



World Economic Situation and Prospects 2023

Prelims: GDP, SDG, War in Ukraine, Covid, Inflation.

Mains: World Economic Situation and Prospects.

Why in News?

Recently, the [United Nations](#) has released a new report World Economic Situation and Prospects 2023, which stated that the Global [Gross Domestic Product \(GDP\)](#) is likely to drop to **1.9 % in 2023 from 3 % in 2022**.

- Series of severe and mutually reinforcing shocks — the [Covid-19](#) pandemic, the [war in Ukraine](#) and resulting food and energy crises, surging inflation, debt tightening, as well as the climate emergency.

What are the Findings of the Report?

- **Inflation:** The world's average [inflation](#) rate was at 9% in 2022, which led to budgetary constraints in several developed as well as developing countries.
- **Recession:** Current downturn has slowed the pace of economic recovery from the Covid-19 crisis, **threatening several countries with the prospects of recession** in 2023.
 - Most **developing countries have seen a slower job recovery** in 2022.
 - **Disproportionate losses in women's employment** during the initial phase of the pandemic have not been fully reversed.
- **Slight Growth in Global Output:** The world's output growth can bounce back to 2.7 % in 2024, subject to a change in the war situation and the **disruption of supply chains**.
 - China is projected to grow at 4.8 % in 2023 and 4.5 % in 2024.
 - The US is estimated to register a 0.4 % economic growth this year and 1.7 % in 2024.
- **Russian Export:** Russian exports increased in 2022 as trade with **China, India and Turkey surged**.
- **Outlook of South Asia:** 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 % in 2022 to 4.8 % in 2023.
 - Challenging prospects for economies like Bangladesh, Pakistan and Sri Lanka, who have **sought financial assistance from the [International Monetary Fund \(IMF\)](#)** in 2022.

What about Indian Prospect?

- **Growth Rate:** Growth in India is expected to remain strong at 5.8 %, albeit slightly lower than the estimated 6.4 % in 2022, as **higher interest rates and a global slowdown weigh** on investment and exports.
 - India's food and energy subsidies prevented a major downfall.
 - India will grow at 6.7 % in 2024, the fastest-growing major economy in the world.
- **Inflation:** Annual inflation is estimated at 7.1% in 2022. India's inflation is expected to decelerate

to 5.5 % in 2023 as global commodity prices moderate and **slower currency depreciation eases imported inflation.**

- **Unemployment:** Unemployment rate in **2022 declined to pre-pandemic levels through stepped-up urban and rural employment**, indicating strong domestic demand.
 - However, youth employment remained below pre-pandemic levels, particularly among young women.

What are the Recommendations?

- **Calibration of Macroeconomic Policies:** Macroeconomic policies need to be carefully **calibrated to strike a balance between stimulating output and taming inflation.**
 - This will require more effective coordination among the major central banks, supported by **clear policy messages to manage and moderate inflationary expectations.**
- **De-anchoring of Inflation Expectations:** 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.**
- **Reprioritize Public Expenditures:** 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.
- **Scale up SDG Financing:** Stronger international commitment is urgently needed to expand access to emergency financial assistance and **scale up SDG financing for:**
 - Strengthening of social protection systems, 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.

[Source: DTE](#)

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