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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 the 2.4 per cent forecasted earlier, on the back of better-than-expected performance of the economy of the United States of America and some improvement in the outlook for several large emerging economies. The modest gain in the growth momentum is partly offset by 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 – have 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.

* The present document updates *World Economic Situation and Prospects 2024* (United Nations publication, Sales No. E.24.II.C.1), released in January 2024.

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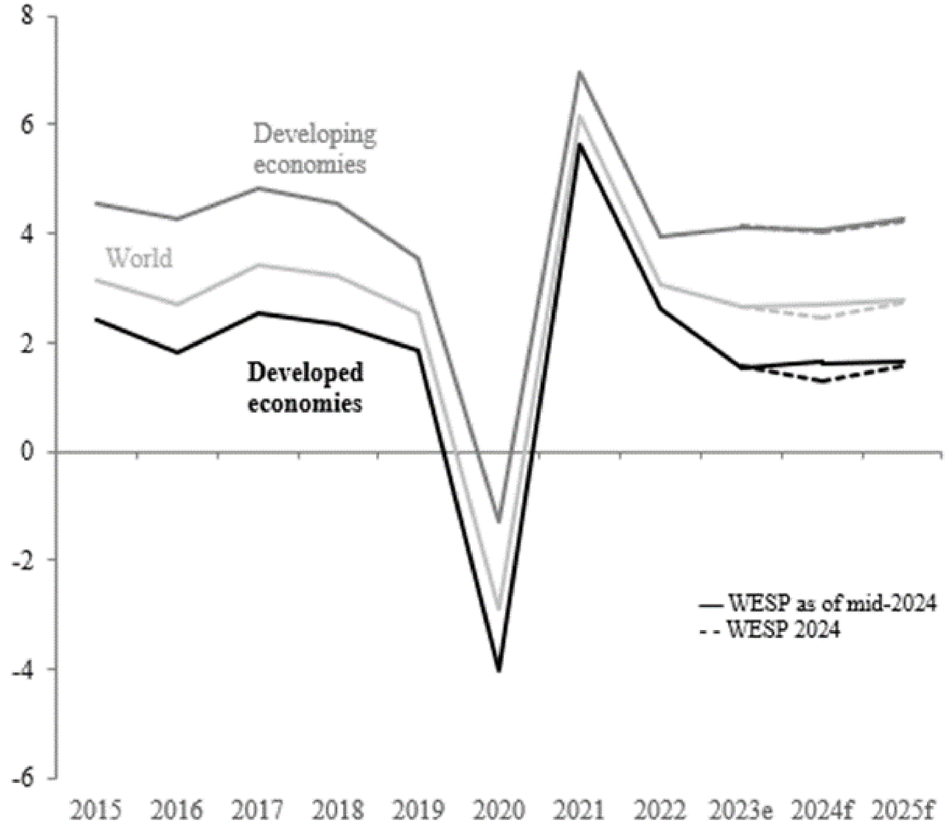
I. Global macroeconomic trends

Global overview

1. 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 a hard landing for the economy of the United States of America 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 island 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.

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

Figure I
Growth of economic output
(Percentage)



Source: United Nations, Department of Economic and Social Affairs, based on estimates and forecasts produced with the World Economic Forecasting Model.
Abbreviations: WESP, world economic situation and prospects; e, estimate; f, forecast.

Growth of gross domestic product

	Annual percentage change					*Change from* World Economic Situation and Prospects 2024 *forecast*	
	2010–2019 average	*2022*	*2023*[a]	*2024*[b]	*2025*[b]	*2024*	*2025*
World	3.2	3.1	2.7	2.7	2.8	0.3	0.1
Developed economies	2.0	2.6	1.5	1.6	1.6	0.3	0.0
United States of America	2.4	1.9	2.5	2.3	1.7	0.9	0.0
Japan	1.2	1.0	1.9	1.2	1.1	0.0	0.0
European Union	1.6	3.5	0.4	1.0	1.6	-0.2	0.0
Euro area	1.4	3.4	0.4	0.8	1.4	-0.3	-0.1
United Kingdom of Great Britain and Northern Ireland	2.0	4.3	0.1	0.8	1.5	0.4	0.5
Other developed countries	2.5	3.3	1.3	1.6	2.1	0.2	0.2
Economies in transition	2.4	-1.1	4.0	3.3	2.5	1.0	0.1
South-Eastern Europe	2.2	3.4	2.5	3.2	3.3	0.3	0.2

	Annual percentage change					Change from World Economic Situation and Prospects 2024 forecast	
	2010–2019 average	2022	2023[a]	2024[b]	2025[b]	2024	2025
Commonwealth of Independent States and Georgia	2.4	-1.3	4.0	3.3	2.4	1.0	0.0
Russian Federation	2.0	-1.2	3.6	2.7	1.5	1.4	0.0
Developing economies	5.2	4.0	4.1	4.1	4.3	0.1	0.1
Africa[c]	3.9	3.5	3.2	3.3	3.9	-0.2	-0.3
North Africa[c]	3.6	3.0	3.1	3.0	3.8	-0.2	-0.4
East Africa	6.4	5.4	5.1	5.6	6.1	0.1	0.2
Central Africa	2.7	3.1	2.2	2.9	3.4	-0.2	-0.3
West Africa	4.5	3.8	3.7	3.4	3.8	-0.4	-0.3
Southern Africa	2.4	2.8	1.5	1.8	2.5	-0.5	-0.5
East and South Asia[d]	6.7	3.7	5.1	4.8	4.7	0.1	0.0
East Asia	7.0	3.2	4.8	4.6	4.5	0.0	0.0
China	7.7	3.0	5.2	4.8	4.5	0.1	0.0
South Asia[d,e]	5.8	6.3	6.2	5.8	5.7	0.6	0.0
India[e]	6.7	7.7	7.5	6.9	6.6	0.7	0.0
Western Asia[f]	4.1	6.3	2.0	2.7	4.2	-0.2	0.5
Latin America and the Caribbean	1.7	4.0	2.1	1.7	2.4	0.1	0.1
South America	1.2	3.8	1.3	1.2	2.4	0.2	0.1
Brazil	1.4	2.9	2.9	2.1	2.4	0.5	0.1
Mexico and Central America	2.7	4.1	3.3	2.6	2.3	0.0	0.0
Caribbean[g]	0.7	5.7	3.2	2.5	2.7	0.1	0.0
Least developed countries[h]	5.3	3.5	4.2	4.8	5.3	-0.2	-0.2
Small island developing States	4.0	4.7	2.4	3.3	3.3	0.2	0.1
Landlocked developing countries[d]	5.3	4.0	4.8	4.7	4.8	0.0	0.0
Memorandum items							
World trade[i]	4.5	6.0	0.7	3.2	3.6	0.8	0.4
World output growth with purchasing power parity-based weights[j]	3.6	3.3	3.1	3.1	3.2	0.2	0.0

Source: United Nations, Department of Economic and Social Affairs, based on estimates and forecasts produced with the World Economic Forecasting Model.

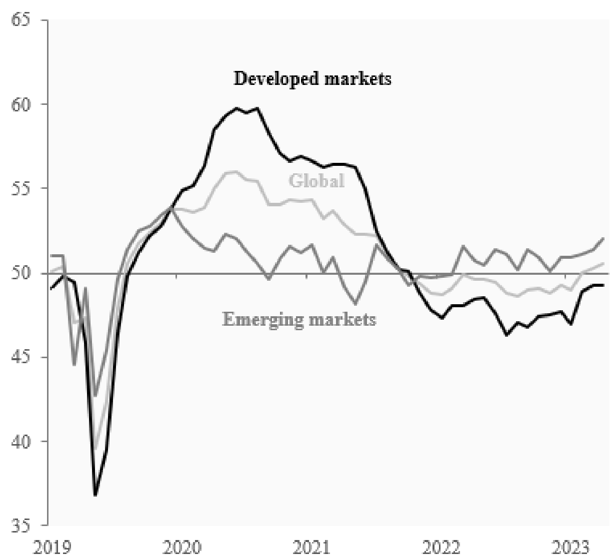
[a] Partially estimated.
[b] Forecast.
[c] Excludes Libya for the whole period and the Sudan for the period 2023–2025.
[d] Excludes Afghanistan for the period 2023–2025.
[e] Calendar year basis.
[f] Excludes the State of Palestine for the period 2023–2025.
[g] Excludes Guyana for the period 2022–2025, as the rapid expansion of oil production distorts the regional economic assessment.
[h] Excludes Afghanistan and the Sudan for the period 2023–2025.
[i] Includes goods and services.
[j] Based on a 2015 benchmark.

3. Recent high-frequency data underscore 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 (see figure II (a)). Tight labour

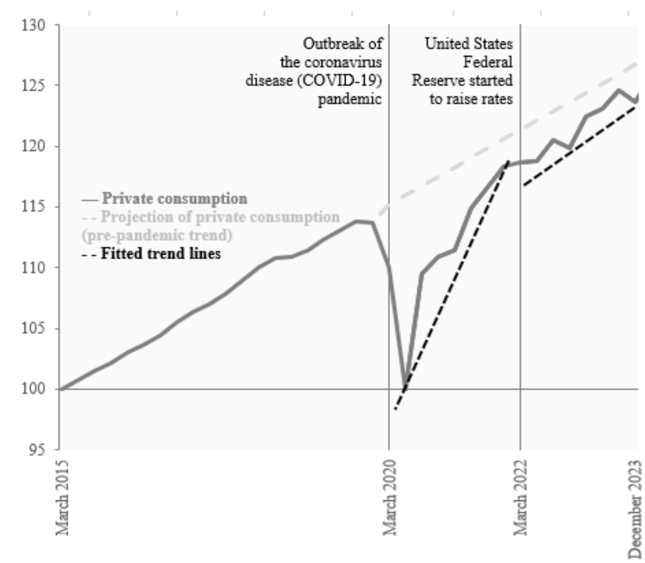
markets, in developed economies in particular, continue to sustain relatively strong household spending, notwithstanding the lagged effects of monetary tightening on consumption (see figure II (b)). The higher-for-longer interest rates in major developed economies, as highlighted in *World Economic Situation and Prospects 2024*, will continue to drag investment and productivity growth in the near term.

Figure II
Manufacturing Purchasing Managers Index and private consumption

(a) Manufacturing Purchasing Managers Index
(Index, seasonally adjusted)



(b) Global private consumption
(Index, March 2015 = 100)



Source: United Nations, Department of Economic and Social Affairs, based on data from CEIC and Oxford Economics.

4. The near-term growth prospects for major economies diverge. The outlook for the United States economy 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 high- and middle-income families – support additional consumption.

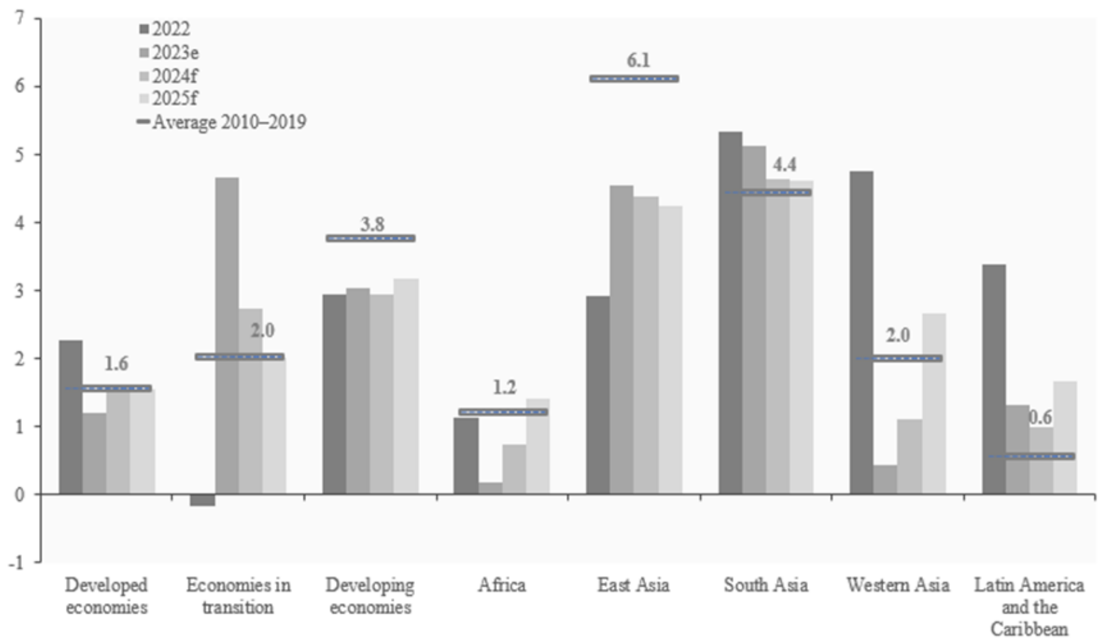
5. The economies of the European Union and the United Kingdom of Great Britain and Northern Ireland are expected to register modest improvement in 2024, after growing only slightly in 2023. A few economies in the European Union experienced a recession in 2023 – albeit a very shallow one – amid tight 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.

6. Growth in China 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 investment in public infrastructure and strategic sectors, the property sector poses a significant downside risk to the Chinese economy.

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

8. Several large developing economies – India, Indonesia 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 (see table and figure III), facing high inflation, elevated borrowing costs, persistent exchange rate 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.

Figure III
Growth of gross domestic product per capita
(Percentage)



Source: United Nations, Department of Economic and Social Affairs, based on estimates and forecasts produced with the World Economic Forecasting Model.
Abbreviations: e, estimate; f, forecast.

9. Growth in the least developed countries 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 least developed countries, with 5 countries in debt distress and another 15 at a high risk of debt distress.[1] The economies of the landlocked developing countries 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 landlocked developing countries as a result of their dependence on neighbouring transit countries to access international trade routes.

10. The economic outlook for the small island developing States is set to improve, with gross domestic product (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

[1] International Monetary Fund (IMF), "List of LIC DSAs for PRGT-eligible countries, as of February 29, 2024".

inflation and input costs. High public debt continues to be a major structural challenge.

Inflation

11. Inflation has declined in most countries since its peak in 2023. Hungary, Latvia, the Republic of Moldova, Rwanda and Ukraine have experienced steep disinflation over a 12-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.

12. Angola, Argentina, the Democratic Republic of the Congo, Egypt, Ethiopia, the 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 payment 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

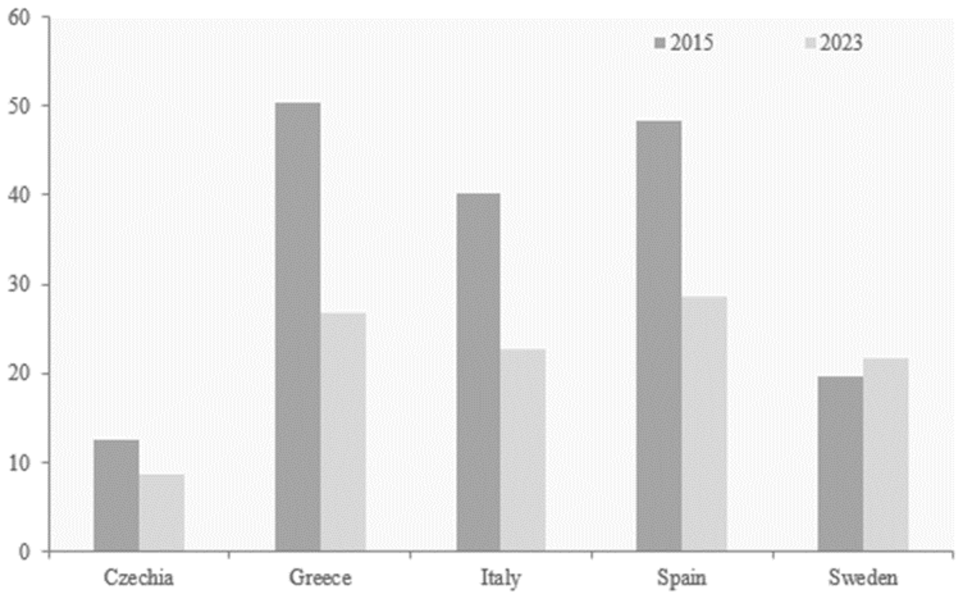
Developed economies

13. During the first four months of 2024, labour markets in Japan, North America and most of Europe 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 increase in the labour force participation rate largely explains the low unemployment.

14. As at March 2024, the United States economy had added jobs for 39 months in a row, while wage gains moderated, especially at the bottom of the wage distribution, after a remarkable period of wage compression 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.

15. In Europe, despite sluggish economic activity in the first quarter of 2024, employment remained at a high level (exceeding 80 per cent in several countries), as firms chose to retain workers to avoid rehiring or job training costs. The level of economic activity of young people in Europe remains a weak spot in some parts of the continent, despite noticeable improvements during the past two years. While youth unemployment sharply declined in Greece, Italy and Spain, some other countries, such as Sweden, saw no progress (see figure IV).

Figure IV
Youth unemployment rate (ages 15–24) in selected European countries
(Percentage)



Source: United Nations, Department of Economic and Social Affairs, based on data from Eurostat.
Note: The data reflect a 12-month average.

Developing economies

16. 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 a higher labour force participation rate. 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.

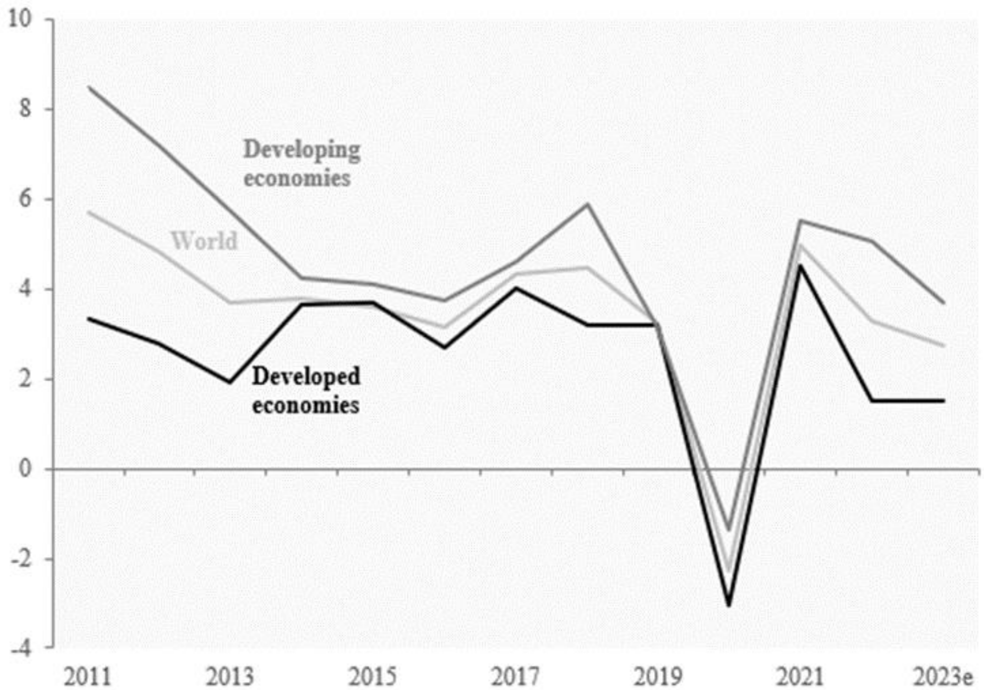
17. Labour force participation in Latin America and the Caribbean and Asia and the Pacific has returned to pre-pandemic levels. Also, the labour force participation of women has recently risen in several regions, particularly in South Asia. However, gender and age gaps in labour force participation rates persist. Furthermore, youth unemployment remains a major challenge across developing regions. In Latin America, Africa and Asia and the Pacific, young people face major barriers to entering the labour market, with unemployment rates averaging above 13 per cent. Furthermore, the number of young people 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 rates of young women not in education, employment or training are especially high in South Asia.

International investment

18. 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 developing

economies from 5.1 per cent in 2022 to 3.7 per cent in 2023 (see figure V). High real interest rates, tight fiscal space and geopolitical risks undermined investment growth.

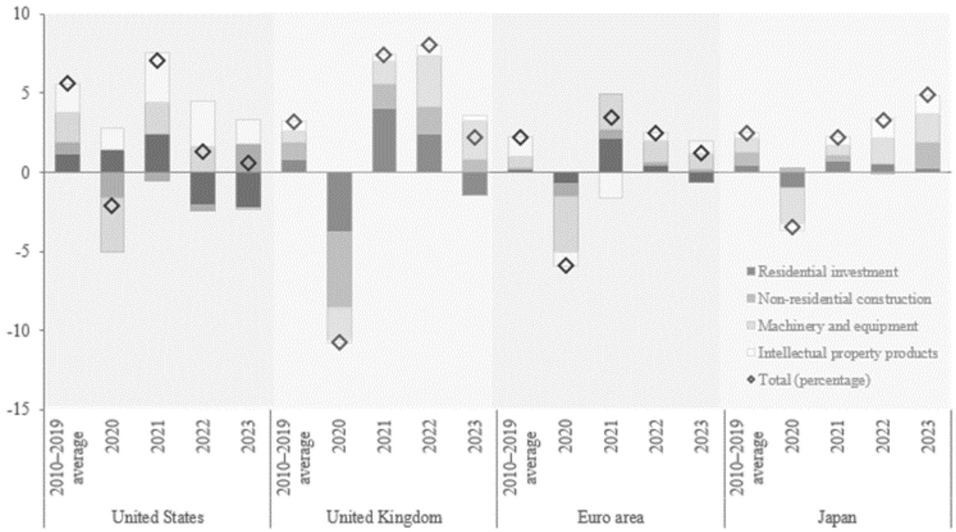
Figure V
Annual investment growth
(Percentage)



Source: United Nations, Department of Economic and Social Affairs, based on estimates produced with the World Economic Forecasting Model.
Abbreviation: e, estimate.

19. Residential investment – a key component of gross fixed capital formation – contracted in the United States, the United Kingdom and the euro area because of high interest rates, affecting both the demand and supply of housing. In Japan, residential investment slowed down but remained positive. Non-residential fixed investment in the United States registered 1.9 per cent growth, after three years of negative growth. Investment in machinery and equipment registered sharp increases in the United Kingdom and the euro area owing to new industrial policies in support of the energy transition and supply chain resilience (see figure VI). 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.

Figure VI
Annual investment growth in selected developed economies, by asset type
(Percentage points)



Source: United Nations, Department of Economic and Social Affairs, based on data from CEIC and Eurostat.

Note: Figures are in constant prices. Data for the United Kingdom of Great Britain and Northern Ireland, the euro area and Japan reflect total investment; data for the United States of America reflect private investment.

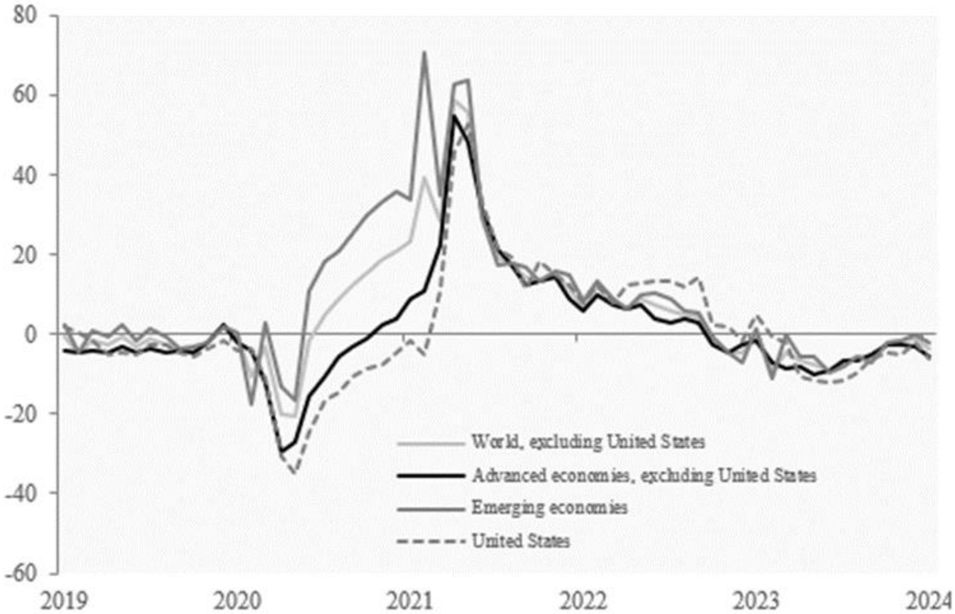
International trade

20. Growth in global trade in goods remained weak in 2023 (see figure VII). The value of global merchandise trade has been in a continuous decline since mid-2022 and further contracted by 5 per cent in 2023.[2] 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 driven primarily by weakening industrial output and a strong United States dollar that has weakened import demand (particularly in developing countries), with South-South trade declining by 7 per cent in 2023.[3] Trade in services remained more resilient and grew by 8 per cent, although it moderated in the fourth quarter.

21. 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 and 2022. In China, foreign trade grew faster than expected in the first two months of 2024, driven largely by exports to emerging markets, in particular to Brazil, India and the Russian Federation. However, persistent geopolitical tensions in the Middle East and disruptions in the Red Sea, and the escalating cost of freight continue to pose challenges to global trade (see figure VIII). 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.

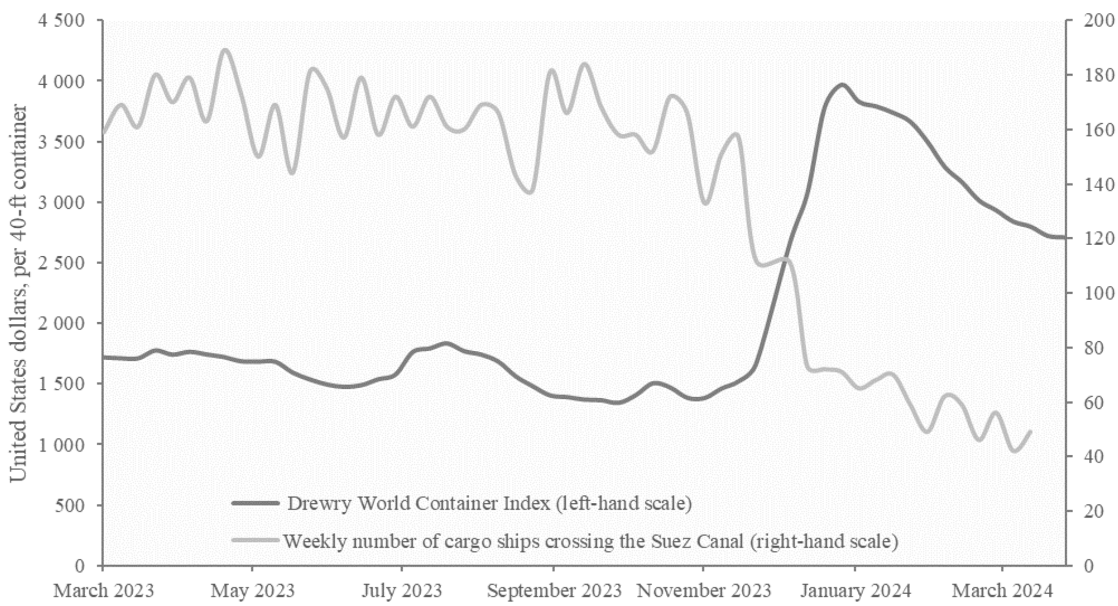
[2] United Nations Conference on Trade and Development, “Global trade update”, March 2024.
[3] Ibid.

Figure VII
Merchandise exports
(Percentage change, year-on-year)



Source: United Nations, Department of Economic and Social Affairs, based on data from the Federal Reserve Bank of Dallas.
Note: Monthly data are available until January 2024.

Figure VIII
Drewry World Container Index and weekly number of cargo ship crossings through the Suez Canal



Source: United Nations, Department of Economic and Social Affairs, based on data from Drewry Shipping Consultants Limited and the Office for National Statistics of the United Kingdom of Great Britain and Northern Ireland.

Monetary and fiscal policy: trends and challenges

Monetary policy

22. In the first quarter of 2024, the majority of central banks in the world 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 targets of the central banks. 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 follow closely the policy decisions of the Federal Reserve. The policy shift of the European Central Bank will affect the Central African Economic and Monetary Community and the West African Economic and Monetary Union.

23. Deviating from the predominant "wait and see" monetary policy stance, central banks in Armenia, Azerbaijan, Brazil, Chile, Colombia, Costa Rica, Czechia, Georgia, Hungary, Kazakhstan, Paraguay, Peru, the 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]

24. In contrast, central banks in Angola, Egypt, Kenya, Malawi, Nigeria, Türkiye, Uganda, the United Republic of Tanzania, Venezuela (Bolivarian Republic of) and Zambia continued monetary tightening through additional policy interest rate hikes during the first quarter of 2024. Tight external financing conditions and balance of payment 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

25. The coronavirus disease (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. Ageing populations are pushing up pension, health-care 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 transitions. 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 investment in sustainable development.

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[4] Xinhua, "There is ample room for China's monetary policy: central bank governor", 6 March 2024.

[5] *Leaving No One Behind in an Ageing World: World Social Report 2023* (United Nations publication, 2023).

26. The general government debt-to-GDP ratio stood globally 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 2019 pre-pandemic level 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 costs of servicing government debt will remain a challenge, absorbing a growing share of fiscal revenues in many developing countries, thereby diverting public funds away from health care, education, social protection and sustainable infrastructure (see figure IX). 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, 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 small island developing States, 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.

27. Against this backdrop, most countries are projected to gradually tighten fiscal outlays in 2024 and 2025 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 reforms to the fiscal governance framework, aiming to provide more flexibility in reducing deficits and giving more ownership to member States.[7]

28. Many developing countries 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 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 transitions. In India, the Government remains committed to gradually reducing 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.

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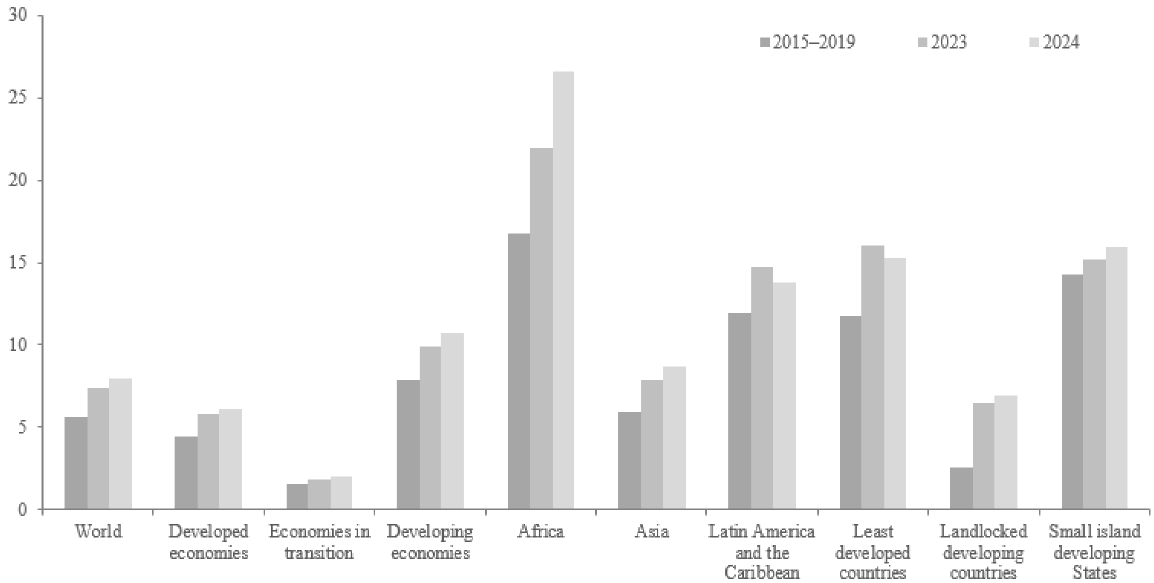
[6] Global, regional and country-group averages are weighted by GDP and based on data from the IMF World Economic Outlook database (accessed in April 2024).

[7] Council of the European Union, "Economic governance review: Council adopts reform of fiscal rules", 29 April 2024.

Figure IX
Net interest payments on public debt
(Percentage of government revenues)



Source: United Nations, Department of Economic and Social Affairs, based on data from the World Economic Outlook database of the International Monetary Fund (accessed in April 2024).
Note: Global, regional and country-group averages are weighted by gross domestic product. Data for 2023 and 2024 are estimates.

II. Harnessing the potential of critical minerals

Critical minerals are indispensable for the energy transition

29. Accelerating the energy transition, by adopting renewables and phasing out fossil fuels, is integral to fighting climate change. Achieving net-zero carbon emission targets by 2050 will require rapid adoption of low-emission technologies, for instance by increasing the proportion of electric vehicles 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 panels and wind must increase fivefold by 2030 and 16 times by 2050, while electricity from unabated fossil fuels must decrease by 40 per cent by 2030 and essentially disappear by 2050.[8]

30. Transforming energy sources, even as developing countries seek to provide 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 revenue and export earnings in many countries. In 31 economies, most of which are 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.

[8] International Energy Agency, *Net Zero Roadmap: A Global Pathway to Keep the 1.5°C Goal in Reach – 2023 Update*, 2023.
[9] *State of Commodity Dependence 2023* (United Nations publication, 2023).

31. While increasing the supply of mineral resources can boost economic growth, create jobs and eradicate poverty, such outcomes cannot be taken for granted. Past experience with growth driven by the minerals sector 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 the strengthening of governance, institutional capabilities, human capacities and strategic planning, is essential to realize positive outcomes in line with the Sustainable Development Goals while avoiding negative ones.

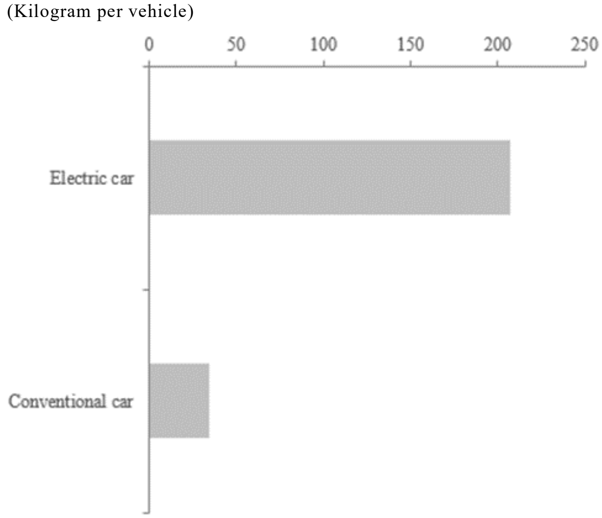
32. The rapid pace of technological change during the past decades has boosted demand for many new and lesser known minerals to manufacture microchips, solar panels, wind turbines and electric car batteries. It has also drawn attention to the relative scarcity of these minerals, or bottlenecks in their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

33. Lists of critical minerals are country specific. Depending on the criteria used, there are between 35 and 50 critical minerals.[11] In a recent survey, over 30 minerals (and metals) were identified as essential to the energy transition.[12] Key clean energy technologies demand significantly more critical minerals than fossil fuel-based ones. For example, an electric vehicle requires six times more critical mineral inputs than a conventional car and an onshore wind plant requires nine times more mineral resources than a gas-fired power plant (see figure X).

Figure X
Critical minerals used in selected clean energy technologies

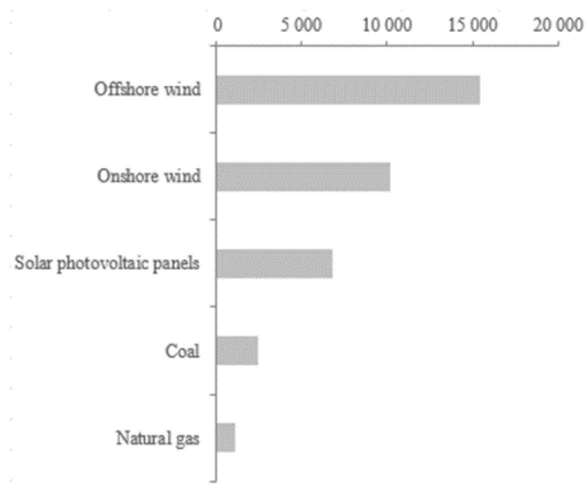
(a) Transport

(Kilogram per vehicle)



(b) Power generation

(Kilogram per megawatt)



Source: United Nations, Department of Economic and Social Affairs, based on data from the International Energy Agency.

[10] See, for example, the Saudi Arabia Vision 2030.

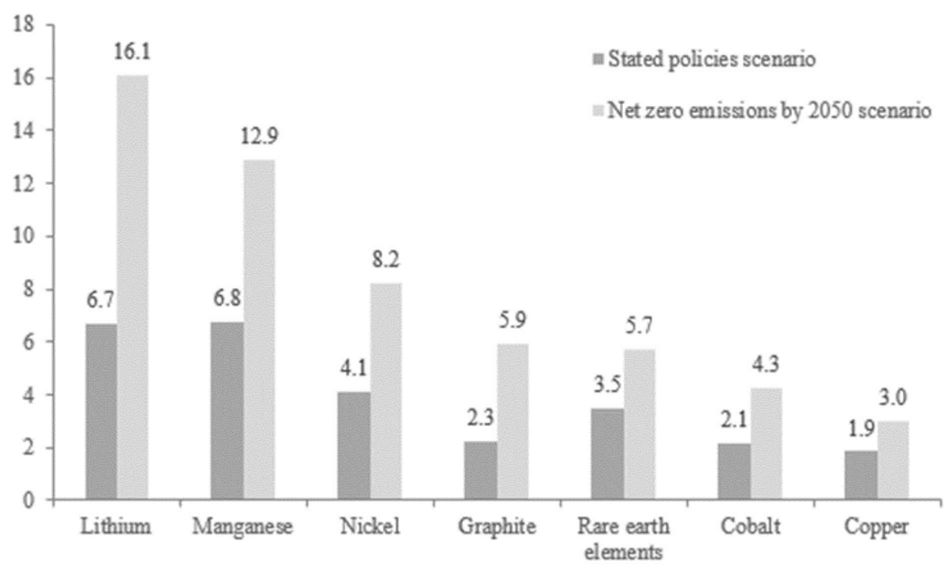
[11] The United States has identified 50 critical minerals, whereas the European Union and Australia have listed 34 and 30 critical minerals, respectively. Common to these lists are lithium, cobalt, rare earth elements, nickel and graphite.

[12] John R. Owen and others, "Energy transition minerals and their intersection with land-connected peoples", *Nature Sustainability*, vol. 6 (February 2023).

34. 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 the market size for lithium, nickel and rare earth elements expanded 6.7, 3.1 and 2.5 times, respectively.[13] This contrasts with the more subdued demand growth for other minerals and metals, such as zinc and lead, that are less relevant for green energy generation. According to the International Energy Agency, achieving net zero by 2050 globally will require six times more mineral inputs than today; more specifically, the demand for lithium and manganese in clean energy technologies will need to increase by 16 and 13 times, respectively, in the next 30 years, and that for nickel, graphite and rare earth elements by over 5 times (see figure XI).

35. While these projections are subject to enormous technological uncertainties – the commercial adoption of alternative green energy technology, such as hydrogen cells or sodium-ion batteries, the 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.[14]

Figure XI
Relative growth of demand for selected critical minerals used in clean energy by 2050
(Multiples of estimated 2022 demand)



Source: United Nations, Department of Economic and Social Affairs, based on data from the Critical Minerals Data Explorer of the International Energy Agency.
Note: The stated policies scenario considers policies and implementation measures that countries adopted up to August 2023; the net zero emissions by 2050 scenario reflects what is needed for achieving net zero energy-related carbon emissions by 2050.

Investment in critical minerals faces significant challenges

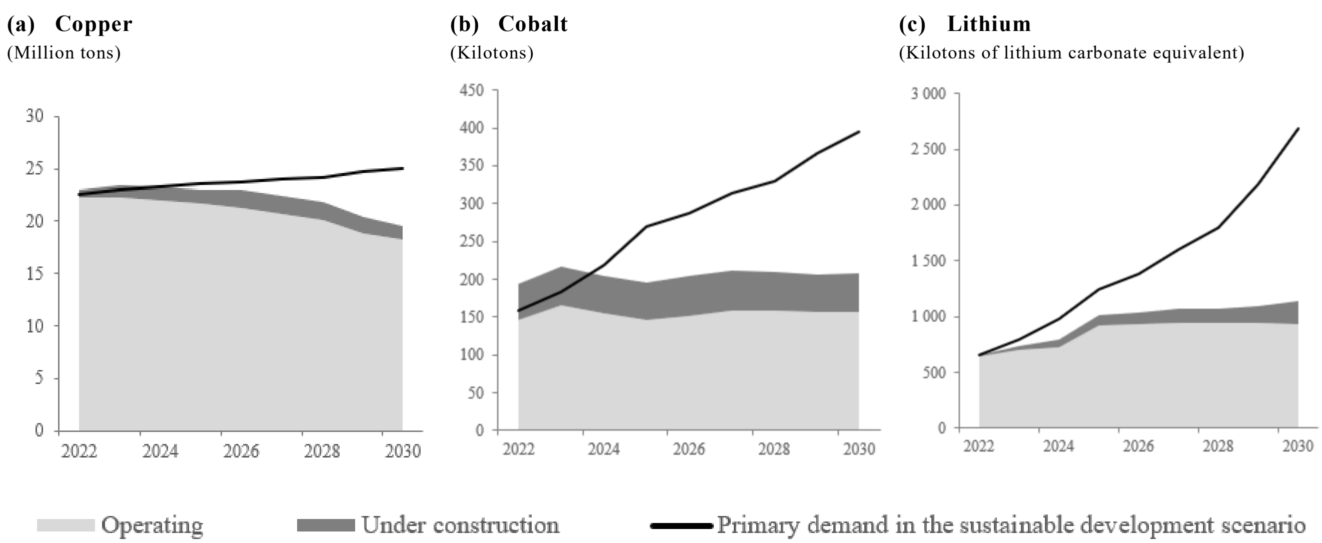
36. Despite projected growth in potential demand, the supply of critical minerals will lag, leading to a persistent gap between demand and supply (see figure XII). Technological uncertainties, supply chain vulnerabilities due to high market

[13] International Energy Agency, *Critical Minerals Market Review 2023*, December 2023.
[14] Jordy Lee Calderon and others, “Critical mineral demand estimates for low-carbon technologies: what do they tell us and how can they evolve?”, *Renewable and Sustainable Energy Reviews*, vol. 189, Part A (January 2024).

concentration, geopolitical tensions and falling and volatile prices are discouraging new private and public investment in critical minerals.

37. Upstream mining and extraction and midstream processing of the critical minerals are highly concentrated, making the mineral supply chains vulnerable to countries' policy choices. Compared with that of oil and gas, extraction of critical minerals is more geographically concentrated, with the top three producers accounting for 50 to 90 per cent of the global production of lithium, rare earth elements, graphite, cobalt, nickel and copper (see figure XIII (a)). This concentration is even more pronounced in the processing stage: China accounts for over half of the refined supply of cobalt, lithium and rare earth elements (see figure XIII (b)). At the same time, mining and processing of critical minerals are usually concentrated in a handful of firms. For example, two major firms, one based in Chile and the other in the United States, account for about 20 and 16 per cent of global lithium production, respectively, and one company based in China controls 20 per cent of global nickel production.[15]

Figure XII
Global supply and demand for selected critical minerals

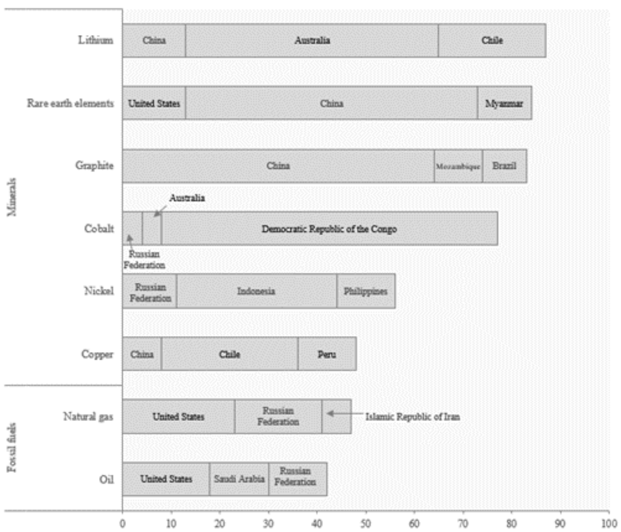


Source: United Nations, Department of Economic and Social Affairs, based on data from the International Energy Agency.
Note: Primary demand is total demand net of recycled volume. The sustainable development scenario is in line with the pathway for achieving the energy-related Sustainable Development Goals and the climate goals of the Paris Agreement.

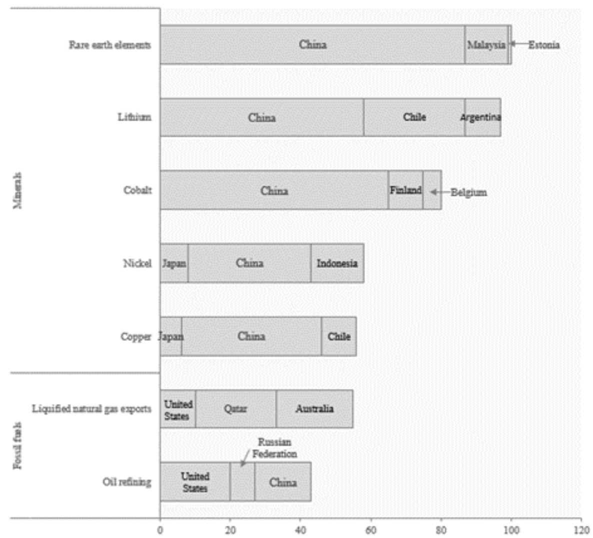
[15] United Nations, Department of Economic and Social Affairs, calculations based on data from Statista.

Figure XIII
Share of top three countries in the production of selected minerals and fossil fuels, 2019

(a) Extraction
(Percentage)



(b) Processing
(Percentage)



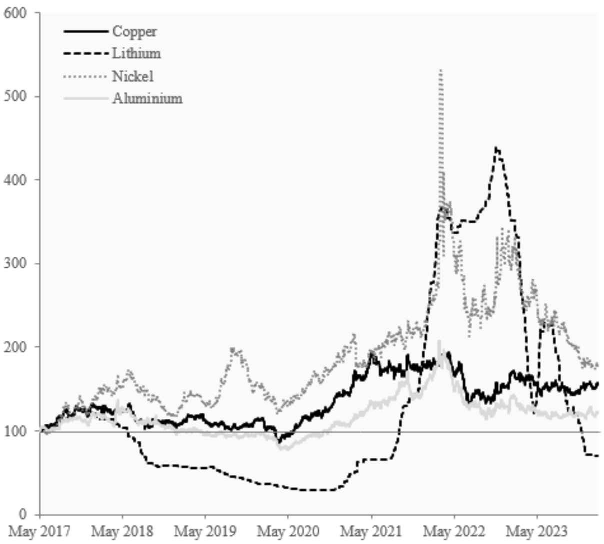
Source: United Nations, Department of Economic and Social Affairs, based on data from the International Energy Agency.

38. The prices of many critical minerals soared to unprecedented highs during 2021 and 2022, amid the pandemic and the war in Ukraine (see figure XIV (a)). However, prices rapidly collapsed afterwards as a result of improved inventory and weaker global demand. The price of lithium, 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 (see figure XIV (b)). The recent decline in critical mineral prices is deterring investments to develop new mines and increase extraction of critical minerals.

Figure XIV
Price and price volatility of selected minerals

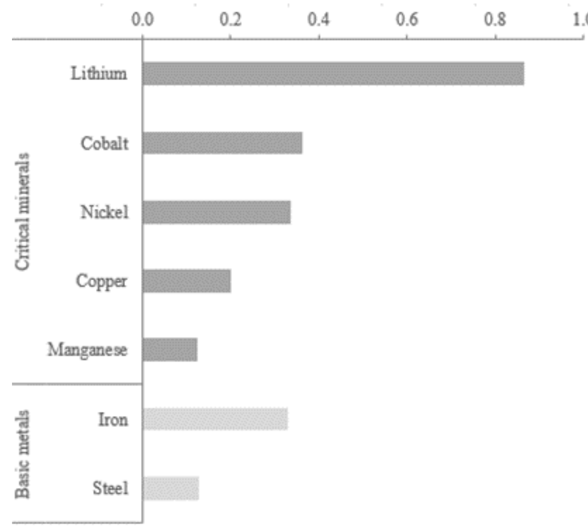
(a) Price

(Index, 10 May 2017 = 100)



(b) Price volatility

(Ratio of the standard deviation to the mean)



Source: United Nations, Department of Economic and Social Affairs, based on data from Trading Economics.
Note: Data cover the period from 10 May 2017 to 1 February 2024.

39. Supply chain and national security concerns are increasingly shaping policies on the critical minerals sector, especially in 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 federal strategy to ensure secure and reliable supplies of critical minerals of the United States (2017), the Critical Raw Materials Act of the European Union (2024) and the fourteenth five-year plan for raw material industry development of China (2021). Other policy measures supporting clean technologies, such as the Inflation Reduction Act of the United States (2022) and the industry development plan for new energy vehicles of China (2021), will also have an impact on critical mineral markets.

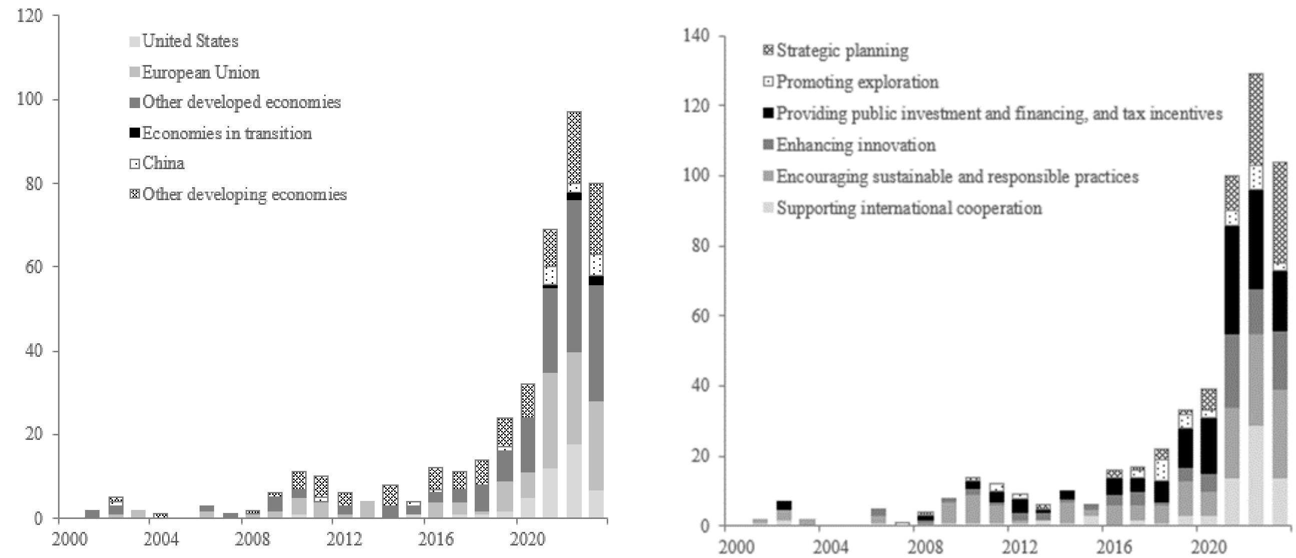
40. These initiatives will have major implications for developing economies and could reshape the global supply chains. The Inflation Reduction Act, for example, offers significant tax credits if a sizable proportion of the mineral inputs for electric vehicle batteries are sourced from the United States or from one of its free trade partners, which excludes such top producers as China, the Democratic Republic of the Congo, Indonesia and the Philippines. In this rapidly changing geopolitical landscape, many developing countries are also enacting new policies to develop their critical mineral resources and expand both upstream and midstream economic activities. Consequently, the world is witnessing a surge in critical mineral-related policies across countries (see figure XV).

41. Furthermore, national security and energy security concerns – and policies aimed at increasing the share of local value addition – have led to a significant increase in export restrictions. During 2009–2020, the number of export restrictions on critical minerals grew more than fivefold, in particular for platinum, iridium,

palladium and cobalt.[16] Between 2017 and 2020, about 10 per cent of the global value of exports of critical minerals was subjected to at least one export restriction measure.

Figure XV
Critical mineral-related policies
(Number of policies)

(a) By country or country group **(b) By focus area of policy**



Source: United Nations, Department of Economic and Social Affairs, based on the Critical Minerals Policy Tracker of the International Energy Agency.
Note: As a policy could be grouped into more than one focus area, the total number of policies in panel (b) exceeds that in panel (a).

New opportunities for developing economies

42. Critical minerals present new opportunities for developing countries. Countries rich in mineral resources could significantly benefit from their endowments, attracting both foreign and domestic investment, creating jobs and enhancing government revenue, exports and economic growth. South Africa, for example, holds about 90 per cent of the global reserves of platinum and 30 per cent of manganese, and the Democratic Republic of the Congo is home to over half of the reserves of cobalt. In South America, parts of Argentina, Bolivia (Plurinational State of) and Chile (covering a region known as the "lithium triangle") account for 70 per cent of the global reserves of lithium.

43. 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 critical minerals. This will require developing countries with large deposits of critical minerals to design and implement coherent industrial policy measures.

44. There are significant opportunities for local value addition in critical minerals. For example, in 2022, the market value of raw lithium accounted for 63 per cent of

[16] Organisation for Economic Co-operation and Development (OECD), *Raw Materials Critical for the Green Transition: Production, International Trade and Export Restrictions*, OECD Trade Policy Paper No. 269 (OECD Publishing, Paris, April 2023).

the battery grade lithium carbonate, which in turn represented only 26 per cent of the market value of lithium-ion batteries.[17] In Indonesia, estimates suggest that differences in the market value of nickel ore, cathodes and batteries will increase further in the coming decade. As a result, the country's strategy to strengthen its move from nickel extraction to electric vehicle battery production could increase government revenue by about $1.6 billion and increase GDP by over $21 billion by 2035.[18] 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, 1 ton of spodumene (a type of rock containing lithium), costing about $1,100, can typically produce about 160 kg of lithium hydroxide, which sells for at least twice as much.

45. Advances in digital technology present significant opportunities for improving efficiencies in the critical minerals 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.[19] Australia, Canada, China, the United States and Europe hold the largest share of mining innovations, supported by investment in research and development, 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 much less to mining innovation. Avoiding a renewed "resource curse" and harnessing the potential of critical minerals in developing countries will require significant policy and institutional reform 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 the localization of midstream and downstream activities.

46. 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, adequately assessing opportunity costs and ensuring an equitable distribution of benefits necessitates robust governance and institutional settings, requiring policy coordination, coherence and transparency and engagement with all stakeholders, especially local communities.

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

48. In addition, strict environmental and social safeguards, along with strong institutional settings, are key to ensuring sustainable mining operations and supporting progress towards attainment of the Sustainable Development Goals. Mining operations and production waste can pose a major threat to water and land quality and exhaust freshwater supplies, given that at least 16 per cent of the world's

[17] United Nations, Department of Economic and Social Affairs, based on data from Statista and Market Reports World.

[18] Ijang Suherman, S. Rochani and D. Cahyaningtyas, "Value-added analysis of the electric vehicle battery industry in Indonesia", *IOP Conference Series: Earth and Environmental Science*, vol. 882, International Seminar on Mineral and Coal Technology, 23 and 24 June 2021, Bandung, Indonesia.

[19] Alicia Daly and others, eds., *Global Challenges for Innovation in the Mining Industries* (Cambridge, United Kingdom, Cambridge University Press, 2022).

land-based critical mineral mines, deposits and districts are located in highly or extremely water-stressed areas.[20] In Chile, the world's largest producer of copper and second-largest producer of lithium, 65 per cent of the country's water is used for mining operations. Moreover, about 54 per cent of critical minerals worldwide are located on or near Indigenous lands,[21] heightening the risk of displacement, land degradation and conflict, while inadequate social protections can contribute to exploitative labour practices and poor working conditions, including child labour.

Coherent global and national action is essential

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

50. 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 mineral endowments and avoid another cycle of the "resource curse". This will require sustained political commitment, adequate financing, stable trade links, equitable sharing of benefits and responsible environmental management, along with the necessary capacities at the national and subnational levels.

51. Developing countries will need to develop critical mineral sectors in a manner that aligns 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", a phenomenon involving the rapid appreciation of the real exchange rate owing 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 mineral prices.

52. Private-public partnerships must also play a role in building the critical minerals sector in developing countries. Among the countries in the "lithium triangle", Argentina has established a federal governance system that welcomes private investment through concessions, with international and domestic firms taking the lead in lithium extraction. By contrast, the Plurinational State of Bolivia 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 applying a flexible approach, underscores the key role of the State. Accordingly, projects to exploit 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 the Congo 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

[20] Shivani Lakshman, "More critical minerals mining could strain water supplies in stressed regions", World Resources Institute, 10 January 2024.

[21] International Renewable Energy Agency, *Geopolitics of the Energy Transition: Critical Materials* (Abu Dhabi, 2023).

public-private partnerships, while tax breaks and export restrictions have been enacted to encourage refining and processing activities.

53. Governments can deploy various policy instruments to facilitate technological diffusion and encourage investment in midstream and downstream operations. For example, Governments can provide such financial incentives as tax breaks to attract private investment in refining and processing activities, while offering no such incentive to upstream mining activities. Also, subsidies and grants for research and development can target refining and processing technologies, while technology transfers can be facilitated through partnerships and knowledge-sharing agreements. Chile has recently expanded subsidy and grant programmes for research and development on critical minerals to strengthen local innovation.

54. Evidence shows that Governments can play a major role in promoting innovation and technological diffusion in the mining sector,[22] providing incentives to build technological capabilities. Incentive measures may relate to product accessibility (the share of outputs accessible to third-party firms for refining), inputs (local content requirements) or earnings (the share of earnings to fund investment in research and development or support local communities). Other policy measures include specialized training programmes to enhance the skills and expertise needed, in particular in metallurgy and chemical engineering, for refining and processing activities. Furthermore, creating industry clusters of local value chains can benefit from economies of scale.

55. International cooperation is essential for maximizing the potential of critical minerals to advance attainment of the Sustainable Development Goals. 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. In addition, regional initiatives[23] and agreements among developing countries can improve economies of scale and strengthen joint negotiating positions. Meanwhile, multilateral development banks can offer technical assistance to improve governance, regulatory frameworks and operational efficiencies. They can also support projects that adopt best environmental and social practices and help to channel the additional resources towards sustainable development. The United Nations Panel on Critical Energy Transition Minerals will address issues relating to equity, transparency, investment, sustainability and human rights.

III. Regional economic outlook

Developed economies

United States of America

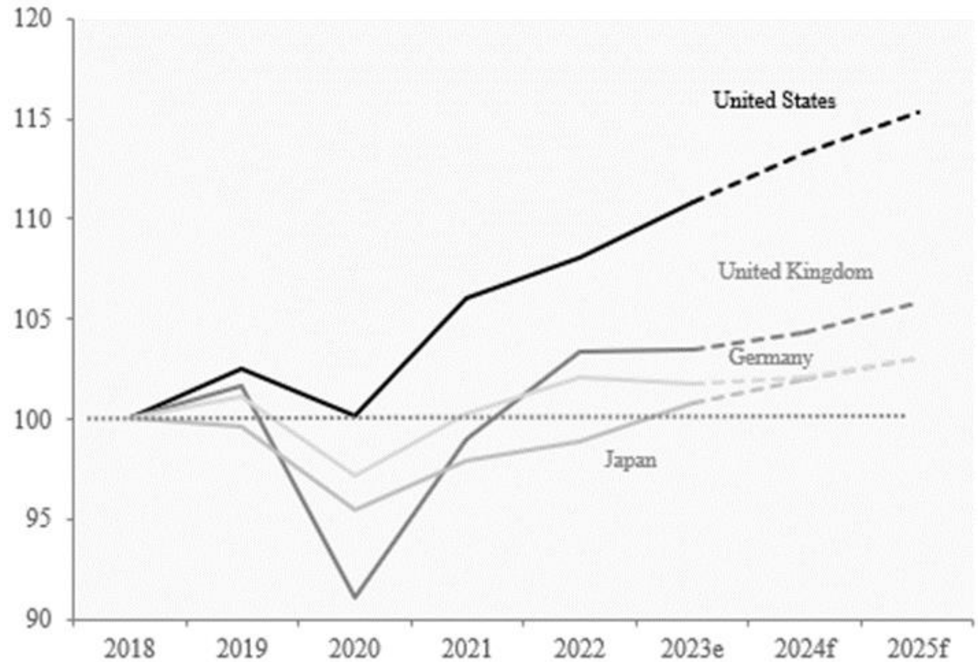
56. The economy of the United States has remained remarkably upbeat in the face of sustained high interest rates, so far defying the expectations of a slowdown or a soft landing. The latest forecast points to 2.3 per cent growth in 2024. This marks an upward revision of 0.9 percentage points from the forecast in January. The Personal Consumption Expenditures Price Index, the inflation measure preferred by the

[22] Alicia Daly and others, *Global Challenges for Innovation in the Mining Industries*.

[23] See, for example, the Future Minerals Forum, launched by Saudi Arabia in January 2022, aimed at promoting regional cooperation on exploration, development and processing activities related to critical minerals.

Federal Reserve, 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. Inflation of services, 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 (see figure XVI).

Figure XVI
Real gross domestic product of selected developed economies
(Index, 2018 = 100)



Source: United Nations, Department of Economic and Social Affairs, based on estimates and forecasts produced with the World Economic Forecasting Model.
Abbreviations: e, estimate; f, forecast.

57. 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, despite 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 and 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, including social transfers and savings from the disruptions in normal economic activity; income gains from a tight labour market, especially among low wage workers; and improvements in household balance sheets and net worth.

58. 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.[24]

Europe

59. Europe faces significant headwinds as the region seeks to regain economic momentum. Weak economic sentiment, tight financing conditions and the 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 a growth of 0.4 per cent in 2023. In the United Kingdom, a mild recovery is under way 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.

60. Amid continued weakness in industrial output, growth projections are downgraded for the continent's manufacturing-dependent economies, including Austria, Czechia, Finland, Germany and Hungary. The economy of Germany is mired in a prolonged slump, with the 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 a 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 Recovery and Resilience Facility of the European Union.

61. 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 approaching target levels, the European Central Bank, the Bank of England and other central banks are expected to begin an easing cycle over the coming year. European 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 consumer and business confidence improves, which may add inflationary pressures.

Developed Asia and the Pacific

62. 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 consumer confidence has been slow to recover amid slow nominal wage growth.

63. 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 Reserve Bank of Australia and the Bank of Korea remain cautious about shifting to monetary

[24] See the analysis in chapter II of *World Economic Situation and Prospects 2024*.

easing owing to uncertain inflation prospects. In Australia, rapid nominal wage growth indicates continued upward pressure on the price level.

Economies in transition

64. The protracted war in Ukraine continues to affect the economic situation in the Commonwealth of Independent States and Georgia. Following a growth rate 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.

65. The economy of the Russian Federation grew by a stronger-than-expected 3.6 per cent in 2023, fuelled by strong 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 and the European Union and to circumvent restrictions on high-tech imports. Growth is projected at 2.7 per cent in 2024, owing 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 economy.

66. The economy of Ukraine grew by 5.3 per cent in 2023, after a sharp contraction of almost 30 per cent in 2022. A moderate growth is projected for 2024. The estimated cost of post-conflict reconstruction in Ukraine has been revised further upward to $486 billion.[25] External financial assistance, 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.

67. 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

68. After expanding by 3.2 per cent in 2023, GDP in Africa 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 payment 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 subpar growth. Growth prospects are better in Ethiopia and Kenya, although both countries continue to face substantial debt challenges.

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[25] World Bank, Ukraine, European Union and United Nations, *Ukraine Rapid Damage and Needs Assessment, RDNA3: February 2022–December 2023*, February 2024.

69. A total of 7 African countries are currently in debt distress, while 13 are at a high risk of debt distress. There has been a positive shift in access to international financial markets, with Benin, Côte d'Ivoire and Kenya gaining access to the Eurobond market in the first quarter of 2024. Ghana and Zambia have reached agreements with their official creditor committees and are pursuing bilateral agreements with their respective lenders. Zambia has also reached an agreement with its commercial debt holders to restructure $3 billion in Eurobonds.

70. The announcement by Burkina Faso, Mali and the Niger of their intention to withdraw from the Economic Community of West African States presents a major setback for regional integration, threatening to weaken intraregional 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 the Sudan, which started in April 2023, continues with no end in sight.

71. Food insecurity will remain a key concern for the continent in 2024, with 33 countries needing urgent external food assistance as at March 2024.[26] Lower agricultural yields and higher grain prices can be attributed to political instability in parts of 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 North Africa. Malawi, Zambia and Zimbabwe have declared a state of national emergency owing to drought.

East Asia

72. 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, alongside 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.

73. The economy of China 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. Key challenges remain in the property sector. Despite measures to stabilize the sector, the declines in property investment and sales continued in the first quarter of 2024. While global trade improvements buoyed Chinese 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 high-quality growth implies sustained policy support to boost industrial production and manufacturing investment, in particular in emerging sectors.

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

75. Average inflation has remained elevated in several smaller economies, such as the Lao People's Democratic Republic and Myanmar. However, easing inflationary pressures in the region have allowed many central banks to pause monetary policy

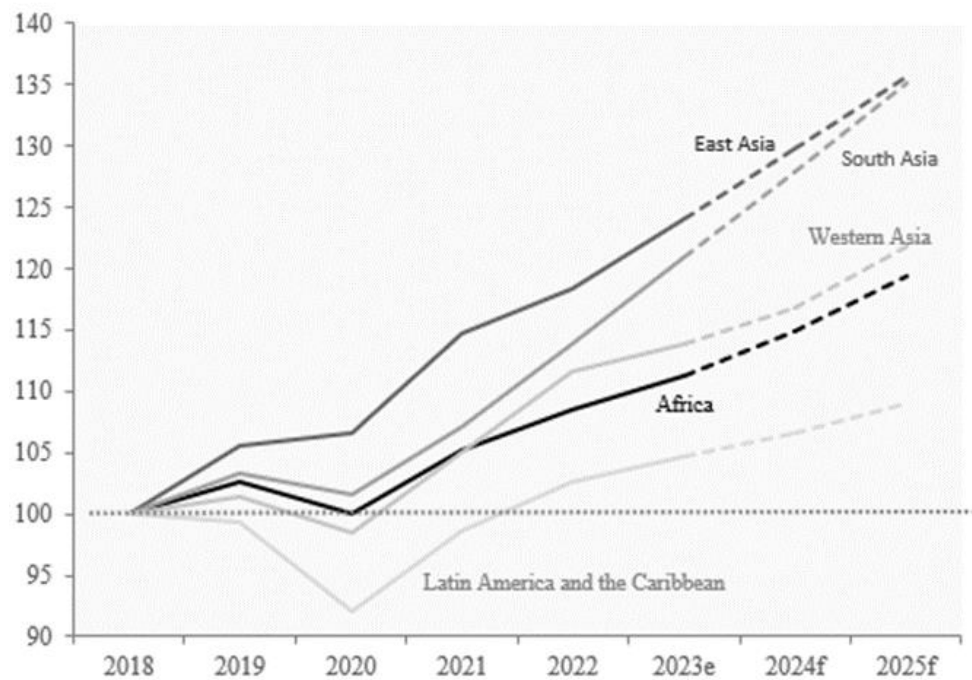
[26] Food and Agriculture Organization of the United Nations, *Crop Prospects and Food Situation*, Triannual Global Report No. 1, (Rome, March 2024).

tightening or even cut policy rates, for example, in 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.

South Asia

76. The economic outlook for South Asia is expected to remain strong (see figure XVII), supported by a robust performance of the economy of India 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 growth performance in the region. 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.

Figure XVII
Real gross domestic product by developing region
(Index, 2018 = 100)



Source: United Nations, Department of Economic and Social Affairs, based on estimates and forecasts produced with the World Economic Forecasting Model.
Note: Africa excludes Libya.
Abbreviations: e, estimate; f, forecast.

77. The economy of India is forecast to expand, by 6.9 per cent in 2024 and 6.6 per cent in 2025,[27] mainly driven by strong public investment and resilient private consumption. Although subdued external demand will continue to weigh on merchandise export growth, exports of pharmaceuticals and chemicals are expected to expand significantly.

[27] Growth figures are on a calendar year basis.

78. 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 following 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 2 to 6 per cent medium-term target range of the central bank. 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 Maldives to 33.6 per cent in the Islamic Republic of Iran. Despite some moderation, food prices remained elevated in the first quarter of 2024, especially in Bangladesh and India.

79. In early 2024, most central banks in the region kept their policy rates unchanged or continued with monetary easing. The Central Bank of Sri Lanka further reduced its policy rate by 50 basis points, to 8.5 per cent, to support the economic recovery. Several Governments will likely continue to pursue fiscal consolidation to improve debt sustainability as part of programmes supported by the International Monetary Fund.[28]

Western Asia

80. 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 4.2 per cent in 2025. In member countries of the Cooperation Council for the Arab States of the Gulf, economic 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 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.

81. 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 member countries of the Cooperation Council for the Arab States of the Gulf are expected to maintain tight monetary policies to sustain their dollar pegs. Monetary easing is expected in the second half of 2024 in Jordan and Türkiye if inflationary pressures ease.

82. The effects of the war in Gaza have been widespread in the region. The economy of the State of Palestine 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. In Israel, 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 sharply contracted 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 the southern border of

[28] In early 2024, IMF concluded staff-level agreements on the second review of the Extended Fund Facility with Sri Lanka and on the second and final review of the stand-by arrangement with Pakistan.

Lebanon 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

83. 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 as a result of 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.[29] Growth in Brazil 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 owing to lower domestic demand and still tight monetary conditions. Amid a severe austerity programme, the economy of Argentina is forecast to remain in recession in 2024, marking the seventeenth year of GDP contraction in the past four decades.

84. 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 their monetary policy stances as a result of 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 programmes and the critical minerals sector (see section II above) and stimulate growth.

[29] Regional inflation estimates exclude Argentina and Venezuela (Bolivarian Republic of).