

# World Economic Situation & Prospects report-2023

February 3, 2023

**In news-** The United Nations' World Economic Situation and Prospects 2023 was published recently.

## **Key highlights of the report-**


Following are the key highlights of the report:

- According to the new report, **Global gross domestic product (GDP) is forecast to drop to 1.9 per cent in 2023 from 3 per cent in 2022.**
- **The reasons are the food and energy crises** that hit the world economy hard in 2022, against the backdrop of COVID-19 and the Ukraine war.
- The world's **output growth can bounce back to 2.7 per cent in 2024**, subject to a change in the war situation and the disruption of supply chains.
- **The world's average inflation rate was at 9 per cent in 2022**, which led to budgetary constraints in several developed as well as developing countries.
- **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 per cent in 2022 to 4.8 per cent in 2023.**
- On the contrary, **growth in India is expected to remain strong at 5.8 per cent, albeit slightly lower than the estimated 6.4 per cent in 2022**, as higher interest rates and a global slowdown weigh on investment and exports.
- The report indicated that **India's food and energy**

**subsidies prevented a major downfall.**

- The report said that the **prospects are more challenging for other economies in the region. Bangladesh, Pakistan and Sri Lanka sought financial assistance** from the International Monetary Fund (IMF) in 2022.
  - A **slight reversal in poverty eradication was noted in early 2019, but this halted due to the pandemic.**
  - According to the World Bank, several global crises pushed an additional 75 to 95 million people into extreme poverty in 2022, compared to pre-pandemic projections.
  - Income inequalities were evident. **Globally, the average income for the bottom 40 per cent was \$2,935 in 2021**, a slight decline from \$2,951 in 2019.
  - **The average income for the top 10 percent income group increased from \$124,668 in 2019 to \$126,153 in 2021**, signalling widening income inequality.
  - The International Monetary Fund has an allocation called the Special Drawing Rights (SDR), to provide liquidity to the global financial system in times of emergencies.
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- **In August 2021, a \$650 billion lending was arranged from the SDR, which is the largest amount withdrawn for this purpose in history.**
  - **Of this amount, only \$21 billion was allocated to low-income countries.** However, some countries such as China donated some of their SDR \$10 billion of its \$40 billion to African countries.
  - While the SDRs remain an important source of liquidity support for countries facing balance-of-payment challenges, the interest rate on them rose sharply in 2022.

- The international community will need to cap interest and charge rates to ensure that the poorest and most vulnerable countries can access the facility to meet near-term financing needs.
- **The Group of 20 Common Framework for Debt Treatments is considered the main international debt relief mechanism** that was availed of by only three countries.
- It is a programme offered by G20 countries to defer official debt service, particularly by developing countries and low-income countries.


**United Nations** | Department of Economic and Social Affairs

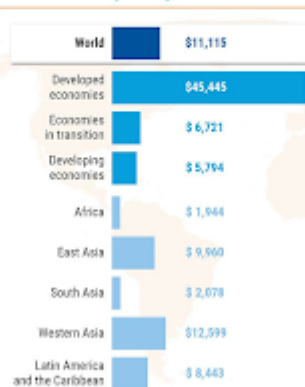
## World

A series of severe and mutually reinforcing crises has hit our world, with an energy and food crisis, record high inflation and extreme weather events bearing down on the global economy.



## World Economic Situation and Prospects 2023

GDP per capita 2022



GDP growth

