

## IMF World Economic Outlook (WEO), January 2022

**Global Economy is projected to expand by (+) 4.4 % in 2022.  
India to grow at a rate of 9 % in 2022 and 7.1 % in 2023.**

### **Projected Global Economy Growth: (+) 4.4 % in 2022 and (+) 3.8 % in 2023**

- According to the flagship report of IMF - '**World Economic Outlook**' released on 25<sup>th</sup> January 2022, the global economy is projected to expand by (+) 4.4 % in 2022. **(Table)**. Anticipated changes in mobility restrictions, border closures, and health impacts from spread of the Omicron variant are the key factors for weak economic growth in 2022.
- The forecasts vary by country depending on susceptibility of the population, severity of mobility restrictions, the expected impact of infections on labour supply, and importance of contact-intensive sectors. These impediments are expected to weigh on growth in the first quarter of 2022. The negative impact is expected to fade starting in the second quarter, assuming that the global surge in Omicron infections abates and the virus does not mutate into new variants that require further mobility restrictions.
- In 2023 the global economy is projected to grow by 3.8 % on account of mechanical pickup after current drags on growth dissipate in second half of 2022. The forecast is conditional on adverse health outcomes declining to low levels in most countries by end of 2022 assuming vaccination rates improve worldwide and therapies become more effective **(Table)**.

### **Projected Growth in Advanced Economies is (+) 3.9 % and EMDEs (+) 4.8 % in 2022.**

- **Advanced Economies** are projected to expand by (+) 3.9 % in 2022 which includes the USA (+ 4 %), Japan (+ 3.3 %), the United Kingdom (+ 4.7 %), Germany (+3.8 %), France (+3.5 %), Italy (+3.8 %), and Spain (+5.8 %).
- The group of **emerging markets and developing economies (EMDEs)** is projected to expand by +4.8 % in 2022.
- **India is expected to record a growth of 9 % in 2022 as against 8.5 % predicted in WEO, October 2021.**

### **Projected Growth in Global Trade is (+) 6 % in 2022 and (+) 4.9 % in 2023.**

- Global trade volumes are projected to expand by 6 per cent in 2022, before moderating to 4.9 % in 2023. The global trade is expected to moderate in 2022 and 2023 in line with overall pace of expansion assuming that the pandemic eases over 2022, supply chain problems are expected to abate later in the year. The accompanying moderation in global goods demand will also help reduce imbalances. Cross border services trade particularly tourism is expected to remain subdued

## Trends in major economies in comparison to October, WEO,2021 forecasts

**USA** – Revised assumption removing the Build Back Better Fiscal Policy package from the baseline, earlier withdrawal of monetary accommodation, and continued supply chain disruptions have contributed to a downgrade in growth forecasts for the United States in comparison to October, WEO,2021 estimations.

**Canada** - Weaker data outturns toward the end of 2021 and anticipated softer external demand for 2022 (related to the US revision) are the major factors for the downward revision in growth forecasts as against October, WEO,2021

**Euro Area** -Prolonged supply constraints and COVID disruptions produced a less severe decline in growth forecasts for the region. Mobility restrictions imposed toward the end of 2021 are expected to drag on growth in the euro area in early 2022.

**UK** - In the United Kingdom, disruptions related to Omicron and supply constraints (particularly in labor and energy markets) led to downward revision in growth forecast to 4.7 % in 2022

**Germany** – The exposure of the country to supply chain shocks led to a downgrade in growth forecasts

**China** – In China, disruption in the housing sector coupled with lower investment in real estate has led to the start of a broader slowdown. Private consumption is likely to be lower than anticipated on account of a strict zero-COVID strategy leading to recurrent mobility restrictions and deteriorating prospects for construction sector employment

**India** – The economy is expected to record a growth of 9 % and 7.1 % in 2022 and 2023 respectively on account of expected improvements to credit growth and subsequent investment and consumption building on better than anticipated performance of the financial sector.

**Brazil** - The growth outlook has also weakened in Brazil, where the fight against inflation has prompted a strong monetary policy response, which is expected to weigh on domestic demand.

**Mexico** – Rising inflation continues to be a concern in the economy suppressing growth. In addition, the US downgrade brings with it the prospect of weaker-than-expected external demand for Mexico in 2022.

**Russia** - The forecast is marginally marked down because of a weak harvest and a worse-than-expected third wave.

**South Africa** - South Africa's growth forecast is downgraded in light of a softer-than-expected second half in 2021 and a weaker outlook for investment as business sentiment remains subdued.

**Japan** – Japanese economy is expected to grow by 3.3 % and 1.8 % in 2022 and 2023 respectively due to anticipated improvements in external demand and continued fiscal support.

### Major observations of the report

The key observations of the report are as follows:-

- The emergence of new COVID-19 variants could prolong the pandemic and induce renewed economic disruptions.
- Supply chain disruptions, energy price volatility, and localized wage pressures mean uncertainty around inflation and policy paths is high.
- As advanced economies lift policy rates, risks to financial stability and emerging market and developing economies' capital flows, currencies, and fiscal positions—especially with debt levels having increased significantly in the past two years—may emerge.
- Other global risks may crystallize as geopolitical tensions remain high, and the ongoing climate emergency means that the probability of major natural disasters remains elevated.
- Emphasis on global health strategy should be more pronounced to abate risks pertaining to the pandemic along with worldwide access to vaccines, tests, and treatments to reduce the risk of further dangerous COVID-19 variants.
- Monetary policy in many countries will need to continue on a tightening path to curb inflation pressures, while fiscal policy—operating with more limited space than earlier in the pandemic—will need to prioritize health and social spending while focusing support on the worst affected.
- International cooperation will be essential to preserve access to liquidity and expedite orderly debt restructurings where needed. Investing in climate policies remains imperative to reduce the risk of catastrophic climate change.

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

Particulars	2020	2021	Projections	
			2022f	2023f
World Output	-3.1	5.9	4.4	3.8
<b>Advanced Economies</b>	<b>-4.5</b>	<b>5</b>	<b>3.9</b>	<b>2.6</b>
USA	-3.4	5.6	4	2.6
Euro Area	-6.4	5.2	3.9	2.5
Germany	-4.6	2.7	3.8	2.5
France	-8	6.7	3.5	1.8
Italy	-8.9	6.2	3.8	2.2
Spain	-10.8	4.9	5.8	3.8
Japan	-4.5	1.6	3.3	1.8
UK	-9.4	7.2	4.7	2.3
Canada	-5.2	4.7	4.1	2.8
Other Advanced Economies*	-1.9	4.7	3.6	2.9
<b>Emerging Market and Developing Economies</b>	<b>-2</b>	<b>6.5</b>	<b>4.8</b>	<b>4.7</b>
<b>Emerging and Developing Asia</b>	<b>-0.9</b>	<b>7.2</b>	<b>5.9</b>	<b>5.8</b>
China	2.3	8.1	4.8	5.2
India**	-7.3	9	9	7.1
ASEAN-5***	-3.4	3.1	5.6	6
<b>Emerging and Developing Europe</b>	<b>-1.8</b>	<b>6.5</b>	<b>3.5</b>	<b>2.9</b>
Russia	-2.7	4.5	2.8	2.1
<b>Latin America and the Caribbean</b>	<b>-6.9</b>	<b>6.8</b>	<b>2.4</b>	<b>2.6</b>
Brazil	-3.9	4.7	0.3	1.6
Mexico	-8.2	5.3	2.8	2.7
<b>Middle East and Central Asia</b>	<b>-2.8</b>	<b>4.2</b>	<b>4.3</b>	<b>3.6</b>
Saudi Arabia	-4.1	2.9	4.8	2.8
<b>Sub-Saharan Africa</b>	<b>-1.7</b>	<b>4</b>	<b>3.7</b>	<b>4</b>
Nigeria	-1.8	3	2.7	2.7
South Africa	-6.4	4.6	1.9	1.4
<b>World Trade Volume# ( Goods &amp; Services)</b>	<b>-8.2</b>	<b>9.3</b>	<b>6</b>	<b>4.9</b>

Note: Real effective exchange rates are assumed to remain constant at the levels prevailing during December 10, 2021--January 7, 2022. Economies are listed on the basis of economic size. Source: IMF, \*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 the fiscal year 2011/12 as a base year. \*\*\* Indonesia, Malaysia, Philippines, Thailand, Vietnam. # Simple average of growth rates for export and import volumes (goods and services)

f = forecast

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