

Event Update - IMF World Economic Outlook

July-2024

Global GDP remains steady as growth outside US & Japan see upside surprise...

In its latest update to the World Economic Outlook, the IMF highlighted better-than-expected economic and trade growth during Q1-2024, especially in Europe and China. However, in terms of future growth, the IMF indicated that rates are expected to remain higher for longer given sticky services inflation that is holding up progress on disinflation. And this is expected to complicate monetary policy decision and outlook from global central banks. Escalating trade tensions, especially between the US and China and the sanctions imposed on several other countries further complicates the future growth story. Nevertheless, the IMF forecasted interest rates to decline during the second half of the year but would be characterized by divergence in the pace of normalization reflecting varied inflation circumstances.

The IMF upgraded world real GDP forecast by 10 bps for 2025 to 3.3% vs. its expectations in April-2024 and kept the forecast unchanged for 2024 at 3.2%. The upward forecast for next year reflected upward revisions to growth forecast for EM and Developing Economies, Emerging and Developing Asia and China that was partially offset by downward revisions to forecasts for the Saudi Arabia and the MENA regions. The forecast for Advanced Economies remained unchanged at 1.7% for 2024 and 1.8% for 2025, respectively.

Growth forecast for EM and Developing Economies was forecasted at 4.3% for both 2024 and 2025, a smaller upward revision of 10 bps compared to the April-2024 estimates for both years buoyed by the stronger activity in Asia. The Euro Area witnessed an upward revision of 10 bps to an expected growth of 0.9% in 2024 and the growth was left unchanged at 1.5% for 2025.

Country/Regions	July-2024 Updated Forecasts				Rev. from April-2024	
Real GDP Growth	2022	2023	2024e	2025e	2024e	2025e
World Output	3.5%	3.3%	3.2%	3.3%	0.0%	0.1%
Advanced Economies	2.6%	1.7%	1.7%	1.8%	0.0%	0.0%
United States	1.9%	2.5%	2.6%	1.9%	-0.1%	0.0%
Euro Area	3.4%	0.5%	0.9%	1.5%	0.1%	0.0%
EM and Developing Economies	4.1%	4.4%	4.3%	4.3%	0.1%	0.1%
China	3.0%	5.2%	5.0%	4.5%	0.4%	0.4%
India	7.0%	8.2%	7.0%	6.5%	0.2%	0.0%
MENA	5.4%	1.8%	2.2%	4.0%	-0.5%	-0.2%
Saudi Arabia	7.5%	-0.8%	1.7%	4.7%	-0.9%	-1.3%
Sub-Saharan Africa	4.0%	3.4%	3.7%	4.1%	-0.1%	0.1%
Trade Volume Growth	2022	2023	2024e	2025e	2024e	2025e
World Trade Volume	5.6%	0.8%	3.1%	3.4%	0.1%	0.1%
Advanced Economies	6.2%	0.1%	2.5%	2.8%	0.3%	-0.1%
EM and Developing Economies	4.5%	2.0%	4.2%	4.5%	-0.1%	0.5%
Consumer Prices Change	2022	2023	2024e	2025e	2024e	2025e
Advanced Economies	7.3%	4.6%	2.7%	2.1%	0.1%	0.1%
EM and Developing Economies	9.8%	8.3%	8.2%	6.0%	-0.1%	-0.2%

Sources : IMF WEO - July-2024

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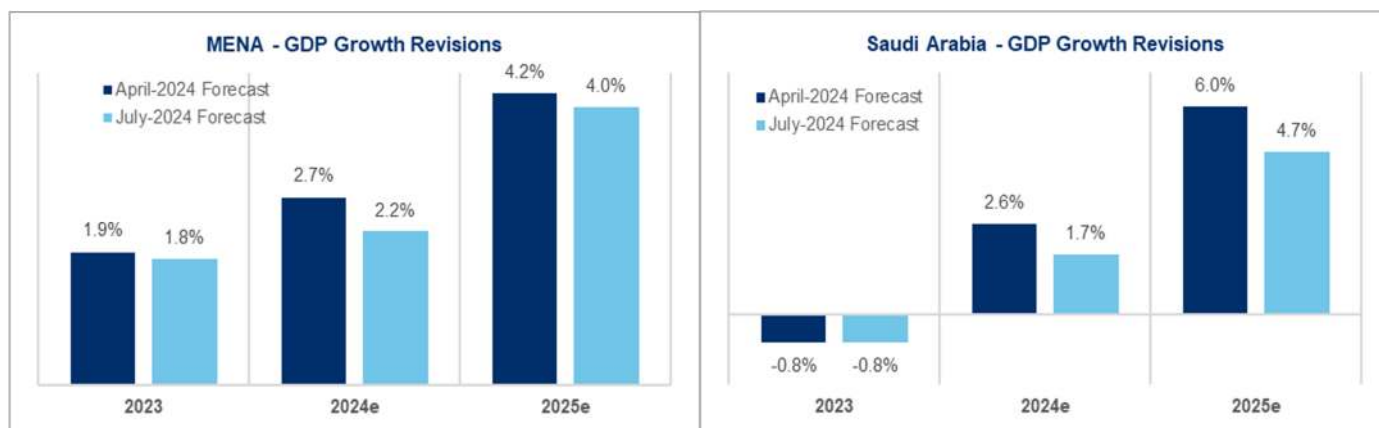
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Advanced Economies and MENA GDP growth

Growth in the Advanced Economies are projected to remain at 1.7% for 2023 and 2024 while it is expected to accelerate to 1.8% in 2025. According to IMF projections, GDP Growth for the United States was revised downward by 10 bps to 2.6% in 2024 reflecting the slower than expected start to the year. Further Growth is expected to slow to 1.9% in 2025 as the labor market recedes and consumption moderates and fiscal policy begins to tighten gradually by the end of 2025. Growth in the United Kingdom is forecasted to gradually rise from 0.1% in 2023 to 0.7% an upward revision of 20 bps in 2024, then pickup to 1.5% in 2025. Growth in Japan and was revised down by 20 bps to 0.7% for 2024 and is kept unchanged at 1.0% for 2025. The downward revision in 2024 is mainly due to temporary shortages in supply and a lack of significant private investment during Q1-2024.

For the Asia region, IMF upgraded China's forecast by 40 bps to 5.0% in 2024 and 4.5% in 2025 after 5.2% growth in 2023 attributed largely to an improvement in private consumption and strong exports in the Q1-2024. In 2025, GDP is projected to decelerate over the medium term to 3.3% by 2029, because of headwinds brought up slowing productivity growth. Meanwhile, India's growth was forecasted at 7.0% for 2024 an upward revision of 20 bps compared to the April-2024 estimates buoyed by the stronger prospects for private consumption, especially in rural areas. However, growth in 2025 is retained at 6.5%

Prospects for the MENA region were affected by the oil production and regional tensions. As a result, growth in the MENA region was slashed by 50 bps for 2024 and by 20 bps for 2025 to reach 2.2% and 4.0%, respectively. Growth estimate for Saudi Arabia's was lowered by 90 bps to 1.7% and 130 bps to 4.7% for 2024 and 2025, respectively primarily due to the continuation of the country's oil output reductions.



Source : IMF WEO - July-2024

Global Inflation is expected to continue its downwards trend

According to the IMF, Advanced economies are expected to experience slower disinflation in 2024 and 2025, where service inflation is expected to be more persistent, leading to rising commodities costs. The IMF said that as labor markets cool and energy prices fall, headline inflation is forecasted to return to target by the end of 2025. Inflation is expected to remain higher in Emerging market and Developing Economies than in Advanced Economies. Inflation in emerging markets and developing economies is expected to reach pre-pandemic levels, partially due to lower energy prices.

Global Trade

The IMF expects the Global trade growth to reach 3.1% in 2024 and 3.4% in 2025, with an upward revision of 10 bps from April 2024 predictions, mainly reflecting the trends in global output growth. According to the IMF, global trade growth in 2024-2025 is expected to return to around 3.25 percent annually, in line with global GDP growth. The rise in the Q1-2024 is anticipated to decrease as manufacturing activity continues to show signs of weakness. Despite the significant increase in cross-border trade restrictions, which has adversely affected trade between geopolitical entities, it is anticipated that the global trade-to-GDP ratio is expected to maintain its stability in the projected period.

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 10 bps to 4.2% for 2024 followed by an upward revision of 50 bps to 4.5% for 2025. Advanced economies, on the other hand, are expected to come in at 2.5% in 2024 (30 bps above previous forecast) and 2.8% in 2025 (10 bps below the previous forecast).

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