

## Event Update - IMF World Economic Outlook

April-2022

### Global GDP forecast is revised downward due to War and Inflation

In its latest World Economic Outlook report, the IMF highlighted deteriorating global economic prospects vs. its previous forecast. The agency highlighted three key challenges facing the world currently that includes the Russia Ukraine conflict and the wide-ranging repercussions of measures to counter it including the impact of the resulting sanctions on Russia, the harsh lockdowns in China and the increasing consumer prices. The IMF highlighted that regulators have to walk a tight rope to balance economic growth and monetary policy aimed at controlling prices.

The IMF once again lowered its forecast for global real GDP growth rate for 2022 by 80 bps and by 20 bps for 2023 from its previous forecast. World GDP is now expected to grow by 3.6% in 2022 and maintain the growth rate in 2023. The downward revisions were made to both Advanced Economies as well as Emerging Market and Developing Economies. However, the latter witnessed a steeper downward revision of 100 bps to an expected growth of 3.8% in 2022. On the other hand, growth estimates for Advanced Economies was lowered by 60 bps to 3.3% for 2022 and 20 bps for 2023 to 2.4%.

That said, there were some significant upward revisions also led by the ongoing global disruptions. The Real GDP growth for Saudi Arabia was revised up by 280 bps to a growth of 7.6% in 2022 followed by 3.6% expected growth in 2023 after undergoing an upward revision of 80 bps. Revisions to growth rates of major oil exporters was also reflected in the 60 bps and 20 bps positive revisions to real GDP growth for the MENA region to 5.0% and 3.6%, respectively.

Moreover, the IMF said that both Russia and Ukraine are expected to see steep GDP contraction this year but the impact would not be limited to these regions. This is mainly because Russia and Ukraine being key suppliers of oil, gas, wheat and corn and the supply shock led by the war has resulted in higher current and future prices due to the anticipated shortages. This is especially going to affect the lower income households globally. On the other hand, the global technology supply chain is also severely affected with the strict lockdowns in China in some of the key industrial hubs that are crucial to numerable industries globally.

Country/Regions	Apr-2022 Forecasts				Rev. from Jan-22	
Real GDP Growth	2020	2021	2022e	2023e	2022e	2023e
<b>World Output</b>	-3.1%	6.1%	3.6%	3.6%	-0.8%	-0.2%
<b>Advanced Economies</b>	-4.5%	5.2%	3.3%	2.4%	-0.6%	-0.2%
United States	-3.4%	5.7%	3.7%	2.3%	-0.3%	-0.3%
Euro Area	-6.4%	5.3%	2.8%	2.3%	-1.1%	-0.2%
<b>EM and Developing Economies</b>	-2.0%	6.8%	3.8%	4.4%	-1.0%	-0.3%
China	2.2%	8.1%	4.4%	5.1%	-0.4%	-0.1%
India	-6.6%	8.9%	8.2%	6.9%	-0.8%	-0.2%
Middle East and Central Asia	-2.9%	5.7%	4.6%	3.7%	0.3%	0.1%
Saudi Arabia	-4.1%	3.2%	7.6%	3.6%	2.8%	0.8%
Sub-Saharan Africa	-1.7%	4.5%	3.8%	4.0%	0.1%	0.0%
<b>Trade Volume Growth</b>	<b>2020</b>	<b>2021</b>	<b>2022e</b>	<b>2023e</b>	<b>2022e</b>	<b>2023e</b>
<b>World Trade Volume</b>	-7.9%	10.1%	5.0%	4.4%	-1.0%	-0.5%
Advanced Economies - Exports	-9.1%	8.6%	5.0%	4.7%	-1.1%	0.0%
EM & Dev. Economies - Exports	-4.8%	12.3%	4.1%	3.6%	-1.7%	-1.5%
Advanced Economies - Imports	-8.7%	9.5%	6.1%	4.5%	-0.2%	0.0%
EM & Dev. Economies - Imports	-7.9%	11.8%	3.9%	4.8%	-1.7%	-0.9%
<b>Consumer Prices Change</b>	<b>2020</b>	<b>2021</b>	<b>2022e</b>	<b>2023e</b>	<b>2022e</b>	<b>2023e</b>
Advanced Economies	0.7%	3.1%	5.7%	2.5%	1.8%	0.4%
EM and Developing Economies	5.2%	5.9%	8.7%	6.5%	2.8%	1.8%

Sources : IMF WEO - Apr-2022

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### Forecast Revisions for Russia and Ukraine

The growth forecast for the European Union was revised downward by 110 bps to 2.8% for 2022 and by 20 bbps to 2.3% for 2023 making it the second largest contributor to the overall downward revision. The Ukrainian economy is expected to contract by 35% for 2022 due to the war and the IMF stated that even if the war ends its impact will severely impede economic activity for many years to come. The GDP growth forecast for Russia was revised to a contraction of 8.5% followed by a further decline of 2.3% in 2023. With disruption in supply of inputs from Russia and Ukraine for car manufacturers in Europe, the industry is expected to be impacted.

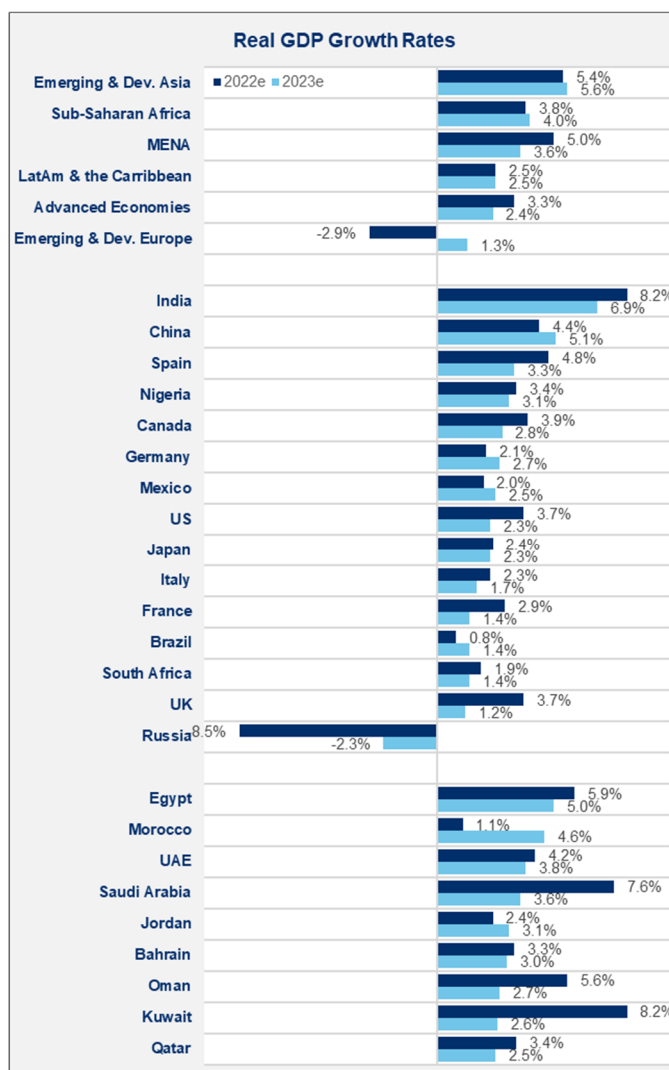
### Inflation

Inflation was already a concern even before the Russia-Ukraine war led by elevated commodity prices and the Covid-19 led supply-demand imbalances. Inflation in the US had reached decades high level forcing the regulators to set a path for accelerated monetary tightening as well as a faster pace of rate hikes. The urgency of such measures became even more relevant due to the war. For 2022, IMF has projected the inflation to be 5.7% for Advanced Economies and 8.7% for Emerging and Developing Economies, which is 1.8% and 2.8% higher than the previous forecasts. For 2023, Inflation is projected at 2.5% for the Advanced Economies and 6.5% for Emerging and Developing Economies which is 0.4 and 1.8% points higher than in the January forecast.

### Global Trade and Global Value Chain resilience to shocks

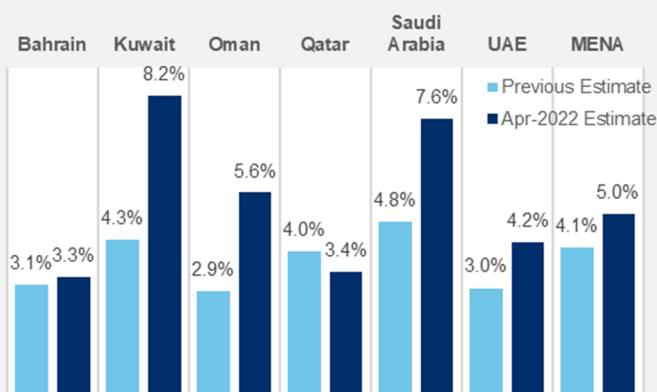
The Covid -19 pandemic affected the trade, during the Q2-2020 due to which the volume of the global trade in the goods fell 12.2% and the trade in the services fell 21.4% compared to the last quarter of 2019. Trade in goods had recovered to pre pandemic levels by Oct-2021.

Trade in services was slow mainly due to the transport services which was facing disruptions due to the delays in the shipping. Trade in Goods was more volatile as it relies heavily on global value chains. During the Jan-Apr 2020, the export of the global value chain-intensive goods fell 30%, and the exports of the other goods fell by 18% which severely affected some industries like automobiles due to the shortage in the supply of key inputs like semiconductors. Following easing of pandemic related measure, there was a rapid recovery in the these products.

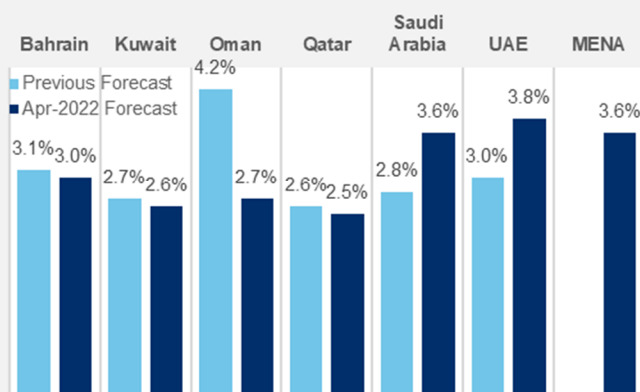


Source : IMF WEO - Apr-2022

### GCC Countries Real GDP Growth Expectations - 2022



### GCC Countries Real GDP Growth Expectations - 2023



Source : IMF WEO - Apr-2022

### MENA & GCC GDP Growth

Growth for the Middle East and North Africa region underwent a positive revision of 60 bps for 2022 to an expected growth of 5.0%. The revisions mainly reflected faster-than-expected growth in oil exporting countries in the region. However, for 2023, the expected growth was lowered by 20 bps to 3.6% due to a higher base. Saudi Arabia's growth in 2022 was revised upward by 280 bps for 2022 to 7.6% and by 80 bps for 2023 at 3.6%. The trend in revisions for the MENA countries for 2022 GDP growth rates were divergent, and while globally the trend was showing downward revisions, the bulk of the countries in the MENA region underwent upward revisions. 2022 real GDP growth for Kuwait and Oman underwent the some of the biggest positive revisions of 390 bps to 8.2% and 270 bps to 5.6%, respectively. Oman is now expected to see a growth in 2023 of 2.7% as against previous forecast of a contraction of 50 bps. Forecast for UAE and Bahrain has been revised upward by 120 bps and 20 bps to 4.2% and 3.3%. Except for Qatar's downward revision of 60 bps, the rest of the GCC countries have shown positive revisions and the overall region is expected to show positive growth in 2022.

### Private sector Debt

The Covid-19 pandemic resulted in record levels of debt raised by countries across the globe. The IMF now expects this debt on the private sector to lower the growth for the emerging markets by 1.3% and for the developed economies marginally lower by 0.9% over the three years. The IMF stated that the surge in global private debt in 2020 was 13% of GDP and its effect was widespread. The largest increases took place in Advanced Economies, although with large variations across countries. According to the previous forecasts Advanced Economies were projected to grow 3.9% in 2022 and 2.6 % in 2023, whereas Emerging market and Developing Economies was pegged to grow at 4.8% for 2022 and 4.7% for 2023. These numbers are revised lower by 60 bps and 20 bps for Advanced Economies and 100 bps and 30 bps for EM and Developing Economies due to the impact of the war.

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