

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

**Global Economy is projected to grow by (+) 3.2 % in 2022.  
India to grow at a rate of 6.8 % in 2022 and 6.1 % in 2023.**

### **Projected Global Economy Growth: (+) 3.2 % in 2022 and 2.7 % in 2023**

- According to the flagship report of IMF - 'World Economic Outlook' released on 12<sup>th</sup> October 2022, the global economy is projected to grow by (+) 3.2 % in 2022. (Table) . The global economic activity is experiencing a broad-based and sharper-than-expected slowdown, with inflation higher than seen in several decades. The economic forecast is revised downwards majorly on account of the cost-of-living crisis, tightening financial conditions in most regions, Russia's invasion of Ukraine, and the lingering COVID-19 pandemic making it the weakest growth profile since 2001 except for the global financial crisis and the acute phase of the COVID-19 pandemic.
- The outlook also reflects significant slowdowns for the largest economies which a US GDP contraction in the first half of 2022, a euro area contraction in the second half of 2022, and prolonged COVID-19 outbreaks and lockdowns in China with a growing property sector crisis. About a third of the world economy faces two consecutive quarters of negative growth.

### **Projected Growth in Advanced Economies is (+) 2.4 % and EMDEs (+) 3.7 % in 2022.**

- **Advanced Economies** are projected to expand by (+) 2.5 % in 2022 which includes the USA (+ 1.6 %), Japan (+ 1.7%), the United Kingdom (+ 3.6 %), Germany (+1.5 %), France (+2.5 %), Italy (+3.2%), and Spain (+4.3 %).
- The group of **emerging markets and developing economies (EMDEs)** is projected to expand by +3.7 % in 2022.
- **Indian economy is expected to record a growth of 6.8 % in 2022 as against 7.4 % predicted in WEO, July 2022 .**

### **Projected Growth in Global Trade is (+) 4.3 % in 2022 and (+) 2.5 % in 2023.**

- Global trade is expected to grow by 4.1 % in 2022 and 3.2 % in 2023 and mainly reflects the decline in global output growth. Supply chain constraints , decrease in Chinese supply delivery times , continued lockdowns and restrictions on account of renewed covid-19 strains continue to halt recovery of global trade . The dollar's appreciation in 2022 is also one of the factors that have further slowed world trade growth, considering the dollar's dominant role in trade invoicing and the implied pass-through in consumer and producer prices outside the US

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

- **USA** - The growth in the United States in 2022 has been revised down reflecting the unexpected real GDP contraction in the second quarter. Declining real disposable income is expected to have an impact on the consumer demand, and higher interest rates are taking an important toll on spending, especially spending on residential investment.
- **UK** – A significant slowdown is also projected in the country as high inflation reduces purchasing power and tighter monetary policy takes a toll on consumer spending and business investment.
- **India** – The growth outlook for the country is revised downwards reflecting a weaker-than-expected outturn in the second quarter and more subdued external demand .
- **China** – The Chinese economy is projected to experience a downturn in its outlook owing to COVID-19 outbreaks and lockdowns in multiple localities, as well as the worsening property market crisis that have held back economic activity in China
- **ASEAN economies** – The growth in these economies is revised downwards due to less favorable external conditions, with slower growth in major trading partners such as China, the euro area, and the US; the decline in household purchasing power from higher food and energy prices; and in most cases, more rapid monetary policy tightening to bring inflation back to target
- **Europe** - The growth slowdown in the region is less pronounced than the United States in 2022 but is expected to deepen in 2023 .However In 2023 growth across Europe is expected to decline due to spillover effects from the war in Ukraine, with especially sharp downward revisions for economies most exposed to the Russian gas supply cuts, and tighter financial conditions, with the European Central Bank having ended net asset purchases and rapidly raising policy rates .
- **Latin America and Caribbean** – The growth for the region is revised upwards reflecting stronger-than-expected activity in the first half of 2022 on the back of favourable commodity prices, still-favourable external financing conditions, and the normalization of activities in contact-intensive sectors.

## Major observations of the report

The key observations of the report are as follows:-

- Monetary policy could miscalculate the right stance to reduce inflation.
- Policy paths in the largest economies could continue to diverge, leading to further US dollar appreciation and cross-border tensions
- More energy and food price shocks might cause inflation to persist for longer.
- Global tightening in financing conditions could trigger widespread emerging market debt distress. Halting gas supplies by Russia could depress output in Europe.
- A resurgence of COVID-19 or new global health scares might further stunt growth.
- A worsening of China's property sector crisis could spill over to the domestic banking sector and weigh heavily on the country's growth, with negative cross-border effects and geopolitical fragmentation could impede trade and capital flows, further hindering climate policy cooperation.

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

Particulars	2021	Projections	
		2022f	2023f
World Output	6	3.2	2.7
<b>Advanced Economies</b>	<b>5.2</b>	<b>2.4</b>	<b>1.1</b>
USA	5.7	1.6	1
Euro Area	5.2	3.1	0.5
Germany	2.6	1.5	-0.3
France	6.8	2.5	0.7
Italy	6.6	3.2	-0.2
Spain	5.1	4.3	1.2
Japan	1.7	1.7	1.6
UK	7.4	3.6	0.3
Canada	4.5	3.3	1.5
Other Advanced Economies*	5.3	2.8	2.3
<b>Emerging Market and Developing Economies</b>	<b>6.6</b>	<b>3.7</b>	<b>3.7</b>
<b>Emerging and Developing Asia</b>	<b>7.2</b>	<b>4.4</b>	<b>4.9</b>
China	8.1	3.2	4.4
India**	8.7	6.8	6.1
ASEAN-5***	3.4	5.3	4.9
<b>Emerging and Developing Europe</b>	<b>6.8</b>	<b>0</b>	<b>0.6</b>
Russia	4.7	-3.4	-2.3
<b>Latin America and the Caribbean</b>	<b>6.9</b>	<b>3.5</b>	<b>1.7</b>
Brazil	4.6	2.8	1
Mexico	4.8	2.1	1.2
<b>Middle East and Central Asia</b>	<b>4.5</b>	<b>5</b>	<b>3.6</b>
Saudi Arabia	3.2	7.6	3.7
<b>Sub-Saharan Africa</b>	<b>4.7</b>	<b>3.6</b>	<b>3.7</b>
Nigeria	3.6	3.2	3
South Africa	4.9	2.1	1.1
<b>World Trade Volume# ( Goods &amp; Services)</b>	<b>10.1</b>	<b>4.3</b>	<b>2.5</b>

Source: IMF staff estimates. Note: Real effective exchange rates are assumed to remain constant at the levels prevailing during July22 , 2022–August 19 , 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

\*\*\*