

# Global Outlook and Risks

September 2022

M. Ayhan Kose

## PRELIMINARY DRAFT PRESENTATION



**WORLD BANK GROUP**  
Equitable Growth, Finance & Institutions  
Prospects Group

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## Three Questions

**1** **What are near-term prospects for the global economy?** *Global growth is slowing sharply. Multiple risks cloud the outlook.*

**2** **What threat does stagflation present for EMDEs?** *The 1970s stagflation ended with a series of financial crises in EMDEs. These economies are now facing a rising risk of a similar outcome.*

**3** **What are the policy priorities for EMDEs?** *Manage demand pressures with monetary, fiscal, and financial policies, and employ supply-side measures.*

<sup>2</sup> \* EMDEs = Emerging Market and Developing Economies



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# Three Questions

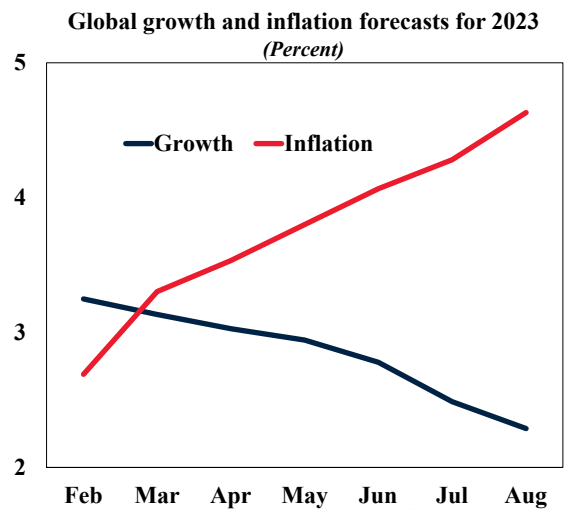
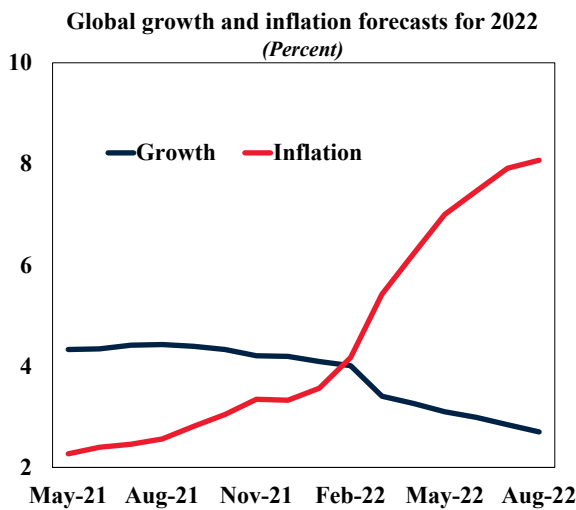
**1** **What are near-term prospects for the global economy?** *Global growth is slowing sharply. Multiple risks cloud the outlook.*

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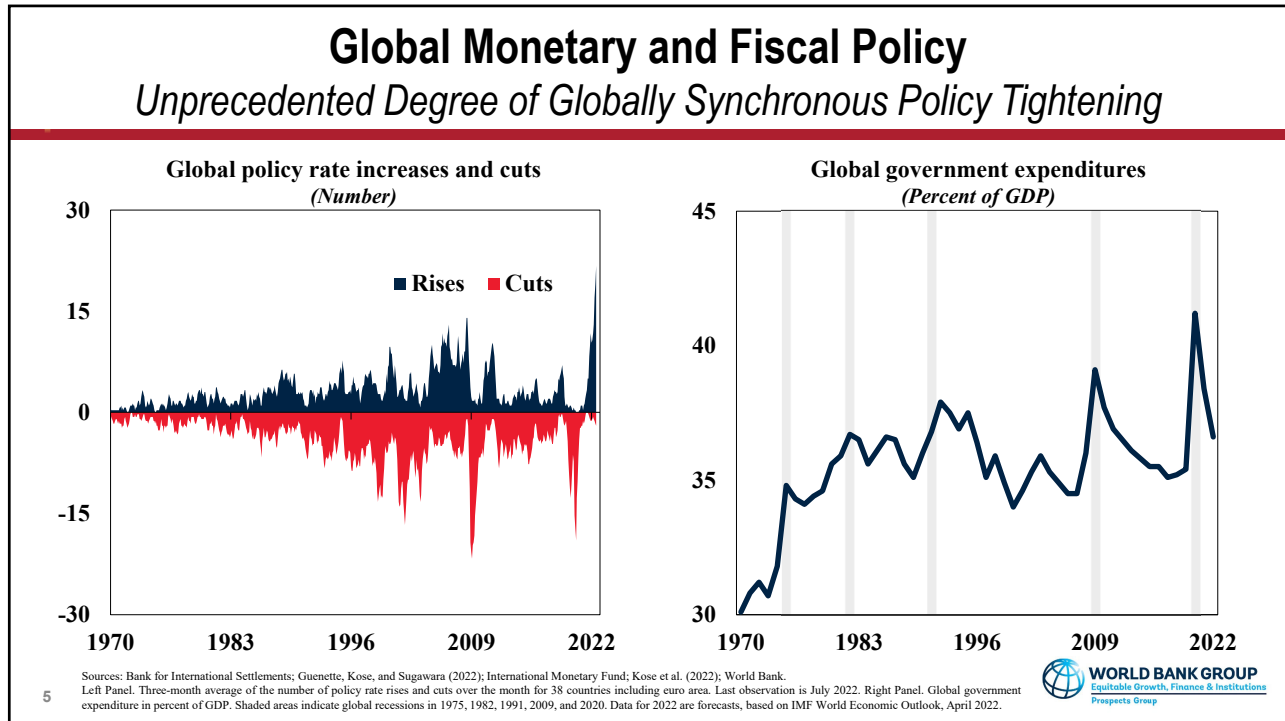
## Evolution of Inflation and Growth Forecasts *Expectations of Higher Inflation and Weaker Growth*



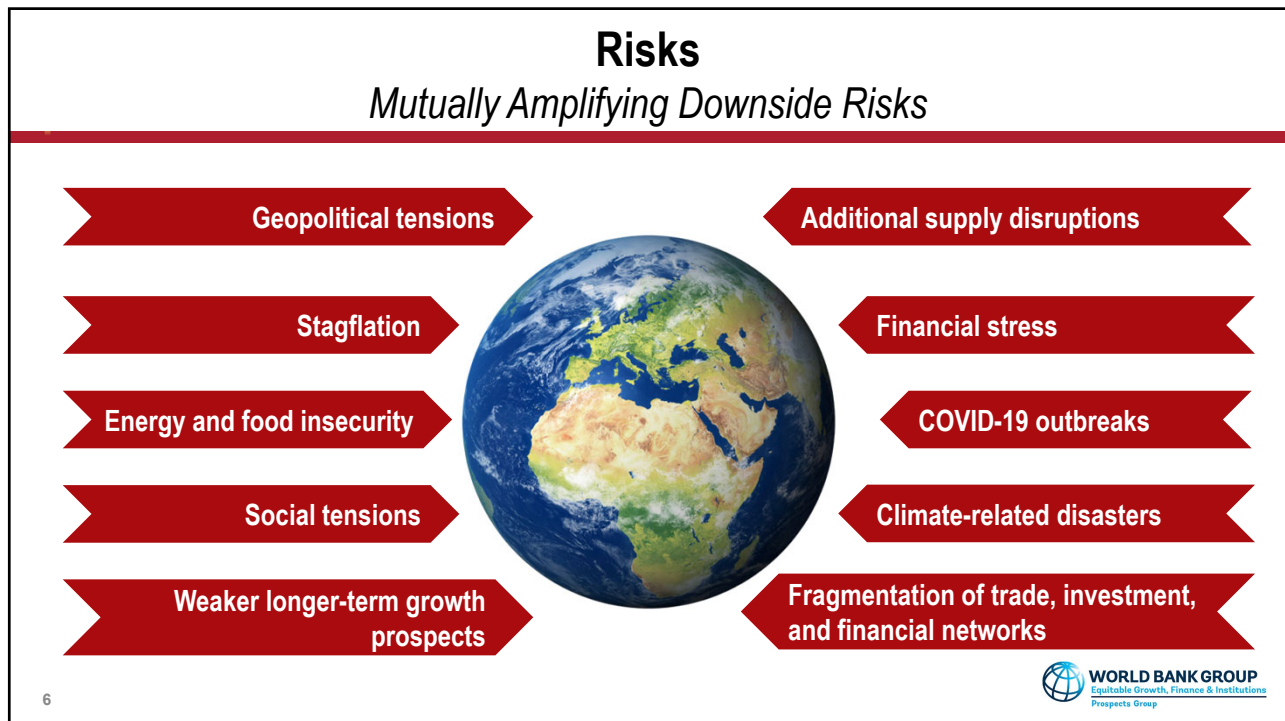
<sup>4</sup> Sources: Consensus Economics; World Bank.  
Note: Growth forecasts for aggregate groups are weighted by GDP in U.S. dollars, and inflation forecasts are based on median. Forecasts for 2023 (Right Panel) are presented since February 2022. Last observation is August 2022.



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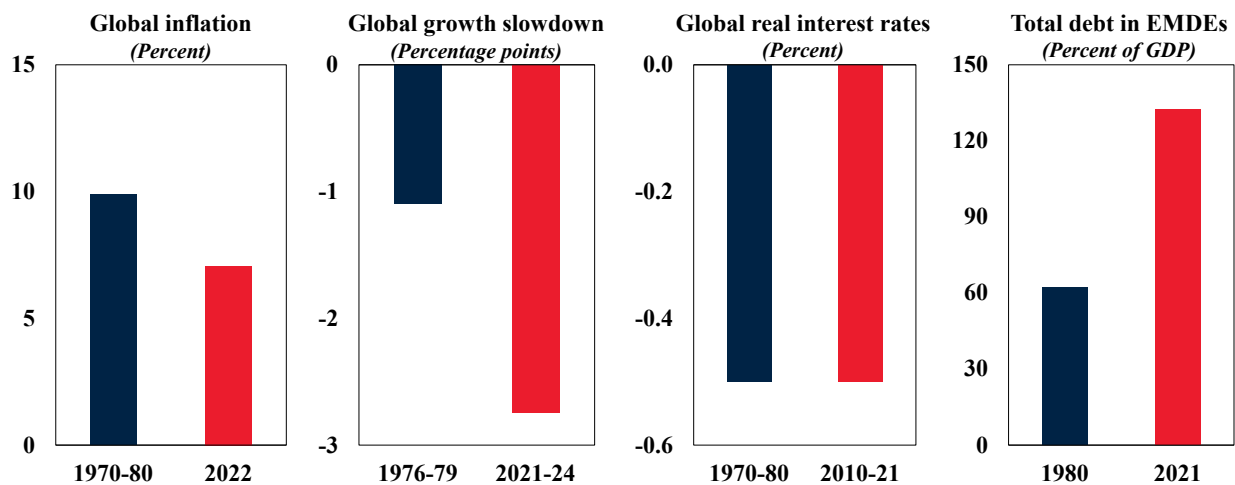
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## Similarities with the 1970s

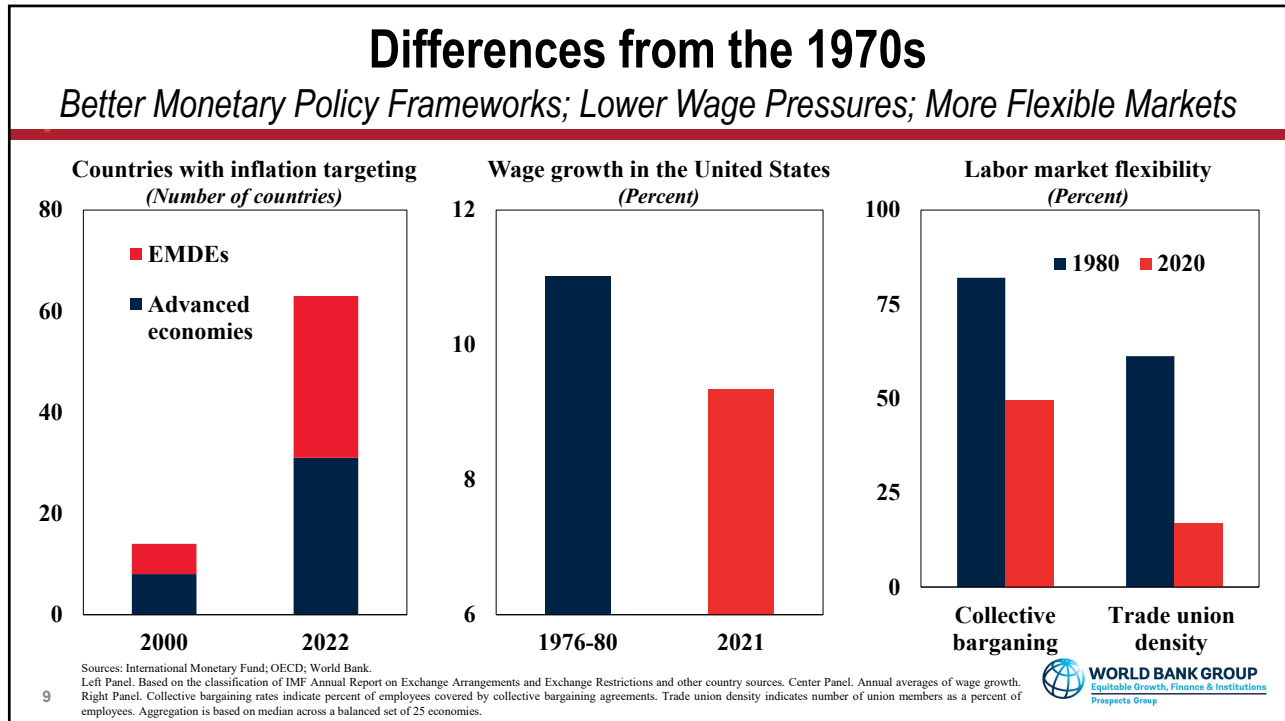
*High Inflation; Weak Growth; Accommodative Monetary Policy; Elevated Debt in EMDEs*



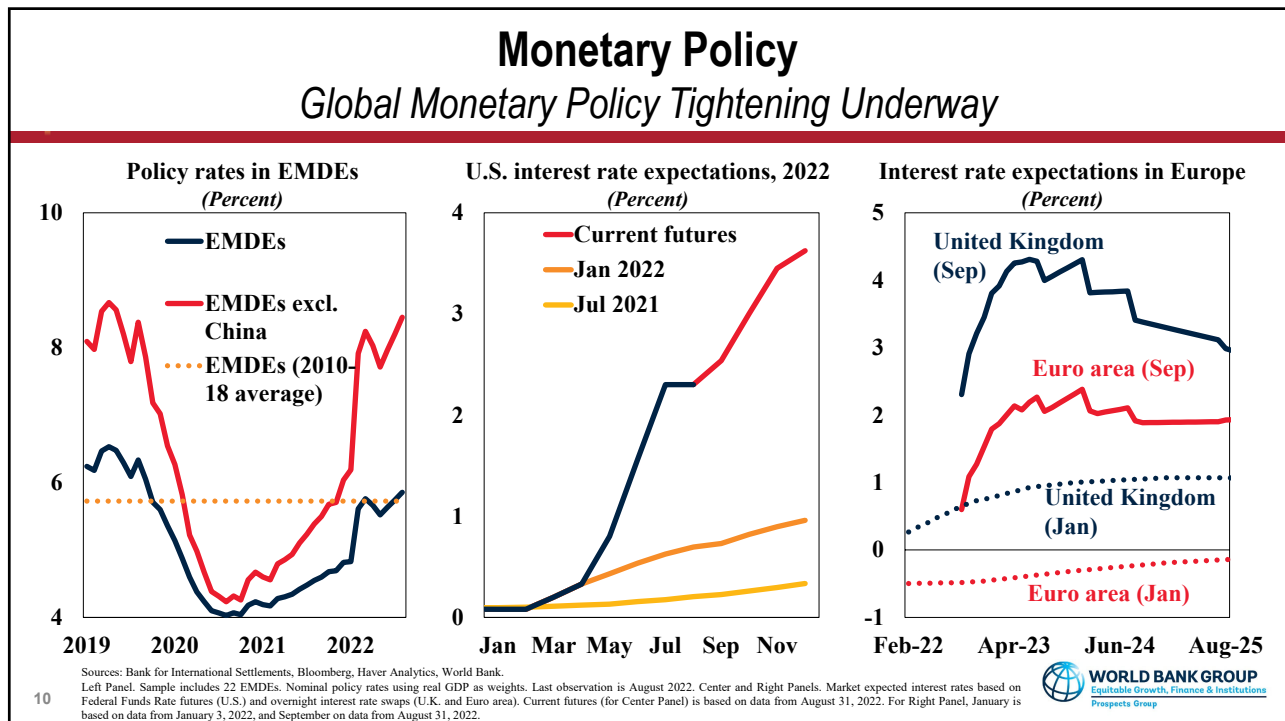
8 Sources: Ha, Kose, and Ohnsorge (2019); Havers Analytics; International Monetary Fund; World Bank  
 Left Panel. 1970-80 is average of annual headline CPI inflation based on a sample of 155 countries (30 advanced economies and 125 EMDEs). 2022 is based on monthly year-on-year inflation in March 2022 across 81 economies. Second from Left Panel. Figure shows changes in growth in respective groups (in percentage points) between 2021-24 and 1976-79; in both cases covering the three years following a rebound from a global recession. Second from Right Panel. Figure shows real (CPI-adjusted) short-term interest rates (Treasury bill rates or money market rates, with the maturity of three months or less), over the denoted periods. Aggregates are weighted by GDP in U.S. dollars. Sample includes 113 countries, although the sample size varies by year. Right Panel. Total debt (including government and private debt) in percent of GDP in denoted years in EMDEs excluding China.



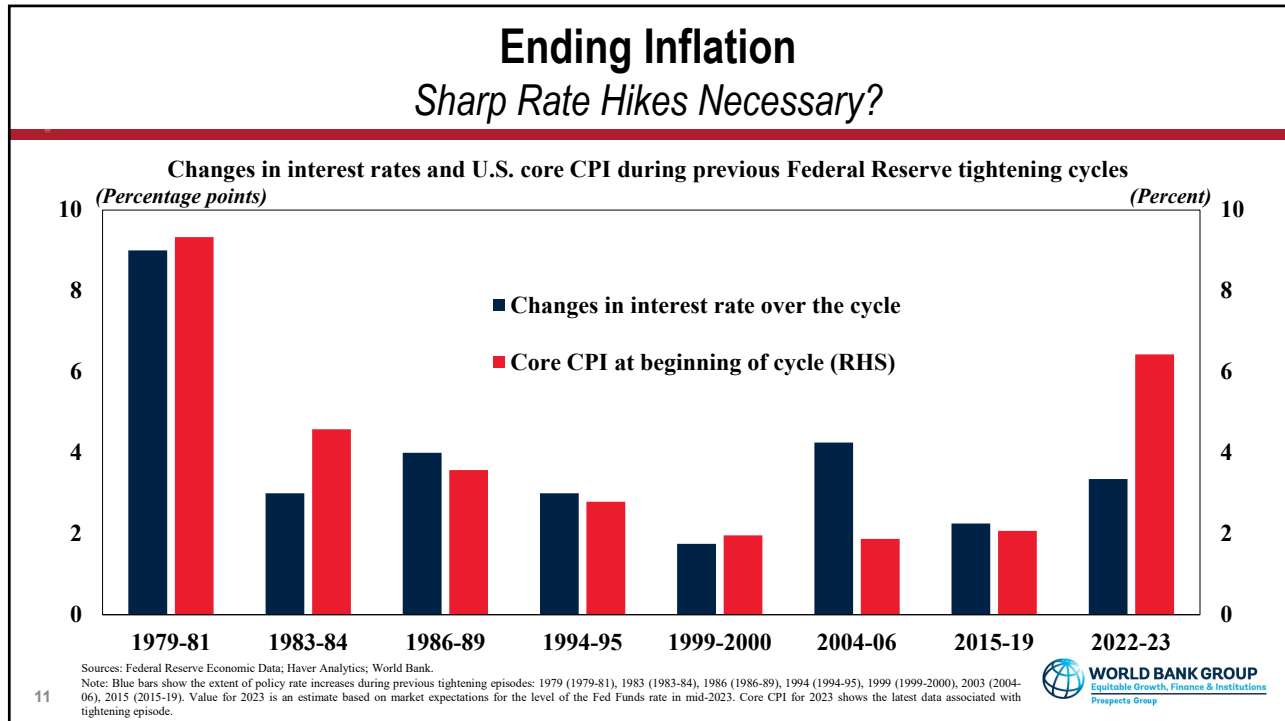
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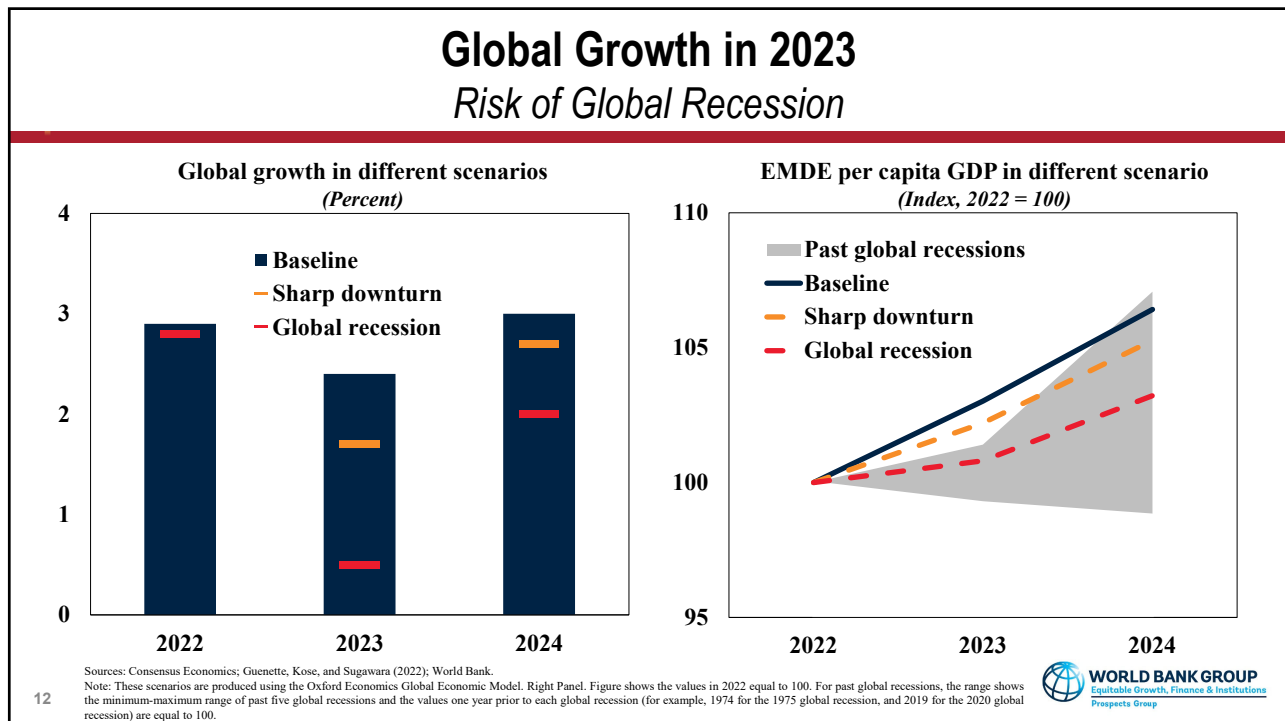
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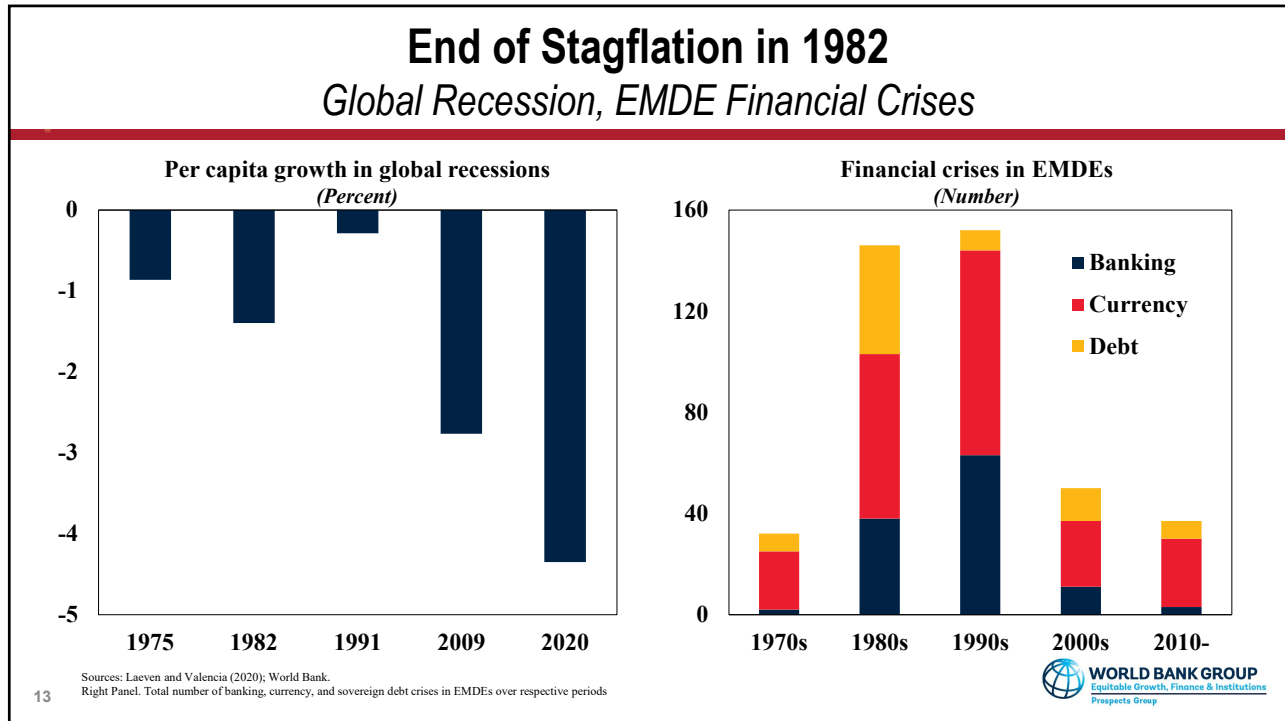
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## Policy Priorities - 1

### *Managing Demand Pressures*

#### ***Monetary policy***

- Ensure inflation expectations are strongly anchored
- Communicate policy decisions clearly within credible policy frameworks
- Consider the potential spillovers of globally synchronous domestic policy actions

#### ***Fiscal policy***

- Address concerns about longer-term debt sustainability and limited fiscal space (e.g., improving debt transparency and management, resource mobilization, and spending efficiency)
- Provide targeted relief to protect vulnerable households

#### ***Financial policy***

- Prepare for potential financial stress (e.g., rebuilding foreign exchange buffers)
- Monitor and contain risks in the banking sector, including rollover risks and credit quality

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## Policy Priorities - 2

### *Confronting Supply Constraints*

#### ***Supply-side measures***

##### *Labor market*

- Facilitate the reallocation and recruitment of workers through active labor market policies

##### *Energy market*

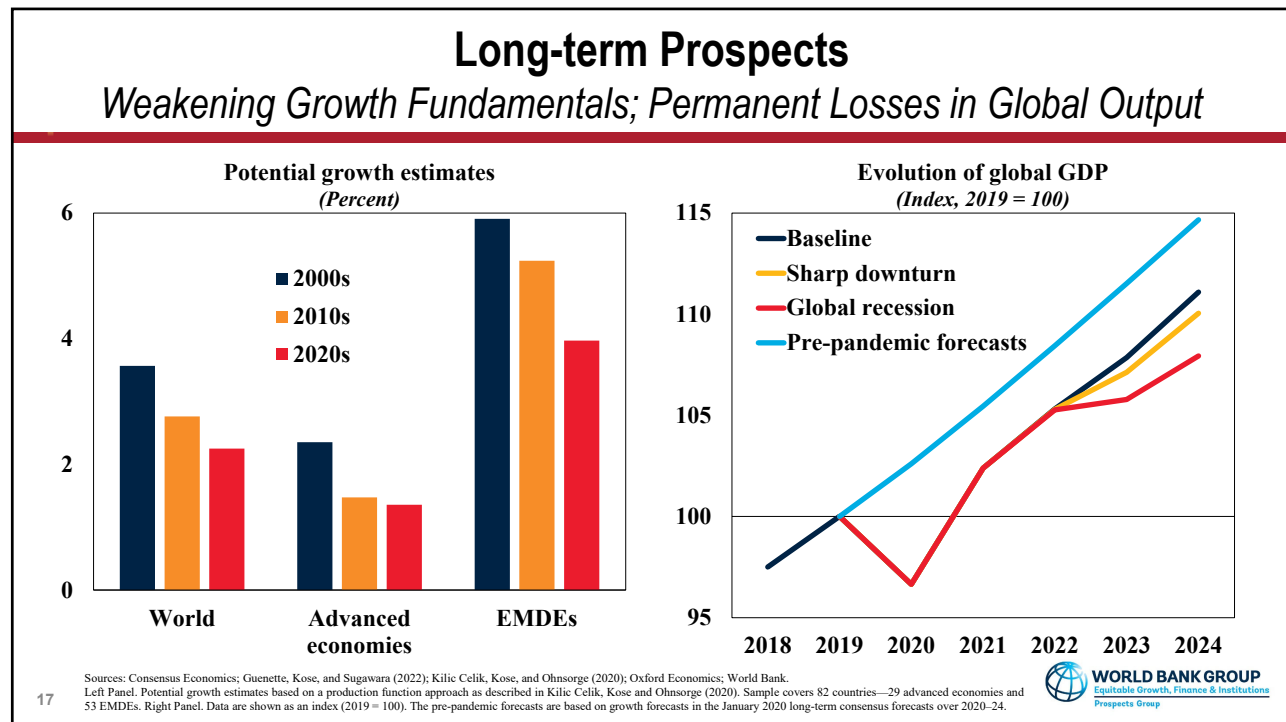
- Accelerate transitions to low-carbon energy sources and energy consumption reduction

##### *International trade*

- Renew support for a rules-based international economic order to alleviate global supply bottlenecks and guard against the threat of protectionism and trade network fragmentation

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- 3** **What are the policy priorities for EMDEs?** *Preserve financial stability, contain inflation, ensure complementary fiscal and structural policies.*

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