STUDY NOTES · BASIC CONCEPT

What are the main findings of World Bank's Global Economic Prospects (GEP) Report 2026?

Indian Economy

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The World Bank's Global Economic Prospects report, released on January 13, 2026, highlights the global economy's notable resilience amid historic trade tensions, policy uncertainty, and other shocks, while warning of subdued long-term dynamism and widening inequalities.

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Main Findings and Key Projections

1. **Global Growth Outlook**:Global real GDP growth is projected to ease slightly to 2.6% in 2026 (from an estimated 2.7% in 2025), before edging up to 2.7% in 2027. This represents an upward revision from the June 2025 forecast (previously 2.4% for 2026), largely driven by stronger-than-expected performance in advanced economies — particularly the United States (accounting for about two-thirds of the upgrade).
2. **Resilience Amid Challenges**:The economy has shown "surprising shock-proof" qualities despite an "historic" escalation in trade barriers (e.g., US tariffs), geopolitical tensions, and policy shifts. 2025 growth benefited from temporary factors like front-loading of imports to preempt tariffs, easier global financial conditions, and fiscal support in major economies.
3. These boosts are expected to fade in 2026, with tariff effects intensifying, inventory adjustments, and softer trade/domestic demand.
4. **Long-Term Concerns**:If forecasts hold, the 2020s will be the weakest decade for global growth since the 1960s. Growth remains too slow and uneven to meaningfully reduce extreme poverty, close income gaps, or prevent stagnation/joblessness in many emerging market and developing economies (EMDEs).
5. **Per capita income** growth in developing economies is projected at just 3% in 2026 — about 1 percentage point below the 2000–2019 average — leaving per capita incomes in developing economies at only 12% of advanced-economy levels.
6. **Developing Economies**:EMDE growth expected to slow to 4.0% in 2026 (from 4.2% in 2025), then rise modestly to 4.1% in 2027, supported by easing trade tensions, stable commodity prices, better financial conditions, and stronger investment.

7. **Low-income countries (LICs):** Growth projected to average 5.6% over 2026–2027 (up from 5% in 2025), driven by firmer domestic demand, recovering exports, and moderating inflation — but insufficient to recover pandemic losses or create adequate jobs.
8. **Inflation and Other Factors**:Global headline inflation expected to ease to 2.6% in 2026, aided by softer labor markets and lower energy prices.
9. **Regional Highlights** (selected):South Asia: Growth moderates to 6.2% in 2026 (from higher in 2025), mainly due to trade restrictions, before rising to 6.5% in 2027 (firming domestic demand, services, and exports).
10. **East Asia and Pacific**: Slows to 4.4% in 2026 and 4.3% in 2027 (China at 4.4% in 2026 amid structural slowdown).
11. **Europe and Central Asia**: Steady at 2.4% in 2026, firming to 2.7% in 2027.
12. **Latin America and the Caribbean**: Edges up to 2.3% in 2026, then 2.6% in 2027.
13. **Sub-Saharan Africa**: Rises to 4.3% in 2026 and 4.5% in 2027.

Risks

- Downside risks dominate: Further trade escalation, tighter financial conditions, social unrest, extreme weather, geopolitical shocks, or prolonged policy uncertainty.
- Upside risks: Trade negotiation progress, faster tech-driven investment, or improved stability.
- Chief Economist Indermit Gill: "With each passing year, the global economy has become less capable of generating growth and seemingly more resilient to policy uncertainty."

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Policy Recommendations

The report stresses the need for:

- Global efforts to improve trade environments, ease financing constraints, and mitigate climate risks.
- Domestic reforms in EMDEs to diversify trade, strengthen macroeconomic frameworks, remove structural bottlenecks, and catalyze private investment for job creation and poverty reduction.