©2021 International Monetary Fund

Cover and Design: IMF CSF Creative Solutions Division
Composition: AGS, An RR Donnelley Company

Cataloging-in-Publication Data

Joint Bank-Fund Library

Names: International Monetary Fund.
Title: World economic outlook (International Monetary Fund)
Other titles: WEO | Occasional paper (International Monetary Fund) | World economic and financial surveys.
Identifiers: ISSN 0256-6877 (print) | ISSN 1564-5215 (online)
Classification: LCC HC10.W79

HC10.80

978-1-51357-574-2 (English ePab)
978-1-51357-575-9 (English Web PDF)

The World Economic Outlook (WEO) is a survey by the IMF staff published twice a year, in the spring and fall. The WEO is prepared by the IMF staff and has benefited from comments and suggestions by Executive Directors following their discussion of the report on March 25, 2021. The views expressed in this publication are those of the IMF staff and do not necessarily represent the views of the IMF's Executive Directors or their national authorities.


Publication orders may be placed online, by fax, or through the mail:
International Monetary Fund, Publication Services
P.O. Box 92780, Washington, DC 20090, USA
Tel.: (202) 623-7430 Fax: (202) 623-7201
E-mail: publications@imf.org
www.imfbookstore.org
www.elibrary.imf.org

©International Monetary Fund. Not for Redistribution
# CONTENTS

**Assumptions and Conventions** viii  
**Further Information** x  
**Data** xi  
**Preface** xii  
**Foreword** xiii  
**Executive Summary** xvi  

**Chapter 1. Global Prospects and Policies**  
Divergent Recoveries amid High Uncertainty  
Pandemic Continues to Exact a Severe Human Toll  
Unprecedented Policy Actions Prevented Far Worse Outcomes  
Outlook: Emerging Divergences and Challenges for Policy  
Diverging Paths, GDP below Pre-Pandemic Projections  
Inflation Pressure to Remain Contained in Most Countries  
Cross-Border Services Trade Expected to Remain Subdued  
One Overarching Uncertainty and Many Risks  
Policy Priorities  
Tailor Policies to the Stages of the Pandemic and Recovery  
Phase 1: Escaping the Crisis  
Phase 2: Safeguarding the Recovery  
Phase 3: Investing in the Future  
Scenario Box  
Box 1.1. Global Manufacturing: V-Shaped Recovery and Implications for the Global Outlook  
Box 1.2. Who Suffers Most from Climate Change? The Case of Natural Disasters  
Special Feature: Commodity Market Developments and Forecasts  
References  

**Chapter 2. After-Effects of the COVID-19 Pandemic: Prospects for Medium-Term Economic Damage**  
Introduction  
Demand and Supply in a Low-Contact Economy: A Primer on the Pandemic Shock  
Analysis of Historical Recessions  
Implications for the Medium Term: How Persistent Are Output Damages from COVID-19 Likely to Be?  
Policies to Limit Persistent Damage  
Conclusions  
Box 2.1. A Perfect Storm Hits the Hotel and Restaurant Sector  
Box 2.2. Education Losses during the Pandemic and the Role of Infrastructure  
References
Chapter 3. Recessions and Recoveries in Labor Markets: Patterns, Policies, and Responses to the COVID-19 Shock  63

Introduction 63
Sectoral Shocks, Trends in Reallocation, and the Business Cycle 67
Labor Market Transitions, Inequality, and Recessions 70
Policy Responses to the COVID-19 Shock: Job Retention versus Worker Reallocation 72
Conclusions 77
References 79

Chapter 4. Shifting Gears: Monetary Policy Spillovers during the Recovery from COVID-19  81

Introduction 81
Spillovers from Monetary Policy Surprises in Advanced Economies 85
Spillovers from Economic News in Advanced Economies 89
Determinants of Emerging Market Monetary Policy Reactions 91
Conclusions 95
Box 4.1. Emerging Market Asset Purchase Programs: Rationale and Effectiveness 97
References 98

Statistical Appendix 101
Assumptions 101
What’s New 101
Data and Conventions 101
Country Notes 103
Classification of Countries 104
General Features and Composition of Groups in the World Economic Outlook 105
Classification 106
Table A. Classification, by World Economic Outlook Groups and Their Shares in Aggregate GDP, Exports of Goods and Services, and Population, 2020 106
Table B. Advanced Economies, by Subgroup 107
Table C. European Union 107
Table D. Emerging Market and Developing Economies, by Region and Main Source of Export Earnings 108
Table E. Emerging Market and Developing Economies, by Region, Net External Position, Heavily Indebted Poor Countries, and Per Capita Income Classification 109
Table F. Economies with Exceptional Reporting Periods 111
Table G. Key Data Documentation 112
Box A1. Economic Policy Assumptions underlying the Projections for Selected Economies 122
List of Tables 128
Output (Tables A1–A4) 128
Inflation (Tables A5–A7) 135
Financial Policies (Table A8) 140
Foreign Trade (Table A9) 141
Current Account Transactions (Tables A10–A12) 143
Balance of Payments and External Financing (Table A13) 150
Flow of Funds (Table A14–A15) 154

World Economic Outlook, Selected Topics 159
IMF Executive Board Discussion of the Outlook, April 2021 169
Tables

Table 1.1. Overview of the World Economic Outlook Projections 8
Table 1.2. Overview of the World Economic Outlook Projections at Market Exchange Rate Weights 10
Table 1.SF.1. Food Supply Shocks’ Impact on Food Inflation 33
Table 1.SF.2. Food Supply Shocks Correlations 34
Annex Table 1.1.1. European Economies: Real GDP, Consumer Prices, Current Account Balance, and Unemployment 35
Annex Table 1.1.2. Asian and Pacific Economies: Real GDP, Consumer Prices, Current Account Balance, and Unemployment 36
Annex Table 1.1.3. Western Hemisphere Economies: Real GDP, Consumer Prices, Current Account Balance, and Unemployment 37
Annex Table 1.1.4. Middle East and Central Asia Economies: Real GDP, Consumer Prices, Current Account Balance, and Unemployment 38
Annex Table 1.1.5. Sub-Saharan African Economies: Real GDP, Consumer Prices, Current Account Balance, and Unemployment 39
Annex Table 1.1.6. Summary of World Real per Capita Output 40
Table 2.1 Differential Impact across Sectors 45

Online Tables—Statistical Appendix

Table B1. Advanced Economies: Unemployment, Employment, and Real GDP per Capita
Table B2. Emerging Market and Developing Economies: Real GDP
Table B3. Advanced Economies: Hourly Earnings, Productivity, and Unit Labor Costs in Manufacturing
Table B4. Emerging Market and Developing Economies: Consumer Prices
Table B5. Summary of Fiscal and Financial Indicators
Table B7. Advanced Economies: General Government Structural Balances
Table B8. Emerging Market and Developing Economies: General Government Net Lending/Borrowing and Overall Fiscal Balance
Table B9. Emerging Market and Developing Economies: General Government Net Lending/Borrowing
Table B10. Selected Advanced Economies: Exchange Rates
Table B11. Emerging Market and Developing Economies: Broad Money Aggregates
Table B12. Advanced Economies: Export Volumes, Import Volumes, and Terms of Trade in Goods and Services
Table B13. Emerging Market and Developing Economies by Region: Total Trade in Goods
Table B14. Emerging Market and Developing Economies by Source of Export Earnings: Total Trade in Goods
Table B15. Summary of Current Account Transactions
Table B16. Emerging Market and Developing Economies: Summary of External Debt and Debt Service
Table B17. Emerging Market and Developing Economies by Region: External Debt by Maturity
Table B18. Emerging Market and Developing Economies by Analytical Criteria: External Debt by Maturity
A number of assumptions have been adopted for the projections presented in the World Economic Outlook (WEO). It has been assumed that real effective exchange rates remained constant at their average levels during January 18, 2021 to February 15, 2021, except for those for the currencies participating in the European exchange rate mechanism II, which are assumed to have remained constant in nominal terms relative to the euro; that established policies of national authorities will be maintained (for specific assumptions about fiscal and monetary policies for selected economies, see Box A1 in the Statistical Appendix); that the average price of oil will be $58.52 a barrel in 2021 and $54.83 a barrel in 2022 and will remain unchanged in real terms over the medium term; that the six-month London interbank offered rate on US dollar deposits will average 0.3 percent in 2021 and 0.4 percent in 2022; that the three-month euro deposit rate will average –0.5 percent in 2021 and 2022; and that the six-month Japanese yen deposit rate will yield, on average, –0.1 percent in 2021 and 0.0 percent in 2022. These are, of course, working hypotheses rather than forecasts, and the uncertainties surrounding them add to the margin of error that would, in any event, be involved in the projections. The estimates and projections are based on statistical information available through March 22, 2021.

The following conventions are used throughout the WEO:

- to indicate that data are not available or not applicable;
- between years or months (for example, 2020–21 or January–June) to indicate the years or months covered, including the beginning and ending years or months; and
- between years or months (for example, 2020/21) to indicate a fiscal or financial year.

“Billion” means a thousand million; “trillion” means a thousand billion.

“Basis points” refers to hundredths of 1 percentage point (for example, 25 basis points are equivalent to ¼ of 1 percentage point).

Data refer to calendar years, except in the case of a few countries that use fiscal years. Please refer to Table F in the Statistical Appendix, which lists the economies with exceptional reporting periods for national accounts and government finance data for each country.

For some countries, the figures for 2020 and earlier are based on estimates rather than actual outturns. Please refer to Table G in the Statistical Appendix, which lists the latest actual outturns for the indicators in the national accounts, prices, government finance, and balance of payments indicators for each country.

What is new in this publication:

- The emerging market and middle-income economies group has been added to selected Chapter 1 and Statistical Appendix tables and comprises emerging market and developing economies that are not classified as low-income developing countries.
- Starting with the April 2021 WEO, GDP data and forecasts for New Zealand are reported on a production basis rather than an expenditure basis.

In the tables and figures, the following conventions apply:

- If no source is listed in tables and figures, data are drawn from the WEO database.
- When countries are not listed alphabetically, they are ordered on the basis of economic size.
- Minor discrepancies between sums of constituent figures and totals shown reflect rounding.

As used in this report, the terms “country” and “economy” do not in all cases refer to a territorial entity that is a state as understood by international law and practice. As used here, the term also covers some territorial entities that are not states but for which statistical data are maintained on a separate and independent basis.
Composite data are provided for various groups of countries organized according to economic characteristics or region. Unless noted otherwise, country group composites represent calculations based on 90 percent or more of the weighted group data.

The boundaries, colors, denominations, and any other information shown on the maps do not imply, on the part of the IMF, any judgment on the legal status of any territory or any endorsement or acceptance of such boundaries.
Corrections and Revisions

The data and analysis appearing in the *World Economic Outlook* (WEO) are compiled by the IMF staff at the time of publication. Every effort is made to ensure their timeliness, accuracy, and completeness. When errors are discovered, corrections and revisions are incorporated into the digital editions available from the IMF website and on the IMF eLibrary (see below). All substantive changes are listed in the online table of contents.

Print and Digital Editions

Print

Print copies of this WEO can be ordered from the IMF bookstore at imfbk.st/29821.

Digital

Multiple digital editions of the WEO, including ePub, enhanced PDF, and HTML, are available on the IMF eLibrary at http://www.elibrary.imf.org/APR21WEO.

Download a free PDF of the report and data sets for each of the charts therein from the IMF website at www.imf.org/publications/weo or scan the QR code below to access the WEO web page directly:

Copyright and Reuse

Information on the terms and conditions for reusing the contents of this publication are at www.imf.org/external/terms.htm.
This version of the World Economic Outlook (WEO) is available in full through the IMF eLibrary (www.elibrary.imf.org) and the IMF website (www.imf.org). Accompanying the publication on the IMF website is a larger compilation of data from the WEO database than is included in the report itself, including files containing the series most frequently requested by readers. These files may be downloaded for use in a variety of software packages.

The data appearing in the WEO are compiled by the IMF staff at the time of the WEO exercises. The historical data and projections are based on the information gathered by the IMF country desk officers in the context of their missions to IMF member countries and through their ongoing analysis of the evolving situation in each country. Historical data are updated on a continual basis as more information becomes available, and structural breaks in data are often adjusted to produce smooth series with the use of splicing and other techniques. IMF staff estimates continue to serve as proxies for historical series when complete information is unavailable. As a result, WEO data can differ from those in other sources with official data, including the IMF’s International Financial Statistics.

The WEO data and metadata provided are “as is” and “as available,” and every effort is made to ensure their timeliness, accuracy, and completeness, but these cannot be guaranteed. When errors are discovered, there is a concerted effort to correct them as appropriate and feasible. Corrections and revisions made after publication are incorporated into the electronic editions available from the IMF eLibrary (www.elibrary.imf.org) and on the IMF website (www.imf.org). All substantive changes are listed in detail in the online tables of contents.

For details on the terms and conditions for usage of the WEO database, please refer to the IMF Copyright and Usage website (www.imf.org/external/terms.htm).

Inquiries about the content of the WEO and the WEO database should be sent by mail, fax, or online forum (telephone inquiries cannot be accepted):

World Economic Studies Division
Research Department
International Monetary Fund
700 19th Street, NW
Washington, DC 20431, USA
Fax: (202) 623-6343
Online Forum: www.imf.org/weoforum
The analysis and projections contained in the World Economic Outlook are integral elements of the IMF's surveillance of economic developments and policies in its member countries, of developments in international financial markets, and of the global economic system. The survey of prospects and policies is the product of a comprehensive interdepartmental review of world economic developments, which draws primarily on information the IMF staff gathers through its consultations with member countries. These consultations are carried out in particular by the IMF's area departments—namely, the African Department, Asia and Pacific Department, European Department, Middle East and Central Asia Department, and Western Hemisphere Department—together with the Strategy, Policy, and Review Department; the Monetary and Capital Markets Department; and the Fiscal Affairs Department.

The analysis in this report was coordinated in the Research Department under the general direction of Gita Gopinath, Economic Counsellor and Director of Research. The project was directed by Petya Koeva Brooks, Deputy Director, Research Department; Malhar Nabar, Division Chief, Research Department; and Oya Celasun, Assistant Director, Research Department and Head of the IMF's Spillover Taskforce.


Other contributors include Gavin Asdorian, Srijoni Banerjee, Eric Bang, Mariya Brussevich, Luisa Calixto, Marina Conesa Martinez, Allan Dizioli, Ananta Dua, Angela Espiritu, Chanpheng Fizzarotti, Chiara Fratto, Brendan Harnoys Vannier, Jinjin He, Mandy Hemmati, Youyou Huang, Benjamin Hunt, Yi Ji, Christopher Johns, Piyusha Khot, Eduard Laurito, Jungjin Lee, Claire Mengyi Li, Borislava Mircheva, Nadia Mounir, Susanna Mursula, Futoshi Narita, Savannah Newman, Cynthia Nyanchama Nyakeri, Emory Oakes, David de Padua, Ilse Peircegaële, Hélène Poisson, Yiyuan Qi, Daniela Rojas Fernandez, Max Rozycki, Susie Xiaohui Sun, Nicholas Tong, Shan Wang, Dong Wenchuan, Yarou Xu, Hannah Leheng Yang, and Huiyuan Zhao.

Joseph Procopio from the Communications Department led the editorial team for the report, with production and editorial support from Christine Ebrahimzadeh, and editorial assistance from Lucy Scott Morales, James Unwin, and Vector Talent Resources.

The analysis has benefited from comments and suggestions by staff members from other IMF departments, as well as by Executive Directors following their discussion of the report on March 25, 2021. However, both projections and policy considerations are those of the IMF staff and should not be attributed to Executive Directors or to their national authorities.
It is one year since COVID-19 was declared a global pandemic, a year of terrible loss of lives and livelihoods. Like many around the world, the team that produces the World Economic Outlook has also lost loved ones to the widening reach of the pandemic. The rising human toll worldwide and the millions of people that remain unemployed are grim markers of the extreme social and economic strain that the global community still confronts.

Yet, even with high uncertainty about the path of the pandemic, a way out of this health and economic crisis is increasingly visible. Thanks to the ingenuity of the scientific community, we have multiple vaccines that can reduce the severity and frequency of infections. In parallel, adaptation to pandemic life has enabled the global economy to do well despite subdued overall mobility, leading to a stronger-than-anticipated rebound, on average, across regions. Additional fiscal support in some economies, (especially the United States)—on top of an already unprecedented fiscal response last year and continued monetary accommodation—further uplift the economic outlook.

We are now projecting a stronger recovery in 2021 and 2022 for the global economy compared to our previous forecast, with growth projected to be 6 percent in 2021 and 4.4 percent in 2022. Nonetheless, the outlook presents daunting challenges related to divergences in the speed of recovery both across and within countries and the potential for persistent economic damage from the crisis.

As Chapter 1 emphasizes, multispeed recoveries are under way in all regions and across income groups, linked to stark differences in the pace of vaccine rollout, the extent of economic policy support, and structural factors such as reliance on tourism. Among advanced economies, the United States is expected to surpass its pre-COVID GDP level this year, while many others in the group will return to their pre-COVID levels only in 2022. Similarly, among emerging market and developing economies, China had already returned to pre-COVID GDP in 2020, whereas many others are not expected to do so until well into 2023.

The divergent recovery paths are likely to create significantly wider gaps in living standards between developing countries and others, compared to pre-pandemic expectations. Cumulative per capita income losses over 2020–22, compared to pre-pandemic projections, are equivalent to 20 percent of 2019 per capita GDP in emerging markets and developing economies (excluding China), while in advanced economies the losses are expected to be relatively smaller, at 11 percent. This has reversed gains in poverty reduction, with an additional 95 million people expected to have entered the ranks of the extreme poor in 2020, and 80 million more undernourished than before.

With a fuller understanding of how the shock has transmitted across sectors and borders, and based on past experiences of deep recessions, we are now better able to assess the likely medium-term losses. Many variables—differences in initial exposure to the shock, economic structures, and policy support—inform our projections for persistent damages and scarring over the medium term, as discussed in Chapter 2. Although medium-term losses for the global economy are expected to be smaller than in the aftermath of the global financial crisis, the cross-country pattern of damages is, however, likely to be different this time, with low-income countries and emerging markets suffering more compared to the fallout from the crisis a decade earlier when advanced economies were harder hit.

These divergences, however, are not just occurring between countries but also within them. As discussed in Chapter 3 (and in the April 2021 Fiscal Monitor), within-country income inequality will likely increase because young workers and those with relatively lower skills remain more heavily affected in not only advanced but also emerging markets and developing economies. In the latter group of countries, female employment rates remain below that of men, exacerbating these disparities. Some of these effects reflect how the crisis has affected some sectors more than others: employment has declined to a greater extent in those sectors with larger concentrations of younger or lower-skilled workers as well as in sectors
more vulnerable to automation. Because the crisis has accelerated the transformative forces of digitalization and automation, many of the jobs lost are unlikely to return, requiring worker reallocation across sectors—which itself often comes with severe earnings penalties.

A high degree of uncertainty surrounds these projections, with many possible downside and upside risks. Much still depends on the race between the virus and vaccines. Greater progress with vaccinations can uplift the forecast, while new virus variants that evade vaccines can lead to a sharp downgrade. Large divergences in recovery speeds also raise the prospect of divergent policy stances. In recent months, we have seen sharp increases in long-term interest rates, partly reflecting revised market expectations of the pace at which the US Federal Reserve will normalize policy as the growth outlook for the US economy improves.

As discussed in Chapter 4 (and in the April 2021 Global Financial Stability Report), if such increases are orderly and reflect stronger growth expectations, then they need not pose difficulties for other countries. But if increases instead reflect a sense that advanced economy monetary policy stances will need to tighten abruptly as the recovery gathers momentum, then there could be adverse spillovers to emerging market and developing economies, particularly among those with high debt and large financing needs. This could set those economies back even further relative to advanced economies.

Averting divergent outcomes will require, above all, resolving the health crisis everywhere. At the same time, economic policies will need to limit persistent damage, secure the recovery, and prepare for the post-COVID world, while being mindful of available policy space. Already, unprecedented economic policy actions have prevented far worse outcomes—our estimates suggest last year’s severe collapse could have been about at least three times as large had it not been for the swift policy support worldwide. Many countries are now left with more limited policy space and higher debt levels than prior to the pandemic. Policies, therefore, will have to become better targeted to maintain the ability to support economic activity through this uncertain period as the race between the virus and vaccines unfolds.

A tailored approach will be necessary, with policies well calibrated to the stage of the pandemic, strength of the economic recovery, and social and economic circumstances of individual countries. As discussed in this report, while the pandemic continues, policies should prioritize health care spending—on vaccine production and distribution, treatments, health care infrastructure—together with well-targeted fiscal support to affected households and firms. As the recovery progresses and labor market conditions normalize, targeted support should be gradually scaled back to avoid sudden cliffs. More emphasis should at that point be placed on retraining and reskilling workers, together with income support as needed to help them through the transition, while in parallel expanding hiring subsidies to incentivize job creation. Expedited and streamlined bankruptcy procedures can further facilitate reallocation.

Once the health crisis is over, policy efforts can focus more on building resilient, inclusive, and greener economies, both to bolster the recovery and to raise potential output. The priorities should include investing in green infrastructure to help mitigate climate change, strengthening social assistance and social insurance to arrest rising inequality, introducing initiatives to boost productive capacity and adapt to a more digitalized economy, and resolving debt overhangs.

Financing these endeavors will be easier for some countries than for others. For those with limited fiscal space, improved revenue administration, greater progressivity in taxation, and reorientation of expenditures toward critical health, social, and infrastructural spending will be essential. Anchoring policies in credible medium-term frameworks and adhering to the highest standards of debt transparency would help in this regard, by containing borrowing costs and reducing fiscal risks.

On the international stage, first and foremost, countries need to work together to ensure widespread vaccinations across the world. The vaccine industry is attempting to produce three times the level of vaccines produced in a normal year. Not surprisingly, they are facing major challenges, including input supply bottlenecks. Vaccine access is also deeply iniquitous with high-income countries, with 16 percent of the world’s population, having pre-purchased 50 percent of the doses. Countries will need to work together to resolve production bottlenecks, ramp up production, ensure universal access, including through funding the COVAX facility on which many low-income countries rely heavily for doses, and avoid export controls.
Policymakers should also continue to ensure adequate access to international liquidity. Major central banks should provide clear guidance on future actions with ample time to prepare to avoid taper-tantrum kinds of episodes as occurred in 2013. Low-income countries will benefit from further extending the temporary pause on debt repayments under the Debt Service Suspension Initiative and operationalizing the G20 Common Framework for orderly debt restructuring. Emerging markets and low-income countries will benefit from a new allocation of the IMF’s special drawing rights and through pre-emptively availing themselves of the IMF’s precautionary financing lines, such as the Flexible Credit Line and the Short-Term Liquidity Line.

Even while all eyes are on the pandemic, it is essential that progress be made on resolving trade and technology tensions. Countries should also cooperate on climate change mitigation, digitalization, modernization of international corporate taxation, and on measures to limit cross-border profit shifting, tax avoidance, and evasion.

Over the past year, we have seen significant innovations in economic policy and massively scaled-up support at the national level, particularly among advanced economies that have been able to afford these initiatives. A similarly ambitious effort is now needed at the multilateral level, on top of the considerable support provided thus far by the IMF to 85 countries during this pandemic. Without additional efforts to give all people a fair shot, cross-country gaps in living standards could widen significantly, and decades-long trends of global poverty reduction could reverse.

Gita Gopinath
Economic Counsellor and Director of Research