World Economic Situation and Prospects as of mid-2021
Global growth prospects have improved against the backdrop of rapid vaccination rollouts in a few large economies. Following a sharp contraction of 3.6 per cent in 2020, the global economy is now projected to expand by 5.4 per cent in 2021. While the world economy is treading towards a recovery, the pandemic is far from over for a majority of countries. Daily new infections were higher in April 2021 than the number of new infections reported daily during the peak of the pandemic in December 2020. The stark disparity in vaccination coverage between countries and regions poses a serious risk of an uneven and fragile recovery of the world economy. Timely and universal access to COVID-19 vaccinations will remain a key tool for beating the pandemic and putting the world economy on the path of an inclusive and resilient recovery.

Robust growth in the United States and China has improved prospects for a global recovery, but this will unlikely be sufficient to lift the rest of the world’s economies. The economic outlook for the countries in South Asia, Sub-Saharan Africa and Latin America and the Caribbean remains fragile and uncertain. With the risks of a prolonged pandemic and insufficient fiscal space to stimulate demand, the world’s most vulnerable countries are facing the prospect of a lost decade. For many developing countries, economic output is only projected to return to pre-pandemic levels in 2022 or 2023.

The pandemic has pushed an estimated 114.4 million people into extreme poverty, of which 57.8 million are women and girls. Women—representing most health service workers, caregivers and essential service providers—have been at the forefront of the fight against the pandemic. Job and income losses have been higher for women, as more women than men left the workforce to meet family demands. Women’s health and reproductive health suffered massive blows, unintended pregnancies increased, motherhood was delayed, and education disrupted, significantly undermining progress towards gender equality. Women also faced increased gender-based violence, and women entrepreneurs were disproportionately affected by business closures, further widening gender gaps in income and wealth. These severe and disproportionate impacts on women and girls call for more targeted policies and support measures, not only to accelerate the recovery but also to ensure that the recovery is inclusive and resilient.
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Global macroeconomic trends

Global overview

Global growth prospects have improved since the beginning of the year against the backdrop of the rapid rollout of COVID-19 vaccination in a few large economies, including in the United States and China. The pandemic is, however, far from over for the vast majority of countries where the number of confirmed cases is high, and in some cases still rising. The global economy is now projected to expand by 5.4 per cent in 2021 (table I), marking an upward revision from the 4.7 per cent growth forecast in the World Economic Situation and Prospects (WESP) 2021.

A stronger growth outlook for China and the United States of America—the two largest economies—underpins the upward revision. The United States, with rapid vaccinations, additional fiscal stimulus and the reopening of the economy, is projected to grow by 6.2 per cent in 2021—the fastest rate of growth since 1966. Buoyed by a strong recovery in exports and robust domestic demand, China is expected to grow by 8.2 per cent in 2021. The outlook is, however, less optimistic for the rest of the world’s economies. Europe—still struggling to contain the second wave of the pandemic—is projected to grow by only 4.1 per cent in 2021, which will barely make up for the output losses in 2020.

The growth outlook is also bleak for a large number of countries in Africa, South Asia as well as Latin America and the Caribbean, where the pandemic is still raging. India, with daily new infections averaging over 300,000 during the third week of April, is now the new hotbed of the pandemic. The worst is far from over for Brazil, Argentina, Peru, and Colombia. The total number of new infections is higher for 99 countries in April 2021 relative to the number of new infections recorded during the last peak of the pandemic in December 2020. For a vast majority of developing countries, economic output will remain below 2019 levels for most of 2021. Amid insufficient fiscal space to stimulate demand, many of these countries will face low and stagnant growth and the prospect of a lost decade.

Timely and universal access to COVID-19 vaccines will remain critical for ensuring broad-based and inclusive recovery of the world economy. Widespread vaccinations will help to create herd immunity and allow reopening and resumption of economic activities. But the stark and growing disparity in vaccination coverage between countries – and growing vaccine nationalism – will severely undermine global recovery efforts.

As of 24 April 2021, 1.01 billion vaccine doses have been administered globally, with the United States, the United Kingdom and China collectively accounting for nearly 50 per cent of all the doses administered worldwide. Only about 1 in 10 people worldwide have received a vaccine shot so far (figure I). The vaccination rate is only 1 in 100 in Africa. Securing vaccines for their citizens will remain a daunting challenge for many developing
countries, given that a few developed countries have procured most of the available supply to build national stockpiles of vaccines. It would be critically important for these countries to share their vaccine stockpiles with the developing countries that are struggling to procure vaccines for their citizens. Vaccine scepticism and hesitancy pose additional challenges to universal vaccinations. In surveys, more than one third of the adult population in the United States, France and Germany have expressed hesitancy about taking a COVID-19 vaccine.

Beyond progress on vaccines, underlying economic structure and sector dependency will determine the strength and pace of recovery. The tourism-dependent economies – given that travel restrictions disproportionately affected tourism flows – experienced the sharpest contraction in 2020. Commodity-dependent economies also faced a similar contraction in output. Against the backdrop of an improved global outlook and strong demand from China, international commodity prices have trended higher, which will provide some support to recovery of the commodity-exporting countries. Additional fiscal stimulus measures in the United States, which include large infrastructure plans, will also likely boost the demand for some commodities. For the tourism-dependent economies, including the small island deve-
Table I.1
**Growth of world output and gross domestic product**

<table>
<thead>
<tr>
<th>Annual percentage change</th>
<th>2019</th>
<th>2020&lt;sup&gt;a&lt;/sup&gt;</th>
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<td>5.5</td>
<td>4.4</td>
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</tbody>
</table>

**Source:** UN DESA.

<sup>a</sup> Partly estimated.

<sup>b</sup> UN DESA forecasts.

<sup>c</sup> Calendar year basis.

<sup>d</sup> Includes goods and services.

<sup>e</sup> Based on 2015 benchmark.
oping States, short-term growth prospects remain subdued given the slow normalization of international travel.

Both tourism and commodity dependent economies will, however, face slower recovery prospects, relative to manufacturing-dependent economies. These economies will need to take into account the structural weaknesses of their economies to steer recovery and build resilience against future shocks.

Manufacturing-dependent economies saw a relatively mild contraction in 2020. They are also expected to register faster and more robust economic recovery in 2021 (figure II). Robust global demand for consumer electronics and work-from-home equipment will continue to boost exports from manufacturing dependent economies—including China and many East Asian economies—that are well-integrated into global electrical and electronic (E&E) production networks.

The size of stimulus spending and their effectiveness will also determine the pace of recovery in individual economies. As of March 2021, governments around the world committed $16 trillion of fiscal stimulus, equivalent to about 19 per cent of world gross product in 2020 (IMF, 2021a). Meanwhile, the balance sheets of the world’s four major central banks—the United States Federal Reserve, the European Central Bank, the Bank of Japan, and the Peoples’ Bank of China—have expanded by almost $10 trillion since the beginning of the crisis. Countries that introduced large-scale policy measures to support labour markets and businesses were able to minimize job and income losses.

The fiscal responses of most developing countries in contrast have been significantly smaller. The fiscal stimulus of the Least Developed Countries, for example, averaged only 2.1 per cent of their GDP—one-ninth of the global average. The crisis has also intensified
fiscal pressures and heightened debt sustainability risks, raising concerns for widespread debt distress. As of 28 February 2021, 36 low-income countries were either in sovereign debt distress or at a high risk of falling into debt distress (IMF, 2021b).

The pandemic’s economic impact clearly worsened poverty and within-country inequality. Globally, GDP per capita has fallen by 4.6 per cent in 2020, with income losses concentrated at the bottom of the income distribution. Extreme poverty has surged by an estimated 114.4 million people, of which 57.8 million are women and girls. This crisis has had strong adverse effect on women and girls in many parts of the world, who suffered significant job and income losses, contributing to the worsening of gender-poverty gaps.

**Pandemic disrupted labour markets worldwide**

The pandemic disrupted labour markets, disproportionately affecting different sectors and groups of workers. The International Labour Organization (ILO, 2021a) estimated that 8.8 per cent of total working hours—equivalent of 255 million full-time jobs—were lost in 2020. More importantly, 81 million people worldwide left the labour force, resulting in a decline in the global labour force participation rate by 2.2 percentage points in 2020, much sharper than the 0.2 percentage points fall during the global financial crisis.

**Figure III**

**Impact of the pandemic on women and employment by sector**


Note: Changes in employment for each sector was estimated based on a maximum sample of 51 countries. The sizes of the bubbles reflect each sector’s share of global jobs. Female dominated sectors are defined as sectors where females account for over 39% of total employment, which is the average share of females in total global employment.
The decline in the labour force participation rate was more pronounced for women, as the severe impact of the pandemic on industries where women are overrepresented forced many women to drop out of the workforce. Lockdown and social distancing measures resulted in disproportionately large job losses in contact-intensive and labour-intensive service sectors, including accommodation and food services, arts and entertainment, wholesale and retail trade, manufacturing, and construction (figure III). Many of these sectors typically employ a high share of women, youth, and low-skilled workers. This uneven impact on women is exacerbating pre-existing gender inequality in the labour market.

Informal employment—typically lacking job security, social protection and access to healthcare—has been particularly hard hit. Informal jobs account for nearly 70 per cent of all jobs in Africa, South Asia and East Asia (figure IV). The disproportionate impact of the pandemic on the informal economy has hit the women the hardest, as a majority of them work in the informal economy. The pandemic has also exacerbated the precarious job situations of many low-skilled and low-income workers who are unable to work from home.

The pandemic will leave long-lasting scars on labour markets, while reversing progress on poverty and income inequality in many economies. Active and targeted labour policies are needed to minimize the adverse impact on the most vulnerable and hardest-hit workers, including women, youth, lower-skilled and informal workers. Income support measures and retention policies, like wage subsidies and short-term work schemes, will remain critical instruments for supporting the worst affected workers. In addition, hiring incentives, job search and matching support could facilitate the reallocation of workers, especially when there are permanent shifts in labour demand across sectors.
Given the disproportionate impact on women’s employment, gender-based approaches must inform labour market policies, taking into account that the effects on working mothers could be persistent and that it takes more time to reintegrate women into the labour force (Hyland et al., 2020). Promoting flexible work arrangements, and their continuation after the crisis, will remain vital for supporting working mothers in the years to come.

### Disconnect between liquidity and investment

Despite massive liquidity injections and historically low borrowing costs, global investment contracted sharply in 2020. Across major developed economies, overall capital spending contracted by varying magnitudes, with most countries experiencing a decline in machinery and equipment investment (figure V). In the United States, the decline in aggregate private investment was relatively modest compared to other countries, largely due to resilient residential investment as well as higher capital spending on intellectual property products, which include research and development (R&D) in biopharmaceutical and information technology industries.

Across developing regions, weak demand and the bleak economic outlook depressed investment (figure VI). The decline in overall investment is partly explained by the 42 per cent decline in global foreign direct investment (FDI) inflows in 2020 (UNCTAD, 2021). China

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**Figure V**

**Investment growth in developed economies, decomposed by asset type**

<table>
<thead>
<tr>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Residential</strong></td>
</tr>
<tr>
<td><strong>Non-residential construction</strong></td>
</tr>
<tr>
<td><strong>Machinery and equipment</strong></td>
</tr>
<tr>
<td><strong>Intellectual property products</strong></td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>

**Source:** National authorities.  
**Note:** Data for Germany, Japan and the United Kingdom are total investment, data for the United States is private investment.
remained a notable exception, as stimulus measures funded massive public investment. For the commodity-exporting economies, including those in the Africa, Latin America, and Western Asia regions, the initial decline in global commodity prices weighed on investment in commodity-related sectors.

A moderate recovery in global investment is projected for 2021, but cautious investor sentiments, and elevated corporate debt may continue to exert downward pressures. In the United States, the proposed $2 trillion infrastructure bill would likely address bottlenecks in energy, transport, and digital infrastructure, as well as boost investments in R&D and the green economy. Meanwhile, the EU’s Multiannual Financial Framework 2021-2027 (a total of €1.8 trillion), along with €750 billion recovery plan, include investment in technological innovation, climate mitigation, and rural development.

The rise in global prices of energy and certain metals will support a recovery in investments in commodity-dependent developing economies. Private investment in digital technology, semiconductors, and medical equipment is projected to increase in many developing countries. FDI inflows from China, as part of the Belt and Road Initiative, will remain an additional source of investment for many developing countries in Asia, Africa and Latin America. Many developing countries, however, are likely to face significant difficulties in boosting public investment, given constrained fiscal space and elevated levels of public debt, which will undermine long-term productivity growth.

Against the backdrop of shifting consumption, production and trade patterns, developing countries will need to prioritize investments in sectors that present significant growth potential, including in the digital infrastructure that would enable them to bridge the “digital divide”, as many still lag behind in digital connectivity. In a number of developing countries,
less than 20 per cent of enterprises are connected to the Internet (Katz et al., 2020). Policy-makers will also need to prioritize gender-sensitive investments to address the disproportionate effect of the pandemic on women. These include targeted investments in women and girls’ training and education, family planning and maternal health, as well as investments to enhance women’s access to digital infrastructure and financial services.

**Favourable tailwind for global trade but a smooth sail uncertain**

Global trade faces a strong but uneven recovery. Following a sharp contraction of 8.1 per cent in 2020, trade in goods and services is projected to expand by 9.4 per cent in 2021 and 5.7 per cent in 2022. While trade in services remains constrained by restrictions on international travel, merchandise trade has already surpassed pre-pandemic levels, reaching a record high in January 2021. The recovery has been much faster than in the aftermath of the global financial crisis, when merchandise trade took about 2.5 years to return to pre-crisis levels.

This favourable outlook on global trade, however, is subject to significant downside risks, including renewed lockdowns and a resurgence of trade tensions between major economies. The strong global trade figures also mask large regional disparities (figure VII). Manufacturing exports from China and other East Asian economies have soared since mid-2020, fuelled by rising global demand for E&E products and medical equipment. This strong performance contrasts sharply with poor export performances in Africa, Western Asia, and the Commonwealth of Independent States. In these regions, merchandise exports remain notably lower than before the pandemic, mainly because crude oil and commodity exports have not fully recovered.

In anticipation of an improved global outlook, global commodity prices registered a strong upward momentum in the first few months of 2021. Oil prices have recovered their pandemic losses, with Brent crude currently trading around the pre-crisis level of $65 per barrel.

Figure VII

**Merchandise export volumes by regional grouping, 3-month moving average**

*Index Jan 2019=100*

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

Note: Regional groupings are not strictly comparable with those used in World Economic Situation and Prospects 2021, but rather are illustrative of regional tendencies. In this figure, emerging Asian economies comprise of China, Hong Kong S.A.R., India, Indonesia, Republic of Korea, Malaysia, Pakistan, Philippines, Singapore, Taiwan Province of China, Thailand, and Viet Nam.
barrel. This faster-than-expected recovery has been underpinned by a sharp decline in crude inventories in most countries. Meanwhile, prices of key base metals, such as copper, iron ore, and tin, have reached their highest levels in almost a decade. Demand expectations have been boosted by infrastructure spending plans (especially in the United States) and renewable energy investments, including solar and wind energy, energy storage, and electric vehicles. Prices of most agricultural commodities have also risen well above their pre-pandemic levels on the back of robust demand from China and supply challenges, including drought conditions in South America.

The broad-based recovery in international commodity prices has helped to minimize the pandemic’s economic impact on many heavily commodity-dependent developing countries. The price gains have lifted recovery hopes, providing much-needed support for external and fiscal balances. At the same time, there are mounting concerns that strong increases in commodity prices would drive up retail inflation, weighing on the prospects for commodity-importers such as India.

The short-term outlook for global tourism remains highly uncertain as widespread travel restrictions are still in place. International arrivals declined by about 85 per cent in the first quarter of 2021 compared to the same period in 2019 (UNWTO, 2021). Amid a gradual expansion in vaccine coverage, a cautious easing of travel restrictions by most countries is expected during the outlook period, supporting some recovery in international tourism flows. This will in turn improve the growth outlook for the tourism-dependent economies of the Caribbean and other small island developing States.

**Financial stability risks loom large**

The rapid rollout of massive monetary and fiscal stimulus in response to the pandemic prevented an economic collapse and stabilized financial markets worldwide. Following record outflows from the developing countries in the early stages of the pandemic, capital inflows surged in the second half of 2020 on the back of abundant global liquidity and rising optimism about a quick economic recovery.

By reducing short- and long-term borrowing costs, providing market liquidity, and extending credit to businesses and households, central banks averted a sharp credit crunch and disruption in financial intermediation. The number of corporate bankruptcies has so far been limited, defying expectations of a large wave of insolvencies (Banerjee et al., 2021).

Given significant uncertainties and increased leverage, insolvency risks could rise rapidly, especially for small and medium-sized enterprises. In addition, bond market volatility increased in March 2021, when a jump in longer-term yields on US government bonds triggered large portfolio outflows from several developing economies. This has served as an important reminder of how quickly market sentiments can change. In view of elevated debt levels and large financing needs, many developing countries are highly vulnerable to a rise in interest rates and an abrupt tightening of global financial conditions.

Rapidly rising asset prices and increased public and private leverage, fuelled in part by highly favorable monetary conditions, have widened the gap between the performances of the financial markets and that of the real economy. Policymakers across developed and developing countries will need to strike a delicate balance between supporting recovery and preventing a financial crisis.
More targeted policy interventions needed

Swift and bold policy interventions in developed countries have been crucial in averting a deeper economic crisis. Amid limited fiscal space and high public debt, many developing economies have been constrained in their ability to roll out sufficient stimulus measures to manage the health crisis and stimulate recovery. This is likely to lead to a widening of between-country inequality. Fiscal support will need to prioritize addressing poverty and inequality, including gender and other structural inequalities.

Large fiscal stimulus and rapid monetary expansion managed to ease financial market stress at the onset of the pandemic. In many developed economies, however, the subsequent rapid expansion of liquidity did not boost productive investments. Easy financial conditions have instead fuelled asset bubbles, raising financial stability risks in several countries. Rising asset prices as a consequence of monetary easing will likely exacerbate inequality, as wealthier households mostly own equity and bonds.

In most countries, support measures did not take into account the highly uneven impact of the pandemic on different sectors and actors in the economy. While financial support benefited large firms, they seldom reached small business, especially businesses in the informal sector. The pandemic, for example, has dealt a stronger blow to micro, small, and medium enterprises (MSMEs)—many of them owned by women—given their limited access to finance. Given the importance of MSMEs driving economic activity and job creation, central banks would need to target liquidity and financial support for MSMEs, particularly to businesses owned by women and other marginalized population groups.

The pandemic disproportionately affected women

The COVID-19 pandemic and its economic impacts have disproportionately affected women. Widespread home confinement, school closures and shutdown of contact-intensive sectors have amplified pre-existing gender differences in health, education and employment. Evidence from previous outbreaks and preliminary evidence from the current pandemic show that women and girls face unique challenges and, in some cases, worse outcomes than men. Progress towards SDG targets related to gender equality and non-discrimination will likely face significant setbacks in the absence of targeted and gender-sensitive policy interventions.

Women are highly exposed and yet underprotected

Available gender-disaggregated data shows a slightly higher proportion of females with reported COVID-19 cases than men globally (figure VIII). In developing economies, men account for a disproportionally larger share of reported cases, exceeding 70 per cent in a number of countries. These figures likely reflect structural impediments in access to COVID-19 testing for women in developing countries. Men are, however, overrepresented in global COVID-19 related deaths (figure VIII), possibly due to differences in biological and social factors.

Women are squarely at the forefront of fighting the virus. At work and at home, women provide most health and care services. Globally, 70 per cent of health professionals are female. In the OECD countries, women perform about 90 per cent of long-term care jobs and
over 80 per cent of social assistance jobs, including childcare, domestic work and caregiving. Women are also disproportionately represented in client and contact-intensive service sector jobs, as opposed to back office functions. Furthermore, delays in vaccination rollouts put women more at risk, as women are over-represented among the most vulnerable groups, including among the pregnant and the elderly.

Women and girls are also suffering extraordinary collateral damages. The shift in resources towards addressing the public health emergency has substantially disrupted health services, adversely affecting essential sexual and reproductive health services for women and girls. Maternal deaths and stillbirths increased, particularly in low-income and middle-income countries, partly due to reduced access to care and redeployment of maternity staff to critical care and medical teams (Chmielewska et al, 2021). At the same time, as many as 1.4 million unintended pregnancies occurred in 2020 across 115 developing countries due to disruption in access to, and use of, contraceptives, with possible life-changing consequences (UNFPA, 2021).

Pregnant women face a higher risk of severe COVID-19 illness in case of infection and also vaccine-related risks. Women are frequently underrepresented in clinical trials, which could potentially affect the efficacy of COVID-19 vaccination for women. Violence against women has increased worldwide. The United Nations has warned of a simultaneous “shadow pandemic” of gender-based violence and harassment (UN Women, 2020), imposing high human costs and high economic costs from lost productivity.¹

¹ For economic costs of gender-based violence, see CARE International (2018).
A ‘baby bust’ poses an additional risk

There are indications of a “baby bust” in several developed economies but no signs of a future baby boom. Vital statistics from France, Italy and Japan show abrupt, even double-digit, declines in birth rates at the end of 2020 and early 2021. Birth rates typically fall in the aftermath of economic recessions due to financial and job insecurity, and economic scarring may keep rates lower for longer. For example, following the global financial crisis, fertility rates in several developed economies never recovered, despite rising in the decade before the crisis. A contraction in the number of births, if sustained for a prolonged period of time, would further deteriorate the demographic balance in countries already burdened by shrinking and ageing population and high barriers to immigration. Low birth rates would push up already high dependency ratios and undermine the sustainability of pension systems in a number of developed countries, including in several European countries and Japan. A declining labour supply would also adversely affect potential output and eventually economic growth.

Girls education in jeopardy

On average, schools were closed for roughly half of the academic year, between March 2020 and February 2021. For 168 million children, schools are still closed (UNICEF, 2021). The crisis is widening gender gaps in school enrolment and attainment as fewer girls than boys are likely to return to primary and secondary education (UNESCO, 2020). After the 2014-2016...
Ebola outbreak, for example, there was a substantial increase in gender educational gaps in Sierra Leone and Liberia (Malala Fund, 2020). Existing gender gaps in access to digital technologies also pose significant challenges for girls’ education.

Dropping out from school can be very costly, not only for girls but also for sustainable development. Education provides opportunities for higher earnings, as the returns to schooling are higher for women than for men (Montenegro and Patrinos, 2014). Education also protects girls from adverse outcomes, such as child marriage, unintended pregnancy, violence and human trafficking, some of which reportedly increased during the current pandemic. Children of more educated mothers also face lower risks of under-five mortality and stunting.

Women losing employment and leaving the labour force

The crisis affected women’s employment unevenly across regions. Developed economies largely managed to prevent uneven outcomes for women. Estimates show little difference in average unemployment or a slightly larger increase in female unemployment (IMF, 2021c; ILO, 2021a), largely explained by strong policy support for unpaid care. In contrast, women in developing countries experienced sharper increases in unemployment and larger drops in labour force participation than men, reflecting lack of job protection for women. In Latin America, for example, a decade long progress in women’s labour market participation rates has been lost (United Nations, ECLAC, 2021a). In several developed and developing countries, post-support labour income (including income transfers) of women declined more than that of men during the pandemic (e.g. Brazil, Peru, Italy, Viet Nam and United States), underscoring structural gender disparity in labour market and social protection policies.

In the second quarter of 2020, women’s employment-to-population rates declined below that of men in more than half of 38 developed and developing economies (Bluedorn et al., 2021). This is in contrast with the situation at the peak of the global financial crisis, when only 8 per cent of countries registered higher female employment declines. Women account for higher employment shares in sectors—accommodation and food, wholesale and retail trade—that were particularly hit by the COVID-19 pandemic, exposing their vulnerability to a shock affecting these economic sectors.

Women have also been more constrained to leave the labour market altogether relative to men, which means women’s unemployment numbers underestimate the magnitude of job losses experienced by women (figure IX). Compared to a “no pandemic” scenario, women experienced an employment decline of 5.0 per cent in 2020 versus 3.9 per cent for men, with 4.3 percentage points attributed to inactivity and 0.7 percentage points to unemployment (ILO, 2021a).

The larger drop in women’s labour force participation reflects the greater impact of the crisis on mothers, since childcare burdens increased during the lockdown of schools. In the US, women with young children were the most affected in 2020 in terms of employment losses (Fabrizio et al., 2021). These women also witnessed a weaker recovery in employment, suggesting the pandemic increased the gender gap in employment. The extra childcare burden on female employment may have reduced total US output by 0.4 per cent between April and November 2020 (ibid.). Wage subsidies and extended childcare support for women who were forced to exit the labour market—as well as retraining and relocation
support—will remain an imperative not only to minimize the short-term effects of the pandemic but also to address longer term structural issues, including ensuring gender equality in wages and income opportunities.

**Women entrepreneurship facing a severe blow**

Women-owned businesses had grown rapidly worldwide before the pandemic. In the United States, for example, the number of women-owned businesses increased 21 per cent, while all businesses increased only 9 per cent between 2014 and 2019 (American Express, 2019). By May 2020, however, female-led businesses globally were 6 percentage points more likely to report that they were closed (figure X), with stringent lockdown measures disproportionately affecting female owned businesses.

Structural factors—such as small sizes and financing constraints—largely explain why women-owned businesses faced more closures. Most women business owners use self-financing and less than 20 per cent of women entrepreneurs use bank loans (OECD/EU, 2019), which made them particularly vulnerable to a sudden loss in cash inflow, as lockdown measures worldwide led to a steep fall in revenue.

**Poorer in money and in time**

With per capita incomes falling, global poverty significantly increased for the first time in over a decade. As many as 114.4 million people are estimated to have fallen below the poverty line in 2020, of which 57.8 million are women and girls. In total, about 408 million women will be living on less than $1.90 a day worldwide in 2021, with women accounting for 50.3 per
cent of the extreme poor. As the world becomes more digitally connected, efforts to narrow gender poverty gaps must include a focus on addressing digital gender divides. Women in developing countries are 7 per cent less likely than men to own a mobile phone and 15 per cent less likely to use mobile internet (36 per cent in South Asia) (GSMA, 2021), which means they are less likely than men to have access to vital services such as cash transfers, medical information, educational content and employment opportunities. In India, for example, where the gender gap in smartphone ownership is around 60 per cent, a majority of poor women are likely to be excluded from COVID-19 relief digital cash payments due to lack of access to digital banking (Pangestu and Granryd, 2020).

The gender wealth gap is also likely to exacerbate during the post pandemic period. Widows generally face a higher risk of disinheritance, eviction and land grabbing by relatives during crises (Stanley and Prettitore, 2020) and some had to marry male relatives after their husbands died during this pandemic. Women also became relatively more “time-poor” than men during the pandemic, since women’s unpaid care and domestic workloads intensified (UN Women, 2020). In Latin America, for example, 30 per cent of women living in poverty do not participate in the labour market for family-related reasons (United Nations, ECLAC, 2021b). This is concerning since women already did nearly three times as much unpaid care and domestic work as men globally before COVID-19. Time poverty also jeopardises women’s health and limits their economic opportunities.

**Gender-blind economic policies ignore the specific needs of women**

Though women have been in the frontlines of the pandemic, they have been mostly excluded or underrepresented in pandemic related decision-making. Women make up just a quarter of COVID-19 task force members and are not represented at all in 12 per cent of groups (UNDP, 2020). Most task forces (84 per cent) are predominantly composed of men. Unsurprisingly, economic policy responses to the crisis have failed to prioritize women. From among 3,000 government policy measures, only about two-fifths addressed specific risks and challenges that women and girls faced as a result of the pandemic. Almost half of these measures did not include any labour, social or economic measure benefitting women.

Only one in five economic measures prioritised female-dominated economic sectors or women. The bulk of gender-sensitive policy measures address violence against women and girls (64 per cent). Women were targeted in less than a quarter of all social protection measures (half to support unpaid care work and half in cash or kind) and only a quarter of labour market measures. There is, however, some variation across countries. Developed economies led the economic response on unpaid care with almost three-fifths of all unpaid care measures globally, while developing economies adopted measures aimed at strengthening women’s economic security (table II).
Gender-based policies for accelerating recovery and building resilience

The pandemic is severely impeding the SDG progress on gender equality and non-discrimination. Ensuring gender equality in vaccinations will be critical to win the fight against the pandemic. As vaccination advances unevenly across genders in some countries and age groups, vaccine distribution strategies must take into account gender-related barriers to reach everyone, including women.

Stimulus spending worldwide has not adequately prioritized women. Shrinking fiscal space in many countries will likely prompt spending cuts in public services, which will adversely affect women and girls, and the most vulnerable. The current crisis presents an opportunity for gender mainstreaming and mitigating gender disparities in employment, income, and wealth.

Countries have an opportunity to build back better from the crisis, accelerating the implementation of the Beijing Platform for Action and the 2030 Sustainable Development Goals. Coordinated global efforts can promote greater fiscal space, particularly in developing countries including through debt relief, as well as enhance access to finance for women entrepreneurs, through targeted loan measures. The design and implementation of gender sensitive fiscal policy, budgets and public financial management processes can advance gender equality as well, by incorporating gender budgeting instruments.

Expanding employment and entrepreneurship opportunities for women will remain fundamental to achieving gender equality. At the same time, social safety nets must ensure robust social assistance and social insurance for women. Policies must also safeguard girls’ education, prevent violence against women, foster inclusive legal and social norms including on asset ownership, and accelerate digital inclusion for women. Furthermore, decision-making processes must ensure more voice, agency, participation and leadership for women. There should also be concerted efforts for collecting, analysing and disseminating gender-disaggregated data so that evidence-based and gender sensitive policies guide the efforts to build back better.
Regional economic outlook

Developed economies

The economy of the United States is projected to expand by 6.2 per cent in 2021, which will enable it to surpass its pre-crisis level of total output. While the daily number of new confirmed COVID-19 cases remains relatively high, households and businesses have regained confidence and turned more optimistic due to the rapid progress on vaccination. The new administration’s $1.9 billion fiscal stimulus package adopted in March has augmented personal disposable incomes and boosted consumer spending, while the proposal to boost public investments has raised expectations about future growth prospects. The Federal Reserve has indicated its intention to maintain the accommodative monetary policy stance through 2023.

By the end of 2020, consumer spending on goods had recovered to the pre-pandemic level, along with investment. However, consumption and exports of services remained weak. This pattern indicates that growth in 2021 will largely depend on the recovery of the services sector that was affected by lockdowns and social distancing measures. The unemployment rate, which peaked at 14.8 per cent in April 2020, fell to 6 per cent in March 2021.

The United States economy continues to experience sharp increases in asset prices. The US National Home Price Index increased by 12 per cent between February 2020 and February 2021, compared to a 4 per cent increase from February 2019 to February 2020. The S&P 500 Index rose by more than 20 per cent since the outbreak of the pandemic in 2020. The surges in asset prices are raising concerns for financial instability down the road, which may undermine the recovery efforts.

The economy of Japan is forecast to expand by 3.3 per cent in 2021. Although the new daily confirmed cases of COVID-19 have been low relative to North America and Europe, the recovery has been slow. The slow progress on vaccination has added to uncertainties, discouraging household and business spending. The recovery is expected to be led by rapid export growth, which has started since the second half of 2020 and should gain further momentum in 2021. While monetary policy remains accommodative, some of the special fiscal stimulus measures are likely to be gradually phased out.

Europe remains in the grip of the COVID-19 pandemic. The region is forecast to grow by 4.1 per cent this year, representing a downward revision by 0.7 percentage points from the previous forecast. A number of countries in Europe are experiencing a new wave of infections, inflicted by new virus mutations. These new infections have prompted continued and widespread lockdown measures across the region, hitting contact-intensive service retail and hospitality sectors especially hard. After a slow start due to a lack of vaccines, vaccinations are expected to ramp up significantly with expected increase in supplies. The success of the vaccination drives will likely accelerate the reopening of the economy—especially tourism and other contact intensive sectors—during the second half of the year.

A strong rebound in manufacturing, tied to solid export demand is projected to propel the region’s growth to 3.8 per cent in 2022, representing 1.1 percentage points increase from the previous forecast released in January 2021. Significant fiscal measures – such as short-time work programs – have supported households and firms alike. However, many small businesses with little financial reserves are facing risks of permanent closures as they often have not been eligible for, or have not yet received, any financial support. Policymakers have
made various and repeated adjustments to accommodate additional types of firms, but the plight of small businesses amid longer than expected lockdown measures seems especially daunting. This poses an elevated risk of insolvencies and bankruptcies, with potentially increasing unemployment. Monetary policy is expected to maintain its strongly accommodative stance and favorable financing conditions are expected to drive strong activities in the construction sector.

**Economies in transition**

The economies of CIS and Georgia saw a moderate rebound in economic activity in late 2020 and during the first quarter of 2021. The easing of the lockdown measures, along with a modest recovery in commodity prices, including prices of certain non-oil commodities such as copper, paved the foundations for a tempered recovery. Despite the surge of a third wave of the COVID-19 pandemic in a number of countries, governments generally avoided widespread lockdown measures in 2021. The aggregate GDP of the CIS and Georgia is expected to rebound by 3.3 per cent in 2021 and further expand by 3.3 per cent in 2022.

Gradual abandoning of the OPEC-plus agreement to restrict output is expected to lead to higher oil production in the CIS energy exporters in 2021. Economic growth in the Russian Federation is forecast to reach 3 per cent. However, the country is expected to remain on a low-growth trajectory due to a confluence of factors, including the possibility of facing additional economic sanctions and fiscal conservatism. For Ukraine, the near-term economic outlook will significantly depend on the disbursement of the tranches of the IMF loan.

Despite the gradual reopening of the transport links between the Russian Federation and Central Asia, increased travel costs are hampering seasonal labour migration and delaying recovery in remittance flows. Lagging progress in vaccinations, with the exception of the Russian Federation, will also influence the recovery of the region. Inflationary pressures in the CIS area meanwhile strengthened amid higher energy and food prices, and sharp currency depreciations, prompting several central banks in the region to raise interest rates.

The aggregate GDP of the economies in South-Eastern Europe is expected to grow by 4.2 per cent in 2021 and 3.5 per cent in 2022, with recovery lagging in the tourism-dependent economies.

**Developing countries**

**Africa**

The COVID-19 pandemic has dealt a severe blow to the sustainable development prospects of Africa, exacerbating unemployment, poverty and inequality. After the largest contraction on record in 2020, aggregate GDP of the continent is projected to expand by 3.6 per cent in 2021, due to strengthening global prospects, rising exports and higher commodity prices. Per capita incomes are expected to recover to pre-crisis levels only by 2024.

In South Africa, GDP is projected to expand by 2.8 per cent in 2021, yet medium-term prospects are constrained by lack of fiscal space, chronic high unemployment and lingering power shortages. Nigeria’s economic growth will remain subdued at 1.8 per cent in 2021, underpinned by high inflation and unemployment and slow vaccination, which will continue to depress consumer spending and business investment. Despite growing in 2020, the Egyp-
tian economy is projected to expand by just 2.1 per cent in the fiscal year ending in June, weighed down by a slow recovery in international tourism.

Africa’s outlook is clouded by major downside risks. The vaccination progress is by far the slowest in the world at only 1.2 doses administered per 100 people. Given the slow pace of vaccine rollouts and new variants of the virus, new waves of infections could trigger new lockdowns and constrain the projected recovery in the near term. Inflationary pressures are rising in some countries due to higher food prices, but aggregate inflation is projected to remain moderate.

Monetary policies will remain largely accommodative to support recovery in the short-term. For a large number of African economies, fiscal space remains severely constrained amid increasing outlays and diminished revenues. Furthermore, the debt situation remains extremely challenging, with 17 countries in debt distress or at high risk of distress, with Chad, Ethiopia and Zambia – three landlocked economies – seeking debt relief under a new G20 framework. International support for ramping up vaccination efforts and addressing liquidity and solvency issues remains essential to avert protracted low growth/high debt traps for a number of African economies. The extension of the moratorium until December 2021 under the G20 Debt Service Suspension Initiative is providing some support, but additional targeted debt relief and further concessional financing are needed.

**East Asia**

With continued success in containing the pandemic and a gradual rollout of vaccines, East Asia’s growth is projected to rebound from 1.0 per cent in 2020 to 7.1 per cent in 2021, before moderating to 5.2 per cent in 2022. The region’s merchandise exports are expected to remain strong, buoyed by an upturn in the global electronics cycle. The recovery in domestic demand, however, is likely to be more modest. Despite an expected easing of mobility restrictions, private consumption will remain depressed by weak labour market conditions and fragile consumer sentiments. Private investment growth will also likely remain subdued, given persistently high uncertainty and bouts of financial market volatility.

The aggregate growth figures mask a large divergence in the projected recovery paths across East Asia. The economy of China is expected to rebound strongly from 2.3 per cent in 2020 to 8.2 per cent in 2021 and 5.8 per cent in 2022. Growth will be largely driven by a solid recovery in industrial production, exports, as well as manufacturing and infrastructure investment. Consumer spending is also expected to improve, but at a relatively more moderate pace. Given increasing concerns over rising financial leverage and possible bankruptcies, stimulus spending is likely to be more targeted going forward.

Robust global demand for electronic products and semiconductors will continue to benefit economies that are deeply integrated into East Asia’s electronics supply chains, including the Republic of Korea, Malaysia, and Taiwan Province of China. In contrast, the bleak outlook for international travel will dampen the growth prospects of the tourism-dependent countries, such as Cambodia, Thailand, and Fiji. With new waves of infections triggering renewed lockdowns, downside risks to East Asia’s growth outlook remain high. Protracted pandemic conditions in the region will inflict lasting socio-economic damage, particularly on the vulnerable segments of society. Thus, alongside pandemic control measures, the region would need to prioritize policies that promote an inclusive recovery.
**South Asia**

For South Asia, already one of the hardest hit regions in the world, the crisis will last well into 2021. While a few smaller countries in the region have managed to roll out vaccinations, the largest economies continue to struggle to contain the increasing waves of infections. India has been particularly affected by a brutal second wave, which is overwhelming the public health system in large parts of the country. The country has expanded vaccine eligibility and is ramping up supply in every possible manner, but access to vaccines is unequal and insufficient to meet the massive demand. Given the fluid situation, India’s growth outlook in 2021 is highly fragile.

Regional economic growth will return in 2021 at 6.9 per cent against a 5.6 per cent drop in 2020, but the recovery will be very uneven, and the scarring effects will run deep. Indeed, South Asia’s regional economic growth in 2021 will still be insufficient to undo last year’s 6.7 per cent loss in GDP per capita. Many of the region’s households that have fallen into extreme poverty will thus remain trapped in their precarious condition. Risks are furthermore exceptionally high for the region. The region was already lagging in economic performance before the pandemic, with regional economic growth as low as 3.1 per cent in 2019. Labour market vulnerabilities, weak healthcare and social protection systems, and poorly managed urbanization allowed the region to become a pandemic hotbed.

**Western Asia**

The countries of Western Asia have been experiencing the resurgence of COVID-19 cases in the first half of 2021. However, Israel has contained the spread of coronavirus by April with the help of an aggressive vaccination campaign. The vaccination has also been progressing rapidly in Bahrain, Kuwait, Qatar, Saudi Arabia, the United Arab Emirates and Turkey. By contrast, in Iraq, Jordan, Lebanon, Oman, the Syrian Arab Republic, and Yemen the progress has been much slower. The pattern of economic recovery within the region is likely to differ significantly between well-vaccinated countries and the others.

Western Asia, on average, is forecast to grow by 3.7 per cent in 2021, after a 3.2 per cent contraction in the previous year. In addition to the fall in domestic demand caused by the series of lockdown and social distancing measures, a substantial decline in oil and gas export revenues has resulted in a significant economic contraction for the energy exporters. The magnitudes of economic contraction in Jordan and Saudi Arabia turned out to be smaller than anticipated because of the resilient domestic demand. In 2021, the region’s economic growth should be led by a robust recovery in energy and non-energy exports. However, economic activities are forecast to remain below the pre-pandemic levels in all countries, with the exception of Israel and Turkey.

While fiscal support for public health and vaccination is expected to continue throughout 2021, fiscal and monetary policy stances are shifting to address the post-crisis macro-economic rebalancing. For the current fiscal year, policy stances in the region are expected to remain neutral. There is also the likelihood of some tightening to reduce deficits and slow down the increase in public debt. On the monetary policy front, most countries are expected to maintain accommodative stances. However, Iraq, Lebanon, Turkey, and Yemen have tightened monetary conditions due to the growing balance-of-payments concerns.
Latin America and the Caribbean

After suffering the worst downturn in over a century, Latin America and the Caribbean's economy is set to gradually recover from the COVID-19 crisis. The region's GDP is projected to grow by 4.3 per cent in 2021 and 3.3 per cent in 2022. This follows a contraction of 7.3 per cent in 2020, which left average GDP per capita at the lowest level in more than a decade. Strong demand from China and the United States will boost the region's commodity and manufacturing exports, benefiting countries such as Chile, Peru and Mexico. Workers’ remittance inflows are expected to rise significantly as the US labour market improves.

Domestically, the economic outlook is subject to large uncertainties. Many countries, especially in South America, were hit by new waves of infections in early 2021, slowing the reopening process and adversely affecting consumer and business sentiment. Meanwhile, the region's vaccine rollout has been highly uneven. Chile and Uruguay—two of the region's high-income countries—have two of the world's highest vaccination rates; by contrast, vaccines have not yet become widely available in the region's poorer countries.

In the baseline scenario, economic activity in contact-intensive service sectors is expected to gradually pick up as vaccination progresses and governments further ease containment measures. This would support a mild labour market recovery. Monetary policy will generally remain accommodative. However, as already seen in Brazil, rising inflation due to higher commodity prices and depreciation pressures may prompt some monetary tightening, which may undermine or delay recovery.

The pandemic has exacerbated many of the region's socio-economic weaknesses and structural bottlenecks. Employment losses have disproportionately affected informal workers and vulnerable groups, worsening income inequalities. The crisis has also exacerbated fiscal challenges and increased financial vulnerabilities. Given high debt burdens and large financing needs, many economies are vulnerable to a tightening of global financial conditions. Finally, the region is also facing an education crisis due to prolonged school closures. Losses in face-to-face schooling have severely undermined educational achievements, potentially impeding human capital formation and future productivity growth.

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