



World Economic Situation and Prospects Report for 2024

For Prelims: [United Nations](#), [Inflation](#), [Headline Inflation](#), [El Nino](#), [Net-zero-emissions](#), [Artificial Intelligence](#), [Loss and Damage Fund](#)

For Mains: World Economic Situation and Prospects, Impact of Climate Change on Global GDP

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Why in News?

A recent [United Nations](#) report titled [World Economic Situation and Prospects report for 2024](#) forecasts a **decline in global inflation in 2024**, but warns of a **simultaneous rise in food inflation**, particularly in developing nations.

- The implications of this phenomenon, coupled with **climate-related challenges** and geopolitical tensions, pose threats to food security, poverty alleviation, and economic growth.

What are the Key Highlights of the World Economic Situation and Prospects Report for 2024?

- **Global GDP Growth:**
 - The report forecasts a **deceleration in global gross domestic product (GDP) growth**, from an estimated **2.7% in 2023 to 2.4% in 2024**.
 - Developing economies, in particular, are struggling to recover from **pandemic-induced losses**, with many facing high debt and investment shortfalls.
 - It is anticipated that **many low-income and vulnerable nations** will experience **only moderate growth** in the upcoming years.
 - The reasons are persistently **high-interest rates, escalating geopolitical conflicts, slow international trade** and an increase in **climate-related calamities**.
- **India's Perspective:**
 - South Asia grew by an estimated 5.3% in 2023 and is projected to increase by 5.2% in 2024, driven by a robust expansion in **India, which remains the fastest-growing large economy in the world**.
 - India is projected to grow by 6.2% in 2024, supported by domestic demand and **growth in manufacturing and services**.
- **Inflation:**
 - Global inflation, a key concern over the past two years, shows **signs of easing**.
 - Global **headline inflation** fell from 8.1% in 2022 to an estimated 5.7% in 2023 and is projected to decline to 3.9% in 2024.
 - Headline inflation measures the **total inflation within an economy**, which includes commodities like food and energy prices.
 - The decline in inflation was attributed to ongoing **moderation in international commodity prices** and a decrease in demand due to monetary tightening by the

UN.

- However, **food price inflation remains critical**, exacerbating food insecurity and poverty, particularly in developing countries.
 - An estimated **238 million people experienced acute food insecurity in 2023**, an increase of 21.6 million from 2022.
 - Weak local currencies, climate-related shocks and limited pass-through from international prices to local prices will be the causes of this ongoing increase in food inflation.
 - The resurgence of **El Nino** can disrupt climate patterns, leading to both excessive and insufficient precipitation affecting food production.

▪ **Climate Change:**

- 2023 experienced extreme weather conditions, leading to devastating wildfires, floods, and droughts worldwide.
 - These **events have direct economic impacts**, such as damage to infrastructure, agriculture, and livelihoods.
- Studies project significant economic losses due to **climate change**.
 - Estimates suggest a potential **10% reduction in global GDP by 2100**, considering events like the Greenland ice shelf collapse.
 - Without mitigation, models indicate a **potential 23% decrease in average global incomes by 2100**.
- IPCC estimates predict a range of 10 to 23% global GDP losses by 2100 due to temperature impacts alone.

▪ **Investment:**

- Global investment growth is **expected to remain low** due to economic uncertainties, high debt burdens, and rising interest rates.
 - Developed nations prioritize **sustainable sectors** like green energy and digital infrastructure.
 - Developing countries grapple with **capital flight and reduced foreign direct investment**.
 - Geopolitical tensions impact regional investment flows, contributing to low global investment growth amid economic uncertainties and rising interest rates.
- Investment in the energy sector, especially in clean energy, is growing but not at a pace sufficient to meet the **net-zero-emissions goal by 2050**.
 - Report estimates USD 150 trillion needed by 2050 for energy transition and infrastructure, requiring USD 5.3 trillion annually for the global energy sector alone.
 - Despite this, **climate finance falls short of requirements**, emphasizing the crucial need for massive scaling up.
 - The report calls for effective operationalization of the **Loss and Damage Fund** and increased financing commitments to aid vulnerable countries facing climate disasters.

▪ **Labour Market:**

- The global labour market displays divergent trends between developed and developing countries post-pandemic.
 - **Developed Countries:**
 - Experienced a robust recovery with **low unemployment rates**, notably 3.7% in the US and 6.0% in the EU in 2023, coupled with rising nominal wages and narrowing wage inequality.
 - However, real income losses and labour shortages pose challenges.
 - **Developing Countries:**
 - Mixed progress with varied unemployment trends (e.g., China, Brazil, Türkiye, Russia report declines).
 - Persistent issues are **informal employment, gender gaps, and high youth unemployment**.
 - Globally, the decline in female labor force participation to 47.2% in 2023 (compared to 48.1% in 2013).
 - **Artificial Intelligence(AI) Impact on Global Employment:**
 - Since **ChatGPT's** introduction in 2022, AI adoption has rapidly advanced.
 - One-third of global firms now use generative AI, with **40% planning to expand AI investment**.

- **AI could reduce demand for low-skilled jobs**, disproportionately impacting women and lower-income countries. Also, there's a significant gender gap in AI professions.

- **Trade:**

- Global trade growth weakened to 0.6% in 2023, **anticipated to recover to 2.4% in 2024.**
 - The report points to a **shift in consumer spending from goods to services**, rising geopolitical tensions, supply chain disruptions, and the lingering effects of the pandemic as factors impeding global trade.

- **International Finance and Debt:**

- Rising **external debt and increased interest rates** hinder developing countries' access to international capital markets.
- Decline in **official development assistance** and **foreign direct investment** compounds financial constraints for low-income nations.
- **Debt sustainability** becomes a critical concern, necessitating debt restructuring and relief efforts to manage escalating financial burdens effectively.

- **Multilateralism and Sustainable Development:**

- The 2024 WESP report emphasizes the need for **strengthened global cooperation**, particularly in areas like climate action, sustainable development financing, and addressing the debt sustainability challenges of low- and middle-income countries.
- The report underscores the critical role of multilateralism in navigating the complex global economic landscape and achieving the **UN-mandated Sustainable Development Goals (SDG)**.

PDF Reference URL: <https://www.drishtias.com/printpdf/world-economic-situation-and-prospects-report-for-2024>

