World Economic Situation and Prospects as of mid-2024

Summary

The global economic outlook has improved since January, with major economies avoiding a severe downturn. The world economy is now projected to grow by 2.7 per cent in 2024, instead of 2.4 per cent forecasted earlier, on the back of better-than-expected performance of the United States economy and some improvement in the outlook for several large emerging economies. The modest gain in the growth momentum is partly offset by the downward revisions of the growth outlook for the European Union, Africa, and Western Asia. On balance, the near-term economic outlook is only cautiously optimistic as economic vulnerabilities remain, amid persistently high interest rates, continuing geopolitical tensions, and increasing climate risks.

The world economy is also grappling with challenges to accelerate the transition to net zero emissions. Technological breakthroughs – especially in renewables and batteries, requiring extraction, processing and use of critical minerals – has opened up new opportunities for boosting economic growth and achieving the Sustainable Development Goals, especially in mineral-rich developing economies. Taking advantage of such opportunities and avoiding a renewed “resource curse” will require sound national policies and effective implementation capacities. These countries cannot do it alone. An enabling international environment and stronger international cooperation will be essential to harness the potential of critical mineral resources and accelerate progress towards sustainable development.
Contents

Summary .......................................................... 11

Global macroeconomic trends .................................. 1
Global overview .................................................... 1
Inflation ............................................................. 4
Labour markets ...................................................... 5
International investment ......................................... 6
International trade ................................................ 6
Monetary and fiscal policies ...................................... 8

Harnessing the potential of critical minerals ............... 11
Critical minerals are indispensable for energy transition .... 11
Investment in critical minerals faces major challenges .... 13
Surging demand offers significant opportunities for developing countries .......................... 17
Coherent global and national action is essential .......... 18

Regional economic outlook .................................... 20
Developed economies ........................................... 20
United States of America ....................................... 20
Europe ............................................................ 21
Developed Asia and the Pacific ................................ 21
Economies in transition ......................................... 22
Developing economies .......................................... 22
Africa .............................................................. 22
East Asia .......................................................... 23
South Asia ........................................................ 24
Western Asia ...................................................... 24
Latin America and the Caribbean ............................ 25

Table
1. Growth of gross domestic product ................... 2

Figures
1. Growth of economic output ......................... 1
2. Manufacturing Purchasing Managers’ Index and private consumption ............................. 3
3. Growth of gross domestic product per capita ...... 4
4. Youth unemployment rates (ages 15-24) in selected European countries .................. 5
5. Annual investment growth ............................... 6
6. Annual investment growth in selected developed economies, by asset type ..................... 7
7. Merchandise exports ........................................ 7
8. Drewry world container index and number of cargo ships crossings through the Suez Canal, by week ............................................. 7
9. Net interest payments on public debt ............... 9
10. Critical minerals used in selected clean energy technologies ............................................. 12
11. Growth of demand of selected critical minerals by 2050 ................................................. 13
12. Global supply and demand for selected critical minerals ..................................................... 13
13. Share of top three producing countries in production of selected minerals and fossil fuels, 2019 ....................................................... 14
14. Price and price volatility of selected minerals . . 15
15. Critical minerals-related policies ...................... 16
16. Real GDP of selected developed economies ...... 20
17. Real GDP by developing region ..................... 24
Global macroeconomic trends

Global overview

The global economic outlook has improved since the previous forecast released in January 2024. Despite the most aggressive monetary tightening in decades, a scenario of hard landing of the United States economy has largely receded. Most major economies have managed to bring down inflation without increasing unemployment and triggering a recession. However, the outlook is only cautiously optimistic as higher-for-longer interest rates, debt difficulties, and escalating geopolitical risks will continue to challenge stable and sustained economic growth. Ever-worsening climate shocks continue to pose additional challenges to the global economic outlook, threatening decades of development gains, especially for least developed countries and small islands developing States. The breakneck pace of technological change – including in machine learning and artificial intelligence – presents new opportunities and risks to the global economy, promising to boost productivity and advance knowledge on the one hand, while exacerbating technological divides and reshaping labour markets on the other.

The world economy is now forecast to grow by 2.7 per cent in 2024 (an increase of 0.3 percentage points from the forecast in January) and 2.8 per cent in 2025 (an increase of 0.1 percentage points) (figure 1). The upward revisions mainly reflect improved prospects in the United States of America and several large developing economies, notably India and Brazil. However, the economic outlook for many African countries has deteriorated since the last release. On average, global growth in the coming years is expected to remain below the average of 3.2 per cent during 2010–2019 (table 1).

Recent high frequency data indicate improving trade performance since the last quarter of 2023. In February, the global Purchasing Managers’ Index moved to the expansionary zone for the first time since August 2022 (figure 2a). Tight
### Table 1

**Growth of gross domestic product**

<table>
<thead>
<tr>
<th>Annual percentage change</th>
<th>2010-2019 average</th>
<th>2022</th>
<th>2023(^a)</th>
<th>2024(^b)</th>
<th>2025(^b)</th>
<th>Change from World Economic Situation and Prospects 2024</th>
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Source: UN DESA, based on estimates and forecasts produced with the World Economic Forecasting Model.

Notes: a partially estimated; b forecast; c excludes Libya for the whole period and Sudan for the period 2023-2025; d excludes Afghanistan for the period 2023-2025; e growth rates are on a calendar-year basis; f excludes the State of Palestine for the period 2023-2025; g excludes Guyana for the period 2022-2025 as the rapid expansion of oil production distorts the regional economic assessment; h excludes Afghanistan and Sudan for the period 2023-2025; i includes goods and services; j based on a 2015 benchmark.
labour markets – particularly in the developed economies – continue to sustain relatively strong household spending, notwithstanding the lagged effects of monetary tightening on consumption (figure 2b). The higher-for-longer interest rates in major developed economies, as highlighted in World Economic Situation and Prospects 2024, will continue to drag investment and productivity growth in the near term.

The near-term growth prospects for major economies diverge. The outlook of the United States continues to improve, now being expected to grow by 2.3 per cent in 2024. A strong labour market has continued to deliver jobs and real income growth, while stronger household balance sheets – especially of the higher- and middle-income families – support additional consumption.

The European Union and the United Kingdom of Great Britain and Northern Ireland are expected to register modest improvement this year, after barely growing in 2023. A few economies in the European Union experienced a recession in 2023 – albeit a very shallow one – amid tight financing conditions and the withdrawal of fiscal support. Nevertheless, declining inflation, robust wage growth and projected rate cuts by the European Central Bank and the Bank of England are expected to provide some impetus to regional growth in the near term.

China's growth is projected to moderate to 4.8 per cent in 2024, from 5.2 per cent in 2023. Pent-up consumer demand – released after the lifting of pandemic-related restrictions – has largely dissipated. While enhanced policy support is expected to boost investments in public infrastructure and strategic sectors, the property sector poses a significant downside risk to the Chinese economy.

The forecast for the Russian Federation has been revised up to 2.7 per cent in 2024 due to the strong first quarter activity and anticipated fiscal spending effects.

Several large developing economies – Indonesia, India, and Mexico – are benefiting from strong domestic and external demand. In comparison, many economies in Africa and Latin America and the Caribbean are on a low-growth trajectory (table 1 and figure 3), facing high inflation, elevated borrowing costs, persistent exchange rate

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**Figure 2**

**Manufacturing Purchasing Managers’ Index and private consumption**

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**a) Manufacturing Purchasing Managers’ Index**

Index, seasonally adjusted

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**b) Global private consumption**

Index, March 2015 = 100

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Source: UN DESA, based on data from CEIC and Oxford Economics.
pressures and lingering political instability. The possible intensification and spreading of conflicts in Gaza and the Red Sea add further uncertainties to the near-term outlook for the Middle East.

Growth in the least developed countries (LDCs) is forecast to improve slightly from 4.2 per cent in 2023 to 4.8 per cent in 2024. Debt sustainability remains precarious in many LDCs, with 5 countries in debt distress and another 15 at a high risk of debt distress. The landlocked developing countries (LLDCs) are expected to grow by 4.7 per cent in 2024, largely unchanged from 2023. Geopolitical tensions have particularly affected the economic outlook of a few LLDCs due to their dependence on neighbouring transit countries to access international trade routes.

The economic outlook for the small island developing States (SIDS) is set to improve, with GDP growth projected to increase from 2.4 per cent in 2023 to 3.3 per cent in 2024, primarily fuelled by a sustained rebound in tourism. Inflation is expected to drop from 11.1 per cent in 2023 to 5.5 per cent in 2024 as food and energy prices have continued to decline. Nevertheless, the outlook is subject to elevated downside risks, amid more frequent natural disasters and extreme weather events. Heightened geopolitical tensions could increase pressures on domestic inflation and input costs. High public debt continues to be a major structural challenge.

**Inflation**

Inflation has declined in most countries since their peaks in 2023. Hungary, Latvia, Republic of Moldova, Rwanda and Ukraine have experienced steep disinflation over a twelve-month period. The declining and stabilizing international energy and food prices and weak second-round pass-through effects largely explain the sharp disinflation. Core inflation, which typically excludes food and energy prices, is also approaching the range that can encourage policymakers to loosen their tight monetary policy stances in many countries. Concerns remain that inflation could resurge, as food and energy prices have edged up in recent months, amid geopolitical tensions in the Red Sea and transit challenges in the Panama Canal. With near historically low unemployment rates,
wages are still under upward pressure in many developed economies.

Angola, Argentina, Democratic Republic of Congo, Egypt, Ethiopia, Gambia, Ghana, Lebanon, Malawi, Nigeria, Sierra Leone, Türkiye, Venezuela (Bolivarian Republic of) and Zimbabwe continue to experience high inflation against the backdrop of persistent balance of payments challenges, exchange rate devaluation and pass-through effects. Inflation in the State of Palestine surged in the first quarter of 2024, reflecting the dire economic situation in the Gaza Strip.

**Labour markets**

**Developed economies**

During the first four months of 2024, labour markets in most of Europe, Japan and North America remained tight, with unemployment rates reaching record lows and some sectors experiencing acute labour shortages. In the United States, the unemployment rate hovered around 3.8 per cent. While it is above the historic low of 3.4 per cent registered in April 2023, the uptick is largely explained by an increase in the labour force participation rate.

As of March 2024, the United States economy was adding jobs for 39 months in a row, while wage gains moderated, especially at the bottom of the wage distribution, after a remarkable “wage compression” period in 2022–2023. The increasing share of jobs in non-industrial sectors that are less sensitive to business cycles, implies that the unemployment rate is unlikely to increase markedly even if economic growth falters.

In Europe, despite subdued economic growth in the first quarter of 2024, employment remained at a high level (exceeding 80 per cent in several countries), as firms chose to retain the workers to avoid re-hiring or job training costs. The level of economic activity of European youth remains a weak spot in some parts of the continent, despite noticeable improvements during the last two years. While youth unemployment sharply declined in Greece, Italy, Spain and a few other countries, such as Sweden, saw no progress (figure 4).

**Developing economies**

High levels of informality, gender disparities and high youth unemployment continue to remain widespread in developing countries. Amid subdued economic activity in many developing countries, employment prospects remain weak in the near term. In China, employment prospects have continued to improve since the lifting of pandemic-related measures. In 2023, the urban unemployment rate declined to 5.2 per cent from 5.6 per cent in 2022. In India, labour market indicators have also improved amid robust growth and higher labour force participation. By contrast, the unemployment rate remains persistently high in South Africa at above 30 per cent. In Brazil, the labour market is projected to lose some momentum in 2024.

Labour force participation in Asia and the Pacific and Latin America and the Caribbean has returned to pre-pandemic levels. Also, women’s labour force participation has recently risen in several regions, particularly in South Asia. However, gender and age gaps in participation rates persist. Furthermore, youth unemployment remains a major challenge across developing regions. In Africa, Asia and the Pacific and Latin America, young people face major barriers to entering the labour market, with unemployment rates averaging above 13 per cent. Furthermore, the number of NEET (Not in Education, Employment, or Training)
has recently increased in Africa and remains elevated in Latin America and the Caribbean and Asia and the Pacific. The NEET rates of young women are especially high in South Asia.

**International investment**

Global investment has been on a downward trajectory since 2021, with growth of investment – measured by real gross fixed capital formation – estimated at 2.8 per cent in 2023. This reflects the sharp decline in investment growth in the developing economies from 5.1 per cent in 2022 to 3.7 per cent in 2023 (figure 5). High real interest rates, tight fiscal space, and geopolitical risks undermined investment growth.

Residential investment – a key component in gross fixed capital formation – contracted in the United States, the United Kingdom, and the euro area due to high interest rates, affecting both demand and supply of housing. Residential investment slowed down in Japan but remained positive. Non-residential fixed investment in the United States saw the strongest growth with 1.9 per cent after three years of negative growth. Investment in machinery and equipment registered sharp increases in the United Kingdom and the euro area due to new industrial policies, supporting energy transition and supply chain resilience (figure 6). The weak investment growth in developed countries is projected to continue in 2024, as expectations of interest rate cuts led to the postponing of investment decisions during the first half of 2024.

**International trade**

Growth in global trade in goods remained weak in 2023 (figure 7). The value of global merchandise trade has been on a continuous decline since mid-2022 and further contracted by 5 per cent in 2023. In contrast, the volume of merchandise trade growth remained slightly positive indicating resiliency in global demand for imported goods. The overall decline in merchandise trade is partly driven by weakening industrial output. A strong United States dollar has also weighed on import demand, particularly in developing countries, with South-South trade declining by 7 per cent in 2023. Trade in services remained more resilient and grew by 8 per cent in 2023, although it moderated in the fourth quarter.

Global trade is expected to recover in 2024. The early boost to trade flows in the first months of the year can be attributed to destocking of the inventory that piled up amid supply-chain disruptions in 2021-22. China’s foreign trade grew faster than expected in the first two months in 2024, driven largely by exports to emerging markets, particularly to Brazil, India and the Russian Federation. However, persistent geopolitical tensions in the Middle East and disruptions in the Red Sea, and escalating cost of freight continue to pose challenges to global trade (figure 8). A more pronounced rebound in global trade is likely in the second half of 2024, especially if the United States Federal Reserve and the European Central Bank begin to cut policy rates.

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2 UNCTAD (2024). *Global Trade Update, March 2024.*

3 Ibid.
Figure 6

*Annual investment growth in selected developed economies, by asset type*

- Residential investment
- Non-residential construction
- Machinery and equipment
- Intellectual property products
- Total (percentage)

Percentage points

Source: UN DESA, based on data from CEIC and Eurostat.
Notes: Figures are in constant prices. Data for the United Kingdom, euro area, and Japan are total investment; data for the United States are private investment.

Figure 7

*Merchandise exports*

- Emerging economies
- World excluding United States
- Advanced economies excluding United States
- United States

Percentage change, YoY

Source: UN DESA, based on Federal Reserve Bank of Dallas.
Notes: YoY = year-over-year. Monthly data is available until January 2024.

Figure 8

*Drewry world container index and number of cargo ships crossings through the Suez Canal, by week*

Source: UN DESA, based on data from Drewry Shipping Consultants Limited and the United Kingdom Office for National Statistics.
Monetary and fiscal policies: trends and challenges

Monetary policy

In the first quarter of 2024, the majority of central banks maintained their policy rates unchanged, closely watching the policy decisions of the United States Federal Reserve and the European Central Bank. Despite expectations for both central banks to pivot to interest rate cuts in the second half of the year, the timing and magnitude of monetary easing remain uncertain as inflation remains above the central bank targets. Government bond yields in the United States and the euro area trended upward recently as quantitative tightening measures increased bond supplies to the markets. The central banks that peg their currencies to the United States dollar are expected to closely follow the Federal Reserve’s policy decisions. The European Central Bank’s policy shift will affect the Central African Economic and Monetary Community and the West African Economic and Monetary Union.

Deviating from the predominant “wait and see” monetary policy stances, central banks in Armenia, Azerbaijan, Brazil, Chile, Colombia, Costa Rica, Czechia, Georgia, Hungary, Kazakhstan, Paraguay, Peru, Republic of Moldova, Sri Lanka, Tajikistan, and Ukraine implemented additional rate cuts in the first quarter of 2024 after initiating monetary easing in 2023. In addition, central banks in Argentina, Ghana, Israel, Mexico, Mongolia, Mozambique, and Switzerland pivoted to the easing phase during the first quarter of 2024. After lowering the five-year loan prime rate and the reserve requirement ratio in the first quarter of 2024, the People’s Bank of China is expected to maintain an accommodative stance.4

In contrast, central banks in Angola, Egypt, Kenya, Malawi, Nigeria, Tanzania, Türkiye, Uganda, Venezuela (Bolivarian Republic of), and Zambia continued monetary tightening with additional policy interest rate hikes during the first quarter of 2024. Tight external financing conditions and balance-of-payments constraints increased depreciation pressures, prompting central banks to tighten monetary policy to defend the value of the national currencies. The Bank of Japan has signalled the possibility of further interest rate hikes, after abandoning the negative policy rate regime in March 2024 to stabilize the Japanese yen, which has constantly been under pressure during the past year.

Fiscal policy

The COVID-19 pandemic and global energy and food crises stretched the limits of public finances across all country groups, exacerbating fiscal pressures and debt challenges in many economies. In the aftermath of these shocks, high levels of public debt, rising interest costs and subdued economic growth constrained fiscal space. At the same time, public spending pressures continued to increase. Aging populations are pushing up pension, healthcare, and long-term care costs,5 while governments are facing growing demands to increase policy support for high-tech industries, climate adaptation and green energy transition. In addition, ongoing military conflicts in Ukraine and the Middle East, and rising geopolitical tensions worldwide, have prompted many countries to increase defence spending. This trend is likely to continue, and may even accelerate, in the coming years, potentially crowding out public investments in sustainable development.

The general government debt-to-GDP ratio globally stood at an estimated 94.4 per cent in 2023.6 While this rate is slightly below the 2020 peak, it is 11 percentage points above the pre-pandemic level in 2019 and 35 percentage points higher than before the global financial crisis in 2007. With interest rates expected to stay higher for longer, especially in the United States, the

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4 Xinhua (2024). There is Ample Room for China’s Monetary Policy: Central Bank Governor.
6 Global, regional and country-group averages are weighted by GDP and based on data from the IMF’s World Economic Outlook database, April 2024.
costs of servicing government debt will remain a challenge, absorbing a growing share of fiscal revenues in many developing countries and diverting public funds away from health, education, social protection, and sustainable infrastructure (figure 9). In 2024, governments in Africa are projected to spend on average more than a quarter of total public revenues on interest payments. Debt service burdens are particularly high in several large economies, most notably Angola, Egypt, Kenya, Nigeria, Senegal, South Africa, and Zambia. Interest payments are also projected to further increase from an already high level in the SIDS, reaching 15.9 per cent of revenues in 2024. By contrast, the share of interest expenditures in government revenues remains low in most developed economies and economies in transition, except for the United States, where net interest costs are estimated to reach about 10 per cent of government revenues in 2024.

Against this backdrop, most countries are projected to gradually tighten fiscal outlays in 2024-25 to improve debt sustainability and rebuild fiscal buffers. In 2024, 31 out of 37 developed economies are projected to see an increase in the general government cyclically adjusted primary balance, implying a tightening of the fiscal stance. In the United States, fiscal policy is expected to be roughly neutral over the next few years, after providing moderate support to growth in 2023. The European Union recently adopted reform of the fiscal governance framework, aiming to provide more flexibility in reducing deficits and giving more ownership to member States.7

Many developing country governments are pursuing gradual fiscal consolidation after phasing out support measures to fight the pandemic and the cost-of-living crisis. In Africa, governments are generally aiming to maintain a tight fiscal stance as countries are struggling with large public debt burdens and large fiscal deficits, ranging from an estimated 4.6 per cent of GDP in Egypt to 6.4 per cent in South Africa and

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8.6 per cent in Algeria. In China, the government is expected to maintain a proactive fiscal policy to support economic growth in 2024, including significant new spending on science and technology, new infrastructure and low-carbon transition. India’s government remains committed to gradually reduce the fiscal deficit, while seeking to increase capital investment. In Latin America and the Caribbean, most countries have also embarked on fiscal consolidation, aiming to improve debt sustainability through better targeted and more efficient spending.
Harnessing the potential of critical minerals

Critical minerals are indispensable for energy transition

Accelerating energy transition – adopting renewables and phasing out fossil fuels – is integral to fighting climate change. Achieving net-zero CO₂ emissions targets by 2050 will require rapid adoption of low-emission technologies, for instance by increasing the proportion of electric vehicles (EVs) in total car sales to over 65 per cent by 2030 and completely eliminating new internal combustion engine cars after 2035. Electricity generation from solar photovoltaic (PV) and wind must increase fivefold by 2030 and 16 times by 2050, while electricity from unabated fossil fuels should decrease by 40 per cent by 2030 and essentially disappear by 2050.8

Transforming energy sources – even as developing countries seek to achieve universal access and diversify their economies – requires a rapid ramping up of the supply of a variety of metals and minerals. Metals and minerals are essential inputs for industrial production, energy generation and infrastructure development, also generating considerable public revenues and export earnings in many countries. In 31 economies – most of them in the developing world – exports of minerals, metals and ores represent more than 60 per cent of total exports.9 Botswana, Chile, Malaysia, and Saudi Arabia, among others, have benefited from extracting and exporting their mineral resources and achieving economic growth and development.

While mineral resources can boost economic growth, create jobs, and eradicate poverty, such outcomes cannot be taken for granted. Past experience with mineral-sector driven growth has shown that it is often associated with adverse outcomes. These include the stunted development of other sectors, environmental damage, rent-seeking, exacerbated inequality, persistent poverty and conflict, outcomes collectively referred to as the “resource curse”. Several resource-dependent countries are actively pursuing economic diversification strategies to minimize excessive dependence on mineral resources.10 Effective management of mineral resources – through strengthening governance, institutional capabilities, human capacities and strategic planning – is essential to realise positive outcomes for the SDGs and avoid the negative ones.

The rapid pace of technological change during the past decades has boosted demand for many
new and relatively less-known minerals to manufacture microchips, solar panels, wind turbines or electric car batteries. It has also drawn attention to the relative scarcity of these minerals, or bottlenecks in their supply chains due to geographic concentration in extraction or processing. Many of these – lithium, cobalt, nickel, manganese, among others – have acquired the moniker of “critical minerals,” given their critical importance in new technologies, especially in renewable energy technology.

Lists of critical minerals are country specific. Depending on the criteria used, there are between 35 and 50 critical minerals. A recent survey identified over 30 minerals (and metals) as essential to the energy transition. Key clean energy technologies demand significantly more critical minerals than fossil fuel-based ones. For example, an EV requires six times the critical mineral inputs of a conventional car, and an onshore wind plant requires nine times more mineral resources than a gas-fired power plant (figure 10).

As the deployment of renewables gathers pace, demand for critical minerals has grown rapidly. Between 2017 and 2022, the market size for critical minerals doubled, and for lithium, nickel, and rare earth elements expanded 6.7, 3.1 and 2.5 times. This contrasts with the more subdued demand growth of other minerals and metals – such as zinc and lead – that are less relevant for green energy generation. According to the International Energy Agency (IEA), achieving net zero by 2050 globally will require six times more mineral inputs than

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11 The United States has identified 50 critical minerals, whereas the European Union and Australia have listed 34 and 30 critical minerals, respectively. Common to these lists are lithium, cobalt, rare earth elements, nickel, and graphite.


today; more specifically, the demand for lithium and manganese in clean energy technologies will increase by 16 and 13 times, respectively, in the next 30 years, and that for nickel, graphite and rare earths by over 5 times (figure 11).

While these projections are subject to enormous technological uncertainties – commercial adoption of alternative green energy technology, such as hydrogen cells or sodium-ion battery, availability of substitutes and recycling technology, and improvements in energy storage – there is widespread consensus that the critical minerals market will continue its rapid expansion in the coming decades.  

**Investment in critical minerals faces major challenges**

Despite projected growth in potential demand, the supply of critical minerals will lag, leading to a persistent demand-supply gap (figure 12). Technological uncertainties, supply chain vulnerabilities due to high market concentration,
geopolitical tensions, falling and volatile prices are discouraging new private and public investment in critical minerals.

Upstream mining and extraction and mid-stream processing of the critical minerals are highly concentrated, making their supply chains vulnerable to countries’ policy choices. Compared to oil and gas, extraction of critical minerals is more geographically concentrated, with the top three producers accounting for 50–90 per cent of global production of lithium, rare earth elements, graphite, cobalt, nickel, and copper (figure 13a). This concentration is even more pronounced in the processing stage – China accounts for over half of refined supply of cobalt, lithium, and rare earth elements (figure 13b). At the same time, mining and processing of critical minerals are
HARNESSING THE POTENTIAL OF CRITICAL MINERALS

usually concentrated in a handful of firms. For example, SQM (Chile) and Albemarle (United States) account for about 20 and 16 per cent of global lithium production, respectively, and Tsingshan Group (China) controls 20 per cent of global nickel production.15

The price of many critical minerals soared to unprecedented highs during 2021–2022, amid the pandemic and the war in Ukraine (figure 14a). However, prices rapidly collapsed afterwards due to improved inventory and weaker global demand. Lithium price, for instance, dropped over 80 per cent in 2023, reflecting a high level of price volatility in the critical minerals market. The prices of lithium, cobalt and nickel are relatively more volatile than steel (figure 14b). The recent decline in critical minerals prices is deterring investments to develop new mines and increase extraction of critical minerals.

Supply-chain and national security concerns are increasingly shaping critical mineral sector policies, especially in the developed economies. Amid escalating geopolitical tensions, major economies have enacted policy initiatives and strategic plans to secure the supply of critical minerals. Examples include the United States’ Federal Strategy to Ensure Secure and Reliable Supplies of Critical Minerals (2017), the European Union’s Critical Raw Materials Act (2024), and China’s 14th Five-Year Plan for Raw Material Industry Development (2021). Other policy measures supporting clean technologies, such as the United States’ Inflation Reduction Act (2022) and China’s New Energy Vehicle Industry Development Plan (2021), will also impact critical mineral markets.

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15 UN DESA calculations based on data from Statista.
These initiatives will have major implications for developing economies and could reshape the global supply chains. The United States’ Inflation Reduction Act, for example, offers significant tax credits if a sizable proportion of the EV batteries’ mineral inputs are sourced from the United States or from one of its free trade partners, which exclude top producers like China, Indonesia, the Philippines, and the Democratic Republic of the Congo. In this rapidly changing geopolitical landscape, many developing countries are also enacting new policies to develop their critical minerals resources and expand both upstream and mid-stream economic activities. Consequently, the world is witnessing a surge in critical mineral-related policies across countries (figure 15).

Furthermore, national security and energy security concerns – and policies aiming to increase the share of local value-added – have led to a significant increase in export restrictions. During 2009–2020, the number of export restrictions on critical minerals grew more than fivefold, particularly for platinum, iridium, palladium, and cobalt.\textsuperscript{16} Between 2017 and 2020, about 10 per cent of the global value of exports of critical minerals faced at least one export restriction measure.

Surging demand offers significant opportunities for developing countries

Critical minerals present new opportunities for developing countries. Countries rich in mineral resources have the potential to significantly benefit from their endowments, attracting both foreign and domestic investment, creating jobs, and enhancing government revenue, export, and economic growth. South Africa, for example, accounts for about 90 per cent of global reserves of platinum and 30 per cent of manganese, and the Democratic Republic of Congo is home to over a half of the reserves of cobalt. Argentina, Bolivia (Plurinational State of) and Chile – the “lithium triangle” – account for 70 per cent of the global reserves of lithium.

The increasing sophistication of mining technologies along the value chain also presents opportunities for developing countries to expand vertical and horizontal productive linkages and increase the share of local content in the final output while decreasing their vulnerability to fluctuations in the prices of the critical minerals. This requires the developing countries with large deposit of critical minerals to design and implement coherent industrial policy measures.

Notably, there are significant opportunities for local value added in critical minerals. For example, in 2022 the market value of raw lithium accounted for 63 per cent of the battery grade lithium carbonate, which in turn represented only 26 per cent of the market value of lithium-ion batteries. In Indonesia, estimates suggest that differences in the market value of nickel ore, cathodes and batteries will expand further in the coming decade. As a result, Indonesia’s strategy to strengthen its move from nickel extraction to EV battery production could increase government revenue by about $1.6 billion and increase GDP by over $21 billion in 2035. China has also significantly enhanced its refining and processing capacity. While China largely depends on imported raw lithium ore, it benefits significantly from processing and refining critical mineral ores. For example, one tonne of spodumene (rock containing lithium), costing about $1,100, can typically produce about 160 kilogrammes of lithium hydroxide, which sells for at least twice as much.

Advances in digital technology present significant opportunities for improving efficiency of the critical mineral sector, especially in upstream mining activities. The share of patents and scientific publications attributed to the mining sector has significantly increased over the past two decades, with exploration and refining comprising most newly patented innovations. Australia, Canada, China, Europe, and the United States hold the largest share of mining innovations, supported by research and development (R&D) investments, exploration expenditures and patents. In contrast, while Brazil, Chile, India, Indonesia, and South Africa hold a significant share of critical mineral deposits, they contribute comparatively little to mining innovation. Avoiding a renewed “resource curse” and harnessing the potential of critical minerals in the developing countries will require significant policy and institutional reforms and reorientation. It will also require stronger international cooperation to prevent tax avoidance and evasion and curb illicit financial flows, which are often prevalent in extractive industries in developing countries. Governments will need to manage economic, social, and environmental challenges associated with mining, while creating and expanding opportunities for localization of midstream and downstream activities.

Mining is often associated with major social and community disruptions and environmental consequences, including deforestation, soil erosion, water contamination, and disruption of ecosystems. Addressing these challenges,

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17 UN DESA, based on data from Statista and Market Reports World.
adequately assessing opportunity costs, and ensuring an equitable distribution of benefits necessitates robust governance and institutional settings, requiring policy coordination, coherence, and transparency to engage all stakeholders, especially local communities.

For a majority of developing economies, securing significant international investments is critical for bringing expertise, and enhancing technological capabilities in the critical minerals sector. But foreign investments, especially in mining, are often contingent on political and macroeconomic stability, predictable institutional settings, and robust legal frameworks.

In addition, strict environmental and social safeguards, along with strong institutional settings, are key to ensuring sustainable mining operations and supporting progress towards the Sustainable Development Goals. Mining operations and production waste can pose a major threat to water and land quality and exhaust freshwater supply, given that at least 16 per cent of the world’s land-based critical mineral mines, deposits and districts are located in highly or extremely water-stressed areas.\(^{20}\)

In the Atacama desert of Chile, the world’s second-largest producer of lithium, mining activities consume about 65 per cent of the region’s water. Also, about 54 per cent of critical minerals are located on or near indigenous lands,\(^ {21}\) heightening the risk of displacement, land degradation and conflicts, while inadequate social protections can contribute to exploitative labour practices and poor working conditions, including child labour.

**Coherent global and national action is essential**

One of the major challenges in achieving green transition in developing economies is the slow pace of investments. The delay not only hampers the deployment of renewable technologies but also slows down the phasing out of fossil fuels. As such, mitigating the risks associated with investing in renewables is essential. There are various mechanisms that can help mobilize and de-risk private investments, including public-private partnerships, risk pooling, guarantees of returns, and selective public investment that crowd-in private investments.

It is imperative for developing countries to design and implement well-targeted and timely economic, social, and environmental policies to optimize the benefits of their critical minerals endowments and avoid another cycle of resource curse. This will require sustained political commitment, adequate financing, stable trade links, equitable benefit sharing, and responsible environmental management, along with the necessary capacities at national and sub-national levels.

Developing countries will need to develop critical minerals sectors in sync with fiscal and monetary policy frameworks. Central banks, while pursuing price and financial stability, will need to support a competitive exchange rate to mitigate the risk of the “Dutch Disease” – rapid appreciation of the real exchange rate due to strong export earnings, which endangers exports from non-mineral sectors, and thwarts economic diversification. An enabling domestic financial sector will remain important to effectively manage and channel inflows of resource revenues, with expenditures benefiting longer term social development objectives. Meanwhile, fiscal frameworks can create stabilization funds to save excess revenues during periods of booms in critical minerals prices.

Private-public partnerships must also play a role in building the critical mineral sector in developing countries. Among countries of the “lithium triangle,” Argentina has established a federal governance system that welcomes private investments through concessions, with

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international and domestic firms taking the lead in lithium extraction. By contrast, Bolivia (Plurinational State of) considers lithium a strategic resource, giving the state authority over all stages of the value chain. Meanwhile, Chile follows a middle ground. The ownership of lithium is not subject to concession, and private firms can only obtain exploitation permits. The Chilean national lithium strategy, while establishing a flexible approach, underscores the key role of the state. Accordingly, the exploitation of large salt flats will be led by public-private partnerships, with the state holding the majority stake. Other salt flats – representing 18 per cent of lithium reserves in the country – remain open for private firms. The Democratic Republic of Congo, for example, has modified its institutional framework and implemented new measures to support its cobalt mining sector. The new institutional framework promotes a more active participation of the state through public-private partnerships, while tax breaks and export restrictions have been enacted to encourage refining and processing activities.

Governments can deploy various policy instruments to facilitate technological diffusion and encourage investments in midstream and downstream operations. For example, governments can provide financial incentives, such as tax breaks, to attract private investments in refining and processing activities, while offering no such incentive to upstream mining activities. Also, R&D subsidies and grants can target refining and processing technologies, while technology transfers can be facilitated through partnerships and knowledge-sharing agreements. Chile has recently expanded R&D subsidies and grants programs on critical minerals to strengthen the local innovation ecosystem. Evidence shows that governments can play a major role in promoting innovation and technological diffusion in the mining sector, using conditionalities to build technological capabilities. They may encompass product accessibility (share of output accessible to third-party firms for refining), inputs (local content requirements), and earnings (share of earnings to fund R&D investments or local communities). Other policy measures include specialized training programs to enhance skills and expertise needed for refining and processing activities, particularly in metallurgy and chemical engineering. Furthermore, initiatives for fostering industry clusters of local value chains can promote benefits from economies of scale.

International cooperation is essential for delivering on the potential of critical minerals for the SDGs. Global guidelines for extractive industries such as those on transparency, environmental sustainability, social responsibility, and stakeholder engagement, can serve as a starting point for establishing norms. Furthermore, international cooperation would also benefit developing countries by facilitating technology transfers, enhancing investment and financing, combating illicit financial flows, improving market access, and strengthening capacity building. Regional initiatives and agreements among developing countries can improve, in addition, economies of scale and joint negotiating positions. Meanwhile, Multilateral Development Banks can offer technical assistance to strengthen governance, regulatory frameworks and operational efficiencies; support projects that adopt best environmental and social practices; and help channel the additional resources towards sustainable development. The Secretary-General’s Panel on Critical Energy Transition Minerals will address issues relating to equity, transparency, investment, sustainability, and human rights.

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23 The Future Minerals Forum, launched by Saudi Arabia in January 2022, aims to promote regional cooperation on critical minerals exploration, development and processing activities.
Regional economic outlook

Developed economies

United States of America

The economy of the United States has remained remarkably upbeat in the face of sustained high interest rates, so far defying the expectations of a slowdown or a “soft landing”. The latest forecast points to 2.3 per cent growth in 2024. This marks an upward revision of 0.9 percentage points from the forecast in January. The Personal Consumption Expenditure (PCE) Price Index, the Federal Reserve’s preferred inflation measure, ticked up to 2.7 per cent in March, against the backdrop of a historically low unemployment rate (3.8 per cent in March), making it harder for the Federal Reserve to shift gear and cut rates. Services inflation, including the cost of housing and utilities, has remained stubbornly high (4 per cent in March). Consistent with earlier projections, the Federal Reserve is expected to maintain a higher policy rate for longer, until inflation returns to the 2-per-cent target. Outperforming other developed economies, the United States economy is projected to grow by 1.7 per cent in 2025 and inflation is projected to fall to 2.3 per cent in 2025, with the unemployment rate remaining relatively unchanged (figure 16).

The strength of the United States economy presents a conundrum. The combination of steady growth and low unemployment is usually good news for policymakers. However, with inflation remaining above target notwithstanding interest rates that are at their highest levels since 2001, it does raise difficult questions about the future path of monetary policy. Rapid and successive rate hikes during 2022–2023 did little to diminish household spending – the main driver of aggregate demand. Household spending continued to grow, driven by a combination of pandemic era effects – savings from the disruptions in normal economic activity, and social transfers; income gains from a tight labour market, especially among low wage workers; and improvements in household balance sheets and net worth.

Figure 16
Real GDP of selected developed economies

Source: UN DESA, based on estimates and forecasts produced with the World Economic Forecasting Model.
Note: e = estimates; f = forecasts.
While monetary policy effects generally come with a lag, the apparent disconnect between adjustments in policy rates and outcomes in the real economy, especially with inflation remaining above target, will require the Federal Reserve to rethink the most appropriate mix of interest rate and quantitative policy measures to steer the economy going forward. Such decisions have important consequences for the rest of the world, especially developing countries.\(^\text{24}\)

**Europe**

Europe faces significant headwinds as the region seeks to regain economic momentum. Weak economic sentiment, tight financing conditions and withdrawal of fiscal support continue to weigh on the outlook. After largely stagnating over the past year, economic activity is projected to slowly pick up in 2024 and 2025, against the backdrop of falling inflation, rising real incomes and monetary easing. Stronger exports are also expected to support recovery as global trade rebounds. Growth forecasts for the European Union are revised down slightly to 1.0 per cent in 2024 and 1.6 per cent in 2025, following growth of 0.4 per cent in 2023. In the United Kingdom, a mild recovery is underway after the economy slipped into recession in the second half of 2023. GDP is projected to grow by 0.8 per cent in 2024 and 1.5 per cent in 2025, up from 0.1 per cent in 2023.

Amid continued weakness in industrial output, growth projections are downgraded for the continent’s manufacturing-dependent economies, including Austria, Czechia, Finland, Germany, and Hungary. Germany’s economy is mired in a prolonged slump, with growth forecast at only 0.3 per cent in 2024, after a contraction by 0.3 per cent in 2023. Temporary headwinds from weak foreign demand, sluggish private consumption and declining construction activity exacerbate structural challenges, including lack of public investment. By contrast, the economic outlook remains largely favourable in many Southern European countries, which continue to benefit from a strong rebound in tourism and funding from the European Union’s €648-billion-euro Recovery and Resilience Facility.\(^\text{25}\)

Inflation across Europe has fallen faster than expected in recent quarters, driven by a sharp decline in energy prices. Average inflation is projected to slow from 5.9 per cent in 2023 to 2.6 per cent in 2024 in the European Union and from 7.4 per cent to 3.0 per cent in the United Kingdom. With inflation heading back to target, the European Central Bank, the Bank of England, and other central banks are expected to begin an easing cycle over the coming year. Europe’s labour markets have remained remarkably resilient to higher interest rates and slowing growth, with only a slight softening expected for 2024/25. A further escalation of geopolitical tensions could drive up inflationary pressures. Domestic demand could recover more strongly than expected as household and business confidence improve, which may add inflationary pressures.

**Developed Asia and the Pacific**

The GDP growth projection for Japan for 2024 remains unchanged from the forecast in January at 1.2 per cent, down from 1.9 per cent in 2023. In March 2024, the Bank of Japan ended its negative interest rate regime by raising the policy rate for the first time since 2007, signalling the economy’s exit from a deflationary state. While corporate profits and business confidence have improved, private consumption is projected to remain weak as recovery of consumer confidence has lagged amid slow nominal wage growth.

The 2024 growth projections have been revised slightly up for Australia (from 1.5 per cent to 1.6 per cent) and revised down for the Republic of Korea (from 2.4 per cent to 2.2 per cent). Although inflation rates have declined significantly, the

\(^{24}\) See the analysis in chapter 2 of United Nations (2024). *World Economic Situation and Prospects 2024*.

Reserve Bank of Australia and the Bank of Korea remain cautious about shifting to monetary easing due to uncertain inflation prospects. In Australia, rapid nominal wage growth indicates continued upward pressure on the price level.

**Economies in transition**

The protracted war in Ukraine continues to affect the economic situation in the Commonwealth of Independent State (CIS) and Georgia. Following growth of 4.0 per cent in 2023, the region’s GDP is projected to expand by 3.3 per cent in 2024 and 2.5 per cent in 2025, a moderate upward revision from the forecasts in January. Inflation remains largely on a downward trend (except in the Russian Federation), which has allowed many central banks to cut interest rates.

The economy of the Russian Federation grew by a stronger-than-expected 3.6 per cent in 2023, fuelled by military spending, construction and rising social transfers, notwithstanding an extensive range of sanctions. The country has largely managed to avoid the impact of the oil price cap imposed by the Group of Seven (G7) and the European Union and circumvent restrictions on high-tech imports. Growth is projected at 2.7 per cent in 2024, thanks to strong fiscal support and continuing import substitution. However, increasing delays in financial transactions, stronger enforcement of sanctions and diminished availability of migrant labour pose downside risks to the Russian economy.

The economy of Ukraine grew by 5.3 per cent in 2023, after a sharp contraction of almost 30 per cent in 2022. Moderate growth is projected for 2024. The estimated cost of post-conflict reconstruction in Ukraine has been revised further upwards to $486 billion. External financial assistance, in particular to cover budget deficits, is provided by the European Union, multilateral lenders, and other parties.

Azerbaijan and Kazakhstan are set to gain from the increase in oil prices since the start of 2024. Other economies of the Caucasus and Central Asia are benefiting from the relocation of Russian businesses and growing re-export opportunities to the Russian market. However, the planned tightening of the rules for employing migrant workers in the Russian Federation will likely reduce remittance flows and create pressures in domestic labour markets.

In South-Eastern Europe, GDP growth is projected to strengthen from an estimated 2.5 per cent in 2023 to 3.2 per cent in 2024 and 3.3 per cent in 2025 owing mostly to stronger private consumption and investment in the region.

**Developing economies**

**Africa**

After expanding by 3.2 per cent in 2023, Africa's GDP is projected to grow by 3.3 per cent in 2024 and 3.9 per cent in 2025, marking a downward revision of 0.2 and 0.3 percentage points, respectively, from the forecasts in January. In general, domestic demand growth in Africa remains constrained by tight monetary and fiscal stances amid growing balance of payment pressures. Weak prospects in the continent’s largest economies, namely Egypt, Nigeria, and South Africa, weigh down the regional average. Egypt and Nigeria have been facing substantial balance-of-payments challenges, with both countries devaluing their currencies and tightening monetary policy in early 2024. South Africa continues to face persistent constraints in electricity supply and freight rail and port capacity, resulting in sub-par growth. Growth prospects are better in Ethiopia and Kenya although both countries continue to face substantial debt challenges.

Seven African countries are currently in debt distress, while 13 are at a high risk of debt.

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distress.\textsuperscript{27} There has been a positive shift in access to international financial markets, with Benin, Côte d'Ivoire and Kenya accessing the Eurobond market in the first quarter of 2024. Ghana and Zambia have reached agreements with their official creditors’ committees and are pursuing bilateral agreements with their respective lenders. Zambia has also reached an agreement with its commercial debt holders to restructure its $3 billion of Eurobonds.

The announcement by Burkina Faso, Mali, and Niger of their intention to withdraw from the Economic Community of West African States (ECOWAS) presents a major setback for regional integration, threatening to weaken intra-regional trade and investment. Geopolitical tensions have been on the rise, particularly in the Sahel, where major global actors compete for access to resources. Armed conflict in Sudan, which started in April 2023, continues with no end in sight.

Food insecurity will remain a key concern for the continent in 2024, with 33 countries needing urgent external food assistance as of March 2024.\textsuperscript{28} Lower agricultural yields and higher grain prices can be attributed to political instability in parts on West Africa and the Horn of Africa, as well as dry weather conditions in Southern Africa (in part attributed to El Niño) and parts of Northern Africa. Malawi, Zambia, and Zimbabwe have declared a state of national emergency due to drought.

**East Asia**

East Asian economies are forecast to grow by 4.6 per cent in 2024 and 4.5 per cent in 2025 (unchanged from the forecasts in January), compared with 4.8 per cent in 2023. This solid economic performance has been underpinned by robust domestic demand and continued recovery in tourism, with merchandise exports showing signs of improvement. There are, however, several downside risks to the outlook, including higher-for-longer policy rates in major developed economies, escalating geopolitical tensions and growing climate risks.

The Chinese economy is forecast to grow by 4.8 per cent in 2024 and 4.5 per cent in 2025, moderating from 5.2 per cent in 2023. The property sector remains a key challenge. Despite measures to stabilize the sector, the declines in property investment and sales continued in the first quarter of 2024. While global trade improvements have buoyed China’s exports in early 2024, lingering trade tensions could continue to suppress external demand for Chinese goods. However, accommodative monetary and proactive fiscal policies are expected to support economic output in the near term. In the longer term, the Government’s emphasis on on high-quality growth implies sustained policy support to boost industrial production and manufacturing investment, particularly in emerging sectors.

Other economies in the region have been broadly resilient, albeit with considerable cross-country variation. Private consumption has been a major growth driver, supported by lower unemployment and rising incomes. Export-oriented East Asian economies – Malaysia, Singapore, Taiwan Province of China, and Viet Nam – have seen signs of trade recovery since late 2023, especially in exports of electronic products. As international tourism recovery continues, East Asian countries, particularly the small island developing States in the Pacific, are expected to see an increase in tourist arrivals and higher service exports.

Average inflation has remained elevated in several smaller economies such as Lao People’s Democratic Republic and Myanmar. On the other hand, easing inflationary pressures in the region have allowed central banks to pause monetary policy tightening or even cut policy rates (e.g., Viet Nam). Policy rates in most economies are expected to gradually decline, depending, to some extent, on the decisions of the United States Federal Reserve.

\textsuperscript{27} IMF (2024). List of Low-Income Countries Debt Sustainability Analysis, As of February 29, 2024.
\textsuperscript{28} FAO (2024). Crop Prospects and Food Situation, March 2024.
South Asia

South Asia’s economic outlook is expected to remain strong (figure 17), supported by a robust performance of India’s economy and a slight recovery in Pakistan and Sri Lanka. Regional GDP is projected to grow by 5.8 per cent in 2024 (an upward revision of 0.6 percentage points since January) and 5.7 per cent in 2025, below the 6.2 per cent recorded in 2023. However, still tight financial conditions and fiscal and external imbalances will continue to weigh on South Asia’s growth performance. In addition, potential increases in energy prices amid geopolitical tensions and the ongoing disruption in the Red Sea pose a risk to the regional economic outlook.

India’s economy is forecast to expand by 6.9 per cent in 2024 and 6.6 per cent in 2025, mainly driven by strong public investment and resilient private consumption. Although subdued external demand will continue to weigh on merchandise export growth, pharmaceuticals and chemicals exports are expected to expand strongly.

Across the region, average consumer price inflation is projected to fall from 13.9 per cent in 2023 to 10.5 per cent in 2024 and 7.4 per cent in 2025 as currency depreciation pressures ease and agricultural commodity prices moderate due to the expected weakening of El Niño. Consumer price inflation in India is projected to decelerate from 5.6 per cent in 2023 to 4.5 per cent in 2024, staying within the central bank’s 2 to 6 per cent medium-term target range. Similarly, inflation rates in other South Asian countries declined in 2023 and are expected to decelerate further in 2024, ranging from 2.2 per cent in the Maldives to 33.6 per cent in Iran (Islamic Republic of). Despite some moderation, food prices remained elevated in the first quarter of 2024, especially in Bangladesh and India.

Western Asia

Against the backdrop of extended oil production cuts, escalating geopolitical tensions, and trade disruptions in the Red Sea, Western Asia faces a challenging short-term economic outlook. Average GDP growth is projected to recover from an estimated 2.0 per cent in 2023 to 2.7 per cent in 2024 and to 4.2 per cent in 2025. In the Gulf Cooperation Council (GCC) countries, economic

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29 On a calendar-year basis.
30 In early 2024, the IMF team reached staff-level agreements on the second review of Sri Lanka’s Extended Fund Facility program and the second and final review of Pakistan’s Stand-By arrangement.
growth has been held back by lower oil prices and reduced oil production, adversely affecting government budgets in Kuwait and Saudi Arabia. In contrast, Qatar and the United Arab Emirates – where economic diversification efforts have been more successful – saw fiscal revenues increase in early 2024. In Türkiye, economic growth is projected to slow down from 4.5 per cent in 2023 to 3.2 per cent in 2024. The rapid devaluation of the Turkish lira added to inflationary pressures, pushing the monetary authorities to resort to tightening measures. Amid softening domestic demand, which also led to reduced imports, the current account deficit narrowed in early 2024.

Inflation is projected to gradually ease across the region. In Lebanon, the Syrian Arab Republic and Türkiye, high levels of inflation persist, whereas in Jordan, Oman, and Qatar, inflation has decelerated significantly. Following the United States Federal Reserve, central banks in the GCC countries are expected to maintain tight monetary policy to sustain their dollar pegs. Monetary easing is expected in the second half of 2024 in Jordan and Türkiye if inflationary pressures ease.

The effects of the war in Gaza have been widespread in the region. The State of Palestine’s economy is estimated to have contracted by 30 per cent in the fourth quarter of 2023 amid an 81 per cent output decline in the Gaza Strip. The consumer price index for February 2024 increased by 27.2 per cent in the State of Palestine and by 118 per cent in the Gaza Strip, reflecting an acute cost-of-living crisis. Israel’s GDP growth slowed from 6.4 per cent in 2022 to an estimated 2 per cent in 2023 as private consumption and real estate investment contracted sharply and exports declined moderately. Non-oil producers in the region are suffering considerable spillover effects. The tourism sector has been hit, with Jordan and Lebanon experiencing sizeable declines in arrivals. The conflict at Lebanon’s Southern border has affected 30 per cent of the country’s agricultural output, raising concerns about food security in the near term.

**Latin America and the Caribbean**

Economic growth in Latin America and the Caribbean is expected to slow from 2.1 per cent in 2023 to 1.7 per cent in 2024 before strengthening to 2.4 per cent in 2025. Regional growth remains lacklustre amid still tight monetary conditions, subdued external demand, and structural vulnerabilities. Inflation has been declining in most countries due to lower food and energy prices. Average annual inflation is projected to decrease from 6.3 per cent in 2023 to 4.3 per cent in 2024. Brazil’s growth is forecast to slow from 2.9 per cent in 2023 to 2.1 per cent in 2024, reflecting the delayed impact of higher interest rates and subdued agricultural production. Similarly, economic activity in Mexico is anticipated to weaken due to lower domestic demand and still tight monetary conditions. Amid a severe austerity program, Argentina’s economy is forecast to remain in recession in 2024, marking the 17th year of GDP contraction in the past four decades.

Labour markets are losing momentum in several economies. As job creation declines, unemployment rates are rising in Brazil and remain high in Chile, Colombia, and Uruguay. Macroeconomic policy space is constrained. Most central banks are easing monetary policy due to diminishing inflationary pressures and slowing domestic demand. However, persistently high interest rates in developed economies may delay further rate cuts across the region. On the fiscal front, most economies continue to face major constraints amid elevated levels of debt, high borrowing costs and slower economic growth. Several countries are implementing new industrial policy measures to promote green energy, infrastructure programs, the critical minerals sector and stimulate growth.

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31 Regional inflation estimates exclude Argentina and Venezuela (Bolivarian Republic of).
For more information