Multi-speed growth is back, with a fiscal blind spot

by George Gray Molina and Eduardo Ortiz-Juarez
UNDP is the leading United Nations organization fighting to end the injustice of poverty, inequality and climate change. Working with our broad network of experts and partners in 170 countries, we help nations to build integrated, lasting solutions for people and planet. Learn more at undp.org or follow at @UNDP.

The views expressed in this publication are those of the author(s) and do not necessarily represent those of the United Nations, including UNDP, or the UN Member States.

Copyright © UNDP July 2024
All rights reserved
United Nations Development Programme
1 UN Plaza, New York, NY 10017, USA

Online ISSN: 3005-3307
Multi-speed growth is back, with a fiscal blind spot

by George Gray Molina and Eduardo Ortiz-Juarez¹

Summary: Multi-speed growth is back: 68 developing economies are currently growing at more than 4 percent, 47 at between 2 and 4 percent and 37 at less than 2 percent. The projected effects on poverty are uneven. Despite a downward trend since the pandemic in 2020, an estimated 7.7 percent of the global population could still be living in extreme poverty in 2024, just below the pre-pandemic level of 8 percent, and could decrease slightly to 7.2 percent by 2026. An additional 13.1 percent of the world’s population will be living on $2.15 to $3.65 a day in 2024 (making a total of 20.8 percent living on less than $3.65 a day) and an additional 23.5 percent on $3.65 to $6.85 a day (making a total of 44.3 percent living on less than $6.85 a day). By 2026, the shares of the global population living on less than $3.65 and $6.85 a day are projected to reach 18.9 percent and 42.5 percent, respectively.

Looking forward, high levels of debt and weak development financing are expected to make uneven patterns of growth and poverty more divergent. In 49 countries, net interest payments as a share of revenue are now higher than 10 percent, up from 27 countries a decade ago, and in 10 countries, they are now higher than 25 percent. Worst affected is the world’s poorest region, Sub-Saharan Africa, which accounts for 45 percent of countries with interest payments in excess of 10 percent and 50 percent of countries with payments higher than 25 percent. Indicators of debt distress and default risk remain elevated. For developing economies with a sovereign credit rating, 61 percent (54 countries) have a rating below ‘non-investment grade’, and for countries with debt assessed under the LIC-DSF, 51 percent (34 countries) are rated either in or at high risk of debt distress.

¹ George Gray Molina is Head of Inclusive Growth and Chief Economist at UNDP’s Bureau for Policy and Programme Support as well as Chief Economic Advisor to the UNDP Administrator, email: george.gray.molina@undp.org; Eduardo Ortiz-Juarez is Lecturer in Development Economics at King’s College London and Senior Economic Research Advisor at UNDP’s Bureau for Policy and Programme Support, email: eduardo.ortizj@kcl.ac.uk.
After four years of a mostly synchronized pattern of economic growth, the global economy is returning to a multi-speed pattern—with some economies accelerating and others mitigating the effects of prolonged crises. The focus of many policymakers is to accelerate both growth and potential growth to achieve inclusive and sustainable patterns of growth over the medium term. An added challenge for most developing economies is to overcome severe fiscal and financial constraints from the post-pandemic period.

This brief focuses on the projected default trajectory of economic growth in developing economies through 2026 and their effects over poverty at various poverty lines ($2.15, $3.65 and $6.85 a day). In the backdrop are two questions: Will current growth rates allow developing economies to overcome SDG reversals in monetary poverty? (Yes, but at a very slow pace, a lot slower than the pre-Covid period.) And, are developing economies able to scale up SDG investments to achieve some of the key 2030 Agenda targets? (No, mostly because of severe fiscal and financial constraints through 2026.)

We present evidence on current growth rates and poverty projections, which suggest very uneven outcomes across developing economies for the final years of the 2030 Agenda. We then focus on a key divergent trend: fiscal and financial flows in developing economies. We end the brief by assessing the geopolitical and geoeconomic fragmentation effects of this uneven pattern of development.

A multi-speed moment: Back to normal?

A period of interlinked crises characterized by the onset of the COVID-19 pandemic, subsequent shocks such as the cost-of-living crisis, the war in Ukraine and tightening financial conditions led the world to synchronized income and job losses across both advanced and developing countries. However, as we move forward, the global economy is recovering and exhibiting significant growth, albeit at varying speeds. Notably, developing countries are demonstrating relatively higher dynamism compared to their advanced counterparts. The IMF’s World Economic Outlook Database of April 2024 allows us to observe two trends: first, the current state of economies in 2024 compared to a hypothetical scenario where the polycrisis period did not occur, and second, the projected trends in the medium term from 2024 to 2026.

Regarding the first trend, a simple exercise adjusts countries’ forecasted economic growth in 2024 (covering 186 countries) by their gap relative to the forecasts made in 2019, before the polycrisis period. These adjusted GDP growth rates are then classified into three groups: mitigation, if the adjusted rates are below 2 percent (indicating low growth); muddling through, if the adjusted rates range from 2 percent to 4 percent (indicating moderate growth); and acceleration, if the rates are above 4 percent (indicating high growth). Figure 1 illustrates these classifications.
In 2024, nearly half of the developing world (68 countries) is in the acceleration stage, with current growth rates averaging 5.4 percent, significantly surpassing their expected average rates before the pandemic and subsequent crises. Additionally, 31 percent (47 countries) are in the muddling through stage, with average growth rates of 3.2 percent, approaching their pre-pandemic average of 3.8 percent. Only a quarter of developing countries are still in the mitigation stage, with current average growth of 1.3 percent, which is two percentage points below their pre-pandemic average forecast of 3.3 percent. In stark contrast to these trends, the vast majority of advanced economies (almost three fourths) are still in the mitigation stage, with current average growth rates of 1.1 percent, which are half of the expected average rates for these economies before the pandemic. This divergence highlights the multi-speed nature of the global economic recovery, where developing countries are experiencing higher growth dynamics compared to their advanced counterparts.

**Figure 1. Growth dynamics in 2024: Mitigating, muddling through or accelerating compared to pre-pandemic projections**

![Growth dynamics chart](chart.png)

Source: Authors’ elaboration based on IMF World Economic Outlook Database (October 2019 and April 2024).

Regarding the second trend related to the average growth expected for the period 2024–2026, the data confirms a multi-speed pattern. Using the same categories of low, moderate and high growth, Figure 2 shows that 40 percent of developing countries are expected to grow at more than 4 percent (high growth), with an average growth rate of 5.6 percent. Additionally, 49 percent
of developing countries are projected to grow at between 2 percent and 4 percent (moderate growth), averaging a growth rate of 3.1 percent, whereas 13 percent (19 countries) are anticipated to grow at less than 2 percent (low growth), with an average growth rate of 1.2 percent. In contrast, the bulk of advanced economies (around 60 percent) are projected to grow at an average rate of 1.5 percent, with only 14 percent (12 countries) experiencing moderate growth at an average rate of 2.5 percent. Notably, just two advanced economies are forecasted to achieve high growth exceeding 6 percent. This further illustrates the disparities in growth rates between developing and advanced economies.

**Figure 2. Multi-speed growth dynamics over 2024–2026**

![Distribution of countries by categories of average growth in 2024-2026](image)

Source: Authors’ elaboration based on IMF World Economic Outlook Database (April 2024).

Overall, developing countries’ average growth rates significantly exceed advanced economies’ projections—and they are anticipated to remain higher in the longer term up to 2029, according to IMF projections—with developing economies in South Asia (SAS) and Sub-Saharan Africa (SSA) expected to have average growth rates above those of all other developing regions. Specifically, during 2024–2026, average growth in SAS and SSA is forecasted to reach 5.2 percent and 4.4 percent, respectively, significantly above the global average of 3.2 percent. In contrast, regions such as Europe and Central Asia (ECA) and Latin America and the Caribbean (LAC) are expected to grow at relatively slower rates, averaging between 3.3 percent and 3.4
percent (Figure 3). This highlights the regional disparities in economic growth, with SAS and SSA emerging as the most dynamic regions among developing countries.

**Figure 3. Regional GDP growth dynamics and projections, 2019–2026**

Source: Authors’ elaboration based on IMF World Economic Outlook Database (April 2024).

What do these trends represent for poverty reduction around the world? To project global poverty rates into 2026, we utilize binned distributions of per capita household income or consumption ($0.10 bins), expressed in 2017 purchasing power parity (PPP). These distributions are derived from the World Bank’s Poverty and Inequality Platform, covering approximately 96 percent of the global population across 159 countries. We project these distributions forward to 2026 by applying annual GDP per capita growth rates from the April 2024 IMF World Economic Outlook Database, adjusted for population changes and assuming an 85 percent distribution-neutral passthrough rate. Poverty headcount rates are then calculated using international poverty standards (in 2017 $PPP per day): $2.15 for extreme poverty; $3.65 and $6.85

---

2 Reconstructed through the PIP Stata module (version 0.9.5) by computing the cumulative share of the population with household per capita income or consumption below a series of thresholds that change in value every $0.10 a day per person (2017 PPP), starting from $0.10 up to a maximum value that covers 99.9 percent of the population. From these cumulative shares, individuals within each $0.10 bin were isolated and then assigned the middle value of their bin as their daily amount of per capita income or consumption. The size of the population within each $0.10 bin is used as a weight.

representing the median poverty lines of lower-middle- and upper-middle-income countries, respectively.\(^4\)

Figure 4 presents our projections. Despite a downward trend since the pandemic in 2020, an estimated 7.7 percent of the global population could still be living in extreme poverty in 2024, defined as living on less than $2.15 a day. This figure is just below the pre-pandemic level of 8 percent and could decrease slightly to 7.2 percent by 2026. Given that only about 1 percent of global poverty is concentrated in advanced economies, these results suggest that despite the recovery of growth, with relatively high rates among developing countries, it is not expected to exert a noticeable effect on lowering the incidence of poverty. In 2024, an additional 13.1 percent of the world’s population will be living on $2.15 to $3.65 a day (hence, 20.8 percent living on less than $3.65 a day) and 23.5 percent on $3.65 to $6.85 a day (hence, 44.3 percent living on less than $6.85 a day). By 2026, the shares of the global population living on less than $3.65 and $6.85 a day are projected to reach 18.9 percent and 42.5 percent, respectively. These figures are not dramatically different from the rates observed before the pandemic, which were 23.1 percent and 47.4 percent, respectively.

**Figure 4. Projected shares of the global population living in poverty, 2019–2026**

![Graph showing projected shares of the global population living in poverty, 2019–2026](image)

Source: Authors’ own elaboration based on the sources and method described in the text.

---

There are significant heterogeneities in how economic growth is contributing to poverty reduction across different groups of countries. Focusing on the changes in the incidence of poverty at $2.15 a day, our estimates indicate a mix of progress and challenges in poverty reduction. In the multi-speed growth period (2024–2026), the incidence of global poverty is expected to reduce by 0.66 percentage points. This reduction is predominantly driven by the decreases in South Asia (SAS) and Sub-Saharan Africa (SSA), where poverty is projected to decrease by 2 and 1.91 percentage points, respectively. In contrast, other developing regions are expected to see more modest reductions, ranging from 0.07 percentage points in the Middle East and North Africa (MNA) to 0.34 percentage points in East Asia and the Pacific (EAP) (Figure 5a).

The higher reductions in poverty in SAS and SSA are consistent with the robust economic growth rates these regions are experiencing—this is particularly notable for SSA, where the anticipated 1.91 percentage point reduction in poverty is a significant improvement compared to the 1.15 percentage point increase observed during the polycrisis period (2019–2023) (Annex). Given that both SAS and SSA predominantly comprise low-income countries (LICs), lower-middle-income countries (LMICs), and least developed countries (LDCs), it is expected that these groups will see considerable reductions in poverty, with LICs projected to reduce poverty by 2.41 percentage points and LMICs and LDCs by 1.45 and 1.67 percentage points, respectively. A similar trend is observed when using a higher poverty line of $3.65 a day, with SAS and SSA again expected to achieve the most significant reductions in poverty compared to other developing regions (Figure 5b).
Using the higher poverty line of $6.85 a day, the results in Figure 6 indicate that the relatively low achievement in global poverty reduction is driven by significant reductions in middle-income countries, particularly in SAS and EAP. In SAS, the incidence of poverty is projected to decline...
by 6.6 percentage points, aligning with the region’s robust economic growth rates. Similarly, EAP is expected to see a reduction of 4.37 percentage points despite its average economic growth rate of 3.8 percent from 2024 to 2026, which is comparable to the growth rates of 3.3 percent and 3.4 percent observed in ECA and LAC, respectively, suggesting an apparently higher poverty-reducing effect in EAP relative to other regions with similar economic growth rates.

**Figure 6. Projected aggregate changes in poverty at $6.85 a day by regions and groups**

![Changes in the incidence of poverty at $6.85 a day between 2023 and 2026 (percentage points)](chart)

Source: Authors’ own elaboration based on the sources and method described in the text.

In general, the results suggest a broad trend of declining poverty rates moving into 2024–2026, reflecting a generally positive impact of recovered growth. However, the achievement in translating moderate-to-high economic growth into significant poverty reduction remains very low and heterogeneous across countries. Specifically focusing on countries for which there is data on both economic growth and poverty projections (159 countries, of which 128 are developing countries), the average changes in the incidence of poverty between 2023 and 2026 tend to be disappointing given the projected growth rates. Among the 12 developing countries in the category of low growth, the average GDP growth rate over the period reaches 1.45 percent, but the change in poverty at $2.15 a day is barely noticeable, with an average increase of 0.09 percentage points. The changes in poverty at higher poverty lines average 0.2 and 0.74 percentage points (Table 1).
Among the 63 developing countries with a GDP growth rate of between 2 percent and 4 percent, their average growth rate reaches almost 3.1 percent, yet the average change in poverty remains very low, at 0.19 and 0.49 points for the lowest poverty lines and 1.41 points for the $6.85 poverty line. Finally, among the 53 countries experiencing high economic growth, averaging 5.6 percent, the average reductions in poverty are still disappointing, particularly those observed at the lowest poverty line of $2.15 a day, reaching only 1.95 percentage points during the period. These results suggest that significant distributional challenges remain across developing countries in addressing the relative stagnation in poverty reduction despite recovered and substantial rates of economic growth.

Table 1. Projected changes in poverty rates by economic growth categories, 2024–2026

<table>
<thead>
<tr>
<th>Group</th>
<th>All countries</th>
<th>Average of countries’ changes</th>
<th>Developing countries</th>
<th>Average of countries’ changes</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Low growth (&lt;2%)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average growth rate (%)</td>
<td>32</td>
<td>1.45</td>
<td>12</td>
<td>1.45</td>
</tr>
<tr>
<td>Change at $2.15 (pp)</td>
<td>-0.02</td>
<td>-0.20</td>
<td></td>
<td>-0.74</td>
</tr>
<tr>
<td>Change at $3.65 (pp)</td>
<td>-0.08</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change at $6.85 (pp)</td>
<td>-0.31</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Moderate growth (2-4%)</td>
<td>73</td>
<td>2.98</td>
<td>63</td>
<td>3.07</td>
</tr>
<tr>
<td>Average growth rate (%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change at $2.15 (pp)</td>
<td>-0.16</td>
<td>-0.19</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change at $3.65 (pp)</td>
<td>-0.43</td>
<td>-0.49</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change at $6.85 (pp)</td>
<td>-1.23</td>
<td>-1.41</td>
<td></td>
<td></td>
</tr>
<tr>
<td>High growth (&gt;4%)</td>
<td>54</td>
<td>5.61</td>
<td>53</td>
<td>5.64</td>
</tr>
<tr>
<td>Average growth rate (%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change at $2.15 (pp)</td>
<td>-1.92</td>
<td>-1.95</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change at $3.65 (pp)</td>
<td>-3.22</td>
<td>-3.28</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change at $6.85 (pp)</td>
<td>-3.43</td>
<td>-3.49</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Authors’ own elaboration based on the sources and method described in the text. Notes. The average growth rate (%) is computed as the simple average of the growth rates in 2024, 2025 and 2026. The changes in poverty at different poverty lines are computed as the difference between the incidences observed in 2023 and 2026.

Moreover, in 35 developing countries, despite a forecasted average growth rate of 2.89 percent during 2024–2026, the incidence of poverty at $2.15 a day is expected to remain unchanged or even increase, with an average change of 0.19 percentage points. Similar trends are observed at higher poverty lines: in 18 countries, poverty rates at $3.65 a day are expected to rise by an average of 0.40 points despite an average economic growth rate of 2.49 percent, and in 10 countries, poverty rates at $6.85 a day are projected to increase by 0.42 points given an average economic growth rate of nearly 2.1 percent. These findings confirm that distributional challenges in some countries are particularly severe, preventing the benefits of economic growth from reaching the poorest segments of the population. These cases are especially concentrated in SSA, with significant contributions from SAS and MNA.
Table 2. Developing countries with positive economic growth but stagnant or increasing poverty rates, 2024–2026

<table>
<thead>
<tr>
<th>Group</th>
<th>Developing countries</th>
<th>Average of countries' changes</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Average growth rate (%)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change at $2.15 (pp)</td>
<td>35</td>
<td>2.89</td>
</tr>
<tr>
<td><strong>Average growth rate (%)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change at $3.65 (pp)</td>
<td>18</td>
<td>2.49</td>
</tr>
<tr>
<td><strong>Average growth rate (%)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change at $6.85 (pp)</td>
<td>10</td>
<td>2.08</td>
</tr>
</tbody>
</table>

Source: Authors' own elaboration based on the sources and method described in the text. Notes. The average growth rate (%) is computed as the simple average of the growth rates in 2024, 2025 and 2026. The changes in poverty at different poverty lines are computed as the difference between the incidence observed in 2023 and 2026.

Fiscal and financial divergences

After years of consecutive shocks coupled with limited fiscal and financial coping capacity, many developing economies, especially the poorest and most fragile, are facing a dim development outlook. High debt burdens worsened by depreciated currencies, higher interest rates and lower growth are a major contributor to the development outlook as countries are devoting a large and increasing share of revenue to service debt at the cost of growth and welfare-enhancing investments in health, education, infrastructure, poverty reduction, climate mitigation, etc.

In the median developing economy, government debt as a share of GDP has increased by almost 20 percentage points over the past decade, now reaching 55.3 percent, and net interest payments as a share of revenue doubled, now reaching 8.6 percent. In 49 countries, net interest payments as a share of revenue is now higher than 10 percent, up from 27 countries a decade ago, and in 10 countries it is higher than one quarter. Worst affected is the world’s poorest region, Sub-Saharan Africa, which accounts for 45 percent of countries with interest payments in excess of 10 percent and 50 percent of countries with payments higher than 25 percent.

Indicators of debt distress and default risk remain elevated. For developing economies with a sovereign credit rating, 61 percent (54 countries) have a rating below ‘non-investment grade’, and for countries with debt assessed under the LIC-DSF, 51 percent (34 countries) are rated either in or at high risk of debt distress. The severity of the debt situation is also reflected in arrears on external debt, which for the group of poorest (here meaning low and lower-middle

---

5 See UNDP’s debt insights data page for this and more: https://data.undp.org/insights/debt-in-developing-economies
6 The Low-Income Country Debt Sustainability Framework.
income) countries in 2022 reached an unprecedented level of $101 billion, up from $45 billion in 2012.\(^7\)

While global interest rates have been trending downwards over the past six to nine months as advanced economies have gradually brought down inflation, they are likely to remain elevated in the near future, especially for the lowest-rated and poorest economies, compared to before COVID. Coupled with large refinancing needs this year and in coming years, high interest rates pose a significant challenge in the most debt-vulnerable economies. Without more international assistance on liquidity, debt relief and access to long-term affordable finance, countries will be forced to accept a worsening and potentially long-lasting trade-off between debt and development.

**Conclusion: Muddling through 2026**

What are the broader development implications of the default trajectory of growth and poverty reduction projected for 2024–2026? The key observation is that the global pattern of economic growth is *not inclusive enough*—and from previous studies, *not sustainable enough*—to move the needle on the 2030 Agenda. This does not preclude observable policy experimentation and cumulative social and environmental achievements in selected developing economies.

Beyond the economic focus on growth and potential growth, there is an acute need to focus on people, social achievement and leaving no one behind. The default pattern of development can be improved through national and multilateral policy choices. Key among them is a broader conversation about fiscal and financial flows to and within developing economies. Domestic resource mobilization, concessional and non-concessional financing and debt restructuring trends are all significant constraints for dozens of economies muddling through 2026.

Broader geoeconomic and geopolitical fallout is also becoming a more prominent feature of the current development landscape. Critical multilateral fora, such as the G7 and G20, and inter-governmental conferences, such as the Summit of the Future and the Fourth International Conference on Financing for Development (Ffd4), need to take stock of what works and does not work—and adjust actions with an eye on the future. A slow-moving development crisis will not fix itself under the default pattern of global economic growth.

---

\(^7\) According to World Bank International Debt Statistics 2023 and covering both principal and interest arrears to private and official creditors.
Annex. Projected aggregate changes in poverty by regions and groups between 2019 and 2023 and between 2023 and 2026

Source: Authors' own elaboration based on the sources and method described in the text.