

Event Update - IMF Releases World Economic Outlook

October-2024

Soft landing eyed as global growth remains resilient...

In its latest World Economic Outlook report, the IMF forecasted the Global real GDP at 3.2% in 2024, and the same levels are expected to continue in 2025. The forecast for 2024 is kept unchanged vs. its expectations in July-2024 and revised downward by 10 bps to 3.2% for 2025. The lowered forecast for next year reflected downward revisions to growth forecast for the Euro Area, Emerging Markets and Developing Economies and Developing Asia that were partially offset by upward revisions to forecasts for the US and the MENA regions.

While growth in the US remained resilient, China's growth witnessed a downgrade mainly highlighting the impact of the slowdown in the country's real estate market as well as lower consumer confidence, although several welcome measures were implemented recently and were announced this week that are expected to support economic growth. Growth projections for the MENA region was lowered for 2024 to 2.1% mainly led by a downward revision to growth forecast for Saudi Arabia by 20 bps to 1.5% as well as for other oil exporters. The decision by the OPEC+ producer to extend the production cuts resulted in the lowered estimates. Projections for the next year, however, was raised to 4.0% for the MENA region while Saudi Arabia is expected to see a growth of 4.6% (downward revision of 10 bps) reflecting unwinding of some of the announced production cuts. The forecast for Brent crude oil was also raised by the IMF to USD 81.29/b for 2024 and to USD 72.84/b for 2025 reflecting the recent trend in prices.

The IMF highlighted that the global economy has remained unusually resilient throughout the disinflationary process over the last three years and this has helped avoid a global recession. Nevertheless, the agency sees rising downside risks to the growth forecasts that include regional geopolitical conflicts, extended monetary policy tightness, higher financial market volatility and its impact on the debt market, a steep slowdown in China as well as protectionist policies as seen from the recent developments. The IMF said that although the global economy has shown a degree of resilience, this overall strength conceals disparities in performance across different regions and persistent vulnerabilities.

Country/Regions	Oct-2024 Updated Forecasts			Rev. from July-2024	
Real GDP Growth	2023	2024e	2025e	2024e	2025e
World Output	3.3%	3.2%	3.2%	0.0%	-0.1%
Advanced Economies	1.7%	1.8%	1.8%	0.1%	0.0%
United States	2.9%	2.8%	2.2%	0.2%	0.3%
Euro Area	0.4%	0.8%	1.2%	-0.1%	-0.3%
EM and Developing Economies	4.4%	4.2%	4.2%	0.0%	-0.1%
China	5.2%	4.8%	4.5%	-0.2%	0.0%
India	8.2%	7.0%	6.5%	0.0%	0.0%
MENA	1.9%	2.1%	4.0%	-0.1%	0.1%
Saudi Arabia	-0.8%	1.5%	4.6%	-0.2%	-0.1%
Sub-Saharan Africa	3.6%	3.6%	4.2%	-0.1%	0.1%
Trade Volume	2023	2024e	2025e	2024e	2025e
World Trade Volume	0.8%	3.1%	3.4%	0.0%	0.0%
Imports - Advanced Economies	-0.7%	2.1%	2.4%	-0.3%	-0.3%
Imports - EM and Developing Economies	3.0%	4.6%	4.9%	0.4%	0.1%
Exports - Advanced Economies	1.0%	2.5%	2.7%	-0.1%	-0.2%
Exports - EM and Developing Economies	0.6%	4.6%	4.6%	0.4%	0.5%
Consumer Prices	2023	2024e	2025e	2024e	2025e
Advanced Economies	4.6%	2.6%	2.0%	-0.1%	-0.1%
EM and Developing Economies	8.1%	7.9%	5.9%	-0.1%	0.0%

Source : IMF WEO Oct-2024

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Advanced economies are projected to see steady growth

Real GDP growth for advanced economies was raised by 10 bps for 2024 to 1.8% and remained unchanged at 1.8% for 2025. Similarly, growth for Emerging Market and Developing Economies was kept unchanged for 2024 at 4.2% and revised downward by 10 bps to 4.2% for 2025. The projected growth rate for United States is revised upward by 20 bps for 2024 to reach 2.8% followed by another upward revision of 30 bps to 2.2% in 2025. The US was the only developed market to see its outlook revised upwards for 2024 and 2025. This revision is attributed to stronger performance in both consumption and nonresidential investments. The durability of consumption can be primarily linked to significant rises in real wages and the effects of increased wealth. Growth is anticipated to slow in 2025 as fiscal policy is gradually tightened and a cooling labor market slows consumption.

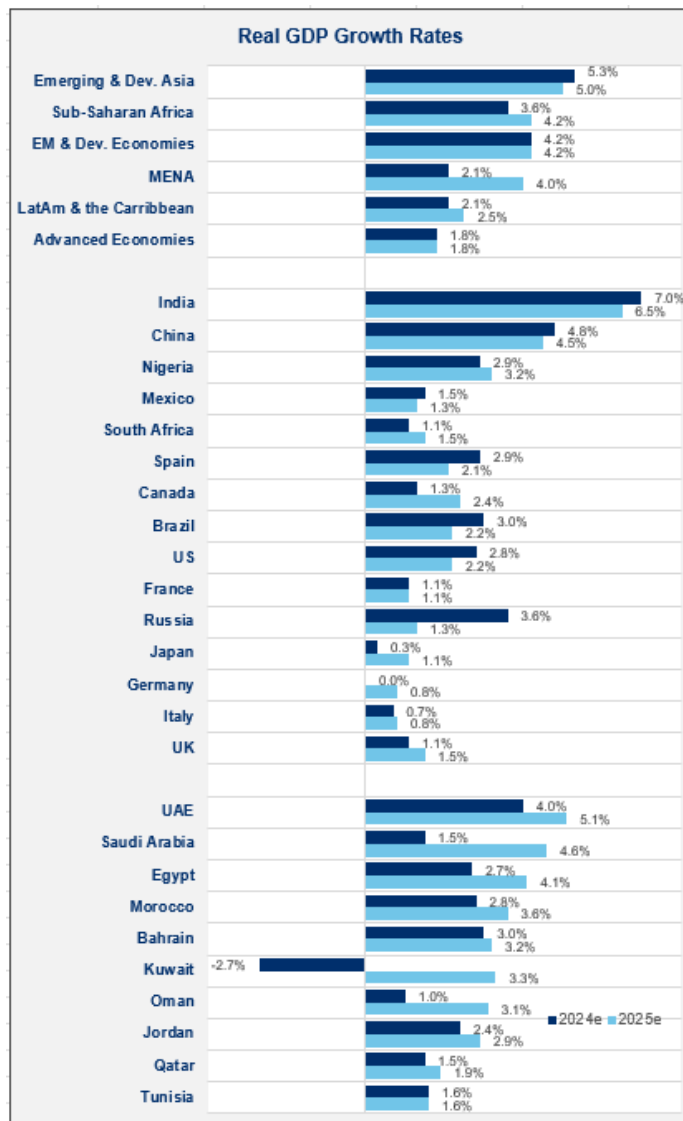
In contrast, growth in the Euro Area was revised down by 10 bps to 0.8% in 2024 and by 30 bps to 1.2% in 2025. Growth expectations for Germany was slashed by 20 bps to zero growth in 2024 followed by another downward revision of 50 bps to 0.8% in 2025. The European Union-funded National Recovery and Resilience Plan is expected to positively impact domestic demand in Italy, whereas, Germany continues to see headwinds related to fiscal consolidation and a steep fall in the prices of real estate as well as a struggling manufacturing sector. Growth in Japan is expected to decline by 40 bps to 0.3% in 2024 and is projected to grow to 10 bps to 1.1% for 2025 due to the slowdown reflecting temporary supply disruptions and fading of one-off factors that boosted activity in 2023, such as the surge in tourism. In contrast, the growth in the UK, is projected to accelerate to 1.1% in 2024 and is expected to increase to 1.5% in 2025 led by falling inflation and interest rates which is expected to stimulate domestic demand.

Meanwhile, China's GDP growth was revised downward by 20 bps to 4.8% for 2024 and remained unchanged at 4.5% for 2025. The anticipated slowdown in China is expected to occur at a more gradual pace mainly due to the weaknesses in real estate sector and consumer confidence remains low. Growth is forecasted to decelerate slightly in 2024 primarily due to stronger-than-expected net exports. On the other hand, the projection for India's GDP growth has remained unchanged at 7.0% for 2024 and 6.5% at 2025 buoyed by the pent-up demand that built up during the pandemic has now been depleted, allowing the economy to realign with its potential.

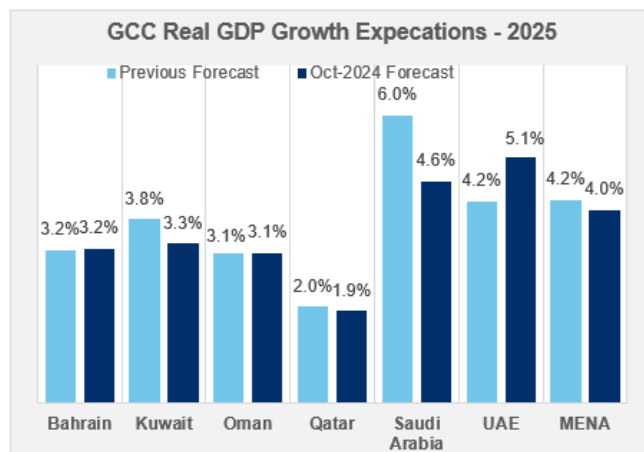
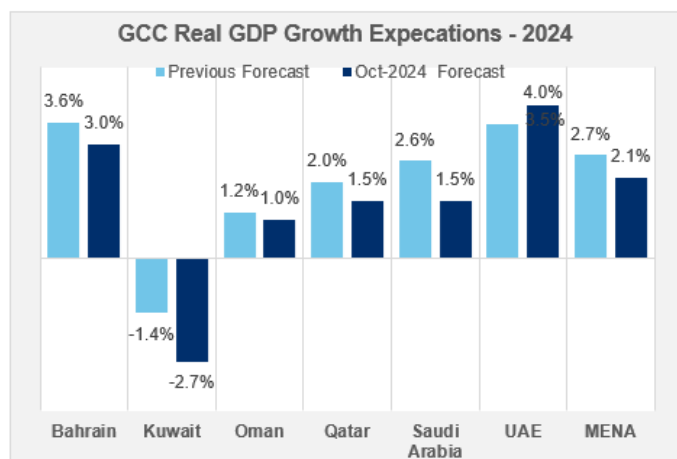
MENA & GCC GDP Growth

Real GDP growth for the MENA region was revised downward by 10 bps to 2.1% for 2024 followed by an upward revision of 10 bps to 4.0% for 2025. GDP growth forecast for Saudi Arabia was revised downward in light of the recently announced extension to oil production cuts. The Kingdom is now expected to see a GDP growth of 1.5% in 2024 (a downward revision of 20 bps) and by 4.6% in 2025 (downward revision of 10 bps). It is assumed that the repercussions of temporary disruptions in oil production and shipping routes on the region will diminish over time.

Real GDP forecast revisions for most of the GCC countries witnessed a downward revision for 2024. Kuwait's GDP growth estimates was slashed by 130 bps and the economy is expected to see a decline of 2.7% in 2024 while growth rates for Qatar and Bahrain also underwent downward revisions of 50 bps and 60 bps to a growth of 1.5% and 3.0%, respectively. Oman is also expected to decline by 20 bps to 1.0% for 2024. On the other hand, GDP growth for the UAE witnessed upward revisions of 50 bps and 90 bps to 4.0% for 2024 and 5.1% for 2025, respectively. For 2025, real GDP expectations for the overall MENA region was revised downward by 20 bps to 4.0% reflecting revised forecasts for certain GCC countries.



Sources : IMF WEO Oct-2024



Source : IMF WEO Oct-2024

Inflation is expected to decline gradually

Starting in late 2020, inflation increased unexpectedly and simultaneously across the globe, reaching levels not seen since the 1970's. In 2022, the annual inflation rate peaked at approximately 8% in the median Advanced Economy and Emerging market, and even higher in the median low-income country, before gradually declining over the course of 2023.

Global headline inflation is projected to decrease from an average of 6.7% in 2023 to 5.8% in 2024 and 4.3% in 2025. The rate of disinflation is expected to be more pronounced in Advanced Economies, with a drop of 2% from 2023 to 2024, ultimately stabilizing at approximately 2% in 2025. Conversely, inflation in Emerging market and Developing economies is expected to decline from 8.1% in 2023 to 7.9% in 2024, followed by a more rapid decrease to 5.9% in 2025.

The COVID-19 pandemic initially triggered extensive economic shutdowns, causing many businesses to curtail their production efforts. As recovery commenced, even with pandemic restrictions still in place, there was a significant surge in consumer demand for goods. However, producers faced challenges in quickly scaling up supply amid ongoing disruptions in the supply chain, resulting in increased price pressures within the goods sector. The remarkable fiscal and monetary support provided by Advanced Economies and a few emerging markets was instrumental in managing the economic consequences of the pandemic, which initially led to an increase in savings.

Inflation rates in Emerging Asia are anticipated to align with those of Advanced Economies, with projections of 2.1% in 2024 and 2.7% in 2025. This stability is attributed, in part, to the implementation of early monetary tightening measures and price controls across various nations in the region. In comparison, inflation projections for Emerging and Developing regions in Europe, the Middle East and North Africa, as well as Sub-Saharan Africa, continue to be in the double digits due to significant outliers resulting from the effects of previous currency depreciation and administrative price adjustments, particularly in Egypt, alongside challenges in agricultural performance. The anticipated fall in global inflation in 2024 and 2025 reflects a widespread decrease in core inflation, differing from the situation in 2023, where the reduction in headline inflation was mainly a result of lower fuel prices.

Global trade trends

Although geopolitical tensions continue to persist, the proportion of global trade volume in relation to world GDP has not declined. However, there are emerging signs of geoeconomic fragmentation, with an increasing amount of trade occurring within specific geopolitical blocs.

World trade volume growth is expected to grow from 0.8% in 2023 to 3.1% in 2024 before rising to a growth of 3.4% in 2025. Global trade is anticipated to maintain its growth trajectory in line with GDP, achieving an average annual growth rate of 3.25% percent in 2024 and 2025, after experiencing a phase of near stagnation in 2023. Although there has been a rise in cross-border restrictions impacting trade between geopolitically distant regions, the global trade-to-GDP ratio is projected to remain stable. Imports were revised downward by 30 bps for Advanced Economies to 2.1% for 2024 and to 2.4% for 2025. For the Emerging Market and Developing Economies, imports growth was revised upward by 40 bps and 10 bps to 4.6% for 2024 and to 4.9% for 2025. On the other hand, exports from Advanced Economies are expected to shrink by 2.5% (-10 bps) in 2024 and 2.7% (-20 bps) in 2025. For Emerging Market and Developing Economies, exports are expected to grow by 4.6% in 2024(+40 bps) and 2025(50%), respectively.

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