



## Global Economic Prospects Report 2024

**For Prelims:** [Global Economic Prospects Report](#), [World Bank](#), [GDP](#), [South Asian region](#), [global inflation](#), [rules-based multilateral trade system](#), [low-carbon development goals](#).

**For Mains:** Key findings of the Global Economic Prospects Report 2024, Associated risks and key policy challenges highlighted by the report.

[Source: BS](#)

### Why in News?

According to the recently released [Global Economic Prospects Report](#) by the [World Bank](#), India is predicted to remain the **fastest-growing major economy globally**, with a projected GDP growth rate of 6.6% for FY25.

### What are the Key Findings of the Report?

#### ▪ Global:

- **Growth Outlook:** According to the report, for the first time in three years, the global economy is showing signs of stabilisation in 2024.
  - Globally, GDP growth is now anticipated to be 2.6 % for 2024-25. For FY26 and FY27, global growth is expected to be 2.7% amid modest growth in [trade and investment](#).
- **Projection for Global Inflation:** The World Bank forecasts a slower moderation of [global inflation](#), averaging 3.5% this year.
  - Central banks in advanced and emerging [market economies](#) are expected to be cautious about [easing monetary policy](#) due to **ongoing inflationary pressures**.
- **Challenges to Global Growth:** The global outlook remains subdued due to factors such as **geopolitical tensions, trade fragmentation, higher interest rates, and [climate-related disasters](#)**, despite some near-term improvements.
  - It also emphasises the **need for global cooperation** to safeguard trade, support green and digital transitions, provide debt relief, and enhance [food security](#).

#### ▪ South Asian Region (SAR):

- **Growth Outlook:** In the South Asia region, [GDP growth](#) is projected to decrease from 6.6 % in 2023 to 6.2 % in 2024, largely due to a slowdown in India from its high growth rates in recent years.
  - Other economies such as [Bangladesh](#), are expected to maintain robust growth,

though at a slower pace.

- [Pakistan and Sri Lanka](#) are expected to see **strengthened economic activities**.
- **Poverty Reduction:** The report noted that [per capita income growth](#) in the South Asian region is expected to decrease from 5.6% in 2023 to 5.1% in 2024-25, then slightly rise to 5.2% in 2026.
- This slower pace is due to weaker-than-expected growth in [private consumption](#) and fiscal adjustments that may reduce household income.

#### ▪ India:

- **India's Economic Trajectory:** India, the **largest economy in South Asia**, has significantly contributed to regional growth.
  - The country's growth rate for FY24 is estimated at 8.2 %, driven by its [industrial and services sectors](#), which have offset a **slowdown in agricultural production** caused by monsoon disruptions.
- **Fiscal and Trade Balances:** In India, the [fiscal deficit relative to GDP](#) is projected to decrease due to increased revenues from a broadened tax base.
- Trade deficits are narrowing, particularly in India, contributing to overall **economic stability** in the [South Asian region](#).

### India's GDP Forecast by MOSPI and RBI

- According to the **Ministry of Statistics and Programme Implementation (MOSPI)** data, the **GDP growth provisionally stands at 8.2%** for the Financial Year 2023-24, as
- compared to the growth rate of 7.6% in FY23.
- The Reserve Bank of India raised [India's FY25 real GDP forecast to 7.20%](#).

### World Bank

#### ▪ About:

- It was created in 1944, as the **International Bank for Reconstruction and Development (IBRD)** along with the IMF. The IBRD later became the World Bank.
- The World Bank Group is a unique **global partnership of five institutions** working for sustainable solutions that **reduce poverty and build shared prosperity** in developing countries.
- The World Bank is one of the [United Nations's](#) specialised agencies.

#### ▪ Members:

- It has **189 member** countries. India is also a member country.

#### ▪ Major Reports:

- [Human Capital Index](#).
- [World Development Report](#).
- [Global Economic Prospects Report](#) (usually published twice a year)

#### ▪ Its Five Development Institutions:

- International Bank for Reconstruction and Development (IBRD)
- International Development Association (IDA)
- International Finance Corporation (IFC).
- Multilateral Guarantee Agency (MIGA)
- International Centre for the Settlement of Investment Disputes (ICSID)

- India is not a member of ICSID.

## What are the Associated Risks to the Global Economy Highlighted by the Report?

- **Proliferation of Armed Conflicts and Geopolitical Tensions:** The report highlights an increase in the number of [armed conflicts](#) and heightened tensions between countries.
  - These can lead to loss of life, destruction of infrastructure, and economic instability. Also, ongoing [conflicts in the Middle East](#) could disrupt oil supply and push up prices.
- **Further Trade Fragmentation and Trade Policy Uncertainty:** The report highlighted a situation where countries become more isolated economically, imposing [trade barriers](#) like tariffs and quotas on each other.
  - The trade war between the **US and China** in recent years has disrupted [supply chains](#) and led to higher prices for consumers in both countries.
- **Higher Interest Rates and Weaker Risk Appetite:** Persistently [high inflation](#) erodes the **purchasing power of consumers** and discourages spending. Higher interest rates, while necessary to control inflation, can lead to slower economic growth and job losses.
  - When investors are **uncertain about the future economic outlook**, they become less willing to take risks. This can lead to a decline in investments and stock market volatility.
- **Weaker-than-expected Growth in China:** China is the **world's second-largest economy**, so a slowdown there has significant global impacts. This could be due to factors like a **real estate market crisis or internal political instability**.
  - A sharp slowdown in China [reduces demand for raw materials](#) and other goods exported by other countries. This can lead to job losses and economic hardship in countries that rely heavily on trade with China.
- **More Frequent Natural Disasters with Worsening Impacts:** [Climate change](#) is increasing the frequency and intensity of natural disasters like **floods, droughts, and hurricanes all across the world**.
  - These disasters cause **widespread damage** to infrastructure, homes, and businesses.
  - They disrupt agricultural production, leading to food shortages and price hikes. Rebuilding after disasters puts a strain on government finances.

## What are the Key Policy Challenges in the Emerging Market and Developing Economy?

- **Elevated Debt:** Many emerging market and developing economy (EMDE) struggle with [high debt burdens](#), **weak growth prospects**, and **downside risks**.
  - **International cooperation** is crucial to address debt crises and prevent economic instability. The G20 Common Framework for debt restructuring is viewed as inadequate and needs improvement.
- **Climate Change:** Current **global climate commitments** fall short of achieving [net-zero emissions](#) by 2050. EMDEs need to invest **1-10% of GDP** annually to achieve [low-carbon development goals](#).
  - Mobilising public resources, carbon pricing, and attracting private investment are crucial for climate action.
- **Digital Divide:** About **one-third of the global population** lacks internet access, concentrated in EMDEs.
  - Governments can play a role by catalysing [private investment](#) in digital infrastructure.
- **Trade Fragmentation:** Trade fragmentation due to rising geopolitical tensions and protectionist measures hurts EMDEs.
  - Restoring the [rules-based multilateral trade system](#) and expanding trade agreements are crucial.

## Conclusion

The World Bank's latest report offers **a cautiously optimistic outlook**. While the global economy is showing signs of stabilising in 2024, **growth remains subdued compared to pre-pandemic levels**. Continued **global cooperation and effective policy measures are crucial** to navigating the current challenges and achieving sustainable economic growth for all.

**Drishti Mains Questions:**

Q. Mention the key findings of the Global Economic Prospects Report 2024. Also, discuss the associated risks and key policy challenges highlighted by the report.

## **UPSC Civil Services Examination, Previous Year Questions (PYQs)**

### **Prelims**

**Q. With reference to 'IFC Masala Bonds', sometimes seen in the news, which of the statements given below is/ are correct? (2016)**

1. The International Finance Corporation, which offers these bonds, is an arm of the World Bank.
2. They are the rupee-denominated bonds and are a source of debt financing for the public and private sector.

**Select the correct answer using the code given below:**

- (a)** 1 only
- (b)** 2 only
- (c)** Both 1 and 2
- (d)** Neither 1 nor 2

**Ans: (c)**

**Q. India's ranking in the 'Ease of Doing Business Index' is sometimes seen in the news. Which of the following has declared that ranking? (2016)**

- (a)** Organization for Economic Cooperation and Development (OECD)
- (b)** World Economic Forum
- (c)** World Bank
- (d)** World Trade Organization (WTO)

**Ans: (c)**