

IMF World Economic Outlook (WEO), April 2022

**Global Economy is projected to grow by (+) 3.6 % in 2022.
India to grow at a rate of 8.2 % in 2022 and 6.9 % in 2023.**

Projected Global Economy Growth: (+) 3.6 % in 2022 and 2023

- According to the flagship report of IMF - 'World Economic Outlook' released on 20th April 2022, the global economy is projected to grow by (+) 3.6 % in 2022. (Table) The downgrade largely reflects the war's direct impacts on Russia and Ukraine and global spill overs. Both Russia and Ukraine are projected to experience large GDP contractions in 2022. The war has unfolded at a time while the global economy was on a mending path but had not fully recovered yet from the Covid-19 pandemic, with significant divergences between the economic recoveries of advanced economies and emerging market and developing ones .
- In addition to the war, frequent and wider-ranging lockdowns in China—including in key manufacturing hubs—have also slowed activity there and could cause new bottlenecks in global supply chains. Higher, broader, and more persistent price pressures also led to a tightening of monetary policy in many countries
- Overall risks to economic prospects have risen sharply and policy trade-offs have become ever more challenging. Beyond the immediate humanitarian impacts, the war will severely set back the global recovery, slowing growth and increasing inflation even further.

Projected Growth in Advanced Economies is (+) 3.3 % and EMDEs (+) 3.8 % in 2022.

- **Advanced Economies** are projected to expand by (+) 3.3 % in 2022 which includes the USA (+ 3.7 %), Japan (+ 2.4 %), the United Kingdom (+ 3.7 %), Germany (+2.1 %), France (+2.9 %), Italy (+2.3 %), and Spain (+4.8 %).
- The group of **emerging markets and developing economies (EMDEs)** is projected to expand by +3.8 % in 2022.
- **Indian economy is expected to record a growth of 8.2 % in 2022 as against 9 % predicted in WEO, January 2022 .**

Projected Growth in Global Trade is (+) 5 % in 2022 and (+) 4.4 % in 2023.

- Global trade growth is expected to decline notably in 2022 on account of significant slowdown in overall activity and is expected to grow by 5 % in 2022 and 4.4 % in 2023 . The global goods demand is expected to moderate because of the war as extraordinary policy support is withdrawn and as demand rebalances back toward services. Cross-border services trade—especially tourism—is however expected to remain subdued because of the war and lingering effects of the pandemic.

Trends in major economies in comparison to October, WEO, January 2022 forecasts

USA – The economic links between Russia and the United States and Canada are limited. Other factors also have a significant impact on the outlook for the two economies. The forecast for the United States was already downgraded in January, largely reflecting non-passage of the Build Back Better fiscal policy package and continued supply chain disruptions. The additional forecast markdown for 2022 in the current round reflects faster withdrawal of monetary support than in the previous projection—as policy tightens to rein in inflation—and the impact of lower growth in trading partners because of disruptions resulting from the war.

Canada - The forecast for Canada is marked down reflecting the withdrawal of policy support and weaker external demand from the United States, which outweigh the lift from favourable terms of trade effects

Advanced Europe – The main channel through which the war in Ukraine and sanctions on Russia affect the euro area economy is rising global energy prices and energy security as they are net energy importers, higher global prices represent a negative terms-of-trade shock for most European countries, translating to lower output and higher inflation. Supply chain disruptions have also hurt some industries—including the automobile sector—with the war and sanctions further hindering production of key inputs. Euro area GDP growth in 2022 is revised down, with the biggest downgrades in economies such as Germany and Italy with relatively large manufacturing sectors and greater dependence on energy imports from Russia. Across the euro area, the hit to activity is partially offset by increased fiscal support. In the United Kingdom, GDP growth for 2022 is revised down as consumption is projected to be weaker than expected as inflation erodes

India – The downward revision in India’s growth forecasts reflects in part weaker domestic demand as higher oil prices are expected to weigh on private consumption and investment and a drag from lower net exports.

China – The combination of more transmissible variants and the strict zero-COVID strategy in China has led to repeated mobility restrictions and localized lockdowns that, together with an anaemic recovery in urban employment, have weighed on private consumption. Recent lockdowns in key manufacturing and trading hubs such as Shenzhen and Shanghai will likely compound supply disruptions elsewhere in the region and beyond. Real estate investment growth has slowed significantly. External demand is also expected to be weaker in light of the war in Ukraine.

Latin America & Caribbean – The region is also expected to be more affected by inflation and policy tightening with fewer direct connections to Europe. Brazil has responded to higher inflation by increasing interest rates over the past year, which will weigh on domestic demand. To a lesser extent, this is also the case in Mexico. The downgrades to the forecasts for the United States and China also weigh on the outlook for trading partners in the region

Saudi Arabia - The 2022 forecast for Saudi Arabia is revised up, reflecting higher oil production in line with the OPEC+ (Organization of the Petroleum Exporting Countries, plus Russia and other non-OPEC oil exporters) agreement, reinforced by stronger-than-anticipated growth in the non-oil sector.

Middle East and North Africa, Caucasus and Central Asia – Countries in the regions are highly exposed to global food prices, particularly the price of wheat, which is expected to remain high throughout the year and into 2023. In the Middle East and North Africa, spill overs from tighter global financial conditions, reduced tourism, and secondary demand spill overs (for example, from Europe) will also hold back growth, especially for oil importers. For oil exporters, higher fossil fuel prices may provide some offsetting gains.

Countries in the Caucasus and Central Asia (CCA) region have close trade, remittance, and financial linkages to Russia and high exposure to commodity prices, so they will see GDP growth significantly downgraded, with CCA oil importers facing a disproportionate impact. Unresolved social tensions (for example, in Kazakhstan and Sudan) could also act as a drag on investment and growth.

Emerging and Developing Europe – The region which includes Russia and Ukraine, will see GDP contraction in 2022. The main drivers of the contraction are the impact of higher energy prices on domestic demand and the disruption of trade, especially for Baltic states, whose external demand will decline along with the contraction in Russia's economy. The influx of refugees is expected to place significant immediate pressure on social services, but eventually the increase in the labor force could help medium-term growth and tax revenues.

Major observations of the report

The key observations of the report are as follows:-

- The war in Ukraine has exacerbated two difficult policy trade-offs: between tackling inflation and safeguarding the recovery; and between supporting the vulnerable and rebuilding fiscal buffers
- Multilateral efforts to respond to the humanitarian crisis, prevent further economic fragmentation, maintain global liquidity, manage debt distress, tackle climate change, and end the pandemic remain essential.
- The invasion and resulting sanctions on Russia will have important consequences for the global economy. The effects of conflict and sanctions will hit Ukraine, Russia, and Belarus directly. But international spillovers via global commodity prices, trade and financial linkages, labor supply, and humanitarian impacts will spread the effects more widely—notably in Europe.
- Monetary tightening and financial market volatility—Even before the war, inflation had risen significantly, and many central banks tightened monetary policy. This contributed to a rapid increase in nominal interest rates across advanced economy sovereign borrowers. In the months ahead, policy rates are generally expected to rise further, and record-high central bank balance sheets will begin to unwind, most notably in advanced economies
- Policy space in many countries has been eroded by necessary higher COVID-related spending and lower tax revenue in 2020–21. Faced with rising borrowing costs, governments are increasingly challenged by the imperative to rebuild buffers. Fiscal support is set to generally decline in 2022 and 2023 particularly in advanced economies as emergency measures to cushion the impact of the pandemic are wound down
- Slowing growth in China's economy has wider ramifications for Asia and for commodity exporters. The combination of more transmissible variants and a zero-COVID strategy entail the prospect of more frequent lockdowns, with attendant effects on private consumption in China
- Worker shortages and mobility restrictions compounded supply disruptions and bottlenecks early in 2022, constraining activity and adding to inflation. Restrictions have begun to ease as the peak of the Omicron wave passes and global weekly COVID deaths decline

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

Particulars	2020	2021	Projections	
			2022f	2023f
World Output	-3.1	6.1	3.6	3.6
Advanced Economies	-4.5	5.2	3.3	2.4
USA	-3.4	5.7	3.7	2.3
Euro Area	-6.4	5.3	2.8	2.3
Germany	-4.6	2.8	2.1	2.7
France	-8	7	2.9	1.4
Italy	-9	6.6	2.3	1.7
Spain	-10.8	5.1	4.8	3.3
Japan	-4.5	1.6	2.4	2.3
UK	-9.3	7.4	3.7	1.2
Canada	-5.2	4.6	3.9	2.8
Other Advanced Economies*	-1.8	5	3.1	3
Emerging Market and Developing Economies	-2	6.8	3.8	4.4
Emerging and Developing Asia	-0.8	7.3	5.4	5.6
China	2.2	8.1	4.4	5.1
India**	-6.6	8.9	8.2	6.9
ASEAN-5***	-3.4	3.4	5.3	5.9
Emerging and Developing Europe	-1.8	6.7	-2.9	1.3
Russia	-2.7	4.7	-8.5	-2.3
Latin America and the Caribbean	-7	6.8	2.5	2.5
Brazil	-3.9	4.6	0.8	1.4
Mexico	-8.2	4.8	2	2.5
Middle East and Central Asia	-2.9	5.7	4.6	3.7
Saudi Arabia	-4.1	3.2	7.6	3.6
Sub-Saharan Africa	-1.7	4.5	3.8	4
Nigeria	-1.8	3.6	3.4	3.1
South Africa	-6.4	4.9	1.9	1.4
World Trade Volume# (Goods & Services)	-7.9	10.1	5	4.4

Source: IMF staff estimates. Note: Real effective exchange rates are assumed to remain constant at the levels prevailing during February 7, 2022–March 7, 2022. Economies are listed on the basis of economic size. The aggregated quarterly data are seasonally adjusted. WEO = World Economic Outlook. * Excludes the Group of Seven (Canada, France, Germany, Italy, Japan, United Kingdom, United States) and euro area countries. **For 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 **** Indonesia, Malaysia, Philippines, Thailand, Vietnam

f = forecast

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