



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)