

IMF World Economic Outlook (WEO), October 2023

**Global Economy is projected to grow by (+) 3% in 2023.
India to grow at a rate of 6.3% both in 2023 and 2024.**

Projected Global Economy Growth: (+) 3% in 2023 and 2.9% in 2024

- According to the flagship report of IMF - 'World Economic Outlook: Navigating Global Divergences' released in October 2023, the global economy is projected to grow by (+) 3% in 2023. (Refer Table). The global recovery on account of two major event, namely, COVID-19 pandemic and Russia-Ukraine geopolitical war, has been slow. The global economic growth is forecasted downwards mainly due to the long-term consequences of the pandemic, the geopolitical conflict between Russia and Ukraine, and increasing geoeconomic fragmentation. Other factors are cyclical in nature like, the effects of monetary policy tightening undertaken to reduce inflation, withdrawal of fiscal support amid high debt, and extreme weather events.
- For the advanced economies, the report projects a slowdown from 2.6% in 2022 to 1.8% in 2023 and 2.2% in 2024, amid stronger-than-expected US momentum but weaker-than-expected growth in the euro area. Global growth forecast of 3.1% over the medium term is the lowest in decades and the possibility of countries to attain higher standards of living is weak.

Projected Growth in Advanced Economies is (+) 1.5% and EMDEs (+) 4% in 2023.

- **Advanced Economies** are projected to expand by (+) 1.5 % in 2023 which includes the USA (+ 2.1 %), Japan (+ 2.0%), the United Kingdom (+ 0.5 %), Germany (- 0.5 %), France (+1 %), Italy (+0.7), and Spain (+2.5 %).
- The group of **emerging markets and developing economies (EMDEs)** is projected to expand by +4 % in 2023.

Projected Growth in Global Trade is (+) 0.9 % in 2023 and (+) 3.5 % in 2024.

- Global trade is expected to grow marginally by 0.9 % in 2023 and 3.5 % in 2024 and mainly reflects the path of global demand. Other key factors are shifts in composition towards domestic services, lagged effects of dollar appreciation which slows trade owing to the widespread invoicing of products in dollars, and rising trade barriers. In 2022, countries imposed almost 3,000 new restrictions on trade, up from fewer than 1,000 in 2019.

Indian economy is expected to record a growth of 6.3 % in 2023 as against 6.1 % predicted in WEO, July 2023.

- The IMF has revised its GDP growth projection for India for the financial year 2023-24 to 6.3%, a 20-basis point increase from July 2023. Also, in 2024-25, GDP growth is forecasted at 6.3%. India's consumer inflation for the fiscal year is estimated at 5.5%.
- This revision is due to stronger-than-expected consumption during the April-June period.
- The IMF's 2023-24 growth forecast for India is now the same as what the World Bank had projected in its India Development Update on October 3.
- Some factors affecting growth could be resurging inflation, geopolitical tensions and trade and fiscal deficit.

Trends in major economies in comparison to IMF, WEO, July 2022 forecasts

- **USA** - USA is expected to see a growth rate of 2.1% in 2023 and 1.5% in 2024, with these figures revised upward by 0.3% and 0.5% respectively compared with July 2023 WEO Update projections. This upward revision is attributed to strong business investment and robust consumption growth, driven by a tight labor market and expansionary government fiscal policy, but growth is anticipated to slow in the latter half of 2023 and in 2024 due to factors such as slowing wage growth, reduced pandemic-related savings, and tight monetary policy by the Federal Reserve.
- **UK** – Growth in UK is expected to decline from 4.1% in 2022 to 0.5% in 2023, with a 0.1% upward revision in 2024 owing to tightening of monetary policies to address persistent inflation and the ongoing effects of the terms-of-trade shock resulting from elevated energy prices.
- **India** – India's growth is expected to stay robust, at 6.3% in both 2023 and 2024, with a 0.2% upward revision for 2023 due to stronger-than-anticipated consumption in the April-June period.
- **China** – China is projecting a growth at 5.0% in 2023 and 4.2% in 2024. The revision is a result of a reduced forecast for China, with a 0.2% downward adjustment for 2023 and a 0.3% decrease for 2024, owing to the property market crisis in China, which has led to decreased investment.
- **Europe** - Emerging and developing Europe is expected to experience growth of 2.4% in 2023, before declining to 2.2% in 2024. In the case of Russia, the forecast anticipates growth to increase from -2.1% in 2022 to 2.2% in 2023. This growth is attributed to significant fiscal stimulus, robust investment, and resilient consumption, all within the context of a tight labor market.
- **Latin America and Caribbean** – The decline in Latin America and the Caribbean's growth in 2023 is due to the normalization of growth, tighter policies, a weaker external environment, and lower commodity prices. The upward revision for 2023 in Brazil is attributed to stronger-than-expected growth, driven by robust agriculture and services, along with fiscal stimulus. Similarly, in Mexico due to post-pandemic recovery and spillovers from US demand, economic growth is projected at 3.2%.

Major observations of the report

The key observations of the report are as follows: -

- Risks to the global outlook are now more balanced due to the resolution of US debt ceiling tensions and decisive actions by Swiss and US authorities to contain financial instability.
- The likelihood of a severe economic downturn has decreased, but overall risks to global growth still lean toward the downside.
- China's property sector crisis could worsen, with potential global repercussions, especially for commodity-exporting countries.
- The global recovery from COVID-19 and Russia's invasion of Ukraine is slow and uneven, with economic activity below pre-pandemic levels, particularly in emerging markets.
- Several factors hinder progress, including the risk of a deepening real estate crisis in China, heightened commodity price volatility linked to geopolitical tensions and climate change, and persistently high inflation.
- Many countries have eroded fiscal buffers, with high debt levels, rising funding costs, slower growth, and fiscal resources unable to meet growing demands, making them more vulnerable to crises.
- Despite monetary policy tightening, financial conditions have eased in numerous countries, raising the potential for abrupt risk repricing, particularly impacting emerging markets, appreciating the US dollar, causing capital outflows, and increasing borrowing costs and debt distress.

Table
Overview of the World Economic Outlook Projections
(% change)

Particulars	2022	Projections	
		2023f	2024f
World Output	3.5	3.0	2.9
Advanced Economies	2.6	1.5	1.4
USA	2.1	2.1	1.5
Euro Area	3.3	0.7	1.2
Germany	1.8	-0.5	0.9
France	2.5	1.0	1.3
Italy ²	3.7	0.7	0.7
Spain	5.8	2.5	1.7
Japan	1.0	2.0	1.0
UK ²	4.1	0.5	0.6
Canada	3.4	1.3	1.6
Other Advanced Economies ³	2.6	1.8	2.2
Emerging Market and Developing Economies	4.1	4.0	4.0
Emerging and Developing Asia	4.5	5.2	4.8
China	3.0	5.0	4.2
India ⁴	7.2	6.3	6.3
ASEAN-5 ⁵	5.5	4.2	4.5
Emerging and Developing Europe	0.8	2.4	2.2
Russia	-2.1	2.2	1.1
Latin America and the Caribbean	4.1	2.3	2.3
Brazil	2.9	3.1	1.5
Mexico	3.9	3.2	2.1
Middle East and Central Asia	5.6	2.0	3.4
Saudi Arabia	8.7	0.8	4.0
Sub-Saharan Africa	4.0	3.3	4.0
Nigeria	3.3	2.9	3.1
South Africa	1.9	0.9	1.8
World Trade Volume# (Goods & Services)	5.1	0.9	3.5

Source: IMF staff estimates. Note: Real effective exchange rates are assumed to remain constant at the levels prevailing during July 25, 2023–August 22, 2023. Economies are listed on the basis of economic size. The aggregated quarterly data are seasonally adjusted. WEO = World Economic Outlook. 1Difference based on rounded figures for the current, July 2023 WEO Update, and April 2023 WEO forecasts. 2See the country-specific notes for Italy and the United Kingdom in the “Country Notes” section of the Statistical Appendix.

3Excludes the Group of Seven (Canada, France, Germany, Italy, Japan, United Kingdom, United States) and euro area countries.

4For India, data and forecasts are presented on a fiscal year basis, and GDP from 2011 onward is based on GDP at market prices with fiscal year 2011/12 as a base year.

5Indonesia, Malaysia, the Philippines, Singapore, and Thailand.

f = forecast

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