

IMF World Economic Outlook (WEO), July 2022

**Global Economy is projected to grow by (+) 3.2 % in 2022.
India to grow at a rate of 7.4 % in 2022 and 6.1 % in 2023.**

Projected Global Economy Growth: (+) 3.2 % in 2022 and 2.9 % in 2023

- According to the flagship report of IMF - 'World Economic Outlook' released on 27th July 2022, the global economy is projected to grow by (+) 3.2 % in 2022. (Table) . The recovery in 2021 has been followed by increasingly gloomy developments in 2022 as risks began to materialize.
- Global output has contracted in the second quarter of this year, owing to downturns in China and Russia, while US consumer spending undershot expectations. Several shocks have hit a world economy that has been already weakened by the pandemic namely higher-than-expected inflation worldwide , especially in the United States , and major European economies triggering tighter financial conditions , worse-than-anticipated slowdown in China due to COVID- 19 outbreaks and lockdowns and further negative spillovers from the war in Ukraine.

Projected Growth in Advanced Economies is (+) 2.5 % and EMDEs (+) 3.6 % in 2022.

- **Advanced Economies** are projected to expand by (+) 2.5 % in 2022 which includes the USA (+ 2.3 %), Japan (+ 1.7%), the United Kingdom (+ 3.2 %), Germany (+1.2 %), France (+2.3 %), Italy (+3.0%), and Spain (+4 %).
- The group of **emerging markets and developing economies (EMDEs)** is projected to expand by +3.6 % in 2022.
- *Indian economy is expected to record a growth of 7.4 % in 2022 as against 8.2 % predicted in WEO, January 2022 .*

Projected Growth in Global Trade is (+) 4.1 % in 2022 and (+) 3.2 % in 2023.

- Global trade is expected to grow by 4.1 % in 2022 and 3.2 % in 2023 and will slow by more than previously expected due to decline in global demand and supply chain problems . The dollar's appreciation in 2022 also will contribute to the slowdown in the world trade growth considering the dollar's dominant role in trade invoicing as well as negative financial balance sheet effects on demand and imports in countries with dollar-denominated liabilities

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

USA – The forecast for the economy has been revised downwards owing to weaker-than-expected growth in the first two quarters of 2022, with significantly less momentum in private consumption, in part reflecting the erosion of household purchasing power and the expected impact of a steeper tightening in monetary policy

Europe - Growth in the euro area is also revised down due to spillovers from the war in Ukraine as well as the assumption of tighter financial conditions, with the European Central Bank ending net asset purchases and raising rates in July 2022 for the first time since 2011. In a number of European economies, NextGenerationEU funds are supporting economic activity

India –The outlook for India has been revised downward majorly due to less favorable external conditions and more rapid policy tightening

Emerging & Developing Europe – The Real GDP for emerging & developing Europe is expected to contract due to stronger-than-expected Russian export growth in 2022 and the recently announced additional sanctions on Russia in 2023.

Latin America and the Caribbean – The region has also seen an upward revision in 2022 as a result of a more robust recovery in the large economies (Brazil, Mexico, Colombia, Chile)

Middle East and Central Asia and Sub-Saharan Africa - The outlooks for countries in the Middle East and Central Asia and sub-Saharan Africa remain on an average unchanged or positive, reflecting the effects of elevated fossil fuel and metal prices for some commodity-exporting countries

Major observations of the report

The key observations of the report are as follows:-

- The war in Ukraine could lead to a sudden stop of European gas imports from Russia
- Inflation could be harder to bring down than anticipated either if labor markets are tighter than expected or inflation expectations unanchor
- Tighter global financial conditions could induce debt distress in emerging market and developing economies . Targeted fiscal support can help cushion the impact on the most vulnerable, but with government budgets stretched by the pandemic and the need for a disinflationary overall macroeconomic policy stance, such policies will need to be offset by increased taxes or lower government spending.
- Renewed COVID-19 outbreaks and lockdowns as well as a further escalation of the property sector crisis might further suppress Chinese growth
- Geopolitical fragmentation could impede global trade and cooperation. A plausible alternative scenario in which risks materialize, inflation rises further, and global growth declines to about 2.6 % and 2.0 % in 2022 and 2023, respectively, would put growth in the bottom 10 % of outcomes since 1970.
- Tighter monetary conditions will also affect financial stability, requiring judicious use of macroprudential tools and making reforms to debt resolution frameworks all the more necessary. Thus , the policies to address specific impacts on energy and food prices should focus on those most affected without distorting prices.

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

Particulars	2021	Projections	
		2022f	2023f
World Output	6.1	3.2	2.9
Advanced Economies	5.2	2.5	1.4
USA	5.7	2.3	1
Euro Area	5.4	2.6	1.2
Germany	2.9	1.2	0.8
France	6.8	2.3	1
Italy	6.6	3	0.7
Spain	5.1	4	2
Japan	1.7	1.7	1.7
UK	7.4	3.2	0.5
Canada	4.5	3.4	1.8
Other Advanced Economies*	5.1	2.9	2.7
Emerging Market and Developing Economies	6.8	3.6	3.9
Emerging and Developing Asia	7.3	4.6	5
China	8.1	3.3	4.6
India**	8.7	7.4	6.1
ASEAN-5***	3.4	5.3	5.1
Emerging and Developing Europe	6.7	-1.4	0.9
Russia	4.7	-6	-3.5
Latin America and the Caribbean	6.9	3	2
Brazil	4.6	1.7	1.1
Mexico	4.8	2.4	1.2
Middle East and Central Asia	5.8	4.8	3.5
Saudi Arabia	3.2	7.6	3.7
Sub-Saharan Africa	4.6	3.8	4
Nigeria	3.6	3.4	3.2
South Africa	4.9	2.3	1.4
World Trade Volume# (Goods & Services)	10.1	4.1	3.2

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

Analysis By: GJEPC Statistics & Trade Research Department
