



Growth After the Pandemic Global Recession

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Three Questions

- 1 **What are near-term growth prospects?** *Strong growth rebound in the near-term but most EMDEs lagging behind. Risks are tilted to the downside.*
- 2 **What are long-term growth prospects after the pandemic?** *More pronounced growth slowdown over the 2020s, following multi-year reversals of income gains.*
- 3 **What are policy priorities?** *Control the pandemic; support the recovery while safeguarding price stability and fiscal sustainability; implement reforms to ensure green, resilient and inclusive recovery. Global policy coordination is essential!*

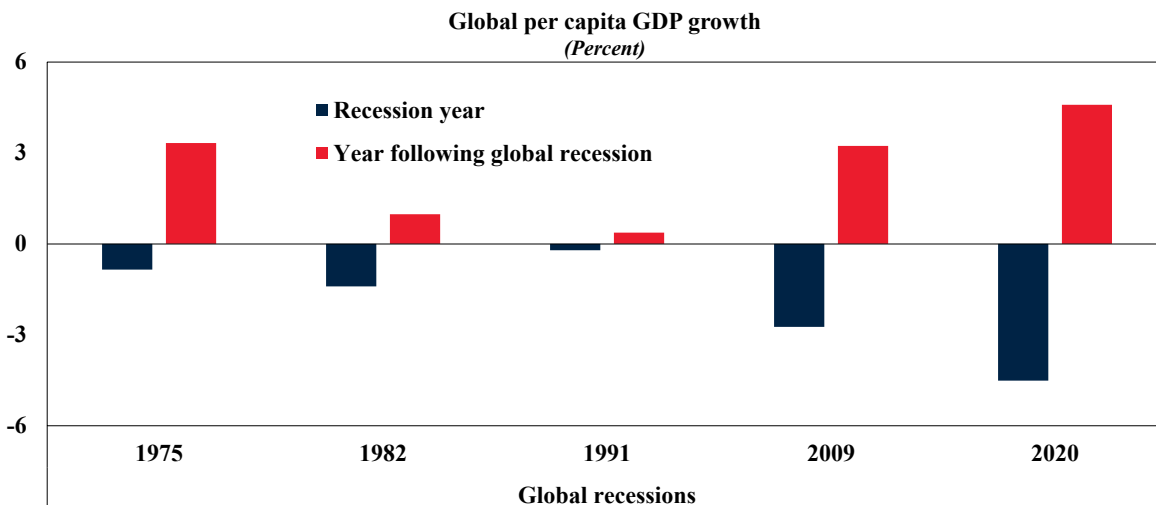
* EMDEs = Emerging Market and Developing Economies

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Growth after Global Recessions

Strong Rebound after a Sharp Contraction in 2020



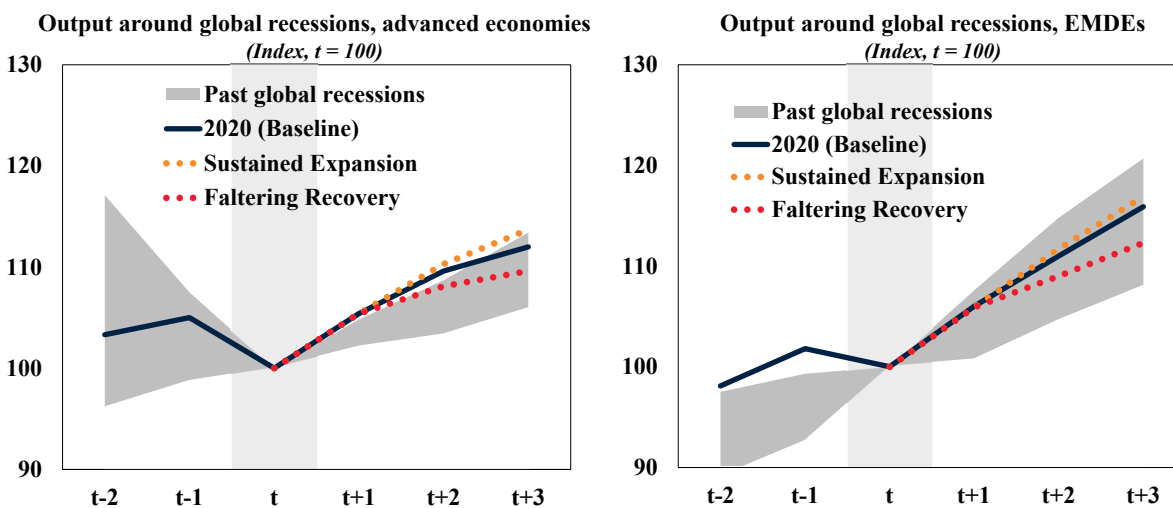
3 Source: World Bank.
 Note: Global per capita GDP growth in years of global recessions and the following years. Global GDP is calculated using real U.S. dollar GDP weights at average 2010-19 prices and market exchange rates.



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Uneven Recovery

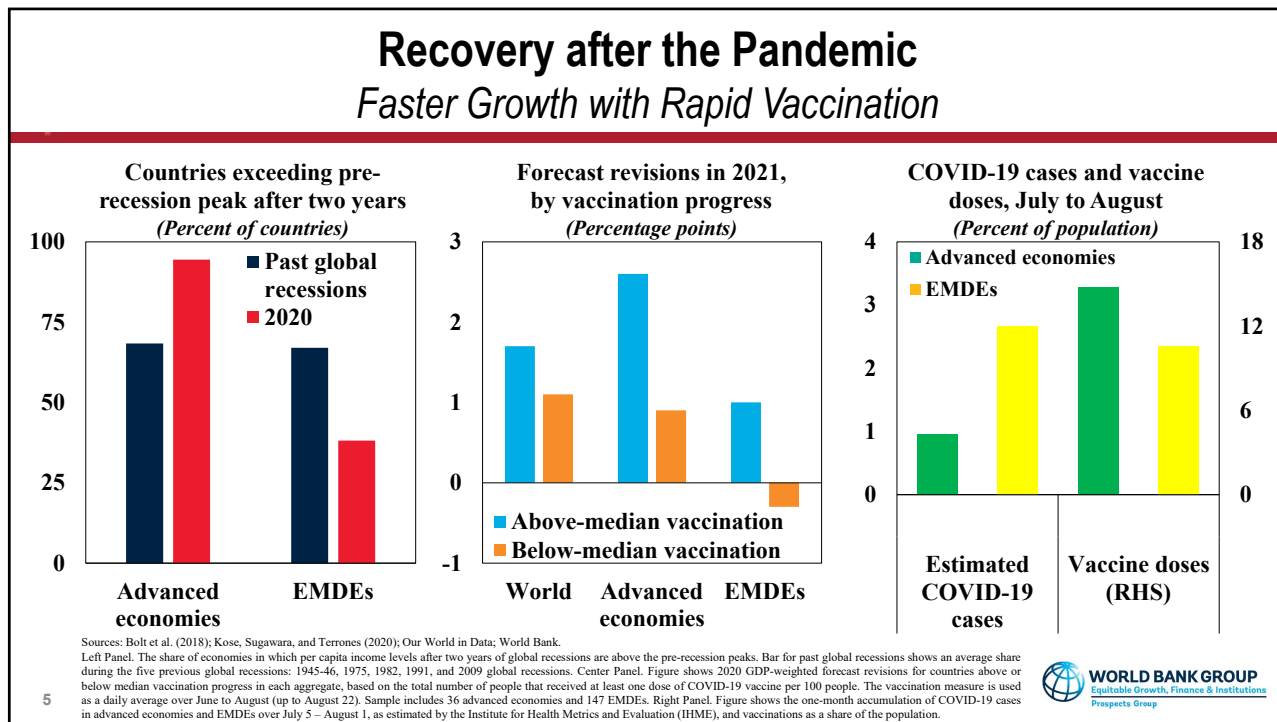
Strongest Recovery in Advanced Economies; Weaker Rebound in EMDEs



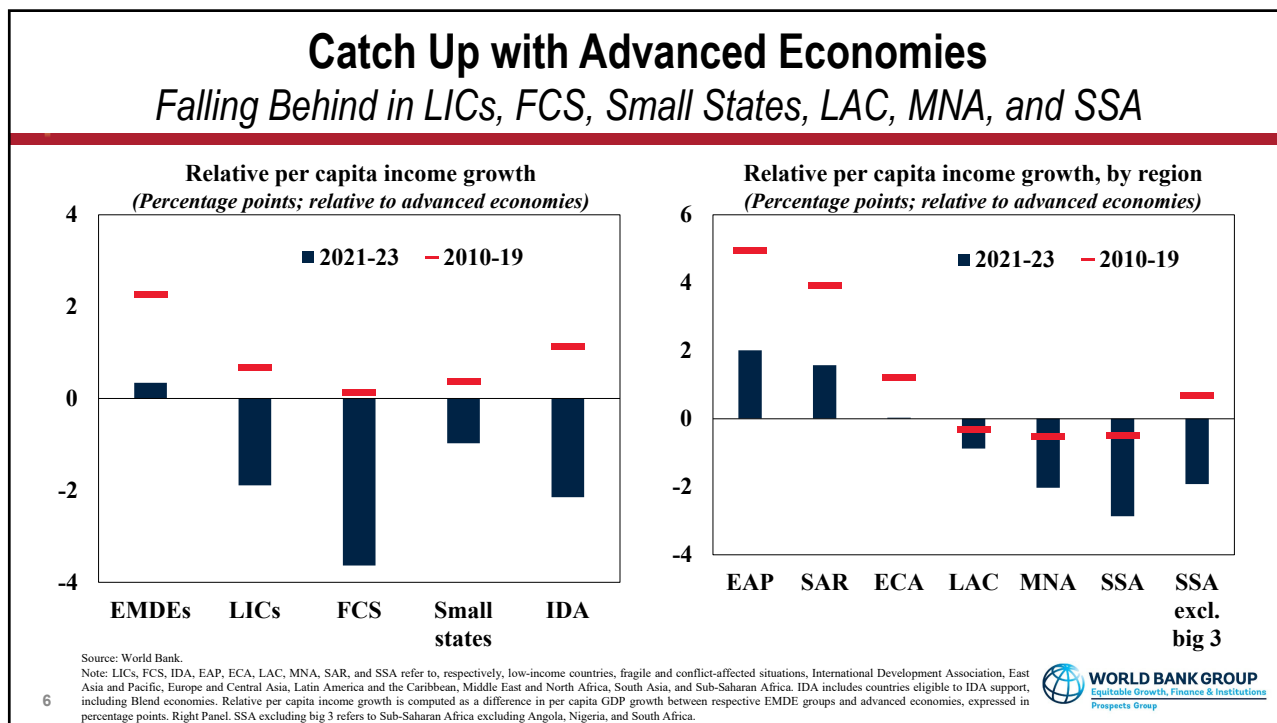
4 Sources: Bolt et al. (2018); Kose, Sugawara, and Terrones (2020); World Bank.
 Note: Sample includes 36 advanced economies and 147 EMDEs, though the sample size varies by year. Past global recessions shading includes 1945-46, 1975, 1982, 1991, and 2009 global recession episodes.



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Three Questions

2 What are long-term growth prospects after the pandemic? *More pronounced growth slowdown over the 2020s, following multi-year reversals of income gains.*

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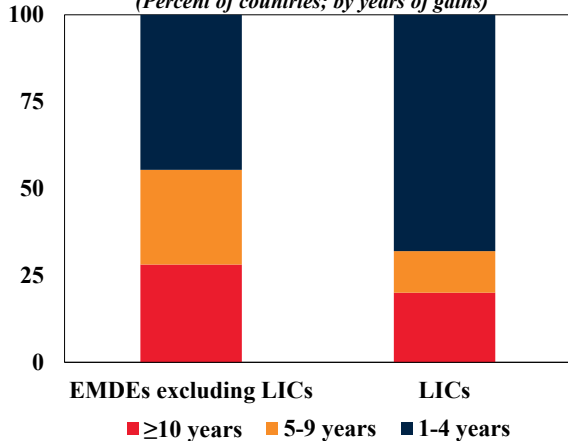
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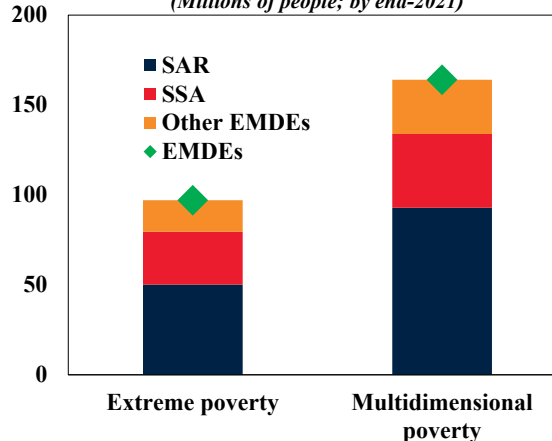
Income and Poverty

Substantial Income Losses; Significant Increase in Poverty

EMDEs with per capita income gains reversed in 2020
(Percent of countries; by years of gains)



Increase in poverty headcounts
(Millions of people; by end-2021)



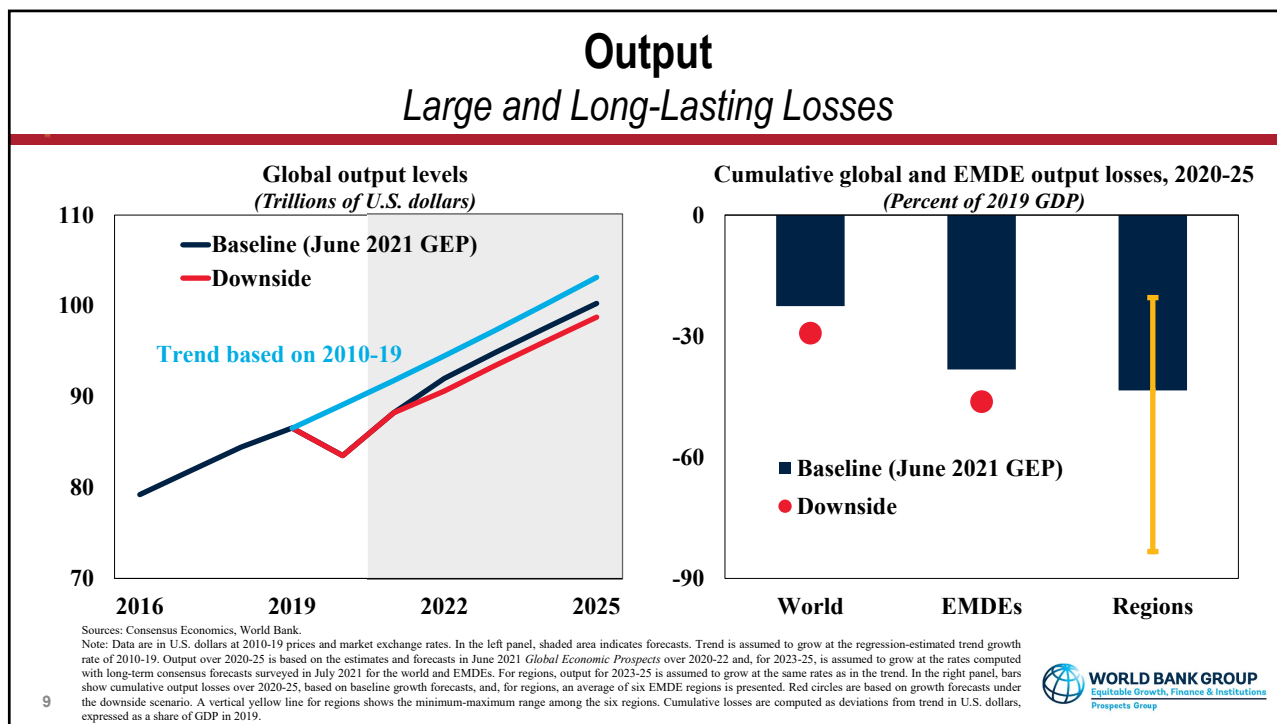
Sources: Mahler et al. (2021); World Bank.

Left Panel. LICs refers to low-income countries. Figure shows percent of EMDEs by the number of years of lost per capita income gains in 2020. Right Panel. SAR and SSA refer to South Asia and Sub-Saharan Africa, respectively. Figure shows the estimated number of people pushed into poverty as a result of the pandemic. This is calculated by comparing poverty using pre- and post-pandemic growth forecasts (Lakner et al. 2020). Extreme poverty reflects the international poverty line of \$1.90/day. Multidimensional poverty also includes deprivations in health, education, and living standards (UNDP and OPHI 2020; World Bank 2020). Percent increase in multidimensional poverty as a result of the pandemic is estimated to be the same as for extreme poverty.

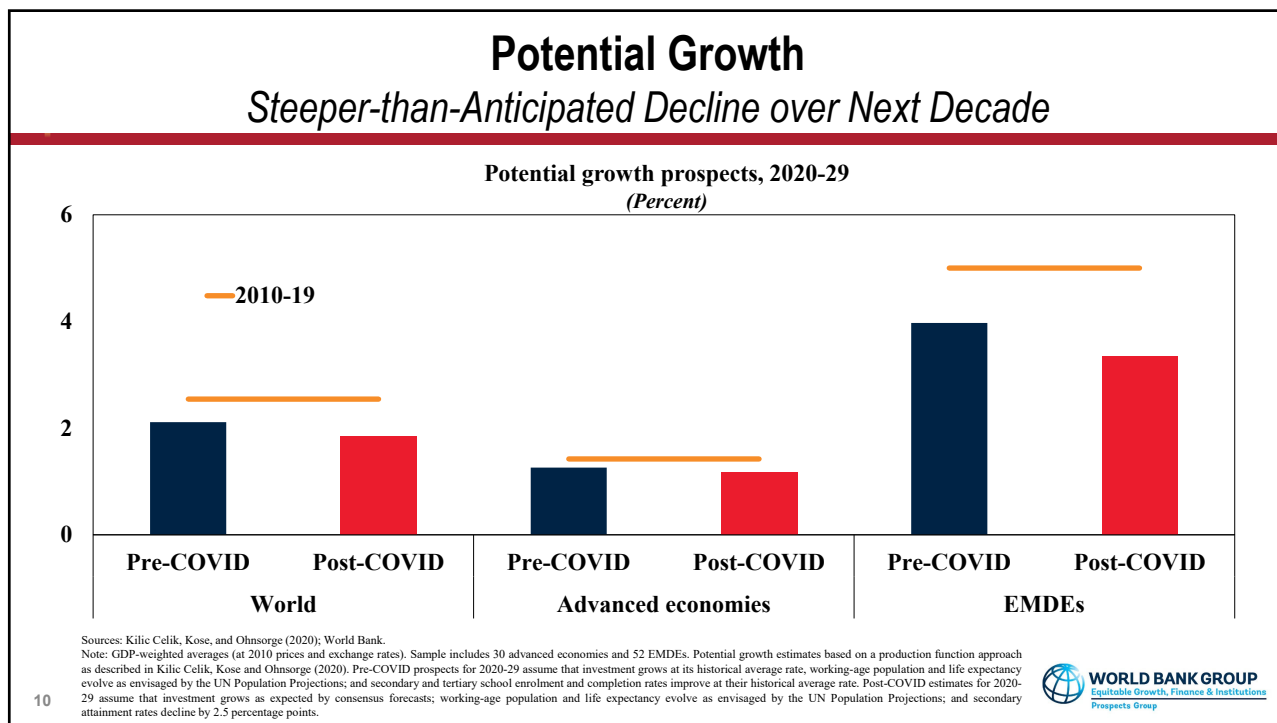
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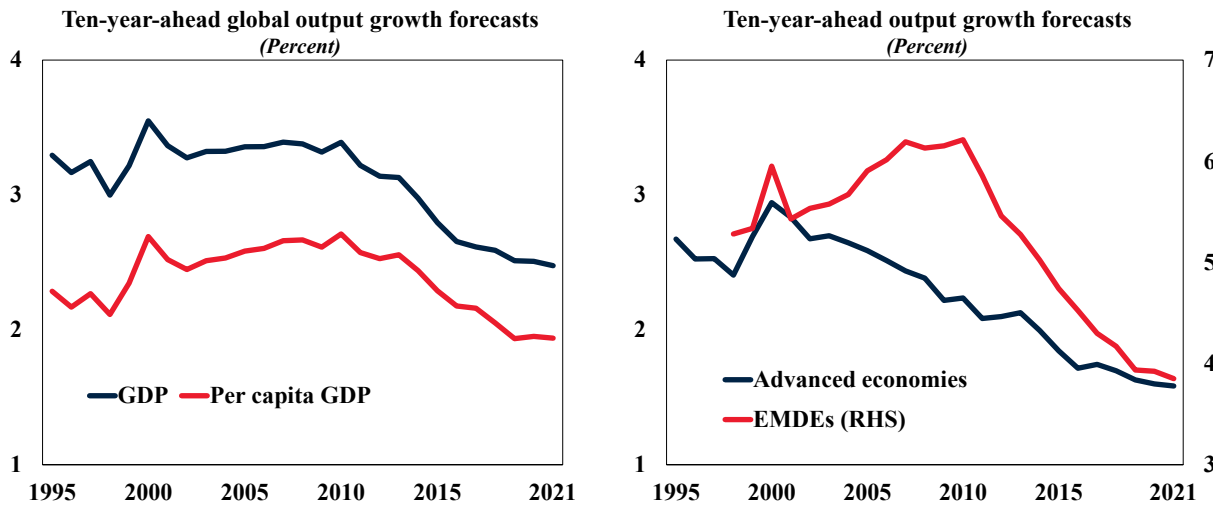
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Long-Term Growth Expectations - 1

Declining



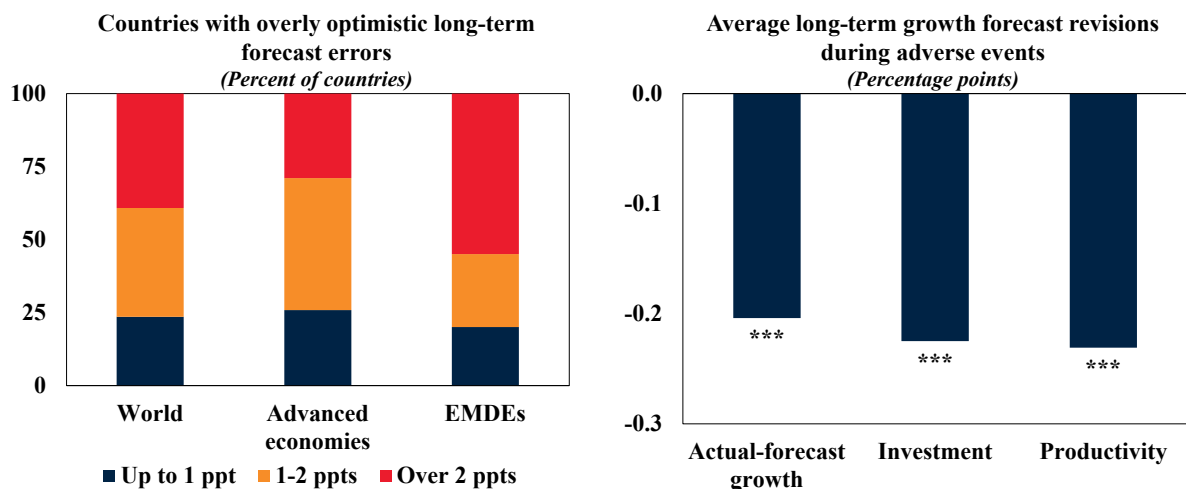
Sources: Consensus Economics, United Nations; World Bank.
 Note: Aggregate growth calculated using weights based on GDP at 2010-19 prices and market exchange rates. Results from the latest Consensus Economics surveys in each year are presented. Sample includes 84 economies—33 advanced economies and 51 EMDEs. The horizontal axis shows the years when Consensus Economics forecasts were compiled. Left Panel. Per capita GDP growth is computed as the difference between GDP growth and population growth.



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Long-Term Growth Expectations - 2

More Optimistic than Realizations; Decline During Adverse Events



Sources: Consensus Economics; Dieppe (2020); World Bank.
 Left Panel. Share of countries by the size of average forecast errors computed with available data up to 2020. Overly optimistic long-term forecast errors indicate growth forecasts made 10 years ago are higher than realized growth (i.e., positive forecast errors). Right Panel. Average changes in long-term (10-year-ahead) growth forecasts during persistent spells of unfavorable events—growth disappointments relative to forecasts made a year ago, investment slowdowns, and productivity slowdowns. *** denotes that changes during such events are statistically significantly different from zero.



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- 3** **What are policy priorities?** *Control the pandemic; support the recovery while safeguarding price stability and fiscal sustainability; implement reforms to ensure green, resilient and inclusive recovery. Global policy coordination is essential!*

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Policy Challenges

End Pandemic; Support Recovery; Ensure Green, Resilient, Inclusive Development

End the pandemic

- Accelerate vaccine distribution and deployment

Macroeconomic policies to balance...

- Supporting the recovery
- Preserving price stability and fiscal sustainability

Reforms for green, resilient, and inclusive development

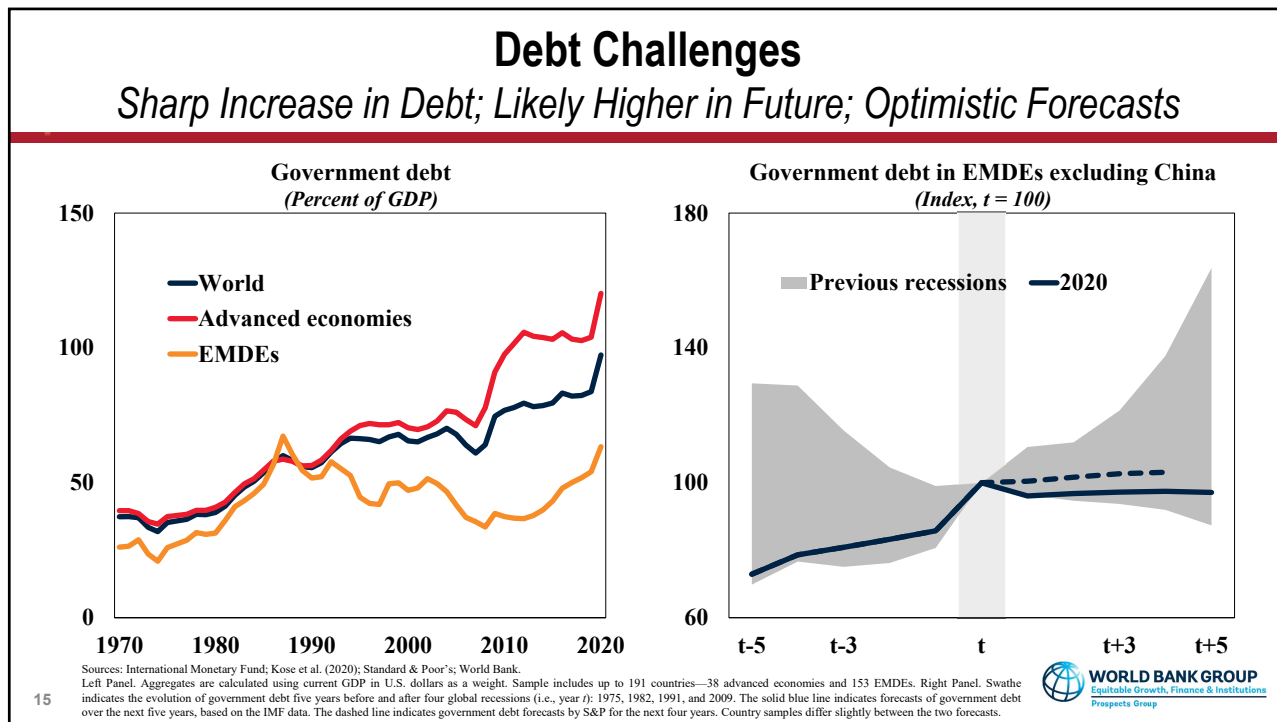
- Reduce trade costs
- Encourage worker reallocation
- Raise human capital
- Increase digital connectivity
- Address informality
- Spur green investment

Coordinate policies globally!

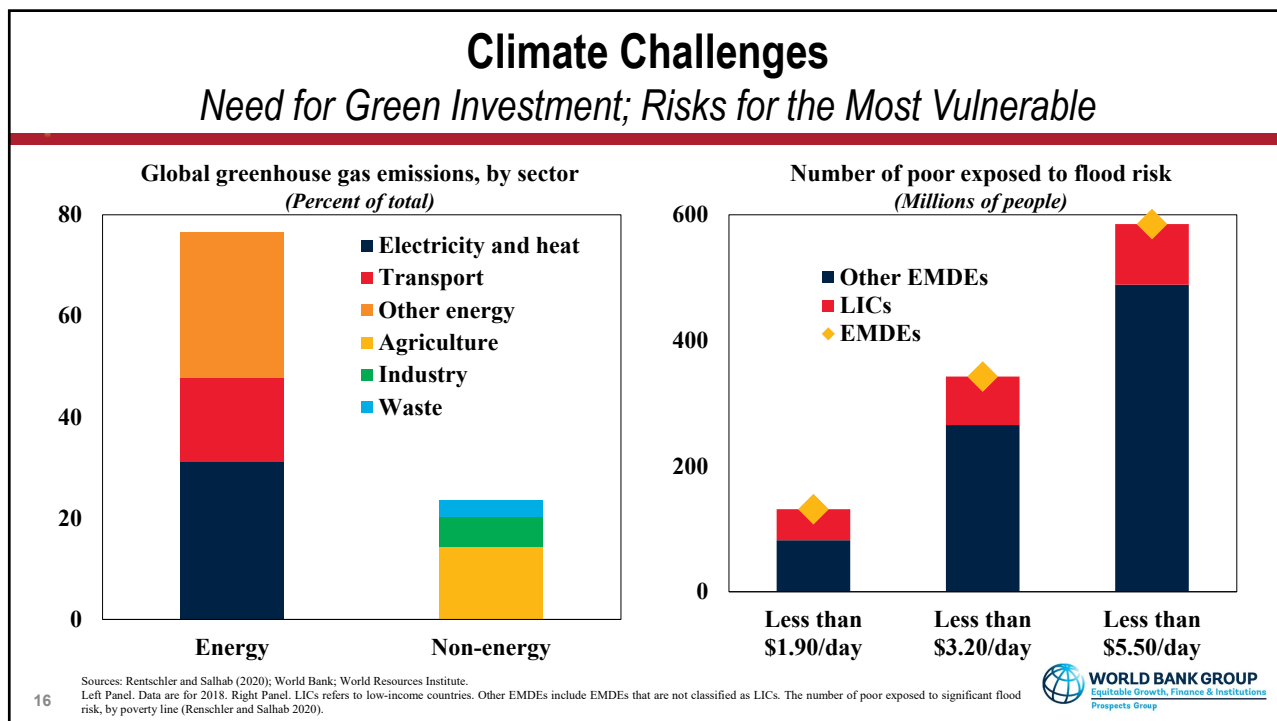
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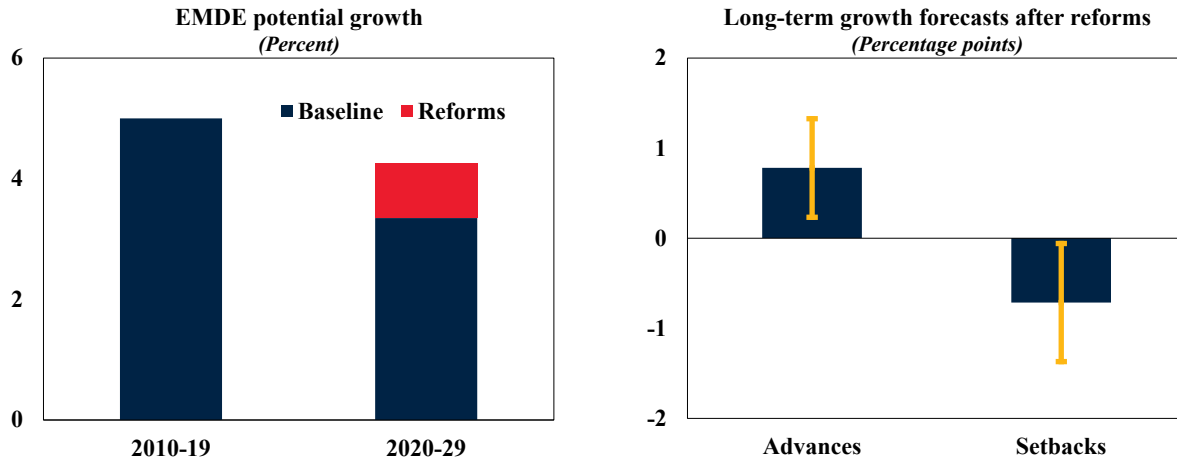


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Reforms to Build Back Better Higher Investment, Stronger Growth Prospects



Sources: Consensus Economics; ICRG; Kilic Celik, Kose, and Ohnsorge (2020); World Bank.
 Left Panel. GDP-weighted average (at 2010 prices and exchange rates) for 52 EMDEs. Potential growth estimates based on a production function approach as described in Kilic Celik, Kose, and Ohnsorge (2020). Estimates for 2020-29 assume that investment grows as expected by consensus forecasts; working-age population and life expectancy evolve as envisaged by the UN Population Projections; and secondary attainment rates decline by 2.5 percentage points. Policy improvements scenario assumes that each country matches its own highest ten-year average investment growth and ten-year improvements in school enrolment and completion rate. Right Panel. Cumulative response of long-term growth forecasts after five years. Coefficient estimates of a local projection estimation on reform advances and setbacks are defined as years in which the average of four indicators by ICRG increases and decreases, and such changes are not unwound for at least three years. Sample includes 57 countries during 1990-2020.

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(April and October)
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- [Global Productivity](#) – **July 2020**
- [Global Waves of Debt](#) – **December 2019**

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Questions & Comments

Thanks!

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