

## CORPORATE OFFICE

### Delhi Office

706 Ground Floor Dr. Mukherjee  
Nagar Near Batra Cinema Delhi -  
110009

### Noida Office

Basement C-32 Noida Sector-2  
Uttar Pradesh 201301

# CURRENT AFFAIRS

**Date:** 16 January 2024

## GLOBAL ECONOMIC PROSPECTS REPORT

This article covers 'Daily Current Affairs' and the topic details of "Estimates of GDP growth by Global Economic Prospects Report". This topic is relevant in the "Indian Economy and International Institutions" section of the UPSC CSE exam.

**UPSC MAINS GS2,3 Syllabus :** Important International Institutions, growth and development

### Why in the News?

The World Bank (WB) recently published its Global Economic Prospects Report, which indicates that the global economy may perform poorly by the end of 2024, representing the worst half-decade of gross domestic product (GDP) growth in the last 30 years.

### Important highlights of the published reports

- **Better Outlook Than Last Year:** Due to the resilience of the US economy, there is less chance of a worldwide recession this year, which has improved the state of the world economy overall. But increasing global tensions could create fresh near-term threats for the world economy.
- **Global Growth:** From 2.6% in 2023 to 2.4% in 2024, it is predicted that the world's growth would slow for the third year in a row. The growth rate of developing economies is expected to be merely 3.9%, which is more than 1% less than the average for the preceding ten years. Lower than anticipated, low-income countries are likely to increase by 5.5%.
- **Medium-Term Prospects for Developing Economies are deteriorating:** Although the state of the world economy is stronger now than it was a year ago, many emerging economies' medium-term prospects have gotten worse. Slowing growth, weak global trade, and tight financial conditions are some of the contributing factors.
- **Slowest Half-Decade of Gross Domestic Product (GDP) Growth in 30 Years:** With a growth rate of 2.4% in 2024, the world economy is expected to develop at its weakest pace in three decades.

- **Problems with International Trade and Borrowing Costs:** It is anticipated that trade will rise globally by just half as much in 2024 as it did in the ten years before the pandemic. It is anticipated that borrowing would continue to be expensive for developing economies, particularly those with poor credit ratings.
- **Low Growth in the Near future and High Debt:** Low growth in the near future is predicted, especially in developing nations, which will result in high debt levels and restricted access to food. That would hinder in the advancement of numerous international goals.

### Some of the suggestions given by the Report are :

- In order to prevent a missed opportunity in the present decade, immediate action is required to tighten fiscal policy frameworks and expedite investment.
- The report recommends that developing nations invest 'formidable' amounts, almost USD 2.4 trillion annually, to combat climate change and accomplish other important global development goals by 2030.
- The implementation of comprehensive policy packages, encompassing enhancements to fiscal and monetary frameworks, growth of cross-border trade and financial flows, amelioration of the investment climate, and reinforcement of institutional quality, is imperative for the developing economies.

### About World Bank

- It was founded in **1944** as the International Bank for Reconstruction and Development (**IBRD**), alongside the International Monetary Fund (IMF). The IBRD evolved into the World Bank.
- The World Bank Group is a one-of-a-kind global cooperation of **five** organisations dedicated to reducing poverty and fostering equitable growth in developing nations.
- The World Bank is a specialised agency of the United Nations.
- Its **Five** Development Institutions are :

## GLOBAL ECONOMIC PROSPECTS

# 61%

expect the **global economy to weaken** in the coming year

### Chief economists' expectations for the year ahead



93%

pace of interest rate rises will slow



90%

geopolitics will be a source of global economic volatility



86%

the worst of the global inflationary surge will have passed



85%

lending conditions for businesses will tighten



79%

domestic politics will be a source of global economic volatility



68%

labour market conditions will loosen in advanced economies



1. International Bank for Reconstruction and Development (IBRD)
2. International Centre for the Settlement of Investment Disputes (ICSID).
3. International Finance Corporation (IFC).
4. Multilateral Guarantee Agency (MIGA)
5. International Development Association (IDA)

### **Prelims practice question**

**Q1) What is the primary purpose of the International Bank for Reconstruction and Development (IBRD), a part of the World Bank Group?**

- 1) Providing financial assistance to developing countries for infrastructure projects.
- 2) Regulating international trade.
- 3) Facilitating cultural exchanges between member nations.

**Select the correct answer using the code given below:**

- A) 1 only
- B) 2 only
- C) 1 and 3
- D) 1 and 2

**Answer: A**

**Q2) What is the main objective of the International Development Association (IDA), a part of the World Bank Group?**

- 1) Providing short-term emergency loans to developing countries.
- 2) Offering grants and concessional loans to the world's poorest countries.
- 3) Regulating international trade agreements.

**Select the correct answer using the code given below:**

- A) 1 only
- B) 2 only
- C) 1 and 3
- D) 2 and 3

**Answer: B**

### **Mains practice question**

**Q1) Examine the effectiveness of the World Bank in promoting the sustainable development. What are the environmental and social concerns associated with some of the World Bank's projects, and how can these be addressed?**

**Q2) Discuss the role of the World Bank in addressing global poverty and economic development. What are the key challenges the World Bank faces in achieving its objectives?**

**Himanshu Mishra**