

Global Recovery Strong but Uneven

The global economy is expected to expand 5.6% in 2021, the fastest post-recession pace in 80 years, largely on strong rebounds from a few major economies, according to the World Bank's June 2021 *Global Economic Prospects* report. Many emerging markets and developing economies, however, continue to struggle.

An analytical section of the report examines how lowering trade costs such as cumbersome logistics and border procedures could help bolster the recovery among emerging market and developing economies by facilitating trade.

Despite a decline over the past 15 years, trade costs remain almost one-half higher in these countries than in advanced economies, in large part due to higher shipping and logistics costs. Efforts to streamline trade processes and clearance requirements, to enable better transport infrastructure and governance, encourage greater information sharing, and strengthen competition in domestic logistics, retail, and wholesale trade could yield considerable cost savings.

Another section of the report provides an analysis of the rebound in global inflation that has accompanied recovering economic activity. The 2020 global recession brought about the smallest inflation decline and the fastest subsequent inflation upturn of the last five global recessions. While global inflation is likely to continue to rise over the remainder of this year, inflation is expected to remain within target ranges in most inflation-targeting countries. In those emerging market and developing economies where inflation rises above target, a monetary policy response may not be warranted provided it is temporary and inflation expectations remain well-anchored.

Rising food prices and accelerating aggregate inflation may also compound challenges associated with food insecurity in low-income countries. Policymakers in these countries should ensure that rising inflation rates do not lead to a de-anchoring of inflation expectations and resist subsidies or price controls to avoid putting upward pressure on global food prices. Instead, policies focusing on scaling up social safety net programs, improving logistics and climate resilience of local food supply would be more helpful.