

Event Update - IMF Releases World Economic Outlook

October-2022

Global GDP forecast for 2023 trimmed on rising uncertainties...

In its latest World Economic Outlook report, the IMF highlighted higher uncertainty related to global economic prospects vs. its previous forecast. The agency highlighted several key challenges facing the world currently that includes the Russia-Ukraine conflict and the wide ranging repercussions of measures to counter it; rising food and energy prices; higher-than-expected inflation in the major economies, and higher than anticipated slowdown in China due to covid-19 outbreak and lockdowns.

The IMF kept World GDP growth expectations for 2022 unchanged at 3.2% but downgraded 2023 forecast by 20 bps to 2.7%. Except for the global financial crisis and the acute phase of the COVID-19 epidemic, this is assumed to be the worst expected growth for the upcoming year since 2001. The downward revisions were made to growth rates for both Advanced Economies as well as Emerging Market and Developing Economies. Growth expectation for EM and Developing Economies witnessed an upward revision of 10 bps for 2022 to an expected growth of 3.7% but a downward revision of 20 bps was made to the forecast for 2023 with growth expected to reach 3.7% next year. On the other hand, growth estimates for Advanced Economies were lowered by 10 bps to 2.4% for 2022 and 30 bps for 2023 to 1.1%.

The IMF forecasts the rate of global inflation to increase from 4.7% in 2021 to 8.8% in 2022 before falling to 6.5% in 2023 and 4.1% by 2024. With greater variability in Emerging Market and Developing nations, upside inflation shocks have been most common in Advanced Economies. In addition, with higher interest rates, the resulting global tightening in financing conditions could trigger widespread emerging market debt distress. However, the IMF said that although there is a risk of too much monetary tightening, however, the fund believes that higher inflation would be a bigger issue if not addressed by central banks globally.

Country/Regions	Oct-2022 Updated Forecasts			Rev. from July-2022	
Real GDP Growth	2021	2022e	2023e	2022e	2023e
World Output	6.0%	3.2%	2.7%	0.0%	-0.2%
Advanced Economies	5.2%	2.4%	1.1%	-0.1%	-0.3%
United States	5.7%	1.6%	1.0%	-0.7%	0.0%
Euro Area	5.2%	3.1%	0.5%	0.5%	-0.7%
EM and Developing Economies	6.6%	3.7%	3.7%	0.1%	-0.2%
China	8.1%	3.2%	4.4%	-0.1%	-0.2%
India	8.7%	6.8%	6.1%	-0.6%	0.0%
MENA	4.1%	5.0%	3.6%	0.1%	0.2%
Saudi Arabia	3.2%	7.6%	3.7%	0.0%	0.0%
Sub-Saharan Africa	4.7%	3.6%	3.7%	-0.2%	-0.3%
Trade Volume	2021	2022e	2023e	2022e	2023e
World Trade Volume	10.1%	4.3%	2.5%	0.2%	-0.7%
Imports - Advanced Economies	9.5%	6.0%	2.0%	-0.2%	-0.8%
Imports - EM and Developing Economies	11.8%	2.4%	3.0%	1.3%	-0.3%
Exports - Advanced Economies	8.7%	4.2%	2.5%	-0.3%	-1.0%
Exports - EM and Developing Economies	11.8%	3.3%	2.9%	0.1%	-0.4%
Consumer Prices	2021	2022e	2023e	2022e	2023e
Advanced Economies	3.1%	7.2%	4.4%	0.6%	1.1%
EM and Developing Economies	5.9%	9.9%	8.1%	0.4%	0.8%

Sources : IMF WEO Oct-2022

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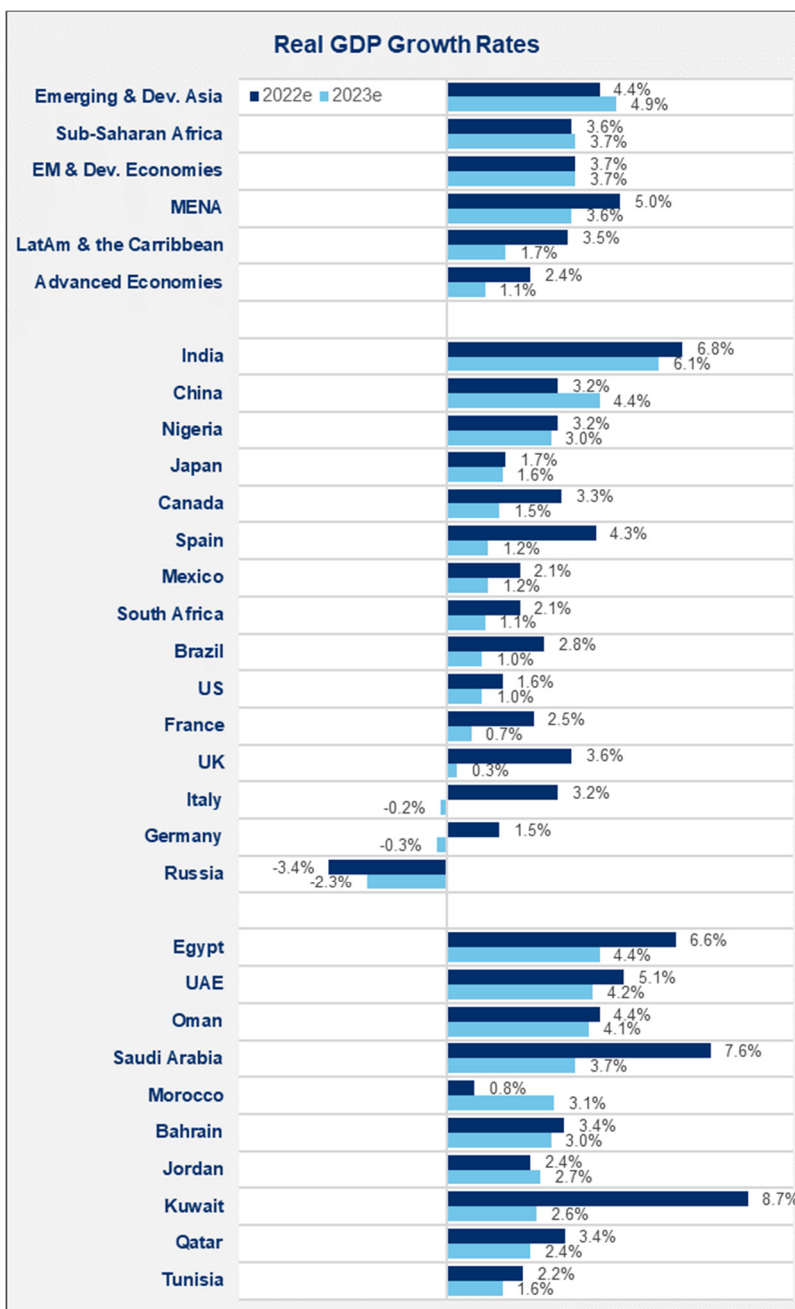
Advanced economies to see slower growth this year...

The downward revision to growth forecast for 2022 mainly reflected a curtailed growth in Advanced Economies that was partially offset by positive revisions in commodity-exporting Emerging Market and Developing Economies. Growth in Advanced economies was slashed by 10 bps and 30 bps for 2022 and 2023. On the other hand, growth for Emerging Market and Developing Economies was raised by 10 bps for 2022 and lowered 20 bps for 2023. GDP growth for the US was slashed by 70 bps, the biggest downward revision in Advanced Economies, to a meager 1.6% in 2022, whereas 2023 growth was kept unchanged at 1.0%. The lowered forecast for the US reflects the unexpected GDP contraction in the second quarter of 2022. In contrast, Euro Area is expected to grow at a faster pace of 3.1% in 2022 vs. previous forecast of 2.6%.

Growth expectations for Germany was raised by 30 bps to 1.5% in 2022 and lowered by 110 bps to -0.3% for 2023 due to impact of the gas supply cuts that affected manufacturing activity. Growth in Japan is expected to be steady at 1.7% in 2022 and trimmed 10 bps to 1.6% in 2023 mainly due to external forces such as a negative shift in the terms of trade as a result of increased energy import prices and decreased consumption.

Low income developing countries witnessed a downward revision of 20 bps and 30 bps for 2022 and 2023 mainly due to the steep increase in the value of the US Dollar that has worsened the cost-of-living crisis and internal price pressures. Capital flows have not recovered, and many low-income and developing nations continue to experience debt difficulties.

Meanwhile, China's GDP growth was revised downward by 10 bps to 3.2% for 2022 and by 20 bps to 4.4 for 2023 primarily due to frequent COVID-19 lockdowns under its zero COVID policy especially starting from Q2-2022. Lower growth in China, the Euro Area, Russia, and the US together account for around half of the projected decline in 2022, with this composition remaining relatively stable across the forecast horizon. India's growth was revised down by 60 bps for 2022 to 6.8% and kept at 6.1% for 2023 reflecting a weaker-than-anticipated second-quarter economic growth and more muted external demand.

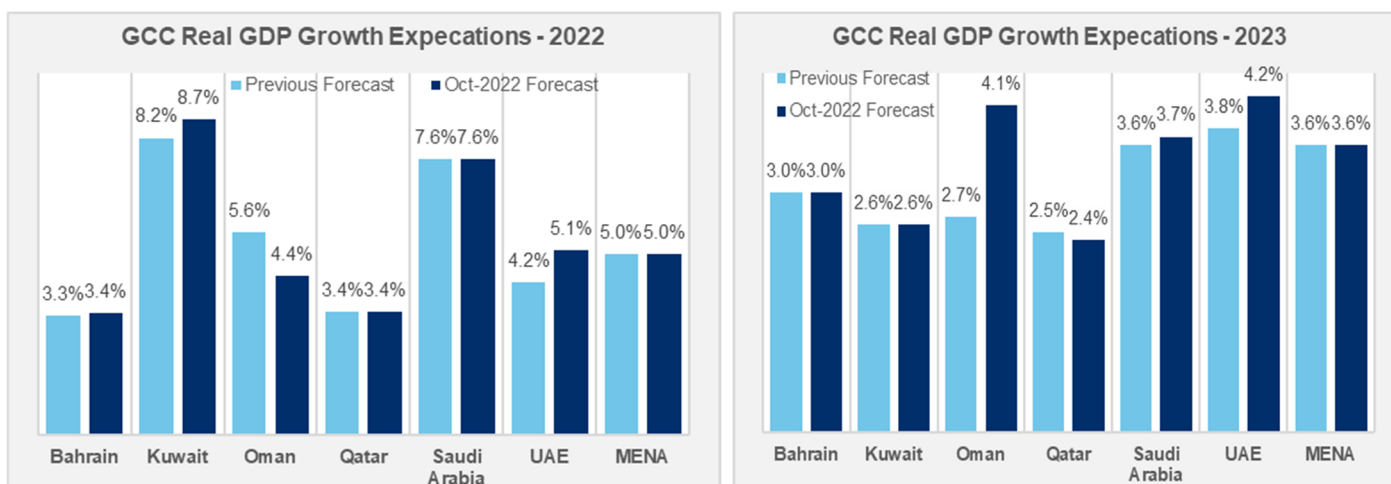


Sources : IMF WEO Oct-2022

Growth in the Middle East region supported by favorable outlook

Real GDP growth for the MENA region was revised upwards by 10 bps to 5.0% for 2022 and by 20 bps to 3.6% for 2023. The expected growth in the region for 2022 is primarily due to the positive outlook on oil exporters in the region partially offset by a mild impact from the Russia-Ukraine conflict. Growth prospects for oil exporters in the Middle East & Central Asia region was revised upward by 30 bps for 2022 to 4.9%. For the oil importers, growth was raised by 120 bps to a growth of 5.1% in 2022.

Real GDP forecast revisions for the GCC countries were mixed for 2022 and was largely positive. Kuwait is expected to clock the fastest real GDP growth rate in the GCC this year at 8.7%, revised up by 50 bps, mainly due to a low base after the country witnessed the biggest decline during the pandemic year (2020) and the smallest recovery in 2021 at 1.3%. Growth rates for UAE and Bahrain for 2022 also underwent upward revisions of 90 bps and 10 bps to 5.1% and 3.4%, respectively,



Source : IMF WEO Oct-2022

whereas Oman's GDP growth underwent a steep downward revision of 120 bps to 4.4%. There were no revisions to growth forecasts of Saudi Arabia and Qatar with GDP expected to grow at 7.6% and 3.4% for 2022, respectively. The IMF said that Saudi Arabia is expected to be the fastest growing major economy in the world this year.

For 2023, real GDP expectations for the overall MENA region was kept unchanged at 3.6% whereas there were some revisions in growth forecasts for some GCC countries. Bahrain and Kuwait are expected to see GDP growth rates of 3.0% and 2.6%, respectively, whereas Qatar is expected to clock the slowest growth in the GCC next year at 2.4%. UAE, on the other hand, is expected to see the fastest GDP growth of 4.2% followed by Oman at 4.1% (after an upward revision of 110 bps) and Saudi Arabia at 3.7%.

Inflation expectations

The IMF acknowledged the challenges that almost all major economies are facing globally due to decades high inflation as well as strong USD and higher prices remain the most immediate threat to current and future prosperity for many countries. However, the agency expects inflation to peak in late 2022 and average at 8.75%, the highest in 26 years since 1996. Prices are expected to remain elevated for longer than previous expected and would show only a marginal decline to 6.5%, the second highest since the global financial crisis of 2008. In terms of regional split, inflation is expected to remain elevated globally. Advanced economies are expected to see inflation rates of 7.2% this year whereas Emerging Markets & Developing economies are expected to see higher inflation rate of 9.9%. Inflation in the MENA region is expected to average at 14.2% this year and next year, although prices in the GCC countries are expected to remain below 5% this year led by proactive government policies and controlled prices of key commodities.

Global trade slowdown

World trade volume is expected to slow from 10.1% in 2021 to 4.3% in 2022. Although this growth is greater than in 2019 and during the COVID-19 crisis in 2020, when rising trade barriers restricted international trade, it is still significantly below the historical norm (4.6 % for 2000–21 and 5.4% for 1970–2021). The pace of growth is expected to decelerate to 2.5% in 2023. The downward revision of 70 bps is steeper than what was projected for 2023 in the July WEO Report, mainly reflecting the decline in global output growth. Imports were revised downward by 20 bps for Advanced Economies to 6.0% for 2022 and to 2.0% for 2023, down by 80 bps. For the Emerging Market and Developing Economies, imports are expected to increase by 130 bps to 2.4% for 2022 and to 3.0% for 2023.

On the other hand, exports from Advanced Economies are expected to clock a growth of 4.2% (-30 bps) in 2022 followed by a growth of 2.5% (-100 bps) for 2023. However, exports are expected to grow at a faster pace for Emerging Market and Developing Economies with an upward revision of 10 bps for 2022 to a growth rate of 3.3% followed by a downward revision of 40 bps for 2023 to a growth rate of 2.9%.

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