

UN lifts 2021 economic growth forecast on COVID recovery hopes

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United Nations, March 18 (RHC)-- The United Nations has raised its forecast for global economic growth in 2021 as governments step up COVID-19 vaccination programmes and keep fiscal and monetary stimulus measures in place following the loss of more than a quarter of a billion jobs due to the pandemic.

But the UN's trade and development agency says in its latest report published on Thursday that the recovery from the steepest-ever annual drop in global economic output is likely to be uneven and unpredictable, with people's incomes unlikely to return to pre-pandemic levels for years.

Meanwhile, the pressure on policymakers to pull back their extraordinarily large stimulus measures even before they have succeeded in returning employment to pre-COVID levels is beginning to mount as expectations of accelerating inflation rise.

Global gross domestic product (GDP) is likely to grow by 4.7 percent, the United Nations Conference on Trade and Development (UNCTAD) said in its report. That is 0.6 percentage points higher than its 2020 projection.

Earlier this month, the Organisation for Economic Cooperation and Development – a grouping of mostly rich countries – also raised its global growth forecast for this year to 5.6 percent from 4.2 percent.

Even at UNCTAD's projected accelerated rate, "the world economy will still be 5 per cent below its pre-COVID-19 trend by the end of this year with significant hits to all countries," its report says.

"The loss of global output in 2020 with respect to the pre-pandemic trend meant destruction of income on an unprecedented scale, an estimated \$5.8 trillion, and with already vulnerable parts of the population bearing the brunt, at a time when better income distribution had become most urgent," the report's authors wrote.

"This loss will persist as even the most optimistic projections for the bounce back of growth will not cover the shortfall of income for several years." The International Labour Organization estimates that the crisis resulted in the loss of 255 million jobs worldwide.

UNCTAD's rosier GDP growth forecast hinges on the assumption that vaccination programmes and coronavirus containment measures continue to improve in advanced and middle-income countries.

It is also based on the expectation that governments move from short-term economic relief measures to longer-term recovery programmes and on there not being any financial crash of global proportions.

While overall economic growth is expected to accelerate this year, the recovery is likely to be unevenly spread around the world.

China will likely lead the world in terms of GDP growth in 2021, with an 8.1 percent expansion, accelerating from its 2.3 percent growth rate last year, UNCTAD says.

India is seen expanding by five percent after shrinking by 6.9 percent last year.

The United States, fuelled by a recently passed \$1.9 trillion stimulus package, is expected to grow by 4.5 percent this year, rebounding from a 3.5 percent contraction in 2020.

Europe's four percent growth rate is likely to be led by a 5.3 percent expansion in France.

But some of the poorest regions are likely to lag behind.

Africa's economy is expected to grow by 3.1 percent, while UNCTAD sees that of Latin America and the Caribbean expanding by 3.8 percent.

In addition to it being geographically lumpy, the recovery is also disproportionately benefitting investors while leaving behind wage earners, UNCTAD says.

"There was a V-shaped recovery in many financial markets, which saw sharp losses followed by unprecedented gains, by the year's end," the report says.

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