Event Update - IMF World Economic Outlook Update

January-2024

Optimism grows backed by balanced risks and improved outlook

In its latest World Economic Outlook report, the IMF expressed its optimism for a higher chance of a soft landing in global economy backed by improved economic outlook, especially related to resilient economic growth in US and several other large emerging market and developing economies. The fiscal support announced in China is also expected to support global growth. Nevertheless, the agency highlighted that tight monetary conditions as well as divergence in global growth path would continue to pose challenge. In addition, high levels of public debt and fiscal deficits are also key concerns. Inflation continued to surprise favorably for 2025 with the IMF lowering its forecast by 20 bps to 4.4% while inflation expectation for 2024 was kept unchanged at 5.8% as compared to 6.8% in 2023.

In terms of upside risks, the IMF highlighted a faster fall in inflation, easing financial condition and strong structural reforms could lead to faster growth. On the other hand, downside risks include higher commodity prices, especially after the recent attacks on the Red Sea, property sector issues in China and spending cuts by governments can impact growth. The IMF said that the recent attacks on the Red Sea cargoes are resulting in higher cost of transportation and causing delays. However, this has not reflected in recent commodity prices. Furthermore, the IMF said that dynamically calibrating monetary policy on the basis of moves in the underlying inflation is one of the key challenges facing policymakers globally.

The IMF marginally raised World GDP growth expectations for 2024 by 20 bps to 3.1% and kept 2025 forecast unchanged at a slightly higher growth rate of 3.2%. Forecasts for 2024 for both Advanced Economies as well as Emerging Market and Developing Economies were upgraded by 10 bps to 1.5% and 4.1%, respectively. For the next year, the IMF kept forecasted growth in Advanced Economies unchanged at 1.8% with marginal downgrades to growth rates for the US and Euro Area offset by upward revision to forecasted growth rates for Japan and Other Advanced Economies. Growth in Emerging Market and Developing Economies was upgraded marginally for 2025.

Country/Regions	Jan-2024 Updated Forecasts				Rev. from Oct-2023	
Real GDP Growth	**2022**	**2023**	**2024e**	**2025e**	**2024e**	**2025e**
World Output	3.5%	3.1%	3.1%	3.2%	0.2%	**0.0%**
Advanced Economies	2.6%	1.6%	1.5%	1.8%	0.1%	**0.0%**
United States	1.9%	2.5%	2.1%	1.7%	0.6%	-0.1%
Euro Area	3.4%	0.5%	0.9%	1.7%	-0.3%	-0.1%
EM and Developing Economies	4.1%	4.1%	4.1%	4.2%	0.1%	0.1%
China	3.0%	5.2%	4.6%	4.1%	0.4%	0.0%
India	7.2%	6.7%	6.5%	6.5%	0.2%	0.2%
MENA	5.6%	2.0%	2.9%	4.2%	-0.5%	0.3%
Saudi Arabia	8.7%	-1.1%	2.7%	5.5%	-1.3%	1.3%
Sub-Saharan Africa	4.0%	3.3%	3.8%	4.1%	-0.2%	0.0%
Trade Volume Growth	**2022**	**2023**	**2024e**	**2025e**	**2024e**	**2025e**
World Trade Volume	5.2%	0.4%	3.3%	3.6%	-0.2%	-0.1%
Advanced Economies	6.1%	0.3%	2.6%	3.2%	-0.4%	-0.1%
EM and Developing Economies	3.7%	0.6%	4.5%	4.4%	0.2%	0.0%
Consumer Prices Change	**2022**	**2023**	**2024e**	**2025e**	**2024e**	**2025e**
Advanced Economies	7.3%	4.6%	2.6%	2.0%	-0.4%	-0.2%
EM and Developing Economies	9.8%	8.4%	8.1%	6.0%	0.3%	-0.2%

Sources : IMF WEO Update - Jan-2024

Junaid Ansari
Head of Investment Strategy & Research
+(965) 2233 6912
jansari@kamcoinvest.com

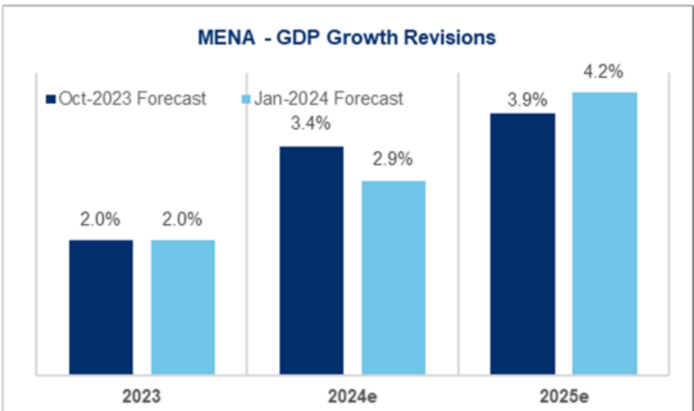
Vineetha K. Yeluri
Analyst
+(965) 2233 6913
vyeluri@kamcoinvest.com

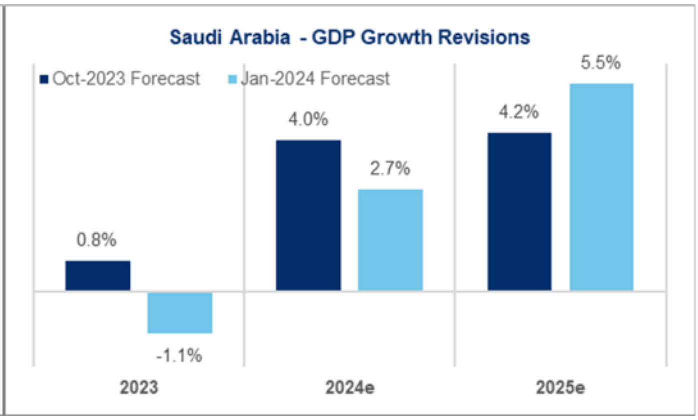
Growth in the United Kingdom is forecasted to gradually rise from 0.5% in 2023 to 0.6% in 2024, then to 1.6% in 2025, a downward revision of 40 bps for 2025 due to limited opportunities for growth in light of recent upward statistical revisions to output levels during the pandemic period. For the Asia region, IMF upgraded China's forecast by 40 bps to 4.6% in 2024 after 5.2% growth in 2023, However, growth in 2025 is retained at 4.1%. The upgrade in 2024 is due to higher-than-expected growth in 2023 and government spending on disaster resilience. Growth forecast for India was forecasted at 6.5% for both 2024 and 2025, an upward revision of 20 bps compared to the October-2023 estimates for both the years buoyed by the continued strong domestic demand.

Growth in Emerging and Developing Europe is expected to accelerate from 2.7% in 2023 to 2.8% in 2024, before slowing to 2.5% in 2025. Russian economy is attributed for the 0.6% increase in forecasted growth for 2024 compared to October 2023 estimates. Russia's growth is expected to be 2.6% in 2024 and 1.1% in 2025, with an upward revision of 150 bps over the October 2023 figure for 2024, reflecting carryover from stronger-than-expected growth in 2023 due to high military spending and private consumption, supported by wage growth in a tight labor market.

MENA Region

Growth in the MENA region was lowered by 50 bps to 2.9% for 2024 and revised upward by 30 bps to 4.2% for 2025. The downward revision for 2024 is mainly due to Saudi Arabia which reflects temporarily lower oil production in 2024, including unilateral cuts in accordance with an agreement reached through OPEC+ (the Organization of Petroleum Exporting Countries, which includes Russia and other non-OPEC oil exporters), while non-oil growth is expected to remain resilient. This was also reflected in the forecast for Saudi Arabia which is now expected to grow by 2.7% in 2024, a downward revision of 130 bps, followed by 5.5% in 2025 with an upward revision of 130 bps.





Source : IMF WEO Update - Jan-2024

Global Trade Volumes

Global trade volume growth is expected to come in at 3.3% for 2024, a downward revision of 20 bps due to trade imbalances and geoeconomic fragmentation which are predicted to negatively impact global trade. Trade growth in Emerging Market and Developing economies was upgraded by 20 bps to 4.5% in 2024, whereas, the growth for the Advanced Economies was also lowered by 40 bps to 2.6% for 2024. Next year, Advanced Economies saw a downward revision of 10 bps to 3.2% while growth for the Emerging market and Developing Economies was kept unchanged. The IMF forecasts the fuel and nonfuel commodity prices to decline in 2024 and 2025 in line with interest rates which are expected to decline in major economies. According to IMF, in 2024, the average annual price of oil is predicted to decrease by around 2.3%, while the prices of nonfuel commodities are anticipated to decrease by 0.9%.

Inflation is falling faster than expected from its 2022 peak

According to the IMF, Global inflation is expected to decline from 6.8% in 2023 to 5.8% in 2024 and 4.4% in 2025. The global estimate was unchanged for 2024, compared with October 2023 projections, and revised downward by 0.2% for 2025. In 2024, Advanced Economies are likely to have faster disinflation, with inflation falling by 200 bps to 2.6%, while Emerging market and Developing Economies would only see a 30 bps decline to 8.1%. The forecast is revised down for both 2024 and 2025 for Advanced Economies, while it is revised up for 2024 for Emerging market and Developing nations.

Inflation has been declining owing to tighter monetary policies, softer labor markets, and pass-through effects from reduced energy prices, though the factors vary by country. According to the IMF, 80% of the world's economies are predicted to see decreased annual average headline and core inflation in 2024. By Q4-2024, headline inflation is expected to be 0.6% above target for the median economy, a decrease from 1.7% at the end of 2023. In several major economies, the downward revision to the projected inflation, combined with a modest rise in economic activity, indicates a softer-than-expected landing.

The faster-than-expected drop in inflation has enabled an increasing number of central banks to shift from hiking policy rates to a less restrictive stance. When the underlying inflation and expectations are moving toward target-consistent levels, adjusting rates to more neutral levels and a continued commitment to price stability will be required to avoid prolonged economic weakness . In the emerging economies the monetary tightening cycle led to earlier rate reductions, after adapting to monetary policy based on wage and price pressures. With borrowing prices still high, continuous monitoring of financing circumstances and the ability to deploy financial stability instruments will be critical for averting financial sector stress, according to the IMF.

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Kamco Investment Company - K.S.C. (Public)
Al-Shaheed Tower, Khalid Bin Al-Waleed Street- Sharq
P.O. BOX : 28873, Safat 13149, State of Kuwait
Tel: (+965) 2233 6600   Fax: (+965) 2249 2395
Email : kamcoird@kamcoinvest.com
Website : www.kamcoinvest.com