

Event Update - IMF World Economic Outlook

July-2023

Global GDP forecast is revised upward but economic challenges persist...

In its latest World Economic Outlook report, the IMF highlighted the gradual recovery of the global economy from both the pandemic and Russia/Ukraine conflict. This follows WHO declaration in May-2023 that said COVID-19 is no longer a "global health emergency."

According to the IMF, Economic growth held up well in the Q1-2023, supported by robust labor markets, with the supply chain interruptions being restored to pre-pandemic levels, in addition to the decline in food and energy prices from their war time highs, inflationary pressures around the world have subsided earlier than anticipated.

The IMF upgraded its forecast for world GDP for 2023 by 20 bps and left unchanged for 2024 from its previous forecast. World GDP is now expected to grow by 3.0% in 2023 and 2024. The projected growth rate for 2023-2024 is expected to be much lower than the historical (2000-2019) annual average of 3.8%. Advanced economies continue to drive the fall in GDP, with weaker manufacturing and factors countering stronger services activity.

However, Advanced Economies witnessed an upward revision of 20 bps to an expected growth of 1.5% in 2023 and the growth was left unchanged at 1.4% for 2024. On the other hand, growth estimates for Emerging Market and Developing Economies witnessed a smaller upward revision of 10 bps to 4.0% for 2023 and a downward revision of 10 bps for 2024 to 4.1%. The Eurozone continues to be impacted from last year's steep rise in gas prices caused by the war, which is poised to slow sharply.

Country/Regions	July-2023 Updated Forecasts				Rev. from April-2023	
Real GDP Growth	2021	2022	2023e	2024e	2023e	2024e
World Output	6.3%	3.5%	3.0%	3.0%	0.2%	0.0%
Advanced Economies	5.4%	2.7%	1.5%	1.4%	0.2%	0.0%
United States	5.9%	2.1%	1.8%	1.0%	0.2%	-0.1%
Euro Area	5.3%	3.5%	0.9%	1.5%	0.1%	0.1%
EM and Developing Economies	6.8%	4.0%	4.0%	4.1%	0.1%	-0.1%
China	8.4%	3.0%	5.2%	4.5%	0.0%	0.0%
India	9.1%	7.2%	6.1%	6.3%	0.2%	0.0%
MENA	4.0%	5.4%	2.6%	3.1%	-0.5%	-0.3%
Saudi Arabia	3.9%	8.7%	1.9%	2.8%	-1.2%	-0.3%
Sub-Saharan Africa	4.7%	3.9%	3.5%	4.1%	-0.1%	-0.1%
Trade Volume Growth	2021	2022	2023e	2024e	2023e	2024e
World Trade Volume	10.7%	5.2%	2.0%	3.7%	-0.4%	0.2%
Advanced Economies	9.9%	6.1%	2.3%	3.2%	-0.1%	0.3%
EM and Developing Economies	12.2%	3.7%	1.5%	4.5%	-0.9%	-0.2%
Consumer Prices Change	2021	2022	2023e	2024e	2023e	2024e
Advanced Economies	3.1%	7.3%	4.7%	2.8%	0.0%	0.2%
EM and Developing Economies	5.9%	9.8%	8.3%	6.8%	-0.3%	0.3%

Sources : IMF WEO - July-2023

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Advanced economies to see slow growth this year...

Growth in Advanced economies was raised by 20 bps for 2023 and was left unchanged for 2024 at 1.4%. Growth in the Advanced Economies are expected to decline from 2.7% in 2022 to 1.5% in 2023 and projected to remain at 1.4% in 2024. According to the IMF, 90% of Advanced Economies are expected to witness a drop in growth in 2023. GDP Growth for the **United States** is expected to drop from 2.1% in 2022 to 1.8% in 2023, followed by 1.0% in 2024. The prediction for 2023 has been raised by 20 bps, owing to solid consumption growth in the Q1-2023, reflected by a still-tight labor market supported by real wage gains and a resurgence in auto sales.

Meanwhile, the **Eurozone's** growth rate is expected to dip from 3.5 % in 2022 to 0.9 % in 2023 before gaining slightly to 1.5 % in 2024. Because of stronger services and tourism, growth in **Italy** has been revised up by 40 bps points and in **Spain** by 10 bps. However, due to sluggish manufacturing output and economic recession in the first quarter of 2023, growth in **Germany** has been revised downward by 20 bps to a decline of -0.3 %.

The **United Kingdom's** growth rate is expected to fall from 4.1% in 2022 to 0.4% in 2023, then rise to 1.0% in 2024, which is 70 bps increase for 2023, reflecting stronger-than-expected consumption and investment from the impact of dropping energy prices, as well as a resilient financial sector as the March global banking stress subsides. Similarly, growth in **Japan** is expected to increase from 1.0% in 2022 to 1.4% in 2023 due to pent-up demand and flexible policies and is expected to decline to 1.0% in 2024.

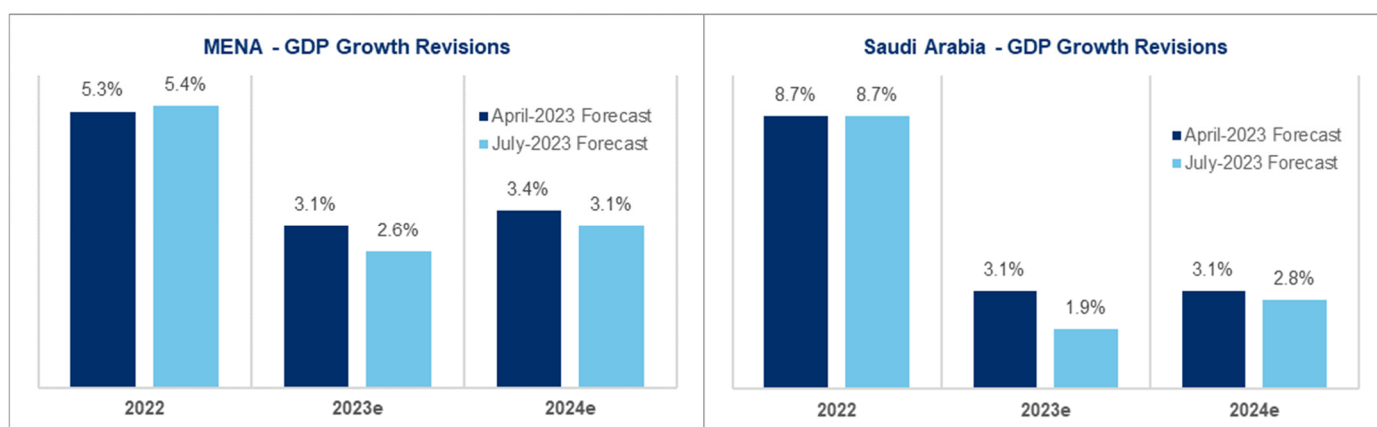
Emerging and Developing economies are expected to witness stable growth

Growth in **Emerging and Developing economies** is expected to be elevated at 4.0% in 2023 and 4.1% in 2024, with adjustments of 10 bps for 2023 and -10 bps for 2024. In 2023, almost 61% of the economies in this group, including low-income nations, are expected to expand faster.

Growth in Emerging and Developing Asia is forecasted to reach 5.3% in 2023 before dropping to 5.0% in 2024, (10 bps) downward revision for 2024. **China's** forecast for 2023 and 2024 stays unchanged at 5.2% and 4.5%, respectively. Net exports have countered some of the investment slowdown, though their contribution is diminishing as the global economy slows. Unresolved real estate issues could delay China's recovery, with adverse cross-border spillovers. **India's** growth rate is estimated to be 6.1% in 2023, an upward revision of 20 bps increase from the April forecast, reflecting momentum from stronger-than-expected growth in the Q4-2022 because of increased domestic investment.

Growth in Emerging and Developing Europe is expected to reach 1.8% in 2023, an upward revision of 60 bps, and further expected to reach 2.2% in 2024. The prediction for **Russia** in 2023 has been raised by 80 bps to 1.5%, following a strong 1H-2023, fueled by a big fiscal stimulus.

Growth in the **Middle East and Central Asia** is projected to fall from 5.4% in 2022 to 2.5% in 2023, down by 40 bps owing to a steeper-than-expected slowdown in **Saudi Arabia**, which saw its growth slashed from 8.7% in 2022 to 1.9% in 2023, a downward revision of 120 bps. The downgrade of Saudi Arabia for 2023 reflects production cuts announced in April and June in accordance with an OPEC+ agreement, meanwhile the "Giga-project" implementation, continues to support strong non-oil GDP growth.



Global Inflation

Global inflation is expected to fall from 8.7% in 2022 to 6.8% in 2023 and 5.2% in 2024. The slowdown is most noticeable in Advanced Economies. The Eurozone, which is still recovering from last year's steep rise in gas prices caused by the war, is poised to slow sharply. The core inflation, which excludes energy and food prices, is predicted to fall gradually from 6% in 2023 to 4.7 % in 2024, down by 40 bps. Similarly, the core inflation in Advanced Economies is predicted to remain constant at 5.1% this year before falling to 3.1% in 2024.

Global Trade

Global trade growth is predicted to be significantly lower than the 4.9% average of (2000–2019), falling from 5.2% in 2022 to 2.0% in 2023 and then increasing to 3.7% in 2024. In addition to the direction of global demand, the fall in 2023 also reflects changes in the composition of the demand toward domestic services, delayed effects of the US dollar's gain (which slows trade because goods are frequently invoiced in US dollars), and rising trade obstacles.

The growth for both Advanced Economies and Emerging market and Developing economies were revised. However, the latter are expected to decline with a downward revision of 90 bps to 1.5% for 2023 followed by a downward revision of 20 bps to 4.5% for 2024 . Advanced economies, on the other hand, are expected to decline to 2.3% in 2023 (10 bps below previous forecast) and 3.2% in 2024 (30 bps above the previous forecast). According to the IMF, global trade growth in 2023 and 2024 is expected to slow by more than previously expected, reflecting the decline in global demand and supply chain problems.

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