue in eight developing countries. For Sri Lanka, it reached nearly 80 per cent of government revenue.

14 In fuel-exporting developing countries with extremely low tax rates (for example, in Western Asia), this indicator is of limited value.

Figure II.12

Debt servicing as a share of government revenue, 2019 and 2022



Source: UN DESA, based on data from the IMF World Economic Outlook database, October 2022.

A combination of shrinking primary fiscal balances, rapidly rising interest rates, slowing economic growth and exchange rate depreciations not only constrains fiscal space in many developing countries but also exacerbates their debt sustainability risks.

Growing external financing needs

Amid soaring energy prices, the current account deficits of commodity-importing countries deteriorated sharply in 2022. Increasing interest rates and exchange rate depreciations also contributed to worsening current account deficits. As many as 30 developing countries – including many least developed countries and small island developing States – recorded a current account deficit of more than 10 per cent of GDP in 2022. These deficits add to short-term financing needs. Since 2019, many commodity-importing countries have seen a significant increase in gross external financing needs, generally defined as the sum of the current account deficit, short-term debt and amortization of medium- and long-term debt (figure II.13). External debt repayments, the principal and interest, now represent the largest share of external financing needs in many countries. In essence, most developing countries are incurring more external debt to service their existing external debt.

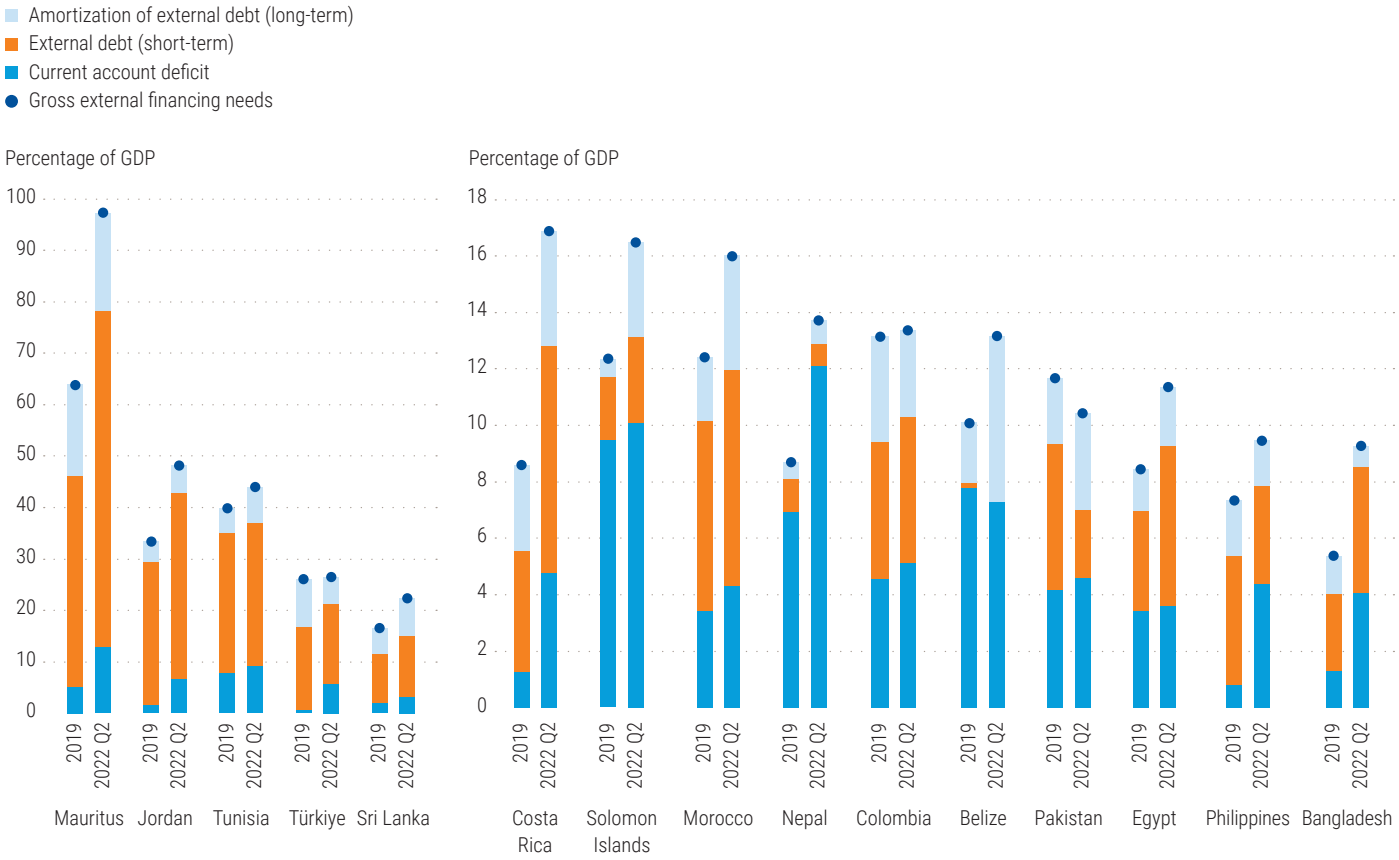
Weak economic growth is worsening debt sustainability, pushing many countries to the brink of default. As of 30 September 2022, 37 out of 69 countries covered by the Debt Sustainability Framework for Low-Income Countries were in debt distress or at high risk of experiencing debt distress (IMF, 2022d).[15] Debt vulnerabilities have also been rising in many middle-income countries with market access. Jensen (2021) classified 72 out of 120 developing countries as vulnerable, with large debt overhangs that will entail significant economic and development costs.

In Africa, after the surge of Eurobond issuance in the mid-2010s, many debtor countries will face maturity walls in 2024 and 2025 (figure II.14). Higher interest rates, weaker domestic currencies and tighter global liquidity will make it more difficult or costly for many Governments to refinance or roll over debt, adding fiscal consolidation

15 Under the joint World Bank-IMF Debt Sustainability Framework, countries in debt distress are those that are "experiencing difficulties in servicing their debt, as evidenced, for example, by the existence of arrears, ongoing or impending debt restructuring, or indications of a high probability of a future debt distress event" (IMF, 2021a).

Figure II.13

Gross external financing needs in selected countries



Source: UN DESA, based on the World Bank's International Debt Statistics and Quarterly External Debt Statistics database, and the IMF World Economic Outlook database, October 2022.
Note: Amortization of external debt (long-term) covers principal repayments on external debt that is public, publicly guaranteed and private non-guaranteed.

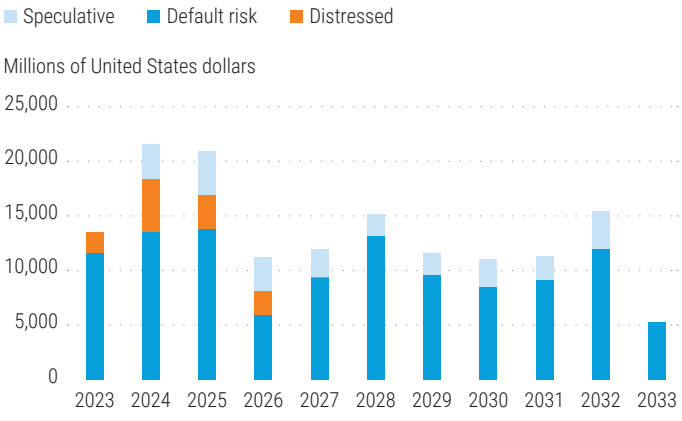
pressure. Some developing countries would need meaningful restructuring and reduction of their external debt to meet their financing needs, stimulate their economies and avoid debt defaults.

Avoiding fiscal austerity

The current period of high inflation and large fiscal deficits has renewed calls for reducing public spending and deficits. These calls maintain that fiscal tightening can help cool inflation and diminish public debt (Adrian and Gaspar, 2022) while fiscal deficits almost always lead to higher inflation (Friedman, 1963). During the previous period of high inflation in the 1970s and early 1980s, many economists espoused the virtues of a minimalistic State, arguing that

Figure II.14

African sovereign Eurobond maturities, by credit risk rating



Source: UN DESA, based on data from Bloomberg.
Note: Default categories are based on ratings by Fitch and Standard & Poor's. Double B ratings classify as speculative, single B ratings as default risk and ratings below single B as distressed.

excessive government spending causes high inflation. According to these perspectives, if public expenditures exceed public revenues, the gap is financed by printing money. Fiscal deficits almost always increase money holding, which leads to "too much money chasing too few goods" (Sargent and Wallace, 1981; Ljungqvist and Sargent, 2000).

The "fiscal cause" perspective of inflation is particularly dominant when it comes to explaining and taming inflation in developing countries (Alesina and Drazen, 1991; Calvo and Vegh, 1999). These views generally hold that reducing fiscal deficits – embracing fiscal austerity[16] – is the best solution for reducing inflationary pressures.

Empirical evidence on the impact of fiscal deficits on inflation is inconclusive. Blanchard and Fischer (1989, p. 513) noted, "A common criticism of this stress on budget deficit is that the data rarely shows a strong positive association between the size of budget deficit and the inflation rate." Causality can also run in the opposite direction, with higher inflation leading to higher deficits through nominal increases in fiscal outlays and commensurate declines in tax revenues (Dornbusch and de Pablo, 1990).

Proponents of fiscal restraint further argue that excessive public spending is inflationary and bad for economic growth. If the government spends too much, it will have to pay back its debt with interest, resulting in higher interest rates, lower investment and lower growth.[17] Alesina and Perotti (1995) and Guajardo, Leigh and Pescatori (2014) assert that reduced government expenditures can lead to lower levels of debt and higher growth.

Others have contended that large public spending is not only necessary but an imperative to reduce economic slack and stimulate aggregate demand in the economy (DeLong and Summers, 2012). Blanchard and Perotti (2002) show that government spending has a positive effect on output while tax increases can negatively affect output.

Further, there is increasing evidence of the detrimental effects of fiscal austerity on short- and medium-term growth and employment (Blyth, 2015). In response to the global financial crisis, many governments in developed countries cut fiscal expenditures before their economies had fully recovered, under the expectation of "expansionary fiscal austerity" (Alesina and Ardagna, 2013). Public spending cuts were thought to increase business and consumer confidence, boosting private investment and consumption and, consequently, economic growth. In reality, the cuts negatively impacted economic output for several years, particularly in some euro area economies. As output was permanently affected, attempts to reduce public debt through expenditure cuts and tax hikes were ineffective, illustrating the persistent effects of fiscal shocks and the potentially self-defeating nature of fiscal consolidations (Fatas and Summers, 2018).

During the Asian financial crisis from 1997 to 1998, IMF assistance to countries such as Indonesia, the Republic of Korea and Thailand came with strict conditionalities, including sharp cuts in fiscal outlays. The Government of Indonesia, for example, was required to reduce fuel subsidies by raising domestic fuel prices. As a result, fuel prices skyrocketed by 71 per cent in just six months in 1998 (Sijabat, Wee and Suhartono, 2022), leading to mass protests and a political crisis. Price subsidies for rice, flour, sugar and soybeans, which constituted a large part of the consumption basket of the poorest households, were also reduced or eliminated (IMF, 1998b), which worsened food insecurity

16 While there is no clear definition of fiscal austerity, the literature uses different approaches to define fiscal consolidation or fiscal adjustment episodes. A conventional way to define fiscal consolidation is based on the cyclically adjusted primary budget balance (CAPB). Alesina and Ardagna (1998), for example, argue that a fiscal adjustment materializes in a specific year if the change in the CAPB-to-GDP ratio is greater than or equal to 2 percentage points, or if there is a two-year consecutive improvement in the CAPB of at least 1.5 points per year. Given the endogeneity problems associated with the use of the CAPB, other approaches identify exogeneous adjustments in taxes and government spending by reviewing historical policy documents. Guajardo, Leigh and Pescatori (2014), for example, seek to determine whether discretionary changes in taxes and government spending were motivated by a response to the business cycle or not.

17 The Congressional Budget Office in the United States estimates that for every $1 of new borrowing from the Government, total investment falls by 33 cents. An additional 24 cents of the investment returns materializes abroad (Huntley, 2014).

and poverty. Fiscal adjustments aggravated the crisis, exacerbating job losses and firm bankruptcies (Ito, 2007; Lee, 2017).[18]

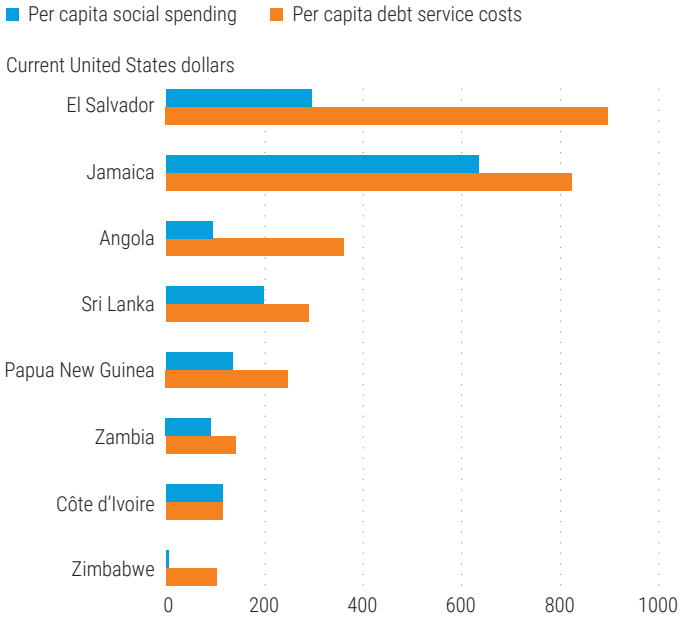
Many developing countries have experienced the adverse effects of fiscal consolidations implemented in response to crises, such as the Latin American debt crisis of the 1980s and the Asian financial crisis. While fiscal adjustment programmes can take the form of public expenditure cuts or tax hikes, they have typically included cuts to social services, mental and physical health care, public housing and transfer programmes (Armingeon, Guthmann and Weisstanner, 2014; Lahiani and others, 2022). These measures have adversely affected sustainable development in several ways, causing spikes in poverty and inequality.

Fiscal consolidation episodes, particularly those based on expenditure cuts, have been strongly associated with a deterioration in human development, as measured by the United Nations Human Development Index (Agnello and others, 2018). Spending-based fiscal consolidations have been associated with higher poverty headcounts and poverty gap rates as well as greater income inequality in the short and medium term (Stubbs and others, 2021; Cardoso and Carvalho, 2022). More broadly, fiscal consolidations have reduced the redistributive role of fiscal policy (Jalles, 2017),[19] implying that, in many cases, public expenditure cuts affect the most vulnerable segments of the population.

The current pressures for fiscal retrenchment in developing countries will likely impose further stress on social spending. In many economies, resources for social spending were under severe strain even before the pandemic. Debt service costs, for example, exceed combined spending on social protection, health and education in many countries, severely hampering progress on the SDGs (figure II.15). According to Muchabaiwa (2021), debt-servicing costs eat up more than 20 per cent of total government revenue in many African countries.

Figure II.15

Debt service and social spending in selected economies, 2019



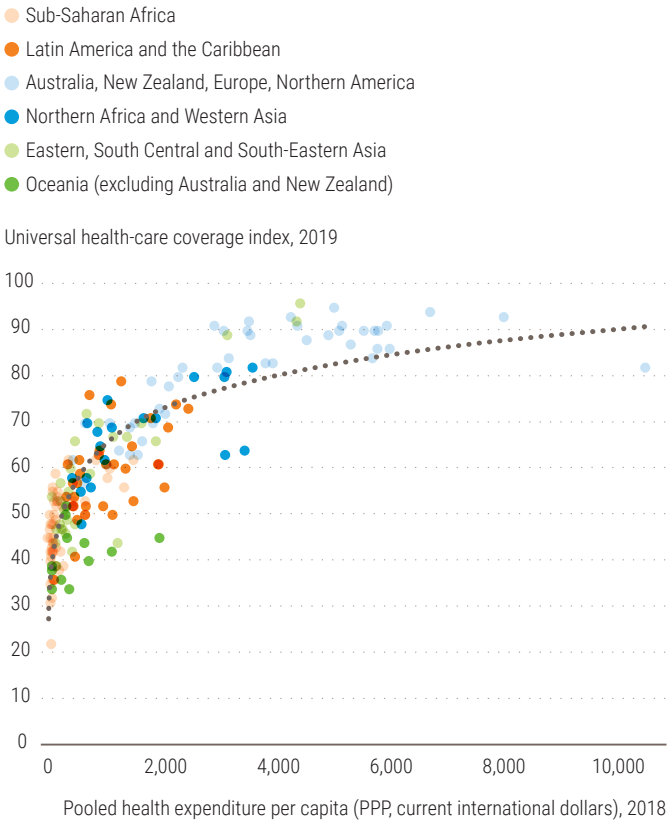
Source: UN DESA calculations, based on data from the World Bank's International Debt Statistics and Government Spending Watch.
Note: Social spending comprises actual and planned government spending commitments for education, health and social protection.

In health care, public spending cuts typically restrict health coverage and disproportionately affect women, children and vulnerable groups. Evidence shows that health coverage correlates with health spending per capita, although the relationship is not linear and varies at different levels of health spending (figure II.16). The negative effect of spending cuts on health coverage is particularly strong in countries with lower levels of health spending per capita (up to $2,000 PPP). Spending cuts therefore can have particularly significant consequences in poorer countries (UN DESA, 2021). Health coverage, in turn, is associated with health outcomes, including life expectancy. For low-income countries lagging on health coverage, an improvement to the seventy-fifth percentile value of their income group would imply an estimated average increase in life expectancy of 3.4 years (Garcia-Escribano, Juarros and Mogues, 2022).

18 More broadly, procyclical fiscal policies in Africa and Latin America were associated with low long-term growth rates (Ocampo and Vos, 2008).
19 Recent evidence from developed economies also shows the association of fiscal consolidation with a rise in income inequality (Agnello and Sousa, 2014).

Figure II.16

Health coverage relative to health spending per capita



Source: UN DESA, based on data from Universal Health Coverage Collaborators (2020) and the World Bank's World Development Indicators database.
Note: The effective coverage index results from weighting 23 coverage indicators. Pooled health spending per capita includes domestic general government health expenditures, domestic private health expenditures and external health expenditures (all measured in PPP, current international dollars). The country groupings differ from the WESP groupings.

Given the interlinked nature of the SDGs, government spending changes in one area strongly affect other areas. Lower health spending, for example, impacts public health outcomes and may push households into poverty and hunger, with cascading effects on education and learning.

Growing evidence affirms that fiscal consolidation measures are not gender neutral and disproportionately hurt women (ILO, 2014; Elson and Seth, 2019). In many cases, public budget cuts reduce or eliminate programmes and social services that benefit women more than men, including housing, child and disability benefits. Consequently, women suffer losses in income, restricted access to services, and increased unpaid work and time poverty (ActionAid, 2019). Since they are more engaged in informal work and self-employment, women are also more vulnerable to prolonged recessions stemming from austerity policies.

Matos de Oliveira and Alloatti (2022), for example, show how austerity measures in Brazil after 2016 severely affected the Programa Bolsa Familia. The program prioritizes women as beneficiaries of cash transfers, with significant cascading effects on children's nutrition and school attendance. Muchhala, Castillo and Guillem (2022) assess the impact of fiscal adjustment in Ecuador, which in 2020 entered into an IMF agreement under the Extended Fund Facility. Austerity measures in the health sector contributed to overburdened health personnel, mostly women, and restricted access to sexual and reproductive health services. Public spending cuts may also affect financial management processes that advance gender equality, such as gender-responsive budgeting instruments.

Aggressive fiscal consolidation in the aftermath of economic crises tends to prolong recessions and exacerbate damage to employment. Carrière-Swallow and others (2018) find that in a sample of 14 Latin American countries, a fiscal consolidation of 1 per cent of GDP came with an increase in the unemployment rate of 0.3 percentage points over a two-year horizon. In Greece, the sovereign debt crisis and subsequent strict austerity measures between 2010 and 2014 left a legacy of high structural unemployment. Unemployment jumped from 7.8 per cent in 2008 to 26.6 per cent in 2014 and remained at about 12 per cent in 2022.

In the last decade, the growing consensus that austerity undermines economic growth and labour market recovery led the IMF to a more balanced institutional view on the issue. While IMF emergency support that is free of conditionalities is in principle available in times of crises, however, countries often cannot access these funds. Both the size and duration of rapid financing from the IMF are limited. The funding commitment from the

Rapid Credit Facility and the Rapid Financing Instrument – the IMF's two emergency lending windows – has amounted to just about $30 billion since 2020, far below the immediate external financing needs of low- and lower-middle-income countries. Actual amounts disbursed are significantly smaller, with funds usually provided in tranches over several years. In a comprehensive assessment of conditionalities on IMF programmes between 2001 and 2018, Ray, Gallagher and Kring (2020) found no major change in the level of fiscal consolidation required by the IMF since the global financial crisis.

During the COVID-19 pandemic, frequent calls for fiscal tightening came during the early stages of recovery, when such tightening would have been premature in the sense of delaying a full and inclusive recovery.[20] Recent analysis from Oxfam shows that 87 per cent of the 130 COVID-19 loans negotiated between the IMF and 90 national governments as of March 2022 indicate plans for strict fiscal tightening measures as the crisis abates (Oxfam, 2022). The IMF has also advocated fiscal tightening to ease the pressure on monetary policy and interest rates and ensure financial stability, arguing that: "Fiscal responsibility—or even consolidation where needed—demonstrates that policymakers are aligned against inflation" (Adrian and Gaspar, 2022).

Exploiting large fiscal multipliers

In times of crisis and uncertainty, risk-averse households and businesses tend to cut spending. Increased public spending can offset the macroeconomic impact of reduced private consumption and business investment. It follows that large output gaps – as are prevalent during and immediately after economic shocks – typically correlate with large fiscal multipliers. The fiscal multiplier measures the impact of discretionary fiscal policy on output, defined as the ratio of a change in output to an exogenous change in the fiscal deficit for a given time horizon with respect to baseline projections. The fiscal multiplier thus measures the effect of a $1 change in public spending (or in tax revenues) on the level of GDP during a period of one to three or four years. Empirical estimates of spending and tax multipliers vary significantly, depending, for example, on the sample period, country characteristics and estimation technique. One-year spending multipliers are often estimated to range from 0.3 to 0.7, increasing to about 1, or higher, after two or three years (Mineshima, Poplawski-Ribeiro and Weber, 2014; Batini and others, 2014).

Importantly, estimates consistently show that fiscal multipliers are particularly large in times of economic slack (Raga, 2022; Koh, 2017). When there are spare capacities, strong public demand does not crowd out private demand. Government intervention can thus be a powerful tool to reinvigorate growth and support recovery. Tighter liquidity constraints and lower automatic stabilizers in developing countries suggest that multipliers could be particularly high in times of slack. Analysing output trends in the United States, Auerbach and Gorodnichenko (2015) find that a $1 increase in government spending raises output by about $1.50 to $2 during recessions and by only about $0.50 during economic expansions.

In a comprehensive meta-regression analysis, Gechert and Rannenberg (2018) show that cumulative public spending multipliers are above 1 as well as 0.7 to 0.9 units higher during a downturn than in normal conditions (figure II.17).[21] Batini and others (2014), using a broad-based meta-analysis, also find that fiscal multipliers tend to exceed 1 in downturns. They show that fiscal multipliers increase more during recessions than they decrease during expansions due to asymmetric supply constraints.[22]

20 In the aftermath of the global financial crisis, while the United States maintained an accommodative fiscal stance, a number of EU countries implemented premature austerity measures, dragging their economies back into recession.

21 Riera-Crichton, Vegh and Vuletin (2015) demonstrate that estimates of fiscal spending multipliers in expansion and recession could yield biased results. To prevent this, it is critical to consider whether government spending is increasing or decreasing. In OECD countries, the "true" long-run multiplier in times of economic slack and government spending going up turns out to be 2.3 compared to 1.3.

22 With a negative output gap, an increase in public demand does not crowd out private demand. In an upturn, productive capacity constrains the impact.

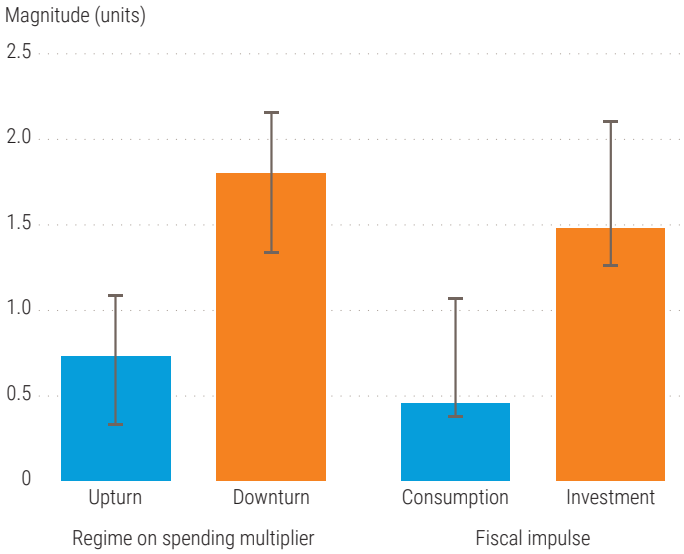
Public investment tends to have larger multipliers than public consumption (Gechert and Rannenberg, 2018) (figure II.17). Public investment not only boosts short-term aggregate demand but also stimulates capital formation, expanding productive capacities and lifting potential growth. As such, public investment is critical to mitigate scarring effects from the pandemic. This has been repeatedly observed in previous crises, with many economies experiencing weak recoveries and growth rates well below pre-crisis trends (Cerra and Saxena, 2008). The positive effects of public investment on long-term growth are particularly strong when there is a crowding in of private investment and when sectors with large infrastructure gaps and positive externalities, like education, digitalization and the green economy, are prioritized. Furthermore, in times of elevated uncertainty, strategic public investment plans may have even larger effects on output and private investment. Public investments can shape expectations and reduce uncertainties that delay decisions by generating "wait and see" behaviours among firms and consumers (Gbohoui, 2021).

Empirical studies consistently show that public investment has higher multipliers than other expenditure categories in developing countries, with values often well above 1 (Batini and others, 2014; Ilzetzki, Mendoza and Végh, 2013; Gechert, 2015). This suggests that public investments increase aggregate demand and lift short-term expectations due to improved productive capacities and potential growth. In a comprehensive meta-analysis, Gechert (2015) shows that public investment multipliers are about 0.5 units higher than general consumption multipliers. Moreover, estimates for public investment multipliers during downturns are particularly high, above 2.

The composition of fiscal expenditures therefore plays a critical role in the design of fiscal plans to support economic growth. Large-sample, cross-country studies indicate that the positive short- and medium-term impacts of public investment on output, employment and private investment tend to be higher in times of economic slack

Figure II.17

Fiscal multipliers by economic regime and government impulse



Source: UN DESA, based on Gechert and Rannenberg (2018).
Note: Gechert and Rannenberg (2018) conducted a meta-regression analysis of fiscal multiplier estimates from a broad set of 98 empirical studies. The data set provides a sample of 1,914 observations of fiscal multiplier values. Bars show baseline estimates; lines display the range of estimates across model specifications.

(Furceri and Li, 2017). For example, in South Asian economies, public investment multipliers were larger than public consumption multipliers, particularly in recessions (Hayat and Qadeer, 2016). In small economies in Africa, Asia and the Caribbean, public investment has been a potent instrument to boost medium-term output (Alichi, Shibata and Tanyeri, 2019). Further, a nascent literature suggests that green public investment displays high multipliers, well above those for non-green public investments (O'Callaghan, Yau and Hepburn, 2022). Fiscal multipliers, for example, range between 1.1 and 1.5 for renewable energy investments, far above the 0.5 to 0.6 estimated for fossil fuel energy investment, which provides a strong justification for increased public investments in renewable energy (Batini and others, 2021).

Governments can contain the impact of public expenditures on inflation by prioritizing public investments in specific sectors. By expanding productive capacities, public investments can lessen supply-side constraints, helping to

reduce inflationary pressures in the medium term. Strengthening productive capacities can also improve tax revenues and thus fiscal sustainability. Recent empirical studies indicate that prices do not necessarily increase in response to a fiscal expansion, given substantial effects on the supply side and total factor productivity (Jorgensen and Ravn, 2022). Kandil and Morsy (2009) show that public investments helped ease supply-side bottlenecks, reducing inflationary pressures in Kuwait, Oman and the United Arab Emirates.

Inflation can temporarily reduce real domestic debt

The current period of elevated inflation should not deter developing countries from providing much needed fiscal support for the recovery. While inflation erodes the purchasing power of households, it can temporarily create room for additional fiscal spending. First, inflation lowers the real value of public debt denominated in domestic currency. Second, higher inflation lifts nominal GDP, which reduces the ratio of public debt to GDP. As Blanchard recently noted, "Unexpected inflation, combined with low nominal rates, does wonders for debt dynamics" (Fairless, 2022). In the United States, public debt declined to about 123 per cent of GDP at the end of 2021, from 136 per cent in the middle of 2020, although fiscal deficits rose during the same period. This marks a net transfer from the holders of United States Government bonds to taxpayers. Governments in developing countries with strong institutional credibility may temporarily benefit from this mechanism. But if higher inflation expectations become entrenched, any positive effects of inflation on the debt-to-GDP ratio and fiscal space can quickly dissipate. Longer-term efforts to "inflate" debt away are generally doomed to fail.

Continued fiscal support to stimulate recovery

Governments in developing countries will need to provide continued support to the economic recovery, cushion the impact of the current crises, especially on vulnerable groups, and scale up public investment for sustainable development, including in health, education, social assistance, sustainable infrastructure and the energy transition. Governments must also ensure debt sustainability and avoid a debt crisis amid tightening external financing conditions.

In the short term, several policy options can help developing country governments to expand fiscal space and maximize positive impacts on economic growth and sustainable development. First, governments will need to reallocate and prioritize public expenditures for targeted interventions that support vulnerable groups. Second, governments will need to shift public investments towards sectors with large multipliers. Third, there should be increased efforts to expand the revenue base and improve tax collection, for example, through digitalization and the use of new technologies and, where needed, reforms in governance. A robust path towards growth and fiscal sustainability can crowd in investments from the private sector. Fourth, comprehensive and more consistent global efforts are needed to improve access to timely, low-cost funding for developing countries. Finally, international efforts should reduce debt burdens and massively scale up the financing of global public goods.

Protecting the most vulnerable

The current shock underscores the importance of establishing or strengthening social protection, particularly safety nets, which facilitate targeted and temporary cash transfers to vulnerable households. Without social safety nets, low-income countries must rely on costly, untargeted measures, including direct subsidies, the reduction of customs duties and price freezes. Most developing country governments have been implementing fiscal measures to protect the most vulnerable population groups. According to a recent IMF survey, 45 out of 103 emerging and low-income developing economies announced at least one measure in

2022 to mitigate the social and economic impact of higher food and energy prices. The median fiscal cost of such measures is estimated to be about 0.6 percent of GDP, adding further fiscal pressures in many developing countries (Gaspar and others, 2022).

The costs for compensating the poorest households for food price increases would amount to $5.1 billion to $7.2 billion in 2022 in the 48 countries experiencing the most severe food insecurity (Rother and others, 2022). Moreover, completely eradicating acute food insecurity would require about $50 billion between June 2022 and June 2023. In 2022, 23 countries imposed export bans and another 7 enacted export limits to contain domestic food price inflation (World Bank, 2022c).

As developing countries generally lack strong social protection and automatic stabilizers, discretionary fiscal support becomes critical during crises. Many developing country governments implemented broad-based as well as targeted cash transfer programmes in 2020 and 2021. Brazil's Emergency Aid initiative, for example, covered almost one third of the population, including 90 per cent of households in the bottom 40 per cent of the income distribution. Cash transfers were more than half of the national minimum wage. Nigeria and Togo used cellphone and satellite data to target emergency cash transfers, while Indonesia and Thailand created websites to attract and register beneficiaries (IMF, 2022e). Many developing countries will need to extend these fiscal measures – including direct and targeted cash transfer programmes – beyond 2022 to protect the most vulnerable populations.

Cash transfer systems saw many innovations, with a shift towards higher usage of mobile money (Bowen and others, 2020). Different types of mobile payments have been set up to deliver cash assistance directly into bank accounts or mobile wallets in Ecuador, Kenya and Thailand. These e-payment options have clear advantages over manual transfers in terms of speed, targeting and accuracy.

Increased and sustained fiscal support is now needed to limit damage from the food security crisis as the cost of living is becoming unbearable for millions of low-income households. As such, countries need to further strengthen social protection systems, ensuring continued support through temporary subsidies, vouchers, discounts on utility bills and cash transfers, which can be complemented with reductions in consumption taxes or customs duties. Given narrowing fiscal space, measures need to target vulnerable groups, which tend to have a high marginal propensity to consume. To this end, governments may need to restructure and reallocate resources to meet the most pressing needs. The Government of Indonesia, for example, is reallocating about 5 per cent of its fuel subsidy budget, which tends to disproportionately benefit higher-income groups, towards increased social spending, including cash transfers that target low-wage workers and more than 20 million low-income households (Cabinet Secretariat of the Republic of Indonesia, 2022). Phasing out inefficient and regressive fossil fuel subsidies is also part of efforts to implement the United Nations Framework Convention on Climate Change and the Paris Agreement as agreed at the twenty-seventh Conference of the Parties (COP27) in late 2022 (UNFCCC, 2022).

Spend better, spend more

Developing countries need to explore innovative policies to support output, income and employment without further adding to inflationary pressures. Policy options broadly fall into two categories: "spend better" and "spend more". The first category includes measures to improve the quality and efficiency of government expenditures within existing fiscal space. The second category comprises efforts to expand available fiscal space, primarily by strengthening government revenues. Ultimately, while the appropriate combination of domestic fiscal policy measures depends on the specific circumstances of a country, broad parameters can be defined as a framework for creating fiscal space to invest in the SDGs.

Governments will need to strike a balance between emergency spending to protect the most vulnerable population groups and development spending to expand the productive capacity of their economies. There is no blueprint for striking this balance, which depends on national economic circumstances and specific financing needs and gaps. At the same time, governments also need to remain committed to a countercyclical fiscal stance and, more broadly, responsible governance.

To effectively use available fiscal space, governments will need to reprioritize expenditures, focusing on activities and projects with large and persistent multiplier effects. By increasing public investment in productive capacities, for example, in sustainable infrastructure or green technologies, governments can stimulate short-term output while also lifting the country's growth potential and the future revenue base. This would improve debt sustainability, creating additional fiscal space going forward (IMF, 2018). Amid elevated uncertainty, strategic public investment can also crowd in private investments. This requires adequate institutional frameworks to effectively match public investments with development needs and coordinate and implement capital expenditures efficiently. Moreover, targeted investments can also help increase supply, reducing bottlenecks and inflationary pressures.

Governments also need to prioritize domestic resource mobilization. Tax-to-GDP ratios have often failed to increase since the global financial crisis, remaining at a very low level in most least developed countries (United Nations, 2022d). In the current environment, where households and firms are struggling with rapidly rising costs, especially for energy and food, raising tax and non-tax revenues in the short term is difficult. Eliminating loopholes and improving tax administration capacities, however, including through digital transformation, are still viable options for many governments. In the medium term, the objective must be to broaden the tax base and shift towards direct and progressive taxes.

Amid waning fiscal space, governments can also pursue additional measures that can reduce expenditures and free up resources. For example, pandemic-induced work-from-home policies and the digitalization of services diminished operational expenses, including for travel, labour, office space and maintenance. As pandemic disruptions fade, there could be several areas where cost reductions can be maintained, conditional on preserving service quality and productivity.

Better targeting public investments

Amid an increasingly challenging macroeconomic and financial environment, many developing countries are at risk of entering a vicious cycle of weak investment, slow growth and rising debt-servicing burdens. Any rapid fiscal consolidation, through significant expenditure cuts or tax hikes, would likely push economies into recession or lead to a protracted period of slow growth. This will worsen rather than improve debt sustainability in developing countries. Fiscal efforts should instead be aimed at expanding an economy's productive capacity and lifting potential growth, which will improve the ability of governments to pay back debt. Enhanced, more efficient and well-targeted public investment can crowd in private investment, setting in motion a virtuous cycle of investment-led economic growth and recovery.

Public investments will need to prioritize and better target education, health, digital infrastructure, new technologies and the green economy. Addressing infrastructure gaps and bottlenecks, for example, can entail large social returns and support productivity gains. China recently announced that it would make 6.8 trillion yuan (about $1 trillion) available to boost public infrastructure investments, which grew by 7.4 per cent during the first seven months of 2022. China has issued 3.45 trillion yuan in special bonds to finance these investments. Chile has replaced its Temporary Emergency Fund with a $1.84 billion Infrastructure for Development Program, with a goal to boost

public investment by 30 per cent in 2023. Updated public investment rules, instructions and procedures will expedite implementation of infrastructure and development projects.

Many developing countries do not have domestic capital markets that are large enough to raise money for major public investments. Bank credit, which is often the key source of domestic finance for governments, tends to be short term, which is not suitable for financing long-term development projects. Governments in developing countries will need to use resources in public pension and insurance funds and increase intragovernmental borrowing to meet some financing needs for boosting public investments. In the longer run, the regional integration of capital markets offers substantial benefits. Deeper and more liquid markets provide firms with better access to competitive funding sources. The East African Community countries, Burundi, Kenya, Rwanda, Uganda and the United Republic of Tanzania, recognize this potential, for example.[23]

Public investments can also facilitate the adoption of new technologies, supporting productivity growth in small and medium-sized enterprises, increasing Internet access and usage by disadvantaged groups, and closing digital divides. In fact, major gaps in communication networks continue to constrain the potential of digital technologies, most notably in the least developed countries. As witnessed during the pandemic, the digital divide in access and use reinforces pre-existing socioeconomic inequalities.

Public investments in new technologies and digitalization can also improve the delivery of social assistance, making support measures more targeted and effective. The challenges resulting from the pandemic prompted many innovations. Guatemala, Nigeria, Pakistan and Togo, for example, experimented with new data-driven methods to identify and expand eligible beneficiaries and deliver emergency cash programmes (Gentilini and others, 2020).

Governments also need to scale up spending on climate change mitigation and adaptation. Public investments that favour the green transition can support growth due to its high multiplier effects. At the same time, such investments help reduce carbon dioxide emissions and strengthen resilience to climate change, generating significant positive externalities that are not adequately captured in current cost-benefit assessments. Natural disasters are an important driver of public debt, especially in climate vulnerable countries. Mohan and Strobl (2021), for example, find that in Caribbean countries, tropical storms have resulted in significant increases in debt due to higher government expenditures. Financing the energy transition remains a huge challenge that requires the mobilization of massive public and private resources. The Just Energy Transition Partnership agreements established between Indonesia and South Africa and a group of leading major economies provide a roadmap for investment plans containing a mix of grants, concessional loans, market-rate loans, guarantees and private investments that mobilize public and private financing.[24]

A number of developing countries are prioritizing green investments to support pandemic recovery. Samoa, a country highly exposed to natural hazards, is implementing its second nationally determined contribution to mitigate climate change effects and enhance its commitments under the Paris Agreement. The strategy includes the expansion of renewable energies, incentives for the use of fuel-efficient vehicles and targeted green public infrastructure projects (IMF, 2022f). While Samoa has made progress in securing climate financing from donors, significant financing gaps remain (Kinoshita and others, 2022). Many other countries are exploring a variety of mechanisms to finance the green

23 Biau (2018) presents and discusses options for common capital market infrastructure in East Africa.

24 See Indonesia's Just Energy Transition Plan (available at https://ec.europa.eu/commission/presscorner/detail/en/statement_22_6892) and the update on South Africa's Just Energy Transition Partnership (available at https://ukcop26.org/12-month-update-on-progress-in-advancing-the-just-energy-transition-partnership-jetp/).

transformation of their economies, including carbon taxes, private-public partnerships and green bonds (ADB, 2020).[25]

Expanding the revenue base

Strengthening government revenues and the capacity to mobilize domestic resources are critical to expanding fiscal space in developing countries, especially in view of expenditure needs for the SDGs. As economic activity continues to recover from the pandemic, countries need to gradually normalize tax collection. Many countries have introduced extensions for filing taxes (e.g., Botswana, India and Nigeria) while others have temporarily suspended penalties and interest charges (e.g., Bangladesh and India) (Megersa, 2020). Bangladesh and Egypt introduced provisional tax changes, including reductions in tax rates, to manage the crisis. These temporary measures can be removed to create fiscal space. Yet governments need to carefully calibrate the process and remove tax cuts gradually, starting with sectors that have recovered faster before moving to those reviving at a slower pace.[26]

Tax revenue collection can benefit significantly from digitalization. The COVID-19 pandemic fostered digitalization in many aspects of the economy, including public sector operations. Increasing use of digital tools can help lower informality while also reducing tax avoidance and tax evasion (Yamen and others, 2022). In many countries, tax evasion significantly constrains fiscal space. In Latin America and the Caribbean, for example, non-compliance with value added and income taxes accounted for an estimated 6 per cent of regional GDP in 2018 (ECLAC, 2020).

The introduction or expansion of electronic invoicing and digital platforms in tax administration helps encourage compliance. Ghana's mid-term review of its 2022 budget includes a proposal to digitalize the collection of value added tax and non-tax revenues (KPMG, 2022a). In Benin, improvements in tax collection have come through the digitalization of tax and customs administration, including the introduction of e-services for medium-sized and large firms and electronic invoicing machines for value added tax payments (IMF, 2022g). Another area to expand fiscal space relates to government revenue losses from tax exclusions, exemptions, deductions, credits, deferrals and preferential tax rates. In many cases, tax expenditures are inefficient, affect the progressivity of the tax system and contribute to significant loss of potential fiscal revenues. On average, tax expenditures in Latin America and the Caribbean generate revenue losses of about 3.7 per cent of GDP (ECLAC, 2019).

There are also discussions on raising tax revenues and committing to future tax increases to guarantee the repayment of current debt issuance, which can help to reduce borrowing costs. Uganda, for example, has introduced a new Domestic Revenue Mobilization Strategy with a focus on improving tax collection through enforcing compliance rather than introducing new taxes. This strategy is used for income and value added taxes (KPMG, 2022b).

In the medium term, developing countries need to make concrete efforts to strengthen fiscal revenues through income and wealth taxes, thus increasing the progressivity of tax systems. These reforms can support economic growth, bolster the redistributive role of fiscal policy and contribute to a more inclusive development trajectory. Chile and Colombia, for example, are currently attempting to implement ambitious tax reforms in that direction. The reforms, which are still under discussion, seek to raise taxes for high-income earners, introduce wealth taxes, reduce exemptions and implement measures to reduce tax avoidance and evasion.

25 In the Philippines, the "Build, Build, Build" programme prioritizes infrastructure investments with specific green transition plans, like non-motorized alternatives for commuter travel. Cambodia, Indonesia, Malaysia, Thailand and Viet Nam are also developing national plans to boost the green economy by mobilizing different sources of financing.

26 Some countries are still extending exceptions due to the weak recovery. These policies are based on extensions of tax reductions inherited from COVID-19 policy responses, for example, in Oman, Thailand and Viet Nam.

Developing countries can explore the possibility of introducing, for example, the land value tax, which most economists consider to be efficient and less distortive than other taxes (Dye and England, 2010). The land value tax can also be an important instrument for redistributing gains and reducing income and wealth inequality.

Looking beyond immediate financing needs and fiscal space, developing countries need to mobilize additional domestic and external resources through innovative means. Monetary, exchange rate, macroprudential and capital account management measures can create more fiscal space. Timely and appropriate monetary and financial responses, for example, can ease the impact of external shocks on the real economy and fiscal positions. In periods of heightened risk aversion, capital flow management measures can help to mitigate large and destabilizing capital flows. This can reduce depreciation pressure on the domestic currency, increasing monetary and fiscal policy space. The IMF's new guidance sees a role for pre-emptive measures not only when capital inflows surge but also at other times (IMF, 2022h).

Enhancing liquidity support

Since the start of the pandemic, the international community has offered financial support with record IMF emergency lending and, in August 2021, a $650 billion special drawing rights (SDRs) allocation – the largest in history – to provide liquidity to the global financial system. Only a small fraction of the SDRs – $21 billion – was allocated to low-income countries, however. The majority of new SDRs was reserved for high-income countries, although some countries have reallocated a share of their SDRs to Africa, led by China, which has pledged $10 billion of its $40 billion allocation to the continent.

The United Nations Economic Commission for Latin America and the Caribbean presented a new liquidity instrument based on the SDRs that would involve a trust fund to support middle-income countries, particularly small island developing States, in their response and recovery efforts (ECLAC, 2021). The trust fund would largely be financed by using SDRs as capital to leverage resources. There are also proposals to use SDRs to capitalize development banks and leverage resources. Given the leverage ratio of multilateral banks, SDR 100 could produce SDR 300 or 400 in investments (Lazard, 2022). Among regional development banks in Latin America and the Caribbean, SDR 100 could generate about SDR 200 in investments. The cost of drawing SDRs sharply increased in 2022, however, with rising dollar interest rates. The IMF SDR interest rate rose from a low of 0.05 per cent in January 2022 to 2.483 per cent on 31 October 2022, with the rate of charge reaching 3.483 per cent. The international community will need to cap SDR interest and charge rates to ensure that the poorest and most vulnerable countries can access the facility to meet near-term financing needs.

Regional agreements have an important role in shielding countries from the adverse effects of tightening international liquidity. Regional financial arrangements, such as the Latin American Reserve Fund, the Chiang Mai Initiative Multilateralization and the South Asian Association for Regional Cooperation are providing short-term financial support, such as liquidity support or exchange rate arrangements, when external financial problems arise. Only a limited number of developing countries can take advantage of this kind of backstopping, however. Just three African countries had access to bilateral swap agreements in 2020 and 2021 and only 10 tapped a regional financial arrangement (North African countries through the Arab Monetary Fund and South Africa through the BRICS Contingent Reserve Arrangement). A total of 43 African countries remained solely dependent on the IMF for liquidity provisions to stabilize their financial and external conditions.

A proposed regional financial agreement in Africa has the potential to create more stable and liquid markets for sovereign bonds. The African Liquidity and Stability Mechanism aims to provide liquidity lines that enhance the quality of African debt. It works by reducing financing costs and decreasing the negative effects

of commodity price volatility on countries' liquidity, complementing global mechanisms such as those provided by the IMF.[27] The facility would require a capital base provided by African countries themselves, akin to other regional financial arrangements, complemented by donor resources, including possibly a reallocation of SDRs. Estimates suggest that $40 billion to $80 billion of callable capital would be sufficient to sustain such a facility (Elbadawi and others, 2022). One component of the African Liquidity and Stability Mechanism is the Liquidity and Sustainability Facility, which seeks to provide market-based solutions to address sovereign debt liquidity challenges. It has just become operational by closing an inaugural $100 million repo transaction at COP27; its performance may provide useful guidance for the future (UNECA, 2022). In the longer term, restructuring and reducing external debt burdens will remain critical for creating fiscal space, enhancing solvency and improving debt sustainability in developing countries.

Improving debt sustainability and reducing debt burdens

Stronger support from the international community can also help create additional fiscal space in developing countries, including through improved access to low-cost financing. This is especially the case for the least developed countries, landlocked developing countries and small island developing States with very limited access to international capital markets. Global and regional mechanisms are required to address the liquidity needs of countries facing growing debt vulnerabilities. In addition, multilateral financing support needs to be scaled up to provide global public goods, especially climate mitigation and adaptation, but also responses to pandemics and other health emergencies.

Elevated levels of public debt do not necessarily trigger debt distress or debt crisis. While external liquidity conditions have tightened in recent months with rising interest rates in the United States, most developing country governments are still solvent. In a recent study covering 38 climate-vulnerable developing countries, Monsod, Majadillas and Gochoco-Bautista (2022) find that projected long-run debt ratios are generally well below the estimated sovereign debt limits, both in low-income countries and market-access countries. Accordingly, most countries should have some fiscal space unless market and institutional challenges prevent the flow of finance to otherwise solvent governments. Governments can face the so-called "financial death trap" when they are pushed into default purely due to a lack of cash on hand. Debt sustainability assessments thus need to be strengthened to better differentiate between illiquid and insolvent sovereigns. Several governments are gaining additional room to maneuver by gradually discontinuing pandemic-related emergency measures. This effect is particularly relevant for middle-income countries, for example, Brazil, Malaysia, Mexico, the Philippines and Türkiye (IMF, 2022i).

As shown earlier, developing countries' debt-servicing burdens rose sharply in 2022 and will likely increase further in 2023, which will severely constrain their fiscal space. A recent study projected that the debt-servicing payments of 48 countries in the Vulnerable Twenty Group would rise to $68.9 billion by 2024, the highest level in the current decade and a more than 10 per cent increase from 2022 (Ramos and others, 2022). In Africa, principal and interest repayments are expected to remain above $100 billion in 2022 and could edge towards $115 billion in 2023 (EIU, 2022). In 2021, African countries spent on average the equivalent of 15 per cent of foreign exchange income on servicing foreign debt. Around one fifth of African countries dedicate 20 per cent or more of foreign-exchange income to external debt

27 The African Liquidity and Stability Mechanism comprises four facilities: a Liquidity and Sustainability Facility (a repo market for African bonds set up in November 2021 by the United Nations Economic Commission for Africa), a Commodity Hedging Facility (to protect countries against fluctuations in global commodity prices by guaranteeing margin calls triggered when prices rise), a Credit Enhancement Facility (to offer partial guarantees on new debt issued) and a Debt Restructuring Facilitation Facility (to introduce a cash element in sovereign debt restructurings to reduce the duration and costs of restructuring negotiations).

servicing. The burden is much larger for several highly indebted countries, such as Mozambique, Namibia and Sudan.

Debt refinancing has become significantly more challenging for some developing countries, especially those with smaller and more vulnerable economies. As many as 20 developing countries are paying more than 10 percentage points over safe-haven United States Treasuries to borrow money on capital markets. Widening sovereign spreads imply that these countries are increasingly unable to refinance their debt obligations. Several countries, including Egypt and Ghana, have reached out to the IMF for funding support.

The G20 launched a debt relief scheme for the world's poorest nations in 2020 but with limited impact. Some elements, such as the Debt Service Suspension Initiative, have expired. The initiative allowed almost 50 low-income countries to suspend $12.9 billion in debt-servicing payments to official creditors in the G20 until the end of 2021. Since many developing countries are in debt distress, the United Nations has called on G20 countries to provide further debt relief (United Nations, 2022e).

The current environment is deepening the challenges for several developing countries. Rising external financing costs are transforming liquidity risks into solvency risks, especially given insufficient access to emergency financing. Debt restructurings and debt relief are, in some cases, urgently needed amid unsustainable debt-servicing burdens, credit rating downgrades due to rising default risks and a lack of access to conventional debt capital markets. These come at a time of growing external funding requirements driven by growing current account deficits (surging import costs amid high structural import needs), soaring external debt servicing given a large share of foreign currency public debt and limited foreign exchange reserve buffers.

Restructuring public external debt would reduce the near-term need for foreign exchange and ease depreciation pressures. Developing countries, especially those facing debt distress, may benefit from pre-emptive restructuring, when there is an expectation that the country may not be able to meet its obligations under current contract terms. Creditors might accept a more reasonable haircut or reduction in the face value of the debt compared to a post-default restructuring (Oxford Economics, 2022). A reorganization could include rescheduling external flows or a more comprehensive restructuring that decreases the principal value of the stock of external public debt.

The increased diversity of creditors generates significant coordination challenges and makes restructurings even more complex. Before the global financial crisis, most low-income countries borrowed mainly from the Paris Club official creditor nations, private banks and multilateral institutions. Today, China and private bondholders (Eurobonds) play a much larger role as creditors. This diversity of creditor compositions requires considering country-specific circumstances and suitable coordination mechanisms that ensure confidence among creditors and debtors.

The G20 Common Framework for Debt Treatments is the main international debt relief mechanism available to International Development Association-eligible countries and least developed countries in debt distress. The framework has fallen short of expectations, however; only three countries have requested debt relief, and none have concluded a restructuring in the over a year and a half after it came into effect. There is broad consensus that the Common Framework is not working, especially in providing pragmatic, swift, comprehensive and forward-looking solutions for all countries facing debt distress or at risk thereof. Such solutions must include a standstill in debt-servicing payments along the lines of the Debt Service Suspension Initiative, engagement of official creditors with the debtor and with private creditors, and a clearly defined restructuring process.

Beyond these immediate measures, an international statutory mechanism for sovereign debt restructuring needs to be established. Absent a statutory framework, a distressed debtor and its creditors negotiate the terms of restructuring based on decentralized market-based instruments, which is often highly inefficient and inequitable, with the holdouts taking advantage of quorum requirements. Protracted debt restructuring negotiations can have spillover and contagion effects and exacerbate the debt sustainability risks of other developing countries facing debt distress. Contagion of debt risks can lead to financial instability and aggravate systemic risks.

There is also scope to improve contracts, for instance, by introducing State-contingent debt instruments that link debt-servicing payments to the capacity to pay based on real-world variables such as GDP, commodity prices or natural disasters such as hurricanes or earthquakes. This would provide breathing space during crises. Enhanced Collective Action Clauses, which allow a supermajority of bondholders to agree to a debt restructuring that is legally binding on all holders of the bond, including those who vote against the restructuring, can help to address coordination problems among private creditors as witnessed during Argentina's 2020 debt restructuring.

Developing countries could also seek debt swaps to reduce their external debt burden and redirect financial resources towards the SDGs (see box II.2). Evidence shows that properly designed debt swaps can create fiscal space that allows recipient countries to provide additional funding for education and other development purposes (UNESCO, 2011). A debt swap happens when debt is reduced in return for the debtor committing to invest in development areas, for example, a project to improve education or the environment. Several debt-for-development swap proposals exist, many of which are related to climate, nature and the environment. Debt-climate swaps could be useful to expand fiscal space for climate investment, especially when conditional grants and restructurings are not available (Chamon and others, 2022).

Innovative financing of global public goods

COP27 announced promising new financing solutions to help vulnerable countries suffering heavy economic losses due to climate change-driven disasters. Developing countries that suffer loss and damage from climate-driven storms, floods, droughts and wildfires will receive compensation from a new fund for climate justice, although several details still need to be hammered out. The Global Shield Financing Facility, hosted by the World Bank, will provide access to disaster risk finance and insurance, uniting fragmented approaches and channelling immediate finance in a more efficient, effective and fast way to those that need it most. The facility is set to be a key financing and implementing vehicle of the Group of Seven (G7) Global Shield against Climate Risks announced in June 2022. A group of over 85 insurers in Africa also pledged to create a financing facility, the African Climate Risk Facility, to provide $14 billion in coverage to help the continent's most vulnerable communities deal with climate-related disaster risks such as floods and droughts.

While these are good starts, they will clearly be inadequate to meet growing financing needs for fighting climate change and accelerating progress towards the SDGs. Given already limited fiscal space and growing financing needs for stimulating recovery and protecting the most vulnerable, developing countries face significant challenges in funding SDG investments. Additional SDG finance needs in developing countries are estimated to amount to about $4 trillion per year (UNCTAD, 2022e; OECD and UNDP, 2021). Needs in developing countries due to the increasing impacts of climate change are currently estimated at $5.8 trillion to $5.9 trillion for the period up to 2030 (UNFCCC, 2022).

A recent report estimates annual investment needs for climate action in developing countries (other than China) of about $1 trillion by 2025 (4.1 per cent of GDP, compared with 2.2 per cent in 2019) and about $2.4 trillion (6.5 per cent of GDP) by 2030 (Songwe and others, 2022). This

Box II.2

Innovative mechanisms to enhance fiscal space and improve debt sustainability in the Arab region

Fiscal stress is high for most Arab middle-income countries facing significant debt burdens and for Arab least developed countries that rely heavily on aid and external debt finance. The high share of revenues required for debt servicing limits fiscal space and expenditures on development needs, especially to address vulnerabilities to climate risks and advance the SDG agenda. In middle-income countries, external debt servicing accounted for about 14 per cent of government revenues and about 18.5 per cent of export earnings in 2021. With rising interest rates, inflationary pressures and the spillover effects of the war in Ukraine on food and energy prices, debt-servicing burdens and budgetary pressures are projected to increase further.

This is particularly a concern in a region facing a dual challenge in climate finance: The quantity and quality or composition of climate finance received do not meet needs and priorities to implement nationally determined contributions under the Paris Agreement. Existing financing flows are unequally distributed among countries in the region, and climate finance mobilization is more difficult for countries facing high fiscal stress and requiring greater concessional and grant finance. The Arab region has received 8.5 times more loans than grants, and adaptation finance has remained less than 30 per cent of total flows even as it is a priority for the region (ESCWA, 2021a).

The United Nations Economic and Social Commission for Western Asia (ESCWA) has developed the "Climate/SDGs Debt Swap – Donor Nexus Initiative" to address the challenge of reducing debt burdens while improving climate finance and accelerating the implementation of the Paris Agreement and the 2030 Agenda (ESCWA, n.d.). The overall aim of the initiative is to reduce external debt-servicing burdens and generate fiscal space for investing in climate action and the SDGs, especially in middle-income countries that do not face unsustainable debt burdens. The initiative targets bilateral creditor countries that are willing to increase their budgetary commitments at least until 2030.

The initiative helps governments to design a climate/SDGs debt swap programme in line with national priorities. It uses an ESCWA-developed key performance indicators framework for monitoring and evaluation to assess impacts at the project and policy levels, reduce transaction costs, increase efficiency and optimize scaling effects (ESCWA, 2021b). Some direct benefits include reducing poverty (SDG 1), improving water availability (SDG 6), increasing renewable energy and energy efficiency (SDG 7), generating jobs and incomes (SDG 8), reducing inequality (SDG 10), taking urgent action to combat climate change in line with national priorities (SDG 13), protecting ecosystems and reversing land degradation (SDG 15) and improving fiscal space for development expenditures (SDG 17).

The initiative uses overarching selection criteria for projects and draws on high-quality expert advice from ESCWA's Advisory Committee on the Climate/SDG Debt Swap. The criteria include: to accelerate climate adaptation and/or mitigation actions; target vulnerable populations and locations to support the achievement of selected SDGs; and scale up long-term finance to improve debt sustainability. Analytical tools such as climate vulnerability analysis and multidimensional poverty analysis help identify impoverished areas and communities that are most vulnerable to climate change and economic shocks.

Unlike recent cases of debt-for-nature swaps in Belize or Seychelles, which have been accompanied by debt restructuring, the proposed climate/SDGs debt swap initiative does not foresee a financial loss for creditors. The swap is preferable to a conditional grant as it can support a given climate expenditure at lower cost to creditors (Chamon and others, 2022).

Several Member States have shown interest in implementing the debt swap initiative, especially Jordan. ESCWA has assisted Jordan to establish a

national interagency taskforce and closely consulted with it to develop a proposal for a debt swap with a list of climate and SDG projects that can have micro- and macro-level impacts. ESCWA is currently seeking support from creditor countries to operationalize the initiative. It is also discussing concrete steps to roll out the initiative with senior government officials in other Member States, including Egypt and Tunisia, building on lessons learned from the engagement with Jordan. Ultimately, success will depend on the support of donor countries and coordination among creditors.

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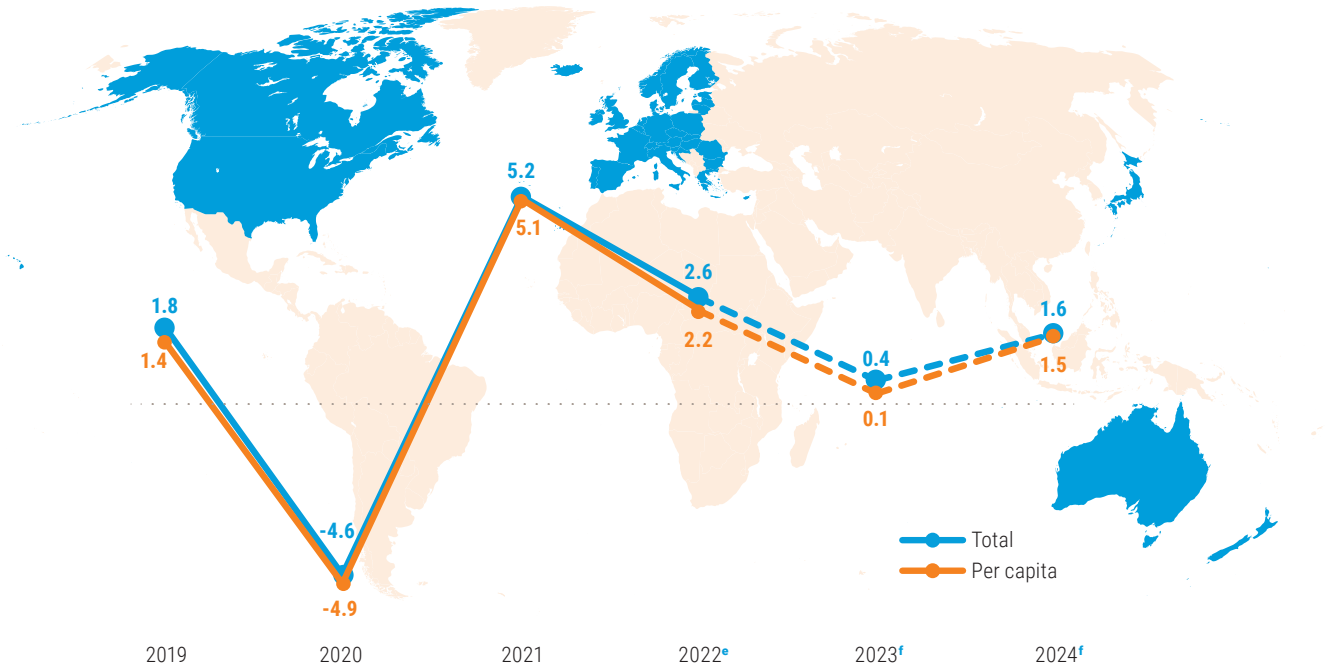
includes expenditures on transforming the energy system, coping with loss and damage, investing in adaptation and resilience, investing in natural capital, and mitigating methanic emissions from fossil fuels and waste. The report notes that about half of required financing is expected to come from local sources, for example, by strengthening domestic capital markets, mobilizing funding from national development banks, improving tax collection and cutting fossil fuel subsidies. Accordingly, there is a projected need for about $1 trillion per year of external finance by 2030. To put this into perspective: The worldwide fiscal response to COVID-19 amounted to approximately $17 trillion (IMF, 2021b). Overall government support for fossil fuels in 51 countries nearly doubled from $362 billion in 2020 to $697 billion in 2021, with a further sharp increase predicted for 2022.[28]

Songwe and others (2022) emphasize the potential to massively scale up private sector finance under the overarching framework of the Glasgow Financial Alliance for Net-Zero. Multilateral development banks can help increase private and public sector investment, including through more effective use of available capital. The report also calls for the mobilization of concessional and low-cost finance by augmenting the use of SDRs for climate finance, tapping carbon markets, creating an international financing facility for climate and leveraging the growing flows of private philanthropy. The report underscores that "powerful multipliers can emerge from using all sources of finance, from collaboration across countries and institutions, from the instruments of the (multilateral development banks and international financial institutions), and from working with the private sector" (ibid., p. 11).

As the world enters 2023, the midpoint of the SDGs, the stakes could not be higher. Myriad interconnected global crises are causing significant and potentially long-lasting setbacks to sustainable development in all dimensions. Amid a deteriorating global environment, many developing countries are at risk of being trapped in protracted high debt and low growth spirals, with devastating economic and social consequences. But such a scenario can be avoided through a combination of national and global efforts. Public authorities can improve the efficiency and effectiveness of expenditures, crowding in private investment and increasing the fiscal multiplier. These national efforts need to be accompanied by comprehensive international initiatives to deal with temporary liquidity risks, improve access to low-cost financing, reduce debt burdens and scale up the financing of global public goods.

28 Factoring in external costs, such as contributions to climate change through greenhouse gas emissions and local health damages through the release of harmful pollutants, raises global fossil fuel subsidies to about $6 trillion.

Developed economies



	FOOD SECURITY INDEX Weighted average by population 2022		GDP Per capita 2022
	63	World	$11,115
	78	**Developed economies**	$45,445
	65	Economies in transition	$ 6,721
	60	Developing economies	$ 5,794
	48	Africa	$ 1,944
	70	East Asia	$ 9,960
	58	South Asia	$ 2,078
	60	Western Asia	$12,599
	64	Latin America and the Caribbean	$ 8,443

Note: 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 *World Economic Situation and Prospects 2023*. The shaded areas therefore do not necessarily overlap entirely with the delimitation of their frontiers or boundaries. Aggregate data for Africa exclude Libya.

e = 2022 estimates. **f** = 2023-2024 forecasts.

Source for food security data: UN DESA calculations, based on data from Economist Impact's World Food Security Index 2022. Based on data availability, 27 economies are covered in developed economies; 8 in economies in transition; 78 in developing economies, including 32 in Africa, 11 in East Asia, 5 in South Asia, 11 in Western Asia and 19 in Latin America and the Caribbean.

CHAPTER III

Regional developments and outlook

Developed economies

- Monetary tightening to combat inflation in developed economies will come at a cost of slower growth.
- Europe confronts an unprecedented energy crisis, high inflation and tighter financial conditions that are projected to weigh on private consumption and investment.
- As workers' preferences change, many sectors are experiencing labour shortages.

United States of America: The outlook deteriorated sharply in 2022

The near-term outlook for the economy in the United States of America began to deteriorate quickly during the second half of 2022 amid growing concerns about runaway inflation derailing output growth. Consumer price inflation sharply increased from 1.4 per cent in December 2020 to 9.1 per cent in June 2022, with monthly price inflation averaging 4.7 per cent in 2021. For the most part in 2021, policymakers viewed inflationary pressures as transitory and expected them to dissipate with the reopening of the economy. But inflation continued to rise in 2022, prompting the Federal Reserve to raise its policy rate in a series of steps, from a 25 to 50 basis point range in March to a 4.25 to 4.5 per cent range in December 2022. This marked the Fed's most aggressive monetary tightening over any six-month period.

Against a backdrop of rapidly tightening monetary conditions, growth prospects for 2022 and 2023 began to stumble. The economy in the United States is estimated to have grown by only 1.8 per cent in 2022, down from 2.6 per cent projected in May. As the risk of a recession looms large, the economy is forecasted to grow by only 0.4 per cent in 2023. This marks a significant downward revision from the 1.8 per cent growth expected in May 2022.

While inflation pressure somewhat moderated during the second half of 2022, falling from 8.5 per cent in July to 7.1 per cent in November, it remains uncertain whether the Federal Reserve will slow the pace and sequence of future rate hikes. This affects not only the economy in the United States but also has significant global spillover effects. In the near term, the Federal Reserve will have three options: First, stay on course with raising rates, albeit at a slower pace until inflation falls to the 2 per cent target; second, pause the rate increases and let inflation fall without further monetary tightening; or third, reverse gears and lower policy rates to provide

room for growth in 2023, albeit at the risk of higher inflation. Each option carries significant perils for the Federal Reserve, including its credibility in maintaining price stability and anchoring long-term inflation expectations (see chapter I).

The labour market in the United States also faced significant challenges in 2022. While inflation surged, the unemployment rate fell to historic lows, declining to 3.5 per cent in July. During the third quarter, the unemployment rate rose slightly, reaching 3.7 per cent by November. But the low rate belies the fact that the labour force participation rate remains 1.2 per cent below its pre-pandemic level. More than 3 million Americans have permanently left the labour force since the pandemic began, which partly explains tight post-pandemic labour market conditions. By some estimates, 16 million working-age Americans are still suffering from COVID-19-related symptoms. Among them, 2 million to 4 million are out of work because of long COVID (Bach, 2022). With 10.4 million job vacancies in the second half of 2022, COVID-19-related illnesses still accounted for about 15 per cent of the labour shortage in the United States (ibid.). The high job vacancy rate largely explains the sharp growth in wages in recent months, with average hourly wages increasing by an annual rate of 5.6 per cent by November 2022. A tight labour market and robust wage growth – and the likelihood of a wage-price spiral – lend further urgency to the Federal Reserve's efforts to bring inflation down to the 2 per cent target by 2024.

The financial market responded negatively to rising inflation and slowing growth prospects in 2022, with both equity and bond prices falling throughout the year. The S&P 500 index declined by 23.9 per cent between January and September 2022, while the NASDAQ composite index dropped by nearly 30 per cent. Cryptocurrencies – which rose sharply in value during the pandemic – saw significant valuation losses. Bitcoin shed more than 65 per cent of its value between the beginning of 2022 and the middle of December.

With the Federal Reserve sharply increasing policy rates, the Government of the United States enacted the Inflation Reduction Act in August 2022. The legislation will allow the Government to invest $391 billion in energy security and climate change, including $158 billion in clean and renewable energy. It will also lower the cost of prescription drugs for American households, impose minimum corporate taxes and reduce fiscal deficits, all of which are expected to contribute to cutting inflation in the near term. Unlike many developing countries, the United States has chosen to sustain and increase public spending – especially investment spending – to fight inflation (see chapter II).

Japan: Multiple shocks slow the economic recovery

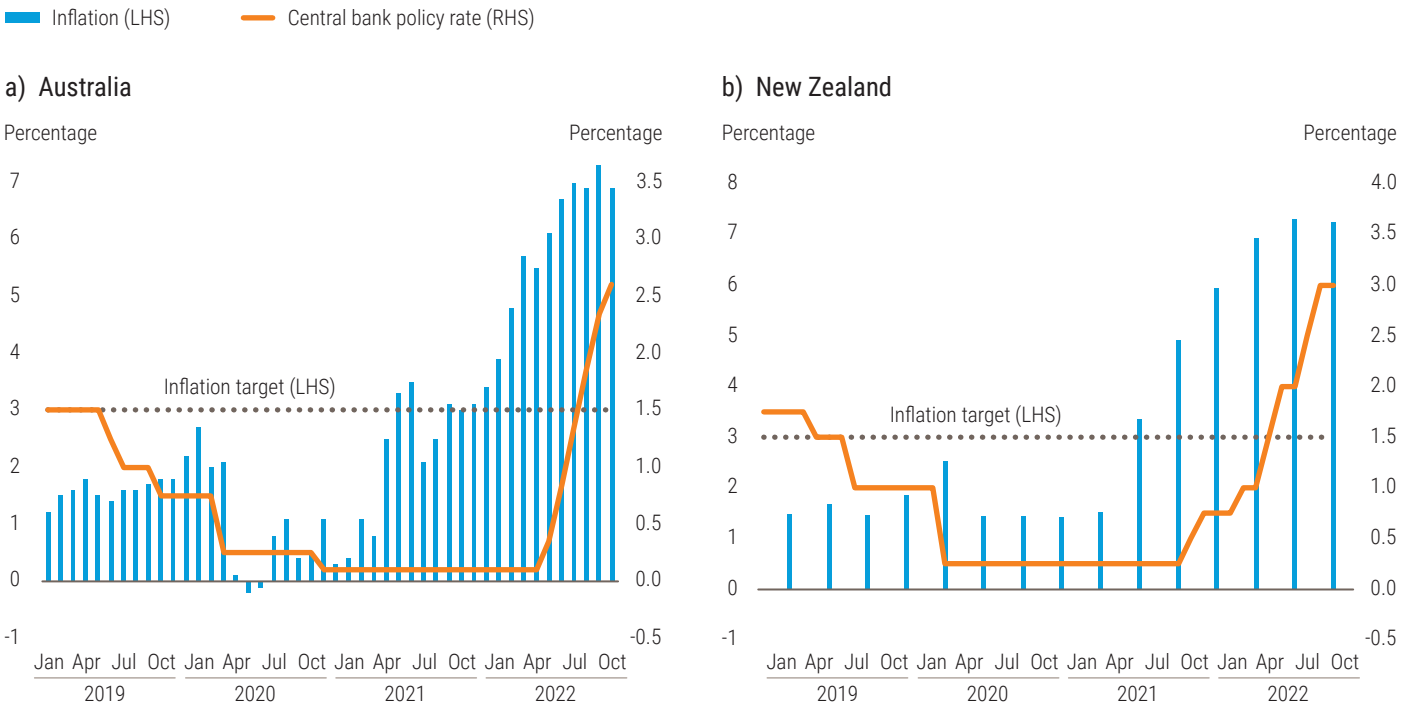
Despite growing at a moderate pace, the Japanese economy is expected to be among the best-performing developed economies in 2023. The headline GDP is forecast to increase by 1.5 per cent in 2023, slightly lower than the estimated growth of 1.6 per cent in 2022 and 1.7 per cent in 2021. While the lifting of COVID-19 containment measures in the second quarter of 2022 unleashed pent-up domestic demand, China's lockdowns adversely affected Japan's exports. Prolonged chip shortages, rising import costs (driven by a weakening Japanese yen) and risks of a global slowdown – particularly in the United States and Europe – have weakened manufacturer sentiment.[1] Labour market conditions remain tight, however, following the reopening of the economy.

Inflation in Japan is projected to meet the target of 2 per cent in 2022 and is forecast to edge down to 1.2 per cent in 2023 as economic growth slows. Utility prices, especially fuel prices, have been the main driver of inflation in 2022; food and furniture prices have also contributed. While high energy prices due to the war in Ukraine have added some inflationary pressures, the direct impact of the war has been limited.

1 The Reuters Tankan sentiment index for manufacturers in Japan deteriorated to 2 in November 2022, the lowest reading since January 2021. See Trading Economics. Available at https://tradingeconomics.com/japan/reuters-tankan-index (accessed on 14 November 2022).

Figure III.1

Inflation and central bank policy rates in Australia and New Zealand



Source: UN DESA, based on data from CEIC.
Note: LHS = left-hand scale; RHS = right-hand scale.

In 2020, Japanese imports from the Russian Federation and Ukraine only accounted for about 1.8 per cent of Japan's total imports. Japanese exports to the two countries comprised just 1 per cent of Japan's total exports.[2] A weakening yen has translated into higher input prices, adding some inflationary pressure. During the first three quarters of 2022, the yen depreciated by nearly 25 per cent against the dollar, registering a 32-year low.

As inflationary pressure remains largely transitory and the recovery from the COVID-19 crisis is still tepid, the Bank of Japan has maintained an accommodative monetary policy stance. To counter the currency depreciation, the Japanese authority intervened in the foreign exchange market in September 2022, the first time in more than 20 years.

Fiscal policies continue to be supportive. In December 2022, the Government enacted a new supplementary fiscal budget of over $200 billion, equivalent to about 4 per cent of GDP. It will fund cash handouts to targeted low-income households and extended fuel subsidies. From 2022 to 2024, the public debt-to-GDP ratio is expected to remain high.[3] Low inflation coincides with low borrowing costs for the Government. The Japanese 10-year government bond yield was 0.24 per cent as of October 2022, compared to 3.98 per cent in the United States at the same time.[4]

Australia and New Zealand: An economic downturn amid high inflation

GDP growth in both Australia and New Zealand is forecast to slow to around 2 per cent in 2023

2 See the World Integrated Trade Solution database. Available at https://wits.worldbank.org/CountryProfile/en/Country/JPN/Year/2020/TradeFlow/EXPIMP/Partner/by-country# (accessed on 12 November 2022).
3 According to IMF forecasts, the general government gross debt in Japan will remain above 260 per cent of GDP from 2022 to 2024.
4 See CEIC data. Available at www.ceicdata.com/en (accessed on 9 December 2022).

as a higher cost of living weakens private consumption, declines in housing prices impair construction investment and public demand stabilizes after rapid growth during the pandemic. Although exporters in Australia may benefit from higher energy, metals and grains prices due to the war in Ukraine, some gains will be offset by higher import prices of fertilizers, capital goods and consumer goods (Export Finance Australia, 2022).

Australia and New Zealand in 2022 faced relatively high inflationary pressure, averaging about 6.5 per cent and 7 per cent respectively. High and rising inflation has prompted the central banks in both countries to speed up monetary tightening. The Reserve Bank of Australia raised the policy rate six times by a total of 2.5 percentage points between May and October 2022. The Reserve Bank of New Zealand raised the policy rate from 0.75 per cent in January to 3 per cent in September 2022 (figure III.1). Interest rate rises and credit constraints have put downward pressure on property prices, which could have negative wealth effects and further dampen household consumption.

Europe: An energy crisis threatens to push the region into recession

The economic outlook for Europe has continued to deteriorate amid the protracted war in Ukraine. Soaring energy prices have pushed inflation to multi-decade highs, eroding household purchasing power and increasing production costs for firms. Market liquidity has tightened as the region's central banks have accelerated interest rate hikes to rein in inflationary pressures. Higher borrowing costs, sizeable fiscal deficits and elevated debt levels continue to constrain fiscal space in many European economies. In addition, the external environment has worsened amid weakening growth in China and the United States and heightened global economic uncertainty. Against this backdrop, many European countries are projected to experience a mild recession during the winter of 2022 to 2023, followed by a subdued recovery. GDP in the European Union is projected to grow by only 0.2 per cent in 2023, a sharp downward revision from earlier forecasts. In 2024, growth is projected to pick up to 1.6 per cent as inflation eases and the monetary tightening cycle ends. This comes after a surprisingly strong expansion of 3.3 per cent in 2022, when further relaxation of COVID-19 mobility restrictions and pent-up demand boosted spending on contact-intensive services,[5] including tourism-related activities.[6]

The war in Ukraine, dwindling supplies of natural gas from the Russian Federation, and sharp declines in nuclear power and hydropower caused severe supply and demand imbalances in energy markets in 2022.[7] As a result, gas and electricity prices surged to unprecedented levels (figure III.2). To fill the energy gap, European countries boosted liquefied natural gas imports and increased power generation from coal, solar and wind. In parallel, households and industries reduced energy demand. In August and September 2022, EU gas consumption was estimated to be about 15 per cent below the average of the previous five years (European Commission, 2022a). These measures, along with forecasts of a milder than usual winter, helped reduce natural gas prices while facilitating the refilling of gas reserves across Europe.[8]

While the worst-case scenario of massive disruptions to industrial activities will likely be avoided, Europe is still projected to see a marked economic downturn. Private consumption will weaken due to significant purchasing power losses by households and tightening financial conditions. In the third quarter of 2022, consumer confidence both in the European

5 Contact-intensive services include wholesale and retail trade, transport, accommodation and food services, and arts and entertainment. These sectors recovered later from the pandemic than less contact-intensive services, such as information and communication services; financial and insurance activities; real estate; professional, scientific and technical activities; and administrative and support services.

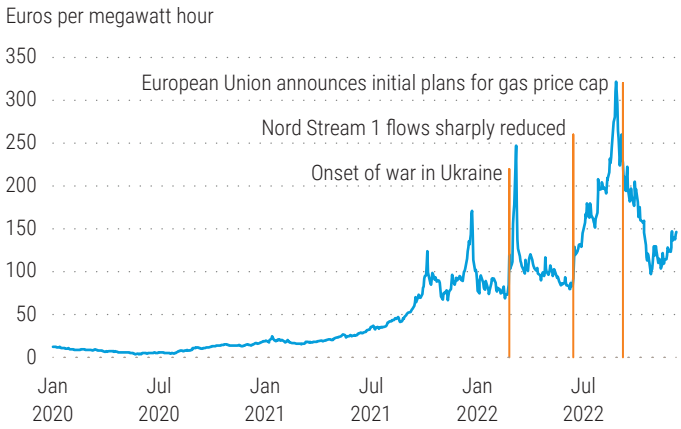
6 Statistical carry-over effects also contributed to stronger GDP growth in 2022.

7 Maintenance, extreme heat waves and drought conditions negatively affected nuclear power and hydropower generation.

8 In mid-November 2022, Europe's reference natural gas price, the Dutch TTF, was about €120 per megawatt hour, down from an August peak of €320 but still well above the 2021 average of €47.7. Gas storage levels in the European Union had reached 95.4 per cent.

Figure III.2

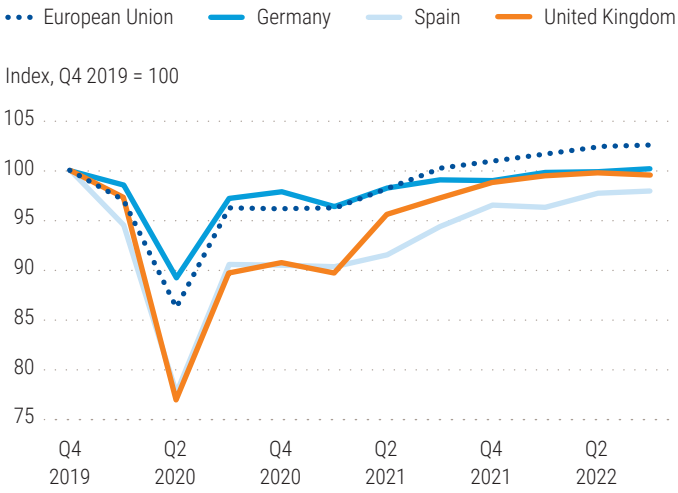
Natural gas price in the European Union



Source: UN DESA, based on data from Trading Economics.
Note: The figure shows daily Dutch front-month natural gas futures at the title transfer facility (TTF), a leading European benchmark price.

Figure III.3

Real GDP in selected economies



Source: UN DESA, based on data from the Eurostat.

Union and in the United Kingdom plunged to the lowest level since the 1980s, with only a slight improvement in October and November. Businesses are expected to cut back on capital spending amid elevated uncertainty and higher input and borrowing costs. In addition, external demand is projected to soften further as the region's main trading partners – China and the United States – face subdued growth prospects in 2023.

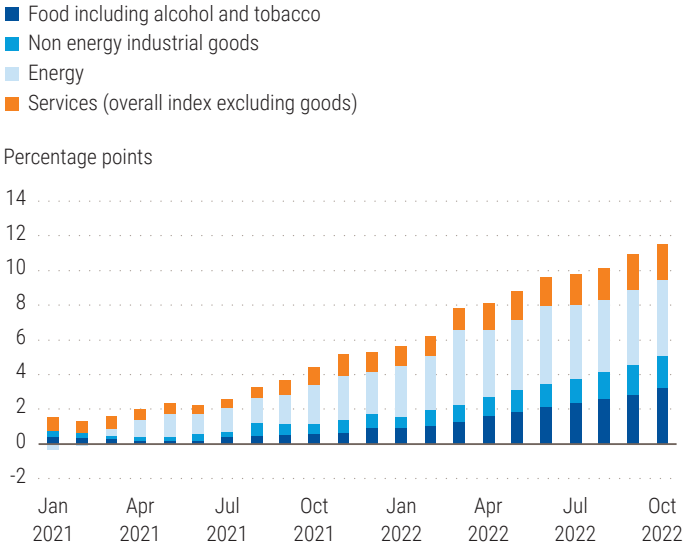
The energy and cost-of-living crisis is derailing Europe's growth at a time when several European economies have yet to recover their pre-COVID-19 output level. In the third quarter of 2022, GDP was 2.6 per cent above the pre-COVID-19 level in the European Union, but 0.4 per cent below that level in the United Kingdom and 2 per cent below it in Spain (figure III.3). A few countries will be hit much harder than others. GDP is forecast to contract in Germany, Italy, Sweden and the United Kingdom in 2023, as these economies are particularly vulnerable to the combination of soaring energy prices and rising borrowing costs. By contrast, economic growth is expected to be more resilient in a few smaller economies, including Cyprus, Ireland and Portugal.

Inflation in Europe is expected to moderate only gradually as the effects of the energy crisis will likely persist across the region. In the European Union, energy prices rose by 38.4 per cent in the third quarter of 2022 (from a year ago), contributing about 40 per cent to overall inflation (figure III.4). Consumer price inflation is projected to average 6.6 per cent in 2023, compared to an estimated 8.6 per cent in 2022.

Inflationary pressures have become increasingly broad-based as rising energy prices affect output prices in other sectors of the economy. The magnitude of the inflation surge has varied from country to country. Consumer price inflation in the European Union in 2022 ranged from 5.8 per cent in France to 20 per cent in Lithuania and 21 per cent in Estonia. Higher inflation rates in Eastern Europe reflect the higher energy intensity of GDP, a larger share of food and energy in consumer price index baskets and stronger nominal wage growth. The sharp depreciation in 2022 of the euro, the pound sterling and other European currencies against the dollar added to inflationary pressures as did remaining supply-side bottlenecks and pent-up consumer demand (ECB, 2022b). These factors are expected to ease in 2023 and 2024. The impact, however, is expected to be partly offset by rising pressure from nominal wage growth. Despite a tight labour market, negotiated wages in the euro area increased by only 2.7 per cent in

Figure III.4

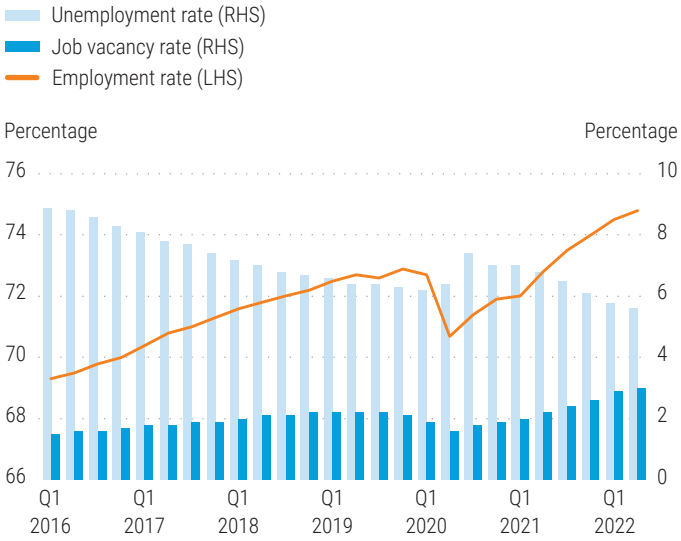
Components of HICP inflation in the European Union



Source: UN DESA, based on Eurostat data.
Note: The figure shows the main components of the monthly Harmonised Index of Consumer Prices (HICP) in the European Union.

Figure III.5

Selected labour market indicators in the European Union



Source: UN DESA, based on Eurostat data.
Note: LHS = left-hand scale; RHS = right-hand scale. Data are quarterly. The employment and unemployment rates refer to the group of people aged 20 to 64 years.

the first half of 2022. Amid new agreements and minimum wage hikes, nominal wage growth is projected to accelerate markedly in 2023.

Amid weakening economic growth, a moderate increase in unemployment is projected in 2023. A more substantial or longer-lasting downturn in labour markets cannot be ruled out, however. After a strong recovery from the pandemic, labour markets in many European economies are exceptionally tight as evidenced by record-low unemployment and record-high employment and job vacancy rates (figure III.5). Several sectors, including construction, information and communication, and food and accommodation, suffer from severe labour shortages.

In all large European economies, except the United Kingdom, employment exceeded the pre-pandemic level in 2022. In the European Union, 74.8 per cent of people aged 20 to 64 years were in formal employment in the second quarter of 2022. This was the highest employment rate on record, well above the pre-pandemic high of 72.9 per cent. Employment recovery has been faster and stronger for women than men (Herley, Adăscăliței and Staffa, 2022). In the second quarter of 2022, about 1.8 million more women were in employment in the European Union than before the pandemic, compared to only 500,000 more men.[9] The gender employment gap, measured as the difference in employment rates between men and women, narrowed from 11.2 percentage points in the fourth quarter of 2019 to 10.7 percentage points in the second quarter of 2022. The unemployment rate in the European Union is projected to increase from a record low of 6.2 per cent in 2022 to 6.5 per cent in 2023.[10] In the United Kingdom, the employment rate was notably lower in 2022 than before the pandemic as the number of people taking early retirement or suffering from worsening health conditions increased.[11]

9 See Eurostat. Stronger employment growth for women than men was a key characteristic of European labour markets even prior to COVID-19.
10 Cross-country differences in unemployment rates in the European Union have narrowed but remain significant. The unemployment rate in 2023 is projected to be 2.9 per cent in Czechia and 13 per cent in Spain.
11 See data from the Office of National Statistics. Available at www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/articles/reasonsforworkersagedover50yearsleavingemploymentsincethestartofthecoronaviruspandemic/wave2 (accessed on 7 January 2023).

The unemployment rate is forecast to rise from 3.7 per cent in 2022 to 4.4 per cent in 2023.

Europe's monetary authorities face a difficult balancing act as they seek to tame inflation without further exacerbating the economic downturn in 2023. The European Central Bank raised its main policy rates by a total of 250 basis points between July and December 2022, ending an eight-year period of negative interest rates[12]. After aggressively tightening monetary policy stances during the second half of 2022, the European Central Bank, the Bank of England and other central banks are expected to slow the pace of interest rate hikes. As medium-term inflation expectations seem well anchored (Panetta, 2022), central banks are likely to shift towards more gradual monetary tightening amid growing fears of recession in 2023. In several Eastern European countries, including Czechia and Hungary, the rate hike cycle paused towards the end of 2022, although further increases cannot be excluded. To ensure effective transmission of monetary policy and prevent sharply divergent borrowing costs among EU member States, the European Central Bank added the Transmission Protection Instrument to its toolkit. It allows potentially unlimited bank purchases of government bonds with maturities between 1 and 10 years from any member State "experiencing a deterioration in financing conditions not warranted by country-specific fundamentals" (ECB, 2022c).

The fiscal outlook for Europe has become more challenging amid weakening economic activity, rising borrowing costs and the need to cushion the impact of high energy prices on households and businesses. Since the start of the energy crisis, EU member States have allocated and earmarked an estimated €600.4 billion (about 3.7 per cent of GDP) for support measures. The United Kingdom has committed €97 billion (about 3.6 per cent of GDP) (Sgaravatti, Tagliapietra and Zachmann, 2022).[13] A growing number of European countries have introduced windfall profit taxes, which are one-time levies on companies or industries (for example, nuclear, gas, oil or banks) reporting unusually large profits.[14]

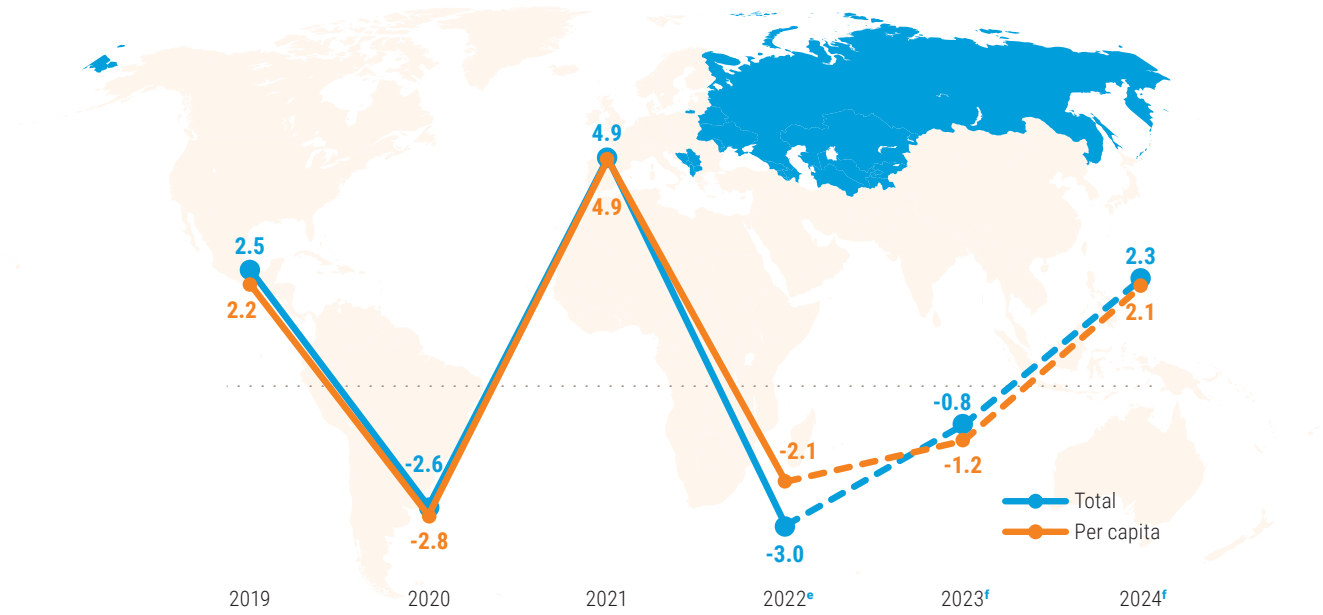
The overall fiscal stance in 2023 is expected to be neutral or moderately supportive in many EU countries. Government deficits, as a percentage of GDP, are projected to slightly increase again, after declining in 2022 amid strong nominal output growth and a gradual withdrawal of pandemic-related support measures (European Commission, 2022b). The fiscal deficit in the European Union is estimated to have narrowed to 3.4 per cent of GDP in 2022, down from 4.6 per cent in 2021. The government-debt-to-GDP ratio declined to 86.4 per cent in the second quarter of 2022 but remained above 110 per cent in France, Greece, Italy, Portugal and Spain.

Over its multi-year financial cycle from 2021 to 2027, the European Union, as an economic bloc, intends to implement the largest fiscal stimulus package ever. The regular seven-year financial framework has been augmented with a €800 billion temporary recovery instrument, the NextGenerationEU plan (European Commission, 2022c). The plan will be financed through joint borrowing and bring total spending to just over €2 trillion. It aims at modernization, including the digitalization and "greening" of the European economies. The European Union is also advancing plans to fundamentally reform its fiscal policy framework, intending to replace the Stability and Growth Pact with a "simpler, more transparent and effective framework" centred on medium-term fiscal and structural plans (European Commission, 2022d).

The United Kingdom faces a particularly difficult outlook for public finances after an initial plan for unfunded tax cuts raised debt sustainability concerns, triggering financial market turmoil. In response, the Government announced an austerity budget based on a mix of tax increases and spending cuts despite a looming recession and already strained public services.

12 On 1 January 2023 Croatia officially joined the euro area, delegating its monetary policy to the European Central Bank.
13 Germany alone announced measures totalling more than €200 billion, including a gas and electricity price brake for households and industry.
14 Countries that have already introduced windfall tax mechanisms or have proposals include Austria, Bulgaria, Czechia, Finland, Germany, Greece, Italy, Netherlands, Romania, Spain and the United Kingdom. See, for example, Reuters (2022).

Economies in transition



	FOOD SECURITY INDEX Weighted average by population 2022		GDP Per capita 2022
	63	World	$11,115
	78	Developed economies	$45,445
	65	**Economies in transition**	$ 6,721
	60	Developing economies	$ 5,794
	48	Africa	$ 1,944
	70	East Asia	$ 9,960
	58	South Asia	$ 2,078
	60	Western Asia	$12,599
	64	Latin America and the Caribbean	$ 8,443

Note: 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 *World Economic Situation and Prospects 2023*. The shaded areas therefore do not necessarily overlap entirely with the delimitation of their frontiers or boundaries. Aggregate data for Africa exclude Libya. Forecasts for economies in transition exclude Ukraine due to the lack of forecasts for the country.
e = 2022 estimates. **f** = 2023-2024 forecasts.
Source for food security data: UN DESA calculations, based on data from Economist Impact's World Food Security Index 2022. Based on data availability, 27 economies are covered in developed economies; 8 in economies in transition; 78 in developing economies, including 32 in Africa, 11 in East Asia, 5 in South Asia, 11 in Western Asia and 19 in Latin America and the Caribbean.

Economies in transition

- The war in Ukraine is worsening the economic outlook for the CIS area.
- Surging inflation is eroding living standards both in the Commonwealth of Independent States and South-Eastern Europe.
- Slow progress in EU accession is prompting deeper intraregional integration in South-Eastern Europe.

The Commonwealth of Independent States and Georgia: In the shadow of war in Ukraine

The war in Ukraine heavily impacts near-term economic prospects for the Commonwealth of Independent States and Georgia. The contraction of the economy of the Russian Federation and the significant loss of output in Ukraine are expected to affect the rest of the region. Impacts occur through numerous channels, including migration, commodity prices, market volatility, remittances and changes in fiscal space. Individual country effects vary by degree of exposure and coping capacity. Even in the longer run, political and economic fallout from the conflict is likely to shape trade and finance flows in CIS countries and the overall framework of their integration into the global economy. This newly emerging political and economic context will benefit some sectors but impose costs on others, adding to the challenges of economic diversification.

The near-term economic outlook for the region remains fragile amid significant downside risks, compounded by tightening global financial conditions and high levels of geopolitical uncertainty. The aggregate GDP of the Commonwealth of Independent States and Georgia is estimated to have contracted by 3.3 per cent in 2022. In 2023, the aggregate GDP of the region (excluding Ukraine, for which a forecast is not available), is expected to shrink by further 1 per cent, expanding by a modest 2.3 per cent in 2024.

Following the start of the war in Ukraine, virtually all OECD countries introduced economic sanctions against the Russian Federation,[15] seeking to curtail the country's trade and finance links with the rest of the world. The sanctions have impacted a wide range of economic activities. Key industrial sectors such as energy, transport and technology have encountered constraints from restrictions on imports of materials and technologies for oil refining, supplies of airplanes and airplane components, and numerous "dual-use" technologies and products, including semiconductors. Sanctions targeted the Central Bank of the Russian Federation,[16] effectively immobilizing its assets, and Russian sovereign debt. The SWIFT messaging system severed connections with a number of major Russian banks. Since late February 2022, an ongoing exodus of foreign companies has hit various sectors, including automotive, aviation, banking and finance, energy, high-tech, entertainment, retail and others (Yale School of Management, 2022).

A number of parties have introduced a partial embargo on Russian hydrocarbon exports. The European Union announced an embargo on Russian seaborne crude oil that will be extended to refined oil products in February 2023. It is progressively diminishing its reliance on Russian natural gas. Since early December 2022, G7 countries and the European Union have imposed a price cap on Russian oil, prohibiting insurance and shipping services for any vessels carrying Russian oil sold at a price above the cap. In November 2022, the United States revoked market economy status from the Russian Federation, allowing the former to apply anti-dumping measures and introduce additional tariffs.

15 Many Russian industrial sectors, such as defence, aerospace and maritime, had already been sanctioned in the past. The severity and scope of the recent wave of sanctions, however, was unprecedented.

16 Most developed countries prohibited transactions with the Central Bank of the Russian Federation along with the National Wealth Fund and the Russian Ministry of Finance. As a result, around $300 billion of the Central Bank's foreign exchange reserves held overseas were frozen, leaving a safety buffer accumulated over many years beyond the reach of Russian authorities.

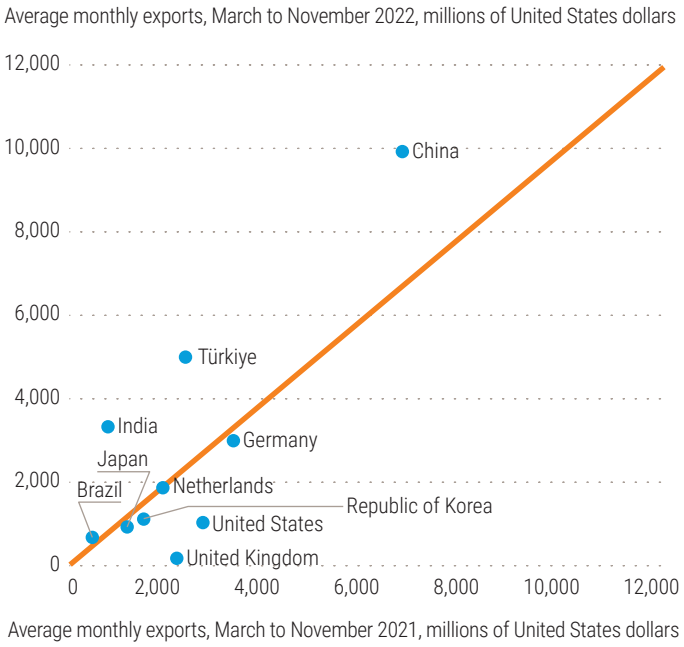
Initial estimates had predicted a 10 to 15 per cent contraction[17] in the Russian economy but it contracted by just around 3.5 per cent in 2022. Export earnings remained strong. High inventory levels, stockpiled amid pandemic-related supply chain disruptions and increasing uncertainties, allowed many firms to maintain production in the second and third quarters of the year despite sanctions. Increased military expenditure, while not contributing to living standards or sustainable development, also statistically added to GDP. Some industrial sectors shrank considerably, however. For example, automotive industry output decreased by around 80 per cent in 2022.

Since the beginning of the war, the Central Bank of the Russian Federation has taken actions to preserve financial and currency stability, including sharp increases in the policy rate and the introduction of capital controls. The banking system has remained resilient due to earlier changes in the financial sector.[18] The strong appreciation of the Russian currency in the second quarter (explained by the massive current account surplus generated by high energy prices, import suppression, capital controls, conversion of European gas payments into roubles and the requirement for exporters to sell foreign exchange) contributed to stabilizing inflation, preventing a sharp fall in disposable incomes and sustaining consumer demand. These developments supported a reversal of initial monetary tightening. As a result, corporate and retail lending expanded by around 10 and 7 per cent, respectively, from January to October.

Directions of trade in the Russian Federation have markedly changed since the war started (figure III.6). Although Russian oil has been redirected to Asia and sold at a discount price, the total value of exports increased in 2022 as trade with China, India and Türkiye surged. While the volume of natural gas exported to Europe declined, prices significantly climbed. The

Figure III.6

Changes in the export directions of the Russian Federation



Source: Trading Economics, based on national sources and UN COMTRADE data.
Note: The diagonal line is a 45-degree line.

current account surplus of the Russian Federation in the first three quarters of 2022 amounted to $198 billion versus $122 billion for 2021 as a whole.

The outlook for the Russian economy deteriorated in late 2022, however, as the partial military mobilization contributed to the loss of human capital, including through outward migration. Numerous industries began to struggle with component shortages. The economy is expected to shrink further in 2023, slightly rebounding only in 2024. Its medium-term prospects remain bleak, with potential output growth hovering between 0 and 1 per cent.

The Russian Federation currently aims to build new supply chains, especially within the Eurasian Economic Union,[19] as well as to localize production cycles. So-called "parallel import"

17 See, for example, EBRD (2022), IIF (2022b) and IMF (2022c).
18 Since 2013, the Central Bank has been discovering and liquidating failing banks, with around 10 per cent of banks losing their licenses annually. The number of banks operating in the Russian Federation has shrunk from 1,058 in 2010 to 327 in 2022.
19 Comprising Armenia, Belarus, Kazakhstan, Kyrgyzstan and the Russian Federation.

schemes, including through the resurgence of the "suitcase trade",[20] may address gaps in the consumer market but they can only partially support industrial activity. Due to limited domestic oil storage capacity the country may be forced to close oil wells, further impacting growth in the medium term as relaunching production would be a lengthy process. Redirecting natural gas flows to Asia will require large pipeline investments.

The economy of Ukraine contracted by over 35 per cent in 2022, owing to the massive destruction of its physical infrastructure, including railway and other links with neighbouring countries, road networks and bridges; the disruption of production and trade activities; large losses in the labour force due to migration or conscription; and the displacement of population. Strikes on energy infrastructure caused serious damage to the supply of electricity and heat, impeding the return of people fleeing the conflict. Blockaded ports and damaged steel factories have undermined export potential.

Budget revenues shrank dramatically even as expenditures increased to support the population and meet war needs, resulting in a large fiscal deficit. Bilateral and multilateral financial support to Ukraine has been strong. Assistance provided by the European Union, United States, IMF, World Bank and other actors covered almost half of total needs in 2022. Yet direct monetary financing by the National Bank of Ukraine still covered around one third of total public spending needs. This led to the depletion of foreign exchange reserves, forcing Ukraine to devalue the local currency, which was pegged to the dollar at the outset of the conflict. Ukraine was granted a two-year suspension of its Eurobond payments but that will save just around $6 billion, a little more than the estimated monthly fiscal gap. The European Union decided in May 2022 to suspend all tariffs and quotas on imports from Ukraine, including agricultural products and foodstuffs, for one year.

The resumption of grain exports under a United Nations-brokered deal and increased external financing improved the outlook in late 2022. In 2023, the European Union is planning to provide €18 billion in economic support, although this may be inadequate against an estimated $5 billion monthly budgetary shortfall. The assistance has been provided partly as loans, adding to the debt burden. Post-conflict reconstruction will require immense resources, estimated at €350 billion to €500 billion (Becker and others, 2022; World Bank, 2022d). The outlook for the Ukrainian economy in 2023 and 2024 is highly uncertain and will depend on many factors, including the cessation of hostilities and the launch of reconstruction efforts.[21]

The war is affecting the entire CIS area, especially members of the Eurasian Economic Union. In the longer run, the lower potential growth of the Russian economy would involve serious costs for those economies.

The economy of Belarus shrunk in 2022 as the country's exports, including fertilizers, confronted constraints from the war, sanctions and disrupted supply routes through Europe. The country has also experienced an outflow of the workforce from the information technology sector. Financing options have been limited, besides the Russian Federation. Since it cannot make coupon payments on its debt in US dollars (as the payment agent and registrar for the Belarusian Eurobonds, Citigroup and Citibank, respectively, suspended those duties), Belarus is in a selective default. It is implementing an import substitution programme, in cooperation with the Russian Federation, and extending government loans at low interest rates.

Moldova has coped with a large number of Ukrainian refugees and experienced recurrent power outages in 2022 since it is connected

20 The suitcase trade or shuttle trade is a form of unrecorded or underrecorded international transactions in goods, existing at the edges of formal trade, where "goods are purchased in one country and brought across the border into another country in small packages such as luggage or bags" (IMF, 1998a). See, for example, Hurriyetdailynews (2022).

21 In a symbolic move, the European Union in June 2022 granted Ukraine (along with Moldova) a candidate country status; actual membership, however, remains a very distant and uncertain prospect.

to Ukraine's electricity grid. The economy has contracted and is likely to stagnate in the near term.

Several other CIS economies performed significantly better than foreseen earlier in 2022, amid an inflow of people from the Russian Federation and the relocation of Russian businesses seeking to avoid the impacts of sanctions, especially in the information technology and finance sectors. Money transfers from the Russian Federation sharply increased (see box III.1). Armenia and Georgia (not a CIS member) experienced double-digit growth. The relocation of Russian manufacturing companies to Kazakhstan may contribute to the country's economic diversification. The flipside, however, has been surging housing prices and rental costs, which have exacerbated social inequality. Exports to the Russian Federation, including re-exports, have increased amid higher use of national currencies in settlements. Energy exporters, such as Azerbaijan and Kazakhstan, have benefitted from higher oil and natural gas prices, while in Kyrgyzstan, the gold sector added to economic expansion. Rapid public sector wage growth has also boosted domestic demand in many cases.

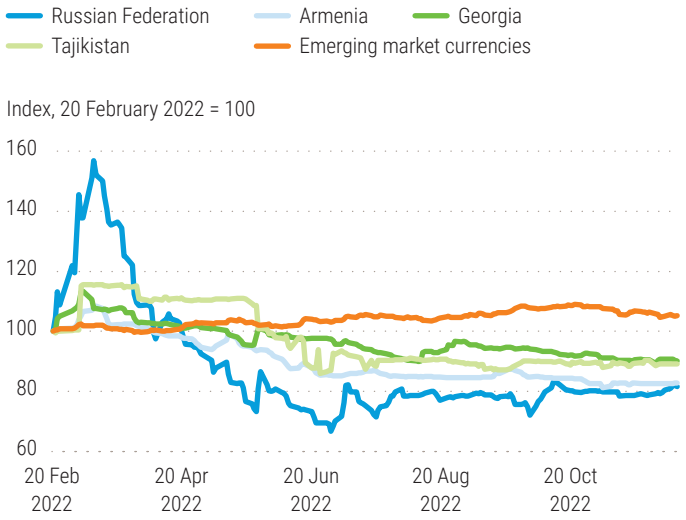
Strong appreciation of exchange rates in several countries in the region (figure III.7), impelled by the stronger rouble and increased capital inflows, has undermined export earnings. The observed trend of capital inflows may also be volatile and pose risks. Currency fluctuations may be detrimental for businesses, while exchange rate hedging options in most CIS countries are limited and costly. Growth in most CIS economies, including those that are performing well, is expected to slow in 2023 due to the base effect and the impact of monetary tightening, despite increased export opportunities to the Russian Federation.

Inflation reached high, mostly double-digit levels in the CIS region in 2022, amid escalating food and energy prices, supply chain disruptions and the wave of migration. To some extent, the appreciation of exchange rates tamed inflationary pressures. As global commodity prices have started to subside and domestic demand is likely to moderate, inflation is expected to decelerate in 2023. Virtually all central banks in the region sharply tightened monetary policy in 2022 in response to inflation and regional instability, with only a few countries reversing the move in the second half of the year. Given the mostly supply-side nature of inflation and slow monetary policy transmission in the region, these moves have yet to mitigate inflation, which is expected to range from 4.2 to 21 per cent in 2023. To address higher living costs, Governments have introduced or expanded social support programmes, and provided subsidies on goods and services, including fuel and utilities.

The labour market of the Russian Federation maintained favourable dynamics in 2022. The level of unemployment fell below 4 per cent over the summer, a historical low. Work furlough programmes and reduced working hours deflated actual unemployment rates, however. The partial military mobilization announced in September will have negative effects on the labour supply, both directly and through related migratory outflows. In Ukraine, sharp economic contraction and displacement of the population

Figure III.7

Dollar exchange rates of selected countries in the CIS and Georgia



Source: UN DESA, based on national central banks and Fred database.
Note: Emerging market currencies are represented by the dollar index from the Fred database. Increase in the index means depreciation of currency vis-a-vis the dollar.

Box III.1

The dynamics of personal money transfers in the Commonwealth of Independent States and Georgia since the outbreak of the war in Ukraine

Personal money transfers from the Russian Federation to a number of CIS countries are significant, persistently comprising around 30 to 35 per cent of GDP for Kyrgyzstan and Tajikistan. These outflows have been mostly remittances from permanent and temporary migrants from recipient countries. There has been a very close correlation between personal money transfers through various payment systems and remittances from temporary and permanent migrants as reflected in the balance of payments.

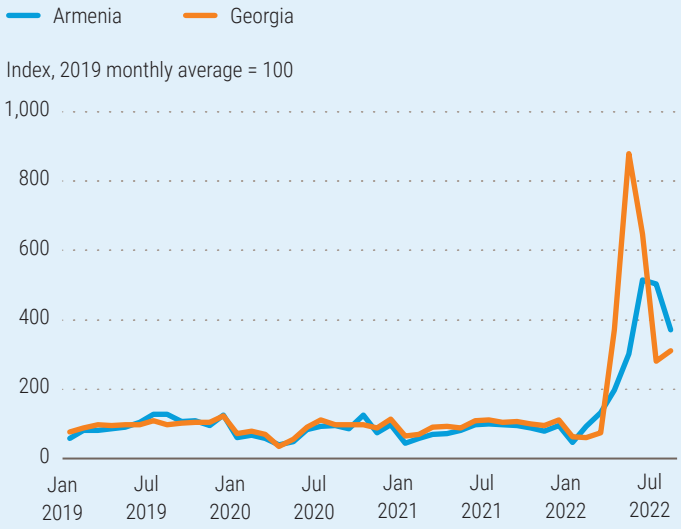
After the war in Ukraine started, it was anticipated that these flows would fall significantly in 2022, given the expected contraction of the Russian economy. Preliminary information, however, suggests that the opposite has been the case. Personal money transfers from the Russian Federation have increased sharply in all countries with available data: namely, Armenia, Azerbaijan, Georgia, Kyrgyzstan and Uzbekistan.

Output decline in the Russian Federation in the second and third quarters of 2022 was more moderate than initially projected. The unemployment rate hit a record low in August so conditions for labour migrants did not deteriorate significantly. Press reports indicate that migratory outflows from the Russian Federation in the first quarter, amid increased instability, were more than offset by large inflows in the second quarter. Besides the better-than-expected performance of the Russian economy, other factors have driven the observed dynamics of personal money transfers.

An important factor has been the appreciation of the Russian rouble vis-à-vis both the dollar and other national currencies in the region, following a sharp but temporary depreciation after the beginning of the war. In the second quarter, the rouble strengthened by 13.3 per cent year-on-year on average. In August, it was up by 22 per cent. This appreciation boosted the dollar value of rouble flows and increased year-on-year comparisons in dollar terms. At the same time, the greater value of the Russian rouble vis-à-vis national currencies influenced incentives. It contributed to widening earnings gaps, which drive migration, and improved the purchasing value of transfers in recipient countries, encouraging further outflows.

Figure III.1.1

Armenia and Georgia: Personal money transfers from the Russian Federation



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

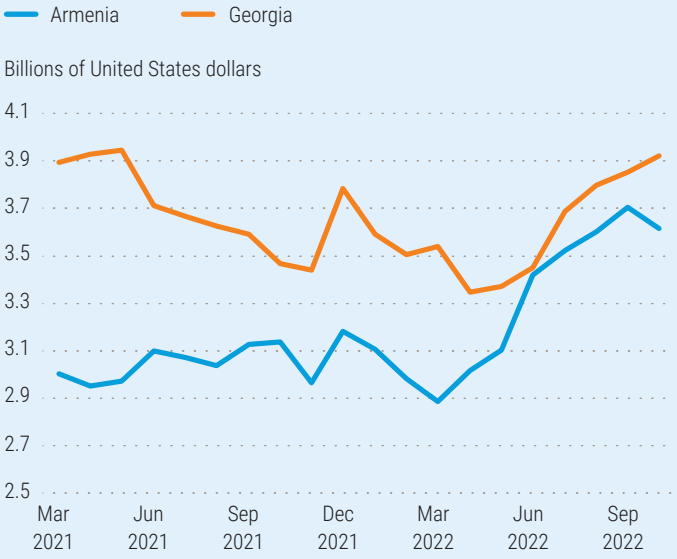
The war in Ukraine has generated new migratory movements, originating mainly in the Russian Federation with Armenia and Georgia initially as the main destinations.[a] In these two countries, migratory inflows have had a significant economic impact, with large increases in money transfers (figure III.1.1). As a result, foreign currency reserves in these countries significantly increased (figure III.1.2)

Money transfers to Central Asia have also risen sharply. In the Kyrgyz Republic, remittances from the Russian Federation jumped after dipping in March 2022, reaching the highest level on record in June,

a After the announcement of the partial military mobilization in the Russian Federation in September 2022, a new wave of migration targeting a broader group of countries and involving a different profile of migrants unfolded.

Figure III.1.2

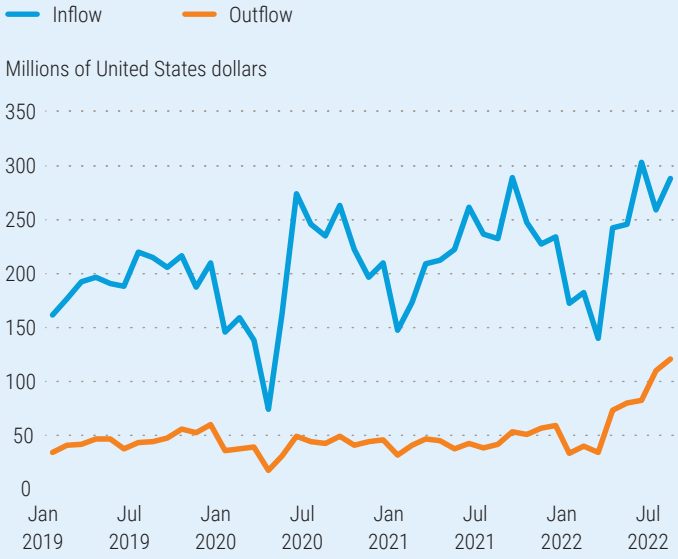
Foreign currency reserves in Armenia and Georgia



Source: National central banks.

Figure III.1.3

Monthly personal remittances in Kyrgyz Republic



Source: National central banks.

equivalent on an annualized basis to 42 per cent of 2021 GDP (figure III.1.3).

In Uzbekistan, according to central bank data, personal money transfers from the Russian Federation more than doubled in the first half of 2022, touching $5.7 billion. The additional inflows over this period represent around 4.5 per cent of 2021 GDP. In Azerbaijan, inflows soared almost five times higher to reach $1.3 billion, with the increase amounting to almost 2 per cent of GDP.

Such large increases cannot be fully explained by the appreciation of the rouble against the dollar or changes in migratory patterns. Additional explanations lie in incentives created by Western sanctions to shift funds and open bank accounts abroad, including to obtain credit cards. Russian capital controls also raised the dollar exchange rate spread between cash and sight deposits, thus discouraging cash transactions and favouring the use of formal channels to send money abroad.

The implication of these changes is that personal money transfers may no longer be considered a reliable proxy for migrant remittances in the traditional sense. Despite recent good performance, significant challenges lie ahead, as positive developments in exchange rates and labour markets may reverse, given the uncertain economic outlook. Large inflows that prove temporary can have destabilizing effects that could be prevented by a prudent use of resources and risk mitigation strategies.

Author: *Jose Palacin, United Nations Economic Commission for Europe*

led to a sharp increase in the unemployment rate to 35 per cent, with elevated levels expected in the years ahead. In other countries in the region, the inflow of migrants from the Russian Federation contributed to job creation through the opening of new businesses and stronger demand.

The dynamics of public finance have varied across the region, worsening in countries directly affected by the war and in energy importers, and improving in the rest. In the Russian Federation, the fiscal rule was suspended, and policy was significantly loosened. Expenditures have increased much

faster than revenues, despite a large jump in hydrocarbon revenues, which are projected to fall in 2023. The resources of the National Wealth Fund will fill the fiscal gap in 2022, followed by domestic borrowing. Preliminary budget plans for 2023 to 2025 indicate that while defence and social expenditures are set to increase, infrastructure spending will likely contract.

South-Eastern Europe: From a strong start in early 2022 to slowing activity

South-Eastern European economies saw modest economic expansion in 2022. The main driver was strong domestic demand, especially consumption, and, in some cases, a good tourist season. The aggregate GDP of South-Eastern Europe is expected to have expanded by 2.8 per cent in 2022, with growth moderating to 2.3 per cent in 2023 and rebounding to 2.8 per cent in 2024. High energy costs and severe drought in the region, however, had negative impacts on agriculture and hydropower energy generation, tempering economic dynamism towards the end of the year.

Despite the effect of earlier flows of foreign direct investment, growth is expected to moderate further in 2023, reflecting the downturn in the European Union, the main commercial partner and source of remittances for the region. Energy prices will remain a drag on economic performance, although Serbia has secured natural gas at a relatively low cost through a three-year agreement with Gazprom in the Russian Federation. The region is vulnerable to food security risks, especially Albania, which imports most of its wheat from the Russian Federation and Ukraine.

Inflation in the region surged to double-digit levels in 2022, driven by growing food and energy prices but also by rapid wage growth pushing up core inflation. To mitigate the impact of high inflation, Governments introduced a range of measures, including cuts on indirect taxes on some products, temporary price and margin caps on fuel prices, the indexation of pensions and the continuation of electricity price subsidies for households and small businesses. High inflation prompted monetary tightening, with repeated interest rate increases throughout the year. Slightly lower inflation is expected in 2023 but will likely remain above historical trends.

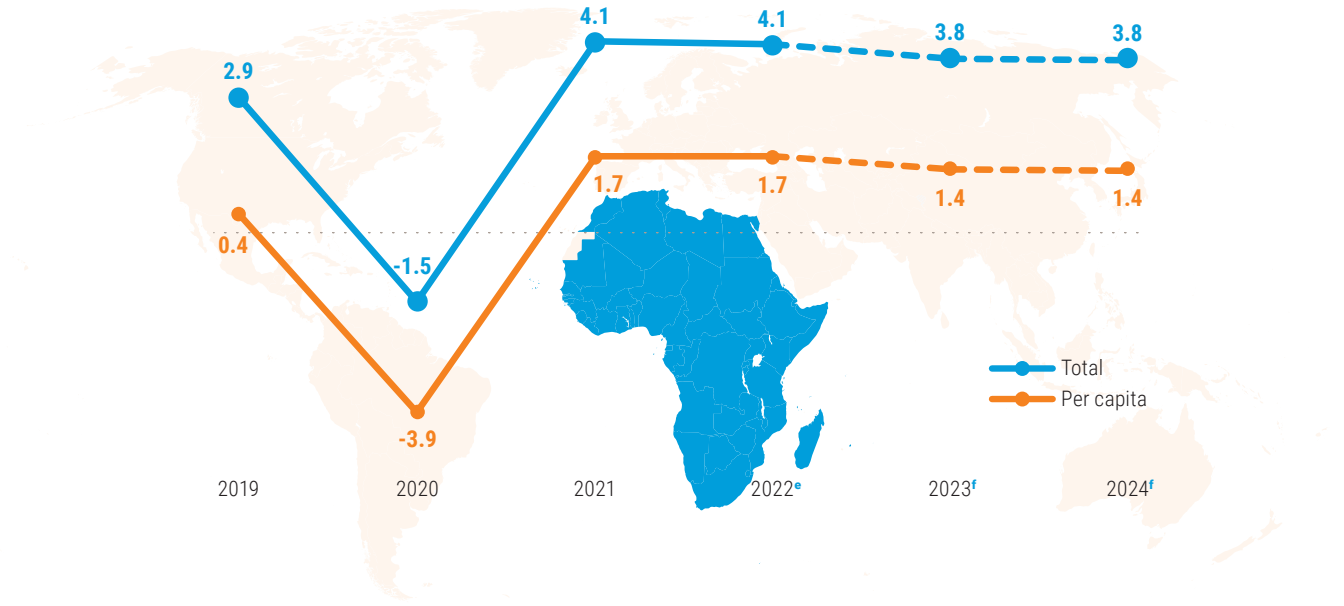
Labour markets in the region have been recovering well from the pandemic yet unemployment remains elevated amid traditional structural problems. These comprise high rates of youth and long-term unemployment and low labour force participation rates. High levels of outward migration, which resumed after COVID-19-related restrictions were lifted, have lowered unemployment figures while creating labour shortages in some sectors.

Fiscal positions in the region generally improved in 2022, supported by strong nominal revenues amid high inflation and some success in reaching the informal economy, especially in Albania. Measures to shield households and companies from inflation, however, are increasing government expenditure. Despite a relatively sound fiscal position, Serbia turned to the IMF for a precautionary Stand-By Arrangement loan to meet its financing needs. Current account deficits have worsened with rising energy import bills, despite greater exports and tourism revenues. High reliance on external financing for many countries, in particular, Albania and Montenegro, implies vulnerability to worsening conditions and increased costs.

The region's numerous challenges encompass risks to energy security, a slow pace of reindustrialization and increasing dependency ratios. Although intraregional integration is deepening through the Open Balkan initiative,[22] it cannot replace the goal of EU membership as a policy anchor. Any resurgence of political instability could derail economic development.

22 Comprising Albania, the Republic of North Macedonia and Serbia.

Africa



	FOOD SECURITY INDEX Weighted average by population 2022	GDP Per capita 2022
World	63	$11,115
Developed economies	78	$45,445
Economies in transition	65	$ 6,721
Developing economies	60	$ 5,794
Africa	48	$ 1,944
East Asia	70	$ 9,960
South Asia	58	$ 2,078
Western Asia	60	$12,599
Latin America and the Caribbean	64	$ 8,443

Note: 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 *World Economic Situation and Prospects 2023*. The shaded areas therefore do not necessarily overlap entirely with the delimitation of their frontiers or boundaries. Aggregate data for Africa exclude Libya.

e = 2022 estimates. **f** = 2023-2024 forecasts.

Source for food security data: UN DESA calculations, based on data from Economist Impact's World Food Security Index 2022. Based on data availability, 27 economies are covered in developed economies; 8 in economies in transition; 78 in developing economies, including 32 in Africa, 11 in East Asia, 5 in South Asia, 11 in Western Asia and 19 in Latin America and the Caribbean.

Developing economies

Africa: A clouding outlook among rising imbalances and elevated risks

- Aggregate output in Africa is projected to remain subdued amid volatile and uncertain global environment compounding domestic challenges.
- Favourable export prices will benefit commodity exporters but a slowdown in global demand will pose challenges.
- Inflation pressures are expected to ease in 2023 as monetary policy tightens across the continent. Yet rapidly rising borrowing costs and debt-servicing burdens pose significant risks along with electoral instability and food insecurity.

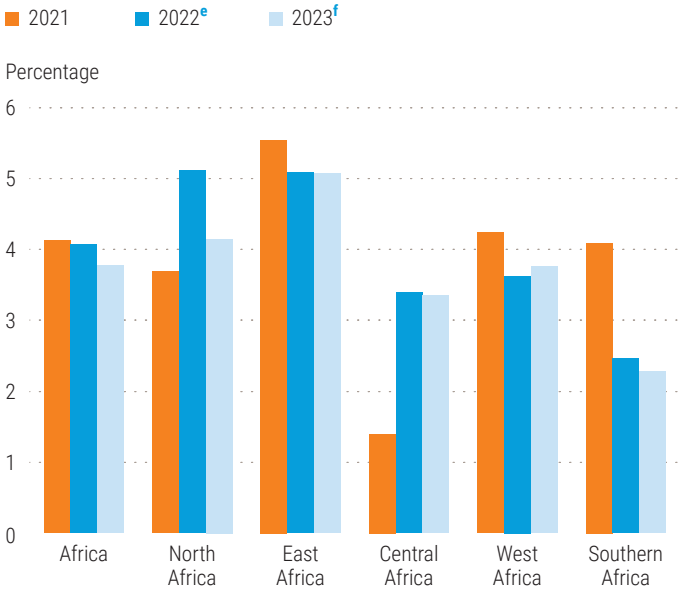
Aggregate output in Africa is projected to remain subdued amid a volatile and uncertain global environment compounding domestic challenges. The continent has been hit by a confluence of shocks, comprising weaker demand from key trading partners, a sharp uptick in global inflation, higher borrowing costs and adverse weather events. These are undermining its full recovery from the pandemic. Real output losses compared to pre-pandemic projections continue to be large, with Africa remaining a full 2.4 percentage points below its pre-pandemic projected real output. This contrasts with developed economies, which have more than recuperated from their 2020 losses in terms of real output.

Aggregate economic growth is estimated to weaken to 3.8 per cent in 2023 from 4.1 per cent in 2022, due to subdued investment and deteriorating export volumes. In 2023, growth is expected to pick up in East Africa and West Africa while stabilizing in Central Africa (figure III.8).

South Africa is projected to grow just 1.5 per cent in 2023 as adverse weather and power cuts drag down economic activity, and very high unemployment and rising inflation

Figure III.8

Real economic growth rates in Africa by subregion



Source: UN DESA, based on estimates and forecasts produced with the World Economic Forecasting Model.
Note: North Africa and Africa exclude Libya. **e** = estimates, **f** = forecasts.

deter household spending. High inflation and power supply issues are impacting growth in Nigeria, but the economy will benefit from robust commodities trade and dynamic consumer goods and services markets, bringing growth to 3 per cent in 2023. Growth in Egypt is forecast to slow to 5.1 per cent in fiscal year 2022 to 2023, after surpassing 6 per cent in 2021 to 2022, given less robust domestic demand, tighter monetary policy, a weaker Egyptian pound and soaring inflation. A sizeable IMF loan and other financial assistance should help relieve foreign exchange pressures, but the situation will remain precarious in 2023.

Several countries are still coping with the repercussions of the COVID-19 pandemic. With under a quarter (24.1 per cent) of people in Africa fully vaccinated against the virus, the continent remains vulnerable to renewed outbreaks and the possible arrival of new variants. High and rising operational costs for vaccination, vaccine hesitancy and low risk

perception have deterred higher vaccination coverage (WHO, 2022h).

Commodity exporters in Africa will likely face weaker market conditions given the expected global economic slowdown. Export prices will probably remain high, however, amid fierce competition for the continent's primary commodities. In 2022, oil exporters observed an estimated improvement of about 16 per cent in their terms of trade; non-resource-intensive countries faced a drop of about 4.5 per cent (IMF, 2022j). In 2023, commodity prices are projected to ease but remain at historically high levels. Despite volatility in energy, metals and minerals, commodity exporters are expected to continue to benefit from an overall terms-of-trade boost to their external balances in the short term.

African minerals exporters – Botswana, the Democratic Republic of the Congo, Namibia, Nigeria, Sierra Leone, South Africa, the United Republic of Tanzania, Zambia and Zimbabwe – will likely receive increased investments, with Europe looking for alternative sources of critical minerals, metals and precious stones.

Despite improvement in 2022, the total hours worked in Africa is still 2 per cent below pre-pandemic levels, the largest gap among all regions (ILO, 2022a). The continent also has the highest rate of working poverty globally, at 33.1 per cent in 2021. According to the World Bank, extreme poverty is projected to become increasingly concentrated in sub-Saharan Africa. Already, in 2019, the region accounted for 60 per cent of the global poor at the $2.15 poverty line. A whopping 35 per cent of the population (389 million people) lived below the international poverty line (World Bank, 2022a). Low and falling growth in income per capita – estimated to drop to 1.4 per cent in 2023 after averaging 1.6 per cent in 2021 and 2022 – will keep poverty entrenched and prevent countries from accelerating progress towards the SDGs (see box III.2).

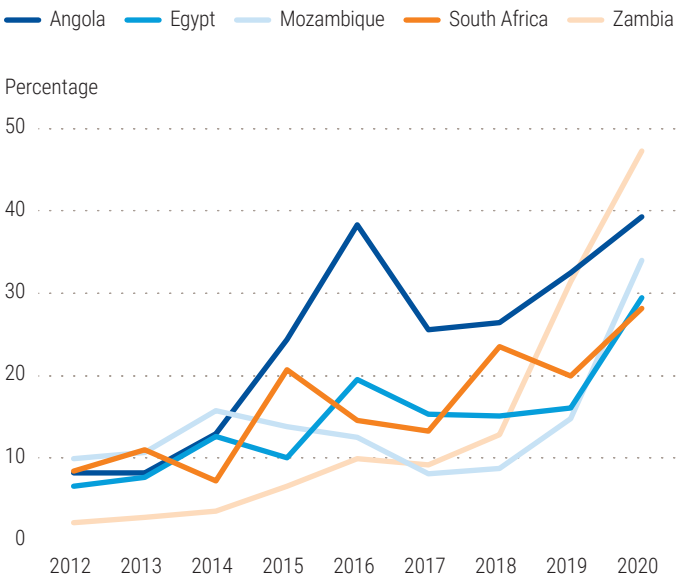
In line with the global pickup in inflation, price levels have risen significantly in African countries but are projected to moderate in 2023. The share of African countries experiencing double-digit inflation rocketed to 40 per cent in 2022, driven mainly by supply chain disruptions and the fallout from the war in Ukraine, which made essential food and energy items more expensive. To combat inflation and exchange rate pressure, about two thirds of African countries increased domestic policy interest rates in 2022. Most countries will likely further increase rates in 2023 in parallel with the projected monetary stance of the Federal Reserve in the United States and the European Central Bank. Central banks in Ethiopia, Ghana, Sierra Leone, Sudan and Zimbabwe face the most pressing needs for monetary policy tightening. A careful balance will need to be achieved to preserve economic confidence and prevent disturbances to short- and medium-term economic growth prospects.

Fiscal positions across Africa have deteriorated as governments sought to protect lives and livelihoods during the pandemic. Average public debt increased to over 60 per cent of GDP and will likely remain at this level in 2023. Such a magnitude was last seen in the early 2000s, just before the launch of the Heavily Indebted Poor Countries Initiative. Egypt, Ghana, Mozambique, Republic of Congo, Tunisia, Zambia and Zimbabwe are saddled with significantly higher levels of public debt, with debt-servicing burdens taking up a considerable share of government revenue. Although some large African economies have lower levels of public debt on average, they will continue to see high and rising debt-servicing costs (figure III.9).

Given higher interest rates, weaker currencies against the dollar and lower capital inflows, a number of African countries will face challenges in servicing and rolling over a large volume of debt, especially in 2024, when principal repayment of about $11 billion on

Figure III.9

Total debt service, as a share of exports of goods, services and primary income in selected African economies



Source: UN DESA, based on data from the World Development Indicators.

Eurobonds will be due (OSAA, 2022). Eurobond issuance has become harder for African governments, and yields in secondary markets have increased substantially, pointing to rising borrowing costs in the future. Pressure to implement economic reforms and trim government expenditures will intensify for several African countries. Political uncertainty due to upcoming elections in some nations, however, will likely delay major changes.

The sociopolitical and security conditions in several countries remain challenging for the continent, particularly in Burkina Faso, Cameroon, Central African Republic, Chad, Ethiopia, Mali and Mozambique. In 2023, 17 countries will hold presidential and parliamentary elections, and 13 others will be preparing for national elections in 2024. Rising popular dissatisfaction in many countries, driven by worsening socioeconomic conditions, including subdued wage growth, the escalating cost of living and food security concerns, could prove challenging for incumbent or new administrations. Although a slow decline in political and military tensions is expected, if insecurity should persist or rise, the economic outlook for affected and surrounding countries could worsen considerably.

Downside risks dominate the African economic outlook for 2023. Persistently high global inflation may prompt quicker and greater tightening by central banks in major advanced economies, which would depress global demand, raise international and domestic borrowing costs, and cut investment in the continent. A global slowdown and tighter financial conditions as well as a decline in official development assistance (ODA) could hamper debt sustainability and efforts to protect more vulnerable segments of society. Unexpected capital outflows could disrupt economies with large external financing needs. An escalation of the war in Ukraine and extended disruption to Russian exports could accentuate current inflationary pressures on food and energy prices that would aggravate food affordability concerns for vulnerable populations and might spark social discontent.

Against this backdrop, African governments will likely continue to pursue fiscal consolidation to counter higher interest costs and preserve debt sustainability. Achieving such goals will be very challenging and most likely will depend on prioritizing spending, improving spending efficiency and increasing revenue mobilization. The situation differs somewhat for commodity exporters, which can draw on higher commodity prices and substantial windfall revenues to rebuild policy buffers. The most leveraged African countries may go through severe financing difficulties and high uncertainty, requiring significant restructuring of their external public debt.

Box III.2

Poverty and food insecurity effects of the Ukrainian crisis on Africa

The war in Ukraine has further weakened the growth prospects of African economies since it came at a time when countries were reeling from the adverse impacts of the COVID-19 pandemic, climate shocks and heightened security risks in some countries. Global commodity price shocks have reverberated through African economies, especially through rising energy, fertilizer and food prices. These have translated into increasing import bills for most net food and oil importers and shrinking GDP. The crisis has further highlighted vulnerabilities due to supply constraints, weak infrastructure, economic dependence on external partners and volatile global markets, all of which leave the poor more at risk of extreme poverty and food insecurity.

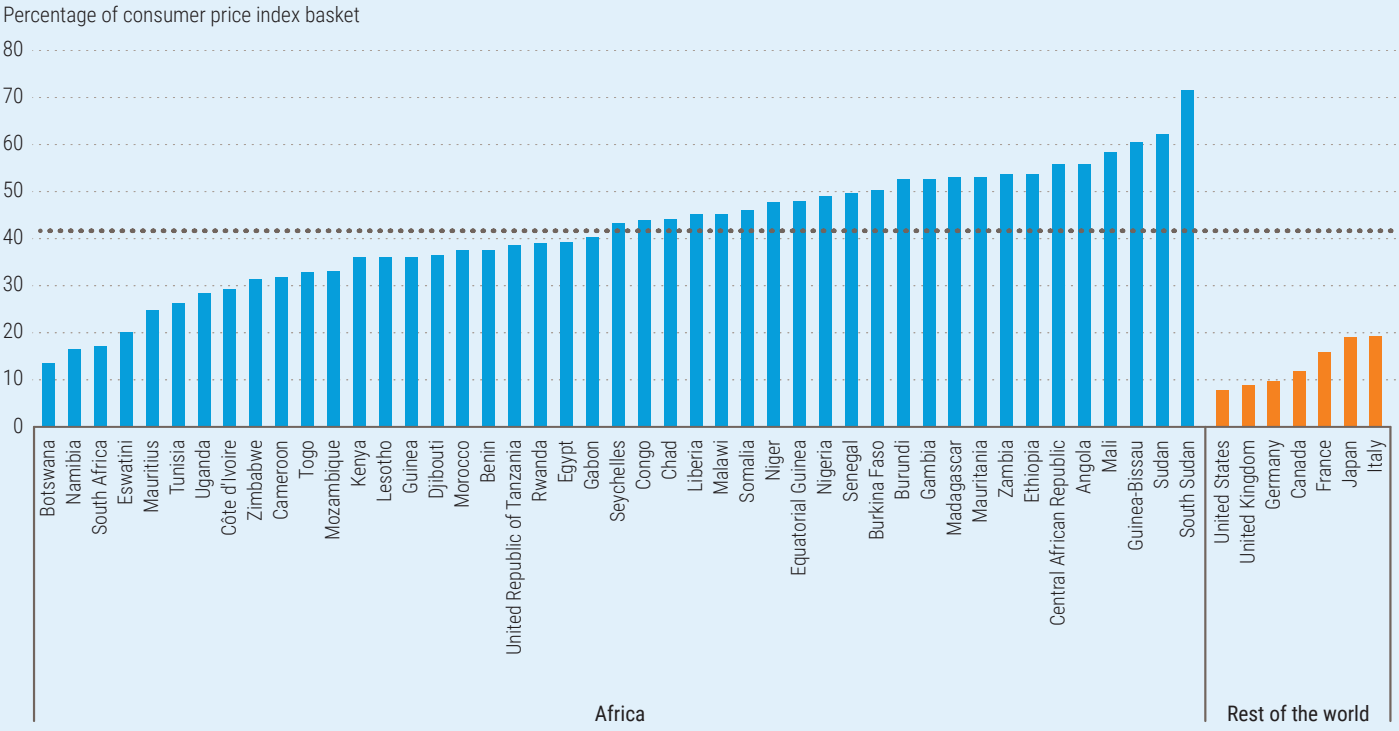
Intensifying shocks due to adverse weather conditions, high energy and transportation costs, and food export restrictions imposed by major food producers come on top of geopolitical risks, especially those associated with the Ukrainian crisis (AMIS, 2022). Given the high shares of Russian and Ukrainian grain and fertilizer in international exports, and the significant dependence of many African countries on these supplies, disruption in their availability coupled with soaring prices is exacerbating both poverty and food insecurity.

POVERTY EFFECTS

The economic slowdown caused by the pandemic increased the proportion of people in Africa living below the extreme poverty level to 17.2 per cent in 2020. Projected slower growth due to the war in Ukraine and increased inflationary pressures pose continued, significant repercussions for the poor.

Figure III.2.1

Food weight shares in consumer price indices, select countries, June 2022



Source: UNECA, compiled from national and ILO data.
Note: The horizontal line refers to the average share for food weight in CPI for African countries.

Vulnerable households on the edge of the poverty line face shrinking incomes and rising food and fuel prices. The persistence of the war is projected to push an additional 1.8 million people into extreme poverty in 2022 and 2.1 million in 2023 (AfDB, 2022). The Economic Commission for Africa estimates that the crisis could cut GDP growth by up to 0.7 percentage points in 2022 and drive poverty up by 0.5 percentage points.

IMPACT ON FOOD SECURITY

Africa had the highest prevalence of food insecurity globally in 2020, with 60 per cent of the population affected by moderate or severe food insecurity; 26 per cent faced severe food insecurity (FAO and others, 2021). Domestic policies, mechanisms and strategies must reduce the intensity of conflicts and buttress resilience to climate variability and extremes and economic downturns. Otherwise, the war in Ukraine will likely continue to worsen food insecurity in Africa.

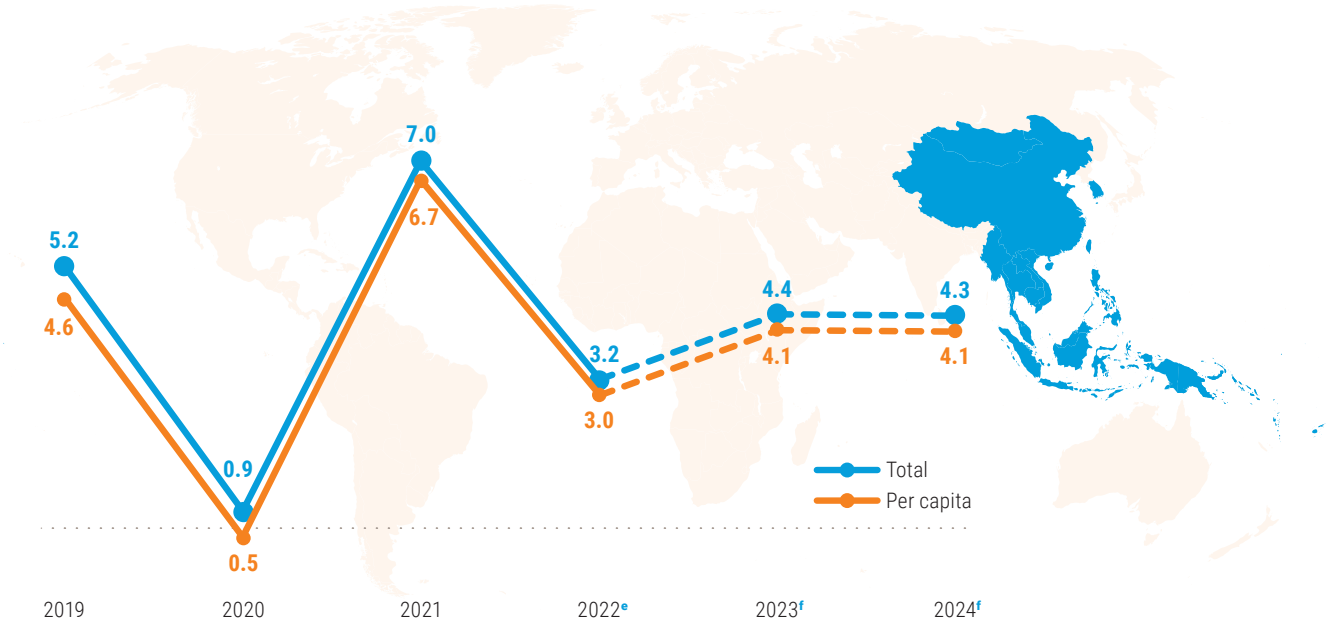
Most agricultural commodity prices have skyrocketed, with wheat and maize initially rising 63 per cent and 13 per cent, respectively.[a] Many African countries have a high share of food weight in the consumer price index, averaging 41.9 (higher than in many advanced economies[b]), which weighs heavily on inflation (figure III.2.1). Food items occupy the largest share in many household consumption baskets across Africa, with an expenditure share of about 42 per cent, compared to 13 per cent and 6 per cent for France and the United States, respectively.[c] The expenditure share is much higher in fragile States, where food consumption can reach well over 60 per cent of total expenditure. Further, social protection coverage is limited in Africa as a whole. Only 17 per cent of people receive at least one social protection benefit compared with the global average of 47 per cent. This leaves 1.2 billion Africans without any social protection coverage (ILO, 2021), a situation expected to further exacerbate food insecurity.

Countries with high concentrations of imports from the Russian Federation and Ukraine are particularly vulnerable to high food prices. Among 36 countries that imported over 50 per cent of their wheat products from the Russian Federation or Ukraine in 2020, 15 are in Africa.[d] As these two countries are also the largest exporters of fertilizers to the continent, the war will cause significant disruptions in crop production in Africa and exacerbate food security throughout 2023.

Author: *Hopestone Kayiska Chavula, United Nations Economic Commission for Africa*

a Data from MarketWatch.
b ECA calculations from ILO data.
c ECA calculations based on data from countries and ILOSTAT.
d ECA research based on UNCTAD data.

East Asia



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East Asia: A fragile recovery with intensifying challenges

- The economic recovery for East Asia remains fragile against the backdrop of an uncertain global environment and a bumpy reopening in China.
- East Asian economies will need to carefully calibrate policies to tackle high inflation, rising debt and weakened external positions, while stimulating domestic demand.
- The region should continue strengthening long-term resilience through increased investment in human capital and a low-carbon transition.

East Asia's recovery has been fragile amid intensifying challenges. After rebounding to 7 per cent in 2021, the region's economic growth is estimated to slow to 3.2 per cent in 2022. Although growth is projected to accelerate to 4.4 per cent in 2023, the forecast is subject to significant downside risks, including higher inflation, sluggish external demand, rapid global liquidity tightening, worsened external positions and possibly weaker-than-expected growth in China.

Economic performance in East Asia was uneven in 2022. For many, fading COVID-19 infections and easing restrictions led to a return to "normal", encompassing the reopening of borders, resumption of international travel and revival of the services sector, including retail and hospitality. For tourism-dependent economies such as Cambodia, Fiji and Thailand, the resurgence of international arrivals and reinvigoration of related sectors provided some relief. Indonesia, Malaysia, the Philippines, Singapore, Taiwan Province of China and Viet Nam are expected to have registered GDP growth rates that are higher than their five-year averages before the pandemic (from 2015 to 2019). In comparison, the commitment to zero COVID-19 in China and Hong Kong Special Administrative Region (SAR) led to a broad-based economic slowdown (figure III.10).

Stronger domestic demand buoyed GDP growth in a number of East Asian economies. In many economies in the Association of Southeast Asian Nations, private consumption and recovery in investment largely drove growth, especially in the first half of 2022 (figure III.10). Export performance varied considerably. Higher energy prices sustained fuel exporters such as Indonesia and Papua New Guinea. A decline in demand for electronics,[23] however, weakened exports from Malaysia, the Republic of Korea and Taiwan Province of China. Mongolia's exports took a nosedive due to China's economic slowdown and reduced demand for commodities.

In 2022, the Chinese economy is estimated to grow by 3 per cent, much lower than the 8.1 per cent growth in 2021 and the official target of 5.5 per cent. The slowdown mainly stems from recurring temporary lockdowns in response to COVID-19. While the commitment to zero COVID-19 saved people's lives and prevented the health system from being overwhelmed, it adversely affected aggregate demand and reduced total output. Moreover, policy-induced property market cooling led to a fall in investment in residential buildings and sales.[24] Property price declines could affect household net worth and consumption demand. In the first 10 months of 2022, the average residential property price dropped by 3.6 per cent compared with the same period in 2021.[25] Worsened profits and stricter requirements to access credit have impaired liquidity conditions for property developers, leading to defaults on their debts. Risks to the banking sector have risen significantly but are not yet systemic.

China's economic growth, however, is forecast to accelerate to 4.8 per cent in 2023. Despite sluggish external demand, domestic consumption and investment are expected to strengthen through the policy pivot to reopen the whole economy from the end of 2022, along with the Government's

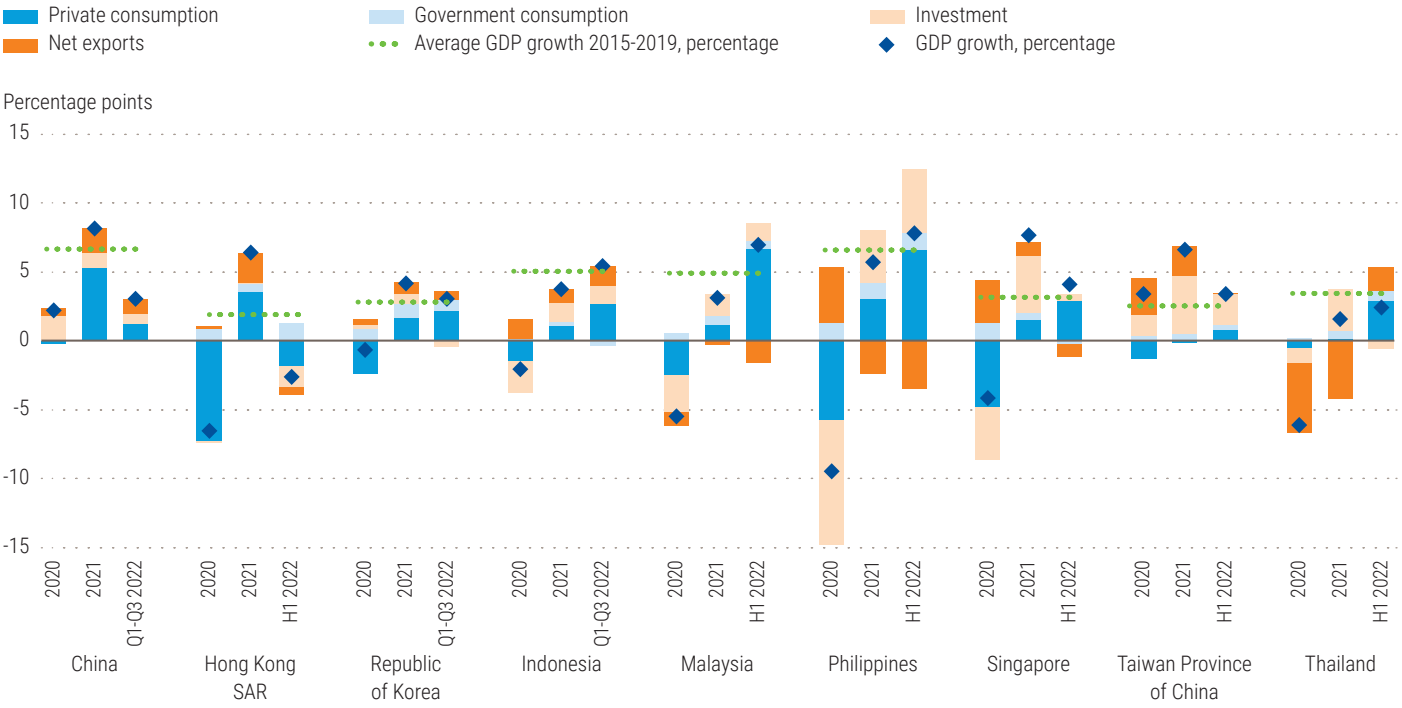
23 Worsening global economic conditions and high inflation have impaired consumer purchases of electronics. The Global Purchasing Manager Index for new orders of electronics has trended down since 2021 and remained in a contraction zone in the third quarter of 2022 (Neumann, 2022).

24 CEIC data (accessed on 9 November 2022) show that in the first three quarters of 2022, investment in China's residential buildings declined by 7.5 per cent, compared with an expansion of 6.4 per cent in 2021 and 7.6 per cent in 2020. Residential property sales declined by nearly 30 per cent in the same period.

25 See CEIC data (accessed on 10 December 2022).

Figure III.10

Demand-side contributions to growth in select East Asian economies



Source: UN DESA, based on data from the CEIC.
Note: For China, the consumption bar covers both the private and government sectors.

more proactive fiscal policies and accommodative monetary policy stance. In addition, policies to bolster financing of the property sector, including property development loans, bond financing and special loans to ensure pre-sold home delivery, may check the risk of a severe slump in the real estate market. Nevertheless, growth will remain significantly lower than the pre-pandemic sprint of 6 to 6.5 per cent annually. The reopening path may be bumpy, as increases in COVID-19 cases could continue to disrupt business activities and lower consumer confidence. While policies were introduced to ease the financial distress of property developers and constraints on home purchases, the property market has yet to show signs of recovery.

China's growth prospects have important ramifications for many countries in East Asia due to close trade and financial linkages. The expected economic recovery should support growth across the region. For instance, a stabilized Chinese property sector can benefit countries that export construction raw materials to China. A return of Chinese visitors can provide a boost to tourism-dependent economies. China's growth in 2023 may be weaker than the baseline, however, given high uncertainties. Scenario analysis suggests that a 1 percentage point decline in GDP growth in China in 2023 could lower GDP growth by 0.06 to 0.41 percentage points in East Asian economies. Cambodia, Hong Kong SAR, Mongolia, Singapore and Viet Nam could be most affected as China is their main export market and an important source of imported inputs (figure III.11). In contrast, a few countries might benefit from supply chain disruptions caused by the pandemic in China and China-related geopolitical tensions. Anecdotal evidence suggests that an increasing number of foreign companies in China are considering relocating to other Asian countries.[26]

26 For instance, Apple has accelerated plans to shift some of its production outside of China to India and Viet Nam (Yang and Tilley, 2022). A recent survey by the American Chamber of Commerce in Shanghai (2022) shows that one third of responding US companies redirected planned investment in China to other destinations in 2022, almost double the number of companies that did so in 2021.

Labour markets in East Asia have improved but not fully recovered. The ILO estimates that the pandemic stripped the region of over 12.1 million full-time equivalent jobs as of the third quarter of 2022, although this was lower than the 23.9 million jobs lost in the third quarter of 2021.[27] Labour force participation rates in 2022 remained below pre-pandemic levels for both men and women. As global and domestic economic conditions worsen, unemployment rates have risen in a few countries during the second half of 2022.[28] Young people are particularly vulnerable given massive disruptions in education and training, employment and income during the pandemic. With a lack of skills and experience, they may encounter difficulties in finding jobs (ILO, 2022d). Youth unemployment rates, despite some improvements, have remained above pre-pandemic levels[29] and are much higher than overall unemployment rates.

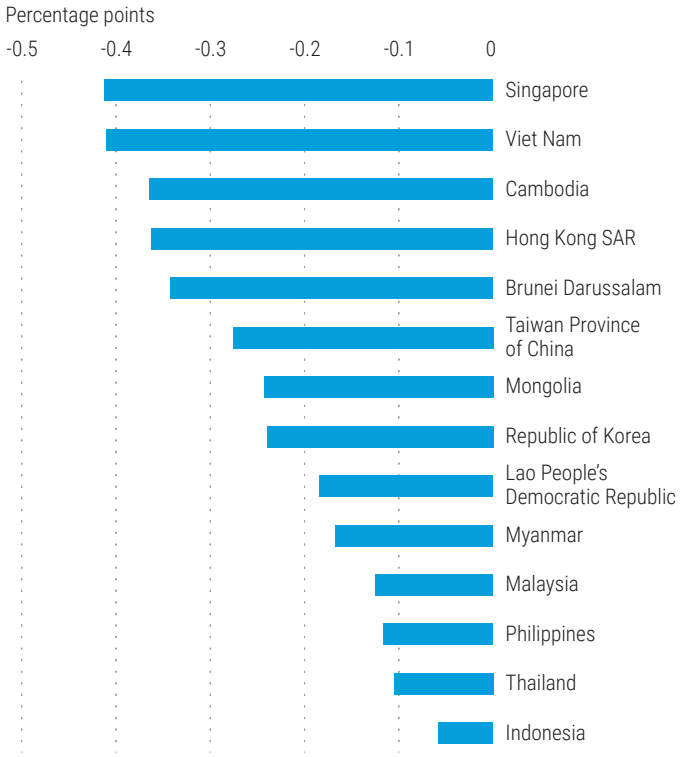
In 2022, East Asia's headline inflation averaged 3 per cent, compared with 1.4 per cent in 2021. Inflation in many countries has surpassed central bank targets (figure III.12). Three major drivers propel the inflation surge. First, reopening in many countries boosted domestic demand. Second, the war in Ukraine pushed up food and energy prices. Third, aggressive monetary tightening in developed countries led to large currency depreciations against the dollar, adding to import costs. In 2023, headline inflation is predicted to slow marginally to 2.9 per cent. Although commodity prices could fall as global demand eases off, the war in Ukraine could keep prices of food and fuel at elevated levels.

An estimated 6.4 million to 8.6 million additional people plunged into extreme poverty in East Asia in 2022 due to the pandemic, rising inflation and the war in Ukraine (Mahler and others, 2022). Extreme weather events imposed disproportionate impacts on vulnerable people. In the summer of 2022, high temperatures, frequent droughts, torrential rains and other climate events threatened livelihoods, destroyed infrastructure, disrupted food supplies and curbed business activity. Record-high temperatures and droughts in parts of China dried up rivers and affected cities that rely on hydroelectricity to power industries and homes. In the Philippines, a violent tropical storm forced schools to close the day after classes resumed in person for the first time since the pandemic began. A severe drought struck Kiribati and threatened access to clean water and sanitation.

East Asia's near-term economic prospects face significant downside risks, including a lingering pandemic, weakening external demand, rising financial stress, higher inflation and ongoing geopolitical tensions. As global

Figure III.11

Impact of a 1-percentage-point decline in China's GDP growth on growth in other East Asian countries, 2023



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

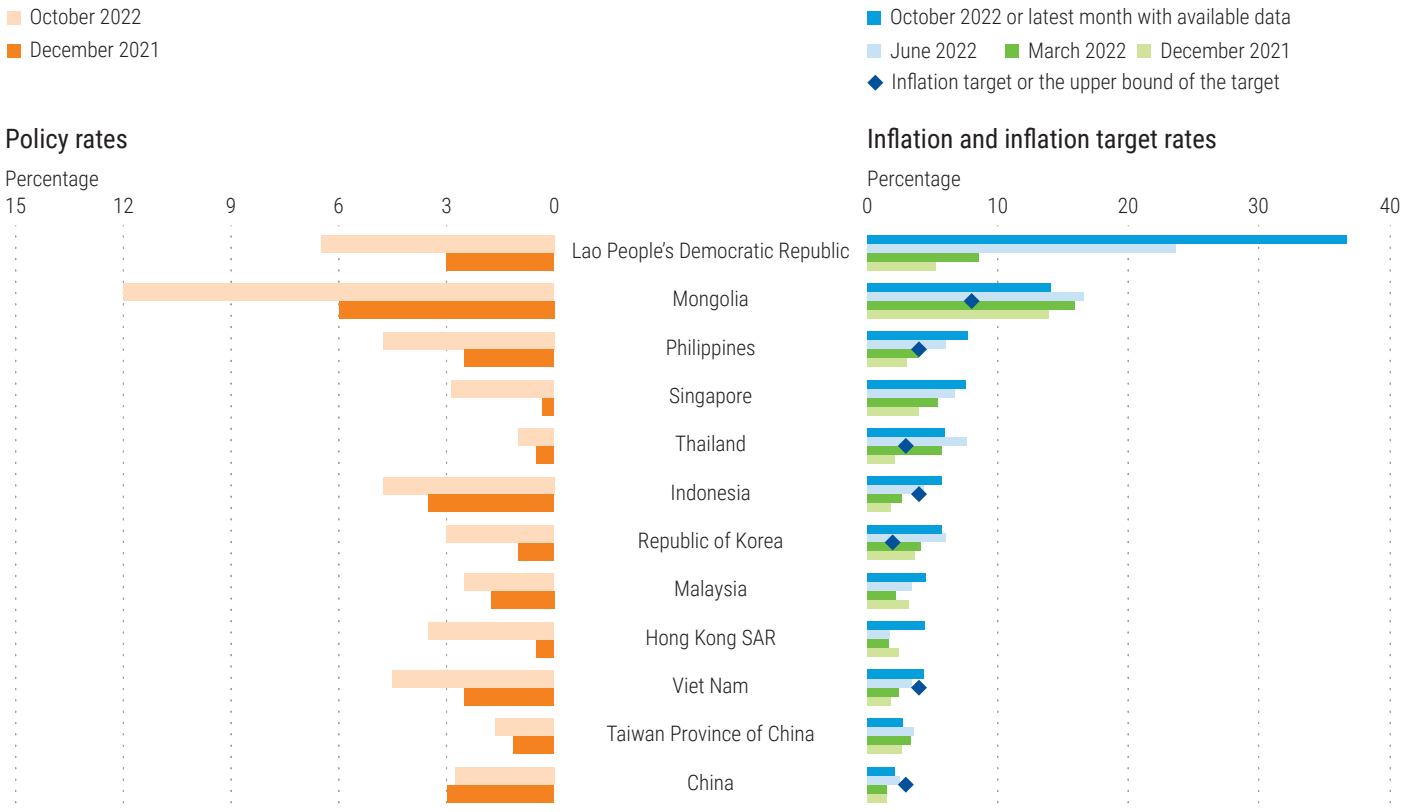
27 UN DESA estimates based on ILOSTAT (accessed on 7 November 2022).

28 For instance, the unemployment rate in China increased from 5.5 per cent in June 2022 to 5.66 per cent in September; the rate in Malaysia increased from 3.6 to 3.7 per cent during the same period. Based on CEIC data (accessed on 8 November 2022).

29 For instance, in Malaysia, the unemployment rate among youth (aged 15 to 24) was 12.1 per cent in September 2022, much lower than the peak of 14.2 per cent in May 2020, but higher than a pre-pandemic level of 10 to 11 per cent. In China, the unemployment rate among youth (aged 16 to 24) was 17.9 per cent in September 2022, above the pre-pandemic level of 10 to 14 per cent.

Figure III.12

Inflation, inflation target and central bank policy rates in East Asia



Source: CEIC.
Note: Inflation targets or the upper bound of the targets are added if information is available.

growth decelerates, weaker external demand will adversely affect manufacturing activities and investment in export-dependent economies such as Cambodia, Malaysia and Viet Nam. In tandem, possibly weaker-than-expected economic growth in China could reduce demand for commodities and intermediate goods from within and beyond the region. Even as multiple factors have disrupted world trade, however, the Regional Comprehensive Economic Partnership, which entered into force on 1 January 2022, has deepened trade ties in East Asia through new shipping routes and investment projects.[30] Park, Petri and Plummer (2021) estimate that if implementation stays on track, the partnership will add $245 billion annually to regional income and create 2.8 million jobs by 2030.

Many countries are facing rising financial stress. Quick policy rate hikes in developed countries have triggered capital outflows from developing countries, including those in East Asia, which has raised their financing costs. While many East Asian countries have hiked policy rates and intervened in the foreign exchange market to stabilize their currencies, the dollar has remained strong. Currency depreciations have made countries' external debt servicing more costly and increased their import bills, leading to deterioration in their current account balances. At the same time, foreign exchange reserves to cover short-term external liabilities have fallen (figure III.13). Lao People's Democratic Republic, Mongolia and Myanmar have faced significant external liquidity pressure due to rising import prices, global liquidity tightening and various idiosyncratic factors.

30 For instance, under the Regional Comprehensive Economic Partnership, a sea express route between eastern China and Japan opened in June 2022 (CGTN, 2022), and Japanese electric vehicle company ASF signed a deal with Chinese automaker Guangxi Auto in January 2022 to manufacture electric vehicles to sell in Japan (Zhu and Shi, 2022).

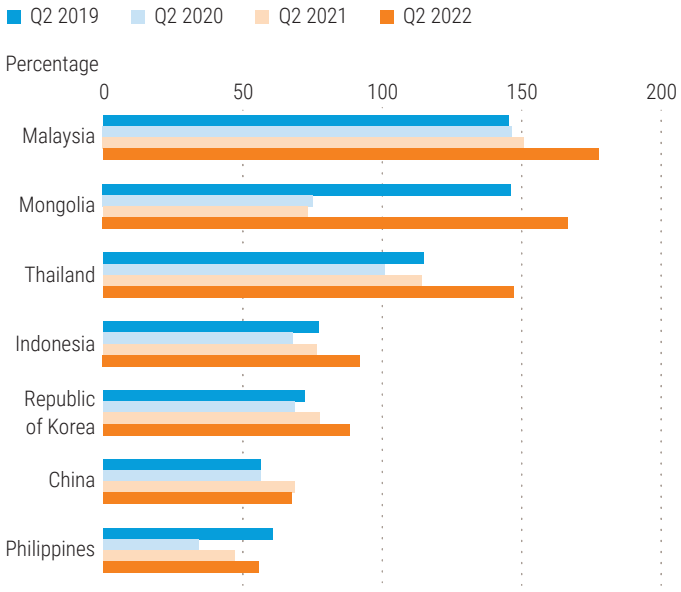
Strong inflationary pressures prompted at least 11 central banks in East Asia to raise interest rates as of October 2022 (figure III.12). Several countries also announced price-stabilizing measures, including price controls on rice, meat, cooking oil and coal, and subsidies to cap food and fuel prices (World Bank, 2022e).[31] To stabilize their currency, several monetary authorities introduced administrative controls or interventions. For instance, the Bank of Lao People's Democratic Republic limited currency trading in June 2022 (Vongphachanh, 2022). The Central Bank of Myanmar required private borrowers to adjust repayment reschedules with foreign lenders in July (Kyaw, 2022). As economies gradually shift back to normal and fiscal space shrinks, countries are phasing out pandemic-related fiscal stimuli.

While monetary tightening could tackle high inflation, high interest rates could dampen consumption and investment, and consequently hold back economic recovery in East Asia. In addition, food and fuel subsides would increase government spending, further pressuring weak fiscal positions and elevating public debt. Given uncertainties about geopolitical tensions and their substantial impact on prices, monetary authorities will need to closely monitor price dynamics by using domestic and international data, adjusting policy response as needed (World Bank, 2022e). Public spending needs and shrinking fiscal space will require better-targeted fiscal expenditures. Mobilizing additional resources can build on improving spending efficiency, tax administration and access to capital markets (see more discussion in chapter II).

The East Asian economies will also need to strengthen long-term resilience with increased investments in social protection systems, nutritious food, universal health-care systems and quality education. Such investments not only act as automatic stabilizers during crises but also boost productivity (Huang and Saxena, 2020). Digitalization, for example, could help increase the coverage of targeted cash transfers as well as virtual education and health-care services to reach those most in need.

Figure III.13

Short-term external liabilities as a percentage of foreign reserves in selected East Asian countries



Source: UN DESA, based on CEIC data and the IMF International Financial Statistics database.
Note: Short-term external liabilities are measured by the sum of short-term external debt, total imports of goods and services, and net portfolio investment flows, as a percentage of foreign reserves in selected countries. Countries are selected based on data availability.

Current headwinds to growth should not stop or reverse efforts to achieve climate targets. The region's share of fossil fuels (including coal, oil and natural gas) in primary energy consumption decreased gradually from 93 per cent in 2000 to 84 per cent in 2021.[32] Reducing dependence on coal became increasingly difficult during the energy shortages in 2022, however. A few East Asian countries – Singapore, Thailand, Timor-Leste and Viet Nam – have shown their commitments to climate goals by updating or enhancing their nationally determined contributions in 2021 and 2022. Moving forward, much depends on strong multilateral partnerships to realize climate ambitions and accelerate progress on the SDGs.

31 World Bank (2022e) states that China, Indonesia, Malaysia and Thailand have implemented price controls. China, Indonesia, Malaysia, the Philippines, Thailand and Viet Nam have introduced fiscal subsidies on food, fertilizer and fuel.

32 Calculated based on BP's *Statistical Review of World Energy*. Available at www.bp.com/en/global/corporate/energy-economics/statistical-review-of-world-energy.html (accessed on 11 November 2022). It covers 10 East Asian economies: China, Hong Kong SAR, Indonesia, Malaysia, the Philippines, the Republic of Korea, Singapore, Taiwan Province of China, Thailand and Viet Nam.

Box III.3

The war in Ukraine: Impacts, exposure and policy issues in Asia and the Pacific

As countries in Asia and the Pacific reeled from the economic and social impacts of the pandemic, the war in Ukraine posed yet another major shock to the world economy.

From a macroeconomic perspective, the conflict is affecting economies in Asia and the Pacific through three main channels. The first is higher global commodity prices. Second, global demand is likely to moderate amid surging inflation, supply disruptions and weaker market sentiments. Third, with rising economic uncertainty, global investors are shifting towards safe-haven markets, raising risk premiums in developing economies. Through these transmission channels, the war could result in weaker economic growth, wider fiscal and current account deficits, and higher financing costs in the region.

An exposure analysis[a] discusses how several economies are at a relatively greater risk due to economic structures and conditions rendering them more exposed to higher energy and food prices, smaller external financial inflows and rising financing costs.

EFFECTS OF HIGHER GLOBAL COMMODITY PRICES

The Russian Federation and Ukraine are major exporters of oil, gas, nickel, wheat, sunflower oil and fertilizer. International sanctions and disruptions to domestic production and cross-border transport have driven prices of these key commodities up from levels that were already high due to pandemic-induced disruptions. Steeper food and energy prices have led to climbing inflation rates and prompted central banks to raise policy interest rates.

Since the start of the war, commodity exporters such as Indonesia and Malaysia have benefited from higher commodity prices. In Thailand, rice exports increased as buyers looked for alternative food grains. On the other hand, export bans, such as on palm oil by Indonesia and chicken by Malaysia, further amplified the surge in global food prices.

Among East and South Asian economies, 19 are net importers of oil and 11 are net importers of food items, with both categories accounting for up to 40 per cent of the consumer price index basket in most economies. High inflation and interest rates will likely dampen consumption and investments, and increase debt-servicing costs for governments, firms and households.

A few countries in the region are more vulnerable to energy and food price fluctuations. Cambodia, Pakistan, Solomon Islands and Vanuatu are more exposed to higher energy prices as their net fuel imports are sizeable relative to GDP, resulting in larger energy import bills. Moreover, access to electricity remains limited while more than half of domestic electricity generation relies on fossil fuels. In Nepal, net fuel imports are significant. Just over 1 in 10 people still has no access to electricity; most electricity comes from hydroelectric sources.

Compared to regional peers, Kiribati and Solomon Islands are more at risk of surging food prices as they rely heavily on imported food items for domestic consumption and face concerns around food security. Other economies considered more exposed include Hong Kong SAR, the Maldives and Samoa. They also rely heavily on imported food, but food insecurity is not particularly high.

EFFECTS OF WEAKER GLOBAL DEMAND

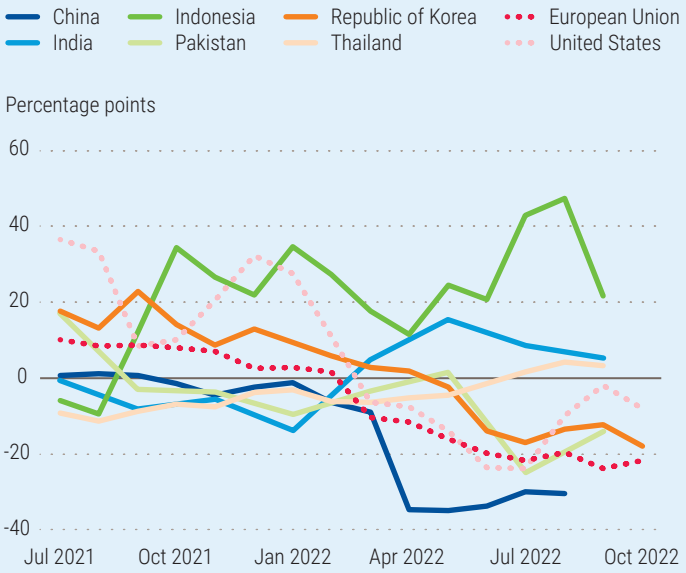
Uncertainties, trade disruptions and higher prices will likely soften global demand. This will translate into lower demand for exports from East and South Asia, where many countries depend heavily on exports.

More broadly, weaker export earnings and declining investment inflows together with adverse terms of trade could lead to significant balance-of-payments pressures in some economies. Several economies have recorded falling foreign exchange reserves due to wider current account deficits; they need to stabilize domestic currency values amid capital outflows and higher volatility.

a For further details on the methodology of the exposure analysis, see ESCAP, 2022.

Figure III.3.1

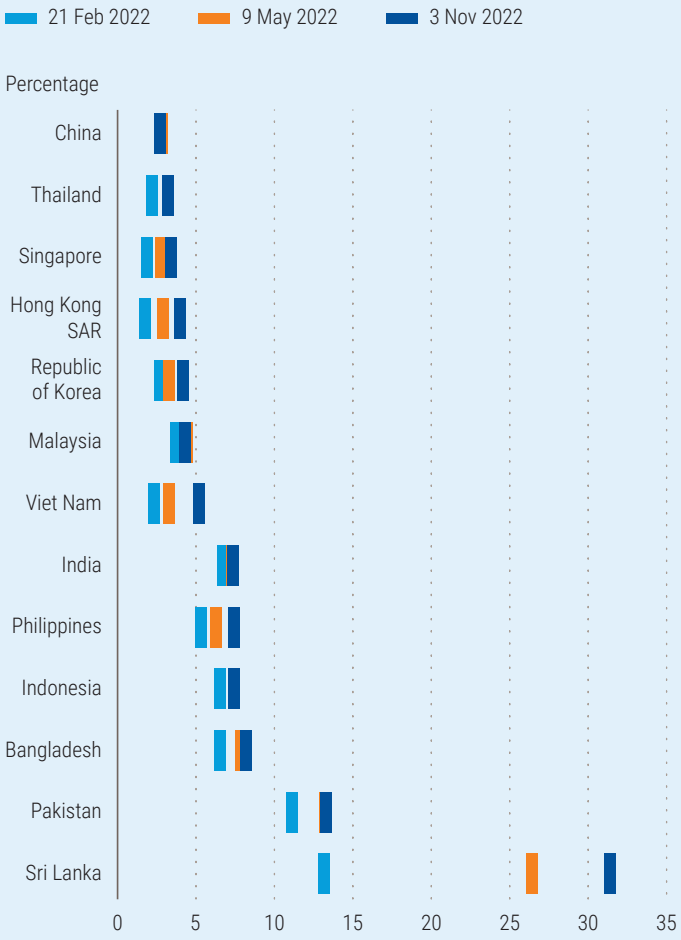
Consumer confidence in selected countries



Source: ESCAP, based on CEIC.

Figure III.3.2

Ten-year bond yield in selected economies in Asia and the Pacific



Source: ESCAP, based on data from World Government Bonds.

EFFECTS OF HEIGHTENED ECONOMIC UNCERTAINTY

Consumer and investor sentiments deteriorated steadily in most of East and South Asia over concerns around the rising cost of living, higher interest rates and lingering geopolitical uncertainties (figure III.3.1). Escalating global interest rates and economic uncertainty are pushing up financing costs with 10-year sovereign bond yields in most East and South Asian economies rising since the end of February 2022 (figure III.3.2). Higher financing costs will also weaken fiscal positions, particularly as fiscal deficits have risen and remain elevated since the pandemic.

A few countries have greater debt and financial flows exposure.[b] In Samoa, for instance, ODA received, international tourism receipts and personal remittances each exceed 10 per cent of GDP, resulting in acute exposure to external financial flows. In Indonesia, Pakistan and Sri Lanka, high external debt stocks and debt service ratios pose risks of external debt distress.

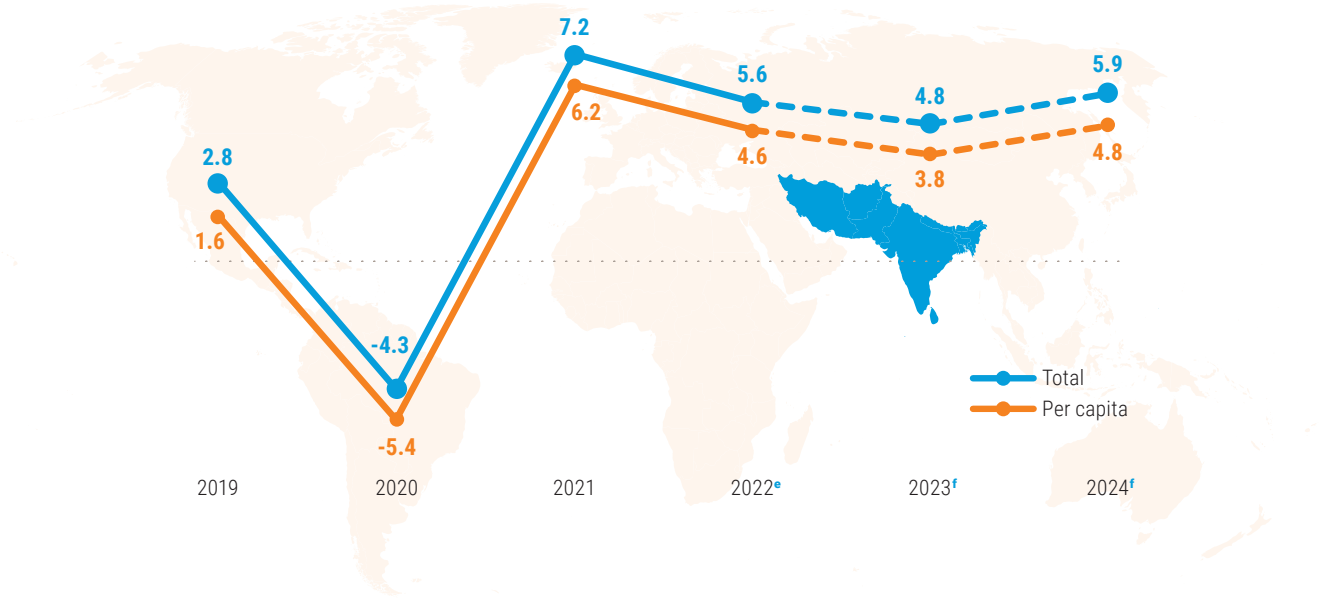
Apart from restoring price stability through interest rate increases, India, Indonesia, Malaysia and the Maldives, among others, are cushioning the impact of higher food and fuel prices through subsidies.

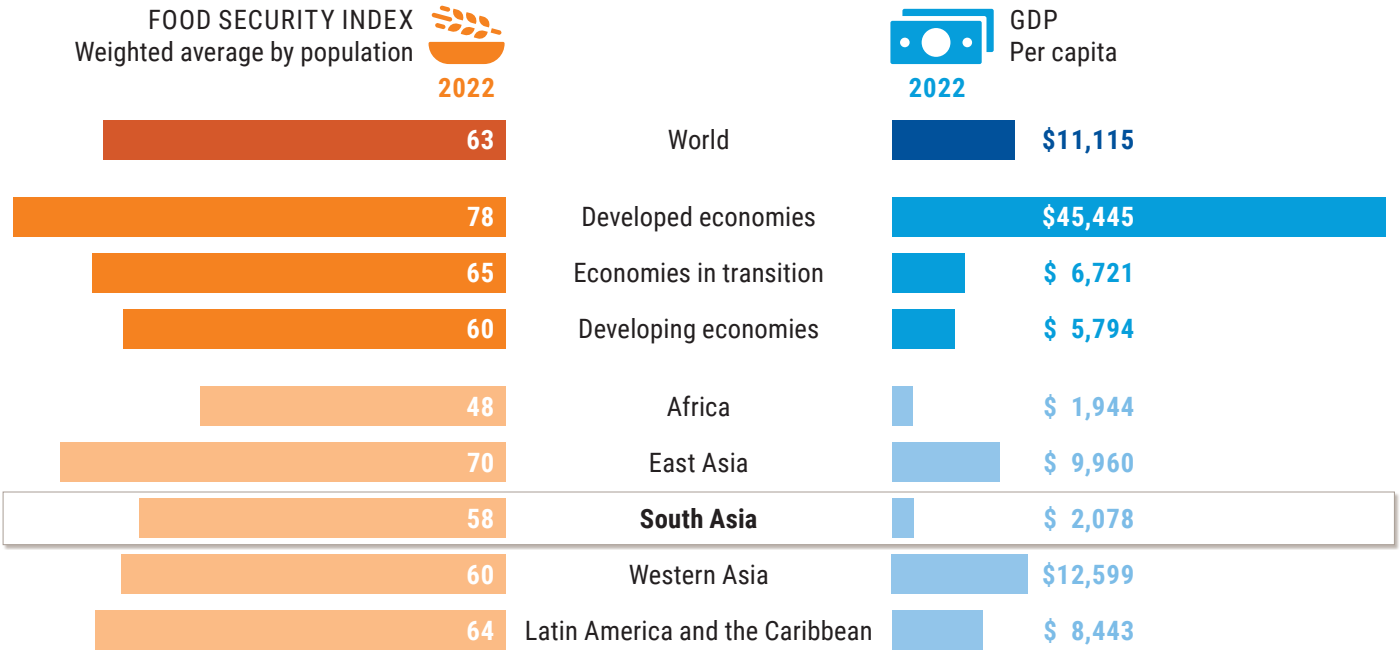
Policymakers should also explore policies to increase resilience and reduce exposure to future economic and price shocks. Some examples include avoiding restrictive export measures, introducing temporary trade liberalization and facilitation for affected products, releasing national oil reserves, boosting domestic energy production, and ensuring existing government assistance and subsidy schemes benefit those most in need. Some medium-term measures comprise accelerating digital trade facilitation, diversifying food import sources and accelerating the transition towards renewables.

Authors: *Kiatkanid Pongpanich and Vatcharin Sirimaneetham, United Nations Economic and Social Commission for Asia and the Pacific.*

b This area of exposure involves five subareas (fiscal space, external financial flows, external debt, the banking sector and the equity market). Given the wide range of indicators, some economies are more exposed in a particular area than others.

South Asia





Note: 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 *World Economic Situation and Prospects 2023*. The shaded areas therefore do not necessarily overlap entirely with the delimitation of their frontiers or boundaries. Aggregate data for Africa exclude Libya.
e = 2022 estimates. **f** = 2023-2024 forecasts.
Source for food security data: UN DESA calculations, based on data from Economist Impact's World Food Security Index 2022. Based on data availability, 27 economies are covered in developed economies; 8 in economies in transition; 78 in developing economies, including 32 in Africa, 11 in East Asia, 5 in South Asia, 11 in Western Asia and 19 in Latin America and the Caribbean.

South Asia: A challenging road ahead amid global headwinds

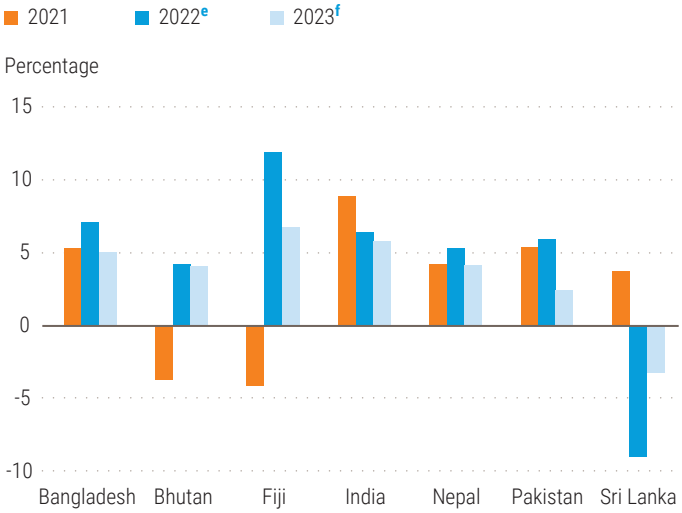
- South Asia's outlook has deteriorated amid challenging domestic and global conditions.
- Rising global food and energy prices are intensifying pressure on food security and undermining progress on the SDGs.
- The economic impact of the conflict in Ukraine is exacerbating existing vulnerabilities across the region.

The outlook for South Asia has deteriorated and is subject to multiple downside risks amid global monetary tightening, fiscal vulnerabilities, rising inflation and extreme weather events. Regional GDP growth is expected to slow to 4.8 per cent in 2023 from an estimated 5.6 per cent expansion in 2022. Overall, weaker global demand, tighter monetary policy, additional supply disruptions, further escalation in commodity prices and the emergence of new COVID-19 variants pose significant risks in 2023.

India's GDP growth rate is projected to moderate to 5.8 per cent in 2023 from an estimated 6.4 per cent in 2022 as higher interest rates and a global economic slowdown will weigh on investment and export performance (figure III.14). The outlook is more challenging for other countries in the region. In Pakistan, the economy is expected to expand by only 2.5 per cent in 2023 as devastating floods in 2022 caused significant damages, particularly for agriculture, with spillover effects on related industrial and service sectors. According to a post-disaster needs assessment, flood-related costs reached an estimated $14.9 billion, equivalent to 4.8 per cent of GDP[33] (Pakistan, Ministry of Planning Development and Special Initiatives, 2022). Sri Lanka's economy contracted by an estimated 9 per cent in 2022 and is likely to shrink by another 3.2 per cent in 2023 amid downside risks that comprise delays in securing

Figure III.14

GDP growth in selected South Asian countries



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

IMF funding, renewed political uncertainty and external financing constraints.

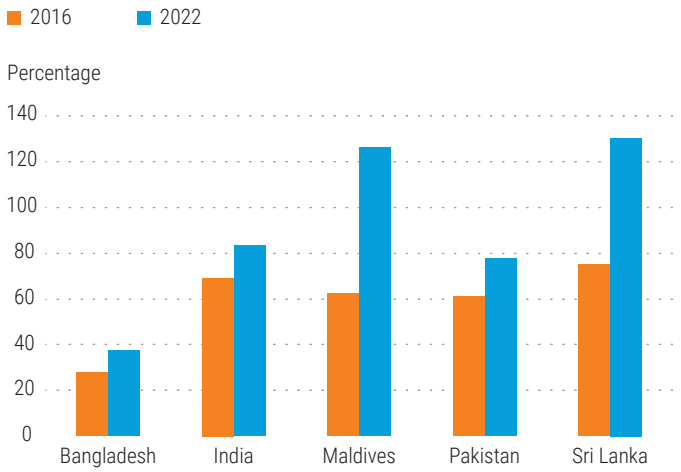
As the United States Federal Reserve raised its policy rate and international investors reduced their exposures to developing markets in 2022, South Asian currencies weakened significantly against the dollar. In response, central banks in the region accelerated their interest rate hikes and intervened strongly to prevent further currency depreciation, particularly during the second half of the year. Fiscal and balance-of-payments financing needs were exacerbated across the region.

Existing high levels of sovereign debt and unsustainable debt-servicing burdens prompted several South Asian countries to seek multilateral financial support in the second half of 2022 (figure III.15). After defaulting on its sovereign debt in April, Sri Lanka reached a staff-level agreement with the IMF under the Extended Fund Facility in early September. The IMF programme is expected to help boost tax revenues and reduce fiscal deficits in coming years (IMF, 2022k). Pakistan and Bangladesh reached staff-level agreements with the IMF

33 For fiscal year 2022.

Figure III.15

The public debt-to-GDP ratio in selected South Asian countries



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

in July and November 2022, respectively. Accordingly, Pakistan's budget for the 2022-2023 fiscal year prioritizes new tax measures and spending cuts with a view to restoring macroeconomic stability and improving debt sustainability. The country will face huge challenges in implementing these measures, however, given the massive damage to land and infrastructure caused by the floods.

Consumer price inflation in South Asia, particularly in Pakistan and Sri Lanka, accelerated markedly in 2022, driven by rising global fuel and food prices (see box III.3). Higher import prices led to deteriorating current account balances in some countries, particularly those that are highly dependent on imports. Even though oil prices moderated during the last quarter of the year, a prolonged period of elevated prices since the start of the pandemic strained the balance of payments. Moreover, higher energy costs pushed up prices of other commodities such as fertilizers.

Regional consumer price inflation is projected to stay above pre-pandemic levels, at 12.4 per cent in 2023, after reaching 15.6 per cent in 2022.

In India, annual inflation is estimated at 7.1 per cent in 2022, exceeding the 2 to 6 per cent medium-term inflation target band set by the Central Bank. India's inflation is expected to decelerate to 5.5 per cent in 2023 as global commodity prices moderate and slower currency depreciation eases imported inflation. Sri Lanka's inflation will remain high, owing to the weak value of its currency against the dollar and domestic supply-side constraints.

Central banks in South Asia have accelerated their interest rate hikes to stabilize exchange rates and tame inflationary pressures. The central banks of Pakistan and Sri Lanka started aggressive monetary tightening cycles in late 2021 amid rising inflation and widening current account deficits, whereas the Reserve Bank of India and the Central Bank of Bangladesh began tightening during the second quarter of 2022, later than most advanced economies. As the region's central banks prioritize bringing down inflation and keeping consumer inflation expectations anchored, further interest rate increases are expected in 2023.

Tourism in South Asia began to recover from the impact of the pandemic once international travel resumed in 2022. Tourist arrivals rose to pre-pandemic levels in the Maldives, while in India and Nepal, the number of arrivals gradually improved over the first half of the year. In Sri Lanka, economic crisis in the second quarter of 2022 interrupted the recovery in tourism that started in September 2021.

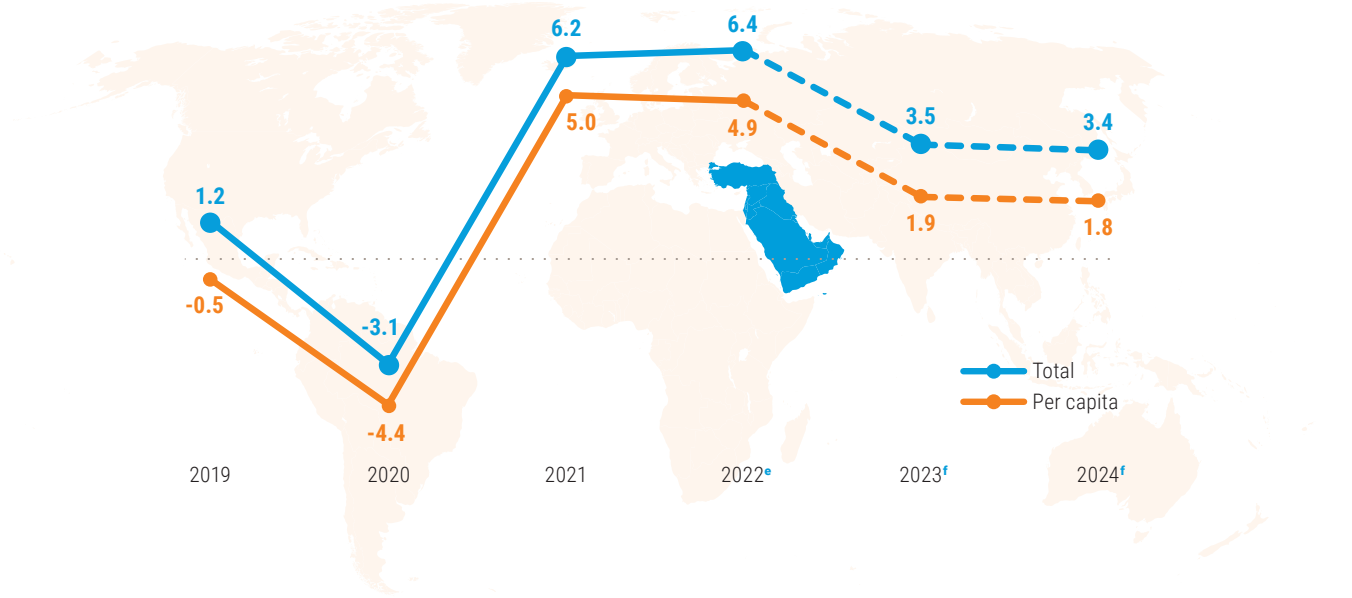
Recovery in the labour market has been uneven across the region. In India, the unemployment rate in 2022 declined to pre-pandemic levels through stepped-up urban and rural employment (World Bank, 2022f). But youth employment remained below pre-pandemic levels,[34] particularly among young women, given the pandemic's severe impacts on economic sectors where women tend to cluster. The floods in Pakistan significantly impacted unemployment, given that 43 per cent of employed people work in agriculture in the most affected areas.

34 According to ILO modelled estimates.

In Afghanistan, unemployment shot up amid changes in the political administration and restrictions on women working.

Extreme climate conditions, heatwaves and flooding took a continued heavy toll in 2022 in India and Pakistan. Severe damage to key agricultural crops and livestock losses added pressure on food security and fuelled domestic inflation, undermining progress on the SDGs. Overall, the number of people in the region facing acute food insecurity rose in 2022, particularly in Afghanistan, Bangladesh, Pakistan and Sri Lanka (World Bank, 2022g). Several governments implemented agricultural policies to address food security concerns. In Bangladesh, the Government reduced import tariffs on rice, increased fertilizer subsidies and boosted budget allocations to the agricultural sector. The Government of Pakistan provided targeted subsidies and increased social protection to counter high food prices.

Western Asia



FOOD SECURITY INDEX Weighted average by population 2022		GDP Per capita 2022
63	World	$11,115
78	Developed economies	$45,445
65	Economies in transition	$ 6,721
60	Developing economies	$ 5,794
48	Africa	$ 1,944
70	East Asia	$ 9,960
58	South Asia	$ 2,078
60	**Western Asia**	$12,599
64	Latin America and the Caribbean	$ 8,443

Note: 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 *World Economic Situation and Prospects 2023*. The shaded areas therefore do not necessarily overlap entirely with the delimitation of their frontiers or boundaries. Aggregate data for Africa exclude Libya.
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Western Asia: An oil boom masks intraregional disparities in economic recovery

- Oil producers in Western Asia are emerging from the slump that began in 2019, buoyed by rising oil output and prices.
- In non-oil-producing countries, the recovery remains weak amid less favourable economic conditions and fiscal constraints.
- Food security concerns have risen due to high dependency on wheat imports from the Russian Federation and Ukraine.

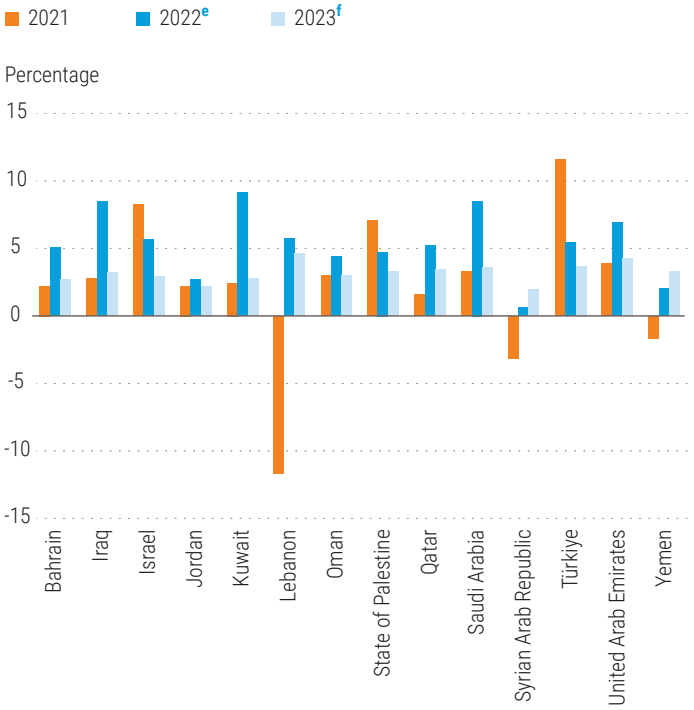
In 2022, Western Asian economies, on average, grew an estimated 6.4 per cent, accelerating from 6.2 per cent the previous year. A group of oil-producing countries explained the improved growth performance (figure III.16). Growth is projected to slow somewhat to 3.5 per cent in 2023, due to less favourable external factors.

All countries in the region remained on the path of economic recovery from the COVID-19 crisis in 2022. After many pandemic-related restrictions ended during the first half of the year, no new lockdown measures were imposed, although COVID-19 outbreaks continued with newly emerging variants of the virus. The rapid growth of international travel to the region, from a low base, contributed significantly to economic recovery. Growth trends diverged, however, against the commodity price spike triggered by the war in Ukraine. With all countries in the region strongly reliant on imports of staple food items, such as barley and wheat, the war in Ukraine resulted in high food price inflation. The region's non-oil-producing countries primarily felt the adverse terms-of-trade impact (see box III.4). For oil exporters, rising energy prices offset higher international grain prices.

Major crude oil producers in the region, Iraq and the member countries of the Gulf Cooperation Council (GCC), including Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United

Figure III.16

Growth projections for Western Asia



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

Arab Emirates, experienced rapid economic expansion. This stemmed from elevated external demand spurred by the coordinated crude oil production increase under the OPEC Plus agreement. On average, crude oil production grew an estimated 10 per cent in Western Asia in 2022, which contributed to high real GDP growth in oil-producing countries. The non-oil sector in the GCC countries also saw consistent expansion. The real estate sector, subdued since 2015, registered a gradual recovery although housing prices remained significantly below the peak in 2014 to 2015.

Economic growth in non-oil-producing countries and smaller oil producers (the Syrian Arab Republic and Yemen) suffered from deteriorating external conditions. High commodity prices and tightening access to international finance resulted in greater balance-of-payments constraints, with weaker national currencies. The extent of currency depreciation was particularly severe in Lebanon,

the Syrian Arab Republic, Türkiye and Yemen, leading to very high inflation rates. Consumer price inflation in 2022 reached an estimated 176.4 per cent in Lebanon, 65.5 per cent in the Syrian Arab Republic, 71.7 per cent in Türkiye and 42.6 per cent in Yemen. Jordan maintained its currency rate peg to the dollar, but its foreign reserves declined by $1.4 billion to $16.6 billion over the first nine months of 2022. While Lebanon may register an economic expansion for the first time since 2017, GDP remains significantly below the 2017 level. Ongoing conflicts continued to weigh on the growth prospects of the State of Palestine, the Syrian Arab Republic and Yemen.

The GCC countries committed fiscal expenditures to food subsidies intended to cope with high inflation. The United Arab Emirates also implemented income support programmes for low-income families, and Saudi Arabia expanded the volume of its strategic grain reserves. Fiscal support to mitigate the impact of inflation in other Western Asian countries was limited. Türkiye substantially revised the minimum wage in January, July and December 2022 to safeguard households from the rising cost of living.

To contain increasing inflationary pressures, central banks in the GCC countries, Israel and Jordan have shifted to a tightening cycle. The impact on domestic demand is expected to materialize gradually over 2023 as robust growth in the money stock continued in these countries in 2022. Türkiye lowered the policy interest rate in July and September to stimulate investment, despite rising double-digit inflation. The Lebanese central bank struggled to stabilize the financial sector amid increasing concerns from depositors whose foreign currency deposits made prior to 17 October 2019 remained subject to strict withdrawal restrictions.

Countries in the region are likely to embrace fiscal consolidation. Benefiting from greater oil revenues, fiscal expenditures in GCC countries apparently increased in real terms during fiscal year 2022 to an extent tailored by commitments to fiscal consolidation. Fiscal expenditures expanded in nominal terms in Jordan and Türkiye but the overall fiscal stance was neutral given the level of inflation. A clear shift to fiscal consolidation and debt reduction has been observed in Israel.

Unemployment rates in the region in 2022 fell to pre-pandemic levels in Israel, Saudi Arabia and Türkiye. The unemployment rate of Saudi nationals came down to 9.7 per cent in the second quarter of 2022, the lowest level in 20 years, driven by a considerable reduction in female unemployment. The female unemployment rate among Saudi nationals declined to 19.3 per cent from the recent high of 31.4 per cent in the second quarter of 2020. Employment recovery remains slow in other countries. In Jordan, the unemployment rate stood at 22.6 per cent in the second quarter of 2022, above the 19.3 per cent recorded in the first quarter of 2020. The most recent estimates put the unemployment rate in Lebanon at 29.6 per cent, which is considerably above the 11.4 per cent level recorded prior to the ongoing financial crisis that erupted in 2019 (Lebanon, Central Administration of Statistics and ILO, 2022).

Economic expansion in Western Asia is expected to moderate looking forward given several factors. While domestic demand is projected to recover steadily, external economic conditions, including terms of access to international finance, are expected to remain tight, limiting growth prospects. The region's currencies, including those pegged to the dollar, remain under pressure, forcing them to maintain tight monetary stances. The looming global economic slowdown may weaken demand for crude oil and adversely affect oil-producing countries. Moreover, considerable risks remain in the absence of political resolutions of persistent conflicts in several parts of the region.

Box III.4

The war in Ukraine and food security in the Arab region

The Russian Federation and Ukraine, due to their vast and fertile land resources and favourable climate conditions, are among the largest cereals exporters in the world. In 2020, they took second and third place globally, with 9 and 8 per cent shares of exports, respectively.[a] They account for almost 30 per cent of cereals imports in Arab countries. The war in Ukraine and the following blockade of Ukrainian ports therefore severely distorted food security in the Arab region. Even though exports resumed in August 2022 after the successful Black Sea Grain Initiative agreement brokered by Türkiye and the United Nations, domestic prices of food remain elevated, causing concern among governments. Several factors make the situation particularly dangerous for Arab countries:

Wheat production in the region is relatively difficult due to climate conditions and the relative lack of water. Even though Iraq and the Syrian Arab Republic before its civil war have produced more wheat than they consume,[b] Saudi Arabia's decision to reduce wheat production in 2008 to save water underlines how Arab countries lack comparative advantages in growing this crop.

Dietary patterns in Arab countries encourage wheat consumption. Algeria, Morocco and Tunisia are among the highest per capita consumers of wheat in the world. That tendency, coupled with climate conditions, pushes most Arab countries towards heavy dependence on wheat imports (see figure III.4.1).

Food imports come primarily from European countries. The share of Russian and Ukrainian cereals in imports in Lebanon, Libya and Sudan exceeds 50 per cent. In Egypt and Tunisia, the share is slightly smaller (between 40 and 50 per cent) but high volumes make these imports difficult to replace (see figure III.4.2).

At 12 per cent, the prevalence of undernourishment in Arab countries already surpasses the world average of 10 per cent.[c] As wheat is the most important source of inexpensive calories, any significant movements of its price affect the lower strata of societies, pushing even more people into undernourishment.

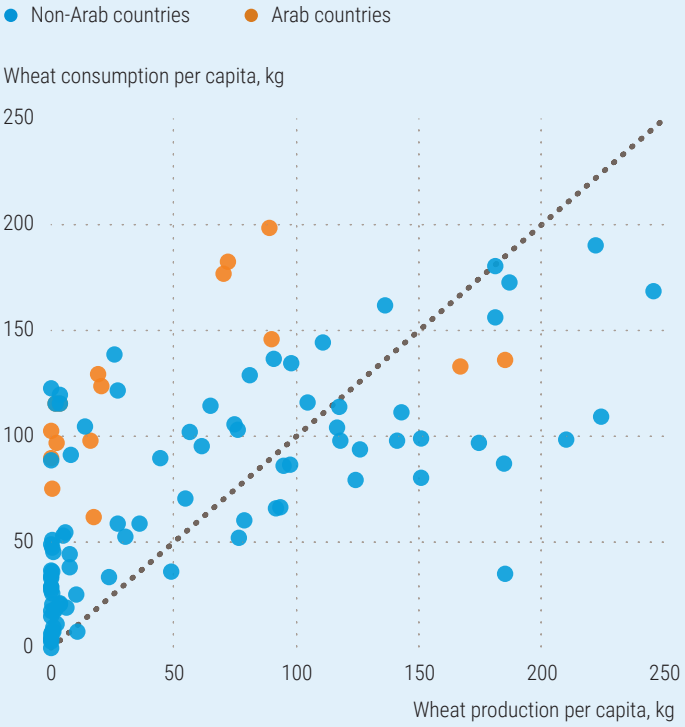
The crisis has overlapped with several country-specific challenges. Damage to silos by the 2020 Beirut port blast has significantly impeded the storage of grain in Lebanon. In Egypt, inexpensive bread plays a significant role in the social contract.[d]

As a result of the shock to oil and food prices, Arab countries may lose an estimated average of 0.6 per cent of GDP growth in 2022 (ESCWA, 2022a). Lebanon, Morocco, the State of Palestine, the Syrian Arab Republic and Yemen would feel the biggest hits as they import both food and energy commodities. All these countries could shed between 3 and 5 percentage points of GDP growth in 2022 due to the conflict in Ukraine.[e] The surge in food prices could push an additional 3.7 million people into poverty in 2023 and 2.8 million more people into extreme poverty (ESCWA, 2022b). As poverty correlates with undernourishment, this surge will affect the health status of Arab peoples. Food subsidy expenditures were rationalized in some countries before the war. For example, between 2018 and 2021, food

a See the International Trade Centre Trade Map.
b Saudi Arabia was also self-sufficient before 2008 but abandoned its programme to subsidize wheat production to save water.
c World Development Indicators database, 2020.
d The special role of bread subsidies in Egyptian society traces back to the post-war era of the 1940s, with these subsidies eventually becoming part of the social contract. Over the years, bread has remained part of the subsidized basket despite numerous modifications, although the size of loaf was gradually reduced. As of 2022, the nominal price of subsidized bread, received by two thirds of the population, remains at its 1988 level. In March 2022, a price cap on unsubsidized bread was imposed.
e These figures are the result of a simulation using the World Economic Forecasting Model developed by UN DESA. The simulation, performed in March 2022, shows the percentage-point deviation from baseline GDP growth projections (published in the 2022 *World Economic Situation and Prospects*) if the oil price rises by 40 per cent and prices of other commodities climb by 50 per cent. Despite the moderation in oil and commodity prices since then, and the likelihood of a more moderate impact, the simulation clearly shows which countries have gained and lost from the Ukraine conflict.

Figure III.4.1

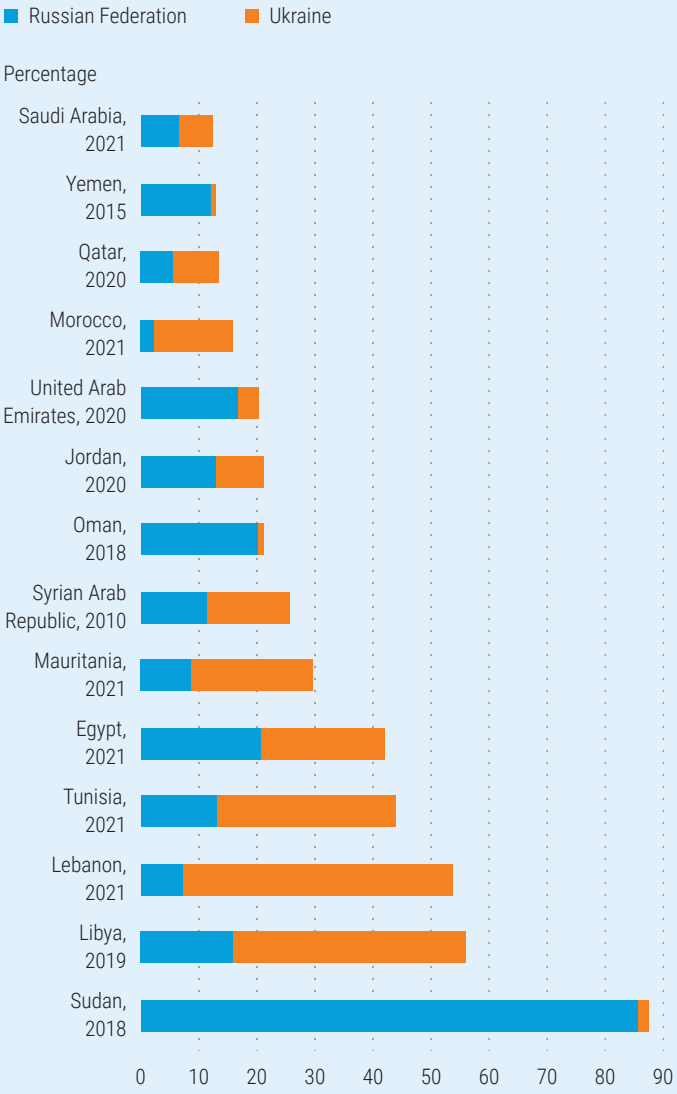
Per capita wheat production (2020) and food consumption of wheat (2019), by country



Source: FAOSTAT.
Note: The diagonal line is a 45-degree line.

Figure III.4.2

Shares of the Russian Federation and Ukraine in cereals imports to the Arab countries, latest available data



Source: International Trade Centre Trade Map.
Note: The year in the label for each country represents the year of the latest available data.

subsidy expenses fell from 2.4 to 0.4 per cent of GDP in Tunisia and from 1.7 to 1.2 per cent of GDP in Egypt. Yet in Egypt, food subsidies still account for 4.8 per cent of government expenditures. Any increase would put considerable pressure on government finance.[f]

Actions taken by Arab countries to shield their citizens from shock mostly include shifting towards other suppliers and seeking alternative import directions (such as European Union countries, the United States or Latin America). Egypt has also banned wheat exports and provided new incentives to enlarge local supplies. Measures such as mixing wheat with sweet potatoes or increasing the amount of flour extracted from wheat from 82 to 87.5 per cent have been proposed. Lebanon has envisaged a plan to rebuild the Beirut port storage facilities and support local farmers to boost domestic supply. Morocco, already affected by catastrophic drought limiting domestic production, announced greater production of fertilizers to help farmers from other countries enhance yields and

f No data on food subsidy expenditures exist for other Arab countries, except Jordan, where they are negligible, and Sudan, where in 2016 they constituted 0.2 per cent of GDP and 1.5 per cent of total public expenditures.

contracted additional deliveries from Argentina and France. It also expanded storage capacities.

Summing up, the Black Sea Grain Initiative and the availability of other suppliers have spared Arab countries the most acute consequences of cuts in wheat and edible oil deliveries from the Russian Federation and Ukraine. Nevertheless, the potentially dire consequences of the crisis highlight the need to diversify supply sources and invest in domestic production capacities to improve resilience to such shocks in the future. These actions are very costly, however, as they require increasing the water supply and reducing land degradation. Over the long run, more lasting solutions lie in a gradual shift in consumption patterns towards less water-intensive crops that can be sustainably grown in the region.

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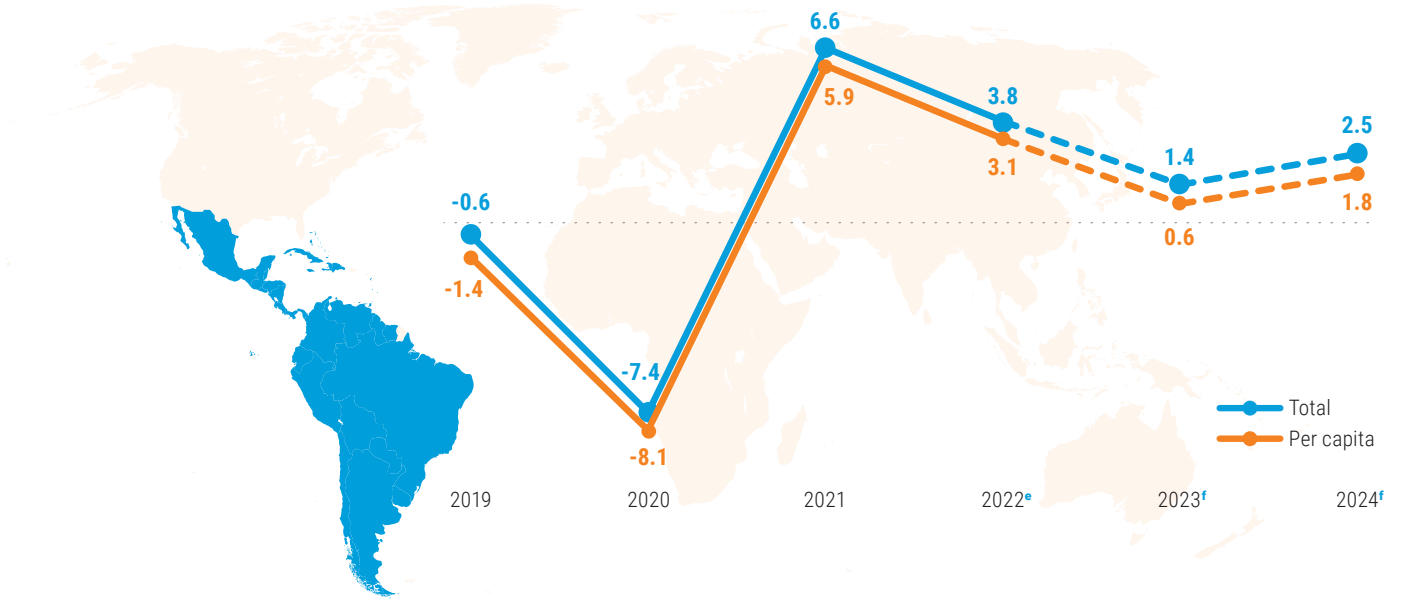
Latin America and the Caribbean



	FOOD SECURITY INDEX Weighted average by population 2022		GDP Per capita 2022
	63	World	$11,115
	78	Developed economies	$45,445
	65	Economies in transition	$ 6,721
	60	Developing economies	$ 5,794
	48	Africa	$ 1,944
	70	East Asia	$ 9,960
	58	South Asia	$ 2,078
	60	Western Asia	$12,599
	64	**Latin America and the Caribbean**	$ 8,443

Note: 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 *World Economic Situation and Prospects 2023*. The shaded areas therefore do not necessarily overlap entirely with the delimitation of their frontiers or boundaries. Aggregate data for Africa exclude Libya.
e = 2022 estimates. **f** = 2023-2024 forecasts.
Source for food security data: UN DESA calculations, based on data from Economist Impact's World Food Security Index 2022. Based on data availability, 27 economies are covered in developed economies; 8 in economies in transition; 78 in developing economies, including 32 in Africa, 11 in East Asia, 5 in South Asia, 11 in Western Asia and 19 in Latin America and the Caribbean.

Latin America and the Caribbean: A sharp growth slowdown exacerbates policy dilemmas

- Regional growth is projected to decelerate sharply in 2023, amid elevated inflation, significant global headwinds and domestic structural vulnerabilities.
- Fiscal and monetary policy space is limited. Policy missteps in managing trade-offs among growth, inflation and financial stability could worsen the outlook.
- Slow growth and subdued job creation in the near term will limit gains in poverty reduction.

Latin America and the Caribbean's economic outlook is rapidly deteriorating amid challenging external conditions, limited macroeconomic policy space, and elevated and persistent inflation. Recurrent global shocks – the COVID-19 pandemic, the war in Ukraine, and now the severe tightening of global monetary and financing conditions – continue to impede growth. In 2022, higher borrowing costs, together with lower capital flows, restricted credit growth, increased financial volatility and limited investment (see box III.5). In addition, the slowdown in the major economies will constrain export growth throughout 2023. On the domestic front, the impact of restrictive monetary policy stances on economic activity will become more visible. Still-elevated inflation will continue to affect real incomes. Regional GDP growth is projected to slow to 1.4 per cent in 2023, after an estimated expansion of 3.8 per cent in 2022.

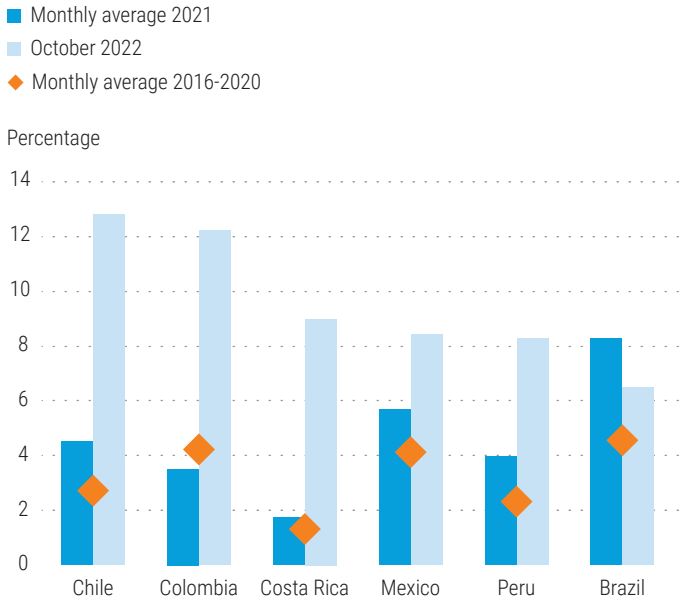
The region needs to urgently lift growth performance, which remains largely insufficient to improve living standards and socioeconomic conditions. Poverty indicators have stagnated for over a decade. Downside risks may worsen the outlook even more in the near term. More deterioration in growth in China, Europe and the United States could further reduce exports from, and financial flows into, Latin America and the Caribbean. Tightening global and domestic monetary conditions could exacerbate public and private sector debt risks. Policymakers navigating a complex economic environment face difficult trade-offs among growth, inflation, financial stability and mounting social demands, with the risk that missteps could aggravate the slowdown. A rapid move towards fiscal consolidation or aggressive and prolonged monetary tightening could drive further deterioration in the outlook.

The largest economies in the region are braced for a broad-based slowdown. GDP growth in Brazil is projected to slow sharply to only 0.9 per cent in 2023, amid still elevated inflation, higher interest rates and slower export growth. Fiscal consolidation pressures, including rising debt-servicing costs, will limit the expansion of social spending and public investments. Economic activity in Mexico will remain subdued, with GDP projected to enlarge by only 1.1 per cent due to the slowdown in the United States, lower credit growth and supply chain disruptions hampering industrial activity. Argentina's economy remains mired in crisis, amid record-high inflation that topped 80 per cent in October 2022 and monetary policy tightening. GDP is projected to expand by 1 per cent in 2023 yet the possibility of a further slowdown looms large.

Inflation remains elevated, illustrating the more persistent nature of price pressures across the region (figure III.17). Increased inflation has been driven by higher energy and food prices, significant depreciation of domestic currencies and supply-side constraints. In 2022, inflation reached record highs in Argentina, Chile, Colombia and Mexico, and jumped substantially in Central America and the Caribbean. Due to rising food prices, food insecurity has worsened, affecting more than 90 million people (ECLAC, 2022c). Vulnerable groups in countries reliant on imports and with limited fiscal space, such as in the Caribbean and Central America, confront particular risks.

Figure III.17

Inflation for selected countries in Latin America and the Caribbean



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

Figure III.18

Unemployment rates in selected countries in Latin America and the Caribbean

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

As aggregate demand slows and commodity prices soften, inflation is projected to gradually ease in 2023, as already observed in some countries. In Brazil, annual inflation reached 12 per cent in April 2022. Since then, it has declined rapidly, reaching 6.5 per cent in October (figure III.17). In 2023, regional inflation is projected to decline to 5.4 per cent on the heels of an estimated 9.2 per cent in 2022.[35]

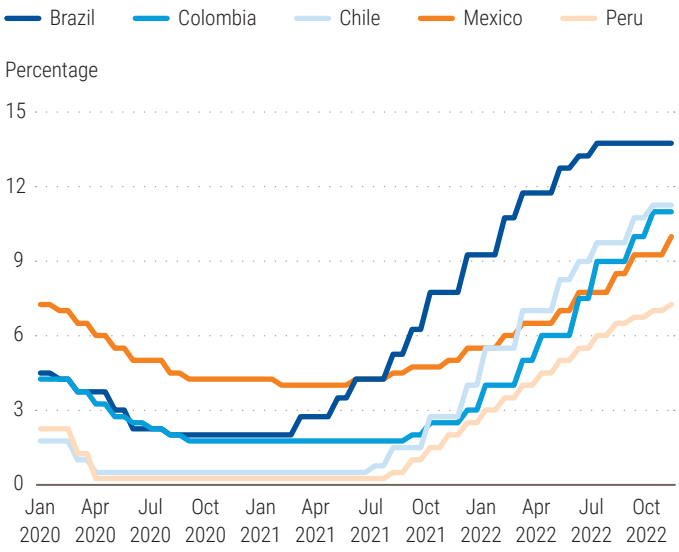
The prospects for labour markets are challenging. Unemployment rates have declined to pre-pandemic levels or lower in several economies (figure III.18). Aggressive monetary tightening, rising production costs and slowing growth, however, may curtail job creation in 2023. Rising prices may continue to undermine workers' real wages. In 2021, average real wages were still about 7 per cent below pre-pandemic levels (ECLAC and ILO, 2022). Recovery in employment has been uneven, driven by low-quality and informal jobs, with much weaker gains for women. Given the growth slowdown and subdued labour market prospects, significant reductions in poverty across the region are unlikely in the near term. Poverty and extreme poverty remain well above pre-pandemic levels. In 2022, 32.1 per cent of people in the region lived in poverty and 13.1 per cent in extreme poverty (ECLAC, 2022a).

Fiscal policy needs to strike a balance between supporting growth and investment, protecting vulnerable groups from higher energy and food prices, and maintaining the credibility of fiscal frameworks. Yet fiscal policy space is constrained by elevated public debt. After reaching a peak of 56.6 per cent of GDP in 2020, Latin America's gross public debt fell to about 52.1 per cent in 2022. In the Caribbean, gross public debt is higher at about 84.1 per cent of GDP, and above 100 per cent in Barbados, Belize and Suriname. Sovereign bond yields have increased substantially. By November

35 These figures exclude Argentina and the Bolivarian Republic of Venezuela.

Figure III.19

Policy interest rates in selected countries in Latin America and the Caribbean



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

2022, 10-year government bond yields stood above 12 per cent in Brazil and Colombia, and at about 9 per cent in Mexico. Central government liquidity positions have deteriorated. In Brazil, interest payments on central government debt represent about 23 per cent of fiscal revenues. Between 2015 and 2022, interest payments as a share of government revenues in Colombia and Mexico almost doubled.

At a moment of elevated development needs, the region will need to expand its fiscal space and strengthen fiscal sustainability. In the short term, more widespread use of digitalization could lessen tax avoidance, which represents about 6 per cent of regional GDP. Reducing tax expenditures (e.g., tax exclusions, exemptions, deductions and credits) could also strengthen fiscal revenues. In the medium term, however, the region will need to make concrete efforts to strengthen fiscal revenues through income and wealth taxes, a process that should build on increasingly progressive tax systems.

With elevated inflation and reduced capital inflows, most central banks have accelerated monetary tightening. Central banks aggressively increased interest rates in Brazil, Chile, Colombia and Mexico (figure III.19). Early and swift monetary decisions have helped preserve the credibility of monetary frameworks. Higher interest rates are projected to slow credit growth substantially in 2023, however, particularly in Brazil, Colombia and Peru. In Brazil, credit growth fell from 16.3 per cent in 2021 to 14.2 per cent in 2022 and is projected to retreat further to 8.2 per cent in 2023 (CBB, 2022). Central bank interventions in foreign exchange markets and the use of international reserves also became more prevalent. Central banks now need to carefully calibrate ways forward, depending on country-specific situations. The effectiveness of further increases in interest rates remains doubtful, given the key role of supply-side constraints in inflation. Overly aggressive and prolonged monetary tightening could in fact inflict further harm and exacerbate solvency risks for households and firms. In economies where inflation trended down throughout 2023, and depending on specific circumstances, central banks might consider easing policy interest rates to encourage investment and consumer spending.

Box III.5

Latin America and the Caribbean faces major investment challenges

As a region, Latin America and the Caribbean faces major investment challenges, underlining the imperative to considerably increase investment and put economies on a sustainable, inclusive development path that reduces poverty and inequality, and cuts greenhouse gas emissions. Greater investment would help mitigate the coordination problems that inhibit the adoption of new and better technology and obstruct productivity growth. Such investment should encompass all forms of human, physical, social and natural capital. The current juncture could be used as an opportunity to harness more investment to "build back better", such as by replacing ageing and polluting machinery and equipment to usher in more sustainable, inclusive and resilient development. This would mean almost doubling investment in the coming decades.

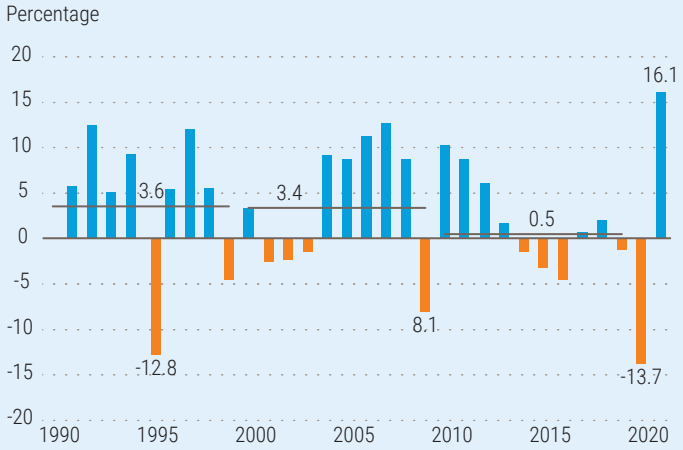
Investment trends in the region changed drastically after the debt crisis. From the 1990s onwards, investment has grown slowly. Between 1951 and 1979, it rose by an annual average of 5.9 per cent but from 1990 to 2020 the rate was only 2.7 per cent. Figure III.5.1 clearly shows that the decade from 2010 to 2019 saw the worst investment performance since 1990 (ECLAC, 2022b).

Investment in Latin America and the Caribbean has become more volatile, with more frequent, longer and deeper contractionary cycles. Weak performance has affected both the private and public sectors, although the latter more intensely. The relatively weaker performance of the public sector has led to a significant reduction in its share, which dropped from an average of 26 per cent in the 1970s to 20.1 per cent in the 2010s.

The sluggish performance of public investment imposes economic and social costs, making it harder to achieve sustainable development. The fact that economies in the region invest at

Figure III.5.1

Latin America and the Caribbean: Real annual investment growth and average growth by decade



Source: ECLAC, based on official data.

levels equivalent to, or below, those of the main advanced economies prevents the convergence of public capital stock levels between the two sets of countries. Expanding public capital stock is a key way to boost potential economic growth and improve public service delivery. At the same time, public investment has been used as the main fiscal adjustment variable during the last decade. This has affected not only economic infrastructure projects but also the acquisition of fixed assets for social services such as health and education, leaving the region more exposed to the impacts of the COVID-19 pandemic and to lags in human capital formation.

Stimulating public investment could shore up economic growth and create the capital stock needed to achieve the SDGs. In a context of scarce resources, giving strategic direction to public spending is essential. This process should prioritize capital formation and strengthen the institutional framework for public investment to improve its efficiency and effectiveness. At the same time, given the magnitude of the investment required to close existing development gaps and respond to the challenges posed by climate change, it is important to review fiscal incentives for investment, improve

their design and governance, and align them with investment goals and sustainable development priorities. Strengthening national public investment systems should aim to promote consistent, efficient and effective public investment. Governments could also focus on improving investment coordination between the public and private sectors to advance the adoption of new and greener technologies (ECLAC, 2022b).

These efforts will have to unfold in a very complex context, with a growing risk of a global recession, ever greater international macrofinancial volatility, weak economic growth in the region, stalled job creation and investment in a downswing phase. Compounding these concerns are growing inflationary pressures and heightened exchange rate volatility, both of which have worsened since the outbreak of the war in Ukraine. Policy space has narrowed significantly, with debt levels restricting room for fiscal manoeuvre, while central banks have reacted to more intensive inflationary pressures by implementing contractionary policies.

A major share of financing to increase investment must be raised domestically. Yet international cooperation needs to support this process, requiring a significant increase in official development assistance and financing from global financial institutions and development banks.

Public sector investment should both increase considerably and become more efficient. In tandem, governments could create conditions to redirect existing private investment towards "clean" and higher productivity activities consistent with the energy transition.

Changes in the orientation and dynamics of foreign direct investment and ODA should give them key roles in promoting investment in sectors that enhance environmental sustainability and ensure that no one is left behind in achieving the SDGs. International financial institutions and regional development banks could act as catalysts for this major investment drive, not only through direct financing but also in helping to attract private investors.

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Statistical Annex

Country classifications

Data sources, country classifications and aggregation methodology

The statistical annex contains a set of data that the *World Economic Situation and Prospects (WESP)* employs 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 Organization for Economic Cooperation and Development (OECD), Eurostat and national sources. Estimates for 2022 and forecasts for 2023 and 2024 were made by EAPD in consultation with the regional commissions and UNCTAD, partly guided by the World Economic Forecasting Model (WEFM) of EAPD.[1] Longer-term projections are based on a technical model-based extension of the WEFM. Data presented in the WESP may differ from those published by other organizations for several reasons, including differences in timing, sample composition and aggregation methods. Historical data may differ from those in previous editions of the WESP because of updating and changes in the availability of data for individual countries.

Country classifications

For analytical purposes, the WESP classifies all countries of the world into one of three broad categories: developed economies, economies in transition and developing economies.[2] The composition of these analytical groupings, specified in tables A, B and C, is intended to reflect basic economic country conditions, and are not strictly aligned with the regional classifications defined by the Statistics Division of UN DESA known as M49.[3] Table A.4 reports estimates for regional 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. Within each broad category, some subgroups are defined based either on geographical location or on ad hoc criteria, such as the subgroup of "major developed economies", which is based on the membership of the Group of Seven.

1 See Altshuler and others (2016).
2 These analytical groupings are not strictly aligned with geographic groupings designated by the Statistics Division of UN DESA.
3 Full details of the M49 standard can be found on the Statistics Division website at https://unstats.un.org/unsd/methodology/m49.

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 (table D). This criterion is drawn from the share of fuel exports in the total value of world merchandise trade. Fuels include coal, oil and natural gas.

For other parts of the analysis, countries have been classified by their level of development as measured by per capita gross national income (GNI). Accordingly, countries have been grouped as high-income, upper-middle-income, lower-middle-income and low-income (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 $1,085 or less are classified as low-income countries, those with between $1,086 and $4,255 as lower-middle-income countries, those with between $4,256 and $13,205 as upper-middle-income countries, and those with incomes of more than $13,205 as high-income countries. GNI per capita in dollar terms is estimated using the World Bank Atlas method,[4] and the classification in table E is based on data for 2021.

The list of the 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 requires that certain thresholds be met regarding per capita GNI, a human assets index and an economic vulnerability index.[5] As of December 2022 there were 46 LDCs (table F).

Small Island Developing States (SIDS) were recognized as a distinct group of developing countries facing specific social, economic and environmental vulnerabilities at the United Nations Conference on Environment and Development (UNCED), also known as the Earth Summit, held from 3 to 14 June 1992 in Rio de Janeiro, Brazil. This group comprises 38 UN Member States and 20 non-UN members/ Associate Members of Regional Commissions.

The landlocked developing countries (LLDCs) represent 32 countries and include some of the poorest countries in the world, including 17 LDCs.

The WESP also refers to the group of heavily indebted poor countries (HIPCs), which are considered by the World Bank and IMF as part of their debt-relief initiative (the Enhanced HIPC Initiative).[6] In March 2020, there were 39 HIPCs (table G).

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 from 2001 to 2010.

The WESP utilizes market exchange rate conversions of national data to aggregate output of individual countries into regional and global totals. The growth of output in each group of countries is calculated from the sum of gross domestic product (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, centered on 2015.

4 See http://data.worldbank.org/about/country-classifications.

5 *Handbook on the Least Developed Country Category: Inclusion, Graduation and Special Support Measures* (United Nations Publication, Sales No. E.18.II.A.1). Available from https://www.un.org/development/desa/dpad/wp-content/uploads/sites/45/2018CDPhandbook.pdf.

6 International Monetary Fund, "Debt Relief Under the Heavily Indebted Poor Countries (HIPC) Initiative". Available from https://www.imf.org/en/About/Factsheets/Sheets/2016/08/01/16/11/Debt-Relief-Under-the-Heavily-Indebted-Poor-Countries-Initiative.

The exchange rate-based aggregation method differs from the one mainly applied by the IMF for their estimates of world and regional economic growth, which is based on purchasing power parity (PPP) weights. Over the past two decades, the growth of world gross product (WGP), based on the exchange rate-based approach, has been below that based on PPP weights. The reason is developing countries, in the aggregate, have seen significantly higher economic growth than the rest of the world in the 1990s and 2000s and the share in WGP of these countries is larger under PPP measurements than under market exchange rates. Table I.1 in Chapter I reports world output growth with PPP weights as a comparator.

Table A

Developed economies

Northern America	Europe			Major developed economies (G7)
	European Union		Other Europe	
Canada	Austria[a]	Italy[a]	Iceland	Canada
United States	Belgium[a]	Latvia[a]	Norway	France
Developed Asia and the Pacific	Bulgaria	Lithuania[a]	Switzerland	Germany
Australia	Croatia[a]	Luxembourg[a]	United Kingdom[b]	Italy
Japan	Cyprus[a]	Malta[a]		Japan
New Zealand	Czechia	Netherlands[a]		United Kingdom
	Denmark	Poland		United States
	Estonia[a]	Portugal[a]		
	Finland[a]	Romania		
	France[a]	Slovakia[a]		
	Germany[a]	Slovenia[a]		
	Greece[a]	Spain[a]		
	Hungary	Sweden		
	Ireland[a]			

a Member of euro area. Croatia became the 20th member of the euro area on 1 January 2023. Economic indicators for the euro area in this report refer to the 19 countries that had joined earlier.
b The United Kingdom withdrew from the EU on 31 January 2020 and is therefore excluded from all EU aggregations.

Table B

Economies in transition

South-Eastern Europe	Commonwealth of Independent States and Georgia[a]		
Albania	Armenia	Kazakhstan	Tajikistan
Bosnia and Herzegovina	Azerbaijan	Kyrgyzstan	Turkmenistan
Montenegro	Belarus	Republic of Moldova	Ukraine[b]
North Macedonia	Georgia[a]	Russian Federation	Uzbekistan
Serbia			

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

East Africa

Burundi
Comoros
Democratic Republic of the Congo
Djibouti
Eritrea
Ethiopia
Kenya
Madagascar
Rwanda
Somalia
South Sudan
Uganda
United Republic of Tanzania

West Africa

Benin
Burkina Faso
Cabo Verde
Côte d'Ivoire
Gambia
Ghana
Guinea
Guinea-Bissau
Liberia
Mali
Niger
Nigeria
Senegal
Sierra Leone
Togo

North Africa

Algeria
Egypt
Libya
Mauritania
Morocco
Sudan
Tunisia

Central Africa

Cameroon
Central African Republic
Chad
Congo
Equatorial Guinea
Gabon
Sao Tome and Principe

Southern Africa

Angola
Botswana
Eswatini
Lesotho
Malawi
Mauritius
Mozambique
Namibia
South Africa
Zambia
Zimbabwe

Asia

East Asia[b]

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
Republic of Korea
Samoa
Singapore
Solomon Islands
Taiwan Province of China
Thailand
Timor-Leste
Vanuatu
Viet Nam

South Asia

Afghanistan
Bangladesh
Bhutan
India
Iran (Islamic Republic of)
Maldives
Nepal
Pakistan
Sri Lanka

Western Asia

Bahrain
Iraq
Israel
Jordan
Kuwait
Lebanon
Oman
Qatar
Saudi Arabia
State of Palestine
Syrian Arab Repuplic
Türkiye
United Arab Emirates
Yemen

Latin America and the Caribbean

Caribbean

Bahamas
Barbados
Belize
Guyana
Jamaica
Suriname
Trinidad and Tobago

Mexico and Central America

Costa Rica
Cuba
Dominican Republic
El Salvador
Guatemala
Haiti
Honduras
Mexico
Nicaragua
Panama

South America

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.
c Special Administrative Region of China.

Table D

Fuel-exporting countries

Developed countries	Developing countries			
	Latin America and the Caribbean	**Africa**	**East Asia**	**Western Asia**
Norway	Bolivia (Plurinational State of)	Algeria	Brunei Darussalam	Bahrain
	Colombia	Angola	Indonesia	Iraq
	Ecuador	Cameroon	Mongolia	Kuwait
	Trinidad and Tobago	Chad	Papua New Guinea	Oman
	Venezuela (Bolivarian Republic of)	Congo	**South Asia**	Qatar
Economies in transition		Equatorial Guinea	Iran (Islamic Republic of)	Saudi Arabia
		Gabon		United Arab Emirates
Azerbaijan		Ghana		Yemen
Kazakhstan		Libya		
Russian Federation		Mozambique		
Turkmenistan		Nigeria		

Source: UN DESA, based on data from UNCTAD.

Table E

Economies by per capita GNI (as of 1 July 2022)[a]

High-income		Upper-middle-income		Lower-middle-income		Low-income
Australia	New Zealand	Albania	Mexico	Algeria	Lesotho	Afghanistan
Austria	Norway	Argentina	Montenegro	Angola	Mauritania	Burkina Faso
Bahamas	Oman	Armenia	Namibia	Bangladesh	Mongolia	Burundi
Bahrain	Panama[c]	Azerbaijan	North Macedonia	Benin	Morocco	Central African Republic
Barbados	Poland	Belarus	Paraguay	Bhutan	Myanmar	Chad
Belgium	Portugal	Belize[c]	Peru	Bolivia (Plurinational State of)	Nepal	Democratic People's Republic of Korea
Brunei Darussalam	Qatar	Bosnia and Herzegovina	Republic of Moldova	Cabo Verde	Nicaragua	Democratic Republic of the Congo
Canada	Republic of Korea	Botswana	Russian Federation	Cambodia	Nigeria	Eritrea
Chile	Romania[c]	Brazil	Serbia	Cameroon	Pakistan	Ethiopia
Croatia	Saudi Arabia	Bulgaria	South Africa	Comoros	Papua New Guinea	Gambia
Cyprus	Singapore	China	Suriname	Congo	Philippines	Guinea
Czechia	Slovakia	Colombia	Thailand	Côte d'Ivoire	Samoa	Guinea-Bissau
Denmark	Slovenia	Costa Rica	Türkiye	Djibouti	Sao Tome and Principe	Liberia
Estonia	Spain	Cuba	Turkmenistan	Egypt	Senegal	Madagascar
Finland	Sweden	Dominican Republic		El Salvador	Solomon Islands	Malawi
France	Switzerland	Ecuador		Eswatini	Sri Lanka	Mali
Germany	Taiwan Province of China	Equatorial Guinea		Ghana	State of Palestine	Mozambique
Greece	Trinidad and Tobago	Fiji		Haiti	Tajikistan	Niger
Hong Kong SAR[d]	United Arab Emirates	Gabon		Honduras	Timor-Leste	Rwanda
Hungary	United Kingdom	Georgia		India	Tunisia	Sierra Leone
Iceland	United States	Guatemala		Indonesia	Ukraine	Somalia
Ireland	Uruguay	Guyana		Iran (Islamic Republic of)	United Republic of Tanzania	South Sudan
Israel		Iraq		Kenya	Uzbekistan	Sudan
Italy		Jamaica		Kiribati	Vanuatu	Syrian Arab Republic
Japan		Jordan		Kyrgyzstan	Viet Nam	Togo
Kuwait		Kazakhstan		Lao People's Democratic Republic	Zimbabwe	Uganda
Latvia		Libya		Lebanon[b]		Yemen
Lithuania		Malaysia				Zambia[b]
Luxembourg		Maldives				
Malta		Mauritius				
Netherlands						

Source: World Bank, Country classification by income (https://datahelpdesk.worldbank.org/knowledgebase/articles/906519-world-bank-country-and-lending-groups).
Note: Venezuela (Bolivarian Republic of) has been 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 classifications by income.
b Indicates the country has been shifted downward by one category from previous year's classification.
c Indicates the country has been shifted upward by one category from previous year's classification.
d Special Administrative Region of China.

Table F

Least developed countries (as of December 2022)

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 (https://www.un.org/development/desa/dpad/wp-content/uploads/sites/45/publication/ldc_list.pdf).
a Economies not systematically monitored for the World Economic Situation and Prospects report.

Table G

Heavily indebted poor countries (as of March 2020)

Post-completion point HIPCs[a]		Pre-decision point HIPCs[b]
Afghanistan	Honduras	Eritrea
Benin	Liberia	Sudan
Bolivia	Madagascar	
Burkina Faso	Malawi	
Burundi	Mali	
Cameroon	Mauritania	
Central African Republic	Mozambique	
Chad	Nicaragua	
Comoros	Niger	
Congo	Rwanda	
Côte D'Ivoire	Sao Tome and Principe	
Democratic Republic of the Congo	Senegal	
Ethiopia	Sierra Leone	
Gambia	Somalia	
Ghana	Togo	
Guinea	Uganda	
Guinea-Bissau	United Republic of Tanzania	
Guyana	Zambia	
Haiti		

Source: The World Bank and the International Monetary Fund (https://www.worldbank.org/en/topic/debt/brief/hipc).
a Countries that have qualified for irrevocable debt relief under the HIPC Initiative.
b Countries that are potentially eligible and may wish to avail themselves of the HIPC Initiative or the Multilateral Debt Relief Initiative (MDRI).

Table H

Small island developing States

United Nations members		Non-UN members/Associate members of the Regional Commissions[a]
Antigua and Barbuda[a]	Marshall Islands[a]	American Samoa
Bahamas	Mauritius	Anguilla
Bahrain	Nauru[a]	Aruba
Barbados	Palau[a]	Bermuda
Belize	Papua New Guinea	British Virgin Islands
Cabo Verde	Saint Kitts and Nevis[a]	Cayman Islands
Comoros	Saint Lucia[a]	Commonwealth of Northern Marianas
Cuba	Saint Vincent and the Grenadines[a]	Cook Islands
Dominica[a]	Samoa	Curaçao
Dominican Republic	Sao Tome and Príncipe	French Polynesia
Federated States of Micronesia[a]	Seychelles[a]	Guadeloupe
Fiji	Singapore	Guam
Grenada[a]	Solomon Islands	Martinique
Guinea-Bissau	Suriname	Montserrat
Guyana	Timor-Leste	New Caledonia
Haiti	Tonga[a]	Niue
Jamaica	Trinidad and Tobago	Puerto Rico
Kiribati	Tuvalu[a]	Sint Maarten
Maldives	Vanuatu	Turks and Caicos Islands
		U.S. Virgin Islands

Source: UN DESA (https://sustainabledevelopment.un.org/topics/sids/list).
a Economies not systematically monitored for the World Economic Situation and Prospects report.

Table I

Landlocked developing countries

Landlocked developing countries		
Afghanistan	Ethiopia	Paraguay
Armenia	Kazakhstan	Republic of Moldova
Azerbaijan	Kyrgystan	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 (https://www.un.org/ohrlls/content/list-lldcs).

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			MCO	Monaco	SOM	Somalia
BDI	Burundi	GAB	Gabon	MDA	Republic of Moldova	SRB	Serbia
BEL	Belgium	GBR	United Kingdom of Great Britain and Northern Ireland	MDG	Madagascar	SSD	South Sudan
BEN	Benin			MDV	Maldives	STP	Sao Tome and Principe
BFA	Burkina Faso			MEX	Mexico	SUR	Suriname
BGD	Bangladesh	GEO	Georgia	MHL	Marshall Islands	SVK	Slovakia
BGR	Bulgaria	GHA	Ghana	MKD	North Macedonia	SVN	Slovenia
BHR	Bahrain	GIN	Guinea	MLI	Mali	SWE	Sweden
BHS	Bahamas	GMB	Gambia	MLT	Malta	SWZ	Eswatini
BIH	Bosnia and Herzegovina	GNB	Guinea-Bissau	MMR	Myanmar	SYC	Seychelles
BLR	Belarus	GNQ	Equatorial Guinea	MNE	Montenegro	SYR	Syrian Arab Republic
BLZ	Belize	GRC	Greece	MNG	Mongolia	TCD	Chad
BOL	Bolivia (Plurinational State of)	GRD	Grenada	MOZ	Mozambique	TGO	Togo
		GTM	Guatemala	MRT	Mauritania	THA	Thailand
BRA	Brazil	GUY	Guyana	MSR	Montserrat	TJK	Tajikistan
BRB	Barbados	HND	Honduras	MUS	Mauritius	TKM	Turkmenistan
BRN	Brunei Darussalam	HRV	Croatia	MWI	Malawi	TLS	Timor-Leste
BTN	Bhutan	HTI	Haiti	MYS	Malaysia	TON	Tonga
BWA	Botswana	HUN	Hungary	NAM	Namibia	TTO	Trinidad and Tobago
CAF	Central African Republic	IDN	Indonesia	NER	Niger	TUN	Tunisia
CAN	Canada	IND	India	NGA	Nigeria	TUR	Türkiye
CHE	Switzerland	IRL	Ireland	NIC	Nicaragua	TUV	Tuvalu
CHL	Chile	IRN	Iran (Islamic Republic of)	NLD	Netherlands	TZA	United Republic of Tanzania
CHN	China			NOR	Norway		
CIV	Côte D'Ivoire	IRQ	Iraq	NPL	Nepal	UGA	Uganda
CMR	Cameroon	ISL	Iceland	NRU	Nauru	UKR	Ukraine
COD	Democratic Republic of the Congo	ISR	Israel	NZL	New Zealand	URY	Uruguay
		ITA	Italy	OMN	Oman	USA	United States of America
COG	Congo	JAM	Jamaica	PAK	Pakistan		
COL	Colombia	JOR	Jordan	PAN	Panama	UZB	Uzbekistan
COM	Comoros	JPN	Japan	PER	Peru	VCT	Saint Vincent and the Grenadines
CPV	Cabo Verde	KAZ	Kazakhstan	PHL	Philippines		
CRI	Costa Rica	KEN	Kenya	PLW	Palau	VEN	Venezuela (Bolivarian Republic of)
CUB	Cuba	KGZ	Kyrgyzstan	PNG	Papua New Guinea		
CYP	Cyprus	KHM	Cambodia	POL	Poland	VNM	Viet Nam
CZE	Czechia	KIR	Kiribati	PRK	Democratic People's Republic of Korea	VUT	Vanuatu
DEU	Germany	KNA	Saint Kitts and Nevis			WSM	Samoa
DJI	Djibouti	KOR	Republic of Korea	PRT	Portugal	YEM	Yemen
DMA	Dominica	KWT	Kuwait	PRY	Paraguay	ZAF	South Africa
DNK	Denmark	LAO	Lao People's Democratic Republic	PSE	State of Palestine	ZMB	Zambia
DOM	Dominican Republic			QAT	Qatar	ZWE	Zimbabwe

Annex tables

Table A.1

Developed economies: growth of real GDP

Annual percentage change

	2000-2014[a]	2015	2016	2017	2018	2019	2020	2021	2022[b]	2023[c]	2024[c]
Developed economies	**1.7**	**2.3**	**1.7**	**2.4**	**2.3**	**1.8**	**-4.6**	**5.2**	**2.6**	**0.4**	**1.6**
United States	2.0	2.7	1.7	2.3	2.9	2.3	-3.4	5.7	1.8	0.4	1.7
Canada	2.3	0.7	1.0	3.0	2.8	1.9	-5.2	4.5	3.6	0.8	1.9
Japan	0.8	1.5	0.7	1.7	0.7	-0.4	-4.7	1.7	1.6	1.5	1.3
Australia	3.0	2.3	2.7	2.4	2.8	2.0	-2.2	4.9	3.9	1.9	1.8
New Zealand	2.8	4.2	4.0	4.0	4.3	3.3	-1.0	5.1	3.3	1.9	2.0
European Union	**1.3**	**2.3**	**2.0**	**2.8**	**2.0**	**1.8**	**-5.7**	**5.3**	**3.3**	**0.2**	**1.6**
Austria	1.5	1.0	2.0	2.3	2.5	1.5	-6.7	4.6	4.7	-0.1	1.3
Belgium	1.7	2.0	1.3	1.6	1.8	2.1	-5.7	6.2	2.7	0.2	1.2
Bulgaria	3.6	3.4	3.0	2.8	2.7	4.0	-4.4	4.2	3.0	1.5	3.0
Croatia	1.7	2.5	3.5	3.4	2.9	3.5	-8.1	10.2	5.8	2.1	2.5
Cyprus	1.8	3.4	6.5	5.9	5.7	5.3	-5.0	5.5	5.3	1.8	2.6
Czechia	2.6	5.4	2.5	5.2	3.2	3.0	-5.5	3.5	2.3	0.0	2.3
Denmark	1.0	2.3	3.2	2.8	2.0	1.5	-2.0	4.9	2.9	-0.3	1.1
Estonia	3.9	1.9	3.2	5.8	3.8	3.7	-0.6	8.0	0.0	1.0	2.1
Finland	1.5	0.5	2.8	3.2	1.1	1.2	-2.2	3.0	2.5	-0.4	1.3
France	1.4	1.1	1.1	2.3	1.9	1.8	-7.8	6.8	2.6	0.1	1.4
Germany	1.2	1.5	2.2	2.7	1.0	1.1	-3.7	2.6	1.7	-0.4	1.6
Greece	0.1	-0.2	-0.5	1.1	1.7	1.8	-9.0	8.3	6.2	0.7	2.5
Hungary	2.2	3.7	2.2	4.3	5.4	4.6	-4.5	7.1	5.6	1.0	3.0
Ireland	3.2	24.4	2.0	9.0	8.5	5.4	6.2	13.6	8.2	3.0	3.2
Italy	0.2	0.8	1.3	1.7	0.9	0.5	-9.0	6.6	3.7	-0.3	1.1
Latvia	3.8	3.9	2.4	3.3	4.0	2.5	-3.8	4.5	2.0	-0.2	2.5
Lithuania	4.3	2.0	2.5	4.3	4.0	4.6	-0.1	5.0	2.3	0.5	2.3
Luxembourg	3.0	2.3	5.0	1.3	2.0	3.3	-1.8	6.9	1.7	0.5	2.1
Malta	3.2	9.6	3.4	11.1	6.0	5.9	-8.3	9.4	5.9	2.4	3.2

Table A.1

Developed economies: growth of real GDP (*continued*)

Annual percentage change

	2000-2014[a]	2015	2016	2017	2018	2019	2020	2021	2022[b]	2023[c]	2024[c]
Netherlands	1.3	2.0	2.2	2.9	2.4	2.0	-3.9	4.9	4.6	0.2	1.3
Poland	3.6	4.2	3.1	4.8	5.4	4.7	-2.2	5.9	4.6	1.0	2.6
Portugal	0.3	1.8	2.0	3.5	2.8	2.7	-8.4	4.9	6.6	0.5	1.7
Romania	3.7	3.0	4.7	7.3	4.5	4.2	-3.8	6.0	6.0	2.0	2.5
Slovakia	3.9	5.2	1.9	3.0	3.8	2.6	-4.4	3.0	1.7	0.8	2.1
Slovenia	2.0	2.2	3.2	4.8	4.4	3.3	-4.2	8.1	6.0	1.2	2.3
Spain	1.5	3.8	3.0	3.0	2.3	2.1	-10.8	5.1	4.5	0.9	2.2
Sweden	2.2	4.5	2.1	2.6	2.0	2.0	-2.2	5.1	2.9	-0.9	1.0
Other Europe	**1.8**	**2.4**	**2.1**	**2.0**	**1.8**	**1.5**	**-7.3**	**6.5**	**3.8**	**-0.4**	**1.2**
Iceland	2.7	4.4	6.3	4.2	4.9	2.4	-6.8	4.4	6.4	1.5	2.2
Norway	1.7	2.0	1.1	2.3	1.1	0.7	-0.7	3.9	2.7	0.9	1.6
Switzerland	2.0	1.6	2.1	1.4	2.9	1.1	-2.4	4.2	2.2	0.6	1.6
United Kingdom[d]	1.7	2.6	2.3	2.1	1.7	1.7	-9.3	7.4	4.3	-0.8	1.0
Memorandum items:											
Northern America	2.0	2.5	1.6	2.3	2.9	2.3	-3.5	5.6	1.9	0.4	1.7
Developed Asia and the Pacific	1.3	1.8	1.3	1.9	1.3	0.3	-4.0	2.6	2.2	1.6	1.4
Europe	1.4	2.3	2.0	2.7	2.0	1.8	-5.4	5.2	3.3	0.2	1.6
Major developed economies	1.6	2.1	1.6	2.2	2.2	1.6	-4.8	5.1	2.2	0.3	1.5
Euro area	1.2	2.0	1.9	2.6	1.8	1.6	-6.1	5.3	3.2	0.1	1.6

Source: UN DESA, based on data of the United Nations Statistics Division and individual national sources.
Note: Regional aggregates calculated at 2015 prices and exchange rates.
a Average percentage change.
b Partly estimated.
c Baseline scenario forecasts, based on UN DESA World Economic Forecasting Model.
d The United Kingdom withdrew from the EU on 31 January 2020 and is therefore excluded from all EU aggregations.

Table A.2

Economies in transition: growth of real GDP

Annual percentage change

	2000-2014[a]	2015	2016	2017	2018	2019	2020	2021	2022[b]	2023[c]	2024[c]
Economies in transition[d]	**5.0**	**-1.3**	**0.6**	**2.3**	**3.2**	**2.5**	**-2.6**	**4.9**	**-3.0**	**-0.8**	**2.3**
South-Eastern Europe	**3.5**	**2.4**	**3.2**	**2.6**	**4.1**	**3.6**	**-2.9**	**7.4**	**2.8**	**2.3**	**2.8**
Albania	4.6	2.2	3.3	3.8	4.0	2.1	-3.5	8.5	3.5	2.5	3.0
Bosnia and Herzegovina	3.0	3.1	3.1	3.2	3.7	2.8	-3.2	7.6	3.6	1.5	2.3
Montenegro	3.5	3.4	2.9	4.7	5.1	4.1	-15.2	13.0	3.6	3.0	3.2
North Macedonia	2.8	3.9	2.8	1.1	2.9	3.2	-4.5	4.0	2.5	2.0	3.0
Serbia	3.7	1.8	3.3	2.1	4.5	4.3	-0.9	7.4	2.3	2.5	2.9
Commonwealth of Independent States and Georgia[d,e]	**5.1**	**-1.5**	**0.5**	**2.3**	**3.1**	**2.5**	**-2.6**	**4.8**	**-3.3**	**-1.0**	**2.3**
Commonwealth of Independent States and Georgia - net fuel exporters	**5.1**	**-1.4**	**0.1**	**2.0**	**2.9**	**2.1**	**-2.7**	**4.7**	**-2.3**	**-1.7**	**2.0**
Azerbaijan	11.1	1.0	-3.1	0.2	1.5	2.5	-4.3	5.6	5.0	3.0	3.0
Kazakhstan	7.7	1.2	1.1	4.1	4.1	4.5	-2.5	4.1	2.6	3.4	4.0
Russian Federation	4.6	-2.0	0.2	1.8	2.8	2.0	-2.7	4.7	-3.5	-2.9	1.5
Turkmenistan	7.5	1.5	-4.7	0.5	1.3	-7.7	-3.4	6.2	6.0	5.8	4.8
Commonwealth of Independent States and Georgia - net fuel importers[d,e]	**4.9**	**-1.7**	**2.7**	**3.7**	**4.3**	**4.1**	**-1.8**	**5.5**	**-8.5**	**3.7**	**4.3**
Armenia	7.0	3.2	0.2	7.5	5.2	7.6	-7.4	5.7	14.0	4.0	4.5
Belarus	5.9	-3.8	-2.5	2.5	3.2	1.4	-0.9	2.3	-4.8	-1.2	1.5
Georgia[e]	5.8	3.0	2.9	4.8	4.8	5.0	-6.8	10.4	10.8	5.2	4.6
Kyrgyzstan	4.5	3.9	4.3	4.7	3.8	4.6	-8.6	3.6	7.1	6.0	3.6
Republic of Moldova	4.8	-0.3	4.4	4.7	4.3	3.7	-7.0	13.9	-3.0	1.5	3.2
Tajikistan	7.7	8.8	6.9	8.8	7.6	7.4	4.5	9.2	7.1	4.3	4.4
Ukraine[d,f]	2.9	-9.8	2.4	2.5	3.4	3.2	-3.8	3.4	-36.0	..	..
Uzbekistan	6.9	7.4	6.1	4.5	5.4	5.8	1.6	7.4	5.8	5.8	5.6

Source: UN DESA, based on data of the United Nations Statistics Division and individual national sources.
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 Ukraine is excluded from 2023 and 2024 individual and regional group forecasts.
e 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.
f 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

	2000-2014[a]	2015	2016	2017	2018	2019	2020	2021	2022[b]	2023[c]	2024[c]
Developing countries[d]	**5.9**	**4.5**	**4.2**	**4.7**	**4.5**	**3.4**	**-1.5**	**6.7**	**3.9**	**3.9**	**4.1**
Africa	**4.9**	**3.5**	**1.7**	**3.6**	**3.4**	**2.5**	**-2.1**	**4.5**	**3.7**	**4.0**	**3.8**
North Africa	**3.8**	**3.8**	**3.0**	**5.5**	**4.1**	**2.0**	**-2.8**	**4.9**	**3.9**	**4.8**	**3.8**
Algeria	3.7	3.7	3.2	1.4	1.2	1.0	-5.1	3.5	4.7	2.4	1.7
Egypt[e]	4.4	5.8	5.8	5.4	5.0	5.4	3.5	3.3	6.6	5.1	4.6
Libya	-0.4	-0.8	-1.5	32.5	7.9	-11.2	-29.4	28.2	-15.1	18.0	6.1
Mauritania	3.4	5.4	1.3	3.5	2.1	5.8	-1.8	3.1	4.1	4.7	9.0
Morocco	4.7	4.3	0.5	5.1	3.1	2.9	-7.2	7.9	1.7	3.6	3.5
Sudan[e]	5.9	4.0	3.6	4.7	2.8	1.3	-1.6	-2.0	3.7	5.1	5.8
Tunisia	3.6	1.0	1.1	2.2	2.5	1.4	-8.7	3.3	2.7	2.0	2.4
East Africa	**5.9**	**6.4**	**4.6**	**5.4**	**6.2**	**6.3**	**2.1**	**5.5**	**5.1**	**5.1**	**4.9**
Burundi	3.3	-0.4	3.2	3.8	5.3	4.5	0.3	3.1	3.4	4.0	4.9
Comoros	2.6	1.3	3.3	3.8	3.8	2.0	0.2	2.2	3.3	3.6	4.2
Democratic Republic of the Congo	4.8	6.4	0.4	3.7	4.8	4.5	1.7	6.2	7.1	6.0	6.1
Djibouti	5.4	7.5	7.1	5.5	4.8	5.5	1.2	4.5	3.2	3.1	2.6
Eritrea	2.6	-20.6	7.4	-10.0	13.0	3.8	-0.6	2.2	3.9	3.2	3.1
Ethiopia	9.1	9.0	8.6	8.2	7.6	7.2	6.1	4.0	4.4	4.5	4.3
Kenya	4.4	5.0	4.2	3.8	5.6	5.1	-0.3	7.5	5.6	4.9	4.6
Madagascar	2.7	3.1	4.0	3.9	3.2	4.4	-7.1	4.4	3.5	3.8	4.4
Rwanda	7.8	8.9	6.0	4.0	8.6	9.5	-3.4	10.9	6.1	6.7	7.0
Somalia	3.0	4.6	4.7	2.2	3.7	2.7	-0.3	2.9	3.6	4.5	5.2
South Sudan	3.2	6.9	-6.6	-3.5	3.8	11.4	3.1	1.0	2.7	3.5	4.0
Uganda	7.3	8.0	0.2	6.8	5.5	7.7	-1.3	6.0	4.7	5.7	5.0
United Republic of Tanzania	6.5	6.2	6.9	6.8	7.0	7.0	4.8	4.9	4.8	5.4	5.4
Central Africa	**5.1**	**0.9**	**-1.5**	**-0.1**	**0.6**	**1.9**	**-2.4**	**1.4**	**3.4**	**3.4**	**3.4**
Cameroon	4.2	5.7	4.6	3.5	4.1	3.7	-1.5	3.6	3.8	4.5	4.7
Central African Republic	-1.2	4.3	4.8	4.5	3.8	3.0	1.0	1.0	1.8	3.2	3.8
Chad	8.9	1.8	-6.4	-2.4	2.3	3.0	-0.8	-1.2	3.1	3.3	3.4
Congo	5.2	-3.2	-10.2	-4.6	-6.2	-0.4	-8.2	-2.1	2.7	3.7	5.9
Equatorial Guinea	11.5	-9.1	-8.8	-5.7	-6.2	-6.0	-4.9	-0.7	3.8	-1.4	-4.6
Gabon	2.1	3.9	2.1	0.5	0.8	3.9	-0.8	1.5	3.0	3.4	3.3
Sao Tome and Principe	4.8	3.9	4.2	3.8	2.9	2.2	3.1	1.8	1.3	2.2	2.9
West Africa	**6.5**	**3.7**	**0.4**	**2.6**	**3.2**	**3.3**	**-0.8**	**4.2**	**3.6**	**3.8**	**4.0**
Benin	6.0	13.0	3.3	5.7	6.7	6.9	2.0	7.0	5.7	6.2	6.1

Table A.3

Developing economies: growth of real GDP (*continued*)

Annual percentage change

	2000-2014[a]	2015	2016	2017	2018	2019	2020	2021	2022[b]	2023[c]	2024[c]
Burkina Faso	5.6	3.9	6.0	6.2	6.7	5.7	2.0	6.9	3.5	4.3	5.2
Cabo Verde	4.4	1.0	4.7	3.7	4.5	5.7	-14.8	7.0	3.9	4.6	5.3
Côte D'Ivoire	4.0	14.9	7.2	7.4	6.9	6.2	2.0	7.0	5.7	6.8	6.7
Gambia	2.7	4.1	1.9	4.8	7.2	10.5	-6.2	4.7	4.7	5.3	6.0
Ghana	6.3	2.1	3.4	8.1	6.2	6.5	0.4	5.4	3.6	3.1	3.7
Guinea	3.4	3.8	10.8	10.3	6.4	5.6	7.1	3.6	4.5	5.1	5.6
Guinea-Bissau	2.3	6.1	6.3	5.9	3.4	4.5	-1.4	4.6	3.5	4.2	4.5
Liberia	6.8	9.3	-0.5	2.5	1.2	-2.3	-2.9	4.7	3.2	3.6	5.4
Mali	8.6	7.5	8.9	6.7	6.8	6.3	-0.1	3.1	2.5	4.1	4.6
Niger	4.7	4.8	5.7	5.0	7.2	5.9	3.6	1.4	5.6	6.8	11.3
Nigeria	7.1	2.7	-1.6	0.8	1.9	2.2	-1.8	3.6	3.2	3.0	3.0
Senegal	3.6	6.4	6.4	7.4	6.2	4.4	0.8	6.4	4.9	8.1	10.5
Sierra Leone	9.2	-20.5	6.3	3.8	3.4	5.5	-2.2	3.8	3.1	3.5	4.7
Togo	4.4	11.1	11.6	4.0	4.0	3.6	0.7	5.1	5.2	6.0	6.5
Southern Africa	**4.3**	**1.6**	**0.5**	**1.4**	**1.3**	**0.1**	**-5.4**	**4.1**	**2.5**	**2.3**	**2.7**
Angola	7.5	0.9	-2.6	-0.1	-2.0	-0.6	-4.0	0.8	2.9	2.9	3.7
Botswana	4.6	-1.7	4.3	2.9	4.5	3.0	-7.9	11.4	4.0	4.0	4.0
Eswatini	3.1	2.2	1.1	2.0	2.4	2.2	-5.6	7.2	1.7	2.0	2.4
Lesotho	4.1	3.1	3.6	-3.2	-1.2	2.6	-6.5	1.5	2.2	2.6	2.5
Malawi	5.8	8.5	7.8	10.5	4.4	5.6	0.9	3.6	1.4	2.8	3.4
Mauritius	4.2	3.6	3.8	3.8	3.8	3.0	-14.9	3.7	6.0	5.5	4.2
Mozambique	7.4	6.7	3.8	3.7	3.4	2.3	-1.2	2.3	4.0	5.0	7.5
Namibia	4.8	4.3	0.0	-1.0	1.1	-0.6	-8.0	2.1	2.7	2.7	2.8
South Africa	3.2	1.3	0.7	1.2	1.5	0.3	-6.3	4.9	2.0	1.5	1.8
Zambia	6.7	2.9	3.8	3.5	4.0	1.4	-2.8	3.9	2.6	3.9	4.3
Zimbabwe	3.8	1.8	0.8	4.7	4.8	-8.3	0.8	6.3	3.0	2.9	3.0
Africa – net fuel exporters	**5.6**	**2.3**	**-0.6**	**2.7**	**1.9**	**1.0**	**-4.2**	**4.3**	**2.5**	**3.6**	**3.2**
Africa – net fuel importers	**4.4**	**4.3**	**3.3**	**4.1**	**4.4**	**3.5**	**-0.8**	**4.7**	**4.4**	**4.2**	**4.2**
East and South Asia	**7.4**	**6.0**	**6.1**	**6.1**	**5.8**	**4.8**	**0.1**	**7.1**	**3.6**	**4.4**	**4.6**
East Asia	**7.8**	**5.9**	**5.9**	**6.1**	**5.9**	**5.2**	**0.9**	**7.0**	**3.2**	**4.4**	**4.3**
Brunei Darussalam	1.1	-0.4	-2.5	1.3	0.1	3.9	1.1	-1.6	-1.8	3.4	3.2
Cambodia	7.8	7.0	6.9	7.0	7.4	7.1	-3.1	3.0	5.0	5.6	7.0
China	9.8	7.0	6.8	6.9	6.7	6.0	2.2	8.1	3.0	4.8	4.5
Democratic People's Republic of Korea	1.1	-1.1	3.9	-3.5	-4.1	0.4	-4.5	-1.6	1.5	1.1	1.1
Fiji	1.9	4.5	2.4	5.4	3.8	-0.6	-17.2	-4.1	11.9	6.7	5.3

Table A.3

Developing economies: growth of real GDP (*continued*)

Annual percentage change

	2000-2014[a]	2015	2016	2017	2018	2019	2020	2021	2022[b]	2023[c]	2024[c]
Hong Kong SAR[f]	4.0	2.4	2.2	3.8	2.8	-1.2	-6.1	6.3	-3.0	1.7	3.0
Indonesia	5.3	4.9	5.0	5.1	5.2	5.0	-2.1	3.7	5.3	5.0	5.4
Kiribati	1.2	9.9	-0.5	-0.2	5.3	-0.5	-0.5	1.5	1.6	2.2	3.0
Lao People's Democratic Republic	7.3	7.3	7.0	6.9	6.2	5.5	3.3	3.5	2.1	3.0	4.0
Malaysia	5.1	5.1	4.4	5.8	4.8	4.4	-5.5	3.1	8.5	3.0	4.2
Mongolia	7.6	2.4	1.5	5.6	7.2	5.5	-4.4	1.4	2.5	5.0	6.6
Myanmar[e]	10.3	7.5	6.4	5.8	6.4	6.7	3.2	-5.9	0.5	3.0	3.3
Papua New Guinea	3.8	6.6	5.5	3.5	-0.3	4.5	-3.5	1.2	4.1	3.6	4.5
Philippines	5.1	6.3	7.1	6.9	6.3	6.1	-9.5	5.7	7.0	5.0	6.1
Republic of Korea	4.5	2.8	2.9	3.2	2.9	2.2	-0.7	4.1	2.7	2.0	2.5
Samoa	2.5	6.7	3.7	-0.6	0.7	2.4	-9.2	-7.1	-4.0	3.5	3.8
Singapore	5.8	3.0	3.6	4.7	3.7	1.1	-4.1	7.6	3.8	1.0	3.0
Solomon Islands	3.3	1.4	5.9	5.3	3.9	1.2	-4.3	-0.8	-2.5	3.3	2.8
Taiwan Province of China	4.1	1.5	2.2	3.3	2.8	3.1	3.4	6.6	3.3	2.2	2.9
Thailand	4.1	3.1	3.4	4.2	4.2	2.2	-6.2	1.5	3.3	3.8	4.2
Timor-Leste	5.1	2.8	3.4	-3.1	-0.7	2.1	-8.6	1.5	3.0	4.0	2.6
Vanuatu	3.0	0.2	3.5	4.4	2.9	3.3	-9.2	0.4	1.8	2.9	3.5
Viet Nam	6.5	6.7	6.2	6.8	7.1	7.0	2.9	2.6	7.0	6.3	6.4
South Asia	**5.7**	**6.2**	**7.4**	**6.1**	**5.3**	**2.8**	**-4.3**	**7.2**	**5.6**	**4.8**	**5.9**
Afghanistan[e]	8.4	-1.4	1.5	2.7	1.2	3.9	-2.4	-20.7	-10.4	-6.6	2.0
Bangladesh[e]	5.9	6.6	7.1	6.6	7.3	7.9	3.4	6.9	7.2	6.0	5.9
Bhutan	7.6	6.6	8.1	4.7	3.1	5.8	-10.1	-3.7	4.2	4.0	4.5
India[e]	6.4	8.0	8.3	6.8	6.5	3.7	-6.6	8.7	6.2	6.0	6.2
Iran (Islamic Republic of)[e]	3.9	-1.4	8.8	2.8	-1.8	-3.1	3.3	4.7	2.7	2.3	2.3
Maldives	5.2	2.9	6.3	7.2	8.1	7.1	-33.5	41.7	8.4	6.5	6.8
Nepal[e]	5.2	4.0	0.4	9.0	7.6	6.7	-2.4	4.3	5.8	4.7	4.4
Pakistan[e]	4.1	4.1	4.6	4.6	6.1	3.1	-0.9	5.7	6.0	4.1	3.1
Sri Lanka	5.6	5.0	4.5	3.6	3.3	2.3	-3.6	3.7	-9.0	-3.2	2.0
East and SouthAsia – net fuel exporters	**4.8**	**3.2**	**5.4**	**4.7**	**3.1**	**1.7**	**-1.2**	**3.8**	**4.5**	**4.2**	**4.5**
East and SouthAsia – net fuel importers	**7.7**	**6.2**	**6.2**	**6.2**	**6.0**	**5.0**	**0.2**	**7.3**	**3.5**	**4.4**	**4.6**
Western Asia	**4.6**	**3.9**	**3.7**	**2.3**	**2.5**	**1.2**	**-3.1**	**6.2**	**6.4**	**3.5**	**3.4**
Western Asia – net fuel exporters	**4.6**	**3.3**	**4.0**	**-0.8**	**2.0**	**1.1**	**-5.5**	**3.0**	**7.5**	**3.6**	**3.4**
Bahrain	5.1	2.5	3.6	4.3	2.1	2.2	-4.9	2.2	5.1	2.7	3.1

Table A.3

Developing economies: growth of real GDP (*continued*)

Annual percentage change

	2000-2014[a]	2015	2016	2017	2018	2019	2020	2021	2022[b]	2023[c]	2024[c]
Iraq	3.8	2.6	13.8	-1.8	2.6	5.5	-11.3	2.8	8.4	3.2	3.1
Kuwait	4.5	0.6	2.9	-4.7	2.4	-0.6	-8.9	2.4	9.1	2.8	2.1
Oman	3.6	5.0	5.0	0.3	1.3	-1.1	-3.2	3.0	4.4	3.0	2.3
Qatar	11.1	4.8	3.1	-1.5	1.1	0.9	-3.6	1.6	5.2	3.4	3.6
Saudi Arabia	4.1	4.1	1.7	-0.7	2.5	0.3	-4.1	3.2	8.5	3.6	3.4
United Arab Emirates	4.7	6.8	5.6	0.7	1.3	1.1	-5.0	3.9	6.9	4.2	4.1
Yemen	3.2	-28.0	-9.4	-5.1	0.8	1.4	-8.5	-1.7	2.0	3.3	4.0
Western Asia – net fuel importers	**4.6**	**4.6**	**3.4**	**6.1**	**3.0**	**1.3**	**-0.3**	**9.8**	**5.3**	**3.5**	**3.3**
Israel	3.8	2.3	4.5	4.4	4.0	3.8	-2.2	8.2	5.6	2.9	2.7
Jordan	5.2	2.5	2.0	2.5	1.9	1.9	-1.6	2.2	2.7	2.2	2.5
Lebanon	4.5	0.5	1.6	0.9	-1.9	-6.9	-25.9	-11.7	5.7	4.6	4.4
State of Palestine	3.7	3.7	8.9	1.4	1.2	1.4	-11.3	7.0	4.7	3.2	2.5
Syrian Arab Republic	-1.2	-3.2	-5.6	-0.7	1.5	3.7	-2.2	-3.2	0.6	1.9	3.7
Türkiye	5.1	6.0	3.3	7.5	3.1	0.8	1.8	11.6	5.4	3.7	3.5
Latin America and the Caribbean[g]	**3.1**	**0.1**	**-1.3**	**1.0**	**0.7**	**-0.6**	**-7.4**	**6.6**	**3.8**	**1.4**	**2.5**
South America	**3.4**	**-1.3**	**-3.0**	**0.3**	**-0.1**	**-1.1**	**-7.0**	**7.0**	**3.9**	**1.1**	**2.5**
Argentina	2.5	2.7	-2.1	2.8	-2.6	-2.1	-9.9	10.4	4.9	1.0	2.5
Bolivia (Plurinational State of)	4.2	4.9	4.3	4.2	4.2	2.2	-8.8	6.1	3.5	2.9	4.0
Brazil	3.3	-3.5	-3.3	1.3	1.8	1.4	-4.1	4.6	2.9	0.9	2.0
Chile	4.2	2.3	1.7	1.2	3.7	0.9	-5.8	11.7	2.3	-1.1	2.5
Colombia	4.2	3.0	2.1	1.4	2.6	3.3	-6.8	10.7	8.0	1.5	3.3
Ecuador	4.3	0.1	-1.2	2.4	1.3	0.0	-7.8	4.2	2.7	2.0	2.6
Paraguay	4.5	3.0	4.3	4.8	3.2	-0.4	-1.0	4.2	-0.3	4.0	3.0
Peru	5.3	3.3	4.0	2.5	4.0	2.2	-11.1	13.3	2.7	2.2	3.5
Uruguay	3.4	1.8	3.1	1.6	0.5	0.4	-5.9	4.4	5.4	2.9	3.0
Venezuela (Bolivarian Republic of)	2.8	-6.2	-17.0	-15.7	-19.6	-35.0	-32.0	0.5	12.0	5.0	4.0
Mexico and Central America	**2.5**	**3.6**	**2.9**	**2.5**	**2.5**	**0.6**	**-8.2**	**5.8**	**3.3**	**1.6**	**2.5**
Costa Rica	4.2	3.7	4.2	4.2	2.1	2.2	-4.5	7.8	4.4	2.6	3.3
Cuba	4.5	4.4	0.5	1.8	2.2	-0.2	-10.9	1.3	2.0	1.5	3.0
Dominican Republic	4.8	6.9	6.7	4.7	7.0	5.1	-6.7	12.3	5.1	4.6	4.2
El Salvador	1.8	2.4	2.5	2.3	2.4	2.6	-7.9	10.2	2.6	1.6	2.0
Guatemala	3.5	4.1	2.7	3.1	3.3	3.9	-1.5	8.0	4.0	3.2	3.2
Haiti[e]	2.4	1.6	2.3	2.5	1.7	-1.7	-3.3	-2.4	-0.1	-1.7	0.3
Honduras	4.1	3.8	3.9	4.8	3.8	2.7	-9.0	12.5	4.2	2.7	3.7

Table A.3

Developing economies: growth of real GDP (*continued*)

Annual percentage change

	2000-2014[a]	2015	2016	2017	2018	2019	2020	2021	2022[b]	2023[c]	2024[c]
Mexico	2.1	3.3	2.6	2.1	2.2	-0.1	-8.3	4.8	2.9	1.1	2.1
Nicaragua	3.7	4.8	4.6	4.6	-3.4	-3.7	-2.0	10.3	3.8	2.1	3.7
Panama	6.3	5.7	5.0	5.6	3.6	3.0	-17.9	15.3	8.4	4.2	4.5
Caribbean	**2.5**	**1.2**	**-2.0**	**0.0**	**1.4**	**0.7**	**-7.1**	**6.4**	**10.7**	**7.9**	**5.8**
Bahamas	0.9	1.6	0.1	1.6	2.8	0.7	-14.5	16.0	8.0	4.1	1.4
Barbados	0.6	2.5	2.5	0.4	-0.6	-1.3	-17.6	1.0	10.0	3.5	2.5
Belize	4.0	2.9	-0.2	2.1	2.0	2.0	-16.7	16.4	9.5	5.0	2.8
Guyana	6.0	0.7	3.8	3.7	4.4	5.4	43.5	22.7	52.0	30.0	18.0
Jamaica	0.6	0.9	1.4	1.0	1.9	0.9	-10.2	4.6	2.8	3.0	2.2
Suriname	4.5	-2.6	-4.9	1.6	4.9	1.1	-15.9	-3.5	2.1	2.4	2.1
Trinidad and Tobago	4.6	1.8	-6.3	-2.7	-0.7	-0.2	-7.4	-0.7	2.0	2.0	2.8
Latin America and the Caribbean – net fuel exporters	**3.5**	**-1.6**	**-7.0**	**-5.3**	**-5.5**	**-8.9**	**-12.5**	**7.1**	**7.2**	**2.3**	**3.3**
Latin America and the Caribbean – net fuel importers	**3.0**	**0.4**	**-0.3**	**2.0**	**1.6**	**0.6**	**-6.7**	**6.6**	**3.4**	**1.3**	**2.4**
Memorandum items:											
Least developed countries	6.2	3.5	3.9	4.9	5.1	4.7	1.5	2.4	4.3	4.4	5.4
Africa (excluding Libya)	5.1	3.6	1.8	3.0	3.3	2.9	-1.5	4.1	4.1	3.8	3.8
North Africa (excluding Libya)	4.3	4.1	3.3	3.8	3.8	3.1	-0.9	3.7	5.1	4.1	3.7
East Asia (excluding China)	4.8	3.6	3.8	4.3	4.0	3.3	-2.3	4.2	3.9	3.2	3.9
South Asia (excluding India)	4.6	3.1	5.8	5.0	3.1	0.8	1.5	3.7	3.7	2.6	4.0
Western Asia (excluding Israel and Türkiye)	4.5	3.1	3.8	-0.7	1.9	0.9	-6.0	2.6	7.2	3.5	3.4
Arab States[h]	4.3	3.3	3.5	1.2	2.6	1.3	-4.9	3.4	6.1	4.0	3.5
Landlocked developing countries	6.8	3.7	2.7	4.5	4.7	3.8	-1.2	4.6	3.6	4.0	4.4
Small island developing States	4.8	3.5	3.0	3.7	3.4	1.6	-6.2	6.6	4.5	2.6	3.6

Source: UN DESA, based on data of the United Nations Statistics Division and individual national sources.
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 Covering countries that account for 98 per cent of the population of all developing countries.
e Fiscal year basis.
f Special Administrative Region of China.
g Figures for Latin America and the Caribbean for 2022–2023 were provided by UN ECLAC.
h 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

	2020	2021	2022[a]	2023[b]	2024[b]
World	**-3.3**	**5.8**	**3.0**	**1.9**	**2.7**
Africa	**-2.1**	**4.5**	**3.7**	**4.0**	**3.8**
North Africa	-2.8	4.9	3.9	4.8	3.8
East Africa	1.0	5.2	4.5	4.8	4.7
Middle Africa	-2.4	2.0	3.9	3.7	4.1
Southern Africa	-6.5	5.1	2.1	1.7	2.0
West Africa	-0.8	4.2	3.6	3.8	4.1
Americas	**-4.3**	**5.8**	**2.3**	**0.6**	**1.9**
Northern America	-3.5	5.6	1.9	0.4	1.7
Latin America and the Caribbean	-7.4	6.6	3.8	1.4	2.5
Caribbean	-8.9	6.0	3.4	2.9	3.3
Central America	-8.2	5.8	3.3	1.5	2.4
South America	-7.0	7.0	4.0	1.2	2.5
Asia	**-1.0**	**6.2**	**3.6**	**4.0**	**4.1**
Central Asia	-1.3	5.4	4.1	4.4	4.5
East Asia	0.3	6.4	2.6	3.9	3.7
South Asia	-4.3	7.2	5.6	4.8	5.9
South-east Asia	-3.7	3.7	5.4	4.2	4.9
Western Asia	-3.2	6.2	6.4	3.5	3.4
Europe	**-5.8**	**5.5**	**2.7**	**-0.1**	**1.6**
Eastern Europe	-3.1	4.9	-1.1	-0.7	2.1
Northern Europe	-5.8	6.9	4.1	-0.3	1.3
Southern Europe	-9.4	6.2	4.3	0.3	1.7
Western Europe	-5.1	4.5	2.5	0.0	1.5
Oceania	**-2.1**	**4.8**	**3.8**	**1.9**	**1.9**

Source: UN DESA, based on data of the United Nations Statistics Division and UN DESA forecasts.

Notes: 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 WESP. Full details on the M49 standard can be found on the United Nations Statistics Division website. Calculated at 2015 prices and exchange rates. Figures are based on the countries actively monitored for the World Economic Situation and Prospects report.

a Partly estimated.

b Baseline scenario forecasts, based in part on UN DESA World Economic Forecasting Model.

Table A.5

Developed economies: consumer price inflation

Annual percentage change[a]

	2014	2015	2016	2017	2018	2019	2020	2021	2022[b]	2023[c]	2024[c]
Developed economies	**1.4**	**0.3**	**0.8**	**1.8**	**2.0**	**1.5**	**0.8**	**3.3**	**7.5**	**5.2**	**2.7**
United States	1.6	0.1	1.3	2.1	2.4	1.8	1.2	4.7	8.1	4.8	2.5
Canada	1.9	1.1	1.4	1.6	2.3	1.9	0.7	3.4	6.8	4.6	2.7
Japan	2.8	0.8	-0.1	0.5	1.0	0.5	0.0	-0.2	2.0	1.2	0.7
Australia	2.5	1.5	1.3	2.0	1.9	1.6	0.9	2.8	6.5	4.9	3.1
New Zealand	1.2	0.3	0.6	1.9	1.6	1.6	1.7	3.9	6.6	4.0	3.1
European Union	**0.4**	**0.2**	**0.2**	**1.5**	**1.8**	**1.4**	**0.5**	**2.7**	**8.6**	**6.6**	**3.3**
Austria	1.5	0.8	1.0	2.2	2.1	1.5	1.4	2.8	8.6	6.6	3.6
Belgium	0.5	0.6	1.8	2.2	2.3	1.2	0.4	3.2	9.8	6.8	3.6
Bulgaria	-1.6	-1.1	-1.3	1.2	2.6	2.4	1.2	2.9	14.0	7.5	3.2
Croatia	0.2	-0.3	-0.6	1.3	1.5	0.8	0.0	2.7	9.0	6.0	3.2
Cyprus	-0.3	-1.5	-1.2	0.7	0.8	0.5	-1.1	2.3	8.5	4.4	2.8
Czechia	0.5	0.2	0.7	2.4	1.9	2.6	3.3	3.3	17.0	10.2	3.7
Denmark	0.4	0.2	0.0	1.1	0.7	0.7	0.4	1.9	7.9	4.6	2.8
Estonia	0.5	0.1	0.8	3.7	3.4	2.3	-0.6	4.5	21.0	6.1	3.1
Finland	1.2	-0.2	0.4	0.8	1.2	1.1	0.4	2.1	6.9	4.4	2.6
France	0.6	0.1	0.3	1.2	2.1	1.3	0.5	2.1	5.8	4.2	2.8
Germany	0.7	0.7	0.4	1.7	1.9	1.4	0.3	3.2	8.1	7.6	3.7
Greece	-1.4	-1.1	0.0	1.1	0.8	0.5	-1.3	0.6	9.9	5.9	2.7
Hungary	0.0	0.1	0.4	2.4	2.9	3.4	3.4	5.2	13.9	14.2	3.6
Ireland	0.3	0.0	-0.2	0.3	0.7	0.9	-0.5	2.4	8.0	6.3	2.8
Italy	0.2	0.1	-0.1	1.4	1.2	0.7	-0.2	1.9	8.5	6.5	3.2
Latvia	0.7	0.2	0.1	2.9	2.6	2.7	0.1	3.2	17.5	6.9	3.1
Lithuania	0.2	-0.7	0.7	3.7	2.5	2.2	1.1	4.6	20.1	10.2	2.5
Luxembourg	0.7	0.1	0.0	2.1	2.0	1.7	0.0	3.5	8.3	6.2	3.6
Malta	0.8	1.2	0.9	1.3	1.7	1.5	0.8	0.7	6.2	5.0	2.8
Netherlands	0.3	0.2	0.1	1.3	1.6	2.7	1.1	2.8	11.0	7.2	4.5
Poland	0.1	-0.7	-0.2	1.6	1.2	2.1	3.6	5.2	15.1	12.1	4.6
Portugal	-0.2	0.5	0.6	1.6	1.2	0.3	-0.1	0.9	8.0	6.2	3.4
Romania	1.4	-0.4	-1.1	1.1	4.1	3.9	2.3	4.1	11.7	8.8	5.7
Slovakia	-0.1	-0.3	-0.5	1.4	2.5	2.8	2.0	2.8	12.0	11.1	4.1
Slovenia	0.4	-0.8	-0.1	1.6	1.9	1.7	-0.3	2.1	9.0	6.2	3.3
Spain	-0.2	-0.6	-0.3	2.0	1.7	0.8	-0.3	3.0	8.5	4.9	2.5
Sweden	0.2	0.7	1.1	1.9	2.0	1.7	0.7	2.7	8.2	7.0	2.9

Table A.5

Developed economies: consumer price inflation (*continued*)

Annual percentage change

	2014	2015	2016	2017	2018	2019	2020	2021	2022[b]	2023[c]	2024[c]
Other European countries	**1.3**	**0.1**	**0.8**	**2.2**	**2.2**	**1.6**	**0.7**	**2.4**	**7.6**	**6.5**	**3.6**
Iceland	1.0	0.3	0.8	-1.6	0.7	2.0	1.2	3.7	8.1	5.9	3.5
Norway	1.9	2.0	3.9	1.8	3.0	2.3	1.2	3.9	6.0	4.1	3.3
Switzerland	0.0	-0.8	-0.5	0.6	0.9	0.4	-0.7	0.6	2.9	2.5	1.4
United Kingdom[d]	1.5	0.0	0.7	2.7	2.4	1.8	0.9	2.6	9.0	7.8	4.1
Memorandum items:											
Northern America	1.6	0.2	1.3	2.1	2.4	1.8	1.2	4.6	8.0	4.8	2.5
Developed Asia and the Pacific	2.7	0.9	0.2	0.8	1.2	0.7	0.2	0.5	3.0	2.0	1.3
Europe	0.4	0.2	0.3	1.5	1.7	1.4	0.5	2.7	8.3	6.3	3.3
Major developed economies	1.5	0.3	0.8	1.8	2.1	1.5	0.8	3.4	7.2	4.9	2.6
Euro area	0.4	0.2	0.3	1.5	1.7	1.3	0.3	2.6	8.1	6.2	3.3

Source: UN DESA, based on OECD Main Economic Indicators, Eurostat and individual national sources.

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 UN DESA World Economic Forecasting Model.

d The United Kingdom withdrew from the EU on 31 January 2020 and is therefore excluded from all EU aggregations.

Table A.6

Economies in transition: consumer price inflation

Annual percentage change[a]

	2014	2015	2016	2017	2018	2019	2020	2021	2022[b]	2023[c]	2024[c]
Economies in transition[d]	**7.7**	**14.6**	**8.0**	**5.4**	**4.4**	**5.0**	**4.1**	**7.2**	**14.5**	**8.0**	**4.8**
South-Eastern Europe	**1.1**	**1.1**	**0.3**	**2.5**	**2.0**	**1.3**	**1.0**	**3.4**	**11.3**	**6.4**	**3.5**
Albania	1.6	3.5	-0.4	2.1	2.0	1.4	1.6	3.5	6.5	4.9	3.1
Bosnia and Herzegovina	-0.9	-1.0	-1.6	0.8	1.4	0.6	-1.1	2.0	14.0	5.9	3.1
Montenegro	-0.7	1.5	-0.3	2.4	2.6	0.4	-0.3	2.6	11.6	6.4	2.4
North Macedonia	0.0	0.1	0.2	2.1	2.3	0.7	1.2	3.4	14.0	6.2	2.8
Serbia	2.3	1.5	1.3	3.4	2.0	1.9	1.7	4.1	10.8	7.1	4.2
Commonwealth of Independent States and Georgia[d,e]	**8.0**	**15.2**	**8.3**	**5.5**	**4.5**	**5.2**	**4.3**	**7.3**	**14.6**	**8.1**	**4.8**
Commonwealth of Independent States and Georgia – net fuel exporters	**7.4**	**13.9**	**8.0**	**4.5**	**3.5**	**4.5**	**3.9**	**6.9**	**14.1**	**8.1**	**4.8**
Azerbaijan	1.4	4.0	12.4	12.9	2.3	2.6	2.8	6.7	12.7	8.1	5.3
Kazakhstan	6.7	6.7	14.5	7.4	6.0	5.2	6.7	8.0	14.8	7.7	4.2
Russian Federation	7.8	15.5	7.0	3.7	2.9	4.5	3.4	6.7	14.3	8.3	4.8
Turkmenistan	6.0	7.4	3.6	8.0	13.3	5.1	7.6	8.1	5.2	6.1	3.9
Commonwealth of Independent States and Georgia – net fuel importers[d,e]	**11.2**	**22.3**	**9.8**	**10.9**	**10.2**	**8.7**	**6.7**	**9.9**	**17.5**	**7.6**	**5.5**
Armenia	3.0	3.7	-1.4	1.0	2.5	1.4	1.2	7.1	8.8	4.3	3.9
Belarus	18.1	13.5	11.8	6.0	4.9	5.6	5.5	10.6	17.8	9.2	7.0
Georgia[e]	3.1	4.0	2.1	6.0	2.6	4.9	5.2	9.6	12.4	8.4	3.2
Kyrgyzstan	7.5	6.5	0.4	3.2	1.5	1.1	6.3	7.9	13.9	11.9	7.3
Republic of Moldova	5.1	9.7	6.4	6.6	3.0	4.8	3.8	8.3	23.5	12.0	3.1
Tajikistan	6.1	5.7	6.0	7.3	3.8	7.8	8.6	9.0	7.9	6.9	6.4
Ukraine[d,f]	12.1	48.7	13.9	14.4	11.0	7.9	2.7	9.4	25.7	..	..
Uzbekistan	9.3	8.8	8.1	13.9	17.5	14.5	12.9	10.7	11.0	6.0	5.1

Source: UN DESA, based on data of the United Nations Statistics Division and individual national sources.
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 Ukraine is excluded from 2023 and 2024 individual and regional group forecasts.
e 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.
f 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 inflation

Annual percentage change[a]

	2014	2015	2016	2017	2018	2019	2020	2021	2022[b]	2023[c]	2024[c]
Developing countries by region[d]	**4.2**	**3.8**	**4.7**	**4.1**	**4.7**	**5.2**	**5.4**	**6.6**	**10.8**	**8.5**	**5.5**
Africa	**7.2**	**7.3**	**11.8**	**14.1**	**11.1**	**10.7**	**17.1**	**21.9**	**20.1**	**14.4**	**9.6**
North Africa	**9.2**	**8.3**	**11.2**	**17.6**	**15.1**	**10.0**	**18.9**	**41.1**	**25.6**	**16.0**	**10.8**
Algeria	2.9	4.8	6.4	5.6	4.3	2.0	2.4	7.2	9.4	4.2	2.9
Egypt	10.1	10.4	13.8	25.6	14.4	9.4	5.1	5.2	13.1	10.7	11.3
Libya	2.4	9.9	25.8	25.9	13.6	-2.2	1.4	2.8	5.3	4.9	3.5
Mauritania	3.5	0.5	1.5	2.3	3.0	2.3	2.4	3.6	6.8	4.2	5.1
Morocco	0.4	1.6	1.6	0.8	1.8	0.3	0.7	1.4	6.3	5.0	3.9
Sudan	36.9	16.9	17.8	32.4	63.3	51.0	153.6	359.8	160.2	89.2	40.7
Tunisia	4.6	4.4	3.6	5.3	7.3	6.7	5.6	5.7	8.3	7.9	7.6
East Africa	**5.3**	**7.2**	**13.0**	**16.5**	**11.7**	**8.7**	**9.8**	**10.6**	**14.4**	**11.0**	**8.8**
Burundi	4.4	5.5	5.6	16.1	-2.8	-0.7	7.5	8.3	13.8	8.6	9.0
Comoros	0.0	0.9	0.8	0.1	1.7	3.7	0.8	-0.2	9.8	6.7	5.1
Democratic Republic of the Congo	1.2	0.7	3.2	35.3	31.7	4.7	11.3	9.4	10.5	7.6	7.6
Djibouti	1.3	-0.8	2.7	0.6	0.1	3.3	1.8	1.2	6.7	3.1	2.8
Eritrea	10.0	28.5	-5.6	-13.3	-14.4	1.0	4.8	5.1	7.3	6.3	5.6
Ethiopia	6.9	9.6	6.6	10.7	13.8	15.8	20.4	26.3	34.5	24.9	16.2
Kenya	6.9	6.6	6.3	8.0	4.7	5.1	5.5	6.2	7.4	7.0	6.7
Madagascar	6.1	7.4	6.0	8.6	8.6	5.6	4.2	5.8	9.3	8.6	7.8
Rwanda	2.4	2.5	7.2	8.3	-0.3	3.3	9.9	-0.5	18.1	8.7	6.6
Somalia	1.3	0.9	0.1	4.0	4.3	4.7	4.1	4.6	7.5	6.4	4.2
South Sudan	1.8	52.1	351.5	240.3	93.3	88.2	32.6	16.8	11.6	10.3	12.4
Uganda	3.1	5.4	5.4	5.6	2.6	2.4	2.7	2.2	7.4	6.8	6.3
United Republic of Tanzania	6.1	5.6	5.2	5.3	3.5	3.5	3.3	3.7	4.4	4.1	4.1
Central Africa	**2.8**	**2.3**	**1.4**	**0.8**	**2.2**	**1.8**	**2.8**	**1.3**	**4.4**	**3.6**	**3.2**
Cameroon	1.8	2.7	0.9	0.6	1.1	2.5	2.4	2.3	4.6	2.8	2.7
Central African Republic	14.9	1.4	4.9	4.2	1.6	2.7	1.7	4.3	6.5	6.4	2.8
Chad	1.7	4.4	-0.8	-1.5	4.3	-1.0	4.5	-0.8	4.9	3.2	3.1
Congo	0.9	3.2	3.2	0.5	1.2	2.2	1.8	2.0	3.5	3.2	3.1
Equatorial Guinea	4.3	1.7	1.4	0.7	1.3	1.2	4.8	-0.1	5.1	5.8	5.3
Gabon	4.7	-0.3	2.1	2.7	4.7	2.5	1.2	1.1	3.5	3.2	2.6
Sao Tome and Principe	7.0	5.3	5.4	5.7	7.9	7.7	9.8	8.1	15.0	11.2	5.7
West Africa	**7.2**	**8.2**	**13.0**	**13.4**	**9.9**	**9.0**	**11.1**	**14.0**	**17.3**	**15.1**	**11.0**
Benin	-0.5	0.2	-0.8	1.8	0.6	-0.7	3.0	1.7	4.9	1.9	2.1
Burkina Faso	-0.3	0.7	0.4	1.5	2.0	-3.2	1.9	3.9	14.2	1.7	1.2
Cabo Verde	-0.2	0.1	-1.4	0.8	1.3	1.1	0.6	1.9	6.5	3.6	2.1

Table A.7

Developing economies: consumer price inflation (*continued*)

Annual percentage change[a]

	2014	2015	2016	2017	2018	2019	2020	2021	2022[b]	2023[c]	2024[c]
Côte D'Ivoire	0.4	1.3	0.7	0.7	0.4	-1.1	2.4	4.2	5.5	4.1	1.9
Gambia	5.9	6.8	7.2	8.0	6.5	7.1	5.9	7.4	11.3	11.1	8.5
Ghana	15.5	17.1	17.5	12.4	7.8	7.1	9.9	10.0	27.1	21.1	14.9
Guinea	7.1	10.8	8.2	8.9	9.8	9.5	10.6	12.6	12.7	12.3	10.3
Guinea-Bissau	-1.5	1.5	1.5	1.7	0.4	0.2	1.5	3.3	5.5	4.1	3.1
Liberia	9.9	7.7	8.8	12.4	23.6	27.0	17.0	7.8	6.8	8.6	5.2
Mali	0.9	1.5	-1.8	1.8	0.3	-1.7	0.4	3.8	8.0	3.1	2.6
Niger	-0.9	-0.6	1.7	2.8	3.0	-2.5	2.9	3.8	4.5	3.1	2.6
Nigeria	8.1	9.0	15.7	16.5	12.1	11.4	13.2	17.0	18.9	17.3	12.7
Senegal	-1.1	0.1	0.8	1.3	0.5	1.8	2.5	2.2	7.5	3.2	2.1
Sierra Leone	4.6	6.7	10.9	18.2	16.0	14.8	13.4	11.9	25.9	27.0	21.0
Togo	0.2	2.6	1.3	-1.0	0.9	0.7	1.8	4.3	5.6	2.2	2.0
Southern Africa	**6.2**	**5.6**	**12.3**	**10.8**	**8.2**	**16.4**	**28.5**	**13.5**	**21.0**	**14.6**	**7.6**
Angola	7.3	9.2	30.7	29.8	19.6	17.1	22.3	25.8	21.7	11.8	10.0
Botswana	4.4	3.1	2.8	3.3	3.2	2.8	1.9	6.7	11.2	5.8	4.6
Eswatini	5.7	5.0	7.8	6.2	4.8	2.6	3.9	3.7	4.9	4.3	4.5
Lesotho	5.4	3.2	6.6	4.4	4.8	5.2	5.0	6.0	8.1	6.2	5.5
Malawi	23.8	21.9	21.7	11.5	12.4	9.4	8.6	9.3	18.4	16.6	12.8
Mauritius	3.2	1.3	1.0	3.7	3.2	0.4	2.6	4.0	10.2	6.1	5.7
Mozambique	2.6	3.6	17.4	15.1	3.9	2.8	3.1	5.7	11.3	8.9	8.6
Namibia	5.4	3.4	6.7	6.1	4.3	3.7	2.2	3.6	6.4	5.0	4.5
South Africa	6.1	4.5	6.6	5.2	4.5	4.1	3.2	4.6	6.8	5.3	5.0
Zambia	7.8	10.1	17.9	6.6	7.5	9.2	15.7	22.0	12.5	9.7	7.9
Zimbabwe	-0.2	-2.4	-1.5	0.9	10.6	255.3	557.2	98.5	284.9	204.8	36.2
Africa – net fuel exporters	**6.6**	**8.1**	**15.3**	**15.1**	**10.6**	**8.6**	**10.7**	**13.8**	**16.0**	**12.7**	**9.5**
Africa – net fuel importers	**7.7**	**6.7**	**9.4**	**13.4**	**11.6**	**12.2**	**21.6**	**27.6**	**22.9**	**15.6**	**9.7**
East and South Asia	**3.1**	**2.3**	**2.4**	**2.1**	**2.8**	**4.0**	**3.2**	**2.5**	**5.0**	**4.5**	**3.6**
East Asia	**2.1**	**1.5**	**1.9**	**1.8**	**2.1**	**2.4**	**2.0**	**1.4**	**3.0**	**2.9**	**2.5**
Brunei Darussalam	-0.2	-0.5	-0.3	-1.3	1.0	-0.4	1.9	1.7	3.8	2.1	1.2
Cambodia	3.9	1.2	3.0	2.9	2.5	1.9	2.9	2.9	5.2	3.8	3.1
China	1.9	1.4	2.0	1.6	2.1	2.9	2.4	1.0	2.2	2.5	2.4
Democratic People's Republic of Korea	3.7	3.1	-0.6	7.2	2.3	-4.6	1.1	2.8	4.8	3.9	3.2
Fiji	0.5	1.4	3.9	3.3	4.1	1.8	-2.6	-1.5	5.2	3.7	3.1
Hong Kong SAR[e]	0.8	2.0	2.0	4.3	0.6	2.3	5.3	1.6	1.9	2.4	2.6
Indonesia	6.4	6.4	3.5	3.8	3.2	3.0	1.9	1.6	4.6	5.5	3.2
Kiribati	2.1	0.6	1.9	0.4	0.6	-1.8	2.5	2.6	5.1	3.5	3.3

Table A.7

Developing economies: consumer price inflation (*continued*)

Annual percentage change[a]

	2014	2015	2016	2017	2018	2019	2020	2021	2022[b]	2023[c]	2024[c]
Lao People's Democratic Republic	4.1	1.3	1.6	0.8	2.0	3.3	5.1	4.0	19.0	9.2	5.3
Malaysia	3.1	2.1	2.1	3.9	0.9	0.7	-1.1	2.5	3.4	2.5	1.9
Mongolia	12.3	5.7	0.7	4.3	6.8	7.3	3.7	7.1	14.5	12.1	8.3
Myanmar	5.0	9.5	6.9	4.6	6.9	8.8	5.7	6.2	16.0	13.0	8.0
Papua New Guinea	5.2	6.0	6.7	5.4	4.4	3.9	4.9	4.5	6.6	5.4	4.9
Philippines	3.6	0.7	1.3	2.9	5.3	2.4	2.4	3.9	5.3	4.3	3.2
Republic of Korea	1.3	0.7	1.0	1.9	1.5	0.4	0.5	2.5	5.3	3.6	2.4
Samoa	-0.4	0.7	1.3	1.7	4.2	1.0	-1.6	0.2	9.2	8.5	7.9
Singapore	1.0	-0.5	-0.5	0.6	0.4	0.6	-0.2	2.3	5.9	3.4	3.0
Solomon Islands	5.2	-0.6	0.5	0.5	3.5	1.6	3.0	3.5	4.7	4.5	3.5
Taiwan Province of China	1.2	-0.3	1.4	0.6	1.4	0.6	-0.2	2.0	3.1	2.1	1.4
Thailand	1.9	-0.9	0.2	0.7	1.1	0.7	-0.8	1.2	6.0	2.5	1.8
Timor-Leste	0.8	0.6	-1.5	0.5	2.3	1.0	0.5	3.8	7.0	3.8	2.5
Vanuatu	0.8	2.5	0.8	3.1	2.3	2.8	5.3	4.7	5.3	4.2	3.5
Viet Nam	4.1	0.6	2.7	3.5	3.5	2.8	3.2	1.8	3.1	4.0	4.0
South Asia	**7.8**	**6.4**	**5.2**	**3.7**	**6.6**	**11.9**	**9.3**	**8.6**	**15.6**	**12.4**	**9.4**
Afghanistan	4.7	-0.7	4.4	5.0	0.6	2.3	5.6	5.2	7.4	9.6	14.1
Bangladesh	7.0	6.2	5.5	5.7	5.5	5.6	5.7	3.4	7.9	7.4	6.4
Bhutan	8.3	4.5	3.2	5.0	2.7	2.7	5.6	4.2	6.1	7.2	5.0
India	6.4	5.9	4.9	2.5	4.9	7.7	5.6	4.9	7.1	5.5	5.0
Iran (Islamic Republic of)	16.6	12.5	7.2	8.0	18.0	39.9	30.6	29.1	47.3	38.1	28.5
Maldives	2.1	1.0	0.5	2.8	-0.1	0.2	-1.4	4.7	5.0	4.1	3.5
Nepal	8.4	7.9	8.8	3.6	4.1	5.6	5.1	6.2	8.5	8.0	6.7
Pakistan	7.2	2.5	3.8	4.1	5.1	10.6	9.7	10.2	22.9	16.7	14.0
Sri Lanka	3.2	3.8	4.0	7.7	2.1	3.5	6.2	7.2	71.4	59.5	18.3
East and South Asia – net fuel exporters	**9.6**	**8.2**	**4.7**	**5.1**	**7.9**	**14.7**	**11.0**	**10.4**	**18.2**	**15.8**	**11.3**
East and South Asia – net fuel importers	**2.6**	**1.9**	**2.3**	**1.9**	**2.4**	**3.2**	**2.6**	**2.0**	**4.1**	**3.6**	**3.0**
Western Asia	**4.3**	**3.8**	**3.9**	**4.2**	**6.5**	**4.3**	**6.6**	**11.1**	**28.1**	**16.2**	**6.4**
Net fuel exporters	**2.5**	**2.5**	**2.5**	**1.1**	**2.5**	**-1.0**	**1.3**	**3.6**	**4.7**	**3.8**	**3.0**
Bahrain	2.6	1.8	2.8	1.4	2.1	1.0	-2.3	-0.6	3.8	2.6	3.4
Iraq	2.2	1.4	1.4	0.2	0.4	-0.2	0.6	6.0	5.4	4.4	3.5
Kuwait	2.9	3.3	3.2	2.2	0.5	1.1	2.1	3.4	3.8	3.2	3.3
Oman	1.0	0.1	1.1	1.6	0.9	0.1	-0.9	1.6	3.0	2.2	2.5
Qatar	3.3	1.8	2.7	0.4	0.3	-0.5	-2.6	2.3	5.0	4.7	4.2
Saudi Arabia	2.2	1.2	2.1	-0.8	2.5	-2.1	3.4	3.1	2.6	2.8	2.4
United Arab Emirates	2.3	4.1	1.6	2.0	3.1	-1.9	-2.1	0.2	4.8	3.8	2.5

Table A.7

Developing economies: consumer price inflation (*continued*)

Annual percentage change[a]

	2014	2015	2016	2017	2018	2019	2020	2021	2022[b]	2023[c]	2024[c]
Yemen	8.1	22.0	21.3	30.4	27.6	12.0	23.1	47.1	42.6	20.4	9.7
Net fuel importers	**6.6**	**5.5**	**5.8**	**8.1**	**11.5**	**11.0**	**13.2**	**20.5**	**57.3**	**31.8**	**10.6**
Israel	0.5	-0.6	-0.5	0.2	0.8	0.8	-0.6	1.5	4.2	3.4	1.7
Jordan	2.9	-0.9	-0.8	3.3	4.5	0.3	0.4	1.4	4.4	3.7	2.6
Lebanon	1.9	-3.7	-0.8	4.4	6.1	2.9	84.3	150.7	176.4	50.7	21.6
State of Palestine	1.7	1.4	-0.2	0.2	-0.2	1.6	-0.7	1.2	4.0	3.5	2.7
Syrian Arab Republic	21.7	38.2	47.7	19.4	0.9	13.4	116.4	77.5	65.5	25.1	13.1
Türkiye	8.9	7.7	7.8	11.1	16.2	15.5	12.3	19.4	71.8	42.4	13.5
Latin America and the Caribbean[d]	**7.0**	**7.7**	**10.1**	**6.7**	**7.6**	**7.9**	**7.6**	**12.1**	**18.3**	**16.3**	**10.2**
South America[d]	**8.5**	**10.1**	**13.7**	**7.6**	**9.1**	**10.0**	**9.3**	**14.6**	**21.8**	**20.2**	**12.7**
Argentina	21.4	21.5	40.5	25.7	34.2	37.6	27.7	48.4	75.5	82.5	45.9
Bolivia (Plurinational State of)	5.8	4.1	3.6	2.8	2.3	0.6	-0.8	0.7	2.9	3.4	3.3
Brazil	6.3	9.0	8.7	3.4	3.7	4.0	5.5	8.3	9.5	5.3	5.2
Chile	4.7	4.3	3.8	2.2	2.4	2.4	7.8	4.5	11.6	7.9	3.9
Colombia	2.9	5.0	7.5	4.3	3.2	3.7	1.6	3.5	9.8	6.8	5.5
Ecuador	3.6	4.0	1.7	0.4	-0.2	0.1	0.4	0.1	3.4	3.5	2.0
Paraguay	5.0	3.1	4.1	3.6	4.0	3.6	3.1	4.8	9.4	5.1	4.5
Peru	3.2	3.6	3.6	2.8	1.3	1.9	3.5	4.0	7.4	5.1	3.3
Uruguay	8.9	8.7	9.6	6.2	7.6	8.0	9.8	8.1	9.2	8.0	7.5
Venezuela (Bolivarian Republic of)	62.2	121.7	254.9	438.1	…	…	…	…	…	…	…
Mexico and Central America	**3.8**	**2.6**	**2.5**	**5.1**	**4.4**	**3.5**	**4.0**	**6.9**	**11.1**	**8.2**	**5.2**
Costa Rica	4.5	0.9	0.0	1.6	2.2	2.3	0.7	1.7	8.5	6.3	4.7
Cuba	1.1	4.9	-0.5	-1.1	1.9	1.7	14.7	31.4	65.4	43.5	15.7
Dominican Republic	3.0	0.8	1.6	3.3	3.6	2.7	5.1	8.2	8.8	7.5	7.0
El Salvador	1.1	-0.7	0.6	1.0	1.1	1.6	1.5	3.5	7.2	5.6	2.7
Guatemala	3.4	2.4	4.4	4.4	3.8	4.5	3.5	4.3	6.4	5.6	5.0
Haiti	4.6	9.0	13.8	14.7	14.0	18.3	22.9	15.9	25.5	20.4	18.9
Honduras	6.1	3.2	2.7	3.9	4.3	4.0	4.8	4.5	8.2	8.0	6.4
Mexico	4.0	2.8	2.8	6.0	4.9	3.6	3.4	5.7	7.9	6.0	4.2
Nicaragua	6.0	3.9	3.4	4.0	4.8	4.9	5.7	4.9	9.6	7.1	6.1
Panama	2.6	0.1	0.7	0.9	0.8	0.4	-2.3	1.6	3.9	3.0	2.9
Caribbean	**4.5**	**3.2**	**5.8**	**4.0**	**2.4**	**2.5**	**6.6**	**7.5**	**9.8**	**8.1**	**6.2**
Bahamas	1.2	1.9	-0.3	1.5	2.3	2.0	0.0	3.5	7.3	7.2	7.5
Barbados	1.9	-1.1	1.1	4.7	3.7	4.3	2.4	3.1	9.3	8.1	4.2
Belize	1.0	-0.7	0.7	1.1	0.3	0.8	0.1	2.6	6.3	4.7	3.9
Guyana	0.6	-1.0	0.8	1.9	1.2	2.4	1.0	4.0	7.3	6.6	5.2

Table A.7

Developing economies: consumer price inflation (*continued*)

Annual percentage change[a]

	2014	2015	2016	2017	2018	2019	2020	2021	2022[b]	2023[c]	2024[c]
Jamaica	8.3	3.7	2.3	4.4	3.7	2.9	5.3	5.9	9.2	8.2	6.6
Suriname	3.4	6.9	53.0	21.5	6.9	9.0	66.8	59.1	45.8	29.2	22.8
Trinidad and Tobago	5.7	4.6	3.1	1.9	1.0	0.9	0.3	1.5	4.9	4.6	2.7
Latin America and the Caribbean – net fuel exporters	**3.4**	**4.7**	**5.7**	**3.2**	**2.3**	**2.5**	**1.1**	**2.4**	**7.6**	**5.7**	**4.4**
Latin America and the Caribbean – net fuel importers	**7.3**	**8.0**	**10.6**	**7.1**	**8.1**	**8.4**	**8.2**	**13.1**	**19.3**	**17.4**	**10.8**
Memorandum items:											
Least developed countries	8.2	8.0	12.6	14.5	14.5	11.7	21.8	39.7	26.4	16.6	10.7
East Asia (excluding China)	2.7	1.7	1.6	2.4	2.0	1.4	1.1	2.2	4.8	3.8	2.6
South Asia (excluding India)	10.6	7.5	5.7	6.3	10.1	20.6	16.9	16.1	32.9	26.5	18.5
Western Asia (excluding Israel and Türkiye)	2.7	2.7	2.8	1.5	2.6	-0.7	5.0	8.6	10.4	5.4	3.6
Arab States[f]	4.7	4.4	5.4	6.5	6.5	2.6	9.3	18.7	15.1	8.7	5.9
Landlocked developing countries	5.8	6.2	10.8	9.1	7.7	13.1	21.7	11.2	20.5	13.7	6.9
Small island developing States	2.0	1.4	1.2	1.7	1.8	1.7	3.7	7.8	15.4	10.4	6.1

Source: UN DESA, based on data of 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 UN DESA World Economic Forecasting Model.

d Regional aggregates exclude Venezuela (Bolivarian Republic of).

e Special Administrative Region of China.

f 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

Developed economies: unemployment rates,[a] 2013-2023

Percentage of labour force

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022[b]	2023[c]
Developed economies											
Australia	5.7	6.1	6.1	5.7	5.6	5.3	5.2	6.5	5.1	3.8	3.9
Canada	7.1	6.9	6.9	7.1	6.4	5.9	5.7	9.6	7.5	5.3	5.9
Iceland	5.8	5.4	4.5	3.3	3.3	3.1	3.9	6.4	6.0	4.0	4.1
Japan	4.0	3.6	3.4	3.1	2.8	2.4	2.4	2.8	2.8	2.6	2.5
New Zealand	5.9	5.4	5.4	5.1	4.7	4.3	4.1	4.6	3.8	3.3	3.9
Norway	3.9	3.8	4.7	4.9	4.4	4.0	3.9	4.8	4.5	3.3	3.4
Switzerland	4.7	4.8	4.8	4.9	4.8	4.7	4.4	4.8	5.1	4.1	4.2
United Kingdom	7.6	6.2	5.4	4.9	4.4	4.1	3.8	4.6	4.5	3.7	4.4
United States	7.4	6.2	5.3	4.9	4.4	3.9	3.7	8.1	5.4	3.7	4.2
European Union											
Austria	5.7	6.0	6.1	6.5	5.9	5.2	4.8	6.0	6.2	4.8	5.2
Belgium	8.6	8.7	8.7	7.9	7.2	6.0	5.5	5.8	6.3	5.5	5.7
Bulgaria	13.9	12.4	10.1	8.6	7.2	6.2	5.2	6.1	5.3	4.3	4.5
Croatia	17.3	17.3	16.2	13.1	11.2	8.5	6.6	7.5	7.6	6.5	6.8
Cyprus	15.9	16.1	15.0	13.0	11.1	8.4	7.1	7.6	7.2	7.2	7.3
Czechia	7.0	6.1	5.1	4.0	2.9	2.2	2.0	2.6	2.8	2.4	2.6
Denmark	7.4	6.9	6.3	6.0	5.8	5.1	5.0	5.6	5.1	4.2	4.6
Estonia	8.6	7.3	6.4	6.8	5.8	5.4	4.5	6.9	6.2	5.5	5.8
Finland	8.3	8.7	9.4	8.9	8.7	7.5	6.8	7.7	7.6	6.9	7.3
France	10.3	10.3	10.3	10.1	9.4	9.0	8.4	8.0	7.8	7.6	7.9
Germany	5.0	4.7	4.4	3.9	3.6	3.2	3.0	3.7	3.6	3.0	3.3
Greece	27.8	26.6	25.0	23.9	21.8	19.7	17.9	17.6	15.3	12.4	12.2
Hungary	9.8	7.5	6.6	5.0	4.0	3.6	3.3	4.1	4.1	3.5	3.8
Ireland	13.8	11.9	9.9	8.4	6.7	5.8	5.0	5.9	6.3	4.5	4.7
Italy	12.4	12.9	12.0	11.7	11.3	10.6	9.9	9.3	9.5	8.3	8.6
Latvia	11.9	10.9	9.9	9.7	8.7	7.4	6.3	8.1	7.6	6.9	7.3
Lithuania	11.8	10.7	9.1	7.9	7.1	6.2	6.3	8.5	7.1	5.9	6.4
Luxembourg	5.9	5.9	6.7	6.3	5.5	5.6	5.6	6.8	6.0	4.8	5.0
Malta	6.1	5.7	5.4	4.7	4.0	3.7	3.6	4.4	3.4	3.1	3.2
Netherlands	8.2	8.4	7.9	7.0	5.9	4.9	4.4	4.9	4.2	3.7	4.2
Poland	10.6	9.2	7.7	6.3	5.0	3.9	3.3	3.2	3.4	2.9	3.1
Portugal	17.2	14.6	13.0	11.5	9.2	7.2	6.7	7.0	6.6	5.9	6.0
Romania	9.0	8.6	8.4	7.2	6.1	5.3	4.9	6.1	5.6	5.4	5.6
Slovakia	14.1	13.1	11.5	9.6	8.1	6.5	5.7	6.7	6.8	6.1	6.4
Slovenia	10.1	9.7	9.0	8.0	6.6	5.1	4.4	5.0	4.8	4.1	4.3
Spain	26.1	24.5	22.1	19.6	17.2	15.3	14.1	15.5	14.7	12.8	13.0
Sweden	8.2	8.1	7.6	7.1	6.8	6.5	7.0	8.5	8.8	7.3	7.8

Source: UN DESA, based on data from Eurostat, OECD, ILOSTAT and UN DESA forecasts.

a Unemployment data are standardized by the OECD and Eurostat for comparability among countries and over time, in conformity with the definitions of the International Labour Organization (see OECD, Standardized Unemployment Rates: Sources and Methods (Paris, 1985)).

b Partly estimated.

c Baseline scenario forecasts, based in part on UN DESA World Economic Forecasting Model.

Table A.9

Selected economies: real effective exchange rates, broad measurement[a,b]

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022[c]
Developed economies											
Australia	100.0	94.9	90.3	81.2	82.0	84.8	81.6	77.7	76.7	81.7	84.5
Austria	100.0	101.7	103.2	101.1	102.5	103.3	104.3	103.4	105.2	105.3	105.4
Belgium	100.0	101.2	101.3	97.5	100.0	101.2	102.9	101.4	102.3	103.0	103.1
Bulgaria	100.0	99.9	99.6	96.9	96.8	96.5	100.2	100.0	102.5	103.7	110.2
Canada	100.0	96.5	90.3	81.3	79.3	80.4	79.8	79.0	77.9	81.9	81.6
Croatia	100.0	100.7	100.4	98.6	99.6	99.6	101.3	100.0	98.5	98.8	104.6
Czechia	100.0	97.4	92.3	91.4	93.8	96.8	100.8	101.0	101.2	105.1	120.6
Denmark	100.0	100.7	101.6	97.3	98.2	98.3	99.3	97.5	98.6	97.6	96.4
Finland	100.0	102.3	104.9	101.9	103.1	102.0	104.1	102.7	104.2	103.3	100.1
France	100.0	101.2	101.3	96.3	97.4	97.6	99.1	97.7	98.8	98.4	94.3
Germany	100.0	102.0	102.7	98.3	99.7	100.3	102.2	100.7	101.6	102.4	101.1
Greece	100.0	99.3	98.0	92.0	93.0	92.5	90.6	88.2	87.7	86.6	87.0
Hungary	100.0	98.4	95.1	92.6	93.2	94.3	93.6	92.6	88.6	88.9	86.8
Ireland	100.0	101.5	100.5	92.7	93.9	94.0	94.9	92.2	92.3	92.3	88.6
Italy	100.0	101.6	101.8	97.0	97.9	98.1	98.7	96.5	97.0	96.8	95.0
Japan	100.0	80.2	75.4	70.1	78.9	75.0	74.7	76.5	77.3	71.0	62.0
Netherlands	100.0	102.9	102.9	98.4	99.5	99.4	100.6	100.5	102.6	102.8	103.5
New Zealand	100.0	102.5	105.3	96.2	97.0	98.0	92.3	90.9	90.2	96.1	95.4
Norway	100.0	97.9	92.7	84.9	86.1	86.7	87.4	85.4	79.6	84.5	83.2
Poland	100.0	100.0	101.1	98.4	94.8	96.7	97.3	96.2	96.7	96.2	100.5
Portugal	100.0	100.0	99.3	96.9	98.3	97.4	96.1	95.1	96.7	95.0	92.6
Romania	100.0	103.7	105.1	102.5	101.3	99.0	101.1	100.6	101.3	101.2	106.7
Slovakia	100.0	101.1	101.9	99.8	100.0	99.0	100.4	101.0	103.5	103.2	105.3
Spain	100.0	101.7	101.0	95.8	96.3	96.9	96.2	94.7	95.4	96.0	95.6
Sweden	100.0	101.3	96.3	91.1	91.7	90.6	86.3	83.2	85.2	87.7	84.1
Switzerland	100.0	98.6	99.4	104.9	102.8	100.5	97.5	98.2	101.9	99.4	99.6
United Kingdom	100.0	98.8	105.6	110.3	98.4	93.3	94.9	94.4	94.4	98.1	99.0
United States	100.0	100.2	102.1	112.9	116.5	114.2	109.2	113.2	115.5	113.1	122.8
Economies in transition											
Azerbaijan	100.0	99.8	103.5	95.5	70.1	70.9	72.5	75.4	77.7	78.9	91.8
Belarus	100.0	107.8	119.6	110.1	101.4	98.8	97.0	99.3	92.9	93.4	84.6
Kazakhstan	100.0	100.6	93.3	93.2	70.9	76.7	75.8	72.4	71.8	71.0	73.2
Russian Federation	100.0	100.2	90.0	74.4	74.3	86.1	78.7	80.9	74.6	73.7	99.0
Ukraine[d]	100.0	96.4	73.9	69.9	70.1	73.5	77.9	89.3	88.1	90.1	93.6
Developing economies											
Algeria	100.0	98.0	99.9	95.3	94.5	95.3	91.9	93.8	90.2	85.6	90.2
Argentina	100.0	90.9	74.4	87.5	75.8	78.9	52.7	43.4	39.5	38.9	34.0

Table A.9

Selected economies: real effective exchange rates, broad measurement[a,b] (*continued*)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022[c]
Bangladesh	100.0	110.9	118.8	135.5	143.0	143.7	141.2	148.8	154.9	150.8	164.0
Brazil	100.0	94.6	92.5	75.5	78.8	84.9	67.7	67.5	54.5	54.9	63.8
Chile	100.0	99.0	89.7	87.1	87.9	90.5	88.9	84.6	81.6	87.0	83.7
China	100.0	104.5	107.8	115.8	110.1	106.0	105.9	104.7	106.1	109.7	111.2
Colombia	100.0	96.3	91.5	74.0	70.4	71.2	58.2	55.6	50.9	50.5	49.6
Dominican Republic	100.0	96.8	94.8	96.2	95.1	90.9	80.0	80.0	75.9	75.9	78.3
Egypt	100.0	94.3	101.1	112.0	98.4	67.2	75.8	89.1	98.2	97.9	108.0
Ethiopia	100.0	99.9	99.8	108.3	109.9	106.9	108.8	121.0	113.5	109.1	141.7
Guatemala	100.0	102.0	106.5	114.5	121.1	127.1	122.4	125.1	129.0	131.1	137.0
Hong Kong SAR[e]	100.0	97.4	96.9	102.5	106.9	109.7	106.0	109.5	114.4	109.1	112.5
India	100.0	99.6	101.5	107.7	108.4	111.2	105.8	110.8	109.7	110.1	111.8
Indonesia	100.0	95.2	89.2	90.0	94.3	95.6	90.1	93.8	92.2	91.1	93.7
Iran, Islamic Republic of	100.0	88.6	72.7	76.6	78.1	77.2	72.5	99.9	131.0	162.5	235.1
Israel	100.0	106.5	107.7	106.2	108.2	112.7	111.1	113.5	115.9	119.3	122.4
Korea, Republic of	100.0	103.5	108.9	107.9	106.6	109.5	110.7	105.2	103.1	103.7	89.2
Kuwait	100.0	100.7	102.0	104.8	108.0	107.9	105.8	106.6	105.7	105.1	107.9
Malaysia	100.0	99.4	98.8	90.0	86.8	85.3	89.1	87.6	84.7	84.0	81.3
Mexico	100.0	105.6	104.4	92.4	79.9	81.2	59.5	59.4	54.3	58.1	59.7
Morocco	100.0	101.3	101.8	101.5	103.6	102.4	102.9	103.4	104.8	106.0	108.0
Nigeria	100.0	106.8	114.0	110.4	98.0	91.5	99.4	111.3	107.3	105.5	119.3
Pakistan	100.0	97.3	103.8	109.5	112.8	114.2	100.9	91.3	91.6	96.2	108.0
Peru	100.0	98.8	96.8	95.1	93.7	96.2	91.7	93.5	93.6	84.5	89.7
Philippines	100.0	102.3	101.3	105.5	102.2	97.2	95.1	99.4	104.9	105.1	99.8
Qatar	100.0	103.7	106.4	115.6	118.3	116.4	113.2	113.3	108.7	106.3	114.1
Saudi Arabia	100.0	103.0	104.5	112.2	114.6	111.2	111.1	109.5	111.5	109.2	113.7
Singapore	100.0	102.0	101.8	99.6	98.6	97.0	96.1	96.1	93.6	94.0	100.1
South Africa	100.0	88.9	83.8	81.2	76.6	85.6	86.8	81.1	69.3	74.3	71.1
Sri Lanka	100.0	104.5	105.8	110.5	107.5	107.0	98.7	92.5	93.5	89.4	95.1
Taiwan Province of China	100.0	100.5	99.3	99.7	99.6	104.7	104.1	102.4	105.6	108.6	109.5
Thailand	100.0	103.9	100.3	100.4	97.4	100.3	103.8	109.4	106.3	100.7	95.1
Türkiye	100.0	98.9	94.6	92.3	91.1	80.9	68.5	67.7	60.1	53.3	50.1
United Arab Emirates	100.0	101.1	103.7	113.4	115.3	115.1	117.0	112.9	107.0	101.3	106.1
Uruguay	100.0	106.9	103.4	104.5	103.6	106.5	88.5	87.2	86.1	87.9	100.7
Viet Nam	100.0	105.1	107.7	112.2	114.8	113.8	113.3	115.4	117.3	113.8	121.5

Source: UN DESA, Bank for International Settlements, 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.10

Free market commodity price indices

Index: Year 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			
2013	120	90	136	131	138	170	131	194
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
2019								
I	96	79	94	101	120	115	109	119
II	97	79	89	101	123	117	110	121
III	98	80	92	97	130	112	114	110
IV	102	87	98	97	127	113	114	112
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	109	184	140	158	128
III	124	114	157	109	176	153	154	153
IV	125	134	160	112	168	174	152	188
2022								
I	131	141	190	115	184	197	166	216
II	138	138	204	115	181	218	167	250
III	126	137	170	105	156	226	146	275

Source: UN DESA, based on data from UNCTAD, Monthly Commodity Price Bulletin.

Table A.11

World oil supply and demand

	2014	2015	2016	2017	2018	2019	2020	2021	2022[a]
World oil supply[b,c] (millions of barrels per day)	**91.7**	**94.3**	**94.7**	**95.5**	**98.2**	**97.6**	**94.6**	**92.5**	**95.7**
Developed economies	20.1	21.4	21.0	22.0	24.7	26.5	25.6	25.8	27.4
Economies in transition	14.0	14.1	14.3	14.4	14.7	15.0	13.5	13.8	14.9
Developing economies	55.3	56.6	57.1	56.8	56.5	53.8	53.1	50.6	51.0
OPEC	37.7	39.1	39.6	39.5	39.5	37.2	33.0	30.9	32.0
Non-OPEC	17.6	17.6	17.5	17.2	16.9	16.5	20.1	19.7	19.0
Processing gains[d]	2.2	2.2	2.3	2.3	2.3	2.4	2.4	2.4	2.4
Global biofuels[e]	2.2	2.3	2.4	2.4	2.6	2.8	2.8	2.8	3.1
World total demand[f]	**93.2**	**95.0**	**96.1**	**97.9**	**99.2**	**100.5**	**92.1**	**97.4**	**99.3**
Oil prices (United States dollars per barrel)									
OPEC basket[g]	96.3	49.5	40.8	52.4	69.8	64.0	41.5	69.9	103.4
Brent oil	98.9	52.3	43.7	54.2	71.2	64.3	41.7	70.9	102.1

Sources: UN DESA, International Energy Agency; U.S. Energy Information Administration; and OPEC.

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.12

World trade:[a] Changes in value and volume of exports and imports by major country group

Annual percentage change

	2014	2015	2016	2017	2018	2019	2020	2021	2022[b]	2023[c]	2024[c]
Dollar value of exports											
World	**1.5**	**-11.0**	**-1.7**	**10.7**	**9.1**	**-1.4**	**-9.3**	**26.1**	**8.1**	**-0.1**	**7.1**
Developed economies	**3.0**	**-9.6**	**0.5**	**8.8**	**8.8**	**-1.2**	**-10.2**	**20.4**	**7.3**	**-0.9**	**7.1**
Northern America	3.6	-6.3	-1.8	7.0	6.5	-0.3	-15.4	18.5	10.9	1.7	5.8
Europe	2.9	-10.8	1.5	9.5	9.9	-1.7	-7.7	22.2	6.2	-2.0	7.3
Developed Asia and the Pacific	1.8	-11.8	3.4	10.5	7.4	-1.2	-12.2	19.4	5.2	3.0	9.1
Economies in transition[d]	**-5.7**	**-28.7**	**-11.7**	**21.3**	**20.6**	**-2.2**	**-18.5**	**54.8**	**12.3**	**-6.1**	**4.3**
South-Eastern Europe	4.1	-10.0	9.3	15.1	16.5	1.2	-10.3	37.0	16.4	4.0	5.8
Commonwealth of Independent States and Georgia[d,e]	-6.1	-29.5	-12.8	21.7	20.9	-2.4	-19.0	56.1	12.0	-6.8	4.2
Developing economies	**0.3**	**-11.2**	**-3.7**	**12.6**	**8.6**	**-1.7**	**-7.4**	**31.5**	**8.8**	**1.3**	**7.3**
Africa	-2.7	-26.3	-7.6	16.8	15.8	-4.5	-19.3	48.1	15.9	5.5	8.4
East Asia	3.0	-5.9	-4.0	10.5	8.8	-2.2	-2.6	27.7	4.9	-0.3	7.2
South Asia	-3.8	-9.4	2.5	12.9	12.5	0.9	-0.7	32.3	11.3	5.1	7.8
Western Asia	-2.9	-24.1	-6.8	13.2	15.3	-1.8	-21.7	47.2	20.8	2.5	7.0
Latin American and the Caribbean	-4.0	-12.7	-0.7	20.0	-3.8	0.8	-13.7	28.7	10.6	2.8	7.7
Dollar value of imports											
World	**2.0**	**-9.6**	**-2.2**	**14.2**	**10.3**	**411.0**	**-34.2**	**5.2**	**8.5**	**1.3**	**3.2**
Developed economies	**3.0**	**-9.8**	**-0.4**	**8.7**	**9.6**	**-0.7**	**-9.9**	**20.9**	**14.4**	**-1.2**	**6.5**
Northern America	3.6	-4.2	-2.2	6.8	7.0	-0.4	-11.2	21.7	15.1	-1.1	6.6
Europe	2.6	-11.5	1.7	10.2	10.8	-0.6	-8.1	21.3	13.4	-1.7	6.7
Asia and Oceania	1.7	-16.8	-4.1	9.4	10.3	-2.5	-13.1	18.7	17.3	2.1	5.1
Economies in transition[d]	**-9.1**	**-28.3**	**-4.8**	**19.0**	**9.1**	**4.6**	**-13.8**	**38.6**	**-9.0**	**2.2**	**8.0**
South-Eastern Europe	4.0	-13.8	5.4	14.6	16.6	2.3	-9.0	31.3	12.1	2.7	9.1
Commonwealth of Independent States and Georgia[d,e]	-9.9	-29.3	-5.7	19.5	8.4	4.8	-14.3	39.4	-11.1	2.1	7.8
Developing economies	**1.8**	**-7.9**	**-4.3**	**21.5**	**11.4**	**931.5**	**-37.1**	**2.3**	**7.5**	**1.8**	**2.5**
Africa	1.4	-12.7	-7.7	4.3	11.2	1.5	-9.7	32.6	9.6	0.6	7.3
East Asia	2.5	-10.2	-2.5	12.7	12.5	-3.0	-7.6	39.3	6.4	0.1	6.2
South Asia	-2.9	-7.4	-0.1	17.4	13.2	1.4	-4.3	32.3	24.3	5.0	5.4
Western Asia	4.0	-8.7	-6.1	8.0	2.4	2.0	-13.0	30.5	14.3	6.2	9.5
Latin American and the Caribbean	0.0	3.5	-9.7	73.5	12.6	4097.6	-39.4	-1.9	7.1	1.9	1.8
Volume of exports											
World	**4.1**	**3.0**	**2.4**	**5.5**	**4.2**	**1.0**	**-7.5**	**9.5**	**6.3**	**-1.2**	**2.4**
Developed economies	**4.3**	**4.7**	**2.8**	**5.0**	**3.4**	**2.1**	**-9.8**	**7.9**	**8.5**	**-2.0**	**1.5**
Northern America	4.3	0.8	0.6	3.6	3.0	0.3	-12.9	3.9	7.8	-0.9	1.6
Europe	4.1	6.5	3.6	5.3	3.6	2.8	-8.1	10.3	8.5	-3.0	1.4
Developed Asia and the Pacific	8.5	4.1	2.8	6.0	3.5	0.1	-11.2	7.9	7.9	4.2	2.6

Table A.12

World trade:[a] Changes in value and volume of exports and imports by major country group (*continued*)

Annual percentage change

	2014	2015	2016	2017	2018	2019	2020	2021	2022[b]	2023[c]	2024[c]
Economies in transition[d]	**-0.8**	**1.8**	**3.2**	**5.1**	**5.3**	**1.8**	**-6.9**	**9.8**	**-2.5**	**-4.4**	**2.4**
South-Eastern Europe	5.3	8.2	10.8	9.0	7.9	5.8	-11.1	20.8	12.5	-1.9	2.3
Commonwealth of Independent States and Georgia[d,e]	-1.1	1.5	2.8	4.9	5.2	1.6	-6.7	9.1	-3.5	-4.6	2.4
Developing economies	**4.1**	**1.1**	**1.9**	**6.2**	**5.3**	**-0.4**	**-4.6**	**11.5**	**4.3**	**0.0**	**3.4**
Africa	0.2	-1.7	1.8	11.6	5.2	-0.9	-13.3	11.8	4.3	2.4	2.5
East Asia	5.8	1.0	1.6	7.2	4.6	-0.1	-1.5	11.3	3.2	-0.9	3.5
South Asia	3.4	-1.5	5.0	5.2	7.4	-3.0	-7.9	14.3	5.0	1.6	3.3
Western Asia	1.4	0.6	1.5	2.1	8.6	-0.5	-9.9	13.8	9.0	2.9	3.4
Latin American and the Caribbean	1.4	4.8	1.9	3.8	3.6	0.3	-8.6	7.8	5.1	-0.1	3.1
Volume of imports											
World	**3.2**	**2.0**	**1.7**	**5.7**	**4.7**	**1.0**	**-8.2**	**11.6**	**5.6**	**0.4**	**2.6**
Developed economies	**4.6**	**5.7**	**3.0**	**4.7**	**3.9**	**3.0**	**-8.9**	**9.2**	**8.5**	**-1.1**	**1.9**
Northern America	4.7	4.4	1.2	4.5	4.0	1.0	-9.2	13.0	8.6	-0.7	2.3
Europe	4.4	7.3	4.6	5.2	3.9	4.4	-7.8	8.5	8.4	-1.6	1.8
Developed Asia and the Pacific	5.7	1.0	-0.6	4.6	4.4	0.3	-9.0	6.2	6.7	2.6	1.7
Economies in transition[d]	**-6.3**	**-16.7**	**-0.3**	**12.7**	**5.0**	**5.3**	**-11.9**	**13.6**	**-13.0**	**1.6**	**3.4**
South-Eastern Europe	6.5	3.5	8.1	9.0	8.4	7.2	-9.1	17.5	9.1	1.8	3.8
Commonwealth of Independent States and Georgia[d,e]	-7.1	-18.2	-1.1	13.1	4.6	5.1	-12.2	13.2	-15.4	1.5	3.4
Developing economies	**2.2**	**-1.2**	**0.1**	**6.6**	**5.7**	**-1.8**	**-6.9**	**14.6**	**3.0**	**2.2**	**3.5**
Africa	0.5	-3.0	-0.7	4.9	6.6	2.7	-9.8	5.2	1.6	0.8	3.0
East Asia	4.9	1.3	4.0	7.7	6.4	-2.5	-4.1	16.3	0.6	1.3	2.7
South Asia	-0.8	-4.2	2.3	12.9	6.5	-2.1	-10.2	18.9	14.8	9.6	3.7
Western Asia	4.7	-1.6	-2.8	4.5	2.8	0.3	-9.1	8.2	8.4	5.6	4.9
Latin American and the Caribbean	-4.8	-6.5	-11.1	1.5	4.1	-2.9	-13.3	15.1	2.3	-1.2	6.0

Source: UN DESA, based on UN DESA World Economic Forecasting Model.

a Includes goods and services.

b Partly estimated.

c Baseline scenario forecasts, based in part on UN DESA World Economic Forecasting Model.

d Ukraine is excluded from 2023 and 2024 forecasts for this regional group.

e 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.

Table A.13

Balance of payments on current accounts, by country or country group, summary table

Billions of United States dollars

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022[a]
Developed economies	**18.3**	**-21.6**	**-0.3**	**108.2**	**225.4**	**136.8**	**97.4**	**-69.5**	**7.0**	**-375.4**
Japan	46.0	36.8	136.4	197.8	203.5	177.8	176.0	148.8	141.7	117.2
United States	-339.5	-370.0	-408.9	-397.6	-361.7	-438.2	-472.1	-616.1	-806.6	-877.8
Europe	426.9	404.1	388.7	400.5	471.1	476.9	426.7	393.6	627.2	325.3
Europe excluding the United Kingdom	560.7	562.0	541.5	546.1	569.2	589.5	503.6	462.6	709.7	509.7
Other Europe[b]	-6.5	-47.8	-54.4	-71.8	-31.1	-32.2	-23.9	-43.6	66.4	-23.2
Economies in transition	**11.0**	**50.6**	**46.7**	**-4.7**	**14.3**	**106.4**	**44.5**	**20.9**	**111.3**	**242.7**
South-Eastern Europe	-5.6	-6.1	-3.8	-3.9	-5.1	-5.1	-6.5	-5.9	-5.7	-8.4
Commonwealth of Independent States[c]	17.6	58.4	52.3	1.1	20.6	112.7	51.9	28.8	118.9	253.5
Developing economies	**369.9**	**380.2**	**176.9**	**177.0**	**277.3**	**165.7**	**210.5**	**393.0**	**688.0**	**890.6**
Net fuel exporters	348.4	198.8	-166.6	-110.0	16.1	133.8	24.4	-87.7	175.9	590.6
Net fuel importers	21.5	181.4	343.5	287.0	261.2	31.9	186.2	480.7	512.1	300.1
Africa	**-64.2**	**-92.4**	**-144.2**	**-113.5**	**-84.5**	**-78.2**	**-97.8**	**-89.1**	**-52.6**	**-64.1**
Net fuel exporters	15.8	-25.5	-73.1	-43.5	-20.2	-12.7	-34.2	-45.0	-8.2	6.1
Net fuel importers	-79.9	-66.9	-71.1	-70.1	-64.3	-65.5	-63.6	-44.1	-44.4	-70.1
East and South Asia	**287.8**	**432.5**	**543.6**	**460.2**	**405.6**	**171.8**	**273.6**	**555.0**	**594.0**	**464.1**
Net fuel exporters	-13.7	-8.5	-9.6	2.9	6.0	0.7	-22.7	-0.1	37.0	132.4
Net fuel importers	301.4	441.0	553.2	457.3	399.6	171.0	296.3	555.1	556.9	331.6
Western Asia	**284.2**	**200.9**	**-72.2**	**-83.0**	**-14.3**	**122.6**	**95.5**	**-52.0**	**164.3**	**428.8**
Net fuel exporters	348.4	243.6	-47.0	-51.4	32.2	152.6	92.2	-31.2	161.6	454.1
Net fuel importers	-64.2	-42.7	-25.2	-31.6	-46.5	-30.0	3.4	-20.8	2.7	-25.3
Latin America and the Caribbean	**-172.4**	**-189.7**	**-172.6**	**-102.1**	**-94.3**	**-141.3**	**-107.3**	**-7.5**	**-81.0**	**-64.5**
Net fuel exporters	-2.1	-10.8	-36.9	-18.0	-1.9	-6.8	-10.9	-11.3	-14.6	-2.1
Net fuel importers	-170.3	-178.8	-135.8	-84.1	-92.4	-134.4	-96.4	3.8	-66.4	-62.4
World residual[d]	**399.2**	**409.1**	**223.3**	**280.5**	**516.9**	**409.0**	**352.3**	**344.4**	**806.3**	**757.9**

Source: International Monetary Fund (IMF), World Economic Outlook database, October 2022.

a Partially estimated.

b Other Europe consists of Iceland, Norway, Switzerland and the United Kingdom (Table A).

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.

Other Notes: Africa includes South Sudan; Western Asia excludes the State of Palestine; and East Asia excludes Democratic People's Republic of Korea

Table A.14

Net ODA from major sources, by type

Donor group or country	Growth rate of ODA (2020 prices and exchange rates)					ODA as a percentage of GNI	Total ODA (millions of United States dollars)	Percentage distribution of ODA by type, 2021			
								Bilateral	Multilateral		
	2000-2010	2010-2018	2019	2020	2021	2021	2021	Total	Total (United Nations & other)	United Nations	Other
Total DAC countries[a]	**5.3**	**2.4**	**-0.5**	**8.0**	**7.5**	**0.33**	**184,792**	**70.0**	**30.0**	**4.5**	**25.5**
Total EU	**4.5**	**2.8**	**-2.4**	**13.3**	**3.2**	**0.50**	**83,078**	**63.0**	**37.0**	**4.9**	**32.1**
Austria	4.6	0.4	9.2	3.4	7.1	0.31	1,492	47.5	52.5	3.1	49.4
Belgium	9.1	-0.9	-2.6	4.4	4.0	0.44	2,649	51.0	49.0	6.1	42.9
Denmark	0.2	-0.3	3.4	-0.4	4.6	0.71	2,914	68.9	31.1	8.8	22.3
Finland	7.4	-2.7	21.3	7.9	10.0	0.49	1,498	46.9	53.1	16.0	37.1
France[b]	3.9	1.2	-2.8	28.0	-0.1	0.55	16,722	61.7	38.3	3.4	34.9
Germany	5.0	9.1	-2.9	17.5	3.5	0.75	32,456	73.8	26.2	2.8	23.4
Greece	4.9	-5.7	33.2	-12.3	-1.7	0.16	341	21.9	78.1	7.4	70.8
Ireland	8.1	-0.2	5.5	1.0	13.4	0.30	1,155	53.9	46.1	10.1	36.1
Italy	0.4	5.8	-11.9	-0.7	35.5	0.30	6,272	39.7	60.3	4.7	55.7
Luxembourg	35.2	-0.7	-4.2	-2.6	-1.2	0.99	539	67.6	32.4	13.4	19.0
Netherlands	-19.9	1.0	4.4	-9.6	9.8	0.52	5,266	71.6	28.4	9.0	19.5
Portugal	3.1	-2.3	2.0	6.2	-0.3	0.18	439	34.5	65.5	3.5	62.0
Spain	8.8	-8.5	8.9	-1.7	16.3	0.24	3,358	34.9	65.1	4.0	61.2
Sweden	6.5	3.0	-7.9	17.0	-15.5	0.91	5,934	66.0	34.0	12.0	21.9
Australia	5.4	0.0	-4.5	-0.7	7.6	0.22	3,546	86.5	13.5	4.4	9.1
Canada	4.5	1.4	-1.6	7.7	11.8	0.32	6,258	78.1	21.9	4.4	17.5
Japan	-2.1	2.6	14.2	13.2	19.4	0.31	15,765	73.7	26.3	3.0	23.3
New Zealand	3.2	3.5	2.4	-5.0	14.5	0.28	685	84.5	15.5	7.8	7.7
Norway	3.5	0.6	9.7	8.3	-11.6	0.93	4,673	74.7	25.3	10.8	14.4
Switzerland	3.4	2.3	1.7	14.2	1.1	0.50	3,911	75.5	24.5	7.5	17.0
United Kingdom	10.8	6.3	1.9	-6.5	-21.8	0.52	16,278	60.4	39.6	4.4	35.2
United States	9.0	0.1	-4.1	6.0	29.1	0.20	47,528	80.4	19.6	3.4	16.1

Source: UN DESA, based on OECD/DAC online database (accessed on 15 December 2022).

a DAC stands for OECD's Development Assistance Committee.

b Excluding flows from France to the Overseas Departments, namely Guadeloupe, French Guiana, Martinique and Réunion.

Table A.15

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									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Official Development Assistance	**127.0**	**134.8**	**137.5**	**131.6**	**144.9**	**147.2**	**150.0**	**146.5**	**162.6**	**184.8**
Bilateral official development assistance	**88.5**	**93.5**	**94.8**	**94.2**	**103.1**	**105.6**	**105.2**	**103.5**	**114.8**	**129.3**
in the form of:										
Technical cooperation	18.2	16.9	17.3	14.9	15.7	16.5	15.8	16.9	17.1	18.8
Humanitarian aid	8.5	10.7	13.1	13.4	14.4	16.1	16.0	16.6	17.2	21.9
Debt forgiveness	3.3	6.1	1.4	0.3	2.1	0.4	0.3	0.1	0.8	0.7
Bilateral loans	2.6	1.4	5.3	6.0	5.8	6.6	6.3	6.2	14.3	13.3
Contributions to multilateral institutions[a]	**38.6**	**41.4**	**42.7**	**37.3**	**41.8**	**41.6**	**44.9**	**43.0**	**47.8**	**55.5**
of which are:										
UN agencies	6.6	6.9	6.8	6.1	5.9	6.2	6.6	7.6	8.0	8.4
EU institutions	12.0	12.8	13.3	11.9	13.8	13.9	15.2	15.5	16.4	17.5
World Bank	8.6	9.4	9.8	8.6	8.8	8.2	11.4	9.3	8.6	8.6
Regional development banks	3.9	3.9	4.0	3.2	4.6	4.2	4.2	3.9	3.0	3.8
Others	6.4	7.2	7.5	6.7	7.8	8.1	6.3	5.8	11.0	16.4
Memorandum item:										
Bilateral ODA to least developed countries	0.7	-0.8	0.5	1.2	1.2	2.2	2.4	2.8	4.7	3.7

Source: UN DESA, based on OECD/DAC online database (accessed on 15 December 2022).

a Grants and capital subscriptions. Does not include concessional lending to multilateral agencies.

Table A.16

Commitments and net flows of financial resources, by selected multilateral institutions

Billions of United States dollars

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Resource commitments[a]	**189.8**	**130.8**	**185.0**	**119.9**	**245.4**	**256.7**	**224.8**	**225.0**	**247.1**	**291.9**
Financial institutions, excluding International Monetary Fund (IMF)	96.5	98.8	99.2	99.9	106.9	108.0	114.6	129.3	143.7	152.3
Regional development banks[b]	43.0	45.8	41.1	46.9	49.8	54.0	56.0	59.8	56.5	59.3
World Bank Group[c]	53.5	53.0	58.1	53.0	57.0	54.0	58.6	69.5	87.2	93.0
International Bank for Reconstruction and Development (IBRD)	20.6	15.2	18.6	23.5	29.7	22.6	23.0	28.0	30.5	33.1
International Development Association (IDA)	14.8	16.3	22.2	19.0	16.2	19.5	24.0	30.4	36.0	37.7
International Financial Corporation (IFC)[d]	9.2	11.0	10.0	10.5	11.1	11.9	11.6	11.1	20.7	22.2
International Fund for Agricultural Development (IFAD)	1.0	0.8	0.7	1.3	0.8	1.3	1.3	1.7	0.8	1.0
International Monetary Fund (IMF)	82.5	19.6	72.7	6.2	123.9	132.9	89.9	75.6	73.5	65.1
United Nations operational agencies[e]	10.8	12.4	13.1	13.7	14.7	15.8	20.4	20.1	29.8	74.5
Net flows	**35.1**	**8.8**	**-5.1**	**17.7**	**32.2**	**36.3**	**82.6**	**62.8**	**84.4**	**62.5**
Financial institutions, excluding IMF	26.3	22.2	25.0	35.5	33.8	36.6	46.8	49.4	61.1	58.1
Regional development banks[b]	8.6	5.7	11.2	15.4	14.2	13.1	14.2	15.2	24.0	15.2
World Bank Group[c]	17.7	16.5	13.8	20.1	19.6	23.6	32.7	34.2	37.1	42.9
International Bank for Reconstruction and Development (IBRD)	8.0	7.8	6.4	9.0	10.0	13.2	17.4	17.4	16.9	18.2
International Development Association (IDA)	7.8	7.0	7.4	9.9	8.8	8.8	14.7	15.3	19.6	23.3
International Financial Corporation (IFC)	1.9	1.6	0.1	1.3	0.8	1.6	0.6	1.6	0.6	1.4
International Fund for Agricultural Development (IFAD)	0.3	0.2	0.2	0.2	0.2	0.3	0.3	0.3	0.2	0.3
International Monetary Fund (IMF)	8.9	-13.4	-30.1	-17.9	-1.5	-0.4	35.8	13.4	23.3	4.3

Source: 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 (IaDB) and the International Fund for Agricultural Development (IFAD).

c Data is for fiscal year.

d Effective 2012, data does 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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