UNCTAD:
Challenges to Global Recovery in Times of Conflict

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https://unctad.org/system/files/official-document/tdr2021-update1_en.pdf

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Fragile recovery and new risks

- UNCTAD estimates global economic growth will decrease to 2.6% from 3.6% for 2022
- Developing countries are projected to need US$ 310 billion to meet external public debt service requirements in 2022
- UNCTAD warns inflationary pressures do not warrant premature rolling back of pandemic support policies
- New types of risks and uncertainty, as well as their confluence, call for a systematic reform of multilateral governance and crisis support measures

Compounded risks

"The economic effects of the Ukraine war will compound the ongoing economic slowdown globally and weaken the recovery from the COVID-19 pandemic.

Many developing countries have struggled to gain economic traction coming out of the Covid-19 recession and are now facing strong headwinds from the war.

Whether this leads to unrest or not, a profound social anxiety is already spreading," -

- Rebeca Grynspan, UNCTAD Secretary-General, March 2022.

Surging prices and exchange rate instability

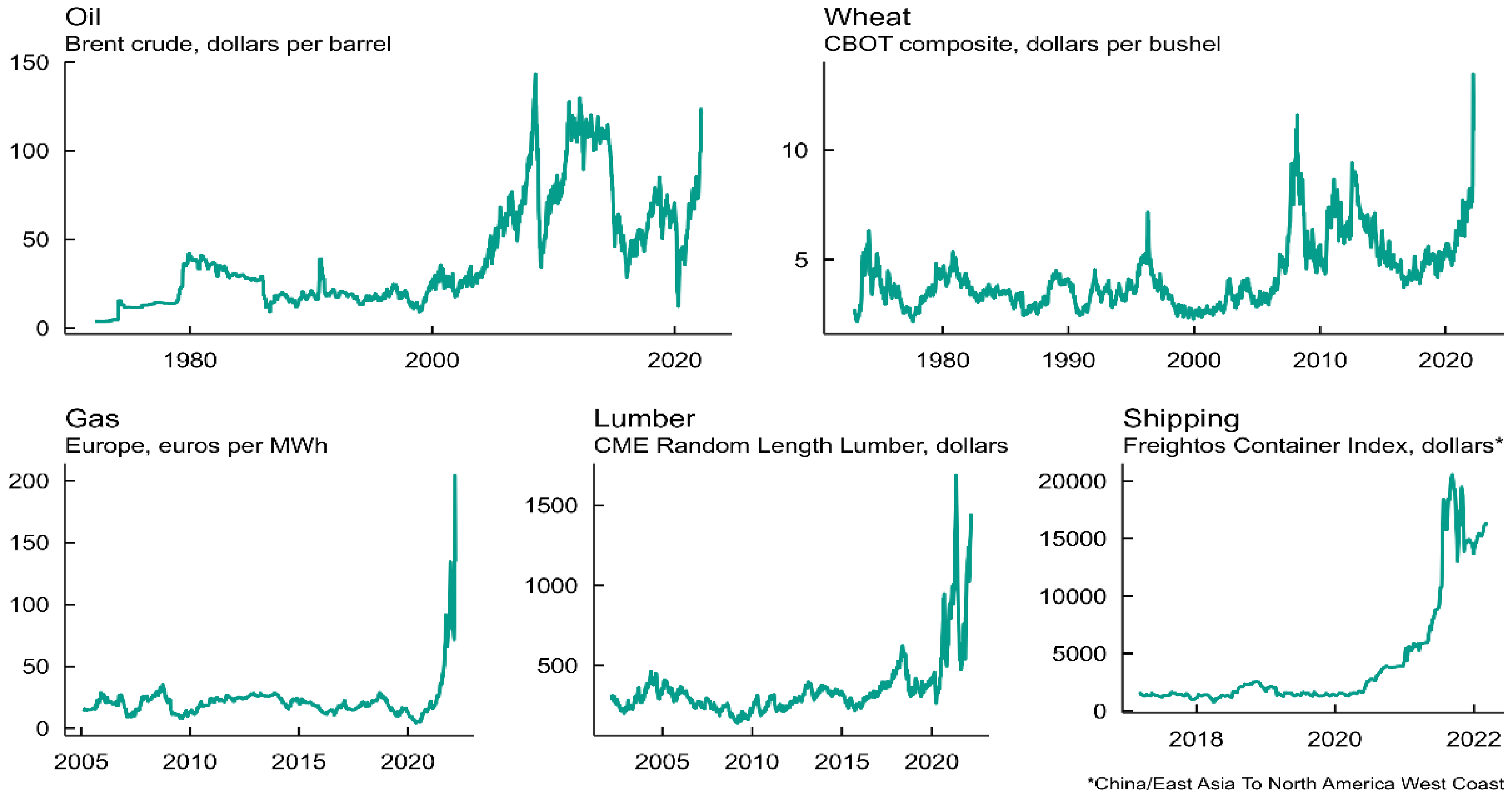


Figure 1.1: Exchange rates

(Percentage change in dollar exchange rates relative to rates at the start of 2022)

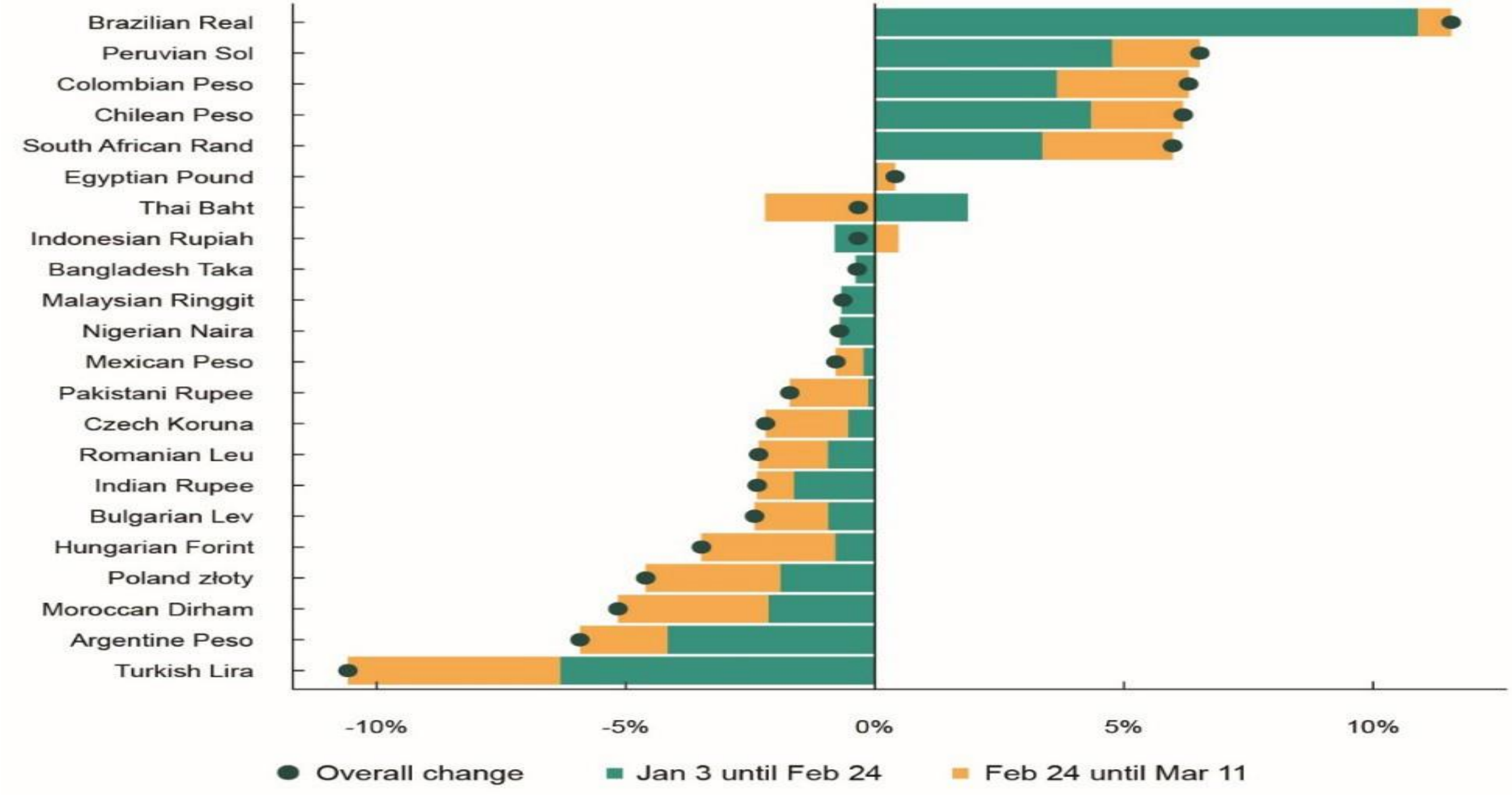


Table 1.1.: WORLD OUTPUT GROWTH, 2019-2022
(Annual percentage change), UNCTAD Secretariat calculations on the basis of GPM

				TDR 2021	Revised	Rev. from TDR 2021
WORLD OUTPUT GROWTH, 2019-2022 (Annual percentage change)	2019	2020	2021	2022b	2022b	**2022**
World	2.6	-3.4	5.6	3.6	2.6	**-1.0**
Africa	2.8	-2.9	4.4	2.9	1.8	**-1.1**
North Africa (incl. South Sudan)	2.8	-4.7	6.4	3.1	2.2	**-0.9**
South Africa	0.1	-6.4	4.9	2.3	1.1	**-1.2**
Sub-Saharan Africa (excl. South Africa and South Sudan)	3.5	-1.1	3.2	2.9	1.8	**-1.1**
America	1.8	-4.3	5.7	2.9	2.4	**-0.5**
Latin America and the Caribbean	0.1	-7.2	6.2	2.6	2.3	**-0.3**
North America	2.3	-3.5	5.6	3.0	2.4	**-0.6**
Asia (excl. Cyprus)	3.8	-1.1	6.1	4.7	3.8	**-0.9**
Central Asia	5.1	-0.2	4.9	3.1	0.2	**-2.9**
East Asia	4.1	0.3	6.4	4.7	3.9	**-0.8**
South Asia	3.3	-4.7	7.0	5.7	4.0	**-1.7**
South-East Asia	4.4	-3.9	2.5	4.7	3.4	**-1.3**
Western Asia (excl. Cyprus)	1.5	-3.5	6.0	3.2	3.4	**+0.2**
Europe (incl. Cyprus)	1.8	-6.0	5.2	3.0	0.9	**-2.1**
Oceania	2.1	-2.4	3.9	2.8	3.0	**+0.2**
Memo items:						
Developed (M49, incl. Republic of Korea)	1.8	-4.5	5.0	2.9	1.8	**-1.1**
Developing (M49)	**3.7**	**-1.7**	**6.7**	**4.7**	**3.7**	**-1.0**

Figure 5.3. Sovereign bond yield in developing countries by trade group classification *(01/09/21–11/03/22)*

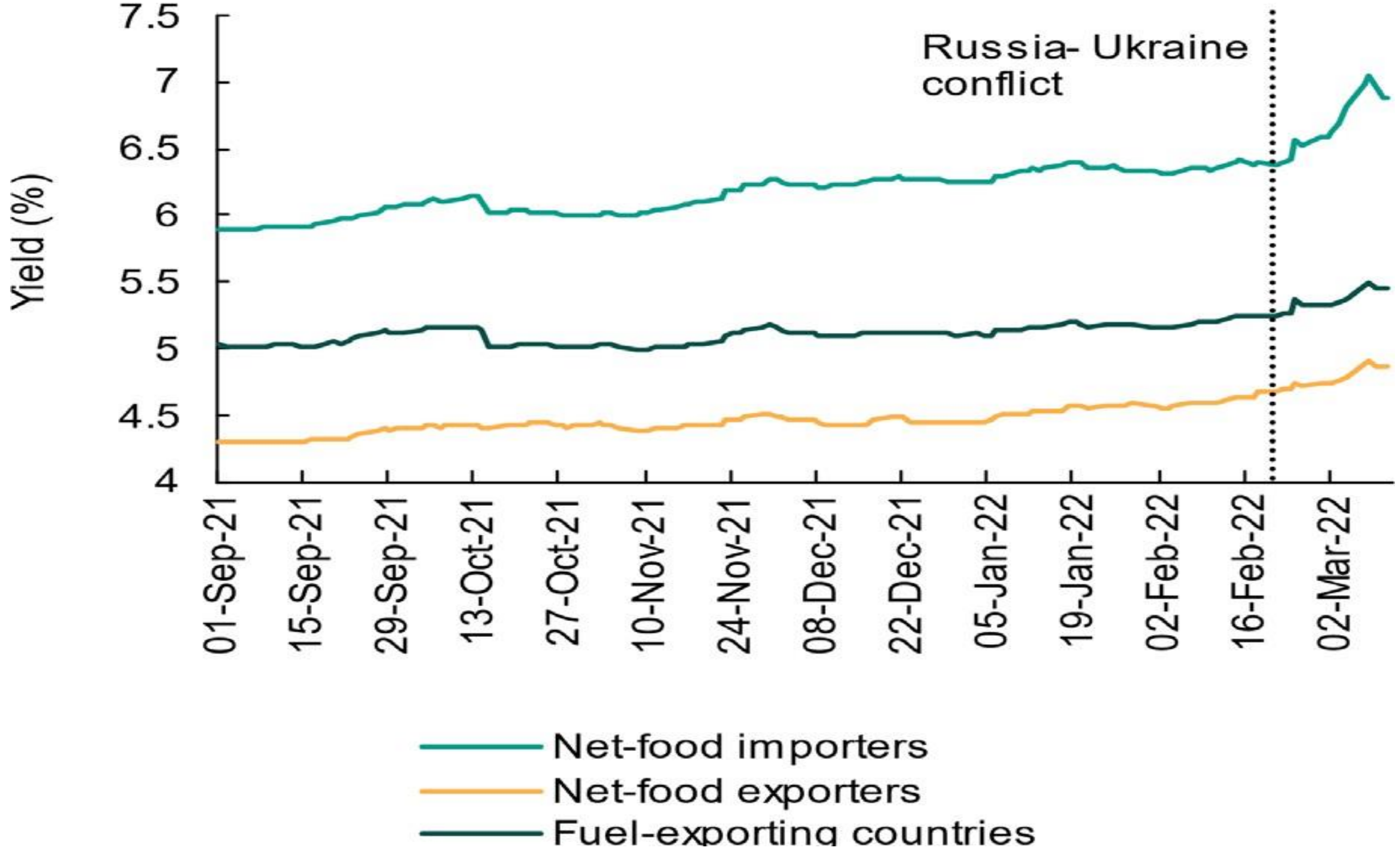
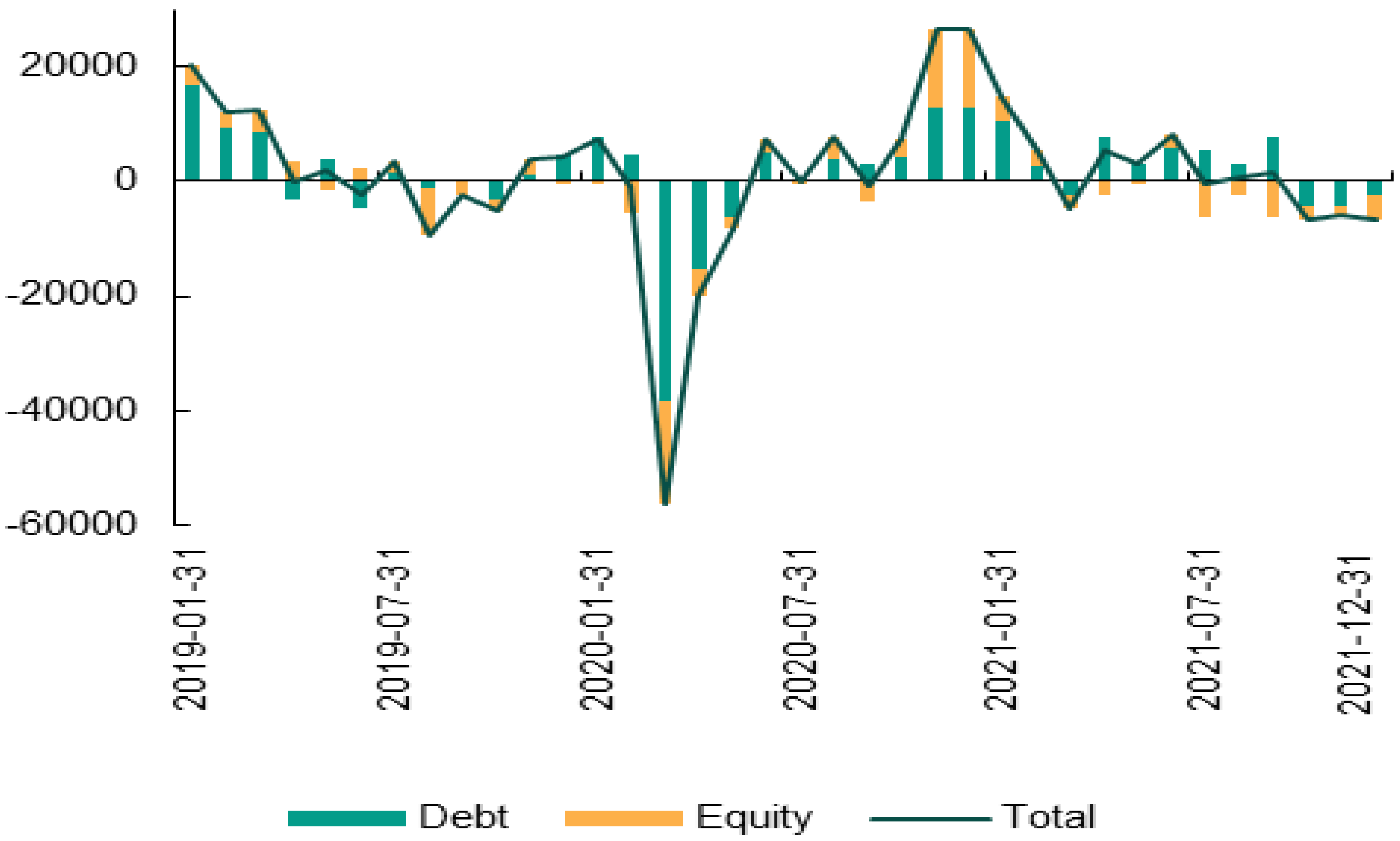


Figure 5.6: Net portfolio flows to emerging markets, January 2019 to December 2021



Global slowdown and further fragmentation

- The main advanced economies are on course to reverse the stimuli enacted during the pandemic, by tightening policy rates, unwinding central bank asset purchases and closing down furlough programmes, transfers and support to businesses and households. This is happening even though inflation has not yet led to sustained wage growth, making the threat of wage- price spirals unfounded.
- These shifts will weaken global demand and dampen growth, with investment already stalling in some countries. The threat of a sharper drop in investment and growth cannot be ruled out if interest rates rise far too quickly and with the climate challenge recedes from policy priorities.
- Developing countries, which have incurred larger costs to cope with the pandemic, face additional constraints on demand and balance of payments obligations as a result of the recent and ongoing policy shift in advanced economies.

UNCTAD recommends the following policy actions to protect the global economy:

1. Greater, more concessional and less conditional, multilateral financial support for developing countries to enable them to withstand financial and economic shocks and increase investment to support economic growth.

2. Immediate debt relief for Ukraine, along with renewed discussions on a multilateral mechanism that promotes the fair and orderly restructuring of developing country sovereign debt during periods of severe financial stress.

3. More use of Special Drawing Rights to supplement official reserves and to provide liquidity on a timely basis to avoid severe deflationary adjustments.

4. More effective and less ad hoc swap arrangements between central banks to support developing country currencies and address financial crises.

5. Sector-specific policies, including price controls and subsidies, to tackle the supply-side and mark-up pressures on inflation.