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WEBINAR

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P R O C E E D I N G S

MR. COULIBALY: Well good morning or good afternoon, everyone. My name is Brahima Coulibaly, I'm the senior fellow and vice president of the Global Economy and Development program at Brookings. Thank you for joining us for this virtual event on the state of the global economy.

The global economy's been hit by a series of disruptive shocks over the past two years. As economies are reeling from the unprecedented and devastating impact of the COVID-19 pandemic on lives and livelihoods, geopolitical tensions escalated early this year following the Russian invasion of Ukraine. There's still effects of the invasion on global commodity markets, supply chains. Financial conditions have significantly deteriorated economic growth outlook. And inflation rates have reached levels not seen in decades in many countries.

In response central banks are raising interest rates even as the global economic recovery remains incomplete in several countries. This response is contributing to a higher cost of capital and precipitates ongoing debt crisis and further undermines the recovery of many countries.

The June edition of the World Bank's Global Economy Prospects, which motivates today's conversation, envisions a sizeable 1 and 1/4 percentage point reduction in global growth to just under 2 percent this year, with heightened risk of recession in several countries.

It is a timely and rigorous report that is informed by useful special issues focused on the impact of the Russian invasion of Ukraine on energy markets and activity and on the prospects for a global stagflation. I encourage you to read it if you haven't already. And there's a link to the report on today's event page.

But beyond the headline group numbers, these shocks to the global economy are undermining progress toward the dual objective of eradicating poverty and generating shared prosperity. The report documents a net increase of 75 million in extreme poverty by the end of this year relative to the pre-pandemic projections. And this number could rise further if the global economy enters a recession or stagflation.

We have a great panel of experts who will share their views on the state of the global economy and address among others, whether the economy economies entering a recession or stagflation.

And important, what policymakers can do to navigate the complexity of challenges that the global economy faces and lay the foundation for a more resilient, inclusive, and sustainable recovery.

These are among the issues on the minds of scholars here in the Global Economy and Development program at Brookings, and we are very pleased to partner for this event the World Bank, the premier global institution at the forefront of policy solutions to these challenges and their impacts on lives and livelihoods.

We are particularly honored and grateful for the participation of the World Bank's president, David Malpass, whose leadership has been instrumental in the global response to the pandemic and to the shock of the Russian invasion of Ukraine. President Malpass will provide some introductory remarks to get us started.

And following his remarks Ayhan Kose, who is a nonresident senior fellow in our Global Economy and Development program and chief economist and director of the Prospects Group at the World Bank, will present highlights of the Global Economic Prospects Report. We will then be joined by three other experts for a panel discussion.

So, thank you to all of you who have submitted questions already. You can continue to do so at the email Events@Brookings.edu, or through Twitter using the hashtag GlobalEconomy, in one word. We will get to these questions and comments when we get to the question and answer portion of the event.

So, without further ado let me turn the floor over to President Malpass for his remarks. President Malpass, over to you.

MR. MALPASS: Thank you. Thank you very much, Coul, and thank you to the Brookings Institution, and thank you ladies and gentlemen for joining us today to discuss the state of the global economy. I wish I had a brighter image of where the world is going.

The world is facing multiple crises, including the sharpest slow-down in GDP growth in 80 years, the risk of a frozen crisis in Ukraine due to Russia's invasion, and a massive worsening in global inequality as advanced economies absorb the limited supplies of global capital and energy. Global growth is not expected to rebound in 2023 given energy supply constraints, the long overdue normalization of interest rates and bond yields in the advanced economies, and the misallocation of investment that has pushed much of the world's savings into bonds, mostly bonds issued by governments and overcapitalized borrowers.

The global economy is also facing significant downside risks. These include intensifying geopolitical tensions, the fragility in many countries, the potential for an extended period of stagflation, and the widespread financial stress that's caused by the higher borrowing costs and the food insecurity.

In a recent Churchill Symposium speech, I gave at the University of Zurich I described two major factors in the crisis and some of the World Bank Group's response. So, I'd like to summarize those briefly and then I know there's going to be a great discussion with Ayhan and the panel about the global economy.

So, one of the things that's very important in the current crisis is the over reliance on Russian energy and then the redirection of global energy. And I described in that speech the tradeoff that Europe it is making and the advanced economies in general as they store fuel and food for next winter.

China is the world's biggest storage of grain and has continued to increase those stockpiles. Europe is storing huge amounts of energy now for the winter. And the tradeoff that that creates is global fertilizer markets don't have the energy, the natural gas needed to make the fertilizer to make the crops and to build the storage for their own use into next year. And so global food insecurity is worsening.

Also, as we've seen, the electricity supplies are diminishing because of again the shortage of natural gas, which is the swing provider of electricity around the world in country after country. Those shortages then lead the grids in brownout and in blackout conditions which undercuts the production efforts of those countries.

So, we're looking at a crisis that on the production side that will extend into 2023 as the world searches for ways to bring enough capital to bear to increase the production of energy and fertilizer, and that enabling the agricultural system.

All of this can be done in ways that are cleaner, that are greener, that reduce carbon intensity in the global supply chains but at our present conditions that's not being done. So, we see we have to look at the prospect into 2023 of this tradeoff continuing where Europe and advanced economies in general use up much of the cleaner fuel and that leaves many parts of the world reopening their coal fire plants or extending the life of some of the most carbon intensive coal fired power plants.

This comes at a time when the investments in the electricity grids in many of the world's countries haven't been strengthened to absorb the renewables that are needed in their grid. So, you end up with a global electricity crisis on top of the food, fuel, and fertilizer crisis that I've been describing.

The second area that I wanted to raise and that I discussed in some detail is on the monetary policy side. The major central banks moved further away from monetarism in many recent years. Some of them entirely removed the reserve requirement on banks and adopted a post-monitor framework in which central banks both regulate and allocate capital rather than controlling the money supply through bank reserves. That's been a major shift in the global economy over the last decade.

The regulatory framework has the explicit bias that debt of advanced country governments is considered zero risk while other debt, especially of small businesses, of developing countries, and of new entrance to the market, is treated as risky and requires costly bank equity capitalization.

Separately, that process has caused a huge misallocation of capital in the world to the safest issuers of bonds and away from the places in the world that need new capital.

Separately, the purchase and ownership of bonds by central banks, the purchase and ownership of bonds, which continues to this day in giant size, allocates capital from small bank accounts, that's the providers of the bank reserves that the central banks are drawing on, the liability of the central banks is bank reserves which come from banks. And so, they draw on that and shift it to bond issuers. The result of that is to increase asset prices in overcapitalized sectors of the advanced economies.

So, from an inequality standpoint this framework misallocates capital, it favors those with higher net worth at the expense of broad-based growth. That was already evident before the COVID crisis, and it was evident before Russia's invasion of Ukraine.

And so, these are challenges in the global system that have needed to be addressed. If the anti-inflationary policies that are now getting under way are primarily achieved through interest rate increases, it risks deepening the inequality that is so problematic in the world. Stagflation could worsen, it's exacerbated by shortages of the working capital needed for small businesses and supply chains.

So, we have a system patently set up that diverts capital to the big players and not to the small players that provide the solution to the current inflation problem.

There are important additional tools that policymakers could be doing on the monetary front. They could and should encourage a very strong supply response to counteract the price increases that are under way. And the most available increases in supply are in the largest economies. That's a fact of the mathematics and also the availability of capital.

So, the United States has the biggest stability in the world to expand production in order to counteract the global inflation under way but there's not steps being taken to dramatically increase U.S. production of the supplies that are in shortage. But that's also true of China, the second largest economy and of Europe, also in combination a very large portion of the world's economy.

So, I wanted to go through those challenges in detail, and then I wanted to give you a little sense of what the World Bank has been doing in order to respond to these clear crises going on around the world.

We've tried to be in the forefront of efforts. I speak with world leaders about these problems, about the need for massive new production in the advanced economies in order to counteract also by the misallocation of capital coming from the macro frameworks in the world.

What the World Bank is able to do and has done is very large early support for the people of Ukraine. We continued that even yesterday with a $1.7 billion disbursement that came from money supplied by the U.S. That's on top of the $1.3 billion disbursement late in June, also provided by the U.S. We were supplying our own funding early in the war effort and that's helped sustain people in Ukraine, the pensioners, the hospital workers, and government workers in Ukraine. We've also, we're in the process of mobilizing more for Ukraine as the war persists.

On the food front we entered an alliance with the G7 presidency, which is Germany this year, and are providing $30 billion of resources available over the next 15 months to support interventions in agriculture, to make it more climate smart, stronger systems, more resilient systems. Also, to provide funding for social protection. It's very important that as the world faces this giant crisis that subsidies be targeted and that import and export restrictions be removed, be reduced by the advanced economies, which many of them have strong import restrictions that impede global agricultural markets. And also, by exporting countries so that they don't limit it.

We're putting in emergency assistance. We've recently approved more than a dozen programs, including in Lebanon, Egypt, and 11 countries across Eastern and Southern Africa to help increase the resilience of food systems and tackle food insecurity. And we're a strong advocate for good global policies in terms of subsidies, export and import restrictions, and reduction of excess storage.

As I mentioned earlier, China is the world's second biggest economy, it's the world's biggest producer of wheat, but it's also the world's biggest storer of wheat and other agricultural products. And so, this provides one possible source as the world faces this impending and deepening crisis.

I want to say a final word on the global debt situation and then turn back to Coul. The global debt is connected, tightly connected to this food crisis because of the shortage of fiscal space in the poorest countries. As you know, the DSSI that was done by the G20, by the way the G20 is meeting even today and trying to work on a communique, but it's been very difficult for the G20 members to find consensus on any of these major topics.

So, as we look back, the G20 did the debt suspension initiative. All it did was defer the payments, but then the interest kept compounding on those payments. And so, the countries are left with an even larger set of debt burdens. The G20 initiated the common framework for debt reduction, for debt relief, but it has been stalled. Even this morning Chad's Creditor Committee met but was unable to make progress. We are hopeful of progress in Zambia but that's been one and it's been ongoing for over a year and a half I suppose. So, we are left with giant amounts of unsustainable debt in developing countries without a methodology to reduce that debt.

And so, this means that the countries are still paying to rich creditors and there's not a process that's going to allow them or help them to move into more sustainable debt territory. So that problem is one of the many overlapping crises facing the world.

So I wanted to end on that point, Coul, that one thing that would be good for Brookings or the U.S. or for the think tank community to be engaged in is how do we have a major change, you know, I and the World Bank have proposed many very specific changes that would make this situation work better, but it would be good to have a consensus on the steps that are needed in order to reduce the unsustainable debt situations and to increase the transparency of debt, new debt, as it's taken on by countries. And that I think needs to be kept in this list of major policy initiatives and endeavors that are needed as we go through these overlapping crises.

Thank you very much, and I'll look forward to hearing the panel and the results. Over to you.

MR. COULIBALY: Thank you very much, President Malpass, for these very insightful remarks, especially the issue that we face in the global economy, and kind of sets up well I think the panel discussion that will follow.

And we hear your call and here at Brookings we've been very much working with the G7, G20 through the T7-20 processes as well as with the UN leadership on some of the solutions to these challenges.

Thank you again for your leadership, really, and that of the World Bank at this very challenging time. So, we hope to be able to welcome you back again in the near future.

MR. MALPASS: Thank you.

MR. COULIBALY: We will now turn to the presentation segment of the event. So Ayhan Kose that I introduce earlier will present the highlights. Ayhan, over to you.

MR. KOSE: Thank you, Coul. I'd like to express my appreciation as well for inviting us. Great to be here following David's opening remarks and joining this distinguished panel. Let me share some slides quickly and provide a summary of the latest report of global economy prospects.

To start the discussion, I am going to focus on three specific questions. What are near term prospects for the global economy; what is stagflation threat to emerging developing economies; and what are the policy priorities for these economies. Throughout this presentation I am going to use this acronym EMDs, emerging markets and developing economies.

So, you provide a really nice summary. David already mentioned the challenges confronting the global economy. Obviously, the war in Ukraine casting a long shadow overgrowth prospects with its significant spillovers, higher commodity prices, elevated uncertainty. Global trade was already weakening, the weakness is going to be deeper. And of course, we have persistence supply chain disruptions.

All of these challenges are taking place alongside synchronized monetary and fiscal policy withdrawal. Against this backdrop our forecast suggests that the world economy will experience the sharpest deceleration following an initial recovery from a global recession in more than 80 years.

So, we are experiencing an historical slowdown in economy growth. This is important because you ask about the, you know, are we getting into territory for global recession. As speculation I'm going to touch on those issues.

Global growth is projected to slow from the record high pace 5.7 percent last year to 2.9 percent this year. And it is important here to observe that from this year to the next we do not expect growth to be picking up much. The disruptions you mentioned, and David mentioned, will be there for the foreseeable future and policy tightening will continue keeping the growth pretty much range bound.

When you look at advanced economies there is well of course a sharp slowdown and that slowdown will continue next year along with tightening of policies and disruptions from the supply side, especially in the context of energy.

In the case of emerging markets developing economies, we are expected growth to have half of the growth rate that we saw last year, circling around 3.2 percent. And what else you see in this figure we pretty much downgraded forecast across all country groups.

Now as we are discussing the possibility of a global recession, we need to think about how synchronized this slowdown is. And when you look at this figure it shows you a fraction of countries before we downgraded the forecast, upgrade it or unchanged, kept unchanged, you see that the figure is pretty much red.

It is bleeding around the world when you think about the downgrades. In the case of advanced economies, we downgrade the growth forecast for this year more than 80 percent of them. If you look at the emerging developing economies around 70 percent of them. If you look at commodity importing, emerging developing economies, again, more than 80 percent of them are subject to growth downgrades. Energy exports for obvious reasons did much better so most of them were upgraded. But when you look at other commodity exporters, those economies as well experiencing significant downgrades.

Let me briefly talk about low-income countries. They were not doing well prior to the pandemic. And of course, prior to the war, the growth rates were stuttering, and they will continue for the foreseeable future. And of course, we are really worried about the food shortages in the context of these low-income countries.

There are significant risks confronting this outlook, and these risks are interrelated and amplifying each other. David already mentioned some of these risks. Geopolitical tensions are there, we know the possible consequences of that. The high inflation, weak growth increases the likelihood of period of stagflation. And those stagflation pressures could intensity, they could translate into even more aggressive monetary policy tightening stance, and it can easily translate into of course financial stress, given elevated debt levels, and those debt levels of course increase significantly during the past decade, and the pandemic added fuel to the increase.

We are also worried about of course the energy and food insecurity. In many countries the energy issue David discussed extensively, but food insecurity has been a significant problem in a number of regions, and in all likelihood will be with us for the foreseeable future.

And then when you think about wheat growth, food insecurity, high inflation, we need to worry about social tensions flailing up. And debt risk can manifest itself in unpredictable ways in multiple countries given the prospects we are discussing here.

Supply disruptions can be persistent, and of course the climate related risks are still with us. With the war, global economy is facing another major risk that is associated with the fragmentation of trade, investment, and financial networks. And that has huge consequences for the medium-term growth prospects. And we can discuss that during the panel.

Now how should we think about these risks and how these risks basically effect our baseline growth outcomes? We focused on three key risks. One, a more aggressive tightening of monetary policy by the Fed that could trigger financial stress. Another one, a sharper increase in commodity prices driven by energy supply disruptions. And the third one, COVID-19 outbreaks, especially in China, that could lead to black downs. And third, supply disruptions and slowdown in China.

When you put together all these three happening at the same time, and that’s not an unlikely scenario, even how these risks interact together, they could bring the global economy to the brink of a very sharp downturn, but not necessarily global recession.

And then, especially in 2023, you might end up growth going down around 1.5 percent, but for a global recession you really need to go below 1 percent. That will push the per capital growth rate into negative territory, and that is, you know, the definition of global recession.

Is that possible? Under certain scenarios that is the possibility, and we can discuss that when we move to the panel.

So why is stagflation a threat to the emerging market economies? We already talk about the elevated inflation numbers, today's U.S. inflation release I think is another reminder how persistent inflation is, another record number, the highest since 1981 for the U.S., the CPI, and coal also picked up a little bit.

Now what you see in these two figures is quite important. How growth and inflation forecast have evolved in the recent past at the global level. And of course, these two variables are moving in opposite directions. Growth forecast being downgraded, and inflation forecast being upgraded. So, thinking about the growth and inflation outlook, global economy looks very similar to the speculation period of the 1970s. And that similarity is higher of course today than what we had six months ago.

Here it's important to talk about the speculations, not the very well-defined concept. The general consensus is that the state of high inflation and weak growth. If you define inflation, high inflation, as inflation about targets or multi highs, you basically have that type of inflation between defining weak growth as steeply as slowing growth and this year qualifies that, next year qualifies that, and I think 2020s will bring weaker grown than 2010s.

So, the experience of 1970s is important because it basically caused significant damage to the global economy. We ended up with a global recession in the early 1980s because of the diversified single monetary policy and for emerging market developing economies that tightening cycle in the early 1980s translated into the largest number of debt crisis over a decade.

So there has been (inaudible) on this issue, we just face a similar design at present. I'm going to briefly summarize our findings. With respect to similarities, there are three important observations. One, global inflation is high now, it was high over the period of, you know, the 1970/'80. And you see that on the left. So still, what we have in 2022 is lower than the average.

But when you look at the growth slowdown, we had in the 1970s and the growth slowdown we are forecasting now, we are going to see a much sharper slowdown in economic growth. 1970s was a period of monetary policy accommodation and 2010s of course was a period of monetary policy accommodation. One way of thinking about that accommodation is the, you know, the real interest rates at the global level, real interest rates average minus .5 in the 1970s, and since 2010 it averaged minus .5.

One important issue in the context of emerging developing economies, they accumulate a significant amount of debt in the 1970s for a variety of reasons. And in 2010 they accumulated the largest amount of debt over a decade, since 1970. And now they have a much larger debt stock than what they had in 1980. So, there are significant similarities, and these similarities worry us.

But there are some important differences as well. And the first important difference is in the 1970s monetary policy frameworks were not well defined, they were completed objectives, and almost all the developing economies had managed exchange regimes that limited their ability to effectively employ monetary policy.

This is a different era. There is palatine shift, a number of countries employing inflation targeting regimes. A number of countries have credible monetary policy frameworks and because of that long term inflation expectations remain stable. And that's the single most important difference. Our thinking about inflation, the importance of monetary price stability, has changed dramatically and we think that central banks have better frameworks to cope with inflation and those better frameworks and the credibility of keeping inflation on the target for an extended period over the past two decades, give them room to basically prepare ammunition to cope with the inflation problem.

You look at wage pressures in the United States and the labor market (inaudible) around the world, those are not, you know, the types of pressures we saw in the 70s or the types of validities we saw in the 70s. So, this wage/price spiral type of inflationary push hopefully will not be there. And of course, economies are more energy efficient. The reliance on energy is lower today than what we had in the 70s.

So, there are good reasons to worry and good reasons to be optimistic. Now one important issue is the fact that apart from these similarities and differences, monetary policies are responding. And in the case of Euro area as well as in the United States, policy makers responded, there are questions whether this response was delayed. But irrespective of that, it is clear acceptance that this issue, the elevated inflation, should be reined in.

And in the case of emerging market economies, they have actually started the tightening cycle earlier than advanced economies and we are expecting that tightening cycle also to continue in emerging development economies.

So, what's the big problem? That you have elevated debt levels significant vulnerabilities, of course you see massive capital outflows from emerging developing economies, and we have already been seeing that, as you see on this right panel. With record high debt levels, significant fiscal deficit, still the legacies of course, the pandemic and the 2010s, we are worried about this tightening cycle could translate into financial stress in many emerging market developing economies given the vulnerabilities.

Finally, what are the policy priorities? Let me be very quick on this. There are some global issues, David alluded to these. Policymakers need to mitigate the effects of the war, and in that context coping with the food insecurity in vulnerable countries is the critical priority for the global community.

And then among all these competing objectives, still supporting the green resilient and inclusive recovery is going to be important. There are significant policy tradeoffs. Those tradeoffs need to be taken into account when policies are formulated. Debt relief is going to be important. We need to have a robust structure to deal with that problem, and of course we need to be very aggressive in terms of the fossil facilitating energy transition and do that in an intelligent way.

I mentioned this fragmentation challenge that requires a global community to come in together and sticking the rule space a financial economic order. That has served the global economy very well over the past three decades.

At the national level I think that credibility, calibration, and communicational policies are going to be all critical in the context of monetary policy, in the context of fiscal policy, and in the context of financial policy. Managing short-term policy tradeoffs in an environment growth is slowing, the inflationary pressures are still present, and supply constraints are pressuring the economies, is going to be critical.

In the case of emerging market developing economies, they have no choice but to stick to structural policies, thinking about, you know, how they can improve broad prospects.

Let me conclude, what are our mutual prospects for the global economy. We are experiencing a much sharper global slowdown than what we had in January 2022. We are not seeing a global recession in the baseline but that can easily change because of these multiply downside risks. Why we are worried about speculation, we see the signs of that with inflationary pressures and weakening growth prospects.

The important message here, the 1970 stagflation episode ended with a series of financial crises in emerging developing economies. These economies are now facing rising risk of a similar outcome given the vulnerabilities that they have. And what are the policy priorities? I think I summarized those.

Let me turn to you, Coul, thank you again for the support. I look forward to the discussion with the panels.

MR. COULIBALY: Okay. Great. Thank you, Ayhan, and I commend you for succinctly summarizing a 176-page report in a few slides and in 15 minutes to 20 minutes also. Thanks for the great work from you and your colleagues who have produced this report.

So, we now turn into the panel discussion of the event. So, we're really fortunate to have three experts to join us to help make sense of this all.

Earlier I had introduced Ayhan, so he would stay on as a panelist and will be joined by the second panelist will be Julia Coronado. Julia is President and Founder of MacroPolicy Perspectives. And she's also Clinical Associate Professor of Finance at the McCombs School of Business at the University of Texas in Austin. Julia has more than a decade of experience as a Financial Market Economist, including serving as Chief Economist for Graham Capital Management and the BNP Paribas.

The third panelist is Steve Kamin. He is a Senior Fellow at the American Enterprise Institute. Previously he served as Director of International Finance Program at the Federal Reserve where he led the institution's work on the impact of foreign economies on the U.S. and vice versa.

And the fourth panelist is Abebe Selassie, who is the Director of the African Department at the International Monetary Fund, an institution that is also playing a leadership role in the response to these series of shocks, the global economy that we have mentioned and that we'll be discussing today.

So, before I turn to other panelists, I am just getting clarification from you. I think I get that, you're not calling yet for a global recession, although there are downside risks that should make us a bit concerned about it.

What about stagflation? Are you calling for stagflation in your baseline, or that is also subject to some downside risk which may or may not materialize?

MR. KOSE: Thank you, Coul. Global recession actually is a difficult concept to define and at least we have this definition. You need to have contraction in per capita global GDP along with a broad base slowdown in other global variables. That's what we use in the World Bank and what we use in the IMF as well.

Now in the concept of stagflation, it is this, you know, plain vanilla definition, high inflation, regrowth. But there is no threshold for high inflation, there's no threshold for regrowth. Now what we see with these figures I showed you really, we are not still in the 1970s, but we are getting there. And probably we are closer today than, you know, a year ago or six months ago. So, I think to have stagflation you need to see significant weaker growth and higher inflation for an extended period of time.

One caveat here, when we think about stagflation, we should also think about what's going on in labor markets. In a paradoxical fashion, labor markets, for example in the U.S., remain rather, you know, strong. So, in the case of global recession that risk is there. In the case of global stagflation, yes, there are huge similarities but whether we are in the midst of stagflation, I think that's also the question just because of the difficulty of pinning down the definition of stagflation. But let me stop there.

MR. COULIBALY: Okay, great, and thank you. Now if I can turn to you, Julia. If you can, how you see all of this and as part of your opening remarks you can comment a bit on the state of play in the U.S. We've just gotten, as was mentioned earlier, inflation today at 9 percent for the month of June, that's quite high. And for June, too, we got the labor market report that was showing a very strong labor market, I think 370 or so thousand new jobs added.

So, this one seems to fly in the face of the result of this discussion and concerns about inflation. How do you see it?

MS. CORONADO: Thank you, Coul. And thank you for inviting me to join this panel. I really enjoyed the presentations so far.

So as already outlined, we've had a sequence of incredibly disruptive shocks. The pandemic itself disrupted not only the production and transportation of goods, which was the original front of inflation, but also how and where we work, how and where we educate our children, the global migration patterns, just pretty much everything in our economic lives has been disrupted by the pandemic.

And then we layer on to that, you know, a war in Ukraine that reveals, I think, some structural realities of a more polarized world that poses risks to the available of a range of commodities and poses extreme risks to the more vulnerable emerging market economies.

In the U.S., you know, I think the U.S. and other advanced economies had the fiscal space, met this challenge with unprecedented support for two main reasons. One because of the failures of the past. We were too tepid in our support of the economy after the great recession, and we decided not to do that. And it was easy both politically and policy wise to do that because the pandemic was nobody's fault, it was true exogenous shock.

And I do want to highlight that we've had some very significant successes from that approach. We have had, as you noted, the fastest labor market recovery on record. We know from economic research that that will reduce the scaring to earnings, lifetime earnings of people in the economy. We've had reduced delinquencies across loan categories so the strongest sort of credit quality of the economy that we've ever had. So, but we've also gotten this inflation shock because partly of the demand support and now the layering on of the war shock.

So, I think one of the things that I, you know, we focus on the Fed, we focus on monetary policy and central bankers have pivoted, they're aggressively tightening policy, addressing the demand side. And I think that that's a productive pivot. But I think we really need to, and I think Ayhan's presentation and David's comments really highlighted we need to focus as much, with as much intensity on the supply side of the economy. And in particular, in a polarized world, in a world where we're trying to make an energy transition, we need extreme focus on the stability of the food and energy and broad commodity supplies, the inputs we need for the technology sector for the green transition.

We need to get comfortable with, these are not things that the private sector will naturally solve on its own. We need industrial policies to be much more front and center, stabilizing forces. Which has nothing new, we've always had stabilizing policies with regard to agriculture. We need to expand that into the energy and community sphere, the inputs into the green economy.

So, I think, you know, certainly this series of shocks makes a recession more likely. That recession will do something, you know, it's not like our base case, I still think it's like a 50/50 shot that we enter the, the U.S. enters a recession. Certainly, other economies will. And that is already cooling off some of the intensity in commodity prices, but that won't be enough on an ongoing basis.

I think we really need to see this as a structural challenge and meet it with more medium-term solutions. And I'll just stop there.

MR. COULIBALY: Thank you. Thank you, Julia. But then in terms of the Fed policy, I get that as supply side to this, so clearly this inflation would require not just a Fed action but also some action on the supply side.

But in light of this strong data and the meeting coming up later this month, what do you expect?

MS. CORONADO: I mean I think we're at least going to see a 75-basis point rate hike. That's already been reasonably well telegraphed. And there's some chance that either they will raise rates 100 bases points in July or signal that another 75-basis point hike is likely in September. So those seem like, you know, and they have time to sort of lay the table for that outcome before the meeting in July.

So, I think those are two reasonable options, the strategy has been to get to a neutral stance and a somewhat restrictive stance as expeditiously as possible, that this round of data only deepens that, the conviction and the dedication to that strategy.

MR. COULIBALY: Thank you. And obviously as a bump up increases in interest rates clearly there would be spillovers to other countries.

I'll now turn to you, Steve, to bring you into this conversation and invite you, if possible, to come and join the potential spillover effects of the Fed policy on that end on the EU market and developing economies. Over to you, Steve.

MR. KAMIN: Thanks, Coul, it's a pleasure to be here and have the opportunity to learn from my very knowledgeable co-panelists.

Let me start off by saving I'm completely on board with Ayhan's presentation and review of the global outlook. Clearly there are huge numbers of risks and while if I were writing a baseline forecast for the world economy, I too would not predict the recession because you never predict recessions. If a world recession were to materialize, I would not be hugely surprised.

Now focusing on, you know, critical aspects, the outlook, oh, I just want to point out from a humanitarian perspective the most worrisome aspect of the outlook at present are probably the food and energy shortages that resulted from Russia's invasion of Ukraine, which President Malpass underscored.

But from a macro and financial standpoint, the key issue is probably the future trajectory of inflation. And so Ayhan's review of the stagflation of the 70s is especially germane.

Now I would underscore Ayhan's view that a key feature of the 1970s stagflation was the failure of central banks and governments to really clamp down on inflation before it got under control. And in that sense our pandemic replay of the 1970s experience has actually been very short-lived. Okay? Maybe the last year or so.

As Ayhan pointed out, emerging markets central banks have already been tightening policy for some time now and now all the advanced economies central banks are following suit. And certainly, for the Feds, obviously predictions of future tightening, you know, has mounted greatly.

So, what this means is that going forward my main worry is that if inflationary pressures remain pretty strong, I'm not so much worried about seeing a bout of 1970s stagflation where central banks allow inflation expectations to rise. But rather I'm more worried about basically leapfrogging to the early 80s, you know, bouts of global recessions and financial crisis. So that, you know, which Ayhan did underscore as a risk.

I want to note that contrary to conventional wisdom, a rise in global interest rates is not always bad for emerging markets and developing countries. When Fed tightening is being driven by strong prospects for U.S. economic growth like took place in the mid 2000s, that can often be quite benign for emerging markets.

The problem is when those rates are rising in response to higher inflation or in response to a hawkish shift in Fed strategy. And those circumstances, the research I've done with colleagues, including at the World Bank, has indicated that that can be a lot more disruptive for global capital flows and emerging markets. And clearly as evidenced by the recent inflation threat for June, that latter scenario of inflation, Feds getting hawkish, is what we're seeing these days.

Now it's interesting that despite the soaring inflation and the Feds hawkish turn, and despite the basically resultant freak outs in global stock markets, we're not seeing a huge amount of pressure on emerging financial markets, or at least not so far.

Now it's true that as Ayhan showed, there's been some diminishing portfolio capital flows. But if you look at kind of indicators or emerging market financial markets like credit spreads, they've gone up but really not that much compared to their prior history. It's also interesting that the dollar has been rising more quickly against the currencies of other advanced economies than it has against the currencies of emerging markets.

I think that's partly because the higher commodity prices, you know, have buoyed the prospects of a lot of the exports, like we saw in Mexico. It's also partly because U.S. credit markets have held up pretty well. Maybe Julia could speak to that more. U.S. corporate file spreads again, they've gone up but they're nowhere close to their earlier peaks.

And then finally it's worth noting that emerging market central banks, as I mentioned before, have really been extraordinarily proactive about raising interest rates. And that, too, may have helped to counter some tendency for capital flight.

So right now, we're kind of in a wait and see situation. We really, you know, nobody predicted the huge surge inflation that we've seen, with the possible exception of Murray Summers, and so nobody really knows what it's going to recede, and nobody knows how much central bank tightening is needed to make it recede.

So, you know, to repeat Ayhan's point, the risks are certain out there. And I'll stop here.

MR. COULIBALY: Yeah. So, I'll see if I can follow up. So, you've outlined the conditions under which, you know, tightening of Fed policy may lead to different outcomes, but in this particular context you had, you know, several countries that were still reeling from the effect of the pandemic shock and I think before this Russian invasion we were talking more of a divergent recovery. And then it's in the context that we're now getting Fed policy tightening which case is going to raise the cost of capital for some of the emerging markets and developing countries.

So, what in your view, and based on both the 80s experience, the Taper Tantrum and what can those emerging market developing countries do to minimize or mitigate the spillovers. And what can the Fed do on its side, if anything, to also minimize or mitigate those spillovers, assuming that that's going to raise as U.S. conditions indicate as they should. But is there anything they can do that would minimize the spillovers?

MR. KAMIN: Well, those are excellent questions, and I can tell you I do not, and I don't believe anybody has any great answers besides, well, "Do the right thing."

In other words, the key, one of the key factors that influences how disruptive the U.S. monetary policy tightening spillover is part of emerging markets, is there a degree of financial and macroeconomic vulnerability? Okay.

And so, it's clear during the Taper Tantrum and almost every global fiscal version episode that the more financial vulnerable economies or ones with lower credit ratings, are the ones that get hit hardest. So, what do emerging markets in developing countries have to do? They have to follow through the monetary policy which, in an era of increased risk aversion, probably means tightening interest rates. They need to use those to tamp down inflation, they need to take extra measures to make sure their fiscal balances stay under control, they need to, you know, and they need to implement the wide range of pro-growth policies that Ayhan described.

What does the Fed need to do? This gets back to this longstanding debate over whether the Fed takes other countries' economy fortunes into account and should it take other countries' economy fortunes into account.

I think the broad answer that I've come up with, which not everybody loves, is that if the Fed does the right thing for the U.S. economy and for U.S. financial markets, that will generally be good for global financial markets and global economies as well.

What does that mean in this context? What it means is is that if the Fed faces an inflation surge and it needs to tighten policy in order to get inflation under control, the spillovers of other countries are less if it actually does those policies than if it waits until inflation gets even more out of control.

So, in the speeches that I used to write for my bosses at the Fed, I would always end their speeches with so, what does the Fed have to do, it has to be clear and transparent with its communications, to not surprise markets, and to let markets understand the factors driving that policy.

MR. COULIBALY: Great. Thank you. Thank you, Steve. Abebe, if I may now turn to you. I mentioned the divergence in the recovery, and I think a lot of the low-income countries, many of them in the Africa region that you cover, were still reeling from the effect of the pandemic. And at that time, I thought the best thing that could be done was to bump up vaccine distribution and have the equitable access of vaccine and all things would start getting better.

And then this crisis hit which has come with energy crisis, inflation crisis. I mean all of that on top of the looming, what some are calling looming, some call debt crisis. So, it looks like really the perfect fiscal storm for the countries in the region.

So how are you seeing things playing out?

MR. SELASSIE: Thanks, Coul, thanks for having me at this very important event and important discussion.

You know, I think more than just the cyclical business cycle type event, I see this as a very, very pivotal moment for the trajectory of development outcomes in Sub-Saharan African and many low-income countries.

So, the first point I want to make is, I'll try and unpack why I think this is really a very, very worrisome moment and why it's pivotal for both domestic policymakers and the international community to act really very boldly.

The second point I will make is like what kind of policies are going to be needed to be taken by policymakers, and then thirdly, what the international community can do.

So, I think, you know, Coul, the last 15, 20 years in Sub-Saharan Africa in particular, but really many low-income countries, have been a period of fairly strong growth and improvements in development outcomes like we've never seen before. And in my view, I think there are three important factors that contributed to this.

The first of these of course was this was a period where there was a lot of fiscal policy space in countries and there were a lot of domestic reforms pursued by policymakers. Positive ones, strengthen institutions, and moving public finance management broadly in the right direction.

A second important factor that contributed to the spirit of high growth and improved development outcomes was very benign, very supportive global environments, emergence of China on the global scene, high global growth, ample financing, relatively elevated commodity prices for those countries that are commodity exporters.

And then the third one I think was that there was quite significant official development assistance to countries also over this period in the 2000s, you know, quite a bit of debt relief. These all I think contributed to this important period of progress.

Unfortunately, now we see all three facts in reverse or having weakened significantly, you know. Take domestic policy reforms, the appetite for reforms really has waned with the decline of fiscal policies space, with a lot more political constraints in countries.

The global economic outlook I think Ayhan painted the picture. We're going into a period of economic difficulty, all the issues that we know about financial markets having turned sour in terms of funding market economies in particular that have been relying quite a bit on excellent markets.

And a third factor, official development assistance, really has also been declining quiet, quite acutely towards the region. I think, you know, where we had about 4 percent of recipient country GDP in ODA to low-income countries, we're now seeing 2.5 percent or so. So official development assistance has been declining quite a bit so, you know, (inaudible) communities also not been as supportive.

I think it all means, Coul, that we are looking not just at difficult macroeconomic moments for the region, but really we're talking about a generation of Africans that are going to be coming of age now that are going to be seeing diminished prospects for development progress.

So, I really want to stress this point being this is a very, very pivotal moment where both domestic policymakers, but also the international community needs to act boldly.

You know, just to touch on what needs to be done, I mean domestically I think countries are going to have to take quite a bit of bold action, make difficult policy tradeoffs, whether about inflation for example, quite a lot of, you know, central banks are going to have to be quite nimble in their response. As you said earlier, countries are still recovering from the pandemic, helpful gaps have not closed in a vast majority of countries. So, paying heed to that but also heading off any inflationary acceleration will be important. A lot of other similar reforms that have to be done on the public finance management side.

But I want to, you know, end really by saying a little bit, Coul, on what the international community needs to do. And here I think, you know, President Malpass earlier touched on the very, very problematic debt architecture that countries are facing right now. You know, in those countries where debt vulnerabilities have accelerated and risen quite a bit and are facing, you know, debt difficulties, this will be very, very important that creditors provide the required debt relief.

As well though I think the financing side is also important. There are quite a lot of countries which are not the other side of debt difficulties, if I may put it that way, and for those countries increased concessional financing is going to be important. Why? I mean after all, you know, while there is policy induced, domestic induced issues, quite a bit of the strain has come from this brutal cocktail of exogenous shocks that have hit countries. And, you know, in a context like this I think availability of ample concessional financing will be important.

MR. COULIBALY: Thank you. Thank you, Abebe. And I think David also in his remarks touched on the DSSI that has, you know, expired late last year. Which means now even higher cost of debt servicing in the G20 framework. But it seems like, as he mentioned, there's a bit of frustration in the speed with which it's being implemented. He touched on Chad, but I believe there's also Egypt, Lebanon, and Zambia as well.

So, what's the state of play there? If there were widespread sovereign debt questions today, are we equipped really to deal with this?

MR. SELASSIE: I mean really the frank answer is no. I think the common framework needs to be a lot more responsive than it has been in the recent past. Now to be fair, you know, we really should recognize that the coming together of the G20 counties as a creditor group recognizing the need for relief in the context of the pandemic was really fantastic initiative. And then the, you know, the creation of the common framework, that framework was really very important also. The problem rather has been kind of in terms of how quickly this framework has been able to deliver, and that has taken quite a bit of time. I think there are reforms that are going to be needed to make it much more responsive and agile. And, you know, the Bank and us have provided some suggestions. So, it will be really very important for the G20 to get the framework to deliver the required reprofiling and in some cases restructuring as quickly as possible. Because, you know, problems have intensified rather than ameliorated over the last several months.

MR. COULIBALY: No, I think the key work, phrase is as quick as possible because time is indeed running out.

But if I can just get a quick sense and then we'll turn to the Q&A portion of this event.

From you I get that we are not broadly here on this panel calling for a global recession. In Julia's case it's 50/50. So, what is the single important risk that you would be most concerned about that could push us in a global recession? I know there are multiple risks, but which one tops your list?

I can start with -- go ahead, Ayhan, you can start. Go ahead.

MR. SELASSIE: I think two or three, Coul, if I may. First this continued intensification of the food security challenge that we have seen in Sub-Saharan Africa in particular. I think that worries me endlessly. Why? Because, you know, what we've seen, you know, is countries with much more limited fiscal space, and to compound this I mean we are seeing in certain countries a decline in humanitarian support from the international community.

I was in Chad a few weeks ago and it really was heartbreaking to hear UN officials saying that even the support that they used to get for child malnutrition has declined this year. So, we really, I think in financial communities, playing with fire. I mean we really need to step up and support countries with food security challenges in particular.

Second point I want to stress in terms of the global outlook is one that was touched on I think by Steve and Julia also. You know, I continue to be reminded about, you know, what a point of maximum uncertainty we are in terms of how we think about, you know, the global economic outlook, how to calibrate policies. And I think thinking deeply about, you know, in terms of how we advise our policymakers is going to be a big challenge for macroeconomists at the moment. And, you know, working through all of the uncertainty of moment and being cautious in our policy advice I think is warranted.

MR. COULIBALY: Thank you. Yes, Ayhan, your single most important risk you're worried about. Will it tip us over into the recession?

MR. KOSE: Thank you, Coul. I think that when we think about the scenarios I mentioned, and they have been working on different scenarios. The single really most important risk is miscalculation of this highly synchronized fiscal and monetary policy withdrawal.

And we see that everywhere around the world. Abebe mentioned the case of Africa.

They needed fiscal space, it is fiscal support. Inflation high, there is little monetary policy support. You see that in advanced economies, you see that emerging markets that will be (inaudible). So, the speculation is type of problem of, you know, the cure is in a sense, unfortunately, at least in the short term worse than the disease. So, you basically try to control the inflationary pressures and, you know, establish price stability. And you try to do that everywhere.

And of course, when you do it everywhere the policy multipliers are much larger and we might end up in a point because of how we are aggressive to solve this problem, we put the global economy in recession territory. So that is something, you know, we need to pay attention to.

MR. COULIBALY: Thank you. Julia.

MS. CORONADO: So, in terms of the top risk, I think it's really something that is outside of policymakers' hands, and that is the functioning of the global goods economy and how quickly that improves.

MR. COULIBALY: You mean the supply chains?

MS. CORONADO: Exactly. So, supply chains, availability, and ease with which companies can get access to needed commodities, transport them to where they're demanded. That has been so incredibly disrupted and added to, you know, what has been inherently a disrupted macro economy, you know, we can see the private sector hard at work trying to solve these problems. The incentives are highly aligned to move goods and sell them, but I do worry that the recessionary signal or the recessionary chatter, and this sort of I think speaks to Ayhan's point a little bit, the fact that everybody is tightening at the same time and sort of the signal from the Fed is, we're not afraid to cause a recession if we need to to cool off inflation. That's good from a sort of credibility inflation expectation standpoint but that sort of disincentives investing into supply side capacity of the economy. So, I worry a little bit about that, but I think that ultimately if we do see material improvements over the next six to 12 months that could give the Feds space to tighten less.

You know, the IMF has pointed out since the beginning of this recovery that the fact that the U.S. had put in the most policy support and had the fastest recovery poses an inherent challenge because the Fed has to tighten policy while the other recoveries are lagging behind. And we are just seeing that dichotomy and that tension amplified evermore in the last, you know, and I think the war in

Ukraine just amplified that even more.

So, you know, we can hope for these efficiencies to be restored, some of this functionality to be restored, which would ease a lot of pressures. And there are signs of hope on the commodities side. I mean we have seen some easing in commodity prices. We are seeing more, you know, open free flow of goods and people. So, you know, that's the shot that we have at, you know, allowing the Fed to back off maybe later this year into next year and allow the economy, the rest of the world more breathing room.

MR. COULIBALY: Now that's really a great point. And getting to global balance to function properly and importantly give the Feds some breathing room, so the space of tightening doesn't have to be as fast, and the rates don't have to go as high. It's going to certainly help a lot of the emerging market developing countries that have (inaudible) on their debt.

Steve, what worries you most?

MR. KAMIN: Well actually what worries me most is a new variance of the pandemic that vaccinations don't help. But that's kind of more in the realm of an asteroid hitting the earth than something kind of like in our macro financial realm.

So, sticking to our territory, I guess my answer of what worries me most would be some combination of what Ayhan and Julia said. Basically, a situation where either because of persistent supply chain disruptions or because wages and inflation expectations move up more than we might expect, inflation proves much more persistent, and even continues to rise, than we except, and central banks have no choice but to clamp down harder.

And that interacts with high debt levels in many countries and stretch evaluations in housing markets and other areas of the financial sector too late for large inceptions.

So that's not like Ayhan described it because it sounded to me a little bit more like central banks and governments making the policy mistakes. This would be a situation where I guess you could argue about whether the tightening would be a policy mistake or not, but it would seem to be required by high levels of inflation.

So that would be a key worry. I would note, so obviously a felicitous outcome that Julia outlined, is for inflation to decline so the Fed wouldn't have to tighten so much. I would also note that a certain amount of tightening by the Fed and other central banks that leads to a mild recession in the United States and other economies, wouldn't be the worst thing to befall us, you know. If unemployment in the states went from 3 and half to 4 and a half or 5, and that succeeded in getting inflation down on a persistent basis that might be a tradeoff worth accepting.

MR. COULIBALY: All right, great. Thank you, Steve. So, we now move into the question and answer portion. And I'm going to try to take them, maybe three at a time.

The first one comes from Brazina Bacova (phonetic). She's asking what is your opinion on the monetary policy response of the ECD, and if there's a danger of a new sovereign debt crisis in Europe in case of significant tightening?

And I think I would note that now even the euro and the dollar is getting close to parody. So, it seems like we're driving a bigger wedge between the Fed policy and the ECD. And that might be the context for this question.

And the second question comes from Ake Faruke (phonetic), who said can we think of an estimated timeframe of improvement in the world economy in the wake of the Russia invasion of Ukraine and the COVID-19 pandemic shock. In other words, are those really the two key things we need to be watching for for any meaningful recovery? And given the uncertainty as to when and how the Russia war was going to end, what does that mean really for the global economic outlook?

And the third question is. Do growing fears of recession make the job of central banks easier in terms of pulling demand?

So, Steve, you want to take the ECB question, and Julia if you don't mind taking the question on growing fears of recession making central banks' job easier. And Ayhan, the question about the timing of improvement in the global economy given uncertainty around the pandemic and also the Russia invasion on Ukraine.

MR. KAMIN: Coul, should I start with the ECB question?

MR. COULIBALY: Yes, please.

MR. KAMIN: Yeah. So, first of all I think that's a tough call and there are pros and cons to its stance. I guess obviously it's been, you know, its policy has been very accommodative relative to the Fed in the sense of just now starting to tighten. And even the tightening that people envision is, you know, is very slight compared to what people, what the Fed has already done, what the Bank of England has already done. But more than what the Bank of Japan is doing.

So, I would say that on the minus side to its kind of laggard response is the fact that it hasn't helped to basically focus inflation expectations in a way that would contain them, that's the first concern. And the second is that by basically being so slow to plan to tighten, it's allowed the euro to fall a great deal.

Now ordinarily that would not be worrisome given that the euro area economy has not fully recovered from the pandemic and has a ways to go to basically get back to its trend output. Some stimulus from a lower euro would ordinarily be helpful. The problem in the current situation is that Europe faces this tremendous energy price shock, which is contractionary, and in that context an even weaker euro means even higher domestic prices of energy.

So those are the reasons why the ECB probably should have tightened a little quicker or at least vocalized its intention to tighten a little bit quicker. But on the other hand, you know, there are two really key issues.

Number one is as I mentioned, the euro area economy has not recovered as quickly as has the United States. And the second and more pressing concern is that monetary tightening by the ECB leads to the prospect of out of control yield spreads for Italy. And that could be truly damaging to financial stability.

So, weighting these different pros and cons against each other I guess I'd have to say that it's hard to love ECB policy but hard to come up with a better one.

MR. COULIBALY: Okay. Yes, Julia, please.

MS. CORONADO: So, in terms of the question of can talking about a recession help us avoid one. I think the answer is potentially, yes. And we saw for example when the Fed pivoted yet again to a more aggressive rate hike in June it coincided roughly with the peak in oil prices with the peak in inflation compensation in financial markets. So, it is possible, but I mean there's a certain amount of follow through that they need to put their money is where their mouth is and shown their willingness to follow through and their commitment to cooling off inflation.

But if there is an element of you could call it inflation expectations built into commodity prices and other asset prices, and that comes out, and therefore provides some relief on a range of prices and maybe alters behavior somewhat, then, yeah, maybe that is part of the cure and allows the Fed again, sometime maybe later this year or early next year, to pivot away from ever tighter policy and provide support to cushion the blow of all of this tightening.

So, I think it's not an unreasonable hypothesis and we can certainly hope for that.

MR. COULIBALY: Very good. Ayhan, over to you.

MR. KOSE: Thank you, Coul. In the context of, you know, when we will see the light at the end of the tunnel, the first observation is that according to our projections, global growth will remain more or less around 3 percent until 2024. So, we are not expecting a kind of a rebound from this year over the next two years, given the kind of policy stances. We think that inflation will remain persistent even though it will come down from these high levels we have been seeing. But at the end of '24, or '23, we still see global inflation around 3 percent, which recorded around, you know, 2 percent prior to the pandemic. And that poses significant challenges to central bankers. So, the big question is I guess you can reduce inflation, but can you reduce inflation to the target you are trying to hit.

In the context of the war, let me make the following point. Of course, the war can evolve in unpredictable ways, it can stretch over a larger area or can take the form of, you know, widespread state sponsored cyber-attacks, which we were really worried at the beginning of the pandemic. And these cyber-attacks can paralyze public infrastructure, financial systems. They can translate into of course additional sanctions and retaliation. So, if that happens, we will end up seeing even, you know, more growth outcomes.

The third point is that, you know, when you think about this near term, we always need to understand the consequences of pandemic as well as the war for the medium-term prospects and I think Abebe very elegantly alluded to that. Now we already had a slowdown in potential growth prior to the pandemic, you know, we thought that during 2010s potential growth average around 5 percent in emerging market developing economies. And beyond 2020s we thought that it would average around 4 percent. This was, you know, our estimate prior to the pandemic.

After the pandemic, because of the hit on investment in human capital, we are thinking that emerging market developing economies will struggle on average to deliver around 2 and a half percent growth, that we think about their ability to generate growth.

And in this context let me make one more observation. We are, of course really worried, and I think I have had colleagues also look at these issues. There is a divergence in per capita growth rate in a way that it is really disturbing. So, when you look at, you know, what happened, the per capita income growth in 2010s, the difference between the emerging developing economies and advanced economies, that number was around 2.3 percent. Now in the near future that number's going to go down by 75 percent. You will have a difference around .6 percent.

For low-income countries, there is basically divergence, the growth rate per capita level is, you know, lower than the growth rate per capita level of advanced economies. So, these economies are getting poorer relative to, you know, the kind of high-end countries we want them to get to the level of.

So, there is a serious challenge, and how that challenge will translate into other factual problems, especially, you know, the social tensions, is to be seen. That's why the global community needs to be very active and take this, the food crisis issue, very seriously. Let me stop there. Thank you.

MR. COULIBALY: No, no, thank you, Ayhan. So, we may have room for one more question. And this one goes to Abebe.

In Nigeria where I come from, we are at the stage where multi-pronged crisis from insecurity, conflict, violence, extremism, and weak economy due to over reliance on oil as only source of revenue. What will be your antidote to these problems? Not only in Nigeria but in Africa?

I think the point that is being highlighted here is that there are many priorities when you look at what needs to be done. So how do you advise of picking priorities among the priorities?

MR. SELASSIE: Thanks, Coul. So, you know, in a way kind of Nigeria and six, seven other countries in Sub-Saharan African in particular, ought to be benefitting from this moment where commodity prices are quite high, oil prices included. And so, you know, but for, you know, the domestic policy structure, this would have been a very good moment overall for the Nigerian economy.

But, you know, this goes back, Ayhan talked a lot about the divergence that we've seen amongst counties. But I think Nigeria has a good way to also show kind of the divergence within countries, the huge distributional consequences that, you know, conjuncture, the commodity price movements are set to have.

So, you know, in Nigeria because they export oil, they get quite a bit of oil but also because they subsidize domestic consumption quite a bit there. You know, what's going to end up happening is that the benefits will be defused and not be helping the overall economy as much as should happen at the moment.

And so, Nigeria, you know, central bank is in a very envious position like other central banks where if they tighten, they risk slowing economic activity, and if they remain loose, they risk the incurring inflation expectations which are already accelerating.

But I think this is a moment when, as elsewhere in many other countries, some bold decisions are going to have to be taken. You know, I think two things in particular. First and foremost, wherever there are fuel type subsidies these tend to be aggressive and tackling them head-on is going to be important. You know, removing those distortions over time while targeting support for the most vulnerable households is imperative.

And then second, again, diversifying away from over reliance on oil is going to be important in other countries, of course, other countries. So, advancing that perform agenda really imperative also.

MR. COULIBALY: Okay. Very good. So, this is getting really close to the end of our time. So clearly with a series of shocks and a lot of risk when you're being relegated to the downside. But, you know, hopefully in the midst of all this that looks gloom and doom there could be a way forward.

And thank you all for having really shared your perspective as well your recommendations on how we can continue to push forward and avoid, hopefully, a global recession.

So, thank you again. And I hope we can welcome you again in near future to continue this conversation.

MS. CORONADO: Thank you.

MR. KOSE: Thank you, Coul.

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