

# Navigating the Global Economy

**INDONESIA FINANCIAL GROUP INTERNATIONAL (IFG) CONFERENCE 2023**

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*Presentation inspired by the World Bank Global Economic Prospects – June 2023 report*

# Three Questions

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1

**What are the near-term prospects for the global economy?**

2

**What are the long-term prospects & challenges for the global economy?**

3

**What are the policy priorities going forward from a global perspective?**

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# Global Growth Forecast

*Sharp downturn continues in 2023/2024*

	GDP growth (percent)						<i>change from Jan 23</i>	
	2010-19	2020	2021	2022e	2023f	2024f	2023f	2024f
<b>World</b>	3.1	-3.1	6.0	3.1	2.1	2.4	0.4	-0.3
<b>Advanced economies</b>	2.0	-4.3	5.4	2.6	0.7	1.2	0.2	-0.4
<b>EMDEs</b>	5.1	-1.5	6.9	3.7	4.0	3.9	0.6	-0.2
<i>excluding China</i>	3.8	-3.8	5.9	4.1	2.9	3.4	0.2	-0.2
<b>East Asia and Pacific</b>	7.2	1.2	7.5	3.5	5.5	4.6	1.2	-0.3
<b>Europe and Central Asia</b>	3.2	-1.7	7.1	1.2	1.4	2.7	1.3	-0.1
<b>Latin America and the Caribbean</b>	2.3	-6.2	6.9	3.7	1.5	2.0	0.2	-0.4
<b>Middle East and North Africa</b>	3.4	-3.8	3.8	5.9	2.2	3.3	-1.3	0.6
<b>South Asia</b>	6.7	-4.1	8.3	6.0	5.9	5.1	0.4	-0.7
<b>Sub-Saharan Africa</b>	3.7	-2.0	4.4	3.7	3.2	3.9	-0.4	0.0

Source: [World Bank Global Economic Prospects 2023](#)

# Global Risks

*Multiple Downside Risks*

Financial Stress

Geopolitical Stress

Climate-related disasters

Further monetary  
tightening

Energy and food  
insecurity

Weaker long-term growth  
prospects

Persistent high inflation

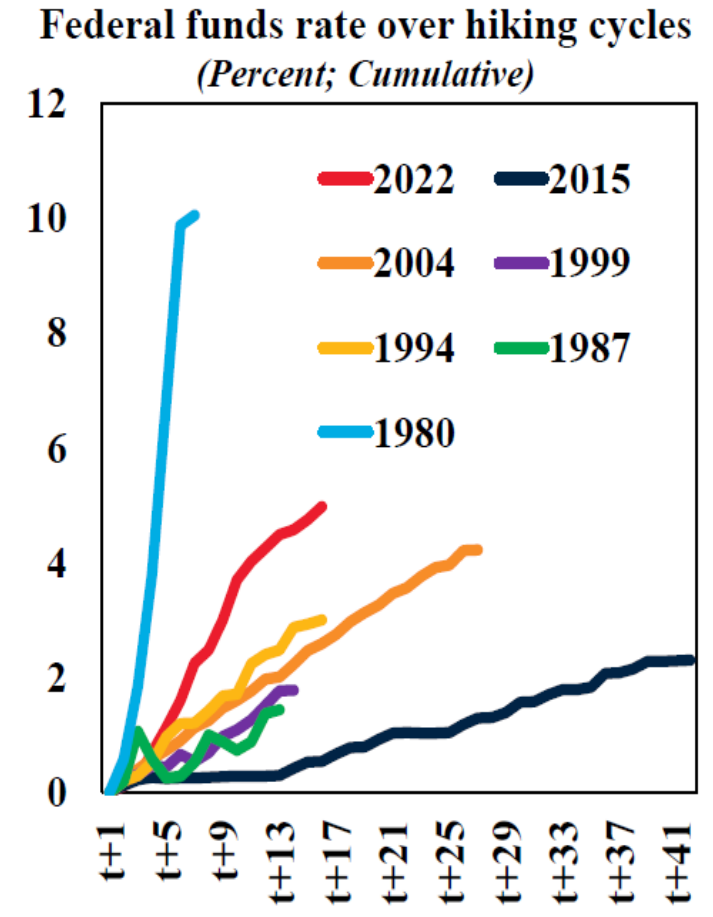
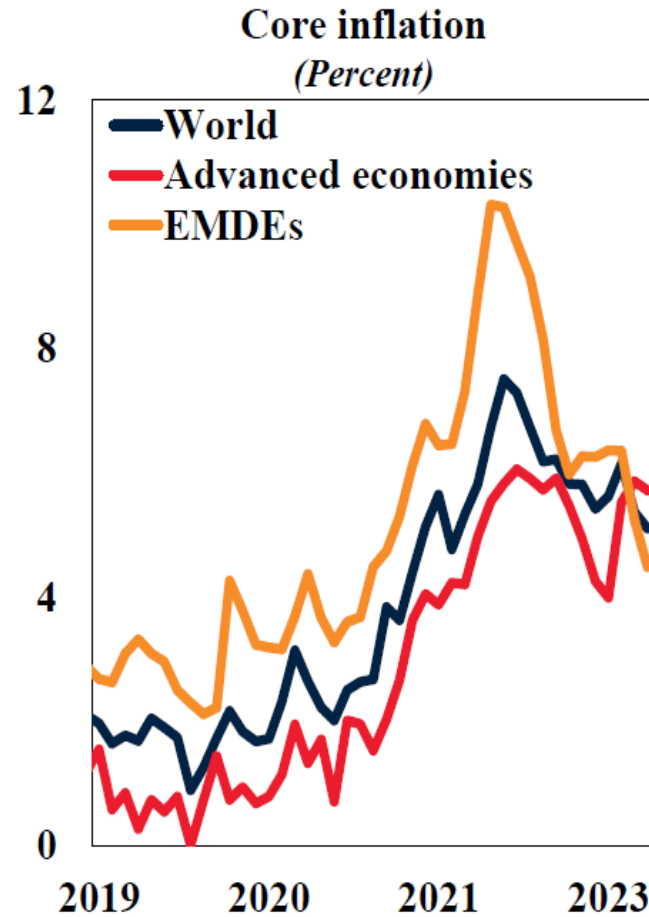
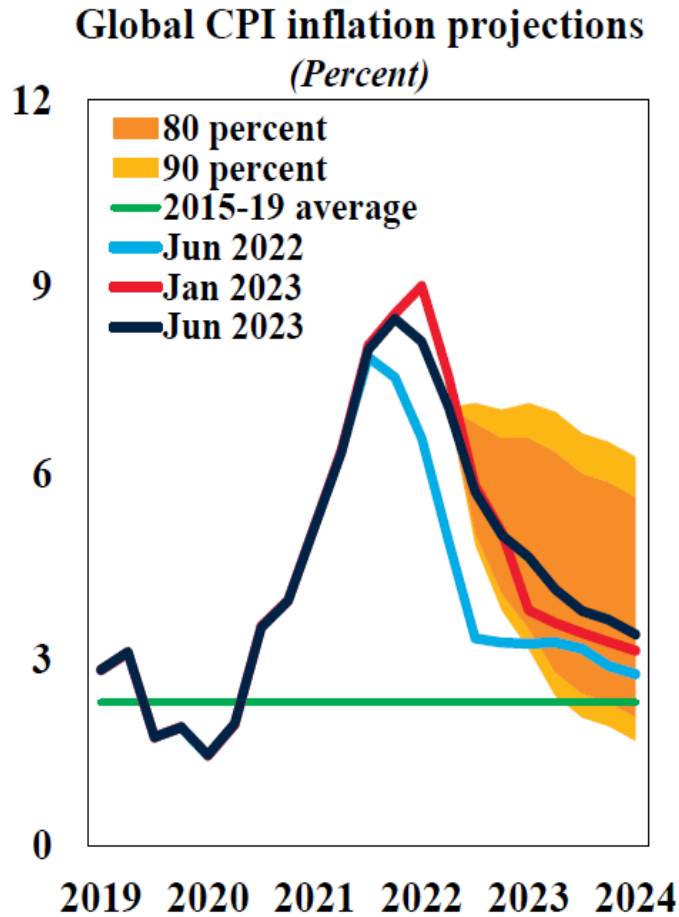
Social tensions

Fragmentation of global  
economic networks

Source: [World Bank Global Economic Prospects 2023](#)

# Inflation and Monetary Policy

*Headline higher for longer, Core persistent, Steep Interest Rate Increases*

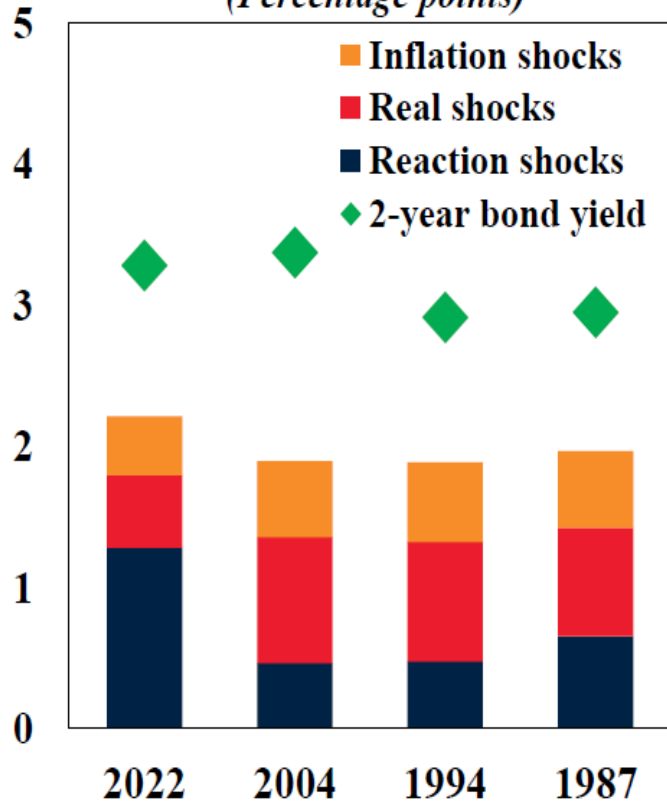


Source: Consensus Economics; Federal Reserve Bank of St. Louis; Have Analytics; Oxford Economics, [World Bank Global Economic Prospects 2023](#)

# U.S. Interest Rate Increase

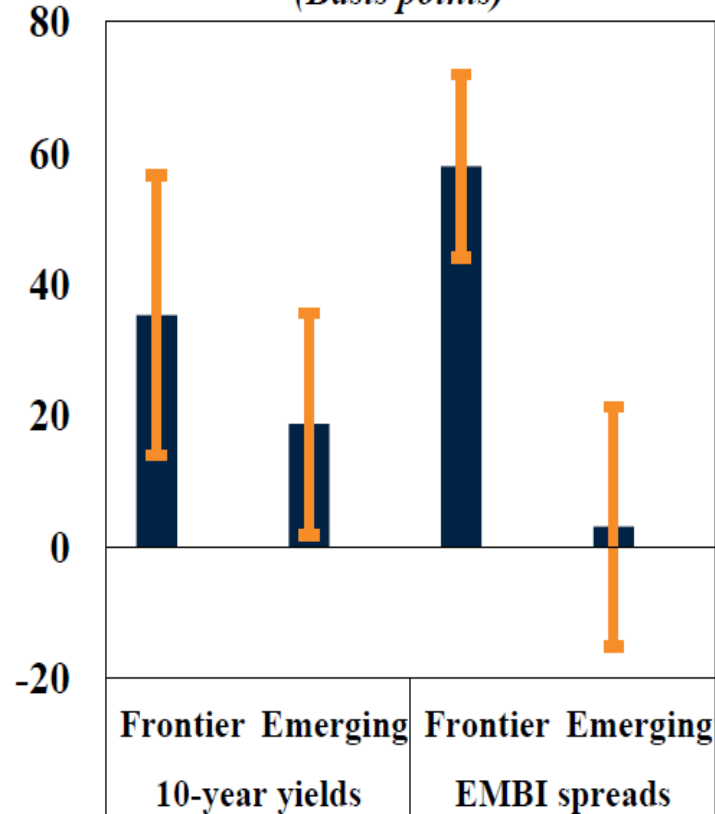
*More hawkish Fed Reaction, More adverse impact on emerging markets*

**Drivers of interest rate changes**  
(Percentage points)

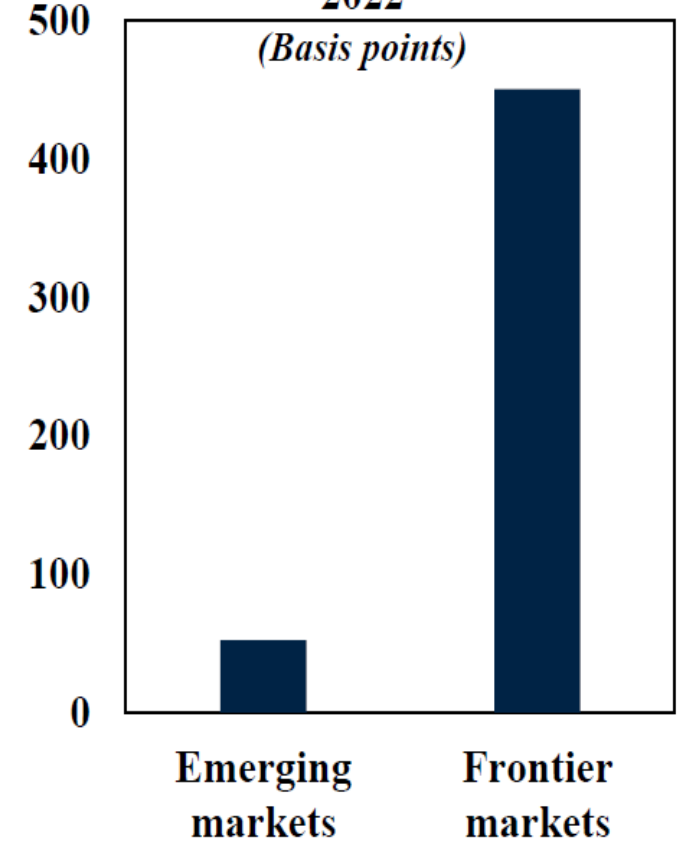


Sources: Arteta, Kamin, and Ruch (2022); J.P. Morgan; MSCI; World Bank.  
[World Bank Global Economic Prospects 2023](#)

**Impact of reaction shocks on EMDEs**  
(Basis points)

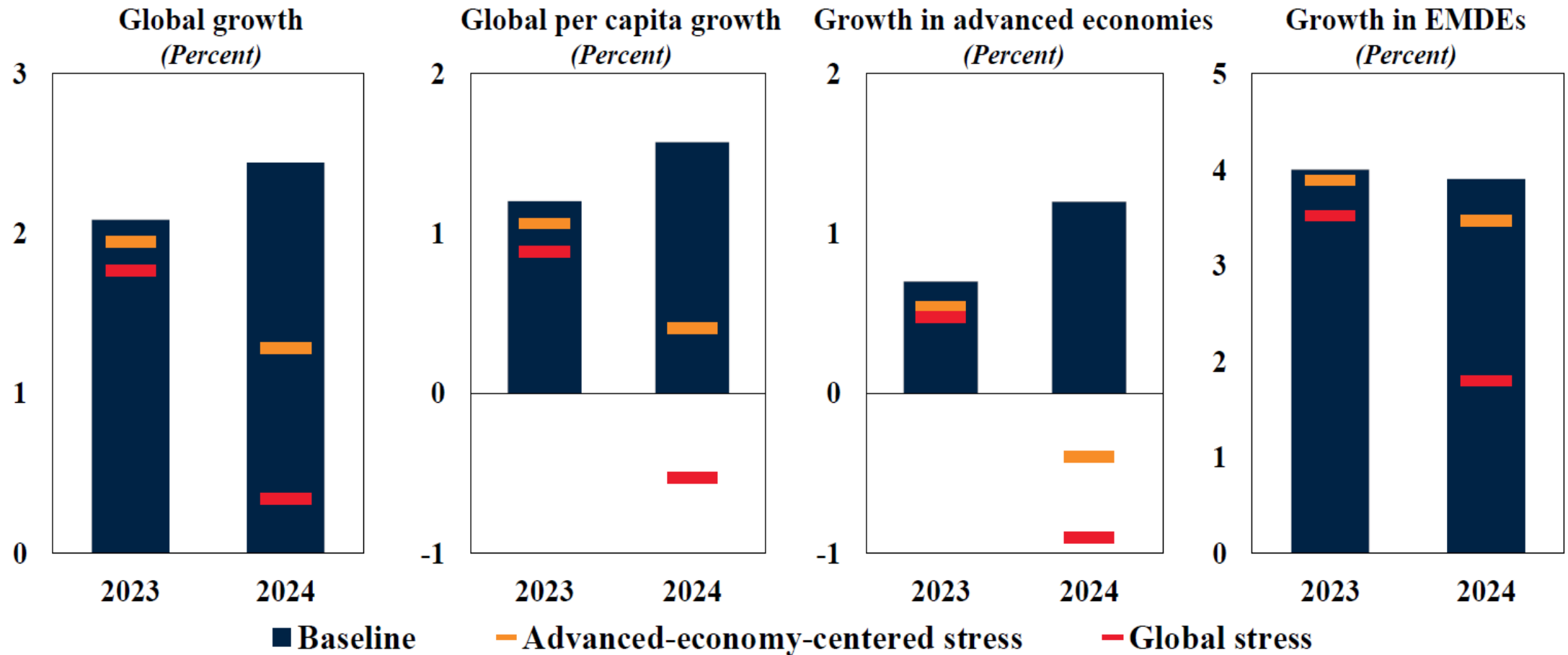


**Change in EMBI spreads since Feb 2022**  
(Basis points)



# Growth Scenario for 2023-24

*Global Financial Stress accompanied with weaker growth*



Source: Guenette, Kose and Sugawara (2022), Oxford Economics, [World Bank Global Economic Prospects 2023](#)



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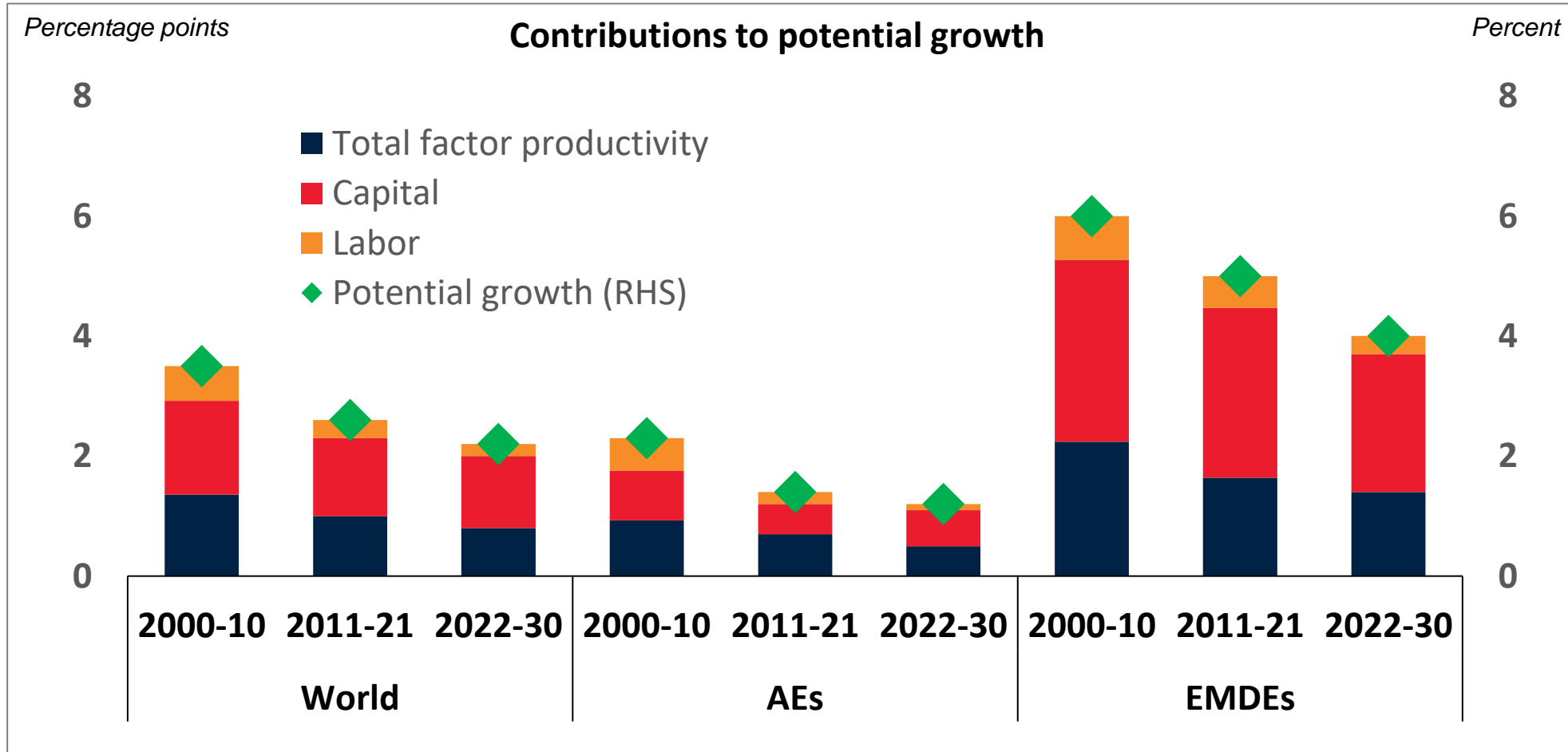
**What are the long-term prospects & challenges for the global economy?**

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What are the policy priorities going forward from a global perspective?

# Potential Growth

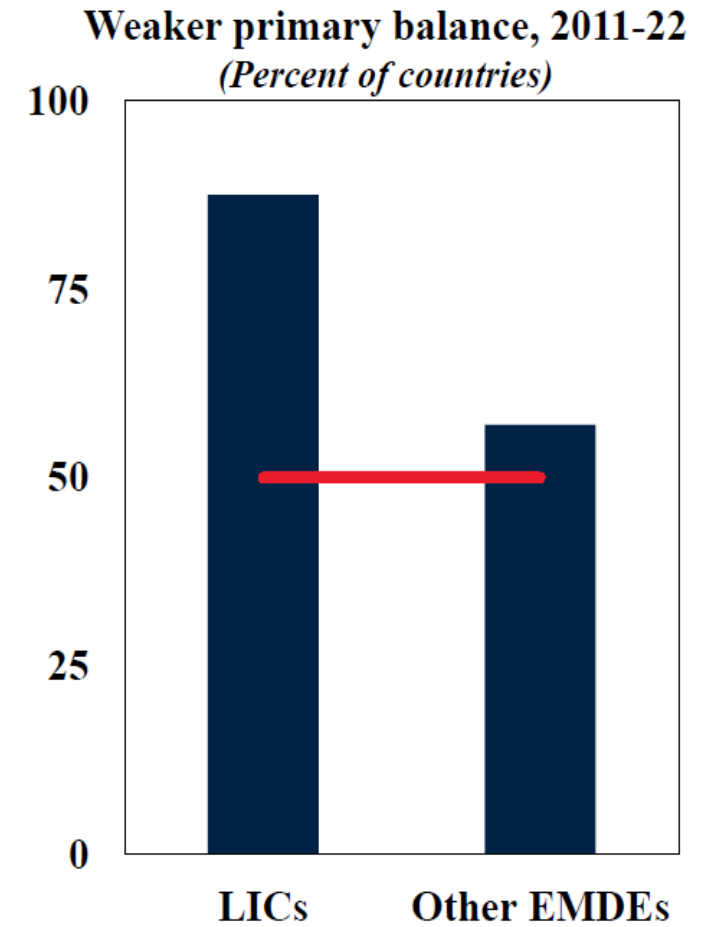
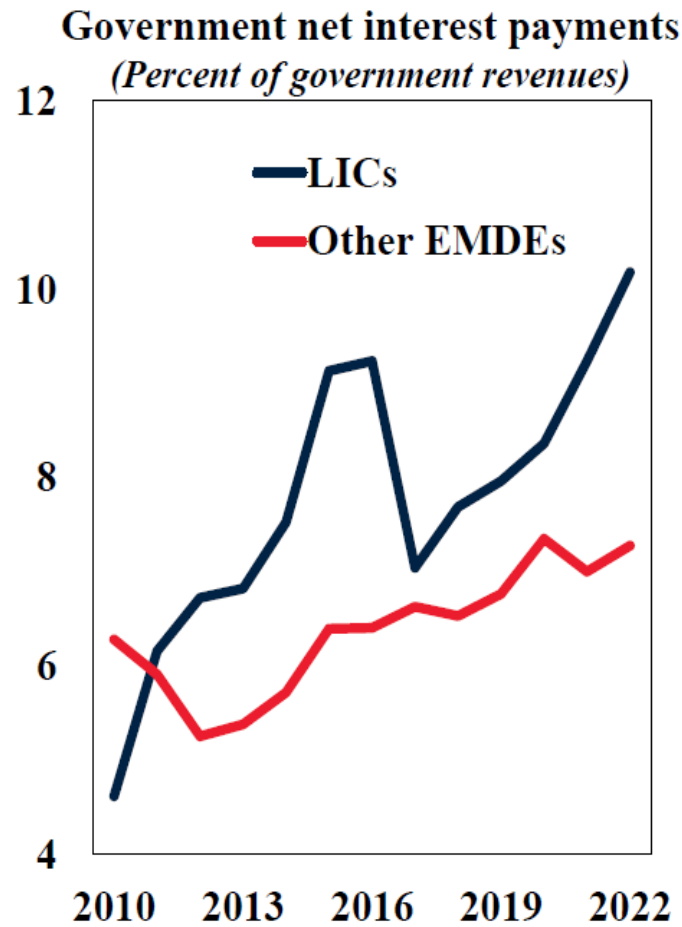
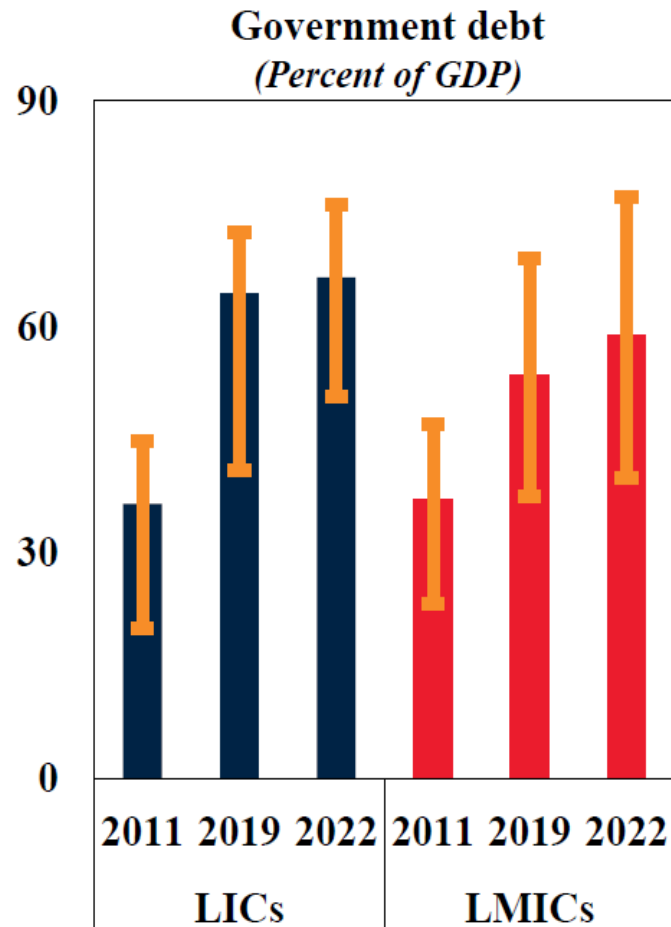
*Broad-based slowdown in fundamental sources of growth*



Source: Kose and Onsgore (2023), [World Bank Global Economic Prospects 2023](#)

# Fiscal Challenges mainly in LICs

*Rising debt, Increasing interest payments, Deteriorating fiscal balances*



Source: Haver Analytics, International Monetary Fund, [World Bank Global Economic Prospects 2023](#)

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# Policy Priorities

## *Macroeconomic stability*

### Global Challenges

- Mitigate downside risks by implementing transparent, consistent, and credible policies
- Address debt distress in EMDEs, especially in LICs, and improve debt transparency
- Bolster international cooperation to reduce food insecurity, tackle climate change, and accelerate the energy transition
- Strengthen rules-based international order to guard against fragmentation of trade, investment, and financial networks

### Monetary and financial policy challenges

- Ensure inflation expectations well anchored
- Communicate policy actions clearly, leverage credible frameworks, and safeguard central bank independence
- Strengthen macroprudential policy to reduce vulnerability to capital outflows, credit risk, and currency pressures

### Fiscal policy challenges

- Curtail inefficient spending, such as expensive and regressive subsidies
- Enhance efficiency of critical spending while providing targeted support to vulnerable groups
- Improve revenue collection by broadening tax base and improving tax administration
- Strengthen debt management practices

# Policy Priorities

*Boost growth and resilience*

## Boosting long-term growth

- Foster trade, including through digitalization and reduced trade costs
- Invest in information and communication technology infrastructure
- Promote services as an engine of growth
- Strengthen management capabilities, worker skills, and education systems

## Boosting investment

- Strengthen investment to meet development and climate goals
- Improve public spending efficiency, reallocate spending toward priority investments
- Foster private investment by improving governance, streamlining regulatory environment, and upgrading digitization

## Strengthening resilience and inclusion

- Establish adequate and well-targeted social protection systems to support vulnerable groups during major shocks
- Reduce food insecurity by avoiding market distortions, investing in agricultural R&D, and diversifying food sources
- Increase female labor force participation and financial inclusion

THANK YOU



For details on the World Bank's views on the Global Economy, refer to:

[www.worldbank.org/gep](http://www.worldbank.org/gep)

For details on the World Bank's views on Indonesia's economy, refer to:

[www.worldbank.org/iep](http://www.worldbank.org/iep)