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Editorial on Global Economics and Financial Growth

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Editorial

According to the World Bank's newest Global Economic Prospects report, the global economy is undergoing a noticeable downturn amid new risks from COVID-19 variations, as well as rising inflation, debt and income inequality, which might jeopardize the recovery in emerging and developing nations. As pent-up demand fades and fiscal and monetary assistance is removed throughout the world, global GDP is predicted to slow sharply from 5.5 percent in 2021 to 4.1 percent in 2022 and 3.2 percent in 2023.

Because of the fast spread of the Omicron form, the pandemic is expected to continue disrupting economic activities in the foreseeable future. Furthermore, a noteworthy slowdown in big economies, such as the United States and China, will impact on emerging and developing nations' external demand. New COVID-19 outbreaks, continuing supply-chain bottlenecks and inflationary pressures and high financial vulnerabilities across wide swathes of the world might enhance the danger of a hard landing at a time when many emerging countries lack the policy room to sustain activity if needed [1,2].

Description

The international economy is dealing with COVID-19, inflation and policy uncertainty at the same time, with government expenditure and monetary policies treading new ground. "Rising inequality and security issues are especially destructive to poor nations," said David Malpass, President of the World Bank Group. "Putting more nations on a road to prosperity necessitates coordinated international effort as well as a complete set of state policy solutions."

The global economy is beginning to recover from the depths to which it had fallen during April's Great Lockdown. However, as the COVID-19 epidemic spreads, several governments have halted their reopening and some have reinstated partial lockdowns to safeguard vulnerable people. While China's recovery has been quicker than projected, the global economy's lengthy road back to pre-pandemic levels of activity is still fraught with stumbling blocks.

Financial globalization has the potential to assist developing nations in better managing output and consumption volatility. Indeed, a variety of theories suggest that as the degree of financial integration rises, the volatility of consumption relative to output should reduce; the basis of global financial diversification is that a nation may move some of its income risk to global markets. Because most developing countries' output and factor endowment structures are rather specialized, they can theoretically achieve even greater gains through international consumption risk sharing—that is, by effectively selling a stake in their domestic output in exchange for a stake in global output [3-5].

Conclusion

What percentage of the anticipated advantages in terms of better managing consumption volatility has been realized? This topic is especially important in determining whether, notwithstanding the output volatility that emerging nations have faced as a result of financial crises; financial integration has safeguarded them from consumption volatility. This report presents new research that depicts a concerning picture, in particular, while output growth volatility decreased on average in the 1990s compared to the three decades before it, consumption growth volatility increased relative to income growth volatility for emerging market economies in the 1990s, which coincided with a rapid increase in financial globalization. In other words, procyclical access to international capital markets appears to have had a paradoxical effect on the relative volatility of consumption for financially linked emerging nations, as addressed in greater detail later in the article.

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Conflict of Interest

The authors declare that there is no conflict of interest associated with this manuscript.

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